



aerospace

KEEPING AIRCRAFT FLYING SAFELY

In 2007, ST Aerospace was once again recognised as the world's largest third party airframe MRO provider with more than eight million commercial airframe manhours. Through the global expansion of airframe MRO operations, broadening of aircraft engines and components maintenance capabilities and businesses, and Total Aviation Support (TAS™) solutions, ST Aerospace continued to deliver a sterling performance.

Growing Customer Base

ST Aerospace continued to build upon its relationship with existing customers while adding new ones. New customers such as Copa Airlines, Delta Airlines and Lionair were added to the established customer base of leading airlines as well as smaller and new airlines.

In engines and components support, ST Aerospace won an \$8.3m contract from the Brazilian Air Force for the overhaul of 12 Rolls Royce T56-A-15 engines that power its C-130 fleet. Other new engine customers included those from Brazil, Ukraine and Asia. New total support programmes in engines and components MRO were awarded by existing and new customers like AirAsia, JetX, Juneyao Airlines, Lionair, Martinair and Xiamen Airlines.

ST Aerospace secured a contract from the Republic of Singapore Air Force (RSAF) for the TAS™ of its fleet of 16 A-4SU/TA-4SU Skyhawk aircraft (also known as RSAF's Advanced Jet Training), operating in Cazaux, France.

In engineering development and modification, ST Aerospace was awarded a programme to upgrade the avionic systems for RSAF's fleet of ten C-130 transport aircraft, including the aircraft's navigation, communications and flight management systems. Both contracts have a total value of about \$393m.

On the commercial front, ST Aerospace launched the operations of its major TAS™ programme for Skybus in the US.

It also won two contracts involving the merging of an operational flight programme that provides growth in the central processing unit and memory of the aircraft, as well as the design and development of a new mini Unmanned Aerial Vehicle (UAV) system that consists of camera payloads, a ground control station and a man-portable-receive-only station.

Extending Range of Capabilities Around the World

ST Aerospace continued to invest in and extend its range of capabilities to improve its service support for

customers worldwide. The Aircraft Maintenance & Modification (AMM) group added new capabilities to provide a broader range of support for customers. Fledgling STARCO obtained certifications from Australia's Civil Aviation Safety Authority (CASA), European Aviation Safety Agency (EASA), India's Directorate General of Civil Aviation and Japan Civil Airworthiness Board (JCAB), as well as an AS9100 quality standard, in addition to its certifications by Civil Aviation Administration of China (CAAC) and FAA.

In 2007, third party work continued to grow, and STARCO won a three-year contract to support All Nippon Airways (ANA) on its A320 fleet. In October, STARCO broke ground for its new hangar facility at Shanghai's Pudong International Airport.

The year also saw PAE commence operations with two hangars, capable of housing six narrow-body aircraft. This Panama startup promptly redelivered five aircraft to Copa Airlines and won a contract from Transaero within its inaugural year.

In Singapore, ST Aerospace added two new hangars at the Seletar airport to meet the demands of its growing clientele, including many low cost carriers in Asia.

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ST Aerospace broke ground for STARCO's new hangar complex at Pudong Airport.

(following page, from left to right)
ST Aerospace signed a significant B757 PTF conversion contract with FedEx Express.

ST Aerospace selected by Boeing for the 767-300 BCF programme.



The Component & Engine Total Support (CETS) group added some 400 new component MRO capabilities for the A320, B737CG/NG, B757, Q400 as well as the Apache, Chinook and F-16. These included expansion of existing landing gear capabilities and build up of a pneumatic shop in Stockholm.

ST Aerospace Solutions (Europe) (STA Solutions), formerly known as SAS Component Group, continued to enhance its operations and integration with the rest of the group in providing Component Total Support solutions to customers.

ST Aerospace also added an import and export facility, Guangzhou Aerospace Technologies and Engineering (GATE). It would serve as a logistics centre for aircraft components maintenance and material support services in China.

On engines MRO, new capabilities for military and commercial engines were added to the group. This included a high speed grinder for the CFM56 engines. ST Aerospace invested in a new engine test cell to support the testing of the CFM56-5B engines that power the A320 family of aircraft and F110 engines on F-16 and F-15 aircraft.

In addition, the group signed a joint venture with Xiamen Aviation Industry Co to set up an engine MRO facility in Xiamen, China. The joint venture company will be named ST Aerospace Technologies (Xiamen) Co (STATCO).

Through its Engineering Development Centre, ST Aerospace became the first company in Southeast Asia to receive EASA's Design Organisation Approval (DOA). This expanded ST Aerospace's ability to provide engineering and modification services on EU registered aircraft. Together with its ability to perform similar work under Supplemental Type Certificates (STC) for FAA registered aircraft, ST Aerospace now has the ability to serve the US and European markets better through engineering developments.

PERFORMANCE OF THE AEROSPACE SECTOR

Half Yearly Performance

Turnover of the Aerospace sector in 2H2007 of \$889m was \$57m lower compared to 1H2007. The turnover decrease came from AMM and Component/Engine Repair & Overhaul (CERO). This was partially offset by higher turnover in the Engineering & Materials Services (EMS). In 1H2007,

AMM had very high turnover in ST Aviation Services Co (SASCO) and San Antonio Aerospace due to timing of redeliveries. In CERO, the engines division experienced very high turnover in 1H2007 due to high inputs of engines. In EMS, the turnover increase was due to more project milestone completions and higher material sales.

PBT for 2H2007 at \$171.8m was comparable to that achieved in 1H2007 despite lower turnover. CERO registered higher PBT due to improved profitability, while EMS achieved higher PBT on the back of higher turnover. The PBT increase in both business groups was partially offset by lower contributions from AMM as a result of lower turnover in 2H2007.

Full Year Performance

Aerospace sector's FY2007 turnover of \$1,835m was higher than that achieved in FY2006 by 10% or \$162m. The higher turnover was contributed by CERO and EMS. Higher sales in the engines and components divisions as well as the inclusion of a full year's sales from STA Solutions vis-à-vis ten-month sales in FY2006 accounted for the higher turnover in CERO. The higher turnover



in EMS was the result of more project milestone completions and higher material sales.

Compared to FY2006, Aerospace sector's FY2007 PBT of \$341.2m was higher by 12% or \$35.9m. All three business groups recorded higher PBT in the current financial year. The higher PBT in AMM was due to improved performance in SASCO and ST Aerospace Engineering (STA Engineering) as well as lower losses from Bournemouth Aviation Services Company (ceased operations in December 2006). The performance of CERO improved as the FY2006's performance was impacted by the post-acquisition business alignment initiatives and the closure of Stavanger facility at STA Solutions. For EMS, the higher PBT was in line with the higher turnover.

Acquisitions

In 2007, ST Aerospace made a A\$550,000 acquisition of PFS Australia in New South Wales.

Major Projects

ST Aerospace continued to perform Passenger-To-Freighter (PTF) conversions in 2007. Seven conversions for the MD-11 were

completed in 2007, and the Aerospace sector had, to date, redelivered 52 converted MD-11 aircraft.

2007 saw the award of a large PTF conversion programme of 87 B757-200 aircraft by FedEx Express. This would be performed under an STC developed by ST Aerospace with data from Boeing. Conversion work commenced at MAE in the US and STA Engineering in Singapore.

In addition, ST Aerospace was awarded a contract by Boeing for the conversion of the B767-300 aircraft. The launch customer for this programme is ANA, and the door cutting (an activity that signifies the start of a major milestone in the PTF) was completed in November.

In Singapore, ST Aerospace embarked on commercial pilot training through the set up of an academy, ST Aviation Training Academy (STATA). A Singapore-based joint venture company with a 70% stake owned by ST Aerospace, STATA would initially provide traditional pilot training under the existing Commercial Pilot Licence (CPL) and Air Transport Pilot Licence (ATPL) curricula, and eventually develop a Multi-crew Pilot Licence

(MPL) programme upon endorsements from relevant airworthiness authorities. The MPL programme would offer advances in teaching methodologies and simulation technologies in a multi-crew cooperation environment over the traditional pilot training programme. This would allow pilots to be trained in half the time compared to traditional training.