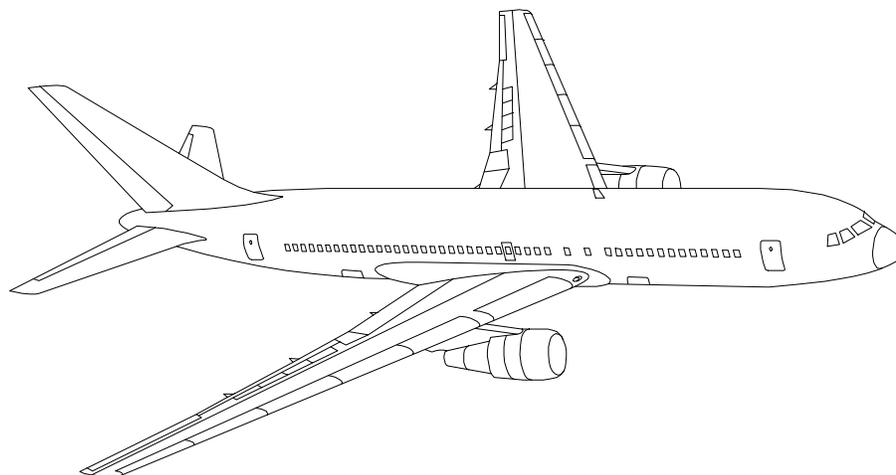


AIRLINE QUARTERLY FINANCIAL REVIEW

FOURTH QUARTER 1997



MAJORS



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

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INTRODUCTION

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

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

All data presented in this financial and traffic review are derived from data reported to the U.S. Department of Transportation on Form 41 Schedules by Large Certificated Air Carriers. For comparison purposes, this analysis is limited to the major scheduled passenger and all-cargo air carriers. 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 entities.

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

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

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

QUARTERLY RESULTS

- The major group combined reported an all-time fourth quarter record in both operating and net profit. Seven major carriers (Alaska, American, Continental, Delta, Federal Express, Northwest, and Southwest) reported individual all-time fourth quarter company records for both operating and net profits. America West reported a fourth quarter record in net income. US Airways, reflecting a \$477 million income tax credit recorded during the quarter, also reported a fourth quarter record in net income. UPS, in contrast, experienced sharp declines from a year ago in both operating and net results as it struggles to recover from the August 1997 Teamsters strike.
- Operating revenue growth, up 7.6 percent, outpaced operating expense growth, up 4.5 percent, boosting operating profit \$731.5 million to \$1.56 billion. The passenger major group improved \$802.7 million while the all-cargo major group declined \$71.3 million.
- Net income advanced a very strong \$1.01 billion to nearly \$1.26 billion. The passenger major group had a gain of \$1.05 billion but the all-cargo major group was down \$46 million. Nearly half of the overall gain arose from the US Airways tax credit.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	4Q 96	4Q 97	\$CHANGE	4Q 96	4Q 97	\$CHANGE
TOTAL ALL MAJORS	825.2	1556.7	731.5	244.4	1255.8	1011.4
TOTAL PASSENGER MAJORS	569.9	1372.7	802.8	124.6	1182.0	1057.4
ALASKA	-6.6	23.5	30.1	0.3	14.5	14.2
AMERICA WEST	25.4	41.5	16.1	12.1	20.5	8.4
AMERICAN	199.6	334.8	135.2	73.1	199.9	126.8
CONTINENTAL	92.0	115.7	23.7	42.1	55.9	13.8
DELTA	224.0	332.1	108.1	125.3	189.5	64.2
NORTHWEST	92.2	243.5	151.3	32.5	113.0	80.5
SOUTHWEST	48.5	128.9	80.4	28.2	80.6	52.4
TRANS WORLD	-233.3	0.5	233.8	-258.6	-31.2	227.4
UNITED	53.8	84.1	30.3	20.2	19.5	-0.7
US AIRWAYS	74.2	68.0	-6.2	49.5	519.8	470.3
TOTAL ALL-CARGO MAJORS	255.3	184.0	-71.3	119.8	73.8	-46.0
FEDERAL EXPRESS	186.2	205.2	19.0	92.2	99.7	7.5
UNITED PARCEL	69.1	-21.2	-90.3	27.7	-25.9	-53.6

- The passenger load factor inched upward 0.5 percentage points to 68.6 percent.
- Passenger (RPM) yield rose 3.6 percent to 13.10 cents.
- Interest expense declined \$20.1 million to \$368.5 million.
- Total fuel expenses fell 12.6 percent (\$363.1 million) despite a 2.6 percent increase in consumption as unit fuel prices dropped 14.8 percent. Total fuel expense accounted for 11 percent of total operating expenses, down from 13.1 percent a year ago. Only Continental and UPS had an increase in total fuel expense. For the group the average unit fuel price declined to 62.19 cents.
- For the first time in two years, total debt for the group increased, rising \$2.22 billion to \$22.3 billion. Only five majors (America West, American, Delta, Northwest, and US Airways) reduced their total debt. Still, equity rose sharply pushing the debt-to-investment ratio down 4.5 percentage points to 45.8 percent. This is the lowest ratio in recent history.

12-MONTH RESULTS

- For the third consecutive calendar year, the overall major group attained a new all-time high in operating profit and net income.
- All majors, except Trans World, reported an operating and net profit for the period. Except for UPS, all majors experienced year-to-year improvements in both operating and net results.
- Operating profit spiraled upward \$2.49 billion to \$8.48 billion. The passenger group improved \$2.25 billion to \$7.52 billion and the all-cargo group improved \$234.1 million to \$957.2 million.
- Net results improved \$2.71 billion to \$5.48 billion. The passenger group improved \$2.58 billion to \$5.01 billion and the all-cargo group improved \$124.9 million to \$473.5 million.
- Every major carrier (except Federal Express, Northwest, and Southwest) experienced a decline in interest expense, which for the group declined \$258.9 million to \$1.52 billion.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9712	9612	9712	9709	9706	9703	9612	
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	24,433.7	22,710.5	98,052.4	96,329.2	94,724.7	93,442.9	91,242.6
2	Operating Expenses	22,877.0	21,885.3	89,575.4	88,583.7	87,389.9	86,353.2	85,254.2
3	Operating Profit (Loss)	1,556.7	825.2	8,477.0	7,745.5	7,334.8	7,089.7	5,988.3
4	Net Income (Loss)	1,255.8	244.4	5,484.7	4,473.3	3,714.9	3,588.7	2,779.1
TRAFFIC: (Billions)								
5	RPMs - Scheduled Rev. Svc.	138.31	133.34	570.00	565.03	558.81	552.66	543.70
6	ASMs - Scheduled Rev. Svc.	201.49	195.76	804.79	799.05	792.95	786.56	778.79
7	Overall RTMs (All Svc.)	19.68	18.49	77.72	76.52	75.46	74.40	73.22
8	Overall ATMs (All Svc.)	33.87	32.17	132.30	130.60	129.25	127.91	126.60
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	124.2	122.9	126.2	125.9	125.5	125.6	124.6
10	Operating Expense per RTM	116.2	118.4	115.3	115.8	115.8	116.1	116.4
11	Operating Profit (Loss) per RTM	7.9	4.5	10.9	10.1	9.7	9.5	8.2
12	Operating Expense per ATM	67.5	68.0	67.7	67.8	67.6	67.5	67.3
13	Passenger Revenue per RPM	13.10	12.64	12.94	12.83	12.85	12.90	12.84
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	2.21	2.26	2.29	2.29	2.25
15	Times Interest Earned	*	*	6.46	5.78	4.89	4.58	3.66
16	Current Assets to Current Liabilities	*	*	0.77	0.75	0.71	0.73	0.70
17	No. of Days Cash Coverage of Cash Ex	*	*	39.2	44.2	35.1	35.0	33.6
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	6.4	3.6	8.6	8.0	7.7	7.6	6.6
19	Net Income to Stockholders Equity	*	*	23.8	20.7	18.3	18.8	15.5
20	Corporate Return on Investment	*	*	15.7	14.1	12.8	12.9	11.2
21	Debt to Total Investment	*	*	45.8	46.5	48.5	50.0	50.0
PASSENGER LOAD FACTOR: (Sch. Svc. %)								
22	Actual	68.6	68.1	70.8	70.7	70.5	70.3	69.8
23	Breakeven	65.3	67.4	65.2	65.7	65.7	65.7	66.2
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	472,822	454,080	464,780	460,095	455,523	452,365	448,834
25	Overall RTM's per Employee (000)	41.6	40.7	167.2	166.3	165.6	164.5	163.1

	ITEMS	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
		9712	9612	9712	9709	9706	9703	9612
26	Operating Revenues (%)	7.6	7.7	7.5	7.5	7.5	8.1	7.4
27	Operating Expenses (%)	4.5	6.4	5.1	5.5	6.0	6.5	7.3
28	Operating Profit (Loss) (in Millions \$)	731.5	299.6	2,488.7	2,056.7	1,643.3	1,730.4	433.1
29	Net Income (Loss)(in Millions \$)	1,011.4	176.6	2,705.6	1,870.9	1,171.9	1,322.6	544.5
30	RPMs (Sch. Svc.) (%)	3.7	7.6	4.8	5.8	6.4	7.0	6.7
31	ASMs (Sch. Svc.) (%)	2.9	4.2	3.3	3.7	3.7	3.5	2.9
32	Operating Revenues per RTM (%)	1.1	0.2	1.3	1.0	0.8	1.5	1.3
33	Operating Expense per RTM (%)	-1.9	-1.1	-1.0	-0.8	-0.6	-0.1	1.3
34	Passenger Revenue per RPM (Sch. Sv	3.6	-1.1	0.8	-0.4	-0.2	0.8	1.0

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	18,686.8	17,369.2	74,575.5	73,257.9	72,122.9	71,282.3	69,508.1
2 Operating Expenses	17,330.6	16,577.5	67,770.7	67,017.6	66,189.1	65,269.4	64,146.9
3 Operating Profit (Loss)	1,356.2	791.7	6,804.8	6,240.3	5,933.8	6,012.9	5,361.3
4 Net Income (Loss)	1,161.8	298.4	4,483.4	3,620.0	3,071.4	3,100.9	2,576.5
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	100.31	97.35	412.36	409.41	405.16	400.74	394.17
6 ASMs - Scheduled Rev. Svc.	147.79	145.13	592.21	589.56	585.47	581.32	575.14
7 Overall RTMs (All Svc.)	13.19	12.55	52.34	51.71	51.15	50.57	49.91
8 Overall ATMs (All Svc.)	22.98	22.29	90.41	89.71	89.06	88.33	87.47
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	141.7	138.4	142.5	141.7	141.0	141.0	139.3
10 Operating Expense per RTM	131.4	132.1	129.5	129.6	129.4	129.1	128.5
11 Operating Profit (Loss) per RTM	10.3	6.3	13.0	12.1	11.6	11.9	10.7
12 Operating Expense per ATM	75.4	74.4	75.0	74.7	74.3	73.9	73.3
13 Passenger Revenue per RPM	13.99	13.36	13.68	13.53	13.57	13.66	13.57
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	7.3	4.6	9.1	8.5	8.2	8.4	7.7
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	16.8	14.9	13.7	14.3	13.1
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	67.9	67.1	69.6	69.4	69.2	68.9	68.5
23 Breakeven	63.8	65.8	63.9	64.4	64.4	63.8	64.1
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

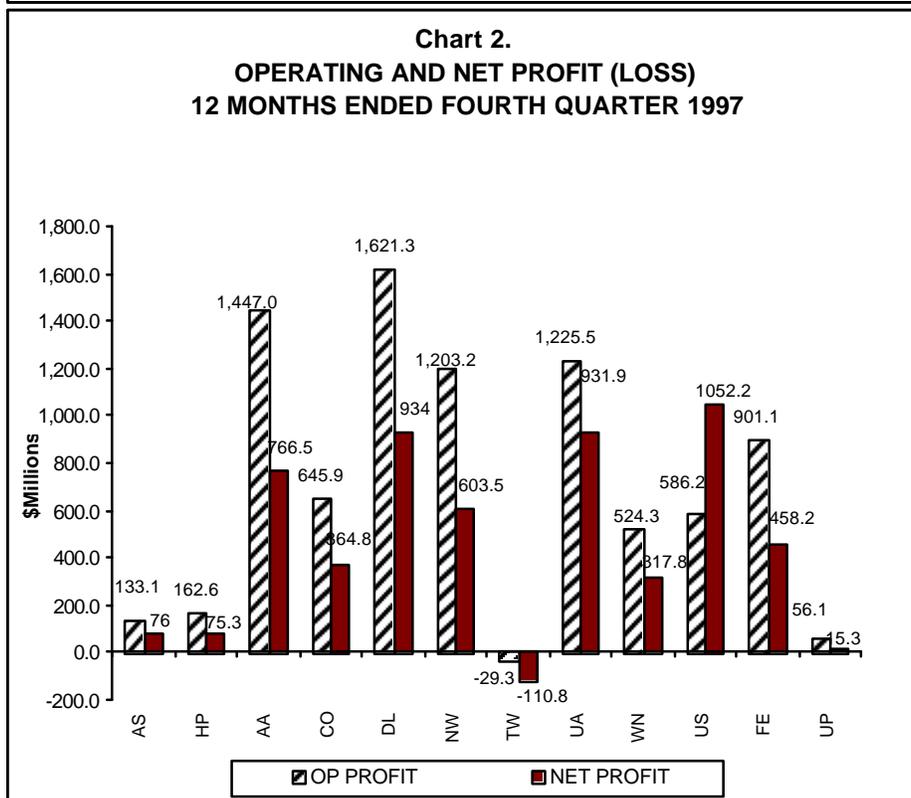
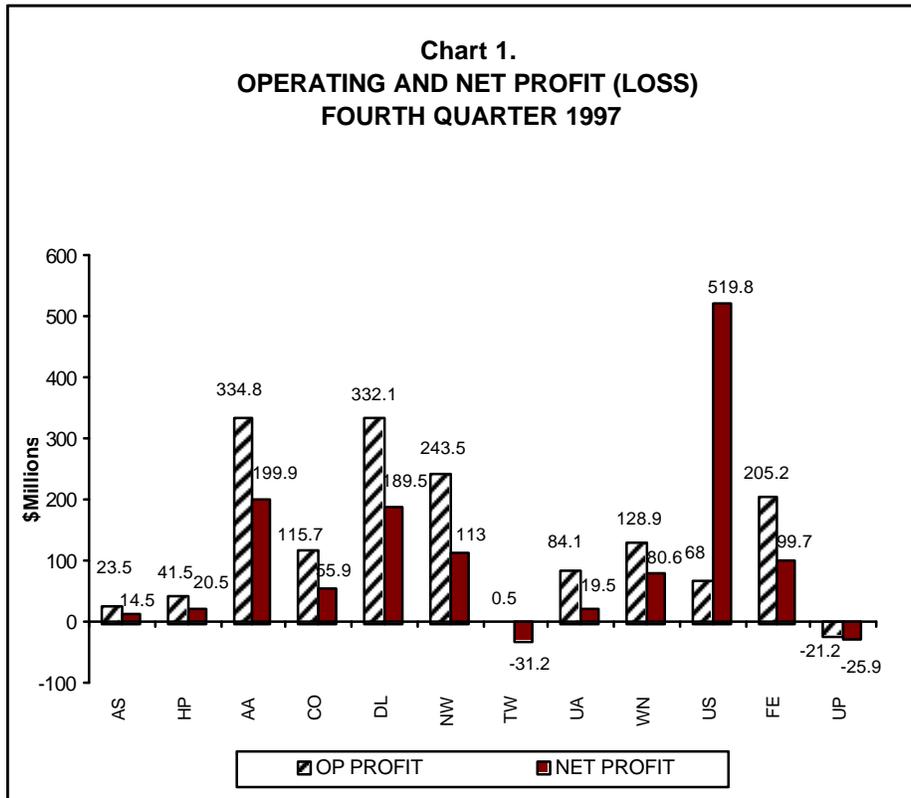
	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	7.6	7.8	7.3	7.3	7.8	8.9	8.1
27 Operating Expenses (%)	4.5	7.0	5.6	6.3	7.2	7.5	7.4
28 Operating Profit (Loss) (in Millions \$)	564.5	174.2	1,443.5	1,053.3	766.0	1,275.7	765.2
29 Net Income (Loss)(in Millions \$)	863.4	122.3	1,906.9	1,165.8	690.6	1,019.8	709.6
30 RPMs (Sch. Svc.) (%)	3.0	8.1	4.6	5.8	7.0	7.7	7.3
31 ASMs (Sch. Svc.) (%)	1.8	4.4	3.0	3.6	3.8	3.8	2.8
32 Operating Revenues per RTM (%)	2.4	0.9	2.3	1.9	1.6	2.3	1.8
33 Operating Expense per RTM (%)	-0.5	0.1	0.8	0.9	1.0	1.0	1.2
34 Passenger Revenue per RPM (Sch. Sv	4.7	-1.0	0.8	-0.6	-0.1	1.4	1.7

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

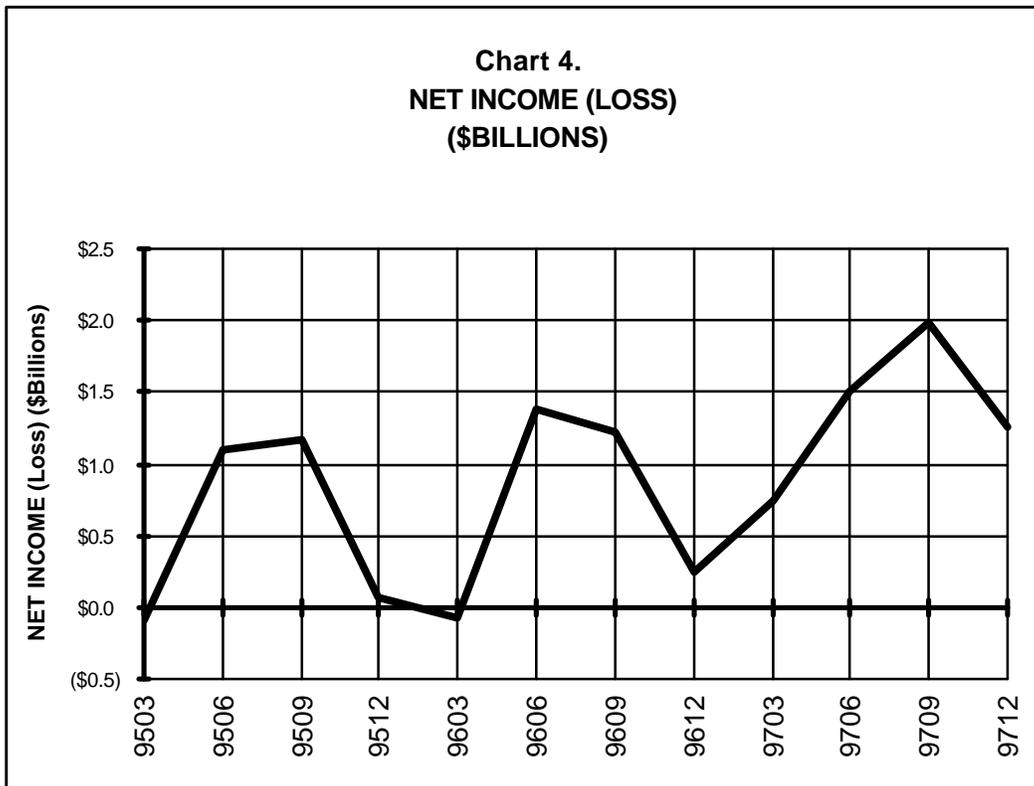
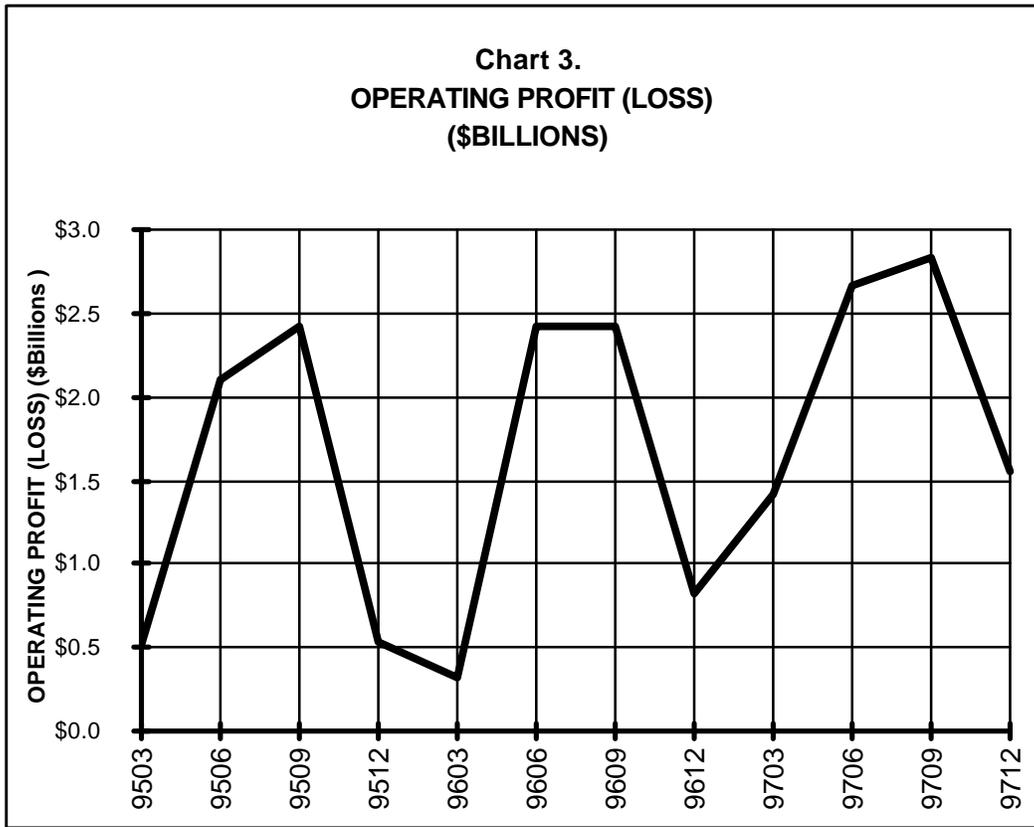
ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	5,746.8	5,341.3	23,476.9	23,071.3	22,601.8	22,160.7	21,734.4
2 Operating Expenses	5,546.4	5,307.8	21,804.8	21,566.2	21,200.8	21,083.8	21,107.3
3 Operating Profit (Loss)	200.4	33.5	1,672.1	1,505.1	1,401.0	1,076.8	627.1
4 Net Income (Loss)	93.9	-54.0	1,001.3	853.3	643.5	487.9	202.6
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	38.00	36.00	157.63	155.62	153.66	151.92	149.53
6 ASMs - Scheduled Rev. Svc.	53.70	50.62	212.57	209.49	207.48	205.25	203.66
7 Overall RTMs (All Svc.)	6.49	5.93	25.38	24.82	24.31	23.82	23.31
8 Overall ATMs (All Svc.)	10.89	9.89	41.89	40.89	40.19	39.58	39.13
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	88.5	90.0	92.5	93.0	93.0	93.0	93.2
10 Operating Expense per RTM	85.4	89.4	85.9	86.9	87.2	88.5	90.6
11 Operating Profit (Loss) per RTM	3.1	0.6	6.6	6.1	5.8	4.5	2.7
12 Operating Expense per ATM	50.9	53.7	52.1	52.7	52.8	53.3	53.9
13 Passenger Revenue per RPM	10.74	10.70	11.01	11.00	10.94	10.89	10.91
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	3.5	0.6	7.1	6.5	6.2	4.9	2.9
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	12.3	11.5	9.9	8.4	5.5
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	70.8	71.1	74.2	74.3	74.1	74.0	73.4
23 Breakeven	70.4	72.6	69.1	69.5	69.6	71.1	72.4
<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 (%)	7.6	7.2	8.0	7.9	6.4	5.5	5.1
27 Operating Expenses (%)	4.5	4.6	3.3	3.3	2.3	3.4	7.0
28 Operating Profit (Loss) (in Millions \$)	166.9	125.4	1,045.0	1,003.4	877.2	454.7	-332.0
29 Net Income (Loss)(in Millions \$)	147.9	54.3	798.7	705.1	481.3	302.9	-165.1
30 RPMs (Sch. Svc.) (%)	5.6	6.3	5.4	5.6	4.8	5.2	5.3
31 ASMs (Sch. Svc.) (%)	6.1	3.9	4.4	3.8	3.4	2.8	3.0
32 Operating Revenues per RTM (%)	-1.7	-1.5	-0.8	-0.8	-1.1	-1.2	-0.4
33 Operating Expense per RTM (%)	-4.5	-4.0	-5.2	-5.0	-4.9	-3.1	1.6
34 Passenger Revenue per RPM (Sch. Sv	0.4	-1.7	0.9	0.4	-0.6	-1.8	-1.6

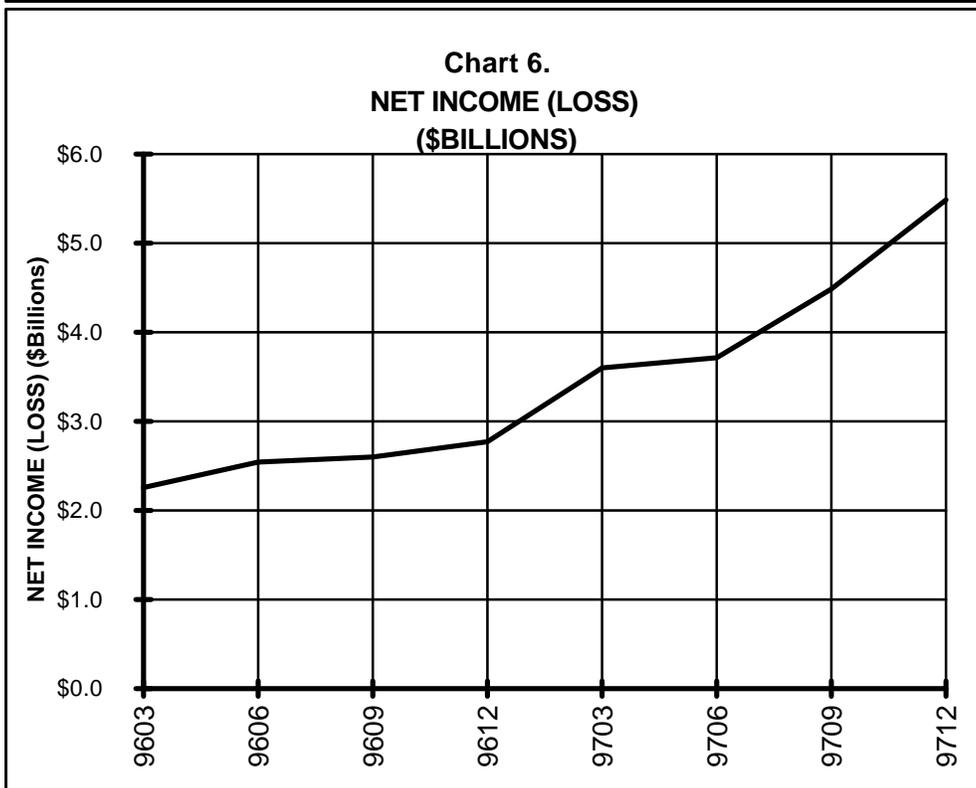
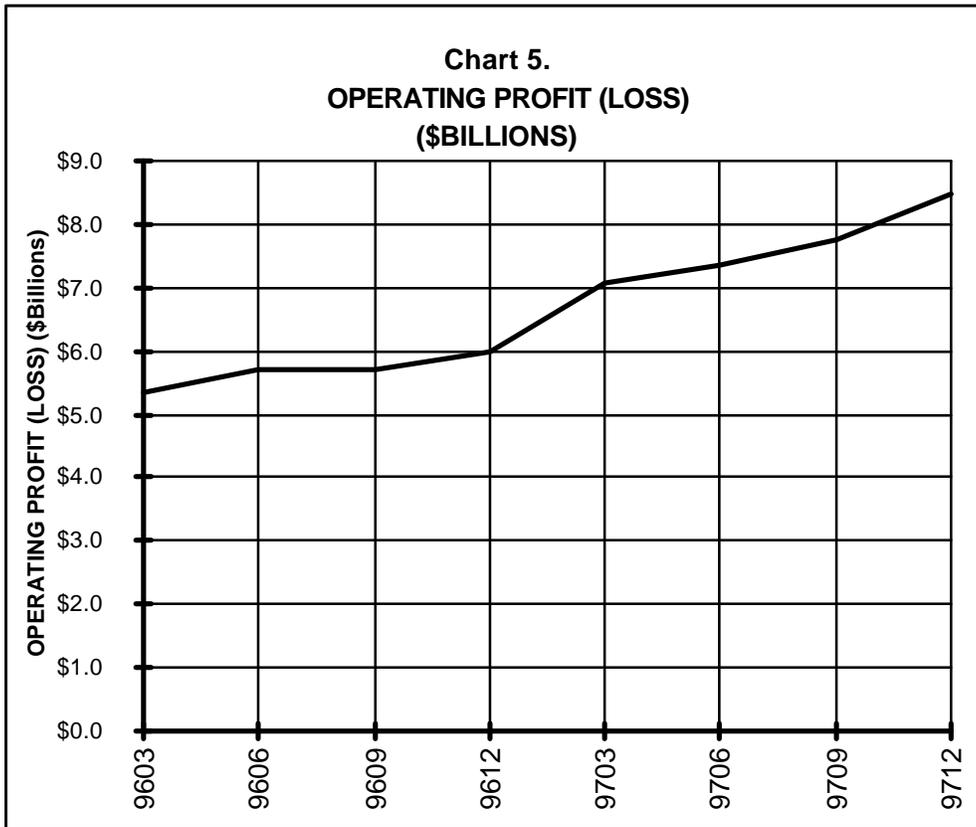
COMPARISONS AMONG MAJOR GROUP AIRLINES



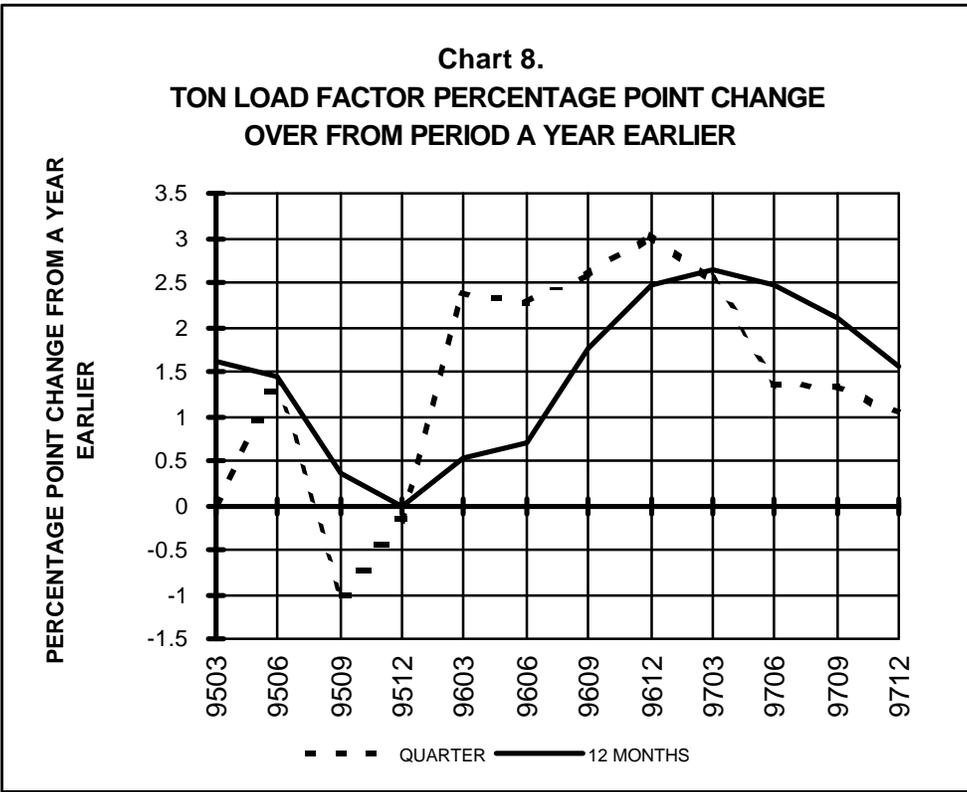
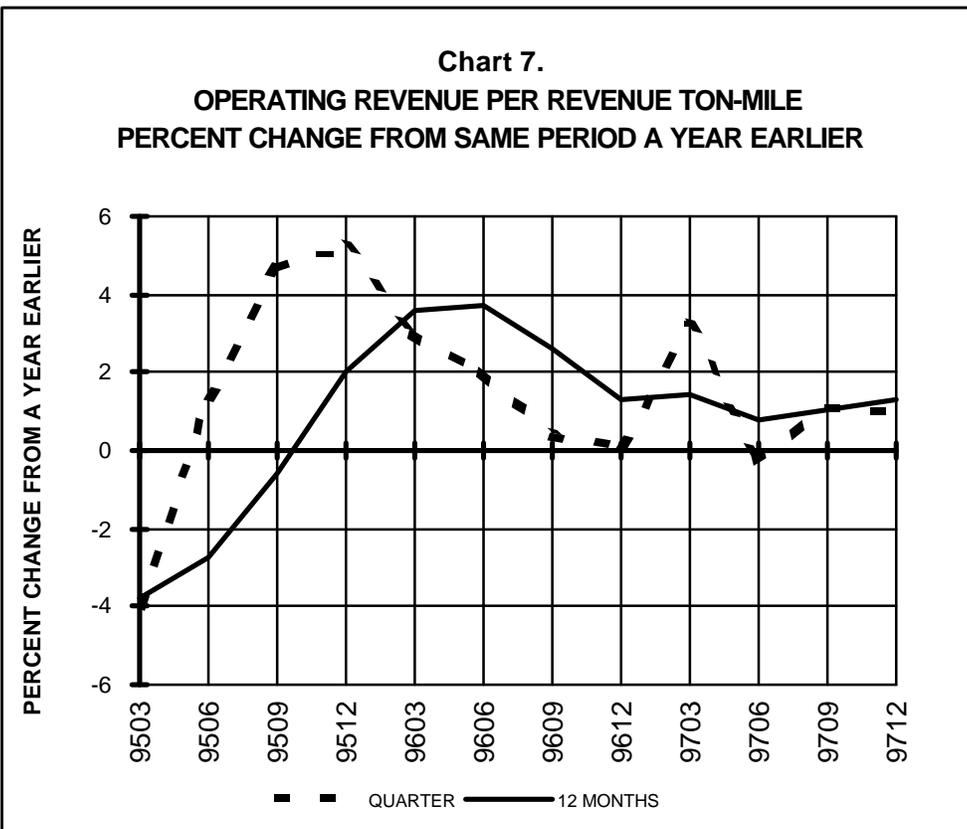
TOTAL ALL MAJORS (SYSTEM) BY QUARTER



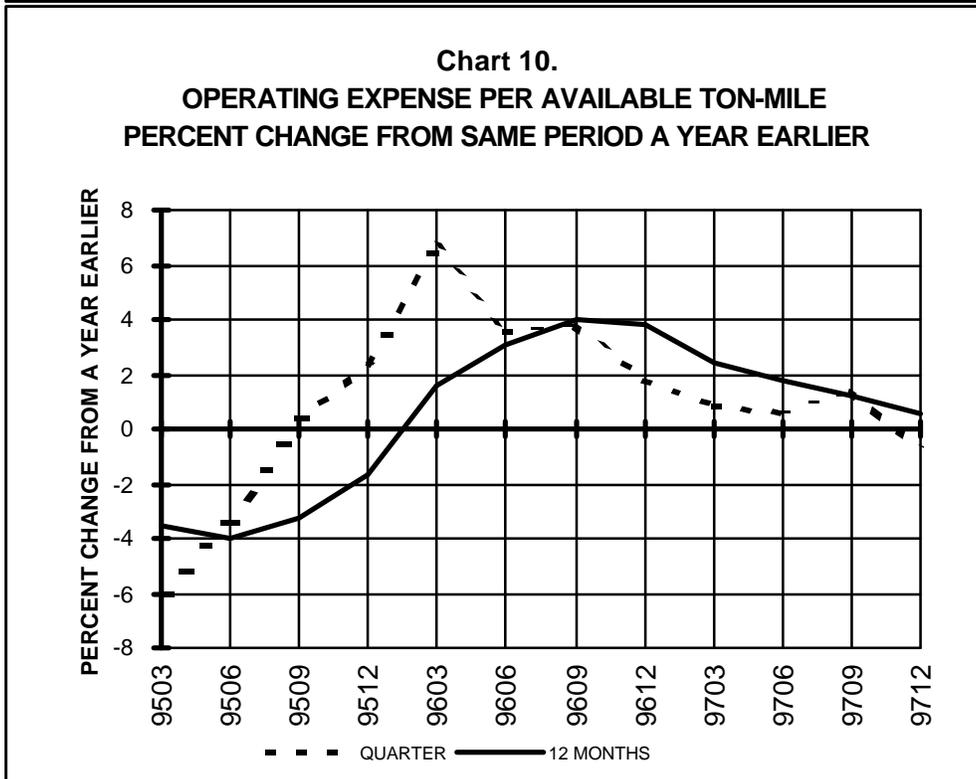
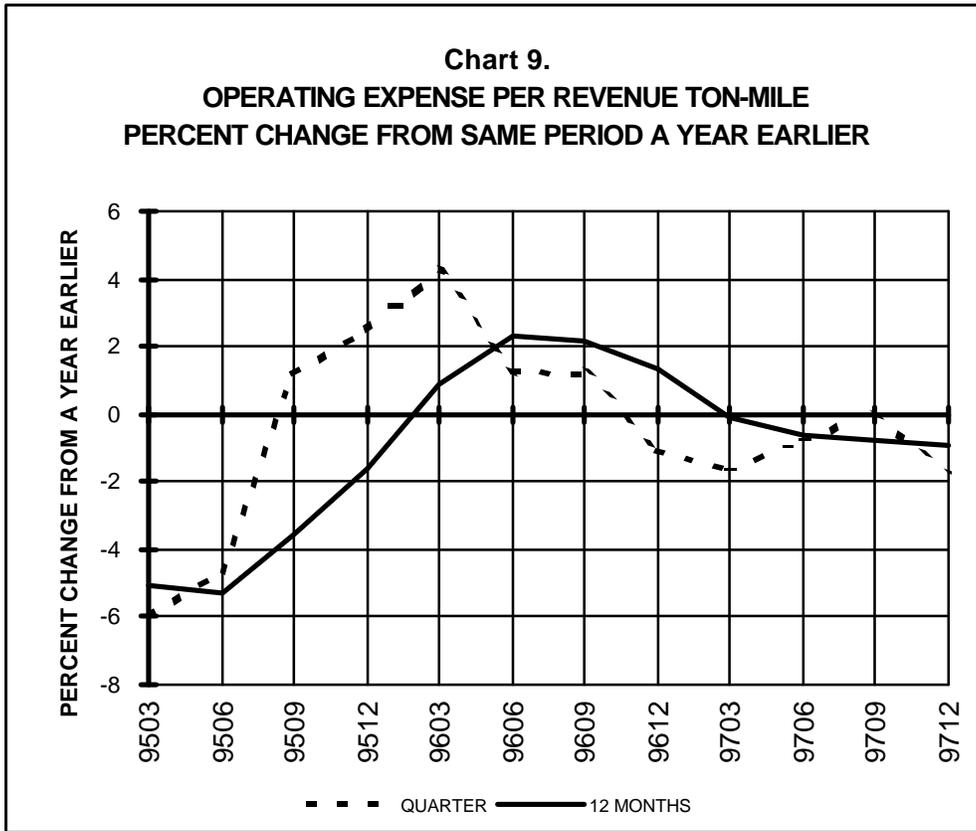
TOTAL ALL MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS



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



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



QUARTERLY FINANCIAL & TRAFFIC REVIEW
TOTAL PASSENGER MAJORS

QUARTERLY RESULTS

- For the quarter ended December 1997, all passenger majors reported an operating and net profit. Except for US Airways, all majors experienced an improvement in operating results and, except for United, all majors also experienced an improvement in net results.
- The passenger majors combined reported an all-time record for any fourth quarter in both operating and net profit.
- Operating revenues, up 7.1 percent, grew more than twice as fast as operating expenses, up 3.1 percent, causing operating profit to jump \$802.8 million to \$1.37 billion
- Net income surged upward \$1.06 billion to \$1.18 billion. Net results, however, were favorably impacted by a \$477 million income tax credit taken by US Airways during the fourth quarter.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1996	THIS YEAR 1997	\$ Change	LAST YEAR 1996	THIS YEAR 1997	\$ Change
March	184.4	1,213.0	1,028.6	-122.7	640.8	763.5
June	2,243.6	2,388.4	144.8	1,282.2	1,349.9	67.7
Sept.	2,267.4	2,545.7	278.3	1,146.4	1,838.5	692.1
Dec.	569.9	1,372.7	802.8	124.6	1,182.0	1,057.4

- The passenger load factor climbed 0.5 percentage points to 68.6 percent, 3.3 points above the operating breakeven load factor. RPM traffic was up 3.7 percent while ASM rose a lesser 2.9 percent.
- Passenger (RPM) yield increased 3.6 percent to 13.10 cents. All majors except Northwest experienced improved yield from a year ago.
- Except for a decline in Pacific operating results, all entities reported operating and net profits and improvements from a year ago. The Atlantic and Latin entities attained an all-time record operating profit for any fourth quarter, while Pacific operations had a record fourth quarter operating profit.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	535.9	1,188.9	653.0	172.1	1,096.9	924.8	97.3	100.3	3.0	145.1	147.8	1.8	67.9%
Int'l	34.0	183.8	149.8	-47.5	85.0	132.6	36.0	38.0	5.6	50.6	53.7	6.1	70.8%
Atlantic	-38.0	138.9	176.9	-61.6	70.5	132.1	15.0	16.3	8.3	20.5	21.7	6.1	74.9%
Latin	77.6	81.4	3.8	29.3	49.7	20.4	6.6	7.3	9.6	10.3	11.7	13.7	62.1%
Pacific	-5.6	-36.4	-30.8	-15.2	-35.1	-19.9	14.3	14.5	0.8	19.8	20.3	2.1	71.3%
System	569.9	1,372.7	802.8	124.6	1,182.0	1,057.4	133.3	138.3	3.7	195.8	201.5	2.9	68.6%

- The major group benefited greatly from the sharp decline in world fuel prices. Total fuel expense dropped 13.3 percent (\$352.9 million) as unit fuel prices fell \$15.1 percent.
- Interest expense declined \$29.6 million to \$336.1 million.
- The operating profit margin rose 3.7 percentage points to a healthy 6.7 percent.

12-MONTH RESULTS

- Except for Trans World, all majors reported an operating and net profit for the 12-months ended December 1997. For the group, the operating and net profits were the highest for any 12-month period in history. Operating and net results have now attained a new all-time calendar year record for the third consecutive year.
- For the group, operating profit surged upward \$2.25 billion to \$7.51 billion as operating revenues rose 6.3 percent and operating expense grew a slower 3.7 percent.
- Net results jumped \$2.58 billion to \$5.01 billion.
- RPM traffic was up 4.8 percent, while ASM capacity grew 3.3 percent, causing the passenger load factor to rise 1 percentage point to 70.8 percent.
- Passenger (RPM) yield climbed 0.8 percent to 12.94 cents.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	20,617.5	19,243.5	83,459.5	82,085.5	81,134.7	80,296.1	78,500.2
2 Operating Expenses	19,244.8	18,673.6	75,939.7	75,368.6	74,696.1	74,002.2	73,234.9
3 Operating Profit (Loss)	1,372.7	569.9	7,519.8	6,717.0	6,438.6	6,293.8	5,265.2
4 Net Income (Loss)	1,182.0	124.6	5,011.2	3,953.8	3,261.7	3,194.0	2,430.5
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	138.31	133.34	570.00	565.03	558.81	552.66	543.70
6 ASMs - Scheduled Rev. Svc.	201.49	195.76	804.79	799.05	792.95	786.56	778.79
7 Overall RTMs (All Svc.)	16.79	16.00	67.74	66.96	66.08	65.26	64.23
8 Overall ATMs (All Svc.)	29.23	28.02	115.75	114.55	113.54	112.55	111.46
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	122.8	120.2	123.2	122.6	122.8	123.0	122.2
10 Operating Expense per RTM	114.7	116.7	112.1	112.6	113.0	113.4	114.0
11 Operating Profit (Loss) per RTM	8.2	3.6	11.1	10.0	9.7	9.6	8.2
12 Operating Expense per ATM	65.8	66.6	65.6	65.8	65.8	65.7	65.7
13 Passenger Revenue per RPM	13.10	12.64	12.94	12.83	12.85	12.90	12.84
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.28	2.33	2.36	2.37	2.33
15 Times Interest Earned	*	*	6.37	5.54	4.64	4.37	3.45
16 Current Assets to Current Liabilities	*	*	0.74	0.72	0.68	0.68	0.66
17 No. of Days Cash Coverage of Cash Ex	*	*	45.48	50.81	40.28	40.11	38.53
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	6.7	3.0	9.0	8.2	7.9	7.8	6.7
19 Net Income to Stockholders Equity	*	*	26.3	22.2	19.6	20.6	16.7
20 Corporate Return on Investment	*	*	17.4	15.2	13.8	14.0	12.1
21 Debt to Total Investment	*	*	44.8	45.6	48.2	50.4	51.3
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	68.6	68.1	70.8	70.7	70.5	70.3	69.8
23 Breakeven	65.3	68.0	65.3	65.9	65.9	65.8	66.3
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	384,594	374,317	380,858	378,289	375,209	373,378	370,990
25 Overall RTM's per Employee (000)	43.6	42.8	177.9	177.0	176.1	174.8	173.1

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	7.1	6.4	6.3	6.1	6.5	7.4	6.7
27 Operating Expenses (%)	3.1	5.4	3.7	4.3	5.0	5.7	6.7
28 Operating Profit (Loss) (in Millions \$)	802.8	209.6	2,254.6	1,661.3	1,374.7	1,544.3	343.0
29 Net Income (Loss)(in Millions \$)	1,057.4	132.6	2,580.7	1,655.9	1,014.0	1,211.3	508.0
30 RPMs (Sch. Svc.) (%)	3.7	7.6	4.8	5.8	6.4	7.0	6.7
31 ASMs (Sch. Svc.) (%)	2.9	4.2	3.3	3.7	3.7	3.5	2.9
32 Operating Revenues per RTM (%)	2.2	-1.0	0.8	0.1	0.2	0.8	0.8
33 Operating Expense per RTM (%)	-1.7	-1.9	-1.7	-1.7	-1.2	-0.8	0.8
34 Passenger Revenue per RPM (Sch. Sv	3.6	-1.1	0.8	-0.4	-0.2	0.8	1.0

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	15,661.2	14,580.2	62,820.6	61,739.6	61,146.7	60,625.3	59,143.4
2 Operating Expenses	14,472.3	14,044.3	57,002.5	56,574.5	56,155.2	55,501.0	54,654.4
3 Operating Profit (Loss)	1,188.9	535.9	5,818.1	5,165.1	4,991.5	5,124.4	4,489.0
4 Net Income (Loss)	1,096.9	172.1	3,983.8	3,059.0	2,578.7	2,642.4	2,132.8
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	100.31	97.35	412.36	409.41	405.16	400.74	394.17
6 ASMs - Scheduled Rev. Svc.	147.79	145.13	592.21	589.56	585.47	581.32	575.14
7 Overall RTMs (All Svc.)	11.23	10.90	45.73	45.40	44.92	44.46	43.80
8 Overall ATMs (All Svc.)	19.80	19.40	79.14	78.74	78.26	77.77	77.02
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	139.5	133.8	137.4	136.0	136.1	136.3	135.0
10 Operating Expense per RTM	128.9	128.9	124.7	124.6	125.0	124.8	124.8
11 Operating Profit (Loss) per RTM	10.6	4.9	12.7	11.4	11.1	11.5	10.2
12 Operating Expense per ATM	73.1	72.4	72.0	71.8	71.8	71.4	71.0
13 Passenger Revenue per RPM	13.99	13.36	13.68	13.53	13.57	13.66	13.57
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	7.6	3.7	9.3	8.4	8.2	8.5	7.6
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	18.4	15.7	14.5	15.3	13.8
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	67.9	67.1	69.6	69.4	69.2	68.9	68.5
23 Breakeven	63.7	66.5	64.1	64.7	64.7	64.1	64.4
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

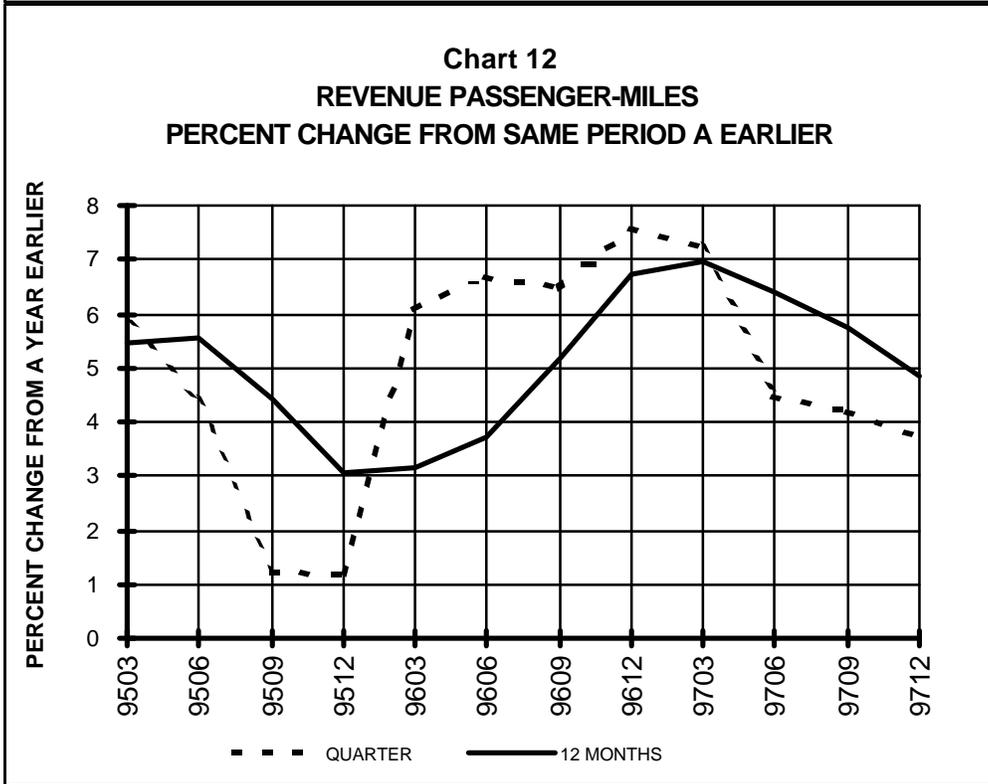
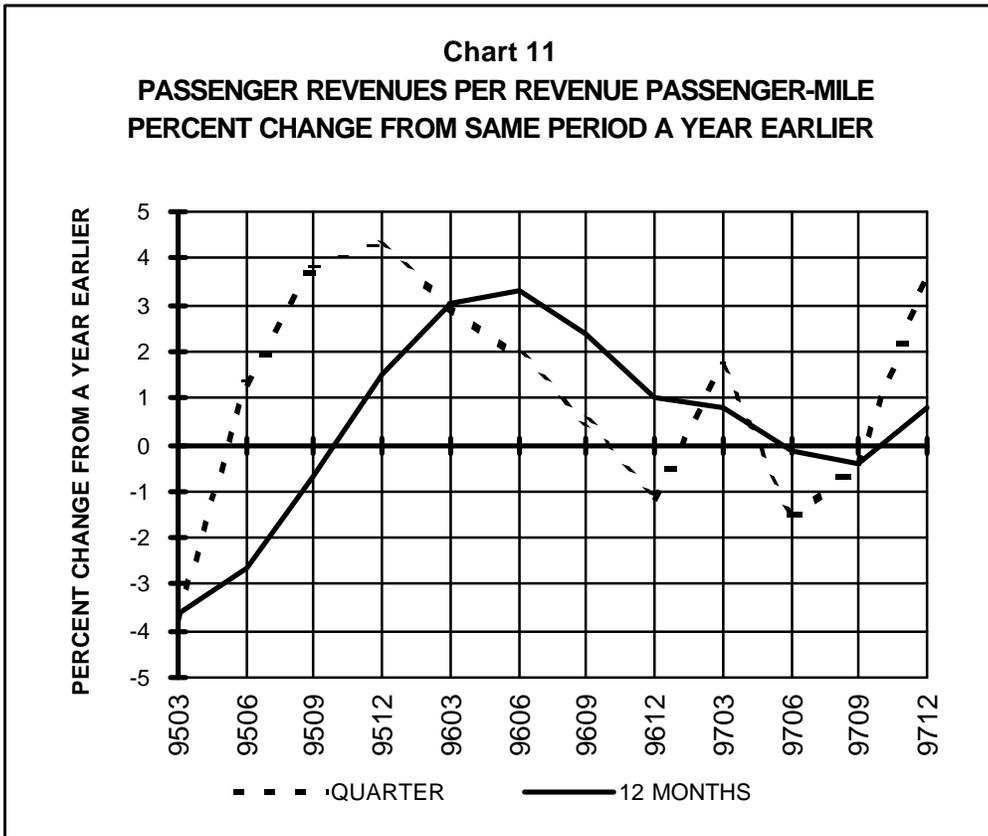
	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	7.4	6.7	6.2	6.0	7.0	8.4	7.7
27 Operating Expenses (%)	3.0	6.0	4.3	5.1	6.4	6.8	6.9
28 Operating Profit (Loss) (in Millions \$)	653.0	111.2	1,329.1	787.3	625.2	1,162.2	664.9
29 Net Income (Loss)(in Millions \$)	924.8	92.5	1,851.0	1,018.7	605.1	952.3	667.4
30 RPMs (Sch. Svc.) (%)	3.0	8.1	4.6	5.8	7.0	7.7	7.3
31 ASMs (Sch. Svc.) (%)	1.8	4.4	3.0	3.6	3.8	3.8	2.8
32 Operating Revenues per RTM (%)	4.3	-0.6	1.8	0.6	0.6	1.4	1.2
33 Operating Expense per RTM (%)	0.0	-1.2	-0.1	-0.4	0.1	0.0	0.6
34 Passenger Revenue per RPM (Sch. Sv	4.7	-1.0	0.8	-0.6	-0.1	1.4	1.7

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

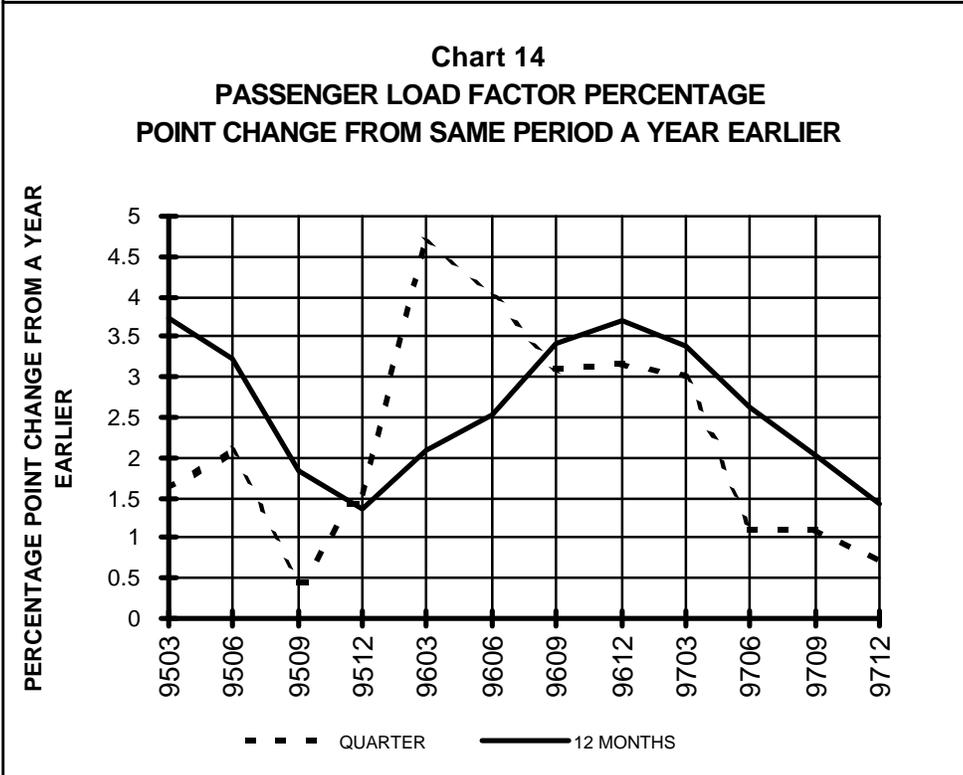
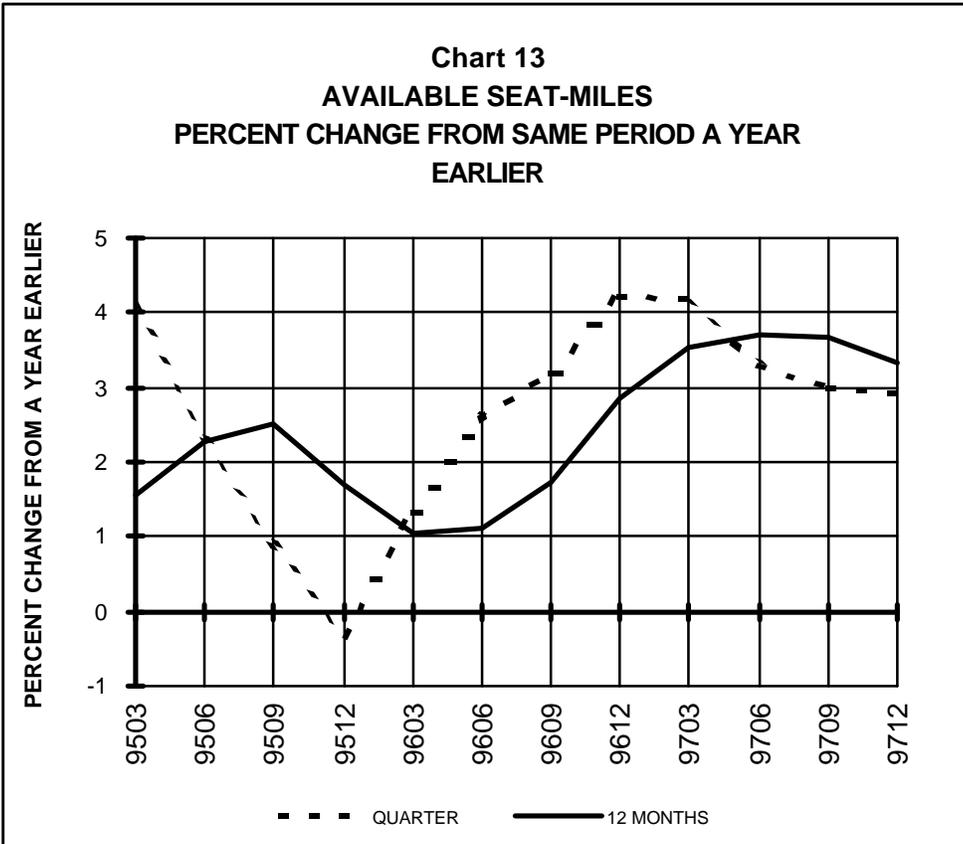
ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	4,956.3	4,663.3	20,639.0	20,346.0	19,988.1	19,670.7	19,356.7
2 Operating Expenses	4,772.5	4,629.3	18,937.3	18,794.1	18,540.9	18,501.3	18,580.5
3 Operating Profit (Loss)	183.8	34.0	1,701.7	1,551.9	1,447.2	1,169.5	776.3
4 Net Income (Loss)	85.0	-47.5	1,027.4	894.8	683.0	551.5	297.7
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	38.00	36.00	157.63	155.62	153.66	151.92	149.53
6 ASMs - Scheduled Rev. Svc.	53.70	50.62	212.57	209.49	207.48	205.25	203.66
7 Overall RTMs (All Svc.)	5.56	5.11	22.01	21.56	21.15	20.80	20.43
8 Overall ATMs (All Svc.)	9.42	8.62	36.61	35.81	35.28	34.78	34.44
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	89.2	91.3	93.8	94.4	94.5	94.6	94.7
10 Operating Expense per RTM	85.9	90.6	86.0	87.2	87.6	89.0	90.9
11 Operating Profit (Loss) per RTM	3.3	0.7	7.7	7.2	6.8	5.6	3.8
12 Operating Expense per ATM	50.7	53.7	51.7	52.5	52.6	53.2	53.9
13 Passenger Revenue per RPM	10.74	10.70	11.01	11.00	10.94	10.89	10.91
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	3.7	0.7	8.2	7.6	7.2	5.9	4.0
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	14.4	13.7	11.7	10.2	7.3
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	70.8	71.1	74.2	74.3	74.1	74.0	73.4
23 Breakeven	70.8	72.6	68.7	69.1	69.2	70.6	71.8
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	6.3	5.6	6.6	6.5	4.9	4.2	4.1
27 Operating Expenses (%)	3.1	3.3	1.9	2.0	1.0	2.2	6.1
28 Operating Profit (Loss) (in Millions \$)	149.8	98.4	925.4	874.0	749.6	382.2	-321.8
29 Net Income (Loss)(in Millions \$)	132.5	40.1	729.7	637.2	408.9	258.9	-159.4
30 RPMs (Sch. Svc.) (%)	5.6	6.3	5.4	5.6	4.8	5.2	5.3
31 ASMs (Sch. Svc.) (%)	6.1	3.9	4.4	3.8	3.4	2.8	3.0
32 Operating Revenues per RTM (%)	-2.3	-1.9	-1.0	-0.9	-1.2	-1.4	-1.0
33 Operating Expense per RTM (%)	-5.2	-4.1	-5.4	-5.0	-4.9	-3.2	1.1
34 Passenger Revenue per RPM (Sch. Sv	0.4	-1.7	0.9	0.4	-0.6	-1.8	-1.6

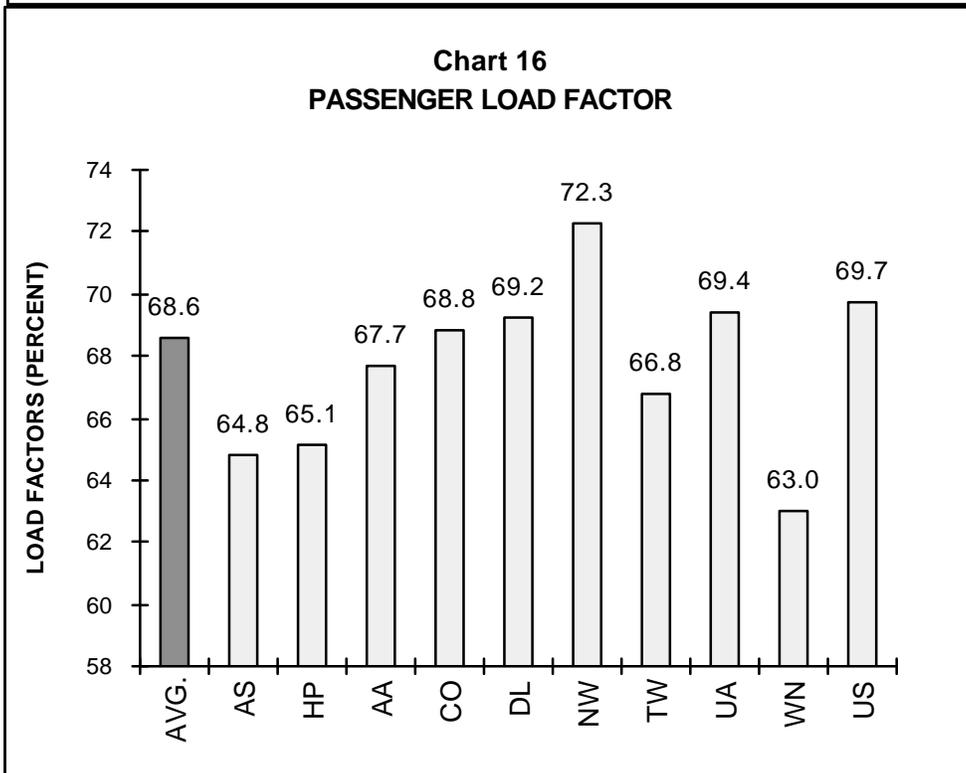
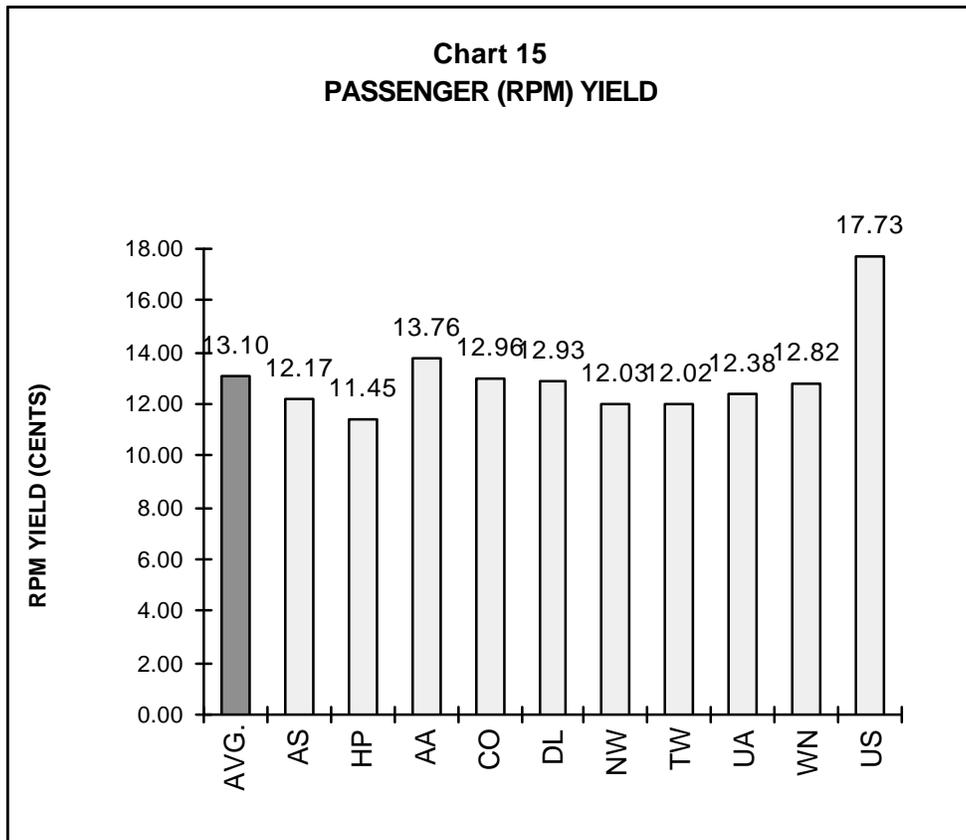
TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)



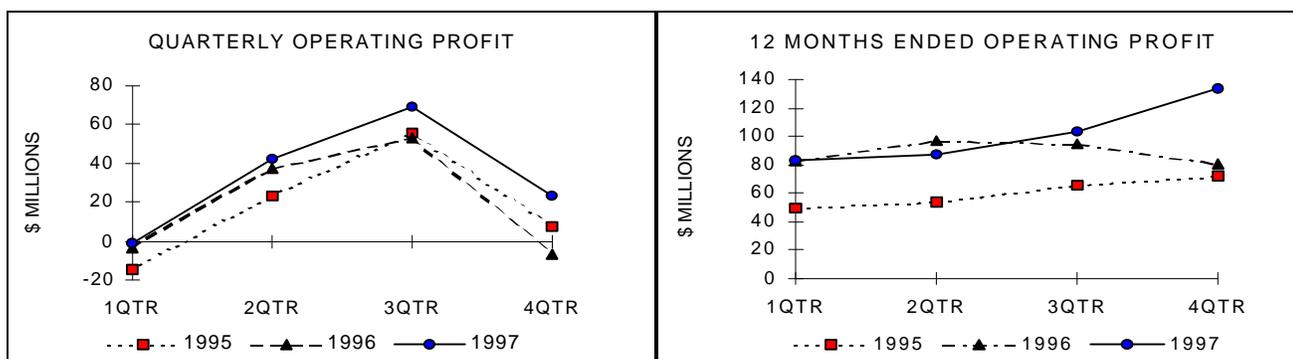
TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)



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



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



QUARTERLY RESULTS

- Alaska reported its best fourth quarter operating profit and net income in its history.
- Operating revenues, up 19.2 percent, grew more than twice as fast as operating expenses, up 8.9 percent, boosting operating results from the year ago loss of \$6.6 million to a profit of \$23.5 million, an improvement of \$30.1 million.
- Net income advanced \$14.2 million to \$14.5 million.
- Both the domestic and Latin entities were profitable in operating and net results during the fourth quarter, and both were improved from a year ago.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	-6.5	23.1	29.6	0.3	14.3	13.9	2.1	2.3	8.5	3.1	3.5	11.3	64.7%
Int'l	-0.1	0.4	0.5	0.0	0.3	0.3	0.2	0.2	2.8	0.3	0.3	-0.6	65.8%
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	-0.1	0.4	0.5	0.0	0.3	0.3	0.2	0.2	2.8	0.3	0.3	-0.6	65.8%
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	-6.6	23.5	30.1	0.3	14.5	14.2	2.3	2.5	8.0	3.5	3.8	10.2	64.8%

- The passenger load factor was down 1.3 percentage points to 64.8 percent as ASM capacity, up 10.2 percent, grew faster than RPM traffic, up 8 percent.
- The large profit turnaround occurred as strong growth in RTM yield, up 10.5 percent, far exceeded the small 0.8 percent rise in RTM unit costs.
- Total fuel expense declined 6.2 percent (\$2.8 million) due to falling unit fuel prices, down 12.8 percent, as consumption rose 7.6 percent.
- Interest expense dipped \$0.3 million to \$5.7 million, the lowest among the passenger majors.
- Passenger (RPM) yield jumped a major group high 14.1 percent to 12.17 cents.

12-MONTH RESULTS

- Operating revenues rose 11.5 percent, exceeding the 8 percent increase in operating expenses, lifting operating profit \$52.4 million to \$133.1 million.
- Net income improved \$30.4 million to \$76 million, a new all-time carrier high for any 12-month ended period.
- The passenger load factor climbed 1.3 percentage points to 67.3 percent, 4 points above operating breakeven, as RPMs grew 5.8 percent and ASMs were up a lesser 3.8 percent.
- Passenger (RPM) yield rose a major group high 7.4 percent to 12.12 cents.
- Interest expense declined \$4.8 million to \$24.4 million, the lowest among all passenger majors.
- The debt-to-investment ratio was down 4.4 percentage points to 36 percent.

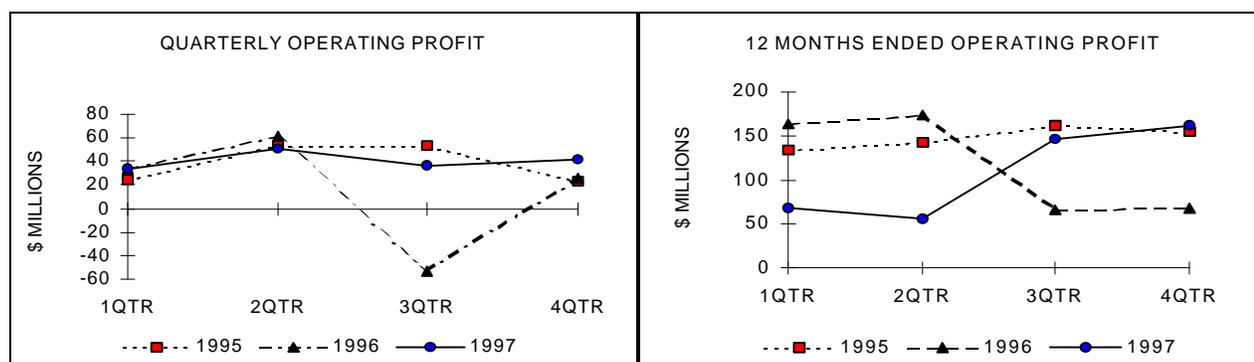
1/ Alaska Airlines became a major air carrier effective on January 1, 1996.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	352.2	295.3	1,457.4	1,400.6	1,362.5	1,336.5	1,306.6
2 Operating Expenses	328.7	301.9	1,324.4	1,297.6	1,275.3	1,254.0	1,225.9
3 Operating Profit (Loss)	23.5	-6.6	133.1	103.0	87.2	82.5	80.7
4 Net Income (Loss)	14.5	0.3	76.0	61.8	53.2	48.7	45.6
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	2.48	2.30	10.36	10.18	10.13	10.01	9.79
6 ASMs - Scheduled Rev. Svc.	3.84	3.48	15.39	15.04	14.95	14.92	14.84
7 Overall RTMs (All Svc.)	0.27	0.25	1.12	1.10	1.09	1.08	1.06
8 Overall ATMs (All Svc.)	0.50	0.46	2.02	1.98	1.96	1.96	1.96
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	131.7	119.2	130.7	127.9	124.8	123.8	123.4
10 Operating Expense per RTM	122.9	121.9	118.8	118.4	116.8	116.1	115.8
11 Operating Profit (Loss) per RTM	8.8	-2.7	11.9	9.4	8.0	7.6	7.6
12 Operating Expense per ATM	65.2	65.9	65.5	65.7	64.9	63.9	62.7
13 Passenger Revenue per RPM	12.17	10.67	12.12	11.79	11.47	11.37	11.29
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.29	2.23	2.19	2.14	2.05
15 Times Interest Earned	*	*	6.83	5.51	4.61	4.08	3.53
16 Current Assets to Current Liabilities	*	*	0.72	0.82	0.75	0.67	0.71
17 No. of Days Cash Coverage of Cash Ex	*	*	61.2	56.3	38.5	23.8	31.7
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	6.7	-2.2	9.1	7.4	6.4	6.2	6.2
19 Net Income to Stockholders Equity	*	*	19.6	16.6	15.0	14.3	13.8
20 Corporate Return on Investment	*	*	15.4	13.4	12.4	12.0	11.8
21 Debt to Total Investment	*	*	36.0	37.8	40.8	39.9	40.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	64.8	66.1	67.3	67.7	67.8	67.1	66.0
23 Breakeven	63.0	73.5	63.3	65.6	66.5	66.1	65.1
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	7,466	7,147	7,437	7,357	7,226	7,095	6,937
25 Overall RTM's per Employee (000)	35.8	34.7	150.0	148.9	151.1	152.2	152.6

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	19.2	6.2	11.5	8.6	8.8	10.6	12.4
27 Operating Expenses (%)	8.9	11.4	8.0	8.6	10.4	11.4	12.4
28 Operating Profit (Loss) (in Millions \$)	30.1	-13.8	52.4	8.5	-10.1	-0.9	8.3
29 Net Income (Loss)(in Millions \$)	14.2	-0.5	30.4	15.7	10.3	16.2	20.8
30 RPMs (Sch. Svc.) (%)	8.0	9.1	5.8	6.0	9.7	12.8	14.6
31 ASMs (Sch. Svc.) (%)	10.2	3.8	3.8	2.2	3.5	5.6	7.4
32 Operating Revenues per RTM (%)	10.5	-1.8	5.9	3.2	0.1	-0.9	-0.9
33 Operating Expense per RTM (%)	0.8	3.1	2.6	3.0	1.6	-0.2	-0.9
34 Passenger Revenue per RPM (Sch. Sv	14.1	-1.1	7.4	4.1	1.1	0.7	0.6

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



QUARTERLY RESULTS

- America West reported its highest fourth quarter operating profit since 1993, and the best fourth quarter net income in carrier history.
- Operating profit improved \$16.1 million to \$41.5 million as operating revenues, up 7.4 percent, grew faster than operating expenses, up 4 percent.
- Net income gained \$8.4 million to \$20.5 million.
- All of the operating and net profits, and most of the gains, were generated by domestic operations. Latin operating and net results, which have not been profitable since June 1995, were slightly improved.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	29.1	43.4	14.3	16.1	22.6	6.5	3.9	3.8	-2.9	5.5	5.7	3.3	65.6%
Int'l	-3.7	-1.9	1.8	-4.0	-2.1	1.9	0.1	0.1	-0.2	0.2	0.2	7.4	50.9%
Atlantic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Latin	-3.7	-1.9	1.8	-4.0	-2.1	1.9	0.1	0.1	-0.2	0.2	0.2	7.4	50.9%
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	25.4	41.5	16.1	12.1	20.5	8.4	4.0	3.9	-2.9	5.7	5.9	3.4	65.1%

- RPM traffic fell 2.9 percent while ASM capacity increased 3.4 percent, causing the passenger load factor to drop 4.2 percentage points to 65.1 percent, 5.1 points above operating breakeven.
- Although passenger (RPM) yield jumped a strong 10.9 percent to 11.45 cents, it was still a major group low.
- Interest expense declined \$2.3 million to a major passenger group low \$5.7 million. (Note: UPS, an all-cargo carrier, had no interest expense.)
- Total fuel expense was down 14.4 percent (\$9.7 million) despite a 2.5 percent increase in fuel consumption as unit fuel prices dropped 16.4 percent.

12-MONTH RESULTS

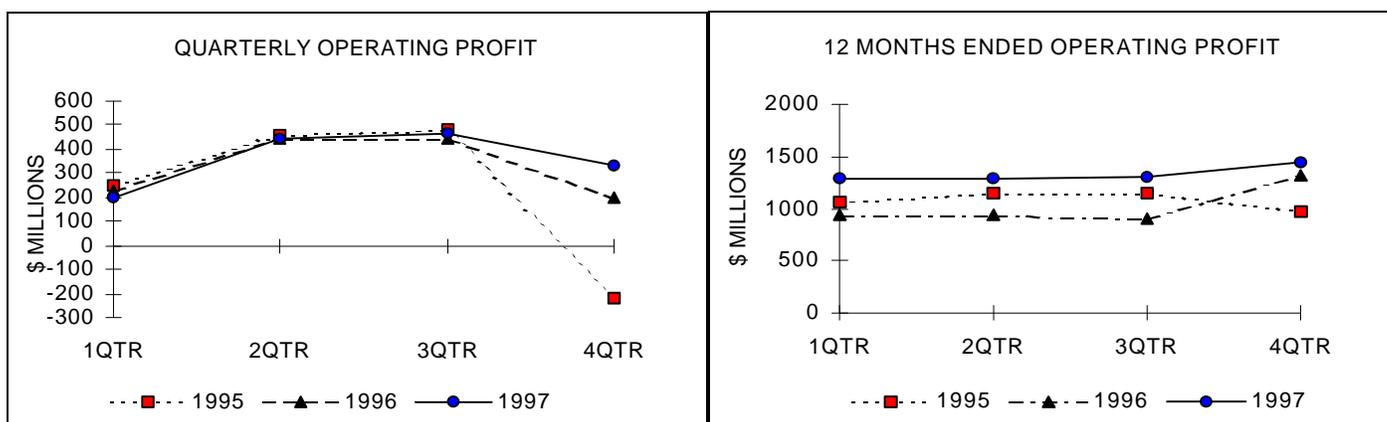
- America West reported a strong improvement in both operating and net results for the second consecutive quarter-ended 12-month period after four consecutive periods of decline.
- Operating revenue growth, up 7.7 percent, more than tripled the 2.5 percent increase in operating expense, boosting operating profit \$93.9 million to \$162.6 million.
- Net income gained \$66.8 million to \$75.3 million.
- Interest expense continues to decline, down \$9.6 million to \$39.7 million.
- RPMs rose 5.9 percent, but ASMs grew a faster 9.3 percent, causing the passenger load factor to dip 2.3 percentage points to 68.9 percent, the first time under 70 in two years.
- Total debt was reduced \$49.6 million to \$326.8 million (only Alaska had less debt). This, coupled with rising equity, caused the debt-to-investment ratio to fall 5.4 percentage points 32.3 percent.
- Passenger (RPM) yield increased 1.9 percent to a major group low 10.84 cents.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	476.0	443.4	1,887.1	1,854.5	1,814.9	1,800.7	1,751.8
2 Operating Expenses	434.5	418.0	1,724.6	1,708.0	1,758.6	1,732.9	1,683.1
3 Operating Profit (Loss)	41.5	25.4	162.6	146.4	56.3	67.8	68.7
4 Net Income (Loss)	20.5	12.1	75.3	66.9	3.3	8.7	8.5
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	3.85	3.97	16.17	16.28	16.05	15.75	15.28
6 ASMs - Scheduled Rev. Svc.	5.92	5.73	23.46	23.27	22.82	22.30	21.47
7 Overall RTMs (All Svc.)	0.42	0.43	1.74	1.75	1.72	1.69	1.64
8 Overall ATMs (All Svc.)	0.75	0.72	2.95	2.93	2.88	2.81	2.71
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	114.3	103.7	108.7	106.1	105.4	106.7	107.0
10 Operating Expense per RTM	104.3	97.7	99.3	97.7	102.2	102.7	102.8
11 Operating Profit (Loss) per RTM	10.0	5.9	9.4	8.4	3.3	4.0	4.2
12 Operating Expense per ATM	58.3	57.9	58.4	58.3	61.1	61.6	62.1
13 Passenger Revenue per RPM	11.45	10.32	10.84	10.57	10.49	10.62	10.64
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	1.89	1.86	1.80	1.76	1.68
15 Times Interest Earned	*	*	4.60	3.89	1.51	1.71	1.69
16 Current Assets to Current Liabilities	*	*	0.67	0.68	0.62	0.64	0.67
17 No. of Days Cash Coverage of Cash Ex	*	*	37.9	34.8	32.0	36.5	40.2
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	8.7	5.7	8.6	7.9	3.1	3.8	3.9
19 Net Income to Stockholders Equity	*	*	11.6	10.6	0.5	1.4	1.3
20 Corporate Return on Investment	*	*	11.4	10.9	5.0	5.4	5.3
21 Debt to Total Investment	*	*	32.3	31.8	36.5	37.7	37.7
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	65.1	69.3	68.9	70.0	70.4	70.6	71.2
23 Breakeven	60.0	66.2	63.5	65.1	69.5	69.1	69.6
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	8,775	8,393	8,897	8,802	8,600	8,385	8,140
25 Overall RTM's per Employee (000)	47.5	51.0	195.1	198.5	200.1	201.3	201.1

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	7.4	10.9	7.7	8.6	7.1	10.5	12.2
27 Operating Expenses (%)	4.0	10.8	2.5	4.0	15.6	18.2	19.6
28 Operating Profit (Loss) (in Millions \$)	16.1	2.7	93.9	80.4	-117.0	-96.4	-86.0
29 Net Income (Loss)(in Millions \$)	8.4	6.1	66.8	64.5	-66.5	-53.6	-45.3
30 RPMs (Sch. Svc.) (%)	-2.9	21.4	5.9	11.7	13.3	14.0	15.1
31 ASMs (Sch. Svc.) (%)	3.4	17.1	9.3	12.8	13.5	13.6	11.2
32 Operating Revenues per RTM (%)	10.2	-8.2	1.6	-2.9	-5.5	-2.8	-2.0
33 Operating Expense per RTM (%)	6.8	-8.3	-3.4	-7.0	2.1	3.9	4.5
34 Passenger Revenue per RPM (Sch. Sv	10.9	-8.2	1.9	-2.7	-5.4	-2.7	-2.1

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



QUARTERLY RESULTS

- American reported the highest quarterly operating profit and net income for any fourth quarter in its history, and also attained the highest quarterly operating and net profits among all majors.
- Operating revenue growth, up 6.9 percent, nearly doubled operating expense growth, up 3.5 percent, boosting operating profit \$135.2 million to \$334.8 million.
- Net income jumped \$126.8 million to \$199.9 million.
- Except for a slight decline in Latin operating profit, all entities reported improvements and profits in both operating and net results. Domestic operations were dominant, however, with operating profit rising \$132.3 million to \$239.6 million, and net profits rising \$102.6 million to \$143 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	107.3	239.6	132.3	40.4	143.0	102.6	17.8	18.0	1.0	26.6	26.9	1.0	66.9%
Int'l	92.3	95.2	2.9	32.6	56.8	24.2	7.8	7.9	1.9	11.1	11.4	2.4	69.6%
Atlantic	19.5	27.2	7.7	7.1	16.2	9.1	3.5	3.3	-5.1	4.7	4.3	-7.5	76.6%
Latin	64.6	57.2	-7.4	23.7	34.2	10.5	3.8	4.1	7.5	5.8	6.4	10.6	63.7%
Pacific	8.2	10.7	2.6	1.8	6.4	4.6	0.5	0.5	8.6	0.7	0.7	0.2	79.9%
System	199.6	334.8	135.2	73.1	199.9	126.8	25.6	25.9	1.3	37.7	38.2	1.4	67.7%

- The passenger load factor dipped 0.1 percentage points to 67.7 percent, as RPMs rose 1.3 percent and ASMs increased 1.4 percent.
- Passenger (RPM) yield advanced 6.3 percent to 13.76 cents.
- Interest expense fell \$27.7 million, the largest decline among all majors, to \$21.8 million.
- This decline resulted largely from total debt being cut \$301.4 million to \$2.5 billion, the largest reduction among all majors. As equity continues to soar, the debt-to-investment ratio declined 6.3 percentage points to 31.5 percent.

12-MONTH RESULTS

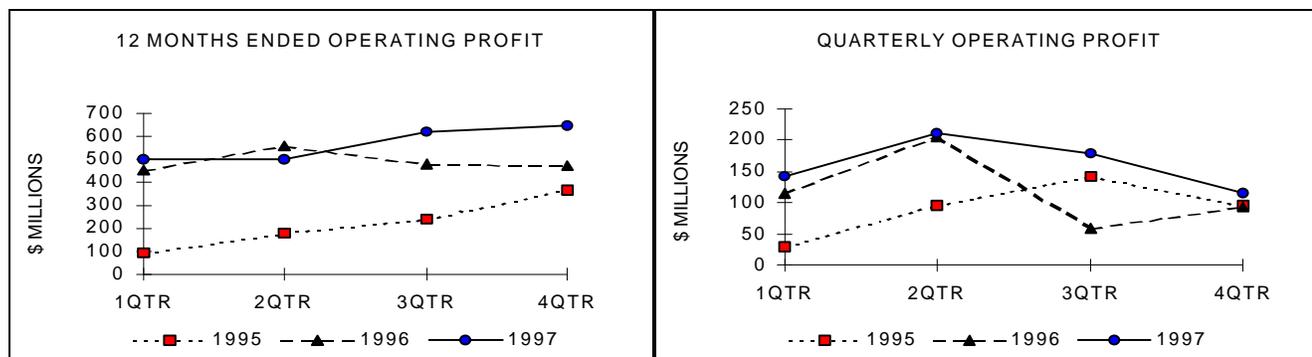
- Operating revenue growth, up 4.8 percent, slightly outpaced the 4.3 percent increase in operating expenses, causing operating profit to improve \$131.5 million to \$1.45 billion.
- Net income gained \$204.8 million to \$766.5 million.
- RPM traffic rose 2.3 percent, while ASM capacity rose only 0.7 percent, causing the passenger load factor to rise 1.1 percentage points to 69.6 percent, 5.3 points above operating breakeven.
- Passenger (RPM) yield growth continues to accelerate, up 2.5 percent to 13.36 cents.
- Interest expense declined by more than half, down a group high \$191.5 million to \$131.9 million.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	3,969.4	3,711.9	15,855.8	15,598.3	15,390.8	15,247.4	15,125.7
2 Operating Expenses	3,634.6	3,512.2	14,408.8	14,286.4	14,104.3	13,957.5	13,810.2
3 Operating Profit (Loss)	334.8	199.6	1,447.0	1,311.8	1,286.5	1,289.9	1,315.5
4 Net Income (Loss)	199.9	73.1	766.5	639.7	580.9	567.3	561.7
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	25.89	25.56	106.94	106.61	105.92	105.23	104.52
6 ASMs - Scheduled Rev. Svc.	38.24	37.70	153.75	153.21	152.97	152.63	152.62
7 Overall RTMs (All Svc.)	3.12	3.09	12.75	12.72	12.63	12.56	12.51
8 Overall ATMs (All Svc.)	5.82	5.82	23.47	23.47	23.52	23.56	23.58
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	127.2	120.2	124.4	122.7	121.9	121.4	120.9
10 Operating Expense per RTM	116.5	113.7	113.0	112.3	111.7	111.1	110.4
11 Operating Profit (Loss) per RTM	10.7	6.5	11.3	10.3	10.2	10.3	10.5
12 Operating Expense per ATM	62.5	60.3	61.4	60.9	60.0	59.2	58.6
13 Passenger Revenue per RPM	13.76	12.95	13.36	13.16	13.08	13.04	13.04
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.13	2.10	2.03	1.95	1.86
15 Times Interest Earned	*	*	7.64	5.51	4.48	3.97	3.56
16 Current Assets to Current Liabilities	*	*	0.74	0.75	0.68	0.64	0.62
17 No. of Days Cash Coverage of Cash Ex	*	*	49.1	64.0	46.6	35.1	38.3
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	8.4	5.4	9.1	8.4	8.4	8.5	8.7
19 Net Income to Stockholders Equity	*	*	15.7	13.6	12.9	13.2	13.7
20 Corporate Return on Investment	*	*	12.8	11.8	11.4	11.4	11.5
21 Debt to Total Investment	*	*	31.5	32.7	34.6	36.2	37.8
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	67.7	67.8	69.6	69.6	69.2	68.9	68.5
23 Breakeven	63.2	65.8	64.3	64.9	64.8	64.6	64.2
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	74,172	72,904	73,452	73,135	72,685	74,114	75,930
25 Overall RTM's per Employee (000)	42.1	42.4	173.6	173.9	173.8	169.5	164.7

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	6.9	-3.8	4.8	2.1	-0.5	-2.0	-3.1
27 Operating Expenses (%)	3.5	-13.8	4.3	-0.6	-3.0	-4.5	-5.7
28 Operating Profit (Loss) (in Millions \$)	135.2	417.9	131.5	414.2	353.8	348.8	347.7
29 Net Income (Loss)(in Millions \$)	126.8	325.2	204.8	403.2	339.6	347.5	353.9
30 RPMs (Sch. Svc.) (%)	1.3	1.5	2.3	2.4	1.7	1.7	1.8
31 ASMs (Sch. Svc.) (%)	1.4	-2.7	0.7	-0.3	-1.2	-1.6	-1.6
32 Operating Revenues per RTM (%)	5.8	-4.8	2.9	0.2	-1.6	-3.0	-4.4
33 Operating Expense per RTM (%)	2.5	-14.8	2.4	-2.5	-4.0	-5.5	-6.9
34 Passenger Revenue per RPM (Sch. Sv	6.3	-0.5	2.5	0.8	0.2	0.2	0.5

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



QUARTERLY RESULTS

- Continental attained fourth quarter carrier records in both operating and net profit.
- Operating revenues, up 17.9 percent, grew slightly faster than operating expenses, up 17.4 percent, causing operating profit to improve \$23.7 million to \$115.7 million.
- Net income rose \$13.8 million to \$55.9 million.
- Except for Pacific operations, all entities reported an operating and net profit and improvement for the fourth quarter. Pacific operations experienced a \$22.2 million deterioration in operating results to a loss of \$21.7 million, while its net results declined \$12.7 million to a loss of \$17.2 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	66.5	97.9	31.4	24.8	32.1	7.3	7.5	8.3	10.1	11.5	11.8	3.1	70.1%
Int'l	25.5	17.8	-7.7	17.3	23.9	6.6	2.8	4.0	43.3	4.2	6.1	43.5	66.3%
Atlantic	20.1	34.1	14.1	17.4	33.3	15.9	1.1	2.0	82.0	1.5	2.7	82.4	74.7%
Latin	4.9	5.3	0.5	4.4	7.8	3.4	0.7	1.0	49.7	1.2	1.8	54.0	55.1%
Pacific 1/	0.5	-21.7	-22.2	-4.5	-17.2	-12.7	1.0	1.0	-2.2	1.6	1.6	-0.7	64.4%
System	92.0	115.7	23.7	42.1	55.9	13.9	10.3	12.3	19.1	15.7	17.9	14.0	68.8%

- RPM traffic, up a major group high 19.1 percent, grew faster than ASM capacity, up 14 percent (also a group high), causing the passenger load factor to increase 3 percentage points to 68.8 percent, 3.3 points above operating breakeven.
- These large traffic and capacity increases led to Continental reporting the only increase in total fuel expense among the passenger majors, up 6 percent (\$12.5 million), as rising consumption, up 14.6 percent, offset the 7.5 percent decline in unit fuel prices.
- Despite a 2.5 percent decline in RTM yield, profits rose as RTM unit costs slid 2.9 percent.
- The rate of decline in passenger (RPM) yield slowed, although it was still down 1.9 percent to 12.85 cents.

12-MONTH RESULTS

- Operating profit advanced a strong \$173.9 million to \$645.9 million. Operating revenues rose 13.2 percent while operating expenses were up a slower 11.2 percent.
- After three consecutive 12-month ended periods of deterioration, net income rose \$17.5 million to \$364.8 million.
- RPM growth continues to accelerate, up 15.8 percent, exceeding the 11 percent increase in ASMs. As a result, the passenger load factor rose 2.9 percentage points to 71 percent, 5.8 points above breakeven.
- Passenger (RPM) yield declined from a year ago for the third consecutive quarter-ended 12-month period, down 1.9 percent to 12.85 cents.

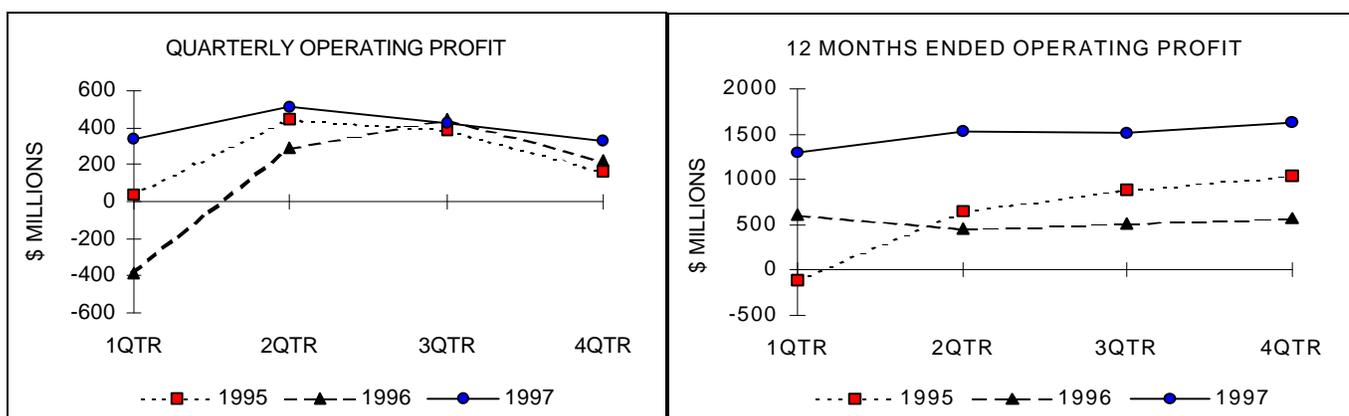
1/ Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which now reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively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

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	1,814.6	1,539.3	7,089.9	6,814.7	6,609.9	6,466.8	6,264.4
2 Operating Expenses	1,698.9	1,447.3	6,444.0	6,192.4	6,107.5	5,968.7	5,792.4
3 Operating Profit (Loss)	115.7	92.0	645.9	622.3	502.4	498.1	472.0
4 Net Income (Loss)	55.9	42.1	364.8	350.9	269.3	324.9	347.3
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	12.30	10.33	48.52	46.55	44.53	43.05	41.91
6 ASMs - Scheduled Rev. Svc.	17.89	15.70	68.31	66.12	64.23	62.80	61.53
7 Overall RTMs (All Svc.)	1.47	1.22	5.64	5.39	5.15	4.98	4.85
8 Overall ATMs (All Svc.)	2.37	2.00	8.89	8.52	8.18	7.95	7.77
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	123.5	126.7	125.7	126.5	128.3	129.8	129.3
10 Operating Expense per RTM	115.7	119.1	114.3	115.0	118.6	119.8	119.5
11 Operating Profit (Loss) per RTM	7.9	7.6	11.5	11.6	9.8	10.0	9.7
12 Operating Expense per ATM	71.7	72.3	72.5	72.7	74.7	75.1	74.5
13 Passenger Revenue per RPM	12.96	12.93	12.85	12.84	12.98	13.15	13.10
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.56	2.62	2.67	2.69	2.63
15 Times Interest Earned	*	*	5.48	5.26	4.21	4.19	3.80
16 Current Assets to Current Liabilities	*	*	0.76	0.71	0.76	0.77	0.81
17 No. of Days Cash Coverage of Cash Ex	*	*	60.0	60.4	61.6	58.9	69.6
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	6.4	6.0	9.1	9.1	7.6	7.7	7.5
19 Net Income to Stockholders Equity	*	*	40.1	42.0	33.6	42.3	48.2
20 Corporate Return on Investment	*	*	17.9	18.5	16.3	19.3	20.9
21 Debt to Total Investment	*	*	64.9	67.1	67.3	66.7	69.9
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	68.8	65.8	71.0	70.4	69.3	68.5	68.1
23 Breakeven	65.5	63.1	65.2	64.7	64.8	64.1	63.7
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	29,750	26,977	28,429	27,735	27,198	26,527	25,950
25 Overall RTM's per Employee (000)	49.4	45.0	198.4	194.2	189.4	187.8	186.7

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	17.9	9.2	13.2	11.1	10.3	10.9	9.8
27 Operating Expenses (%)	17.4	10.2	11.2	9.4	12.5	11.0	8.5
28 Operating Profit (Loss) (in Millions \$)	23.7	-4.8	173.9	145.6	-58.6	46.7	105.5
29 Net Income (Loss)(in Millions \$)	13.8	-8.5	17.5	-4.9	-191.2	-77.2	56.4
30 RPMs (Sch. Svc.) (%)	19.1	9.3	15.8	13.4	9.9	7.0	4.7
31 ASMs (Sch. Svc.) (%)	14.0	8.1	11.0	9.5	7.8	5.4	0.8
32 Operating Revenues per RTM (%)	-2.5	-1.5	-2.8	-2.6	-0.2	3.0	4.5
33 Operating Expense per RTM (%)	-2.9	-0.6	-4.4	-3.9	1.9	3.0	3.3
34 Passenger Revenue per RPM (Sch. Sv	0.2	-1.2	-1.9	-2.3	-0.2	3.2	4.6

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



QUARTERLY RESULTS

- Delta reported the highest operating and net profits for any fourth quarter in its history.
- Operating revenue growth, up 5.7 percent, more than doubled the 2.6 percent increase in operating expenses, producing a \$108.1 million improvement in operating profit to \$332.1 million.
- Net income gained \$64.2 million to \$189.5 million.
- All entities were improved in both operating and net results, with domestic operations leading the way, up \$80.3 million to \$279.8 million, and up \$46.4 million to \$157.3 million, respectively.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	199.5	279.8	80.3	110.9	157.3	46.4	18.3	18.9	3.5	27.0	27.8	2.7	68.1%
Int'l	24.5	52.3	27.9	14.4	32.2	17.8	5.1	5.2	1.9	7.1	7.1	-0.4	73.4%
Atlantic	13.5	37.0	23.6	7.6	22.7	15.1	4.1	4.2	2.1	5.6	5.6	-0.3	74.6%
Latin	10.4	11.8	1.4	6.7	7.4	0.7	0.4	0.4	2.2	0.6	0.6	7.4	62.3%
Pacific	0.6	3.5	2.9	0.2	2.1	1.9	0.7	0.7	0.6	1.0	0.9	-5.2	73.5%
System	224.0	332.1	108.1	125.3	189.5	64.2	23.4	24.1	3.1	34.2	34.9	2.0	69.2%

- RPMs rose 3.1 percent, outpacing the 2 percent increase in ASMs, causing the passenger load factor to climb 0.7 percentage points to 69.2 percent, 6 percentage points above operating breakeven load factor.
- Passenger (RPM) yield was up 3.6 percent to 12.93 cents.
- The sharp increase in profitability occurred as RTM yield climbed while RTM unit costs slid 2.3 percent.
- Total fuel expenses fell 12.8 percent (\$59.6 million) even though consumption rose 1.6 percent as unit fuel prices dropped 14.1 percent.

12-MONTH RESULTS

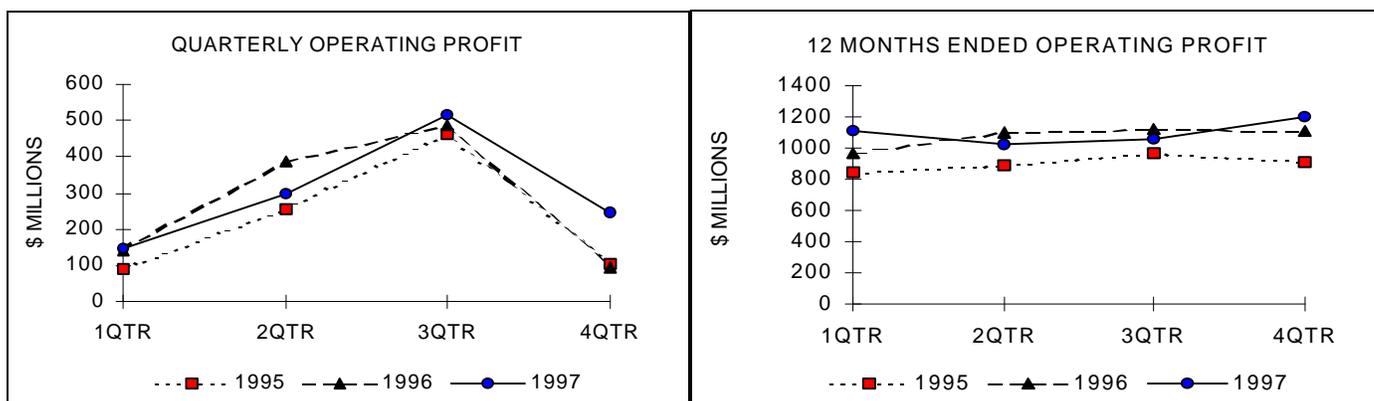
- Year ago operating results were adversely affected by a negative \$556 million non-recurring adjustment, which was reported in operating expenses, and the resulting effect on net results (net of taxes) was a negative \$339 million. Due in large part to this adjustment, Delta reported the largest improvements over a year ago among all majors in operating results, and the second largest improvement in net results (after US Airways).
- Operating revenues jumped 6.7 percent, while operating expenses declined 1.3 percent, causing operating profit to surge upward \$1 billion to \$1.62 billion, a major group high. Net income jumped \$685 million to \$934 million.
- The passenger load factor was up 1.5 percentage points to 71.8 percent.
- Passenger (RPM) yield was up over a year ago after six consecutive 12-month ended periods of decline, inching upward 0.5 percent to 12.82 cents.
- The debt-to-investment ratio fell 8.5 percentage points to 37.7 percent as equity rose and total debt was cut a modest \$60.5 million to \$2.13 billion.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	3,475.7	3,287.0	14,203.9	14,015.3	13,938.2	13,767.0	13,317.7
2 Operating Expenses	3,143.5	3,063.0	12,582.7	12,502.1	12,413.4	12,467.1	12,746.6
3 Operating Profit (Loss)	332.1	224.0	1,621.3	1,513.1	1,524.8	1,299.8	571.1
4 Net Income (Loss)	189.5	125.3	934.0	869.9	854.3	714.6	249.0
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	24.12	23.39	99.62	98.89	97.70	96.10	93.88
6 ASMs - Scheduled Rev. Svc.	34.86	34.17	138.70	138.00	136.70	135.66	133.61
7 Overall RTMs (All Svc.)	2.88	2.75	11.64	11.51	11.31	11.08	10.81
8 Overall ATMs (All Svc.)	4.93	4.73	19.46	19.25	18.98	18.79	18.49
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	120.6	119.6	122.0	121.8	123.3	124.2	123.2
10 Operating Expense per RTM	109.0	111.5	108.1	108.6	109.8	112.5	118.0
11 Operating Profit (Loss) per RTM	11.5	8.2	13.9	13.1	13.5	11.7	5.3
12 Operating Expense per ATM	63.7	64.8	64.7	64.9	65.4	66.4	68.9
13 Passenger Revenue per RPM	12.93	12.48	12.82	12.71	12.78	12.87	12.76
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.73	2.78	2.84	2.84	2.70
15 Times Interest Earned	*	*	9.94	9.19	8.90	7.07	3.08
16 Current Assets to Current Liabilities	*	*	0.74	0.78	0.74	0.75	0.75
17 No. of Days Cash Coverage of Cash Ex	*	*	40.9	50.7	36.1	33.2	30.6
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	9.6	6.8	11.4	10.8	10.9	9.4	4.3
19 Net Income to Stockholders Equity	*	*	30.7	30.6	31.7	29.2	10.7
20 Corporate Return on Investment	*	*	21.2	20.7	21.0	18.7	9.1
21 Debt to Total Investment	*	*	37.7	39.2	41.6	44.8	46.2
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	69.2	68.5	71.8	71.7	71.5	70.8	70.3
23 Breakeven	63.2	64.7	63.8	64.2	63.8	64.4	68.2
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	57,986	55,446	56,980	56,345	55,689	54,826	53,812
25 Overall RTM's per Employee (000)	49.7	49.5	204.4	204.3	203.1	202.2	200.8

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	5.7	8.4	6.7	7.3	8.8	8.8	6.1
27 Operating Expenses (%)	2.6	7.0	-1.3	-0.4	0.5	3.5	10.7
28 Operating Profit (Loss) (in Millions \$)	108.1	55.4	1,050.2	997.4	1,066.0	683.6	-467.3
29 Net Income (Loss)(in Millions \$)	64.2	55.3	685.0	676.2	698.4	469.2	-261.0
30 RPMs (Sch. Svc.) (%)	3.1	12.6	6.1	8.4	10.2	11.3	10.3
31 ASMs (Sch. Svc.) (%)	2.0	6.1	3.8	4.8	4.6	4.2	2.7
32 Operating Revenues per RTM (%)	0.8	-3.9	-1.0	-2.2	-1.5	-1.7	-2.6
33 Operating Expense per RTM (%)	-2.3	-5.2	-8.4	-9.2	-9.0	-6.3	1.7
34 Passenger Revenue per RPM (Sch. Sv	3.6	-5.1	0.5	-1.6	-2.4	-3.2	-4.6

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



QUARTERLY RESULTS

- Northwest reported the highest operating and net profit for any fourth quarter in carrier history.
- Operating profit jumped \$151.3 million to \$243.5 million as operating revenues rose 4.7 percent and operating expenses declined 1.9 percent.
- Net income advanced \$80.5 million to \$113 million.
- All entities reported improvements in both operating and net results, but the Pacific division still experienced operating and net losses. Except for a small operating profit in 1994, Northwest has not shown an operating profit, or net income, in Pacific operations since 1989.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	147.1	236.5	89.3	65.8	116.3	50.5	9.3	9.9	6.1	14.0	14.3	1.8	69.2%
Int'l	-55.0	7.1	62.0	-33.3	-3.3	30.0	6.9	7.4	7.4	9.1	9.6	5.7	76.8%
Atlantic	-1.0	47.7	48.6	3.0	27.7	24.7	1.3	1.6	21.6	1.7	2.0	15.9	81.3%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	-54.0	-40.6	13.4	-36.3	-31.0	5.3	5.5	5.8	3.9	7.4	7.6	3.3	75.6%
System	92.2	243.5	151.4	32.5	113.0	80.5	16.2	17.3	6.6	23.1	23.9	3.3	72.3%

- Total fuel expense dropped 14.7 percent (\$53.7 million) due solely to falling unit fuel prices, down 17.6 percent, as consumption rose 3.6 percent. Fuel expense comprised 14.3 percent of total operating expenses, down from 16.4 percent a year ago.
- The operating profit margin rose 6 percentage points to 10 percent (second only to Southwest).
- Interest expense increased \$4.1 million to \$48.4 million, the largest increase among the passenger majors.
- The passenger load factor was up 2.3 percentage points to a major group high 72.3 percent. RPMs, up 6.6 percent, grew twice as fast as ASMs, up 3.3 percent.
- Passenger (RPM) yield was down 3.3 percent to 12.03 cents, the only decline among the majors.

12-MONTH RESULTS

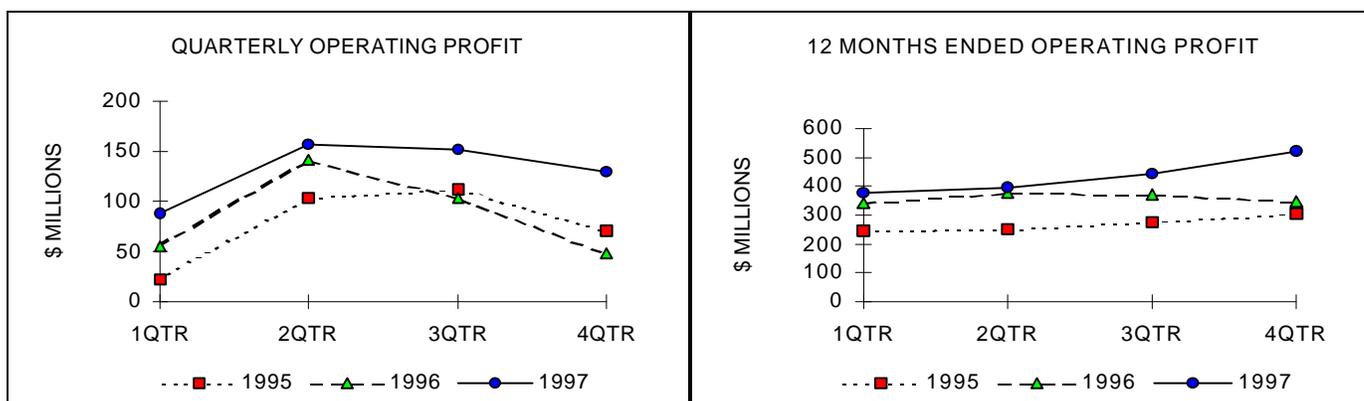
- Operating revenues rose 2.4 percent, exceeding the 1.6 percent increase in operating expenses, causing operating profit to improve \$95.3 million to \$1.2 billion.
- Net income rose \$24.7 million to \$603.5 million.
- The passenger load factor rose 1.2 percentage points to a major group high 74.3 percent, 9.4 percentage points above operating breakeven.
- Passenger (RPM) yield declined for the third consecutive quarter-ended 12-month period, down 3.4 percent to 12.11 cents.
- Productivity (RTMs per employee) continued to be a passenger group high, rising from 206.1 a year ago to 208.7.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	2,429.4	2,319.9	9,983.7	9,874.2	9,845.9	9,864.1	9,751.4
2 Operating Expenses	2,185.8	2,227.7	8,780.5	8,822.4	8,822.6	8,751.8	8,643.5
3 Operating Profit (Loss)	243.5	92.2	1,203.2	1,051.8	1,023.3	1,112.3	1,107.9
4 Net Income (Loss)	113.0	32.5	603.5	523.0	499.7	582.0	578.8
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	17.26	16.19	72.00	70.93	70.22	69.64	68.63
6 ASMs - Scheduled Rev. Svc.	23.89	23.12	96.92	96.15	95.52	94.76	93.90
7 Overall RTMs (All Svc.)	2.37	2.22	9.50	9.34	9.26	9.20	9.09
8 Overall ATMs (All Svc.)	3.88	3.71	15.40	15.23	15.15	15.07	14.97
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	102.5	104.7	105.1	105.7	106.3	107.2	107.3
10 Operating Expense per RTM	92.2	100.5	92.5	94.4	95.3	95.1	95.1
11 Operating Profit (Loss) per RTM	10.3	4.2	12.7	11.3	11.1	12.1	12.2
12 Operating Expense per ATM	56.4	60.1	57.0	57.9	58.2	58.1	57.8
13 Passenger Revenue per RPM	12.03	12.44	12.11	12.21	12.34	12.50	12.53
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	1.40	1.42	1.46	1.51	1.54
15 Times Interest Earned	*	*	5.96	5.31	5.15	5.82	5.65
16 Current Assets to Current Liabilities	*	*	0.63	0.67	0.63	0.65	0.57
17 No. of Days Cash Coverage of Cash Ex	*	*	36.3	45.7	38.3	48.0	28.9
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	10.0	4.0	12.1	10.7	10.4	11.3	11.4
19 Net Income to Stockholders Equity	*	*	12.8	11.4	11.4	13.9	14.5
20 Corporate Return on Investment	*	*	11.3	10.4	10.3	11.9	12.3
21 Debt to Total Investment	*	*	31.0	32.1	35.0	35.8	34.2
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	72.3	70.0	74.3	73.8	73.5	73.5	73.1
23 Breakeven	65.5	68.0	64.9	65.5	65.4	64.6	64.1
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	45,969	44,705	45,508	45,192	44,924	44,584	44,099
25 Overall RTM's per Employee (000)	51.6	49.6	208.7	206.7	206.1	206.4	206.1

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	4.7	6.7	2.4	2.8	4.5	7.9	9.5
27 Operating Expenses (%)	-1.9	7.5	1.6	3.9	6.0	7.0	8.1
28 Operating Profit (Loss) (in Millions \$)	151.3	-11.0	95.3	-67.2	-72.9	148.8	197.7
29 Net Income (Loss)(in Millions \$)	80.5	-67.5	24.7	-123.4	-130.7	37.5	72.5
30 RPMs (Sch. Svc.) (%)	6.6	7.4	4.9	5.1	6.4	8.5	9.8
31 ASMs (Sch. Svc.) (%)	3.3	5.0	3.2	3.6	5.2	6.3	7.4
32 Operating Revenues per RTM (%)	-2.1	1.7	-2.1	-1.1	-0.5	1.3	2.6
33 Operating Expense per RTM (%)	-8.3	2.6	-2.7	0.0	1.0	0.5	1.3
34 Passenger Revenue per RPM (Sch. Sv	-3.3	-0.2	-3.4	-2.6	-1.7	0.2	0.9

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



QUARTERLY RESULTS

- Southwest has not reported a quarterly operating or net loss since the quarter ended March 1991, a period of nearly seven years. Operating and net results for the quarter ended December 1997 were the highest for any fourth quarter in the carrier's history.
- Operating revenues, up 17.2 percent, grew more than twice as fast as operating expenses, up 8.1 percent, boosting operating profit \$80.4 million to \$128.9 million.
- Net income jumped \$52.4 million to \$80.6 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	48.5	128.9	80.3	28.2	80.6	52.4	7.1	7.2	2.0	10.4	11.5	10.3	63.0%
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	48.5	128.9	80.3	28.2	80.6	52.4	7.1	7.2	2.0	10.4	11.5	10.3	63.0%

- Interest expense was up \$1.2 million to \$15.5 million.
- The operating profit margin rose 7.4 percentage points to 13.2 percent, the highest among all majors.
- RTM yield rose a major group high 13.9 percent, greatly exceeding the 5 percent increase in RTM unit costs, enhancing profitability.
- The passenger load factor dropped 5.1 percentage points, the largest decline among the majors, to 63 percent, a major group low. Profits remain strong, however, as Southwest also has the lowest breakeven load factor. RPM traffic rose only 2 percent while ASM capacity jumped 10.3 percent.
- Passenger (RPM) yield advanced a major group high 14.4 percent to 12.82 cents.
- Total fuel expenses declined 10.7 percent (\$14.6 million) despite an increase in fuel consumption of 8.5 percent as unit fuel prices dropped 17.6 percent.

12-MONTH RESULTS

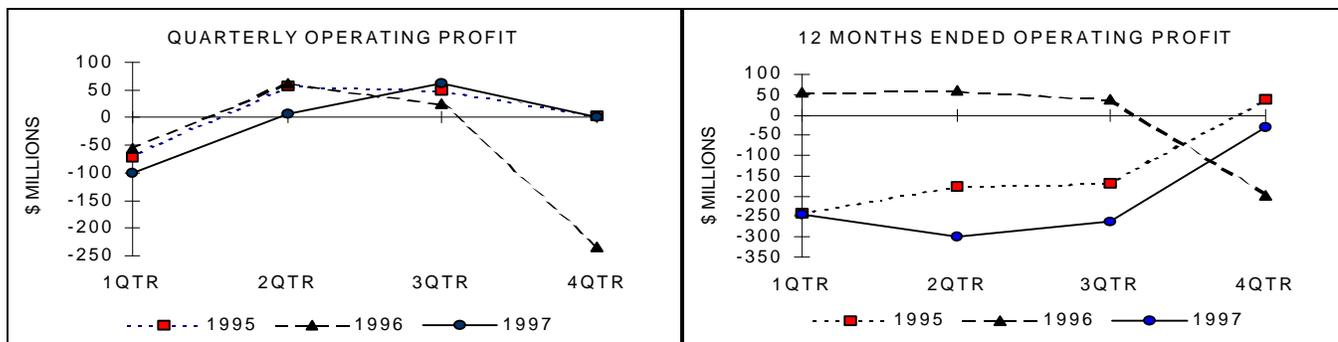
- Operating and net results for the 12-months ended December 1997 were the highest for any quarter-ended 12-month period in its history.
- Operating revenues increased 12 percent while operating expenses rose a slower 7.7 percent, causing operating profit to improve \$174.6 million to \$524.3 million.
- Net income rose \$110.5 million to \$317.8 million.
- The passenger load factor was down 2.8 percentage points to 63.7 percent, still 10.2 points above operating breakeven.
- Passenger (RPM) yield advanced 6.3 percent to 12.83 cents.
- Interest expense was up \$4.4 million to \$62.8 million.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	975.6	832.1	3,817.0	3,673.5	3,568.0	3,521.7	3,407.4
2 Operating Expenses	846.8	783.6	3,292.7	3,229.5	3,172.8	3,140.7	3,057.6
3 Operating Profit (Loss)	128.9	48.5	524.3	444.0	395.2	381.0	349.7
4 Net Income (Loss)	80.6	28.2	317.8	265.4	233.7	225.2	207.3
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	7.24	7.10	28.36	28.22	27.99	27.78	27.09
6 ASMs - Scheduled Rev. Svc.	11.50	10.42	44.49	43.41	42.40	41.58	40.71
7 Overall RTMs (All Svc.)	0.76	0.74	2.97	2.95	2.91	2.89	2.81
8 Overall ATMs (All Svc.)	1.47	1.34	5.69	5.55	5.43	5.33	5.22
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	128.4	112.7	128.6	124.7	122.4	121.9	121.2
10 Operating Expense per RTM	111.4	106.1	111.0	109.6	108.8	108.7	108.7
11 Operating Profit (Loss) per RTM	17.0	6.6	17.7	15.1	13.6	13.2	12.4
12 Operating Expense per ATM	57.7	58.7	57.9	58.1	58.4	58.9	58.6
13 Passenger Revenue per RPM	12.82	11.21	12.83	12.43	12.19	12.16	12.07
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	1.50	1.50	1.51	1.54	1.54
15 Times Interest Earned	*	*	12.84	10.97	10.03	10.29	10.23
16 Current Assets to Current Liabilities	*	*	0.92	0.84	0.82	1.07	0.97
17 No. of Days Cash Coverage of Cash Ex	*	*	73.3	66.5	70.6	80.5	73.8
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	13.2	5.8	13.7	12.1	11.1	10.8	10.3
19 Net Income to Stockholders Equity	*	*	17.5	15.3	14.1	14.1	13.4
20 Corporate Return on Investment	*	*	14.2	12.6	11.7	11.6	11.1
21 Debt to Total Investment	*	*	27.2	28.3	29.6	30.8	28.7
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	63.0	68.1	63.7	65.0	66.0	66.8	66.5
23 Breakeven	53.2	63.4	53.4	55.7	57.4	58.4	58.6
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	23,482	22,495	23,320	23,073	22,743	22,230	21,476
25 Overall RTM's per Employee (000)	32.4	32.8	127.3	127.7	128.2	129.9	130.9

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	17.2	11.1	12.0	10.5	11.6	16.4	18.6
27 Operating Expenses (%)	8.1	15.6	7.7	9.4	12.7	17.0	19.2
28 Operating Profit (Loss) (in Millions \$)	80.4	-22.5	174.6	71.8	14.2	39.6	41.2
29 Net Income (Loss)(in Millions \$)	52.4	-15.2	110.5	42.9	4.3	21.4	24.7
30 RPMs (Sch. Svc.) (%)	2.0	20.8	4.7	9.1	13.0	15.9	16.1
31 ASMs (Sch. Svc.) (%)	10.3	9.6	9.3	9.1	10.0	11.5	12.5
32 Operating Revenues per RTM (%)	13.9	-8.4	6.1	0.6	-1.9	-0.2	1.8
33 Operating Expense per RTM (%)	5.0	-4.7	2.1	-0.5	-0.9	0.4	2.3
34 Passenger Revenue per RPM (Sch. Sv	14.4	-8.3	6.3	0.7	-1.6	0.3	2.0

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



QUARTERLY RESULTS

- After 22 months of operating under the protection of Chapter 11 bankruptcy laws, Trans World obtained confirmation of a Plan of Reorganization from the bankruptcy court and emerged from bankruptcy on November 3, 1993. On June 30, 1995, Trans World again filed bankruptcy to implement a prepackaged restructuring plan. It emerged from the second bankruptcy on August 23, 1995.
- A very sharp drop in operating expenses, down 21.7 percent, combined with the 1.2 percent increase in operating revenues to produced a major group high \$233.8 million improvement in operating results to a profit of \$0.5 million.
- The large gain in net results, up \$227.4 million to a loss of \$31.2 million, was second only to US Airways, which benefited from a large tax credit during the quarter.
- The turnaround in system operating and net results arose as both entities experienced strong improvements, but only the domestic entity was profitable. Atlantic operations have produced nearly continuous operating and net losses since 1990. During this seven-year period, there has been an operating profit in only one quarter (September 1994), and a net profit in only three quarters.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	-148.0	31.5	179.5	-165.5	4.0	169.5	4.6	4.8	3.9	7.5	7.3	-3.3	66.1%
Int'l	-85.3	-31.0	54.4	-93.1	-35.2	57.9	1.6	1.1	-28.7	2.4	1.6	-32.3	70.0%
Atlantic	-85.3	-31.0	54.4	-93.1	-35.2	57.9	1.6	1.1	-28.7	2.4	1.6	-32.3	70.0%
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	-233.3	0.5	233.9	-258.6	-31.2	227.5	6.2	5.9	-4.4	9.9	8.9	-10.2	66.8%

- Although RPM traffic fell 4.4 percent, ASM capacity dropped 10.2 percent causing the passenger load factor to rise 4 percentage points to 66.8 percent.
- Passenger (RPM) yield rose a strong 8.4 percent to 12.00 cents.
- Total fuel expense tumbled 30.7 percent (\$45.8 million) as cuts in capacity caused consumption to drop 13.4 percent and unit fuel prices dropped 20 percent.

12-MONTH RESULTS

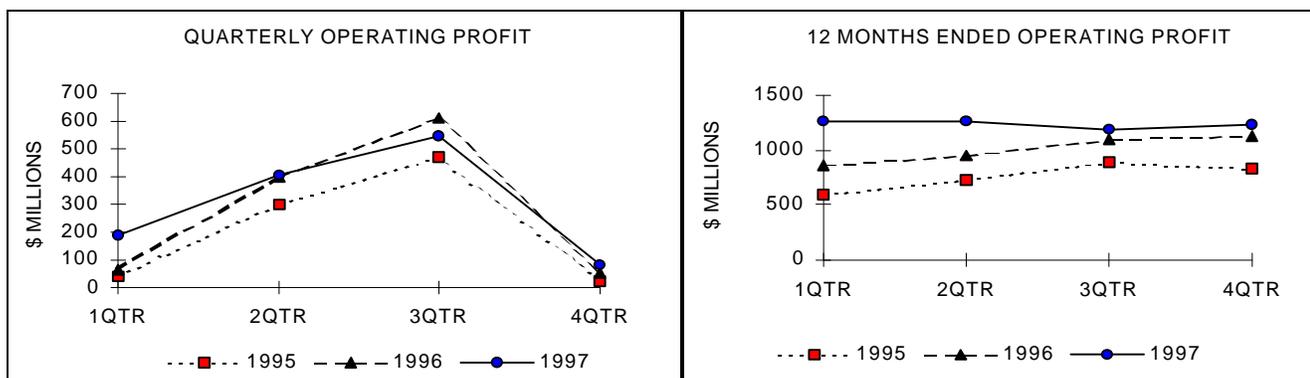
- Trans World reported the only operating and net losses among all majors, but both were improved over the same period a year ago.
- The year ago operating loss was cut \$170 million to a loss of \$29.3 million. Operating revenues were down 6.4 percent but operating expenses fell 10.6 percent.
- Net results improved \$174 million to a loss of \$110.8 million. Excluding years with extraordinary gain adjustments, this was the smallest calendar year net loss since 1988.
- Passenger (RPM) yield was up 2.6 percent to 11.64 cents, the first year-to-year increase since the 12-months ended September 1996.
- The passenger load factor rose 2 percentage points to 68.8 percent, 2.9 points below breakeven.
- Days cash coverage rose from 18.5 a year ago to 27.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	812.8	803.3	3,327.9	3,318.4	3,412.9	3,534.3	3,554.4
2 Operating Expenses	812.3	1,036.6	3,357.2	3,581.6	3,713.8	3,779.0	3,753.7
3 Operating Profit (Loss)	0.5	-233.3	-29.3	-263.1	-300.9	-244.8	-199.3
4 Net Income (Loss)	-31.2	-258.6	-110.8	-338.3	-358.9	-319.3	-284.8
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	5.93	6.20	25.10	25.37	26.29	26.94	27.11
6 ASMs - Scheduled Rev. Svc.	8.87	9.89	36.48	37.50	39.05	39.96	40.59
7 Overall RTMs (All Svc.)	0.68	0.74	2.86	2.92	3.04	3.13	3.17
8 Overall ATMs (All Svc.)	1.22	1.37	5.05	5.20	5.41	5.52	5.62
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	119.1	108.2	116.3	113.6	112.2	112.9	112.1
10 Operating Expense per RTM	119.0	139.6	117.3	122.6	122.1	120.8	118.4
11 Operating Profit (Loss) per RTM	0.1	-31.4	-1.0	-9.0	-9.9	-7.8	-6.3
12 Operating Expense per ATM	66.5	75.8	66.5	68.9	68.7	68.4	66.8
7 Passenger Revenue per RPM	12.02	11.07	11.65	11.42	11.31	11.40	11.35
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.83	2.72	2.62	2.54	2.46
15 Times Interest Earned	*	*	0.22	-1.78	-2.01	-1.51	-1.17
16 Current Assets to Current Liabilities	*	*	0.68	0.59	0.60	0.55	0.60
17 No. of Days Cash Coverage of Cash Ex	*	*	27.1	11.1	10.5	13.8	18.5
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	0.1	-29.0	-0.9	-7.9	-8.8	-6.9	-5.6
19 Net Income to Stockholders Equity	*	*	-50.4	-127.6	-114.2	-87.3	-73.2
20 Corporate Return on Investment	*	*	0.3	-18.2	-18.3	-14.2	-10.9
21 Debt to Total Investment	*	*	79.0	80.2	83.2	84.1	80.2
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	66.8	62.8	68.8	67.7	67.3	67.4	66.8
23 Breakeven	69.0	88.0	71.7	76.4	76.4	74.9	73.2
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	20,263	24,396	21,711	22,745	23,581	23,923	23,623
25 Overall RTM's per Employee (000)	33.7	30.4	131.8	128.5	129.0	130.8	134.2

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	1.2	0.2	-6.4	-6.6	-2.4	4.6	8.3
Operating Expenses (%)	-21.7	29.7	-10.6	1.9	8.1	13.7	15.7
28 Operating Profit (Loss) (in Millions \$)	233.8	-235.9	170.0	-299.7	-361.3	-299.7	-236.3
29 Net Income (Loss)(in Millions \$)	227.4	-230.8	174.0	-284.3	-237.2	-177.5	-57.3
30 RPMs (Sch. Svc.) (%)	-4.4	4.3	-7.4	-5.5	0.4	6.1	8.9
31 ASMs (Sch. Svc.) (%)	-10.2	5.2	-10.1	-6.5	-0.3	4.0	7.1
32 Operating Revenues per RTM (%)	10.1	-4.4	3.7	0.3	-1.5	0.0	0.6
33 Operating Expense per RTM (%)	-14.8	23.8	-0.9	9.4	9.0	8.8	7.5
34 Passenger Revenue per RPM (Sch. Sv	8.6	-4.5	2.6	-0.4	-2.4	-1.1	-0.4

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



QUARTERLY RESULTS

- United reported the best fourth quarter operating profit since 1985, but experienced the only decline in net results among the passenger majors.
- Operating profit rose \$30.3 million as operating revenues, up 6.6 percent, grew faster than operating expenses, up 5.9 percent
- Conversely, net income dipped \$0.7 million to \$19.5 million.
- All entities had an operating and net profit and, except for Pacific operations, all entities experienced a year-to-year operating and net improvement.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	12.5	29.1	16.5	-4.3	-4.0	0.4	17.6	18.3	4.2	25.9	26.3	1.6	69.7%
Int'l	41.3	55.0	13.7	24.6	23.5	-1.1	10.7	11.1	3.7	15.0	16.1	7.6	68.8%
Atlantic	-2.2	32.8	35.0	-1.0	14.2	15.2	2.7	3.2	19.2	3.7	4.5	21.9	73.0%
Latin	4.3	10.5	6.2	2.0	4.6	2.7	1.4	1.4	-0.2	2.1	2.2	5.1	62.7%
Pacific	39.2	11.7	-27.5	23.6	4.6	-19.0	6.6	6.5	-1.8	9.3	9.5	2.5	68.3%
System	53.8	84.1	30.3	20.2	19.5	-0.8	28.3	29.4	4.0	40.9	42.4	3.8	69.4%

- Interest expense dipped \$0.5 million to \$68 million, still a major group high.
- Passenger (RPM) yield was up 2.1 percent to 12.38 cents.
- The passenger load factor climbed 0.2 percentage points to 69.4 percent, as RPMs increased 4 percent and ASMs rose 3.8 percent.
- Total fuel expense dropped 13.7 percent (\$72.6 million) due entirely to the 15.9 percent decline in unit fuel prices as total fuel consumption rose 2.8 percent.

12-MONTH RESULTS

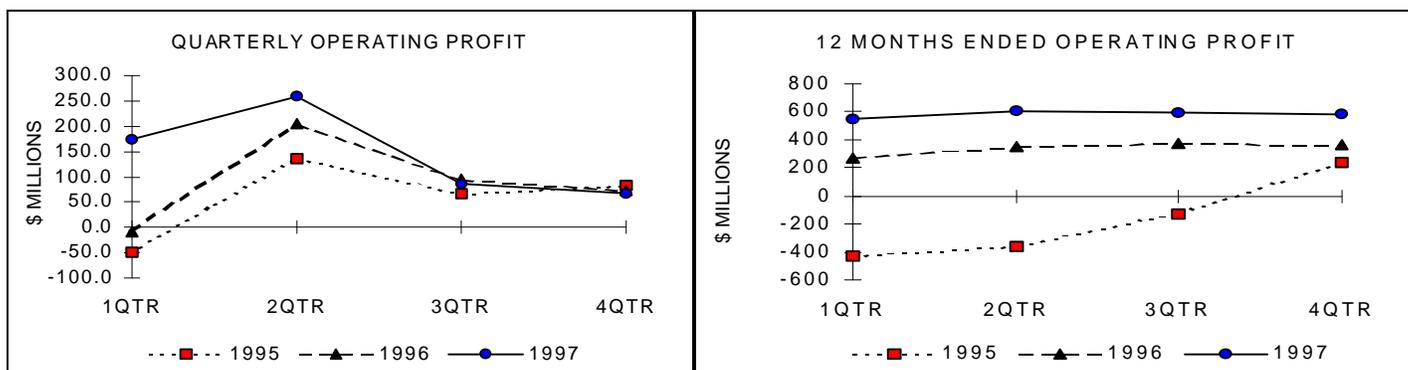
- Operating revenue growth, up 6.2 percent, barely exceeded operating expense growth, up 6.1 percent, boosting operating profit \$95.3 million to a profit of \$1.23 billion.
- Largely benefiting from the third quarter 1997 non-recurring capital gain of \$180 from the sale of its stake in Apollo Travel Services to Galileo International, net income jumped \$98.2 million to \$931.9 million.
- Passenger (RPM) yield growth continues to slow, rising 1.6 percent to 12.42 cents.
- RPM traffic increased 4.1 percent as ASM capacity rose 3.9 percent causing a slight 0.1 percentage point increase in the passenger load factor to 71.8 percent, 3.5 points above breakeven.
- Despite a decline of \$13.9 million, interest expense was still a major group high \$270.3 million.
- Total debt soared a group high \$949.2 million to \$4.26 billion, also a group high. Despite this increase, soaring equity caused the debt-to-investment ratio to fall 9.6 percentage points to 61.2 percent.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
UNITED AIR LINES

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	4,224.5	3,964.5	17,335.2	17,075.1	16,921.9	16,702.9	16,316.7
2 Operating Expenses	4,140.5	3,910.7	16,109.7	15,879.9	15,662.2	15,447.4	15,186.5
3 Operating Profit (Loss)	84.1	53.8	1,225.5	1,195.2	1,259.7	1,255.5	1,130.2
4 Net Income (Loss)	19.5	20.2	931.9	932.7	703.1	660.1	533.7
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	29.44	28.31	121.35	120.22	118.94	118.02	116.55
6 ASMs - Scheduled Rev. Svc.	42.44	40.89	169.00	167.44	165.70	164.08	162.65
7 Overall RTMs (All Svc.)	3.74	3.49	15.00	14.75	14.49	14.28	14.06
8 Overall ATMs (All Svc.)	6.38	5.91	24.94	24.47	24.03	23.67	23.40
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	112.9	113.6	115.5	115.8	116.8	117.0	116.1
10 Operating Expense per RTM	110.6	112.1	107.4	107.7	108.1	108.2	108.0
11 Operating Profit (Loss) per RTM	2.2	1.5	8.2	8.1	8.7	8.8	8.0
12 Operating Expense per ATM	64.9	66.2	64.6	64.9	65.2	65.3	64.9
13 Passenger Revenue per RPM	12.38	12.13	12.42	12.36	12.39	12.36	12.22
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	3.05	3.28	3.56	3.79	3.95
15 Times Interest Earned	*	*	9.00	9.01	7.03	6.83	5.55
16 Current Assets to Current Liabilities	*	*	0.55	0.49	0.47	0.55	0.52
17 No. of Days Cash Coverage of Cash Ex	*	*	18.4	20.4	13.0	21.6	15.8
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	2.0	1.4	7.1	7.0	7.4	7.5	6.9
19 Net Income to Stockholders Equity	*	*	45.3	53.6	52.0	66.3	76.0
20 Corporate Return on Investment	*	*	19.7	21.5	18.8	19.4	18.1
21 Debt to Total Investment	*	*	61.2	58.4	62.9	68.4	70.8
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	69.4	69.2	71.8	71.8	71.8	71.9	71.7
23 Breakeven	70.2	70.5	68.3	68.3	68.0	68.0	68.4
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	79,931	74,886	77,760	76,499	75,340	74,706	74,216
25 Overall RTM's per Employee (000)	46.8	46.6	193.0	192.8	192.3	191.1	189.4

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	6.6	8.5	6.2	6.7	8.1	9.2	9.5
27 Operating Expenses (%)	5.9	7.6	6.1	6.5	6.6	7.0	8.0
28 Operating Profit (Loss) (in Millions \$)	30.3	31.2	95.3	96.1	304.5	398.1	298.3
29 Net Income (Loss)(in Millions \$)	-0.7	63.7	398.2	462.7	326.5	325.8	192.9
30 RPMs (Sch. Svc.) (%)	4.0	3.8	4.1	4.1	4.0	4.3	4.5
31 ASMs (Sch. Svc.) (%)	3.8	3.4	3.9	3.8	3.1	2.8	2.8
32 Operating Revenues per RTM (%)	-0.6	3.3	-0.5	0.5	2.7	4.1	4.8
33 Operating Expense per RTM (%)	-1.3	2.6	-0.6	0.4	1.2	2.0	3.3
34 Passenger Revenue per RPM (Sch. Sv	2.1	4.5	1.6	2.1	3.6	4.5	4.6

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



QUARTERLY RESULTS

- Operating expense growth, up 2.4 percent, outpaced operating revenue growth, up 2 percent, causing operating profit to slide \$6.2 million to \$68 million, the only deterioration among the passenger majors.
- Net income, due primarily to a positive \$477 million tax credit, improved \$470.3 million to \$519.8 million. In fact, without this tax credit, net income would have declined.
- Only the domestic entity reported an operating and/or net profit. Latin operations, however, showed the only operating and net improvements. Domestic net results were up due to the large positive income tax credit.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	79.7	79.1	-0.6	55.5	530.8	475.2	9.2	8.9	-3.2	13.5	12.8	-5.4	69.4%
Int'l	-5.5	-11.1	-5.6	-6.0	-10.9	-4.9	0.8	0.9	11.0	1.2	1.3	9.2	72.7%
Atlantic	-2.6	-9.1	-6.5	-2.6	-8.5	-5.9	0.7	0.8	10.8	0.9	1.0	10.2	73.1%
Latin	-2.9	-2.0	0.9	-3.4	-2.4	0.9	0.1	0.2	12.1	0.2	0.2	4.6	70.7%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	74.2	68.0	-6.2	49.5	519.8	470.3	10.0	9.8	-2.0	14.7	14.0	-4.2	69.7%

- Interest expense declined \$2.3 million but was still very high at \$63.4 million.
- Profitability eroded as RTM unit costs, up 4.1 percent, grew faster than RTM yield, up 3.7 percent.
- Passenger (RPM) yield rose 3.8 percent to 17.73 cent, the highest among all majors.
- The 2 percent decline in RPM traffic was offset by a larger 4.2 percent decline in ASM capacity, producing a 1.6 percentage point increase in the passenger load factor to 69.7 percent.
- Total fuel expense, which accounts for a passenger group low 7.9 percent of total operating expenses, dropped 21.6 percent (\$44.1 million).

12-MONTH RESULTS

- US Airways reported its ninth consecutive quarter-ended 12-month operating and net profit following six consecutive years of losses. Net income, reflecting the fourth quarter tax credit, achieved a new all-time 12-month high.
- Operating revenues jumped 10.4 percent, exceeding the 7.9 percent increase in operating expenses, causing operating profit to improve \$217.5 million to \$586.2 million.
- Net income advanced \$869 million to \$1.05 billion, the first time above \$1 billion.
- Passenger (RPM) yield declined from a year ago for the third consecutive period, down 2 percent to 17.11 cents, but was still a major group high.
- The passenger load factor rose 2.8 percentage points to 71.3 percent, 2.2 points above operating breakeven.
- The debt-to-investment ratio dropped a major group high 33.3 percentage points to 70.1 percent as equity improved and total debt fell \$112.1 million to \$2.58 billion.
- Although up from a year ago, productivity (RTMs per employee) was a major group low 121.1.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	2,087.4	2,046.8	8,501.5	8,460.9	8,269.7	8,054.8	7,704.1
2 Operating Expenses	2,019.3	1,972.5	7,915.3	7,868.5	7,665.6	7,503.1	7,335.4
3 Operating Profit (Loss)	68.0	74.2	586.2	592.4	604.1	551.7	368.7
4 Net Income (Loss)	519.8	49.5	1,052.2	581.9	423.0	381.8	183.2
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	9.79	9.99	41.58	41.78	41.04	40.13	38.94
6 ASMs - Scheduled Rev. Svc.	14.04	14.66	58.29	58.91	58.61	57.87	56.88
7 Overall RTMs (All Svc.)	1.07	1.09	4.52	4.54	4.48	4.38	4.24
8 Overall ATMs (All Svc.)	1.91	1.98	7.88	7.96	7.99	7.88	7.74
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	194.6	187.6	187.9	186.3	184.8	184.1	181.6
10 Operating Expense per RTM	188.2	180.8	175.0	173.3	171.3	171.5	172.9
11 Operating Profit (Loss) per RTM	6.3	6.8	13.0	13.0	13.5	12.6	8.7
12 Operating Expense per ATM	105.9	99.7	100.4	98.9	96.0	95.2	94.7
13 Passenger Revenue per RPM	17.73	17.08	17.11	16.95	17.19	17.44	17.46
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.82	3.04	3.12	3.16	3.08
15 Times Interest Earned	*	*	3.68	3.60	2.79	2.49	1.69
16 Current Assets to Current Liabilities	*	*	1.20	1.06	0.95	0.85	0.77
17 No. of Days Cash Coverage of Cash Ex	*	*	95.2	101.7	80.4	74.2	82.5
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	3.3	3.6	6.9	7.0	7.3	6.8	4.8
19 Net Income to Stockholders Equity	*	*	271.3	440.9	0.0	-246.1	-80.0
20 Corporate Return on Investment	*	*	43.2	30.1	26.0	25.7	18.4
21 Debt to Total Investment	*	*	70.1	81.1	91.0	97.8	103.3
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	69.7	68.1	71.3	70.9	70.0	69.3	68.5
23 Breakeven	71.1	69.8	69.1	68.7	67.2	66.6	67.4
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	36,800	36,968	37,364	37,406	37,223	36,988	36,807
25 Overall RTM's per Employee (000)	29.2	29.5	121.1	121.4	120.2	118.3	115.3

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	2.0	18.6	10.4	14.6	14.8	14.1	10.3
27 Operating Expenses (%)	2.4	20.2	7.9	12.3	11.9	10.6	8.7
28 Operating Profit (Loss) (in Millions \$)	-6.2	-9.7	217.5	214.0	256.2	275.7	134.0
29 Net Income (Loss)(in Millions \$)	470.3	4.7	869.0	403.4	260.4	301.9	150.2
30 RPMs (Sch. Svc.) (%)	-2.0	11.5	6.8	10.2	10.0	7.7	3.5
31 ASMs (Sch. Svc.) (%)	-4.2	7.7	2.5	5.5	5.3	2.5	-2.2
32 Operating Revenues per RTM (%)	3.7	5.9	3.5	4.1	3.8	5.3	6.1
33 Operating Expense per RTM (%)	4.1	7.2	1.2	2.1	1.1	2.1	4.5
34 Passenger Revenue per RPM (Sch. Sv	3.8	-0.8	-2.0	-3.1	-0.7	2.6	4.8

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

QUARTERLY RESULTS

- Federal Express reported all-time carrier records in operating and net profits for any fourth quarter in its history. United Parcel Service (UPS), reflecting the lingering effects of the 15-day Teamsters strike which occurred during August 1997, experienced sharp year-to-year deteriorations and losses in both operating and net results.
- For the group, operating revenues rose 10.1 percent, but operating expenses increased at a faster pace, up 13.1 percent, causing operating profit to drop \$71.3 million to a profit of \$184 million.
- Net income also fell, down \$46 million to \$73.8 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1996	THIS YEAR 1997	\$ Change	LAST YEAR 1996	THIS YEAR 1997	\$ Change
March	135.4	208.2	72.8	57.3	103.4	46.2
June	183.4	283.7	100.3	90.8	149.3	58.5
Sept.	149.0	281.3	132.3	80.7	147.0	66.3
Dec.	255.3	184.0	-71.3	119.8	73.8	-46.0

- Falling unit fuel prices, down 11.6 percent, pushed total fuel expense down 4.6 percent (\$10.1 million) as consumption as unit fuel prices was up 8 percent. Total fuel expense comprised 5.9 percent of total operating expenses, a decline from 7 percent a year ago.
- The Pacific entity reported the only operating and/or net loss among the entities. In reducing the year ago losses, however, it was the only entity to show an improvement in either operating or net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	255.8	167.3	-88.5	126.3	64.9	-61.4	1.7	2.0	18.4	2.9	3.2	10.3	61.7%
Int'l	-0.5	16.7	17.2	-6.4	8.9	15.3	0.8	0.9	13.0	1.3	1.5	15.9	63.7%
Atlantic	15.5	13.1	-2.4	8.1	7.0	-1.1	0.2	0.3	22.9	0.3	0.4	20.5	67.1%
Latin	9.3	7.5	-1.8	4.1	4.0	-0.1	0.1	0.1	20.0	0.1	0.1	25.5	53.3%
Pacific	-25.4	-4.0	21.4	-18.6	-2.0	16.6	0.6	0.6	8.4	0.8	1.0	13.1	63.4%
System	255.3	184.0	-71.3	119.8	73.8	-46.0	2.5	2.9	16.6	4.2	4.7	12.0	62.3%

- Strong RTM traffic growth, up 16.6 percent, outpaced ATM capacity growth, up 12 percent, causing the ton load factor to rise 2.4 percentage points to 62.3 percent
- Although RTM unit costs were down 3 percent, profitability was eroded as RTM yield fell 5.6 percent.
- Both UPS and Federal Express experienced an increase in total debt, up a combined \$1.45 billion to \$4.26 billion. A slower rise in equity pushed the debt-to-investment ratio up 7.3 percentage points to 50.6 percent.

12-MONTH RESULTS

- Both Federal Express and United Parcel Service experienced operating and net profits, but only Federal Express reported year-to-year improvements in operating or net results.
- Operating profit rose \$234.1 million to \$1.03 billion.
- Net income increased \$124.9 million to \$473.5 million.
- RTM traffic was up 11 percent as ATM capacity increased 9.3 percent raising the ton load 0.9 percentage points to 60.3 percent.
- Productivity (RTMs per employee) moved from 115.5 a year ago to 118.9.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	3,816.2	3,467.0	14,592.9	14,243.7	13,590.0	13,146.8	12,742.4
2 Operating Expenses	3,632.2	3,211.7	13,635.7	13,215.2	12,693.8	12,351.0	12,019.3
3 Operating Profit (Loss)	184.0	255.3	957.2	1,028.5	896.1	795.9	723.1
4 Net Income (Loss)	73.8	119.8	473.5	519.5	453.3	394.8	348.6
<u>TRAFFIC: (Billions)</u>							
5 RTMs - Scheduled Rev. Svc.	1.91	1.74	7.07	6.90	6.65	6.41	6.14
6 ATMs - Scheduled Rev. Svc.	3.08	2.79	11.35	11.06	10.69	10.41	10.11
7 Overall RTMs (All Services)	2.90	2.48	9.98	9.57	9.38	9.13	8.99
8 Overall ATMs (All Services)	4.65	4.15	16.55	16.05	15.71	15.36	15.14
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	131.8	139.6	146.2	148.9	144.9	144.0	141.7
10 Operating Expense per RTM	125.5	129.4	136.6	138.1	135.4	135.2	133.7
11 Operating Profit (Loss) per RTM	6.4	10.3	9.6	10.8	9.6	8.7	8.0
12 Operating Expense per ATM	78.2	77.5	82.4	82.4	80.8	80.4	79.4
13 Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	1.91	1.95	1.94	1.92	1.89
15 Times Interest Earned	*	*	7.45	8.69	8.17	7.52	6.90
16 Current Assets to Current Liabilities	*	*	1.09	1.16	1.17	1.36	1.24
17 No. of Days Cash Coverage of Cash Ex	*	*	3.7	6.4	4.3	3.7	3.2
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	4.8	7.4	6.6	7.2	6.6	6.1	5.7
19 Net Income to Stockholders Equity	*	*	12.0	13.6	12.3	11.1	10.0
20 Corporate Return on Investment	*	*	7.9	8.7	8.0	7.3	6.7
21 Debt to Total Investment	*	*	50.6	50.7	49.6	47.9	43.3
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	62.3	59.9	60.3	59.6	59.7	59.5	59.4
23 Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	88,228	79,763	83,922	81,806	80,314	78,987	77,844
25 Overall RTM's per Employee (000)	32.8	31.1	118.9	116.9	116.8	115.6	115.5

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	10.1	15.3	14.5	16.0	13.6	12.6	11.2
27 Operating Expenses (%)	13.1	13.0	13.4	13.4	12.0	11.6	11.1
28 Operating Profit (Loss) (in Millions \$)	-71.3	90.1	234.1	395.4	268.4	186.1	90.1
29 Net Income (Loss)(in Millions \$)	-46.0	44.0	124.9	214.9	158.0	111.5	36.6
30 RTMs (All Svc.) (%)	16.6	8.5	11.0	8.8	8.7	7.3	6.2
31 ATMs (All Svc.) (%)	12.0	8.3	9.3	8.3	7.5	6.9	6.7
32 Operating Revenues per RTM (%)	-5.6	6.2	3.2	6.7	4.5	5.0	4.7
33 Operating Expense per RTM (%)	-3.0	4.2	2.2	4.3	3.0	4.0	4.6
34 Passenger Revenue per RPM (Sch. Sv	++	++	++	++	++	++	++

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	3,025.6	2,789.0	11,754.9	11,518.3	10,976.2	10,656.9	10,364.7
2 Operating Expenses	2,858.3	2,533.2	10,768.2	10,443.1	10,033.9	9,768.4	9,492.4
3 Operating Profit (Loss)	167.3	255.8	986.7	1,075.2	942.3	888.5	872.3
4 Net Income (Loss)	64.9	126.3	499.6	561.0	492.7	458.4	443.7
<u>TRAFFIC: (Billions)</u>							
5 RTMs - Scheduled Rev. Svc.	1.01	0.95	3.84	3.79	3.63	3.53	3.42
6 ATMs - Scheduled Rev. Svc.	1.66	1.58	6.32	6.24	6.01	5.86	5.70
7 Overall RTMs (All Services)	1.96	1.66	6.61	6.31	6.22	6.11	6.11
8 Overall ATMs (All Services)	3.18	2.88	11.27	10.97	10.80	10.56	10.45
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	154.3	168.5	177.8	182.6	176.4	174.5	169.5
10 Operating Expense per RTM	145.8	153.0	162.9	165.6	161.3	159.9	155.3
11 Operating Profit (Loss) per RTM	8.5	15.5	14.9	17.0	15.1	14.5	14.3
12 Operating Expense per ATM	89.9	87.9	95.5	95.2	92.9	92.5	90.9
13 Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	5.5	9.2	8.4	9.3	8.6	8.3	8.4
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	9.9	11.3	10.4	10.0	9.8
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	61.7	57.5	58.7	57.5	57.6	57.9	58.5
23 Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

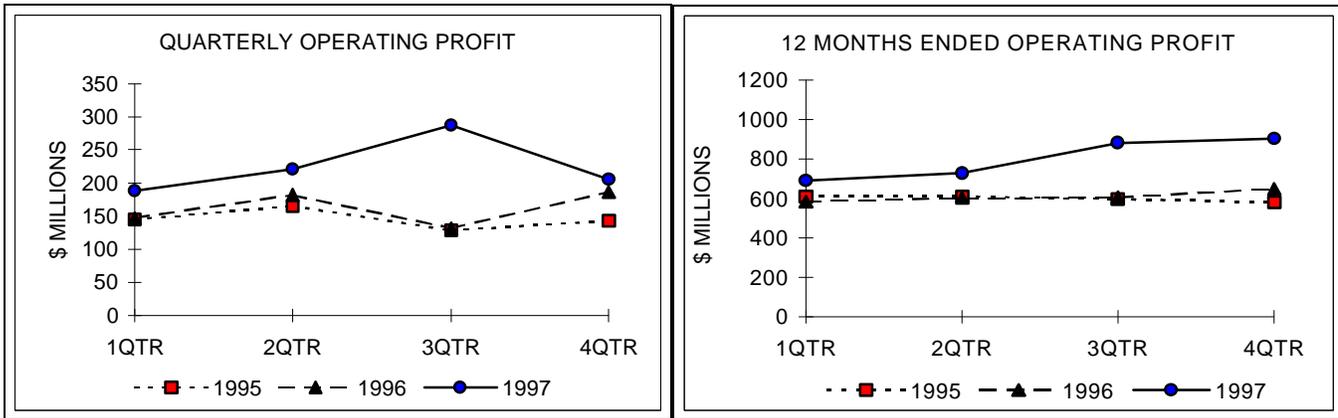
	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	8.5	14.2	13.4	15.0	12.3	11.6	10.5
27 Operating Expenses (%)	12.8	12.6	13.4	13.4	11.8	11.3	10.3
28 Operating Profit (Loss) (in Millions \$)	-88.5	63.1	114.4	266.0	140.8	113.5	100.3
29 Net Income (Loss)(in Millions \$)	-61.4	29.8	55.9	147.0	85.6	67.4	42.3
30 RTMs (All Svc.) (%)	18.4	4.5	8.2	4.4	4.4	3.7	4.8
31 ATMs (All Svc.) (%)	10.3	7.2	7.9	7.0	6.6	5.6	5.9
32 Operating Revenues per RTM (%)	-8.4	9.3	4.9	10.1	7.6	7.6	5.5
33 Operating Expense per RTM (%)	-4.7	7.7	4.9	8.7	7.2	7.3	5.3
34 Passenger Revenue per RPM (Sch. Sv	++	++	++	++	++	++	++

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	790.6	678.0	2,837.9	2,725.3	2,613.7	2,489.9	2,377.7
2 Operating Expenses	773.9	678.5	2,867.5	2,772.0	2,659.9	2,582.6	2,526.8
3 Operating Profit (Loss)	16.7	-0.5	-29.6	-46.7	-46.2	-92.6	-149.2
4 Net Income (Loss)	8.9	-6.4	-26.1	-41.5	-39.5	-63.7	-95.1
<u>TRAFFIC: (Billions)</u>							
5 RTMs - Scheduled Rev. Svc.	0.90	0.79	3.23	3.11	3.01	2.88	2.72
6 ATMs - Scheduled Rev. Svc.	1.42	1.21	5.03	4.82	4.68	4.56	4.42
7 Overall RTMs (All Services)	0.93	0.83	3.37	3.26	3.16	3.02	2.88
8 Overall ATMs (All Services)	1.47	1.27	5.28	5.07	4.91	4.80	4.69
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	84.6	82.0	84.3	83.6	82.8	82.3	82.6
10 Operating Expense per RTM	82.8	82.0	85.2	85.0	84.3	85.4	87.8
11 Operating Profit (Loss) per RTM	1.8	-0.1	-0.9	-1.4	-1.5	-3.1	-5.2
12 Operating Expense per ATM	52.7	53.6	54.3	54.6	54.2	53.8	53.9
13 Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	2.1	-0.1	-1.0	-1.7	-1.8	-3.7	-6.3
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	0.0	-1.1	-1.1	-3.0	-5.3
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	63.7	65.3	63.8	64.2	64.3	63.0	61.4
23 Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	16.6	19.9	19.4	20.3	19.3	17.2	14.6
27 Operating Expenses (%)	14.1	14.4	13.5	13.5	12.5	12.8	14.1
28 Operating Profit (Loss) (in Millions \$)	17.2	27.0	119.6	129.5	127.6	72.6	-10.3
29 Net Income (Loss)(in Millions \$)	15.3	14.4	69.0	67.9	72.4	43.9	-5.7
30 RTMs (All Svc.) (%)	13.0	17.4	17.0	18.3	18.3	15.2	9.3
31 ATMs (All Svc.) (%)	15.9	10.9	12.6	11.2	9.5	10.0	8.5
32 Operating Revenues per RTM (%)	3.2	2.1	2.1	1.7	0.9	1.6	4.8
33 Operating Expense per RTM (%)	1.0	-2.6	-3.0	-4.1	-4.9	-2.1	4.4
34 Passenger Revenue per RPM (Sch. Sv	++	++	++	++	++	++	++

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



QUARTERLY RESULTS

- Federal Express reported its highest operating and net results for any fourth quarter in its history.
- Operating profit rose \$19 million to \$205.2 million even though operating expenses, up 14.1 percent, grew slightly faster than operating revenues, up 13.9 percent.
- Net income increased \$7.5 million to \$99.7 million.
- Only Pacific operations reported an operating and/or net loss. Atlantic operations, however, experienced the only year-to-year deteriorations in operating and/or net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	194.9	216.9	22.0	100.3	110.2	9.9	1.0	1.0	5.5	1.6	1.7	5.0	60.7%
Int'l	-8.7	-11.7	-3.0	-8.2	-10.6	-2.4	0.6	0.7	11.3	0.9	1.0	16.4	66.8%
Atlantic	17.2	4.5	-12.7	8.8	1.2	-7.6	0.2	0.2	30.7	0.2	0.3	31.0	69.2%
Latin	6.4	9.1	2.7	3.3	4.7	1.5	0.0	0.1	9.0	0.1	0.1	11.4	54.2%
Pacific	-32.3	-25.3	7.1	-20.2	-16.5	3.7	0.4	0.4	4.6	0.6	0.7	11.5	67.5%
System	186.2	205.2	19.0	92.2	99.7	7.5	1.6	1.7	7.7	2.5	2.7	9.0	63.0%

- Total fuel expenses dropped 11.3 percent (\$15.5 million) despite an increase in consumption of 8.5 percent as unit fuel prices fell 18.2 percent.
- The ton load factor dipped 0.8 percentage points to 63 percent as ATM capacity, up 9 percent, grew at a faster pace than RTM traffic, up 7.7 percent.
- Total debt increased \$217.6 million to \$1.57 billion, leading to a major group high jump in total interest expense, up \$9.3 million to \$32.4 million.

12-MONTH RESULTS

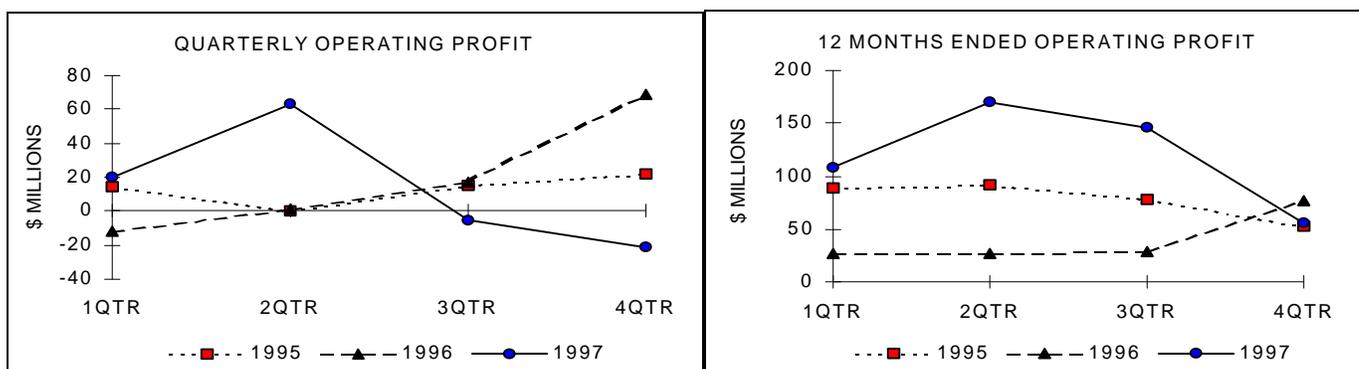
- Operating and net results for the 12-months ended December 1997 were the highest for any 12-month period in the carrier's history.
- Operating profit soared \$254.1 million to \$901.1 million, as operating revenues, up 16.3 percent, grew faster than operating expenses, up 14.8 percent.
- Net income gained \$139.7 million to \$458.2 million.
- RTM traffic rose 14.1 percent while ATM capacity was up a lesser 10.7 percent causing the ton load factor to rise 1.8 percentage points to 63.3 percent.
- Despite an increase in total debt, soaring equity pushed the debt-to-investment ratio down 0.2 percentage points to 32.7 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	3,357.8	2,948.7	12,730.2	12,321.1	11,647.2	11,282.9	10,950.2
2 Operating Expenses	3,152.6	2,762.5	11,829.2	11,439.0	10,920.4	10,594.6	10,303.2
3 Operating Profit (Loss)	205.2	186.2	901.1	882.0	726.8	688.3	647.0
4 Net Income (Loss)	99.7	92.2	458.2	450.7	368.9	345.4	318.5
<u>TRAFFIC: (Billions)</u>							
5 RTMs - Scheduled Rev. Svc.	1.66	1.53	6.23	6.10	5.85	5.65	5.40
6 ATMs - Scheduled Rev. Svc.	2.65	2.40	9.83	9.59	9.24	9.02	8.76
7 Overall RTMs (All Services)	1.71	1.59	6.42	6.30	6.04	5.86	5.63
8 Overall ATMs (All Services)	2.71	2.49	10.14	9.92	9.55	9.39	9.16
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	196.3	185.7	198.2	195.5	192.7	192.4	194.4
10 Operating Expense per RTM	184.3	174.0	184.1	181.5	180.7	180.7	182.9
11 Operating Profit (Loss) per RTM	12.0	11.7	14.0	14.0	12.0	11.7	11.5
12 Operating Expense per ATM	116.2	111.0	116.6	115.3	114.3	112.9	112.5
13 Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.82	2.83	2.78	2.75	2.74
15 Times Interest Earned	*	*	7.99	8.51	7.53	7.21	6.74
16 Current Assets to Current Liabilities	*	*	1.09	1.15	1.10	1.22	1.13
17 No. of Days Cash Coverage of Cash Ex	*	*	3.9	6.8	4.4	3.9	3.5
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	6.1	6.3	7.1	7.2	6.2	6.1	5.9
19 Net Income to Stockholders Equity	*	*	15.3	15.6	13.3	12.9	12.3
20 Corporate Return on Investment	*	*	12.7	12.7	11.1	10.8	10.4
21 Debt to Total Investment	*	*	32.7	33.3	33.7	35.7	32.9
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	63.0	63.8	63.3	63.5	63.3	62.5	61.5
23 Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	83,890	75,640	79,643	77,580	76,155	74,886	73,792
25 Overall RTM's per Employee (000)	20.4	21.0	80.7	81.2	79.4	78.3	76.3

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	13.9	14.5	16.3	16.5	13.2	12.5	11.4
27 Operating Expenses (%)	14.1	13.6	14.8	14.7	12.7	12.1	11.5
28 Operating Profit (Loss) (in Millions \$)	19.0	43.2	254.1	278.1	126.6	104.9	66.1
29 Net Income (Loss)(in Millions \$)	7.5	21.7	139.7	153.9	82.0	69.3	36.1
30 RTMs (Sch. Svc.) (%)	7.7	16.0	14.1	16.4	14.9	13.8	10.0
31 ATMs (Sch. Svc.) (%)	9.0	10.1	10.7	11.0	9.0	10.1	9.5
32 Operating Revenues per RTM (%)	5.7	-1.3	2.0	0.1	-1.5	-1.2	1.3
33 Operating Expense per RTM (%)	5.9	-2.0	0.7	-1.5	-1.9	-1.5	1.3
34 Passenger Revenue per RPM (Sch. Sv	++	++	++	++	++	++	++

QUARTERLY FINANCIAL & TRAFFIC REVIEW SYSTEM OPERATIONS UNITED PARCEL SERVICE



QUARTERLY RESULTS

- United Parcel Service (UPS) was the only major carrier to report an operating loss during the fourth quarter 1997. It was also one of only two major carriers (the other being Trans World) that experienced a fourth quarter net loss. The year-to-year declines in both operating and net results were the largest among all majors. Much of these losses reflect the lingering effects of the 15-day Teamsters strike in August 1997.
- Operating revenues dropped 11.6 percent, but operating expenses increased 6.8 percent, causing operating results to plunge \$90.3 million to a loss of \$21.2 million.
- Net results dropped \$53.6 million to a loss of \$25.9 million.
- Slumping domestic operations were largely responsible for the sharp system operating and net declines and losses. Atlantic and Pacific operations posted strong operating and net gains, and were mostly profitable.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	60.9	-49.6	-110.5	25.9	-45.3	-71.3	0.7	0.9	36.9	1.3	1.5	17.0	62.8%
Int'l	8.2	28.3	20.1	1.7	19.5	17.7	0.2	0.3	17.8	0.4	0.4	15.0	56.3%
Atlantic	-1.7	8.6	10.3	-0.7	5.8	6.5	0.1	0.1	5.6	0.1	0.1	0.5	61.9%
Latin	2.9	-1.5	-4.5	0.8	-0.8	-1.6	0.0	0.0	95.2	0.0	0.0	128.3	50.0%
Pacific	7.0	21.3	14.4	1.6	14.5	12.8	0.1	0.2	20.3	0.3	0.3	16.8	54.6%
System	69.1	-21.2	-90.3	27.7	-25.9	-53.5	0.9	1.2	32.4	1.7	1.9	16.6	61.3%

- RTM traffic jumped 32.4 percent, more than twice the 16.6 percent increase in ATM capacity, causing the ton load factor to rise 7.3 percentage points to 61.3 percent.
- Despite the strong traffic growth, profitability fell as RTM yield tumbled 33.2 percent and RTM unit costs were down a lesser 19.3 percent.
- Total fuel expense was up 6.2 percent (\$5.3 million), the largest increase among all majors. Unit fuel prices dipped 0.8 percent, but consumption rose 7.1 percent.
- Productivity (RTMs per employee) was still a major group high, up from 217.1 to 273.1.

12-MONTH RESULTS

- Reflecting, in part, the poor fourth quarter results, operating and net results for the 12-month ended December 1997 declined over the same period a year ago for the first time since the 12-months ended September 1996.
- Operating profit declined \$20 million to \$56.1 million.
- Net income was down \$14.8 million to \$15.3 million.
- RTMs increased 5.9 percent, but ATM capacity rose a faster 7.2 percent causing the ton load factor to dip 0.8 percentage points to 55.5 percent.
- Productivity (RTMs per employee) continued to be very high when compared with all other majors, rising from 828.7 a year ago to 830.7.
- Total debt rose \$1.2 billion to \$2.69 billion. This, coupled with declining equity, caused the debt-to-investment ratio to jump a major group high 12.9 percentage points to 74.4 percent, also a group high.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9712	9612	9712	9709	9706	9703	9612
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	458.4	518.3	1,862.6	1,922.6	1,942.8	1,863.9	1,792.2
2 Operating Expenses	479.6	449.2	1,806.5	1,776.1	1,773.5	1,756.4	1,716.1
3 Operating Profit (Loss)	-21.2	69.1	56.1	146.4	169.3	107.6	76.1
4 Net Income (Loss)	-25.9	27.7	15.3	68.8	84.4	49.4	30.1
<u>TRAFFIC: (Billions)</u>							
5 RTMs - Scheduled Rev. Svc.	0.25	0.21	0.84	0.81	0.80	0.76	0.74
6 ATMs - Scheduled Rev. Svc.	0.44	0.38	1.52	1.47	1.45	1.39	1.35
7 Overall RTMs (All Services)	1.18	0.89	3.55	3.26	3.33	3.27	3.36
8 Overall ATMs (All Services)	1.93	1.66	6.40	6.13	6.16	5.97	5.97
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	38.7	57.9	52.4	58.9	58.3	57.0	53.4
10 Operating Expense per RTM	40.5	50.2	50.8	54.4	53.2	53.8	51.1
11 Operating Profit (Loss) per RTM	-1.8	7.7	1.6	4.5	5.1	3.3	2.3
12 Operating Expense per ATM	24.8	27.1	28.2	29.0	28.8	29.4	28.7
13 Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	0.59	0.65	0.69	0.68	0.65
15 Times Interest Earned	*	*	3.53	10.01	13.13	10.45	8.67
16 Current Assets to Current Liabilities	*	*	1.12	1.26	1.72	2.34	1.99
17 No. of Days Cash Coverage of Cash Ex	*	*	2.2	3.5	3.5	2.5	1.0
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	-4.6	13.3	3.0	7.6	8.7	5.8	4.2
19 Net Income to Stockholders Equity	*	*	1.6	7.4	9.3	5.5	3.4
20 Corporate Return on Investment	*	*	1.0	2.8	3.5	2.2	1.4
21 Debt to Total Investment	*	*	74.4	73.5	71.1	67.3	61.5
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	61.3	54.0	55.5	53.3	54.2	54.7	56.2
23 Breakeven	++	++	++	++	++	++	++
<u>Employment & Productivity:</u>							
24 Employment, Total Weighted Avg CY	4,338	4,123	4,279	4,226	4,159	4,101	4,052
25 Overall RTM's per Employee (000)	273.1	217.1	830.7	772.5	801.6	796.8	828.7

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	-11.6	19.5	3.9	12.6	15.9	13.5	10.0
27 Operating Expenses (%)	6.8	9.2	5.3	5.8	7.6	8.7	8.8
28 Operating Profit (Loss) (in Millions \$)	-90.3	46.9	-20.0	117.2	141.8	81.3	24.0
29 Net Income (Loss)(in Millions \$)	-53.6	22.4	-14.8	61.1	76.1	42.1	0.5
30 RTMs (Sch. Svc.) (%)	32.4	-2.7	5.9	-3.5	-1.0	-2.8	0.3
31 ATMs (Sch. Svc.) (%)	16.6	5.8	7.2	4.2	5.2	2.3	2.6
32 Operating Revenues per RTM (%)	-33.2	22.9	-1.9	16.6	17.1	16.6	9.7
33 Operating Expense per RTM (%)	-19.3	12.3	-0.6	9.7	8.8	11.9	8.5
34 Passenger Revenue per RPM (Sch. Sv	++	++	++	++	++	++	++

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> [Scheduled passenger revenue (Account 3901) - Traffic operating expense, passenger scheduled service] / Actual passenger load factor, scheduled service</p>
24	Difference, actual-breakeven load factor	<p>Actual (Line 22) - Breakeven (Line 23)</p>
25	Employees	<p>Number of full time employees (Average for 12-month ended period)</p>
26	Overall revenue ton-miles per employee	<p><u>Overall revenue ton-miles (Item Z-240)</u> <u>Average # of employees (See Line 25)</u></p>