

FINAL TRANSCRIPT

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AER - Q4 2008 Aercap Holdings N.V. Earnings Presentation

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PRESENTATION

Operator

Good morning. My name is Kimico, and I will be your conference operator today. At this time I would like to welcome everyone to the AerCap fourth quarter earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. (Operator Instructions) Thank you.

Mr. Wortel, you may begin your conference.

Peter Wortel - *Aercap Holdings N.V. - VP Investor Relations*

Thank you. Good morning, everyone, and welcome to our fourth quarter and full year conference call. With me today are Klaus Heinemann, CEO; and Keith Helming, CFO of AerCap.

Before I begin with my disclaimer message I would like to mention that after this conference call we will host a luncheon at the New York Palace. The presentation given there will be made available via the website, shortly before the start of the lunch around noon New York time.

Also I would like to remind you that we have organized an Investor and Analyst Day on Thursday, 2nd of April, also here in New York. If you would like to attend that day, information on the day can be found on the website.

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Now, before we begin I want to remind you that some statements made during this conference call that are not historical facts may be forward-looking statements. Forward-looking statements involve risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied in such statements.

In addition, this conference call contains time-sensitive information that reflects management's best judgment only as of the date of the live call. AerCap does not undertake any ongoing obligation, other than that imposed by law, to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after this call.

Further information concerning issues that could materially affect performance related to forward-looking statements can be found in AerCap's earnings release dated February 25, 2009. A copy of the earnings release and conference call presentation are available on our website at www.aercap.com. This call is open to the public and is being webcast simultaneously at aercap.com and will be archived for replay. I'll now turn the call over to Klaus.

Klaus, please go ahead.

Klaus Heinemann - AerCap Holdings N.V. - CEO

Good morning and welcome to our fourth quarter and full year earnings call. As you all know, the past year has been an increasingly difficult year for most of the global economies, and obviously also for the aviation industry, caused primarily by the financial markets crisis with solid ramifications and subsequent events.

Also AerCap is subject to airline defaults, and the effects of those are very visible in our 2008 result, and disclosed in some detail. So far in 2009 we have not experienced material defaults with our lessee clients. But the economy is in an extremely difficult state and more defaults of airlines seem likely to us from today's perspective.

As a lessor we do have the benefit of long-term contracted leases that insulate us from the reduction of capacity demand that the airlines observe as long as they are solvent. The contracts that we have in place generate sound cash flows, most of which are used to retire associated debt, in some cases like our ALS securitization faster than anticipated because the full benefit of reduced interest cost goes into accelerated debt retirement.

The client default risk as it occurs has been mitigated by limiting most of our customer concentrations to around 5% of total lease revenue, and by having good collateral through security deposit, and significant maintenance reserves.

All in all, this helps us to significantly reduce the risk when problems arise with some of our airline customers. But as I said in the initial remark we do believe that we will see more difficulties with some of our clients as the year progresses.

On the funding side we have shown that AerCap continues to be able to procure financing even in the current market environment. The latest example of this is the \$1.4 billion ECA -- European Credit Agency -- guaranteed funding umbrella that was agreed in principle during the fourth quarter. This funding is essential for the committed CapEx of aviation assets in 2009, 2010, 2011, and 2012.

Our portfolio consists largely of the efficient A320s and A330s as well as a growing number of 737NG. These aircrafts still maintain a good level of demand, and as was shown in 2008 also make the task of remarketing much easier if necessary.

As a little aside at this moment all aircraft, with the exception of one A321 aircraft that we had to re-posses from a Turkish lessee in December, have been not only put on new leases but have been delivered to the new lessees and are back in revenue earnings.

That does include two MD11 aircraft and one 767 aircraft which do not belong in the first category of A320s and A330s, so even for these aircraft we do find replacement markets at this time if they come off lease unexpectedly.

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In the fourth quarter of 2008 AerCap executed 14 new aircraft lease agreements or letters of intent. We delivered altogether 12 aircraft and took delivery of aircraft from Airbus, and nine engines to lessees. We purchased 11 aircraft and six engines, and sold three aircraft and five engines. The number of aircraft in our owned and to-be-delivered portfolio now stands at 297.

With regard to the placement of our A320 and A330 forward orders we continue to make significant progress. Of the 100 aircraft of our forward order we have by now delivered 15. We have lease agreements for 51 of these aircraft. We have sold nine, and 20 are still work in progress.

We still see interest of airlines to add additional capacity for replacement and growth purposes on the longer term in particular for 2010 and beyond positions, albeit that this demand is now met in a competitive environment where other lessors and manufacturers are competing for whatever interest there is at the moment for these aircraft in the market.

Boeing and Airbus, as you know, or some of you may know, have announced finally adjustments to their production capacity to align this with current GDP growth scenarios for the short and medium term. Airbus did so last week by announcing that from October of this year they will curtail production by around about 10%; remains to be seen if that is sufficient under the circumstances.

AerCap, as we've already told you at the last earnings call, has at this moment suspended all additional CapEx over and above the CapEx that we contracted with Airbus in 2005 and 2007. Current trading levels for AerCap shares and its publicly traded debt instruments clearly reflect the issues that investors see for the global economy and for the aviation sector in particular. AerCap's Management and Board is fully aware of this, and is focused on identifying initiatives to deal with these exceptional economic circumstances in order to protect our shareholders' long-term values.

Keith will now take you through the details of our financial and operating performance. Keith.

Keith Helming - *Aercap Holdings N.V. - CFO*

Thanks, Klaus. Good morning to everyone. I will take you through the highlights now of the fourth quarter 2008 financial performance. In fourth quarter 2008 we incurred a net loss of \$19 million. Excluding the non-cash charges relating to the mark-to-market of our interest rate caps and share-based compensation we had net income of \$18.7 million in the fourth quarter 2008.

As a result of a significant drop in interest rates the mark-to-market of our interest rate caps resulted in a large loss of \$35.9 million during the quarter. However, the drop in interest rates will result in much lower interest charges going forward in 2009. We also incurred \$21 million of after-tax charges relating to airline defaults and inventory impairments which should be non-recurring.

For full year 2008 our net income was \$197.8 million excluding the non-cash charges. We incurred a loss per share of \$0.22 in fourth quarter 2008 including all items. Earnings per share were \$0.22 during this period, excluding the mark-to-market and share-based charges. Again, the difference is largely driven by the loss recorded on the mark-to-market of our interest rate caps.

For full year 2008 earnings per share were \$2.33 excluding the non-cash charges. The growth in our net spread in fourth quarter 2008 was 11% versus fourth quarter 2007. Net spread is the difference between basic lease rents and interest expense excluding the non-cash charges relating to the mark-to-market of our caps and other non-recurring charges.

Basic rents increased 7% in fourth quarter 2008, compared to the same period in 2007, while interest expense excluding the mark-to-market stayed flat. At the same time our debt balance actually increased 31%. All of this resulted in a net spread of \$88 million in fourth quarter 2008 as compared to \$79 million in fourth quarter 2007. The net spread in fourth quarter was also

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adversely affected by the default of some of our airline customers. Lost basic lease rents were approximately \$5 million in fourth quarter 2008 relating to these defaults. This amount will reduce going forward as aircraft go back out on long-term leases.

The longer term trend for net spread is still favorable. The average amount of net spread per quarter in 2007 was \$77 million. The average amount of net spread per quarter in 2008 was \$90 million which is an increase of 19% year over year.

Total revenue in fourth quarter 2008 was \$326 million, up from \$285 million in fourth quarter 2007, an increase of 14%. The increase in total revenue was driven by higher basic lease rents and higher sales revenue. Basic rents did increase but were also adversely impacted by airline defaults as previously mentioned.

During fourth quarter 2008 we incurred a negative \$18 million pre-tax impact relating to airline defaults. This is in the form of lower basic lease rents and higher leasing expenses. As you can see, this impact was neutral for the first nine months of 2008. In first quarter 2009 we expect negative impact from airline defaults to reduce to approximately \$13 million and do expect it to drop further in subsequent quarters.

Just as a reminder the accounting specifics surrounding airline defaults works as follows -- when we incur an airline default we typically hold significant collateral coverage in the form of security deposits and maintenance reserves. Any security deposits we hold will be applied to pass-through rents if any, which helps to partially offset the impact from lost lease rents during the transition period.

In addition, any cash we still hold as result of maintenance rent previously collected from the airline becomes our cash upon termination of the lease. The accounting requirement is to record this amount as revenue upon lease termination. The costs relating to defaults are required to be expensed when they are actually incurred.

Total sales revenue in fourth quarter 2008 was \$171 million. The sales revenue relating to aircraft was \$130 million, and engine and part sales totaled \$41 million for the quarter. During the fourth quarter we sold one A330-200, and one A320 aircraft. Total gain from sales in fourth quarter 2008 was \$24 million compared to \$34 million in fourth quarter 2007.

AerCap's leasing expenses and SG&A for fourth quarter 2008 was \$67 million, compared to \$44 million in fourth quarter 2007. Again, these amounts exclude the costs for share-based compensation. Leasing expenses were much higher in fourth quarter 2008 versus the same period in 2007, about half of the increase related to charges coming from airline defaults as previously discussed.

The remaining increase was primarily attributable to higher transition costs, and higher lessor contributions for maintenance events. And these higher costs were the result of timing of lease rollovers and maintenance events.

SG&A costs decreased 8% in fourth quarter 2008 versus the same period in 2007. SG&A expenses in fourth quarter 2008 included a \$3 million in non-recurring charges relating to severance and this amount was offset by a \$3 million positive mark-to-market of exchange rate derivative.

Our blended tax rate for fullyear 2008 was a positive 0.3%. The tax rate for aircraft assets was a charge of 2%, and the tax rate was a positive 57% on our engine and parts assets. The positive tax rates resulted because the most significant portion of the charges related to airline default and the inventory impairments occurred in the higher tax rate jurisdictions. And the most significant portion of our pre-tax earnings occurred in the lower tax rate jurisdiction. The combination of the two resulted in the positive tax rates.

AerCap's total assets have grown 23% in fourth quarter 2008 as compared to fourth quarter 2007. Total assets on the balance sheet are \$5.4 billion at the end of the year. The number of aircraft in our portfolio is now 297, including our owned aircraft, managed aircraft, and the aircraft on order, under contract, or subject to LOI. The decrease in units since the end of 2007 is

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again largely driven by sales of older aircraft, including the managed aircraft, plus a change in options for five forward-order aircraft. The number of engines owned or under contract was 75 at the end of 2008.

We completed nearly \$1.5 billion of purchases of aviation assets in 2008, including the purchase of 58 aircraft. For fullyear 2009 we have nearly \$1.8 billion of committed purchases of aviation assets. The number of aircraft purchased for the fullyear 2009 is expected to be 37, which primarily consists of our forward-order aircraft.

The utilization rate was 97.7% for fullyear 2008, still a very high level despite the impact from the airline defaults. The yield generated by our aircraft lease portfolio was 16.9% for fullyear 2008. Part of the decrease in the yield versus 2008 was a result of airline defaults as well. The average term of new leases for new aircraft entered into during fullyear 2008 inclusive of letters of intent was 124 months. The average term entered into during fullyear 2008 for new leases on existing -- on our existing portfolio was 65 months.

At the end of 2008 AerCap's debt balance was \$3.8 billion, and our debt-to-equity ratio was 3.4 to 1. Our book equity amount is over \$1.1 billion. The average cost for debt for fullyear 2008 was 4.7%, and was a 170 basis points lower across our entire portfolio as compared to fullyear 2007. Again this decrease in cost of funding is reflective of decrease in interest rate and the use of interest rate caps for hedging purposes. We are experiencing even greater benefit in first quarter 2009 as a result of the further drop in interest rate.

AerCap's unrestricted cash balance at the end of 2008 was \$194 million. Our total cash balance including restricted cash was \$307 million at the end of 2008. Operating cash flows were \$250 million for fullyear 2008. The remaining collateralized debt, term debt requirements for the committed purchases is approximately \$4.2 billion from 2009 to 2012. As of December 31, 2008, we had \$3 billion of available lines of collateralized term debt expected to be used for our committed purchases inclusive of the \$1.4 billion ECA agreement we signed at the end of 2008.

In addition we are working with various expert credit agencies in order to access funding for 20 A320 aircraft, totaling nearly \$800 million. Beyond this, the remaining amount of collateralized term debt needed is approximately \$400 million.

With regard to our 2009 financial outlook, the financial markets and access to capital remain uncertain and volatile. As a result, AerCap's 2009 financial outlook is less certain now than in past years, particularly given the increasing stresses imposed by the global economic climate on the financial conditions of many of our business partners, competitors and contractual counterparties. That being said, the following drivers are anticipated for AerCap's financial performance in 2009, however, which are still subject to change in light of the highly fluid market conditions.

Committed purchases of aviation assets for fullyear 2009 are \$1.8 billion. The growth in basic lease rents is expected to increase 15% or more as these assets are delivered.

We expect gains from aircraft sales in 2009 to be 20% or more lower than 2008. The average cost of debt in 2009 is now expected to be approximately 3%, and the tax rate is expected to be approximately 6%. Return on equity for the fullyear 2009 is expected to be around 15%, lower than in previous years, primarily as a result of lower gain on sales and the impact of airline defaults.

So those are the financial highlights for fourth quarter 2008, and I will now turn it back over to Klaus.

Klaus Heinemann - AerCap Holdings N.V. - CEO

Thank you very much, Keith. With that we are open for the Q-and-A session.

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is from Jamie Baker.

Jamie Baker - - Analyst

Hi, good morning, gentlemen. The guidance for \$1.8 billion in purchases, but only a 15% increase in lease revenue suggests pretty sharp decline in lease rates. I'm curious whether this is driven more by lower utilization within the portfolio or by the actual economics of the new deals that are currently being struck. And as a second question, a follow-up to what I asked Klaus last quarter, has your caution for US-based airlines continued to wane, and do you anticipate placing any additional aircraft here in the States in 2009?

Klaus Heinemann - AerCap Holdings N.V. - CEO

All right. Well, first of all the increase in lease revenue is a combination of contracted lease revenue for new equipment which the purchases relate to, which are and remain stable. And we see somewhat lower lease revenue but not lower than justified by the lower actual funding costs, i.e., the margins on the new placements are intact. The under-proportional growth of related lease revenue is, as Keith outlined before, the result of anticipated further default cost and loss of revenue within the existing portfolio. So it is not a reflection of the rental levels achieved for new equipment that we purchase.

Keith Helming - AerCap Holdings N.V. - CFO

And Jamie, bear in mind, the \$1.8 billion of purchases is across the full year. So we will not get a full year's earnings across \$1.8 billion.

Jamie Baker - - Analyst

Sure, sure. Yes, no that makes sense. Thanks for that color. And as to your appetite for US customer base?

Klaus Heinemann - AerCap Holdings N.V. - CEO

Well, I am somewhat more optimistic on the US side. I happen to agree with the viewpoint of analysts that we will see overall in 2009 a profitable year for the US airlines. I do believe, as they hopefully regain some confidence in the second half of this year that they will initiate some re-fleeting discussions. I do believe that they will do that against the background of still being very tight in their cash position and having limited access to affordable funding situations which should suggest that there should be some interest on the operating lease environment. So I am somewhat refocusing on some US parties for the second half of this year.

Jamie Baker - - Analyst

Understood, thank you for that color.

Operator

Your next question is from Gary Liebowitz.

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Gary Liebowitz -- Analyst

Good morning, gentlemen.

Klaus Heinemann - AerCap Holdings N.V. - CEO

Good morning, Gary.

Keith Helming - AerCap Holdings N.V. - CFO

Good morning.

Gary Liebowitz -- Analyst

Klaus, last quarter you talked about potentially slowing some JV stakes in A330s and redeploying for debt reduction, and maybe share repurchase. Can you tell us where that stands, could that be a first half '09 event?

Klaus Heinemann - AerCap Holdings N.V. - CEO

Well, I think this is one of the areas, Gary, where the acceleration of the financial market's decline make things difficult at this moment. We have been looking at a number of situations. We closed one situation for three aircraft to be placed with Air China in 2010, last week. But this is slower and not at the scale that I had hoped for late last year, because the key issue here for investment partners is while they are willing and have access to equity to invest, they typically find it difficult to impossible to find the necessary leverage to justify their investment, and I think that is at this moment a stumbling block.

Gary Liebowitz -- Analyst

Okay, thanks. And separately have you done an updated appraisal of the portfolio as of December 31st or even more recently to determine what is the fair value or the market values of the planes are given the weakness that we have seen over the last six months?

Keith Helming - AerCap Holdings N.V. - CFO

Gary, we typically do that twice a year and it's typically September -- end of September as you saw last time, and then also end of March. We do it on a selective basis for certain aircraft, if need be, but the entire portfolio is evaluated twice a year.

Klaus Heinemann - AerCap Holdings N.V. - CEO

If I could just add one thing here Gary because appraisals are one thing, real life transactions are another thing. Transactions that we have executed in late 2008 and transactions that are in serious discussion -- there are not many in the first quarter of this year. But transactions that are in serious discussion in the first quarter of this year show that we can still execute at or depending on the aircraft types even significantly above our own net book value for A320 and A330 family aircraft.

And so in those situations the reality data points, the ideals that have been done, or deals that arise indicate that while there clearly is significant reduction of the surplus in valuation, it is holding above our net book value level.

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Gary Liebowitz -- Analyst

Okay, thanks guys. I will get back in the queue.

Operator

Your next question is from Mike Linenberg.

Mike Linenberg -- Analyst

Hi, yes. Hey, good afternoon everyone. Two questions here, and Klaus, I know you've addressed this, maybe more qualitatively talking about lease rates being stable or values being stable. But if we think about when we saw the peak, if you could bring us up to date on where we saw lease rates peak, where we saw aircraft values peak. And I realize that it's hard to make a blanket comment on how much rates and/or values have come down. But maybe for next gen or newer airplanes like 737, 800s, A320s where things are trending today versus where they were versus their peak. Are they down 10%, 15%? Just to give us a top-down view, and again I realize that it's difficult because it is somewhat of a generalization.

Klaus Heinemann - Aercap Holdings N.V. - CEO

First of all, there is and remains a distinct differentiation between state of the art in production aircraft and everything else. For everything else there very clearly is a deterioration, in some cases significant, of rentals, and for everything else there is also a deterioration of fair market value.

On brand new aircraft, if I exclude the effect caused by the reduction in the underlying swap rate I do not -- still to date do not see a significant deterioration. To give you one example, on an A320 on a recent purchase offer that we received -- which by the way is above our own purchase cost by some significance -- I see a reduction from a level of around about \$43 million to \$44 million, which is where it would have been at the peak, to \$41 million. So that suggests that it is a decline that is within the 10% bracket that I have seen.

In some of the rental deliveries, bear in mind that what we deliver in 2009 was mostly placed in 2007, and at the latest, early 2008. So some of the deliveries that we delivered this year still benefits from peak rentals. For example, we delivered a first of a series of A220 aircraft to a European flight carrier with the lease rental well in excess of \$400,000 a month. And so -- and therefore also you have to bear in mind, if you so wish, the contractual lag between what is being delivered this year but what has been contracted in previous times.

Mike Linenberg -- Analyst

Okay, that's helpful. My second question -- and again this is to Klaus -- with the relatively recent announcement by the French government to provide, I believe EUR5.5 billion of support for Airbus, and then on the heels of that to find out the Ex-Im -- the US Ex-Im Bank looking to provide direct financing as opposed to guarantees. And the number that I heard was as much as \$9 billion in 2009.

Pros and/or cons, and when I think about cons from your perspective, does that access to capital potentially subsidize competitors or does it ultimately drive aircraft into the market when the current demand would suggest that maybe less airplanes should be delivered given what's going on in the global markets and ultimately what that means for residual value. So I'm just curious about the thoughts on that and does it help you, does it hurt you? Any commentary would be great.

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Klaus Heinemann - *Aercap Holdings N.V. - CEO*

It's a very interesting and complex question at the same time, because there are obviously multiple layers of governmental support that the aviation industry and the lessors receive now; our key US competitors, ILFC, CIT and GECAS all directly or indirectly through the participation in the Fed commercial paper program on the case of AIG, ILFC directly, availing themselves of governmental liquidity support. The Ex-Im Bank and the ECA guarantees that we avail ourselves of clearly falls into the same category. And so there is a degree of market distortion here, right.

Mike Linenberg - *Analyst*

Okay.

Klaus Heinemann - *Aercap Holdings N.V. - CEO*

Because these funds would not be available, certain deliveries will not take place, and production capacity would have to be curtailed more significantly by the manufacturer.

And to what extent that will have a negative impact on residuals depends on two factors. First of all, it depends on how long does it take before we see a resurgence of growth. Because what will happen at that point in time is the modern equipment will be firmly embedded in the airlines, and they will continue to shed older equipment if they curtail capacity.

And to date that is the pattern you can see if you observe what is happening in the Arizona and Mojave Desert. And if you analyze the detail of what is being parked there, it's very distinct where airlines do cut capacity, and it's not brand new aircraft.

And now, on the residual side, clearly aircraft being pushed into marginal, even unstable operator situations can have short-term negative impacts on residual. So that is not to be denied. In the long term, I assume that it may well be counterbalanced by something that some observers believe might be the result of extreme monetary stimulation that we see in most global economies, and that is that eventually there will be a resurgence of inflation.

And our business is also the business of inflation hedging because if I take my residual after a 10- or 12-year lease and I inflate it by zero or by 2% or 3% or 4%, it makes a very substantial difference to my residual assumption. And from that perspective what we are seeing in governmental support directly to the industry and indirectly through the broader stimuli program, if it should trigger a sustained period of inflationary pressures, actually in the long run should be good news for residual values.

Mike Linenberg - *Analyst*

Yes, don't I know. Hard assets is where you would want to be.

Klaus Heinemann - *Aercap Holdings N.V. - CEO*

Okay.

Mike Linenberg - *Analyst*

Now that -- okay, very helpful, okay, thanks. Thank, Klaus.

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Operator

Your next question is from Gary Chase.

Gary Chase -- Analyst

Few quick things; first, Keith I think it was either you or Klaus mentioned that you are -- embedded in your 2009 basic lease assumption of 15% growth, there were more defaults assumed in there. Are there any statistics you can give us for what you're thinking? If the utilization was 97.7% this year is there a utilization rate we should be thinking you expect for '09?

Keith Helming - AerCap Holdings N.V. - CFO

The utilization rate is still going to be in the high 90s even with some assumed additional default. We are assuming roughly half the level in 2009 as we experienced in 2008. So you can see the numbers that we have for 2008. So that's -- half of that is roughly what we have implied.

Klaus Heinemann - AerCap Holdings N.V. - CEO

If I may just add to that, it's somewhat difficult to predict this, because it depends very much on which lessee fails, and what the collateral position is. We have, for example, at this moment on our watch list two names that we observe in their payment behavior on a weekly basis. In one case, six aircraft are involved, and we hold a very substantial collateral position. Again that -- in the other case two aircraft are involved, and we hold below average collateral position for historical reasons against that exposure.

So it's difficult to judge because it really depends on which lessee will give and what is the collateral position at the time to determine the overall impact on cash flow and P&L.

Gary Chase -- Analyst

Okay, but it does contemplate less default than you've seen during '08? As it --?

Klaus Heinemann - AerCap Holdings N.V. - CEO

I would be hesitant to say something here. It is because that is exactly the area where we have to say we have limited visibility. And clearly to date airlines that are -- have been on the watch list since last autumn are hanging in there.

In some cases I must openly say to my surprise about -- if there will be failure, at what point in time there will be failure is very difficult to predict at this moment. And therefore I would not venture to give any guidance here in some detail.

Gary Chase -- Analyst

Okay. And then, Keith, if -- no matter how you look at it, if you black out the expenses associated with the defaults even, you still had a run rate on that lease expense line that was quite a bit higher. And you mentioned some timing issues, transition expense. As we look forward you've been running at about \$10 million a quarter, exclusive of default events. This quarter looks like \$25 million. Is the run rate we should be thinking \$25 million, is it higher? Is it back to \$10 million? How is that line going to look exclusive of default activity?

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Keith Helming - AerCap Holdings N.V. - CFO

Yes. It's certainly not going to be at the level that you saw in the fourth quarter. The average that you saw in 2008 will continue to grow commensurate with the growth in the portfolio. So I think that's really how you should think about the long-term expenses in that particular line.

You will have again quarter to quarter some cases where it may be more unusually low than normal, and obviously in fourth quarter it was much higher because of certain maintenance events that were scheduled as well as certain lease rollovers.

Gary Chase - Analyst

So \$10 million to \$12 million a quarter with some growth.

Keith Helming - AerCap Holdings N.V. - CFO

Yes.

Gary Chase - Analyst

Okay. Two other quick ones. In the slide that you show in the first quarter an anticipated negative impact from maintenance reserves, I'm not sure I understood that. In other words, if you have the maintenance reserves you would book those as revenue, but you're showing it as a negative impact. What's the --?

Keith Helming - AerCap Holdings N.V. - CFO

Yes, in that particular case there is a restructuring where a lessee was being cashed and we restructured to [LC]. So as a result we are going to have lower cash on the balance sheet as a result of that restructuring.

Gary Chase - Analyst

Okay. And the minority interest (multiple speakers). I'm sorry.

Keith Helming - AerCap Holdings N.V. - CFO

I'm sorry. We [saw] the collateral coverage. It's just that it has a negative impact in terms of cash.

Gary Chase - Analyst

Okay. And then the minority interest being a significant positive contribution in the quarter suggests that the JVs are losing a good bit of money. And was that where the defaults were, or is there some other color you would add to that?

Keith Helming - AerCap Holdings N.V. - CFO

No, those are essentially some initial start-up costs. So actually you'll start seeing that become negative as for example AerVenture and other joint ventures continue to grow, and their profitability increase in 2009-2010.

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We gave some guidance back in the -- or in the Investor Day presentation back -- last April. Again, if you look at the minority interest in that pack, it will continue to grow significantly over the next couple of years, negative.

Gary Chase - - Analyst

Okay.

Keith Helming - AerCap Holdings N.V. - CFO

Which is our partner's portion of profit.

Gary Chase - - Analyst

Okay, and apologies, guys, just one last one. The -- we're hearing in some places that lower fuel prices are reducing the impetus to re-fleet, making it at the margin a bit harder to move new aircraft. Is that consistent with what you're seeing or no?

Klaus Heinemann - AerCap Holdings N.V. - CEO

Sorry, could you repeat that question?

Gary Chase - - Analyst

Yes, that -- in other words, with fuel prices being much lower and the world being on an uncertain place, we're hearing that the ability to place new aircraft as replacements for older is becoming more difficult. Are you observing that or are you've not seen that yet?

Klaus Heinemann - AerCap Holdings N.V. - CEO

Not really, because most airlines still believe that any resurgence of growth will be correlated very closely with the resurgence of commodity prices, not necessarily to the peaks of that we've seen in 2008, but certainly up from where they currently are, so quite to the contrary. If I look at some of the emerging market airlines that we are placing with at the moment, they very clearly use this occasion to replace aging equipment they have with bargain offers on brand new equipment, be that on the Boeing or Airbus side.

So I think the aviation industry as such still works on a planning horizon that any resurrection of growth will go hand in glove with a significant increase of fuel costs.

Gary Chase - - Analyst

Okay, guys, thanks very much.

Operator

Your next question is from Mike Hodge.

Feb. 25. 2009 / 9:30AM, AER - Q4 2008 Aercap Holdings N.V. Earnings Presentation

Mike Hodge -- Analyst

Guys, couple of quick questions. The 20 aircraft that you have coming, that you say are a work in progress, that you've not yet contracted for with lessees, could you just give us a sense of when those planes are coming, when those 20 are coming? And are any of them far enough out where you might still have the ability to defer them with Airbus, if you've got that in your contract?

And then the other question would be, you've obviously done a really good job allowing yourself to benefit as interest rates have come down by not having locked it in, but given where rates are now would you give any consideration to locking rates then right here, and then having the benefit of this level of funding for a very long time?

Klaus Heinemann - Aercap Holdings N.V. - CEO

I'll ask Keith to comment on the second part of the question in a moment. With respect to aircraft yet to be placed, these are some positioned in 2010, some positioned 2011, 2012. This is really a moving target. We are working this contract very actively with Airbus. Some of you may have seen that there was a report of cancellations. That is actually not so. We have under our contract an existing clause that allows us to replace all that aircraft with sale and leasebacks that we make on behalf of Airbus in situations where the airline can't find funding.

In other words, we pull the delivery forward. We have replaced aircraft as we lose an equivalent number as defined on the contract. So these discussions that I call working the contract, continue, are very active and I should also say Airbus remains very cooperative in this area. So this is not a gray-hair event for me at this moment.

Keith Helming - Aercap Holdings N.V. - CFO

And as it relates to the second question about trying to lock in some of these lower rates. In the past, what we have -- actually have done when rates have dropped, we've taken our caps and tried to restrike them to the lower level, and we have in many cases. So effectively we've locked in on many of our aircraft and a good portion of our portfolio, a higher net spread than originally what we had anticipated are priced into the transaction.

With new transactions, certainly we're bringing the caps down to the much lower level. But obviously at this low-interest-rate environment, caps tend to be much more expensive than what they have been, 2, 3, 4 basis points -- 300 basis points higher. So we are locking them in perhaps 75 basis points of the money. We're trying to minimize the cost as much as possible. And where we can with the existing portfolio, we will try to again lock in different parts of the portfolio at the lower rates where it's cost-effective.

And again, we are looking at the potential of perhaps using some swaps in some cases here. But again, there's a trade-off between the current one-month or three-month LIBOR rates and that of a two- or five-year swap rate. So again we'd give up some short-term benefits here in anticipation for long-term benefits. But again, we're trying to balance the two.

Mike Hodge -- Analyst

Okay, thanks a lot.

Operator

Your next question is from Fritz von Carp.

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Barry Haimes - Sage Asset Management - Analyst

Hi, this is actually Barry Haimes of Sage Asset Management. I just had a question on maintenance CapEx. Just theoretically, if you didn't count new aircraft delivery, and you were just maintaining your existing fleet, what would that CapEx number look like? Thank you.

Keith Helming - AerCap Holdings N.V. - CFO

I'm sorry, could you repeat that one more time? Neither one has really understood the question.

Barry Haimes - Sage Asset Management - Analyst

Okay. I was looking for a maintenance CapEx number. So in other words, not counting CapEx on receipt of new aircraft, so just what would be needed to maintain the existing fleet and the existing business. Is there still a rough approximation of what that number would be?

Keith Helming - AerCap Holdings N.V. - CFO

Well, the maintenance expenses that are spent on the existing fleet or current aircraft is effectively paid out of the maintenance reserves. So what the lessees -- the lessees pay in maintenance reserves, and when there is a maintenance event, effectively they get reimbursed through that reserve. Any cost above the reserve level though would come out of the lessee's own pocket, if you will.

Klaus Heinemann - AerCap Holdings N.V. - CEO

Or any cost that they were liable to, but through contract default --

Keith Helming - AerCap Holdings N.V. - CFO

Exactly.

Klaus Heinemann - AerCap Holdings N.V. - CEO

-- they do not meet those obviously, also you come across that.

Barry Haimes - Sage Asset Management - Analyst

Right. Okay, so then general corporate CapEx is close to zero, in effect, ex-buying new aircraft?

Keith Helming - AerCap Holdings N.V. - CFO

Effectively, yes. We look at maintenance separately, but again the amount of money that we -- that has to be spent is effectively covered by the amounts that we collect from the lessee.

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Barry Haimes - Sage Asset Management - Analyst

Got it. Thank you very much.

Operator

Your next question is from Scott Valentin.

Scott Valentin - Analyst

Good morning, thanks for taking my question. Just as a follow-up on the outlook for 2009 you mentioned the default rates, where you're certain to be. But how much re-leasing do you expect for -- where maybe some of the carriers come back to you and try and renegotiate leases lower as a form of leverage?

And the second question would be on the \$400 million roughly remaining to be funded. When does that come? And when is that funding needed? Is it 2011 or 2012?

Keith Helming - AerCap Holdings N.V. - CFO

Most of it is 2011 and 2012, a small portion in 2010. But we have the financing that we need for 2009 and for most of 2010.

Scott Valentin - Analyst

Okay, this is a follow-up on the re-leasing issue. Are you seeing more carriers come through at all trying to negotiate lower lease rates?

Klaus Heinemann - AerCap Holdings N.V. - CEO

Surprisingly smaller number. If I compare this to the post-9/11 recession where we had a significant number of our clients not only asking but receiving, rescheduling and lower lease rentals, at this moment these requests are very, very minor in the context of the portfolio. Would I expect some of this to change this year? I think yes, there could be some more requests coming.

Our typical answer is, for those requests, that we are combining any concession we make on the lease rental with either an extension of the lease term, i.e., that the net cash, contract cash level remains intact. Or alternatively we try to combine it, for example, with a placement of the 2010, 2011 position. In other words, we are trying to make this concession in exchange for something that is valuable to us. But these discussions are surprisingly remote bearing in mind where the industry is, I must say. But that doesn't mean that they would not come up in more significant numbers through the remainder of the year.

Scott Valentin - Analyst

Thank you very much.

Operator

We do have a follow-up from Gary Liebowitz.

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Gary Liebowitz - - Analyst

Yes, most of my questions were answered, but Keith, can you tell us what the line item -- I think it's a new line in the balance sheet for net investment direct finance leases, how that arose?

Keith Helming - Aercap Holdings N.V. - CFO

Yes, some -- one of our leases was effectively just restructured into a finance lease. And so you won't see that particular line item growing by any means.

Gary Liebowitz - - Analyst

Okay. Okay, thanks.

Operator

There are no further questions at this time.

Klaus Heinemann - Aercap Holdings N.V. - CEO

Okay. Well, thank you very much for joining the call and those of you who will join our investor lunch, we are welcoming you there, and are ready to talk some more detail. And other than that we hope to see you all during the Investor Day in April. Thank you very much.

Operator

Thank you. And this concludes today's teleconference. You may now disconnect.

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