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Hawker Beechcraft Acquisition Company, LLC Announces 2009 Financial Results

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Hawker Beechcraft Acquisition Company, LLC (the Company) reported sales of $3.2 billion and an operating loss of $712.0 million for the 12 months ended Dec. 31, 2009, compared to sales of $3.5 billion and an operating income of $140.3 million for the same period in 2008. In addition to lower sales, the Company's 2009 operating income was impacted by significant non-cash impairment and other charges totaling $726.4 million recorded during the third quarter 2009.

Despite the lower operating income, cash flow from operations for 2009 was $177.1 million compared to cash consumed in operations of $69.0 million in 2008.
2009 sales were affected by lower volume in the Company's Business & General Aviation (B&GA) segment as a result of weakness in the general aviation market throughout the year. B&GA sales for 2009 were $2.3 billion, compared to $2.8 billion in 2008. The Company delivered 309 business and general aviation aircraft during 2009, consisting of 98 jet, 155 turboprop and 56 piston aircraft. This compares to 441 deliveries during 2008. Details of the deliveries in the fourth quarter and for full year 2009, along with the comparable periods in 2008, are included in the Appendix.

Trainer Aircraft segment sales were $531.3 million for 2009, compared to $338.2 million in 2008. The $193.1 million increase was the result of increased production volume in support of higher trainer aircraft deliveries. Volume in 2008 was impacted by the previously disclosed June 2008 suspension of deliveries, pending resolution of quality issues with a supplier's component. Deliveries resumed in January 2009.

Sales in the Company's Customer Support segment for 2009 were $438.3 million, compared to $522.8 million in 2008. In addition to lower general aviation aircraft usage as a result of recent economic conditions, Customer Support segment sales were also impacted by the sale of the Company's fuel and line operations during 2008. 2008 sales included $48.5 million related to the fuel and line operations subsequently sold.

The $712.0 million operating loss for 2009 was heavily impacted by $726.4 million of impairment and other charges recorded during the third quarter. Excluding these charges, operating income was $14.4 million for 2009. The decline, compared to the prior year operating income of $140.3 million, is primarily due to the downturn in the B&GA segment as a result of the overall economic conditions.

The Appendix includes a presentation of adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA). Adjusted EBITDA is a non-GAAP measure the Company believes is useful in evaluating the ability of issuers of "high-yield" securities to meet their debt service obligations. This measure is not intended as a substitute for an evaluation of results under GAAP and has been reconciled to its closest GAAP measure, Income Before Tax, in the Appendix. Adjusted EBITDA, as presented, was $127.3 million for 2009.

Dec. 14, 2009, the Company provided 2009 earnings guidance of an operating loss range of $725.0 million to $740.0 million and Adjusted EBITDA range, determined on the same basis as presented in the Appendix, of $95.0 million to $110.0 million. The Company's 2009 net operating loss and Adjusted EBITDA were better than the prior guidance due primarily to better than expected performance in a number of areas, including final aircraft delivery volume.

Cash flow from operations was $177.1 million for the full year 2009, compared to cash consumed of $69.0 million in 2008. The favorable cash performance was despite lower overall earnings and reflects sharply reduced inventory on-hand as a result of aircraft delivered during the year, as well as lower material receipts. In addition, improved inventory management and ongoing cost reduction efforts throughout the Company favorably impacted operating cash flow.

The Company's cash balance at Dec. 31, 2009, was $568.8 million. Subsequent to year end, the Company used a portion of its cash balance to fully repay the $235.0 million previously borrowed under its revolving credit facility. The revolving credit facility remains available for future borrowings as needed. Backlog at Dec. 31, 2009, was $3.4 billion, compared to $6.6 billion at Sept. 27, 2009, and $7.6 billion at Dec. 31, 2008, and reflects the previously disclosed cancellations received from Net Jets, Inc. during the fourth quarter of 2009.

Form 10-K and Earnings Conference Call:

The Company intends to file its 2009 Annual Report on Form 10-K with the Securities and Exchange Commission on or about Feb. 23, 2010. An earnings call to discuss the 2009 results will be held on March 4, 2010, at 9 a.m. CST. To participate, register at: https://cossprereg.btci.com/prereg/key.process?key=PAPUUQ8TM

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.

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