

P I N N A C L E  
A I R L I N E S C O R P.

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Continental  
Airlines 

 DELTA

 **nwa**  
NORTHWEST AIRLINES

 **UNITED**

 **U.S. AIRWAYS**

## Forward-Looking Statement



The use of words, such as “may”, “might”, “will”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “intends”, “future”, “potential” or “continue”, the negative of these terms and other comparable terminology are intended to identify forward-looking statements. These statements are only predictions based on our current expectations and projections about future events. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In this regard, you should specifically consider the numerous risks outlined in our registration statement in the section entitled, “Risk Factors.”



# **Phil Trenary**

## **President and CEO**

# About Pinnacle Airlines Corp.



- Holding company with two operating subsidiaries: Pinnacle Airlines, Inc. and Colgan Air, Inc.
- Regional Airline Partnerships with Continental Airlines, Delta Air Lines, Northwest Airlines, United Airlines and US Airways
- Over 5,000 Employees
- Current fleet of 138 CRJ200 and 2 CRJ900 next generation regional jets, 42 Saab 340B and 7 Beech 1900D turboprop aircraft
- 14 additional CRJ900s on order for delivery by February 2009
- 15 Q-400 next generation turboprops on order. Deliveries start in December 2007, completed by June 30, 2008.

# Guiding Principles – Pinnacle Airlines



## ■ **Never Compromise Safety**

We recognize safety as our highest priority in all aspects of the Airline.

## ■ **Commitment to Communications**

We will communicate timely and effectively any changes that affect our People or their jobs.

## ■ **Ethics and Values**

We operate by the Golden Rule. This applies to our relationships with all constituencies including Employees, Customers, Suppliers and Stockholders. As a company and as individuals, we highly value integrity and are intolerant of dishonesty, maliciousness or deceit.

## ■ **Commitment to Personal Development**

We will provide education to ensure our People possess the skills and knowledge to achieve our objectives. In addition to providing technical training, we will provide dedicated training in safety, leadership and diversity.

## ■ **Respect for All Pinnacle People**

We recognize the value of all People. We will train our People in the areas of diversity and leadership, giving them the tools necessary to ensure relationships are based on the principle of mutual respect.

## ■ **Financial Responsibility**

We recognize the importance of maintaining the lowest possible cost consistent with achieving our service objectives. We will provide the opportunity for all People to Provide input in achieving our efficiencies.

## ■ **Customer Service**

We will provide our Customers with responsive, caring and professional People. We are dedicated to providing clean aircraft and facilities.

## ■ **Commitment to Stakeholders**

We realize our Investors, People and Customers depend on us. All stakeholders will benefit in some way from their relationship with our Airline.

# Guiding Principles – Colgan Air



## ■ Family

We treat our passengers and fellow employees as family.

## ■ Operational Excellence

We create a working environment in which we exceed customer and shareholder expectations.

## ■ Safety

We communicate clearly our values, vision, strategy and safety ideals to employees, customers and the communities that we serve.

## ■ Teamwork

We are committed to work together, maximizing creativity and initiative, in order to promote a fun, efficient, and profitable organization.

## ■ Ethics

We consistently demonstrate honesty, integrity and trust. We are true to ourselves and our customers. We challenge ourselves to be the best.

## ■ Respect for All People

We treat our customers and employees with mutual respect for all. We are committed to treating people in the way we would want to be treated.

# Pinnacle Airlines Corp. Goals



- Lead the regional industry in operating performance
- Maintain a competitive cost structure
- Invest in profitable growth and use strong cash flow to reward investors
- Foster a culture where Pinnacle People enjoy working

# Pinnacle Airlines Corp – Well Positioned For Growth



## Pinnacle Airlines, Inc.

Regional Jet Platform



## Colgan Air, Inc.

Turbo Prop Platform





# Diverse Partner Relationships



***Pinnacle Airlines, Inc.***

**CRJ200**

124

**CRJ900**

16

***Colgan Air, Inc.***

**Q400**

15

**Saab 340**

12

15

15

**Total**

**124**

**27**

**16**

**15**

**15**

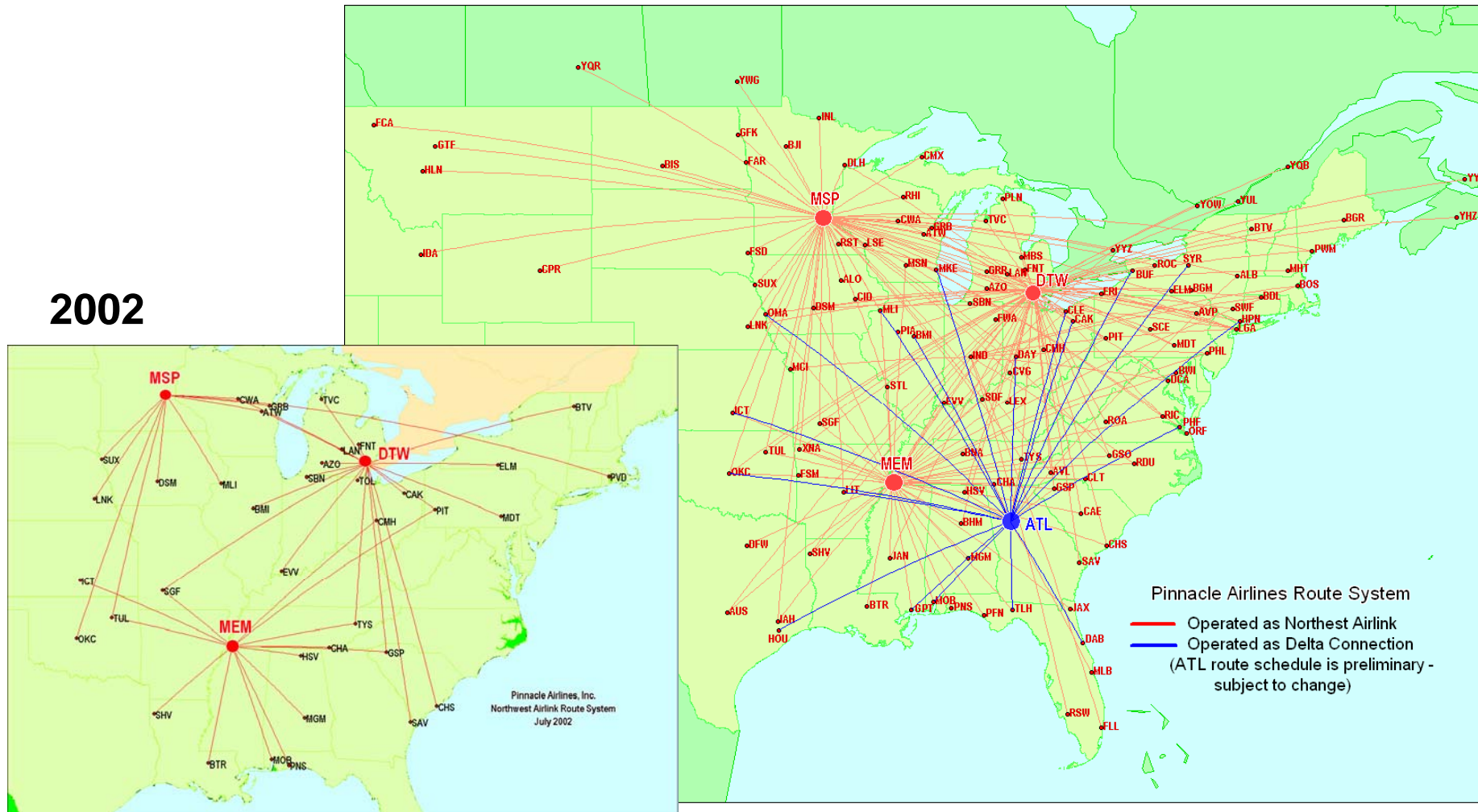
**Potential Expansion Opportunities**



# Pinnacle Airlines, Inc. – A Strong Record of Growth



2002

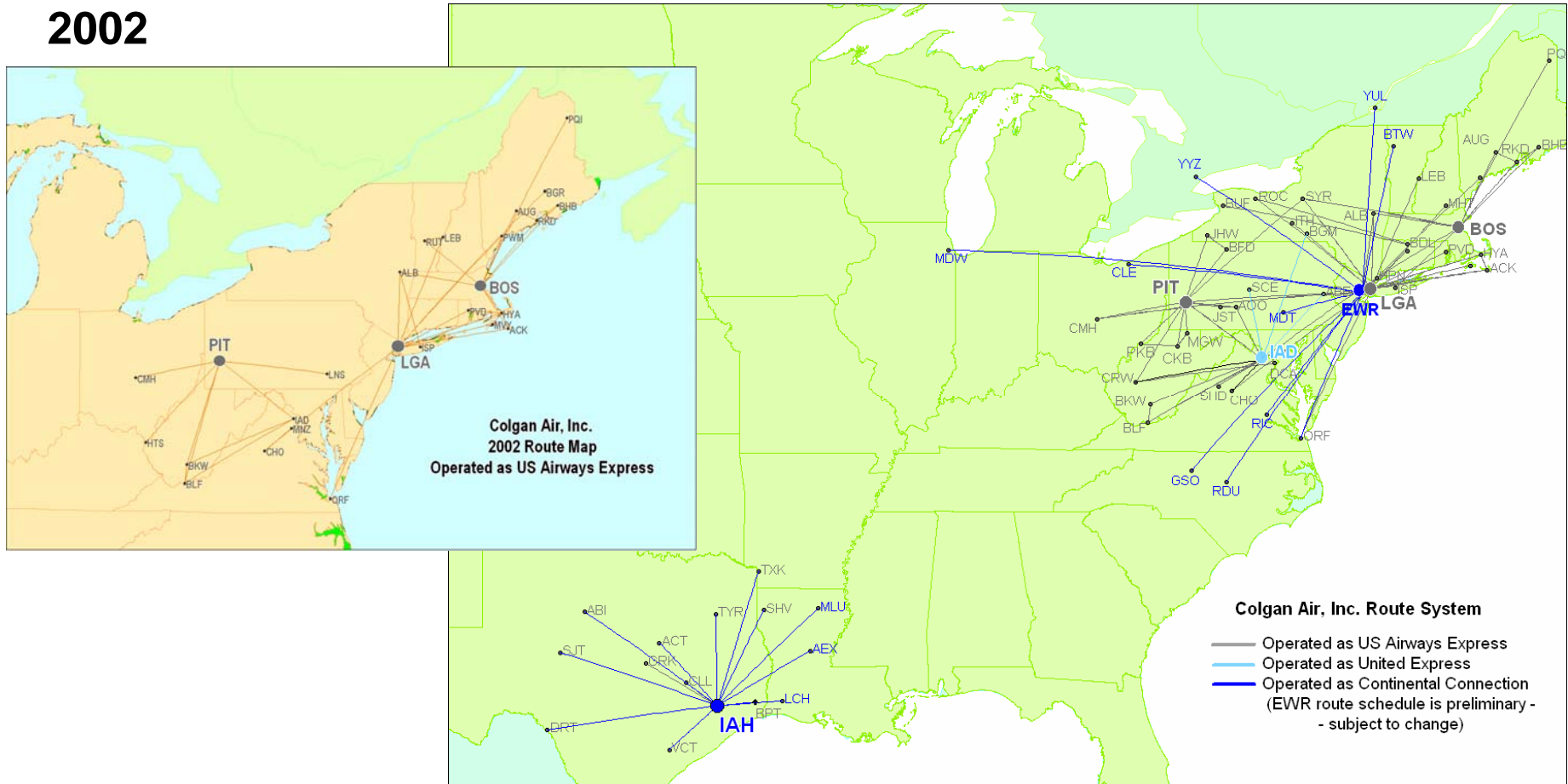


2009 Projected

# Colgan Air, Inc. – A Strong Record of Growth



2002



2009 Projected

# New Regional Airline Services Contracts



## Continental Airlines

- 15 Q400 aircraft placed into service by June 2008
- Ten year term
- Expandable to 30 Q400 aircraft
- Industry standard contract terms
- 7-9% pretax margins



## DELTA

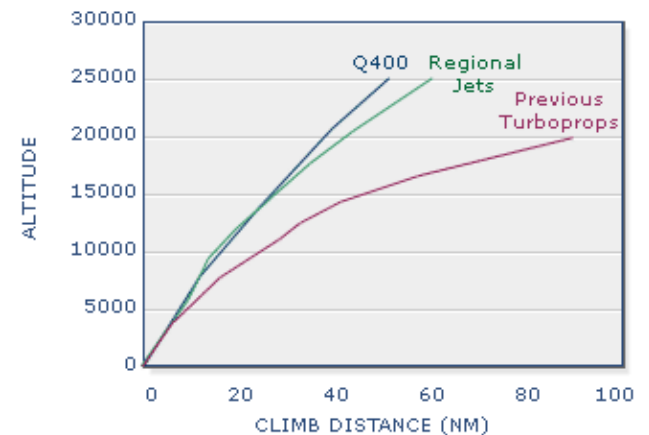
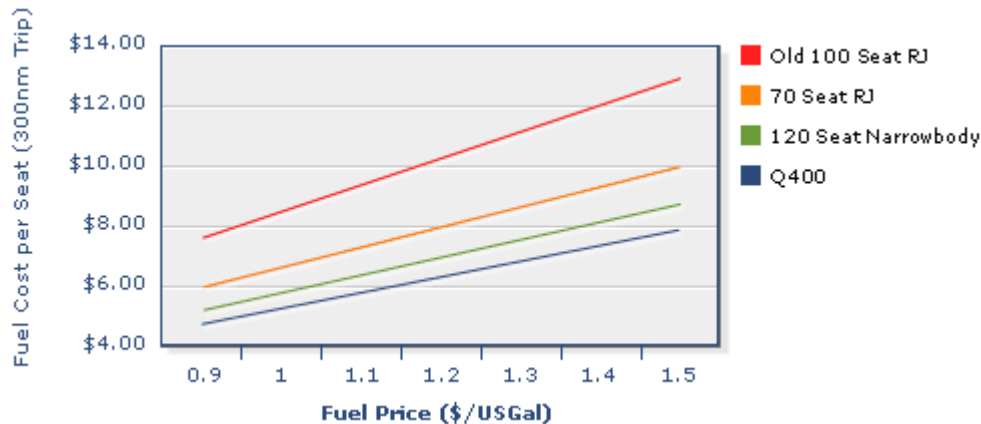
- 16 CRJ900 aircraft placed into service by February 2009
- Ten year term
- Expandable to 23 aircraft or more
- Industry standard contract terms
- 7-9% pretax margins





# Q400 The Next Generation of Turbo Prop Aircraft

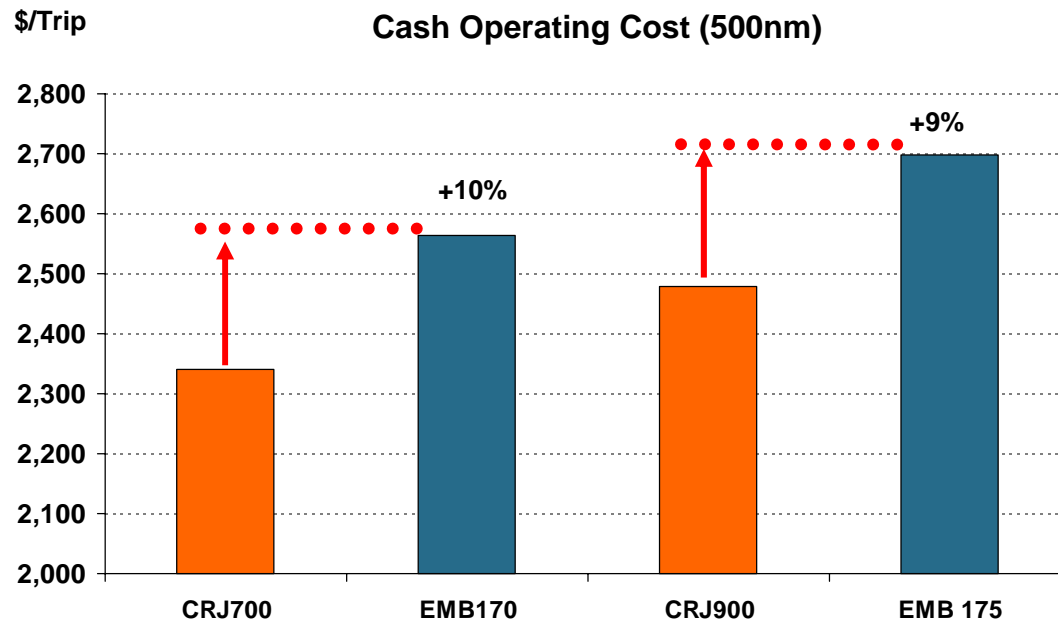
- Superior operating performance to both traditional turbo-props and similar regional jets
- Enhanced passenger comfort compared to regional jets
- Unique performance capabilities facilitate reduced block times in congested ATC environment
- Environmentally friendly “green” aircraft – lower fuel burn, lower emissions, reduced noise levels
- Operating costs at or below 50 seat regional jets, yet comfortably seats 70-78 passengers
- Performance attributes allow for cross runway utilization at Newark





# CRJ900 - Best Economics of Any Jet Aircraft in its Class

- Seat-mile costs comparable to new generation narrowbodies for low-cost operation
- Burns less fuel and has lower trip costs than comparably sized jet aircraft
- New cabin offers greater passenger appeal and comfort
- High level of commonality with other CRJs
  - Highest common crew qualifications between models (common pilot type rating)
- Environmentally friendly - low external noise and emissions levels



Source: Bombardier

Note: NW configuration seating:

CRJ700 – 64, CRJ900 – 76, CRJ900X - 93, EMB170 – 66, EMB 175 - 76, EMB 190 - 91

# Poised For More Growth



- Plan to enter into new contracts
- Enhance existing relationships with airline partners
- Invest in new regional aircraft
- Pinnacle is well positioned for growth:
  - Strong balance sheet and ample liquidity
  - Competitive cost structure
  - Industry leading operational performance
  - Proven ability to accommodate significant growth

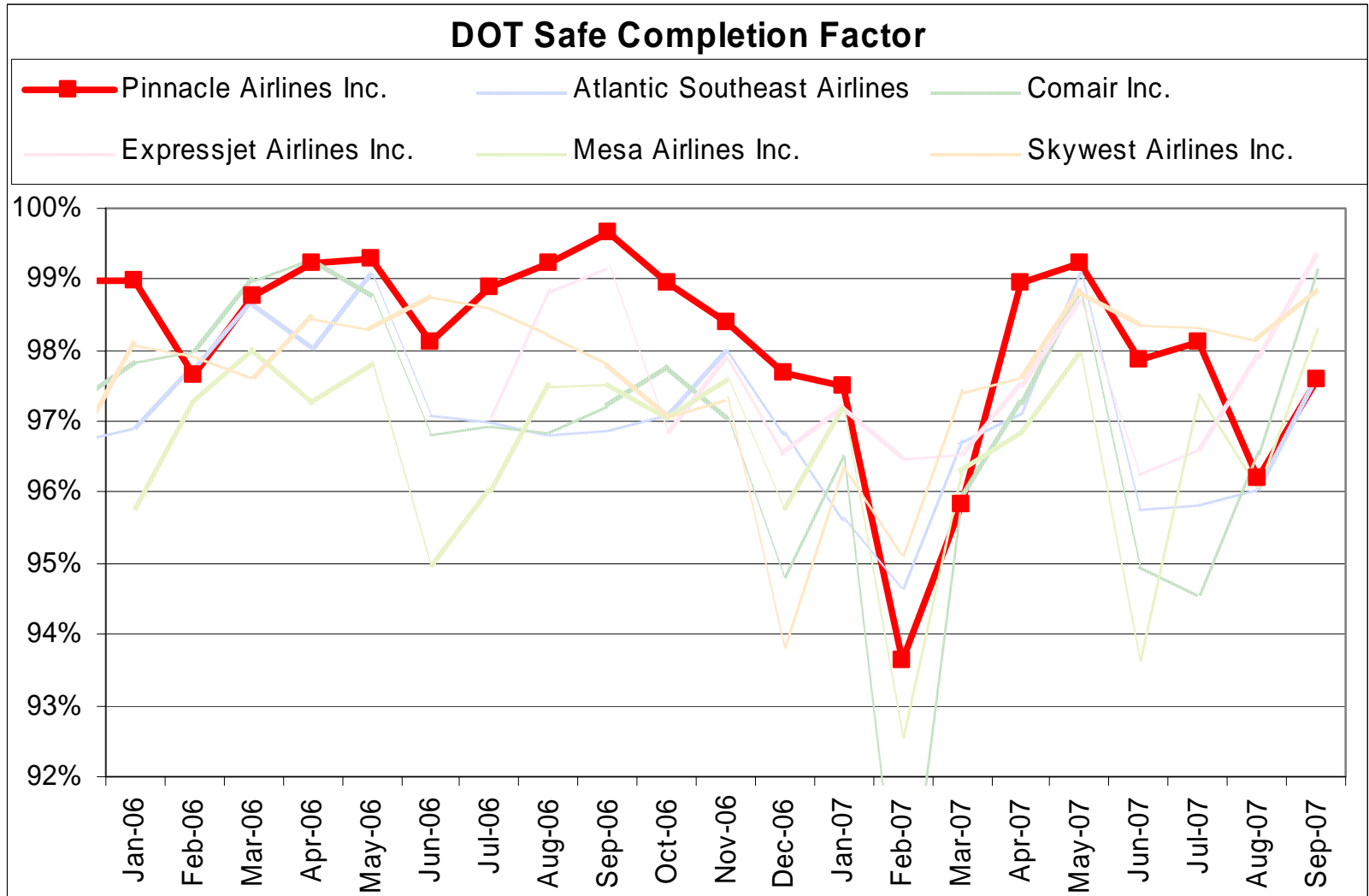


**Doug Shockey**

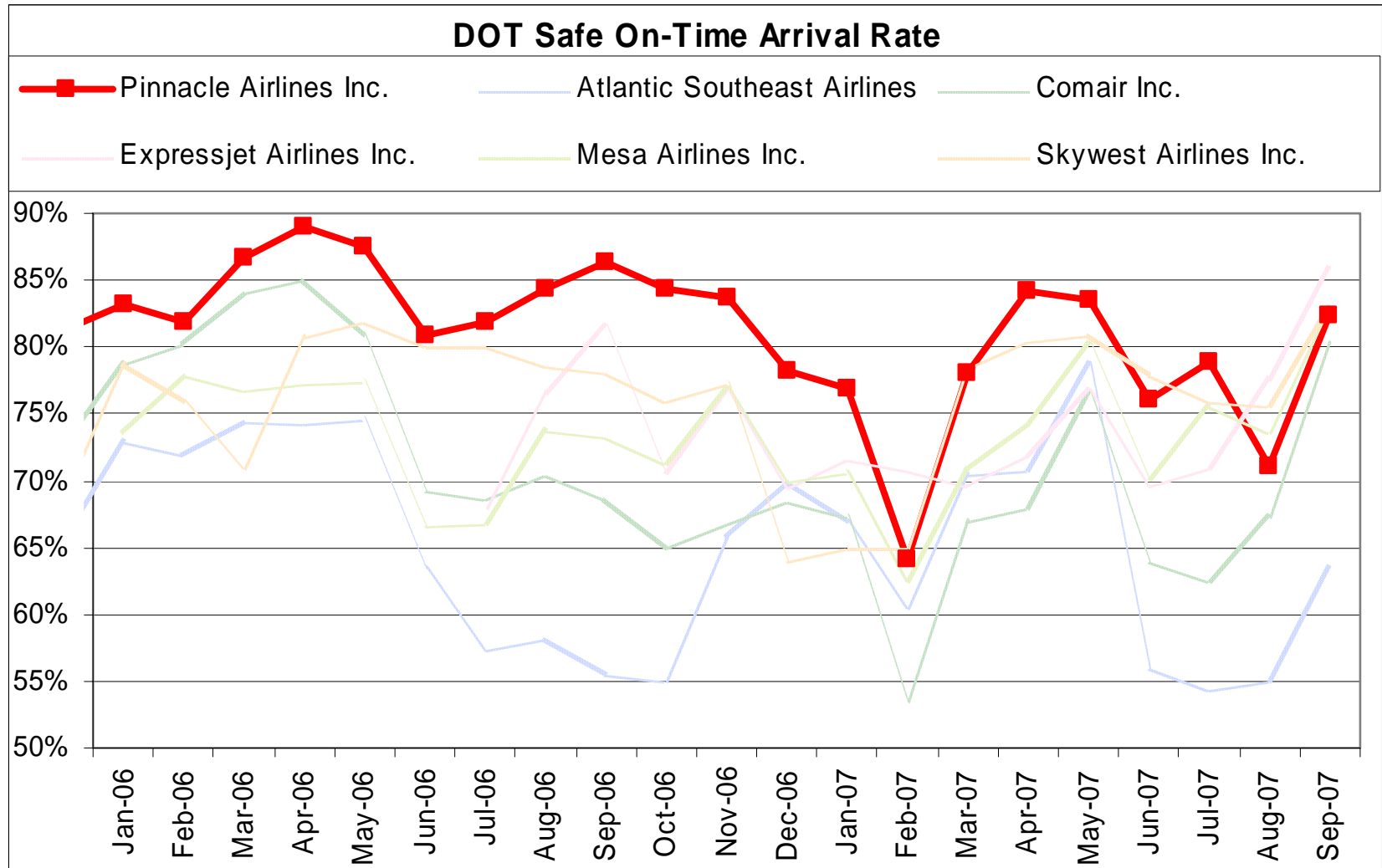
**Chief Operating Officer**



# Industry Leading Performance - Pinnacle



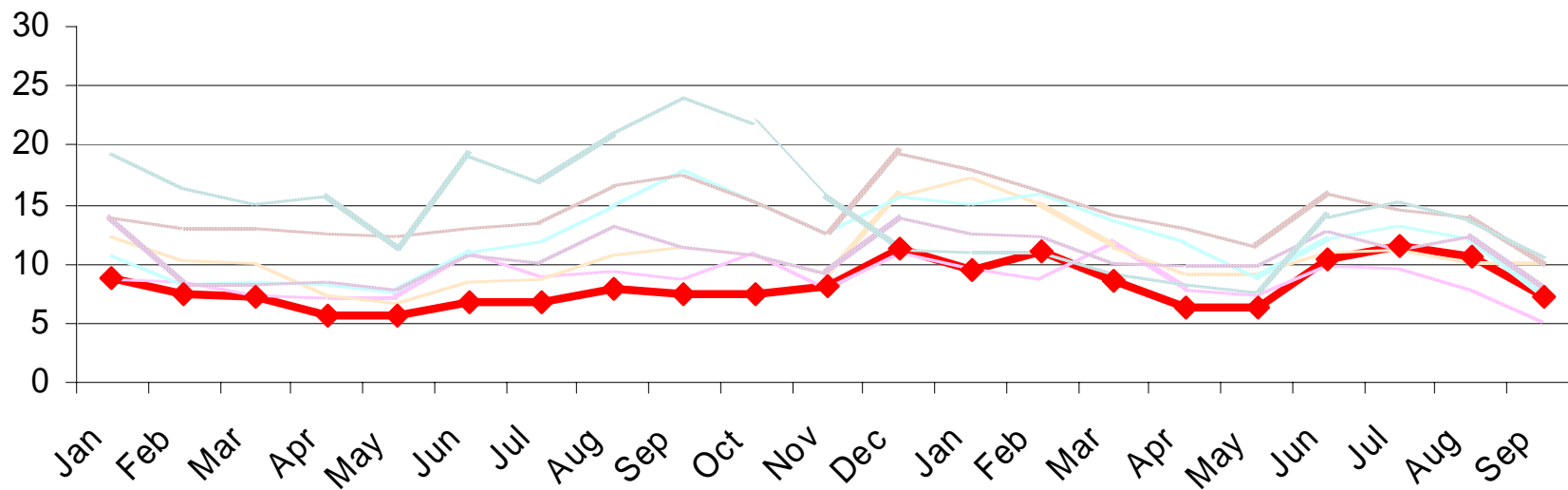
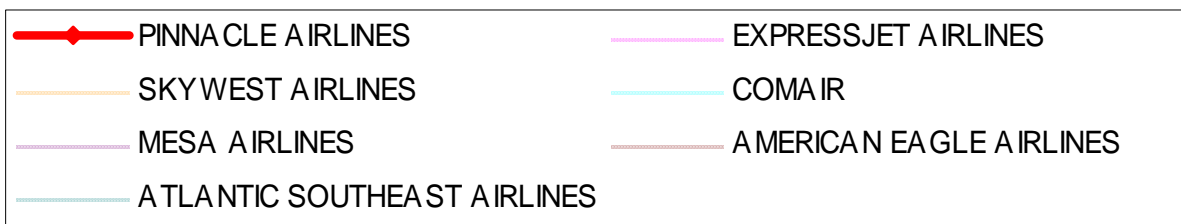
# Industry Leading Performance - Pinnacle



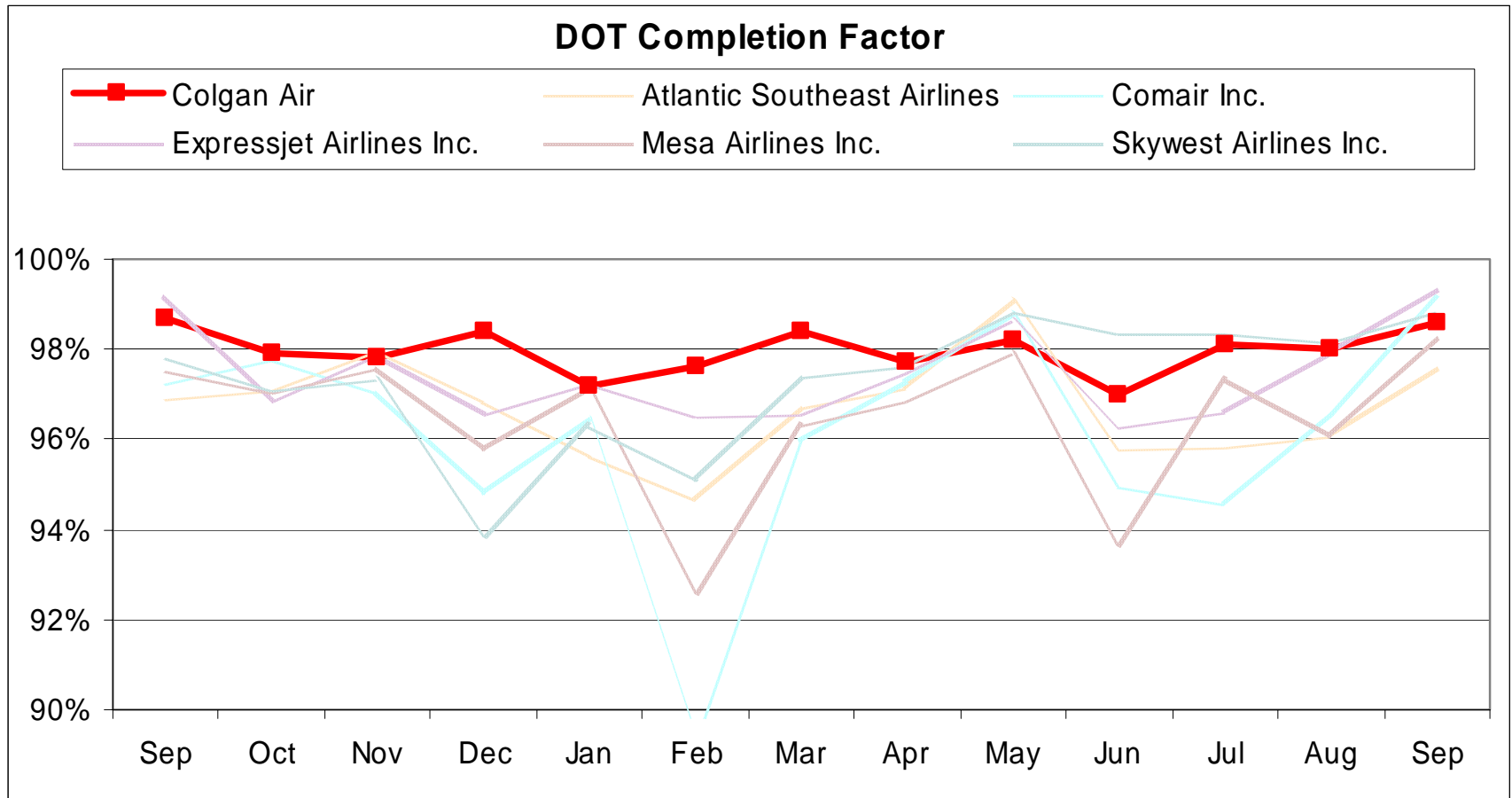
# Industry Leading Performance - Pinnacle



## Mishandled Baggage Ratios



# Outstanding Performance - Colgan





# Keys to Operational Success

## **Safety Management System**

- Air Transportation Oversight System (ATOS)
- Airline Safety Action Partnership (ASAP)
- Flight Operations Quality Assurance (FOQA)
- SMEs

## **Disaster Recovery**

- Mirrored SOC / IT support systems
- Backup power supply, phone lines

## **Heavy emphasis on operational performance metrics**

- What gets measured gets managed
- All operations management notified about every aircraft event (e.g. air returns, gate returns) and overall daily operational performance

## **Fuel burn initiatives**

- APU usage is lowest in the industry
- Single engine taxi



# New Operations On Schedule

- Pinnacle and Colgan moved efficiently through the operational and regulatory processes to bring new aircraft online
- Keys to success:
  - Leadership teams with significant aircraft induction experience
  - Detailed, organized plans developed with the FAA
  - Coordinated efforts with the FAA and major carrier partners
- DOT approval processes for CRJ900s and Q400s are complete



# Pinnacle Labor Relations

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Pinnacle Airlines, Inc.	■ Apr: Pilots					■ Mar: Ground Services - Ramp	■ Jul: Flight Attendants		■ Dispatch (tentative)
Colgan Air			■ Nov: Flight Attendants						

## ■ Labor philosophy

- Competitive pay rates
- High productivity
- Long-term agreements

## ■ Productivity exceeds peers

- Pilot productivity of 62.4 block hours/month in October 2007
- Customer Service - 67% part-time as of October 2007 - 2 to 3 hour shifts
- Flight Attendants - 30% part-time as of October 2007 with no minimum pay guarantee

## ■ New recruiting sources/alternatives to effectively manage industry attrition

## ■ Status of Pilot Negotiations

- Discussions with ALPA on-going under the supervision of the National Mediation Board



# New Colgan Initiatives will Improve Profitability

- Targeting 3 – 5% pretax margins on base Saab 340 operations
- Relocating maintenance facilities from Manassas, VA to Dulles
  - Eliminates expensive ferry flights
  - Aligns maintenance ops with flying ops
- Analyzing Colgan route / aircraft flow structure to minimize maintenance and ferry costs
  - Star Alliance livery to increase aircraft flow flexibility
- Leverage economies of scale to reduce overhead costs
  - Accounting, IT, Purchasing
  - Aviation insurance
- Transition six PIT markets to IAD and United code
  - Significantly increased connecting opportunities at larger hub
  - Larger local market base
- Removing uneconomical Beech 1900 fleet from service
  - All retired by end of 2008





# **Peter Hunt**

## **Chief Financial Officer**

# Regional Airline Business Models



## Capacity Purchase Agreement

- Major airline selects routes, retains passenger revenue risk
- Regional airline is paid to operate the aircraft and typically retains risk on costs within its control

## Revenue Pro-Rate Agreement

- Regional airline selects routes and prices local market fares
- Regional airline retains all local passenger revenue and “pro-rates” connecting passenger revenue
- Regional is responsible for all operating costs including fuel and revenue related costs

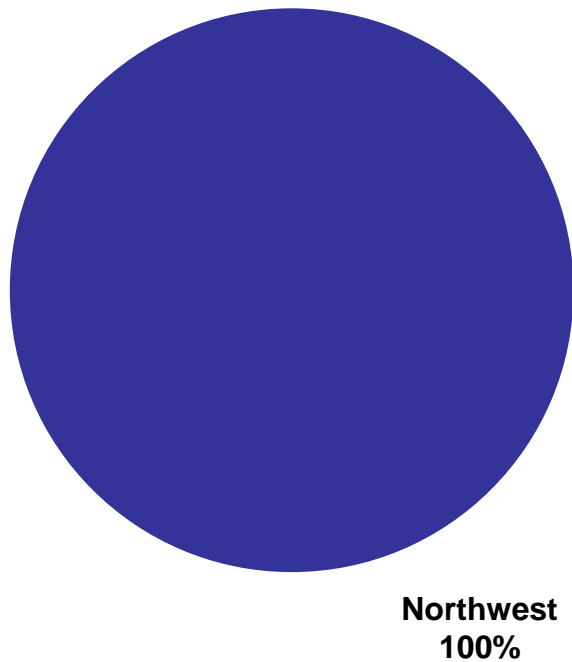
**Approximately 80% of Pinnacle Airlines Corp.’s operations are conducted under capacity purchase agreements**

# Investments in New Flying Bring Financial Diversity

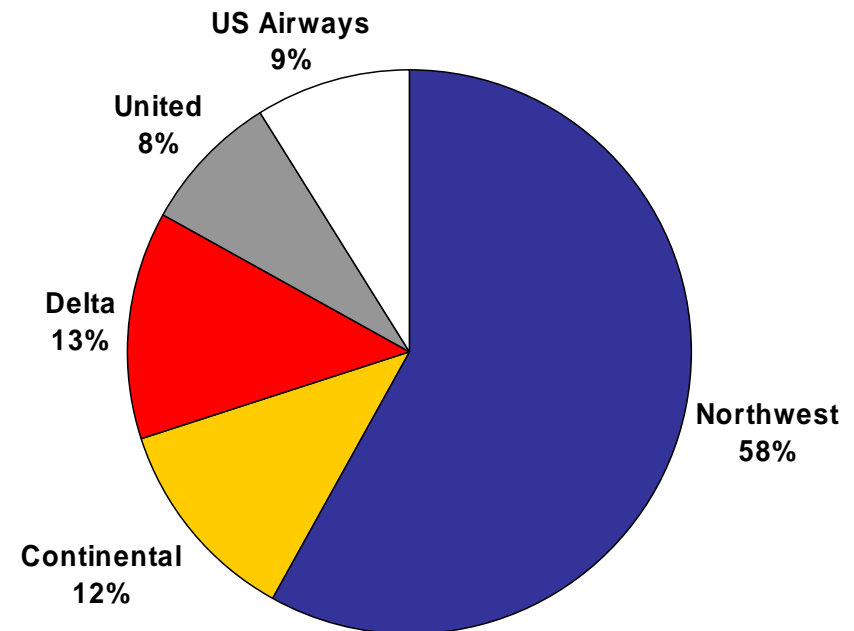


## Revenue

**2006**



**2009**



# Capacity Purchase Agreement Comparison



	Continental Q400			Delta CRJ900			Northwest CRJ200		
	Rate Based	Reimbursed	Excluded / No Charge	Rate Based	Reimbursed	Excluded / No Charge	Rate Based	Reimbursed	Excluded / No Charge
Labor Costs	✓			✓			✓		
Line Maintenance	✓			✓			✓		
Heavy Maintenance	✓			✓				✓	
Other (G&A, Training, Etc)	✓			✓			✓		
Non Aircraft Depreciation	✓			✓			✓		
Property Taxes	✓				✓			✓	
Aircraft Ownership	✓			✓				✓	
Aviation Insurance		✓			✓			✓	
Landing Fees / Station Costs		✓			✓		✓		
Fuel			✓			✓			✓
Facility Rent *			✓			✓		✓	
Ground Handling *			✓			✓	✓		
Operating Margin	Built into rates			Based upon performance			Target margin payments		

\*Delta or Continental may request that we handle ourselves and we are compensated for that

# New Aircraft Fleet is Competitively Financed

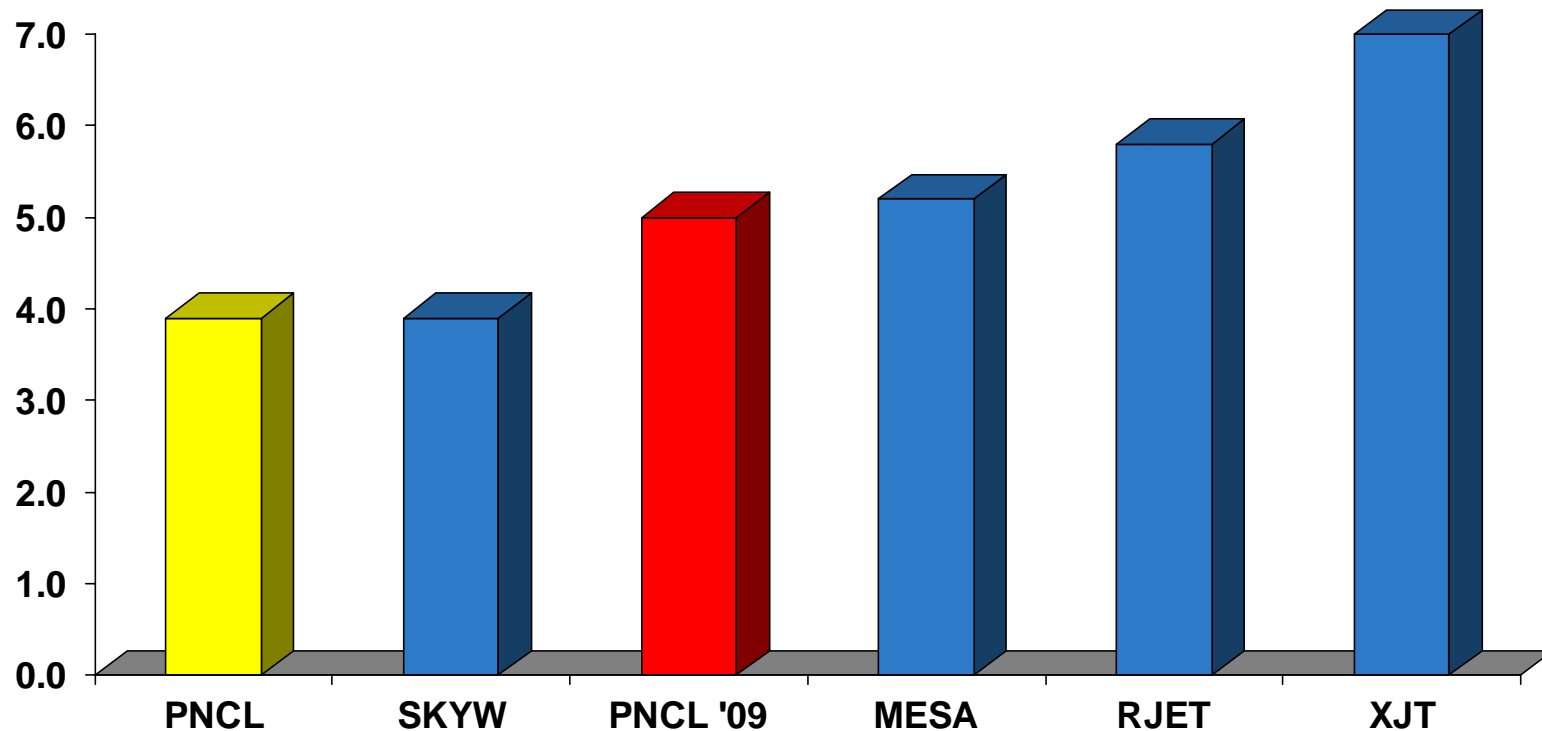


- Commitment from a third party to finance the 15 Q400 aircraft and 16 CRJ900 aircraft
  - Advance rate of 85%
  - 15 year term
  - Mortgage style amortization
  - Interest rates tied to long term swap rates
  - Interest rate exposure largely hedged at rates averaging below 7.0%

# Maintaining Strong Balance Sheet



Net Debt/EBITDAR  
Q3 2007



# Pinnacle is Managing Through its Challenges



- Negotiations with ALPA
  
- NWA disputed items
  - One time adjustment factor
  - Classification of cities under the ASA
  - First half 2007 penalties settled for an additional \$500,000
  - Relationship remains strong; items will be handled in an arbitration
  
- IRS examination
  
- Accounting for convertible notes



# New Aircraft Will Generate Depreciation Tax Benefits

- New aircraft depreciated using 7 year MACRS for tax purposes, 25 years for financial reporting purposes

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Thereafter</u>
Expected Tax Depreciation	15.4	102.2	152.2	112.2	80.1	60.0	140.4
Federal Tax Rate	35%	35%	35%	35%	35%	35%	35%
Depreciation Tax Shield	<u>5.4</u>	<u>35.8</u>	<u>53.3</u>	<u>39.3</u>	<u>28.1</u>	<u>21.0</u>	<u>49.1</u>

- Pinnacle doesn't expect to pay income taxes in 2008-2010
- Timing difference will be spread over 25 life of the aircraft

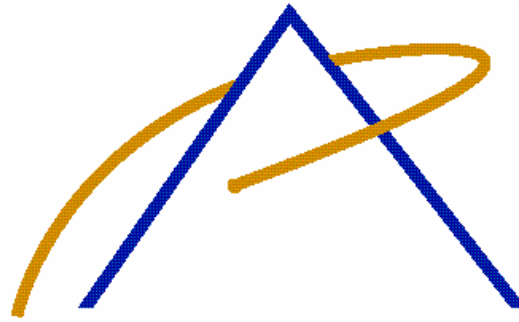


# Expect to Generate High Operating Cash Flow in 2008-2009



	<b>\$ Millions</b>	
	<b>2008</b>	<b>2009</b>
Baseline - FirstCall Estimated Net Income *	47	52
Projected Book Depreciation Expense	25	34
Tax Provision	28	31
Balance Sheet Changes	(20)	(20)
<b>Potential Operating Cash Flow</b>	<b>80</b>	<b>97</b>
Net Investment in New Aircraft	(79)	(4)
Other Capital Expenditures, Net	(18)	(10)
Repurchase of Class A share	(20)	-
Scheduled Debt Amortization	(21)	(29)
<b>Projected Change in Cash &amp; S/T Investments</b>	<b>(58)</b>	<b>54</b>

\*For comparison purposes only. Not intended to represent the Company's estimate of future earnings.  
2009 FirstCall estimate not available. Assumed 10% YOY growth from 2008



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NORTHWEST AIRLINES

