

1 JUNE 2011

**Regional Express**

## MEDIA RELEASE

### REX ANNOUNCES THIRD QUARTER RESULTS FOR FY2011

Regional Express (Rex) announced an unaudited Group Profit Before Tax (PBT) of \$15.7 million for the nine months ended 31 March 2011, representing a reduction of 9.8% from the same period last year.

In comparison to the same period in FY 2010,

- Group revenue increased by 2.8% to \$176.3 million
- Passengers carried decreased by 2.8% to 908,667
- Capacity (Available Seat Kilometre) increased by 1.8% to 560 million

The unaudited consolidated income statement and statement of financial position for that period are attached.

Commenting on the results, Rex's Executive Chairman Lim Kim Hai notes that the outcome is consistent with the profit guidance given on 20 April 2011 which showed an expected drop in PBT of 10% for the full financial year.

"The operating environment is extremely challenging with fuel price (MOPS) in the third quarter almost 20% higher than the previous period and with continued softening of passenger demand." Mr Lim said.

"The very high fuel price is making the situation quite untenable and all airlines are compelled to put in place rigorous measures to remain profitable. As foreshadowed in the earlier media release, the Rex Board has carried out a review of its network and has identified a number of routes that may not be sustainable should the situation degrade further especially in light of the Federal Government's decision to significantly reduce its contributions to regional air services throughout Australia from 1 July 2012."

The routes identified are:

- Sydney-Taree
- Sydney-Grafton
- Sydney-Moruya
- Sydney-Bathurst
- Melbourne-Griffith
- Melbourne-King Island
- Melbourne-Merimbula

Rex has started briefing some stakeholders of these communities and will provide ample notice when the final decision is made.

Regional Express (Rex) is Australia's largest independent regional airline operating a fleet of more than 40 Saab 340 aircraft on some 1,300 weekly flights to 35 destinations throughout New South Wales, Victoria, Tasmania, South Australia and Queensland. The Rex Group comprises Regional Express, air freight and charter operator Pel-Air Aviation and Dubbo-based regional airline Air Link, as well as the pilot academy Australian Airline Pilot Academy.

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**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR NINE MONTHS ENDED 31 MARCH 2011 (UNAUDITED)**

	NINE MONTHS ENDED	
	31 Mar 2011 \$'000	31 Mar 2010 \$'000
<b>Continuing operations</b>		
Passenger revenue	148,632	143,839
Freight revenue	689	667
Charter revenue	15,165	21,327
Other passenger services and amenities	1,700	1,430
Finance income	601	300
Other income	9,525	3,961
<b>Total revenue and other income</b>	<b>176,312</b>	<b>171,524</b>
Flight and port operation costs (excluding fuel, operating aircraft lease)	(29,972)	(30,010)
Fuel costs	(23,991)	(22,341)
Operating aircraft lease costs	(6,903)	(6,519)
Salaries and employee-related costs	(63,107)	(59,486)
Selling and marketing costs	(3,909)	(4,177)
Engineering and maintenance costs	(19,368)	(19,733)
Office and general administration costs	(4,765)	(4,428)
Finance costs	-	(59)
Depreciation and amortisation	(8,448)	(7,416)
Other expenses	(190)	-
<b>Total costs and expenses</b>	<b>(160,653)</b>	<b>(154,169)</b>
<b>Profit before income tax</b>	<b>15,659</b>	<b>17,355</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011 (UNAUDITED)

	Note	31 Mar 2011 \$'000	30 Jun 2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents		9,454	10,326
Trade and other receivables		11,030	9,509
Available for sale investments carried at fair value – shares		10	10
Inventories		9,889	7,744
Current tax assets		-	3,198
<b>Total current assets</b>		<b>30,383</b>	<b>30,787</b>
<b>Non-current assets</b>			
Other financial assets		1,041	1,028
Other receivables		4,149	3,932
Deferred tax assets		-	911
Property, plant and equipment			
Aircraft		111,566	106,340
Other property, plant and equipment		73,126	68,486
Goodwill and intangible assets		7,488	7,299
<b>Total non-current assets</b>		<b>197,370</b>	<b>187,996</b>
<b>Total assets</b>		<b>227,753</b>	<b>218,783</b>
<b>Current liabilities</b>			
Trade and other payables		14,811	18,267
Unearned revenue		19,890	16,432
Current tax payable		1,885	-
Provisions		6,172	6,540
Other liabilities		257	494
<b>Total current liabilities</b>		<b>43,015</b>	<b>41,733</b>
<b>Non-current liabilities</b>			
Borrowings	1	30,000	26,000
Provisions		338	427
Deferred tax liabilities		86	-
<b>Total non-current liabilities</b>		<b>30,424</b>	<b>26,427</b>
<b>Total liabilities</b>		<b>73,439</b>	<b>68,160</b>
<b>Net assets</b>		<b>154,314</b>	<b>150,623</b>
<b>Equity</b>			
Issued capital		74,659	74,659
Reserved shares		(2,358)	(2,869)
Retained earnings		79,982	75,998
Share-based payments reserve		441	533
Other reserves		1,590	2,302
<b>Total equity</b>		<b>154,314</b>	<b>150,623</b>

### Note

1. Borrowings were used to fund aircraft assets for the Air Ambulance Victoria contract.