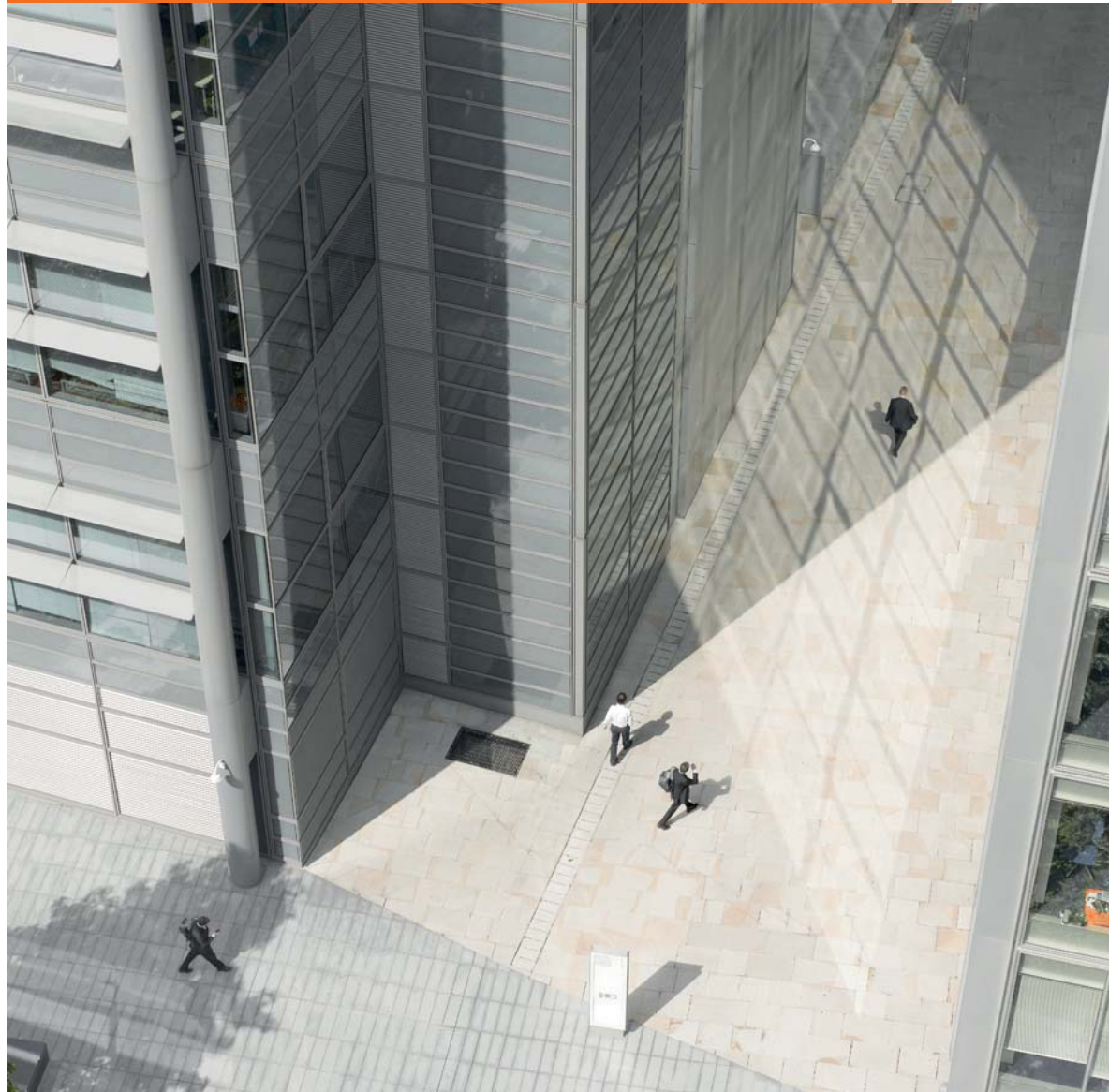


Mission control

Third-quarter 2010 aerospace and defense industry mergers and acquisitions analysis

Curate's egg: The changing deal environment



Welcome to the third-quarter 2010 edition of *Mission control*, PwC's quarterly analysis of mergers and acquisitions (M&A) in the global aerospace and defense (A&D) industry. In addition to a detailed summary of M&A activity in the third quarter of 2010, our special report takes a closer look at a global economy characterized by instability and its impact on the strategic M&A deal environment. In an effort to strengthen their core businesses and expand their footprints, companies are reconsidering foreign investment strategies. And while emerging markets offer opportunities to grow, they also present commercial and regulatory risks and challenges. Like a curate's egg, today's economic expectations are a mixed bag of good and bad.

Special report: Curate's egg: The changing deal environment

A curate and his egg

An English idiom, a curate's egg comes from a cartoon in the British magazine Punch in November 1895. Over time, the phrase 'curate's egg' has evolved to mean something having a mix of good and bad qualities.

Today's global economy is like a curate's egg. Economic expectations are good and bad, positive and negative. And as the US economy's unpredictability perpetuates worldwide concern, A&D companies are continuing to concentrate on their core businesses.

The concept of a mixed bag is especially relevant to the A&D industry's M&A market. On the positive side, the volume of deals announced during the third quarter of 2010 shot up significantly from the previous year, an indication of stability and optimism in the global economy. On the downside, worries continue about a protracted economic recovery and pressure on defense spending.

In keeping with our curate's egg theme, commercial aviation passenger and cargo volumes have recovered to above pre-recession levels, exceeding most expectations. The airlines are also projected to make \$9 billion in profits this year. Aircraft backlogs are growing again, and the long-term projections for aircraft demand have increased to 31,000 over the next 20 years, representing a 50% increase over current production. However, large budget deficits in the US and around the globe will continue to pressure defense spending and the results of defense companies for the foreseeable future.

Like other industrial companies, A&D organizations are under stakeholder pressure to find growth opportunities because most commentators predict several years of sluggishness for Western economies and stagnant, or even declining, defense budgets. Meanwhile, A&D companies continue to focus on their core businesses, looking to create the capital resources necessary to grow. For example, Northrop Grumman announced that it is evaluating divestiture and spin-off options for its shipbuilding business, and BAE Systems is seeking options for its Platform Solutions business.

Additionally, the major defense contractors continue to evaluate their systems engineering and technical assistance businesses in light of the organizational conflict of interest regulations mandated by the Weapons Systems Acquisition Reform Act of 2009. Northrop Grumman was the first major defense contractor to act through its 2009 divestiture of TASC. Since then, many other A&D companies have followed suit, including Lockheed Martin, ITT, and CSC, opening the door for them to focus more on the development and construction aspects of defense systems programs.

Also, a flurry of smaller acquisitions in select areas such as cyber security, surveillance, and homeland defense—intended to allow the buyers to at least slightly diversify away from their core defense budget-dependent businesses—has led to increased defense sector M&A activity.

And while A&D companies have some interest in making strategic deals in emerging markets—especially in China and India, where GDP growth is high—they are not yet a major driver of deal activity for the industry, particularly because of export control restrictions. However, investments in India and China could play an increasingly important role in A&D M&A and joint venture strategies as their respective aerospace aspirations grow. These ambitions will have ample fuel, given that 2011 GDP growth projections for these countries range from 4% to more than 9%.¹ But despite cash-rich balance sheets and a willingness to invest, many A&D companies are finding it difficult to expand into emerging markets, partly due to valuation, but also because of the lack of shareholder visibility and financial transparency in these countries.

Many companies have realized benefits and rich rewards from foreign investment, but not without assuming some risk. While emerging markets offer growth opportunities, they also present regulatory and commercial risks such as export controls, protection of intellectual property, compliance with foreign laws and regulations, fraud and corruption, and cultural differences. A changing deal environment adds to the challenges.

¹ Source: IMF, PwC forecasts

What's driving changes in the deal environment?

For the past two years, A&D companies fared better than the broader economy, with revenues flat rather than declining. In the absence of revenue growth, these companies have focused on productivity and cash conservation. And as a result, they have money to spend. An analysis of global A&D companies shows that the average amount of cash on the balance sheets for the top-10 global A&D companies in the most recent quarter is \$3.21 billion, up from an average amount of \$2.87 billion five years ago.

Although it appears A&D companies have ample cash and leverage to finance deals, price becomes an issue when growth rates are higher in the emerging markets. And so the A&D industry is likely to continue to focus on core businesses and markets first. Asia is viewed as an opportunity, albeit a slowly developing one, over the long term.

In response to global defense budget pressures, many defense companies have increased their focus on productivity and margins, including divestiture of low-margin or poorly performing businesses. However, true growth needs to include the top line, and acquisitions are the most viable way to meet stakeholder growth expectations in the current environment.

For commercial aerospace companies the outlook is positive in the short term—and even more so over the longer term. However, it's a dynamic environment. The value of aircraft delivered to Asia-Pacific over the next 20 years is nearly as much as North America and Europe combined. This geographic shift is being led by China, which is expected to account for more than 10% of the global market over the next 20 years. The competitive landscape is changing as well, with both China and Russia launching narrow-body aircraft programs. Bombardier is also pushing into the narrow-body market, with Embraer expected to follow. Aerospace companies need to position themselves for this dynamic market. In particular, China's AVIC/Comac is

requiring companies to establish joint ventures in China in order to qualify as suppliers on its programs. However, because of export control regulations and poor protection and enforcement surrounding intellectual property, companies must exercise care when developing their strategies related to China.

Finally, capital markets are more liquid, making financing more accessible and affordable. As a result, private equity houses are again playing an increasingly significant role in the A&D industry.

Managing a changed deal environment

Because of the increased uncertainty, companies are structuring deals in new ways and handling them differently. For example, many are avoiding large, staged auctions, except in cases that involve a sizable, high-profile asset. The trend today is toward one-to-one negotiations in off-market deals, where a buyer proactively identifies and approaches the target. This approach allows companies to enter into confidential discussions away from media scrutiny.

Because many A&D companies have cash, they can afford to take advantage of undervalued assets that will build their portfolios and complement their existing business models. Corporations looking to divest noncore businesses are also well positioned to sell if they can identify their potential buyers and take action to groom their offerings.

In general, A&D companies have become more cautious and diligent about what they are buying. They are looking for deals that can provide new strategic opportunities, expand their footprints, or offer access to the technologies and know-how necessary to compete in growth areas.

More than ever, deals today must provide a strategic and commercial fit with existing operations that drives growth.

Perspective:

Thoughts on deal activity in the third quarter of 2010

A&D deal activity continued to improve during the third quarter, with total deal value and volume exceeding the pace of 2009 and the year-to-date.

Increased activity from US acquirers and targets fueled the improvement. As expected, many competitors, including US companies, realigned their positions in response to the new spending priorities established by the US Quadrennial Defense Review and the US Navy's FY11 Shipbuilding Plan released earlier in the year. Because of this greater certainty in the demand outlook, US parties are getting back into the deal market. For example, this was a primary motivation behind Northrop Grumman's recent decision to spin off or divest its shipbuilding segment. These US companies have also been involved in most of the larger deals this quarter, helping to support average deal values.

We believe the interest in aircraft and components reflects the expected upswing in the commercial aerospace cycle. PwC continues to expect that aerospace deals will represent a significant contribution to sector totals, thanks to such important factors as China's consolidation of its domestic industry. Communications products providers are also attractive now because of the overall perception that communications will be a relatively high defense spending priority.

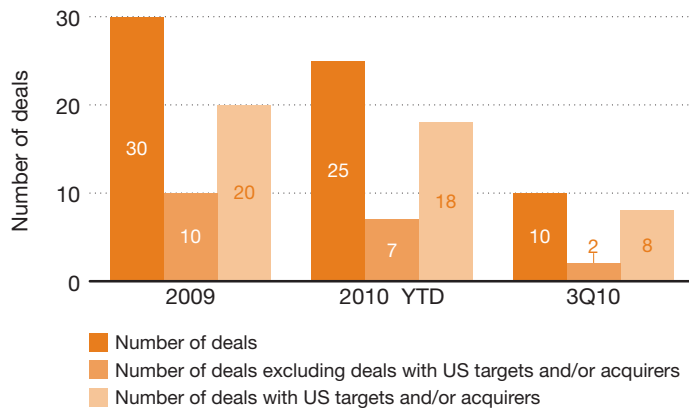
Financial investors have been on the sell-side in several mega-deals this year, but they haven't yet shown much interest in increasing their participation on the buy side. For example, Carlyle announced the sale of Vought Aircraft Industries to Triumph Group for \$1.6 billion in March. In addition, JLL Partners announced the sale of McKechnie Aerospace to TransDigm Group for \$1.3 billion in September. While private equity hasn't come back to the buy-side in a big way, this could change soon—it's been reported that several private equity firms, including Bain Capital LLC, The Carlyle Group, KKR & Co., and TPG Capital are interested in bidding for Northrop Grumman's shipbuilding unit.

We believe the outlook for A&D deal activity is bright. Over the near-term, defense M&A will drive activity as many of these companies re-think their core businesses as spending priorities continue to evolve. Over the long haul, major defense consolidations could unfold as growing budgetary pressures force companies to improve efficiencies. Also in the long-term picture: increased M&A in the commercial aerospace sector reflecting the relatively high demand growth that typically entices acquirers. With all of these factors supporting future deal activity, our outlook for A&D M&A activity remains upbeat.

Commentary

Deal activity by number of deals

Measured by number of announced deals worth \$50 million or more



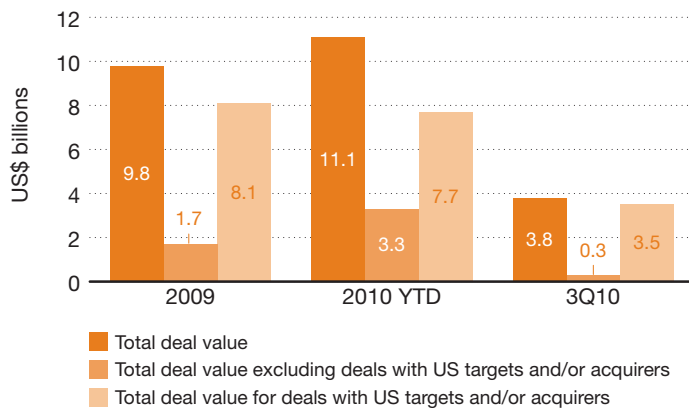
US companies lead the way in rising deal volume and value

The pace of deal activity in the sector continued to recover during the third quarter as measured by both deal volume and value. For both of these metrics, the pace of deal activity matches or exceeds 2009 and the year-to-date periods. However, M&A activity still doesn't match the pace of 2008.

Involvement of US entities continues to drive overall activity. In fact, US entities were engaged in almost all transactions announced this quarter. We expect US companies to remain motivated to enter into deals because pressure on overall defense spending will likely prompt many companies to look at consolidation. In addition, the new US defense priorities announced this year remove some of the uncertainty regarding future demand. The most notable example of this was Northrop Grumman's July announcement that it would seek strategic alternatives for its shipbuilding business. This decision followed the release of the US Navy's FY11 Shipbuilding Plan, which calls for fewer ship purchases over the next 30 years.

Deal activity by total deal value

Measured by value of announced deals worth \$50 million or more



Quarterly aerospace and defense deal activity

Measured by number and value of deals worth \$50 million or more (4Q07–3Q10)

	2007		2008				2009				2010		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Number of deals	17	12	13	9	5	4	9	8	9	8	7	10	
Total deal value (\$ bil.)	8.8	3.3	9.8	5.1	2.6	0.9	2.8	3.2	2.9	5.0	2.2	3.8	
Average deal value (\$ bil.)	0.5	0.3	0.8	0.6	0.5	0.2	0.3	0.4	0.3	0.6	0.3	0.4	

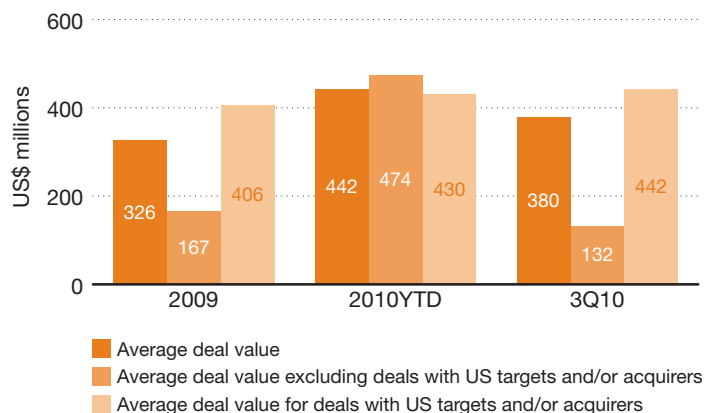
Small deals slip as bigger deals move to the fore

Third-quarter average deal values remained consistent with the year-to-date period, although there was a large disparity between the average size of deals involving US entities and those that did not. Larger US deals should remain the norm given the size of many US aerospace and defense companies. A recent *Defense News* report² states that US companies account for 7 of the top 10, and 15 of the top 20 defense companies globally. This makes it likely that overall deal averages will be pushed upward in the future due to greater participation of US companies in M&A.

The trend in average values mirrors the pattern of deals by range of value. Small deals and deals with undisclosed values declined this quarter in favor of mega-deal and middle-market announcements. Despite expectations for a moderate (at best) economic recovery, sources of financing, including improved cash positions and capital-market liquidity, should support larger transactions.

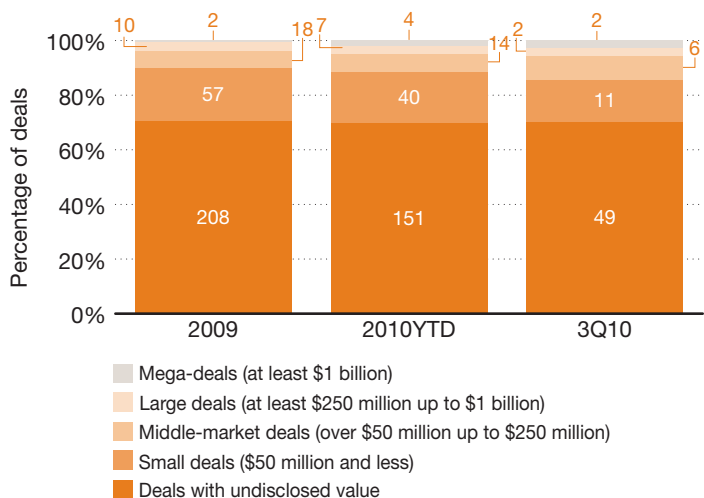
Deal activity by average deal value

Measured by value of announced deals worth \$50 million or more



Deal activity by number and range of value

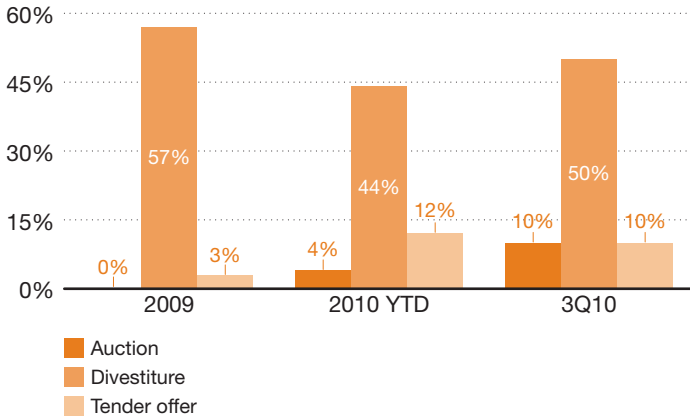
Measured by number of announced deals worth \$50 million or more



² "Defense News Top 100 for 2009," *DefenseNews.com* (June 28, 2010), http://www.defensenews.com/static/features/top100/charts/rank_2009.php?c=FEA&s=T1C

Deals by acquisition technique

Measured by number of deals worth \$50 million or more



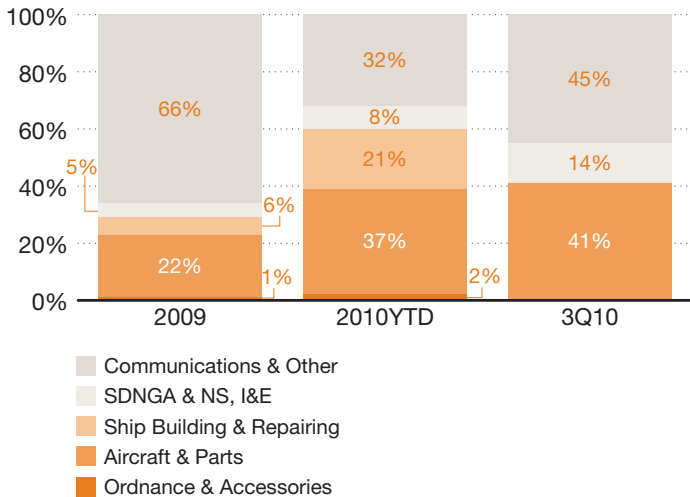
More deals hear the auction gavel drop

A couple of interesting trends in acquisition techniques for A&D deals emerged this quarter with the increase in auctions and tender offers. The rise in auctions likely reflects the healthier deal market, which improves the prospects for multiple bidders. The trend in tender offers mimics the broader deal market as this technique allows the acquirer to easily extend an offer if needed. However we qualify these trends by noting that auctions and tender offers were not used in the majority of deals announced this quarter. Divestitures continue to be common among sector deals as constituents reposition themselves in an evolving demand environment.

Deal activity by category indicates overwhelming interest for aircraft and parts and communications targets. Interest in these targets will continue, with aircraft and parts activity driven by higher demand expectations in commercial aerospace as well as the desire by some companies to reduce supply chain risks through vertical integration. In addition, demand expectations are also favorable for communications suppliers. In fact, the 2010 US Quadrennial Defense Review indicated that improvements in communication networks would be a priority.

Deal activity by target category

Measured by number of announced deals worth \$50 million or more



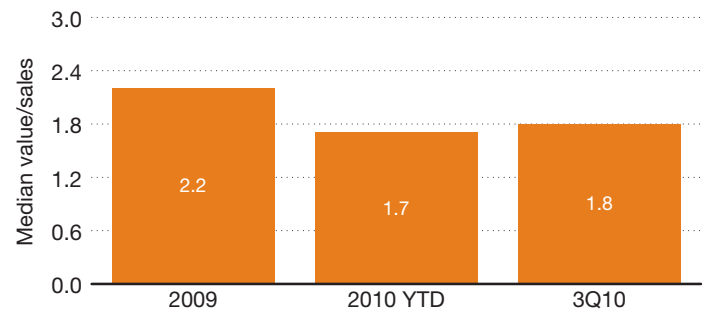
*SDNGA & NS, I&E stands for Search, Detection, Navigation, Guidance, Aeronautical, & Nautical Systems, Instruments, and Equipment

This quarter's deal valuations in the sector increased compared to the rest of the year, though it's important to note the relatively small sample of data available (only about one-third of deals announced in each period had publicly disclosed valuations). We expect to see a trend of higher valuations develop in upcoming quarters given other trends in the market (for example, the decline in minority stakes, since controlling interest transactions typically involve a valuation premium).

We expect deal valuations will remain above those of the first half of the 2010. The likelihood for at least modest overall growth in both aerospace and defense demand as well as improvements in capital markets should encourage more acquirers to enter the market and bid up assets.

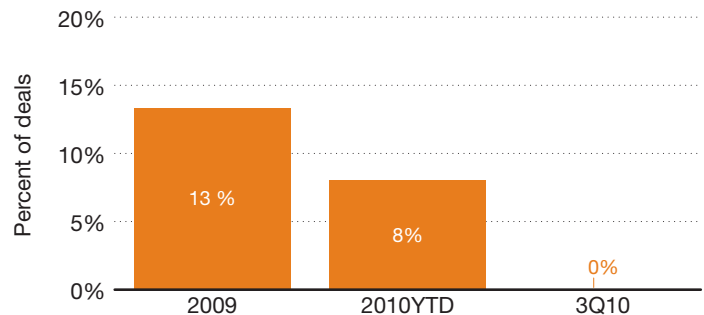
Deal valuation by median value/sales

Measured by value/sales for deals worth \$50 million or more



Minority stake purchases

Measured by percent of deals worth \$50 million or more for less than 50% ownership



Summary of mega-deals

Mega-deals in 2008 (deals with a disclosed value of at least \$1 billion)

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US\$ bil.	Category
May	DRS Technologies Inc	United States	Finmeccanica SpA	Italy	Completed	5.14	SDNGA & NS, I&E
Aug	Jet Aviation International SA	Switzerland	General Dynamics Corp	United States	Completed	2.25	Aircraft & Parts
Oct	Thales SA	France	Dassault Aviation SA	France	Completed	1.98	Missiles, SVs, & Parts
Jan	MacDonald Dettwiler & Associates Ltd-Information Systems	Canada	Alliant Techsystems Inc	United States	Withdrawn	1.32	Computer integrated systems design
Apr	Norcross Safety Products	United States	Honeywell International Inc.	United States	Completed	1.22	Rubber and plastics footwear
Jun	Honeywell International Inc-Consumable Solutions Business	United States	BE Aerospace Inc	United States	Completed	1.06	Aircraft & Parts
Jul	Detica Group	United Kingdom	BAE Systems (Holdings) Ltd.	United Kingdom	Completed	1.02	Computer programming services

Mega-deals in 2009 (deals with a disclosed value of at least \$1 billion)

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US\$ bil.	Category
Nov	TASC, Inc.	United States	TASC Inc SPV	United States	Completed	1.65	Computer facilities management services
Jul	Vought Aircraft Industries Inc-Facility, North Charleston, SC	United States	Boeing Co	United States	Completed	1.00	Aircraft & Parts

Mega-deals in 2010YTD (deals with a disclosed value of at least \$1 billion)

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US\$ bil.	Category
Feb	VT Group PLC	United Kingdom	Babcock International Group PLC	United Kingdom	Completed	2.00	Ship Building & Repairing
Mar	Vought Aircraft Industries Inc	United States	Triumph Group Inc	United States	Completed	1.57	Aircraft & Parts
Sep	McKechnie Aerospace	United States	TransDigm Group Inc	United States	Pending	1.27	Aircraft & Parts
Sep	L-1 Identity Solutions Inc	United States	Safran SA	France	Pending	1.13	Computer integrated systems design

Year-to-date mega-deal activity jumps

Mega-deal activity has rebounded in 2010, with four announcements so far this year. The largest deal announced this quarter was the \$1.3 billion acquisition of McKechnie Aerospace by TransDigm Group in a combination of aerospace component part manufacturers. This merger reflects the attractiveness of deals in aftermarket services specifically, and the wider commercial aerospace sector generally, as the cycle picks up. In addition, while the total number of announcements from financial investors has not increased substantially, several private equity firms, such as The Carlyle Group and Blackstone Group, are reportedly interested in making bids. The divestitures of McKechnie by JLL Partners and Vought Aircraft Industries by Carlyle could free up capital for these groups to make new A&D acquisitions.

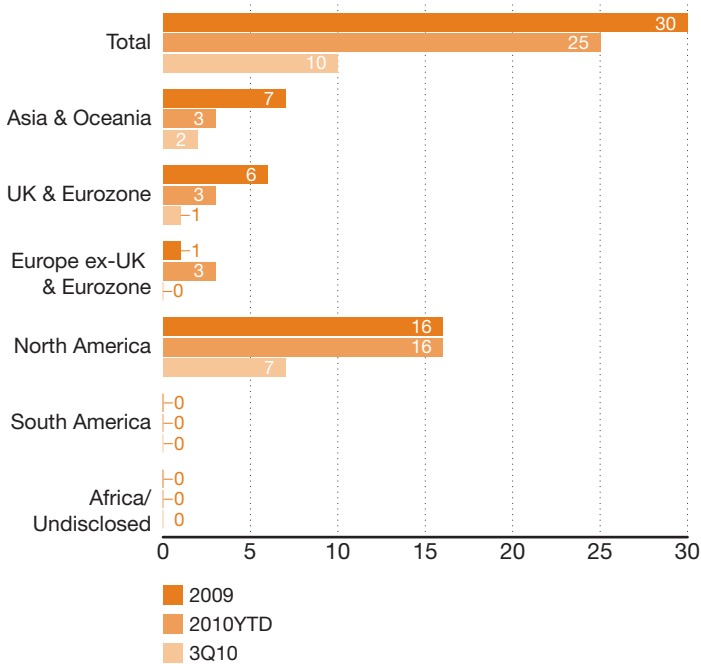
The second-largest deal announced in the third quarter was the \$1.1 billion acquisition of L-1 Identity Solutions' biometric, identity, and recruitment operations by Safran SA. The deal is expected to make Safran the largest competitor in the global biometric identification market. The deal offers a bright spot in the otherwise sluggish defense-spending environment.

The largest deal so far this year was the \$2 billion Babcock International Group acquisition of VT Group. This was a sweetened offer following VT Group's rejection of an initial \$1.8 billion bid. VT Group gives Babcock greater exposure to the US, the world's largest defense market.

The second-largest year-to-date deal was Triumph Group's acquisition of Vought Aircraft Industries from The Carlyle Group. The deal illustrates the attractiveness of composite manufacturers as potential M&A targets given the increased use of composites in newer commercial platforms such as the Boeing 787 and Airbus A350.

Regional distribution of deals by target region

Measured by number of announced deals worth \$50 million or more



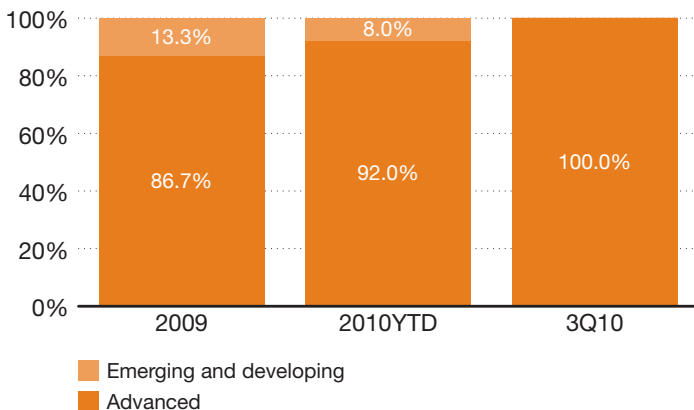
US companies drive North American target growth

Driven by the increase in deals involving US entities, the importance of North American targets is growing compared with the overall deal market. This tilt toward North America comes at the expense of UK and Eurozone targets and contributed to the absence this quarter of acquirers from emerging and developing economies. Interestingly, though, UK and Eurozone companies have become more active as acquirers, contributing to two mega-deals announced so far this year.

We expect Asia and Oceania acquirers will become more active in M&A over time. This is due to the relatively high growth rates of many economies in developing Asia, which could boost demand in these markets. In addition, China's planned growth of its commercial aerospace industry will likely encourage deals that either consolidate the domestic market or acquire new capabilities and technologies. In fact, while China has been involved in only one A&D deal with a disclosed value over \$50 million so far in 2010, Chinese acquirers have been involved in several deals with smaller or undisclosed values. Aviation Industry Corporation of China was active in many of these deals, which most often targeted smaller manufacturers of aircraft engines, avionics, and components.

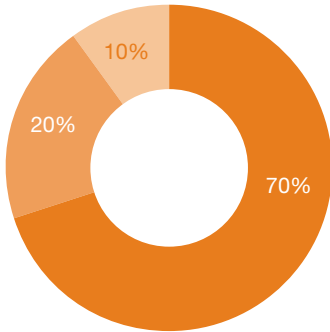
Acquirers from advanced versus emerging and developing economies

Measured by number of deals worth \$50 million or more

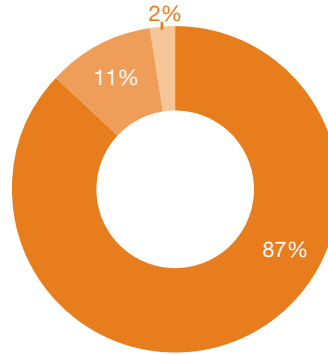


Regional distribution of third-quarter 2010 deals

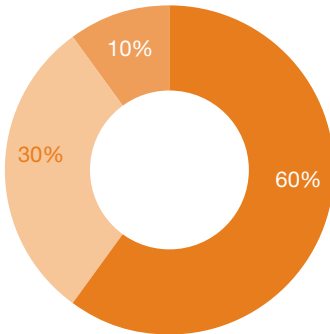
Regional distribution of deals by target region
Measured by number of deals worth \$50 million or more



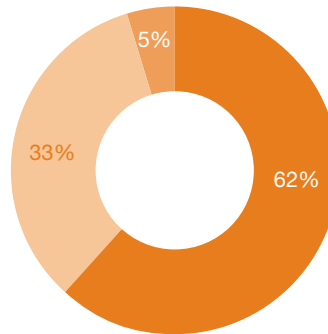
Regional distribution of deals by target region
Measured by value of deals worth \$50 million or more



Regional distribution of deals by acquirer region
Measured by number of deals worth \$50 million or more

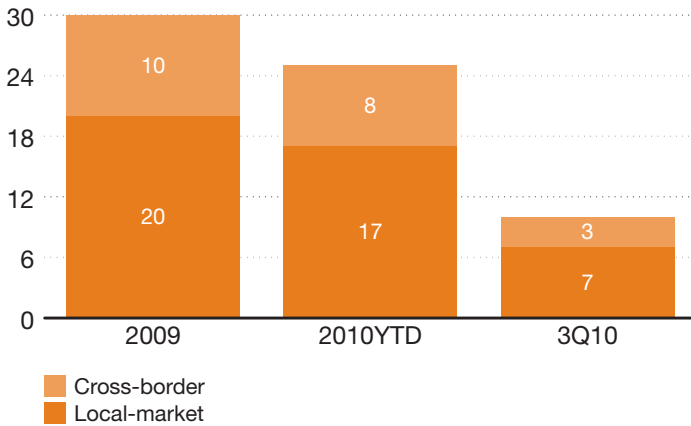


Regional distribution of deals by acquirer region
Measured by value of deals worth \$50 million or more



■ North America
 ■ Asia & Oceania
 ■ UK & Eurozone
 ■ Europe ex-UK & Eurozone
 ■ South America
 ■ Africa/Undisclosed

Local-market compared with cross-border deals (all nations)
 Measured by number of deals worth \$50 million or more

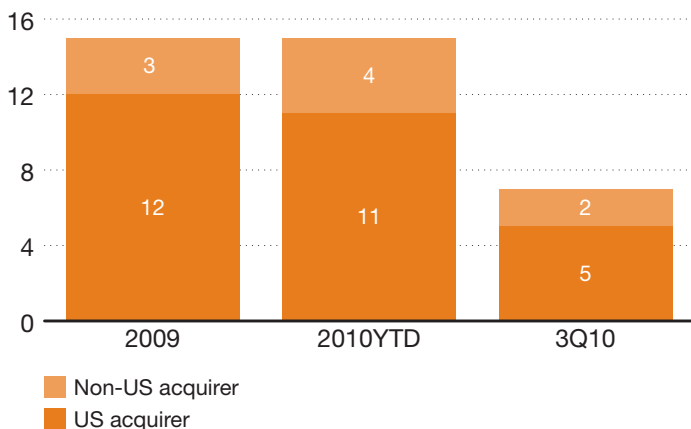


US defense market continues to attract foreign acquirers

The US defense market remains extremely attractive to foreign acquirers. So while overall cross-border activity has not changed much since 2009, there has been a relative increase in foreign acquirers targeting US entities. BAE Systems alone has made several acquisitions so far this year in the US (including Atlantic Marine and OASYS Technology), and EADS recently indicated that expanding in the US defense market is a priority.

Cross-border deals are likely to increase as expected global spending and demand patterns realign. US targets should remain attractive for foreign buyers despite differences in relative defense-spending growth rates because the US is simply the largest defense market in the world. However, the spread of protectionist sentiments in the face of ongoing economic weakness remains a risk. Protectionist concerns could actually slow the growth of cross-border deals even as the broader M&A market continues to recover.

US compared with non-US acquirers of US targets
 Measured by number of deals worth \$50 million or more



PwC spotlight

Results from the PwC 13th Annual Global CEO Survey showed that CEOs from large companies were more likely than those from smaller companies to complete an acquisition or enter a strategic alliance. Leaders of large corporations also were planning deals and alliances in the coming year, according to the survey released in January 2010. And many of these planned transactions were expected to be cross-border deals because of the opportunities available in emerging markets.

The appeal of cross-border deals will continue to grow as more companies venture beyond their own country's borders to find the ideal acquisition candidate. The PwC Corporate Finance network closes a deal a day on average around the globe in midmarket M&A transactions and more than 40% of them are cross-border deals.

Perceptive acquirers learn lessons from each successful cross-border transaction and use this knowledge to navigate effectively through such obstacles as questionable business practices, inconsistent bookkeeping methods, political instability, and poor environmental controls. And while the challenges of cross-border deals differ based on the size of the business and the countries involved, leading companies follow the same basic process in conducting deals. They establish the strategic purpose for each acquisition; manage and monitor employee engagement; address change

management issues; apply best practices for integration; and track their progress toward achieving the desired cultural end state of the new company.³

How PwC Corporate Finance can help⁴

PwC's award-winning Corporate Finance practice (more commonly known as Investment Banking in the US) provides independent financial advice to corporations, institutional investors, and governments seeking to buy or sell businesses, raise new financing, or improve the efficiency of the funding on their balance sheets. Our focus is on helping you close your deal by building a strong, long-term relationship with you. We are independent of the source of finance and so we differentiate ourselves through intellectual, rather than financial, capital. These factors, together with our deep A&D sector knowledge and international network, combine to make great deals better.

Our global network of corporate finance advisors makes the difference because:

- We have a talented team of more than 1,000 corporate finance professionals operating in more than 60 countries. We can deploy our professionals whenever and wherever you are doing deals.

- In the past decade, we provided in-depth financial advice on more than 300 announced deals globally per year with an average deal size of \$135 million. More than 40% of those deals were cross-border.
- We have extensive industry capabilities, local-market knowledge, and we have successfully advised both corporate clients and institutional investors.
- Thomson Reuters reported that PwC Corporate Finance completed the second-highest volume of deals globally in the midmarket for the 10 years through December 31, 2009.
- We can bring the strength of the PwC Corporate Finance network to bear by sourcing acquisition targets globally, including the BRIC countries and other emerging markets.

As experienced deal makers, we offer integrated solutions with full access to PwC's due diligence, tax, and post-deal professionals, providing the full range of deal support from identification and strategic planning to post-merger integration.

³ PwC Global Best Practices, "Analyze and capitalize on cross-border opportunities"

⁴ Corporate Finance services in the US are performed by PricewaterhouseCoopers Corporate Finance LLC, a registered broker dealer. PricewaterhouseCoopers Corporate Finance LLC is owned by PricewaterhouseCoopers LLP, a member firm of the PricewaterhouseCoopers Network, and is a member of FINRA and SIPC.

A&D company case study: **Sell-side capabilities—Noncore disposals**

Client: Global A&D company

Issue

A global A&D company based in Europe made a strategic decision to sell one of its noncore business units located in the US, but it needed help planning, executing, and finalizing the divestment to maximize proceeds. In particular, the client needed assistance finding an appropriate global buyer, determining valuation, and anonymously soliciting interest from buyers, as well as presenting the noncore business in the best light. Complicating the transaction, the financial records of the business to be divested were integrated into the financial records of the client's other operations and needed to be carved out.

Action

To help the client find the right buyer for its business unit, PwC's Corporate Finance practice conducted a global sales process and contacted more than 50 potential buyers in the United States, Canada, Europe, Brazil, South Africa, and Asia; including India, China, and Japan. PwC Corporate Finance assisted in positioning the business for sale, acting as the initial point of contact with the potential buyers, and assisting with the price negotiations and the other major terms in the sale and purchase agreement. The sale process included the negotiation of multiple ancillary supply and transition service agreements.

A PwC Transaction Services engagement team assisted and advised the client as it drafted separate and accurate financial records for the business unit being divested. Potential buyers were asked to submit offers for the business based on these financials.

Impact

The Corporate Finance engagement team's sale process yielded nearly a dozen indicative offers. Four were from the US and Canada, four were from Asia, and three were from Europe. Six of those offers were final. Most of the offers were from strategic buyers, and the deal was closed with an Indian buyer.

The PwC sell-side diligence information withstood scrutiny from multiple buyers, and the client was able to achieve its divestiture objectives. The client sold the business to a buyer for a price within 3% of the top end of the PwC Corporate Finance team's preliminary valuation range.

A&D company case study:

Buy-side capabilities—Acquisition identification and advice

Client: Global A&D company

Issue	A US A&D company wanted to enter a high-growth market as a way to meet stakeholder demands to accelerate growth. The client had set its sights on making an acquisition in China, but had limited knowledge of the country and how to find a suitable target.
Action	PwC's US Corporate Finance team shared the client's acquisition criteria with the firm's global Corporate Finance network. PwC Singapore identified a potential acquisition target based in China and owned by a private equity firm in Singapore. Taking advantage of PwC Singapore's existing relationship with the private equity firm, the corporate finance engagement team was able to make an exclusive introduction of the US client to the target, without the deal going to auction. PwC's Transaction Services practice in both the US and China provided due diligence services to the US client.
Impact	The US client, despite its limited exposure and experience in the Asian market, was able to buy a business in China. The PwC engagement teams assisted in the negotiations, including negotiations on price and structure, as well as the due diligence on the acquisition target. Because the deal was a one-to-one, off-market transaction, the client acquired the Chinese business on an exclusive basis at an acceptable price.

PwC's aerospace and defense experience

Deep aerospace and defense experience

PwC's A&D practice is a global network of 1,200 partners and client service professionals who provide industry-focused assurance, tax, and advisory services to leading A&D companies around the world. This A&D experience is enhanced by our Public Services practice, which includes an additional 600 partners and 9,000 professionals focused on assisting federal, state, and local governments, international agencies, and healthcare entities. We help A&D companies address a full spectrum of industry-specific challenges across areas such as assurance, tax, operational improvement, supply chain management, program management effectiveness, IT effectiveness and security, compliance, export control, and government contracting. PwC's A&D client service professionals are committed—both individually and as a team—to the relentless pursuit of excellence, building insights, and advancing leadership on a wide range of the most critical challenges and issues confronting A&D organizations. PwC is a sponsor of leading industry conferences and frequently writes articles for, or is quoted in, leading industry publications. We are proud of our relationships with Aviation Week and Flight International as well our participation in industry conferences and associations, such as the Aerospace Industries Association (AIA) and American Conference Institute (ACI). Our involvement in these organizations reflects our commitment to addressing industry needs and the furthering of dialogue with A&D industry leaders.

Quality deal professionals

PwC's Transaction Services practice, with approximately 6,500 dedicated deal professionals worldwide, has the right industry and functional experience to advise you on all factors that could affect a transaction, including market, financial accounting, tax, human resources, operating, information technology, and supply chain considerations. Teamed with our A&D practice, our deal professionals can bring a unique perspective to your transaction, addressing it from a technical as well as industry point of view.

Local coverage, global connection

In addition to the 1,200 professionals who serve the A&D industry, our team is part of an extensive Industrial Products group that consists of more than 32,000 professionals, including approximately 17,000 providing assurance services, 8,300 providing tax services, and 7,000 providing advisory services. This expands our global footprint and enables us to concentrate efforts in bringing clients a greater depth of talent, resources, and know-how in the most effective and timely way.



Contacts

PwC's global Aerospace and Defense practice

PwC's A&D practice provides industry-focused assurance, tax, and advisory services. Through our global network, we can draw upon the in-depth industry experience of professionals in every country where your company operates. Our people can help you deal with the challenges of today, and they understand the implications for tomorrow.

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Methodology

Mission control is an analysis of mergers and acquisitions in the global aerospace and defense industry. Information was sourced from Thomson Reuters and includes deals for which targets or acquirers have primary SIC codes that fall into one of the following SIC industry groups: 1) ordnance and accessories, except vehicles and guided missiles; 2) aircraft and parts; 3) national security; 4) guided missiles, space vehicles, and parts; 5) search, detection, navigation, guidance, aeronautical and nautical systems and instruments and equipment (SDNGN & NS, I&E); and 6) space research and technology.

This analysis includes all individual mergers and acquisitions for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases, and acquisitions of remaining interest announced between January 1, 2007, and September 30, 2010, with a deal status of completed, intended, partially completed, pending, pending regulatory approval, unconditional (i.e., initial conditions set forth by the acquirer have been met but deal

has not been completed), or withdrawn. The term *deals*, when referenced herein, is used interchangeably with *transactions* and *announcements*. Unless otherwise noted, the term *deals* refers to all deals with a disclosed value of at least \$50 million.

Regional categories used in this report approximate United Nations (UN) Regional Groups as determined by the UN Statistics Division, with the exception of the North America region (includes North America and Latin and Caribbean UN groups), the Asia and Oceania region (includes Asia and Oceania UN groups), and Europe (divided into United Kingdom, plus Eurozone and Europe ex-UK and Eurozone regions). The Eurozone includes Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovenia, and Spain. Oceania includes Australia, New Zealand, Melanesia, Micronesia, and Polynesia. Overseas territories were included in the region of the parent country, and China, when referenced separately, includes Hong Kong.

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