



**CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING
27th NOVEMBER 2015**

On behalf of the Directors and staff of Rex I am pleased to report on the results for the past Financial Year 2014/15.

FY1415 was characterised by extreme global turmoil and tensions which covered the complete spectrum of all the major risks to worldwide peace and economic prosperity. On the domestic front, commodity prices continued to soften and retail was morose. Consequently the expected bottoming of Rex's decline in passenger numbers did not materialise and we experienced a slight reduction of passenger numbers of 0.6%. The Rex Group posted a profit before tax (PBT) of \$9.3 million for the past financial year, representing a 12.8% drop in profit.

However the year in review also saw some positive and exciting new developments. From 1 January 2015 the Rex network saw the addition of 16 new Queensland ports following the Queensland Government's announcement that Rex had been awarded 5 Queensland regulated routes – 2 existing ones that Rex has been operating since 2010 and 3 new ones.

I am also pleased to announce that we have been accorded on 9 November 2015 the preferred tenderer status on our bid for 2 regulated routes in Western Australia (WA). This foray into WA is significant not only because the 2 routes alone would increase our passengers numbers by more than 10% but also because it gives us a solid base to build up a strong regional presence in the very vast territory of WA which is ideally suited for regional aviation. This reminds us of our beginnings in Queensland 5 years ago when we similarly started with 2 regulated routes servicing 7 ports. Today Rex flies to 24 ports in Queensland.

The Australian economy, reflecting the worldwide one, continues to be weak and this will prolong the crisis affecting regional aviation. Rex has the wherewithal to see through this downturn but weaker operators may fail as we saw this year with Skytrans and no doubt others in the coming months ahead. This leaves the path clear for Rex to consolidate its position and capitalise on the opportunities. We are confident that Rex will emerge stronger when the recovery comes.

The Hon John Sharp
Rex Deputy Chairman
27 November 2015

Following this, the Power Point slides below 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
F +61 2 9023 3599

Regional Express Group of Companies:



AGM 2015



REGIONAL HEADWINDS



PERFORMANCE

- ➔ Revenue increased by 1.1% to \$256.2M
- ➔ Pax dropped by 0.6% to 1.045M
- ➔ PBT fell by 12.8% to \$9.3M





PERFORMANCE

\$1.4M Group PBT decline due to:

- Continued deterioration of regional economy resulting in a drop in RPT passengers (19.5k fewer pax, \$3.1M less pax revenue in non-subsidised network)
- Mobilisation costs for new QLD operations
- Higher cost from USD-denominated expenses



NETWORK CHANGES

- Air Link re-commenced RPT services on Sydney-Dubbo (Aug 2014)
- Taree/Grafton/Lismore/Newcastle routes refinement resulting in 29% less ASK for these 4 routes (Oct 2014)
- Rex awarded Area Air Operator's certification (AAOC) by CASA (Dec 2014)



NETWORK CHANGES

- ✈️ Awarded 5 Queensland Regulated Routes to commence 1 Jan 2015
- ✈️ Commenced RPT services from Cairns to:
 - Townsville (weekend service) on 3 Jan 2015
 - Bamaga on 30 March 2015
 - Mount ISA on 25 May 2015

bringing total number of ports in Rex network to 53 (from 36 prior year)



REX OPERATIONS IN QUEENSLAND





On Time Performance

AIRLINE RELIABILITY INDEX

Airline	On Time Departure					Cancellation Rate (%)				
	FY15	FY14	FY13	FY12	FY11	FY15	FY14	FY13	FY12	FY11
Regional Express	2 nd	1 st	1 st	3 rd	1 st	0.3%	0.5%	0.7%	0.4%	0.4%
QANTASLINK	5 th	5 th	6 th	7 th	5 th	2.1%	2.5%	2.5%	2.0%	1.9%
Jetstar	1 st	2 nd	2 nd	2 nd	3 rd	1.2%	1.3%	1.6%	1.7%	1.5%
Virgin australia	6 th	6 th	8 th	8 th	6 th	1.4%	1.9%	1.3%	1.6%	1.4%
Virgin australia regional	3 rd	4 th	3 rd	4 th	4 th	1.8%	1.5%	1.7%	1.3%	2.0%
Virgin australia regional	4 th	3 rd	4 th	6 th	N/A	1.4%	1.3%	2.4%	1.5%	N/A
Skywest	N/A	N/A	7 th *	5 th	2 nd	N/A	N/A	0.2%*	0.2%	0.3%
tigerair	7 th	7 th	5 th	1 st	7 th	0.9%	2.2%	1.2%	0.5%	3.0%

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



INDUSTRY RECOGNITION



'Best Regional Airline' in the Australian Traveller People's Choice Awards Survey three times since 2011, the awards inaugural year.

"Traditionally, our two regional mainstays QantasLink and Rex fight it out for this title, but this year Rex has a clean victory by a huge 44 per cent."

(Excerpt from Australian Traveller's web site)





FLEET / SAAB FLIGHT SIMULATOR

- ➔ Purchased one Saab 340B aircraft in readiness for new opportunities in Queensland following the collapse of Skytrans
- ➔ Full first year of operations for Saab 340 Full Flight Simulator with performance exceeding expectations



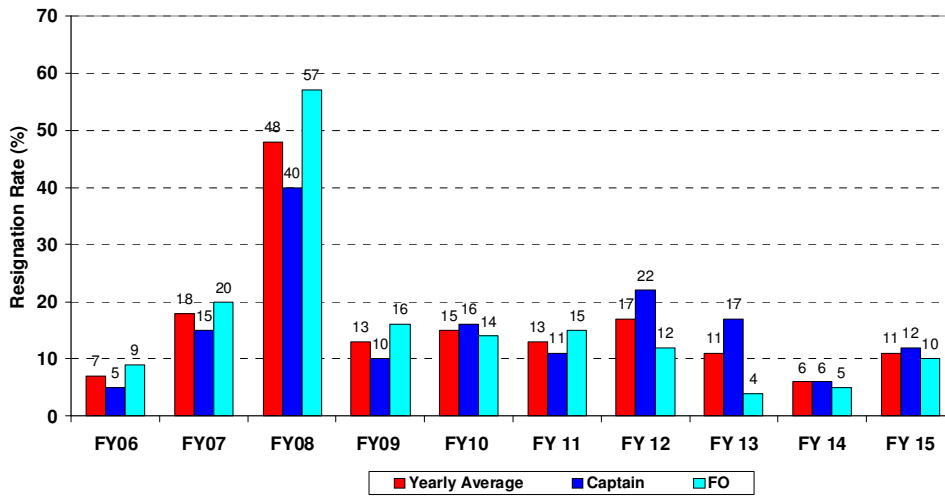
PILOT SITUATION

- ➔ Pilot attrition rate for the FY was low and sustainable
- ➔ 18 cadets joined the FO ranks in the FY
- ➔ 13 cadet FOs successfully completed PICUS and achieved command in the FY



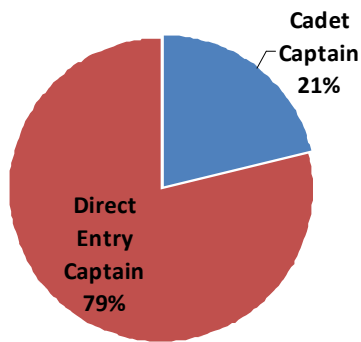


REX PILOT ATTRITION RATE

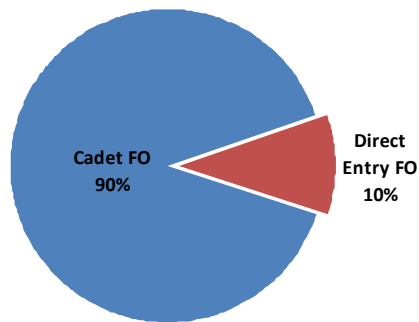


REX CADET CPT & FO

Captain Population



FO Population





SUBSEQUENT EVENTS

- Rex commenced daily RPT service Cairns - Townsville on 6 July 2015
- Air Link resumed RPT services to Cobar on 31 August 2015
- Fuel hedged for FY16 bringing additional fuel cost reduction of \$4.5M in FY16



SUBSEQUENT EVENTS

- AAPA reached agreement to train cadets for Vietnam Airlines commencing Feb 2016
- Awarded preferred tenderer to operate 2 regulated routes in WA from 28 Feb 2016
- Rex to commence services to Cooma (Snowy Mountains) from March 2016
- Pel-Air's Fast Jet contract with Australian Defence Force ceased on 1 Oct 2015



UPCOMING WA OPERATIONS



REX IN THE COMMUNITY

Rex donated over \$300K to various relief and charitable causes in FY1415:

- ✈ Heart of Australia
- ✈ Julia Creek Dirt and Dust Festival
- ✈ Royal Institute for Deaf and Blind Children
- ✈ Bush to Boarding
- ✈ Eden Whale
- ✈ Cancer Council Fundraisers



REX IN THE COMMUNITY



Jarlym Ned with his catch of the day at the Doomadgee Police Fishing Competition



DIVIDEND

In view of the

- ➔ continued morose domestic economic environment resulting in uncertain passenger demand;
- ➔ continued decline in profits;
- ➔ possible world economic slowdown; and
- ➔ need for investment for expansion in WA,

The board believes it prudent to conserve cash and consequently no dividend will be paid for FY15





DIVIDEND

The Board is committed to **significantly increase the dividend payout ratio** once the passenger numbers have shown signs of sustained recovery



PROFIT FORECAST

Headwinds:

- Weak AUD increasing engineering costs significantly
- Weak domestic economy depressing travel

Tailwinds:

- Fuel price expected to remain low
- New opportunities in QLD and WA
- AAPA benefit from world demand for pilot training





PROFIT GUIDANCE

The Group believes that the net outcome of headwinds and tailwinds is uncertain.

No profit guidance can be provided at this stage.



Q & A

**END OF
PRESENTATION**

THANK YOU





PROXY SUMMARY

AGM 2015 Proxy Results

