PROPOSED ACQUISITION OF
MRA SYSTEMS, LLC
BY ST ENGINEERING'S AEROSPACE SECTOR

1. Introduction

1.1 Proposed Acquisition. The board of directors (the "**Board**") of Singapore Technologies Engineering Ltd ("**ST Engineering**" or the "**Company**") wishes to announce that the Company's wholly-owned subsidiary, Vision Technologies Aerospace Incorporated (the "**Buyer**"), has today entered into a conditional membership interest purchase agreement (the "**Agreement**") with General Electric Company (the "**Seller**") to acquire all the issued and outstanding membership interests of MRA Systems, LLC ("**MRAS**" and such interests, the "**MRAS Interests**"), from the Seller (the "**Proposed Acquisition**").

1.2 Information on the Seller. The Seller is a corporation established in New York. The Seller is not related to the Company, its directors, its subsidiaries or its controlling shareholders.

1.3 Completion of the Proposed Acquisition. Completion of the Proposed Acquisition ("**Closing**") is subject to and conditional upon the satisfaction of various conditions precedent, as set out in paragraph 3.2 below.

1.4 Discloseable Transaction. The Proposed Acquisition is a discloseable transaction for the Company as defined in Chapter 10 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), as detailed in paragraph 6 below.

2. Information on MRAS

2.1 MRAS. MRAS is a limited liability company formed under the laws of the State of Delaware. The equity interests of MRAS consist solely of the MRAS Interests, all of which are held by the Seller as at the date of this Announcement.

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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: (i) design, development, production and sale of nacelles, thrust reversers and aerostructures; and (ii) spare parts sales.

2.2 **Asset Value.** Based on the unaudited financial statements of MRAS for its first half-year ended 30 June 2018, the net asset value ("**NAV**") and the net tangible asset ("**NTA**") value of the MRAS Interests as at 30 June 2018 are approximately US$331.5 million (approximately S$456.5 million [1]) and approximately US$65.1 million (approximately S$89.6 million), respectively.

2.3 **Net Profit.** Based on the unaudited financial statements of 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$24.1 million (approximately S$33.2 million).

3. Principal Terms of the Agreement

3.1 **Proposed Acquisition.** Pursuant to the terms of the Agreement, on the date of Closing (the "**Closing Date**"), the Seller shall sell, and the Buyer shall purchase, all of the Seller's right, title and interest in the MRAS Interests free from any encumbrances.

3.2 **Conditions.** Closing is subject to and conditional upon, *inter alia*:

(i) any waiting period applicable to the transactions contemplated by the Agreement and other transaction agreements under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "**HSR Act**") having been terminated or expired;

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

(ii) applicable filings or approvals under the HSR Act and other applicable anti-trust laws (including anti-trust approvals in the United States of America, France and Brazil) having been made or obtained; and

(iii) receipt of clearance from the Committee on Foreign Investment in the United States.

Subject to the conditions to Closing being satisfied or waived pursuant to the Agreement, the Proposed Acquisition is expected to close by the end of the first quarter of 2019.

3.3 **Consideration for the Proposed Acquisition.** The aggregate purchase consideration to be paid by the Buyer to the Seller for the Proposed Acquisition is US$630 million (equivalent to approximately S$868 million) (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.

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' earnings before interest, tax, depreciation and amortisation (EBITDA) and 1.2 times MRAS' revenue for the twelve-month period ended 30 June 2018.

3.4 **Payment on Closing.** After closing adjustments, the consideration to be paid by the Buyer to the Seller for the Proposed Acquisition is estimated to be US$440 million (approximately S$606 million) (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.

3.5 **Post-Closing Adjustments relating to Certain Balance Sheet Items.** The Buyer shall provide to the Seller written statements setting forth the Buyer's proposed final working capital and debt-like items calculations within 60 days after the Closing Date, following which the Seller has 60 days to review the same. Any post-Closing adjustment payments by the Buyer or the Seller shall be made within five (5) business days after the date on which the written statements setting forth the final working capital and debt-like items become conclusive and binding on the parties.

3.6 **ST Engineering's Guarantee.** Pursuant to the terms of the Agreement, ST Engineering unconditionally and irrevocably guarantees to the Seller the full and punctual payment of each and every amount due by the Buyer and the performance of the Buyer's obligations under the Agreement. The guarantee is unconditional, and shall continue in full force and effect until the satisfaction in full of all payment and other obligations of the Buyer.

3.7 **Ancillary Agreements.** In connection with the Proposed Acquisition, on or before Closing, the Seller and the Buyer (or their respective affiliates) will be entering into various ancillary agreements (such as agreements pertaining to the provision of transition services, long-term supply and financial arrangements) for a specified period following Closing.

4. Rationale

4.1 **Rationale.** ST Engineering has been looking to invest in new growth areas, including businesses that offer competitive products through the ownership of intellectual properties and 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 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 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.

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.

5. Financial Effects

5.1 Bases and Assumptions. The pro forma financial effects of the Proposed Acquisition have been prepared based on:

(i) the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2017 ("**FY2017**"); and

(ii) the audited financial statements of MRAS for the financial year ended 31 December 2017 and the unaudited financial statements of MRAS for its first half-year ended 30 June 2018, and are purely **for illustrative purposes only and do not reflect the future actual financial position of the Group following Closing**. The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

(a) the Proposed Acquisition had been effected on 31 December 2017, being the end of the most recently completed financial year of the Group and of which the statement of financial position of the Group has been publicly announced, for illustrating the financial effects on the consolidated NTA of the Group;

(b) the Proposed Acquisition had been effected on 1 January 2017, being the beginning of the most recently completed financial year of the Group and of which the profit and loss of the Group has been publicly announced, for illustrating the financial effects on the consolidated earnings of the Group; and

(c) the Net Consideration is estimated to be US$440 million (approximately S$606 million).

5.2 **NTA.** For illustrative purposes only and assuming that the Proposed Acquisition had been completed on 31 December 2017, the pro forma financial effects of the Proposed Acquisition on the consolidated NTA of the Group as at 31 December 2017, before transaction expenses, are as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
NTA (S$ million)	1,305.0	788.6
No. of issued shares in the capital of the Company ("**Shares**") (million) as at 31 December 2017	3,115.7	3,115.7
NTA per Share (S$)	0.42	0.25

5.3 **Earnings per Share.** For illustrative purposes only and assuming that the Proposed Acquisition had been completed on 1 January 2017, the pro forma financial effects of the Proposed Acquisition on the consolidated earnings of the Group for FY2017, before transaction expenses, are as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Profit after tax and minority interests (S$ million)	511.9	534.3
Weighted average no. of issued Shares in 2017 (million)	3,115.3	3,115.3
Basic earnings per Share (S$)	0.16	0.17

5.4 **Share Capital.** The Proposed Acquisition will not have any impact on the issued and paid-up share capital of the Company.

6. Discloseable Transaction

6.1 **Rule 1006.** The relative figures for the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	**Bases**	**Proposed Acquisition (S$ million)**	**The Group (S$ million)**	**Relative Figures (%)**
Rule 1006 (b)	Net profits attributable to the MRAS Interests	33.2	294.4	11.3%

	compared with the Group's net profits[(1)(2)]			
Rule 1006 (c)	Net Consideration after closing adjustments, compared with the Company's market capitalisation[(3)(4)]	606	10,240.4	5.9%

Notes:

(1) The net profits attributable to the MRAS Interests for MRAS' first half ended 30 June 2018 have been compared with the Group's net profits for its first half ended 30 June 2018 ("**1H2018**") based on the Group's unaudited consolidated financial statements for 1H2018.

(2) The term "**net profits**" means profit before income tax, minority interests and extraordinary items.

(3) The Company's market capitalisation is based upon 3,119.5 million issued Shares (excluding treasury shares) as at 12 September 2018, being the last market day preceding the date of this Announcement on which Shares were traded on the SGX-ST, at a volume-weighted average price of S$3.2827 for each Share.

(4) If the base set out in Rule 1006(c) of the Listing Manual was computed based on the Base Purchase Price (instead of the Net Consideration), the relative figure would be 8.5%.

6.2 **Discloseable Transaction.** As each of the relative figures under Rule 1006(b) and Rule 1006(c) of the Listing Manual above exceeds 5% but is not more than 20%, the Proposed Acquisition constitutes a discloseable transaction for the Company as defined in Chapter 10 of the Listing Manual.

7. Further Information

7.1 Directors' Service Contracts. No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

7.2 Interests of Directors and Controlling Shareholders. None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

7.3 Documents Available for Inspection. A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company at ST Engineering Hub, 1 Ang Mo Kio Electronics Park Road, #07-01, Singapore 567710, for a period of three months commencing from the date of this Announcement.

BY ORDER OF THE BOARD
KAREN NG KWEE LIAN
Company Secretary
13 September 2018

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Forward-looking Statements

The forward-looking statements in this Announcement 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.