

announcement of full-year results
company briefing
13 sept 2006



AGENDA

- ✈ FINANCIAL HIGHLIGHTS
- ✈ OPERATIONS HIGHLIGHTS
- ✈ INCOME STATEMENT REVIEW
- ✈ BALANCE SHEET REVIEW
- ✈ KEY PERFORMANCE INDICATORS
- ✈ OPERATIONAL REVIEW
- ✈ AIRLINES COMPARATIVE PERFORMANCE
- ✈ OUTLOOK



GROUP

FINANCIAL HIGHLIGHTS



STRONG EARNINGS

- Revenue grew by 20% to \$174M
- Profit after tax up by 141% to \$15.7M
 - Introduction of employee profit share and share gift of approximately \$2.5M
- Before tax profit margin doubled to 12.6%



HEALTHY BALANCE SHEET

- Cash balance of \$23.6M
- Current ratio improved to 1.2
- Total assets > \$100M
- No interest-bearing debt
- Equity tripled to \$68.8M



SUPERIOR RETURN

- Return on average equity of 34.5%
- Return on average total assets of 20.2%
- PE of 6.6



GROUP

OPERATIONS HIGHLIGHTS

→ **STRONG MARKET POSITION**

- Passenger traffic rose by 15% to 1,195,000 passengers
- Increased activity in South Australia
- Sole operator in 30 of total 38 routes

→ **OUTSTANDING SERVICE LEVELS**

- Highest overall on time departure
- Lowest flight cancellations

→ **IMPROVED EFFICIENCIES**

- Productivity savings of \$3.0M
- Despite fuel price hikes, cost increase lagged behind revenue growth
- Effective cost management resulting in savings passed on to customers by way of lower fares
- Cost/ASK increased marginally by 1.8% to 22.6 cents.
Excluding fuel, Cost/ASK declined by 2.1% to 18.6 cents



GROUP INCOME STATEMENT REVIEW

	FY06* \$M	FY05 \$M	Change
Passenger Revenue	166.2	139.8	+19%
Total Revenue	174.3	144.7	+20%
Fuel Cost	27.4	19.7	+40%
Other Costs & Expenses	127.0	115.8	+10%
Profit After Tax	15.7	6.5	+141%

*FY06 includes Air Link's results from Dec 05



GROUP INCOME STATEMENT REVIEW

- Revenue increase of +20% (\$29.6M) due to:
- Passenger growth of 15%
 - Average fare (incl. fuel levy) +3%

	FY06	FY05	Change
Rex Passengers	1,174,000	1,038,000	+13%
Air Link Passengers	21,344	N/A	N/A
Total Passengers	1,195,344	1,038,000	+15%



GROUP INCOME STATEMENT REVIEW

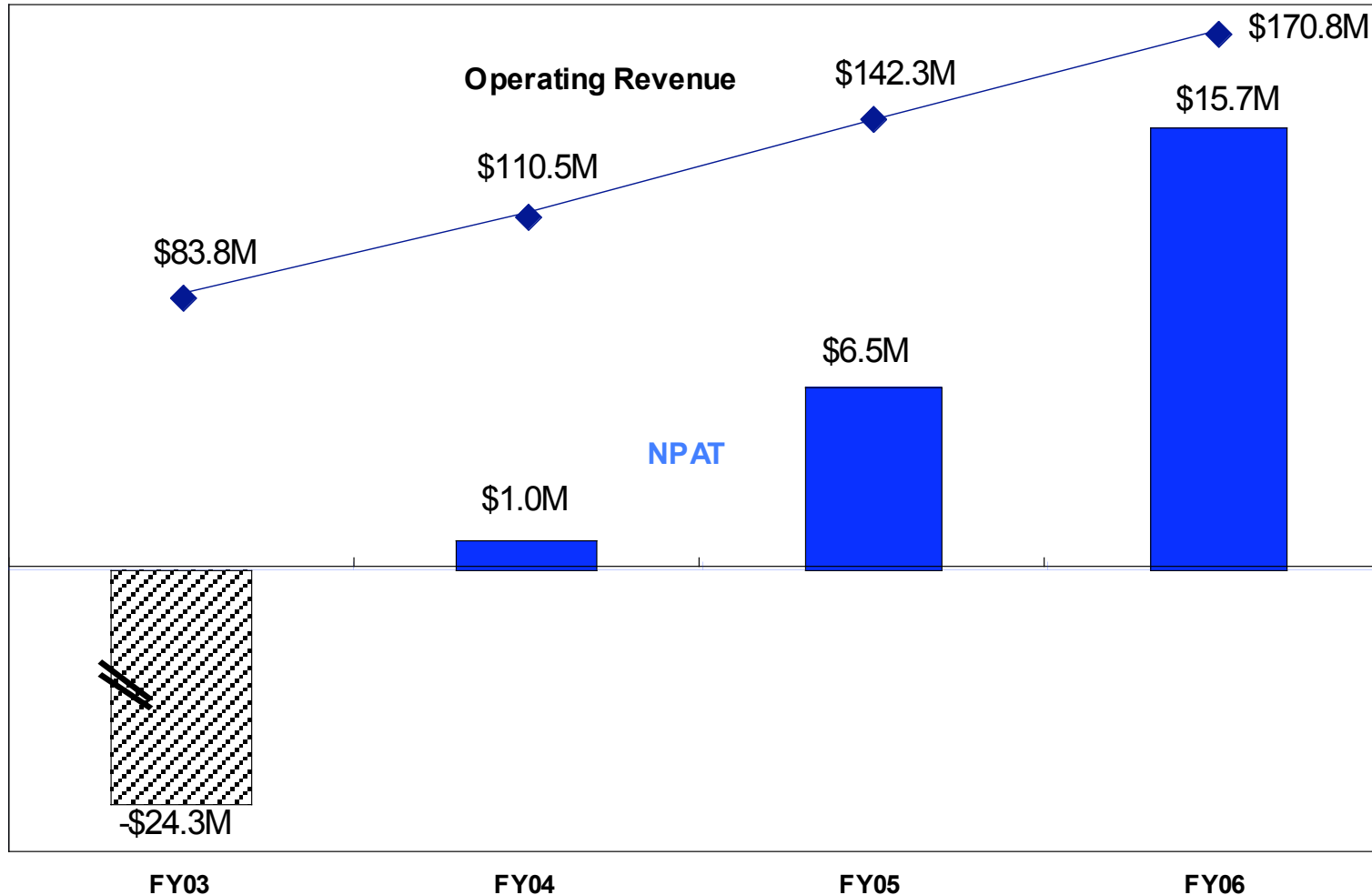
➔ Total cost & expenses up by 14% (\$19M) mainly due to:

	Group \$M	Rex \$M	Air Link \$M
Fuel	+7.8	+7.0	0.8
Engineering & Maintenance	+3.6	+2.6	1.0
Salaries & Employee Related Costs	+6.3	+5.3*	1.0
Selling & Marketing	-2.7	-2.8	0.1

*Included employee profit share and share gift of \$2.5M
(The above includes Air Link's activity from Dec 05 only)



GROUP OPERATING REVENUE & PROFIT TREND



* Operating revenue excludes proceeds from sale of assets, associated WDV of assets sold and share of income from associate



GROUP BALANCE SHEET REVIEW

As at 30 June	FY06 \$M	FY05 \$M	Change
Current Assets	36.3	19.4	+87%
Non Current Assets	64.0	35.9	+78%
Total Assets	100.3	55.2	+82%
Current Liabilities	30.0	26.7	+12%
Non-current Liabilities	1.4	6.1	-77%
Total Liabilities	31.5	32.8	-4%
Total Equity	68.8	22.4	+207%



- ➔ **Current assets increased by \$16.9M mainly due to:**
 - Cash and cash equivalent +\$19M
 - Partly offset by fall in receivable -\$3.2M

- ➔ **Current liabilities up by \$3.3M mainly due to:**
 - Payables +\$1.7M
 - Income tax +\$1.9M



- ➔ **Non-current assets increased by \$28.2M mainly due to:**
 - Investment in associate +\$14.3M
 - Aircraft and other PP&E +\$16.7M
 - Partly offset by deferred tax assets -\$3.5M

- ➔ **Non-current liabilities down by \$4.6M mainly due to:**
 - Repayment of loans \$4.1M

- ➔ **Equity rose by \$46.4M mainly due to:**
 - Share issue +\$32.0M
 - Retained earnings +\$15.7M



KEY PERFORMANCE INDICATORS

	FY06	FY05	Change
Before Tax Profit Margin (%)	12.6	6.3	+6.3% pts
Fuel % Total Cost	17.8	14.5	+3.3% pts
Current Ratio	1.21	0.73	+65.7%
Return on Average Equity (%)	34.5	55.8	-21.3% pts
Return on Average Total Assets (%)	20.2	14.0	+6.2% pts
P/E Ratio	6.6	NA	N/A
Net Asset Per Share (\$)	0.59	0.38	+55%



GROUP OPERATIONAL REVIEW

	FY06	FY05	Change
Passengers	1,195,344	1,038,000	+15%
ASKs (M)	684	610	+12%
Average Fare (\$)	139.1	134.6	+3.3%
(Excl. fuel levy)	(119.3)	(124.2)	(-3.9%)
Load Factor (%)	66.9	65.4	+1.5% pts
Revenue/ASK (cents)	24.2	22.8	+6%
Total cost/ASK (cents)	22.6	22.2	+1.8%
Total cost/ASK (excl. fuel) (cents)	18.6	19.0	-2.1%









GROUP

OPERATIONAL REVIEW

- ➔ Traffic growth from improved schedules, increased flight frequencies and affordable pricing
- ➔ Key focus on growing capacity on existing route network by increasing frequency and upgrading aircraft size from 19 seat Metros to 34 seat Saabs
- ➔ Significant change in the competitive market position of Rex and its main rival QantasLink (8 competitive routes at beginning of year vs 5 at year end out of network of 38 routes)



AIRLINES ESTIMATED COMPARATIVE PERFORMANCE

	 Full year ended 30 June 06 (A\$M)	 Full year ended 31 Mar 06 (S\$M)	 Full year ended 31 Dec 05 (US\$M)	 Full year ended 30 June 06 (A\$M)	 9 months ended 30 June 06 (A\$M)	 Half-year ended 31 Dec 05 (A\$M)
Revenue	174	13,341	7,584	13,647	1,392	38
PBT	22	1,662	779	671	123	1
Debt/Equity*	N/A	0.13	0.30	0.88	1.15	N/A
Revenue Margin (PBT/Revenue)	12.6%	12.5%	10.3%	4.9%	8.8%	2.6%
Revenue Growth	+20%	+11%	+16%	+8.6%	+8.5%	+15%
Net Revenue Margin (NPAT/Revenue)	9.0%	9.8%	6.4%	3.5%	6.1%	0.26%
PBT Growth	+141%	-7.2%	+130%	-26.6%	+16%	+20%

* Borrowing is based on interest bearing long term debt only.



OUTLOOK

- Regional travel market (both business & leisure) expects to stay robust in FY07
- Passenger traffic is forecasted to grow from improved schedules, increased flight frequencies and affordable pricing
- Fuel price to stay firm
- Target to maintain profit margin from tighter cost management while still enhancing service level



OUTLOOK

- ➔ Expect charter and freight activities to continue to grow
- ➔ Continued emphasis on partnership arrangements with the town councils to stimulate passenger growth on the back of lower fares and better frequencies
- ➔ QantasLink withdrawal from Burnie/Melbourne reducing Qantas competitive routes from 5 to 4



**END OF PRESENTATION
THANK YOU**

