Alliance

Full Year Results Presentation

Year Ended 30 June 2014

Released 14 August 2014

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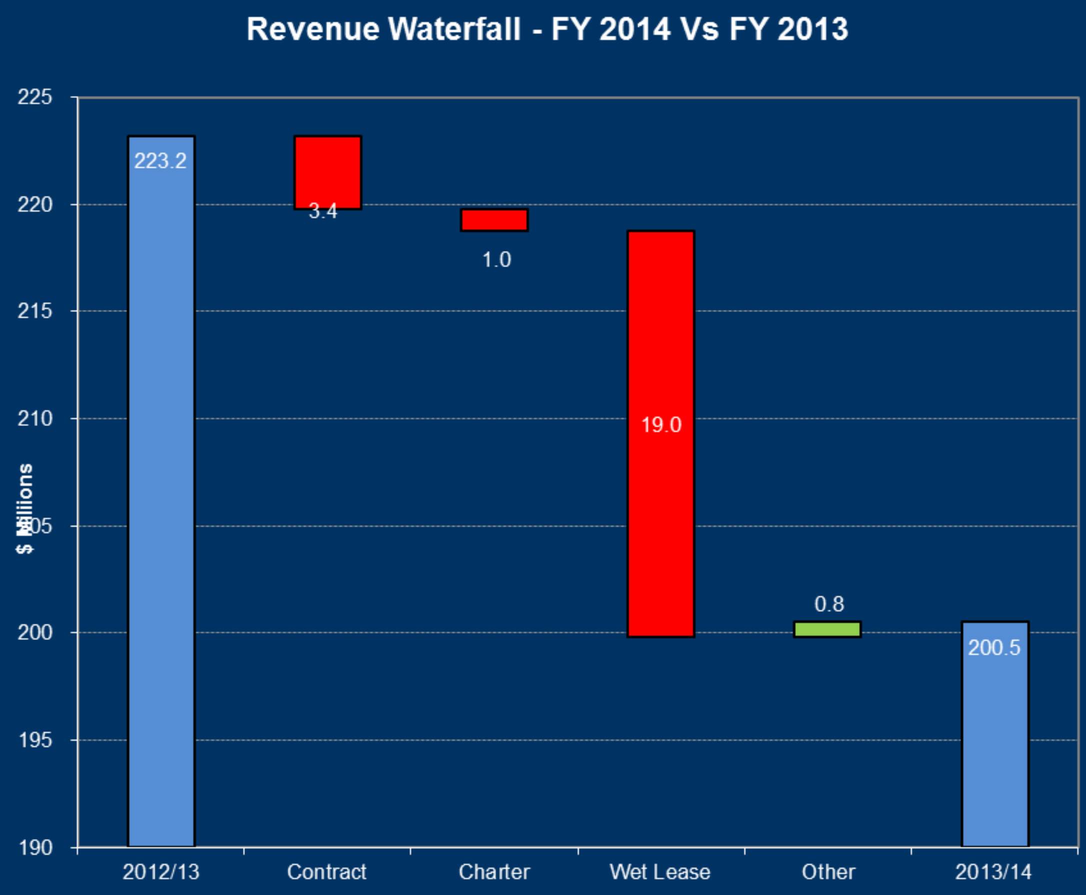
Key Themes

- Our revenue mix has changed with over 90% of revenue now long-term contracted FIFO – our core business. We are an essential service to the mining and resources sector and deal almost exclusively with major players for projects which are in production;
- New contract wins have been significant and services have commenced;
- We are returning to sustainable revenue growth
- Our relatively low operating leverage enables tight cost control and ability to respond to revenue movements. However, in FY2014 we maintained our cost base to position our company to execute the large contract wins;
- No further fleet units necessary to operate our business which enhances our future cash flow;
- Continue to investigate complementary ways to diversify our income; and
- Our outlook is positive

Maintained profitability despite investing in the future

- 2014 was dominated by:
  - A decline in wet lease and ad-hoc flying income;
  - Electing to maintain a portion of overheads to deliver awarded contracts, this impacted the EBITDA and NPAT; and
  - Investing in the existing F70 fleet including parts for the future.
- 30 June 2014.
  - Revenue of $200.1m (FY2013 $223.7m)
  - Underlying EBITDA of $41.5m (FY2013 $57.8m)
- Final dividend of 2.1 cents per share, fully franked, DRP open.

Revenue softened but contact income to firm for FY 2015



- Slowdown in ad hoc charter revenue from September 2013;
- Wet lease income reduced significantly, only a small amount is forecast in 2015;
- Slight reduction in flights for current contracts which reflects market conditions. We have been largely protected from the downturn in the mining sector because:
  - Of the essential nature of the services we provide; and
  - Substantial exposure to major miners with long term projects which are in the production phase

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Full Year Results

Year Ended

30 June 2014

Underlying Income Statement Summary

Profit & loss statement

($ in millions)	2013/14 Actual	2012/13 Actual	% pcp change
Revenue			
FIFO	167.4	170.9	(2%)
Charter / ACMI	29.1	49.1	(41%)
Other	4.0	3.2	23%
Total revenue	**200.5**	**223.2**	(10%)
Operating expenses	(159.9)	(165.3)	
EBITDA	**40.6**	**57.9**	(30%)
Margin %	*23.1%*	*25.1%*	
Depreciation	(22.0)	(22.8)	
EBIT	**18.7**	**35.2**	(47%)
Margin %	*9.3%*	*15.7%*	
Finance costs	(4.2)	(4.7)	
Income tax	(4.2)	(7.1)	
NPAT	**10.3**	**23.3**	(56%)
Underlying NPAT	**10.9**	**21.7**	**(49%)**
EPS (Cents)	**9.7**	**23.4**	(58%)

Key observations

- Revenue decline is predominately due to wet lease income;
- The contracted FIFO revenue decline is a result of a slight contraction of existing services;
- Contracted FIFO revenue increased as a % of total revenue;
- Earnings have been impacted by the revenue decline;
- EBITDA per aircraft abnormally impacted and not a reflection of the future;
- Depreciation a reflection of increased investment and lower utilisation.

Summary Balance Sheet

Balance Sheet

($ in millions)	2013/14	2012/13
Cash	0.2	1.2
Receivables	23.9	29.1
Inventory	24.4	8.2
Total current assets	**48.5**	**38.6**
PP&E	218.2	210.6
Other assets		5.8
Deferred tax asset	–	3.3
Total non-current assets	**218.2**	**219.8**
Total assets	**266.6**	**258.3**
Trade & other payables	22.0	18.4
Borrowings	18.0	11.9
Current tax liabilities	(4.3)	2.8
Provisions / other	4.5	5.1
Total current liabilities	**40.3**	**38.0**
Borrowings	76.8	75.6
Deferred tax liability	2.6	–
Provisions / other	1.5	1.2
Total non-current liabilities	**81.0**	**76.7**
Total liabilities	**121.3**	**114.7**
Net assets	**145.4**	**143.6**
Gearing (D/D+E)	**39.5%**	**37.8%**

Key observations

- Continued focus on maintaining a conservative gearing and no “off balance sheet” debt;
- Full asset review during the year resulted in some classification adjustments;
- Maintained investment in the fleet for the future;
- Secured significant ‘part pool’ for the future to maintain cost and secure supply;
- Secured an operational F70 for the future if required. Currently operating in Europe on lease; and
- Slight increase in gearing reflects operational performance and the investment in parts.

Cash flow Statement

Cash flow statement

	2014 $'000	2013 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	232,706	246,126
Payments to suppliers (inclusive of goods and services tax)	(193,755)	(192,109)
Interest received and paid	(4,221)	(4,341)
Income tax paid	(5,245)	(8,496)
Net cash inflow (outflow) from operating activities	29,486	41,180
Cash flows from investing activities		
Payments for aircraft, property, plant and equipment	(29,295)	(60,989)
Proceeds from sale of property, plant & equiment	5	955
Net cash inflow (outflow) from investing activities	(29,290)	(60,034)
Cash flows from financing activities		
Proceeds from issue of shares	0	25,160
Transaction costs arising on share issue	0	(1,003)
Proceeds and repayments of borrowings	8,765	1,219
Dividends paid	(9,109)	(6,129)
Net cash inflow (outflow) from financing activities	(344)	19,247
Net increase (decrease) in cash and cash equivalents	(149)	393

Key Observations

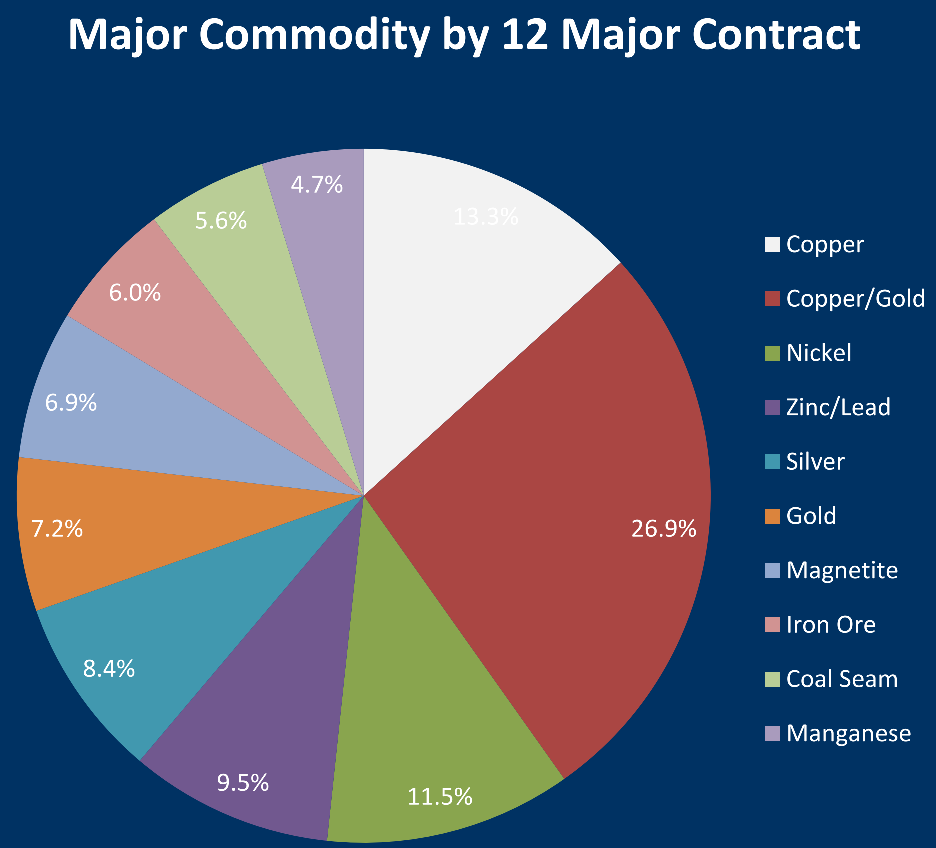
- Cash generation a priority for Board and Management
- Positive cash flow from operations of $29.4 million
- Capital expenditure of $29.2 million reflects the continued investment in the maintenance of the existing fleet. This amount includes payments for the engine maintenance plan;
- Cash dividend of $9.1 million paid during current period; and
- Current year operating cash flow used to invest for the future.

Operational efficiency measures are expected to benefit earnings in FY2015

	2013/14	2012/13	Variance
Average aircraft in service	27	25.1	1.9
Contract and Adhoc Flight Hours	22,812	25,113	(9.2%)
Wet Lease Flight Hours	2,351	6,827	(65.6%)
Total Flights	19,294	24,943	(22.6%)
Average Staff Numbers	512	541	(5.4%)
EBITDA per Aircraft in service	$1.6 million	$2.3 million	
Revenue per Employee	$391,714	$412,569	(5.1%)
EBITDA per Employee	79,331	107,100	(25.9%)
FIFO Revenue % of Total Revenue	83%	77%	9.1%
Average Fuel Price MOPS Cents	0.836	0.7559	
Average Exchange Rate USD	91.87	102.71	

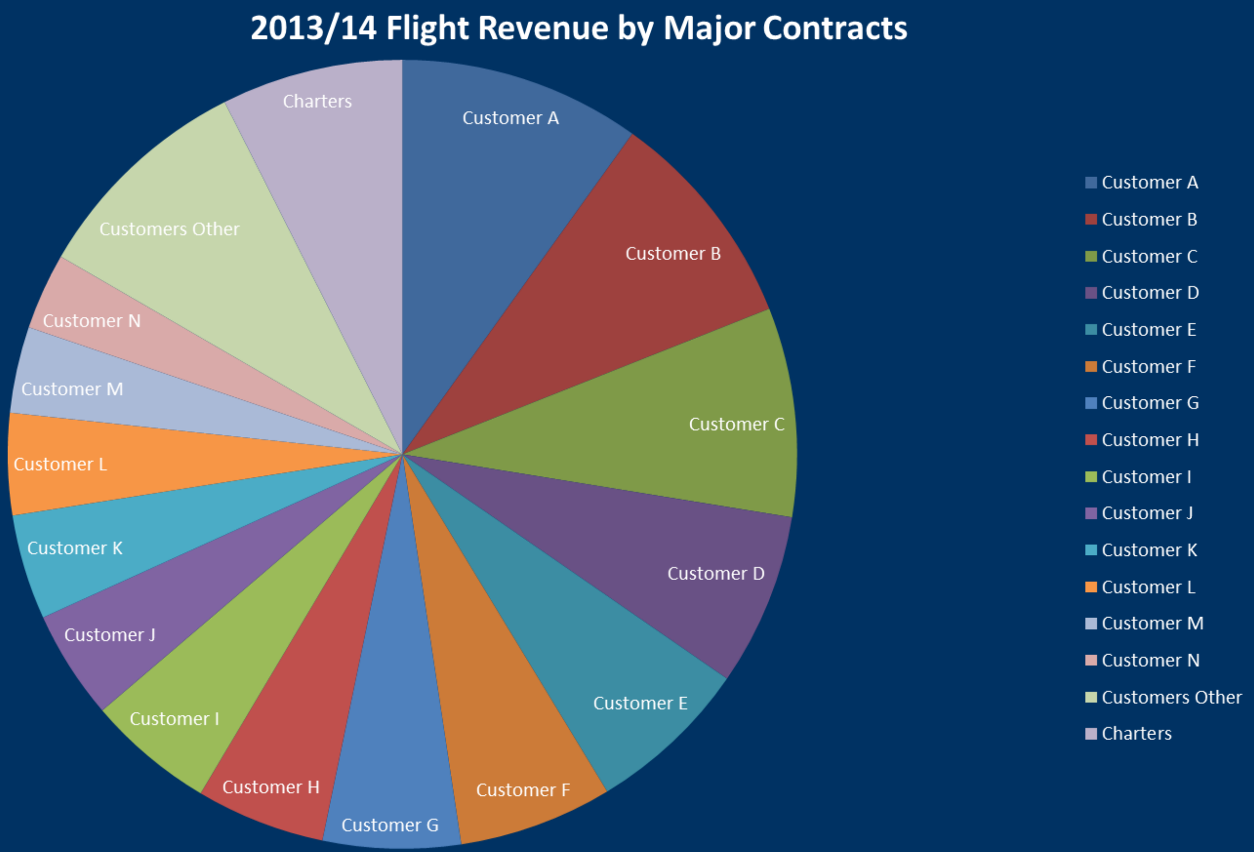
- Aircraft in service reflects the F70 fleet strategy during the year;
- Flight Hours demonstrate the reduction of wet lease income;
- Ad-hoc flying contributes the majority of the reduction in other flying;
- EBITDA per aircraft was impacted as a result of maintaining fleet capability in advance of new contracts;
- EBITDA per aircraft is not a reflection of the future; and
- FIFO as a % of income will increase further in FY2015.

Major Contracts by Commodity



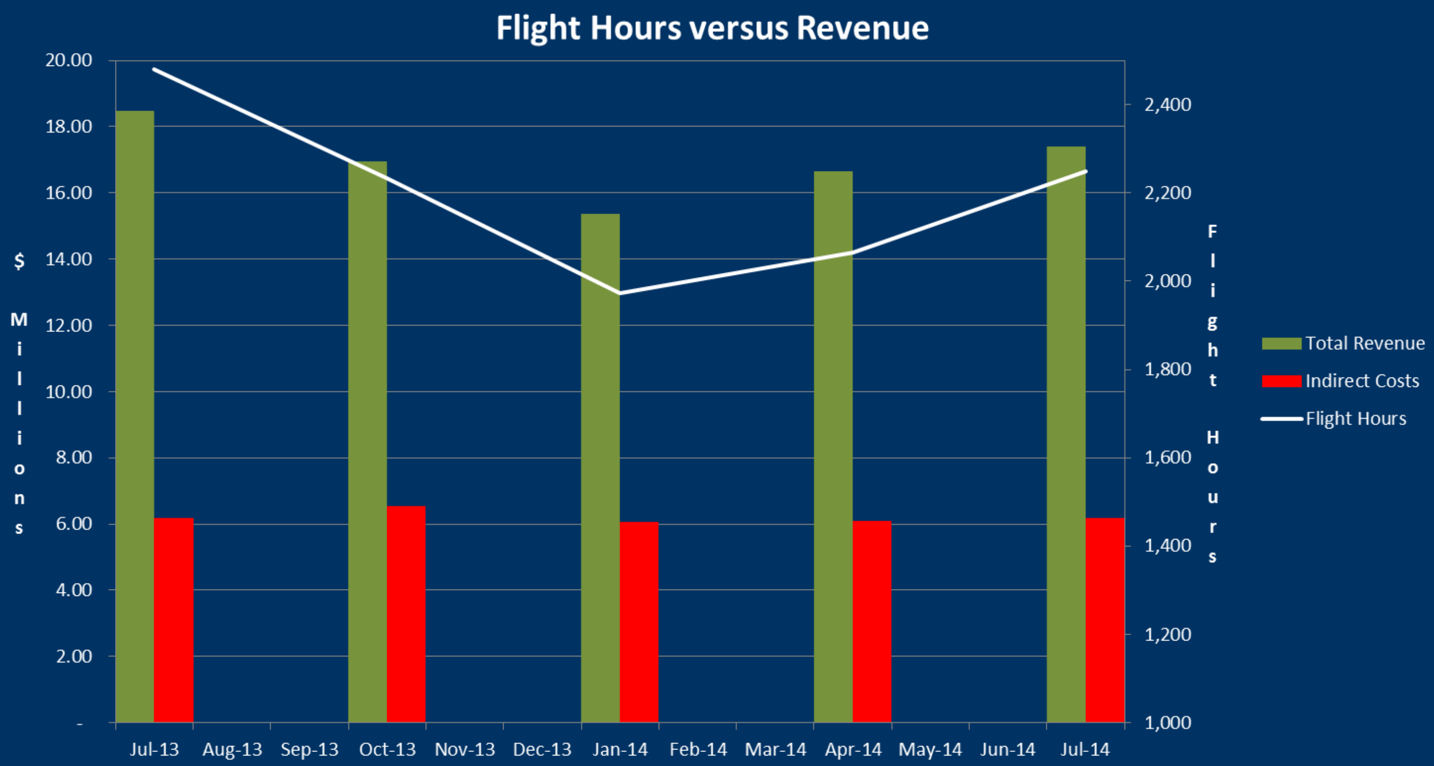
- Broad exposure to a range of commodities across a range of contracts

Total Revenue by Customer



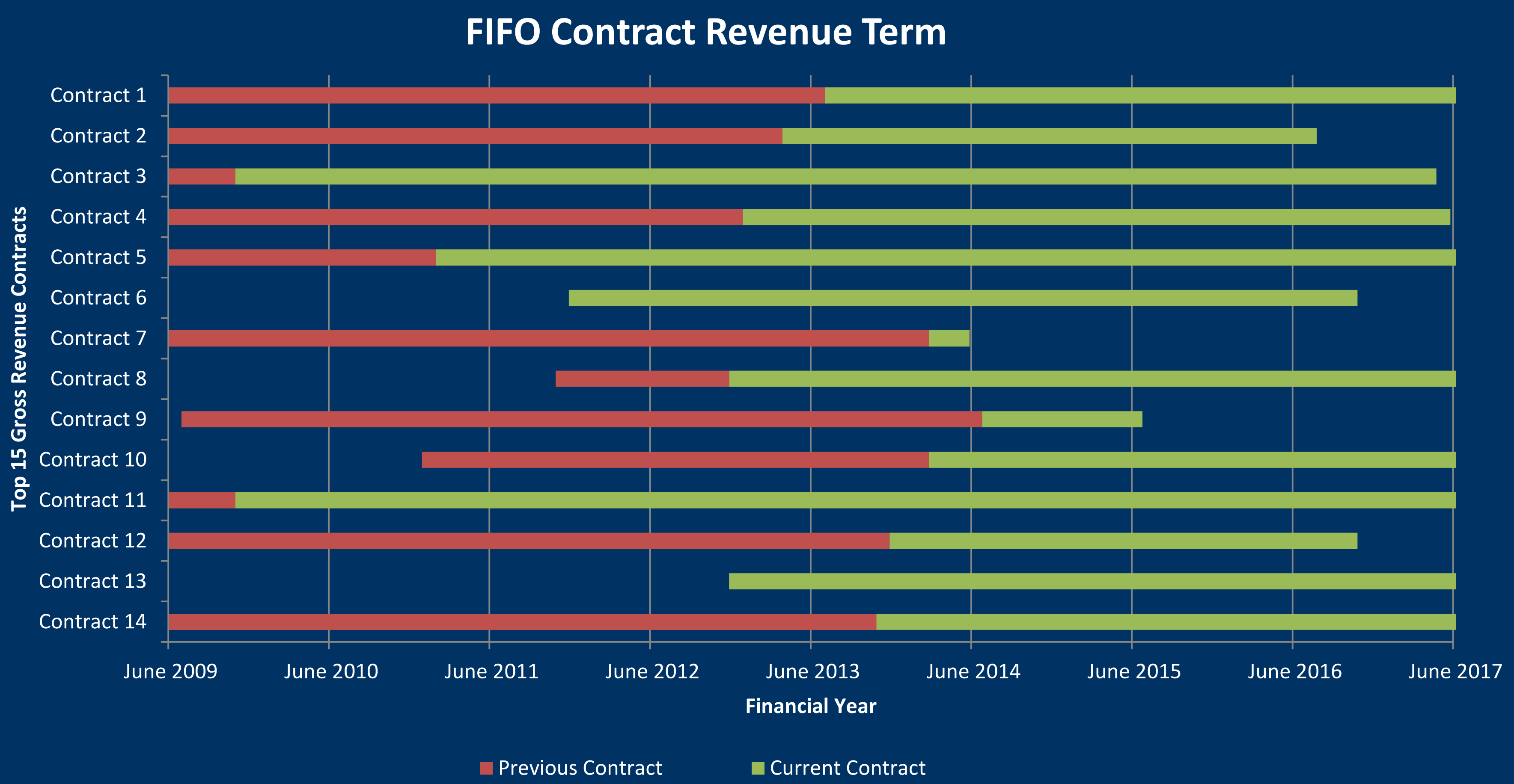
- Broad exposure to a diverse range of customers

Flight Hours impact on Total Revenue



- Demonstrates the ‘transitional’ and ‘unsettled’ nature of the 2014 year
- Alliance has started to return to sustainable revenue numbers
- July 2013 was a record month for ad hoc charter revenue, July 2014 has seen an improvement with long term contracted revenue.

Customer Relationships



- Again able to demonstrate the ability to retain long term contracts
- Visibility of revenue in FY15 and FY16 with the longer term contracts

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Operations update

Alliance vs. Other Major and Regional Airlines

Key attributes	Alliance Airlines	Typical Major or Regional Airlines
Revenue drivers	▪ Commodity production volumes and capital investment growth ▪ Able to forecast in the medium term ▪ Typically not exposed to yield and passenger volumes	▪ Highly cyclical, subject to general business and consumer confidence activity ▪ Difficult to forecast ▪ Subject to yield and passenger volume
Customers	▪ Predominantly blue-chip corporate and Government customer base ▪ Large proportion of revenue subject to contract ▪ Essential travel not discretionary travel	▪ High number of individual customers ▪ Small proportion of recurring corporate customers / revenue ▪ Often includes discretionary travel
Fuel	▪ Volatility in market pricing is typically passed through to customers	▪ Subject to volatility of market pricing and impact of hedging policies
Contracts	▪ Long-term contracts, typically >3 years ▪ A number provide termination provisions requiring the payment of a fee to Alliance	▪ Very short-term ▪ Terminable at short notice with limited penalty
Fleet	▪ Purchased Outright ▪ Aircraft acquired second-hand from airlines, lessors or receivers ▪ Exclusive operator of F70 in Australia	▪ Finance and operating Leases ▪ New aircraft acquired directly from manufacturers or leased from lessor
Operations	▪ Low utilisation ▪ Tailored to customer needs ▪ Typical number of cycles per year: <1,000 ▪ OTP FY14 - 93%, OTP FY13 - 90%	▪ High utilisation ▪ Complex business to manage day to day operations and long-term capital ▪ Typical number of cycles per year: >2,500
Engineering	▪ In-house heavy maintenance controls cost and quality ▪ Able to determine and manage the maintenance program and hence cost ▪ No reliance on third parties	▪ Major maintenance relies heavily on third parties ▪ Limited flexibility with cost

Extensive National Footprint

DARWIN

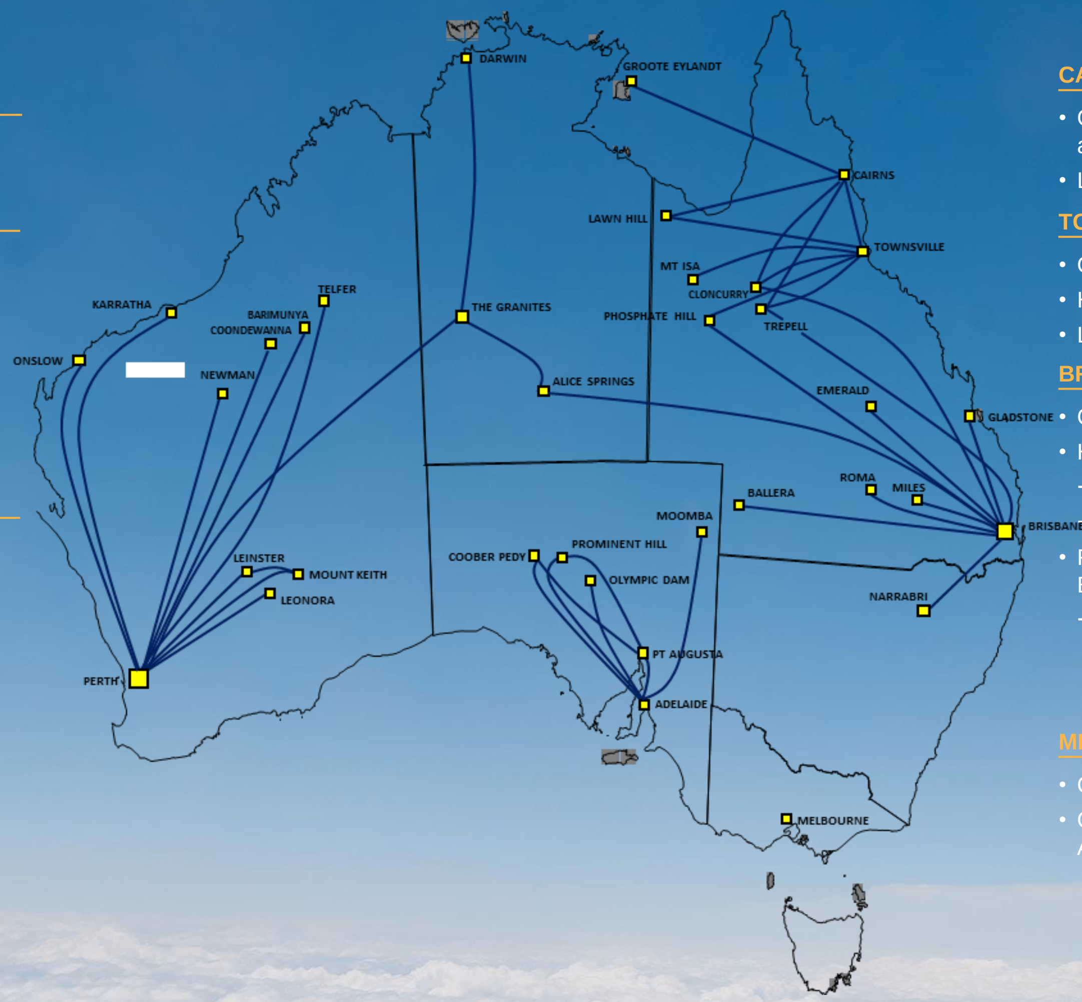
- Base established

PERTH

- Alliance T2 facility and FIFO Lounge
- Maintenance facility plus large spares inventory
- Major crew base

ADELAIDE

- Offices
- Hangar (largest at airport)
  - Heavy maintenance (jet and turboprop)
  - Line maintenance



CAIRNS

- Offices (engineering support and crew)
- Line maintenance

TOWNSVILLE

- Offices
- Hangar
- Line maintenance

BRISBANE (HEAD OFFICE)

- Offices
- Hangar
  - Heavy maintenance
  - Line maintenance
- FIFO terminal at Brisbane Airport
  - Dedicated FIFO terminal, tailored to customer-specific needs

MELBOURNE

- Offices
- Operational base at Essendon Airport

Leader in **experience, safety and compliance**

- Australia's most experienced and resourced F100/70 operator.
- Maintained BARS Gold Recognition Status
- Most experienced F100/70 pilots and engineers in Australia.
- World leader in Fokker performance engineering.
- Fully compliant with all Regulatory, Manufacturer and Resource Industry safety standards.
- Alliance Safety GM reports directly to MD and Board.
- Alliance Safety Management System integrates operational safety and WH&S.
- Excellent recent results with external audits, continued focus on safety.

Recent contract wins

New **contract wins** and extensions 2014

Date	Customer	Outcome	Contract details
May	BHP Billiton Nickel West	3-year extension	• Perth / Mount Keith and Leinster
May	BHP Billiton Iron Ore	Contract win	• Perth / Coondewanna and Barimunya
November	Serco (QCLNG Project)	Contract win	• Brisbane/Miles • F50/F70 LR • Full schedule Jan 14
October	Newcrest - Telfer	3-year extension	• Perth / Telfer • F100 / F70 LR
July	MMG – Century Mine	18-month extension	• CNS/TSV – Lawn Hill
July	Incitec Pivot – Phosphate Hill	5-year extension	• Phosphate Hill/Townsville

Outlook

Outlook

- Return to sustainable revenue growth, increased long term contract income as a % of total revenue
- Strategy of concentrating exposure to major players with long term contracts in production
- Major contract wins in FY14 expected to drive significant FIFO revenue growth into FY15
- Continue to capitalise on Alliance’s position as sole Australian operator of F70s, a long range coast-to-coast aircraft offering clients significant operational and financial benefits
- Exploring a number of opportunities to diversify income streams and provide a broader service to our clients
- Focused on restructuring debt facilities in FY15 to better align with Alliance’s capital expenditure and working capital cycles

Guidance

- Key focus of FY14 was about building the platform to deliver on the revenue growth in FY15
- With that foundation now in place, Alliance is in a position to generate FY15 NPAT comparable with FY13
- Alliance also expects a significant improvement in cash flow over and above the improved operational performance due to favourable tax adjustments in FY15 and FY16

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Appendices

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