



**CHAIRMAN'S ADDRESS  
ANNUAL GENERAL MEETING  
26<sup>th</sup> NOVEMBER 2014**

On behalf of the Directors and staff of Rex I am pleased to report on the results for the past Financial Year 2013/14.

Despite Australian aviation being in severe crisis, it is pleasing to announce that the Rex Group managed to make a profit before tax (PBT) of \$10.7 million for the past financial year, representing a 44% drop in profit with passenger numbers down 3.4%.

Continued deterioration of the economy which began since the introduction of the carbon tax by the previous Federal Government and record fuel prices were the main reasons for the drastic decline in PBT.

This decline has to be viewed in the light of one of the most toxic environments Australian aviation has seen which saw the demise of 3 Australian regional carriers and losses of over \$4 billion by Australia's two major carriers. Rex is now Australia's most profitable listed passenger airline for the third successive year and has more accumulated PBT over the last 9 years than Qantas or Virgin Australia.

With our strong balance sheet, we embarked on our most ambitious investment programme to date acquiring over \$56 million worth of productive assets in the FY. The investments are expected to generate a superior rate of return compared to what the Group is currently achieving.

I am also proud to announce to you that we have been awarded all 5 routes that we applied for under the Queensland Government regulated routes tender. From 1 January 2015, Rex will service 23 cities in Queensland, making Rex one of the biggest regional operators in that State.

We believe that the Rex group is now well poised to take advantage of the upturn of the economy when that happens. Our passenger numbers have stopped declining and fuel prices have remained low during the first part of this financial year.

The Hon John Sharp  
Rex Deputy Chairman  
26 November 2014

Following this, the Power Point slides below were presented to the assembly:

**Regional Express Holdings Ltd**

*Head Office*  
81-83 Baxter Road  
Mascot, NSW 2020  
P +61 2 9023 3555

*Engineering Base*  
Don Kendell Drive  
Forest Hill, NSW 2651  
P +61 2 6926 7700

ABN 180 9954 7270 ACN 099 547 270

PO Box 807  
Mascot, NSW 1460  
W [rex.com.au](http://rex.com.au)  
F +61 2 9023 3599

**Regional Express Group of Companies:**



# rex. AGM 2014



## PERFORMANCE

- ➔ Revenue decreased by 2.7% to \$202.3M
- ➔ Pax dropped by 3.4% to 1.05M
- ➔ PBT fell by 44.4% to \$10.7M





## PERFORMANCE

### Decline of \$8.5M Group PBT due to:

- Continued deterioration of economy resulting in drop in passengers (38k fewer pax, \$5.5M less pax revenue) as well as drop in charter revenue
- Record fuel price adding \$1.7M in fuel costs
- Reduction of interest income (about \$1M) due to heavy investments undertaken



## NETWORK CHANGES

- Rex became sole operator of Sydney-Orange and Sydney-Newcastle routes following Brindabella Airlines collapse (Dec 2013)
- Commenced thrice daily service Armidale – Sydney (March 2014)





# On Time Performance

## AIRLINE RELIABILITY INDEX

| Airline                   | On Time Departure |                   |                 |                 |                 | Cancellation Rate (%) |       |      |      |      |
|---------------------------|-------------------|-------------------|-----------------|-----------------|-----------------|-----------------------|-------|------|------|------|
|                           | FY14              | FY13              | FY12            | FY11            | FY10            | FY14                  | FY13  | FY12 | FY11 | FY10 |
| Regional Express          | 1 <sup>st</sup>   | 1 <sup>st</sup>   | 3 <sup>rd</sup> | 1 <sup>st</sup> | 3 <sup>rd</sup> | 0.5%                  | 0.7%  | 0.4% | 0.4% | 0.2% |
| QANTASLINK                | 5 <sup>th</sup>   | 6 <sup>th</sup>   | 7 <sup>th</sup> | 5 <sup>th</sup> | 2 <sup>nd</sup> | 2.5%                  | 2.5%  | 2.0% | 1.9% | 0.7% |
| Virgin Australia          | 2 <sup>nd</sup>   | 2 <sup>nd</sup>   | 2 <sup>nd</sup> | 3 <sup>rd</sup> | 1 <sup>st</sup> | 1.3%                  | 1.6%  | 1.7% | 1.5% | 0.8% |
| Jetstar                   | 6 <sup>th</sup>   | 8 <sup>th</sup>   | 8 <sup>th</sup> | 6 <sup>th</sup> | 6 <sup>th</sup> | 1.9%                  | 1.3%  | 1.6% | 1.4% | 1.1% |
| Virgin Australia Regional | 4 <sup>th</sup>   | 3 <sup>rd</sup>   | 4 <sup>th</sup> | 4 <sup>th</sup> | 4 <sup>th</sup> | 1.5%                  | 1.7%  | 1.3% | 2.0% | 1.6% |
| Virgin Australia Regional | 3 <sup>rd</sup>   | 4 <sup>th</sup>   | 6 <sup>th</sup> | N/A             | N/A             | 1.3%                  | 2.4%  | 1.5% | N/A  | N/A  |
| Skywest                   | N/A               | 7 <sup>th</sup> * | 5 <sup>th</sup> | 2 <sup>nd</sup> | 5 <sup>th</sup> | N/A                   | 0.2%* | 0.2% | 0.3% | 0.7% |
| tigerair                  | 7 <sup>th</sup>   | 5 <sup>th</sup>   | 1 <sup>st</sup> | 7 <sup>th</sup> | 7 <sup>th</sup> | 2.2%                  | 1.2%  | 0.5% | 3.0% | 1.5% |

\* YTD Apr 2013. Skywest rebranded as Virgin Australia Regional Airlines eff. 7 May 13



# INDUSTRY RECOGNITION



Rex won the Transport and Logistics Industry Skills Council (TLISC) 2014 Awards for Excellence in the area of Innovation and Excellence in Workforce Development Award (Aviation)



Rex has twice been voted 'Best Regional Airline' in the Australian Traveller Readers' Choice Awards Survey in the 3 year history of the award

This accolade is an important recognition as the Awards are voted by the most important people in the industry - the travellers themselves











## INDUSTRY RECOGNITION

**AVIATION WEEK**  
TOP PERFORMING REGIONAL AIRLINE **2009-14**

In June 2014 Rex was ranked as the world's top performing regional airline (6<sup>TH</sup> consecutive year) in *Aviation Week and Space Technology* magazine's Top Performing Airlines ranking

Worldwide, Rex was ranked 5<sup>th</sup> best performing listed airline

| Carrier  | Ranking          | Score |
|--|------------------|-------|
|  rex.               | 5 <sup>th</sup>  | 67.4  |
|  SINGAPORE AIRLINES | 15 <sup>th</sup> | 57.0  |
|  CATHAY PACIFIC     | 26 <sup>th</sup> | 50.4  |
|  QANTAS             | 50 <sup>th</sup> | 38.9  |
|  tigerair           | 59 <sup>th</sup> | 33.8  |
|  virgin australia   | 65 <sup>th</sup> | 30.2  |



## FLEET / SPARE PARTS

- ✈ Took delivery of the spares holding of Pinnacle (July 2013)
- ✈ Took ownership of remaining 18 Saab 340B+ aircraft at lease end (March 2014) bringing the total owned Saab fleet to 51 aircraft



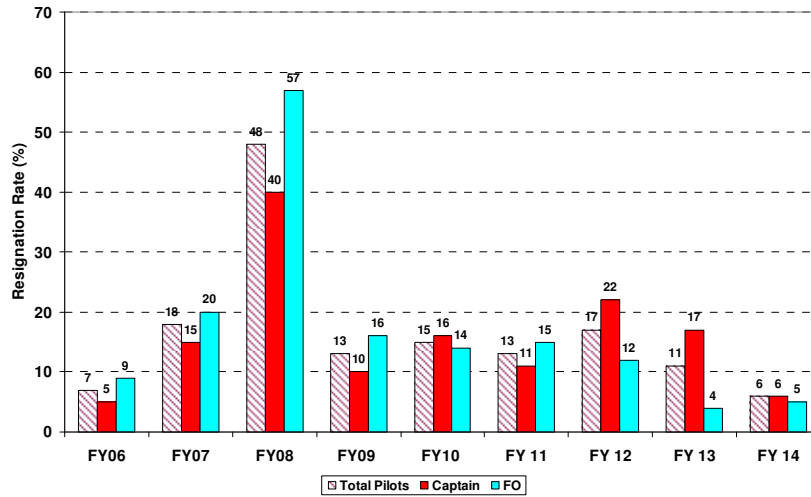


## PILOT SITUATION

- ✈️ Pilot attrition rate for the FY was at record low
- ✈️ 15 cadets promoted to Captain since inception of Cadet Programme



## REX PILOT ATTRITION RATE





## SUBSEQUENT EVENTS

- ✈ In July 2014 Pel-Air secured a contract extension to continue providing air charter services to Iluka Resources in South Australia
- ✈ Air Link re-commenced RPT services in Aug 2014 with an initial Sydney-Dubbo run



## CAPITAL EXPENDITURE

- ✈ Major capital investments in FY14:
  - Purchase of 25 Saab 340B+ aircraft
  - Purchase of the Pinnacle spares
  - Purchase of a full flight simulator
  - Construction of Rex simulator centre

Totalling over **\$56M** with \$22.7M on 3yr financing







## OUR SUBSIDIARIES

### Pel-Air

- ✈️ Ambulance Victoria Contract entered its 3rd yr of operations and is running well
- ✈️ Pel-Air's Fast Jet contract with Australian Defence Force extended another year
- ✈️ Turboprop charters using Saab aircraft operated steadily throughout the year



## OUR SUBSIDIARIES

### Air Link

- ✈️ Continued developing charter service and growing 3rd party aircraft maintenance business





## OUR SUBSIDIARIES

### AAPA

- ✈ Since commencement (Dec 2007), graduated 152 Rex cadets with 139 already flying for Rex
- ✈ Official opening of Saab 340 Full Flight Simulator at Australian Airline Pilot Academy (Apr 2014)



## SIMULATOR BUILDING - AAPA



## TENDER UPDATE

- ✈️ Awarded 5 Queensland Regulated Routes (Northern 1 & 2, Western 1 & 2 and Gulf route) in Oct 2014. Operations begin 1 Jan 2015.





## TENDER UPDATE

- ✈️ Awarded 5 Queensland Regulated Routes (Northern 1 & 2, Western 1 & 2 and Gulf route) in Oct 2014. Operations begin 1 Jan 2015.
- ✈️ Was not awarded the AMSA (Australian Maritime Safety Authority) tender for Search and Rescue missions



## TENDER UPDATE

### TENDERS PENDING

- ✈️ Provision of Plane Chartering Services for Transgrid



## REX IN THE COMMUNITY

Rex donated approx A\$ 200K to various relief and charitable causes in FY1314:

- ✈️ Royal Institute for Deaf and Blind Children
- ✈️ Ronald McDonald House
- ✈️ Cystic Fibrosis
- ✈️ Julia Creek Dirt and Dust festival
- ✈️ Starlight Children's Foundation
- ✈️ Cancer Council's fundraisers



## REX IN THE COMMUNITY



*Rex Engineer Adam Britt and partner Danielle Presenting Ronald McDonald House Wagga Wagga Executive Officer Deborah Braine with Rex flights in appreciation of their support for little Jackson*





## DIVIDEND

In view of the

- ✈ sharp decline in profits
- ✈ recent substantial capital outlay
- ✈ uncertain economic environment ahead

The Board believes it prudent to conserve cash and consequently no dividend will be paid for FY14



## DIVIDEND

The Board is also of the view that there being no more major capital investment on the horizon, the Group should be in a position to **significantly increase the dividend payout ratio** once the recovery is firmly rooted





## PROFIT FORECAST

The Group believes that its passenger demand has stabilised and FY 15's profit would be better than FY14's



## Q & A

# END OF PRESENTATION

# THANK YOU





# PROXY SUMMARY

AGM 2014 Proxy Results

