

Analyst and Media Briefing on the Proposed Acquisition of MRA Systems, LLC

13 September 2018

Disclaimer

The forward-looking statements in this presentation 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 business activities of the ST Engineering 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.

Transaction Highlights

Transaction Description

- Entered into a conditional membership interest purchase agreement to acquire 100% ownership in MRA Systems, LLC (MRAS) from General Electric Company
- MRAS is an established manufacturer of engine nacelle systems with a number of single-source contracts e.g. A320neo powered by Leap-1A engines

Purchase Consideration

- Aggregate purchase consideration (Base Purchase Price) of US\$630m (approx S\$868m) 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
- Base Purchase Price translates to a multiple of 10 x MRAS' EBITDA and 1.2 x MRAS' revenue for the 12-month period ended 30 June 2018

Financing

- To be fully funded through internal cash and external borrowings
- Net consideration of US\$440m (approx S\$606m) after closing adjustments will be satisfied fully in cash

Financial Impact

- Proposed Acquisition is expected to be earnings accretive for the Group and its Aerospace sector

Closing

- Subject to regulatory approvals, completion expected to be by the end of 1st quarter 2019

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

Strategic Rationale

- Move upstream into adjacent business
- Acquire technology, intellectual properties & spare parts business
- Move into advanced composite OEM products

Moving up the Value Chain



Airframe, component & engine MRO



Freighter conversion



Floor panel



OE manufacturing and IPs in nacelles and complex composites design

New capabilities with MRAS



Randomes fairings



Aircraft doors

Potential entry into other composite OEM products

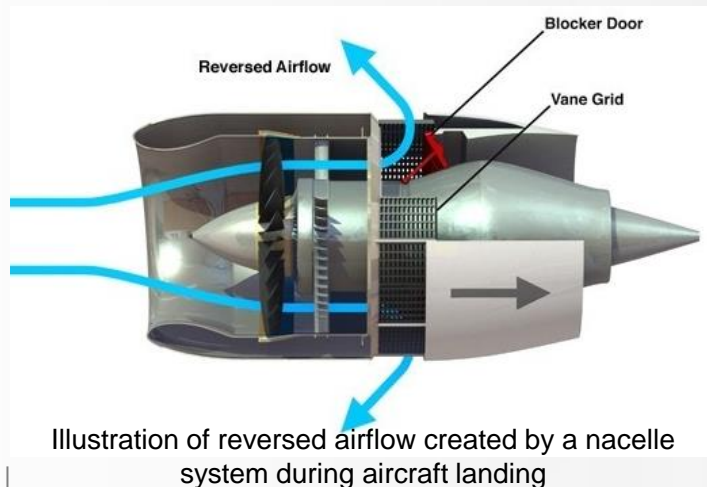
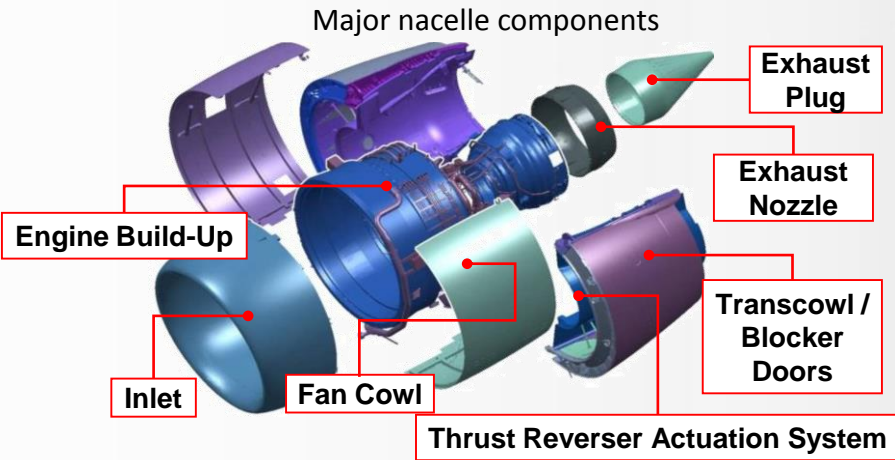
(Examples of aerospace composite products)

OEM
(Design, manufacturing & spare parts)

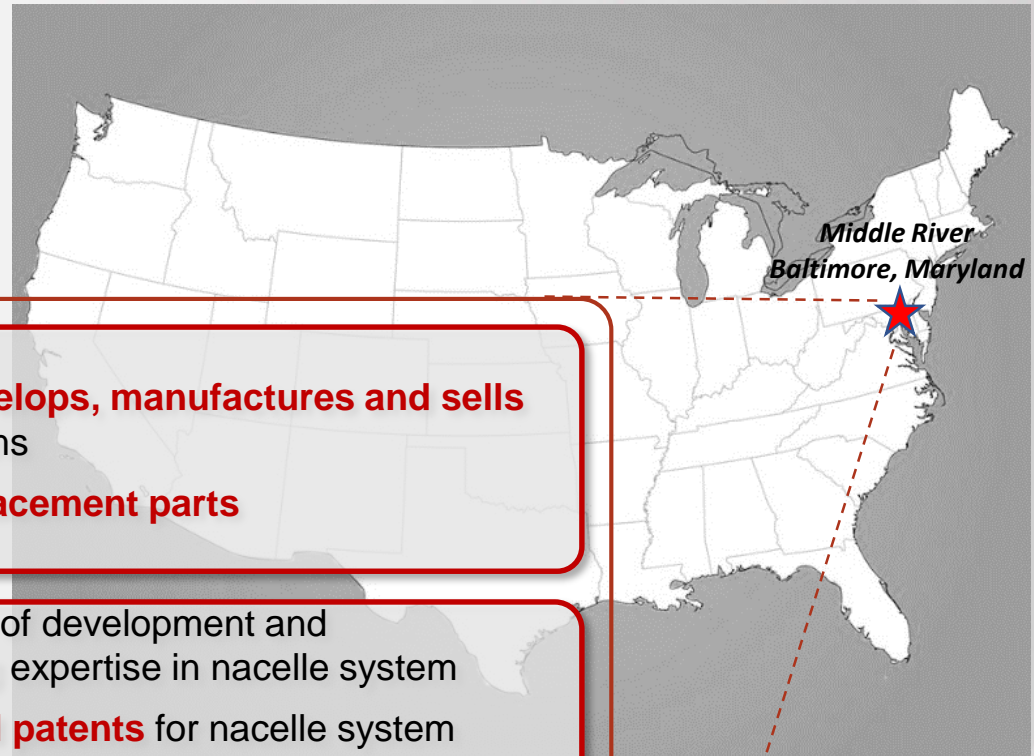
MRO
(Services)

What is an Engine Nacelle?

- An engine nacelle is the casing that houses an aircraft engine, providing efficient aerodynamics during flight and thrust reversal capabilities.
- It is one of the first aerostructures to exploit the use of composite material.



Who is MRAS?



Established OEM of Engine Nacelle Systems

- **Designs, develops, manufactures and sells** nacelle systems
- Provides **replacement parts**

World-class Design and Engineering Capabilities

- Has **90 years** of development and manufacturing expertise in nacelle system
- Owns **IPs and patents** for nacelle system technologies
- Possess know-how in aerodynamics, acoustics and composite design

Long-term Single-Source Nacelle Contracts

- For all nacelle contracts, MRAS is **a single-source provider**
- Key current contract is to supply nacelle systems to A320neo powered by Leap-1A engine in collaboration with Safran Nacelles

Examples of IPs and Patents Owned by MRAS

Key Technologies

Hidden Blocker Door thrust reverser



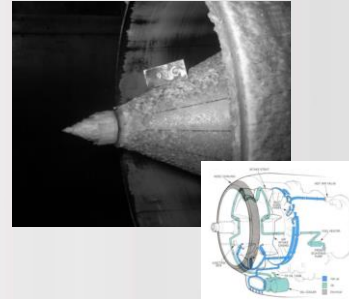
- Reduced specific fuel consumption
- Increased acoustic area

Composite materials — Automated Fiber Placement



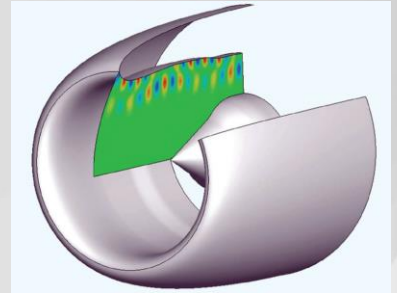
- Productivity and capacity improvement
- Automation

Electric and directed flow anti-ice systems



- Weight savings
- Improved reliability

Low drag acoustic liners



- Reduced specific fuel consumption

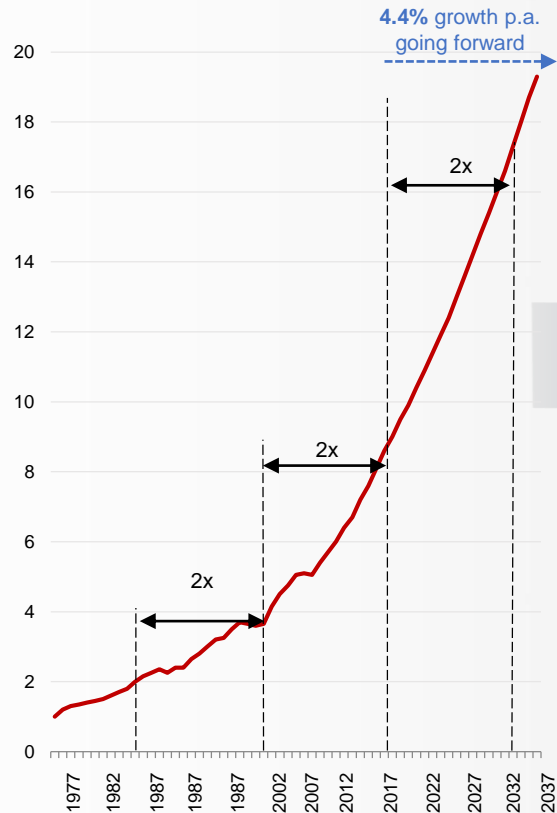
Key Benefits

Nacelle – Strong Growth Market

With every aircraft engine requiring a nacelle system, the nacelle manufacturing business will grow as the global aircraft fleet expands.

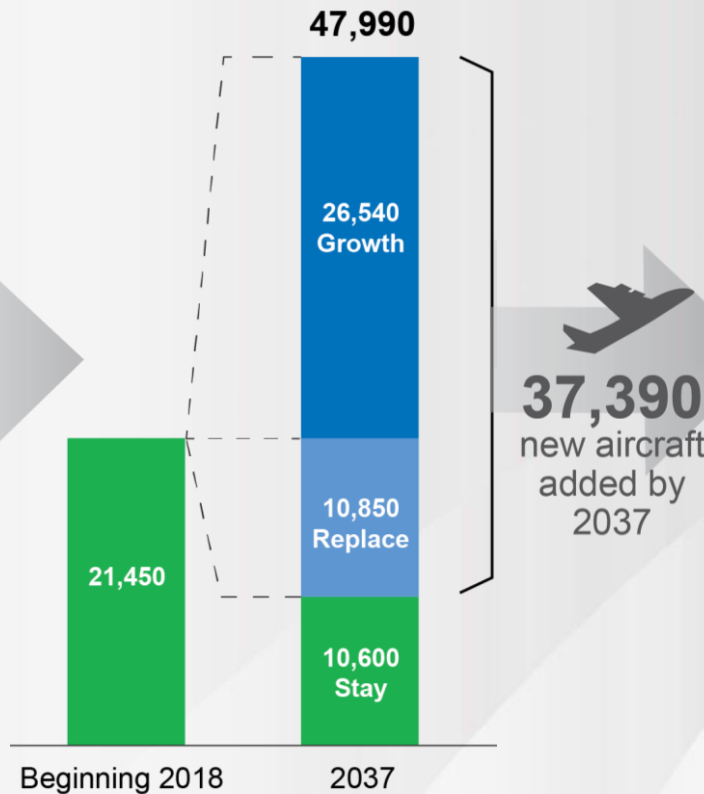
Global Air Traffic forecasted to grow at 4.4% p.a. going forward...

Global Annual Traffic
(in Trillion Revenue Passenger Kilometre)

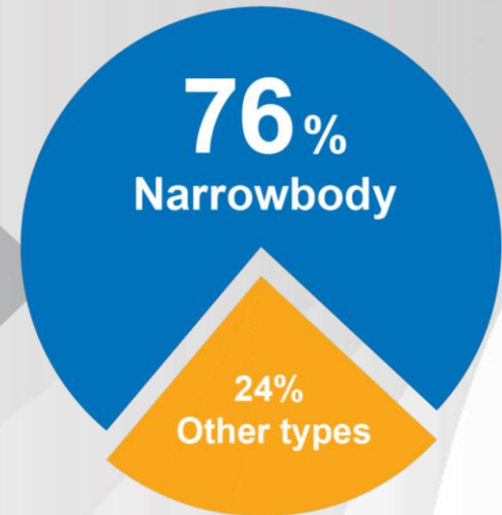


...resulting in 37,390 aircraft to be added over the next 20 years

Number of aircraft by 2037



...with the majority being narrowbody aircraft

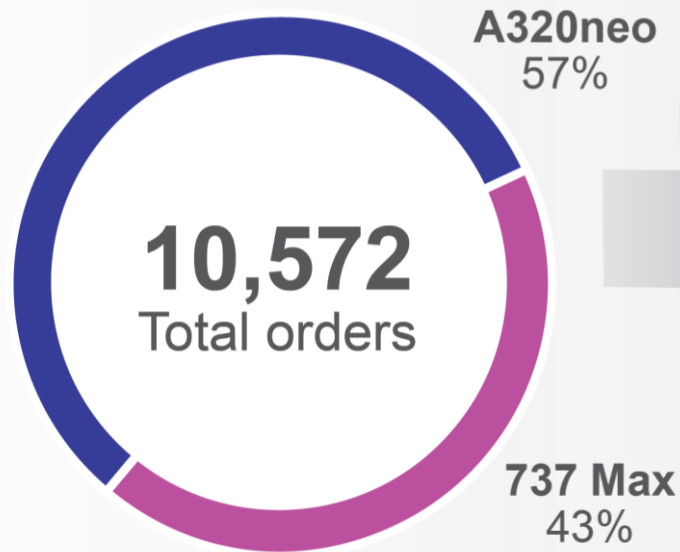


Source: Airbus Global Market Forecast 2018.

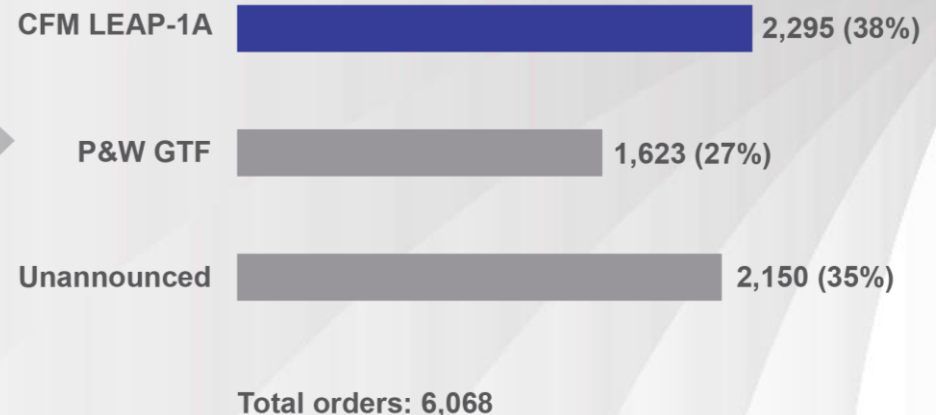
MRAS Positioned to Benefit from A320neo LEAP-1A Programme Contract

- As a single-source nacelles provider for A320neo using LEAP-1A engines, MRAS is in a strong position to benefit from A320neo fleet growth, which has 57% of present narrowbody aircraft orders.

Present narrowbody aircraft orders

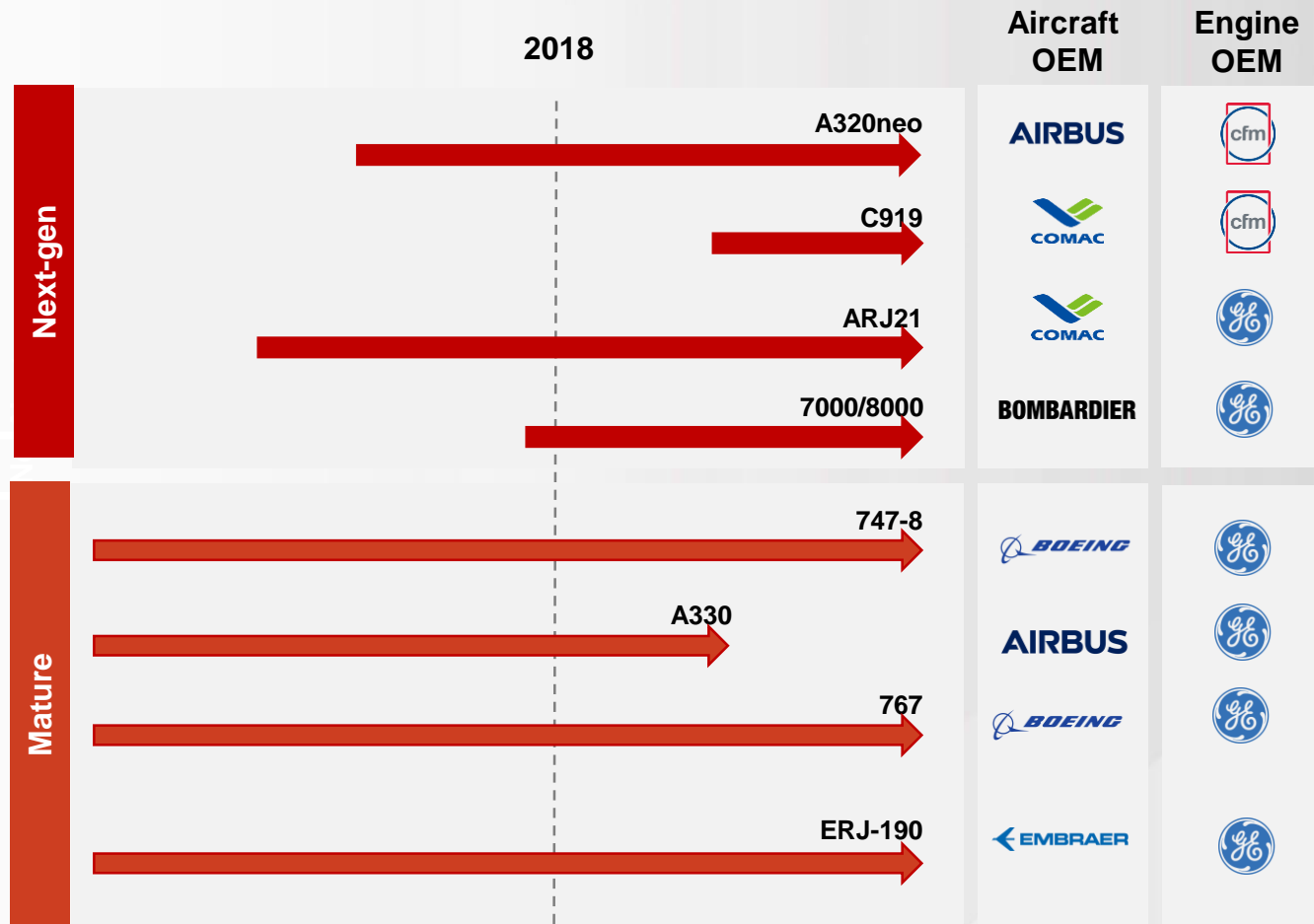


A320neo order breakdown by engine type



Source: Flight Global's Flight Fleet Analyzer June 2018.

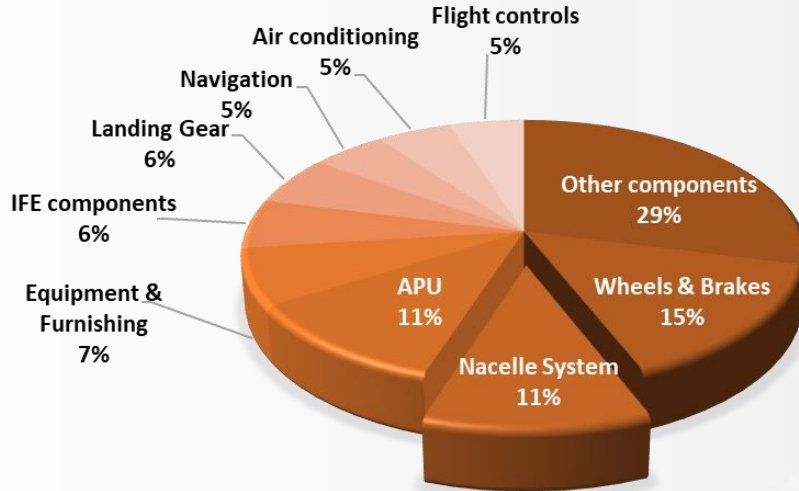
MRAS' Single-Source Nacelles Programme Contracts



Synergies in MRO for Nacelle Systems

- Attractive segment in the components MRO market with estimated US\$2.4b market size by 2025
- Synergies can be created with ST Engineering's MRO capabilities and global network, and by building more shop-level repair capacity and growing on-wing support network

Components MRO Market
valued at US\$22b by 2025, of which the nacelle system segment is valued at US\$2.4b



Source: Aviation Week Fleet & MRO Forecast 2016.

ST Engineering's major MRO operating locations



Conclusion

Acquisition of MRAS - Strong Strategic Fit



OEM business in adjacency that offers **intellectual property ownership** and **synergy**



Expected to be **earnings accretive** given MRAS' portfolio of **single-source contracts**



Growth potential with future nacelle programmes and advanced composite products

Robust integration plan in place

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, France and Brazil.

Q&A