Alliance

Interim Results Presentation

Half Year 31 December 2014

Released 12 February 2015

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Key Themes

- A range of long term contracts across a number of commodities underpin the majority of the revenue;
- A focus on revenue diversification to stimulate future revenue growth outside of traditional FIFO operations;
- Continued focus on cost control and organisational flexibility;
- This organisational flexibility allows Alliance to quickly adapt to changing market and economic conditions;
- With the current flying schedule, improve aircraft utilisation, reduce fleet numbers and lower the capital expenditure of the business; and
- Lower debt in the medium term.

Maintained profitability

- The half is summarised by:
  - Consistent flying schedule for the majority of the contracts;
  - 95% on time performance for the 6 months;
  - The renewal of the Ernst Henry Mining contract albeit at a reduced level;
  - The consolidation of the flying into the Surat Basin to support the QCLNG Upstream Project;
  - Introduction of a new revenue source from tourism related activities; and
  - Reduction of employee numbers by 8%.
- As at 31 December 2014:
  - Revenue of $105.0m (H12014 $104.5m)
  - Underlying EBITDA of $ 23.6 m (H12014 $24.9 m)

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Interim Results

Half year ended 31 December 2014

Underlying Income Statement Summary

Profit & loss statement

($ in millions)	1HFY14 Actual	1HFY14 Actual	% pcp Change
Revenue			
FIFO	90.6	84.4	*7%*
Charter / ACMI	8.1	19.6	*(59%)*
Other	6.4	0.4	
Total revenue	**105.1**	**104.4**	*1%*
Operating expenses	(81.5)	(79.6)	
EBITDA	**23.6**	**24.9**	*(5%)*
Margin %	*22.5%*	*23.9%*	
Depreciation	(12.2)	(12.6)	
EBIT	**11.4**	**12.3**	*(7%)*
Margin %	*10.8%*	*11.8%*	
Finance costs	(2.4)	(2.1)	
Income tax	(2.7)	(3.1)	
NPAT	**6.3**	**7.1**	*(11%)*
EPS	**6.0**	**6.2**	*(3%)*

Key observations

- Contracted FIFO revenue increased as a % of total revenue
- Wet Lease income has stabilised following reductions in previous periods
- Forecast annualised EBITDA of $1.7 million per aircraft in service which reflects the lower wet lease and charter income
- Other income includes the sales of parts

Summary Balance Sheet

Balance Sheet

($ in millions)	31-Dec-14	30-Jun-14	31-Dec-13
Cash	4.1	0.2	1.9
Receivables	21.8	23.9	28.0
Inventory	24.3	24.4	9.5
Total current assets	**50.2**	**48.5**	**39.4**
PP&E	182.3	218.2	212.5
Deferred tax asset	8.7	–	7.5
Total non-current assets	**191.0**	**218.2**	**220.0**
Total assets	**241.2**	**266.7**	**259.4**
Trade & other payables	23.0	22.0	8.5
Borrowings	20.3	18.0	–
Current tax liabilities	–	(4.3)	0.6
Provisions / other	4.4	4.5	10.6
Total current liabilities	**47.7**	**40.2**	**19.7**
Borrowings	76.2	76.8	88.1
Deferred tax liability	–	2.6	6.0
Provisions / other	1.7	1.5	1.3
Total non-current liabilities	**77.9**	**80.9**	**95.4**
Total liabilities	**125.6**	**121.1**	**115.1**
Net assets	**115.6**	**145.6**	**144.3**
Gearing (D/D+E)	**45.5%**	**39.4%**	**37.9%**

Key observations

- Impairment charge of $45 million has reduced the PP&E.
- Continued investment in aircraft maintenance to secure future opportunities
- USD$20 million of debt has been revalued with the change in AUD / USD

Cash flow Statement

Cash flow statement

($ in millions)	1HFY15	1HFY14
Receipts from customers (inclusive of GST)	124.1	122.2
Payments to suppliers (inclusive of GST)	(103.8)	(97.9)
Net interest paid	(2.3)	(2.0)
Income tax paid	4.2	(3.2)
Net cash inflow (outflow) from operating activities	**22.2**	**19.1**
Net payments for aircraft, property, plant & equipment	(14.7)	(14.5)
Free Cash Flow	**7.5**	**4.6**
Net proceeds from issue of shares	0.2	–
Payments to existing shareholders for companies	–	–
Proceeds from borrowings	1.0	6.4
Repayment of borrowings	(2.6)	(3.6)
Dividends paid	(2.2)	(5.9)
Net cash inflow (outflow) from financing activities	**(3.6)**	**(3.1)**
Net increase (decrease) in cash & cash equivalents	**3.9**	**1.5**
Cash & cash equivalents at the beginning of period	0.2	0.4
Cash & cash equivalents at the end of the half year	**4.1**	**1.9**

Key Observations

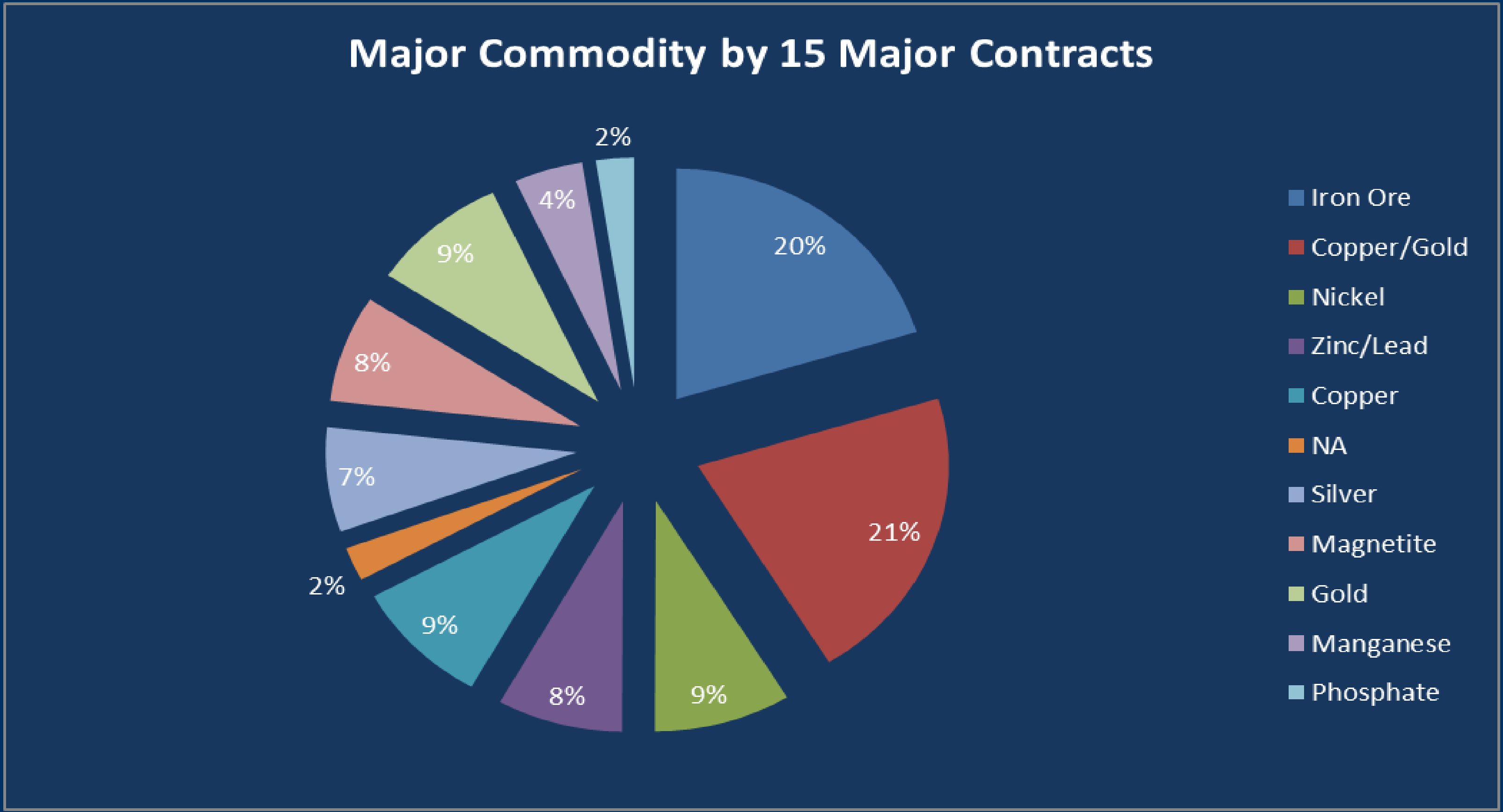
- Free cash flow a priority of the Board
- Positive cash flow from operations of $22.2 million
- Capital expenditure of $14.7 million reflects the continued investment in the maintenance of the existing fleet.

Operational Statistics

Metric	2014	2013
Average Aircraft in Service	27.0	27
Flight Hours - FIFO / Charter	11,792	11,580
Flight Hours - Wet Lease	343	1,592
Total Flights	9,476	9,879
Average Staff Numbers	510	512
EBITDA per Aircraft ($m)	0.97	0.89
Revenue per Employee ($k)	206	207
FIFO % of Total Revenue	86%	81%

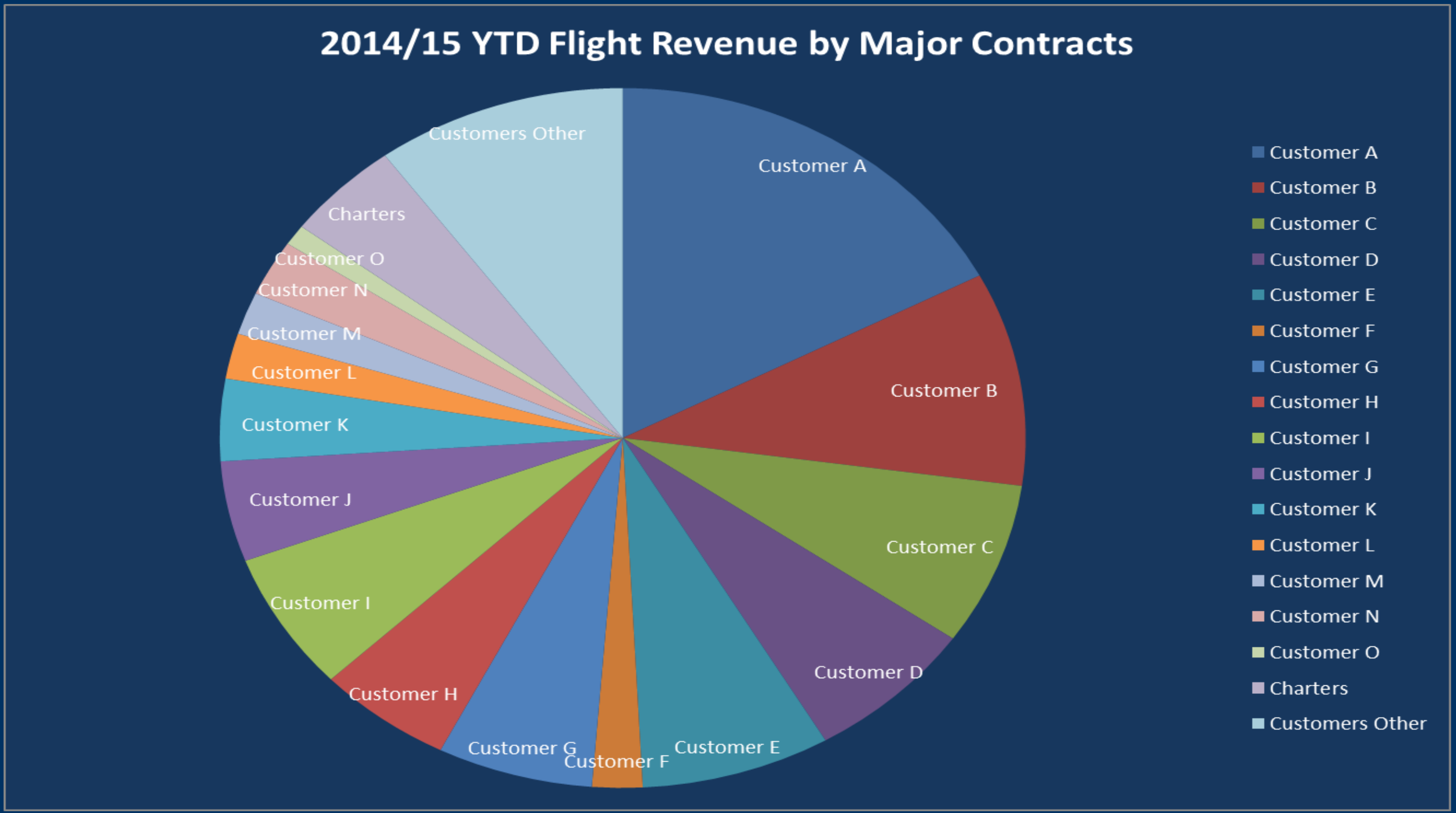
- Aircraft in service is unchanged however will reduce in H2.
- Flight Hours demonstrate the reduction of wet lease income. This has now stabilised.
- As at 31 December 2014, staff numbers below 500.

Major Contracts by Commodity



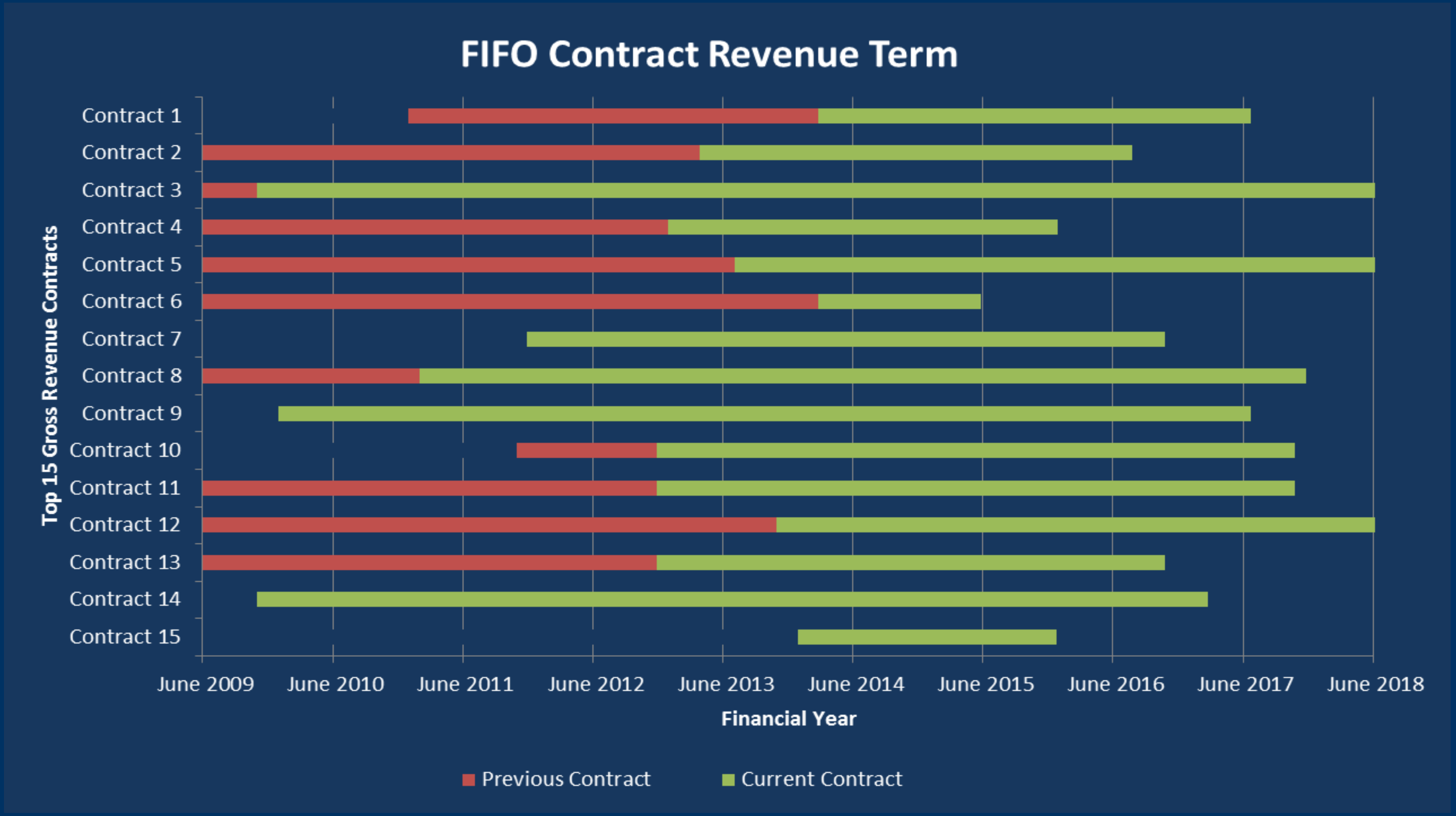
- Broad exposure to a range of commodities across a range of contracts

Total Revenue by Customer



- Broad exposure to a diverse range of customers

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 H1FY15 - 95%, OTP FY14 - 93%	▪ 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

Footprint Extended to Include New Zealand

BRISBANE (HEAD OFFICE)

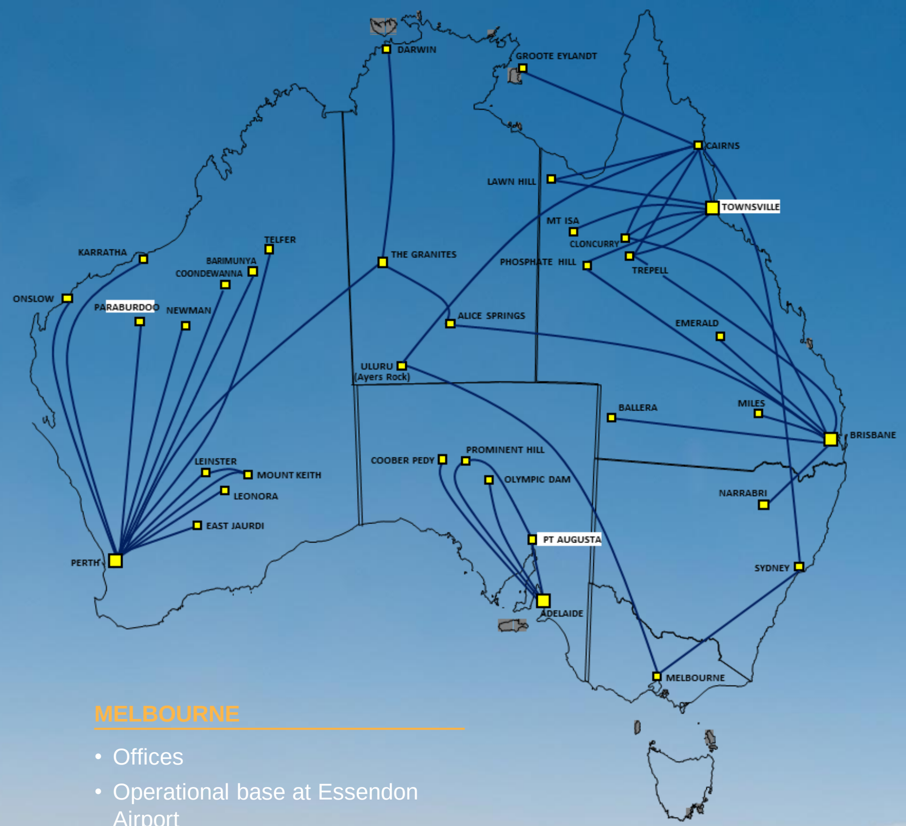
- Offices
- Hangar
  - Heavy maintenance
  - Line maintenance
- FIFO terminal at Brisbane Airport
  - Dedicated FIFO terminal, tailored to customer-specific needs

ADELAIDE

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

PERTH

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



MELBOURNE

- Offices
- Operational base at Essendon Airport

CAIRNS

- Offices (engineering support and crew)
- Line maintenance

TOWNSVILLE

- Offices
- Hangar
- Line maintenance

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.

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Outlook

Outlook

- Continue with the strategy of concentrating the FIFO exposure to major players with long term contracts in production;
- A strong focus on broadening the revenue base by:
  – extending the existing ad-hoc charter business which has not been possible in the past; and
  – Pursuing new contract charter opportunities in different sectors such as Tourism.
- With a reduced operational fleet create some flexibility in the maintenance schedule;
- Focused on restructuring debt facilities in H2FY15 to better align with Alliance's capital expenditure and working capital cycles; and
- Lower debt in the medium term.

Guidance

- With the current forecast flying from existing contracts, Alliance forecasts a full year net profit after tax of approximately $13 million.
- With amended fleet numbers, Alliance forecasts a lower capital expenditure spend compared with recent periods.
- Alliance expects to lower debt in the medium term.

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Appendices

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