AerCap Holdings N.V.
Form 6-K
May 01, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934
For the month of May 2019 Commission File Number 001-33159
AERCAP HOLDINGS N.V.
(Translation of Registrant's Name into English)
AerCap House, 65 St. Stephen's Green, Dublin D02 YX20, Ireland, +353 1 819 2010
(Address of Principal Executive Office)
Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F x Form 40-F o
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o
Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o
Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Other Events

On May 1, 2019, AerCap Holdings N.V. filed its interim financial report for the quarter ended March 31, 2019.

The information contained in this Form 6-K is incorporated by reference into the Company's Form F-3 Registration Statement File No. 333-224192 and Form S-8 Registration Statements File Nos. 333-180323, 333-154416, 333-165839, 333-194637 and 333-194638, and related Prospectuses, as such Registration Statements and Prospectuses may be amended from time to time.

2

INDEX

TABLE OF DEFINITIONS

ACSAL	Acsal Holdco, LLC
AerCap, we, us or the Company	AerCap Holdings N.V. and its subsidiaries
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, a designated activity company with limited liability incorporated under the laws of Ireland
AIG	American International Group, Inc.
Airbus	Airbus S.A.S.
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
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 and Subsidiaries
SEC	U.S. Securities and Exchange Commission
U.S. GAAP	Accounting Principles Generally Accepted in the United States of America
VIE	Variable interest entity

PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

AerCap Holdings N.V. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
As of March 31, 2019 and December 31, 2018

	Note	March 31, 2019	December 31, 2018
		(U.S. Dollars in thousands, except share data)	
Assets			
Cash and cash equivalents	4	$2,348,132	$1,204,018
Restricted cash	4	226,099	211,017
Trade receivables		94,174	40,379
Flight equipment held for operating leases, net	5	35,082,698	35,052,335
Maintenance rights and lease premium, net	7	1,058,090	1,113,190
Flight equipment held for sale	8	633,558	184,129
Net investment in finance and sales-type leases	6	994,154	1,003,286
Prepayments on flight equipment	22	2,984,323	3,024,520
Other intangibles, net	7	323,276	328,570
Deferred income tax assets	14	142,918	138,281
Other assets	9	829,532	909,190
Total Assets		$44,716,954	$43,208,915
Liabilities and Equity			
Accounts payable, accrued expenses and other liabilities	11	$1,103,283	$1,009,945
Accrued maintenance liability	12	2,261,049	2,237,494
Lessee deposit liability		781,586	768,677
Debt	13	30,759,154	29,507,587
Deferred income tax liabilities	14	842,101	804,598
Commitments and contingencies	22		
Total Liabilities		35,747,173	34,328,301
Ordinary share capital, €0.01 par value, 350,000,000 ordinary shares authorized as of March 31, 2019 and December 31, 2018; 151,847,345 and 151,847,345 ordinary shares issued and 139,597,805 and 142,674,664 ordinary shares outstanding (including 2,418,788 and 2,429,442 shares of unvested restricted stock) as of March 31, 2019 and December 31, 2018, respectively	16, 19	1,866	1,866
Additional paid-in capital		2,728,071	2,712,417
Treasury shares, at cost (12,249,540 and 9,172,681 ordinary shares as of March 31, 2019 and December 31, 2018, respectively)	16	(611,601)	(476,085)
Accumulated other comprehensive income		(37,470)	(1,824)
Accumulated retained earnings		6,825,312	6,591,674
Total AerCap Holdings N.V. shareholders' equity		8,906,178	8,828,048
Non-controlling interest		63,603	52,566
Total Equity		8,969,781	8,880,614
Total Liabilities and Equity		$44,716,954	$43,208,915
Supplemental balance sheet information—amounts related to assets and liabilities of consolidated VIEs for which creditors do not have recourse to our general credit:			
Restricted cash		$106,477	$87,584
Flight equipment held for operating leases and held for sale		2,179,810	2,230,634

Other assets	69,953	82,995
Accrued maintenance liability	$39,534	$44,073
Debt	1,473,040	1,497,144
Other liabilities	90,423	89,598

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

6

AerCap Holdings N.V. and Subsidiaries
Unaudited Condensed Consolidated Income Statements
For the Three Months Ended March 31, 2019 and 2018

	Note	Three Months Ended March 31, 2019	2018
		(U.S. Dollars in thousands, except share and per share data)	
Revenues and other income			
Lease revenue:			
Basic lease rents		$1,075,282	$1,032,875
Maintenance rents and other receipts		86,811	87,419
Net gain on sale of assets		21,541	89,300
Other income	18	21,393	9,532
Total Revenues and other income		1,205,027	1,219,126
Expenses			
Depreciation and amortization	5, 7	425,849	422,713
Asset impairment		5,031	2,108
Interest expense		334,179	274,449
Leasing expenses		91,721	132,468
Selling, general and administrative expenses	17	66,873	85,782
Total Expenses		923,653	917,520
Income before income taxes and income of investments accounted for under the equity method		281,374	301,606
Provision for income taxes	14	(36,579)	(39,228)
Equity in net earnings of investments accounted for under the equity method		2,102	3,341
Net income		$246,897	$265,719
Net income attributable to non-controlling interest		(12,711)	(320)
Net income attributable to AerCap Holdings N.V.		$234,186	$265,399
Basic earnings per share	19	$1.70	$1.80
Diluted earnings per share	19	$1.68	$1.72
Weighted average shares outstanding - basic		138,153,456	147,194,589
Weighted average shares outstanding - diluted		139,618,644	154,146,803

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

AerCap Holdings N.V. and Subsidiaries
Unaudited Condensed Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2019 and 2018

	Three Months Ended March 31,	
	2019	2018
	(U.S. Dollars in thousands)	
Net income	$246,897	$265,719
Other comprehensive (loss) income:		
Net change in fair value of derivatives (Note 10), net of tax of $5,092, and $(3,103), respectively	(35,646)	21,721
Total other comprehensive (loss) income	(35,646)	21,721
Comprehensive income	211,251	287,440
Comprehensive income attributable to non-controlling interest	(12,711)	(320)
Total comprehensive income attributable to AerCap Holdings N.V.	$198,540	$287,120

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

AerCap Holdings N.V. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2019 and 2018

	Three Months Ended March 31,	
	2019	2018
	(U.S. Dollars in thousands)	
Net income	$246,897	$265,719
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	425,849	422,713
Asset impairment	5,031	2,108
Amortization of debt issuance costs, debt discount and lease premium	19,033	23,503
Amortization of fair value adjustments on debt	(27,060)	(41,100)
Accretion of fair value adjustments on deposits and maintenance liabilities	4,309	5,413
Maintenance rights write-off (a)	52,357	100,827
Maintenance liability release to income	(46,285)	(42,230)
Net gain on sale of assets	(21,541)	(89,300)
Deferred income taxes	37,769	39,772
Collections of finance and sales-type leases	19,890	—
Other	51,770	23,306
Changes in operating assets and liabilities:		
Trade receivables	(55,039)	(15,944)
Other assets	(10,172)	563
Accounts payable, accrued expenses and other liabilities	42,892	42,618
Net cash provided by operating activities	745,700	737,968
Purchase of flight equipment	(815,274)	(447,998)
Proceeds from sale or disposal of assets	312,431	598,195
Prepayments on flight equipment	(280,335)	(681,616)
Collections of finance and sales-type leases	—	21,031
Other	(11)	(12,514)
Net cash used in investing activities	(783,189)	(522,902)
Issuance of debt	1,816,306	1,594,823
Repayment of debt	(537,246)	(1,084,956)
Debt issuance costs paid	(13,863)	(26,043)
Maintenance payments received	174,390	181,937
Maintenance payments returned	(108,437)	(149,100)
Security deposits received	86,860	42,096
Security deposits returned	(78,270)	(29,878)
Dividend paid to non-controlling interest holders	(1,674)	(2,700)
Repurchase of shares and tax withholdings on share-based compensation	(140,978)	(313,371)
Net cash provided by financing activities	1,197,088	212,808
Net increase in cash, cash equivalents and restricted cash	1,159,599	427,874
Effect of exchange rate changes	(403)	131
Cash, cash equivalents and restricted cash at beginning of period	1,415,035	2,024,125
Cash, cash equivalents and restricted cash at end of period	$2,574,231	$2,452,130

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

AerCap Holdings N.V. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows (Continued)
For the Three Months Ended March 31, 2019 and 2018

	Three Months Ended March 31,	
	2019	2018
	(U.S. Dollars in thousands)	
Supplemental cash flow information:		
Interest paid, net of amounts capitalized	$273,591	$263,057
Income taxes (refunded) paid, net	(877)	954

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

EOL and MR contract maintenance rights expense	$21,409	$53,690
MR contract maintenance rights write-off due to maintenance liability release	3,956	7,485
EOL contract maintenance rights write-off due to cash receipt	26,992	39,652
Maintenance rights write-off	$52,357	$100,827

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

AerCap Holdings N.V. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows (Continued)
For the Three Months Ended March 31, 2019 and 2018

Non-Cash Investing and Financing Activities

Three Months Ended March 31, 2019:
Flight equipment held for operating leases in the amount of $12.3 million was reclassified to net investment in finance and sales-type leases.
Flight equipment held for operating leases in the amount of $653.0 million was reclassified to flight equipment held for sale.
Accrued maintenance liability in the amount of $19.1 million was settled with buyers upon sale or disposal of assets.
Three Months Ended March 31, 2018:
Flight equipment held for operating leases in the amount of $47.2 million was reclassified to net investment in finance and sales-type leases.
Flight equipment held for operating leases in the amount of $492.8 million, net, was reclassified to flight equipment held for sale.
Flight equipment held for operating leases in the amount of $2.1 million, net, was reclassified to inventory, which is included in other assets.
Accrued maintenance liability in the amount of $86.1 million was settled with buyers upon sale or disposal of assets.

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

AerCap Holdings N.V. and Subsidiaries
Unaudited Condensed Consolidated Statements of Equity
For the Three Months Ended March 31, 2019 and 2018

	Number of ordinary shares issued	Ordinary share capital	Additional paid-in capital	Treasury shares	Accumulated other comprehensive loss	Accumulated retained earnings	AerCap Holdings N.V. shareholders' equity
	(U.S. Dollars in thousands, except share data)						
Balance as at December 31, 2018	151,847,345	$ 1,866	$ 2,712,417	$ (476,085)	$ (1,824)	$ 6,591,674	$ 8,828,048
Dividends paid	—	—	—	—	—	—	—
Repurchase of shares	—	—	—	(137,155)	—	—	(137,155)
Ordinary shares issued, net of tax withholdings	—	—	(1,759)	1,639	—	(548)	(668)
Share-based compensation	—	—	17,413	—	—	—	17,413
Total comprehensive income (loss)	—	—	—	—	(35,646)	234,186	198,540
Balance as at March 31, 2019	151,847,345	$ 1,866	$ 2,728,071	$ (611,601)	$ (37,470)	$ 6,825,312	$ 8,906,178

	Number of ordinary shares issued	Ordinary share capital	Additional paid-in capital	Treasury shares	Accumulated other comprehensive loss	Accumulated retained earnings	AerCap Holdings N.V. shareholders' equity
	(U.S. Dollars in thousands, except share data)						
Balance as at December 31, 2017	167,847,345	$ 2,058	$ 3,714,563	$ (731,442)	$ 14,274	$ 5,580,257	$ 8,579,710
Dividends paid	—	—	—	—	—	—	—
Repurchase of shares	—	—	—	(304,628)	—	—	(304,628)
Share cancellation	(11,000,000)	(135)	(541,421)	541,556	—	—	—
Ordinary shares issued, net of tax withholdings	—	—	(5,422)	3,223	—	(353)	(2,552)
Share-based compensation	—	—	31,734	—	—	—	31,734
Cumulative effect due to adoption of new accounting standard	—	—	—	—	—	1,241	1,241
Total comprehensive income	—	—	—	—	21,721	265,399	287,120
Balance as at March 31, 2018	156,847,345	$ 1,923	$ 3,199,454	$ (491,291)	$ 35,995	$ 5,846,544	$ 8,592,625

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

AerCap Holdings N.V. and Subsidiaries
Unaudited Condensed Consolidated Statements of Equity (Continued)
For the Three Months Ended March 31, 2019 and 2018

	AerCap Holdings N.V. shareholders' equity	Non-controlling interest	Total equity
	(U.S. Dollars in thousands, except share data)		
Balance as at December 31, 2018	$8,828,048	$ 52,566	$8,880,614
Dividends paid	—	(1,674)	(1,674)
Repurchase of shares	(137,155)	—	(137,155)
Ordinary shares issued, net of tax withholdings	(668)	—	(668)
Share-based compensation	17,413	—	17,413
Total comprehensive income	198,540	12,711	211,251
Balance as at March 31, 2019	$8,906,178	$ 63,603	$8,969,781

	AerCap Holdings N.V. shareholders' equity	Non-controlling interest	Total equity
	(U.S. Dollars in thousands, except share data)		
Balance as at December 31, 2017	$8,579,710	$ 59,104	$8,638,814
Dividends paid	—	(3,770)	(3,770)
Repurchase of shares	(304,628)	—	(304,628)
Share cancellation	—	—	—
Ordinary shares issued, net of tax withholdings	(2,552)	—	(2,552)
Share-based compensation	31,734	—	31,734
Cumulative effect due to adoption of new accounting standard	1,241	—	1,241
Total comprehensive income	287,120	320	287,440
Balance as at March 31, 2018	$8,592,625	$ 55,654	$8,648,279

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

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

1. General
The Company
We are a global leader in aircraft leasing with total assets of $44.7 billion, primarily consisting of 960 owned aircraft as of March 31, 2019. Our ordinary shares are listed on the New York Stock Exchange under the ticker symbol AER. Our headquarters is located in Dublin, and we have offices in Shannon, Los Angeles, Singapore, Amsterdam, Shanghai and Abu Dhabi. We also have representative offices at the world's largest aircraft manufacturers, Boeing in Seattle and Airbus in Toulouse.
The Condensed Consolidated Financial Statements presented herein include the accounts of AerCap Holdings N.V. and its subsidiaries. AerCap Holdings N.V. was incorporated in the Netherlands as a public limited liability company ("naamloze vennootschap" or "N.V.") on July 10, 2006.
2. Basis of presentation
General
Our Condensed Consolidated Financial Statements are presented in accordance with U.S. GAAP.
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 under Accounting Standards Codification ("ASC") 810. All intercompany balances and transactions with consolidated subsidiaries are 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.
Unconsolidated investments where we have significant influence are reported using the equity method of accounting.
Our Condensed Consolidated Financial Statements are stated in U.S. dollars, which is our functional currency.
Our interim financial statements have been prepared pursuant to the rules of the SEC and U.S. GAAP for interim financial reporting, and reflect all normally recurring adjustments that are necessary to fairly state the results for the interim periods presented. Certain information and footnote disclosures required by U.S. GAAP for complete annual financial statements have been omitted and, therefore, our interim financial statements should be read in conjunction with our Annual Report on Form 20-F for the year ended December 31, 2018, filed with the SEC on March 8, 2019. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of those for a full fiscal year.
Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.
Use of estimates
The preparation of Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The use of estimates is or could be a significant factor affecting the reported carrying values of flight equipment, intangibles, investments, trade and notes receivables, deferred income tax assets and accruals and reserves. Actual results may differ from our estimates under different conditions, sometimes materially.
Reportable segments
We manage our business and analyze and report our results of operations on the basis of one business segment: leasing, financing, sales and management of commercial aircraft and engines.

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
3. Summary of significant accounting policies

Our significant accounting policies are described in our Annual Report on Form 20-F for the year ended December 31, 2018, filed with the SEC on March 8, 2019.

Recent accounting standards adopted during 2019:

Lease accounting

In February 2016, the FASB issued an accounting standard, ASC 842, Leases, that requires lessees to recognize lease-related assets and liabilities on the balance sheet. In certain circumstances, the lessee is required to remeasure the lease payments. Qualitative and quantitative disclosures, including significant judgments made by management, are required to provide insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts.

We adopted the new standard on its required effective date of January 1, 2019 using the optional transition method provided under Accounting Standards Update 2018-11, Targeted Improvements. Under this optional transition method, we applied the new lease standard at the effective date and will continue to report prior comparative periods in accordance with ASC 840, Leases. We have elected the package of practical expedients, which permits us to not reassess lease identification, lease classification or initial direct costs. Upon adoption, we recognized operating lease-related assets and liabilities, where we are the lessee, of $58 million. In accordance with ASC 842, commencing with the three months ended March 31, 2019, we classified collections of finance and sales-type leases as part of operating activity cash flows. In periods prior to the adoption of ASC 842, these finance and sales-type leases cash flows are classified as part of investing activity cash flows.

As a lessor, we lease most of our aircraft under operating leases. Under the new lease standard, the accounting for leases as a lessor is similar to the previous standard (refer to our Annual Report on Form 20-F for the year ended December 31, 2018, filed with the SEC on March 8, 2019).

As a lessee, we lease office space in several locations globally. In accordance with ASC 842, Leases, we determine if an arrangement is a lease at its inception. For leases with terms greater than 12 months, operating lease right-of-use ("ROU") assets and liabilities are included in other assets (Note 9) and other liabilities (Note 11), respectively, in our Condensed Consolidated Balance Sheets, and finance leases are included in flight equipment held for operating leases (Note 5) and debt (Note 13).

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our contractual obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date and are calculated based on the present value of lease payments over the lease term. To determine the present value of lease payments, we use our incremental borrowing rate based on the information available at the lease commencement date.

Our assumed lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Future application of accounting standards:

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 disclosures, 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 Condensed Consolidated Balance Sheets and Condensed Consolidated Income Statements.

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

4. Restricted cash

Our restricted cash balance was $226.1 million and $211.0 million as of March 31, 2019 and December 31, 2018, respectively, and was primarily related to our ECA financings and Ex-Im financings, our AerFunding revolving credit facility and other debt. See Note 13—Debt.

The following is a reconciliation of cash, cash equivalents and restricted cash as of March 31, 2019, December 31, 2018 and March 31, 2018:

	March 31, 2019	December 31, 2018	March 31, 2018
Cash and cash equivalents	$2,348,132	$ 1,204,018	$2,152,165
Restricted cash	226,099	211,017	299,965
Total cash, cash equivalents and restricted cash	$2,574,231	$ 1,415,035	$2,452,130

5. Flight equipment held for operating leases, net

Movements in flight equipment held for operating leases during the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31,	
	2019	2018
Net book value at beginning of period	$35,052,335	$32,396,827
Additions	1,225,140	832,247
Depreciation	(419,493)	(413,859)
Disposals and transfers to held for sale	(757,944)	(606,475)
Transfers to net investment in finance and sales-type leases/inventory	(12,309)	(49,301)
Impairment	(5,031)	(2,108)
Net book value at end of period	$35,082,698	$32,157,331
Accumulated depreciation as of March 31, 2019 and 2018	$(6,864,996)	$(6,239,584)

Our current operating lease agreements expire over the next 14 years. The contracted minimum future lease payments receivable from lessees for flight equipment on non-cancelable operating leases for our owned aircraft and engines as of March 31, 2019 were as follows:

	Contracted minimum future lease payments receivable
2019 - remaining	$3,153,535
2020	3,855,494
2021	3,558,284
2022	3,271,997
2023	2,991,391
Thereafter	11,443,085
	$28,273,786

16

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

6. Net investment in finance and sales-type leases

Components of net investment in finance and sales-type leases as of March 31, 2019 and December 31, 2018 were as follows:

	March 31, 2019	December 31, 2018
Future minimum lease payments to be received	$765,599	$792,265
Estimated residual values of leased flight equipment (unguaranteed)	534,316	528,916
Less: Unearned income	(305,761)	(317,895)
	$994,154	$1,003,286

As of March 31, 2019, the cash flows receivable on finance and sales-type leases were as follows:

	Cash flows receivable
2019 - remaining	$116,036
2020	145,162
2021	130,284
2022	198,799
2023	125,884
Thereafter	583,750
Undiscounted cash flows receivable	$1,299,915
Less: Unearned income	(305,761)
	$994,154

During the three months ended March 31, 2019 and 2018, we recognized interest income from net investment in finance and sales-type leases of $16.4 million and $17.4 million, respectively, included in basic lease rents.

7. Intangibles

Maintenance rights and lease premium, net

Maintenance rights and lease premium, net consisted of the following as of March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Maintenance rights	$1,035,757	$ 1,088,246
Lease premium, net	22,333	24,944
	$1,058,090	$ 1,113,190

Movements in maintenance rights during the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31, 2019	2018
Maintenance rights at beginning of period	$1,088,246	$1,464,599
EOL and MR contract maintenance rights expense	(21,409)	(53,690)
MR contract maintenance rights write-off due to maintenance liability release	(3,956)	(7,485)
EOL contract maintenance rights write-off due to cash receipt	(26,992)	(39,652)
EOL and MR contract maintenance rights write-off due to sale of aircraft	(132)	(9,364)
Maintenance rights at end of period	$1,035,757	$1,354,408

17

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
7. Intangibles (Continued)

The following tables present details of lease premium and related accumulated amortization as of March 31, 2019 and December 31, 2018:

	March 31, 2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Lease premium	$73,300	$ (50,967)	$22,333

	December 31, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Lease premium	$73,300	$ (48,356)	$24,944

Lease premium amounts that are fully amortized are removed from the gross carrying amount and accumulated amortization columns in the tables above.

During the three months ended March 31, 2019 and 2018, we recorded lease premium amortization expense of $2.6 million and $2.7 million, respectively.

Other intangibles

Other intangibles consisted of the following as of March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Goodwill	$58,094	$ 58,094
Customer relationships, net	256,647	261,941
Contractual vendor intangible assets	8,535	8,535
	$323,276	$ 328,570

The following tables present details of customer relationships and related accumulated amortization as of March 31, 2019 and December 31, 2018:

	March 31, 2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	$360,000	$ (103,353)	$256,647

	December 31, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	$360,000	$ (98,059)	$261,941

During the three months ended March 31, 2019, we recorded amortization expense for customer relationships of $5.3 million. During the three months ended March 31, 2018, we recorded amortization expense for customer relationships and tradename of $7.8 million.

During the three months ended March 31, 2019 and 2018, we did not utilize any contractual vendor intangible assets to reduce the cash outlay related to purchases of goods and services from our vendors.

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

8. Flight equipment held for sale

Generally, an aircraft is classified as held for sale when the sale is probable, the aircraft is available for sale in its present condition, and is expected to be sold within one year. Aircraft are reclassified from flight equipment held for operating leases to flight equipment held for sale at the lower of the aircraft carrying value or fair value, less costs to sell. Depreciation is no longer recognized for aircraft classified as held for sale.

As of March 31, 2019, 25 aircraft and four engines with a total net book value of $633.6 million met the held for sale criteria and were classified as flight equipment held for sale in our Condensed Consolidated Balance Sheet. Aggregate maintenance and security deposit amounts received from the lessee of approximately $101 million will be assumed by the buyers of these aircraft upon consummation of the individual sale transactions.

As of December 31, 2018, seven aircraft with a total net book value of $184.1 million met the held for sale criteria and were classified as flight equipment held for sale in our Consolidated Balance Sheet. During the first quarter of 2019, the sale of six of those aircraft closed and the remaining aircraft was held for sale as of March 31, 2019.

9. Other assets

Other assets consisted of the following as of March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Inventory	$20,256	$ 30,971
Debt issuance costs	33,664	36,814
Lease incentives	240,042	251,961
Other receivables	147,038	220,289
Investments	134,145	132,113
Notes receivables	52,980	58,994
Derivative assets (Note 10)	39,047	69,105
Operating lease ROU assets (Note 15)	48,227	—
Other tangible fixed assets	28,728	29,151
Straight-line rents, prepaid expenses and other	85,405	79,792
	$829,532	$ 909,190

10. Derivative financial instruments

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

As of March 31, 2019, we had interest rate caps and swaps outstanding, with underlying variable benchmark interest rates ranging from one to six-month U.S. dollar LIBOR.

Some of our agreements with derivative counterparties require a two-way cash collateralization of derivative fair values. As of March 31, 2019 and December 31, 2018, we had cash collateral of $2.6 million and $5.5 million, respectively, from various counterparties and the obligation to return such collateral was recorded in accounts payable, accrued expenses and other liabilities. We had not advanced any cash collateral to counterparties as of March 31, 2019 or December 31, 2018.

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

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
10. Derivative financial instruments (Continued)

Our derivative assets are recorded in other assets and our derivative liabilities are recorded in accounts payable, accrued expenses and other liabilities in our Condensed Consolidated Balance Sheets. The following tables present notional amounts and fair values of derivatives outstanding as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	Notional amount (a)	Fair value	Notional amount (a)	Fair value
Derivative assets not designated as accounting hedges:				
Interest rate caps	$2,360,000	$17,555	$2,523,500	$32,547
Derivative assets designated as accounting cash flow hedges:				
Interest rate swaps	$1,893,501	$21,492	$1,900,957	$36,558
Total derivative assets		$39,047		$69,105

(a) The notional amount is reported as nil for caps and swaps where the effective date has not yet commenced.

	March 31, 2019		December 31, 2018	
	Notional amount (a)	Fair value	Notional amount (a)	Fair value
Derivative liabilities designated as accounting cash flow hedges:				
Interest rate swaps	$2,301,000	$54,994	$1,375,000	$29,321
Total derivative liabilities		$54,994		$29,321

(a) The notional amount is reported as nil for swaps where the effective date has not yet commenced.

We recorded the following in other comprehensive income related to derivative financial instruments for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Gain (Loss)		
Effective portion of change in fair market value of derivatives designated as accounting cash flow hedges:		
Interest rate swaps	$(40,738)	$24,824
Income tax effect	5,092	(3,103)
Net changes in cash flow hedges, net of tax	$(35,646)	$21,721

We expect to reclassify approximately $4 million from AOCI as a reduction to interest expense in our Condensed Consolidated Income Statements over the next 12 months. The following table presents the effect of derivatives recorded as reductions to or (increases) in interest expense in our Condensed Consolidated Income Statements for the three months ended March 31, 2019 and 2018:

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
10. Derivative financial instruments (Continued)

	Three Months Ended March 31,	
	2019	2018
Gain (Loss)		
Derivatives not designated as accounting hedges:		
Interest rate caps	$(15,887)	$16,539
Reclassification to Condensed Consolidated Income Statements:		
Reclassification of amounts previously recorded within AOCI	3,931	—
Effect from derivatives on interest expense	$(11,956)	$16,539

11. Accounts payable, accrued expenses and other liabilities

Accounts payable, accrued expenses and other liabilities consisted of the following as of March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Accounts payable, accrued expenses and other	$271,968	$ 296,523
Deferred revenue	405,940	421,542
Accrued interest	313,589	262,559
Derivative liabilities (Note 10)	54,994	29,321
Operating lease liabilities (Note 15)	56,792	—
	$1,103,283	$ 1,009,945

12. Accrued maintenance liability

Movements in accrued maintenance liability during the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31,	
	2019	2018
Accrued maintenance liability at beginning of period	$2,237,494	$2,461,799
Maintenance payments received	174,390	181,937
Maintenance payments returned	(108,437)	(149,100)
Release to income upon sale	(19,103)	(86,110)
Release to income other than upon sale	(45,522)	(42,230)
Lessor contribution, top ups and other	22,227	2,065
Accrued maintenance liability at end of period	$2,261,049	$2,368,361

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
13. Debt

As of March 31, 2019, the principal amount of our outstanding indebtedness totaled $30.8 billion, which excluded fair value adjustments of $148.1 million and debt issuance costs and debt discounts of $161.2 million, and our undrawn lines of credit were approximately $8.0 billion, availability of which is subject to certain conditions, including compliance with certain financial covenants. As of March 31, 2019, we remained in compliance with the financial covenants across our various debt obligations. All of our debt is redeemable by AerCap, unless otherwise stated.
The following table provides a summary of our indebtedness as of March 31, 2019 and December 31, 2018:

	March 31, 2019						December 31, 2018
Debt Obligation	Collateral (Number of aircraft)	Commitment	Undrawn amounts	Amount outstanding	Weighted average interest rate (a)	Maturity	Amount outstanding
Unsecured							
ILFC Legacy Notes		$4,900,000	$—	$4,900,000	6.69 %	2019 - 2022	$4,900,000
AGAT/AICDC Notes		11,849,864	—	11,849,864	4.13 %	2019 - 2028	10,749,864
Asia Revolving Credit Facility		950,000	950,000	—	—	2022	200,000
Citi Revolving Credit Facility		4,000,000	4,000,000	—	—	2021	—
Other unsecured debt		1,416,000	—	1,416,000	4.02 %	2020 - 2023	1,160,000
Fair value adjustment		NA	NA	150,165	NA	NA	177,450
TOTAL UNSECURED		$23,115,864	$4,950,000	$18,316,029			$17,187,314
Secured							
Export credit facilities	31	802,282	—	802,282	2.68 %	2019 - 2030	849,372
Institutional secured term loans & secured portfolio loans	282	9,199,704	1,427,000	7,772,704	4.15 %	2020 - 2030	7,533,028
AerFunding Revolving Credit Facility	16	2,500,000	1,590,989	909,011	4.49 %	2022	919,484
Other secured debt	69	1,574,205	—	1,574,205	4.55 %	2019 - 2037	1,633,099
Fair value adjustment		NA	NA	(1,869)	NA	NA	(2,103)
TOTAL SECURED		$14,076,191	$3,017,989	$11,056,333			$10,932,880
Subordinated							
ECAPS Subordinated Notes		1,000,000	—	1,000,000	4.67 %	2065	1,000,000
Junior Subordinated Notes		500,000	—	500,000	6.50 %	2045	500,000
Subordinated debt issued by joint ventures		48,234	—	48,234	—	2019 - 2020	48,234
Fair value adjustment		NA	NA	(225)	NA	NA	(225)
TOTAL SUBORDINATED		$1,548,234	$—	$1,548,009			$1,548,009
Debt issuance costs and debt discounts		NA	NA	(161,217)	NA	NA	(160,616)
	398	$38,740,289	$7,967,989	$30,759,154			$29,507,587

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

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
13. Debt (Continued)

Additional details of the principal terms of our indebtedness can be found in our Annual Report on Form 20-F for the year ended December 31, 2018, filed with the SEC on March 8, 2019. There have been no material changes to our indebtedness since the filing of the annual report, except for scheduled repayments and as described below.

Institutional secured term loans & secured portfolio loans

In March 2019, we signed a $630.0 million, 7.5 year, full recourse secured facility to finance a portfolio of aircraft.

AGAT/AICDC Notes

In April 2019, AerCap Trust and AICDC co-issued $500.0 million aggregate principal amount of 4.875% senior notes due 2024 with a yield to maturity of 3.965% (which was an additional issuance of the series of notes originally issued in January 2019) and $500.0 million aggregate principal amount of 4.450% senior notes due 2026 with a yield to maturity of 4.472%. The proceeds from the offering will be used for general corporate purposes.

14. Income taxes

Our effective tax rate was 13.0% for the three months ended March 31, 2019 and 2018. Our effective tax rate in any period can be impacted by revisions to the estimated full year rate.

15. Leases

We lease office space in several locations globally under operating lease arrangements, and in limited instances may enter into finance leases for flight equipment. Our leases have remaining lease terms of one year to 18 years, and in some cases we have options to extend the lease terms for up to ten years. Our finance lease arrangements may be terminated prior to their original expiration date at our discretion.

As of March 31, 2019, operating lease ROU assets net of lease incentives included in other assets were $48.2 million, and operating lease liabilities included in accounts payable, accrued expenses and other liabilities were $56.8 million. Finance lease liabilities included in debt were $129.5 million.

As of March 31, 2019, supplemental balance sheet information related to leases was as follows:

	Operating leases	Finance leases
Weighted average remaining lease term (years)	9.9	17.0
Weighted average discount rate	6.4 %	6.5 %

As of March 31, 2019, maturities of operating and finance lease liabilities were as follows:

	Operating leases	Finance leases
2019 - remaining	$7,771	$9,038
2020	8,754	10,946
2021	8,422	10,946
2022	8,490	10,946
2023	8,552	10,946
Thereafter	34,716	186,723
Total lease payments	$76,705	$239,545
Less: Imputed interest	(19,913)	(110,013)
Present value of lease liabilities	$56,792	$129,532

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

16. Equity

The following table presents our share repurchase programs from January 1, 2018 through March 31, 2019:

Program approval date	Program end date	Authorized amount	Program completion date
February 2018	June 30, 2018	$ 200,000	May 14, 2018
April 2018	December 31, 2018	200,000	November 2, 2018
October 2018	March 31, 2019	200,000	January 9, 2019
December 2018	March 31, 2019	100,000	March 22, 2019
February 2019	September 30, 2019	200,000	Not yet completed

During the three months ended March 31, 2019, we repurchased an aggregate of 3,087,904 of our ordinary shares under our share repurchase programs at an average price, including commissions, of $44.42 per ordinary share. Between April 1, 2019 and April 26, 2019, we repurchased an aggregate of 855,271 of our ordinary shares under our share repurchase program at an average price, including commissions, of $48.51 per ordinary share.

17. Selling, general and administrative expenses

Selling, general and administrative expenses consisted of the following for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Personnel expenses	$31,192	$32,632
Share-based compensation	17,413	31,734
Travel expenses	4,253	5,451
Professional services	6,224	7,070
Office expenses	3,499	4,129
Directors’ expenses	735	707
Other expenses	3,557	4,059
	$66,873	$85,782

18. Other income

Other income consisted of the following for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Management fees	$3,410	$3,114
Interest and other income	17,983	6,418
	$21,393	$9,532

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)

19. Earnings per share

Basic EPS is calculated by dividing net income by the weighted average of our ordinary shares outstanding, which excludes 2,418,788 and 2,991,371 shares of unvested restricted stock as of March 31, 2019 and 2018, respectively. For the calculation of diluted EPS, the weighted average of our ordinary shares outstanding for basic EPS is adjusted by the effect of dilutive securities, provided under our equity compensation plans. The number of shares excluded from diluted shares outstanding was 203,870 and nil for the three months ended March 31, 2019 and 2018, respectively, because the effect of including these shares in the calculation would have been anti-dilutive.

Basic and diluted EPS for the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31,	
	2019	2018
Net income for the computation of basic EPS	$234,186	$ 265,399
Weighted average ordinary shares outstanding - basic	138,153,456	147,194,589
Basic EPS	$1.70	$ 1.80

	Three Months Ended March 31,	
	2019	2018
Net income for the computation of diluted EPS	$234,186	$ 265,399
Weighted average ordinary shares outstanding - diluted	139,618,644	154,146,803
Diluted EPS	$1.68	$ 1.72

Ordinary shares outstanding, excluding shares of unvested restricted stock, as of March 31, 2019 and December 31, 2018 were as follows:

	March 31, 2019	December 31, 2018
	Number of ordinary shares	
Ordinary shares issued	151,847,345	151,847,345
Treasury shares	(12,249,540)	(9,172,681)
Ordinary shares outstanding	139,597,805	142,674,664
Shares of unvested restricted stock	(2,418,788)	(2,429,442)
Ordinary shares outstanding, excluding shares of unvested restricted stock	137,179,017	140,245,222

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
20. Variable interest entities

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

During the three months ended March 31, 2019, we did not provide any financial support to any of our VIEs that we were not contractually obligated to provide.

Consolidated VIEs

As of March 31, 2019 and December 31, 2018, substantially all assets and liabilities presented in our Condensed Consolidated Balance Sheets were held in consolidated VIEs. The assets of our consolidated VIEs that can only be used to settle obligations of these entities, and the liabilities of these VIEs for which creditors do not have recourse to our general credit, are disclosed in our Condensed Consolidated Balance Sheets under Supplemental balance sheet information. Further details of debt held by our consolidated VIEs are disclosed in Note 13—Debt.

Wholly-owned ECA and Ex-Im financing vehicles

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

Other secured financings

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

Wholly-owned leasing entities

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

Limited recourse financing structures

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

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
20. Variable interest entities (Continued)

AerCap Partners I

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

As of March 31, 2019, AerCap Partners I had a portfolio consisting of four Boeing 737NG aircraft. As of March 31, 2019, AerCap Partners I had $14.1 million outstanding under a senior debt facility, which is guaranteed by us, and $63.8 million of subordinated debt outstanding, consisting of $31.9 million from us and $31.9 million from our joint venture partner.

AerCap Partners 767

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

As of March 31, 2019, AerCap Partners 767 had a portfolio consisting of two Boeing 767-300ER aircraft. As of March 31, 2019, AerCap Partners 767 had $4.0 million outstanding under a senior debt facility, which is limited recourse to us, and $32.6 million of subordinated debt outstanding, consisting of $16.3 million from us and $16.3 million from our joint venture partner. The senior debt facility was repaid in full in April 2019.

AerFunding

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

As of March 31, 2019, AerFunding had a portfolio consisting of one Airbus A320 Family aircraft, two Airbus A320neo Family aircraft, two Airbus A350 aircraft, six Boeing 737NG aircraft and five Boeing 787 aircraft. As of March 31, 2019, AerFunding had $909.0 million outstanding under a secured revolving credit facility and $335.1 million of AerFunding Class E-1 Notes outstanding due to us.

Non-consolidated VIEs

The following table presents our maximum exposure to loss in non-consolidated VIEs as of March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Carrying value of debt and equity investments	$134,145	$ 132,113
Debt guarantees	84,343	88,313
Maximum exposure to loss	$218,488	$ 220,426

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

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
20. Variable interest entities (Continued)

AerDragon

AerDragon is a joint venture with 50% owned by China Aviation Supplies Holding Company and the other 50% owned in equal parts by us, affiliates of Crédit Agricole Corporate and Investment Bank, and East Epoch Limited. This joint venture enhances our presence in the Chinese market and our ability to lease our aircraft and engines throughout the entire Asia/Pacific region. We provide accounting related services to AerDragon.

As of March 31, 2019, AerDragon owned 28 narrowbody aircraft.

We have determined that AerDragon is a VIE in which we do not have control and are not the PB. We do have significant influence and, accordingly, we account for our investment in AerDragon under the equity method of accounting.

AerLift

AerLift is a joint venture in which we have a 39% interest. We provide asset and lease management, insurance management and cash management services to AerLift for a fee. As of March 31, 2019 and December 31, 2018, we guaranteed debt of $84.3 million and $88.3 million, respectively, for AerLift. Other than the debt for which we act as a guarantor, the debt obligations of AerLift are non-recourse to us.

As of March 31, 2019, AerLift owned four widebody aircraft.

We have determined that AerLift is a VIE in which we do not have control and are not the PB. We do have significant influence and, accordingly, we account for our investment in AerLift under the equity method of accounting.

ACSAL

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

As of March 31, 2019, ACSAL owned eight aircraft.

We have determined that ACSAL is a VIE in which we do not have control and are not the PB. We do have significant influence and, accordingly, we account for our investment in ACSAL under the equity method of accounting.

Peregrine

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

As of March 31, 2019, Peregrine owned 21 aircraft.

We have determined that Peregrine is a VIE in which we do not have control and are not the PB. We account for our equity investment in Peregrine under the cost method of accounting.

Other variable interest entities

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

21. Related party transactions

AerDragon

We provide accounting related services to AerDragon, for which we received a fee of $0.2 million and $0.1 million during the three months ended March 31, 2019 and 2018, respectively.

ACSAL

We provide aircraft asset and lease management services to ACSAL, for which we received a fee of $0.1 million and $0.1 million during the three months ended March 31, 2019 and 2018, respectively. In addition, we received a dividend of $0.3 million and $0.4 million during the three months ended March 31, 2019 and 2018, respectively.

AerLift

We provide a variety of management services to, and guarantee certain debt of, AerLift, for which we received a fee of $0.4 million and $0.4 million during the three months ended March 31, 2019 and 2018, respectively.

AerCap Partners I

During the three months ended March 31, 2019, we sold two aircraft to our joint venture partner in AerCap Partners I.

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
22. Commitments and contingencies

Aircraft on order
As of March 31, 2019, we had commitments to purchase 346 new aircraft scheduled for delivery through 2023. These commitments are based upon purchase agreements with Boeing, Airbus and Embraer. These agreements establish the pricing formulas (including adjustments for certain contractual escalation provisions) and various other terms with respect to the purchase of aircraft. Under certain circumstances, we have the right to alter the mix of aircraft types ultimately acquired.
Movements in prepayments on flight equipment during the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31,	
	2019	2018
Prepayments on flight equipment at beginning of period	$3,024,520	$2,930,303
Prepayments during the period	252,316	657,626
Interest paid and capitalized during the period	28,067	22,840
Prepayments and capitalized interest applied to the purchase of flight equipment	(320,580)	(244,042)
Prepayments on flight equipment at end of period	$2,984,323	$3,366,727

Additional details of our commitments and contingencies can be found in our Annual Report on Form 20-F for the year ended December 31, 2018, filed with the SEC on March 8, 2019.
Asset value guarantees
We have potential obligations under contracts that guarantee a portion of the residual value of aircraft owned by third parties. These guarantees expire at various dates through 2023 and generally obligate us to pay the shortfall between the fair market value and the guaranteed value of the aircraft and, in certain cases, provide us with an option to purchase the aircraft for the guaranteed value. As of March 31, 2019, two guarantees were outstanding.
We regularly review the underlying values of the aircraft collateral to determine our exposure under these asset value guarantees. We did not record any asset value guarantee loss provisions during the three months ended March 31, 2019 or 2018.
As of March 31, 2019 and December 31, 2018, the carrying value of the asset value guarantee liability was nil. As of March 31, 2019, the maximum aggregate potential commitment that we were obligated to pay under these guarantees, without any offset for the projected value of the aircraft or other contractual features that may limit our exposure, was approximately $31.8 million.
Other guarantees
We guarantee the replacement lease rental cash flows of two sold aircraft, in the event of a default and lease termination by the current lessees, up to agreed maximum amounts for each aircraft. These guarantees expire in 2020. We are obligated to perform under these guarantees in the event of a default and lease termination by the current lessees, and if the contracted net replacement lease rental rates do not equal or exceed the rental amounts in the current lease contracts. As of March 31, 2019 and December 31, 2018, the carrying value of these guarantees was $2.3 million, and was included in accounts payable, accrued expenses and other liabilities in our Condensed Consolidated Balance Sheets. As of March 31, 2019, the maximum undiscounted aggregate future guarantee payments that we could be obligated to make under these guarantees, without offset for the projected net future re-lease or extension rates, were approximately $10.5 million.
Legal proceedings
General
In the ordinary course of our business, we are a party to various legal actions, which we believe are incidental to the operations of our business. The Company regularly reviews the possible outcome of such legal actions, and accrues for such legal actions at the time a loss is probable and the amount of the loss can be estimated. In addition, the

Company also reviews indemnities and insurance coverage, where applicable. Based on information currently available, we believe the potential outcome of those cases where we are able to estimate reasonably possible losses, and our estimate of the reasonably possible losses exceeding amounts already recognized, on an aggregated basis, is immaterial to our Condensed Consolidated Financial Statements.

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
22. Commitments and contingencies (Continued)

VASP litigation
We leased 13 aircraft and three spare engines to Viação Aerea de São Paulo (“VASP”), a Brazilian airline. In 1992, VASP defaulted on its lease obligations and we commenced litigation against VASP to repossess our equipment. In 1992, we obtained a preliminary injunction for the repossession and export of 13 aircraft and three spare engines from VASP. We repossessed and exported the aircraft and engines in 1992. VASP appealed this decision. In 1996, the Appellate Court of the State of São Paulo (“TJSP”) ruled in favor of VASP on its appeal. We were instructed to return the aircraft and engines to VASP for lease under the terms of the original lease agreements. The Appellate Court also granted VASP the right to seek damages in lieu of the return of the aircraft and engines. Since 1996 we have defended this case in the Brazilian courts through various motions and appeals. On March 1, 2006, the Superior Tribunal of Justice (the “STJ”) dismissed our then-pending appeal and on April 5, 2006, a special panel of the STJ confirmed this decision. On May 15, 2006 we filed an extraordinary appeal with the Federal Supreme Court. In September 2009 the Federal Supreme Court requested an opinion on our appeal from the office of the Attorney General. This opinion was provided in October 2009. The Attorney General recommended that AerCap’s extraordinary appeal be accepted for trial and that the case be subject to a new judgment before the STJ. On April 4, 2018, the Federal Supreme Court declined to accept our extraordinary appeal for trial. We appealed this decision on April 25, 2018.
On February 23, 2006, VASP commenced a procedure to calculate its alleged damages and since then we, VASP and the court have appointed experts to assist the court in calculating damages. Our appointed expert has concluded that no damages were incurred. The VASP-appointed expert has concluded that substantial damages were incurred, and has claimed that such damages should reflect monetary adjustments and default interest for the passage of time. The court-appointed expert has also concluded that no damages were incurred. Different public prosecutors have issued conflicting opinions. The first public prosecutor had filed an opinion that supports the view of the VASP-appointed expert. In response to that opinion, the court-appointed expert reaffirmed his conclusion. A subsequently-appointed public prosecutor subsequently filed a new opinion that is less supportive of the VASP-appointed expert’s opinion, but the original public prosecutor then issued a third opinion consistent with the first one. On October 30, 2017, the court decided that VASP had suffered no damages. On April 20, 2018, VASP appealed this decision. We believe, however, and we have been advised, that it is not probable that VASP will ultimately be able to recover damages from us even if VASP prevails on the issue of liability. The outcome of the legal process is, however, uncertain. The ultimate amount of damages, if any, payable to VASP cannot reasonably be estimated at this time. We continue to actively pursue all courses of action that may reasonably be available to us and intend to defend our position vigorously.
In July 2006, we brought a claim for damages against VASP in the English courts, seeking damages incurred by AerCap as a result of VASP’s default under seven leases that were governed by English law. VASP filed applications challenging the jurisdiction of the English court, and sought to adjourn the jurisdictional challenge pending the sale of some of its assets in Brazil. We opposed this application and by an order dated March 6, 2008, the English court dismissed VASP’s applications.
In September 2008, the bankruptcy court in Brazil ordered the bankruptcy of VASP. VASP appealed this decision. In December 2008, we filed with the English court an application for default judgment, seeking damages plus accrued interest pursuant to seven lease agreements. On March 16, 2009, we obtained a default judgment in which we were awarded approximately $40 million in damages plus accrued interest. We subsequently applied to the STJ for an order ratifying the English judgment, so that it might be submitted in the VASP bankruptcy. The STJ granted AerCap’s application and entered an order ratifying the English judgment. Although VASP appealed that order, it is fully effective pending a resolution of VASP’s appeal of the order ratifying the English judgment.

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
22. Commitments and contingencies (Continued)

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

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

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

Transbrasil litigation

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

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

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

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

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

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

In February 2014, Transbrasil appealed the STJ's ruling of October 2013 to another panel of the STJ. The appellate panel rejected Transbrasil's appeal in November 2016, preserving the October 2013 order. All appeals in respect of the Transbrasil Lawsuit have now concluded.

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

Yemen Airways-Yemenia litigation

ILFC is named in a lawsuit in connection with the 2009 crash of an Airbus A310-300 aircraft owned by ILFC and on lease to Yemen Airways-Yemenia, a Yemeni carrier ("Hassanati Action"). The Hassanati plaintiffs are families of deceased occupants of the flight and seek unspecified damages for wrongful death, costs, and fees. The Hassanati Action commenced in January 2011 and was pending in the United States District Court for the Central District of California. On February 18, 2014, the district court granted summary judgment in ILFC's favor and dismissed all of the Hassanati plaintiffs' remaining claims. The Hassanati plaintiffs appealed. On March 22, 2016, the appellate court rejected the appeal. On April 22, 2016, the Hassanati plaintiffs refiled their action at the trial court. The trial court granted ILFC's motion to dismiss the Hassanati plaintiffs' second complaint on November 22, 2016, and entered judgment in favor of ILFC. The Hassanati plaintiffs appealed and the appellate court rejected their appeal on September 17, 2018.

On August 29, 2014, a new group of plaintiffs filed a lawsuit against ILFC in the United States District Court for the Central District of California (the "Abdallah Action"). The Abdallah Action claims unspecified damages from ILFC on the same theory as does the Hassanati Action. On June 30, 2017, the parties to the Abdallah action executed a Master Settlement Agreement setting forth terms on which Yemenia's insurance carrier proposes to settle the case with each claimant family. Upon the claimant families' execution of individual release and discharge agreements and upon ILFC's and Yemenia's confirmation of a sufficient number of participating claimants, the claims by such participating claimants against ILFC and Yemenia in the Abdallah Action will be dismissed in exchange for payment from Yemenia's insurance carrier. We believe that ILFC has substantial defenses on the merits and is adequately covered by available liability insurance in respect of both the Hassanati Action and the Abdallah Action.

AerCap Holdings N.V. and Subsidiaries
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)
(U.S. Dollars in thousands or as otherwise stated, except share and per share data)
23. Fair value measurements

The Company determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy as described below. Where limited or no observable market data exists, fair value measurements for assets and liabilities are primarily based on management's own estimates and are calculated based upon the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results may not be realized in actual sale or immediate settlement of the asset or liability.
The degree of judgment used in measuring the fair value of a financial and non-financial asset or liability generally correlates with the level of pricing observability. We classify our fair value measurements based on the observability and significance of the inputs used in making the measurement, as provided below:
Level 1 — Quoted prices available in active markets for identical assets or liabilities as of the reported date.
Level 2 — Observable market data. Inputs include quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allow value to be determined.
Level 3 — Unobservable inputs from our own assumptions about market risk developed based on the best information available, subject to cost benefit analysis. Inputs may include our own data.
Fair value measurements are classified in their entirety based on the lowest level of input that is significant to their fair value measurement.
Assets and liabilities measured at fair value on a recurring basis
As of March 31, 2019 and December 31, 2018, our derivative portfolio consisted of interest rate swaps and caps. The fair value of derivatives is based on dealer quotes for identical instruments. We have also considered the credit rating and risk of the counterparty of the derivative contract based on quantitative and qualitative factors. As such, the valuation of these instruments was classified as Level 2.
The following tables present our financial assets and liabilities that we measured at fair value on a recurring basis by level within the fair value hierarchy as of March 31, 2019 and December 31, 2018:

	March 31, 2019			
	Total	Level 1	Level 2	Level 3
Assets				
Derivative assets	$39,047	$ —	$39,047	$ —
Liabilities				
Derivative liabilities	$54,994	$ —	54,994	$ —

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Assets				
Derivative assets	$69,105	$ —	$69,105	$ —
Liabilities				