



Alliance Aviation Services Limited

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

Fleet Update

Fokker 50 Fleet

Alliance's five Fokker 50, 50-seat turboprop, aircraft have been used predominately to service the Adelaide to Olympic Dam route on behalf of BHP. With the upgrade of the Olympic Dam runway to accommodate jet aircraft, Alliance has transitioned the Olympic Dam route from Fokker 50 to Fokker 100 and Embraer E190 jets to provide a more efficient and economical service to BHP.

The Company has concluded a review on the Fokker 50 fleet which included using the turboprop aircraft for existing and potential customers. Overwhelmingly the preference of these customers was for jet aircraft on their charter services. Moreover, the alternative shorter routes with lower passenger requirements were deemed non-core to the Alliance business. It was therefore concluded that the turboprop fleet is to be retired early and subsequently sold.

Alliance has today committed to a contract to sell all five Fokker 50s, associated spare engines, parts, tooling, and ground support equipment. The sale will result in a non-cash accounting write down of \$12.1 million which has been recognised in the 2022 financial year. This disposal will allow for substantial fleet rationalisation, crew and engineering redeployment and the conversion of South Australia operations to all jet services.

This fleet change will result in substantial PBT cost savings related to engineering, crewing, infrastructure, and training costs which the company estimates to be ~\$4.4 million per annum.

The carrying value of the remaining Fokker jet fleet, which is scheduled to continue to operate for at least ten years, is not impacted in anyway by this fleet rationalisation.

The proceeds of the sale will be \$4.6 million which will be received in the first quarter of FY2023.

This transaction will leave Alliance as an all-jet operator with 37 Fokker and 20 E190 aircraft already in service and a further 13 E190s to enter service by January 2023.

Impact on FY22 financial result

Alliance confirms its underlying guidance, which was provided in February 2022, with an unaudited underlying PBT of \$45.3 million. The Fokker 50 non-cash write down of \$12.1 million has resulted in the Company incurring an unaudited statutory loss of \$7.1 million.

As disclosed in the half year FY22 results, the increase in activity forecast to occur in the last quarter of FY22 did eventuate, however was tempered slightly due to ongoing COVID restrictions, specifically relating to flight crew and general industry disruption relating to service providers such as airports, security screening, caterers, and ground handlers.

Also included in the underlying adjustment for FY22 are the costs incurred that relate directly to the Scheme of Arrangement with Qantas Airways Limited, announced in May 2022. More detail on the underlying adjustments is set out in the table below:

Underlying Adjustment Item	Amount (\$ million)
E190 costs as reported in 1H FY22	25.2
E190 costs – 2H FY22	14.0
Fokker 50 write down	12.1
Inventory stocktake adjustment	0.4
Scheme of Arrangement expenses	0.75
Total adjustment	52.45

Activity outlook

As forecast in February 2022, wet lease activity increased significantly from April 2022.

Schedule projections from Alliance's contracted wet lease clients show increased levels of activity continuing throughout all FY23 and into FY24.

Contract charter activity was stable in FY22. There continues to be significant growth opportunities in FY23 from both new and existing clients.

Alliance will release its full year FY22 results post market close on 10 August 2022.

- Ends -

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

About Alliance

Alliance is Australasia's leading provider of contract, charter and allied aviation and maintenance services currently employing more than 960 full time 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 operates a fleet of 20 E190, 24 Fokker F100, 13 Fokker 70LR jet aircraft (and five Fokker 50 aircraft now contracted for sale). Thirteen additional E190 aircraft are scheduled to be added by January 2023. 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, and Rockhampton.

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

For more information contact:

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