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Alliance Aviation Services (ASX code: AQZ)

Alliance discontinues heavy maintenance at Brisbane

- **Immediate cash saving means that total capital expenditure is forecast to reduce to approximately AUD20 million per year**
- **New contractor ATB has completed 2 successful external maintenance checks**
- **Key part of the strategic focus of Alliance to lower capital maintenance costs**

Alliance Aviation Services Limited ('Alliance' or 'the Company') will discontinue heavy maintenance of aircraft at Brisbane airport this month.

The decision follows a similar closure in Adelaide in April this year.

At that time, Alliance announced that the Company had contracted Austrian Technik Bratislava (ATB), a Lufthansa group company specialising in servicing Fokker aircraft, to undertake in Europe the heavy maintenance that Alliance would have done in Adelaide. Since the announcement in April 2015, ATB have completed checks on two fleet units. The results from these checks have been successful.

Alliance's relationship with ATB will now be expanded to include the heavy maintenance that would have been conducted in Brisbane. All heavy maintenance of the Alliance fleet, which is comprised exclusively of Fokker aircraft, will now be undertaken by ATB. The amended program of maintenance will principally be completed in the northern summer between April and November each year.

This new ATB maintenance agreement allows Alliance to complete each maintenance check at a lower total cost. With the expanded coverage of this specialist maintenance provider, it also means the maintenance is completed more quickly meaning that the aircraft are available for additional revenue services.

This change will result in immediate cash saving which means that total capital expenditure for the maintenance of aircraft will reduce to approximately AUD 20 million per year.

The cessation of heavy maintenance in Brisbane will impact 22 staff positions within the Alliance operation in Brisbane along with a small number of contractor positions. The Company will be able to offer some of the staff alternative employment within Alliance, and will support those who are being made redundant to transition to other employment. Redundancy costs that will be incurred are approximately \$0.8million.

Alliance will continue to undertake line maintenance at Brisbane, Perth, Adelaide, Cairns, Townsville, Melbourne and Auckland.

The Managing Director of Alliance, Scott McMillan, commented:

“The closure is part of ongoing structural and operating changes to improve the Company’s long term profitability that were outlined in the half yearly results presentation. Alliance continues to deliver on its previously announced strategic objectives;

- Protecting existing revenue contracts and identifying and developing new revenue sources;
- Improving fleet utilisation and lowering operational cost; and
- Enhancing cash flow and ultimately profitability through more efficient capital expenditure.

Through these and other measures we will maintain our position as the leading provider of contracted aviation services in Australia.

The change at Brisbane will have no effect on our services to the resources sector, or our diversification into tourism-related and other sectors across Australasia.”

Further information will also be outlined when the Company releases its annual results on 13 August 2015.

[Ends]

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About Alliance Aviation

Alliance Aviation is Australia's leading provider of fly-in, fly-out ("FIFO") transportation.

The Company provides an essential service to the mining and energy industry – the safe and efficient air transportation of their employees and contractors to and from remote locations.

The company recently retained its Flight Safety Foundation "BARS Gold" status, the first such carrier in Australia to be so recognised.

The Company will now operate a fleet of 15 Fokker 100, 8 Fokker 70LR jet aircraft and 5 Fokker 50 turboprops at industry leading on time performance.

Alliance flies workers to and from some of the largest mining operations in Australia for a predominantly "blue chip" mining and energy customer base, and also provides ad-hoc charter, aircraft wet lease and aviation engineering services to a range of corporate and government customers throughout Australasia.

The Company has a national footprint with operations now based in Brisbane, Townsville, Cairns, Melbourne, Adelaide, Perth and Auckland.