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Airline Industry Update

Community-Backed Air Service Conference
Chicago, Illinois
July 27-28, 2009

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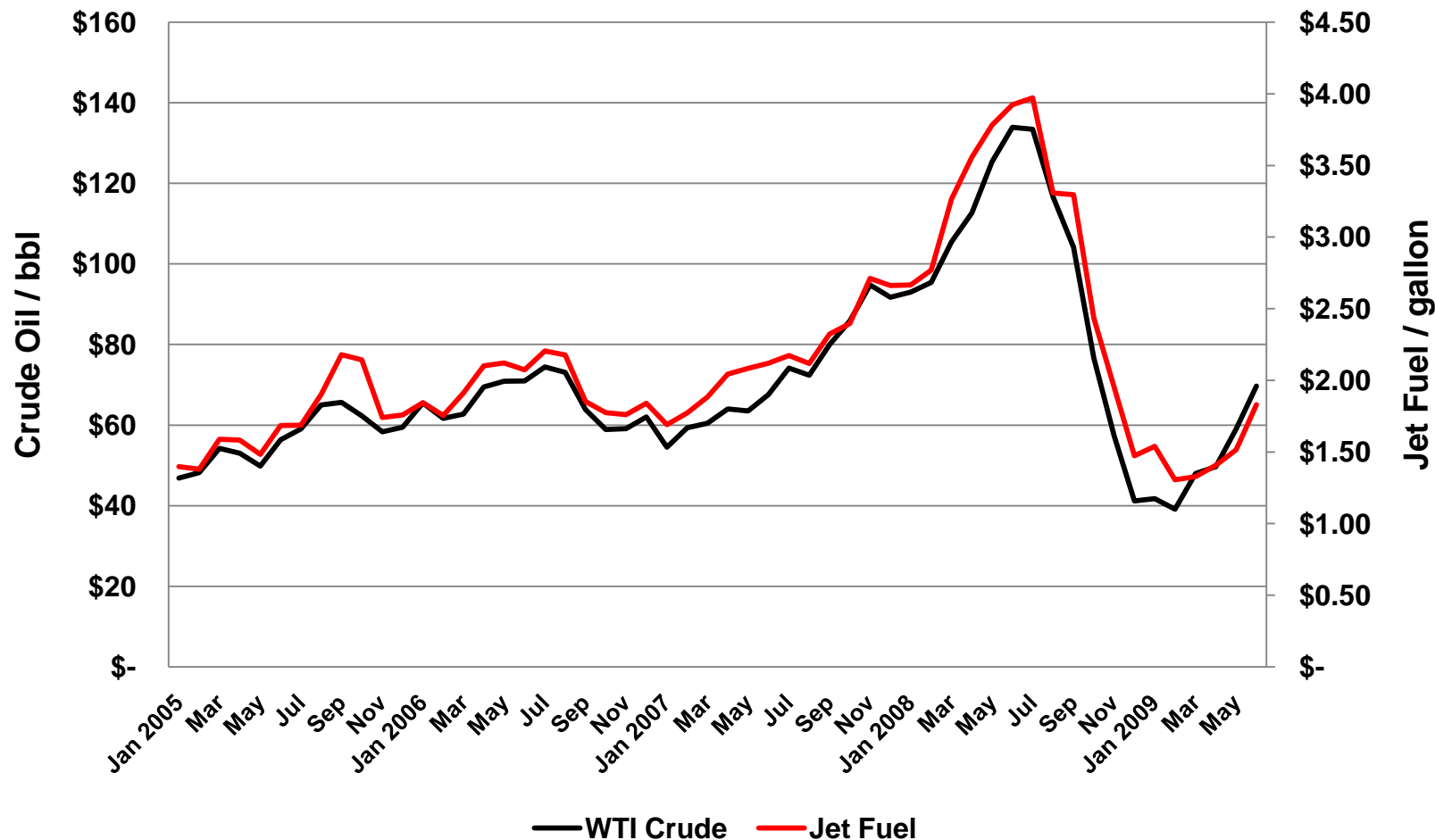
Factors Influencing the Industry



The Industry Has Experienced Some Relief in the Cost of Jet Fuel Since the High Point in the Summer of 2008

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Monthly Crude Oil and Jet Fuel Price Trend January 2005 - June 2009



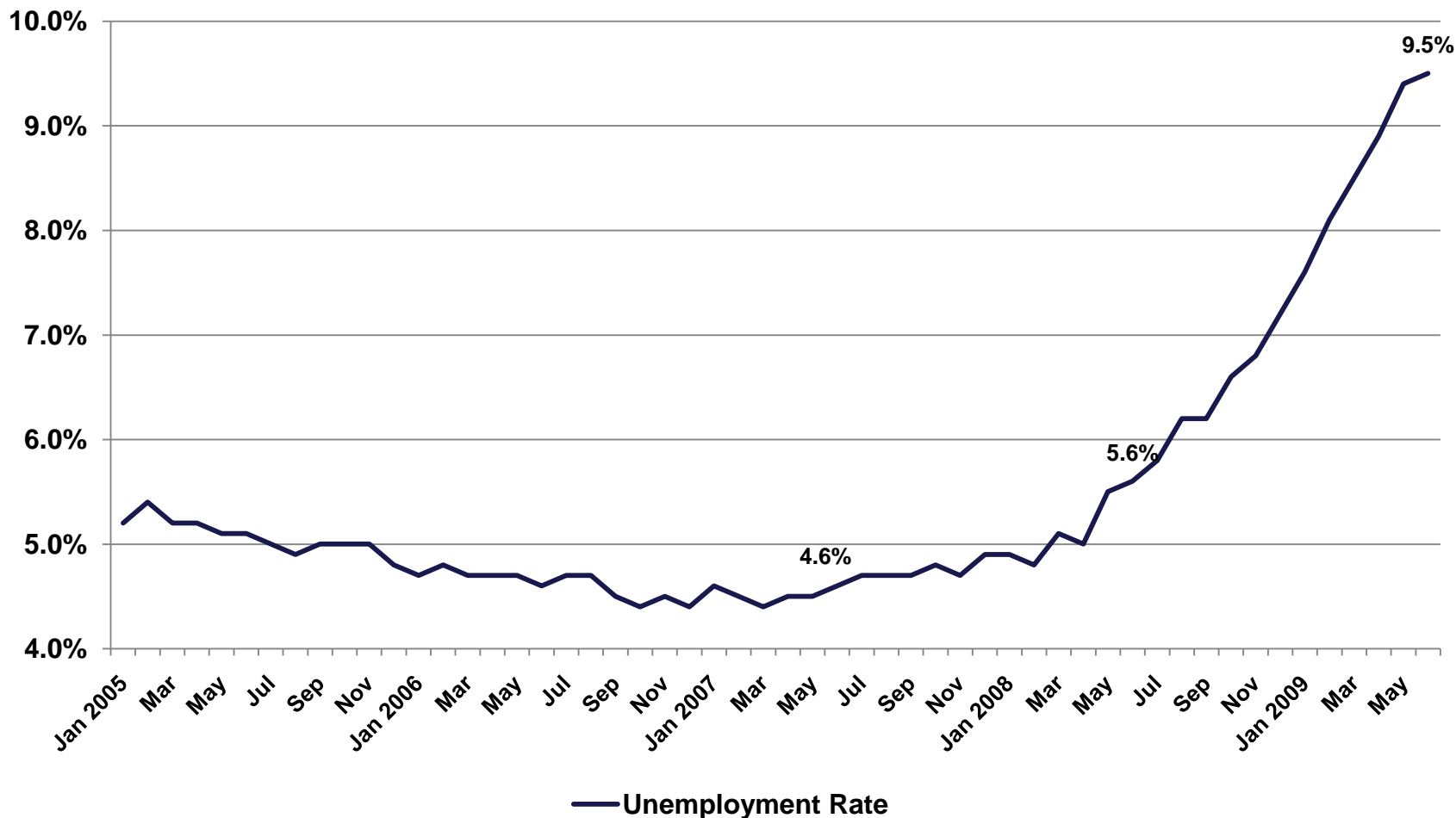
Source: Energy Information Administration



However, Over the Same Period, the Economy Has Worsened Significantly

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U.S. Unemployment Rate June 2005-June 2009



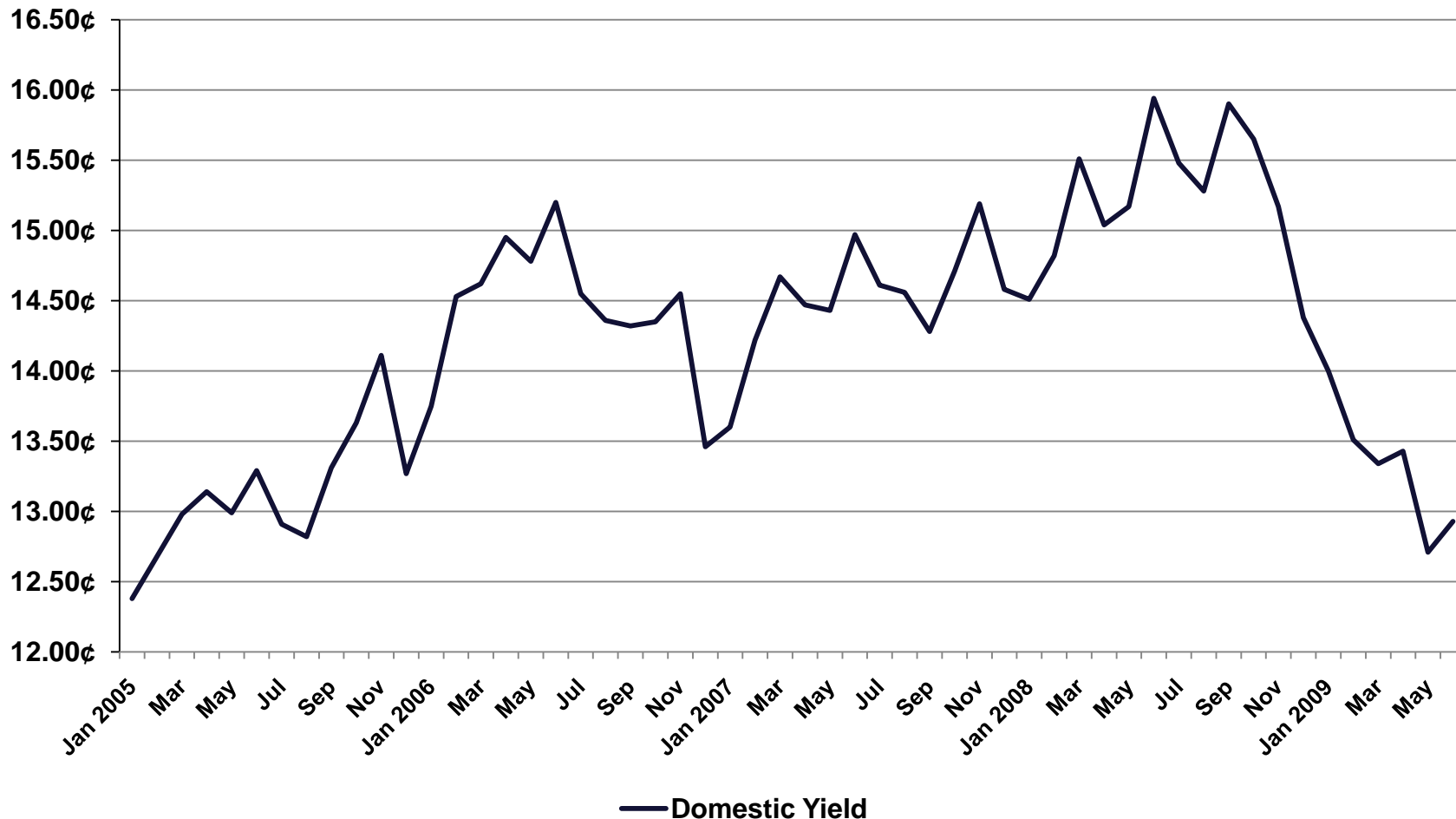
Source: Bureau of Labor Statistics



The Worsening Economy Has Forced the Industry to Carry Traffic at Lower Yields

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Domestic Yield
January 2005 - June 2009



Source: Air Transport Association



While the Decline in Domestic Yield is Significant, the International Revenue Environment is Even Worse

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**American Airlines Yield, RASM and Load Factor by Entity
YTD January – June 2009 and Year-Over-Year Change**

Entity	Yield	YOY Percent Change	RASM	YOY Percent Change	Load Factor	YOY Point Change
DOT Domestic	11.92¢	(8.8%)	9.74¢	(9.5%)	81.7%	(0.6)
International	12.75¢	(12.6%)	9.48¢	(17.1%)	74.3%	(4.0)
DOT Latin America	14.29¢	(8.2%)	10.45¢	(13.7%)	73.1%	(4.7)
DOT Atlantic	11.29¢	(18.2%)	8.45¢	(21.3%)	74.8%	(2.9)
DOT Pacific	11.31¢	(12.9%)	8.85¢	(17.9%)	78.2%	(4.8)

Continental, Delta and United Reported Similar Year-Over-Year Declines by Entity



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Financial and Operating Results First Half 2009



Capacity is Down 7.0% at the Largest Domestic Carriers in the First Half of 2009

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June 2009 Year-to-Date Capacity (ASMs) and Year-Over-Year Change

Carrier	Mainline		Regional		Consolidated	
	ASMs	Percent Change	ASMs	Percent Change	ASMs	Percent Change
American	76,348	-7.8%	5,739	-10.0%	82,087	-7.9%
Continental	48,316	-7.5%	6,015	-8.1%	54,331	-7.5%
Delta	98,369	-7.6%	16,400	-0.5%	114,769	-6.7%
US Airways	35,289	-6.4%	7,132	-4.8%	42,421	-6.2%
United	61,553	-12.0%	8,499	6.1%	70,052	-10.1%
Legacy Total	319,875	-8.4%	43,785	-2.5%	363,660	-7.7%
AirTran	11,327	-7.4%			11,327	-7.4%
Alaska	11,372	-7.7%	675	-11.4%	12,047	-7.9%
Allegiant	2,565	18.9%			2,565	18.9%
JetBlue	16,179	-3.6%			16,179	-3.6%
Southwest	49,725	-3.5%			49,725	-3.5%
LCC Total	91,168	-4.0%	675	-11.4%	91,843	-4.1%
Industry Total	411,043	-7.5%	44,460	-2.6%	455,503	-7.0%



Traffic Fell at a Faster Rate Than Capacity and is Down 8.1% in the First Half of 2009

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June 2009 Year-to-Date Traffic (RPMs) and Year-Over-Year Change

Carrier	Mainline		Regional		Consolidated	
	RPMs	Percent Change	RPMs	Percent Change	RPMs	Percent Change
American	60,158	-10.1%	4,043	-11.0%	64,201	-10.1%
Continental	38,462	-8.3%	4,494	-11.6%	42,956	-8.7%
Delta	79,617	-9.5%	12,396	-2.6%	92,013	-8.7%
US Airways	28,834	-6.0%	5,183	-3.9%	34,017	-5.7%
United	48,899	-13.3%	6,410	7.8%	55,309	-11.2%
Legacy Total	255,970	-9.8%	32,526	-3.5%	288,496	-9.2%
AirTran	8,905	-6.0%			8,905	-6.0%
Alaska	8,792	-6.4%	479	-15.8%	9,271	-7.0%
Allegiant	2,329	21.8%			2,329	21.8%
JetBlue	12,585	-5.5%			12,585	-5.5%
Southwest	36,575	-2.2%			36,575	-2.2%
LCC Total	69,185	-3.2%	479	-15.8%	69,664	-3.3%
Industry Total	325,155	-8.5%	33,005	-3.7%	358,160	-8.1%



Given the Faster Rate of Decline in Traffic Versus Capacity, the Industry's Load Factor is Down 0.9 Points

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June 2009 Year-to-Date Load Factor and Year-Over-Year Change

Carrier	Load Factor					
	Mainline		Regional		Consolidated	
	Load Factor	Point Change	Load Factor	Point Change	Load Factor	Point Change
American	78.8%	(2.0)	70.4%	(0.7)	78.2%	(1.9)
Continental	79.6%	(0.7)	74.7%	(2.9)	79.1%	(1.0)
Delta	80.9%	(1.7)	75.6%	(1.7)	80.2%	(1.8)
US Airways	81.7%	0.4	72.7%	0.7	80.2%	0.4
United	79.4%	(1.2)	75.4%	1.1	79.0%	(1.0)
Legacy Total	80.0%	(1.3)	74.3%	(0.8)	79.3%	(1.3)
AirTran	78.6%	1.1			78.6%	1.1
Alaska	77.3%	1.0	71.0%	(3.7)	77.0%	0.8
Allegiant	90.8%	2.2			90.8%	2.2
JetBlue	77.8%	(1.6)			77.8%	(1.6)
Southwest	73.6%	1.0			73.6%	1.0
LCC Total	75.9%	0.0	71.0%	(3.7)	75.9%	0.6
Industry Total	79.1%	(0.9)	74.2%	(0.8)	78.6%	(0.9)



Passenger Revenue Has Declined at an Even Faster Rate Than Traffic and is Down 19.2% Thus Far in 2009

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June 2009 Year-to-Date Passenger Revenue (Millions) and Year-Over-Year Change

Carrier	Mainline		Regional		Consolidated	
	Passenger Revenue	Percent Change	Passenger Revenue	Percent Change	Passenger Revenue	Percent Change
American	\$7,357	-19.3%	\$970	-23.3%	\$8,327	-19.8%
Continental	\$4,498	-20.6%	\$887	-26.7%	\$5,385	-21.7%
Delta	\$8,931	-23.2%	\$2,573	-16.8%	\$11,504	-21.9%
US Airways	\$3,335	-20.0%	\$1,194	-18.2%	\$4,529	-19.5%
United	\$5,642	-26.2%	\$1,408	-6.9%	\$7,050	-23.0%
Legacy Total	\$29,763	-22.1%	\$7,032	-17.6%	\$36,795	-21.3%
AirTran	\$1,023	-16.5%			\$1,023	-16.5%
Alaska	\$1,142	-11.4%	\$130	-12.6%	\$1,272	-11.6%
Allegiant	\$266	12.8%			\$266	12.8%
JetBlue	\$1,427	-6.5%			\$1,427	-6.5%
Southwest	\$4,758	-7.8%			\$4,758	-7.8%
LCC Total	\$8,616	-8.7%	\$130	-12.6%	\$8,746	-8.8%
Industry Total	\$38,379	-19.5%	\$7,161	-17.6%	\$45,540	-19.2%



On a Unit Revenue Basis, Legacy PRASM is Down Nearly Three Times as Much as LCC PRASM

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June 2009 Year-to-Date PRASM and Year-Over-Year Change

Passenger Revenue per Available Seat Mile (PRASM)

Carrier	Mainline		Regional		Consolidated	
	PRASM	Percent Change	PRASM	Percent Change	PRASM	Percent Change
American	9.64¢	-12.5%	16.90¢	-14.7%	10.14¢	-12.9%
Continental	9.31¢	-14.2%	14.74¢	-20.2%	9.91¢	-15.3%
Delta	9.08¢	-16.8%	15.69¢	-16.5%	10.02¢	-16.3%
US Airways	9.45¢	-14.5%	16.74¢	-14.0%	10.68¢	-14.2%
United	9.17¢	-16.2%	16.57¢	-12.3%	10.06¢	-14.3%
Legacy Total	9.30¢	-15.0%	16.06¢	-15.5%	10.12¢	-14.7%
AirTran	9.03¢	-9.8%			9.03¢	-9.8%
Alaska	10.04¢	-4.1%	19.19¢	-1.4%	10.56¢	-4.0%
Allegiant	10.36¢	-5.2%			10.36¢	-5.2%
JetBlue	8.82¢	-3.1%			8.82¢	-3.1%
Southwest	9.57¢	-4.5%			9.57¢	-4.5%
LCC Total	9.45¢	-4.9%	19.19¢	-1.4%	9.52¢	-4.9%
Industry Total	9.34¢	-13.0%	16.11¢	-15.3%	10.00¢	-13.1%



Financial Results Are Somewhat Better (Although Still Bad), But Cash is Down at Most Carriers Versus June 2008

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June 2009 Year-to-Date Net Income /Year-Over-Year Change and Unrestricted Cash/Year-Over-Year Change

Carrier	Net Income (Millions)			Unrestricted Cash (Millions)		
	2008	2009	Percent Change	2008	2009	Percent Change
American	(\$1,802)	(\$765)	135.6%	\$5,069	\$2,808	-44.6%
Continental	(\$177)	(\$349)	-49.3%	\$3,400	\$2,770	-18.5%
Delta	(\$52)	(\$1,051)	-95.1%	\$6,539	\$4,851	-25.8%
US Airways	(\$806)	(\$45)	1691.1%	\$2,010	\$1,483	-26.2%
United	(\$1,012)	(\$354)	185.9%	\$2,899	\$2,566	-11.5%
Legacy Total	(\$3,849)	(\$2,564)	50.1%	\$19,917	\$14,478	-27.3%
AirTran	(\$15)	\$78	-629.7%	\$405	\$374	-7.7%
Alaska	\$26	\$10	-61.6%	\$1,006	\$1,122	11.5%
Allegiant	\$12	\$52	322.3%	\$154	\$228	48.4%
JetBlue	(\$19)	\$32	-268.4%	\$880	\$561	-36.3%
Southwest	\$355	(\$37)	-110.4%	\$2,218	\$1,131	-49.0%
LCC Total	\$359	\$135	-62.3%	\$4,663	\$3,416	-26.7%
Industry Total	(\$3,490)	(\$2,429)	-30.4%	\$24,580	\$17,894	-27.2%



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Republic's Acquisition of Frontier and Midwest



On June 23, Republic Announced That it Will Acquire Frontier Airlines and Frontier's Lynx Aviation Subsidiary

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- ✈ Prior to this announcement, Republic operated only regional jets on a capacity purchase basis for carriers such as American, Continental, Delta, Midwest, US Airways and United**

- ✈ Republic announced it will acquire Frontier (and Lynx Aviation) for \$108.75 million, and the acquisition has been approved by the court overseeing Frontier's bankruptcy**
 - Enables Frontier to emerge from bankruptcy**
 - Frontier and Lynx will maintain identities**
 - Frontier will continue to operate as one of the industry's lowest-cost carriers with lower units costs than its primary competitors, United and Southwest**

- ✈ Frontier appears to have navigated its way through bankruptcy successfully, generating an operating profit in each month from November 2008 to May 2009**



The Day After the Frontier Announcement, Republic Announced That it Will Also Acquire Midwest

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- ✈ **Midwest will be acquired from a private equity firm, TPG Capital, by Republic for \$31 million**
 - Republic entered a capacity purchase deal with Midwest in 2008 to operate 10 EMB-170s for Midwest as Midwest retired 16 of its 25 Boeing 717s
 - Republic will also place at least a dozen 37 and 50-seat regional jets at Midwest, replacing the same number of 50-seat regional jets currently operated by SkyWest
 - Republic will replace Midwest's remaining nine 717s with EMB-190s configured with 99 seats

- ✈ **Unlike Frontier's recent profitability, Midwest has not been profitable and reported a loss of \$25.1 million in the first quarter**
 - Midwest faces increasing competition from AirTran and Southwest at its Milwaukee hub



Overall, Republic's Acquisitions Should Have a Positive Impact on Air Service Development

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- ✈ Frontier and Midwest capacity will remain in place
- ✈ Given the number of regional jets in Republic's portfolio and the apparent success of Lynx at Denver, Republic could place regional jets in Denver to provide additional feed to Frontier
 - Selective new regional feed could generate higher quality flow yield for Frontier than lower quality yield Frontier would likely generate with local traffic given the competitive environment in Denver
- ✈ The acquisition of the Lynx operating certificate provides Republic with a platform to operate the Bombardier Q400 at other locations and in capacity purchase agreements with other carriers
- ✈ Q400s and additional regional jets could be introduced in Milwaukee to support Midwest



With the Acquisition of Frontier and Midwest, Republic's Fleet Will Consist of 60 Mainline and 213 Regional Aircraft

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- ✈ The diversity of the fleet will enable Republic to move aircraft among its operations to match capacity with demand

Current Republic Fleet by Carrier

	Mainline Aircraft					Regional Aircraft				Grand Total
	Boeing	Airbus			Total	Q400	Small	Large	Total	
	717	A318	A319	A320			RJ	RJ		
Seats	99	120	136	162		74	37-50	70+		
Chautauqua							73		73	73
Republic								72	72	72
Shuttle America								58	58	58
Frontier		10	38	3	51					51
Lynx						10			10	10
Midwest	9				9					9
Grand Total	9	10	38	3	60	10	73	130	213	273