

# Q2 2011 Earnings Call

*August 4, 2011*

# Safe Harbor Statement



This slide presentation should be reviewed in conjunction with Hawker Beechcraft's Second Quarter 2011 earnings conference call held on August 4, 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) disruption in supply from key vendors; (2) increases in labor costs, potential labor disputes and work stoppages; (3) the substantial leverage and debt service resulting from our indebtedness; (4) production delays resulting from lack of regulatory certifications; (5) the successful completion of our restructuring activities; (6) general business and economic conditions; (7) the inability of our customers to obtain financing; (8) adverse publicity stemming from any accident involving aircraft we have manufactured; (9) increased competition and changes in the relative and absolute popularity of Hawker Beechcraft's product lines; (10) any unfavorable resolution of legal proceedings; (11) our successful implementation of new programs with new technologies; (12) the occurrence of terrorist activities, international hostilities and natural disasters; and (13) our ability to attract and retain highly talented professionals;

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



New orders of \$487 million exceeded cancellations of \$80 million; backlog decreased by \$175 million versus the first quarter of 2011

Revenues in the Business and General Aviation segment decreased by 17.4% while operating losses improved by 11.5% versus the second quarter of 2010

Revenues in the Trainer/Attack Aircraft segment decreased by 4.0% and operating income decreased by 39.7% versus the second quarter of 2010

Revenues in the Global Customer Support segment increased by 5.0% and operating income increased by 26.1% versus the second quarter of 2010

Supply disruptions have affected the production of Hawker 4000 and King Air aircraft and deferred some Hawker 4000 deliveries

HBC celebrated the delivery of the 700<sup>th</sup> T-6 trainer, the world's most proven military training aircraft

# Segment Overview



## Business and General Aviation (B&GA)

- Continue to experience depressed demand primarily as a result of uncertainty in the global economy
- Broad aircraft portfolio - jet, turboprop, piston and special mission aircraft
- Well established Hawker and Beechcraft brands
- Q2 2011 Revenue: \$291.9 million (48%)

## Trainer/Attack Aircraft

- Revenue stream less susceptible to general economic conditions
- 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
- Q2 2011 Revenue: \$177.5 million (29%)



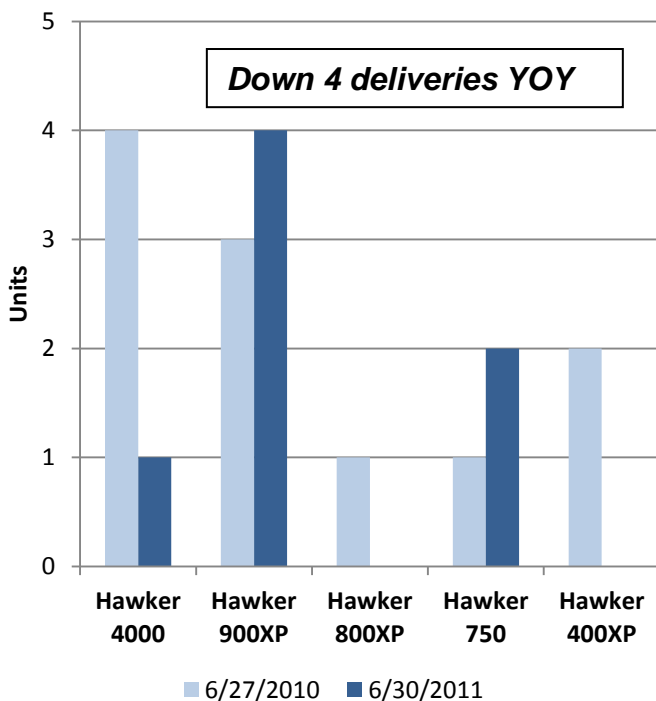
## Customer Support

- 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
- Q2 2011 Revenue: \$141.2 million (23%)

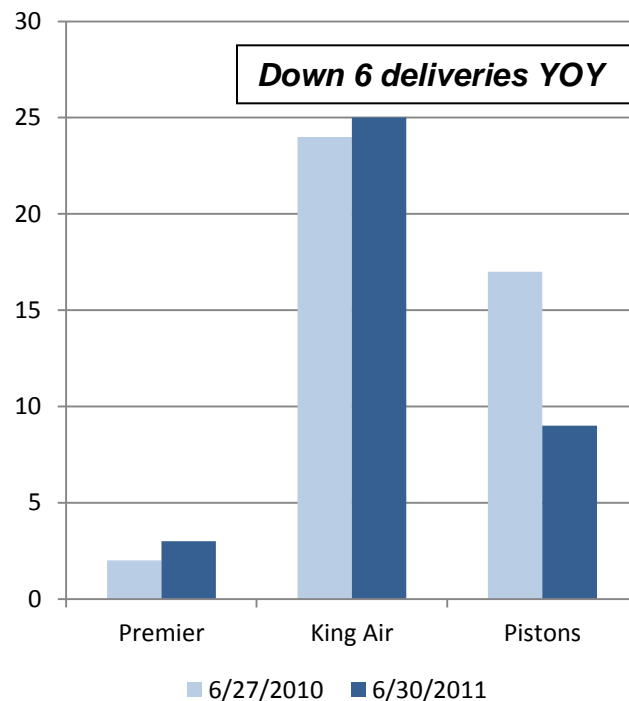
# B&GA Deliveries

Second quarter deliveries fell short of prior year's deliveries for the same period by 19%. Fewer higher priced jet deliveries led to 17.4% decline in B&GA revenues.

## Hawker



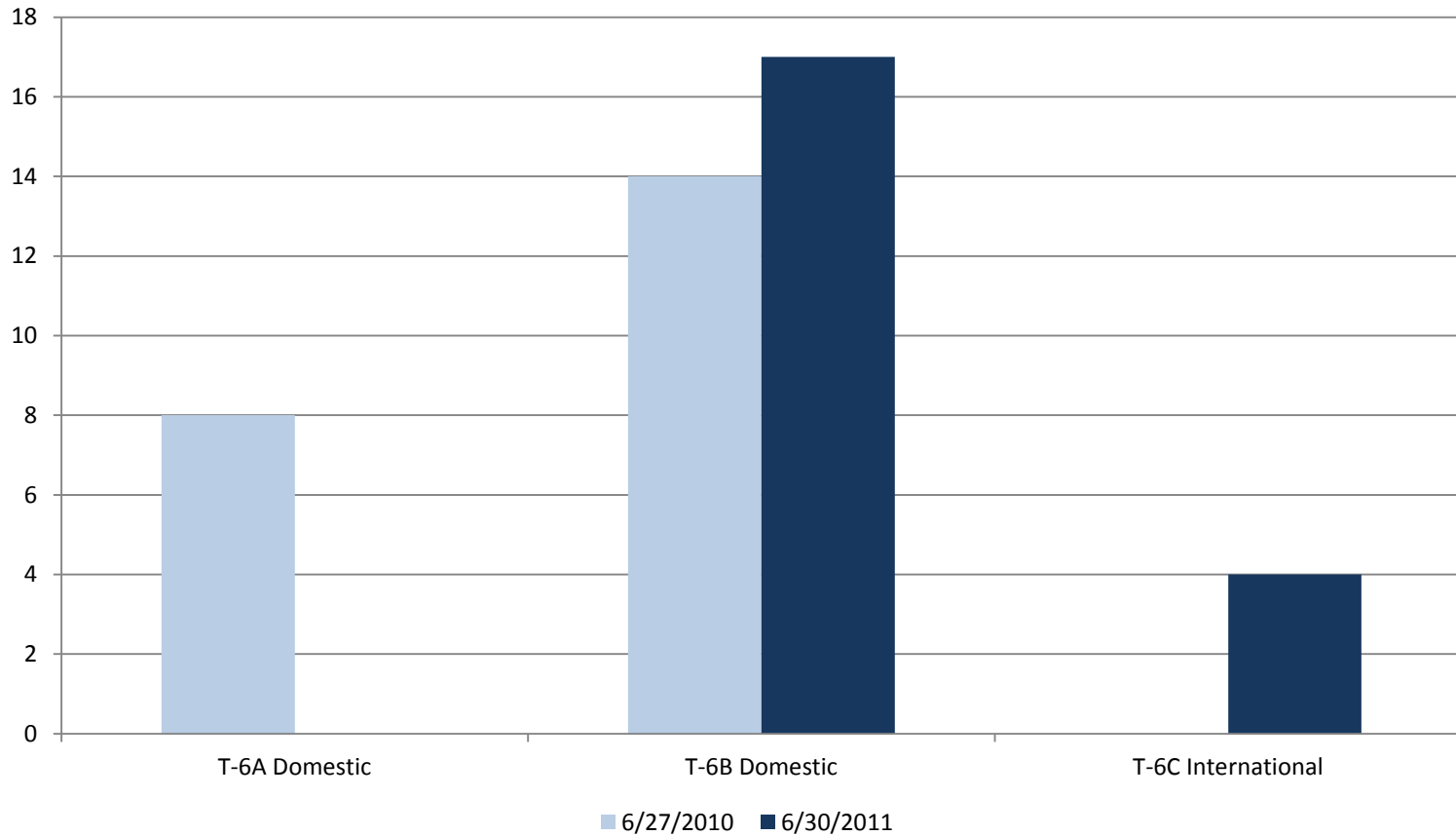
## Beechcraft



# Trainer/Attack Aircraft Deliveries



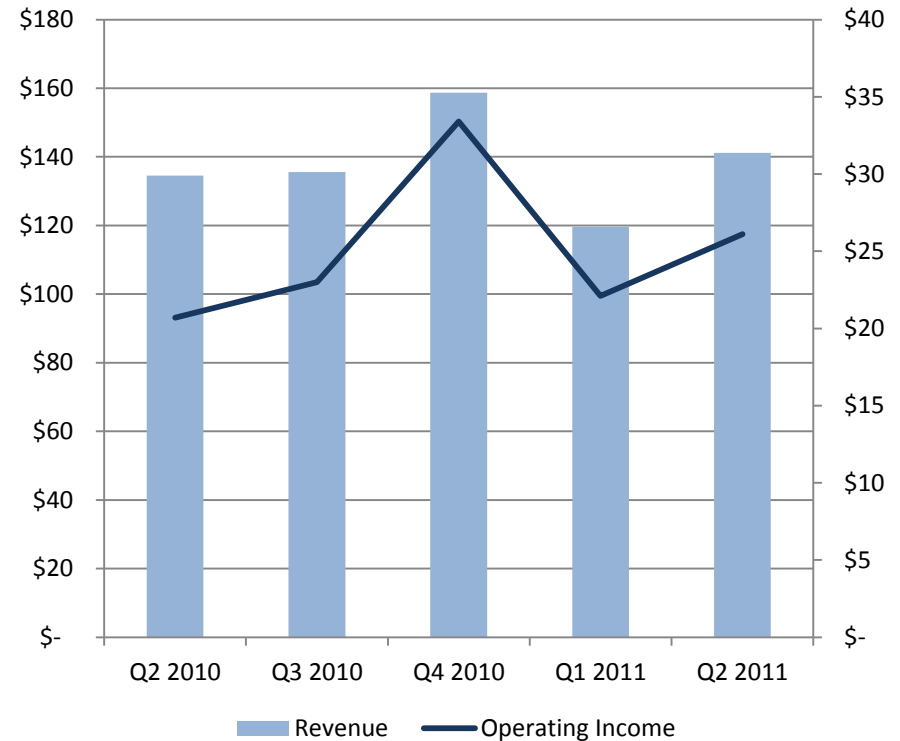
International business is the key driver for future T-6 growth



# Customer Support

Year over year operating income is up \$5.4 million

	Revenue (\$ Millions)	Operating Income (\$ Millions)
Q2 2011	\$141.2	\$26.1
Q1 2011	\$119.6	\$22.1
Q4 2010	\$158.7	\$33.4
Q3 2010	\$135.6	\$23.0
Q2 2010	\$134.5	\$20.7



# Financial Review

# Q2 2011 Performance



Second quarter net sales were \$581.7 million, which is down \$57.6 million year over year

We recorded an operating loss of \$19.6 million for the quarter, an improvement of \$1.1 million year over year

We ended the quarter with a cash balance of \$143.2 million versus \$310.7 million in the prior quarter

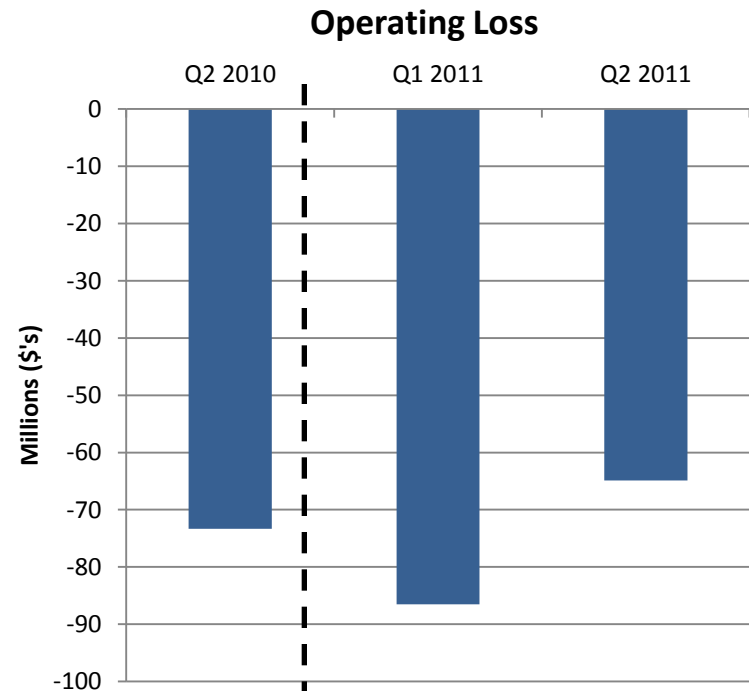
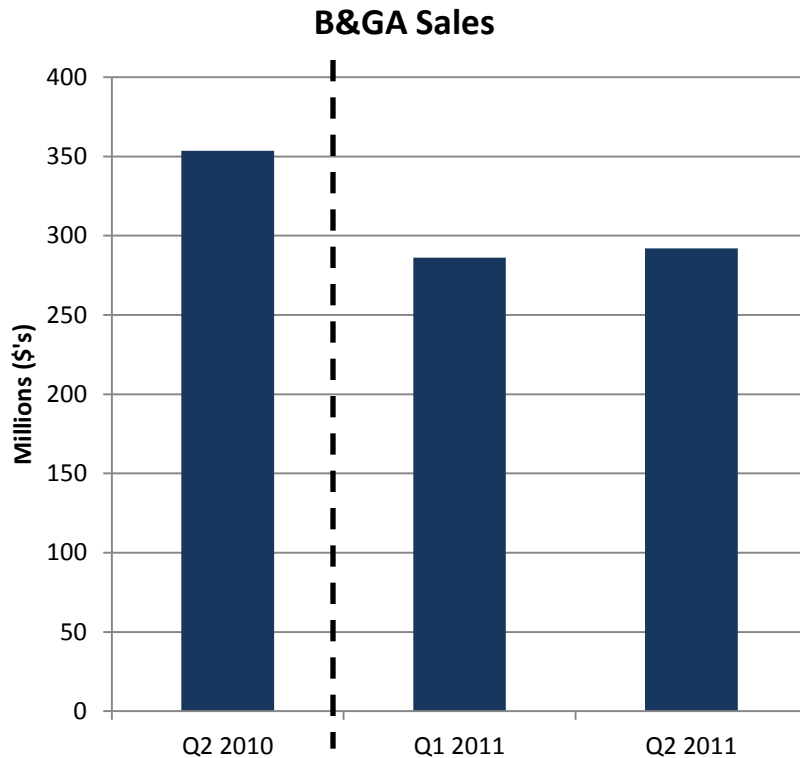
Liquidity was impacted by normal seasonal slow-down and temporary supply disruptions

Backlog was \$1.4 billion at the end of the quarter, down \$175 million from last quarter

# Financial Performance – B&GA



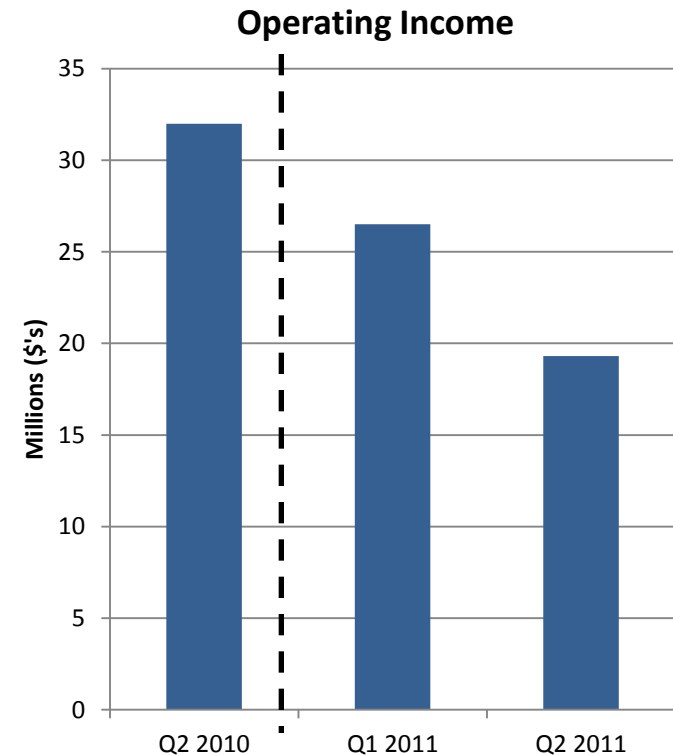
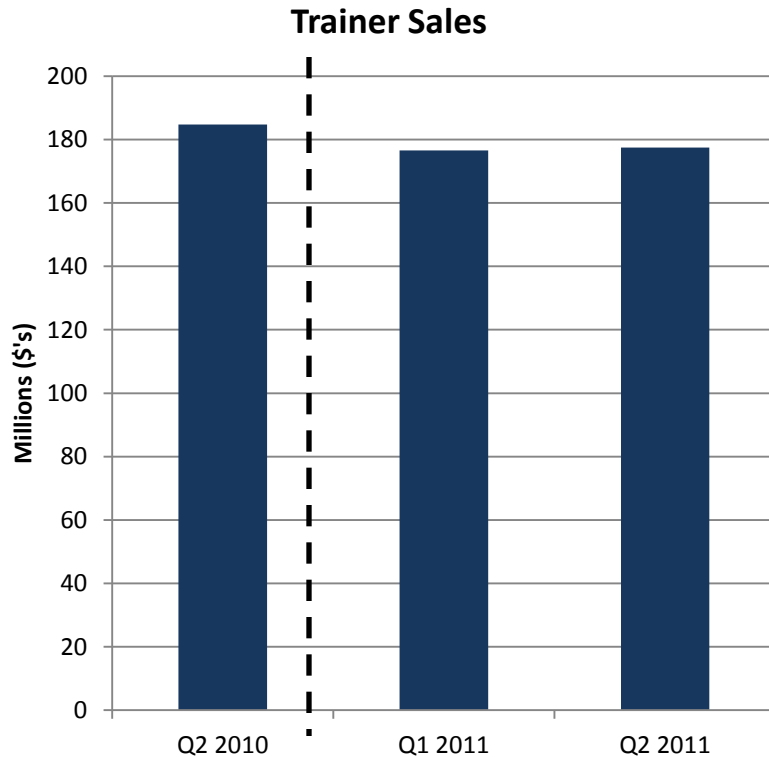
Business and General Aviation sales were \$291.9 million with an operating loss of \$64.9 million



# Financial Performance – Trainer/Attack Aircraft



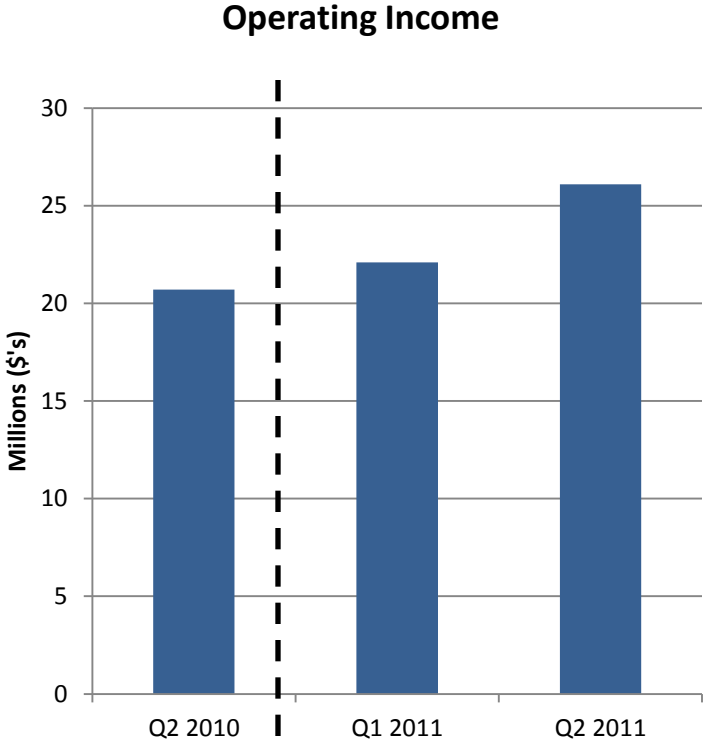
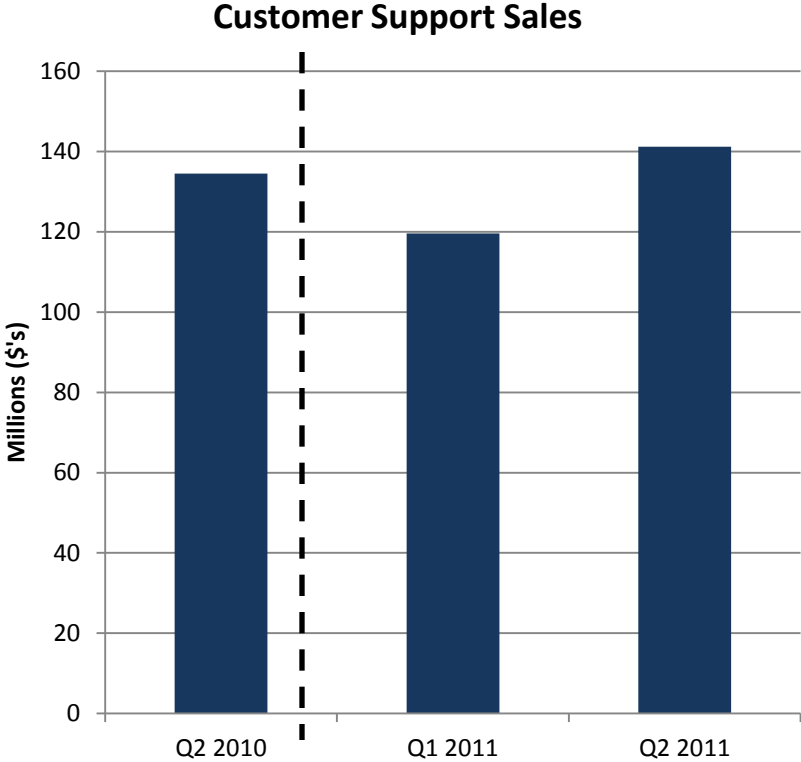
Trainer/Attack Aircraft sales were \$177.5 million with an operating income of \$19.3 million



# Financial Performance – Customer Support



Customer Support sales were \$141.2 million with an operating income of \$26.1 million



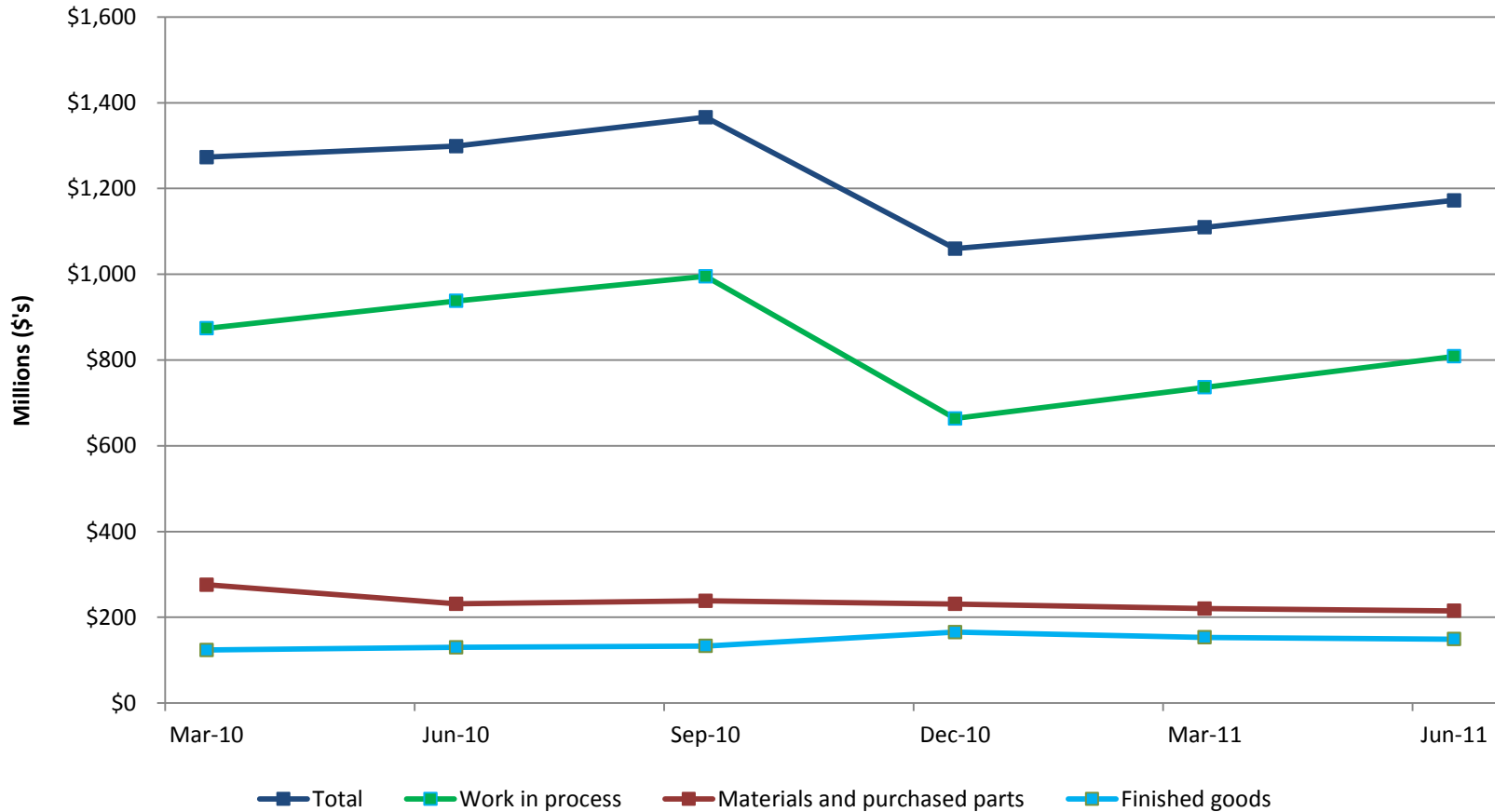
# Liquidity and Debt

Liquidity at \$382.4 million

	Q2 2010	Q1 2011	Q2 2011
Cash and Cash Equivalents	\$307.2	\$310.7	\$143.2
Revolver Availability	\$236.5	\$235.3	\$239.2
Total Liquidity	\$543.7	\$546.0	\$382.4
Notes Payable	\$55.3	\$70.0	\$69.5
Secured Debt	\$1,449.6	\$1,395.7	\$1,396.3
Unsecured Debt	\$630.6	\$630.6	\$630.6
Total Debt	\$2,135.5	\$2,096.3	\$2,096.4

# Inventory

Inventory levels are \$126.5 million less year over year



# Closing Remarks

# Recent Initiatives/Key Events

The King Air 250, featuring composite winglets and propellers, received FAA certification

Final pre-production Hawker 200 completed its first flight, reaching an important milestone for development

Strategic alliance formed with Group Lotus, allowing both companies to work together on a number of unique initiatives

HBC officially opened its order book for the Hawker 400XPR

Global Customer Support continues to expand with a new agreement to open a facility in Delaware

Negotiations with our labor union are progressing smoothly and voting will occur on August 6<sup>th</sup>

International Growth



Customer Service and After Sales Support



Eliminate Waste and Create Opportunities



Streamline Production, Improved Aircraft Performance and Enhanced Customer Experience

# Appendix

# Restructuring & Other Charges



(\$ millions)

	Q2 2011
Restructuring:	
Business and General Aviation	\$2.3
Trainer/Attack Aircraft	\$ -
Other:	
Loss Making Aircraft	\$13.0
<b>Total</b>	<b>\$15.3</b>

# Pension

(\$ millions)

	Q2 2011 <sup>1</sup>	FY 2010	FY 2009
Cash Contributions	\$10.3	\$34.9	\$0.8
Net Pension Expense	\$16.1	\$39.2	\$38.4
% Funded	NA	68%	70%

<sup>1</sup>Expected full year contributions are \$44.2 million