



2017 Interim Results Analyst Briefing

15th August 2017

Agenda

- **Financial Overview**
- **Performance of Key Operating Units**
 - HAECO Hong Kong
 - HAECO Americas
 - HAECO Xiamen
 - TEXTL
 - HAESL
 - Other Subsidiary and Joint Venture Companies
- **Key Operating Drivers**
- **Financial Profile**
- **Prospects**



Financial Overview

Financial Overview

Financial Highlights

	Six months ended 30th Jun		Change
	2017	2016	
Attributable profit (HK\$M)	348	1,111	-68.7%
Adjusted attributable profit (HK\$M)	348	328	+6.1%
Revenue (HK\$M)	7,405	7,103	+4.3%
Earnings per share (HK\$)	2.09	6.68	-68.7%
1st interim dividend per share (HK\$)	0.53	0.63	-15.9%
Special interim dividend per share (HK\$)	-	2.35	-100.0%
	30th Jun	31st Dec	
	2017	2016	
Net borrowings (HK\$M)	2,466	2,368	+4.1%
Total equity (HK\$M)	7,856	7,519	+4.5%
Gearing ratio	31.4%	31.5%	-0.1%pt

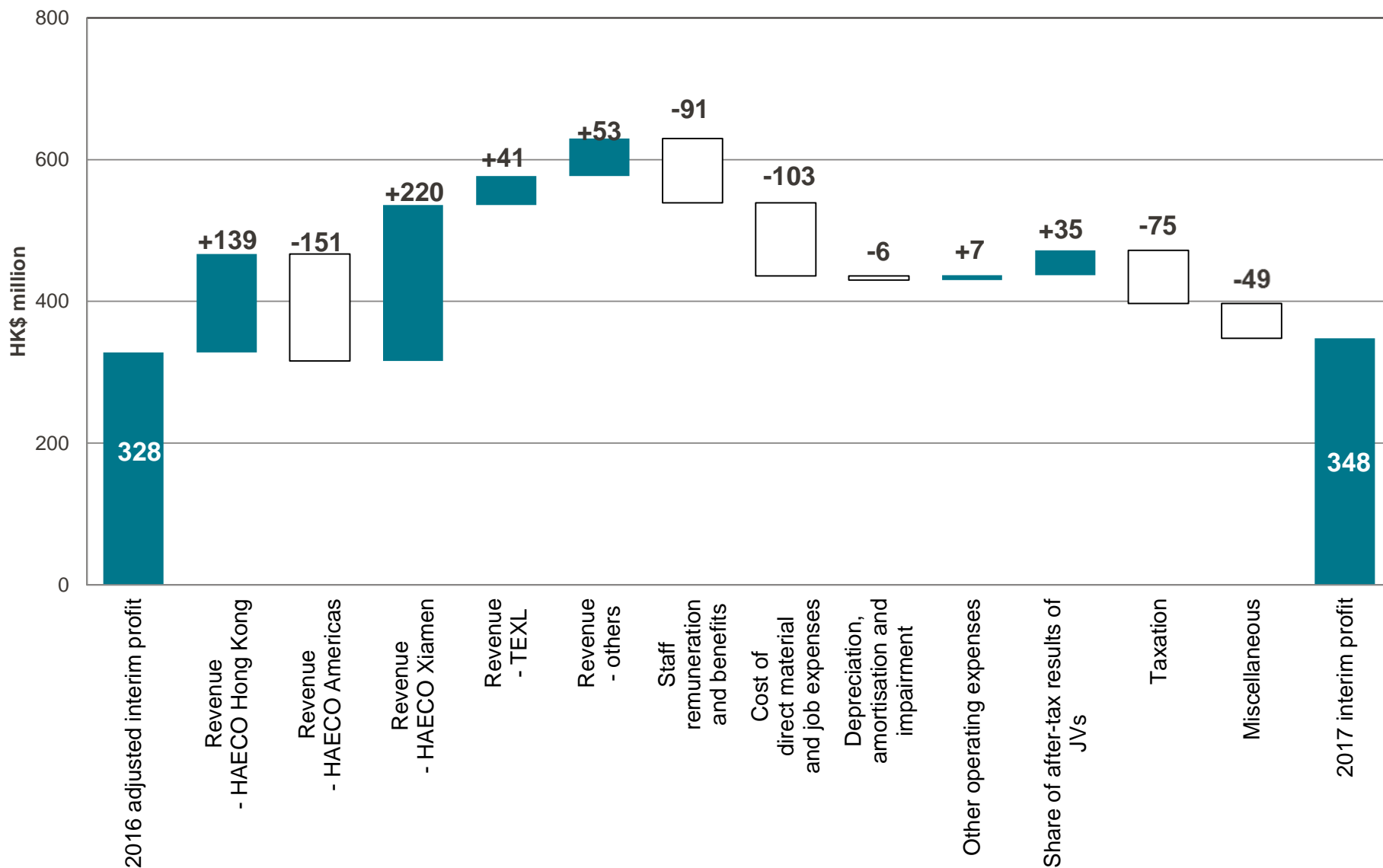
Financial Overview

Adjusted Profit Attributable to the Company's Shareholders

	Six months ended 30th Jun		Change
	2017 HK\$M	2016 HK\$M	
Profit attributable to the Company's shareholders	348	1,111	-68.7%
<i>Adjusting items</i>			
Gain on disposal of SAESL	-	(805)	+100.0%
Expenses associated with the disposal of SAESL	-	22	-100.0%
Adjusted profit attributable to the Company's shareholders	348	328	+6.1%

Financial Overview

Movement of Adjusted Profit Attributable to the Company's Shareholders



Financial Overview

Adjusted Profit Analysis by Companies

	Six months ended 30th Jun		Change
	2017 HK\$M	2016 HK\$M	
HAECO Hong Kong	139	104	+33.7%
HAECO Americas	(208)	(59)	-252.5%
HAECO Xiamen	104	47	+121.3%
TEXL	112	103	+8.7%
Share of:			
HAESL and SAESL	136	119	+14.3%
Other subsidiary and joint venture companies	65	14	+364.3%
Adjusted profit	348	328	+6.1%

The above attributable profit is adjusted so as to exclude the net gain on disposal of SAESL in 2016.



Performance of Key Operating Units

Performance of Key Operating Units

HAECO Hong Kong

- HAECO Hong Kong recorded a 33.7% increase in adjusted profit to HK\$139M in 1H 2017 compared to 1H 2016 while revenue recorded a 7.3% increase to HK\$2,041M. EBITDA margin improved from 9.8% in 1H 2016 to 12.5% in 1H 2017.
- Airframe services manhours sold increased from 1.38M in 1H 2016 to 1.50M in 1H 2017. The increase reflected higher demand and the deferral of some customers' work from 2016.
- Performance for the line services was good. 57,300 aircraft movements (representing an average of 317 per day) was handled in 1H 2017, an increase of 3.6% compared with 1H 2016. Line services manhours increased accordingly.
- Manhours sold for components and avionics work, together with those sold by HAECO Component Overhaul (Xiamen), were 0.10M in 1H 2017, 0.01M lower than those in 1H 2016. The decrease reflected reduced scope of work.

Performance of Key Operating Units

HAECO Americas

- HAECO Americas generated total revenue of HK\$1,435M in the 1H 2017, 9.5% decrease from the corresponding period in 2016.
- A loss of HK\$208M was recorded in 1H 2017, HK\$149M more than its loss of HK\$59M in 1H 2016. This reflected lower demand for its airframe services, lower margins on seats sold and the completion of fewer interior reconfigurations.
- The results were also adversely affected by the non-recognition of deferred tax assets in respect of 1H 2017 tax losses and lower than expected contributions from certain programmes.
- 1.59M airframe services manhours were sold, 8.6% fewer than 1H 2016. This followed the completion of some significant aircraft and cabin modification programmes in 2016.
- In the cabin solutions business, more seats were sold (approximately 3,700 compared with 1,800 in 1H 2016), but lower margins and losses on some seat contracts affected results. Demand for old seats grew quite well. Our new seats are being introduced to the market. There was less demand for cabin integration work. Less Panasonic communication equipment installation kit work was done.

Performance of Key Operating Units

HAECO Xiamen

- HAECO Xiamen's revenue for 1H 2017 was HK\$1,055M, 26.3% increased from 1H of 2016. EBITDA margin improved from 18.9% in 1H 2016 to 26.2% in 1H 2017.
- HAECO Xiamen recorded a 121.3% increase in attributable profit to HK\$104M in 1H 2017 compared with 1H 2016. This reflected higher demand for airframe services and stringent cost control.
- 2.01M manhours were sold, representing a 21.8% growth in volume and a 26.6% increase in revenue compared to the same period in 2016.
- HAECO Xiamen handled an average of 52 line services aircraft movements per day in 1H 2017, 8.3% more than in 1H 2016.
- Revenue from private jets, parts manufacturing and technical training increased by 65.0%, 43.2% and 7.3% respectively from 1H 2016 to 1H 2017.

Performance of Key Operating Units

TEXL

- TEXL generated HK\$2,556M revenue for the 1H 2017, HK\$41M increased from the same period last year. EBITDA margin improved from 8.4% in 1H 2016 to 8.9% in 1H 2017.
- In 1H 2017, TEXL completed and 26 engine performance restorations and 14 engine quick turn repairs (compared with 23 and 25 respectively in 1H 2016).
- With more engine performance restoration work, it recorded a higher attributable profit in 1H 2017 than in 1H 2016, which represents a 8.7% increase to HK\$112M.

Performance of Key Operating Units

HAESL

- HAESL recorded a 14.3% increase in profit (on a 100% basis) in 1H 2017 compared to 1H 2016 (excluding from the 2016 figure the profit on disposal of its interest in SAESL). EBITDA margin slightly reduced from 8.2% in 1H 2016 to 8.1% in 1H 2017.
- More engines (71 compared with 60 in 1H 2016) were overhauled and more work was done per engine.

Performance of Key Operating Units

Other Subsidiary and Joint Venture Companies

- HAECO ITM recorded an increase in profit. There was more repair business. The total number of aircraft for which services were provided in 1H 2017 was 268, similar to that in 1H 2016.
- HAECO Landing Gear Services did more work than in 1H 2016. Its losses were reduced accordingly.
- HAECO Component Overhaul (Xiamen) made a loss in 1H 2017 similar to that in 1H 2016. It did more work. Operating costs increased accordingly.
- HAECO Shanghai's average number of aircraft movements handled per day was 47 in 1H 2017, 2.2% higher than that of 1H 2016. Its profit decreased due to higher staff costs, which reflected an increase in manpower in 2H 2016.
- HAECO Line Services (Singapore) broke even in 1H 2017, having made a small profit in 1H 2016. It did less work.
- HAECO Spirit AeroSystems made a smaller profit in 1H 2017 than in 1H 2016. It did less work and material costs increased.



Key Operating Drivers

Key Operating Drivers



	Six months ended 30th Jun		Change
	2017	2016	
Airframe services sold manhours (in millions)			
HAECO Hong Kong	1.50	1.38	+8.7%
HAECO Americas	1.59	1.74	-8.6%
HAECO Xiamen	2.01	1.65	+21.8%
Total	5.10	4.77	+6.9%
Line services aircraft movements (per day)			
HAECO Hong Kong	317	306	+3.6%
HAECO Xiamen	52	48	+8.3%
HAECO Shanghai	47	46	+2.2%
Engine output			
TEXL - performance restorations	26	23	+13.0%
TEXL - quick turn repairs	14	25	-44.0%
HAESL	71	60	+18.3%



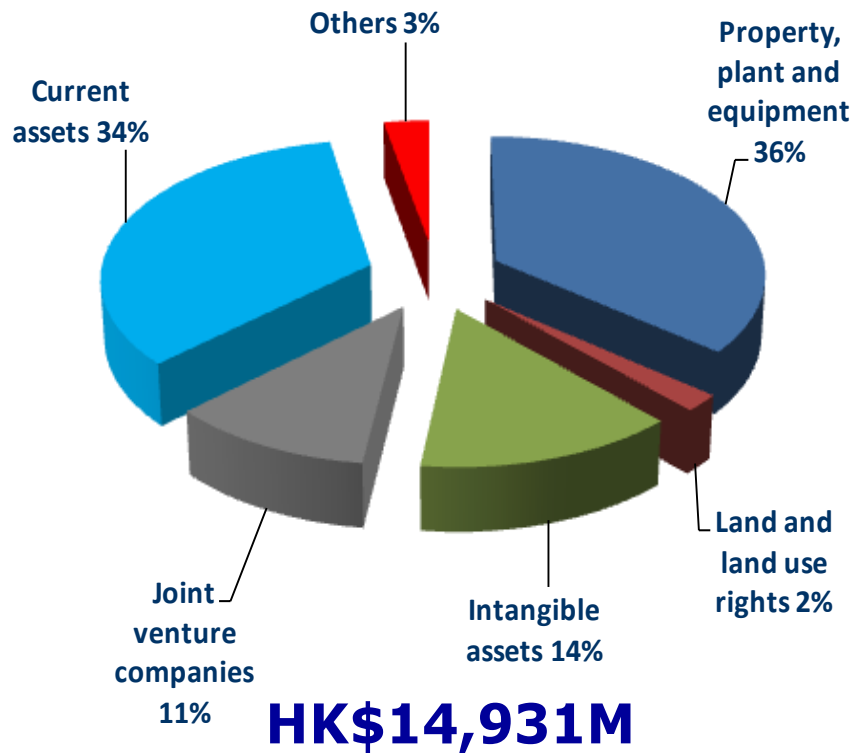
Financial Profile

Financial Profile

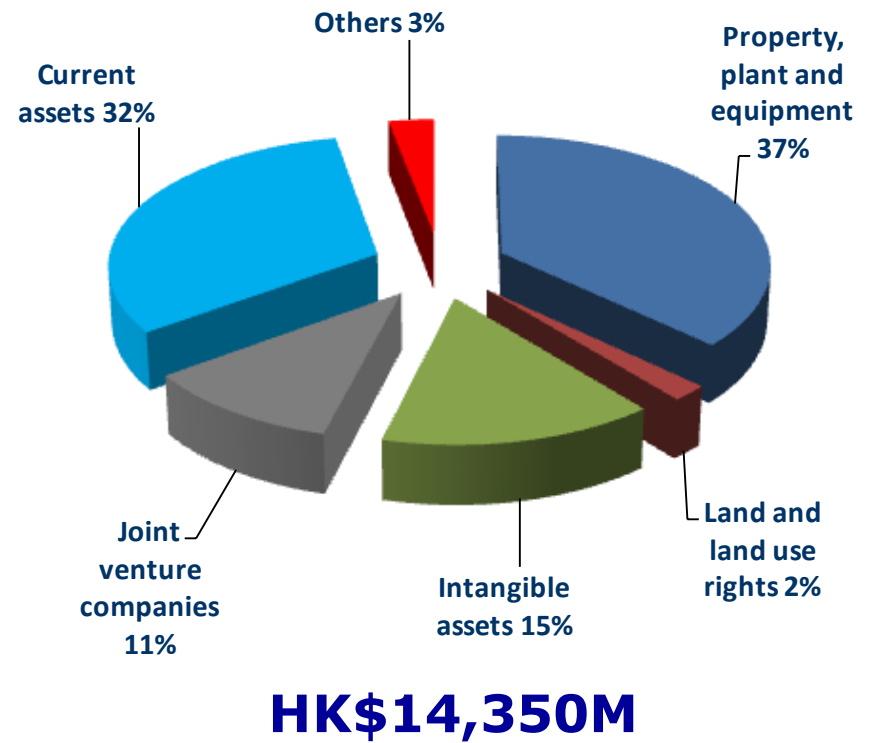
Total Assets



30th Jun 2017



31st Dec 2016



Financial Profile

Net Borrowings Movement

HK\$M

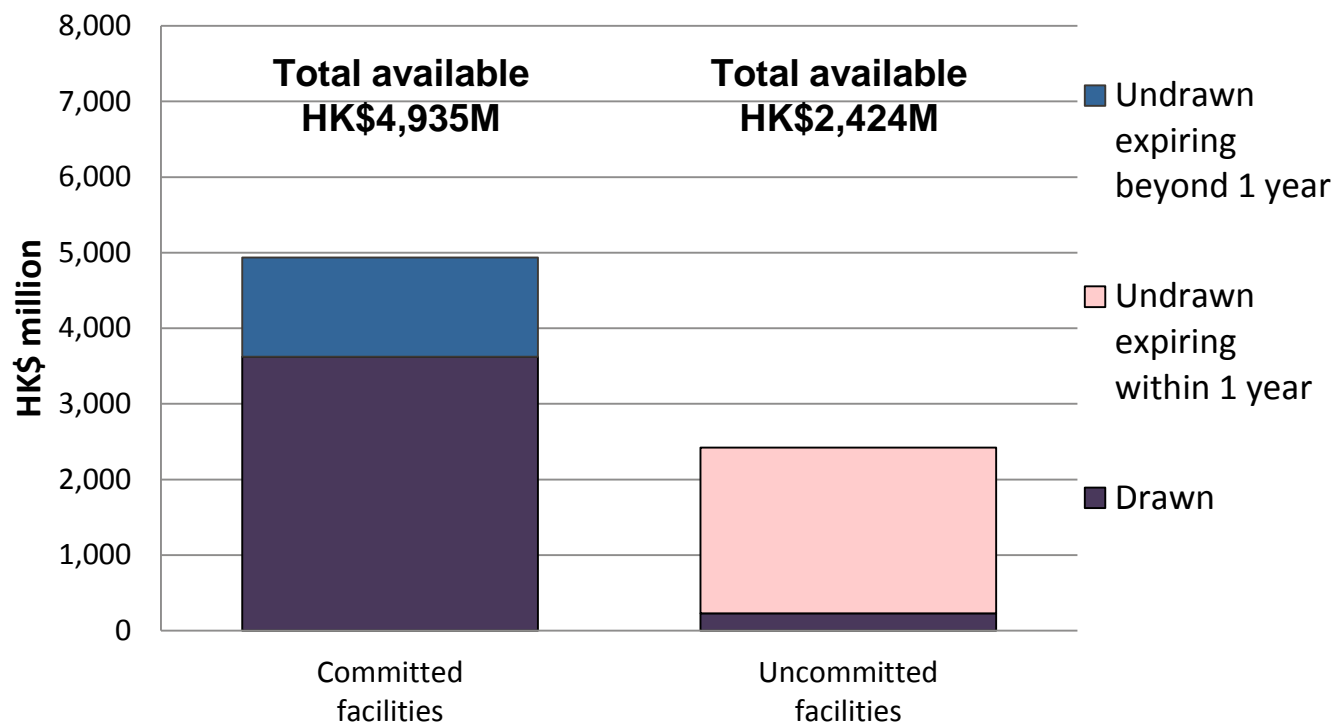
Net borrowings at 31st Dec 2016	(2,368)
Cash generated from operations	495
Net interest and tax paid	(124)
Dividends received	118
Dividends paid	(252)
CAPEX	(355)
Other movements	20
<hr/>	
Net borrowings at 30th Jun 2017	(2,466)

Financial Profile

Liquidity

	30th Jun 2017 HK\$M	31st Dec 2016 HK\$M	Change %
Bank balances and short-term deposits	1,345	1,321	1.8%
Total undrawn facilities:			
- Committed	1,313	1,284	2.3%
- Uncommitted	2,193	2,345	-6.5%

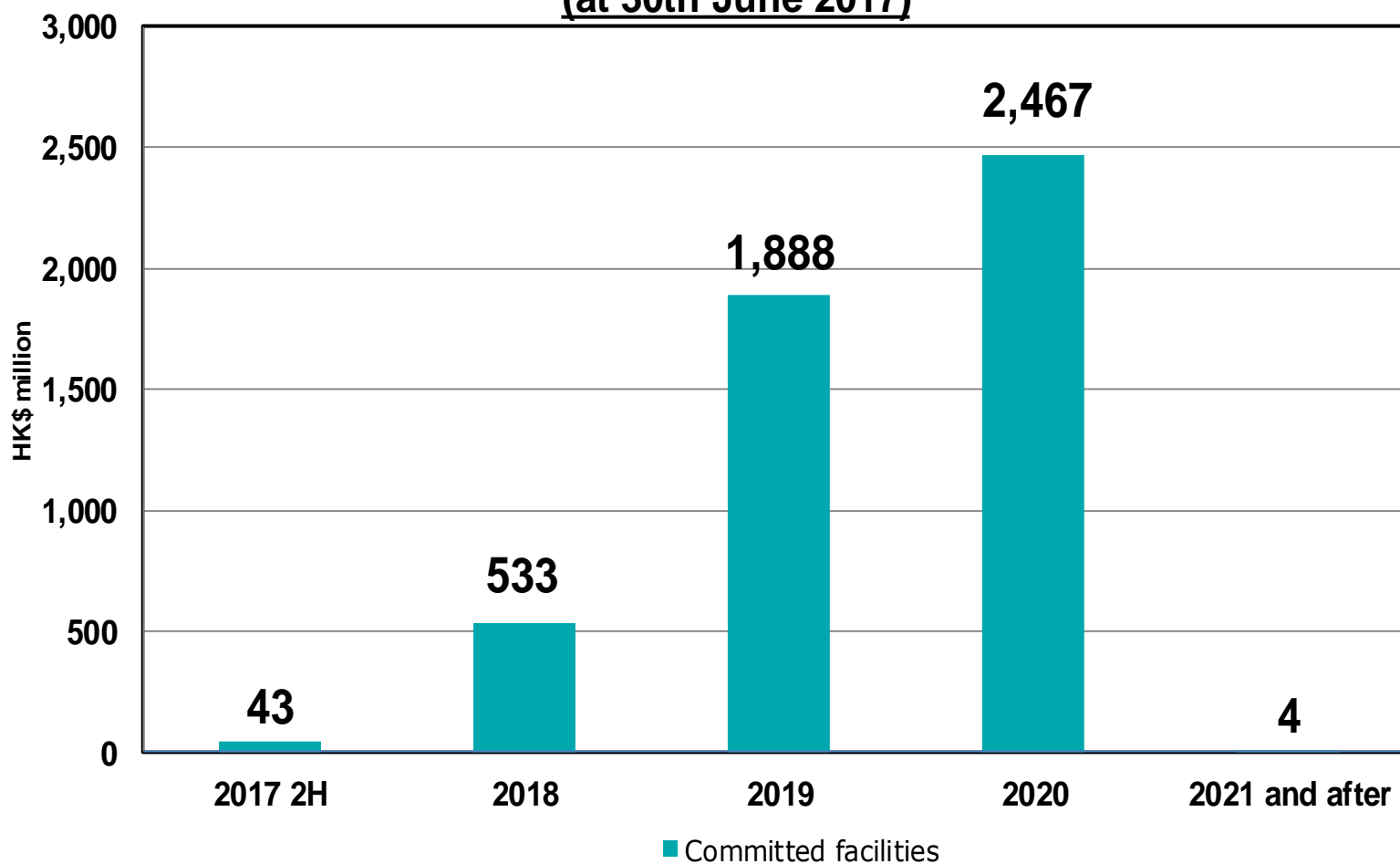
Facilities - Loan



Financial Profile

Liquidity (cont'd)

Total Available Committed Facilities by Maturity
(at 30th June 2017)



Financial Profile

Finance Charges

Ratio of borrowings bearing interest at fixed rate to floating rate

	30th Jun 2017		31st Dec 2016	
	HK\$M		HK\$M	
Fixed	1,185	31%	865	23%
Floating	2,668	69%	2,873	77%
Sub-total	3,853	100%	3,738	100%
Less: Unamortised loan fee	42		49	
Total	3,811		3,689	

Cost of debt

	30th Jun 2017	31st Dec 2016
Group weighted average cost of debt	2.42%	2.36%

Financial Profile

Currency Profile of Borrowings

	30th Jun 2017		31st Dec 2016	
	HK\$M		HK\$M	
Hong Kong dollars	1,754	45.5%	1,611	43.1%
United States dollars	2,099	54.5%	2,127	56.9%
Total	3,853	100.0%	3,738	100.0%



Prospects

Prospects

- HAECO Hong Kong's workload for airframe maintenance services is expected to be less in 2H than in 1H 2017 for normal seasonal reasons and because of the deferral of work by some customers. Demand for its line services is expected to be stable.
- Demand for HAECO Americas' airframe services is expected to decrease in 2H 2017 compared with 1H due to the loss (with effect from August) of significant US work from a major customer and also for normal seasonal reasons. Airframe services results will also be adversely affected by the additional costs of training and recruiting staff in preparation for the opening of a fifth hangar at Greensboro in 2018.
- The growth in demand for seats in 2H 2017 is expected to continue but margins are expected to be lower. Forward bookings for cabin integration work are weak. More Panasonic communication equipment installation kit work is expected in 2H 2017 than in 1H.
- Demand for HAECO Xiamen's airframe services is expected to be less in 2H than 1H 2017, for normal seasonal reasons.
- Demand for TEXL's engine overhaul services is expected to be stable in 2H 2017.
- HAESL's results in 2H 2017 are expected to be adversely affected by higher depreciation and training costs associated with developing the capability to overhaul Trent XWB engines.
- Overall, the HAECO Group's adjusted profit for 2017 is expected to be worse than in 2016.



THANK YOU
