

Peter Gundermann: Thank you, Kevin, and good morning, everybody. 2009 was a challenging year for Astronics Corporation. I have to tell you that it gives me some measurable level of joy to stand here today and tell you that it's over and that we can formally say good bye to it as part of this discussion. But before we do that, we have to go through some formalities.

The Safe Harbor statement says that you've got to do your own homework, and you can't believe solely, anything that I tell you or anyone else here today.

Looking at 2009 from a top level, there were some good points. It wasn't all a bad year. We did manage in a pretty difficult environment to achieve a record sales level of \$190 million. We did a lot of work during the year managing our cost structure. There were a lot of things going on over the course of the year. I think it was hard to see when you looked at our results quarter-to-quarter about the success or how successful those cost-management efforts were. Yesterday we released our first quarter results. I think our cost-cutting efforts are becoming more evident now. I think our first quarter results showed that and will continue to show it, and we made some pretty good progress on major development programs.

Even though the investment environment in the aerospace industry, in particular, was pretty difficult in 2009, a lot of development programs by our customers were downsized somewhat or delayed somewhat. There were others that continued along in full force. Even in a down economy and with a difficult investment environment, we made a lot of important progress on those most important programs. We're going to go through a handful of them as part of this presentation. It is by no means an exhaustive list, but just a taste to give you some examples of some of the things we're involved in and why we're reasonably optimistic about our prospects as time unfolds.

There were obviously some challenges. I'm not going to dwell on these too much. 2009 was a very difficult year from a financial perspective and the economy in general. Financing was a big issue. A lot of the aerospace industry was affected, simply because customers couldn't get the money to buy airplanes. If they can't get the money to buy airplanes, airplanes don't get built. If airplanes don't get built, companies like us, obviously, don't get orders to supply parts. Especially in the business jet portion of our business, the production cuts were pretty dramatic as the year unfolded. It's still something to shake your head at when you look back at it.

Commercial transport loads were down significantly over the course of the year and the airlines, not only in North America, but also around the world, held back discretionary spending as much as they could. That affected everybody in the industry, including suppliers like us. We did an acquisition early in the year and that acquisition got off to a sputtering start. Toward the end of the year we had to take a write-down of intangible assets that significantly altered our results for the year. It was a non-cash write-down, and we'll talk a little bit about that too. That's high-level summary of what happened in 2009.

From an income statement perspective, I told you we reached a new record in revenue with \$191 million. This chart shows you revenue trends over the last three or four years. The orange portion of the 2009 bar is that portion of revenue related to the acquisition. You can see that our organic business on its own would have shown a reduction somewhat, consistent with what was going on in our industry, but with the acquisition we were able to meet that new record. We ended up reporting a net loss of \$3.8 million; that's largely colored by the \$19 million intangible asset write-down.

When we think about the business, we divide our sales into various end-use markets and various product lines. Looking at the pie chart on the left, our biggest end-use market is commercial transport airlines. It has been that way for a few years. One-half of our sales go to people like Boeing, Airbus, and the airlines around the world that use those aircraft. At the bottom of that pie chart you see military aircraft at 19% and business jet aircraft at 11%. Typically business jet is up around 20%. Last year the business jet market went into a tailspin. At the beginning of the year, most business jet manufacturers expected to build 10% or 20% more aircraft in 2009 than they did in 2008. In reality, as the financial crisis unfolded, they cut their rates, typically to one-half of what they had been in 2008. It was an astonishing thing to

watch. So, our typical 20% of revenue for the business jet market came down to 11%, not by design but that's just the way the market evolved.

The good news is that private aircraft travel seems to have turned the corner and air miles are back up along with production rates. Because we supply to most of the OEMs, they're stabilizing. They're not dropping anymore. As a supplier, we would like to see those production rates go up. In a few cases they are but the good news from our perspective is that they're not going down any more. So, we're pretty happy about that.

The two portions of that pie chart in the upper left hand corner pertain to the acquisition that we did about a year ago. The Test Systems portion in the orange is a government test business down in Orlando and the other little portion of that pie chart marked FAA/Airport at 4% is a product line that we picked up as part of that acquisition which manufactures and sells lighting systems to the FAA and to airports around the world that are used by pilots flying to and approaching an airport, or on the ground taxiing around the airport.

The product pie on the right is another way to cut our business and some of the portions of that pie tie very closely to the pie on the left. The Test Systems segment again, is orange. Test Systems products go to the Test Systems market and similarly, airfield lighting right below it at 4% goes to the FAA/airport market. The other three portions of that pie are primarily aerospace-related. Cabin electronics is our biggest product line. Airframe power is 10% and aircraft lighting, somewhat self-explanatory, is 34%. We're active in all those markets. We like all those markets, and we're continuing to invest pretty heavily in all those markets.

This is a chart that sooner or later shows up in every presentation we give as a company. It's an important thing to understand in our business because it colors the way we think, and it affects our financials. For a company our size we've tended to make some pretty big investments in what we call engineering and development programs, both at the request of customers and based on our own internal ambitions/product ideas that we have. Along the bottom of this chart, you can see that we have been trending up from 9% to 10% to 13% this year we expect it to be about 14% of revenue invested in technical development, product development, and in certain programs that we're involved in.

We expensed the vast majority of these expenses in the current period as incurred. The obvious gamble is that down the road, the products that we're developing are going to help us grow and help us achieve higher returns for our shareholders. This would be a business that we could make very profitable, very quickly if we were to somehow stop this practice and cut these expenses. But I would argue that we would still be a \$20 million business if we had not started this practice 5 - 10 years ago, and I think it's something that we need to continue.

So where does that money go? I'm going to show you three programs, two of which I think we talked about last year in this meeting. They are development efforts that are still worth talking about. There's one example from the commercial transport market. It's the Boeing 787. There's going to be one from the business jet market. That's going to be a new airplane in development by Learjet, the Lear 85. Learjet is a company owned by Bombardier. The third example is going to be from the military aircraft market, which is the V-22. I don't think we've talked it about in this setting before.

Commercial airplane development efforts are very big deals. The 787 stands to be one of the most successful launches of a commercial transport ever. Boeing has been working on it for quite a few years. Their development schedule has been delayed by a few technical and program hiccups. We have a pretty good position on this airplane, supplying cabin power for the in-flight entertainment providers. In-flight entertainment is a label for the screen that sits in front of you when you get in a wide-body airplane and you make a long-haul flight. It shows movies, plays games, sometimes allows you to have certain communication with the flight staff.

There are two prominent companies that supply those systems. One is Panasonic Avionics. The other is Thales. Airlines who buy a Boeing 787 have their choice of a Panasonic in-flight entertainment system or

a Thales in-flight entertainment system. Whichever one they pick, they're going to get our power distribution system. We provide power that drives the in-flight entertainment and also provides power directly to the passenger. The passenger can pull out his/her own computer, iPod, or whatever and plug into that power system.

It's a really nice position for us. If Boeing sells a 787, we sell a cabin electronics system. There are some numbers at the bottom that detail the size and the magnitude of this program. The important thing is that Boeing hopes to start delivering these airplanes at the end of this year. We are already ahead of Boeing a little bit in the sense that we've delivered a number of shipsets. But as that production rate picks up, 100 shipsets a year is going to be a lot of content for us as time goes by.

The second example is from the business jet market. Even in the current environment over the last year there have been steps made in terms of new airplane developments. The Lear 85 is one of the more prominent ones. Learjet is a higher end business jet manufacturer based out of Wichita and for the 85, they have hired us to provide the entire electrical distribution system. That distribution system is shown here on this chart which gives you a sense of how many components there are and how complex the system is.

The exciting thing about this program and this system that you should understand as shareholders interested in this company is that the system is very advanced, involving software-controlled circuit breakers, which seems like a small step. Instead of thermal circuit breakers they're electronic and the fact that they're electronic and software-controlled means that we can integrate the system into the brains of the airplane in ways that traditional thermal-based systems cannot be integrated. It gives us a lot of flexibility in terms of design, location of the hardware around the airplane, minimizing wire length, minimizing wire weight and doing some automated load shedding and automated process procedures for the pilots. We feel it's a safer program.

This type of system is increasingly prominent and available in heavy airlines, and we are leading the charge, bringing it down to these smaller aircraft. Volume-wise, a lot of small aircraft are built every year. As time goes on and as other aircraft manufacturers in addition to Learjet update their product mix, we believe that this type of system will be increasingly in favor and standard. We think we're well positioned to lead that charge. This Lear airplane is expected to go into service in about 2013. We have about \$150,000 worth of products on each airplane.

One of the trends we're not highlighting in this presentation, but as time goes on and as we develop these systems, our shipset content on this kind of airplane is climbing dramatically. There was a time not too long ago when our standard content on a business jet might have been \$5,000. Now we're talking about quantities that are quite a bit bigger than that.

Third example is the V-22. The V-22 is the tilt-rotor airplane, commonly referred to as the Osprey. The picture on the right is a little hard to see, but you can't miss those two green hoops. Those are the propellers of that airplane, turning around at night. That green hoop is generated by some small, LED-driven lights that are actually built into the end of the rotor blades, and we make those. I don't fly the V-22. I'm sure that there are other ways that the pilot knows what their propellers are doing out there, but my guess is, when you're on the ground and you're moving equipment and loading and unloading those airplanes under duress, the guys on the ground really like to know where those prop blades are, and that's what those lights are used for.

You can also see some position lights on the left side, the red position light. We're under contract to make that. Under the lower right hand corner is a depiction of an emergency egress system. If you're flying around in a V-22 and you go down in salt water, our system is guaranteed to show you the exits all the way down to 100 feet below the surface. I wouldn't suggest you wait that long but if you do, rest assured that system will help you get out. The lower left shows some cockpit devices. We provide night vision-compatible cockpit devices, not only to Boeing but to the prominent avionics supplier on this airplane, Honeywell Defense, out in Albuquerque.

In the middle are some electronic boxes. That is a fire suppression controller. Aircraft like this have a series of sensors that tell when there's a problem going very badly and an automated sprinkler system. We make the controller that mounts out in the wing to manage that system. If you add it all up, we have somewhere in the neighborhood of \$75,000 or \$80,000 per airplane on the V-22. It's an airplane that we've been developing, working with this company a long time now. Over time we've picked up a lot of different systems and now it's starting to become a prominent, heavily-used airplane, and we've got a lot of content on it.

This slide shows you in one picture the genius in our Test Systems segment. The company we bought in Florida makes automated test systems. That box in front is somewhat demonstrated here on the table, to my left, your right, as you look at me. That one box is designed to do what all the stuff on top of this table in the picture would otherwise be needed. And why does that matter? Well, that matters if you are a marine and you're about ready to go out on a mission at night and you have a radio and you really want to make sure that radio works. You have two alternatives to test it. One alternative is to have a technician who knows how to use all that stuff up on the table and give him a couple hours to work through it. If you and your 10 buddies all want to have your radios tested, then it's going to take that guy a good couple of days to get through the test process. By then, you might want to have it tested again or you might have missed your opportunity.

The alternative, the box in front, the one that we make, does not require all the equipment, does not require the skilled technician, necessarily, and can be run in an automated mode. You plug the radio in. You push the "go" button and in a relatively short period of time you know whether you've got something that's going to function or not. As you might imagine if you're a Marine, you might want that flexibility, that responsiveness and that ability to do that in a forward-deployed position, as opposed to just hoping that the radio works. This type of capability is not something that's prominently in practice by militaries who use software-driven radios today.

This is one of our big opportunities is to push that technology and push that product offering out to the end-users and see how they receive it. We believe they're going to receive it enthusiastically. As most of you who have been following the business know, our order rates for our Test Systems segment have been disappointing. We bought the business expecting something a little bit different than what we have gotten so far, but we are not disappointed by the list of prospects. Our challenge, given that we are where we are today, is to continue to define the capabilities of our product and the market opportunities out there and to bring in the business. That's what we're trying to do.

Just as an aside to talk about that acquisition for a minute, we paid \$50 million for a company last year that generated about \$51 million in revenue. We thought it was going to do more. That's not absolutely horrible, but given the low booking rates that we incurred, we had to lower our forecast. The accounting rules say that if the forecast is lost, you have to do some reality checking on your balance sheet, especially in the area of intangible assets, and that's what drove our write-down. It doesn't necessarily mean that we're giving up. That's not the case. But it does mean that we had to take a big write-down in the fourth quarter.

I'm going to turn it over to Dave for a discussion of our income statement and some balance sheet items and then I'll come back and close out.

David Burney: Thanks, Pete. I was going to say that I guess I get to talk about the bad things and you talk about the good things, but you just covered the intangible write-down that we had in the fourth quarter. Essentially, when we bought the company back in January we were working with a forecast that significantly changed as the year went along for various reasons. The accounting rules tell us to evaluate the discounted cash flows, essentially of the assets that we bought, and given a loss of the significant programs and delays in some other programs and a curtailment of an existing program that we had, our forecast looking ahead the next few years had changed significantly. As a result of that discounted cash flow, we wrote-down the intangible assets relating to the Test Systems business.

Annually or more often we go through that exercise, and as Pete mentioned, at this point versus where we were in November when we did the evaluation of the intangibles for the Test Systems business, none of the opportunities have dropped off. Some things have moved to the right, and we're not seeing orders being placed as quickly as we assumed that they would be. But it is not a situation where these orders have disappeared and the long term forecast has changed from where we were back in the fourth quarter when we did the evaluation.

Going on to the revenue of 2009, it's always a bit of a challenge for me to rewind to five, four, or three months ago from when we reported this, but we've gone from \$174 million in 2008 up to \$191 million. \$155 million of 2009's revenue was organic, or not related to the DME acquisition. We saw a drop of about 10% compared with 2008 and again, that followed what was happening with the Aerospace business. Perhaps it was actually a little bit better than what was going on with the OEMs, certainly in the business jet market where their production rates had dropped by 30% to 40% over 2008, through 2009.

In regard to the margin trends, we saw a 19.5% gross margin in 2009. On the surface it appeared to reflect favorably with 2008, but as the asterisk shows, 2008 reflects a significant write-down relating to the Eclipse program. Eclipse filed for bankruptcy roughly around December, and we took a significant write-down in inventory and some other assets in 2008. In 2009, the gross margin was 19.5%, still toward the lower end, dropped partly by lower margins from the DME business, the Test Systems business, in the course of the year, but also due to our lower run rate on our revenue line. It was the same story with the operating margin, where we showed an operating margin loss in 2009 relating to the write-down of the intangible assets for DME.

Net income and earnings per share follow the revenue line and adjusted for the write-downs that we took over the last two years. We haven't had a significant change in the outstanding number of shares, so it's simply a math exercise there.

On the positive side, during 2009 we did generate a lot of cash. That does tend to happen with most businesses that are dropping in their production volume. Your inventory naturally should go down, your receivables should go down, and it's reflected in the increase in operating cash flows. But for us, more than just the effect of generating cash as the inventory and receivable levels have gone down, there was a lot of effort put into managing inventory, in particular, and receivables in the normal course of the business. Our operations have focused a lot on increasing the inventory turnover. I'm not a big "buzz word" guy, but in a lot of lean efforts, we had a lot of inventory, long lead-type parts, in some of our plants. As our activity level has slowed down from where we were running in 2007/2008, the folks operating those plants had the opportunity to focus on how to improve those processes and a lot of that is coming through in that improved cash flow for the year.

The nice thing about that improved cash flow is that it allowed us to make a significant pay-down in our borrowing relating to the DME acquisition. We borrowed \$40 million from the banks at the beginning of the year for the DME acquisition and by the end of the year we were able to pay down \$14 million of that and made a payment on January 2, 2010, of another \$2 million. Had that payment been made two days earlier we would have seen even more reduction in the debt at the end of the year.

We still continue to have a strong, conservative balance sheet. The big change going from 2008 to 2009 was the increased debt relating to the DME acquisition. Our debt is still priced very well. We have availability with our revolver. The availability actually is \$32 million at the end of the first quarter and \$35 million at the end of the year.

With that, I'll turn it back to Pete to go through the first quarter results.

Peter Gundermann: Yesterday we released first quarter results. Most of you are probably aware of how we look. It's a pretty favorable picture compared with the first quarter of last year. The first quarter of last year was when this stuff really started to hit the fan, and we were getting a strong signal from our customers of just how bad things were going to get. There was a period back then when none of us really wanted to look at our e-mails from our customers, because it seemed like every time you did you were

getting another forecast where they were knocking their projections down 15%, immediately. So, we just stopped looking at our e-mails for a few months.

That process worked itself out around June, as I recall, but in the first quarter we had revenue last year of \$50 million, and you can see that we reported net income on that revenue of \$1.4 million. \$50 million back then was a pretty good run rate for us. The quarter we just concluded showed sales of \$47 million. You can see that at the gross margin, the operating margin level and at the net income level, we significantly picked up profitability. I would attribute that primarily to the cost reduction efforts that we put in place over the last year. There are some mix change issues in there which are always a little bit tricky to measure but the combination meant that we were pretty profitable in the first quarter.

The second up from the bottom line is the one that I'm most relieved about. You can see that we had bookings in the first quarter of \$54.3 million. That's an all-time high. We've never had bookings at that level. It's primarily all from our Aerospace segment. Just looking at Aerospace bookings, it was about \$50 million and change. That would have been, on its own, our second highest booking level ever, only surpassed I believe, by the second quarter of 2008. That compares pretty favorably to the first quarter of last year when we had bookings of \$31 million. So, \$54 million now, \$31 million then, we kind of like that trend.

I should also add that I don't mean to paint a picture that the world's totally different today, that we're returning back to the "Go-Go" days and that it's all clear sailing from here. That's not something I can confidently say. As recently as the fourth quarter of 2009 our bookings level was also in that \$30 million range. In the quarter ended December, just a few months ago, we had bookings of about \$30 million. We bounced up to \$54 - \$55 million in this most recent quarter. I said yesterday in our conference call that so far, well into the second quarter, that higher bookings level is maintaining itself. We're continuing to see pretty strong demand. If we get through the second quarter at that pace, we're going to be increasingly confident of our prospects for the rest of this year.

What does that all mean in terms of our expectations? Looking at the bars on the right, I tend to look at our bookings levels on a rolling 12-month basis, because there is some cyclicity to it. Over the last 12 months ended in March, we had \$170 million on our bookings. That's right where we expect our revenue this year to be. We gave revenue guidance in February for 2010 in the range of \$170 to \$190 million. That's a pretty wide range for a company our size. We understand that. Given what we've been through over the last 12 months, we think that's a reasonable thing to do in terms of prediction, at least early on in the year.

We expected then that our Aerospace business was going to be in the neighborhood of \$145 million to \$155 million. Now that we're a quarter into the year, if we were to refine this, we would probably presume that our Aerospace business will be at the high end of that range, maybe even a little bit beyond it. Back in February, we also said our Test Systems business would be \$25 to \$35 million. We've not had the booking experience that we hoped for to support that revenue level. If we were to refine our forecast today, we would probably presume that our Test Systems business would be at the lower end of that range and maybe even a little bit below it. But, long story short, we're maintaining the \$170 to \$190 million. We're at this point presuming that strength in the Aerospace side may offset some weakness on the Test Systems side, and we'll know a lot more as the year progresses. We'll revise those budgets as the second quarter comes to a close.

Our goal is to focus on our chosen technologies. Our strategy has been to find applications in the market, find customers who appreciate those technologies and who are willing to give us bigger portions of their projects to demonstrate and exercise those technologies. We believe that over time that will drive our financials and generate higher returns for our shareholders.

My final slide is a picture of what's been going on with our share price over the last year and maybe we'll cite this a little bit on the last quarter. It was a year of jumping around with lows of \$7, high of \$11. In the aerospace industry, in general, it seems like the whole stock market is getting a little more optimistic about the industry's prospects. We're certainly seeing that. Just in the last couple months our share

price has doubled. We're not necessarily in the business of predicting share pricing going forward, but we're optimistic that if we can execute the opportunities that are ahead of us, the market will see that and value our stock accordingly.