

Operator: Greetings, and welcome to the Astronics Corporation second quarter 2010 financial results conference call. It is now my pleasure to introduce your host, Deborah Pawlowski, Investor Relations for Astronics Corporation. Thank you, Mrs. Pawlowski.

Deborah Pawlowski: Thank you, Latania, and good morning, everyone. We appreciate your time and interest in Astronics. On the call with me today is Pete Gundermann, President and CEO of Astronics, and Dave Burney, Chief Financial Officer. They will be covering the results, outlook, and prospects of the Company on the call, and then we'll follow with question-and-answer period. If you do not have the release that went out this morning it is available on the Company's Web site at www.astronics.com.

As you aware, we may make some forward-looking statements during the formal presentation and the question-and-answer portion of this teleconference. These statements apply to future events which are subject to risks and uncertainties as well as other factors that could cause the actual results to differ materially from where we are today. These factors are outlined in our earnings release as well as in documents filed by the Company with the Securities and Exchange Commission, which can be found at our Web site or www.SEC.gov.

So with that, let me turn it over to Peter to start the discussion.

Pete Gundermann: Thank you, and good morning, everybody. Thanks for tuning into our Q2 conference call. Our second quarter was another positive quarter for the Company, and overall we saw a continuation of trends that had established themselves in the first quarter. In that sense there isn't a whole lot to report that's new. But overall, we think it's a pretty positive picture, and we're pleased with our first half for 2010.

For the quarter, we saw revenue of \$47.1 million, about the same as our second quarter of 2009. 93% of our sales are from our Aerospace segment, which was perhaps our strongest quarter ever, except for the fourth quarter of 2008, where we had \$44 million in Aerospace sales. Our Test Systems segment did 7.5% of our sales at \$3.5 million. We'll review some specifics in both those segments in a minute. But for the quarter, we had consolidated net profits of \$2.4 million, up from the second quarter a year ago when we were about \$1.96 million. We continue to see the benefits of substantial cost reductions across the Company from the early part of 2009.

Like in the first quarter, we saw good bookings in the second quarter, consolidated bookings of \$51.6 million, up from the second quarter of last year when we had bookings of \$40.8 million. We had a book-to-bill ratio of 1.1 in the second quarter, and that follows the first quarter book-to-bill of 1.16. Perhaps the best news, in addition to the financial results of the first half, is that bookings have been, for the year, 13% above shipments, and that's a comfortable range. We like to see bookings in that 10% to 15% range, which is a manageable increase in volume for the future.

For the first half, we have seen revenue of \$94 million, which is down slightly from the first half 2009 when revenue was \$97 million. Again, for the year, we're 92% aerospace and 8% Test Systems. On \$94 million in revenue, we've seen net income of \$5.8 million, which is up substantially, some 74%, from the first half of 2009 when we saw consolidated net income of \$3.4 million.

We've seen some pretty strong operating efficiencies established across the Company from the beginning of 2009. There are a lot of little things that end up having a pretty good cumulative result but

perhaps the best metric to demonstrate that is that we're down in headcount about 20% from where we were last year. We employ about 1,000 people across the Company right now. We employed about 1,200 in the first half of 2009 on a comparable sales levels.

With those financial results, we're maintaining our investment in engineering and development, \$14.2 million year-to-date. Our cash flow is healthy. We've got cash-on-hand at the end of the quarter of \$16.4 million and available room on our credit facility of \$35 million. We feel we're comfortably capitalized for our current situation.

Bookings year-to-date, are \$105.9 million, which is up 48% from the first half of 2009 when bookings were \$71.5 million. Obviously in those numbers is some strength in the current period, in the current one-half year, and some weakness in the first half of last year. It feels like a world ago at this point, but in the first half of last year a lot of us in the Aerospace industry were wondering just how bad this was going to get.

In terms of the sectors, our Aerospace segment is providing most of our revenue and all of our profits. Revenue was \$86.8 million, again 92% of total, and all the margin. Looking at our product and market segments, our cabin electronics and commercial transport sales are showing a lot of strength, and I'm referring to the charts, at this point, on page seven of our press release. For the six-month period, commercial transport sales were \$52.3 million, which is about 55% of our total sales, and up 18% over where we were in the first half of last year. That's obviously a very strong performance.

Our military sales are 19% of our total and down a little bit from last year, primarily due to the temporary conclusion of the Tactical Tomahawk cruise missile program. Business jet sales have stabilized, it appears, at about 13% of our consolidated sales, and we have 5% going to the FAA directly or to airports for airfield lighting.

Our outlook in Aerospace continues to be positive. We had bookings in the first half of \$97 million, easily exceeding our revenue of \$87 million. In general, trends that have been apparent for a while now, continue to be showing themselves. The commercial transport business, worldwide, continues to show strength. We continue to believe that the U.S. mergers are going to be helpful, both for the industry and for us, in particular the way some of those are shaping up. Business jet traffic is rebounding, even though production rates at the manufacturers are still quite depressed compared with where they were a couple years ago, but they're at least stable.

Most importantly we're seeing the resumption in development programs. We have strong quoting activity, though we haven't had significant things to announce. We are pleased with the attention that we're getting from various manufacturers around the world on new programs that they're developing or upgrades to existing programs.

As far as our Test Systems segment, revenue was \$3.5 million, 7.5% of the total, down from \$8.8 million a year ago. We are not profitable at that level. Bookings are not quite where we want them, but we are seeing some signs of improvement. We had bookings of \$5.4 million in the most recent quarter, which is the second highest in the six quarters that we've been associated with that company, and in our third quarter of improvements. We've got to look for good news where it is. We are forecasting a continuing increase in bookings there, which I'll talk about in a little more detail when we get into our outlook section in just a second.

We continue to see strong quoting activity, and it's one of those situations where we're planting a lot of seeds in various places. We believe that if the right conditions happen, and if we win some programs, that those seeds will spread into something pretty good. That's what we're working towards.

We are updating our revenue guidance for 2010. We originally came out with a revenue forecast of \$170 to \$190 million. We're tightening and raising that forecast to \$185 to \$195 million. We're expecting Aerospace to make up \$165 to \$170 million. We're expecting Test Systems to be \$20 to \$25 million. In order for Test Systems to get there, we're expecting an increasing booking level in the third quarter. That will tell us whether we can get into that range. We're fairly confident we can. In fact, if you look at our revenue guidance of \$185 to \$195 million, I think it's safe to say at this point that we don't think there's a very high probability of missing it on the low end. We think there is some probability or some chance of getting to the high end of that range or even slightly above it. But today, we're issuing revenue guidance of \$185 to \$195 million.

That's all for my prepared remarks, so at the time we would like to open it up to questions.

Operator: Thank you. Our first question comes from Bob Sullivan with Satuit Capital Management.

Bob Sullivan: Thank you, and good morning. Terrific quarter. My first question is about your thoughts on hiring for the future. It's a specific company question, also I'm trying to get a sense for management's thoughts about that, industry-wide. My second question would have to do with the backlog. Your margins have been terrific and the growth in them. Probably a lot of that coming from the ops efficiencies that you've gotten over the past couple of years, and I'm wondering if you could comment on the margins. Where do you think that they can go over the next couple quarters, and can you comment on the margins that you see and the backlog, and can that help drive that margin growth as well? My third question would be can you give us a sense about where you think we are in this cycle for your company and your products? Are we in the first, second or, third inning? Thank you.

Pete Gundermann: Well, those are pretty broad questions. As far as hiring goes, I think our attitude is that we are continually looking for good people when we can find them, especially in what I call our real high value-added jobs. We have continuing efforts underway and regardless of what our short-term prospects are, when we find the right people for right positions, we try to go get those people.

More generally, in terms of our employment level, comparing our current headcount to where we were a year ago is, in some respects, unfair, because a year ago we were on the tail end of a boom cycle that caught everybody off guard. We were ramping up at the request and demands of our customers, and so we were hiring, hiring, and hiring. When the downfall hit, we were caught unprepared and had to make some adjustments.

I don't expect we're going to be going back to those days at this point. I think our customers are more prudent, and I think that we are too. I think a 10% to 15% bookings level over our shipment level I find really encouraging for right now. Maybe that growth level will pick up in a year or six months, but right now I'm pleased with that level, and I think we can largely conduct that level of business with the overall staffing level that we have.

As far as our backlog goes, we think it's healthy and strongly supports our prospects for the rest of the year. We keep track of our backlog, we keep track of how much of it's scheduled to ship over the next three to six months, and we use those numbers to help support our revenue forecast. And I would say

from a margin standpoint, what you see is what you get. Our bookings reflect our current business level and our current allocation by market segments and products. We don't expect to see any significant change in mix that would play out in margin, you know, for the foreseeable future, which I would say is over the next six months.

Dave Burney: As far as our backlog, we have about \$68 million of backlog that's scheduled to be shipped over the third and fourth quarters of 2010. And doing the math on year-to-date sales, plus that scheduled backlog, leaves you with a gap of between \$22 and \$32 million of orders that we need to book and ship during the third and fourth quarters to hit our revenue targets. If you look historically at what our book and ship have done, that's within the range of orders that we would expect to book and ship.

Our typical lead time on most of our products is generally about one quarter, 13 weeks or thereabouts, in terms of when we would receive an order and be able to turn it around, sometimes quicker than that. That gets us to a range of revenue for the year that we're comfortable at, between \$185 and \$195 million.

Pete Gundermann: Your last question had to do with the where the cycle is and how we feel we fit into it. I think there are two slightly different questions. Overall, I think the cycle is pretty positive. Given how tenuous the economic environment is around the world, I'm pleased with how the Aerospace industry is holding up. From an OEM perspective, narrow-bodied production continues to be strong, so strong that new entrants are being drawn into it.

Wide-body prospects are strong given the 787 coming online soon and the demand for the A350 looks to be pretty strong. The A380 is getting some of the bugs worked out and getting into production, and we expect, as a supplier, to contribute and participate in those production runs.

The business jet world is pretty stable. It's not healthy necessarily. There's still a glut of used airplanes and those are dragging down prices for new airplanes, which is hurting the manufacturers. But from our perspective, revenue is at least staying flat in that segment. I think that as the global economy strengthens those airplanes will do well. The military is the military; it is atypical and continuing along on its own little trajectory.

With all that being said, we are well-positioned across-the-board with a product mix which offers more value than what we had some time ago and much more than what we had five years ago. Regardless of what the overall Aerospace industry is doing, we're going to do better than that because the things that we're putting on new airplanes are much more value-added and have much higher shipset content, which should drive volume for us over and above the industry growth rate and financial results as you work through the income statement.

I feel a whole lot better than a year ago this time. I think probably everybody in the Aerospace industry does, and I think the pieces are in place for some good stability as we go forward and good growth.

Operator: Our next question comes from Scott Lewis with Lewis Capital Management.

Scott Lewis: Thanks, good morning. I have a Test Systems question. On those bookings, were those mainly, domestic military, call them legacy type bookings, or was there any foreign military or commercial in there?

Pete Gundermann: It was mostly legacy, domestic. We've talked in the past about international opportunities. We're continuing to pursue those. We continue to be excited about them. They're taking

longer than we thought. We're a little bit more gun-shy about putting them in our short-term backlog. But again, if we're going to get \$20 - \$25 million from that business this year after a first half of about \$7.2, we're going to have to see a pick-up in volume. Given that we're six months into it, we should have some clarity, and we're clearly anticipating an increase in the bookings level going forward.

Scott Lewis: On the Aerospace side, you did mention the narrow-body jet market is doing very well. Are you seeing any pick-up in the amount of an IFE that's going into the narrow-body? I know Panasonic came out with a new full seat, or integrated seat product, that could lead to something good there for you.

Pete Gundermann: It's an interesting prospect. I have Mark Peabody on the line. He runs our Seattle business, and has been sitting here patiently waiting for an opportunity to talk. So Mark, you want to handle that one?

Mark Peabody: The primary in-flight entertainment providers, which are Panasonic and Thales, have been looking at narrow-body solutions for their in-flight entertainment that is more in-seat situation, and we are power providers to both those companies. So we will see an uptick in the narrow-body in the future but we're not seeing that this year.

Scott Lewis: And then lastly, in the press release there's a mention of the business jet market, and some airframe power picking up there. I just wanted to know what that program that was. I wasn't aware that you guys were sort of doing any business jet airplane power at this time.

Pete Gundermann: Well, the big program has to do with the development effort at Learjet on their newest airplane. We're getting some NRE bookings for that, and we're spending a lot of time. We're towards the tail end of our development effort there and it's going pretty well.

From a development standpoint, I'd also say that our technology, which first became prominent on the Eclipse airplane and secondarily now on the Lear airplane, is getting a lot of play around the industry, both for new airframes that are under consideration and for upgrades to existing airframes. The improvement and reliability, the reduction in weight, and the better value is one of those technologies that is increasingly being considered as a standard going forward.

Scott Lewis: That's something on a block change, on an existing airframe that they could conceivably put that in?

Pete Gundermann: Right, and it would have to be a block change. It's not a minor, easy change necessarily. It's one that they have to redesign the central nervous system of the airplane.

Scott Lewis: Well, nice quarter and thanks a lot.

Operator: Our next question comes from Dick Ryan with Dougherty.

Dick Ryan: Good morning, guys. Pete, you mentioned the completion of the Tomahawk and it sounded like there's an opportunity for that to come back. Can you talk a little bit about that opportunity?

Mark Peabody: Currently we did a multi-year buy that ended about a year and one-half ago, and we are doing some bidding on some more multi-year buys. But in the interim between the multi-year buy, which we expect hopefully to see in another year or two, they are placing orders for a couple hundred units, and we saw that order come in last month, in July.

Dick Ryan: And what will be the deliveries for that order?

Mark Peabody: Those couple hundred units will come mostly next year and the year after.

Pete Gundermann: Just to clarify a little bit, that order Mark just talked about is a little bit of a sneak preview. I think that was in July. So it wasn't reflected in the numbers we released.

Dick, usually production is tied to the OEM's production rate. For whatever reason, our contract with this Tactical Tomahawk program had an accelerated delivery schedule so that we were actually delivering product ahead of what the OEM was delivering. We got a little bit ahead, and that contributed a little bit to the slowdown and the gap. They're expecting to get continuing orders for missiles, and we're hoping to continue to be that supplier, but at this point we don't have a contract committing us to that.

Dick Ryan: One clarification on the Test Systems business, Pete. You said you need to see a pick-up in orders in the second half of the year. Would you think that still would be in the domestic side, international would be slower you said, but do you anticipate any orders from that this year?

Pete Gundermann: We do have some international orders in there. One of the challenges we have from that standpoint is that we continue to believe that the potential there is pretty big. I'm not clear what the ramp-up rate is going to be and the timing. So there's a guess on a guess in terms of how it's going to impact our 2010 results. I think we've taken a pretty conservative view on where we're going to be from this point going forward. There's room to vary in that forecast on that part of our business.

Dick Ryan: On the commercial side, the IFE business, can you talk a little bit about what you saw the last quarter, how much Panasonic or Thales was there as far as significant customer and the results and how that business looks for the remainder of the year?

Dave Burney: Panasonic continues to be our largest customer, as it has been for the last several years. About 25% of our consolidated revenue in the second quarter came from Panasonic.

Operator: Our next question comes from Jay Weinstein with Oak Forest Investment.

Jay Weinstein: What's going on with Eclipse? And of the inventory that you had to write down when they filed, did you have it just sitting around at a warehouse? What's going on with those assets?

Pete Gundermann: We do have most of that inventory sitting around, and we are selling, I wouldn't call it a lot, but we are selling a little bit. The Eclipse company has been taken over by new owners and their primary goal at this point is to service the existing fleet, and part of servicing the existing fleet is getting the certification of the airplane up to its originally advertised level. It's tough going. There are 200+ airplanes out there in the market. The value on those airplanes has plummeted, and we have some level of sales, maybe \$200,000.

The real goal for us, or what would really be great, is if somebody wanted to walk in and restart production. Given the competitive nature of the market, given some of the new developments out there, especially with single engine business jets, I don't think we're placing a whole lot of hope in that. But, we're doing what Eclipse wants us to do. We're playing the role of service provider, and we're working with them in terms of making sure that the existing fleet maintains their worthiness and beyond that, there's not a whole lot to report.

Operator: There are no further questions in queue at this time. I would like to turn the call back over to management for closing comments.

Pete Gundermann: Well, thank you, again, for tuning in. We are pleased with the first half and look forward to our third quarter call when the time comes. Have a good day.