14th Annual Gorham PMA Conference

San Diego, March 21-23, 2012

Supply-Side Economics and Demand for PMA’s

Position of the OEM

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Aviation Excellence, Inc.

A Global Aviation Company

Presentation Topics

- Global Aviation Co. & Aviation Excellence, Inc.
- The OEM remains prime driver for PMA
- Supply Side Survey on PMA
  - Opinions
  - Expectations
- Outlook & Summary

Worldwide Distribution

Hold multiple PMA's and STC's and 100's more for sale.

Global Aviation
Board of Directors
including external board members

- Aftermarket spares support
- 200+ airlines / 70 + MRO's
- We offer 200,000 + parts
- From 45 suppliers

Global Aviation Distribution Co
Norcross, GA   Amsterdam, NL

- Established 1997
- Located near ATL
- FAA Approved Quality Manual

Global Helicopters
Norcross, GA   Irving, TX

- Specializing in Helicopters
- Rotables and Exchanges
- Medi-vac, Law Enforcement

Aviation Excellence, Inc
Irving, TX   Singapore   Beijing, PRC

- Established 1990
- Located near DFW
- Specializing in ATA Ch. 23, 25

Airline Industry: A No Profit Zone

"The worst sort of business is one that grows rapidly, requires significant capital to engender the growth, and then earns little or no money. Think airlines. Here, a durable competitive advantage has proven elusive ever since the days of the Wright Brothers. Indeed, if a farsighted capitalist had been present at Kitty Hawk, he would have done his successors a huge favor by shooting Orville down."

Warren Buffett,
Annual letter to Berkshire Hathaway shareholders, February 2008.

OEMs in control of spares market

- Operators continue to reduce costs/staff
  - more repair outsourced
  - buyers with less knowledge

→ More dependent on suppliers

- Less proliferation accepted by operators
  - Consolidation
  - Higher entry barriers for PMA

→ Large Operators/MROs remain the champions for PMA

- OEM performance is driver for PMA
  - Price – Delivery – Performance - Service

→ Tier 2 & 3 OEMs more vulnerable to PMA

Scrum between large OEM and large Operators determine PMA evolvement

Supply-Side Survey on PMA - Opinions and Expectations

- Our supplier base in 2012
- Both OEM and PMA providers
- Tier 2 and 3 suppliers
- Majority in interiors and components

Statement	OEM said YES	OEM said NO
"PMAs are a direct threat to our products."	48%	33%
"I have concerns about the quality of PMA."	43%	33%
"Have you ever tested another PMA?"	30%	57%

- ➢ More than 1/3rd of OEMs see PMA's as normal competition
- ➢ Regardless of concern-type, less than 1/3rd of OEMs have tested PMAs

Rate the OEMs approach in response to new PMA part

	OEM	PMAp
Price reduction	3.6	4.0
Service improvement	3.6	2.5
Product improvement	3.1	2.8
Part number change	2.7	3.3
Distribution	2.4	2.8
Warranty extension	2.0	2.2

where 1 = least effective, 5 = most effective

- Both OEMs and PMAp see price reduction from OEM as most effective approach
- OEMs see service improvement as second most effective approach

- PMA providers believe price reduction is #1 reason for their own success (4.4)

Regions most willing to accept PMA

	OEM	PMAp
Asia (excl. China)	2.2	2.2
China	2.9	2.3
Europe	2.6	4.0
Latin America	3.0	4.0
Middle East/Africa	2.9	3.0
North America	3.5	5.0

where 1 = least willing, 5 = most willing

- Both OEMs and PMAp agree; N. America is most accepting
- PMAp see Europe as much more accepting

- OEMs see future growth in Asia and PMAp see future growth in N. America

Is OEM consolidation an opportunity for PMA?

OEM said		PMAp said	
YES	NO	YES	NO
50%	50%	50%	50%

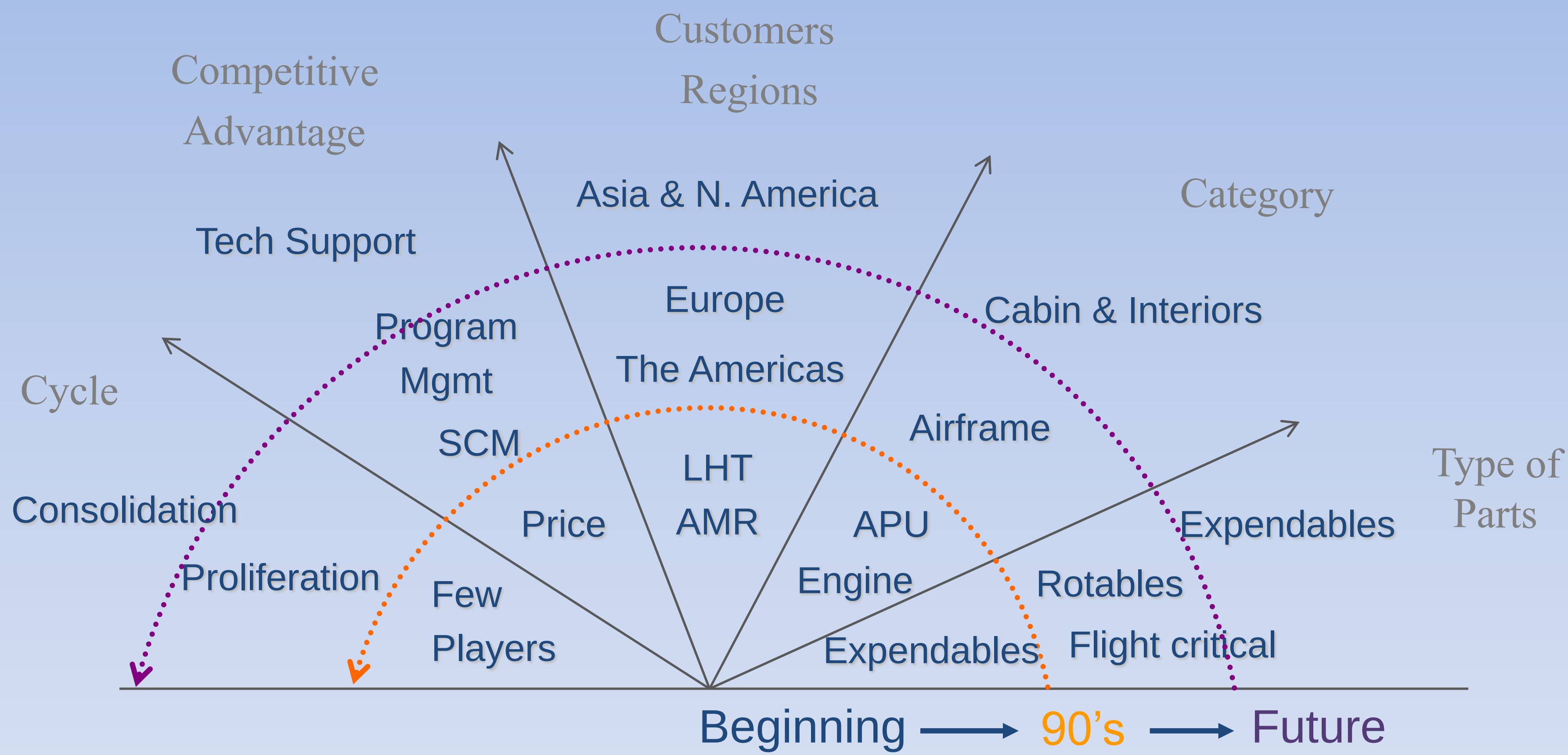
Is Operator/MRO consolidation an opportunity for PMA?

OEM said		PMAp said	
YES	NO	YES	NO
50%	50%	65%	35%

- OEM suppliers risk misuse of their leverage after consolidation
- PMA providers indicate operator-consolidation presents opportunities

- PMA providers are split on the direction of further consolidation among themselves

PMA Timeline & Outlook



Summary

- Large OEMs continue to dominate the supply-side
- Operators need for cost reduction
  - Demand for PMAs continues
  - Tier 2&3 OEMs more vulnerable to PMA
- Airline consolidation will result in:
  - Larger installed base with bigger savings potential
  - Smaller customer base with more competition

Thank You