

Singapore, the 10th of January 2011

**AVATION PLC  
(the "Company")**

**Fleet of Aircraft for Virgin Blue Group**

Avation PLC is pleased to announce that it has entered into an agreement with Skywest Airlines Pty Ltd and Virgin Blue Airlines Pty Ltd to provide a fleet of up to 18 new aircraft which will operate in Australia.

Each aircraft will be operated by Skywest under wet lease to Virgin Blue for a fixed period of ten years. The two airlines and the Company are making arrangements to take delivery of new aircraft during 2011 and 2012.

The aircraft will be owned by, and leased by, Avation PLC on 10 year operating leases with other commercial terms as typically entered into by the Company and its lessee customers. The Directors believe that given the quality of the lessee, the fixed term and the fact the aircraft are new, Avation PLC is well placed to utilise Government-backed Export Credit Agency Financing ("ECA Financing"). Avation PLC intends to make an application for ECA Financing forthwith. Further details will be announced as and when they are known.

The full text of the Virgin Blue and Skywest Ltd announcement is repeated below in this market release.

The Directors take responsibility for the contents of this announcement.

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Full text of the Virgin Blue : Skywest Ltd announcement follows:

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

SYDNEY 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.

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.

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### **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.*