



NORDAM

Knowledge: The Aerospace Industry's Competitive Edge in a Global Economy

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What Is A 'Knowledge Economy'?

- What defines the 'knowledge economy'?
- Why is it important to Oklahoma?
- How does Oklahoma aerospace benefit from it?
- How can it provide a competitive advantage for Oklahoma companies?

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What Is Aerospace IP?

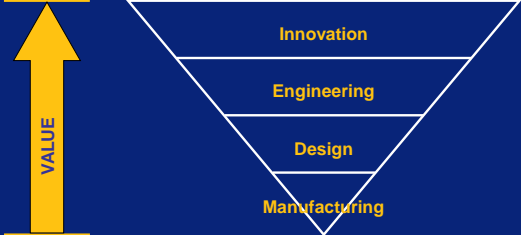
- The aerospace industry has a multitude of areas where IP is integrated into a product:
 - Engineering designs
 - Manufacturing processes
 - Strategic vendors and supply agreements
 - Pricing models
 - Material allowables
 - Tooling concepts
 - Quality systems
 - Aircraft interface solutions
 - Testing/Qualification/Certification plans

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Value of IP

- Intellectual Property and capabilities differentiate aerospace companies and the products they offer




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NORDAM Is A Global Knowledge Entity

- NORDAM utilizes knowledge workers around the globe to develop and support intellectual capital



Source: Cap Gemini/Bain/ Lynch World Wealth Report 2007, Forbes, GAMA

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Aerospace: Driver of Oklahoma's Economy

- Aerospace is a key element of Oklahoma's economic engine

Oklahoma Aerospace Companies:

300

Total Oklahoma Aerospace Commercial Output

\$12.4 BILLION

10% of Oklahoma Total

115,000 Total Jobs

43,000 Indirect

72,000 Direct

Percent of Total Oklahoma Employment in Aerospace:

6.9%

Average Annual Salaries

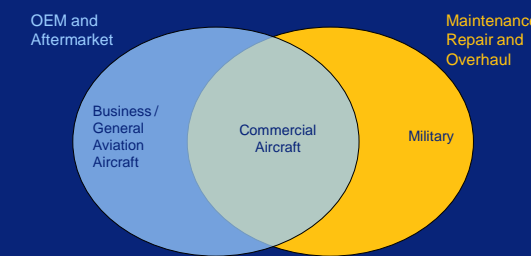
Production **\$59,000**

Engineers **\$73,000**

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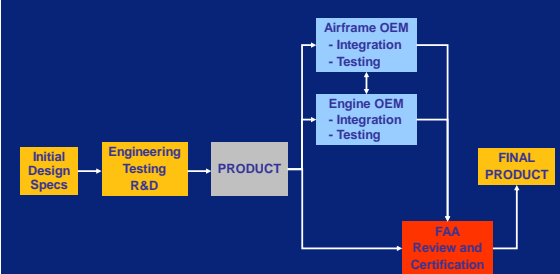
Major Markets

- Oklahoma aerospace lands within 2 primary markets
 - Comprised of 3 key business segments



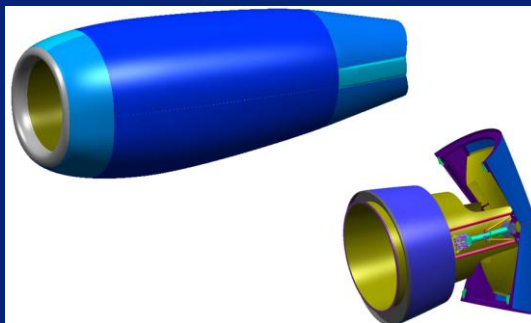
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Aerospace Suppliers Serve Two Masters



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Example: Integrated Propulsion System



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HNWI Growth (High Net Worth Individuals)

- Global wealth driven by GDP growth, driving business jet acquisitions

2007 vs. 2006

EUROPE GDP 3.1% HNWI's 3.7%

RUSSIA/CIS GDP 8.5% HNWI's 14.4%

MIDDLE EAST GDP 5.8% HNWI's 15.8%

CHINA GDP 11.4% HNWI's 20.3%

INDIA GDP 9.2% HNWI's 22.1%

NORTH AMERICA GDP 2.4% HNWI's 4.2%

LATIN AMERICA GDP 5.0% HNWI's 12.3%

Top HNWI Population Growth (by Market) 2006 - 2007

India	22.7%
China	20.3%
Brazil	19.1%
South Korea	18.9%
Indonesia	18.5%
Slovakia	16.0%
Singapore	15.3%
UAE	15.3%
Czech Republic	15.1%
Russia	14.4%

% of Business Jets Sold Outside North America

2002 **25%** | 2007 **52%**

6.0% ↑ HNWI's | 18.9% ↑ Billionaires

Source: Cap GeminiVentil Lynch, World Wealth Report 2008; Forbes; GAMA

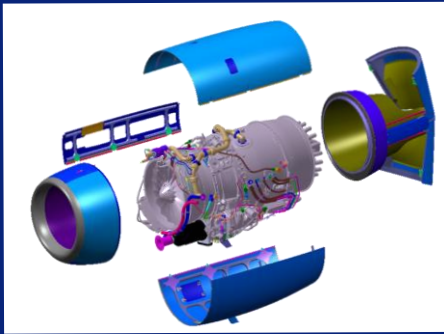
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Typical Business Jet



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Integrated Propulsion System in Detail

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5 Focus Areas of Project Management



- Customer Requirements
- NORDAM's Capability to Respond
- Intellectual Property
- Financial Evaluation
- Life Cycle Management

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Project Management Tollgate Process



- NORDAM uses a Toll Gate process to evaluate projects
 - Toll Gate 0 Strategic 'Go / No-Go'
 - Toll Gate 1 Determine customer requirements
 - Toll Gate 2 ROM estimates
 - Toll Gate 3 Detailed costs and plans
 - Toll Gate 4 Rigorous economic assessment and negotiation support
 - Toll Gate 5 Launch to maturity

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Project Management Tollgate Process



- Toll Gate 0
 - Are we interested?
 - Develop Go / No-Go decision
 - Strategic implications

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Project Management Tollgate Process



- Toll Gate 1
 - Can we comply with customer requirements?
 - Understand Voice of Customer
 - Macro implication to NORDAM of compliance
 - Intellectual Property concerns

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Project Management Tollgate Process



- Toll Gate 2
 - How do define, measure and achieve compliance with customer requirements
 - What constitutes success and what are the implications of failure

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Project Management Tollgate Process

- Toll Gate 3
 - What does compliance with customer requirements cost?
 - Non-recurring costs
 - Recurring costs
 - Learning curve
 - Cost escalation factors

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Project Management Tollgate Process

- Toll Gate 4
 - How do we price the product to meet customer requirements cost while earning an acceptable return for NORDAM?
 - Cost/Risk identification and mitigation
 - Variability of project input factors
 - Monte Carlo simulation

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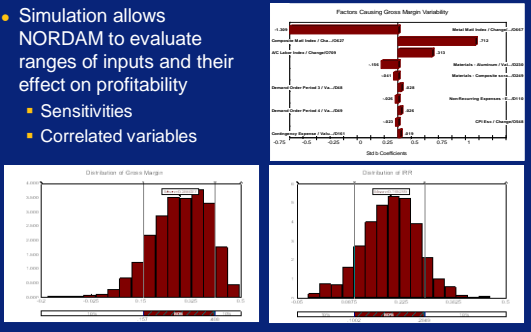
Variability of Input Variables

- Typical Aerospace programs have a substantial number of variables, many with significant variability
 - Number of units (variable demand)
 - Aftermarket Spares/Repairs (cost per hour; variable hours)
 - Non-Recurring Expense
 - Tooling
 - Machinery and equipment
 - Engineering
 - Testing/Certification costs
 - Recurring Costs
 - Labor hours
 - Material
 - Overhead
 - Warranty
 - Working Capital
 - Learning Curve assumptions
 - Pricing
 - Price escalation limits
 - Cost escalation
 - Labor and material indices
- Cost per Hour (CPH) / Power By The Hour (PBTH) costs to offset repairs and spares during the life of the airplane

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Project Mgmt Tools: Monte Carlo Simulation

- Simulation allows NORDAM to evaluate ranges of inputs and their effect on profitability
 - Sensitivities
 - Correlated variables





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Project Management Tollgate Process

- Toll Gate 5
 - What action ensures compliance with voice of the customer requirements?
 - Measurement of compliance
 - Predictive modeling
 - Verification through testing
 - Design for Six Sigma
 - Active program management
 - Qualify / Monitor supply chain
 - Operational performance cycle

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