



2014 Annual Results



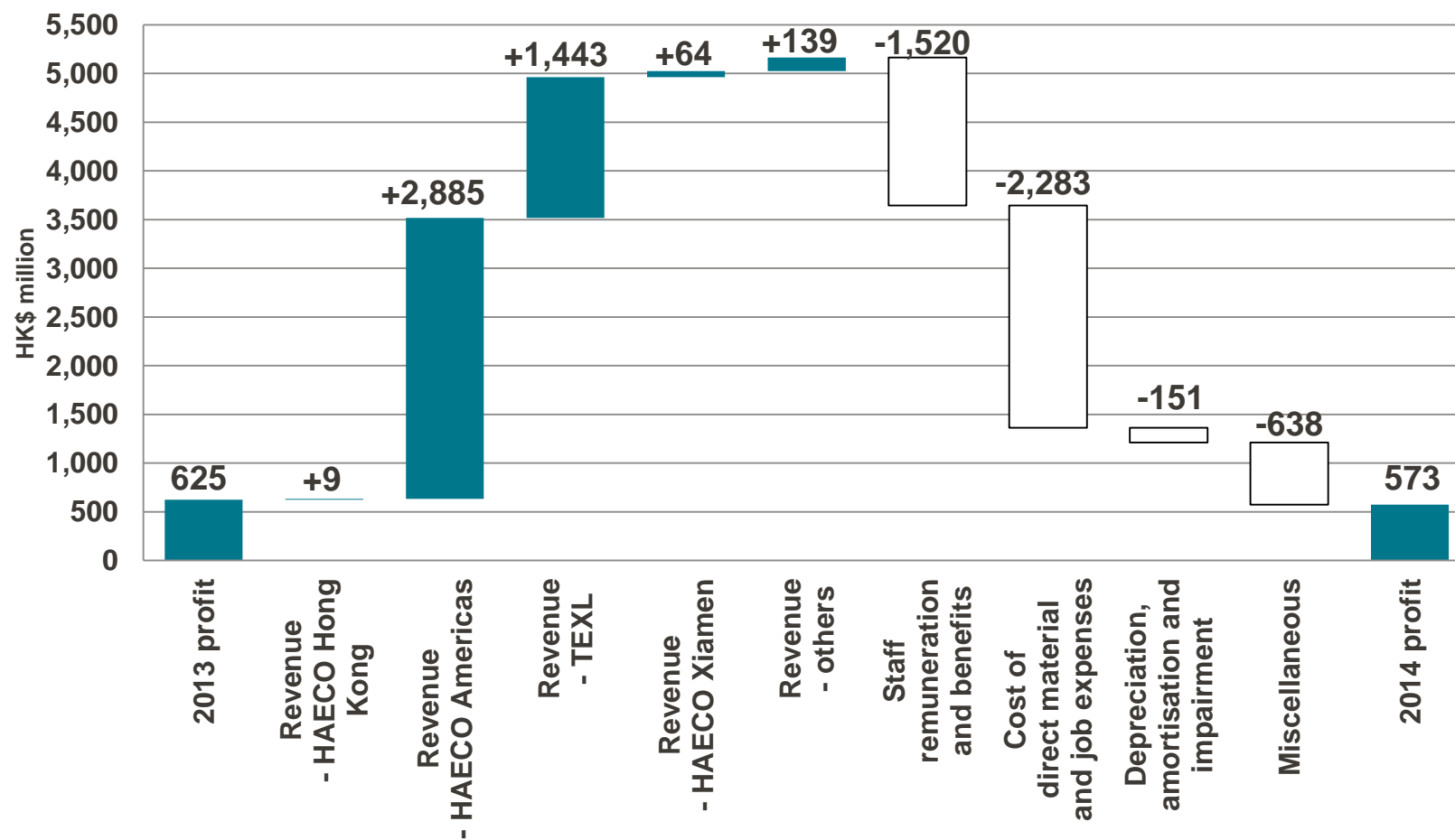
Analyst Briefing
17 March 2015

Annual Results



	<u>2014</u> HK\$M	<u>2013</u> HK\$M	<u>Change</u>
Attributable profit	573	625	-8.3%
Revenue	11,927	7,387	+61.5%
Earnings per share (HK\$)	3.45	3.76	-8.3%
Total dividends per share (HK\$)	2.10	2.10	-
Net borrowings	2,610	193	+1,252.3%
Total equity	7,387	7,326	+0.8%
Gearing ratio	35.3%	2.6%	+32.7%pt

Movement of Profit Attributable to the Company's Shareholders



Profit Attributable to the Company's Shareholders

	<u>2014</u> HK\$M	<u>2013</u> HK\$M	<u>Change</u>
HAECO Hong Kong	103	60	+71.7%
HAECO Americas	(45)	(35)	-28.6%
TEXL	166	39	+325.6%
HAECO Xiamen	89	90	-1.1%
Share of:			
HAESL and SAESL	267	465	-42.6%
Other subsidiary and joint venture companies	(7)	6	-216.7%
	573	625	-8.3%

HAECO Hong Kong

- Profit increased by 71.7% to HK\$103M while revenue grew 0.3% to HK\$3,178M. EBITDA at HK\$299M, 14.1% higher than that of 2013.
- Line services manhours increased by 2.4% despite a slight decrease of 0.3% in the average number of aircraft movements handled.
- Cost savings achieved through stringent cost control helped improve the overall performance of HAECO Hong Kong.
- Airframe maintenance continued to be adversely affected by capacity constraints caused by labour shortages. More staff were employed but it takes time to train them.
- Sold manhours in airframe services dropped by 3.9% to 2.46M.
- Component services demand fell substantially by 15.1% to 0.225M sold manhours as a result of the retirement of Boeing 747-400 aircraft.



HAECO Americas

- In February 2014, the acquisition of 100% of the shares in TIMCO Aviation Services, Inc. (now operating under the name of “HAECO Americas”) was completed for a consideration of US\$370.4M (HK\$2,876M).
- HAECO Americas recorded a loss of HK\$45M in 2014, principally reflecting the costs of reducing the size of a seat manufacturing facility in California and finance charges associated with the acquisition. EBITDA in 2014 was HK\$133M.
- Demand for HAECO Americas’ airframe services was strong in 2014, with 3.66M manhours sold in the period following its acquisition, 0.11M more than those in the corresponding period of 2013.
- HAECO Americas worked on 44 cabin integration programmes and shipped approximately 8,600 premium economy and economy class seats.



TEXL

- The Group's share of profit from TEXL was HK\$166M in 2014, recording a 325.6% growth from 2013. EBITDA at HK\$284M, 123.6% higher than 2013.
- Revenue increased 68.9% to HK\$3,538M, reflecting more engines overhauled and more work done per engine.
- TEXL completed 34 quick turn (QT) repairs (26 of them being heavy or medium repairs) and 37 performance restorations (PR), compared with 40 QT and 19 PR in 2013.
- TEXL also did high pressure turbine shroud and vane replacements, low pressure turbine disc and blade replacements and turbine centre frame modifications.
- GE acquired 9.9% equity interest in TEXL in September.



HAECO Xiamen

- The Group's share of profit from HAECO Xiamen reduced 1.1% to HK\$89M, with total revenue growth at 3.4% to HK\$1,924M. EBITDA at HK\$377M, 13.2% higher than that of 2013.
- Revenue and profit from private jet work increased significantly in 2014. Work was completed on the second Airbus A319 and a substantial part of the work on the third one was also done in 2014.
- Demand for airframe services was stable in the first half of 2014 but weakened in the second half. Sold manhours reduced by 3.5% to 3.55M.
- Four narrow-body passenger aircraft were converted to cargo aircraft this year. The outlook for conversions of narrow-body aircraft is stable.
- HAECO Xiamen handled an average of 41 line services aircraft movements per day in 2014.
- The HAECO Xiamen result was adversely impacted by a higher tax charge due to deferred tax adjustments in 2013.



HAESL

- The Group's share of HAESL profit, including SAESL, decreased by 42.6% to HK\$267M, reflecting fewer engines overhauled and less work done per engine at HAESL.
- HAESL recorded a 47.0% decrease in profit. Engine output was 147 in 2014 compared with 193 in 2013. This reflected the retirement of aircraft operating RB211-524 and Trent 500 engines and a reduction in the frequency of scheduled maintenance of Trent 700 engines.
- Until Trent XWB engines start to generate revenue in 2016, HAESL's financial performance is expected to continue to be adversely affected by reduced demand for its services.
- SAESL's profit reduced 27.0% resulting from fewer engines overhauled.



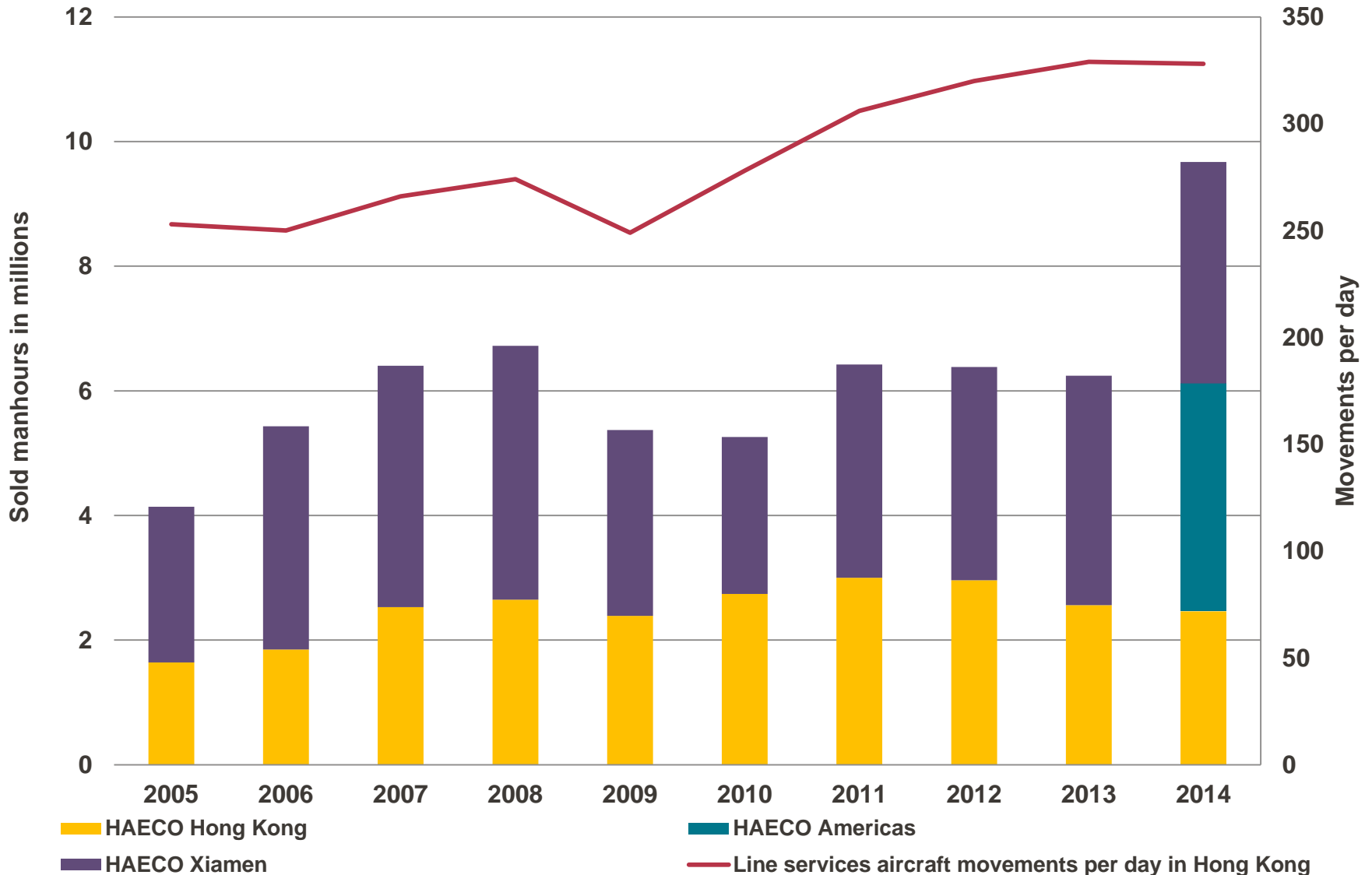
Other Subsidiary and Joint Venture Companies

- HAECO ITM's profit increased in 2014, due to a higher utilisation of rotatable parts as its operations increased. The total number of aircraft for which services were provided in 2014 was 257, an increase of 11.3% from 2013.
- HAECO Landing Gear Services resumed landing gear overhaul work for customers in April 2014. It reported a higher loss in 2014 as the results for 2013 included income from a business interruption insurance policy.
- HAECO Component Overhaul (Xiamen) started operations in May 2014. It incurred a loss in 2014, principally reflecting training and pre-operating expenses.
- HAECO Shanghai reported higher revenue and profit. The average number of aircraft movements handled per day was 49 in 2014, 14.0% higher than in 2013.
- HAECO Line Services (Singapore) broke even in 2014. The number of staff employed and costs were reduced.
- HAECO PJS (San Antonio) recorded a small loss in 2014.

Other Subsidiary and Joint Venture Companies (Cont'd)

- GAP recorded a slight increase in profit as a result of higher sales volume.
- HAECO Spirit AeroSystems did more work in 2014 and recorded a profit for the first time.
- Dunlop Taikoo broke even in 2014. It sold more tyres but offset by an increased staff cost.
- Goodrich TAECO did less work in 2014. Profit decreased accordingly.
- Honeywell TAECO made a small loss in 2014 because of higher repair costs.
- STAECO's profits increased in 2014 as a result of lower material costs.

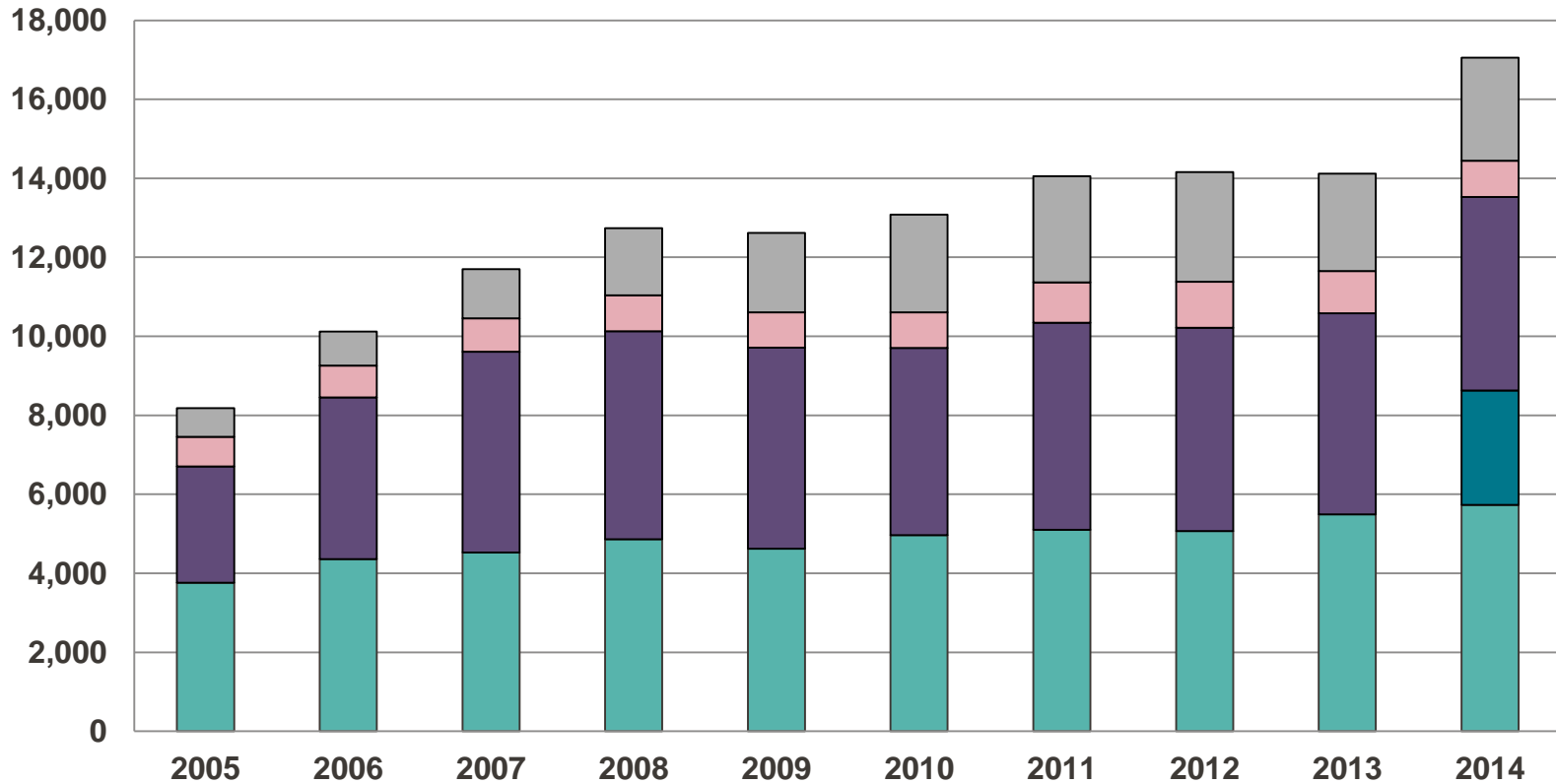
Airframe Services Sold Manhours and Line Services Aircraft Movements



Operating Expenses

	<u>2014</u> HK\$M	<u>2013</u> HK\$M	<u>Change</u>
Staff remuneration and benefits	4,573	3,053	+49.8%
Cost of direct material and job expenses	5,322	3,039	+75.1%
Depreciation, amortisation and impairment	639	488	+30.9%
Other operating expenses	890	628	+41.7%
	11,424	7,208	+58.5%

Number of Staff

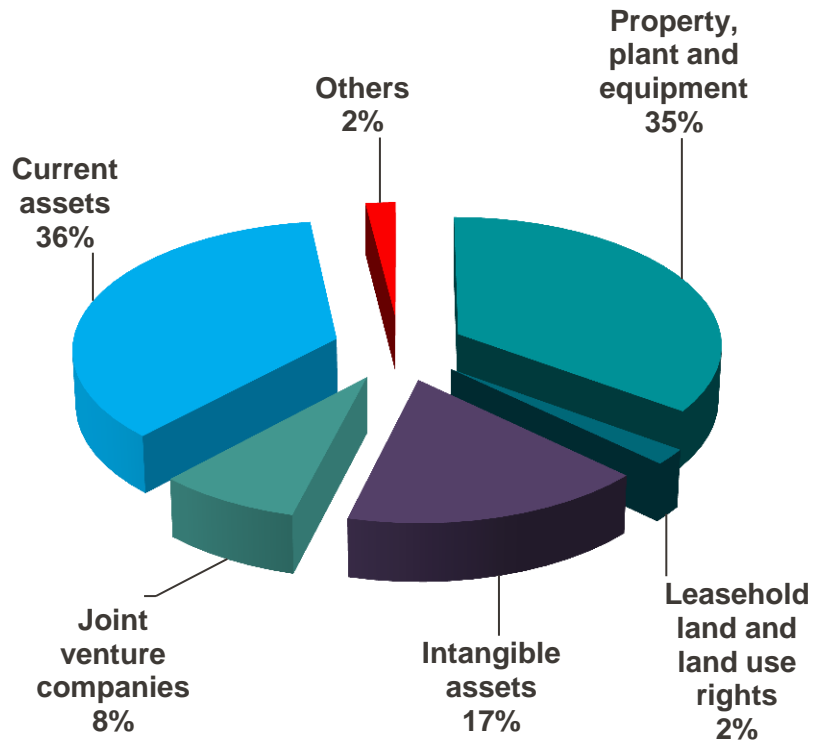


Other subsidiary and joint venture companies in which HAECO and HAECO Xiamen own at least 20%

HAESL
 HAECO Xiamen
 HAECO Americas
 HAECO Hong Kong

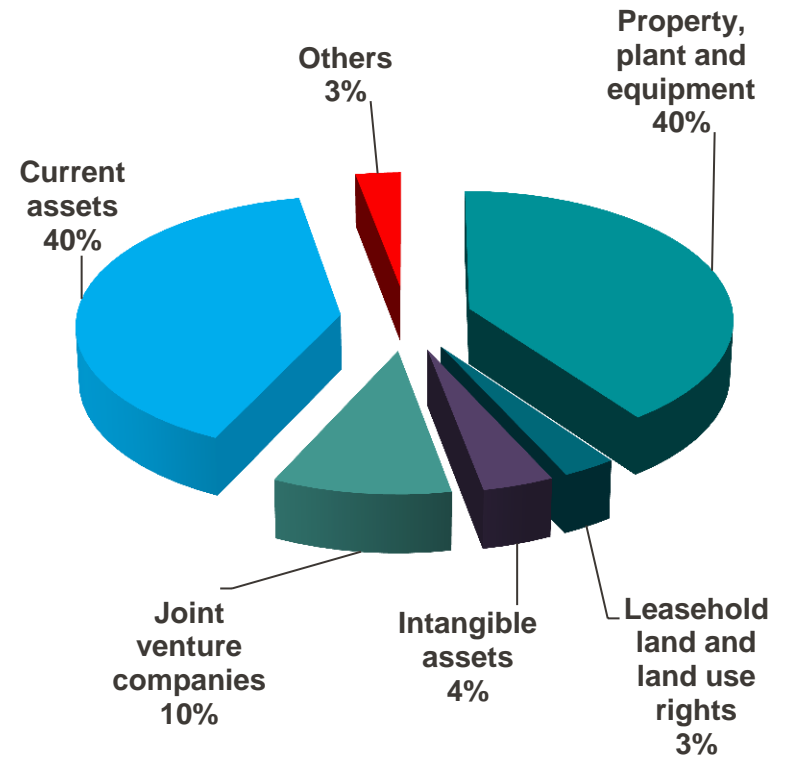
Assets

2014



HK\$15,044M

2013



HK\$12,306M

Net Borrowings Movement

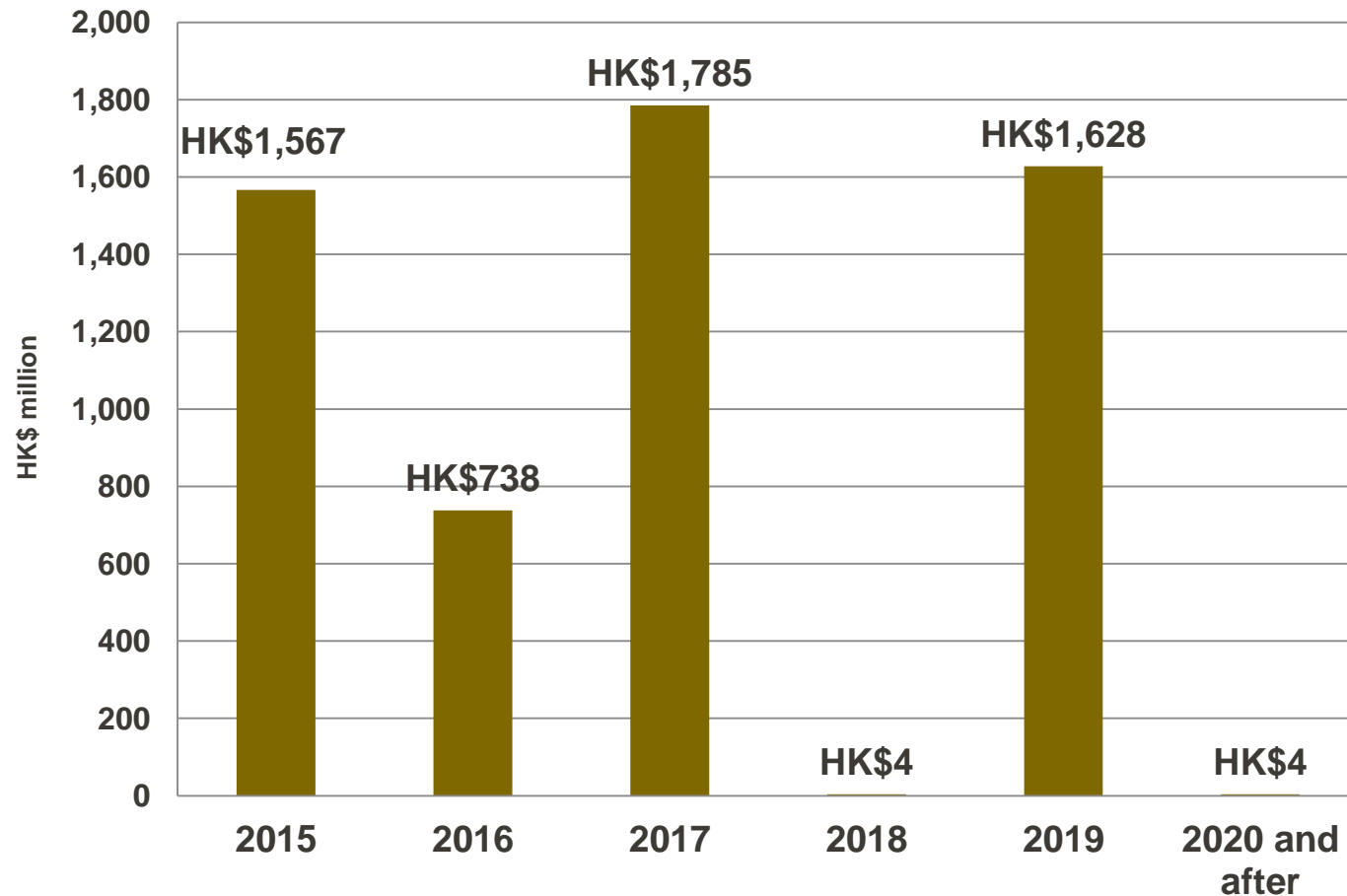
	HK\$M	HK\$M
Net borrowings at 1 Jan 2014		(193)
Operating activities		1,115
Dividends received		251
Dividends paid		(362)
Net cash outflow on purchase of TIMCO		(2,942)
CAPEX		
- ITM investment in rotatable spares	(379)	
- Other property, plant and equipment	(292)	(671)
Net cash inflow on partial disposal of shares in TEXL		79
Advance from a related party		128
Other movements		(15)
Net borrowings at 31 Dec 2014		(2,610)

Liquidity

Loan facilities as at	31 Dec <u>2014</u> HK\$M	31 Dec <u>2015</u> HK\$M	31 Dec <u>2016</u> HK\$M	31 Dec <u>2017</u> HK\$M
Available	7,742	4,274	3,421	1,636
Committed	5,726	4,159	3,421	1,636
Uncommitted	2,016	115	-	-
				In or
				beyond
				<u>2017</u>
				HK\$M
Capital commitment				
payment profile				
		In <u>2015</u> HK\$M	In <u>2016</u> HK\$M	
		741	325	226

Total Available Committed Facilities by Maturity

As at 31st December 2014



2014 In Review

AIRFRAME SERVICES

- In February, the acquisition of TIMCO (now operating under the name of “HAECO Americas”) was completed, so extending the Group’s aircraft maintenance services to the United States (Greensboro, Lake City, Macon and Cincinnati) and expanding its technical capabilities.

LINE SERVICES

- HAECO Americas has 19 line services stations in the United States. In 2014, it opened line services stations for Icelandair in Anchorage, Washington, D.C. and Sanford and for Air Canada in San Francisco.
- HAECO Xiamen contracted with Thai Air Asia, THAI Smile and Sri Lankan Airlines to provide line services for Airbus A320 aircraft in Chongqing. In September, the company opened a line services station in Zhengzhou.

2014 In Review

CABIN SOLUTIONS

- HAECO Americas reconfigured the cabin of a Cathay Pacific Airbus A330-300 aircraft and shipped integration kits for in-flight entertainment systems for several airlines.
- HAECO Americas sold premium economy class seats for installation in Boeing 787 aircraft operated by Thomson Airways, Scoot and Azerbaijan Airlines. It is developing a new seat (called Vector) which will be introduced in the second quarter of 2015.

COMPONENT SERVICES

- HAECO Landing Gear Services resumed landing gear overhaul work for customers. The plating workshop is being rebuilt. This work is expected to be completed in the second half of 2015.
- HAECO Component Overhaul (Xiamen) obtained approval from EASA to repair and overhaul 400 part types. It can repair and overhaul hydraulic, mechanical, avionics and pneumatic systems for Airbus and Boeing aircraft.
- HAECO ITM entered into an agreement with China Airlines to provide inventory technical management service for the airline's Boeing 777-300ER fleet, up to 10 aircraft.

2014 In Review

ENGINE SERVICES

- HAESL obtained approvals from Rolls-Royce to carry out additional repairs on compressor and turbine stub shafts for RB211-524 and Trent 900 engines. It expects to develop the capability to repair Trent XWB engines in 2015.
- TEXTL obtained approvals from EASA and CAAC to do full performance restorations on GE90-110B and GE90-115B high pressure compressors, low pressure compressors and low pressure turbines .

Prospects

- Airframe maintenance capacity in Hong Kong will increase in 2015 as training of new recruits progresses. Demand for line services in Hong Kong is expected to fall as a result of the loss of a portion of the work from a significant customer in 2014.
- Demand for HAECO Americas' airframe maintenance services is expected to weaken. The performance of its cabin and seat business is expected to improve.
- TEXTL is expected to continue to perform well.
- Demand for HAECO Xiamen's airframe maintenance services is expected to improve, but less private jet conversion work is expected.
- HAESL's performance will continue to be adversely affected by the retirement of Airbus A340 and Boeing 747-400 aircraft and by the reduction in the frequency of scheduled maintenance for Trent 700 engines.

Thank you
