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Subject: FW: UBS Business Jet Survey: Stuck in Neutral

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Attachments: BizjetSurvey_MN052611.pdf; disclaim.txt

* **Index down slightly to 48:** Our latest Business Jet Market Index came in at 48, down slightly from 49 in our prior survey from March on slowing incremental improvement in customer interest and still weak pricing. The slight drop reflects relative weakness in the small and midsize markets as our small cabin index declined 7% to 44 (from 48) and midsize declined by 3% to 49 (from 51). At the same time, large cabin moved up by 2% back to 50 (from 49). Our straight up measure of absolute business conditions moved 7% lower to 4.2 (from 4.5).

* **Customer interest improvement slows, N. America relatively strong:** Our customer interest score was the biggest driver of the overall decline in our Index, moving 9% lower this time to 65, although still well above the 50 mark indicating incremental improvement. While our survey indicates that customer interest is improving across all regions, our customer interest score was strongest in Asia at 69, Latin America at 68 and N. America at 63 while Europe and the Middle East lagged, both at 53. We view improving customer interest in N. America as a very positive development.

* **Positive on business jet recovery:** We believe recent stabilization in our survey and other key indicators that we monitor including flight activity, used inventories and pricing is reflective of an early stage recovery. We maintain our Buy ratings on all three of the business jet manufacturers we cover, BBD/GD/TXT. Of the suppliers, Buy-rated COL is our preferred play on business jets.

Best regards,

Sean J. Lancaster

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