



HAECO Group

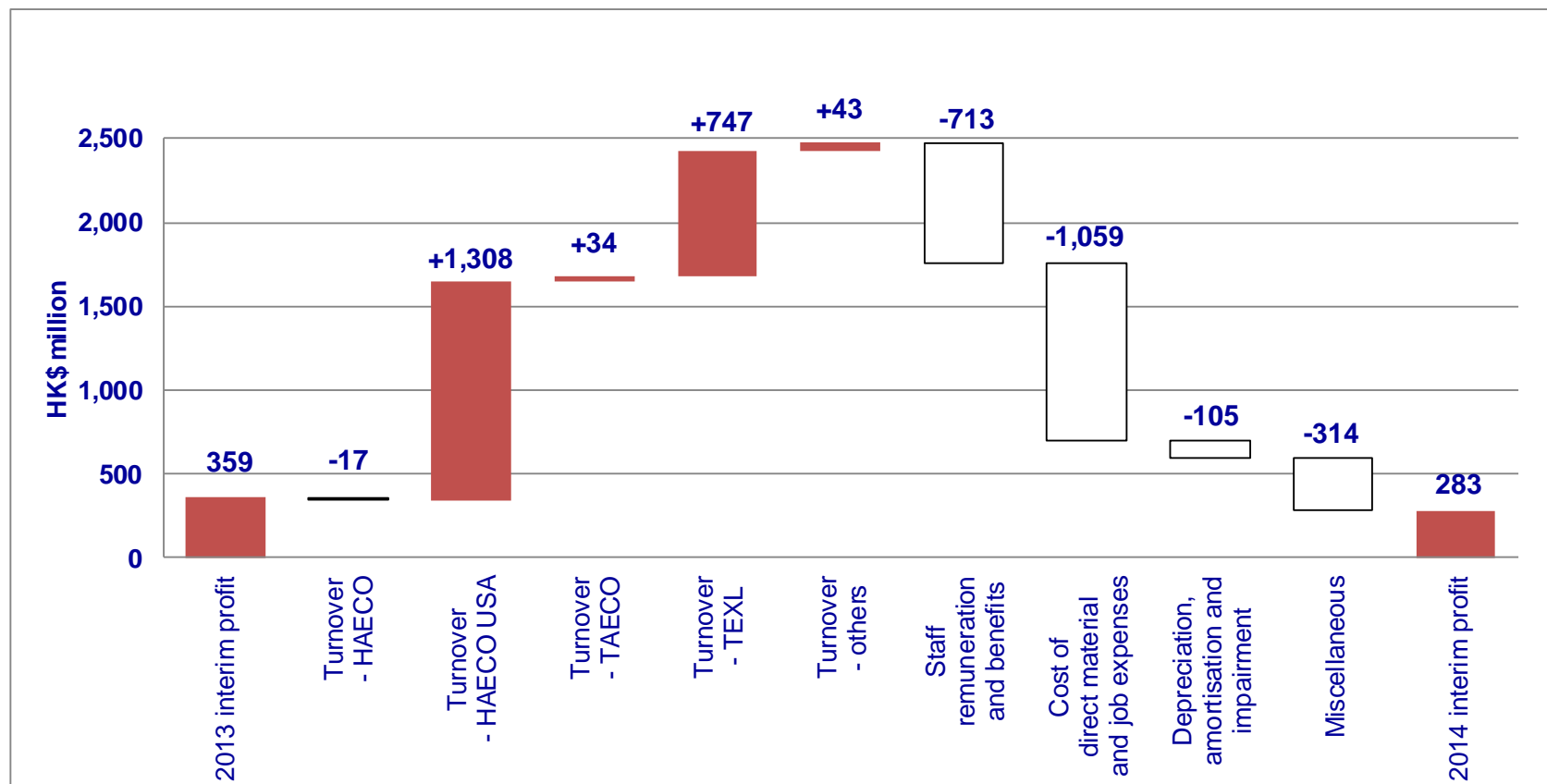
2014 Interim Results
Analyst Briefing

12th August 2014

Interim Results

	Six months ended 30th Jun		Change
	2014	2013	
Attributable profit (HK\$M)	283	359	-21.2%
Turnover (HK\$M)	5,337	3,222	+65.6%
Earnings per share (HK\$)	1.70	2.16	-21.2%
1st interim dividend per share (HK\$)	0.65	0.80	-18.8%
	30th Jun	31st Dec	
	<u>2014</u>	<u>2013</u>	
Net borrowings (HK\$M)	3,200	193	+1,558.0%
Total equity (HK\$M)	7,306	7,326	-0.3%
Gearing ratio	43.8%	2.6%	+41.2%pt

Movement of Profit Attributable to the Company's Shareholders



Profit Attributable to the Company's Shareholders

	Six months ended 30th Jun		Change
	2014 HK\$M	2013 HK\$M	
HAECO	42	44	-4.5%
HAECO USA	(3)	N/A	N/A
TAEKO	51	62	-17.7%
TEXL	68	(13)	+623.1%
Share of:			
HAESL and SAESL	136	255	-46.7%
Other subsidiary and joint venture companies	(11)	11	-200.0%
	283	359	-21.2%

HAECO

- Profit decreased by 4.5% to HK\$42M and turnover reduced by 1.1% to HK\$1,554M.
- Airframe maintenance capacity was constrained by the lead time to train new staff to required skill levels.
- Sold manhours in airframe maintenance dropped by 4.5% to 1.26 million.
- Demand for line maintenance services remained stable with an increase in aircraft movements by 0.3% to 327 per day.
- Component and avionics overhaul demand fell substantially by 21.4% to 0.11 million sold manhours as a result of the retirement of Boeing 747-400 aircraft.

HAECO USA

- On 6th February 2014, HAECO USA completed the acquisition of 100% of the shares in TIMCO for a consideration of HK\$2,876M (US\$370.4M).
- HAECO USA reported EBIT of HK\$18M and incurred a net loss after interest and taxation of HK\$3M.
- Demand for TIMCO's airframe maintenance services was strong. 1.73 million manhours were sold.
- The performance of cabin integration services benefited from work on two large cabin integration programmes. However, the overall performance was adversely affected by the deferral of some ongoing customer programme work.
- Interior products manufacturing delivered the shipment of approximately 4,300 premium economy and economy seats.

TAECO

- The Group's share of profit from TAECO reduced 17.7% to HK\$51M.
- Total turnover in 1H 2014 was 3.5% higher than that in 1H 2013.
- Demand for airframe maintenance was stable. Sold manhours were 1.97M, a 1.0% increase from new customers.
- TAECO was doing work on cabin completion of two Airbus A319 corporate jets during the period. Manufacturing revenue increased by 26.1% in 1H 2014.
- Three narrow-body passenger aircraft were converted to cargo aircraft in this half year.
- TAECO handled an average of 40 line maintenance aircraft movements per day in 1H 2014.
- Rise in labour costs had adversely affected TAECO.
- The increase in TAECO tax charge in 1H 2014 reflects the lower tax rate in 1H 2013 resulting from deferred tax movements.

TEXL

- The Group's share of profit from TEXL was HK\$68M in 1H 2014 compared to a loss of HK\$13M in 1H 2013.
- Revenues increased 135.3% to HK\$1,299M, reflecting a significant increase in engine repair work.
- TEXL completed 14 quick turn repairs (nine of them being heavy or medium repairs) and 15 performance restorations, compared with 17 quick turn repairs and five performance restorations in the 1H 2013.
- TEXL did more component repair in 1H 2014, including high pressure turbine shroud and vane replacements, low pressure turbine disc and blade replacements and turbine centre frame modifications.

HAESL and SAESL

- The Group's share of HAESL profit, including SAESL, decreased 46.7% to HK\$136M, reflecting fewer engines overhauled and less work done per engine.
- HAESL recorded a 52.7% decrease in profit. Engine output was 68 in 1H 2014 compared with 108 in 1H 2013. This reflected a reduction in the required frequency of scheduled maintenance of engines (particularly of Trent 700 engines) and retirement of older engine types.
- SAESL's profit reduced 24.1% resulting from fewer engines overhauled, particularly of Trent 800 engines.

Other Subsidiary and Joint Venture Companies

- HXITM recorded an increased profit. The total number of aircraft for which services were provided was 225, an increase of 5.6% over 1H 2013.
- TALSCO resumed landing gear overhaul work for customers in April 2014. It reported a higher loss in 1H 2014 as the results for 1H 2013 included income from a business interruption insurance policy.
- STA generated a higher operating profit with an average of 48 aircraft movements per day in 1H 2014, 23.1% higher than 1H 2013.
- CAO China started to operate in May 2014. It incurred a loss principally reflecting training and pre-operating expenses.
- Taikoo Spirit became profitable in 1H 2014 as a result of higher sales volume and revenues.

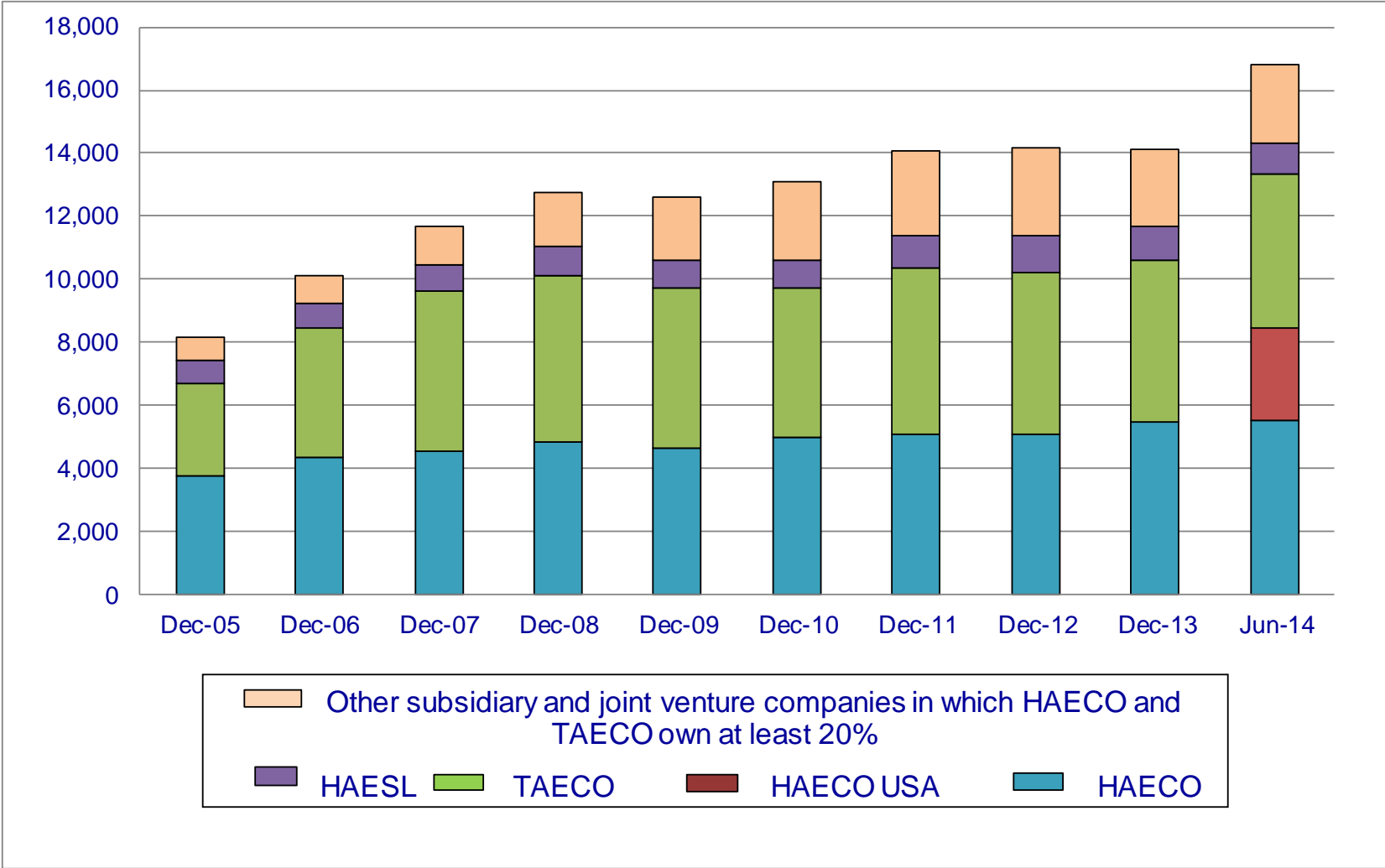
Operational Key Performance Indicators

	Six months ended 30th Jun		Change
	2014	2013	
Airframe maintenance sold manhours (in millions)			
HAECO	1.26	1.32	-4.5%
TIMCO	1.73	N/A	N/A
TAECO	1.97	1.95	+1.0%
Total	4.96	3.27	+51.7%
Line maintenance aircraft movements (per day)			
HAECO	327	326	+0.3%
TAECO	40	44	-9.1%
STA	48	39	+23.1%
Engine output			
TEXL - performance restoration	15	5	+200.0%
TEXL - quick turn repair	14	17	-17.6%
HAESL	68	108	-37.0%

Operating Expenses

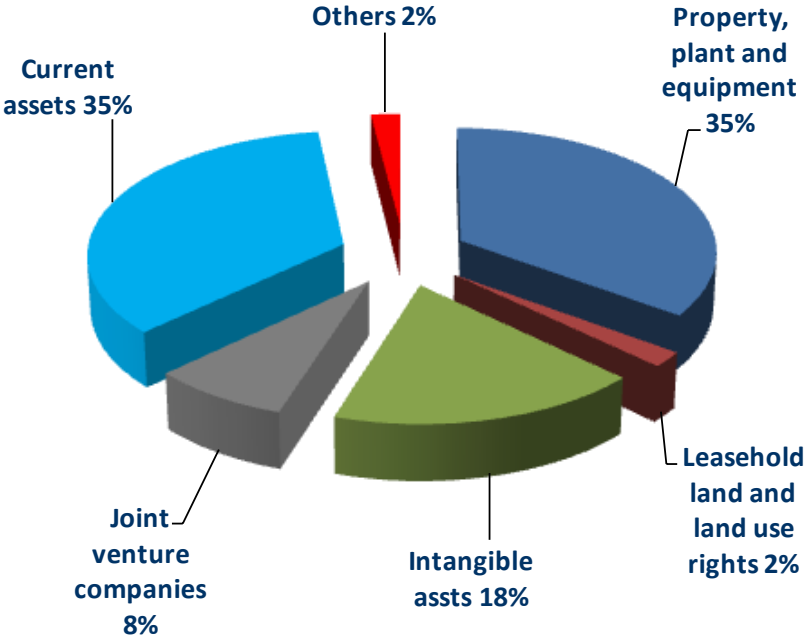
	Six months ended 30th Jun		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
	HK\$M	HK\$M	
Staff remuneration and benefits	2,183	1,470	+48.5%
Cost of direct material and job expenses	2,167	1,108	+95.6%
Depreciation, amortisation and impairment	316	211	+49.8%
Other operating expenses	410	285	+43.9%
	5,076	3,074	+65.1%

Number of Staff



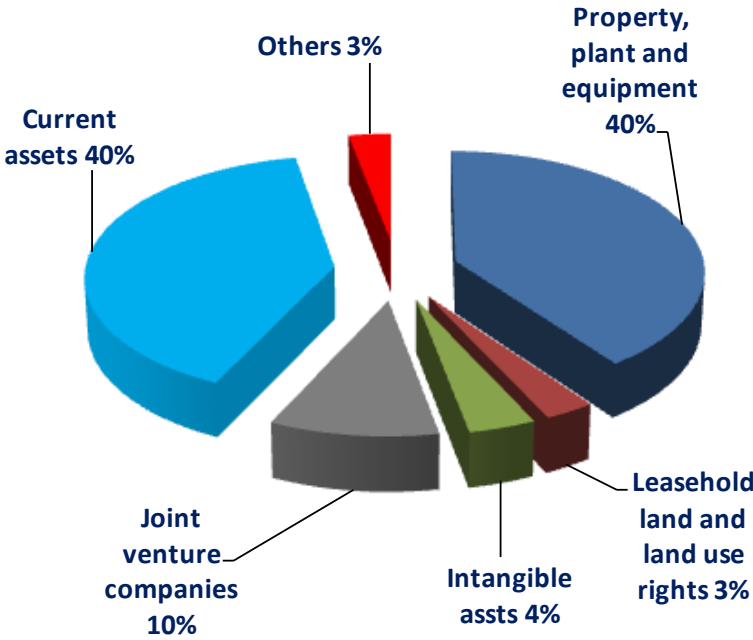
Assets

30th Jun 2014



HK\$15,285M

31st Dec 2013



HK\$12,306M

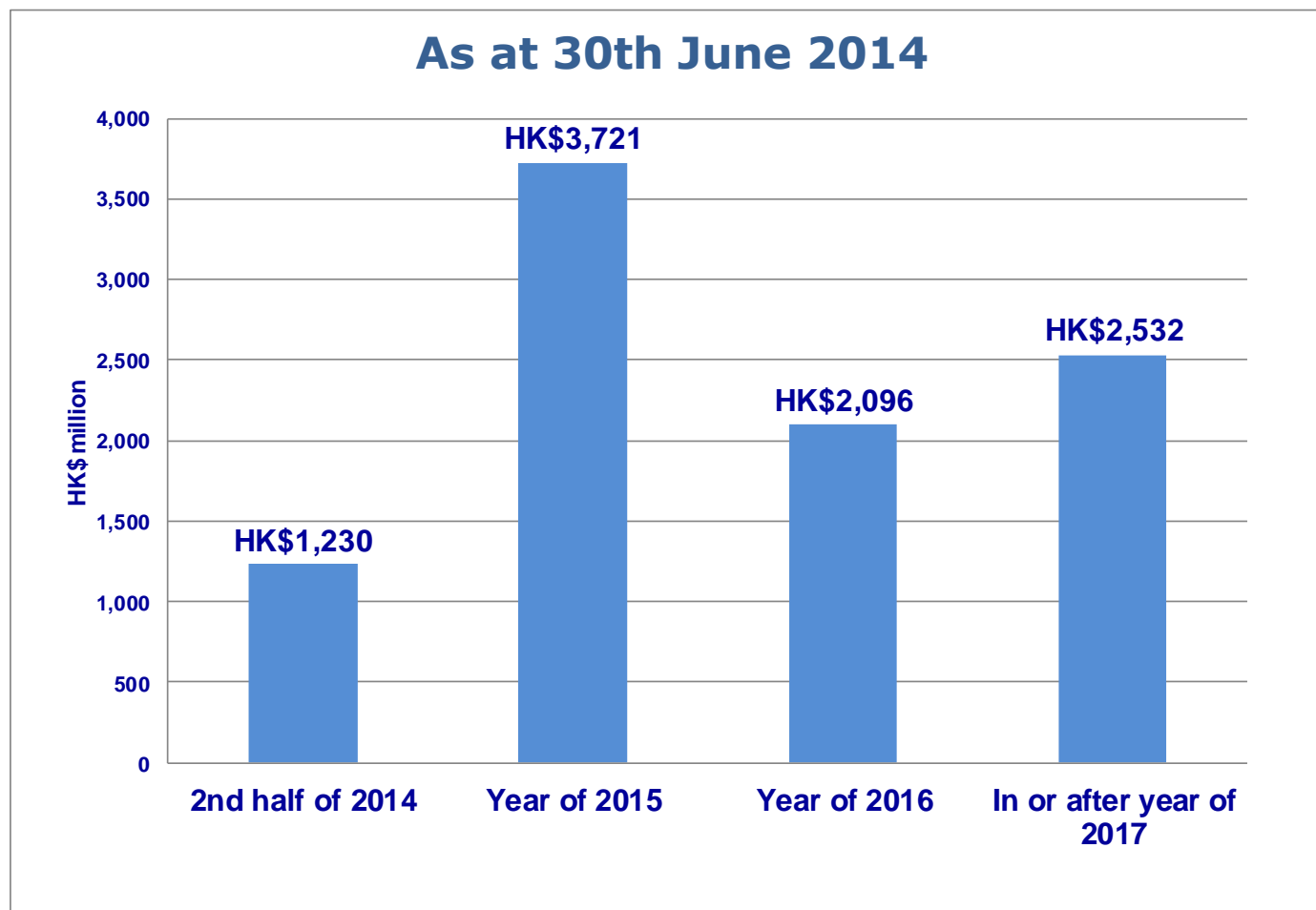
Net Borrowings Movement

	HK\$M	HK\$M
Net borrowings at 1st Jan 2014		(193)
Operating activities		313
Dividends received		130
Dividends paid		(254)
Net cash outflow on purchase of TIMCO		(2,942)
Net capex		
- ITM investment in rotatable spares		(179)
- Other property, plant and equipment		(138)
Advance from a related party		128
Other movements		(65)
Net borrowings at 30th Jun 2014		(3,200)

Liquidity

Loan facilities as at	30th Jun <u>2014</u> HK\$M	31st Dec <u>2014</u> HK\$M	31st Dec <u>2015</u> HK\$M	31st Dec <u>2016</u> HK\$M
Available	9,579	8,349	4,628	2,532
Committed	7,592	7,583	4,513	2,532
Uncommitted	1,987	766	115	-
		In <u>2014 2H</u> HK\$M	In <u>2015</u> HK\$M	In or beyond <u>2016</u> HK\$M
Capital commitment payment profile		452	144	401

Maturity Profile of Total Available Loan Facilities



2014 In Review



AIRFRAME MAINTENANCE:

- After the acquisition of TIMCO, HAECO Group provides airframe maintenance services in the United States (Greensboro, Lake City, Macon and Cincinnati) as well as in Asia and has extended its technical capabilities.

LINE MAINTENANCE:

- TIMCO opened three line maintenance stations (for Icelandair in Anchorage and Washington, D.C. and for Air Canada in San Francisco) in 1H 2014. It has stations at 18 airports in the United States.
- TAECO agreed with Air Asia and THAI Smile to provide line maintenance services for their Airbus A320 aircraft in Chongqing.

2014 In Review

ENGINE OVERHAUL:

- HAESL expects to develop the capability to repair Trent XWB engines in early 2015, one year earlier than planned.

COMPONENT SERVICES:

- CAO China obtained approval from EASA to repair and overhaul 400 part numbers, including hydraulic, mechanical, avionics and pneumatic systems for Airbus and Boeing aircraft.

INVENTORY TECHNICAL MANAGEMENT:

- HXITM has agreed to provide inventory technical management service for a Boeing 737NG aircraft operator starting from July.

2014 In Review

CABIN INTEGRATION:

- In May 2014, TIMCO started to ship kits for its first cabin reconfiguration programme for Cathay Pacific. It designed, manufactured and certified the cabin interior kit for some of Cathay Pacific's Airbus A330-300 aircraft. HAECO will do the modification. TIMCO will also do a cabin reconfiguration programme for 53 of Cathay Pacific's Boeing 777 aircraft.
- In June 2014, progress was made on the certification of TIMCO's 3040 premium economy seat. Once fully certified later this year, the seats will start to be installed in Boeing 787 aircraft belonging to Thomson Airways.

Prospects

- HAECO's overall manpower level has stabilised in 1H, however, it still takes considerable time to train new staff to reach required skills and experience levels. The available aircraft maintenance capacity in 2H is expected to remain flat. Demand for line maintenance services is expected to remain stable.
- Demand for TIMCO's airframe maintenance services is expected to be weaker in 2H 2014 reflecting seasonal factors.
- Demand for TAECO's airframe maintenance is expected to be softened in 2H.
- HAESL's performance is expected to continue to be affected by a reduction in demand for engine overhaul services.
- TEXL is expected to perform well as demand for its engine overhaul work remains firm.

THANK YOU
