



FAA Aviation Forecast Conference

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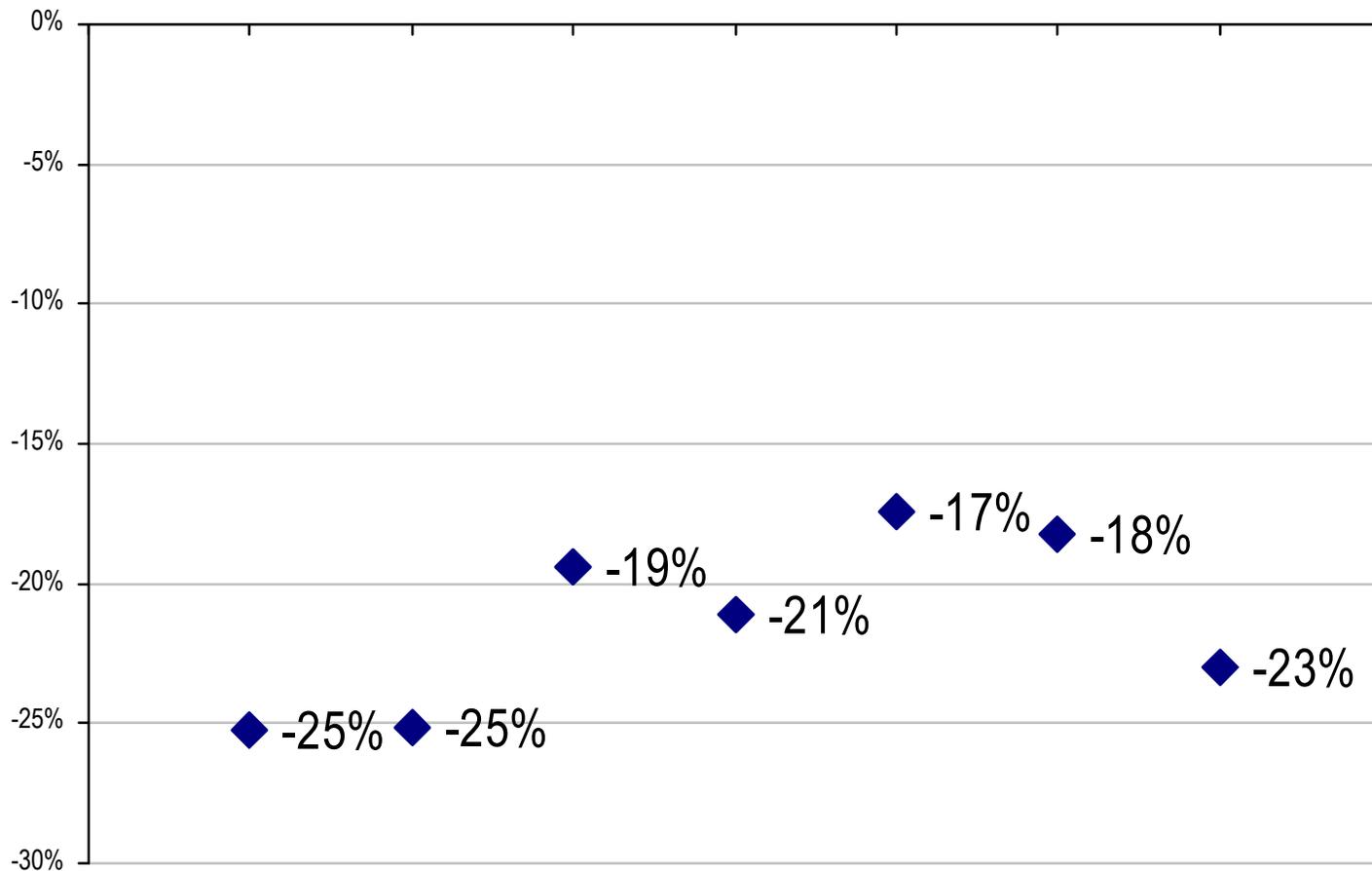
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Analyst Certification and Required Disclosures Begin on Page 9

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How Bad are Revenue Trends?

ATA System Revenue (y/y)

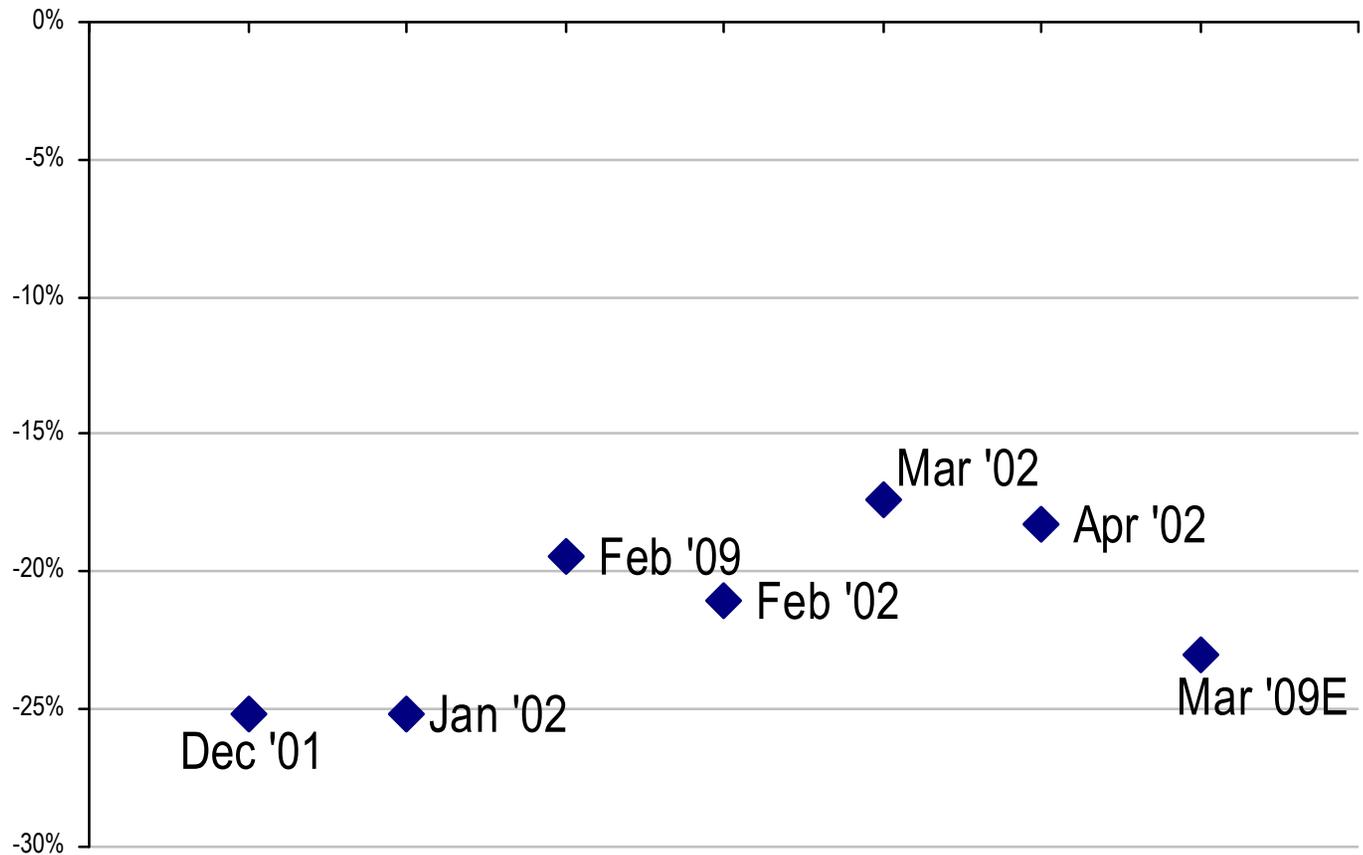


Source: ATA, UBS Data from five months after Sept 11 and Feb/March 2009 Labels intentionally omitted



How Bad are Revenue Trends?

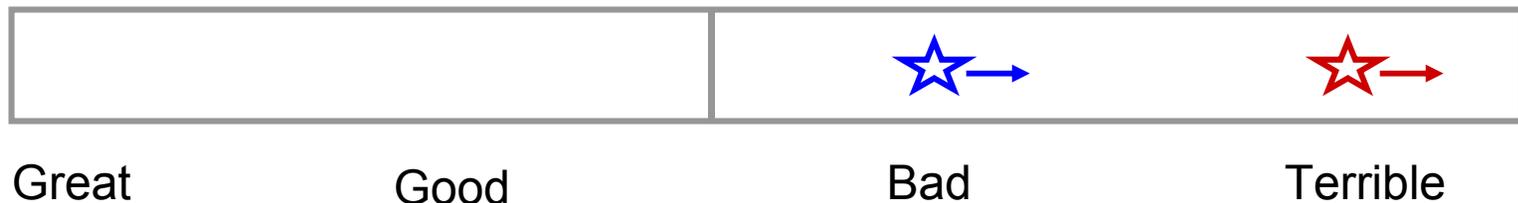
ATA System Revenue (y/y)



Source: ATA, UBS



Summarizing Demand Trends



★ = Domestic Leisure

★ = International Business

Fuel Price Drop is Key Positive

- ◆ Drop in fuel prices could save industry \$23 billion annually
- ◆ Represents a 21% margin tailwind
- ◆ Starting point was a deep hole and hedges hurting

The King is Missing

- ◆ Cash balances are uncomfortably low
- ◆ Credit markets remain terrible
- ◆ “Easy money” already obtained

Outlook: Profits Possible, Bankruptcies Also

- ◆ Airlines go bankrupt in recessions
- ◆ This recession is worse than most
- ◆ Our estimates suggest profits possible
- ◆ Problem if demand continues to fall

Should the Industry Grow or Shrink?

Government action (or inaction) matters



Risk Statement

Trading airline stocks may be hazardous to your wealth. Over the long term, a diversified portfolio of airline stocks has reliably underperformed broader market averages. Our estimates – which form the basis for our valuations and stock price targets – are subject to a very high degree of error and may be materially inaccurate. This forecast error is driven primarily by revenue volatility – a function of unpredictable business travel spending, combined with significant operating and financial leverage. Other sources of error include but are not limited to jet fuel price volatility, labor disruptions, discount carrier growth, bankruptcy risk, and significant event risk associated primarily with terrorist actions. All of these risk factors combine to make our estimates statistically unreliable, but the best we can do. Furthermore, under the UBS rating system, most stocks with a forecast stock return (price appreciation plus gross dividend yield over the next 12 months) more than 10% above the market return assumption (one year local market interest rate plus 5%, which approximates the equity risk premium) must carry a Buy recommendation. Many investors may reasonably demand higher returns for airline stocks given the extreme risks involved with them.

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UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	53%	36%
Neutral	Hold/Neutral	36%	34%
Sell	Sell	10%	20%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	43%
Sell	Sell	less than 1%	22%

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 2008.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
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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.

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