Boeing to Invest in Aerospace Electronics Company

Boeing Enterprises and RADA Electronic Industries today announced that they have signed a preliminary agreement for Boeing to invest $10 million to acquire a minority interest in RADA. The investment will make Boeing the largest single stockholder in the Israel-based company, a leading provider of airplane avionics test equipment and electronic systems for commercial and military customers.

RADA's product line includes the Commercial Avionics Test Station, or CATS, a sophisticated, automated test system currently used by several airlines and airplane maintenance centers around the world. The company also offers avionics test and repair services at two CATS centers in Miami and Beijing, with a Los Angeles center under development and future worldwide expansion planned near major airline hubs.

Boeing has estimated the annual market for avionics test equipment and services to be approximately $1 billion.

"This is a terrific investment opportunity for Boeing and we're confident it will provide greater value to both shareholders and airline customers," said Larry Clarkson, president of Boeing Enterprises. "We believe RADA's automated test equipment and services are the very best, and uniquely capable of supporting the airlines' increasing needs for fast, low-cost fault identification and troubleshooting."

Although the agreement is for a passive equity investment only, Clarkson said Boeing might provide RADA with avionics expertise, especially on new airplane systems, and collaborative opportunities. The transaction is subject to RADA shareholder approval and normal due diligence, with the definitive agreement expected to be complete in the second quarter of 1998.

"We are delighted to establish this relationship with the world's aerospace leader," said Haim Nissenson, RADA president and chief executive officer. "We anticipate that this relationship will boost our marketing efforts for our principal product lines. The Boeing Enterprises investment also will allow us to accelerate our efforts to establish CATS service centers around the world and provide more test programs for airlines."

Nissenson added that the transaction would result in RADA issuing 10 million ordinary shares to Boeing, or 42 percent of the future outstanding shares.

A typical jetliner contains hundreds of avionics units that serve as the electronic control center for the airplane. Clarkson said when an avionics unit indicates a fault, airline mechanics usually remove the box for testing and repair -- a process that currently takes four to six weeks. More than half the time, he added, the tested units produce "no fault found" reports and can be returned to the airline's inventory.

The CATS system reduces the testing flow time on most avionics units to between 20 minutes and 6 hours, while the CATS service centers typically provide 24- to 48-hour turnaround times. In addition to being significantly faster than today's diagnostic equipment and services -- reducing airline inventory and processing costs -- CATS systems and services are less expensive than competitive offerings.

Headquartered in Herzliya, near Tel Aviv, with manufacturing facilities in Beit She'an, Israel, RADA also produces an advanced military instrumentation system that monitors an airplane in flight and provides video replays during post-flight debriefings. Boeing will be installing the system on Boeing military aircraft, including the F-15. The FACE (Fatigue Analyzer/Autonomous Combat-Maneuver Evaluation) system may have additional commercial applications, Clarkson said, especially in airline flight operations, incident and accident investigations, and to assess the structural integrity of older airplanes.

Boeing Enterprises is the new business development and management organization established last year to develop aerospace-related business opportunities for Boeing. Based in Bellevue, Wash., the unit is part of Boeing Commercial Airplane Group and includes Boeing Business Jets; FlightSafety Boeing Training International; and an investment in , TAECO, an airplane heavy maintenance company in China. The Boeing Company is the world's largest manufacturer of commercial and military airplanes, and serves as NASA's largest contractor.

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