



**CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING
29th NOVEMBER 2016**

On behalf of the Directors and staff at Rex I am pleased to report on the results for the past Financial Year 2015/16.

Regrettably FY15/16 saw the Rex Group reporting its first statutory loss in more than a decade. Non-cash write-downs due to the loss of a Defence Contract in October 2015 were the main contributing factor. Continued deterioration in the regional economy and the weaker AUD also played a part in the Group's result. However, the Group still managed to maintain profitability in its operations with an underlying profit before tax of \$4.3M.

The year in review saw some positive and exciting new developments. Rex expanded its network by adding 2 new routes in Western Australia on the 28 February 2016, giving 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. The new operations saw the addition of 3 Saab aircraft to the fleet. Rex's commencement of Snowy Mountains (Cooma) services in March 2016 brought the total number of ports served by Rex to 58.

Pel-Air made up some of the ground lost by the end of the Defence contract by redeploing its Westwind jets for trial medivac operations in Singapore which proved successful.

On the pilot front, Rex's pilot attrition remains manageable within the year. Meanwhile, AAPA was awarded Approved Training Organisation status by the Civil Aviation Authority of Vietnam, opening the doors to foreign cadets for the second time with the arrival of the first batch of 8 cadets in the second half of the year.

Rex made progress in its negotiation with one union group which saw the ground staff EBA ratified in the first half of the year.

In the FY, Rex reached agreement with Wagga Wagga City Council to purchase a new aircraft paint hangar with a 25-year ground lease. Completion of the purchase will be done when the facility has been brought to fit-for-purpose condition.

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Whilst the Australian Economic growth remains uncertain, we believe that Rex has a strong base to weather any challenges ahead. Rex's WA operation is expected to contribute 9% of annual passenger numbers. Its fuel hedging initiative is expected to deliver an estimated \$6.5M savings to the Group. We expect strong medivac operations out of Singapore due to the number of tasking received to date. Finally, international enrolment at AAPA is expected to be increasing. We are confident that Rex will emerge stronger in this upcoming year.

The Hon John Sharp
Rex Deputy Chairman
29 November 2016

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





ANNUAL GENERAL MEETING 2016



PERFORMANCE

- ➔ First statutory loss since FY03 of \$10.7M (before tax)
- ➔ \$15M non cash write down of goodwill and assets related to cessation of Defence contract
- ➔ Business prospects continued to decline with 50% decline in operational profits
- ➔ Remained operationally profitable with Operational PBT of \$4.3M



PERFORMANCE

Group Operational Performance negatively impacted by:

- Cessation of Defence contract
- Continued deterioration of regional economy
 - \$1.2M less pax revenue in traditional network
- Over 10% deterioration of FX rate on about AUD44M of USD denominated expenses
- Mobilisation costs for new WA operations



GROUP OPERATONAL REVIEW

Rex

- Commenced daily RPT service Cairns-Townsville (Jul 2015)
- Exited Newcastle-Ballina route (Sep 2015)
- Ground Staff agreement reached (Oct 2015)
- Agreement to purchase aircraft paint hangar at Wagga Wagga (Dec 2015)
- Commenced RPT Services in Western Australia (Feb 2016)
- Commenced RPT Services Sydney-Snowy Mountains (Cooma) (Mar 2016)
- Hedged 75% of FY 17 fuel needs



GROUP OPERATIONAL REVIEW

Pel-Air

- End of the defence target towing contract (Oct 2015)
- Commenced trial medivac operations in Singapore (Dec 2015)

Airlink

- Commenced RPT services to Cobar (Aug 2015)

AAPA

- Accredited by Vietnam Civil Aviation Authority (Feb 2016)
- First batch of 8 Vietnamese cadets arrived AAPA Campus (Apr 2016)



Route Map







Updated 23 February 2016



On Time Performance

AIRLINE RELIABILITY INDEX

Airline	On Time Departure					Cancellation Rate (%)				
	FY16	FY15	FY14	FY13	FY12	FY16	FY15	FY14	FY13	FY12
 Regional Express	1 st	1 st	1 st	1 st	1 st	0.5%	0.3%	0.5%	0.7%	0.4%
 QANTASLINK	2 nd	3 rd	3 rd	3 rd	4 th	2.6%	2.1%	2.5%	2.5%	2.0%
 Virgin australia regional	3 rd	2 nd	2 nd	2 nd	3 rd	2.0%	1.4%	1.3%	2.4%	1.5%
 Skywest	N/A	N/A	N/A	4 th *	2 nd	N/A	N/A	N/A	0.2%*	0.2%

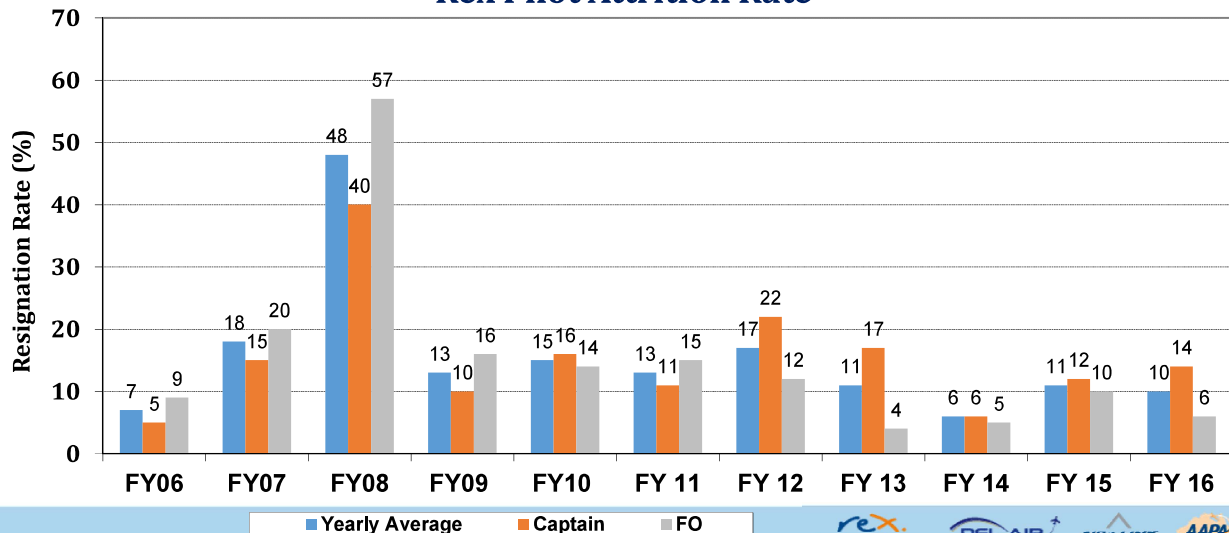
* YTD Apr 2013. Skywest rebranded as Virgin Australia Regional Airlines eff. 7 May 13



PILOT SITUATION

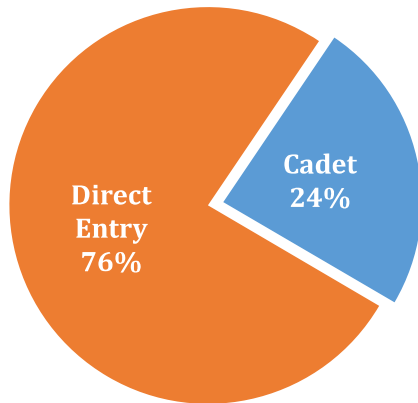
✈ Pilot attrition rate for the FY was at sustainable rate

Rex Pilot Attrition Rate

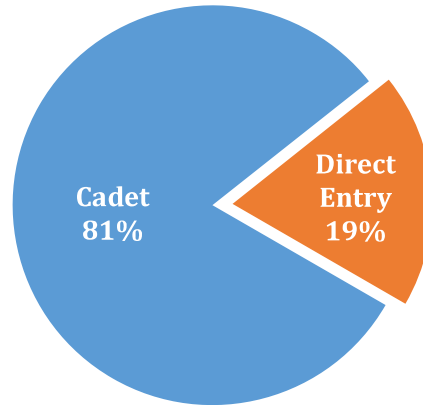


REX CADET CPT & FO POPULATION

Captain Population



FO Population



REX IN THE COMMUNITY

Rex donated over \$285K to various regional relief and charitable causes:

- Parkes Elvis Festival
- Julia Creek Dirt n Dust Festival
- Heart of Australia
- NSW Regional Woman of the Year Award
- Camp Quality Puppet Tour to King Island
- Normanton Barra Classic Fishing Competition
- Birdsville Big Red Bash
- Casino Beef Week



REX IN THE COMMUNITY



Rex Deputy Chairman the Hon. John Sharp with Rex Airlines' Regional Woman of the Year finalists, and the Hon. Pru Goward MP, Minister for Women at the NSW Women of the Year Awards 2016.



SUBSEQUENT EVENTS

- ➔ Pilot and Engineer EBA have been ratified (All EBAs now ratified)
- ➔ Expanded Cairns to Bamaga service from late October 2016
- ➔ Improved Cairns Townsville schedule including rationalised capacity from late October 2016
- ➔ Permanent Medivac Operations based out of Singapore



DIVIDEND

In view of the

- sharp decline in operating profits
- uncertain economic environment ahead

The Board recommends no final dividend. The Board remains committed to an aggressive dividend payout ratio once recovery firmly entrenched.



PROFIT FORECAST

Headwinds:

- Economic growth uncertain
- AUD on declining bias due RBA willingness to further lower rates

Tailwinds:

- Full year WA operations contributing annually 9% of passenger numbers
- Full year fuel reduction estimated to be \$6.5M
- Strong international enrolment at AAPA
- Strong medivac performance out of Singapore



PROFIT GUIDANCE

- ✈️ Rex Group expected to post stronger performance in FY17 compared to prior period
- ✈️ Unable to quantify increased profitability for the full FY - guidance to be provided at the half yearly results



Q & A

END OF PRESENTATION

THANK YOU



PROXY SUMMARY

AGM 2016 Proxy Results

