

UBS Investment Research

UBS Business Jet Survey

Americas

Aerospace

Sector Comment

Stable Overall, North America Improving

■ **Index at 41, unchanged from November**

Our latest Business Jet Market Index came in at 41, in line with our prior survey from November as an uptick in small cabin offset slight declines in mid/large. Our straight up measure of absolute business conditions declined 2% to 4.0. Overall, it appears the market has held relatively stable despite continued economic uncertainty.

■ **North America customer interest improving**

While weak pricing and high levels of inventory remain a drag on the market, our survey continues to indicate that customer interest is improving and participants are optimistic looking out. Our overall customer interest score increased 3% to 55 this time with North America (59), Asia (58) and Latin America (52) reflecting incremental improvement, partially offset by declining interest in the Middle East (44) and Europe (31). Our participants indicated bonus depreciation did not meaningfully impact year end activity.

■ **See positive risk-rewards for bizjet stocks**

While our survey of industry professionals and other key bizjet market indicators have held stable, we believe North America bizjet is improving off the bottom, driven by replacement demand postponed during the downturn. We see positive risk-rewards with the stocks that we think still incorporate little for business jets at current levels including Buy-rated COL/GD/TXT.

2 February 2012

www.ubs.com/investmentresearch

David E. Strauss

Analyst
david.strauss@ubs.com
+1-212-713 6185

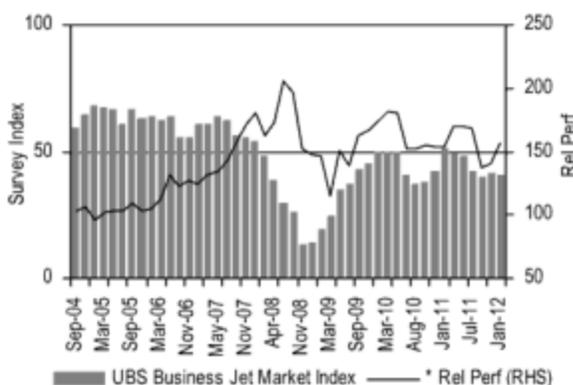
Darryl Genovesi

Analyst
darryl.genovesi@ubs.com
+1-212-713 4016

Ryan Thackston

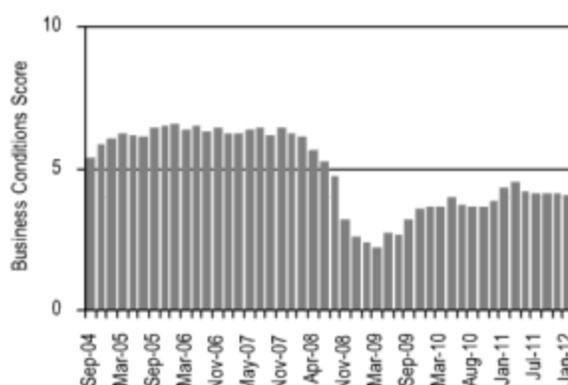
Associate Analyst
ryan.thackston@ubs.com
+1-212-713 3321

Chart 1: UBS Business Jet Market Index



* Simple average BBD/GD/TXT stock price performance index relative to S&P 500
Source: UBS Business Jet Survey

Chart 2: Overall Business Conditions Score



Source: UBS Business Jet Survey

This report has been prepared by UBS Securities LLC
ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 18.

UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Business Jet Market Survey

Our UBS Business Jet Market Survey is designed to provide timely market data supplied directly by industry professionals. We regularly survey a group of US domestic and international broker/dealers, manufacturers, fractional providers, financiers and others, from whom we recently received 161 responses.

Investment Conclusion

Our latest Business Jet Market Index came in at 41, in line with our prior survey from November as an uptick in small cabin offset slight declines in mid/large. Our index measures the change in respondent's views from our prior survey and is not meant to be an absolute measure of business conditions. Our straight up measure of absolute business conditions declined 2% to 4.0. Overall, it appears the market has held relatively stable despite continued economic uncertainty.

While weak pricing and high levels of inventory remain a drag on the market, our survey continues to indicate that customer interest is improving and participants are optimistic looking out. Our 12-month outlook score increased 11% to 66, above the 50 mark, indicating an incrementally more positive outlook. Our customer interest score increased 3% this time to 55, indicating that customer interest was stronger relative to our prior survey. Our willingness score moved 9% higher to 44, although still below 50 indicating continued declines in participants' willingness to take on additional inventory.

Improvements in our interest, outlook and willingness scores were offset by declines in inventory and pricing. Our overall inventory score declined 19% to 15, and remains well below 50 reflecting continued oversupply, while our pricing score declined 17% to 33, indicating continued pricing declines.

Our young inventory score, not a component of our index, moved 7% lower this time to 40, still indicative of oversupply of high-quality young used aircraft. Our financing score, also not a component of our index, remained above 50, reflecting continued improvement in financing availability.

Table 1: UBS Business Jet Survey Results and Comparison to Prior Survey

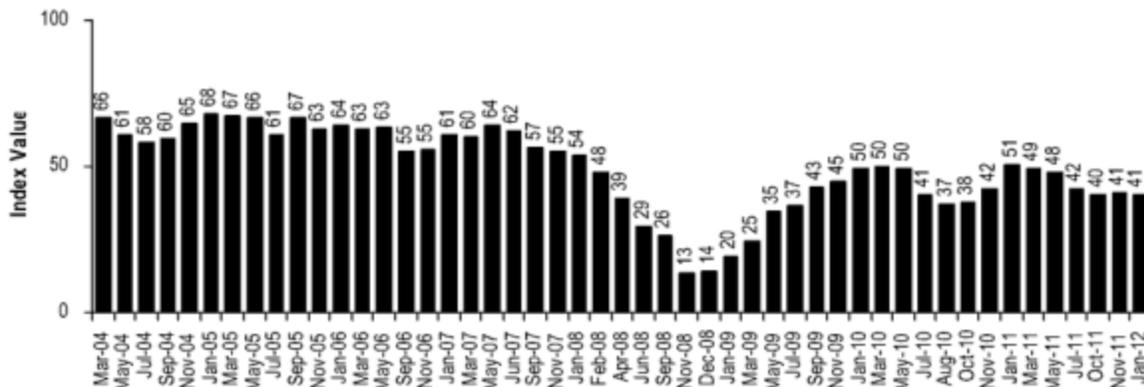
Component	Better	Same	Worse	Score	Last Time	Change
Customer Interest	29%	52%	19%	55	53	3%
Pricing	3%	60%	37%	33	40	-17%
12 Month Outlook	41%	51%	8%	66	60	11%
Inventory Levels	3%	24%	73%	15	19	-19%
Willingness	16%	56%	28%	44	41	9%
Composite Index	16%	49%	35%	41	41	0%
Young Inventory	17%	47%	36%	40	43	-7%
Financing	18%	70%	12%	53	53	0%
Business Conditions	n/a	n/a	n/a	4.0	4.1	-2%

Source: UBS Business Jet Survey

UBS Business Jet Market Index

Our UBS Business Jet Market Index is a proprietary index designed to measure the total “value” of the responses to our survey questions. We have weighted each factor in our index based on our perception of its overall importance to the condition of the new business jet market. Our index is scored on a scale of zero to 100, with 51-100 representing incrementally strengthening market conditions, 50 incrementally stable, and 0-49 incrementally weakening market conditions. Our January Business Jet Market Index came in at 41, in line with our prior survey in November.

Chart 3: UBS Business Jet Market Index

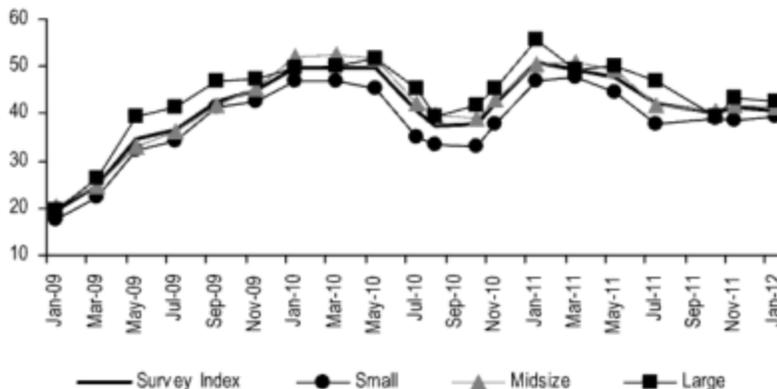


Source: UBS Business Jet Survey

Market Segment Indices

By market segment, our large cabin index declined 3% to 42 (from 43) and midsize declined 2% to 41 (from 42), while small cabin increased 2% to 40 (from 39).

Chart 4: Market Segment Indices, by Cabin Class

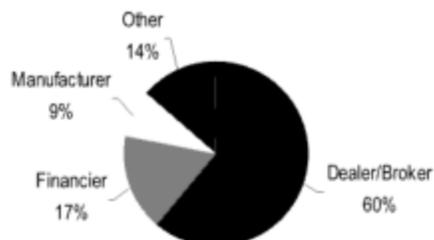


Source: UBS Business Jet Survey

Survey Participant Profile

Of the 161 market professionals who responded to our survey, a majority (60%) are broker/dealers. Brokers/dealers are involved in the purchase and sale of both new (direct from manufacturer) and used aircraft, often purchasing on spec.

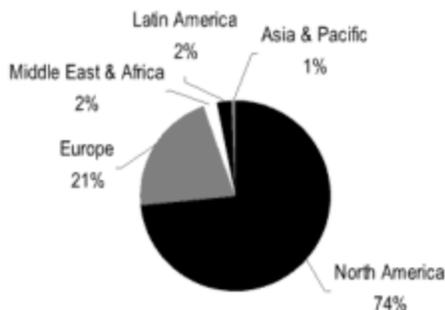
Chart 5: Business Jet Market Survey - Participant Role



Note: Other includes appraisers, fractional providers, management, charter, FBO and MRO service providers.
Source: UBS Business Jet Survey

The majority of our participants are located in North America (74%) with an additional 21% in Europe.

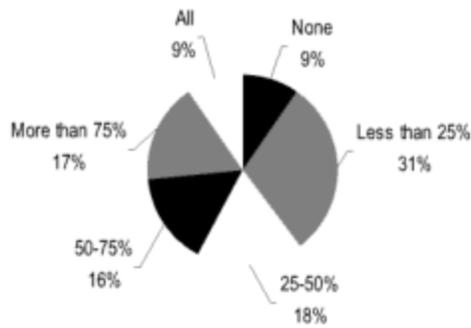
Chart 6: Business Jet Market Survey - Participant Location



Source: UBS Business Jet Survey

While the majority of our survey participants are located in the U.S., most transact a significant proportion of their business with foreign customers.

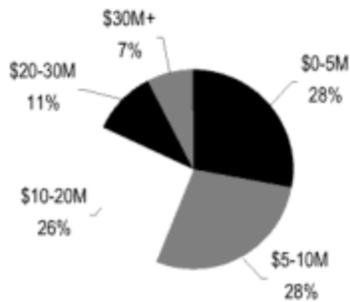
Chart 7: Proportion of Business Transacted Outside the US



Source: UBS Business Jet Survey

Respondents varied fairly uniformly in average transaction size with the majority in the \$5-20 million range.

Chart 8: Business Jet Market Survey - Average Transaction Size



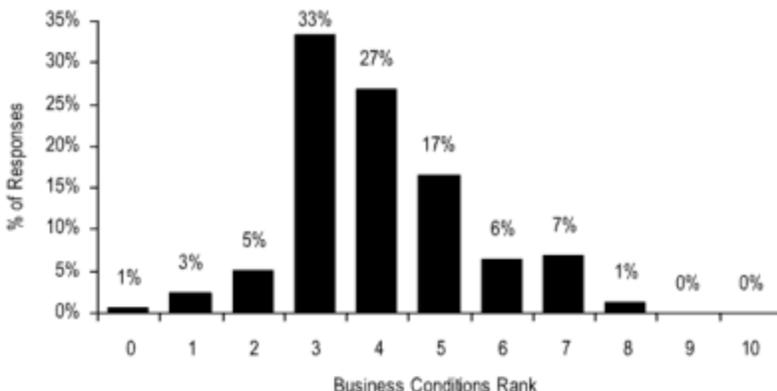
Source: UBS Business Jet Survey

Survey Results

Overall Business Conditions

In the first question, we asked, “On a scale of zero to 10, how would you characterize overall business conditions *after factoring typical seasonality* (0 = the worst ever, 5 = normal, 10 = the best ever)?” Note that while our Business Jet Market Index (discussed earlier) indicates *incremental change* from the prior period, this question is meant to measure the *absolute level* of business conditions. We received 156 responses (five participants did not respond to this question) with scores ranging from zero to eight.

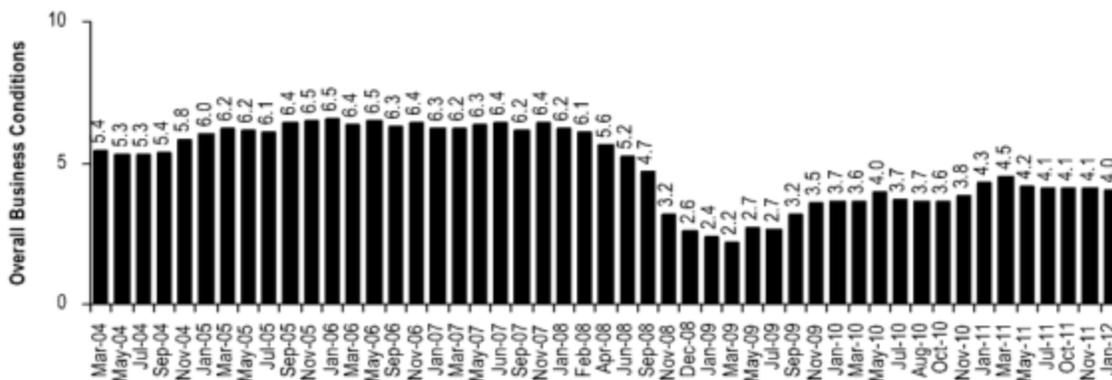
Chart 9: Indication of Overall Business Conditions, January 2012



Source: UBS Business Jet Survey

Overall, our average business conditions score came in at 4.0, 2% lower from our prior survey in November.

Chart 10: Overall Business Conditions

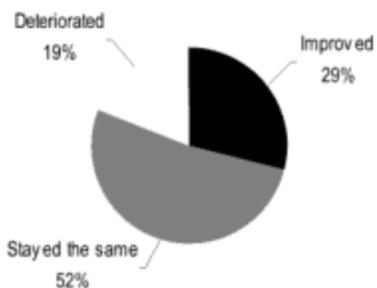


Source: UBS Business Jet Survey

Customer Interest

In the next question, we asked, “Since our last survey in November, the level of customer interest improved, stayed the same or deteriorated?” Of the 161 responses (all participants responded to this question), 29% indicated that customer interest had improved, while 19% indicated that customer interest had deteriorated. The remaining 52% indicated that customer interest had stayed the same. This result is stronger than our prior survey, in which 27% indicated that customer interest had improved, 20% indicated customer interest had deteriorated and 53% indicated that customer interest had stayed the same.

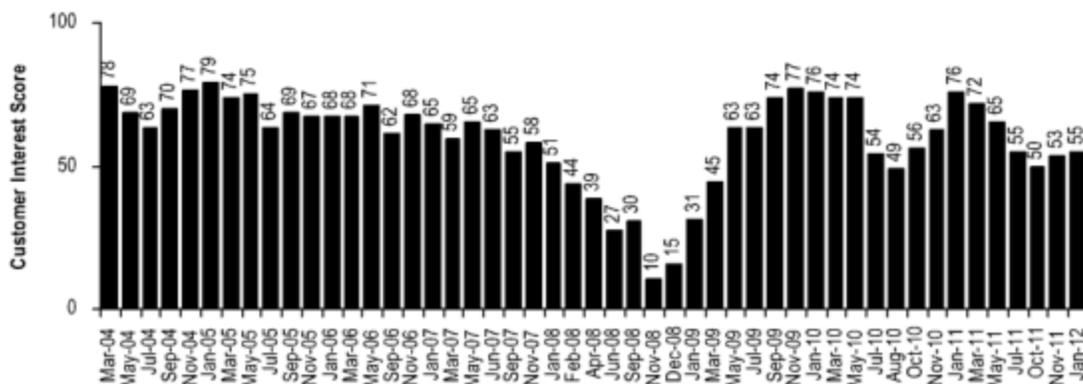
Chart 11: Indication of Customer Interest, January 2012



Source: UBS Business Jet Survey

Our customer interest score increased 3% to 55, above the 50 mark indicating incremental improvement.

Chart 12: UBS Business Jet Survey Score - Customer Interest

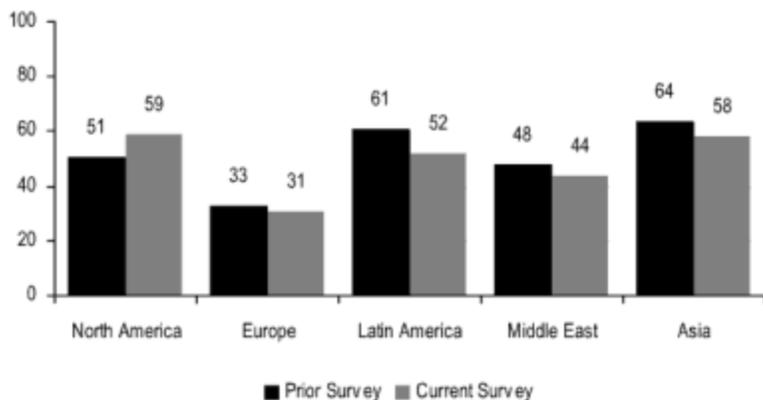


Source: UBS Business Jet Survey

Customer Interest by Region

Our survey indicates that customer interest levels vary by region with North America (59), Asia (58) and Latin America (52) reflecting incremental improvement, while customer interest in the Middle East (44) and Europe (31) appears to be falling off.

Chart 13: Customer Interest Score by Region Relative to Prior Survey in November

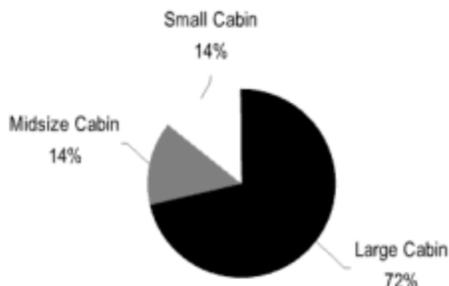


Source: UBS Business Jet Survey

Customer Interest by Cabin Class

In the next question, our participants were asked to indicate the class of aircraft in which they were seeing the most interest from potential buyers. Respondents were asked to choose from Large Cabin, Midsize Cabin or Small Cabin. Of the 118 responses (43 participants did not respond to this question), 72% indicated they were seeing the strongest interest in large cabin aircraft, with 14% indicating midsize and 14% indicating small cabin. Compared to our prior survey, this reflects slightly higher interest in the small cabin class relative to midsize.

Chart 14: Cabin Class with Most Buyer Interest, January 2012

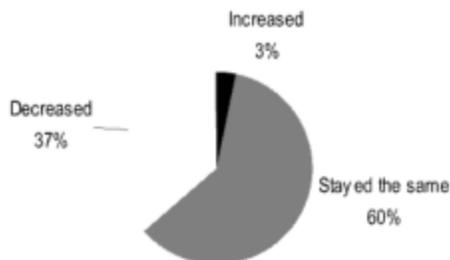


Source: UBS Business Jet Survey

Pricing

In the next question, we asked, “Since our last survey in November, overall pricing levels increased, stayed the same, or decreased?” Of the 153 responses (eight participants did not respond to this question), 3% indicated that pricing levels had increased, while 37% indicated that pricing levels had decreased. The remaining 60% indicated that pricing levels had stayed the same. These results are weaker than our prior survey in November in which 8% indicated that pricing levels had increased, 28% indicated that pricing levels had decreased, and the remaining 64% indicated that pricing levels had stayed the same.

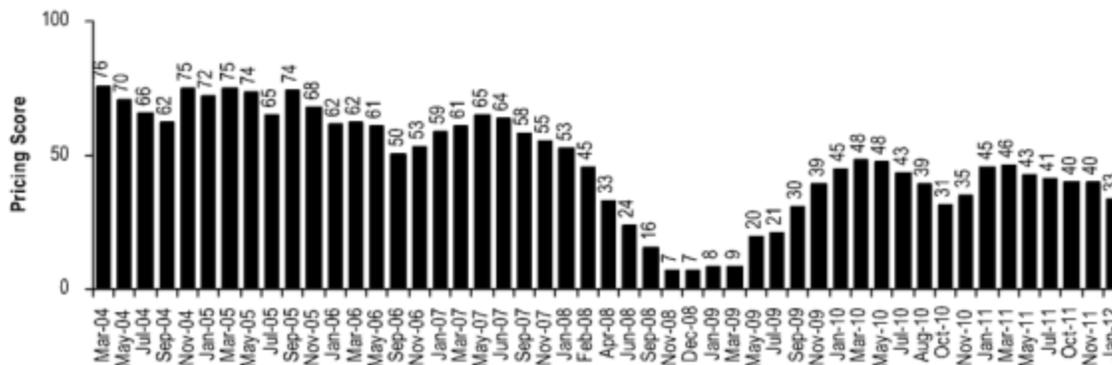
Chart 15: Indication of Pricing, January 2012



Source: UBS Business Jet Survey

Our pricing score came in at 33, 17% lower from our prior survey in November.

Chart 16: UBS Business Jet Survey Score - Pricing

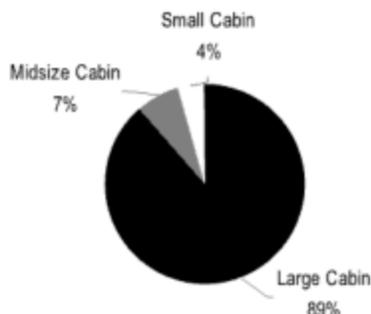


Source: UBS Business Jet Survey

Pricing by Cabin Class

In the next question, our participants were asked to indicate the cabin class of aircraft in which they were seeing the strongest pricing. Respondents were asked to choose from Large Cabin, Midsize Cabin or Small Cabin. Of the 122 responses (39 participants did not respond to this question), 89% indicated they were seeing the strongest pricing in large cabin aircraft, with 7% indicating midsize and 4% indicating small cabin. Compared to our prior survey, this reflects slightly stronger pricing in midsize relative to small.

Chart 17: Cabin Class with Strongest Pricing, January 2012

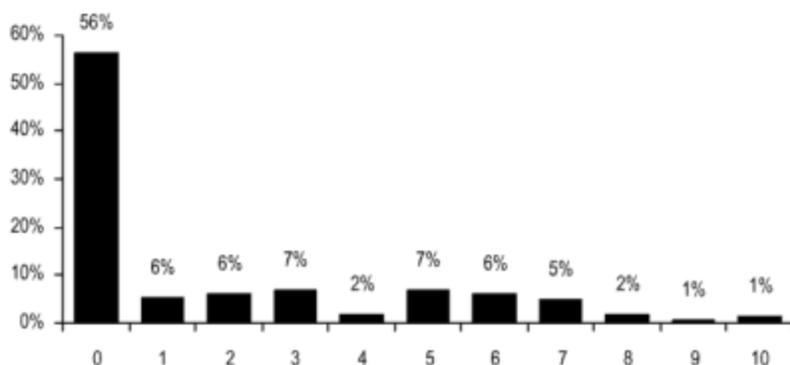


Source: UBS Business Jet Survey

Bonus Depreciation Impact

In the next question, we asked, “On a scale of zero to 10, how much did bonus depreciation positively impact your business in late 2011 (0 = no impact, 10 = very positive impact)?” We received 142 responses (19 participants did not respond to this question) with an average score of 2.

Chart 18: Impact on Business from Bonus Depreciation, January 2012

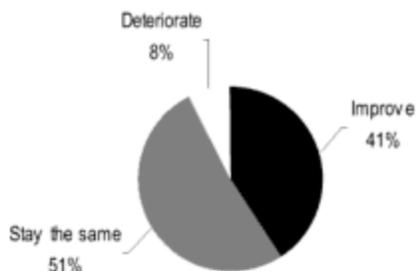


Source: UBS Business Jet Survey

12-Month Outlook

In the next question, we asked, “Over the next 12 months, do you expect overall business conditions to improve, stay the same or deteriorate?” Of the 158 responses (three participants did not respond to this question), 41% expect business conditions to improve, while 8% expect business conditions to deteriorate. The remaining 51% expect business conditions to stay the same over the next 12 months. These results are stronger than our prior survey in which 34% expected business conditions to improve, 14% expected business conditions to deteriorate and 52% expected business conditions to stay the same.

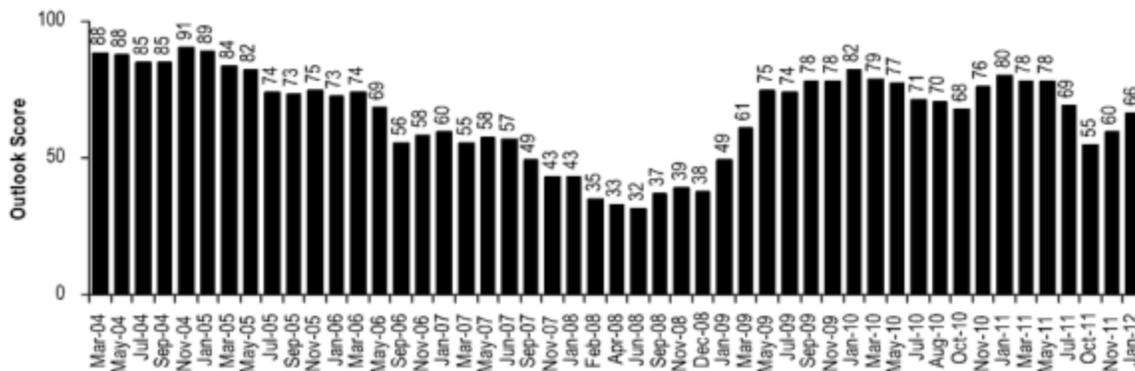
Chart 19: 12-Month Forward Outlook for Business Conditions, January 2012



Source: UBS Business Jet Survey

Our 12-month outlook score came in at 66 this time, 11% higher than in our prior survey, indicating that on average our survey participants expect business conditions to improve over the next 12 months.

Chart 20: UBS Business Jet Survey Score - 12-Month Outlook

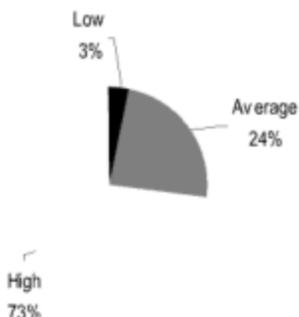


Source: UBS Business Jet Survey

Overall Inventory Levels

In the next question, we asked, “How would you characterize current inventory levels?” In this question, we targeted broker/dealers, but in some cases, other participants also responded. The survey participants were asked to select “high”, “average”, or “low.” Of the 125 responses (36 participants did not respond to this question), 3% believe inventory levels are low, while 73% believe inventory levels are high. The remaining 24% believe inventory to be at average levels. These results are weaker than our prior survey in November in which 6% believed inventory levels were low, 73% believed inventory levels were high and the remaining 24% believed inventory to be at average levels.

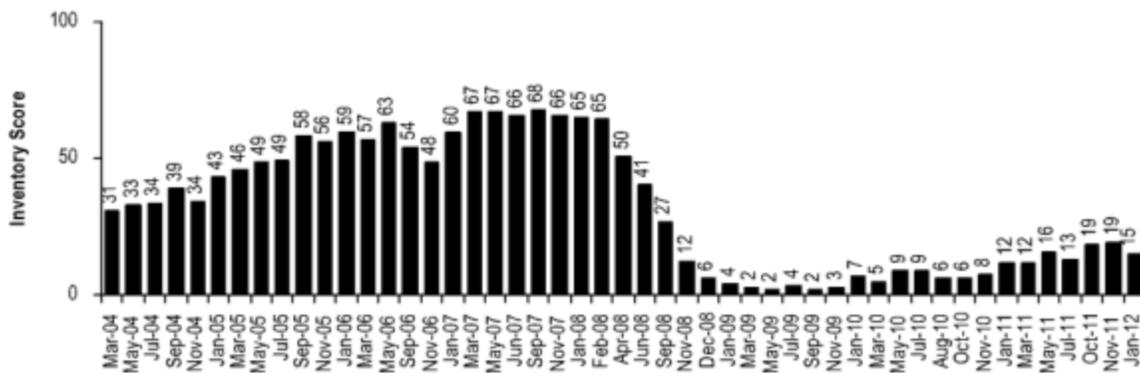
Chart 21: Indication of Inventory Levels, January 2012



Source: UBS Business Jet Survey

Our inventory score came in at 15 this time, 19% lower from our prior survey in November, and continues to reflect very high overall inventory levels.

Chart 22: UBS Business Jet Survey Score - Inventory Levels

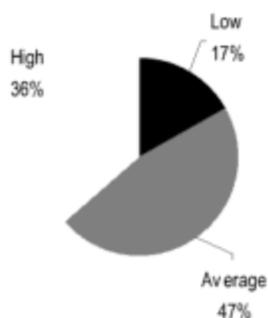


Source: UBS Business Jet Survey

Young Inventory Levels

In the next question, we asked, “How would you characterize current inventory levels of relatively young used aircraft?” In this question, we targeted broker/dealers, but in some cases, other participants also responded. The survey participants were asked to select “high”, “average”, or “low.” Of the 124 responses (37 participants did not respond to this question), 17% believe young inventory levels are low, 36% believe young inventory levels are high, and the remaining 47% believe young inventories to be at average levels. These results are weaker than in our prior survey in which 20% believed young inventory levels were low, 33% believed young inventory levels were high and 47% believed young inventories to be at average levels.

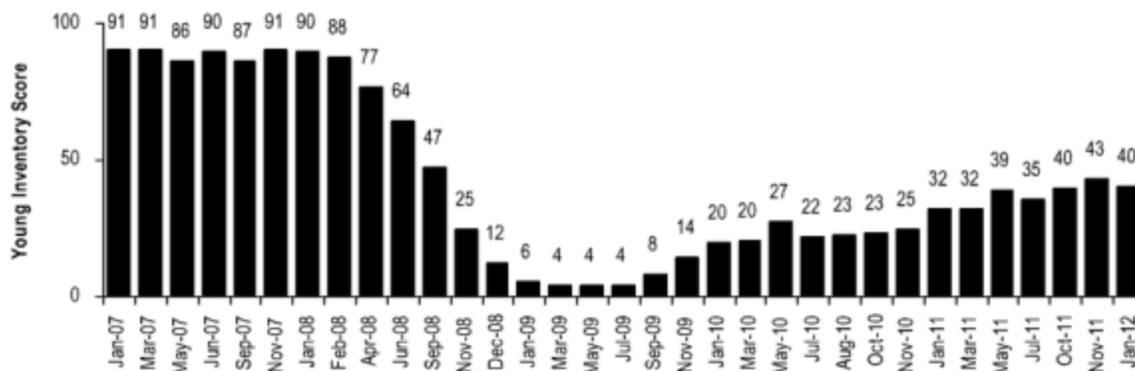
Chart 23: Indication of Young Inventory Levels, January 2012



Source: UBS Business Jet Survey

Our young inventory score at 40 continues to reflect oversupply of high-quality, young used aircraft.

Chart 24: UBS Business Jet Survey Score - Young Used Inventory Levels



Source: UBS Business Jet Survey

Willingness to Increase Inventories

In the next question, we asked, “Over the next month, will you be more or less willing to increase your inventory?” In this question, we again targeted broker/dealers, but in some cases, other participants also responded. The survey participants were asked to select “more willing”, “same”, or “less willing.” Of the 87 responses (74 participants did not respond to this question), 16% indicated they would be more willing to take on inventory, while 28% indicated they would be less willing to take on inventory. The remaining 56% indicated no change in their willingness to take on inventory. These results are better than our prior survey, in which 19% indicated they would be more willing to take on inventory, 37% indicated they would be less willing and 44% indicated no change in their willingness to take on inventory.

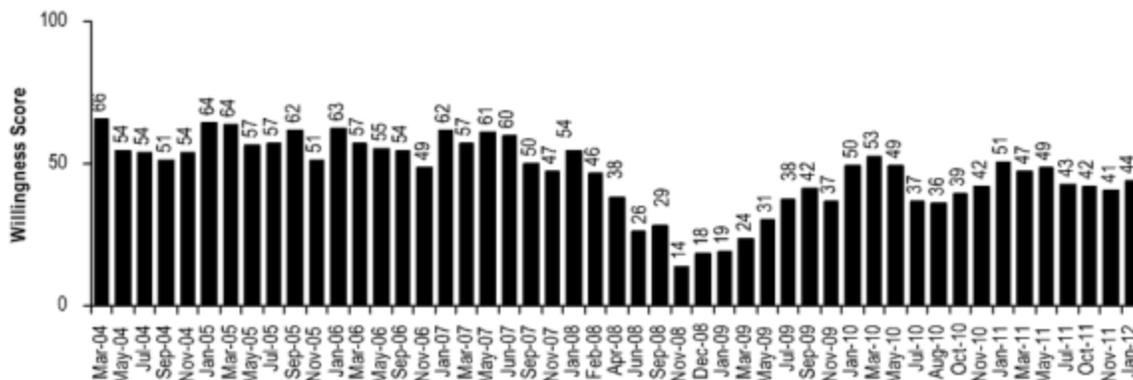
Chart 25: Willingness to Increase Inventory Levels, January 2012



Source: UBS Business Jet Survey

Our willingness score increased 9% to 44 this time, although still below 50 indicating that participants are less willing to take on new inventory compared to our prior survey in November.

Chart 26: UBS Business Jet Survey Score - Willingness to Increase Inventory Levels

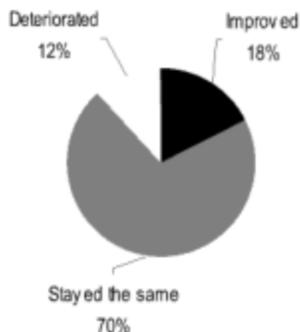


Source: UBS Business Jet Survey

Customer Financing

In the next question, we asked, “Since our last survey in November, has the availability of customer financing improved, stayed the same, or deteriorated?” Of the 152 responses (nine participants did not respond to this question), 18% indicated that customer financing conditions had improved, while 12% indicated that financing conditions had deteriorated. The remaining 70% indicated that financing conditions had stayed the same. These results are roughly in line with our prior survey in November.

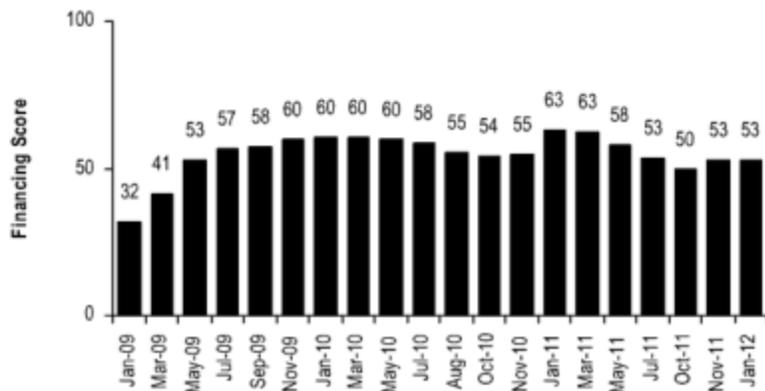
Chart 27: Financing Conditions, January 2012



Source: UBS Business Jet Survey

Our financing score came in at 53 this time, in line with our previous survey and above the 50 mark indicating incremental improvement.

Chart 28: UBS Business Jet Survey Score – Financing



Source: UBS Business Jet Survey

Commentary

The following are selected comments from business jet professionals.

Overall Business Conditions

- A cautious market but trending up.
- Trading conditions remain difficult, but interest remains good at all levels.
- Do not anticipate any sort of recovery until 2013.
- Year end activity was somewhat bolstered by bonus depreciation and some pent up demand.
- Activity levels improved in November, December and January.
- Finally seeing some interest in midsize/large cabin segment, but small cabin segment has been slow.
- Lots of activity in 4Q related to bonus depreciation on new aircraft side.
- The worst isn't over.
- Slowly getting better.
- Much more activity in last 30 days.
- Improving market, especially on long range and ultra-long range.
- Business is pent-up, but remains slow.
- Activity slowly getting better, but still more sellers than buyers.
- The momentum is definitely positive for 2012 following a very good 2011.

Aircraft Values / Pricing

- With bonus depreciation gone, the temporary increase in the (after tax) gap between new and late model used is gone. This may lead to strengthening in late model used prices.
- Near new aircraft still commanding top dollar, while anything older than two years is weaker and seems to have potential to weaken.
- Prices of large cabin jets are extremely high, but they are not selling as well as they have in the past.
- After firming during summer 2011, prices took another dip in Q3 and Q4 with a slug of new inventory on the market.
- Now entering typically slower Q1 with about average activity for season.

Customer Interest

- Seeing improving interest for newer aircraft.
- Entry level, light and large cabin aircraft markets are active; midsize and super-midsize remain inactive.

- We're still bumping along the bottom, though late, low-time, large-cabin aircraft remain desirable.
- New, heavy aircraft models are still strong.
- Mid-market pricing still very weak as manufacturers continue to give away planes.
- There has been a notable drop in customer purchase intentions.
- We have seen incredibly high customer interest since Q4, which seems to be continuing on into this year.
- We have as many sales on the go at the moment as we had back in the good times, but each sale is hard work and prices are very low.

US Market

- US market showing decent levels of interest, driven by need to get on with aircraft replacement; bonus depreciation is helping.
- Seeing a dramatic improvement in U.S. buyers' interests in both new and used aircraft.
- US buyers are out there, but are looking to acquire aircraft at dealer pricing.

International

- Western Europe showing very weak levels of buying activity.
- Emerging market activity continues to be relatively strong.
- The international venues remain selectively active.
- BRIC countries still showing strong demand.

Financing

- Although most activity is cash, we have found some interest in financing and even some financing for 25 to 30 year old aircraft.
 - Each bank seems to be offering different finance options, which is opening the doors for some much needed money.
 - Still no real foreign financing.
 - No financing for older aircraft.
 - Continued weak loan demand.
 - Deals taking a considerable amount of time to close, but closing.
-

■ **Statement of Risk**

The business jet market is cyclical in nature, largely driven by the general economic environment. Business jet manufacturers' earnings and cash flow are dependent on end-user demand, availability of customer financing, program execution and inventory management. Our estimates, ratings and price targets for General Dynamics, Textron and Rockwell Collins are subject to additional risks including poor program execution and government funding related to their defense and security businesses. Additionally, Textron faces liquidity risks related to its asset based lending businesses.

■ **Analyst Certification**

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	57%	36%
Neutral	Hold/Neutral	37%	35%
Sell	Sell	7%	17%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	0%
Sell	Sell	less than 1%	12%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 December 2011.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities LLC: David E. Strauss; Darryl Genovesi; Ryan Thackston.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
General Dynamics Corp. ¹⁶	GD.N	Buy	N/A	US\$69.71	01 Feb 2012
Rockwell Collins Inc. ^{2, 4, 5, 6a, 6b, 6c, 7, 8, 16, 18a}	COL.N	Buy	N/A	US\$59.12	01 Feb 2012
Textron Inc. ^{6c, 7, 13, 16, 18b, 22}	TXT.N	Buy	N/A	US\$25.66	01 Feb 2012

Source: UBS. All prices as of local market close.

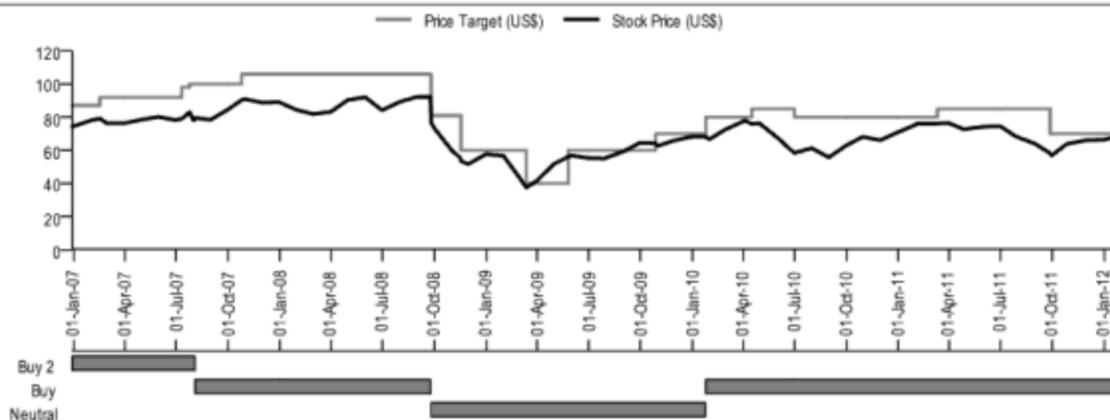
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

2. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company/entity or one of its affiliates within the past 12 months.
4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
5. UBS AG, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.
- 6a. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and investment banking services are being, or have been, provided.
- 6b. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and non-investment banking securities-related services are being, or have been, provided.
- 6c. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and non-securities services are being, or have been, provided.
7. Within the past 12 months, UBS Securities LLC has received compensation for products and services other than investment banking services from this company/entity.
8. The equity analyst covering this company, a member of his or her team, or one of their household members has a long common stock position in this company.

- 13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).
- 16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.
- 18a. The U.S. equity strategist, a member of his team, or one of their household members has a long common stock position in Rockwell Collins Inc.
- 18b. The U.S. equity strategist, a member of his team, or one of their household members has a long common stock position in Textron Inc.
- 22. UBS AG, its affiliates or subsidiaries held other significant financial interests in this company/entity as of last month's end (or the prior month's end if this report is dated less than 10 working days after the most recent month's end).

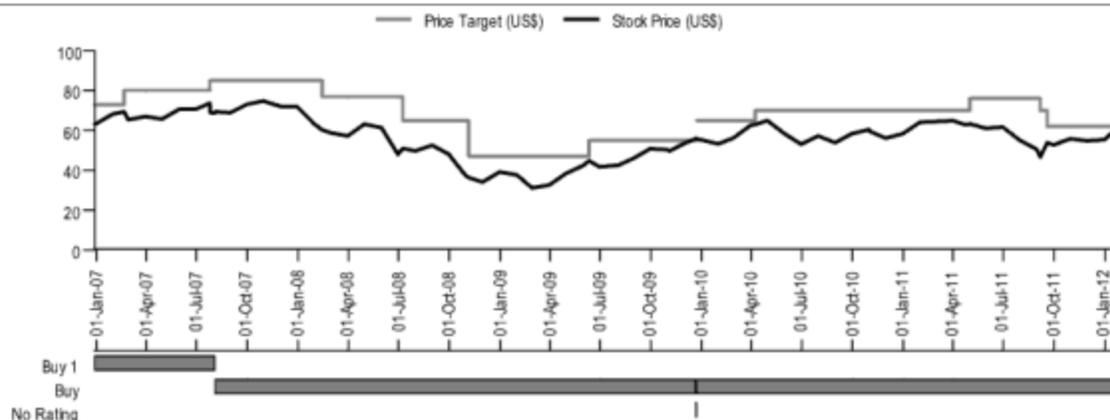
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

General Dynamics Corp. (US\$)



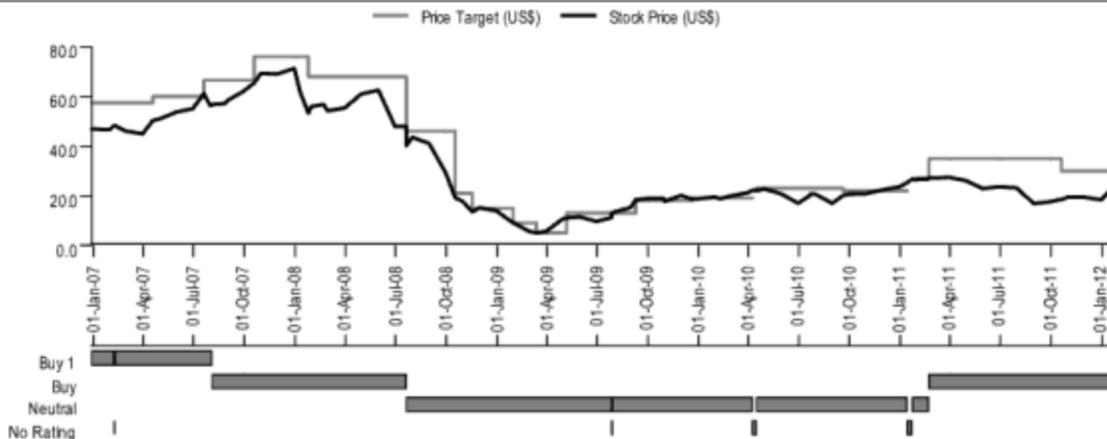
Source: UBS; as of 01 Feb 2012

Rockwell Collins Inc. (US\$)



Source: UBS; as of 01 Feb 2012

Textron Inc. (US\$)



Source: UBS; as of 01 Feb 2012

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

Additional Prices: Bombardier Inc., C\$4.72 (01 Feb 2012); Embraer, US\$28.64 (01 Feb 2012); Source: UBS. All prices as of local market close.

Global Disclaimer

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS. In certain countries, UBS AG is referred to as UBS SA.

This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. It is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning UBS AG, its subsidiaries and affiliates, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the report. UBS does not undertake that investors will obtain profits, nor will it share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by recipients as a substitute for the exercise of their own judgement. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS as a result of using different assumptions and criteria. Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. UBS is under no obligation to update or keep current the information contained herein. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates and other market conditions. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither UBS nor any of its affiliates, nor any of UBS' or any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC and/or UBS Capital Markets LP) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this research report. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by UBS or any other source, may yield substantially different results.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is communicated by UBS Limited, a subsidiary of UBS AG, to persons who are eligible counterparties or professional clients and is only available to such persons. The information contained herein does not apply to, and should not be relied upon by, retail clients. UBS Limited is authorised and regulated by the Financial Services Authority (FSA). UBS research complies with all the FSA requirements and laws concerning disclosures and these are indicated on the research where applicable. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France SA. UBS Securities France SA is regulated by the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this report, the report is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Prepared by UBS Menkul Değerler AS on behalf of and distributed by UBS Limited. **Russia:** Prepared and distributed by UBS Securities CJSC. **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A.. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this report, the report is also deemed to have been prepared by UBS Italia Sim S.p.A.. **South Africa:** UBS South Africa (Pty) Limited (Registration No. 1995/011140/07) is a member of the JSE Limited, the South African Futures Exchange and the Bond Exchange of South Africa. UBS South Africa (Pty) Limited is an authorised Financial Services Provider. Details of its postal and physical address and a list of its directors are available on request or may be accessed at <http://www.ubs.co.za>. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG, or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a "non-US affiliate"), to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a report prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this report must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a subsidiary of UBS AG and a member of the principal Canadian stock exchanges & CIPF. A statement of its financial condition and a list of its directors and senior officers will be provided upon request. **Hong Kong:** Distributed by UBS Securities Asia Limited. **Singapore:** Distributed by UBS Securities Pte. Ltd [mica (p) 039/11/2009 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte Ltd, an exempt financial advisor under the Singapore Financial Advisers Act (Cap. 110); or UBS AG Singapore branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or report. The recipient of this report represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Ltd to institutional investors only. Where this report has been prepared by UBS Securities Japan Ltd, UBS Securities Japan Ltd is the author, publisher and distributor of the report. **Australia:** Distributed by UBS AG (Holder of Australian Financial Services License No. 231087) and UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098) only to "Wholesale" clients as defined by s761G of the Corporations Act 2001. **New Zealand:** Distributed by UBS New Zealand Ltd. An investment adviser and investment broker disclosure statement is available on request and free of charge by writing to PO Box 45, Auckland, NZ. **Dubai:** The research prepared and distributed by UBS AG Dubai Branch, is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This report may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (253825-x) **India:** Prepared by UBS Securities India Private Ltd. 2/F 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000 SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, BSE (Capital Market Segment) INB010951437.

The disclosures contained in research reports produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this material in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2012. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

