

# Q3 2011 Earnings Call

November 1<sup>st</sup>, 2011

# Safe Harbor Statement



This slide presentation should be reviewed in conjunction with Hawker Beechcraft's Third Quarter 2011 earnings conference call held on November 1<sup>st</sup>, 2011 at 10:00 am CDT. To attend, register at [http://www.hawkerbeechcraft.com/investor\\_relations/podcasts/](http://www.hawkerbeechcraft.com/investor_relations/podcasts/). Once you register, you will be provided with dial-in numbers and pass codes needed to join the conference call. A recording of the earnings call will be posted to the Company's web site after the call and will be available for 45 days.

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In addition to risk factors previously disclosed in Hawker Beechcraft's Securities and Exchange Commission reports and those identified elsewhere in this presentation the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the substantial leverage and debt service resulting from our indebtedness; (2) general business and economic conditions; (3) increased competition and changes in the relative and absolute popularity of Hawker Beechcraft's product lines; (4) disruption in supply from key vendors; (5) disruptions to our operations due to our computer system upgrade during the three months ended September 30, 2011 and any impact that such upgrade may have had on our internal controls; (6) production delays resulting from lack of regulatory certifications; (7) increases in labor costs, potential labor disputes and work stoppages; (8) our ability to attract and retain highly talented professionals; (9) the successful completion of our restructuring activities; (10) the inability of our customers to obtain financing; (11) adverse publicity stemming from any accident involving aircraft we have manufactured; ; (12) any unfavorable resolution of legal proceedings; (13) our successful implementation of new programs with new technologies; and (14) the occurrence of terrorist activities, international hostilities and natural disasters.

For more information concerning these factors, see Hawker Beechcraft's Securities and Exchange Commission filings, available on Hawker Beechcraft's website at [www.Hawkerbeechcraft.com](http://www.Hawkerbeechcraft.com).

# Company Highlights



FAA Certification of the Block Point Upgrade for the H4000 was achieved ahead of schedule resolving the disruption in Hawker 4000 deliveries in the US.

Revenues in the Business and General Aviation segment decreased by 15.9% while operating losses improved by 39.4% versus the third quarter of 2010

Revenues in the Trainer/Attack Aircraft segment decreased by 17.0% and operating income decreased by 37.6% versus the third quarter of 2010

Revenues in the Global Customer Support segment decreased by 6.6% and operating income decreased by 10.0% versus the third quarter of 2010

New orders of \$526 million exceeded cancellations of \$30 million; backlog decreased overall by \$22 million versus the second quarter of 2011

On August 6<sup>th</sup> the company and the International Aerospace Machinist agreed to a new 5 year contract with a strong positive vote by the union members.

# Segment Overview



## Business and General Aviation (B&GA)

- Continue to experience lower demand primarily as a result of uncertainty in the global economy
- Well known brands with broad aircraft portfolio
- Company's focus on Special Mission applications of the King Air is gaining traction
- **Q3 2011 Revenue: \$283.2 million (52%)**

## Trainer/Attack Aircraft

- Deliveries under the JPATS contract continue with the U.S Navy recently accepting their 100<sup>th</sup> T-6B aircraft
- Changes in government spending may directly impact financial performance
- Sole-source provider to the U.S. Air Force and U.S. Navy of their primary military trainer aircraft
- **Q3 2011 Revenue: \$133.7 million (25%)**



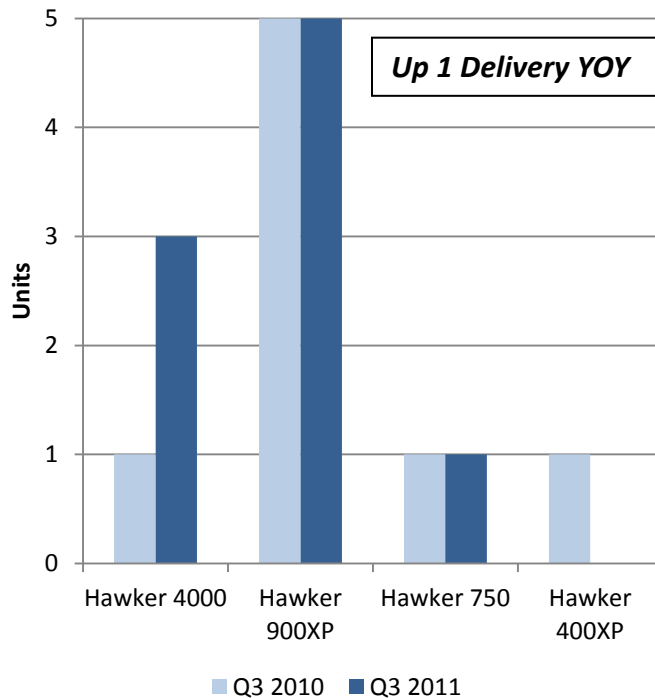
## Global Customer Support

- Non-cyclical revenue stream
- Key factors impacting performance include the following:
  - Size and age of the installed fleet of aircraft
  - Our customers' aircraft usage patterns
  - Overall maintenance requirements for our aircraft
- **Q3 2011 Revenue: \$126.7 million (23%)**

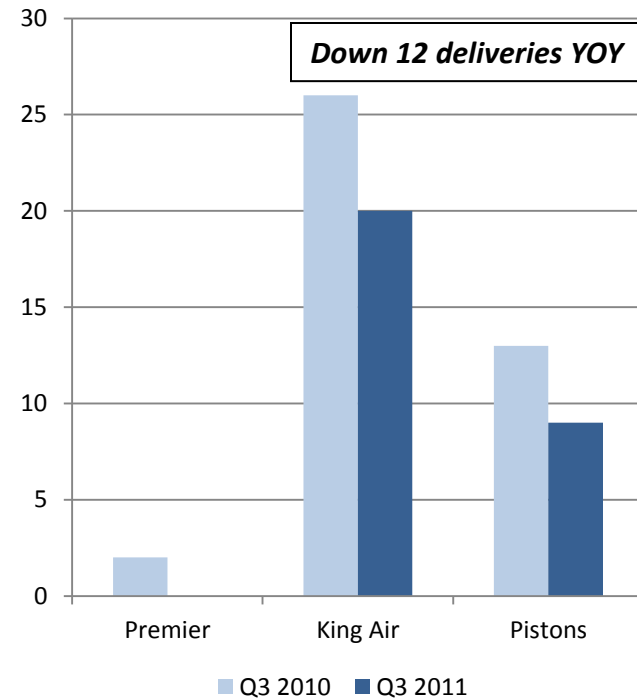
# B&GA Deliveries

Third quarter deliveries fell short of prior year's deliveries for the same period by 22%. Supply disruptions have been a contributing factor to the decrease in deliveries.

## Hawker

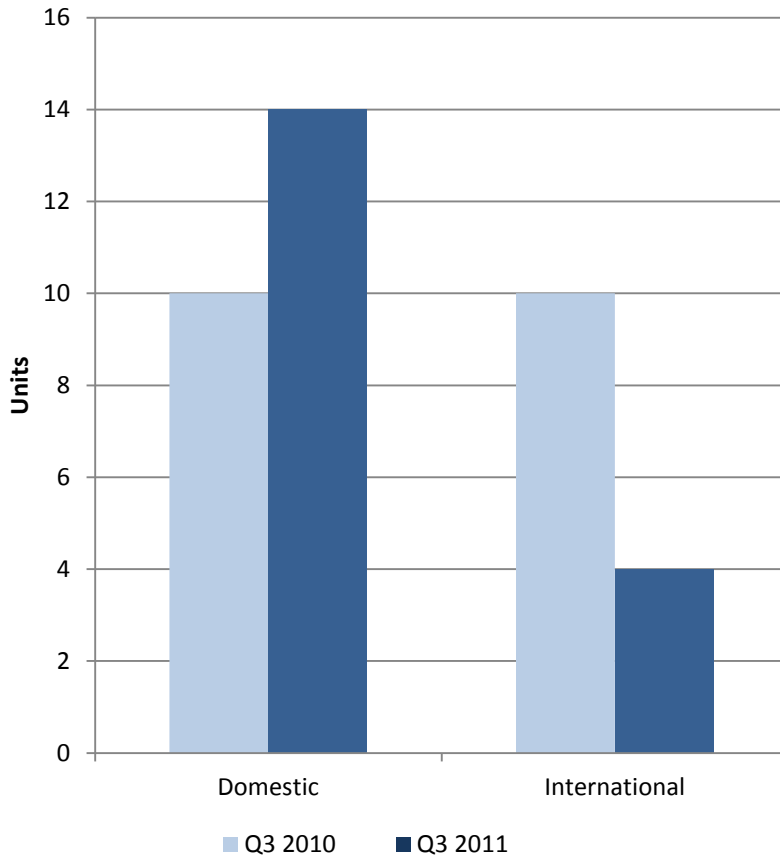


## Beechcraft



# Trainer/Attack Aircraft Deliveries

International business is the key driver for future T-6 growth



- The AT-6 has recently completed weapons delivery demonstrations:
  - Employment of laser-guided bombs
  - Highly accurate conventional weapons delivery
  - Air-to-air gunnery
- High aircraft reliability and low maintenance evident in demonstration

# Global Customer Support

Dedicated to improving the value of HBC aircraft and the aircraft ownership experience

## Hawker Beechcraft Services Locations



### Composed of 5 Functional Groups

- Support Plus
- Hawker Beechcraft Parts & Distribution
- Hawker Beechcraft Services
- Technical Support
- Global Mission Support

Firm plans to open two new company-owned service centers in the Americas in 2012.  
Three new authorized service centers to be added to strengthen our international network

# Financial Review

# Q3 2011 Performance



Third quarter total sales were \$518.8 million, which is down \$75.9 million compared to the same period of 2010

We recorded an operating loss of \$42.2 million for the quarter, an improvement of \$39.2 million year over year

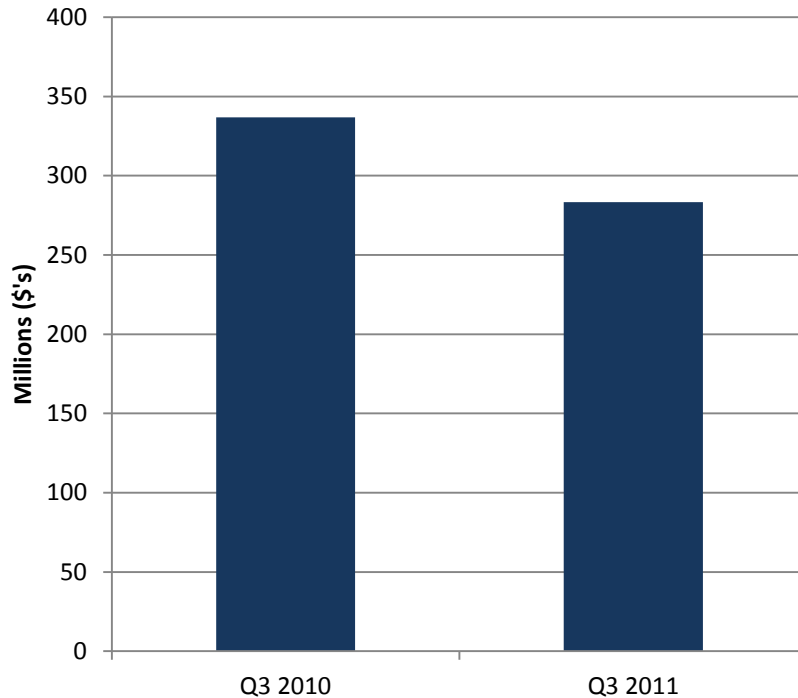
We ended the quarter with \$336.0 million in liquidity versus \$382.4 million in the second quarter of 2011

Total deliveries during the third quarter for the BG&A and Trainer/Attack segments were 56 versus 69 in the same period of 2010

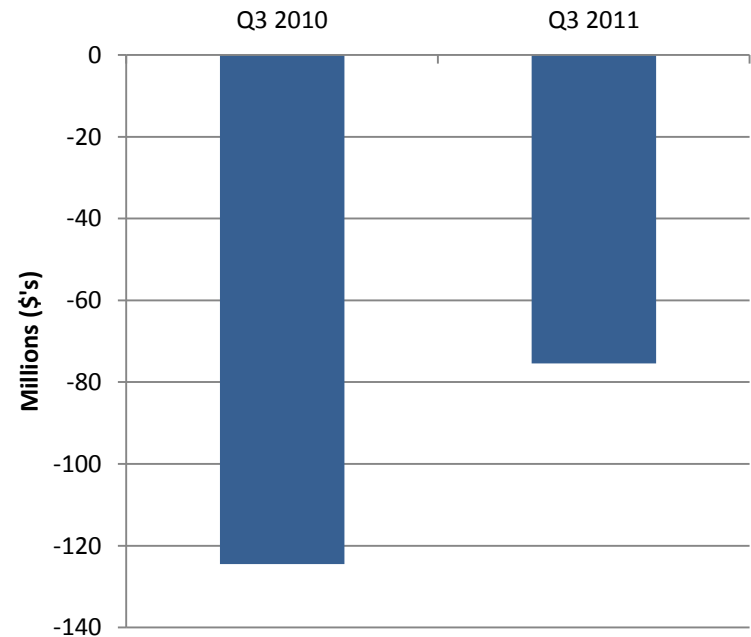
# Financial Performance – B&GA

Business and General Aviation sales were \$283.2 million with an operating loss of \$75.4 million

**B&GA Sales**



**Operating Loss**

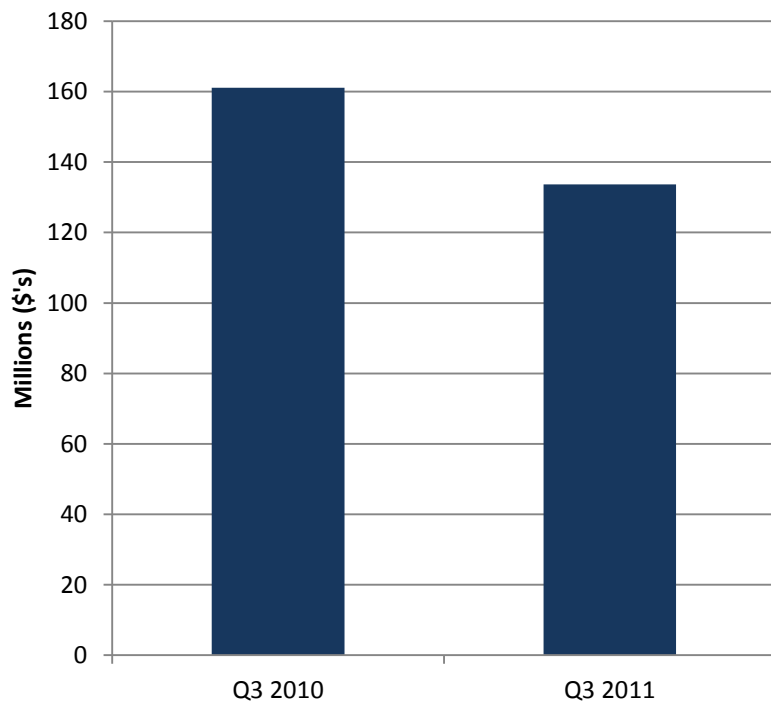


# Financial Performance – Trainer/Attack Aircraft

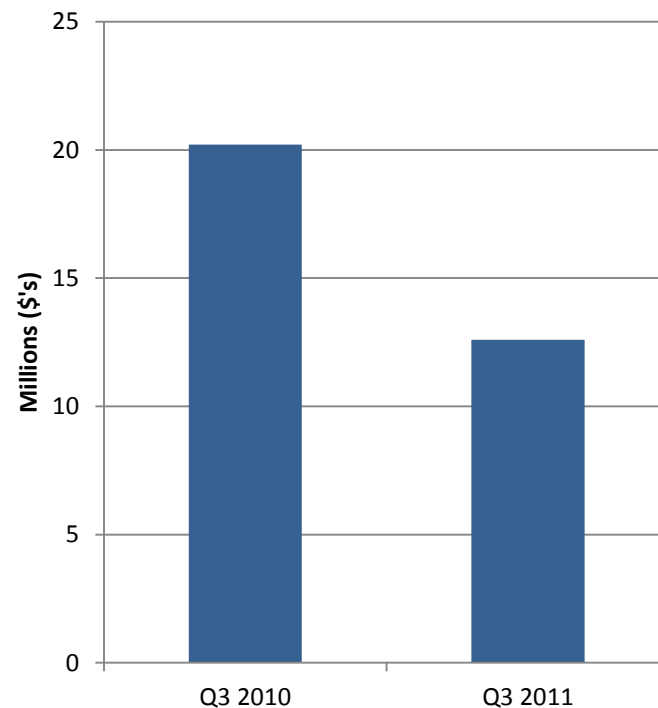


Trainer/Attack Aircraft sales were \$133.7 million with an operating income of \$12.6 million

### Trainer Sales



### Operating Income

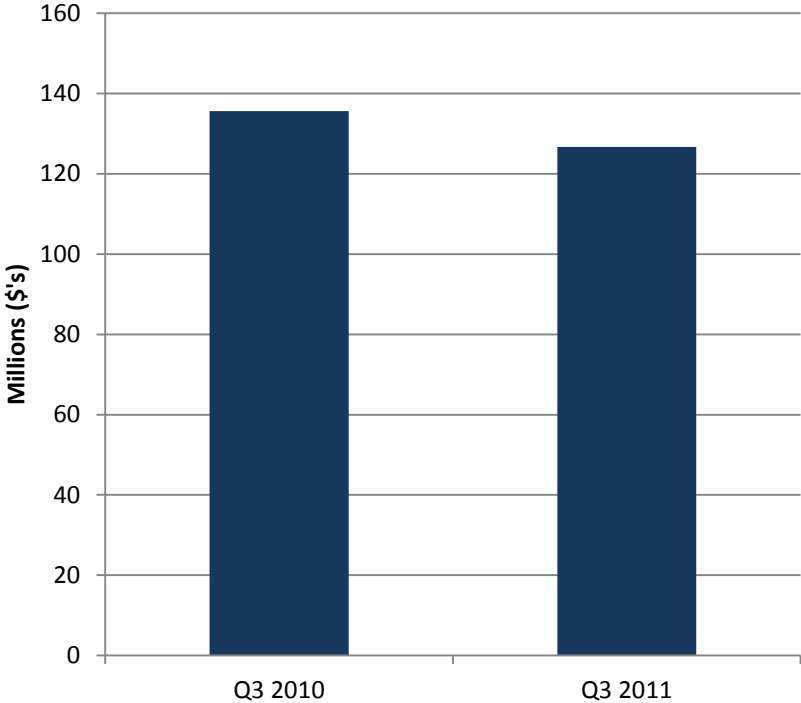


# Financial Performance – Customer Support

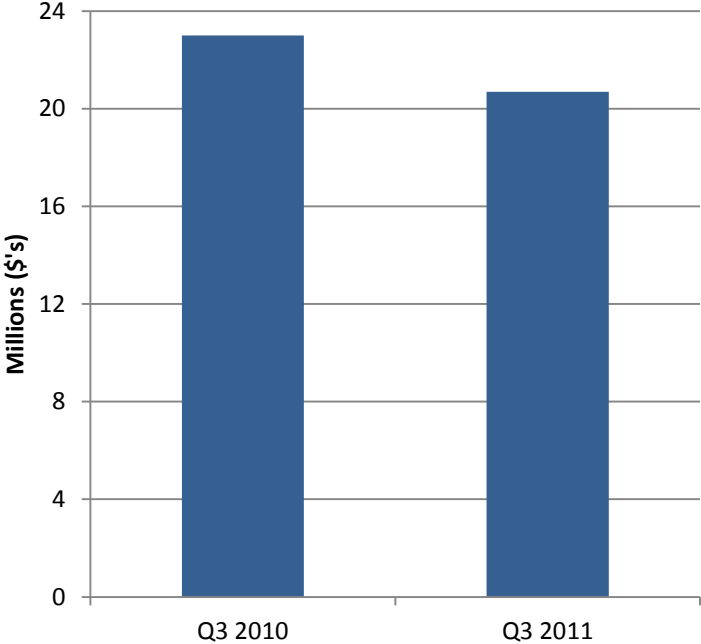


Customer Support sales were \$126.7 million with an operating income of \$20.7 million

**Customer Support Sales**



**Operating Income**



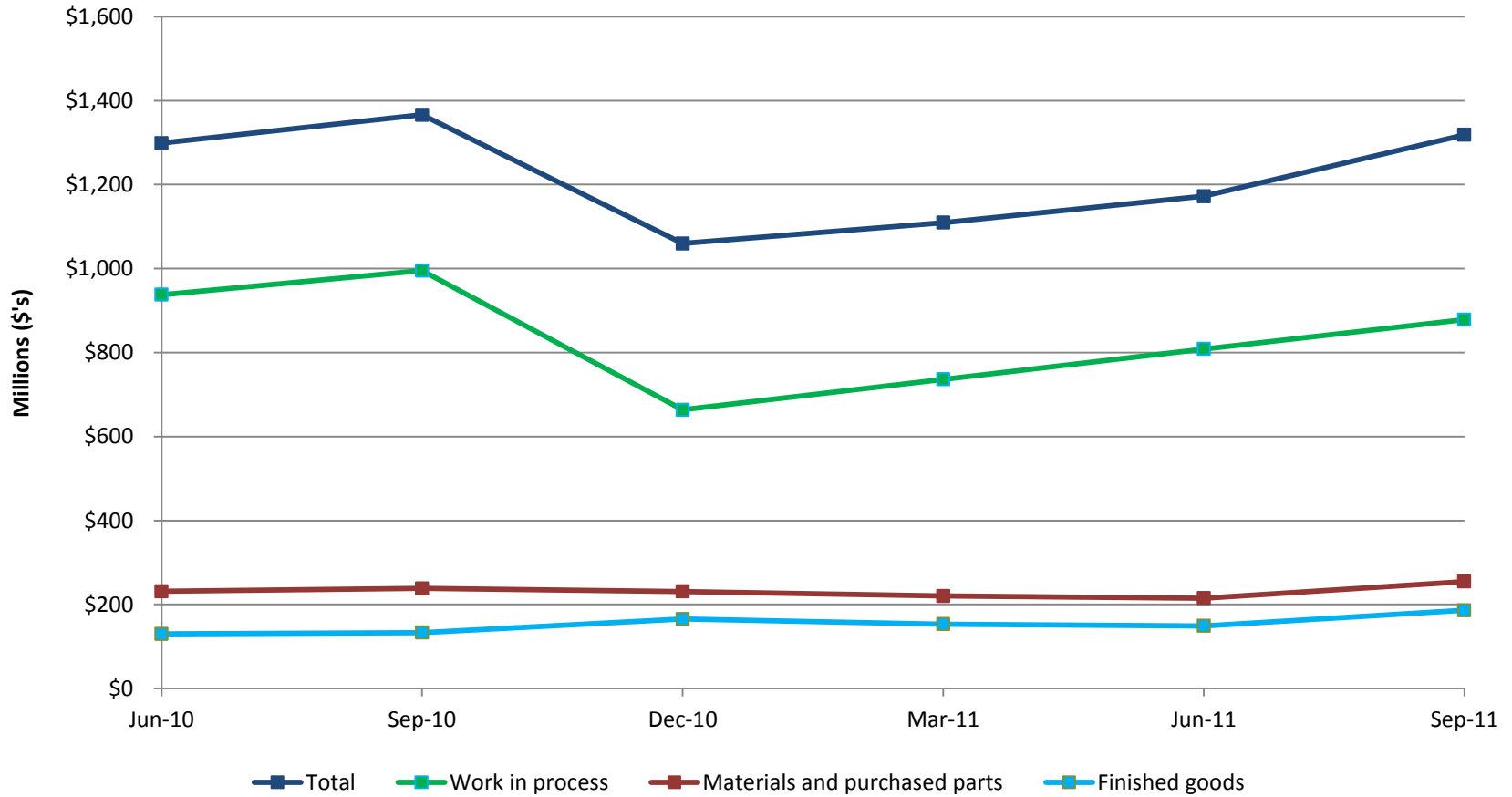
# Liquidity and Debt

Liquidity decreased \$46.4 million during the third quarter

	Q3 2010	Q2 2011	Q3 2011
Cash and Cash Equivalents	\$252.6	\$143.2	\$146.7
Revolver Availability	\$235.2	\$239.2	\$189.3
Total Liquidity	\$487.8	\$382.4	\$336.0
Notes Payable	\$69.9	\$69.5	\$67.2
Secured Debt	\$1,442.7	\$1,396.3	\$1,446.9
Unsecured Debt	\$630.6	\$630.6	\$630.6
Total Debt	\$2,143.2	\$2,096.4	\$2,144.7

# Inventory

Inventory levels are \$47.7 million less year over year



# Closing Remarks

# Recent Initiatives/Key Events

Hawker 4000 received FAA certification on the U&E program and deliveries have resumed in the U.S. with positive press coverage

Significant interior and engine upgrades introduced for the Baron and Bonanza models

The Hawker 800 XPR upgrade package, which provides performance and capability improvements, received FAA and EASA certification

5-year contract achieved with the IAM containing significant partnering initiatives and performance pay framework

Global Customer Support expands coverage in Monterrey, Mexico and Wilmington, DE

HBC's Light Attack AT-6 successfully demonstrated laser-guided munitions with 100% precision hit rate

