



Alliance Aviation Services Limited
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Alliance Aviation Services Limited (ASX code: AQZ)

2018 Annual General Meeting

Chairman's Address

The 2018 year was a rewarding and productive year for Alliance as the Company continued to maintain and develop further its policy of being a fully integrated and diverse aviation services company.

The highlights of 2018 included;

- An increase in profit before tax to \$26.1 million;
- An increase in the Company's flying hours by 35% to 34,612 hours;
- Net debt continued to decline to an historical low of \$53.4 million;
- A record full year 2018 dividend payment of 8.8 cents per share; and
- An increase in the share price from \$0.97 to \$1.93 as at 30 June 2018.

The Directors, management and employees of Alliance have delivered a result that is in line with the strategic goals of the Company.

The 2018 result also highlights the significance of the 2015 Austrian aircraft acquisition which enabled Alliance to increase its operating fleet in 2018 to satisfy the increasing capacity demand experienced across all revenue flying activities. Scott will talk further on the operating fleet in a few moments.

Alliance prides itself on its aircraft reliability and operational performance, as it is this that sets us apart from our competitors. In 2018 the company continued to be the industry leader with on-time performance remaining at 95%.

Over the last few years a level of expansion capital has been required by the Company to fulfil its strategic goals. The majority of this capital has been sourced from the working capital of the Company. It has been pleasing that over these same years the Directors were able to re-instate the payment of dividends in 2016, continuing in 2017, with 2018 seeing the re-instatement of an interim dividend, followed by the final dividend being declared at a record level.

Feedback from our shareholders on the 2018 dividend payout has been very positive. A number of our shareholders have questioned what the capital management structure of the Company will look like in the future considering the majority of the expansion capital requirements have been met.

The Directors have reviewed the capital management structure of the Company and considered options available to the Company including share-buy backs and special dividends. The Directors have concluded it to be most appropriate, at this point in time, to increase the amount available to be distributed via normal dividends, particularly as the Company still holds a significant amount of franking credits. The Directors believe that this measure allows for the flexibility to better align the returns to shareholders with the operational and strategic objectives of the Company.

To achieve this, the Directors have agreed to amend the dividend policy so that the maximum amount that can be made available in the form of dividends changes from 60% of net profit after tax to 60% of profit before tax. The effect of this amendment will increase the potential dividends of the Company by up to 43% based on a 30% tax rate.

The amount of dividends to be declared at any time will continue to be influenced by underlying financial performance and cash flow, balance sheet and treasury risk management, working capital needs and any external investment opportunities necessary for renewal and continued growth.

The Directors wish to thank all of Alliance's shareholders for their continued support over the last 12 months.

Before I hand over to our Managing Director, Scott McMillan, I would like to personally thank the Board of Directors, the senior Management team and all the staff at Alliance for their ongoing support of the Company and its activities.

The Alliance team has achieved an exceptional result this year and once again placed the Company in a position where it can continue to grow and create further value for our shareholders, and long term productive and sustainable employment for our staff.

Steve Padgett
Chairman



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Managing Directors' Address

Thank you all for attending this morning. It is my pleasure to be able to address you today as I outline some of our key strategies for the next 12 months. I will then ask Lee to talk about some of our key operational achievements and other successes in the year.

Diversification has been a key aspect of Alliance's strategy and success over the last few years and this continued in 2018. Flight hour increases were achieved in all flying categories throughout 2018 with significant increases experienced in wet lease and regular passenger transport (RPT) categories.

The provision of safe and reliable air services to the resources industry remains core to Alliance's business and it is important to note that we retained all of our contracts during the 2018 year and won a number of new contracts. Alliance has an enviable record of contract retention.

In 2018, Alliance introduced four additional aircraft, bringing the total to 33 as at balance date. These aircraft were used to cover maintenance on the existing fleet and to provide additional capacity for our valued clients.

In our 2018 results presentation, a forecast was included which showed that there would be an additional nine aircraft brought into the fleet in this current financial year. As I talk to you today we have taken delivery of three of these aircraft, with two more scheduled to be delivered by the end of this calendar year. The remaining four aircraft are scheduled to complete their entry into service maintenance checks towards the end of this financial year.

These additions will bring the operating fleet size to 42 aircraft which we consider will meet current and future demand. The remaining three whole aircraft will continue to be recognised as inventory until such time as an investment decision is made.

In the last three months Alliance has signed long term agreements with its base maintenance providers in Europe. These agreements were negotiated with both Austrian Airlines Technik Bratislava, and KLM Engineering UK and secure a guaranteed number of maintenance slots for many years to come.

In addition to ensuring long term access to base maintenance providers, Alliance has also acquired a substantial volume of Fokker and Rolls Royce spare parts and engines from a variety of operators. These spares will be used in Alliance's operating fleet as well as being made available for sale to other operators.

Both these outcomes were an important step in ensuring the long term sustainability and operational reliability of the increased fleet both now and into the future.

Before concluding I would like to make a comment in relation to proxy advisors and their recommendations. Much has already been said in this current AGM season about the relevance of proxy advisors and I would urge all of our shareholders to form their own considered view of the performance the Company.

Finally and on behalf of the Directors and our shareholders I would like to again thank those organisations who provide professional support to Alliance, namely PwC, Norton White, Herbert Smith Freehills and Catapult Partners and to our financiers the ANZ and Commonwealth banks.

I now pass across to Lee.

Scott McMillan
Managing Director



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Chief Executive Officer's Address

Good morning all and thank you once again for the opportunity to address you today.

As both Steve and Scott have mentioned Alliance has had a busy year. In fact in 2018 Alliance has flown the most flight hours in the Company's history. 34,612 flight hours were flown and close to 1.5 million passengers carried on Alliance aircraft in the year across both Australia and New Zealand. .

I have mentioned in previous years that Alliance measures its success by judging its performance against three simple key performance indicators. They are

- Safety;
- On time performance; and
- Sustainable profit.

The safe transportation of passengers and providing a safe work environment for our employees and contractors is the number one priority for all the team at Alliance. Over the last twelve months Alliance maintained its excellent safety and compliance record notwithstanding the increased level of activity. Alliance continues to be recognised as an IOSA certified airline (one of only three in Australia), has achieved BARS Gold status and also has Wyvern Wingman certification.

Steve mentioned earlier that our on time performance for the year was 95%. This high standard cannot be achieved without the hard work of so many different parts of our business as well as our valued service providers. I must thank our flight crew, engineers, operations and CAMO teams, together with our caterers, ground handling agents and everyone else involved in ensuring that our aircraft depart on time every time. Industry leading on time performance is important to Alliance as much as it is to our clients.

As with any business that goes through a period of substantial growth, continued focus is required to limit any increase in the operating cost base. Alliance prides itself on being able to deliver our safe and reliable product at the lowest possible cost to our clients. This has been and will remain a key point that also differentiates Alliance from its competitors.

The industrial relations environment is a challenging one and our focus will continue to be on long term sustainable employment for our staff rather than arbitrary increases in wages.

I would like to take this opportunity to thank every team member at Alliance for their contribution in 2018. The 34% uplift in activity during the year, while maintaining the high standards our clients expect, certainly could not have occurred if it was not for the dedication and hard work of the whole team.

To the Management team, thank you for your continued efforts and contribution over the last 12 months. Your contributions are directly reflected in the operational and financial success of Alliance. I am sure you will all agree it has been a big year for Alliance and 2019 will be even bigger.

Outlook

- The Directors are of the opinion that with the diversification of our business into sectors which are profitable and the recovery in the resources sector which is driving growth in our traditional FIFO business, Alliance's outlook is positive.

Lee Schofield**Chief Executive Officer**