

ASX code SXR
AIM code SKYW

SKYWEST AIRLINES LTD
(The "Company")

TRADING UPDATE

Highlights

- **25% INCREASE IN FISCAL YEAR REVENUES ANTICIPATED**
- **ATR-72 FLEET - EXPECTED TO DOUBLE BY JUNE 2013**
- **FLEET EXPANSION ON TRACK - UP 37% IN FY12 and EXPECTED UP 23% IN FY13**

Current trading and outlook

During the current fiscal year, the Company's Australian subsidiary, Skywest Airlines (Australia) Pty Ltd ("Skywest"), commenced operations under the Australian Regional Airline Network (ARAN) wet lease agreement with Virgin Australia and continued to expand its FIFO charter business. The Company expects that revenue for the fiscal year ending 30 June 2012 will reach approximately S\$300m, an increase of approximately 25% over the prior year. Revenue growth of 35% is expected to be particularly strong in the 2nd half of the fiscal year.

The Company as a matter of policy and practicality cannot provide "guidance" or a forecast due to uncertainties in the airline industry which make it difficult to accurately predict profitability figures. However, management estimates that the second half is likely to be impacted by significant abnormal aircraft cross hire charges which related to the need for the Company to hire competitors' aircraft to fulfill FIFO client business. Year to date these costs are S\$10m (2011 for comparison they were approximately S\$4m). All aircraft cross-hiring ceased on 14 June 2012 and the Company does not expect future material aircraft cross-hire requirements. For fiscal year 2012, a reasonable estimate is a lower profit than in 2011 of EBITDAR of about S\$47m and NPAT after all one off costs of about S\$2m including ARAN related start-up costs, and the aircraft cross hire charges and other one time costs. These are management estimates only, are un-audited, are not a formal profit forecast and do not reflect potentially major fluctuations caused by a number of factors including: ad-hoc charter, volatility in fuel costs, exchange rate movements and other factors. Current trading has been impacted by a change in the composition of the client base for charter and most especially abnormally high aircraft cross hire costs. Given the rapid growth of the Company the current trading is as expected with the benefits of scale and growth anticipated to be enjoyed in the 2013 financial year.

Australian Regional Airline Network wet lease with Virgin Australia

As at the date of this announcement Skywest has successfully commenced operating six ATR-72 aircraft under the ARAN wet lease agreement with Virgin Australia. An additional six new aircraft identified on firm order are expected to be delivered in fiscal year 2013 to double the ATR-72 fleet to 12 aircraft by June 2013. The run rate revenue for Company's ARAN business is expected to exceed that of the regular passenger transport (RPT) business by the end of the calendar year. During the second half of the current fiscal year, the Australian Competition and Consumer Commission ("ACCC") granted authorization for a corporate alliance between Skywest and Virgin to offer bundled services. Separately, the Company received net proceeds of A\$8.3 million from an investment in the Company by Virgin Australia in this financial period which if converted to equity, would represent an A\$11 million investment for 10% of the ordinary shares of the Company on a fully diluted basis.

Charter expansion

Skywest's charter business has continued to expand with increases in the number of charter services performed during each month of the fiscal year. The Company expects current fiscal year charter revenue to increase by approximately 15% compared to the prior year. Skywest continues to receive interest from current and potential future customers for additional charter services work on a contract and ad-hoc basis.

RPT schedule realignment

Skywest has realigned certain schedules on its RPT business and has added five times per week services from Perth to Derby in February and will begin serving Kalgoorlie with two daily weekday services in July.

Fleet expansion

The Company's fleet has grown to 26 aircraft as of the date of this announcement, a 37% increase from the 19 aircraft in the fleet as at 30 June 2011. Skywest has identified firm order positions for six new ATR-72 aircraft that are expected to increase the fleet by 23% to 32 aircraft by 30 June 2013. In addition to the ATR-72 deliveries to serve the ARAN network, the Company continues to explore opportunities to acquire more aircraft to meet growing charter demand. The Company also anticipates being able to enter one of its owned F100 aircraft into revenue service by the end of July.

Purchase of leased F100 aircraft

A wholly owned subsidiary of the Company has entered into an agreement expected to complete prior to fiscal year end the purchase of all of the outstanding shares of Capital Lease Australian Portfolio

One Pty Ltd (“C1”) from Capital Lease Aviation Public Limited Company (“CLA”). C1’s only aircraft are three F100 aircraft, all of which are being leased to Skywest and operated by Skywest with lease terms ending in September 2012 and February 2013. The enterprise value of the transaction and the total consideration is US\$9.3 million and after net debt and other purchase price adjustments, are taken into account the Company will pay US\$4.3 in cash. The Company believes there is sufficient debt capacity in C1 to acquire an additional aircraft into the portfolio without additional cash or equity. Strategically this means that the Company can acquire additional aircraft in its own right using C1 and can also lease additional aircraft. In the year ended 30 June 2011, C1 had revenues of US\$4.6m and profit before tax of US \$1.57m.

Cash position

The Company is in a strong balance sheet position expects to end the fiscal year with approximately double its 31 December 2011 cash balances.

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