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Spring 2012 Market Overview

With 2012 well under way we can now reflect on the 2011 year-end and early 2012 activity as it relates to the Pilatus PC-12 (Serial Numbers 101 - 888, “legacy”) and the PC-12 NG (Serial Numbers 1000+, “NG”) markets.

Market Highlights:

- New flow of European aircraft to US as aircraft owners face positive austerity measures and dollar strength against the Euro
- 2012 / 2013 PC-12NG production could slow if production focus shifts to PC-7 MkII trainers or other developmental aircraft
- Pre-owned aircraft demand on upward swing due to global supply flows

Now in its 17th year of production, the Pilatus PC-12 has proven its rugged reliability and continues to find traction with new and existing operators around the globe. The Pilatus we have come to know and love would not be the same without its steadfast owners and the legendary reliability that make this single engine turbine workhorse stand tall in the midst of escalating pressure from the light jet revolution. A steady demand for both new and used aircraft in 2012 will result in market pressure that could have a significant impact on the Pilatus market, potentially bolstering pre-owned values. The United States market is showing strong demand resulting in 4% of the NG fleet for sale while nearly 6% of the foreign fleet is listed (vast majority in E.U.), in part due to positive taxation measures enacted on some of the world’s struggling economies. The aggregate market is approaching 3,100 aircraft and the combined fleet has a pre-owned inventory level of less than 5%. As a positive indication of what 2012 may hold for Pilatus, current inventory levels are below the total fleet transaction level for 2011 (5% and 8.5% respectively) creating good liquidity for sellers of pre-owned aircraft.

PC-12

Even though production of the legacy PC-12 ended in 2007, demand for these aircraft remains strong. The pre-owned PC-12 market closed out Q4 2011 with transaction volume down nearly 50% from Q4 2010. This is not an indication of low liquidity, but rather an indication that the market has absorbed excess supply created by the economic downturn and that pricing and inventory levels have stabilized. In Q1 2012, we have seen 10 transactions of pre-owned legacy aircraft compared to 18 transactions during same period in 2011. While this represents 8 fewer transactions, 6 of those 8 transactions were customers upgrading to NG airframes; no such activity occurred in 2012. The lack of available NG inventory will have an impact on the legacy aircraft’s pre-owned inventory levels in 2012, as we estimate this occurred for as much as one fifth of new listing activity in 2011. Many owners who previously considered upgrading to the NG aircraft may decide to delay the upgrade decision or consider other options for their immediate needs. As a final thought, when reviewing the data on the next page referencing inventory, pricing and days on market it is worth noting this data is skewed, sometimes significantly, by a number of outliers. These outliers include 16 aircraft listings over a year old and ask prices that are well above current market values. Some owners appear to be listing their aircraft for reasons other than the purpose of selling (shareholder or B.O.D. appeasement, tax avoidance, etc.). It is noteworthy that nearly 20% of the available inventory is listed at premium pricing that is 25% above market values and/or days on market are in excess of 365 days. If we remove the outliers we see inventory levels below 5% and average listing periods reduced to 108 days (vs. 6.9% and 320 days).

PC-12NG

At its introduction in 2008 the PC-12NG delivered the modern glass cockpit amenities missing from an otherwise superb aircraft. This has strengthened the aircraft’s popularity making pre-owned NG aircraft particularly difficult to find as Pilatus maintained a slow and steady production rate, assuring a healthy and controlled market. As we look to 2012 the availability of factory-new NG aircraft could become tighter as the Indian Air Force’s “on again, off again” order for 75 (up to 200) of the Stearman PC-7 MkII trainer is finalized. Additionally, pre-owned market inventory levels are already extremely low, at 3.3%, which will likely drive pre-owned values even higher in 2012. The pre-owned market in the first three months of 2012 saw 3 transactions, one less than last year at the same time. With falling inventory levels, increased demand and potentially diminishing numbers of new aircraft, the outlook is bullish for the pre-owned PC-12NG market.

Sources: AMSTAT, JetNet, Aircraft Blue Book, UBS Market Research, JPMorgan, jetAVIVA Research Team.
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**PC-12**

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**PC-12NG**

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**PC-12 (-45, -47 and NG): Average Price**

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<tr>
<th>Year</th>
<th>PC-12</th>
<th>PC-12NG</th>
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<tr>
<td>2010</td>
<td>$1,900,000</td>
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<td>2011</td>
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<td>2012</td>
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**Pilatus Market**

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<tr>
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<td>2012</td>
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**Pre-Owned Transactions (2012)**

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<th>Year</th>
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<th>PC-12NG</th>
</tr>
</thead>
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<tr>
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PILATUS PC-12 MARKET REPORT

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