THE GLOBAL AEROSPACE INDUSTRY MARKET - OVERVIEW AND TRENDS

Prepared for

BAJA'S 2ND INTERNATIONAL AEROSPACE SUPPLIERS FORUM

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Presented by

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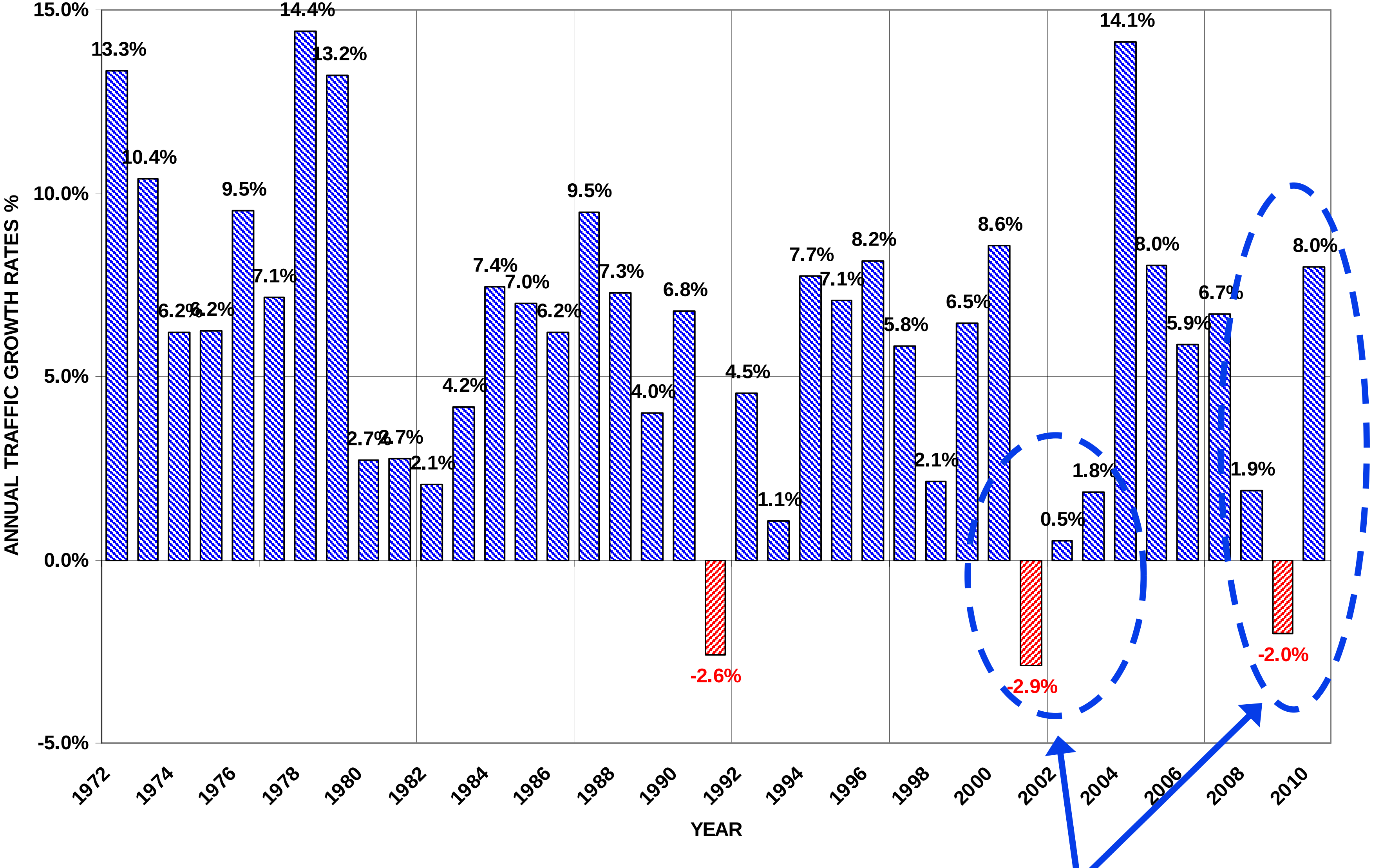
SUMMARY – GLOBAL AEROSPACE MARKET TRENDS

- The global market for aerospace markets is a composite of a variety of divergent trends in each of its market sectors.
- The market for large commercial transport aircraft (Boeing and Airbus programs) deliveries has been very strong and will get even stronger.
- Regional jet aircraft (Bombardier and Embraer) have not experienced the same gains as the large transport aircraft and are struggling in this high oil price environment. Russia, China, and Japan are still committed to entering the regional jet aircraft market.
- The business jet aircraft market, after peaking at 1313 a/c deliveries in 2008, has collapsed to 763 global a/c deliveries in 2010. The hoped for rebound in this market in 2011 / 2012 has yet to materialize.
- The MRO (maintenance, repair and overhaul) markets are hurting as large numbers of older aircraft are being parked and underutilized.
- Military aircraft markets are feeling the effects of government budget constraints which were intensified during the global recession of 2008 / 2009. The JSF (F35) is the only major military aircraft program going forward at significant production quantities.
- International and U.S. Space programs will loose some of their inertia going forward as the Space Shuttle replacement program continues to drift to the right in terms of schedule and U.S. Administration support.
- Although not all of the above markets are not currently in a positive growth trend they are all still very large and very competitive.

COMMERCIAL TRANSPORT AIRCRAFT
BOEING / AIRBUS PROGRAMS

AIRLINE TRAFFIC

WORLD SCHEDULED TRAFFIC GROWTH (RPMS) 1972 - 2010



WORLD AIRLINE TRAFFIC HAS BOUNCED BACK FASTER IN THIS LAST CYCLE.

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AIRLINE PROFITS

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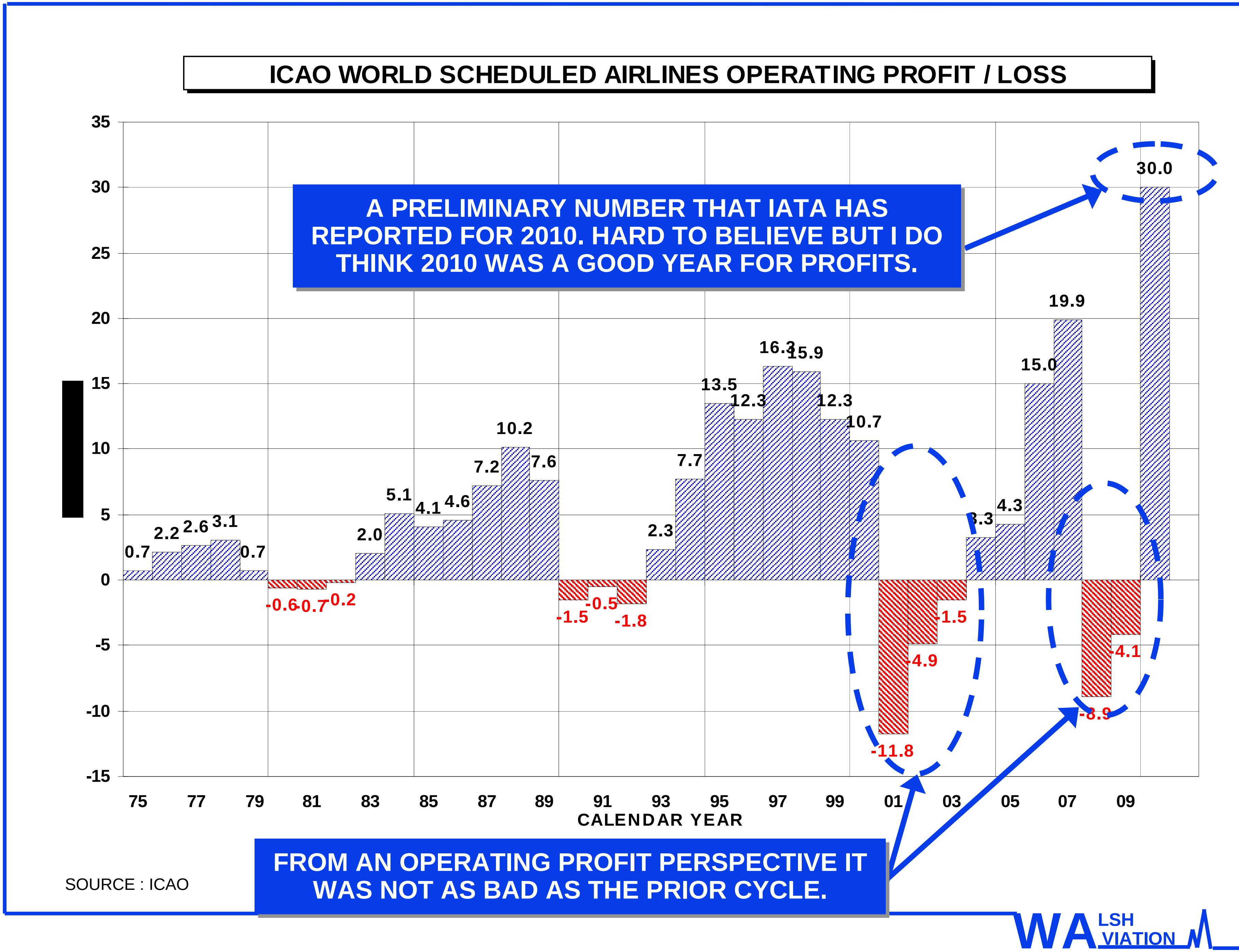
ICAO WORLD SCHEDULED AIRLINES OPERATING PROFIT / LOSS
A PRELIMINARY NUMBER THAT IATA HAS REPORTED FOR 2010. HARD TO BELIEVE BUT I DO THINK 2010 WAS A GOOD YEAR FOR PROFITS.
[redacted]
35
30
25
20
15
10
5
0
-5
-10
-15
0.7
2.2
2.6
3.1
0.7
-0.6
-0.7
-0.2
2.0
5.1
4.1
4.6
7.2
10.2
7.6
-1.5
-0.5
-1.8
2.3
7.7
13.5
12.3
16.3
15.9
12.3
10.7
-11.8
-4.9
-1.5
3.3
4.3
15.0
19.9
-8.9
-4.1
30.0
75
77
79
81
83
85
87
89
91
93
95
97
99
01
03
05
07
09
CALENDAR YEAR
SOURCE : ICAO
FROM AN OPERATING PROFIT PERSPECTIVE IT WAS NOT AS BAD AS THE PRIOR CYCLE.
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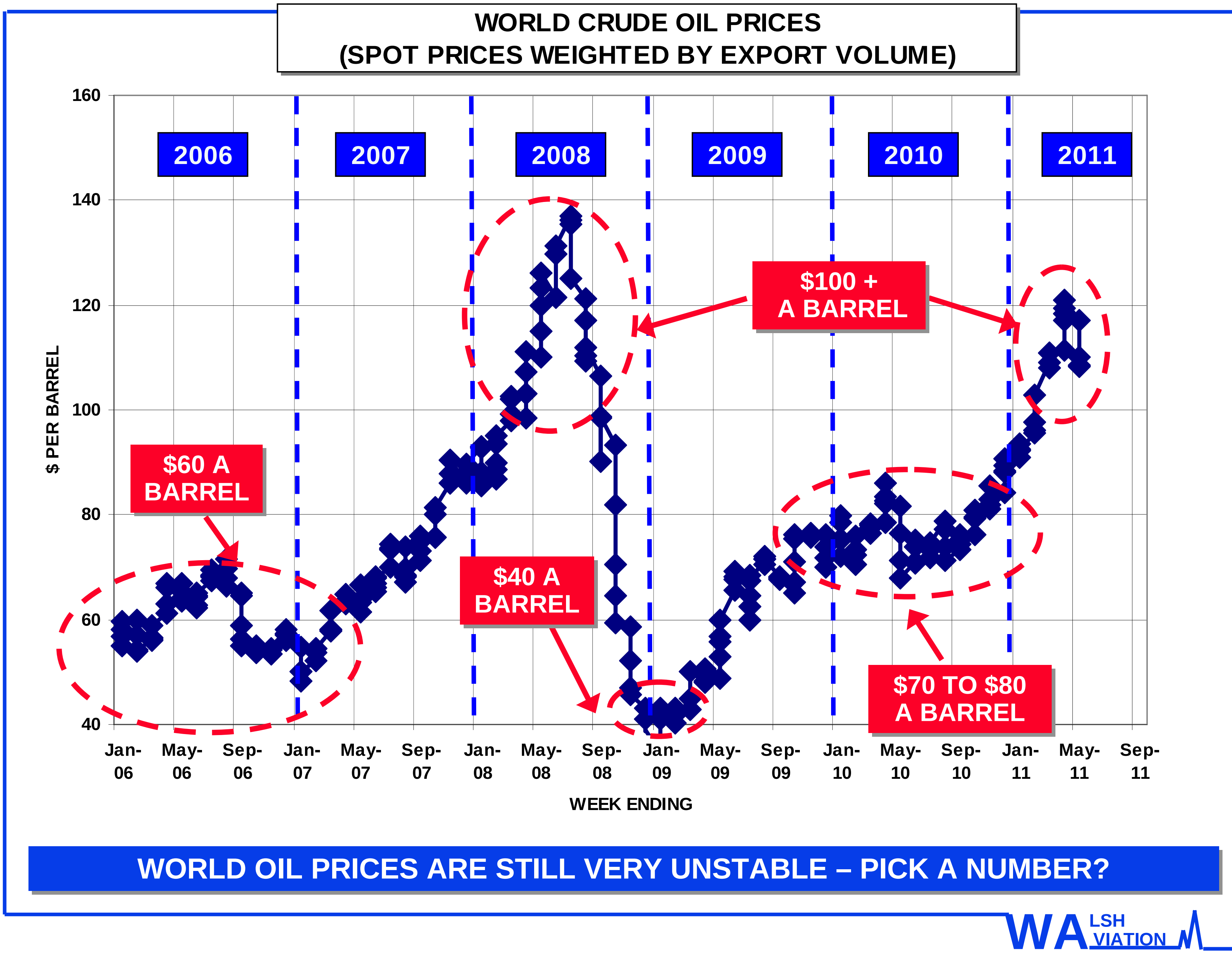
OIL PRICES ARE A BOTH A MARKET DRIVER (FOR NEW A/C) AND A MARKET INHIBITOR (HIGHER PRICES FOR AIR TRAVEL)



WORLD CRUDE OIL PRICES
(SPOT PRICES WEIGHTED BY EXPORT VOLUME)
2006
2007
2008
2009
2010
2011
$ PER BARREL
160
140
120
100
80
60
40
$100 + A BARREL
$60 A BARREL
$40 A BARREL
$70 TO $80 A BARREL
Jan-06
May-06
Sep-06
Jan-07
May-07
Sep-07
Jan-08
May-08
Sep-08
Jan-09
May-09
Sep-09
Jan-10
May-10
Sep-10
Jan-11
May-11
Sep-11
WEEK ENDING
WORLD OIL PRICES ARE STILL VERY UNSTABLE – PICK A NUMBER?
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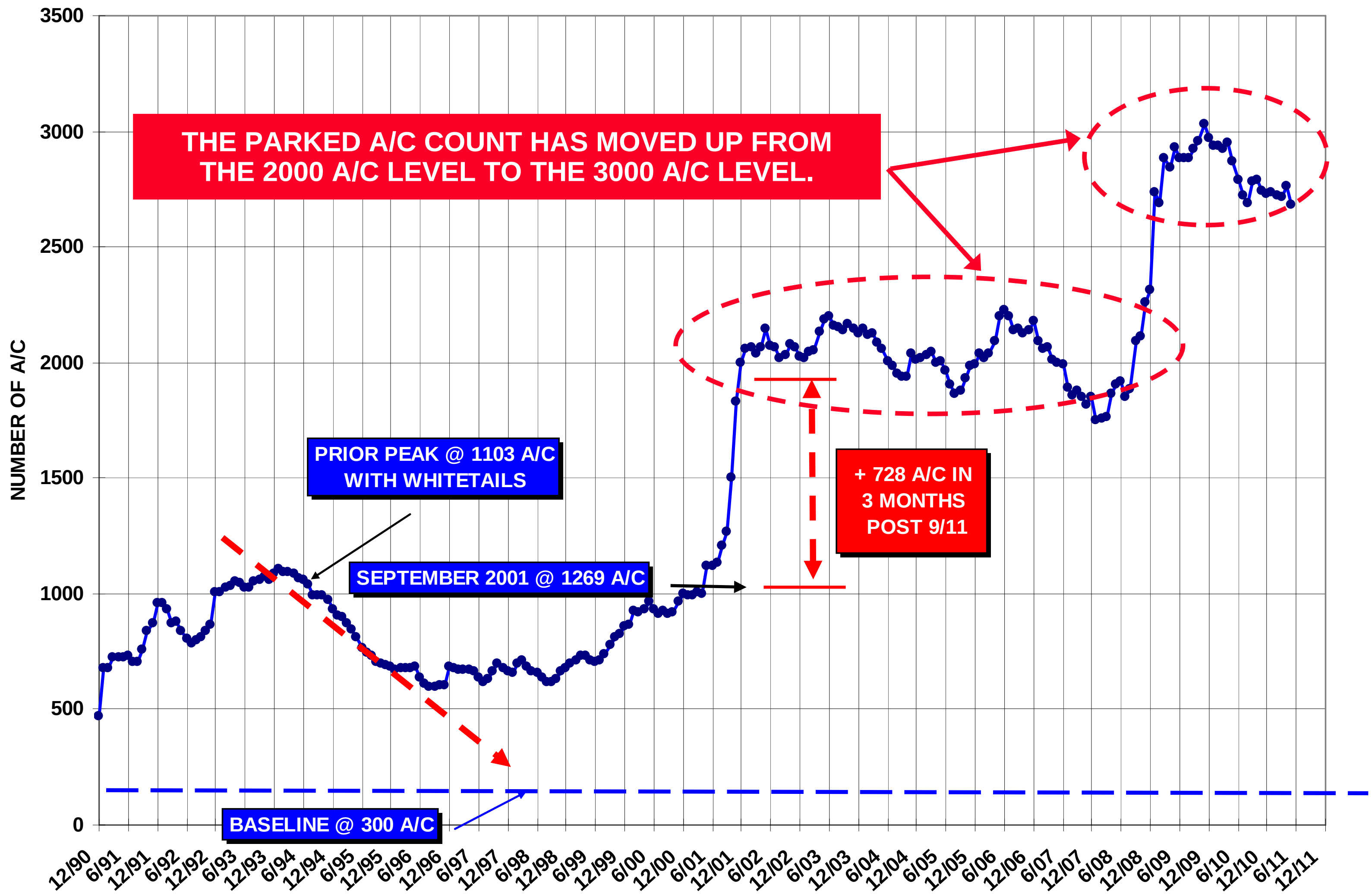
“PARKED” AIRCRAFT UPDATE

"PARKED" TURBOFAN/JET A/C FLEET - WORLDWIDE



IN THE PAST PARKED A/C WOULD RISE AS TRAVEL DEMAND FELL OFF. WE MAY NOW BE SEEING A RISE IN THE NUMBER OF A/C PARKED AS THE RESULT OF DISPROPORTIONATELY HIGHER FUEL PRICES?

Data Source: Airclaims prior to 2008, ML Parked Aircraft Report 2008+

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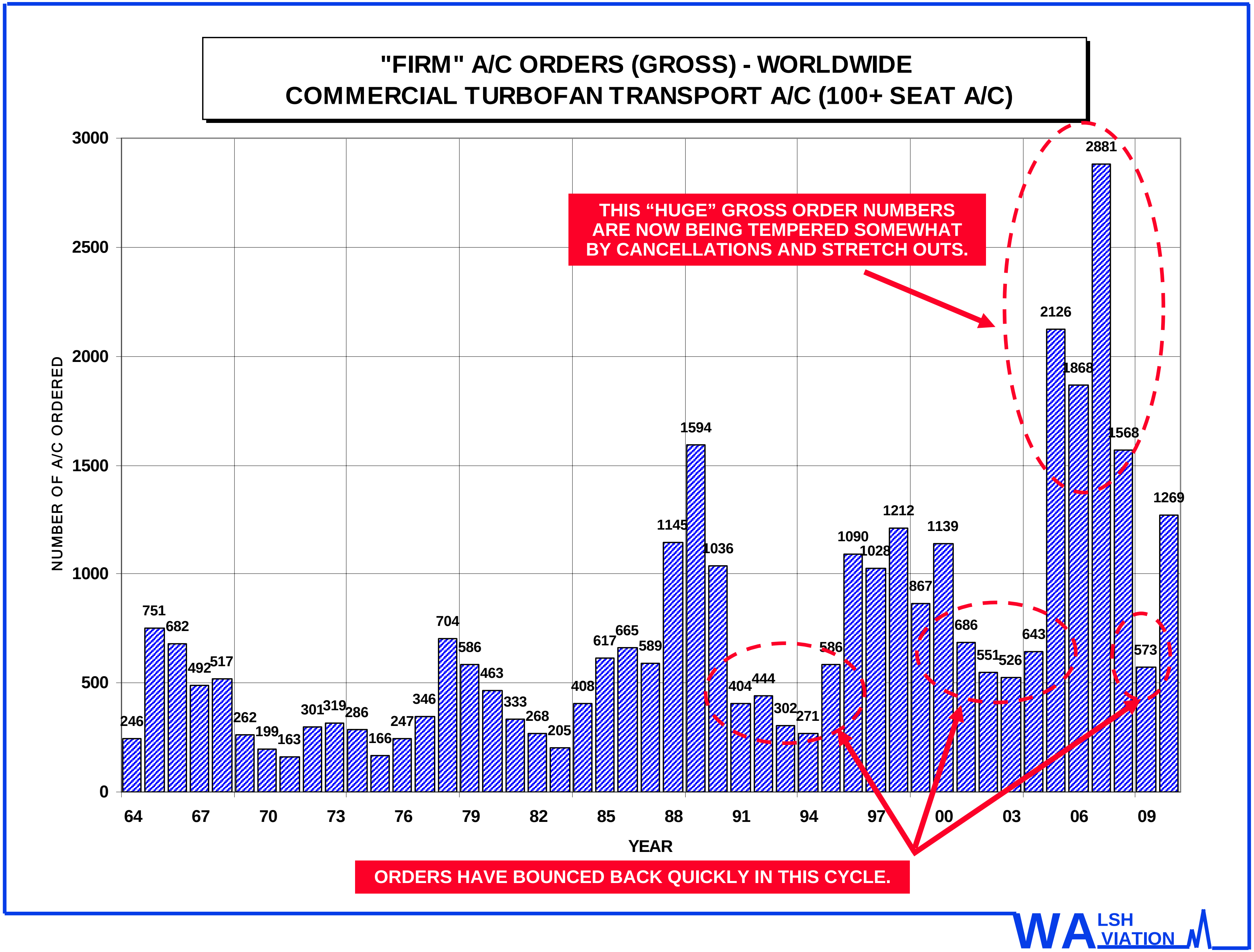
NEW AIRCRAFT ORDERS / BACKLOG



"FIRM" A/C ORDERS (GROSS) - WORLDWIDE
COMMERCIAL TURBOFAN TRANSPORT A/C (100+ SEAT A/C)
NUMBER OF A/C ORDERED
YEAR
3000
2500
2000
1500
1000
500
0
64
67
70
73
76
79
82
85
88
91
94
97
00
03
06
09
246
751
682
492
517
262
199
163
301
319
286
166
247
346
704
586
463
333
268
205
408
617
665
589
1145
1594
1036
404
444
302
271
586
1090
1028
1212
867
1139
686
551
526
643
2126
1868
2881
1568
573
1269
THIS "HUGE" GROSS ORDER NUMBERS ARE NOW BEING TEMPERED SOMEWHAT BY CANCELLATIONS AND STRETCH OUTS.
ORDERS HAVE BOUNCED BACK QUICKLY IN THIS CYCLE.
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COMMERCIAL TRANSPORT DELIVERIES / ORDERS / BACKLOG

STATUS - THROUGH 2Q OF 2011

AIRCRAFT TYPE	PROGRAM TOTAL	DELIVERIES	ORDERS	BACKLOG
A318/319/320/321*	4728	202	706	2834
A330	796	46	53	344
A340	375	0	0	4
A350	0	0	6	567
A380	51	10	12	185
SUBTOTAL AIRBUS	5950	258	777	3934
737-600/700/800/900**	3687	181	141	2109
747-8	0	0	4	111
767	1003	9	13	54
777	942	32	72	291
787	0	0	0	827
SUBTOTAL BOEING	5632	222	230	3392
OTHER MFGS OF TRANSPORT A/C				
CSERIES	0	0	33	123
CRJ 1000	12	9	0	37
E195	75	11	0	30
C919	0	0	0	55
MS-21	0	0	0	190
SUPERJET 100	0	1	15	170
SUBTOTAL OTHER MFGS.	87	21	48	605
TOTAL - AIRBUS / BOEING	11582	480	1007	7326
OTHER MFGS OF TRANSPORT A/C	87	21	48	605
REGIONAL JETS (35+PAX)***	3154	26	14	572
TOTAL 35+ PAX JETS	14823	527	1069	8503

*excludes 3 corporate aircraft deliveries
**excludes 0 corporate aircraft deliveries
***excludes 3 corporate aircraft deliveries

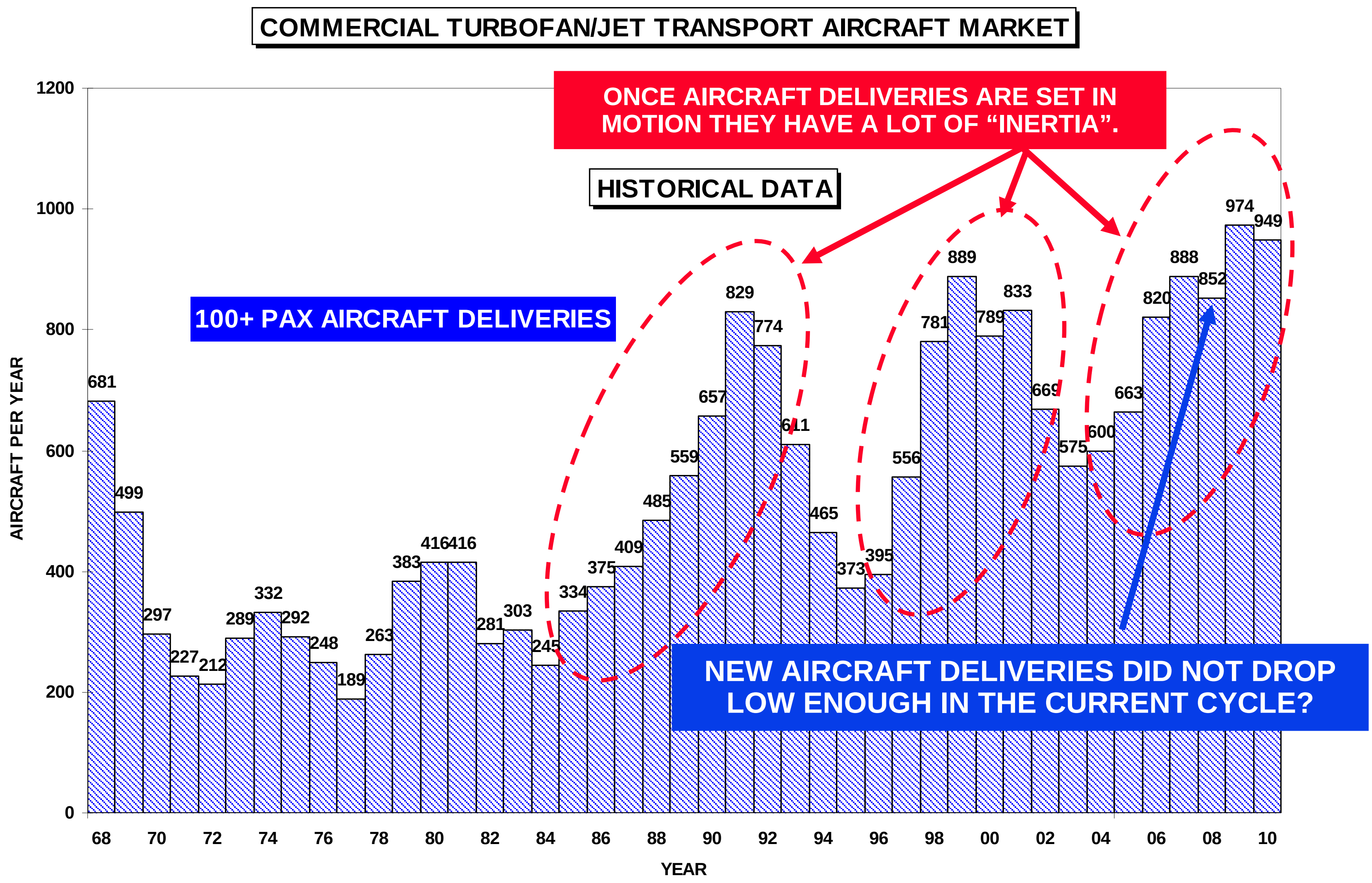
DATA SOURCE: Speednews

AIRBUS DID WELL AT THE AIR SHOW.

THERE ARE STILL A SURPRISING NUMBER OF ORDERS BEING CANCELLED DURING THE CURRENT 2011 ORDER "REVIVAL".

AS OF THE END OF MAY 2011:
AIRBUS – 176 GROSS ORDERS WITH 79 CANCELLED ORDERS
BOEING – 182 GROSS ORDERS WITH 49 CANCELLATIONS

LARGE NUMBERS OF ORDERS CONTINUE TO BE PLACED FOR BOEING AND AIRBUS A/C.

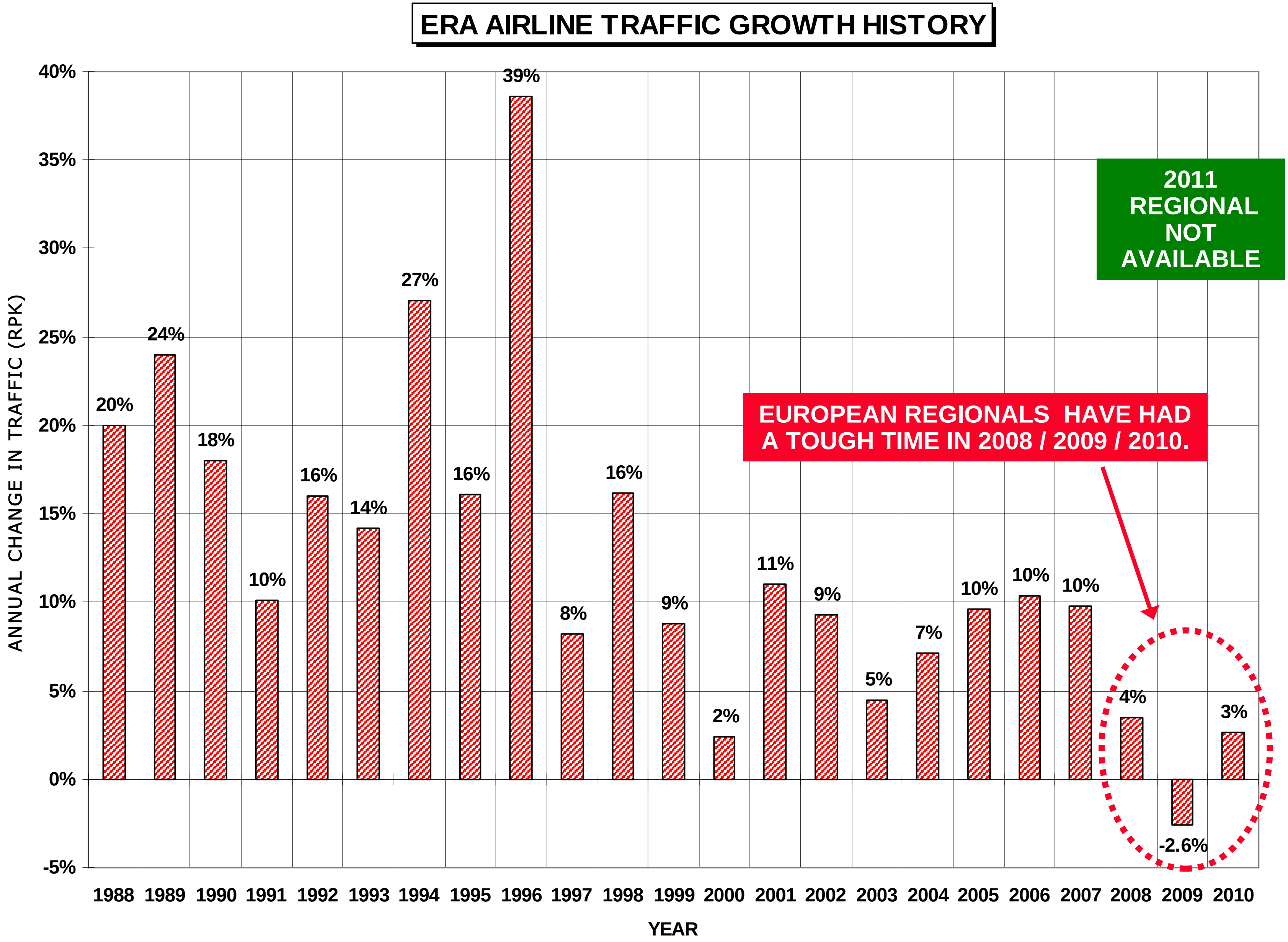


DATA SOURCE: JET INFORMATION SERVICES /
WALSH AVIATION FORECASTS

SUMMARY – COMMERCIAL TRANSPORT AIRCRAFT

- The global and U.S. economies march on with their "statistical" recoveries while politicians and the media hammer away at the dismal employment numbers in the recovery to date.
- The Regional Jet market and Business Jet market were impacted by the 2008 / 2009 recession but the Large Commercial Transport market hardly skipped a beat in terms of increasing a/c deliveries.
- The Paris Air Show of 2011 generated significant aircraft orders with the A320 NEO receiving a lot of orders and commitments from existing Airbus customers. The capture of a large Boeing customer (AMR?) is the current Airbus campaign.
- Boeing is going to have a hard time not looking like they are just "sitting on the sidelines" as the narrow body a/c market gets gobbled up by the new manufacturers and re-engined aircraft from Airbus.
- Fare increases in the U.S. have been "hefty". If oil prices back down and the airlines can hold onto their fare prices, 2011 could be another good year for operating profits.
- I continue to believe the current a/c order / delivery cycle is being driven by the strong airline belief that new a/c are the only attractive solution to the unpredictable price of oil. I also believe there is a large fleet replacement strategy underway that has not yet been confirmed by the physical scrapping out of older surplus a/c.
- Get ready for 1400 plus combined a/c deliveries by 2014 from Boeing and Airbus!

REGIONAL AIRCRAFT BOMBARDIER / EMBRAER PROGRAMS (WITH MORE ON THE WAY)



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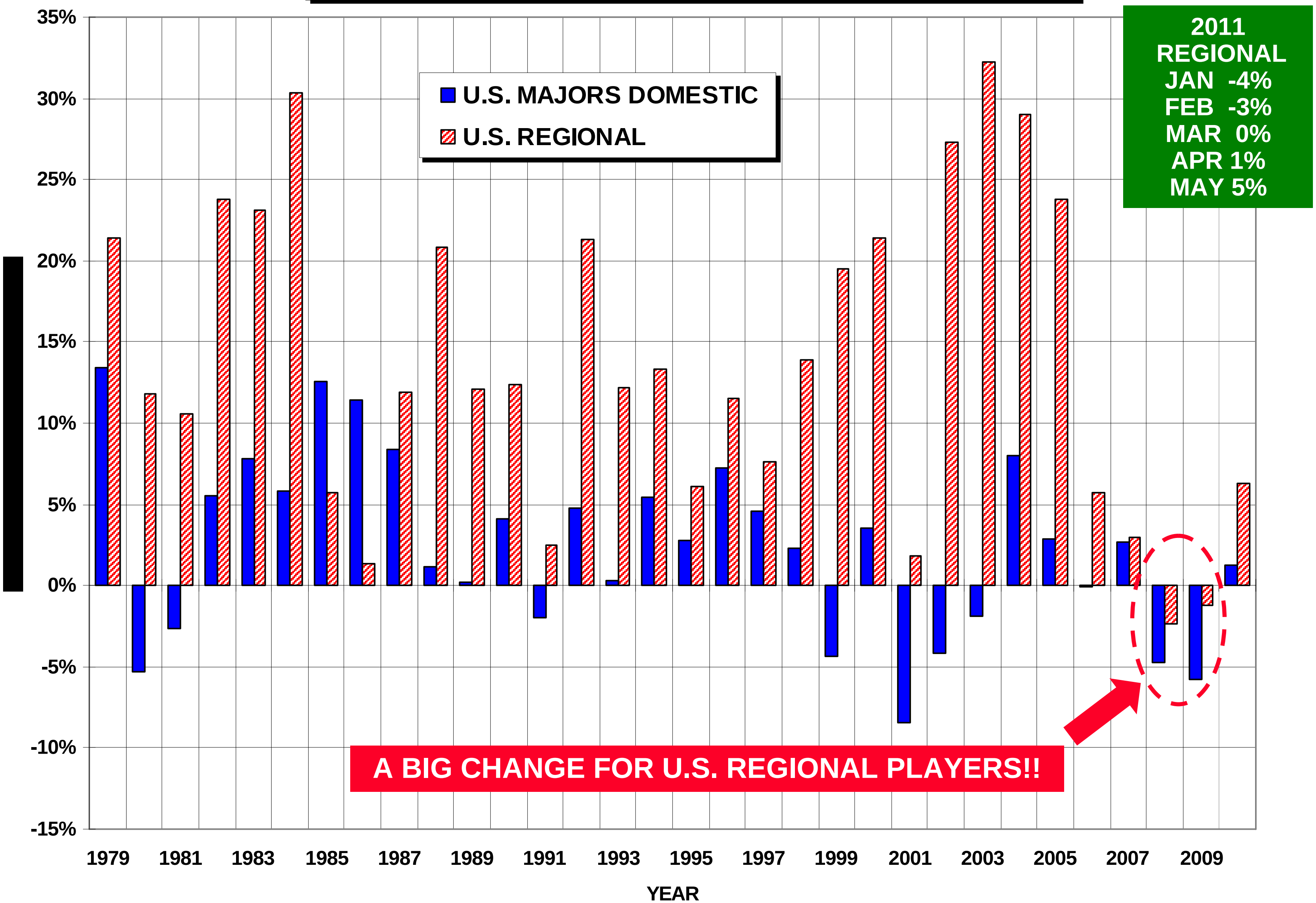
U.S. AIRLINE DOMESTIC TRAFFIC GROWTH HISTORY



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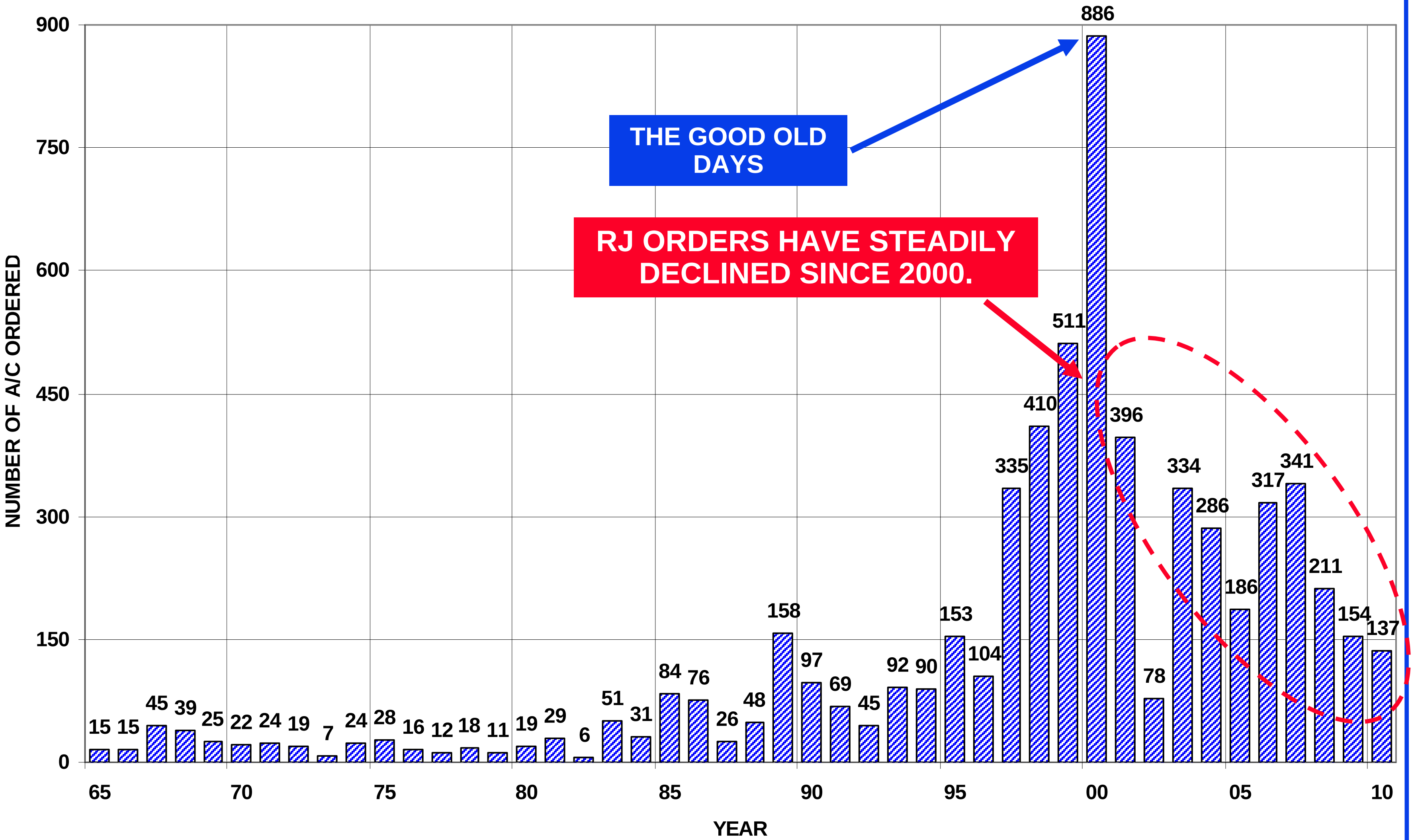
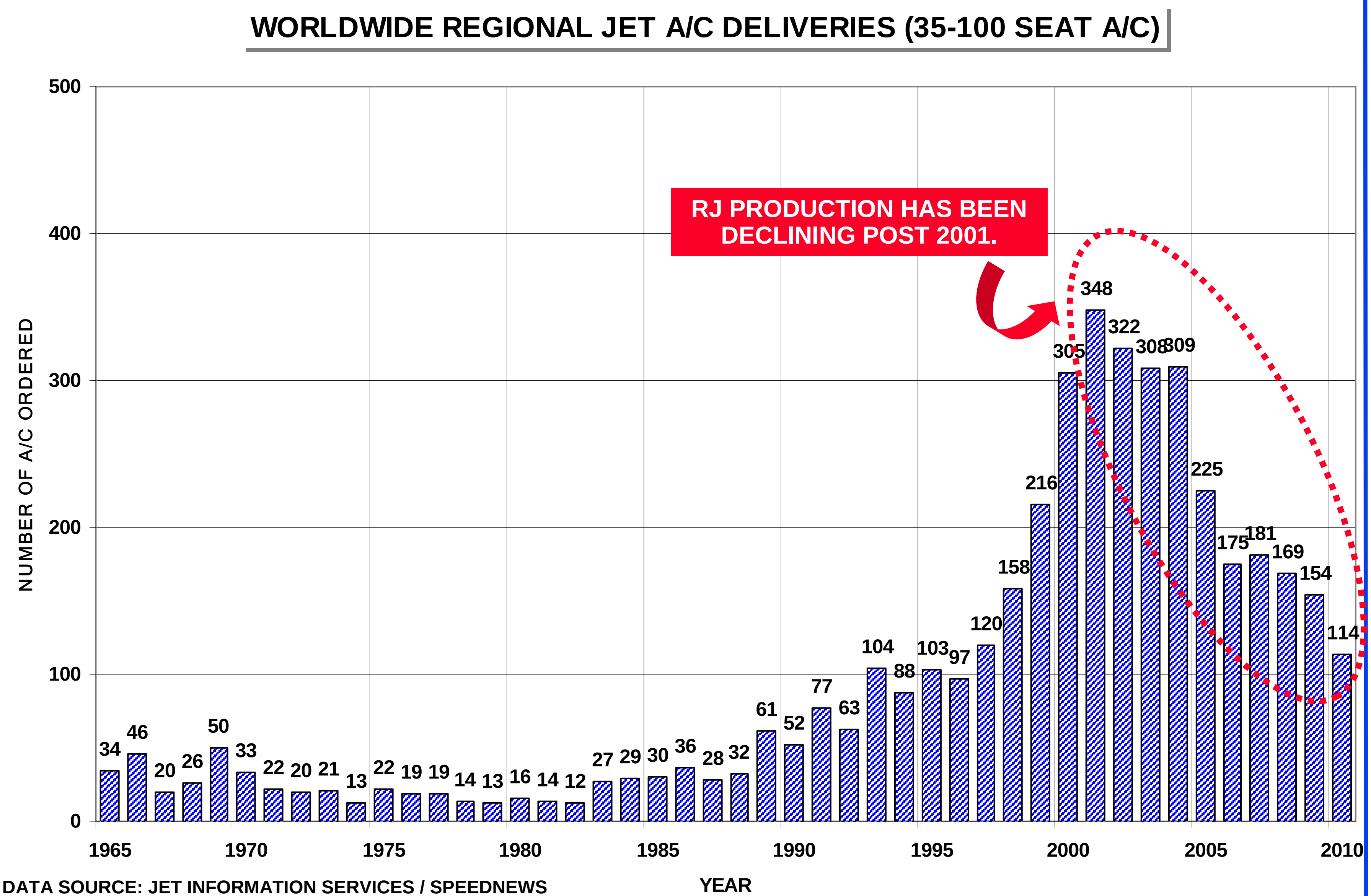
"FIRM" AIRCRAFT ORDERS (GROSS) - WORLDWIDE
REGIONAL JET A/C (35-100 SEAT A/C) - FOR REGIONAL AIRLINES



DATA SOURCE: JET INFORMATION SERVICES /
WALSH AVIATION FORECASTS

WALSH AVIATION



DATA SOURCE: JET INFORMATION SERVICES / SPEEDNEWS
EXCLUDES BUSINESS JET APPLICATIONS OF RJ A/C DESIGNS

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REGIONAL JET DELIVERIES / ORDERS / BACKLOG

STATUS - THROUGH 1Q OF 2011

AIRCRAFT TYPE	DELIVERIES	ORDERS	BACKLOG
BOMBARDIER*			
CRJ700	7	0	15
CRJ705/900	5	0	17
SUBTOTAL	12	0	32
EMBRAER**			
ERJ135/140/145	0	0	2
EMBRAER 170	1	0	9
EMBRAER 175	2	0	54
EMBRAER 190	11	14	170
SUBTOTAL	14	14	235
OTHER MFGS.			
ARJ21	0	0	240
MRJ	0	0	65
SUBTOTAL	0	0	305
TOTAL RJ	26	14	572

* Excludes 0 corporate/shuttle aircraft deliveries

** Excludes 2 corporate/military aircraft deliveries

OUCH!!!!

DATA SOURCE: SPEEDNEWS

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PARKED REGIONAL JETS

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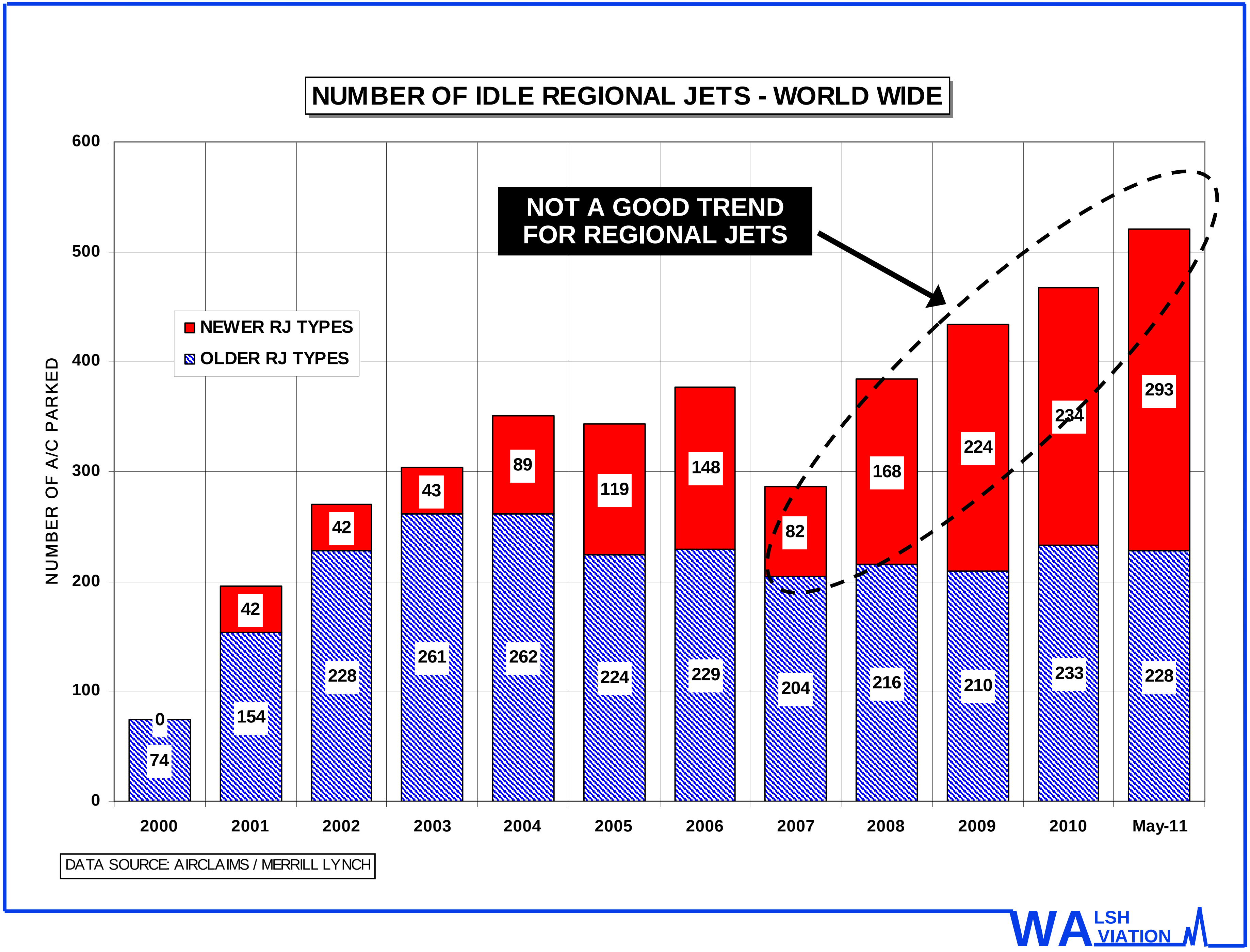
NUMBER OF IDLE REGIONAL JETS - WORLD WIDE
NOT A GOOD TREND FOR REGIONAL JETS
NEWER RJ TYPES
OLDER RJ TYPES
NUMBER OF A/C PARKED
0
100
200
300
400
500
600
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
May-11
74
0
154
42
228
42
261
43
262
89
224
119
229
148
204
82
216
168
210
224
233
234
228
293
DATA SOURCE: AIRCLAIMS / MERRILL LYNCH
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REGIONAL JETS - PARKED FLEET* STATUS

AIRCRAFT TYPE	YR. END 2000	YR. END 2001	YR. END 2002	YR. END 2003	YR. END 2004	YR. END 2005	YR. END 2006	YR. END 2007	YR. END 2008	YR. END 2009	YR. END 2010	MAY 2011
OLDER RJ MODELS												
Avro RJ	7	1	6	11	12	18	43	24				
146	12	32	31	43	53	55	52	62	86	95	99	106
BAC 1-11	37	35	67	67	59	22	22	17	20	20	20	20
F.28	18	41	55	55	61	60	67	69				
Fokker 70	0	0	0	0	0	0	0	1				
Fokker 100	0	45	69	85	77	69	45	31	110	95	114	102
TOTAL OLDER RJS	74	154	228	261	262	224	229	204	216	210	233	228
NEWER RJ MODELS												
CRJ Regional Jet	0	38	27	12	17	59	100	55	74	92	130	134
CRJ7Regional Jet	0	0	0	0	11	1	7	3				
CRJ9Regional Jet	0	0	0	0	0	0	0	2				
Dornier 328Jet	0	0	9	21	48	42	35	16	26	35	36	50
ERJ-135	0	0	0	0	1	1	1	0				
ERJ-140/145	0	4	6	10	12	16	5	6	68	97	88	109
TOTAL NEWER RJS	0	42	42	43	89	119	148	82	168	224	254	293
TOTAL ALL RJS	74	196	270	304	351	343	377	286	384	434	487	521

* DATA SOURCE: AIRCLAIMS / MERILL LYNCH

THESE A/C ARE RELATIVELY “YOUNG” TO BE PARKED.

SUMMARY - REGIONAL JET AIRCRAFT MARKET

- U.S. regional traffic growth is still struggling as high fuel prices make flying small planes short distances a loosing proposition.
- Embraer and Bombardier both have 100 plus regional jets “parked” with only 14 a/c delivered in 1Q2011.
- American Airlines appears to be ready to spin off its regional American Eagle operation as a stand alone subsidiary.
- Little or no progress is being made on scope clauses in the U.S. markets.
- The U.S. regional airlines reduced their value added a step too far. They are now at the point of being a “head shop” or a source of cheap contract labor for flying aircraft in a market that is not growing.
- I am not optimistic on this segment of the market – have not been for some period of time. I originally thought turboprops would have more of a sustained bounce?

THE BUSINESS JET MARKET

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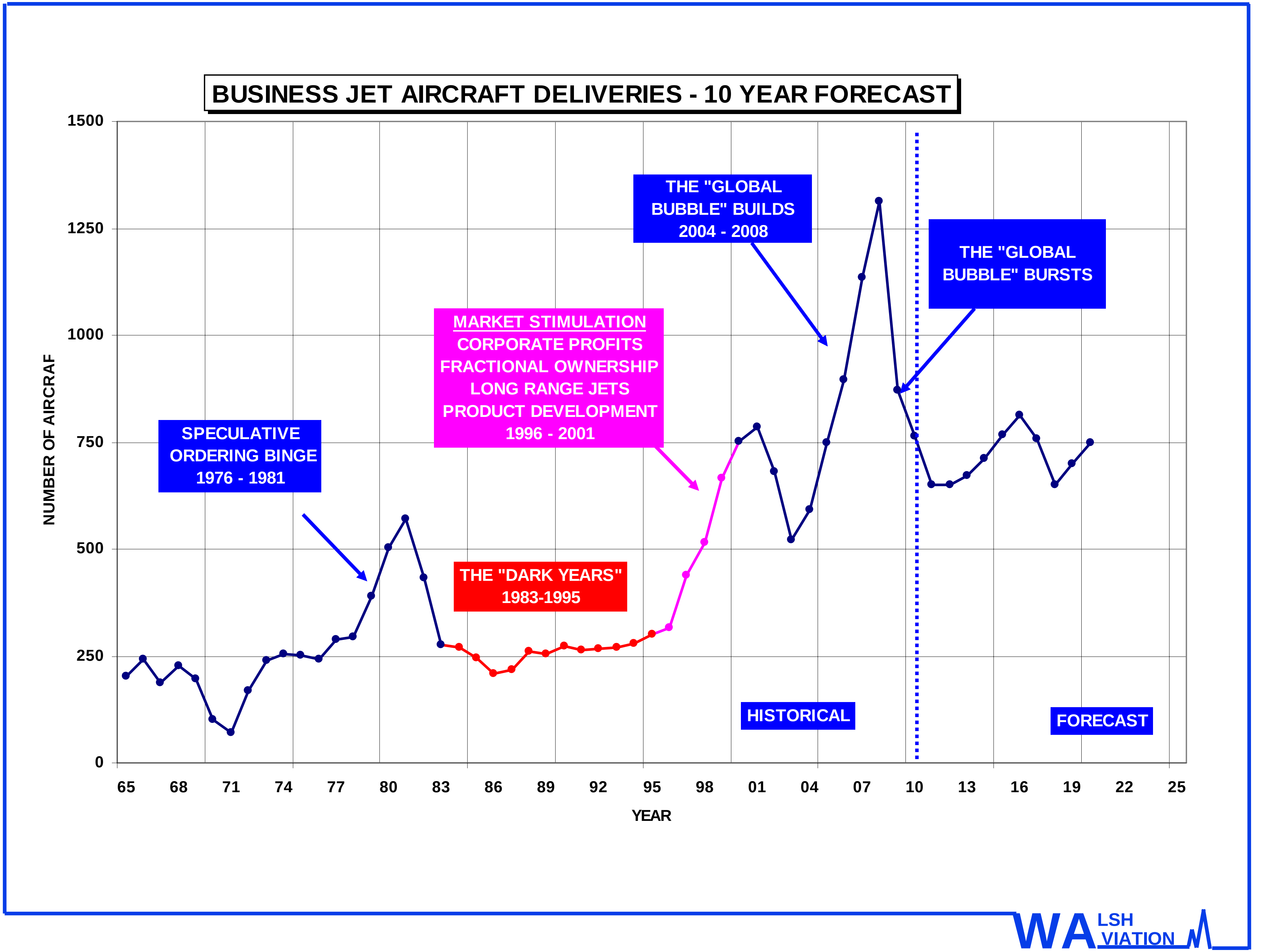

BUSINESS JET AIRCRAFT DELIVERIES - 10 YEAR FORECAST
NUMBER OF AIRCRAF
YEAR
1500
1250
1000
750
500
250
0
65
68
71
74
77
80
83
86
89
92
95
98
01
04
07
10
13
16
19
22
25
SPECULATIVE ORDERING BINGE 1976 - 1981
MARKET STIMULATION
CORPORATE PROFITS
FRACTIONAL OWNERSHIP
LONG RANGE JETS
PRODUCT DEVELOPMENT
1996 - 2001
THE "DARK YEARS" 1983-1995
THE "GLOBAL BUBBLE" BUILDS 2004 - 2008
THE "GLOBAL BUBBLE" BURSTS
HISTORICAL
FORECAST
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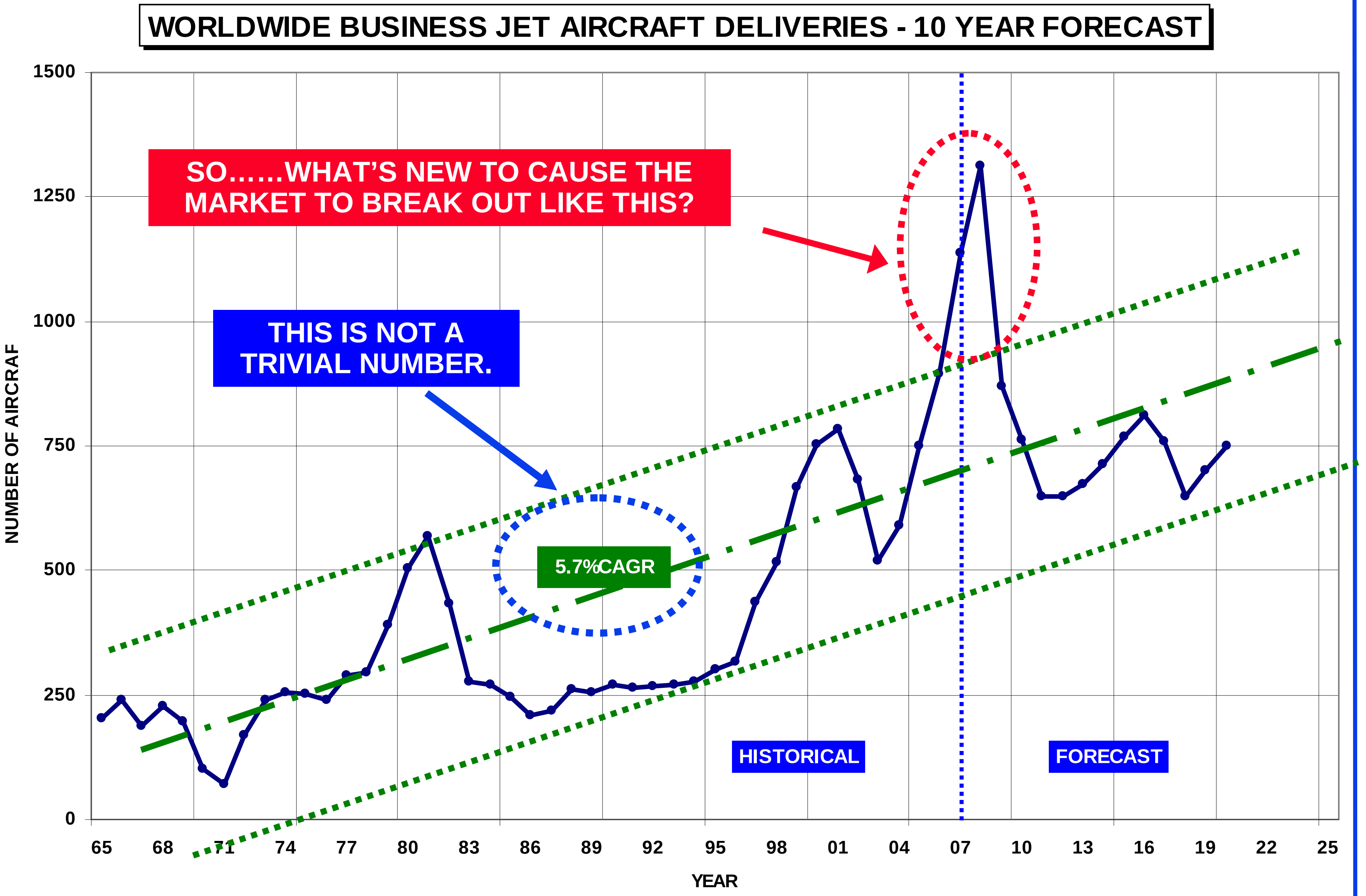

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FROM THE BOMBARDIER 2009 FORECAST

Business Jet Market Segmentation

		LIGHT JETS			MEDIUM JETS		LARGE JETS	
	Very Light Jet	Light Jet	Super Light Jet	Midsize Jet	Super Midsize Jet	Large Jet	Super Large Jet	Ultra Long-Range Jet
Bombardier		L40XR	L45XR	L60XR L85	CL-300	CL-605 CL-850	G5000	GEX-XRS
Cessna	Mustang CJ1+ CJ2+	CJ3 CJ4 Encore+	XLS+	Sovereign	CX			
Dassault						F2000DX F2000EX/LX	F900DX F900EX/LX	F7X
Gulfstream				G150	G200 G250	G350	G450	G500 G550 G650
Hawker Beechcraft	Premier 1A/II	H400XP/450XP	H750	H850XP H900XP	H4000			
Embraer	Phenom 100	Phenom 300	Legacy 450	Legacy 500	Legacy 600		Lineage 1000	
Others	HondaJet	SJ30-2						

36 In production

13 In development

WITH 7 PLUS MFGS. AND 40 PLUS PROGRAMS THIS WILL BE A VERY CROWDED MARKET

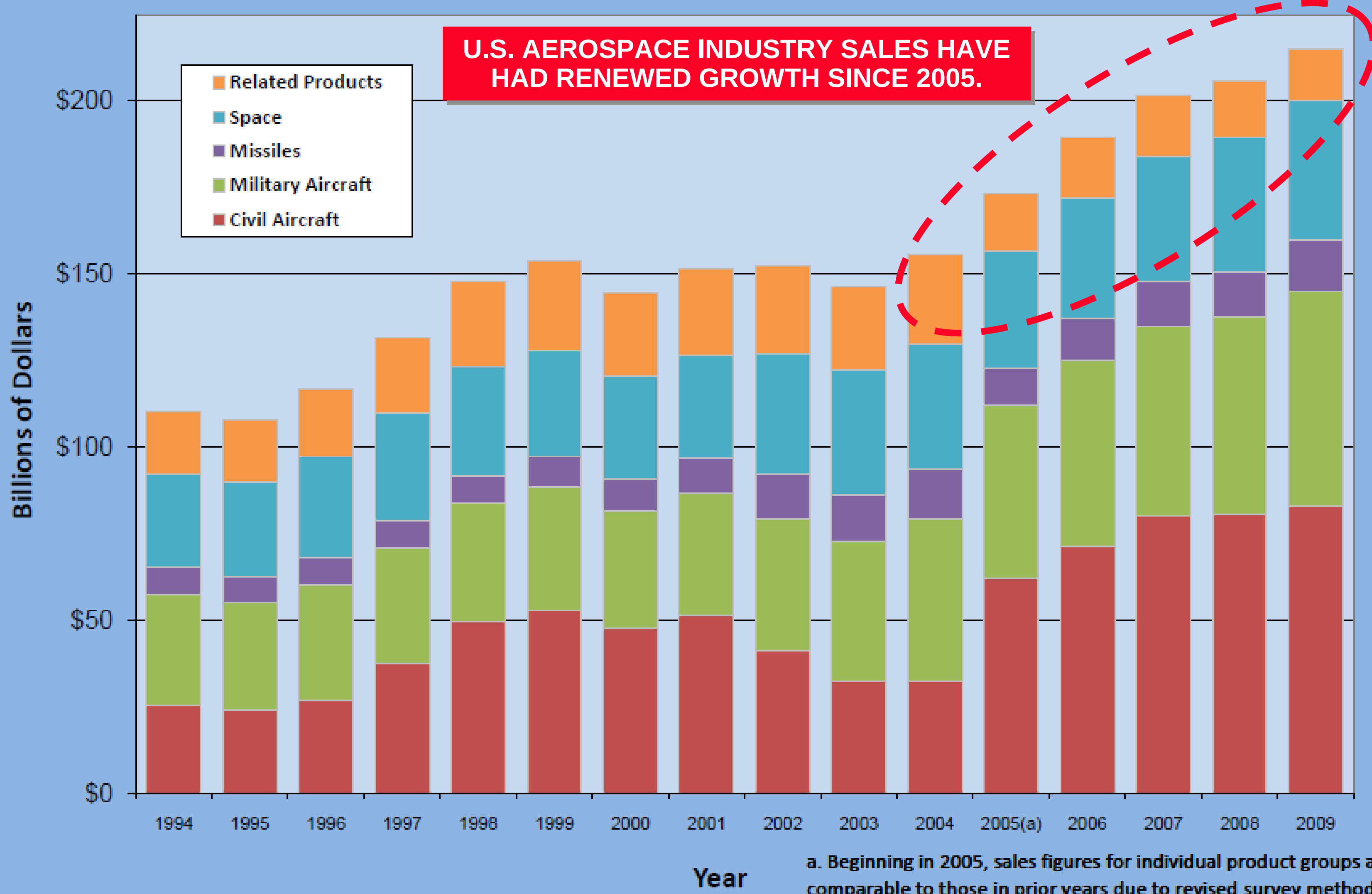
NEW PRODUCT INTRODUCTION IS STILL VERY AGGRESSIVE.

Summary – The Business Jet Aircraft Market

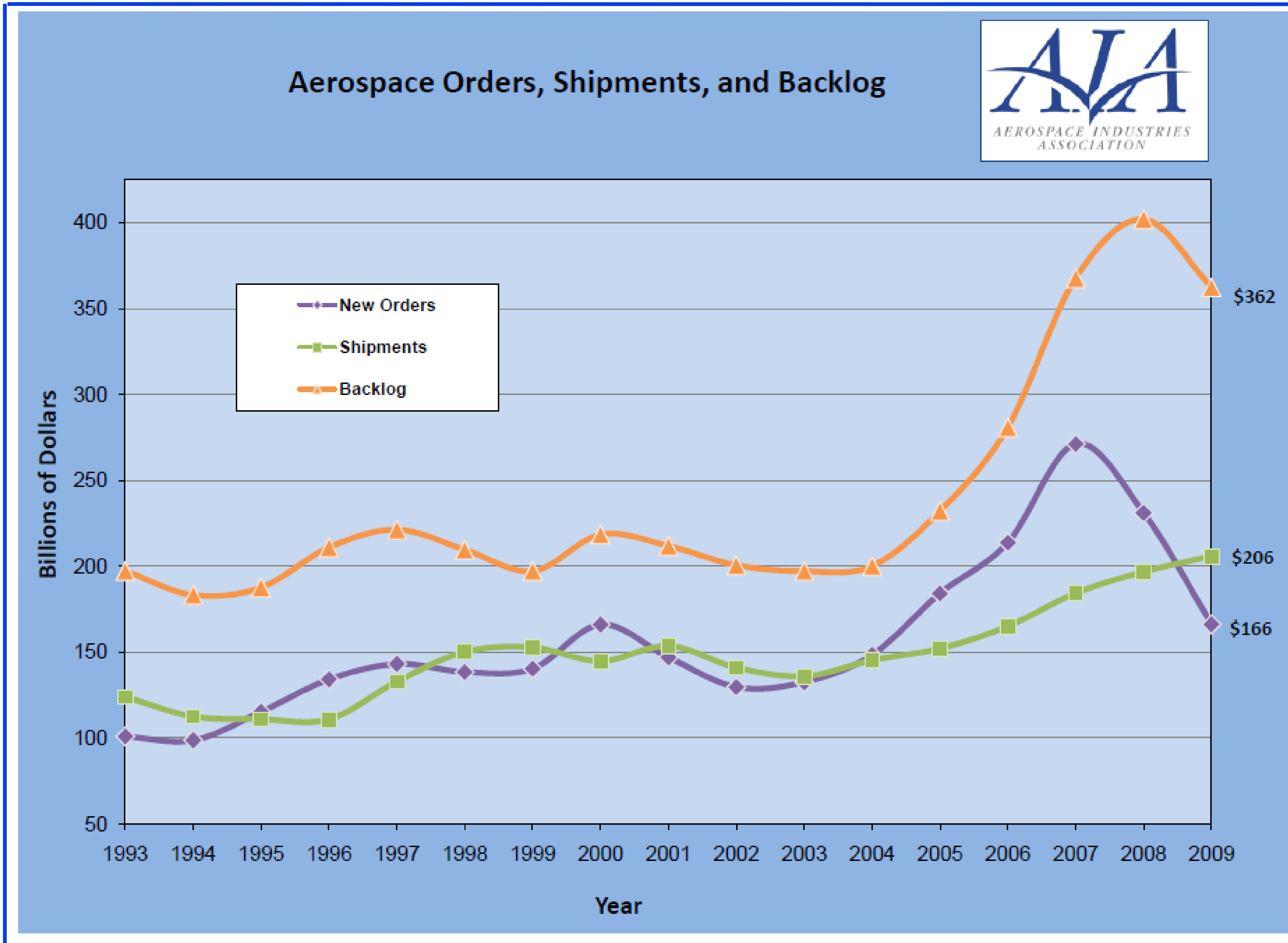
- World GDP / Corporate Profits – the recession is over, economic growth is modest, corporate profits have rebounded sharply but there is typically a lag of 2 years or so for business jet aircraft deliveries to respond with an upturn.
- The fractional business jet a/c market segment was hit very hard. The charter market was expected to take up the slack but gains have been modest to date.
- The number of used business jets for sale is a near term negative for new a/c sales with low prices and eager sellers in abundance for all a/c types. The average number of hours flown per a/c is still not back to pre-recession levels.
- Manufacturing Industry forecasts – there is no rational reason to return to prior peak deliveries because there was no rational reason to have reached the 2008 peak in the first place. The market needs some time to stabilize before the next growth spurt.
- High end of the market – doing better than the other segments – a/c getting larger, longer range, improved performance. The low end of the market continues to struggle with credit issues an added factor.
- New a/c starts are still a big plus for the industry, the manufacturers and the supply chain.

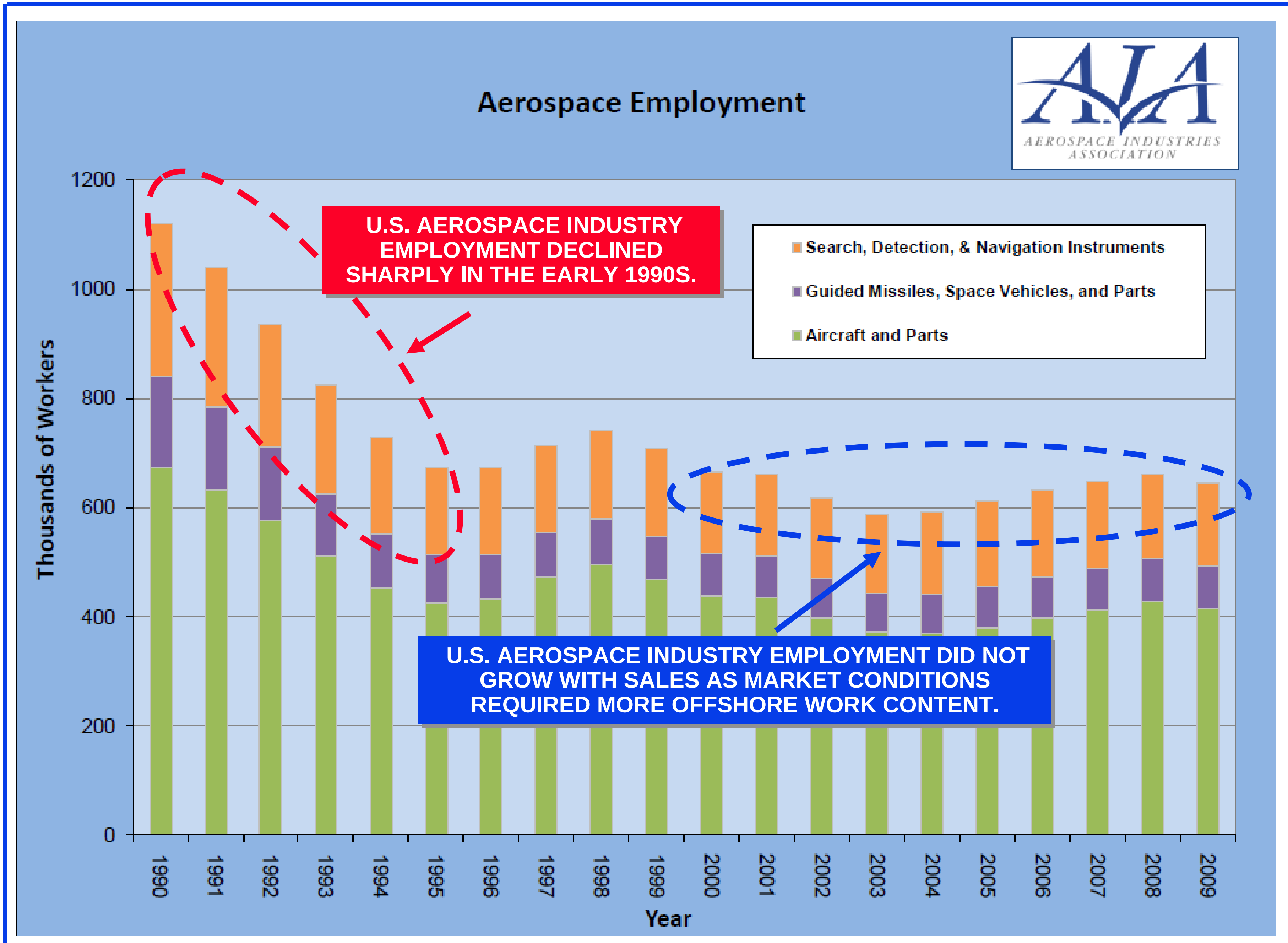
<u>THE U.S. AEROSPACE MARKETS HAVE BEEN EXPERIENCING SOME DIVERGENT TRENDS</u>

U.S. Aerospace Sales



a. Beginning in 2005, sales figures for individual product groups are not comparable to those in prior years due to revised survey methodology. However, total annual sales data remain comparable across all years.


Aerospace Orders, Shipments, and Backlog
AIA
AEROSPACE INDUSTRIES ASSOCIATION
New Orders
Shipments
Backlog
Billions of Dollars
400
350
300
250
200
150
100
50
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Year
$362
$206
$166



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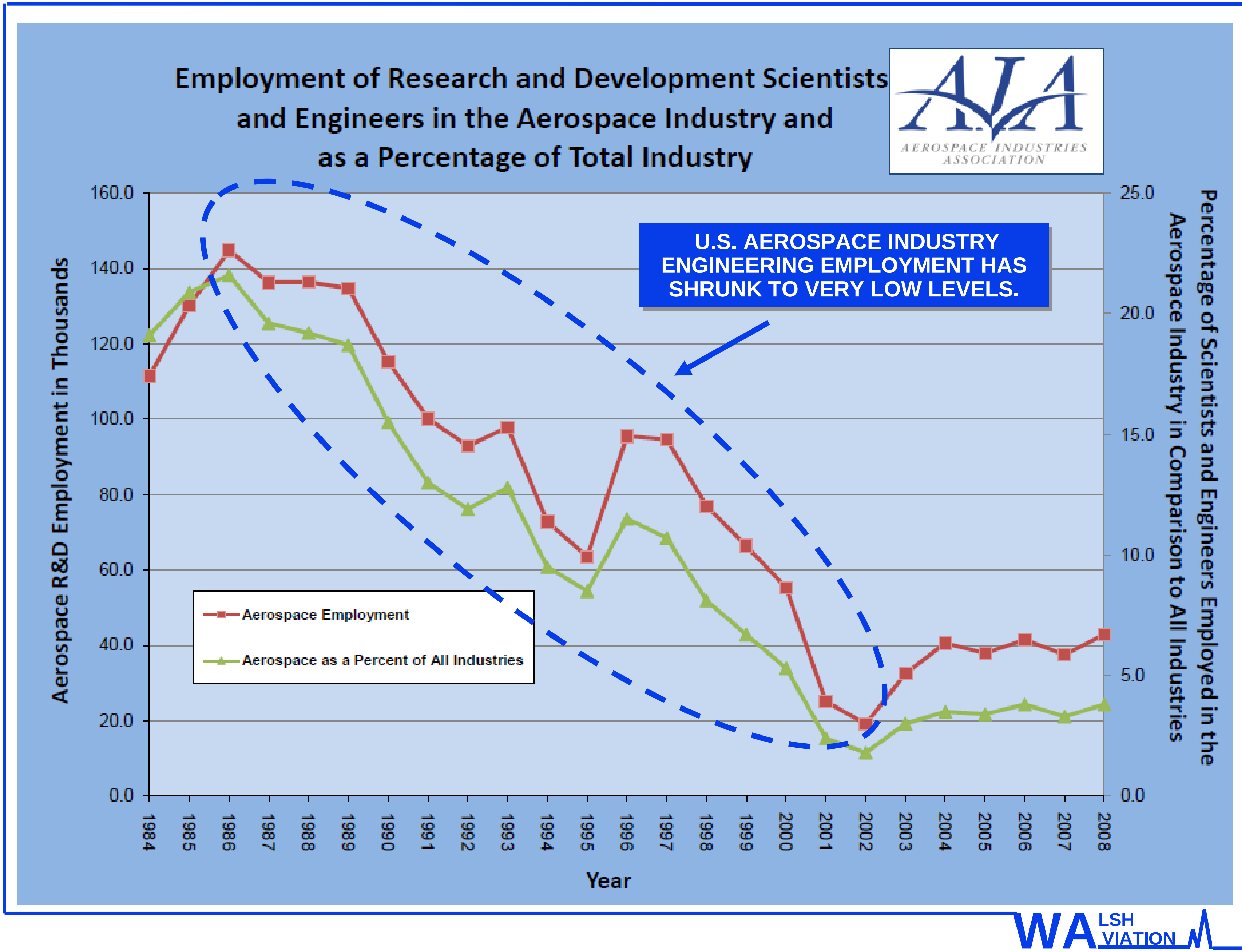

Employment of Research and Development Scientists and Engineers in the Aerospace Industry and as a Percentage of Total Industry
AIA
AEROSPACE INDUSTRIES ASSOCIATION
U.S. AEROSPACE INDUSTRY ENGINEERING EMPLOYMENT HAS SHRUNK TO VERY LOW LEVELS.
Aerospace R&D Employment in Thousands
Percentage of Scientists and Engineers Employed in the Aerospace Industry in Comparison to All Industries
Aerospace Employment
Aerospace as a Percent of All Industries
0.0
20.0
40.0
60.0
80.0
100.0
120.0
140.0
160.0
0.0
5.0
10.0
15.0
20.0
25.0
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Year
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SUMMARY – THE GLOBAL AEROSPACE MARKET

- The global aerospace industry has always been a cyclical market. In terms of where we are today it is a relatively attractive point in the cycle for Baja’s Aerospace interests in attracting manufacturers.
- Boeing and Airbus programs are headed for all time high production rates and they will need to look everywhere for resources to supply components for existing narrow body and wide body aircraft.
- The bad news in business jets and regional jets is hopefully behind us now and the focus will be on the ability of these markets to stabilize and move forward with increasing delivery rates.
- All of the aerospace markets discussed in this presentation have a sharp focus on costs with a track record of demonstrated reliability and high quality being the drivers for selecting suppliers.
- Keep in mind that a lot of the charts being shown today are in the tens and hundreds of billions of dollars. You do not need all of that – one or two billion would be just fine for most of us.
- Bottom line – there are a lot of aerospace program and business opportunities out there. The aerospace industry is cyclical but it is not the dotcom market of years gone by.