

31 DECEMBER 2008

HALF YEAR FINANCIAL REPORT



REGIONAL EXPRESS HOLDINGS LIMITED

ACN 099 547 270 (ASX Code: REX)

Appendix 4D: Results For Announcement To The Market
& Half Year Financial Report
For The Half-Year Ended 31 December 2008

ASX APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 Dec 2008 \$M	31 Dec 2007 \$M	Change \$M	Change %
Revenue	135.8	128.9	6.9	5.4
Profit from ordinary activities after tax attributable to members	10.5	10.3	0.2	1.9
Net profit for the period attributable to members	10.5	10.3	0.2	1.9

	Amount per share	Franked amount per share
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Record date for determining entitlements	NA	NA

	31 Dec 2008 \$	31 Dec 2007 \$
Net tangible assets per ordinary share	0.93	0.81

EXPLANATION OF RESULTS

The first half of the financial year saw a reduction in Available Seat Kilometres (ASKs) by 7.1% in response to the severe shortage of pilots in the earlier part of the period. This reduction in ASK was the main reason for the reduction in passenger numbers of 8.9% although the higher levies imposed due to the high fuel prices and exchange rate volatility also contributed to dampening demand. Yields improved significantly in the period as a result of the constrained demand and resulted in the Group's revenue increasing by 5.4% to \$135.8M.

Total costs over this period also increased 5.2% to \$121.3M. This was mainly due to fuel costs which increased 16.1% year on year by \$3.5M and manpower costs which increased 9.6% to \$3.6M.

The increase in manpower is attributable to (i) 4% increase in the number of full time equivalents employed, (ii) CPI adjustments of 2.5% to all salaries and (iii) some additional provisions made over the period. These provisions amounted to \$1.3M for expected increases in costs with the new employee Enterprise Bargaining Agreements, the Company's Profit Share, Employee Share Gift and other bonus schemes.

The Group also recorded a one-off gain of \$0.4M from the sale of a Saab 340A aircraft.

The Group's Profit Before Tax for the period increased 6.7% year on year to \$14.4M, however FY 2009's Profit After Tax for the period increased only 1.9% to \$10.5M compared to FY 2008. This is due to the recognition of a tax overprovision in FY 2007 thereby reducing the taxable amount by \$0.4M in the half year period of FY 2008.

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DIRECTORS' REPORT

The directors of Regional Express Holdings Limited submit herewith the financial report for the half year ended 31 December 2008.

The names and details of the Company's directors in office during the half year and until the date of this report are as below:

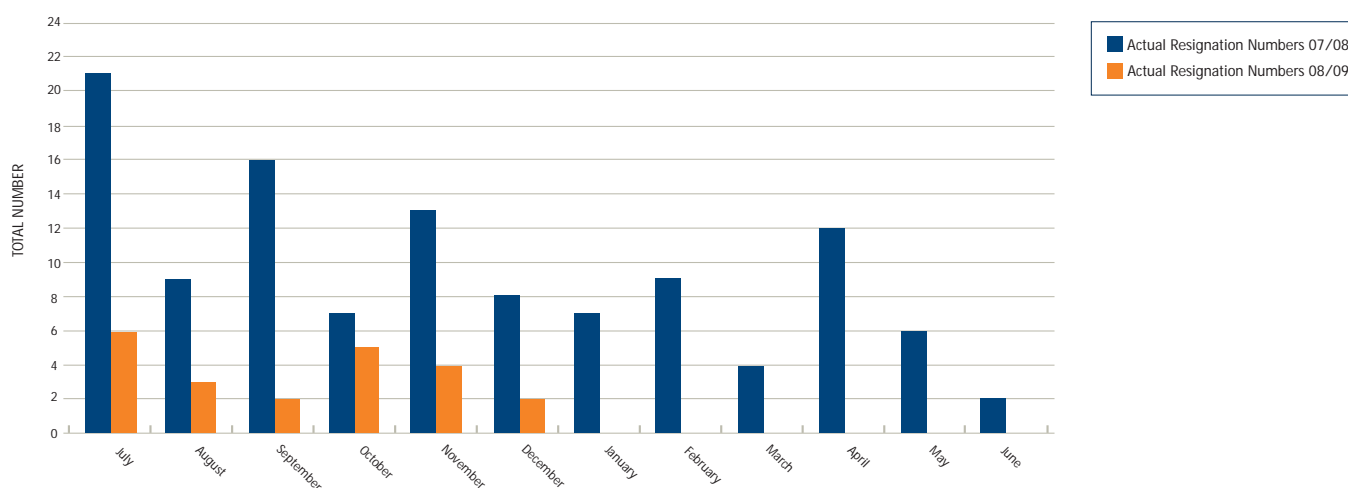
Name	Title
Lim Kim Hai	Executive Chairman
The Hon. John Sharp	Deputy Chairman and Independent Director
James Davis	Managing Director
Russell Hodge	Independent Director
David Miller	Director and Chief Executive Officer, Air Link Pty Ltd
Lee Thian Soo	Non-Executive Director

REVIEW OF OPERATIONS

Summary Review

The period saw a dramatic easing of the pilot shortage as airlines in Australia and around the world curtailed their expansion plans in the midst of the global economic crisis. Ironically, this was of benefit to Rex as training expenses were greatly reduced and pilot numbers started to recover to normal levels by the end of the period. Pilot attrition for the six months was just under 9% compared with over 60% in the first half of FY 2008. As a result, December saw On Time Performance improving with cancellations running at just 0.4% down from the 2% faced in many of the earlier months.

Rex Pilot Resignations FY 2008 and FY 2009 to Date



The Rex Cadet Scheme established in December 2007 continued to bear fruit with graduates from the first pilot cadet course joining the airline in October. A third cadet intake commenced in October bringing the total number of cadets in the scheme so far to 45. While the need for pilot cadets has reduced due to the lower attrition rate, Rex still plans to enrol a steady stream of cadets every year to ensure a stable supply of pilots for the future.

In response to the shortage of pilots earlier in the period, Rex cut capacity by 7.1%. This helped to increase yields and despite a fall in passenger numbers of 8.9%, total revenue rose by \$6.9M or 5.4% for the period. Although fuel costs started to ease during the end of the period, on average they were still above those for the same period last year and showed an increase of 16.1% due to the falling barrel price being offset to some extent by a weakening Australian dollar. This increase was covered by the fuel levy that remained largely unchanged except for a \$4 reduction in August.

December saw Air Link exit RPT operations in order to concentrate on charter work. The thin Air Link routes from Dubbo to western NSW were becoming harder to sustain with its aging piston engine fleet and the Federal Government's announcement that it would phase out the en route navigation charge rebate applicable to regional airlines, made any long term investment in these routes uneconomical. The majority of Air Link's passengers were carried on the Dubbo/Sydney and Bathurst/Sydney routes and these were accommodated on upgraded Rex Saab 340 services.

Pel-Air's freight operations saw significant change with the introduction of the first two Saab freighter aircraft, which were converted totally in-house at the Rex maintenance facility in Wagga Wagga. The Saab aircraft type was successfully added to Pel-Air's Air Operator's Certificate during the period and 29 December saw the first scheduled Saab freight service commence with Australian Air Express. Medivac operations increased considerably with the new base in Perth starting to show good results and a general increase in overall activity. Revenue from medivac operations for the period increased by 56% to \$3.9M.

In line with its policy of owning aircraft where possible, Rex purchased four Saab 340B aircraft off lease in October using cash reserves. The period also saw an additional three of the newer Saab 340B Plus aircraft, part of the 25 in the programme, being introduced into service. These new aircraft allowed Rex to continue phasing out its first generation Saab 340A models and three were taken out of service in the period with one being sold and two being converted to freighters for Pel-Air.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

Summary Review (Continued)

The new maintenance hangar in Adelaide was completed in October. This was built at a cost of \$2.9M and was funded entirely out of cash reserves. The hangar represents a very significant increase in maintenance capability and will provide Rex with the ability to expand its maintenance operations as required for many years into the future.



The share buy-back continued with Rex ending the period with 114.7M shares compared to 120.0M as at the start of FY 2008. This contributed is equivalent to a 5.2% reduction of the share base. During the period, Rex also purchased shares in Virgin Blue Holdings Limited (VBA) with the intention of holding a strategic stake in the airline. As at 31 December 2008, Rex held 19,092,701 VBA shares.

Despite the reduction in passenger numbers due to capacity cuts and higher yields caused by fuel costs and USD exchange rate pressures, Rex managed to achieve by an increase in Group Profit Before Tax from \$13.5M to \$14.4M for the half year. This was accomplished by controlling non fuel-related expenses and by an increased focus on efficient capacity and yield management. Given the current state of the industry where many airlines are making a loss or seeing their profits drastically cut, this is a particularly pleasing result and is a testament to the years of hard work in setting the company up on strong foundations.

Key Performance Indicators Table (Passenger Service Only)

	1H FY 2009	1H FY 2008	Change
Passengers	703,725	772,837	-8.9%
ASKs (M)	389	419	-7.1%
Load Factor (%)	68.1	68.4	-0.3% pts
Passenger Revenue/ASK (cents)	28.9	25.3	+14.2%
Total pax cost/ASK (cents) (Excl. fuel)	26.8 (21.1)	23.6 (19.2)	+13.5% (+9.9%)
Fuel % Total Cost	20.8	18.8	+2.0% pts

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

Route Network Developments

Regional Express commenced FY 2009 with consolidated network capacity on the back of FY 2008 that was largely influenced by the pilot shortage.

In August 2008, Rex increased frequency between Port Lincoln and Adelaide in conjunction with a renewed partnership agreement with the District Council of the Lower Eyre Peninsula. The increase in frequency was in stark contrast to the broader network developments that globally saw available seat kilometres fall by 7.1%, highlighting the benefits of working in partnership with the local council and airport owner.

In November 2008, Rex exited the Mildura to Sydney route. This followed the commencement of Virgin Blue on the Mildura to Melbourne route that resulted in an oversupply of capacity to the entire market. Rex had commenced the Mildura to Sydney route in 2002, however it had been a marginal performer and the changed Mildura market dynamics was the catalyst to exit.

Subsequent to the Mildura to Sydney exit and on the back of establishing a renewed partnership with the Griffith City Council, Rex redeployed the Mildura to Sydney resources into the City of Griffith. This saw an increase in peak business time frequency between Griffith and Sydney resulting in two Saab 340 aircraft over-nighting in Griffith to facilitate dual peak a.m. and p.m. services, much to the benefit of Griffith and surrounding region.

In late December 2008, the Air Link Beech 1900D aircraft was removed from regular passenger services and replaced with Rex Saab 340 services on the Dubbo to Sydney and Bathurst to Sydney routes, delivering single fleet type efficiencies, capacity increases and timetable improvements to both Dubbo and Bathurst. Air Link also exited the marginal, non-subsidised, piston-engine aircraft operated routes that linked Dubbo to Bourke, Cobar, Coonamble, Lightning Ridge and Walgett, in addition to the direct service between Mudgee and Sydney.

Fleet Changes

	Saab 340A Owned	Saab 340B Owned	Saab 340B Leased	Saab 340B Plus Leased	Total Owned	Total Leased	Total Fleet
As at 31 Dec 08	6	17	5	13	23	18	41
As at 30 Jun 08	7	14	9	11	21	20	41

During the reporting period, Rex converted two Saab 340A aircraft to freighter configuration and transferred them to Pel-Air operations. A further one Saab 340A aircraft was sold offshore. Four Saab 340B aircraft were purchased at the end of lease and one Saab 340B aircraft was parted out. An additional two leased Saab 340B Plus aircraft were added to the fleet, with 12 more Saab 340B Plus aircraft to be added over the next 18 months.

Community, Environment and Service Standards

The reduction in pilot attrition has greatly improved Rex's on time performance and cancellation rate. The BITRE statistics for December 08 reflected that Rex was the airline with the lowest cancellation rate for the month.

For the second year running, Rex was named "Regional Airline of the Year" by the Centre for Asia Pacific Aviation (CAPA) for 2008. This award recognises Aviation Excellence and was awarded to Rex as the regional airline that had the most significant impact, shown strategic leadership and demonstrated innovation in regional aviation.

Rex continued to play a role in the community, contributing to a variety of worthy causes. During the first half of FY 2008, Rex sponsored a total of 550 flights for various community events and charities worth a face value of \$0.2M.

Rex is registered under the Government's Energy Efficiency Opportunities programme and under the National Greenhouse and Energy Reporting Act. Initiatives undertaken during the period focused on weight reduction in aircraft and further optimising fuel consumption to reduce the company's carbon footprint.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 9 of the half year report.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink that reads "James Davis". The signature is written in a cursive, flowing style.

James Davis
Managing Director
Sydney, 18 February 2009

AUDITORS' INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Regional Express Holdings Limited
81 – 83 Baxter Road
MASCOT NSW 2020

18 February 2009

Dear Board Members

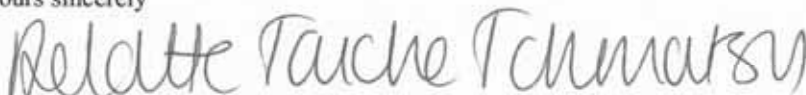
Regional Express Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Regional Express Holdings Limited.

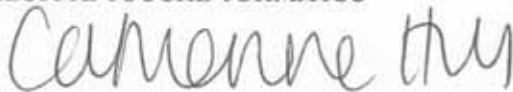
As lead audit partner for the review of the financial statements of Regional Express Holdings Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Catherine Hill
Partner
Chartered Accountant

Member of
Deloitte Touche Tohmatsu



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Independent Auditor's Review Report to the members of Regional Express Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Regional Express Holdings Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement and statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Regional Express Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Member of
Deloitte Touche Tohmatsu

INDEPENDENT AUDITOR'S REVIEW REPORT

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Regional Express Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Catherine Hill
Partner
Chartered Accountants
Sydney, 18 February 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

HALF YEAR ENDED

	Note	31 Dec 2008 \$'000	31 Dec 2007 \$'000
CONTINUING OPERATIONS			
Passenger revenue		110,869	106,218
Freight revenue		490	466
Charter revenue		19,761	19,798
Other passenger services and amenities		1,102	482
Finance revenue		439	687
Other income		3,111	1,210
TOTAL REVENUE AND OTHER INCOME		135,772	128,861
COSTS AND EXPENSES			
Flight and port operations costs (excluding fuel)		(26,190)	(23,886)
Fuel costs		(25,207)	(21,738)
Salaries & employee-related costs	3(a)	(40,822)	(37,252)
Selling and marketing costs		(3,288)	(4,932)
Engineering and maintenance costs		(16,762)	(19,295)
Office and general administration costs		(3,349)	(3,435)
Finance costs		(112)	(194)
Depreciation & amortization		(4,485)	(3,977)
Other expenses		(1,188)	(631)
TOTAL COSTS AND EXPENSES		(121,403)	(115,340)
Share of profits/(losses) of associate		-	(13)
PROFIT BEFORE INCOME TAX		14,369	13,508
Income tax expense		(3,850)	(3,174)
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		10,519	10,334
EARNINGS PER SHARE (CENTS PER SHARE)			
Basic earnings per share		9.25	8.64
Diluted earnings per share		9.25	8.63

Notes to the financial statements are included on pages 16 to 17.

CONDENSED CONSOLIDATED BALANCE SHEET

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	CONSOLIDATED	
		31 Dec 2008 \$'000	30 June 2008 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,747	15,140
Trade and other receivables		12,873	16,459
Available for sale investments carried at fair value - shares		5,554	-
Inventories		7,185	6,719
Total current assets		27,359	38,318
Non-current assets			
Other financial assets		11	11
Deferred tax assets		2,925	3,285
Property, plant and equipment			
Aircraft		82,329	75,433
Other property, plant and equipment		43,375	39,973
Goodwill and intangible assets		7,340	7,363
Total non-current assets		135,980	126,065
TOTAL ASSETS		163,339	164,383
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		18,573	16,286
Unearned revenue		14,762	17,801
Borrowings		4,570	1,818
Income tax payable		1,287	3,803
Provisions		7,022	7,014
Other financial liabilities		-	672
Other liabilities		66	288
Total current liabilities		46,280	47,682
Non-current liabilities			
Borrowings		773	1,657
Provisions		577	375
Deferred tax liabilities		2,281	2,016
Total non-current liabilities		3,631	4,048
TOTAL LIABILITIES		49,911	51,730
NET ASSETS		113,428	112,653
EQUITY			
Issued capital	5	76,155	78,608
Reserved shares		(3,232)	(3,427)
Retained earnings		38,651	35,807
Share-based payments reserve		264	545
Other reserves		1,590	1,120
TOTAL EQUITY		113,248	112,653

Notes to the financial statements are included on pages 16 to 17.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

HALF YEAR ENDED

Note	31 Dec 2008 \$'000	31 Dec 2007 \$'000
Cash flows from operating activities		
Receipts from customers	147,861	142,337
Payments to suppliers and employees	(126,610)	(122,632)
Interest and other costs of finance paid	(112)	(194)
Income tax paid	(5,943)	(867)
Net cash flows from operating activities	15,196	18,644
Cash flows from investing activities		
Interest received	439	687
Proceeds from sale of property, plant and equipment	1,437	292
Purchase of property, plant and equipment	(15,984)	(7,527)
Loan to associate	-	(1,000)
Purchase of financial assets	(5,742)	-
Payment for intangibles	-	(33)
Net cash flows used in investing activities	(19,850)	(7,581)
Cash flows from financing activities		
Dividends paid	(7,675)	(7,986)
Proceeds from issues of ordinary shares from options	-	666
Share buy-back	(2,453)	-
Purchase of reserved shares	(479)	(1,560)
Repayment from borrowings - non related parties	(966)	(1,361)
Net cash flows from financing activities	(11,573)	(10,241)
Net (decrease)/increase in cash and cash equivalents	(16,227)	822
Effect of FX on cash balances	-	3
Cash and cash equivalents at the beginning of the period	15,140	18,617
Cash and cash equivalents at the end of the period	(1,087)	19,442

Notes to the financial statements are included on pages 16 to 17.

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Issued capital	Reserved shares	Retained earnings	Share-based payments reserve	Other reserves	Equity-settled employee benefits reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED							
At 1 July 2007	82,446	(963)	19,450	471	946	118	102,468
Dividends paid	-	-	(7,986)	-	-	-	(7,986)
Profit for the year	-	-	10,334	-	-	-	10,334
Share purchased under share option plan	-	(1,560)	-	-	-	-	(1,560)
Gains/(losses) on cash flow hedges	-	-	-	-	235	-	235
Deferred tax effect on cash flow hedges	-	-	-	-	87	-	87
Share gift exercised/issued	-	391	-	(471)	-	-	(80)
Share gift provision	-	-	-	275	-	-	275
Share options exercised	-	807	-	-	-	-	807
Transfer from equity-settled employee benefits reserve	-	-	-	-	118	(118)	-
At 31 December 2007	82,446	(1,325)	21,798	275	1,386	-	104,580
At 1 July 2008	78,608	(3,427)	35,807	545	1,120	-	112,653
Dividends paid	-	-	(7,675)	-	-	-	(7,675)
Profit for the year	-	-	10,519	-	-	-	10,519
Share buy-back	(2,453)	-	-	-	-	-	(2,453)
Share purchased as reserve shares	-	(479)	-	-	-	-	(479)
Gains/(losses) on cash flow hedges	-	-	-	-	672	-	672
Deferred tax effect on cash flow hedges	-	-	-	-	(202)	-	(202)
Share gift exercised/issued	-	674	-	(674)	-	-	-
Share gift provision	-	-	-	393	-	-	393
At 31 December 2008	76,155	(3,232)	38,651	264	1,590	-	113,428

Notes to the financial statements are included on pages 16 to 17.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half year financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half year Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year Financial Report are consistent with those adopted and disclosed in the Company's 2008 annual financial report for the financial year ended 30 June 2008.

2. SEGMENT INFORMATION

The consolidated entity continues to operate in one segment being the provision of regular public transport within South East Australia.

3. REVENUE AND EXPENSES

Specific Items

Profit before income tax expense includes the following expenses whose disclosure is relevant in explaining the performance of the entity.

	HALF YEAR ENDED	
	31 Dec 2008 \$'000	31 Dec 2007 \$'000
(a) Salaries and employee related costs		
Wages and salaries (excluding bonus – profit share scheme)	(23,366)	(21,689)
Bonus – profit share scheme	(1,408)	(902)
Workers' compensation costs	(724)	(645)
Superannuation costs	(2,291)	(2,515)
Employee share option expense	(393)	(346)
Other employee related costs	(12,640)	(11,155)
	(40,822)	(37,252)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. DIVIDENDS

	HALF YEAR ENDED			
	31 Dec 2008		31 Dec 2007	
	Cents per share	Total \$'000	Cents per share	Total \$'000
RECOGNISED AMOUNTS				
Fully paid ordinary shares				
Interim dividend	-	-	-	-
Final dividend	6.6	7,675	6.6	7,986
UNRECOGNISED AMOUNTS				
Fully paid ordinary shares				
Interim dividend	-	-	-	-
Final dividend	-	-	-	-

5. ISSUED CAPITAL

	31 Dec 2008 \$'000	31 Dec 2007 \$'000
Ordinary shares		
Issued and fully paid	76,155	82,446
Reserved shares	(3,232)	(1,325)

6. ISSUANCES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

During the half year reporting period, Regional Express Holdings Pty Limited via its trust held by Rex Investment Holdings purchased 456,909 Rex shares in an open market trade.

In the same reporting period, a total of 2,473,546 Rex shares were acquired and cancelled under the share buy-back initiative.

There were no other movements in the ordinary share capital or other issued share capital of the company in the current half year reporting period.

7. CONTINGENCIES AND COMMITMENTS

As at 31st Dec 2008, Regional Express Holdings Limited has an arrangement with Saab Aircraft Leasing to lease 12 advanced 34-seat Saab 340B Plus aircraft. Regional Express Holdings Limited will take delivery of these aircraft over the next 1.5 years.

8. SUBSEQUENT EVENTS

Regional Express Holdings Limited signed a Memorandum of Understanding to sell two Saab 340A aircraft to SprintAir S.A by the end of the current Financial Year.

Between 1 January 2009 and 5 February 2009, Rex made further share buy-backs acquiring and cancelling 505,594 shares.

Rex announced the relocation of its pilot academy Australian Airline Pilot Academy from Mangalore, Victoria to its engineering base at Wagga Wagga, NSW. For this purpose, it purchased a hangar at Wagga Wagga airport for \$1.3M and also a plot of land for \$0.3M. Phase one facilities are expected to be ready by Q3 of FY 2010.

As part of the restructuring of freight operations in Pel-Air, freight operations ceased out of Melbourne and the crew base was closed in February 2009.

DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



James Davis
Managing Director
Sydney, 18 February 2009

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REX GROUP OF COMPANIES:

