



27 Feb 2002

OPENING CEREMONY OF SINGAPORE AERO ENGINE SERVICES LIMITED

Address by Mr William Tan

Chief Executive Officer

SIA Engineering Company

Opening Ceremony of Singapore Aero Engine Services Limited

Brigadier-General George Yeo, Minister of Trade and Industry, Mr Koh Boon Hwee, Chairman Singapore Airlines, Dr Cheong Choong Kong, Chairman SIA Engineering Company, Mr John Cheffins, President Rolls-Royce Civil Aerospace, distinguished guests, ladies and gentlemen.

It is my privilege and honour to welcome you to this excellent facility. Three years ago, SIA Engineering Company, Rolls-Royce and HAESL shared a common vision of setting up a world-class Trent engine overhaul centre to serve the entire Asia Pacific region. Today, that vision is transformed into reality. The successful development of this S\$185 million facility is testimony to the excellent and close relationships that exist between the partners.

Collaboration has been a key thrust of SIA Engineering Company's growth strategy. We have assiduously built up our capabilities by forging strategic alliances with world-class partners. These subsidiary and associated companies enhance SIA Engineering Company's service capabilities and value.

We are pleased to seal yet another partnership with Rolls-Royce, a name synonymous around the world with quality and excellence. We are heartened that they have once again reaffirmed their confidence in SIA Engineering Company by jointly developing SAESL, which will become a Centre of Excellence for Trent engines in Asia Pacific. Together with our two other partnerships with Rolls-Royce, IECO in Singapore and HAESL in Hongkong, we are poised to capture a larger slice of the growing engine overhaul market in Asia Pacific.

SAESL joins SIA Engineering Company's current stable of 16 joint venture companies. These joint ventures cover the entire spectrum of aircraft maintenance services. The combined revenue of these

joint ventures is approximately S\$1.5 billion in 2001, with 75% derived from non-Singapore Airlines customers. Collectively, they provide employment to 4,300 people. With these joint ventures, the SIA Engineering Group has 9,000 skilled workers and executives, the majority being in Singapore. Taking into account SIA Engineering Company's equity holding in its joint ventures, about 31% of SIA Engineering Group's business come from airlines outside the SIA Group.

The majority of these joint ventures are in Singapore as we develop our base here to become the heart of our international operations, offering high value-added services to our global network. Our joint ventures in Singapore have contributed about S\$500 million in investments into our local economy and attracted world-leading aerospace companies to our shores, a boost to the Government's drive to position Singapore as a leading aviation hub of the region.

The SIA Engineering Group will continue to grow as we unfold our business plans and extend our global footprint. The thrust of our growth has gained greater impetus and momentum since our listing in May 2000.

Despite the doom and gloom proffered by the naysayers, the fundamentals and industry trends that prevailed before September 11 last year have not changed. If anything else, they have accelerated the pace of airlines restructuring to achieve higher operating efficiencies.

With maintenance, repair and overhaul (MRO) making up a substantial portion of airline costs, and as the fleets of airlines grow in size and complexity, the demand for MRO services to maximise operating efficiency will become more important. To achieve this, airlines are looking for suppliers who can provide total solutions such as integrated systems, processes and infrastructure to support the efficient use of their fleets.

Increasingly, airlines are seeking MRO providers who are able to provide seamless, total maintenance solutions. By increasing the scope of outsourced maintenance services, airlines are able to extract more economy of scale benefits from MRO providers.

SIA Engineering Company's business strategy and strengths have been developed around these growing trends in airline needs. The synergy of our airline engineering expertise with the capabilities of our joint venture technology partners enables us to put in place a formidable set of capabilities and standards designed to deliver high value to customers.

SAESL epitomises the collaborative partnership MRO providers and original equipment manufacturers are forging together, to bring about seamless services to airlines. We are confident that SAESL will grow from strength to strength within the fold of SIA Engineering Group, Rolls-Royce and HAESL.

We look forward to yet another successful joint venture.

Thank you.