Assembling value*

Industrial Manufacturing mergers and acquisitions analysis
Second quarter 2008

*connectedthinking

PricewaterhouseCoopers

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Perspective: Thoughts on deal activity in the first half of 2008

We are pleased to bring you the second edition of *Assembling value*, our analysis of mergers and acquisitions in the global industrial manufacturing sector. The pace of deal activity for the first half of 2008, as measured by the number of deals announced, is not on track to exceed the level set in 2007. However, the number of deals announced during the first half of 2008 should approach the number of deals announced during 2006. Increased concerns over the tightening credit market and an overall global economic slowdown continue to affect trends in total and average deal values for industrial manufacturing targets. Despite these factors, there has been a gradual increase in the number of transactions announced during the first half of 2008, as measured by total and average deal value, which can be attributed to the increased number of large deals announced during the most recent quarter.

In this report we note several points of interest that relate to the industrial manufacturing M&A environment. First, deal activity for industrial machinery targets continues to lead that of industrial manufacturing by target category, although there has been an increase in activity for targets in rubber and plastics products. Second, financial investment in industrial manufacturing targets continues to be negatively affected by recessionary concerns and the tight credit market, as indicated by the percent of deals announced during the first half of 2008 involving a financial acquirer relative to those deals announced during 2006 and 2007. Finally, and somewhat surprisingly given the credit environment, valuation of industrial manufacturing transactions (for deals in which requisite information was disclosed) indicates that the median value for deals announced during the first half of 2008 is only slightly less than the median value of deals announced during 2006 and 2007.

Looking forward, in the near term, the market will likely to continue to be driven by well-capitalized strategic investors. These investors are in the best position to engage in new deals, based on the cost savings rationale of potential deals, as well as the challenging financing environment. In addition, some corporate entities appear to be enjoying a period with less private equity activity, which allows them to pursue strategic targets with less competition. We also expect that, because of the fragmented nature of the industrial machinery market, consolidation in this category will continue to account for a significant amount of the deals announced during the remainder of 2008. We have observed through our analysis that historical deal activity, as measured by both value and number of deals, has tended to be related to the changes in economic output, thus the pace of industrial manufacturing deal activity is likely to increase concurrent with a real or perceived improvement in economic growth.

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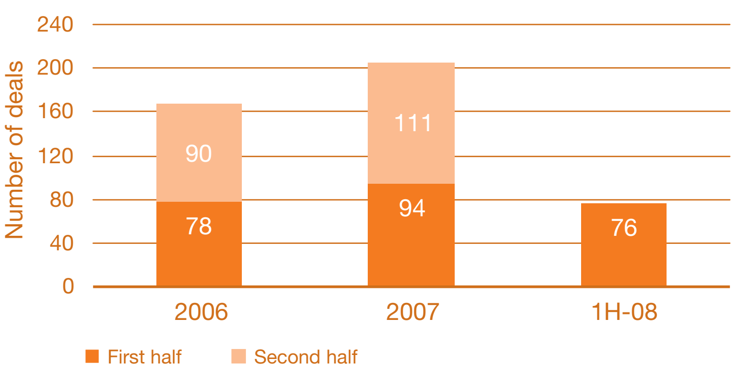
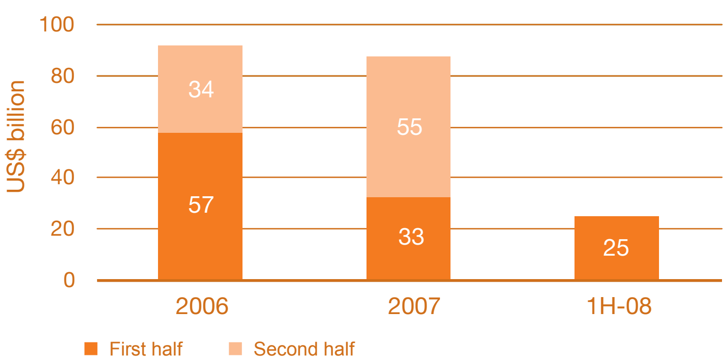
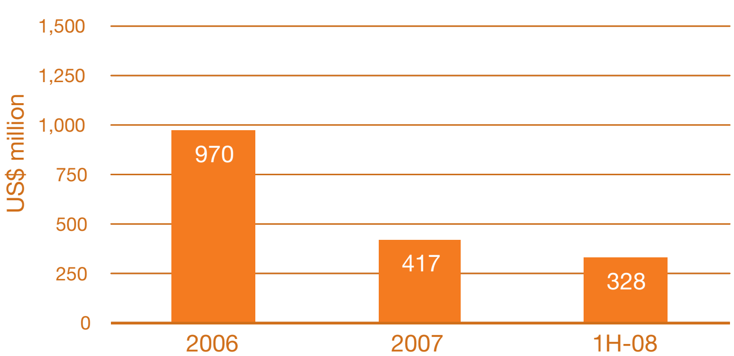
Deal activity by number of deals
Measured by number of deals worth $50 million or more



Deal activity by total deal value (in US$ billion)
Measured by value of deals worth $50 million or more



Deal activity by average deal value (in US$ million)
Measured by value of deals worth $50 million or more



Total and average deal value activity remains sluggish

Deal activity as measured by the total number of transactions with a disclosed value of at least $50 million is not on pace to match the 2007 level. However, the 76 agreements announced during the first half of 2008 approximate the rate of the 168 deals announced during 2006. Nonetheless, ongoing credit market concerns have clearly affected industrial manufacturing deal activity when measured by total deal value.

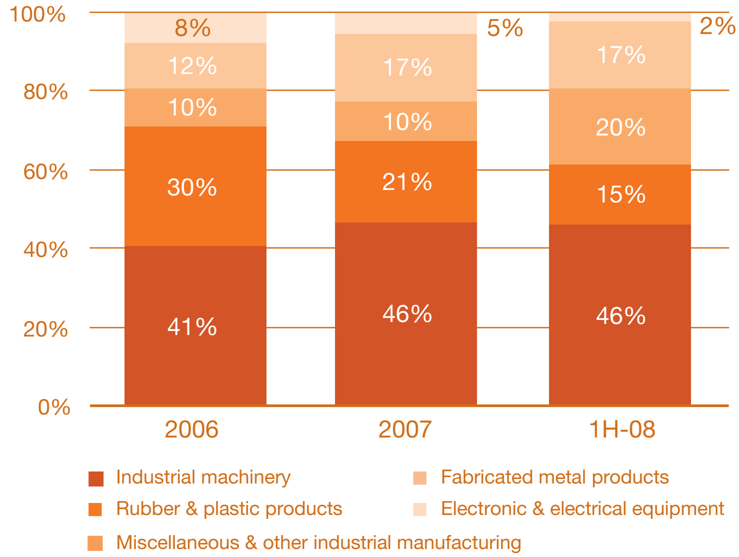
The total value for deals announced during the first half of 2008 with a disclosed value of at least $50 million was $24.9 billion, which is behind the 2007 pace ($87 billion). This decline is related to a decrease in large transactions. The four large deals announced during the first half of 2008 lag behind the rate of 2006 and 2007, as 17 large deals were announced in each of these annual periods.

The reduction in large deals also contributed to a decline in average deal value. The average value of $328 million for deals announced during the first half of 2008 represents a decline from the levels of $417 million in 2007 and $970 million in 2006. However, the relatively high average deal value in 2006 was skewed by the inclusion of the Tyco Electronics spin-off to shareholders during this period. If the Tyco deal was not included, the average deal value for 2006 would have been $419 million.

Declining interest in fabricated metal products targets continues

While interest in industrial machinery targets continues to lead industrial manufacturing activity by target category with 46 percent of deal value announced during the first half of 2008, interest in fabricated metal products targets declined (by 15 percent in the first half of 2008 from 21 percent in 2007 and 30 percent in 2006). The decline in fabricated metal products value was driven by the absence of announcements of large transactions for these targets during the first half of 2008 (there were four large deals announced for fabricated metal products targets during 2007 and two during 2006). Our previous report forecasted a relatively high level of consolidation for the industrial machinery category, a trend that is expected to continue given the level of fragmentation and large overall size of the category.

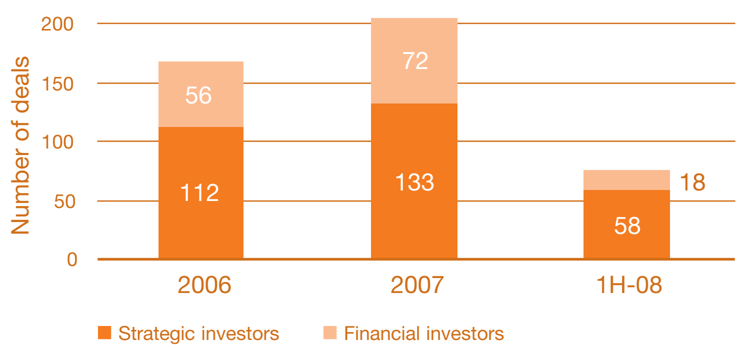
Deals by industrial manufacturing category
Measured by value of deals worth $50 million or more



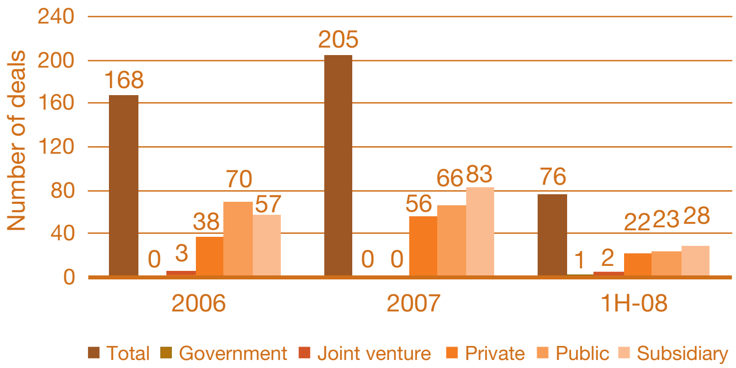
Broader economic concerns hit investor group deals

An analysis of investor groups indicates that financial investment, as measured by the number of deals announced during the first half of 2008, was adversely affected by recessionary and credit market concerns. The proportion of industrial manufacturing targets that were acquired by financial investors, relative to those acquired by strategic investors, decreased for deals announced during the first half of 2008 (24 percent) compared with the proportion announced during 2007 (35 percent). Financial investor involvement in large deals also declined: there were two large deals announced during the first half of 2008 that involved financial acquirers compared with eight in 2007 and 13 in 2006. An improvement in the overall financing environment is an essential condition for the the recovery of financial investor involvement in the industrial manufacturing industry deal market.

Deals by investor group
Measured by number of deals worth $50 million or more



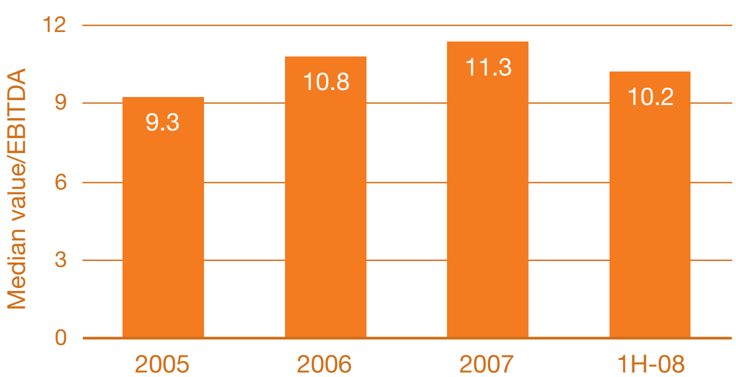
Deals by ownership status
Measured by number of deals worth $50 million or more



Interest in private targets continues to rise

The proportion of ownership status of industrial manufacturing deal targets (i.e., government-owned, joint venture, private entity, public entity, and subsidiary) has shifted over time for deals disclosed values of at least $50 million. Deals for privately owned targets continue to increase steadily over time, although acquisitions of public and subsidiary entities led all targets (67 percent of deal targets over $50 million) as measured by ownership status in first half of 2008.

Deal valuation by median value to EBITDA
Measured by value to EBITDA for deals worth $50 million or more (2005, 2006, 2007, H108)



Slightly lower deal valuations

Somewhat surprisingly given the credit environment, the median deal-value-to-target-EBITDA ratio of 10.2 for deals announced during the first half of 2008 declined slightly from the previous year (11.3).[1]

[1] The available sample of deal-value-to-EBITDA data was limited in each period (33, 65, 66, and 21 deals in 2005, 2006, 2007 and the first half of 2008, respectively), so the median value was selected as a measure of central tendency in order to reduce the influence of outliers.

Large deals

There were no large deals announced during the first quarter of 2008 and four large deals announced during the second quarter of 2008. While this represents an increase in large deal activity, the pace of large transactions (deals with a disclosed value of at least $1 billion) announced during the first half of 2008 continues to be slow relative to previous years. This deceleration reflects concerns over slowing economies and the difficult financing environment.

The largest transaction announced for a US target was the $3.2 billion acquisition of Graham Packaging Co. Inc. (a manufacturer of plastic containers for the food and beverage, household, and personal care and automotive lubricants markets) by Hicks Acquisition Co., a subsidiary of Blackstone Group LP's Blackstone Capital Partners III Merchant Banking Fund.

Large deals in first half of 2008

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US$ billion	Category
Jun	Graham Packaging Co Inc	United States	Hicks Acquisition Co Inc	United States	Pending	3.20	Rubber and Plastic Products
Jun	Converteam Group SAS	France	Investor Group	France	Completed	2.95	Electronic and Electrical Equipment
Apr	Enodis PLC	United Kingdom	MTW County Ltd	United Kingdom	Pending	2.40	Industrial Machinery
May	Enodis PLC	United Kingdom	FNI Ltd	United Kingdom	Withdrawn	2.01	Industrial Machinery

Large deals in 2007

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US$ billion	Category
Dec	Trane Inc	United States	Doosan Infracore Co Ltd	United States	Completed	9.75	Industrial Machinery
Jun	Allison Transmission	United States	Berkshire Hathaway Inc	United States	Completed	5.58	Industrial Machinery
Jul	Ingersoll-Rand Co Ltd-Bobcat, Utility Equipment and Attachments	United States	Philips Holding USA Inc	South Korea	Completed	4.90	Industrial Machinery
Dec	Marmon Holdings Inc	Netherlands	London Acquisition BV	United States	Completed	4.50	Fabricated Metal Products
Nov	Genlyte Group Inc	Germany	Eaton Corp	United States	Completed	2.81	Electronic and Electrical Equipment
Nov	Stork NV	United Kingdom	Oak Hill Capital Partners LP	Netherlands	Completed	2.35	Industrial Machinery
Dec	Moeller Holding GmbH & Co KG	United States	Hellman & Friedman LLC	United States	Completed	2.22	Electronic and Electrical Equipment
Nov	Firth Rixson Ltd	United States	Bain Capital Partners LLC	United States	Completed	1.97	Fabricated Metal Products
Oct	Goodman Global Inc	United States	Volvo AB	United States	Completed	1.85	Fabricated Metal Products
Jul	American Standard Cos-Bath & Kitchen Products	United States	Platinum Equity LLC	United States	Completed	1.76	Rubber & Plastic Products
Feb	Ingersoll-Rand Co Ltd Road Development	United States	3M Co	Sweden	Completed	1.30	Industrial Machinery
Jul	Ryerson Inc	Germany	Dubai International Capital	United States	Completed	1.23	Fabricated Metal Products
Nov	Aearo Technologies Inc	United States	GS Capital Partners LP	United States	Completed	1.20	Miscellaneous & Other Industrial Manufacturing
Apr	Mauser AG	Germany	Areva	Utd Arab Em	Completed	1.16	Rubber & Plastic Products

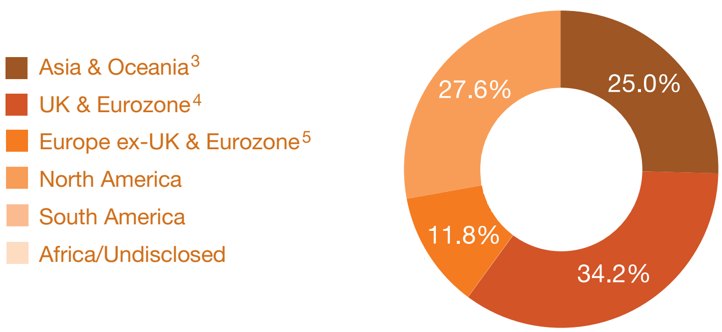
Large deals in 2007 continued							
Month announced	**Target name**	**Target nation**	**Acquirer name**	**Acquirer nation**	**Status**	**Value of transaction in US$ billion**	**Category**
Apr	Myers Industries Inc	United States	GS Capital Partners LP	United States	Withdrawn	1.07	Rubber & Plastic Products
Jan	REpower Systems AG	Germany	AREVA SA	France	Withdrawn	1.07	Industrial Machinery
Oct	Global Garden Products	Italy	Investor Group	United Kingdom	Completed	1.04	Industrial Machinery

Large deals in 2006							
Month announced	**Target name**	**Target nation**	**Acquirer name**	**Acquirer nation**	**Status**	**Value of transaction in US$ billion**	**Category**
Jan	Tyco Electronics Ltd	United States	Shareholders	United States	Completed	19.25	Fabricated Metal Products
Oct	American Power Conversion	United States	Scheider Electric SA	France	Completed	6.09	Electronic and Electrical Equipment
May	Iscar Ltd	Israel	Berkshire Hathaway Inc	United States	Completed	4.00	Industrial Machinery
April	Alstom SA	France	Bouygues SA	France	Completed	2.47	Industrial Machinery
Nov	Mueller Water Products Inc	United States	Shareholders	United States	Completed	2.09	Fabricated Metal Products
May	Rexnord Corp	United States	Apollo Management LP	United States	Completed	1.83	Industrial Machinery
Jun	Enodis PLC	United Kingdom	Manitowoc Co Inc	United States	Withdrawn	1.64	Industrial Machinery
Jun	Royal Group Technologies Ltd	Canada	Georgia Gulf Corp	United States	Completed	1.54	Rubber & Plastic Products
May	Enodis PLC	United Kingdom	Middleby Corp	United States	Withdrawn	1.49	Industrial Machinery
Oct	Enodis PLC	United Kingdom	AGA Foodservice Group PLC	United Kingdom	Withdrawn	1.36	Industrial Machinery
Feb	Cegelec	France	LBO France Finances Sarl	France	Completed	1.33	Industrial Machinery
May	OYL Industries Bhd	Malaysia	Daikin Industries Lte	Japan	Completed	1.15	Industrial Machinery
Feb	Stewart & Stevenson Services	United States	Armor Holdings Inc	United States	Completed	1.12	Industrial Machinery
May	MAN Roland Druckmaschinen AG	Germany	Undisclosed Joint Venture Co	Germany	Completed	1.09	Industrial Machinery
Apr	Deutsch Group	United States	Investor Group	France	Completed	1.04	Electronic and Electrical Equipment
Sep	Boart Longyear	United States	Resources Services Holdings	Australia	Completed	1.02	Industrial Machinery
May	Potagua A/S	Denmark	FLSmidth A/S	Denmark	Pending	1.00	Rubber & Plastic Products

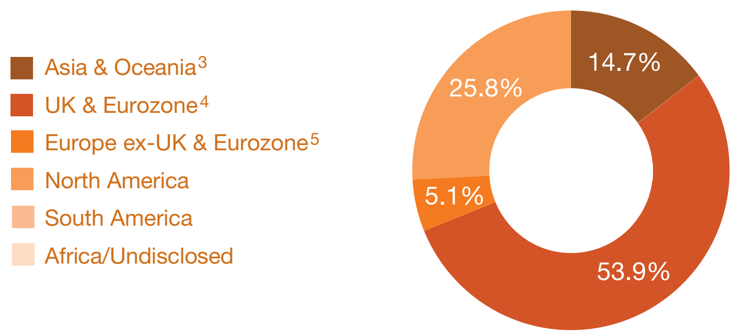
Regional analysis for first half of 2008[2]

An increase in the pace of large deal activity within the UK and Eurozone region has resulted in this region leading the distribution of deals for both acquirers and targets as measured by value. This was driven by the acquisition of Converteam Group, a manufacturer of power conversion equipment, as well as competing bids for Enodis, a manufacturer of commercial food and beverage equipment, by local market acquirers. In addition, interest in smaller deals for UK and Eurozone targets was robust with deal activity for targets in this region leadings all regions when measured by number of deals. Activity by entities in the Asia and Oceania region also contributed significantly to the number of deals announced during the first half of 2008 and, to a lesser extent, the value of deals announced. This is due to the relatively high number of smaller deals among parties in the Asia and Oceania region.

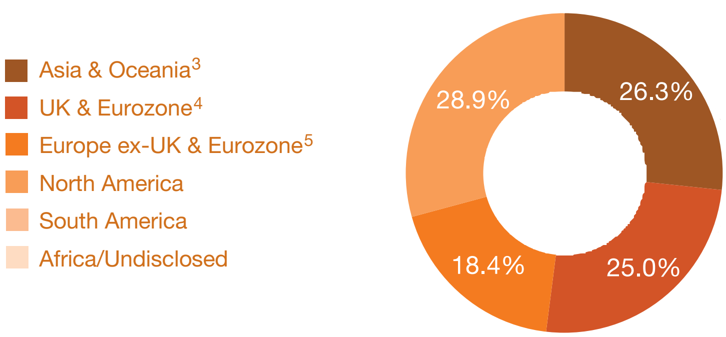
Regional distribution of deals by target region
Measured by number of deals worth $50 million or more



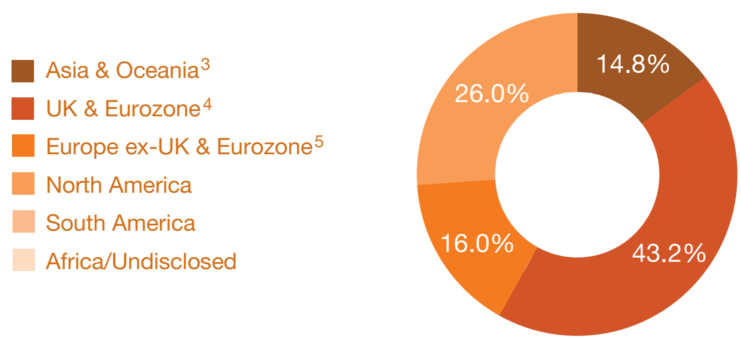
Regional distribution of deals by target region
Measured by value of deals worth $50 million or more



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

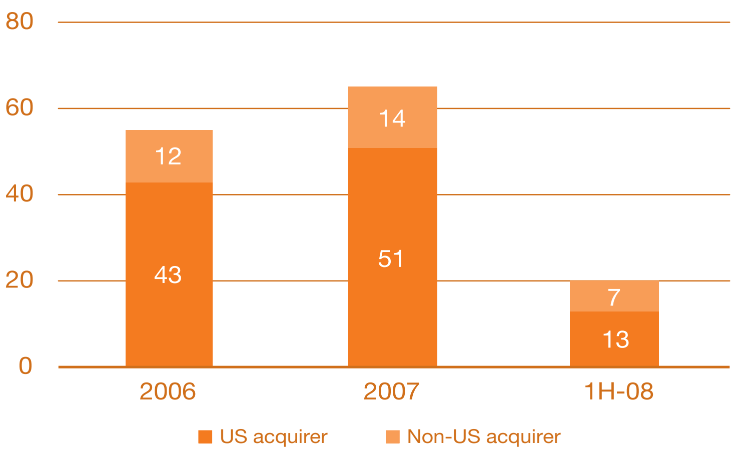


Regional distribution of deals by acquirer region
Measured by value of deals worth $50 million or more



[2] This analysis used a parent company's geographic region for transactions involving a subsidiary or business unit.
[3] Oceania includes Australia, New Zealand, Melanesia, Micronesia, and Polynesia.
[4] Eurozone includes Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, The Netherlands, Portugal, Slovenia, and Spain.
[5] European countries outside the Eurozone include Albania, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Hungary, Iceland, Lithuania, Macedonia, Monaco, Montenegro, Norway, Poland, Romania, Russian Federation, Serbia, Slovak Republic, Sweden, Switzerland, and Ukraine.

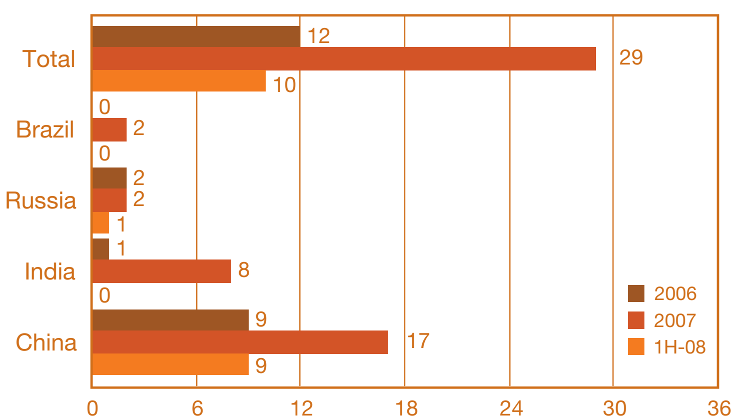
US versus non-US acquirers of US targets
Measured by number of deals worth $50 million or more



Cross-border interest in US targets

While the overall number of deals involving US targets has declined for deals announced during the first half of 2008 (20) compared with those during 2007 (65) and 2006 (55), the share of non-US acquisitions of US targets has increased (35 percent during the first half of 2008 compared with approximately 22 percent during 2006 and 2007). Interest in US targets on the part of cross-border acquirers should remain high because of the weakness of the US dollar.

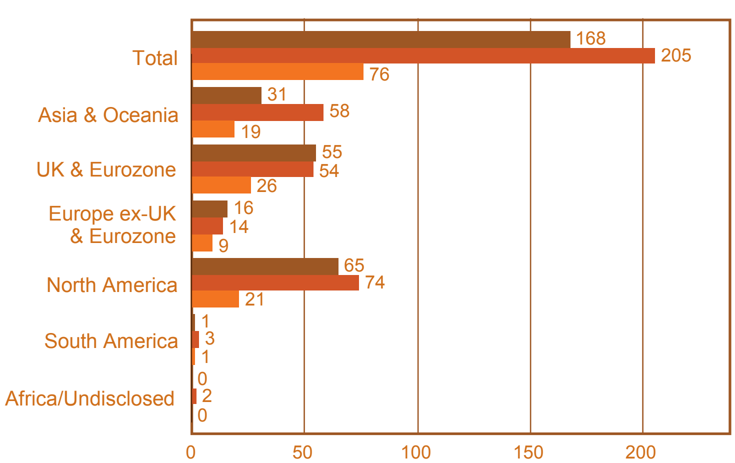
Distribution of BRIC deals
Measured by number of deals worth $50 million or more



Consolidation in China continues

Our analysis of BRIC deal activity reflects the consolidation of the industrial manufacturing industry within China. While there has been an overall decline in global industrial manufacturing M&A activity, the pace of activity for targets in China has actually increased (with nine deals announced during the first half of 2008 compared with nine and 17 in 2006 and 2007, respectively). Targets in China accounted for the majority of deals in BRIC nations in 2006, 2007 and the first half of 2008.

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

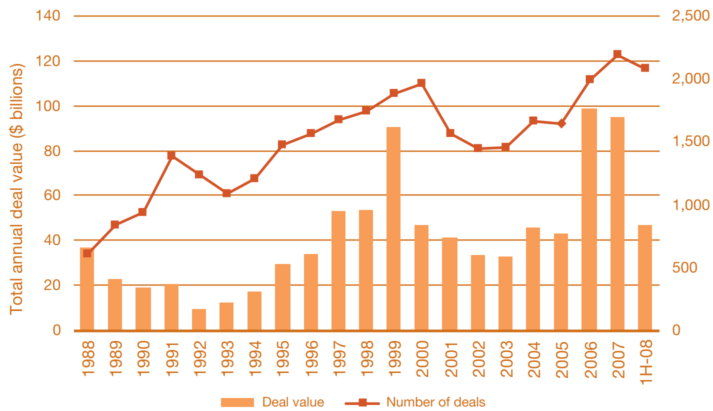


Historical perspective

If the 1,041 transactions announced during the first half of 2008 (regardless of whether or not there was a disclosed value) were annualized, the resulting 2,082 deals would be second-highest number of transactions announced in a single annual period over the past 20 years. This robust pace of activity as measured by announcements for all deals (regardless of whether a value was disclosed), coupled with the moderating trend of announced activity during the first half of 2008 (as measured by pacts with a disclosed value of at least $50 million) suggests that the pace of deal activity for industrial manufacturing targets is strong by historical standards. However, smaller agreements and deals without a disclosed value are making a higher relative contribution to deal activity over time. Examination of the trends in activity, as measured by total deal value and volume, over the past 20 years indicates that activity appears to have been sensitive to fluctuations in economic output. For example, deal activity appears to have been negatively impacted around recessionary periods (e.g., in the United States, July 1990 through March 1991, and March 2001 through November 2001).

Historical analysis of manufacturing deals

10-year comparison of annualized H1 deal activity



PricewaterhouseCoopers Corporate Advisory & Restructuring Services[6]

PricewaterhouseCoopers Corporate Advisory & Restructuring LLC (1) (PwC CAR) offers the focus of an investment banking boutique with access to the resources, integrated advisory services, and industry expertise of the PricewaterhouseCoopers global network.

With the economy in a state of flux, some businesses may be experiencing financial performance issues, including violation of financial covenants, constrained operating liquidity, or a distressed/ underperforming business or business unit.

PwC CAR assists and advises domestic and international clients (excluding PwC's SEC registrant audit clients) on strategic and financial alternatives and solutions for capital sourcing, restructuring, or M&A (distressed business or business unit divestitures and cross-border) transactions.

Advisory

- Strategic and financial alternatives analysis
- Capital structure advisory
- Core/non-core business analysis
- Non-performing loan advisory

Financial restructuring

- Restructuring strategy
- Capital structure design and sourcing
- Negotiation with creditors
- Exchange offers
- Out-of-court restructurings
- Chapter 11
  - Planning and implementation
  - Pre-packaged bankruptcy

Capital sourcing

- Capital structure design
- Identification and solicitation of, and negotiations with, capital sources
- Leveraged recapitalizations
  - Senior debt
  - Second lien
  - Mezzanine debt
  - Private equity
- Chapter 11
  - DIP financing
  - Exit financing

Mergers & acquisitions

- Distressed business / business unit divestitures
- Cross-border transactions
- Design M&A strategy
- Identification and solicitation of potential buyers
- Negotiation of transaction terms
- Transactions through Chapter 11
- Buy-side advisory

Industrial manufacturing case study

Global equipment manufacturer

Client issue	A producer and distributor of building products serving the manufactured housing and recreational vehicle industries was not meeting shareholders' performance expectations.
Approach	PwC CAR advised the company in their pursuit of select acquisition targets to increase size and profitability, and on acquisition and related financing.
Impact	The company acquired its largest competitor with $230 million of sales for $75 million.

[6] PricewaterhouseCoopers Corporate Advisory & Restructuring LLC is owned by PricewaterhouseCoopers LLP, a member firm of the PricewaterhouseCoopers Network, and is a member of FINRA and SIPC. PricewaterhouseCoopers Corporate Advisory & Restructuring LLC is not engaged in the practice of public accountancy.

Methodology

Assembling value is an analysis of deals in the global industrial manufacturing industry. Deal information was sourced from Thomson Reuters and includes deals for which targets have primary SIC codes that fall into one of the following SIC industry groups: Millwork, Plywood, and Structure; Wood Buildings and Mobile Homes; Partitions, Shelving, and Lockers; Gaskets, Packing and Sealing Devices; Fabricated Rubber Products; Miscellaneous Plastics Products; Heating Equipment, except Electric Air; Fabricated Structural Metal Products; Bolts, Nuts, Screws, and Other Machine Products; Metals Forgings and Stampings; Coating, Engraving, and Allied Services; Miscellaneous Fabricated Metal Products; Engines and Turbines; Farm and Garden Machinery; Metalworking Machinery; Special Industry Machinery; General Industrial Machinery; Refrigeration and Service Industry Machinery; Miscellaneous Industrial and Commercial Machinery; Electric Transmission and Distribution Equipment; Electrical Industrial Apparatus; Electrical Lighting and Wiring Equipment; Miscellaneous Electrical Machinery and Equipment; and Miscellaneous Manufacturing Industries.

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, 2006, and June 30, 2008, 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. 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 Northern America and Latin and the Caribbean UN groups), the Asia and Oceania region (includes Asia and Oceania UN groups) and Europe (divided into UK and Eurozone and Europe excluding 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. China, when referenced separately, includes Hong Kong. The term “deals,” when referenced herein, refers to deals with a disclosed value of at least $50 million unless otherwise noted.

PricewaterhouseCoopers Industrial Manufacturing practice

Our Industrial Manufacturing practice comprises a global network of industry professionals serving manufacturing clients strategically located in over 30 countries around the world. We bring experience, international industry best practices, and a wealth of specialized resources to help solve business issues.

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