

AerCap Holdings N.V.
Form 20-F
March 09, 2018

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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, 2017

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 House
65 St. Stephen's Green
Dublin 2
Ireland
+ 353 1 819 2010**

(Address of principal executive offices)

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Telephone number: +353 1 819 2010, Fax number: +353 1 672 0270

(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
Ordinary Shares

Name of each exchange on which registered
The New York Stock Exchange

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

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

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

Ordinary Shares, Euro 0.01 par value

152,992,101

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

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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 Emerging growth company
smaller reporting company)

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

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Share Repurchase from AIG	The repurchase by AerCap of 15,698,588 of its ordinary shares from AIG for consideration equal to \$750 million on June 9, 2015
SPE	Special purpose entity
U.S. GAAP	Accounting Principles Generally Accepted in the United States of America
VIE	Variable interest entity
Waha	Waha Capital PJSC

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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 Risk Factors 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;

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

the effects of terrorist attacks on the aviation industry and on our operations;

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

development of increased government regulation, including regulation of trade and the imposition of import and export controls, tariffs and other trade barriers;

competitive pressures within the industry;

the negotiation of aircraft management services contracts;

regulatory changes affecting commercial aircraft operators, aircraft maintenance, engine standards, accounting standards and taxes; and

the risks set forth in "Item 3. Key Information Risk Factors" included in this annual report.

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

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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

Selected financial data

The following tables present 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, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 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, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013 was derived from AerCap Holdings N.V.'s audited Consolidated Financial Statements not included in this annual report.

Table of Contents**Consolidated Balance Sheet Data**

	As of December 31,				
	2017	2016	2015	2014	2013
	(U.S. Dollars in thousands)				
Assets					
Cash and cash equivalents	\$ 1,659,669	\$ 2,035,447	\$ 2,403,098	\$ 1,490,369	\$ 295,514
Restricted cash	364,456	329,180	419,447	717,388	272,787
Flight equipment held for operating leases, net	32,396,827	31,501,973	32,219,494	31,984,668	8,085,947
Maintenance rights intangible and lease premium, net	1,501,858	2,167,925	3,139,045	3,906,026	9,354
Prepayments on flight equipment	2,930,303	3,265,979	3,300,426	3,486,514	223,815
Other assets	3,187,031	2,319,949	2,267,989	2,134,928	451,825
Total Assets	\$ 42,040,144	\$ 41,620,453	\$ 43,749,499	\$ 43,719,893	\$ 9,339,242
Liabilities and Equity					
Debt	28,420,739	27,716,999	29,641,863	30,254,905	6,124,993
Other liabilities	4,980,591	5,321,190	5,681,827	5,522,440	785,017
<i>Total Liabilities</i>	33,401,330	33,038,189	35,323,690	35,777,345	6,910,010
Total AerCap Holdings N.V. shareholders' equity	8,579,710	8,524,447	8,348,963	7,863,777	2,425,372
Non-controlling interest	59,104	57,817	76,846	78,771	3,860
<i>Total Equity</i>	8,638,814	8,582,264	8,425,809	7,942,548	2,429,232
Total Liabilities and Equity	\$ 42,040,144	\$ 41,620,453	\$ 43,749,499	\$ 43,719,893	\$ 9,339,242

Table of Contents**Consolidated Income Statement Data**

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(U.S. Dollars in thousands, except share and per share data)				
Revenues and other income					
Lease revenue	\$ 4,713,802	\$ 4,867,623	\$ 4,991,551	\$ 3,449,571	\$ 976,147
Net gain on sale of assets	229,093	138,522	183,328	37,497	41,873
Other income	94,598	145,986	112,676	104,491	32,046
Total Revenues and other income	5,037,493	5,152,131	5,287,555	3,591,559	1,050,066
Expenses					
Depreciation and amortization	1,727,296	1,791,336	1,843,003	1,282,228	337,730
Asset impairment	61,286	81,607	16,335	21,828	26,155
Interest expense	1,112,391	1,091,861	1,099,884	780,349	226,329
Other operating expenses	537,752	582,530	522,413	141,572	49,023
Transaction, integration and restructuring related expenses	14,605	53,389	58,913	148,792	10,959
Selling, general and administrative expenses	348,291	351,012	381,308	299,892	89,079
Total Expenses	3,801,621	3,951,735	3,921,856	2,674,661	739,275
Income before income taxes and income of investments accounted for under the equity method	1,235,872	1,200,396	1,365,699	916,898	310,791
Provision for income taxes	(164,718)	(173,496)	(189,805)	(137,373)	(26,026)
Equity in net earnings of investments accounted for under the equity method	9,199	12,616	1,278	28,973	10,637
Net income	\$ 1,080,353	\$ 1,039,516	\$ 1,177,172	\$ 808,498	\$ 295,402
Net (income) loss attributable to non-controlling interest	(4,202)	7,114	1,558	1,949	(2,992)
Net income attributable to AerCap Holdings N.V.	\$ 1,076,151	\$ 1,046,630	\$ 1,178,730	\$ 810,447	\$ 292,410
Basic earnings per share	\$ 6.68	\$ 5.64	\$ 5.78	\$ 4.61	\$ 2.58
Diluted earnings per share	\$ 6.43	\$ 5.52	\$ 5.72	\$ 4.54	\$ 2.54

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RISK FACTORS

Risks related to our business

We require significant capital to fund our business.

As of December 31, 2017, we had 438 new aircraft on order, which will require substantial aircraft purchase contract payments. In order to meet these commitments and to maintain an adequate level of unrestricted cash, we will need to raise additional funds by accessing committed debt facilities, securing additional financing from banks or through capital markets transactions, or possibly by selling aircraft. Our typical sources of funding may not be sufficient to meet our liquidity needs, in which case we may be required to raise capital from new sources, including by issuing new types of debt, equity or hybrid securities. The issuance of additional equity may be dilutive to existing shareholders or otherwise may be on terms not favorable to us or existing shareholders.

If we are unable to meet our aircraft purchase commitments as they come due, we will be subject to several risks, including:

forfeiting deposits and progress payments to manufacturers and having to pay certain significant costs related to these commitments such as actual damages and legal, accounting and financial advisory expenses;

defaulting on our lease commitments, which could result in monetary damages and strained relationships with lessees;

failing to realize the benefits of purchasing and leasing such aircraft; and

risking harm to our business reputation, which would make it more difficult to purchase and lease aircraft in the future on agreeable terms, if at all.

Any of these events could materially and adversely affect our financial results.

To service our debt and meet our other cash needs, we will require a significant amount of cash, which may not be available.

Our ability to make payments on, or repay or refinance, our debt, will depend largely upon our future operating performance. Our future performance, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, our ability to borrow funds in the future to make payments on our debt will depend on our maintaining specified financial ratios and satisfying financial condition tests and other covenants in the agreements governing our debt. Our business may not generate sufficient cash flow from operations and future borrowings may not be available in amounts sufficient to pay our debt and to satisfy our other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to seek alternatives, such as to reduce or delay investments and aircraft purchases, or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and might require us to comply with more onerous covenants, which could further restrict our business operations. The terms of our debt instruments may restrict us from adopting some of these alternatives. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations or to meet our aircraft purchase commitments as they come due.

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Despite our substantial indebtedness, we might incur significantly more debt.

Despite our current indebtedness levels, we expect to incur additional debt in the future to finance our operations, including purchasing aircraft and meeting our contractual obligations. The agreements relating to our debt, including our indentures, term loan facilities, ECA guaranteed financings, revolving credit facilities, securitizations, and other financings do not prohibit us from incurring additional debt. As of December 31, 2017, we had approximately \$6.7 billion of undrawn lines of credit available under our credit and term loan facilities, subject to certain conditions, including compliance with certain financial covenants. If we increase our total indebtedness, our debt service obligations will increase, and we will become more exposed to the risks arising from our substantial level of indebtedness.

Our level of indebtedness, which requires significant debt service payments, could adversely impact our operating flexibility and financial results.

The principal amount of our outstanding indebtedness, which excludes fair value adjustments of \$0.3 billion and debt issuance costs and debt discounts of \$0.2 billion, was approximately \$28.3 billion as of December 31, 2017 (approximately 67% of our total assets as of December 31, 2017), and our interest payments were \$1.2 billion for the year ended December 31, 2017. Due to the capital-intensive nature of our business, we expect that we will incur additional indebtedness in the future and continue to maintain significant levels of indebtedness.

Our level of indebtedness:

requires 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 on favorable terms or at all 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.

An increase in our cost of borrowing or changes in interest rates may adversely affect our net income.

We use a mix of fixed rate and floating rate debt to finance our business. Any increase in our cost of borrowing directly impacts our net income. Our cost of borrowing is affected primarily by the market's assessment of our credit risk and fluctuations in interest rates and general market conditions. Interest rates that we obtain on our debt financings can fluctuate based on, among other things, changes in views of our credit risk, fluctuations in U.S. Treasury rates and LIBOR rates, as applicable, changes in credit spreads and swap spreads, and the duration of the debt being issued. Increased interest rates prevailing in the market at the time of our incurrence of new debt will also increase our interest expense. If interest rates increase, we will be obligated to make higher interest payments to the lenders of our floating rate debt to the extent that it is not hedged. Please refer to "Item 11 Quantitative and Qualitative Disclosures About Market Risk Interest rate risk" for further details on our interest rate risk. In addition, we are exposed to the credit risk that the counterparties to our derivative contracts will default on their obligations.

Moreover, if interest rates were to rise sharply, we would not be able to fully offset immediately the negative impact on our net income by increasing lease rates, even if the market were able to bear the increased lease rates. Our leases are generally for multiple years with fixed lease rates over the life of the lease and, therefore, lags will exist because our lease rates with respect to a particular aircraft cannot generally be increased until the expiration of the lease.

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Decreases in interest rates may also adversely affect our interest revenue on cash deposits as well as lease revenue generated from leases with lease rates tied to floating interest rates. During the year ended December 31, 2017, approximately 4.9% of our basic lease rents from aircraft under operating leases was derived from such leases. 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 than if no interest rate decrease had occurred and our lease revenue will be adversely affected.

Negative changes in our credit ratings may limit our ability to obtain financing or increase our borrowing costs, which could adversely impact our financial results.

We are currently subject to periodic review by independent credit rating agencies S&P, Moody's and Fitch, each of which currently maintains an investment grade rating with respect to us. Our ability to obtain secured or unsecured debt financing and our cost of secured or unsecured debt financing is dependent, in part, on our credit ratings. Maintaining our credit ratings depends in part on strong financial results and in part on other factors, including the outlook of the rating agencies on our sector and on the market generally. A credit rating downgrade could negatively impact our ability to obtain secured or unsecured financing and increase our borrowing costs.

We cannot assure you that these credit ratings will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn. Ratings are not a recommendation to buy, sell or hold any security, and each agency's rating should be evaluated independently of any other agency's rating. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade, could increase our corporate borrowing costs and limit our access to the capital markets, which could adversely impact our financial results.

The agreements governing our debt contain various covenants that impose restrictions on us that may affect our ability to operate our business.

Certain of our indentures, term loan facilities, ECA guaranteed financings, revolving credit facilities, securitizations, other commercial bank financings, and other agreements governing our debt impose operating and financial restrictions on our activities that limit or prohibit our ability to, among other things:

incur additional indebtedness;

create liens on assets;

sell certain assets;

make certain investments, loans, guarantees or advances;

declare or pay certain dividends and distributions;

make certain acquisitions;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

enter into transactions with our affiliates;

change the business conducted by the borrowers and their respective subsidiaries;

enter into a securitization transaction unless certain conditions are met; and

access cash in restricted bank accounts.

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The agreements governing certain of our indebtedness also contain financial covenants, including requirements that we comply with certain loan-to-value, interest coverage and leverage ratios. These restrictions could impede our ability to operate our business by, among other things, limiting our ability to take advantage of financing, merger and acquisition and other corporate opportunities.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants and maintain these financial tests and ratios. Failure to comply with any of the covenants in our financing agreements would result in a default under those agreements and could result in a default under other agreements containing cross default provisions. Under these circumstances, we may have insufficient funds or other resources to satisfy all our obligations.

We may be unable to generate sufficient returns on our aircraft investments.

Our results depend on our ability to consistently acquire strategically attractive aircraft, continually and profitably lease and re-lease them, and finally sell or otherwise dispose of them, in order to generate returns on the investments we have made, provide cash to finance our growth and operations, and service our existing debt. Upon acquiring new aircraft we may not be able to enter into leases that generate sufficient cash flow to justify the cost of purchase. When our leases expire or our aircraft are returned prior to the date contemplated in the lease, we bear the risk of re-leasing, selling or parting-out the aircraft. Because our leases are predominantly operating leases, only a portion of an aircraft's value is recovered by the revenues generated from the lease and we may not be able to realize the aircraft's residual value after lease expiration.

Our ability to profitably purchase, lease, re-lease, sell or otherwise dispose of our aircraft will depend on conditions in the airline industry and general market and competitive conditions at the time of purchase, lease, and disposition. In addition to factors linked to the aviation industry in general, other factors that may affect our ability to generate adequate returns from our aircraft include the maintenance and operating history of the airframe and engines, the number of operators using the particular type of aircraft, and aircraft age.

Customer demand for certain types of our aircraft may decline.

Aircraft are long-lived assets and demand for a particular model and type of aircraft can change over time. Demand may decline for a variety of reasons, including obsolescence following the introduction of newer technologies, market saturation due to increased production rates, technical problems associated with a particular model, new manufacturers entering the marketplace or existing manufacturers entering new market segments, additional governmental regulation such as environmental rules or aircraft age limitations, or the overall health of the airline industry.

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The supply and demand for aircraft is affected by various factors that are outside of our control, including:

passenger and air cargo demand;

fuel costs, inflation and general economic conditions;

geopolitical events, including war, prolonged armed conflict and acts of terrorism;

epidemics and natural disasters;

governmental regulation, including regulation of trade, such as the imposition of import and export controls, tariffs and other trade barriers;

interest rates;

the availability and cost of financing;

airline restructurings and bankruptcies;

manufacturer production levels and technological innovation;

manufacturers merging, entering or exiting the industry;

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.

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

In addition, recent and future political developments, including developments as a result of the policies of the current U.S. presidential administration or policies pursued in Europe, could result in increased regulation of trade, which could adversely impact demand for aircraft.

As demand for particular aircraft declines as a result of any of these factors, lease rates for that type of aircraft are likely to correspondingly decline, the residual values of that type of aircraft could be negatively impacted, and we may be unable to lease such aircraft on favorable terms, if at all. In addition, the risks associated with a decline in demand for a particular aircraft model or type increase if we acquire a high concentration of such aircraft. For example, as of December 31, 2017, we had 438 new aircraft on order, including 222 Airbus A320neo Family

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aircraft, 104 Boeing 737MAX aircraft, 53 Boeing 787 aircraft, 50 Embraer E-Jets E2 aircraft, and nine Airbus A350 aircraft. If demand declines for a model or type of aircraft of which we own or will acquire a relatively high concentration, it could materially and adversely affect our financial results.

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The value and lease rates of our aircraft could decline.

Aircraft values and lease rates have occasionally experienced sharp decreases due to a number of factors, including, but not limited to, decreases in passenger air travel and air cargo demand, changes in fuel costs, inflation, government regulation and changes 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 geographical area where the aircraft is based and operates;
- the number of operators using a particular 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 the aircraft;
- any renegotiation of a lease on less favorable terms;
- the negotiability of clear title free from mechanic's 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 creditworthiness of lessees;
- compatibility of 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 or lease rates of our aircraft that results from the above factors or other factors may have a material adverse effect on 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 primarily comprised of major aircraft leasing companies, but we may also encounter competition from other entities such as:

- airlines;

aircraft manufacturers;

financial institutions, including those seeking to dispose of repossessed aircraft at distressed prices;

aircraft brokers;

public and private partnerships, investors and funds with excess capital to invest in aircraft and engines; and

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

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

Our financial condition is dependent, in part, on the financial strength of our lessees.

Our financial condition depends on the ability of lessees to perform their payment and other obligations to us under our leases. We generate 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 depends primarily on their financial condition and cash flows, which may be affected by factors outside our control, including:

passenger air travel and air cargo demand;

competition;

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

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;

the availability of financial or other governmental support extended to a lessee; and

governmental regulation and associated fees affecting the air transportation business, including restrictions on carbon emissions and other environmental regulations, and fly-over restrictions imposed by route authorities.

Generally, airlines with high financial leverage are more likely than airlines with stronger balance sheets to be affected, and affected more quickly, by the factors listed above. Such airlines are also more likely to seek operating leases.

Any 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 that they will delay, reduce or fail to make rental payments when due. At any point in time, our lessees may be significantly in arrears. 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. Moreover, we may not correctly assess the credit risk of each lessee or charge lease rates that incorrectly reflect related risks. Many of our lessees are not rated investment grade by the principal U.S. rating agencies and may be more likely to suffer liquidity problems than those that are so rated.

If lessees of a significant number of our aircraft fail to perform their obligations to us, our financial results and cash flows will be materially and adversely affected.

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A return to historically high fuel prices or continued volatility in fuel prices could affect the profitability of the aviation industry and our lessees' ability to meet their lease payment obligations to us.

Historically, fuel prices have fluctuated widely depending primarily on international market conditions, geopolitical and environmental events and currency exchange rates. Factors such as natural disasters can also significantly affect fuel availability and prices. The cost of fuel represents a major expense to airlines that is not within their control, and significant increases in fuel costs or hedges that inaccurately assess the direction of fuel costs can materially and adversely affect their operating results. 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. The profitability and liquidity of those airlines that do hedge their fuel costs can also be adversely affected by swift movements in fuel prices, if such airlines are required as a result to post cash collateral under hedge agreements. Therefore, if for any reason fuel prices return to historically high levels or show significant volatility, our lessees are likely to incur higher costs or generate lower revenues, which may affect their ability to meet their obligations to us.

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 can be 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 provide equity financing as an alternative, our lessees' operations and operating results may be materially and adversely affected and they may not comply with their respective payment obligations to us.

A 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.

In recent years, the European Union (the "EU") has faced both financial and political turmoil which, if it continues or worsens, could have a material adverse effect on our business. For example, following the global financial crisis of 2008, several countries in Europe faced a sovereign debt crisis (commonly referred to as the "European Debt Crisis") that negatively affected economic activity in that region and adversely affected the strength of the euro versus the U.S. dollar and other currencies. Although some of these countries are no longer facing a serious debt crisis, the lingering effects of the European Debt Crisis are unclear and may have a material adverse effect on our business, particularly if any European countries face sovereign debt default. Furthermore, concerns exist regarding the sovereign debt of certain Latin American countries, including Venezuela. If Venezuela or any other country faces a sovereign debt crisis, it could adversely affect the global banking system, due to its exposure to the sovereign debt and the imposition of stricter capital requirements. A sovereign debt crisis may also lower consumer confidence, which could adversely affect global economic conditions, and adverse changes in the global banking system or global economy may have a material adverse effect on our business.

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Adverse conditions and disruptions in European economies could have a material adverse effect on our business.

Our business can be affected by a number of factors that are beyond our control, such as general geopolitical, economic and business conditions. Political uncertainty has created financial and economic uncertainty, including as a result of the United Kingdom's June 2016 referendum to withdraw from the EU (commonly referred to as "Brexit"). The economic consequences of Brexit, including the possible repeal of open-skies agreements, could have a material adverse effect on our business. Further, many of the structural issues facing the EU following the European Debt Crisis and Brexit remain, and problems could resurface that could affect financial market conditions, and, possibly, our business, results of operations, financial condition and liquidity, particularly if they lead to the exit of one or more countries from the European Monetary Union (the "EMU") or the exit of additional countries from the EU. If one or more countries exits the EMU, there would be significant uncertainty with respect to outstanding obligations of counterparties and debtors in any exiting country, whether sovereign or otherwise, and it would likely lead to complex and lengthy disputes and litigation. Additionally, it is possible that political events in Europe could lead to the complete dissolution of the EMU or EU. The partial or full breakup of the EMU or EU would be unprecedented and its impact highly uncertain, including with respect to our business.

If the effects of terrorist attacks, war or armed hostilities adversely affect the financial condition of the airline industry, our lessees might not be able to meet their lease payment obligations to us.

Terrorist attacks, war or armed hostilities, or the fear of such events, have historically had a negative impact on the aviation industry and could 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 or concerns about the safety of flying;

the imposition of "no-fly zone" or other restrictions on commercial airline traffic in certain regions;

uncertainty of the price and availability of jet fuel and the cost and practicability of obtaining fuel hedges;

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, or the unavailability of certain types of insurance;

inability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of such events;

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, economic conditions and airline reorganizations; and

an airline becoming insolvent and/or ceasing operations.

For example, 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 increased, passenger and cargo demand for air travel decreased, and operators faced difficulties in acquiring war risk and other insurance at reasonable costs. Sanctions against Russia, uncertainty regarding tensions between Ukraine and Russia, the situation in Iraq and Syria, the Israeli/Palestinian conflict, tension over the nuclear program of North Korea, political instability in the Middle East and North Africa,

the territorial disputes between Japan and China and the recent tensions in the South China Sea could lead to further instability in these regions.

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Terrorist attacks, war or armed hostilities, or the fear of such events, in these or any other regions, could adversely affect the aviation industry and the financial condition and liquidity of our lessees, as well as aircraft values and rental rates. In addition, such events might cause certain aviation insurance to become available only at significantly increased premiums or with reduced amounts of coverage that are insufficient to comply with the current requirements of aircraft lenders and lessors or with applicable government regulations, or not to be available at all. Although some governments provide for limited coverage under government programs for specified types of aviation insurance, these programs may not be available at the relevant time or governments may not pay under these programs in a timely fashion.

Such events are likely to cause our lessees to incur higher costs and to generate lower revenues, which could result in a material adverse effect on their financial condition and liquidity, including their ability to make rental and other lease payments to us or to obtain the types and amounts of insurance we require. This in turn could lead to aircraft groundings or additional lease restructurings and repossessions, increase our cost of re-leasing or selling aircraft, impair our ability to re-lease or otherwise dispose of aircraft on favorable terms or at all, or reduce the proceeds we receive for our aircraft in a disposition.

The effects of epidemic diseases and natural disasters, such as extreme weather conditions, floods, earthquakes and volcano eruptions, may adversely affect our lessees' ability to meet their lease payment obligations to us.

The outbreak of epidemic diseases, such as previously experienced with Ebola, measles, Severe Acute Respiratory Syndrome (SARS), H1N1 (swine flu) and Zika virus, could materially and adversely affect passenger demand for air travel. Similarly, the lack of air travel demand 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 materially and adversely affect our financial results.

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 if at all.

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Our lessees may fail to properly maintain our aircraft.

We may be exposed to increased maintenance costs for our leased aircraft if lessees fail to properly maintain the aircraft or pay supplemental maintenance rents. Under our leases, our lessees are primarily responsible for maintaining our 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. We also require many of our lessees to pay us supplemental maintenance rents. If a lessee fails to perform required maintenance on our aircraft during the term of the lease, the aircraft's market value may decline, which would result in lower revenues from its subsequent lease or sale, or the aircraft might be grounded. Maintenance failures by a lessee would also likely require us to incur maintenance and modification costs, which could be substantial, upon the termination of the applicable lease to restore the aircraft to an acceptable condition prior to sale or re-leasing. Supplemental maintenance rents paid by our lessees may not be sufficient to fund such maintenance costs. If our lessees fail to meet their obligations to pay supplemental maintenance rents or fail to perform required scheduled maintenance, or if we are required to incur unexpected maintenance costs, our financial results may be materially and adversely affected.

Our lessees may fail to adequately insure our aircraft.

While an aircraft is on lease, we do not directly control its operation. Nevertheless, because we hold title to the aircraft, we could be held liable for losses resulting from its operation under one or more legal theories in certain jurisdictions around the world, or at a minimum, we might be required to expend resources in our defense. We require our lessees to obtain specified levels of insurance and indemnify us for, and insure against, such operational liabilities. However, some lessees may fail to maintain adequate insurance coverage during a lease term, which, although constituting a breach of the lease, would require us to take some corrective action, such as terminating the lease or securing insurance for the aircraft.

In addition, there are certain risks of losses our lessees face that insurers may be unwilling to cover or for which the cost of coverage would be prohibitively expensive. For example, following the terrorist attacks of September 11, 2001, aviation insurers significantly reduced the amount of coverage available to airlines for liability to persons other than airline employees or passengers for claims resulting from acts of terrorism, war or similar events and significantly increased the premiums for third party war risk and terrorism liability insurance and coverage in general. Therefore, our lessees' insurance coverage may not be sufficient to cover all claims that could be asserted against us arising from the operation of our aircraft.

Inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations to us 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. Moreover, our lessees' insurance coverage is dependent on the financial condition of insurance companies, which might not be able to pay claims. A reduction in insurance proceeds otherwise payable to us as a result of any of these factors could materially and adversely affect our financial results.

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If our lessees fail to cooperate in returning our aircraft following lease terminations, we may encounter obstacles and are likely to incur significant costs and expenses conducting repossessions.

Our legal rights and the relative difficulty of repossession vary significantly depending on the jurisdiction in which an aircraft is located and the applicable law. We may need to obtain a court order or consents for de-registration or re-export, a process that can differ substantially in different countries. Where a lessee or other operator flies only domestic routes in the jurisdiction in which the aircraft is registered, repossessing and exporting the aircraft may be challenging, especially if the jurisdiction permits the lessee or the other operator to resist de-registration. When a defaulting lessee is in bankruptcy, protective administration, insolvency or similar proceedings, additional limitations may apply. For example, 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. Certain of our lessees are partially or wholly owned by government-related entities, which can complicate our efforts to repossess our aircraft in that government's jurisdiction. If we encounter any of these difficulties, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in re-leasing the affected aircraft.

When conducting a repossession, we are likely to incur significant costs and expenses that are unlikely to be recouped. These 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. We must absorb the cost of lost revenue for the time the aircraft is off-lease. We may incur substantial maintenance, refurbishment or repair costs that a defaulting lessee has failed to pay and are necessary to put the aircraft in suitable condition for re-lease or sale. We may 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. It may be necessary to pay to discharge liens or pay 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.

Based on historical rates of airline defaults and bankruptcies, at least some of our lessees are likely to default on their lease obligations or file for bankruptcy in the ordinary course of our business. If we incur significant costs in repossessing our aircraft, our financial results may be materially and adversely affected.

If our lessees fail to discharge aircraft liens for which they are responsible, we may be obligated to pay to discharge the liens.

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, Eurocontrol and other air navigation charges, landing charges, crew wages, and other liens that may attach to our aircraft. Aircraft may also be subject to mechanic's liens as a result of routine maintenance performed by third parties on behalf of our customers. Some of these liens can secure substantial sums, and if they attach to entire fleets of aircraft, as permitted in certain jurisdictions for certain kinds of liens, they may exceed the value of the aircraft itself. Although the financial obligations relating to these liens are the contractual responsibility of our lessees, if they fail to fulfill their obligations, the liens may ultimately become our financial responsibility. Until they are discharged, these liens could impair our ability to repossess, re-lease or sell our aircraft or engines. 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. If we are obliged to pay a large amount to discharge a lien, or if we are unable take possession of our aircraft subject to a lien in a timely and cost-effective manner, it could materially and adversely affect our financial results.

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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, whereby 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 a 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.

If our lessees encounter financial difficulties and we restructure or terminate our leases, we are likely to obtain less favorable lease terms.

If a lessee delays, reduces, or fails to make rental payments when due, or has advised us that it will do so in the future, we may elect or be required to restructure or terminate the lease. A restructured lease will likely contain terms that are less favorable to us. If we are unable to agree on a restructuring and we terminate the lease, we may not receive all or any payments still outstanding, and we may be unable to re-lease the aircraft promptly and at favorable rates, if at all. We have conducted restructurings and terminations in the ordinary course of our business, and we expect more will occur in the future. If we are obligated to perform a significant number of restructurings and terminations, the associated reduction in lease revenue could materially and adversely affect our financial results and cash flows.

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.

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. New aircraft manufacturers, such as Mitsubishi Aircraft Corporation in Japan, JSC United Aircraft Corporation in Russia and Commercial Aircraft Corporation of China, Ltd. in China could produce aircraft that compete with current offerings from Airbus, Aerei da Trasporto Regionale (ATR), Boeing, Bombardier and Embraer. Additionally, new manufacturers may develop a narrowbody aircraft that competes with established aircraft types from Airbus and Boeing, putting downward price pressure on and decreasing the marketability of aircraft from Airbus and Boeing. New aircraft types that are introduced into the market could be more attractive for the target lessees of our aircraft. The development of more fuel-efficient engines could make aircraft in our portfolio with engines that are not as fuel-efficient less attractive to potential lessees. In addition, the imposition of increasingly stringent noise or emissions regulations may make some of our aircraft and engines less desirable in the marketplace. A decrease in demand for our aircraft as a result of any of these factors could materially and adversely affect our financial results.

Airbus and Boeing have launched new aircraft types, which could decrease the value and lease rates of aircraft in our fleet.

Airbus and Boeing have launched several new aircraft types in recent years, including the Boeing 787 Family, the Boeing 737MAX Family, the Boeing 777X, the Airbus A320neo Family, the Airbus A330neo Family, and the Airbus A350 Family. The availability of these new aircraft types, and potential variants of these new aircraft types, may have an adverse effect on residual value and future lease rates of older aircraft types and variants. The development of these new types and variants of such new types could decrease the desirability of the older types and variants and thereby increase the supply of the older types and variants in the marketplace. This increase in supply could, in turn, reduce both future residual values and lease rates for such older aircraft types and variants.

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From time to time, Airbus and Boeing have announced scheduled production increases, which could result in overcapacity and decrease the value and lease rates of aircraft in our fleet.

The market may not be able to absorb the scheduled production increases announced by Airbus and Boeing. If the additional capacity scheduled to be produced by the manufacturers exceeds demand, the resulting overcapacity could have a negative effect on aircraft values and lease rates. If overall lending to purchasers of aircraft does not increase in line with the increased aircraft production, the cost of lending or the ability to obtain debt to finance aircraft purchases could be negatively affected. Any such decrease in aircraft values and lease rates, or increase in the cost or availability of funding, could materially and adversely affect our financial results.

There are a limited number of aircraft and engine manufacturers and we depend on their ability to meet their obligations.

The supply of commercial jet aircraft is dominated by a small number of airframe and engine manufacturers. As a result, we are dependent on their ability to remain financially stable, manufacture products and related components that meet the airlines' demands and fulfill their contractual obligations to us. In the past we have experienced delays by the manufacturers in meeting their obligations to us and other third parties. If in the future the manufacturers fail to fulfill their contractual obligations to us, bring aircraft to market that do not meet customers' expectations, or do not respond appropriately to changes in the market environment, we may experience, among other things:

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 that 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 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;

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; and

technical or other difficulties with aircraft after delivery that subject such aircraft to operating restrictions or groundings, resulting in a decline in value and lease rates of such aircraft and impairing our ability to lease or dispose of such aircraft on favorable terms.

Moreover, our purchase agreements with manufacturers and the leases we have signed with our customers for future lease commitments are all subject to cancellation rights related to delays in delivery dates. Any manufacturer delays for aircraft that we have committed to lease could strain our relations with our customers, and cancellation of such leases by the lessees could have a material adverse effect on our financial results.

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Existing and future litigation against us could materially and adversely affect our business, financial position, liquidity or results of operations.

We are, and from time to time in the future may be, a defendant in lawsuits relating to our business. We cannot accurately predict the ultimate outcome of any litigation due to its inherent uncertainties. An unfavorable outcome could materially and adversely affect our business, financial position, liquidity or results of operations. In addition, regardless of the outcome of any litigation, we may be required to devote substantial resources and executive time to the defense of such actions. For a description of certain pending litigation involving our business, please refer to Note 29 *Commitments and contingencies* to our Consolidated Financial Statements included in this annual report.

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

We conduct our business in many countries. There are risks inherent in conducting our business internationally, including:

general political and economic instability in international markets;

limitations or the repatriation of our assets;

expropriation of our international assets; and

different liability standards and legal systems that may be less developed and less predictable than those in advanced economies.

Furthermore, the new U.S. presidential administration has proposed or is considering various actions that could affect U.S. trade policy or practices, which could, among other things, adversely affect travel to or from the United States. These factors may have a material and adverse effect on our financial results.

We may enter into strategic ventures that pose risks, including a lack of complete control over the enterprise, and potential unforeseen risks, any of which could adversely impact our financial results.

We may occasionally enter into strategic ventures or investments with third parties in order to take advantage of favorable financing opportunities, to share capital or operating risk, or to earn aircraft management fees. These strategic ventures and investments may subject us to various risks, including those arising from our possessing limited decision-making rights in the enterprise or over the related aircraft. If we were unable to resolve a dispute with a strategic partner who controls ultimate decision-making in such a venture or retains material managerial veto rights, we might reach an impasse which may lead to the liquidation of our investment at a time and in a manner that would result in our losing some or all of our original investment and/or the incurrence of other losses, which could adversely impact our financial results.

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We are indirectly subject to many of the economic and political risks associated with emerging markets.

We derive substantial lease revenue (approximately 57% in 2017, 59% in 2016 and 60% in 2015) from airlines in emerging market countries. Emerging market countries have less developed economies and 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 as a result of these events 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.

Because our lessees are concentrated in certain geographical regions, we have concentrated exposure to the political and economic risks associated with those regions.

Through our lessees and the countries in which they operate, we are exposed to the specific economic and political conditions and associated risks of those jurisdictions. For example, we have large concentrations of lessees in Russia, and therefore have increased exposure to the economic and political conditions in that country. These risks can include economic recessions, burdensome local regulations or, in extreme cases, increased risks of requisition of our aircraft. An adverse political or economic event in any region or country in which our lessees are concentrated or where we have a large number of aircraft could affect the ability of our lessees in that region or country to meet their obligations to us, or expose us to various legal or political risks associated with the affected jurisdictions, all of which could have a material and adverse effect on our financial results.

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

Our international operations expose us to trade and economic sanctions, export controls and other restrictions imposed by the United States, the United Kingdom, or other governments or organizations. For example, the U.S. Departments of Justice, Commerce, State and Treasury and other U.S. 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, and other U.S. federal statutes and regulations, including those established by the Office of Foreign Asset Control. Under these laws and regulations, the U.S. 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 any of these laws or regulations could materially and 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 various export control, anti-corruption, anti-terrorism and anti-money laundering laws and regulations. However, such personnel could engage in unauthorized conduct for which we may be held responsible. Violations of such laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could materially and adversely affect our financial results.

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

Many countries restrict, or in the future might restrict, foreign investments in a manner adverse to us. These restrictions and controls have limited, and may in the future restrict or preclude, our investment in joint ventures or the acquisition of businesses in certain jurisdictions 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 reserve the right to approve 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.

Our aircraft are subject to various environmental regulations.

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 that require all aircraft to comply with noise level standards. In addition, the United States and the International Civil Aviation Organization ("ICAO") have adopted a more stringent set of standards for noise levels that 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 EU 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 certain 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, EU and other jurisdictions have imposed 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 our older engines could be subject to existing or new emissions limitations or indirect taxation. For example, the EU 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 EU country, 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. In addition, the United States Environmental Protection Agency ruled that jet engine exhaust endangers public health by contributing to climate change, increasing the likelihood that regulations will be proposed in this regard. Limitations on emissions such as the one in the EU 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.

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Our operations are subject to various environmental regulations.

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 did not cause 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 may not 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.

If a decline in demand for certain aircraft causes a decline in its projected lease rates, or if we dispose of an aircraft for a price that is less than its depreciated book value on our balance sheet, then we will recognize impairments or make fair value adjustments.

We test long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable from their undiscounted cash flows. If the gross cash flow test fails, the difference between the fair value and the carrying amount of the aircraft is recognized as an impairment loss. Factors that may contribute to impairment charges include, but are not limited to, unfavorable airline industry trends affecting the residual values of certain aircraft types, high fuel prices and development of more fuel efficient aircraft shortening the useful lives of certain aircraft, management's expectations that certain aircraft are more likely than not to be parted-out or otherwise disposed of sooner than their expected life, and new technological developments. Cash flows supporting carrying values of older aircraft are more dependent upon current lease contracts. 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 economic conditions deteriorate, we may be required to recognize impairment losses. In that event, our estimates and assumptions regarding forecasted cash flows from our long-lived assets would need to be reassessed, including the duration of the economic downturn and 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 older aircraft. If so, it is possible that an impairment may be triggered for other long-lived assets in the future and that any such impairment amounts may be material. As of December 31, 2017, 173 of our owned aircraft under operating leases were 15 years of age or older. These aircraft represented approximately 6% of the net book value of our total flight equipment and lease-related assets and liabilities as of December 31, 2017.

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A cyberattack could lead to a material disruption of our IT systems or the IT systems of our third party providers 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 information technology, or IT, systems and the IT systems of our third party providers 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 cyberattack that bypasses our IT security systems or the IT security systems of our third party providers, causing an IT security breach, could lead to a material disruption of our IT systems or the IT systems of our third party providers, as applicable, and adversely impact our daily operations and cause 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, additional costs and liability. While we devote substantial resources to maintaining adequate levels of cybersecurity, our resources and technical sophistication may not be adequate to prevent all types of cyberattacks.

We could suffer material damage to, or interruptions in, our IT systems or the IT systems of our third party providers as a result of external factors, staffing shortages or difficulties in updating our existing software or developing or implementing new software.

We depend largely upon our IT systems and the IT systems of our third party providers in the conduct of all aspects of our operations. Such systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, fire and natural disasters. Damage or interruption to these IT systems may require a significant investment to fix or replace them, and we may suffer interruptions in our operations in the interim. In addition, we are currently pursuing a number of IT-related projects that will require ongoing IT-related development and conversion of existing systems. Costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations. Any material interruptions or failures in our IT systems may have a material adverse effect on our business or results of operations.

Risks related to our organization and structure

We are a public limited liability company incorporated in the Netherlands ("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. Many of our directors and executive officers and most of our assets and the assets of many of our directors are located outside the United States. In addition, our articles of association do not provide for U.S. courts as a venue for, or for the application of U.S. law to, lawsuits against us, our directors and executive officers. 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 us or them based on the civil liability provisions of the securities laws of the United States. There is doubt as to whether the Dutch courts would enforce certain civil liabilities under U.S. securities laws in original actions and enforce claims for punitive damages.

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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 Dutch 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 Dutch law.

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 substantially all of our revenues are generated by our subsidiaries. While we do not currently, and do not currently 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. A substantial portion of our owned aircraft are held through SPEs or finance structures that borrow funds to finance or refinance the aircraft. The terms of these 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.

As a foreign private issuer, we are permitted to file less information with the SEC than a company incorporated in the United States. Accordingly, there may be less publicly available information concerning us than there is for companies incorporated in the United States.

As a foreign private issuer, we are exempt from certain rules under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), which impose disclosure requirements, as well as procedural requirements, for proxy solicitations under Section 14 of the Exchange Act. We are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, nor are we generally required to comply with the SEC's Regulation FD, which restricts the selective disclosure of material non-public information. In addition, our officers and directors are exempt from the periodic reporting and short-swing profit recovery requirements in Section 16 of the Exchange Act. As a result, there may be less publicly available information concerning us than there is for a company that files as a domestic issuer.

The effect of purchases and sales of our ordinary shares by the hedge counterparties (or their affiliates or agents) to modify or terminate their hedge positions may have a negative effect on the market price of our ordinary shares.

We have been advised that Waha, which previously was a significant direct AerCap shareholder, has entered into funded collar transactions relating to its AerCap ordinary shares, pursuant to which, we have been advised, collar counterparties (or their affiliates or agents) have borrowed from Waha and re-sold, and may continue to purchase and sell, our ordinary shares. The purchases and sales of our ordinary shares by the collar counterparties (or their affiliates or agents) to modify the collar counterparties' hedge positions from time to time during the term of the funded collar transactions may variously have a positive, negative or neutral impact on the market price of our ordinary shares and may affect the volatility of the market price of our ordinary shares, depending on market conditions at such times. In addition, purchases of our ordinary shares by the collar counterparties (or their affiliates or agents) in connection with the termination by Waha of any portion of the loan of our ordinary shares to the collar counterparties under the funded collar transactions, or cash settlement of any funded collar transaction, may have the effect of increasing, or limiting a decrease in, the market price of our ordinary shares during the relevant unwind period.

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Risks related to taxation

We may become a passive foreign investment company ("PFIC") for U.S. federal income tax purposes.

We do not believe we will be classified as a PFIC for 2017. We cannot yet make a determination as to whether we will be classified as a PFIC for 2018 or subsequent years. 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 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 Taxation U.S. tax considerations" for a more detailed discussion of the consequences to you if we are treated as a PFIC and a discussion of certain elections that may be available to mitigate the effects of that treatment. We urge you to consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

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

We and our subsidiaries are subject to the income tax laws of Ireland, the Netherlands, 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, where the lessees of our aircraft (or others in possession of our aircraft) are located or changes in tax laws, regulations or accounting principles. 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.

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

Our Irish tax resident group companies 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, 2017, 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 group companies and the ability to carry forward Irish tax losses to offset 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. Our Irish tax resident group companies 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 offset future income with tax losses arising from the same trading activity.

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 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.

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 and state taxes, which could have a material adverse effect on our financial results.

Changes in tax laws may result in additional taxes for us or for our shareholders.

Tax laws and the practice of the local tax authorities in the jurisdictions in which we reside, in which we conduct activities or operations, or where our aircraft or lessees of our aircraft are located may change in the future. Such changes in tax law or practice could result in additional taxes for us or our shareholders. On December 22, 2017, the United States enacted new tax legislation (the "Tax Legislation") that significantly revises the Internal Revenue Code of 1986, as amended (the "Code"). The Tax Legislation included, among other things, a reduction of the U.S. corporate income tax rate, limits on the deductibility of business interest, the ability to deduct certain capital expenditures and a new minimum tax on certain payments to non-U.S. affiliates of U.S. corporations. The impact of the Tax Legislation on the business and operations of our U.S. subsidiaries is currently unclear. We are currently conducting an analysis of the Tax Legislation as enacted and its effect on our business. In addition, the Tax Legislation is unclear in certain respects and will require interpretations and implementing regulations by the IRS, and could also be subject to potential amendments and technical corrections by Congress. Investors should consult with their tax advisors with respect to the effects of the Tax Legislation on their investment in our common shares.

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The introduction of Base Erosion and Profit Shifting ("BEPS") by the Organization for Economic Cooperation and Development's ("OECD") may impact our effective rate of tax in future periods.

The OECD issued various final reports under its BEPS action plan in October 2015 ("the BEPS Plan"). The OECD's reports cover issues such as the prevention of abuse of tax treaties, deductibility of interest costs, determination of permanent establishments and transfer pricing of services. Certain of the proposed BEPS changes to existing double tax treaties may be implemented by means of a Multi-lateral Instrument ("MLI"). On June 7, 2017, representatives from over 70 countries, including Ireland, participated in the OECD signing ceremony for the MLI. The MLI seeks to implement agreed tax treaty-related measures combating tax avoidance into bilateral existing tax treaties without the need to renegotiate a new treaty. It is possible that the MLI may have effect from as early as January 1, 2019, but the effective date could be later. Further changes to tax law will be required in order to fully implement the BEPS Plan. At this moment, it is difficult to determine what further BEPS actions the governments of the jurisdictions in which we operate will implement. Depending on the nature of the BEPS action plans adopted, it may result in an increase in our effective tax rate in future periods.

The EU Anti-tax Avoidance proposals may impact our effective rate of tax in future periods.

The EU Commission has published a draft Anti-Tax Avoidance Directive ("EU ATAD") which seeks to oblige all member states to introduce a number of anti-tax avoidance measures. Many of these measures have been derived from the OECD's BEPS initiative and there are a number of similarities between the OECD proposals and EU ATAD. However, even where there are common concepts between the OECD BEPS initiative and EU ATAD, there are a number of differences in detail.

Most of the measures contained in the EU ATAD are due to be implemented with effect from January 1, 2019, though certain measures may be deferred to 2024 in certain circumstances. The EU ATAD contemplates the introduction of various measures, including a restriction on the deductibility of interest, an exit charge, controlled foreign company rules and a general anti-avoidance rule. Furthermore, each member state will need to introduce EU ATAD in its own domestic law (to the extent the relevant member state's domestic tax law does not currently contain equivalent provisions) which may lead to some variances between EU member states. As such, until the detailed provisions for the implementation of the EU ATAD are known in each relevant country (including Ireland), it is difficult to be conclusive about the directive's potential impact on us.

Item 4. Information on the Company

History and development of the Company

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

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

Our principal executive offices are located at AerCap House, 65 St. Stephen's Green, Dublin 2, Ireland, and our general telephone number is +353 1 819 2010. 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.

Table of Contents**Capital expenditures**

Our primary capital expenditure is the purchase of aircraft under aircraft purchase agreements with Airbus, Boeing and Embraer. Please refer to "Item 5. Operating and Financial Review and Prospects Liquidity and capital resources" for a detailed discussion of our capital expenditures currently in progress. The following table presents our capital expenditures for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
	2017	2016	2015
	(U.S. Dollars in thousands)		
Purchase of flight equipment	\$ 3,956,671	\$ 2,892,731	\$ 2,772,110
Prepayments on flight equipment	1,268,585	947,419	791,546

Business overview**Aircraft leasing**

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

We operate our business on a global basis, leasing aircraft to customers in every major geographical region. As of December 31, 2017, we owned 980 aircraft and we managed 113 aircraft. As of December 31, 2017, we also had 438 new aircraft on order, including 222 Airbus A320neo Family aircraft, 104 Boeing 737MAX aircraft, 53 Boeing 787 aircraft, 50 Embraer E-Jets E2 aircraft, and nine Airbus A350 aircraft. As of December 31, 2017, the average age of our 980 owned aircraft fleet, weighted by net book value, was 6.8 years and as of December 31, 2016, the average age of our 1,022 owned aircraft fleet, weighted by net book value, was 7.4 years.

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

Aircraft leases and transactions

We lease most of our aircraft to airlines under operating leases. Under these leases, the lessee is responsible for the maintenance and servicing of the equipment during the lease term and the lessor receives the benefit, and assumes the risk, of the residual value of the equipment at the end of the lease. Rather than purchase all of their aircraft, many airlines acquire aircraft under operating leases because this reduces their capital requirements and costs and allows them to manage their fleet more efficiently as aircraft are returned over time. Since the 1970's and the creation of aircraft leasing pioneers Guinness Peat Aviation ("GPA") and ILFC, the world's airlines have increasingly turned to operating leases to meet their aircraft needs. As of December 31, 2017, our owned and managed aircraft were leased to approximately 200 customers in approximately 80 countries. Over the life of our aircraft, we seek to increase the returns on our investments by managing the lease rates, time off-lease and financing and maintenance costs, and by carefully timing their sale.

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Our current operating aircraft leases have initial terms ranging in length up to approximately 16 years. By varying our lease terms, we mitigate the effects of changes in cyclical market conditions at the time aircraft become eligible for re-lease.

Well in advance of the expiration of an operating lease, we prioritize entering into a lease extension with the then-current operator. This reduces our risk of aircraft downtime as well as aircraft transition costs. The terms of our lease extensions reflect the market conditions at the time and typically contain different terms from the original lease. Should a lessee not be interested in extending a lease, or if we believe we can obtain a more favorable return on the aircraft, we will explore other options, including sale of the aircraft. If we enter into a lease agreement for the same aircraft with a different lessee, we generally do so well in advance of the scheduled return date of the aircraft. When the aircraft is returned, there may be maintenance work to be performed before the aircraft transitions to the next lessee. Upon redelivery, an aircraft is usually delivered to the next lessee in fewer than two months.

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 by minimizing any time that our aircraft are not generating revenue for us. We successfully executed 402 aircraft transactions during the year ended December 31, 2017.

The following table provides details regarding the aircraft transactions we executed during the years ended December 31, 2017, 2016 and 2015. The trends shown in the table reflect the execution of the various elements of our leasing strategy for our owned and managed portfolio, as described further below:

	Year Ended December 31,			Total
	2017	2016	2015	
Owned portfolio				
New leases on new aircraft	59	72	56	187
New leases on used aircraft	51	75	108	234
Extensions of lease contracts	105	113	97	315
Aircraft purchases	58	38	46	142
Aircraft sales and part-outs	99	124	68	291
Managed portfolio				
New leases on used aircraft	4	7	3	14
Extensions of lease contracts	11	12	12	35
Aircraft sales and part-outs	15	17	15	47
Total aircraft transactions	402	458	405	1,265

Leases of new aircraft generally have longer terms than used aircraft on re-lease. In addition, leases of more expensive aircraft generally have longer lease terms than those for less expensive aircraft. Lease terms for owned aircraft tend to be longer than those 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, maintenance capabilities, operational performance histories, hedging arrangements for fuel, foreign currency and interest rates and relevant regulatory approvals and documentation. We perform on-site credit reviews for new lessees, which typically include extensive discussions with the prospective lessee's management before we enter into a new lease. We also evaluate the jurisdiction in which the lessee operates to ensure we are in compliance with any regulations and evaluate our ability to repossess our assets in the event of a lessee default. 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.

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All of our lessees are responsible for the maintenance and repair of the leased aircraft as well as other operating costs during the lease term. Based on the credit quality of the lessee, we require some of our lessees to pay supplemental maintenance rents to cover major scheduled maintenance costs. If a lessee pays supplemental maintenance rents, 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 rents than we have reimbursed them for their maintenance costs, we retain the excess rent. In most lease contracts that do not require the payment of supplemental maintenance rents, the lessee is generally required to redeliver the aircraft in a similar maintenance condition (normal wear and tear excepted) as when accepted under the lease. To the extent that the redelivery condition is different from the acceptance condition, we generally receive cash compensation for the value difference at the time of redelivery. As of December 31, 2017, 464 (approximately 47%) of our 980 owned aircraft leases and as of December 31, 2016, 510 (approximately 50%) of our 1,022 owned aircraft leases, provided for the payment of supplemental maintenance rents.

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 provisions regarding our remedies and rights in the event of 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 Federal Aviation Administration, European Aviation Safety Agency or their equivalent standards in other jurisdictions.

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 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 shares and promissory notes. 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 were 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.

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Scheduled lease expirations

The following table presents the scheduled lease expirations (for the minimum non-cancelable period, which does not include contracted unexercised lease extension options) for our owned aircraft under operating leases by aircraft type as of December 31, 2017:

Aircraft type	2018	01	2020	02	2022	02	2023	02	2024	02	2025	02	2026	02	2027	02	2028	02	2029	03	2030	03	Total
Airbus A320 Family	41	69	74	55	34	38	19	11		4	6	1											352
Airbus A320neo Family									1				14	27	1	4							47
Airbus A330	8	9	11	5	12	10	6			1													62
Airbus A350													2	6	7								15
Boeing 737NG	16	22	19	21	18	25	31	17	34	26	6												235
Boeing 767	7	11	6	4			2																30
Boeing 777-200ER	5		4	1		2	1																13
Boeing 777-300/300ER	7	10	2	1	2	1	1	3		1													28
Boeing 787							5	6	4	13	12	6	14										2
Other	4	7	2	11				1															25
Total (a)(b)	88	128	118	98	66	81	67	36	47	46	38	49	1	68	69								

- (a) Includes aircraft that have been re-leased or for which the lease has been extended.
- (b) Excludes 26 off-lease aircraft. As of March 2, 2018, 23 of the off-lease aircraft were re-leased or under commitments for re-lease and three aircraft were designated for sale or part-out.

Principal markets and customers

The following table presents the percentage of lease revenue of our owned portfolio from our top five lessees for the year ended December 31, 2017:

Lessee	Percentage of 2017 lease revenue
American Airlines	6.9 %
Emirates	4.7 %
Air France	4.6 %
China Southern Airlines	3.7 %
LATAM Airlines	3.6 %
Total	23.5 %

We lease our aircraft to lessees located in numerous and diverse geographical regions. The following table presents the percentage of our lease revenue by region based on our lessee's principal place of business for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
	2017	2016	2015
Asia/Pacific/Russia	35 %	36 %	36 %
Europe	31 %	31 %	32 %

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United States/Canada/Caribbean	14 %	14 %	14 %
Latin America	10 %	9 %	8 %
Africa/Middle East	10 %	10 %	10 %
Total	100 %	100 %	100 %

For further geographic information on our lease revenue and long-lived assets, refer to Note 20 *Geographic information* to our Consolidated Financial Statements included in this annual report.

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Aircraft services

We provide aircraft asset management and corporate services to securitization vehicles, joint ventures and other third parties. As of December 31, 2017, we had aircraft management and administration and/or cash management service contracts with eight parties that owned 113 aircraft. We categorize our aircraft services into aircraft asset management, administrative services and cash management services. Since we have an established operating system to manage our own aircraft, the incremental cost of providing aircraft management services to securitization vehicles, joint ventures and third parties is limited. Our primary aircraft asset management activities include:

remarketing aircraft;

collecting rental and supplemental maintenance rent 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 restructuring 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 on a mixture of fixed and rental-based amounts, but we also receive performance-based fees related to the managed aircraft lease revenues or sale proceeds.

We provide cash management and administrative services to securitization vehicles and joint ventures. Cash management services consist primarily of treasury services such as the financing, refinancing, hedging and ongoing cash management of these vehicles. Our administrative services consist primarily of accounting and corporate secretarial services, including the preparation of budgets and financial statements and, in the case of some securitization vehicles, liaising with the debt rating agencies.

Engine, parts and supply chain solutions

At the end of 2015, we decided to restructure and downsize the AeroTurbine business. Please refer to Note 25 *AeroTurbine restructuring* to our Consolidated Financial Statements included in this annual report for detail of the AeroTurbine-related restructuring expenses we recorded during the years ended December 31, 2017, 2016 and 2015.

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Prior to the restructuring and downsizing, AeroTurbine provided engine leasing, certified aircraft engines, airframes, and engine parts, and supply chain solutions, and was capable of disassembling aircraft and engines into parts. AeroTurbine sold airframe parts primarily to airlines, maintenance, repair and maintenance service providers, and aircraft parts distributors. AeroTurbine also provided us with part-out and engine leasing capabilities.

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Our business strategy

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

Manage the profitability of our aircraft portfolio

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

purchasing aircraft directly from manufacturers;

entering into purchase and leaseback transactions with aircraft operators;

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

maintaining diverse sources of global funding;

optimizing our portfolio by selling select aircraft; and

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

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

Efficiently manage our liquidity

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

We have access to liquidity in the form of our revolving credit facilities and our term loan facilities, which provide us with flexibility in raising capital and enable us to deploy capital rapidly to accretive purchasing opportunities that arise in the market. As of December 31, 2017, we had approximately \$6.7 billion of undrawn lines of credit available under our credit and term loan facilities and \$1.7 billion of unrestricted cash. We strive to maintain a diverse financing strategy, both in terms of capital providers and structure, through the use of bank debt, note issuance and export credit, including ECA guaranteed loans, in order to maximize our financial flexibility. We also leverage our longstanding relationships with the major aircraft financers and lenders to secure access to capital. In addition, we attempt to maximize our operating cash flows and continue to pursue the sale of aircraft to generate additional cash flows. Please refer to Note 15 *Debt* to our Consolidated Financial Statements included in this annual report for a detailed description of our outstanding indebtedness.

Manage our aircraft portfolio

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

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Maintain a diversified and satisfied customer base

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

Joint ventures

We conduct some of our business through joint ventures. The joint venture arrangements allow us to:

increase the geographical and product diversity of our portfolio;

obtain stable servicing revenues; and

diversify our exposure to the economic risks related to aircraft.

Please refer to Note 27 *Variable interest entities* to our Consolidated Financial Statements included in this annual report for a detailed description of our joint ventures.

Relationship with Airbus and Boeing and other manufacturers

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

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 customer requirements. 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 primary competitor is GE Capital Aviation Services, and we compete, to a lesser extent, with a number of smaller aircraft leasing companies.

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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 and terrorism and, where permitted, including 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 or fleet aggregate limits in certain circumstances). Our lessees are also required to carry aircraft spares insurance and aircraft third party liability insurance, in each case subject to customary deductibles and exclusions. We are named as an additional insured on liability insurance policies carried by our lessees, and we 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 lessees' 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 fails to indemnify us. In addition, we carry customary insurance for our property, which is subject to customary deductibles and exclusions. Insurance experts advise and make recommendations to us as to the appropriate amount of insurance coverage that we should obtain.

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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 are subject, however, 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.

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.

Please refer to "Item 3 Risk Factors Risks related to our business We are subject to various risks and requirements associated with transacting business in many countries," "Item 3 Risk Factors Risks related to our business Our ability to operate in some countries is restricted by foreign regulations and controls on investments," "Item 3 Risk Factors Risks related to our business Our aircraft are subject to various environmental regulations," and "Item 3 Risk Factors Risks related to our business Our operations are subject to various environmental regulations" for a detailed discussion of government sanctions, export controls and other regulations that could affect our business.

Litigation

Please refer to Note 29 *Commitments and contingencies* to our Consolidated Financial Statements included in this annual report for a detailed description of material litigation to which we are a party.

Trademarks

We have registered the "AerCap" name with the European Union Intellectual Property Office ("EUIPO") and the United States Patent and Trademark Office ("USPTO"), as well as filed the "AerCap" trademark with the World Intellectual Property Organization International (Madrid) Registry ("WIPO") and various local trademark authorities. The "AeroTurbine" trademark has been registered with WIPO and USPTO.

Culture and values

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

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

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

Flight equipment*Aircraft portfolio*

The following table presents our aircraft portfolio by type of aircraft as of December 31, 2017:

Aircraft type	Percentage of		Number of managed aircraft	Number of on order aircraft	Total owned, managed and on order aircraft
	Number of owned aircraft	total net book value			
Airbus A320 Family	370	21%	52		422
Airbus A320neo Family	48	7%		222	270
Airbus A330	83	11%	10		93
Airbus A350	17	7%		9	26
Boeing 737NG	274	22%	43		317
Boeing 737MAX				104	104
Boeing 767	34	1%			34
Boeing 777-200ER	23	2%	2		25
Boeing 777-300/300ER	29	6%	2		31
Boeing 787	63	22%		53	116
Embraer E190/195-E2				50	50
Other	39	1%	4		43
Total	980	100%	113	438	1,531

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During the year ended December 31, 2017, we had the following activity related to flight equipment:

	Held for operating leases	Net investment in finance and sales- type leases	Held for sale	Total owned aircraft
Number of owned aircraft at beginning of period	966	50	6	1,022
Aircraft purchases	58			58
Aircraft reclassified to held for sale	(69)	(1)	70	
Aircraft reclassified from held for sale	3		(3)	
Aircraft sold or designated for part-out	(44)	(1)	(55)	(100) (a)
Aircraft reclassified to net investment in finance and sales-type leases	(19)	19		
Number of owned aircraft at end of period	895	67	18	980

(a) Includes one aircraft that was reclassified to spare inventory.

Aircraft on order

The following table details the number of aircraft on order as of December 31, 2017:

Aircraft type	2018	2019	2020	2021	2022	Thereafter	Total
Airbus A320neo Family	53	42	47	30	25	25	222
Airbus A350	7	2					9
Boeing 737MAX	5	17	27	28	27		104
Boeing 787	13	14	5	6	6	9	53
Embraer E190/195-E2	1	14	14	14	7		50
Total	79	89	93	78	65	34	438

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. The buyers of our aircraft include airlines, financial investors and other aircraft leasing companies. We acquire aircraft at attractive prices in three primary 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 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 experience an increase in demand. Through our airline marketing team, which is in frequent contact with airlines worldwide, we are also able to identify attractive acquisition and disposition opportunities. We sell aircraft when we believe the market price for the type of aircraft has reached its peak, or to rebalance the composition of our portfolio.

Prior to a purchase or disposition, our dedicated portfolio management group analyzes the aircraft's price, fit in our portfolio, specification and 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. During the year ended December 31, 2017, we purchased 58 new aircraft and sold 99 aircraft from our owned portfolio.

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Facilities

We lease our Dublin, Ireland headquarters office facility under a 25-year lease (61,000 square feet) that began in December 2015. We have an option to terminate the lease in 2031. We lease our Shannon, Ireland office facility (21,000 square feet) under three separate leases that expire in 2029 with options to terminate in 2024. We occupy space in Los Angeles, California (21,000 square feet) under a lease that expires in August 2025. We lease our Singapore office facility under two leases that expire in December 2018 (17,000 square feet). We lease office facilities in Amsterdam, The Netherlands and Fort Lauderdale, Florida under leases that expire in 2018 and 2019, respectively, which are not planned to be extended. In addition to the above facilities, we also lease small offices in New York, New York, Miami, Florida, Shanghai, China and Abu Dhabi, United Arab Emirates.

Organizational structure

AerCap Holdings N.V. is a holding company that holds directly and indirectly consolidated subsidiaries, which in turn own our aircraft assets. As of December 31, 2017, AerCap Holdings N.V. did not own significant assets other than its direct and indirect investments in its subsidiaries. As of December 31, 2017, our major operating subsidiaries, each of which is ultimately 100%-owned by AerCap Holdings N.V., are AerCap Ireland Limited (Ireland) and AerCap Global Aviation Trust (United States). See Exhibit 8.1 *List of Subsidiaries of AerCap Holdings N.V.* for a complete list of all our subsidiaries.

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 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 year ended December 31, 2017 was \$1,076.2 million, as compared to \$1,046.6 million for the year ended December 31, 2016. For the year ended December 31, 2017, diluted earnings per share was \$6.43 and the weighted average number of diluted shares outstanding was 167,287,508. Net interest margin, or net spread, the difference between basic lease rents and interest expense, excluding the mark-to-market of interest rate caps and swaps, was \$3,096.0 million for the year ended December 31, 2017. Please refer to "Item 5. Operating and Financial Review and Prospects Non-GAAP measures" for a reconciliation of net interest margin, or net spread, to the most closely related U.S. GAAP measure for the years ended December 31, 2017 and 2016.

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Major developments in 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Aviation assets

During the year ended December 31, 2017, we acquired \$5.3 billion of aviation assets, primarily related to the acquisition of 58 aircraft. As of December 31, 2017, we owned 980 aircraft and we managed 113 aircraft. As of December 31, 2017, we also had 438 new aircraft on order, which included 222 Airbus A320neo Family aircraft, 104 Boeing 737MAX aircraft, 53 Boeing 787 aircraft, 50 Embraer E-Jets E2 aircraft, and nine Airbus A350 aircraft. The average age of our fleet of 980 owned aircraft, weighted by net book value, was 6.8 years as of December 31, 2017.

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Significant components of revenues and expenses

Revenues and other income

Our revenues and other income consist primarily of lease revenue from aircraft leases, net gain on sale of assets and other income.

Lease revenue

Nearly all of our aircraft lease agreements provide for the periodic payment of a fixed or a floating amount of rent. Floating rents are tied to interest rates during the terms of the respective leases. During the year ended December 31, 2017, approximately 4.9% of our basic lease rents from aircraft under operating leases 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, our leases require the payment of supplemental maintenance rent based on aircraft utilization during the lease term, or EOL compensation calculated with reference to the condition of the aircraft at lease expiration. The amount of lease revenue we recognize is primarily influenced by the following five factors:

the contracted lease rate, which is highly dependent on the age, condition and type of the leased aircraft;

for leases with rates tied to floating interest rates, interest rates during the term of the lease;

the number of aircraft currently subject to lease contracts;

the lessee's performance of its lease obligations; and

the amount of EOL compensation payments we receive and the amount of accrued maintenance liabilities recognized as revenue during and at the end of a lease.

In addition to aircraft-specific factors such as the type, condition and age of the aircraft, the lease rates for our leases with fixed rental payments are initially 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 above are influenced by global and regional economic trends, airline market conditions, the supply and demand balance for the type of aircraft we own and our ability to remarket our aircraft subject to expiring lease contracts under favorable economic terms.

As of December 31, 2017, 954 of our 980 owned aircraft were on lease to 173 customers in 73 countries, with no lessee accounting for more than 10% of total lease revenue for the year ended December 31, 2017. As of December 31, 2017, our owned aircraft portfolio included 26 aircraft that were off-lease; all of these off-lease aircraft were classified as held for operating leases. As of March 2, 2018, 23 of the off-lease aircraft were re-leased or under commitments for re-lease and three aircraft were designated for sale or part-out.

Net gain on sale of assets

Our net gain on sale of assets is generated from the sale of our aircraft and engines and is largely dependent on the condition of the asset being sold, prevailing interest rates, airline market conditions and the supply and demand balance for the type of asset we are selling. The timing of aircraft and engine sale closings 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 on sale of assets is comparable over a long period of time, during any particular reporting period we may close significantly more or fewer sale transactions than in other reporting periods. Accordingly, net gain on sale of assets recorded in one reporting period may not be comparable to net gain on sale of assets in other reporting periods.

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Other income

Other income consists of interest revenue, management fee revenue, lease termination penalties, inventory part sales, net gain on sale of equity investments accounted for under the equity method, insurance proceeds, and other miscellaneous activities.

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

We generate management fee revenue by providing management services to non-consolidated aircraft securitization vehicles, joint ventures, and other third parties. Our management services include aircraft asset management services, such as leasing and remarketing services and technical advisory services, cash management and treasury services, and accounting and administrative services.

Operating expenses

Our operating expenses consist primarily of depreciation and amortization, interest expense, leasing expenses and selling, general and administrative expenses.

Depreciation and amortization

Our depreciation expense is influenced by the adjusted gross book values, depreciable lives and estimated residual values of our flight equipment. Adjusted gross book value is the original cost of our flight equipment, including purchase expenditures, adjusted for subsequent capitalized improvements, impairments and accounting basis adjustments associated with a business combination or a purchase and leaseback transaction. In addition, we have definite-lived intangible assets which are amortized over the period which we expect to derive economic benefits from such assets.

Interest expense

Our interest expense arises from a variety of debt funding structures and related derivative financial instruments as described in "Item 11 Quantitative and Qualitative Disclosures About Market Risk," Note 12 *Derivative assets* and Note 15 *Debt* to our Consolidated Financial Statements included in this annual report. Interest expense in any period is primarily affected by contracted interest rates, amortization of fair value adjustments, amortization of debt issuance costs and debt discounts, principal amounts of indebtedness and unrealized mark-to-market gains or losses on derivative financial instruments for which we did not achieve cash flow hedge accounting treatment.

Leasing expenses

Our leasing expenses consist primarily of maintenance rights intangible asset amortization expense, maintenance expenses on our flight equipment, which we incur during the lease through lessor maintenance contributions or when we perform maintenance on our off-lease aircraft, technical expenses we incur to monitor the maintenance condition of our flight equipment during a lease, expenses to transition flight equipment from an expired lease to a new lease contract, non-capitalizable flight equipment transaction expenses, and provision for credit losses on notes receivables, trade receivables and receivables from net investment in finance and sales-type leases.

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

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

Selling, general and administrative expenses

Our selling, general and administrative expenses consist primarily of personnel expenses, including salaries, benefits and severance compensation, share-based compensation expense, professional and advisory costs, office facility expenses and travel expenses as summarized in Note 21 *Selling, general and administrative expenses* to our Consolidated Financial Statements included in this annual report. The level of our selling, general and administrative expenses is influenced primarily by the number of our employees and the extent of transactions or ventures we pursue that require the assistance of outside professionals or advisors.

Provision for income taxes

Our operations are taxable primarily in the three main jurisdictions in which we manage our business: Ireland, the United States and the Netherlands. Deferred income taxes are provided to reflect the impact of temporary differences between our U.S. GAAP income before income taxes and our taxable income. Our effective tax rate has varied from 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 before income taxes and taxable income.

We have tax losses in certain jurisdictions that can be carried forward, which we recognize as deferred income tax assets. We evaluate the recoverability of deferred income tax assets in each jurisdiction in each period based upon our estimates of future taxable income in these 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 deferred income 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 in our Consolidated Income Statements and consequently may affect our effective tax rate in a given year.

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Factors affecting our results

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

the number, type, age and condition of the aircraft we own;

aviation industry market conditions, including general economic and political conditions;

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

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

the purchase price we pay for our aircraft;

the number, type and sale price of aircraft, or parts in the event of a part-out of an aircraft, we sell in a period;

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

the utilization rate of our aircraft;

the recognition of non-cash share-based compensation expense related to the issuance of restricted stock units or restricted stock;

our expectations of future maintenance reimbursements and lessee maintenance contributions;

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

our ability to fund our business.

Factors affecting the comparability of our results

Share repurchases

During 2017, our Board of Directors authorized total repurchases of up to \$1.1 billion of AerCap ordinary shares and we repurchased an aggregate of 23,732,835 of our ordinary shares under our share repurchase programs at an average price, including commissions, of \$47.39 per ordinary share, for approximately \$1.1 billion.

During 2016, our Board of Directors authorized total repurchases of up to \$1.15 billion of AerCap ordinary shares and we repurchased an aggregate of 25,012,978 of our ordinary shares under our share repurchase programs at an average price, including commissions, of \$38.62 per ordinary share, for approximately \$966.0 million.

Sales transactions

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

During 2016, AerCap executed aggregate sales of approximately \$3.0 billion of older and mid-life aircraft.

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Trends in our business

Global demand for air travel remains strong. Overall global air passenger traffic, measured in revenue passenger kilometers, grew 7.6% in 2017, according to IATA. Traffic growth was 8.2% in Europe, 4.2% in North America, and 10.1% in Asia Pacific in 2017, propelled again by strong 13.3% domestic growth in China and 17.5% domestic traffic growth in India. The demand stimulus from lower airfares is expected to fade during 2018, with traffic growth forecast to slow to 6% in 2018, according to IATA. This remains above the ten-year average of 5.5% and is still expected to translate into robust growth in large, developed markets, such as the U.S. and Europe, as well as continued rapid expansion in emerging markets where the middle class continues to expand.

The industry is expected to remain solidly profitable and is expected to record a net profit of \$38.4 billion in 2018, the ninth year in a row of aggregate airline profitability.

Passenger air traffic growth and airlines' continued profitability have driven steady demand for commercial passenger aircraft from airlines, including demand for leased aircraft. We expect that demand for leased aircraft will remain strong as robust traffic growth continues to drive demand for additional aircraft.

Critical accounting policies and estimates

Our Consolidated Financial Statements are prepared in accordance with U.S. GAAP, and require us to make estimates and assumptions that affect the amounts reported in our Consolidated Financial Statements and accompanying notes. The use of estimates is or could be a significant factor affecting the reported amounts of assets, liabilities, revenues, expenses, and related disclosures of contingent assets and liabilities. We evaluate our estimates and assumptions, including those related to flight equipment, inventory, lease revenue, fair value estimates, and income taxes, on a recurring and non-recurring basis. Our estimates and assumptions are based on historical experiences and currently available information that management believes to be reasonable under the circumstances. Actual results may differ from our estimates under different conditions, sometimes materially. A summary of our significant accounting policies is presented in Note 3 *Summary of significant accounting policies* to our Consolidated Financial Statements included 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 that require our judgments, estimates and assumptions. Our critical accounting policies and estimates are described below.

Flight equipment held for operating leases, net

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

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

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Impairment charges

On a quarterly basis, we perform recoverability assessments of our long-lived assets when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable, such as when events or changes in circumstances indicate that it is more likely than not that an aircraft will be sold or parted-out a significant amount of time before the end of its previously estimated useful life. Due to the significant uncertainties associated with potential sales transactions, management uses its judgment to evaluate whether a sale or other disposal is more likely than not. The factors that management considers in its assessment include (i) the progress of the potential sales transactions through a review and evaluation of the sales related documents and other communications, including, but not limited to, letters of intent or sales agreements that have been negotiated or executed; (ii) our general or specific fleet strategies and other business needs and how those requirements bear on the likelihood of sale or other disposal; and (iii) the evaluation of potential execution risks, including the source of potential purchaser funding and other execution risks.

On an annual basis, we perform impairment assessments for all of our aircraft held for operating leases that are five years of age or older. The review of recoverability includes an assessment of the estimated future cash flows associated with the use of the asset and its eventual disposal. The assets are grouped at the lowest level for which identifiable cash flows are largely independent of other groups of assets, which includes the individual aircraft and the lease-related assets and liabilities of that aircraft (the "Asset Group"). If the sum of the expected undiscounted future cash flows is less than the aggregate net book value of the Asset Group, an impairment loss is recognized. The loss is measured as the excess of the carrying amount of the impaired aircraft over its estimated fair value. Fair value reflects the present value of future cash flows expected to be generated from the aircraft, including its expected residual value, discounted at a rate commensurate with the associated risk. Future cash flows are assumed to occur under current market conditions and assume adequate time for a sale between a willing buyer and a willing seller. Expected future lease rates are based on all relevant information available, including current contracted rates for similar aircraft and industry trends.

The future cash flows supporting the carrying value of aircraft that are 15 years of age or older are more dependent upon current lease contracts, and these leases are generally more sensitive to weaknesses in the global economic environment. Deterioration of the global economic environment and a decrease in aircraft values might have a negative effect on the undiscounted cash flows of older aircraft and might trigger impairments. As of December 31, 2017, we owned 895 aircraft held for operating leases, of which 173 aircraft were 15 years of age or older. As of December 31, 2017, the aggregate Asset Group for the 173 aircraft was \$1.9 billion, which represented approximately 6% of our total flight equipment and lease-related assets and liabilities. The undiscounted future cash flows of these 173 aircraft were estimated at \$3.3 billion, which was 76% in excess of the aggregate carrying value. As of December 31, 2017, all of these aircraft passed the recoverability test, with undiscounted cash flows exceeding the carrying value of the Asset Group by between 0% and over 3,000%. The following assumptions drive the undiscounted cash flows: contracted lease rents through current lease expiry; subsequent re-lease rates based on current marketing information; and residual values. We review and stress-test our key assumptions to reflect any observed weakness in the global economic environment.

Aircraft that are between five and 15 years of age where future cash flows do not exceed the aircraft carrying value by at least 10% are more susceptible to impairment risk. As of December 31, 2017, the aggregate Asset Group for one aircraft for which the cash flows did not substantially exceed our 10% threshold was \$21.6 million, which represented less than 1% of our total flight equipment held for operating leases and lease-related assets and liabilities. The one aircraft that was below the 10% threshold did, however, pass the impairment test as of December 31, 2017, and as such no impairment was recognized.

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Guarantees

We have potential obligations under guarantee contracts that we have entered into with third parties. See Note 29 *Commitments and contingencies*. We initially recognize guarantees at fair value. Subsequently, if it becomes probable that we will be required to perform under a guarantee, we accrue a liability based on an estimate of the loss we will incur to perform under the guarantee. The loss estimate is generally measured as the amount by which the contractual guaranteed value exceeds the fair market value or future lease cash flows of the underlying aircraft.

Inventory

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

Revenues and other income

We lease flight equipment principally under operating leases and recognize rental income on a straight-line basis over the life of the lease. At lease inception, we review all necessary criteria to determine proper lease classification. We account for lease agreements that include uneven rental payments on a straight line-basis. The difference between rental revenue recognized and cash received is included in our Consolidated Balance Sheets in other assets or, in the event it is a liability, in accounts payable, accrued expenses and other liabilities. In certain cases, leases provide for rentals contingent on usage. The usage may be calculated based on hourly usage or on the number of cycles operated, depending on the lease contract. Revenue contingent on usage is recognized at the time the lessee reports the usage to us. We cease revenue recognition on a lease contract when the collectability of such rentals is no longer reasonably assured. For past-due rentals that exceed related security deposits held, which have been recognized as revenue, we establish provisions on the basis of management's assessment of collectability. Such provisions are recorded in leasing expenses in our Consolidated Income Statements.

Revenue from net investment in finance and sales-type leases is recognized using the interest method to produce a constant yield over the life of the lease and is included in lease revenue in our Consolidated Income Statements. Expected unguaranteed residual values of leased flight equipment are based on our assessment of the values of the leased flight equipment at expiration of the lease terms.

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

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

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When flight equipment is sold, the portion of the accrued maintenance liability not specifically assigned to the buyer is released net of any maintenance rights intangible asset balance and is included in net gain on sale of assets in our Consolidated Income Statements.

Consolidation

We consolidate all companies in which we have direct and indirect legal or effective control and all VIEs for which we are deemed the PB 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 VIEs, from the date that we are or become the PB. 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 VIEs, when we cease to be the PB.

Deferred income tax assets and liabilities

We report deferred income taxes 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 income 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.

Future application of accounting standards

Revenue from contracts with customers

In May 2014, the FASB issued an accounting standard that provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This guidance does not apply to lease contracts with customers. The standard will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract including (i) identifying the contract with the customer; (ii) identifying the separate performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the separate performance obligations; and (v) recognizing revenue when each performance obligation is satisfied.

This standard is effective for fiscal years beginning after December 15, 2017 and may be adopted using either a full retrospective or modified retrospective method. We will adopt the standard on its required effective date of January 1, 2018, using the modified retrospective method. The impact of this standard will not be material to our Consolidated Financial Statements and related disclosures.

Lease accounting

In February 2016, the FASB issued an accounting standard that requires lessees to recognize lease-related assets and liabilities on the balance sheet, other than leases that meet the definition of a short-term lease. In certain circumstances, the lessee is required to remeasure the lease payments. Qualitative and quantitative disclosures, including significant judgments made by management, will be required to provide insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. Under the new standard, lessor accounting remains similar to the current model. The new standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted using the modified retrospective transition approach. We will adopt the standard on its required effective date of January 1, 2019. We do not expect the impact of this standard to be material to our Consolidated Balance Sheets and Consolidated Income Statements.

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Allowance for credit losses

In June 2016, the FASB issued an accounting standard that requires entities to estimate lifetime expected credit losses for most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, net investments in leases and off-balance sheet credit exposures. The standard also requires additional disclosure, including how the entity develops its allowance for credit losses for financial assets measured at amortized cost and disaggregated information on the credit quality of net investments in leases measured at amortized cost by year of the asset's origination for up to five annual periods. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption will be permitted in any interim or annual period beginning after December 15, 2018. The new standard must be adopted using the modified retrospective transition approach. We will adopt the standard on its required effective date of January 1, 2020. We are evaluating the effect the adoption of the standard will have on our Consolidated Balance Sheets and Consolidated Income Statements.

Statement of cash flows

In August 2016, the FASB issued an accounting standard that is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The standard includes clarifications that (i) cash payments for debt prepayment or extinguishment costs must be classified as cash outflows for financing activities; (ii) cash proceeds from the settlement of insurance claims should be classified based on the nature of the loss; (iii) an entity is required to make an accounting policy election to classify distributions received from equity method investees under either the cumulative-earnings approach or the nature of distribution approach; and (iv) in the absence of specific guidance, an entity should classify each separately identifiable cash source and use on the basis of the underlying cash flows. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The new standard must be adopted using the retrospective transition method. We will adopt the standard on its required effective date of January 1, 2018. The impact of this standard will not be material to our Consolidated Statements of Cash Flows.

Presentation of restricted cash in the statement of cash flows

In November 2016, the FASB issued an accounting standard that clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The standard requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The standard also requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The new standard must be adopted retrospectively. We will adopt the standard on its required effective date of January 1, 2018. The impact of this standard will not be material to our Consolidated Statements of Cash Flows.

Table of Contents**Comparative results of operations***Results of operations for the year ended December 31, 2017 as compared to the year ended December 31, 2016*

	Year Ended December 31,	
	2017	2016
	(U.S. Dollars in thousands)	
Revenues and other income		
Lease revenue	\$ 4,713,802	\$ 4,867,623
Net gain on sale of assets	229,093	138,522
Other income	94,598	145,986
Total Revenues and other income	5,037,493	5,152,131
Expenses		
Depreciation and amortization	1,727,296	1,791,336
Asset impairment	61,286	81,607
Interest expense	1,112,391	1,091,861
Leasing expenses	537,752	582,530
Restructuring related expenses	14,605	53,389
Selling, general and administrative expenses	348,291	351,012
Total Expenses	3,801,621	3,951,735
Income before income taxes and income of investments accounted for under the equity method	1,235,872	1,200,396
Provision for income taxes	(164,718)	(173,496)
Equity in net earnings of investments accounted for under the equity method	9,199	12,616
Net income	\$ 1,080,353	\$ 1,039,516
Net (income) loss attributable to non-controlling interest	(4,202)	7,114
Net income attributable to AerCap Holdings N.V.	\$ 1,076,151	\$ 1,046,630

Revenues and other income. The principal categories of our revenues and other income and their variances were as follows for the years ended December 31, 2017 and 2016:

	Year Ended December 31,		Increase/ (Decrease)	Percentage Difference
	2017	2016		
	(U.S. Dollars in millions)			
Lease revenue:				
Basic lease rents	\$ 4,194.2	\$ 4,395.3	\$ (201.1)	(5)%
Maintenance rents and other receipts	519.6	472.3	47.3	10%
Net gain on sale of assets	229.1	138.5	90.6	65%
Other income	94.6	146.0	(51.4)	(35)%
Total Revenues and other income	\$ 5,037.5	\$ 5,152.1	\$ (114.6)	(2)%

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Basic lease rents. Basic lease rents decreased by \$201.1 million, or 5%, to \$4,194.2 million during the year ended December 31, 2017 from \$4,395.3 million during the year ended December 31, 2016. The decrease in basic lease rents recognized during the year ended December 31, 2017 as compared to the year ended December 31, 2016 was attributable to:

the sale of 222 aircraft between January 1, 2016 and December 31, 2017 with an aggregate net book value of \$3.8 billion on their sale dates, resulting in a decrease in basic lease rents of \$338.6 million; and

a decrease in basic lease rents of \$263.1 million primarily due to re-leases and extensions at lower rates and, to a lesser extent, the conversion of operating leases to finance leases. The accounting for the extensions requires the remaining rental payments to be recorded on a straight-line basis over the remaining term of the original lease plus the extension period. This results in a decrease in basic lease rents recognized as revenue during the remaining term of the original lease that will be offset by an increase in basic lease rents during the extension period. In addition, the contracted lease rates of extensions or re-leases of an aircraft tend to be lower than their previous lease rates as the aircraft are older, and older aircraft have lower lease rates than newer aircraft,

partially offset by

the acquisition of 95 aircraft between January 1, 2016 and December 31, 2017, with an aggregate net book value of \$9.1 billion on their acquisition dates, resulting in an increase in basic lease rents of \$400.6 million.

Maintenance rents and other receipts. Maintenance rents and other receipts increased by \$47.3 million, or 10%, to \$519.6 million during the year ended December 31, 2017 from \$472.3 million during the year ended December 31, 2016. The increase in maintenance rents and other receipts recognized during the year ended December 31, 2017 as compared to the year ended December 31, 2016 was attributable to:

an increase of \$31.2 million in regular maintenance rents, primarily due to higher EOL compensation received during the year ended December 31, 2017 as compared to the year ended December 31, 2016; and

an increase of \$16.1 million in maintenance revenue and other receipts from early lease terminations and restructurings during the year ended December 31, 2017 as compared to the year ended December 31, 2016.

Net gain on sale of assets. Net gain on sale of assets increased by \$90.6 million, or 65%, to \$229.1 million during the year ended December 31, 2017 from \$138.5 million during the year ended December 31, 2016. During the year ended December 31, 2017, we sold 99 aircraft and reclassified 19 aircraft to net investment in finance and sales-type leases, whereas during the year ended December 31, 2016, we sold 124 aircraft and reclassified 19 aircraft to net investment in finance and sales-type leases. Net gain on sale of assets is impacted by the timing and composition of asset sales.

Other income. Other income decreased by \$51.4 million, or 35%, to \$94.6 million during the year ended December 31, 2017 from \$146.0 million during the year ended December 31, 2016. During the year ended December 31, 2017, we recognized lower income from lease terminations and during the year ended December 31, 2016, we recognized non-recurring income from net insurance proceeds and a gain related to the prepayment of a note receivable earlier than expected, partially offset by an expense related to a lower of cost or market adjustment of AeroTurbine's parts inventory as a result of the AeroTurbine downsizing. Please refer to Note 22 *Other income* to our Consolidated Financial Statements included in this annual report for a detailed description of our other income.

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Depreciation and amortization. Depreciation and amortization decreased by \$64.0 million, or 4%, to \$1,727.3 million during the year ended December 31, 2017 from \$1,791.3 million during the year ended December 31, 2016. The decrease was primarily due to a reduction in the size of our aircraft portfolio due to aircraft sales.

Asset impairment. We recognized aggregate impairment charges of \$61.3 million during the year ended December 31, 2017 as compared to \$81.6 million during the year ended December 31, 2016. During the year ended December 31, 2017, we recognized impairment charges of \$61.3 million on 13 aircraft and two engines. These impairments were more than offset by lease revenue that we recognized when we retained maintenance-related balances or received EOL compensation. During the year ended December 31, 2016, we recognized impairment charges of \$81.6 million on 35 aircraft. These impairments were more than offset by lease revenue that we recognized when we retained maintenance-related balances or received EOL compensation. Please refer to Note 24 *Asset impairment* to our Consolidated Financial Statements included in this annual report for a detailed description of our asset impairment.

Interest expense. Our interest expense increased by \$20.5 million, or 2%, to \$1,112.4 million during the year ended December 31, 2017 from \$1,091.9 million during the year ended December 31, 2016. The increase in interest expense was primarily attributable to:

an increase in our average cost of debt to 3.9% for the year ended December 31, 2017 as compared to 3.7% for the year ended December 31, 2016. Our average cost of debt excludes the effect of mark-to-market movements on our interest rate caps and swaps. The increase in our average cost of debt was primarily due to the issuance of new longer-term bonds to replace shorter-term ILFC notes, which had lower reported interest expense as a result of the application of the acquisition method of accounting to the debt assumed as part of the ILFC Transaction. The increase in our average cost of debt resulted in a \$53.3 million increase in our interest expense; and

a \$12.6 million increase in non-cash mark-to-market losses on derivatives to \$14.2 million recognized during the year ended December 31, 2017 from \$1.6 million recognized during the year ended December 31, 2016,

partially offset by

a decrease in our average outstanding debt balance by \$1.2 billion to \$27.9 billion during the year ended December 31, 2017 from \$29.1 billion during the year ended December 31, 2016, resulting in a \$45.4 million decrease in our interest expense.

Leasing expenses. Our leasing expenses decreased by \$44.8 million, or 8%, to \$537.8 million during the year ended December 31, 2017 from \$582.5 million during the year ended December 31, 2016. The decrease was primarily due to \$33.8 million of lower maintenance rights intangible asset amortization and \$19.9 million of lower aircraft transition costs, lessor maintenance contributions and other leasing expenses, partially offset by \$8.9 million of higher expenses related to early lease terminations and restructurings, during the year ended December 31, 2017 as compared to the year ended December 31, 2016.

Restructuring related expenses. Our restructuring related expenses decreased by \$38.8 million, or 73%, to \$14.6 million during the year ended December 31, 2017 from \$53.4 million during the year ended December 31, 2016. Our restructuring related expenses were related to the AeroTurbine downsizing. Please refer to Note 25 *AeroTurbine restructuring* to our Consolidated Financial Statements included in this annual report for further details on the AeroTurbine restructuring.

Selling, general and administrative expenses. Our selling, general and administrative expenses decreased by \$2.7 million, or 1%, to \$348.3 million during the year ended December 31, 2017 from \$351.0 million during the year ended December 31, 2016.

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Income before income taxes and income of investments accounted for under the equity method. For the reasons explained above, our income before income taxes and income of investments accounted for under the equity method increased by \$35.5 million, or 3%, to \$1,235.9 million during the year ended December 31, 2017 from \$1,200.4 million during the year ended December 31, 2016.

Provision for income taxes. Our provision for income taxes decreased by \$8.8 million, or 5%, to \$164.7 million during the year ended December 31, 2017 from \$173.5 million during the year ended December 31, 2016. Our effective tax rate was 13.3% for the year ended December 31, 2017 as compared to 14.5% for the year ended December 31, 2016. The effective tax rate in 2017 reflects our reassessment of our deferred tax assets and liabilities, including as a result of recent U.S. tax reform legislation. The higher effective tax rate in 2016 included a valuation allowance related to the AeroTurbine losses. The effective tax rate is impacted by the source and amount of earnings among our different tax jurisdictions. Please refer to Note 16 *Income taxes* to our Consolidated Financial Statements included in this annual report for a detailed description of our income taxes.

Equity in net earnings of investments accounted for under the equity method. Our equity in net earnings of investments accounted for under the equity method was \$9.2 million during the year ended December 31, 2017 as compared to \$12.6 million during the year ended December 31, 2016.

Net income. For the reasons explained above, our net income increased by \$40.8 million, or 4%, to \$1,080.4 million during the year ended December 31, 2017 from \$1,039.5 million during the year ended December 31, 2016.

Net (income) loss attributable to non-controlling interest. Net income attributable to non-controlling interest was \$4.2 million during the year ended December 31, 2017 as compared to a net loss of \$7.1 million during the year ended December 31, 2016.

Net income attributable to AerCap Holdings N.V. For the reasons explained above, our net income attributable to AerCap Holdings N.V. increased by \$29.5 million, or 3%, to \$1,076.2 million during the year ended December 31, 2017 from \$1,046.6 million during the year ended December 31, 2016.

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Results of operations for the year ended December 31, 2016 as compared to the year ended December 31, 2015

	Year Ended December 31,	
	2016	2015
	(U.S. Dollars in thousands)	
Revenues and other income		
Lease revenue	\$ 4,867,623	\$ 4,991,551
Net gain on sale of assets	138,522	183,328
Other income	145,986	112,676
Total Revenues and other income	5,152,131	5,287,555
Expenses		
Depreciation and amortization	1,791,336	1,843,003
Asset impairment	81,607	16,335
Interest expense	1,091,861	1,099,884
Leasing expenses	582,530	522,413
Transaction, integration and restructuring related expenses	53,389	58,913
Selling, general and administrative expenses	351,012	381,308
Total Expenses	3,951,735	3,921,856
Income before income taxes and income of investments accounted for under the equity method	1,200,396	1,365,699
Provision for income taxes	(173,496)	(189,805)
Equity in net earnings of investments accounted for under the equity method	12,616	1,278
Net income	\$ 1,039,516	\$ 1,177,172
Net loss attributable to non-controlling interest	7,114	1,558
Net income attributable to AerCap Holdings N.V.	\$ 1,046,630	\$ 1,178,730

Revenues and other income. The principal categories of our revenues and other income and their variances were as follows for the years ended December 31, 2016 and 2015:

	Year Ended December 31,		Increase/ Percentage (Decrease)Difference
	2016	2015	
	(U.S. Dollars in millions)		
Lease revenue:			
Basic lease rents			