

Diamond Aircraft Industries GmbH
N.A. Otto Str. 5, 2700 Wiener Neustadt, Austria
T: +43 2622 26700, F: +43 2622 26780
office@diamondaircraft.com, www.diamondaircraft.com

15 March 2022

2022 Customer Information Newsletter #1
To our Sales & Service Partners and Fleet Operators

In the newsletter #8 from November 12, 2021 we anticipated that Austro Engine GmbH (Austro Engine) will switch its engine overhaul strategy (TBO) to a replacement strategy (TBR). While we discussed this with most of you during partner and operator conferences, we want to provide you with further information about the reasons for this decision, the status of the implementation and the benefits for your operations and your customers.

BACKGROUND

Austro Engine has invested significant resources and serious efforts in the TBO program over the years. This program was also justified by the fact that engines were assembled under license from components of MBTech (a Daimler company), our previous general supplier. In the past years the demand increased so significantly, that Austro Engine had to ramp up its capacity to almost double the output (compared to previous years) for 2022 and 2023 within a short period of time. As the supply of original components was discontinued by MBTech in 2019, additional stress was put on our production and organization. All this led to the need of re-evaluating our overall strategy to meet the increased demand and focus on delivering the most reliable products and service to our partners.

The TBO program requires a dedicated Part 145 organization separated by the Part 21 production organization. This means that tasks common to both organizations (such as warehouse and assembly, recruiting of resources, workshop space) must be performed separately, thus doubling the efforts and adding significant costs to the overall program. Furthermore, the overhaul of one engine unit takes about five working days whereas a new unit can be assembled in two working days. Maintaining the TBO in its current form, as described above, is just financially not sustainable. Moreover, the new resources can be diverted to focus our efforts in being an engine manufacturer instead of an engine assembler.

In brief, here is what we decided:

KEY DECISIONS

- Austro Engine will focus on its core competence as an engine developer and will align collective efforts in transforming the organization from engine assembler to engine manufacturer.
- Engine capacity will be increased to 800 units per year in 2022, with an additional 1000+ units in 2023
- Updated internal procedures will sustain the ramp-up in manufacture
- New pricing scheme (as of March 2022):
 - 47,500 EUR excl. VAT for REPLACEMENT ENGINES for After Sales (based on tail number)
 - CORE ENGINES will not be reutilized and remain property of the end customer
- Payment procedure and terms: unchanged as of March 2022.

BENEFITS

- Target Leadtime 6-9 months (instead of over 13 months for TBO engines)
- 36-month preservation time for replacement engines: you can keep replacement engines in stock to reduce your AOG downtime.
- Warranty 2 years or 1000 hours: no hidden costs for defects during this time
- A good forecast and binding delivery date: your forecasted demand can be secured via orders to be confirmed up to 3 months before the estimated delivery.
- AOG slots: AE will plan AOG slots based on historical data

Finally, we would like to highlight that this decision has not been easy for us and internal discussions had been taking place over several months. However, the more we tried to maintain the original TBO strategy, the more it was clear to us that a lack of focus in running both TBO program and becoming an engine manufacturer would have prevented us to deliver the expected standards to our partners and customers. We do thank you all for your trust, support and patience.

Please forward this communication to your customers and make sure they are kept well informed.

your Diamond Aircraft Industries GmbH & Austro Engine GmbH