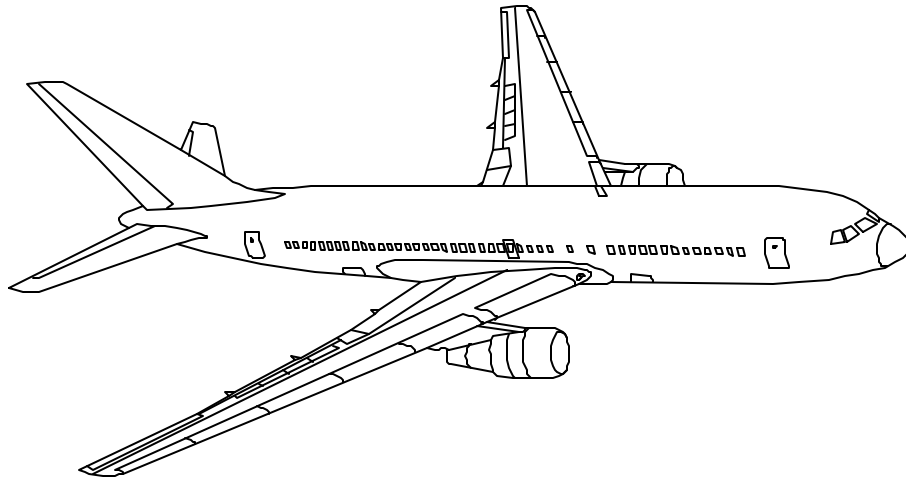


# AIRLINE QUARTERLY FINANCIAL REVIEW

THIRD QUARTER 1999



MAJORS



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

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## INTRODUCTION

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

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

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

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

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*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

- Operating expenses, up 6.9 percent, grew at a faster rate than operating revenues, up 5 percent, resulting in a \$326 million decline in operating profit to \$2.21 billion. The passenger major group fell \$272.8 million to \$1.99 billion, and the all-cargo major group declined \$53.2 million to \$214.8 million.
- The decline in operating profit can be directly attributed to soaring total fuel expense, which jumped \$369 million (18 percent), as unit fuel prices jumped 11.7 percent, and fuel consumption rose 5.6 percent.
- Net income declined \$28.9 million to \$1.32 billion. The passenger majors gained \$18.1 million to \$1.28 billion, but the all-cargo group declined \$47 million to \$86.8 million.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	3Q 1998	3Q 1999	\$CHANGE	3Q 1998	3Q 1999	\$CHANGE
TOTAL ALL MAJORS	2533.9	2207.9	-326.0	1400.5	1371.6	-28.9
TOTAL PASSENGER MAJORS	2265.9	1993.1	-272.8	1266.7	1284.8	18.1
ALASKA	79.4	75.8	-3.6	40.5	48.7	8.2
AMERICA WEST	41.4	38.8	-2.6	19.3	21.3	2.0
AMERICAN	555.3	381.3	-174.0	345.5	222.4	-123.1
CONTINENTAL	123.2	147.9	24.7	50.0	93.1	43.1
DELTA	547.3	322.6	-224.7	326.7	352.3	25.6
NORTHWEST	-252.2	376.5	628.7	-208.4	175.0	383.4
SOUTHWEST	204.2	206.7	2.5	129.6	127.0	-2.6
TRANS WORLD	23.7	-58.9	-82.6	-5.3	-53.7	-48.4
UNITED	680.2	609.2	-71.0	419.8	354.0	-65.8
US AIRWAYS	263.4	-106.9	-370.3	148.9	-55.4	-204.3
TOTAL ALL-CARGO MAJORS	268.0	214.8	-53.2	133.8	86.8	-47.0
DHL AIRWAYS	14.0	3.3	-10.7	6.7	15.0	8.3
FEDERAL EXPRESS	226.2	206.6	-19.6	115.7	77.4	-38.3
UNITED PARCEL SERVICE	27.9	4.9	-23.0	11.4	-5.6	-17.0

- The passenger load factor dipped 0.5 percentage points to 74.2 percent, as available seat capacity, up 6.5 percent, grew faster than passenger traffic, up 5.9 percent. Still, the passenger load factor for every individual major exceeded 70 percent.
- Passenger (RPM) yield decreased 1.1 percent to 12.28 cents.
- Interest expense rose \$51.5 million to \$431.3 million.
- Total debt jumped \$4 billion to \$28 billion, but as equity continued to rise, the debt-to-investment ratio dipped 0.1 percentage points to 44.4 percent.

#### 12-MONTH RESULTS

- Operating and net results declined from a year ago for the fourth consecutive period. Individual carrier results were mixed, but sharp declines reported by both American and US Airways dominated overall group results.
- Operating profit fell \$1.14 billion to \$7.59 billion. The passenger group declined \$1.29 billion to \$6.5 billion, but the all-cargo group experienced an improvement of \$146 million to \$1.1 billion.
- Net results dropped \$447.6 million to \$4.8 billion. The passenger group was down \$441.6 million to \$4.39 billion, while the all-cargo group slid \$6 million to \$412 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				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	27,514.1	26,202.4	103,912.3	102,600.6	101,924.3	101,615.8	101,402.9
2	Operating Expenses	25,306.2	23,668.4	96,323.2	94,685.4	93,827.9	93,084.5	92,671.6
3	Operating Profit (Loss)	2,207.9	2,533.9	7,589.1	7,915.2	8,096.4	8,531.3	8,731.3
4	Net Income (Loss)	1,371.6	1,400.5	4,805.3	4,834.2	4,367.7	4,577.4	5,252.9
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	164.98	156.05	600.12	591.18	587.43	582.99	579.38
6	ASMs - Scheduled Rev. Svc.	222.34	208.87	842.39	828.91	821.58	818.17	812.81
7	Overall RTMs (All Svc.)	22.27	20.92	82.18	80.83	80.26	79.88	79.64
8	Overall ATMs (All Svc.)	37.57	35.06	142.19	139.67	138.33	137.62	136.48
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	123.5	125.2	126.4	126.9	127.0	127.2	127.3
10	Operating Expense per RTM	113.6	113.1	117.2	117.1	116.9	116.5	116.4
11	Operating Profit (Loss) per RTM	9.9	12.1	9.2	9.8	10.1	10.7	11.0
12	Operating Expense per ATM	67.4	67.5	67.7	67.8	67.8	67.6	67.9
13	Passenger Revenue per RPM	12.28	12.42	12.60	12.64	12.68	12.78	12.91
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	1.78	1.81	1.87	1.93	2.00
15	Times Interest Earned	*	*	6.40	6.45	5.87	6.17	6.45
16	Current Assets to Current Liabilities	*	*	0.74	0.71	0.70	0.73	0.75
17	No. of Days Cash Coverage of Cash Ex	*	*	33.4	32.3	29.0	30.1	35.0
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	8.0	9.7	7.3	7.7	7.9	8.4	8.6
19	Net Income to Stockholders Equity	*	*	15.0	15.6	14.7	15.9	19.0
20	Corporate Return on Investment	*	*	10.8	11.2	10.8	11.5	13.2
21	Debt to Total Investment	*	*	44.4	44.6	46.5	45.6	44.5
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	74.2	74.7	71.2	71.3	71.5	71.3	71.3
23	Breakeven	69.0	68.0	67.3	67.0	66.9	66.2	65.7
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	522,266	498,624	512,329	506,418	501,268	495,788	489,964
25	Overall RTM's per Employee (000)	42.6	42.0	160.4	159.6	160.1	161.1	162.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.0	0.9	2.5	1.4	2.0	2.4	4.0
27	Operating Expenses (%)	6.9	2.4	3.9	2.8	2.9	2.6	3.3
28	Operating Profit (Loss) (in Millions \$)	-326.0	-324.9	-1,142.2	-1,141.0	-652.0	-24.6	913.5
29	Net Income (Loss)(in Millions \$)	-28.9	-540.6	-447.6	-959.2	-1,227.4	-910.7	778.8
30	RPMs (Sch. Svc.) (%)	5.7	1.0	3.6	2.3	2.8	2.3	2.5
31	ASMs (Sch. Svc.) (%)	6.5	-0.3	3.6	1.9	1.5	1.7	1.7
32	Operating Revenues per RTM (%)	-1.4	-0.1	-0.7	-0.3	-0.2	-0.2	0.4
33	Operating Expense per RTM (%)	0.4	1.4	0.7	1.0	0.7	0.1	-0.2
34	Passenger Revenue per RPM (Sch. Svc)	-1.1	-1.1	-2.4	-2.4	-2.1	-1.2	0.6

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	20,652.9	19,742.2	79,688.4	78,777.7	78,046.9	77,650.8	77,218.1
2	Operating Expenses	19,247.6	17,741.5	73,229.5	71,723.3	70,837.6	70,114.8	69,747.7
3	Operating Profit (Loss)	1,405.3	2,000.6	6,458.9	7,054.3	7,209.3	7,536.0	7,470.5
4	Net Income (Loss)	1,080.4	1,070.0	4,288.1	4,277.8	3,867.9	4,067.0	4,491.5
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	117.39	111.91	434.26	428.79	425.66	421.94	418.66
6	ASMs - Scheduled Rev. Svc.	162.30	151.28	618.52	607.50	600.05	597.12	592.95
7	Overall RTMs (All Svc.)	14.65	13.97	54.88	54.20	53.89	53.56	53.26
8	Overall ATMs (All Svc.)	24.97	23.31	95.51	93.85	92.77	92.35	91.67
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	141.0	141.3	145.2	145.3	144.8	145.0	145.0
10	Operating Expense per RTM	131.4	127.0	133.4	132.3	131.4	130.9	131.0
11	Operating Profit (Loss) per RTM	9.6	14.3	11.8	13.0	13.4	14.1	14.0
12	Operating Expense per ATM	77.1	76.1	76.7	76.4	76.4	75.9	76.1
13	Passenger Revenue per RPM	13.14	13.20	13.59	13.61	13.62	13.70	13.83
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	6.8	10.1	8.1	9.0	9.2	9.7	9.7
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	12.2	12.6	12.1	13.1	14.6
21	Debt to Total Investment	*	*	**	**	**	**	**
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	72.3	74.0	70.2	70.6	70.9	70.7	70.6
23	Breakeven	68.7	67.1	65.7	65.3	65.2	64.5	64.2
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

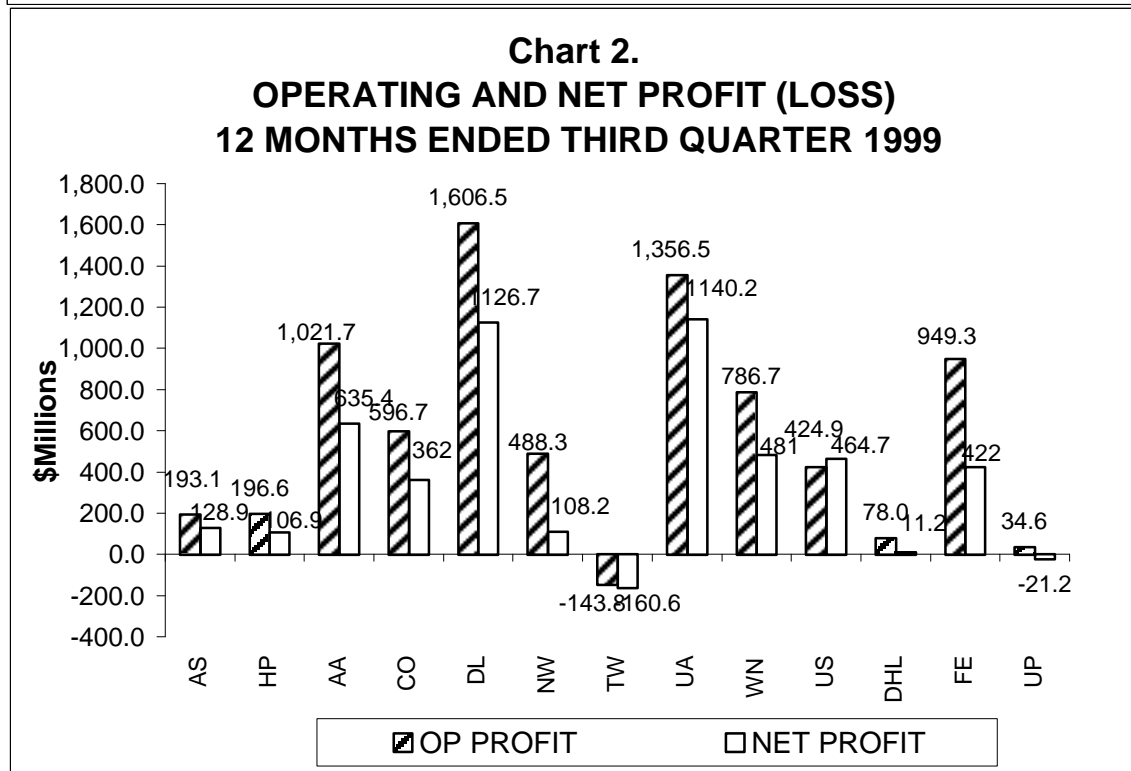
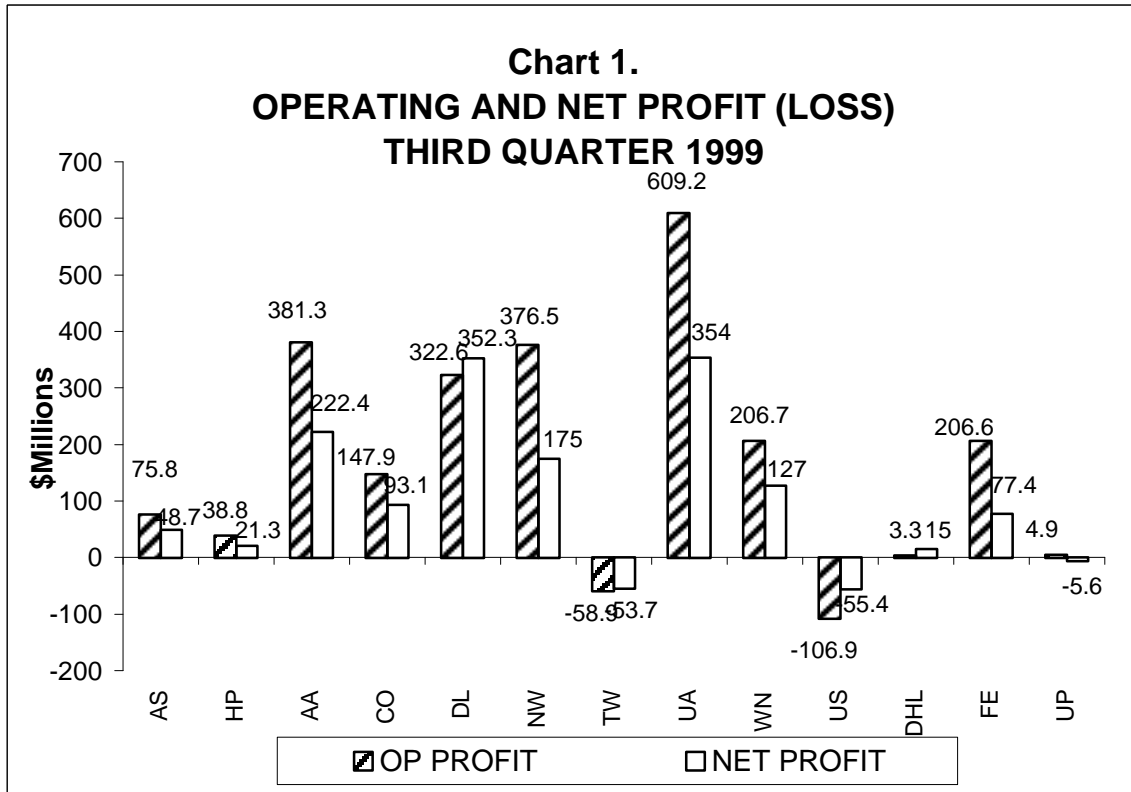
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.6	3.2	3.2	2.8	3.4	3.6	4.8
27	Operating Expenses (%)	8.5	3.0	5.0	3.6	3.3	2.6	3.2
28	Operating Profit (Loss) (in Millions \$)	-595.3	102.7	-1,011.6	-313.4	355.2	900.9	1,386.2
29	Net Income (Loss)(in Millions \$)	10.4	-346.5	-203.4	-560.1	-748.7	-368.1	907.4
30	RPMs (Sch. Svc.) (%)	4.9	1.9	3.7	2.9	3.2	2.3	2.3
31	ASMs (Sch. Svc.) (%)	7.3	-0.8	4.3	2.2	1.1	0.8	0.6
32	Operating Revenues per RTM (%)	-0.2	1.9	0.1	0.7	1.0	1.3	2.2
33	Operating Expense per RTM (%)	3.5	1.7	1.8	1.5	0.8	0.3	0.7
34	Passenger Revenue per RPM (Sch. Svc)	-0.5	1.2	-1.7	-1.3	-0.8	0.1	2.2

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	6,861.2	6,460.2	24,223.9	23,822.9	23,877.5	23,965.0	24,184.8
2	Operating Expenses	6,058.6	5,926.9	23,093.7	22,962.1	22,990.3	22,969.6	22,923.9
3	Operating Profit (Loss)	802.7	533.3	1,130.2	860.8	887.2	995.4	1,260.9
4	Net Income (Loss)	291.2	330.5	517.2	556.5	499.8	510.4	761.4
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	47.60	44.13	165.85	162.39	161.77	161.04	160.72
6	ASMs - Scheduled Rev. Svc.	60.04	57.59	223.86	221.41	221.53	221.05	219.86
7	Overall RTMs (All Svc.)	7.62	6.95	27.30	26.63	26.37	26.33	26.38
8	Overall ATMs (All Svc.)	12.60	11.74	46.68	45.82	45.56	45.27	44.81
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	90.0	93.0	88.7	89.5	90.5	91.0	91.7
10	Operating Expense per RTM	79.5	85.3	84.6	86.2	87.2	87.2	86.9
11	Operating Profit (Loss) per RTM	10.5	7.7	4.1	3.2	3.4	3.8	4.8
12	Operating Expense per ATM	48.1	50.5	49.5	50.1	50.5	50.7	51.2
13	Passenger Revenue per RPM	10.17	10.44	10.01	10.08	10.22	10.37	10.51
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	11.7	8.3	4.7	3.6	3.7	4.2	5.2
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	6.3	6.7	6.6	6.9	8.9
21	Debt to Total Investment	*	*	**	**	**	**	**
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	79.3	76.6	74.1	73.3	73.0	72.9	73.1
23	Breakeven	68.6	70.8	72.2	72.7	72.4	71.6	70.7
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.2	-5.7	0.2	-3.1	-2.4	-1.5	1.4
27	Operating Expenses (%)	2.2	0.6	0.7	0.3	1.8	2.5	3.6
28	Operating Profit (Loss) (in Millions \$)	269.4	-427.6	-130.7	-827.7	-1,007.1	-925.5	-472.6
29	Net Income (Loss)(in Millions \$)	-39.3	-194.1	-244.2	-399.0	-478.7	-542.7	-128.6
30	RPMs (Sch. Svc.) (%)	7.8	-1.2	3.2	0.7	1.9	2.2	3.3
31	ASMs (Sch. Svc.) (%)	4.3	1.1	1.8	1.0	2.7	4.0	5.0
32	Operating Revenues per RTM (%)	-3.2	-5.8	-3.3	-4.0	-4.0	-4.4	-3.9
33	Operating Expense per RTM (%)	-6.8	0.6	-2.7	-0.7	0.2	-0.6	-1.8
34	Passenger Revenue per RPM (Sch. Svc)	-2.6	-8.2	-4.8	-6.4	-6.5	-5.8	-4.5

# COMPARISONS AMONG MAJOR GROUP AIRLINES



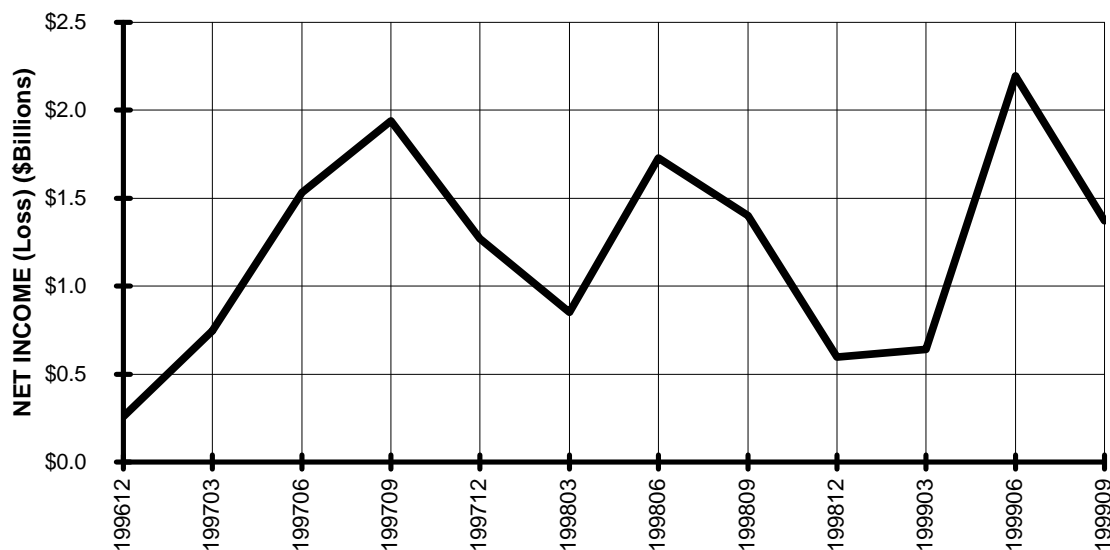


## TOTAL ALL MAJORS (SYSTEM) BY QUARTER

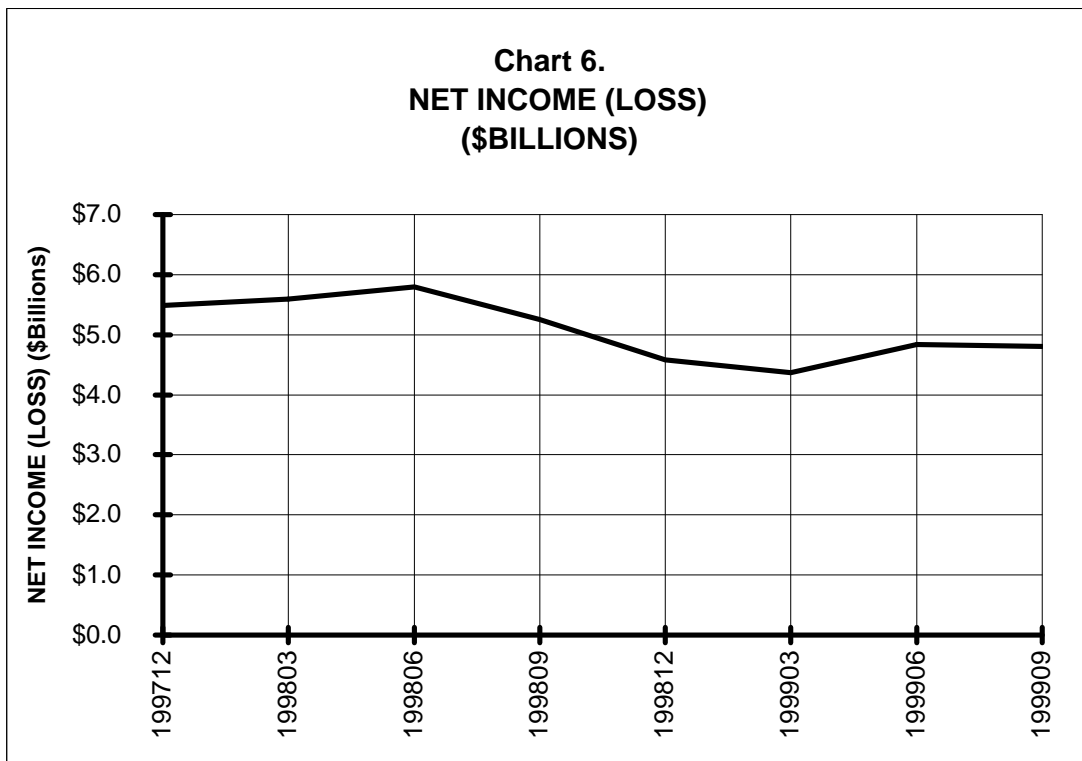
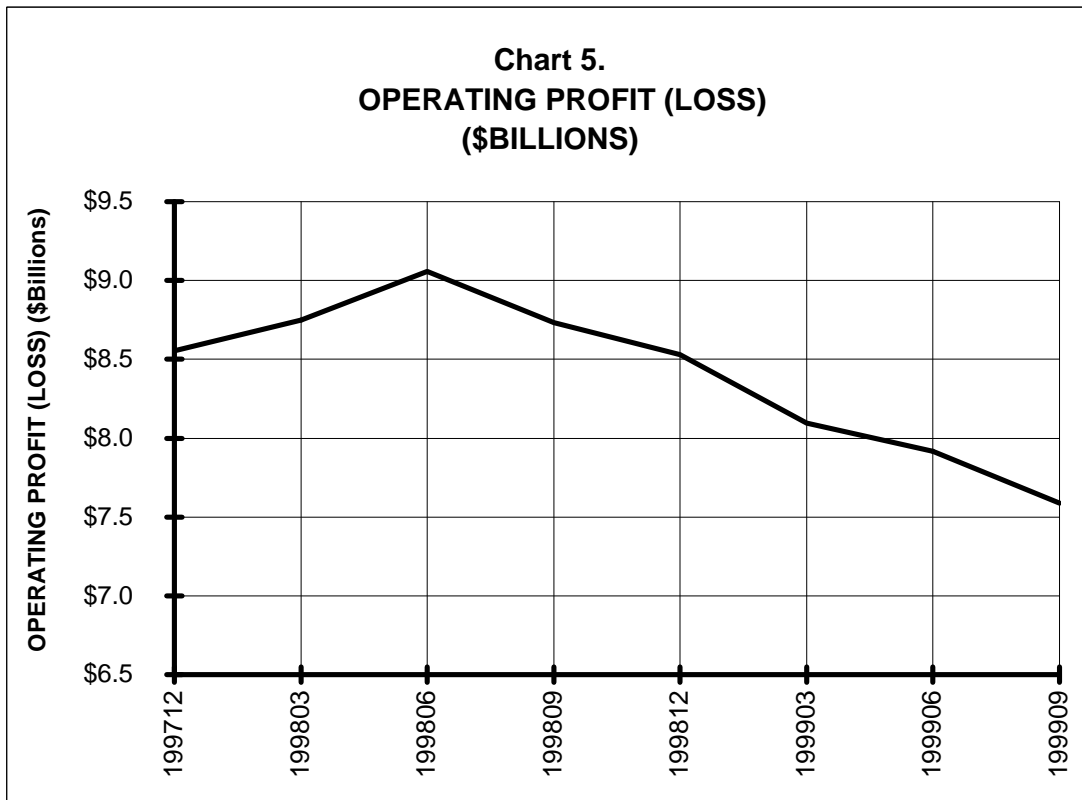
Chart 3.  
OPERATING PROFIT (LOSS)  
(\$BILLIONS)



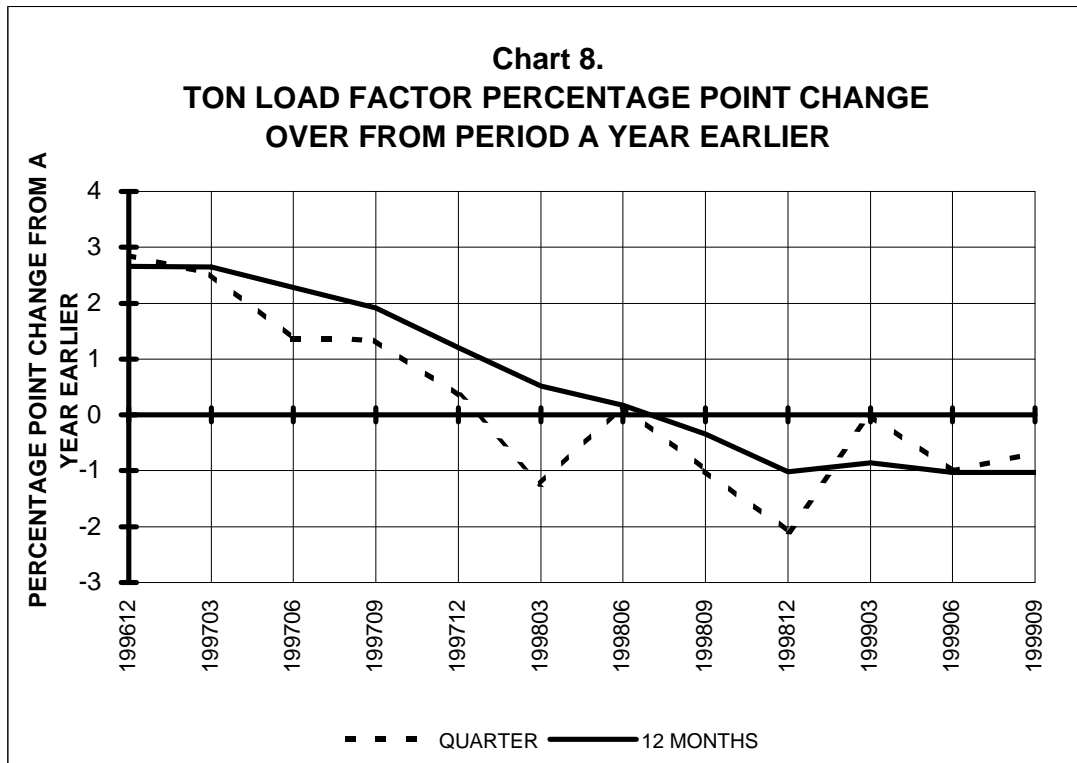
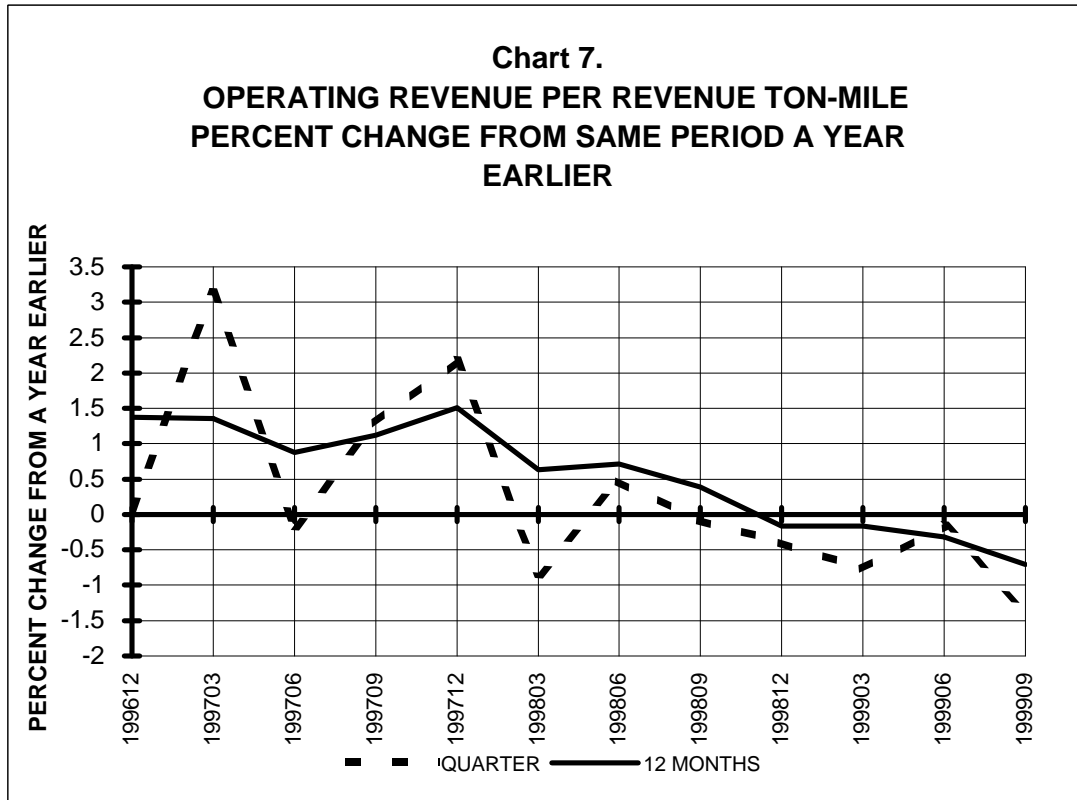
Chart 4.  
NET INCOME (LOSS)  
(\$BILLIONS)



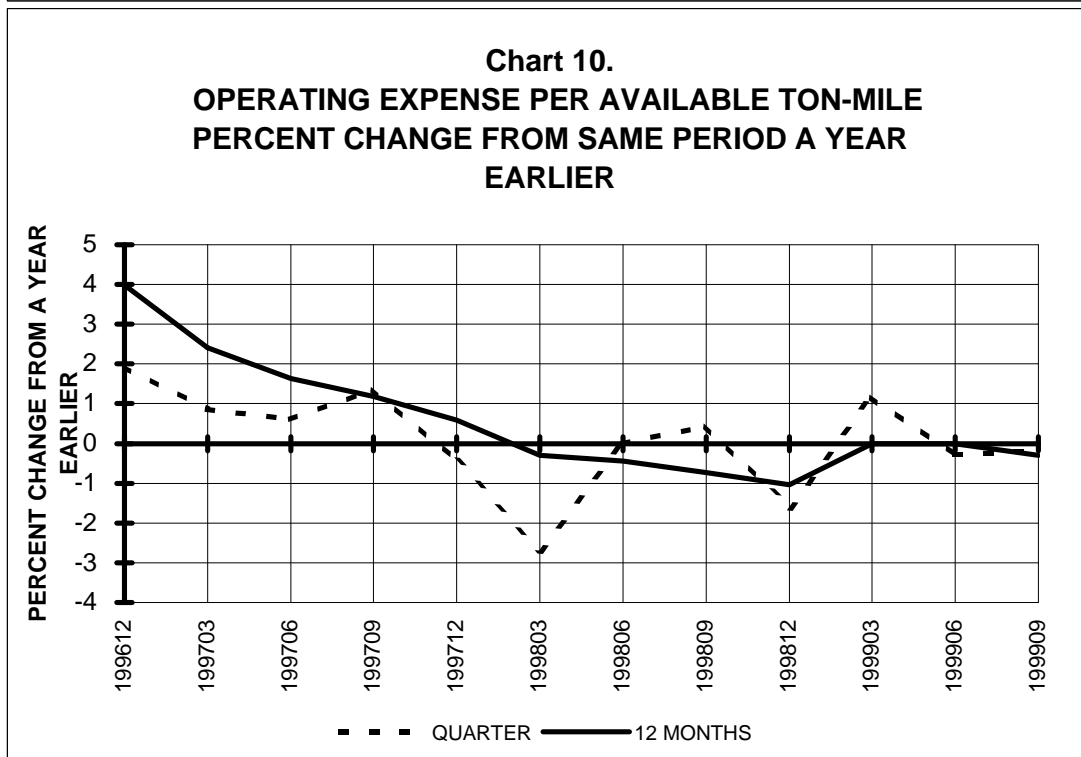
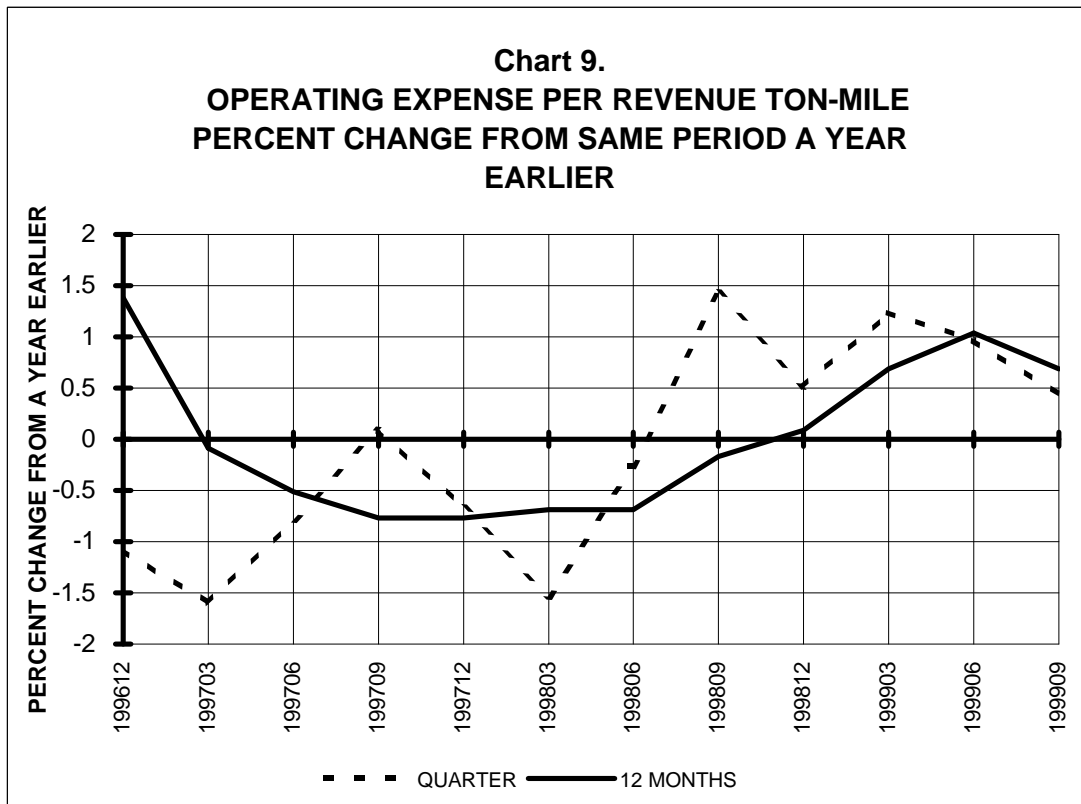
## TOTAL ALL MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS



## 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 1999, all passenger majors except for Trans World and US Airways reported an operating profit and net profit. Three of the ten passenger majors reported an improvement from a year ago in operating results, while five of the ten reported an improvement in net results.
- Northwest reported large improvements over its strike impacted quarter a year earlier in both operating and net results, offsetting much of the overall group decline in operating results. For the group, operating profit fell \$272.8 million to \$1.99 billion as operating expenses, up 7 percent, grew faster than operating revenues, up 5.1 percent.
- Much of the decline in operating results can be attributed to sharply rising total fuel expenses, up \$308.7 million (16.3 percent). Unit fuel prices jumped 9.8 percent and fuel consumption rose 5.9 percent.
- Net income rose \$18.1 million to \$1.28 billion.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1998	THIS YEAR 1999	\$ Change	LAST YEAR 1998	THIS YEAR 1999	\$ Change
March	1,443.7	966.3	-477.5	780.1	568.0	-212.1
June	2,733.1	2,541.1	-192.0	1,606.1	2,054.2	448.1
Sept.	2,265.9	1,993.1	-272.8	1,266.7	1,284.8	18.1
Dec.	1,026.7	0.0	-	486.3	0.0	-

- The passenger load factor dipped 0.5 percentage points to 74.2 percent as ASM capacity growth, up 6.5 percent, exceeded RPM traffic growth, up 5.7 percent. Still, the passenger load factor for every individual major exceeded 70 percent.
- Passenger (RPM) yield slid 1.1 percent to 12.28 cents. Only Alaska, America West and United were up from a year ago.
- All entities reported positive operating and net results. Latin and Pacific operations reported gains in both operating and net results, while domestic and Atlantic operations experienced lower operating and net profits.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	1,794.0	1,302.0	-492.0	971.7	886.9	-84.9	111.9	117.4	4.9	151.3	162.3	7.3	72.3%
Int'l	471.9	691.1	219.2	294.9	397.9	103.0	44.1	47.6	7.8	57.6	60.0	4.3	79.3%
Atlantic	482.5	380.8	-101.7	326.2	231.9	-94.2	21.0	23.7	12.6	25.3	28.9	14.1	82.0%
Latin	74.9	114.2	39.3	42.4	67.3	24.9	8.6	8.9	3.3	13.4	12.7	-5.5	70.2%
Pacific	-85.4	196.1	281.5	-73.6	98.8	172.4	14.5	15.0	3.6	18.8	18.5	-2.0	81.2%
System	2,265.9	1,993.1	-272.8	1,266.7	1,284.8	18.1	156.0	165.0	5.7	208.9	222.3	6.5	74.2%

- Interest expense jumped \$51.7 million to \$406.2 million.
- The operating profit margin declined 1.7 percentage points to 8.6 percent.

#### 12-MONTH RESULTS

- All majors, except for Trans World, reported an operating and net profit for 12-months ended September 1999.
- For the group, operating expense growth, up 3.7 percent, more than doubled operating revenue growth, up 1.8 percent. As a result, operating profit dropped \$1.29 billion to a still strong \$6.5 billion. American alone was down nearly \$800 million.
- Net results declined \$441.6 million to \$4.39 billion. American and US Airways combined were down \$961 million.
- Both RPM traffic and ASM capacity rose 3.6 percent, leading to a dip of 0.1 percentage points in the passenger load factor to 71.2 percent.
- Passenger (RPM) yield decreased 2.4 percent to 12.60 cents, the fourth consecutive year-to-year decline.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	23,058.1	21,945.2	86,283.1	85,170.1	84,702.2	84,603.7	84,729.5
2	Operating Expenses	21,065.0	19,679.3	79,755.9	78,370.1	77,710.2	77,134.3	76,914.0
3	Operating Profit (Loss)	1,993.1	2,265.9	6,527.2	6,800.0	6,992.0	7,469.4	7,815.4
4	Net Income (Loss)	1,284.8	1,266.7	4,393.3	4,375.2	3,927.0	4,139.2	4,834.9
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	164.98	156.05	600.12	591.18	587.43	582.99	579.38
6	ASMs - Scheduled Rev. Svc.	222.34	208.87	842.39	828.91	821.58	818.17	812.81
7	Overall RTMs (All Svc.)	19.32	18.10	70.84	69.62	69.18	68.81	68.66
8	Overall ATMs (All Svc.)	32.60	30.27	122.68	120.35	119.22	118.64	117.80
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	119.4	121.2	121.8	122.3	122.4	123.0	123.4
10	Operating Expense per RTM	109.0	108.7	112.6	112.6	112.3	112.1	112.0
11	Operating Profit (Loss) per RTM	10.3	12.5	9.2	9.8	10.1	10.9	11.4
12	Operating Expense per ATM	64.6	65.0	65.0	65.1	65.2	65.0	65.3
13	Passenger Revenue per RPM	12.28	12.42	12.60	12.64	12.68	12.78	12.91
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.75	1.79	1.86	1.94	2.02
15	Times Interest Earned	*	*	6.55	6.59	6.06	6.42	6.64
16	Current Assets to Current Liabilities	*	*	0.70	0.67	0.66	0.70	0.71
17	No. of Days Cash Coverage of Cash Ex	*	*	39.74	37.95	34.20	35.37	41.10
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	8.6	10.3	7.6	8.0	8.3	8.8	9.2
19	Net Income to Stockholders Equity	*	*	16.1	16.7	15.7	17.1	20.8
20	Corporate Return on Investment	*	*	11.6	11.9	11.5	12.4	14.6
21	Debt to Total Investment	*	*	44.0	44.0	46.3	45.2	43.8
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	74.2	74.7	71.2	71.3	71.5	71.3	71.3
23	Breakeven	69.3	68.1	67.5	67.2	67.0	66.2	65.8
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	417,177	397,067	408,534	403,507	399,452	395,275	391,165
25	Overall RTM's per Employee (000)	46.3	45.6	173.4	172.5	173.2	174.1	175.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.1	0.4	1.8	0.6	1.1	1.4	3.2
27	Operating Expenses (%)	7.0	1.9	3.7	2.4	2.2	1.6	2.1
28	Operating Profit (Loss) (in Millions \$)	-272.8	-279.8	-1,288.2	-1,295.2	-760.9	-52.7	1,096.1
29	Net Income (Loss)(in Millions \$)	18.1	-571.8	-441.6	-1,031.5	-1,239.6	-888.1	865.0
30	RPMs (Sch. Svc.) (%)	5.7	1.0	3.6	2.3	2.8	2.3	2.5
31	ASMs (Sch. Svc.) (%)	6.5	-0.3	3.6	1.9	1.5	1.7	1.7
32	Operating Revenues per RTM (%)	-1.5	0.9	-1.3	-0.7	-0.5	-0.2	0.7
33	Operating Expense per RTM (%)	0.3	2.5	0.5	1.2	0.6	0.0	-0.5
34	Passenger Revenue per RPM (Sch. Svc)	-1.1	-1.1	-2.4	-2.4	-2.1	-1.2	0.6

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	17,325.1	16,502.7	66,332.4	65,510.0	64,902.0	64,634.4	64,550.5
2	Operating Expenses	16,023.1	14,708.7	60,530.1	59,215.7	58,484.5	57,900.3	57,733.0
3	Operating Profit (Loss)	1,302.0	1,794.0	5,802.3	6,294.3	6,417.5	6,734.2	6,817.5
4	Net Income (Loss)	886.9	971.7	3,936.0	4,020.9	3,689.3	3,808.9	4,278.7
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	117.39	111.91	434.26	428.79	425.66	421.94	418.66
6	ASMs - Scheduled Rev. Svc.	162.30	151.28	618.52	607.50	600.05	597.12	592.95
7	Overall RTMs (All Svc.)	12.77	12.16	47.56	46.96	46.71	46.39	46.18
8	Overall ATMs (All Svc.)	21.74	20.18	82.55	80.99	80.06	79.76	79.28
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	135.7	135.7	139.5	139.5	139.0	139.3	139.8
10	Operating Expense per RTM	125.5	120.9	127.3	126.1	125.2	124.8	125.0
11	Operating Profit (Loss) per RTM	10.2	14.7	12.2	13.4	13.7	14.5	14.8
12	Operating Expense per ATM	73.7	72.9	73.3	73.1	73.1	72.6	72.8
13	Passenger Revenue per RPM	13.14	13.20	13.59	13.61	13.62	13.70	13.83
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	7.5	10.9	8.7	9.6	9.9	10.4	10.6
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	13.3	14.1	13.7	14.6	16.8
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	72.3	74.0	70.2	70.6	70.9	70.7	70.6
23	Breakeven	68.4	67.0	65.5	65.1	65.0	64.3	63.9
<u>Employment &amp; 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 (%)	5.0	3.6	2.8	2.4	2.8	2.9	4.6
27	Operating Expenses (%)	8.9	2.7	4.8	3.3	2.6	1.6	2.0
28	Operating Profit (Loss) (in Millions \$)	-492.0	185.6	-1,015.2	-337.6	330.2	916.1	1,652.4
29	Net Income (Loss)(in Millions \$)	-84.8	-208.8	-342.7	-466.6	-461.1	-183.1	1,211.5
30	RPMs (Sch. Svc.) (%)	4.9	1.9	3.7	2.9	3.2	2.3	2.3
31	ASMs (Sch. Svc.) (%)	7.3	-0.8	4.3	2.2	1.1	0.8	0.6
32	Operating Revenues per RTM (%)	0.0	3.4	-0.2	0.6	0.9	1.5	2.8
33	Operating Expense per RTM (%)	3.8	2.5	1.8	1.4	0.6	0.2	0.3
34	Passenger Revenue per RPM (Sch. Svc)	-0.5	1.2	-1.7	-1.3	-0.8	0.1	2.2

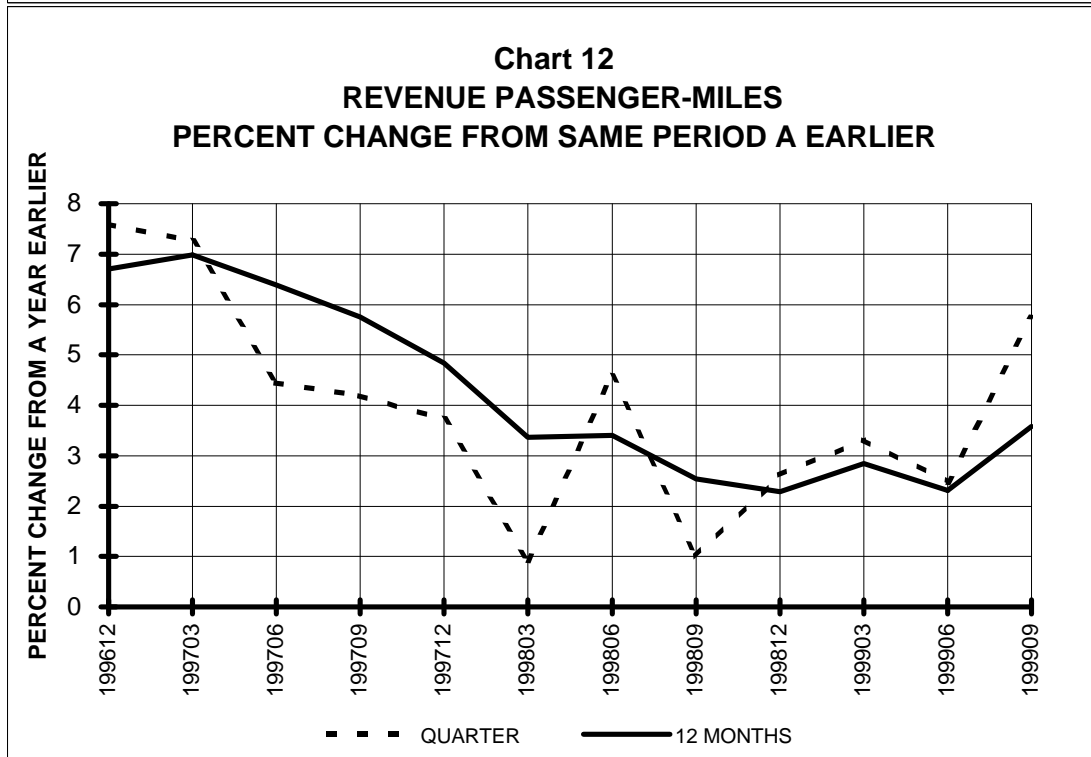
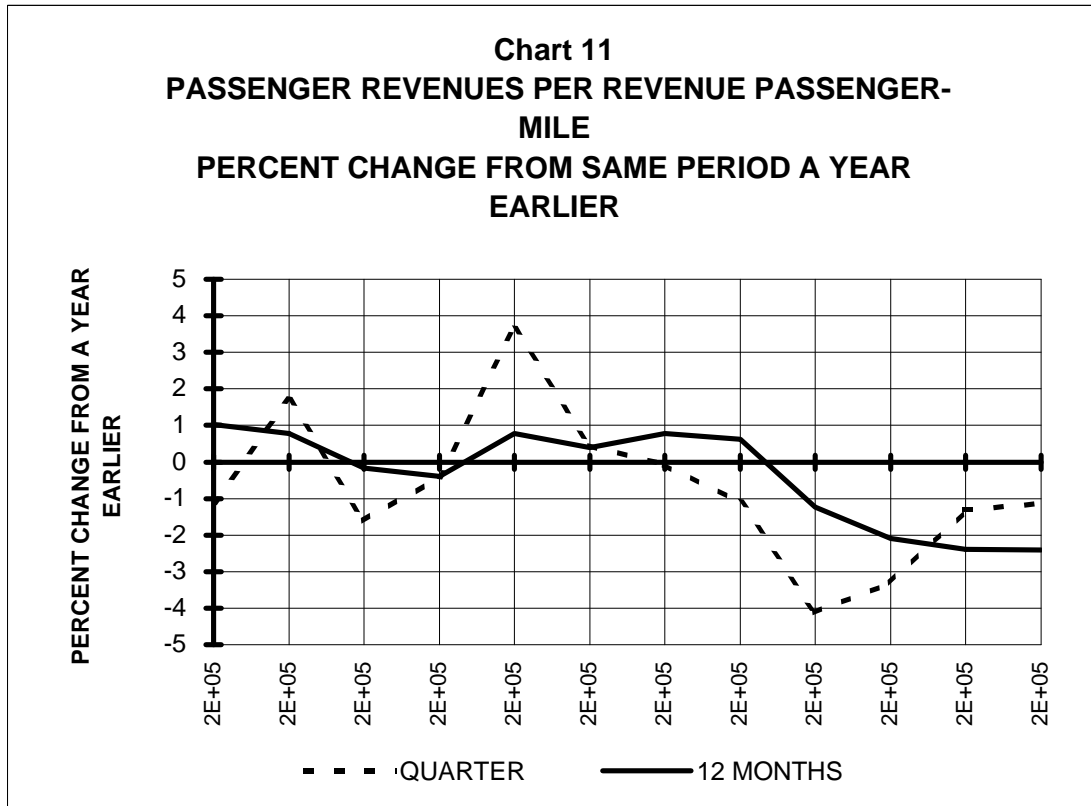
**QUARTERLY FINANCIAL & TRAFFIC REVIEW  
INTERNATIONAL OPERATIONS  
TOTAL PASSENGER MAJORS**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
<b>FINANCIAL RESULTS: (\$Millions)</b>								
1	Operating Revenues	5,733.0	5,442.5	19,950.7	19,660.1	19,800.2	19,969.3	20,179.0
2	Operating Expenses	5,041.9	4,970.6	19,225.8	19,154.4	19,225.7	19,234.1	19,181.0
3	Operating Profit (Loss)	691.1	471.9	724.9	505.7	574.5	735.2	998.0
4	Net Income (Loss)	397.9	294.9	457.3	354.3	237.8	330.2	556.2
<b>TRAFFIC: (Billions)</b>								
5	RPMs - Scheduled Rev. Svc.	47.60	44.13	165.85	162.39	161.77	161.04	160.72
6	ASMs - Scheduled Rev. Svc.	60.04	57.59	223.86	221.41	221.53	221.05	219.86
7	Overall RTMs (All Svc.)	6.55	5.94	23.28	22.66	22.47	22.42	22.49
8	Overall ATMs (All Svc.)	10.86	10.09	40.12	39.35	39.16	38.88	38.52
<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>								
9	Operating Revenue per RTM	87.5	91.7	85.7	86.7	88.1	89.1	89.7
10	Operating Expense per RTM	77.0	83.7	82.6	84.5	85.6	85.8	85.3
11	Operating Profit (Loss) per RTM	10.5	8.0	3.1	2.2	2.6	3.3	4.4
12	Operating Expense per ATM	46.4	49.3	47.9	48.7	49.1	49.5	49.8
13	Passenger Revenue per RPM	10.17	10.44	10.01	10.08	10.22	10.37	10.51
<b>FINANCIAL RATIOS:</b>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
<b>FINANCIAL PERCENTAGES:</b>								
18	Operating Profit (Loss) to Operating Rev	12.1	8.7	3.6	2.6	2.9	3.7	4.9
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	6.4	5.7	4.9	5.8	8.1
21	Debt to Total Investment	*	*	**	**	**	**	**
<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>								
22	Actual	79.3	76.6	74.1	73.3	73.0	72.9	73.1
23	Breakeven	70.8	71.5	74.2	74.4	73.7	72.8	71.7
<b>Employment &amp; Productivity:</b>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

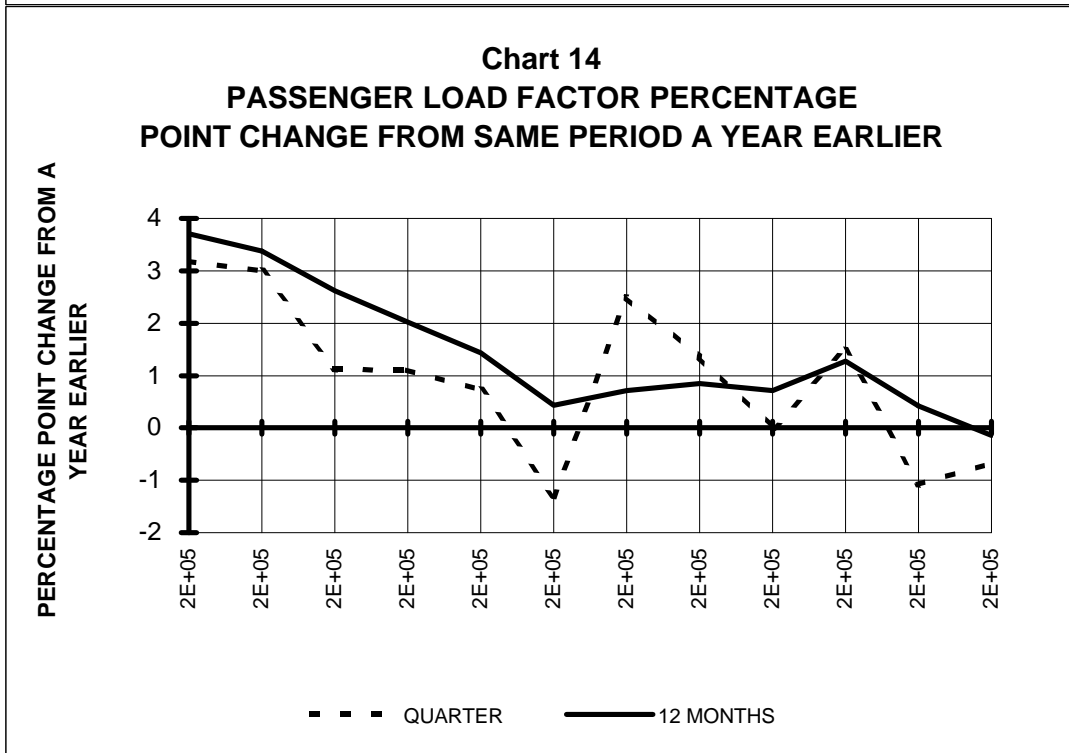
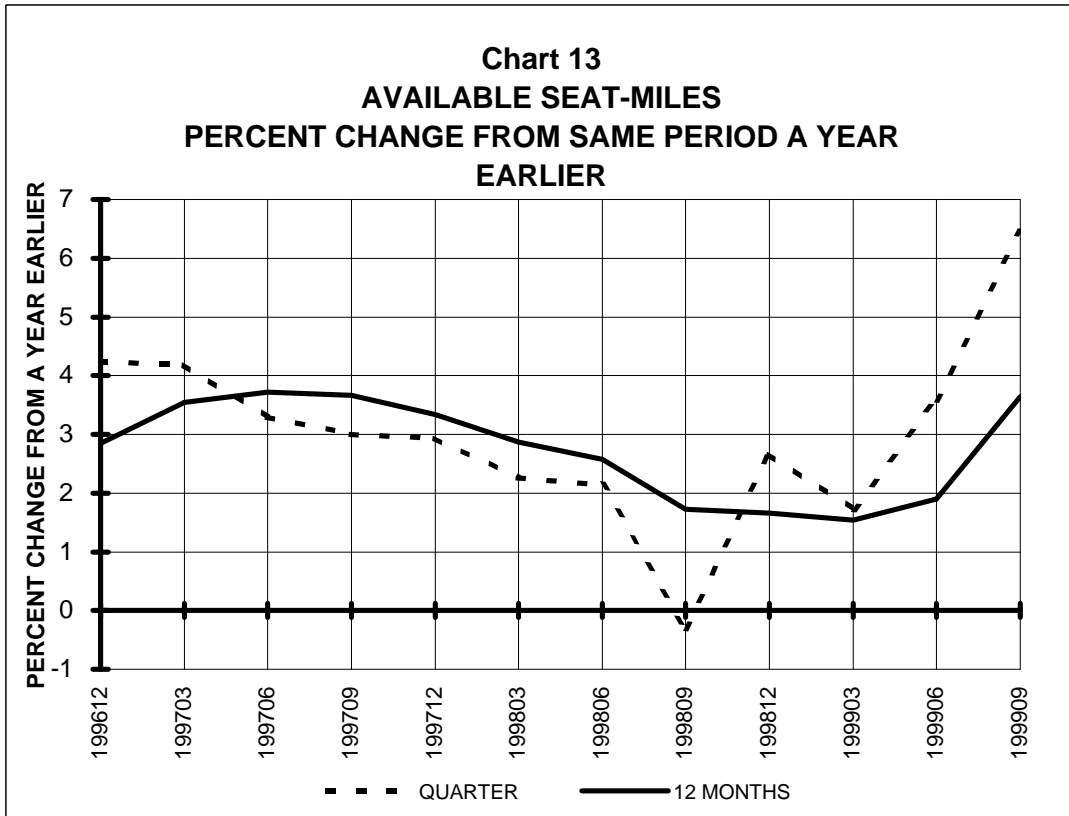
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.3	-8.2	-1.1	-4.9	-4.1	-3.3	-0.8
27	Operating Expenses (%)	1.4	-0.4	0.2	-0.2	1.3	1.6	2.1
28	Operating Profit (Loss) (in Millions \$)	219.2	-465.4	-273.1	-957.6	-1,091.1	-968.8	-556.2
29	Net Income (Loss)(in Millions \$)	103.0	-363.1	-98.9	-564.9	-778.4	-705.1	-346.5
30	RPMs (Sch. Svc.) (%)	7.8	-1.2	3.2	0.7	1.9	2.2	3.3
31	ASMs (Sch. Svc.) (%)	4.3	1.1	1.8	1.0	2.7	4.0	5.0
32	Operating Revenues per RTM (%)	-4.6	-6.3	-4.5	-5.2	-4.9	-5.0	-5.0
33	Operating Expense per RTM (%)	-8.0	1.6	-3.2	-0.5	0.6	-0.2	-2.2
34	Passenger Revenue per RPM (Sch. Svc)	-2.6	-8.2	-4.8	-6.4	-6.5	-5.8	-4.5



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

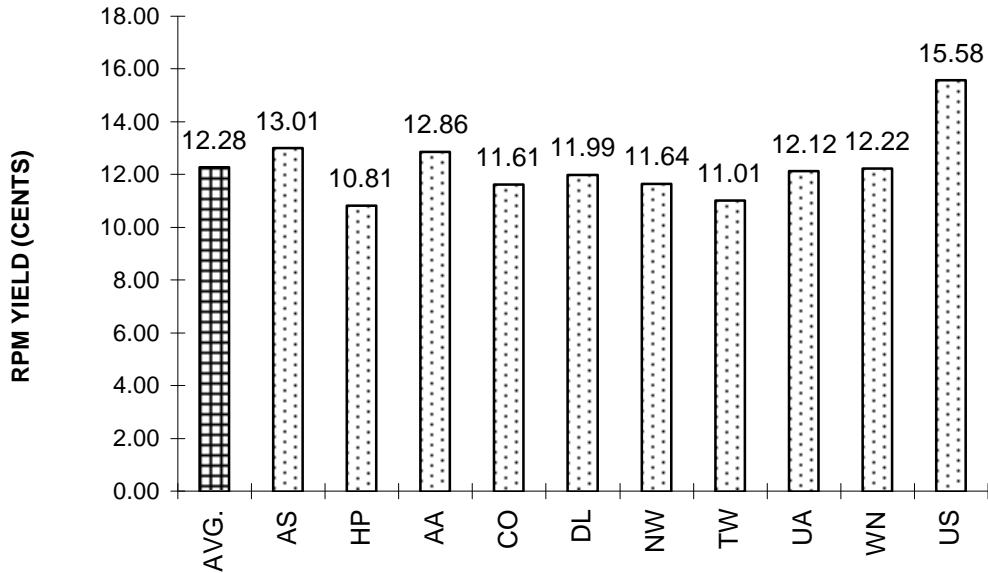


# **TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)**

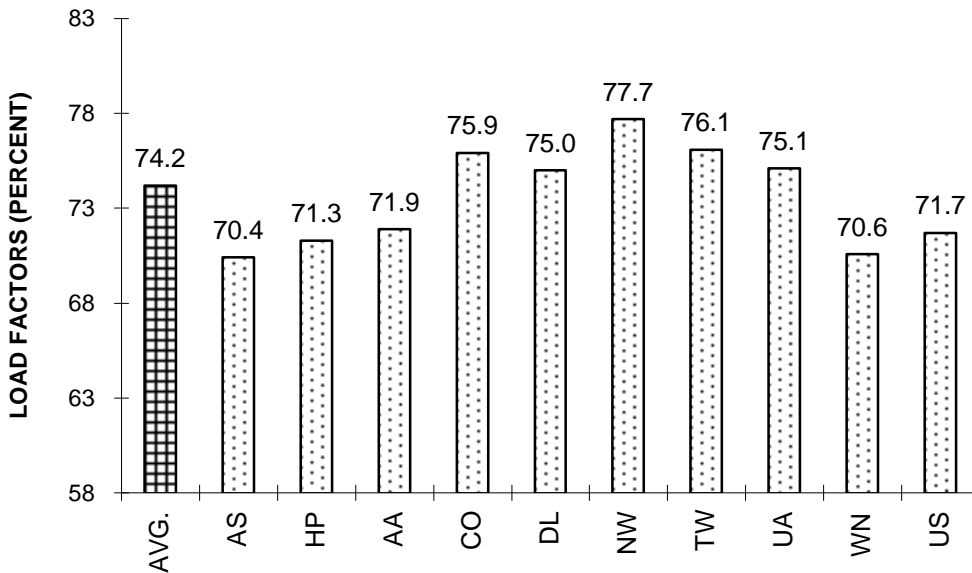


# **TOTAL PASSENGER MAJORS (SYSTEM) THIRD QUARTER 1999 (SCH. SVC.)**

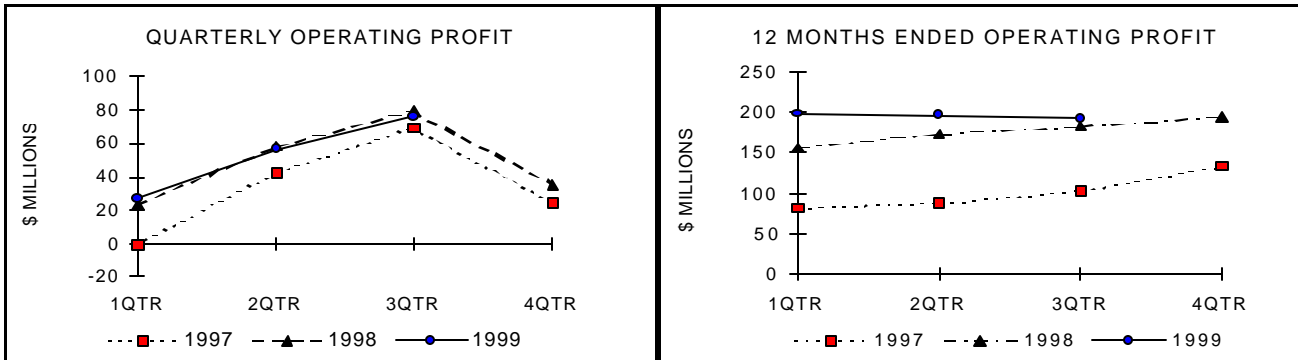
**Chart 15  
PASSENGER (RPM) YIELD**



**Chart 16  
PASSENGER LOAD FACTOR**



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



## **QUARTERLY RESULTS**

- Although operating revenues rose 6.6 percent, operating expenses increased a faster 8.9 percent, resulting in a \$3.6 million decline in operating profit to \$75.8 million.
- Rising unit fuel prices, up 39.3 percent, caused total fuel expense to jump \$14.7 million (39.3 percent). Fuel consumption dipped 0.1 percent.
- Net income, however, gained \$8.2 million to \$48.7 million, an all-time carrier record for any quarter.
- With Latin operating and net results virtually unchanged, domestic operations were primarily responsible for the overall system decline in operating profit, as well as the overall gain in net income.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	77.6	74.4	-3.1	39.7	47.8	8.0	3.0	3.1	2.0	4.4	4.4	0.1	70.4%
Int'l	1.8	1.4	-0.4	0.8	1.0	0.2	0.2	0.2	4.9	0.3	0.3	1.3	70.4%
Atlantic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Latin	1.8	1.4	-0.4	0.8	1.0	0.2	0.2	0.2	4.9	0.3	0.3	1.3	70.4%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	79.4	75.8	-3.6	40.5	48.7	8.3	3.2	3.3	2.1	4.6	4.6	0.2	70.4%

- RPM traffic growth, up 2.1 percent, was much stronger than ASM capacity growth, up a slight 0.2 percent, causing the passenger load factor to rise 1.3 percentage points to 70.4 percent.
- The operating profit margin was the second highest among all majors, but down 1.8 percentage points from a year ago to 15.9 percent.
- Profitability eroded as RTM unit cost growth, up 7.2 percent, exceeded RTM yield growth, up 4.9 percent.
- Interest expense fell \$4.2 million to a very low \$0.2 million.
- Passenger (RPM) yield gained 5.3 percent to 13.01 cents.

## **12-MONTH RESULTS**

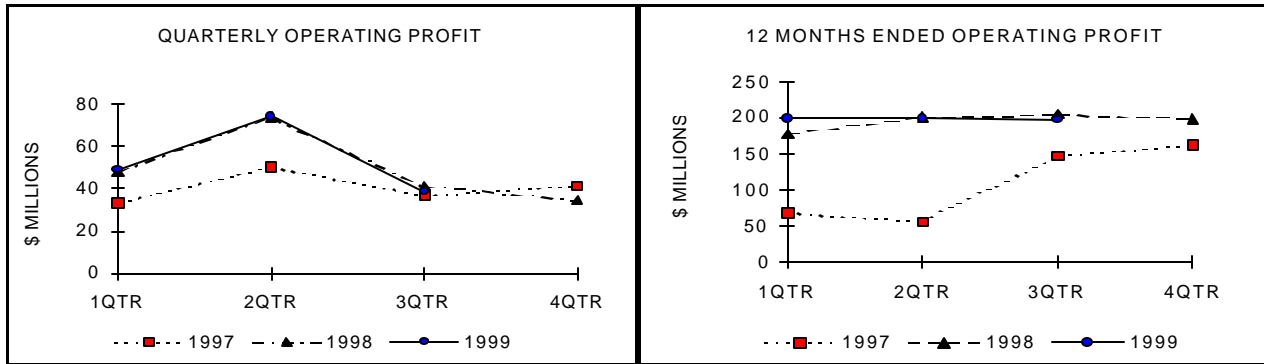
- Operating expense growth continues to accelerate, up 7.5 percent, while operating revenues rose 7.3 percent. Still, operating profit improved \$9.8 million to \$193.1 million.
- Net income jumped \$22.7 million to \$128.9 million.
- The passenger load factor was up 0.8 percentage points to 67.9 percent as RPM traffic, up 6.2 percent, grew faster than ASM capacity, up 4.9 percent.
- Passenger (RPM) yield increased from a year ago, up a major group high 1.4 percent to 12.43 cents.
- Alaska continues to benefit from the lowest interest expense among the passenger majors, dipping \$0.6 million to \$3.6 million.
- Total debt was cut \$102.9 million, the largest decline among the majors. This, combined with rising equity, led to a decline in the the debt-to-investment ratio of 13.4 percentage points to 21.7 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	478.4	449.0	1,666.2	1,636.7	1,611.0	1,581.3	1,553.2
2	Operating Expenses	402.6	369.6	1,473.1	1,440.1	1,412.4	1,386.3	1,369.9
3	Operating Profit (Loss)	75.8	79.4	193.1	196.6	198.7	195.0	183.3
4	Net Income (Loss)	48.7	40.5	128.9	120.7	120.6	116.5	106.2
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Svc.	3.26	3.20	11.68	11.61	11.51	11.27	11.00
6	ASMs - Scheduled Rev. Svc.	4.64	4.63	17.20	17.19	17.09	16.77	16.40
7	Overall RTMs (All Svc.)	0.35	0.34	1.24	1.24	1.23	1.21	1.18
8	Overall ATMs (All Svc.)	0.61	0.61	2.25	2.25	2.24	2.20	2.15
	<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	138.1	131.7	134.2	132.4	131.1	131.2	131.5
10	Operating Expense per RTM	116.2	108.4	118.6	116.5	115.0	115.0	116.0
11	Operating Profit (Loss) per RTM	21.9	23.3	15.5	15.9	16.2	16.2	15.5
12	Operating Expense per ATM	66.4	61.0	65.4	63.9	63.0	63.0	63.6
13	Passenger Revenue per RPM	13.01	12.36	12.43	12.25	12.13	12.17	12.26
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	2.11	2.15	2.18	2.19	2.19
15	Times Interest Earned	*	*	22.33	17.80	17.98	15.84	12.57
16	Current Assets to Current Liabilities	*	*	0.69	0.81	0.82	0.86	0.93
17	No. of Days Cash Coverage of Cash Ex	*	*	63.9	85.1	78.1	84.4	113.5
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Rev	15.9	17.7	11.6	12.0	12.3	12.3	11.8
19	Net Income to Stockholders Equity	*	*	22.2	22.1	23.4	23.9	23.0
20	Corporate Return on Investment	*	*	17.6	17.4	17.9	17.9	17.1
21	Debt to Total Investment	*	*	21.7	23.6	25.3	26.6	35.1
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	70.4	69.1	67.9	67.5	67.3	67.2	67.1
23	Breakeven	59.8	57.0	61.9	61.1	60.6	60.4	60.7
	<u>Employment &amp; Productivity:</u>							
24	Employment, Total Weighted Avg CY	8,517	7,980	8,208	8,073	7,949	7,827	7,712
25	Overall RTM's per Employee (000)	40.7	42.7	151.3	153.1	154.5	154.0	153.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.6	6.1	7.3	7.2	8.1	8.5	10.9
27	Operating Expenses (%)	8.9	4.4	7.5	6.3	6.0	4.7	5.6
28	Operating Profit (Loss) (in Millions \$)	-3.6	10.5	9.8	23.9	41.7	61.9	80.3
29	Net Income (Loss)(in Millions \$)	8.2	0.3	22.7	14.9	27.9	40.5	44.4
30	RPMs (Sch. Svc.) (%)	2.1	9.1	6.2	8.2	9.9	8.7	8.1
31	ASMs (Sch. Svc.) (%)	0.2	10.9	4.9	7.8	9.5	8.9	9.1
32	Operating Revenues per RTM (%)	4.9	-2.3	2.1	0.0	-0.8	0.4	2.8
33	Operating Expense per RTM (%)	7.2	-4.0	2.2	-0.8	-2.8	-3.2	-2.1
34	Passenger Revenue per RPM (Sch. Svc)	5.3	-2.1	1.4	-0.6	-1.4	0.4	4.0

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



## **QUARTERLY RESULTS**

- Operating expenses, up 11.5 percent, rose faster than operating revenues, up 10 percent, causing operating profit to decline \$2.8 million to \$38.8 million.
- Total fuel expense jumped 53.3 percent (\$22.9 million), the largest percentage increase among all majors, as unit fuel prices were up 42.5 percent (also a group high increase), and fuel consumption rose 7.5 percent.
- The only improvement among the two entities was in domestic net results, rising \$3.8 million to \$23.7 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	42.0	41.2	-0.8	20.0	23.7	3.8	4.3	4.6	6.0	6.0	6.4	7.4	71.4%
Int'l	-0.5	-2.3	-1.8	-0.7	-2.4	-1.7	0.1	0.1	-24.1	0.1	0.1	-33.8	63.9%
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	-0.5	-2.3	-1.8	-0.7	-2.4	-1.7	0.1	0.1	-24.1	0.1	0.1	-33.8	63.9%
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	41.4	38.8	-2.6	19.3	21.3	2.0	4.4	4.7	5.6	6.1	6.5	6.5	71.3%

- ASM capacity rose 6.5 percent, slightly outpacing the 5.6 percent increase in RPM traffic, causing the passenger load factor to dip 0.7 percentage points to a 71.3 percent.
- Passenger (RPM) yield advanced 4 percent to 10.81 cents, but was still a major group low.
- Interest expense declined \$0.7 million to \$8.8 million.

## **12-MONTH RESULTS**

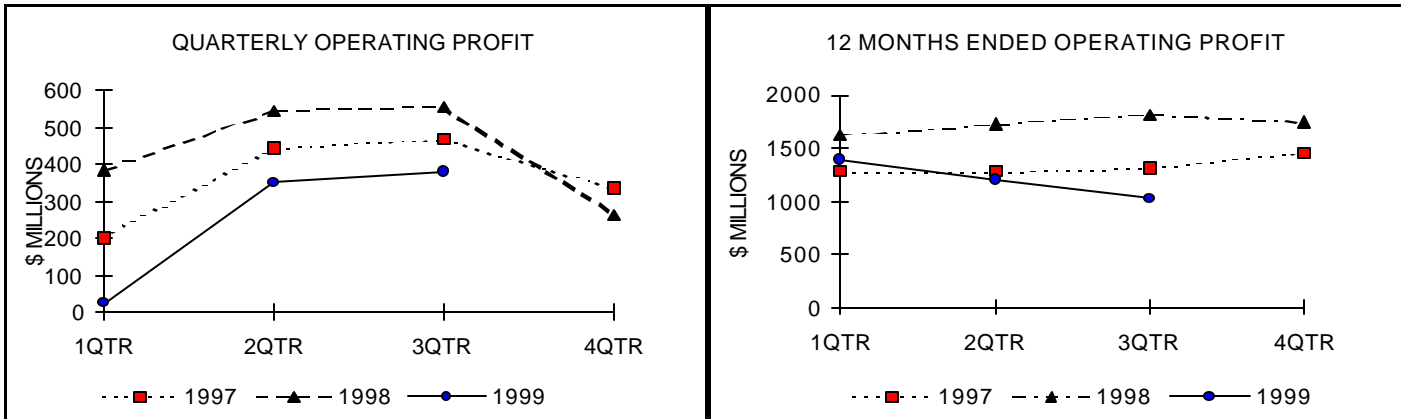
- For the second consecutive period, operating expenses, up 8.5 percent, grew faster than operating revenues, up 7.2 percent, resulting in an \$8 million decline in operating profit to \$196.6 million.
- Net income, however, rose \$2.6 million to \$106.9 million.
- Interest expense was down \$2 million to \$37 million.
- ASM capacity growth, up 6.5 percent, grew slightly faster than RPM traffic, up 6.2 percent, causing the passenger load factor to dip 0.2 percentage points to 67.3 percent.
- The rate of growth in passenger (RPM) yield rose 1.1 percent to 11.45 cents.
- Total debt declined \$21.3 million to \$265.3 million (only Alaska and DHL Airways reported lower debt). This, along with rising equity, resulted in the debt-to-investment ratio declining 3.9 percentage points to 23.7 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	538.2	489.3	2,103.5	2,054.6	2,019.3	1,983.0	1,962.5
2	Operating Expenses	499.3	447.9	1,906.9	1,855.4	1,820.4	1,785.1	1,757.9
3	Operating Profit (Loss)	38.8	41.4	196.6	199.2	198.9	197.8	204.6
4	Net Income (Loss)	21.3	19.3	106.9	104.9	103.5	103.0	104.3
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	4.66	4.41	17.19	16.94	16.75	16.36	16.18
6	ASMs - Scheduled Rev. Svc.	6.53	6.13	25.53	25.12	24.71	24.26	23.96
7	Overall RTMs (All Svc.)	0.49	0.46	1.81	1.79	1.77	1.74	1.73
8	Overall ATMs (All Svc.)	0.83	0.77	3.23	3.17	3.11	3.05	3.01
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	110.2	105.4	115.9	114.8	113.8	114.0	113.6
10	Operating Expense per RTM	102.2	96.5	105.1	103.6	102.6	102.7	101.7
11	Operating Profit (Loss) per RTM	8.0	8.9	10.8	11.1	11.2	11.4	11.8
12	Operating Expense per ATM	60.2	58.1	59.1	58.6	58.5	58.5	58.3
13	Passenger Revenue per RPM	10.81	10.39	11.45	11.35	11.27	11.33	11.32
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	1.91	1.91	1.92	1.94	1.95
15	Times Interest Earned	*	*	6.97	6.95	6.80	6.46	6.41
16	Current Assets to Current Liabilities	*	*	1.04	0.88	0.86	0.79	0.83
17	No. of Days Cash Coverage of Cash Ex	*	*	48.8	36.3	51.7	28.7	35.2
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	7.2	8.5	9.3	9.7	9.9	10.0	10.4
19	Net Income to Stockholders Equity	*	*	13.4	13.5	13.8	14.1	14.7
20	Corporate Return on Investment	*	*	12.6	12.7	12.9	13.4	13.9
21	Debt to Total Investment	*	*	23.7	24.9	32.2	27.3	27.6
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	71.3	72.0	67.3	67.4	67.8	67.4	67.5
23	Breakeven	67.1	66.6	61.7	61.5	61.7	61.1	60.8
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	10,074	8,854	9,553	9,248	9,026	8,826	8,747
25	Overall RTM's per Employee (000)	48.5	52.4	190.0	193.6	196.6	197.0	197.5

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	10.0	5.2	7.2	6.0	6.5	5.1	5.8
27	Operating Expenses (%)	11.5	4.6	8.5	6.7	5.9	3.5	2.9
28	Operating Profit (Loss) (in Millions \$)	-2.6	4.4	-8.0	-0.9	22.0	35.2	58.2
29	Net Income (Loss)(in Millions \$)	2.0	1.4	2.6	1.9	17.7	27.7	37.4
30	RPMs (Sch. Svc.) (%)	5.6	5.1	6.2	6.1	5.8	1.2	-0.6
31	ASMs (Sch. Svc.) (%)	6.5	3.1	6.5	5.7	5.0	3.4	3.0
32	Operating Revenues per RTM (%)	4.6	2.0	2.0	1.5	2.1	4.9	7.1
33	Operating Expense per RTM (%)	5.9	1.5	3.3	2.2	1.5	3.4	4.1
34	Passenger Revenue per RPM (Sch. Svc)	4.0	1.4	1.1	0.5	1.3	4.5	7.1

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



## **QUARTERLY RESULTS**

- American experienced sharp declines from a year ago in both operating and net results.
- Operating revenues dipped 0.5 percent, while operating expenses rose 4.1 percent, resulting in a \$174 million drop in operating profit to \$381.3 million.
- Total fuel expense jumped \$35.3 million (10.3 percent) as fuel consumption rose 5.1 percent and unit fuel prices were up 4.5 percent.
- Net income fell \$123.1 million to \$222.4 million.
- All entities contributed to the overall system declines, but all also remained profitable. Domestic operations reported the largest declines, with operating profit down \$151.4 million to \$250.4 million, and net income down \$104.1 million to \$145.9 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	401.8	250.4	-151.4	250.0	145.9	-104.1	19.7	19.8	0.2	27.0	28.1	4.2	70.2%
Int'l	153.5	130.9	-22.6	95.5	76.5	-19.0	9.4	10.0	7.2	12.8	13.4	4.6	75.2%
Atlantic	89.4	59.1	-30.3	55.6	34.6	-21.0	4.2	4.5	7.4	5.0	5.6	10.4	80.5%
Latin	54.2	57.7	3.5	33.7	33.6	-0.1	4.5	4.6	1.5	6.8	6.5	-3.8	69.8%
Pacific	9.9	14.1	4.2	6.2	8.3	2.1	0.7	1.0	41.7	0.9	1.3	34.9	80.3%
System	555.3	381.3	-174.0	345.5	222.4	-123.1	29.1	29.8	2.4	39.8	41.5	4.3	71.9%

- For the fourth consecutive quarter, passenger (RPM) yield declined from the same quarter a year ago, down 3.2 percent to 12.86 cents.
- ASM capacity growth, up 4.3 percent, nearly doubled the 2.4 percent increase in RPM traffic, causing the passenger load factor to slide 1.3 percentage points to 71.9 percent.
- Interest expense jumped \$22.4 million, the largest increase among the majors, to \$42.4 million.

## **12-MONTH RESULTS**

- Operating and net profits declined from a year ago for the third consecutive period after two consecutive years of improvements.
- With an accelerating rate of decline in operating revenues, down 3.5 percent, and an accelerating rate of growth in operating expenses, up 1.6 percent, operating profit plunged \$798.6 million to \$1.02 billion.
- Net income fell \$461.9 million to \$635.4 million.
- The passenger load factor dipped 0.1 percentage points to 69.9 percent, as ASM capacity rose 1 percent and RPM traffic rose a lesser 0.8 percent.
- Passenger (RPM) yield fell 5 percent, the largest decline among the majors, to 12.99 cents.
- Interest expense jumped over 50 percent, up \$47.2 million to \$133.9 million.
- Total debt soared \$1.2 billion to \$3.49 billion, outpacing equity growth, thus causing the debt-to-investment ratio to rise 5.8 percentage points to 33.6 percent.



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

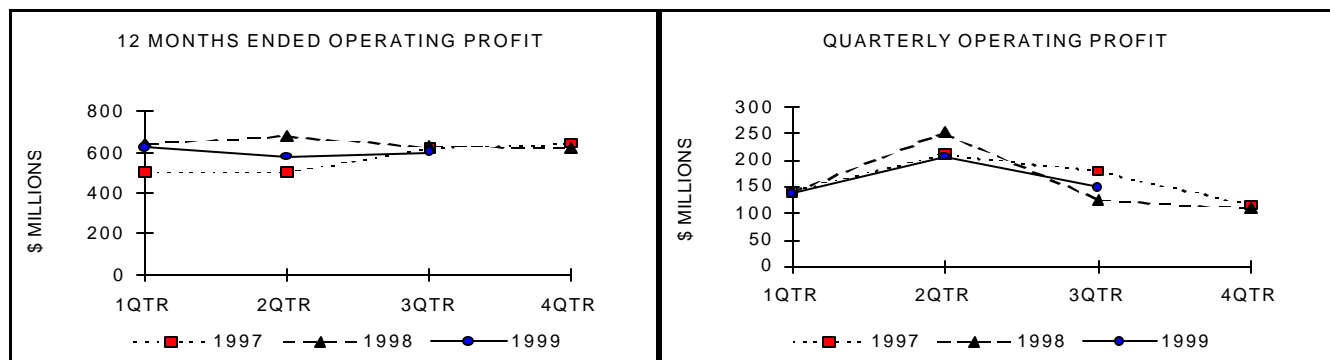
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	4,251.4	4,272.4	15,824.1	15,845.1	15,954.8	16,298.8	16,394.5
2	Operating Expenses	3,870.1	3,717.1	14,802.4	14,649.4	14,564.0	14,550.5	14,574.2
3	Operating Profit (Loss)	381.3	555.3	1,021.7	1,195.8	1,390.9	1,748.4	1,820.3
4	Net Income (Loss)	222.4	345.5	635.4	758.5	875.5	1,062.9	1,097.3
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	29.82	29.11	109.12	108.42	108.13	108.87	108.27
6	ASMs - Scheduled Rev. Svc.	41.49	39.78	156.19	154.48	154.10	155.17	154.63
7	Overall RTMs (All Svc.)	3.53	3.40	12.90	12.77	12.74	12.88	12.86
8	Overall ATMs (All Svc.)	6.45	6.05	24.06	23.66	23.50	23.60	23.50
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	120.5	125.8	122.6	124.0	125.2	126.5	127.5
10	Operating Expense per RTM	109.7	109.4	114.7	114.7	114.3	112.9	113.3
11	Operating Profit (Loss) per RTM	10.8	16.3	7.9	9.4	10.9	13.6	14.2
12	Operating Expense per ATM	60.0	61.4	61.5	61.9	62.0	61.6	62.0
13	Passenger Revenue per RPM	12.86	13.29	12.99	13.11	13.26	13.49	13.67
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	1.68	1.77	1.86	1.96	2.04
15	Times Interest Earned	*	*	-56.63	-41.39	-59.46	821.48	38.80
16	Current Assets to Current Liabilities	*	*	0.85	0.79	0.75	0.87	0.85
17	No. of Days Cash Coverage of Cash Ex	*	*	39.1	31.2	22.4	39.8	46.7
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	9.0	13.0	6.5	7.5	8.7	10.7	11.1
19	Net Income to Stockholders Equity	*	*	9.7	12.0	14.3	18.0	19.5
20	Corporate Return on Investment	*	*	6.6	8.1	9.9	12.8	14.2
21	Debt to Total Investment	*	*	33.6	32.1	28.5	28.9	27.8
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	71.9	73.2	69.9	70.2	70.2	70.2	70.0
23	Breakeven	66.7	64.3	67.2	66.5	65.4	63.6	63.0
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	79,440	74,721	77,188	76,008	75,006	74,424	74,060
25	Overall RTM's per Employee (000)	44.4	45.5	167.2	168.1	169.9	173.1	173.7

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-0.5	4.0	-3.5	-2.4	-0.7	2.8	5.1
27	Operating Expenses (%)	4.1	2.2	1.6	1.1	0.9	1.0	2.0
28	Operating Profit (Loss) (in Millions \$)	-174.0	86.2	-798.6	-538.3	-241.4	301.4	508.5
29	Net Income (Loss)(in Millions \$)	-123.1	79.4	-461.9	-259.5	-51.7	282.7	443.9
30	RPMs (Sch. Svc.) (%)	2.4	2.2	0.8	0.7	1.0	1.8	1.6
31	ASMs (Sch. Svc.) (%)	4.3	1.1	1.0	0.2	0.1	0.9	0.9
32	Operating Revenues per RTM (%)	-4.2	2.9	-3.9	-2.1	-0.4	1.8	3.9
33	Operating Expense per RTM (%)	0.3	1.0	1.2	1.5	1.2	-0.1	0.9
34	Passenger Revenue per RPM (Sch. Svc)	-3.2	2.0	-5.0	-3.6	-2.1	1.0	3.9

# QUARTERLY FINANCIAL & TRAFFIC REVIEW

## SYSTEM OPERATIONS

### CONTINENTAL AIR LINES 1/



## QUARTERLY RESULTS

- Operating revenue growth, up 4.1 percent, exceeded operating expense growth, up 3.1 percent, resulting in a \$24.7 million gain in operating profit to \$147.9 million.
- Total fuel expense rose \$16.3 million (9.1 percent) due mostly to rising unit fuel prices, up 8.4 percent, as fuel consumption climbed a low 0.6 percent.
- Net income improved \$43.1 million to \$93.1 million.
- The overall system improvements were produced by strong results in the combined international entities, as domestic operating profit declined \$44.5 million to \$52.1 million, and domestic net income dipped \$0.4 million to \$12.6 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	96.6	52.1	-44.5	13.1	12.6	-0.4	9.9	10.3	3.8	13.0	13.9	6.3	74.0%
Int'l	26.6	95.8	69.2	37.0	80.5	43.5	5.4	5.9	9.4	7.1	7.4	4.9	79.3%
Atlantic	62.3	62.7	0.4	62.7	58.5	-4.2	2.6	3.2	26.5	3.0	4.0	33.3	80.5%
Latin	-1.4	17.6	19.0	-3.1	14.3	17.4	1.6	1.8	10.6	2.5	2.3	-6.0	76.4%
Pacific 1/	-34.2	15.5	49.8	-22.7	7.6	30.3	1.2	0.9	-27.8	1.6	1.1	-32.2	81.4%
System	123.2	147.9	24.7	50.0	93.1	43.1	15.2	16.1	5.8	20.1	21.3	5.8	75.9%

- Both RPM traffic and ASM capacity grew by 5.8 percent, causing the passenger load factor to climb a slight 0.1 percentage points to 75.9 percent.
- Passenger (RPM) yield slid 2.4 percent to 11.61 cents.
- Interest expense rose \$11 million to \$45.9 million

## 12-MONTH RESULTS

- Operating profit declined from a year ago for the fourth consecutive period, down \$30.8 million to \$596.7 million, as operating expenses, up 6.8 percent, continued to grow faster than operating revenues, up 5.8 percent.
- Net income, however, gained \$22.9 million to \$362 million.
- RPM traffic growth continues to slow, rising 8.1 percent, but still exceeded ASM capacity growth, which is also slowing, up 6.6 percent, resulting in the passenger load factor rising 1 percentage points to 73 percent.
- Passenger (RPM) yield declined from a year ago for the tenth consecutive 12-month period, down 3.2 percent to 12.20 cents.
- Total debt jumped \$859.5 million to \$3.37 billion, but rising equity offset much of this increase causing the debt-to-investment ratio to decline 0.9 percentage points to 66.6 percent.

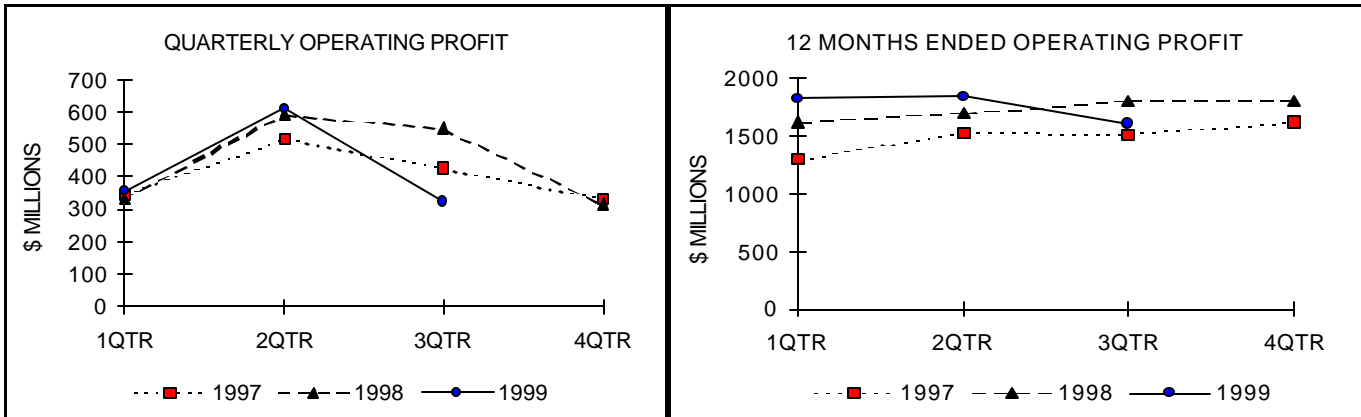
1/ Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which now reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively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

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	2,186.8	2,099.9	8,248.1	8,161.2	8,070.3	7,907.7	7,793.0
2	Operating Expenses	2,038.9	1,976.7	7,651.4	7,589.2	7,451.5	7,287.0	7,165.6
3	Operating Profit (Loss)	147.9	123.2	596.7	572.0	618.7	620.7	627.5
4	Net Income (Loss)	93.1	50.0	362.0	318.9	350.8	345.8	339.1
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	16.13	15.24	58.11	57.22	56.35	54.90	53.78
6	ASMs - Scheduled Rev. Svc.	21.26	20.10	79.59	78.43	77.44	76.12	74.69
7	Overall RTMs (All Svc.)	1.86	1.74	6.71	6.59	6.51	6.39	6.29
8	Overall ATMs (All Svc.)	2.76	2.63	10.34	10.21	10.13	9.98	9.84
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	117.8	120.9	123.0	123.9	124.0	123.8	124.0
10	Operating Expense per RTM	109.9	113.8	114.1	115.2	114.5	114.1	114.0
11	Operating Profit (Loss) per RTM	8.0	7.1	8.9	8.7	9.5	9.7	10.0
12	Operating Expense per ATM	73.8	75.2	74.0	74.3	73.6	73.0	72.8
13	Passenger Revenue per RPM	11.61	11.90	12.20	12.29	12.36	12.44	12.60
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	1.84	1.93	2.07	2.21	2.32
15	Times Interest Earned	*	*	4.44	4.35	4.96	5.26	5.46
16	Current Assets to Current Liabilities	*	*	0.90	0.89	1.00	0.95	0.86
17	No. of Days Cash Coverage of Cash Ex	*	*	64.9	63.1	71.1	72.7	66.9
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	6.8	5.9	7.2	7.0	7.7	7.8	8.1
19	Net Income to Stockholders Equity	*	*	24.3	22.8	27.4	29.0	30.0
20	Corporate Return on Investment	*	*	11.8	11.3	12.8	13.4	13.9
21	Debt to Total Investment	*	*	66.6	64.4	67.7	68.3	67.5
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	75.9	75.8	73.0	73.0	72.8	72.1	72.0
23	Breakeven	73.8	73.8	70.4	70.4	69.2	68.0	67.5
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	35,055	32,277	33,742	33,048	32,322	31,641	30,944
25	Overall RTM's per Employee (000)	52.9	53.8	198.8	199.3	201.3	201.9	203.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.1	13.7	5.8	8.2	11.1	11.5	14.4
27	Operating Expenses (%)	3.1	18.4	6.8	10.7	12.5	13.1	15.7
28	Operating Profit (Loss) (in Millions \$)	24.7	-55.0	-30.8	-110.4	-23.8	-25.2	5.2
29	Net Income (Loss)(in Millions \$)	43.1	-60.2	22.9	-80.4	-12.6	-19.0	-11.8
30	RPMs (Sch. Svc.) (%)	5.8	14.5	8.1	10.4	12.9	13.2	15.5
31	ASMs (Sch. Svc.) (%)	5.8	11.6	6.6	8.0	10.1	11.4	13.0
32	Operating Revenues per RTM (%)	-2.6	0.2	-0.8	-0.1	-0.3	-1.5	-2.0
33	Operating Expense per RTM (%)	-3.4	4.3	0.1	2.1	1.0	-0.2	-0.9
34	Passenger Revenue per RPM (Sch. Svc)	-2.4	-3.4	-3.2	-3.5	-3.3	-3.2	-1.9

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



## **QUARTERLY RESULTS**

- Operating revenues declined 0.6 percent, while operating expenses jumped 6 percent, resulting in a \$224.7 million drop in operating profit to \$322.6 million.
- Total fuel expense was up 2.6 percent (\$9.2 million) as unit fuel prices rose 1.2 percent and fuel consumption rose 1.4 percent.
- Net income, however, \$25.6 million to \$352.3 million, a carrier record high for any third quarter.
- Only the Latin entity reported a gain and both operating and net results, up \$10.7 million to \$19.4 million and up \$4.3 million to \$9.9 million, respectively. Domestic operations reported a gain in just net results, up \$62.3 million to \$285.1 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	383.0	210.4	-172.6	222.9	285.1	62.3	21.1	20.9	-0.7	27.8	28.5	2.6	73.4%
Int'l	164.2	112.2	-52.0	103.9	67.2	-36.7	7.0	7.4	4.9	8.8	9.2	3.9	80.1%
Atlantic	142.7	92.1	-50.6	90.0	52.6	-37.4	5.5	5.6	2.0	6.6	6.8	3.1	82.3%
Latin	8.7	19.4	10.7	5.6	9.9	4.3	0.6	0.7	25.2	1.0	1.1	2.6	67.0%
Pacific	12.8	0.7	-12.2	8.2	4.7	-3.6	0.9	1.0	9.9	1.2	1.3	9.5	78.9%
System	547.3	322.6	-224.7	326.7	352.3	25.6	28.1	28.3	0.7	36.6	37.7	2.9	75.0%

- The passenger load factor declined 1.7 percentage points to 75 percent as ASM capacity, up 2.9 percent, grew faster than RPM traffic, up 0.7 percent.
- Passenger (RPM) yield fell 3.2 percent to 11.99 cents.
- Interest expense jumped \$21.3 million to \$64.1 million.

## **12-MONTH RESULTS**

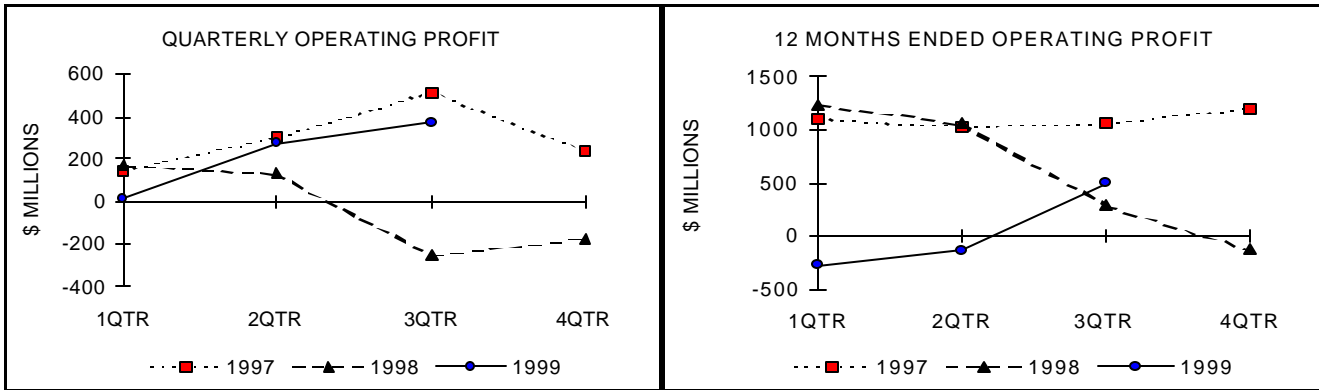
- Operating profit declined from a year ago for the first time in five years, down \$200.8 million to \$1.61 billion, still a major group high. Operating expenses, up 3.6 percent, grew twice as fast as operating revenues, up 1.8 percent.
- Net income gained \$53.2 million to \$1.13 billion.
- ASM capacity growth, up 2.4 percent, exceeded RPM traffic growth, up 1.7 percent, causing the passenger load factor to dip 0.5 percentage points to 72.3 percent. This was the first time since March 1996 that the passenger load factor has declined on a year-to-year basis.
- Passenger (RPM) yield declined 1.6 percent to 12.63 cents, the fourth consecutive period of decline.
- Total debt soared a major group high \$1.21 billion to \$5.49 billion, more than offsetting equity growth, resulting in an increase of 8 percentage points in the debt-to-investment ratio to 40.9 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	3,842.3	3,868.3	14,849.7	14,875.6	14,764.9	14,629.8	14,584.9
2	Operating Expenses	3,519.7	3,321.0	13,243.1	13,044.4	12,952.4	12,836.7	12,777.6
3	Operating Profit (Loss)	322.6	547.3	1,606.5	1,831.2	1,812.5	1,793.1	1,807.3
4	Net Income (Loss)	352.3	326.7	1,126.7	1,101.1	1,098.5	1,077.6	1,073.5
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	28.28	28.08	104.34	104.15	104.20	103.24	102.58
6	ASMs - Scheduled Rev. Svc.	37.69	36.62	144.34	143.26	142.75	141.96	140.97
7	Overall RTMs (All Svc.)	3.27	3.23	12.15	12.12	12.13	12.05	12.01
8	Overall ATMs (All Svc.)	5.53	5.27	20.82	20.56	20.45	20.31	20.12
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	117.6	119.8	122.2	122.8	121.8	121.4	121.4
10	Operating Expense per RTM	107.7	102.8	109.0	107.7	106.8	106.5	106.4
11	Operating Profit (Loss) per RTM	9.9	16.9	13.2	15.1	14.9	14.9	15.0
12	Operating Expense per ATM	63.6	63.0	63.6	63.4	63.3	63.2	63.5
13	Passenger Revenue per RPM	11.99	12.38	12.63	12.74	12.73	12.76	12.84
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	2.18	2.30	2.40	2.48	2.52
15	Times Interest Earned	*	*	11.34	12.01	13.05	13.05	12.34
16	Current Assets to Current Liabilities	*	*	0.60	0.50	0.53	0.60	0.69
17	No. of Days Cash Coverage of Cash Ex	*	*	40.3	28.1	24.6	23.9	34.3
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	8.4	14.1	10.8	12.3	12.3	12.3	12.4
19	Net Income to Stockholders Equity	*	*	26.0	26.1	26.9	27.5	28.6
20	Corporate Return on Investment	*	*	19.2	19.6	20.3	20.7	21.2
21	Debt to Total Investment	*	*	40.9	37.4	37.6	31.4	32.9
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	75.0	76.7	72.3	72.7	73.0	72.7	72.8
23	Breakeven	70.4	65.7	65.4	64.2	64.1	63.7	63.7
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	64,076	62,928	63,665	63,378	62,940	62,071	60,762
25	Overall RTM's per Employee (000)	51.0	51.3	190.9	191.2	192.7	194.2	197.7

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-0.7	7.1	1.8	3.8	4.4	3.0	4.1
27	Operating Expenses (%)	6.0	4.4	3.6	3.2	3.4	2.0	2.2
28	Operating Profit (Loss) (in Millions \$)	-224.7	117.2	-200.8	141.0	200.4	171.8	294.2
29	Net Income (Loss)(in Millions \$)	25.6	73.0	53.2	100.6	158.6	143.6	203.6
30	RPMs (Sch. Svc.) (%)	0.7	5.7	1.7	3.1	4.4	3.6	3.7
31	ASMs (Sch. Svc.) (%)	2.9	2.7	2.4	2.3	2.7	2.4	2.2
32	Operating Revenues per RTM (%)	-1.8	2.0	0.7	1.7	0.8	-0.5	-0.3
33	Operating Expense per RTM (%)	4.8	-0.7	2.4	1.0	-0.2	-1.5	-2.0
34	Passenger Revenue per RPM (Sch. Svc)	-3.2	1.1	-1.6	-0.5	-0.2	-0.5	1.0

## QUARTERLY FINANCIAL & TRAFFIC REVIEW SYSTEM OPERATIONS NORTHWEST AIRLINES



### QUARTERLY RESULTS

- Operating revenues soared 47.7 percent from the strike impacted quarter a year ago, while operating expenses rose a much slower 12.3 percent, resulting in a major group high improvement of \$628.7 million in operating profit to \$376.5 million.
- Net income jumped \$383.4 million, also a major group high, to a positive \$175 million.
- The operating profit margin rebounded from a negative 13.6 percent a year ago to a positive 13.7 percent.
- All entities contributed to the strong overall system operating and net profits, with domestic operations leading the way. Domestic operating profit rose \$420.3 million to a profit of \$224.1 million, and net income rose \$260.8 million to a profit of \$105.1 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	-196.3	224.1	420.3	-155.7	105.1	260.8	8.5	11.7	38.4	11.6	16.0	38.2	73.4%
Int'l	-56.0	152.5	208.4	-52.7	69.9	122.7	6.6	9.1	37.8	8.6	10.9	26.8	83.9%
Atlantic	49.2	79.3	30.1	24.8	43.2	18.4	2.1	2.9	42.3	2.5	3.5	37.5	84.0%
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	-105.1	73.2	178.3	-77.5	26.7	104.3	4.5	6.2	35.8	6.0	7.4	22.3	83.9%
System	-252.2	376.5	628.8	-208.4	175.0	383.4	15.1	20.8	38.2	20.1	26.8	33.4	77.7%

- Total fuel expense soared a major group high \$103.4 million (48.6 percent) as unit fuel prices jumped 10.9 percent and fuel consumption, reflecting the change from the strike impacted quarter a year ago, soared a group high 33.9 percent.
- Interest expense increased a \$7.8 million to \$80.6 million, a major group high.
- Reflecting the return to normal operations after the strike a year ago, RPM traffic rose 38.2 percent, while ASM capacity increased a lesser 33.4 percent, causing the passenger load factor to gain a major group high 2.7 percentage points to 77.7 percent, also a group high.
- This strong rise in the passenger load factor occurred even as passenger (RPM) yield rose a group high 10.5 percent to 11.64 cents.

### 12-MONTH RESULTS

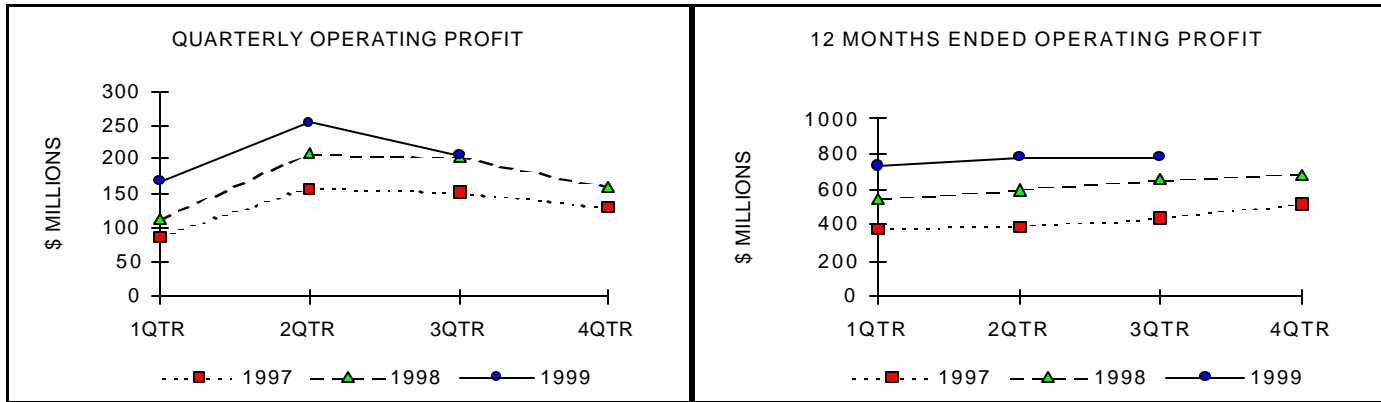
- With operating revenues, up 5.9 percent, rising faster than operating expenses, up 3.9 percent, operating profit jumped \$197.6 million to \$488.3 million, the largest improvement among all majors.
- Net income gained \$74.3 million to a loss of \$108.2 million.
- The passenger load factor inched upward 0.2 percentage points to 73.9 percent as RPM traffic growth, up 8 percent, outpaced ASM capacity growth, up 7.7 percent.
- Passenger (RPM) yield dipped 1.5 percent to 11.37 cents, the tenth consecutive 12-month period of decline and a major group low.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	2,746.9	1,859.3	9,531.1	8,643.5	8,538.4	8,706.7	8,996.3
2	Operating Expenses	2,370.3	2,111.5	9,042.8	8,784.0	8,821.2	8,836.1	8,705.6
3	Operating Profit (Loss)	376.5	-252.2	488.3	-140.4	-282.7	-129.4	290.7
4	Net Income (Loss)	175.0	-208.4	108.2	-275.3	-339.9	-241.3	33.9
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	20.85	15.09	72.85	67.09	66.24	66.71	67.48
6	ASMs - Scheduled Rev. Svc.	26.84	20.12	98.62	91.90	90.52	91.27	91.58
7	Overall RTMs (All Svc.)	2.69	1.90	9.53	8.74	8.59	8.64	8.79
8	Overall ATMs (All Svc.)	4.26	3.17	15.64	14.56	14.39	14.53	14.61
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	102.2	97.8	100.0	98.8	99.4	100.8	102.4
10	Operating Expense per RTM	88.2	111.1	94.9	100.5	102.7	102.3	99.1
11	Operating Profit (Loss) per RTM	14.0	-13.3	5.1	-1.6	-3.3	-1.5	3.3
12	Operating Expense per ATM	55.7	66.5	57.8	60.3	61.3	60.8	59.6
13	Passenger Revenue per RPM	11.64	10.53	11.37	11.10	11.09	11.26	11.54
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	1.08	1.00	1.02	1.09	1.17
15	Times Interest Earned	*	*	1.54	-0.19	-0.59	-0.27	1.34
16	Current Assets to Current Liabilities	*	*	0.54	0.49	0.55	0.44	0.44
17	No. of Days Cash Coverage of Cash Ex	*	*	30.7	26.7	35.1	19.9	22.4
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	13.7	-13.6	5.1	-1.6	-3.3	-1.5	3.2
19	Net Income to Stockholders Equity	*	*	2.4	-6.0	-7.2	-5.0	0.7
20	Corporate Return on Investment	*	*	5.2	0.9	-0.1	0.6	3.7
21	Debt to Total Investment	*	*	46.8	49.1	52.4	49.5	42.2
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	77.7	75.0	73.9	73.0	73.2	73.1	73.7
23	Breakeven	66.9	93.5	71.8	77.9	80.2	78.1	73.9
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	48,697	46,412	48,364	47,793	47,751	47,326	46,867
25	Overall RTM's per Employee (000)	55.2	41.0	197.1	183.0	179.9	182.6	187.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	47.7	-32.3	5.9	-12.5	-14.5	-12.8	-8.9
27	Operating Expenses (%)	12.3	-5.4	3.9	-0.5	0.7	0.6	-1.3
28	Operating Profit (Loss) (in Millions \$)	628.7	-766.0	197.6	-1,197.2	-1,507.7	-1,332.6	-761.1
29	Net Income (Loss)(in Millions \$)	383.4	-502.5	74.3	-811.7	-957.4	-844.8	-489.1
30	RPMs (Sch. Svc.) (%)	38.2	-24.6	8.0	-7.4	-8.3	-7.4	-4.9
31	ASMs (Sch. Svc.) (%)	33.4	-21.9	7.7	-5.5	-7.3	-5.8	-4.8
32	Operating Revenues per RTM (%)	4.5	-7.2	-2.4	-5.2	-5.1	-4.0	-3.0
33	Operating Expense per RTM (%)	-20.6	29.6	-4.2	8.1	11.8	10.7	5.0
34	Passenger Revenue per RPM (Sch. Svc)	10.5	-12.7	-1.5	-6.6	-8.0	-7.0	-5.5

# **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 exceeding eight years. Operating profit was the highest for any third quarter in carrier history, and net income was second only to the third quarter a year ago.
- Operating expenses, up 15.5 percent, rose faster than operating revenues, up 12.8 percent, but operating profit still increased \$2.5 million to \$206.7 million.
- Much of the cause of the sharp jump in operating expenses can be attributed to the increase in total fuel expense, up 47.9 percent (\$45.9 million), due to the combined increases in fuel consumption, up 12 percent, and unit fuel prices, up 32 percent.
- Net income slid \$2.6 million to \$127 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	204.2	206.7	2.6	129.6	127.0	-2.7	8.5	9.6	13.6	12.3	13.6	10.9	70.6%
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	204.2	206.7	2.6	129.6	127.0	-2.7	8.5	9.6	13.6	12.3	13.6	10.9	70.6%

- Interest expense dipped \$0.3 million to \$13.1 million.
- The operating profit margin declined 1.9 percentage points to a major group high 16.7 percent.
- Despite the largest increases among the majors in both RPM traffic, up 13.6 percent, and ASM capacity, up 10.9 percent (excluding Northwest, whose larger increases were over a strike impacted quarter), the passenger load factor was a major group low, although rising 1.7 percentage points to 70.6 percent.
- Passenger (RPM) yield dipped 0.8 percent to 12.22 cents.

## **12-MONTH RESULTS**

- Operating results for the 12-months ended September 1999 again set a new all-time high for any quarter-ended 12-month period in carrier history. Net results dipped only slightly from the record set only a quarter ago.
- For the last three periods, operating revenues have advanced at an increasing rate of growth, rising 11.9 percent, while operating expenses grew at a lesser rate, up 10.3 percent. As a result, operating profit improved \$133.5 million to \$786.7 million.
- Net income was up \$67.4 million to \$481 million.
- The passenger load factor rose a major group high 2.3 percentage points to 68.2 percent, but was still well below the average for the passenger majors of 71.2 percent.
- Passenger (RPM) yield declined 1.6 percent to 12.44 cents.
- Although RTM yield was down 0.9 percent, RTM unit costs declined a larger 2.3 percent, boosting profitability.

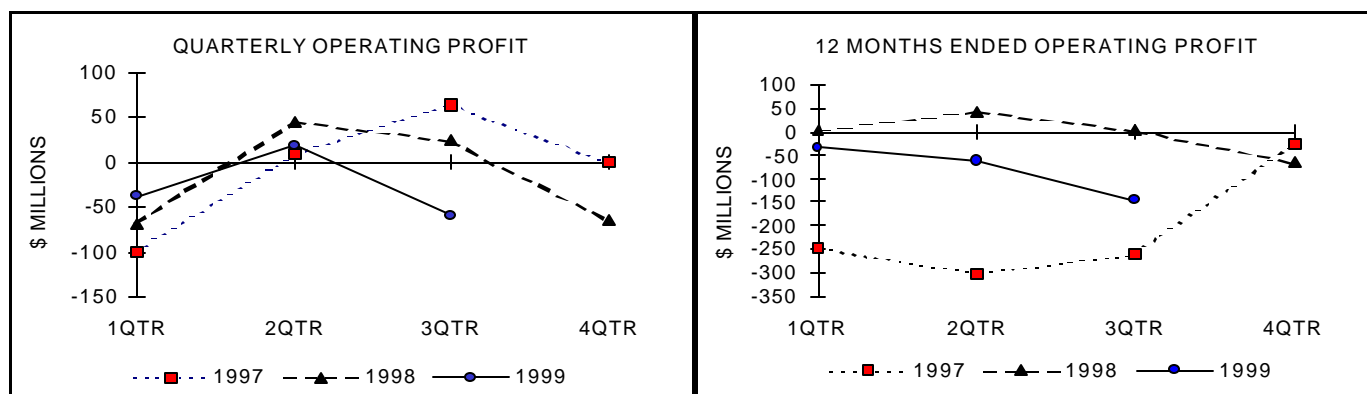


**QUARTERLY FINANCIAL & TRAFFIC REVIEW  
SYSTEM OPERATIONS  
SOUTHWEST AIRLINES**

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	1,235.2	1,094.8	4,578.9	4,438.6	4,297.0	4,164.0	4,092.0
2	Operating Expenses	1,028.5	890.7	3,792.2	3,654.4	3,558.6	3,480.3	3,438.8
3	Operating Profit (Loss)	206.7	204.2	786.7	784.1	738.4	683.7	653.2
4	Net Income (Loss)	127.0	129.6	481.0	483.6	459.3	433.4	413.6
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	9.61	8.46	34.96	33.82	32.57	31.42	30.83
6	ASMs - Scheduled Rev. Svc.	13.62	12.28	51.29	49.95	48.67	47.55	46.77
7	Overall RTMs (All Svc.)	1.00	0.88	3.64	3.52	3.40	3.28	3.22
8	Overall ATMs (All Svc.)	1.74	1.57	6.50	6.33	6.18	6.04	5.95
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	123.1	124.0	125.8	126.1	126.5	126.9	126.9
10	Operating Expense per RTM	102.5	100.9	104.2	103.8	104.8	106.1	106.6
11	Operating Profit (Loss) per RTM	20.6	23.1	21.6	22.3	21.7	20.8	20.3
12	Operating Expense per ATM	59.2	56.9	58.3	57.8	57.6	57.6	57.8
13	Passenger Revenue per RPM	12.22	12.32	12.44	12.47	12.55	12.61	12.64
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	1.45	1.46	1.46	1.46	1.47
15	Times Interest Earned	*	*	36.20	32.84	28.06	23.98	20.64
16	Current Assets to Current Liabilities	*	*	0.48	0.64	0.60	0.66	0.73
17	No. of Days Cash Coverage of Cash Ex	*	*	27.2	51.8	44.4	41.9	50.9
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	16.7	18.6	17.2	17.7	17.2	16.4	16.0
19	Net Income to Stockholders Equity	*	*	19.0	20.0	20.0	19.7	19.7
20	Corporate Return on Investment	*	*	15.9	16.7	16.6	16.2	16.1
21	Debt to Total Investment	*	*	18.2	18.9	20.0	20.9	21.8
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	70.6	68.9	68.2	67.7	66.9	66.1	65.9
23	Breakeven	56.7	53.8	54.4	53.6	53.4	53.3	53.5
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	26,743	24,550	26,008	25,460	24,879	24,297	23,877
25	Overall RTM's per Employee (000)	37.5	36.0	140.0	138.2	136.5	135.1	135.0

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	12.8	9.8	11.9	11.1	11.0	9.1	11.4
27	Operating Expenses (%)	15.5	5.3	10.3	7.7	7.1	5.7	6.5
28	Operating Profit (Loss) (in Millions \$)	2.5	52.4	133.5	183.2	189.4	159.4	209.2
29	Net Income (Loss)(in Millions \$)	-2.6	37.1	67.4	107.1	122.4	115.6	148.2
30	RPMs (Sch. Svc.) (%)	13.6	11.9	13.4	13.0	13.4	10.8	9.3
31	ASMs (Sch. Svc.) (%)	10.9	6.9	9.7	8.6	7.6	6.9	7.7
32	Operating Revenues per RTM (%)	-0.7	-1.4	-0.9	-1.0	-1.6	-1.3	1.8
33	Operating Expense per RTM (%)	1.6	-5.3	-2.3	-4.1	-5.0	-4.3	-2.7
34	Passenger Revenue per RPM (Sch. Svc)	-0.8	-1.8	-1.6	-1.9	-2.2	-1.7	1.7

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



### QUARTERLY RESULTS

- Operating expenses, up 11.4 percent, grew much faster than operating revenues, up 1.5 percent, resulting in operating profit falling into the red, down \$82.6 million to a loss of \$58.9 million, the first third quarter loss for the carrier since 1993.
- Much of the surge in operating expenses was attributable to rising total fuel expense, up \$26.4 million (34.3 percent). Unit fuel prices jumped 30.5 percent and fuel consumption rose 2.9 percent.
- The net loss widened from a \$5.3 million loss a year ago to a loss of \$53.7 million.
- Operating and net results for both entities fell into the red. TWA has produced nearly continuous operating and net losses in its Atlantic entity since 1990, reporting an operating profit in only one quarter (September 1994), and a net profit in only four quarters.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	36.8	-35.0	-71.8	-6.7	-31.3	-24.6	5.3	6.0	13.5	7.3	8.0	8.6	75.8%
Int'l	-13.1	-23.9	-10.8	1.4	-22.4	-23.8	1.2	1.1	-9.2	1.6	1.4	-7.9	77.7%
Atlantic	-13.1	-23.9	-10.8	1.4	-22.4	-23.8	1.2	1.1	-9.3	1.6	1.4	-7.9	77.7%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	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	23.7	-58.9	-82.6	-5.3	-53.7	-48.4	6.5	7.1	9.2	8.9	9.4	5.8	76.1%

- RPM traffic rose a strong 9.2 percent, while ASM capacity rose a lesser 5.8 percent, causing the passenger load factor to gain 2.4 percentage points to 76.1 percent.
- Profitability was still down, despite the passenger traffic growth, as passenger (RPM) yield fell 6.6 percent a low 11.01 cents.

### 12-MONTH RESULTS

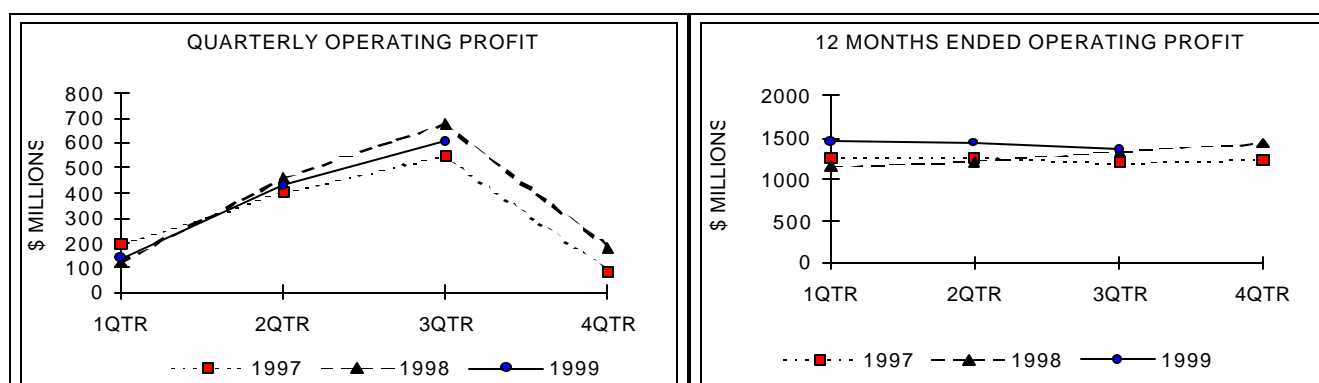
- For the fourth consecutive period, operating revenues have declined from a year earlier, down 2.1 percent, while operating expense was up 2.2 percent, resulting in a \$144.9 million deterioration in operating results to a \$143.8 million loss.
- Net results were also down, falling \$88.1 million to a \$160.6 million loss.
- Passenger (RPM) yield declined from a year ago for the first time in two years, down 2.5 percent to 11.54 cents.
- ASM capacity dipped 0.4 percent, while RPM traffic climbed 1 percent, causing the passenger load factor to rise 1 percentage point to 72.2 percent.
- The company's cash position worsened from a year ago, with days cash coverage declining from 36.2 to 26.9.
- Although total debt was cut \$101.5 million, falling equity pushed the debt-to-investment ratio up a group high 11.2 percentage to 88.5 percent, the highest among the majors.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	876.4	863.2	3,254.1	3,240.8	3,258.3	3,259.1	3,324.9
2	Operating Expenses	935.4	839.5	3,397.9	3,302.0	3,292.4	3,324.3	3,323.8
3	Operating Profit (Loss)	-58.9	23.7	-143.8	-61.2	-34.0	-65.2	1.1
4	Net Income (Loss)	-53.7	-5.3	-160.6	-112.2	-86.5	-120.5	-72.5
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	7.15	6.54	25.20	24.59	24.38	24.42	24.94
6	ASMs - Scheduled Rev. Svc.	9.39	8.88	34.88	34.36	34.28	34.45	35.01
7	Overall RTMs (All Svc.)	0.78	0.71	2.84	2.78	2.76	2.71	2.78
8	Overall ATMs (All Svc.)	1.32	1.24	4.90	4.83	4.82	4.80	4.86
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	113.0	120.8	114.6	116.6	118.0	120.1	119.4
10	Operating Expense per RTM	120.6	117.5	119.6	118.8	119.2	122.5	119.4
11	Operating Profit (Loss) per RTM	-7.6	3.3	-5.1	-2.2	-1.2	-2.4	0.0
12	Operating Expense per ATM	71.0	67.6	69.3	68.4	68.3	69.3	68.4
7	Passenger Revenue per RPM	11.01	11.79	11.54	11.76	11.90	11.85	11.83
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	3.12	2.89	2.74	2.64	2.68
15	Times Interest Earned	*	*	-0.70	0.00	0.52	0.08	0.64
16	Current Assets to Current Liabilities	*	*	0.60	0.63	0.60	0.61	0.74
17	No. of Days Cash Coverage of Cash Ex	*	*	26.9	33.4	24.5	29.1	36.2
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	-6.7	2.7	-4.4	-1.9	-1.0	-2.0	0.0
19	Net Income to Stockholders Equity	*	*	-89.7	-55.5	-41.0	-52.3	-30.6
20	Corporate Return on Investment	*	*	-6.0	-0.7	2.1	-0.3	3.8
21	Debt to Total Investment	*	*	88.5	83.7	83.5	82.7	77.3
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	76.1	73.7	72.2	71.6	71.1	70.9	71.2
23	Breakeven	84.3	72.9	77.9	74.9	73.8	74.5	73.2
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	19,378	20,277	19,542	19,767	19,999	20,186	20,303
25	Overall RTM's per Employee (000)	40.0	35.2	145.4	140.6	138.1	134.4	137.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	1.5	-5.0	-2.1	-3.8	-2.3	-2.1	0.1
	Operating Expenses (%)	11.4	-0.6	2.2	-0.8	-1.1	-1.0	-7.2
28	Operating Profit (Loss) (in Millions \$)	-82.6	-40.1	-144.9	-102.3	-37.9	-38.3	261.9
29	Net Income (Loss)(in Millions \$)	-48.4	-11.6	-88.1	-51.3	6.0	-12.0	263.5
30	RPMs (Sch. Svc.) (%)	9.2	-8.0	1.0	-3.6	-3.2	-2.7	-1.7
31	ASMs (Sch. Svc.) (%)	5.8	-10.2	-0.4	-4.6	-5.8	-5.6	-6.6
32	Operating Revenues per RTM (%)	-6.5	6.2	-4.0	-0.8	1.1	3.2	5.1
33	Operating Expense per RTM (%)	2.6	11.1	0.2	2.3	2.3	4.4	-2.6
34	Passenger Revenue per RPM (Sch. Svc)	-6.6	4.9	-2.5	0.8	2.3	1.7	3.6

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



## **QUARTERLY RESULTS**

- United reported the highest operating and net profits among all majors for the third quarter ended September 1999, although both were down from a year earlier.
- Operating expenses, up 3.2 percent, grew at a faster rate than operating revenues, up 1.3 percent, resulting in operating profit dropping \$71 million to \$609.2 million.
- United was the only major carrier to report a decline in total fuel expense, down \$9 million (2.2 percent) from a year ago.
- Net income was down \$65.8 million to \$354 million.
- All of the entities reported an operating and net profit for the third quarter 1999, but only the Latin and Pacific entity experienced both an operating and/or net improvement.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	516.9	394.5	-122.4	327.6	234.8	-92.8	21.9	22.2	1.0	29.0	30.3	4.5	73.1%
Int'l	163.3	214.7	51.4	92.2	119.2	27.0	13.0	12.4	-4.8	16.9	15.7	-7.3	79.1%
Atlantic	122.5	102.3	-20.2	75.3	57.6	-17.7	4.4	5.0	13.7	5.3	6.0	13.8	83.8%
Latin	9.6	19.8	10.1	4.7	10.1	5.5	1.5	1.5	-4.7	2.5	2.2	-12.7	66.6%
Pacific	31.2	92.6	61.4	12.2	51.5	39.2	7.1	5.9	-16.4	9.1	7.5	-18.0	79.1%
System	680.2	609.2	-71.0	419.8	354.0	-65.8	35.0	34.6	-1.2	45.9	46.0	0.2	75.1%

- Interest expense dipped \$1.8 million to \$77.7 million.
- ASM capacity was relatively unchanged, up 0.2 percent, but RPM traffic declined 1.2 percent, causing the passenger load factor to decline 1.1 percentage points to 75.1 percent.
- Passenger (RPM) yield rose 1.4 percent to 12.12 cents.

## **12-MONTH RESULTS**

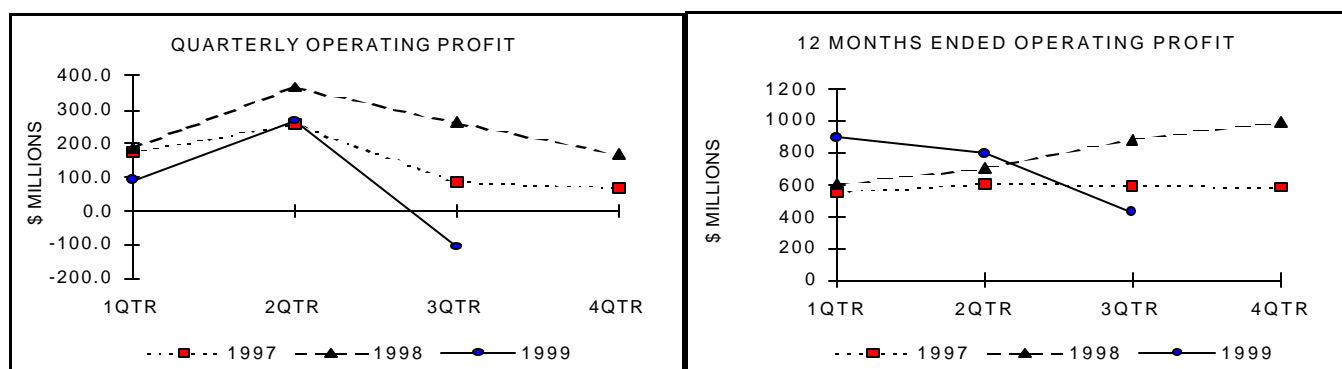
- Both operating revenues and operating expenses grew by 1.8 percent, resulting in a \$15.7 gain in operating profit to \$1.36 billion.
- Net income soared a major group high \$366.1 million to \$1.14 billion. Current year results, however, were favorably impacted by the large non-operating gain of \$428 million arising from the sale of an additional ownership share in the Apollo CRS during the second quarter 1999.
- Passenger (RPM) yield declined from a year ago for the fifth consecutive period, down 0.7 percent to 12.23 cents.
- ASM capacity, up 2.3 percent, grew faster than RPM traffic, up 1.9 percent, causing the passenger load to dip 0.4 percentage points to 71.1 percent.
- Interest expense rose \$13.5 million to \$315.2 million.
- Total debt jumped \$286.7 million to a major group high \$5.49 billion.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	4,833.7	4,772.3	17,783.6	17,722.2	17,623.1	17,517.5	17,472.1
2	Operating Expenses	4,224.4	4,092.0	16,427.1	16,294.7	16,165.8	16,082.4	16,131.3
3	Operating Profit (Loss)	609.2	680.2	1,356.5	1,427.5	1,457.3	1,435.2	1,340.8
4	Net Income (Loss)	354.0	419.8	1,140.2	1,206.0	820.0	802.6	774.1
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	34.56	34.96	125.58	125.98	125.95	124.54	123.26
6	ASMs - Scheduled Rev. Svc.	45.99	45.90	176.50	176.41	174.87	173.89	172.49
7	Overall RTMs (All Svc.)	4.22	4.25	15.56	15.60	15.56	15.42	15.33
8	Overall ATMs (All Svc.)	7.08	6.99	27.01	26.93	26.62	26.39	26.08
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	114.6	112.2	114.3	113.6	113.2	113.6	114.0
10	Operating Expense per RTM	100.2	96.2	105.6	104.5	103.9	104.3	105.3
11	Operating Profit (Loss) per RTM	14.4	16.0	8.7	9.2	9.4	9.3	8.7
12	Operating Expense per ATM	59.7	58.5	60.8	60.5	60.7	60.9	61.9
13	Passenger Revenue per RPM	12.12	11.95	12.23	12.18	12.15	12.21	12.32
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	1.79	1.89	2.00	2.12	2.27
15	Times Interest Earned	*	*	7.09	7.49	5.51	5.76	6.11
16	Current Assets to Current Liabilities	*	*	0.64	0.61	0.48	0.49	0.53
17	No. of Days Cash Coverage of Cash Ex	*	*	31.2	30.9	13.9	16.4	18.9
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	12.6	14.3	7.6	8.1	8.3	8.2	7.7
19	Net Income to Stockholders Equity	*	*	25.5	30.1	23.3	24.6	25.4
20	Corporate Return on Investment	*	*	14.5	15.9	12.5	12.8	13.1
21	Debt to Total Investment	*	*	49.0	50.6	58.4	59.7	58.6
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	75.1	76.2	71.1	71.4	72.0	71.6	71.5
23	Breakeven	66.3	65.5	67.5	67.3	67.5	67.3	67.5
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	87,306	82,968	85,443	84,358	83,408	82,535	81,578
25	Overall RTM's per Employee (000)	48.3	51.3	182.1	184.9	186.6	186.9	187.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	1.3	3.1	1.8	2.3	2.0	1.1	2.3
27	Operating Expenses (%)	3.2	0.3	1.8	1.1	0.3	-0.2	1.6
28	Operating Profit (Loss) (in Millions \$)	-71.0	132.1	15.7	218.8	304.6	209.7	145.6
29	Net Income (Loss)(in Millions \$)	-65.8	-150.8	366.1	281.1	-66.3	-129.3	-158.6
30	RPMs (Sch. Svc.) (%)	-1.2	4.7	1.9	3.5	4.2	2.6	2.5
31	ASMs (Sch. Svc.) (%)	0.2	3.5	2.3	3.2	2.9	2.9	3.0
32	Operating Revenues per RTM (%)	2.1	-1.2	0.3	-0.7	-1.4	-1.7	-1.6
33	Operating Expense per RTM (%)	4.2	-3.9	0.3	-1.8	-3.0	-2.9	-2.2
34	Passenger Revenue per RPM (Sch. Svc)	1.4	-2.1	-0.7	-1.7	-2.0	-1.7	-0.3

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



## **QUARTERLY RESULTS**

- US Airways experienced the largest deteriorations and losses among all majors in both operating and net results for the quarter ended September 1999. These were also the first quarterly losses reported by the carrier since March 1996, and the carrier's worst third quarter performance since 1994.
- Operating revenues dropped 5 percent, while operating expenses jumped 13.7 percent, resulting in a deterioration of \$370.3 million in operating results to a loss of \$106.9 million.
- Contributing to this decline was the sharp increase in total fuel expense of \$43.3 million (35.8 percent) due mostly to rising unit fuel prices, up 33.4 percent, as fuel consumption climbed just 1.7 percent.
- Net income fell \$204.3 million to a loss of \$55.4 million
- All of the entities reported a decline from a year ago in both operating and net results, but most of the declines and losses were attributable to domestic operations. Despite the declines, both the Atlantic and Latin entities remained profitable.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	231.4	-116.8	-348.2	131.2	-63.9	-195.1	9.6	9.2	-4.7	12.9	13.1	1.4	70.4%
Int'l	32.0	9.9	-22.1	17.6	8.5	-9.1	1.3	1.5	14.1	1.5	1.8	17.6	81.4%
Atlantic	29.5	9.2	-20.3	16.3	7.8	-8.5	1.1	1.3	17.8	1.3	1.6	21.6	83.0%
Latin	2.5	0.7	-1.8	1.4	0.7	-0.6	0.2	0.2	-7.9	0.3	0.2	-2.4	70.9%
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	263.4	-106.9	-370.3	148.9	-55.4	-204.3	10.9	10.7	-2.4	14.4	14.9	3.1	71.7%

- Passenger (RPM) yield was still the highest among the majors, although down 4.5 percent to 15.58 cents.
- The operating profit margin tumbled 17.3 percentage points to a negative 5.2 percent.
- Profitability was eroded as the highest RTM unit costs among the majors grew by another 17 percent while RTM yield, although also a group high, slid 2.3 percent.
- The passenger load factor fell 4.1 percentage points, the largest decline among the majors, to 71.7 percent, as RPM traffic decreased 2.5 percent while ASM capacity rose 3.1 percent.
- Interest expense declined \$3.7 million to \$47.3 million.

## **12-MONTH RESULTS**

- Despite the poor performance in the most recent quarter, US Airways reported its sixteenth consecutive quarter-ended 12-month operating and net profit, following six consecutive years of losses.
- Operating revenues declined 1.3 percent, as operating expenses rose 4.6 percent, producing a \$461.7 million decline in operating profit to \$424.9 million.
- Net income fell \$500.5 million to \$464.7 million. The decline would have been much worse if not for the \$274 million non-operating gain reported in the second quarter 1999 related to the sale of its interest in Galileo International, Inc.
- For the ninth time in the past ten quarter-ended 12-month periods, passenger (RPM) yield was down from a year ago, declining 3.1 percent to 16.67 cents, but nevertheless remained a major group high.
- The passenger load factor rose 3.5 percentage points to 71.4 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	2,068.9	2,176.8	8,444.0	8,551.8	8,565.1	8,555.7	8,556.0
2	Operating Expenses	2,175.8	1,913.3	8,019.0	7,756.6	7,671.7	7,565.6	7,669.4
3	Operating Profit (Loss)	-106.9	263.4	424.9	795.3	893.5	990.0	886.6
4	Net Income (Loss)	-55.4	148.9	464.7	668.9	525.3	559.1	965.2
	<b>TRAFFIC: (Billions)</b>							
5	RPMs - Scheduled Rev. Svc.	10.67	10.94	41.09	41.36	41.36	41.25	41.05
6	ASMs - Scheduled Rev. Svc.	14.88	14.43	58.26	57.81	57.13	56.72	56.30
7	Overall RTMs (All Svc.)	1.15	1.18	4.45	4.48	4.48	4.48	4.47
8	Overall ATMs (All Svc.)	2.03	1.97	7.92	7.85	7.78	7.73	7.66
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	180.4	184.6	189.9	191.0	191.0	190.8	191.3
10	Operating Expense per RTM	189.7	162.2	180.4	173.2	171.1	168.7	171.5
11	Operating Profit (Loss) per RTM	-9.3	22.3	9.6	17.8	19.9	22.1	19.8
12	Operating Expense per ATM	107.2	97.3	101.3	98.8	98.6	97.9	100.1
13	Passenger Revenue per RPM	15.58	16.32	16.67	16.86	16.94	17.02	17.21
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	2.24	2.26	2.28	2.28	2.35
15	Times Interest Earned	*	*	5.45	6.99	4.90	4.89	4.05
16	Current Assets to Current Liabilities	*	*	0.80	0.93	0.98	1.11	1.02
17	No. of Days Cash Coverage of Cash Ex	*	*	48.2	56.4	64.5	60.4	71.3
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	-5.2	12.1	5.0	9.3	10.4	11.6	10.4
19	Net Income to Stockholders Equity	*	*	26.1	39.3	33.5	39.1	79.8
20	Corporate Return on Investment	*	*	17.0	22.5	20.0	21.3	33.6
21	Debt to Total Investment	*	*	51.1	50.2	52.2	54.4	56.0
	<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	71.7	75.8	70.5	71.5	72.4	72.7	72.9
23	Breakeven	82.9	69.2	71.4	68.1	67.8	66.8	67.9
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	37,891	36,100	36,821	36,374	36,172	36,142	36,315
25	Overall RTM's per Employee (000)	30.3	32.7	120.7	123.1	124.0	124.1	123.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-5.0	2.9	-1.3	0.7	1.5	0.6	1.1
27	Operating Expenses (%)	13.7	-5.8	4.6	-0.4	-2.2	-4.4	-2.5
28	Operating Profit (Loss) (in Millions \$)	-370.3	178.3	-461.7	87.1	292.0	403.8	294.2
29	Net Income (Loss)(in Millions \$)	-204.3	-38.0	-500.5	-334.3	-484.0	-493.1	383.3
30	RPMs (Sch. Svc.) (%)	-2.5	0.0	0.1	0.8	0.6	-0.8	-1.8
31	ASMs (Sch. Svc.) (%)	3.1	-3.2	3.5	1.8	-0.6	-2.7	-4.4
32	Operating Revenues per RTM (%)	-2.3	4.0	-0.7	0.8	1.6	1.8	2.8
33	Operating Expense per RTM (%)	17.0	-4.8	5.2	-0.2	-2.0	-3.4	-0.9
34	Passenger Revenue per RPM (Sch. Svc)	-4.5	1.0	-3.1	-1.8	-1.0	-0.5	1.5

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

**QUARTERLY RESULTS**

- Except for a relatively small net loss experienced by UPS, all three major all-cargo carriers reported an operating and net profit for the quarter ended September. DHL was the only all-cargo carrier to report higher net results, while no carrier had an improvement in operating results.
- For the all-cargo group, operating revenues rose 4.7 percent, but operating expenses grew faster, up 6.3 percent, resulting in a deterioration in operating profit of \$53.2 to \$214.8 million.
- Nearly all of the decline in operating results can be attributed to the sharp increase in total fuel expense, up \$60.3 million (38.1 percent), due largely to a large jump in unit fuel prices, up 35.2 percent, as fuel consumption rose 2.1 percent.
- Net income fell \$47 million to \$86.8 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1998	THIS YEAR 1999	\$ Change	LAST YEAR 1998	THIS YEAR 1999	\$ Change
March	171.0	213.6	42.6	71.6	74.0	2.4
June	275.0	285.7	10.7	123.4	141.8	18.5
Sept.	268.0	214.8	-53.2	133.8	86.8	-47.0
Dec.	347.8	0.0	-	109.4	0.0	-

- Only the Pacific entity reported an improvement in both operating and net results, while domestic operations had a gain in just net results. All entities experienced an operating profit, but Atlantic and Latin net results fell into the red.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	206.6	103.3	-103.4	98.3	193.5	95.2	1.8	1.9	4.1	3.1	3.2	3.3	58.2%
Int'l	61.4	111.6	50.2	35.5	-106.7	-142.2	1.0	1.1	5.8	1.7	1.7	5.2	61.7%
Atlantic	63.6	34.7	-29.0	39.2	-148.8	-188.0	0.3	0.3	8.2	0.5	0.5	8.6	64.0%
Latin	13.0	9.2	-3.7	9.1	-3.2	-12.3	0.1	0.1	3.1	0.2	0.2	4.6	52.3%
Pacific	-15.2	67.6	82.8	-12.8	45.3	58.1	0.6	0.7	4.9	1.0	1.1	3.6	62.1%
System	268.0	214.8	-53.2	133.8	86.8	-47.0	2.8	3.0	4.7	4.8	5.0	3.9	59.4%

- RTM traffic, up 4.7 percent, grew faster than ATM capacity, up 3.9 percent, causing the ton load factor to increase 0.4 percentage points to 59.4 percent.
- Profitability was eroded as RTM yield was unchanged from a year ago, while ATM unit costs were up 1.6 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. Only Federal Express experienced an improvement in both operating and net results.
- Operating revenue growth, up 5.7 percent, outpaced operating expense growth, up 5.1 percent, boosting operating profit \$146 million to \$1.06 billion.
- Net income dipped \$6 million to \$412 million.
- Interest on debt rose \$6.8 million to \$152.1 million.
- The ton load factor slid 0.7 percentage points to 58.1 percent. ATM capacity rose 4.4 percent while RTM traffic was up a lesser 3.3 percent.
- Rising equity caused the debt to investment ratio to decline 1.7 percentage points to 46.6 percent. Total debt increased \$93.1 million.

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				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	4,456.0	4,257.2	17,629.2	17,430.5	17,222.1	17,012.0	16,673.5
2	Operating Expenses	4,241.2	3,989.2	16,567.3	16,315.3	16,117.7	15,950.1	15,757.5
3	Operating Profit (Loss)	214.8	268.0	1,061.9	1,115.2	1,104.5	1,061.9	915.9
4	Net Income (Loss)	86.8	133.8	412.0	459.1	440.6	438.2	418.0
	<b>TRAFFIC: (Billions)</b>							
5	RTMs - Scheduled Rev. Svc.	2.17	2.04	8.29	8.15	8.03	8.00	7.91
6	ATMs - Scheduled Rev. Svc.	3.57	3.35	13.87	13.65	13.38	13.23	12.96
7	Overall RTMs (All Services)	2.95	2.82	11.34	11.21	11.09	11.07	10.97
8	Overall ATMs (All Services)	4.97	4.78	19.51	19.32	19.10	18.99	18.68
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	150.8	150.8	155.5	155.5	155.3	153.6	151.9
10	Operating Expense per RTM	143.5	141.3	146.1	145.6	145.4	144.0	143.6
11	Operating Profit (Loss) per RTM	7.3	9.5	9.4	10.0	10.0	9.6	8.3
12	Operating Expense per ATM	85.3	83.4	84.9	84.4	84.4	84.0	84.4
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	1.91	1.92	1.91	1.91	1.90
15	Times Interest Earned	*	*	5.34	5.47	4.73	4.70	5.14
16	Current Assets to Current Liabilities	*	*	1.15	1.06	1.09	1.07	1.15
17	No. of Days Cash Coverage of Cash Ex	*	*	2.7	4.8	3.8	4.2	4.8
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	4.8	6.3	6.0	6.4	6.4	6.2	5.5
19	Net Income to Stockholders Equity	*	*	8.5	9.7	9.5	9.6	9.3
20	Corporate Return on Investment	*	*	6.4	7.1	7.2	7.4	6.8
21	Debt to Total Investment	*	*	46.6	48.0	47.6	47.8	48.3
	<b>TON LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	59.4	59.0	58.1	58.0	58.0	58.3	58.8
23	Breakeven	++	++	++	++	++	++	++
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	105,089	101,557	103,795	102,911	101,816	100,513	98,799
25	Overall RTM's per Employee (000)	28.1	27.8	109.2	108.9	108.9	110.2	111.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.7	3.2	5.7	5.4	6.5	7.5	8.0
27	Operating Expenses (%)	6.3	4.6	5.1	4.7	6.2	7.9	9.9
28	Operating Profit (Loss) (in Millions \$)	-53.2	-45.1	146.0	154.3	109.0	28.1	-182.6
29	Net Income (Loss)(in Millions \$)	-47.0	31.3	-6.0	72.4	12.1	-22.6	-86.2
30	RTMs (All Svc.) (%)	4.7	11.0	3.3	4.8	5.8	9.1	10.3
31	ATMs (All Svc.) (%)	3.9	14.5	4.4	6.9	8.5	11.3	12.2
32	Operating Revenues per RTM (%)	0.0	-7.0	2.4	0.5	0.6	-1.4	-2.1
33	Operating Expense per RTM (%)	1.6	-5.7	1.7	-0.1	0.4	-1.1	-0.3
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<u>FINANCIAL RESULTS: (\$Millions)</u>							
1	Operating Revenues	3,327.8	3,239.5	13,356.0	13,267.7	13,144.8	13,016.4	12,667.6
2	Operating Expenses	3,224.5	3,032.8	12,699.3	12,507.6	12,353.1	12,214.6	12,014.6
3	Operating Profit (Loss)	103.3	206.6	656.7	760.1	791.8	801.8	653.0
4	Net Income (Loss)	193.5	98.3	352.1	256.9	178.6	258.1	212.7
	<u>TRAFFIC: (Billions)</u>							
5	RTMs - Scheduled Rev. Svc.	1.13	1.07	4.37	4.32	4.29	4.27	4.21
6	ATMs - Scheduled Rev. Svc.	1.88	1.79	7.49	7.40	7.28	7.18	7.01
7	Overall RTMs (All Services)	1.88	1.81	7.32	7.24	7.19	7.16	7.08
8	Overall ATMs (All Services)	3.23	3.13	12.95	12.85	12.71	12.59	12.38
	<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	176.8	179.2	182.5	183.2	182.9	181.7	178.8
10	Operating Expense per RTM	171.3	167.7	173.5	172.7	171.9	170.5	169.6
11	Operating Profit (Loss) per RTM	5.5	11.4	9.0	10.5	11.0	11.2	9.2
12	Operating Expense per ATM	99.7	96.8	98.0	97.3	97.2	97.0	97.0
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Rev	3.1	6.4	4.9	5.7	6.0	6.2	5.2
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	6.7	5.5	4.5	5.8	4.9
21	Debt to Total Investment	*	*	**	**	**	**	**
	<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	58.2	57.7	56.5	56.4	56.6	56.9	57.2
23	Breakeven	++	++	++	++	++	++	++
	<u>Employment &amp; Productivity:</u>							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

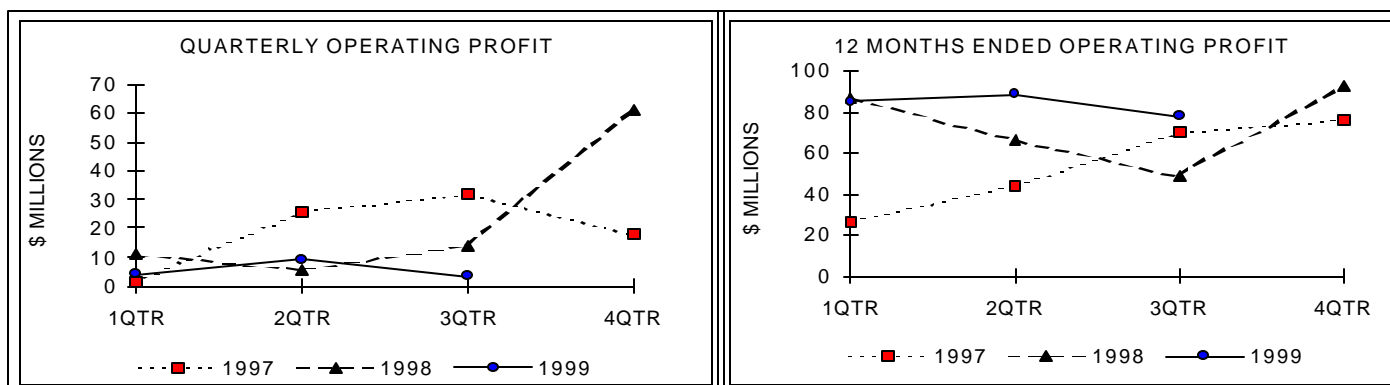
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	2.7	1.2	5.4	5.1	6.4	7.4	6.2
27	Operating Expenses (%)	6.3	4.2	5.7	5.2	6.6	8.0	9.1
28	Operating Profit (Loss) (in Millions \$)	-103.3	-82.8	3.7	24.3	25.0	-15.2	-266.2
29	Net Income (Loss)(in Millions \$)	95.2	-137.7	139.4	-93.6	-287.6	-185.0	-304.2
30	RTMs (All Svc.) (%)	4.1	9.1	3.3	4.5	5.2	8.4	8.7
31	ATMs (All Svc.) (%)	3.3	12.4	4.6	6.8	7.3	9.1	9.3
32	Operating Revenues per RTM (%)	-1.3	-7.3	2.1	0.5	1.2	-0.9	-2.3
33	Operating Expense per RTM (%)	2.1	-4.6	2.3	0.7	1.4	-0.3	0.4
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	1,128.2	1,017.8	4,273.2	4,162.8	4,077.3	3,995.7	4,005.8
2	Operating Expenses	1,016.6	956.4	3,868.0	3,807.7	3,764.6	3,735.6	3,742.9
3	Operating Profit (Loss)	111.6	61.4	405.3	355.1	312.7	260.1	262.9
4	Net Income (Loss)	-106.7	35.5	59.9	202.2	262.0	180.1	205.2
	<b>TRAFFIC: (Billions)</b>							
5	RTMs - Scheduled Rev. Svc.	1.05	0.96	3.92	3.83	3.74	3.73	3.70
6	ATMs - Scheduled Rev. Svc.	1.69	1.56	6.38	6.24	6.11	6.06	5.95
7	Overall RTMs (All Services)	1.07	1.01	4.02	3.96	3.90	3.91	3.89
8	Overall ATMs (All Services)	1.74	1.65	6.56	6.47	6.39	6.39	6.30
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	105.2	100.3	106.3	105.1	104.5	102.2	103.0
10	Operating Expense per RTM	94.8	94.3	96.2	96.1	96.5	95.6	96.2
11	Operating Profit (Loss) per RTM	10.4	6.1	10.1	9.0	8.0	6.7	6.8
12	Operating Expense per ATM	58.5	57.9	59.0	58.9	58.9	58.4	59.4
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	9.9	6.0	9.5	8.5	7.7	6.5	6.6
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	5.6	12.8	16.9	13.0	13.5
21	Debt to Total Investment	*	*	**	**	**	**	**
	<b>TON LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	61.7	61.4	61.3	61.2	61.0	61.1	61.8
23	Breakeven	++	++	++	++	++	++	++
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	10.9	10.1	6.7	6.4	6.7	8.1	14.2
27	Operating Expenses (%)	6.3	6.2	3.3	3.3	4.8	7.3	12.5
28	Operating Profit (Loss) (in Millions \$)	50.2	37.8	142.4	129.9	84.0	43.2	83.6
29	Net Income (Loss)(in Millions \$)	-142.2	168.9	-145.3	165.9	299.7	162.3	217.9
30	RTMs (All Svc.) (%)	5.8	14.4	3.4	5.3	6.9	10.3	13.2
31	ATMs (All Svc.) (%)	5.1	18.8	4.1	7.2	10.8	15.7	18.4
32	Operating Revenues per RTM (%)	4.9	-3.8	3.2	1.1	-0.2	-2.0	0.9
33	Operating Expense per RTM (%)	0.5	-7.2	0.0	-1.9	-1.9	-2.7	-0.6
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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



### QUARTERLY RESULTS

- Operating expense growth, up 8.8 percent, outpaced operating revenue growth, up 5.2 percent, resulting in a \$10.7 million decline in operating profit to \$3.3 million.
- Net results, however, gained \$8.3 million to a \$15 million profit.
- The domestic entity was solely responsible for the decline in overall system results, but in net results, it offset the combined net losses of the international entities.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	-45.8	-61.1	-15.3	-31.8	123.7	155.5	0.1	0.1	8.2	0.1	0.1	-1.3	57.3%
Int'l	59.8	64.4	4.6	38.5	-108.8	-147.3	0.7	0.7	6.1	1.1	1.1	4.8	62.4%
Atlantic	56.8	60.1	3.3	36.7	-103.1	-139.8	0.0	0.1	26.9	0.1	0.1	23.1	71.5%
Latin	3.0	4.3	1.2	1.8	-5.6	-7.4	0.0	0.0	2.2	0.0	0.0	15.7	48.4%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.7	4.9	1.0	1.1	3.6	62.1%
System	14.0	3.3	-10.7	6.7	15.0	8.3	0.7	0.8	6.2	1.2	1.2	4.2	62.0%

- Total fuel expenses spiked 30.7 percent (\$3.2 million), due solely to the 30.6 percent jump in unit fuel prices, as fuel consumption was unchanged.
- RTM traffic growth, up 14.5 percent, exceeded ATM capacity growth, up 8 percent, boosting the ton load factor 3.6 percentage points to 61.3 percent.
- Although RTM unit costs declined 5 percent, RTM yield dropped 8.2 percent, eroding profitability.
- Interest expense rose \$1.2 million to \$5 million.

### 12-MONTH RESULTS

- Operating revenues, up 7.6 percent, grew faster than operating expenses, up 5.6 percent, resulting in operating profit improving \$29 million to \$78 million.
- Net income, however, slid \$7 million to \$11.2 million.
- The ton load factor rose 1.3 percentage points to 59.9 percent as RTM traffic growth, up 12.9 percent, outpaced ATM capacity growth, up 10.5 percent.
- Interest expense nearly doubled from a year ago, rising \$31.1 million to \$66.4 million.
- Total debt remained the lowest among all majors, although up \$23.7 million to \$68.4 million. This gain more than offset the increase in equity, causing the debt-to-investment ratio to rise 11 percentage points to 33.7 percent.

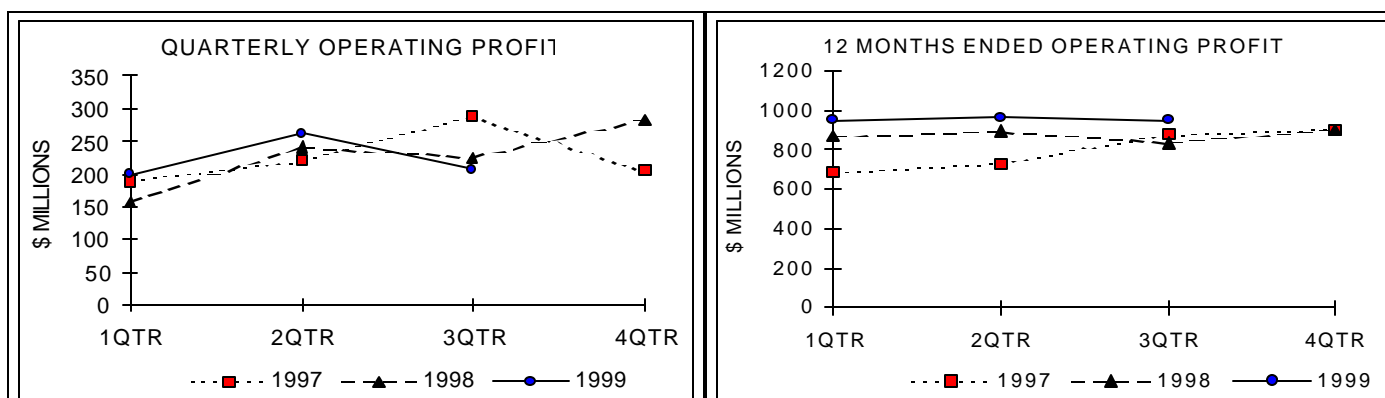
Note: Beginning with the first quarter 1998, The Airline Quarterly Financial Review of the Majors includes DHL Airways, which achieved major airline status (*i.e.*, annual operating revenues exceeding \$1 billion), effective January 1, 1997.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	342.1	325.3	1,384.1	1,367.3	1,354.7	1,348.5	1,285.9
2	Operating Expenses	338.8	311.3	1,306.1	1,278.6	1,269.4	1,255.9	1,236.9
3	Operating Profit (Loss)	3.3	14.0	78.0	88.8	85.4	92.6	49.0
4	Net Income (Loss)	15.0	6.7	11.2	3.0	-11.8	-5.2	18.2
	<b>TRAFFIC: (Billions)</b>							
5	RTMs - Scheduled Rev. Svc.	0.11	0.09	0.40	0.38	0.38	0.37	0.36
6	ATMs - Scheduled Rev. Svc.	0.17	0.16	0.70	0.68	0.65	0.63	0.61
7	Overall RTMs (All Services)	0.11	0.10	0.44	0.43	0.41	0.40	0.39
8	Overall ATMs (All Services)	0.18	0.17	0.73	0.72	0.70	0.68	0.66
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	307.4	334.8	315.2	321.7	329.8	336.9	330.5
10	Operating Expense per RTM	304.4	320.4	297.4	300.8	309.0	313.8	317.9
11	Operating Profit (Loss) per RTM	3.0	14.4	17.8	20.9	20.8	23.1	12.6
12	Operating Expense per ATM	186.5	185.0	178.1	177.6	180.6	183.8	186.4
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	7.82	7.58	6.55	5.85	5.31
15	Times Interest Earned	*	*	1.69	1.50	1.09	1.22	1.60
16	Current Assets to Current Liabilities	*	*	0.97	0.85	0.77	1.32	1.39
17	No. of Days Cash Coverage of Cash Ex	*	*	1.8	25.0	13.4	21.1	20.8
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	1.0	4.3	5.6	6.5	6.3	6.9	3.8
19	Net Income to Stockholders Equity	*	*	7.9	2.0	-6.8	-2.6	8.8
20	Corporate Return on Investment	*	*	43.9	37.8	36.7	34.7	22.1
21	Debt to Total Investment	*	*	33.7	12.4	12.8	11.6	22.7
	<b>TON LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	61.3	57.7	59.9	59.1	58.5	58.6	58.6
23	Breakeven	++	++	++	++	++	++	++
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	8,244	7,769	8,088	7,969	7,841	7,749	7,638
25	Overall RTM's per Employee (000)	13.5	12.5	54.3	53.3	52.4	51.7	50.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.2	0.3	7.6	6.4	7.7	10.0	8.0
27	Operating Expenses (%)	8.8	6.4	5.6	5.0	8.4	9.3	10.4
28	Operating Profit (Loss) (in Millions \$)	-10.7	-17.7	29.0	22.1	-1.2	16.0	-21.0
29	Net Income (Loss)(in Millions \$)	8.3	51.1	-7.0	36.0	-6.0	7.5	33.5
30	RTMs (Sch. Svc.) (%)	14.5	-4.1	12.9	8.1	5.6	3.7	0.8
31	ATMs (Sch. Svc.) (%)	8.0	7.7	10.5	10.4	11.3	10.8	9.3
32	Operating Revenues per RTM (%)	-8.2	4.7	-4.6	-1.5	2.0	6.0	7.2
33	Operating Expense per RTM (%)	-5.0	11.0	-6.5	-2.9	2.7	5.4	9.5
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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



### QUARTERLY RESULTS

- Operating profit fell \$19.6 million to \$206.6 million as operating expenses, up 6.3 percent, grew faster than operating revenues, up 5.3 percent.
- This deterioration can be attributed to the sharp rise in total fuel expense, up \$34.1 million (36.7 percent) due mostly to rising unit fuel prices, up 34.6 percent, as fuel consumption was up only 1.5 percent.
- Net income dropped \$38.3 million, the largest decline among the all-cargo majors, to \$77.4 million.
- Only domestic operations reported a decline in either operating or net results, while the Pacific entity reported the only operating or net loss.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	248.4	201.1	-47.2	132.4	109.0	-23.4	1.0	1.1	3.4	1.7	1.8	4.5	60.1%
Int'l	-22.2	5.5	27.7	-16.7	-31.6	-14.9	0.7	0.7	1.2	1.1	1.1	0.1	65.3%
Atlantic	7.7	-37.7	-45.4	3.1	-55.4	-58.5	0.2	0.2	3.3	0.3	0.3	1.5	65.2%
Latin	8.7	6.1	-2.7	4.6	3.2	-1.4	0.1	0.1	-12.1	0.1	0.1	-7.2	53.6%
Pacific	-38.6	37.1	75.7	-24.4	20.6	45.0	0.5	0.5	2.0	0.7	0.7	0.6	67.0%
System	226.2	206.6	-19.5	115.7	77.4	-38.3	1.8	1.8	2.5	2.8	2.9	2.8	62.1%

- The ton load factor declined 1 percentage point to 62.1 percent, as ATM capacity, up 2.8 percent, grew slightly faster than RTM traffic, up 2.5 percent.
- Profitability was eroded as RTM unit costs, up 3.6 percent, grew faster than RTM yield, which rose 2.7 percent.
- Interest expense decreased \$1.2 million to \$20.3 million.

### 12-MONTH RESULTS

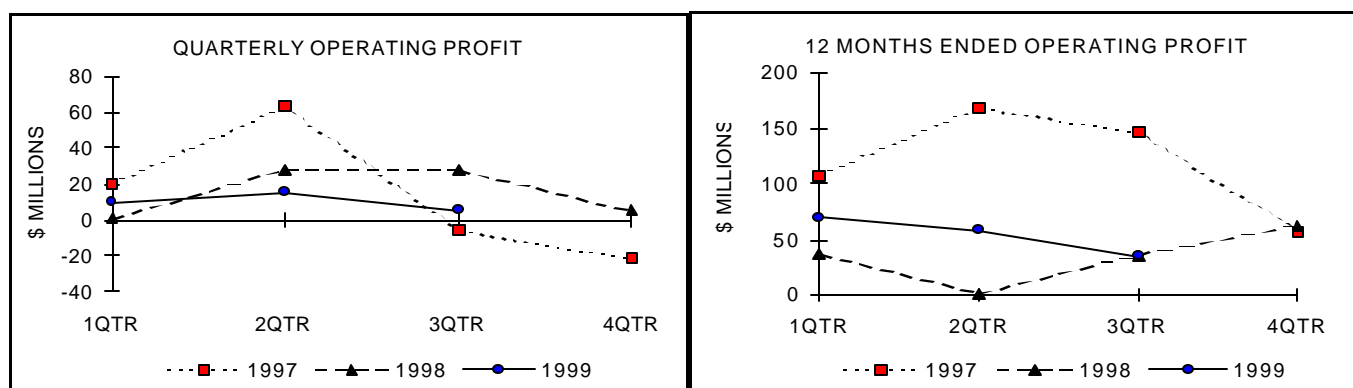
- Operating profit improved \$118.1 million to \$949.3 million, as operating revenues rose 5.8 percent outpacing the 5.3 percent increase in operating expenses.
- Net income rose \$17.4 million to \$422 million, the third consecutive period of a year-to-year gain.
- Interest expense declined \$24.8 million to \$86.1 million.
- The ton load factor slid 1.3 percentage points to 60.9 percent as ATM capacity, up 3.1 percent, grew much faster than RTM traffic, up only 0.9 percent.
- The debt-to-investment ratio declined 4.2 percentage points to 22.4 percent, as equity continued to rise, and total debt was reduced \$125.2 million to \$1.16 billion.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	3,596.5	3,415.6	14,229.8	14,048.9	13,853.2	13,666.3	13,446.9
2	Operating Expenses	3,389.9	3,189.4	13,280.4	13,080.0	12,904.5	12,759.0	12,615.7
3	Operating Profit (Loss)	206.6	226.2	949.3	968.9	948.7	907.3	831.2
4	Net Income (Loss)	77.4	115.7	422.0	460.3	442.5	435.4	404.6
	<b>TRAFFIC: (Billions)</b>							
5	RTMs - Scheduled Rev. Svc.	1.77	1.69	6.76	6.68	6.61	6.63	6.59
6	ATMs - Scheduled Rev. Svc.	2.84	2.71	11.09	10.96	10.81	10.77	10.59
7	Overall RTMs (All Services)	1.80	1.75	6.87	6.82	6.79	6.84	6.81
8	Overall ATMs (All Services)	2.89	2.81	11.29	11.21	11.10	11.11	10.94
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	200.4	195.1	207.2	205.9	204.1	199.7	197.5
10	Operating Expense per RTM	188.8	182.2	193.4	191.7	190.1	186.5	185.3
11	Operating Profit (Loss) per RTM	11.5	12.9	13.8	14.2	14.0	13.3	12.2
12	Operating Expense per ATM	117.3	113.4	117.7	116.7	116.2	114.8	115.3
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	2.84	2.84	2.81	2.80	2.79
15	Times Interest Earned	*	*	9.58	9.59	8.89	8.31	7.26
16	Current Assets to Current Liabilities	*	*	1.15	1.09	1.09	1.05	1.08
17	No. of Days Cash Coverage of Cash Ex	*	*	2.4	2.8	2.9	2.7	3.7
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	5.7	6.6	6.7	6.9	6.8	6.6	6.2
19	Net Income to Stockholders Equity	*	*	11.2	12.6	12.4	12.6	12.1
20	Corporate Return on Investment	*	*	10.2	11.1	10.9	11.1	10.7
21	Debt to Total Investment	*	*	22.4	25.3	25.3	25.7	26.6
	<b>TON LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	62.1	62.2	60.9	60.9	61.1	61.6	62.2
23	Breakeven	++	++	++	++	++	++	++
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	92,074	89,080	90,964	90,215	89,286	88,143	86,639
25	Overall RTM's per Employee (000)	19.5	19.7	75.5	75.6	76.0	77.6	78.6

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.3	0.9	5.8	4.7	6.0	7.4	9.1
27	Operating Expenses (%)	6.3	3.0	5.3	4.4	5.8	7.9	10.3
28	Operating Profit (Loss) (in Millions \$)	-19.6	-60.8	118.1	76.8	77.0	6.2	-50.8
29	Net Income (Loss)(in Millions \$)	-38.3	-37.3	17.4	18.4	9.5	-22.8	-46.1
30	RTMs (Sch. Svc.) (%)	2.5	4.6	0.9	1.4	3.5	6.5	8.0
31	ATMs (Sch. Svc.) (%)	2.8	8.0	3.1	4.4	6.5	9.6	10.4
32	Operating Revenues per RTM (%)	2.7	-3.5	4.9	3.3	2.5	0.8	1.0
33	Operating Expense per RTM (%)	3.6	-1.5	4.4	3.0	2.3	1.2	2.1
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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



### QUARTERLY RESULTS

- Operating revenues inched upward a slight 0.2 percent as operating expenses jumped 4.9 percent, resulting in a \$23 million decline in operating profit to \$4.9 million.
- The profit decline was caused in large part by rapidly rising total fuel expense, up 22.8 million (42 percent). Unit fuel prices jumped 37 percent, and fuel consumption was up 3.5 percent.
- Net results fell into the red, down \$17 million to a loss of \$5.6 million.
- The Atlantic and Pacific entities were improved and profitable in both operating and net results, while the domestic and Latin entities experienced larger operating and net losses.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	4.1	-36.8	-40.9	-2.3	-39.3	-36.9	0.7	0.7	4.7	1.3	1.3	2.0	55.7%
Int'l	23.8	41.7	17.9	13.7	33.7	19.9	0.3	0.3	15.1	0.5	0.6	14.0	54.1%
Atlantic	-0.8	12.3	13.1	-0.6	9.8	10.4	0.1	0.1	11.7	0.1	0.1	20.1	58.1%
Latin	1.2	-1.1	-2.3	2.7	-0.8	-3.5	0.0	0.0	55.2	0.0	0.1	30.4	51.4%
Pacific	23.4	30.5	7.1	11.6	24.6	13.0	0.2	0.2	12.8	0.3	0.4	10.0	52.9%
System	27.9	4.9	-23.0	11.4	-5.6	-17.0	1.0	1.1	7.6	1.8	1.9	5.3	55.2%

- The ton load factor rose 1.2 percentage points to 55.2 percent as RTM traffic growth, up 7.6 percent, exceeded ATM capacity growth, up 5.3 percent.
- RTM unit costs were down 2.4 percent, but RTM yield fell much more, down 7 percent, eroding profitability.
- UPS continues to report the highest productivity (RTMs per employee) among all the majors at 219.7.

### 12-MONTH RESULTS

- One again operating expenses, up 4 percent, grew at a faster pace than operating revenues, up 3.8 percent, resulting in a small decline in operating profit of \$1.1 million to \$34.6 million.
- The net loss widened from \$4.7 million a year ago to a loss of \$21.2 million, a deterioration of \$16.5 million.
- RTMs rose 6.7 percent, while ATM capacity grew at a slower 5.9 percent, causing the ton load factor to climb 0.4 percentage points to 53.6 percent.
- The debt-to-investment ratio rose 1.5 percentage points to 77.6 percent.
- Productivity (RTMs per employee) continued to be very high when compared with all other majors, rising from 835.3 a year ago to 850.



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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/09	1998/09	1999/09	1999/06	1999/03	1998/12	1998/09
	<b>FINANCIAL RESULTS: (\$Millions)</b>							
1	Operating Revenues	517.4	516.3	2,015.3	2,014.3	2,014.2	1,997.2	1,940.6
2	Operating Expenses	512.5	488.5	1,980.8	1,956.7	1,943.8	1,935.2	1,904.9
3	Operating Profit (Loss)	4.9	27.9	34.6	57.6	70.4	62.0	35.7
4	Net Income (Loss)	-5.6	11.4	-21.2	-4.2	9.9	7.9	-4.7
	<b>TRAFFIC: (Billions)</b>							
5	RTMs - Scheduled Rev. Svc.	0.30	0.26	1.13	1.09	1.04	1.00	0.96
6	ATMs - Scheduled Rev. Svc.	0.56	0.48	2.08	2.00	1.92	1.84	1.76
7	Overall RTMs (All Services)	1.05	0.97	4.03	3.96	3.89	3.83	3.78
8	Overall ATMs (All Services)	1.90	1.80	7.49	7.39	7.30	7.19	7.07
	<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9	Operating Revenue per RTM	49.3	53.0	50.0	50.9	51.8	52.1	51.4
10	Operating Expense per RTM	48.9	50.1	49.1	49.4	50.0	50.5	50.4
11	Operating Profit (Loss) per RTM	0.5	2.9	0.9	1.5	1.8	1.6	0.9
12	Operating Expense per ATM	27.0	27.1	26.4	26.5	26.6	26.9	26.9
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	<b>FINANCIAL RATIOS:</b>							
14	Operating Revenues to Total Investment	*	*	0.50	0.51	0.52	0.52	0.52
15	Times Interest Earned	*	*	0.73	1.73	2.27	2.15	1.35
16	Current Assets to Current Liabilities	*	*	1.45	1.05	1.65	1.11	1.72
17	No. of Days Cash Coverage of Cash Ex	*	*	5.0	4.0	3.1	3.1	1.0
	<b>FINANCIAL PERCENTAGES:</b>							
18	Operating Profit (Loss) to Operating Rev	0.9	5.4	1.7	2.9	3.5	3.1	1.8
19	Net Income to Stockholders Equity	*	*	-2.3	-0.4	1.1	0.9	-0.5
20	Corporate Return on Investment	*	*	0.2	0.6	1.0	1.0	0.7
21	Debt to Total Investment	*	*	77.6	77.2	76.9	76.8	76.1
	<b>TON LOAD FACTOR: (Sch. Svc. %)</b>							
22	Actual	55.2	54.0	53.8	53.5	53.3	53.3	53.4
23	Breakeven	++	++	++	++	++	++	++
	<b>Employment &amp; Productivity:</b>							
24	Employment, Total Weighted Avg CY	4,771	4,708	4,743	4,727	4,689	4,621	4,522
25	Overall RTM's per Employee (000)	219.7	207.0	850.0	837.2	829.0	829.1	835.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.2	23.5	3.8	9.3	8.9	7.2	0.9
27	Operating Expenses (%)	4.9	15.3	4.0	6.3	7.3	7.1	7.3
28	Operating Profit (Loss) (in Millions \$)	-23.0	33.6	-1.1	55.4	33.2	5.9	-110.7
29	Net Income (Loss)(in Millions \$)	-17.0	17.5	-16.5	18.0	8.6	-7.4	-73.5
30	RTMs (Sch. Svc.) (%)	7.6	26.8	6.7	10.8	10.2	14.5	15.7
31	ATMs (Sch. Svc.) (%)	5.3	27.2	5.9	10.6	11.3	13.9	15.5
32	Operating Revenues per RTM (%)	-7.0	-2.6	-2.7	-1.4	-1.2	-6.5	-12.7
33	Operating Expense per RTM (%)	-2.4	-9.1	-2.6	-4.1	-2.5	-6.5	-7.4
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>