

Defense Mergers & Acquisitions

An M&A Review for the Defense and Aerospace Industries

HOLD FOR RELEASE: TUESDAY, JUNE 19, 2007

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AS PARIS AIR SHOW OPENS, WORLDWIDE DEFENSE/AEROSPACE MERGERS & ACQUISITIONS REACH RECORD \$33.2 BILLION LEVEL

Le Bourget, Tuesday, June 19, 2007 -- Going into the Paris Air Show, M&A activity for the year is already running at record rates, with \$33.2 billion in transactions announced or completed, according to *Defense Mergers & Acquisitions (DM&A)*, the industry's premiere online news and analysis service focused on M&A activity in the defense, aerospace, and government technology sectors.

Of the 225 deals completed or in progress, 20 are by U.S. companies abroad (including the year's largest deal, GE's \$4.8 billion acquisition of Smiths Aerospace). An even larger number of deals, 26, feature international buyers moving into the U.S. market. This total is dominated by the U.K. (with 14 deals), but also includes Canada (with 6), Scandinavia (3), the Netherlands (2), and the UAE (1). In terms of value, foreign buyers in the U.S. had the upper hand, with \$12.8 billion worth of transactions, more than twice the \$5.5 billion which American buyers spent outside the U.S.

"If the year ended tomorrow," said Stuart McCutchan, editor of the DM&A service, "2007 would rank as the second most active year of the decade. But since 2007 is not quite half done, there's an even chance that the year will become the most active in the industry's history, surpassing 1999, when \$65 billion worth of deals took place."

"While the biennial Paris and Farnborough air shows have traditionally focused more on sales and product introductions than on M&A, we wouldn't be surprised to see a major M&A announcement or two at this year's air show, added McCutchan. "New French president Nicholas Sarkozy is promising fast action on EADS and Airbus. There are six Airbus facilities on the block, and Thales and Finmeccanica both would like the freedom to strike a deal in the defense electronics marketplace."

"Looking beyond Paris, as we're sure that Mr. Sarkozy and German chancellor Angela Merkel are already doing, EADS itself is seen as being in play," said McCutchan. "The company has existed in an enormous pressure cooker for the past two years. The A380 debacle, the leader-

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**** Special Release - Paris Air Show ****

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ship struggles, the financial missteps, and now the hardships imposed by the Power 8 initiative—all of these would be difficult for even a ‘normal’ company to absorb without significant changes. But EADS has never been a normal company. Rather it is a political construction which rests on increasingly decrepit ideological foundations (undermined most notably by France’s rejection of the EU constitution). And it is a company with a built-in fault line—its Franco-German ownership—which appears ripe for a seismic event.”

“By the time the Farnborough Air Show rolls around next June, we wouldn’t be surprised if EADS had undergone a fundamental alteration,” said McCutchan. “One scenario for its unwinding would see the company’s defense businesses reverting to national ownership, with Airbus, Eurocopter, and Astrium enduring as multi-national joint ventures. Other less draconian scenarios could also play out. But in the post-AMS, post-DaimlerChrysler era, any broadly-based multi-national entity is swimming against the current. Mr. Sarkozy and Ms. Merkel have their work cut out to re-dedicate EADS with a new sense of mission.”

A downloadable PDF copy of the top 100 deals of 2007 (to date) and dedicated daily coverage of M&A activity in the defense/aerospace industries can be found at www.defensemergers.com.

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