



Department of Justice

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JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN ORDER FOR UNITED TECHNOLOGIES CORPORATION TO PROCEED WITH ITS ACQUISITION OF GOODRICH CORPORATION

Divestitures Will Preserve Competition for Large Main Engine Generators, Aircraft Turbine Engines and Engine Control Systems for Large Aircraft Turbine Engines

WASHINGTON — The Department of Justice announced today that it will require United Technologies Corporation (UTC) to divest certain assets used in the production of electrical power systems and aircraft engine control systems in order to proceed with its acquisition of Goodrich Corporation. At approximately \$18.4 billion, the acquisition is the largest merger in the history of the aircraft industry. The department said that the acquisition, as originally proposed, likely would have resulted in higher prices, less favorable contractual terms and less innovation for several critical aircraft components, including generators, engines and engine control systems.

The department's Antitrust Division filed a civil antitrust lawsuit today in the U.S. District Court for the District of Columbia to block the proposed acquisition. At the same time, the department filed a proposed settlement that, if approved by the court, would resolve the competitive concerns alleged in the lawsuit.

"The acquisition as originally proposed would have lessened the vigorous competition that currently exists among manufacturers of large main engine generators, aircraft turbine engines and engine control systems for large aircraft turbine engines," said Jamillia Ferris, Chief of Staff and Counsel at the Department of Justice's Antitrust Division.

The department's Antitrust Division, the European Commission and the Canadian Competition Bureau cooperated closely throughout the course of their respective investigations, with frequent contact among the agencies. In addition, the Antitrust Division had discussions with other competition agencies, including the Federal Competition Commission in Mexico and the Administrative Council for Economic Defense in Brazil.

"The Antitrust Division's dialogue with our international counterparts around the world facilitated our investigation," said Ferris. "In particular, the division's close cooperation with the European Commission and Canadian Competition Bureau resulted in a coordinated remedy that will preserve competition in the United States and internationally."

The department's complaint alleges that the proposed acquisition would lessen competition substantially in the worldwide markets for the development, manufacture and sale of large main engine generators, aircraft turbine engines and engine control systems for large aircraft turbine engines. The department said that the acquisition, as originally proposed, would combine the only two significant suppliers of large main engine generators for aircraft in the world. UTC also would acquire Goodrich's engine control systems business, which supplies critical components to several of UTC's leading competitors for aircraft turbine engines. Finally, UTC, which is currently one of three leading suppliers of engine control systems for large aircraft turbine engines, would acquire Goodrich's 50 percent share in a joint venture that forms one of the other two producers of such engine control systems.

Aircraft main engine generators produce the electrical power used by communication and navigation equipment, environmental control systems, interior and exterior lighting and other aircraft systems. Large main engine generators are complex mechanical devices that are difficult to produce, and for which there are no substitutes. Turbine engines power virtually all modern commercial, business and military aircraft. UTC is one of the few firms worldwide that produce aircraft turbine engines. Engine control systems, consisting of electronic engine controls, pumps, fuel metering units and related components, control the flow of fuel into an aircraft turbine engine such that the engine performs in a safe and efficient manner. It would be difficult and time-consuming for an engine producer to switch to an alternative supplier of engine control systems.

The proposed settlement requires UTC to divest the following assets:

- Goodrich's business that designs, develops and manufactures large main engine generators for aircraft, including Goodrich's shares in TRW-Thales Aerolec SAS (Aerolec);
- Goodrich's business that designs, develops and manufactures engine control systems; and
- Goodrich's shares in Aero Engine Controls (AEC), a joint venture to manufacture engine control systems for large aircraft turbine engines.

In addition, the proposed settlement provides:

- UTC must extend the term of certain contracts held by customers of Goodrich's engine control systems business for a period of 30 days after the divestiture of the engine control systems business;
- UTC must provide various supply and transition services agreements to the acquirers of the assets being divested in order to assist in the transition of the businesses and allow the acquirers to continue to fulfill obligations of the divested businesses; and
- UTC must extend the period for its joint venture partner, Rolls-Royce Group plc (Rolls Royce), to exercise its option to acquire the Goodrich business that provides aftermarket services for Rolls-Royce engines equipped with AEC engine control systems.

The extension of Rolls-Royce's option to acquire the Goodrich aftermarket business will ensure that Rolls-Royce has sufficient control over the AEC aftermarket business. The extension

of the customer contracts for the engine control systems business will ensure that Goodrich's engine control systems customers have a reliable source of supply during the divestiture period.

UTC is a Delaware-based company that produces a wide range of products for the aerospace industry and other industries, including, among other products, aircraft generators, aircraft engine control systems and components, aircraft engines and helicopters. UTC's main aerospace divisions are Pratt & Whitney, Hamilton Sundstrand and Sikorsky. In 2010, UTC had revenues of approximately \$54 billion.

Goodrich is a New York-based company that produces a variety of products for the aerospace industry, including, among other products, aircraft generators, aircraft engine control systems and components, landing gear and actuation systems. In 2010, Goodrich had revenues of approximately \$7.2 billion.

As required by the Tunney Act, the proposed settlement, along with a competitive impact statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed settlement during a 60-day comment period to Maribeth Petrizzi, Chief, Litigation II Section, Antitrust Division, U.S. Department of Justice, 450 Fifth Street, N.W., Suite 8700, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the U.S. District Court for the District of Columbia may approve the proposed settlement upon finding it is in the public interest.

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