

ASX code SXR
AIM code SKYW

30 October 2012

SKYWEST AIRLINES LTD

("Skywest" or "the Company")

Offer for Company

Receipt of Proposal from Virgin Australia

Skywest, the Australian and South East Asia regional airline, wishes to advise that subject to a number of conditions, as detailed in this announcement, a scheme is to be put to its shareholders involving a proposal by Virgin Australia Holdings Limited (**Virgin Australia**) (ASX:VAH) to acquire 100% of the issued capital in Skywest.

The proposal is pursuant to a scheme of arrangement ("Scheme") that will be subject to the laws of Singapore (the "Proposal").

Under the terms of the Proposal, Virgin Australia, will offer Skywest shareholders consideration comprising of AUD \$0.225 cash and 0.530 VAH shares in exchange for each SXR share. Based on VAH's closing price on 29 October 2012 the transaction consideration equates to AUD \$0.4688 per SXR share.

The Proposal is subject to a number of conditions, including:

- The approval of the Securities Industry Council of Singapore (the "SIC") to the terms of the Scheme. The definitive conditional legal agreements in relation to the Scheme will only be entered into on receipt of SIC approval.
- The approval of the Australian Competition and Consumer Commission, the Australian Foreign Investment Review Board and the Singapore High Court.
- The approval of Skywest shareholders at an Extraordinary General Meeting.

Skywest will update the market when there are any material developments to report in relation to the Proposal.

Jeff Chatfield, Executive Chairman said "Skywest is pleased to have received a proposal from Virgin Australia. The Proposal, if approved by Skywest's shareholders, represents a substantial premium to Skywest's recent trading price and confirms the fundamental value of the Skywest business. The Proposal will only proceed in the absence of a superior offer. Skywest will be appointing a Singaporean independent expert to advise the board on the value of the proposed consideration. Shareholders should be cautious in their dealings in Skywest shares and if in doubt consult their stockbroker. Based on our advice it is likely that this Proposal will take some months to fully play out."

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Shareholders should note that the Proposal remains subject to the approval of the SIC and the definitive conditional legal agreement(s) in relation to the Proposal will only be entered into on approval by the SIC.

The Company has appointed Moelis & Company to advise and assist with the transaction. Furthermore, in due course, a Singaporean independent expert will be appointed to opine on consideration value.

The full text of Virgin Australia's announcement is included below.

--ENDS--

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The directors of Skywest (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed herein are fair and accurate and, where appropriate, no material facts have been omitted and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the directors of Skywest has been to ensure through reasonable enquiries that such information is correctly extracted from such sources or, as the case maybe, reflected or reproduced in this announcement.

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VIRGIN AUSTRALIA HOLDINGS LIMITED (ASX:VAH)

Virgin Australia Announces In-Principle, Conditional Agreement to Acquire Skywest Airlines Limited and Fast-track its Expansion in the Regional and FIFO Markets

30 October 2012

Virgin Australia Holdings Limited (**Virgin Australia**) today announced that it has reached an in-principle agreement with Skywest Airlines Ltd. (**Skywest, ASX:SXR, LSE:SKYW**) to acquire 100% of the issued capital in Skywest pursuant to a scheme of arrangement ("Scheme") that will be subject to the laws of Singapore ("Proposal").

The Proposal is subject to a number of conditions, including:

- The approval of the Securities Industry Council of Singapore (SIC) to the terms. The definitive conditional legal agreement(s) in relation to the Scheme will only be entered into on receipt of SIC approval.
- The approval of the Australian Competition and Consumer Commission, the Australian Foreign Investment Review Board and the Singapore High Court.
- The approval of Skywest shareholders at an Extraordinary General Meeting.

Under the terms agreed in-principle, Virgin Australia will offer Skywest shareholders consideration of AUD0.45 per share with AUD0.225 per share expected to be paid in cash and 0.53 new VAH shares for every Skywest share¹.

Virgin Australia Chief Executive Officer John Borghetti said: "If approved, this transaction will enable us to fast-track our advancement in the high growth fly-in-fly-out (FIFO) and regional markets, increasing competition in these important segments.

"We launched a regional network partnership with Skywest in October 2011 and now we will be able to realise the full potential of the operation through developing a more integrated network, service and frequent flyer program.

"Under the agreement, Skywest would become part of the Virgin Australia brand but will continue to operate under its current Air Operator's Certificate (AOC) with its own CEO and management team,

¹ Subject to obtaining waiver of Listing Rule 7.1 from the Australian Securities Exchange (ASX)

based in Western Australia. Importantly, we will invest to support the growth of Skywest, which will benefit jobs, business and tourism, particularly in Western Australia and throughout regional Australia”, Mr Borghetti said.

Under the terms agreed in-principle, subject to prior consultation with and (where applicable) the approval of the SIC, Virgin Australia has a discretion to elect at any time prior to the approval of Skywest shareholders to proceed to implement the acquisition of 100% of the issued share capital of Skywest by way of a pre-conditional or formal voluntary conditional general offer, either on the same or better terms as those which apply to the Scheme.

Shareholders should note that the Proposal remains subject to the approval of the SIC and the definitive conditional legal agreement(s) in relation to the Proposal will only be entered into on receipt of SIC approval. Virgin Australia will update the market when there are any material developments to report in relation to the Proposal.

In the meantime, shareholders are advised to refrain from taking any action in relation to their shares in Virgin Australia or Skywest, which may be prejudicial to their interests, and to exercise caution when dealing in the shares of Virgin Australia or Skywest.

ENDS

About Skywest Airlines

Skywest Airlines (ASX:SXR, LSE:SKYW) has been in operation for close to 50 years, currently flying to 16 destinations.

Skywest operates flights across regional Western Australia as well as to Darwin, Melbourne and internationally to Denpasar, Bali. With a strong presence in the corporate charter, ‘Fly in Fly Out’ mining market and Regular Passenger Transport, the airline carries approximately 800,000 passengers annually, servicing business travellers, tourists and regional communities.

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Excluding the eight ATR-72 turboprops operated on behalf of Virgin Australia as part of the Australian Regional Airline Network (ARAN), Skywest's fleet includes a total of 20 Airbus A320 jet aircraft, Fokker F100 jet aircraft and Fokker F50 turboprops.

About Virgin Australia

Virgin Australia (ASX: VAH) launched in 2000 and has since established itself as a contemporary, full service airline, with a reputation for exceptional customer service.

The airline employs more than 8,000 people in Australia, New Zealand and the United States. Virgin Australia has strategic alliances with four key airline partners: Air New Zealand, Delta Air Lines, Etihad Airways and Singapore Airlines, providing customers with access to over 400 destinations worldwide. Its domestic and international operations are complemented by Virgin Samoa, a joint venture airline with the Government of Samoa.

Virgin Australia operates a fleet of 108 modern Airbus A330, Boeing 777, Boeing 737, Embraer E-Jet and ATR-72 turboprop aircraft to 34 Australian ports and 17 international destinations including the USA, UAE, New Zealand, Indonesia, Thailand, Papua New Guinea, Solomon Islands, Fiji, Samoa, Tonga, Vanuatu and the Cook Islands.

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The directors of Virgin Australia (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all the opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, the omission of which would make any statement in this announcement misleading, and the directors of Virgin Australia jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the directors of Virgin Australia has been to ensure through reasonable enquiries that such information is correctly extracted from such sources or, as the case maybe, reflected or reproduced in this announcement.