Alliance Aviation Services Limited
ACN 153 361 525 | ABN 96 153 361 525

PO Box 1126, Eagle Farm QLD 4009
T +61 7 3212 1212 | F +61 7 3212 1522
www.allianceairlines.com.au

8th February 2023

ASX RELEASE

Alliance Aviation Services Limited ("Alliance") (ASX:AQZ)

Record Hours, Rapidly Increasing Utilisation and a Return to Statutory Profitability

Key Half Year 2023 Highlights

- Statutory profit before tax: $9.5 million, up $14 million;
- Total revenue from operations: $238.5 million, up $68.4 million;
- Underlying operating cash flow of $27.4 million;
- Wet lease hours account for more than 53% of Alliance's total flying hours;
- E190 capital expansion program nearing completion with 30 aircraft now in Australia; and
- Alliance retains a positive outlook for FY2023 and beyond with significant growth resulting from further E190 deployment and increased utilisation of the total fleet.

Summary

Alliance Aviation Services Limited today announces a half year statutory profit before tax (PBT) of $9.5 million with an underlying profit before tax (PBT) of $13.2 million. The underlying adjustment of $3.7 million are one off consulting fees related to the current proposed Scheme of Arrangement pertaining to the Qantas offer and associated ACCC review.

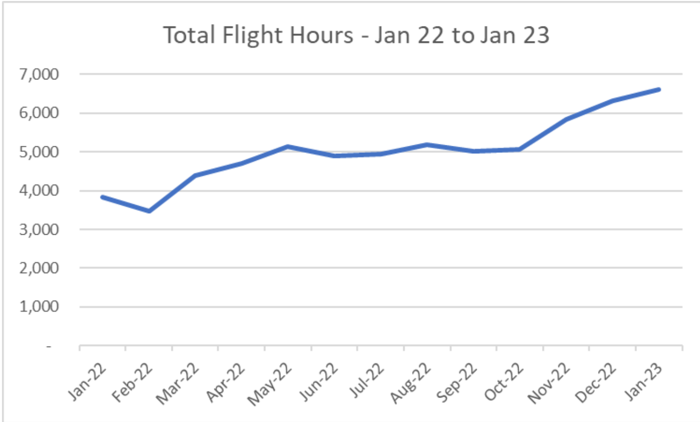
Alliance has continued to invest in recruitment and training activities throughout the first half of the 2023 financial year and has not adjusted for any of these "expansion" costs in the underlying result. Thirty E190 aircraft are now in Australia and the remaining three will be delivered in the 3rd quarter of this financial year.

Alliance's Managing Director, Scott McMillan, stated, "Alliance is being rewarded for its decision in 2020 to expand its fleet by acquiring E190 aircraft. This expansion program is now drawing to a close and we are moving to full fleet utilisation with increasing monthly profitability resulting from an increased fleet, increased aircraft utilisation, reducing one off costs (such as training and recruitment costs) and a focus on cost efficiencies."

Mr McMillan continued, "Alliance's contract charter operations continue to be the stable foundation on which Alliance's profitability is based. Growth in wet lease activity has also occurred over the last three months with wet lease hours increasing by 60% to 4,046 hours in January 2023 compared to an average of 2,532 hours per month between July and September. Higher demand for wet lease services is expected to continue into the future."

Graph showing the increase in flight hours through 2022 and into 2023.

Higher utilisation from mid-October 2022 across the fleet.



Statutory Results Overview

Metric	1HFY2023	1HFY2022	Variance
Revenue from operations	$238.5m	$170.1m	40%
Statutory EBITDA	$42.2m	$21.4m	97%
Statutory PBT	$9.5m	$(4.9)m	-
Aircraft in Service	62*	56	14%

*Includes three E190's on dry lease. Dry lease revenue is included as Other Income in the financial statements.

Contract charter revenue increased in the half year as a result of both the impact of fuel price increases on charter rates (which are passed on to our customers) and margin increases on some contracts. These increases were tempered by reduced revenue due to fewer services being provided to one major client.

Alliance retained all contracts in the period with one material renewal completed in the half-year.

Ad-hoc charter revenue decreased in the period by 24% as a number of significant shorter-term contracts were converted to longer term contracts.

Regular Passenger Transport (RPT) revenue reduced in the half year by 30% to $7.7 million as a result of Alliance continuing to on focus delivering capacity to its contract and wet lease customers.

Underlying operating cash flow for the year was $27.3 million. Although this amount is lower than the prior comparative period, it does include the continued increase costs of pilot, cabin crew and engineering training and other overhead costs.

Capital expenditure cash outflows were $55.0 million (1HFY22: $60.3 million). The Fokker fleet sustaining capital expenditure of $13.3 million was slightly below forecast and $29.2 million was expended on entry into service checks and associated costs on six E190 aircraft.

The construction of the Rockhampton maintenance facility is nearing completion with $12.5 million expended in the first half of the financial year. This expenditure has been funded from a Northern Australia Infrastructure Facility loan and the Queensland State Government Jobs and Regional Growth Fund.

Given the Company is still in the process of completing its fleet expansion and continuing to incur associated operating and capital expense requirements, the Board has opined not to pay an interim dividend.

Operational Overview

Flight Hour Type	1HFY23	2HFY22	1HFY22
Contract Charter	13,578	13,034	13,892
Ad-hoc Charter	608	1,075	871
Wet Lease	17,248	11,595	4,517
RPT	561	685	1,249
Other	370	287	314
Total	**32,365**	**26,676**	**20,843**

Wet lease hours continue to increase half on half with significant growth forecast to continue from Alliance's major wet lease customers.

Contract charter activity in the half year reduced by 2% from the prior comparative period with an individual customer recording lower activity than previous periods and an overall reduction in hours operating to Olympic Dam as a result of the move from 50 seat turboprops to 100 seat jet aircraft.

Contract charter hours did increase by 4% when compared to 2HFY2022. A number of clients increased schedules during this period, inbound tourism charters returned to Australia and there was a positive impact of the full half year effect of clients transferred across from the charter revenue stream.

The reduction in RPT hours occurred as Alliance continues to push capacity to higher utilisation contracted wet lease operations and contract charter services.

Outlook

Alliance's activity levels were moderate from July to October 2022 as there were continued crew training constraints which impacted the ability to increase flight hours. From November onwards flying activity increased significantly as the E190 jet operation benefited from the increase in available crew and the schedule increases from wet lease clients. Available crew, flying hours and aircraft utilisation are all forecast to continue to increase into the second half of FY2023 and beyond.

Alliance continues to focus on:

- Completing the last three E190 entry into service maintenance checks and ferrying the aircraft to Australia by the end of Q3FY2023.

- Deploying aircraft and crew to high utilisation contract and wet lease operations which in some instances has meant a reduction of low utilisation less profitable tourism charters. This transfer of capacity will be completed by mid-February 2023.

Alliance is providing guidance for a full year 2023 profit before tax of between $50 million to $55 million. In respect to financial year 2024, the Company is comfortable with the current consensus estimate of $77 million profit before tax.

- Ends –

This announcement has been authorised for release by Alliance Aviation Services Limited's Board of Directors.

About the Alliance Group

Alliance is Australasia's leading provider of contract, charter and allied aviation and maintenance services currently employing more than 1,163 staff.

The Company provides essential services to mining, energy, tourism, and government sectors and holds IATA's IOSA certification and Flight Safety Foundation "BARS Gold" status, the first such carrier in Australia to be so recognised.

Alliance currently owns 33 jet aircraft with three E190 aircraft are currently leased out to a third party.

Alliance has world leading operational performance, a key attribute sought by its customers.

The Company has operational bases in Brisbane, Townsville, Cairns, Adelaide, Perth, Darwin, Alice Springs and Rockhampton.

Alliance is locally owned with the majority of the Company's shareholders located in Australia or New Zealand.

For more information contact:

Marc Devine
Chief Financial Officer and Company Secretary
Alliance Aviation Services Limited

+61 (7) 3212 1201