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Alliance Aviation Services Limited (ASX code: AQZ)

Alliance Airlines and Virgin Australia sign a long-term strategic partnership agreement

Alliance Airlines Services Limited (**'Alliance'**) and Virgin Australia Holdings Limited (**'Virgin Australia'**) today announced they have signed a long-term strategic partnership agreement. The agreement follows the signing of a heads of agreement for the proposed partnership in February 2016.

The proposed strategic partnership is subject to approval from the Australian Competition and Consumer Commission.

Key terms of the proposed strategic partnership

The key terms of the proposed strategic partnership are as follows:

- Alliance and Virgin Australia Regional Airlines will form a charter partnership to jointly grow their charter businesses. Existing charter contracts will remain with their current operator, with all new contracts to be operated under the charter partnership.
- Alliance and Virgin Australia Regional Airlines will also enter into agreements to provide and procure services for each other on a preferential basis. This includes, but is not limited to, aircraft procurement, spare parts pooling, maintenance, ground handling services and customer benefits.

Alliance Managing Director Scott McMillan said: "Today's announcement, in conjunction with our acquisition of the Austrian Airlines Fokker fleet in November 2015, continues our transition into a broad based aviation company that offers an extensive range of services that will have the potential to significantly grow our revenue base over the coming years."

Mr McMillan went on to state: "Together, Virgin Australia and Alliance will be better placed to compete for charter tenders, with the ability to offer a wider range of aircraft, connectivity, services and facilities to customers in Australia."

Virgin Australia Regional Airlines Chief Executive Merren McArthur said: "We are looking forward to partnering with Alliance to build upon the strengths of each airline and to grow our charter businesses."

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About Alliance

Alliance Aviation is Australasia's leading provider of contract and air charter services.

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.

The Australian business currently operates a fleet of 15 Fokker 100, 8 Fokker 70LR jet aircraft and 5 Fokker 50 turboprops at world leading on time performance and despatch reliability.

The Company has an Australasian footprint with operations based in Brisbane, Townsville, Cairns, Melbourne, Adelaide, Perth and Auckland.

In November 2015, Alliance entered into a contract with Austrian Airlines AG for the purchase of 21 Fokker aircraft to allow for revenue diversification with aircraft and part sales.