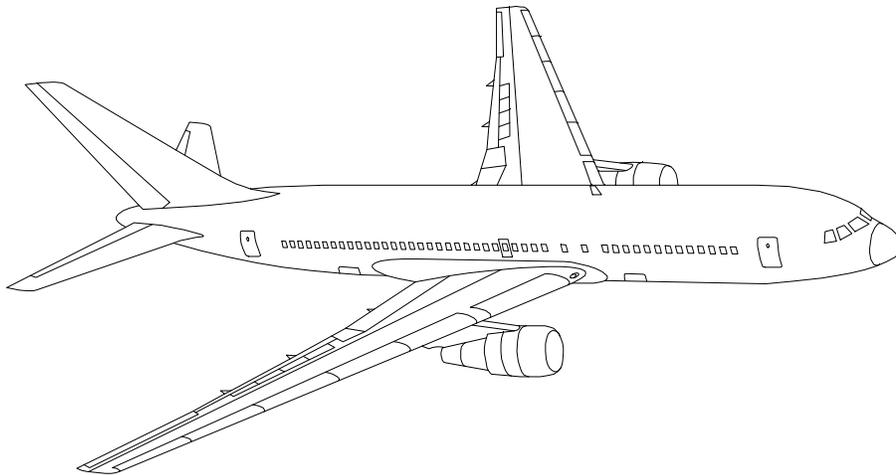


AIRLINE QUARTERLY FINANCIAL REVIEW

FOURTH QUARTER 1996



MAJORS



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

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INTRODUCTION

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

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

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

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

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

QUARTERLY RESULTS

- o Operating revenues, up 7.7 percent, grew faster than operating expenses, up 6.4 percent, causing operating profit to rise \$299.6 million to \$825.2 million, an all-time fourth quarter record. Both the passenger major group, up \$209.6 million, and the all-cargo major group, up \$90.1 million, contributed to the overall improvement.
- o Net income also improved, rising \$176.6 million to \$244.4 million.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	4Q 95	4Q 96	\$CHANGE	4Q 95	4Q 96	\$CHANGE
TOTAL ALL MAJORS	525.6	825.2	299.6	67.8	244.4	176.6
TOTAL PASSENGER MAJORS	360.3	569.9	209.6	-8.0	124.6	132.6
ALASKA	7.2	-6.6	-13.8	0.8	0.3	-0.5
AMERICA WEST	22.7	25.4	2.7	6.0	12.1	6.1
AMERICAN	-218.3	199.6	417.9	-252.1	73.1	325.2
CONTINENTAL	96.8	92.0	-4.8	50.6	42.1	-8.5
DELTA	168.6	224.0	55.4	70.0	125.3	55.3
NORTHWEST	103.2	92.2	-11.0	100.0	32.5	-67.5
SOUTHWEST	71.0	48.5	-22.5	43.4	28.2	-15.2
TRANS WORLD	2.6	-233.3	-235.9	-27.8	-258.6	-230.8
UNITED	22.6	53.8	31.2	-43.5	20.2	63.7
US AIRWAYS	83.9	74.2	-9.7	44.8	49.5	4.7
TOTAL ALL-CARGO MAJORS	165.2	255.3	90.1	75.8	119.8	44.0
FEDERAL EXPRESS	143.0	186.2	43.2	70.5	92.2	21.7
UNITED PARCEL	22.2	69.1	46.9	5.3	27.7	22.4
TOTAL PAX. MAJORS w/o DL CHARGE	360.3	569.9	209.6	-8.0	124.6	132.6
TOTAL ALL MAJORS w/o DL CHARGE	525.6	825.2	299.6	67.8	244.4	176.6

- o All majors, except for Alaska and Trans World, achieved an operating profit. Only Trans World experienced a net loss.
- o Every major saw a decline in total interest expense, which for the group fell \$150.6 million to \$388.6 million.
- o This decline occurred in large part due to the \$5.09 billion cut in total debt to \$20.07 billion.
- o The operating profit margin increased 1.1 percentage points to 3.6 percent. Trans World saw its profit margin tumble to a negative 29 percent.

12-MONTH RESULTS

- o For the fifth consecutive quarter-ended 12-month period, the major group attained a new all-time high in net income. Operating profit was also a record high as operating revenues surpassed \$90 billion for the first time.
- o All majors, except Trans World, reported an operating and net profit for the period. Nine of the twelve majors saw year-to-year improvements in both operating and net results. Except for America West, Delta and Trans World, all majors experienced record calendar year operating profits, and without Delta's write-down it would have experienced a record profit as well.
- o Operating profit soared \$433.1 million to \$5.99 billion. Three majors (American, Northwest and United) individually recorded an operating profit in excess of \$1 billion. Excluding the first quarter 1996 adjustment of \$556 million taken by Delta, operating profit for the group would have risen \$990 million to \$6.54 billion.
- o Net results improved \$544.5 million to \$2.78 billion. Without Delta's first quarter write-down, net results would have improved \$1.1 billion to \$3.34 billion.
- o The passenger load factor rose 2.5 percentage points to 69.8 percent, 3.6 percentage points above operating breakeven.
- o Except for Southwest (with a slight \$0.2 million increase), all majors cut interest expense which, for the group, fell \$531.7 million to \$1.77 billion. This was this lowest level of interest expense since the 12-months ended June 1988.
- o Rising earnings and falling debt, down \$5 billion to \$20 billion, caused the debt-to-investment ratio to drop 11.5 percentage points to 50 percent.
- o Productivity (RTMs per employee) continues to rise, up from 156.5 a year ago to 163.3, even though employment is rising as well.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9612	9512	9612	9609	9606	9603	9512
FINANCIAL RESULTS: (\$Millions)							
1 Operating Revenues	22,710.5	21,092.4	91,242.6	89,624.5	88,139.1	86,466.3	84,994.9
2 Operating Expenses	21,885.3	20,566.9	85,254.2	83,935.7	82,447.6	81,107.0	79,439.7
3 Operating Profit (Loss)	825.2	525.6	5,988.3	5,688.8	5,691.5	5,359.3	5,555.2
4 Net Income (Loss)	244.4	67.8	2,779.1	2,602.4	2,543.0	2,266.1	2,234.6
TRAFFIC: (Billions)							
5 RPMs - Scheduled Rev. Svc.	133.34	123.94	543.70	534.29	525.27	516.61	509.53
6 ASMs - Scheduled Rev. Svc.	195.76	187.81	778.79	770.84	764.52	759.62	757.18
7 Overall RTMs (All Svc.)	18.49	17.19	73.22	71.92	70.79	69.82	69.12
8 Overall ATMs (All Svc.)	32.17	30.77	126.60	125.20	124.08	123.10	122.54
YIELD & UNIT COST & PROFITS: (Cents)							
9 Operating Revenue per RTM	122.9	122.7	124.6	124.6	124.5	123.8	123.0
10 Operating Expense per RTM	118.4	119.7	116.4	116.7	116.5	116.2	114.9
11 Operating Profit (Loss) per RTM	4.5	3.1	8.2	7.9	8.0	7.7	8.0
12 Operating Expense per ATM	68.0	66.8	67.3	67.0	66.4	65.9	64.8
13 Passenger Revenue per RPM	12.64	12.78	12.84	12.88	12.87	12.80	12.71
FINANCIAL RATIOS:							
14 Operating Revenues to Total Investment	*	*	2.25	2.19	2.15	1.92	1.89
15 Times Interest Earned	*	*	3.66	3.23	2.92	2.59	2.56
16 Current Assets to Current Liabilities	*	*	0.70	0.72	0.74	0.73	0.71
17 No. of Days Cash Coverage of Cash Exp	*	*	33.6	34.3	35.4	31.6	31.5
FINANCIAL PERCENTAGES:							
18 Operating Profit (Loss) to Operating Revenue	3.6	2.5	6.6	6.3	6.5	6.2	6.5
19 Net Income to Stockholders Equity	*	*	15.5	15.2	15.9	15.4	16.0
20 Corporate Return on Investment	*	*	11.2	11.0	11.1	9.9	10.0
21 Debt to Total Investment	*	*	50.0	51.4	55.0	60.0	61.5
PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22 Actual	68.1	66.0	69.8	69.3	68.7	68.0	67.3
23 Breakeven	67.4	67.1	66.2	66.1	65.6	65.4	64.6
Employment & Productivity:							
24 Employment, Total Weighted Avg CY	452,169	442,054	448,354	445,827	443,733	441,814	441,640
25 Overall RTM's per Employee (000)	40.9	38.9	163.3	161.3	159.5	158.0	156.5

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	7.7	5.8	7.4	6.9	6.6	6.1	5.1
27 Operating Expenses (%)	6.4	3.0	7.3	6.5	5.1	3.3	1.4
28 Operating Profit (Loss) (in Millions \$)	299.6	545.9	433.1	679.5	1,472.1	2,415.6	3,021.3
29 Net Income (Loss)(in Millions \$)	176.6	1,084.3	544.5	1,452.1	1,824.4	2,517.2	2,790.2
30 RPMs (Sch. Svc.) (%)	7.6	1.2	6.7	5.2	3.7	3.1	3.0
31 ASMs (Sch. Svc.) (%)	4.2	-0.3	2.9	1.7	1.1	1.0	1.7
32 Operating Revenues per RTM (%)	0.2	5.2	1.3	2.6	3.8	3.6	2.0
33 Operating Expense per RTM (%)	-1.1	2.6	1.3	2.2	2.3	0.9	-1.6
34 Passenger Revenue per RPM (Sch. Svc)	-1.1	4.3	1.0	2.4	3.3	3.1	1.5

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9612	9512	9612	9609	9606	9603	9512
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	17,369.2	16,111.2	69,508.1	68,250.2	66,895.2	65,456.9	64,317.2
2 Operating Expenses	16,579.3	15,493.8	64,148.7	63,063.1	61,727.4	60,719.7	59,721.1
3 Operating Profit (Loss)	789.9	617.5	5,359.5	5,187.0	5,167.8	4,737.2	4,596.1
4 Net Income (Loss)	296.6	176.1	2,574.7	2,454.2	2,380.8	2,081.1	1,866.9
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	97.35	90.07	394.17	386.89	378.63	372.15	367.50
6 ASMs - Scheduled Rev. Svc.	145.13	139.08	575.14	569.08	563.87	560.00	559.46
7 Overall RTMs (All Svc.)	12.55	11.74	49.91	49.10	48.19	47.49	47.02
8 Overall ATMs (All Svc.)	22.29	21.40	87.47	86.59	85.81	85.21	85.06
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	138.4	137.2	139.3	139.0	138.8	137.8	136.8
10 Operating Expense per RTM	132.1	132.0	128.5	128.4	128.1	127.8	127.0
11 Operating Profit (Loss) per RTM	6.3	5.3	10.7	10.6	10.7	10.0	9.8
12 Operating Expense per ATM	74.4	72.4	73.3	72.8	71.9	71.3	70.2
13 Passenger Revenue per RPM	13.36	13.49	13.57	13.61	13.59	13.47	13.34
<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	4.5	3.8	7.7	7.6	7.7	7.2	7.1
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	13.1	12.9	13.2	11.7	11.2
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	67.1	64.8	68.5	68.0	67.1	66.5	65.7
23 Breakeven	65.8	65.2	64.1	64.0	63.3	63.5	63.1
<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 (%)	7.8	6.6	8.1	7.8	7.1	6.5	5.6
27 Operating Expenses (%)	7.0	2.4	7.4	6.2	4.4	2.7	1.5
28 Operating Profit (Loss) (in Millions \$)	172.4	646.6	763.4	1,237.5	1,837.3	2,386.4	2,509.6
29 Net Income (Loss)(in Millions \$)	120.5	1,113.3	707.8	1,700.6	1,936.0	2,396.2	2,359.1
30 RPMs (Sch. Svc.) (%)	8.1	-0.2	7.3	5.2	3.1	2.5	2.8
31 ASMs (Sch. Svc.) (%)	4.4	-1.1	2.8	1.4	0.6	0.5	1.6
32 Operating Revenues per RTM (%)	0.9	6.6	1.8	3.2	4.4	4.4	2.8
33 Operating Expense per RTM (%)	0.1	2.3	1.2	1.7	1.8	0.6	-1.2
34 Passenger Revenue per RPM (Sch. Svc)	-1.0	6.9	1.7	3.7	4.9	4.4	2.4

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9612	9512	9612	9609	9606	9603	9512
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	5,341.3	4,981.2	21,734.4	21,374.4	21,243.9	21,009.4	20,677.7
2 Operating Expenses	5,306.0	5,073.1	21,105.5	20,872.6	20,720.1	20,387.3	19,718.6
3 Operating Profit (Loss)	35.3	-91.9	628.9	501.7	523.8	622.1	959.1
4 Net Income (Loss)	-52.2	-108.3	204.4	148.2	162.2	185.0	367.7
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	36.00	33.87	149.53	147.40	146.63	144.46	142.04
6 ASMs - Scheduled Rev. Svc.	50.62	48.73	203.66	201.76	200.65	199.62	197.72
7 Overall RTMs (All Svc.)	5.93	5.45	23.31	22.82	22.60	22.32	22.10
8 Overall ATMs (All Svc.)	9.89	9.37	39.13	38.61	38.27	37.89	37.48
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	90.0	91.4	93.2	93.7	94.0	94.1	93.6
10 Operating Expense per RTM	89.4	93.1	90.6	91.5	91.7	91.3	89.2
11 Operating Profit (Loss) per RTM	0.6	-1.7	2.7	2.2	2.3	2.8	4.3
12 Operating Expense per ATM	53.7	54.1	53.9	54.1	54.1	53.8	52.6
13 Passenger Revenue per RPM	10.70	10.89	10.91	10.96	11.01	11.09	11.09
<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	0.7	-1.8	2.9	2.3	2.5	3.0	4.6
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	5.6	5.0	5.4	5.9	8.1
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	71.1	69.5	73.4	73.1	73.1	72.4	71.8
23 Breakeven	72.5	73.3	72.4	72.7	72.5	71.2	69.0
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	7.2	3.0	5.1	4.1	5.0	4.9	3.5
27 Operating Expenses (%)	4.6	5.1	7.0	7.2	7.2	4.9	0.9
28 Operating Profit (Loss) (in Millions \$)	127.2	-100.7	-330.2	-558.1	-365.1	29.2	511.7
29 Net Income (Loss)(in Millions \$)	56.1	-29.0	-163.3	-248.5	-111.5	120.9	431.1
30 RPMs (Sch. Svc.) (%)	6.3	5.0	5.3	5.0	5.4	4.9	3.7
31 ASMs (Sch. Svc.) (%)	3.9	2.0	3.0	2.5	2.6	2.6	2.0
32 Operating Revenues per RTM (%)	-1.5	1.6	-0.4	0.5	1.8	1.6	-0.2
33 Operating Expense per RTM (%)	-4.0	3.6	1.6	3.5	3.9	1.6	-2.7
34 Passenger Revenue per RPM (Sch. Svc)	-1.7	-2.9	-1.6	-1.9	-1.3	-0.4	-0.8

COMPARISONS AMONG MAJOR GROUP AIRLINES

Chart 1.
OPERATING AND NET PROFIT (LOSS)
FOURTH QUARTER 1996

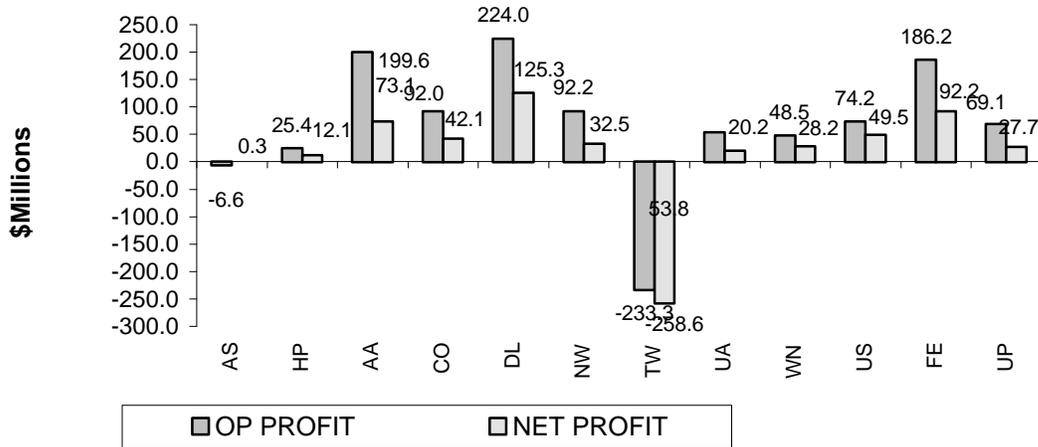
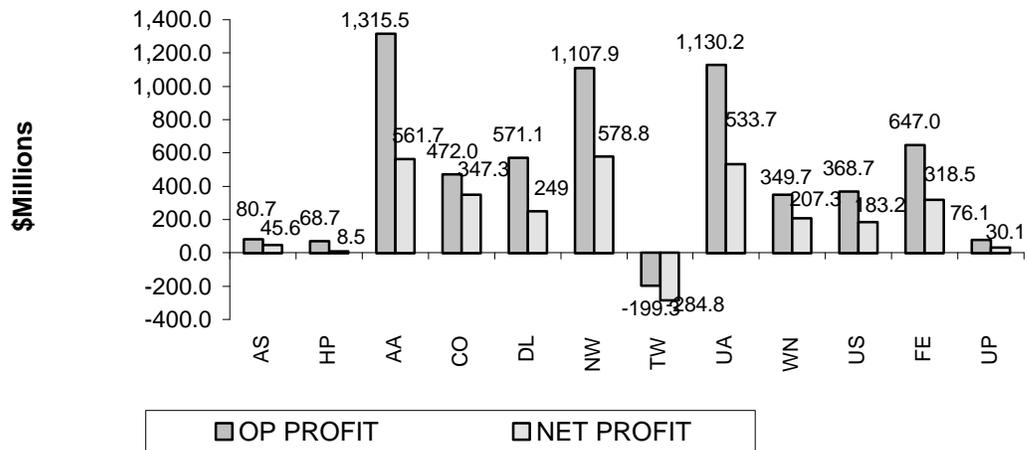
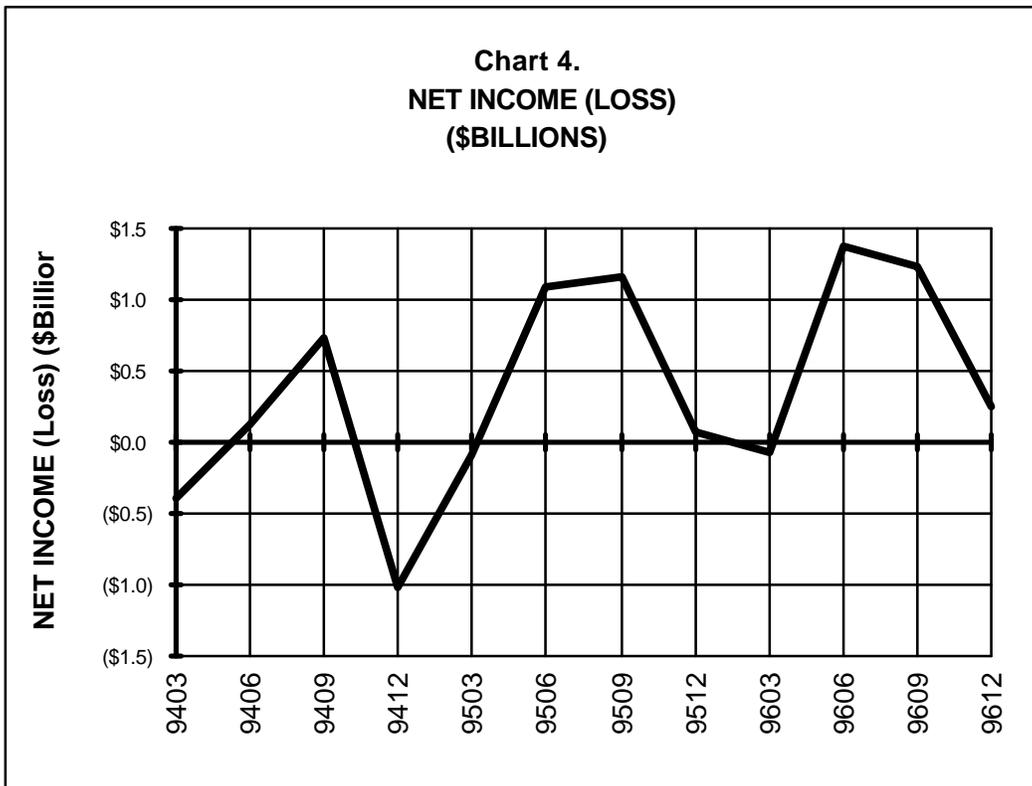
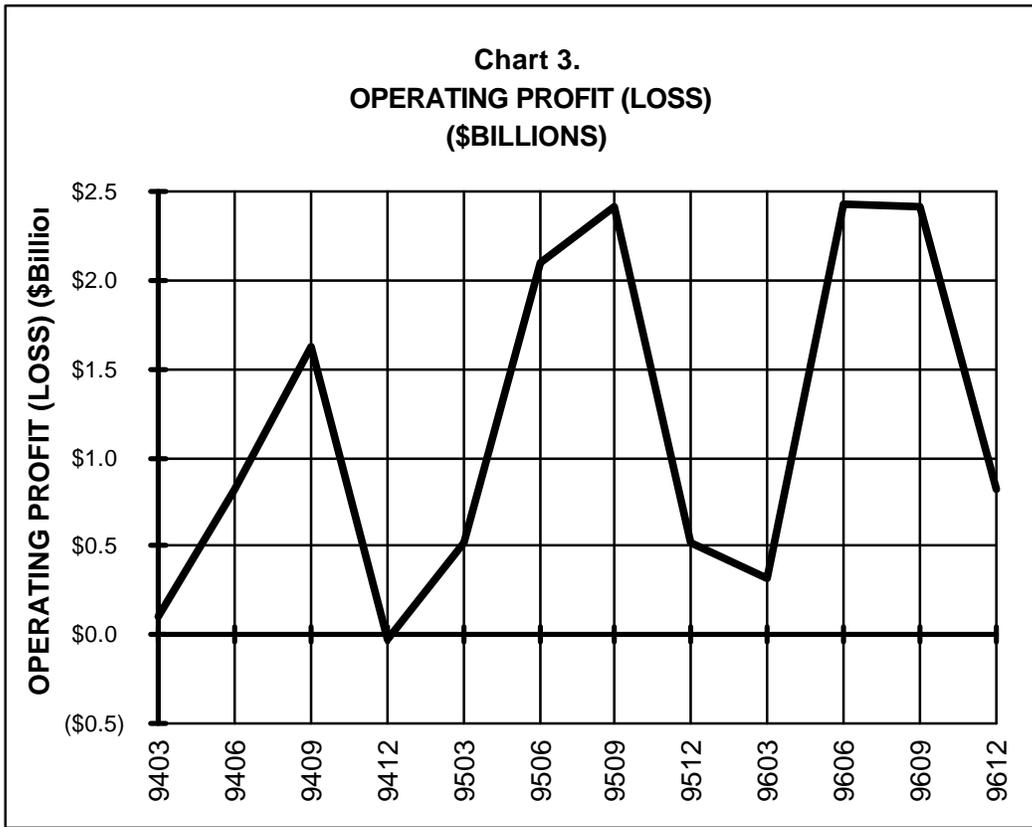


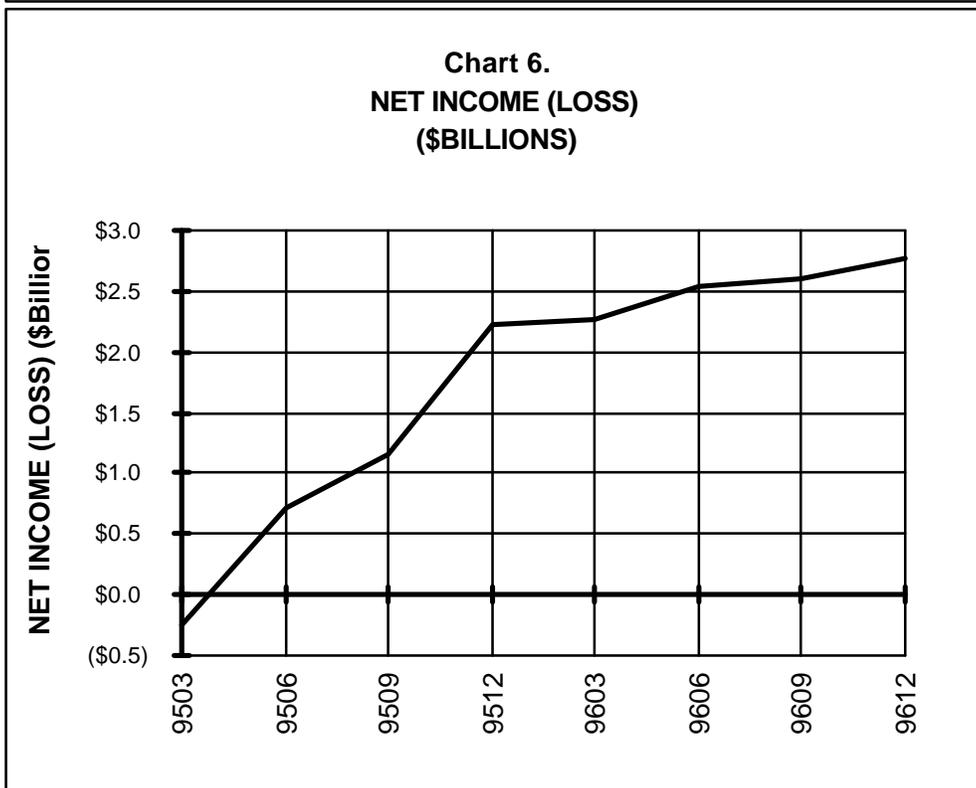
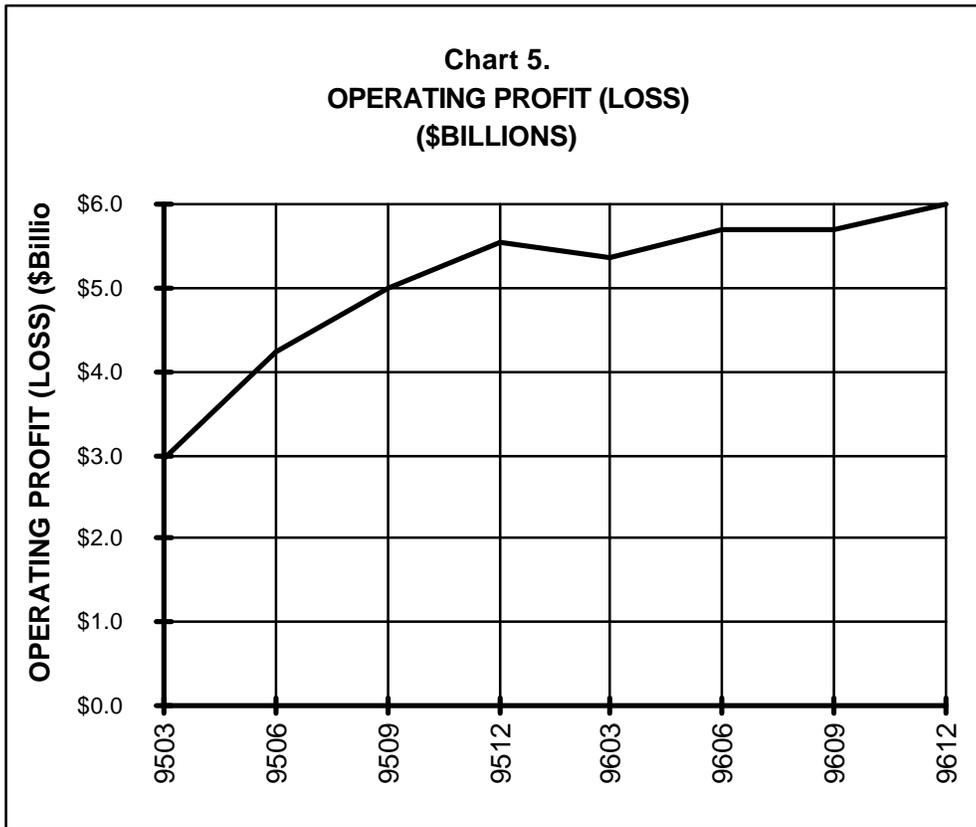
Chart 2.
OPERATING AND NET PROFIT (LOSS)
12 MONTHS ENDED FOURTH QUARTER 1996



TOTAL ALL MAJORS (SYSTEM) BY QUARTER



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



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

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

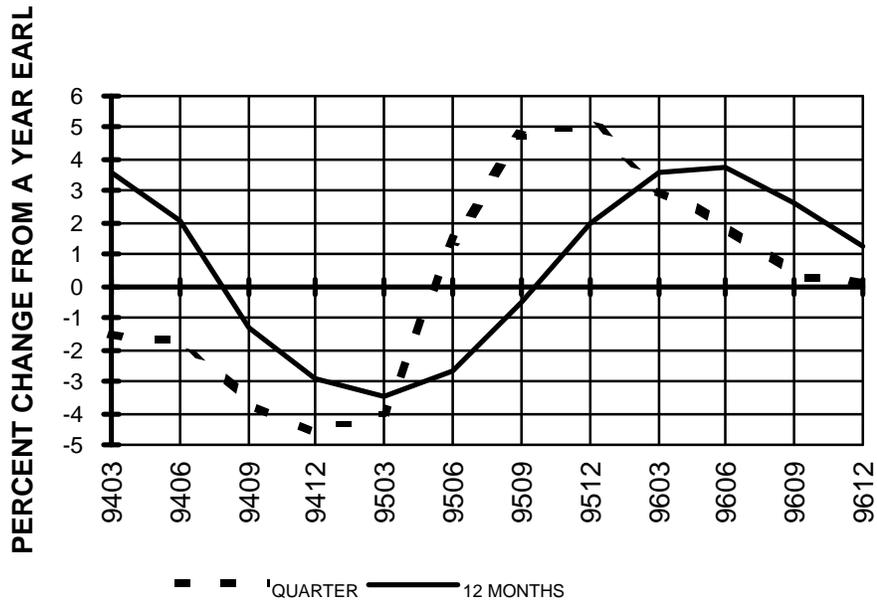
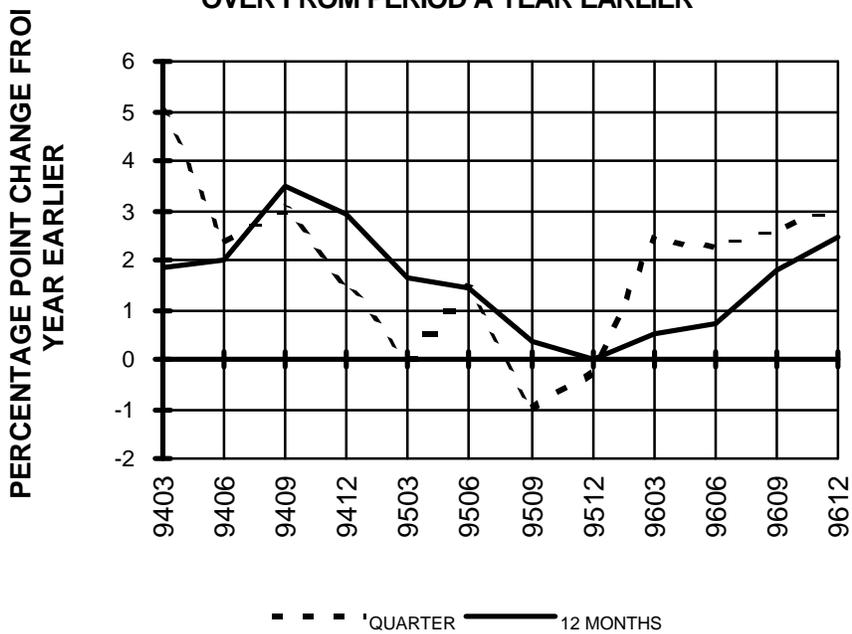


Chart 8.
TON LOAD FACTOR PERCENTAGE POINT CHANGE
OVER FROM PERIOD A YEAR EARLIER



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

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

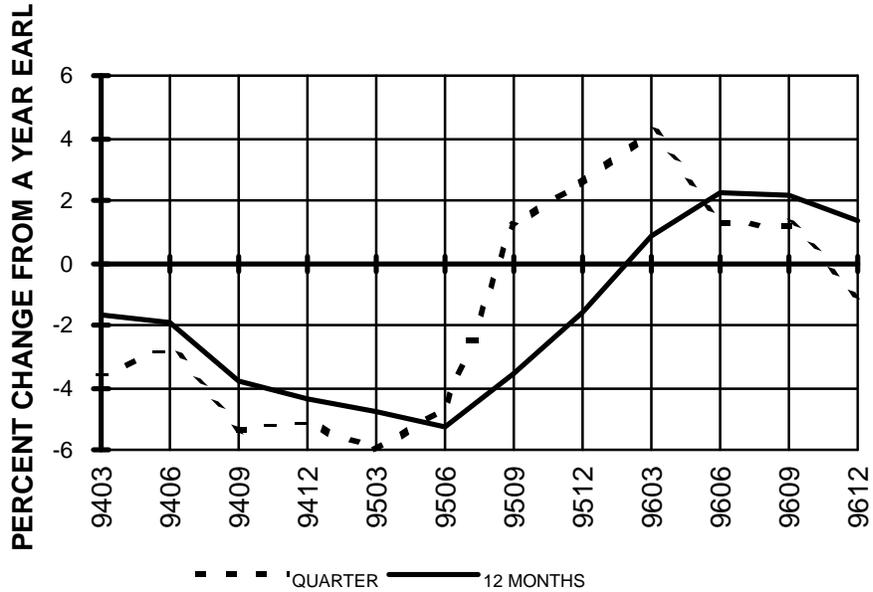
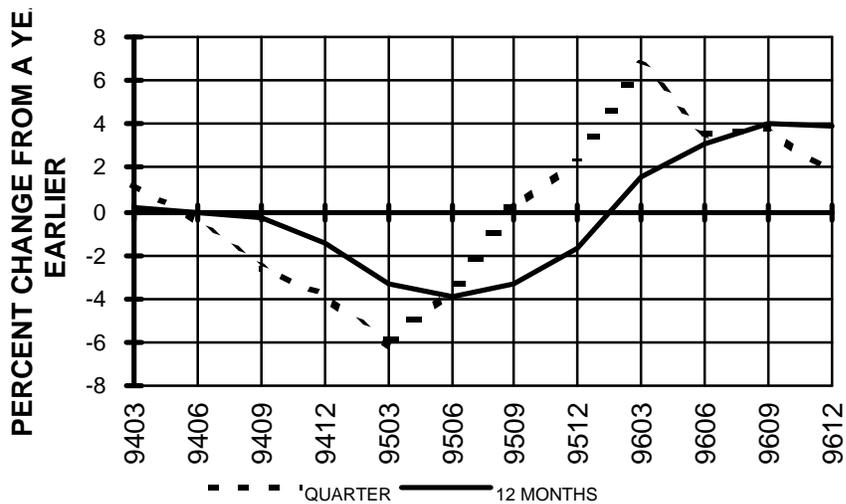


Chart 10.
OPERATING EXPENSE PER AVAILABLE TON-MILE
PERCENT CHANGE FROM SAME PERIOD A YEAR EARLIER



QUARTERLY FINANCIAL & TRAFFIC REVIEW
TOTAL PASSENGER MAJORS

QUARTERLY RESULTS

- o For the fourth quarter, all passenger majors (except America West and Trans World) reported an operating and net profit. Alaska managed a small net profit. Four majors (America West, American, Delta and United) reported improvements in both operating and net results, while five majors (Alaska, Continental, Northwest, Trans World and Southwest) reported operating and net deteriorations. USAir experienced a decline in operating results, but a gain in net results.
- o For the entire group, operating revenues, up 6.4 percent, grew faster than operating expenses, up 4.9 percent, causing operating profit to jump \$209.6 million to \$569.9 million, an all-time high for any fourth quarter.
- o Net results also improved, rising \$132.6 million to \$124.6 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1995	THIS YEAR 1996	\$ Change	LAST YEAR 1995	THIS YEAR 1996	\$ Change
March	357.0	184.4	-172.6	-182.9	-122.7	60.2
June	1,929.3	2,243.6	314.3	1,017.2	1,282.2	265.0
Sept.	2,275.5	2,267.4	-8.2	1,096.2	1,146.4	50.2
Dec.	360.3	569.9	209.5	-8.0	124.6	132.6

- o RPMs rose 7.6 percent, while ASMs were up 4.2 percent boosting the passenger load factor 2.1 percentage points to 68.1 percent.
- o United was the only passenger major to show an increase in passenger (RPM) yield, which for the group declined 1.1 percent to 12.64 cents.
- o Strong improvements and profits in both the domestic and Latin divisions offset the losses reported by the Atlantic and Pacific divisions, leading to the strong systemwide performance.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	424.7	534.1	109.4	79.6	170.3	90.7	90.1	97.3	8.1	139.1	145.1	4.4	67.1%
Int'l	-64.4	35.8	100.1	-87.6	-45.7	41.8	33.9	36.0	6.3	48.7	50.6	3.9	71.1%
Atlantic	-52.7	-38.0	14.7	-57.9	-61.6	-3.7	14.0	15.0	7.7	19.4	20.5	5.6	73.4%
Latin	-23.3	77.6	100.8	-34.7	29.3	64.0	6.0	6.6	9.8	9.7	10.3	6.0	64.4%
Pacific	11.6	-3.8	-15.4	5.0	-13.4	-18.4	13.9	14.3	3.3	19.6	19.8	1.2	72.2%
System	360.3	569.9	209.5	-8.0	124.6	132.6	123.9	133.3	7.6	187.8	195.8	4.2	68.1%

- o Except for Trans World, all majors reported a decline in interest expense, which for the group fell \$147.1 million to \$365.7 million.
- o Total debt was cut \$4.4 billion to \$17.27 billion. More than half of this decline was attributed to the \$2.36 billion reduction reported by American.
- o Total fuel expense jumped 30.7 percent due mostly to rising fuel prices, up 27.2 percent as fuel consumption was up only 2.8 percent.

12-MONTH RESULTS

- o Except for three majors (America West, Delta and Trans World), all majors reported year-to-year improvements over the same period a year ago in both operating and net results. Except for a Trans World, all majors also reported an operating and net profit for the 12 months ended September 1996.
- o Operating profit jumped \$343 million to \$5.25 billion as operating revenues and operating expenses grew 6.7 percent.
- o Net results gained \$508 million to \$2.43 billion.
- o With total debt falling and earnings rapidly advancing, the debt-to-investment ratio dropped 12.3 percentage points to 51 percent.
- o The passenger load factor rose 1.5 percentage points to 69.8 percent.
- o Passenger (RPM) yield rose 1 percent to 12.84 cents. The only three majors that experienced a year-to-year yield decline were America West, Delta and Trans World, the same three majors that reported a deterioration in earnings.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	19,243.5	18,084.2	78,500.2	77,340.9	76,173.8	74,792.1	73,539.7
2	Operating Expenses	18,673.6	17,723.9	73,234.9	72,285.2	71,109.9	70,042.5	68,617.5
3	Operating Profit (Loss)	569.9	360.3	5,265.2	5,055.7	5,063.9	4,749.5	4,922.2
4	Net Income (Loss)	124.6	-8.0	2,430.5	2,297.9	2,247.7	1,982.7	1,922.5
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	133.34	123.94	543.70	534.29	525.27	516.61	509.53
6	ASMs - Scheduled Rev. Svc.	195.76	187.81	778.79	770.84	764.52	759.62	757.18
7	Overall RTMs (All Svc.)	16.00	14.90	64.23	63.12	62.16	61.30	60.65
8	Overall ATMs (All Svc.)	28.02	26.95	111.46	110.38	109.47	108.74	108.35
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	120.2	121.4	122.2	122.5	122.5	122.0	121.2
10	Operating Expense per RTM	116.7	119.0	114.0	114.5	114.4	114.3	113.1
11	Operating Profit (Loss) per RTM	3.6	2.4	8.2	8.0	8.1	7.7	8.1
12	Operating Expense per ATM	66.6	65.8	65.7	65.5	65.0	64.4	63.3
13	Passenger Revenue per RPM	12.64	12.78	12.84	12.88	12.87	12.80	12.71
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.33	2.27	2.24	1.99	1.91
15	Times Interest Earned	*	*	3.45	3.05	2.75	2.43	2.39
16	Current Assets to Current Liabilities	*	*	0.66	0.69	0.70	0.69	0.67
17	No. of Days Cash Coverage of Cash Exp	*	*	38.5	39.2	40.5	35.4	35.7
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	3.0	2.0	6.7	6.5	6.6	6.4	6.7
19	Net Income to Stockholders Equity	*	*	16.7	16.7	17.8	17.2	17.8
20	Corporate Return on Investment	*	*	12.1	12.0	12.3	10.8	10.6
21	Debt to Total Investment	*	*	51.3	52.3	56.1	61.6	63.6
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	68.1	66.0	69.8	69.3	68.7	68.0	67.3
23	Breakeven	68.0	67.4	66.3	66.1	65.6	65.4	64.7
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	372,876	366,275	370,627	368,978	367,896	362,174	367,476
25	Overall RTM's per Employee (000)	42.9	40.7	173.3	171.1	169.0	169.3	165.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.4	5.5	6.7	6.5	6.4	5.8	4.4
27	Operating Expenses (%)	5.4	2.1	6.7	5.9	4.4	2.3	0.1
28	Operating Profit (Loss) (in Millions \$)	209.6	584.9	343.0	718.5	1,547.6	2,505.5	3,063.9
29	Net Income (Loss)(in Millions \$)	132.6	1,119.4	508.0	1,494.8	1,889.7	2,579.1	2,795.8
30	RPMs (Sch. Svc.) (%)	7.6	1.2	6.7	5.2	3.7	3.1	3.0
31	ASMs (Sch. Svc.) (%)	4.2	-0.3	2.9	1.7	1.1	1.0	1.7
32	Operating Revenues per RTM (%)	-1.0	5.9	0.8	2.4	3.8	3.7	2.1
33	Operating Expense per RTM (%)	-1.9	2.5	0.8	1.9	2.0	0.4	-2.1
34	Passenger Revenue per RPM (Sch. Svc)	-1.1	4.3	1.0	2.4	3.3	3.1	1.5

QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9612	9512	9612	9609	9606	9603	9512
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	14,580.2	13,668.6	59,143.4	58,231.8	57,120.8	55,907.9	54,936.9
2 Operating Expenses	14,046.1	13,243.9	54,656.2	53,854.0	52,754.5	51,945.7	51,112.7
3 Operating Profit (Loss)	534.1	424.7	4,487.2	4,377.8	4,366.3	3,962.2	3,824.1
4 Net Income (Loss)	170.3	79.6	2,131.0	2,040.3	1,973.6	1,690.1	1,465.4
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	97.35	90.07	394.17	386.89	378.63	372.15	367.50
6 ASMs - Scheduled Rev. Svc.	145.13	139.08	575.14	569.08	563.87	560.00	559.46
7 Overall RTMs (All Svc.)	10.90	10.15	43.80	43.06	42.23	41.61	41.19
8 Overall ATMs (All Svc.)	19.40	18.72	77.02	76.33	75.68	75.22	75.19
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	133.8	134.6	135.0	135.2	135.3	134.4	133.4
10 Operating Expense per RTM	128.9	130.4	124.8	125.1	124.9	124.8	124.1
11 Operating Profit (Loss) per RTM	4.9	4.2	10.2	10.2	10.3	9.5	9.3
12 Operating Expense per ATM	72.4	70.8	71.0	70.6	69.7	69.1	68.0
13 Passenger Revenue per RPM	13.36	13.49	13.57	13.61	13.59	13.47	13.34
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	3.7	3.1	7.6	7.5	7.6	7.1	7.0
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	0.0	0.0	0.0	0.0	0.0
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	67.1	64.8	68.5	68.0	67.1	66.5	65.7
23 Breakeven	66.5	65.6	64.4	64.2	63.5	63.7	63.4
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

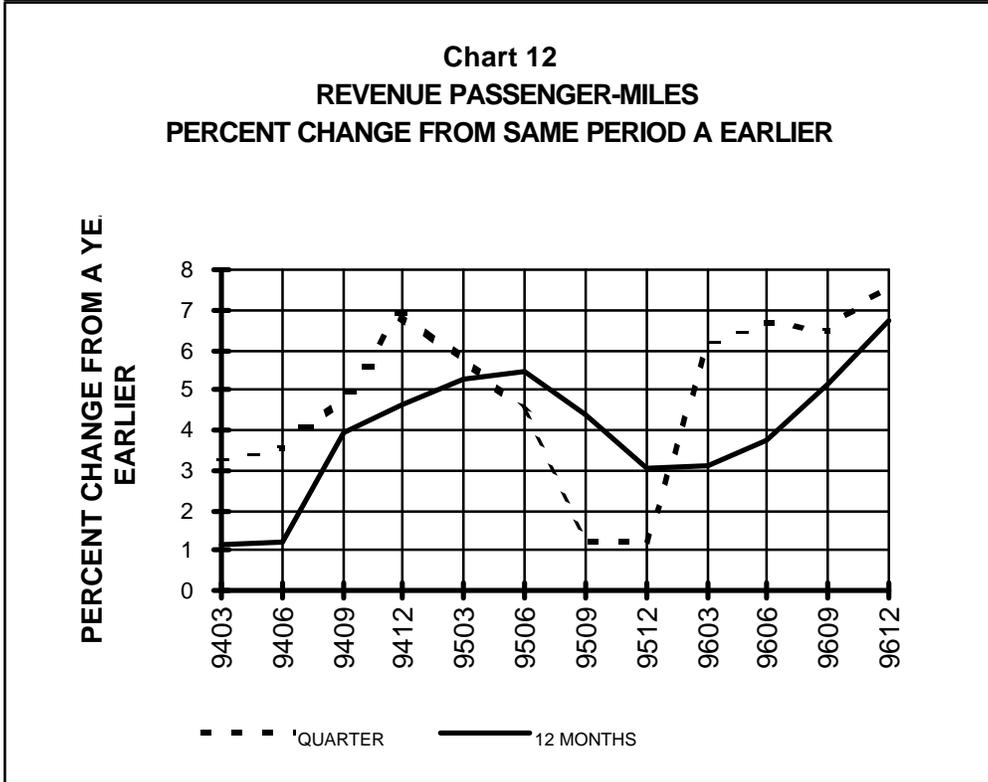
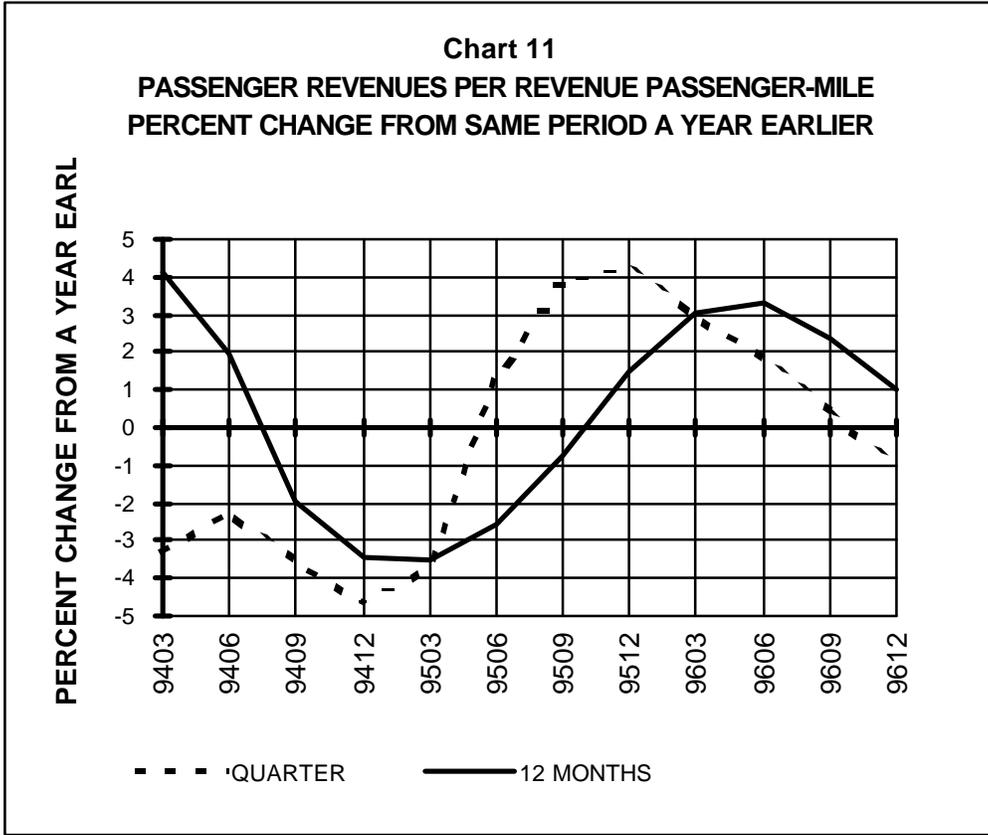
	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
	9612	9512	9612	9609	9606	9603	9512
26 Operating Revenues (%)	6.7	6.7	7.7	7.7	7.1	6.4	5.1
27 Operating Expenses (%)	6.1	1.6	6.9	5.8	3.8	1.9	0.3
28 Operating Profit (Loss) (in Millions \$)	109.4	651.4	663.1	1,205.1	1,829.7	2,394.3	2,492.2
29 Net Income (Loss)(in Millions \$)	90.7	1,127.5	665.6	1,702.4	1,948.0	2,408.2	2,339.6
30 RPMs (Sch. Svc.) (%)	8.1	-0.2	7.3	5.2	3.1	2.5	2.8
31 ASMs (Sch. Svc.) (%)	4.4	-1.1	2.8	1.4	0.6	0.5	1.6
32 Operating Revenues per RTM (%)	-0.6	7.8	1.2	3.2	4.8	4.8	3.0
33 Operating Expense per RTM (%)	-1.2	2.6	0.6	1.5	1.6	0.2	-1.7
34 Passenger Revenue per RPM (Sch. Svc)	-1.0	6.9	1.7	3.7	4.9	4.4	2.4

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

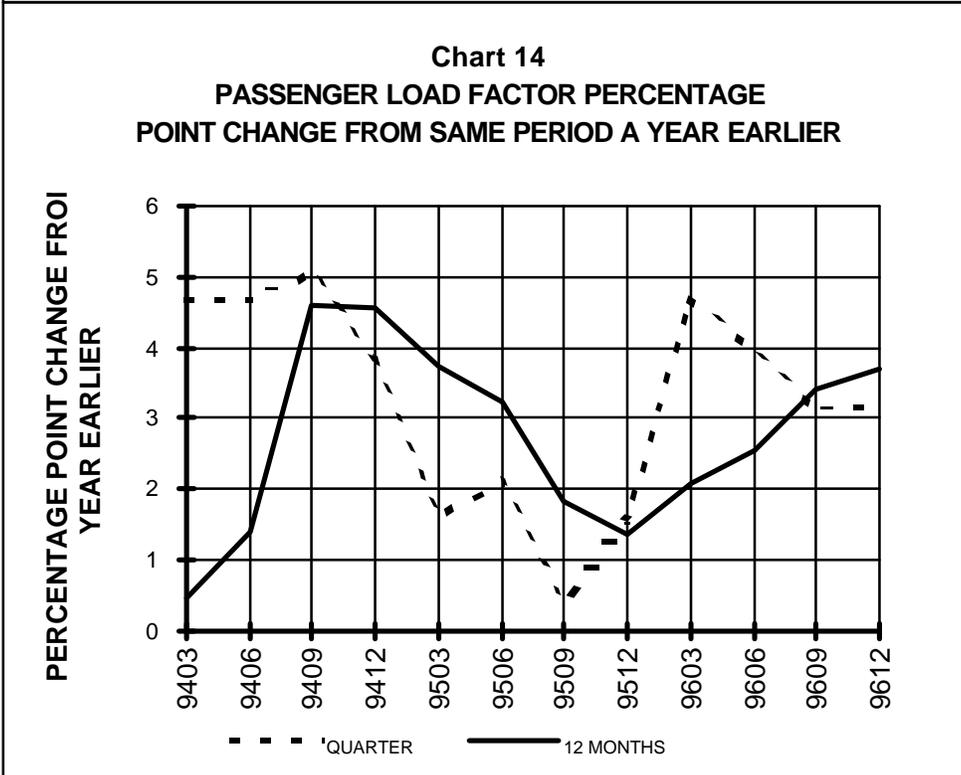
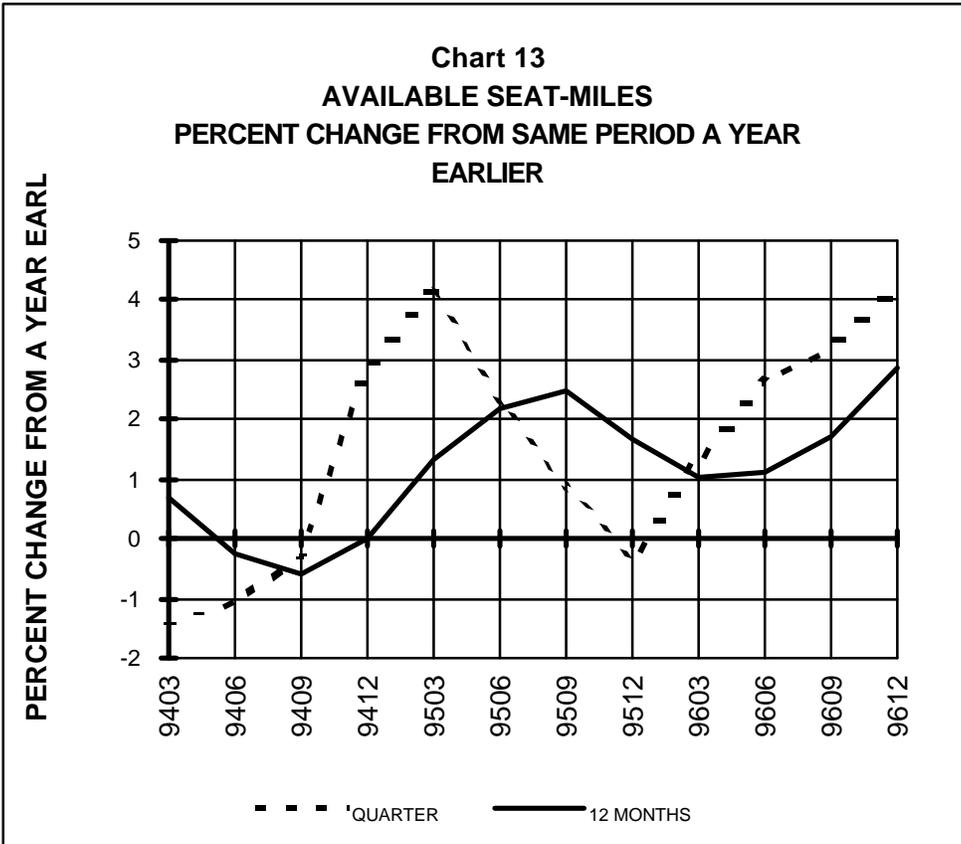
ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9612	9512	9612	9609	9606	9603	9512
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	4,663.3	4,415.6	19,356.7	19,109.0	19,053.0	18,884.2	18,602.8
2 Operating Expenses	4,627.5	4,480.0	18,578.7	18,431.1	18,355.4	18,096.9	17,504.7
3 Operating Profit (Loss)	35.8	-64.4	778.1	677.9	697.6	787.3	1,098.1
4 Net Income (Loss)	-45.7	-87.6	299.5	257.6	274.1	292.6	457.1
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	36.00	33.87	149.53	147.40	146.63	144.46	142.04
6 ASMs - Scheduled Rev. Svc.	50.62	48.73	203.66	201.76	200.65	199.62	197.72
7 Overall RTMs (All Svc.)	5.11	4.74	20.43	20.07	19.93	19.70	19.47
8 Overall ATMs (All Svc.)	8.62	8.23	34.44	34.05	33.79	33.52	33.16
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	91.3	93.1	94.7	95.2	95.6	95.9	95.6
10 Operating Expense per RTM	90.6	94.5	90.9	91.8	92.1	91.9	89.9
11 Operating Profit (Loss) per RTM	0.7	-1.4	3.8	3.4	3.5	4.0	5.6
12 Operating Expense per ATM	53.7	54.4	53.9	54.1	54.3	54.0	52.8
13 Passenger Revenue per RPM	10.70	10.89	10.91	10.96	11.01	11.09	11.09
<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	0.8	-1.5	4.0	3.5	3.7	4.2	5.9
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	7.3	6.8	7.2	7.7	9.9
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	71.1	69.5	73.4	73.1	73.1	72.4	71.8
23 Breakeven	72.5	73.1	71.8	72.0	71.8	70.5	68.4
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	5.6	2.1	4.1	3.2	4.3	4.2	2.6
27 Operating Expenses (%)	3.3	3.6	6.1	6.2	6.2	3.7	-0.6
28 Operating Profit (Loss) (in Millions \$)	100.2	-66.5	-320.0	-486.6	-282.0	111.2	571.7
29 Net Income (Loss)(in Millions \$)	41.9	-8.1	-157.6	-207.5	-58.4	170.9	456.2
30 RPMs (Sch. Svc.) (%)	6.3	5.0	5.3	5.0	5.4	4.9	3.7
31 ASMs (Sch. Svc.) (%)	3.9	2.0	3.0	2.5	2.6	2.6	2.0
32 Operating Revenues per RTM (%)	-1.9	1.2	-1.0	-0.1	1.3	1.4	-0.1
33 Operating Expense per RTM (%)	-4.1	2.7	1.1	2.8	3.0	0.9	-3.2
34 Passenger Revenue per RPM (Sch. Svc)	-1.7	-2.9	-1.6	-1.9	-1.3	-0.4	-0.8

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

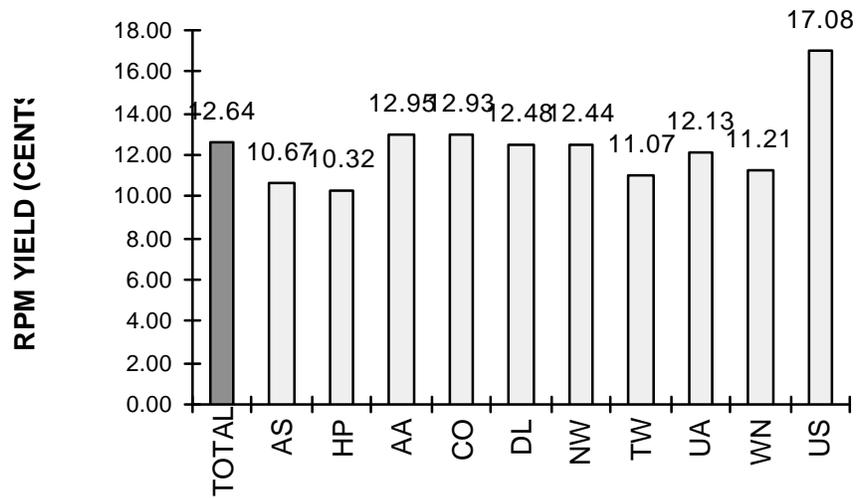


TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)

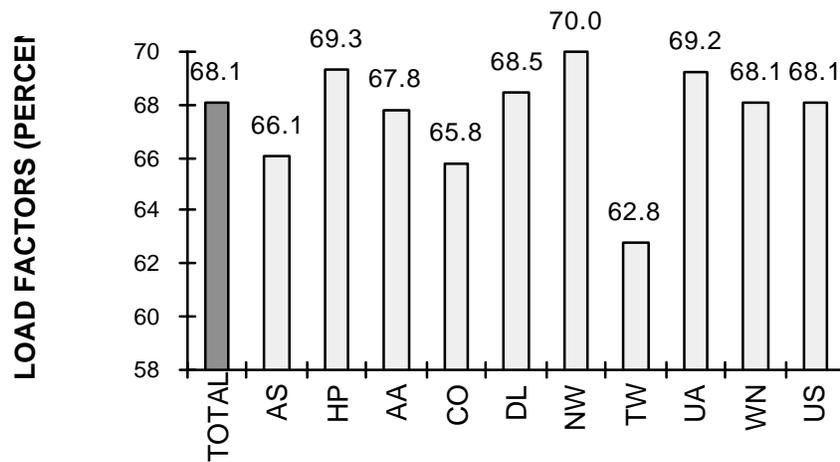


TOTAL PASSENGER MAJORS (SYSTEM) THIRD QUARTER 1996 (SCH. SVC.)

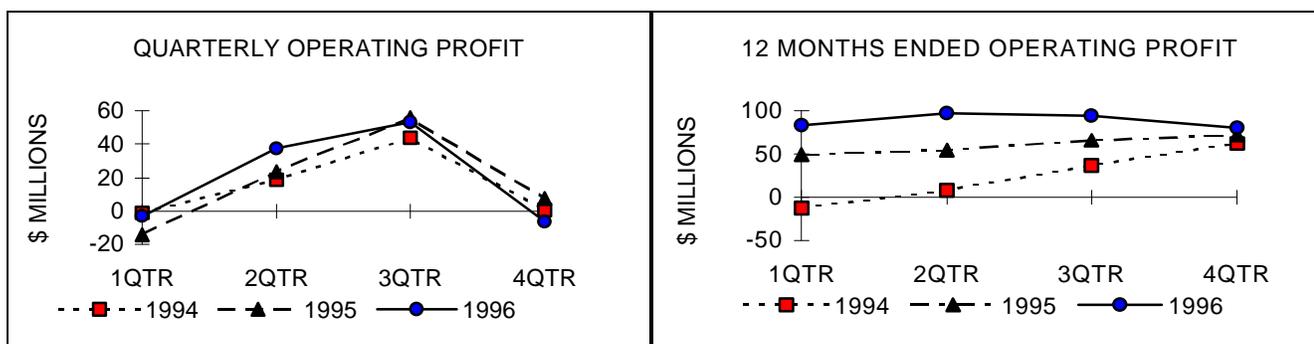
**Chart 15
PASSENGER (RPM) YIELD**



**Chart 16
PASSENGER LOAD FACTOR**



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



QUARTERLY RESULTS

- o Operating revenues rose 6.2 percent, but operating expenses rose much faster, up 11.4 percent, causing operating results to fall into the red, down \$13.8 million to a loss of \$6.6 million. Alaska and Trans World were the only majors to report a fourth quarter operating loss.
- o Net results dipped \$0.5 million but remained in the black with a profit of \$0.3 million.
- o The domestic entity was primarily responsible for causing the decline and loss in system operating results, with the Latin entity primarily responsible for the slight downturn in system net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	6.4	-6.5	-12.8	0.5	0.3	-0.1	1.9	2.1	7.3	3.1	3.1	2.5	66.4%
Int'l	0.9	-0.1	-1.0	0.3	0.0	-0.4	0.2	0.2	30.5	0.3	0.3	17.0	63.6%
Atlantic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Latin	0.9	-0.1	-1.0	0.3	0.0	-0.4	0.2	0.2	30.5	0.3	0.3	17.0	63.6%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	7.2	-6.6	-13.8	0.8	0.3	-0.5	2.1	2.3	9.1	3.4	3.5	3.8	66.1%

- o RPMs rose 9.1 percent greatly outpacing the 3.8 percent increase in ASMs producing a 3.2 percentage point increase in the passenger load factor to 66.1 percent, still 7.4 percentage points below operating breakeven.
- o RTM yield declined 1.8 percent as RTM unit costs increased 3.1 percent eroding profitability.
- o Interest expense was down \$3.4 million to \$6 million, the lowest among all passenger majors.
- o Passenger (RPM) slid 1.1 percent to 10.67 cents.

12-MONTH RESULTS

- o Operating revenues and operating expenses grew 12.4 percent over a year ago, leading to a \$8.3 million gain in operating profit to \$80.7 million.
- o Net income advanced \$20.8 million to \$45.6 million.
- o RPM traffic growth, up 14.6 percent, nearly doubled ASM capacity growth, up 7.4 percent, causing the passenger load factor to increase 4.1 percentage points (the second largest increase among the majors after Delta) to 66 percent.
- o Passenger (RPM) yield climbed 0.6 percent to 11.29 cents, the third consecutive year-to-year increase after three years of decline.
- o Interest expense dropped \$10.5 million to a group low \$29.2 million.
- o The debt-to-investment ratio dropped 13 percentage points to 40.4 percent due primarily to reduced debt, down \$115.3 million to a group low \$242 million.

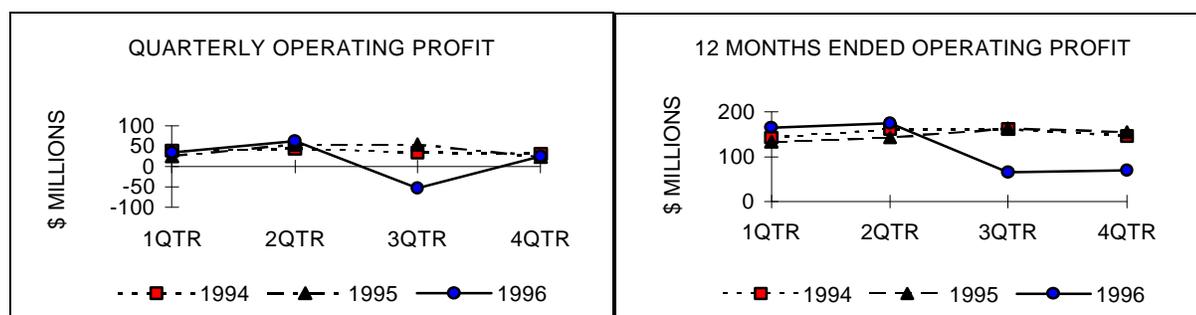
1/ Alaska Airlines became a major air carrier effective on January 1, 1996.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	295.3	278.2	1,306.6	1,289.5	1,252.3	1,208.9	1,162.9
2	Operating Expenses	301.9	271.0	1,225.9	1,195.0	1,155.0	1,125.5	1,090.5
3	Operating Profit (Loss)	-6.6	7.2	80.7	94.5	97.3	83.4	72.4
4	Net Income (Loss)	0.3	0.8	45.6	46.1	42.9	32.5	24.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	2.30	2.11	9.79	9.60	9.24	8.88	8.54
6	ASMs - Scheduled Rev. Svc.	3.48	3.35	14.84	14.71	14.44	14.13	13.82
7	Overall RTMs (All Svc.)	0.25	0.23	1.06	1.04	1.00	0.97	0.93
8	Overall ATMs (All Svc.)	0.46	0.44	1.96	1.94	1.91	1.87	1.83
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	119.2	121.4	123.4	123.9	124.7	124.9	124.5
10	Operating Expense per RTM	121.9	118.2	115.8	114.9	115.0	116.3	116.8
11	Operating Profit (Loss) per RTM	-2.7	3.2	7.6	9.1	9.7	8.6	7.8
12	Operating Expense per ATM	65.9	61.0	62.7	61.5	60.5	60.2	59.7
13	Passenger Revenue per RPM	10.67	10.79	11.29	11.33	11.35	11.29	11.22
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.05	1.94	1.84	1.74	1.63
15	Times Interest Earned	*	*	3.53	3.35	3.06	2.46	2.08
16	Current Assets to Current Liabilities	*	*	0.71	0.89	0.83	0.89	0.81
17	No. of Days Cash Coverage of Cash Exp	*	*	31.7	42.1	34.8	47.1	47.7
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	-2.2	2.6	6.2	7.3	7.8	6.9	6.2
19	Net Income to Stockholders Equity	*	*	13.8	14.3	14.0	10.9	8.5
20	Corporate Return on Investment	*	*	11.8	12.0	11.7	10.3	9.2
21	Debt to Total Investment	*	*	40.4	44.4	49.1	52.6	53.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	66.1	62.9	66.0	65.3	64.0	62.8	61.9
23	Breakeven	73.5	65.5	65.1	63.3	61.8	61.5	61.2
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	7,111	6,468	6,928	6,767	6,589	6,433	6,301
25	Overall RTM's per Employee (000)	34.8	35.4	152.8	153.7	152.4	150.4	148.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.2	8.7	12.4	13.0	12.6	11.3	7.7
27	Operating Expenses (%)	11.4	6.2	12.4	11.2	9.2	8.5	7.2
28	Operating Profit (Loss) (in Millions \$)	-13.8	6.4	8.3	28.5	43.1	34.1	10.3
29	Net Income (Loss)(in Millions \$)	-0.5	4.7	20.8	26.0	29.0	19.3	2.2
30	RPMs (Sch. Svc.) (%)	9.1	8.9	14.6	14.7	13.7	16.1	15.8
31	ASMs (Sch. Svc.) (%)	3.8	4.9	7.4	7.7	9.3	13.9	17.5
32	Operating Revenues per RTM (%)	-1.8	0.4	-0.9	-0.5	0.0	-1.2	-3.6
33	Operating Expense per RTM (%)	3.1	-1.9	-0.9	-2.1	-3.1	-3.6	-4.0
34	Passenger Revenue per RPM (Sch. Svc)	-1.1	1.3	0.6	1.3	1.2	-3.3	-7.1

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



QUARTERLY RESULTS

- o Operating revenues, up 10.9 percent, grew slightly faster than operating expenses, up 10.8 percent, producing a \$2.7 million increase in operating profit to \$25.4 million.
- o Net income nearly doubled over a year ago, gaining \$6.1 million to a \$12.1 million, the carrier's best fourth quarter net profit since 1988.
- o Domestic operations accounted for all of the systemwide operating and net profits and improvements. Latin operations have not produced a quarterly operating or net profit since June 1995.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	23.5	29.1	5.6	6.9	16.1	9.2	3.2	3.9	20.1	4.8	5.5	15.1	69.8%
Int'l	-0.8	-3.7	-2.9	-0.9	-4.0	-3.1	0.0	0.1	108.7	0.1	0.2	133.9	54.8%
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	-0.8	-3.7	-2.9	-0.9	-4.0	-3.1	0.0	0.1	108.7	0.1	0.2	133.9	54.8%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	22.7	25.4	2.7	6.0	12.1	6.1	3.3	4.0	21.4	4.9	5.7	17.1	69.3%

- o RPMs jumped a major group high 21.4 percent while ASMs rose 17.1 percent (also a major group high), causing the passenger load factor to increase 2.5 percentage points to 69.3 percent.
- o Passenger revenue growth failed to match the surge in RPMs causing passenger (RPM) yield to fall 8.2 percent to 10.32 cents, a major group low.
- o Interest expense declined \$1.8 million to \$12 million, the second lowest among the passenger majors after Alaska. (Note: UPS, an all-cargo carrier, had no interest expense.)
- o Total fuel expense soared 42.5 percent as consumption increased 15.7 percent and unit fuel prices jumped 23.1 percent to an average of 73.12 cents.

12-MONTH RESULTS

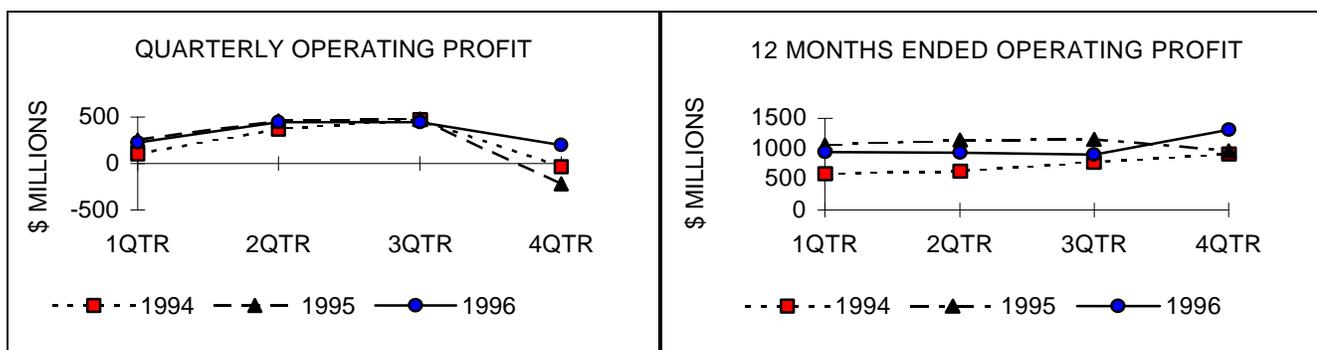
- o American West, although profitable in both operating and net results, experienced its worst calendar year results since calendar 1992.
- o Operating expenses, up 19.6 percent, grew much faster than operating revenues, up 12.2 percent, causing operating profit to drop \$86 million to \$68.7 million.
- o Net income was down \$45.3 million to \$8.5 million. Excluding the effect of Delta's first quarter 1996 write-off, this was the largest deterioration among the majors.
- o The net deterioration occurred despite a \$12 million drop in interest expense to \$49.3 million.
- o RPMs advanced a strong 15.1 percent outpacing the 11.2 percent increase in ASMs causing the passenger load factor to rise 2.4 percentage points to 71.2 percent.
- o Total debt was reduced \$51.7 million to \$376.4 million (only Alaska had less debt), leading to a 2 percentage point decline in the debt-to-investment ratio (the smallest decline among the majors) to 37.7 percent.
- o Passenger (RPM) yield was down 2.1 percent to a group low at 10.64 cents.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	443.4	399.8	1,751.8	1,708.2	1,694.5	1,629.9	1,561.8
2	Operating Expenses	418.0	377.1	1,683.1	1,642.2	1,521.2	1,465.7	1,407.1
3	Operating Profit (Loss)	25.4	22.7	68.7	66.0	173.3	164.2	154.7
4	Net Income (Loss)	12.1	6.0	8.5	2.4	69.8	62.3	53.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	3.97	3.27	15.28	14.58	14.17	13.82	13.27
6	ASMs - Scheduled Rev. Svc.	5.73	4.89	21.47	20.63	20.10	19.62	19.30
7	Overall RTMs (All Svc.)	0.43	0.35	1.64	1.56	1.52	1.48	1.43
8	Overall ATMs (All Svc.)	0.72	0.61	2.71	2.60	2.53	2.46	2.42
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	103.7	112.9	107.0	109.3	111.5	109.8	109.2
10	Operating Expense per RTM	97.7	106.5	102.8	105.0	100.1	98.8	98.4
11	Operating Profit (Loss) per RTM	5.9	6.4	4.2	4.2	11.4	11.1	10.8
12	Operating Expense per ATM	57.9	61.4	62.1	63.1	60.1	59.5	58.2
13	Passenger Revenue per RPM	10.32	11.24	10.64	10.86	11.09	10.91	10.87
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.68	1.62	1.56	1.48	1.41
15	Times Interest Earned	*	*	1.69	1.60	3.61	3.23	2.85
16	Current Assets to Current Liabilities	*	*	0.67	0.71	0.78	0.84	0.84
17	No. of Days Cash Coverage of Cash Exp	*	*	40.2	46.8	51.2	62.3	61.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	5.7	5.7	3.9	3.9	10.2	10.1	9.9
19	Net Income to Stockholders Equity	*	*	1.3	0.4	10.8	9.8	8.6
20	Corporate Return on Investment	*	*	5.3	4.8	11.2	10.7	10.2
21	Debt to Total Investment	*	*	37.7	38.6	36.6	38.6	39.7
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	69.3	66.8	71.2	70.7	70.5	70.4	68.8
23	Breakeven	66.2	63.7	69.6	69.1	63.6	63.7	62.3
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	8,339	8,035	8,126	8,050	8,078	8,043	8,133
25	Overall RTM's per Employee (000)	51.3	44.1	201.4	194.2	188.1	184.5	175.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	10.9	16.2	12.2	13.4	16.6	15.1	10.4
27	Operating Expenses (%)	10.8	20.3	19.6	22.2	16.1	14.3	11.0
28	Operating Profit (Loss) (in Millions \$)	2.7	-7.8	-86.0	-96.5	31.0	30.7	8.3
29	Net Income (Loss)(in Millions \$)	6.1	-0.6	-45.3	-52.0	16.8	10.0	-8.4
30	RPMs (Sch. Svc.) (%)	21.4	14.2	15.1	13.3	13.2	12.9	8.8
31	ASMs (Sch. Svc.) (%)	17.1	6.4	11.2	8.6	7.8	7.3	7.4
32	Operating Revenues per RTM (%)	-8.2	3.5	-2.0	1.0	4.1	3.1	2.2
33	Operating Expense per RTM (%)	-8.3	7.1	4.5	8.7	3.6	2.5	2.7
34	Passenger Revenue per RPM (Sch. Svc)	-8.2	1.4	-2.1	0.4	3.2	1.9	1.0

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



QUARTERLY RESULTS

- o Operating revenues declined 3.8 percent, but operating expenses tumbled 13.8 percent causing operating profit to improve a major group high \$417.9 million from the year ago loss of \$218.3 million to a positive \$199.6 million.
- o Net income also moved into the black, rising \$325.2 million to a profit of \$73.1 million.
- o All entities achieved operating and net profits and large improvements for the quarter with domestic operations leading the turnaround.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	-162.5	105.5	268.0	-192.9	38.6	231.6	17.4	17.8	2.2	27.3	26.6	-2.4	66.9%
Int'l	-55.9	94.1	150.0	-59.2	34.4	93.6	7.8	7.8	-0.2	11.5	11.1	-3.2	69.9%
Atlantic	-34.5	19.5	54.0	-28.9	7.1	36.1	3.7	3.5	-5.0	5.1	4.7	-8.0	74.7%
Latin	-23.9	64.6	88.6	-31.3	23.7	55.0	3.6	3.8	5.4	5.7	5.8	1.2	65.6%
Pacific	2.6	10.0	7.4	1.1	3.6	2.6	0.5	0.5	-4.5	0.7	0.7	-5.0	73.7%
System	-218.3	199.6	418.0	-252.1	73.1	325.2	25.2	25.6	1.5	38.7	37.7	-2.7	67.8%

- o RPMs rose only 1.5 percent, the smallest increase among the majors, but with the only cut in ASM capacity among the majors, down 2.7 percent, the passenger load factor rose 2.8 percentage points to 67.8 percent.
- o Passenger (RPM) yield dipped 0.5 percent to 12.95 cents.
- o Interest expense dropped a group high \$76 million to \$49.5 million. The decline reflects, in part, a significant effort by American to cut its total debt, down a group high \$2.62 billion to \$2.75 billion, resulting in a group high 20.6 percentage point drop in the debt-to-investment ratio to 37.8 percent. American has cut its total debt by over \$4 billion during the last two years.

12-MONTH RESULTS

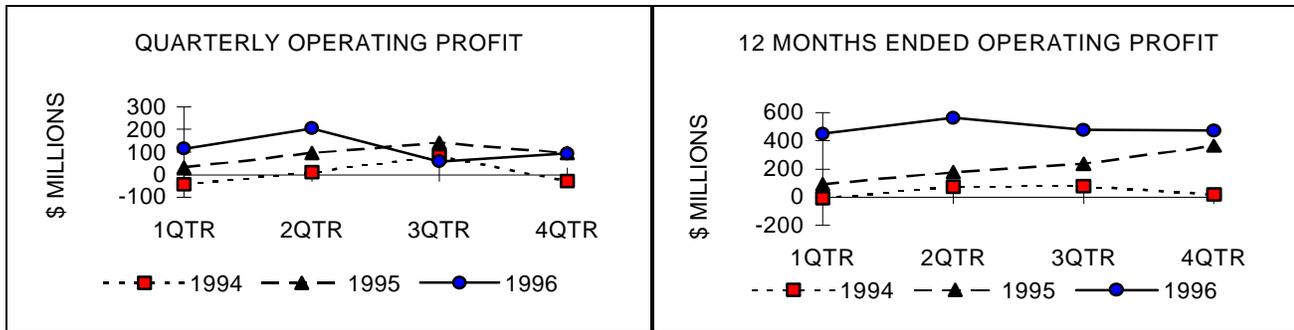
- o American reported the largest improvements among the majors in both operating and net results.
- o Operating revenues declined over a the same period a year ago for the second consecutive period, down 3.1 percent, but operating expenses dropped 5.7 percent causing operating profit to rise \$347.7 million to \$1.32 billion (a group high).
- o Net income advanced \$353.9 million to \$561.7 million.
- o The declining growth trend in RPM traffic reversed, rising a group low 1.8 percent, while ASM capacity was down 1.6 percent producing a 2.3 percentage point increase in the passenger load factor to 68.5 percent.
- o Passenger (RPM) yield climbed 0.5 percent to 13.04 cents.
- o Although RTM yield dropped a group high 4.4 percent, RTM unit costs fell a faster 6.9 percent (also a group high decline) enhancing profitability.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,711.9	3,857.4	15,125.7	15,271.2	15,466.8	15,558.3	15,610.2
2	Operating Expenses	3,512.2	4,075.7	13,810.2	14,373.7	14,534.1	14,617.2	14,642.4
3	Operating Profit (Loss)	199.6	-218.3	1,315.5	897.6	932.7	941.1	967.8
4	Net Income (Loss)	73.1	-252.1	561.7	236.5	241.3	219.8	207.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	25.56	25.20	104.52	104.15	104.12	103.46	102.67
6	ASMs - Scheduled Rev. Svc.	37.70	38.74	152.62	153.65	154.86	155.17	155.02
7	Overall RTMs (All Svc.)	3.09	3.06	12.51	12.47	12.49	12.43	12.35
8	Overall ATMs (All Svc.)	5.82	5.97	23.58	23.73	23.90	23.95	23.88
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	120.2	126.3	120.9	122.4	123.9	125.1	126.4
10	Operating Expense per RTM	113.7	133.4	110.4	115.2	116.4	117.6	118.6
11	Operating Profit (Loss) per RTM	6.5	-7.1	10.5	7.2	7.5	7.6	7.8
12	Operating Expense per ATM	60.3	68.2	58.6	60.6	60.8	61.0	61.3
13	Passenger Revenue per RPM	12.95	13.02	13.04	13.06	13.05	13.02	12.98
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.86	1.80	1.75	1.70	1.65
15	Times Interest Earned	*	*	3.56	2.06	1.94	1.80	1.72
16	Current Assets to Current Liabilities	*	*	0.61	0.61	0.60	0.68	0.57
17	No. of Days Cash Coverage of Cash Exp	*	*	38.2	30.0	22.9	22.2	24.0
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	5.4	-5.7	8.7	5.9	6.0	6.0	6.2
19	Net Income to Stockholders Equity	*	*	13.7	6.0	6.5	6.1	6.0
20	Corporate Return on Investment	*	*	11.5	7.7	8.1	8.0	7.9
21	Debt to Total Investment	*	*	37.8	41.7	51.8	55.4	58.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	67.8	65.0	68.5	67.8	67.2	66.7	66.2
23	Breakeven	65.8	77.4	64.2	67.1	67.5	68.2	68.6
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	72,205	79,044	75,755	77,465	78,951	78,790	78,415
25	Overall RTM's per Employee (000)	42.8	38.7	165.1	161.0	158.1	157.8	157.4

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	-3.8	4.9	-3.1	-1.0	1.6	3.3	4.4
27	Operating Expenses (%)	-13.8	9.8	-5.7	0.7	3.2	4.4	4.3
28	Operating Profit (Loss) (in Millions \$)	417.9	-182.1	347.7	-252.4	-209.4	-117.6	56.2
29	Net Income (Loss)(in Millions \$)	325.2	-131.7	353.9	-103.0	-105.5	-108.2	-60.7
30	RPMs (Sch. Svc.) (%)	1.5	0.7	1.8	1.6	2.4	3.3	4.0
31	ASMs (Sch. Svc.) (%)	-2.7	1.4	-1.6	-0.5	0.6	1.3	1.7
32	Operating Revenues per RTM (%)	-4.8	5.0	-4.4	-2.1	-0.1	0.3	0.6
33	Operating Expense per RTM (%)	-14.8	9.8	-6.9	-0.4	1.5	1.5	0.5
34	Passenger Revenue per RPM (Sch. Svc)	-0.5	3.2	0.5	1.4	1.6	0.9	0.0

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
CONTINENTAL AIR LINES 1/



QUARTERLY RESULTS

- o Operating and net results declined from the all-time fourth quarter carrier records of a year ago, making the quarter ended December 1996 the *second* best fourth quarter in carrier history.
- o Operating profit was down \$4.8 million to \$58.3 million and net income decreased \$8.5 million to \$42.1 million.
- o Total fuel expense jumped 23.9 percent due to increases in unit fuel prices, up 13.1 percent, and fuel consumption, up 9.1 percent.
- o The generally profitable Pacific division experienced its lowest operating profit and first net loss in three years.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	61.6	66.5	4.9	28.2	24.8	-3.4	7.0	7.5	7.2	10.8	11.5	6.3	65.6%
Int'l	35.1	25.5	-9.7	22.4	17.3	-5.0	2.4	2.8	15.3	3.7	4.2	13.4	66.4%
Atlantic	12.9	20.1	7.2	12.4	17.4	5.0	0.9	1.1	29.5	1.2	1.5	28.0	74.9%
Latin	0.1	4.9	4.8	0.4	4.4	4.0	0.5	0.7	38.4	0.8	1.2	42.8	56.7%
Pacific 1/	22.2	0.5	-21.6	9.5	-4.5	-14.1	1.1	1.0	-5.8	1.8	1.6	-9.9	65.4%
System	96.8	92.0	-4.7	50.6	42.1	-8.5	9.5	10.3	9.3	14.5	15.7	8.1	65.8%

- o The profit decline occurred despite a 0.6 percent dip in RTM unit costs as RTM yield slid 1.5 percent.
- o Passenger (RPM) yield declined 1.2 percent to 12.93 cents.
- o RPMs, up 9.3 percent, grew faster than ASMs, up 8.1 percent, producing a 0.7 percentage point increase in the passenger load factor to 65.8 percent, 2.7 points above operating breakeven.

12-MONTH RESULTS

- o Continental reported its highest operating and net profit (excluding net results in 1993 which reflect large nonoperating extraordinary gains) for any calendar year.
- o Operating profit improved \$105.5 million to \$472 million as operating revenues, up 9.8 percent, rose faster than operating expenses, up 8.5 percent.
- o Net results rose \$56.4 million to \$347.3 million.
- o RTM yield rose 4.5 percent exceeding the 3.3 percent increase in RTM unit cost enhancing profitability.
- o RPMs grew 4.7 percent as ASMs were relatively unchanged, up 0.8 percent, causing the passenger load factor to rise 2.5 percentage points to 68.1 percent, an all-time carrier high for any quarter-ended 12-month period.
- o Passenger (RPM) yield gained 4.6 percent to 13.10 cents.
- o Productivity (RTMs per employee) jumped from 165.7 to 186.9, the second strongest gain (after America West) among the majors.
- o As total debt was reduced \$55.5 million and equity continues to climb, the debt-to-investment ratio fell 5.1 percentage points to 69.9 percent.

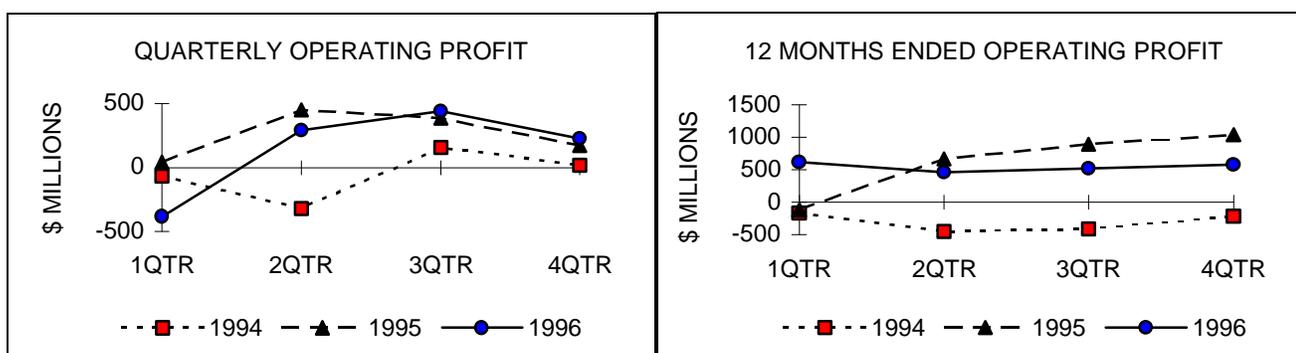
1/ Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which now reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively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

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	1,539.3	1,410.0	6,264.4	6,135.0	5,990.2	5,829.7	5,704.6
2	Operating Expenses	1,447.3	1,313.2	5,792.4	5,658.3	5,429.2	5,378.3	5,338.2
3	Operating Profit (Loss)	92.0	96.8	472.0	476.7	561.0	451.4	366.5
4	Net Income (Loss)	42.1	50.6	347.3	355.8	460.5	402.1	290.9
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	10.33	9.45	41.91	41.03	40.50	40.23	40.04
6	ASMs - Scheduled Rev. Svc.	15.70	14.52	61.53	60.36	59.57	59.60	61.04
7	Overall RTMs (All Svc.)	1.22	1.10	4.85	4.73	4.66	4.63	4.61
8	Overall ATMs (All Svc.)	2.00	1.84	7.77	7.61	7.53	7.51	7.67
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	126.7	128.6	129.3	129.8	128.5	126.0	123.7
10	Operating Expense per RTM	119.1	119.8	119.5	119.7	116.4	116.3	115.7
11	Operating Profit (Loss) per RTM	7.6	8.8	9.7	10.1	12.0	9.8	7.9
12	Operating Expense per ATM	72.3	71.4	74.5	74.4	72.1	71.6	69.6
13	Passenger Revenue per RPM	12.93	13.09	13.10	13.14	13.01	12.74	12.52
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.63	2.57	2.51	2.43	2.35
15	Times Interest Earned	*	*	3.80	3.40	3.69	3.04	2.43
16	Current Assets to Current Liabilities	*	*	0.81	0.74	0.77	0.70	0.73
17	No. of Days Cash Coverage of Cash Exp	*	*	69.6	58.2	57.9	46.9	53.1
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	6.0	6.9	7.5	7.8	9.4	7.7	6.4
19	Net Income to Stockholders Equity	*	*	48.2	52.0	71.4	72.3	58.8
20	Corporate Return on Investment	*	*	20.9	22.0	27.0	25.0	20.4
21	Debt to Total Investment	*	*	69.9	68.7	65.5	69.4	75.0
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	65.8	65.1	68.1	68.0	68.0	67.5	65.6
23	Breakeven	63.1	61.3	63.7	63.4	61.9	62.8	62.0
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	26,893	25,789	25,929	25,653	25,614	26,203	27,837
25	Overall RTM's per Employee (000)	45.2	42.5	186.9	184.3	182.1	176.5	165.7

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	9.2	4.9	9.8	8.8	7.3	6.4	4.2
27	Operating Expenses (%)	10.2	-4.6	8.5	4.8	0.5	-0.2	-2.2
28	Operating Profit (Loss) (in Millions \$)	-4.8	128.3	105.5	238.5	383.5	360.6	349.3
29	Net Income (Loss)(in Millions \$)	-8.5	559.5	56.4	624.4	808.2	914.3	855.2
30	RPMs (Sch. Svc.) (%)	9.3	-9.4	4.7	0.0	-3.3	-3.9	-3.8
31	ASMs (Sch. Svc.) (%)	8.1	-15.7	0.8	-5.3	-9.3	-10.5	-7.4
32	Operating Revenues per RTM (%)	-1.5	18.4	4.5	9.4	12.3	12.8	10.2
33	Operating Expense per RTM (%)	-0.6	7.8	3.3	5.4	5.1	5.8	3.5
34	Passenger Revenue per RPM (Sch. Svc)	-1.2	16.0	4.6	8.9	11.0	11.1	9.2

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



QUARTERLY RESULTS

- o For the December 1996 quarter, Delta reported the best operating and net results among the majors, as well as the best fourth quarter in carrier history.
- o Operating revenues rose 8.7 percent, outpacing the 7 percent increase in operating expenses, causing operating profit to improve \$55.4 million to \$224 million.
- o Net income rose \$55.3 million to \$125.3 million.
- o All entities reported operating and net profits and improvements for the fourth quarter. Both the Atlantic and Pacific entities saw operating and net results return to profitability after reporting losses a year ago.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	194.3	199.5	5.3	90.1	110.9	20.7	15.9	18.3	14.6	25.1	27.0	7.6	67.6%
Int'l	-25.7	24.5	50.2	-20.2	14.4	34.6	4.8	5.1	6.0	7.1	7.1	0.8	71.8%
Atlantic	-9.9	13.5	23.4	-9.4	7.6	17.0	3.7	4.1	10.3	5.3	5.6	6.3	72.9%
Latin	2.5	10.4	8.0	1.2	6.7	5.5	0.4	0.4	1.0	0.6	0.6	-4.1	65.5%
Pacific	-18.2	0.6	18.8	-12.0	0.2	12.2	0.8	0.7	-13.1	1.2	1.0	-20.8	69.2%
System	168.6	224.0	55.4	70.0	125.3	55.3	20.8	23.4	12.6	32.2	34.2	6.1	68.5%

- o RPM traffic rose a strong 12.6 percent, greatly exceeding the 6.1 percent increase in ASM capacity, resulting in an increase in the passenger load factor of 4 percentage points to 68.5 percent, 4.5 percentage points above operating breakeven.
- o Passenger (RPM) yield, however, fell 5.1 percent to 12.48 cents.
- o Although RTM yield was down 3.9 percent, RTM unit costs dropped 5.2 percent boosting profitability.

12-MONTH RESULTS

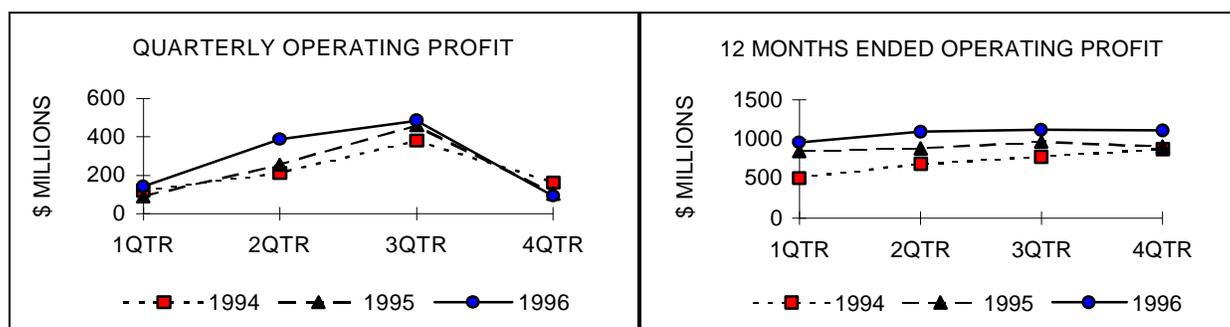
- o Reflecting the first quarter 1996 write-down of \$556 million for restructuring and other related expenses, Delta experienced the largest year-to-year deterioration among the majors in both operating and net results
- o Operating revenues were up 6.1 percent, but operating expenses jumped 10.7 percent (reflecting the write-down), causing operating profit to tumble \$467.3 million, to \$571.1 million.
- o Net income dropped \$261 million to \$249 million.
- o Without the first quarter write-down, operating expenses would have only risen 5.8 percent, operating profit would have increased \$88 million to \$1.12 billion, and net income would have gone up \$295 million to \$805 million.
- o Interest expense was down \$33.3 million to \$217.2 million.
- o The passenger load factor gained 4 percentage points to 68.5 percent as RPM traffic growth, up 10.3 percent, largely exceeded the 2.7 increase in ASM capacity.
- o Passenger (RPM) yield slid 4.6 percent, the largest decline among the majors, to 12.76 cents.
- o Delta reduced its total debt by more than \$1 billion to \$2.19 billion. This, combined with rising equity, caused the debt-to-investment ratio to fall 14 percentage points to 46.2 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,287.0	3,032.4	13,317.7	13,063.1	12,810.0	12,658.6	12,557.3
2	Operating Expenses	3,063.0	2,863.8	12,746.6	12,547.4	12,351.2	12,042.4	11,518.8
3	Operating Profit (Loss)	224.0	168.6	571.1	515.7	458.8	616.2	1,038.4
4	Net Income (Loss)	125.3	70.0	249.0	193.7	155.9	245.4	510.0
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	23.39	20.77	93.88	91.26	88.63	86.32	85.11
6	ASMs - Scheduled Rev. Svc.	34.17	32.20	133.61	131.64	130.66	130.15	130.08
7	Overall RTMs (All Svc.)	2.75	2.43	10.81	10.49	10.24	10.02	9.93
8	Overall ATMs (All Svc.)	4.73	4.45	18.49	18.21	18.08	18.03	18.05
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	119.6	124.5	123.2	124.5	125.2	126.3	126.5
10	Operating Expense per RTM	111.5	117.6	118.0	119.6	120.7	120.1	116.0
11	Operating Profit (Loss) per RTM	8.2	6.9	5.3	4.9	4.5	6.1	10.5
12	Operating Expense per ATM	64.8	64.3	68.9	68.9	68.3	66.8	63.8
13	Passenger Revenue per RPM	12.48	13.15	12.76	12.92	13.09	13.29	13.38
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.70	2.58	2.49	2.48	2.48
15	Times Interest Earned	*	*	3.08	2.51	2.12	2.66	4.23
16	Current Assets to Current Liabilities	*	*	0.75	0.87	0.93	0.86	0.85
17	No. of Days Cash Coverage of Cash Exp	*	*	30.6	42.5	52.1	50.7	45.0
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	6.8	5.6	4.3	3.9	3.6	4.9	8.3
19	Net Income to Stockholders Equity	*	*	10.7	8.7	7.5	12.9	27.2
20	Corporate Return on Investment	*	*	9.1	8.2	7.8	9.8	15.3
21	Debt to Total Investment	*	*	46.2	46.3	47.5	62.8	60.2
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	68.5	64.5	70.3	69.3	67.8	66.3	65.4
23	Breakeven	64.7	61.0	68.2	67.2	65.8	63.2	59.8
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	55,302	52,438	53,776	53,060	52,570	53,169	54,320
25	Overall RTM's per Employee (000)	49.7	46.4	200.9	197.8	194.7	188.5	182.8

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	8.4	2.3	6.1	4.6	3.3	2.7	1.7
27	Operating Expenses (%)	7.0	-2.8	10.7	8.2	5.2	-3.2	-8.3
28	Operating Profit (Loss) (in Millions \$)	55.4	149.7	-467.3	-373.0	-200.0	727.9	1,253.5
29	Net Income (Loss)(in Millions \$)	55.3	87.9	-261.0	-228.5	-251.8	338.4	669.7
30	RPMs (Sch. Svc.) (%)	12.6	-1.6	10.3	6.8	2.6	-0.4	-1.4
31	ASMs (Sch. Svc.) (%)	6.1	-0.8	2.7	1.0	0.1	-0.2	-0.1
32	Operating Revenues per RTM (%)	-3.9	6.6	-2.6	0.0	2.4	4.2	3.7
33	Operating Expense per RTM (%)	-5.2	1.4	1.7	3.5	4.2	-1.8	-6.6
34	Passenger Revenue per RPM (Sch. Svc)	-5.1	3.3	-4.6	-2.6	0.0	2.8	2.9

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



QUARTERLY RESULTS

- o Operating expenses, up 7.5 percent, rose slightly faster than operating revenues, up 6.7 percent, causing operating profit to decline \$11 million to \$92.2 million.
- o Net income dropped \$67.5 million to \$32.5 million.
- o The only improvement reported among the entities was in domestic operating results, up \$27 million to \$147.1 million. Domestic and Atlantic net results remained positive despite year-to-year declines.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	120.2	147.1	27.0	99.6	65.8	-33.8	8.7	9.3	6.5	13.3	14.0	5.3	66.4%
Int'l	-17.0	-55.0	-38.0	0.4	-33.3	-33.7	6.3	6.9	8.7	8.7	9.1	4.4	75.6%
Atlantic	8.6	-1.0	-9.6	7.5	3.0	-4.6	1.3	1.3	6.3	1.8	1.7	-1.7	77.5%
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	-25.6	-54.0	-28.4	-7.2	-36.3	-29.2	5.1	5.5	9.4	7.0	7.4	6.0	75.1%
System	103.2	92.2	-11.1	100.0	32.5	-67.6	15.1	16.2	7.4	22.0	23.1	5.0	70.0%

- o Passenger (RPM) yield dipped 0.2 percent to 12.44 cents.
- o RPMs advanced 7.4 percent outpacing the 5 percent increase in ASMs causing the passenger load factor to rise 1.6 percentage points to 70 percent, a major group high.
- o Total fuel expense was up 31.9 percent as unit fuel prices jumped 36.2 percent. Consumption increased only 3.2 percent.

12-MONTH RESULTS

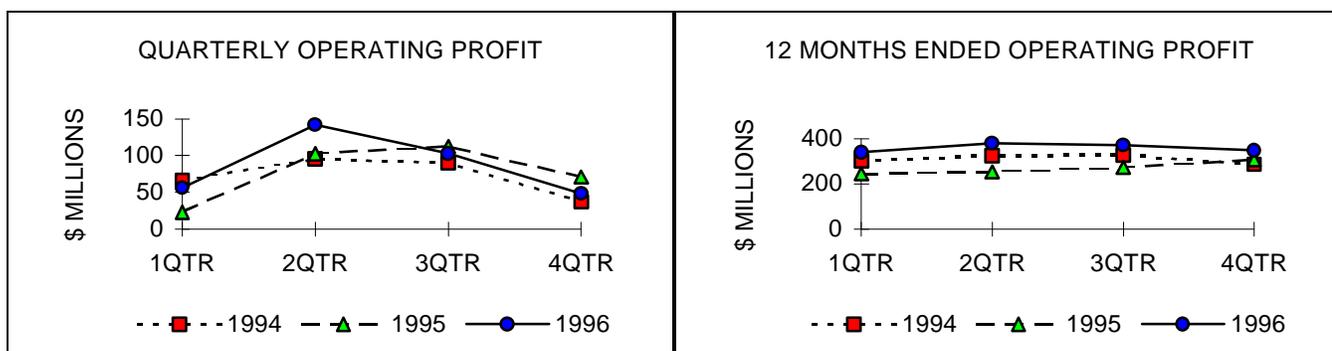
- o For the calendar year 1996, Northwest reported the highest net profit among all majors, and was one of only three majors (the other being American and United) to attain an operating profit exceeding \$1 billion. In addition, both operating and net results were the highest for any calendar year in the carriers history.
- o Operating profit jumped \$197.7 million to \$1.11 billion.
- o Net income improved \$72.5 million to \$578.8 million.
- o The passenger load factor rose 1.6 percentage points to a major group high 73.1 percent, 9 percentage points above operating breakeven.
- o Passenger (RPM) yield rose 0.9 percent to 12.53 cents.
- o Productivity (RTMs per employee) continued to be a passenger group high, rising from 200.8 a year ago to 206.4.
- o Total debt declined \$240.7 million contributing to the 7.9 percentage point drop in the debt-to-investment ratio to 34.2 percent.
- o Interest on debt declined \$50.9 million to \$186.5 million.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9612	9512	9612	9609	9606	9603	9512
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	2,319.9	2,175.1	9,751.4	9,606.6	9,418.0	9,143.6	8,908.9
2 Operating Expenses	2,227.7	2,071.9	8,643.5	8,487.7	8,321.8	8,180.1	7,998.6
3 Operating Profit (Loss)	92.2	103.2	1,107.9	1,119.0	1,096.2	963.5	910.2
4 Net Income (Loss)	32.5	100.0	578.8	646.4	630.4	544.5	506.3
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	16.19	15.07	68.63	67.51	65.97	64.19	62.50
6 ASMs - Scheduled Rev. Svc.	23.12	22.03	93.90	92.80	90.83	89.18	87.45
7 Overall RTMs (All Svc.)	2.22	2.11	9.09	8.99	8.82	8.65	8.52
8 Overall ATMs (All Svc.)	3.71	3.59	14.97	14.85	14.56	14.34	14.16
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	104.7	102.9	107.3	106.9	106.8	105.8	104.6
10 Operating Expense per RTM	100.5	98.0	95.1	94.4	94.4	94.6	93.9
11 Operating Profit (Loss) per RTM	4.2	4.9	12.2	12.4	12.4	11.1	10.7
12 Operating Expense per ATM	60.1	57.7	57.8	57.2	57.2	57.0	56.5
13 Passenger Revenue per RPM	12.44	12.46	12.53	12.54	12.55	12.48	12.42
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	1.54	1.53	1.53	1.50	1.48
15 Times Interest Earned	*	*	5.65	5.64	5.32	4.52	4.19
16 Current Assets to Current Liabilities	*	*	0.57	0.69	0.78	0.72	0.73
17 No. of Days Cash Coverage of Cash Exp	*	*	28.9	41.3	55.7	46.6	44.2
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Revenue	4.0	4.7	11.4	11.6	11.6	10.5	10.2
19 Net Income to Stockholders Equity	*	*	14.5	17.2	18.2	17.0	17.0
20 Corporate Return on Investment	*	*	12.3	13.5	13.6	12.6	12.2
21 Debt to Total Investment	*	*	34.2	33.4	36.7	39.4	42.1
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	70.0	68.4	73.1	72.7	72.6	72.0	71.5
23 Breakeven	68.0	66.0	64.1	63.6	63.5	63.9	63.8
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	44,526	43,061	44,054	43,688	43,312	42,782	42,439
25 Overall RTM's per Employee (000)	49.8	49.1	206.4	205.7	203.6	202.1	200.8

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
	9612	9512	9612	9609	9606	9603	9512
26 Operating Revenues (%)	6.7	0.8	9.5	8.1	6.3	3.4	-0.2
27 Operating Expenses (%)	7.5	3.8	8.1	7.1	4.4	2.3	-0.7
28 Operating Profit (Loss) (in Millions \$)	-11.0	-58.5	197.7	150.3	207.8	117.6	33.7
29 Net Income (Loss)(in Millions \$)	-67.5	36.8	72.5	176.8	202.1	144.8	76.5
30 RPMs (Sch. Svc.) (%)	7.4	11.0	9.8	10.6	10.9	10.2	8.0
31 ASMs (Sch. Svc.) (%)	5.0	5.8	7.4	7.6	6.6	5.2	2.9
32 Operating Revenues per RTM (%)	1.7	-3.8	2.6	1.2	0.3	-1.5	-4.2
33 Operating Expense per RTM (%)	2.6	-1.0	1.3	0.3	-1.5	-2.6	-4.6
34 Passenger Revenue per RPM (Sch. Svc)	-0.2	-6.8	0.9	-0.6	-2.5	-4.7	-7.0

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



QUARTERLY RESULTS

- o Southwest has not reported a quarterly operating or net loss since the quarter ended March 1991, a period of 23 consecutively profitable quarters.
- o Operating revenues grew 11.1 percent, but operating expenses rose a faster 15.6 percent, causing operating profit to decline \$22.5 million to \$48.5 million. This was the second consecutive year-to-year decline.
- o Net income declined \$15.5 million to \$28.2 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	71.0	48.5	-22.4	43.4	28.2	-15.2	5.9	7.1	20.8	9.5	10.4	9.6	68.1%
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	71.0	48.5	-22.4	43.4	28.2	-15.2	5.9	7.1	20.8	9.5	10.4	9.6	68.1%

- o Interest expense dipped \$0.5 million to \$14.3 million.
- o RPMs surged upward 20.8 percent, greatly exceeding the 9.6 percent increase in ASM capacity producing a 2.5 percentage point gain in the passenger load factor to 69.3 percent.
- o Passenger (RPM) yield dropped 8.3 percent, the largest decline among the majors, to 11.21 cents.
- o Total fuel expense, which comprises 14.9 percent of total operating expenses, jumped 36.4 percent as unit fuel prices leaped 24.6 percent and consumption rose 9.5 percent.

12-MONTH RESULTS

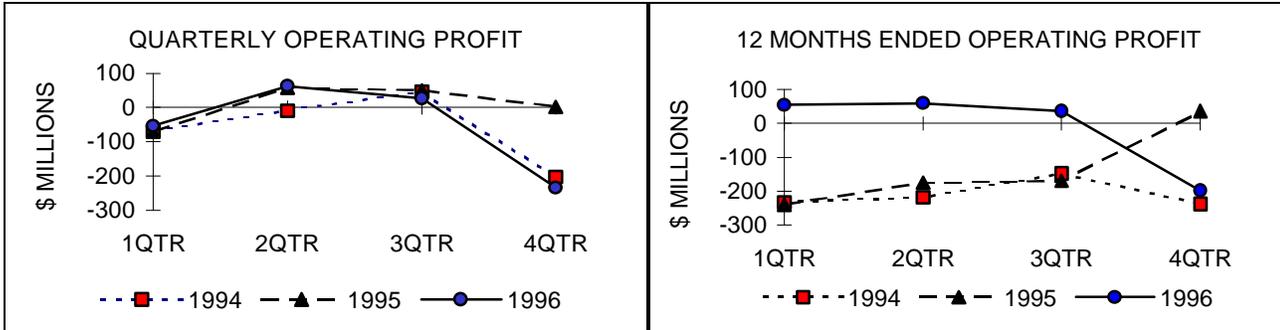
- o Operating expenses, up 19.2 percent, grew slightly faster than operating revenues, up 18.6 percent, but operating profit still improved \$41.2 million to \$349.7 million.
- o Net income increased \$24.7 million to \$207.3 million.
- o The operating profit margin continues to be the best among the majors at 10.3 percent.
- o The passenger load factor rose 2 percentage points to 66.5 percent, 7.9 percentage points above operating breakeven.
- o Passenger (RPM) yield growth continues to slow, up 2 percent to 12.07 cents.
- o Southwest was the only major to show an increase in interest expense, although up only \$0.2 million to \$58.4 million.
- o Despite the smallest decline among all majors in total debt, down \$11.9 million to \$662.6 million, the debt-to-investment ratio decreased 3.4 percentage points to a group low 28.7 percent.
- o Productivity rose from 129.2 a year ago to 130.9, the first year-to-year increase since the 12-months ended June 1994.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	832.1	748.8	3,407.4	3,324.1	3,197.4	3,025.3	2,873.5
2	Operating Expenses	783.6	677.9	3,057.6	2,951.9	2,816.4	2,683.9	2,564.9
3	Operating Profit (Loss)	48.5	71.0	349.7	372.2	381.0	341.4	308.5
4	Net Income (Loss)	28.2	43.4	207.3	222.5	229.4	203.8	182.6
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	7.10	5.88	27.09	25.86	24.78	23.96	23.33
6	ASMs - Scheduled Rev. Svc.	10.42	9.51	40.71	39.80	38.53	37.29	36.17
7	Overall RTMs (All Svc.)	0.74	0.61	2.81	2.68	2.57	2.48	2.41
8	Overall ATMs (All Svc.)	1.34	1.21	5.22	5.10	4.93	4.77	4.64
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	112.7	123.0	121.2	123.9	124.7	122.1	119.0
10	Operating Expense per RTM	106.1	111.3	108.7	110.1	109.8	108.3	106.3
11	Operating Profit (Loss) per RTM	6.6	11.7	12.4	13.9	14.9	13.8	12.8
12	Operating Expense per ATM	58.7	55.8	58.6	57.9	57.1	56.3	55.3
13	Passenger Revenue per RPM	11.21	12.22	12.07	12.34	12.39	12.12	11.83
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.54	1.54	1.52	1.48	1.45
15	Times Interest Earned	*	*	10.23	11.23	12.57	12.24	12.12
16	Current Assets to Current Liabilities	*	*	0.97	1.07	0.90	0.73	0.77
17	No. of Days Cash Coverage of Cash Exp	*	*	73.8	78.2	65.8	46.8	47.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	5.8	9.5	10.3	11.2	11.9	11.3	10.7
19	Net Income to Stockholders Equity	*	*	13.4	14.9	16.1	14.9	13.8
20	Corporate Return on Investment	*	*	11.1	12.0	12.5	11.4	10.6
21	Debt to Total Investment	*	*	28.7	29.1	30.0	31.3	32.1
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	68.1	61.8	66.5	65.0	64.3	64.3	64.5
23	Breakeven	63.4	55.0	58.6	56.6	55.4	55.9	56.5
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	22,496	19,446	21,476	20,714	19,993	19,330	18,682
25	Overall RTM's per Employee (000)	32.8	31.3	130.9	129.5	128.3	128.2	129.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	11.1	19.7	18.6	20.9	21.6	21.1	18.9
27	Operating Expenses (%)	15.6	15.2	19.2	19.2	18.6	19.2	20.6
28	Operating Profit (Loss) (in Millions \$)	-22.5	33.9	41.2	97.5	127.5	94.7	18.6
29	Net Income (Loss)(in Millions \$)	-15.2	23.1	24.7	62.9	78.9	54.5	3.3
30	RPMs (Sch. Svc.) (%)	20.8	9.2	16.1	13.3	13.6	15.8	17.9
31	ASMs (Sch. Svc.) (%)	9.6	12.8	12.5	13.4	14.9	18.0	22.1
32	Operating Revenues per RTM (%)	-8.4	12.2	1.8	7.0	7.9	5.5	1.6
33	Operating Expense per RTM (%)	-4.7	8.0	2.3	5.7	5.1	3.8	3.1
34	Passenger Revenue per RPM (Sch. Svc)	-8.3	9.8	2.0	6.7	7.4	5.2	1.5

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



QUARTERLY RESULTS

- o After 22 months of operating under the protection of Chapter 11 bankruptcy laws, Trans World obtained confirmation of a Plan of Reorganization from the bankruptcy court and emerged from bankruptcy on November 3, 1993. On June 30, 1995, Trans World again filed bankruptcy to implement a prepackaged restructuring plan. It emerged from the second bankruptcy on August 23, 1995.
- o Although much of the rest of the airline industry reported strong, and in some cases record fourth quarter performances, Trans World continues to experience significant financial difficulties. For the fourth quarter 1996 the carrier reported by far the largest operating and net losses among the major group, and both operating and net results tumbled sharply into the red.
- o Operating revenues inched upward 0.2 percent, but operating expenses soared 29.7 percent.
- o Total fuel expenses, which comprises 14 percent of operating expenses, jumped \$29 million. Labor jumped \$55 million and maintenance expense, up \$8 million
- o Operating profit plunged \$235.9 million to a loss of \$233.3 million.
- o Net income dropped \$230.8 million to a loss of \$258.6 million.
- o The operating profit margin plunged to a *negative* 29 percent.
- o The downturn in systemwide operating and net results arose primarily from domestic operations, although both the domestic and international entities experienced worsening operating and net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	29.1	-148.0	-177.1	6.7	-165.5	-172.2	4.5	4.6	3.7	7.2	7.5	3.7	61.6%
Int'l	-26.5	-85.3	-58.9	-34.5	-93.1	-58.6	1.5	1.6	6.2	2.2	2.4	10.3	66.4%
Atlantic	-26.5	-85.3	-58.9	-34.5	-93.1	-58.6	1.5	1.6	6.2	2.2	2.4	10.3	66.4%
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	2.6	-233.3	-235.9	-27.8	-258.6	-230.9	5.9	6.2	4.3	9.4	9.9	5.2	62.8%

- o Although RPM traffic was up 4.3 percent, ASM capacity rose 5.2 percent, resulting in the passenger load factor to dip 0.5 percentage points to 62.8 percent, the only decline among the majors.
- o Passenger (RPM) yield declined 4.5 percent to 11.07 cents. Only America West had a lower passenger yield.
- o Cash reserves continue to dwindle as days cash coverage declined to 18.5, down from 34 just a year ago.

12-MONTH RESULTS

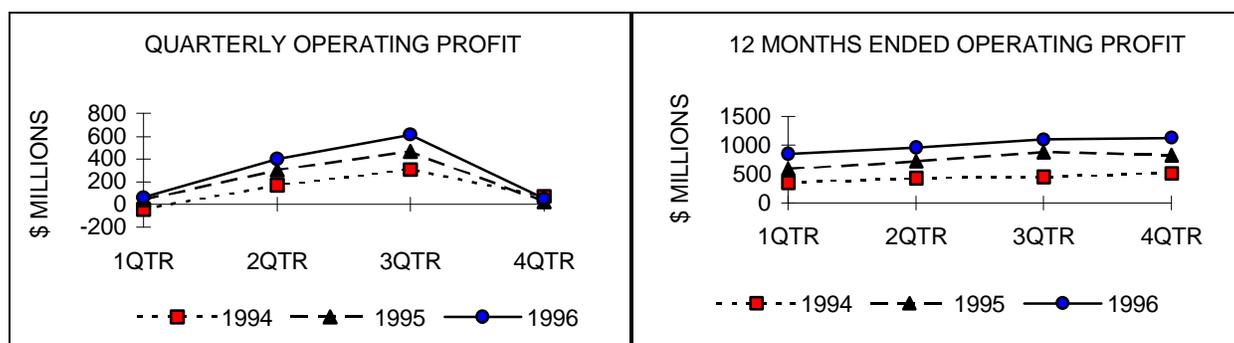
- o Trans World reported the only operating and net losses among all majors.
- o Operating results fell \$236.3 million to a loss of \$199.3 million, as operating revenue growth, up 8.3 percent, was outpaced by operating expense growth, up 15.7 percent.
- o The year ago net loss of \$227.5 widened by \$57.3 million to a loss of \$284.8 million.
- o Passenger (RPM) yield dipped 0.4 percent to 11.35 cents.
- o The passenger load factor was up a group low 1.1 percentage points to 66.8 percent while at the same time the breakeven load factor gained 4 percentage points.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9612	9512	9612	9609	9606	9603	9512
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	803.3	801.8	3,554.4	3,552.9	3,496.6	3,379.7	3,280.9
2 Operating Expenses	1,036.6	799.2	3,753.7	3,516.3	3,436.1	3,324.7	3,243.9
3 Operating Profit (Loss)	-233.3	2.6	-199.3	36.6	60.4	54.9	37.0
4 Net Income (Loss)	-258.6	-27.8	-284.8	-54.0	-121.7	-141.8	-227.5
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	6.20	5.95	27.11	26.86	26.17	25.38	24.91
6 ASMs - Scheduled Rev. Svc.	9.89	9.40	40.59	40.10	39.16	38.42	37.91
7 Overall RTMs (All Svc.)	0.74	0.71	3.17	3.14	3.07	2.99	2.95
8 Overall ATMs (All Svc.)	1.37	1.31	5.62	5.56	5.45	5.36	5.28
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	108.2	113.2	112.1	113.3	113.9	112.9	111.4
10 Operating Expense per RTM	139.6	112.8	118.4	112.1	112.0	111.0	110.1
11 Operating Profit (Loss) per RTM	-31.4	0.4	-6.3	1.2	2.0	1.8	1.3
12 Operating Expense per ATM	75.8	61.2	66.8	63.3	63.0	62.1	61.4
7 Passenger Revenue per RPM	11.07	11.59	11.35	11.47	11.59	11.53	11.39
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.46	2.39	2.52	2.65	2.77
15 Times Interest Earned	*	*	-1.17	0.63	-1.22	-1.14	-1.19
16 Current Assets to Current Liabilities	*	*	0.60	0.76	0.83	0.88	0.87
17 No. of Days Cash Coverage of Cash Exp	*	*	18.5	27.0	33.9	43.2	34.0
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Revenue	-29.0	0.3	-5.6	1.0	1.7	1.6	1.1
19 Net Income to Stockholders Equity	*	*	-73.2	-13.7	-64.2	0.0	123.4
20 Corporate Return on Investment	*	*	-10.9	5.1	0.4	0.7	-4.9
21 Debt to Total Investment	*	*	80.2	66.8	69.8	71.2	78.9
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	62.8	63.3	66.8	67.0	66.8	66.1	65.7
23 Breakeven	88.0	65.4	73.2	67.9	67.4	67.0	67.1
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	24,367	22,249	23,615	23,086	22,571	22,160	21,945
25 Overall RTM's per Employee (000)	30.5	31.8	134.2	135.8	136.0	135.1	134.3

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
	9612	9512	9612	9609	9606	9603	9512
26 Operating Revenues (%)	0.2	5.2	8.3	9.6	7.1	2.9	-2.1
Operating Expenses (%)	29.7	-17.3	15.7	3.1	-0.1	-5.7	-9.6
28 Operating Profit (Loss) (in Millions \$)	-235.9	207.0	-236.3	206.6	234.7	295.4	275.1
29 Net Income (Loss)(in Millions \$)	-230.8	217.4	-57.3	390.9	249.2	292.4	208.3
30 RPMs (Sch. Svc.) (%)	4.3	1.0	8.9	8.1	5.1	2.1	0.9
31 ASMs (Sch. Svc.) (%)	5.2	-2.4	7.1	5.1	1.6	-1.1	-2.5
32 Operating Revenues per RTM (%)	-4.4	7.7	0.6	3.6	4.4	2.9	-0.7
33 Operating Expense per RTM (%)	23.8	-15.4	7.5	-2.6	-2.5	-5.7	-8.4
34 Passenger Revenue per RPM (Sch. Svc)	-4.5	5.7	-0.4	2.0	3.6	3.2	-0.2

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
UNITED AIR LINES



QUARTERLY RESULTS

- o United reported its best fourth quarter operating profit and net income since 1988 and 1989, respectively.
- o Operating profit more than doubled over the same quarter a year ago, rising \$31.2 million to \$53.8 million.
- o Net income moved into the black, improving \$63.7 million to a profit of \$20.2 million.
- o Except for the Atlantic entity, which reported an operating and net loss, all entities experienced operating and net profits and improvements over the same quarter a year ago.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	-5.2	12.5	17.7	-51.8	-4.3	47.4	16.9	17.6	3.9	25.0	25.9	3.6	68.0%
Int'l	27.8	41.3	13.5	8.2	24.6	16.3	10.4	10.7	3.5	14.6	15.0	3.0	71.4%
Atlantic	-2.8	-2.2	0.6	-3.4	-1.0	2.3	2.6	2.7	3.6	3.5	3.7	4.0	74.6%
Latin	-0.1	4.3	4.4	-2.0	2.0	4.0	1.3	1.4	7.0	2.1	2.1	1.0	66.0%
Pacific	30.7	39.2	8.5	13.6	23.6	10.1	6.4	6.6	2.7	9.0	9.3	3.1	71.3%
System	22.6	53.8	31.2	-43.5	20.2	63.8	27.3	28.3	3.8	39.6	40.9	3.4	69.2%

- o RPMs rose 3.8 percent, slightly outpacing the 3.4 percent rise in ASMs causing the passenger load factor to inch upward 0.2 percentage points to 69.2 percent.
- o Total fuel expense jumped 28.1 percent due mostly to higher unit fuel prices, up 26.2 percent, as consumption increased only 1.5 percent.
- o United was the only major to show an increase in passenger (RPM) yield, up 4.5 percent to 12.13 cents.

12-MONTH RESULTS

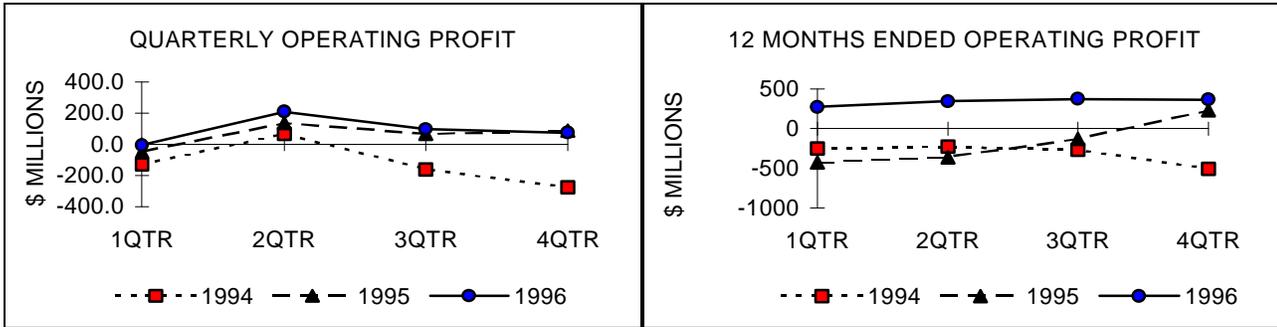
- o Operating profit gained \$298.3 million to a profit of \$1.13 billion, a new all-time calendar year high for the carrier.
- o Net income jumped \$192.9 million to \$533.7 million.
- o Passenger (RPM) yield rose 4.6 percent to 12.22 cents.
- o The passenger load factor rose 1.2 percentage points to 71.7 percent (only Northwest was higher at 72.6 percent), which was 3.3 points above the operating breakeven.
- o Interest expense dropped \$55.9 million to \$284.2 million.
- o Profitability was enhanced as RTM yield, up 4.8 percent, grew faster than RTM unit costs, up 3.3 percent.
- o Total debt was cut \$243.8 million but it was still a major group high \$3.31 billion. This decline contributed to the major group high 25.4 percentage point drop in the debt-to-investment ratio to 70.8 percent, but more of a factor was the \$1.2 billion increase in equity.
- o Productivity (RTMs per employee) rose from 188.3 a year ago to 189.5.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,964.5	3,655.5	16,316.7	16,007.8	15,646.8	15,298.2	14,894.8
2	Operating Expenses	3,910.7	3,632.9	15,186.5	14,908.7	14,691.6	14,440.7	14,062.8
3	Operating Profit (Loss)	53.8	22.6	1,130.2	1,099.1	955.2	857.4	831.9
4	Net Income (Loss)	20.2	-43.5	533.7	470.0	376.6	334.3	340.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	28.31	27.28	116.55	115.53	114.38	113.11	111.54
6	ASMs - Scheduled Rev. Svc.	40.89	39.56	162.65	161.32	160.71	159.62	158.24
7	Overall RTMs (All Svc.)	3.49	3.32	14.06	13.89	13.76	13.61	13.44
8	Overall ATMs (All Svc.)	5.91	5.68	23.40	23.18	23.08	22.87	22.64
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	113.6	110.0	116.1	115.2	113.7	112.4	110.8
10	Operating Expense per RTM	112.1	109.3	108.0	107.3	106.8	106.1	104.6
11	Operating Profit (Loss) per RTM	1.5	0.7	8.0	7.9	6.9	6.3	6.2
12	Operating Expense per ATM	66.2	64.0	64.9	64.3	63.7	63.1	62.1
13	Passenger Revenue per RPM	12.13	11.61	12.22	12.10	11.96	11.83	11.68
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	3.95	3.92	3.91	3.85	3.72
15	Times Interest Earned	*	*	5.55	4.76	3.81	3.15	2.92
16	Current Assets to Current Liabilities	*	*	0.52	0.52	0.50	0.50	0.55
17	No. of Days Cash Coverage of Cash Exp	*	*	15.8	16.1	15.7	12.5	15.5
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	1.4	0.6	6.9	6.9	6.1	5.6	5.6
19	Net Income to Stockholders Equity	*	*	76.0	82.5	92.3	116.3	153.1
20	Corporate Return on Investment	*	*	18.1	17.4	16.2	16.0	16.4
21	Debt to Total Investment	*	*	70.8	75.6	84.0	92.9	96.2
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	69.2	69.0	71.7	71.6	71.2	70.9	70.5
23	Breakeven	70.5	71.2	68.4	68.5	68.6	68.7	68.3
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	74,708	72,607	74,171	73,646	73,202	72,467	71,381
25	Overall RTM's per Employee (000)	46.7	45.8	189.5	188.6	187.9	187.8	188.3

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	8.5	6.8	9.5	9.2	9.1	9.0	7.3
27	Operating Expenses (%)	7.6	8.5	8.0	8.2	7.9	7.5	5.1
28	Operating Profit (Loss) (in Millions \$)	31.2	-53.3	298.3	213.9	228.1	261.9	318.9
29	Net Income (Loss)(in Millions \$)	63.7	-53.7	192.9	75.5	148.8	205.7	300.7
30	RPMs (Sch. Svc.) (%)	3.8	1.3	4.5	3.9	3.0	2.9	3.3
31	ASMs (Sch. Svc.) (%)	3.4	3.2	2.8	2.8	3.5	3.8	4.2
32	Operating Revenues per RTM (%)	3.3	5.2	4.8	5.2	5.6	5.3	3.0
33	Operating Expense per RTM (%)	2.6	6.8	3.3	4.3	4.5	3.8	1.0
34	Passenger Revenue per RPM (Sch. Svc)	4.5	5.0	4.6	4.8	5.8	6.0	4.0

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



QUARTERLY RESULTS

- o US Airways (formerly USAir) reported its best fourth quarter net profit ever, and its second best (after the December 1995 quarter) operating profit.
- o The operating profit decline from a year ago, down \$9.7 million to \$74.2 million, occurred as operating expenses, up 20.2 percent, grew faster than operating revenues, up 18.8 percent.
- o Net results improved \$4.7 million to \$49.5 million.
- o The downturn in system operating profit was a result of the combined deterioration of the entities showing a deterioration. Domestic operations remained profitable, down \$6.7 million to \$79.7 million, but the Atlantic and Latin entities slid deeper into the red. The upswing in system net income arose solely from domestic operations, up \$6.7 million to \$55.5 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	86.4	79.7	-6.7	48.9	55.5	6.7	8.5	9.2	7.7	13.0	13.5	4.2	67.8%
Int'l	-2.4	-5.5	-3.0	-4.1	-6.0	-1.9	0.5	0.8	83.4	0.6	1.2	77.7	71.5%
Atlantic	-0.6	-2.6	-2.0	-1.7	-2.6	-0.9	0.3	0.7	108.3	0.5	0.9	109.9	72.7%
Latin	-1.9	-2.9	-1.0	-2.4	-3.4	-1.0	0.1	0.1	14.6	0.2	0.2	4.6	65.9%
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	83.9	74.2	-9.7	44.8	49.5	4.7	9.0	10.0	11.5	13.6	14.7	7.7	68.1%

- o Passenger (RPM) yield remained a major group high 17.08 cents despite a slight 0.8 percent decline from a year ago.
- o The passenger load factor increased 2.3 percentage points to 68.1 percent as strong growth in RPM traffic, up 11.5 percent, exceeded the 7.7 percent increase in ASM capacity.
- o RTM unit costs, up 7.2 percent, grew faster than RTM yield, up 5.9 percent, cutting profitability.
- o A 43.3 percent jump in unit fuel prices propelled total fuel expense up 37.7 percent as fuel consumption declined 4 percent.

12-MONTH RESULTS

- o US Airways, in reporting its fifth consecutive quarter-ended 12-month operating and net profits after 6 consecutive years of losses, achieved all-time records for any calendar year in its history.
- o Operating results jumped \$134 million to a profit of \$368.7 million, despite an 8.7 percent increase in operating expenses, as operating revenues grew 10.3 percent.
- o Net income advanced \$150.2 million to \$183.2 million, an all-time high for the carrier.
- o Net results were aided by a \$29.9 million decline in interest expense to \$264.2 million.
- o The passenger load factor rose 3.8 percentage points to 68.5 percent.
- o Passenger (RPM) yield rose a major group high 4.8 percent to 17.46 cents, also a major group high.
- o US Airways was the only major with a debt-to-investment ratio exceeding 100 percent, despite a 9.2 percentage point decline to 103.3 percent. Despite the recent string of quarterly profits, total equity remains negative.
- o Productivity (RTMs per employee) was a group low 115.3.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	2,046.8	1,725.1	7,704.1	7,382.4	7,201.1	7,060.0	6,984.9
2	Operating Expenses	1,972.5	1,641.2	7,335.4	7,004.0	6,853.2	6,784.0	6,750.2
3	Operating Profit (Loss)	74.2	83.9	368.7	378.4	347.9	276.0	234.7
4	Net Income (Loss)	49.5	44.8	183.2	178.5	162.6	79.9	33.0
TRAFFIC: (Billions)								
5	RPMs - Scheduled Rev. Svc.	9.99	8.96	38.94	37.91	37.31	37.25	37.62
6	ASMs - Scheduled Rev. Svc.	14.66	13.61	56.88	55.84	55.66	56.45	58.16
7	Overall RTMs (All Svc.)	1.09	0.97	4.24	4.13	4.04	4.04	4.08
8	Overall ATMs (All Svc.)	1.98	1.83	7.74	7.60	7.49	7.58	7.79
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	187.6	177.2	181.6	179.0	178.1	174.9	171.2
10	Operating Expense per RTM	180.8	168.6	172.9	169.8	169.5	168.0	165.4
11	Operating Profit (Loss) per RTM	6.8	8.6	8.7	9.2	8.6	6.8	5.7
12	Operating Expense per ATM	99.7	89.7	94.7	92.2	91.5	89.4	86.7
13	Passenger Revenue per RPM	17.08	17.22	17.46	17.50	17.31	17.00	16.66
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	3.08	2.95	2.86	2.77	2.69
15	Times Interest Earned	*	*	1.69	1.69	1.58	1.28	1.13
16	Current Assets to Current Liabilities	*	*	0.77	0.71	0.67	0.60	0.61
17	No. of Days Cash Coverage of Cash Exp	*	*	82.5	70.3	69.4	47.0	51.3
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Revenue	3.6	4.9	4.8	5.1	4.8	3.9	3.4
19	Net Income to Stockholders Equity	*	*	-80.0	-66.9	-56.2	-24.7	-10.8
20	Corporate Return on Investment	*	*	18.4	18.5	18.0	14.8	12.7
21	Debt to Total Investment	*	*	103.3	107.0	108.2	115.5	112.5
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	68.1	65.8	68.5	67.9	67.0	66.0	64.7
23	Breakeven	69.8	64.4	67.4	66.0	65.4	65.1	64.2
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	36,929	37,138	36,797	36,849	37,016	37,439	38,023
25	Overall RTM's per Employee (000)	29.5	26.2	115.3	111.9	109.2	107.8	107.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	18.6	8.9	10.3	7.9	6.8	6.1	6.2
27	Operating Expenses (%)	20.2	-11.9	8.7	0.5	-3.4	-4.2	-4.7
28	Operating Profit (Loss) (in Millions \$)	-9.7	361.4	134.0	505.2	701.3	700.2	739.8
29	Net Income (Loss)(in Millions \$)	4.7	376.3	150.2	521.8	714.1	707.9	749.2
30	RPMs (Sch. Svc.) (%)	11.5	-3.8	3.5	-0.2	-3.3	-3.6	-0.9
31	ASMs (Sch. Svc.) (%)	7.7	-12.5	-2.2	-7.1	-9.6	-9.0	-4.7
32	Operating Revenues per RTM (%)	5.9	13.6	6.1	7.8	11.5	11.1	8.3
33	Operating Expense per RTM (%)	7.2	-8.0	4.5	0.4	0.8	0.4	-2.9
34	Passenger Revenue per RPM (Sch. Svc)	-0.8	13.3	4.8	8.2	10.2	9.8	6.7

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

QUARTERLY RESULTS

- o Both Federal Express and United Parcel Service (UPS) reported record fourth quarter and all-time company records in both operating and net profits for the quarter ended December 1996.
- o Operating revenues rose 15.3 percent outpacing the 13 percent increase in operating expenses.
- o Operating profit advanced \$90.1 million to \$255.3 million.
- o Net income was up \$44 million to \$119.8 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1995	THIS YEAR 1996	\$ Change	LAST YEAR 1995	THIS YEAR 1996	\$ Change
March	158.7	135.4	-23.3	86.0	57.3	-28.7
June	165.5	183.4	17.9	78.9	90.8	11.9
Sept.	143.6	149.0	5.4	71.4	80.7	9.3
Dec.	165.2	255.3	90.1	75.8	119.8	44.0

- o Both all-cargo majors experienced higher fuel expenses, which for the group rose 25.7 percent. Unit fuel prices were up 16.9 percent and consumption increased 7.5 percent.
- o The Pacific entity reported the only operating and/or net loss during the quarter, but the Atlantic entity reported the only operating and/or net deterioration.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	192.7	255.8	63.1	96.5	126.3	29.8	1.58	1.66	4.5	2.69	2.88	7.2	57.5%
Int'l	-27.5	-0.5	27.0	-20.8	-6.4	14.3	0.70	0.83	17.4	1.14	1.27	10.9	65.3%
Atlantic	19.0	15.5	-3.5	9.7	8.1	-1.7	0.21	0.22	6.4	0.32	0.33	3.6	65.7%
Latin	0.0	9.3	9.3	-0.4	4.1	4.5	0.03	0.05	47.4	0.07	0.09	17.4	55.7%
Pacific	-46.5	-25.4	21.2	-30.1	-18.6	11.5	0.46	0.56	20.2	0.74	0.84	13.5	66.2%
System	165.2	255.3	90.1	75.8	119.8	44.1	2.29	2.48	8.5	3.83	4.15	8.3	59.9%

- o The ton-load factor inched upward 0.1 percentage points to 59.9 percent as RTM traffic rose 8.5 percent and ATM capacity increased 8.3 percent.
- o Both all-cargo carriers cut total debt which, for the group, dropped \$683.8 million to \$2.8 billion. This reduction, coupled with rising equity, caused the debt-to-investment ratio to drop 8.1 percentage points to 43.3 percent.

12-MONTH RESULTS

- o Both Federal Express and United Parcel Service experienced operating and net profits and year-to-year improvements for the 12-months ended December 1996.
- o Operating profit rose \$90.1 million to \$723.1 million.
- o Net income also improved, up \$36.6 million to \$348.6 million.
- o RTM yield, up 4.7 percent, rose slightly faster than RTM unit costs, up 4.6 percent, enhancing profitability.
- o The ton load factor dipped 0.3 percentage points to 59.4 percent.
- o Productivity (RTMs per employee) rose slightly from 114.2 to 115.7.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,467.0	3,008.2	12,742.4	12,283.6	11,965.3	11,674.2	11,455.2
2	Operating Expenses	3,211.7	2,843.0	12,019.3	11,650.6	11,337.7	11,064.5	10,822.2
3	Operating Profit (Loss)	255.3	165.2	723.1	633.1	627.7	609.8	633.0
4	Net Income (Loss)	119.8	75.8	348.6	304.6	295.3	283.3	312.0
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.74	1.47	6.14	5.87	5.68	6.22	6.79
6	ATMs - Scheduled Rev. Svc.	2.79	2.45	10.11	9.78	9.55	10.42	11.32
7	Overall RTMs (All Services)	2.48	2.29	8.99	8.80	8.63	8.51	8.47
8	Overall ATMs (All Services)	4.15	3.83	15.14	14.82	14.62	14.37	14.19
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	139.6	131.4	141.7	139.6	138.7	137.1	135.3
10	Operating Expense per RTM	129.4	124.2	133.7	132.4	131.4	130.0	127.8
11	Operating Profit (Loss) per RTM	10.3	7.2	8.0	7.2	7.3	7.2	7.5
12	Operating Expense per ATM	77.5	74.3	79.4	78.6	77.6	77.0	76.3
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.89	1.81	1.78	1.77	1.79
15	Times Interest Earned	*	*	6.90	6.32	5.96	5.66	5.79
16	Current Assets to Current Liabilities	*	*	1.24	1.16	1.27	1.26	1.16
17	No. of Days Cash Coverage of Cash Exp	*	*	3.2	3.9	3.2	7.3	4.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	7.4	5.5	5.7	5.2	5.2	5.2	5.5
19	Net Income to Stockholders Equity	*	*	10.0	9.0	8.9	8.8	9.9
20	Corporate Return on Investment	*	*	6.7	6.0	6.0	6.0	6.7
21	Debt to Total Investment	*	*	43.3	46.7	49.2	51.9	51.4
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	59.9	59.8	59.4	59.4	59.0	59.3	59.7
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	79,293	75,779	77,727	76,849	75,837	74,998	74,164
25	Overall RTM's per Employee (000)	31.3	30.2	115.7	114.5	113.8	113.5	114.2

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	15.3	7.1	11.2	9.1	8.2	8.2	9.5
27	Operating Expenses (%)	13.0	9.2	11.1	10.1	9.5	9.7	10.6
28	Operating Profit (Loss) (in Millions \$)	90.1	-39.2	90.1	-39.0	-75.4	-90.0	-42.6
29	Net Income (Loss)(in Millions \$)	44.0	-35.1	36.6	-42.6	-65.2	-62.0	-5.7
30	RTMs (All Svc.) (%)	8.5	6.3	6.2	5.6	4.8	5.8	9.7
31	ATMs (All Svc.) (%)	8.3	6.0	6.7	6.1	6.4	7.5	10.3
32	Operating Revenues per RTM (%)	6.2	0.7	4.7	3.3	3.3	2.2	-0.2
33	Operating Expense per RTM (%)	4.2	2.6	4.6	4.3	4.5	3.7	0.8
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,789.0	2,442.6	10,364.7	10,018.3	9,774.4	9,549.0	9,380.3
2	Operating Expenses	2,533.2	2,249.9	9,492.4	9,209.1	8,973.0	8,774.0	8,608.3
3	Operating Profit (Loss)	255.8	192.7	872.3	809.2	801.5	775.0	772.0
4	Net Income (Loss)	126.3	96.5	443.7	414.0	407.1	391.0	401.4
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.95	0.82	3.42	3.28	3.20	3.78	4.36
6	ATMs - Scheduled Rev. Svc.	1.58	1.40	5.70	5.52	5.40	6.39	7.37
7	Overall RTMs (All Services)	1.66	1.58	6.11	6.04	5.96	5.89	5.84
8	Overall ATMs (All Services)	2.88	2.69	10.45	10.25	10.13	10.00	9.87
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	168.5	154.2	169.5	165.8	164.0	162.2	160.7
10	Operating Expense per RTM	153.0	142.0	155.3	152.4	150.5	149.0	147.5
11	Operating Profit (Loss) per RTM	15.5	12.2	14.3	13.4	13.4	13.2	13.2
12	Operating Expense per ATM	87.9	83.7	90.9	89.8	88.6	87.8	87.2
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	9.2	7.9	8.4	8.1	8.2	8.1	8.2
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	9.8	9.2	9.1	9.0	9.6
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	57.5	58.9	58.5	58.9	58.9	58.9	59.1
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

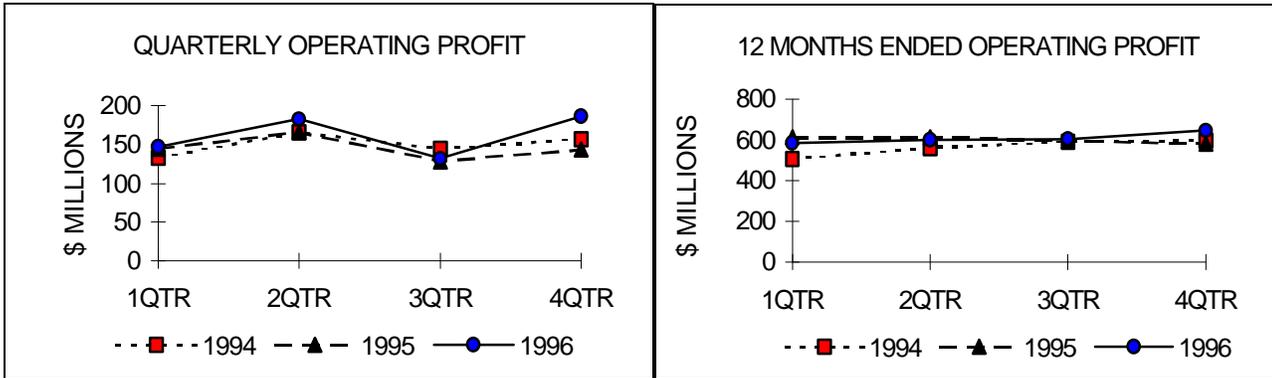
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	14.2	6.4	10.5	8.5	7.4	7.5	8.9
27	Operating Expenses (%)	12.6	7.2	10.3	8.9	8.0	8.3	9.5
28	Operating Profit (Loss) (in Millions \$)	63.1	-4.9	100.3	32.3	7.7	-8.0	17.4
29	Net Income (Loss)(in Millions \$)	29.8	-14.2	42.3	-1.6	-12.2	-12.0	19.4
30	RTMs (All Svc.) (%)	4.5	7.0	4.8	5.4	5.1	5.7	8.5
31	ATMs (All Svc.) (%)	7.2	4.7	5.9	5.2	5.3	6.3	8.4
32	Operating Revenues per RTM (%)	9.3	-0.6	5.5	2.9	2.2	1.7	0.4
33	Operating Expense per RTM (%)	7.7	0.1	5.3	3.3	2.7	2.4	1.0
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	678.0	565.6	2,377.7	2,265.3	2,190.9	2,125.2	2,074.9
2	Operating Expenses	678.5	593.1	2,526.8	2,441.5	2,364.7	2,290.4	2,213.8
3	Operating Profit (Loss)	-0.5	-27.5	-149.2	-176.2	-173.8	-165.2	-138.9
4	Net Income (Loss)	-6.4	-20.8	-95.1	-109.4	-111.9	-107.6	-89.4
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.79	0.65	2.72	2.58	2.48	2.44	2.43
6	ATMs - Scheduled Rev. Svc.	1.21	1.05	4.42	4.26	4.15	4.03	3.95
7	Overall RTMs (All Services)	0.83	0.70	2.88	2.75	2.67	2.63	2.63
8	Overall ATMs (All Services)	1.27	1.14	4.69	4.56	4.49	4.37	4.32
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	82.0	80.3	82.6	82.2	82.1	81.0	78.8
10	Operating Expense per RTM	82.0	84.2	87.8	88.6	88.6	87.2	84.1
11	Operating Profit (Loss) per RTM	-0.1	-3.9	-5.2	-6.4	-6.5	-6.3	-5.3
12	Operating Expense per ATM	53.6	52.0	53.9	53.5	52.7	52.4	51.2
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	-0.1	-4.9	-6.3	-7.8	-7.9	-7.8	-6.7
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	-5.3	-6.4	-6.7	-6.4	-5.3
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	65.3	61.7	61.4	60.4	59.5	60.1	60.9
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	19.9	10.6	14.6	12.1	11.7	11.4	12.1
27	Operating Expenses (%)	14.4	17.5	14.1	14.9	15.3	15.0	14.8
28	Operating Profit (Loss) (in Millions \$)	27.0	-34.2	-10.3	-71.5	-83.1	-82.0	-59.9
29	Net Income (Loss)(in Millions \$)	14.4	-21.0	-5.7	-41.0	-53.2	-49.9	-25.1
30	RTMs (All Svc.) (%)	17.4	4.9	9.3	6.0	4.1	6.0	12.5
31	ATMs (All Svc.) (%)	10.9	9.2	8.5	8.0	8.8	10.1	14.7
32	Operating Revenues per RTM (%)	2.1	5.5	4.8	5.8	7.3	5.1	-0.4
33	Operating Expense per RTM (%)	-2.6	12.1	4.4	8.3	10.8	8.5	1.9
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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



QUARTERLY RESULTS

- o For the fourth quarter 1996, Federal Express reported its best operating and net results in carrier history.
- o Operating profit jumped \$43.2 million to \$186.2 million as operating revenues, up 14.5 percent, rose faster than operating expenses, up 13.6 percent.
- o Net income also improved, rising \$21.7 million to \$92.2 million.
- o Only the Pacific division reported an operating and/or net loss, and only the Atlantic division reported an operating and/or net deterioration.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	178.0	194.9	16.9	93.8	100.3	6.5	0.85	0.97	14.5	1.44	1.61	11.3	60.4%
Int'l	-35.0	-8.7	26.3	-23.3	-8.2	15.2	0.52	0.62	18.4	0.82	0.88	8.0	69.9%
Atlantic	18.0	17.2	-0.8	9.4	8.8	-0.6	0.14	0.15	7.0	0.21	0.22	4.7	69.3%
Latin	-0.2	6.4	6.5	-0.5	3.3	3.7	0.03	0.04	37.8	0.07	0.08	9.5	55.4%
Pacific	-52.8	-32.3	20.5	-32.2	-20.2	12.0	0.35	0.42	21.4	0.54	0.59	9.1	72.0%
System	143.0	186.2	43.1	70.5	92.2	21.7	1.37	1.59	16.0	2.26	2.49	10.1	63.8%

- o Total fuel expense surged upward 39.9 percent as unit fuel prices jumped 29.2 percent and consumption was up 8.3 percent.
- o The ton load factor rose 3.3 percentage points to 63.8 percent as RTM traffic growth, up 16 percent, exceeded ATM capacity growth, up 10.1 percent.
- o RTM yield declined 1.3 percent, but RTM unit costs was down 2 percent boosting profitability.

12-MONTH RESULTS

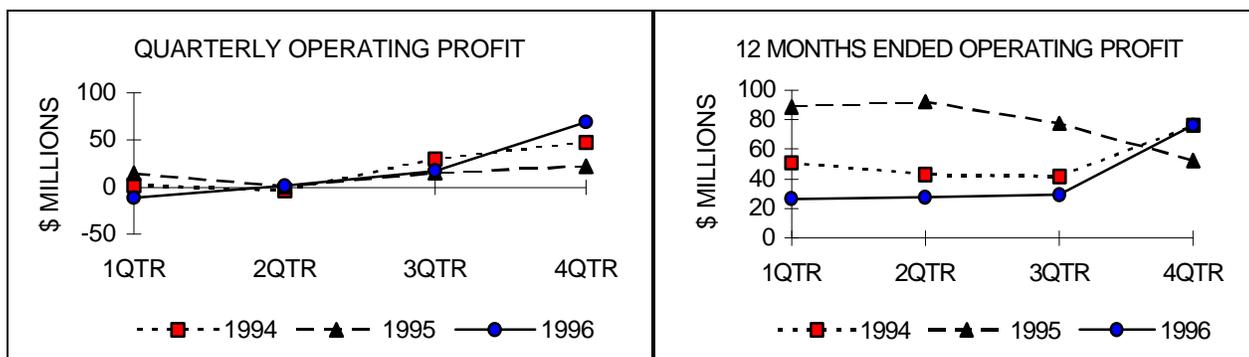
- o As with quarterly results, operating and net results for the 12-months ended December 1996 were the highest for any 12-month period in the carrier's history.
- o Operating profit improved \$66.1 million to \$647 million.
- o Net income, after three consecutive year-to-year deteriorations, rose \$36.1 million to \$318.5 million.
- o RTM traffic grew 10 percent as ATM traffic rose 9.5 percent causing the ton load factor to increase 0.3 percentage points to 61.5 percent.
- o Interest expense fell \$15.6 million to \$97.7 million.
- o The debt-to-investment ratio decreased 5.6 percentage points to 32.9 percent. Among all majors, only Southwest had a lower ratio.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,948.7	2,574.7	10,950.2	10,576.2	10,289.2	10,032.2	9,825.6
2	Operating Expenses	2,762.5	2,431.6	10,303.2	9,972.3	9,689.0	9,448.8	9,244.7
3	Operating Profit (Loss)	186.2	143.0	647.0	603.9	600.2	583.4	580.9
4	Net Income (Loss)	92.2	70.5	318.5	296.8	286.9	276.1	282.4
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.53	1.29	5.40	5.16	4.99	4.89	4.83
6	ATMs - Scheduled Rev. Svc.	2.40	2.13	8.76	8.48	8.27	8.03	7.84
7	Overall RTMs (All Services)	1.59	1.37	5.63	5.41	5.26	5.15	5.12
8	Overall ATMs (All Services)	2.49	2.26	9.16	8.93	8.76	8.52	8.37
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	185.7	188.1	194.4	195.4	195.6	194.7	191.9
10	Operating Expense per RTM	174.0	177.6	182.9	184.2	184.2	183.4	180.6
11	Operating Profit (Loss) per RTM	11.7	10.4	11.5	11.2	11.4	11.3	11.3
12	Operating Expense per ATM	111.0	107.5	112.5	111.6	110.6	110.8	110.5
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.74	2.67	2.62	2.57	2.56
15	Times Interest Earned	*	*	6.74	6.16	5.75	5.44	5.33
16	Current Assets to Current Liabilities	*	*	1.13	1.08	1.07	0.99	1.01
17	No. of Days Cash Coverage of Cash Exp	*	*	3.5	4.6	3.7	3.9	5.1
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	6.3	5.6	5.9	5.7	5.8	5.8	5.9
19	Net Income to Stockholders Equity	*	*	12.3	11.8	11.8	11.8	12.4
20	Corporate Return on Investment	*	*	10.4	10.1	10.0	9.9	10.3
21	Debt to Total Investment	*	*	32.9	33.2	33.9	37.7	38.5
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	63.8	60.5	61.5	60.6	60.0	60.5	61.2
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	75,182	71,554	73,678	72,771	71,725	70,851	69,987
25	Overall RTM's per Employee (000)	21.1	19.1	76.5	74.4	73.3	72.7	73.2

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	14.5	7.2	11.4	9.6	8.6	8.4	9.2
27	Operating Expenses (%)	13.6	8.3	11.5	10.1	9.3	9.3	10.1
28	Operating Profit (Loss) (in Millions \$)	43.2	-13.8	66.1	9.2	-10.8	-27.9	-18.6
29	Net Income (Loss)(in Millions \$)	21.7	-21.1	36.1	-6.8	-18.6	-15.7	5.5
30	RTMs (Sch. Svc.) (%)	16.0	2.6	10.0	6.5	4.4	4.2	6.9
31	ATMs (Sch. Svc.) (%)	10.1	7.2	9.5	8.8	8.5	8.1	8.9
32	Operating Revenues per RTM (%)	-1.3	4.4	1.3	3.0	4.0	4.1	2.1
33	Operating Expense per RTM (%)	-2.0	5.5	1.3	3.4	4.7	4.9	3.0
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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



QUARTERLY RESULTS

- o UPS reported its best quarterly operating and net profits in carrier history during the quarter ended December 1996.
- o Operating revenue growth, up 19.5 percent, more than doubled the 9.2 percent increase in operating expenses, causing operating profit to triple over a year ago, up \$46.9 million to \$69.1 million.
- o Net income also posted strong gains, up \$22.4 million to \$27.7 million.
- o The systemwide operating and net improvements arose almost entirely from domestic operations, up \$46.2 million to \$60.9 million and up \$23.3 million to \$25.9 million, respectively.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1995	1996	\$ Change	1995	1996	\$ Change	1995	1996	Change %	1995	1996	Change %	
Domestic	14.7	60.9	46.2	2.7	25.9	23.3	0.74	0.68	-7.0	1.24	1.27	2.5	53.7%
Int'l	7.5	8.2	0.7	2.6	1.7	-0.8	0.18	0.21	14.6	0.32	0.38	18.3	54.9%
Atlantic	1.0	-1.7	-2.7	0.4	-0.7	-1.1	0.06	0.07	5.1	0.11	0.12	1.7	58.9%
Latin	0.2	2.9	2.8	0.1	0.8	0.7	0.00	0.01	181.8	0.00	0.01	140.9	58.5%
Pacific	6.3	7.0	0.7	2.1	1.6	-0.5	0.12	0.14	16.7	0.21	0.26	24.9	53.0%
System	22.2	69.1	46.9	5.3	27.7	22.4	0.92	0.90	-2.7	1.57	1.66	5.8	54.0%

- o RTM yield soared upward a major group high 22.9 percent, far exceeding the 12.3 percent increase in RTM unit cost producing the large profit upswing.
- o The strong quarterly showing occurred despite a 4.7 percentage point decline in the ton load factor to 54 percent. RTM traffic declined 2.7 percent while ATM capacity rose 5.8 percent.
- o UPS continues to be the most productive major in terms of RTMs per employee although unchanged from a year ago at 217.7.

12-MONTH RESULTS

- o For the first time since the 12-months ended September 1995, operating revenues, up 10 percent, grew faster than operating expenses, up 8.8 percent.
- o This resulted in operating profit improving \$24 million to \$76.1 million.
- o Net income climbed \$0.5 million to \$30.1 million.
- o RTMs rose only 0.3 percent while ATM capacity rose 2.6 percent causing the ton load factor to decline 1.3 percentage points to 56.2 percent.
- o Productivity (RTMs per employee) continues to be very high when compared with all other majors, rising from 801.5 a year ago to 829.3.
- o Total debt was cut \$519.1 million causing the debt-to-investment ratio to fall 7.6 percentage points to 61.5 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9612	9512	9612	9609	9606	9603	9512	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	518.3	433.6	1,792.2	1,707.5	1,676.1	1,642.0	1,629.6
2	Operating Expenses	449.2	411.4	1,716.1	1,678.3	1,648.7	1,615.7	1,577.5
3	Operating Profit (Loss)	69.1	22.2	76.1	29.2	27.5	26.3	52.1
4	Net Income (Loss)	27.7	5.3	30.1	7.7	8.3	7.3	29.6
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.21	0.18	0.74	0.70	0.69	1.33	1.95
6	ATMs - Scheduled Rev. Svc.	0.38	0.32	1.35	1.29	1.28	2.39	3.48
7	Overall RTMs (All Services)	0.89	0.92	3.36	3.38	3.37	3.36	3.35
8	Overall ATMs (All Services)	1.66	1.57	5.97	5.88	5.85	5.84	5.82
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	57.9	47.1	53.4	50.5	49.8	48.9	48.7
10	Operating Expense per RTM	50.2	44.7	51.1	49.6	48.9	48.1	47.1
11	Operating Profit (Loss) per RTM	7.7	2.4	2.3	0.9	0.8	0.8	1.6
12	Operating Expense per ATM	27.1	26.2	28.7	28.5	28.2	27.7	27.1
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	0.65	0.61	0.60	0.61	0.64
15	Times Interest Earned	*	*	8.67	12.37	24.10	40.94	704.99
16	Current Assets to Current Liabilities	*	*	1.99	1.71	2.71	3.38	2.47
17	No. of Days Cash Coverage of Cash Exp	*	*	1.0	-0.4	0.3	28.9	3.0
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	13.3	5.1	4.2	1.7	1.6	1.6	3.2
19	Net Income to Stockholders Equity	*	*	3.4	0.9	1.0	0.8	3.4
20	Corporate Return on Investment	*	*	1.4	0.4	0.3	0.3	1.2
21	Debt to Total Investment	*	*	61.5	66.9	69.8	70.9	69.1
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	54.0	58.7	56.2	57.5	57.6	57.5	57.5
23	Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	4,111	4,225	4,049	4,078	4,112	4,147	4,177
25	Overall RTM's per Employee (000)	217.7	217.7	829.3	829.5	819.3	810.2	801.5

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	19.5	6.7	10.0	6.6	5.9	7.2	11.3
27	Operating Expenses (%)	9.2	14.7	8.8	10.1	10.6	11.9	13.6
28	Operating Profit (Loss) (in Millions \$)	46.9	-25.3	24.0	-48.3	-64.6	-62.2	-24.0
29	Net Income (Loss)(in Millions \$)	22.4	-14.0	0.5	-35.9	-46.8	-46.2	-11.2
30	RTMs (Sch. Svc.) (%)	-2.7	12.4	0.3	4.2	5.5	8.5	14.3
31	ATMs (Sch. Svc.) (%)	5.8	4.5	2.6	2.2	3.3	6.6	12.3
32	Operating Revenues per RTM (%)	22.9	-5.1	9.7	2.4	0.4	-1.2	-2.6
33	Operating Expense per RTM (%)	12.3	2.1	8.5	5.5	4.7	3.2	-0.6
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	$\frac{\text{Operating revenues (Account 4999)}}{\text{Overall revenue ton-miles (Item Z-240)}}$
10	Operating expense per revenue ton-mile	$\frac{\text{Operating expenses (Account 7199)}}{\text{Overall revenue ton-miles (Item Z-240)}}$
11	Operating profit per revenue ton-mile	$\frac{\text{Operating profit (Account 7999)}}{\text{Overall revenue ton-miles (Item Z-240)}}$
12	Operating expense per available ton-mile	$\frac{\text{Operating expenses (Account 7199)}}{\text{Overall available ton-miles (Item Z-280)}}$
13	Passenger revenue per revenue passenger-mile (scheduled service)	$\frac{\text{Passenger revenues (scheduled service) (Account 3901)}}{\text{Total revenue passenger-miles (scheduled service) (Item K-140)}}$
14	Operating revenues to total investment	$\frac{\text{Operating revenue (Account 4999)}}{\text{Total investment (See line 20)}}$
15	Times interest earned	$\frac{\text{Income Before income taxes (Account 8999) + interest on long-term debt and capital leases (Account 8181) + Other interest expense (Account 8182)}}{\text{Interest on long-term debt and capital leases (Account 8181) + Other interest expense (Account 8182)}}$
16	Current assets to current liabilities	$\frac{\text{Current assets (Account 1499)}}{\text{Current liabilities (Account 2199)}}$
17	Number of days coverage of cash operating expenses	$\frac{\text{Cash (Account 1010) + short-term investments (Account 1100)}}{\text{[Total operating expenses (Account 7199) less depreciation and amortization (Account 7000)]/365}}$
18	Operating Profit to operating revenues	$\frac{\text{Operating profit (Account 7999)}}{\text{Operating revenues (Account 4999)}}$
19	Net income to stockholders' equity	$\frac{\text{Net income (Account 9999)}}{\text{Stockholders' equity (Account 2995) (5 Quarter average)}}$

EXPLANATION OF LINE ITEMS

LINE #	DESCRIPTION OF LINE ITEM	DERIVATION OF LINE ITEM
20	Overall corporate rate of return	<p><u>Net income plus interest expense</u> <u>Total investment</u></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> <p><u>Total investment (See line 20)</u></p>
22	Actual passenger load factor (scheduled service)	<p><u>Revenue passenger-miles (scheduled service (Item K-140)</u> <u>Available seat-miles (scheduled service (Item K-280)</u></p>
23	Operating breakeven load factor (scheduled service)	<p><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></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><u>Overall revenue ton-miles (Item Z-240)</u> <u>Average # of employees (See Line 25)</u></p>