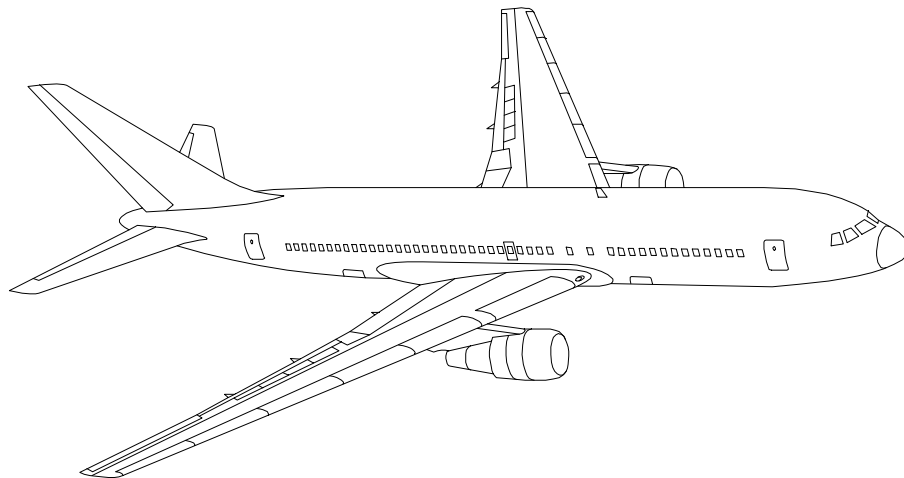


AIRLINE QUARTERLY FINANCIAL REVIEW

THIRD QUARTER 1997



MAJORS



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

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INTRODUCTION

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

The data are presented on both a carrier group and an individual carrier basis, but the primary focus is on the individual major carrier and its performance. Data are presented for the most recent quarterly period and the comparable quarter a year earlier and also on a 12-month ended basis as at the end of the five most recent quarters. In addition, data on charges over comparable periods 12-months earlier are presented. A graphic presentation of comparative trends, on a carrier group basis, is made for several unit and overall financial indicators. In the case of merged carriers, data for the carriers involved have been combined and presented under the name of the surviving carrier so that meaningful comparisons could be made.

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

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

QUARTERLY FINANCIAL & TRAFFIC REVIEW

TOTAL SYSTEM PASSENGER & ALL-CARGO MAJORS

QUARTERLY RESULTS

- Every major carrier (except for UPS) reported an operating and net profit for the third quarter 1997. UPS's results were adversely impacted by the 15-day Teamsters strike in August.
- The major group combined reported an all-time quarterly record in both operating and net profit. Three major carriers (Alaska, Federal Express, and Northwest) reported individual all-time quarterly company records for both operating and net profits. American reported an all-time record quarterly net income. Southwest reported record third quarter operating and net profits.
- Operating revenue growth, up 6.7 percent, outpaced operating expense growth, up 5.5 percent, boosting operating profit \$410.7 million to \$2.83 billion. The passenger major group improved \$278.3 million and the all-cargo major group improved \$132.3 million.
- Net income advanced a very strong \$758.4 million to nearly \$2 billion. Both the passenger major group, with a gain of \$692.1 million, and the all-cargo major group, up \$66.3 million, contributed to the overall improvement.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	3Q 96	3Q 97	\$CHANGE	3Q 96	3Q 97	\$CHANGE
TOTAL ALL MAJORS	2416.4	2827.1	410.7	1227.1	1985.5	758.4
TOTAL PASSENGER MAJORS	2267.4	2545.7	278.3	1146.4	1838.5	692.1
ALASKA	53.1	68.9	15.8	31.6	40.2	8.6
AMERICA WEST	-53.1	37.0	90.1	-45.7	17.9	63.6
AMERICAN	443.7	469.1	25.4	207.4	266.1	58.7
CONTINENTAL	58.3	178.2	119.9	28.6	110.2	81.6
DELTA	441.8	430.1	-11.7	238.2	253.7	15.5
NORTHWEST	485.3	513.8	28.5	270.7	294.1	23.4
SOUTHWEST	103.0	151.8	48.8	60.9	92.5	31.6
TRANS WORLD	26.0	63.8	37.8	-14.3	6.3	20.6
UNITED	612.5	548.1	-64.4	341.1	570.6	229.5
US AIRWAYS	96.8	85.1	-11.7	28.0	186.9	158.9
TOTAL ALL-CARGO MAJORS	149.0	281.3	132.3	80.7	147.0	66.3
FEDERAL EXPRESS	131.8	287.0	155.2	71.2	153.0	81.8
UNITED PARCEL	17.2	-5.7	-22.9	9.5	-6.1	-15.6

- Only UPS had a decline in net results. In addition, UPS had a decline in operating results, as did Delta, United, and US Airways.
- The passenger load factor was up 0.8 percentage points to 73.7 percent.
- Passenger (RPM) yield dipped 0.4 percent to 12.56 cents.
- Interest expense dropped \$38.4 million to \$308.9 million.
- Total fuel expense decreased 5.1 percent (\$134.1 million) from a year ago. Only Federal Express, which increased operations sharply to accommodate additional traffic resulting from the UPS strike, had an increase in total fuel expense. For the group the average unit fuel price declined 12 percent to 59.58 cents.
- Total debt for the group was cut \$931.1 million to \$21.6 billion, although individual carrier results were mixed. American had the largest decline, down \$685 million, while UPS experienced a sharp increase of \$848.4 million.
- This decline in debt, coupled with soaring equity, pushed the debt-to-investment ratio down 4.9 percentage points to 46.5 percent. This is the lowest ratio in recent history.

12-MONTH RESULTS

- For the seventh consecutive quarter-ended 12-month period, the overall major group attained a new all-time high in net income. Operating profit was also a record high for the majors.
- All majors, except Trans World, reported an operating and net profit for the period. Nine of the twelve majors saw year-to-year improvements in both operating and net results.
- Operating profit spiraled upward \$2 billion to \$7.75 billion. Four majors (American, Delta, Northwest, and United) individually recorded an operating profit in excess of \$1 billion. The passenger group improved \$1.66 billion to \$6.72 billion and the all-cargo group improved \$395.4 million to \$1.03 billion.
- Net results improved \$1.87 billion to \$4.47 billion. The passenger group improved \$1.65 billion to \$3.95 billion and the all-cargo group improved \$214.9 million to \$519.5 million.
- Every major carrier (except Southwest and UPS) experienced a decline in interest expense, which for the group declined \$389.3 million to \$1.54 billion.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	25,651.8	24,047.3	96,329.2	94,724.7	93,442.9	91,242.6	89,624.5
2	Operating Expenses	22,824.8	21,630.9	88,583.7	87,389.9	86,353.2	85,254.2	83,935.7
3	Operating Profit (Loss)	2,827.1	2,416.4	7,745.5	7,334.8	7,089.7	5,988.3	5,688.8
4	Net Income (Loss)	1,985.5	1,227.1	4,473.3	3,714.9	3,588.7	2,779.1	2,602.4
<u>TRAFFIC: (Billions)</u>								
5	RPMS - Scheduled Rev. Svc.	154.51	148.29	565.03	558.81	552.66	543.70	534.29
6	ASMs - Scheduled Rev. Svc.	209.51	203.41	799.05	792.95	786.56	778.79	770.84
7	Overall RTMs (All Svc.)	20.62	19.55	76.52	75.46	74.40	73.22	71.92
8	Overall ATMs (All Svc.)	34.23	32.88	130.60	129.25	127.91	126.60	125.20
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	124.4	123.0	125.9	125.5	125.6	124.6	124.6
10	Operating Expense per RTM	110.7	110.6	115.8	115.8	116.1	116.4	116.7
11	Operating Profit (Loss) per RTM	13.7	12.4	10.1	9.7	9.5	8.2	7.9
12	Operating Expense per ATM	66.7	65.8	67.8	67.6	67.5	67.3	67.0
13	Passenger Revenue per RPM	12.56	12.61	12.83	12.85	12.90	12.84	12.88
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.26	2.29	2.29	2.25	2.19
15	Times Interest Earned	*	*	5.78	4.89	4.58	3.66	3.23
16	Current Assets to Current Liabilities	*	*	0.75	0.71	0.73	0.70	0.72
17	No. of Days Cash Coverage of Cash Exp.	*	*	44.2	35.1	35.0	33.6	34.3
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	11.0	10.0	8.0	7.7	7.6	6.6	6.3
19	Net Income to Stockholders Equity	*	*	20.7	18.3	18.8	15.5	15.2
20	Corporate Return on Investment	*	*	14.1	12.8	12.9	11.2	11.0
21	Debt to Total Investment	*	*	46.5	48.5	50.0	50.0	51.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	73.7	72.9	70.7	70.5	70.3	69.8	69.3
23	Breakeven	65.6	65.7	65.7	65.7	65.7	66.2	66.1
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	467,856	449,551	460,100	455,523	451,888	448,834	445,827
25	Overall RTM's per Employee (000)	44.1	43.5	166.3	165.6	164.6	163.1	161.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.7	6.6	7.5	7.5	8.1	7.4	6.9
27	Operating Expenses (%)	5.5	7.4	5.5	6.0	6.5	7.3	6.5
28	Operating Profit (Loss) (in Millions \$)	410.7	-2.8	2,056.7	1,643.3	1,730.4	433.1	679.5
29	Net Income (Loss)(in Millions \$)	758.4	59.5	1,870.9	1,171.9	1,322.6	544.5	1,452.1
30	RPMS (Sch. Svc.) (%)	4.2	6.5	5.8	6.4	7.0	6.7	5.2
31	ASMs (Sch. Svc.) (%)	3.0	3.2	3.7	3.7	3.5	2.9	1.7
32	Operating Revenues per RTM (%)	1.1	0.4	1.0	0.8	1.5	1.3	2.6
33	Operating Expense per RTM (%)	0.1	1.2	-0.8	-0.6	-0.1	1.3	2.2
34	Passenger Revenue per RPM (Sch. Svc.)	-0.4	0.5	-0.4	-0.2	0.8	1.0	2.4

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	19,022.1	17,887.1	73,257.9	72,122.9	71,282.3	69,508.1	68,250.2
2	Operating Expenses	17,083.7	16,255.2	67,017.6	66,189.1	65,269.4	64,146.9	63,063.1
3	Operating Profit (Loss)	1,938.5	1,632.0	6,240.3	5,933.8	6,012.9	5,361.3	5,187.0
4	Net Income (Loss)	1,358.7	810.2	3,620.0	3,071.4	3,100.9	2,576.5	2,454.2
TRAFFIC: (Billions)								
5	RPMs - Scheduled Rev. Svc.	109.85	105.60	409.41	405.16	400.74	394.17	386.89
6	ASMs - Scheduled Rev. Svc.	152.52	148.44	589.56	585.47	581.32	575.14	569.08
7	Overall RTMs (All Svc.)	13.73	13.17	51.71	51.15	50.57	49.91	49.10
8	Overall ATMs (All Svc.)	23.06	22.41	89.71	89.06	88.33	87.47	86.59
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	138.6	135.8	141.7	141.0	141.0	139.3	139.0
10	Operating Expense per RTM	124.4	123.4	129.6	129.4	129.1	128.5	128.4
11	Operating Profit (Loss) per RTM	14.1	12.4	12.1	11.6	11.9	10.7	10.6
12	Operating Expense per ATM	74.1	72.5	74.7	74.3	73.9	73.3	72.8
13	Passenger Revenue per RPM	13.04	13.19	13.53	13.57	13.66	13.57	13.61
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Revenue	10.2	9.1	8.5	8.2	8.4	7.7	7.6
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	14.9	13.7	14.3	13.1	12.9
21	Debt to Total Investment	*	*	**	**	**	**	**
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	72.0	71.1	69.4	69.2	68.9	68.5	68.0
23	Breakeven	65.1	65.2	64.3	64.4	63.8	64.1	64.0
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 (%)	6.3	8.2	7.3	7.8	8.9	8.1	7.8
27	Operating Expenses (%)	5.1	9.0	6.3	7.2	7.5	7.4	6.2
28	Operating Profit (Loss) (in Millions \$)	306.5	19.3	1,053.3	766.0	1,275.7	765.2	1,237.5
29	Net Income (Loss)(in Millions \$)	548.5	73.5	1,165.8	690.6	1,019.8	709.6	1,700.6
30	RPMs (Sch. Svc.) (%)	4.0	8.5	5.8	7.0	7.7	7.3	5.2
31	ASMs (Sch. Svc.) (%)	2.8	3.6	3.6	3.8	3.8	2.8	1.4
32	Operating Revenues per RTM (%)	2.1	0.7	1.9	1.6	2.3	1.8	3.2
33	Operating Expense per RTM (%)	0.8	1.4	0.9	1.0	1.0	1.2	1.7
34	Passenger Revenue per RPM (Sch. Svc.)	-1.1	0.9	-0.6	-0.1	1.4	1.7	3.7

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	6,629.7	6,160.2	23,071.3	22,601.8	22,160.7	21,734.4	21,374.4
2	Operating Expenses	5,741.1	5,375.7	21,566.2	21,200.8	21,083.8	21,107.3	20,872.6
3	Operating Profit (Loss)	888.6	784.4	1,505.1	1,401.0	1,076.8	627.1	501.7
4	Net Income (Loss)	626.7	416.9	853.3	643.5	487.9	202.6	148.2
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	44.66	42.69	155.62	153.66	151.92	149.53	147.40
6	ASMs - Scheduled Rev. Svc.	56.99	54.97	209.49	207.48	205.25	203.66	201.76
7	Overall RTMs (All Svc.)	6.90	6.39	24.82	24.31	23.82	23.31	22.82
8	Overall ATMs (All Svc.)	11.17	10.46	40.89	40.19	39.58	39.13	38.61
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	96.1	96.5	93.0	93.0	93.0	93.2	93.7
10	Operating Expense per RTM	83.3	84.2	86.9	87.2	88.5	90.6	91.5
11	Operating Profit (Loss) per RTM	12.9	12.3	6.1	5.8	4.5	2.7	2.2
12	Operating Expense per ATM	51.4	51.4	52.7	52.8	53.3	53.9	54.1
13	Passenger Revenue per RPM	11.37	11.17	11.00	10.94	10.89	10.91	10.96
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	13.4	12.7	6.5	6.2	4.9	2.9	2.3
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	11.5	9.9	8.4	5.5	5.0
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	78.4	77.7	74.3	74.1	74.0	73.4	73.1
23	Breakeven	66.5	66.4	69.5	69.6	71.1	72.4	72.7
<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 (%)	7.6	2.2	7.9	6.4	5.5	5.1	4.1
27	Operating Expenses (%)	6.8	2.9	3.3	2.3	3.4	7.0	7.2
28	Operating Profit (Loss) (in Millions \$)	104.2	-22.0	1,003.4	877.2	454.7	-332.0	-558.1
29	Net Income (Loss)(in Millions \$)	209.8	-14.0	705.1	481.3	302.9	-165.1	-248.5
30	RPMs (Sch. Svc.) (%)	4.6	1.8	5.6	4.8	5.2	5.3	5.0
31	ASMs (Sch. Svc.) (%)	3.7	2.1	3.8	3.4	2.8	3.0	2.5
32	Operating Revenues per RTM (%)	-0.4	-1.3	-0.8	-1.1	-1.2	-0.4	0.5
33	Operating Expense per RTM (%)	-1.1	-0.7	-5.0	-4.9	-3.1	1.6	3.5
34	Passenger Revenue per RPM (Sch. Svc.)	1.8	-1.5	0.4	-0.6	-1.8	-1.6	-1.9

COMPARISONS AMONG MAJOR GROUP AIRLINE

Chart 1.
OPERATING AND NET PROFIT (LOSS)
THIRD QUARTER 1997

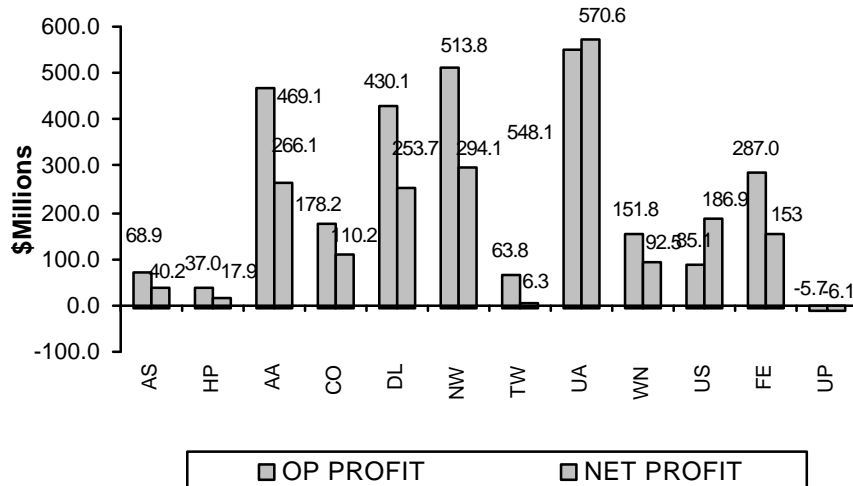
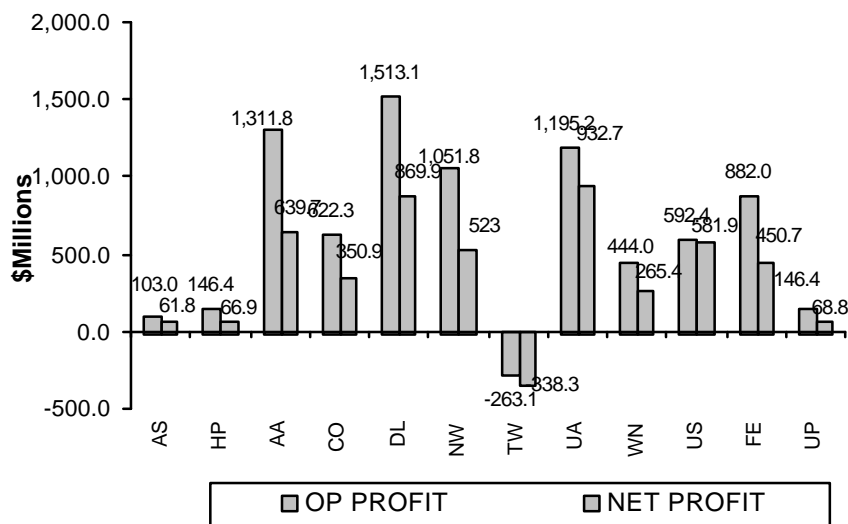
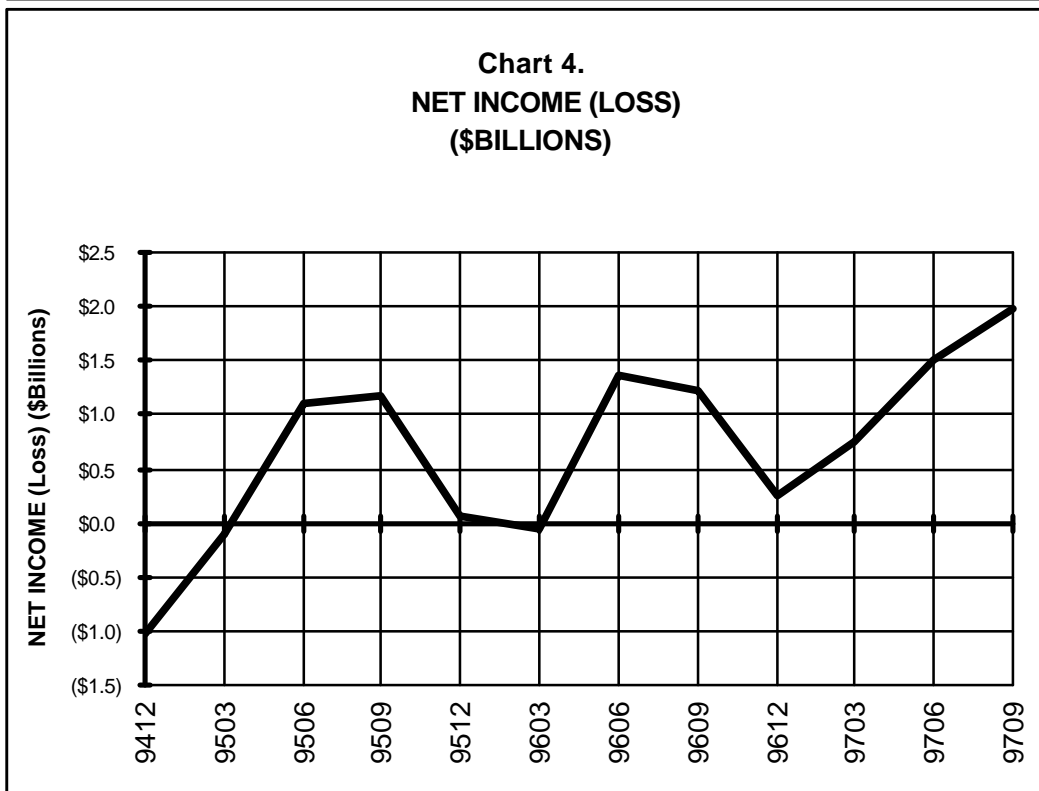
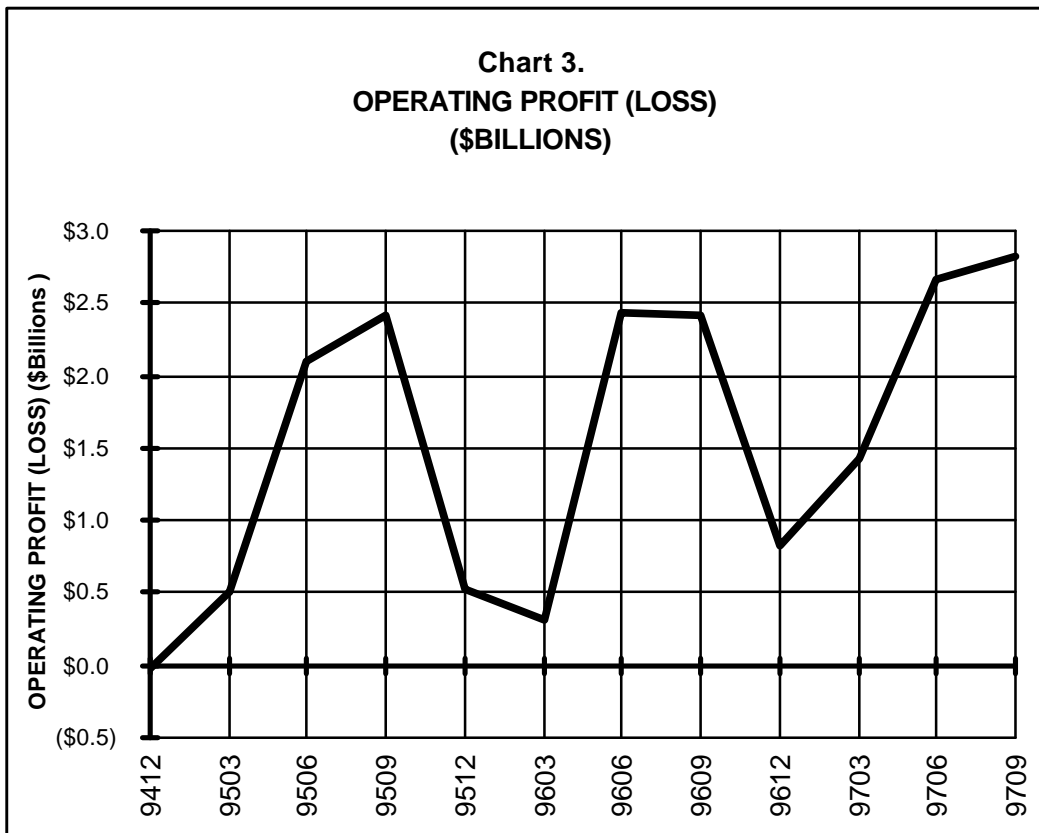


Chart 2.
OPERATING AND NET PROFIT (LOSS)
12 MONTHS ENDED THIRD QUARTER 1997

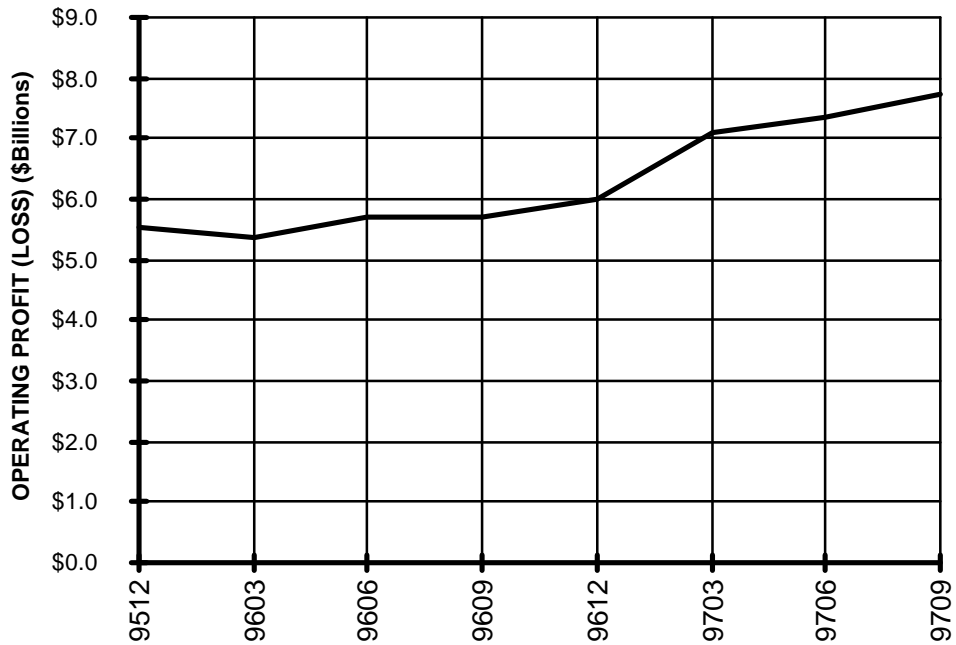


TOTAL ALL MAJORS (SYSTEM) BY QUARTER

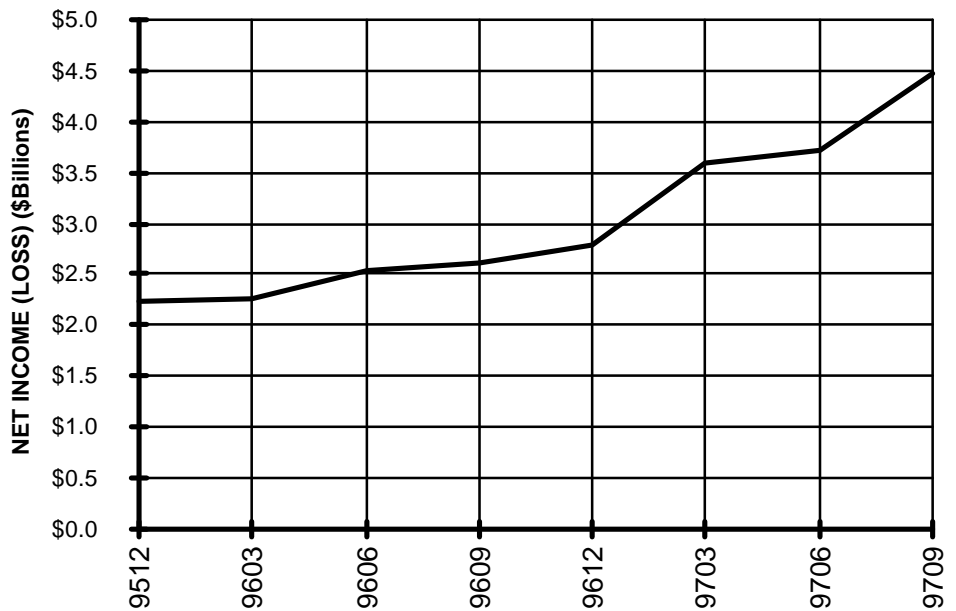


TOTAL ALL MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS

**Chart 5.
OPERATING PROFIT (LOSS)
(\$BILLIONS)**



**Chart 6.
NET INCOME (LOSS)
(\$BILLIONS)**



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

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

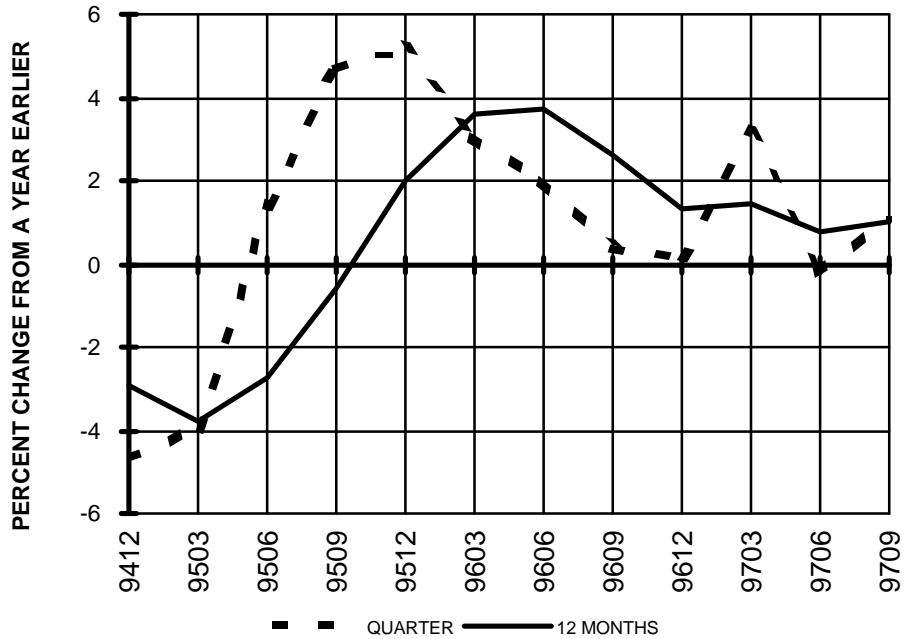
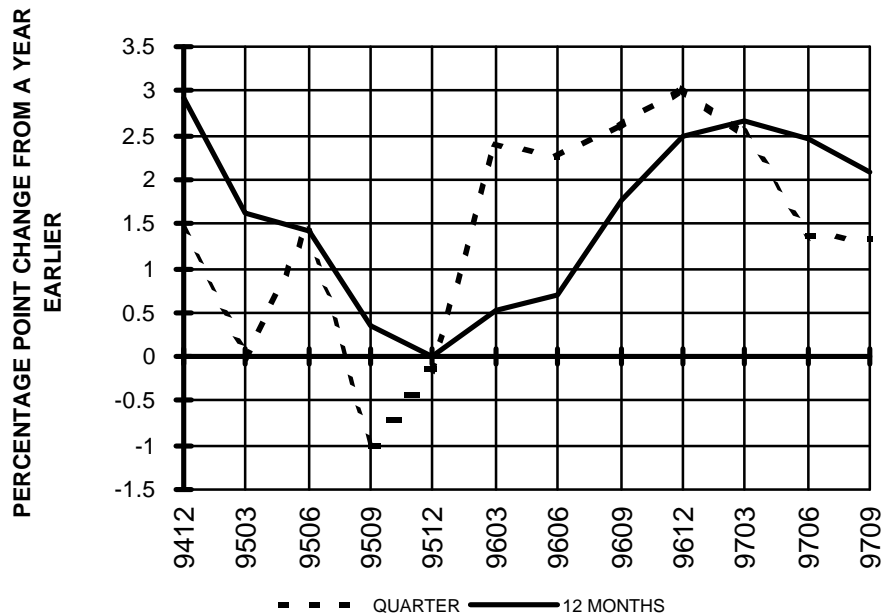


Chart 8.
TON LOAD FACTOR PERCENTAGE POINT CHANGE
OVER FROM PERIOD A YEAR EARLIER



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

Chart 9.
OPERATING EXPENSE PER REVENUE TON-MILE
PERCENT CHANGE FROM SAME PERIOD A YEAR EARLIER

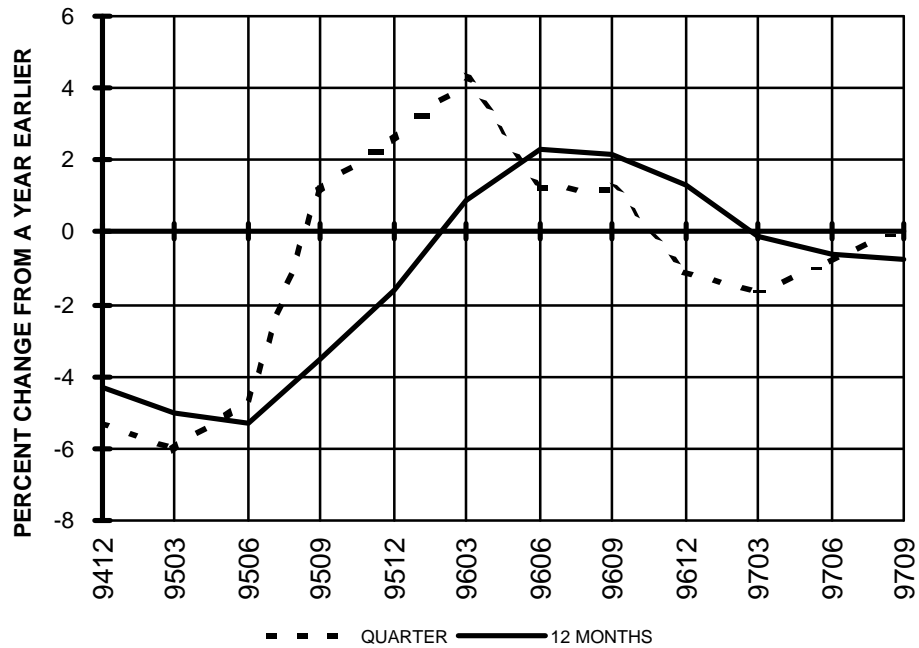
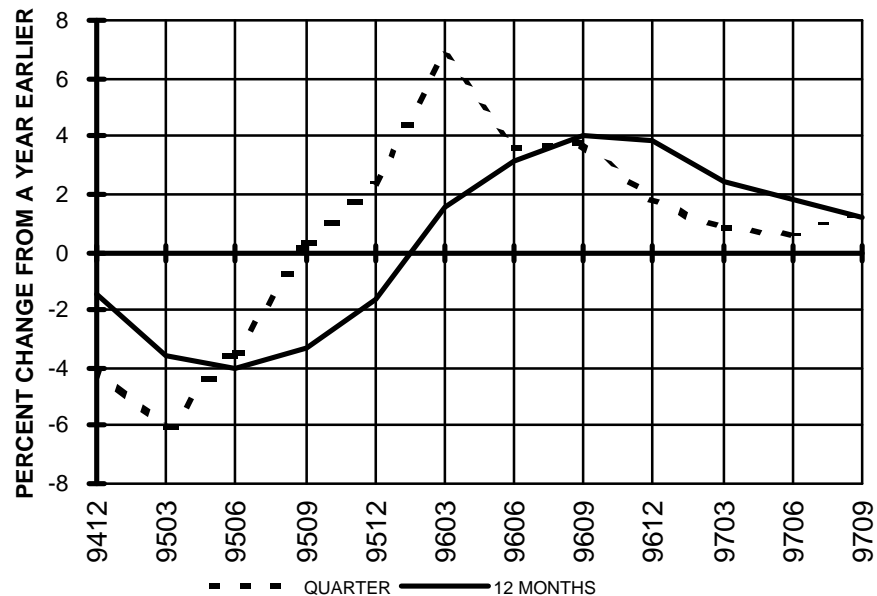


Chart 10.
OPERATING EXPENSE PER AVAILABLE TON-MILE
PERCENT CHANGE FROM SAME PERIOD A YEAR EARLIER



QUARTERLY FINANCIAL & TRAFFIC REVIEW

TOTAL PASSENGER MAJORS

QUARTERLY RESULTS

- For the quarter ended September 1997, all passenger majors reported an operating and net profit. Delta, United, and US Airways experienced a decline in operating results, but all passenger majors had improved net results.
- The passenger majors combined reported an all-time record for any quarter in both operating and net profit.
- Operating revenues advanced 4.5 percent exceeding the 3.6 percent increase in operating expenses, boosting operating profit \$278.3 million to \$2.55 billion
- Net income soared upward \$692.1 million to \$1.84 billion.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1996	THIS YEAR 1997	\$ Change	LAST YEAR 1996	THIS YEAR 1997	\$ Change
March	184.4	1,213.0	1,028.6	-122.7	640.8	763.5
June	2,243.6	2,388.4	144.8	1,282.2	1,349.9	67.7
Sept.	2,267.4	2,545.7	278.3	1,146.4	1,838.5	692.1
Dec.	569.9	0.0	-	124.6	0.0	-

- With year ago passenger load factors for most majors in excess of 70 percent, the load factor for the group climbed a slight 0.8 percentage points to 73.7 percent, 8.2 percentage points above operating breakeven. RPMs rose 4.2 percent while ASMs were up a lesser 3 percent.
- Passenger (RPM) yield dipped 0.4 percent to 12.56 cents.
- Except for a decline in Pacific operating results, all entities reported operating and net profits and improvements from a year ago. The Atlantic and Latin entities attained all-time record operating and net profits, while domestic operations had a record net profit.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	L.F.
Domestic	1,434.8	1,608.4	173.6	700.2	1,180.5	480.3	105.6	109.8	4.0	148.4	152.5	2.8	72.0%
Int'l	832.6	937.3	104.7	446.2	658.0	211.8	42.7	44.7	4.6	55.0	57.0	3.7	78.4%
Atlantic	356.8	495.3	138.5	183.7	317.9	134.3	19.1	20.2	5.5	23.4	23.9	2.0	84.3%
Latin	107.8	144.0	36.2	52.2	98.7	46.5	6.9	7.6	9.4	10.5	11.3	7.8	67.0%
Pacific	368.0	298.0	-70.0	210.3	241.4	31.1	16.6	16.9	1.6	21.0	21.8	3.5	77.7%
System	2,267.4	2,545.7	278.3	1,146.4	1,838.5	692.1	148.3	154.5	4.2	203.4	209.5	3.0	73.7%

- Total fuel expense was down 5.3 percent (\$128 million) from a year ago, a decline from 13.1 percent of total operating expenses to 12 percent.
- Interest expense declined \$44.2 million to \$330.7 million.
- The operating profit margin rose 0.9 percentage points to a healthy 11.7 percent.

12-MONTH RESULTS

- Except for Trans World, all majors reported an operating and net profit for the 12-months ended September 1997. Four majors (American, Delta, Northwest and United) reported an operating profit exceeding \$1 billion.
- For the group, operating profit surged upward \$1.66 billion to \$6.72 billion as operating revenues rose 6.1 percent, outpacing the 4.3 percent increase in operating expenses.
- Net results jumped \$1.66 billion to \$3.95 billion.
- RPM traffic was up 5.8 percent, while ASM capacity grew a slower 3.7 percent, causing the passenger load factor to rise 1.4 percentage points to 70.7 percent. Only America West experienced a slight decline, down 0.7 points.
- Passenger (RPM) yield slid 0.4 percent to 12.83 cents. Four majors (Alaska, American, Southwest, and United) had the only year-to-year gains.
- The debt-to-investment ratio fell 6.7 percentage points to 45.6 percent, as total debt for the group declined \$154.5 million to \$17.4 billion and equity soared \$4.7 billion.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	21,850.1	20,899.3	82,085.5	81,134.7	80,296.1	78,500.2	77,340.9
2	Operating Expenses	19,304.4	18,632.0	75,368.6	74,696.1	74,002.2	73,234.9	72,285.2
3	Operating Profit (Loss)	2,545.7	2,267.4	6,717.0	6,438.6	6,293.8	5,265.2	5,055.7
4	Net Income (Loss)	1,838.5	1,146.4	3,953.8	3,261.7	3,194.0	2,430.5	2,297.9
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	154.51	148.29	565.03	558.81	552.66	543.70	534.29
6	ASMs - Scheduled Rev. Svc.	209.51	203.41	799.05	792.95	786.56	778.79	770.84
7	Overall RTMs (All Svc.)	18.18	17.30	66.96	66.08	65.26	64.23	63.12
8	Overall ATMs (All Svc.)	30.19	29.18	114.55	113.54	112.55	111.46	110.38
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	120.2	120.8	122.6	122.8	123.0	122.2	122.5
10	Operating Expense per RTM	106.2	107.7	112.6	113.0	113.4	114.0	114.5
11	Operating Profit (Loss) per RTM	14.0	13.1	10.0	9.7	9.6	8.2	8.0
12	Operating Expense per ATM	63.9	63.9	65.8	65.8	65.7	65.7	65.5
13	Passenger Revenue per RPM	12.56	12.61	12.83	12.85	12.90	12.84	12.88
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.33	2.36	2.37	2.33	2.27
15	Times Interest Earned	*	*	5.54	4.64	4.37	3.45	3.05
16	Current Assets to Current Liabilities	*	*	0.72	0.68	0.68	0.66	0.69
17	No. of Days Cash Coverage of Cash Exp	*	*	50.8	40.3	40.1	38.5	39.2
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	11.7	10.8	8.2	7.9	7.8	6.7	6.5
19	Net Income to Stockholders Equity	*	*	22.2	19.6	20.6	16.7	16.7
20	Corporate Return on Investment	*	*	15.2	13.8	14.0	12.1	12.0
21	Debt to Total Investment	*	*	45.6	48.2	50.4	51.3	52.3
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	73.7	72.9	70.7	70.5	70.3	69.8	69.3
23	Breakeven	65.5	65.5	65.9	65.9	65.8	66.3	66.1
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	383,318	370,979	378,294	375,209	373,378	370,990	368,978
25	Overall RTM's per Employee (000)	47.4	46.6	177.0	176.1	174.8	173.1	171.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.5	5.9	6.1	6.5	7.4	6.7	6.5
27	Operating Expenses (%)	3.6	6.7	4.3	5.0	5.7	6.7	5.9
28	Operating Profit (Loss) (in Millions \$)	278.3	-8.1	1,661.3	1,374.7	1,544.3	343.0	718.5
29	Net Income (Loss)(in Millions \$)	692.1	50.2	1,655.9	1,014.0	1,211.3	508.0	1,494.8
30	RPMs (Sch. Svc.) (%)	4.2	6.5	5.8	6.4	7.0	6.7	5.2
31	ASMs (Sch. Svc.) (%)	3.0	3.2	3.7	3.7	3.5	2.9	1.7
32	Operating Revenues per RTM (%)	-0.5	0.0	0.1	0.2	0.8	0.8	2.4
33	Operating Expense per RTM (%)	-1.4	0.8	-1.7	-1.2	-0.8	0.8	1.9
34	Passenger Revenue per RPM (Sch. Svc)	-0.4	0.5	-0.4	-0.2	0.8	1.0	2.4

QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	15,923.8	15,330.9	61,739.6	61,146.7	60,625.3	59,143.4	58,231.8
2	Operating Expenses	14,315.4	13,896.1	56,574.5	56,155.2	55,501.0	54,654.4	53,854.0
3	Operating Profit (Loss)	1,608.4	1,434.8	5,165.1	4,991.5	5,124.4	4,489.0	4,377.8
4	Net Income (Loss)	1,180.5	700.2	3,059.0	2,578.7	2,642.4	2,132.8	2,040.3
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	109.85	105.60	409.41	405.16	400.74	394.17	386.89
6	ASMs - Scheduled Rev. Svc.	152.52	148.44	589.56	585.47	581.32	575.14	569.08
7	Overall RTMs (All Svc.)	12.13	11.65	45.40	44.92	44.46	43.80	43.06
8	Overall ATMs (All Svc.)	20.37	19.89	78.74	78.26	77.77	77.02	76.33
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	131.3	131.6	136.0	136.1	136.3	135.0	135.2
10	Operating Expense per RTM	118.1	119.3	124.6	125.0	124.8	124.8	125.1
11	Operating Profit (Loss) per RTM	13.3	12.3	11.4	11.1	11.5	10.2	10.2
12	Operating Expense per ATM	70.3	69.9	71.8	71.8	71.4	71.0	70.6
13	Passenger Revenue per RPM	13.04	13.19	13.53	13.57	13.66	13.57	13.61
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	10.1	9.4	8.4	8.2	8.5	7.6	7.5
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	15.7	14.5	15.3	13.8	13.7
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	72.0	71.1	69.4	69.2	68.9	68.5	68.0
23	Breakeven	65.4	65.3	64.7	64.7	64.1	64.4	64.2
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

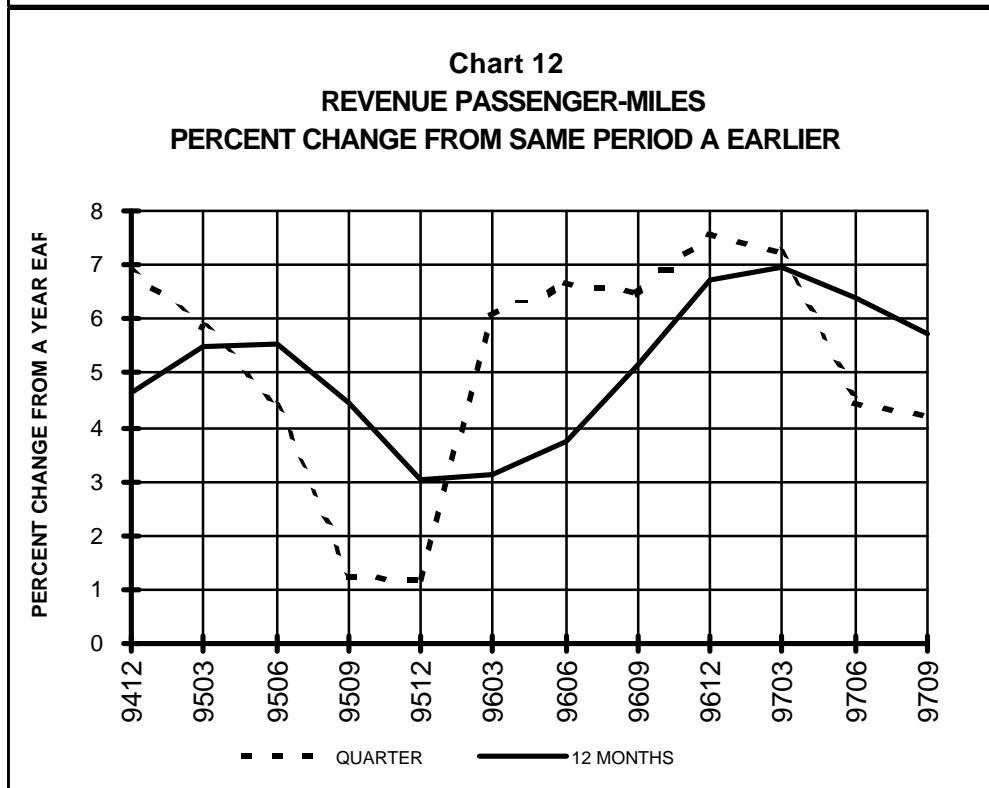
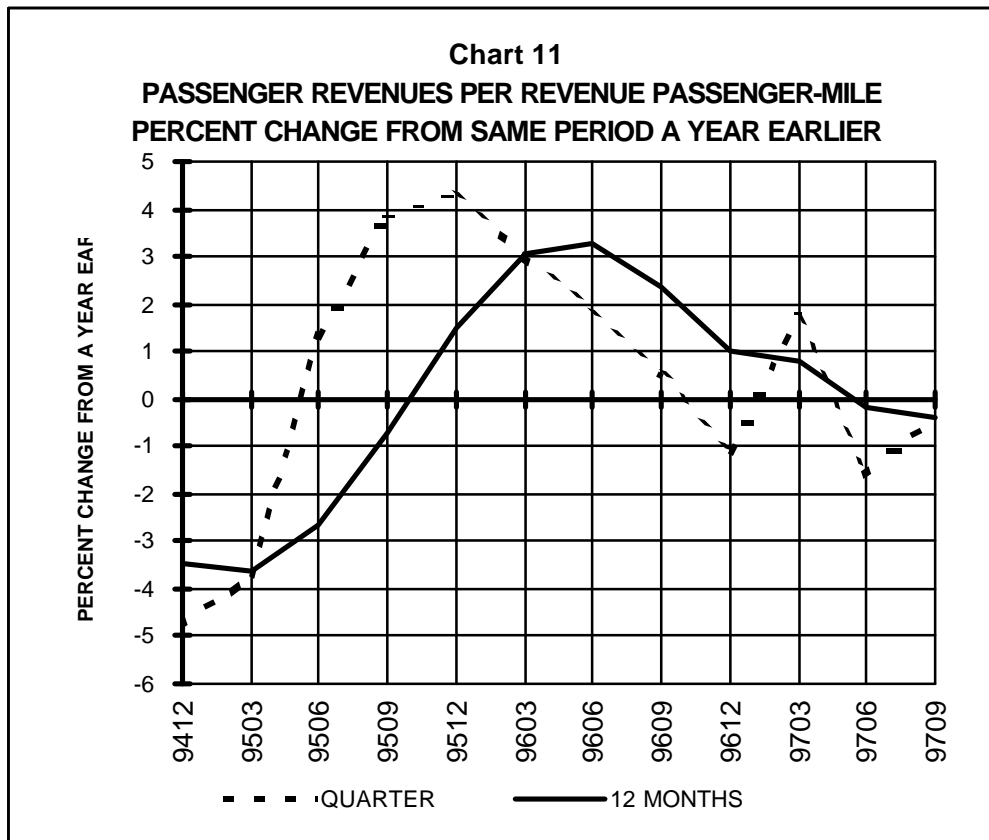
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	3.9	7.8	6.0	7.0	8.4	7.7	7.7
27	Operating Expenses (%)	3.0	8.6	5.1	6.4	6.8	6.9	5.8
28	Operating Profit (Loss) (in Millions \$)	173.6	11.5	787.3	625.2	1,162.2	664.9	1,205.1
29	Net Income (Loss)(in Millions \$)	480.3	66.6	1,018.7	605.1	952.3	667.4	1,702.4
30	RPMs (Sch. Svc.) (%)	4.0	8.5	5.8	7.0	7.7	7.3	5.2
31	ASMs (Sch. Svc.) (%)	2.8	3.6	3.6	3.8	3.8	2.8	1.4
32	Operating Revenues per RTM (%)	-0.2	0.2	0.6	0.6	1.4	1.2	3.2
33	Operating Expense per RTM (%)	-1.0	0.9	-0.4	0.1	0.0	0.6	1.5
34	Passenger Revenue per RPM (Sch. Svc.)	-1.1	0.9	-0.6	-0.1	1.4	1.7	3.7

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

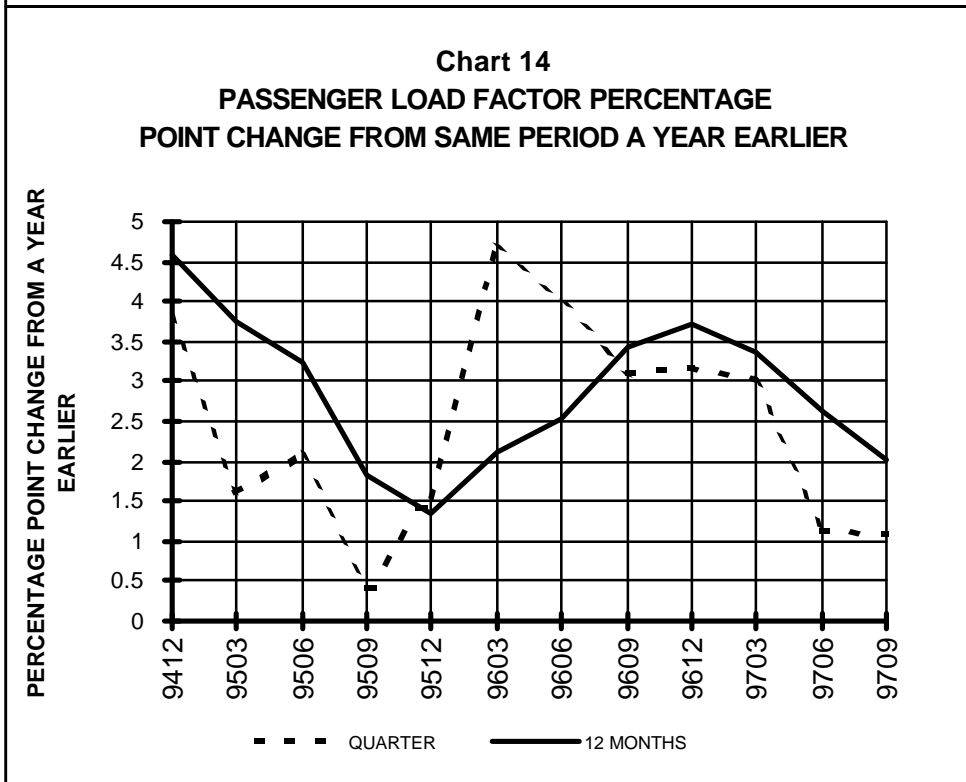
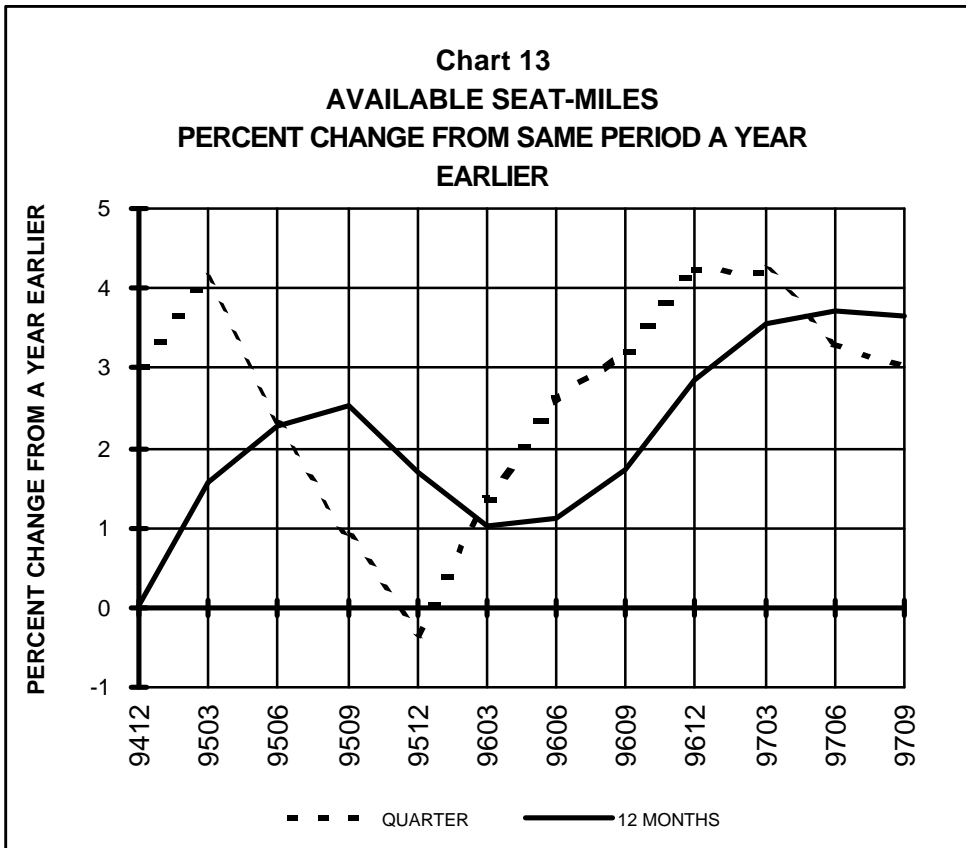
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	5,926.3	5,568.4	20,346.0	19,988.1	19,670.7	19,356.7	19,109.0
2	Operating Expenses	4,989.0	4,735.8	18,794.1	18,540.9	18,501.3	18,580.5	18,431.1
3	Operating Profit (Loss)	937.3	832.6	1,551.9	1,447.2	1,169.5	776.3	677.9
4	Net Income (Loss)	658.0	446.2	894.8	683.0	551.5	297.7	257.6
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	44.66	42.69	155.62	153.66	151.92	149.53	147.40
6	ASMs - Scheduled Rev. Svc.	56.99	54.97	209.49	207.48	205.25	203.66	201.76
7	Overall RTMs (All Svc.)	6.05	5.65	21.56	21.15	20.80	20.43	20.07
8	Overall ATMs (All Svc.)	9.82	9.29	35.81	35.28	34.78	34.44	34.05
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	97.9	98.6	94.4	94.5	94.6	94.7	95.2
10	Operating Expense per RTM	82.4	83.8	87.2	87.6	89.0	90.9	91.8
11	Operating Profit (Loss) per RTM	15.5	14.7	7.2	6.8	5.6	3.8	3.4
12	Operating Expense per ATM	50.8	51.0	52.5	52.6	53.2	53.9	54.1
13	Passenger Revenue per RPM	11.37	11.17	11.00	10.94	10.89	10.91	10.96
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	15.8	15.0	7.6	7.2	5.9	4.0	3.5
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	13.7	11.7	10.2	7.3	6.8
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	78.4	77.7	74.3	74.1	74.0	73.4	73.1
23	Breakeven	65.2	65.1	69.1	69.2	70.6	71.8	72.0
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.4	1.0	6.5	4.9	4.2	4.1	3.2
27	Operating Expenses (%)	5.3	1.6	2.0	1.0	2.2	6.1	6.2
28	Operating Profit (Loss) (in Millions \$)	104.7	-19.6	874.0	749.6	382.2	-321.8	-486.6
29	Net Income (Loss)(in Millions \$)	211.8	-16.4	637.2	408.9	258.9	-159.4	-207.5
30	RPMs (Sch. Svc.) (%)	4.6	1.8	5.6	4.8	5.2	5.3	5.0
31	ASMs (Sch. Svc.) (%)	3.7	2.1	3.8	3.4	2.8	3.0	2.5
32	Operating Revenues per RTM (%)	-0.7	-1.4	-0.9	-1.2	-1.4	-1.0	-0.1
33	Operating Expense per RTM (%)	-1.7	-0.8	-5.0	-4.9	-3.2	1.1	2.8
34	Passenger Revenue per RPM (Sch. Svc.)	1.8	-1.5	0.4	-0.6	-1.8	-1.6	-1.9

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

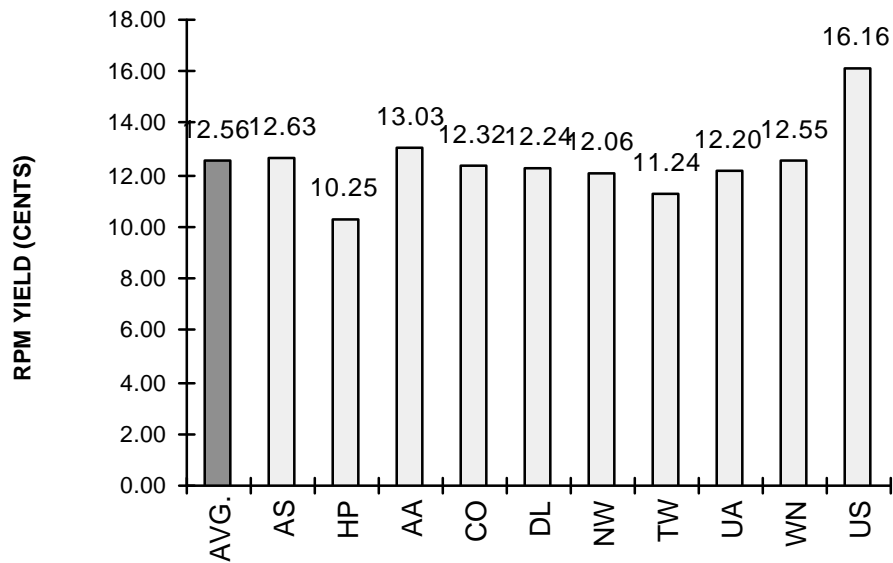


TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)

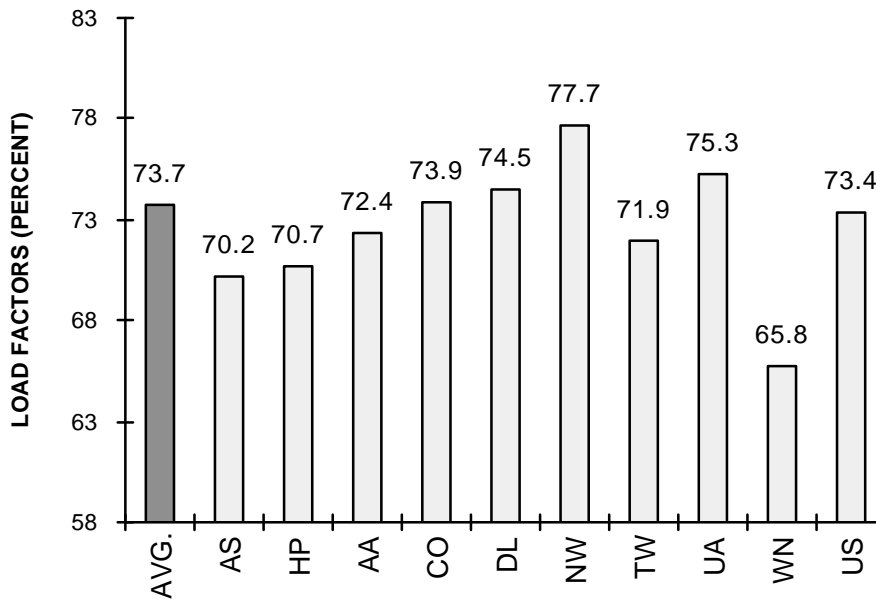


TOTAL PASSENGER MAJORS (SYSTEM) THIRD QUARTER 1997 (SCH. SVC.)

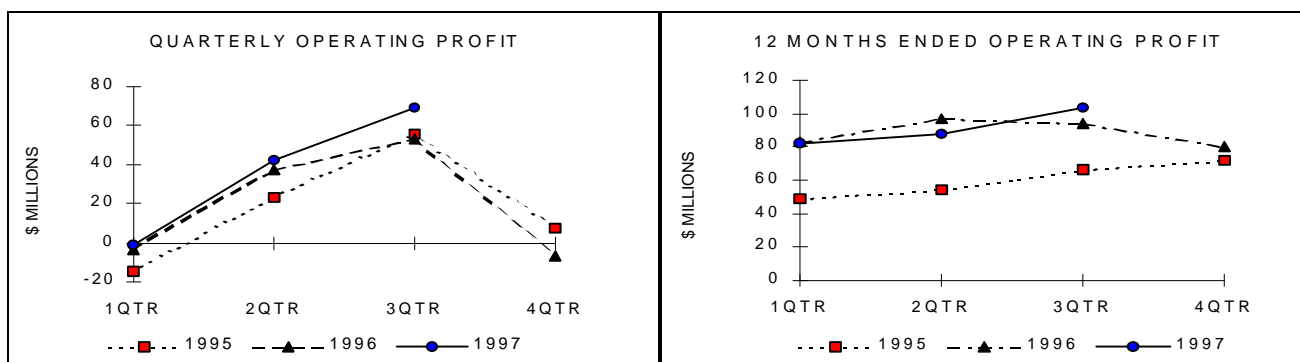
**Chart 15
PASSENGER (RPM) YIELD**



**Chart 16
PASSENGER LOAD FACTOR**



QUARTERLY FINANCIAL & TRAFFIC REVIEW **SYSTEM OPERATIONS** **ALASKA AIRLINES 1/**



QUARTERLY RESULTS

- Alaska reported its best operating profit and net income for any third quarter in its history.
- Operating revenues advanced 9.9 percent, exceeding the 6.7 percent increase in operating expenses, boosting operating profit \$15.8 million to \$68.9 million.
- Net income increased \$8.6 million to \$40.2 million.
- Both the domestic and Latin entities were profitable in operating and net results during the third quarter, and both were improved from a year ago.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	54.0	68.1	14.1	32.1	39.8	7.7	2.7	2.8	1.9	3.9	4.0	2.9	70.3%
Int'l	-0.9	0.7	1.6	-0.6	0.4	0.9	0.1	0.1	-3.3	0.2	0.2	-8.5	68.6%
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	-0.9	0.7	1.6	-0.6	0.4	0.9	0.1	0.1	-3.3	0.2	0.2	-8.5	68.6%
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	53.1	68.9	15.8	31.6	40.2	8.6	2.9	2.9	1.6	4.1	4.2	2.3	70.2%

- The passenger load factor dipped 0.5 percentage points to 70.2 percent as ASMs, up 2.3 percent, grew slightly faster than RPMs, up 1.6 percent.
- Although RTM unit costs jumped a major group high 5.5 percent, RTM yield advanced 8.6 percent (also a major group high) enhancing profitability.
- Total fuel expense dropped 14.2 percent (\$7.1 million) due to falling unit fuel prices, down 15.1 percent, as consumption rose 1.1 percent.
- Interest expense decreased \$0.7 million to \$6.3 million. Only Southwest had a lower interest expense.
- Passenger (RPM) yield increased a major group high 9.4 percent to 12.63 cents.

12-MONTH RESULTS

- Both operating revenues and operating expenses grew 8.6 percent from a year ago, causing operating profit to improve \$8.5 million to \$103 million, the first quarter-ended 12-month operating profit exceeding \$100 million in the carrier's history.
- Net income gained \$15.7 million to \$61.8 million, an all-time carrier high for any 12-month period.
- RPM traffic growth, up 6 percent, nearly tripled the 2.2 percent increase in ASM capacity, producing a 2.4 percentage point increase in the passenger load factor to 67.7 percent.
- Passenger (RPM) yield rose a major group high 4.1 percent to 11.79 cents.
- Interest expense declined \$8 million to \$24.7 million, the lowest among all passenger majors.
- The debt-to-investment ratio dropped 6.6 percentage points to 37.8 percent as total debt fell \$30.5 million to \$254.1 million, a major group low, and equity continues to rise.

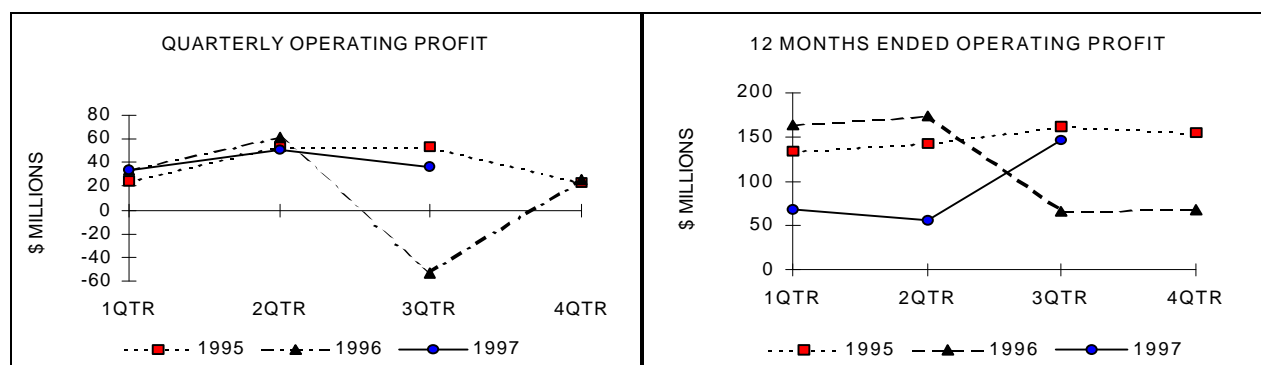
1/ Alaska Airlines became a major air carrier effective on January 1, 1996.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	423.0	384.9	1,400.6	1,362.5	1,336.5	1,306.6	1,289.5
2	Operating Expenses	354.1	331.8	1,297.6	1,275.3	1,254.0	1,225.9	1,195.0
3	Operating Profit (Loss)	68.9	53.1	103.0	87.2	82.5	80.7	94.5
4	Net Income (Loss)	40.2	31.6	61.8	53.2	48.7	45.6	46.1
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Svc.	2.93	2.88	10.18	10.13	10.01	9.79	9.60
6	ASMs - Scheduled Rev. Svc.	4.17	4.08	15.04	14.95	14.92	14.84	14.71
7	Overall RTMs (All Svc.)	0.31	0.31	1.10	1.09	1.08	1.06	1.04
8	Overall ATMs (All Svc.)	0.55	0.54	1.98	1.96	1.96	1.96	1.94
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	134.8	124.1	127.9	124.8	123.8	123.4	123.9
10	Operating Expense per RTM	112.9	107.0	118.4	116.8	116.1	115.8	114.9
11	Operating Profit (Loss) per RTM	21.9	17.1	9.4	8.0	7.6	7.6	9.1
12	Operating Expense per ATM	64.8	61.9	65.7	64.9	63.9	62.7	61.5
13	Passenger Revenue per RPM	12.63	11.54	11.79	11.47	11.37	11.29	11.33
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	2.23	2.19	2.14	2.05	1.94
15	Times Interest Earned	*	*	5.51	4.61	4.08	3.53	3.35
16	Current Assets to Current Liabilities	*	*	0.82	0.75	0.67	0.71	0.89
17	No. of Days Cash Coverage of Cash Exp.	*	*	56.3	38.5	23.8	31.7	42.1
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	16.3	13.8	7.4	6.4	6.2	6.2	7.3
19	Net Income to Stockholders Equity	*	*	16.6	15.0	14.3	13.8	14.3
20	Corporate Return on Investment	*	*	13.4	12.4	12.0	11.8	12.0
21	Debt to Total Investment	*	*	37.8	40.8	39.9	40.4	44.4
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	70.2	70.7	67.7	67.8	67.1	66.0	65.3
23	Breakeven	59.2	61.8	65.6	66.5	66.1	65.1	63.3
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	7,656	7,115	7,362	7,226	7,095	6,937	6,767
25	Overall RTM's per Employee (000)	41.0	43.6	148.8	151.1	152.2	152.6	153.7

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	9.9	10.7	8.6	8.8	10.6	12.4	13.0
27	Operating Expenses (%)	6.7	13.7	8.6	10.4	11.4	12.4	11.2
28	Operating Profit (Loss) (in Millions \$)	15.8	-2.7	8.5	-10.1	-0.9	8.3	28.5
29	Net Income (Loss)(in Millions \$)	8.6	3.3	15.7	10.3	16.2	20.8	26.0
30	RPMs (Sch. Svc.) (%)	1.6	14.4	6.0	9.7	12.8	14.6	14.7
31	ASMs (Sch. Svc.) (%)	2.3	7.0	2.2	3.5	5.6	7.4	7.7
32	Operating Revenues per RTM (%)	8.6	-2.3	3.2	0.1	-0.9	-0.9	-0.5
33	Operating Expense per RTM (%)	5.5	0.4	3.0	1.6	-0.2	-0.9	-2.1
34	Passenger Revenue per RPM (Sch. Svc.)	9.4	-0.9	4.1	1.1	0.7	0.6	1.3

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



QUARTERLY RESULTS

- Operating revenues jumped 9.3 percent as operating expenses dropped 10.6 percent. As a result, operating profit moved into the black, up \$90.1 million to a profit of \$37 million, still a passenger major group low.
- Net income advanced \$63.6 million to a profit of \$17.9 million.
- All of the operating and net profits, and most of the gains, were generated by domestic operations. Latin operating and net results, which have not been profitable since June 1995, were slightly improved.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	-48.8	38.7	87.6	-41.1	19.9	61.0	3.9	4.1	5.6	5.3	5.8	8.6	71.0%
Int'l	-4.3	-1.8	2.6	-4.6	-2.0	2.6	0.1	0.1	13.2	0.2	0.2	-5.4	59.1%
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	-4.3	-1.8	2.6	-4.6	-2.0	2.6	0.1	0.1	13.2	0.2	0.2	-5.4	59.1%
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	-53.1	37.0	90.1	-45.7	17.9	63.6	4.0	4.2	5.8	5.5	5.9	8.2	70.7%

- RPM traffic rose 5.8 percent, but ASM capacity jumped 8.2 percent, causing the passenger load factor to decline 1.6 percentage points to 70.7 percent, 5 percentage points above operating breakeven.
- Passenger (RPM) yield increased 3.5 percent to 10.25 cents, a major group low.
- Interest expense fell \$6.1 million to a major passenger group low \$5.8 million. (Note: UPS, an all-cargo carrier, had no interest expense.)
- Total fuel expense declined 7.2 percent (\$4.2 million) despite a 6.9 percent increase in fuel consumption as unit fuel prices dropped 13.1 percent.

12-MONTH RESULTS

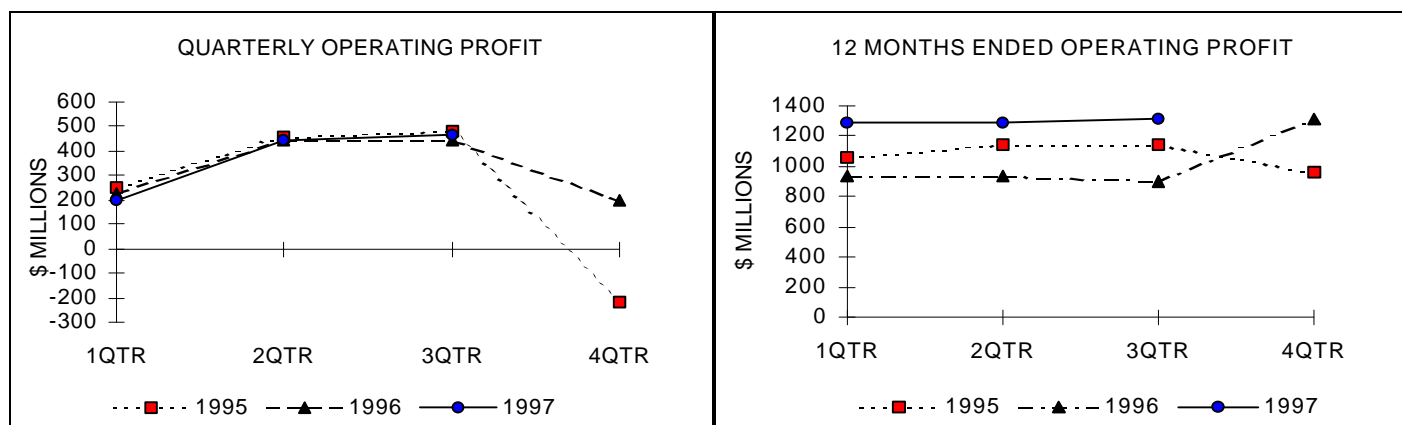
- After four consecutive year-to-year deteriorations in both operating and net results, America West reported strong improvements.
- Operating revenue growth, up 8.8 percent, more than doubled operating expense growth, up 4 percent, causing operating profit to jump \$80.4 million to \$146.4 million.
- Net income rose \$64.5 million to \$66.9 million.
- Interest expense continues to decline, down \$9.2 million to \$41.9 million.
- ASMs, up 11.7 percent, grew slightly faster than RPMs, up 12.8 percent, causing the passenger load factor to dip 0.7 percentage points to 70 percent, 4.9 points above breakeven.
- Total debt was cut \$72.2 million to \$310.3 million (only Alaska had less debt). This, coupled with rising equity, caused the debt-to-investment ratio to fall 6.8 percentage points 37.8 percent.
- Passenger (RPM) yield was down 2.7 percent to a major group low 10.49 cents, the fourth consecutive year-to-year decline.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	465.2	425.6	1,854.5	1,814.9	1,800.7	1,751.8	1,708.2
2	Operating Expenses	428.2	478.8	1,708.0	1,758.6	1,732.9	1,683.1	1,642.2
3	Operating Profit (Loss)	37.0	-53.1	146.4	56.3	67.8	68.7	66.0
4	Net Income (Loss)	17.9	-45.7	66.9	3.3	8.7	8.5	2.4
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	4.20	3.97	16.28	16.05	15.75	15.28	14.58
6	ASMs - Scheduled Rev. Svc.	5.94	5.49	23.27	22.82	22.30	21.47	20.63
7	Overall RTMs (All Svc.)	0.45	0.42	1.75	1.72	1.69	1.64	1.56
8	Overall ATMs (All Svc.)	0.75	0.70	2.93	2.88	2.81	2.71	2.60
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	103.3	100.4	106.1	105.4	106.7	107.0	109.3
10	Operating Expense per RTM	95.1	112.9	97.7	102.2	102.7	102.8	105.0
11	Operating Profit (Loss) per RTM	8.2	-12.5	8.4	3.3	4.0	4.2	4.2
12	Operating Expense per ATM	57.1	68.8	58.3	61.1	61.6	62.1	63.1
13	Passenger Revenue per RPM	10.25	9.90	10.57	10.49	10.62	10.64	10.86
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.86	1.80	1.76	1.68	1.62
15	Times Interest Earned	*	*	3.89	1.51	1.71	1.69	1.60
16	Current Assets to Current Liabilities	*	*	0.68	0.62	0.64	0.67	0.71
17	No. of Days Cash Coverage of Cash Exp.	*	*	34.8	32.0	36.5	40.2	46.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	8.0	-12.5	7.9	3.1	3.8	3.9	3.9
19	Net Income to Stockholders Equity	*	*	10.6	0.5	1.4	1.3	0.4
20	Corporate Return on Investment	*	*	10.9	5.0	5.4	5.3	4.8
21	Debt to Total Investment	*	*	31.8	36.5	37.7	37.7	38.6
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	70.7	72.3	70.0	70.4	70.6	71.2	70.7
23	Breakeven	65.7	84.9	65.1	69.5	69.1	69.6	69.1
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	8,935	8,129	8,802	8,600	8,385	8,140	8,050
25	Overall RTM's per Employee (000)	50.4	52.2	198.5	200.1	201.3	201.1	194.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	9.3	3.3	8.6	7.1	10.5	12.2	13.4
27	Operating Expenses (%)	-10.6	33.8	4.0	15.6	18.2	19.6	22.2
28	Operating Profit (Loss) (in Millions \$)	90.1	-107.3	80.4	-117.0	-96.4	-86.0	-96.5
29	Net Income (Loss)(in Millions \$)	63.6	-67.4	64.5	-66.5	-53.6	-45.3	-52.0
30	RPMs (Sch. Svc.) (%)	5.8	11.4	11.7	13.3	14.0	15.1	13.3
31	ASMs (Sch. Svc.) (%)	8.2	10.7	12.8	13.5	13.6	11.2	8.6
32	Operating Revenues per RTM (%)	2.9	-7.3	-2.9	-5.5	-2.8	-2.0	1.0
33	Operating Expense per RTM (%)	-15.8	20.0	-7.0	2.1	3.9	4.5	8.7
34	Passenger Revenue per RPM (Sch. Svc.)	3.5	-7.5	-2.7	-5.4	-2.7	-2.1	0.4

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



QUARTERLY RESULTS

- American reported the highest quarterly net income in its history, and reported its highest operating profit in two years.
- Operating revenues and operating expenses grew by 5.3 percent, producing a \$25.4 million gain in operating profit to \$469.1 million. The only two quarters in which American has reported a higher profit were the third quarters in 1995 and 1994.
- Net income improved \$58.7 million to \$266.1 million. Only United and Northwest had higher results.
- The Pacific division reported the only declines in operating or net results, but all entities remained profitable. Combined international operations provided much of the gain in operating results, but the domestic entity led the way in net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	246.3	247.0	0.7	92.5	140.1	47.6	19.1	19.6	2.6	27.3	27.6	1.0	71.1%
Int'l	197.5	222.1	24.6	114.9	126.0	11.1	8.7	8.9	2.2	11.8	11.7	-0.3	75.5%
Atlantic	86.9	102.5	15.6	52.8	58.2	5.4	4.0	4.0	-1.6	5.0	4.6	-7.0	85.3%
Latin	86.5	100.3	13.8	45.4	56.9	11.5	4.1	4.3	5.8	6.1	6.4	5.2	67.3%
Pacific	24.1	19.2	-4.8	16.7	10.9	-5.8	0.6	0.6	2.7	0.7	0.7	0.4	86.0%
System	443.7	469.1	25.4	207.4	266.1	58.7	27.8	28.5	2.5	39.1	39.3	0.6	72.4%

- RPMs rose 2.5 percent, but ASMs increased only 0.6 percent, causing the passenger load factor to rise 1.3 percentage points to 72.4 percent, 7.5 percentage points above operating breakeven.
- Passenger (RPM) yield advanced 2.6 percent to 13.03 cents.
- Interest expense fell \$36.5 million, the largest decline among all majors, to \$13.2 million.
- This decline was largely the result of American cutting its total debt \$685 million to \$2.5 billion. Total debt has been cut by more than \$3 billion during the last two years. This reduction, coupled with soaring equity, caused the debt-to-investment ratio to fall a major group high 9 percentage points to 32.7 percent.

12-MONTH RESULTS

- American reported the second largest improvement (behind Delta) in operating profit, and the third largest improvement (behind Delta and United) in net results.
- Operating revenues increased 2.1 percent, the first year-to-year gain since June 1996, while operating expenses declined 0.6 percent, causing operating profit to surge upward \$414.2 million to \$1.31 billion.
- Net income jumped \$403.2 million to \$639.7 million, a new all-time carrier high for any 12-month period.
- RPM traffic rose 2.4 percent while ASM capacity declined 0.3 causing the passenger load factor to rise 1.8 percentage points to 69.6 percent.
- Passenger (RPM) yield increased 0.8 percent to 13.16 cents.

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

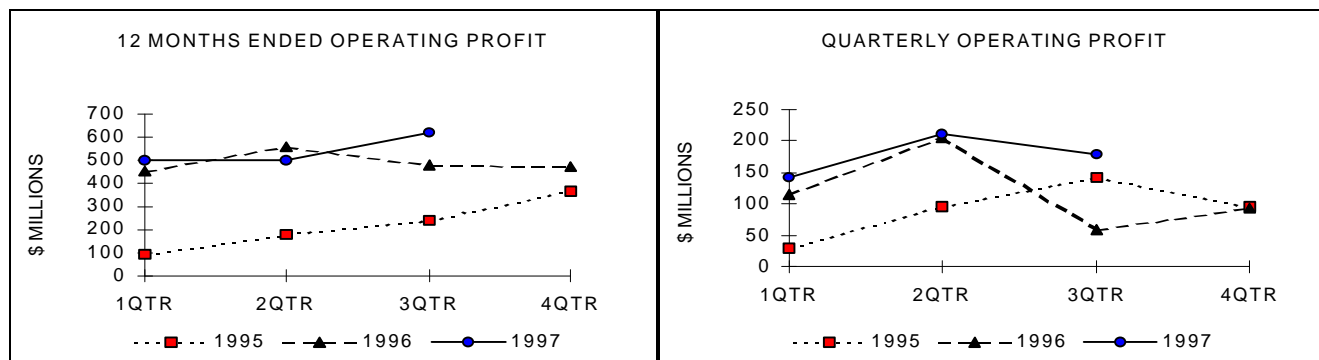
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	4,107.6	3,900.1	15,598.3	15,390.8	15,247.4	15,125.7	15,271.2
2	Operating Expenses	3,638.5	3,456.4	14,286.4	14,104.3	13,957.5	13,810.2	14,373.7
3	Operating Profit (Loss)	469.1	443.7	1,311.8	1,286.5	1,289.9	1,315.5	897.6
4	Net Income (Loss)	266.1	207.4	639.7	580.9	567.3	561.7	236.5
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	28.48	27.79	106.61	105.92	105.23	104.52	104.15
6	ASMs - Scheduled Rev. Svc.	39.34	39.10	153.21	152.97	152.63	152.62	153.65
7	Overall RTMs (All Svc.)	3.36	3.27	12.72	12.63	12.56	12.51	12.47
8	Overall ATMs (All Svc.)	5.99	6.04	23.47	23.52	23.56	23.58	23.73
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	122.3	119.2	122.7	121.9	121.4	120.9	122.4
10	Operating Expense per RTM	108.3	105.6	112.3	111.7	111.1	110.4	115.2
11	Operating Profit (Loss) per RTM	14.0	13.6	10.3	10.2	10.3	10.5	7.2
12	Operating Expense per ATM	60.8	57.2	60.9	60.0	59.2	58.6	60.6
13	Passenger Revenue per RPM	13.03	12.70	13.16	13.08	13.04	13.04	13.06
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.10	2.03	1.95	1.86	1.80
15	Times Interest Earned	*	*	5.51	4.48	3.97	3.56	2.06
16	Current Assets to Current Liabilities	*	*	0.75	0.68	0.64	0.62	0.61
17	No. of Days Cash Coverage of Cash Exp.	*	*	64.0	46.6	35.1	38.3	30.0
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	11.4	11.4	8.4	8.4	8.5	8.7	5.9
19	Net Income to Stockholders Equity	*	*	13.6	12.9	13.2	13.7	6.0
20	Corporate Return on Investment	*	*	11.8	11.4	11.4	11.5	7.7
21	Debt to Total Investment	*	*	32.7	34.6	36.2	37.8	41.7
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	72.4	71.1	69.6	69.2	68.9	68.5	67.8
23	Breakeven	64.9	64.7	64.9	64.8	64.6	64.2	67.1
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	74,319	72,519	73,135	72,685	74,114	75,930	77,465
25	Overall RTM's per Employee (000)	45.2	45.1	173.9	173.8	169.5	164.7	161.0

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.3	-4.8	2.1	-0.5	-2.0	-3.1	-1.0
27	Operating Expenses (%)	5.3	-4.4	-0.6	-3.0	-4.5	-5.7	0.7
28	Operating Profit (Loss) (in Millions \$)	25.4	-35.2	414.2	353.8	348.8	347.7	-252.4
29	Net Income (Loss)(in Millions \$)	58.7	-4.8	403.2	339.6	347.5	353.9	-103.0
30	RPMs (Sch. Svc.) (%)	2.5	0.1	2.4	1.7	1.7	1.8	1.6
31	ASMs (Sch. Svc.) (%)	0.6	-3.0	-0.3	-1.2	-1.6	-1.6	-0.5
32	Operating Revenues per RTM (%)	2.6	-4.5	0.2	-1.6	-3.0	-4.4	-2.1
33	Operating Expense per RTM (%)	2.6	-4.2	-2.5	-4.0	-5.5	-6.9	-0.4
34	Passenger Revenue per RPM (Sch. Svc.)	2.6	0.4	0.8	0.2	0.2	0.5	1.4

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

CONTINENTAL AIR LINES 1/



QUARTERLY RESULTS

- Operating revenues, up 12.5 percent, grew more than twice as fast as operating expenses, up 5.4 percent, causing the operating profit to surge upward a major group high \$119.9 million to \$178.2 million, an all-time third quarter high for the carrier.
- Net income jumped \$81.6 million to \$110.2 million.
- All entities reported an operating and net profit for the third quarter. Except for the Pacific entity, all entities also reported operating and net improvements. Domestic operations emerged from the year ago loss, while Pacific net results fell into the red.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	L.F.
Domestic	-10.0	108.8	118.8	-15.4	54.5	69.8	8.1	8.9	10.1	11.6	12.0	3.3	73.9%
Int'l	68.3	69.4	1.1	44.0	55.7	11.7	3.2	4.4	37.5	4.5	6.0	33.6	74.1%
Atlantic	34.0	45.8	11.8	32.9	44.3	11.4	1.3	2.2	68.2	1.6	2.6	65.9	83.8%
Latin	0.8	11.8	11.0	0.1	11.6	11.5	0.7	1.0	45.6	1.1	1.6	39.7	63.4%
Pacific 1/	33.4	11.8	-21.7	11.0	-0.2	-11.2	1.2	1.2	0.2	1.8	1.8	0.7	69.4%
System	58.3	178.2	119.9	28.6	110.2	81.6	11.3	13.3	17.9	16.1	18.0	11.7	73.9%

- RPM traffic advanced 17.9 percent, while ASM capacity rose a lesser 11.7 percent, causing the passenger load factor to increase a major group high 3.8 percentage points to 73.9 percent, 6 points above operating breakeven.
- Despite a major group high decline in RTM yield, down 4.8 percent, RTM unit costs dropped 10.8 percent improving profitability.
- Total fuel expense rose a major group high 12 percent (\$23.4 million) due entirely to rising fuel consumption, up 12.2 percent, as unit fuel prices dipped 0.2 percent.
- Passenger (RPM) yield declined 3.5 percent to 12.32 cents.

12-MONTH RESULTS

- Operating profit improved \$145.4 million to \$622.3 million as operating revenues, up 11.1 percent, rose faster than operating expenses, up 9.4 percent.
- Net results deteriorated for the third consecutive 12-month period, down \$4.9 million to \$350.9 million.
- RPM growth continues to accelerate, up 13.4 percent, outpacing the 9.5 percent increase in ASMs, resulting in a 2.4 percentage point gain in the passenger load factor 70.4 percent.
- Passenger (RPM) yield declined for the second consecutive period, down 2.3 percent to 12.84 cents.
- Productivity (RTMs per employee) rose from 184.3 to 194.4.
- Total debt jumped \$485.1 million, the largest increase among all majors, to \$2.02 billion, but with equity rising, the debt-to-investment ratio still declined 1.6 percentage points to 67.1 percent.

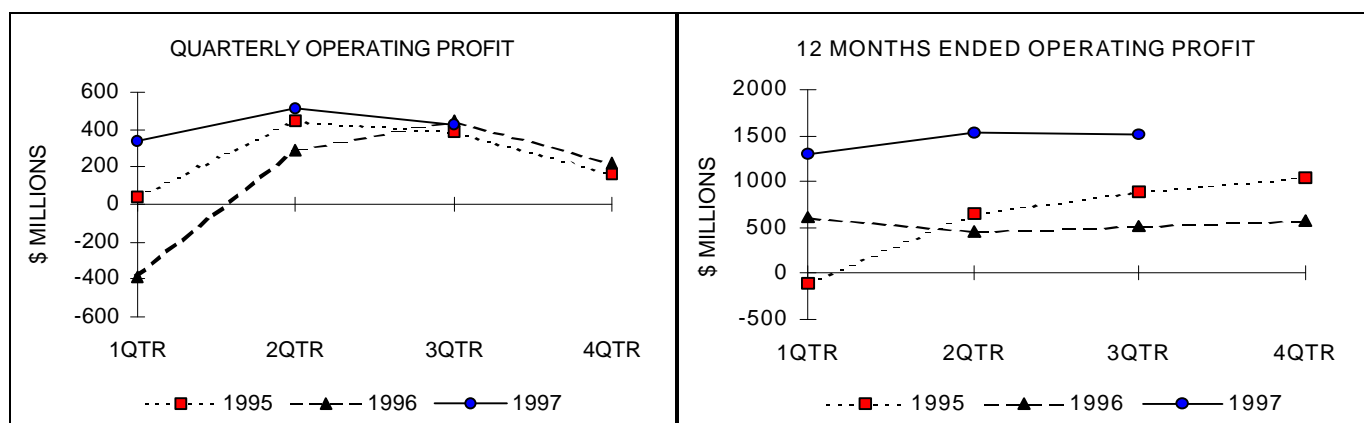
1/ Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which now reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively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

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	1,847.3	1,642.5	6,814.7	6,609.9	6,466.8	6,264.4	6,135.0
2	Operating Expenses	1,669.1	1,584.2	6,192.4	6,107.5	5,968.7	5,792.4	5,658.3
3	Operating Profit (Loss)	178.2	58.3	622.3	502.4	498.1	472.0	476.7
4	Net Income (Loss)	110.2	28.6	350.9	269.3	324.9	347.3	355.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	13.31	11.30	46.55	44.53	43.05	41.91	41.03
6	ASMs - Scheduled Rev. Svc.	18.00	16.11	66.12	64.23	62.80	61.53	60.36
7	Overall RTMs (All Svc.)	1.53	1.30	5.39	5.15	4.98	4.85	4.73
8	Overall ATMs (All Svc.)	2.36	2.01	8.52	8.18	7.95	7.77	7.61
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	120.7	126.8	126.5	128.3	129.8	129.3	129.8
10	Operating Expense per RTM	109.1	122.3	115.0	118.6	119.8	119.5	119.7
11	Operating Profit (Loss) per RTM	11.6	4.5	11.6	9.8	10.0	9.7	10.1
12	Operating Expense per ATM	70.8	78.6	72.7	74.7	75.1	74.5	74.4
13	Passenger Revenue per RPM	12.32	12.77	12.84	12.98	13.15	13.10	13.14
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.62	2.67	2.69	2.63	2.57
15	Times Interest Earned	*	*	5.26	4.21	4.19	3.80	3.40
16	Current Assets to Current Liabilities	*	*	0.71	0.76	0.77	0.81	0.74
17	No. of Days Cash Coverage of Cash Exp.	*	*	60.4	61.6	58.9	69.6	58.2
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	9.6	3.5	9.1	7.6	7.7	7.5	7.8
19	Net Income to Stockholders Equity	*	*	42.0	33.6	42.3	48.2	52.0
20	Corporate Return on Investment	*	*	18.5	16.3	19.3	20.9	22.0
21	Debt to Total Investment	*	*	67.1	67.3	66.7	69.9	68.7
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	73.9	70.1	70.4	69.3	68.5	68.1	68.0
23	Breakeven	67.9	69.2	64.7	64.8	64.1	63.7	63.4
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	28,824	26,673	27,735	27,198	26,527	25,950	25,653
25	Overall RTM's per Employee (000)	53.1	48.6	194.2	189.4	187.8	186.7	184.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	12.5	9.7	11.1	10.3	10.9	9.8	8.8
27	Operating Expenses (%)	5.4	16.9	9.4	12.5	11.0	8.5	4.8
28	Operating Profit (Loss) (in Millions \$)	119.9	-84.3	145.6	-58.6	46.7	105.5	238.5
29	Net Income (Loss)(in Millions \$)	81.6	-104.7	-4.9	-191.2	-77.2	56.4	624.4
30	RPMs (Sch. Svc.) (%)	17.9	4.9	13.4	9.9	7.0	4.7	0.0
31	ASMs (Sch. Svc.) (%)	11.7	5.2	9.5	7.8	5.4	0.8	-5.3
32	Operating Revenues per RTM (%)	-4.8	4.3	-2.6	-0.2	3.0	4.5	9.4
33	Operating Expense per RTM (%)	-10.8	11.1	-3.9	1.9	3.0	3.3	5.4
34	Passenger Revenue per RPM (Sch. Svc.)	-3.5	4.2	-2.3	-0.2	3.2	4.6	8.9

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



QUARTERLY RESULTS

- Operating expenses, up 2.9 percent, grew faster than operating revenues, up 2.2 percent, causing operating profit to decline \$11.7 million from last year's record profit to \$430.1 million.
- Net income improved \$15.5 million to \$253.7 million.
- The Atlantic entity reported the only gain in operating results, and along with domestic operations reported the only improvements in net results. Still, all entities produced an operating and net profit.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	286.7	262.3	-24.4	139.5	150.0	10.5	19.3	20.3	5.3	26.8	28.0	4.5	72.6%
Int'l	155.1	167.8	12.7	98.7	103.7	5.0	6.1	6.2	2.7	7.5	7.6	1.2	81.6%
Atlantic	115.0	133.6	18.6	73.2	82.6	9.4	4.9	5.1	3.5	6.1	6.2	1.3	83.0%
Latin	12.7	11.1	-1.6	8.1	6.9	-1.3	0.4	0.4	14.1	0.5	0.6	14.5	69.3%
Pacific	27.3	23.1	-4.2	17.4	14.3	-3.1	0.8	0.7	-7.6	1.0	0.9	-6.0	80.6%
System	441.8	430.1	-11.7	238.2	253.7	15.5	25.4	26.6	4.7	34.3	35.6	3.8	74.5%

- RPMs rose 4.7 percent, while ASMs increased 3.8 percent, causing the passenger load factor to rise 0.6 percentage points to 74.5 percent, 8.7 percentage points above breakeven.
- Passenger (RPM) yield dipped 1.8 percent to 12.24 cents.
- Although RTM unit costs declined 3.8 percent, RTM yield fell 4.5 percent, hindering profitability.
- Total fuel expense dipped 1 percent despite a 3.5 percent increase in consumption as unit fuel prices declined 4.3 percent.

12-MONTH RESULTS

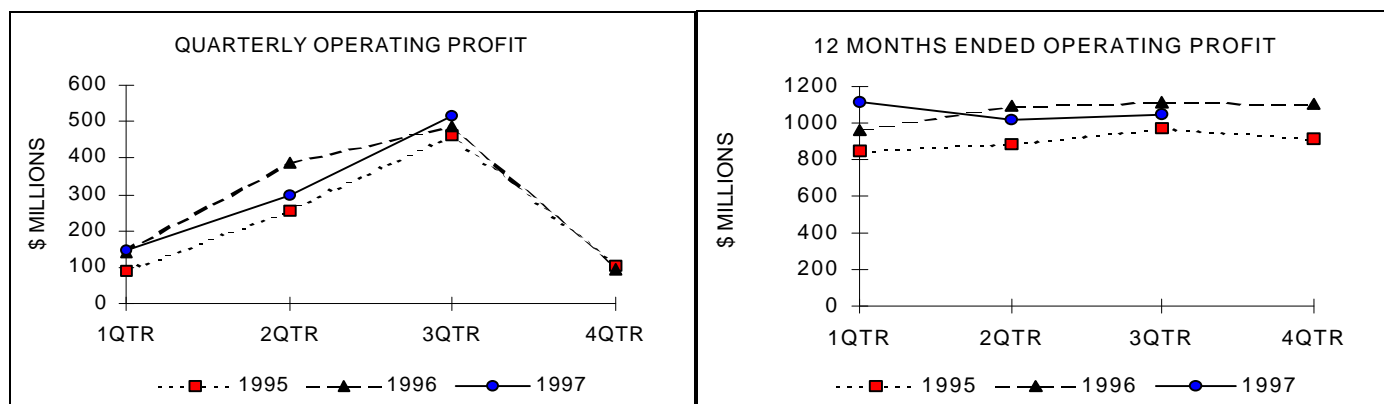
- Year ago operating results were adversely affected by a negative \$556 million non-recurring adjustment, which was reported in operating expenses, and the resulting effect on net results (net of taxes) was a negative \$339 million. Due in large part to this adjustment, Delta reported the largest improvements over a year ago among all majors in both operating and net results.
- Operating revenues advanced 7.3 percent, while operating expenses decreased 0.4 percent, causing operating profit to soar \$997.4 million to \$1.5 billion, a major group high. Net income jumped \$676.2 million to \$869.9 million. Roughly half of these improvements, however, were attributable to the year ago adjustment.
- The passenger load factor gained 2.4 percentage points to 71.7 percent.
- Passenger (RPM) yield declined over a year ago for the sixth consecutive 12-month period, down 1.6 percent 12.71 cents.
- The debt-to-investment ratio fell 7.1 percentage points to 39.2 percent as equity improved and total debt was cut \$55.3 million to \$2.15 billion.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	3,611.6	3,534.5	14,015.3	13,938.2	13,767.0	13,317.7	13,063.1
2	Operating Expenses	3,181.5	3,092.7	12,502.1	12,413.4	12,467.1	12,746.6	12,547.4
3	Operating Profit (Loss)	430.1	441.8	1,513.1	1,524.8	1,299.8	571.1	515.7
4	Net Income (Loss)	253.7	238.2	869.9	854.3	714.6	249.0	193.7
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Svc.	26.57	25.38	98.89	97.70	96.10	93.88	91.26
6	ASMs - Scheduled Rev. Svc.	35.64	34.35	138.00	136.70	135.66	133.61	131.64
7	Overall RTMs (All Svc.)	3.07	2.87	11.51	11.31	11.08	10.81	10.49
8	Overall ATMs (All Svc.)	5.04	4.77	19.25	18.98	18.79	18.49	18.21
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	117.5	123.0	121.8	123.3	124.2	123.2	124.5
10	Operating Expense per RTM	103.5	107.6	108.6	109.8	112.5	118.0	119.6
11	Operating Profit (Loss) per RTM	14.0	15.4	13.1	13.5	11.7	5.3	4.9
12	Operating Expense per ATM	63.1	64.8	64.9	65.4	66.4	68.9	68.9
13	Passenger Revenue per RPM	12.24	12.46	12.71	12.78	12.87	12.76	12.92
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	2.78	2.84	2.84	2.70	2.58
15	Times Interest Earned	*	*	9.19	8.90	7.07	3.08	2.51
16	Current Assets to Current Liabilities	*	*	0.78	0.74	0.75	0.75	0.87
17	No. of Days Cash Coverage of Cash Exp.	*	*	50.7	36.1	33.2	30.6	42.5
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	11.9	12.5	10.8	10.9	9.4	4.3	3.9
19	Net Income to Stockholders Equity	*	*	30.6	31.7	29.2	10.7	8.7
20	Corporate Return on Investment	*	*	20.7	21.0	18.7	9.1	8.2
21	Debt to Total Investment	*	*	39.2	41.6	44.8	46.2	46.3
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	74.5	73.9	71.7	71.5	70.8	70.3	69.3
23	Breakeven	65.8	64.7	64.2	63.8	64.4	68.2	67.2
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	57,216	54,589	56,345	55,689	54,826	53,812	53,060
25	Overall RTM's per Employee (000)	53.7	52.6	204.3	203.1	202.2	200.8	197.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	2.2	7.7	7.3	8.8	8.8	6.1	4.6
27	Operating Expenses (%)	2.9	6.8	-0.4	0.5	3.5	10.7	8.2
28	Operating Profit (Loss) (in Millions \$)	-11.7	56.9	997.4	1,066.0	683.6	-467.3	-373.0
29	Net Income (Loss)(in Millions \$)	15.5	37.8	676.2	698.4	469.2	-261.0	-228.5
30	RPMs (Sch. Svc.) (%)	4.7	11.6	8.4	10.2	11.3	10.3	6.8
31	ASMs (Sch. Svc.) (%)	3.8	2.9	4.8	4.6	4.2	2.7	1.0
32	Operating Revenues per RTM (%)	-4.5	-2.0	-2.2	-1.5	-1.7	-2.6	0.0
33	Operating Expense per RTM (%)	-3.8	-2.9	-9.2	-9.0	-6.3	1.7	3.5
34	Passenger Revenue per RPM (Sch. Svc.)	-1.8	-4.7	-1.6	-2.4	-3.2	-4.6	-2.6

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



QUARTERLY RESULTS

- For the third quarter 1997, Northwest reported the highest operating and net profit for any quarter in carrier history. It also reported the second highest operating and net profit (after Delta) among all majors.
- Although operating revenues rose only 1 percent, operating expenses were nearly unchanged, resulting in operating profit rising \$28.5 million to \$513.8 million.
- Net income improved \$23.4 million to \$294.1 million.
- Only the Pacific division reported a decline in operating or net results, but all entities remained profitable.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	323.8	343.8	20.0	178.1	190.4	12.4	10.7	11.1	3.9	14.9	15.0	1.0	73.7%
Int'l	161.4	170.0	8.5	92.7	103.6	11.0	8.7	8.9	3.3	10.3	10.8	4.6	83.2%
Atlantic	51.0	75.2	24.2	30.0	44.3	14.3	2.1	2.0	-2.6	2.4	2.3	-3.7	88.7%
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	110.5	94.8	-15.7	62.7	59.3	-3.4	6.6	6.9	5.2	7.9	8.4	7.1	81.7%
System	485.3	513.8	28.5	270.7	294.1	23.3	19.3	20.0	3.7	25.1	25.8	2.5	77.7%

- Total fuel expense dropped 8.8 percent (\$30.7 million) due to a 10.7 percent drop in unit fuel prices as consumption rose 2.1 percent. Fuel expense comprised 14.2 percent of total operating expenses, down from 15.6 percent a year ago.
- The operating profit margin climbed 0.8 percent to a major group high 18.7 percent.
- Interest expense rose \$3.9 million to \$47.9 million, the largest increase among the passenger majors.
- The passenger load factor climbed 0.9 percentage points to a major group high 77.7 percent, as RPMs, up 3.7 percent, rose faster than ASMs, up 2.5 percent.
- Passenger (RPM) yield was down 3.8 percent to 12.06 cents.

12-MONTH RESULTS

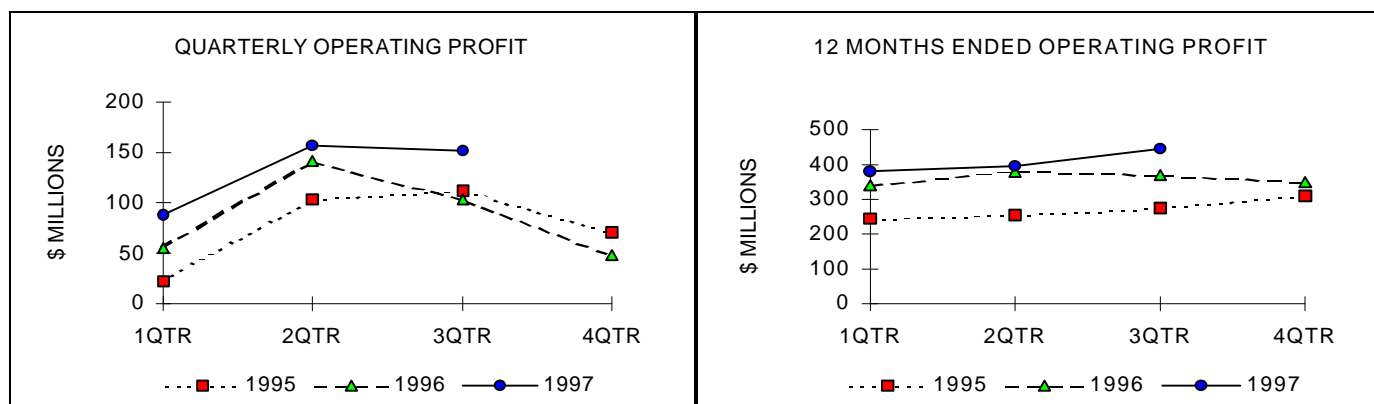
- For the second consecutive quarter-ended 12-month period, operating expenses, up 3.9 percent, rose faster than operating revenues, up 2.8 percent. Only Trans World reported larger declines in operating or net results.
- Operating profit dropped \$67.2 million to \$1.05 billion, but remained above \$1 billion for the sixth consecutive period.
- Net income deteriorated \$123.4 million to \$523 million.
- The passenger load factor rose 1.1 percentage points to a major group high 73.8 percent, 8.3 percentage points above operating breakeven.
- Passenger (RPM) yield sank 2.6 percent to 12.21 cents.
- Productivity (RTMs per employee) continued to be a passenger group high, rising from 205.7 a year ago to 206.6.
- Soaring equity, up \$616 million, caused the debt-to-investment ratio to decrease 1.3 percentage points to 32.1 percent as total debt increased \$172.7 million. Only Southwest has a lower ratio.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,744.7	2,716.4	9,874.2	9,845.9	9,864.1	9,751.4	9,606.6
2	Operating Expenses	2,230.9	2,231.1	8,822.4	8,822.6	8,751.8	8,643.5	8,487.7
3	Operating Profit (Loss)	513.8	485.3	1,051.8	1,023.3	1,112.3	1,107.9	1,119.0
4	Net Income (Loss)	294.1	270.7	523.0	499.7	582.0	578.8	646.4
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	20.01	19.31	70.93	70.22	69.64	68.63	67.51
6	ASMs - Scheduled Rev. Svc.	25.76	25.14	96.15	95.52	94.76	93.90	92.80
7	Overall RTMs (All Svc.)	2.60	2.51	9.34	9.26	9.20	9.09	8.99
8	Overall ATMs (All Svc.)	4.09	4.01	15.23	15.15	15.07	14.97	14.85
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	105.6	108.1	105.7	106.3	107.2	107.3	106.9
10	Operating Expense per RTM	85.9	88.8	94.4	95.3	95.1	95.1	94.4
11	Operating Profit (Loss) per RTM	19.8	19.3	11.3	11.1	12.1	12.2	12.4
12	Operating Expense per ATM	54.6	55.7	57.9	58.2	58.1	57.8	57.2
13	Passenger Revenue per RPM	12.06	12.54	12.21	12.34	12.50	12.53	12.54
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.42	1.46	1.51	1.54	1.53
15	Times Interest Earned	*	*	5.31	5.15	5.82	5.65	5.64
16	Current Assets to Current Liabilities	*	*	0.67	0.63	0.65	0.57	0.69
17	No. of Days Cash Coverage of Cash Exp.	*	*	45.7	38.3	48.0	28.9	41.3
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	18.7	17.9	10.7	10.4	11.3	11.4	11.6
19	Net Income to Stockholders Equity	*	*	11.4	11.4	13.9	14.5	17.2
20	Corporate Return on Investment	*	*	10.4	10.3	11.9	12.3	13.5
21	Debt to Total Investment	*	*	32.1	35.0	35.8	34.2	33.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	77.7	76.8	73.8	73.5	73.5	73.1	72.7
23	Breakeven	61.4	61.1	65.5	65.4	64.6	64.1	63.6
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	45,699	44,626	45,192	44,924	44,584	44,099	43,688
25	Overall RTM's per Employee (000)	56.9	56.3	206.7	206.1	206.4	206.1	205.7

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	1.0	7.5	2.8	4.5	7.9	9.5	8.1
27	Operating Expenses (%)	0.0	8.0	3.9	6.0	7.0	8.1	7.1
28	Operating Profit (Loss) (in Millions \$)	28.5	22.8	-67.2	-72.9	148.8	197.7	150.3
29	Net Income (Loss)(in Millions \$)	23.4	16.0	-123.4	-130.7	37.5	72.5	176.8
30	RPMs (Sch. Svc.) (%)	3.7	8.7	5.1	6.4	8.5	9.8	10.6
31	ASMs (Sch. Svc.) (%)	2.5	8.5	3.6	5.2	6.3	7.4	7.6
32	Operating Revenues per RTM (%)	-2.3	0.3	-1.1	-0.5	1.3	2.6	1.2
33	Operating Expense per RTM (%)	-3.3	0.8	0.0	1.0	0.5	1.3	0.3
34	Passenger Revenue per RPM (Sch. Svc.)	-3.8	-0.4	-2.6	-1.7	0.2	0.9	-0.6

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 six-plus year period of consecutive profitable quarters. Operating and net results for the quarter ended September 1997 were the highest for any third quarter in the carrier's history, and were just behind the all-time carrier records set during the second quarter 1997.
- Operating revenue grew 11.8 percent outpacing the 7.2 percent increase in operating expense growth boosting operating profit \$48.8 million to \$151.8 million.
- Net income rose \$31.6 million to \$92.5 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	103.0	151.8	48.8	60.9	92.5	31.7	7.3	7.6	3.2	10.5	11.5	9.7	65.8%
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	103.0	151.8	48.8	60.9	92.5	31.7	7.3	7.6	3.2	10.5	11.5	9.7	65.8%

- Interest expense rose \$1.6 million to \$16.2 million.
- RTM yield, up 7.4 percent, grew more than twice as fast as RTM unit costs, up 3 percent, enhancing profitability.
- The passenger load factor fell 4.2 percentage points, the largest decline among the majors, to 65.8 percent, a major group low. Southwest also has the lowest breakeven load factor, however, and the difference grew to 12 percentage points. ASM capacity jumped 9.7 percent, while RPM traffic increased only 3.2 percent.
- Passenger (RPM) yield advanced a strong 7.5 percent to 12.55 cents.
- Total fuel expense declined 5.9 percent (\$7.3 million) due solely to falling unit fuel prices, down 12 percent, as fuel consumption increased 7 percent.

12-MONTH RESULTS

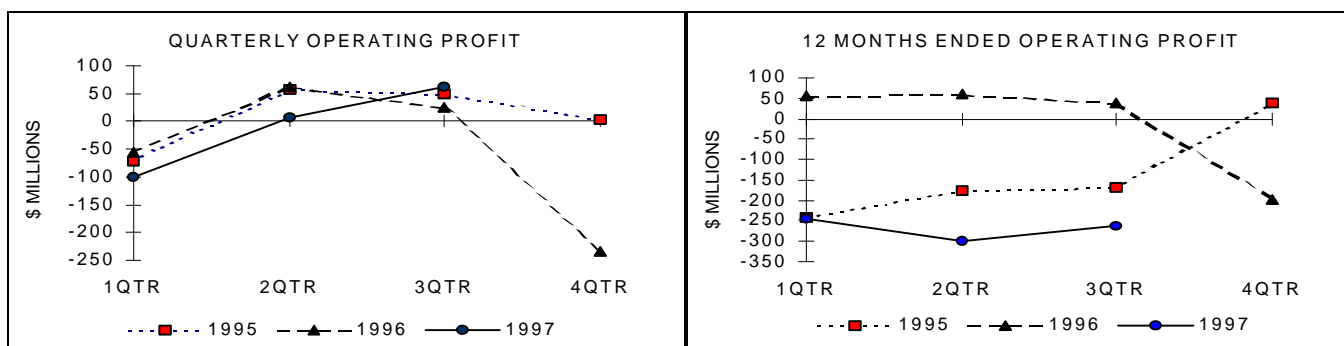
- Reflecting its recent string of record or near-record quarterly profits, operating and net results for the 12-months ended September 1997 were the highest for any quarter-ended 12-month period in its history.
- For the first time in four quarter-ended 12-month periods, operating revenues, up 10.5 percent, grew faster than operating expenses, up 9.4 percent, causing operating profit to improve \$71.8 million to \$444 million.
- Net income rose \$42.9 million to \$265.4 million.
- The passenger load factor was unchanged from a year ago at 65 percent, a major group low.
- Passenger (RPM) yield climbed 0.7 percent to 12.43 cents.
- Interest expense was up \$2.7 million, the only increase among the majors, to \$61.6 million.
- Total debt increased \$87.4 million to \$751.8 million, but equity rose faster causing the debt-to-investment ratio to slide 0.8 percentage points to 28.3 percent, a major group low.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	997.3	891.8	3,673.5	3,568.0	3,521.7	3,407.4	3,324.1
2	Operating Expenses	845.5	788.8	3,229.5	3,172.8	3,140.7	3,057.6	2,951.9
3	Operating Profit (Loss)	151.8	103.0	444.0	395.2	381.0	349.7	372.2
4	Net Income (Loss)	92.5	60.9	265.4	233.7	225.2	207.3	222.5
<u>TRAFFIC: (Billions)</u>								
5	RPMS - Scheduled Rev. Svc.	7.57	7.33	28.22	27.99	27.78	27.09	25.86
6	ASMs - Scheduled Rev. Svc.	11.49	10.48	43.41	42.40	41.58	40.71	39.80
7	Overall RTMs (All Svc.)	0.79	0.76	2.95	2.91	2.89	2.81	2.68
8	Overall ATMs (All Svc.)	1.47	1.35	5.55	5.43	5.33	5.22	5.10
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	125.9	117.2	124.7	122.4	121.9	121.2	123.9
10	Operating Expense per RTM	106.8	103.7	109.6	108.8	108.7	108.7	110.1
11	Operating Profit (Loss) per RTM	19.2	13.5	15.1	13.6	13.2	12.4	13.9
12	Operating Expense per ATM	57.6	58.6	58.1	58.4	58.9	58.6	57.9
13	Passenger Revenue per RPM	12.55	11.67	12.43	12.19	12.16	12.07	12.34
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.50	1.51	1.54	1.54	1.54
15	Times Interest Earned	*	*	10.97	10.03	10.29	10.23	11.23
16	Current Assets to Current Liabilities	*	*	0.84	0.82	1.07	0.97	1.07
17	No. of Days Cash Coverage of Cash Exp.	*	*	66.5	70.6	80.5	73.8	78.2
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	15.2	11.6	12.1	11.1	10.8	10.3	11.2
19	Net Income to Stockholders Equity	*	*	15.3	14.1	14.1	13.4	14.9
20	Corporate Return on Investment	*	*	12.6	11.7	11.6	11.1	12.0
21	Debt to Total Investment	*	*	28.3	29.6	30.8	28.7	29.1
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	65.8	70.0	65.0	66.0	66.8	66.5	65.0
23	Breakeven	53.8	60.6	55.7	57.4	58.4	58.6	56.6
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	23,386	22,067	23,073	22,743	22,230	21,476	20,714
25	Overall RTM's per Employee (000)	33.9	34.5	127.7	128.2	129.9	130.9	129.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	11.8	16.5	10.5	11.6	16.4	18.6	20.9
27	Operating Expenses (%)	7.2	20.7	9.4	12.7	17.0	19.2	19.2
28	Operating Profit (Loss) (in Millions \$)	48.8	-8.8	71.8	14.2	39.6	41.2	97.5
29	Net Income (Loss)(in Millions \$)	31.6	-6.8	42.9	4.3	21.4	24.7	62.9
30	RPMS (Sch. Svc.) (%)	3.2	17.3	9.1	13.0	15.9	16.1	13.3
31	ASMs (Sch. Svc.) (%)	9.7	13.7	9.1	10.0	11.5	12.5	13.4
32	Operating Revenues per RTM (%)	7.4	-1.4	0.6	-1.9	-0.2	1.8	7.0
33	Operating Expense per RTM (%)	3.0	2.2	-0.5	-0.9	0.4	2.3	5.7
34	Passenger Revenue per RPM (Sch. Svc.)	7.5	-0.8	0.7	-1.6	0.3	2.0	6.7

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TRANS WORLD AIRLINES**



QUARTERLY RESULTS

- After 22 months of operating under the protection of Chapter 11 bankruptcy laws, Trans World obtained confirmation of a Plan of Reorganization from the bankruptcy court and emerged from bankruptcy on November 3, 1993. On June 30, 1995, Trans World again filed bankruptcy to implement a prepackaged restructuring plan. It emerged from the second bankruptcy on August 23, 1995.
- Trans World reported its largest quarterly operating profit since June 1989, and its first third quarter net profit since 1992.
- Although operating revenues were down 9.4 percent, operating expenses were cut 13.5 percent, causing operating profit to gain \$37.8 million to \$63.8 million.
- Net results rose from a year ago loss of \$14.3 million to a profit of \$6.3 million, an improvement of \$20.6 million.
- The turnaround in systemwide operating and net results arose solely from domestic operations, up \$40.7 million to \$67.6 million and up \$8.1 million to \$40.4 million, respectively.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	26.9	67.6	40.7	32.3	40.4	8.1	5.4	5.4	-0.6	8.0	7.7	-3.2	69.5%
Int'l	-0.9	-3.8	-3.0	-46.7	-34.1	12.5	2.6	1.8	-33.5	3.5	2.2	-37.4	80.3%
Atlantic	-0.9	-3.8	-3.0	-46.7	-34.1	12.5	2.6	1.8	-33.5	3.5	2.2	-37.4	80.3%
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	26.0	63.8	37.7	-14.3	6.3	20.6	8.0	7.1	-11.4	11.5	9.9	-13.6	71.9%

- Sharp declines in RPM traffic, down 11.4 percent, were offset by even larger declines in ASM capacity, down 13.6 percent, producing a 1.8 percentage point increase in the passenger load factor to 71.9 percent.
- Passenger (RPM) yield rose 3.2 to 11.24 cents.
- Total fuel expense dropped 24.3 percent (\$36.3 million) as less capacity flown cut consumption 15.9 percent and unit fuel prices dropped 10 percent.

12-MONTH RESULTS

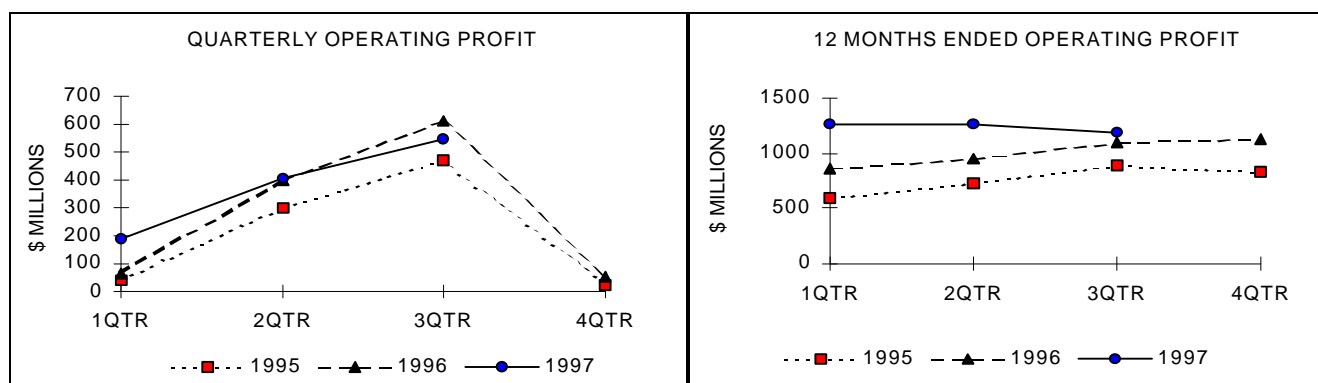
- Trans World reported the only operating and net losses and year-to-year deteriorations among the passenger majors.
- Operating results plunged \$299.7 million to a loss of \$263.1 million. Although the growth rate in operating expenses has significantly slowed, up only 1.9 percent, the rate of decline in operating revenues is accelerating, down 6.6 percent.
- The year ago net loss of \$54 million grew to a loss of \$338.3 million, a deterioration of \$284.3 million.
- Passenger (RPM) yield declined, although at a slower rate than recent periods, down 0.4 percent to 11.42 cents.
- The passenger load factor climbed 0.7 percentage points to 67.7 percent, still 8.7 points below breakeven.
- Days cash coverage rose slightly from the 12 months ended June 1997, but declined from 27 a year ago to 11.1.
- Total debt was reduced \$142.9 million, the second largest debt reduction among the majors (after American) to \$933.6 million, but falling equity caused the debt-to-investment ratio to jump 13.4 percentage points to 83.2 percent, the only ratio increase among all majors.

**QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TRANS WORLD AIRLINES**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	908.4	1,002.9	3,318.4	3,412.9	3,534.3	3,554.4	3,552.9
2	Operating Expenses	844.6	976.8	3,581.6	3,713.8	3,779.0	3,753.7	3,516.3
3	Operating Profit (Loss)	63.8	26.0	-263.1	-300.9	-244.8	-199.3	36.6
4	Net Income (Loss)	6.3	-14.3	-338.3	-358.9	-319.3	-284.8	-54.0
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	7.11	8.03	25.37	26.29	26.94	27.11	26.86
6	ASMs - Scheduled Rev. Svc.	9.89	11.45	37.50	39.05	39.96	40.59	40.10
7	Overall RTMs (All Svc.)	0.80	0.92	2.92	3.04	3.13	3.17	3.14
8	Overall ATMs (All Svc.)	1.37	1.58	5.20	5.41	5.52	5.62	5.56
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	113.8	109.3	113.6	112.2	112.9	112.1	113.3
10	Operating Expense per RTM	105.8	106.5	122.6	122.1	120.8	118.4	112.1
11	Operating Profit (Loss) per RTM	8.0	2.8	-9.0	-9.9	-7.8	-6.3	1.2
12	Operating Expense per ATM	61.5	61.6	68.9	68.7	68.4	66.8	63.3
7	Passenger Revenue per RPM	11.24	10.89	11.42	11.31	11.40	11.35	11.47
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.72	2.62	2.54	2.46	2.39
15	Times Interest Earned	*	*	-1.78	-2.01	-1.51	-1.17	0.63
16	Current Assets to Current Liabilities	*	*	0.59	0.60	0.55	0.60	0.76
17	No. of Days Cash Coverage of Cash Exp.	*	*	11.1	10.5	13.8	18.5	27.0
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	7.0	2.6	-7.9	-8.8	-6.9	-5.6	1.0
19	Net Income to Stockholders Equity	*	*	-127.6	-114.2	-87.3	-73.2	-13.7
20	Corporate Return on Investment	*	*	-18.2	-18.3	-14.2	-10.9	5.1
21	Debt to Total Investment	*	*	80.2	83.2	84.1	80.2	66.8
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	71.9	70.1	67.7	67.3	67.4	66.8	67.0
23	Breakeven	67.7	68.6	76.4	76.4	74.9	73.2	67.9
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	20,718	24,064	22,745	23,581	23,923	23,623	23,086
25	Overall RTM's per Employee (000)	38.5	38.1	128.5	129.0	130.8	134.2	135.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-9.4	6.0	-6.6	-2.4	4.6	8.3	9.6
27	Operating Expenses (%)	-13.5	8.9	1.9	8.1	13.7	15.7	3.1
28	Operating Profit (Loss) (in Millions \$)	37.8	-23.8	-299.7	-361.3	-299.7	-236.3	206.6
29	Net Income (Loss)(in Millions \$)	20.6	67.7	-284.3	-237.2	-177.5	-57.3	390.9
30	RPMs (Sch. Svc.) (%)	-11.4	9.3	-5.5	0.4	6.1	8.9	8.1
31	ASMs (Sch. Svc.) (%)	-13.6	9.0	-6.5	-0.3	4.0	7.1	5.1
32	Operating Revenues per RTM (%)	4.1	-1.8	0.3	-1.5	0.0	0.6	3.6
33	Operating Expense per RTM (%)	-0.7	1.0	9.4	9.0	8.8	7.5	-2.6
34	Passenger Revenue per RPM (Sch. Svc.)	3.2	-3.1	-0.4	-2.4	-1.1	-0.4	2.0

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



QUARTERLY RESULTS

- United reported the best operating and net results among all majors, and also reported the highest quarterly net income in its history.
- Operating profit was down \$64.4 million, the largest decline among all majors, to \$548.1 million, due to a larger increase in operating expenses, up 5.8 percent, than in operating revenues, up 3.4 percent.
- Conversely, net income soared upward a major group high \$229.6 million \$570.6 million. Net results were favorably impacted by an after-tax non-operating gain of \$235 million, resulting from the sale of its stake in Apollo Travel Services reservation business to Galileo International.
- All entities had an operating and net profit and, except for domestic and Pacific operating results, all entities experienced an improvement from the prior year.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	363.8	254.0	-109.8	196.0	284.4	88.4	19.9	20.4	2.2	26.8	27.5	2.3	74.2%
Int'l	248.7	294.0	45.3	145.1	286.2	141.1	12.2	13.0	6.8	15.8	16.9	7.2	77.1%
Atlantic	59.6	122.9	63.3	34.4	103.6	69.2	3.2	4.1	26.8	3.8	4.8	24.8	85.4%
Latin	16.4	22.0	5.6	8.1	25.6	17.5	1.4	1.4	-0.1	2.1	2.1	-1.3	67.9%
Pacific	172.7	149.1	-23.6	102.5	157.0	54.5	7.5	7.5	-0.4	9.8	10.0	2.1	75.0%
System	612.5	548.1	-64.4	341.1	570.6	229.6	32.1	33.4	4.0	42.6	44.4	4.1	75.3%

- Interest expense rose \$1.8 million to \$68.5 million, a major group high.
- Passenger (RPM) yield declined 0.7 percent to 12.20 cents.
- The passenger load factor dipped 0.1 percentage points to 75.3 percent, as RPMs increased 4 percent and ASMs rose 4.1 percent.
- Total fuel expense decreased 5.5 percent (\$26.8 million) due to the 8.6 decline in unit fuel prices as total fuel consumption rose 3.5 percent.

12-MONTH RESULTS

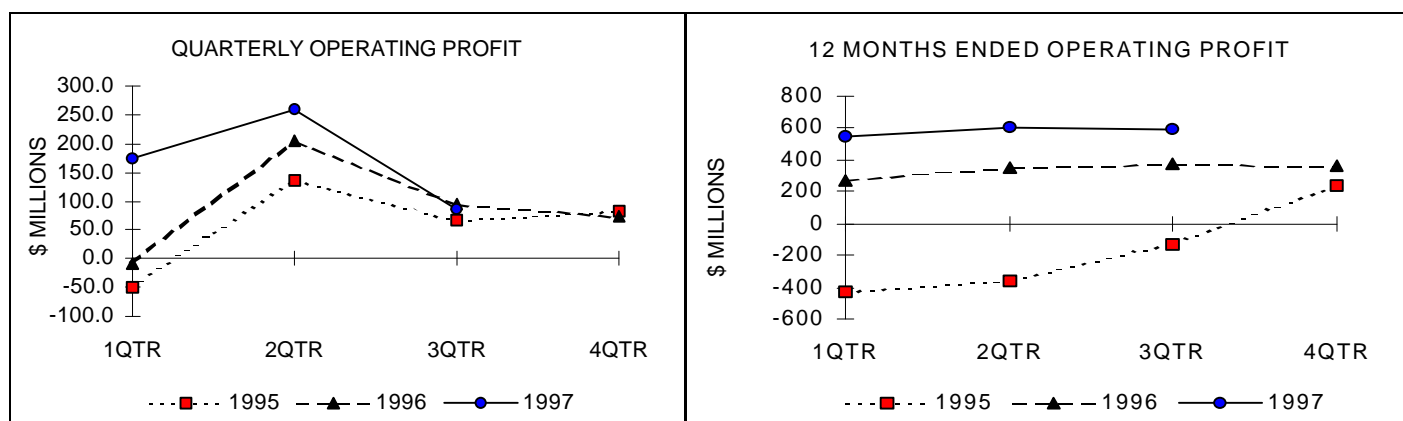
- Operating revenues, up 6.7 percent, grew slightly faster than operating expenses, up 6.5 percent, causing operating profit to gain \$96.1 million to a profit of \$1.2 billion.
- Largely benefiting from the third quarter non-recurring capital gain from the Apollo sale, net income nearly doubled over a year ago, jumping a major group high \$462.7 million to \$932.7 million, also a major group high.
- Passenger (RPM) yield growth continues to slow, rising 2.1 percent to 12.36 cents.
- Revenue passenger traffic (RPMs) were up 4.1 percent while available seat capacity (ASMs) increased 3.8 percent leading to a 0.2 percentage point increase in the passenger load factor to 71.8 percent, 3.5 points above breakeven.
- Despite a decline of \$26.3 million, interest expense was still a major group high \$270.8 million.
- Total debt, up \$161.4 million, was a major group high \$3.62 billion. Despite the increase, soaring equity caused the debt-to-investment ratio to drop 17.2 percentage points to 58.4 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	4,629.8	4,476.5	17,075.1	16,921.9	16,702.9	16,316.7	16,007.8
2	Operating Expenses	4,081.7	3,864.0	15,879.9	15,662.2	15,447.4	15,186.5	14,908.7
3	Operating Profit (Loss)	548.1	612.5	1,195.2	1,259.7	1,255.5	1,130.2	1,099.1
4	Net Income (Loss)	570.6	341.1	932.7	703.1	660.1	533.7	470.0
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	33.38	32.11	120.22	118.94	118.02	116.55	115.53
6	ASMs - Scheduled Rev. Svc.	44.35	42.60	167.44	165.70	164.08	162.65	161.32
7	Overall RTMs (All Svc.)	4.08	3.81	14.75	14.49	14.28	14.06	13.89
8	Overall ATMs (All Svc.)	6.57	6.13	24.47	24.03	23.67	23.40	23.18
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	113.6	117.4	115.8	116.8	117.0	116.1	115.2
10	Operating Expense per RTM	100.1	101.4	107.7	108.1	108.2	108.0	107.3
11	Operating Profit (Loss) per RTM	13.4	16.1	8.1	8.7	8.8	8.0	7.9
12	Operating Expense per ATM	62.2	63.0	64.9	65.2	65.3	64.9	64.3
13	Passenger Revenue per RPM	12.20	12.29	12.36	12.39	12.36	12.22	12.10
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	3.28	3.56	3.79	3.95	3.92
15	Times Interest Earned	*	*	9.01	7.03	6.83	5.55	4.76
16	Current Assets to Current Liabilities	*	*	0.49	0.47	0.55	0.52	0.52
17	No. of Days Cash Coverage of Cash Exp.	*	*	20.4	13.0	21.6	15.8	16.1
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	11.8	13.7	7.0	7.4	7.5	6.9	6.9
19	Net Income to Stockholders Equity	*	*	53.6	52.0	66.3	76.0	82.5
20	Corporate Return on Investment	*	*	21.5	18.8	19.4	18.1	17.4
21	Debt to Total Investment	*	*	58.4	62.9	68.4	70.8	75.6
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	75.3	75.4	71.8	71.8	71.9	71.7	71.6
23	Breakeven	66.7	65.6	68.3	68.0	68.0	68.4	68.5
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	78,918	74,283	76,499	75,340	74,706	74,216	73,646
25	Overall RTM's per Employee (000)	51.7	51.3	192.8	192.3	191.1	189.4	188.6

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	3.4	8.8	6.7	8.1	9.2	9.5	9.2
27	Operating Expenses (%)	5.6	6.0	6.5	6.6	7.0	8.0	8.2
28	Operating Profit (Loss) (in Millions \$)	-64.4	143.8	96.1	304.5	398.1	298.3	213.9
29	Net Income (Loss)(in Millions \$)	229.5	93.4	462.7	326.5	325.8	192.9	75.5
30	RPMs (Sch. Svc.) (%)	4.0	3.7	4.1	4.0	4.3	4.5	3.9
31	ASMs (Sch. Svc.) (%)	4.1	1.4	3.8	3.1	2.8	2.8	2.8
32	Operating Revenues per RTM (%)	-3.2	4.9	0.5	2.7	4.1	4.8	5.2
33	Operating Expense per RTM (%)	-1.3	2.2	0.4	1.2	2.0	3.3	4.3
34	Passenger Revenue per RPM (Sch. Svc.)	-0.7	4.5	2.1	3.6	4.5	4.6	4.8

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



QUARTERLY RESULTS

- Operating revenues advanced a strong 9.9 percent, but operating expenses grew 11.1 percent, causing operating profit to decline \$11.7 million to \$85.1 million. Operating expenses included one-time charges of \$59 million related to the early retirement of its DC9 fleet, and \$23 million associated with the closing of maintenance facilities.
- Net income, however, jumped \$158.9 million to \$186.9 million. The carrier benefited from a \$180 million pre-tax non-operating gain from the sale of its stake in Apollo Travel Services to Galileo International.
- Except for Latin operations, all entities reported an operating and net profit during the quarter. The only deterioration, however, was in domestic operating results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	L.F.
Domestic	89.0	66.2	-22.9	25.3	168.4	143.1	9.2	9.7	6.2	13.3	13.5	0.9	72.5%
Int'l	7.7	18.9	11.2	2.7	18.5	15.8	1.0	1.2	16.3	1.3	1.5	13.4	82.0%
Atlantic	11.2	19.1	7.8	7.1	19.2	12.1	0.9	1.0	14.1	1.1	1.2	13.8	83.9%
Latin	-3.5	-0.2	3.3	-4.4	-0.7	3.7	0.1	0.2	30.3	0.2	0.2	11.2	72.8%
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	96.8	85.1	-11.7	28.0	186.9	158.9	10.2	10.9	7.2	14.6	14.9	2.0	73.4%

- Interest expense declined \$2 million to \$63.9 million.
- Profitability deteriorated as RTM unit costs, up 5 percent, grew faster than RTM yield, up 3.9 percent.
- Passenger (RPM) yield fell 5.2 percent, but was still a major group high 16.16 cents.
- RPM traffic growth, up 7.2 percent, far exceeded ASM capacity growth, up 2 percent, causing the passenger load factor to increase 3.6 percentage points to 73.4 percent.
- Total fuel expense, which accounts for a major group low 8.6 percent of total operating expenses, declined 6.4 percent (\$11.2 million).

12-MONTH RESULTS

- US Airways, in reporting its eighth consecutive quarter-ended 12-month operating and net profits following six consecutive years of losses, achieved a new all-time 12-month high in net income.
- Operating revenues rose 14.6 percent, while operating expenses increased a lesser 12.3 percent, causing operating profit to improve \$214 million to \$592.4 million.
- Net income, benefited from the large capital gain during the quarter, gained \$403.4 million to \$581.9 million.
- Passenger (RPM) yield declined from a year ago for the second consecutive period, down 3.1 percent to 16.95 cents, still a major group high.
- The passenger load factor rose 3 percentage points to 70.9 percent, 2.2 points above operating breakeven.
- The debt-to-investment ratio dropped a major group high 25.9 percentage points to 81.1 percent as equity turned positive and total debt dropped \$111.8 million to \$2.6 billion.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,115.3	1,924.1	8,460.9	8,269.7	8,054.8	7,704.1	7,382.4
2	Operating Expenses	2,030.3	1,827.3	7,868.5	7,665.6	7,503.1	7,335.4	7,004.0
3	Operating Profit (Loss)	85.1	96.8	592.4	604.1	551.7	368.7	378.4
4	Net Income (Loss)	186.9	28.0	581.9	423.0	381.8	183.2	178.5
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	10.94	10.20	41.78	41.04	40.13	38.94	37.91
6	ASMs - Scheduled Rev. Svc.	14.90	14.61	58.91	58.61	57.87	56.88	55.84
7	Overall RTMs (All Svc.)	1.19	1.12	4.54	4.48	4.38	4.24	4.13
8	Overall ATMs (All Svc.)	2.02	2.05	7.96	7.99	7.88	7.74	7.60
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	178.1	171.4	186.3	184.8	184.1	181.6	179.0
10	Operating Expense per RTM	170.9	162.8	173.3	171.3	171.5	172.9	169.8
11	Operating Profit (Loss) per RTM	7.2	8.6	13.0	13.5	12.6	8.7	9.2
12	Operating Expense per ATM	100.7	89.2	98.9	96.0	95.2	94.7	92.2
13	Passenger Revenue per RPM	16.16	17.05	16.95	17.19	17.44	17.46	17.50
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	3.04	3.12	3.16	3.08	2.95
15	Times Interest Earned	*	*	3.60	2.79	2.49	1.69	1.69
16	Current Assets to Current Liabilities	*	*	1.06	0.95	0.85	0.77	0.71
17	No. of Days Cash Coverage of Cash Exp.	*	*	101.7	80.4	74.2	82.5	70.3
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	4.0	5.0	7.0	7.3	6.8	4.8	5.1
19	Net Income to Stockholders Equity	*	*	440.9	0.0	-246.1	-80.0	-66.9
20	Corporate Return on Investment	*	*	30.1	26.0	25.7	18.4	18.5
21	Debt to Total Investment	*	*	81.1	91.0	97.8	103.3	107.0
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	73.4	69.8	70.9	70.0	69.3	68.5	67.9
23	Breakeven	73.9	67.7	68.7	67.2	66.6	67.4	66.0
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	37,647	36,914	37,406	37,223	36,988	36,807	36,849
25	Overall RTM's per Employee (000)	31.6	30.4	121.4	120.2	118.3	115.3	111.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	9.9	10.4	14.6	14.8	14.1	10.3	7.9
27	Operating Expenses (%)	11.1	9.0	12.3	11.9	10.6	8.7	0.5
28	Operating Profit (Loss) (in Millions \$)	-11.7	30.5	214.0	256.2	275.7	134.0	505.2
29	Net Income (Loss)(in Millions \$)	158.9	15.8	403.4	260.4	301.9	150.2	521.8
30	RPMs (Sch. Svc.) (%)	7.2	6.3	10.2	10.0	7.7	3.5	-0.2
31	ASMs (Sch. Svc.) (%)	2.0	1.3	5.5	5.3	2.5	-2.2	-7.1
32	Operating Revenues per RTM (%)	3.9	2.3	4.1	3.8	5.3	6.1	7.8
33	Operating Expense per RTM (%)	5.0	0.9	2.1	1.1	2.1	4.5	0.4
34	Passenger Revenue per RPM (Sch. Svc.)	-5.2	4.7	-3.1	-0.7	2.6	4.8	8.2

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

TOTAL ALL-CARGO MAJORS

QUARTERLY RESULTS

- Federal Express reported an all-time high in operating and net profit during the third quarter 1997. United Parcel Service (UPS), however, experienced year-to-year declines, reflecting the negative impact of the 15-day Teamsters strike in August.
- For the group, operating revenues rose sharply, up 20.8 percent, offsetting the 17.4 percent jump in operating expenses.
- Operating profit rose \$132.3 million to \$281.3 million.
- Net income gained \$66.3 million to \$147 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1996	THIS YEAR 1997	\$ Change	LAST YEAR 1996	THIS YEAR 1997	\$ Change
March	135.4	208.2	72.8	57.3	103.4	46.2
June	183.4	283.7	100.3	90.8	149.3	58.5
Sept.	149.0	281.3	132.3	80.7	147.0	66.3
Dec.	255.3	0.0	-	119.8	0.0	-

- Total fuel expense was down 3.2 percent (\$6 million) despite a 6.5 percent increase in consumption as unit fuel prices declined 9.1 percent to an average of 62.99 cents.
- Both the Atlantic and Pacific entities reported operating and net losses for the quarter, with Atlantic operations showing the only deteriorations in either operating or net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	197.1	330.0	132.9	109.9	178.2	68.3	1.5	1.6	5.5	2.5	2.7	7.0	59.4%
Int'l	-48.1	-48.7	-0.6	-29.2	-31.3	-2.0	0.7	0.8	14.2	1.2	1.3	13.9	62.7%
Atlantic	1.0	-11.8	-12.8	0.2	-8.3	-8.5	0.2	0.2	18.4	0.3	0.4	21.6	61.5%
Latin	5.2	6.1	0.8	2.5	3.6	1.1	0.1	0.1	8.4	0.1	0.1	12.4	56.8%
Pacific	-54.4	-43.0	11.4	-31.9	-26.6	5.4	0.5	0.6	13.2	0.8	0.9	11.0	63.8%
System	149.0	281.3	132.3	80.7	147.0	66.3	2.3	2.4	8.4	3.7	4.0	9.2	60.5%

- RTM traffic growth, up 8.4 percent, was outpaced by ATM capacity growth, up 9.2 percent, causing the ton load factor to decline 0.4 percentage points to 60.5 percent
- Profitability was greatly enhanced as RTM yield jumped 11.4 percent, exceeding the 8.3 percent increase in RTM unit costs.
- Both UPS and Federal Express experienced an increase in total debt, up a combined \$1.09 billion to \$4.2 billion. This increase overshadowed the large rise in equity, pushing the debt-to-investment ratio up 4 percentage points to 50.7 percent.

12-MONTH RESULTS

- Both Federal Express and United Parcel Service experienced operating and net profits, as well as year-to-year improvements for the 12-months ended September 1997.
- Operating profit jumped \$395.4 million to \$1.03 billion.
- Net income gained \$214.9 million to \$519.5 million.
- The ton load factor inched upward 0.2 percentage points to 59.6 percent.
- Productivity (RTMs per employee) was up slightly from 114.5 to 116.9.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,801.7	3,148.0	14,243.7	13,590.0	13,146.8	12,742.4	12,283.6
2	Operating Expenses	3,520.3	2,999.0	13,215.2	12,693.8	12,351.0	12,019.3	11,650.6
3	Operating Profit (Loss)	281.3	149.0	1,028.5	896.1	795.9	723.1	633.1
4	Net Income (Loss)	147.0	80.7	519.5	453.3	394.8	348.6	304.6
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.80	1.55	6.90	6.65	6.41	6.14	5.87
6	ATMs - Scheduled Rev. Svc.	2.87	2.51	11.06	10.69	10.41	10.11	9.78
7	Overall RTMs (All Services)	2.44	2.25	9.57	9.38	9.13	8.99	8.80
8	Overall ATMs (All Services)	4.04	3.70	16.05	15.71	15.36	15.14	14.82
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	155.6	139.7	148.9	144.9	144.0	141.7	139.6
10	Operating Expense per RTM	144.1	133.0	138.1	135.4	135.2	133.7	132.4
11	Operating Profit (Loss) per RTM	11.5	6.6	10.8	9.6	8.7	8.0	7.2
12	Operating Expense per ATM	87.1	81.1	82.4	80.8	80.4	79.4	78.6
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.95	1.94	1.92	1.89	1.81
15	Times Interest Earned	*	*	8.69	8.17	7.52	6.90	6.32
16	Current Assets to Current Liabilities	*	*	1.16	1.17	1.36	1.24	1.16
17	No. of Days Cash Coverage of Cash Exp.	*	*	6.4	4.3	3.7	3.2	3.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	7.4	4.7	7.2	6.6	6.1	5.7	5.2
19	Net Income to Stockholders Equity	*	*	13.6	12.3	11.1	10.0	9.0
20	Corporate Return on Investment	*	*	8.7	8.0	7.3	6.7	6.0
21	Debt to Total Investment	*	*	50.7	49.6	47.9	43.3	46.7
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	60.5	60.9	59.6	59.7	59.5	59.4	59.4
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	84,538	78,572	81,806	80,314	78,870	77,844	76,849
25	Overall RTM's per Employee (000)	28.9	28.7	116.9	116.8	115.8	115.5	114.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	20.8	11.2	16.0	13.6	12.6	11.2	9.1
27	Operating Expenses (%)	17.4	11.6	13.4	12.0	11.6	11.1	10.1
28	Operating Profit (Loss) (in Millions \$)	132.3	5.4	395.4	268.4	186.1	90.1	-39.0
29	Net Income (Loss)(in Millions \$)	66.3	9.3	214.9	158.0	111.5	36.6	-42.6
30	RTMs (All Svc.) (%)	8.4	8.0	8.8	8.7	7.3	6.2	5.6
31	ATMs (All Svc.) (%)	9.2	5.8	8.3	7.5	6.9	6.7	6.1
32	Operating Revenues per RTM (%)	11.4	3.0	6.7	4.5	5.0	4.7	3.3
33	Operating Expense per RTM (%)	8.3	3.3	4.3	3.0	4.0	4.6	4.3
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,098.3	2,556.2	11,518.3	10,976.2	10,656.9	10,364.7	10,018.3
2	Operating Expenses	2,768.3	2,359.1	10,443.1	10,033.9	9,768.4	9,492.4	9,209.1
3	Operating Profit (Loss)	330.0	197.1	1,075.2	942.3	888.5	872.3	809.2
4	Net Income (Loss)	178.2	109.9	561.0	492.7	458.4	443.7	414.0
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.01	0.85	3.79	3.63	3.53	3.42	3.28
6	ATMs - Scheduled Rev. Svc.	1.61	1.38	6.24	6.01	5.86	5.70	5.52
7	Overall RTMs (All Services)	1.60	1.52	6.31	6.22	6.11	6.11	6.04
8	Overall ATMs (All Services)	2.70	2.52	10.97	10.80	10.56	10.45	10.25
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	193.4	168.4	182.6	176.4	174.5	169.5	165.8
10	Operating Expense per RTM	172.8	155.4	165.6	161.3	159.9	155.3	152.4
11	Operating Profit (Loss) per RTM	20.6	13.0	17.0	15.1	14.5	14.3	13.4
12	Operating Expense per ATM	102.6	93.6	95.2	92.9	92.5	90.9	89.8
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	10.7	7.7	9.3	8.6	8.3	8.4	8.1
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	11.3	10.4	10.0	9.8	9.2
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	59.4	60.2	57.5	57.6	57.9	58.5	58.9
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

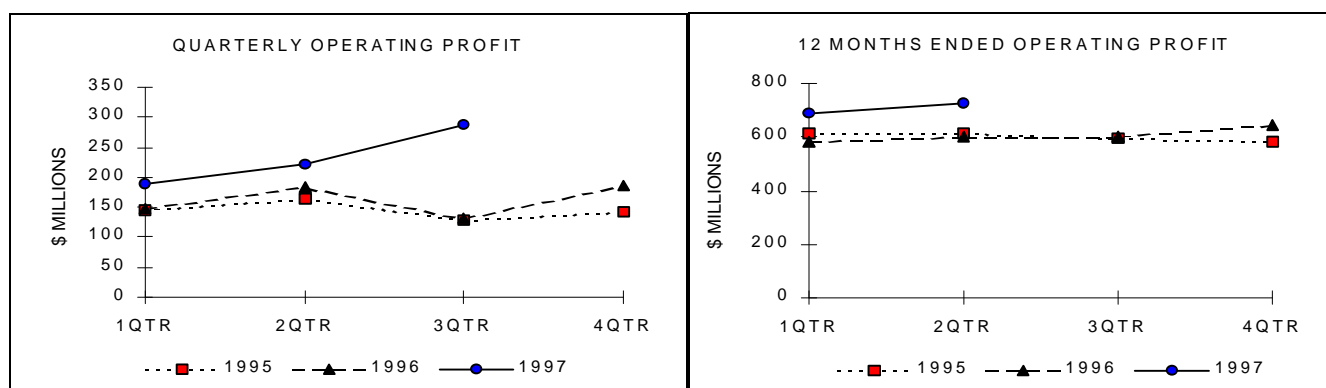
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	21.2	10.5	15.0	12.3	11.6	10.5	8.5
27	Operating Expenses (%)	17.3	11.1	13.4	11.8	11.3	10.3	8.9
28	Operating Profit (Loss) (in Millions \$)	132.9	7.7	266.0	140.8	113.5	100.3	32.3
29	Net Income (Loss)(in Millions \$)	68.3	6.8	147.0	85.6	67.4	42.3	-1.6
30	RTMs (All Svc.) (%)	5.5	5.6	4.4	4.4	3.7	4.8	5.4
31	ATMs (All Svc.) (%)	7.0	5.2	7.0	6.6	5.6	5.9	5.2
32	Operating Revenues per RTM (%)	14.8	4.7	10.1	7.6	7.6	5.5	2.9
33	Operating Expense per RTM (%)	11.2	5.2	8.7	7.2	7.3	5.3	3.3
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	703.4	591.8	2,725.3	2,613.7	2,489.9	2,377.7	2,265.3
2	Operating Expenses	752.0	639.9	2,772.0	2,659.9	2,582.6	2,526.8	2,441.5
3	Operating Profit (Loss)	-48.7	-48.1	-46.7	-46.2	-92.6	-149.2	-176.2
4	Net Income (Loss)	-31.3	-29.2	-41.5	-39.5	-63.7	-95.1	-109.4
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.80	0.70	3.11	3.01	2.88	2.72	2.58
6	ATMs - Scheduled Rev. Svc.	1.27	1.13	4.82	4.68	4.56	4.42	4.26
7	Overall RTMs (All Services)	0.84	0.74	3.26	3.16	3.02	2.88	2.75
8	Overall ATMs (All Services)	1.34	1.18	5.07	4.91	4.80	4.69	4.56
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	83.6	80.4	83.6	82.8	82.3	82.6	82.2
10	Operating Expense per RTM	89.4	86.9	85.0	84.3	85.4	87.8	88.6
11	Operating Profit (Loss) per RTM	-5.8	-6.5	-1.4	-1.5	-3.1	-5.2	-6.4
12	Operating Expense per ATM	56.0	54.3	54.6	54.2	53.8	53.9	53.5
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	-6.9	-8.1	-1.7	-1.8	-3.7	-6.3	-7.8
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	-1.1	-1.1	-3.0	-5.3	-6.4
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	62.7	62.5	64.2	64.3	63.0	61.4	60.4
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	18.9	14.4	20.3	19.3	17.2	14.6	12.1
27	Operating Expenses (%)	17.5	13.6	13.5	12.5	12.8	14.1	14.9
28	Operating Profit (Loss) (in Millions \$)	-0.6	-2.3	129.5	127.6	72.6	-10.3	-71.5
29	Net Income (Loss)(in Millions \$)	-2.1	2.5	67.9	72.4	43.9	-5.7	-41.0
30	RTMs (All Svc.) (%)	14.2	13.4	18.3	18.3	15.2	9.3	6.0
31	ATMs (All Svc.) (%)	13.9	7.0	11.2	9.5	10.0	8.5	8.0
32	Operating Revenues per RTM (%)	4.0	0.9	1.7	0.9	1.6	4.8	5.8
33	Operating Expense per RTM (%)	2.9	0.2	-4.1	-4.9	-2.1	4.4	8.3
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

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



QUARTERLY RESULTS

- For the third quarter 1997, Federal Express reported its highest operating and net results in carrier history, eclipsing the carrier records set just last quarter.
- Operating revenue soared 24.9 percent, offsetting the large 20.1 percent increase in operating expenses. These increases were due, in part, to an expansion in operations to accommodate additional traffic arising from the UPS strike in August.
- Operating profit jumped \$155.2 million to \$287 million.
- Net income rose \$81.8 million to \$153 million.
- The systemwide improvements arose mostly from a strong performance in domestic operations. Both Atlantic and Pacific operations reported operating and net losses, although Pacific results were improved from a year ago.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	L.F.
Domestic	188.5	328.3	139.9	104.9	179.8	74.9	0.9	1.0	18.4	1.4	1.6	16.1	62.9%
Int'l	-56.6	-41.3	15.4	-33.6	-26.8	6.9	0.6	0.7	18.0	0.8	1.0	16.9	66.4%
Atlantic	2.5	-2.4	-4.9	1.1	-2.4	-3.5	0.1	0.2	25.4	0.2	0.3	31.1	63.9%
Latin	1.8	5.7	3.9	0.9	2.9	2.0	0.0	0.1	8.6	0.1	0.1	7.9	58.5%
Pacific	-61.0	-44.6	16.4	-35.6	-27.3	8.4	0.4	0.4	16.4	0.6	0.6	13.0	68.4%
System	131.8	287.0	155.2	71.2	153.0	81.8	1.4	1.7	18.3	2.2	2.6	16.4	64.2%

- Total fuel expense rose 6.6 percent (\$7.1 million) due to increased consumption, up a major group high 16.2 percent, as unit fuel prices declined 8.2 percent.
- The ton load factor rose 1 percentage point to 64.2 percent as strong RTM traffic growth, up 18.3 percent, overshadowed the 16.4 percent rise in ATM capacity growth.
- Interest on debt increased \$5.9 million to \$28.9 million, the largest increase among all majors.
- Profits soared as RTM yield rose 5.6 percent as RTM unit costs were up only 1.6 percent.

12-MONTH RESULTS

- As with quarterly results, operating and net results for the 12-months ended September 1997 were the highest for any 12-month period in the carrier's history.
- Operating profit surged upward \$278.1 million to \$882 million as operating revenues, up 16.5 percent, grew slightly faster than operating expenses, up 14.7 percent.
- Net income jumped \$153.9 million to \$450.7 million.
- RTM traffic gained 16.4 percent, exceeding the 11 percent rise in ATM capacity, causing the ton load factor to gain 2.9 percentage points to 63.5 percent.
- The debt-to-investment ratio climbed 0.1 percentage points to 33.3 percent as soaring equity offset the \$237.2 million increase in total debt to \$1.56 billion.

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

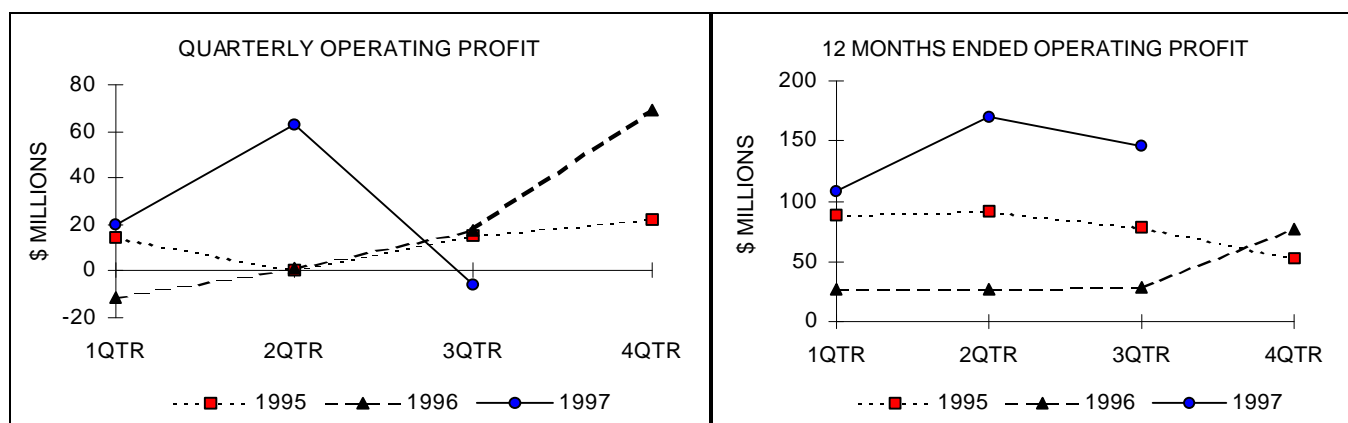
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,383.5	2,709.6	12,321.1	11,647.2	11,282.9	10,950.2	10,576.2
2	Operating Expenses	3,096.5	2,577.8	11,439.0	10,920.4	10,594.6	10,303.2	9,972.3
3	Operating Profit (Loss)	287.0	131.8	882.0	726.8	688.3	647.0	603.9
4	Net Income (Loss)	153.0	71.2	450.7	368.9	345.4	318.5	296.8
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.61	1.36	6.10	5.85	5.65	5.40	5.16
6	ATMs - Scheduled Rev. Svc.	2.51	2.16	9.59	9.24	9.02	8.76	8.48
7	Overall RTMs (All Services)	1.67	1.42	6.30	6.04	5.86	5.63	5.41
8	Overall ATMs (All Services)	2.61	2.24	9.92	9.55	9.39	9.16	8.93
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	202.1	191.4	195.5	192.7	192.4	194.4	195.4
10	Operating Expense per RTM	185.0	182.1	181.5	180.7	180.7	182.9	184.2
11	Operating Profit (Loss) per RTM	17.1	9.3	14.0	12.0	11.7	11.5	11.2
12	Operating Expense per ATM	118.7	115.1	115.3	114.3	112.9	112.5	111.6
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.83	2.78	2.75	2.74	2.67
15	Times Interest Earned	*	*	8.51	7.53	7.21	6.74	6.16
16	Current Assets to Current Liabilities	*	*	1.15	1.10	1.22	1.13	1.08
17	No. of Days Cash Coverage of Cash Exp.	*	*	6.8	4.4	3.9	3.5	4.6
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	8.5	4.9	7.2	6.2	6.1	5.9	5.7
19	Net Income to Stockholders Equity	*	*	15.6	13.3	12.9	12.3	11.8
20	Corporate Return on Investment	*	*	12.7	11.1	10.8	10.4	10.1
21	Debt to Total Investment	*	*	33.3	33.7	35.7	32.9	33.2
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	64.2	63.2	63.5	63.3	62.5	61.5	60.6
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	80,202	74,501	77,580	76,155	74,886	73,792	72,771
25	Overall RTM's per Employee (000)	20.9	19.0	81.2	79.4	78.3	76.3	74.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	24.9	11.8	16.5	13.2	12.5	11.4	9.6
27	Operating Expenses (%)	20.1	12.3	14.7	12.7	12.1	11.5	10.1
28	Operating Profit (Loss) (in Millions \$)	155.2	3.6	278.1	126.6	104.9	66.1	9.2
29	Net Income (Loss)(in Millions \$)	81.8	9.9	153.9	82.0	69.3	36.1	-6.8
30	RTMs (Sch. Svc.) (%)	18.3	12.1	16.4	14.9	13.8	10.0	6.5
31	ATMs (Sch. Svc.) (%)	16.4	8.3	11.0	9.0	10.1	9.5	8.8
32	Operating Revenues per RTM (%)	5.6	-0.3	0.1	-1.5	-1.2	1.3	3.0
33	Operating Expense per RTM (%)	1.6	0.2	-1.5	-1.9	-1.5	1.3	3.4
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

UNITED PARCEL SERVICE



QUARTERLY RESULTS

- United Parcel Service (UPS) experienced its first third quarter operating and/or net loss since 1991, and reported the only third quarter operating and/or net loss among all majors. Quarterly results, however, were adversely impacted by the 15-day Teamsters strike in August. UPS management has blamed the strike for a \$350 million decline in operating revenues.
- Operating revenues fell 4.6 percent, while operating expenses rose 0.6 percent, causing operating results to drop \$22.9 million to a loss of \$5.7 million.
- Net results slid \$15.6 million to a loss of \$6.1 million.
- Operating and net results were down from a year ago in all entities. The Atlantic entity had the only operating loss, but was joined by domestic operations in posting a net loss.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	8.7	1.7	-7.0	5.1	-1.5	-6.6	0.7	0.6	-11.6	1.1	1.1	-4.5	54.0%
Int'l	8.5	-7.4	-15.9	4.4	-4.5	-8.9	0.2	0.2	3.2	0.3	0.4	6.7	52.8%
Atlantic	-1.6	-9.4	-7.9	-0.9	-5.9	-5.0	0.1	0.1	3.2	0.1	0.1	4.2	56.2%
Latin	3.5	0.4	-3.0	1.6	0.7	-0.9	0.0	0.0	7.2	0.0	0.0	39.2	49.2%
Pacific	6.6	1.6	-5.0	3.7	0.7	-3.0	0.1	0.1	2.8	0.2	0.2	6.0	51.5%
System	17.2	-5.7	-22.9	9.5	-6.1	-15.5	0.8	0.8	-8.3	1.5	1.4	-1.8	53.7%

- ATM capacity declined 1.8 percent, but RTM traffic, which was slow to recover following the strike, dropped 8.3 percent. As a result, the ton load factor declined 3.8 percentage points to 53.7 percent.
- RTM yield rose 4 percent, but RTM unit costs jumped 9.8 percent, eroding profitability.
- Total fuel expense was down 16.4 percent (\$13.1 million) as consumption declined 8.7 percent and unit fuel prices were down 8.4 percent.
- Productivity (RTMs per employee) was still a major group high, although the strike caused a decline from 205.9 a year ago to 177.3.

12-MONTH RESULTS

- Despite the adverse effect of the strike on third quarter results, 12-month ended results continued to improve. Operating revenues advanced 12.6 percent, while operating expenses grew 5.8 percent.
- Operating profit improved \$117.2 million to \$146.4 million.
- Net income jumped \$61.1 million to \$68.8 million.
- RTMs declined for the fourth consecutive quarter-ended 12-month period, down 3.5 percent, while ATM capacity increased 4.2 percent, causing the ton load factor to decline 4.2 percentage points to 53.3 percent.
- Productivity (RTMs per employee) continued to be very high when compared with all other majors, although declining from 829.5 a year ago to 772.5.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9709	9609	9709	9706	9703	9612	9609
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	418.1	438.4	1,922.6	1,942.8	1,863.9	1,792.2	1,707.5
2	Operating Expenses	423.8	421.2	1,776.1	1,773.5	1,756.4	1,716.1	1,678.3
3	Operating Profit (Loss)	-5.7	17.2	146.4	169.3	107.6	76.1	29.2
4	Net Income (Loss)	-6.1	9.5	68.8	84.4	49.4	30.1	7.7
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.19	0.19	0.81	0.80	0.76	0.74	0.70
6	ATMs - Scheduled Rev. Svc.	0.36	0.34	1.47	1.45	1.39	1.35	1.29
7	Overall RTMs (All Services)	0.77	0.84	3.26	3.33	3.27	3.36	3.38
8	Overall ATMs (All Services)	1.43	1.46	6.13	6.16	5.97	5.97	5.88
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	54.4	52.3	58.9	58.3	57.0	53.4	50.5
10	Operating Expense per RTM	55.1	50.2	54.4	53.2	53.8	51.1	49.6
11	Operating Profit (Loss) per RTM	-0.7	2.1	4.5	5.1	3.3	2.3	0.9
12	Operating Expense per ATM	29.6	28.9	29.0	28.8	29.4	28.7	28.5
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	0.65	0.69	0.68	0.65	0.61
15	Times Interest Earned	*	*	10.01	13.13	10.45	8.67	12.37
16	Current Assets to Current Liabilities	*	*	1.26	1.72	2.34	1.99	1.71
17	No. of Days Cash Coverage of Cash Exp.	*	*	3.5	3.5	2.5	1.0	-0.4
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	-1.4	3.9	7.6	8.7	5.8	4.2	1.7
19	Net Income to Stockholders Equity	*	*	7.4	9.3	5.5	3.4	0.9
20	Corporate Return on Investment	*	*	2.8	3.5	2.2	1.4	0.4
21	Debt to Total Investment	*	*	73.5	71.1	67.3	61.5	66.9
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	53.7	57.5	53.3	54.2	54.7	56.2	57.5
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	4,336	4,071	4,226	4,159	4,101	4,052	4,078
25	Overall RTM's per Employee (000)	177.4	205.9	772.5	801.6	796.8	828.7	829.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-4.6	7.7	12.6	15.9	13.5	10.0	6.6
27	Operating Expenses (%)	0.6	7.5	5.8	7.6	8.7	8.8	10.1
28	Operating Profit (Loss) (in Millions \$)	-22.9	1.8	117.2	141.8	81.3	24.0	-48.3
29	Net Income (Loss)(in Millions \$)	-15.6	-0.6	61.1	76.1	42.1	0.5	-35.9
30	RTMs (Sch. Svc.) (%)	-8.3	1.7	-3.5	-1.0	-2.8	0.3	4.2
31	ATMs (Sch. Svc.) (%)	-1.8	2.1	4.2	5.2	2.3	2.6	2.2
32	Operating Revenues per RTM (%)	4.0	5.9	16.6	17.1	16.6	9.7	2.4
33	Operating Expense per RTM (%)	9.8	5.7	9.7	8.8	11.9	8.5	5.5
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

FOOTNOTES

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

EXPLANATION OF LINE ITEMS

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

EXPLANATION OF LINE ITEMS

LINE #	DESCRIPTION OF LINE ITEM	DERIVATION OF LINE ITEM
20	Overall corporate rate of return	<u>Net income plus interest expense</u> <u>Total investment</u> <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)	<u>Current maturities of long-term debt (Account 2000) + current obligations under capital leases (Account 2080) + long-term debt (Account 2210) + advances from associated companies (Account 2240) + noncurrent obligations under capital leases (Account 2280) - unamortized debt expense (Account 1840)</u> <u>Total investment (See line 20)</u>
22	Actual passenger load factor (scheduled service)	<u>Revenue passenger-miles (scheduled service (Item K-140)</u> <u>Available seat-miles (scheduled service (Item K-280)</u>
23	Operating breakeven load factor (scheduled service)	<u>Capacity operating expense, scheduled service (passenger)</u> <u>[Scheduled passenger revenue (Account 3901) - Traffic operating expense, passenger scheduled service] / Actual passenger load factor, scheduled service</u>
24	Difference, actual-breakeven load factor	<u>Actual (Line 22) - Breakeven (Line 23)</u>
25	Employees	<u>Number of full time employees (Average for 12-month ended period)</u>
26	Overall revenue ton-miles per employee	<u>Overall revenue ton-miles (Item Z-240)</u> <u>Average # of employees (See Line 25)</u>