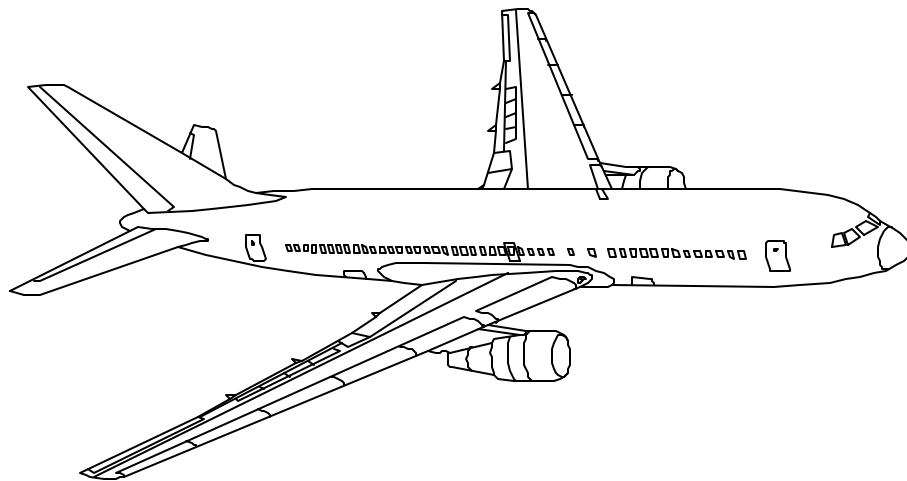


AIRLINE QUARTERLY FINANCIAL REVIEW

FIRST QUARTER 1998



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 both a carrier group and an individual carrier basis, but the primary focus is on the individual major carrier and its performance. 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. In the case of merged carriers, data for the carriers involved have been combined and presented under the name of the surviving carrier so that meaningful comparisons could be made.

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. All financial and traffic results have been retroactively restated to include the operations of Alaska and DHL Airways. Certain data in this review are 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 entities.

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

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<http://ostpxweb.dot.gov/aviation/>*

QUARTERLY FINANCIAL & TRAFFIC REVIEW

TOTAL SYSTEM PASSENGER & ALL-CARGO MAJORS

QUARTERLY RESULTS

- The major group combined reported an all-time first quarter record in both operating and net profit. Six major carriers (Alaska, America West, American, DHL Airways, Northwest, and Southwest) reported individual all-time first quarter company records in both operating and net profit. US Airways reported a record first quarter operating profit, and Delta reported a first quarter record in net income.
- Operating revenues, up 2.8 percent, grew faster than operating expenses, up 2.1 percent, causing operating profit to jump \$192.5 million to \$1.61 billion. All of the improvement arose from the passenger major group, up \$230.7 million to \$1.44 billion, as the all-cargo major group declined \$38.4 million to \$171 million.
- Net income jumped \$107.1 million to \$851.8 million. The passenger major group improved \$139.3 million, but the all-cargo group fell \$32.4 million.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	10 97	10 98	\$CHANGE	10 97	10 98	\$CHANGE
TOTAL ALL MAJORS	1422.3	1614.8	192.5	744.7	851.8	107.1
TOTAL PASSENGER MAJORS	1213.0	1443.7	230.7	640.8	780.1	139.3
ALASKA	-1.4	22.5	23.9	-2.2	14.5	16.7
AMERICA WEST	33.5	47.8	14.3	13.9	24.4	10.5
AMERICAN	199.0	384.3	185.3	74.1	221.1	147.0
CONTINENTAL	141.6	138.2	-3.4	78.1	76.8	-1.3
DELTA	343.0	333.9	-9.1	189.6	195.5	5.9
NORTHWEST	146.2	168.0	21.8	61.3	75.2	13.9
SOUTHWEST	87.2	111.9	24.7	50.9	70.0	19.1
TRANS WORLD	-99.5	-68.7	30.8	-71.6	-55.5	16.1
UNITED	189.1	116.4	-72.7	102.9	57.3	-45.6
US AIRWAYS	174.1	189.4	15.3	143.6	100.8	-42.8
TOTAL ALL-CARGO MAJORS	209.4	171.0	-38.4	104.0	71.6	-32.4
DHL AIRWAYS	1.2	11.1	9.9	0.5	7.4	6.9
FEDERAL EXPRESS	188.2	158.8	-29.4	92.4	67.2	-25.2
UNITED PARCEL SERVICE	20.0	1.1	-18.9	11.1	-2.9	-14.0

- The passenger load factor dipped 0.9 percentage points to 67.7 percent.
- Passenger (RPM) yield inched upward 0.5 percent to 13.32 cents.
- Interest expense declined \$21.8 million to \$370.5 million.
- Total fuel expenses fell 21.9 percent (\$608.7 million) accounting for only 9.6 percent of total operating expenses, down from 12.5 percent a year ago. Every major experienced a decline in total fuel expense.
- Total debt for the group rose \$2.07 billion to \$23.9 billion. More than half of the increase was attributable to United, up \$1.49 billion. A much faster rise in total equity, however, pushed the group's debt-to-investment ratio down 4.3 percentage points to 45.4 percent.

12-MONTH RESULTS

- Except for a net loss reported by Trans World, all majors reported an operating and net profit for the 12 months ended March 1998. All majors (excluding DHL Airways, United, and United Parcel Service) showed year-to-year improvement in both operating and net results. United, however, showed a gain in net results, and DHL reported a gain in operating results.
- Operating profit soared \$1.63 billion to \$8.74 billion. The passenger group improved \$1.46 billion to \$7.75 billion and the all-cargo group improved \$173 million to \$995.5 million.
- Net results improved \$1.97 billion to \$5.58 billion. The passenger group improved \$1.96 billion to \$5.15 billion and the all-cargo group improved \$ 10.5 million to \$428.5 million.
- Interest on debt dropped \$157.5 million to \$1.5 billion.

Note : The Airline Quarterly Financial Review of the Majors includes for the first time DHL Airways, which achieved major airline status (i.e., annual operating revenues exceeding \$1 billion), effective January 1, 1997.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	24,214.5	23,566.3	99,926.3	99,278.1	97,519.9	95,860.9	94,546.3
2	Operating Expenses	22,599.8	22,144.0	91,180.3	90,724.5	89,704.4	88,482.5	87,430.0
3	Operating Profit (Loss)	1,614.8	1,422.3	8,746.1	8,553.6	7,815.5	7,378.4	7,116.3
4	Net Income (Loss)	851.8	744.7	5,579.0	5,472.0	4,458.0	3,747.3	3,612.0
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	133.71	132.50	571.21	570.00	565.03	558.81	552.66
6	ASMs - Scheduled Rev. Svc.	197.55	193.19	809.14	804.79	799.05	792.95	786.56
7	Overall RTMs (All Svc.)	18.61	17.96	78.75	78.10	76.91	75.84	74.78
8	Overall ATMs (All Svc.)	33.06	31.50	134.48	132.92	131.21	129.85	128.51
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	130.1	131.2	126.9	127.1	126.8	126.4	126.4
10	Operating Expense per RTM	121.4	123.3	115.8	116.2	116.6	116.7	116.9
11	Operating Profit (Loss) per RTM	8.7	7.9	11.1	11.0	10.2	9.7	9.5
12	Operating Expense per ATM	68.4	70.3	67.8	68.3	68.4	68.1	68.0
13	Passenger Revenue per RPM	13.32	13.26	12.95	12.94	12.83	12.85	12.90
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	2.14	2.23	2.28	2.30	2.31
15	Times Interest Earned	*	*	6.85	6.49	5.82	4.91	4.59
16	Current Assets to Current Liabilities	*	*	0.78	0.77	0.76	0.72	0.73
17	No. of Days Cash Coverage of Cash Exp	*	*	40.0	39.1	44.1	35.0	34.8
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Revenue	6.7	6.0	8.8	8.6	8.0	7.7	7.5
19	Net Income to Stockholders Equity	*	*	22.5	23.5	20.4	18.2	18.7
20	Corporate Return on Investment	*	*	15.0	15.6	14.0	12.8	12.9
21	Debt to Total Investment	*	*	45.4	45.6	46.3	48.2	49.7
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	67.7	68.6	70.6	70.8	70.7	70.5	70.3
23	Breakeven	64.1	65.5	64.8	65.2	65.7	65.8	65.7
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	484,588	464,246	477,126	472,040	467,232	462,568	459,322
25	Overall RTM's per Employee (000)	38.4	38.7	165.1	165.5	164.6	164.0	162.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	2.8	10.4	5.7	7.5	7.5	7.5	8.1
27	Operating Expenses (%)	2.1	5.3	4.3	5.1	5.6	6.0	6.5
28	Operating Profit (Loss) (in Millions \$)	192.5	1,097.2	1,629.8	2,534.5	2,102.4	1,665.7	1,737.2
29	Net Income (Loss)(in Millions \$)	107.1	805.4	1,967.0	2,665.4	1,835.6	1,185.2	1,327.4
30	RPMs (Sch. Svc.) (%)	0.9	7.2	3.4	4.8	5.8	6.4	7.0
31	ASMs (Sch. Svc.) (%)	2.3	4.2	2.9	3.3	3.7	3.7	3.5
32	Operating Revenues per RTM (%)	-0.8	3.1	0.4	1.3	1.1	0.9	1.4
33	Operating Expense per RTM (%)	-1.6	-1.6	-1.0	-0.9	-0.8	-0.5	-0.1
34	Passenger Revenue per RPM (Sch. Svc.)	0.5	1.7	0.4	0.8	-0.4	-0.2	0.8

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	18,647.1	18,131.7	75,457.8	74,942.4	73,667.2	72,559.1	71,742.1
2	Operating Expenses	17,102.2	16,811.2	68,598.3	68,307.3	67,582.8	66,769.4	65,886.9
3	Operating Profit (Loss)	1,545.0	1,320.5	6,859.5	6,635.1	6,084.3	5,789.7	5,855.1
4	Net Income (Loss)	878.5	691.6	4,613.7	4,426.8	3,575.8	2,939.4	2,941.1
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	97.08	97.05	412.39	412.36	409.41	405.16	400.74
6	ASMs - Scheduled Rev. Svc.	145.26	144.07	593.40	592.21	589.56	585.47	581.32
7	Overall RTMs (All Svc.)	12.49	12.24	52.80	52.55	51.92	51.35	50.78
8	Overall ATMs (All Svc.)	22.45	21.94	91.28	90.77	90.07	89.41	88.68
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	149.3	148.2	142.9	142.6	141.9	141.3	141.3
10	Operating Expense per RTM	137.0	137.4	129.9	130.0	130.2	130.0	129.8
11	Operating Profit (Loss) per RTM	12.4	10.8	13.0	12.6	11.7	11.3	11.5
12	Operating Expense per ATM	76.2	76.6	75.2	75.3	75.0	74.7	74.3
13	Passenger Revenue per RPM	14.38	14.16	13.73	13.68	13.53	13.57	13.66
<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	7.3	9.1	8.9	8.3	8.0	8.2
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	16.3	16.6	14.7	13.3	13.8
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	66.8	67.4	69.5	69.6	69.4	69.2	68.9
23	Breakeven	61.9	63.5	63.7	64.1	64.5	64.6	64.0
<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 (%)	2.8	10.4	5.2	7.0	7.1	7.6	8.7
27	Operating Expenses (%)	1.7	6.9	4.1	5.4	6.1	7.1	7.5
28	Operating Profit (Loss) (in Millions \$)	224.5	623.6	1,004.4	1,403.7	1,011.4	721.4	1,179.7
29	Net Income (Loss)(in Millions \$)	186.9	495.9	1,672.6	1,981.6	1,237.8	658.1	921.0
30	RPMs (Sch. Svc.) (%)	0.0	7.3	2.9	4.6	5.8	7.0	7.7
31	ASMs (Sch. Svc.) (%)	0.8	4.5	2.1	3.0	3.6	3.8	3.8
32	Operating Revenues per RTM (%)	0.7	4.5	1.1	2.1	1.7	1.4	2.1
33	Operating Expense per RTM (%)	-0.3	1.2	0.1	0.5	0.8	0.9	0.9
34	Passenger Revenue per RPM (Sch. Svc.)	1.6	2.6	0.5	0.8	-0.6	-0.1	1.4

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	5,567.4	5,434.6	24,468.5	24,335.7	23,852.7	23,301.8	22,804.2
2	Operating Expenses	5,497.6	5,332.8	22,581.9	22,417.1	22,121.6	21,713.1	21,543.1
3	Operating Profit (Loss)	69.8	101.8	1,886.6	1,918.5	1,731.1	1,588.7	1,261.2
4	Net Income (Loss)	-26.8	53.2	965.3	1,045.2	882.2	808.0	670.9
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Svc.	36.63	35.44	158.82	157.63	155.62	153.66	151.92
6	ASMs - Scheduled Rev. Svc.	52.29	49.12	215.74	212.57	209.49	207.48	205.25
7	Overall RTMs (All Svc.)	6.12	5.73	25.95	25.55	25.00	24.49	24.01
8	Overall ATMs (All Svc.)	10.61	9.57	43.20	42.15	41.14	40.44	39.83
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	90.9	94.9	94.3	95.2	95.4	95.1	95.0
10	Operating Expense per RTM	89.8	93.1	87.0	87.7	88.5	88.6	89.7
11	Operating Profit (Loss) per RTM	1.1	1.8	7.3	7.5	6.9	6.5	5.3
12	Operating Expense per ATM	51.8	55.8	52.3	53.2	53.8	53.7	54.1
13	Passenger Revenue per RPM	10.51	10.81	10.93	11.01	11.00	10.94	10.89
	<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	1.3	1.9	7.7	7.9	7.3	6.8	5.5
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	11.2	12.6	11.7	11.4	10.1
21	Debt to Total Investment	*	*	**	**	**	**	**
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	70.1	72.2	73.6	74.2	74.3	74.1	74.0
23	Breakeven	71.6	72.3	68.0	68.2	68.7	68.9	70.4
	<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 (%)	2.4	10.3	7.3	9.1	8.9	7.2	6.2
27	Operating Expenses (%)	3.1	0.6	4.8	4.2	4.0	2.9	3.7
28	Operating Profit (Loss) (in Millions \$)	-32.0	473.5	625.4	1,130.8	1,091.0	944.4	557.6
29	Net Income (Loss)(in Millions \$)	-80.0	309.6	294.4	683.8	597.8	527.2	406.4
30	RPMs (Sch. Svc.) (%)	3.3	7.2	4.5	5.4	5.6	4.8	5.2
31	ASMs (Sch. Svc.) (%)	6.5	3.3	5.1	4.4	3.8	3.4	2.8
32	Operating Revenues per RTM (%)	-4.2	0.2	-0.7	0.2	0.1	-0.5	-0.5
33	Operating Expense per RTM (%)	-3.6	-8.6	-3.0	-4.3	-4.3	-4.4	-2.9
34	Passenger Revenue per RPM (Sch. Svc.)	-2.8	-1.1	0.4	0.9	0.4	-0.6	-1.8

COMPARISONS AMONG MAJOR GROUP AIRLINES

Chart 1.
OPERATING AND NET PROFIT (LOSS)
FIRST QUARTER 1998

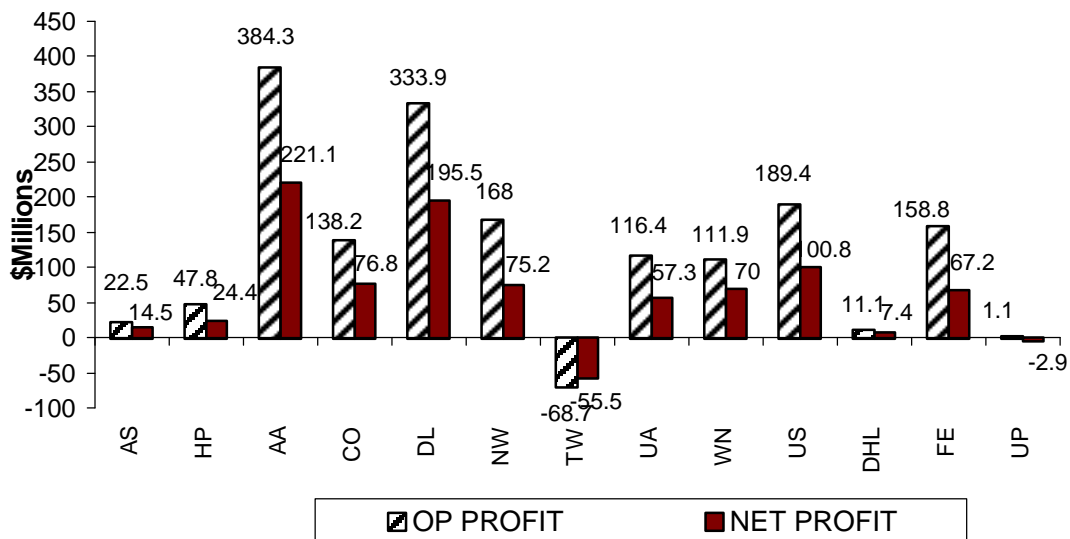
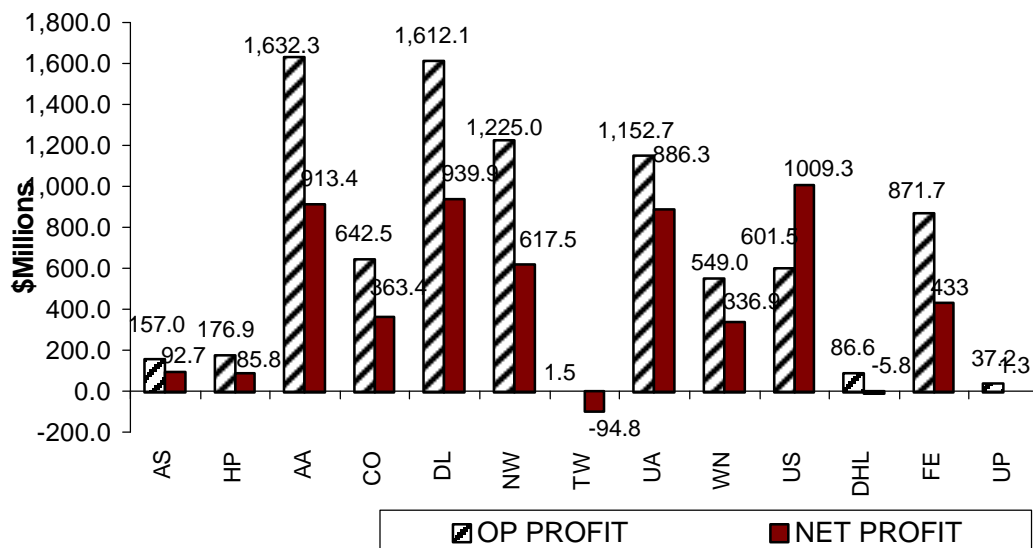
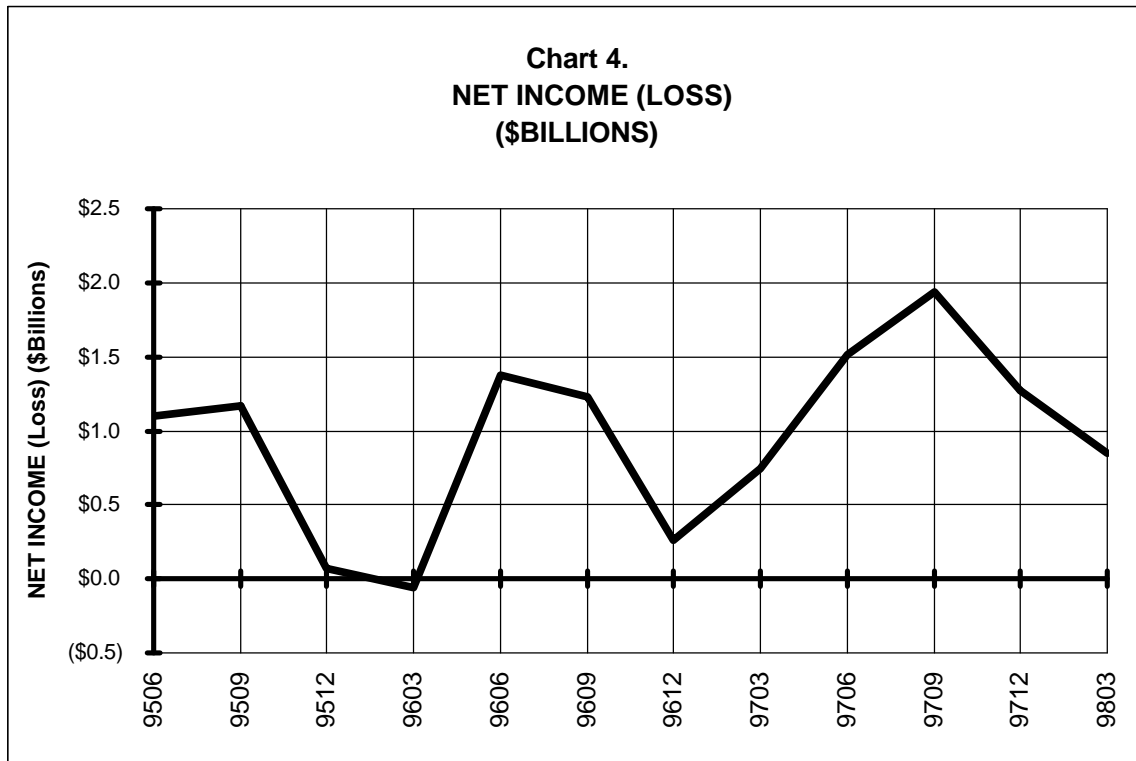
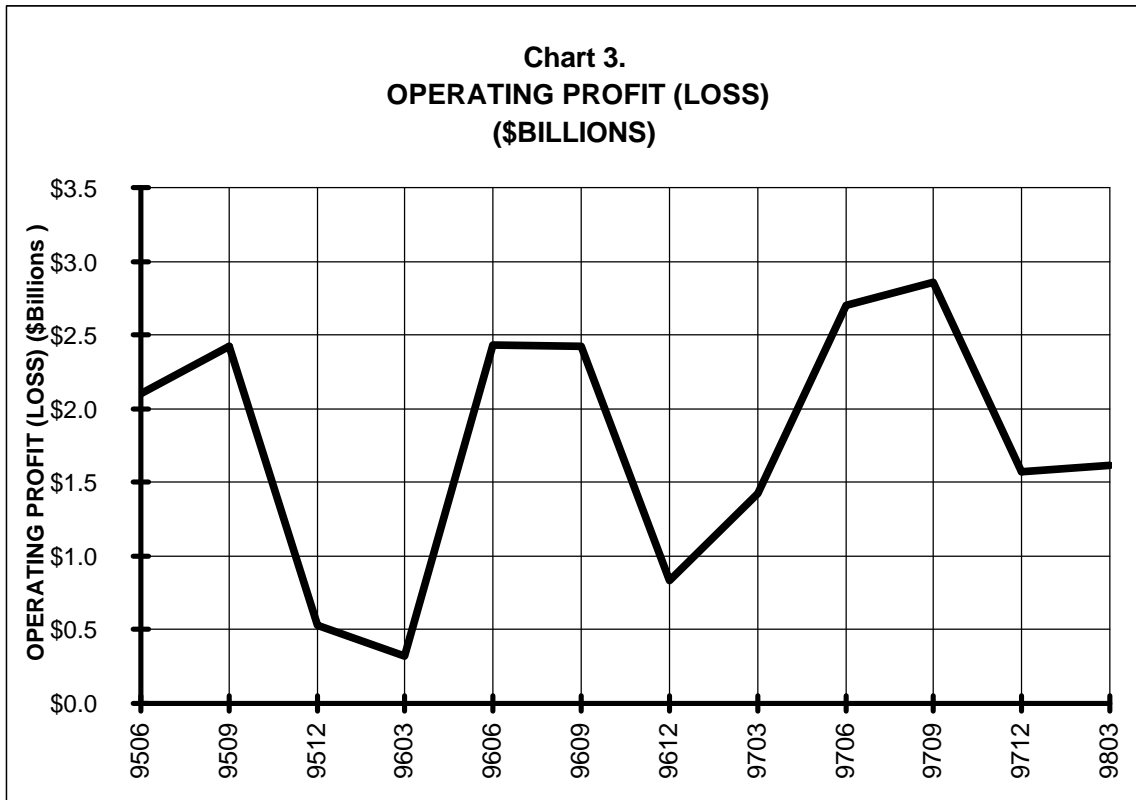


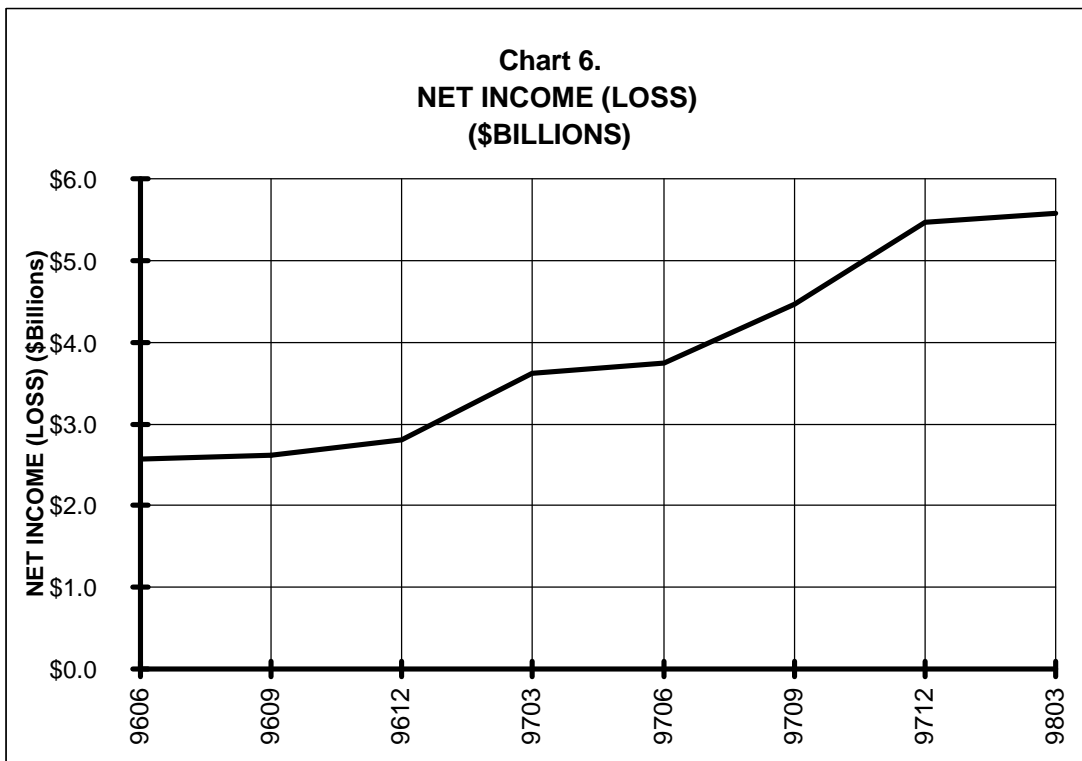
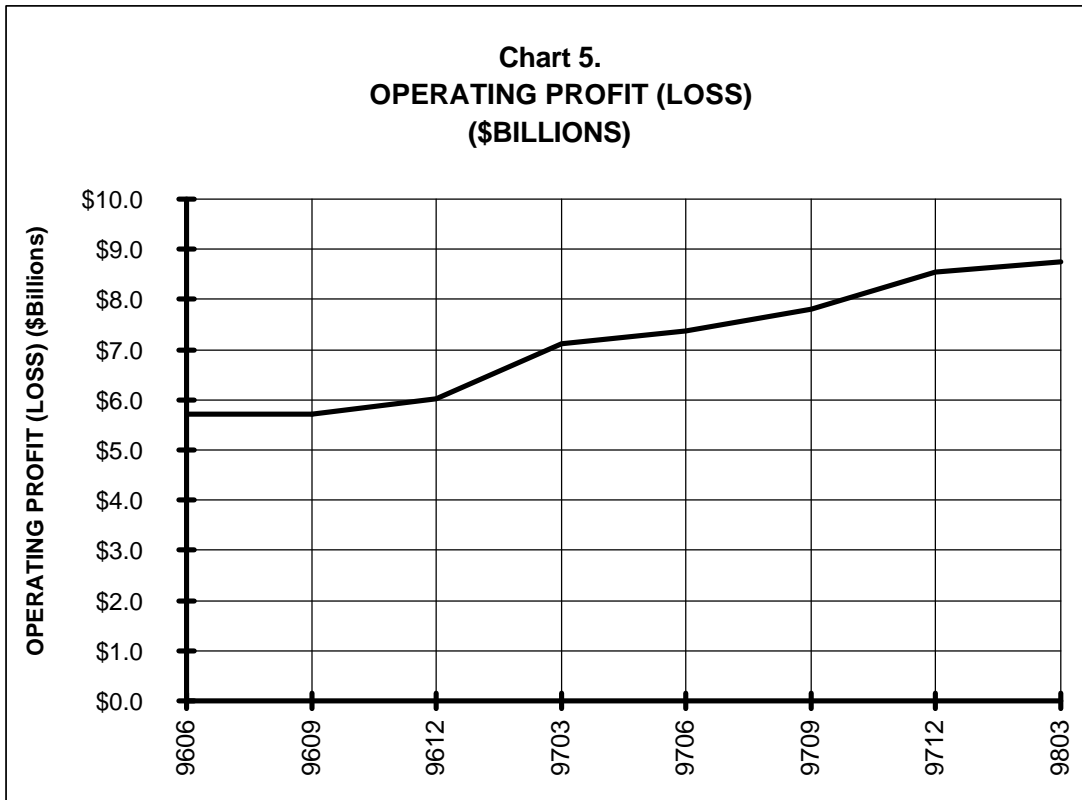
Chart 2.
OPERATING AND NET PROFIT (LOSS)
12 MONTHS ENDED FIRST QUARTER 1998



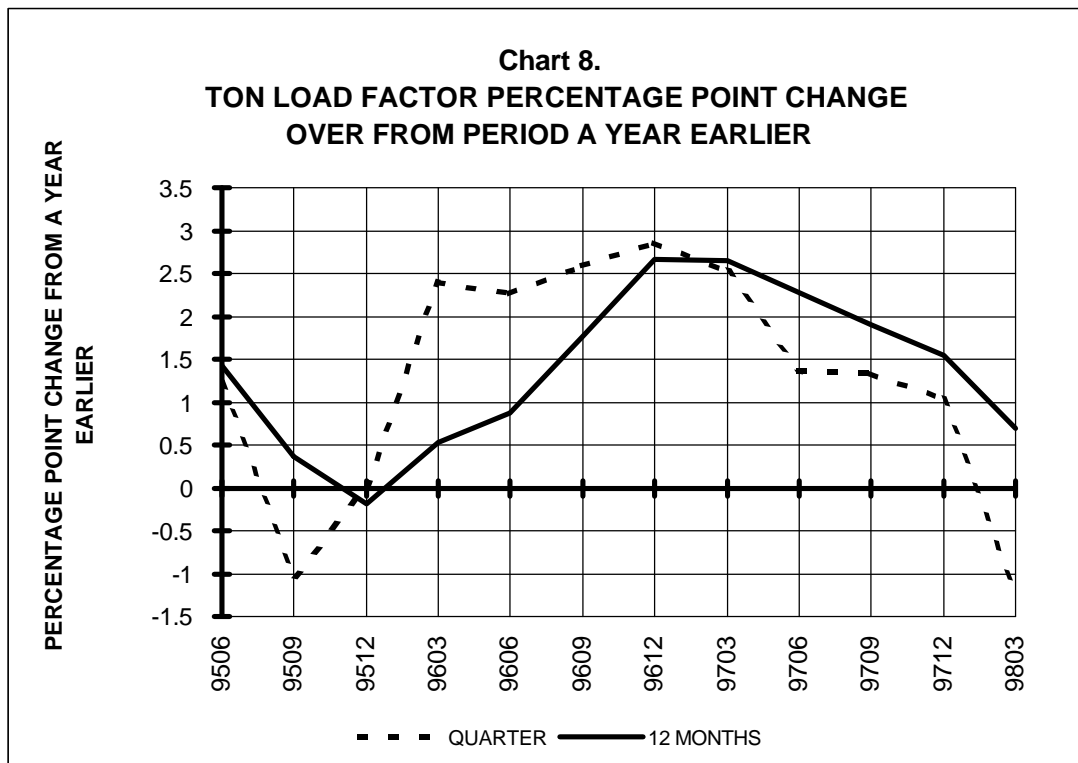
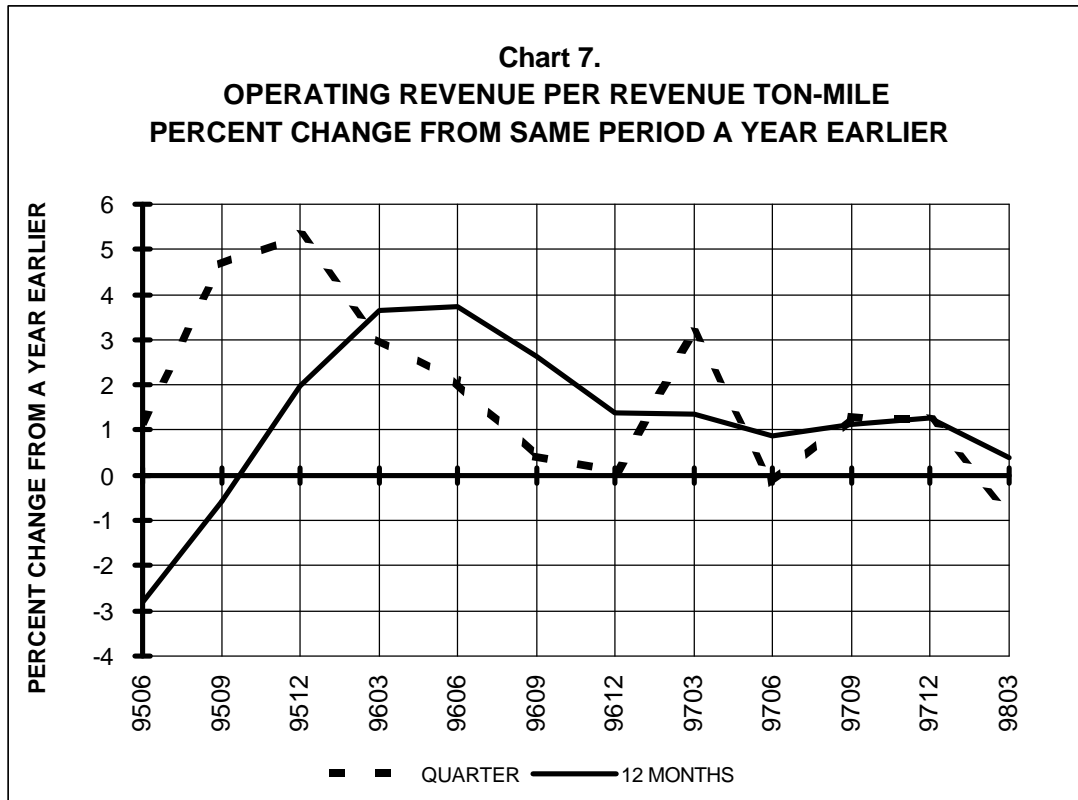
TOTAL ALL MAJORS (SYSTEM) BY QUARTER



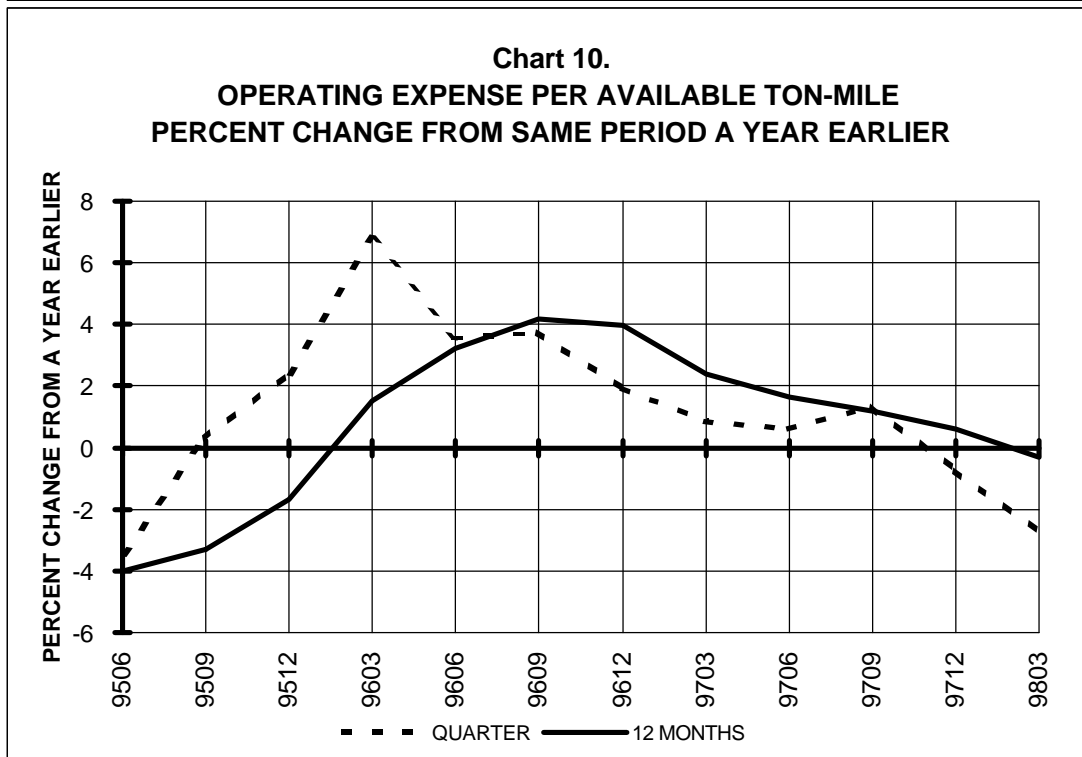
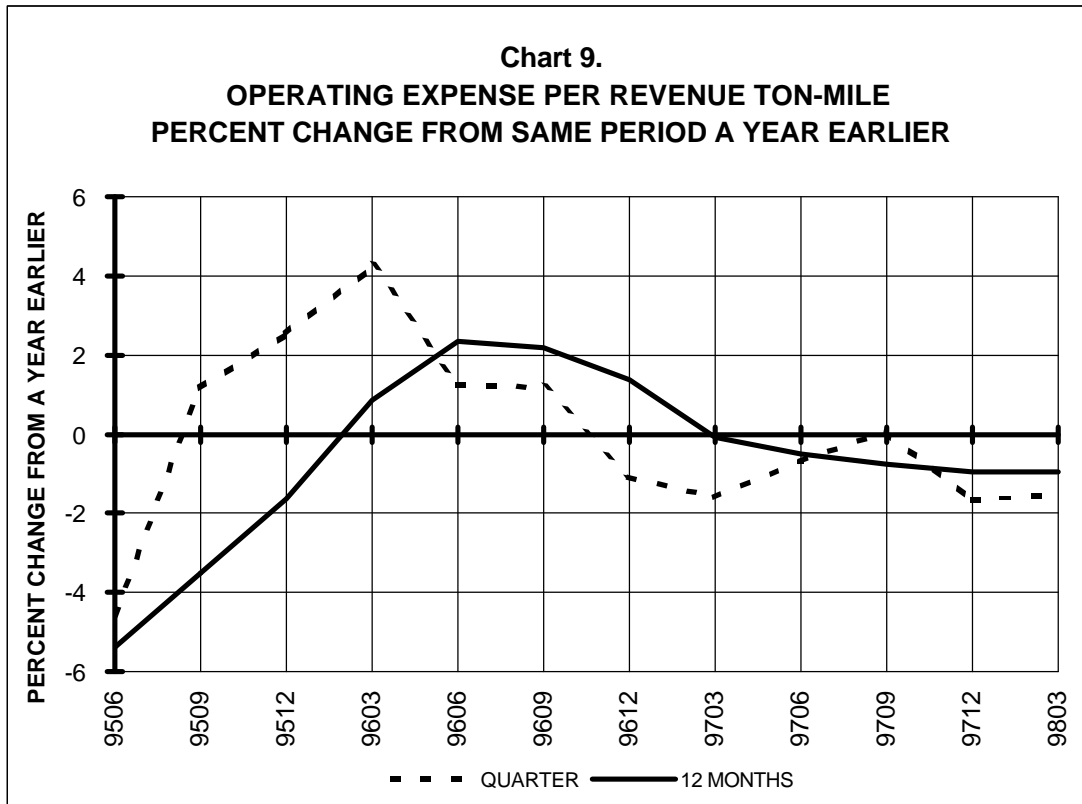
TOTAL ALL MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS



TOTAL ALL MAJORS (SYSTEM) **QUARTERLY AND 12-MONTH BASIS**



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



QUARTERLY FINANCIAL & TRAFFIC REVIEW

TOTAL PASSENGER MAJORS

QUARTERLY RESULTS

- For the first quarter 1998, all passenger majors (excluding Trans World) reported an operating and net profit. All majors -- except for Continental, Delta, United, and US Airways -- experienced an improvement in operating and net results. Delta showed an improved net income, while US Airways reported a higher operating profit.
- The passenger majors combined reported an all-time record for any first quarter in history in both operating and net profit.
- Operating revenues were up only 1.5 percent, but operating expense, due in large part to falling total fuel expenses, rose a much slower 0.3 percent, causing operating profit to gain \$230.7 million to \$1.44 billion.
- Net income rose \$139.3 million to \$780.1 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1997	THIS YEAR 1998	\$ Change	LAST YEAR 1997	THIS YEAR 1998	\$ Change
March	1,213.0	1,443.7	230.8	640.8	780.1	139.3
June	2,388.4	0.0	-	1,349.9	0.0	-
Sept.	2,545.7	0.0	-	1,838.5	0.0	-
Dec.	1,372.7	0.0	-	1,182.0	0.0	-

- Only Continental, Trans World, and US Airways had an increase in the passenger load factor, which for the group slid 0.9 percentage points to 67.7 percent. ASM capacity, up 2.3 percent, rose much faster than RPM traffic, up 0.9 percent.
- Passenger (RPM) yield climbed 0.5 percent to 13.32 cents, although only Alaska, America West, American, and US Airways were up from a year ago.
- Industry financial results for the Pacific entity, reflecting in part the economic slowdown in Asia, continued to show large deterioration. Pacific operating profit tumbled \$145.9 million to a loss of \$120.4 million, and net results dropped \$98.2 million to a loss of \$85.6 million. These are the largest losses for the Pacific entity since the fourth quarter 1992.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	1,157.0	1,431.6	274.6	631.9	795.7	163.8	97.1	97.1	0.0	144.1	145.3	0.8	66.8%
Int'l	56.0	12.1	-43.8	8.9	-15.6	-24.4	35.4	36.6	3.3	49.1	52.3	6.5	70.1%
Atlantic	-101.8	7.8	109.7	-68.2	-2.4	65.9	13.2	15.0	13.6	18.6	20.7	11.6	72.6%
Latin	132.3	124.7	-7.6	64.5	72.4	7.9	7.4	8.0	8.1	10.7	12.3	15.1	64.6%
Pacific	25.5	-120.4	-145.9	12.6	-85.6	-98.2	14.8	13.6	-8.2	19.8	19.2	-3.0	70.8%
System	1,213.0	1,443.7	230.8	640.8	780.1	139.3	132.5	133.7	0.9	193.2	197.6	2.3	67.7%

- The major group benefited greatly from the sharp decline in world fuel prices. Total fuel expense dropped 22.4 percent (\$574.5 million) comprising 10.6 percent of total operating expenses, down from 13.7 percent a year ago.
- Interest expense fell \$28 million to \$337.1 million.
- The operating profit margin rose 1.1 percentage points to 7.2 percent.

12-MONTH RESULTS

- Except for a net loss reported by Trans World, all majors reported an operating and net profit for the 12-months ended March 1998. All majors (except for United's net results) experienced improvements in both operating and net results. For the group, the operating and net profits were the highest for any 12-month ended period in history.
- For the group, operating profit jumped \$1.46 billion to \$7.75 billion, as operating revenues rose 4.3 percent and operating expense grew a slower 2.7 percent.
- Net results jumped \$1.96 billion to \$5.15 billion.
- The passenger load factor climbed 0.3 percentage points to 70.6 percent.
- Passenger (RPM) yield rose 0.4 percent to 12.95 cents.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	20,163.7	19,870.1	83,753.1	83,459.5	82,085.5	81,134.7	80,296.1
2	Operating Expenses	18,719.9	18,657.1	76,002.5	75,939.7	75,368.6	74,696.1	74,002.2
3	Operating Profit (Loss)	1,443.7	1,213.0	7,750.6	7,519.8	6,717.0	6,438.6	6,293.8
4	Net Income (Loss)	780.1	640.8	5,150.5	5,011.2	3,953.8	3,261.7	3,194.0
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	133.71	132.50	571.21	570.00	565.03	558.81	552.66
6	ASMs - Scheduled Rev. Svc.	197.55	193.19	809.14	804.79	799.05	792.95	786.56
7	Overall RTMs (All Svc.)	15.98	15.66	68.06	67.74	66.96	66.08	65.26
8	Overall ATMs (All Svc.)	28.56	27.55	116.76	115.75	114.55	113.54	112.55
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	126.2	126.9	123.1	123.2	122.6	122.8	123.0
10	Operating Expense per RTM	117.1	119.1	111.7	112.1	112.6	113.0	113.4
11	Operating Profit (Loss) per RTM	9.0	7.7	11.4	11.1	10.0	9.7	9.6
12	Operating Expense per ATM	65.6	67.7	65.1	65.6	65.8	65.8	65.7
13	Passenger Revenue per RPM	13.32	13.26	12.95	12.94	12.83	12.85	12.90
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.19	2.28	2.33	2.36	2.37
15	Times Interest Earned	*	*	6.85	6.37	5.54	4.64	4.37
16	Current Assets to Current Liabilities	*	*	0.74	0.74	0.72	0.68	0.68
17	No. of Days Cash Coverage of Cash Exp	*	*	46.27	45.48	50.81	40.28	40.11
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	7.2	6.1	9.3	9.0	8.2	7.9	7.8
19	Net Income to Stockholders Equity	*	*	25.2	26.3	22.2	19.6	20.6
20	Corporate Return on Investment	*	*	16.8	17.4	15.2	13.8	14.0
21	Debt to Total Investment	*	*	44.6	44.8	45.6	48.2	50.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	67.7	68.6	70.6	70.8	70.7	70.5	70.3
23	Breakeven	64.1	65.8	64.9	65.3	65.9	65.9	65.8
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	386,948	376,561	383,455	380,858	378,289	375,209	373,378
25	Overall RTM's per Employee (000)	41.3	41.6	177.5	177.9	177.0	176.1	174.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	1.5	9.9	4.3	6.3	6.1	6.5	7.4
27	Operating Expenses (%)	0.3	4.3	2.7	3.7	4.3	5.0	5.7
28	Operating Profit (Loss) (in Millions \$)	230.7	1,028.6	1,456.8	2,254.6	1,661.3	1,374.7	1,544.3
29	Net Income (Loss)(in Millions \$)	139.3	763.5	1,956.5	2,580.7	1,655.9	1,014.0	1,211.3
30	RPMs (Sch. Svc.) (%)	0.9	7.2	3.4	4.8	5.8	6.4	7.0
31	ASMs (Sch. Svc.) (%)	2.3	4.2	2.9	3.3	3.7	3.7	3.5
32	Operating Revenues per RTM (%)	-0.6	2.7	0.1	0.8	0.1	0.2	0.8
33	Operating Expense per RTM (%)	-1.7	-2.6	-1.5	-1.7	-1.7	-1.2	-0.8
34	Passenger Revenue per RPM (Sch. Svc.)	0.5	1.7	0.4	0.8	-0.4	-0.2	0.8

QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	15,565.5	15,281.8	63,104.3	62,820.6	61,739.6	61,146.7	60,625.3
2	Operating Expenses	14,133.9	14,124.8	57,011.5	57,002.5	56,574.5	56,155.2	55,501.0
3	Operating Profit (Loss)	1,431.6	1,157.0	6,092.7	5,818.1	5,165.1	4,991.5	5,124.4
4	Net Income (Loss)	795.7	631.9	4,147.5	3,983.8	3,059.0	2,578.7	2,642.4
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Svc.	97.08	97.05	412.39	412.36	409.41	405.16	400.74
6	ASMs - Scheduled Rev. Svc.	145.26	144.07	593.40	592.21	589.56	585.47	581.32
7	Overall RTMs (All Svc.)	10.77	10.75	45.76	45.73	45.40	44.92	44.46
8	Overall ATMs (All Svc.)	19.44	19.24	79.35	79.14	78.74	78.26	77.77
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	144.5	142.2	137.9	137.4	136.0	136.1	136.3
10	Operating Expense per RTM	131.2	131.4	124.6	124.7	124.6	125.0	124.8
11	Operating Profit (Loss) per RTM	13.3	10.8	13.3	12.7	11.4	11.1	11.5
12	Operating Expense per ATM	72.7	73.4	71.9	72.0	71.8	71.8	71.4
13	Passenger Revenue per RPM	14.38	14.16	13.73	13.68	13.53	13.57	13.66
	<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	9.2	7.6	9.7	9.3	8.4	8.2	8.5
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	18.0	18.4	15.7	14.5	15.3
21	Debt to Total Investment	*	*	**	**	**	**	**
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	66.8	67.4	69.5	69.6	69.4	69.2	68.9
23	Breakeven	61.5	63.6	63.6	64.1	64.7	64.7	64.1
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

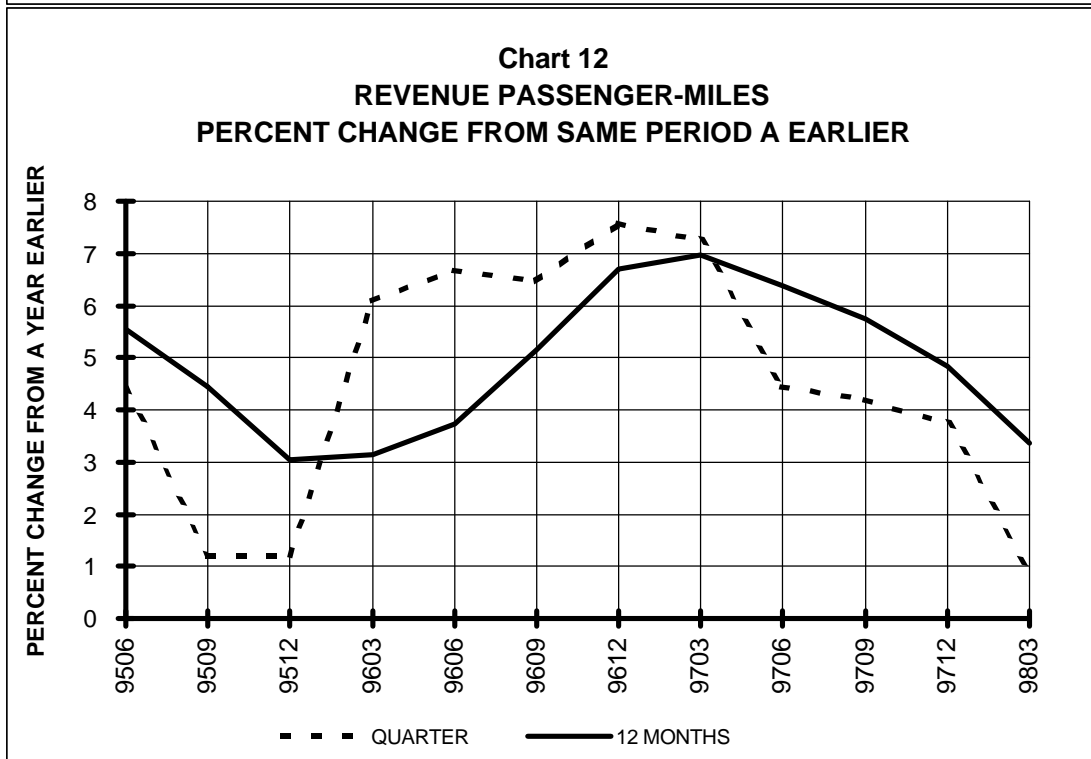
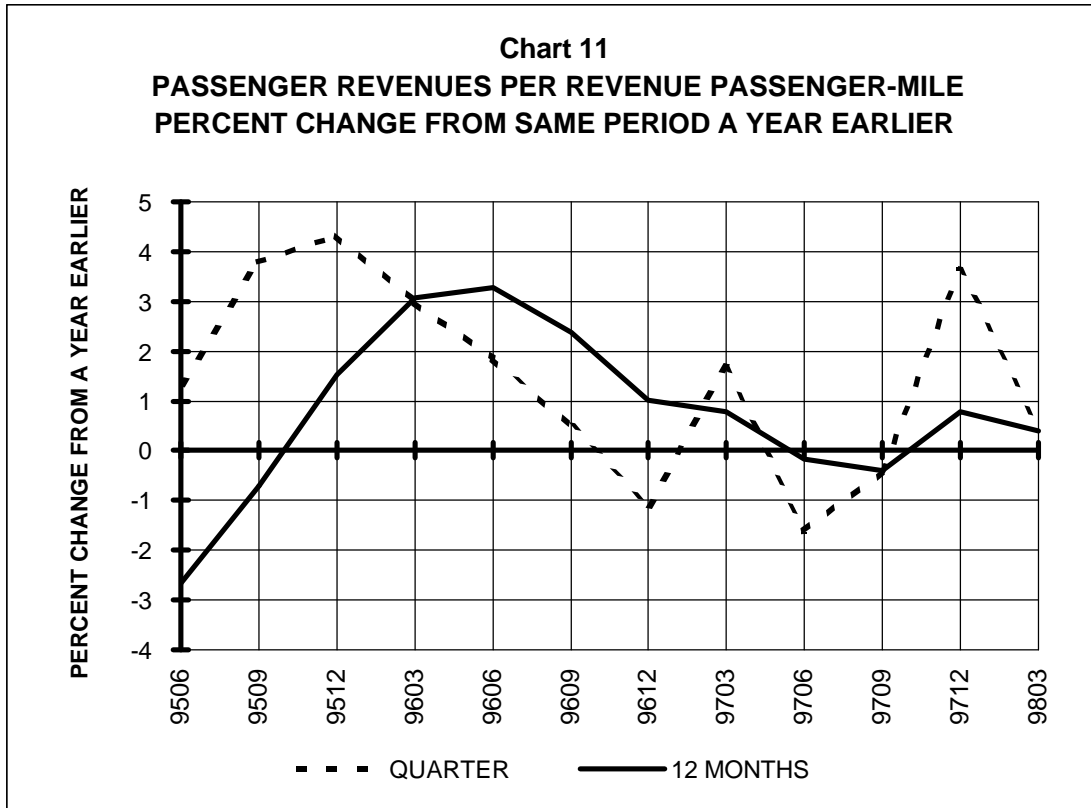
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	1.9	10.7	4.1	6.2	6.0	7.0	8.4
27	Operating Expenses (%)	0.1	6.4	2.7	4.3	5.1	6.4	6.8
28	Operating Profit (Loss) (in Millions \$)	274.6	635.4	968.3	1,329.1	787.3	625.2	1,162.2
29	Net Income (Loss)(in Millions \$)	163.8	509.6	1,505.1	1,851.0	1,018.7	605.1	952.3
30	RPMs (Sch. Svc.) (%)	0.0	7.3	2.9	4.6	5.8	7.0	7.7
31	ASMs (Sch. Svc.) (%)	0.8	4.5	2.1	3.0	3.6	3.8	3.8
32	Operating Revenues per RTM (%)	1.6	3.9	1.2	1.8	0.6	0.6	1.4
33	Operating Expense per RTM (%)	-0.2	-0.2	-0.2	-0.1	-0.4	0.1	0.0
34	Passenger Revenue per RPM (Sch. Svc.)	1.6	2.6	0.5	0.8	-0.6	-0.1	1.4

QUARTERLY FINANCIAL & TRAFFIC REVIEW
INTERNATIONAL OPERATIONS
TOTAL PASSENGER MAJORS

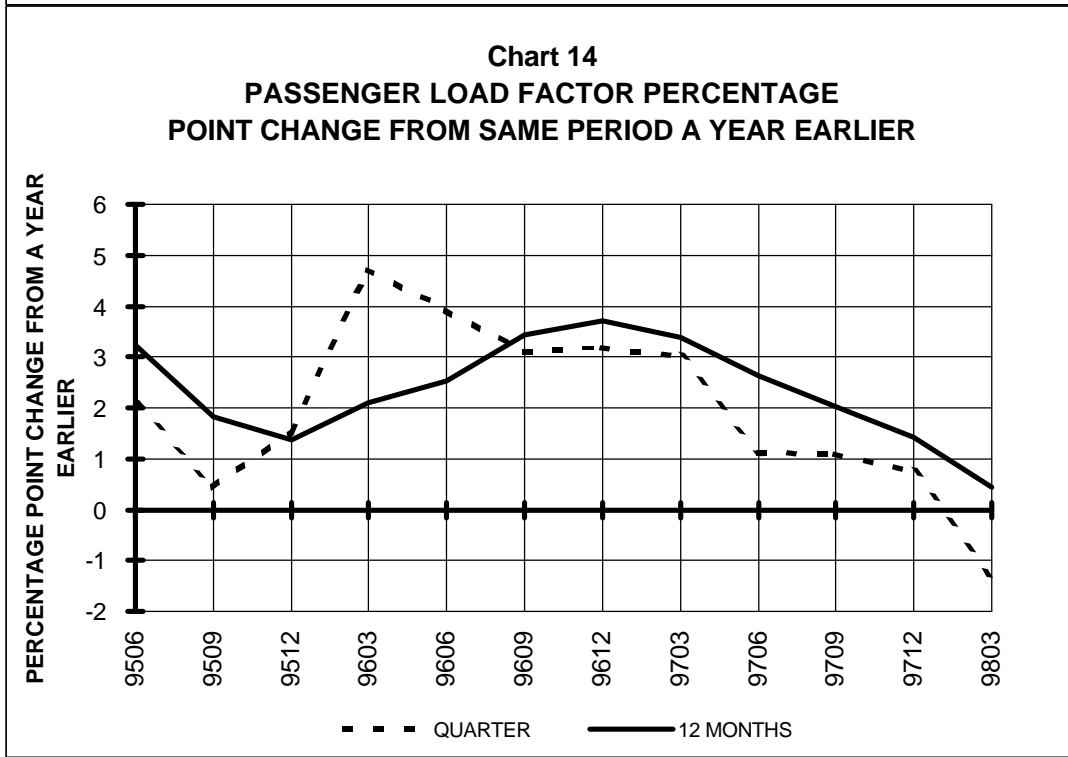
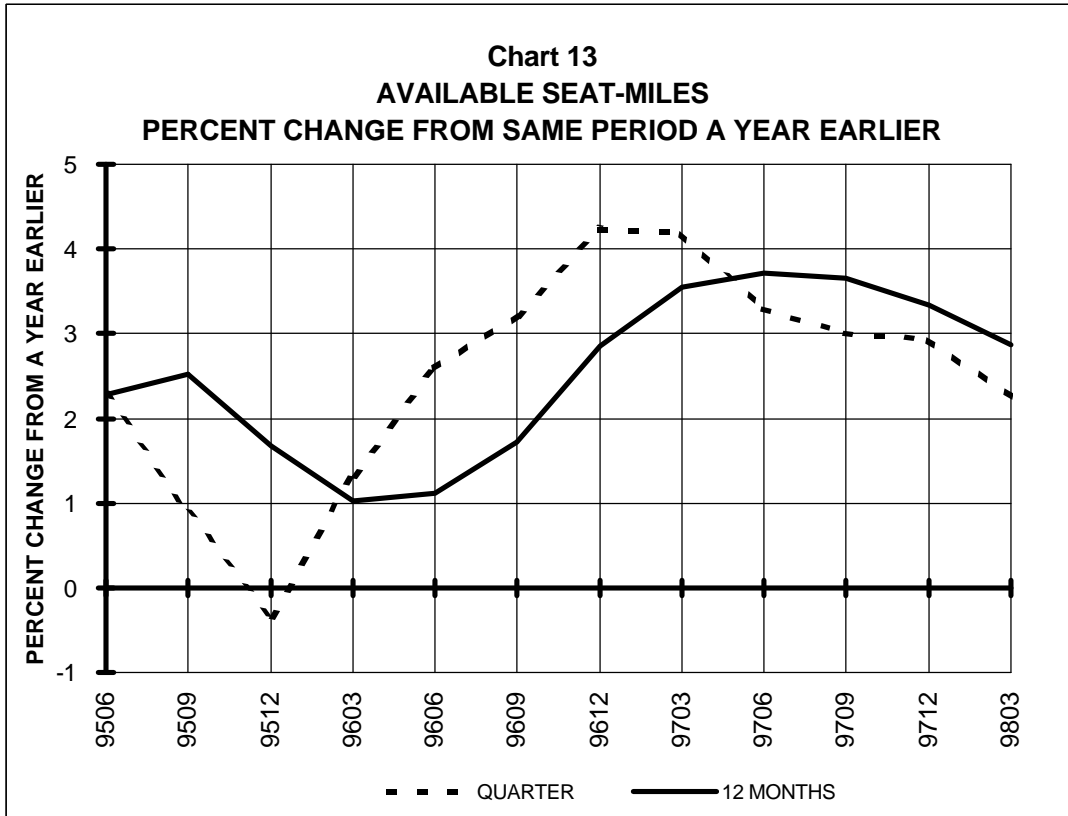
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	4,598.2	4,588.3	20,648.9	20,639.0	20,346.0	19,988.1	19,670.7
2	Operating Expenses	4,586.0	4,532.3	18,991.0	18,937.3	18,794.1	18,540.9	18,501.3
3	Operating Profit (Loss)	12.1	56.0	1,657.9	1,701.7	1,551.9	1,447.2	1,169.5
4	Net Income (Loss)	-15.6	8.9	1,003.0	1,027.4	894.8	683.0	551.5
TRAFFIC: (Billions)								
5	RPMs - Scheduled Rev. Svc.	36.63	35.44	158.82	157.63	155.62	153.66	151.92
6	ASMs - Scheduled Rev. Svc.	52.29	49.12	215.74	212.57	209.49	207.48	205.25
7	Overall RTMs (All Svc.)	5.21	4.92	22.30	22.01	21.56	21.15	20.80
8	Overall ATMs (All Svc.)	9.11	8.31	37.41	36.61	35.81	35.28	34.78
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	88.3	93.3	92.6	93.8	94.4	94.5	94.6
10	Operating Expense per RTM	88.0	92.2	85.1	86.0	87.2	87.6	89.0
11	Operating Profit (Loss) per RTM	0.2	1.1	7.4	7.7	7.2	6.8	5.6
12	Operating Expense per ATM	50.3	54.5	50.8	51.7	52.5	52.6	53.2
13	Passenger Revenue per RPM	10.51	10.81	10.93	11.01	11.00	10.94	10.89
FINANCIAL RATIOS:								
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	*	*	**	**	**	**	**
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Revenue	0.3	1.2	8.0	8.2	7.6	7.2	5.9
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	13.3	14.4	13.7	11.7	10.2
21	Debt to Total Investment	*	*	**	**	**	**	**
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	70.1	72.2	73.6	74.2	74.3	74.1	74.0
23	Breakeven	72.9	73.3	68.6	68.7	69.1	69.2	70.6
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.2	7.3	5.0	6.6	6.5	4.9	4.2
27	Operating Expenses (%)	1.2	-1.7	2.6	1.9	2.0	1.0	2.2
28	Operating Profit (Loss) (in Millions \$)	-43.9	393.3	488.4	925.4	874.0	749.6	382.2
29	Net Income (Loss)(in Millions \$)	-24.5	253.9	451.5	729.7	637.2	408.9	258.9
30	RPMs (Sch. Svc.) (%)	3.3	7.2	4.5	5.4	5.6	4.8	5.2
31	ASMs (Sch. Svc.) (%)	6.5	3.3	5.1	4.4	3.8	3.4	2.8
32	Operating Revenues per RTM (%)	-5.4	-0.8	-2.1	-1.0	-0.9	-1.2	-1.4
33	Operating Expense per RTM (%)	-4.6	-9.1	-4.4	-5.4	-5.0	-4.9	-3.2
34	Passenger Revenue per RPM (Sch. Svc.)	-2.8	-1.1	0.4	0.9	0.4	-0.6	-1.8

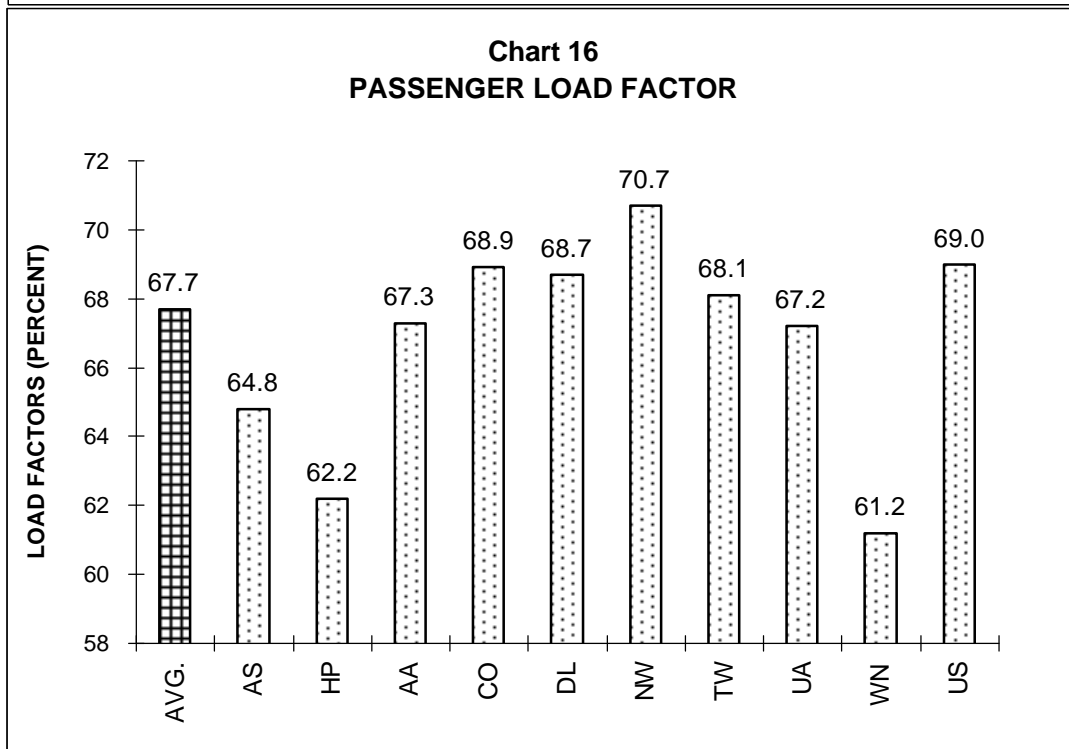
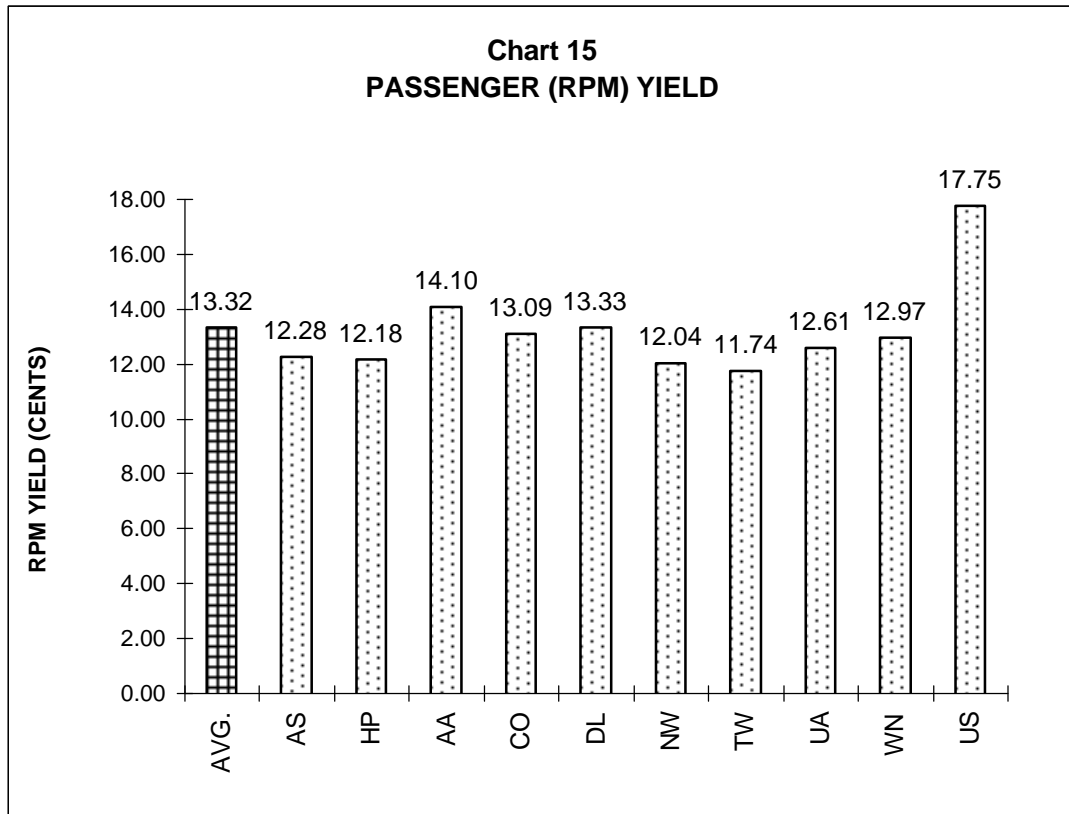
TOTAL PASSENGER MAJORS (SYSTEM) **QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)**



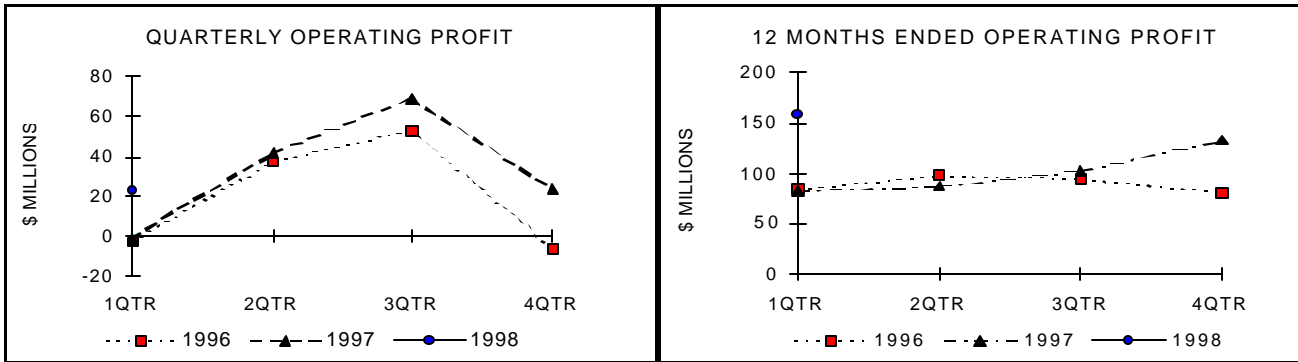
TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)



TOTAL PASSENGER MAJORS (SYSTEM) FIRST QUARTER 1998 (SCH. SVC.)



QUARTERLY FINANCIAL & TRAFFIC REVIEW **SYSTEM OPERATIONS** **ALASKA AIRLINES**



QUARTERLY RESULTS

- Alaska reported its highest first quarter operating and net profit in history, and reported positive first quarter operating and net results for the first time since 1989.
- Operating profit moved into the black, jumping \$23.9 million to a profit of \$22.5 million, as operating revenues, up 10.4 percent, grew much faster operating expenses, up 2.7 percent.
- Net income advanced \$16.7 million to \$14.5 million.
- The system operating and net improvements and profits arose solely from domestic operations, as Latin operations experienced only a \$0.3 million operating profit and a \$3.8 million net loss.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	-1.4	22.2	23.6	-2.0	18.3	20.3	2.1	2.2	6.0	3.2	3.4	6.2	64.7%
Int'l	0.0	0.3	0.3	-0.1	-3.8	-3.6	0.3	0.2	-3.2	0.4	0.4	4.4	65.4%
Atlantic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Latin	0.0	0.3	0.3	-0.1	-3.8	-3.6	0.3	0.2	-3.2	0.4	0.4	4.4	65.4%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	-1.4	22.5	23.9	-2.2	14.5	16.7	2.3	2.5	5.0	3.6	3.8	6.1	64.8%

- Increases in ASM capacity, up 6.1 percent, exceeded the 5 percent rise in RPM traffic, causing the passenger load factor to dip 0.6 percentage points to 64.8 percent.
- The sharp turnaround in profitability occurred as RTM yield jumped 5.3 and RTM unit costs declined 2 percent.
- Total fuel expense, which comprised 10.3 percent of total operating expenses (a decline from 15.2 percent a year ago), dropped 29.9 percent (\$14.3 million).
- Interest expense dipped \$1.5 million to a passenger major group low of \$4.6 million.
- Passenger (RPM) yield rose 6.8 percent to 12.28 cents.

12-MONTH RESULTS

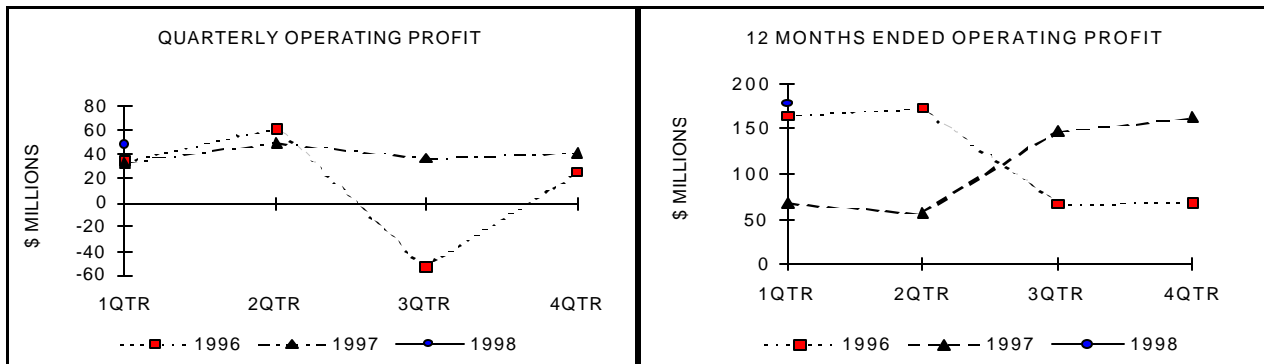
- Operating profit nearly doubled from a year ago, improving \$74.5 million to \$157 million, as operating revenues, up 11.5 percent, grew faster than operating expenses, up 6.3 percent.
- Net income improved \$44 million to \$92.7 million, a new all-time carrier high for any 12-month ended period.
- RPM traffic, up 4.7 percent, grew slightly faster than ASM capacity, up 4.6 percent, leaving the passenger load factor unchanged at 67.1 percent.
- Passenger (RPM) yield jumped a major group high 8.2 percent to 12.30 cents.
- Interest expense declined \$3.7 million to \$22.9 million, the lowest among all passenger majors.
- The debt-to-investment ratio was down 5.2 percentage points to 34.7 percent. Total debt inched upward \$1.9 million to \$237.5 million.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
ALASKA AIRLINES**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	346.8	314.3	1,490.0	1,457.4	1,400.6	1,362.5	1,336.5
2	Operating Expenses	324.3	315.7	1,333.0	1,324.4	1,297.6	1,275.3	1,254.0
3	Operating Profit (Loss)	22.5	-1.4	157.0	133.1	103.0	87.2	82.5
4	Net Income (Loss)	14.5	-2.2	92.7	76.0	61.8	53.2	48.7
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	2.45	2.33	10.48	10.36	10.18	10.13	10.01
6	ASMs - Scheduled Rev. Svc.	3.78	3.57	15.61	15.39	15.04	14.95	14.92
7	Overall RTMs (All Svc.)	0.26	0.25	1.13	1.12	1.10	1.09	1.08
8	Overall ATMs (All Svc.)	0.50	0.47	2.05	2.02	1.98	1.96	1.96
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	131.9	125.3	132.2	130.7	127.9	124.8	123.8
10	Operating Expense per RTM	123.3	125.8	118.2	118.8	118.4	116.8	116.1
11	Operating Profit (Loss) per RTM	8.6	-0.6	13.9	11.9	9.4	8.0	7.6
12	Operating Expense per ATM	65.1	67.4	65.0	65.5	65.7	64.9	63.9
13	Passenger Revenue per RPM	12.28	11.50	12.30	12.12	11.79	11.47	11.37
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	2.28	2.29	2.23	2.19	2.14
15	Times Interest Earned	*	*	8.83	6.83	5.51	4.61	4.08
16	Current Assets to Current Liabilities	*	*	0.76	0.72	0.82	0.75	0.67
17	No. of Days Cash Coverage of Cash Exp	*	*	71.8	61.2	56.3	38.5	23.8
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Revenue	6.5	-0.5	10.5	9.1	7.4	6.4	6.2
19	Net Income to Stockholders Equity	*	*	22.8	19.6	16.6	15.0	14.3
20	Corporate Return on Investment	*	*	17.2	15.4	13.4	12.4	12.0
21	Debt to Total Investment	*	*	34.7	36.0	37.8	40.8	39.9
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	64.8	65.4	67.1	67.3	67.7	67.8	67.1
23	Breakeven	63.2	70.3	61.8	63.3	65.6	66.5	66.1
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	7,494	7,248	7,498	7,437	7,357	7,226	7,095
25	Overall RTM's per Employee (000)	35.1	34.6	150.3	150.0	148.9	151.1	152.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	10.4	10.5	11.5	11.5	8.6	8.8	10.6
27	Operating Expenses (%)	2.7	9.8	6.3	8.0	8.6	10.4	11.4
28	Operating Profit (Loss) (in Millions \$)	23.9	1.9	74.5	52.4	8.5	-10.1	-0.9
29	Net Income (Loss)(in Millions \$)	16.7	3.1	44.0	30.4	15.7	10.3	16.2
30	RPMs (Sch. Svc.) (%)	5.0	10.3	4.7	5.8	6.0	9.7	12.8
31	ASMs (Sch. Svc.) (%)	6.1	2.4	4.6	3.8	2.2	3.5	5.6
32	Operating Revenues per RTM (%)	5.3	1.2	6.8	5.9	3.2	0.1	-0.9
33	Operating Expense per RTM (%)	-2.0	0.5	1.8	2.6	3.0	1.6	-0.2
34	Passenger Revenue per RPM (Sch. Svc.)	6.8	3.3	8.2	7.4	4.1	1.1	0.7

QUARTERLY FINANCIAL & TRAFFIC REVIEW **SYSTEM OPERATIONS** **AMERICA WEST AIRLINES**



QUARTERLY RESULTS

- America West reported the highest first quarter operating and net profit in carrier history.
- Operating profit rose \$14.3 million to \$47.8 million as operating revenues grew 2 percent, and operating expenses declined 1.2 percent.
- Net income rose \$10.5 million to \$24.4 million.
- All of the system operating and net profits, and most of the gains, arose solely from domestic operations. Latin operating and net results, which have not been profitable since June 1995, were slightly improved.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	L.F.
Domestic	36.3	48.9	12.6	17.1	25.8	8.6	3.9	3.5	-8.6	5.6	5.6	0.9	62.6%
Int'l	-2.8	-1.1	1.7	-3.2	-1.4	1.8	0.1	0.1	-11.2	0.2	0.2	5.1	51.7%
Atlantic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Latin	-2.8	-1.1	1.7	-3.2	-1.4	1.8	0.1	0.1	-11.2	0.2	0.2	5.1	51.7%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	33.5	47.8	14.4	13.9	24.4	10.4	4.0	3.6	-8.7	5.8	5.8	1.1	62.2%

- RPM traffic dropped 8.7 percent, the largest decline among the majors, while ASM capacity climbed 1.1 percent, causing the passenger load factor to drop a group high 6.7 percentage points to 62.2 percent.
- Passenger (RPM) yield jumped a major group high 11.6 percent to 12.16 cents, but was still well below the group average of 13.09 cents.
- Interest expense was down \$1.5 million to \$10.6 million, a passenger group low. (Note: UPS, an all-cargo carrier, had no interest expense.)
- Total fuel expense fell 29.4 percent (\$19.9 million) comprising 11.3 percent of total operating expenses, down 4.5 percentage points from a year ago.

12-MONTH RESULTS

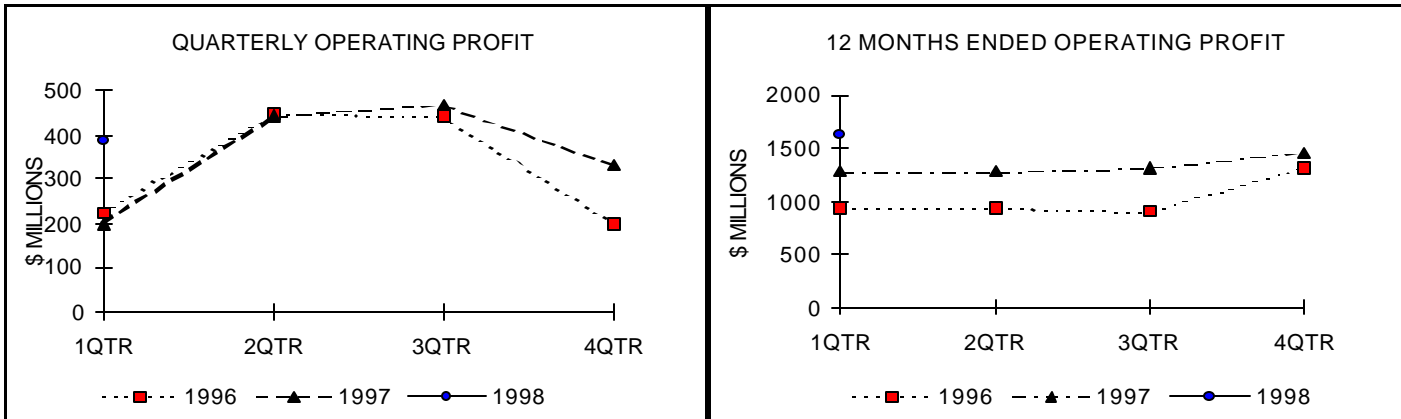
- America West reported a strong improvement in both operating and net results for the third consecutive quarter-ended 12-month period after four consecutive periods of decline.
- Operating profit surged upward a strong \$109.1 million to \$176.9 million as operating revenue grew 5.3 percent and operating expenses declined 0.8 percent.
- Net income advanced \$77.1 million to \$85.8 million.
- Interest expense declined \$10.3 million to \$38.2 million.
- The passenger load factor decreased 3.3 percentage points to 67.3 percent. ASM capacity rose 5.5 percent outpacing the 0.5 percent increase in RPM traffic.
- Passenger (RPM) yield increased 4.8 percent, but was a major group low 11.13 cents.
- Total debt was cut \$92.3 million to \$285.6 million (only Alaska had less debt). This, coupled with rising equity, caused the debt-to-investment ratio to fall 8.8 percentage points 28.9 percent.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
AMERICA WEST AIRLINES**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	474.2	465.0	1,896.3	1,887.1	1,854.5	1,814.9	1,800.7
2	Operating Expenses	426.4	431.5	1,719.4	1,724.6	1,708.0	1,758.6	1,732.9
3	Operating Profit (Loss)	47.8	33.5	176.9	162.6	146.4	56.3	67.8
4	Net Income (Loss)	24.4	13.9	85.8	75.3	66.9	3.3	8.7
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	3.63	3.98	15.83	16.17	16.28	16.05	15.75
6	ASMs - Scheduled Rev. Svc.	5.84	5.77	23.53	23.46	23.27	22.82	22.30
7	Overall RTMs (All Svc.)	0.39	0.43	1.70	1.74	1.75	1.72	1.69
8	Overall ATMs (All Svc.)	0.73	0.73	2.96	2.95	2.93	2.88	2.81
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	121.1	109.0	111.5	108.7	106.1	105.4	106.7
10	Operating Expense per RTM	108.9	101.1	101.1	99.3	97.7	102.2	102.7
11	Operating Profit (Loss) per RTM	12.2	7.8	10.4	9.4	8.4	3.3	4.0
12	Operating Expense per ATM	58.1	59.4	58.0	58.4	58.3	61.1	61.6
13	Passenger Revenue per RPM	12.18	10.91	11.13	10.84	10.57	10.49	10.62
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	1.90	1.89	1.86	1.80	1.76
15	Times Interest Earned	*	*	5.30	4.60	3.89	1.51	1.71
16	Current Assets to Current Liabilities	*	*	0.68	0.67	0.68	0.62	0.64
17	No. of Days Cash Coverage of Cash Exp	*	*	39.2	37.9	34.8	32.0	36.5
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Revenue	10.1	7.2	9.3	8.6	7.9	3.1	3.8
19	Net Income to Stockholders Equity	*	*	12.9	11.6	10.6	0.5	1.4
20	Corporate Return on Investment	*	*	12.3	11.4	10.9	5.0	5.4
21	Debt to Total Investment	*	*	28.9	32.3	31.8	36.5	37.7
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	62.2	68.9	67.3	68.9	70.0	70.4	70.6
23	Breakeven	56.2	64.7	61.5	63.5	65.1	69.5	69.1
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	8,616	8,832	8,843	8,897	8,802	8,600	8,385
25	Overall RTM's per Employee (000)	45.5	48.3	192.4	195.1	198.5	200.1	201.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	2.0	11.8	5.3	7.7	8.6	7.1	10.5
27	Operating Expenses (%)	-1.2	13.0	-0.8	2.5	4.0	15.6	18.2
28	Operating Profit (Loss) (in Millions \$)	14.3	-0.8	109.1	93.9	80.4	-117.0	-96.4
29	Net Income (Loss)(in Millions \$)	10.5	0.2	77.1	66.8	64.5	-66.5	-53.6
30	RPMs (Sch. Svc.) (%)	-8.7	13.6	0.5	5.9	11.7	13.3	14.0
31	ASMs (Sch. Svc.) (%)	1.1	16.9	5.5	9.3	12.8	13.5	13.6
32	Operating Revenues per RTM (%)	11.1	-1.6	4.5	1.6	-2.9	-5.5	-2.8
33	Operating Expense per RTM (%)	7.7	-0.6	-1.6	-3.4	-7.0	2.1	3.9
34	Passenger Revenue per RPM (Sch. Svc.)	11.6	-1.2	4.8	1.9	-2.7	-5.4	-2.7

QUARTERLY FINANCIAL & TRAFFIC REVIEW **SYSTEM OPERATIONS** **AMERICAN AIRLINES**



QUARTERLY RESULTS

- American reported the highest quarterly operating profit and net income for any first quarter in its history. In addition, it attained the highest quarterly operating and net profit among all majors, and experienced the largest year-to-year improvements among the group in both operating and net results.
- Operating revenue grew 5.9 percent, greatly exceeding the 0.7 percent increase in operating expense, causing operating profit to jump \$185.3 million to \$384.3 million.
- Net income gained \$147 million to \$221.1 million.
- All entities reported operating and net profits for the first quarter, with Atlantic operations turning profitable after experiencing year ago losses.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	109.5	295.5	186.0	40.8	170.0	129.2	17.7	17.6	-0.5	26.5	26.4	-0.2	66.5%
Int'l	89.5	88.8	-0.7	33.3	51.1	17.7	7.6	7.8	2.5	11.0	11.2	2.4	69.3%
Atlantic	-3.0	9.4	12.4	-1.1	5.4	6.5	3.1	3.0	-0.9	4.4	4.1	-5.7	73.7%
Latin	82.7	74.5	-8.2	30.8	42.9	12.1	4.1	4.3	4.0	6.0	6.5	8.3	65.7%
Pacific	9.8	4.9	-4.9	3.7	2.8	-0.8	0.5	0.5	11.3	0.6	0.7	1.5	77.4%
System	199.0	384.3	185.3	74.1	221.1	147.0	25.3	25.4	0.4	37.5	37.7	0.5	67.3%

- The passenger load factor dipped 0.1 percentage points to 67.3 percent, as RPM traffic climbed 0.4 percent and ASM capacity rose 0.5 percent.
- Passenger (RPM) yield was up a major group high 5.6 percent to 14.10 cents.
- Interest expense dropped \$25.1 million to \$24.2 million, the largest decline among all majors.
- Profitability continues to be enhanced by rapidly declining fuel costs. Total fuel expense fell 21.8 percent (\$102.2 million), accounting for 10.2 percent of total operating expenses, down from 13.2 percent a year ago.
- American cut its total debt \$245.6 million to \$2.37 billion. This decline, coupled with soaring equity, caused the debt-to-investment ratio to drop 6.4 percentage points to 29.8 percent.

12-MONTH RESULTS

- Operating revenues, up 5.4 percent, grew faster than operating expenses, up 3.4 percent, boosting operating profit \$342.4 million to \$1.63 billion.
- Net income gained \$346.1 million to \$913.4 million.
- The passenger load factor inched upward 0.6 percentage points to 69.5 percent as RPM traffic rose 1.7 percent, and ASM capacity increased a lesser 0.9 percent.
- Passenger (RPM) yield growth continues to accelerate, up 3.8 percent to 13.54 cents.
- Interest expense declined by more than half, down a group high \$148.7 million to \$106.9 million.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
AMERICAN AIRLINES

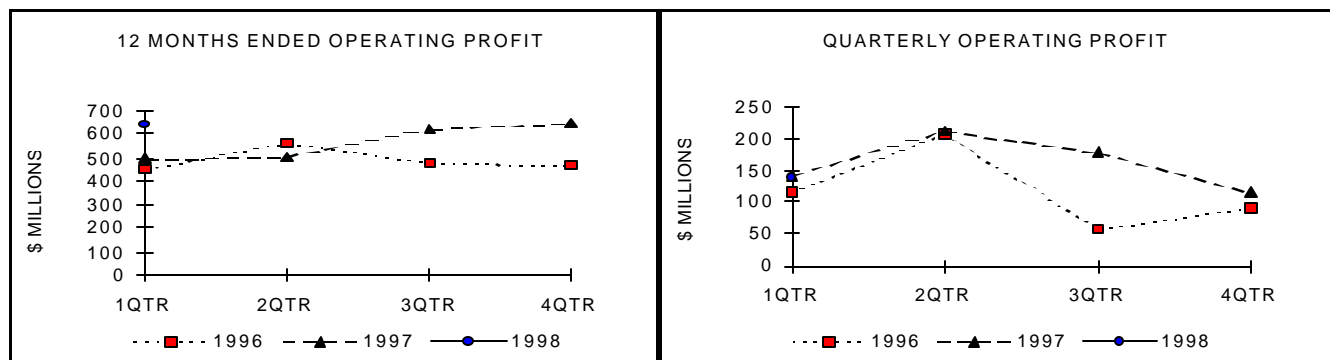
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	3,960.0	3,750.7	16,065.1	15,855.8	15,598.3	15,390.8	15,247.4
2	Operating Expenses	3,575.7	3,551.7	14,432.8	14,408.8	14,286.4	14,104.3	13,957.5
3	Operating Profit (Loss)	384.3	199.0	1,632.3	1,447.0	1,311.8	1,286.5	1,289.9
4	Net Income (Loss)	221.1	74.1	913.4	766.5	639.7	580.9	567.3
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Svc.	25.36	25.27	107.03	106.94	106.61	105.92	105.23
6	ASMs - Scheduled Rev. Svc.	37.67	37.47	153.95	153.75	153.21	152.97	152.63
7	Overall RTMs (All Svc.)	3.04	3.01	12.78	12.75	12.72	12.63	12.56
8	Overall ATMs (All Svc.)	5.72	5.77	23.42	23.47	23.47	23.52	23.56
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	130.3	124.5	125.7	124.4	122.7	121.9	121.4
10	Operating Expense per RTM	117.7	117.9	113.0	113.0	112.3	111.7	111.1
11	Operating Profit (Loss) per RTM	12.6	6.6	12.8	11.3	10.3	10.2	10.3
12	Operating Expense per ATM	62.5	61.6	61.6	61.4	60.9	60.0	59.2
13	Passenger Revenue per RPM	14.10	13.35	13.54	13.36	13.16	13.08	13.04
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	2.12	2.13	2.10	2.03	1.95
15	Times Interest Earned	*	*	11.67	7.64	5.51	4.48	3.97
16	Current Assets to Current Liabilities	*	*	0.78	0.74	0.75	0.68	0.64
17	No. of Days Cash Coverage of Cash Exp	*	*	47.2	49.1	64.0	46.6	35.1
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	9.7	5.3	10.2	9.1	8.4	8.4	8.5
19	Net Income to Stockholders Equity	*	*	17.9	15.7	13.6	12.9	13.2
20	Corporate Return on Investment	*	*	13.9	12.8	11.8	11.4	11.4
21	Debt to Total Investment	*	*	29.8	31.5	32.7	34.6	36.2
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	67.3	67.4	69.5	69.6	69.6	69.2	68.9
23	Breakeven	61.6	65.6	63.3	64.3	64.9	64.8	64.6
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	73,751	72,341	73,804	73,452	73,135	72,685	74,114
25	Overall RTM's per Employee (000)	41.2	41.6	173.1	173.6	173.9	173.8	169.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.6	3.4	5.4	4.8	2.1	-0.5	-2.0
27	Operating Expenses (%)	0.7	4.3	3.4	4.3	-0.6	-3.0	-4.5
28	Operating Profit (Loss) (in Millions \$)	185.3	-25.7	342.4	131.5	414.2	353.8	348.8
29	Net Income (Loss)(in Millions \$)	147.0	5.6	346.1	204.8	403.2	339.6	347.5
30	RPMs (Sch. Svc.) (%)	0.4	2.9	1.7	2.3	2.4	1.7	1.7
31	ASMs (Sch. Svc.) (%)	0.5	0.0	0.9	0.7	-0.3	-1.2	-1.6
32	Operating Revenues per RTM (%)	4.7	1.6	3.5	2.9	0.2	-1.6	-3.0
33	Operating Expense per RTM (%)	-0.2	2.5	1.7	2.4	-2.5	-4.0	-5.5
34	Passenger Revenue per RPM (Sch. Svc.)	5.6	-0.2	3.8	2.5	0.8	0.2	0.2

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

CONTINENTAL AIR LINES 1/



QUARTERLY RESULTS

- Continental reported strong operating and net profits for the first quarter 1998, only slightly below the first quarter carrier records set a year ago.
- Operating expenses, 11.6 percent, grew slightly faster than operating revenues, up 10.5 percent, causing operating profit to decline \$3.4 million to \$138.2 million.
- Net income dipped \$1.3 million to \$76.8 million.
- The Pacific entity caused much of the operating and net declines for overall system results. Pacific operating results were down \$15.4 million to a loss of \$1.1 million, while net results fell \$8.7 million to a \$4.4 million loss.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	105.9	108.6	2.7	51.4	51.1	-0.3	7.7	8.0	3.9	11.3	11.7	3.4	68.7%
Int'l	35.7	29.6	-6.2	26.7	25.7	-1.0	3.1	4.3	35.1	4.5	6.1	35.9	69.4%
Atlantic	7.5	15.9	8.4	9.0	15.8	6.8	1.1	2.0	82.4	1.5	2.6	79.8	74.8%
Latin	13.9	14.8	0.8	13.4	14.3	0.9	0.9	1.3	38.1	1.4	2.0	50.1	62.6%
Pacific 1/	14.3	-1.1	-15.4	4.3	-4.4	-8.7	1.1	1.0	-12.5	1.7	1.4	-14.2	69.2%
System	141.6	138.2	-3.4	78.1	76.8	-1.3	10.9	12.3	12.9	15.8	17.8	12.6	68.9%

- RPM traffic, up a major group high 12.9 percent, outpaced the 12.6 percent increase in ASM capacity, also a major group high, leaving the passenger load factor relatively unchanged, up 0.1 percentage points to 68.9 percent.
- Total fuel expense was down 16.3 percent (\$36.2 million).
- Although RTM unit costs declined 3.8 percent, profitability was eroded as RTM yield fell a major group high 4.7 percent.
- Passenger (RPM) yield was down 2.8 percent to 13.09 cents, the sharpest decline among the passenger majors.

12-MONTH RESULTS

- Operating profit improved \$144.4 million to \$642.5 million as operating revenues, up 12.4 percent, grew faster than operating expenses, up 11 percent.
- Net income rose \$38.5 million to \$363.4 million.
- RPM traffic growth continues to accelerate, up 16 percent, as ASM capacity rose a lesser 12 percent, causing the passenger load factor to rise 2.5 percentage points to 71 percent.
- Passenger (RPM) yield declined from a year ago for the fourth consecutive quarter-ended 12-month period, down 2.8 percent to 12.78 cents.

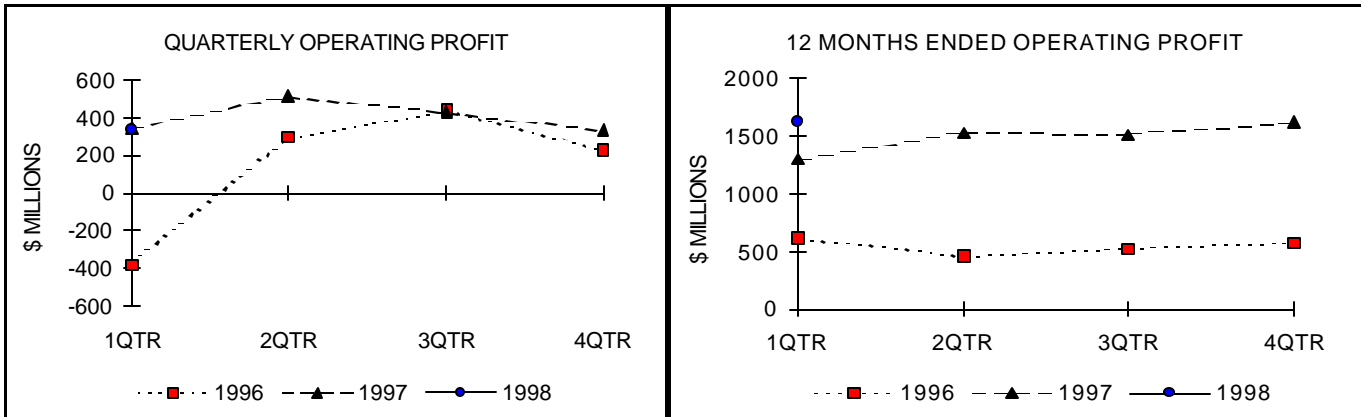
1/ Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which now reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively adjusted to include the Pacific operations of Air Micronesia.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
CONTINENTAL AIR LINES**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	1,853.9	1,678.3	7,265.5	7,089.9	6,814.7	6,609.9	6,466.8
2	Operating Expenses	1,715.7	1,536.7	6,623.0	6,444.0	6,192.4	6,107.5	5,968.7
3	Operating Profit (Loss)	138.2	141.6	642.5	645.9	622.3	502.4	498.1
4	Net Income (Loss)	76.8	78.1	363.4	364.8	350.9	269.3	324.9
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	12.29	10.89	49.92	48.52	46.55	44.53	43.05
6	ASMs - Scheduled Rev. Svc.	17.83	15.83	70.31	68.31	66.12	64.23	62.80
7	Overall RTMs (All Svc.)	1.46	1.26	5.84	5.64	5.39	5.15	4.98
8	Overall ATMs (All Svc.)	2.34	2.02	9.21	8.89	8.52	8.18	7.95
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	127.0	133.3	124.4	125.7	126.5	128.3	129.8
10	Operating Expense per RTM	117.5	122.1	113.4	114.3	115.0	118.6	119.8
11	Operating Profit (Loss) per RTM	9.5	11.3	11.0	11.5	11.6	9.8	10.0
12	Operating Expense per ATM	73.2	76.1	71.9	72.5	72.7	74.7	75.1
13	Passenger Revenue per RPM	13.09	13.46	12.78	12.85	12.84	12.98	13.15
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	2.49	2.56	2.62	2.67	2.69
15	Times Interest Earned	*	*	5.64	5.48	5.26	4.21	4.19
16	Current Assets to Current Liabilities	*	*	0.73	0.76	0.71	0.76	0.77
17	No. of Days Cash Coverage of Cash Exp	*	*	48.7	60.0	60.4	61.6	58.9
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Revenue	7.5	8.4	8.8	9.1	9.1	7.6	7.7
19	Net Income to Stockholders Equity	*	*	36.9	40.1	42.0	33.6	42.3
20	Corporate Return on Investment	*	*	16.8	17.9	18.5	16.3	19.3
21	Debt to Total Investment	*	*	65.3	64.9	67.1	67.3	66.7
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	68.9	68.8	71.0	71.0	70.4	69.3	68.5
23	Breakeven	64.8	64.0	65.4	65.2	64.7	64.8	64.1
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	30,304	27,305	29,178	28,429	27,735	27,198	26,527
25	Overall RTM's per Employee (000)	48.2	46.1	200.2	198.4	194.2	189.4	187.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	10.5	13.7	12.4	13.2	11.1	10.3	10.9
27	Operating Expenses (%)	11.6	13.0	11.0	11.2	9.4	12.5	11.0
28	Operating Profit (Loss) (in Millions \$)	-3.4	26.1	144.4	173.9	145.6	-58.6	46.7
29	Net Income (Loss)(in Millions \$)	-1.3	-22.5	38.5	17.5	-4.9	-191.2	-77.2
30	RPMs (Sch. Svc.) (%)	12.9	11.6	16.0	15.8	13.4	9.9	7.0
31	ASMs (Sch. Svc.) (%)	12.6	8.7	12.0	11.0	9.5	7.8	5.4
32	Operating Revenues per RTM (%)	-4.7	1.5	-4.2	-2.8	-2.6	-0.2	3.0
33	Operating Expense per RTM (%)	-3.8	0.9	-5.4	-4.4	-3.9	1.9	3.0
34	Passenger Revenue per RPM (Sch. Svc.)	-2.7	1.4	-2.8	-1.9	-2.3	-0.2	3.2

QUARTERLY FINANCIAL & TRAFFIC REVIEW **SYSTEM OPERATIONS** **DELTA AIR LINES**



QUARTERLY RESULTS

- Operating profit declined \$9.1 million to \$333.9 million, despite a 1.8 percent decrease in operating expenses, as operating revenues slid 1.9 percent.
- Net income, however, gained \$5.9 million to \$195.5 million, an all-time first quarter record for the carrier.
- Despite remaining in the red, only the Atlantic entity reported a gain in operating results, up \$47.4 million to a loss of \$4.9 million, or in net results, up \$31.9 million to a loss of \$2.8 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	382.6	332.0	-50.6	216.8	194.0	-22.8	18.5	18.4	-0.4	27.0	27.1	0.2	68.1%
Int'l	-39.6	1.9	41.5	-27.2	1.4	28.7	4.7	4.9	5.2	6.6	6.9	4.4	70.9%
Atlantic	-52.4	-4.9	47.4	-34.8	-2.8	31.9	3.6	3.9	9.3	5.1	5.4	5.9	72.0%
Latin	11.6	9.6	-2.0	7.1	6.0	-1.1	0.4	0.4	-6.1	0.6	0.6	8.0	59.6%
Pacific	1.2	-2.8	-4.0	0.4	-1.7	-2.2	0.7	0.6	-9.2	0.9	0.9	-6.2	72.1%
System	343.0	333.9	-9.2	189.6	195.5	5.9	23.2	23.4	0.7	33.7	34.0	1.0	68.7%

- RPM traffic climbed 0.7 percent, but ASM capacity rose slightly faster, up 1 percent, causing the passenger load factor to dip 0.2 percentage points to 68.7 percent.
- Passenger (RPM) yield was down 2.1 percent to 13.33 cents.
- Much of the decline in total operating expenses was attributable to the sharp drop in total fuel expense, down 23.3 percent (\$103.9 million).

12-MONTH RESULTS

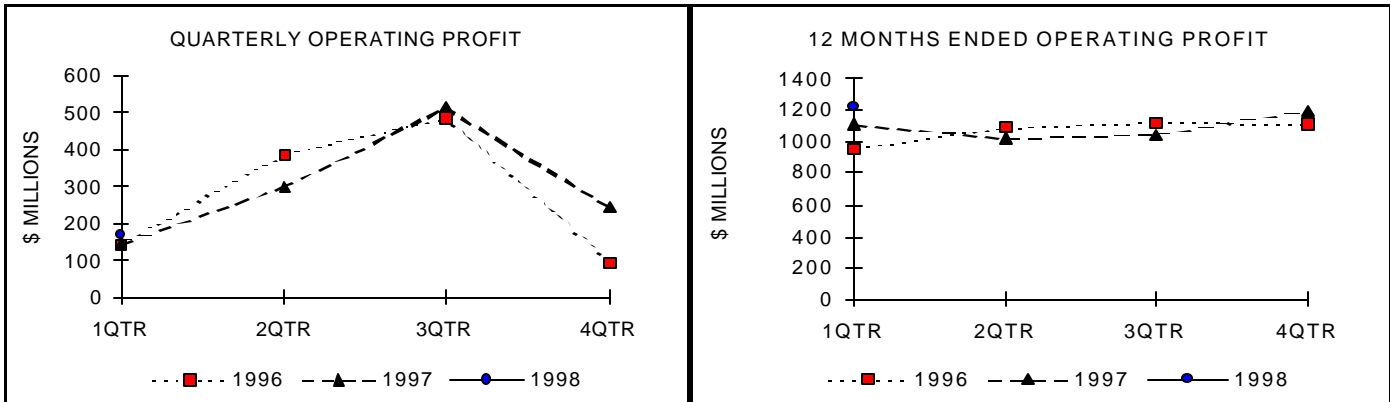
- Operating revenues were up 2.7 percent, exceeding the smaller 0.5 percent rise in operating expenses, producing a \$312.3 million improvement in operating profit to \$1.61 billion, the second highest (after American) among the majors.
- Net income jumped \$225.3 million to \$939.9 million, second only to US Airways.
- The passenger load factor increased 1 percentage point to 71.8 percent, as RPM traffic rose 3.8 percent, and ASM capacity rose a lesser 2.5 percent.
- Passenger (RPM) yield has declined over the same period a year ago for six of the last seven quarter-ended 12-month periods, down 0.9 percent to 12.76 cents.
- Interest expense fell \$18.4 million to \$188 million.
- The debt-to-investment ratio dropped 11.1 percentage points to 33.7 percent, as equity rose and total debt was cut \$316.4 million to \$1.9 billion.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
DELTA AIR LINES**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	3,432.3	3,497.9	14,138.4	14,203.9	14,015.3	13,938.2	13,767.0
2	Operating Expenses	3,098.4	3,154.8	12,526.3	12,582.7	12,502.1	12,413.4	12,467.1
3	Operating Profit (Loss)	333.9	343.0	1,612.1	1,621.3	1,513.1	1,524.8	1,299.8
4	Net Income (Loss)	195.5	189.6	939.9	934.0	869.9	854.3	714.6
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Svc.	23.35	23.19	99.79	99.62	98.89	97.70	96.10
6	ASMs - Scheduled Rev. Svc.	34.01	33.66	139.04	138.70	138.00	136.70	135.66
7	Overall RTMs (All Svc.)	2.76	2.71	11.70	11.64	11.51	11.31	11.08
8	Overall ATMs (All Svc.)	4.83	4.65	19.63	19.46	19.25	18.98	18.79
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	124.2	129.3	120.8	122.0	121.8	123.3	124.2
10	Operating Expense per RTM	112.1	116.6	107.0	108.1	108.6	109.8	112.5
11	Operating Profit (Loss) per RTM	12.1	12.7	13.8	13.9	13.1	13.5	11.7
12	Operating Expense per ATM	64.2	67.8	63.8	64.7	64.9	65.4	66.4
13	Passenger Revenue per RPM	13.33	13.61	12.76	12.82	12.71	12.78	12.87
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	2.62	2.73	2.78	2.84	2.84
15	Times Interest Earned	*	*	10.47	9.94	9.19	8.90	7.07
16	Current Assets to Current Liabilities	*	*	0.77	0.74	0.78	0.74	0.75
17	No. of Days Cash Coverage of Cash Exp	*	*	45.4	40.9	50.7	36.1	33.2
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	9.7	9.8	11.4	11.4	10.8	10.9	9.4
19	Net Income to Stockholders Equity	*	*	28.6	30.7	30.6	31.7	29.2
20	Corporate Return on Investment	*	*	20.4	21.2	20.7	21.0	18.7
21	Debt to Total Investment	*	*	33.7	37.7	39.2	41.6	44.8
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	68.7	68.9	71.8	71.8	71.7	71.5	70.8
23	Breakeven	62.2	62.3	63.8	63.8	64.2	63.8	64.4
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	59,483	56,033	57,843	56,980	56,345	55,689	54,826
25	Overall RTM's per Employee (000)	46.5	48.3	202.3	204.4	204.3	203.1	202.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-1.9	14.7	2.7	6.7	7.3	8.8	8.8
27	Operating Expenses (%)	-1.8	-8.1	0.5	-1.3	-0.4	0.5	3.5
28	Operating Profit (Loss) (in Millions \$)	-9.1	728.7	312.3	1,050.2	997.4	1,066.0	683.6
29	Net Income (Loss)(in Millions \$)	5.9	465.5	225.3	685.0	676.2	698.4	469.2
30	RPMs (Sch. Svc.) (%)	0.7	10.6	3.8	6.1	8.4	10.2	11.3
31	ASMs (Sch. Svc.) (%)	1.0	6.5	2.5	3.8	4.8	4.6	4.2
32	Operating Revenues per RTM (%)	-4.0	2.9	-2.7	-1.0	-2.2	-1.5	-1.7
33	Operating Expense per RTM (%)	-3.9	-17.6	-4.9	-8.4	-9.2	-9.0	-6.3
34	Passenger Revenue per RPM (Sch. Svc.)	-2.1	3.0	-0.9	0.5	-1.6	-2.4	-3.2

QUARTERLY FINANCIAL & TRAFFIC REVIEW **SYSTEM OPERATIONS** **NORTHWEST AIRLINES**



QUARTERLY RESULTS

- Northwest reported the highest operating and net profit for any first quarter in carrier history.
- Operating profit rose \$21.8 million to \$168 million, even though operating revenues dipped 0.1 percent, as operating expenses declined 1.1 percent.
- Net income climbed \$13.9 million to \$75.2 million.
- Except for Northwest's Pacific operations, all Northwest entities reported profits and improvements in both operating and net results. Notwithstanding a small operating profit in 1994, Northwest has not shown an operating or net profit in its Pacific operations since 1989.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	183.7	216.6	32.9	84.9	110.5	25.6	9.7	9.8	0.6	14.2	14.5	2.0	67.5%
Int'l	-37.5	-48.6	-11.1	-23.6	-35.2	-11.6	6.9	7.0	2.1	8.9	9.3	4.8	75.6%
Atlantic	3.5	36.0	32.5	3.1	22.0	18.8	1.2	1.5	23.6	1.6	1.9	19.0	79.1%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	-40.9	-84.6	-43.7	-26.7	-57.2	-30.5	5.7	5.5	-2.4	7.3	7.4	1.8	74.7%
System	146.2	168.0	21.8	61.3	75.2	13.9	16.6	16.8	1.2	23.1	23.8	3.1	70.7%

- Total fuel expense, which comprised 13.3 percent of total operating expenses (down from 16 percent a year ago), dropped 17.7 percent (\$61.6 million).
- Interest expense decreased a slight \$0.2 to \$45.6 million.
- ASM capacity growth, up 3.1 percent, nearly tripled the 1.2 percent rise in RPM traffic, causing the passenger load factor to decline 1.3 percentage points to 70.7 percent, still a major group high.
- Passenger (RPM) yield declined 2.1 percent to 12.04 cents.

12-MONTH RESULTS

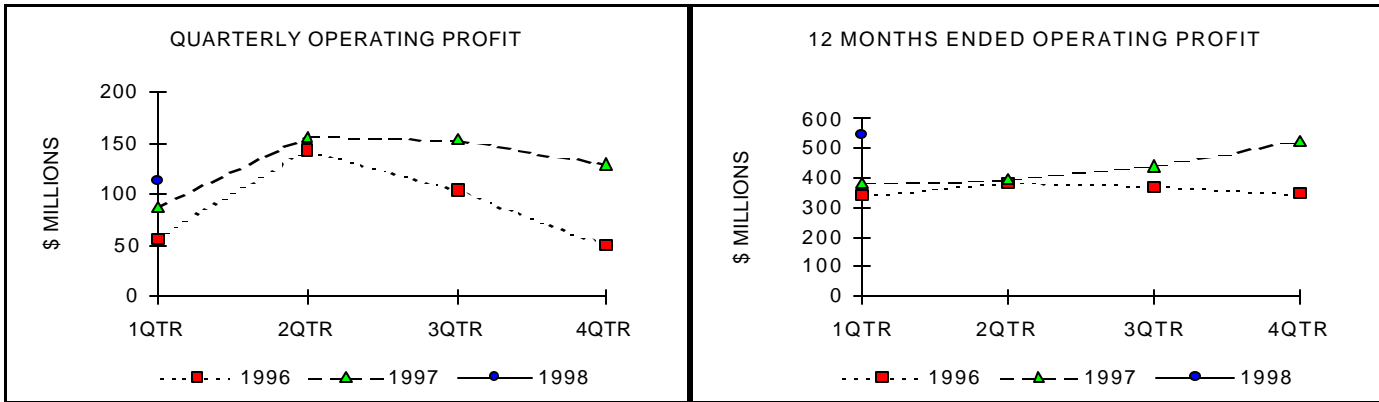
- Operating revenues rose 1.2 percent, while operating expenses were relatively unchanged, up 0.1 percent, causing operating profit to improve \$112.7 million to \$1.23 billion.
- Net income gained \$35.5 million to \$617.5 million.
- The passenger load factor increased 0.5 percentage points to a major group high 74 percent.
- The rate of decline in passenger (RPM) yield continued to accelerate, down 3.6 percent to 12.05 cents, the fourth consecutive quarter-ended 12-month period of decline.
- Productivity (RTMs per employee) continued to be a passenger group high, rising from 206.4 a year ago to 207.5.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
NORTHWEST AIRLINES**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	2,313.5	2,314.7	9,982.4	9,983.7	9,874.2	9,845.9	9,864.1
2	Operating Expenses	2,145.5	2,168.5	8,757.4	8,780.5	8,822.4	8,822.6	8,751.8
3	Operating Profit (Loss)	168.0	146.2	1,225.0	1,203.2	1,051.8	1,023.3	1,112.3
4	Net Income (Loss)	75.2	61.3	617.5	603.5	523.0	499.7	582.0
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	16.79	16.59	72.20	72.00	70.93	70.22	69.64
6	ASMs - Scheduled Rev. Svc.	23.76	23.05	97.63	96.92	96.15	95.52	94.76
7	Overall RTMs (All Svc.)	2.18	2.16	9.52	9.50	9.34	9.26	9.20
8	Overall ATMs (All Svc.)	3.76	3.60	15.56	15.40	15.23	15.15	15.07
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	106.0	107.3	104.8	105.1	105.7	106.3	107.2
10	Operating Expense per RTM	98.3	100.5	92.0	92.5	94.4	95.3	95.1
11	Operating Profit (Loss) per RTM	7.7	6.8	12.9	12.7	11.3	11.1	12.1
12	Operating Expense per ATM	57.1	60.2	56.3	57.0	57.9	58.2	58.1
13	Passenger Revenue per RPM	12.04	12.30	12.05	12.11	12.21	12.34	12.50
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	1.36	1.40	1.42	1.46	1.51
15	Times Interest Earned	*	*	6.09	5.96	5.31	5.15	5.82
16	Current Assets to Current Liabilities	*	*	0.71	0.63	0.67	0.63	0.65
17	No. of Days Cash Coverage of Cash Exp	*	*	46.4	36.3	45.7	38.3	48.0
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Revenue	7.3	6.3	12.3	12.1	10.7	10.4	11.3
19	Net Income to Stockholders Equity	*	*	12.7	12.8	11.4	11.4	13.9
20	Corporate Return on Investment	*	*	11.1	11.3	10.4	10.3	11.9
21	Debt to Total Investment	*	*	33.4	31.0	32.1	35.0	35.8
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	70.7	72.0	74.0	74.3	73.8	73.5	73.5
23	Breakeven	66.7	67.9	64.6	64.9	65.5	65.4	64.6
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	46,463	44,944	45,888	45,508	45,192	44,924	44,584
25	Overall RTM's per Employee (000)	47.0	48.0	207.5	208.7	206.7	206.1	206.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-0.1	5.1	1.2	2.4	2.8	4.5	7.9
27	Operating Expenses (%)	-1.1	5.3	0.1	1.6	3.9	6.0	7.0
28	Operating Profit (Loss) (in Millions \$)	21.8	4.4	112.7	95.3	-67.2	-72.9	148.8
29	Net Income (Loss)(in Millions \$)	13.9	3.2	35.5	24.7	-123.4	-130.7	37.5
30	RPMs (Sch. Svc.) (%)	1.2	6.5	3.7	4.9	5.1	6.4	8.5
31	ASMs (Sch. Svc.) (%)	3.1	3.9	3.0	3.2	3.6	5.2	6.3
32	Operating Revenues per RTM (%)	-1.2	-0.2	-2.2	-2.1	-1.1	-0.5	1.3
33	Operating Expense per RTM (%)	-2.2	-0.1	-3.3	-2.7	0.0	1.0	0.5
34	Passenger Revenue per RPM (Sch. Svc.)	-2.1	-1.0	-3.6	-3.4	-2.6	-1.7	0.2

QUARTERLY FINANCIAL & TRAFFIC REVIEW **SYSTEM OPERATIONS** **SOUTHWEST AIRLINES**



QUARTERLY RESULTS

- Southwest has not reported a quarterly operating or net loss since the quarter ended March 1991, a seven year period. Operating and net results for the quarter ended March 1998 were the highest for any first quarter in the carrier's history.
- Operating revenue growth, up 6.3 percent, exceeded operating expense growth, up 3.8 percent, producing a \$24.7 million gain in operating profit to \$111.9 million.
- Net income advanced \$19.1 million to \$70 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	87.2	111.9	24.7	50.9	70.0	19.1	6.5	6.9	5.6	10.5	11.3	7.2	61.2%
Int'l	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Atlantic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	87.2	111.9	24.7	50.9	70.0	19.1	6.5	6.9	5.6	10.5	11.3	7.2	61.2%

- Interest expense inched upward \$0.4 million to \$15.5 million.
- The operating profit margin was a major group high, up 2.1 percentage points from a year ago, to 11.9 percent.
- Profitability was enhanced by the 2.5 percent decline in RTM unit costs, which offset the 0.2 percent decline in RTM yield.
- RPM traffic rose 5.6 percent, but ASM capacity increased a faster 7.2 percent, causing the passenger load factor to decline 0.9 percentage points to 61.2 percent.
- Passenger (RPM) yield dipped 0.2 percent to 12.97 cents.
- Total fuel expenses fell 24.5 percent (\$32.6 million).

12-MONTH RESULTS

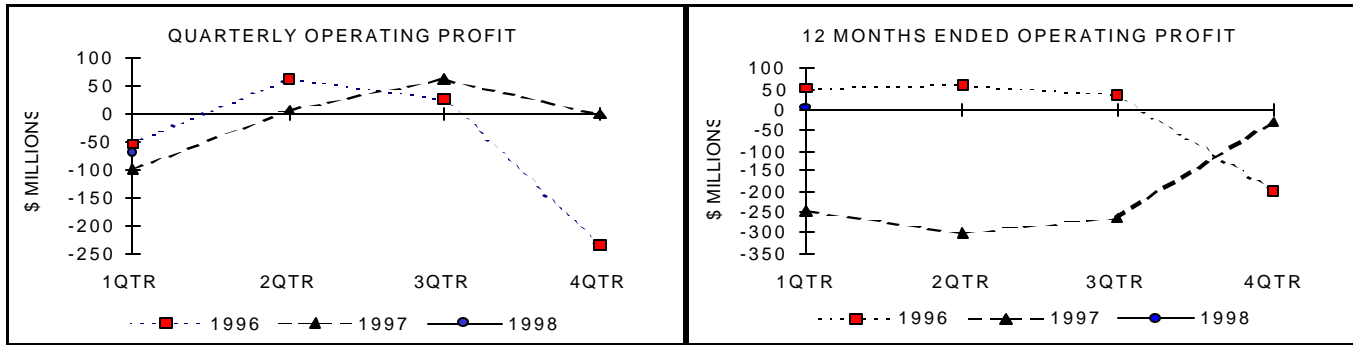
- Operating and net results for the 12-months ended March 1998 again set new all-time highs for any quarter-ended 12-month period in carrier history.
- Operating revenues jumped 10 percent, outpacing the 5.8 percent increase in operating expenses, causing operating profit to improve \$168 million to \$549 million.
- Net income rose \$111.7 million \$336.9 million.
- The passenger load factor was down 3.3 percentage points, the largest decline among the majors, to 63.5 percent.
- Passenger (RPM) yield was unchanged from the previous 12-month period, but rose 5.5 percent from a year ago to 12.83 cents.
- Interest expense was up \$4.6 million to \$63.3 million.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
SOUTHWEST AIRLINES**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	942.7	887.2	3,872.5	3,817.0	3,673.5	3,568.0	3,521.7
2	Operating Expenses	830.8	800.0	3,323.4	3,292.7	3,229.5	3,172.8	3,140.7
3	Operating Profit (Loss)	111.9	87.2	549.0	524.3	444.0	395.2	381.0
4	Net Income (Loss)	70.0	50.9	336.9	317.8	265.4	233.7	225.2
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	6.90	6.53	28.72	28.36	28.22	27.99	27.78
6	ASMs - Scheduled Rev. Svc.	11.27	10.52	45.24	44.49	43.41	42.40	41.58
7	Overall RTMs (All Svc.)	0.73	0.68	3.01	2.97	2.95	2.91	2.89
8	Overall ATMs (All Svc.)	1.44	1.34	5.78	5.69	5.55	5.43	5.33
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	129.8	130.1	128.6	128.6	124.7	122.4	121.9
10	Operating Expense per RTM	114.4	117.3	110.3	111.0	109.6	108.8	108.7
11	Operating Profit (Loss) per RTM	15.4	12.8	18.2	17.7	15.1	13.6	13.2
12	Operating Expense per ATM	57.7	59.5	57.5	57.9	58.1	58.4	58.9
13	Passenger Revenue per RPM	12.97	13.00	12.83	12.83	12.43	12.19	12.16
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	1.47	1.50	1.50	1.51	1.54
15	Times Interest Earned	*	*	13.93	12.84	10.97	10.03	10.29
16	Current Assets to Current Liabilities	*	*	0.81	0.92	0.84	0.82	1.07
17	No. of Days Cash Coverage of Cash Exp	*	*	59.2	73.3	66.5	70.6	80.5
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Revenue	11.9	9.8	14.2	13.7	12.1	11.1	10.8
19	Net Income to Stockholders Equity	*	*	17.7	17.5	15.3	14.1	14.1
20	Corporate Return on Investment	*	*	14.4	14.2	12.6	11.7	11.6
21	Debt to Total Investment	*	*	23.4	27.2	28.3	29.6	30.8
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	61.2	62.1	63.5	63.7	65.0	66.0	66.8
23	Breakeven	52.6	55.0	52.9	53.4	55.7	57.4	58.4
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	23,548	23,137	23,423	23,320	23,073	22,743	22,230
25	Overall RTM's per Employee (000)	30.8	29.5	128.6	127.3	127.7	128.2	129.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.3	14.8	10.0	12.0	10.5	11.6	16.4
27	Operating Expenses (%)	3.8	11.6	5.8	7.7	9.4	12.7	17.0
28	Operating Profit (Loss) (in Millions \$)	24.7	31.3	168.0	174.6	71.8	14.2	39.6
29	Net Income (Loss)(in Millions \$)	19.1	17.9	111.7	110.5	42.9	4.3	21.4
30	RPMs (Sch. Svc.) (%)	5.6	11.9	3.4	4.7	9.1	13.0	15.9
31	ASMs (Sch. Svc.) (%)	7.2	9.1	8.8	9.3	9.1	10.0	11.5
32	Operating Revenues per RTM (%)	-0.2	1.9	5.5	6.1	0.6	-1.9	-0.2
33	Operating Expense per RTM (%)	-2.5	-0.9	1.5	2.1	-0.5	-0.9	0.4
34	Passenger Revenue per RPM (Sch. Svc.)	-0.2	2.4	5.5	6.3	0.7	-1.6	0.3

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TRANS WORLD AIRLINES



QUARTERLY RESULTS

- Trans World continues to experience serious financial difficulties. Although reporting year-to-year improvements in operating and net results, the carrier has been unable to produce an operating or net profit at a time all other majors are attaining record, or near-record, profits.
- Operating revenues climbed 0.4 percent, as operating expenses declined 3.2 percent, causing operating results to improve \$30.8 million to a loss of \$68.7 million.
- Net results also improved, gaining \$16.1 million to a loss of \$55.5 million.
- The smaller system operating and net losses arose primarily from domestic operations. Atlantic operations have produced nearly continuous operating and net losses since 1990. During this seven-year period, there has been an operating profit in only one quarter (September 1994), and a net profit during only three quarterly periods.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	-40.3	-11.5	28.7	-34.4	-14.3	20.2	4.6	4.8	4.4	7.0	7.1	0.3	67.8%
Int'l	-59.2	-57.2	2.0	-37.1	-41.3	-4.1	1.1	1.0	-10.4	1.5	1.4	-7.5	69.6%
Atlantic	-59.2	-57.2	2.0	-37.1	-41.3	-4.1	1.1	1.0	-10.4	1.5	1.4	-7.5	69.6%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	-99.5	-68.7	30.8	-71.6	-55.5	16.0	5.7	5.8	1.6	8.6	8.5	-1.0	68.1%

- RPM traffic was up 1.6 percent, while ASM capacity declined 1.1 percent, causing the passenger load factor to rise 1.8 percentage points to 68.1 percent.
- Passenger (RPM) yield slid 0.8 percent to 11.74 cents, the second lowest among the majors after America West.
- Total fuel expense fell 30.8 percent (\$37 million) benefiting profits.

12-MONTH RESULTS

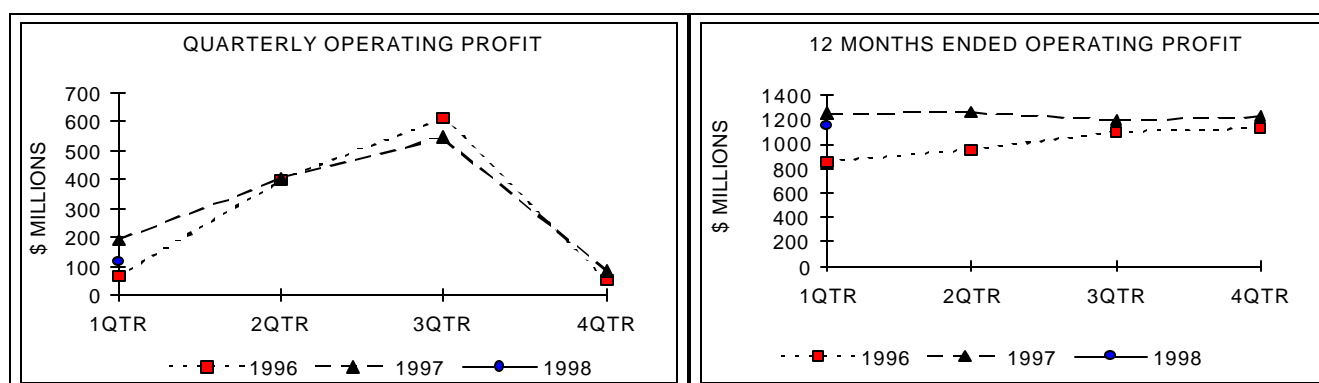
- Trans World reported a small operating profit for the first time since the 12-months ended September 1996. There has not been a positive net income, however, since September 1994.
- Operating results advanced \$246.3 million to a positive \$1.5 million, despite a 5.8 percent decline in operating revenues, as operating expenses dropped 11.9 percent.
- Net results improved \$224.5 million, but still remained in the red with a loss of \$94.8 million.
- Passenger (RPM) yield rose 2 percent to 11.63 cents.
- The passenger load factor rose 1.8 percentage points to 69.2 percent.
- Days cash coverage rose from 13.8 a year ago to 39.8.
- Total debt rose \$132.6 million to \$1.1 billion. This, combined with falling equity, caused the debt-to-investment ratio to increase 0.2 percentage points to 84.3 percent, the highest ratio among all majors and the only increase among the passenger majors.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TRANS WORLD AIRLINES

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	765.4	762.3	3,331.0	3,327.9	3,318.4	3,412.9	3,534.3
2	Operating Expenses	834.1	861.8	3,329.5	3,357.2	3,581.6	3,713.8	3,779.0
3	Operating Profit (Loss)	-68.7	-99.5	1.5	-29.3	-263.1	-300.9	-244.8
4	Net Income (Loss)	-55.5	-71.6	-94.8	-110.8	-338.3	-358.9	-319.3
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Svc.	5.76	5.67	25.19	25.10	25.37	26.29	26.94
6	ASMs - Scheduled Rev. Svc.	8.47	8.56	36.40	36.48	37.50	39.05	39.96
7	Overall RTMs (All Svc.)	0.65	0.66	2.86	2.86	2.92	3.04	3.13
8	Overall ATMs (All Svc.)	1.17	1.18	5.04	5.05	5.20	5.41	5.52
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	117.7	116.4	116.6	116.3	113.6	112.2	112.9
10	Operating Expense per RTM	128.3	131.5	116.5	117.3	122.6	122.1	120.8
11	Operating Profit (Loss) per RTM	-10.6	-15.2	0.1	-1.0	-9.0	-9.9	-7.8
12	Operating Expense per ATM	71.4	73.1	66.1	66.5	68.9	68.7	68.4
7	Passenger Revenue per RPM	11.74	11.84	11.63	11.65	11.42	11.31	11.40
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	2.78	2.83	2.72	2.62	2.54
15	Times Interest Earned	*	*	0.45	0.22	-1.78	-2.01	-1.51
16	Current Assets to Current Liabilities	*	*	0.80	0.68	0.59	0.60	0.55
17	No. of Days Cash Coverage of Cash Exp	*	*	39.8	27.1	11.1	10.5	13.8
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	-9.0	-13.1	0.0	-0.9	-7.9	-8.8	-6.9
19	Net Income to Stockholders Equity	*	*	-44.3	-50.4	-127.6	-114.2	-87.3
20	Corporate Return on Investment	*	*	1.8	0.3	-18.2	-18.3	-14.2
21	Debt to Total Investment	*	*	84.3	79.0	80.2	83.2	84.1
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	68.1	66.3	69.2	68.8	67.7	67.3	67.4
23	Breakeven	78.0	79.0	71.3	71.7	76.4	76.4	74.9
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	20,271	23,824	20,823	21,711	22,745	23,581	23,923
25	Overall RTM's per Employee (000)	32.1	27.5	137.2	131.8	128.5	129.0	130.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.4	-2.6	-5.8	-6.4	-6.6	-2.4	4.6
	Operating Expenses (%)	-3.2	3.0	-11.9	-10.6	1.9	8.1	13.7
28	Operating Profit (Loss) (in Millions \$)	30.8	-45.5	246.3	170.0	-299.7	-361.3	-299.7
29	Net Income (Loss)(in Millions \$)	16.1	-34.5	224.5	174.0	-284.3	-237.2	-177.5
30	RPMs (Sch. Svc.) (%)	1.6	-3.0	-6.5	-7.4	-5.5	0.4	6.1
31	ASMs (Sch. Svc.) (%)	-1.1	-6.9	-8.9	-10.1	-6.5	-0.3	4.0
32	Operating Revenues per RTM (%)	1.1	3.5	3.3	3.7	0.3	-1.5	0.0
33	Operating Expense per RTM (%)	-2.4	9.4	-3.6	-0.9	9.4	9.0	8.8
34	Passenger Revenue per RPM (Sch. Svc.)	-0.8	2.2	2.0	2.6	-0.4	-2.4	-1.1

QUARTERLY FINANCIAL & TRAFFIC REVIEW **SYSTEM OPERATIONS** **UNITED AIR LINES**



QUARTERLY RESULTS

- United reported the largest deterioration among all majors in both operating and net results.
- Operating expenses were up only 0.2 percent, but operating revenues decreased 1.6 percent, causing operating profit to drop \$72.7 million to \$116.4 million.
- Net income fell \$45.6 million to \$57.3 million.
- United's Pacific operations experienced large declines in both operating and net results, more than offsetting the combined modest gains reported by the domestic, Atlantic and Latin entities, leading to the drop-off in overall system results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	115.4	114.1	-1.3	59.4	66.1	6.7	17.3	17.3	-0.1	25.4	25.8	1.5	67.1%
Int'l	73.7	2.3	-71.5	43.5	-8.8	-52.3	10.8	10.4	-4.0	14.9	15.5	3.8	67.3%
Atlantic	7.2	14.5	7.3	-2.6	3.0	5.6	2.6	2.9	14.5	3.6	4.3	17.8	69.2%
Latin	25.4	24.5	-0.9	15.2	13.3	-1.9	1.4	1.5	8.2	2.0	2.4	18.4	64.3%
Pacific	41.1	-36.7	-77.8	30.9	-25.0	-56.0	6.9	5.9	-13.4	9.3	8.8	-4.8	67.2%
System	189.1	116.4	-72.8	102.9	57.3	-45.6	28.1	27.7	-1.5	40.3	41.2	2.4	67.2%

- Interest expense jumped a group high \$10.7 million to \$75.9 million, also a major group high.
- Passenger (RPM) yield dipped 0.4 percent to 12.61 cents.
- RPM traffic slid 1.6 percent, as ASM capacity rose 2.4 percent, causing the passenger load factor to drop 2.7 percentage points to 67.2 percent.
- Total fuel expense dropped a group high \$109.4 million (21.4 percent), comprising 10.2 percent of total operating expenses, down from 13 percent a year ago.

12-MONTH RESULTS

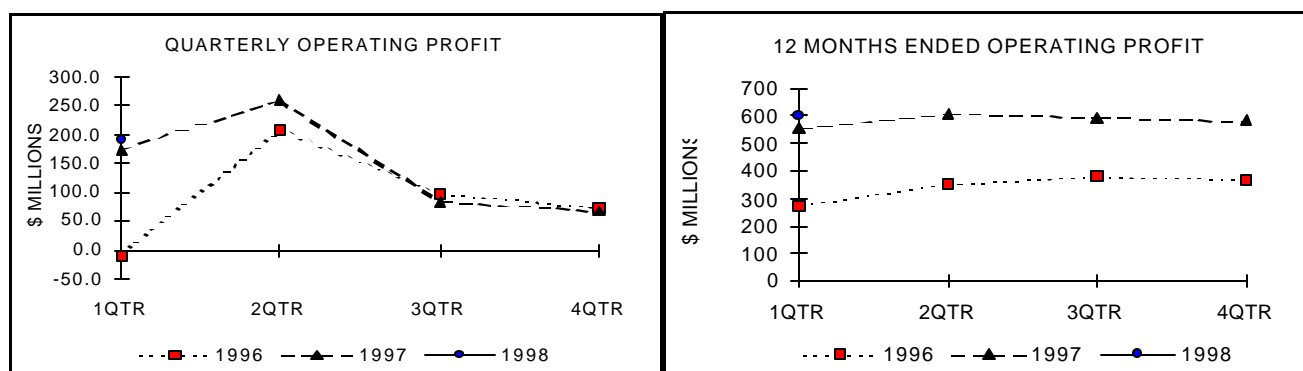
- Operating profit dropped \$102.8 million, the largest decline among all majors, to \$1.15 billion. This was the first year-to-year decline on a quarter-ended 12-month basis since March 1993.
- Largely benefiting from the third quarter 1997 non-recurring capital gain of \$180 from the sale of its stake in Apollo Travel Services to Galileo International, net income improved \$226.2 million to \$886.3 million.
- Passenger (RPM) yield growth continues to slow, rising 0.3 percent to 12.42 cents.
- ASM capacity, up 3.6 percent, rose faster than RPM traffic, up 2.5 percent. causing the passenger load factor to decline 0.8 percentage points to 71.1 percent.
- Interest expense rose \$9.2 million to a major group high \$281 million.
- Total debt soared \$1.49 billion, the largest increase among all majors, to \$4.96 billion, a group high. Despite this increase, soaring equity caused the debt-to-investment ratio to decline 5.6 percentage points to 62.8 percent.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
UNITED AIR LINES**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	4,044.0	4,109.3	17,269.9	17,335.2	17,075.1	16,921.9	16,702.9
2	Operating Expenses	3,927.6	3,920.2	16,117.1	16,109.7	15,879.9	15,662.2	15,447.4
3	Operating Profit (Loss)	116.4	189.1	1,152.7	1,225.5	1,195.2	1,259.7	1,255.5
4	Net Income (Loss)	57.3	102.9	886.3	931.9	932.7	703.1	660.1
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Svc.	27.71	28.14	120.91	121.35	120.22	118.94	118.02
6	ASMs - Scheduled Rev. Svc.	41.23	40.28	169.94	169.00	167.44	165.70	164.08
7	Overall RTMs (All Svc.)	3.47	3.44	15.04	15.00	14.75	14.49	14.28
8	Overall ATMs (All Svc.)	6.21	5.83	25.32	24.94	24.47	24.03	23.67
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	116.4	119.6	114.8	115.5	115.8	116.8	117.0
10	Operating Expense per RTM	113.1	114.1	107.2	107.4	107.7	108.1	108.2
11	Operating Profit (Loss) per RTM	3.4	5.5	7.7	8.2	8.1	8.7	8.8
12	Operating Expense per ATM	63.3	67.2	63.7	64.6	64.9	65.2	65.3
13	Passenger Revenue per RPM	12.61	12.66	12.40	12.42	12.36	12.39	12.36
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	2.73	3.05	3.28	3.56	3.79
15	Times Interest Earned	*	*	8.22	9.00	9.01	7.03	6.83
16	Current Assets to Current Liabilities	*	*	0.51	0.55	0.49	0.47	0.55
17	No. of Days Cash Coverage of Cash Exp	*	*	15.5	18.4	20.4	13.0	21.6
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	2.9	4.6	6.7	7.1	7.0	7.4	7.5
19	Net Income to Stockholders Equity	*	*	37.3	45.3	53.6	52.0	66.3
20	Corporate Return on Investment	*	*	17.1	19.7	21.5	18.8	19.4
21	Debt to Total Investment	*	*	62.8	61.2	58.4	62.9	68.4
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	67.2	69.9	71.1	71.8	71.8	71.8	71.9
23	Breakeven	67.8	69.0	67.9	68.3	68.3	68.0	68.0
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	80,842	75,479	79,101	77,760	76,499	75,340	74,706
25	Overall RTM's per Employee (000)	43.0	45.5	190.2	193.0	192.8	192.3	191.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-1.6	10.4	3.4	6.2	6.7	8.1	9.2
27	Operating Expenses (%)	0.2	7.1	4.3	6.1	6.5	6.6	7.0
28	Operating Profit (Loss) (in Millions \$)	-72.7	125.2	-102.8	95.3	96.1	304.5	398.1
29	Net Income (Loss)(in Millions \$)	-45.6	126.3	226.2	398.2	462.7	326.5	325.8
30	RPMs (Sch. Svc.) (%)	-1.6	5.5	2.5	4.1	4.1	4.0	4.3
31	ASMs (Sch. Svc.) (%)	2.4	3.7	3.6	3.9	3.8	3.1	2.8
32	Operating Revenues per RTM (%)	-2.7	3.3	-1.9	-0.5	0.5	2.7	4.1
33	Operating Expense per RTM (%)	-0.9	0.3	-0.9	-0.6	0.4	1.2	2.0
34	Passenger Revenue per RPM (Sch. Svc.)	-0.4	4.7	0.3	1.6	2.1	3.6	4.5

QUARTERLY FINANCIAL & TRAFFIC REVIEW **SYSTEM OPERATIONS** **US AIRWAYS**



QUARTERLY RESULTS

- Operating revenues declined 2.9 percent, but operating expenses fell a faster 3.9 percent, leading to an improvement in operating profit of \$15.3 million to \$189.4 million, the highest first quarter operating profit in the carrier's history.
- Net income, however, fell \$42.8 million to \$100.8 million.
- The Atlantic entity reported the only operating and/or net loss, and was the only entity with a deterioration in operating results. It also, however, had the only gain in net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	178.1	193.2	15.2	147.1	104.1	-43.0	9.1	8.5	-5.8	13.3	12.5	-6.6	68.6%
Int'l	-3.9	-3.8	0.1	-3.5	-3.4	0.1	0.8	0.9	8.4	1.1	1.2	7.9	73.0%
Atlantic	-5.4	-5.9	-0.5	-4.7	-4.4	0.3	0.7	0.7	9.0	0.9	1.0	10.0	72.0%
Latin	1.5	2.1	0.6	1.3	1.0	-0.2	0.2	0.2	6.1	0.2	0.2	-0.1	77.3%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	174.1	189.4	15.3	143.6	100.8	-42.9	9.9	9.4	-4.6	14.5	13.7	-5.4	69.0%

- Net results continue to be impacted adversely by very high interest expenses, which was down \$1.7 million to \$62.8 million, still the second highest among the majors (after United).
- Passenger (RPM) yield climbed 0.2 percent to 17.75 cents, the highest among all majors.
- RPM traffic decreased 4.6 percent, but a major group high decline in ASM capacity, down 5.5 percent, caused the passenger load factor to rise 0.6 percentage points to 69 percent.
- Total fuel expense, which accounts for a passenger group low 7.4 percent of total operating expenses (down from 10.1 percent a year ago), dropped 29.3 percent (\$56.9 million).

12-MONTH RESULTS

- US Airways reported its tenth consecutive quarter-ended 12-month operating and net profit, following six consecutive years of losses.
- Operating revenues rose 4.8 percent, slightly ahead of the 4.5 percent increase operating expenses, causing operating profit to rise \$49.8 million to \$601.5 million.
- Net income, reflecting a fourth quarter 1997 tax credit of \$477 million, jumped a group high \$627.5 million to \$1 billion, also a group high.
- Passenger (RPM) yield declined from a year ago for the fourth consecutive period, down 1.9 percent to 17.11 cents, but was still a major group high.
- The passenger load factor rose 2.2 percentage points to 71.5 percent.
- The debt-to-investment ratio dropped a major group high 31.4 percentage points to 66.4 percent, as both equity improved and total debt was cut \$171 million to \$2.48 billion.
- Although up from a year ago, productivity (RTMs per employee) was a major group low 120.9.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
US AIRWAYS**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	2,030.9	2,090.4	8,442.1	8,501.5	8,460.9	8,269.7	8,054.8
2	Operating Expenses	1,841.5	1,916.2	7,840.6	7,915.3	7,868.5	7,665.6	7,503.1
3	Operating Profit (Loss)	189.4	174.1	601.5	586.2	592.4	604.1	551.7
4	Net Income (Loss)	100.8	143.6	1,009.3	1,052.2	581.9	423.0	381.8
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	9.44	9.90	41.12	41.58	41.78	41.04	40.13
6	ASMs - Scheduled Rev. Svc.	13.69	14.48	57.50	58.29	58.91	58.61	57.87
7	Overall RTMs (All Svc.)	1.03	1.08	4.48	4.52	4.54	4.48	4.38
8	Overall ATMs (All Svc.)	1.86	1.95	7.79	7.88	7.96	7.99	7.88
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	196.6	194.0	188.5	187.9	186.3	184.8	184.1
10	Operating Expense per RTM	178.2	177.8	175.1	175.0	173.3	171.3	171.5
11	Operating Profit (Loss) per RTM	18.3	16.2	13.4	13.0	13.0	13.5	12.6
12	Operating Expense per ATM	99.0	98.2	100.6	100.4	98.9	96.0	95.2
13	Passenger Revenue per RPM	17.75	17.71	17.11	17.11	16.95	17.19	17.44
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	2.60	2.82	3.04	3.12	3.16
15	Times Interest Earned	*	*	3.74	3.68	3.60	2.79	2.49
16	Current Assets to Current Liabilities	*	*	1.07	1.20	1.06	0.95	0.85
17	No. of Days Cash Coverage of Cash Exp	*	*	101.8	95.2	101.7	80.4	74.2
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Revenue	9.3	8.3	7.1	6.9	7.0	7.3	6.8
19	Net Income to Stockholders Equity	*	*	153.8	271.3	440.9	0.0	-246.1
20	Corporate Return on Investment	*	*	38.8	43.2	30.1	26.0	25.7
21	Debt to Total Investment	*	*	66.4	70.1	81.1	91.0	97.8
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	69.0	68.4	71.5	71.3	70.9	70.0	69.3
23	Breakeven	64.9	64.7	69.2	69.1	68.7	67.2	66.6
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	36,176	37,418	37,054	37,364	37,406	37,223	36,988
25	Overall RTM's per Employee (000)	28.6	28.8	120.9	121.1	121.4	120.2	118.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-2.9	20.2	4.8	10.4	14.6	14.8	14.1
27	Operating Expenses (%)	-3.9	9.6	4.5	7.9	12.3	11.9	10.6
28	Operating Profit (Loss) (in Millions \$)	15.3	183.0	49.8	217.5	214.0	256.2	275.7
29	Net Income (Loss)(in Millions \$)	-42.8	198.5	627.5	869.0	403.4	260.4	301.9
30	RPMs (Sch. Svc.) (%)	-4.6	13.7	2.5	6.8	10.2	10.0	7.7
31	ASMs (Sch. Svc.) (%)	-5.5	7.3	-0.7	2.5	5.5	5.3	2.5
32	Operating Revenues per RTM (%)	1.3	5.4	2.4	3.5	4.1	3.8	5.3
33	Operating Expense per RTM (%)	0.2	-3.9	2.1	1.2	2.1	1.1	2.1
34	Passenger Revenue per RPM (Sch. Svc.)	0.2	-0.6	-1.9	-2.0	-3.1	-0.7	2.6

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

TOTAL ALL-CARGO MAJORS

QUARTERLY RESULTS

- Except for a small net loss experienced by United Parcel Service (UPS), the three all-cargo carriers reported an operating and net profit for the first quarter 1998. DHL Airways, however, was the only carrier to report an improvement in either operating or net results.
- For the all-cargo group, operating expenses, up 11.3 percent, grew faster than operating revenues, up 9.6 percent, causing operating profit to fall \$38.4 million to a profit of \$171 million.
- Net income dropped \$32.4 million to \$71.6 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1997	THIS YEAR 1998	\$ Change	LAST YEAR 1997	THIS YEAR 1998	\$ Change
March	209.4	171.0	-38.4	104.0	71.6	-32.3
June	309.6	0.0	-	165.2	0.0	-
Sept.	313.1	0.0	-	102.5	0.0	-
Dec.	201.8	0.0	-	89.2	0.0	-

- Total fuel expense declined 15.8 percent (\$34.2 million), accounting for 4.7 percent of total operating expenses, down from 6.2 percent a year ago.
- The Pacific entity reported the only improvement in operating results, but domestic and Latin operations provided the only improvements in net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	163.6	113.4	-50.2	59.7	82.8	23.2	1.5	1.7	15.0	2.7	3.0	11.3	57.0%
Int'l	45.8	57.7	11.9	44.3	-11.2	-55.5	0.8	0.9	12.9	1.3	1.5	19.9	61.0%
Atlantic	68.9	66.5	-2.3	59.2	26.8	-32.4	0.3	0.3	18.4	0.4	0.5	22.0	65.1%
Latin	9.0	-0.7	-9.7	5.1	7.6	2.5	0.1	0.1	29.7	0.1	0.1	44.3	49.6%
Pacific	-32.0	-8.2	23.9	-20.0	-45.6	-25.6	0.5	0.6	8.3	0.8	0.9	15.9	60.7%
System	209.4	171.0	-38.3	104.0	71.6	-32.3	2.3	2.6	14.2	4.0	4.5	14.0	58.3%

- RTM traffic, up 14.2 percent, grew slightly faster than ATM capacity, up 14 percent, resulting in the ton load factor climbing 0.1 percentage points to 58.3 percent
- Although RTM unit costs were down 2.6 percent, profitability was eroded as RTM yield dropped a larger 4.1 percent.
- Only UPS experienced an increase in total debt, which for the group jumped \$862.7 million to \$4.38 billion. This, coupled with a decline in total equity, pushed the debt-to-investment ratio up 2.7 percentage points to 49.3 percent.

12-MONTH RESULTS

- Except for a small net loss experienced by DHL Airways, each of the all-cargo majors reported an operating and net profit for the 12-months ended March 1998. Federal Express was up in both operating and net results, while DHL gained in only net results.
- Operating profit advanced \$173 million to \$995.5 million.
- Net income rose \$10.5 million to \$428.5 million.
- RTM traffic was up 12.3 percent, as ATM capacity increased a slower 11 percent, causing the ton load factor to rise 0.7 percentage points to 60.3 percent.
- Productivity (RTMs per employee) moved from 110.7 a year ago to 114.1.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	4,050.9	3,696.2	16,173.2	15,818.5	15,434.4	14,726.2	14,250.3
2	Operating Expenses	3,879.9	3,486.9	15,177.7	14,784.7	14,335.9	13,786.4	13,427.8
3	Operating Profit (Loss)	171.0	209.4	995.5	1,033.8	1,098.5	939.7	822.5
4	Net Income (Loss)	71.6	104.0	428.5	460.8	504.2	485.7	418.0
	<u>TRAFFIC: (Billions)</u>							
5	RTMs - Scheduled Rev. Svc.	1.90	1.74	7.59	7.43	7.27	7.01	6.78
6	ATMs - Scheduled Rev. Svc.	3.13	2.81	12.26	11.94	11.64	11.27	10.99
7	Overall RTMs (All Services)	2.63	2.30	10.69	10.36	9.95	9.77	9.52
8	Overall ATMs (All Services)	4.51	3.95	17.72	17.16	16.66	16.31	15.96
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	154.1	160.7	151.3	152.6	155.1	150.8	149.7
10	Operating Expense per RTM	147.6	151.6	142.0	142.6	144.0	141.2	141.1
11	Operating Profit (Loss) per RTM	6.5	9.1	9.3	10.0	11.0	9.6	8.6
12	Operating Expense per ATM	86.1	88.2	85.7	86.1	86.1	84.5	84.1
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	1.94	2.00	2.04	2.02	2.00
15	Times Interest Earned	*	*	6.83	7.68	8.93	8.28	7.57
16	Current Assets to Current Liabilities	*	*	1.17	1.10	1.17	1.18	1.34
17	No. of Days Cash Coverage of Cash Exp	*	*	8.3	6.1	8.4	6.4	5.3
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	4.2	5.7	6.2	6.5	7.1	6.4	5.8
19	Net Income to Stockholders Equity	*	*	10.0	11.1	12.5	12.4	11.0
20	Corporate Return on Investment	*	*	6.9	7.5	8.3	8.3	7.4
21	Debt to Total Investment	*	*	49.3	49.3	49.6	48.2	46.6
	<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	58.3	58.2	60.3	60.4	59.8	59.9	59.6
23	Breakeven	++	++	++	++	++	++	++
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	97,640	87,685	93,671	91,182	88,943	87,359	85,944
25	Overall RTM's per Employee (000)	26.9	26.2	114.1	113.7	111.9	111.8	110.7

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	9.6	12.9	13.5	14.4	15.7	13.4	12.5
27	Operating Expenses (%)	11.3	11.3	13.0	13.1	13.1	11.8	11.6
28	Operating Profit (Loss) (in Millions \$)	-38.4	68.6	173.0	279.9	441.2	290.9	193.0
29	Net Income (Loss)(in Millions \$)	-32.4	42.0	10.5	84.7	179.7	171.3	116.1
30	RTMs (All Svc.) (%)	14.2	6.9	12.3	10.6	8.6	8.8	7.5
31	ATMs (All Svc.) (%)	14.0	6.3	11.0	9.2	8.2	7.6	7.2
32	Operating Revenues per RTM (%)	-4.1	5.7	1.1	3.4	6.6	4.3	4.7
33	Operating Expense per RTM (%)	-2.6	4.1	0.6	2.2	4.1	2.8	3.8
34	Passenger Revenue per RPM (Sch. Svc.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	3,081.6	2,849.9	12,353.5	12,121.8	11,927.6	11,412.4	11,116.8
2	Operating Expenses	2,968.3	2,686.4	11,586.8	11,304.9	11,008.4	10,614.2	10,386.0
3	Operating Profit (Loss)	113.4	163.6	766.8	817.0	919.2	798.2	730.8
4	Net Income (Loss)	82.8	59.7	466.2	443.1	516.9	360.7	298.7
	<u>TRAFFIC: (Billions)</u>							
5	RTMs - Scheduled Rev. Svc.	1.03	0.96	4.12	4.05	4.00	3.83	3.73
6	ATMs - Scheduled Rev. Svc.	1.72	1.61	6.79	6.68	6.59	6.36	6.20
7	Overall RTMs (All Services)	1.71	1.49	7.05	6.82	6.52	6.43	6.31
8	Overall ATMs (All Services)	3.00	2.70	11.93	11.63	11.33	11.14	10.90
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	180.0	191.4	175.3	177.7	183.0	177.6	176.1
10	Operating Expense per RTM	173.3	180.4	164.5	165.7	168.9	165.1	164.6
11	Operating Profit (Loss) per RTM	6.6	11.0	10.9	12.0	14.1	12.4	11.6
12	Operating Expense per ATM	98.8	99.5	97.1	97.2	97.2	95.2	95.2
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	3.7	5.7	6.2	6.7	7.7	7.0	6.6
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	8.9	8.9	10.4	7.9	6.9
21	Debt to Total Investment	*	*	**	**	**	**	**
	<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	57.0	55.2	59.0	58.7	57.5	57.7	57.9
23	Breakeven	++	++	++	++	++	++	++
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

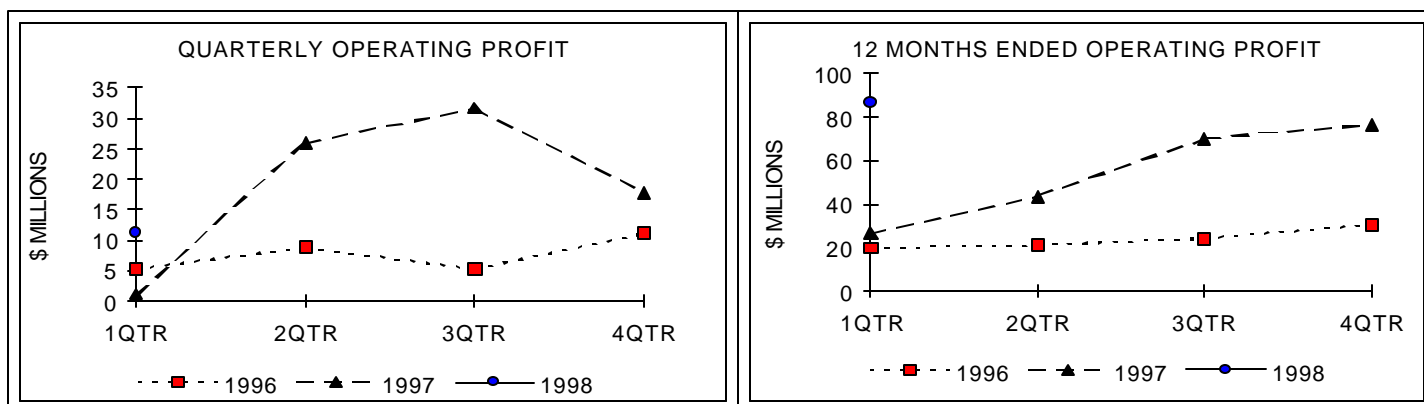
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	8.1	8.8	11.1	11.4	13.2	10.9	10.3
27	Operating Expenses (%)	10.5	9.9	11.6	11.4	11.9	10.7	10.9
28	Operating Profit (Loss) (in Millions \$)	-50.2	-11.6	36.0	74.5	224.1	96.2	17.6
29	Net Income (Loss)(in Millions \$)	23.1	-13.7	167.5	130.7	219.1	53.0	-31.3
30	RTMs (All Svc.) (%)	15.0	-0.4	11.6	8.0	4.4	4.4	3.9
31	ATMs (All Svc.) (%)	11.3	4.3	9.4	7.8	6.9	6.5	5.7
32	Operating Revenues per RTM (%)	-6.0	9.2	-0.5	3.1	8.4	6.2	6.1
33	Operating Expense per RTM (%)	-3.9	10.3	-0.1	3.2	7.1	6.0	6.7
34	Passenger Revenue per RPM (Sch. Svc.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	969.2	846.3	3,819.7	3,696.7	3,506.8	3,313.7	3,133.5
2	Operating Expenses	911.6	800.5	3,590.9	3,479.9	3,327.5	3,172.2	3,041.8
3	Operating Profit (Loss)	57.7	45.8	228.7	216.9	179.3	141.5	91.7
4	Net Income (Loss)	-11.2	44.3	-37.7	17.8	-12.7	125.0	119.4
	<u>TRAFFIC: (Billions)</u>							
5	RTMs - Scheduled Rev. Svc.	0.88	0.78	3.48	3.38	3.27	3.18	3.04
6	ATMs - Scheduled Rev. Svc.	1.42	1.20	5.48	5.26	5.05	4.91	4.79
7	Overall RTMs (All Services)	0.92	0.81	3.65	3.54	3.44	3.34	3.21
8	Overall ATMs (All Services)	1.50	1.25	5.78	5.53	5.33	5.17	5.05
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	105.8	104.3	104.7	104.3	102.1	99.3	97.7
10	Operating Expense per RTM	99.5	98.6	98.5	98.2	96.8	95.0	94.9
11	Operating Profit (Loss) per RTM	6.3	5.6	6.3	6.1	5.2	4.2	2.9
12	Operating Expense per ATM	60.7	63.9	62.1	62.9	62.4	61.4	60.2
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	5.9	5.4	6.0	5.9	5.1	4.3	2.9
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	-0.2	2.8	0.9	9.6	9.5
21	Debt to Total Investment	*	*	**	**	**	**	**
	<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	61.0	64.8	63.1	64.0	64.5	64.6	63.4
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						
26	Operating Revenues (%)	14.5	29.3	21.9	25.7	25.2	23.1	21.2
27	Operating Expenses (%)	13.9	16.2	18.1	18.8	17.2	15.5	14.0
28	Operating Profit (Loss) (in Millions \$)	11.9	80.3	137.0	205.5	217.1	194.7	175.4
29	Net Income (Loss)(in Millions \$)	-55.5	55.6	-157.1	-45.9	-39.5	118.3	147.5
30	RTMs (All Svc.) (%)	12.9	23.5	13.8	16.1	17.5	18.3	15.4
31	ATMs (All Svc.) (%)	19.9	11.0	14.4	12.2	11.1	10.0	10.4
32	Operating Revenues per RTM (%)	1.4	4.7	7.2	8.2	6.6	4.1	5.1
33	Operating Expense per RTM (%)	0.9	-5.9	3.8	2.3	-0.3	-2.4	-1.2
34	Passenger Revenue per RPM (Sch. Svc.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
DHL AIRWAYS



QUARTERLY RESULTS

- DHL Airways reported its highest operating and net profit for any first quarter in its history.
- Operating revenues, up 11.5 percent, grew faster than operating expenses, up 8 percent, producing a \$9.9 million gain in operating profit to \$11.1 million.
- Net income rose \$6.9 million to \$7.4 million.
- Only Atlantic operations reported an operating or net profit. It also was the only entity to experience an improvement in operating results, while domestic operations reported the only gain in net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	-48.3	-50.3	-2.0	-48.8	-28.4	20.4	0.1	0.1	1.4	0.1	0.1	9.9	53.1%
Int'l	49.5	61.5	12.0	49.4	35.8	-13.6	0.6	0.6	8.1	0.8	1.0	15.5	61.1%
Atlantic	49.2	63.5	14.3	49.1	36.9	-12.1	0.0	0.0	-2.0	0.1	0.1	0.6	71.3%
Latin	0.3	-2.0	-2.4	0.3	-1.1	-1.4	0.0	0.0	45.2	0.0	0.0	52.6	51.7%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.6	8.3	0.8	0.9	15.9	60.7%
System	1.2	11.1	10.0	0.5	7.4	6.9	0.6	0.6	7.5	0.9	1.1	15.0	60.4%

- Total fuel expenses declined 19.3 percent (\$2.5 million).
- The ton load factor dropped 4 percentage points to 58.5 percent as ATM capacity growth, up 10.1 percent, more than tripled the 3 percent increase in RTM traffic.
- Profitability was enhanced as RTM yield growth, up 8.2 percent, greatly exceeded the 4.8 percent increase in RTM unit costs.
- Interest expense rose \$0.9 million to \$2.3 million.

12-MONTH RESULTS

- Operating profit was the highest for any 12-month period in the carrier's history, rising \$60 million to \$86.6 million. Operating revenues were up 14 percent as operating expenses rose a lesser 8.8 percent.
- Net income dropped \$29.1 million to a loss of \$5.8 million.
- RTM traffic inched upward 0.7 percent, while ATM capacity jumped 5.7 percent, causing the ton load factor to decline 3.1 percentage points to 61.5 percent.
- DHL has, by far, the lowest total debt load among all majors, down \$9.2 million to \$24.1 million. This, combined with improving equity, caused the debt-to-investment ratio to decline 3.5 percentage points to 8.5 percent.

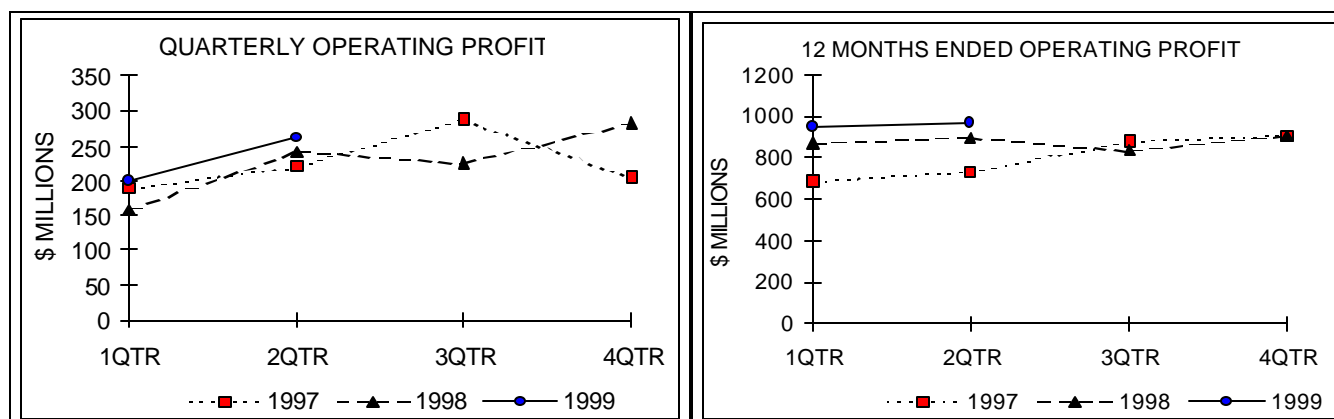
Note : The Airline Quarterly Financial Review of the Majors includes for the first time DHL Airways, which achieved major airline status (*i.e.*, annual operating revenues exceeding \$1 billion), effective January 1, 1997.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
DHL AIRWAYS**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	313.2	280.8	1,258.0	1,225.7	1,190.7	1,136.2	1,103.4
2	Operating Expenses	302.0	279.7	1,171.4	1,149.0	1,120.7	1,092.6	1,076.8
3	Operating Profit (Loss)	11.1	1.2	86.6	76.6	70.0	43.6	26.6
4	Net Income (Loss)	7.4	0.5	-5.8	-12.7	-15.3	32.4	23.3
	<u>TRAFFIC: (Billions)</u>							
5	RTMs - Scheduled Rev. Svc.	0.09	0.09	0.36	0.37	0.37	0.37	0.37
6	ATMs - Scheduled Rev. Svc.	0.15	0.15	0.59	0.58	0.58	0.58	0.57
7	Overall RTMs (All Services)	0.09	0.09	0.39	0.39	0.39	0.39	0.39
8	Overall ATMs (All Services)	0.16	0.15	0.63	0.62	0.61	0.61	0.60
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	333.4	308.1	323.7	317.7	308.3	292.7	285.9
10	Operating Expense per RTM	321.6	306.8	301.4	297.8	290.2	281.4	279.0
11	Operating Profit (Loss) per RTM	11.9	1.3	22.3	19.9	18.1	11.2	6.9
12	Operating Expense per ATM	188.2	191.9	185.4	186.2	184.3	180.0	180.1
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	4.63	4.53	4.43	4.16	4.12
15	Times Interest Earned	*	*	12.13	11.92	13.69	10.55	8.79
16	Current Assets to Current Liabilities	*	*	1.82	1.65	1.31	1.25	1.18
17	No. of Days Cash Coverage of Cash Exp	*	*	55.5	33.5	31.8	29.9	23.1
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	3.6	0.4	6.9	6.3	5.9	3.8	2.4
19	Net Income to Stockholders Equity	*	*	-2.4	-5.3	-6.5	13.7	10.2
20	Corporate Return on Investment	*	*	0.7	-2.1	-3.4	13.8	10.3
21	Debt to Total Investment	*	*	8.5	9.7	11.4	10.6	12.0
	<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	58.5	62.5	61.5	62.5	63.5	64.0	64.6
23	Breakeven	++	++	++	++	++	++	++
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	7,591	7,081	7,387	7,260	7,137	7,045	6,957
25	Overall RTM's per Employee (000)	12.4	12.9	52.6	53.1	54.1	55.1	55.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	11.5	6.9	14.0	12.9	13.1	11.4	11.4
27	Operating Expenses (%)	8.0	8.6	8.8	9.0	9.0	9.4	10.9
28	Operating Profit (Loss) (in Millions \$)	9.9	-4.1	60.0	45.8	45.7	22.5	6.8
29	Net Income (Loss)(in Millions \$)	6.9	-4.3	-29.1	-40.2	-35.3	13.3	4.7
30	RTMs (Sch. Svc.) (%)	3.0	8.6	0.7	1.9	4.9	10.9	13.3
31	ATMs (Sch. Svc.) (%)	10.1	8.0	5.7	5.1	6.5	11.8	13.4
32	Operating Revenues per RTM (%)	8.2	-1.6	13.2	10.9	7.9	0.4	-1.7
33	Operating Expense per RTM (%)	4.8	0.1	8.0	6.9	3.9	-1.4	-2.1
34	Passenger Revenue per RPM (Sch. Svc.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
FEDERAL EXPRESS**



QUARTERLY RESULTS

- Operating expenses, up 13.3 percent, rose faster than operating revenues, up 11.4 percent, causing operating profit to decline \$29.4 million to \$158.8 million.
- Net income fell \$25.2 million to \$67.2 million.
- Only the carrier's Pacific entity reported an improvement in operating and/or net results. These gains were small, however, as Pacific operations also reported the largest operating and net losses among all entities.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	261.4	244.0	-17.4	137.6	133.3	-4.3	1.0	1.1	2.8	1.7	1.8	6.3	58.7%
Int'l	-20.4	17.2	37.5	-15.6	6.5	22.1	0.7	0.7	0.9	1.1	1.1	-0.1	65.0%
Atlantic	12.0	14.2	2.2	5.6	7.2	1.6	0.2	0.2	1.4	0.3	0.3	-0.7	67.3%
Latin	5.7	19.4	13.7	2.8	11.1	8.3	0.1	0.1	-26.0	0.1	0.1	-22.3	51.8%
Pacific	-38.1	-16.5	21.6	-23.9	-11.7	12.3	0.4	0.5	4.7	0.7	0.7	4.2	65.8%
System	241.0	261.2	20.2	122.0	139.9	17.8	1.7	1.7	2.0	2.8	2.9	3.8	61.1%

- Total fuel expenses fell 21.9 percent (\$28.5 million), comprising a major group low 3.2 percent of total operating expenses, down from 4.7 percent a year ago.
- The ton load factor declined 1.5 percentage points to 61.4 percent as ATM capacity, up 11.9 percent, grew at a faster pace than RTM traffic, up 9.3 percent.
- Interest expense rose \$5.7 million to \$31.4 million.

12-MONTH RESULTS

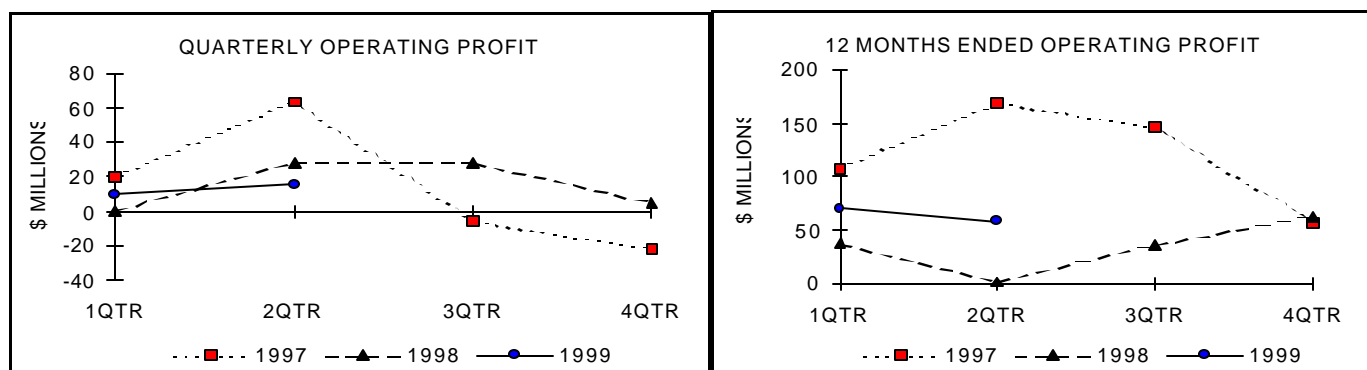
- Operating profit gained \$183.4 million to \$871.7 million, as operating revenues, up 15.8 percent, grew faster than operating expenses, up 15.1 percent.
- Net income improved \$87.6 million to \$433 million.
- RTM traffic, up 11.9 percent, grew slightly faster than ATM capacity, up 11.1 percent, causing the ton load factor to rise 0.5 percentage points to 63 percent.
- Climbing equity, coupled with a \$28.8 million cut in total debt, caused the debt-to-investment ratio to decline 3.8 percentage points to 31.9 percent.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
FEDERAL EXPRESS CORP.**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	3,270.4	2,934.5	13,066.1	12,730.2	12,321.1	11,647.2	11,282.9
2	Operating Expenses	3,111.6	2,746.3	12,194.5	11,829.2	11,439.0	10,920.4	10,594.6
3	Operating Profit (Loss)	158.8	188.2	871.7	901.1	882.0	726.8	688.3
4	Net Income (Loss)	67.2	92.4	433.0	458.2	450.7	368.9	345.4
	<u>TRAFFIC: (Billions)</u>							
5	RTMs - Scheduled Rev. Svc.	1.59	1.46	6.36	6.23	6.10	5.85	5.65
6	ATMs - Scheduled Rev. Svc.	2.58	2.32	10.09	9.83	9.59	9.24	9.02
7	Overall RTMs (All Services)	1.64	1.50	6.56	6.42	6.30	6.04	5.86
8	Overall ATMs (All Services)	2.67	2.39	10.43	10.14	9.92	9.55	9.39
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	199.5	195.6	199.1	198.2	195.5	192.7	192.4
10	Operating Expense per RTM	189.8	183.1	185.8	184.1	181.5	180.7	180.7
11	Operating Profit (Loss) per RTM	9.7	12.5	13.3	14.0	14.0	12.0	11.7
12	Operating Expense per ATM	116.6	115.1	117.0	116.6	115.3	114.3	112.9
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	2.80	2.82	2.83	2.78	2.75
15	Times Interest Earned	*	*	7.33	7.99	8.51	7.53	7.21
16	Current Assets to Current Liabilities	*	*	1.09	1.09	1.15	1.10	1.22
17	No. of Days Cash Coverage of Cash Exp	*	*	4.3	3.9	6.8	4.4	3.9
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	4.9	6.4	6.7	7.1	7.2	6.2	6.1
19	Net Income to Stockholders Equity	*	*	13.9	15.3	15.6	13.3	12.9
20	Corporate Return on Investment	*	*	11.8	12.7	12.7	11.1	10.8
21	Debt to Total Investment	*	*	31.9	32.7	33.3	33.7	35.7
	<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	61.4	62.9	63.0	63.3	63.5	63.3	62.5
23	Breakeven	++	++	++	++	++	++	++
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	85,621	76,421	81,943	79,643	77,580	76,155	74,886
25	Overall RTM's per Employee (000)	19.1	19.6	80.1	80.7	81.2	79.4	78.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	11.4	12.8	15.8	16.3	16.5	13.2	12.5
27	Operating Expenses (%)	13.3	11.9	15.1	14.8	14.7	12.7	12.1
28	Operating Profit (Loss) (in Millions \$)	-29.4	41.3	183.4	254.1	278.1	126.6	104.9
29	Net Income (Loss)(in Millions \$)	-25.2	26.9	87.6	139.7	153.9	82.0	69.3
30	RTMs (Sch. Svc.) (%)	9.3	18.3	11.9	14.1	16.4	14.9	13.8
31	ATMs (Sch. Svc.) (%)	11.9	10.3	11.1	10.7	11.0	9.0	10.1
32	Operating Revenues per RTM (%)	2.0	-4.6	3.5	2.0	0.1	-1.5	-1.2
33	Operating Expense per RTM (%)	3.7	-5.4	2.8	0.7	-1.5	-1.9	-1.5
34	Passenger Revenue per RPM (Sch. Svc.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

QUARTERLY FINANCIAL & TRAFFIC REVIEW **SYSTEM OPERATIONS** **UNITED PARCEL SERVICE**



QUARTERLY RESULTS

- Operating revenues declined 2.8 percent, perhaps reflecting the lingering effects of the August 1997 Teamsters strike. This, combined with the 1.2 percent increase in operating expenses resulted in operating profit declining \$18.9 million, but it still remained positive at \$1.1 million.
- Net results, however, fell into the red, down \$14 million to a loss of \$2.9 million.
- A sharp drop in domestic operating results was the primary cause of the deterioration in system operating profit, but the Pacific entity was responsible for much of the deterioration in overall system net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	5.6	-9.7	-15.2	-1.8	-1.0	0.9	0.7	0.7	3.4	1.3	1.3	2.4	54.2%
Int'l	22.4	24.8	2.4	14.5	-0.5	-15.0	0.2	0.3	19.4	0.5	0.5	14.7	54.6%
Atlantic	3.9	0.1	-3.8	2.1	0.3	-1.8	0.1	0.1	14.2	0.1	0.1	21.6	60.6%
Latin	-3.5	3.6	7.1	-0.6	6.9	7.5	0.0	0.0	44.2	0.0	0.0	29.6	46.8%
Pacific	22.0	21.1	-0.9	13.0	-7.7	-20.7	0.2	0.2	19.7	0.3	0.4	10.7	53.1%
System	28.0	15.2	-12.9	12.6	-1.4	-14.1	0.9	1.0	7.5	1.8	1.9	5.6	54.3%

- RTM traffic gained 26.1 percent, outpacing the 18 percent increase in ATM capacity, causing the ton load factor to rise 3.5 percentage points to 53.4 percent.
- This strong traffic growth, coupled with declining revenues, caused RTM yield to tumble 23 percent. RTM unit costs were down a lesser 19.9 percent, producing the profit decline.
- Total fuel expense was down 4.2 percent (\$3 million), the smallest decline among all majors.
- Productivity (RTMs per employee) was still a major group high, up from 169.6 to 202.1.

12-MONTH RESULTS

- Operating revenues declined 0.8 percent, as operating expenses were up 3.2 percent, resulting in a \$70.4 million drop in operating profit to \$37.2 million.
- Net income fell \$47.1 million to \$1.3 million.
- RTMs advanced 14.5 percent, exceeding the 11.4 percent increase in ATM capacity, producing a 1.5 percentage point increase in the ton load factor to 56.2 percent.
- Productivity (RTMs per employee) continued to be very high when compared with all other majors, rising from 796.8 a year ago to 861.5.
- Total debt jumped \$900.8 million to \$2.8 billion. This, coupled with declining equity, caused the debt-to-investment ratio to jump a major group high 7.9 percentage points to 75.2 percent.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
UNITED PARCEL SERVICE**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9803	9703	9803	9712	9709	9706	9703
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	467.3	480.9	1,849.0	1,862.6	1,922.6	1,942.8	1,863.9
2	Operating Expenses	466.3	460.9	1,811.9	1,806.5	1,776.1	1,773.5	1,756.4
3	Operating Profit (Loss)	1.1	20.0	37.2	56.1	146.4	169.3	107.6
4	Net Income (Loss)	-2.9	11.1	1.3	15.3	68.8	84.4	49.4
	<u>TRAFFIC: (Billions)</u>							
5	RTMs - Scheduled Rev. Svc.	0.22	0.19	0.87	0.84	0.81	0.80	0.76
6	ATMs - Scheduled Rev. Svc.	0.41	0.34	1.58	1.52	1.47	1.45	1.39
7	Overall RTMs (All Services)	0.90	0.71	3.74	3.55	3.26	3.33	3.27
8	Overall ATMs (All Services)	1.68	1.42	6.66	6.40	6.13	6.16	5.97
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	52.2	67.8	49.4	52.4	58.9	58.3	57.0
10	Operating Expense per RTM	52.1	65.0	48.4	50.8	54.4	53.2	53.8
11	Operating Profit (Loss) per RTM	0.1	2.8	1.0	1.6	4.5	5.1	3.3
12	Operating Expense per ATM	27.8	32.4	27.2	28.2	29.0	28.8	29.4
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	0.54	0.59	0.65	0.69	0.68
15	Times Interest Earned	*	*	1.83	3.53	10.01	13.13	10.45
16	Current Assets to Current Liabilities	*	*	1.42	0.93	1.26	1.72	2.34
17	No. of Days Cash Coverage of Cash Exp	*	*	3.4	2.2	3.5	3.5	2.5
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	0.2	4.2	2.0	3.0	7.6	8.7	5.8
19	Net Income to Stockholders Equity	*	*	0.1	1.6	7.4	9.3	5.5
20	Corporate Return on Investment	*	*	0.6	1.0	2.8	3.5	2.2
21	Debt to Total Investment	*	*	75.2	74.4	73.5	71.1	67.3
	<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	53.4	49.9	56.2	55.5	53.3	54.2	54.7
23	Breakeven	++	++	++	++	++	++	++
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	4,428	4,183	4,341	4,279	4,226	4,159	4,101
25	Overall RTM's per Employee (000)	202.1	169.6	861.5	830.7	772.5	801.6	796.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-2.8	17.5	-0.8	3.9	12.6	15.9	13.5
27	Operating Expenses (%)	1.2	9.6	3.2	5.3	5.8	7.6	8.7
28	Operating Profit (Loss) (in Millions \$)	-18.9	31.4	-70.4	-20.0	117.2	141.8	81.3
29	Net Income (Loss)(in Millions \$)	-14.0	19.3	-48.1	-14.8	61.1	76.1	42.1
30	RTMs (Sch. Svc.) (%)	26.1	-11.3	14.5	5.9	-3.5	-1.0	-2.8
31	ATMs (Sch. Svc.) (%)	18.0	0.1	11.4	7.2	4.2	5.2	2.3
32	Operating Revenues per RTM (%)	-23.0	32.4	-13.3	-1.9	16.6	17.1	16.6
33	Operating Expense per RTM (%)	-19.9	23.6	-10.0	-0.6	9.7	8.8	11.9
34	Passenger Revenue per RPM (Sch. Svc.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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>Net income plus interest expense</p> <hr/> <p>Total investment</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>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)</p> <hr/> <p>Total investment (See line 20)</p>
22	Actual passenger load factor (scheduled service)	<p>Revenue passenger-miles (scheduled service (Item K-140)</p> <hr/> <p>Available seat-miles (scheduled service (Item K-280)</p>
23	Operating breakeven load factor (scheduled service)	<p>Capacity operating expense, scheduled service (passenger)</p> <hr/> <p>[Scheduled passenger revenue (Account 3901) - Traffic operating expense, passenger scheduled service] / Actual passenger load factor, scheduled service</p>
24	Difference, actual-breakeven load factor	<p>Actual (Line 22) - Breakeven (Line 23)</p>
25	Employees	<p>Number of full time employees (Average for 12-month ended period)</p>
26	Overall revenue ton-miles per employee	<p>Overall revenue ton-miles (Item Z-240)</p> <hr/> <p>Average # of employees (See Line 25)</p>