

2023

ANNUAL REVIEW



AEROSPACE





CONTENTS

President & CEO—Tracy Medve	3
2023 at a Glance	5
The 10,000 Foot View: What Happens Where	6
Canada's Most Capable MRO	8
MRO Project Spotlight: Boeing White Tail Program	10
KF Engineering Services: An Aviation One-Stop Shop.	14
Supporting Canada's Defence and Security	18
KF Flight Operations: Elevating Passengers and Cargo	24
Leasing	26
Thank You to Our Amazing Team	27
A Final Word	29



KF's Kelowna base welcomes the first of three Airbus A321s for a winterization modification program for Air Canada Rouge



A VERY HEARTFELT THANKS TO OUR CUSTOMERS:



PRESIDENT & CEO TRACY MEDVE



As we reflect on another fantastic year at KF, I wanted to extend a heartfelt thanks to our valuable customers for continuing to entrust KF with their aerospace needs.

This year, I want to especially recognize the efforts of the entire KF team for their hard work and valuable contributions. We've accomplished so much in 2023, from completing the Boeing White Tail Program for Alaska and United Airlines to being chosen as the preferred bidder for Canada's Future Aircrew Training Program. But as thrilling as the big wins are, we know this business is never easy, and that's why having a great team is so crucial.

Here at KF, we have developed a culture of working together, looking after our customers first and always being open to new avenues to apply our unique expertise. This is a formula for success that has kept us growing for over 54 years and counting.

Since I joined KF in 2013 we have maintained our capability as a flying company but we have also transitioned to become Canada's largest commercial aerospace engineering, maintenance, overhaul and repair provider. We've expanded from working with Boeing products to working with the Boeing Company directly on several key civilian and defence programs. We've leveraged our expertise on existing military programs to help win new contracts with Canada's Department of National Defence, and we are now positioned to greatly expand our support for the Royal Canadian Air Force long into the future. We continue to buy and lease our own aircraft and our new charter service - Aeroflyer - continues its upward trajectory.

But what I am particularly heartened this year to see is the way the people here at

KF continue to come together to tackle the daily challenges—tricky aircraft issues; unforeseen world events; challenges in our communities. When COVID-19 rocked the world and particularly our industry just a few short years ago, we prioritized keeping our workforce in place and avoided significant layoffs. When the world rebounded, KF was ready to help keep our civilian and military customers in the air while finding new and exciting avenues of business.

In 2023, we faced a new challenge—a severe shortage of labour across the world to which we were certainly not immune. But once again, we continued to seek innovative solutions and see bright spots on the horizon. This year we were thrilled to collaborate with community partners on a new child care facility at our Kelowna base. This adds an additional 40 early child care spots for our staff and has already helped prevent several female employees from having to quit working while gaining the peace of mind that their children are in a quality child care program nearby. We have also been able to narrow the skilled labour gap by successfully onboarding forty more qualified Aircraft Maintenance Engineers from around the world thereby increasing our contingent of full-time, permanent staff.

As we look forward to 2024, it is hard to say what challenges we will face in the world. But one thing is certain—whether you are a customer, an employee, or a member of our communities, KF will continue to be there for you, and we will work together with you towards a brighter future.

Warm Regards,
Tracy Medve
President & CEO



2023 AT A GLANCE

● JANUARY 9

KF Aerospace donates/funds temporary hangar structure for the First Nations Technical Institute (FNTI) flight training program on Tyendinaga Mohawk Territory in Ontario following a devastating fire that destroyed much of its campus

● MARCH 24

First aircraft for the Boeing Passenger to Freighter Conversion (BCF) Program begins conversion process

● APRIL 28

SkyAlyne (partnership between KF and CAE) submits bid for Future Aircrew Training (FAcT) Program—Canada's next generation training and in-service support program for the Royal Canadian Air Force

● JUNE 26

KF welcomes first Play Airlines aircraft to Hamilton Base

● JULY 24

Government of Canada names SkyAlyne as preferred bidder for Future Aircrew Training (FAcT) Program

● JULY 27

KF Aerospace hosts annual career fair in Kelowna

● AUGUST 2

Final White Tail Program aircraft departs KF's YLW facility

● AUGUST 8

Snowbirds visit KF base in YLW

● AUGUST 18

Unprecedented wildfires rage around the Central Okanagan, closing YLW for several days

● AUGUST 28

Boeing awards KF Aerospace as its 2023 Supplier of the Year—Safety and Quality category

● OCTOBER 31

First aircraft for the Boeing Passenger to Freighter Conversion (BCF) Program is completed

● NOVEMBER 9

KF hosts a delegation of local mayors, city councils and regional officials for tour of facilities

● NOVEMBER 16

KF Aerospace with community partners and BC Minister of State for Child Care Grace Lore celebrate official opening of on-site child care centre at Kelowna International Airport (YLW)

● NOVEMBER 30

Canada announces intention to purchase up to 16 P-8A aircraft from Boeing to replace the CP-140 Auroras. Team Poseidon member KF Aerospace set to provide ongoing maintenance support

● DECEMBER 7

KF Aerospace hits 1,000,000 hours of maintenance for the year

● DECEMBER 31

KelownaNow names KF Aerospace Business of the Year in KF home city (Kelowna, British Columbia)



THE 10,000 FOOT VIEW: WHAT HAPPENS WHERE

Delivering Results for Over 54 Years.

- **Established:** 1970 by Barry Lapointe in the Okanagan Valley, British Columbia, Canada.
- **Head Office, Flight Ops and Maintenance Facility:** Kelowna, BC
- **Military Aircrew Training:** Portage la Prairie (Southport), Manitoba.
- **Additional Operations:** Hamilton, Ontario; Vancouver, BC, Calgary, Alberta and Ottawa, Ontario (coming soon).
- **Workforce:** 1,200+
- **Key Customers:** Boeing, WestJet, Air Canada, Icelandair, Lynden Air Cargo, Omni Air, Canadian Department of National Defence, Royal Canadian Air Force, Sunwing and Air North.

A truly Canadian success story, KF Aerospace was founded as Kelowna Flightcraft in 1970 by Barry Lapointe. Barry's dream has since evolved into a leading aerospace company and the largest commercial Maintenance, Repair and Overhaul (MRO) provider in Canada.

KF Aerospace excels in aircraft MRO, aerospace engineering, military aircrew training, air cargo operations and aircraft leasing. Industry-recognized for its skilled workforce, KF Aerospace is dedicated to innovative, on-time and cost-effective solutions.

KF Aerospace supports corporate, commercial, and military customers globally, including major aircraft manufacturers and airlines, and provides vital training and in-service support services for the Royal Canadian Air Force (RCAF).



Air Transat returned to KF hangars in 2023 following the COVID recovery

VANCOUVER, BC (YVR)

Number of Employees: 35

Services

- Line Maintenance
- Cargo Operations

OTTAWA, ON (YOW)

Coming Soon

- Joint Management Office (JMO)
- Engineering & Airworthiness

HAMILTON, ON (YHM)

Number of Employees: 225

Services

- Heavy Maintenance
- Line Maintenance
- Engineering
- Modifications
- Repairs
- Paint
- Supply Chain
- Mobile Repair
- AME Training
- Quality Systems Management
- Airbus Specialties



KELOWNA, BC (YLW)

Number of Employees: 750

Services

- Heavy Maintenance
- Line Maintenance
- Engineering
- Modifications
- Repairs (RDA's)
- Fleet Management
- Boeing Specialties
- Convair OEM
- Military In-Service Support (ISS)
- Shops and Manufacturing
- Paint
- Supply Chain
- Mobile Repair
- AME Training
- Quality Systems Management
- Cargo Operations
- Dispatch Services
- Aircraft Leasing
- Aeroflyer Passenger Charter Services (B737NG aircraft)

CALGARY, AB (YYC)

Number of Employees: 25

Services

- Aeroflyer Passenger Charter Services (B737NG aircraft)

SOUTHPORT, MB (YPG)

Number of Employees: 90

Services

- Contracted Flying Training and Support (CFTS - Military)
- **Coming Soon** Future Aircrew Training (FAcT - Military)

CANADA'S MOST CAPABLE MRO

As we reflect on our recent accomplishments, we start by acknowledging our 900+ strong maintenance team across Kelowna, Hamilton, Portage, Vancouver, Calgary and out in the field in Canada, is the driving force behind KF Aerospace's position as Canada's premier commercial Maintenance, Repair, and Overhaul (MRO) provider. Their dedication and expertise have not only elevated our services but have significantly contributed to the aerospace industry.

With a commitment to quality and on-time delivery, our teams deliver modifications, parts, heavy maintenance and line maintenance solutions to Canadian and international airlines and military customers at our facilities across Canada—or on-site at customer locations upon request.



ANNUAL OUTPUT:

Over 1,000,000 maintenance hours on 140+ projects



MAINTENANCE LINES:

17 across Canada (10 Kelowna, 5 Hamilton, 2 Southport)



MAINTENANCE TRAINING ORGANIZATION (ATO)



EXPERTISE SPOTLIGHT:

Boeing 727, 737, 757, 767 (maintenance and modifications); Airbus A320 support, Lockheed Martin L382 Hercules, De Havilland Canada Dash 8-Q400 and ATR-72.



OUR CAPABILITIES

- ✓ Heavy Maintenance
- ✓ Modifications
- ✓ Line Maintenance
- ✓ Engineering Services
- ✓ Shops & Manufacturing
- ✓ Mobile Repair
- ✓ Avionics
- ✓ Composite Repair
- ✓ Landing Gear
- ✓ Plating
- ✓ Component Overhaul
- ✓ Non-Destructive Testing (NDT)
- ✓ Painting

GETTING IT DONE IN 2023

Last year was a remarkable one, as together, we surpassed the incredible milestones of **one million hours** of maintenance work while completing over **140+ major projects**.

Key wins in 2023 included:

- Completing the Boeing White Tail Program for Alaska and United Airlines for which KF was honoured as a Boeing Global Supplier of the Year in 2023—a first for any MRO in the industry (*see page 11*).
- Executing ongoing MRO work for leading airlines like WestJet, Air North, and Sunwing.
- YLW Hangar 8 completed 42 maintenance checks; and average of 3 aircraft per month
- Increasing support for Air Canada including sending a mobile team to repair hail damage in Texas (Boeing 777), engine changes in Kansas City (Boeing 767-300) and paint repairs in Montreal (Boeing 777).
- Expanding maintenance line work to our Vancouver (YVR) base.
- Completing heavy repairs at our Kelowna (YLW) and Hamilton (YHM) facilities by leveraging our full suite of in-house engineering and shops to overcome supply chain difficulties.



A mobile KF Paint team traveled to Montreal in November to paint an Air Canada B777-300ER that had been damaged by a service truck catching fire on the runway.



In addition to ongoing maintenance contracts with our valued customers, new projects coming online in 2024 include new contracts to provide heavy maintenance and maintenance support for Flair Airlines and performing maintenance checks for our very own Aeroflyer charter service!



LEFT: The last of 9 Air Canada A330-300s to receive a 'Get Well' update package at KF Hamilton to improve reliability and on-time performance RIGHT: In August 2023, the KF Hamilton Team delivered the company's first Heavy Check on a Boeing 777



KF Employees in Kelowna celebrate the completion of the Boeing White Tail Program with the last aircraft delivery for United Airlines

MRO PROJECT SPOTLIGHT: THE BOEING WHITE TAIL PROGRAM

The Boeing White Tail Program was a monumental undertaking involving the modification of 21 Boeing 737Max aircraft for Alaska Airlines and United Airlines, characterized by over 50,000 hours of dedicated effort and overcoming numerous challenges.

For Alaska Airlines, we modified nine Boeing 737MAX -9 aircraft, while for United Airlines, we handled 12 Boeing 737MAX -8 aircraft, including significant crown skin replacements. The United Airlines project was particularly notable as the customer accepted one aircraft **without the customary acceptance walk**, a clear testament to the

high quality and reliability established by KF Aerospace in previous deliveries.

This rigorous and successful execution of the program led to KF Aerospace being awarded the Boeing Supplier of the Year for Quality and Safety, an unprecedented achievement for an MRO among Boeing's 16,000 global suppliers.

Thank you to the Hangar 6 Ops team and supporting departments such as engineering, shops and supply chain for their extraordinary commitment, skill, and dedication. Their combined hard work, extra efforts, and perseverance helped bring this challenging project to a very successful completion.

KF AEROSPACE EARNS TOP HONOURS AS BOEING'S OUTSTANDING SUPPLIER OF THE YEAR

In 2023, KF Aerospace celebrated its recognition as a top-performing supplier at the Boeing Company's prestigious 2023 Supplier of the Year event, clinching the top spot in the Safety and Quality category.

This prestigious recognition at Boeing's 2023 Supplier of the Year event is a direct reflection of the hard work and commitment to safety, quality, and sustainability by our skilled workforce.

As we look to the future, including the anticipated delivery of the first P-8A to the Royal Canadian Air Force in 2026, we do so with immense pride in what we have achieved together and excitement for what lies ahead.

Thank you to our staff for your exceptional dedication. You are the heart of KF Aerospace, and it is your talent, hard work, and team spirit that drive our continued success.

“

*The Supplier of the Year winners were proactive, transparent and reliable in a challenging environment... Over the past year, their collaboration and **commitment to safety and quality was the gold standard** to help us drive stability in our supply chain and consistently deliver for our customers.*

William Ampofo, Vice President of Parts and Distribution Services and Supply Chain for Boeing Global Services and Chair of Boeing's Supply Chain Operations Council



KF Aerospace earned the top spot in the Safety and Quality category at the Boeing Company's prestigious 2023 Supplier of the Year event



INNOVATION IN ACTION:

KF FLIES HIGH WITH CONTINUOUS IMPROVEMENT

At KF Aerospace, the Continuous Improvement (CI) department is the powerhouse driving positive change. Responsible for steering continuous improvement projects, CI is not just about tweaking processes but orchestrating a symphony of efficiency, digital transformation, and unparalleled customer service. This dedicated team collaborates with KF employees and customers to implement changes that stick, ensuring timely delivery of customer aircraft.

The CI department is not just about numbers and timelines; they're about making every job at KF easier. The CI department is on a mission to untangle processes, eliminate obstacles, and grant easier access to vital information. The recent KF Idea Pool initiative takes innovation to a new level, encouraging every employee to contribute their thoughts. At KF, we believe in harnessing great ideas from everyone.



The Digital Snags project—a significant initiative to digitize the issue checklist process—was a big success at KF in 2023.



CONTINUOUS IMPROVEMENT HIGHLIGHT

The **DIGITAL SNAGS PROJECT** was a key initiative to modernize the process by which maintenance issues are recorded and digitally coordinated with staff and customers. This project was a testament to KF's ability to constantly improve based on customer and employee needs:

- ✓ Introduced **full digital snag management**, from creating the snag until customer approval
- ✓ **In house developed application**, co-designed by staff and customers
- ✓ **239 tablets** deployed
- ✓ **575 staff** trained
- ✓ **User satisfaction: 93%**
- ✓ **Snag process time efficiency benefit: 29%**
- ✓ Other wins in 2023 include the **implementation of digital tools** for facility repair requests, project management and reporting

KF ENGINEERING SERVICES: AN AVIATION ONE-STOP SHOP



ACCREDITATIONS:

Transport Canada Design Approval Organization (DAO), Department of Defence Recognized-DAO



CERTIFICATIONS:

Numerous Supplemental Type Certificates (STCs), repair approvals, Type Certificate for Convair Aircraft



SPECIALIZATIONS: Passenger-to-freighter (cargo) conversions, structural modifications, avionics



STAFF: 23 total engineering staff and co-op students (8 added in 2023)

Truly a one-stop shop for aviation, KF Aerospace offers a range of accredited, in-house engineering services. Over the last several years, our engineering team has been rapidly expanding as our civilian and military customers have increasingly turned to KF for more innovative and complex solutions.

In 2023, we continued to respond to high demand for our structures expertise, including tackling two challenging projects; the first aircraft to be completed as part of the Boeing Converted Freighter (BCF) Program and a challenging repair on a Convair 510 for Regency Air.

PASSENGER TO FREIGHTER CONVERSIONS

Passenger-to-freighter cargo conversions—an extensive process by which a passenger aircraft is completely gutted and reformatted into an air cargo carrier—is a process that requires extensive modifications, including the removal of passenger seats, installation of a main deck cargo door for efficient loading and unloading, reinforcement of the cabin floor to bear the weight of cargo, and the addition of a cargo handling system.

Because our team offers a comprehensive and diverse package of skillsets, leveraging



our in-house engineers, structures AMEs and support staff, KF continues to be the ideal solution for customers looking to pivot their aircraft into cargo carriers.

In 2023, our teams in YLW Hangars 1 and 2 continued to emerge as industry-renowned experts for their quality and knowledge in executing AEI cargo door installations, B737-800 Combi conversions and ATR 72-500 cargo conversions.

GETTING IT DONE IN 2023

Some engineering highlights from 2023:

- The KF Team conducted cold weather testing on a 737-800BCF in Calgary at -27C (previous testing on this aircraft only reached -15C) under a very tight timeline to meet the weather window. This is an STC that is going to be required for any of those type of aircraft operating in Canada going forward.
- Completed several interior changes on 737-700s for Canadian North including seating layouts and emergency equipment on tight timelines/quick turnarounds for rapid fleet introductions.
- Started designing the Multi-Fleet Air Traffic Management Avionics Modification (MFATMA) on the Twin Otters (RCAF).
- Installed an Attitude and Heading Reference System (AHRS) on an A-4N Skyhawk for Top Aces—a new approval process on an ex-military aircraft being operated in a fighter training role.



Plane and pilots by Air Transat.
C-check and cool hats by KF Aerospace!



INTERVIEW WITH MAT TASSON PROJECT MANAGER, BOEING CONVERTED FREIGHTER (BCF) PROGRAM

Could you provide an overview of the timeline for the BCF conversion project?

Our journey with the first aircraft as part of this program began with detailed planning and preparations on June 21, 2022. The first aircraft officially entered the conversion phase on March 24, 2023, and we were proud to complete it by October 31, 2023. It was a period marked by diligent work and significant achievements.

What challenges did the team overcome during the project?

The project presented us with opportunities to grow and learn. We navigated through Boeing's high production build standards, which, while challenging, pushed us to achieve unparalleled levels of quality.

The initial absence of comprehensive work instructions gave us the chance to innovate and develop our detailed processes, enhancing our capabilities.

Estimating the effort required was a learning curve. The project was more demanding than typical conversions, but it allowed us to deepen our understanding and expertise in the field.

What key learnings has the team gained for future projects?

This project was a valuable learning experience for us at KF. It emphasized the value of a skilled and well-structured team. We've seen firsthand how essential the right mix of skills and oversight is to achieving our goals.

What was the customer's response to the completed conversion?

Boeing Supplier Quality has meticulously evaluated our facility through four comprehensive audits, all of which concluded with a perfect score of zero findings. I think this demonstrates our commitment to excellence and were very please to know that our customer can have that high degree of confidence in us as a supplier.

Interview continued on next page.

INTERVIEW WITH MAT TASSON CONTINUED...

Is there additional information you believe is important to share about this project?

A few points stand out:

Our contributions have led to significant improvements within the worldwide BCF program, highlighting our role in advancing industry standards.

The project was not just a technical journey but also a personal one for our team. It inspired growth, realignment of aspirations, and

sometimes, transitions. This aspect underscores our adaptive and supportive culture, where personal development and professional excellence go hand in hand. That being said, this was a very difficult project and it did lead to some burnout and even loss of some staff. With big achievements, there are great learnings but also costs incurred. All in all though, I'm just so proud of all the hard work our team did on this one and to have been a part of this project.

UBCO ENGINEERS CELEBRATE IN STYLE AT KF CENTRE FOR EXCELLENCE

In April 2023, the KF Centre for Excellence hosted the UBC Okanagan School of Engineering for its annual Engineering Capstone Showcase. This event allows engineering students in their final year of university to present a project that they have worked on with an industry sponsor for the past eight months.

KF sponsored six projects for the engineering students, on top of hosting the final showcase. In 2022, the first intake of aerospace engineering students started at UBCO with KF strongly supporting the establishment of the new program.



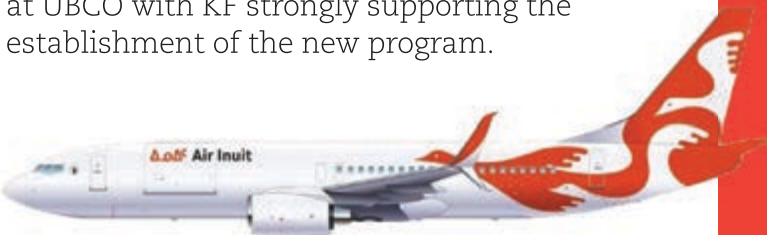
Students from the UBCO Engineering program joined KF staff at the Centre for Excellence

WHAT'S NEXT IN 2024?

Starting in 2024, KF is eager to get to work on a new contract with Air Inuit starting in 2024. We'll begin by adding an

AEI cargo door and conducting a C-check on an Air Inuit 737-800 early in the year.

Following that, we'll be working on turning a 737-800 into a "combi"—the first ever conversion of this kind for this type of aircraft. Combi aircraft, or combination aircraft, are specially designed to carry both passengers and cargo on the main deck. This unique configuration is particularly beneficial for northern airlines and carriers, like Air Inuit.



At KF we expect to spend a monumental 13,000 engineering hours of work on the 737-800 combi project—the first of its kind

While we regularly conduct maintenance and C-checks on a broad range of aircraft, often we are called on to dive into complicated issues that are beyond the scope and capabilities of other MROs.

*In 2022, a **Convair 510** from **Regency Air** landed at our YLW facilities for repair. As the Type Certificate holder for Convair aircraft, usually, this would be routine for our teams, but **this particular aircraft proved to be an exponentially challenging project** as we peeled back the layers of issues.*

*KF Hangar Operations Manager
Jim Stewart provides some
additional insight:*



INTERVIEW WITH JIM STEWART

HANGAR OPERATIONS MANAGER

REFLECTING ON THE REGENCY CONVAIR 510 PROJECT

Can you tell us about the work undertaken on the Convair 510 Project for Regency Air?

The Convair 510 Project was both challenging and rewarding. Initially, the aircraft arrived with several issues. Our first major task was replacing the lower wing plank skins due to cracking. However, once we began the work, we uncovered more problems, such as cracked spars and stringers. It seemed the more we inspected, the more issues we found. This project was a comprehensive effort to address and rectify these problems.

How long did the entire project take to complete?

The project spanned over two years. During this time, the aircraft was moved around a few

hangars to accommodate the extensive work needed. It was a significant commitment, not only in terms of time but also in dedication to quality and safety. Many companies might have given up, but we remained committed to our customers and took it upon ourselves to ensure the aircraft was returned to operation.

What did your team learn from this extensive project?

This project was an incredible learning experience for everyone involved, from our apprentices to the crew lead. It reinforced the value of perseverance and commitment. Despite the temptation to drop the project as challenges mounted, our decision to stick it out paid off, with countless engineering hours invested. In the end, the aircraft was successfully fixed and returned to the customer, back in operation. This project taught us that every case is unique and requires a tailored approach, but with commitment and the willingness to go the extra mile, success is achievable.

SUPPORTING CANADA'S DEFENCE AND SECURITY

KF'S INTEGRAL ROLE IN ADVANCING RCAF TRAINING AND READINESS

- **Experience:** 35 years supporting Canada's Department of National Defence (DND)
- **Roles:** Prime Contractor at CFTS Program, Southport, MB; Preferred bidder for Future Aircrew Training (FAcT) Program with SkyAlyne (starting 2024); Fixed-wing Search and Rescue (FWSAR) maintenance for DND; Member of Team Poseidon for Canadian Multi-Mission Aircraft (CMMA) project
- **Limited Partnerships:** Founding partner of SkyAlyne with CAE, Inc. for RCAF's FAcT Program

RCAF PILOT TRAINING

Since 2005, KF Aerospace and its partners in Allied Wings have led pilot training for the Royal Canadian Air Force (RCAF) at Southport, Manitoba (YPG). Our team expertly manages the Contracted Flying Training and Support (CFTS) Program at YPG, offering comprehensive training and support including live flying, simulation, classroom instruction, aircraft maintenance, facility maintenance, and essential services like lodging and meals. In 2023, we collaborated closely with the RCAF to train future pilots, earning high praise from the Department of National Defence.

Significantly, over 80% of RCAF pilots earn their 'wings' through the CFTS Program, reflecting the hard work, expertise, and commitment of our team in guiding pilots from their initial training to graduation.



In 2023, KF Aerospace was listed as **#14 in Canadian Defence Review's** annual rankings for top Canadian defence companies.

YEAR 2023 RESULTS

Training Phase	Aircraft Type	Flying Hours	Takeoffs and Landings	Course Completions
Primary (Phase I & II)	Grob G-120A	3468	2937	68
Phase III Multi-Engine	Textron/Beechcraft King Air C-90B	2857	1490	62*
Phase II Helo	B206 Jet Ranger	2655	1876	5
Phase III Helo	B412 CF Outlaw	2559	1371	35**
TOTAL		11539	7674	170

* Graduating students received their Wings

** Includes students who received their Wings and students who switch

GETTING IT DONE IN 2023

Last year, our Allied Wings team at YPG implemented **several key upgrades**, enhancing capabilities and maintaining operational excellence:

- Successfully modified our entire B206 Helicopter fleet to include Area Navigation (RNAV), completing the project on schedule with minimal disruption to training.
- Made significant advances in Virtual Reality training, introducing expansive 360-degree videos and transitioning project oversight to 2 CAD.
- Acquired Automatic Dependent Surveillance–Broadcast (ADS-B) and 6 Sentry Plus devices for a Department of National Defence (DND) trial, which was highly successful, leading to a request for 22 more devices.



CFTS Program Manager Jeff Fletcher presents a donation of \$25,000 to help rebuild the Koko Platz Community Recreation Club Centre after the community staple was destroyed by fire

- Completed the on-schedule Grob Phase II courseware upgrade and a comprehensive IIE refresh and upgrade, reinforcing our YPG team's reputation for excellence and innovation.

Kudos to the YPG team for their exceptional work supporting our service members. These achievements underscore our team's daily efforts and keep RCAF training at the forefront of innovation and excellence.





SKYALYNE

PREFERRED BIDDER FOR THE
FUTURE AIRCREW TRAINING (FACT) PROGRAM

A PARTNERSHIP BETWEEN



AEROSPACE AND



SKYALYNE SECURES KEY ROLE IN FUTURE RCAF TRAINING PROGRAM

Undoubtedly one of our biggest successes not just in 2023, but in the history of KF, was securing preferred bidder status for Canada's Future Aircrew Training (FAcT) Program. SkyAlyne (a partnership between KF and CAE), was downselected for the comprehensive next-generation training and in-service support program for the Royal Canadian Air Force after an intensive bidding process.

The FAcT Program will consolidate the two existing RCAF pilot training programs in Canada, including the CFTS Program managed by KF and the pilot training program in Moose Jaw, Saskatchewan, currently managed by CAE. FAcT will also add Air Combat Systems Officer (ACSO) and Airborne Electronic Sensor Operator (AES Op) training, currently provided by the military in Winnipeg, Manitoba.

The performance of the KF Aerospace and Allied Wings staff on the CFTS Program was critical to the success of shaping SkyAlyne's FAcT proposal. The direct experience in RCAF training our team has accumulated over 18+ years, combined with our leading expertise in aerospace maintenance, engineering and airworthiness empowered KF to play a key role in co-leading this pursuit and collaborating with a team of the

foremost aerospace and defence companies in Canada in crafting an innovative, made-in-Canada solution for future RCAF training.

Following the official contract award expected sometime in 2024, a transition process will begin. Our CFTS team in Southport will continue providing excellence in training and support for the RCAF while SkyAlyne begins to usher in a new era with new fleets of training aircraft, new simulators and training equipment, and re-built facilities. KF will continue to manage the Southport site under the new contract.

A WINNING PROPOSAL

5^{YRS}

from partnership signing
to **PROPOSAL SUBMISSION**

9

SUBCONTRACTOR
companies contributing

25,000

PAGES
submitted

4,000

REQUIREMENTS
met or exceeded

25⁺_{YRS}

length of the
CONTRACT

*KF was pleased to welcome
the Snowbirds to Kelowna
on their way to the
Abbotsford International
Airshow in August*



*The Hilly Brown building in Southport, MB, is named
in honour of locally-born Flying Officer Mark Henry
“Hilly” Brown and serves as the administrative
and training ‘heart’ of the CFTS Program*



ELEVATING RCAF READINESS

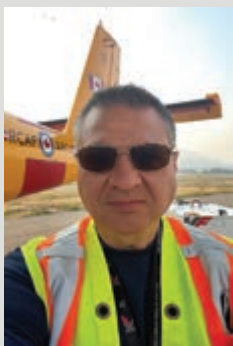
KF Aerospace proudly supports Canada's military, utilizing our top-tier aircraft maintenance, engineering, and airworthiness expertise to ensure the RCAF's operational safety and readiness. At YPG, we directly maintain Grob 120A training aircraft and Textron/Beechcraft King Air C-90B, and oversee maintenance of B206 Jet Ranger and B412 CF Outlaw helicopters through our partner, Canadian Helicopters Ltd. Our commitment extends to ensuring RCAF squadrons' readiness in 2024 and beyond.

For the **CC138 Twin Otter Transport Squadron**, which plays a vital role in transport and support operations in Canada's north, KF provides comprehensive maintenance services from our Kelowna (YLW) MRO facility or on location. This includes third-line maintenance, repairs,

component overhaul, obsolescence research, technical support, logistics, and both major and minor modifications.

Our dedicated team consisting of ten mechanics and technicians, six administrative and logistics staff, and six support personnel embedded within squadrons and maintenance offices in Gatineau, Quebec, delivers approximately 13,000 hours of maintenance and support services on the Twin Otters annually. With Canada's defence policy focusing on upgrading air navigation and control systems, our team's innovative modifications on the CC138 Twin Otter will enhance its capabilities and significantly increase our maintenance and support hours in 2024.

INTERVIEW WITH JOHN TOLA SR AVIONICS AT KF AEROSPACE



What was your team's biggest 'win' in 2023?

We were really thrilled to secure the contract to implement the Multi-Fleet Air Traffic Management Avionics Modification (MFATMA)—the third large modification contract we've been awarded in the last twelve years for this fleet.

This modification is an upgrade to a modification we originally carried out 12 years ago on the CC138 Twin Otter Fleet and the addition of new systems. It essentially is an upgrade to the Electronic Flight Instrument System, the addition of a CVFDR with cockpit camera and a replacement of the IFF (Military Transponder) with a modern ADSB (Automatic Dependent Surveillance-Broadcast) System.

What, in your opinion, will be your biggest challenge in 2024?

The biggest challenge—that I have no doubt that we will overcome—is that we received approval to begin the modification two months after the aircraft was delivered shortening the timeline that we have to complete a Periodic Inspection, MFATMA modification and a composite door upgrade.

What are you excited about for 2024?

In 2024 I'm looking forward to our team turning on power for the first time when everyone gets to appreciate their hard work come to life and to deliver the prototype on time. This project has included the services of our Engineering department, our shops, AMEs Avionics, Structures, Mechanics, Painters, the CIS Military group support and Purchasers.

We have three more aircraft to complete nose to tail with more modifications to add in the future. DND has also approached us for suggestions to increase the life of their CC138 Twin Otter fleet, so we'll see where that goes!



The P-8 Poseidon will upgrade Canada's capabilities and provide advanced interoperability with Canada's allies

P-8A CONTRACT MARKS A BIG WIN FOR KF AEROSPACE AND CANADA

In late November 2023 the Government of Canada officially selected the Boeing P-8A as Canada's new Multi-Mission Aircraft (CMMA) to replace the CP-140 Auroras. The first aircraft delivery is expected in 2026.

KF Aerospace, part of Team Poseidon, expects to provide ongoing maintenance and engineering support for the P-8A once it is operational with the Royal Canadian Air Force. The P-8A, known for its excellence in various maritime roles, will bring substantial economic benefits, generating almost 3,000 jobs and contributing over \$300 million annually to Canada's economy over the next decade. KF Aerospace, with over 30 years of experience working with Boeing products, understands how beneficial this decision is for Canada, emphasizing the aircraft's proven capabilities, interoperability with allies, and a low-risk upgrade path for the Royal Canadian Air Force.

The announcement solidifies our growing partnership with Boeing Defense, Space & Security, building on our recent recognition as a Global Supplier of the Year for our work on Boeing civilian programs. We also strongly believe this is a pragmatic approach to swiftly deliver enhanced capabilities for Canada's military, and we applaud the government's decision to acquire the P-8A for our armed forces.

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This partnership empowers us to increase the skills of our workforce while continuing to establish our company as a leading Canadian aerospace firm and extend our global reach.

– Tracy Medve, President & CEO, KF Aerospace

A big shout out to the KF business development team and the technical experts who contributed to Team Poseidon and this substantial win. We are excited to support the P-8A and look forward to welcoming the first aircraft to our facilities in the future!

KF FLIGHT OPERATIONS: ELEVATING PASSENGERS AND CARGO

- **Experience:** 50 years
- **Staff size:** 75+
- **Reliability:** 99% on-time dispatch
- **Passenger Services:** KF Aeroflyer passenger charter operator (since 2022) on B737NG aircraft.
- **Cargo Services:** Operations for BC air cargo network (main customer - Purolator Canada)
- **Cargo Fleet:** Convair 580s (Type Certificate Holder)
- **Dispatch:** Type-A dispatch services for Canadian operators

Our dedicated team leverages extensive industry expertise to ensure safe, reliable, and versatile flight operations. Whether facilitating global logistics through our cargo services, offering exceptional experiences to passengers, or coordinating dispatches, KF Aerospace is committed to excellence in every sky we navigate.



Aeroflyer enjoying the prairie sunset during a stop in Regina (YQR)



MOVING CRITICAL CARGO IN BC

KF Aerospace plays an essential part in the cargo carrier network in British Columbia, utilizing a fleet of Convair 580s—for which we are also the Type Certificate Holder for the aircraft.

Our proven track record of on-time reliability is essential to moving critical goods. With our professional, experienced teams in Vancouver (YVR) and Kelowna (YLW), BC residents can count on KF to be there to ensure their air deliveries!

KF charter service Aeroflyer expanded its workforce in 2023 to meet increasing charter flight demands

AEROFLYER SOARS TO NEW HEIGHTS

In 2023 Aeroflyer—KF's charter service started in 2021—soared to new heights, averaging an impressive 200 flight hours per month, catering to a diverse range of corporate clients including sports teams, forestry services, fire-fighting units, and more.

The growth of Aeroflyer has propelled the need for expansion, with a new Calgary

office officially designated as a KF Aerospace location and received Transport Canada approval to operate in the USA, Caribbean, and South America.

With a stellar track record in 2023, the Flight Ops Department has set the stage for continued success and growth in 2024 and beyond.



- Both current Aeroflyer charter aircraft are up for their **C-checks** this year (maintenance to be done in-house of course!)
- Evaluating cargo fleet upgrades for improved longevity and fuel efficiency



Our Aeroflyer charter service continued to soar in 2023 and is poised to continue expanding in 2024

LEASING

- **Aircraft on/available for lease:**
Boeing 737-800, Boeing 737-400, Boeing 737-300, ATR42 and ATR72, B727, and Convair 580/5800
- **International Leasing Subsidiary:**
Knight Aircraft Leasing

KF Aerospace boasts a comprehensive range of leasing capabilities, designed to accommodate diverse needs in the aviation industry.

With an extensive portfolio of aircraft types, we are adept at providing tailor-made programs that cater specifically to the operational requirements of our clients, whether for cargo, passenger, or specialized operations.

Integral to our leasing business are KF's in-house expert maintenance, engineering and support teams that continually work to maintain aircraft and execute full cargo conversions in support of our leasing customers.

KF LEASING SOLIDLY BOOKED IN 2023

Last year KF Aerospace Leasing was **solidly booked** with most of our available aircraft in service with customers.

In 2024, KF will receive two freighter aircraft back after the completion of the leases, and add additional aircraft leasing options for customers.



KF Aerospace leases several different aircraft types for passenger and cargo services

AIRCRAFT TYPES AVAILABLE FOR LEASING AT KF AEROSPACE:

- ✓ Boeing 737-800
- ✓ Boeing 737-400
- ✓ Boeing 737-300
- ✓ ATR 42-500
- ✓ Convair 580



WHAT'S NEXT IN 2024?

- We are taking **redelivery of two 737-400 freighters**; available for lease with new customers
- Adding a **new 737-800 Freighter** and an ATR 42-500 to be completed at our Kelowna facility

**REACH OUT TO US FOR LEASING
IN 2024 AND BEYOND!**

THANK YOU TO OUR AMAZING TEAM

Throughout 2023, KF Aerospace employees across Canada exemplified outstanding performance and commitment. The achievements featured in this annual review represent a sampling of the numerous times where our dedicated team excelled. Their relentless effort and skill are the backbone of our success, and we are profoundly grateful for their contributions.

We extend our heartfelt appreciation to every member of our team, from Kelowna to Vancouver, Hamilton to Portage, Calgary

to Ottawa, and those in the field. Whether engaging in intricate aircraft projects, providing essential business support, instructing military aircrew students, ensuring the timely transport of people and cargo, or securing vital contracts, your work does not go unnoticed. Thank you for your invaluable dedication.

As we continue to soar into 2024, let's continue to strive for excellence together and do great things.

*LEFT: KF staff celebrate with the annual tradition of each department donating a tree and Christmas presents to a family in need
MIDDLE LEFT: KF staff enjoy a sizzling summer BBQ in the Okanagan MIDDLE RIGHT: KF staff line up for a powerful photo for International Women's Day in March RIGHT: Staff in YLW celebrate a project hangar move with an appreciation dinner*



*LEFT: The KF staff enjoying a hot summer company BBQ in the Okanagan MIDDLE TOP: KF Employee Joy celebrates 25 years with the company MIDDLE BOTTOM: KF staff in Portage celebrate 10, 15 and 25 years supporting military aircrew training
RIGHT: KF staff in Hamilton enjoy an appreciation BBQ*

YLW CHILD CARE CENTRE

November 2023 marked the official opening of the Kelowna Airport YMCA Child Care Centre, a groundbreaking collaboration by KF Aerospace with the BC Government, Kelowna International Airport (YLW), and the YMCA of Southern Interior BC.

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*The addition of the Kelowna Airport YMCA Child Care centre has provided **ease of access to quality care** for my three children, enabling me to continue my career in aviation.*

– Bryana, KF Aerospace employee

This standalone child care centre, strategically located at YLW offers 86 urgently-needed daycare spaces—40 of which are dedicated to KF Aerospace employees with young children.

How did this come about? Five years ago, KF Aerospace identified a crucial need among its Kelowna employees for affordable, quality child care. In response, we invested our capital and expertise for the project, aiming to support KF employees with young families and empower more women in our workforce. The result was a very successful collaboration with our community partners, establishing a beautiful new child care facility for our employees and the local community.





A FINAL WORD

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I'd like to express my gratitude to our staff for their outstanding work and support. Together, we've maintained our position as Canada's premier aviation company, offering a broad spectrum of services to airlines, manufacturers, and the Government of Canada. Your dedication and expertise in every project, flight, lease, or training session ensure our customers return consistently, fueling our growth and expansion. Thank you. Since our founding in 1970, we've surpassed my expectations, and I foresee a bright future ahead for us. I couldn't be more proud.

- Barry Lapointe, KF Founder and Chairman

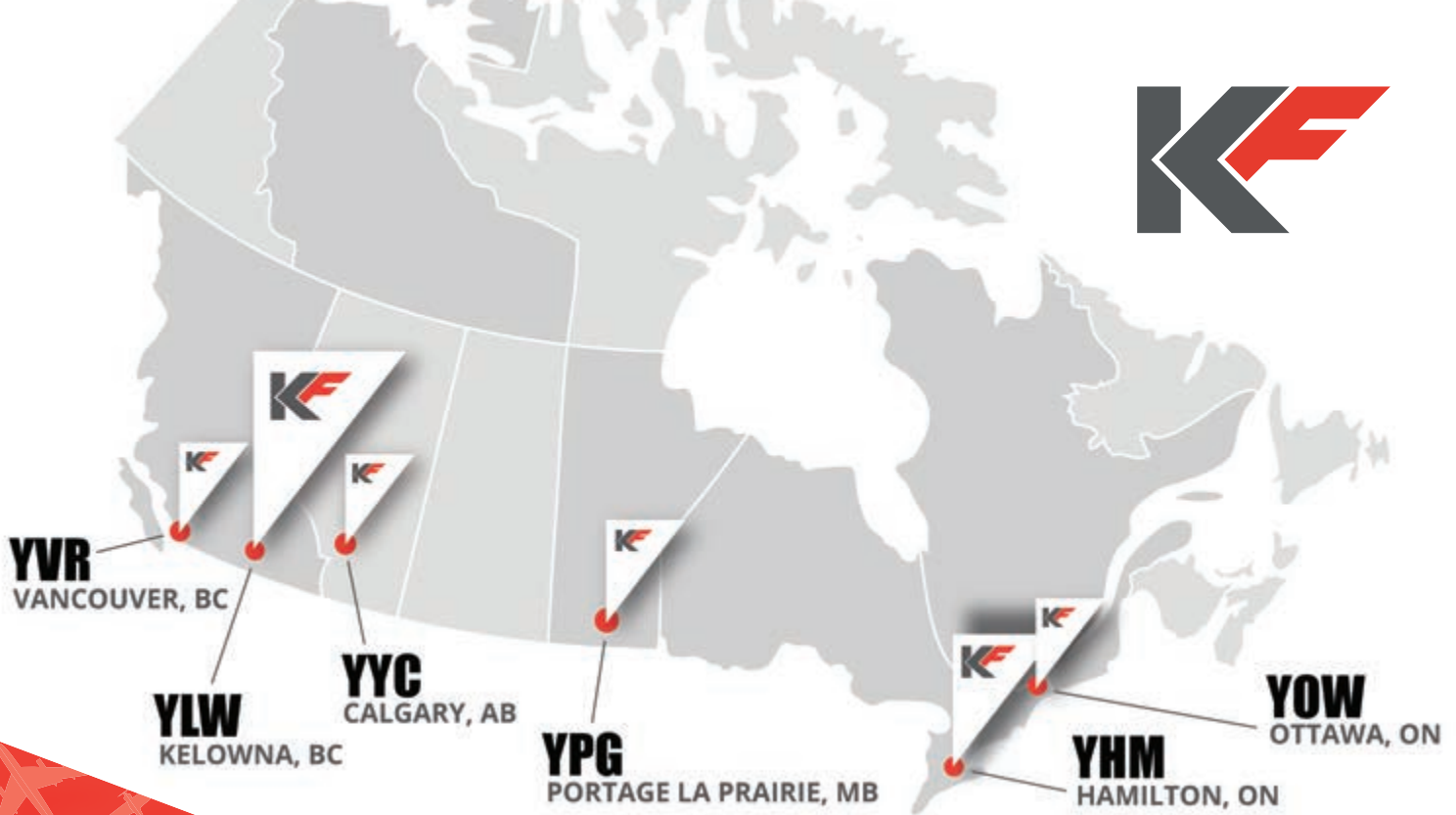
TOP LEFT: Staff in Hamilton celebrate completion of the Dale Carnegie course for leadership

TOP RIGHT: Kelowna staff celebrating the completion of the in-house "People Leaders" course

MIDDLE LEFT: AMEs celebrate completing a Type Course on the Beechcraft Premier 1A

MIDDLE RIGHT, UPPER: Jonny Harris and the Still Standing crew visit Southport to talk to Allied Wings staff and tape an episode of the popular show at the KF-led RCAF training operation

MIDDLE RIGHT, LOWER: Contestants of CBC's Ultimate Challenge engaging in a "plane pull" at KF's Kelowna facilities for an episode in 2023



We're all about
THE CRAFT

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