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MEDIA RELEASE

REX GROUP ANNOUNCES FIRST HALF FINANCIAL RESULTS

The Regional Express (Rex) Group today announced its first half FY11/12 results with Profit Before Tax of \$18.5 million on a turnover of \$139 million.

Commenting on the results, Rex Executive Chairman Lim Kim Hai said that its subsidiary Pel-Air contributed strongly to the improved outcome as foreshadowed in the Company's last Annual report. Pel Air's earnings improved sharply as a result of strong demand for charters from the mining sector and commencement of the Ambulance Victoria contract in the period. All other subsidiaries also showed improved results.

"However the situation with the passenger airline services operated by Rex was less rosy with passenger numbers continuing to decline, confirming a trend that started from the Global Financial Collapse. The drop in Rex's passenger numbers during this period was almost 4% in comparison to the previous year. At the same time, the cost per ASK (Available Seat Kilometre) increased by over 8% primarily due to soaring fuel costs." Mr Lim added.

"Adding to the woes of regional air services are the Federal Government's stifling measures to be introduced from 1 July 2012 in the form of the Carbon Tax and other tax and cost increases on regional operators. The impact of these new measures on Rex alone will be in excess of \$6 million per annum."

"The airline environment worldwide is becoming toxic. In the space of the few weeks since the beginning of the calendar year we have already seen 4 fairly sizeable European airlines folding. Other strong carriers have recently reported drastic plunges in profits in excess of 50% (Singapore Airlines and Cathay Pacific) or even losses (Air France). In Australia two carriers have folded and Qantas has once again seen a loss in its results after deducting contributions from its Frequent Flyer programme. Virgin Australia reported a doubling of its profits but only managed to eke out a 2.5% net return on revenue."

"In this context, the twin effects of the impending global economic slowdown and the Federal Government's draconian policies on regional aviation will no doubt succeed in wiping out regional air services to all but the biggest regional centres over the next few years."

"Rex will be monitoring the situation closely and in the absence of a more favourable environment will be compelled to divert its resources from marginal regional routes to more lucrative mining charters in order to protect shareholders returns."

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 – +61 402 438 361

