Alliance

Alliance Aviation Services Limited
A.C.N. 153 361 525

PO Box 1126
EAGLE FARM QLD 4009

Telephone
+61 7 3212 1201

Facsimile
+61 7 3212 1522
www.allianceairlines.com.au

Alliance Aviation Services Limited (ASX code: AQZ)

2018 Annual General Meeting

Chairman's Address

The 2018 year was a rewarding and productive year for Alliance as the Company continued to maintain and develop further its policy of being a fully integrated and diverse aviation services company.

The highlights of 2018 included;

- An increase in profit before tax to $26.1 million;
- An increase in the Company's flying hours by 35% to 34,612 hours;
- Net debt continued to decline to an historical low of $53.4 million;
- A record full year 2018 dividend payment of 8.8 cents per share; and
- An increase in the share price from $0.97 to $1.93 as at 30 June 2018.

The Directors, management and employees of Alliance have delivered a result that is in line with the strategic goals of the Company.

The 2018 result also highlights the significance of the 2015 Austrian aircraft acquisition which enabled Alliance to increase its operating fleet in 2018 to satisfy the increasing capacity demand experienced across all revenue flying activities. Scott will talk further on the operating fleet in a few moments.

Alliance prides itself on its aircraft reliability and operational performance, as it is this that sets us apart from our competitors. In 2018 the company continued to be the industry leader with on-time performance remaining at 95%.

Over the last few years a level of expansion capital has been required by the Company to fulfil its strategic goals. The majority of this capital has been sourced from the working capital of the Company. It has been pleasing that over these same years the Directors were able to re-instate the payment of dividends in 2016, continuing in 2017, with 2018 seeing the re-instatement of an interim dividend, followed by the final dividend being declared at a record level.

Feedback from our shareholders on the 2018 dividend payout has been very positive. A number of our shareholders have questioned what the capital management structure of the Company will look like in the future considering the majority of the expansion capital requirements have been met.

The Directors have reviewed the capital management structure of the Company and considered options available to the Company including share-buy backs and special dividends. The Directors have concluded it to be most appropriate, at this point in time, to increase the amount available to be distributed via normal dividends, particularly as the Company still holds a significant amount of franking credits. The Directors believe that this measure allows for the flexibility to better align the returns to shareholders with the operational and strategic objectives of the Company.

To achieve this, the Directors have agreed to amend the dividend policy so that the maximum amount that can be made available in the form of dividends changes from 60% of net profit after tax to 60% of profit before tax. The effect of this amendment will increase the potential dividends of the Company by up to 43% based on a 30% tax rate.

The amount of dividends to be declared at any time will continue to be influenced by underlying financial performance and cash flow, balance sheet and treasury risk management, working capital needs and any external investment opportunities necessary for renewal and continued growth.

The Directors wish to thank all of Alliance's shareholders for their continued support over the last 12 months.

Before I hand over to our Managing Director, Scott McMillan, I would like to personally thank the Board of Directors, the senior Management team and all the staff at Alliance for their ongoing support of the Company and its activities.

The Alliance team has achieved an exceptional result this year and once again placed the Company in a position where it can continue to grow and create further value for our shareholders, and long term productive and sustainable employment for our staff.

Steve Padgett
Chairman