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MEDIA RELEASE

REX PROVIDES PROFIT GUIDANCE

Regional Express (Rex) has today released its first profit guidance for FY11. Rex expects its full year Profit Before Tax to be in the region of \$23.5 million, 10% down from the previous year's result of \$26.2 million.

The Profit After Tax (PAT) will be more severely impacted with the current PAT forecast estimated to be \$17.1m, some 30% below last year's result of \$24.6 million.

Rex Executive Chairman Lim Kim Hai said that the extremely sharp increases in fuel prices and the continuing uncertainty in the economic outlook have translated into a slight weakening of passenger numbers which magnified the impact of higher fuel costs.

Commenting on the sharper drop in PAT, Mr Lim explained that in the previous financial year Rex was able to take full advantage of the Government's once-off Investment Allowance that was established to mitigate the effects of the Global Financial Crisis which provided Rex with investment-related tax benefits.

Mr Lim added, "The aviation environment this year has been extremely toxic and we have seen all the major carriers in Australia announcing significant declines in profits. Looking ahead we do not see the situation improving much with both the domestic and international economies threatened with much uncertainty and risk."

"Regional aviation in Australia is now extremely vulnerable and it does not help that the Federal Government is proceeding with plans to increase significantly the cost burden on regional carriers."

"In response to the challenging environment, Rex is reviewing its network and may have to pull out of some marginal routes. We will also have to redouble our efforts at making productivity gains and we may have to contemplate retrenchment - something we avoided even in the depths of the Global Financial Crisis."

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.

Rex Media Contact: Corporate Communications – 0402 438 361

