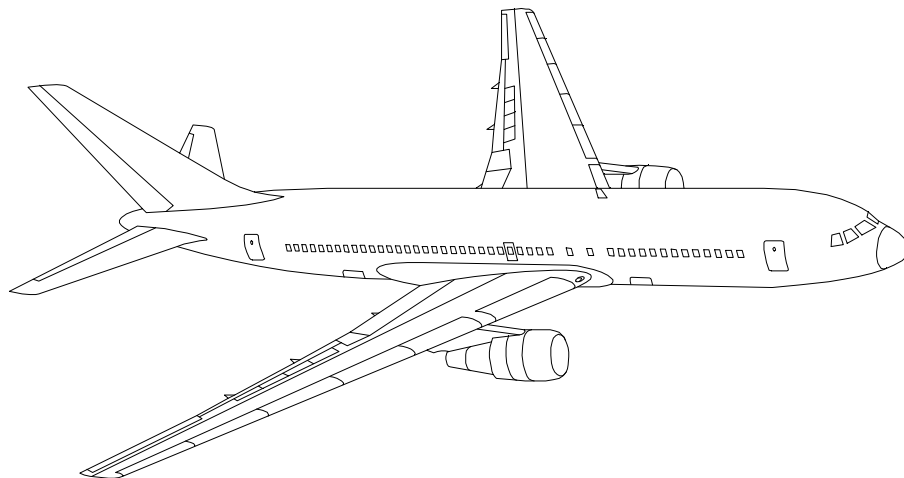


AIRLINE QUARTERLY FINANCIAL REVIEW

FOURTH QUARTER 1995



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 majors airlines.

The data are presented on a carrier group basis. 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 changes 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.

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

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

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*An electronic version of this document can be obtained via the World Wide Web at:
<http://www.dot.gov:80/dotinfo/ost/aviation/analysis.html>*

QUARTERLY FINANCIAL & TRAFFIC REVIEW

TOTAL SYSTEM PASSENGER & ALL CARGO MAJORS

QUARTERLY RESULTS

- o Operating and net results for the current quarter were the best for any fourth quarter since 1988, excluding 1993 when Trans World recorded a \$1 billion favorable adjustment to net results.
- o Except for American, all majors reported an operating profit although both all-cargo and four passenger majors (America West, American, Northwest and United) experienced a deterioration over the previous year.
- o Trans World and United joined American in reporting the only net losses among all majors.
- o Operating revenues advanced 4.8 percent, greatly outpacing the 2.2 percent increase in operating expenses.
- o As a result, operating profit jumped \$517.3 million to \$496.2million. The passenger majors combined reported an improvement of \$556.5 million to a profit of \$331 million, while the all-cargo majors showed a deterioration of \$39.2 million to \$165.2 million.
- o Overall, net income increased \$1.07 billion to \$57.5 million. The passenger majors failed to produce a profit posting a small net loss of \$18.3 million, despite a strong \$1.1 billion improvement. On the other hand, the all-cargo majors experienced a deterioration, but still managed a profit, down \$35.1 million to \$75.8 million.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ \$MILLIONS						
CARRIER	OPERATING PROFIT			NET INCOME		
	4Q 94	4Q 95	\$ CHANGE	4Q 94	4Q 95	\$ CHANGE
TOTAL ALL MAJORS	-21.1	496.2	517.3	-1012.7	57.5	1070.2
PASSENGER MAJORS	-225.5	331.0	556.5	-1123.6	-18.3	1105.3
AMERICA WEST	30.5	22.7	-7.8	6.6	6.0	-0.6
AMERICAN	-36.2	-218.3	-182.1	-120.4	-252.1	-131.7
CONTINENTAL	-31.5	74.6	106.1	-508.9	41.0	549.9
DELTA	18.9	168.6	149.7	-17.9	70.0	87.9
NORTHWEST	161.7	103.2	-58.5	63.2	100.0	36.8
SOUTHWEST	37.1	71.0	33.9	20.3	43.4	23.1
TRANS WORLD	-204.4	2.6	207.0	-245.2	-27.8	217.4
UNITED	75.9	22.6	-53.3	10.2	-43.5	-53.7
USAIR	-277.5	83.9	361.4	-331.5	44.8	376.3
ALL CARGO MAJORS	204.4	165.2	-39.2	110.9	75.8	-35.1
FEDERAL EXPRESS	156.8	143.0	-13.8	91.6	70.5	-21.1
UNITED PARCEL	47.5	22.2	-25.3	19.3	5.3	-14.0

1/ Totals may not add due to rounding.

- o Net results continue to be hindered by high interest expense, which declined \$77.1 million to \$523.9 million. This cut was due, in part, to the \$2.7 billion reduction in total debt to \$24.6 billion.
- o RTM yield growth, up 4.3 percent, far exceeded the 1.7 percent increase in RTM unit costs, producing the large profit upswing.

12-MONTH RESULTS

- o The combined majors showed sharp improvement over the same period a year ago in operating profit, soaring \$2.99 billion to \$5.46 billion. All majors experienced an operating profit in 1995 despite year-to-year declines reported by both all-cargo majors.
- o Net results also significantly improved, surging upward \$2.78 billion to a positive \$2.2 billion. Trans World was the only major to report a net loss for the calendar year. Continental experienced the largest year-to-year improvement, up \$845.6 million.
- o After five consecutive periods of decline, RTM yield rose 1.7 percent, while RTM unit costs continued to decline, down 1.9 percent, boosting profitability.
- o Despite the reduction in interest expense during the quarter, interest expense for the year rose \$75.9 million to \$2.15 billion.
- o The debt-to-investment ratio fell 8.2 percentage points to 61.9 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9512	9412	9512	9509	9506	9503	9412
	<u>FINANCIAL RESULTS: (in Millions \$)</u>							
1	Operating Revenues	20,635.7	19,687.9	83,651.8	82,703.9	81,557.9	80,387.1	79,809.7
2	Operating Expenses	20,139.5	19,709.0	78,191.4	77,760.8	77,392.9	77,492.6	77,337.9
3	Operating Profit (Loss)	496.2	-21.1	5,460.4	4,943.1	4,165.0	2,894.4	2,471.8
4	Net Income (Loss)	57.5	-1,012.7	2,200.3	1,130.2	704.6	-264.2	-578.2
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Serv.	121.8	120.5	501.0	499.7	498.3	493.3	487.1
6	ASMs - Scheduled Rev. Serv.	184.5	185.2	743.4	744.2	742.9	739.5	732.9
7	Overall RTMs (All Services)	17.0	16.9	68.2	68.1	68.0	67.3	66.2
8	Overall ATMs (All Services)	30.4	30.2	120.8	120.6	120.1	119.2	117.3
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	121.5	116.5	122.6	121.4	119.9	119.4	120.5
10	Operating Expense per RTM	118.6	116.6	114.6	114.1	113.8	115.1	116.8
11	Operating Profit (Loss) per RTM	2.9	-0.1	8.0	7.3	6.1	4.3	3.7
12	Operating Expense per ATM	66.3	65.3	64.7	64.5	64.5	65.0	66.0
13	Passenger Revenue per RPM	12.70	12.27	12.71	12.61	12.48	12.43	12.53
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	2.22	2.19	2.17	2.13	2.09
15	Times Interest Earned	*	*	2.56	2.10	1.71	1.11	0.92
16	Current Assets to Current Liabilities	*	*	0.70	0.76	0.70	0.67	0.69
17	No. of Days Cash Coverage of Cash Exp.	*	*	31.0	39.8	38.2	29.6	30.0
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	2.4	-0.1	6.5	6.0	5.1	3.6	3.1
19	Net Income to Stockholders Equity	*	*	18.3	9.8	6.4	-2.5	-5.3
20	Corporate Return on Investment	*	*	11.7	9.1	8.0	5.3	4.2
21	Debt to Total Investment	*	*	61.9	62.7	67.4	70.0	70.1
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	66.0	65.1	67.4	67.1	67.1	66.7	66.5
23	Breakeven	++	++	++	++	++	++	++
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	435,586	439,792	435,339	436,389	439,352	442,988	446,711
25	Overall RTM's per Employee (000)	39.0	38.4	156.7	156.2	154.8	151.9	148.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.8	3.2	4.8	4.4	3.7	3.1	2.9
27	Operating Expenses (%)	2.2	2.7	1.1	1.2	1.0	1.7	1.6
28	Operating Profit (Loss)(in Millions \$)	517.3	85.7	2,988.6	2,557.0	2,138.4	1,095.3	1,069.0
29	Net Income (Loss)(in Millions \$)	1,070.2	-1,645.1	2,778.5	63.3	-33.6	-1,076.3	-1,024.2
30	RPMs (Sch. Svc.) (%)	1.1	6.5	2.8	4.2	5.1	5.0	4.3
31	ASMs (Sch. Svc.) (%)	-0.4	2.5	1.4	2.2	1.8	1.0	-0.3
32	Operating Revenues per RTM (Cents)	4.3	-4.6	1.7	-0.4	-2.7	-3.5	-2.8
33	Operating Expense per RTM (Cents)	1.7	-5.1	-1.9	-3.5	-5.2	-4.7	-4.1
34	Passenger Revenue per RPM (Sch. Svc.)(Cents)	3.5	-4.5	1.4	-0.5	-2.4	-3.3	-3.2

QUARTERLY FINANCIAL & TRAFFIC REVIEW

TOTAL PASSENGER MAJORS

QUARTERLY RESULTS

- o Fourth quarter 1995 operating and net results for the passenger major group were the best for any fourth quarter since 1988, excluding Trans World's favorable \$1 billion nonoperating accounting adjustment reported in fourth quarter 1993.
- o For the quarter, all passenger majors (except American) reported an operating profit and all but American, Trans World, and United, reported a net profit. Results of the individual carriers were mixed when compared to a year ago as Continental, Delta, Southwest, Trans World, and USAir all reported operating and net improvements. Northwest had a gain only in net results.
- o The group reported an improvement in operating results of \$556.5 million to a profit of \$331 million.
- o Net income also showed sharp improvement, rising \$1.1 billion, but remained in the red with a small loss of \$18.3 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1994	THIS YEAR 1995	\$ Change	LAST YEAR 1994	THIS YEAR 1995	\$ Change
1 QTR	-27.5	371.0	398.5	-456.4	-170.0	286.4
2 QTR	638.5	1,905.7	1,267.2	55.0	1,008.7	953.6
3 QTR	1,410.6	2,219.7	809.1	629.0	1,067.9	438.9
4 QTR	-225.5	331.0	556.4	-1,123.6	-18.3	1,105.3

- o The passenger load factor climbed 0.9 percentage points to 66 percent. RPMs rose a slight 1.1 percent, while ASMs dipped 0.4 percent.
- o Passenger (RPM) yield gained 3.5 percent to 12.70 cents as all majors except Northwest showed a year-to-year increase.
- o Interest on debt declined \$70.1 million to \$497.4 million, as the major group as a whole continues to reduce its debt load, down \$3.2 billion to \$21.1 billion. This, combined with rising equity, resulted in a 9.6 percentage point drop in the debt-to-investment ratio to 64.1 percent, the lowest in 4 years.
- o Domestic operating results rose \$644.5 million to a positive \$418.4 million and net results soared \$1.12 billion to a positive \$79.1 million, propelling systemwide operating results into the black and greatly reducing the year ago net loss. Atlantic operations contributed to the improvements as well, but did not produce any profit. Both Latin and Pacific operations saw their operating and net results tumble into the red.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs			ASMs			
	1994	1995	\$ Change	1994	1995	\$ Change	1994	1995	Change %	1994	1995	Change %	L.F.
Domestic	-226.2	418.4	644.5	-1,043.6	79.1	1,122.7	88.5	88.1	-0.4	137.8	136.0	-1.3	64.8%
International	0.7	-87.4	-88.1	-80.0	-97.4	-17.5	32.1	33.7	5.1	47.4	48.4	2.2	69.6%
Atlantic	-140.9	-52.7	88.2	-134.1	-57.9	76.1	13.7	14.0	1.7	19.6	19.4	-1.2	71.9%
Latin	75.9	-24.1	-100.1	30.9	-35.0	-65.9	5.7	5.9	3.5	9.0	9.4	4.9	62.3%
Pacific	65.7	-10.5	-76.2	23.2	-4.5	-27.7	12.7	13.9	9.6	18.8	19.6	4.3	70.8%
System	-225.5	331.0	556.4	-1,123.6	-18.3	1,105.3	120.5	121.8	1.1	185.2	184.5	-0.4	66.0%

12-MONTH RESULTS

- o All passenger majors reported a profit and year-to-year improvement in operating results for the 12-months ended December 1995, while only Trans World showed a net loss and only American experienced a net deterioration.
- o For the group, operating profit spiraled upward \$3.03 billion to a profit of \$4.82 billion, as operating revenue growth continued to accelerate, up 4.1 percent, while operating expenses declined over a year ago for the third consecutive period, down 0.3 percent.
- o Net results moved into the black, improving from the year ago loss of \$895.9 million to a profit of \$1.89 billion.
- o The passenger load factor climbed 0.9 percentage points to 67.4 percent, 2.6 points above operating breakeven.
- o Passenger (RPM) yield, up over a year ago after five consecutive quarter-ended 12-month periods of decline, rose 1.4 percent to 12.71 cents.
- o The major group as a whole continues to experience productivity gains (RTMs per employee) rising from 156.1 to 165.5.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9512	9412	9512	9509	9506	9503	9412
	<u>FINANCIAL RESULTS: (in Millions \$)</u>							
1	Operating Revenues	17,627.5	16,879.8	72,196.6	71,448.9	70,497.7	69,597.1	69,346.8
2	Operating Expenses	17,296.5	17,105.3	67,369.2	67,177.9	67,035.8	67,402.5	67,550.7
3	Operating Profit (Loss)	331.0	-225.5	4,827.4	4,271.0	3,461.9	2,194.7	1,796.2
4	Net Income (Loss)	-18.3	-1,123.6	1,888.2	783.0	344.1	-609.5	-895.9
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Serv.	121.8	120.5	501.0	499.7	498.3	493.3	487.1
6	ASMs - Scheduled Rev. Serv.	184.5	185.2	743.4	744.2	742.9	739.5	732.9
7	Overall RTMs	14.7	14.7	59.8	59.8	59.8	59.3	58.5
8	Overall ATMs	26.5	26.6	106.6	106.7	106.3	105.9	104.4
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	120.0	114.5	120.8	119.5	117.9	117.4	118.5
10	Operating Expense per RTM	117.7	116.0	112.7	112.3	112.1	113.7	115.4
11	Operating Profit (Loss) per RTM	2.3	-1.5	8.1	7.1	5.8	3.7	3.1
12	Operating Expense per ATM	65.2	64.4	63.2	63.0	63.0	63.7	64.7
13	Passenger Revenue per RPM	12.70	12.27	12.71	12.61	12.48	12.43	12.53
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	2.05	2.01	2.02	2.05	2.12
15	Times Interest Earned	*	*	2.39	1.88	1.47	0.83	0.63
16	Current Assets to Current Liabilities	*	*	0.66	0.73	0.66	0.62	0.65
17	No. of Days Cash Coverage of Cash Exp.	*	*	35.2	45.3	42.3	32.5	32.6
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	1.9	-1.3	6.7	6.0	4.9	3.2	2.6
19	Net Income to Stockholders Equity	*	*	21.3	9.2	4.3	-7.7	-10.9
20	Corporate Return on Investment	*	*	12.8	9.4	8.0	4.7	3.5
21	Debt to Total Investment	*	*	64.1	64.9	70.6	73.6	73.7
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	66.0	65.1	67.4	67.1	67.1	66.7	66.5
23	Breakeven	67.5	69.1	64.8	65.1	66.0	67.0	67.3
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	359,807	367,286	361,175	363,043	366,613	370,666	374,781
25	Overall RTM's per Employee (000)	40.8	40.1	165.5	164.8	163.1	159.9	156.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.4	1.7	4.1	3.5	2.5	1.8	1.8
27	Operating Expenses (%)	1.1	1.5	-0.3	-0.2	-0.5	0.5	0.5
28	Operating Profit (Loss)(in Millions \$)	556.5	44.1	3,031.2	2,519.0	2,039.9	950.9	902.5
29	Net Income (Loss)(in Millions \$)	1,105.3	-1,707.7	2,784.1	-28.8	-162.4	-1,211.8	-1,161.9
30	RPMs (Sch. Svc.) (%)	1.1	6.5	2.8	4.2	5.1	5.0	4.3
31	ASMs (Sch. Svc.) (%)	-0.4	2.5	1.4	2.2	1.8	1.0	-0.3
32	Operating Revenues per RTM (Cents)	4.8	-4.8	1.9	-0.3	-2.7	-3.5	-3.0
33	Operating Expense per RTM (Cents)	1.5	-5.0	-2.3	-3.9	-5.5	-4.8	-4.2
34	Passenger Revenue per RPM (Sch. Svc.)(Cents)	3.5	-4.5	1.4	-0.5	-2.4	-3.3	-3.2

QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9512	9412	9512	9509	9506	9503	9412
	<u>FINANCIAL RESULTS: (in Millions \$)</u>							
1	Operating Revenues	13,410.4	12,578.8	53,844.1	53,012.5	52,313.5	51,559.0	51,297.9
2	Operating Expenses	12,992.0	12,804.9	50,084.5	49,897.4	49,824.6	50,039.9	50,031.7
3	Operating Profit (Loss)	418.4	-226.2	3,759.6	3,115.1	2,488.9	1,519.1	1,266.2
4	Net Income (Loss)	79.1	-1,043.6	1,443.8	321.1	13.6	-732.4	-900.4
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Serv.	88.1	88.5	359.6	359.9	359.9	356.3	351.0
6	ASMs - Scheduled Rev. Serv.	136.0	137.8	546.6	548.4	548.4	546.2	540.4
7	Overall RTMs (All Services)	10.0	10.1	40.4	40.5	40.5	40.2	39.6
8	Overall ATMs (All Services)	18.3	18.6	73.6	73.8	73.8	73.6	72.5
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	134.6	125.0	133.4	131.0	129.1	128.3	129.4
10	Operating Expense per RTM	130.4	127.2	124.1	123.3	123.0	124.5	126.2
11	Operating Profit (Loss) per RTM	4.2	-2.2	9.3	7.7	6.1	3.8	3.2
12	Operating Expense per ATM	70.8	68.8	68.1	67.6	67.5	68.0	69.0
13	Passenger Revenue per RPM	13.55	12.66	13.39	13.17	12.99	12.92	13.05
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	3.1	-1.8	7.0	5.9	4.8	2.9	2.5
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	13.7	8.8	7.5	3.9	2.9
21	Debt to Total Investment	*	*	**	**	**	**	**
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	64.8	64.2	65.8	65.6	65.6	65.2	65.0
23	Breakeven	65.6	68.6	63.4	64.1	64.9	66.0	66.1
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.6	1.3	5.0	3.7	2.8	1.9	1.8
27	Operating Expenses (%)	1.5	3.0	0.1	0.5	0.7	1.7	1.8
28	Operating Profit (Loss)(in Millions \$)	644.6	-218.6	2,493.4	1,630.4	1,100.7	169.9	-20.0
29	Net Income (Loss)(in Millions \$)	1,122.7	-1,517.0	2,344.2	-295.5	-394.0	-1,371.7	-1,407.4
30	RPMs (Sch. Svc.) (%)	-0.4	7.6	2.4	4.4	5.8	5.6	4.9
31	ASMs (Sch. Svc.) (%)	-1.3	3.6	1.1	2.4	2.4	1.7	0.2
32	Operating Revenues per RTM (Cents)	7.7	-5.5	3.1	-0.2	-2.4	-3.3	-2.9
33	Operating Expense per RTM (Cents)	2.5	-3.9	-1.7	-3.2	-4.4	-3.6	-2.9
34	Passenger Revenue per RPM (Sch. Svc.)(Cents)	7.0	-6.4	2.6	-0.7	-3.1	-4.2	-4.1

QUARTERLY FINANCIAL & TRAFFIC REVIEW
INTERNATIONAL OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9512	9412	9512	9509	9506	9503	9412
	<u>FINANCIAL RESULTS: (in Millions \$)</u>							
1	Operating Revenues	4,217.1	4,301.1	18,352.4	18,436.3	18,184.3	18,038.1	18,049.0
2	Operating Expenses	4,304.5	4,300.4	17,284.6	17,280.5	17,211.3	17,362.5	17,519.0
3	Operating Profit (Loss)	-87.4	0.7	1,067.8	1,155.9	973.0	675.6	530.0
4	Net Income (Loss)	-97.4	-80.0	444.4	461.9	330.5	122.9	4.5
	<u>TRAFFIC: (Billions)</u>							
5	RPMs - Scheduled Rev. Serv.	33.7	32.1	141.4	139.8	138.4	137.0	136.1
6	ASMs - Scheduled Rev. Serv.	48.4	47.4	196.8	195.8	194.5	193.3	192.5
7	Overall RTMs (All Services)	4.7	4.7	19.4	19.4	19.3	19.1	18.9
8	Overall ATMs (All Services)	8.2	8.0	33.0	32.8	32.5	32.3	31.9
	<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9	Operating Revenue per RTM	89.2	91.9	94.6	95.3	94.4	94.6	95.6
10	Operating Expense per RTM	91.1	91.9	89.1	89.3	89.3	91.0	92.8
11	Operating Profit (Loss) per RTM	-1.8	0.0	5.5	6.0	5.0	3.5	2.8
12	Operating Expense per ATM	52.5	54.0	52.3	52.7	52.9	53.8	54.9
13	Passenger Revenue per RPM	10.45	11.21	10.99	11.17	11.15	11.13	11.18
	<u>FINANCIAL RATIOS:</u>							
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
	<u>FINANCIAL PERCENTAGES:</u>							
18	Operating Profit (Loss) to Operating Revenue	-2.1	0.0	5.8	6.3	5.4	3.7	2.9
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	10.2	10.7	9.4	6.8	5.2
21	Debt to Total Investment	*	*	**	**	**	**	**
	<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22	Actual	69.6	67.6	71.9	71.4	71.1	70.8	70.7
23	Breakeven	73.8	70.1	68.6	67.7	68.4	69.6	70.2
	<u>Employment & Productivity:</u>							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-2.0	3.2	1.7	2.9	1.5	1.5	1.9
27	Operating Expenses (%)	0.1	-3.0	-1.3	-2.1	-3.7	-2.9	-3.2
28	Operating Profit (Loss)(in Millions \$)	-88.1	262.6	537.8	888.5	939.3	781.1	922.5
29	Net Income (Loss)(in Millions \$)	-17.4	-190.7	439.9	266.7	231.6	159.9	245.5
30	RPMs (Sch. Svc.) (%)	5.1	3.6	3.9	3.5	3.5	3.2	2.8
31	ASMs (Sch. Svc.) (%)	2.2	-0.5	2.2	1.6	0.2	-1.0	-1.8
32	Operating Revenues per RTM (Cents)	-2.9	-2.7	-1.1	-1.0	-3.4	-3.7	-3.0
33	Operating Expense per RTM (Cents)	-0.9	-8.4	-4.0	-5.8	-8.4	-7.9	-7.9
34	Passenger Revenue per RPM (Sch. Svc.)(Cents)	-6.8	1.4	-1.7	0.2	-0.8	-1.4	-1.1

TOTAL PASSENGER MAJORS (SYSTEM) **BY QUARTER**

Chart 1.
OPERATING PROFIT (LOSS)
(\$BILLIONS)

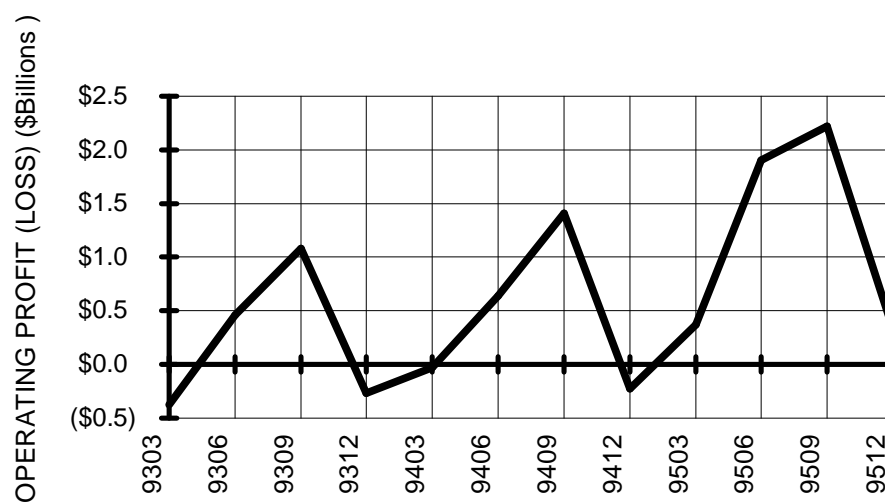
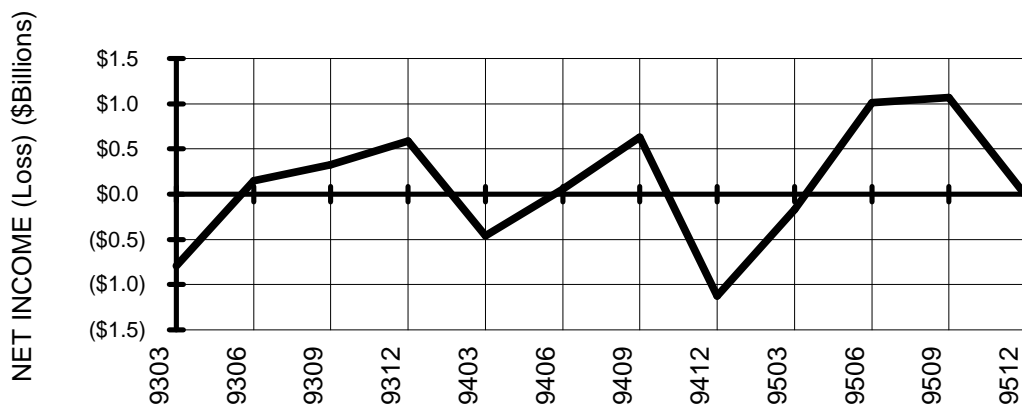
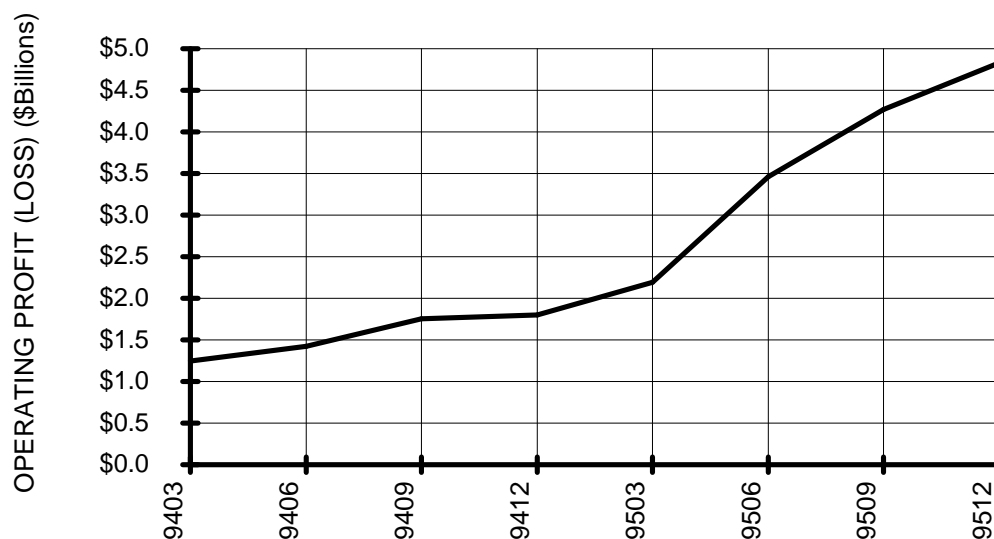


Chart 2.
NET INCOME (LOSS)
(\$BILLIONS)

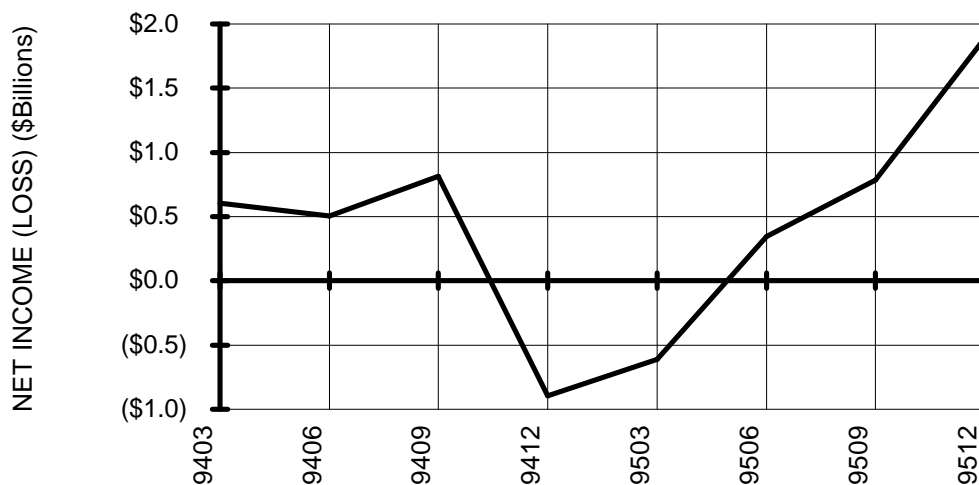


TOTAL PASSENGER MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS

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



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



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

Chart 5
OPERATING REVENUE PER REVENUE TON-MILE
PERCENT CHANGE FROM SAME PERIOD A YEAR
EARLIER

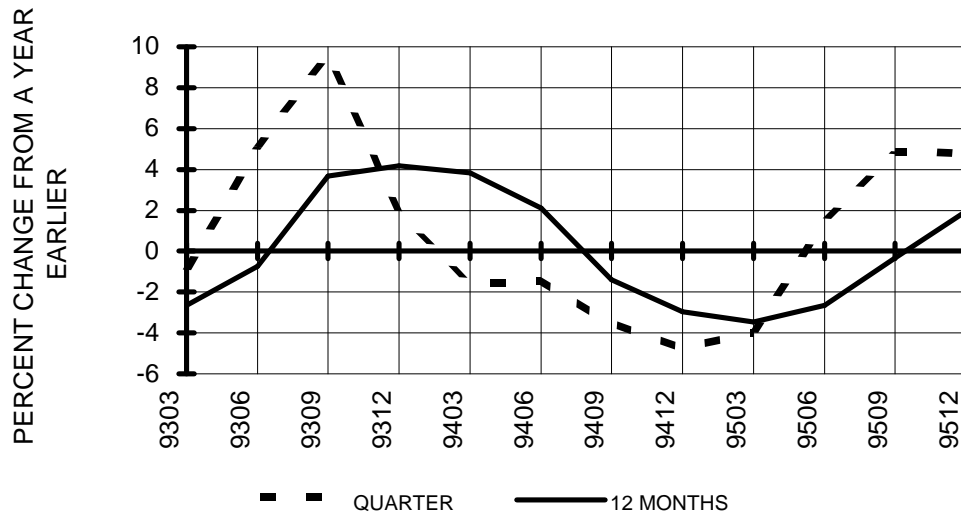
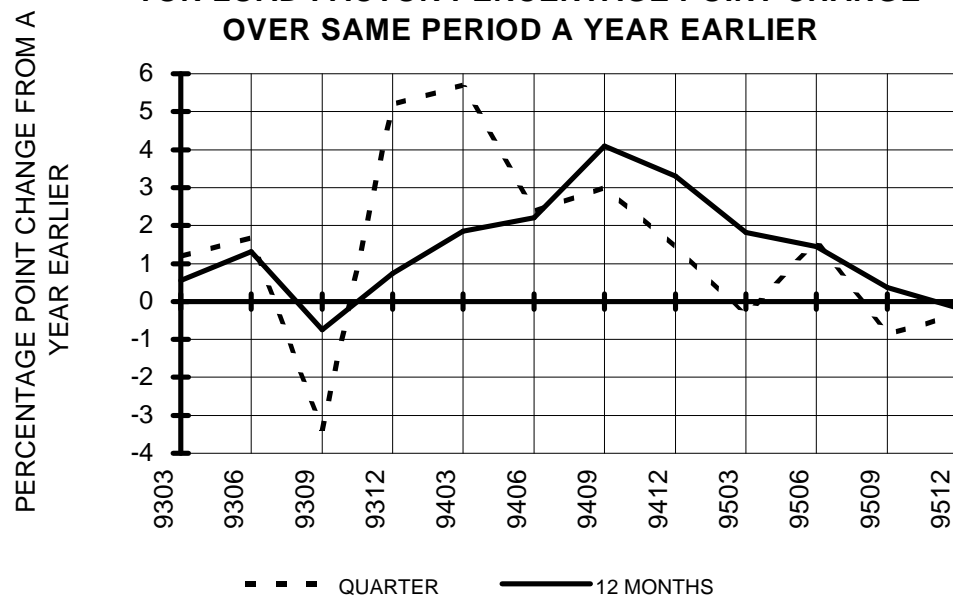
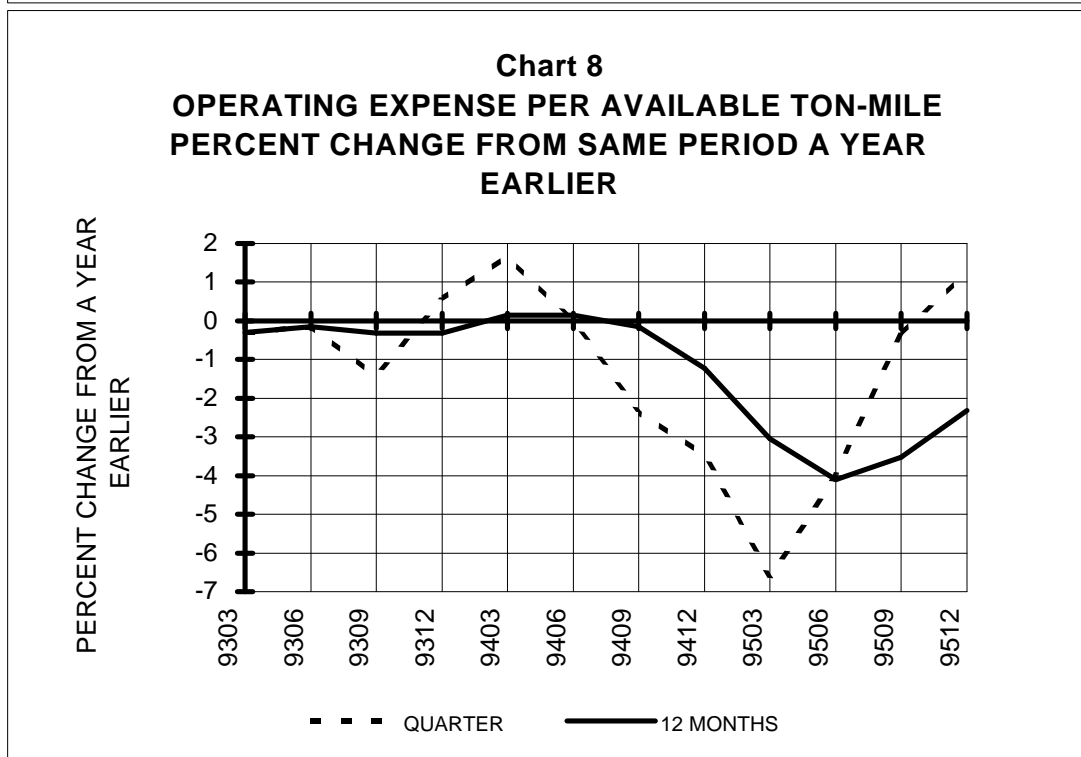
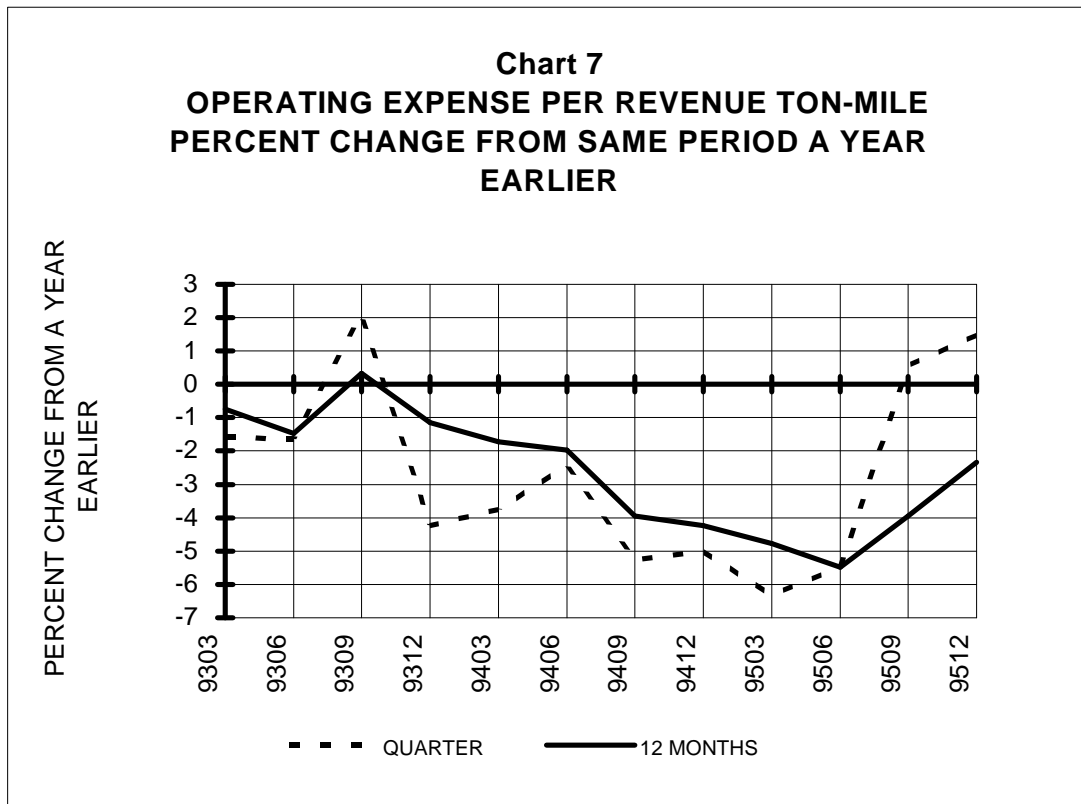


Chart 6
TON LOAD FACTOR PERCENTAGE POINT CHANGE
OVER SAME PERIOD A YEAR EARLIER

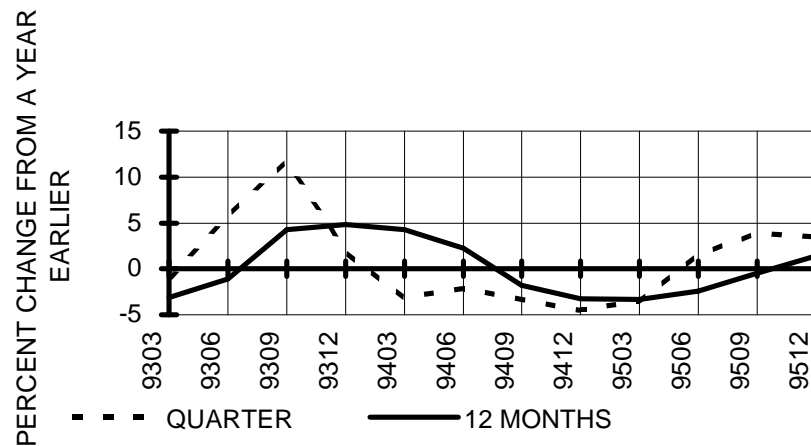


TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS

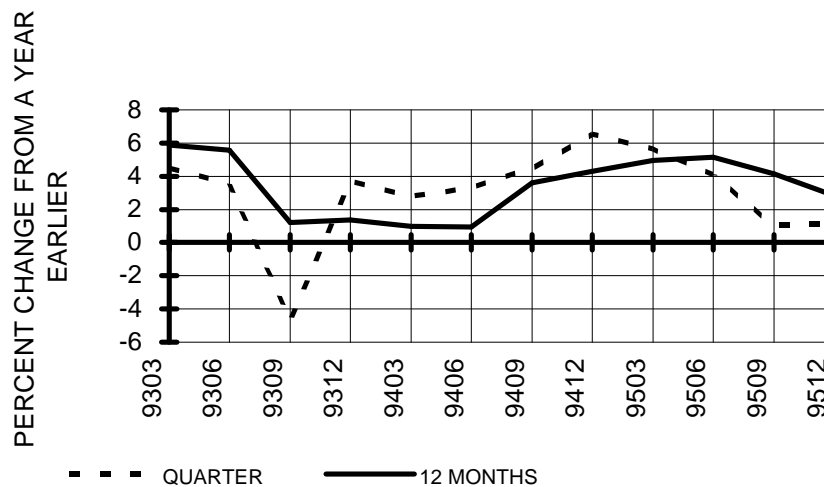


TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)

**Chart 9
PASSENGER REVENUES PER REVENUE PASSENGER-
MILE
PERCENT CHANGE FROM SAME PERIOD A YEAR
EARLIER**

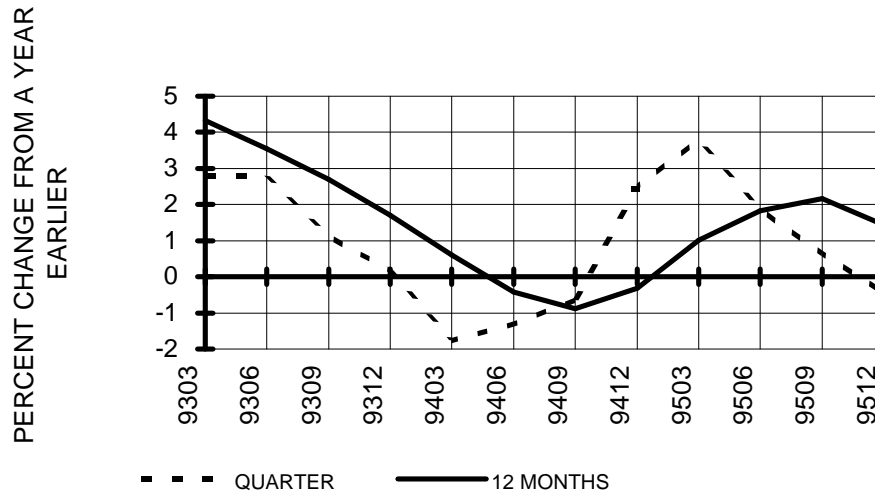


**Chart 10
REVENUE PASSENGER-MILES
PERCENT CHANGE FROM SAME PERIOD A YEAR
EARLIER**

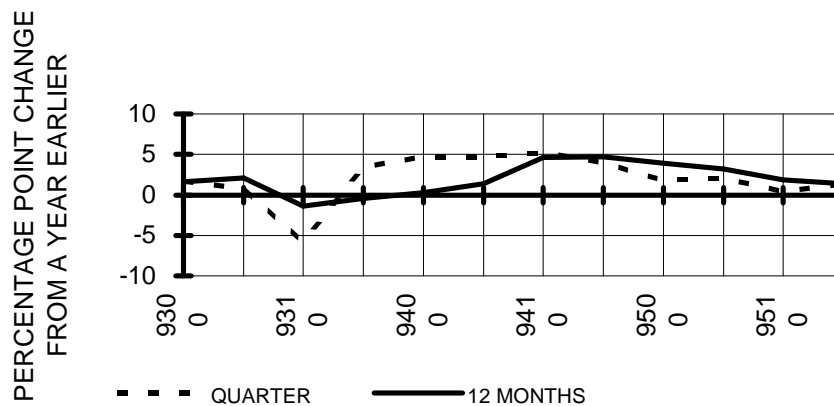


TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)

**Chart 11
AVAILABLE SEAT-MILES
PERCENT CHANGE FROM SAME PERIOD A YEAR
EARLIER**

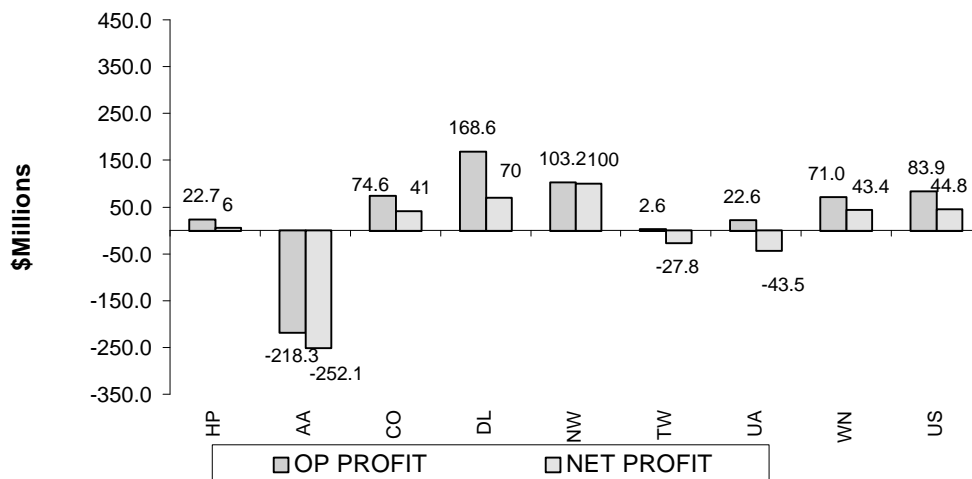


**Chart 12
PASSENGER LOAD FACTOR PERCENTAGE
POINT CHANGE FROM SAME PERIOD A YEAR
EARLIER**

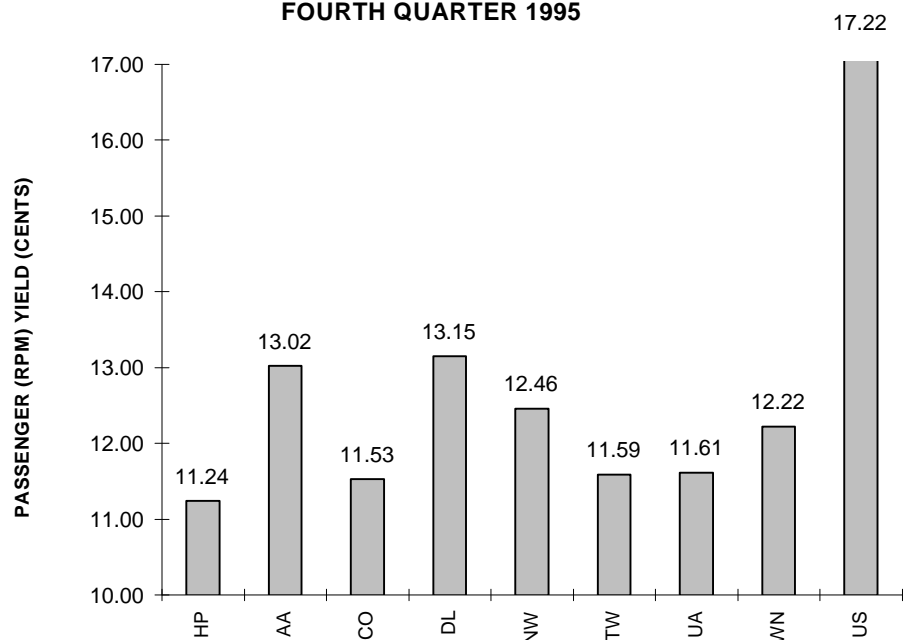


COMPARISONS AMONG MAJOR PASSENGER AIRLINES

OPERATING AND NET PROFIT (LOSS) FOURTH QUARTER 1995

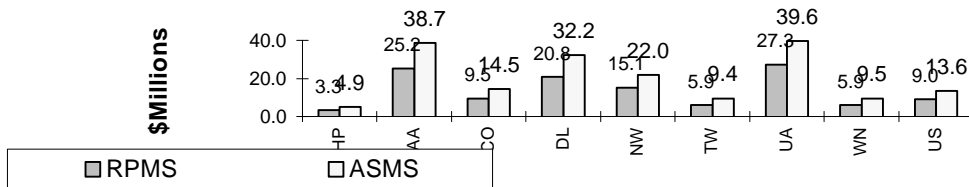


SCHEDULED PASSENGER (RPM) YIELDS FOURTH QUARTER 1995

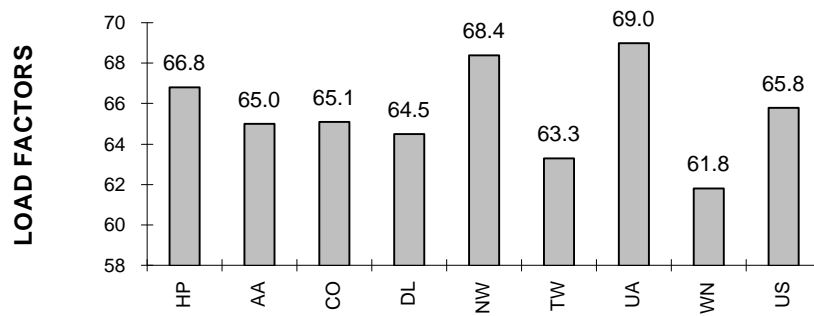


COMPARISONS AMONG MAJOR PASSENGER AIRLINES

SYSTEM MAJORS SCH. SVC. RPMS AND ASMS FOURTH QUARTER 1995



SYSTEM MAJORS PASSENGER LOAD FACTOR FOURTH QUARTER 1995



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

QUARTERLY RESULTS

- o Both Federal Express and United Parcel Service (UPS) reported an operating and net profit for the quarter, although both carriers experienced a decline in operating and net results.
- o Operating revenues increased 7.1 percent, but operating expenses rose a faster 9.2 percent, causing operating profit to drop \$39.2 million to \$165.2 million.
- o Net results fell \$35.1 million to \$75.8 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1994	THIS YEAR 1995	\$ Change	LAST YEAR 1994	THIS YEAR 1995	\$ Change
1 QTR	134.5	158.7	24.1	58.4	86.0	27.6
2 QTR	162.1	165.5	3.3	63.6	78.9	15.2
3 QTR	174.6	143.6	-31.0	84.8	71.4	-13.3
4 QTR	204.4	165.2	-39.1	110.9	75.8	-35.2

- o Except for Pacific operations, all entities reported an operating and net profit, but only Atlantic and Latin operations showed an improvement in operating and/or net results. Much of the systemwide operating and net declines resulted from steep drops in the Pacific division.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON LOAD FACTOR
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			All Svc. RTMs			All Svc. ATMs			
	1994	1995	\$ Change	1994	1995	\$ Change	1994	1995	% Change	1994	1995	% Change	
Domestic	197.6	192.7	-4.9	110.7	96.5	-14.2	1.48	1.58	7.0	2.57	2.69	4.7	58.9%
Intl	6.7	-27.5	-34.2	0.2	-20.8	-21.0	0.67	0.70	4.9	1.04	1.10	0.0	61.7%
Atlantic	6.4	19.0	12.6	2.9	9.7	6.9	0.18	0.21	16.6	0.28	0.32	16.8	64.0%
Latin	-5.4	0.0	5.4	-3.0	-0.4	2.6	0.04	0.03	-12.0	0.07	0.07	-0.7	44.4%
Pacific	5.7	-46.5	-52.2	0.3	-30.1	-30.4	0.46	0.46	1.7	0.69	0.74	7.3	62.5%
System	204.4	165.2	-39.1	110.9	75.8	-35.2	2.20	2.29	6.3	3.60	3.83	0.0	59.8%

- o The ton-load factor inched upward 0.2 percentage point to 59.2 percent as RTM traffic, up 6.3 percent, slightly outpaced the 6 percent rise in ATM capacity.
- o Moving opposite to the trend of nearly all other majors in reducing debt, total debt for UPS soared \$541.5 million to \$1.95 billion. Federal Express did reduce its debt \$33.8 million. For both all-cargo carriers combined, total debt increased \$507.7 million pushing the debt-to-investment ratio up 1.2 percentage points to 51.4 percent.

12-MONTH RESULTS

- o Federal Express and United Parcel Service produced operating and net profits for the 12-months ended December 1995, but the only improvement was in the net results of Federal Express.
- o Operating profit dropped \$42.6 million to \$633 million as RTM unit costs grew 0.8 percent while RTM yield dipped 0.2 percent.
- o The net profit declined \$5.7 million to \$312 million, due entirely to the \$11.2 million decrease reported by UPS.
- o ATM capacity, up 10.3 percent, continues to grow faster than RTM traffic, up 9.7 percent, thus the ton load factor dipped 0.3 percentage points to 59.7 percent.
- o The all-cargo major group continues to experience productivity gains (RTMs per employee) rising from 107.3 to 114.2.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		9512	9412	9512	9509	9506	9503	9412
<u>FINANCIAL RESULTS: (in Millions \$)</u>								
1	Operating Revenues	3,008.2	2,808.1	11,455.2	11,255.1	11,060.2	10,789.9	10,462.8
2	Operating Expenses	2,843.0	2,603.7	10,822.2	10,582.9	10,357.1	10,090.2	9,787.2
3	Operating Profit (Loss)	165.2	204.4	633.0	672.1	703.1	699.8	675.6
4	Net Income (Loss)	75.8	110.9	312.0	347.2	360.5	345.3	317.7
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Serv.	1.5	2.1	6.8	7.4	7.9	7.1	6.8
6	ATMs - Scheduled Rev. Serv.	2.5	3.5	11.3	12.3	13.2	11.8	11.3
7	Overall RTMs (All Services)	2.3	2.2	8.5	8.3	8.2	8.0	7.7
8	Overall ATMs (All Services)	3.8	3.6	14.2	14.0	13.7	13.4	12.9
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	131.4	130.5	135.3	135.1	134.3	134.1	135.6
10	Operating Expense per RTM	124.2	121.0	127.8	127.0	125.8	125.4	126.8
11	Operating Profit (Loss) per RTM	7.2	9.5	7.5	8.1	8.5	8.7	8.8
12	Operating Expense per ATM	74.3	72.1	76.3	75.7	75.4	75.5	76.1
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.79	1.81	1.83	1.84	1.82
15	Times Interest Earned	*	*	5.79	6.03	5.80	5.30	4.88
16	Current Assets to Current Liabilities	*	*	1.16	1.09	1.19	1.33	1.25
17	No. of Days Cash Coverage of Cash Exp.	*	*	4.8	4.2	11.2	10.3	13.0
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	5.5	7.3	5.5	6.0	6.4	6.5	6.5
19	Net Income to Stockholders Equity	*	*	9.9	11.4	12.2	12.1	11.5
20	Corporate Return on Investment	*	*	6.7	7.5	8.1	8.3	8.1
21	Debt to Total Investment	*	*	51.4	50.8	50.8	51.0	50.2
<u>ION LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	59.8	59.6	59.7	59.6	59.9	60.2	60.0
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	75,779	68,467	74,164	73,346	72,739	72,322	71,930
25	Overall RTM's per Employee (000)	30.2	31.4	114.2	113.6	113.2	111.2	107.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	7.1	12.8	9.5	10.9	11.9	12.1	11.0
27	Operating Expenses (%)	9.2	11.9	10.6	11.3	11.7	11.2	9.8
28	Operating Profit (Loss)(in Millions \$)	-39.2	41.6	-42.6	38.1	98.5	144.5	166.6
29	Net Income (Loss)(in Millions \$)	-35.1	62.6	-5.7	92.1	128.8	135.6	137.8
30	RTMs (All Svc.) (%)	6.3	18.1	9.7	12.8	16.2	17.4	14.8
31	ATMs (All Svc.) (%)	6.0	17.6	10.3	13.3	16.0	16.5	14.6
32	Operating Revenues per RTM (Cents)	0.7	-4.5	-0.2	-1.6	-3.7	-4.6	-3.3
33	Operating Expense per RTM (Cents)	2.6	-5.3	0.8	-1.4	-3.9	-5.4	-4.4
34	Passenger Revenue per RPM (Sch. Svc.)(Cents)	++	++	++	++	++	++	++

FOOTNOTES

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

EXPLANATION OF LINE ITEMS

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

EXPLANATION OF LINE ITEMS

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