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H1 2017

Alliance Aviation Services Limited
Results Presentation
February 2017



Key Messages

“Alliance continues to deliver on its strategic goals”

Alliance Aviation Services Limited, has announced a half year result which reflects the strategy to diversify itself into a sustainable broad based aviation business. The statutory profit of \$8.7 million has been delivered with better operating cash flow, continued debt reduction and total capital expenditure of \$10.9 million.

Broad Based
Aviation Business

\$8.7m

Statutory Profit

2015: \$4.9 m

\$3.5m

Debt Reduction and
improved free cash flow



Improved Outlook for
contract flying

\$10.9m

Capital Expenditure

Four Revenue Streams



Contract Income

Long term contract flying



Wet Lease

Operating Alliance aircraft for other carriers



Charter Income

Short term income from ad-hoc requests



Aviation Services

Complementary services including leases, parts, and aircraft sales.

Revenue Analysis

Alliance has diversified itself both in terms of revenue types and geographic footprint.

- Reduced frequency in contract flying together with lower than normal charter activity has impacted the H1 results. The contract flight frequency returned to expected levels in the second quarter;
- Wet lease flying hours increased during the course of the first half;
- Charter income reflects soft industry conditions, improvement of which is not expected in the second half; and
- Aviation services continues to develop and represents a greater contribution to the financial result compared with the past.



Date: 22 MAY 2015 Name: Alpin Krupf Signature: <i>A Krupf</i>	
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RESPONSIBILITIES
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Aviation Services

A Developing Business

Alliance Aviation Services continues to develop a range of services and facilities. This offering originates from the technical expertise which exists in the Alliance business plus the ability to leverage the inventory acquired as part of the purchase of the Austrian Airlines AG Fokker fleet.



Sales

The sale of individual parts and aircraft. Includes the breakdown of aircraft.



Leases

The lease of aircraft, engines and major aircraft components.



Service

Management of maintenance and refurbishment and delivery of aircraft and parts.

Consistent Strategy of Diversification

Continuing on the same path and strategy



\$8.7m

Statutory Profit

Profitable

Diversification into a broad based aviation business will provide sustainable returns. Aviation Services income compliments, supports and is a core part of the Alliance business.



Renewals

2 Material Contracts

Long Term Contracts

Contract Income remains the largest part of the business. Alliance continues to renew and retain existing contracts. In the current half both CITIC Pacific Mining and Newcrest have been retained.



\$17.1m

Operating Cashflow

Cash Flow & Debt

Debt Reduction is a key strategy and improved cash liquidity has been a focus. This continues with a further \$3.5m debt reduction in the first half.

Outcomes

Key Measures



The Financial Numbers

For the six months ended December 2016



Financial Statements

The financial position of Alliance as at 31 December 2016 has improved compared with 30 June 2016.

Detail	31 December 2016	31 December 2015	31 December 2014
Average aircraft in service	26	26	27
Flight Hours – contracted/charter	10,392	11,392	11,792
Flight Hours – wet lease	1,702	472	343
Total Flight Hours	12,094	11,894	12,135
Average Staff Numbers	436	429	510
Revenue per employee (\$k)	235	217	206
Contract % of Total Revenue	73%	86%	86%

Alliance Aviation Services - Income Statement

	1HFY17	1HFY16	%
(\$ in millions)	Actual	Actual	pcp Change
Revenue			
Contract Revenue	75.1	82.8	(9%)
Charter / ACMI	9.1	8.1	12%
Aviation Services	16.9	0.2	-
Other	1.4	1.8	
Total revenue	102.5	92.9	10%
Operating expenses	(79.5)	(73.6)	
EBITDA	23.0	19.3	19%
Margin %	22.4%	20.8%	
Depreciation	(12.4)	(11.5)	
EBIT	10.6	7.8	36%
Margin %	10.3%	8.4%	
Finance costs	(2.1)	(2.4)	
FX Costs	0.2	(0.5)	
Income tax	-	-	
NPAT	8.7	4.9	78%
EPS	7.2	4.5	58%

Alliance Aviation Services - Cash Flow Statement

	1HFY17	1HFY16
(\$ in millions)		
Receipts from customers (inclusive of GST)	111.5	106.0
Payments to suppliers (inclusive of GST)	(92.2)	(88.6)
Net interest paid	(2.1)	(2.4)
Income tax paid	-	-
Net cash inflow (outflow) from operating activities	17.2	15.0
Net payments for aircraft, property, plant & equipment	(7.3)	(12.3)
Free Cash Flow	9.9	2.7
Net proceeds from issue of shares	-	-
Payments to existing shareholders for companies	-	-
Proceeds from borrowings	-	6.2
Repayment of borrowings	(3.5)	(7.5)
Dividends paid	(1.9)	-
Net cash inflow (outflow) from financing activities	(5.4)	(1.3)
Net increase (decrease) in cash & cash equivalents	4.5	1.4
Cash & cash equivalents at the beginning of period	2.1	0.6
Cash & cash equivalents at the end of the half year	6.6	2.0

Observations:

- Total revenue in the half increased as a result of the continued development of the aviation services part of the business;
- Contract revenue decreased because of frequency in the first quarter. Frequency returned in the second quarter;
- Cashflow from operations again improved. Invested in further debt reduction;
- Debt has reduced by 9% over the past 12 months;
- PP&E has decreased which will be reflected in depreciation in future periods; and
- Inventory has increased as a result of further settlements of the Austrian Aircraft fleet acquisition.

Alliance Aviation Services - Statement of Financial Position

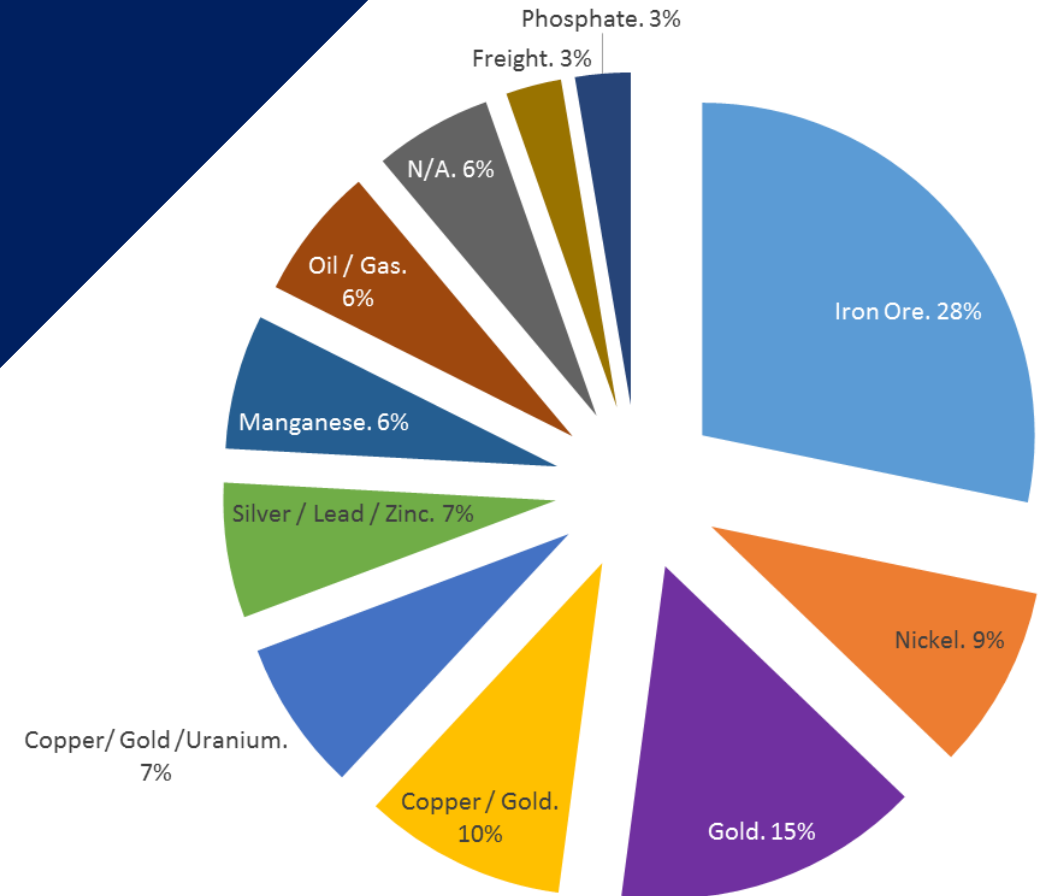
(\$ in millions)	31-Dec-16	30-Jun-16	31-Dec-15
Cash	6.6	2.1	2.0
Receivables	26.9	28.7	32.6
Inventory	40.7	37.1	29.8
Total current assets	74.2	67.9	64.4
PP&E	167.1	168.5	170.1
Deferred tax asset	0.1	0.0	–
Total non-current assets	167.1	168.5	170.1
Total assets	241.4	236.4	234.5
Trade & other payables	24.1	22.9	25.9
Borrowings	11.9	11.3	12.0
Current tax liabilities	0.1	0.1	–
Provisions / other	5.6	5.2	4.6
Total current liabilities	41.6	39.4	42.6
Borrowings	64.5	68.5	71.9
Deferred tax liability	–	–	–
Provisions / other	1.3	1.5	1.5
Total non-current liabilities	65.8	70.0	73.4
Total liabilities	107.5	109.5	116.0
Net assets	133.9	127.0	118.5

Contracts – Commodity Exposure

Broad Commodity Exposure, the contract flying for Alliance is spread across a number of material contracts and across a wide and diverse commodity exposure.

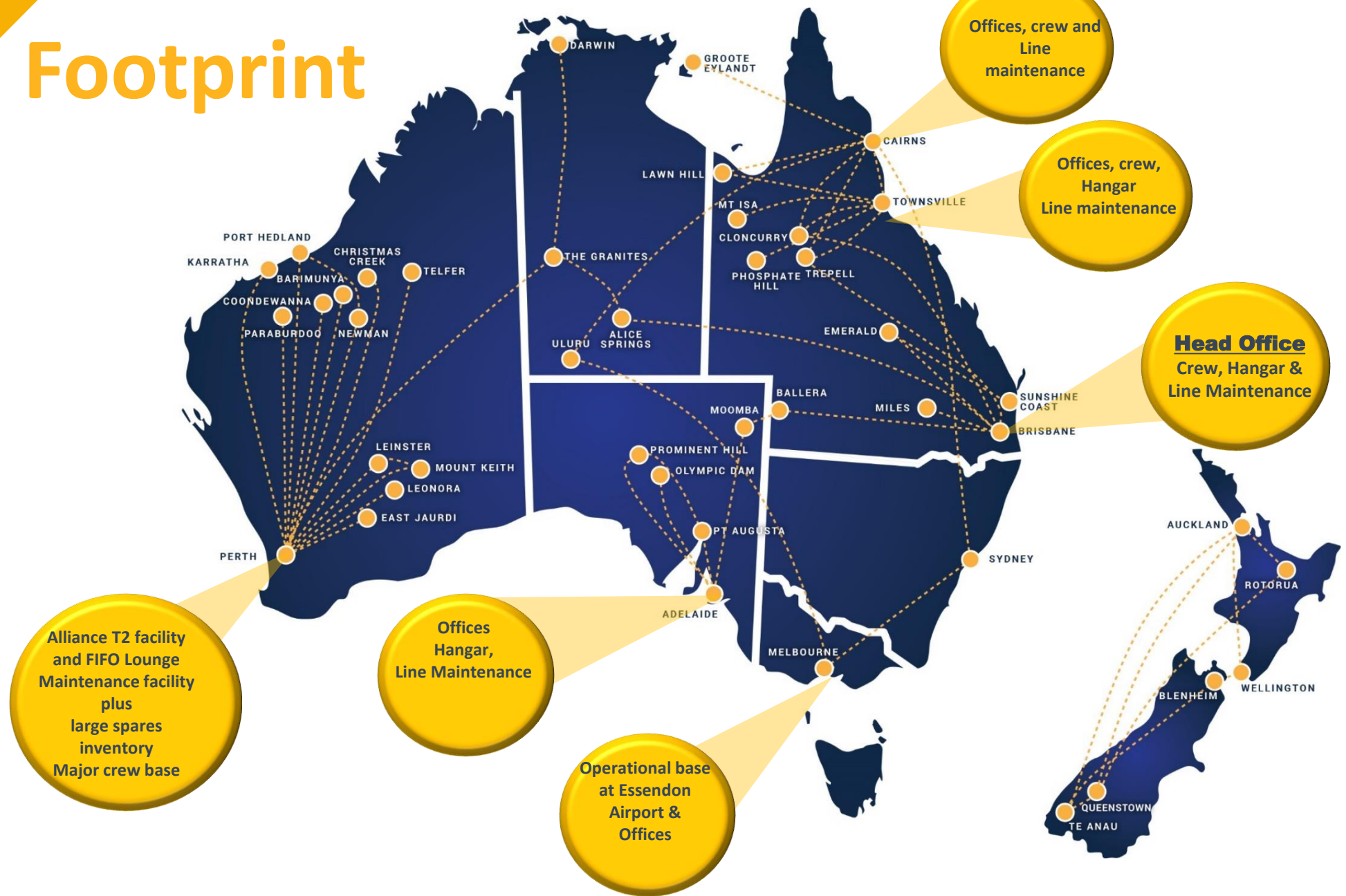
All of the resource mines that Alliance are exposed to are 'blue chip' miners in production.

The attached diagram outlines Alliance's exposure across the top 15 contracts.



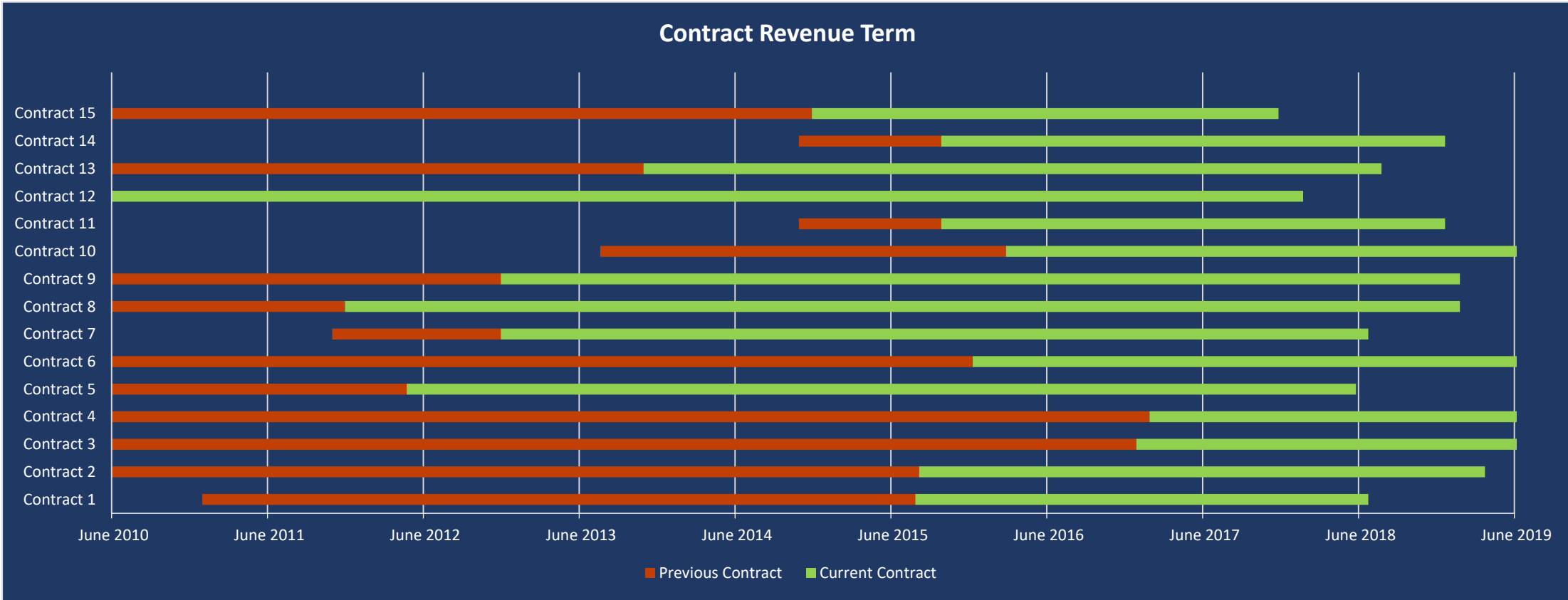
Footprint

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Customer Relationships

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Operational Excellence

- Australia's most experienced and resourced F100/70 operator;
- IOSA and Wyvern certified and BARS Gold Recognised;
- Substantial holdings of spare parts enhances aircraft reliability and extends economic life;
- Focus on sustainable employee costs and efficiency; and
- An improved engineering cost base.

Fleet
owned
outright

Industry leading on time
performance record
An invaluable Asset



Outlook

Stability, Alliance retains the stable outlook. The first half generally contributes less than the second half.

- Less contract flying hours in the first quarter which returned in the second quarter;
- Resources sector demonstrating early signs of recovery which should benefit Alliance;
- Wet lease income has improved and continues to provide opportunity; Charter opportunities industry wide are limited;
- Alliance continues discussions with Tourism operators for the future; and
- Aviation services opportunities will continue as the remainder of the aircraft from the fleet project are delivered.

Fixed cost base, Alliance is a business that has a large fixed cost base. Considering the strategy adopted, any upturn in contract flying hours would have a significant positive impact on the income statement.

Dividend, The Directors have resolved that no interim dividend will be paid as the business continues with debt reduction and to invest in future growth. The payment of a year end dividend will be considered towards the end of the financial year.

Diversification, Alliance has over the past 2-3 years maintained and delivered on its strategy in challenging economic conditions. It has developed the foundations for the future including a diversified revenue base, a lower capital and engineering cost base together with lower debt. This is all built on reliability and customer service.

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