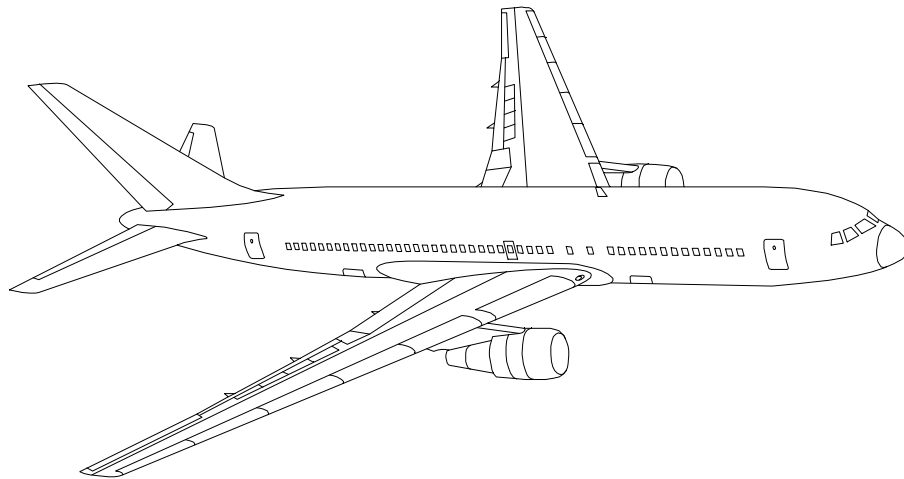


AIRLINE QUARTERLY FINANCIAL REVIEW

THIRD QUARTER 1998



MAJORS



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

TABLE OF CONTENTS

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

INTRODUCTION

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

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

All data presented in this financial and traffic review are derived from data reported to the U.S. Department of Transportation on Form 41 Schedules by Large Certificated Air Carriers. For comparison purposes, this analysis is limited to the major scheduled passenger and all-cargo air carriers. All financial and traffic results have been retroactively restated to include the operations of Alaska and DHL Airways. Certain data in this review are classified in two broad categories : namely "domestic" and "international". "Domestic" encompasses operations within and between the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. It also encompasses Canadian transborder operations and, for certain carriers, Mexican transborder operations. All other operations are considered "international", which is separated into Atlantic, Latin, and Pacific entities.

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

###

*An electronic version of this document can be obtained via the World Wide Web at :
<http://ostpxweb.dot.gov/aviation/>*

QUARTERLY FINANCIAL & TRAFFIC REVIEW

TOTAL SYSTEM PASSENGER & ALL-CARGO MAJORS

QUARTERLY RESULTS

- Two major carriers (Alaska and American) reported individual all-time company records in both operating and net profit, while United reported an all-time record in operating profit. Two other majors (Delta and Southwest) reported company records for any third quarter in both operating and net profit, and US Airways reported an all time third quarter record in operating profit.
- Operating revenues climbed 0.9 percent, as operating expenses increased a faster 2.4 percent, resulting in operating profit declining \$324.9 million to \$2.53 billion. The passenger major group was down \$279.8 million to \$2.27 billion and the all-cargo major group was down \$45.1 million to \$268 million.
- Net income fell \$540.6 million to \$1.4 billion. The passenger majors dropped \$571.8 million to \$1.27 billion, but the all-cargo group improved \$31.3 million to \$133.8 million.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	3Q 97	3Q 98	\$CHANGE	3Q 97	3Q 98	\$CHANGE
TOTAL ALL MAJORS	2858.8	2533.9	-324.9	1941.1	1400.5	-540.6
TOTAL PASSENGER MAJORS	2545.7	2265.9	-279.8	1838.5	1266.7	-571.8
ALASKA	68.9	79.4	10.5	40.2	40.5	0.3
AMERICA WEST	37.0	41.4	4.4	17.9	19.3	1.4
AMERICAN	469.1	555.3	86.2	266.1	345.5	79.4
CONTINENTAL	178.2	123.2	-55.0	110.2	50.0	-60.2
DELTA	430.1	547.3	117.2	253.7	326.7	73.0
NORTHWEST	513.8	-252.2	-766.0	294.1	-208.4	-502.5
SOUTHWEST	151.8	204.2	52.4	92.5	129.6	37.1
TRANS WORLD	63.8	23.7	-40.1	6.3	-5.3	-11.6
UNITED	548.1	680.2	132.1	570.6	419.8	-150.8
US AIRWAYS	85.1	263.4	178.3	186.9	148.9	-38.0
TOTAL ALL-CARGO MAJORS	313.1	268.0	-45.1	102.5	133.8	31.3
DHL AIRWAYS	31.7	14.0	-17.7	-44.4	6.7	51.1
FEDERAL EXPRESS	287.0	226.2	-60.8	153.0	115.7	-37.3
UNITED PARCEL SERVICE	-5.7	27.9	33.6	-6.1	11.4	17.5

- Total fuel expense was down \$477.1 million (19 percent) due to plunging unit fuel prices, down 19.3 percent, as fuel consumption climbed 0.4 percent.
- The passenger load factor rose 1 percentage points to an all-time record high 74.7 percent as RPM traffic grew 1 percent while ASM capacity dipped 0.3 percent.
- Passenger (RPM) yield declined 1.1 percent to 12.42 cents.
- Interest expense increased \$18.8 million to \$379.8 million.
- Total debt for the group increased \$2.32 billion to \$24 billion. More than half of the increase was attributable to United's increase of \$1.58 billion. Total equity rose much faster, however, pushing the overall debt-to-investment ratio of the group down 1.8 percentage points to 44.5 percent.

12-MONTH RESULTS

- For the 12 months ended September 1998, operating revenues for the major group were in excess of \$100 billion for the second consecutive quarter-ended 12-month period.
- All majors reported an operating profit for the 12-months ended September 1998 and, except for Northwest and UPS, all majors reported a net profit. Excluding Northwest, all passenger majors experienced a year-to-year improvement in operating results, but all three all-cargo majors were down from a year ago. All majors except Continental, Federal Express, Northwest, UPS and United saw improvement in net results.
- Operating profit rose \$915.8 million to \$2.53 billion. The passenger group improved \$1.1 billion to \$7.82 billion, but the all-cargo group deteriorated \$182.6 million to \$915.9 million.
- Net results improved \$794.9 million to \$5.25 billion. The passenger group improved \$881.1 million to \$4.83 billion, while the all-cargo group declined \$86.2 million to \$418 million.

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

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	26,202.4	25,976.0	#####	#####	99,926.3	99,278.1	97,519.9
2	Operating Expenses	23,668.4	23,117.2	92,671.6	92,120.4	91,180.3	90,724.5	89,704.4
3	Operating Profit (Loss)	2,533.9	2,858.8	8,731.3	9,056.2	8,746.1	8,553.6	7,815.5
4	Net Income (Loss)	1,400.5	1,941.1	5,252.9	5,793.4	5,592.8	5,472.0	4,458.0
TRAFFIC: (Billions)								
5	RPMs - Scheduled Rev. Svc.	156.05	154.51	579.38	577.84	568.26	570.00	565.03
6	ASMs - Scheduled Rev. Svc.	208.87	209.51	812.81	813.45	804.95	804.79	799.05
7	Overall RTMs (All Svc.)	20.92	20.73	79.82	79.63	77.52	78.10	76.91
8	Overall ATMs (All Svc.)	35.05	34.39	136.55	135.89	132.42	132.92	131.21
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	125.3	125.3	127.0	127.1	128.9	127.1	126.8
10	Operating Expense per RTM	113.2	111.5	116.1	115.7	117.6	116.2	116.6
11	Operating Profit (Loss) per RTM	12.1	13.8	10.9	11.4	11.3	11.0	10.2
12	Operating Expense per ATM	67.5	67.2	67.9	67.8	68.9	68.3	68.4
13	Passenger Revenue per RPM	12.42	12.56	12.91	12.95	13.02	12.94	12.83
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	2.00	2.07	2.14	2.23	2.28
15	Times Interest Earned	*	*	6.45	7.13	6.96	6.49	5.82
16	Current Assets to Current Liabilities	*	*	0.75	0.79	0.78	0.77	0.76
17	No. of Days Cash Coverage of Cash Exp	*	*	35.0	43.4	40.0	34.8	44.1
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	9.7	11.0	8.6	9.0	8.8	8.6	8.0
19	Net Income to Stockholders Equity	*	*	19.0	22.0	22.6	23.5	20.4
20	Corporate Return on Investment	*	*	13.2	14.8	15.0	15.6	14.0
21	Debt to Total Investment	*	*	44.5	45.5	45.4	45.6	46.3
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	74.7	73.7	71.3	71.0	70.6	70.8	70.7
23	Breakeven	68.0	65.5	65.7	65.0	64.8	65.2	65.7
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	497,649	475,132	489,721	484,093	477,525	472,040	467,232
25	Overall RTM's per Employee (000)	42.0	43.6	163.0	164.5	162.3	165.5	164.6

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.9	6.8	4.0	5.5	5.7	7.5	7.5
27	Operating Expenses (%)	2.4	5.6	3.3	4.1	4.3	5.1	5.6
28	Operating Profit (Loss) (in Millions \$)	-324.9	437.1	915.8	1,677.8	1,629.8	2,534.5	2,102.4
29	Net Income (Loss)(in Millions \$)	-540.6	710.7	794.9	2,032.3	1,980.8	2,665.4	1,835.6
30	RPMs (Sch. Svc.) (%)	1.0	4.2	2.5	4.0	2.8	4.8	5.8
31	ASMs (Sch. Svc.) (%)	-0.3	3.0	1.7	3.1	2.3	3.3	3.7
32	Operating Revenues per RTM (%)	0.0	1.3	0.2	-1.1	2.0	1.3	1.1
33	Operating Expense per RTM (%)	1.5	0.1	-0.4	-2.5	0.6	-0.9	-0.8
34	Passenger Revenue per RPM (Sch. Svc)	-1.1	-0.4	0.6	0.2	0.9	0.8	-0.4

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	19,742.2	19,125.2	77,218.1	76,601.2	75,457.8	74,942.4	73,667.2
2	Operating Expenses	17,741.5	17,227.3	69,747.7	69,233.5	68,603.7	68,307.3	67,582.8
3	Operating Profit (Loss)	2,000.6	1,897.9	7,470.5	7,367.7	6,854.1	6,635.1	6,084.3
4	Net Income (Loss)	1,070.0	1,416.5	4,491.5	4,837.9	4,616.6	4,426.8	3,575.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	111.91	109.85	418.66	416.59	409.44	412.36	409.41
6	ASMs - Scheduled Rev. Svc.	151.28	152.52	592.95	594.19	589.21	592.21	589.56
7	Overall RTMs (All Svc.)	13.97	13.78	53.46	53.27	51.60	52.55	51.92
8	Overall ATMs (All Svc.)	23.31	23.15	91.76	91.61	89.25	90.77	90.07
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	141.3	138.8	144.4	143.8	146.2	142.6	141.9
10	Operating Expense per RTM	127.0	125.0	130.5	130.0	132.9	130.0	130.2
11	Operating Profit (Loss) per RTM	14.3	13.8	14.0	13.8	13.3	12.6	11.7
12	Operating Expense per ATM	76.1	74.4	76.0	75.6	76.9	75.3	75.0
13	Passenger Revenue per RPM	13.20	13.04	13.83	13.79	13.83	13.68	13.53
<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 Rev	10.1	9.9	9.7	9.6	9.1	8.9	8.3
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	14.6	16.2	16.3	16.6	14.7
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	74.0	72.0	70.6	70.1	69.5	69.6	69.4
23	Breakeven	67.1	65.3	64.2	63.7	63.7	64.1	64.5
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

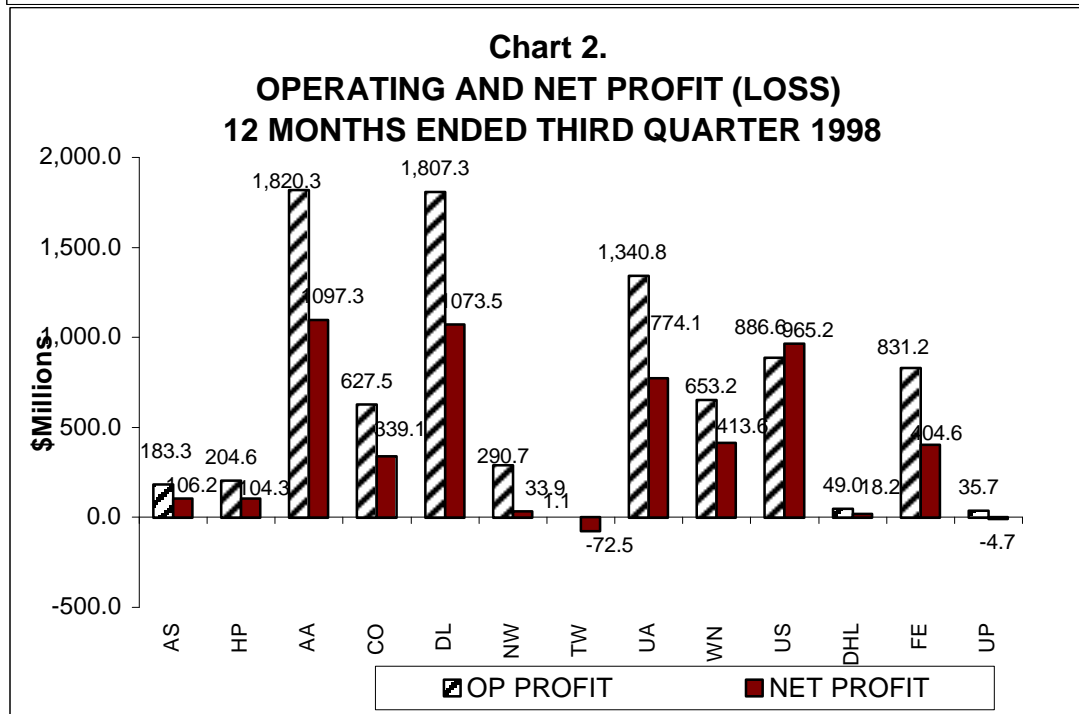
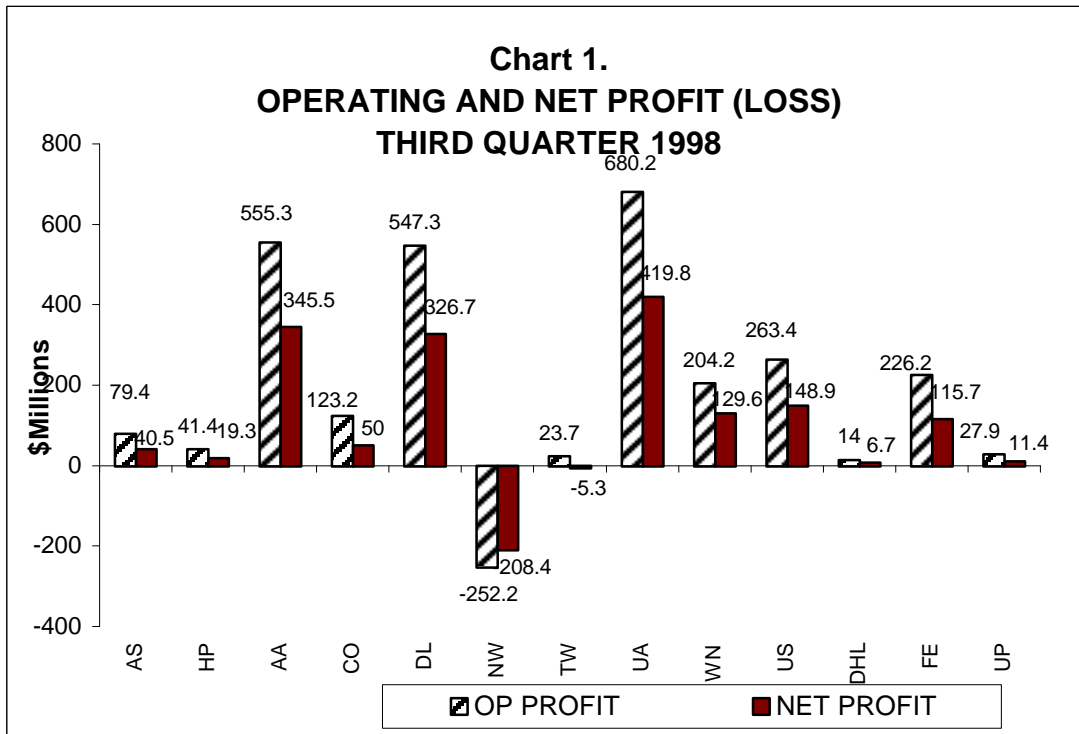
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	3.2	6.2	4.8	5.6	5.2	7.0	7.1
27	Operating Expenses (%)	3.0	5.0	3.2	3.7	4.1	5.4	6.1
28	Operating Profit (Loss) (in Millions \$)	102.7	294.7	1,386.2	1,578.0	999.0	1,403.7	1,011.4
29	Net Income (Loss)(in Millions \$)	-346.5	636.5	915.7	1,890.3	1,675.5	1,981.6	1,237.8
30	RPMs (Sch. Svc.) (%)	1.9	4.0	2.3	3.6	2.2	4.6	5.8
31	ASMs (Sch. Svc.) (%)	-0.8	2.8	0.6	2.2	1.4	3.0	3.6
32	Operating Revenues per RTM (%)	1.8	1.8	1.8	-0.6	3.5	2.1	1.7
33	Operating Expense per RTM (%)	1.6	0.6	0.2	-2.3	2.4	0.5	0.8
34	Passenger Revenue per RPM (Sch. Svc)	1.2	-1.1	2.2	0.9	1.2	0.8	-0.6

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

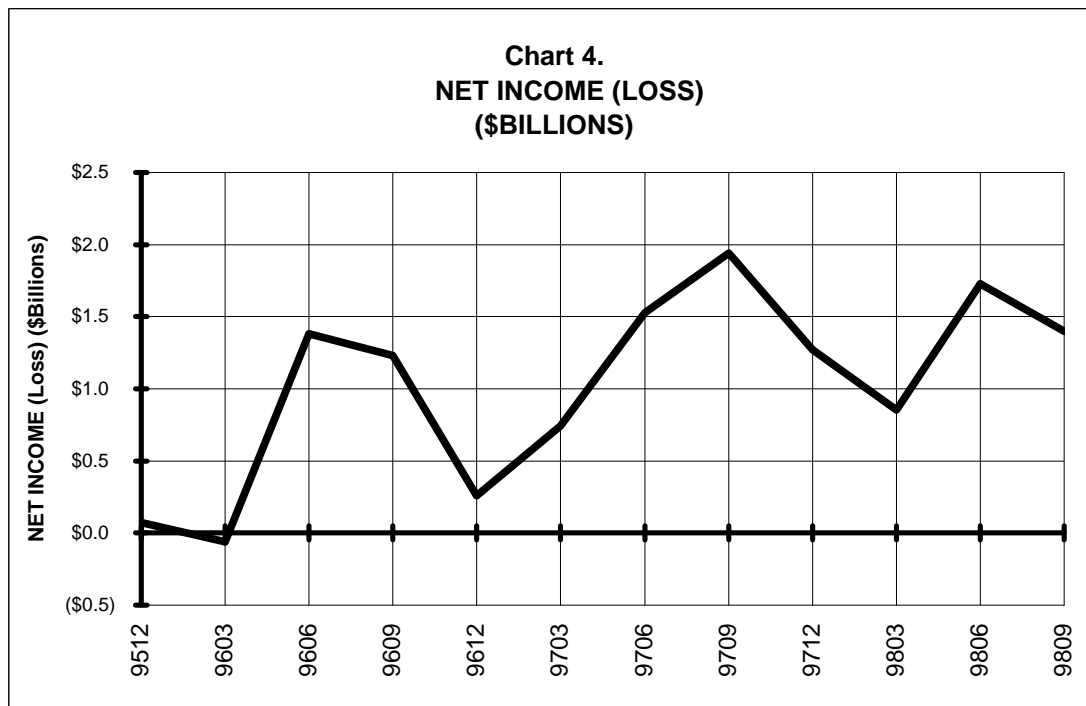
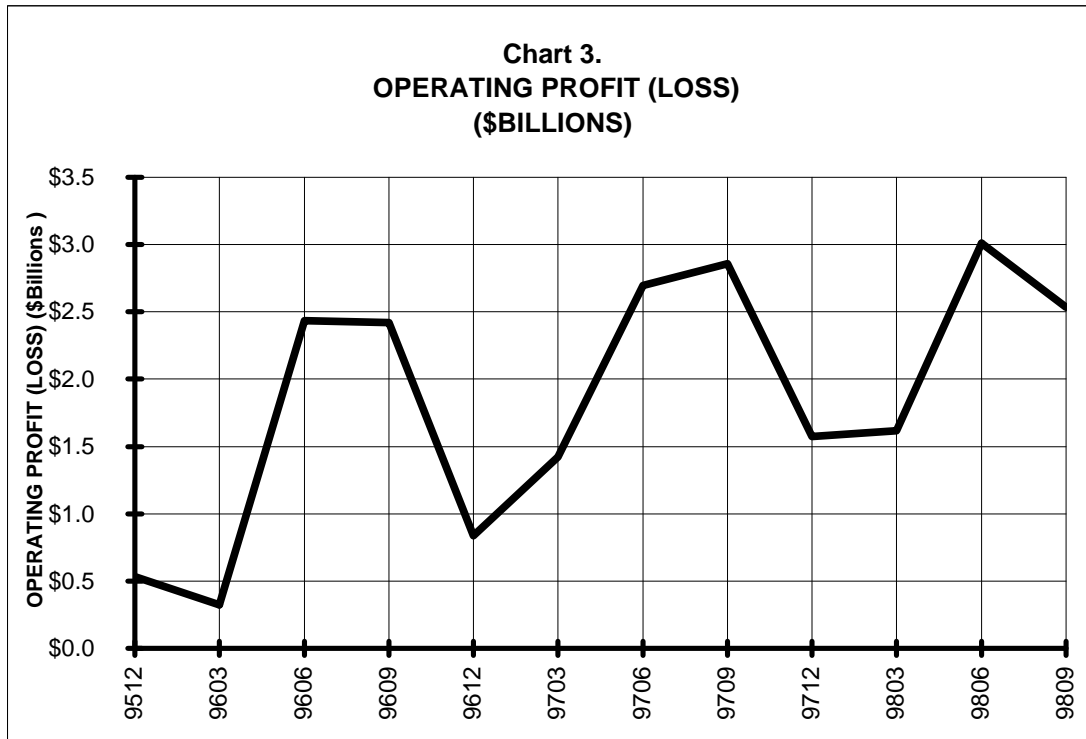
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	6,460.2	6,850.8	24,184.8	24,575.4	24,468.5	24,335.7	23,852.7
2	Operating Expenses	5,926.9	5,889.9	22,923.9	22,886.9	22,576.6	22,417.1	22,121.6
3	Operating Profit (Loss)	533.3	960.9	1,260.9	1,688.5	1,891.9	1,918.5	1,731.1
4	Net Income (Loss)	330.5	524.6	761.4	955.5	976.2	1,045.2	882.2
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	44.13	44.66	160.72	161.25	158.82	157.63	155.62
6	ASMs - Scheduled Rev. Svc.	57.59	56.99	219.86	219.26	215.74	212.57	209.49
7	Overall RTMs (All Svc.)	6.95	6.94	26.36	26.36	25.92	25.55	25.00
8	Overall ATMs (All Svc.)	11.74	11.23	44.78	44.28	43.17	42.15	41.14
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	93.0	98.7	91.7	93.2	94.4	95.2	95.4
10	Operating Expense per RTM	85.3	84.8	87.0	86.8	87.1	87.7	88.5
11	Operating Profit (Loss) per RTM	7.7	13.8	4.8	6.4	7.3	7.5	6.9
12	Operating Expense per ATM	50.5	52.4	51.2	51.7	52.3	53.2	53.8
13	Passenger Revenue per RPM	10.44	11.37	10.51	10.77	10.93	11.01	11.00
<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 Rev	8.3	14.0	5.2	6.9	7.7	7.9	7.3
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	8.9	10.7	11.2	12.6	11.7
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	76.6	78.4	73.1	73.5	73.6	74.2	74.3
23	Breakeven	70.8	65.6	70.7	69.1	67.9	68.2	68.7
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-5.7	8.7	1.4	5.5	7.3	9.1	8.9
27	Operating Expenses (%)	0.6	7.5	3.6	5.4	4.8	4.2	4.0
28	Operating Profit (Loss) (in Millions \$)	-427.6	142.4	-470.2	99.8	630.7	1,130.8	1,091.0
29	Net Income (Loss)(in Millions \$)	-194.1	74.2	-120.8	142.0	305.3	683.8	597.8
30	RPMs (Sch. Svc.) (%)	-1.2	4.6	3.3	4.9	4.5	5.4	5.6
31	ASMs (Sch. Svc.) (%)	1.1	3.7	5.0	5.7	5.1	4.4	3.8
32	Operating Revenues per RTM (%)	-5.8	0.9	-3.9	-2.2	-0.6	0.2	0.1
33	Operating Expense per RTM (%)	0.6	-0.4	-1.7	-2.3	-2.9	-4.3	-4.3
34	Passenger Revenue per RPM (Sch. Svc)	-8.2	1.8	-4.5	-1.6	0.4	0.9	0.4

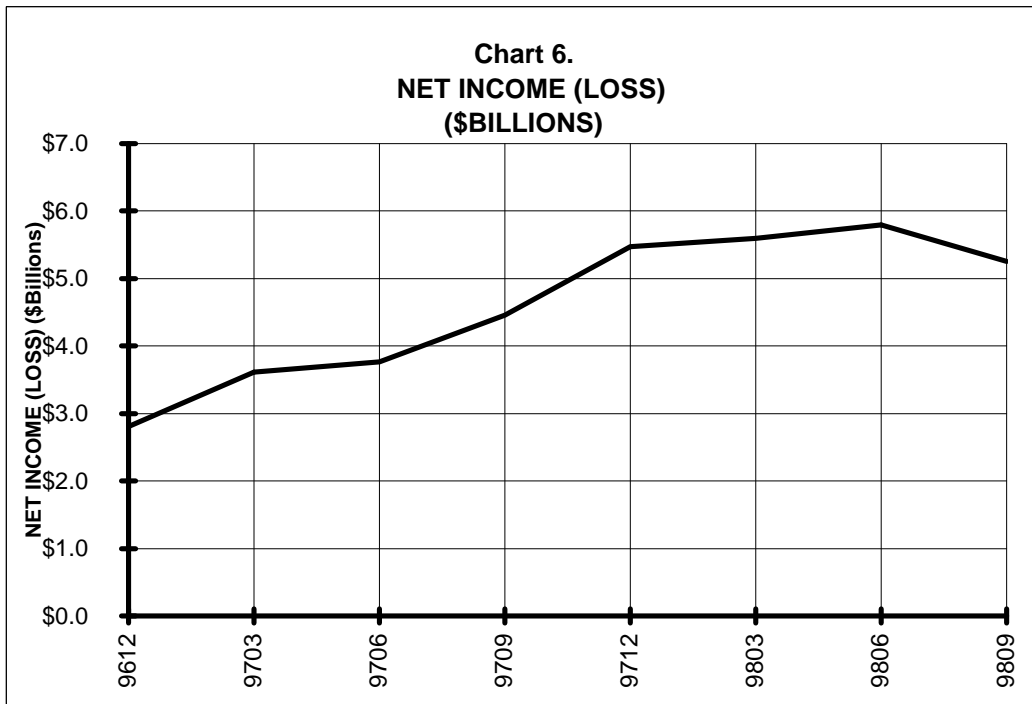
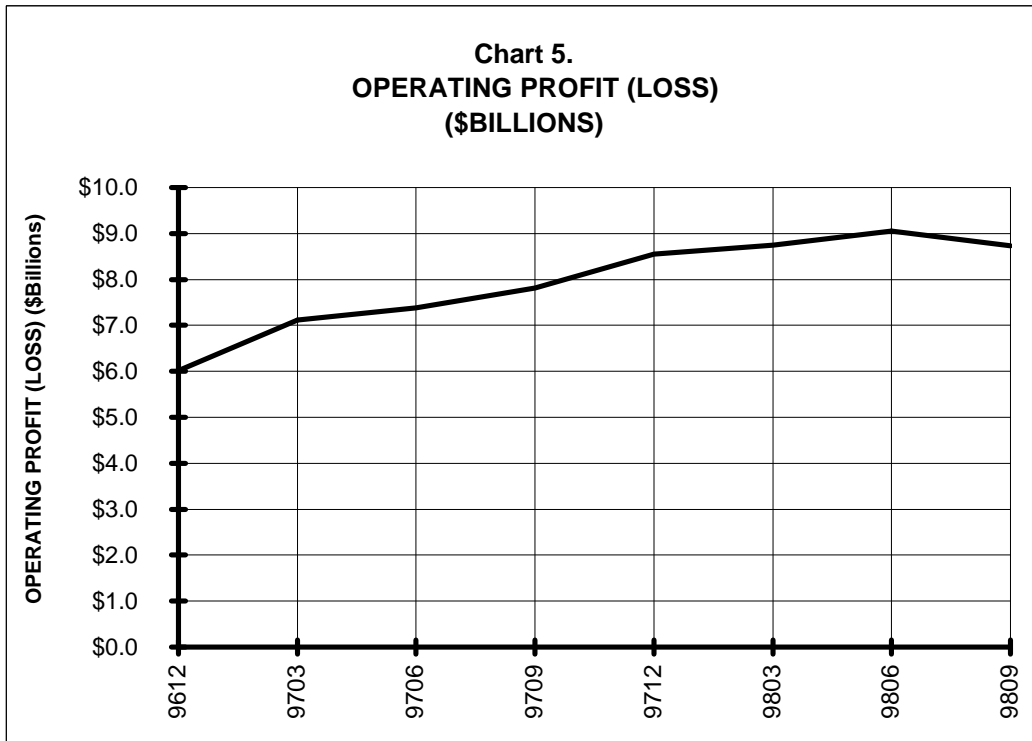
COMPARISONS AMONG MAJOR GROUP AIRLINES



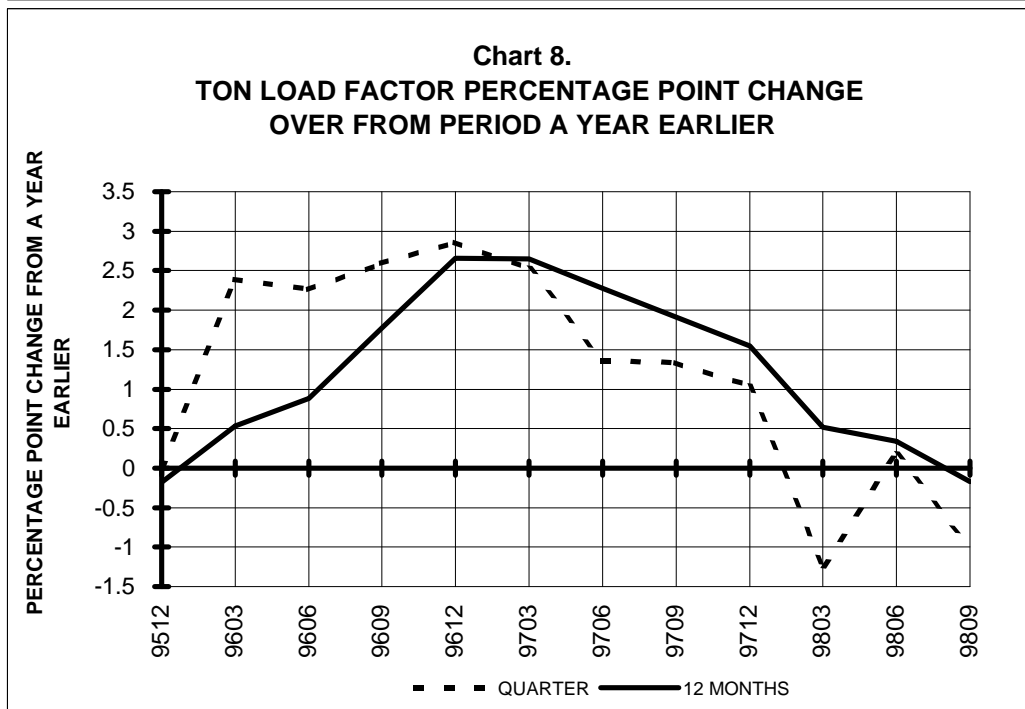
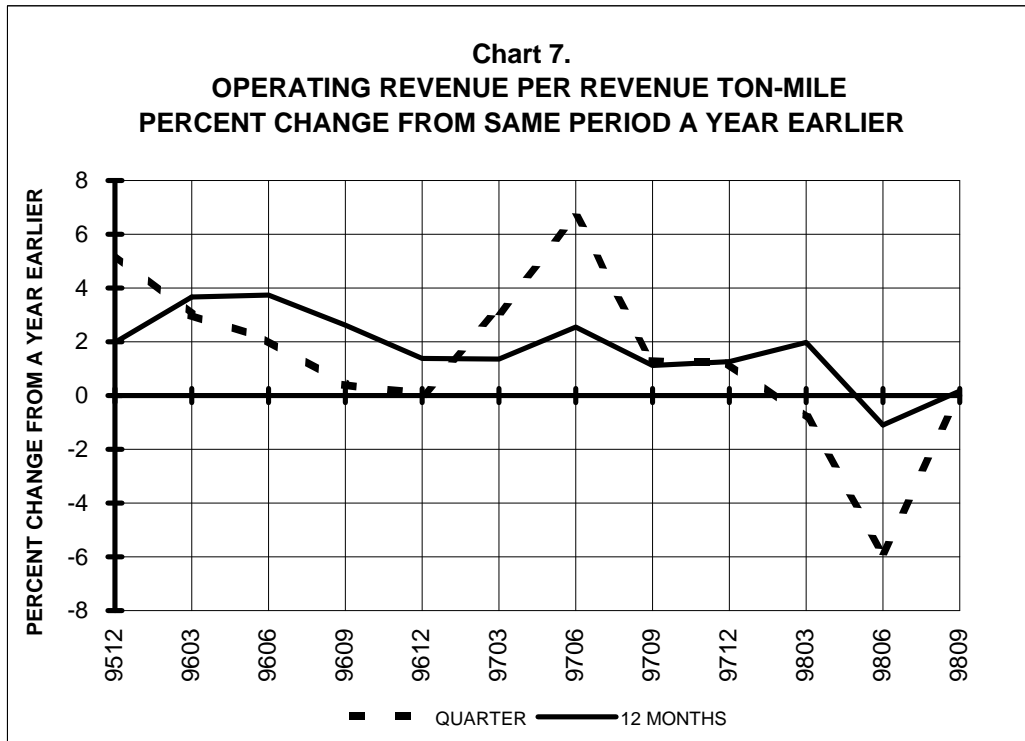
TOTAL ALL MAJORS (SYSTEM) BY QUARTER



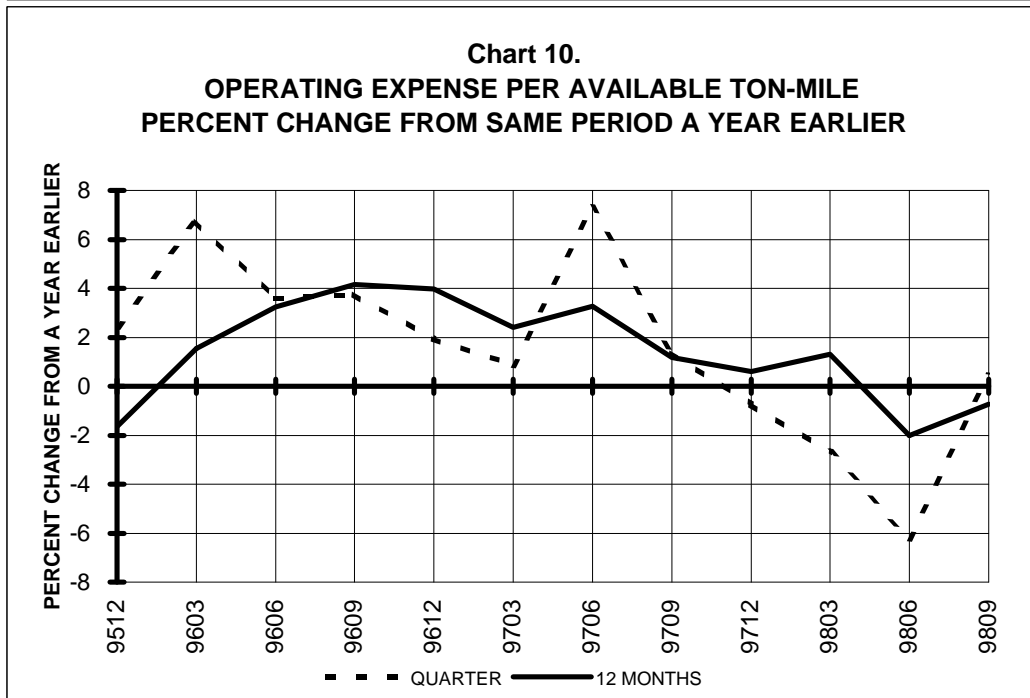
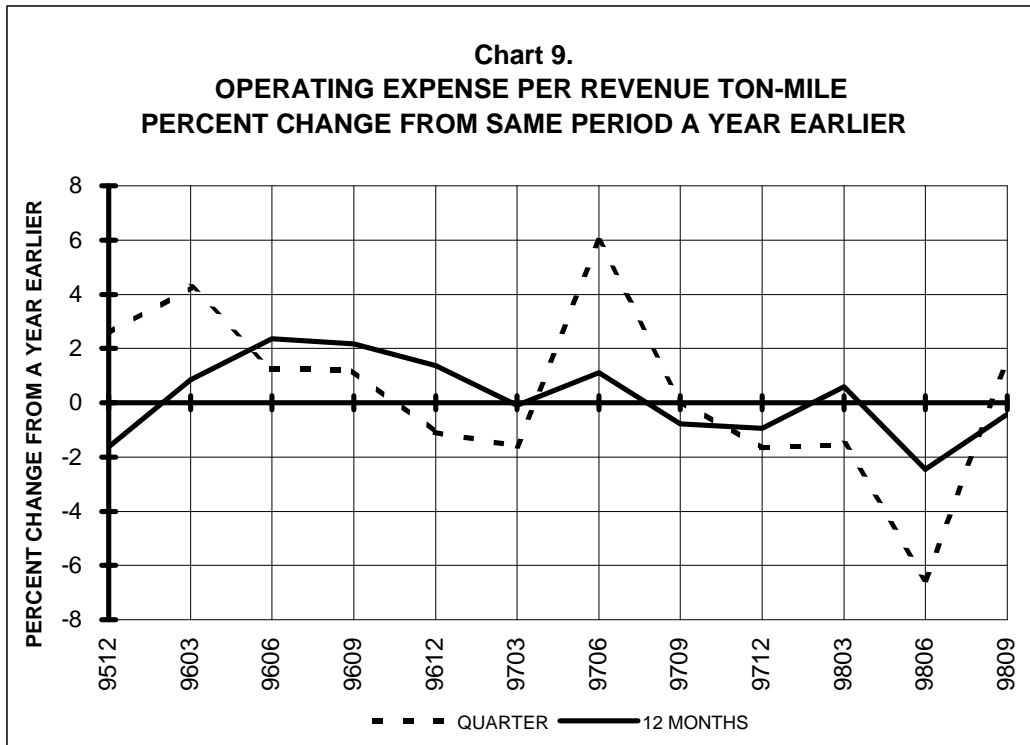
TOTAL ALL MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS



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



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



QUARTERLY FINANCIAL & TRAFFIC REVIEW

TOTAL PASSENGER MAJORS

QUARTERLY RESULTS

- For the quarter ended September 1998, all passenger majors except for Northwest, which experienced a 15-day pilots strike during the quarter, reported an operating profit, and all but Northwest and Trans World reported a net profit.
- Operating and net profit declined from the same quarter a year ago, the first year-to-year decline since September 1996 and December 1994, respectively. Although individual carrier results were mixed, much of the overall group declines was attributable to the sharp deterioration's reported by Northwest.
- Operating revenues climbed a weak 0.4 percent, while operating expenses rose a faster 1.9 percent, causing operating profit to drop \$279.8 to \$2.27 billion.
- Operating results benefited from a \$440 million drop in total fuel expense (19 percent), resulting mostly from an 18.3 percent decline in unit fuel prices, as total fuel consumption dipped 0.7 percent.
- Net income fell \$571.8 million to \$1.27 billion.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1997	THIS YEAR 1998	\$ Change	LAST YEAR 1997	THIS YEAR 1998	\$ Change
March	1,213.0	1,443.7	230.8	640.8	780.1	139.3
June	2,388.4	2,733.1	344.7	1,363.7	1,606.1	242.5
Sept.	2,545.7	2,265.9	-279.8	1,838.5	1,266.7	-571.8
Dec.	1,372.7	0.0	-	1,182.0	0.0	-

- Although RPM traffic gained only 1 percent, ASM capacity declined 0.3 percent, causing the passenger load factor to rise 1 percentage point to 74.7 percent. Only Alaska's and Northwest's load factors were down from a year ago.
- Passenger (RPM) yield declined 1.1 percent to 12.42 cents. Yields for five of the ten passenger majors were up from a year ago.
- Among the various entities, domestic operating results and Atlantic net results remained the strongest. The Pacific entity, reflecting the economic slowdown in Asia, continued to have a significant negative impact on overall system results. Pacific operating profit tumbled \$383.4 million to a loss of \$85.4 million, and net results dropped \$315 million to a loss of \$73.6 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	1,608.4	1,794.0	185.6	1,180.5	971.7	-208.8	109.8	111.9	1.9	152.5	151.3	-0.8	74.0%
Int'l	937.3	471.9	-465.4	658.0	294.9	-363.1	44.7	44.1	-1.2	57.0	57.6	1.1	76.6%
Atlantic	495.3	482.5	-12.8	317.9	326.2	8.2	20.2	21.0	4.2	23.9	25.3	5.8	83.1%
Latin	144.0	74.9	-69.1	98.7	42.4	-56.3	7.6	8.6	13.9	11.3	13.4	18.8	64.2%
Pacific	298.0	-85.4	-383.4	241.4	-73.6	-315.0	16.9	14.5	-14.4	21.8	18.8	-13.4	76.8%
System	2,545.7	2,265.9	-279.8	1,838.5	1,266.7	-571.8	154.5	156.0	1.0	209.5	208.9	-0.3	74.7%

- Interest expense rose \$23.8 million to \$354.4 million.
- The operating profit margin remained high, although down 1.4 percentage points to 10.3 percent.

12-MONTH RESULTS

- Except for Trans World, all majors reported strong operating and net profits for the 12-months ended September 1998. Trans World had the only deterioration in both operating and net results
- For the group, operating profit advanced \$1.1 billion to \$7.8 billion, as operating revenues rose 3.2 percent and operating expense grew a slower 2.1 percent.
- Net results rose \$881.1 billion to \$4.83 billion.
- The passenger load factor gained 0.6 percentage points to 71.3 percent. RPM traffic was up 2.5 percent, outpacing the 1.7 percent increase in ASM capacity.
- Passenger (RPM) yield rose 0.6 percent to 12.91 cents.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	21,945.2	21,850.1	84,729.5	84,634.4	83,753.1	83,459.5	82,085.5
2	Operating Expenses	19,679.3	19,304.4	76,914.0	76,539.2	76,002.6	75,939.7	75,368.6
3	Operating Profit (Loss)	2,265.9	2,545.7	7,815.4	8,095.2	7,750.6	7,519.8	6,717.0
4	Net Income (Loss)	1,266.7	1,838.5	4,834.9	5,406.7	5,164.3	5,011.2	3,953.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	156.05	154.51	579.38	577.84	568.26	570.00	565.03
6	ASMs - Scheduled Rev. Svc.	208.87	209.51	812.81	813.45	804.95	804.79	799.05
7	Overall RTMs (All Svc.)	18.09	18.18	68.64	68.73	67.79	67.74	66.96
8	Overall ATMs (All Svc.)	30.26	30.19	117.79	117.72	116.29	115.75	114.55
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	121.3	120.2	123.4	123.1	123.6	123.2	122.6
10	Operating Expense per RTM	108.8	106.2	112.1	111.4	112.1	112.1	112.6
11	Operating Profit (Loss) per RTM	12.5	14.0	11.4	11.8	11.4	11.1	10.0
12	Operating Expense per ATM	65.0	63.9	65.3	65.0	65.4	65.6	65.8
13	Passenger Revenue per RPM	12.42	12.56	12.91	12.95	13.02	12.94	12.83
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.02	2.10	2.19	2.28	2.33
15	Times Interest Earned	*	*	6.64	7.36	6.97	6.37	5.54
16	Current Assets to Current Liabilities	*	*	0.71	0.76	0.74	0.74	0.72
17	No. of Days Cash Coverage of Cash Exp	*	*	41.10	51.04	46.27	40.36	50.81
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	10.3	11.7	9.2	9.6	9.3	9.0	8.2
19	Net Income to Stockholders Equity	*	*	20.8	24.7	25.2	26.3	22.2
20	Corporate Return on Investment	*	*	14.6	16.6	16.8	17.4	15.2
21	Debt to Total Investment	*	*	43.8	44.8	44.6	44.8	45.6
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	74.7	73.7	71.3	71.0	70.6	70.8	70.7
23	Breakeven	68.1	65.5	65.8	65.0	64.9	65.3	65.9
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	396,258	383,299	390,964	387,725	383,773	380,858	378,289
25	Overall RTM's per Employee (000)	45.7	47.4	175.6	177.3	176.6	177.9	177.0

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.4	4.5	3.2	4.3	4.3	6.3	6.1
27	Operating Expenses (%)	1.9	3.6	2.1	2.5	2.7	3.7	4.3
28	Operating Profit (Loss) (in Millions \$)	-279.8	278.3	1,098.4	1,656.6	1,456.8	2,254.6	1,661.3
29	Net Income (Loss)(in Millions \$)	-571.8	692.1	881.1	2,131.3	1,970.3	2,580.7	1,655.9
30	RPMs (Sch. Svc.) (%)	1.0	4.2	2.5	4.0	2.8	4.8	5.8
31	ASMs (Sch. Svc.) (%)	-0.3	3.0	1.7	3.1	2.3	3.3	3.7
32	Operating Revenues per RTM (%)	0.9	-0.5	0.7	-0.2	0.5	0.8	0.1
33	Operating Expense per RTM (%)	2.4	-1.4	-0.5	-1.9	-1.2	-1.7	-1.7
34	Passenger Revenue per RPM (Sch. Svc)	-1.1	-0.4	0.6	0.2	0.9	0.8	-0.4

QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	16,502.7	15,923.8	64,550.5	63,971.6	63,104.3	62,820.6	61,739.6
2	Operating Expenses	14,708.7	14,315.4	57,733.0	57,339.7	57,016.9	57,002.5	56,574.5
3	Operating Profit (Loss)	1,794.0	1,608.4	6,817.5	6,631.9	6,087.3	5,818.1	5,165.1
4	Net Income (Loss)	971.7	1,180.5	4,278.7	4,487.5	4,150.4	3,983.8	3,059.0
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	111.91	109.85	418.66	416.59	409.44	412.36	409.41
6	ASMs - Scheduled Rev. Svc.	151.28	152.52	592.95	594.19	589.21	592.21	589.56
7	Overall RTMs (All Svc.)	12.16	12.13	46.16	46.13	45.48	45.73	45.40
8	Overall ATMs (All Svc.)	20.17	20.37	79.28	79.47	78.85	79.14	78.74
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	135.7	131.3	139.8	138.7	138.7	137.4	136.0
10	Operating Expense per RTM	121.0	118.1	125.1	124.3	125.4	124.7	124.6
11	Operating Profit (Loss) per RTM	14.8	13.3	14.8	14.4	13.4	12.7	11.4
12	Operating Expense per ATM	72.9	70.3	72.8	72.1	72.3	72.0	71.8
13	Passenger Revenue per RPM	13.20	13.04	13.83	13.79	13.83	13.68	13.53
<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 Rev	10.9	10.1	10.6	10.4	9.6	9.3	8.4
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	16.8	18.2	18.0	18.4	15.7
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	74.0	72.0	70.6	70.1	69.5	69.6	69.4
23	Breakeven	67.0	65.4	63.9	63.5	63.6	64.1	64.7
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

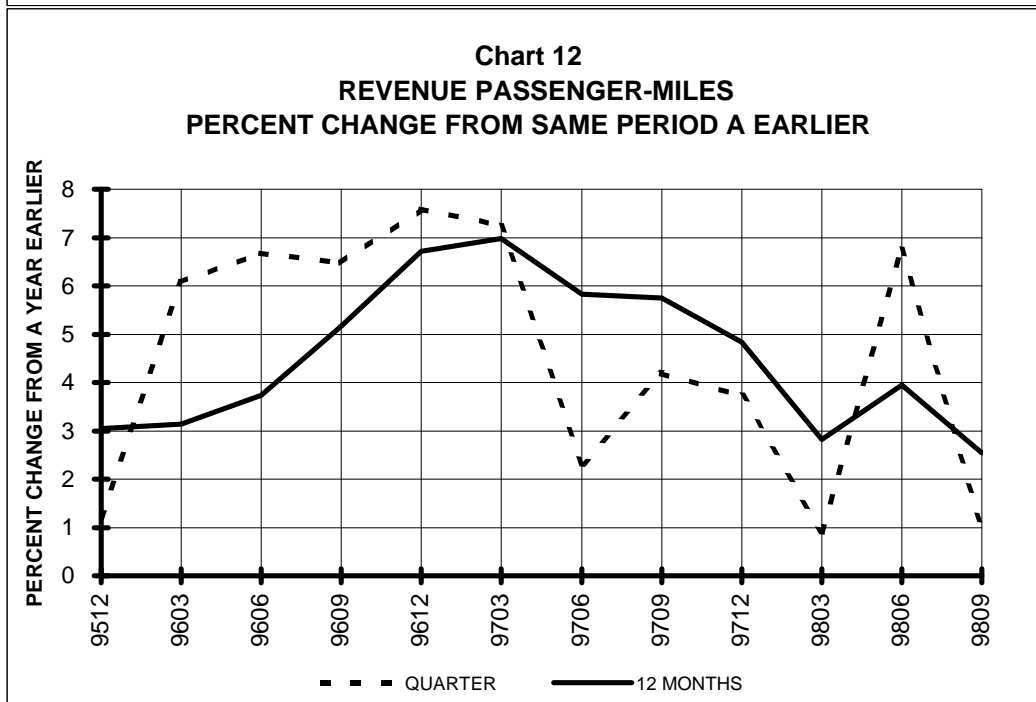
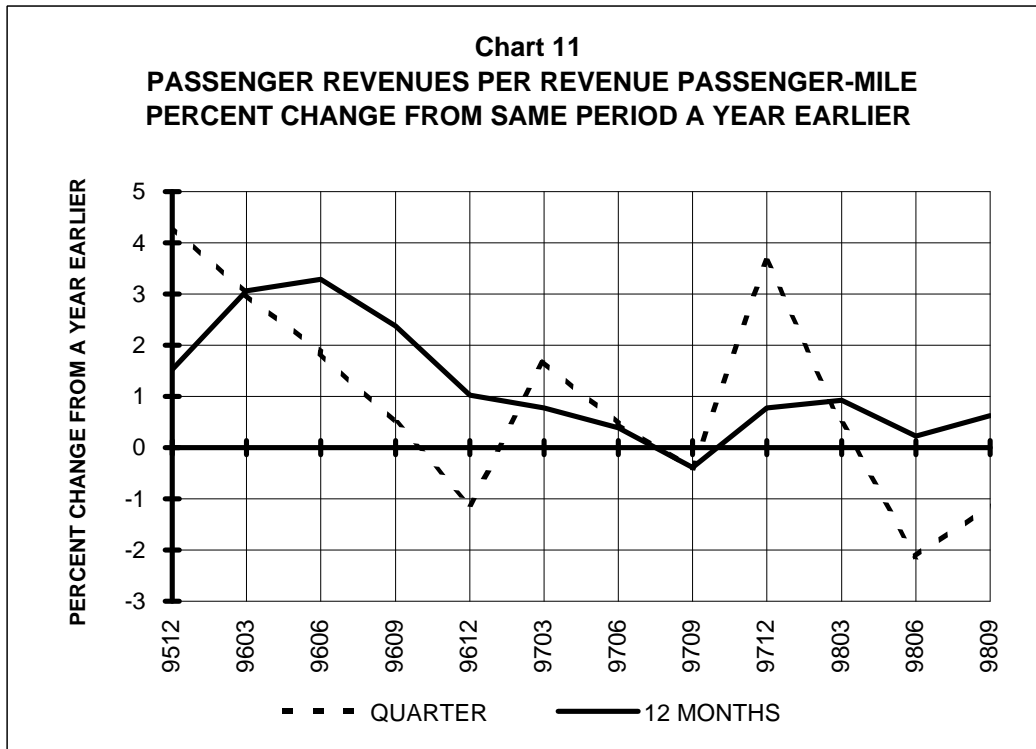
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	3.6	3.9	4.6	4.6	4.1	6.2	6.0
27	Operating Expenses (%)	2.7	3.0	2.0	2.1	2.7	4.3	5.1
28	Operating Profit (Loss) (in Millions \$)	185.6	173.6	1,652.4	1,640.4	962.9	1,329.1	787.3
29	Net Income (Loss)(in Millions \$)	-208.8	480.3	1,219.7	1,900.6	1,508.0	1,851.0	1,018.7
30	RPMs (Sch. Svc.) (%)	1.9	4.0	2.3	3.6	2.2	4.6	5.8
31	ASMs (Sch. Svc.) (%)	-0.8	2.8	0.6	2.2	1.4	3.0	3.6
32	Operating Revenues per RTM (%)	3.4	-0.2	2.8	1.3	1.8	1.8	0.6
33	Operating Expense per RTM (%)	2.5	-1.0	0.4	-1.2	0.5	-0.1	-0.4
34	Passenger Revenue per RPM (Sch. Svc)	1.2	-1.1	2.2	0.9	1.2	0.8	-0.6

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

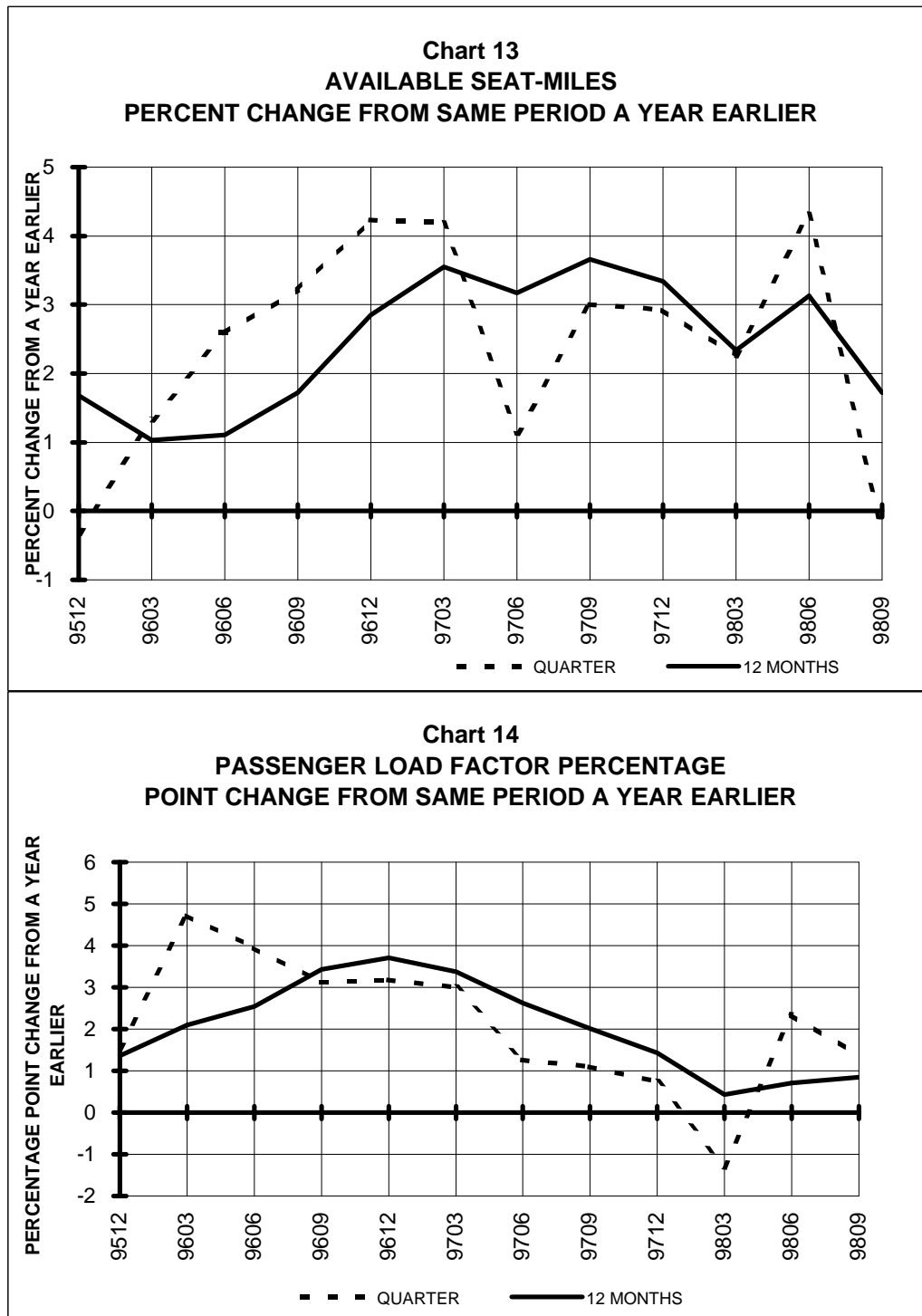
ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9809	9709	9809	9806	9803	9712	9709
FINANCIAL RESULTS: (\$Millions)							
1 Operating Revenues	5,442.5	5,926.3	20,179.0	20,662.8	20,648.9	20,639.0	20,346.0
2 Operating Expenses	4,970.6	4,989.0	19,181.0	19,199.5	18,985.6	18,937.3	18,794.1
3 Operating Profit (Loss)	471.9	937.3	998.0	1,463.3	1,663.2	1,701.7	1,551.9
4 Net Income (Loss)	294.9	658.0	556.2	919.2	1,013.9	1,027.4	894.8
TRAFFIC: (Billions)							
5 RPMs - Scheduled Rev. Svc.	44.13	44.66	160.72	161.25	158.82	157.63	155.62
6 ASMs - Scheduled Rev. Svc.	57.59	56.99	219.86	219.26	215.74	212.57	209.49
7 Overall RTMs (All Svc.)	5.93	6.05	22.48	22.60	22.30	22.01	21.56
8 Overall ATMs (All Svc.)	10.09	9.82	38.51	38.24	37.44	36.61	35.81
YIELD & UNIT COST & PROFITS: (Cents)							
9 Operating Revenue per RTM	91.7	97.9	89.8	91.4	92.6	93.8	94.4
10 Operating Expense per RTM	83.8	82.4	85.3	84.9	85.1	86.0	87.2
11 Operating Profit (Loss) per RTM	8.0	15.5	4.4	6.5	7.5	7.7	7.2
12 Operating Expense per ATM	49.3	50.8	49.8	50.2	50.7	51.7	52.5
13 Passenger Revenue per RPM	10.44	11.37	10.51	10.77	10.93	11.01	11.00
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 Rev	8.7	15.8	4.9	7.1	8.1	8.2	7.6
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	8.1	11.8	13.4	14.4	13.7
21 Debt to Total Investment	*	*	**	**	**	**	**
PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22 Actual	76.6	78.4	73.1	73.5	73.6	74.2	74.3
23 Breakeven	71.5	65.2	71.7	69.8	68.6	68.7	69.1
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 (%)	-8.2	6.4	-0.8	3.4	5.0	6.6	6.5
27 Operating Expenses (%)	-0.4	5.3	2.1	3.6	2.6	1.9	2.0
28 Operating Profit (Loss) (in Millions \$)	-465.4	104.7	-553.9	16.1	493.7	925.4	874.0
29 Net Income (Loss)(in Millions \$)	-363.1	211.8	-338.6	230.7	462.4	729.7	637.2
30 RPMs (Sch. Svc.) (%)	-1.2	4.6	3.3	4.9	4.5	5.4	5.6
31 ASMs (Sch. Svc.) (%)	1.1	3.7	5.0	5.7	5.1	4.4	3.8
32 Operating Revenues per RTM (%)	-6.3	-0.7	-4.9	-3.3	-2.1	-1.0	-0.9
33 Operating Expense per RTM (%)	1.7	-1.7	-2.2	-3.1	-4.4	-5.4	-5.0
34 Passenger Revenue per RPM (Sch. Svc)	-8.2	1.8	-4.5	-1.6	0.4	0.9	0.4

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

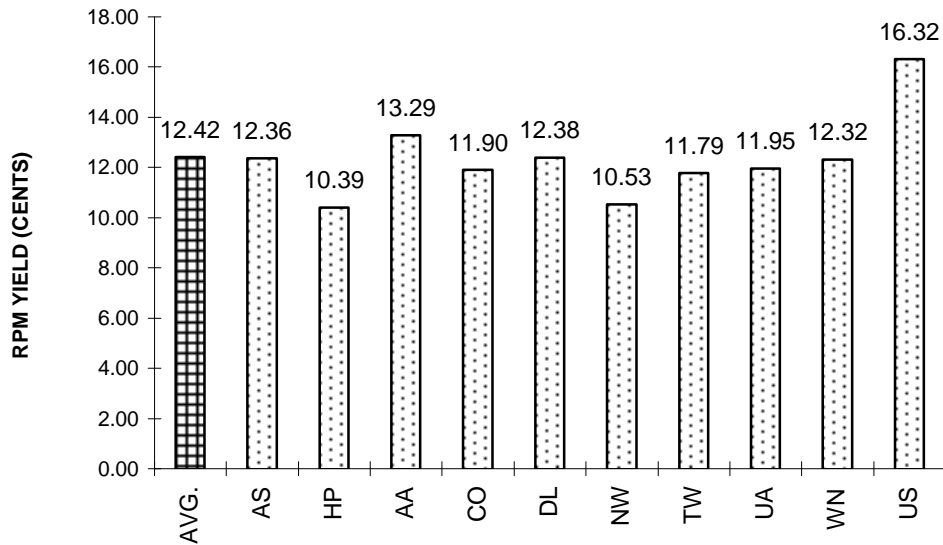


TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)

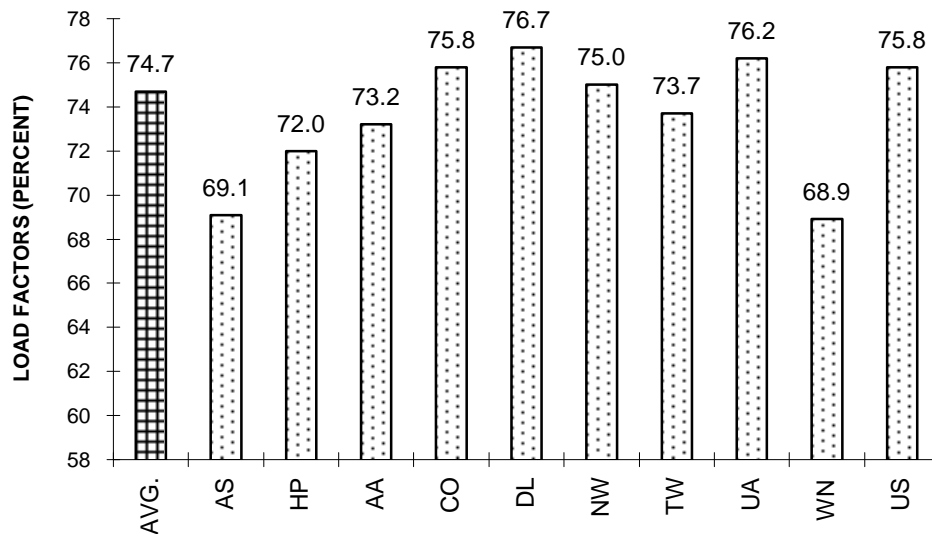


TOTAL PASSENGER MAJORS (SYSTEM) THIRD QUARTER 1998 (SCH. SVC.)

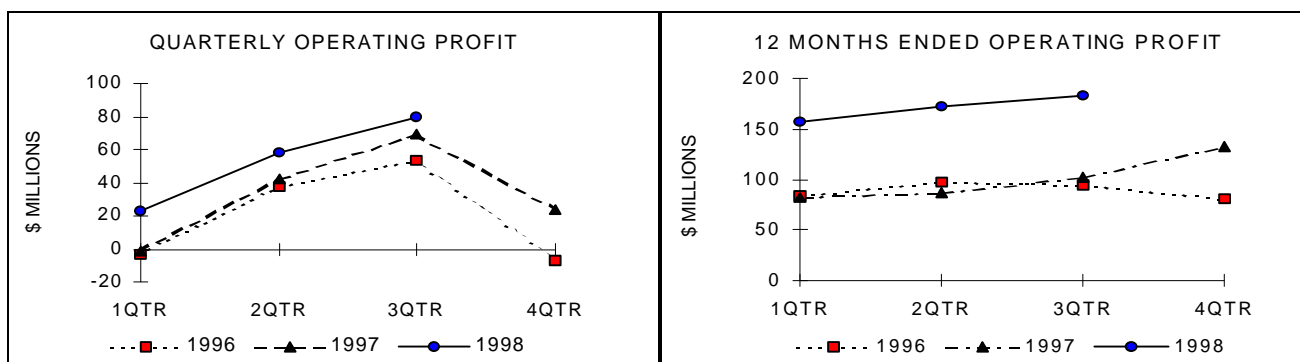
**Chart 15
PASSENGER (RPM) YIELD**



**Chart 16
PASSENGER LOAD FACTOR**



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



QUARTERLY RESULTS

- Alaska reported the highest operating and net profit for any quarter in carrier history.
- Operating profit improved \$10.5 million to \$79.4 million as operating revenues, up 6.1 percent, grew faster than operating expenses, up 4.4 percent.
- Nearly half of this operating profit improvement arose as total fuel expense decreased \$5.5 million. Total fuel consumption jumped 10.8 percent, but unit fuel prices fell 21.4 percent.
- Net income inched upward \$0.3 million to \$40.5 million.
- Both the domestic and Latin entities were profitable, with domestic operations showing a gain in operating profit of \$9.4 million to \$77.6 million, but remaining virtually unchanged in net income at \$39.7 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	68.1	77.6	9.4	39.8	39.7	0.0	2.8	3.0	8.1	4.0	4.4	9.9	69.1%
Int'l	0.7	1.8	1.1	0.4	0.8	0.4	0.1	0.2	30.5	0.2	0.3	31.6	68.0%
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	0.7	1.8	1.1	0.4	0.8	0.4	0.1	0.2	30.5	0.2	0.3	31.6	68.0%
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	68.9	79.4	10.5	40.2	40.5	0.3	2.9	3.2	9.1	4.2	4.6	10.9	69.1%

- ASM capacity, up 10.9 percent, grew faster than RPM traffic, up 9.1 percent, causing the passenger load factor to decline 1.1 percentage points to 69.1 percent. Only Northwest, which experienced a pilots strike during the quarter, had a larger decline.
- RTM yield fell 2.3 percent, but profitability was enhanced as RTM unit costs dropped a faster 4 percent.
- Interest expense dipped \$2.1 million to a passenger major group low of \$4.2 million.
- Passenger (RPM) yield slid 2.1 percent to 12.36 cents.

12-MONTH RESULTS

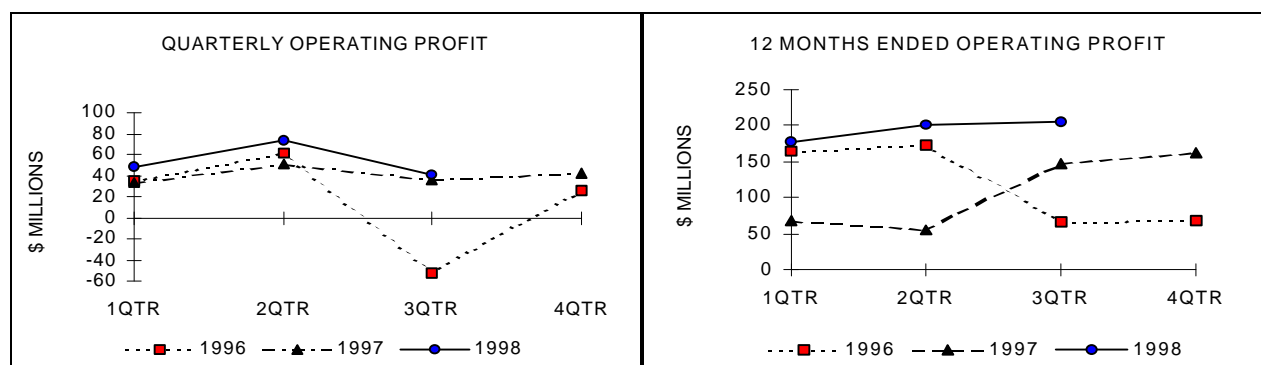
- Operating revenues, up 10.9 percent, grew nearly twice as fast as operating expenses, up 5.6 percent, boosting operating profit \$80.3 million to \$183.3 million.
- Net income improved \$44.4 million to \$106.2 million, a new all-time carrier high for any 12-month ended period.
- The passenger load factor was down a slight 0.6 percentage points to 67.1 percent as RPM traffic growth, up 8.1 percent, did not keep pace with ASM capacity growth, up 9.1 percent
- Passenger (RPM) yield growth, up 4 percent to 12.26 cents, continued to slow from recent periods.
- Interest expense was a passenger group low \$18.9 million, down \$5.8 million from a year ago.
- The debt-to-investment ratio decreased 2.7 percentage points to 35.1 percent, despite a \$29.9 million increase in total debt, as equity was up sharply.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	449.0	423.0	1,553.2	1,527.2	1,490.0	1,457.4	1,400.6
2	Operating Expenses	369.6	354.1	1,369.9	1,354.5	1,333.0	1,324.4	1,297.6
3	Operating Profit (Loss)	79.4	68.9	183.3	172.7	157.0	133.1	103.0
4	Net Income (Loss)	40.5	40.2	106.2	105.8	92.7	76.0	61.8
<u>TRAFFIC: (Billions)</u>								
5	RPMS - Scheduled Rev. Svc.	3.20	2.93	11.00	10.74	10.48	10.36	10.18
6	ASMs - Scheduled Rev. Svc.	4.63	4.17	16.40	15.95	15.61	15.39	15.04
7	Overall RTMs (All Svc.)	0.34	0.31	1.18	1.15	1.13	1.12	1.10
8	Overall ATMs (All Svc.)	0.61	0.55	2.15	2.09	2.07	2.02	1.98
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	131.7	134.8	131.5	132.3	132.2	130.7	127.9
10	Operating Expense per RTM	108.4	112.9	116.0	117.4	118.2	118.8	118.4
11	Operating Profit (Loss) per RTM	23.3	21.9	15.5	15.0	13.9	11.9	9.4
12	Operating Expense per ATM	61.0	64.8	63.6	64.7	64.4	65.5	65.7
13	Passenger Revenue per RPM	12.36	12.63	12.26	12.33	12.30	12.12	11.79
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.19	2.26	2.28	2.29	2.23
15	Times Interest Earned	*	*	12.57	11.08	8.83	6.83	5.51
16	Current Assets to Current Liabilities	*	*	0.93	0.87	0.76	0.72	0.82
17	No. of Days Cash Coverage of Cash Exp	*	*	113.5	98.7	71.8	61.2	56.3
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	17.7	16.3	11.8	11.3	10.5	9.1	7.4
19	Net Income to Stockholders Equity	*	*	23.0	24.5	22.8	19.6	16.6
20	Corporate Return on Investment	*	*	17.1	18.3	17.2	15.4	13.4
21	Debt to Total Investment	*	*	35.1	30.7	34.7	36.0	37.8
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	69.1	70.2	67.1	67.3	67.1	67.3	67.7
23	Breakeven	57.0	59.2	60.7	61.3	61.8	63.3	65.6
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	8,021	7,637	7,722	7,626	7,510	7,437	7,357
25	Overall RTM's per Employee (000)	42.5	41.1	152.9	151.3	150.1	150.0	148.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.1	9.9	10.9	12.1	11.5	11.5	8.6
27	Operating Expenses (%)	4.4	6.7	5.6	6.2	6.3	8.0	8.6
28	Operating Profit (Loss) (in Millions \$)	10.5	15.8	80.3	85.5	74.5	52.4	8.5
29	Net Income (Loss)(in Millions \$)	0.3	8.6	44.4	52.6	44.0	30.4	15.7
30	RPMS (Sch. Svc.) (%)	9.1	1.6	8.1	6.0	4.7	5.8	6.0
31	ASMs (Sch. Svc.) (%)	10.9	2.3	9.1	6.7	4.6	3.8	2.2
32	Operating Revenues per RTM (%)	-2.3	8.6	2.8	6.0	6.8	5.9	3.2
33	Operating Expense per RTM (%)	-4.0	5.5	-2.0	0.5	1.8	2.6	3.0
34	Passenger Revenue per RPM (Sch. Svc)	-2.1	9.4	4.0	7.5	8.2	7.4	4.1

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



QUARTERLY RESULTS

- Operating and net results for the quarter ended September 1998 were the best third quarter results for the carrier in three years.
- Operating revenue growth, up 5.2 percent, outpaced operating expense growth, up 4.6 percent, resulting in a gain in operating profit of \$4.4 million to \$41.4 million.
- Total fuel expense dropped \$13 million (23.2 percent) as unit prices fell 24.4 percent. Without this decline, operating results would have deteriorated from a year ago.
- Net income climbed \$1.4 million to \$19.3 million.
- Operating and net profits arose from domestic operations. Both the domestic and Latin entities showed small improvements from a year ago in operating and net results, but Latin operating and net results still have not been profitable since the second quarter 1995.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	38.7	42.0	3.2	19.9	20.0	0.0	4.1	4.3	5.8	5.8	6.0	3.8	72.3%
Int'l	-1.8	-0.5	1.2	-2.0	-0.7	1.3	0.1	0.1	-26.1	0.2	0.1	-21.4	55.7%
Atlantic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Latin	-1.8	-0.5	1.2	-2.0	-0.7	1.3	0.1	0.1	-26.1	0.2	0.1	-21.4	55.7%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	37.0	41.4	4.5	17.9	19.3	1.4	4.2	4.4	5.1	5.9	6.1	3.1	72.0%

- RPM traffic, up 5.1 percent, rose faster than ASM capacity, up 3.1 percent, causing the passenger load factor to increase 1.3 percentage points to 72 percent.
- Passenger (RPM) yield rose 1.4 percent, but was still a major group low 10.39 cents.
- Interest expense was down \$2.9 million to \$9.5 million.

12-MONTH RESULTS

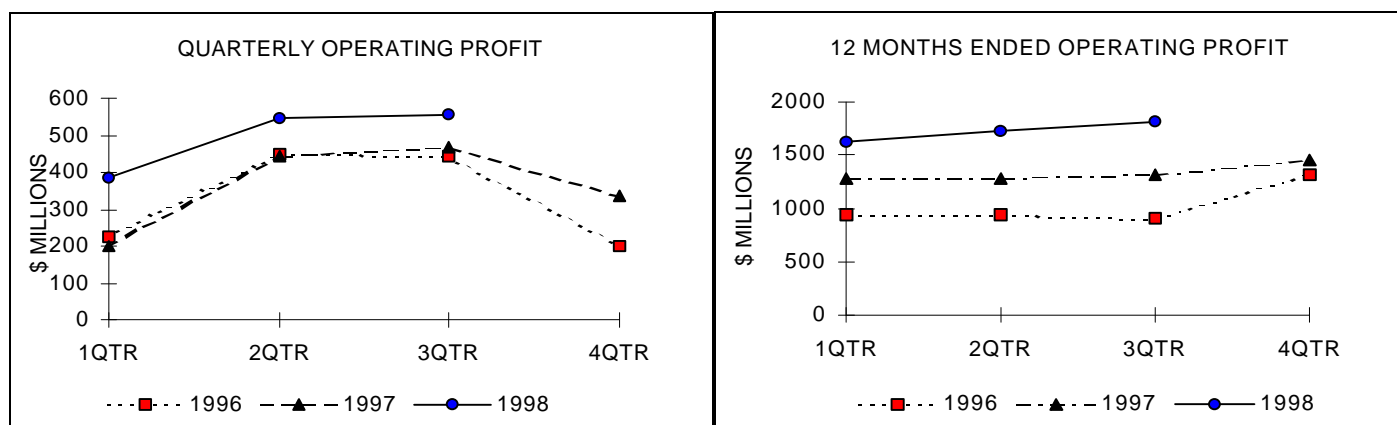
- For the fourth consecutive quarter-ended 12-month period, America West reported strong improvement in both operating and net profits, although at a slower rate than previous periods.
- Operating profit gained \$58.2 million to \$204.6 million, as operating revenue growth, up 5.8 percent, doubled operating expense growth, up 2.9 percent.
- Net income gained \$37.4 million to \$104.3 million.
- Interest expense decreased \$2.9 million to \$39 million.
- RPMs dipped 0.6 percent, as ASMs rose 3 percent, causing the passenger load factor to fall 2.5 percentage points to 67.5 percent, the largest decline among the majors.
- Passenger (RPM) yield was up a major group high 7.1 percent, but remained at a group low 11.32 cents.
- Total debt was down \$23.7 million to \$286.6 million (only Alaska and DHL had less debt). This, coupled with rising equity, caused the debt-to-investment ratio to decline 4.2 percentage points to 27.6 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	489.3	465.2	1,962.5	1,938.4	1,896.3	1,887.1	1,854.5
2	Operating Expenses	447.9	428.2	1,757.9	1,738.2	1,719.4	1,724.6	1,708.0
3	Operating Profit (Loss)	41.4	37.0	204.6	200.1	176.9	162.6	146.4
4	Net Income (Loss)	19.3	17.9	104.3	103.0	85.8	75.3	66.9
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	4.41	4.20	16.18	15.97	12.88	16.17	16.28
6	ASMs - Scheduled Rev. Svc.	6.13	5.94	23.96	23.77	19.33	23.46	23.27
7	Overall RTMs (All Svc.)	0.46	0.45	1.73	1.71	1.43	1.74	1.75
8	Overall ATMs (All Svc.)	0.77	0.75	3.01	2.99	2.46	2.95	2.93
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	105.4	103.3	113.6	113.1	133.0	108.7	106.1
10	Operating Expense per RTM	96.5	95.1	101.7	101.4	120.6	99.3	97.7
11	Operating Profit (Loss) per RTM	8.9	8.2	11.8	11.7	12.4	9.4	8.4
12	Operating Expense per ATM	58.1	57.1	58.3	58.1	69.8	58.4	58.3
13	Passenger Revenue per RPM	10.39	10.25	11.32	11.29	13.68	10.84	10.57
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.95	1.94	1.90	1.89	1.86
15	Times Interest Earned	*	*	6.41	6.67	5.30	4.60	3.89
16	Current Assets to Current Liabilities	*	*	0.83	0.70	0.68	0.67	0.68
17	No. of Days Cash Coverage of Cash Exp	*	*	35.2	50.2	39.2	37.9	34.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	8.5	8.0	10.4	10.3	9.3	8.6	7.9
19	Net Income to Stockholders Equity	*	*	14.7	15.0	12.9	11.6	10.6
20	Corporate Return on Investment	*	*	13.9	13.6	12.3	11.4	10.9
21	Debt to Total Investment	*	*	27.6	27.0	28.9	32.3	31.8
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	72.0	70.7	67.5	67.2	66.6	68.9	70.0
23	Breakeven	66.6	65.7	60.8	60.6	60.8	63.5	65.1
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	8,831	8,935	8,742	8,768	8,850	8,897	8,802
25	Overall RTM's per Employee (000)	52.6	50.4	197.6	195.4	161.1	195.1	198.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.2	9.3	5.8	6.8	5.3	7.7	8.6
27	Operating Expenses (%)	4.6	-10.6	2.9	-1.2	-0.8	2.5	4.0
28	Operating Profit (Loss) (in Millions \$)	4.4	90.1	58.2	143.8	109.1	93.9	80.4
29	Net Income (Loss)(in Millions \$)	1.4	63.6	37.4	99.7	77.1	66.8	64.5
30	RPMs (Sch. Svc.) (%)	5.1	5.8	-0.6	21.8	-18.2	5.9	11.7
31	ASMs (Sch. Svc.) (%)	3.1	8.2	3.0	27.6	-13.3	9.3	12.8
32	Operating Revenues per RTM (%)	2.0	2.9	7.1	-9.9	24.6	1.6	-2.9
33	Operating Expense per RTM (%)	1.5	-15.8	4.1	-16.6	17.4	-3.4	-7.0
34	Passenger Revenue per RPM (Sch. Svc)	1.4	3.5	7.1	-12.1	28.8	1.9	-2.7

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



QUARTERLY RESULTS

- American reported all-time carrier records for any quarter in both operating profit and net income.
- Operating revenue growth, up 4 percent, nearly doubled the 2.2 percent increase in operating expense, causing operating profit to rise \$86.2 million to \$555.3 million.
- A large portion of this improvement resulted from a \$63.7 million (15.4 percent) drop in total fuel expense. Consumption climbed 2.2 percent but unit fuel prices fell 17.1 percent.
- Net income was up \$79.4 million, the largest improvement among all majors, to \$345.5 million.
- All entities reported an operating and net profit for the third quarter, but only the domestic entity experienced an improvement in operating and net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	247.0	401.8	154.8	140.1	250.0	109.9	19.6	19.7	0.6	27.6	27.0	-2.1	73.1%
Int'l	222.1	153.5	-68.6	126.0	95.5	-30.5	8.9	9.4	5.8	11.7	12.8	8.7	73.5%
Atlantic	102.5	89.4	-13.1	58.2	55.6	-2.5	4.0	4.2	5.2	4.6	5.0	8.4	82.7%
Latin	100.3	54.2	-46.2	56.9	33.7	-23.2	4.3	4.5	3.9	6.4	6.8	5.7	66.2%
Pacific	19.2	9.9	-9.3	10.9	6.2	-4.8	0.6	0.7	24.6	0.7	0.9	40.2	76.5%
System	469.1	555.3	86.2	266.1	345.5	79.4	28.5	29.1	2.2	39.3	39.8	1.1	73.2%

- Passenger (RPM) yield rose 2 percent to 13.29 cents.
- RPM traffic increased 2.2 percent, while ASM capacity rose a lesser 1.1 percent, resulting in the passenger load factor gaining 0.8 percentage points to 73.2 percent.
- Interest expense was up \$6.8 million to \$20 million.
- Total debt was cut \$77.5 million to \$2.41 billion. This reduction, along with strong gains in equity, caused the debt-to-investment ratio to drop 4.9 percentage points to 27.8 percent.

12-MONTH RESULTS

- Operating revenue advanced 5.1 percent, greatly exceeding the 2 percent increase in operating expenses, causing operating profit to improve \$508.5 million to \$1.82 billion.
- Net income jumped \$457.6 million to \$1.1 billion, the second consecutive quarter-ended 12-month period net results for the carrier have exceeded \$1 billion.
- The passenger load factor climbed only 0.4 percentage points to 70 percent, as RPM traffic rose 1.6 percent outpacing a slower rise in ASM capacity of 0.9 percent.
- Passenger (RPM) yield growth slowed from recent 12-month periods, but still rose 3.9 percent to 13.67 cents.
- Interest expense fell \$72.9 million, the largest decline among the majors, to \$86.7 million.

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

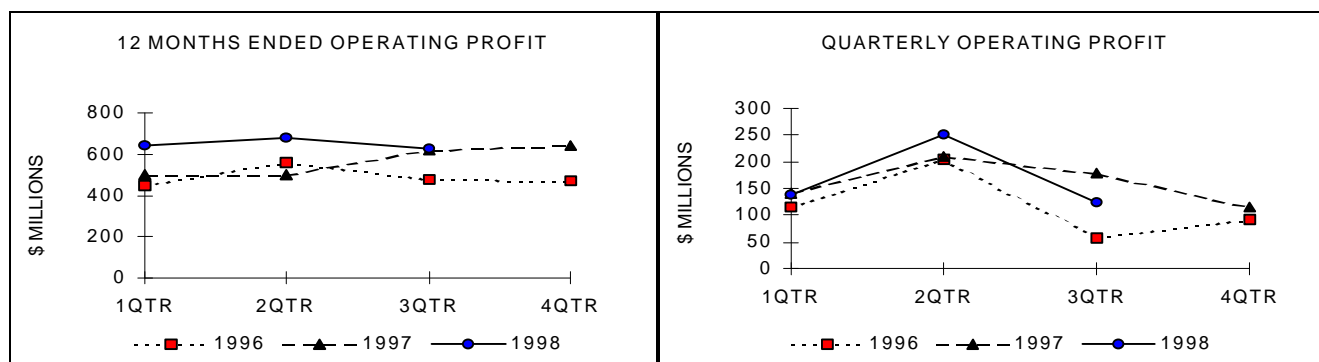
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	4,272.4	4,107.6	16,394.5	16,229.8	16,065.1	15,855.8	15,598.3
2	Operating Expenses	3,717.1	3,638.5	14,574.2	14,495.7	14,432.8	14,408.8	14,286.4
3	Operating Profit (Loss)	555.3	469.1	1,820.3	1,734.1	1,632.3	1,447.0	1,311.8
4	Net Income (Loss)	345.5	266.1	1,097.3	1,018.0	927.2	766.5	639.7
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	29.11	28.48	108.27	107.64	107.03	106.94	106.61
6	ASMs - Scheduled Rev. Svc.	39.78	39.34	154.63	154.19	153.95	153.75	153.21
7	Overall RTMs (All Svc.)	3.40	3.36	12.86	12.82	12.78	12.75	12.72
8	Overall ATMs (All Svc.)	6.05	5.99	23.50	23.44	23.42	23.47	23.47
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	125.8	122.3	127.5	126.6	125.7	124.4	122.7
10	Operating Expense per RTM	109.4	108.3	113.3	113.0	113.0	113.0	112.3
11	Operating Profit (Loss) per RTM	16.3	14.0	14.2	13.5	12.8	11.3	10.3
12	Operating Expense per ATM	61.4	60.8	62.0	61.9	61.6	61.4	60.9
13	Passenger Revenue per RPM	13.29	13.03	13.67	13.60	13.54	13.36	13.16
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.04	2.08	2.12	2.13	2.10
15	Times Interest Earned	*	*	38.80	21.02	13.84	7.64	5.51
16	Current Assets to Current Liabilities	*	*	0.85	0.80	0.78	0.74	0.75
17	No. of Days Cash Coverage of Cash Exp	*	*	46.7	48.5	47.2	49.1	64.0
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	13.0	11.4	11.1	10.7	10.2	9.1	8.4
19	Net Income to Stockholders Equity	*	*	19.5	19.0	18.2	15.7	13.6
20	Corporate Return on Investment	*	*	14.2	14.1	13.8	12.8	11.8
21	Debt to Total Investment	*	*	27.8	28.4	29.8	31.5	32.7
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	73.2	72.4	70.0	69.8	69.5	69.6	69.6
23	Breakeven	64.3	64.9	63.0	63.1	63.3	64.3	64.9
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	74,760	74,319	74,070	73,960	73,798	73,452	73,135
25	Overall RTM's per Employee (000)	45.4	45.2	173.6	173.4	173.1	173.6	173.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.0	5.3	5.1	5.5	5.4	4.8	2.1
27	Operating Expenses (%)	2.2	5.3	2.0	2.8	3.4	4.3	-0.6
28	Operating Profit (Loss) (in Millions \$)	86.2	25.4	508.5	447.6	342.4	131.5	414.2
29	Net Income (Loss)(in Millions \$)	79.4	58.7	457.6	423.3	359.9	204.8	403.2
30	RPMs (Sch. Svc.) (%)	2.2	2.5	1.6	1.6	1.7	2.3	2.4
31	ASMs (Sch. Svc.) (%)	1.1	0.6	0.9	0.8	0.9	0.7	-0.3
32	Operating Revenues per RTM (%)	2.9	2.6	3.9	3.9	3.5	2.9	0.2
33	Operating Expense per RTM (%)	1.0	2.6	0.9	1.2	1.7	2.4	-2.5
34	Passenger Revenue per RPM (Sch. Svc)	2.0	2.6	3.9	4.0	3.8	2.5	0.8

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

CONTINENTAL AIR LINES 1/



QUARTERLY RESULTS

- Operating expense, up 18.4 percent, grew much faster than operating revenues, up 13.7 percent, resulting in operating profit declining \$55 million to \$123.2 million.
- This deterioration occurred despite a \$38.7 million (17.9 percent) decline in total fuel expense. Unit fuel prices fell 25.6 percent more than counterbalancing the 10.5 percent rise in fuel consumption.
- Net income fell by more than half, down \$60.2 million to \$50 million.
- Only the Atlantic entity reported a gain in operating profit, up \$16.5 million to \$62.3 million, or in net income, up \$18.4 million to \$62.7 million. Domestic operating and net results, although down from a year ago, remained positive.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	L.F.
Domestic	108.8	96.6	-12.2	54.5	13.1	-41.4	8.9	9.9	11.1	12.0	13.0	8.3	75.8%
Int'l	69.4	26.6	-42.7	55.7	37.0	-18.8	4.4	5.4	21.4	6.0	7.1	18.3	76.0%
Atlantic	45.8	62.3	16.5	44.3	62.7	18.4	2.2	2.6	16.8	2.6	3.0	15.4	84.8%
Latin	11.8	-1.4	-13.2	11.6	-3.1	-14.7	1.0	1.6	57.9	1.6	2.5	54.2	64.9%
Pacific 1/	11.8	-34.2	-46.0	-0.2	-22.7	-22.5	1.2	1.2	-0.7	1.8	1.6	-9.9	76.4%
System	178.2	123.2	-55.0	110.2	50.0	-60.2	13.3	15.2	14.5	18.0	20.1	11.6	75.8%

- RPM traffic jumped a major group high 14.5 percent, exceeding the 11.6 percent increase in ASM capacity (also a major group high), producing a 1.9 percentage point increase in the passenger load factor to 75.8 percent.
- RTM unit costs jumped 4.3 percent, greatly outpacing the 0.2 percent increase in RTM yield, eroding profitability.
- Passenger (RPM) yield slid 3.4 percent to 11.90 cents.

12-MONTH RESULTS

- Despite the large quarterly decline, operating profit for the 12-months ended September 1998 rose \$5.2 million to \$627.5 million.
- Net income, however, fell \$11.8 million to \$339.1 million.
- RPMs grew 15.5 percent, while ASMs were up a lesser 13 percent, resulting in the passenger load factor rising 1.6 percentage points to 72 percent.
- Passenger (RPM) yield declined from a year ago for the sixth consecutive quarter-ended 12-month period, down 1.9 percent to 12.60 cents.
- Total debt rose \$481.6 million to \$2.51 billion, and equity declined, pushing the debt-to-investment ratio up 0.4 percentage points to 67.5 percent.

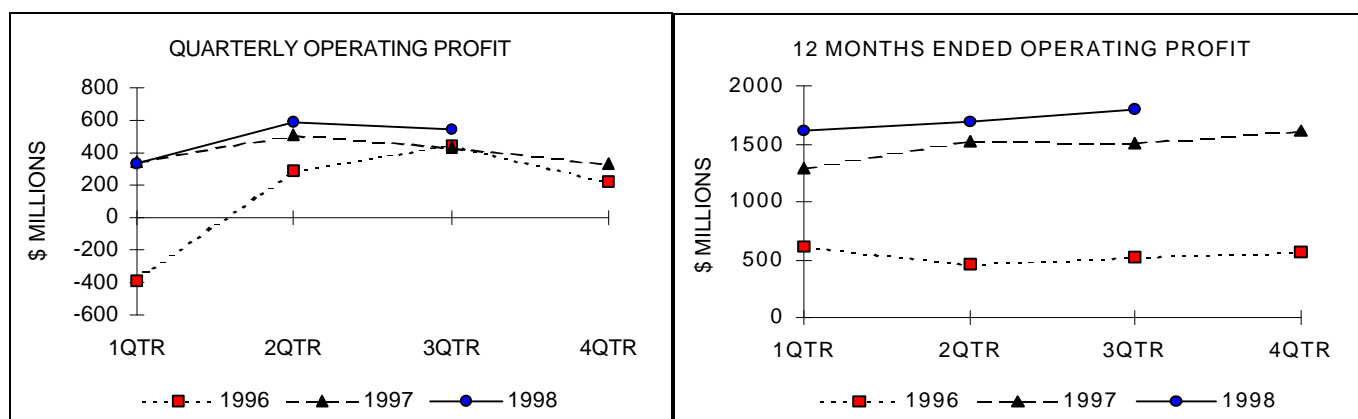
1/ Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which now reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively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

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,099.9	1,847.3	7,793.0	7,540.5	7,265.5	7,089.9	6,814.7
2	Operating Expenses	1,976.7	1,669.1	7,165.6	6,858.0	6,623.0	6,444.0	6,192.4
3	Operating Profit (Loss)	123.2	178.2	627.5	682.4	642.5	645.9	622.3
4	Net Income (Loss)	50.0	110.2	339.1	399.3	363.4	364.8	350.9
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	15.24	13.31	53.78	51.85	49.92	48.52	46.55
6	ASMs - Scheduled Rev. Svc.	20.10	18.00	74.69	72.60	70.31	68.31	66.12
7	Overall RTMs (All Svc.)	1.74	1.53	6.29	6.08	5.84	5.64	5.39
8	Overall ATMs (All Svc.)	2.63	2.36	9.84	9.57	9.21	8.89	8.52
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	120.9	120.7	124.0	124.0	124.4	125.7	126.5
10	Operating Expense per RTM	113.8	109.1	114.0	112.8	113.4	114.3	115.0
11	Operating Profit (Loss) per RTM	7.1	11.6	10.0	11.2	11.0	11.5	11.6
12	Operating Expense per ATM	75.2	70.8	72.8	71.7	71.9	72.5	72.7
13	Passenger Revenue per RPM	11.90	12.32	12.60	12.73	12.78	12.85	12.84
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.32	2.40	2.49	2.56	2.62
15	Times Interest Earned	*	*	5.46	6.17	5.64	5.48	5.26
16	Current Assets to Current Liabilities	*	*	0.86	0.83	0.73	0.76	0.71
17	No. of Days Cash Coverage of Cash Exp	*	*	66.9	65.2	48.7	0.7	60.4
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	5.9	9.6	8.1	9.1	8.8	9.1	9.1
19	Net Income to Stockholders Equity	*	*	30.0	37.6	36.9	40.1	42.0
20	Corporate Return on Investment	*	*	13.9	16.7	16.8	17.9	18.5
21	Debt to Total Investment	*	*	67.5	66.6	65.3	64.9	67.1
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	75.8	73.9	72.0	71.4	71.0	71.0	70.4
23	Breakeven	73.8	67.9	67.5	65.8	65.4	65.2	64.7
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	32,244	28,824	30,936	30,081	29,217	28,429	27,735
25	Overall RTM's per Employee (000)	53.9	53.1	203.2	202.1	199.9	198.4	194.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	13.7	12.5	14.4	14.1	12.4	13.2	11.1
27	Operating Expenses (%)	18.4	5.4	15.7	12.3	11.0	11.2	9.4
28	Operating Profit (Loss) (in Millions \$)	-55.0	119.9	5.2	180.0	144.4	173.9	145.6
29	Net Income (Loss)(in Millions \$)	-60.2	81.6	-11.8	130.0	38.5	17.5	-4.9
30	RPMs (Sch. Svc.) (%)	14.5	17.9	15.5	16.4	16.0	15.8	13.4
31	ASMs (Sch. Svc.) (%)	11.6	11.7	13.0	13.0	12.0	11.0	9.5
32	Operating Revenues per RTM (%)	0.2	-4.8	-2.0	-3.4	-4.2	-2.8	-2.6
33	Operating Expense per RTM (%)	4.3	-10.8	-0.9	-4.9	-5.4	-4.4	-3.9
34	Passenger Revenue per RPM (Sch. Svc)	-3.4	-3.5	-1.9	-1.9	-2.8	-1.9	-2.3

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



QUARTERLY RESULTS

- Delta reported the highest third quarter operating and net profit in carrier history.
- Operating revenues grew 7.1 percent, exceeding the 4.4 percent increase in operating expenses, boosting operating profit \$117.2 million to \$547.3 million.
- Operating profit benefited greatly from a sharp drop in total fuel expense, down a major group high \$65.5 million (excluding the fuel expenses of Northwest which did not operate for 15 days due to the pilots strike). Unit fuel prices fell 18.5 percent while fuel consumption rose 3 percent.
- Net income advanced \$73 million to \$326.7 million.
- The record third quarter results were primarily produced by domestic operations, where operating profit jumped \$120.7 million to \$383 million and net income gained \$72.9 million to \$222.9 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	262.3	383.0	120.7	150.0	222.9	72.9	20.3	21.1	3.7	28.0	27.8	-0.8	75.9%
Int'l	167.8	164.2	-3.6	103.7	103.9	0.2	6.2	7.0	12.3	7.6	8.8	15.6	79.3%
Atlantic	133.6	142.7	9.1	82.6	90.0	7.5	5.1	5.5	7.5	6.2	6.6	7.2	83.2%
Latin	11.1	8.7	-2.4	6.9	5.6	-1.2	0.4	0.6	40.0	0.6	1.0	76.7	54.9%
Pacific	23.1	12.8	-10.3	14.3	8.2	-6.0	0.7	0.9	30.7	0.9	1.2	34.1	78.6%
System	430.1	547.3	117.1	253.7	326.7	73.0	26.6	28.1	5.7	35.6	36.6	2.7	76.7%

- RPM traffic growth, up 5.7 percent, more than doubled ASM capacity growth, up 2.7 percent, causing the passenger load factor to rise 2.2 percentage points to a major group high 76.7 percent.
- Passenger (RPM) yield was up 1.1 percent to 12.38 cents.

12-MONTH RESULTS

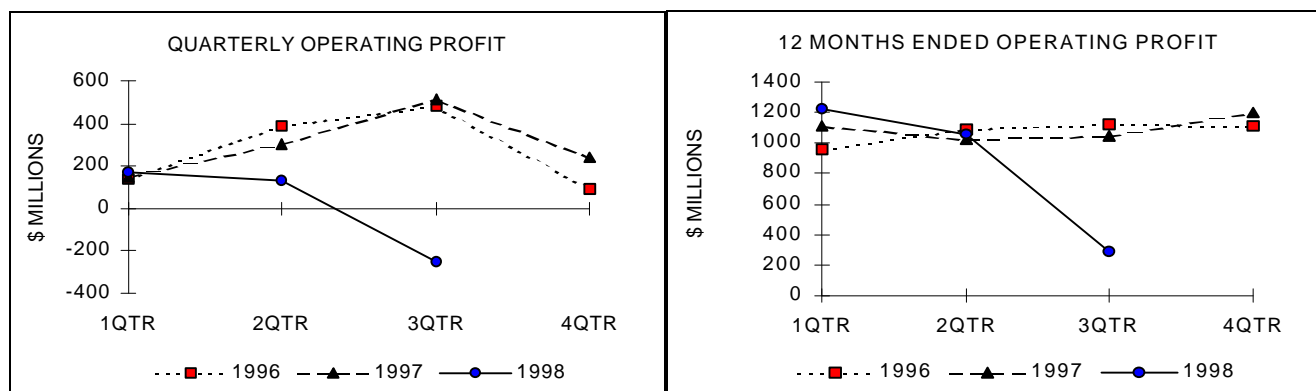
- Operating profit gained \$294.2 million to \$1.81 billion, even though operating expense growth continued to accelerate, up 2.2 percent, as operating revenues rose a faster 4.1 percent.
- Net income improved \$203.6 million to \$1.07 billion.
- The passenger load factor was up 1.1 percentage points to 72.8 percent, as RPM traffic rose 3.7 percent, and ASM capacity growth slowed to a 2.2 percent.
- Passenger (RPM) yield increased 1 percent to 12.84 cents.
- Interest expense dropped \$22.2 million to \$174.4 million.
- Total debt was reduced \$158.9 million to \$2 billion, and total equity increased, causing the debt-to-investment ratio to fall 6.3 percentage points to 32.9 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,868.3	3,611.6	14,584.9	14,328.3	14,138.4	14,203.9	14,015.3
2	Operating Expenses	3,321.0	3,181.5	12,777.6	12,638.1	12,526.3	12,582.7	12,502.1
3	Operating Profit (Loss)	547.3	430.1	1,807.3	1,690.2	1,612.1	1,621.3	1,513.1
4	Net Income (Loss)	326.7	253.7	1,073.5	1,000.5	939.9	934.0	869.9
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	28.08	26.57	102.58	101.06	99.79	99.62	98.89
6	ASMs - Scheduled Rev. Svc.	36.62	35.64	140.97	140.00	139.04	138.70	138.00
7	Overall RTMs (All Svc.)	3.23	3.07	12.01	11.86	11.70	11.64	11.51
8	Overall ATMs (All Svc.)	5.27	5.04	20.12	19.89	19.63	19.46	19.25
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	119.8	117.5	121.4	120.8	120.8	122.0	121.8
10	Operating Expense per RTM	102.8	103.5	106.4	106.6	107.0	108.1	108.6
11	Operating Profit (Loss) per RTM	16.9	14.0	15.0	14.3	13.8	13.9	13.1
12	Operating Expense per ATM	63.0	63.1	63.5	63.5	63.8	64.7	64.9
13	Passenger Revenue per RPM	12.38	12.24	12.84	12.81	12.76	12.82	12.71
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.52	2.54	2.62	2.73	2.78
15	Times Interest Earned	*	*	12.34	11.55	10.47	9.94	9.19
16	Current Assets to Current Liabilities	*	*	0.69	0.78	0.77	0.74	0.78
17	No. of Days Cash Coverage of Cash Exp	*	*	34.3	49.5	45.4	40.9	50.7
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	14.1	11.9	12.4	11.8	11.4	11.4	10.8
19	Net Income to Stockholders Equity	*	*	28.6	28.1	28.6	30.7	30.6
20	Corporate Return on Investment	*	*	21.2	20.5	20.4	21.2	20.7
21	Debt to Total Investment	*	*	32.9	32.9	33.7	37.7	39.2
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	76.7	74.5	72.8	72.2	71.8	71.8	71.7
23	Breakeven	65.7	65.8	63.7	63.7	63.8	63.8	64.2
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	62,939	57,216	60,765	59,334	57,964	56,980	56,345
25	Overall RTM's per Employee (000)	51.3	53.7	197.7	199.9	201.9	204.4	204.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	7.1	2.2	4.1	2.8	2.7	6.7	7.3
27	Operating Expenses (%)	4.4	2.9	2.2	1.8	0.5	-1.3	-0.4
28	Operating Profit (Loss) (in Millions \$)	117.2	-11.7	294.2	165.4	312.3	1,050.2	997.4
29	Net Income (Loss)(in Millions \$)	73.0	15.5	203.6	146.2	225.3	685.0	676.2
30	RPMs (Sch. Svc.) (%)	5.7	4.7	3.7	3.4	3.8	6.1	8.4
31	ASMs (Sch. Svc.) (%)	2.7	3.8	2.2	2.4	2.5	3.8	4.8
32	Operating Revenues per RTM (%)	2.0	-4.5	-0.3	-2.0	-2.7	-1.0	-2.2
33	Operating Expense per RTM (%)	-0.7	-3.8	-2.0	-2.9	-4.9	-8.4	-9.2
34	Passenger Revenue per RPM (Sch. Svc)	1.1	-1.8	1.0	0.2	-0.9	0.5	-1.6

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



QUARTERLY RESULTS

- Northwest experienced a pilot strike from August 29 to September 12, 1998, causing the carrier to suspend temporarily all operations. Due to this strike, Northwest incurred significant deteriorations in both operating and net results. Many flights were canceled in advance of the strike, as many potential passengers “booked away” in anticipation of the strike. The company resumed full operations within 10 days of the end of the strike.
- These events caused operating revenues to decline 32.5 percent, while operating expenses were cut by a relatively modest 5.4 percent, causing operating profit to drop \$766 million to a loss of \$252.2 million.
- Net income fell \$502.5 million to a loss of \$208.4 million.
- All entities felt the brunt of the strike, reporting large year-to-year operating and net deterioration’s and losses.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	343.8	-196.3	-540.1	190.4	-155.7	-346.1	11.1	8.5	-23.4	15.0	11.6	-23.0	73.3%
Int'l	170.0	-56.0	-225.9	103.6	-52.7	-156.3	8.9	6.6	-26.1	10.8	8.6	-20.4	77.2%
Atlantic	75.2	49.2	-26.0	44.3	24.8	-19.5	2.0	2.1	0.8	2.3	2.5	10.3	81.1%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	94.8	-105.1	-199.9	59.3	-77.5	-136.9	6.9	4.5	-34.1	8.4	6.0	-28.8	75.6%
System	513.8	-252.2	-766.0	294.1	-208.4	-502.5	20.0	15.1	-24.6	25.8	20.1	-21.9	75.0%

- Due to the combined effects of the 22.5 percent drop in fuel consumption, as well as the 14 percent decline in unit fuel prices, total fuel expense fell \$106.2 million (33.4 percent).
- Various fixed expenses were unaffected by the strike, such as interest expense, which rose \$24.9 million to \$72.8 million.
- For the remainder of the quarter when it was operating, Northwest achieved a passenger load factor of 75 percent, although down 2.7 percentage points from a year earlier.
- Passenger (RPM) yield fell 12.7 percent, the largest decline among the majors, to 10.53 cents.

12-MONTH RESULTS

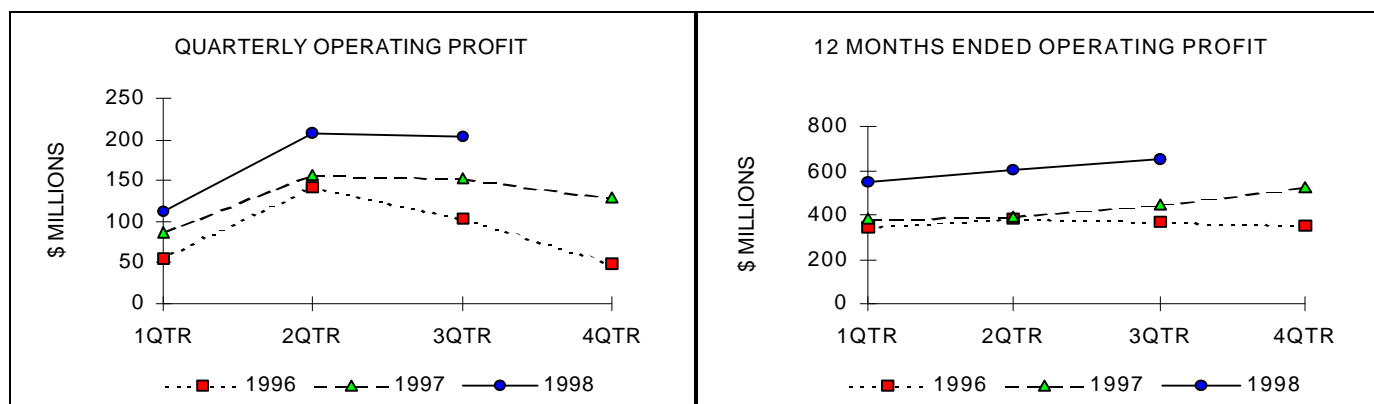
- Reflecting the third quarter strike, operating revenues fell 8.9 percent, while operating expenses declined 1.3 percent, causing operating profit to drop \$761.1 million to \$290.7 million.
- Net income fell \$489.1 million to \$33.9 million.
- The passenger load factor dipped 0.1 percentage points but was still high at 73.7 percent.
- Passenger (RPM) yield was down 5.5 percent to 11.54 cents, the sixth consecutive quarter-ended 12-month period of decline.
- Interest expense jumped a major group high \$38 million to \$224.8 million.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	1,859.3	2,744.7	8,996.3	9,881.7	9,982.4	9,983.7	9,874.2
2	Operating Expenses	2,111.5	2,230.9	8,705.6	8,825.0	8,757.4	8,780.5	8,822.4
3	Operating Profit (Loss)	-252.2	513.8	290.7	1,056.8	1,225.0	1,203.2	1,051.8
4	Net Income (Loss)	-208.4	294.1	33.9	536.4	617.5	603.5	523.0
<u>TRAFFIC: (Billions)</u>								
5	RPMS - Scheduled Rev. Svc.	15.09	20.01	67.48	72.41	72.20	72.00	70.93
6	ASMs - Scheduled Rev. Svc.	20.12	25.76	91.58	97.22	97.63	96.92	96.15
7	Overall RTMs (All Svc.)	1.90	2.60	8.77	9.48	9.52	9.50	9.34
8	Overall ATMs (All Svc.)	3.17	4.09	14.59	15.51	15.56	15.40	15.23
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	98.0	105.6	102.5	104.3	104.8	105.1	105.7
10	Operating Expense per RTM	111.3	85.9	99.2	93.1	92.0	92.5	94.4
11	Operating Profit (Loss) per RTM	-13.3	19.8	3.3	11.2	12.9	12.7	11.3
12	Operating Expense per ATM	66.7	54.6	59.7	56.9	56.3	57.0	57.9
13	Passenger Revenue per RPM	10.53	12.06	11.54	11.89	12.05	12.11	12.21
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.17	1.31	1.36	1.40	1.42
15	Times Interest Earned	*	*	1.34	5.20	6.09	5.96	5.31
16	Current Assets to Current Liabilities	*	*	0.44	0.59	0.71	0.63	0.67
17	No. of Days Cash Coverage of Cash Exp	*	*	22.4	40.8	46.4	36.3	45.7
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	-13.6	18.7	3.2	10.7	12.3	12.1	10.7
19	Net Income to Stockholders Equity	*	*	0.7	10.9	12.7	12.8	11.4
20	Corporate Return on Investment	*	*	3.7	9.9	11.1	11.3	10.4
21	Debt to Total Investment	*	*	42.2	40.6	33.4	31.0	32.1
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	75.0	77.7	73.7	74.5	74.0	74.3	73.8
23	Breakeven	93.5	61.4	73.9	66.9	64.6	64.9	65.5
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	45,622	45,699	46,669	46,689	45,955	45,508	45,192
25	Overall RTM's per Employee (000)	41.6	56.9	188.0	203.0	207.2	208.7	206.7

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-32.3	1.0	-8.9	0.4	1.2	2.4	2.8
27	Operating Expenses (%)	-5.4	0.0	-1.3	0.0	0.1	1.6	3.9
28	Operating Profit (Loss) (in Millions \$)	-766.0	28.5	-761.1	33.5	112.7	95.3	-67.2
29	Net Income (Loss)(in Millions \$)	-502.5	23.4	-489.1	36.7	35.5	24.7	-123.4
30	RPMS (Sch. Svc.) (%)	-24.6	3.7	-4.9	3.1	3.7	4.9	5.1
31	ASMs (Sch. Svc.) (%)	-21.9	2.5	-4.8	1.8	3.0	3.2	3.6
32	Operating Revenues per RTM (%)	-7.2	-2.3	-3.0	-1.9	-2.2	-2.1	-1.1
33	Operating Expense per RTM (%)	29.6	-3.3	5.1	-2.3	-3.3	-2.7	0.0
34	Passenger Revenue per RPM (Sch. Svc)	-12.7	-3.8	-5.5	-3.6	-3.6	-3.4	-2.6

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



QUARTERLY RESULTS

- Southwest has reported a quarterly operating and net profit in every quarter since March 1991, a period of more than seven years. Operating and net results for the quarter ended September 1998 were the highest for any third quarter in the carrier's history, and were the second highest in carrier history after the June 1998 quarter.
- Operating revenues rose 9.8 percent, outpacing the 5.3 percent increase in operating expenses, causing operating profit to improve \$52.4 million to \$204.2 million.
- Operating results benefited from a \$22.6 million (19.2 percent) drop in total fuel expense, as unit fuel prices fell 24.4 percent. Fuel consumption increased 6.9 percent.
- Net income gained \$37.1 million to \$129.6 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	151.8	204.2	52.4	92.5	129.6	37.1	7.6	8.5	11.9	11.5	12.3	6.9	68.9%
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	151.8	204.2	52.4	92.5	129.6	37.1	7.6	8.5	11.9	11.5	12.3	6.9	68.9%

- Interest expense declined \$2.8 million to \$13.4 million.
- The operating profit margin was up 3.4 percentage points to a major group high 18.6 percent. This compares with an average of 10.3 percent for the passenger group as a whole.
- RTM yield slid 1.5 percent, but the largest decline among the majors in RTM unit costs, down 5.5 percent, greatly enhanced profitability.
- The passenger load factor rose a major group high 3.1 percentage points, but was still a major group low 68.9 percent. RPM traffic, up 11.9 percent, grew nearly twice as fast as ASM capacity, up 6.9 percent.
- Passenger (RPM) yield declined 1.8 percent to 12.32 cents.

12-MONTH RESULTS

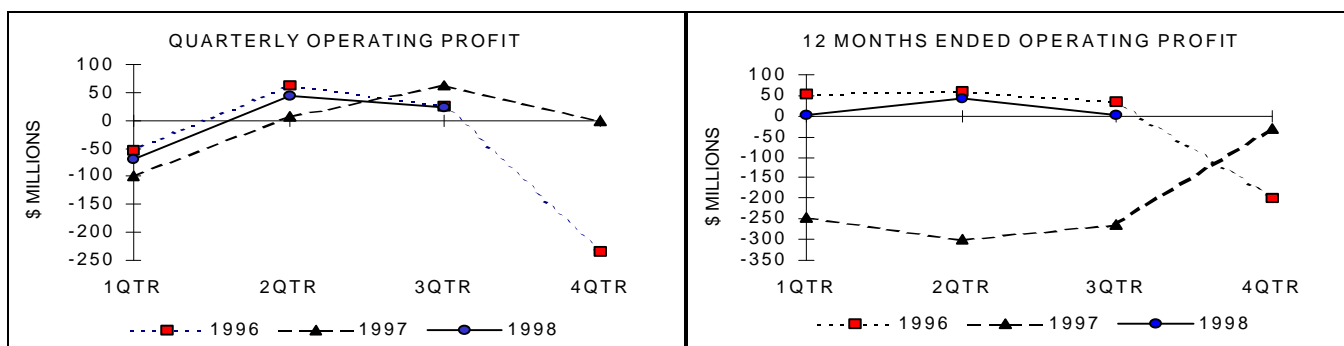
- Operating and net results for the 12-months ended September 1998 again set new all-time highs for any quarter-ended 12-month period in carrier history.
- Operating revenues advanced 11.4 percent, while operating expenses rose a slower 6.5 percent, resulting in operating profit improving \$209.2 million to \$653.2 million.
- Net income rose \$142.2 million to \$413.6 million.
- The passenger load factor climbed 0.9 percentage points to 65.9 percent, a major group low.
- Passenger (RPM) yield rose 1.7 percent to 12.64 cents.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	1,094.8	997.3	4,092.0	3,994.4	3,872.5	3,817.0	3,673.5
2	Operating Expenses	890.7	845.5	3,438.8	3,393.5	3,323.4	3,292.7	3,229.5
3	Operating Profit (Loss)	204.2	151.8	653.2	600.9	549.0	524.3	444.0
4	Net Income (Loss)	129.6	92.5	413.6	376.5	336.9	317.8	265.4
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	8.46	7.57	30.83	29.94	28.72	28.36	28.22
6	ASMs - Scheduled Rev. Svc.	12.28	11.49	46.76	45.98	45.24	44.49	43.41
7	Overall RTMs (All Svc.)	0.88	0.79	3.23	3.14	3.01	2.97	2.95
8	Overall ATMs (All Svc.)	1.57	1.47	5.97	5.87	5.78	5.69	5.55
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	124.0	125.9	126.6	127.2	128.4	128.6	124.7
10	Operating Expense per RTM	100.9	106.8	106.4	108.1	110.2	111.0	109.6
11	Operating Profit (Loss) per RTM	23.1	19.2	20.2	19.1	18.2	17.7	15.1
12	Operating Expense per ATM	56.9	57.6	57.6	57.8	57.5	57.9	58.1
13	Passenger Revenue per RPM	12.32	12.55	12.64	12.71	12.83	12.83	12.43
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.47	1.47	1.47	1.50	1.50
15	Times Interest Earned	*	*	20.64	17.27	13.93	12.84	10.97
16	Current Assets to Current Liabilities	*	*	0.73	0.83	0.81	0.92	0.84
17	No. of Days Cash Coverage of Cash Exp	*	*	50.9	65.0	59.2	73.3	66.5
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	18.6	15.2	16.0	15.0	14.2	13.7	12.1
19	Net Income to Stockholders Equity	*	*	19.7	18.7	17.7	17.5	15.3
20	Corporate Return on Investment	*	*	16.1	15.2	14.4	14.2	12.6
21	Debt to Total Investment	*	*	21.8	22.2	23.4	27.2	28.3
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	68.9	65.8	65.9	65.1	63.5	63.7	65.0
23	Breakeven	53.8	54.0	53.5	53.6	52.9	53.4	55.7
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	24,520	23,386	23,870	23,586	23,438	23,320	23,073
25	Overall RTM's per Employee (000)	36.0	33.9	135.4	133.1	128.6	127.3	127.7

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	9.8	11.8	11.4	11.9	10.0	12.0	10.5
27	Operating Expenses (%)	5.3	7.2	6.5	7.0	5.8	7.7	9.4
28	Operating Profit (Loss) (in Millions \$)	52.4	48.8	209.2	205.7	168.0	174.6	71.8
29	Net Income (Loss)(in Millions \$)	37.1	31.6	148.2	142.8	111.7	110.5	42.9
30	RPMs (Sch. Svc.) (%)	11.9	3.2	9.3	7.0	3.4	4.7	9.1
31	ASMs (Sch. Svc.) (%)	6.9	9.7	7.7	8.4	8.8	9.3	9.1
32	Operating Revenues per RTM (%)	-1.5	7.4	1.5	3.9	5.3	6.1	0.6
33	Operating Expense per RTM (%)	-5.5	3.0	-2.9	-0.7	1.4	2.1	-0.5
34	Passenger Revenue per RPM (Sch. Svc)	-1.8	7.5	1.7	4.3	5.5	6.3	0.7

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TRANS WORLD AIRLINES



QUARTERLY RESULTS

- Operating expenses declined 0.6 percent, but operating revenues fell 5 percent, resulting in operating profit to drop \$40.1 million to \$23.7 million.
- Operating results would have been negative if not for the \$36.4 million (32.2 percent) drop in total fuel expense. Unit fuel prices fell 23.4 percent and consumption was down 11.4 percent.
- Net results fell into the red, down \$11.6 million to a loss of \$5.3 million. Trans World was the only carrier reporting a net loss among all majors, excluding Northwest which experienced a 15-day pilots strike.
- The domestic division, although down from a year ago, produced all of the system operating profit. The Atlantic entity has produced nearly continuous operating and net losses since 1990, but non-operating gains pushed net results into the black for the third quarter. During this more than seven-year period, the Atlantic entity has reported an operating profit in only one quarter (September 1994), and now a net profit for four quarters.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	67.6	36.8	-30.8	40.4	-6.7	-47.1	5.4	5.3	-0.7	7.7	7.3	-4.9	72.6%
Int'l	-3.8	-13.1	-9.3	-34.1	1.4	35.5	1.8	1.2	-30.2	2.2	1.6	-28.9	78.8%
Atlantic	-3.8	-13.1	-9.3	-34.1	1.4	35.5	1.8	1.2	-30.2	2.2	1.6	-28.9	78.8%
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	63.8	23.7	-40.1	6.3	-5.3	-11.6	7.1	6.5	-8.0	9.9	8.9	-10.2	73.7%

- RPM traffic fell 8 percent, but ASM capacity dropped 10.2 percent, pushing the passenger load factor up 1.8 percentage points to 73.7 percent.
- Passenger (RPM) yield rose 4.9 percent to 11.79 cents.

12-MONTH RESULTS

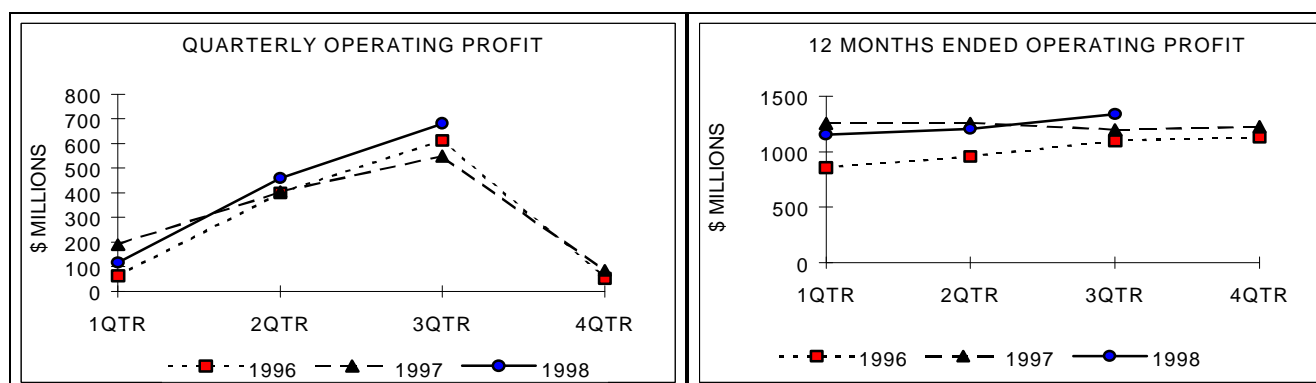
- Trans World reported its third consecutive operating profit on a quarter-ended 12-month basis, but still has been unable to attain a positive net income since September 1994.
- Operating revenues rose a slight 0.2 percent, but operating expenses fell 7.2 percent causing operating results to jump \$264.2 million to \$1.1 million, a major group low.
- Net results improved \$265.8 million but were still in the red with a \$72.5 million loss.
- Passenger (RPM) yield growth accelerated, up 3.6 percent to 11.83 cents.
- The passenger load factor increased 3.5 percentage points to 71.2 percent.
- Total days cash coverage rose from 11.1 a year ago to 36.2, but was down from the 43.1 in the previous 12-month ended period.
- The debt-to-investment ratio was a major group high 77.3 percent, despite declining 2.9 percentage points, as equity was down and total debt rose \$27.7 million to \$915.8 million.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	863.2	908.4	3,324.9	3,370.1	3,331.0	3,327.9	3,318.4
2	Operating Expenses	839.5	844.6	3,323.8	3,329.0	3,329.5	3,357.2	3,581.6
3	Operating Profit (Loss)	23.7	63.8	1.1	41.1	1.5	-29.3	-263.1
4	Net Income (Loss)	-5.3	6.3	-72.5	-60.9	-94.8	-110.8	-338.3
<u>TRAFFIC: (Billions)</u>								
5	RPMS - Scheduled Rev. Svc.	6.54	7.11	24.94	25.51	25.19	25.10	25.37
6	ASMs - Scheduled Rev. Svc.	8.88	9.89	35.01	36.03	36.40	36.48	37.50
7	Overall RTMs (All Svc.)	0.71	0.80	2.78	2.87	2.86	2.86	2.92
8	Overall ATMs (All Svc.)	1.24	1.37	4.86	4.99	5.04	5.05	5.20
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	120.8	113.8	119.4	117.5	116.6	116.3	113.6
10	Operating Expense per RTM	117.5	105.8	119.4	116.1	116.5	117.3	122.6
11	Operating Profit (Loss) per RTM	3.3	8.0	0.0	1.4	0.1	-1.0	-9.0
12	Operating Expense per ATM	67.6	61.5	68.4	66.7	66.1	66.5	68.9
7	Passenger Revenue per RPM	11.79	11.24	11.83	11.67	11.63	11.65	11.42
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.68	2.74	2.78	2.83	2.72
15	Times Interest Earned	*	*	0.64	0.97	0.45	0.22	-1.78
16	Current Assets to Current Liabilities	*	*	0.74	0.76	0.80	0.68	0.59
17	No. of Days Cash Coverage of Cash Exp	*	*	36.2	43.1	39.8	27.1	11.1
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	2.7	7.0	0.0	1.2	0.0	-0.9	-7.9
19	Net Income to Stockholders Equity	*	*	-30.6	-27.6	-44.3	-50.4	-127.6
20	Corporate Return on Investment	*	*	3.8	4.7	1.8	0.3	-18.2
21	Debt to Total Investment	*	*	77.3	83.2	84.3	79.0	80.2
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	73.7	71.9	71.2	70.8	69.2	68.8	67.7
23	Breakeven	72.9	67.7	73.2	71.8	71.3	71.7	76.4
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	20,357	20,718	20,323	20,414	20,828	21,711	22,745
25	Overall RTM's per Employee (000)	35.1	38.5	137.0	140.5	137.2	131.8	128.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-5.0	-9.4	0.2	-1.3	-5.8	-6.4	-6.6
	Operating Expenses (%)	-0.6	-13.5	-7.2	-10.4	-11.9	-10.6	1.9
28	Operating Profit (Loss) (in Millions \$)	-40.1	37.8	264.2	342.0	246.3	170.0	-299.7
29	Net Income (Loss)(in Millions \$)	-11.6	20.6	265.8	298.0	224.5	174.0	-284.3
30	RPMS (Sch. Svc.) (%)	-8.0	-11.4	-1.7	-3.0	-6.5	-7.4	-5.5
31	ASMs (Sch. Svc.) (%)	-10.2	-13.6	-6.6	-7.8	-8.9	-10.1	-6.5
32	Operating Revenues per RTM (%)	6.2	4.1	5.1	4.7	3.3	3.7	0.3
33	Operating Expense per RTM (%)	11.1	-0.7	-2.6	-4.9	-3.6	-0.9	9.4
34	Passenger Revenue per RPM (Sch. Svc)	4.9	3.2	3.6	3.2	2.0	2.6	-0.4

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



QUARTERLY RESULTS

- For the third quarter 1998, United reported the largest operating and net profit among all majors. Operating profit was also the highest for any quarter in carrier history, and net income was second only to the second quarter 1998.
- Operating revenues advanced 3.1 percent, greatly exceeding the low 0.3 percent increase in operating expenses, causing operating profit to jump \$132.1 million to \$680.2 million.
- Total fuel expense dropped \$41.9 million (9 percent), despite a 2.5 percent rise in fuel consumption, as unit fuel prices declined 11.5 percent.
- Net income, however, fell \$150.8 million to \$419.8 million. Year ago 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.
- All of the improvements in operating and net results arose from domestic operations, but all entities reported an operating and net profit for the quarter. United's Pacific operating and net results, reflecting the economic downturn in Asia, were down sharply from a year ago.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	254.0	516.9	262.9	284.4	327.6	43.2	20.4	21.9	7.8	27.5	29.0	5.6	75.7%
Int'l	294.0	163.3	-130.7	286.2	92.2	-194.0	13.0	13.0	0.0	16.9	16.9	0.0	77.0%
Atlantic	122.9	122.5	-0.4	103.6	75.3	-28.3	4.1	4.4	7.8	4.8	5.3	9.8	83.8%
Latin	22.0	9.6	-12.4	25.6	4.7	-20.9	1.4	1.5	7.9	2.1	2.5	20.1	61.0%
Pacific	149.1	31.2	-117.9	157.0	12.2	-144.8	7.5	7.1	-5.9	10.0	9.1	-8.9	77.5%
System	548.1	680.2	132.2	570.6	419.8	-150.8	33.4	35.0	4.7	44.4	45.9	3.5	76.2%

- Interest expense rose \$11 million to \$79.5 million, a major group high.
- Passenger (RPM) yield decreased 2.1 percent to 11.95 cents.
- RPM traffic, up 4.7 percent, grew at a faster rate than ASM capacity, up 3.5 percent, resulting in the passenger load factor rising 0.9 percentage points to 76.2 percent.

12-MONTH RESULTS

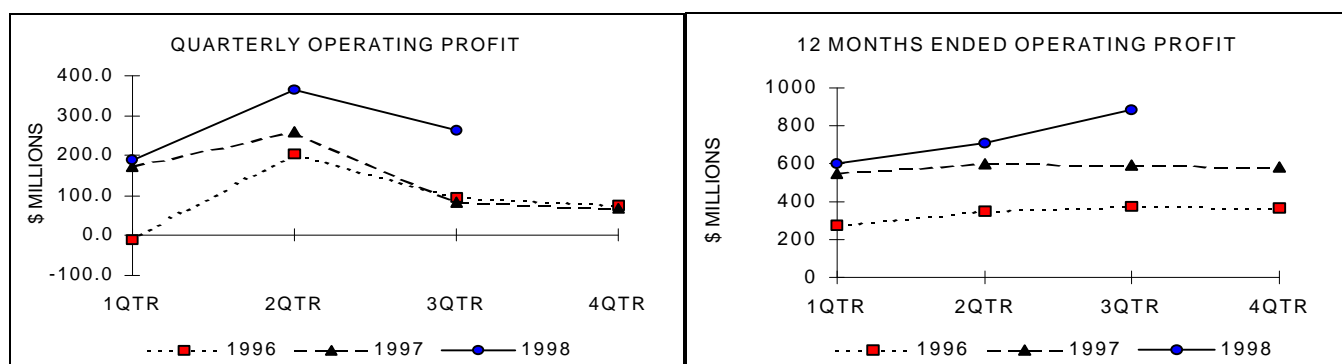
- Operating revenues rose 2.3 percent, while operating expenses rose 1.6 percent, boosting operating profit \$145.6 million to \$1.34 billion.
- Net income fell \$158.6 million to \$774.1 million. Year ago results, however, reflect the positive impact of the third quarter 1997 non-recurring capital gain.
- Passenger (RPM) yield dipped 0.3 percent to 12.32 cents.
- For the third consecutive period, ASM capacity, up 3 percent, rose faster than RPM traffic, up 2.5 percent, resulting in the passenger load factor dipping 0.3 percentage points to 71.5 percent.
- Interest expense rose \$30.9 million to a major group high \$301.7 million. Total debt has increased significantly over the last year, rising a group high \$1.58 billion to a group high \$5.2 billion.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	4,772.3	4,629.8	17,472.1	17,329.6	17,269.9	17,335.2	17,075.1
2	Operating Expenses	4,092.0	4,081.7	16,131.3	16,120.9	16,117.1	16,109.7	15,879.9
3	Operating Profit (Loss)	680.2	548.1	1,340.8	1,208.7	1,152.7	1,225.5	1,195.2
4	Net Income (Loss)	419.8	570.6	774.1	924.9	886.3	931.9	932.7
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	34.96	33.38	123.26	121.68	120.91	121.35	120.22
6	ASMs - Scheduled Rev. Svc.	45.90	44.35	172.49	170.94	169.94	169.00	167.44
7	Overall RTMs (All Svc.)	4.25	4.08	15.33	15.15	15.04	15.00	14.75
8	Overall ATMs (All Svc.)	6.99	6.57	26.08	25.65	25.32	24.94	24.47
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	112.2	113.6	114.0	114.4	114.8	115.5	115.8
10	Operating Expense per RTM	96.2	100.1	105.3	106.4	107.2	107.4	107.7
11	Operating Profit (Loss) per RTM	16.0	13.4	8.7	8.0	7.7	8.2	8.1
12	Operating Expense per ATM	58.5	62.2	61.9	62.9	63.7	64.6	64.9
13	Passenger Revenue per RPM	11.95	12.20	12.32	12.39	12.40	12.42	12.36
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.27	2.47	2.73	3.05	3.28
15	Times Interest Earned	*	*	6.11	7.78	8.22	9.00	9.01
16	Current Assets to Current Liabilities	*	*	0.53	0.57	0.51	0.55	0.49
17	No. of Days Cash Coverage of Cash Exp	*	*	18.9	23.0	15.5	18.4	20.4
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	14.3	11.8	7.7	7.0	6.7	7.1	7.0
19	Net Income to Stockholders Equity	*	*	25.4	34.0	37.3	45.3	53.6
20	Corporate Return on Investment	*	*	13.1	16.2	17.1	19.7	21.5
21	Debt to Total Investment	*	*	58.6	60.8	62.8	61.2	58.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	76.2	75.3	71.5	71.2	71.1	71.8	71.8
23	Breakeven	65.5	66.7	67.5	67.7	67.9	68.3	68.3
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	82,844	78,918	81,547	80,565	79,153	77,760	76,499
25	Overall RTM's per Employee (000)	51.4	51.7	187.9	188.0	190.0	193.0	192.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	3.1	3.4	2.3	2.4	3.4	6.2	6.7
27	Operating Expenses (%)	0.3	5.6	1.6	2.9	4.3	6.1	6.5
28	Operating Profit (Loss) (in Millions \$)	132.1	-64.4	145.6	-51.0	-102.8	95.3	96.1
29	Net Income (Loss)(in Millions \$)	-150.8	229.5	-158.6	221.8	226.2	398.2	462.7
30	RPMs (Sch. Svc.) (%)	4.7	4.0	2.5	2.3	2.5	4.1	4.1
31	ASMs (Sch. Svc.) (%)	3.5	4.1	3.0	3.2	3.6	3.9	3.8
32	Operating Revenues per RTM (%)	-1.2	-3.2	-1.6	-2.1	-1.9	-0.5	0.5
33	Operating Expense per RTM (%)	-3.9	-1.3	-2.2	-1.6	-0.9	-0.6	0.4
34	Passenger Revenue per RPM (Sch. Svc)	-2.1	-0.7	-0.3	0.0	0.3	1.6	2.1

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



QUARTERLY RESULTS

- Operating revenues rose 2.9 percent, while operating expenses dropped 5.8 percent, boosting operating profit a major group high \$178.3 million to \$263.4 million, the highest third quarter operating profit in carrier history.
- Some of this improvement was attributable to the \$46 million (27.6 percent) drop in total fuel expense. Unit fuel prices declined 26.3 percent and consumption was down 1.7 percent.
- Net income, however, fell \$38 million to \$148.9 million.
- All entities reported an operating and net profit, and all reported an improvement in operating results. The Latin division, however, reported the only improvement in net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	L.F.
Domestic	66.2	231.4	165.2	168.4	131.2	-37.2	9.7	9.6	-1.1	13.5	12.9	-4.2	74.8%
Int'l	18.9	32.0	13.2	18.5	17.6	-0.9	1.2	1.3	8.6	1.5	1.5	6.1	83.9%
Atlantic	19.1	29.5	10.4	19.2	16.3	-2.9	1.0	1.1	9.0	1.2	1.3	6.8	85.7%
Latin	-0.2	2.5	2.7	-0.7	1.4	2.0	0.2	0.2	6.0	0.2	0.3	2.6	75.1%
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	85.1	263.4	178.4	186.9	148.9	-38.0	10.9	10.9	0.0	14.9	14.4	-3.2	75.8%

- Passenger (RPM) yield rose 1 percent to 16.32 cents, the highest among all majors.
- The operating profit margin jumped 8.1 percentage points, a major group high, to 12.1 percent.
- Interest expenses fell \$12.9 million, the largest decline among the majors, to \$51 million.
- RPMs were unchanged, but ASMs decreased 3.2 percent, resulting in the passenger load factor rising 2.4 percentage points to 75.8 percent.
- With total equity rising, and total debt falling a major group high \$558.7 million to \$2.04 billion, the debt-to-investment ratio dropped 25.1 percentage points, the largest decline among all majors, to 56 percent.

12-MONTH RESULTS

- US Airways reported its twelfth consecutive quarter-ended 12-month operating and net profit, following six consecutive years of losses.
- Operating revenues climbed 1.1 percent, as operating expenses declined 2.5 percent, causing operating profit to surge upward \$294.2 million to \$886.6 million.
- Net income, still reflecting a fourth quarter 1997 tax credit of \$477 million, jumped \$383.3 million to \$965.2 million.
- After five consecutive periods of decline, passenger (RPM) yield rose from a year ago, up 1.5 percent to 17.21 cents, a major group high.
- The passenger load factor increased 2 percentage points to 72.9 percent.
- Although up from a year ago, productivity (RTMs per employee) was a major group low 122.7.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,176.8	2,115.3	8,556.0	8,494.5	8,442.1	8,501.5	8,460.9
2	Operating Expenses	1,913.3	2,030.3	7,669.4	7,786.3	7,840.6	7,915.3	7,868.5
3	Operating Profit (Loss)	263.4	85.1	886.6	708.2	601.5	586.2	592.4
4	Net Income (Loss)	148.9	186.9	965.2	1,003.2	1,009.3	1,052.2	581.9
<u>TRAFFIC: (Billions)</u>								
5	RPMS - Scheduled Rev. Svc.	10.94	10.94	41.05	41.05	41.12	41.58	41.78
6	ASMs - Scheduled Rev. Svc.	14.43	14.90	56.30	56.77	57.50	58.29	58.91
7	Overall RTMs (All Svc.)	1.18	1.19	4.46	4.47	4.48	4.52	4.54
8	Overall ATMs (All Svc.)	1.96	2.02	7.66	7.71	7.79	7.88	7.96
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	185.1	178.1	192.0	190.1	188.5	187.9	186.3
10	Operating Expense per RTM	162.7	170.9	172.1	174.2	175.1	175.0	173.3
11	Operating Profit (Loss) per RTM	22.4	7.2	19.9	15.8	13.4	13.0	13.0
12	Operating Expense per ATM	97.5	100.7	100.1	101.0	100.6	100.4	98.9
13	Passenger Revenue per RPM	16.32	16.16	17.21	17.17	17.11	17.11	16.95
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.35	2.43	2.60	2.82	3.04
15	Times Interest Earned	*	*	4.05	3.88	3.74	3.68	3.60
16	Current Assets to Current Liabilities	*	*	1.02	1.17	1.07	1.20	1.06
17	No. of Days Cash Coverage of Cash Exp	*	*	71.3	104.6	101.8	95.2	101.7
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	12.1	4.0	10.4	8.3	7.1	6.9	7.0
19	Net Income to Stockholders Equity	*	*	79.8	106.6	153.8	271.3	440.9
20	Corporate Return on Investment	*	*	33.6	36.4	38.8	43.2	30.1
21	Debt to Total Investment	*	*	56.0	62.4	66.4	70.1	81.1
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	75.8	73.4	72.9	72.3	71.5	71.3	70.9
23	Breakeven	69.2	73.9	67.9	69.1	69.2	69.1	68.7
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	36,120	37,647	36,320	36,702	37,060	37,364	37,406
25	Overall RTM's per Employee (000)	32.6	31.6	122.7	121.8	120.9	121.1	121.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	2.9	9.9	1.1	2.7	4.8	10.4	14.6
27	Operating Expenses (%)	-5.8	11.1	-2.5	1.6	4.5	7.9	12.3
28	Operating Profit (Loss) (in Millions \$)	178.3	-11.7	294.2	104.1	49.8	217.5	214.0
29	Net Income (Loss)(in Millions \$)	-38.0	158.9	383.3	580.2	627.5	869.0	403.4
30	RPMS (Sch. Svc.) (%)	0.0	7.2	-1.8	0.0	2.5	6.8	10.2
31	ASMs (Sch. Svc.) (%)	-3.2	2.0	-4.4	-3.2	-0.7	2.5	5.5
32	Operating Revenues per RTM (%)	3.9	3.9	3.1	2.9	2.4	3.5	4.1
33	Operating Expense per RTM (%)	-4.8	5.0	-0.7	1.7	2.1	1.2	2.1
34	Passenger Revenue per RPM (Sch. Svc)	1.0	-5.2	1.5	-0.1	-1.9	-2.0	-3.1

QUARTERLY FINANCIAL & TRAFFIC REVIEW SYSTEM OPERATIONS

QUARTERLY RESULTS

- All three all-cargo carriers reported an operating and net profit for the quarter ended September 1998. UPS, recovering from the year ago Teamsters strike, was the only carrier to report an improvement in both operating and net results, while DHL Airways had a gain in only net results.
- For the all-cargo group, operating expenses, up 4.6 percent, grew faster than operating revenues, up 3.2 percent, causing operating profit to decline \$45.1 million to \$268 million.
- Net income improved \$31.3 million to \$133.8 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1997	THIS YEAR 1998	\$ Change	LAST YEAR 1997	THIS YEAR 1998	\$ Change
March	209.4	171.0	-38.4	104.0	71.6	-32.3
June	309.6	275.0	-34.6	165.2	123.4	-41.8
Sept.	313.1	268.0	-45.1	102.5	133.8	31.3
Dec.	201.8	0.0	-	89.2	0.0	-

- Total fuel expense dropped \$37 million (19.1 percent), due to the 29.3 percent decline in unit fuel prices, as fuel consumption rose 14.5 percent.
- The Pacific entity reported the only operating and/or net loss, but the domestic entity experienced a decrease in both operating and net results, which offset much of the gains in the international entities. Domestic operating profit fell \$82.8 million to \$206.6 million, and net income dropped \$137.7 million to \$98.3 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	289.4	206.6	-82.8	236.0	98.3	-137.7	1.7	1.8	9.1	2.8	3.1	12.4	57.7%
Int'l	23.6	61.4	37.8	-133.4	35.5	169.0	0.9	1.0	14.4	1.4	1.7	17.2	61.4%
Atlantic	63.7	63.6	-0.1	-114.9	39.2	154.1	0.3	0.3	13.5	0.4	0.5	11.0	64.2%
Latin	2.9	13.0	10.0	8.0	9.1	1.1	0.1	0.1	25.2	0.1	0.2	33.4	53.2%
Pacific	-43.0	-15.2	27.8	-26.6	-12.8	13.8	0.6	0.6	13.5	0.9	1.0	18.2	61.3%
System	313.1	268.0	-45.0	102.5	133.8	31.3	2.5	2.8	10.9	4.2	4.8	14.0	59.0%

- RTM traffic grew 10.9 percent, but ATM capacity grew faster, up 14 percent, causing the ton load factor to decline 1.6 percentage points to 59 percent.
- Profitability continued strong, aided by a 5.7 percent decline in RTM unit costs, although RTM yield was down 7 percent.

12-MONTH RESULTS

- Except for a small net loss reported by UPS, the three all-cargo carriers reported an operating and net profit for the period.
- Operating profit for the group fell \$182.6 million to \$915.9 million.
- Net income dropped \$86.2 million to \$418 million.
- ATM capacity rose 12.6 percent, slightly outpacing the 12.3 percent increase in RTM traffic, resulting in the ton load factor dipping 0.2 percentage points increase in the ton load factor to 59.6 percent.

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

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	4,257.2	4,125.9	16,673.5	16,542.1	16,173.2	15,818.5	15,434.4
2	Operating Expenses	3,989.2	3,812.8	15,757.5	15,581.2	15,177.7	14,784.7	14,335.9
3	Operating Profit (Loss)	268.0	313.1	915.9	960.9	995.5	1,033.8	1,098.5
4	Net Income (Loss)	133.8	102.5	418.0	386.7	428.5	460.8	504.2
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	2.04	1.90	7.91	7.77	7.59	7.43	7.27
6	ATMs - Scheduled Rev. Svc.	3.35	3.02	12.96	12.63	12.26	11.94	11.64
7	Overall RTMs (All Services)	2.82	2.54	11.18	10.90	9.73	10.36	9.95
8	Overall ATMs (All Services)	4.79	4.20	18.76	18.17	16.13	17.16	16.66
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	150.8	162.1	149.1	151.7	166.2	152.6	155.1
10	Operating Expense per RTM	141.3	149.8	141.0	142.9	156.0	142.6	144.0
11	Operating Profit (Loss) per RTM	9.5	12.3	8.2	8.8	10.2	10.0	11.0
12	Operating Expense per ATM	83.4	90.8	84.0	85.7	94.1	86.1	86.1
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.90	1.92	1.94	2.00	2.04
15	Times Interest Earned	*	*	5.14	5.44	6.83	7.68	8.93
16	Current Assets to Current Liabilities	*	*	1.15	1.07	1.17	1.10	1.17
17	No. of Days Cash Coverage of Cash Exp	*	*	4.8	5.4	8.3	6.1	8.4
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	6.3	7.6	5.5	5.8	6.2	6.5	7.1
19	Net Income to Stockholders Equity	*	*	9.3	8.8	10.0	11.1	12.5
20	Corporate Return on Investment	*	*	6.8	6.6	6.9	7.5	8.3
21	Debt to Total Investment	*	*	48.3	48.5	49.3	49.3	49.6
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	59.0	60.6	59.6	60.0	60.3	60.4	59.8
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	101,391	91,833	98,757	96,368	93,752	91,182	88,943
25	Overall RTM's per Employee (000)	27.8	27.7	113.2	113.1	103.8	113.7	111.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	3.2	20.7	8.0	12.3	13.5	14.4	15.7
27	Operating Expenses (%)	4.6	16.8	9.9	13.0	13.0	13.1	13.1
28	Operating Profit (Loss) (in Millions \$)	-45.1	158.8	-182.6	21.2	173.0	279.9	441.2
29	Net Income (Loss)(in Millions \$)	31.3	18.5	-86.2	-99.0	10.5	84.7	179.7
30	RTMs (All Svc.) (%)	10.9	7.9	12.3	23.8	2.2	10.6	8.6
31	ATMs (All Svc.) (%)	14.0	8.9	12.6	23.4	1.1	9.2	8.2
32	Operating Revenues per RTM (%)	-7.0	11.8	-3.9	-9.3	11.0	3.4	6.6
33	Operating Expense per RTM (%)	-5.7	8.2	-2.1	-8.8	10.6	2.2	4.1
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,239.5	3,201.4	12,667.6	12,629.6	12,353.5	12,121.8	11,927.6
2	Operating Expenses	3,032.8	2,911.9	12,014.6	11,893.8	11,586.8	11,304.9	11,008.4
3	Operating Profit (Loss)	206.6	289.4	653.0	735.8	766.8	817.0	919.2
4	Net Income (Loss)	98.3	236.0	212.7	350.5	466.2	443.1	516.9
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.07	1.06	4.21	4.20	4.12	4.05	4.00
6	ATMs - Scheduled Rev. Svc.	1.79	1.70	7.01	6.92	6.79	6.68	6.59
7	Overall RTMs (All Services)	1.81	1.66	7.30	7.15	6.12	6.82	6.52
8	Overall ATMs (All Services)	3.13	2.79	12.48	12.13	10.40	11.63	11.33
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	179.1	193.1	173.6	176.7	201.9	177.7	183.0
10	Operating Expense per RTM	167.7	175.7	164.6	166.4	189.4	165.7	168.9
11	Operating Profit (Loss) per RTM	11.4	17.5	8.9	10.3	12.5	12.0	14.1
12	Operating Expense per ATM	96.8	104.4	96.3	98.0	111.4	97.2	97.2
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	6.4	9.0	5.2	5.8	6.2	6.7	7.7
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	4.9	7.1	8.9	8.9	10.4
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	57.7	59.5	58.5	58.9	58.8	58.7	57.5
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

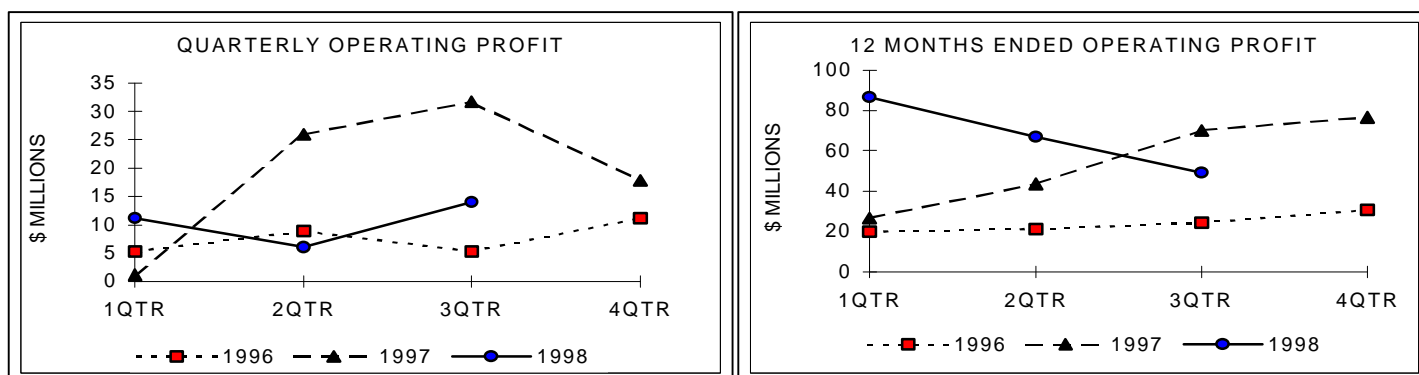
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	1.2	19.2	6.2	10.7	11.1	11.4	13.2
27	Operating Expenses (%)	4.2	15.7	9.1	12.1	11.6	11.4	11.9
28	Operating Profit (Loss) (in Millions \$)	-82.8	121.0	-266.2	-62.4	36.0	74.5	224.1
29	Net Income (Loss)(in Millions \$)	-137.7	156.2	-304.2	-10.2	167.5	130.7	219.1
30	RTMs (All Svc.) (%)	9.1	5.7	12.0	29.9	-3.1	8.0	4.4
31	ATMs (All Svc.) (%)	12.4	7.0	10.2	26.3	-4.6	7.8	6.9
32	Operating Revenues per RTM (%)	-7.3	12.7	-5.1	-14.9	14.7	3.1	8.4
33	Operating Expense per RTM (%)	-4.6	9.4	-2.6	-13.8	15.1	3.2	7.1
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	1,017.8	924.5	4,005.8	3,912.6	3,819.7	3,696.7	3,506.8
2	Operating Expenses	956.4	900.9	3,742.9	3,687.4	3,590.9	3,479.9	3,327.5
3	Operating Profit (Loss)	61.4	23.6	262.9	225.2	228.7	216.9	179.3
4	Net Income (Loss)	35.5	-133.4	205.2	36.3	-37.7	17.8	-12.7
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.96	0.84	3.70	3.58	3.48	3.38	3.27
6	ATMs - Scheduled Rev. Svc.	1.56	1.32	5.95	5.71	5.48	5.26	5.05
7	Overall RTMs (All Services)	1.01	0.89	3.88	3.75	3.61	3.54	3.44
8	Overall ATMs (All Services)	1.65	1.41	6.28	6.04	5.73	5.53	5.33
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	100.3	104.2	103.2	104.2	105.7	104.3	102.1
10	Operating Expense per RTM	94.3	101.6	96.4	98.2	99.4	98.2	96.8
11	Operating Profit (Loss) per RTM	6.1	2.7	6.8	6.0	6.3	6.1	5.2
12	Operating Expense per ATM	57.9	63.9	59.6	61.1	62.6	62.9	62.4
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	6.0	2.6	6.6	5.8	6.0	5.9	5.1
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	13.5	4.8	-0.2	2.8	0.9
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	61.4	62.9	61.8	62.2	63.0	64.0	64.5
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	10.1	26.4	14.2	18.1	21.9	25.7	25.2
27	Operating Expenses (%)	6.2	20.8	12.5	16.2	18.1	18.8	17.2
28	Operating Profit (Loss) (in Millions \$)	37.8	37.7	83.6	83.7	137.0	205.5	217.1
29	Net Income (Loss)(in Millions \$)	168.9	-137.6	217.9	-88.7	-157.1	-45.9	-39.5
30	RTMs (All Svc.) (%)	14.4	12.3	13.0	13.6	12.7	16.1	17.5
31	ATMs (All Svc.) (%)	17.2	12.8	17.8	17.9	13.5	12.2	11.1
32	Operating Revenues per RTM (%)	-3.8	12.5	1.1	3.9	8.2	8.2	6.6
33	Operating Expense per RTM (%)	-7.2	7.6	-0.4	2.3	4.7	2.3	-0.3
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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



QUARTERLY RESULTS

- DHL Airways reported the smallest operating and net profit for the third quarter among the all-cargo majors.
- Operating expense growth, up 6.4 percent, greatly exceeded operating revenue growth, up 0.3 percent, causing operating profit to go down \$17.7 million to \$14 million.
- Net results, however, moved into the black, rising \$51.1 million to a profit of \$6.7 million.
- The domestic entity reported an operating and net loss, while the Atlantic entity reported an operating and net profit. The only improvement, however, was with Atlantic net results, up \$143.3 million to a profit of \$36.7 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	-40.6	-45.8	-5.2	57.7	-31.8	-89.5	0.1	0.1	-5.6	0.1	0.1	13.8	51.6%
Int'l	72.3	59.8	-12.5	-102.2	38.5	140.7	0.6	0.7	12.4	0.9	1.1	16.9	61.6%
Atlantic	75.5	56.8	-18.7	-106.6	36.7	143.3	0.0	0.0	-1.1	0.1	0.1	2.8	69.3%
Latin	-3.2	3.0	6.2	4.4	1.8	-2.6	0.0	0.0	-4.2	0.0	0.0	-3.5	55.8%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.6	13.5	0.9	1.0	18.2	61.3%
System	31.7	14.0	-17.7	-44.4	6.7	51.1	0.7	0.7	10.8	1.0	1.2	16.7	60.8%

- Total fuel expenses declined a group low \$1.4 million (12.2 percent) as fuel consumption soared 15.9 percent, offsetting much of the 24.2 percent decline in unit fuel prices.
- RTM traffic decreased 3.9 percent, as ATM capacity rose 8.4 percent, pushing the ton load factor down 7.3 percentage points to 57.3 percent, the lowest among the all-cargo major group.
- RTM yield rose 4.4 percent, but RTM unit costs jumped 10.7 percent, eroding profitability.
- Interest expense increased \$2 million to \$3.8 million.

12-MONTH RESULTS

- Operating profit fell \$21 million to \$49 million as operating revenues, up 8 percent, grew faster than operating expenses, up 10.4 percent.
- Net income advanced \$33.5 million to a profit of \$18.2 million, ending four consecutive periods of losses.
- RTM traffic dipped 0.6 percent, while ATM capacity jumped 8.1 percent, pushing the ton load factor down 5.1 percentage points to 58.4 percent.
- Although total debt remained the lowest among all majors, it increased \$16.9 million while equity declined causing the debt-to-investment ratio to jump 11.3 percentage points, a major group high, to 22.7 percent.

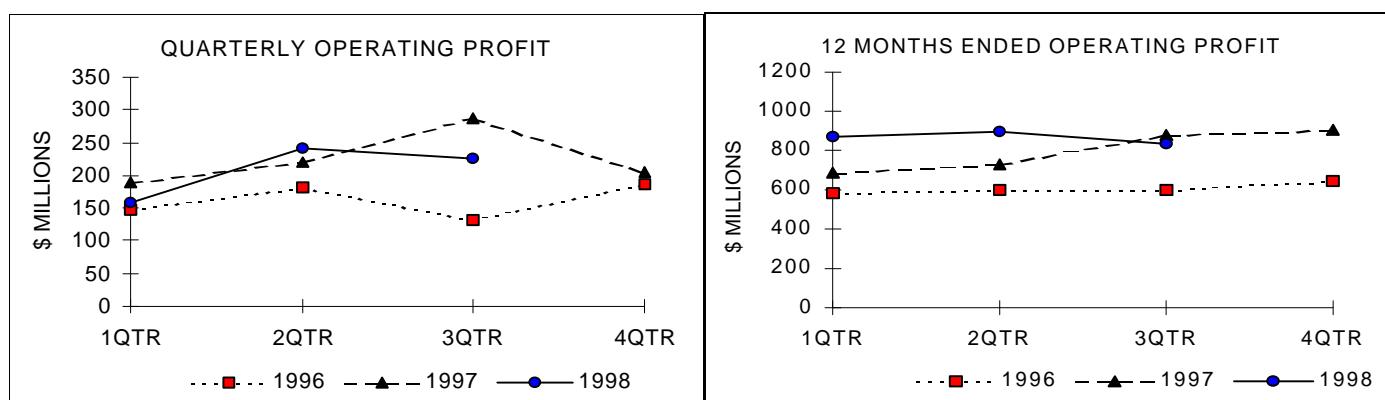
Note : Beginning with the first quarter 1998, The Airline Quarterly Financial Review of the Majors includes DHL Airways, which achieved major airline status (*i.e.*, annual operating revenues exceeding \$1 billion), effective January 1, 1997.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	325.3	324.2	1,285.9	1,284.8	1,258.0	1,225.7	1,190.7
2	Operating Expenses	311.3	292.5	1,236.9	1,218.1	1,171.4	1,149.0	1,120.7
3	Operating Profit (Loss)	14.0	31.7	49.0	66.7	86.6	76.6	70.0
4	Net Income (Loss)	6.7	-44.4	18.2	-33.0	-5.8	-12.7	-15.3
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.09	0.09	0.36	0.36	0.36	0.37	0.37
6	ATMs - Scheduled Rev. Svc.	0.16	0.14	0.61	0.59	0.59	0.58	0.58
7	Overall RTMs (All Services)	0.10	0.10	0.38	0.39	0.35	0.39	0.39
8	Overall ATMs (All Services)	0.17	0.16	0.66	0.64	0.58	0.62	0.61
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	333.9	319.9	335.1	331.4	354.6	317.7	308.3
10	Operating Expense per RTM	319.5	288.6	322.3	314.2	330.2	297.8	290.2
11	Operating Profit (Loss) per RTM	14.4	31.3	12.8	17.2	24.4	19.9	18.1
12	Operating Expense per ATM	183.2	186.5	188.1	189.0	200.7	186.2	184.3
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	5.31	4.93	4.63	4.53	4.43
15	Times Interest Earned	*	*	1.60	2.27	12.13	11.92	13.69
16	Current Assets to Current Liabilities	*	*	1.39	1.46	1.82	1.65	1.31
17	No. of Days Cash Coverage of Cash Exp	*	*	20.8	32.0	55.5	33.5	31.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	4.3	9.8	3.8	5.2	6.9	6.3	5.9
19	Net Income to Stockholders Equity	*	*	8.8	-14.5	-2.4	-5.3	-6.5
20	Corporate Return on Investment	*	*	22.1	0.1	0.7	-2.1	-3.4
21	Debt to Total Investment	*	*	22.7	24.7	8.5	9.7	11.4
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	57.3	64.6	58.4	60.2	60.8	62.5	63.5
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	7,737	7,295	7,630	7,520	7,393	7,260	7,137
25	Overall RTM's per Employee (000)	12.6	13.9	50.3	51.6	48.0	53.1	54.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.3	20.2	8.0	13.1	14.0	12.9	13.1
27	Operating Expenses (%)	6.4	10.6	10.4	11.5	8.8	9.0	9.0
28	Operating Profit (Loss) (in Millions \$)	-17.7	26.4	-21.0	23.1	60.0	45.8	45.7
29	Net Income (Loss)(in Millions \$)	51.1	-47.7	33.5	-65.4	-29.1	-40.2	-35.3
30	RTMs (Sch. Svc.) (%)	-3.9	-2.0	-0.6	9.4	-8.1	1.9	4.9
31	ATMs (Sch. Svc.) (%)	8.4	0.7	8.1	15.3	-2.4	5.1	6.5
32	Operating Revenues per RTM (%)	4.4	22.6	8.7	3.4	24.0	10.9	7.9
33	Operating Expense per RTM (%)	10.7	12.8	11.1	1.9	18.4	6.9	3.9
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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



QUARTERLY RESULTS

- Federal Express reported operating and net profits that were the second highest for any quarter in company history, second only to those of a year ago.
- The drop in operating profit, down \$60.8 million to \$226.2 million, arose as operating expenses, up 3 percent, grew faster than operating revenues, up 0.9 percent.
- The decline in operating profit would have been larger if not for the \$22.2 million (19.4 percent) decline in total fuel expense. Unit fuel prices fell 24.9 percent while consumption was up 7.4 percent.
- Net income fell \$37.3 million to \$115.7 million.
- The reduction in overall system results arose solely from domestic operations, which experienced a decline in operating profit of \$80 million to \$248.4 million, as well as a decline in net income of \$47.4 million to \$132.4 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	328.3	248.4	-80.0	179.8	132.4	-47.4	1.0	1.0	1.8	1.6	1.7	5.5	60.7%
Int'l	-41.3	-22.2	19.1	-26.8	-16.7	10.1	0.7	0.7	8.9	1.0	1.1	11.7	64.6%
Atlantic	-2.4	7.7	10.0	-2.4	3.1	5.5	0.2	0.2	15.5	0.3	0.3	15.3	64.0%
Latin	5.7	8.7	3.1	2.9	4.6	1.7	0.1	0.1	19.8	0.1	0.1	23.6	56.7%
Pacific	-44.6	-38.6	6.0	-27.3	-24.4	2.9	0.4	0.5	5.1	0.6	0.7	8.8	66.1%
System	287.0	226.2	-60.9	153.0	115.7	-37.3	1.7	1.8	4.6	2.6	2.8	7.8	62.2%

- The ton load factor decreased 2 percentage points to 62.2 percent as ATM capacity, up 7.8 percent, grew faster than RTM traffic, up 4.6 percent.
- Interest expense dropped \$7.4 million to \$21.5 million.

12-MONTH RESULTS

- Operating and net profit declined from a year ago for the first 12-month period since the 12-months ended June 1996.
- Operating expense growth, up 10.3 percent, exceeded operating revenue growth, up 9.1 percent, resulting in operating profit declining \$50.8 million to \$831.2 million.
- Net income was down \$46.1 million to \$404.6 million.
- ATM capacity, up 10.4 percent, grew at a faster pace than RTM traffic, up 8.1 percent, resulting in the ton load factor declining 1.3 percentage points to 62.2 percent.
- A sharp decline in total debt, down \$275.9 million to \$1.29 billion, coupled with rising equity, pushed the debt-to-investment ratio down 6.7 percentage points to 26.6 percent.

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

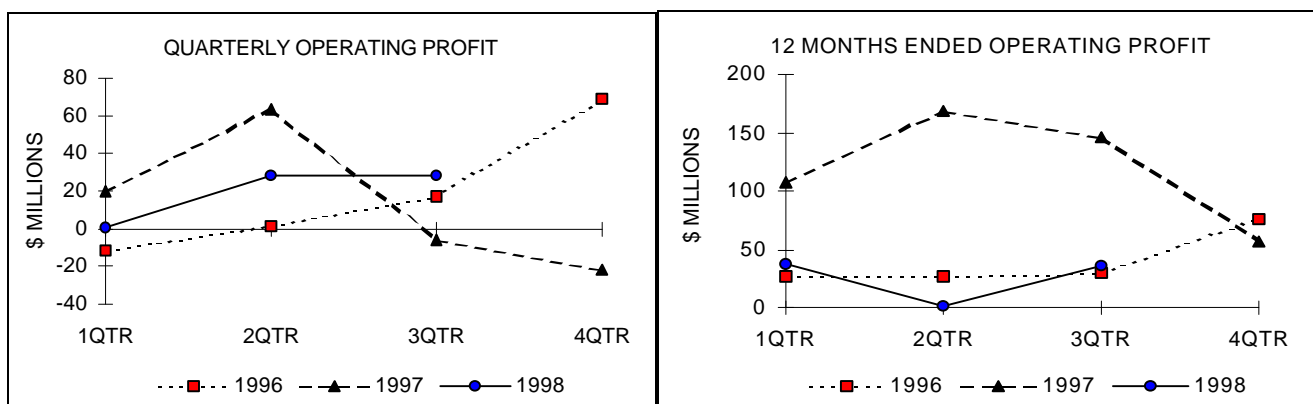
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,415.6	3,383.5	13,446.9	13,414.8	13,066.1	12,730.2	12,321.1
2	Operating Expenses	3,189.4	3,096.5	12,615.7	12,522.8	12,194.5	11,829.2	11,439.0
3	Operating Profit (Loss)	226.2	287.0	831.2	892.1	871.7	901.1	882.0
4	Net Income (Loss)	115.7	153.0	404.6	441.9	433.0	458.2	450.7
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.69	1.61	6.59	6.52	6.36	6.23	6.10
6	ATMs - Scheduled Rev. Svc.	2.71	2.51	10.59	10.39	10.09	9.83	9.59
7	Overall RTMs (All Services)	1.75	1.67	6.81	6.73	5.64	6.42	6.30
8	Overall ATMs (All Services)	2.81	2.61	10.95	10.74	8.89	10.14	9.92
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	195.1	202.1	197.5	199.2	231.8	198.2	195.5
10	Operating Expense per RTM	182.2	185.0	185.3	186.0	216.3	184.1	181.5
11	Operating Profit (Loss) per RTM	12.9	17.1	12.2	13.2	15.5	14.0	14.0
12	Operating Expense per ATM	113.4	118.7	115.3	116.6	137.2	116.6	115.3
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.79	2.82	2.80	2.82	2.83
15	Times Interest Earned	*	*	7.26	7.48	7.33	7.99	8.51
16	Current Assets to Current Liabilities	*	*	1.08	0.99	1.09	1.09	1.15
17	No. of Days Cash Coverage of Cash Exp	*	*	3.7	3.3	4.3	3.9	6.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	6.6	8.5	6.2	6.6	6.7	7.1	7.2
19	Net Income to Stockholders Equity	*	*	12.1	13.7	13.9	15.3	15.6
20	Corporate Return on Investment	*	*	10.7	11.8	11.8	12.7	12.7
21	Debt to Total Investment	*	*	26.6	29.5	31.9	32.7	33.3
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	62.2	64.2	62.2	62.7	63.4	63.3	63.5
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	88,960	80,202	86,609	84,419	82,013	79,643	77,580
25	Overall RTM's per Employee (000)	19.7	20.9	78.6	79.8	68.7	80.7	81.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.9	24.9	9.1	15.2	15.8	16.3	16.5
27	Operating Expenses (%)	3.0	20.1	10.3	14.7	15.1	14.8	14.7
28	Operating Profit (Loss) (in Millions \$)	-60.8	155.2	-50.8	165.3	183.4	254.1	278.1
29	Net Income (Loss)(in Millions \$)	-37.3	81.8	-46.1	73.0	87.6	139.7	153.9
30	RTMs (Sch. Svc.) (%)	4.6	18.3	8.1	31.6	-3.9	14.1	16.4
31	ATMs (Sch. Svc.) (%)	7.8	16.4	10.4	34.0	-5.3	10.7	11.0
32	Operating Revenues per RTM (%)	-3.5	5.6	1.0	-12.5	20.5	2.0	0.1
33	Operating Expense per RTM (%)	-1.5	1.6	2.1	-12.8	19.7	0.7	-1.5
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

UNITED PARCEL SERVICE



QUARTERLY RESULTS

- Operating revenues soared 23.5 percent from the third quarter 1997, which reflected in part the impact of the August 1997 Teamsters strike. Operating expenses were up a lesser 15.4 percent, causing operating results to move into the black, improving \$33.6 million to a \$27.9 million profit.
- Net results also became positive, rising \$17.5 million to an \$11.4 million profit.
- The strongest performer of all the entities was the Pacific division, where operating profit jumped \$21.8 million to \$23.4 million, and net income gained \$10.9 million to \$11.6 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	1.7	4.1	2.4	-1.5	-2.3	-0.8	0.6	0.7	23.4	1.1	1.3	22.9	54.2%
Int'l	-7.4	23.8	31.2	-4.5	13.7	18.3	0.2	0.3	36.7	0.4	0.5	34.8	53.6%
Atlantic	-9.4	-0.8	8.6	-5.9	-0.6	5.3	0.1	0.1	16.4	0.1	0.1	4.7	62.4%
Latin	0.4	1.2	0.7	0.7	2.7	2.1	0.0	0.0	85.4	0.0	0.0	111.0	43.2%
Pacific	1.6	23.4	21.8	0.7	11.6	10.9	0.1	0.2	44.1	0.2	0.3	43.7	51.6%
System	-5.7	27.9	33.5	-6.1	11.4	17.5	0.8	1.0	26.8	1.4	1.8	25.9	54.1%

- RTM traffic, up 26.8 percent, slightly outgained ATM capacity, up 25.9 percent, leading to a 0.8 percentage point increase in the ton load factor to 54.1 percent.
- Despite a 2.6 percent decline in RTM yield, RTM unit costs fell 9.1 percent, enhancing profitability.
- Part of the improvement in operating results arose from the \$13.3 million (19.8 percent) decrease in total fuel expense. Unit fuel prices fell a major group high 37.4 percent, more than offsetting the group high 28.3 percent jump in fuel consumption.
- Productivity (RTMs per employee) was still a major group high 207.7.

12-MONTH RESULTS

- Operating profit deteriorated \$110.7 million to \$35.7 million, as operating expense growth, up 7.3 percent, greatly exceeded operating revenue growth, up 0.9 percent.
- Net income fell \$73.5 million to a loss of \$4.7 million, the second consecutive 12-month ended loss.
- RTMs, up 22.1 percent, grew faster than ATMs, up 16.8 percent, causing the ton load factor to rise 2.4 percentage points to 55.7 percent.
- Productivity (RTMs per employee) continued to be very high when compared with all other majors, rising from the strike impacted 772.5 a year ago to 882.3 this quarter.
- Total debt rose \$369.2 million to \$3 billion. This, coupled with declining equity, caused the debt-to-investment ratio to rise 2.6 percentage points to 76.1 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9809	9709	9809	9806	9803	9712	9709
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	516.3	418.1	1,940.6	1,842.5	1,849.0	1,862.6	1,922.6
2	Operating Expenses	488.5	423.8	1,904.9	1,840.3	1,811.9	1,806.5	1,776.1
3	Operating Profit (Loss)	27.9	-5.7	35.7	2.2	37.2	56.1	146.4
4	Net Income (Loss)	11.4	-6.1	-4.7	-22.2	1.3	15.3	68.8
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.26	0.19	0.96	0.90	0.87	0.84	0.81
6	ATMs - Scheduled Rev. Svc.	0.48	0.36	1.76	1.64	1.58	1.52	1.47
7	Overall RTMs (All Services)	0.97	0.77	3.99	3.78	3.74	3.55	3.26
8	Overall ATMs (All Services)	1.80	1.43	7.16	6.78	6.66	6.40	6.13
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	53.0	54.4	48.7	48.7	49.4	52.4	58.9
10	Operating Expense per RTM	50.1	55.1	47.8	48.7	48.4	50.8	54.4
11	Operating Profit (Loss) per RTM	2.9	-0.7	0.9	0.1	1.0	1.6	4.5
12	Operating Expense per ATM	27.1	29.6	26.6	27.1	27.2	28.2	29.0
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	0.52	0.51	0.54	0.59	0.65
15	Times Interest Earned	*	*	1.35	0.16	1.83	3.53	10.01
16	Current Assets to Current Liabilities	*	*	1.72	1.64	1.42	0.93	1.26
17	No. of Days Cash Coverage of Cash Exp	*	*	1.0	1.8	3.4	2.2	3.5
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	5.4	-1.4	1.8	0.1	2.0	3.0	7.6
19	Net Income to Stockholders Equity	*	*	-0.5	-2.4	0.1	1.6	7.4
20	Corporate Return on Investment	*	*	0.7	0.1	0.6	1.0	2.8
21	Debt to Total Investment	*	*	76.1	74.9	75.2	74.4	73.5
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	54.1	53.7	55.7	55.7	56.2	55.5	53.3
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	4,694	4,336	4,518	4,429	4,346	4,279	4,226
25	Overall RTM's per Employee (000)	207.7	177.4	882.3	853.5	860.5	830.7	772.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	23.5	-4.6	0.9	-5.2	-0.8	3.9	12.6
27	Operating Expenses (%)	15.3	0.6	7.3	3.8	3.2	5.3	5.8
28	Operating Profit (Loss) (in Millions \$)	33.6	-22.9	-110.7	-167.1	-70.4	-20.0	117.2
29	Net Income (Loss)(in Millions \$)	17.5	-15.6	-73.5	-106.6	-48.1	-14.8	61.1
30	RTMs (Sch. Svc.) (%)	26.8	-8.3	22.1	13.4	14.5	5.9	-3.5
31	ATMs (Sch. Svc.) (%)	25.9	-1.8	16.8	10.2	11.4	7.2	4.2
32	Operating Revenues per RTM (%)	-2.6	4.0	-17.3	-16.5	-13.3	-1.9	16.6
33	Operating Expense per RTM (%)	-9.1	9.8	-12.1	-8.5	-10.0	-0.6	9.7
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

FOOTNOTES

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

EXPLANATION OF LINE ITEMS

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

EXPLANATION OF LINE ITEMS

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