



September 9, 2008

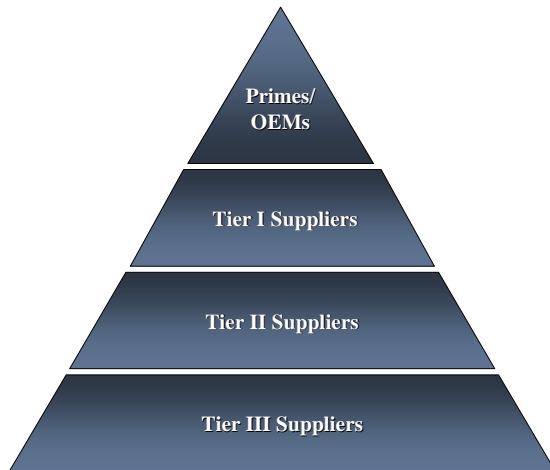
US-Israel High Technology Forum

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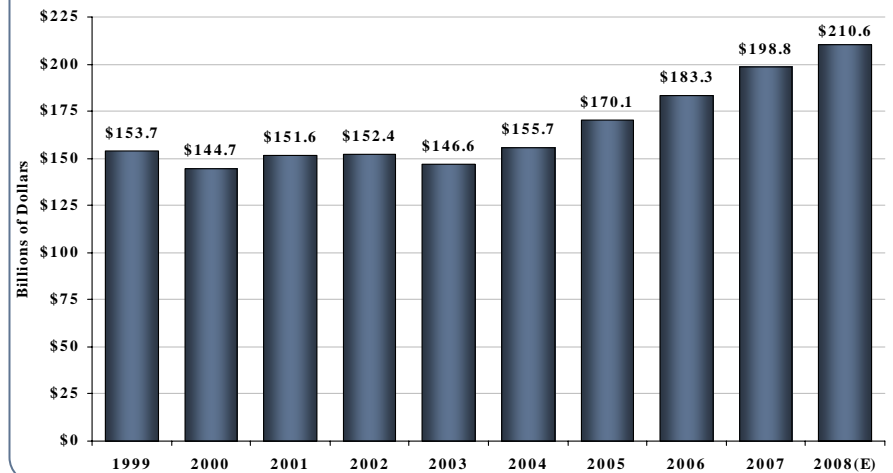
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- Current market trends in the Aerospace Industry:
 - Aerospace cycle continues to be driven by the global airline sector
 - Even with increased cancellations and deferrals, the large aircraft OEMs have enough in their backlogs to sustain roughly flat production during 2010 - 2012
 - The industry is currently focused on fuel efficiency and cost savings, with premium valuation multiples paid for high priority technology companies

US Aerospace Industry Structure

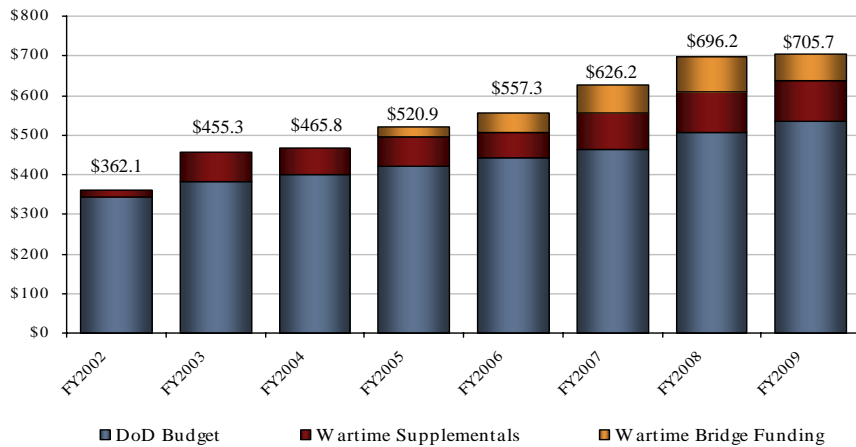


US Aerospace Industry Sales 1999 - 2008E

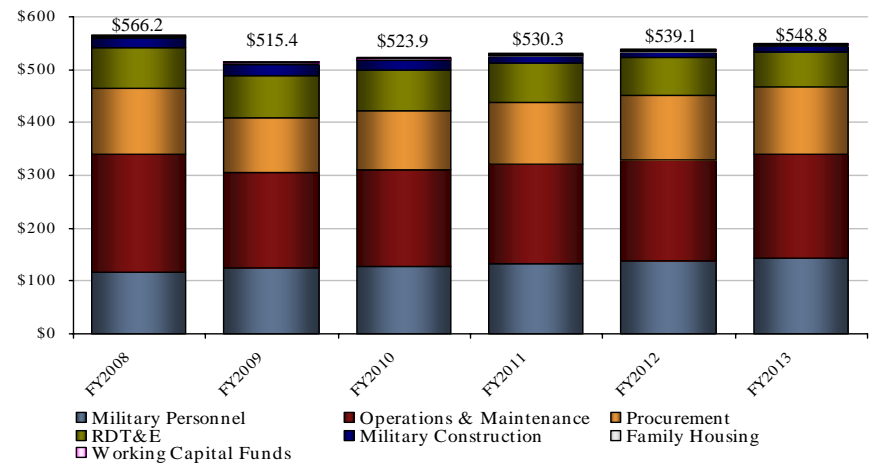


- US DoD budget trajectory expected to continue over the next few years:
 - Between FY09 and FY13 procurement is projected to rise \$21 billion and O&M is expected to rise \$18 billion
 - Overall O&M spending expected to remain flat between 2008 and 2011 as supplemental spending declines
 - A new administration will likely enact changes in Defense spending priorities

Defense Supplemental & Bridge Funding



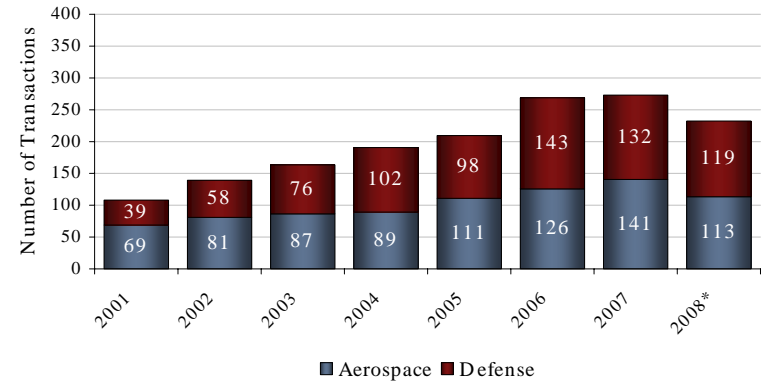
DoD Discretionary Budget Authority



Observations

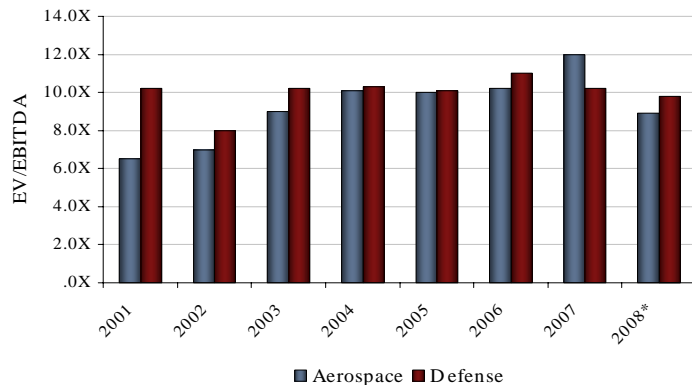
- ❖ Aerospace companies continue to generate an abundant amount of cash and, as a result, have maintained aggressive acquisition strategies
 - ◆ Acquisitions often remain the best use of funds for strategic players as organic growth rates slow
- ❖ Defense M&A pricing remains stable despite declines in the equity markets
- ❖ As speculation of large budgetary cuts increase, defense companies are aggressively seeking acquisitions with exposure to the most critical areas
- ❖ \$302 billion of capital raised in 2007; demand for quality deals remains strong
- ❖ Lower levels of leverage force financial sponsors to focus on high quality deals

M&A Activity



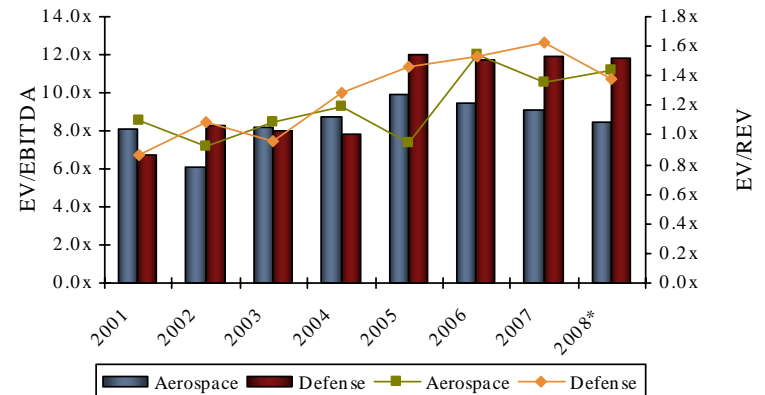
Source: Houlihan Lokey, Capital IQ
*As of September 5, 2008

Public EV/EBITDA Multiples



Source: Wall Street Research
*As of September 5, 2008

M&A Pricing

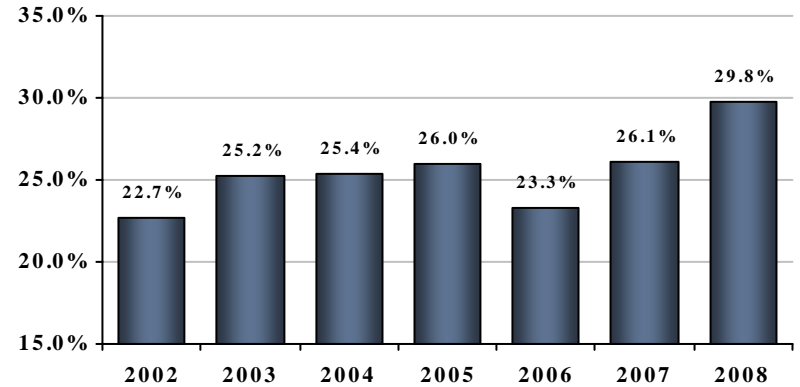


Source: Houlihan Lokey, Capital IQ
*As of September 5, 2008

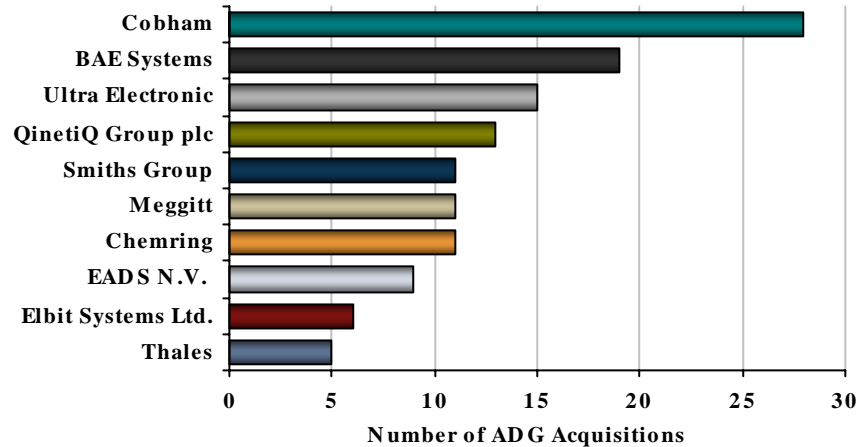
Observations

- ❖ Foreign ADG Companies are making aggressive moves to expand their presence in the US market
 - ◆ Due to the weak dollar, acquisition currency is stronger for foreign acquirors
 - ◆ Foreign acquirors are looking to create a natural currency hedge by offsetting US dollar sales with US dollar cost inputs
 - ◆ Foreign buyers are expanding US footprint in order to win more US DoD contracts
- ❖ While the US ADG market continues to attract foreign buyers, transaction challenges exist
 - ◆ Political, regulatory, and cultural issues increase uncertainty and complexity of M&A transactions

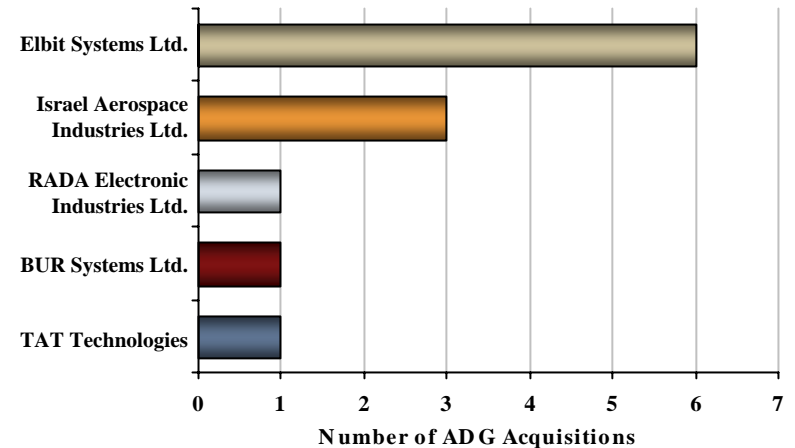
Percent of Foreign Investment in US ADG





Top Foreign Acquirors from 2002 - 2008





Top Israeli ADG Acquirors 2002 - 2008



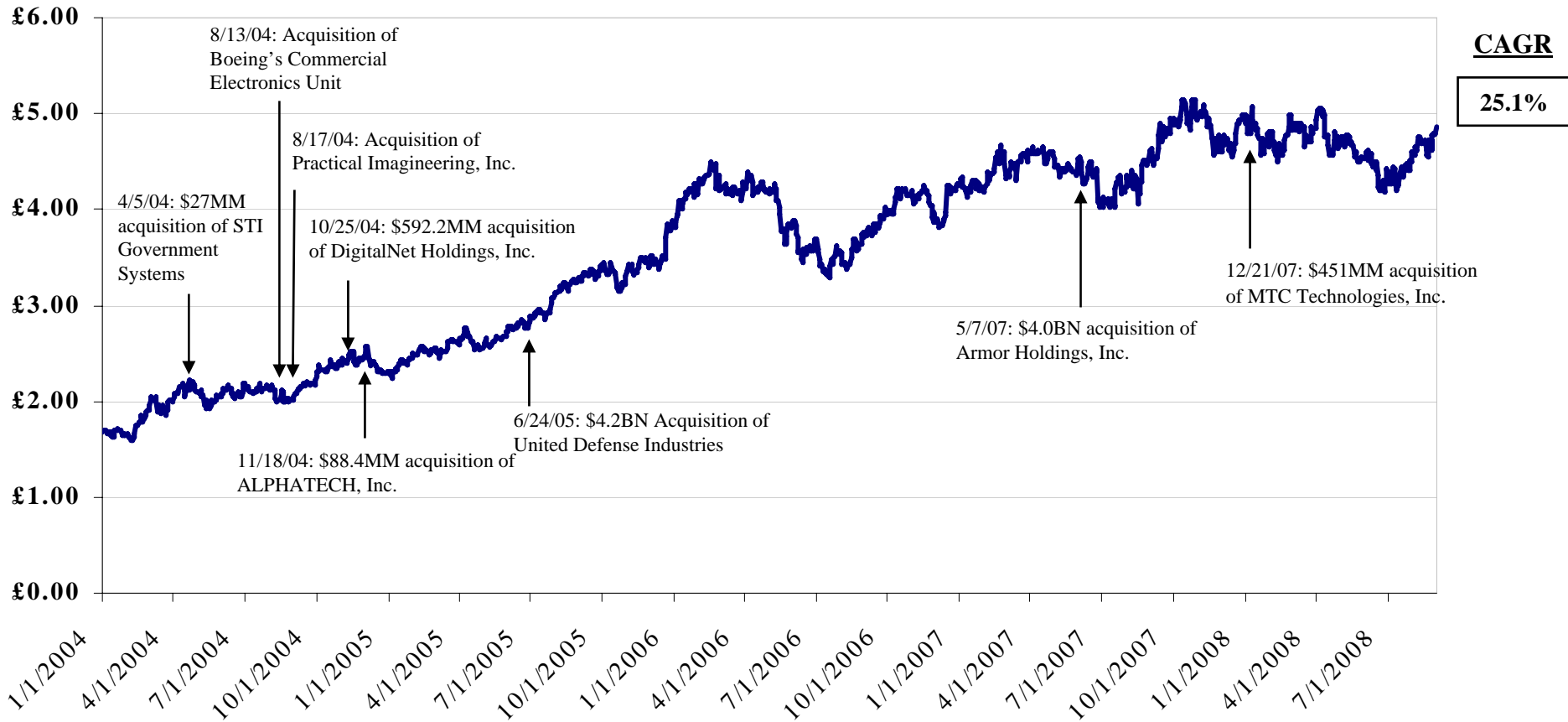
- Favorable exchange rates driving increased foreign buyer interest
- Access to US market and leading edge technology
 - Expanded US presence driven by increase in post-9/11 defense spending
 - Leverage increased presence to win DoD contracts

Announced:	5/7/07
Acquiror:	
Target:	
Target Revenue:	\$2.8 billion
Acquisition Rationale	
Increase US presence and access to DoD programs	

Announced:	5/13/08
Acquiror:	
Target:	
Target Revenue:	\$478 million
Acquisition Rationale	
Continued desire to increase presence in the US defense electronics market	

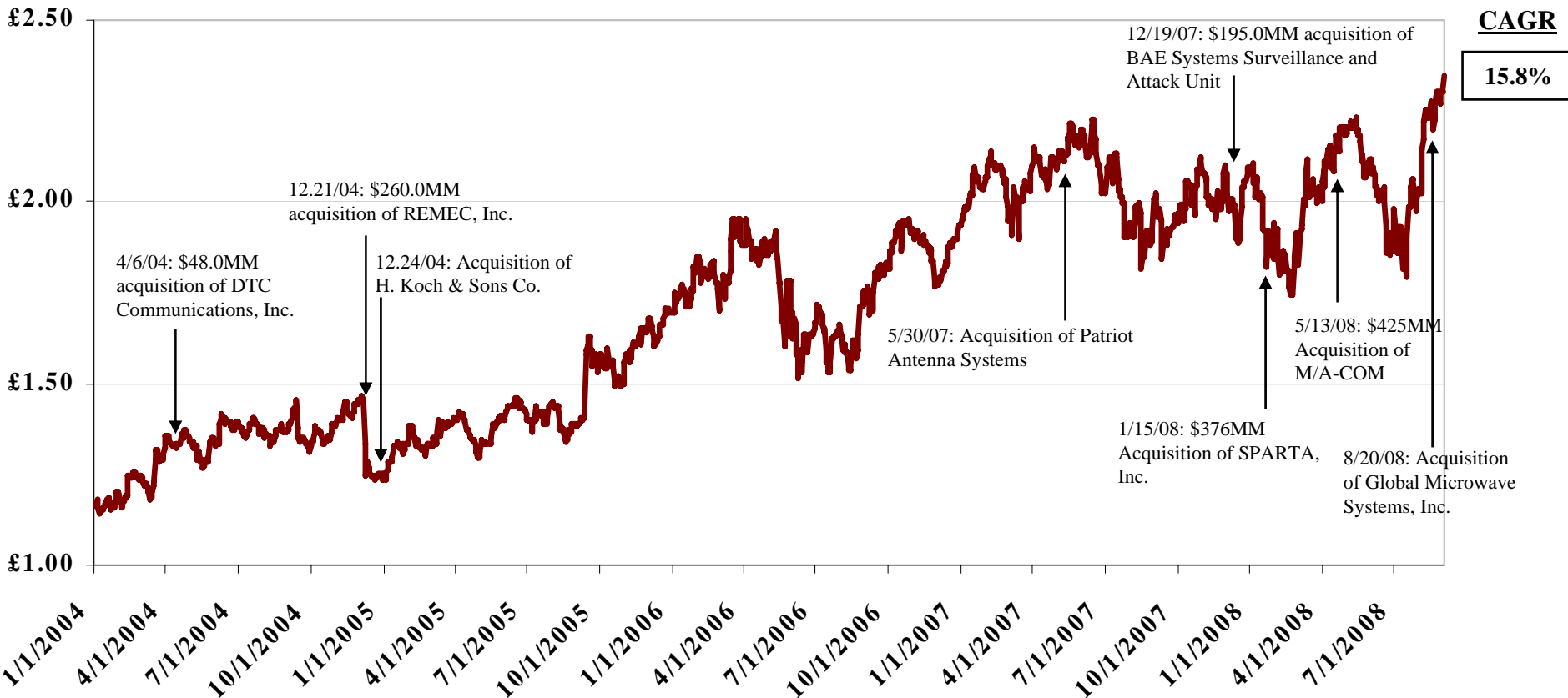
Foreign Firms Have Successfully Employed US-Based Acquisitions as Part of Their Growth Strategy

BAE SYSTEMS



Foreign Firms Have Successfully Employed US-Based Acquisitions as Part of Their Growth Strategy (cont'd)

COBHAM



Recent M&A Activity in the ADG Sector by Israel-Based Companies

Announce Date	Acquiror	Target	Target Description	Enterprise Value	EV / EBITDA
6/23/08	Elbit Systems Ltd.	Bar-Kal Systems Engineering	Bar-Kal is an Israeli company, engaged in research, development and marketing of technologies related to systems engineering of hyperspectral remote sensing for defense and government-related customers in Israel and abroad.	NA	NA
3/27/08	TAT Technologies, Ltd.	Bental Industries Ltd.	Bental specializes in innovative motion technologies such as PM brushless motors, PMGs (permanent magnet generators), electronic drivers and controllers, servo actuators and more. Bental is the leading supplier in its field to Israel's defense industries. Bental's products are integrated into various platforms and applications including: turret & gun control systems for AFVs, UAVs, missiles, jet engines, cryogenic coolers for thermal imaging systems, optical systems, rotational drives for large antennae pedestals, and more.	\$12.5	NA
7/26/07	Elbit Systems Ltd.	Ferranti Technologies Limited	Ferranti Technologies Limited designs, develops, and manufactures electronic and electro-mechanical equipment that is applicable to the defense, aerospace, and commercial sectors of industry. The company forms business partnerships with customers and suppliers in order that the most advanced products can be manufactured. Its customers include British Aerospace, GEC Marconi, Lucas Aerospace, and ALSTOM Transport.	\$30.7	NA
3/20/07	Elbit Systems Ltd.	Tadiran Communications Ltd.	Tadiran Communications, Ltd. engages in planning, development, and manufacture of communication equipment and systems. The company operates and manages radio sets and accessories, as well as communication and telecommunication systems for military market; and technologies and wireless products for civilian communications market for homeland security, public safety and government agencies.	\$751.7	20.4x

- Elbit Systems has taken a pro-active approach to acquisitions, and is expected to continue doing so
 - 17 acquisitions completed since 2003

- Securing the necessary approvals may require knowing state and local governments, federal agencies, and key politicians
- General lack of understanding about the US regulatory hurdles may delay transaction process
- CFIUS scrutiny increases transaction complexity
- Difficult to implement strategic goals and drive strategy from afar
- Language difficulties and other cultural barriers impact ability to achieve acquisition synergies
- Access to technical data covered under ITAR requires US citizenship