

News Release

ST Engineering to Acquire Nacelle Manufacturer for Aggregate Purchase Consideration of US\$630m

Singapore, 13 September 2018 – Singapore Technologies Engineering Ltd (ST Engineering) today announced that the Group's US subsidiary, Vision Technologies Aerospace Incorporated (VT Aerospace), has entered into a conditional share purchase agreement to acquire a 100% ownership in MRA Systems, LLC (MRAS) from General Electric Company (the "**Proposed Acquisition**"). The aggregate purchase consideration for the Proposed Acquisition is US\$630m (approximately S\$868m¹) (the "**Base Purchase Price**") on a cash-free and debt-free basis, subject to closing adjustments for underfunded pension obligations, other debt-like items, transaction expenses, net working capital and other contingent adjustments.

MRAS – established nacelle manufacturer

With 90 years of history in the aviation industry, MRAS is an established Original Equipment Manufacturer (OEM) of engine nacelle systems for both narrowbody and widebody aircraft. Based in Baltimore, Maryland, USA with approximately 800 employees, MRAS has two principal business lines: (1) design, development, production and sale of nacelles, thrust reversers and aerostructures, and (2) spare parts sales.

Strong fit to ST Engineering Group

ST Engineering has been looking to invest in new growth areas, including businesses that offer competitive products through the ownership of intellectual properties and that are synergistic to its core businesses. MRAS is a strong fit given its expertise and proprietary designs to manufacture nacelles using advanced composites. The Proposed Acquisition will allow ST Engineering to scale up its aerospace capabilities by moving the company into the OEM

¹ Unless otherwise stated, the approximate S\$ equivalent of US\$ amounts in this press release are based on an exchange rate of US\$1: S\$1.377.

business of high-value nacelle components and replacement parts. MRAS' design, engineering and manufacturing know-how in advanced composite structures is synergistic with ST Engineering's composite manufacturing capabilities.

MRAS' nacelle programmes

MRAS has a good combination of mature and next-generation nacelle programmes, all of which are single-source contracts. MRAS' next-generation programmes include the A320neo powered by CFM International's LEAP-1A engine, which is Airbus' new-engine option for its A320 aircraft family. In partnership with Safran Nacelles, which was awarded the single-source contract by Airbus for A320neo's LEAP-1A engine nacelles in 2012, MRAS has delivered over 500 Leap-1A units so far. There are more than 6,000 A320neo aircraft ordered to-date. Over half have selected the engine type, of which 60 percent have selected to be equipped with the CFM International's LEAP-1A engine.

Other single-source programmes in MRAS' portfolio include COMAC's C919 powered by CFM International's LEAP-1C turbofan engine and COMAC's ARJ21 powered by General Electric's CF34 engine. There are more than 1,200 COMAC's C919 and ARJ21 aircraft on order to-date according to industry reports. MRAS also provides nacelles for Bombardier's Global 7000/8000 series of next-generation private/business jet.

Proposed acquisition is earnings accretive

The Proposed Acquisition is expected to be earnings accretive for the Group and its Aerospace sector. With the production rate for the A320neo reported to increase from the current 55 to 63 units per month by mid-2019, the production ramp-up is expected to improve productivity and drive future revenue and earnings growth for MRAS.

Mr Vincent Chong, President & CEO of ST Engineering, said, "ST Engineering keeps a constant lookout to acquire companies in our core business areas or adjacencies that will contribute profitable revenue streams and sharpen our competitive edge. We are excited by

the prospects of our investment in MRAS, which is a high-value and complementary business that will enhance our scale, global reach and capture synergies for the Group.”

Mr David Joyce, Vice Chairman of GE and President and CEO of GE Aircraft Engines said, “My congratulations to Vincent and the ST Engineering team for their proposed acquisition of our Middle River Aircraft Systems (MRAS) business. I am confident that ST Engineering is the right choice for the future. They are an outstanding partner with a dedication to engineering and operations excellence. We look forward to our continued work with the Group and the Middle River team as an important supplier of nacelles on our propulsion systems for many years to come.”

Mr Lim Serh Ghee, President of ST Engineering’s Aerospace sector, said, “Moving upstream into the business of design and manufacturing of nacelles will allow us to benefit directly from the robust growth of the global aircraft fleet as an OEM, and enable us to serve our customers better through an enhanced suite of products and services. MRAS fits into this strategic intent given its strong portfolio of intellectual properties and programmes supporting high-growth aircraft platform such as the A320neo.”

Details of the Proposed Acquisition

The Base Purchase Price was arrived at after negotiations between the parties taking into account (a) MRAS’ current financial performance, and (b) MRAS’ future growth prospects. The Base Purchase Price translates into a multiple of 10 times MRAS’ EBITDA and 1.2 times MRAS’ revenue for the 12-month period ended 30 June 2018. After closing adjustments, the consideration for the Proposed Acquisition is estimated to be US\$440m (approximately S\$606m) (the “**Net Consideration**”). The Net Consideration will be funded through internal cash and external borrowings, and will be satisfied fully in cash on the date of completion of the Proposed Acquisition. Based on the unaudited financial statements for MRAS for its first half year ended 30 June 2018, the net profit before income tax, minority interests and

extraordinary items attributable to the MRAS Interests for its first half year ended 30 June 2018 is approximately US\$24.1m (approximately S\$33.2m).

Subject to regulatory approvals and conditions that include, *inter alia*, receipt of clearance from the Committee on Foreign Investment in the United States and anti-trust approvals in the United States of America, France and Brazil, the Proposed Acquisition is expected to close by the end of the first quarter of 2019.

Forward looking statements

The forward-looking statements in this press release reflect the Company's current intentions, plans, expectations, assumptions and beliefs about future events. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes, as well as natural disasters which may negatively impact the business activities of the Group. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.

ST Engineering is a global technology, defence and engineering group specialising in the aerospace, electronics, land systems and marine sectors. The Group employs about 22,000 people across offices in Asia, the Americas, Europe and the Middle East, serving customers in the defence, government and commercial segments in more than 100 countries. With more than 500 smart city projects across 70 cities in its track record, the Group continues to help transform cities through its suite of Smart Mobility, Smart Security and Smart Environment solutions. Headquartered in Singapore, ST Engineering reported revenue of S\$6.62b in FY2017 and it ranks among the largest companies listed on the Singapore Exchange. It is a component stock of the FTSE Straits Times Index, MSCI Singapore, SGX ESG Transparency Index and SGX ESG Leaders Index.

The Aerospace sector operates a global MRO network with facilities and affiliates in the Americas, Asia Pacific and Europe. An integrated aerospace service provider, it offers a spectrum of maintenance and engineering services that include airframe, engine and component maintenance, repair and overhaul; engineering design and technical services; as well as aviation materials and asset management services. The sector has a global customer base that includes leading airlines, airfreight and military operators, and is the world's largest commercial airframe MRO service provider. For more information, please visit www.stengg.com.

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