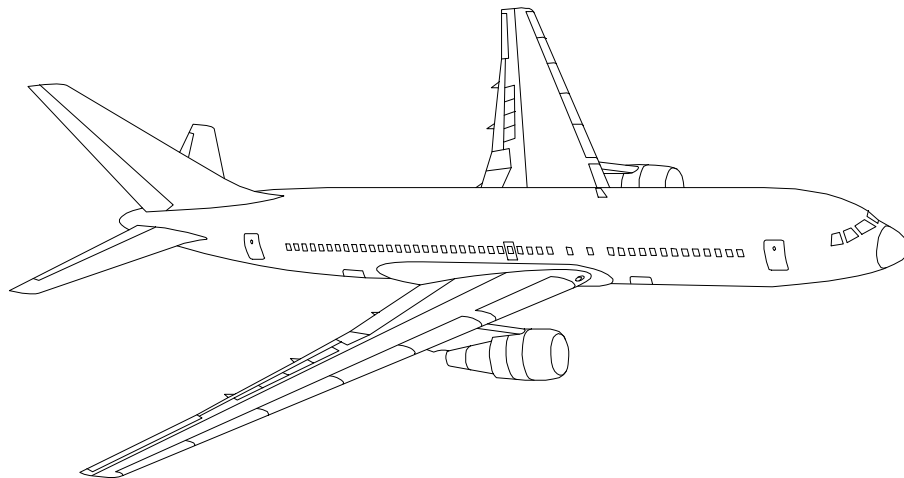


AIRLINE QUARTERLY FINANCIAL REVIEW

SECOND QUARTER 1998



MAJORS



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

TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
Introduction	3
Total System Passenger & All-Cargo Majors	4
Chart 1 Operating and Net Profit (Loss) Second Quarter 1998 ..	8
Chart 2 Operating and Net Profit (Loss)	
12 Months Ended Second Quarter 1998	8
Chart 3 Operating Profit (Loss) By Quarter	9
Chart 4 Net Income (Loss) By Quarter	9
Chart 5 Operating Profit (Loss) By 12-Month Ending Periods ...	10
Chart 6 Net Income (Loss) By 12-Month Ending Periods	10
Chart 7 Operating Revenue Per Revenue Ton-Mile	
Percent Change From Same Period A Year Earlier	11
Chart 8 Ton Load Factor Percentage Point	
Change From Same Period A Year Earlier	11
Chart 9 Operating Expense Per Revenue Ton-Mile,	
Percent Change From Same Period A Year Earlier	12
Chart 10 Operating Expense Per Available Ton-Mile,	
Percent Change From Same Period A Year Earlier	12
Total Passenger Majors	13
Chart 11 Passenger Revenues Per Revenue Passenger-Mile,	
Percent Change From Same Period A Year Earlier	17
Chart 12 Revenue Passenger-Miles,	
Percent Change From Same Period A Year Earlier	17
Chart 13 Available Seat-Miles,	
Percent Change From Same Period A Year Earlier	18
Chart 14 Passenger Load Factor, Percentage	
Point Change From Same Period A Year Earlier	18
Chart 15 Passenger (RPM) Yield	19
Chart 16 Passenger Load Factor	19
Alaska Airlines, Inc.	20
America West Airlines, Inc.	22
American Airlines, Inc.	24
Continental Airlines, Inc.	26
Delta Air Lines, Inc.	28
Northwest Airlines, Inc.	30
Southwest Airlines Co.	32
Trans World Airlines, Inc.	34
United Air Lines, Inc.	36
US Airways, Inc.	38
Total All-Cargo Majors	40
DHL Airways	44
Federal Express Corp.	46
United Parcel Service	48
<u>Appendix</u>	
Footnotes	50
Explanation of Line Items	51

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 is classified in two broad categories : namely "domestic" and "international". "Domestic" encompasses operations within and between the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. It also encompasses Canadian transborder operations and, for certain carriers, Mexican transborder operations. All other operations are considered "international", which is separated into Atlantic, Latin, and Pacific entities.

Suggestions from users for the 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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*An electronic version of this document can be obtained via the World Wide Web at :
<http://dms.dot.gov/ost/aviation/analysis.html>*

QUARTERLY FINANCIAL & TRAFFIC REVIEW

TOTAL SYSTEM PASSENGER & ALL-CARGO MAJORS

QUARTERLY RESULTS

- The major group combined reported an all-time record for any quarter in operating profit, and also reported a all-time second quarter record in net profit. Four major carriers (America West, American, Delta, and Southwest) reported individual all-time company records in both operating and net profit. US Airways reported an all-time record in operating profit. Three other majors (Alaska, Federal Express, and United) reported company records for any second quarter record in both operating and net profit.
- Operating revenues advanced 5 percent, while operating expenses rose only 4.2 percent, boosting operating profit \$309.3 million to \$3 billion. All of the improvement arose from the passenger major group, up \$344.7 million to \$2.73 billion, as the all-cargo major group declined \$35.4 million to \$274.2 million.
- Net income gained \$214.4 million to \$1.73 billion. The passenger majors improved \$256.2 million, while the all-cargo group declined \$41.8 million.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	2Q 97	2Q 98	\$CHANGE	2Q 97	2Q 98	\$CHANGE
TOTAL ALL MAJORS	2698.0	3007.3	309.3	1515.1	1729.5	214.4
TOTAL PASSENGER MAJORS	2388.4	2733.1	344.7	1349.9	1606.1	256.2
ALASKA	42.2	57.9	15.7	23.5	36.6	13.1
AMERICA WEST	50.6	73.8	23.2	23.0	40.2	17.2
AMERICAN	444.0	545.9	101.9	226.4	330.9	104.5
CONTINENTAL	210.4	250.4	40.0	120.5	156.4	35.9
DELTA	516.0	594.0	78.0	301.2	361.8	60.6
NORTHWEST	299.7	131.4	-168.3	135.2	54.1	-81.1
SOUTHWEST	156.4	208.3	51.9	93.8	133.4	39.6
TRANS WORLD	5.9	45.5	39.6	-14.4	19.5	33.9
UNITED	404.2	460.2	56.0	238.9	277.5	38.6
US AIRWAYS	258.9	365.7	106.8	201.8	195.7	-6.1
TOTAL ALL-CARGO MAJORS	309.6	274.2	-35.4	165.2	123.4	-41.8
DHL AIRWAYS	25.9	6.0	-19.9	15.8	-11.3	-27.1
FEDERAL EXPRESS	220.7	240.2	19.5	113.2	122.0	8.8
UNITED PARCEL SERVICE	63.0	28.0	-35.0	36.2	12.6	-23.6

- The passenger load factor rose 1.8 percentage points to 73.9 percent as RPM traffic growth, up 4.6 percent; more than doubled ASM capacity growth, up 2.1 percent.
- Passenger (RPM) yield dipped 0.1 percent to 12.89 cents.
- Interest expense was relatively unchanged, down \$0.5 million to \$399.1 million.
- Total fuel expense dropped 15.6 percent (\$385.3 million) due to falling unit fuel prices, down 16.7 percent, as consumption increased 1.4 percent. Total fuel expense accounted for only 9 percent of total operating expenses, down from 11.1 percent a year ago.
- Total debt for the group increased \$2.55 billion to \$20 billion. More than half of the increase was attributable to United, up \$1.74 billion. Total equity rose much faster, however, pushing the group's debt-to-investment ratio down 2.7 percentage points to 45.5 percent.

12-MONTH RESULTS

- For the 12 months ended June 1998, operating revenues for the major group exceeded \$100 billion for the first time.
- All majors reported an operating profit for the 12 months ended June 1998 and, except for three majors (DHL, United and UPS), all majors reported a net profit. Excluding United, all majors experienced a year-to-year improvement in operating results and all passenger majors saw improvement in net results. Federal Express also reported a gain in net results.
- Operating profit jumped \$1.68 billion to \$9.06 billion. The passenger group improved \$1.66 billion to \$8.1 billion and the all-cargo group improved \$20.4 million to \$960.1 million.
- Net results improved \$2.05 billion to \$5.79 billion. The passenger group improved \$2.15 billion to \$5.41 billion, but the all-cargo group declined \$99 million to \$386.7 million.

Note: Beginning in 1998, The Airline Quarterly Financial Review of the Majors includes 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				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	26,230.0	24,979.7	101,176.6	99,926.3	99,278.1	97,519.9	95,860.9
2	Operating Expenses	23,222.7	22,281.7	92,121.3	91,180.3	90,724.5	89,704.4	88,482.5
3	Operating Profit (Loss)	3,007.3	2,698.0	9,055.3	8,746.1	8,553.6	7,815.5	7,378.4
4	Net Income (Loss)	1,729.5	1,515.1	5,793.5	5,579.0	5,472.0	4,458.0	3,747.3
TRAFFIC: (Billions)								
5	RPMs - Scheduled Rev. Svc.	151.32	144.68	577.84	571.21	570.00	565.03	558.81
6	ASMs - Scheduled Rev. Svc.	204.89	200.59	813.45	809.14	804.79	799.05	792.95
7	Overall RTMs (All Svc.)	20.51	19.64	79.63	78.75	78.10	76.91	75.84
8	Overall ATMs (All Svc.)	34.40	32.99	135.89	134.48	132.92	131.21	129.85
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	127.9	127.2	127.1	126.9	127.1	126.8	126.4
10	Operating Expense per RTM	113.2	113.5	115.7	115.8	116.2	116.6	116.7
11	Operating Profit (Loss) per RTM	14.7	13.7	11.4	11.1	11.0	10.2	9.7
12	Operating Expense per ATM	67.5	67.5	67.8	67.8	68.3	68.4	68.1
13	Passenger Revenue per RPM	12.89	12.90	12.95	12.95	12.94	12.83	12.85
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	2.07	2.14	2.23	2.28	2.30
15	Times Interest Earned	*	*	7.13	6.85	6.49	5.82	4.91
16	Current Assets to Current Liabilities	*	*	0.79	0.78	0.77	0.76	0.72
17	No. of Days Cash Coverage of Cash Ex	*	*	42.9	40.0	39.1	44.1	35.0
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	11.5	10.8	9.0	8.8	8.6	8.0	7.7
19	Net Income to Stockholders Equity	*	*	22.0	22.5	23.5	20.4	18.2
20	Corporate Return on Investment	*	*	14.8	15.0	15.6	14.0	12.8
21	Debt to Total Investment	*	*	45.5	45.4	45.6	46.3	48.2
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	73.9	72.1	71.0	70.6	70.8	70.7	70.5
23	Breakeven	65.2	64.1	65.0	64.8	0.0	65.7	65.8
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	494,737	468,465	483,695	477,126	472,040	467,232	462,568
25	Overall RTM's per Employee (000)	41.5	41.9	164.6	165.1	165.5	164.6	164.0

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.0	5.6	5.5	5.7	7.5	7.5	7.5
27	Operating Expenses (%)	4.2	5.0	4.1	4.3	5.1	5.6	6.0
28	Operating Profit (Loss) (in Millions \$)	309.3	262.1	1,676.9	1,629.8	2,534.5	2,102.4	1,665.7
29	Net Income (Loss)(in Millions \$)	214.4	135.4	2,046.2	1,967.0	2,665.4	1,835.6	1,185.2
30	RPMs (Sch. Svc.) (%)	4.6	4.4	3.4	3.4	4.8	5.8	6.4
31	ASMs (Sch. Svc.) (%)	2.1	3.3	2.6	2.9	3.3	3.7	3.7
32	Operating Revenues per RTM (%)	0.6	-0.2	0.6	0.4	1.3	1.1	0.9
33	Operating Expense per RTM (%)	-0.3	-0.7	-0.9	-1.0	-0.9	-0.8	-0.5
34	Passenger Revenue per RPM (Sch. Sv	-0.1	-1.6	0.8	0.4	0.8	-0.4	-0.2

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	20,044.8	18,901.4	76,601.2	75,457.8	74,942.4	73,667.2	72,559.1
2	Operating Expenses	17,422.5	16,791.9	69,234.3	68,598.3	68,307.3	67,582.8	66,769.4
3	Operating Profit (Loss)	2,622.3	2,109.6	7,366.8	6,859.5	6,635.1	6,084.3	5,789.7
4	Net Income (Loss)	1,432.9	1,203.4	4,837.9	4,613.7	4,426.8	3,575.8	2,939.4
TRAFFIC: (Billions)								
5	RPMS - Scheduled Rev. Svc.	109.36	105.16	416.59	412.39	412.36	409.41	405.16
6	ASMs - Scheduled Rev. Svc.	148.61	147.83	594.19	593.40	592.21	589.56	585.47
7	Overall RTMs (All Svc.)	13.76	13.29	53.27	52.80	52.55	51.92	51.35
8	Overall ATMs (All Svc.)	22.93	22.60	91.61	91.28	90.77	90.07	89.41
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	145.7	142.2	143.8	142.9	142.6	141.9	141.3
10	Operating Expense per RTM	126.6	126.4	130.0	129.9	130.0	130.2	130.0
11	Operating Profit (Loss) per RTM	19.1	15.9	13.8	13.0	12.6	11.7	11.3
12	Operating Expense per ATM	76.0	74.3	75.6	75.2	75.3	75.0	74.7
13	Passenger Revenue per RPM	13.85	13.61	13.79	13.73	13.68	13.53	13.57
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 Ex	*	*	**	**	**	**	**
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	13.1	11.2	9.6	9.1	8.9	8.3	8.0
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	16.2	16.3	16.6	14.7	13.3
21	Debt to Total Investment	*	*	**	**	**	**	**
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	73.6	71.1	70.1	69.5	69.6	69.4	69.2
23	Breakeven	63.5	63.4	63.7	63.7	64.1	64.5	64.6
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

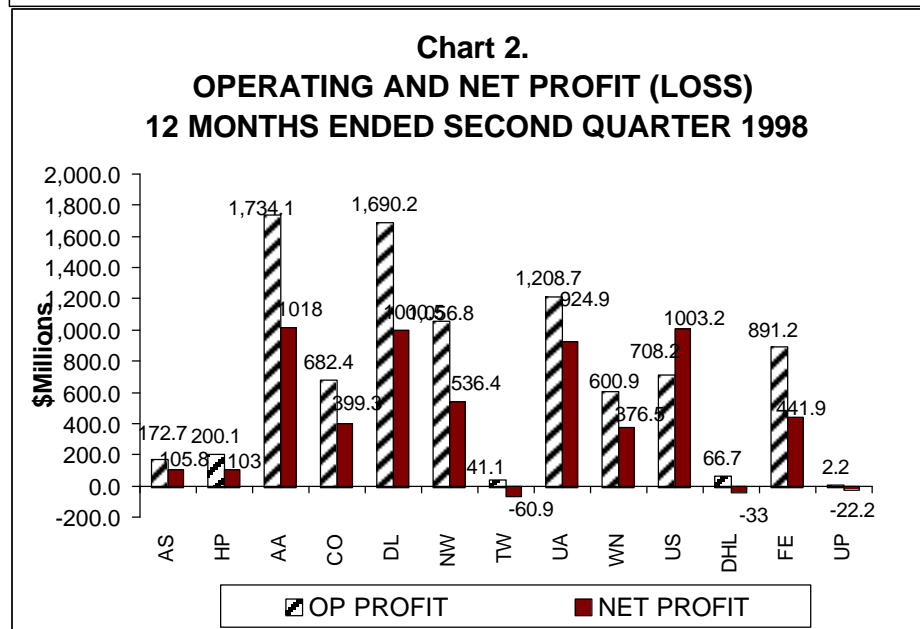
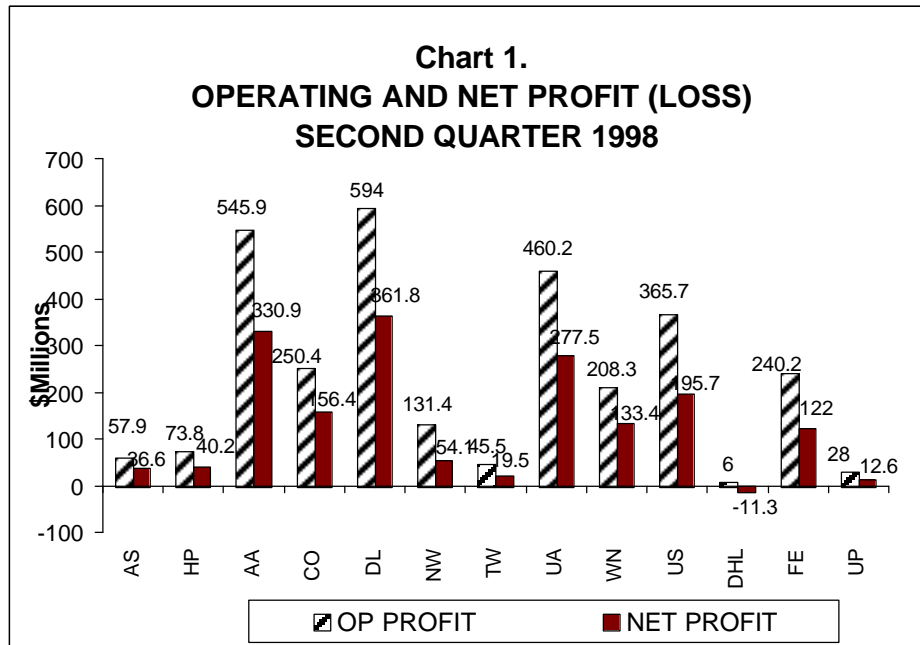
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.0	4.5	5.6	5.2	7.0	7.1	7.6
27	Operating Expenses (%)	3.8	5.5	3.7	4.1	5.4	6.1	7.1
28	Operating Profit (Loss) (in Millions \$)	512.7	-65.4	1,577.1	1,004.4	1,403.7	1,011.4	721.4
29	Net Income (Loss)(in Millions \$)	229.5	-1.7	1,898.5	1,672.6	1,981.6	1,237.8	658.1
30	RPMS (Sch. Svc.) (%)	4.0	4.4	2.8	2.9	4.6	5.8	7.0
31	ASMs (Sch. Svc.) (%)	0.5	2.9	1.5	2.1	3.0	3.6	3.8
32	Operating Revenues per RTM (%)	2.5	0.0	1.8	1.1	2.1	1.7	1.4
33	Operating Expense per RTM (%)	0.2	1.0	0.0	0.1	0.5	0.8	0.9
34	Passenger Revenue per RPM (Sch. Sv	1.8	-2.6	1.6	0.5	0.8	-0.6	-0.1

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

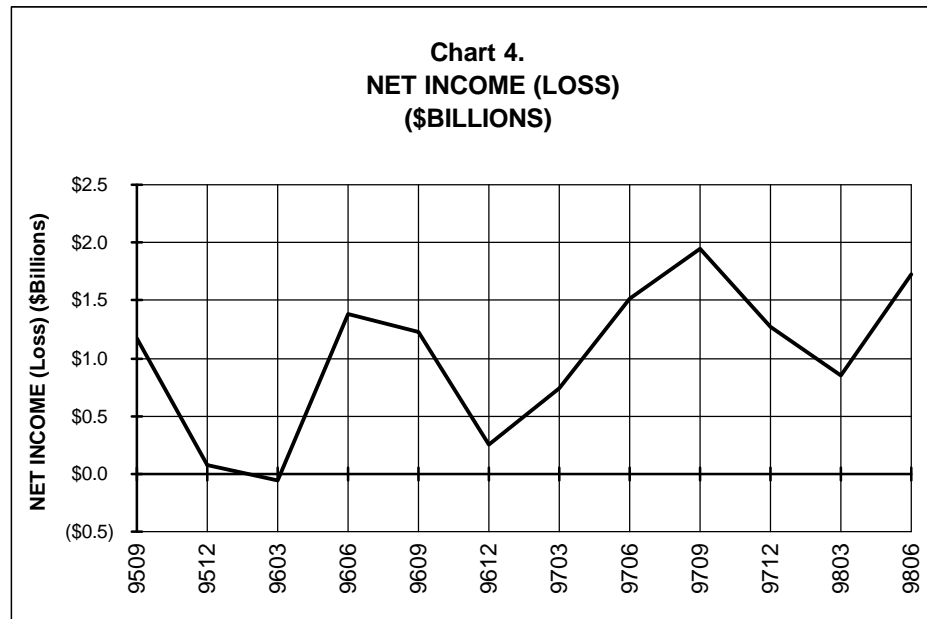
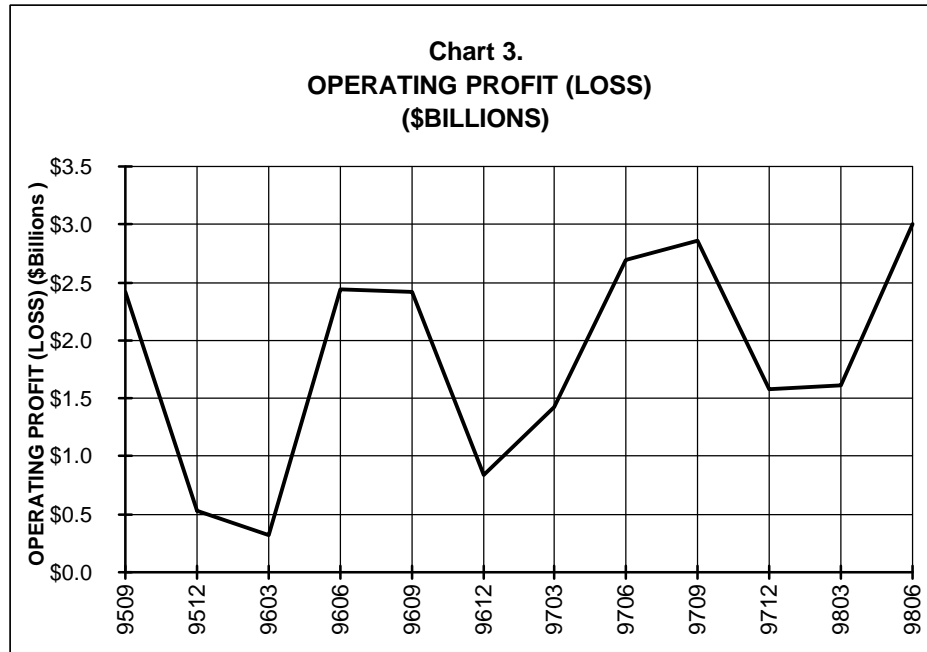
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	6,185.2	6,078.3	24,575.4	24,468.5	24,335.7	23,852.7	23,301.8
2	Operating Expenses	5,800.2	5,489.8	22,886.9	22,581.9	22,417.1	22,121.6	21,713.1
3	Operating Profit (Loss)	385.0	588.4	1,688.5	1,886.6	1,918.5	1,731.1	1,588.7
4	Net Income (Loss)	296.6	311.7	955.5	965.3	1,045.2	882.2	808.0
TRAFFIC: (Billions)								
5	RPMS - Scheduled Rev. Svc.	41.95	39.52	161.25	158.82	157.63	155.62	153.66
6	ASMs - Scheduled Rev. Svc.	56.28	52.76	219.26	215.74	212.57	209.49	207.48
7	Overall RTMs (All Svc.)	6.75	6.35	26.36	25.95	25.55	25.00	24.49
8	Overall ATMs (All Svc.)	11.47	10.39	44.28	43.20	42.15	41.14	40.44
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	91.6	95.8	93.2	94.3	95.2	95.4	95.1
10	Operating Expense per RTM	85.9	86.5	86.8	87.0	87.7	88.5	88.6
11	Operating Profit (Loss) per RTM	5.7	9.3	6.4	7.3	7.5	6.9	6.5
12	Operating Expense per ATM	50.5	52.8	51.7	52.3	53.2	53.8	53.7
13	Passenger Revenue per RPM	10.40	11.03	10.77	10.93	11.01	11.00	10.94
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 Ex	*	*	**	**	**	**	**
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	6.2	9.7	6.9	7.7	7.9	7.3	6.8
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	10.7	11.2	12.6	11.7	11.4
21	Debt to Total Investment	*	*	**	**	**	**	**
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	74.5	74.9	73.5	73.6	74.2	74.3	74.1
23	Breakeven	70.8	66.2	69.1	68.0	68.2	68.7	68.9
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 (%)	1.8	8.9	5.5	7.3	9.1	8.9	7.2
27	Operating Expenses (%)	5.7	3.2	5.4	4.8	4.2	4.0	2.9
28	Operating Profit (Loss) (in Millions \$)	-203.4	327.5	99.8	625.4	1,130.8	1,091.0	944.4
29	Net Income (Loss)(in Millions \$)	-15.1	137.0	147.5	294.4	683.8	597.8	527.2
30	RPMS (Sch. Svc.) (%)	6.1	4.6	4.9	4.5	5.4	5.6	4.8
31	ASMs (Sch. Svc.) (%)	6.7	4.4	5.7	5.1	4.4	3.8	3.4
32	Operating Revenues per RTM (%)	-4.4	0.6	-2.0	-0.7	0.2	0.1	-0.5
33	Operating Expense per RTM (%)	-0.7	-4.7	-2.0	-3.0	-4.3	-4.3	-4.4
34	Passenger Revenue per RPM (Sch. Sv	-5.7	1.9	-1.6	0.4	0.9	0.4	-0.6

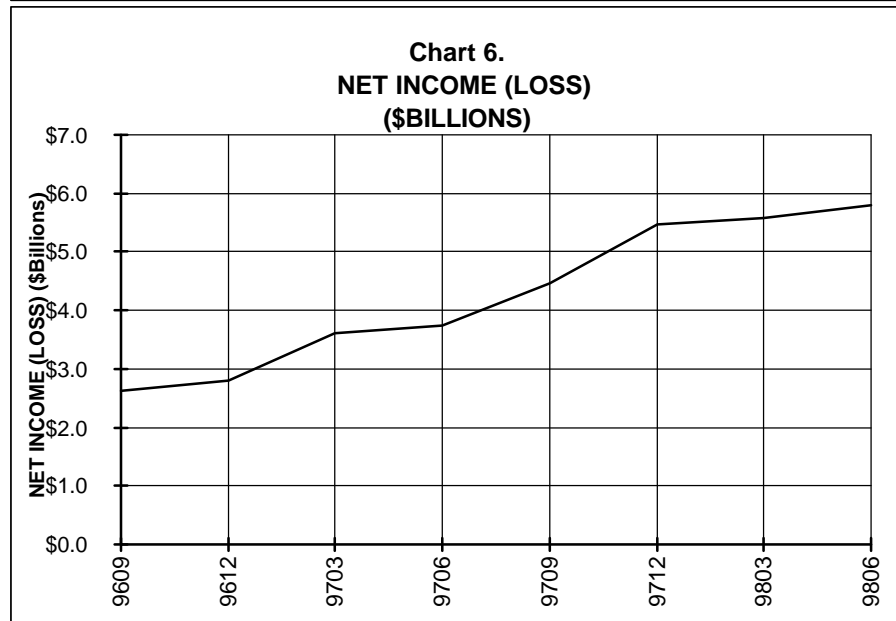
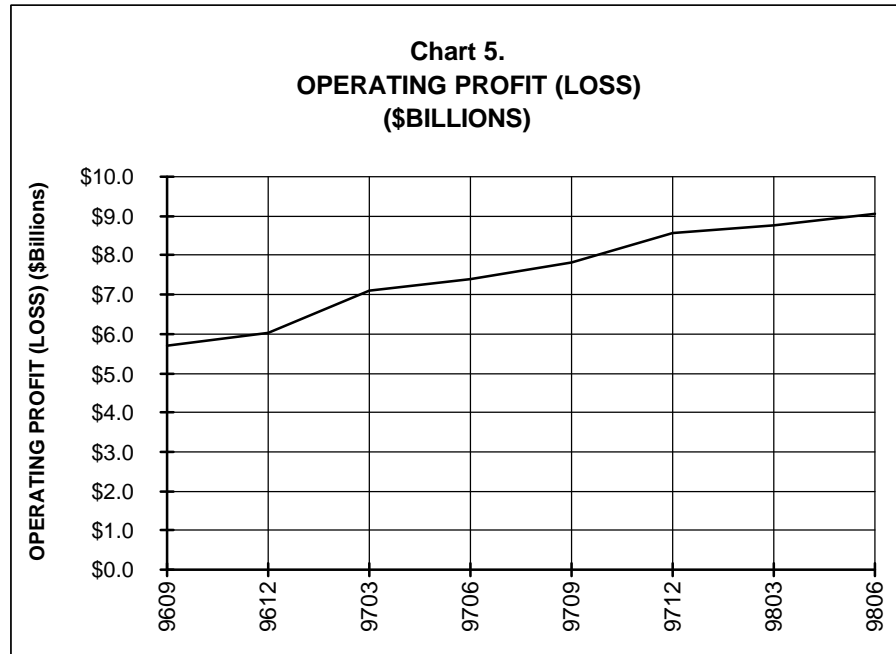
COMPARISONS AMONG MAJOR GROUP AIRLINES



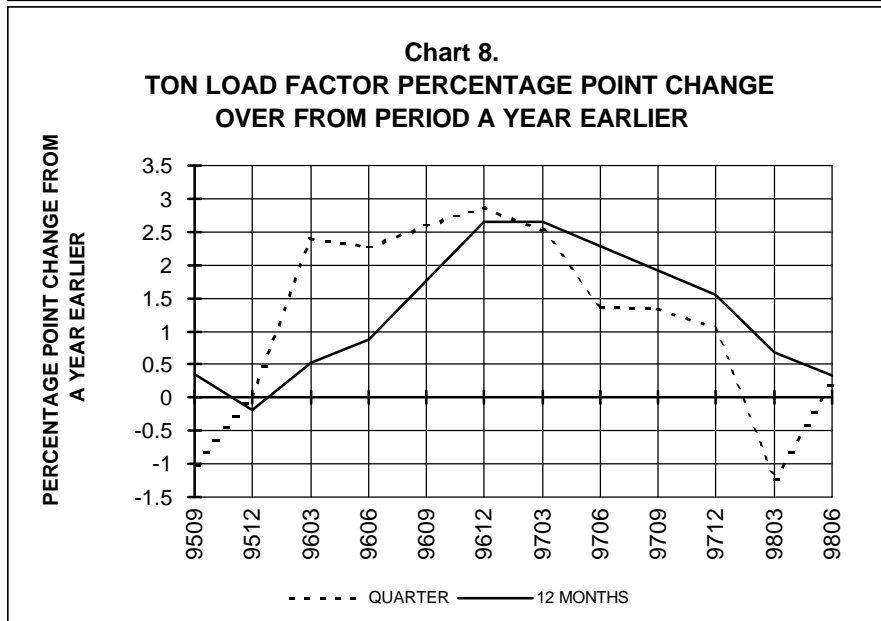
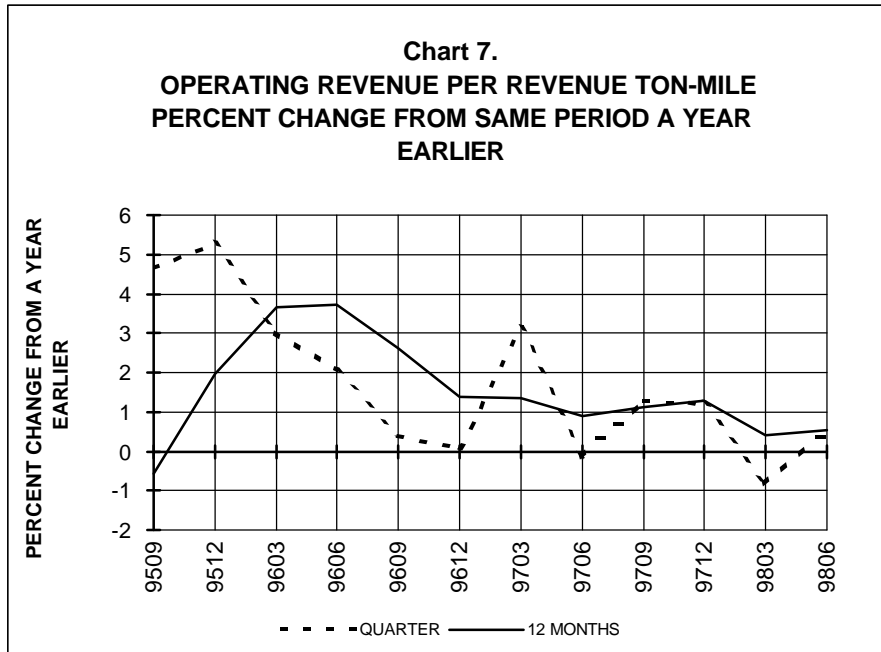
TOTAL ALL MAJORS (SYSTEM) BY QUARTER



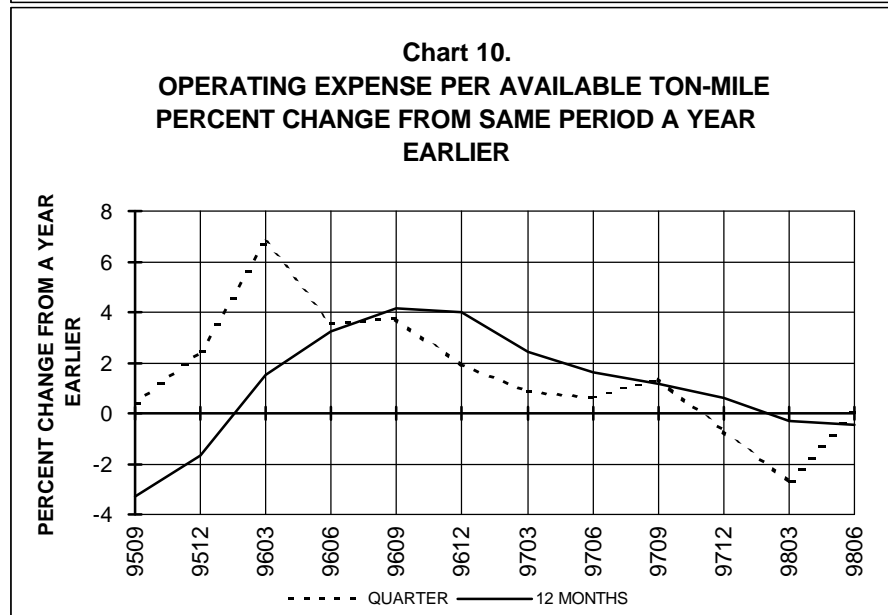
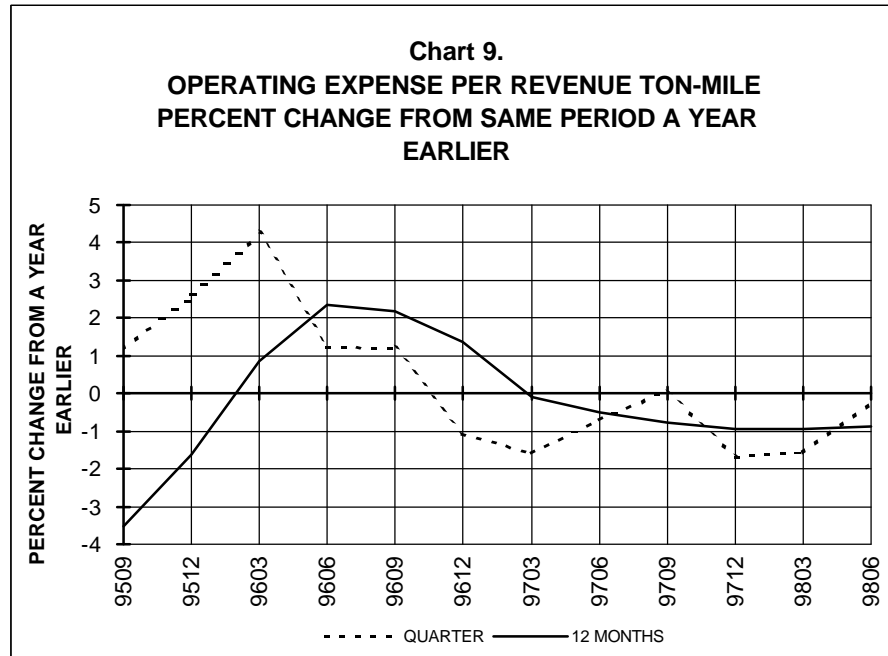
TOTAL ALL MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS



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 quarter ended June 1998, all passenger majors reported an operating and net profit. All majors, except for Northwest, which experienced some initial effects of its looming pilot strike, experienced an improvement in both operating and net results.
- The passenger majors combined reported an all-time record in operating profit, and reported their best net profit for any second quarter.
- Operating revenues gained 4.2 percent, while operating expenses, reflecting the benefits of the sharp decline in total fuel expenses, rose a slower 2.9 percent. This produced a \$344.7 million gain in operating profit \$2.73 billion.
- Net income jumped \$256.2 million to \$1.61 billion.

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	2,733.1	344.7	1,349.9	1,606.1	256.2
Sept.	2,545.7	0.0	-	1,838.5	0.0	-
Dec.	1,372.7	0.0	-	1,182.0	0.0	-

- Only America West had a decrease in the passenger load factor, which for the group rose 1.8 percentage points to 73.9 percent. RPM traffic growth, up 4.6 percent, more than doubled the 2.1 percent increase in ASM capacity.
- Passenger (RPM) yield was relatively unchanged, climbing 0.1 percent to 12.89 cents. Yields for six of the ten passenger majors were up from a year ago.
- Industry financial results for the Pacific entity, reflecting in part the economic slowdown in Asia, continue to impact negatively overall system results. Pacific operating profit tumbled \$195.8 million to a loss of \$129.1 million, and net results dropped \$94.5 million to a loss of \$86.6 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	1,863.8	2,408.3	544.6	1,074.4	1,419.7	345.3	105.2	109.4	4.0	147.8	148.6	0.5	73.6%
Int'l	524.7	324.8	-199.9	275.5	186.4	-89.1	39.5	42.0	6.1	52.8	56.3	6.7	74.5%
Atlantic	351.3	401.2	49.9	206.8	241.0	34.2	18.0	20.1	11.8	21.6	24.1	11.6	83.6%
Latin	106.7	52.7	-54.0	60.8	32.0	-28.8	6.6	7.9	18.9	10.6	13.0	22.6	60.6%
Pacific	66.7	-129.1	-195.8	7.9	-86.6	-94.5	14.9	14.0	-6.3	20.6	19.3	-6.6	72.6%
System	2,388.4	2,733.1	344.7	1,349.9	1,606.1	256.2	144.7	151.3	4.6	200.6	204.9	2.1	73.9%

- Total fuel expenses dropped 15.9 percent (\$361.4 million) despite a 0.6 percent increase in consumption as unit fuel prices dropped 16.3 percent.
- Interest expense declined \$24.2 million to \$346.3 million.
- The operating profit margin rose 1.1 percentage points to 12.4 percent.

12-MONTH RESULTS

- Except for a deterioration in operating results reported by Northwest, and a net loss reported by Trans World, all majors reported an operating and net profit for the 12-months ended June 1998, and all 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 \$1.66 billion to \$8.1 billion, as operating revenues rose 4.3 percent and operating expense grew a slower 2.5 percent.
- Net results jumped \$2.15 billion to \$5.41 billion.
- The passenger load factor increased 0.5 percentage points to 71 percent.
- Passenger (RPM) yield rose 0.8 percent to 12.95 cents.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	22,003.1	21,121.8	84,634.4	83,753.1	83,459.5	82,085.5	81,134.7
2	Operating Expenses	19,270.0	18,733.4	76,539.2	76,002.5	75,939.7	75,368.6	74,696.1
3	Operating Profit (Loss)	2,733.1	2,388.4	8,095.2	7,750.6	7,519.8	6,717.0	6,438.6
4	Net Income (Loss)	1,606.1	1,349.9	5,406.7	5,150.5	5,011.2	3,953.8	3,261.7
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	151.32	144.68	577.84	571.21	570.00	565.03	558.81
6	ASMs - Scheduled Rev. Svc.	204.89	200.59	813.45	809.14	804.79	799.05	792.95
7	Overall RTMs (All Svc.)	17.78	17.11	68.73	68.06	67.74	66.96	66.08
8	Overall ATMs (All Svc.)	29.74	28.79	117.72	116.76	115.75	114.55	113.54
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	123.8	123.4	123.1	123.1	123.2	122.6	122.8
10	Operating Expense per RTM	108.4	109.5	111.4	111.7	112.1	112.6	113.0
11	Operating Profit (Loss) per RTM	15.4	14.0	11.8	11.4	11.1	10.0	9.7
12	Operating Expense per ATM	64.8	65.1	65.0	65.1	65.6	65.8	65.8
13	Passenger Revenue per RPM	12.89	12.90	12.95	12.95	12.94	12.83	12.85
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.10	2.19	2.28	2.33	2.36
15	Times Interest Earned	*	*	7.36	6.85	6.37	5.54	4.64
16	Current Assets to Current Liabilities	*	*	0.76	0.74	0.74	0.72	0.68
17	No. of Days Cash Coverage of Cash Ex	*	*	51.04	46.27	45.48	50.81	40.28
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	12.4	11.3	9.6	9.3	9.0	8.2	7.9
19	Net Income to Stockholders Equity	*	*	24.7	25.2	26.3	22.2	19.6
20	Corporate Return on Investment	*	*	16.6	16.8	17.4	15.2	13.8
21	Debt to Total Investment	*	*	44.8	44.6	44.8	45.6	48.2
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	73.9	72.1	71.0	70.6	70.8	70.7	70.5
23	Breakeven	65.2	64.3	65.0	64.9	65.3	65.9	65.9
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	394,782	378,975	387,408	383,455	380,858	378,289	375,209
25	Overall RTM's per Employee (000)	45.0	45.2	177.4	177.5	177.9	177.0	176.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.2	4.1	4.3	4.3	6.3	6.1	6.5
27	Operating Expenses (%)	2.9	3.8	2.5	2.7	3.7	4.3	5.0
28	Operating Profit (Loss) (in Millions \$)	344.7	144.8	1,656.6	1,456.8	2,254.6	1,661.3	1,374.7
29	Net Income (Loss)(in Millions \$)	256.2	67.7	2,145.0	1,956.5	2,580.7	1,655.9	1,014.0
30	RPMs (Sch. Svc.) (%)	4.6	4.4	3.4	3.4	4.8	5.8	6.4
31	ASMs (Sch. Svc.) (%)	2.1	3.3	2.6	2.9	3.3	3.7	3.7
32	Operating Revenues per RTM (%)	0.3	-0.9	0.2	0.1	0.8	0.1	0.2
33	Operating Expense per RTM (%)	-1.0	-1.1	-1.4	-1.5	-1.7	-1.7	-1.2
34	Passenger Revenue per RPM (Sch. Sv	-0.1	-1.6	0.8	0.4	0.8	-0.4	-0.2

QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	16,821.1	15,953.7	63,971.6	63,104.3	62,820.6	61,739.6	61,146.7
2	Operating Expenses	14,412.7	14,089.9	57,339.7	57,011.5	57,002.5	56,574.5	56,155.2
3	Operating Profit (Loss)	2,408.3	1,863.8	6,631.9	6,092.7	5,818.1	5,165.1	4,991.5
4	Net Income (Loss)	1,419.7	1,074.4	4,487.5	4,147.5	3,983.8	3,059.0	2,578.7
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	109.36	105.16	416.59	412.39	412.36	409.41	405.16
6	ASMs - Scheduled Rev. Svc.	148.61	147.83	594.19	593.40	592.21	589.56	585.47
7	Overall RTMs (All Svc.)	12.00	11.63	46.13	45.76	45.73	45.40	44.92
8	Overall ATMs (All Svc.)	19.86	19.73	79.47	79.35	79.14	78.74	78.26
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	140.2	137.2	138.7	137.9	137.4	136.0	136.1
10	Operating Expense per RTM	120.1	121.2	124.3	124.6	124.7	124.6	125.0
11	Operating Profit (Loss) per RTM	20.1	16.0	14.4	13.3	12.7	11.4	11.1
12	Operating Expense per ATM	72.6	71.4	72.1	71.9	72.0	71.8	71.8
13	Passenger Revenue per RPM	13.85	13.61	13.79	13.73	13.68	13.53	13.57
<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 Ex	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	14.3	11.7	10.4	9.7	9.3	8.4	8.2
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	18.2	18.0	18.4	15.7	14.5
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	73.6	71.1	70.1	69.5	69.6	69.4	69.2
23	Breakeven	63.2	63.5	63.5	63.6	64.1	64.7	64.7
<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 (%)	5.4	3.4	4.6	4.1	6.2	6.0	7.0
27	Operating Expenses (%)	2.3	4.9	2.1	2.7	4.3	5.1	6.4
28	Operating Profit (Loss) (in Millions \$)	544.5	-132.9	1,640.4	968.3	1,329.1	787.3	625.2
29	Net Income (Loss)(in Millions \$)	345.3	-63.7	1,908.8	1,505.1	1,851.0	1,018.7	605.1
30	RPMs (Sch. Svc.) (%)	4.0	4.4	2.8	2.9	4.6	5.8	7.0
31	ASMs (Sch. Svc.) (%)	0.5	2.9	1.5	2.1	3.0	3.6	3.8
32	Operating Revenues per RTM (%)	2.2	-0.7	1.9	1.2	1.8	0.6	0.6
33	Operating Expense per RTM (%)	-0.9	0.7	-0.6	-0.2	-0.1	-0.4	0.1
34	Passenger Revenue per RPM (Sch. Sv	1.8	-2.6	1.6	0.5	0.8	-0.6	-0.1

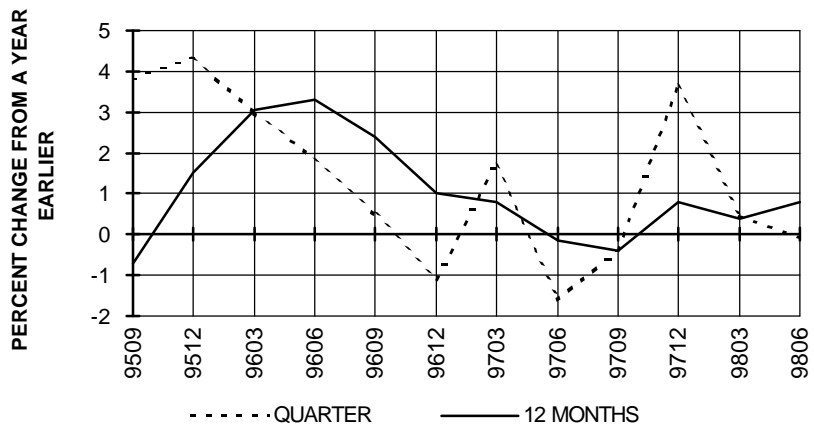
**QUARTERLY FINANCIAL & TRAFFIC REVIEW
INTERNATIONAL OPERATIONS
TOTAL PASSENGER MAJORS**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	5,182.1	5,168.1	20,662.8	20,648.9	20,639.0	20,346.0	19,988.1
2	Operating Expenses	4,857.3	4,643.5	19,199.5	18,991.0	18,937.3	18,794.1	18,540.9
3	Operating Profit (Loss)	324.8	524.7	1,463.3	1,657.9	1,701.7	1,551.9	1,447.2
4	Net Income (Loss)	186.4	275.5	919.2	1,003.0	1,027.4	894.8	683.0
TRAFFIC: (Billions)								
5	RPMs - Scheduled Rev. Svc.	41.95	39.52	161.25	158.82	157.63	155.62	153.66
6	ASMs - Scheduled Rev. Svc.	56.28	52.76	219.26	215.74	212.57	209.49	207.48
7	Overall RTMs (All Svc.)	5.78	5.48	22.60	22.30	22.01	21.56	21.15
8	Overall ATMs (All Svc.)	9.88	9.06	38.24	37.41	36.61	35.81	35.28
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	89.6	94.3	91.4	92.6	93.8	94.4	94.5
10	Operating Expense per RTM	84.0	84.7	84.9	85.1	86.0	87.2	87.6
11	Operating Profit (Loss) per RTM	5.6	9.6	6.5	7.4	7.7	7.2	6.8
12	Operating Expense per ATM	49.1	51.3	50.2	50.8	51.7	52.5	52.6
13	Passenger Revenue per RPM	10.40	11.03	10.77	10.93	11.01	11.00	10.94
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 Ex	*	*	**	**	**	**	**
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	6.3	10.2	7.1	8.0	8.2	7.6	7.2
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	11.8	13.3	14.4	13.7	11.7
21	Debt to Total Investment	*	*	**	**	**	**	**
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	74.5	74.9	73.5	73.6	74.2	74.3	74.1
23	Breakeven	71.8	66.7	69.8	68.6	68.7	69.1	69.2
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

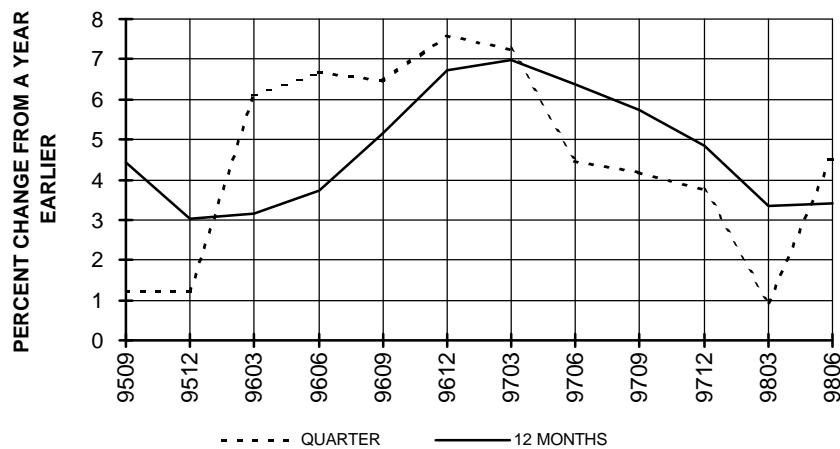
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.3	6.5	3.4	5.0	6.6	6.5	4.9
27	Operating Expenses (%)	4.6	0.9	3.6	2.6	1.9	2.0	1.0
28	Operating Profit (Loss) (in Millions \$)	-199.9	277.7	16.1	488.4	925.4	874.0	749.6
29	Net Income (Loss)(in Millions \$)	-89.1	131.4	236.2	451.5	729.7	637.2	408.9
30	RPMs (Sch. Svc.) (%)	6.1	4.6	4.9	4.5	5.4	5.6	4.8
31	ASMs (Sch. Svc.) (%)	6.7	4.4	5.7	5.1	4.4	3.8	3.4
32	Operating Revenues per RTM (%)	-5.0	-0.3	-3.3	-2.1	-1.0	-0.9	-1.2
33	Operating Expense per RTM (%)	-0.8	-5.7	-3.1	-4.4	-5.4	-5.0	-4.9
34	Passenger Revenue per RPM (Sch. Sv	-5.7	1.9	-1.6	0.4	0.9	0.4	-0.6

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

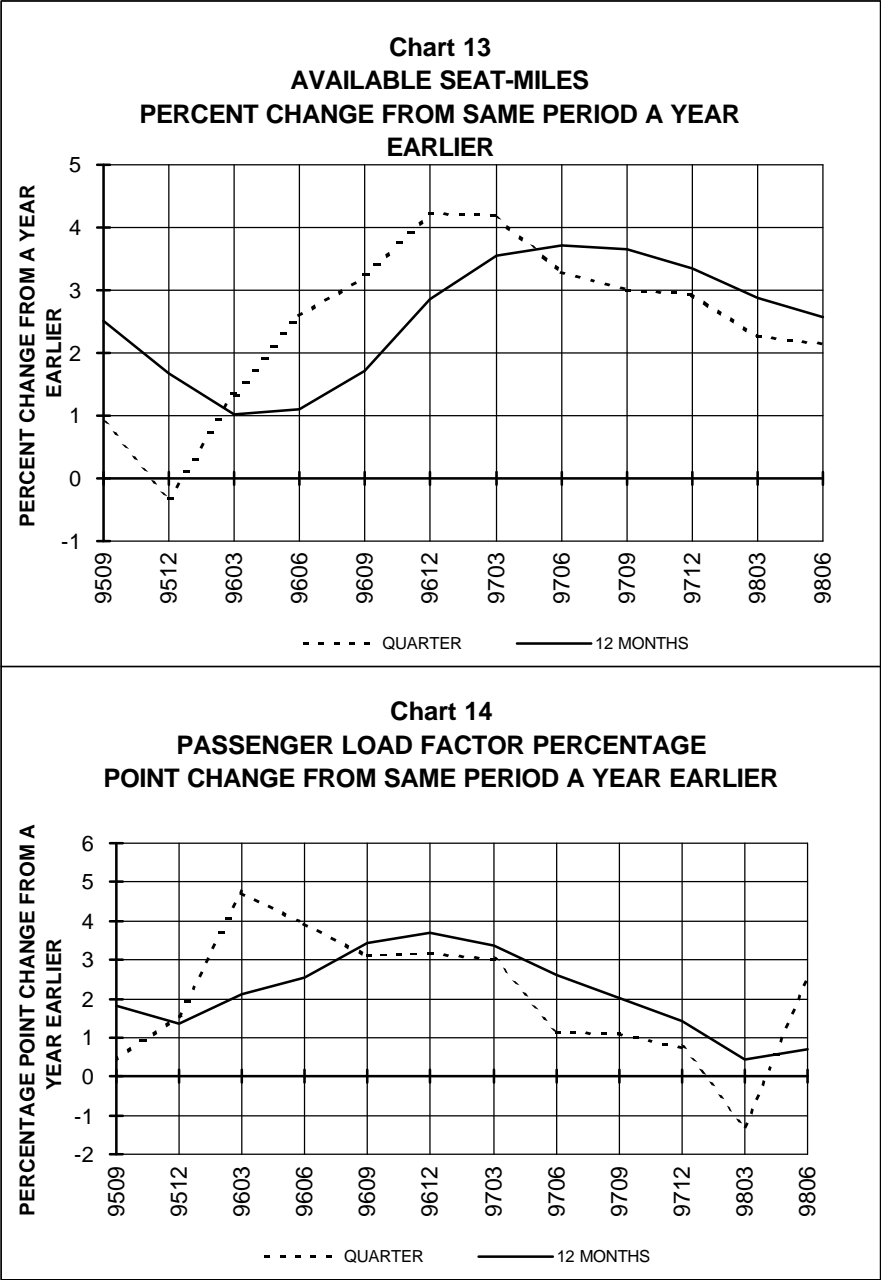
**Chart 11
PASSENGER REVENUES PER REVENUE PASSENGER-
MILE
PERCENT CHANGE FROM SAME PERIOD A YEAR
EARLIER**



**Chart 12
REVENUE PASSENGER-MILES
PERCENT CHANGE FROM SAME PERIOD A YEAR
EARLIER**

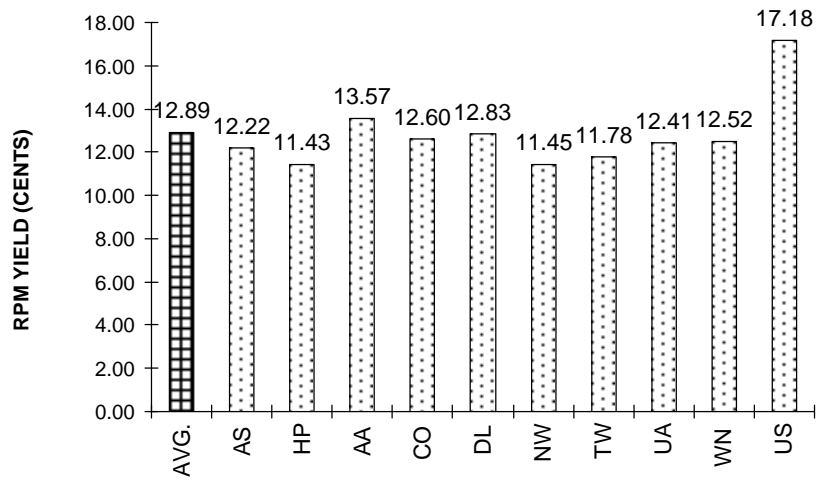


TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)

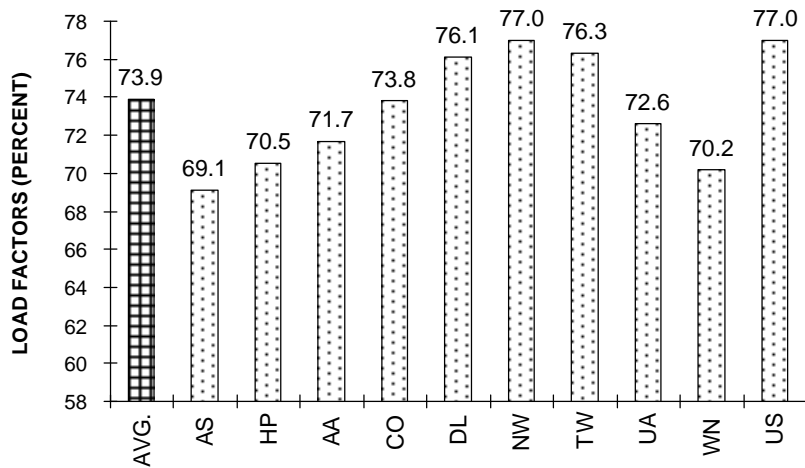


TOTAL PASSENGER MAJORS (SYSTEM) SECOND QUARTER 1998 (SCH. SVC.)

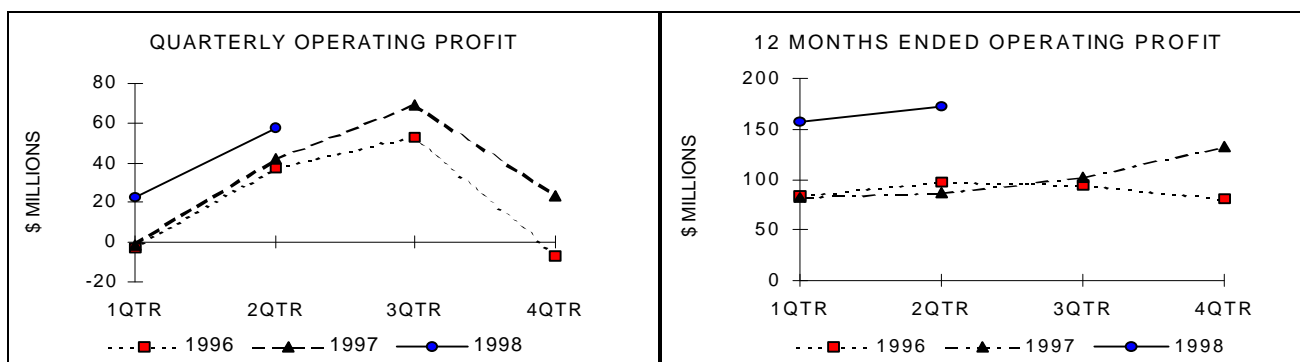
**Chart 15
PASSENGER (RPM) YIELD**



**Chart 16
PASSENGER LOAD FACTOR**



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



QUARTERLY RESULTS

- Alaska reported its highest second quarter operating and net profit in carrier history.
- Operating revenues, up 10.1 percent, grew faster than operating expenses, up 6.6 percent, causing operating profit to gain \$15.7 million to a profit of \$57.9 million.
- Net income rose \$13.1 million to \$36.6 million.
- Latin operations produced all-time carrier highs in both operating profit, up \$1.6 million to \$4.3 million, and net income, up \$1.2 million to \$2.7 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	39.5	53.6	14.1	22.0	33.9	11.9	2.4	2.6	9.6	3.6	3.9	8.7	68.4%
Int'l	2.6	4.3	1.6	1.5	2.7	1.2	0.2	0.2	12.8	0.3	0.3	12.0	78.2%
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	2.6	4.3	1.6	1.5	2.7	1.2	0.2	0.2	12.8	0.3	0.3	12.0	78.2%
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	42.2	57.9	15.7	23.5	36.6	13.1	2.6	2.9	9.9	3.8	4.2	8.9	69.1%

- RPM traffic, up 9.9 percent, grew faster than ASM capacity, up 8.9 percent, causing the passenger load factor to rise 0.6 percentage points to 69.1 percent.
- RTM yield was up only 0.6 percent, but profitability was enhanced as RTM unit costs declined 2.6 percent.
- Total fuel expense fell 18.9 percent (\$7.8 million) accounting for 9.7 percent of total operating expenses, down from 12.7 percent a year ago.
- Interest expense dipped \$1.9 million to a passenger major group low of \$4.4 million.
- Passenger (RPM) yield rose 1.2 percent to 12.22 cents.

12-MONTH RESULTS

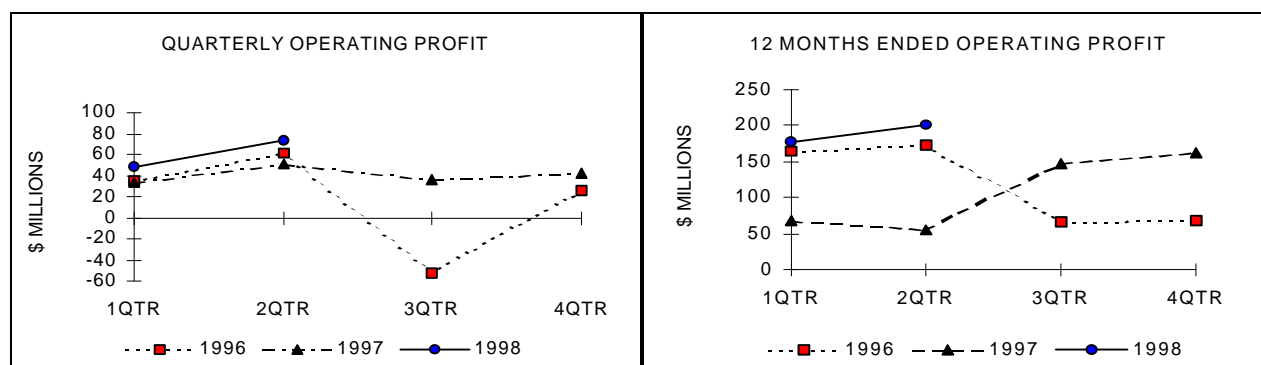
- Operating profit nearly doubled over a year ago, jumping \$85.5 million to \$172.7 million. Operating revenues rose 12.1 percent, nearly doubling the 6.2 percent increase in operating expenses.
- Net income improved \$52.6 million to \$105.8 million, a new all-time carrier high for any 12-month ended period.
- ASMs, up 6.7 percent, grew slightly faster than RPMs, up 6 percent, causing the passenger load factor to dip 0.5 percentage points to 67.3 percent.
- Passenger (RPM) yield was up a strong 7.5 percent to 12.33 cents.
- Interest expense was a passenger group low \$21 million, down \$4.4 million from a year ago.
- The debt-to-investment ratio fell 10.1 percentage points to 30.7 percent, as equity improved and debt declined \$45.7 million to \$214.8 million.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	405.2	368.0	1,527.2	1,490.0	1,457.4	1,400.6	1,362.5
2	Operating Expenses	347.3	325.9	1,354.5	1,333.0	1,324.4	1,297.6	1,275.3
3	Operating Profit (Loss)	57.9	42.2	172.7	157.0	133.1	103.0	87.2
4	Net Income (Loss)	36.6	23.5	105.8	92.7	76.0	61.8	53.2
TRAFFIC: (Billions)								
5	RPMs - Scheduled Rev. Svc.	2.87	2.62	10.74	10.48	10.36	10.18	10.13
6	ASMs - Scheduled Rev. Svc.	4.16	3.82	15.95	15.61	15.39	15.04	14.95
7	Overall RTMs (All Svc.)	0.31	0.28	1.15	1.13	1.12	1.10	1.09
8	Overall ATMs (All Svc.)	0.55	0.50	2.09	2.05	2.02	1.98	1.96
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	130.8	130.0	132.3	132.2	130.7	127.9	124.8
10	Operating Expense per RTM	112.1	115.1	117.4	118.2	118.8	118.4	116.8
11	Operating Profit (Loss) per RTM	18.7	14.9	15.0	13.9	11.9	9.4	8.0
12	Operating Expense per ATM	63.6	65.0	64.7	65.0	65.5	65.7	64.9
13	Passenger Revenue per RPM	12.22	12.07	12.33	12.30	12.12	11.79	11.47
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	2.26	2.28	2.29	2.23	2.19
15	Times Interest Earned	*	*	11.08	8.83	6.83	5.51	4.61
16	Current Assets to Current Liabilities	*	*	0.87	0.76	0.72	0.82	0.75
17	No. of Days Cash Coverage of Cash Ex	*	*	98.7	71.8	61.2	56.3	38.5
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	14.3	11.5	11.3	10.5	9.1	7.4	6.4
19	Net Income to Stockholders Equity	*	*	24.5	22.8	19.6	16.6	15.0
20	Corporate Return on Investment	*	*	18.3	17.2	15.4	13.4	12.4
21	Debt to Total Investment	*	*	30.7	34.7	36.0	37.8	40.8
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	69.1	68.5	67.3	67.1	67.3	67.7	67.8
23	Breakeven	60.6	62.6	61.3	61.8	63.3	65.6	66.5
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	7,860	7,395	7,614	7,498	7,437	7,357	7,226
25	Overall RTM's per Employee (000)	39.4	38.3	151.6	150.3	150.0	148.9	151.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	10.1	7.6	12.1	11.5	11.5	8.6	8.8
27	Operating Expenses (%)	6.6	7.0	6.2	6.3	8.0	8.6	10.4
28	Operating Profit (Loss) (in Millions \$)	15.7	4.8	85.5	74.5	52.4	8.5	-10.1
29	Net Income (Loss)(in Millions \$)	13.1	4.5	52.6	44.0	30.4	15.7	10.3
30	RPMs (Sch. Svc.) (%)	9.9	4.8	6.0	4.7	5.8	6.0	9.7
31	ASMs (Sch. Svc.) (%)	8.9	0.7	6.7	4.6	3.8	2.2	3.5
32	Operating Revenues per RTM (%)	0.6	3.1	6.0	6.8	5.9	3.2	0.1
33	Operating Expense per RTM (%)	-2.6	2.5	0.5	1.8	2.6	3.0	1.6
34	Passenger Revenue per RPM (Sch. Sv	1.2	3.1	7.5	8.2	7.4	4.1	1.1

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



QUARTERLY RESULTS

- America West reported an all-time carrier record in both operating and net profit.
- Operating revenues, up 8.7 percent, grew nearly twice as fast as operating expenses, up 4.4 percent, boosting operating profit by \$23.2 million to \$73.6 million.
- Net income was up \$17.2 million to \$40.2 million.
- All of the system operating and net profits, and most of the gains, arose from domestic operations. Latin operating and net results have been unprofitable since June 1995, but were slightly improved from a year ago.

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	53.8	74.8	21.0	26.6	41.4	14.8	4.0	4.2	3.6	5.6	5.9	4.7	71.1%
Int'l	-3.3	-1.0	2.2	-3.6	-1.2	2.4	0.1	0.1	-0.3	0.2	0.2	-8.5	52.6%
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	-3.3	-1.0	2.2	-3.6	-1.2	2.4	0.1	0.1	-0.3	0.2	0.2	-8.5	52.6%
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	50.6	73.8	23.2	23.0	40.2	17.2	4.1	4.3	3.5	5.8	6.1	4.2	70.5%

- RPM traffic rose 3.5 percent, but ASM capacity increased 4.2 percent, causing the passenger load factor to decline 0.6 percentage points, the only decline among the majors, to 70.5 percent.
- Passenger (RPM) yield jumped a major group high 5.7 percent, but was still a major group low 11.43 cents.
- Interest expense was down \$2.9 million to a passenger group low \$9.2 million. (Note: UPS, an all-cargo carrier, had no interest expense.)
- Total fuel expense dropped 19.7 percent (\$11 million) despite a 3.9 percent increase in consumption as unit prices fell 22.7 percent.

12-MONTH RESULTS

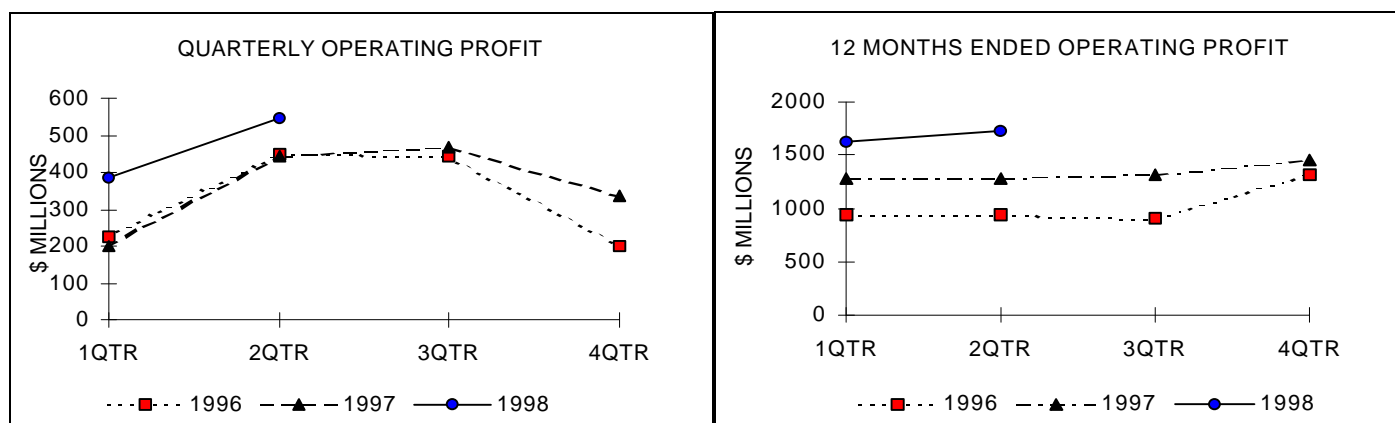
- For the fourth consecutive quarter-ended 12-month period, America West reported strong improvement in both operating and net profits.
- Operating profit gained \$143.8 million to \$200.1 million, as operating revenue grew 6.8 percent and operating expenses declined 1.2 percent.
- Net income improved \$99.7 million to \$103 million.
- Interest expense decreased \$12.5 million to \$35.4 million.
- RPMs were down 0.5 percent as ASMs rose 4.2 percent, producing a 3.2 percentage point decline in the passenger load factor to 67.2 percent.
- Passenger (RPM) yield was up a major group high 7.6 percent to 11.29 cents.
- Total debt was reduced \$45.7 million to \$274.46 million (only Alaska and DHL had less debt). This, coupled with rising equity, caused the debt-to-investment ratio to fall 9.5 percentage points to 27 percent.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
AMERICA WEST AIRLINES

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	522.9	480.9	1,938.4	1,896.3	1,887.1	1,854.5	1,814.9
2	Operating Expenses	449.2	430.3	1,738.2	1,719.4	1,724.6	1,708.0	1,758.6
3	Operating Profit (Loss)	73.8	50.6	200.1	176.9	162.6	146.4	56.3
4	Net Income (Loss)	40.2	23.0	103.0	85.8	75.3	66.9	3.3
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	4.28	4.14	15.97	15.83	16.17	16.28	16.05
6	ASMs - Scheduled Rev. Svc.	6.07	5.82	23.77	23.53	23.46	23.27	22.82
7	Overall RTMs (All Svc.)	0.46	0.44	1.71	1.70	1.74	1.75	1.72
8	Overall ATMs (All Svc.)	0.76	0.73	2.99	2.96	2.95	2.93	2.88
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	114.8	108.6	113.1	111.5	108.7	106.1	105.4
10	Operating Expense per RTM	98.6	97.2	101.4	101.1	99.3	97.7	102.2
11	Operating Profit (Loss) per RTM	16.2	11.4	11.7	10.4	9.4	8.4	3.3
12	Operating Expense per ATM	58.8	58.7	58.1	58.0	58.4	58.3	61.1
13	Passenger Revenue per RPM	11.43	10.81	11.29	11.13	10.84	10.57	10.49
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.94	1.90	1.89	1.86	1.80
15	Times Interest Earned	*	*	6.67	5.30	4.60	3.89	1.51
16	Current Assets to Current Liabilities	*	*	0.70	0.68	0.67	0.68	0.62
17	No. of Days Cash Coverage of Cash Ex	*	*	50.2	39.2	37.9	34.8	32.0
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	14.1	10.5	10.3	9.3	8.6	7.9	3.1
19	Net Income to Stockholders Equity	*	*	15.0	12.9	11.6	10.6	0.5
20	Corporate Return on Investment	*	*	13.6	12.3	11.4	10.9	5.0
21	Debt to Total Investment	*	*	27.0	28.9	32.3	31.8	36.5
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	70.5	71.1	67.2	67.3	68.9	70.0	70.4
23	Breakeven	60.4	63.9	60.6	61.5	63.5	65.1	69.5
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	8,716	9,046	8,761	8,843	8,897	8,802	8,600
25	Overall RTM's per Employee (000)	52.3	49.0	195.6	192.4	195.1	198.5	200.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	8.7	3.0	6.8	5.3	7.7	8.6	7.1
27	Operating Expenses (%)	4.4	6.4	-1.2	-0.8	2.5	4.0	15.6
28	Operating Profit (Loss) (in Millions \$)	23.2	-11.5	143.8	109.1	93.9	80.4	-117.0
29	Net Income (Loss)(in Millions \$)	17.2	-5.4	99.7	77.1	66.8	64.5	-66.5
30	RPMs (Sch. Svc.) (%)	3.5	7.8	-0.5	0.5	5.9	11.7	13.3
31	ASMs (Sch. Svc.) (%)	4.2	9.7	4.2	5.5	9.3	12.8	13.5
32	Operating Revenues per RTM (%)	5.7	-4.7	7.3	4.5	1.6	-2.9	-5.5
33	Operating Expense per RTM (%)	1.4	-1.6	-0.8	-1.6	-3.4	-7.0	2.1
34	Passenger Revenue per RPM (Sch. Sv	5.7	-4.9	7.6	4.8	1.9	-2.7	-5.4

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



QUARTERLY RESULTS

- American reported all-time carrier records in both operating profit and net income.
- Operating revenue grew 4.1 percent, much faster than the 1.8 percent increase in operating expense, resulting in operating profit rising \$101.9 million to \$545.9 million.
- Net income advanced \$104.5 million, the largest improvement among all majors, to \$330.9 million.
- All entities reported an operating and net profit for the second quarter, but the domestic entity provided all of the improvements in system operating and 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	265.5	438.7	173.3	135.3	265.9	130.6	19.1	19.2	0.9	27.2	26.6	-2.2	72.2%
Int'l	178.6	107.2	-71.4	91.0	65.0	-26.1	8.2	8.7	5.2	11.5	12.3	7.2	70.4%
Atlantic	92.1	75.8	-16.3	47.0	45.9	-1.0	4.0	3.9	-1.2	4.8	4.7	-1.7	83.9%
Latin	68.3	25.8	-42.4	34.8	15.7	-19.1	3.8	4.2	11.0	6.1	6.8	12.0	61.6%
Pacific	18.1	5.5	-12.6	9.3	3.3	-5.9	0.5	0.6	11.7	0.7	0.8	26.9	66.0%
System	444.0	545.9	101.9	226.4	330.9	104.5	27.3	27.9	2.2	38.7	38.9	0.6	71.7%

- Passenger (RPM) yield rose 1.8 percent to 13.57 cents.
- The passenger load factor increased 1.2 percentage points to 71.7 percent, as RPMs were up 2.2 percent and ASMs rose a lesser 0.6 percent.
- Interest expense dropped \$27 million to \$20.7 million, the largest decline among all majors.
- Total fuel expense fell \$63.7 million, the largest decline among all majors, due solely to the sharp 16.8 percent decline in unit fuel prices as fuel consumption rose 1.9 percent from a year ago.
- American cut its total debt a group high \$212.4 million to \$2.34 billion. This, coupled with large gains in equity, caused the debt-to-investment ratio to drop 6.2 percentage points to 28.4 percent.

12-MONTH RESULTS

- Operating revenue growth, up 5.5 percent, outpaced the 2.8 percent increase in operating expenses, causing operating profit to improve \$447.6 million to \$1.73 billion.
- Net income gained \$437.1 million to \$1.02 billion, the first time net results for the carrier have exceeded \$1 billion in any 12 month ended period.
- The passenger load factor climbed 0.6 percentage points to 69.8 percent as RPM traffic rose 1.6 percent and ASM capacity rose a slower 0.8 percent.
- Passenger (RPM) yield growth continues to accelerate, up 4 percent to 13.60 cents.
- Interest expense declined by more than half, down a group high \$116.4 million to \$79.8 million.

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

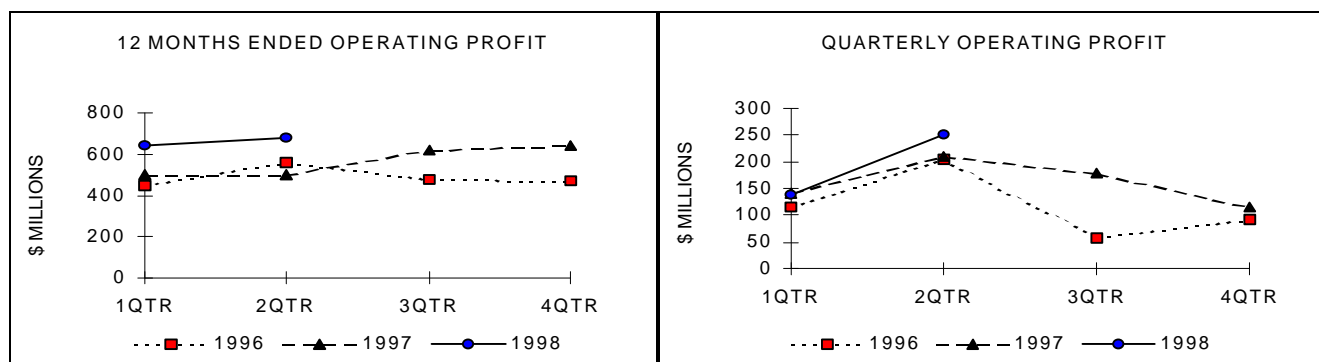
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	4,192.8	4,028.1	16,229.8	16,065.1	15,855.8	15,598.3	15,390.8
2	Operating Expenses	3,646.9	3,584.0	14,495.7	14,432.8	14,408.8	14,286.4	14,104.3
3	Operating Profit (Loss)	545.9	444.0	1,734.1	1,632.3	1,447.0	1,311.8	1,286.5
4	Net Income (Loss)	330.9	226.4	1,018.0	913.4	766.5	639.7	580.9
TRAFFIC: (Billions)								
5	RPMS - Scheduled Rev. Svc.	27.91	27.30	107.64	107.03	106.94	106.61	105.92
6	ASMs - Scheduled Rev. Svc.	38.94	38.70	154.19	153.95	153.75	153.21	152.97
7	Overall RTMs (All Svc.)	3.30	3.26	12.82	12.78	12.75	12.72	12.63
8	Overall ATMs (All Svc.)	5.91	5.89	23.44	23.42	23.47	23.47	23.52
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	126.9	123.7	126.6	125.7	124.4	122.7	121.9
10	Operating Expense per RTM	110.4	110.0	113.0	113.0	113.0	112.3	111.7
11	Operating Profit (Loss) per RTM	16.5	13.6	13.5	12.8	11.3	10.3	10.2
12	Operating Expense per ATM	61.7	60.8	61.9	61.6	61.4	60.9	60.0
13	Passenger Revenue per RPM	13.57	13.33	13.60	13.54	13.36	13.16	13.08
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	2.08	2.12	2.13	2.10	2.03
15	Times Interest Earned	*	*	21.02	11.67	7.64	5.51	4.48
16	Current Assets to Current Liabilities	*	*	0.80	0.78	0.74	0.75	0.68
17	No. of Days Cash Coverage of Cash Ex	*	*	48.5	47.2	49.1	64.0	46.6
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	13.0	11.0	10.7	10.2	9.1	8.4	8.4
19	Net Income to Stockholders Equity	*	*	19.0	17.9	15.7	13.6	12.9
20	Corporate Return on Investment	*	*	14.1	13.9	12.8	11.8	11.4
21	Debt to Total Investment	*	*	28.4	29.8	31.5	32.7	34.6
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	71.7	70.5	69.8	69.5	69.6	69.6	69.2
23	Breakeven	62.8	63.5	63.1	63.3	64.3	64.9	64.8
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	73,620	72,974	73,966	73,804	73,452	73,135	72,685
25	Overall RTM's per Employee (000)	44.9	44.6	173.4	173.1	173.6	173.9	173.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.1	3.7	5.5	5.4	4.8	2.1	-0.5
27	Operating Expenses (%)	1.8	4.3	2.8	3.4	4.3	-0.6	-3.0
28	Operating Profit (Loss) (in Millions \$)	101.9	-3.4	447.6	342.4	131.5	414.2	353.8
29	Net Income (Loss)(in Millions \$)	104.5	13.7	437.1	346.1	204.8	403.2	339.6
30	RPMS (Sch. Svc.) (%)	2.2	2.6	1.6	1.7	2.3	2.4	1.7
31	ASMs (Sch. Svc.) (%)	0.6	0.9	0.8	0.9	0.7	-0.3	-1.2
32	Operating Revenues per RTM (%)	2.6	1.5	3.9	3.5	2.9	0.2	-1.6
33	Operating Expense per RTM (%)	0.4	1.9	1.2	1.7	2.4	-2.5	-4.0
34	Passenger Revenue per RPM (Sch. Sv	1.8	1.1	4.0	3.8	2.5	0.8	0.2

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

CONTINENTAL AIR LINES 1/



QUARTERLY RESULTS

- Operating revenues, up 15.7 percent, grew slightly faster than operating expenses, up 15.3 percent, producing a \$40 million gain in operating profit to \$250.4 million.
- Net income rose \$35.9 million to \$156.4 million.
- The improvement in system operating and net results arose mostly from strong gains in Atlantic operations, although Latin operating profit and Pacific net income had small year-over-year increases.

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	163.8	163.0	-0.7	80.2	71.9	-8.3	8.5	9.3	10.0	11.7	12.5	7.5	74.3%
Int'l	46.7	87.3	40.6	40.3	84.5	44.2	3.5	4.6	30.4	4.9	6.3	28.6	72.8%
Atlantic	38.1	79.3	41.1	35.8	80.2	44.5	1.6	2.3	40.4	2.0	2.7	39.1	83.9%
Latin	11.6	11.9	0.3	11.5	10.6	-1.0	0.8	1.3	62.0	1.3	2.2	65.8	61.2%
Pacific 1/	-3.0	-3.8	-0.8	-7.0	-6.3	0.7	1.1	1.0	-9.2	1.6	1.4	-14.0	69.4%
System	210.4	250.4	39.9	120.5	156.4	35.9	12.0	13.9	16.0	16.6	18.9	13.8	73.8%

- RPM traffic jumped a major group high 16 percent, exceeding the 13.8 percent increase in ASM capacity (also a major group high), raising the passenger load factor 1.4 percentage points to 73.8 percent.
- Total fuel expense declined 11.9 percent (\$24.2 million), the smallest percentage decrease among the passenger majors, as the 23 percent drop in unit fuel prices was somewhat offset by the 14.5 percent jump in fuel consumption.
- Although RTM yield declined 1.4 percent, profitability was enhanced as RTM unit costs slid 1.7 percent.
- Passenger (RPM) yield decreased 1.5 percent to 12.60 cents.

12-MONTH RESULTS

- Operating profit advanced \$180 million to \$682.4 million as operating revenues, up 14.1 percent, grew faster than operating expenses, up 12.3 percent.
- Net income improved \$130 million to \$399.3 million.
- RPM growth continues to accelerate, up 16.4 percent, as ASMs were up a lesser 13 percent, causing the passenger load factor to rise 2.1 percentage points to 71.4 percent.
- Passenger (RPM) yield declined from a year ago for the fifth consecutive quarter-ended 12-month period, down 1.9 percent to 12.73 cents, although the rate of decline slowed from prior periods.
- Total debt jumped \$650.5 million to \$2.55 billion, but a larger rise in equity pushed the debt-to-investment ratio down 0.7 percentage points to 66.6 percent.

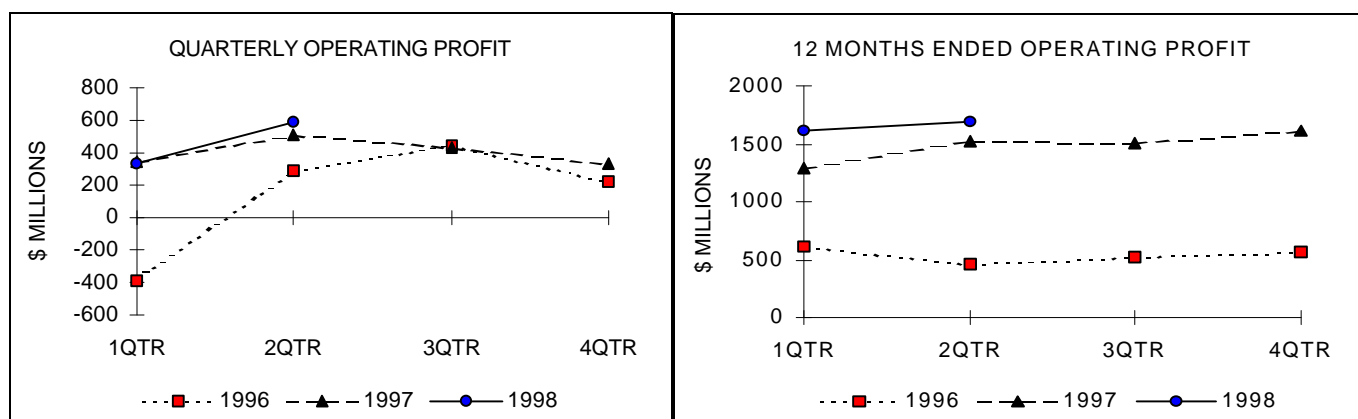
1/ Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which now reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively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

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
CONTINENTAL AIR LINES

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	2,024.7	1,749.7	7,540.5	7,265.5	7,089.9	6,814.7	6,609.9
2	Operating Expenses	1,774.3	1,539.3	6,858.0	6,623.0	6,444.0	6,192.4	6,107.5
3	Operating Profit (Loss)	250.4	210.4	682.4	642.5	645.9	622.3	502.4
4	Net Income (Loss)	156.4	120.5	399.3	363.4	364.8	350.9	269.3
TRAFFIC: (Billions)								
5	RPMs - Scheduled Rev. Svc.	13.93	12.01	51.85	49.92	48.52	46.55	44.53
6	ASMs - Scheduled Rev. Svc.	18.88	16.59	72.60	70.31	68.31	66.12	64.23
7	Overall RTMs (All Svc.)	1.62	1.38	6.08	5.84	5.64	5.39	5.15
8	Overall ATMs (All Svc.)	2.50	2.14	9.57	9.21	8.89	8.52	8.18
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	124.9	126.7	124.0	124.4	125.7	126.5	128.3
10	Operating Expense per RTM	109.5	111.4	112.8	113.4	114.3	115.0	118.6
11	Operating Profit (Loss) per RTM	15.4	15.2	11.2	11.0	11.5	11.6	9.8
12	Operating Expense per ATM	71.0	71.9	71.7	71.9	72.5	72.7	74.7
13	Passenger Revenue per RPM	12.60	12.79	12.73	12.78	12.85	12.84	12.98
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	2.40	2.49	2.56	2.62	2.67
15	Times Interest Earned	*	*	6.17	5.64	5.48	5.26	4.21
16	Current Assets to Current Liabilities	*	*	0.83	0.73	0.76	0.71	0.76
17	No. of Days Cash Coverage of Cash Ex	*	*	65.2	48.7	0.7	60.4	61.6
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	12.4	12.0	9.1	8.8	9.1	9.1	7.6
19	Net Income to Stockholders Equity	*	*	37.6	36.9	40.1	42.0	33.6
20	Corporate Return on Investment	*	*	16.7	16.8	17.9	18.5	16.3
21	Debt to Total Investment	*	*	66.6	65.3	64.9	67.1	67.3
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	73.8	72.4	71.4	71.0	71.0	70.4	69.3
23	Breakeven	65.1	63.1	65.8	65.4	65.2	64.7	64.8
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	31,293	27,835	30,043	29,178	28,429	27,735	27,198
25	Overall RTM's per Employee (000)	51.8	49.6	202.4	200.2	198.4	194.2	189.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	15.7	8.9	14.1	12.4	13.2	11.1	10.3
27	Operating Expenses (%)	15.3	9.9	12.3	11.0	11.2	9.4	12.5
28	Operating Profit (Loss) (in Millions \$)	40.0	4.3	180.0	144.4	173.9	145.6	-58.6
29	Net Income (Loss)(in Millions \$)	35.9	-55.5	130.0	38.5	17.5	-4.9	-191.2
30	RPMs (Sch. Svc.) (%)	16.0	14.1	16.4	16.0	15.8	13.4	9.9
31	ASMs (Sch. Svc.) (%)	13.8	9.4	13.0	12.0	11.0	9.5	7.8
32	Operating Revenues per RTM (%)	-1.4	-4.5	-3.4	-4.2	-2.8	-2.6	-0.2
33	Operating Expense per RTM (%)	-1.7	-3.6	-4.9	-5.4	-4.4	-3.9	1.9
34	Passenger Revenue per RPM (Sch. Sv	-1.5	-4.9	-1.9	-2.8	-1.9	-2.3	-0.2

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



QUARTERLY RESULTS

- For the quarter ended June 1998, Delta reported the highest operating and net profit among all majors. In addition, operating and net profit was the highest for any quarter in the carrier's history.
- Operating profit advanced \$78 million to \$594 million as operating revenues, up 5.2 percent, grew faster than operating expenses, up 3.6 percent.
- Net income was up \$60.6 million to \$361.8 million.
- The record quarterly performance was the result of domestic operations as all three international entities experienced declines in both operating and 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	372.6	468.9	96.3	212.8	282.9	70.1	20.0	20.6	2.6	27.5	27.3	-0.6	75.3%
Int'l	143.4	125.2	-18.2	88.4	78.9	-9.5	5.7	6.5	12.9	7.1	8.2	15.9	78.9%
Atlantic	119.3	108.3	-11.0	73.6	68.0	-5.6	4.7	5.3	11.8	5.7	6.3	11.5	83.3%
Latin	13.5	8.0	-5.5	8.3	5.1	-3.2	0.3	0.5	48.3	0.5	0.9	85.7	54.6%
Pacific	10.6	8.9	-1.7	6.4	5.7	-0.7	0.7	0.7	3.0	0.9	1.0	6.0	72.9%
System	516.0	594.0	78.1	301.2	361.8	60.6	25.8	27.0	4.9	34.5	35.5	2.8	76.1%

- The passenger load factor rose 1.5 percentage points to 76.1 percent as RPMs, up 4.9 percent, rose faster than ASMs, up 2.8 percent.
- Passenger (RPM) yield rose 1.8 percent to 12.83 cents.
- Operating profit benefited greatly from a sharp drop in total fuel expense, down \$52.8 million (13.3 percent) as unit fuel prices, down 16 percent, offset a 3.3 percent increase in fuel consumption.

12-MONTH RESULTS

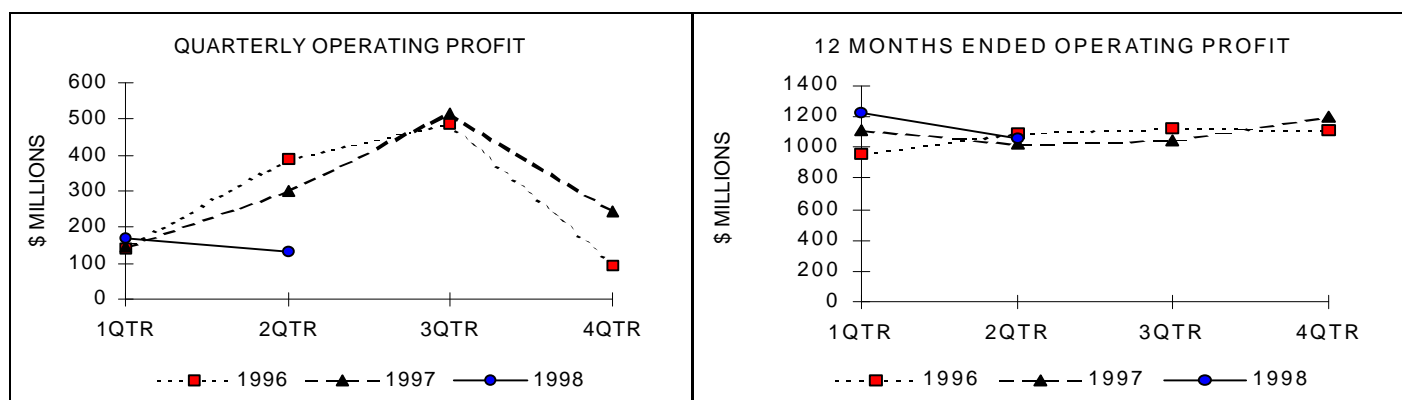
- Operating profit improved \$165.4 million to \$1.69 billion despite accelerating growth in operating expenses, up 1.8 percent, as operating revenues rose 2.8 percent.
- Net income rose \$146.2 million to \$1 billion, the first time in excess of \$1 billion for the carrier.
- The passenger load factor climbed 0.7 percentage points to 72.2 percent as RPM traffic rose 3.4 percent, and ASM capacity rose a lesser 2.4 percent.
- Passenger (RPM) yield, up 0.2 percent to 12.81 cents, rose over the same period a year ago for only the second time in the last eight quarter-ended 12-month periods.
- Interest expense fell \$18.2 million to \$180.2 million.
- The debt-to-investment ratio dropped 8.7 percentage points to 32.9 percent, as equity rose and total debt declined \$161.3 million to \$2 billion.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
DELTA AIR LINES

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	3,808.7	3,618.8	14,328.3	14,138.4	14,203.9	14,015.3	13,938.2
2	Operating Expenses	3,214.6	3,102.8	12,638.1	12,526.3	12,582.7	12,502.1	12,413.4
3	Operating Profit (Loss)	594.0	516.0	1,690.2	1,612.1	1,621.3	1,513.1	1,524.8
4	Net Income (Loss)	361.8	301.2	1,000.5	939.9	934.0	869.9	854.3
TRAFFIC: (Billions)								
5	RPMS - Scheduled Rev. Svc.	27.02	25.75	101.06	99.79	99.62	98.89	97.70
6	ASMs - Scheduled Rev. Svc.	35.48	34.53	140.00	139.04	138.70	138.00	136.70
7	Overall RTMs (All Svc.)	3.14	2.98	11.86	11.70	11.64	11.51	11.31
8	Overall ATMs (All Svc.)	5.09	4.83	19.89	19.63	19.46	19.25	18.98
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	121.4	121.4	120.8	120.8	122.0	121.8	123.3
10	Operating Expense per RTM	102.5	104.1	106.6	107.0	108.1	108.6	109.8
11	Operating Profit (Loss) per RTM	18.9	17.3	14.3	13.8	13.9	13.1	13.5
12	Operating Expense per ATM	63.2	64.2	63.5	63.8	64.7	64.9	65.4
13	Passenger Revenue per RPM	12.83	12.60	12.81	12.76	12.82	12.71	12.78
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	2.54	2.62	2.73	2.78	2.84
15	Times Interest Earned	*	*	11.55	10.47	9.94	9.19	8.90
16	Current Assets to Current Liabilities	*	*	0.78	0.77	0.74	0.78	0.74
17	No. of Days Cash Coverage of Cash Ex	*	*	49.5	45.4	40.9	50.7	36.1
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	15.6	14.3	11.8	11.4	11.4	10.8	10.9
19	Net Income to Stockholders Equity	*	*	28.1	28.6	30.7	30.6	31.7
20	Corporate Return on Investment	*	*	20.5	20.4	21.2	20.7	21.0
21	Debt to Total Investment	*	*	32.9	33.7	37.7	39.2	41.6
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	76.1	74.6	72.2	71.8	71.8	71.7	71.5
23	Breakeven	63.5	63.7	63.7	63.8	63.8	64.2	63.8
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	62,166	56,686	59,213	57,843	56,980	56,345	55,689
25	Overall RTM's per Employee (000)	50.5	52.6	200.3	202.3	204.4	204.3	203.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.2	5.0	2.8	2.7	6.7	7.3	8.8
27	Operating Expenses (%)	3.6	-1.7	1.8	0.5	-1.3	-0.4	0.5
28	Operating Profit (Loss) (in Millions \$)	78.0	225.0	165.4	312.3	1,050.2	997.4	1,066.0
29	Net Income (Loss)(in Millions \$)	60.6	139.8	146.2	225.3	685.0	676.2	698.4
30	RPMS (Sch. Svc.) (%)	4.9	6.6	3.4	3.8	6.1	8.4	10.2
31	ASMs (Sch. Svc.) (%)	2.8	3.1	2.4	2.5	3.8	4.8	4.6
32	Operating Revenues per RTM (%)	0.0	-2.9	-2.0	-2.7	-1.0	-2.2	-1.5
33	Operating Expense per RTM (%)	-1.5	-9.0	-2.9	-4.9	-8.4	-9.2	-9.0
34	Passenger Revenue per RPM (Sch. Sv	1.8	-2.7	0.2	-0.9	0.5	-1.6	-2.4

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



QUARTERLY RESULTS

- Northwest experienced the largest deteriorations among all majors in both operating and net results. Advance bookings declined towards the end of the quarter as passengers prepared for a threatened pilot strike, which began August 29, 1998. Company officials have indicated a work slowdown by employees resulted in the cancellation of many flights.
- This led to a sharp 4 percent drop in operating revenues, slicing operating profit by more than half, down \$168.3 million to \$131.4 million.
- Net income fell \$81.1 million to \$54.1 million.
- In addition to sharp declines in domestic operations, Pacific operations continued to feel the impact of the economic slowdown in Asia. Except for 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	284.5	185.9	-98.7	150.9	91.4	-59.5	10.3	10.2	-0.2	14.3	13.7	-4.6	75.0%
Int'l	15.2	-54.4	-69.6	-15.6	-37.2	-21.6	7.9	8.1	2.9	9.9	10.1	2.5	79.9%
Atlantic	38.9	62.9	24.0	23.3	35.0	11.7	1.9	2.3	22.3	2.1	2.7	28.0	85.3%
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	-23.7	-117.3	-93.6	-38.9	-72.2	-33.3	6.0	5.8	-3.2	7.8	7.5	-4.4	77.9%
System	299.7	131.4	-168.3	135.2	54.1	-81.1	18.1	18.3	1.1	24.2	23.8	-1.7	77.0%

- Total fuel expense declined 16.7 percent (\$52.3 million) as consumption dipped 0.9 percent and unit fuel prices decreased 15.9 percent.
- Interest expense rose \$9.2 million to \$57.9 million.
- RPMs rose a slow 1.1 percent, far below the overall group average of 4.6 percent, but ASMs were down 1.7 percent, causing the passenger load factor to gain 2.1 percentage points to 77 percent, a major group high (tied with US Airways).
- Passenger (RPM) yield fell 5.3 percent, the largest decline among the majors, to 11.45 cents.

12-MONTH RESULTS

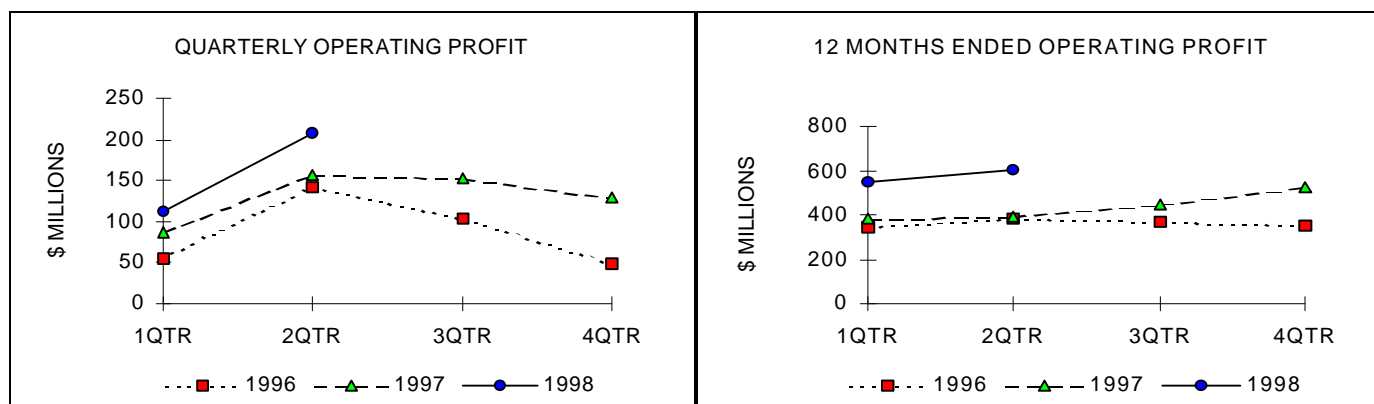
- Operating revenues rose a slight 0.4 percent, but operating expenses were virtually unchanged, causing operating profit to rise \$33.5 million to \$1.06 billion.
- Net income improved \$36.7 million to \$536.4 million.
- The passenger load factor rose 1 percentage point to a major group high 74.5 percent.
- Passenger (RPM) yield slid 3.6 percent to 11.89 cents, the fifth consecutive quarter-ended 12-month period of decline.
- Although down from a year ago, productivity (RTMs per employee) continued to be a passenger group high at 203.2.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
NORTHWEST AIRLINES

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	2,394.2	2,494.9	9,881.7	9,982.4	9,983.7	9,874.2	9,845.9
2	Operating Expenses	2,262.8	2,195.3	8,825.0	8,757.4	8,780.5	8,822.4	8,822.6
3	Operating Profit (Loss)	131.4	299.7	1,056.8	1,225.0	1,203.2	1,051.8	1,023.3
4	Net Income (Loss)	54.1	135.2	536.4	617.5	603.5	523.0	499.7
TRAFFIC: (Billions)								
5	RPMs - Scheduled Rev. Svc.	18.34	18.13	72.41	72.20	72.00	70.93	70.22
6	ASMs - Scheduled Rev. Svc.	23.80	24.21	97.22	97.63	96.92	96.15	95.52
7	Overall RTMs (All Svc.)	2.32	2.37	9.48	9.52	9.50	9.34	9.26
8	Overall ATMs (All Svc.)	3.79	3.84	15.51	15.56	15.40	15.23	15.15
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	103.0	105.2	104.3	104.8	105.1	105.7	106.3
10	Operating Expense per RTM	97.3	92.6	93.1	92.0	92.5	94.4	95.3
11	Operating Profit (Loss) per RTM	5.7	12.6	11.2	12.9	12.7	11.3	11.1
12	Operating Expense per ATM	59.8	57.2	56.9	56.3	57.0	57.9	58.2
13	Passenger Revenue per RPM	11.45	12.09	11.89	12.05	12.11	12.21	12.34
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	1.31	1.36	1.40	1.42	1.46
15	Times Interest Earned	*	*	5.20	6.09	5.96	5.31	5.15
16	Current Assets to Current Liabilities	*	*	0.59	0.71	0.63	0.67	0.63
17	No. of Days Cash Coverage of Cash Ex	*	*	40.8	46.4	36.3	45.7	38.3
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	5.5	12.0	10.7	12.3	12.1	10.7	10.4
19	Net Income to Stockholders Equity	*	*	10.9	12.7	12.8	11.4	11.4
20	Corporate Return on Investment	*	*	9.9	11.1	11.3	10.4	10.3
21	Debt to Total Investment	*	*	40.6	33.4	31.0	32.1	35.0
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	77.0	74.9	74.5	74.0	74.3	73.8	73.5
23	Breakeven	74.8	65.0	66.9	64.6	64.9	65.5	65.4
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	48,357	45,421	46,622	45,888	45,508	45,192	44,924
25	Overall RTM's per Employee (000)	48.1	52.2	203.2	207.5	208.7	206.7	206.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-4.0	-0.7	0.4	1.2	2.4	2.8	4.5
27	Operating Expenses (%)	3.1	3.3	0.0	0.1	1.6	3.9	6.0
28	Operating Profit (Loss) (in Millions \$)	-168.3	-89.0	33.5	112.7	95.3	-67.2	-72.9
29	Net Income (Loss)(in Millions \$)	-81.1	-82.4	36.7	35.5	24.7	-123.4	-130.7
30	RPMs (Sch. Svc.) (%)	1.1	3.3	3.1	3.7	4.9	5.1	6.4
31	ASMs (Sch. Svc.) (%)	-1.7	3.2	1.8	3.0	3.2	3.6	5.2
32	Operating Revenues per RTM (%)	-2.1	-3.2	-1.9	-2.2	-2.1	-1.1	-0.5
33	Operating Expense per RTM (%)	5.1	0.9	-2.3	-3.3	-2.7	0.0	1.0
34	Passenger Revenue per RPM (Sch. Sv	-5.3	-4.7	-3.6	-3.6	-3.4	-2.6	-1.7

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 period of more than seven years. Operating and net results for the quarter ended June 1998 were the highest for any quarter in the carrier's history.
- Despite a sharp 8.8 percent jump in operating expenses, operating revenues advanced 12.7 percent, producing a \$51.9 million improvement in operating profit to \$208.3 million.
- Net income gained \$39.6 million to \$133.4 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	156.4	208.3	51.9	93.8	133.4	39.6	7.0	8.2	17.3	11.0	11.7	6.7	70.2%
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	156.4	208.3	51.9	93.8	133.4	39.6	7.0	8.2	17.3	11.0	11.7	6.7	70.2%

- Interest expense was down \$2.6 million to \$13.5 million.
- The operating profit margin gained 3 percentage points to a major group high 19.3 percent. This compares with an average of 12.4 percent for the passenger group as a whole.
- Although RTM yield declined 3.8 percent, profitability was enhanced as RTM unit costs were cut 7.3 percent. Both declines were the largest among the major passenger carriers.
- RPM traffic growth, up 17.3 percent, more than doubled ASM capacity growth, up 6.7 percent, boosting the passenger load factor 6.3 percentage points to 70.2 percent.
- Passenger (RPM) yield declined 3.7 percent to 12.52 cents.
- Total fuel expenses fell 18.4 percent (\$21.4 million), despite an 8.7 percent increase in fuel consumption, as unit fuel prices dropped 24.8 percent.

12-MONTH RESULTS

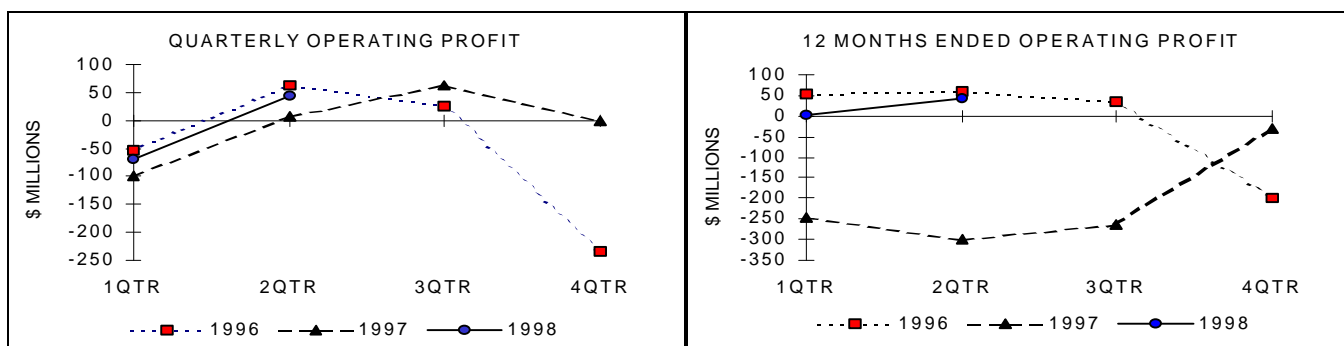
- Operating and net results for the 12-months ended June 1998 again set new all-time highs for any quarter-ended 12-month period in carrier history.
- Operating revenues rose 11.9 percent as operating expenses increased a slower 7 percent, causing operating profit to increase \$205.7 million to \$600.9 million.
- Net income rose \$142.8 million to \$376.5 million.
- The passenger load factor dipped 0.9 percentage points to 65.1 percent, a major group low.
- Passenger (RPM) yield rose 4.3 percent to 12.71 cents.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
SOUTHWEST AIRLINES

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	1,078.9	956.9	3,994.4	3,872.5	3,817.0	3,673.5	3,568.0
2	Operating Expenses	870.6	800.5	3,393.5	3,323.4	3,292.7	3,229.5	3,172.8
3	Operating Profit (Loss)	208.3	156.4	600.9	549.0	524.3	444.0	395.2
4	Net Income (Loss)	133.4	93.8	376.5	336.9	317.8	265.4	233.7
<u>TRAFFIC: (Billions)</u>								
5	RPMS - Scheduled Rev. Svc.	8.23	7.02	29.94	28.72	28.36	28.22	27.99
6	ASMs - Scheduled Rev. Svc.	11.71	10.98	45.98	45.24	44.49	43.41	42.40
7	Overall RTMs (All Svc.)	0.86	0.73	3.14	3.01	2.97	2.95	2.91
8	Overall ATMs (All Svc.)	1.49	1.41	5.87	5.78	5.69	5.55	5.43
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	125.4	130.4	127.3	128.6	128.6	124.7	122.4
10	Operating Expense per RTM	101.2	109.1	108.1	110.3	111.0	109.6	108.8
11	Operating Profit (Loss) per RTM	24.2	21.3	19.1	18.2	17.7	15.1	13.6
12	Operating Expense per ATM	58.3	56.9	57.8	57.5	57.9	58.1	58.4
13	Passenger Revenue per RPM	12.52	13.00	12.71	12.83	12.83	12.43	12.19
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.47	1.47	1.50	1.50	1.51
15	Times Interest Earned	*	*	17.27	13.93	12.84	10.97	10.03
16	Current Assets to Current Liabilities	*	*	0.83	0.81	0.92	0.84	0.82
17	No. of Days Cash Coverage of Cash Ex	*	*	65.0	59.2	73.3	66.5	70.6
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	19.3	16.3	15.0	14.2	13.7	12.1	11.1
19	Net Income to Stockholders Equity	*	*	18.7	17.7	17.5	15.3	14.1
20	Corporate Return on Investment	*	*	15.2	14.4	14.2	12.6	11.7
21	Debt to Total Investment	*	*	22.2	23.4	27.2	28.3	29.6
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	70.2	63.9	65.1	63.5	63.7	65.0	66.0
23	Breakeven	54.3	51.4	53.6	52.9	53.4	55.7	57.4
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	23,868	23,274	23,571	23,423	23,320	23,073	22,743
25	Overall RTM's per Employee (000)	36.0	31.5	133.1	128.6	127.3	127.7	128.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	12.7	5.1	11.9	10.0	12.0	10.5	11.6
27	Operating Expenses (%)	8.8	4.2	7.0	5.8	7.7	9.4	12.7
28	Operating Profit (Loss) (in Millions \$)	51.9	14.2	205.7	168.0	174.6	71.8	14.2
29	Net Income (Loss)(in Millions \$)	39.6	8.5	142.8	111.7	110.5	42.9	4.3
30	RPMS (Sch. Svc.) (%)	17.3	3.0	7.0	3.4	4.7	9.1	13.0
31	ASMs (Sch. Svc.) (%)	6.7	8.0	8.4	8.8	9.3	9.1	10.0
32	Operating Revenues per RTM (%)	-3.8	1.2	4.0	5.5	6.1	0.6	-1.9
33	Operating Expense per RTM (%)	-7.3	0.4	-0.7	1.5	2.1	-0.5	-0.9
34	Passenger Revenue per RPM (Sch. Sv	-3.7	1.0	4.3	5.5	6.3	0.7	-1.6

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TRANS WORLD AIRLINES



QUARTERLY RESULTS

- Operating revenues rose 4.6 percent while operating expenses dipped 0.1 percent boosting operating profit \$39.6 million to \$45.5 million.
- Net results moved into the black, improving \$33.9 million to a profit of \$19.5 million.
- The domestic division alone produced all of the system operating and net profits, as Atlantic operations have produced nearly continuous operating and net losses since 1990. During this more than seven-year period, the Atlantic entity has had an operating profit in only one quarter (September 1994), and a net profit during only three quarters.

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	29.7	66.4	36.7	11.4	56.8	45.4	5.0	5.4	8.7	7.3	7.2	-1.3	74.8%
Int'l	-23.8	-20.8	3.0	-25.8	-37.3	-11.5	1.4	1.3	-8.1	1.8	1.5	-15.2	83.3%
Atlantic	-23.8	-20.8	3.0	-25.8	-37.3	-11.5	1.4	1.3	-8.2	1.8	1.5	-15.3	83.3%
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	5.9	45.5	39.6	-14.4	19.5	33.9	6.4	6.7	5.0	9.2	8.8	-4.0	76.3%

- RPM traffic rose 5 percent, while ASM capacity decreased 4 percent, pushing the passenger load factor up a major group high 6.6 percentage points to 76.3 percent.
- Passenger (RPM) yield rose 1.6 percent to 11.78 cents.
- Like all majors, Trans World benefited from the sharp drop in worldwide fuel costs. Total fuel expense fell 26.5 percent (\$28.7 million) as unit fuel prices fell 22.1 percent and consumption was down 5.6 percent.

12-MONTH RESULTS

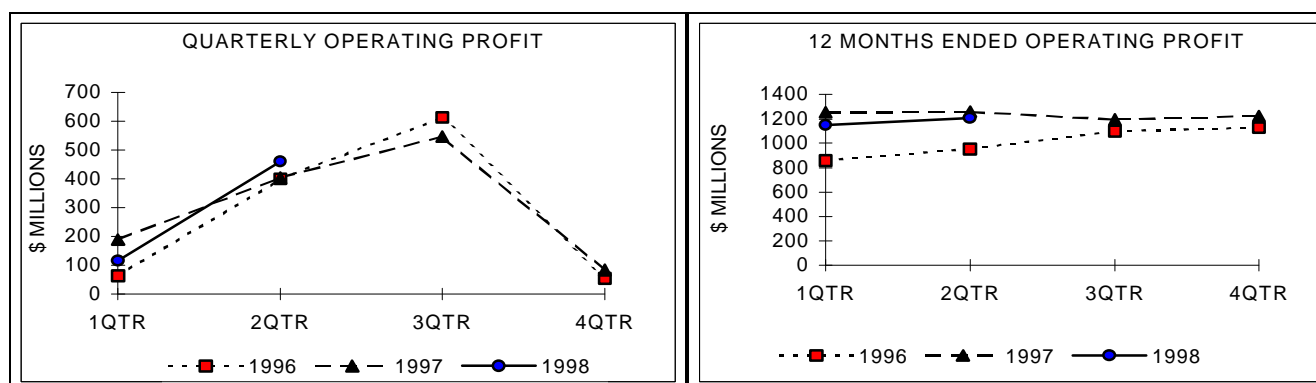
- Trans World reported its second consecutive operating profit on a quarter-ended 12-month basis, but still has been unable to attain a positive net income since September 1994.
- Operating results jumped \$342 million to a profit of \$41.1 million, even though operating revenues declined 1.3 percent since operating expenses dropped 10.4 percent.
- Despite experiencing a net loss for the period, net results showed strong year-to-year gains, rising \$298 million to a \$60.9 million loss.
- Passenger (RPM) yield rose 3.2 percent to 11.67 cents.
- The passenger load factor was up 3.5 percentage points to 70.8 percent.
- Days cash coverage rose from 10.5 a year ago to a healthier 43.1.
- The debt-to-investment ratio was unchanged but still at a group high 83.2 percent as the \$158.7 million increase in total debt to \$1.1 billion more than offset the rise in equity.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TRANS WORLD AIRLINES

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	883.5	844.4	3,370.1	3,331.0	3,327.9	3,318.4	3,412.9
2	Operating Expenses	838.0	838.5	3,329.0	3,329.5	3,357.2	3,581.6	3,713.8
3	Operating Profit (Loss)	45.5	5.9	41.1	1.5	-29.3	-263.1	-300.9
4	Net Income (Loss)	19.5	-14.4	-60.9	-94.8	-110.8	-338.3	-358.9
TRAFFIC: (Billions)								
5	RPMS - Scheduled Rev. Svc.	6.70	6.38	25.51	25.19	25.10	25.37	26.29
6	ASMs - Scheduled Rev. Svc.	8.79	9.16	36.03	36.40	36.48	37.50	39.05
7	Overall RTMs (All Svc.)	0.74	0.73	2.87	2.86	2.86	2.92	3.04
8	Overall ATMs (All Svc.)	1.23	1.28	4.99	5.04	5.05	5.20	5.41
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	119.9	116.2	117.5	116.6	116.3	113.6	112.2
10	Operating Expense per RTM	113.7	115.4	116.1	116.5	117.3	122.6	122.1
11	Operating Profit (Loss) per RTM	6.2	0.8	1.4	0.1	-1.0	-9.0	-9.9
12	Operating Expense per ATM	68.1	65.8	66.7	66.1	66.5	68.9	68.7
7	Passenger Revenue per RPM	11.78	11.60	11.67	11.63	11.65	11.42	11.31
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	2.74	2.78	2.83	2.72	2.62
15	Times Interest Earned	*	*	0.97	0.45	0.22	-1.78	-2.01
16	Current Assets to Current Liabilities	*	*	0.76	0.80	0.68	0.59	0.60
17	No. of Days Cash Coverage of Cash Ex	*	*	43.1	39.8	27.1	11.1	10.5
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	5.2	0.7	1.2	0.0	-0.9	-7.9	-8.8
19	Net Income to Stockholders Equity	*	*	-27.6	-44.3	-50.4	-127.6	-114.2
20	Corporate Return on Investment	*	*	4.7	1.8	0.3	-18.2	-18.3
21	Debt to Total Investment	*	*	83.2	84.3	79.0	80.2	83.2
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	76.3	69.7	70.8	69.2	68.8	67.7	67.3
23	Breakeven	73.4	71.2	71.8	71.3	71.7	76.4	76.4
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	20,382	22,040	20,409	20,823	21,711	22,745	23,581
25	Overall RTM's per Employee (000)	36.2	33.0	140.5	137.2	131.8	128.5	129.0

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.6	-12.6	-1.3	-5.8	-6.4	-6.6	-2.4
27	Operating Expenses (%)	-0.1	-7.2	-10.4	-11.9	-10.6	1.9	8.1
28	Operating Profit (Loss) (in Millions \$)	39.6	-56.1	342.0	246.3	170.0	-299.7	-361.3
29	Net Income (Loss)(in Millions \$)	33.9	-39.7	298.0	224.5	174.0	-284.3	-237.2
30	RPMS (Sch. Svc.) (%)	5.0	-9.2	-3.0	-6.5	-7.4	-5.5	0.4
31	ASMs (Sch. Svc.) (%)	-4.0	-9.0	-7.8	-8.9	-10.1	-6.5	-0.3
32	Operating Revenues per RTM (%)	3.2	-2.0	4.7	3.3	3.7	0.3	-1.5
33	Operating Expense per RTM (%)	-1.5	4.0	-4.9	-3.6	-0.9	9.4	9.0
34	Passenger Revenue per RPM (Sch. Sv	1.6	-2.8	3.2	2.0	2.6	-0.4	-2.4

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



QUARTERLY RESULTS

- Operating profit and net income for the second quarter 1998 were the highest for any second quarter in carrier history.
- Operating revenues rose 1.4 percent, exceeding the low 0.1 percent increase in operating expenses, causing operating profit to gain \$56 million to \$460.2 million.
- Net income rose \$38.6 million to \$277.5 million.
- Except for a small gain in Atlantic operating profit, the domestic entity accounted for all of the improvement in system operating and net profits. United's Pacific operating and net results, reflecting the economic downturn in Asia, fell into the red.

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	253.9	407.4	153.5	154.4	258.5	104.1	19.0	19.9	4.7	26.2	27.1	3.7	73.4%
Int'l	150.3	52.7	-97.6	84.5	19.0	-65.5	11.4	11.2	-1.2	15.8	15.8	0.2	71.1%
Atlantic	74.5	75.9	1.4	40.6	39.3	-1.3	3.5	4.0	13.8	4.2	4.9	16.7	82.2%
Latin	11.1	-0.8	-11.9	5.8	-3.1	-9.0	1.2	1.3	9.5	2.0	2.3	18.4	55.5%
Pacific	64.7	-22.4	-87.0	38.1	-17.2	-55.3	6.7	5.9	-10.9	9.6	8.6	-10.7	69.1%
System	404.2	460.2	55.9	238.9	277.5	38.6	30.4	31.2	2.5	41.9	42.9	2.4	72.6%

- Interest expense jumped a group high \$9.8 million to \$77.3 million, also a major group high.
- Passenger (RPM) yield dipped 0.4 percent to 12.41 cents.
- RPM traffic, up 2.5 percent, grew slightly faster than ASM capacity, up 2.4 percent, pushing the passenger load factor up 0.1 percentage points to 72.6 percent.
- Operating expense growth was restrained due, in part, to the \$58.9 million (13.1 percent) drop in total fuel expense, comprising 9.9 percent of total operating expenses, down from 11.4 percent a year ago.

12-MONTH RESULTS

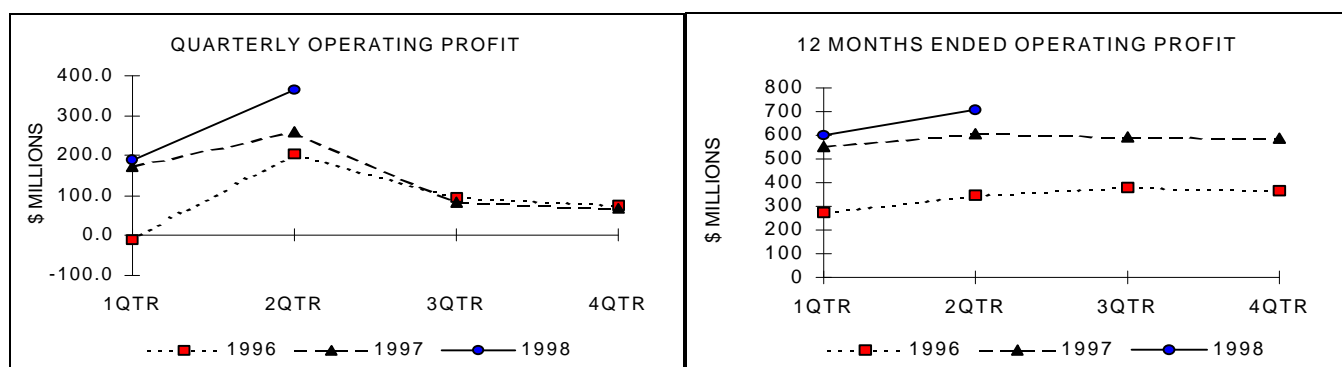
- United was the only passenger major to report a year-to-year decline in operating profit, down \$51 million to a still very healthy \$1.21 billion. This was only second consecutive year-to-year decline on a 12-month ended basis since March 1993.
- Still reflecting the positive impact of the third quarter 1997 non-recurring capital gain of \$180 from the sale of its stake in Apollo Travel Services to Galileo International, net income improved \$221.8 million to \$924.9 million.
- Passenger (RPM) yield growth slowed to zero, remaining unchanged at 12.39 cents.
- For the second consecutive period, ASM capacity, up 3.2 percent, rose faster than RPM traffic, up 2.3 percent, causing the passenger load factor to decline 0.6 percentage points 71.2 percent.
- Interest expense rose \$21.9 million to a major group high \$290.8 million. Over the last year, United has significantly increased its total debt, rising \$1.74 billion to \$5.21 billion, \$2 billion higher than the next closest major. Despite this increase, soaring equity caused the debt-to-investment ratio to decline 2.1 percentage points to 60.8 percent.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
UNITED AIR LINES

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	4,431.3	4,371.6	17,329.6	17,269.9	17,335.2	17,075.1	16,921.9
2	Operating Expenses	3,971.1	3,967.3	16,120.9	16,117.1	16,109.7	15,879.9	15,662.2
3	Operating Profit (Loss)	460.2	404.2	1,208.7	1,152.7	1,225.5	1,195.2	1,259.7
4	Net Income (Loss)	277.5	238.9	924.9	886.3	931.9	932.7	703.1
TRAFFIC: (Billions)								
5	RPMS - Scheduled Rev. Svc.	31.15	30.38	121.68	120.91	121.35	120.22	118.94
6	ASMs - Scheduled Rev. Svc.	42.92	41.92	170.94	169.94	169.00	167.44	165.70
7	Overall RTMs (All Svc.)	3.85	3.75	15.15	15.04	15.00	14.75	14.49
8	Overall ATMs (All Svc.)	6.50	6.16	25.65	25.32	24.94	24.47	24.03
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	115.0	116.6	114.4	114.8	115.5	115.8	116.8
10	Operating Expense per RTM	103.0	105.8	106.4	107.2	107.4	107.7	108.1
11	Operating Profit (Loss) per RTM	11.9	10.8	8.0	7.7	8.2	8.1	8.7
12	Operating Expense per ATM	61.1	64.4	62.9	63.7	64.6	64.9	65.2
13	Passenger Revenue per RPM	12.41	12.46	12.39	12.40	12.42	12.36	12.39
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	2.47	2.73	3.05	3.28	3.56
15	Times Interest Earned	*	*	7.78	8.22	9.00	9.01	7.03
16	Current Assets to Current Liabilities	*	*	0.57	0.51	0.55	0.49	0.47
17	No. of Days Cash Coverage of Cash Ex	*	*	23.0	15.5	18.4	20.4	13.0
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	10.4	9.2	7.0	6.7	7.1	7.0	7.4
19	Net Income to Stockholders Equity	*	*	34.0	37.3	45.3	53.6	52.0
20	Corporate Return on Investment	*	*	16.2	17.1	19.7	21.5	18.8
21	Debt to Total Investment	*	*	60.8	62.8	61.2	58.4	62.9
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	72.6	72.5	71.2	71.1	71.8	71.8	71.8
23	Breakeven	66.1	67.2	67.7	67.9	68.3	68.3	68.0
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	82,363	76,713	80,514	79,101	77,760	76,499	75,340
25	Overall RTM's per Employee (000)	46.8	48.9	188.1	190.2	193.0	192.8	192.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	1.4	5.3	2.4	3.4	6.2	6.7	8.1
27	Operating Expenses (%)	0.1	5.7	2.9	4.3	6.1	6.5	6.6
28	Operating Profit (Loss) (in Millions \$)	56.0	4.2	-51.0	-102.8	95.3	96.1	304.5
29	Net Income (Loss)(in Millions \$)	38.6	43.0	221.8	226.2	398.2	462.7	326.5
30	RPMS (Sch. Svc.) (%)	2.5	3.1	2.3	2.5	4.1	4.1	4.0
31	ASMs (Sch. Svc.) (%)	2.4	4.0	3.2	3.6	3.9	3.8	3.1
32	Operating Revenues per RTM (%)	-1.4	-0.6	-2.1	-1.9	-0.5	0.5	2.7
33	Operating Expense per RTM (%)	-2.7	-0.2	-1.6	-0.9	-0.6	0.4	1.2
34	Passenger Revenue per RPM (Sch. Sv	-0.4	0.8	0.0	0.3	1.6	2.1	3.6

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



QUARTERLY RESULTS

- Operating revenues rose 2.4 percent, while operating expenses fell 2.8 percent, boosting operating profit a major group high \$106.8 million to \$365.7 million, the highest second quarter operating profit in carrier history.
- Net income, however, declined \$6.1 million to \$195.7 million.
- Part of this decline is attributable to very high interest expenses, although down \$3.9 million from a year ago to \$60.2 million, still the second highest among the majors (after United).
- All entities reported an operating and net profit, and all reported an improvement in operating results but a deterioration in net results.

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	243.9	341.3	97.4	186.9	183.5	-3.4	9.9	9.6	-2.6	13.5	12.6	-6.4	76.0%
Int'l	15.0	24.4	9.4	14.9	12.2	-2.7	1.1	1.3	16.9	1.3	1.5	10.7	84.8%
Atlantic	12.1	19.9	7.7	12.4	9.9	-2.5	0.9	1.1	18.3	1.1	1.2	13.8	85.5%
Latin	2.9	4.5	1.7	2.4	2.3	-0.2	0.2	0.2	10.7	0.3	0.3	-2.3	81.1%
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	258.9	365.7	106.7	201.8	195.7	-6.1	11.0	10.9	-0.7	14.9	14.1	-4.9	77.0%

- Passenger (RPM) yield was up 1.4 percent to 17.18 cents, the highest among all majors.
- Despite the only decline among the majors in RPM traffic, down 0.7 percent, ASM capacity dropped 4.9 percent, the largest decline among the majors, causing the passenger load factor to rise 3.3 percentage points to 77 percent (a group high tied with Northwest).
- Total fuel expense, which declined 23.7 percent (\$40 million), accounted for a passenger group low 6.8 percent of total operating expenses (down from 8.6 percent a year ago).

12-MONTH RESULTS

- US Airways reported its eleventh consecutive quarter-ended 12-month operating and net profit, following six consecutive years of losses.
- Operating revenues advanced 2.7 percent as operating expenses rose a slower 1.6 percent, causing operating profit to rise \$104.1 million to \$708.2 million.
- Net income, still reflecting a fourth quarter 1997 tax credit of \$477 million, jumped a group high \$580.2 million to \$1 billion.
- Passenger (RPM) yield declined from a year ago for the fifth consecutive period, although the rate of decline is still slowing, down 0.1 percent to 17.17 cents, still a major group high.
- The passenger load factor was up 2.3 percentage points to 72.3 percent.
- The debt-to-investment ratio dropped a major group high 28.6 percentage points to 62.4 percent, as both equity improved and total debt was cut \$161.8 million to \$2.46 billion.
- Although up from a year ago, productivity (RTMs per employee) was a major group low 121.8.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	2,260.9	2,208.5	8,494.5	8,442.1	8,501.5	8,460.9	8,269.7
2	Operating Expenses	1,895.2	1,949.5	7,786.3	7,840.6	7,915.3	7,868.5	7,665.6
3	Operating Profit (Loss)	365.7	258.9	708.2	601.5	586.2	592.4	604.1
4	Net Income (Loss)	195.7	201.8	1,003.2	1,009.3	1,052.2	581.9	423.0
TRAFFIC: (Billions)								
5	RPMS - Scheduled Rev. Svc.	10.88	10.95	41.05	41.12	41.58	41.78	41.04
6	ASMs - Scheduled Rev. Svc.	14.14	14.86	56.77	57.50	58.29	58.91	58.61
7	Overall RTMs (All Svc.)	1.17	1.18	4.47	4.48	4.52	4.54	4.48
8	Overall ATMs (All Svc.)	1.93	2.01	7.71	7.79	7.88	7.96	7.99
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	192.5	186.4	190.1	188.5	187.9	186.3	184.8
10	Operating Expense per RTM	161.3	164.6	174.2	175.1	175.0	173.3	171.3
11	Operating Profit (Loss) per RTM	31.1	21.9	15.8	13.4	13.0	13.0	13.5
12	Operating Expense per ATM	98.2	97.0	101.0	100.6	100.4	98.9	96.0
13	Passenger Revenue per RPM	17.18	16.95	17.17	17.11	17.11	16.95	17.19
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	2.43	2.60	2.82	3.04	3.12
15	Times Interest Earned	*	*	3.88	3.74	3.68	3.60	2.79
16	Current Assets to Current Liabilities	*	*	1.17	1.07	1.20	1.06	0.95
17	No. of Days Cash Coverage of Cash Ex	*	*	104.6	101.8	95.2	101.7	80.4
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	16.2	11.7	8.3	7.1	6.9	7.0	7.3
19	Net Income to Stockholders Equity	*	*	106.6	153.8	271.3	440.9	0.0
20	Corporate Return on Investment	*	*	36.4	38.8	43.2	30.1	26.0
21	Debt to Total Investment	*	*	62.4	66.4	70.1	81.1	91.0
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	77.0	73.7	72.3	71.5	71.3	70.9	70.0
23	Breakeven	66.3	66.8	69.1	69.2	69.1	68.7	67.2
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	36,157	37,591	36,695	37,054	37,364	37,406	37,223
25	Overall RTM's per Employee (000)	32.5	31.5	121.8	120.9	121.1	121.4	120.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	2.4	10.8	2.7	4.8	10.4	14.6	14.8
27	Operating Expenses (%)	-2.8	9.1	1.6	4.5	7.9	12.3	11.9
28	Operating Profit (Loss) (in Millions \$)	106.8	52.3	104.1	49.8	217.5	214.0	256.2
29	Net Income (Loss)(in Millions \$)	-6.1	41.2	580.2	627.5	869.0	403.4	260.4
30	RPMS (Sch. Svc.) (%)	-0.7	9.0	0.0	2.5	6.8	10.2	10.0
31	ASMs (Sch. Svc.) (%)	-4.9	5.2	-3.2	-0.7	2.5	5.5	5.3
32	Operating Revenues per RTM (%)	3.3	1.4	2.9	2.4	3.5	4.1	3.8
33	Operating Expense per RTM (%)	-2.0	-0.1	1.7	2.1	1.2	2.1	1.1
34	Passenger Revenue per RPM (Sch. Sv	1.4	-5.6	-0.1	-1.9	-2.0	-3.1	-0.7

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL ALL-CARGO MAJORS 1/

QUARTERLY RESULTS

- Except for a small net loss experienced by DHL Airways, the three all-cargo carriers reported an operating and net profit for the second quarter 1998. Federal Express, however, was the only carrier to report an improvement in operating and/or net results.
- For the all-cargo group, operating expense growth, up 11.4 percent, outpaced operating revenue growth, up 9.6 percent, causing operating profit to decline \$35.4 million to \$274.2 million.
- Net income dropped \$41.8 million to \$123.4 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	274.2	-35.4	165.2	123.4	-41.8
Sept.	313.1	0.0	-	102.5	0.0	-
Dec.	201.8	0.0	-	89.2	0.0	-

- Total fuel expense decreased 12.7 percent (\$23.9 million) despite a 10.4 percent increase in fuel consumption as unit fuel prices dropped 20.8 percent.
- The Pacific entity reported the only improvement in operating results, but Atlantic and Pacific operations provided the only improvements in net results. DHL Airways made some large non-operating accounting adjustments between entities, negatively impacting net results of the domestic entity, and positively impacting the Atlantic entity.

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	245.8	213.9	-31.8	129.0	13.2	-115.8	1.7	1.8	6.2	2.9	3.1	7.0	57.5%
Int'l	63.8	60.2	-3.6	36.2	110.2	74.0	0.9	1.0	12.3	1.3	1.6	19.0	61.1%
Atlantic	78.3	77.5	-0.8	45.8	129.0	83.2	0.3	0.3	18.1	0.4	0.5	17.9	65.9%
Latin	3.2	-1.2	-4.4	1.9	-7.9	-9.8	0.1	0.1	35.4	0.1	0.2	43.4	51.9%
Pacific	-17.7	-16.1	1.6	-11.4	-10.9	0.5	0.5	0.6	6.9	0.8	1.0	16.1	60.3%
System	309.6	274.2	-35.4	165.2	123.4	-41.8	2.5	2.7	8.3	4.2	4.7	10.8	58.7%

- ATM capacity, up 10.8 percent, grew faster than RTM traffic, up 8.3 percent, causing the ton load factor to decline 1.4 percentage points to 58.7 percent
- Profitability was eroded as RTM unit cost growth, up 2.9 percent, more than double RTM yield growth of 1.2 percent.

12-MONTH RESULTS

- All three all-cargo majors reported an operating profit for the 12-months ended June 1998, but only Federal Express reported a net profit. Federal Express reported strong improvements, while UPS experienced sharp deteriorations in both operating and net results.
- Operating profit for the group rose \$20.4 million to \$960.1 million.
- Net income dropped \$99 million to \$386.7 million.
- RTM traffic was up 11.5 percent, barely outpacing the 11.4 percent increase in ATM capacity, resulting in a 0.1 percentage point increase in the ton load factor to 60 percent.

1/ On January 1, 1997, DHL Airways became a major airline with annual operating revenues exceeding \$1 billion.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	4,226.8	3,857.9	16,542.1	16,173.2	15,818.5	15,434.4	14,726.2
2	Operating Expenses	3,952.7	3,548.3	15,582.1	15,177.7	14,784.7	14,335.9	13,786.4
3	Operating Profit (Loss)	274.2	309.6	960.1	995.5	1,033.8	1,098.5	939.7
4	Net Income (Loss)	123.4	165.2	386.7	428.5	460.8	504.2	485.7
TRAFFIC: (Billions)								
5	RTMs - Scheduled Rev. Svc.	1.97	1.79	7.77	7.59	7.43	7.27	7.01
6	ATMs - Scheduled Rev. Svc.	3.24	2.88	12.63	12.26	11.94	11.64	11.27
7	Overall RTMs (All Services)	2.73	2.52	10.90	10.69	10.36	9.95	9.77
8	Overall ATMs (All Services)	4.66	4.20	18.17	17.72	17.16	16.66	16.31
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	154.6	152.8	151.7	151.3	152.6	155.1	150.8
10	Operating Expense per RTM	144.6	140.5	142.9	142.0	142.6	144.0	141.2
11	Operating Profit (Loss) per RTM	10.0	12.3	8.8	9.3	10.0	11.0	9.6
12	Operating Expense per ATM	84.9	84.4	85.8	85.7	86.1	86.1	84.5
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	1.93	1.94	2.00	2.04	2.02
15	Times Interest Earned	*	*	5.44	6.83	7.68	8.93	8.28
16	Current Assets to Current Liabilities	*	*	1.05	1.17	1.10	1.17	1.18
17	No. of Days Cash Coverage of Cash Ex	*	*	2.9	8.3	6.1	8.4	6.4
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	6.5	8.0	5.8	6.2	6.5	7.1	6.4
19	Net Income to Stockholders Equity	*	*	8.9	10.0	11.1	12.5	12.4
20	Corporate Return on Investment	*	*	6.6	6.9	7.5	8.3	8.3
21	Debt to Total Investment	*	*	49.1	49.3	49.3	49.6	48.2
TON LOAD FACTOR: (Sch. Svc. %)								
22	Actual	58.7	60.1	60.0	60.3	60.4	59.8	59.9
23	Breakeven	++	++	++	++	++	++	++
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	99,955	89,490	96,287	93,671	91,182	88,943	87,359
25	Overall RTM's per Employee (000)	27.3	28.2	113.2	114.1	113.7	111.9	111.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	9.6	14.1	12.3	13.5	14.4	15.7	13.4
27	Operating Expenses (%)	11.4	11.2	13.0	13.0	13.1	13.1	11.8
28	Operating Profit (Loss) (in Millions \$)	-35.4	117.3	20.4	173.0	279.9	441.2	290.9
29	Net Income (Loss)(in Millions \$)	-41.8	67.6	-99.0	10.5	84.7	179.7	171.3
30	RTMs (All Svc.) (%)	8.3	10.9	11.6	12.3	10.6	8.6	8.8
31	ATMs (All Svc.) (%)	10.8	9.2	11.4	11.0	9.2	8.2	7.6
32	Operating Revenues per RTM (%)	1.2	2.9	0.6	1.1	3.4	6.6	4.3
33	Operating Expense per RTM (%)	2.9	0.3	1.2	0.6	2.2	4.1	2.8
34	Passenger Revenue per RPM (Sch. Sv	++	++	++	++	++	++	++

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	3,223.7	2,947.7	12,629.6	12,353.5	12,121.8	11,927.6	11,412.4
2	Operating Expenses	3,009.8	2,702.0	11,894.6	11,586.8	11,304.9	11,008.4	10,614.2
3	Operating Profit (Loss)	213.9	245.8	734.9	766.8	817.0	919.2	798.2
4	Net Income (Loss)	13.2	129.0	350.5	466.2	443.1	516.9	360.7
TRAFFIC: (Billions)								
5	RTMs - Scheduled Rev. Svc.	1.05	0.97	4.20	4.12	4.05	4.00	3.83
6	ATMs - Scheduled Rev. Svc.	1.75	1.61	6.92	6.79	6.68	6.59	6.36
7	Overall RTMs (All Services)	1.76	1.66	7.15	7.05	6.82	6.52	6.43
8	Overall ATMs (All Services)	3.06	2.86	12.13	11.93	11.63	11.33	11.14
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	182.9	177.6	176.7	175.3	177.7	183.0	177.6
10	Operating Expense per RTM	170.8	162.8	166.4	164.5	165.7	168.9	165.1
11	Operating Profit (Loss) per RTM	12.1	14.8	10.3	10.9	12.0	14.1	12.4
12	Operating Expense per ATM	98.2	94.3	98.0	97.1	97.2	97.2	95.2
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
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 Ex	*	*	**	**	**	**	**
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	6.6	8.3	5.8	6.2	6.7	7.7	7.0
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	7.1	8.9	8.9	10.4	7.9
21	Debt to Total Investment	*	*	**	**	**	**	**
TON LOAD FACTOR: (Sch. Svc. %)								
22	Actual	57.5	57.9	58.9	59.0	58.7	57.5	57.7
23	Breakeven	++	++	++	++	++	++	++
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

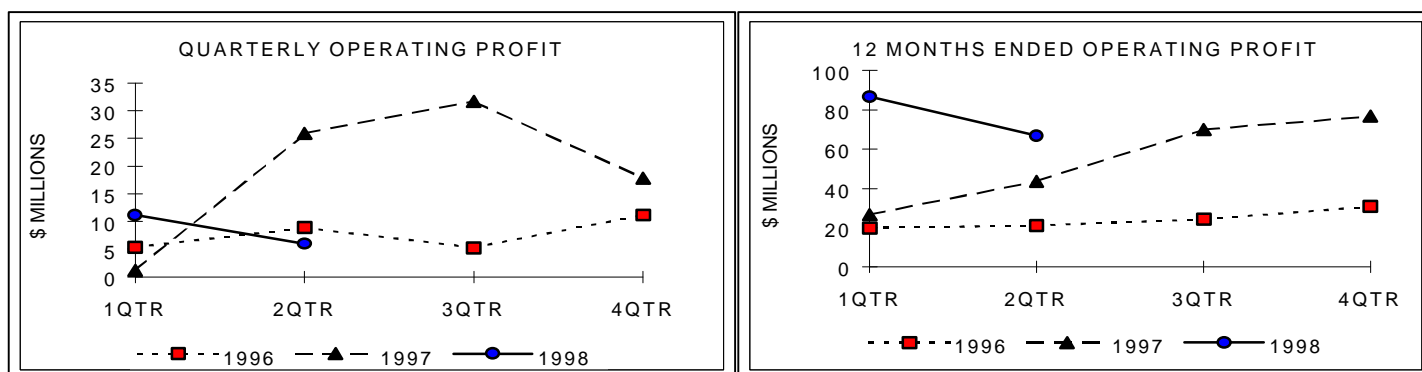
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	9.4	11.1	10.7	11.1	11.4	13.2	10.9
27	Operating Expenses (%)	11.4	9.2	12.1	11.6	11.4	11.9	10.7
28	Operating Profit (Loss) (in Millions \$)	-31.9	67.4	-63.3	36.0	74.5	224.1	96.2
29	Net Income (Loss)(in Millions \$)	-115.8	62.0	-10.2	167.5	130.7	219.1	53.0
30	RTMs (All Svc.) (%)	6.2	7.5	11.2	11.6	8.0	4.4	4.4
31	ATMs (All Svc.) (%)	7.0	9.1	8.9	9.4	7.8	6.9	6.5
32	Operating Revenues per RTM (%)	3.0	3.4	-0.5	-0.5	3.1	8.4	6.2
33	Operating Expense per RTM (%)	4.9	1.6	0.8	-0.1	3.2	7.1	6.0
34	Passenger Revenue per RPM (Sch. Sv	++	++	++	++	++	++	++

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	1,003.1	910.2	3,912.6	3,819.7	3,696.7	3,506.8	3,313.7
2	Operating Expenses	942.9	846.4	3,687.4	3,590.9	3,479.9	3,327.5	3,172.2
3	Operating Profit (Loss)	60.2	63.8	225.2	228.7	216.9	179.3	141.5
4	Net Income (Loss)	110.2	36.2	36.3	-37.7	17.8	-12.7	125.0
	<u>TRAFFIC: (Billions)</u>							
5	RTMs - Scheduled Rev. Svc.	0.92	0.82	3.58	3.48	3.38	3.27	3.18
6	ATMs - Scheduled Rev. Svc.	1.50	1.27	5.71	5.48	5.26	5.05	4.91
7	Overall RTMs (All Services)	0.97	0.86	3.75	3.65	3.54	3.44	3.34
8	Overall ATMs (All Services)	1.59	1.34	6.04	5.78	5.53	5.33	5.17
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	103.3	105.2	104.2	104.7	104.3	102.1	99.3
10	Operating Expense per RTM	97.1	97.8	98.2	98.5	98.2	96.8	95.0
11	Operating Profit (Loss) per RTM	6.2	7.4	6.0	6.3	6.1	5.2	4.2
12	Operating Expense per ATM	59.3	63.3	61.1	62.1	62.9	62.4	61.4
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 Ex	*	*	**	**	**	**	**
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Rev	6.0	7.0	5.8	6.0	5.9	5.1	4.3
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	4.8	-0.2	2.8	0.9	9.6
21	Debt to Total Investment	*	*	**	**	**	**	**
	<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	61.1	64.7	62.2	63.1	64.0	64.5	64.6
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 (%)	10.2	24.7	18.1	21.9	25.7	25.2	23.1
27	Operating Expenses (%)	11.4	18.2	16.2	18.1	18.8	17.2	15.5
28	Operating Profit (Loss) (in Millions \$)	-3.6	49.9	83.7	137.0	205.5	217.1	194.7
29	Net Income (Loss)(in Millions \$)	74.0	5.6	-88.7	-157.1	-45.9	-39.5	118.3
30	RTMs (All Svc.) (%)	12.3	18.1	12.4	13.8	16.1	17.5	18.3
31	ATMs (All Svc.) (%)	19.0	9.4	16.8	14.4	12.2	11.1	10.0
32	Operating Revenues per RTM (%)	-1.8	5.6	4.9	7.2	8.2	6.6	4.1
33	Operating Expense per RTM (%)	-0.7	0.1	3.4	3.8	2.3	-0.3	-2.4
34	Passenger Revenue per RPM (Sch. Sv	++	++	++	++	++	++	++

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



QUARTERLY RESULTS

- DHL Airways reported the smallest operating profit, and experienced the only net loss, for the second quarter among the all-cargo majors.
- Operating expenses, up 17.2 percent, grew nearly twice as fast as operating revenues, up 9 percent, causing operating profit to deteriorate \$19.9 million to \$6 million.
- Net results fell into the red, down \$27.1 million to a loss of \$11.3 million.
- Only the Atlantic entity reported an operating and/or net profit, and also experienced the only improvement in operating or net results. Domestic operating results fell \$20.5 million to a loss of \$52.2 million, while net results dropped \$103.5 million to a loss of \$122.6 million. Large non-operating adjustments in excess of \$50 million were made between entities negatively impacting the domestic entity while favorably impacting the Atlantic entity.

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	-31.7	-52.2	-20.5	-19.1	-122.6	-103.5	0.1	0.1	0.0	0.1	0.1	13.3	52.6%
Int'l	57.6	58.2	0.6	34.9	111.3	76.4	0.6	0.6	6.2	0.9	1.0	15.1	60.6%
Atlantic	59.2	61.6	2.4	36.0	121.4	85.4	0.0	0.0	-7.3	0.1	0.1	-6.8	70.7%
Latin	-1.6	-3.4	-1.8	-1.1	-10.1	-9.0	0.0	0.0	23.6	0.0	0.0	36.8	52.0%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.6	6.9	0.8	1.0	16.1	60.3%
System	25.9	6.0	-19.9	15.8	-11.3	-27.1	0.6	0.7	5.7	1.0	1.1	15.0	59.9%

- Total fuel expenses declined 8 percent (\$0.9 million) due to falling unit fuel prices, down 18.3 percent, as fuel consumption rose 12.6 percent.
- RTM traffic declined 1 percent as ATM capacity jumped 8.5 percent pushing the ton load factor down 5.5 percentage points to 57.8 percent.
- Profitability was eroded as RTM unit costs, up 18.3 percent, rose much faster than RTM yield, up 10.1 percent.
- Interest expense surged upward a major group high \$25.5 million to \$27.4 million.

12-MONTH RESULTS

- Operating profit improved \$23.1 million to \$66.7 million as operating revenue growth, up 13.1 percent, outpaced operating expenses growth, up 11.5 percent.
- Net income, however, fell \$65.4 million to a loss of \$33 million, the fourth consecutive loss.
- RTM traffic dipped 0.2 percent, while ATM capacity was up 6.2 percent, causing the ton load factor to decline 1.8 percentage points to 60.2 percent.

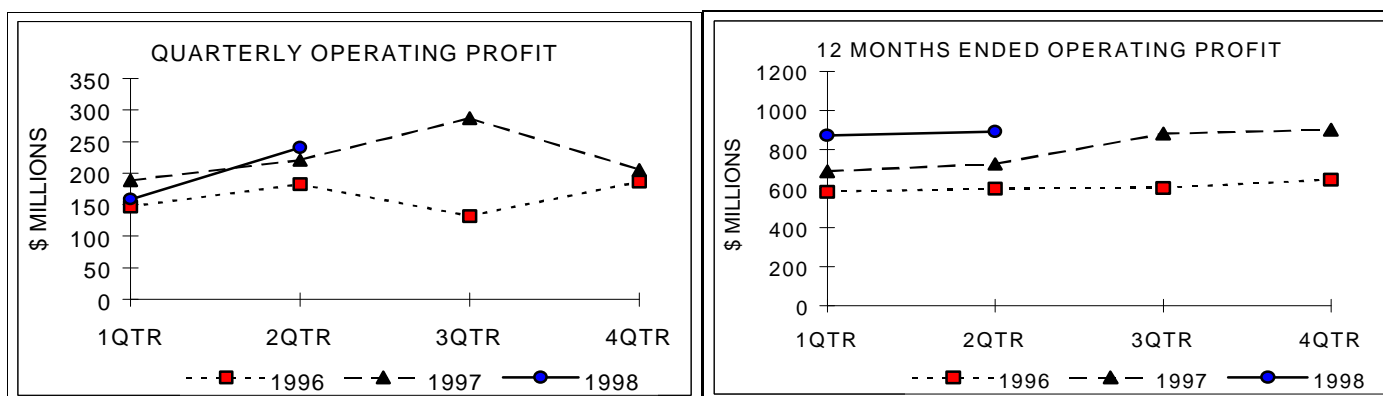
Note : Beginning with the first quarter 1998, The Airline Quarterly Financial Review of the Majors includes DHL Airways, which achieved major airline status (*i.e.*, annual operating revenues exceeding \$1 billion), effective January 1, 1997.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
DHL AIRWAYS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	325.1	298.3	1,284.8	1,258.0	1,225.7	1,190.7	1,136.2
2	Operating Expenses	319.1	272.4	1,218.1	1,171.4	1,149.0	1,120.7	1,092.6
3	Operating Profit (Loss)	6.0	25.9	66.7	86.6	76.6	70.0	43.6
4	Net Income (Loss)	-11.3	15.8	-33.0	-5.8	-12.7	-15.3	32.4
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.09	0.09	0.36	0.36	0.37	0.37	0.37
6	ATMs - Scheduled Rev. Svc.	0.15	0.14	0.59	0.59	0.58	0.58	0.58
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	0.64	0.63	0.62	0.61	0.61
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	349.6	317.6	331.4	323.7	317.7	308.3	292.7
10	Operating Expense per RTM	343.2	290.0	314.2	301.4	297.8	290.2	281.4
11	Operating Profit (Loss) per RTM	6.5	27.6	17.2	22.3	19.9	18.1	11.2
12	Operating Expense per ATM	198.2	183.5	189.0	185.4	186.2	184.3	180.0
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	5.94	4.63	4.53	4.43	4.16
15	Times Interest Earned	*	*	2.27	12.13	11.92	13.69	10.55
16	Current Assets to Current Liabilities	*	*	1.46	1.82	1.65	1.31	1.25
17	No. of Days Cash Coverage of Cash Ex	*	*	0.0	55.5	33.5	31.8	29.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	1.8	8.7	5.2	6.9	6.3	5.9	3.8
19	Net Income to Stockholders Equity	*	*	-16.9	-2.4	-5.3	-6.5	13.7
20	Corporate Return on Investment	*	*	0.2	0.7	-2.1	-3.4	13.8
21	Debt to Total Investment	*	*	24.3	8.5	9.7	11.4	10.6
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	57.8	63.3	60.2	61.5	62.5	63.5	64.0
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	7,680	7,172	7,514	7,387	7,260	7,137	7,045
25	Overall RTM's per Employee (000)	12.1	13.1	51.6	52.6	53.1	54.1	55.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	9.0	12.3	13.1	14.0	12.9	13.1	11.4
27	Operating Expenses (%)	17.2	6.2	11.5	8.8	9.0	9.0	9.4
28	Operating Profit (Loss) (in Millions \$)	-19.9	17.0	23.1	60.0	45.8	45.7	22.5
29	Net Income (Loss)(in Millions \$)	-27.1	9.1	-65.4	-29.1	-40.2	-35.3	13.3
30	RTMs (Sch. Svc.) (%)	-1.0	2.5	-0.2	0.7	1.9	4.9	10.9
31	ATMs (Sch. Svc.) (%)	8.5	6.7	6.2	5.7	5.1	6.5	11.8
32	Operating Revenues per RTM (%)	10.1	9.6	13.2	13.2	10.9	7.9	0.4
33	Operating Expense per RTM (%)	18.3	3.5	11.7	8.0	6.9	3.9	-1.4
34	Passenger Revenue per RPM (Sch. Sv	++	++	++	++	++	++	++

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



QUARTERLY RESULTS

- Federal Express reported all-time company records for any quarter in both operating and net profit.
- Operating expenses, up 11.6 percent, grew slightly faster than operating revenues, up 11.4 percent, but operating profit still improved \$19.5 million to \$240.2 million.
- Net income was up \$8.8 million to \$122 million.
- The improvements in overall system results arose solely from domestic operations, which had an improvement of \$29.5 million to \$260.5 million in operating profit, and showed a gain of \$15.4 million to \$137.6 million in net profit.

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	231.0	260.5	29.5	122.2	137.6	15.4	0.9	1.0	9.1	1.6	1.7	8.4	60.7%
Int'l	-10.3	-20.4	-10.0	-9.0	-15.6	-6.5	0.6	0.7	13.9	0.9	1.1	20.9	64.4%
Atlantic	17.9	12.0	-5.9	9.2	5.6	-3.6	0.2	0.2	27.5	0.2	0.3	30.0	65.9%
Latin	5.6	5.7	0.1	2.8	2.8	0.0	0.0	0.1	41.7	0.1	0.1	49.9	54.4%
Pacific	-33.9	-38.1	-4.2	-21.1	-23.9	-2.9	0.4	0.4	5.5	0.6	0.7	13.4	65.4%
System	220.7	240.2	19.5	113.2	122.0	8.9	1.5	1.7	11.0	2.4	2.8	12.9	62.1%

- Total fuel expenses declined 13.4 percent (\$14.8 million), despite a 14.2 percent jump in fuel consumption, as unit fuel prices fell 24.1 percent. Total fuel expense comprises a major group low 3 percent of total operating expenses, down from 3.9 percent a year ago.
- The ton load factor slid 1.1 percentage points to 62.1 percent as ATM capacity, up 12.9 percent, grew at a faster pace than RTM traffic, up 11 percent.
- Interest expense dipped \$0.9 million to \$25.5 million.

12-MONTH RESULTS

- Operating revenue growth, up 15.2 percent, exceeded operating expense growth, up 14.7 percent, causing operating profit to improve \$164.4 million to \$891.2 million.
- Net income rose \$73 million to \$441.9 million.
- ATM capacity, up 12.5 percent, grew faster than RTM traffic, up 11.4 percent, causing the ton load factor to decline 0.6 percentage points to 62.7 percent.
- Climbing equity and falling debt, down \$78 million to \$1.44 billion, caused the debt-to-investment ratio to decline 4.2 percentage points to 29.5 percent.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
FEDERAL EXPRESS CORP.

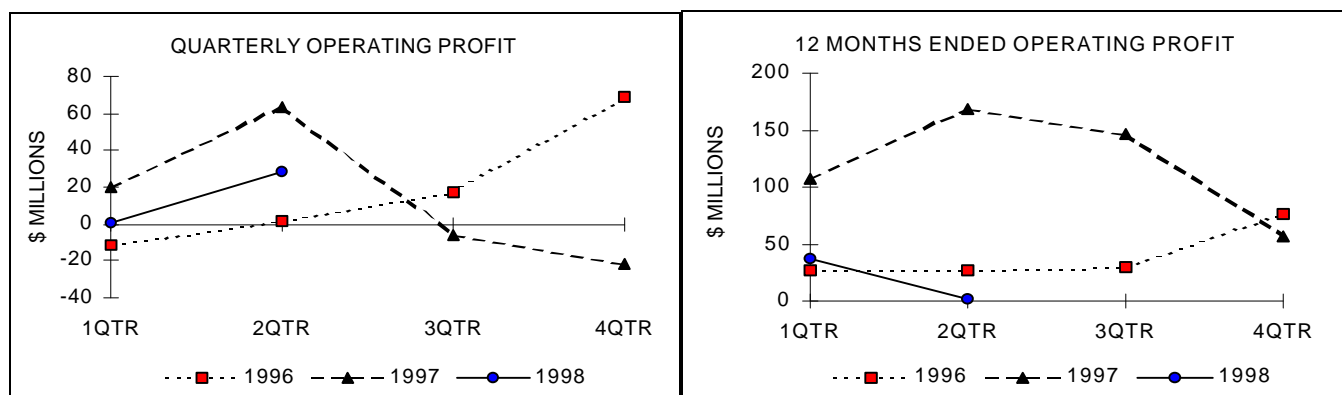
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	3,403.1	3,054.4	13,414.8	13,066.1	12,730.2	12,321.1	11,647.2
2	Operating Expenses	3,162.9	2,833.8	12,523.6	12,194.5	11,829.2	11,439.0	10,920.4
3	Operating Profit (Loss)	240.2	220.7	891.2	871.7	901.1	882.0	726.8
4	Net Income (Loss)	122.0	113.2	441.9	433.0	458.2	450.7	368.9
TRAFFIC: (Billions)								
5	RTMs - Scheduled Rev. Svc.	1.65	1.49	6.52	6.36	6.23	6.10	5.85
6	ATMs - Scheduled Rev. Svc.	2.66	2.36	10.39	10.09	9.83	9.59	9.24
7	Overall RTMs (All Services)	1.71	1.54	6.73	6.56	6.42	6.30	6.04
8	Overall ATMs (All Services)	2.75	2.44	10.74	10.43	10.14	9.92	9.55
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	199.1	198.4	199.2	199.1	198.2	195.5	192.7
10	Operating Expense per RTM	185.1	184.0	186.0	185.8	184.1	181.5	180.7
11	Operating Profit (Loss) per RTM	14.1	14.3	13.2	13.3	14.0	14.0	12.0
12	Operating Expense per ATM	115.0	116.3	116.6	117.0	116.6	115.3	114.3
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	2.82	2.80	2.82	2.83	2.78
15	Times Interest Earned	*	*	7.48	7.33	7.99	8.51	7.53
16	Current Assets to Current Liabilities	*	*	0.99	1.09	1.09	1.15	1.10
17	No. of Days Cash Coverage of Cash Ex	*	*	3.3	4.3	3.9	6.8	4.4
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	7.1	7.2	6.6	6.7	7.1	7.2	6.2
19	Net Income to Stockholders Equity	*	*	13.7	13.9	15.3	15.6	13.3
20	Corporate Return on Investment	*	*	11.8	11.8	12.7	12.7	11.1
21	Debt to Total Investment	*	*	29.5	31.9	32.7	33.3	33.7
TON LOAD FACTOR: (Sch. Svc. %)								
22	Actual	62.1	63.2	62.7	63.0	63.3	63.5	63.3
23	Breakeven	++	++	++	++	++	++	++
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	87,683	78,058	84,349	81,943	79,643	77,580	76,155
25	Overall RTM's per Employee (000)	19.5	19.7	79.8	80.1	80.7	81.2	79.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	11.4	13.5	15.2	15.8	16.3	16.5	13.2
27	Operating Expenses (%)	11.6	13.0	14.7	15.1	14.8	14.7	12.7
28	Operating Profit (Loss) (in Millions \$)	19.5	38.6	164.4	183.4	254.1	278.1	126.6
29	Net Income (Loss)(in Millions \$)	8.8	23.5	73.0	87.6	139.7	153.9	82.0
30	RTMs (Sch. Svc.) (%)	11.0	13.2	11.4	11.9	14.1	16.4	14.9
31	ATMs (Sch. Svc.) (%)	12.9	7.3	12.5	11.1	10.7	11.0	9.0
32	Operating Revenues per RTM (%)	0.4	0.4	3.4	3.5	2.0	0.1	-1.5
33	Operating Expense per RTM (%)	0.6	-0.2	2.9	2.8	0.7	-1.5	-1.9
34	Passenger Revenue per RPM (Sch. Sv	++	++	++	++	++	++	++

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

UNITED PARCEL SERVICE



QUARTERLY RESULTS

- Operating revenues declined 1.3 percent, the fourth consecutive quarter of decline, which may reflect continued lingering effects of the August 1997 Teamsters strike. Operating expenses rose 6.4 percent, causing operating results to drop \$35 million to a \$28 million profit.
- Net results also remained positive, although down \$23.6 million to \$12.6 million.
- Domestic operating results, down \$40.9 million to \$5.6 million, and net results, down \$27.7 million to a \$1.8 million loss, caused nearly all of the deterioration in system results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	L.F.
Domestic	46.5	5.6	-40.9	25.8	-1.8	-27.7	0.7	0.7	2.5	1.2	1.3	4.8	53.7%
Int'l	16.5	22.4	5.9	10.4	14.5	4.1	0.2	0.2	10.7	0.4	0.5	17.2	52.6%
Atlantic	1.2	3.9	2.7	0.6	2.1	1.5	0.1	0.1	9.9	0.1	0.1	3.6	63.9%
Latin	-0.9	-3.5	-2.7	0.1	-0.6	-0.7	0.0	0.0	15.6	0.0	0.0	25.5	42.0%
Pacific	16.1	22.0	5.9	9.6	13.0	3.4	0.1	0.2	10.8	0.3	0.3	22.4	49.5%
System	63.0	28.0	-35.0	36.2	12.6	-23.5	0.9	0.9	4.5	1.6	1.7	7.8	53.4%

- RTM traffic rose 4.5 percent, but ATM capacity increased 7.8 percent, leading to a 1.7 percentage point decline in the ton load factor to 53.4 percent.
- Profitability was eroded as RTM yield fell 5.7 percent and RTM unit costs rose 1.8 percent.
- Total fuel expense was down 12.2 percent (\$8.2 million) due to a 15.6 percent drop in unit fuel prices as fuel consumption rose 4 percent.
- Productivity (RTMs per employee) was still a major group high, although down from 209.2 a year ago to 202.9.

12-MONTH RESULTS

- UPS reported the largest deteriorations among all majors in both operating and net results, and also reported the smallest operating profit among the group.
- Operating profit remained positive, although plunging \$167.1 million to \$2.2 million. Operating revenues dropped 5.2 percent while operating expenses increased 3.8 percent.
- Net income dropped \$106.6 million to a loss of \$22.2 million.
- RTM traffic growth, up 13.4 percent, exceeded ATM capacity growth, up 10.2 percent, causing the ton load factor to rise 1.5 percentage points to 55.7 percent.
- Productivity (RTMs per employee) continued to be very high when compared with all other majors, rising from 801.6 a year ago to 854.5.
- Total debt jumped \$421.8 million to \$2.79 billion. This, coupled with declining equity, caused the debt-to-investment ratio to rise 3.8 percentage points to 74.9 percent.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
UNITED PARCEL SERVICE

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9806	9706	9806	9803	9712	9709	9706
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	498.6	505.2	1,842.5	1,849.0	1,862.6	1,922.6	1,942.8
2	Operating Expenses	470.6	442.2	1,840.3	1,811.9	1,806.5	1,776.1	1,773.5
3	Operating Profit (Loss)	28.0	63.0	2.2	37.2	56.1	146.4	169.3
4	Net Income (Loss)	12.6	36.2	-22.2	1.3	15.3	68.8	84.4
TRAFFIC: (Billions)								
5	RTMs - Scheduled Rev. Svc.	0.23	0.21	0.90	0.87	0.84	0.81	0.80
6	ATMs - Scheduled Rev. Svc.	0.44	0.38	1.64	1.58	1.52	1.47	1.45
7	Overall RTMs (All Services)	0.93	0.89	3.78	3.74	3.55	3.26	3.33
8	Overall ATMs (All Services)	1.74	1.62	6.78	6.66	6.40	6.13	6.16
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	53.5	56.7	48.7	49.4	52.4	58.9	58.3
10	Operating Expense per RTM	50.5	49.6	48.7	48.4	50.8	54.4	53.2
11	Operating Profit (Loss) per RTM	3.0	7.1	0.1	1.0	1.6	4.5	5.1
12	Operating Expense per ATM	27.0	27.3	27.1	27.2	28.2	29.0	28.8
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	0.51	0.54	0.59	0.65	0.69
15	Times Interest Earned	*	*	0.16	1.83	3.53	10.01	13.13
16	Current Assets to Current Liabilities	*	*	1.64	1.42	0.93	1.26	1.72
17	No. of Days Cash Coverage of Cash Ex	*	*	1.8	3.4	2.2	3.5	3.5
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	5.6	12.5	0.1	2.0	3.0	7.6	8.7
19	Net Income to Stockholders Equity	*	*	-2.4	0.1	1.6	7.4	9.3
20	Corporate Return on Investment	*	*	0.1	0.6	1.0	2.8	3.5
21	Debt to Total Investment	*	*	74.9	75.2	74.4	73.5	71.1
TON LOAD FACTOR: (Sch. Svc. %)								
22	Actual	53.4	55.1	55.7	56.2	55.5	53.3	54.2
23	Breakeven	++	++	++	++	++	++	++
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	4,592	4,260	4,424	4,341	4,279	4,226	4,159
25	Overall RTM's per Employee (000)	202.9	209.2	854.5	861.5	830.7	772.5	801.6

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-1.3	18.5	-5.2	-0.8	3.9	12.6	15.9
27	Operating Expenses (%)	6.4	4.0	3.8	3.2	5.3	5.8	7.6
28	Operating Profit (Loss) (in Millions \$)	-35.0	61.8	-167.1	-70.4	-20.0	117.2	141.8
29	Net Income (Loss)(in Millions \$)	-23.6	35.0	-106.6	-48.1	-14.8	61.1	76.1
30	RTMs (Sch. Svc.) (%)	4.5	8.1	13.4	14.5	5.9	-3.5	-1.0
31	ATMs (Sch. Svc.) (%)	7.8	12.6	10.2	11.4	7.2	4.2	5.2
32	Operating Revenues per RTM (%)	-5.7	9.7	-16.5	-13.3	-1.9	16.6	17.1
33	Operating Expense per RTM (%)	1.8	-3.7	-8.5	-10.0	-0.6	9.7	8.8
34	Passenger Revenue per RPM (Sch. Sv	++	++	++	++	++	++	++

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>