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From: [REDACTED] > [mailto:[REDACTED]
Sent: Sat 1/1/4501 5:00:00 AM
Subject: 2007 Business Jet Forecast - We Expect Market to Move Higher

* Project nearly 900 deliveries in 2007 - We believe bizjet deliveries can continue to move higher beyond 2006. Our forecast is supported by our recent survey results as well as underlying demand drivers including strong international growth, increasing replacement demand, and an expanding addressable market (fractional/card). Ultimately, we believe deliveries this cycle could exceed 1,000.

* International markets growing faster than U.S. - We have found that an increasing proportion of bizjets are going to overseas buyers as the international market is growing 10% per year. We believe that international bizjet demand will continue to grow faster than U.S. driven by expanding economies in Eastern Europe/Soviet Union, Middle East oil wealth, early stage markets in Asia (China)/India, and a weak dollar.

* Replacement demand could be significant - We believe the replacement of older aircraft could serve as a significant driver of bizjet demand as the average age of the bizjet fleet is 15 years, older than the commercial fleet. The fractional fleet, while relatively young, is now approaching its first significant replacement cycle as many aircraft purchased during the late 1990s build-up are set to be parted out.

* Reiterate Buy ratings on GD and TXT - We expect GD (Buy 2) and TXT (Buy 1) to continue to benefit from business jet upside. Please see our full note attached.

David

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