Alliance

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2 November 2017

Alliance Aviation Services Limited (ASX code: AQZ)

Annual General Meeting

Chairman's Address

The 2017 year has been a rewarding one for Alliance and a year that has seen the company continue to benefit from a consistent strategy.

During the last year the strategy delivered:

- The ACCC approval of the Virgin Australia/Alliance Airlines charter partnership and an increase in wet lease flying throughout regional Queensland;
- The launch of three Regular Passenger Transport routes: two to regional Queensland and one to regional New South Wales;
- Increase of 11% of the group's total flying hours;
- The continued development of the aviation services business including the sale of three ex-Austrian aircraft; and
- Continued debt reduction and an increase of 50% in the fully franked dividend paid to shareholders.

The result of all the items I have listed is that the company is reporting a Profit Before Tax for the year ended 30 June 2017 of $19.6 million, which is an increase of 45%.

As a consequence we have again successfully delivered a result in line with the business strategy that the Directors and management have set for the company.

I would also like to highlight that even though we have had a substantial increase in flying activity over the last 12 months Alliance has maintained its industry leading on time performance of 95%.

Last year the Directors re-instated the dividend and declared a fully franked dividend of 2.0 cents per share. From discussions with various shareholders this was well received. It was pleasing to be able to increase the dividend payment to 3.0 cents per share for the year ended 30 June 2017.

Whilst on the topic of shareholders, the Board of Directors wish to thank you for your welcome and continued support over the last 12 months.

The results above have led to an increase of the share price by 56% since the year end and an increase in market capitalisation over the last 12 months from $91 million to $182 million.

The Company continues to review its long term performance plan to make sure that it reflects a balance between the views of the investment community and aligning management incentives and financial reward with broader shareholder value. Having achieved what we set out to do last year we have now implemented an incentive plan that is focussed on continued and sustainable growth;

- The plan now combines short term and long term targets into one performance incentive plan;
- The ratio of cash and share rights has been changed to be more weighted towards shares rather than cash;
- Any share rights granted will (upon meeting scorecard targets) vest over a 3 year period; and
- At least 50% of the scorecard relates directly to financial measures.

We believe that the revised plan will incentivise the Alliance team to improve financial performance and continue to deliver shareholder returns in a reliable and sustainable manner.

Before I hand over to our Managing Director, Scott McMillan to talk more about the strategy of the business and the next 12 months, I would like to personally thank the Board of Directors, the senior management team and the entire staff at Alliance.

The results we have achieved this year would not have been possible if it were not for the hard work and dedication of the Alliance staff.

The contribution the entire Alliance team has made to our business ensures that we will continue to grow and create further value for our shareholders and long term productive and sustainable employment for our staff.

Steve Padgett
Chairman

2 November 2017

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Annual General Meeting

Managing Director's Address

It is a pleasure to again have the opportunity to present to our shareholders. I would like to mention some of the key strategies. I will then ask Lee to talk about outlook, our key operational successes and our staff.

Alliance has continued the strategy of diversifying revenue streams over the last 12 months however it should also be noted that the underlying fly-in, fly-out ("FIFO") revenue is strong and we are starting to see increased activity from various clients in this sector.

Whilst the business continues to invest both time and effort in new revenue opportunities, the core part of our business remains an essential service to the resources industry – the safe and on time transportation of employees and contractors to and from remote locations.

There are two significant contract renewals in the current year and both are progressing as forecast. Our existing business remains the priority for Lee and the team and we expect that these renewals will be completed during the 2018 financial year.

One of our greatest strengths has always been and will always be the flexibility we have built into our fleet and route expansion capabilities.

In respect to Virgin Australia it is worth noting as follows;

- The ACCC approval of the charter partnership agreement with Virgin Australia in May 2017 has now enabled both companies to work together to explore opportunities that will bring benefits to customers of both Alliance and Virgin.
- In addition to the charter partnership, Alliance this year is providing increased wet lease services on behalf of Virgin to regional Queensland and Alliance has taken over three former Virgin RPT routes in regional Queensland and New South Wales.
- The benefits of the overall Virgin partnership are only now starting to be realised for both companies.

The increase in activity over the last 12 months saw a need to add additional aircraft into the operational fleet, one in January 2017, a further two in October 2017 and a fourth in December 2017. This will bring the total operational fleet size to 32.

The first half of the 2017 financial year saw Alliance commence extracting value from its first major transaction in relation to the Austrian fleet.

Alliance has acquired a sizable amount of inventory with 19 of the 21 Austrian aircraft having been delivered. The strategy for this inventory has not changed. We will either utilise it for our own purposes; lowering cost and cash outflows for our parts and aircraft requirements.

Or, alternatively we will sell or lease the inventory to other operators in Australasia and globally.

In addition to aircraft sales, aviation services revenue consists of sale of spare parts, engine leasing, engine sales, aerodrome management services and other engineering revenues. We will continue to see positive contributions to cash flow and profitability from this large inventory holding for years to come.

The year under review saw Alliance grow in profitability, increasing operating cash flows, continue to ensure our heavy maintenance program was efficient in both financial and operational terms and maintain a continued focus on the debt reduction strategy.

Alliance has begun negotiations on the scheduled re-financing of debt with its banking partners. This is progressing well and we anticipate completing this before the end of December 2017.

I would like to thank the Directors for their support throughout the year and also thank Lee and the entire Management team for their help in delivering the strategy of the last few years. Alliance is well positioned for the future.

In closing I would also like to thank our professional advisors, PwC, Norton White and Catapult Partners and our banks ANZ and CBA.

I now pass across to Lee.

Scott McMillan
Managing Director

2 November 2017

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Annual General Meeting

Chief Executive Officer's Address

Thank you for the opportunity to address you all today.

As Steve and Scott have mentioned it has been a rewarding year for Alliance and one that has seen some key strategies become operational successes.

Success at Alliance is measured on the basis of three simple KPI's which apply to all of the management and staff namely;

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

Over the last 12 months the management team at Alliance have been implementing a number of new and increased services that will see Alliance fly approximately 45% more hours in the financial year 2018 than the prior financial year. Perhaps the most pleasing aspect of the increase in activity is that it is not derived solely from any one part of the business.

There are "green shoots" in the contract revenue portfolio on the back of an improved resources sector, increased wet lease flying activities and increased flying with the introduction of three Regular Passenger Transport (RPT) routes: two in regional Queensland and one in regional New South Wales in conjunction with Virgin Australia.

Whilst we are only a few months into the operation of the RPT routes, I am pleased to say they are performing as expected. I would like to take this opportunity to acknowledge the patronage and support of the local communities in Gladstone, Bundaberg and Port Macquarie. We do value our regional partnerships and your support is important to us.

The tourism sector continues to perform well and we are working closely with both current and prospective clients to increase the tour offerings on offer for both domestic and international operators.

Operating costs are again and as always, a focus for the Alliance business. With the expanded revenue base, it is fundamental that we never lose sight of delivering our product at the lowest possible cost. In every contract negotiation that we are involved in, cost is a key point in a competitive environment.

To the whole team at Alliance, it has been another exciting year of change. The success this year in delivering such an increase in activity is to be commended. Even with this we continued to deliver the operational excellence that Alliance is renowned for and demonstrated our unique flexibility and ability to get the job done well. It is the people of Alliance that make the company a success and this has rung true again this year.

To my fellow management team, thank you for your efforts over the last 12 months. Your dedication and commitment has been clear to see and has influenced the positive result. There is more to be done as we work towards an even better year.

The 2018 financial year is expected to be better than the 2017 financial year. In terms of the financial result the Directors are generally in agreement with the aggregate current consensus outlook of those analysts which are currently providing research on Alliance.

Lee Schofield
Chief Executive Officer