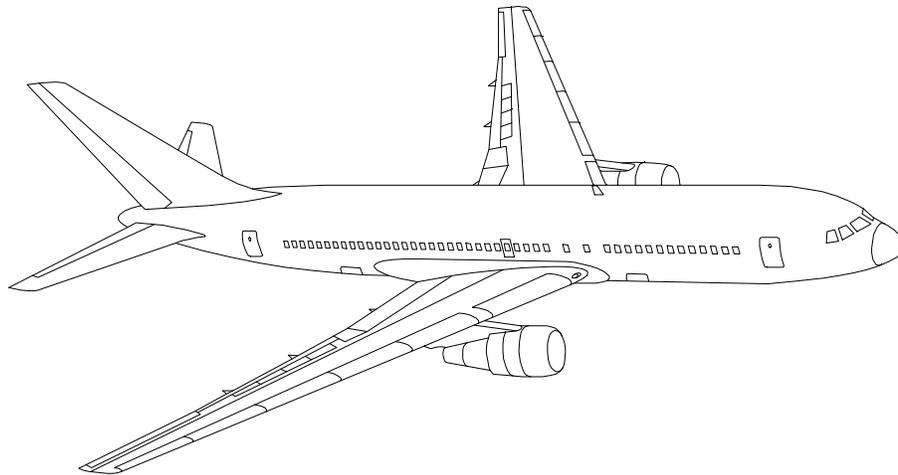


AIRLINE QUARTERLY FINANCIAL REVIEW

FIRST QUARTER 1996



MAJORS



DEPARTMENT OF TRANSPORTATION
OFFICE OF AVIATION ANALYSIS
ECONOMIC AND FINANCIAL ANALYSIS DIVISION

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INTRODUCTION

This report contains staff comments, tables and charts on the financial condition of the U.S. major airlines.

The data are presented on a carrier group basis. Data are presented for the most recent quarterly period and the comparable quarter a year earlier and also on a 12-month ended basis as at the end of the five most recent quarters. In addition, data on charges over comparable periods 12-months earlier are presented. A graphic presentation of comparative trends, on a carrier group basis, is made for several unit and overall financial indicators.

All data presented in this financial and traffic review are derived from data reported to the U.S. Department of Transportation on Form 41 Schedules by Large Certificated Air Carriers. For comparison purposes, this analysis is limited to the major scheduled passenger and all-cargo air carriers only. Alaska Airlines, with revenues exceeding \$1 billion in calendar year 1995, became a major airline effective January 1, 1996, and is included in this review for the first time. All financial and traffic results have been retroactively restated to include the operations of Alaska. Certain data in this review is classified in two broad categories : namely "domestic" and "international". "Domestic" encompasses operations within and between the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. It also encompasses Canadian transborder operations and for certain carriers Mexican transborder operations. All other operations are considered "international", which is separated into Atlantic, Latin, and Pacific.

Suggestions from users for the improving either the scope, presentation, or utility of this review are invited. It will also be appreciated if suggestions, discrepancies, and errors in the data are called to the attention of the Economic & Financial Division, Office of Aviation Analysis, Office of the Secretary, U.S. Department of Transportation, Washington, D.C. 20590.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
TOTAL SYSTEM PASSENGER & ALL CARGO MAJORS

QUARTERLY RESULTS

- o Five majors (Alaska, Delta, Federal Express, Trans World and USAir) reported an operating and net profit for the quarter, while United showed just an operating profit. Although Alaska, Trans World and USAir experienced an operating and net loss during the quarter, results were improved over the quarter ended March 1995.
- o During the quarter Delta recorded a \$556 million charge for restructuring and other nonrecurring costs. This charge was recorded in operating expenses, greatly suppressing what would have been record operating and net first quarter results for the group.
- o Operating revenues advanced 7.5 percent, slower than the 8.7 percent increase in operating expenses. Without the Delta charge, operating expenses would have increased only 5.8 percent.
- o Operating results dropped \$195.7 million but remained in the black with a profit of \$319.8 million. Excluding Delta's charge, operating profit would have jumped \$360.3 million to a profit of \$875.8 million.
- o Even with Delta's write-down, the current quarter net loss, which narrowed \$31.5 million to a loss of \$65.5 million, was the smallest first quarter loss for the group since 1985. Without the charge, net results would have soared \$587.5 million to \$490.5 million.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	1Q 95	1Q 96	\$CHANGE	1Q 95	1Q 96	\$CHANGE
TOTAL ALL MAJORS	515.5	319.8	-195.7	-97.0	-65.5	31.5
TOTAL PASSENGER MAJORS	356.8	184.4	-172.4	-182.9	-122.7	60.2
ALASKA	-14.2	-3.3	10.9	-13.0	-5.3	7.7
AMERICA WEST	24.9	34.3	9.4	5.2	13.7	8.5
AMERICAN	251.2	224.7	-26.5	56.5	68.5	12.0
CONTINENTAL	30.6	115.5	84.9	-10.7	100.6	111.3
DELTA	36.5	-385.7	-422.2	-11.2	-275.9	-264.7
NORTHWEST	88.5	141.8	53.3	19.9	58.1	38.2
SOUTHWEST	23.1	55.9	32.8	11.8	33.0	21.2
TRANS WORLD	-72.0	-54.0	18.0	-122.8	-37.1	85.7
UNITED	38.4	63.9	25.5	-16.9	-23.4	-6.5
USAIR	-50.3	-8.9	41.4	-101.8	-54.9	46.9
TOTAL ALL CARGO MAJORS	158.7	135.4	-23.3	86.0	57.3	-28.7
FEDERAL EXPRESS	144.4	146.9	2.5	71.8	65.5	-6.3
UNITED PARCEL	14.3	-11.4	-25.7	14.2	-8.2	-22.4
TOTAL PAX. MAJORS w/o DL CHARGE	356.8	740.4	383.6	-182.9	433.3	616.2
TOTAL ALL MAJORS w/o DL CHARGE	515.5	875.8	360.3	-97.0	490.5	587.5

1/ Totals may not add due to rounding.

- o During the quarter, total fuel expense jumped 13.3 percent due to rapidly rising unit fuel prices, up 13.3 percent to an average cost of 60.55 cents, as consumption dipped 0.2 percent. Total fuel expense as a percentage of total operating expenses rose from 10.4 percent a year ago to 10.8 percent.
- o Every major except Southwest (up \$1.2 million) cut interest expense, which for the group fell \$89.3 million to \$511.9 million.

12-MONTH RESULTS

- o Despite the first quarter charge recorded by Delta, the combined majors reported the best operating and net results in history for any 12-month period ending in March.
- o Operating profit soared \$2.42 billion to \$5.36 billion. All passenger majors, except American, reported improvement and all majors reported a profit. Both all-cargo majors saw slight operating and net deteriorations.
- o Net results surged upward \$2.52 billion to a positive \$2.27 billion. Trans World was the only major to report a net loss for the period and, except for American, Federal Express and UPS, all majors improved.
- o Operating and net results would have been \$5.92 billion and \$2.82 billion, respectively, without the Delta charge.
- o RTM unit costs rose over the same period a year ago for the first time since September 1993, up 0.8 percent, but RTM yield increased 3.6 percent enhancing profitability.
- o Interest expense dropped \$104.6 million as total debt was cut \$3.09 billion to \$24 billion.
- o Debt to investment fell 9.8 percentage points to 60.2 percent.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL PASSENGER & ALL-CARGO MAJORS

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9603	9503	9603	9512	9509	9506	9503
<u>FINANCIAL RESULTS: (in Millions \$)</u>							
1 Operating Revenues	21,085.1	19,611.9	86,466.3	84,993.1	83,844.6	82,670.0	81,473.5
2 Operating Expenses	20,765.3	19,096.5	81,107.0	79,438.2	78,835.5	78,450.9	78,529.7
3 Operating Profit (Loss)	319.8	515.5	5,359.3	5,555.0	5,009.1	4,219.2	2,943.7
4 Net Income (Loss)	-65.5	-97.0	2,266.1	2,234.6	1,150.3	718.6	-251.1
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	123.54	116.46	516.61	509.53	508.06	506.40	500.91
6 ASMs - Scheduled Rev. Svc.	185.42	182.98	759.62	757.18	757.81	756.11	751.89
7 Overall RTMs (All Svc.)	16.70	16.00	69.86	69.16	69.06	68.90	68.16
8 Overall ATMs (All Svc.)	30.04	29.47	123.20	122.63	122.43	121.83	120.92
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	126.3	122.6	123.8	122.9	121.4	120.0	119.5
10 Operating Expense per RTM	124.3	119.4	116.1	114.9	114.2	113.9	115.2
11 Operating Profit (Loss) per RTM	1.9	3.2	7.7	8.0	7.3	6.1	4.3
12 Operating Expense per ATM	69.1	64.8	65.8	64.8	64.4	64.4	64.9
13 Passenger Revenue per RPM	13.04	12.66	12.80	12.71	12.58	12.46	12.42
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.22	2.22	2.22	2.20	2.16
15 Times Interest Earned	*	*	2.04	2.56	2.09	1.71	1.12
16 Current Assets to Current Liabilities	*	*	0.73	0.71	0.76	0.70	0.67
17 No. of Days Cash Coverage of Cash Exp.	*	*	31.86	31.52	39.93	38.77	29.52
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Revenue	1.5	2.6	6.2	6.5	6.0	5.1	3.6
19 Net Income to Stockholders Equity	*	*	17.0	18.2	9.7	6.4	-2.3
20 Corporate Return on Investment	*	*	11.4	11.7	9.2	8.2	5.4
21 Debt to Total Investment	*	*	60.2	61.5	62.7	67.4	70.0
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	66.6	63.6	68.0	67.3	67.0	67.0	66.6
23 Breakeven	67.9	64.7	65.2	64.6	64.8	65.7	66.6
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	443,101	436,245	441,831	441,640	436,389	439,352	442,988
25 Overall RTM's per Employee (000)	37.7	36.7	158.1	156.6	158.3	156.8	153.9

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
	7.5	3.1	6.1	5.1	4.5	3.8	3.2
26 Operating Revenues (%)	7.5	3.1	6.1	5.1	4.5	3.8	3.2
27 Operating Expenses (%)	8.7	0.9	3.3	1.4	1.3	1.1	1.8
28 Operating Profit (Loss) (in Millions \$)	-195.7	409.9	2,415.6	3,021.1	2,586.0	2,184.8	1,157.1
29 Net Income (Loss)(in Millions \$)	31.5	304.5	2,517.2	2,790.2	76.4	-11.1	-1,043.7
30 RPMs (Sch. Svc.) (%)	6.1	5.8	3.1	3.0	4.4	5.4	5.2
31 ASMs (Sch. Svc.) (%)	1.3	4.1	1.0	1.7	2.5	2.2	1.3
32 Operating Revenues per RTM (%)	3.0	-4.0	3.6	1.9	-0.5	-2.7	-3.5
33 Operating Expense per RTM (%)	4.1	-6.0	0.8	-1.6	-3.6	-5.3	-4.8
34 Passenger Revenue per RPM (Sch. Svc.)(%)	3.0	-3.7	3.1	1.5	-0.7	-2.6	-3.5

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL PASSENGER & ALL-CARGO MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9603	9503	9603	9512	9509	9506	9503
<u>FINANCIAL RESULTS: (in Millions \$)</u>							
1 Operating Revenues	16,278.2	15,136.8	65,456.9	64,315.4	63,311.7	62,445.7	61,446.6
2 Operating Expenses	15,560.9	14,560.8	60,719.7	59,719.5	59,362.4	59,115.5	59,095.8
3 Operating Profit (Loss)	717.3	575.9	4,737.2	4,595.9	3,949.3	3,330.2	2,350.8
4 Net Income (Loss)	216.1	1.9	2,080.5	1,866.3	753.0	444.2	-315.1
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	90.49	85.84	372.15	367.50	367.63	367.34	363.20
6 ASMs - Scheduled Rev. Svc.	137.89	137.36	560.00	559.46	561.06	560.55	557.35
7 Overall RTMs (All Svc.)	11.53	11.06	47.54	47.06	47.04	47.00	46.54
8 Overall ATMs (All Svc.)	20.99	20.83	85.31	85.15	85.27	85.05	84.52
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	141.2	136.9	137.7	136.7	134.6	132.9	132.0
10 Operating Expense per RTM	134.9	131.7	127.7	126.9	126.2	125.8	127.0
11 Operating Profit (Loss) per RTM	6.2	5.2	10.0	9.8	8.4	7.1	5.1
12 Operating Expense per ATM	74.1	69.9	71.2	70.1	69.6	69.5	69.9
13 Passenger Revenue per RPM	13.80	13.28	13.47	13.34	13.13	12.96	12.90
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Revenue	4.4	3.8	7.2	7.1	6.2	5.3	3.8
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	13.3	12.9	9.3	8.2	5.3
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	65.6	62.5	66.5	65.7	65.5	65.5	65.2
23 Breakeven	64.5	63.1	63.5	63.1	63.7	64.5	65.5
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
	9603	9503	9603	9512	9509	9506	9503
26 Operating Revenues (%)	7.5	3.7	6.5	5.6	4.7	4.2	3.4
27 Operating Expenses (%)	6.9	1.9	2.7	1.5	2.0	2.3	3.1
28 Operating Profit (Loss) (in Millions \$)	141.4	264.3	2,386.4	2,509.4	1,675.7	1,172.6	239.7
29 Net Income (Loss)(in Millions \$)	214.2	177.1	2,395.6	2,358.5	-234.0	-314.8	-1,311.4
30 RPMs (Sch. Svc.) (%)	5.4	7.0	2.5	2.8	4.8	6.2	6.0
31 ASMs (Sch. Svc.) (%)	0.4	4.9	0.5	1.6	2.9	2.9	2.2
32 Operating Revenues per RTM (%)	3.1	-3.4	4.3	2.7	-0.2	-2.3	-3.3
33 Operating Expense per RTM (%)	2.4	-5.0	0.6	-1.3	-2.7	-4.1	-3.5
34 Passenger Revenue per RPM (Sch. Svc.)(%)	3.9	-4.3	4.4	2.4	-0.9	-3.3	-4.3

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
INTERNATIONAL OPERATIONS
TOTAL PASSENGER & ALL-CARGO MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9603	9503	9603	9512	9509	9506	9503
<u>FINANCIAL RESULTS: (in Millions \$)</u>							
1 Operating Revenues	4,806.9	4,475.2	20,803.5	20,677.7	20,532.9	20,224.3	20,026.9
2 Operating Expenses	5,204.4	4,535.6	20,207.6	19,718.6	19,473.1	19,335.4	19,434.0
3 Operating Profit (Loss)	-397.5	-60.5	595.9	959.1	1,059.8	888.9	592.9
4 Net Income (Loss)	-281.5	-98.9	172.8	368.3	397.3	274.3	64.1
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	33.05	30.63	143.23	142.04	140.43	139.06	137.70
6 ASMs - Scheduled Rev. Svc.	47.53	45.63	197.78	197.72	196.75	195.56	194.54
7 Overall RTMs (All Svc.)	5.17	4.94	22.17	22.10	22.02	21.90	21.63
8 Overall ATMs (All Svc.)	9.05	8.64	37.61	37.48	37.16	36.78	36.40
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	93.0	90.5	93.8	93.6	93.2	92.3	92.6
10 Operating Expense per RTM	100.7	91.7	91.2	89.2	88.4	88.3	89.9
11 Operating Profit (Loss) per RTM	-7.7	-1.2	2.7	4.3	4.8	4.1	2.7
12 Operating Expense per ATM	57.5	52.5	53.7	52.6	52.4	52.6	53.4
13 Passenger Revenue per RPM	10.93	10.92	11.07	11.09	11.17	11.15	11.13
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Revenue	-8.3	-1.4	2.9	4.6	5.2	4.4	3.0
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	5.9	8.4	9.0	8.0	5.7
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	69.5	67.1	72.4	71.8	71.4	71.1	70.8
23 Breakeven	79.1	70.1	71.3	69.0	68.2	68.7	69.9
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	7.4	1.0	3.9	3.5	3.8	2.6	2.7
27 Operating Expenses (%)	14.7	-2.2	4.0	0.9	-0.8	-2.6	-2.0
28 Operating Profit (Loss) (in Millions \$)	-337.0	145.5	3.0	511.7	910.2	1,012.2	917.4
29 Net Income (Loss)(in Millions \$)	-182.6	127.4	108.7	431.7	310.4	303.6	267.8
30 RPMs (Sch. Svc.) (%)	7.9	2.6	4.0	3.7	3.4	3.4	3.2
31 ASMs (Sch. Svc.) (%)	4.2	1.6	1.7	2.0	1.4	0.1	-0.9
32 Operating Revenues per RTM (%)	2.8	-5.3	1.3	-0.2	-1.5	-4.0	-4.1
33 Operating Expense per RTM (%)	9.8	-8.4	1.4	-2.7	-5.9	-8.7	-8.4
34 Passenger Revenue per RPM (Sch. Svc.)(%)	0.1	-2.1	-0.5	-0.8	0.3	-0.7	-1.4

QUARTERLY FINANCIAL & TRAFFIC REVIEW

TOTAL PASSENGER MAJORS

QUARTERLY RESULTS

- o For the first quarter, five passenger majors (America West, American, Continental, Northwest, and Southwest) reported an operating and net profit, while United reported only an operating profit. Delta would have had both an operating and net profit except for a \$556 million charge for restructuring and other nonrecurring expenses recorded during the quarter as an operating expense. Due to this charge, Delta was the only passenger major with a deterioration in both operating and net results, with American showing a small decline in operating profit.
- o The nonrecurring charge incurred by Delta significantly curbed what otherwise would have been a record setting first quarter by the group. Operating results dropped \$172.4 million to \$184.4 million, but excluding Delta's charge would have improved \$383.6 million to \$740.4 million.
- o Despite the Delta charge, the year ago net loss of \$182.9 million narrowed to \$122.7 million. The group, excluding the Delta charge, would have had a \$616.2 million improvement to a profit of \$433.3 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1995	THIS YEAR 1996	\$ Change	LAST YEAR 1995	THIS YEAR 1996	\$ Change
March	356.8	184.4	-172.4	-182.9	-122.7	60.2
June	1,929.3	0.0	-	1,017.2	0.0	-
Sept.	2,275.5	0.0	-	1,096.2	0.0	-
Dec.	360.3	0.0	-	-8.0	0.0	-

- o Total fuel expense rose 12.9 percent over a year ago despite a slight 0.1 percent decline in consumption as unit fuel prices jumped 13 percent to 60.22 cents. All majors except Alaska saw double-digit increases in unit fuel prices.
- o RPMs rose 6.1 percent while ASMs increased 1.3 percent, causing the passenger load factor to gain 3 percentage points to 66.6 percent.
- o Passenger (RPM) yield gained 3 percent to 13.04 cents as all majors except Northwest showed a year-to-year increase.
- o Interest on debt fell \$85.1 million to \$485.4 million, as the major group as a whole continues to reduce its debt load, down \$4.4 billion to \$20.4 billion. Only Delta reported an increase in its total debt.
- o Except for USAir, all majors experienced a decline in debt-to-investment ratio, which for the group dropped 11.1 percentage points to 61.9 percent, a 4 year low.
- o Domestic operating results, up \$138.3 million to \$521.6 million, and net results, up \$224.7 million to \$122.3 million, were greatly improved over a year ago. Sharp declines in Atlantic operating and net results, however, caused system operating results to drop and, despite a modest gain, caused system net results to remain in the red.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	L.F.
Domestic	383.3	521.6	138.3	-102.3	122.3	224.7	85.8	90.5	5.4	137.4	137.9	0.4	65.6%
International	-26.5	-337.3	-310.7	-80.6	-245.0	-164.4	30.6	33.1	7.9	45.6	47.5	4.2	69.5%
Atlantic	-133.9	-455.0	-321.1	-119.5	-287.6	-168.1	11.7	12.3	4.8	17.4	17.7	1.9	69.4%
Latin	97.8	64.3	-33.5	39.3	26.0	-13.3	6.1	6.5	7.7	9.6	10.2	6.4	64.3%
Pacific	9.6	53.4	43.9	-0.4	16.6	16.9	12.8	14.2	10.9	18.7	19.7	5.2	72.4%
System	356.8	184.4	-172.4	-182.9	-122.7	60.2	116.5	123.5	6.1	183.0	185.4	1.3	66.6%

12-MONTH RESULTS

- o All passenger majors reported an operating and net profit for the period with all carriers (except American) reporting year-to-year improvements as well. The only loss by any major carrier was a net loss by Trans World.
- o For the group, operating revenues rose 5.8 percent outpacing the 2.3 percent increase in operating expenses causing operating profit to soar upward \$2.51 billion to a profit of \$4.75 billion.
- o Net results moved into the black, improving \$2.58 billion to a profit of \$1.98 billion.
- o The passenger load factor was up 1.4 percentage points to 68 percent, 2.6 points above operating breakeven.
- o Passenger (RPM) yield, up over a year ago for the second consecutive quarter-ended 12-month period after five consecutive periods of decline, rose 3.1 percent to 12.80 cents. Only Alaska and Northwest experienced yield declines.
- o The major group as a whole continues to experience productivity gains (RTMs per employee) rising from 16 2.2 to 167.2.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL PASSENGER MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9603	9503	9603	9512	9509	9506	9503	
<u>FINANCIAL RESULTS: (in Millions \$)</u>								
1	Operating Revenues	18,074.2	16,820.1	74,792.1	73,537.9	72,589.5	71,609.8	70,683.6
2	Operating Expenses	17,889.8	16,463.3	70,042.5	68,616.0	68,252.6	68,093.8	68,439.6
3	Operating Profit (Loss)	184.4	356.8	4,749.5	4,921.9	4,337.0	3,516.0	2,244.0
4	Net Income (Loss)	-122.7	-182.9	1,982.8	1,922.5	803.1	358.0	-596.4
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	123.54	116.46	516.61	509.53	508.06	506.40	500.91
6	ASMs - Scheduled Rev. Svc.	185.42	182.98	759.62	757.18	757.81	756.11	751.89
7	Overall RTMs (All Svc.)	14.63	13.98	61.35	60.69	60.73	60.67	60.12
8	Overall ATMs (All Svc.)	26.46	26.07	108.83	108.44	108.46	108.09	107.55
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	122.1	120.3	121.6	121.2	119.5	118.0	117.6
10	Operating Expense per RTM	122.3	117.8	114.2	113.1	112.4	112.2	113.8
11	Operating Profit (Loss) per RTM	1.3	2.6	7.7	8.1	7.1	5.8	3.7
12	Operating Expense per ATM	67.6	63.2	64.4	63.3	62.9	63.0	63.6
13	Passenger Revenue per RPM	13.04	12.66	12.80	12.71	12.58	12.46	12.42
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.32	2.30	2.30	2.26	2.22
15	Times Interest Earned	*	*	2.41	2.39	1.88	1.47	0.85
16	Current Assets to Current Liabilities	*	*	0.69	0.67	0.73	0.67	0.62
17	No. of Days Cash Coverage of Cash Exp.	*	*	35.0	35.7	45.9	43.4	32.6
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	1.0	2.1	6.4	6.7	6.0	4.9	3.2
19	Net Income to Stockholders Equity	*	*	19.7	21.0	9.1	4.3	-7.3
20	Corporate Return on Investment	*	*	12.5	12.7	9.5	8.2	4.9
21	Debt to Total Investment	*	*	61.9	63.6	64.4	69.9	73.0
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	66.6	63.6	68.0	67.3	67.0	67.0	66.6
23	Breakeven	68.0	65.0	65.4	64.7	65.0	65.9	66.9
<u>EMPLOYMENT & PRODUCTIVITY:</u>								
24	Employment, Total Weighted Avg CY	367,168	363,550	366,857	367,476	363,043	366,613	370,666
25	Overall RTM's per Employee (000)	39.8	38.4	167.2	165.2	167.3	165.5	162.2

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
26	Operating Revenues (%)	7.5	1.6	5.8	4.4	3.5	2.6	2.0
27	Operating Expenses (%)	8.7	-0.8	2.3	0.1	-0.1	-0.4	0.6
28	Operating Profit (Loss) (in Millions \$)	-172.4	385.7	2,505.5	3,063.6	2,547.9	2,086.2	1,012.7
29	Net Income (Loss)(in Millions \$)	60.2	277.0	2,579.2	2,795.8	-15.7	-140.0	-1,179.3
30	RPMs (Sch. Svc.) (%)	6.1	5.8	3.1	3.0	4.4	5.4	5.2
31	ASMs (Sch. Svc.) (%)	1.3	4.1	1.0	1.7	2.5	2.2	1.3
32	Operating Revenues per RTM (%)	1.5	-4.1	3.4	2.1	-0.5	-2.7	-3.5
33	Operating Expense per RTM (%)	3.8	-6.2	0.4	-2.1	-3.9	-5.6	-4.9
34	Passenger Revenue per RPM (Sch. Svc.)(%)	3.0	-3.7	3.1	1.5	-0.7	-2.6	-3.5

QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9603	9503	9603	9512	9509	9506	9503	
<u>FINANCIAL RESULTS: (in Millions \$)</u>								
1	Operating Revenues	13,799.9	12,827.2	55,907.9	54,935.1	54,077.5	53,346.3	52,564.5
2	Operating Expenses	13,278.3	12,443.9	51,945.6	51,111.2	50,905.0	50,809.8	50,996.7
3	Operating Profit (Loss)	521.6	383.3	3,962.3	3,823.9	3,172.5	2,536.4	1,567.9
4	Net Income (Loss)	122.3	-102.3	1,689.5	1,464.9	337.3	25.0	-718.1
<u>TRAFFIC: (Billions)</u>								
5	RPMS - Scheduled Rev. Svc.	90.49	85.84	372.15	367.50	367.63	367.34	363.20
6	ASMs - Scheduled Rev. Svc.	137.89	137.36	560.00	559.46	561.06	560.55	557.35
7	Overall RTMs (All Svc.)	10.08	9.66	41.65	41.23	41.31	41.33	40.97
8	Overall ATMs (All Svc.)	18.49	18.45	75.31	75.28	75.52	75.43	75.11
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	136.8	132.8	134.2	133.3	130.9	129.1	128.3
10	Operating Expense per RTM	131.7	128.8	124.7	124.0	123.2	122.9	124.5
11	Operating Profit (Loss) per RTM	5.2	4.0	9.5	9.3	7.7	6.1	3.8
12	Operating Expense per ATM	71.8	67.4	69.0	67.9	67.4	67.4	67.9
13	Passenger Revenue per RPM	13.80	13.28	13.47	13.34	13.13	12.96	12.90
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	3.8	3.0	7.1	7.0	5.9	4.8	3.0
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	14.2	13.6	9.1	7.7	4.1
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	65.6	62.5	66.5	65.7	65.5	65.5	65.2
23	Breakeven	64.9	63.6	63.7	63.4	64.0	64.9	66.0
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

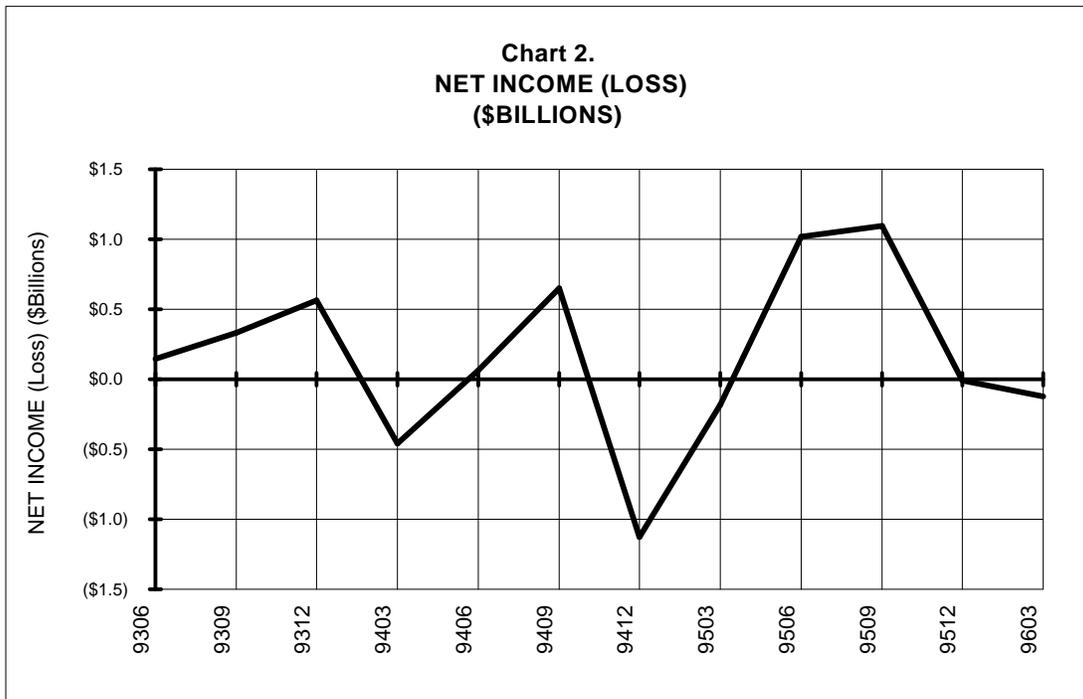
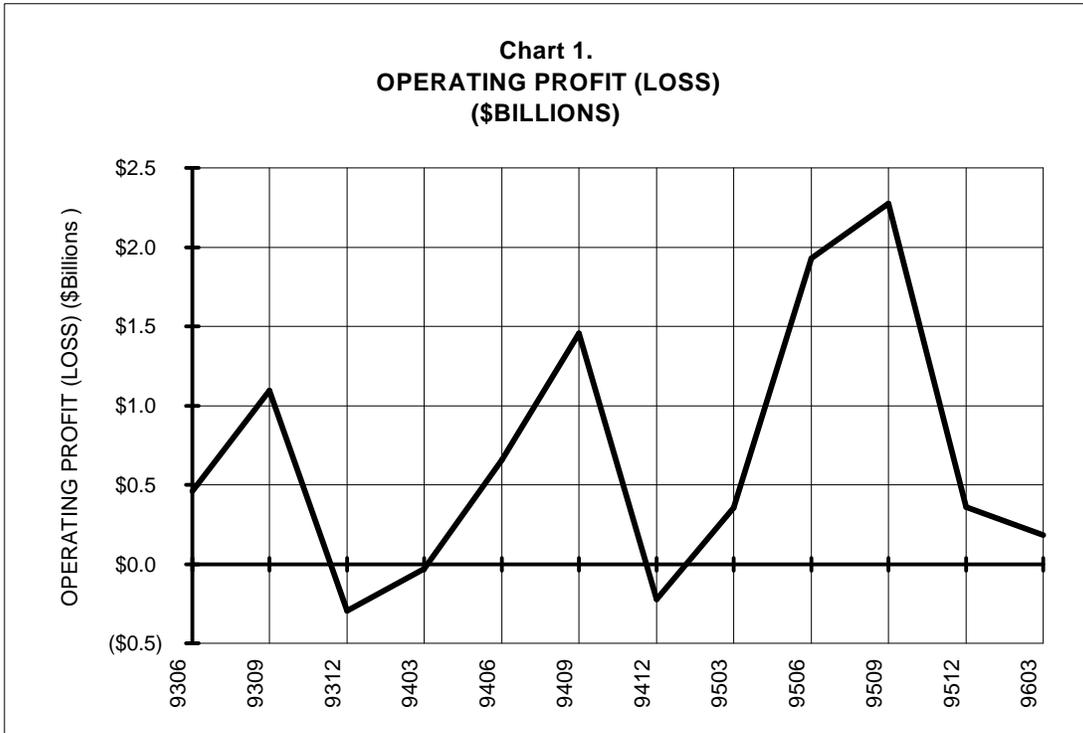
ITEMS	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
	9603	9503	9603	9512	9509	9506	9503	
26	Operating Revenues (%)	7.6	2.1	6.4	5.0	3.8	3.0	2.2
27	Operating Expenses (%)	6.7	0.3	1.9	0.3	0.6	0.8	1.8
28	Operating Profit (Loss) (in Millions \$)	138.3	236.0	2,394.4	2,492.0	1,645.4	1,136.0	228.9
29	Net Income (Loss)(in Millions \$)	224.6	156.2	2,407.6	2,339.1	-290.9	-378.0	-1,340.4
30	RPMS (Sch. Svc.) (%)	5.4	7.0	2.5	2.8	4.8	6.2	6.0
31	ASMs (Sch. Svc.) (%)	0.4	4.9	0.5	1.6	2.9	2.9	2.2
32	Operating Revenues per RTM (%)	3.0	-3.8	4.6	2.9	-0.3	-2.5	-3.4
33	Operating Expense per RTM (%)	2.3	-5.6	0.2	-1.8	-3.4	-4.6	-3.8
34	Passenger Revenue per RPM (Sch. Svc.)(%)	3.9	-4.3	4.4	2.4	-0.9	-3.3	-4.3

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
INTERNATIONAL OPERATIONS
TOTAL PASSENGER MAJORS**

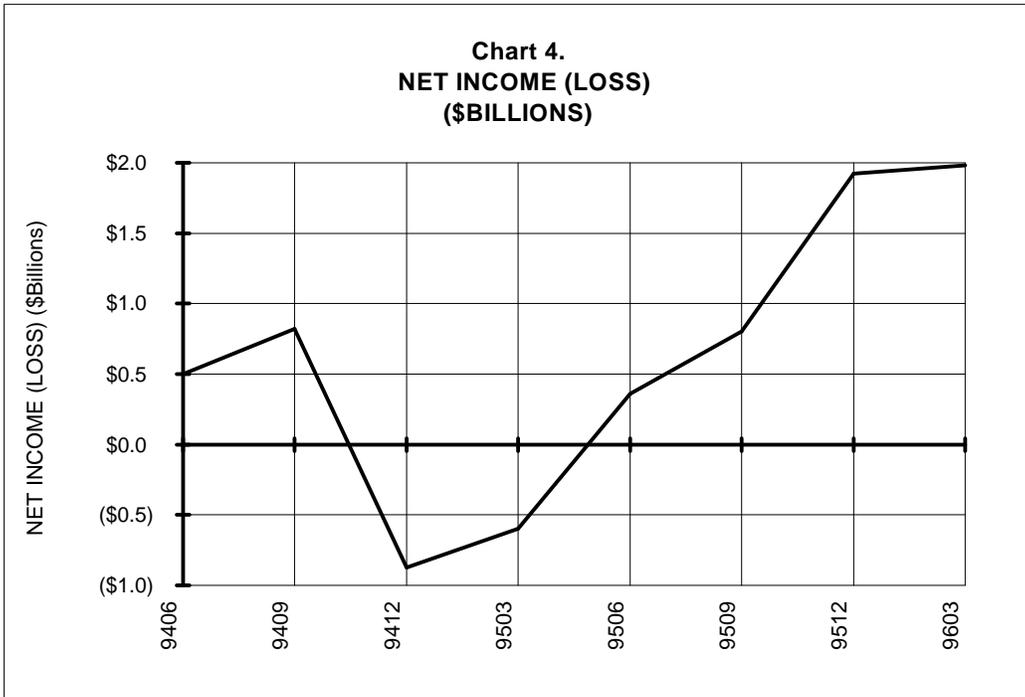
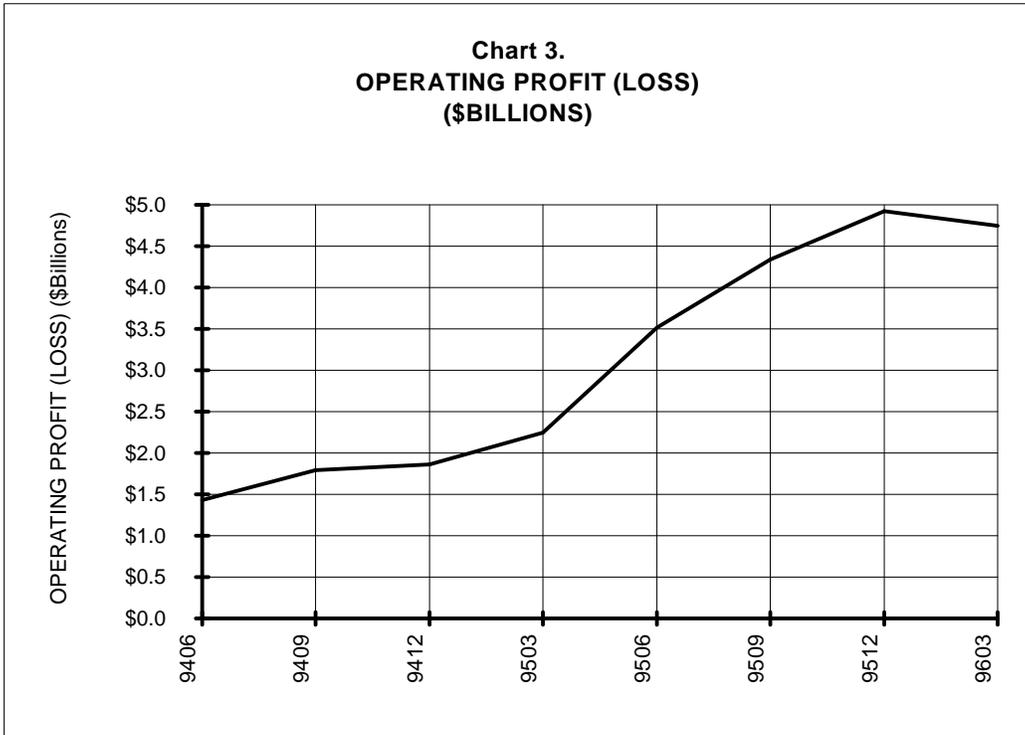
ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9603	9503	9603	9512	9509	9506	9503
<u>FINANCIAL RESULTS: (in Millions \$)</u>							
1 Operating Revenues	4,274.3	3,992.9	18,884.2	18,602.8	18,512.1	18,263.6	18,119.1
2 Operating Expenses	4,611.5	4,019.4	18,096.9	17,504.8	17,347.6	17,284.0	17,442.9
3 Operating Profit (Loss)	-337.3	-26.5	787.3	1,098.0	1,164.5	979.6	676.1
4 Net Income (Loss)	-245.0	-80.6	293.3	457.7	465.8	333.1	121.7
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	33.05	30.63	144.46	142.04	140.43	139.06	137.70
6 ASMs - Scheduled Rev. Svc.	47.53	45.63	199.62	197.72	196.75	195.56	194.54
7 Overall RTMs (All Svc.)	4.55	4.32	19.70	19.47	19.42	19.34	19.15
8 Overall ATMs (All Svc.)	7.98	7.61	33.52	33.16	32.93	32.66	32.43
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	94.0	92.5	95.9	95.6	95.3	94.4	94.6
10 Operating Expense per RTM	101.4	93.1	91.9	89.9	89.3	89.4	91.1
11 Operating Profit (Loss) per RTM	-7.4	-0.6	4.0	5.6	6.0	5.1	3.5
12 Operating Expense per ATM	57.8	52.8	54.0	52.8	52.7	52.9	53.8
13 Passenger Revenue per RPM	10.93	10.92	11.09	11.09	11.17	11.15	11.13
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Revenue	-7.9	-0.7	4.2	5.9	6.3	5.4	3.7
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	7.9	10.3	10.8	9.5	6.8
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	69.5	67.1	72.4	71.8	71.4	71.1	70.8
23 Breakeven	78.6	69.8	70.5	68.4	67.7	68.3	69.6
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
	9603	9503	9603	9512	9509	9506	9503
26 Operating Revenues (%)	7.0	-0.3	4.2	2.6	2.9	1.5	1.5
27 Operating Expenses (%)	14.7	-3.9	3.7	-0.6	-2.2	-3.8	-2.9
28 Operating Profit (Loss) (in Millions \$)	-310.8	149.7	111.2	571.6	902.5	950.3	783.9
29 Net Income (Loss)(in Millions \$)	-164.4	120.8	171.6	456.8	275.2	238.1	161.2
30 RPMs (Sch. Svc.) (%)	7.9	2.6	4.9	3.7	3.5	3.7	4.1
31 ASMs (Sch. Svc.) (%)	4.2	1.6	2.6	2.0	1.5	0.4	-0.1
32 Operating Revenues per RTM (%)	1.6	-4.4	1.4	-0.1	-1.2	-3.9	-4.6
33 Operating Expense per RTM (%)	8.9	-7.8	0.9	-3.2	-6.0	-8.8	-8.7
34 Passenger Revenue per RPM (Sch. Svc.)(%)	0.1	-2.1	-0.4	-0.8	0.2	-1.1	-2.2

**TOTAL PASSENGER MAJORS (SYSTEM)
BY QUARTER**



**TOTAL PASSENGER MAJORS (SYSTEM)
BY 12-MONTH ENDING PERIODS**



TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS

Chart 7
OPERATING EXPENSE PER REVENUE TON-MILE
PERCENT CHANGE FROM SAME PERIOD A YEAR EARLIER

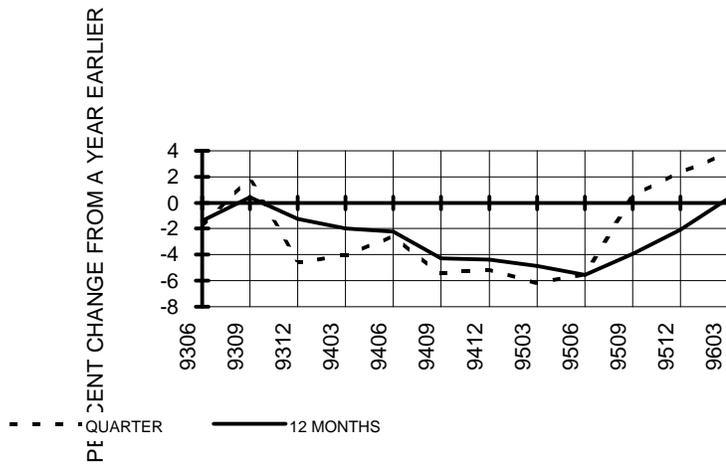
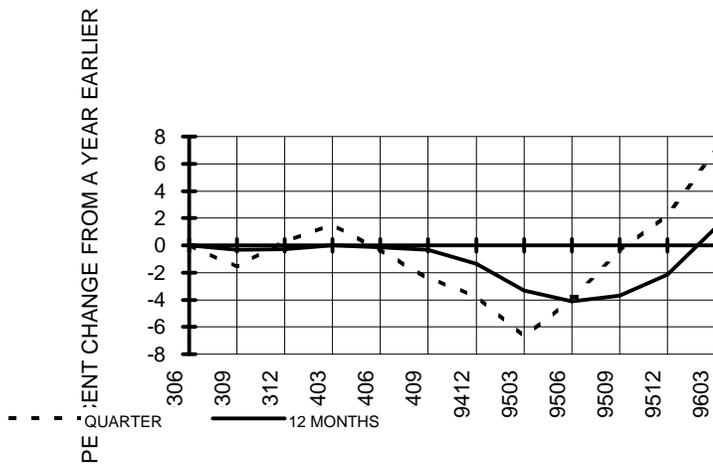
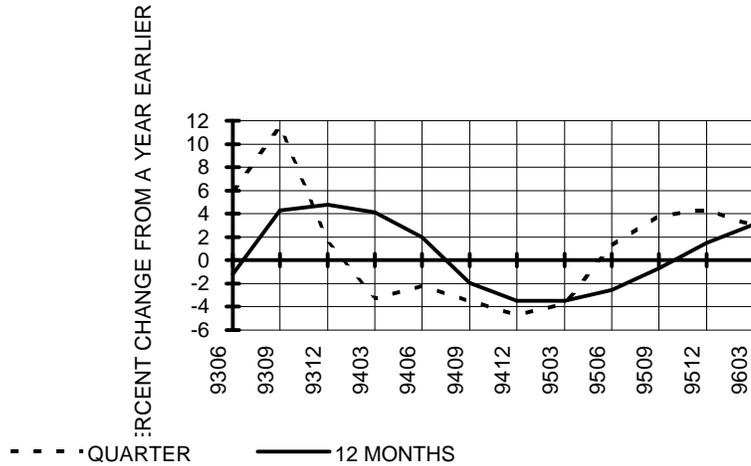


Chart 8
OPERATING EXPENSE PER AVAILABLE TON-MILE
PERCENT CHANGE FROM SAME PERIOD A YEAR EARLIER

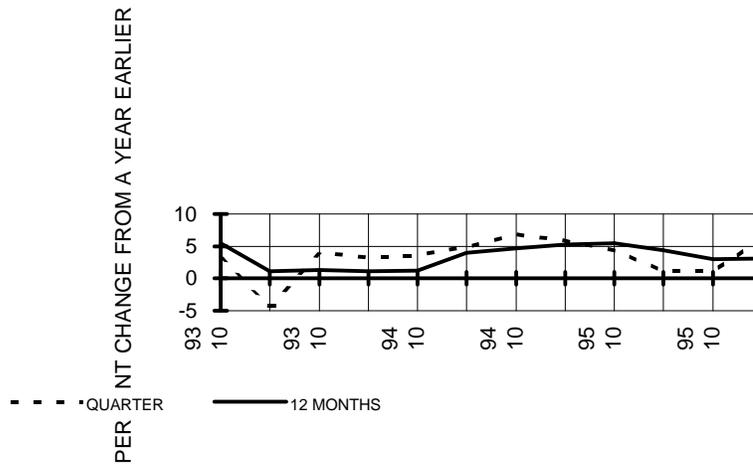


**TOTAL PASSENGER MAJORS (SYSTEM)
 QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)**

**Chart 9
 PASSENGER REVENUES PER REVENUE PASSENGER-MILE
 PERCENT CHANGE FROM SAME PERIOD A YEAR EARLIER**

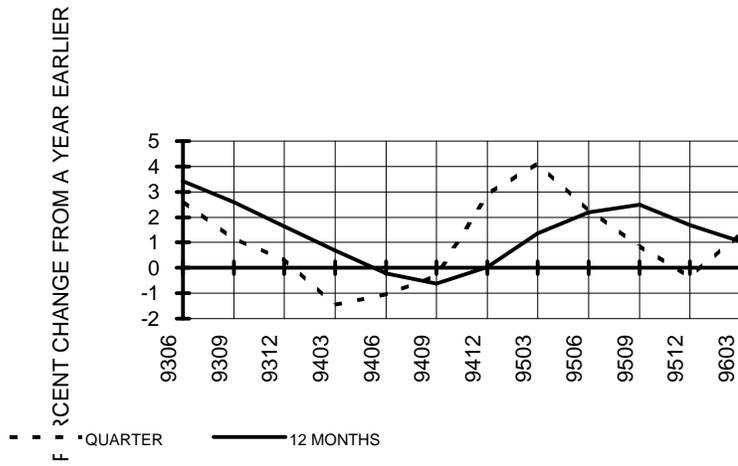


**Chart 10
 REVENUE PASSENGER-MILES
 PERCENT CHANGE FROM SAME PERIOD A EARLIER**

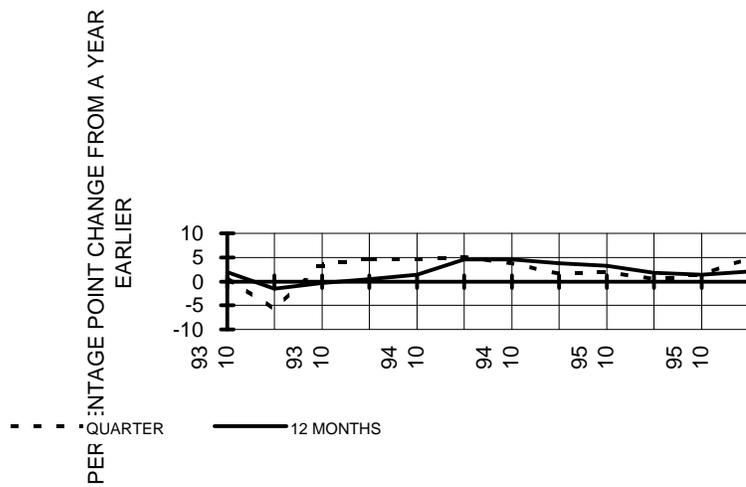


**TOTAL PASSENGER MAJORS (SYSTEM)
QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)**

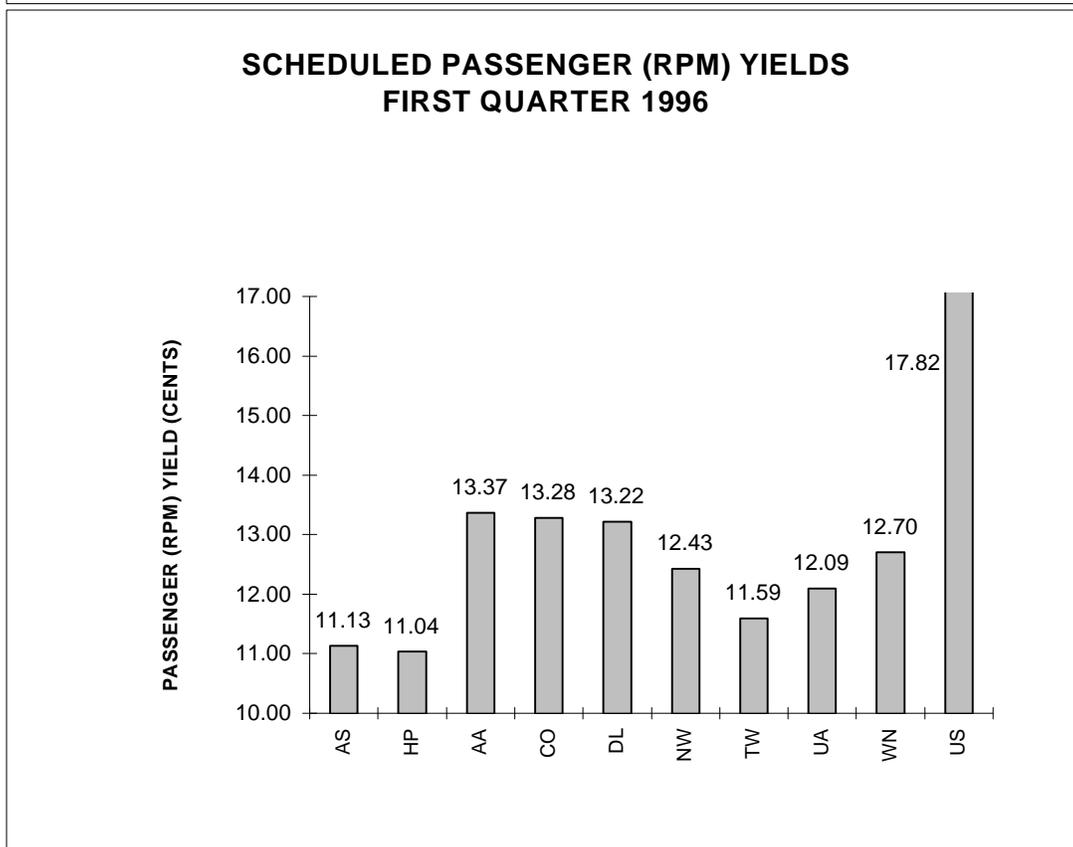
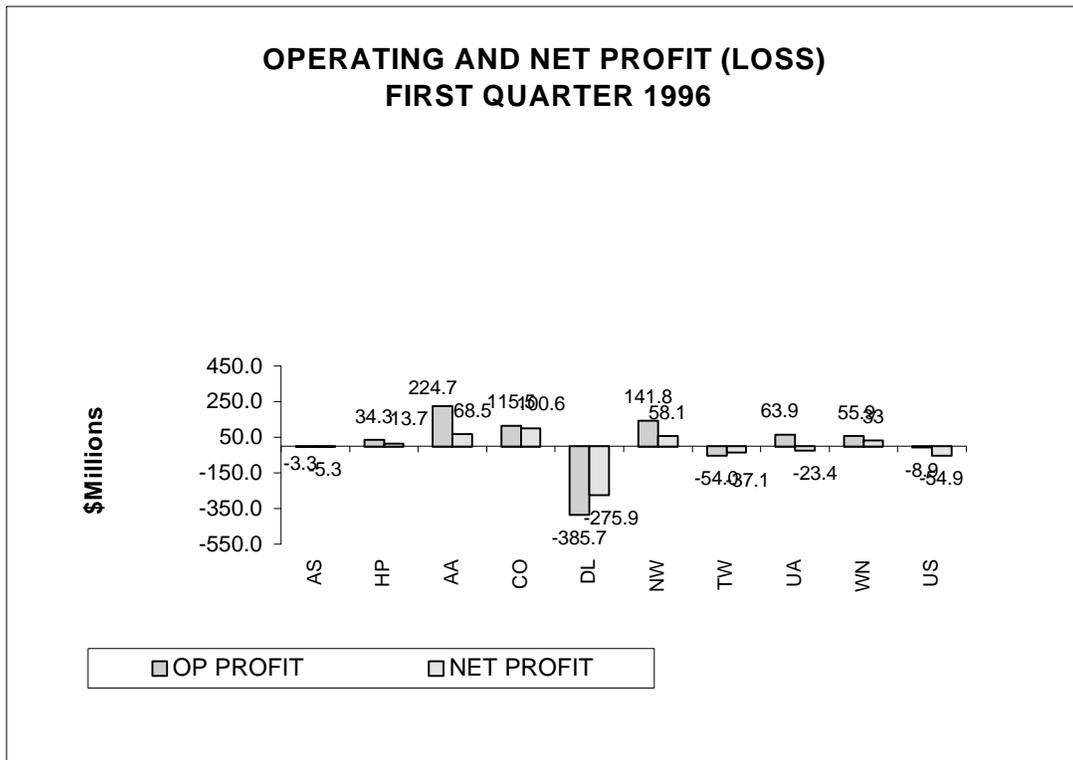
**Chart 11
AVAILABLE SEAT-MILES
PERCENT CHANGE FROM SAME PERIOD A YEAR EARLIER**



**Chart 12
PASSENGER LOAD FACTOR PERCENTAGE
POINT CHANGE FROM SAME PERIOD A YEAR EARLIER**

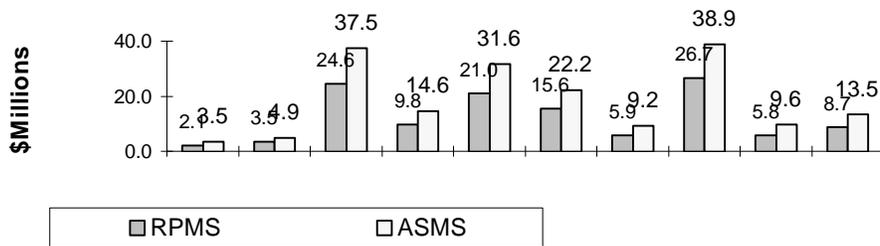


COMPARISONS AMONG MAJOR PASSENGER AIRLINES

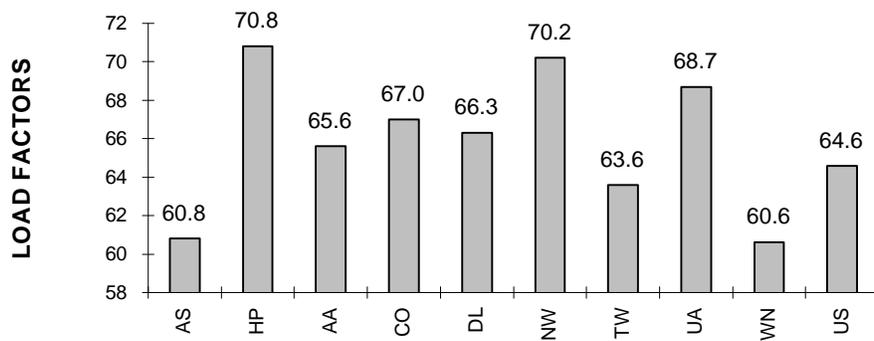


COMPARISONS AMONG MAJOR PASSENGER AIRLINES

**PASSENGER MAJORS SCH. SVC. RPMS AND ASMS
SYSTEM OPERATIONS
FIRST QUARTER 1996**



**PASSENGER MAJORS PASSENGER LOAD FACTOR
SYSTEM OPERATIONS
FIRST QUARTER 1996**



QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL ALL-CARGO MAJORS

QUARTERLY RESULTS

- o Federal Express reported an operating and net profit for the quarter while United Parcel Service (UPS) reported an operating and net loss. The only improvement was a gain in operating results by Federal Express.
- o Operating revenues increased 7.8 percent, less than the 9.2 percent increase in operating expenses causing operating profit to fall \$23.3 million to \$135.4 million.
- o Net results dropped \$28.7 million to \$57.3 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1995	THIS YEAR 1996	\$ Change	LAST YEAR 1995	THIS YEAR 1996	\$ Change
March	158.7	135.4	-23.2	86.0	57.3	-28.7
June	165.5	0.0	-	78.9	0.0	-
Sept.	143.6	0.0	-	71.4	0.0	-
Dec.	165.2	0.0	-	75.8	0.0	-

- o Total fuel expense jumped 18 percent as fuel consumption was up 4.8 percent and unit fuel prices increased 12.6 percent to an average of 64.76 cents.
- o The domestic and Atlantic entities reported the only operating and/or net profits, while the only operating and net deterioration's occurred within the Pacific division. Domestic net results were also down over a year ago.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	L.F.
Domestic	192.7	195.7	3.0	104.2	93.8	-10.5	1.39	1.45	3.7	2.38	2.51	5.4	57.7%
International	-34.0	-60.2	-26.3	-18.3	-36.5	-18.2	0.63	0.62	-1.0	1.03	1.07	4.7	57.9%
Atlantic	-15.7	5.7	21.4	-10.1	1.5	11.6	0.18	0.19	6.4	0.30	0.31	3.3	61.7%
Latin	-7.6	-4.1	3.5	-5.0	-2.8	2.1	0.04	0.04	-10.6	0.08	0.08	0.5	45.6%
Pacific	-10.7	-61.9	-51.2	-3.2	-35.1	-31.9	0.41	0.40	-3.3	0.65	0.69	5.9	57.6%
System	158.7	135.4	-23.2	86.0	57.3	-28.7	2.02	2.07	2.2	3.40	3.58	5.2	57.7%

- o The ton-load factor inched declined 1.6 percentage point to 57.8 reflecting larger growth in ATM capacity, up 5.2 percent, than in RTM traffic, up 2.3 percent.
- o Although the passenger majors cut total debt by \$4.4 billion, the all-cargo majors recorded an increase in total debt of \$445.1 million, due entirely to the \$518.7 million increase reported by UPS. As a result, the debt-to-investment ratio climbed 0.9 percentage points to 51.9 percent.

12-MONTH RESULTS

- o Both Federal Express and United Parcel Service experienced an operating and net profit for the 12-months ended March 1996, but all results were down over a year ago.
- o Operating profit tumbled \$90 million to \$609.8 million.
- o RTM yield, up 2.2 percent, grew slower than RTM unit costs, up 3.7 percent, eroding profits.
- o Net income slid \$62 million to \$283.3 million.
- o The ton load factor dipped 0.9 percentage points to 59.3 percent as ATM capacity, up 7.5 percent, grew faster than RTM traffic, up 5.8 percent.
- o Although productivity (RTMs per employee) rose from 111.2 to 113.6, the upward trend of recent periods slowed.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL ALL-CARGO MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9603	9503	9603	9512	9509	9506	9503	
<u>FINANCIAL RESULTS: (in Millions \$)</u>								
1	Operating Revenues	3,010.9	2,791.9	11,674.2	11,455.2	11,255.1	11,060.2	10,789.9
2	Operating Expenses	2,875.5	2,633.2	11,064.5	10,822.2	10,582.9	10,357.1	10,090.2
3	Operating Profit (Loss)	135.4	158.7	609.8	633.0	672.1	703.1	699.8
4	Net Income (Loss)	57.3	86.0	283.3	312.0	347.2	360.5	345.3
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.38	1.95	6.22	6.79	7.37	7.90	7.10
6	ATMs - Scheduled Rev. Svc.	2.36	3.27	10.42	11.32	12.33	13.16	11.76
7	Overall RTMs (All Services)	2.07	2.02	8.51	8.47	8.33	8.23	8.04
8	Overall ATMs (All Services)	3.58	3.40	14.37	14.19	13.97	13.74	13.37
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	145.6	138.0	137.1	135.3	135.1	134.3	134.1
10	Operating Expense per RTM	139.0	130.2	130.0	127.8	127.0	125.8	125.4
11	Operating Profit (Loss) per RTM	6.5	7.8	7.2	7.5	8.1	8.5	8.7
12	Operating Expense per ATM	80.3	77.3	77.0	76.3	75.7	75.4	75.5
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.77	1.79	1.81	1.83	1.84
15	Times Interest Earned	*	*	5.66	5.79	6.03	5.80	5.30
16	Current Assets to Current Liabilities	*	*	1.26	1.16	1.09	1.19	1.33
17	No. of Days Cash Coverage of Cash Exp.	*	*	7.3	4.8	4.2	11.2	10.3
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	4.5	5.7	5.2	5.5	6.0	6.4	6.5
19	Net Income to Stockholders Equity	*	*	8.8	9.9	11.4	12.2	12.1
20	Corporate Return on Investment	*	*	6.0	6.7	7.5	8.1	8.3
21	Debt to Total Investment	*	*	51.9	51.4	50.8	50.8	51.0
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	57.7	59.4	59.3	59.7	59.6	59.9	60.2
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	75,933	72,695	74,974	74,164	73,346	72,739	72,322
25	Overall RTM's per Employee (000)	27.2	27.8	113.5	114.2	113.6	113.2	111.2

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
	9603	9503	9603	9512	9509	9506	9503	
26	Operating Revenues (%)	7.8	13.3	8.2	9.5	10.9	11.9	12.1
27	Operating Expenses (%)	9.2	13.0	9.7	10.6	11.3	11.7	11.2
28	Operating Profit (Loss) (in Millions \$)	-23.3	24.2	-90.0	-42.6	38.1	98.5	144.5
29	Net Income (Loss)(in Millions \$)	-28.7	27.6	-62.0	-5.7	92.1	128.8	135.6
30	RTMs (All Svc.) (%)	2.2	19.2	5.8	9.7	12.8	16.2	17.4
31	ATMs (All Svc.) (%)	5.2	17.2	7.5	10.3	13.3	16.0	16.5
32	Operating Revenues per RTM (%)	5.5	-5.0	2.2	-0.2	-1.6	-3.7	-4.6
33	Operating Expense per RTM (%)	6.8	-5.2	3.7	0.8	-1.4	-3.9	-5.4
34	Passenger Revenue per RPM (Sch. Svc.)(%)	++	++	++	++	++	++	++

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL ALL-CARGO MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9603	9503	9603	9512	9509	9506	9503	
<u>FINANCIAL RESULTS: (in Millions \$)</u>								
1	Operating Revenues	2,478.3	2,309.6	9,549.0	9,380.3	9,234.3	9,099.5	8,882.1
2	Operating Expenses	2,282.6	2,117.0	8,774.0	8,608.3	8,457.4	8,305.6	8,099.1
3	Operating Profit (Loss)	195.7	192.7	775.0	772.0	776.9	793.8	783.0
4	Net Income (Loss)	93.8	104.2	391.0	401.4	415.6	419.3	403.0
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.80	1.37	3.78	4.36	4.98	5.56	4.86
6	ATMs - Scheduled Rev. Svc.	1.36	2.34	6.39	7.37	8.48	9.43	8.19
7	Overall RTMs (All Services)	1.45	1.39	5.89	5.84	5.73	5.67	5.57
8	Overall ATMs (All Services)	2.51	2.38	10.00	9.87	9.75	9.62	9.40
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	171.4	165.6	162.2	160.7	161.1	160.5	159.5
10	Operating Expense per RTM	157.8	151.8	149.0	147.5	147.5	146.5	145.5
11	Operating Profit (Loss) per RTM	13.5	13.8	13.2	13.2	13.6	14.0	14.1
12	Operating Expense per ATM	91.1	89.0	87.8	87.2	86.8	86.4	86.2
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	7.9	8.3	8.1	8.2	8.4	8.7	8.8
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	-6.4	-5.3	-3.6	-2.8	-2.9
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	57.7	58.6	58.9	59.1	58.8	58.9	59.2
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
		9603	9503	9603	9512	9509	9506	9503
26	Operating Revenues (%)	7.3	13.2	7.5	8.9	10.4	11.6	11.3
27	Operating Expenses (%)	7.8	12.8	8.3	9.5	11.0	12.3	12.3
28	Operating Profit (Loss) (in Millions \$)	3.0	28.4	-8.0	17.4	30.4	36.6	11.0
29	Net Income (Loss)(in Millions \$)	-10.4	20.9	-12.0	19.4	56.8	63.3	29.0
30	RTMs (All Svc.) (%)	3.7	15.7	5.7	8.5	10.7	13.9	15.6
31	ATMs (All Svc.) (%)	5.4	14.5	6.3	8.4	11.5	14.4	15.7
32	Operating Revenues per RTM (%)	3.5	-2.1	1.7	0.4	-0.3	-2.1	-3.8
33	Operating Expense per RTM (%)	4.0	-2.5	2.4	1.0	0.3	-1.5	-2.8
34	Passenger Revenue per RPM (Sch. Svc.)(%)	++	++	++	++	++	++	++

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
INTERNATIONAL OPERATIONS
TOTAL ALL-CARGO MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9603	9503	9603	9512	9509	9506	9503	
<u>FINANCIAL RESULTS: (in Millions \$)</u>								
1	Operating Revenues	532.6	482.3	2,125.2	2,074.9	2,020.8	1,960.7	1,907.8
2	Operating Expenses	592.8	516.2	2,290.4	2,213.8	2,125.5	2,051.5	1,991.0
3	Operating Profit (Loss)	-60.2	-34.0	-165.2	-138.9	-104.7	-90.7	-83.2
4	Net Income (Loss)	-36.5	-18.3	-107.6	-89.4	-68.4	-58.7	-57.7
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.59	0.58	2.44	2.43	2.39	2.34	2.25
6	ATMs - Scheduled Rev. Svc.	1.00	0.93	4.03	3.95	3.85	3.73	3.56
7	Overall RTMs (All Services)	0.62	0.63	2.63	2.63	2.60	2.56	2.48
8	Overall ATMs (All Services)	1.07	1.03	4.37	4.32	4.22	4.12	3.97
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	85.6	76.7	81.0	78.8	77.7	76.5	77.1
10	Operating Expense per RTM	95.3	82.1	87.2	84.1	81.8	80.0	80.4
11	Operating Profit (Loss) per RTM	-9.7	-5.4	-6.3	-5.3	-4.0	-3.5	-3.4
12	Operating Expense per ATM	55.2	50.3	52.4	51.2	50.3	49.8	50.2
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	-11.3	-7.0	-7.8	-6.7	-5.2	-4.6	-4.4
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	-6.4	-5.3	-3.6	-2.8	-2.9
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	57.9	61.2	60.1	60.9	61.5	62.2	62.4
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
	9603	9503	9603	9512	9509	9506	9503	
26	Operating Revenues (%)	10.4	13.6	11.4	12.1	13.5	13.7	15.9
27	Operating Expenses (%)	14.8	13.6	15.0	14.8	12.3	9.3	6.8
28	Operating Profit (Loss) (in Millions \$)	-26.2	-4.2	-82.0	-59.9	7.7	61.9	133.5
29	Net Income (Loss)(in Millions \$)	-18.2	6.6	-49.9	-25.1	35.3	65.7	106.6
30	RTMs (All Svc.) (%)	-1.0	27.9	6.0	12.5	17.7	21.4	21.7
31	ATMs (All Svc.) (%)	4.7	24.2	10.1	14.7	17.7	20.0	18.2
32	Operating Revenues per RTM (%)	11.6	-11.2	5.1	-0.4	-3.6	-6.4	-4.8
33	Operating Expense per RTM (%)	16.1	-11.2	8.5	1.9	-4.6	-10.0	-12.2
34	Passenger Revenue per RPM (Sch. Svc.)(%)	++	++	++	++	++	++	++

FOOTNOTES

- * Not calculated on a quarterly basis.
- ** Cannot be calculated because balance sheet data not presented on an entity basis.
Data presented only on a system basis.
- ++ Not calculated for all-cargo carriers.
- # Meaningful calculation cannot be made because of negative data.
- & Over +/- 500 percent.

EXPLANATION OF LINE ITEMS

LINE #	DESCRIPTION OF LINE ITEM	DERIVATION OF LINE ITEM
1	Operating Revenues	Operating Revenues (Account 4999)
2	Operating Expenses	Operating Expenses (Account 7199)
3	Operating Profit or Loss	Operating Profit (Account 7999)
4	Net Income or Loss	Net Income (Account 9899)
5	Overall Revenue Ton-miles	Overall Revenue Ton-miles (Item Z-240)
6	Overall Available Ton-miles	Overall Available Ton-miles (Item Z-280)
7	Revenue Passenger-Miles (Scheduled Service)	Total scheduled revenue passenger-miles (Item K-140)
8	Available Seat-Miles (Scheduled Service)	Total scheduled available seat-miles (Item K-280)
9	Operating revenue per revenue ton-mile	<u>Operating revenues (Account 4999)</u> Overall revenue ton-miles (Item Z-240)
10	Operating expense per revenue ton-mile	<u>Operating expenses (Account 7199)</u> Overall revenue ton-miles (Item Z-240)
11	Operating profit per revenue ton-mile	<u>Operating profit (Account 7999)</u> Overall revenue ton-miles (Item Z-240)
12	Operating expense per available ton-mile	<u>Operating expenses (Account 7199)</u> Overall available ton-miles (Item Z-280)
13	Passenger revenue per revenue passenger-mile (scheduled service)	<u>Passenger revenues (scheduled service) (Account 3901)</u> Total revenue passenger-miles (scheduled service (Item K-140)
14	Operating revenues to total investment	<u>Operating revenue (Account 4999)</u> Total investment (See line 20)
15	Times interest earned	<u>Income Before income taxes (Account 8999) + interest on long-term debt and capital leases (Account 8181) + Other interest expense (Account 8182)</u> Interest on long-term debt and capital leases (Account 8181) + Other interest expense (Account 8182)
16	Current assets to current liabilities	<u>Current assets (Account 1499)</u> Current liabilities (Account 2199)
17	Number of days coverage of cash operating expenses	<u>Cash (Account 1010) + short-term investments (Account 1100)</u> [Total operating expenses (Account 7199) less depreciation and amortization (Account 7000)]/365
18	Operating Profit to operating revenues	<u>Operating profit (Account 7999)</u> Operating revenues (Account 4999)
19	Net income to stockholders' equity	<u>Net income (Account 9999)</u> Stockholders' equity (Account 2995) (5 Quarter average)

EXPLANATION OF LINE ITEMS

LINE #	DESCRIPTION OF LINE ITEM	DERIVATION OF LINE ITEM
20	Overall corporate rate of return	<p><u>Net income plus interest expense</u> <u>Total investment</u></p> <p>Net income plus interest expense is: Net income (Account 9899) + interest on long-term debt and capital leases (Account 8181) + other interest expense (Account 8182) + amortization of debt discount, premium and expense (Account 8184).</p> <p>Total investment is: Current maturities of long-term debt (Account 2000) + current obligations under capital leases (Account 2080) + long-term debt (Account 2210) + advances from associated companies (Account 2240) + noncurrent obligations under capital leases (Account 2280) + stockholders' equity (Account 2995) - unamortized debt expense (Account 1840). (A five-quarter average is used).</p>
21	Debt to total investment (end of period)	<p><u>Current maturities of long-term debt (Account 2000) + current obligations under capital leases (Account 2080) + long-term debt (Account 2210) + advances from associated companies (Account 2240) + noncurrent obligations under capital leases (Account 2280) - unamortized debt expense (Account 1840)</u> <u>Total investment (See line 20)</u></p>
22	Actual passenger load factor (scheduled service)	<p><u>Revenue passenger-miles (scheduled service (Item K-140)</u> <u>Available seat-miles (scheduled service (Item K-280)</u></p>
23	Operating breakeven load factor (scheduled service)	<p><u>Capacity operating expense, scheduled service (passenger)</u> <u>[Scheduled passenger revenue (Account 3901) - Traffic operating expense, passenger scheduled service] / Actual passenger load factor, scheduled service</u></p>
24	Difference, actual-breakeven load factor	<p><u>Actual (Line 22) - Breakeven (Line 23)</u></p>
25	Employees	<p><u>Number of full time employees (Average for 12-month ended period)</u></p>
26	Overall revenue ton-miles per employee	<p><u>Overall revenue ton-miles (Item Z-240)</u> <u>Average # of employees (See Line 25)</u></p>