

BUSINESS JET AIRCRAFT MARKET OUTLOOK AND FORECAST

Prepared for the

SPEEDNEWS AVIATION INDUSTRY SUPPLIERS CONFERENCE

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Presented by

JOHN F. WALSH

WALSH AVIATION - 1677 Coventry Place - Annapolis, MD 21401 ▪ TEL (410) 573-9267 ▪ FAX (410) 573-6587
website www.walshaviation.com ▪ e-mail JOHN-F-WALSH@msn.com

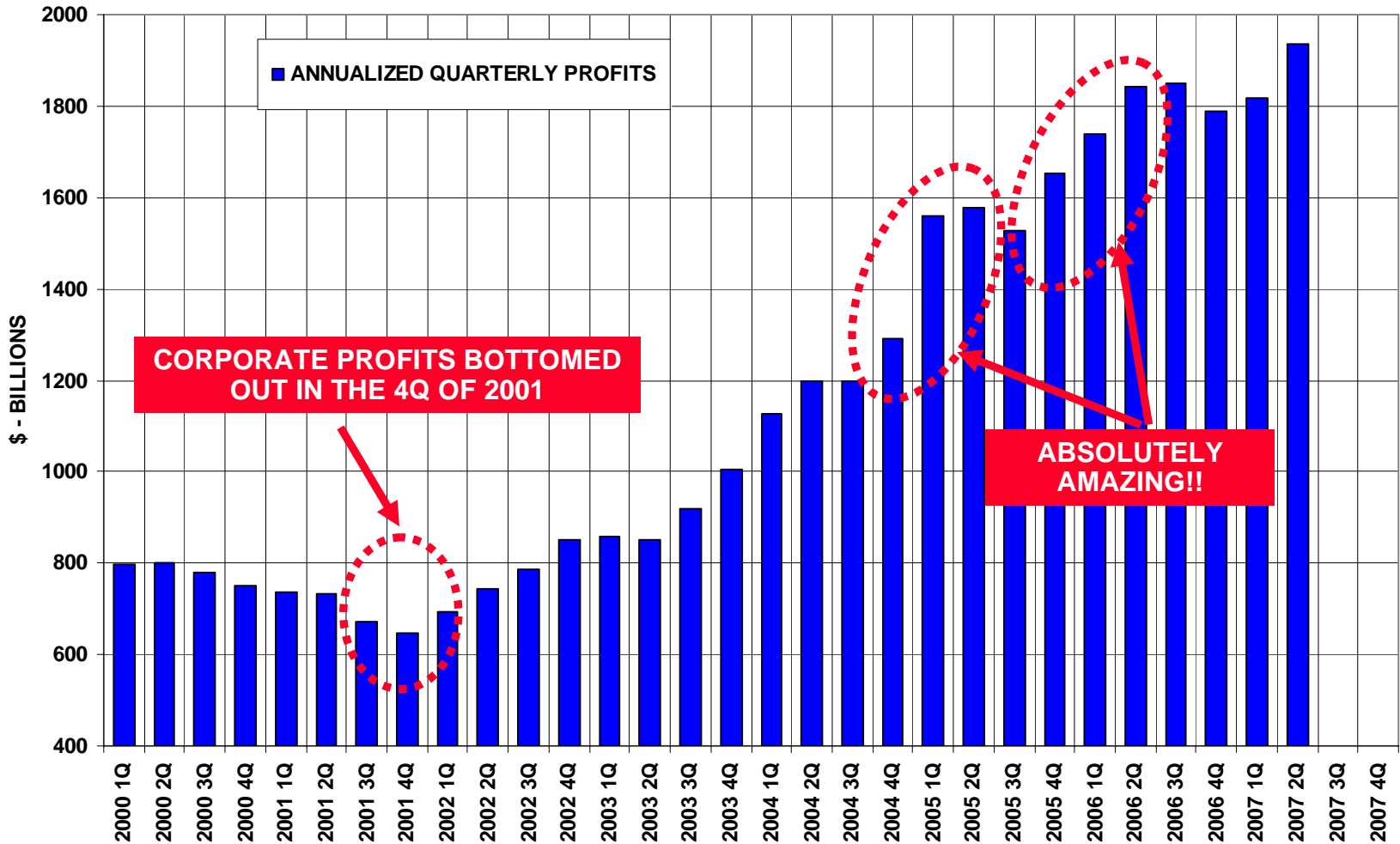
AGENDA

BUSINESS JET AIRCRAFT MARKET

- CORPORATE PROFITS
- FRACTIONAL FRACTIONS
- WHERE DO WE GO FROM HERE?
- WALSH AVIATION DELIVERY FORECAST
- VLJS – AN EXCITING MARKET
- Q&A WITH THE “VLJ CULT” MEMBERS

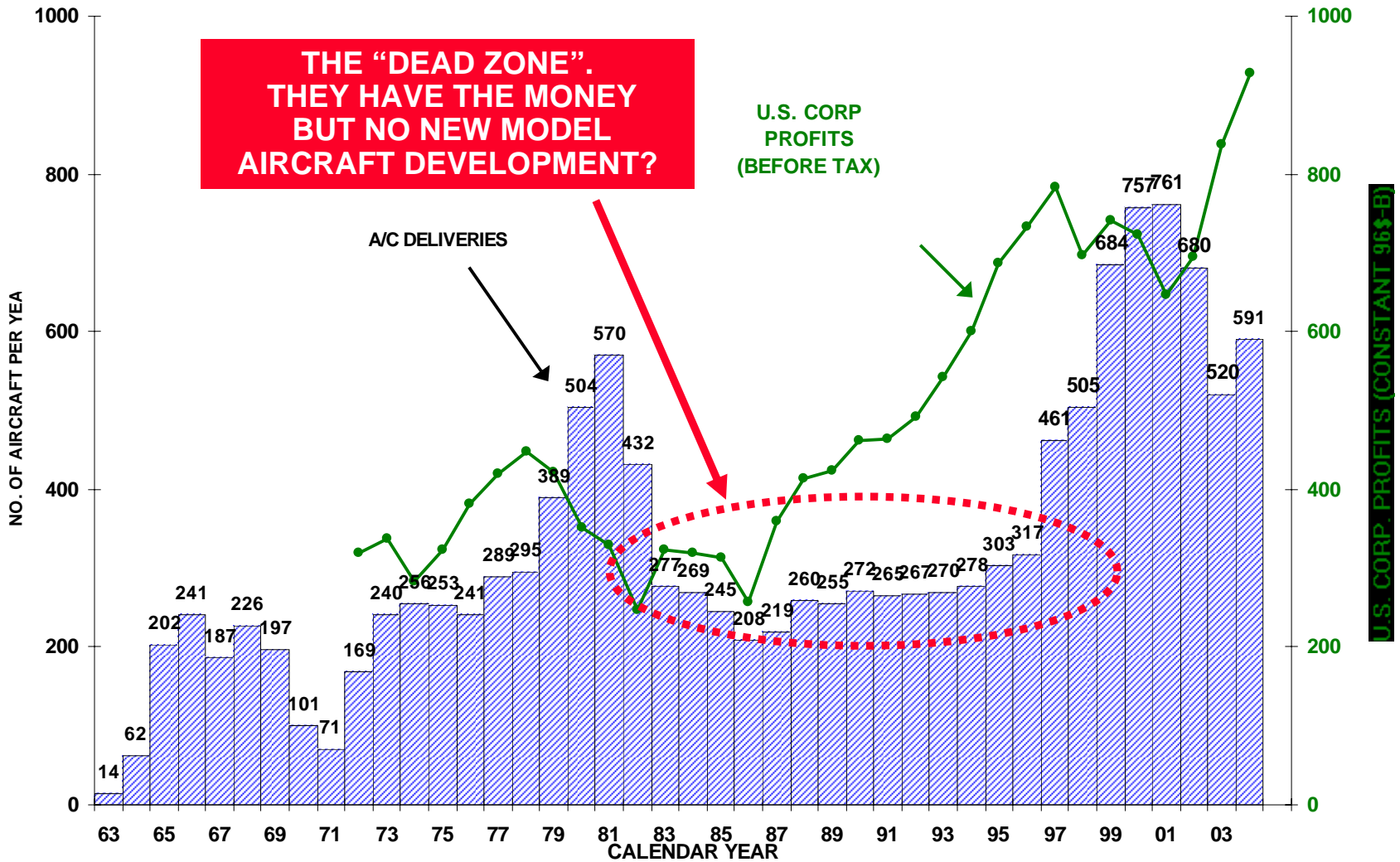
CORPORATE PROFITS

U.S. CORPORATE PROFITS - BEFORE TAX - CURRENT \$

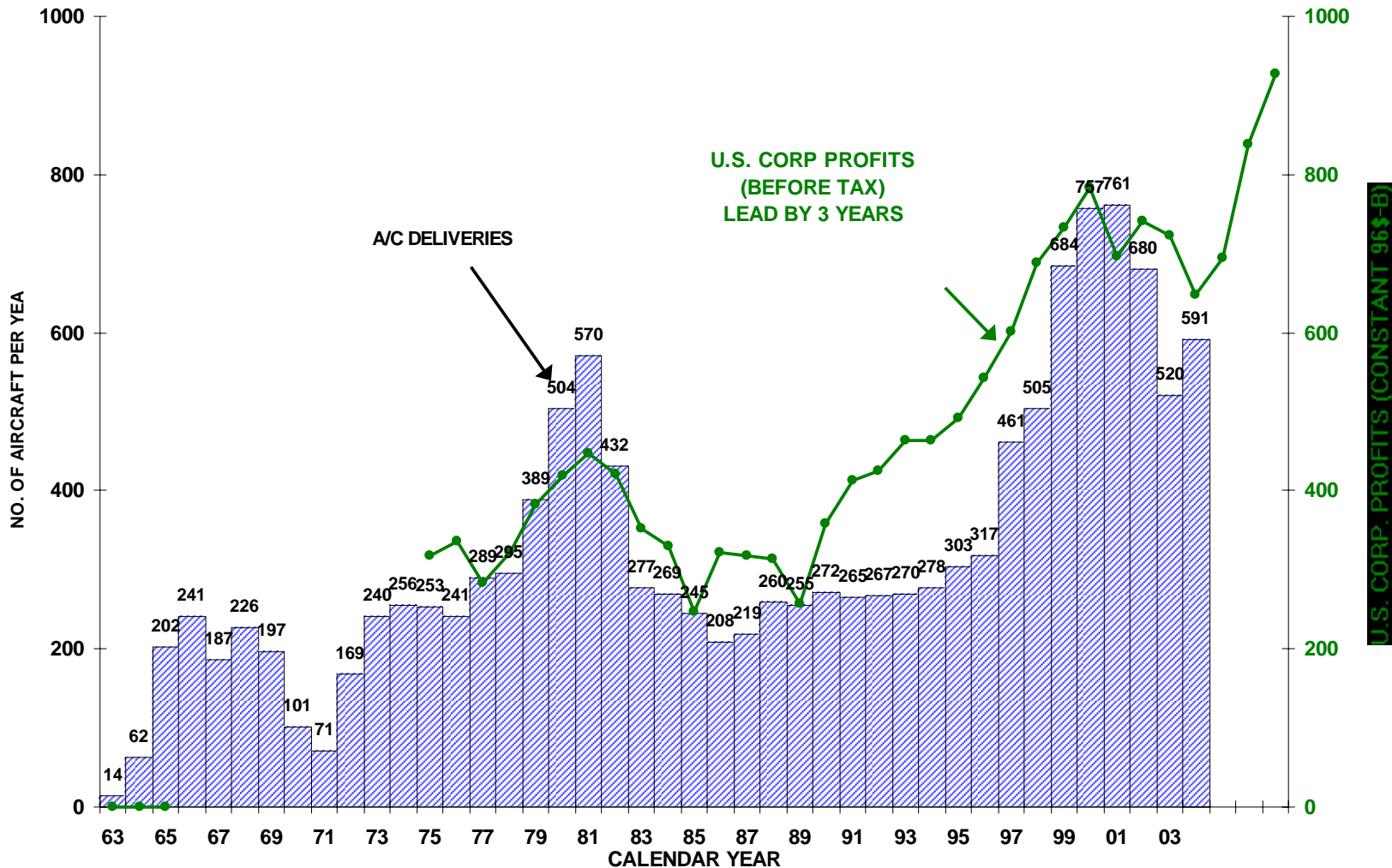


**U.S. CORPORATE PROFITS HAVE ALMOST TRIPLED IN 5 YEARS!!
BUSINESS JET DELIVERIES HAD A LUKEWARM RESPONSE PRIOR TO MID 2004.**

WORLD EXECUTIVE TURBOFAN / JET AIRCRAFT DELIVERIES

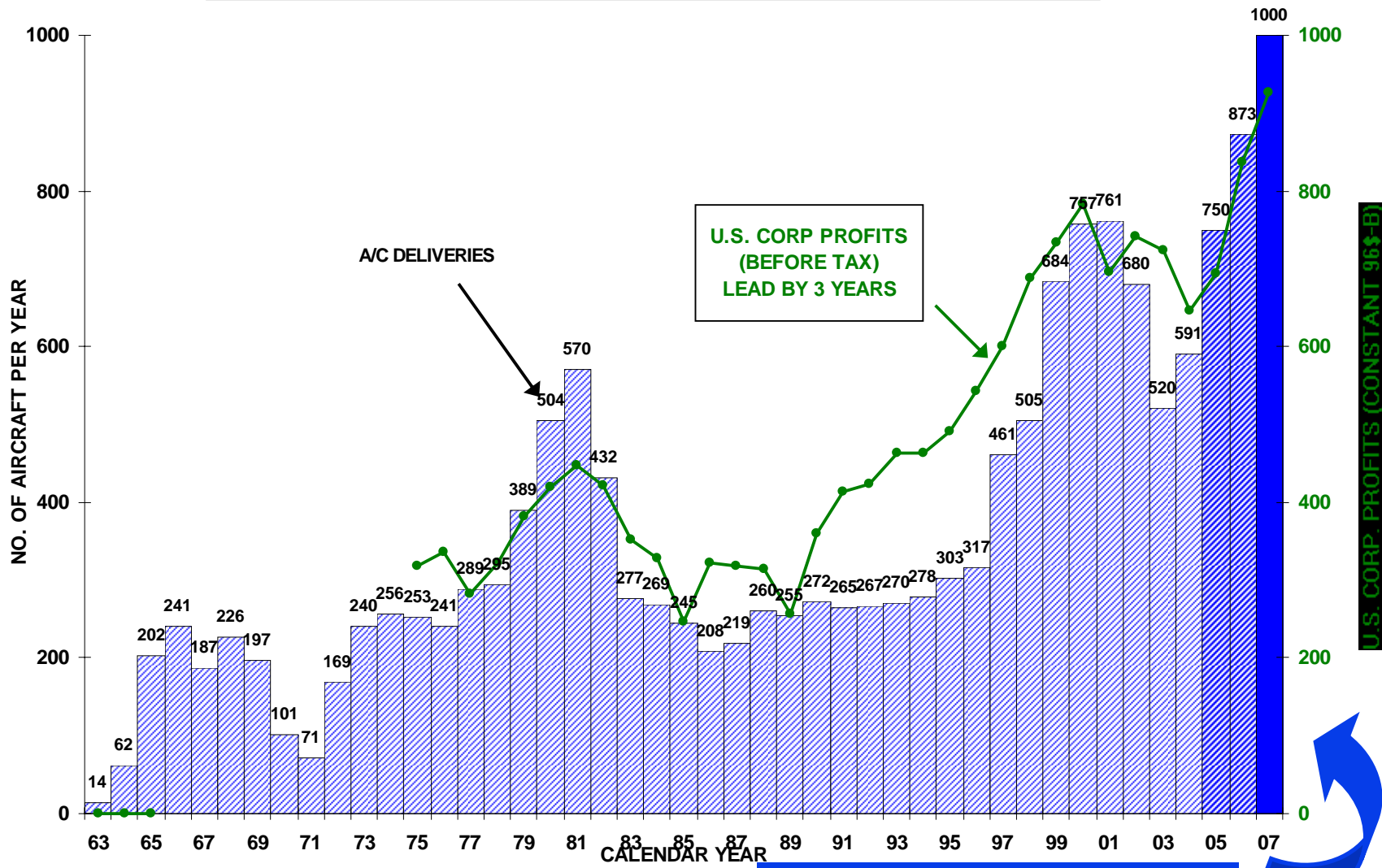


WORLD EXECUTIVE TURBOFAN / JET AIRCRAFT DELIVERIES



U.S. CORPORATE PROFITS (WITH A 3 YEAR LEAD) HAS A REASONABLE FIT WITH THE HISTORY. CURVE SUGGESTED STRONG UP TICK IN DELIVERIES IN 2006/2007?

WORLD EXECUTIVE TURBOFAN / JET AIRCRAFT DELIVERIES



MY FORECAST FOR 2007

BUSINESS JET DELIVERIES* AS OF JUNE 30, 2007

<u>Aircraft Type</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2007 YTD</u>
<u>Bombardier</u>					
Learjet 40/45	14	14			28
Learjet 60	5	3			8
Challenger 300	12	13			25
Challenger 604/605	10	9			19
Global 5000/Express/XRS	<u>12</u>	<u>16</u>			<u>28</u>
Total Bombardier	53	55	0	0	108
<u>Cessna Aircraft</u>					
510 Citation Mustang	0	10			10
525 CJ1	6	7			13
525A/B CJ2/CJ3	25	33			58
560 Citation Encore	0	10			10
560XL Citation XLS	20	18			38
680 Sovereign	13	16			29
750 Citation X	<u>3</u>	<u>2</u>			<u>5</u>
Total Cessna	67	96	0	0	163
<u>Dassault</u>					
Falcon 50EX	0	0			0
Falcon 2000	1	0			1
Falcon 2000EX EASy	6	10			16
Falcon 900DX	2	2			4
Falcon 900EX EASy	2	6			8
Falcon 7X	<u>0</u>	<u>1</u>			<u>1</u>
Total Dassault	11	19	0	0	30
<u>Eclipse Aviation</u>					
Eclipse 500	4	17	0	1	1

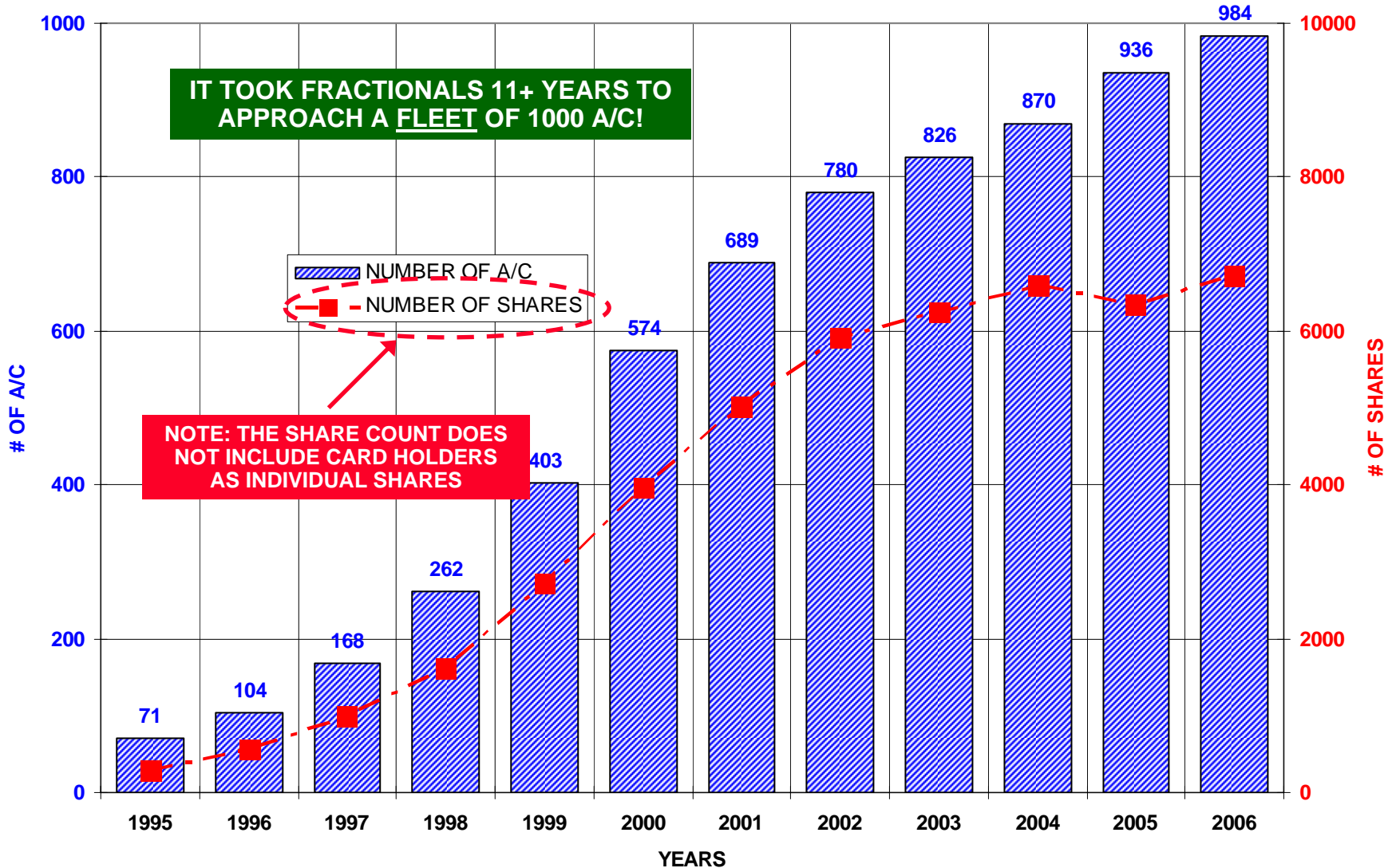
<u>Aircraft Type</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2007 YTD</u>
<u>Gulfstream</u>					
Gulfstream 150/200	11	16			27
Gulfstream 300/400/500/550	<u>19</u>	<u>20</u>			<u>39</u>
Total Gulfstream	30	36	0	0	66
<u>Hawker Beechcraft Corp</u>					
Premier I	15	12			27
Hawker 400XP	7	8			15
Hawker 800/850XP	<u>10</u>	<u>10</u>			<u>20</u>
Total Raytheon	32	30	0	0	62
<u>VIP Aircraft</u>					
ACJ	3	2			5
BBJ	3	0			3
BBJ 2	0	0			0
Embraer Legacy Executive	5	7			12
CRJ CL 850/870/890	3	2			5
Dornier 328 Envoy3	<u>0</u>	<u>0</u>			<u>0</u>
Total VIP	14	11	0	0	25
2007 Grand Total	211	264			
2006 Grand Total	187	222	211	253	873
2005 Grand Total	139	186	186	239	750
2004 Grand Total	114	124	153	200	591
2003 Grand Total	101	135	121	163	520

DATA SOURCE: Gama and Company reports

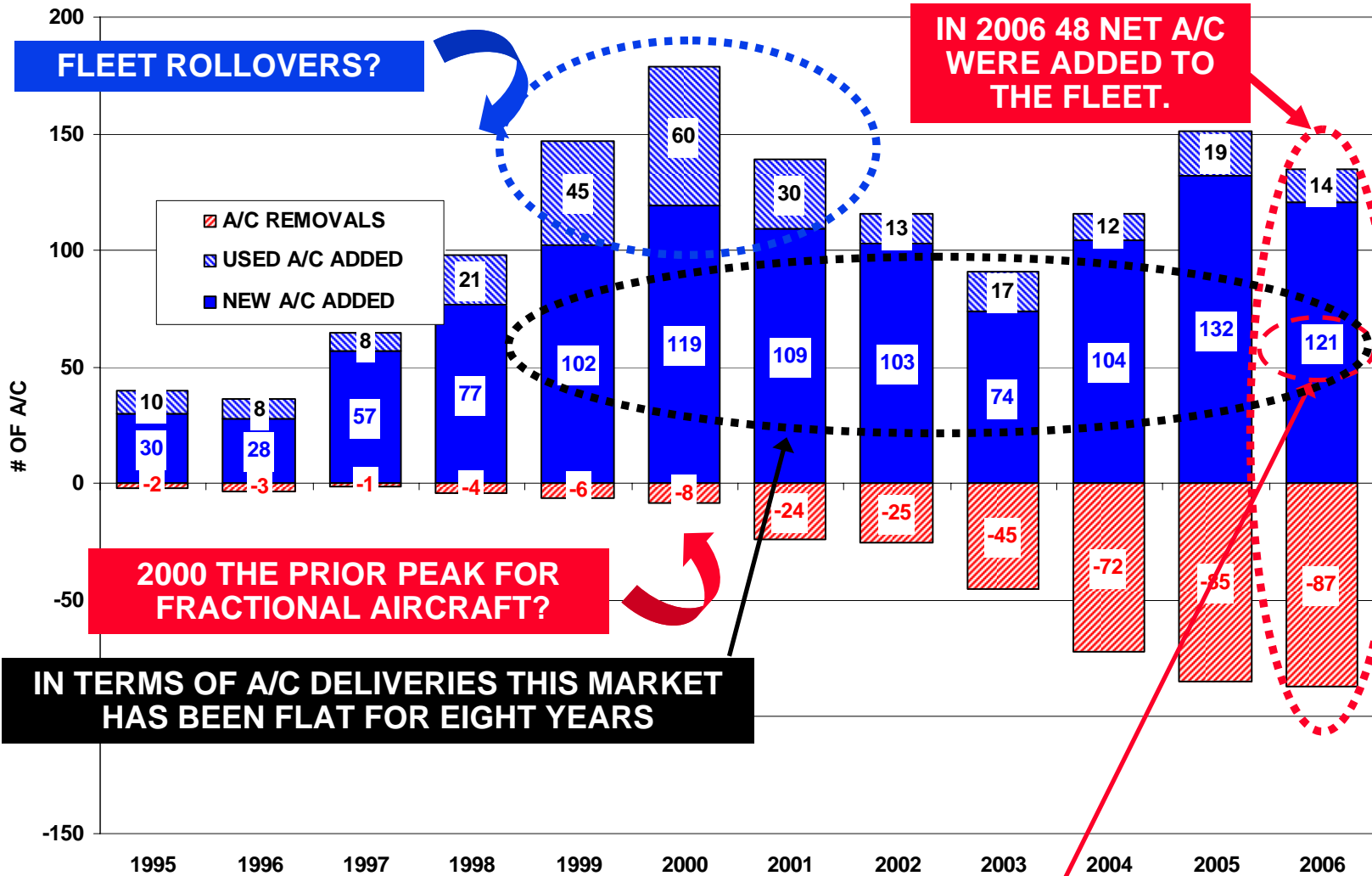
IMPRESSIVE NUMBERS
FOR THIS SECTOR!

FRACTIONAL FRACTIONS?

FRACTIONAL PROGRAMS - FLEET SIZE AND NUMBER OF SHARES



FRACTIONAL PROGRAMS - ANNUAL AIRCRAFT ADDITIONS / REMOVALS



FLEET ROLLOVERS?

IN 2006 48 NET A/C WERE ADDED TO THE FLEET.

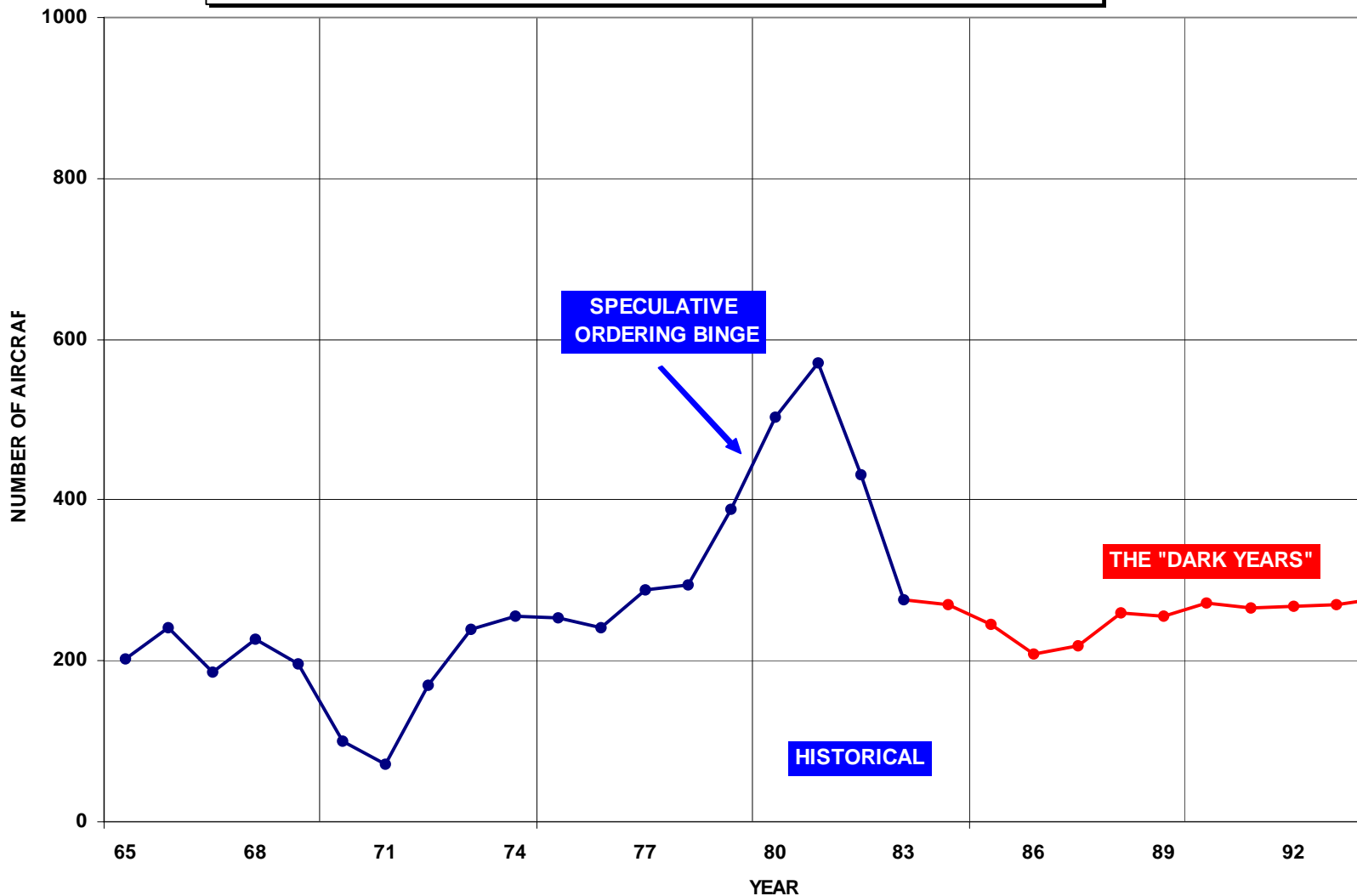
2000 THE PRIOR PEAK FOR FRACTIONAL AIRCRAFT?

IN TERMS OF A/C DELIVERIES THIS MARKET HAS BEEN FLAT FOR EIGHT YEARS

FRACTIONALS WERE 14% OF BIZJET SALES IN 2006

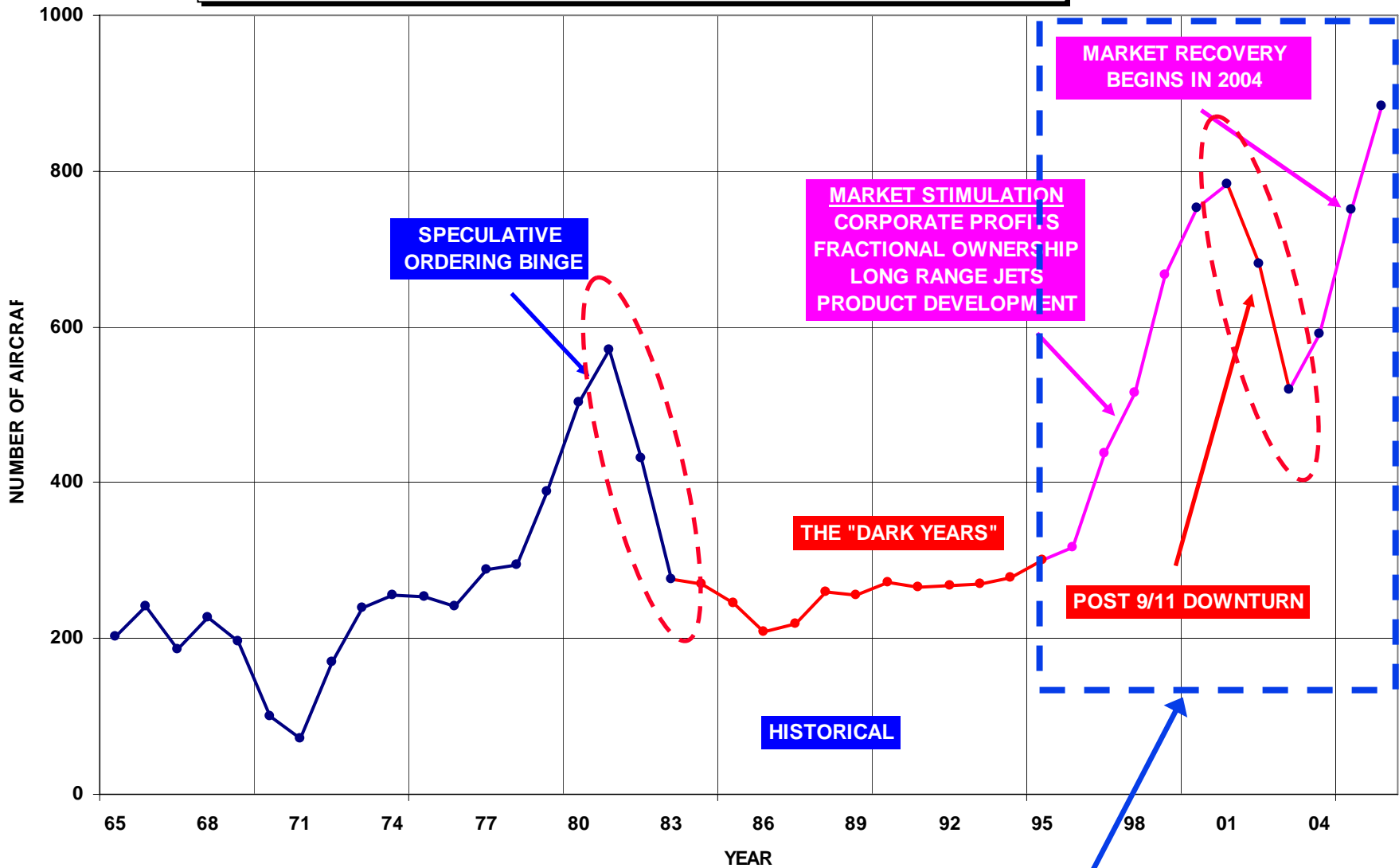
WHERE DOES THE MARKET GO
FROM HERE?

WORLD BUSINESS JET AIRCRAFT DELIVERIES - HISTORY



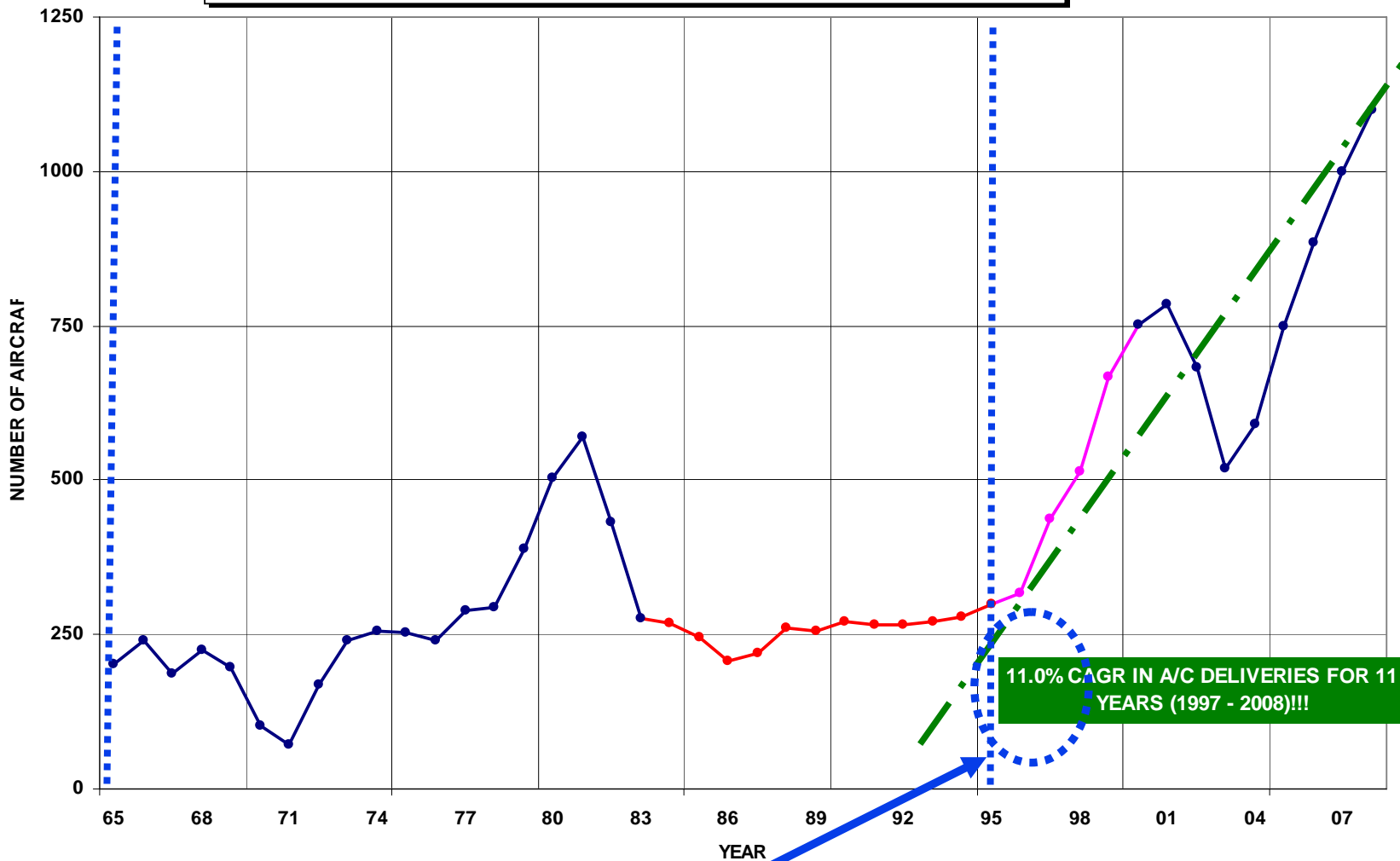
**IN 1995 THE BUSINESS JET MARKET IS 30 PLUS YEARS OLD
...A FEW NEW EVENTS BUT NOTHING REVOLUTIONARY**

WORLD BUSINESS JET AIRCRAFT DELIVERIES - HISTORY



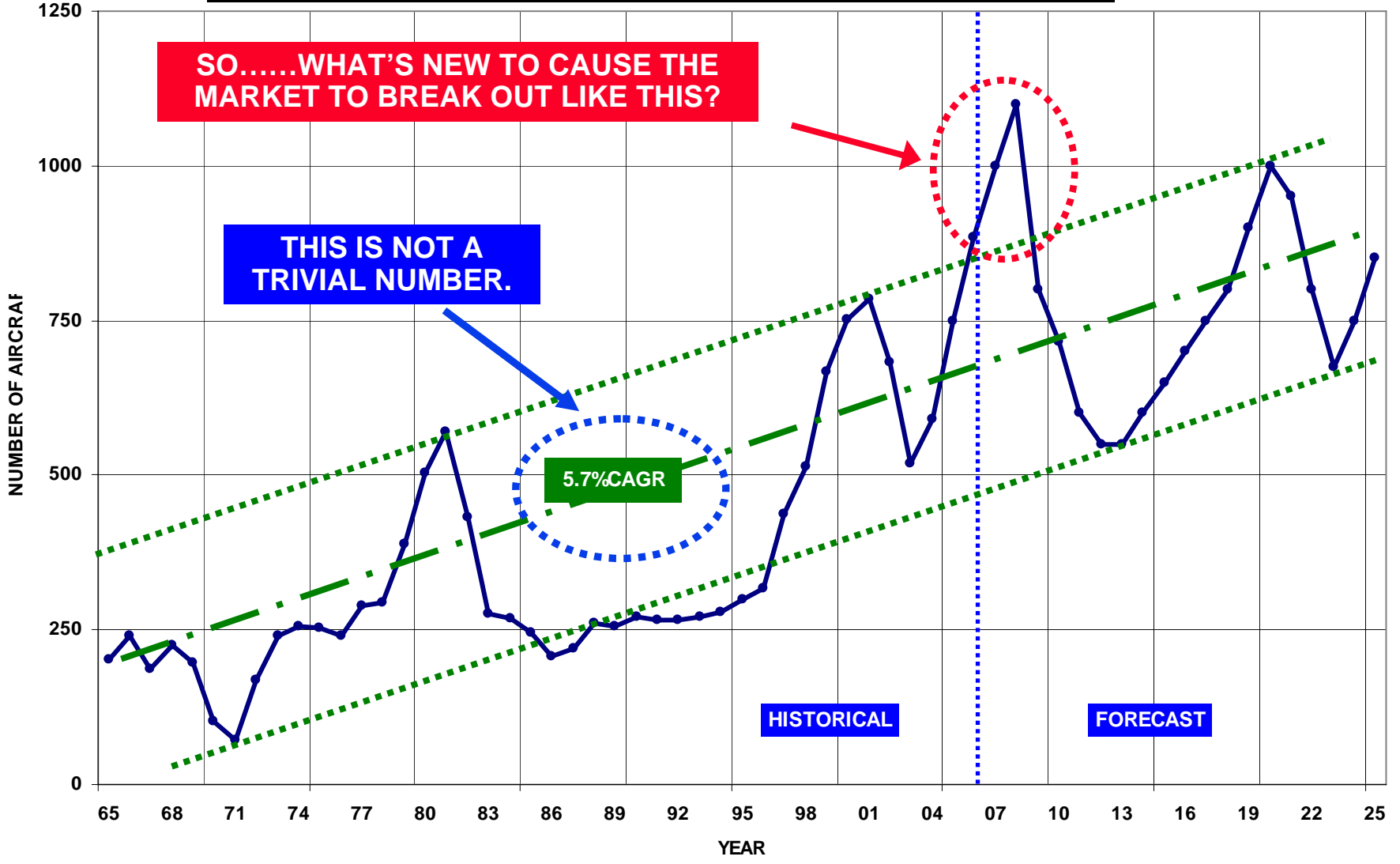
IN THE 1996 – 2006 TIME PERIOD THE MARKET EXPANDS, CONTRACTS, AND BOUNCES BACK SHARPLY.

WORLD BUSINESS JET AIRCRAFT DELIVERIES - HISTORY



NOT MANY MARKETS DO 10% PLUS ANNUAL COMPOUNDED GROWTH IN DELIVERIES FOR A 10 YEAR PLUS TIME PERIOD.

BUSINESS JET AIRCRAFT DELIVERIES - 20 YEAR FORECAST



So....What's New That Is Driving The Current Upswing?

The positives

- Record U.S. corporate profits
- Record U.S. exec. compensation
- Traditional U.S. exec. perks out of favor...what's a fellow to do?
- Post 9/11 unsafe for exec. travel on commercial airlines
- Get me some decent plane travel!
– Perk me!!!
- Commercial airline travel really sucks.
- There are a growing number of millionaires / billionaires.
- Non-U.S. markets emerging?

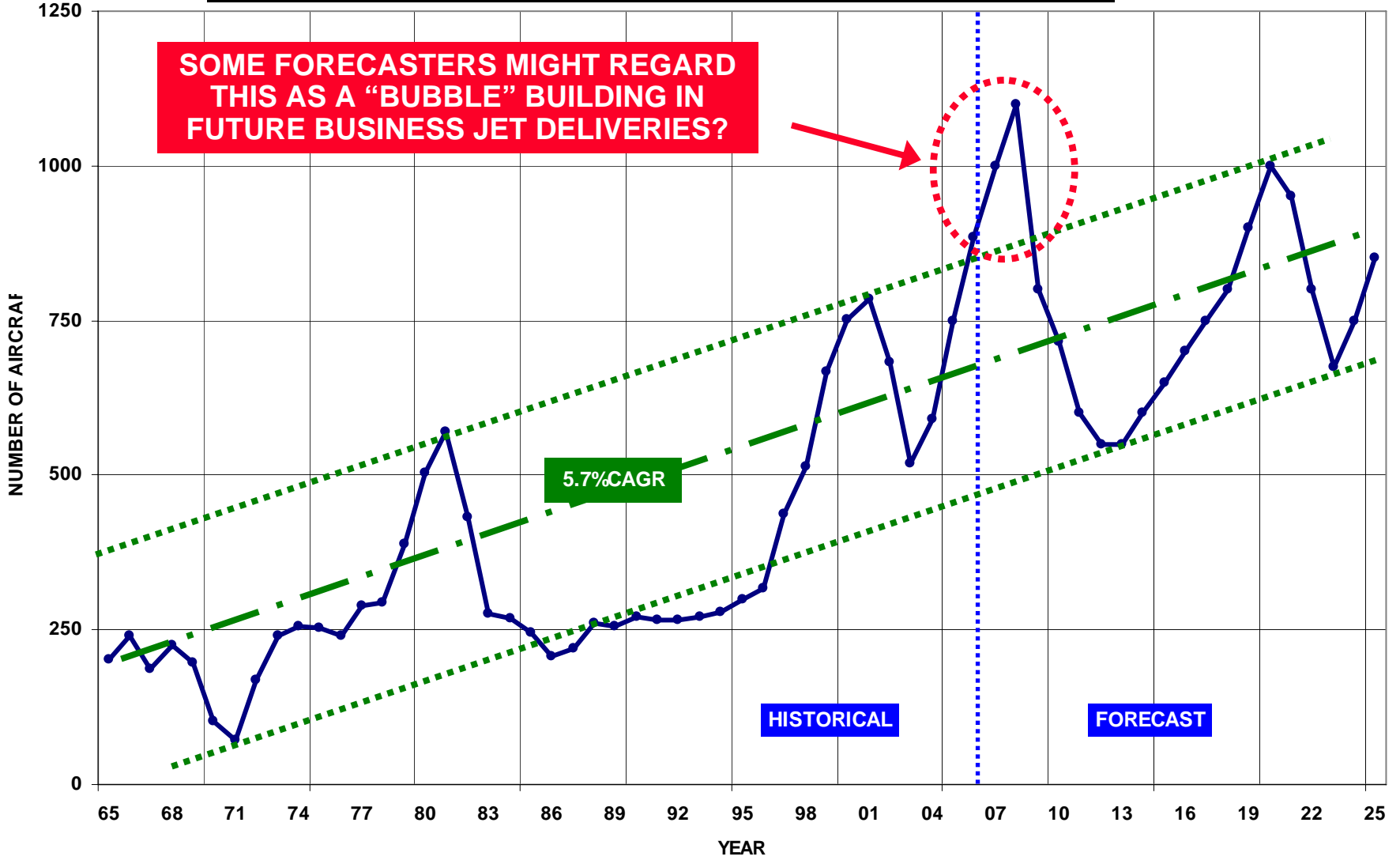
The negatives

- The U.S. Tax code got ugly on non-business use of bizjets.
- Bizjet travel not exactly green?
- Lots of ways to communicate without “being there”
- Record fuel prices not helping
- Crowded skies / ATC a problem
- Your own plane might be safer but the terrorists can still do the car / hotel. Might spin to the need for a private limo and secluded villa – a positive?
- Does the younger generation of execs need to look into your eyes and test your handshake or can they tell from your instant message / text message behavior?

THE ANNUAL SPEEDNEWS BIZJET SURVEY

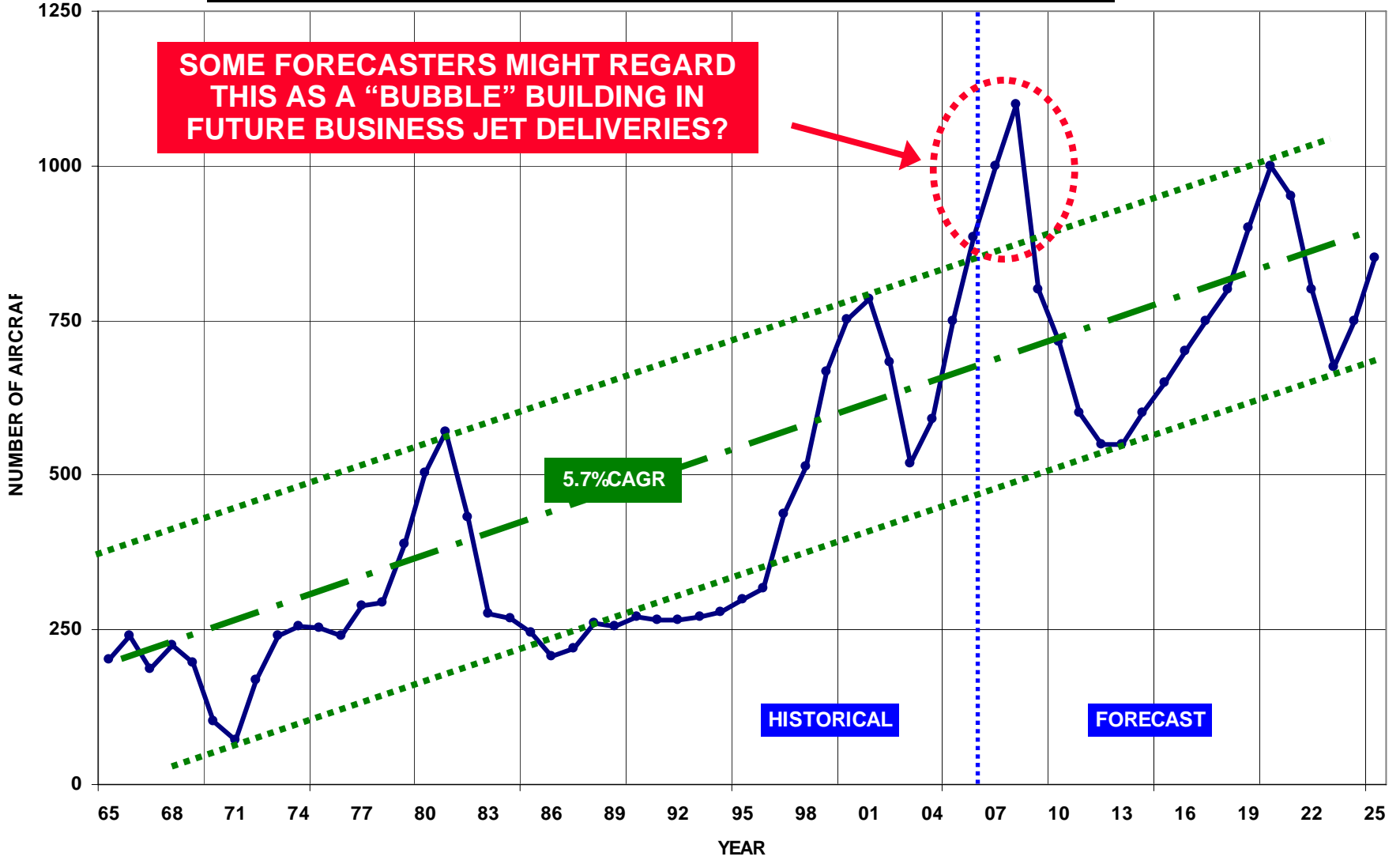
ARE BIZJETS NOW BEING USED BY MIDDLE MANAGEMENT?

BUSINESS JET AIRCRAFT DELIVERIES - 20 YEAR FORECAST



WALSH AVIATION FORECAST

BUSINESS JET AIRCRAFT DELIVERIES - 20 YEAR FORECAST



WALSH AVIATION BIZJET CLASS DEFINITIONS

VLJS

DIAMOND D JET (FJ33-4)
ADAM A700 (FJ33-17M)
ECLIPSE 500 (PW610)
OTHER NEW VLJS

CLASS I

PHENOM 100 (PW617F)
SWEARINGEN SJ30-2 (FJ44-2A)
SPECTRUM 33 (FJ33)
MUSTANG (PW615F)
CITATION CJ1/CJ2/CJ3 (FJ44)
PREMIER 1/2 (FJ44A-2A)
HAWKER 400XP (JT15D-5)
CITATION BRAVO (PW530A)
CITATION V ULTRA/ENCORE+ (PW535A/B)
LEAR 31/35/36 (TFE731)
CITATION EXCEL/XLS (PW545A)
LEAR 40/45 (TFE731-20)

CLASS II

PHENOM 300 (PW535E)
G100/150 (TFE731-40)
HAWKER 800/850XP (TFE731-5)
LEAR 60/XR (PW305A)
CITATION SOVEREIGN (PW306C)
CITATION X (AE3007C)
FALCON 50 /EX (TFE731)
G200 (PW306A)
HAWKER 4000/HORIZON (PW308A)
CHALLENGER 300 (HFT7000)

CLASS III

CHALLENGER CL604/605 (CF34-3B)
GLOBAL 5000 (BR710A2)
FALCON 2000 (CFE738)
FALCON 2000EX/DX (PW308C)
FALCON 900B/C (TFE731-5)
FALCON 900EX/DX (TFE731-60)
FALCON 7X FAMILY (PW307A)
G300/350/400/450 (TAY)

CLASS IV

G500/550 (BR710)
GLOBAL EXPRESS/XRS (BR710)

TRANSPORT VIP AIRCRAFT

BBJ/2 (CFM56-7)
A319CJ/A318ELITE (CFM56-5/V250)
EMBRAER LEGACY 600 (AE3007)
CHALLENGER C850/870/890 (CF34)
DORNIER ENVOY 3 (PW306B)

**NOT IN THE
FORECAST
NUMBERS**

Another Wave of New Product Development is on the Way

- **The most recent wave of new aircraft introductions was a significant increase in the number of business jet aircraft offered into the market:**
 - **Falcon 7X**
 - **Phenom 100/300**
 - **Hondajet**
 - **Piperjet**
 - **Spectrum S33 / S40**
 - **Diamond D-Jet**
 - **Eclipse / Mustang / Adam**
- **The next wave of new aircraft introductions already announced is another significant increase in the number of business jet aircraft offered into the core sector of the market:**
 - **Embraer – Two New Mid Size A/C TBD**
 - **Bombardier – New Learjet NXT**
 - **Gulfstream 600**
 - **Cessna “New Wide Cabin”**
 - **Cirrus “The Jet”**
 - **Grob SPN**

Summary – Business Jet Aircraft Market – Nov. 2007

- The business jet market continues to accelerate at a very rapid rate (even w/o the VLJ numbers). I was at the high end of the business jet forecasters early on but it has moved even faster than I expected.
- U.S. corporate profits have to be a big driver pushing this market but it's difficult to develop reliable indicators for this market sector. Most of the growth seems to be coming from outside the U.S. where there is very little data to gauge the market.
- There is a lot of new market development out there which is also a strong stimulus for new orders.
- I do regard the Eclipse program as a significant industry event (I just do not believe the production numbers). The Mustang development program was also impressive in its ability to catch up to the Eclipse in the race to certify the first VLJ.
- This market seems to be getting a bit over extended but it will break through the 1000 mark (sans VLJs) before it cools off. Looks solid for 2007 / 2008.
- We need to watch the new startup air taxis in 2007 and into 2008 to see if there is anything of substance there. Point to Point (South Dakota) died, DayJet (Florida) was launched, Pogo (North East) back into the market seeking an IPO.

Q&A WITH THE “VLJ CULT” MEMBERS