



Alliance Aviation Services Limited
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Alliance Aviation Services Limited (ASX code: AQZ)
2019 Annual General Meeting
Chairman's Address

Alliance, as you know, is Australasia's leading provider of contract, charter and allied aviation services, currently employing in excess of 590 staff, operating out of eight bases located throughout Australia. The 2019 financial year continued the trend from previous years with Alliance achieving another record result that included growth across all financial and operational areas of the business.

The 2019 Annual Report, which includes the financial statements for the year ended 30 June 2019, was released to shareholders in August 2019. Highlights from this report include:

- Revenue increased by 11.9% to \$277 million;
- An increase in profit before tax of 25.7% to \$32.8 million;
- An increase in the Company's flying activity of 9.9% to 38,026 hours;
- Net debt reduced to \$50.5 million; and
- A record full year 2019 dividend of 15.6 cents per share, fully franked.

The 2019 result was underpinned by the addition of aircraft to the fleet, the retention of all contracts and increased hours across all flying revenue streams. Scott will talk further on the fleet expansion in a few moments.

Alliance continues to be the market leader when it comes to on-time performance and reliability. In 2019 the company maintained its industry leading on-time performance indicator of 95%.

The impact of the outstanding financial and operational results on Alliance's share price was positive with the price rising from \$1.93 at the start of the financial year to \$2.58 at the end of the financial year. This contributed to Alliance's market capitalisation reaching \$324 million, an increase of 36% from the previous year.

On 1 February 2019, QANTAS acquired 19.9% (now 19.68%) of the issued capital of Alliance. As has been well documented, this acquisition is now under review by the Australian Competition and Consumer Commission.

As the Chairman of Alliance, I am particularly proud that we have been able to continue to reward you, our valued shareholders, with a full year fully-franked dividend of 15.6 cents per share, an increase of 77% from the previous year. It has also been pleasing to see that 34% of the final dividend has been re-invested back into Alliance via the dividend re-investment plan.

Alliance recognises the importance of shareholder value and is happy to be able to provide a consistent return to shareholders.

The Directors continue to monitor and review Alliance's capital management structure, ensuring that it delivers positive outcomes for Alliance and its shareholders.

The Directors continue to maintain an appropriate approach to remuneration. The details of Alliance's remuneration policies and practices are outlined in the Annual Report. In summary Alliance's policies are designed to ensure that the remuneration package is reflective of an employee's duties and responsibilities and enables the company to attract, motivate and retain high calibre executives.

On behalf of all the Directors, I wish to thank Alliance's shareholders for their continued support over what has been an exciting 12 months.

I would also like to take some time to personally thank my fellow Directors, the senior management team and all the staff at Alliance for their continued hard work and dedication to the Company.

The Alliance team continues to achieve exceptional results year on year and this was again the case in 2019.

Steve Padgett
Chairman



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Managing Director's Address**

Thank you Chairman and good morning to you, ladies and gentlemen. It is my pleasure to be addressing you today as I outline some of our highlights from 2019 and our key strategies for the 2020 financial year. Following my address, Lee will talk about some of our key operational achievements in the year.

The 2019 financial year contained a number of material contract renewals in both the contract charter and wet lease flying streams. Pleasingly, Alliance was successful in all contract renewals in 2019, all of which included improvements in terms such as price, schedule and tenure. Safety, reliability and on-time performance were noted as key factors in all of our renewals.

Further to the resource sector contract renewals, in February 2019 Alliance executed a three year wet lease extension with Virgin Australia. The execution of the agreement further strengthened the relationship between the two companies. Shortly after this announcement, Alliance commenced international operations on behalf of Virgin Australia between Brisbane and Port Moresby.

During the 2019 financial year, Alliance introduced five aircraft into the fleet, bringing the total to 38. These aircraft are fully deployed, servicing a broad range of clients across all Alliances flying streams. Fleet expansion will continue with Alliance forecast to have a fleet of 45 aircraft in service by 30 June 2020.

These additional seven aircraft will be deployed across a number of locations including our newly established Darwin and Rockhampton operating bases to service both existing and new clients.

In July we announced the acquisition of five Fokker 100 aircraft from Helvetic Airways. As I talk to you today we have taken delivery of all of these aircraft with one currently being parted-out and the remainder in storage until a further investment decision is made.

Last year I spoke around our long term agreements with our existing base maintenance suppliers in Europe, namely Austrian Airlines Technik Bratislava and KLM Engineering UK. Over the last 12 months we secured the services of two additional base maintenance providers, Hawker Pacific in Cairns and Fokker Services Asia in Singapore. These two facilities offer Alliance an alternative solution for its less intensive base maintenance checks, now and into the future.

In addition to increasing the number of base maintenance providers, Alliance has also executed a long term extension agreement with Rolls Royce which included the enrolment of an additional 16 engines into the Total Care Program. An agreement was also signed with Viva Energy, securing our fuel supply for an additional five years.

All of these relationships are important in ensuring the long term sustainability and operational reliability of the increased fleet both now and into the future.

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

I will now pass across to Lee.

Scott McMillan
Managing Director



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2019 Annual General Meeting
Chief Executive Officer's Address**

Thank you Scott, and good morning all. It is my pleasure to be able to address you all today.

The 2019 financial year was the busiest operational year in the Company's history with a number of new records being set, including

- The highest number of flight hours in the Company's history being 38,026;
- 1.6 million passengers carried on Alliance aircraft in the year; and
- 38 aircraft in the operating fleet.

These operational records and the Company's best financial result so far, could not have been achieved without the hard work and dedication of all Alliance staff. To show their appreciation the Directors offered an employee share plan to all eligible staff. As a Board we also wanted to encourage our employees to become shareholders and to share in the benefits of being a shareholder of Alliance.

Accordingly an offer was made to 431 eligible employees for \$1,000 worth of Alliance shares for no monetary cost. The offer was accepted by 99% of the employees which we believe is one of the best acceptance rates for an ASX listed company and something which the Directors are very proud of. This, combined with an exceptional staff retention rate, highlights the commitment our staff have to Alliance.

In such a busy year it has been particularly impressive that the value placed on our three core principles of safety, on-time performance and sustainable profit have not been diluted.

The safe transportation of passengers continues to be the number one priority for all the team with Alliance maintaining its excellent safety and compliance record during the 2019 financial year. We continue to be recognised as an IOSA certified airline, maintained our BARS Gold Status and have again retained Wyvern Wingman certification. Alliance also

continues to ensure that all of our staff and contractors conduct their business in a safe working environment.

Having an industry leading on time performance of 95% is something that all of our staff and related service providers should be very proud of. It is an impressive result that, as Scott mentioned earlier, impacted positively on all of our contract renewals last year.

Whilst we celebrate the achievements of the last financial year, our focus quickly turns to the new financial year which will see Alliance again increasing its fleet, adding more capacity into a number of ports and renewing contracts as they expire.

The focus of the Directors, the Senior Management Team and all staff must be on ensuring that the business continues to grow its revenues and to limit any increase to our operating cost base.

To the Management Team, again thank you for your continued efforts and contribution over the 2019 financial year. You should be proud of the operational and financial successes of the 2019 year.

Outlook

- Firstly, on behalf of the Directors, we would like to acknowledge the support of the four firms who cover the Alliance stock. They are Ord Minnett, Blue Ocean Equities, Credit Suisse and Wilsons.
- The Directors are of the opinion that with the continued diversification of our business and growth in our traditional FIFO business, Alliance's outlook is positive and in line with consensus forecast.

Lee Schofield

Chief Executive Officer