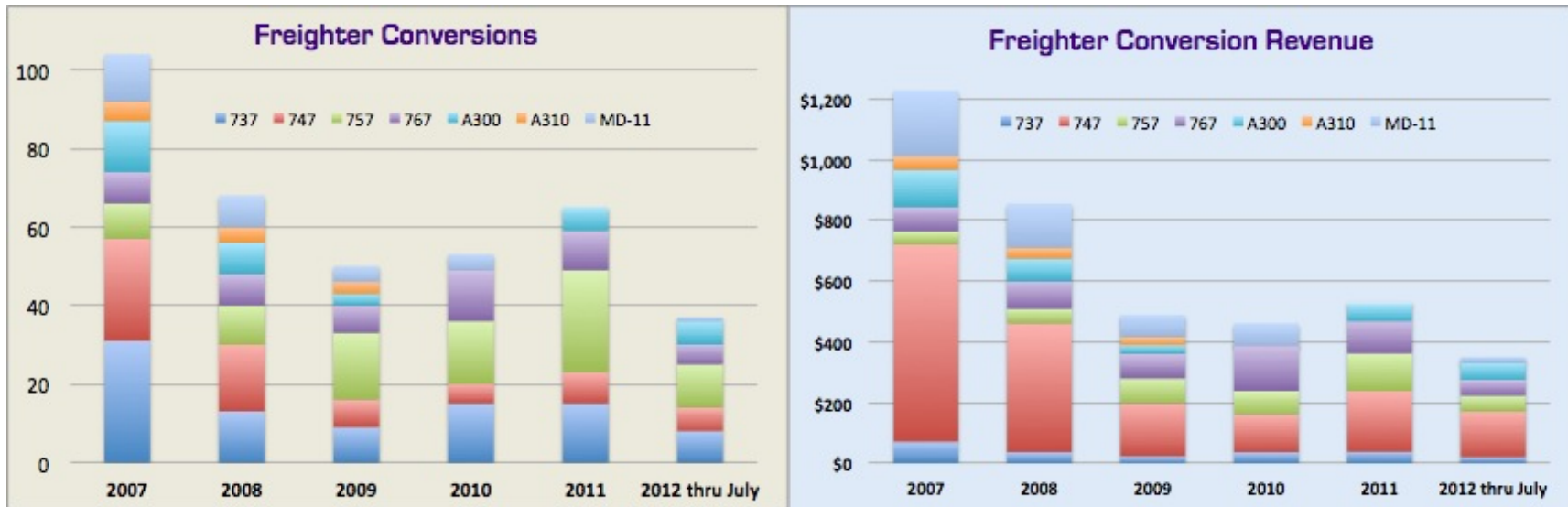


Where have all the conversions gone?

For those of us who operate in the pax-to-freighter conversion market, the chart shown below comes as no real surprise. To those not as familiar with this market, what we have witnessed over the last five years is a 50% drop in the number of units converted and an incredible 67% drop in conversion revenue (estimated through YE2012). The 747-400 is by far the biggest loser going from 26 conversions in 2007 to a likely 6 by the end of 2012. While the conversion market is widely considered to be one of the most cyclical in our business and we are in what is being called in the US the "Great Recession", this type of market swing is clearly unprecedented. The near term future looks no brighter with a backlog of only 30-35 units. A strong, prolonged global economic recovery will be required to breathe life into this critical market sector.





The 747-400 Freighter parking lot expands

The 747-400 Freighter is the backbone of the international long haul fleet. It is an expensive asset to purchase, maintain and operate. Despite all of this, there are currently sixteen 747-400Fs parked including eleven factory freighters with an average age of eight years (a youngster in the freighter world). Given FedEx's recent downward revision to their growth forecast, expect the parking lot to expand even further.

Any Good News?

Well yes there is. **Precision Conversions** has expanded their product offerings with Combi and Winglet variants. The long awaited A330 conversion program is underway with **EADS EFW** and **ST Aero** working cooperatively towards a first delivery in 2016 or so. The venerable MD80, long written off as a freighter conversion candidate, should receive conversion certification in the near future thanks to the efforts of **AEI** and **Commercial Jet**. AEI reports a pre-certification back log of fifteen units.

Fortune Aviation Services provides clients with timely and accurate guidance for profitable investments in commercial freighter aircraft and related activities. Please contact us for further information on how we can help your business.

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