

SkyWest Inc. Q&A

August 15, 2005

Who is SkyWest, Inc.?

SkyWest, Inc. is the holding company that wholly owns all SkyWest subsidiaries. A few years ago, SkyWest, Inc. owned SkyWest Airlines, Scenic Airlines and an Avis car rental company. As of late, SkyWest Airlines has been SkyWest, Inc.'s only subsidiary so the two companies have acted as one. With the purchase of ASA, SkyWest, Inc. will take on a more active and important role as the owner of both companies. The publicly traded stock is SkyWest, Inc. stock and current SkyWest, Inc. shareholders will now be owners of both SkyWest Airlines and ASA. Operations will remain separate. Separate books will be kept for each company, however, the financial public releases and SEC filings will be consolidated reports from the two companies.

What are the terms of the announcement?

SkyWest, Inc. is purchasing Atlantic Southeast Airlines (ASA) from Delta Air Lines. Delta purchased ASA in 1999 and has operated it as a wholly owned subsidiary. SkyWest, Inc. will be the holding company for both SkyWest Airlines and ASA, which will remain independent companies operating under separate certificates.

Why does SkyWest Inc. want to acquire ASA?

- This is an important strategic transaction for SkyWest, Inc. The deal will make SkyWest, Inc. the largest Delta Connection provider and establishes SkyWest Inc.'s presence at the largest Delta hub (Atlanta), which is the largest airline hub in the world. It is a vote of confidence from Delta, and for Delta, as it increases our interdependence on each other and puts us in a needed position, even if Delta files bankruptcy.
- It diversifies SkyWest, Inc. geographically across the country, and it brings balance back to our Delta and United operations in several different areas, including available seat miles, fleet, etc., which were becoming predominantly United.
- The deal is financially sound for SkyWest, Inc. shareholders. It effectively deploys cash from our balance sheet and puts it to work in an investment opportunity that will expand our contract business model, which is working well for us.
- The deal includes new long-term Delta Connection agreements for both ASA and SkyWest.

Will the airlines merge or run separate?

SkyWest Airlines and ASA are both large successful regional airlines with unique company cultures. They will continue to run as separate entities, including separate FAA operating certificates, management, workforces, etc. Unions will continue to represent the ASA workgroups that are currently represented.

The holding company will launch a "best practices" initiative to learn from both airlines' strengths and better realize efficiencies, such as the overhead areas of information

technology and other administrative functions. The collective synergy of both airlines creates a powerful force as an independent yet cohesive alliance. As the strongest regional alliance in the country, there will be opportunities to learn from each other and adopt the best practices of both operations.

Does this purchase deter other future growth opportunities?

Not at all. In fact, as a holding company, SkyWest, Inc. will continue to be in a position to explore other ventures, such as acquiring a low-cost carrier or another regional carrier or adding an additional code share partner to one of our operations. Our cash position will remain strong through the acquisition supporting daily operations as well as providing for future opportunities. Our new Delta contracts will be profitable from day one.

Why buy now if Delta may be filing for bankruptcy?

Carriers have the right to reject contracts during bankruptcy, as we have seen recently with United's actions with ACA and Air Wisconsin. SkyWest, Inc. has experience dealing with a carrier in bankruptcy. We have fared well and have been an essential part of United Airlines' plan to return to profitability. We have structured the deal to protect us in the case of a Delta bankruptcy by including the following provisions in our contract:

- 1) A portion of the purchase price will be paid now, and the remainder will be paid later if Delta stays out of bankruptcy or affirms our contract in bankruptcy for up to four years.
- 2) SkyWest, Inc. will be the leaseholder of the ASA passenger gates in ATL. It would be difficult for Delta to replace us with another carrier in ATL because gates are a limited resource, and we control them.
- 3) We are buying ASA assets, which essentially equals our purchase price.
- 4) The agreement includes new 15-year long-term capacity buy agreements.

What happens next?

The acquisition is subject to regulatory approval, including the U.S. Department of Justice (DOJ), and is scheduled to close in 30 to 90 days. The \$425 million acquisition is being financed from internal SkyWest, Inc. cash reserves and some yet-to-be-determined debt financing. A portion of the purchase price will be paid at a later date or at confirmation of the flying contracts should Delta enter into bankruptcy. After completing the transaction, SkyWest, Inc.'s available cash is estimated to be about \$400 million. The SkyWest, Inc. holding company provides a platform for future growth and additional opportunities.

How are we paying for this?

The \$425 million purchase is being made using mostly cash reserves that we have saved for such an opportunity. We will arrange for yet-to-be-determined debt financing. SkyWest, Inc. will still have adequate available cash after the transaction.

How does the acquisition affect SkyWest Airlines' contract flying agreements?

There will be no change to SkyWest's United agreements. The purchase of ASA provides a unique opportunity to renew and substantially improve our SkyWest Airlines

contracts. We enter into a new long-term agreement with Delta at new rates with additional security.

Why weren't we told earlier about the transaction?

Any communication regarding financial transactions is strictly regulated by the SEC. If we would have disclosed this information before today, SkyWest would have been in violation of federal law.

How does this affect employee SkyWest, Inc. stock options?

Although we cannot speculate, discuss or make statements with respect to projected results, we can add this insight: Both airlines will be owned by the current SkyWest, Inc. shareholders. Stock options are SkyWest, Inc. stock options and are affected by the performance and earnings of both companies. If you exercise stock options, you will be a shareholder of SkyWest, Inc., the parent company of both SkyWest Airlines and ASA.

What about the employees: common pay, seniority, benefits, travel, etc?

The companies will operate independently, so not everything will be the same.

The SkyWest, Inc. pay philosophies of being fair to employees while maintaining a competitive cost structure will be applied to both companies, but this does not necessarily mean that all pay scales will be identical. SkyWest, Inc. will be in the unique position of allocating resources, including growth aircraft to the two carriers, so it is imperative that both carriers have competitive cost structures to support future growth opportunities. Each carrier may arrive at competitive costs in different ways.

Seniorities will not be merged since the companies are independent.

There are many questions and issues regarding employee travel privileges and benefits that we will have to work through. This may take some time, and there will not be immediate answers. Our general guiding principle will be to improve wherever possible.

Note: Currently, ASA pilots and flight attendants have an open contract.

Where will headquarters be?

SkyWest, Inc. and SkyWest Airlines Corporate Headquarters will remain at its current location in St. George, Utah. ASA Corporate Headquarters will remain at its current location in Atlanta, Georgia.

Will there be changes in leadership?

Jerry Atkin will serve as chairman of the board and chief executive officer (CEO) of SkyWest, Inc., SkyWest Airlines and ASA. Brad Rich will serve as chief financial officer (CFO) for SkyWest, Inc., SkyWest Airlines and ASA. Ron Reber will serve as president of SkyWest Airlines, while Bryan LaBrecque will serve as interim president of ASA.