

UBS Investment Research
UBS Business Jet Update

Americas

Aerospace

Sector Comment

Business jet inventory slightly lower

■ **Available inventories slightly lower in April**

Available for sale business jet inventories moved 1% lower in April and are now 18% below the peak from May 2009. We estimate available inventories represent 13% of the installed base of business jets, in-line with the historical average and below recent peak at 18%. Young available aircraft inventories (0-10 years old) moved 1% lower this month leaving them 32% below the peak, but at 9% of the installed base are still above the 5-6% level seen during the last upcycle.

■ **Embraer, Europe most for sale; North America relatively low**

Of the major manufacturers, Embraer has 15% of its in-service fleet available for sale, followed by Bombardier/Cessna at 14%, Dassault/Hawker at 13% and Gulfstream at 11%. At the end of April, Europe had the largest percentage of its installed base available for sale at 17%, followed by North America at 14%, LatAm/Middle East both at 11% and Asia/Pacific at 9%. However, when considering only young aircraft (0-10 years old), North America has only 7% of its installed base available for sale as compared to Europe at 13%.

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

We believe North America bizjet is improving, driven by replacement demand postponed during the downturn. While the bizjet stocks have moved higher, we still see positive risk-rewards as we don't think stocks incorporate much for bizjets at current levels including Buy rated TXT/COL/GD.

15 May 2012

www.ubs.com/investmentresearch

David E. Strauss

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

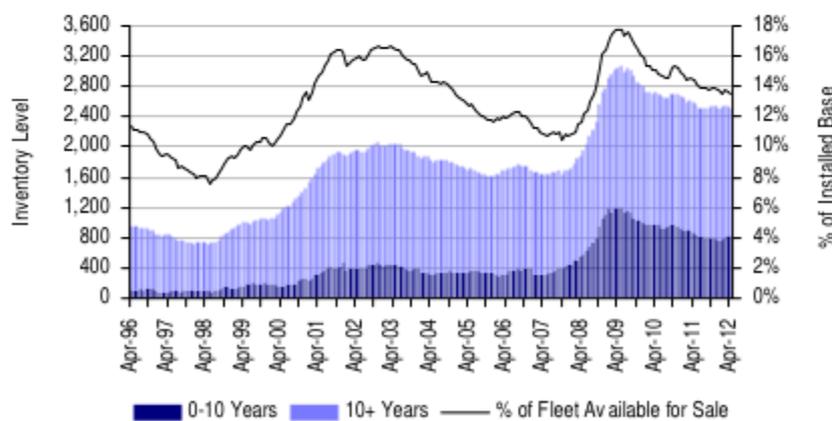
Darryl Genovesi

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

Matthew Akers

Associate Analyst
matthew.akers@ubs.com
+1-212-713 4881

Chart 1: Available Aircraft Listings - Total and Young (0-10 years in-age)



Source: JETNET and UBS estimates

This report has been prepared by UBS Securities LLC
ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 13.

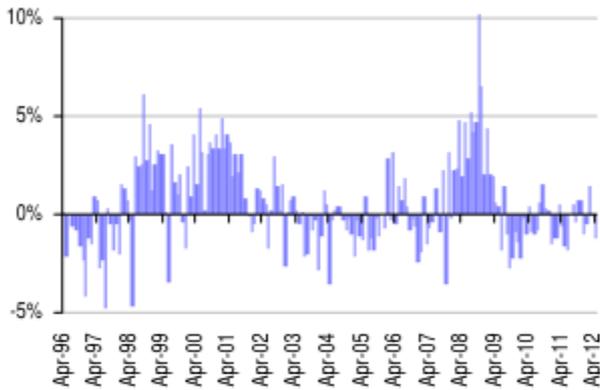
UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment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

Investment Summary

We believe the used business jet market serves as a leading indicator of the new business jet market. We closely monitor several key indicators of activity in the secondary market, including: 1) inventory of available for sale aircraft including new delivery positions listed for sale, 2) age distribution of available aircraft and 3) pricing of available for sale aircraft.

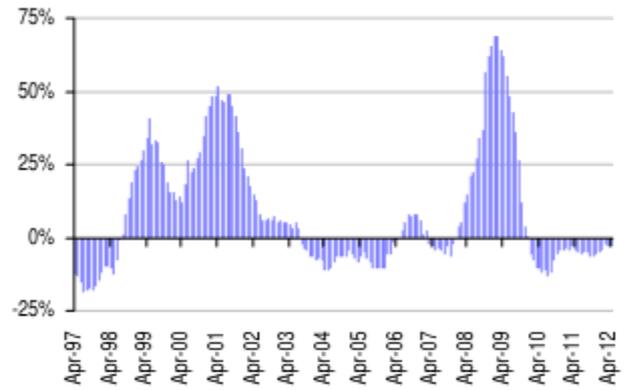
Available for sale business jet inventories were 1% lower sequentially in April and remain roughly 18% below the peak from May 2009. We estimate available inventories represent 13% of the installed base of business jets, in-line with the historical average and below recent peak at 18%.

Chart 2: Sequential Change in Available Aircraft Listings



Source: JETNET and UBS estimates

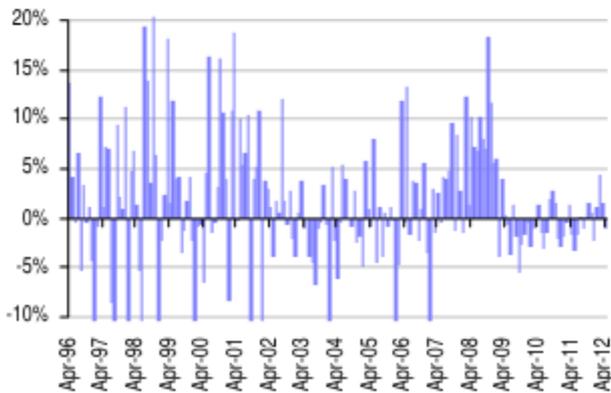
Chart 3: y/y Change in Available Aircraft Listings



Source: JETNET and UBS estimates

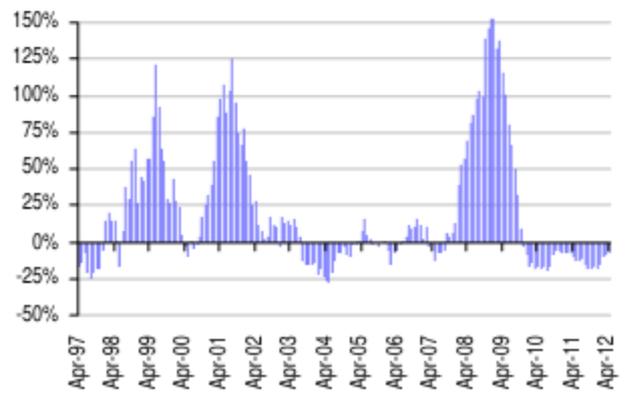
Young available aircraft inventories (0-10 years old) moved 1% lower this month leaving them 32% below peak, but at 9% of the installed base are still above the 5-6% level seen during the last upcycle.

Chart 4: Sequential Change in Young Aircraft Listings



Source: JETNET and UBS estimates

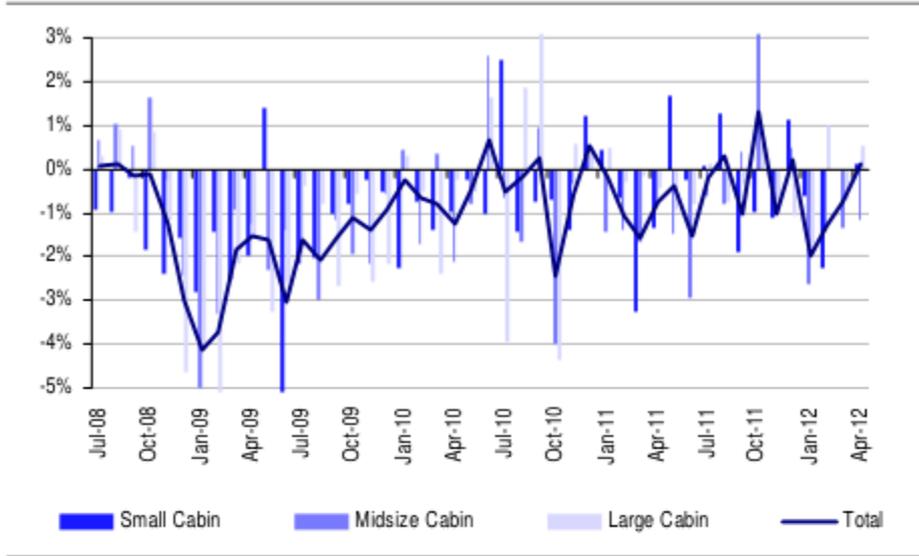
Chart 5: y/y Change in Young Aircraft Listings



Source: JETNET and UBS estimates

Average asking prices for the 39 newer used models we track continue to bounce along bottom, roughly unchanged in April and still 30-40% below peak levels. Average asking prices moved higher for large cabin this month with midsize lower and small cabin pricing roughly unchanged.

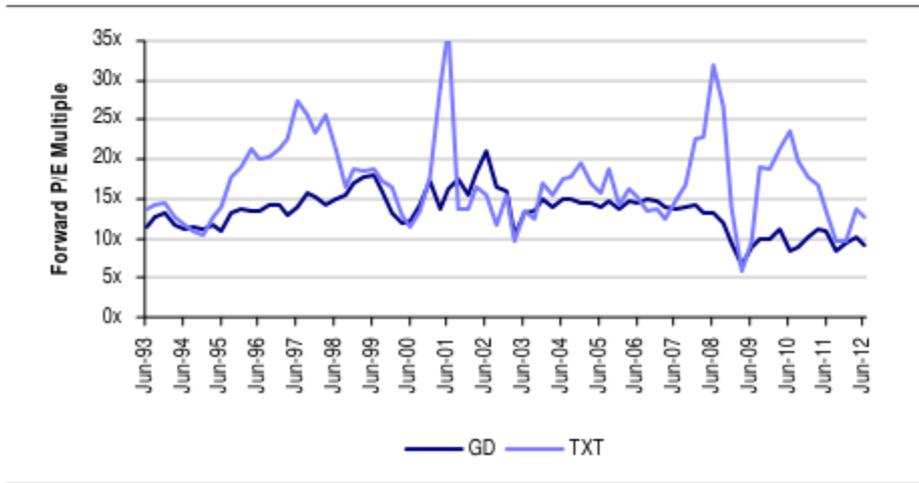
Chart 6: Sequential Change in Average "Newer" Used Jet Asking Prices



Source: JETNET and UBS estimates

We believe North America bizjet demand is improving, driven by replacements postponed during the downturn. While the bizjet stocks have moved higher, we still see positive risk-rewards as we don't think stocks incorporate much for bizjets at current levels including Buy rated TXT/COL/GD.

Chart 7: GD and TXT Forward P/E Multiples



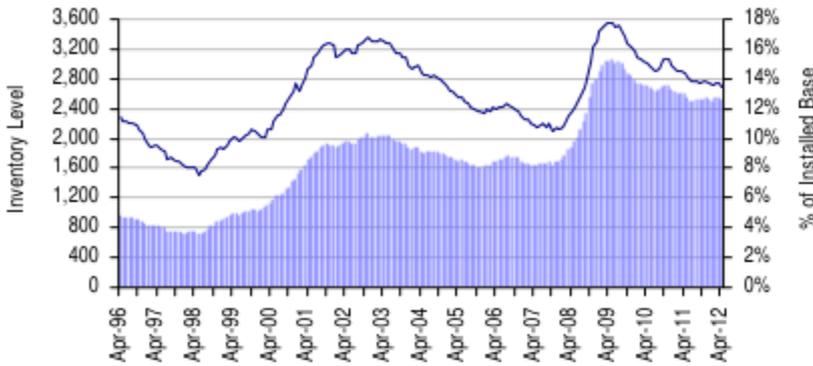
Source: UBS estimates

Available Inventory Levels

We count 2,512 business jets available for sale at the end of April (2,464 used aircraft and 48 new delivery positions), 1% lower from the prior month. We estimate available inventories represent 13% of the installed base of business jets, in-line with the historical average and below recent peak at 18%.

Chart 8: Business Jets Available for Sale and as a Percentage of the Installed Base

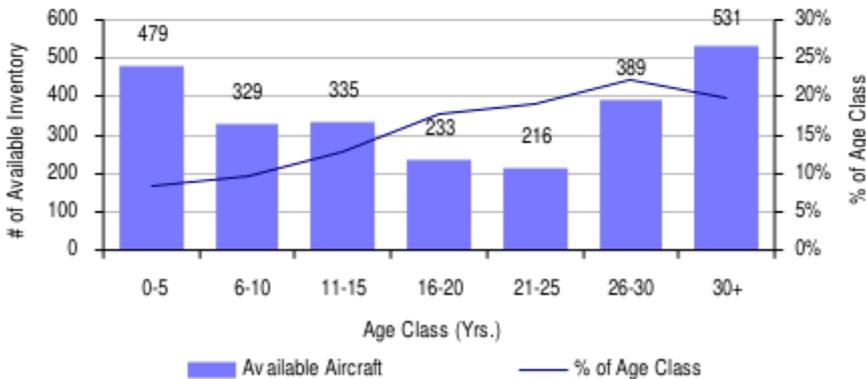
Available business jet inventories are coming off record highs



Source: JETNET and UBS estimates

We have grouped available-for-sale business jets into 5-year age classes. We estimate the 0-5 and 6-10 year classes now have 8% (479) and 10% (329) of their respective fleets available for sale compared with the 7-8% historical average. Meanwhile, business jets 20-30 years old have roughly 21% of their fleets available for sale, roughly in line with average historical levels.

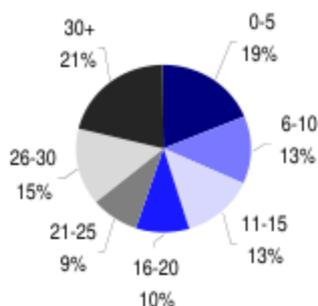
Chart 9: Available Inventory by Age Class and as % of Fleet in Age Class



Source: JETNET and UBS estimates

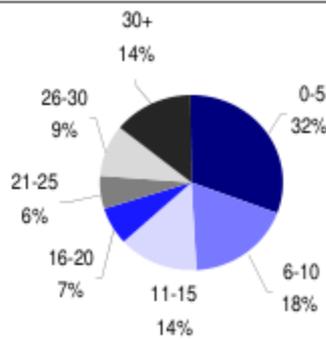
Young aircraft (0-10 years) constitute 32% of total available inventory, above the historical average at 20-25%, but lower than the in-service fleet at 49%.

Chart 10: Available for Sale Inventory by Age Class (in years)



Source: JETNET and UBS estimates

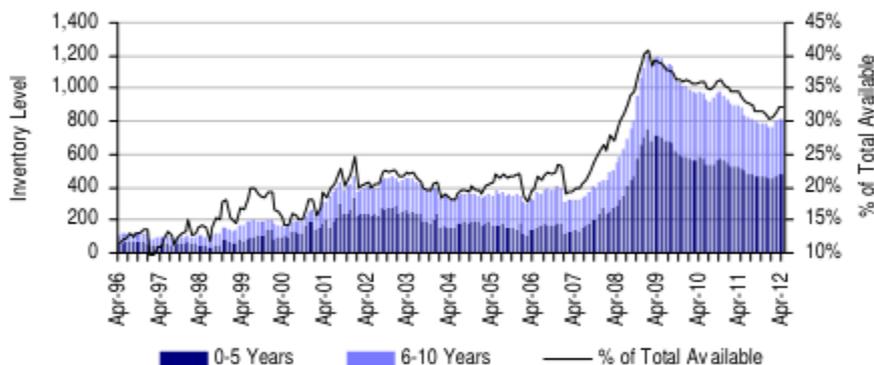
Chart 11: Installed Fleet by Age Class (in years)



Source: JETNET and UBS estimates

We estimate young available aircraft inventories (0-10 years old) moved 1% lower this month leaving them 32% below peak levels, but at 9% of the installed base are still above the 5-6% level seen during the last upcycle.

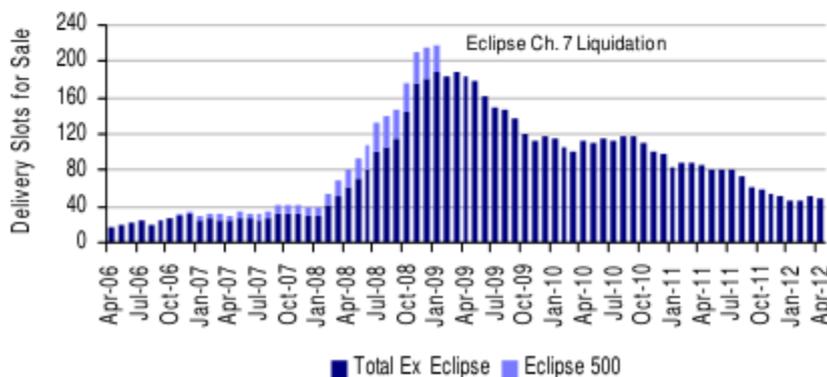
Chart 12: Young Aircraft Available for Sale (0-10 years) and % of Total Available



Source: JETNET and UBS estimates

Of 479 0-5 year old aircraft available for sale, 48 are new delivery slots, 8% lower from the prior month, and 74% below the 2009 peak (ex Eclipse). By manufacturer, we count 26 Embraer delivery slots available for sale, along with six Cessna slots, ten Bombardier slots and six Boeing/Airbus bizliner slots.

Chart 13: Historical New Aircraft Delivery Positions Listed for Sale



Source: JETNET and UBS estimates

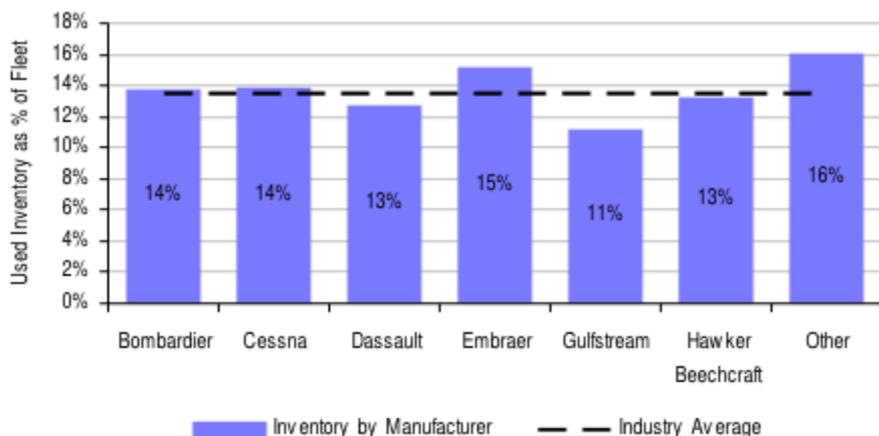
Table 1: New Delivery Positions Listed for Sale at Apr 30 and Mar 30

Model	Apr-12	Mar-12
Phenom 300	13	16
Legacy 500	6	4
Phenom 100	5	5
Airbus ACJ319	4	4
Global 5000	3	4
Citation Mustang	3	3
Citation CJ4	1	2
Boeing BBJ	2	2
Global Express XRS	2	2
Citation CJ2+	1	1
Global 6000	2	1
Lineage 1000	1	1
Citation XLS+	1	1
Legacy 450	1	1
Challenger 605	1	-
Citation CJ2	-	-
Global 7000	1	-
Challenger 300	1	-
Total	48	47

Source: JETNET and UBS estimates

Of the major manufacturers, Embraer has 15% of its in-service fleet available for sale, followed by Bombardier/Cessna at 14%, Dassault/Hawker at 13% and Gulfstream at 11%.

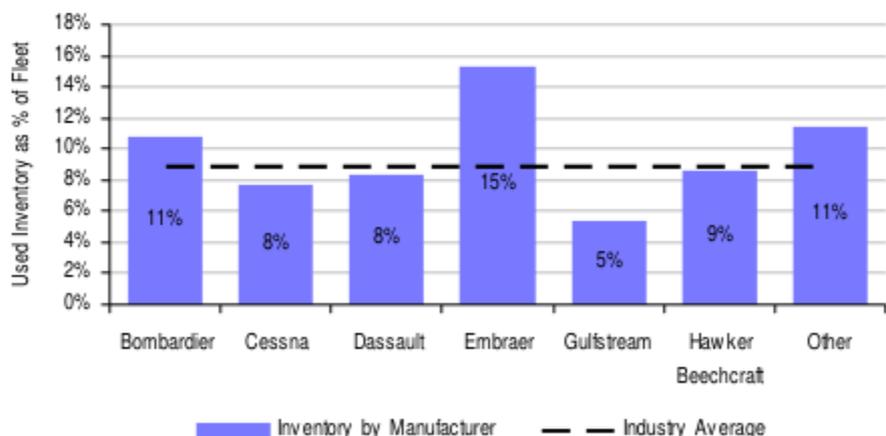
Chart 14: Available Inventory by Manufacturer



Source: JETNET and UBS estimates

When considering only young available aircraft inventories (0-10 years old), Embraer had the largest percentage of its installed base available for sale at 15%, followed by Bombardier at 11%, Hawker at 9%, and Cessna/Dassault at 8%.

Chart 15: Available young (0-10) inventory by manufacturer

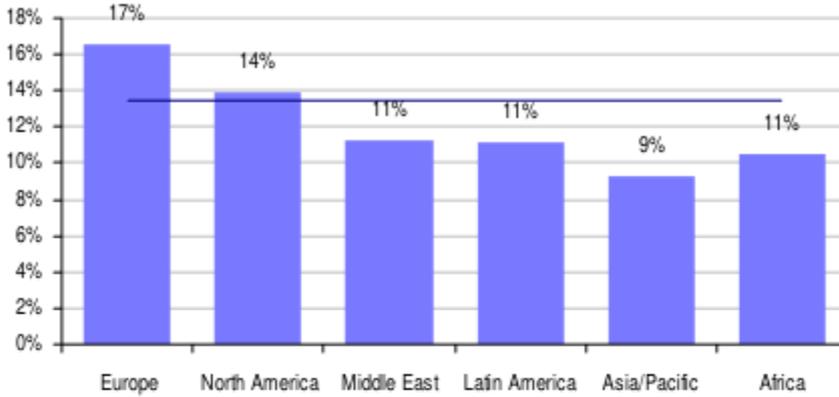


Source: JETNET and UBS estimates

By Geography

At end of April, Europe had the largest percentage of its installed base available for sale at 17%, followed by North America at 14%, LatAm/Middle East both at 11% and Asia/Pacific at 9%.

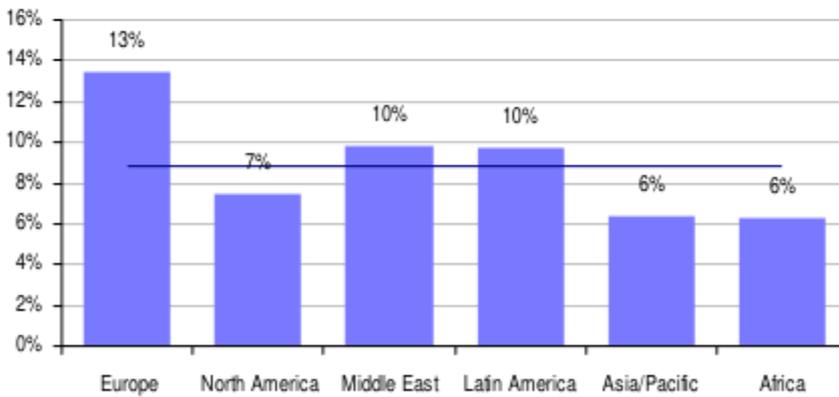
Chart 16: Total Inventory as % of Installed Base



Source: JETNET and UBS estimates

When considering only young available aircraft inventories (0-10 years old), Europe again had the largest percentage of its installed base available for sale at 13%, followed by the Middle East and Latin America at 10%, North America at 7% and Asia/Pacific at 6%.

Chart 17: Young (0-10) Inventory as % of Young Installed Base



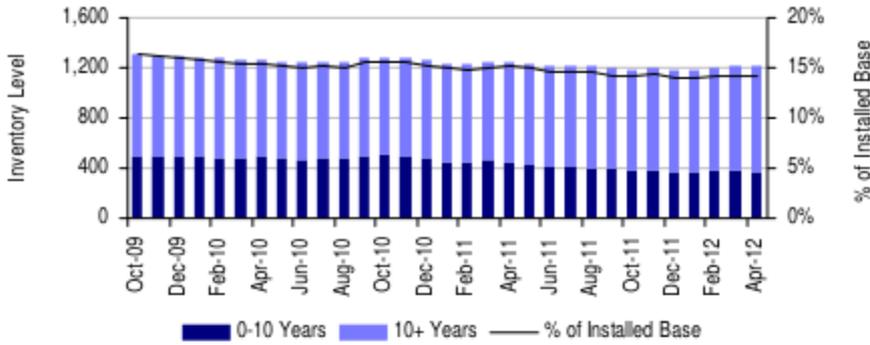
Source: JETNET and UBS estimates

By Range Class

At the end of April, the short and mid-range classes both had 14% of their respective fleets available for sale, followed by long-range at 10%. During April, we estimate available-for-sale long-range aircraft inventories moved 3% higher, while available mid-range aircraft moved 4% lower and available short-range inventories were roughly unchanged.

Young short-range aircraft represent 31% of total short-range available aircraft.

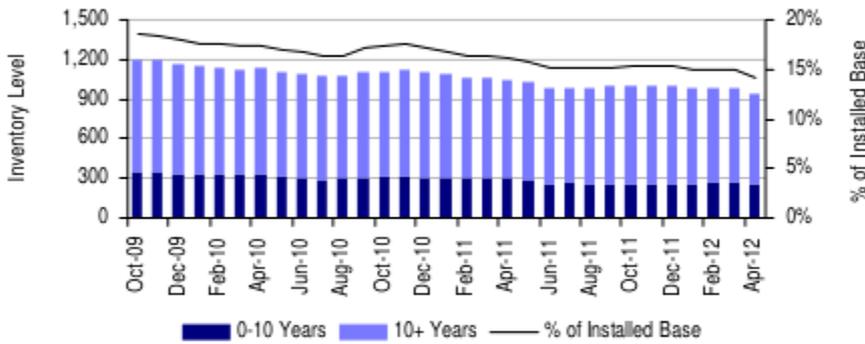
Chart 19: Available Short Range Aircraft Listings - Total and Young (0-10 years in age)



Note: Includes available aircraft with range below 2,000 nmi. Source: JETNET and UBS estimates

Young mid-range aircraft represent 29% of total mid-range available aircraft.

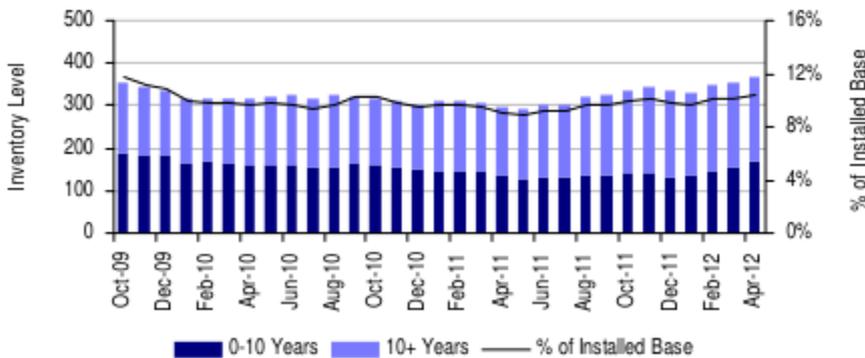
Chart 21: Available Medium Range Aircraft Listings - Total and Young (0-10 years in age)



Note: Includes available aircraft with range below 2,000 nmi. Source: JETNET and UBS estimates

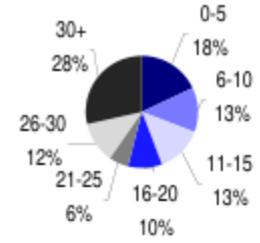
Young long-range aircraft represent 46% of total long-range available aircraft.

Chart 23: Available Long Range Aircraft Listings - Total and Young (0-10 years in age)



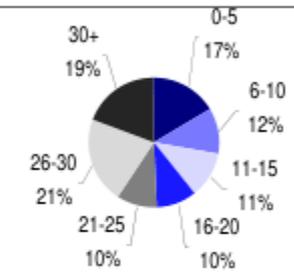
Note: Includes available aircraft with range below 2,000 nmi. Source: JETNET and UBS estimates

Chart 18: Age Distribution of Available Short-Range Aircraft



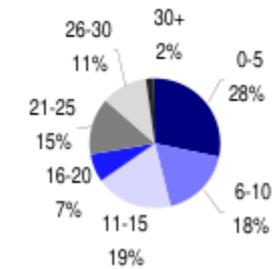
Source: JETNET and UBS estimates

Chart 20: Age Distribution of Available Medium-Range Aircraft



Source: JETNET and UBS estimates

Chart 22: Age Distribution of Available Long-Range Aircraft



Source: JETNET and UBS estimates

A Look at the Newer Models

Of the 39 newer models that we track individually, 17 have at least 10% of their installed fleets available for sale. Of these 39 models, 13 showed sequential inventory increases in April, while nine were flat and 17 declined. Compared with the prior year, 24 models had higher levels of available inventory, one model was unchanged and 14 declined.

Table 2: Available Aircraft Listings and Average Asking Price for Newer Models

Aircraft Model	Manufacturer	Installed Base in Model	Available Aircraft % Inst. Base	Available Inventory					Average Used Asking Price (\$M)				
				Apr-12	Mar-12	Change	Apr-11	Change	Apr-12	Apr-11	Change	Max	Change
Long Range													
Global Express XRS	Bombardier	161	7%	11	10	10%	6	83%	\$ 42.1	\$ 47.7	-12%	\$ 58.0	-27%
Global Express BD-700	Bombardier	148	12%	18	18	0%	17	6%	\$ 27.7	\$ 26.0	7%	\$ 48.9	-43%
Gulfstream G-550	Gulfstream	340	4%	15	15	0%	14	7%	\$ 34.9	\$ 38.1	-8%	\$ 59.9	-42%
Falcon 7x	Dassault	136	6%	8	8	0%	6	33%	\$ 43.5	\$ 48.9	-11%	\$ 48.9	-11%
Super Large													
Gulfstream G-V	Gulfstream	192	7%	13	12	8%	6	117%	\$ 24.4	\$ 25.0	-2%	\$ 45.0	-46%
Gulfstream G-450	Gulfstream	226	4%	9	9	0%	6	50%	\$ 26.2	\$ 27.8	-6%	\$ 42.2	-38%
Gulfstream G-IVSP	Gulfstream	286	7%	20	23	-13%	12	67%	\$ 11.3	\$ 15.0	-24%	\$ 31.5	-64%
Global 5000	Bombardier	114	10%	11	7	57%	10	10%	\$ 33.8	\$ 31.5	7%	\$ 51.4	-34%
Lineage 1000	Embraer	14	29%	4	4	0%	1	300%	n/a	n/a	n/a	n/a	n/a
Falcon 900EX	Dassault	236	8%	20	19	5%	15	33%	\$ 22.8	\$ 26.1	-12%	\$ 39.5	-42%
Large													
Falcon 2000 EX / LX	Dassault	233	9%	20	23	-13%	16	25%	\$ 21.2	\$ 22.4	-5%	\$ 33.0	-36%
Challenger 800 / 850	Bombardier	76	14%	11	11	0%	8	38%	\$ 18.0	\$ 15.3	18%	\$ 18.0	0%
Challenger 605	Bombardier	177	6%	11	11	0%	10	10%	\$ 18.2	n/a	n/a	\$ 31.0	-41%
Challenger 604	Bombardier	363	15%	54	53	2%	45	20%	\$ 10.2	\$ 11.4	-10%	\$ 22.3	-54%
Legacy 600	Embraer	174	15%	26	31	-16%	25	4%	\$ 15.4	\$ 17.3	-11%	\$ 24.5	-37%
Medium Large													
Gulfstream G-200	Gulfstream	245	9%	23	24	-4%	21	10%	\$ 8.5	\$ 9.8	-13%	\$ 18.3	-53%
Falcon 2000	Dassault	235	11%	26	28	-7%	27	-4%	\$ 9.7	\$ 15.8	-39%	\$ 22.0	-56%
Hawker 4000	Hawker Beechcraft	56	13%	7	5	40%	2	250%	\$ 14.2	\$ 18.8	-24%	\$ 18.8	-24%
Challenger 300	Bombardier	343	7%	24	25	-4%	21	14%	\$ 14.2	\$ 15.2	-7%	\$ 24.8	-43%
Citation X	Cessna	307	5%	16	17	-6%	24	-33%	\$ 8.1	\$ 8.8	-8%	\$ 18.8	-57%
Medium													
Citation Sovereign	Cessna	324	6%	19	20	-5%	29	-34%	\$ 11.0	\$ 11.5	-4%	\$ 16.6	-33%
Gulfstream G-150	Gulfstream	94	3%	3	5	-40%	5	-40%	n/a	\$ 10.2	n/a	\$ 13.8	n/a
Gulfstream G-100	Gulfstream	80	13%	10	9	11%	10	0%	\$ 3.3	\$ 4.5	-26%	\$ 10.4	-68%
Learjet 60 / 60XR	Bombardier	406	16%	64	66	-3%	61	5%	\$ 5.9	\$ 6.0	-3%	\$ 11.0	-47%
Hawker 800XP	Hawker Beechcraft	423	11%	47	51	-8%	66	-29%	\$ 3.7	\$ 4.6	-20%	\$ 10.7	-66%
Hawker 750 / 850 / 900	Hawker Beechcraft	364	8%	30	27	11%	32	-6%	\$ 8.0	\$ 7.7	4%	\$ 12.1	-34%
Super Light													
Citation XLS / XLS+	Cessna	430	6%	26	29	-10%	25	4%	\$ 8.3	\$ 7.9	5%	\$ 11.8	-29%
Citation Excel	Cessna	369	8%	28	27	4%	30	-7%	\$ 4.2	\$ 4.9	-14%	\$ 9.5	-56%
Learjet 45 / 45XR	Bombardier	426	12%	51	47	9%	44	16%	\$ 5.3	\$ 5.8	-9%	\$ 9.5	-44%
Light													
Learjet 40 / 40XR	Bombardier	130	12%	16	15	7%	15	7%	\$ 5.3	\$ 6.1	-14%	\$ 8.2	-36%
Hawker 400XP	Hawker Beechcraft	250	7%	17	16	6%	26	-35%	\$ 3.1	\$ 3.2	-4%	\$ 5.5	-43%
Citation Encore / Encore+	Cessna	230	4%	9	9	0%	16	-44%	\$ 4.1	\$ 3.6	12%	\$ 8.5	-52%
Citation CJ3	Cessna	378	7%	26	29	-10%	27	-4%	\$ 5.6	\$ 6.0	-7%	\$ 8.0	-30%
Entry Level													
Hawker Premier	Hawker Beechcraft	283	11%	31	33	-6%	36	-14%	\$ 2.7	\$ 3.0	-10%	\$ 5.2	-48%
Citation Mustang	Cessna	394	8%	32	30	7%	28	14%	\$ 2.2	\$ 2.4	-7%	\$ 2.8	-20%
Citation CJ2 / CJ2+	Cessna	433	12%	53	57	-7%	51	4%	\$ 4.1	\$ 4.2	-4%	\$ 5.9	-31%
Citation CJ1 / CJ1+	Cessna	299	13%	39	41	-5%	48	-19%	\$ 2.9	\$ 3.0	-1%	\$ 4.3	-32%
Phenom 100	Embraer	241	9%	22	23	-4%	31	-29%	\$ 3.2	\$ 3.1	4%	\$ 3.5	-9%
Phenom 300	Embraer	78	24%	19	19	0%	24	-21%	\$ 8.0	\$ 8.7	-8%	\$ 8.7	-8%

Notes: Available inventory figures include new aircraft delivery positions; pricing figures do not.

Max column represents the maximum average monthly listed asking price since 2005.

Gulfstream G-100 also includes Astra 1125SPX.; Hawker 800XP also includes 800XPi.

Source: JETNET and UBS estimates

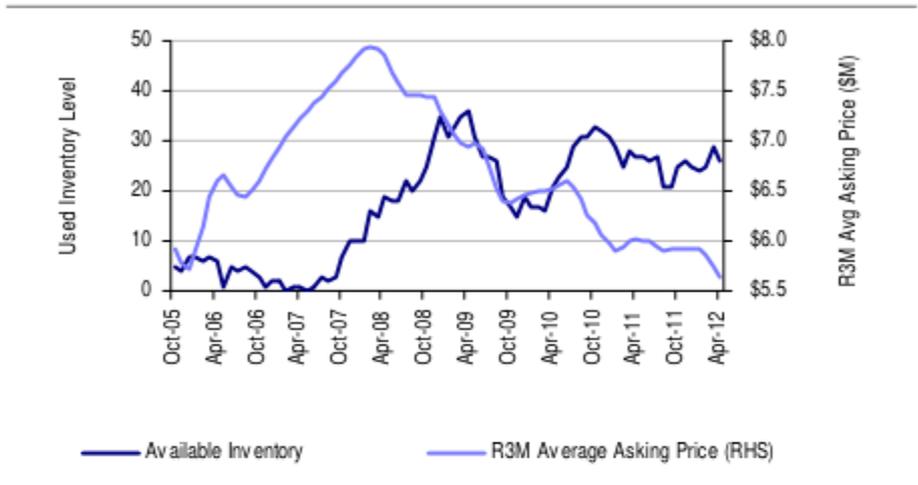
Pricing Trends in the Secondary Market

Rather than look at average pricing for the entire population of available aircraft, which can be distorted by monthly composition changes, we monitor six models that we believe capture pricing trends in their respective categories.

Light

We estimate the average asking price for a Citation CJ3 moved 2% lower in April, and is 30% below its recent peak, while available inventories are 28% below their recent peak after a 10% decrease this month.

Chart 24: Citation CJ3 Rolling Three-Month Average Asking Price

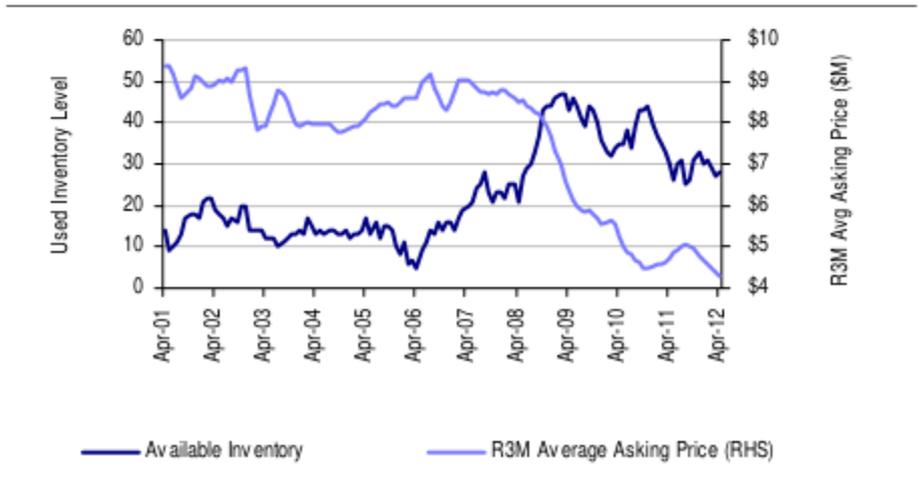


Source: JETNET and UBS estimates

Super Light

We estimate the average asking price for a Citation Excel moved 2% lower in April, and is 56% below its recent peak, while available inventories are 40% below their recent peak including a 4% increase this month.

Chart 25: Citation Excel Rolling Three-Month Average Asking Price

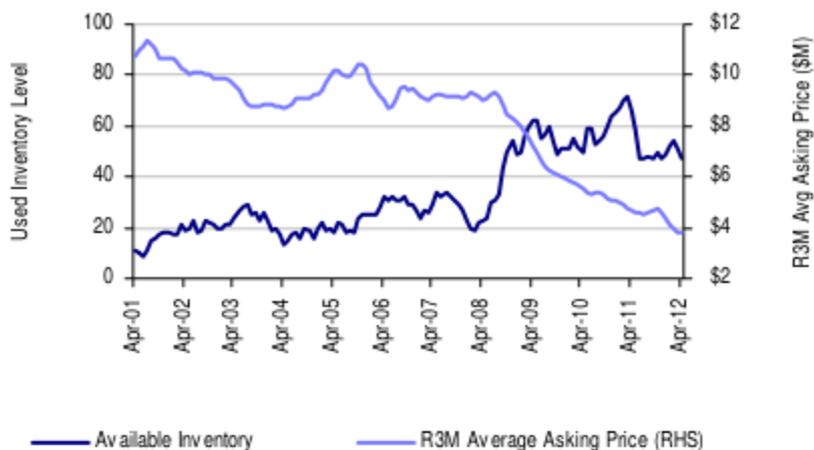


Source: JETNET and UBS estimates

Medium

We estimate the average asking price for a Hawker 800XP moved 2% lower in April, and is 66% below its recent peak, while available inventories are 35% below their recent peak including an 8% decline this month.

Chart 26: Hawker 800XP Rolling Three-Month Average Asking Price

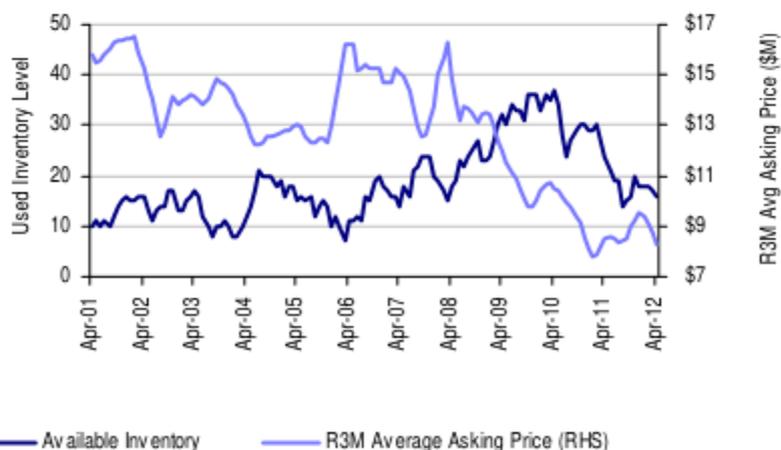


Source: JETNET and UBS estimates

Medium Large

We estimate the average asking price for a Citation X moved 5% lower in April, and is 57% below its recent peak, while available inventories are 57% below their recent peak including a 6% decline this month.

Chart 27: Citation X Rolling Three-Month Average Asking Price

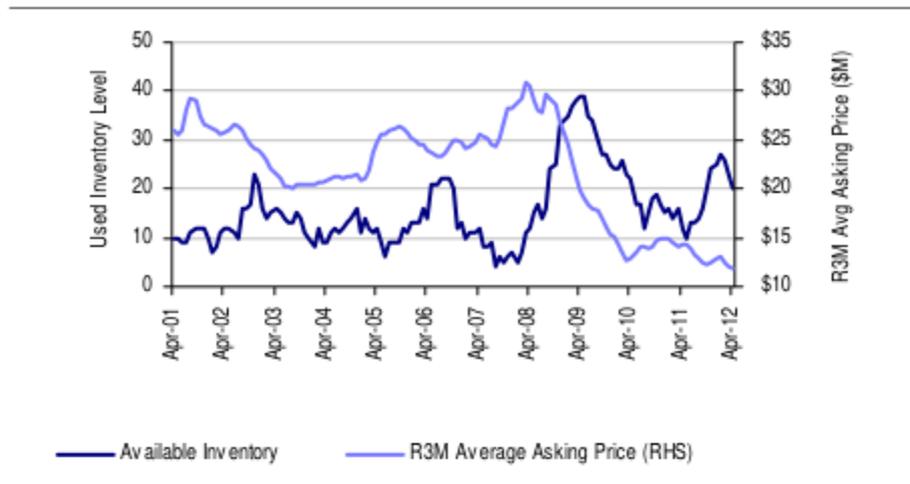


Source: JETNET and UBS estimates

Large

We estimate the average asking price for a G-IVSP moved 3% lower in April, and is 64% below its recent peak, while available inventories are 49% below their recent peak including a 13% decline this month.

Chart 28: Gulfstream G-IVSP Rolling Three-Month Average Asking Price

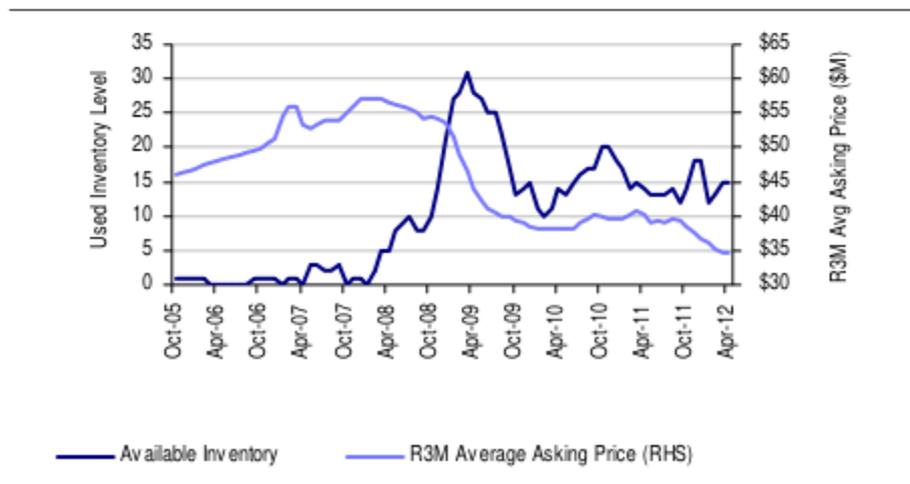


Source: JETNET and UBS estimates

Ultra Long Range

We estimate the average asking price for a G550 was roughly unchanged during April and is 42% below its recent peak, while available inventories are 52% below their recent peak although unchanged this month.

Chart 29: Gulfstream G-550 Rolling Three-Month Average Asking Price



Source: JETNET and UBS estimates

■ 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. A weak market for business jets could negatively affect General Dynamics, Textron, Bombardier, Embraer, Rockwell Collins, Honeywell, B/E Aerospace, Rolls-Royce and United Technologies.

■ 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	51%	34%
Neutral	Hold/Neutral	40%	35%
Sell	Sell	9%	15%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	25%
Sell	Sell	less than 1%	17%

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 March 2012.

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; Matthew Akers.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
BE Aerospace Inc. ^{2, 4, 5, 6a, 16}	BEAV.O	Buy	N/A	US\$44.45	15 May 2012
General Dynamics Corp. ¹⁶	GD.N	Buy	N/A	US\$65.73	15 May 2012
Textron Inc. ^{6b, 7, 16, 18, 22}	TXT.N	Buy	N/A	US\$23.52	15 May 2012

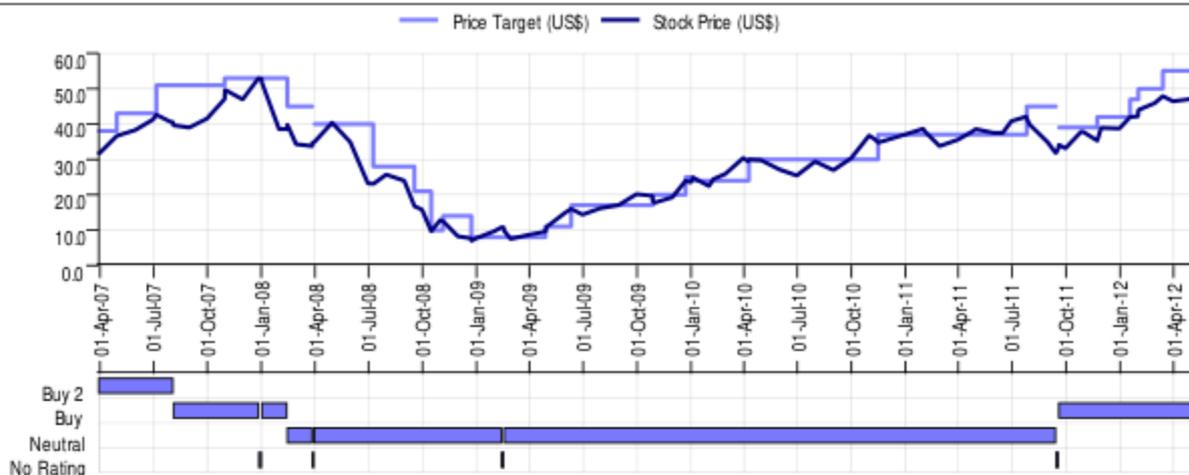
Source: UBS. All prices as of local market close.

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-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.
16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.
18. 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).

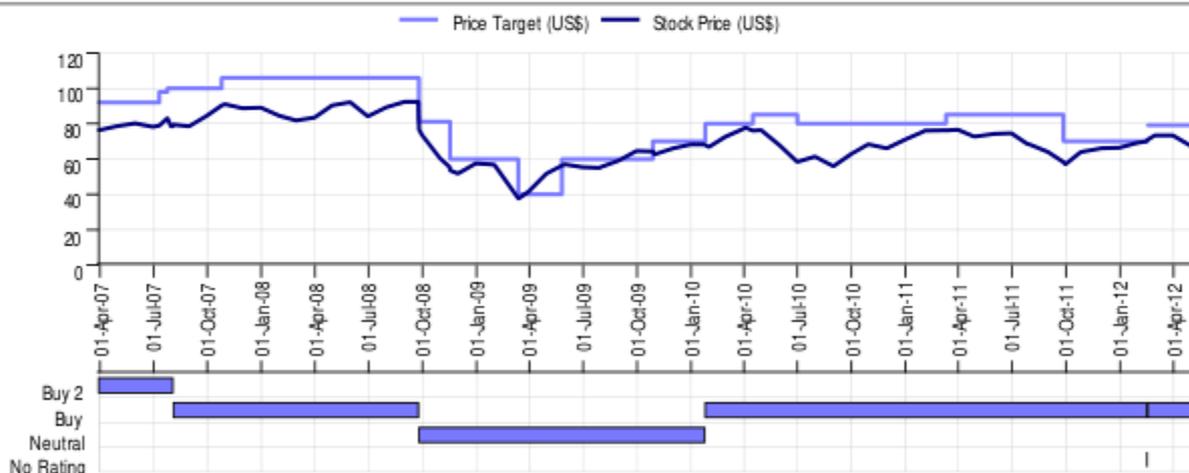
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

BE Aerospace Inc. (US\$)



Source: UBS; as of 15 May 2012

General Dynamics Corp. (US\$)



Source: UBS; as of 15 May 2012

Textron Inc. (US\$)



Source: UBS; as of 15 May 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%.

Global Disclaimer

This document 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.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any country, state, country or other jurisdiction where such jurisdiction, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes, it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ("the Information"), except with respect to information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document 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 or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up and investors may not get back the full amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial 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.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. 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 document 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.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) 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 document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. 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; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited, to persons who are eligible counterparties or professional clients. UBS Limited is authorised and regulated by the Financial Services Authority (FSA). **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document 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. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board (the CMB) under the provisions of the Capital Market Law (Law No. 2499). Accordingly neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the CMB. However, according to article 15 (d) (ii) of the Decree No. 32 there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spółka z ograniczoną odpowiedzialnością Oddział w Polsce. **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 document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited, an authorised user of the JSE and an authorised Financial Services Provider. **Israel:** UBS Limited and its affiliates incorporated outside Israel are not licensed under the Investment Advice Law. This material is being issued only to and/or is directed only to persons who are Sophisticated Investors within the meaning of the Israeli Securities Law and this material must not be relied on or acted upon by any other persons. Whilst UBS Limited holds insurance for its activities, it does not hold the same insurance that would be required for an investment advisor or investment marketer under the relevant Investment Advice Law Regulations. **Saudi Arabia:** This document has been issued by UBS AG (and or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a foreign closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tawfeer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **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 document 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 document 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 registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG which is registered to conduct business in Canada or otherwise exempt from registration. **Hong Kong:** Distributed by UBS Securities Asia Limited. **Singapore:** Distributed by UBS Securities Pte. Ltd. (mica (p) 016/11/2011 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 document. The recipients of this document 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 Co., Ltd. to institutional investors only. Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. **Australia:** Distributed by UBS AG (Holder of Australian Financial Services License No. 231087) and/or UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). The Information in this document has been prepared without taking account any investor's objectives, financial situation or needs and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a "Retail" client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial adviser. **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 document 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 documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this document 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.

