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VIRGIN BLUE HOLDINGS LIMITED (ASX:VBA)

VIRGIN BLUE AND SKYWEST SIGN 10 YEAR STRATEGIC ALLIANCE TO CREATE REGIONAL NETWORK

10 JANUARY 2011: Virgin Blue Group and Skywest airlines today signed a 10 year strategic alliance to service regional Australia with Skywest operating up to 18 new Virgin Blue branded turbo prop aircraft to a number of existing and new destinations around Australia.

The agreement will see Virgin Blue and Skywest codeshare on a number of sectors of each other's domestic networks and allows Virgin Blue and Skywest customers to earn and redeem Velocity reward points on each other's networks.

Virgin Blue Group of Airlines Chief Executive Officer and Managing Director John Borghetti said: "By partnering with the preeminent regional airline in Australia, Virgin Blue is investing in building a substantial network in regional Australia and strengthening its domestic network. This alliance will significantly benefit regional Australia as well as being a win-win for Skywest and Virgin Blue.

"The combined strength of our networks, along with the additional capacity we will deliver with new aircraft, will provide travellers with more frequent flights, better schedules and competitive fares. The partnership will see Virgin Blue expand its reach throughout regional Australia and will allow us to access untapped opportunities in regional Australian markets, in particular the booming fly-in fly-out resource sector market.

"The first aircraft will arrive mid 2011 with four Virgin Blue branded aircraft in operation by the end of the year. These modern aircraft will have excellent fuel efficiencies, allowing us to keep airfares low for our customers."

The announcement today completes the third phase of the Virgin Blue Group's network review which aims to strengthen the domestic network, increase profitability and provide more choice for customers.

Skywest Chairman Jeff Chatfield said: "In addition to providing Skywest with access to Virgin Blue's extensive network, this major strategic initiative provides us with the opportunity to significantly grow our corporate travel offer for resource sector and charter clients across Australia and internationally.

"The leasing arrangement means that Skywest will not be exposed to the capital investment of owning the aircraft and will be a service provider and code-share partner."

The new aircraft fleet will be leased from specialist leasing company Avation PLC (LSE: AVAP), with an initial term of ten years.

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Skywest is also planning to use a new fleet of the same aircraft on coastal networks in Western Australia, having been recently preferred by the Western Australian Government for a 5 year exclusive license on certain coastal ports of Western Australia to and from Perth.

Details of the network and flight schedule will be announced in coming months.

ENDS

About Skywest

Skywest has been operating in Australia for more than 46 years and is one of Australia's largest, oldest and most successful regional airlines. Each year they fly more than 350,000 passengers across Western Australia, the Northern Territory, Melbourne and Bali, covering 18 commercial destinations alongside 6 mining centres. Skywest provides a link for regional communities, tourists and businesses.

The airline predominantly caters for regional Australians, international and domestic tourists, corporate travellers and fly-in-fly-out mining staff.

Skywest Ltd's securities are quoted in London (AIM:SKYW) and on the Australian Securities Exchange (ASX:SXR)

About Virgin Blue Group

Australia-based Virgin Blue Group of Airlines includes Virgin Blue and short-haul international airlines Pacific Blue and Polynesian Blue – the joint venture with the Samoan Government. It also includes long-haul international carrier V Australia. The four airlines operate a fleet of 88 Boeing 737-NGs, Boeing 777 and Embraer E-Jet aircraft to 31 Australian and 17 international destinations. Virgin Blue Group has recently announced alliances with Etihad Airways and Air New Zealand.

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