



## News Release

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### **Hawker Beechcraft Acquisition Company, LLC Reports Third Quarter 2009 Results**

WICHITA, Kan. (Nov. 5, 2009) – Hawker Beechcraft Acquisition Company, LLC (HBAC) reported lower sales and operating income for the three months ended Sept. 27, 2009, compared to the same period in 2008. The third quarter 2009 results were impacted by significant non-cash impairment charges related to goodwill, intangible and other assets, primarily in the Company's Business & General Aviation (B&GA) segment. In addition, the quarter was impacted by reduced B&GA deliveries, caused by adverse market conditions, partially offset by higher volume in the Trainer Aircraft segment. The comparable quarter of 2008 was adversely impacted by the effects of the strike by the Company's union work force during August 2008.

Net sales for the three months ended Sept. 27, 2009, were \$757.7 million, a decrease of \$25.6 million compared to the third quarter of 2008. Continued weakness in the general aviation market significantly impacted aircraft deliveries in the B&GA segment during the quarter. The Company delivered 64 business and general aviation aircraft consisting of 25 jet, 30 turboprop and 9 piston aircraft, as compared to 86 aircraft during the same period in 2008, resulting in a decrease in B&GA sales of \$98.6 million.

The decrease in sales for the B&GA segment was partially offset by a \$92.3 million increase in Trainer Aircraft segment sales as a result of increased production volume in support of higher aircraft delivery volumes. Sales in the Trainer Aircraft segment were \$169.7 million for the three months ended Sept. 27, 2009, compared to \$77.4 million for the comparable period in 2008. Production volume in 2008 was impacted by the strike and by a delivery suspension in place at that time.

Sales in the Customer Support segment were \$100.2 million for the three months ended Sept. 27, 2009, compared to \$125.7 million in the comparable period of 2008, reflecting reduced volumes and the impact of the sale of the fuel and line operations in late 2008. The reduced volumes are primarily the result of lower general aviation aircraft usage due to recent economic conditions.

Excluding significant impairment and other charges, the Company recorded an operating income of \$5.3 million for the three months ended Sept. 27, 2009, compared to \$15.3 million for the third quarter of 2008. The decline is primarily due to reduced B&GA aircraft deliveries partially offset by higher volume in the Trainer Aircraft segment.

Impairment and other charges totaling \$726.4 million resulted in the Company recording an operating loss of \$721.1 million for the three months ended Sept. 27, 2009. During the quarter, the Company recorded non-cash impairment charges totaling \$521.3 million to reduce the carrying value of goodwill and intangible assets in the B&GA segment, including a full impairment of the \$340.1 million of B&GA segment goodwill. The Company also recorded additional charges of \$205.1 million related to other asset impairments and to increase reserves for loss-making aircraft and potential supplier claims. The charges were primarily caused by the Company's updated expectations as to the timing of a general aviation market recovery, the resulting reduced production volumes and increased downward pricing pressure on new aircraft sales.

For the three months ended Sept. 27, 2009, cash flow from operations was \$58.5 million. The positive cash flow during the quarter was primarily due to a reduction in inventory on-hand as a result of aircraft delivered during the quarter, as well as lower new material receipts associated with revised production levels and improved inventory management.

Backlog was \$6.6 billion at Sept. 27, 2009, compared to \$6.8 billion at June 28, 2009, and \$7.9 billion at Sept. 28, 2008.

Additional financial statement information is included in the Appendix to this release.

*Earnings Conference Call:*

HBAC's earnings results conference call for the three months ended September 27, 2009, will be held on Nov. 9, 2009, at 2 p.m. CST. To attend, register at:

<https://cossprereg.btc.com/prereg/key.process?key=PT6DXUDUK>

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.

Hawker Beechcraft Corporation is a world-leading manufacturer of business, special-mission and trainer aircraft – designing, marketing and supporting aviation products and services for businesses, governments and individuals worldwide. The Company's headquarters and major facilities are located in Wichita, Kan., with operations in Salina, Kan.; Little Rock, Ark.; Chester, England, U.K.; and Chihuahua, Mexico. The Company leads the industry with the largest number of factory-owned service centers and a global network of more than 100 factory-owned and authorized service centers. For more information, visit [www.hawkerbeechcraft.com](http://www.hawkerbeechcraft.com).

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This release may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, including statements that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements are based on management's assumptions and assessments in light of past experience and trends, current conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results may differ significantly from those envisaged by our forward-looking statements. Among the factors that could cause actual results to differ materially from those described or implied in the forward-looking statements are general business and economic conditions, production delays resulting from lack of regulatory certifications and other factors, competition in our existing and future markets, lack of market acceptance of our products and services, the substantial leverage and debt service resulting from our indebtedness, loss or retirement of key executives and other risks disclosed in our filings with the Securities and Exchange Commission.

## Appendix

**Hawker Beechcraft Acquisition Company, LLC**  
**Consolidated Statements of Operations (Unaudited)**  
*(In millions)*

	<b>Three Months Ended September 27, 2009</b>	<b>Three Months Ended September 28, 2008</b>	<b>Nine Months Ended September 27, 2009</b>	<b>Nine Months Ended September 28, 2008</b>
Sales:				
Aircraft and parts	\$ 717.9	\$ 728.4	\$ 1,992.0	\$ 2,201.8
Services	39.8	54.9	119.6	186.7
Total sales	<u>757.7</u>	<u>783.3</u>	<u>2,111.6</u>	<u>2,388.5</u>
Cost of sales:				
Aircraft and parts	841.7	626.5	1,948.5	1,852.6
Services	33.9	47.8	102.7	156.8
Total cost of sales	<u>875.6</u>	<u>674.3</u>	<u>2,051.2</u>	<u>2,009.4</u>
Gross profit	<u>(117.9)</u>	<u>109.0</u>	<u>60.4</u>	<u>379.1</u>
Restructuring, net	8.5	-	29.1	-
Definite-lived intangible asset impairment	73.0	-	73.0	-
Goodwill and indefinite-lived intangible asset impairment	448.3	-	448.3	-
Selling, general and administrative expenses	48.4	65.9	155.8	198.6
Research and development expenses	25.0	27.8	81.8	80.3
Operating (loss) income	<u>(721.1)</u>	<u>15.3</u>	<u>(727.6)</u>	<u>100.2</u>
Interest expense	35.6	50.1	115.1	149.9
Interest income	(0.2)	(2.1)	(1.0)	(7.4)
Gain on debt repurchase, net	-	-	(352.1)	-
Other income, net	(0.3)	(1.1)	(0.3)	(0.7)
Non-operating expense (income), net	<u>35.1</u>	<u>46.9</u>	<u>(238.3)</u>	<u>141.8</u>
Loss before taxes	<u>(756.2)</u>	<u>(31.6)</u>	<u>(489.3)</u>	<u>(41.6)</u>
Benefit from income taxes	<u>(72.3)</u>	<u>(10.4)</u>	<u>(30.7)</u>	<u>(14.0)</u>
Net loss	<u>\$ (683.9)</u>	<u>\$ (21.2)</u>	<u>\$ (458.6)</u>	<u>\$ (27.6)</u>
Net income attributable to non-controlling interest	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.6</u>
Net loss attributable to parent company	<u>\$ (684.2)</u>	<u>\$ (21.5)</u>	<u>\$ (458.9)</u>	<u>\$ (28.2)</u>

**Hawker Beechcraft Acquisition Company, LLC**  
**Consolidated Statements of Financial Position (Unaudited)**  
*(In millions)*

	As of September 27, 2009	As of December 31, 2008
	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 300.2	\$ 377.6
Accounts and notes receivable, net	122.8	103.0
Unbilled revenue	78.6	35.9
Inventories, net	1,673.6	1,782.3
Current deferred income tax asset, net	16.0	-
Prepaid expenses and other current assets	24.7	32.5
	<u>2,215.9</u>	<u>2,331.3</u>
Total current assets	2,215.9	2,331.3
Property, plant and equipment, net	564.0	641.8
Goodwill	259.5	599.6
Intangible assets, net	822.5	1,049.5
Other assets, net	48.8	65.4
	<u>48.8</u>	<u>65.4</u>
Total assets	<u>\$ 3,910.7</u>	<u>\$ 4,687.6</u>
<b>Liabilities and Equity</b>		
Current liabilities		
Notes payable, revolver, and current portion of long-term debt	\$ 426.3	\$ 126.6
Advance payments and billings in excess of costs incurred	456.9	507.4
Accounts payable	278.3	404.3
Accrued salaries and wages	51.9	56.6
Current deferred income tax liability, net	-	19.4
Accrued interest payable	39.5	25.9
Other accrued expenses	257.5	272.6
	<u>257.5</u>	<u>272.6</u>
Total current liabilities	1,510.4	1,412.8
Long-term debt	1,861.2	2,364.2
Accrued pension benefits	334.9	310.8
Other long-term liabilities	97.3	140.1
Non-current deferred income tax liability, net	25.7	24.4
	<u>25.7</u>	<u>24.4</u>
Total liabilities	3,829.5	4,252.3
Equity		
Paid-in capital	999.3	996.8
Accumulated other comprehensive loss	(306.7)	(409.3)
Retained deficit	(615.3)	(156.4)
	<u>(615.3)</u>	<u>(156.4)</u>
Total equity attributable to parent company	77.3	431.1
Non-Controlling Interest	3.9	4.2
	<u>3.9</u>	<u>4.2</u>
Total equity	81.2	435.3
Total liabilities and equity	<u>\$ 3,910.7</u>	<u>\$ 4,687.6</u>

**Hawker Beechcraft Acquisition Company, LLC**  
**Consolidated Statements of Cash Flow (Unaudited)**  
*(In millions)*

	<b>Nine Months Ended September 27, 2009</b>	<b>Nine Months Ended September 28, 2008</b>
Cash flows from operating activities:		
Net loss attributable to parent company	\$ (458.9)	\$ (27.6)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	69.0	63.0
Amortization of intangible assets	49.0	54.9
Amortization of debt issuance costs	8.2	7.2
Amortization of deferred compensation	0.3	3.0
Stock-based compensation	2.5	6.9
Current and deferred income taxes	(31.2)	(24.1)
Gain on repurchase of long-term debt, net of write-off of debt issuance costs	(352.1)	-
Inventory impairments	70.7	-
Definite-lived asset impairment	94.0	-
Goodwill and other indefinite-lived intangible impairment charges	448.3	-
Non-cash interest expense	13.3	-
Changes in assets and liabilities:		
Accounts receivable, net	(19.8)	(18.5)
Unbilled revenue, advanced payments and billings in excess of costs incurred	(93.2)	53.8
Inventories, net	171.3	(464.3)
Prepaid expenses and other current assets	4.4	12.4
Accounts payable	(126.0)	73.4
Accrued salaries and wages	(4.8)	(0.4)
Other accrued expenses	(0.1)	114.9
Pension and other changes, net	71.2	(8.4)
Income taxes payable	0.7	(6.3)
Collection of financing receivables not sold	-	0.4
Net cash (used in) provided by investing activities	<u>(83.2)</u>	<u>(159.7)</u>
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(42.0)	(46.2)
Additions to computer software	(3.1)	(3.1)
Proceeds from sale of property, plant and equipment	1.2	101.7
Net cash used in investing activities	<u>(43.9)</u>	<u>52.4</u>
Cash flows from financing activities:		
Payment of notes payable	(174.8)	(136.0)
Payment of term loan	(6.5)	(6.5)
Utilization of revolving credit facility	365.0	-
Payment of revolving credit facility	(1.8)	-
Proceeds from IRB funding	4.5	-
Debt repurchase	(136.7)	-
Net cash provided by (used in) financing activities	<u>49.7</u>	<u>(142.5)</u>
Effect of exchange rates on cash and cash equivalents	-	(0.7)
Net decrease in cash and cash equivalents	(77.4)	(250.5)
Cash and cash equivalents at beginning of period	377.6	569.5
Cash and cash equivalents at end of period	<u>\$ 300.2</u>	<u>\$ 319.0</u>

**Hawker Beechcraft Acquisition Company, LLC**  
**Aircraft Delivery Units**

	<u>Three Months Ended September 27, 2009</u>	<u>Three Months Ended September 28, 2008</u>	<u>Nine Months Ended September 27, 2009</u>	<u>Nine Months Ended September 28, 2008</u>
<b>Business and General Aviation</b>				
<b>New Aircraft Deliveries</b>				
Hawker 4000	4	2	8	3
Hawker 900XP	11	10	27	33
Hawker 800XP/850XP	0	6	1	11
Hawker 750	1	9	8	15
Hawker 400XP	4	5	8	19
Premier	5	2	12	23
King Airs	30	33	100	112
Pistons	9	19	35	71
Business & General Aviation Total	<u>64</u>	<u>86</u>	<u>199</u>	<u>287</u>
T-6	27	-	83	36
Total Deliveries	<u>91</u>	<u>86</u>	<u>282</u>	<u>323</u>

**Hawker Beechcraft Acquisition Company, LLC**  
**Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)**  
**Trailing Four Quarters For The Period Ended September 27, 2009**  
*(In millions)*

	<u>Trailing 12 Months</u>	<u>Quarter Ended</u>			
		<u>September 27, 2009</u>	<u>June 28, 2009</u>	<u>March 29, 2009</u>	<u>December 31, 2008</u>
(Loss) income before income taxes and non-controlling interest	<b>\$ (501.7)</b>	\$ (756.2) (1)	\$ 176.6 (2)	\$ 90.3 (2)	\$ (12.4)
Income attributable to non-controlling interest	<b>(1.0)</b>	(0.3)	-	-	\$ (0.7)
Interest expense, net	<b>169.0</b>	35.4	37.3	41.4	54.9
Operating income adjustments:					
Depreciation and amortization	<b>159.1</b>	38.5	38.2	41.3	41.1
EBITDA	<b>\$ (174.6)</b>	<u>\$ (682.6)</u>	<u>\$ 252.1</u>	<u>\$ 173.0</u>	<u>\$ 82.9</u>

(1) Includes charges totaling \$726.4 million as discussed elsewhere in this earnings release

(2) Includes gains of \$175.0 million in Q2 2009 and \$177.1 million in Q1 2009 related to purchases of the Company's debt securities