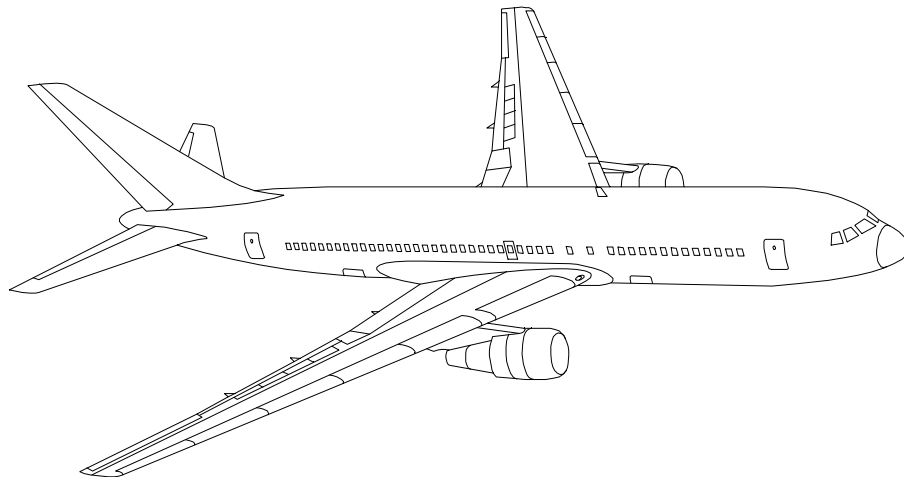


AIRLINE QUARTERLY FINANCIAL REVIEW

FOURTH QUARTER 1998



MAJORS



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

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INTRODUCTION

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

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

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

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

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

QUARTERLY RESULTS

- Four major carriers (Alaska, Federal Express, Southwest and US Airways) reported individual all-time company fourth quarter records in both operating and net profit, while United reported an all-time fourth quarter record in operating profit, and both Continental and Delta reported a fourth quarter record in net profit.
- Operating revenues approached \$25 billion, climbed 0.9 percent, but operating expenses rose twice as fast, up 1.8 percent, causing operating profit to fall \$200 million to \$1.37 billion. This decline arose solely from the passenger major group, which was down \$346 million to \$1.03 billion, as the all-cargo major group gained \$146 million to \$347.8 million.
- Net income dropped \$675.4 million to \$595.7 million. The passenger majors were down \$695.7 million to \$486.3 million, while the all-cargo group improved of \$20.2 million to \$109.4 million.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	4Q 97	4Q 98	\$CHANGE	4Q 97	4Q 98	\$CHANGE
TOTAL ALL MAJORS	1574.5	1374.5	-200.0	1271.1	595.7	-675.4
TOTAL PASSENGER MAJORS	1372.7	1026.7	-346.0	1182.0	486.3	-695.7
ALASKA	23.5	35.2	11.7	14.5	24.8	10.3
AMERICA WEST	41.5	34.8	-6.7	20.5	19.1	-1.4
AMERICAN	334.8	262.9	-71.9	199.9	165.4	-34.5
CONTINENTAL	115.7	108.9	-6.8	55.9	62.6	6.7
DELTA	332.1	318.0	-14.1	189.5	193.5	4.0
NORTHWEST	243.5	-176.6	-420.1	113.0	-162.2	-275.2
SOUTHWEST	128.9	159.4	30.5	80.6	100.4	19.8
TRANS WORLD	0.5	-65.7	-66.2	-31.2	-79.1	-47.9
UNITED	84.1	178.4	94.3	19.5	48.0	28.5
US AIRWAYS	68.0	171.5	103.5	519.8	113.7	-406.1
TOTAL ALL-CARGO MAJORS	201.8	347.8	146.0	89.2	109.4	20.2
DHL AIRWAYS	17.8	61.4	43.6	15.4	-7.9	-23.3
FEDERAL EXPRESS	205.2	281.3	76.1	99.7	130.5	30.8
UNITED PARCEL SERVICE	-21.2	5.1	26.3	-25.9	-13.2	12.7

- All majors benefited from significant declines in total fuel expenses, down \$508.9 million (20.1 percent) for the group, brought on by tumbling unit fuel prices, down 22.2 percent. Total fuel consumption rose 3.1 percent. Total fuel expense comprised 8.6 percent of total operating expenses, down from 10.9 percent in 1997, and 13.1 percent in 1996.
- The passenger load factor was unchanged at 68.6 percent as RPM traffic rose 2.6 percent while ASM capacity increased 2.7 percent.
- Passenger (RPM) yield fell 4.1 percent to 12.56 cents.
- Interest expense jumped \$63.5 million to \$433.7 million.
- Total debt for the group was up \$3.14 billion to \$25.5 billion. United also jumped \$1.1 billion and Northwest soared \$2 billion. Rising equity offset this increase, however, leaving the overall debt-to-investment ratio unchanged at 45.6 percent.

12-MONTH RESULTS

- Operating and net results for the calendar year 1998 were second only to those of a year ago. Although the results of most individual carriers were improved from a year ago, very sharp declines by Northwest in both operating and net results, due to the lingering effects from its August/September 1998 pilots' strike, and a large decline in net results reported by US Airways, reflecting last year's large positive non-operating gain, impaired the overall group results.
- For calendar year 1998, nine of the thirteen majors (excluding Continental, Northwest, TWA and UPS) reported all time company records in operating profit for any calendar year.
- Operating profit dipped \$24.6 million to \$8.53 billion. The passenger group declined \$52.7 to \$7.47 billion, but the all-cargo group improved \$28.1 million to \$1.06 billion.
- Net results fell \$908.4 million to \$4.58 billion. The passenger group dropped \$888.1 million to \$4.14 billion, and the all-cargo group declined \$22.6 million to \$438.2 million.

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

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	24,968.9	24,756.0	101,615.8	101,402.9	101,176.6	99,928.7	99,280.4
2	Operating Expenses	23,594.4	23,181.5	93,084.5	92,671.6	92,120.4	91,180.3	90,724.5
3	Operating Profit (Loss)	1,374.5	1,574.5	8,531.3	8,731.3	9,056.2	8,748.4	8,555.9
4	Net Income (Loss)	595.7	1,271.1	4,577.4	5,252.9	5,793.4	5,595.1	5,488.1
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	141.92	138.31	582.99	579.38	577.84	571.21	570.00
6	ASMs - Scheduled Rev. Svc.	206.86	201.50	818.17	812.81	813.45	809.15	804.79
7	Overall RTMs (All Svc.)	19.83	19.58	79.88	79.64	79.45	78.57	77.92
8	Overall ATMs (All Svc.)	35.10	33.96	137.62	136.48	135.81	134.40	132.85
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	125.9	126.4	127.2	127.3	127.3	127.2	127.4
10	Operating Expense per RTM	119.0	118.4	116.5	116.4	115.9	116.1	116.4
11	Operating Profit (Loss) per RTM	6.9	8.0	10.7	11.0	11.4	11.1	11.0
12	Operating Expense per ATM	67.2	68.3	67.6	67.9	67.8	67.8	68.3
13	Passenger Revenue per RPM	12.56	13.10	12.78	12.91	12.95	12.95	12.94
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	1.93	2.00	2.07	2.14	2.23
15	Times Interest Earned	*	*	6.17	6.45	7.13	6.96	6.58
16	Current Assets to Current Liabilities	*	*	0.73	0.75	0.79	0.78	0.77
17	No. of Days Cash Coverage of Cash Ex	*	*	30.1	35.0	43.4	40.0	39.1
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	5.5	6.4	8.4	8.6	9.0	8.8	8.6
19	Net Income to Stockholders Equity	*	*	15.9	19.0	22.0	22.6	23.6
20	Corporate Return on Investment	*	*	11.5	13.2	14.8	15.0	15.6
21	Debt to Total Investment	*	*	45.6	44.5	45.5	45.4	45.6
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	68.6	68.6	71.3	71.3	71.0	70.6	70.8
23	Breakeven	67.1	65.3	66.2	65.7	65.0	64.8	65.2
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	503,608	480,312	495,788	489,964	484,093	477,525	472,040
25	Overall RTM's per Employee (000)	39.4	40.8	161.1	162.5	164.1	164.5	165.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.9	7.6	2.4	4.0	5.5	5.7	7.5
27	Operating Expenses (%)	1.8	4.6	2.6	3.3	4.1	4.3	5.1
28	Operating Profit (Loss) (in Millions \$)	-200.0	738.1	-24.6	913.5	1,675.5	1,632.1	2,536.8
29	Net Income (Loss)(in Millions \$)	-675.4	1,014.0	-910.7	778.8	2,029.9	1,983.1	2,681.5
30	RPMs (Sch. Svc.) (%)	2.6	3.7	2.3	2.5	3.4	3.4	4.8
31	ASMs (Sch. Svc.) (%)	2.7	2.9	1.7	1.7	2.6	2.9	3.3
32	Operating Revenues per RTM (%)	-0.4	2.2	-0.2	0.4	0.7	0.6	1.5
33	Operating Expense per RTM (%)	0.5	-0.7	0.1	-0.2	-0.7	-0.7	-0.8
34	Passenger Revenue per RPM (Sch. Svc)	-4.1	3.6	-1.2	0.6	0.8	0.4	0.8

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	19,216.7	18,784.0	77,650.8	77,218.1	76,601.2	75,457.8	74,942.4
2	Operating Expenses	17,844.1	17,476.9	70,114.8	69,747.7	69,233.5	68,603.7	68,307.3
3	Operating Profit (Loss)	1,372.6	1,307.1	7,536.0	7,470.5	7,367.7	6,854.1	6,635.1
4	Net Income (Loss)	691.0	1,115.4	4,067.0	4,491.5	4,837.9	4,616.6	4,435.1
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	103.59	100.31	421.94	418.66	416.59	412.39	412.36
6	ASMs - Scheduled Rev. Svc.	151.97	147.79	597.12	592.95	594.19	593.40	592.22
7	Overall RTMs (All Svc.)	13.34	13.04	53.56	53.26	53.08	52.61	52.36
8	Overall ATMs (All Svc.)	23.68	23.00	92.35	91.67	91.51	91.19	90.69
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	144.1	144.0	145.0	145.0	144.3	143.4	143.1
10	Operating Expense per RTM	133.8	134.0	130.9	131.0	130.4	130.4	130.5
11	Operating Profit (Loss) per RTM	10.3	10.0	14.1	14.0	13.9	13.0	12.7
12	Operating Expense per ATM	75.4	76.0	75.9	76.1	75.7	75.2	75.3
13	Passenger Revenue per RPM	13.46	13.99	13.70	13.83	13.79	13.73	13.68
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	7.1	7.0	9.7	9.7	9.6	9.1	8.9
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	13.1	14.6	16.2	16.3	16.6
21	Debt to Total Investment	*	*	**	**	**	**	**
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	68.2	67.9	70.7	70.6	70.1	69.5	69.6
23	Breakeven	65.4	64.0	64.5	64.2	63.7	63.7	64.1
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

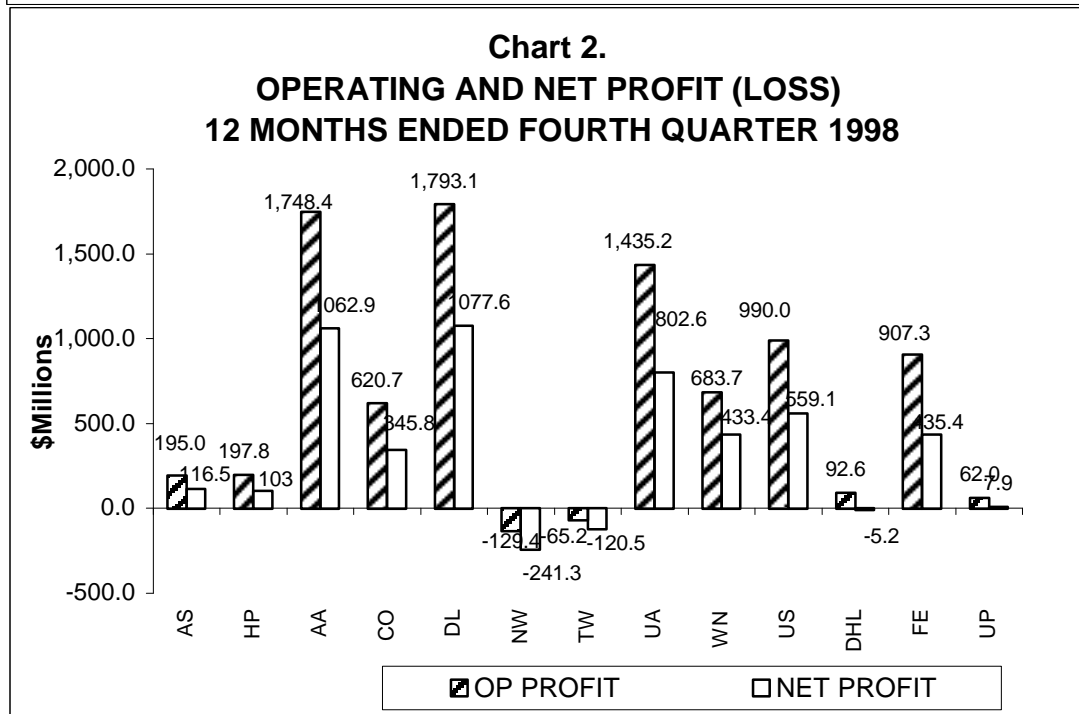
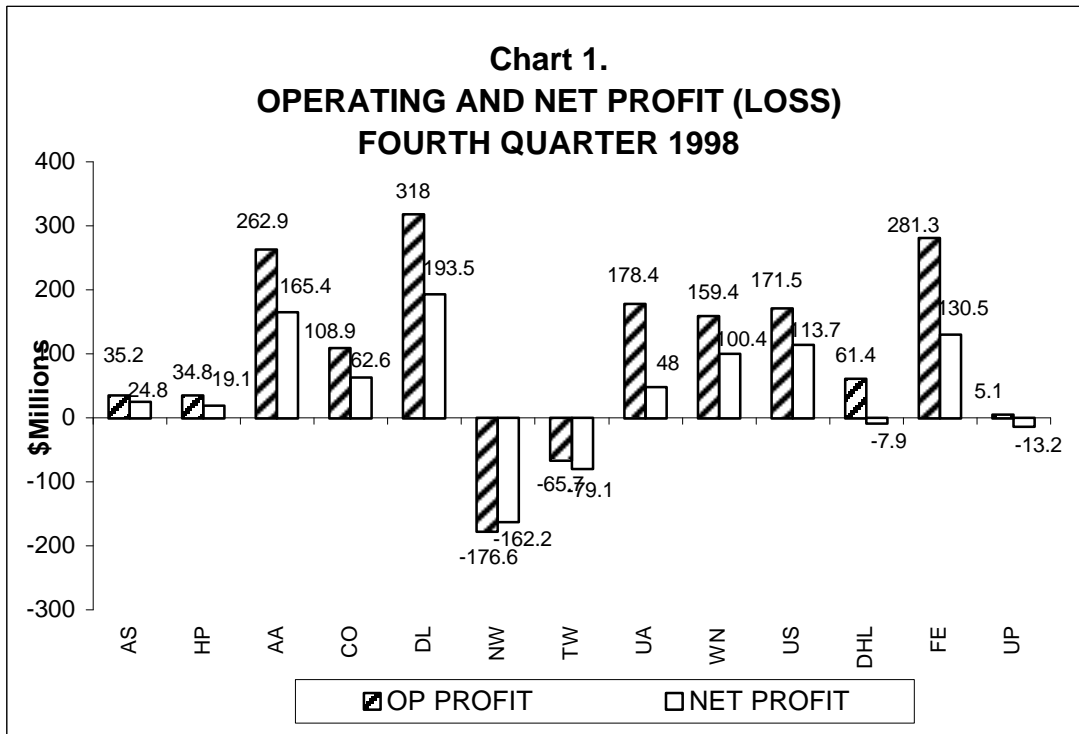
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	2.3	7.3	3.6	4.8	5.6	5.2	7.0
27	Operating Expenses (%)	2.1	4.3	2.6	3.2	3.7	4.1	5.4
28	Operating Profit (Loss) (in Millions \$)	65.5	550.8	900.9	1,386.2	1,578.0	999.0	1,403.7
29	Net Income (Loss)(in Millions \$)	-424.4	851.0	-368.1	907.4	1,890.3	1,675.5	1,989.9
30	RPMs (Sch. Svc.) (%)	3.3	3.0	2.3	2.3	2.8	2.9	4.6
31	ASMs (Sch. Svc.) (%)	2.8	1.8	0.8	0.6	1.5	2.1	3.0
32	Operating Revenues per RTM (%)	0.1	3.7	1.3	2.2	2.1	1.5	2.4
33	Operating Expense per RTM (%)	-0.2	0.8	0.3	0.7	0.3	0.5	0.9
34	Passenger Revenue per RPM (Sch. Svc)	-3.8	4.7	0.1	2.2	1.6	0.5	0.8

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

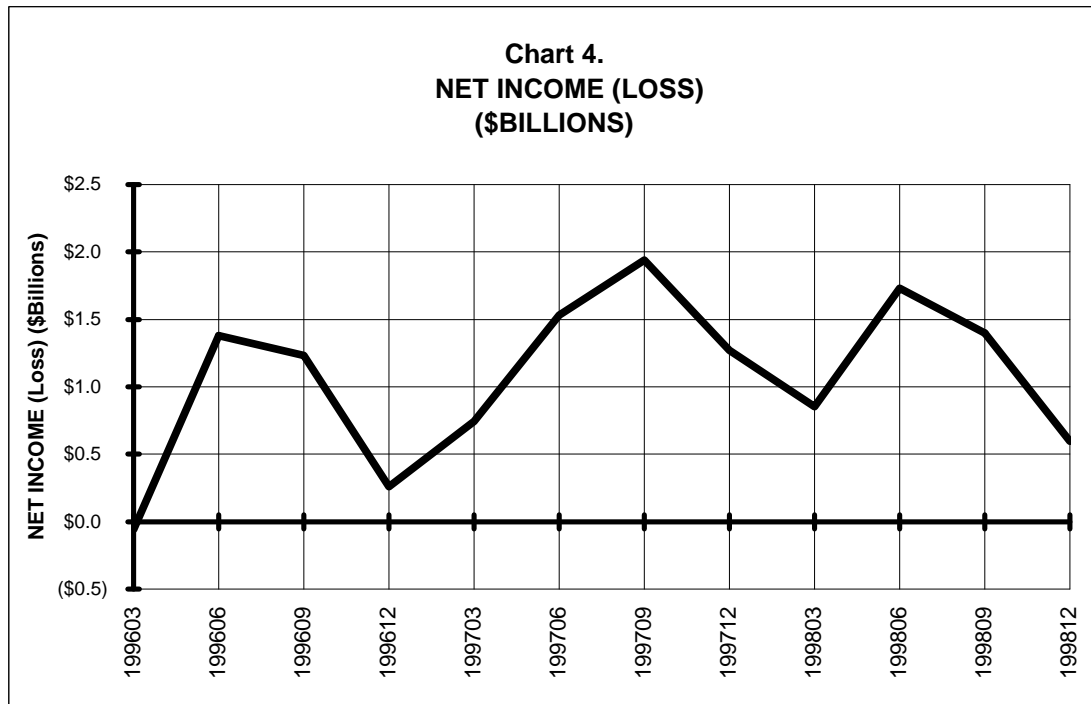
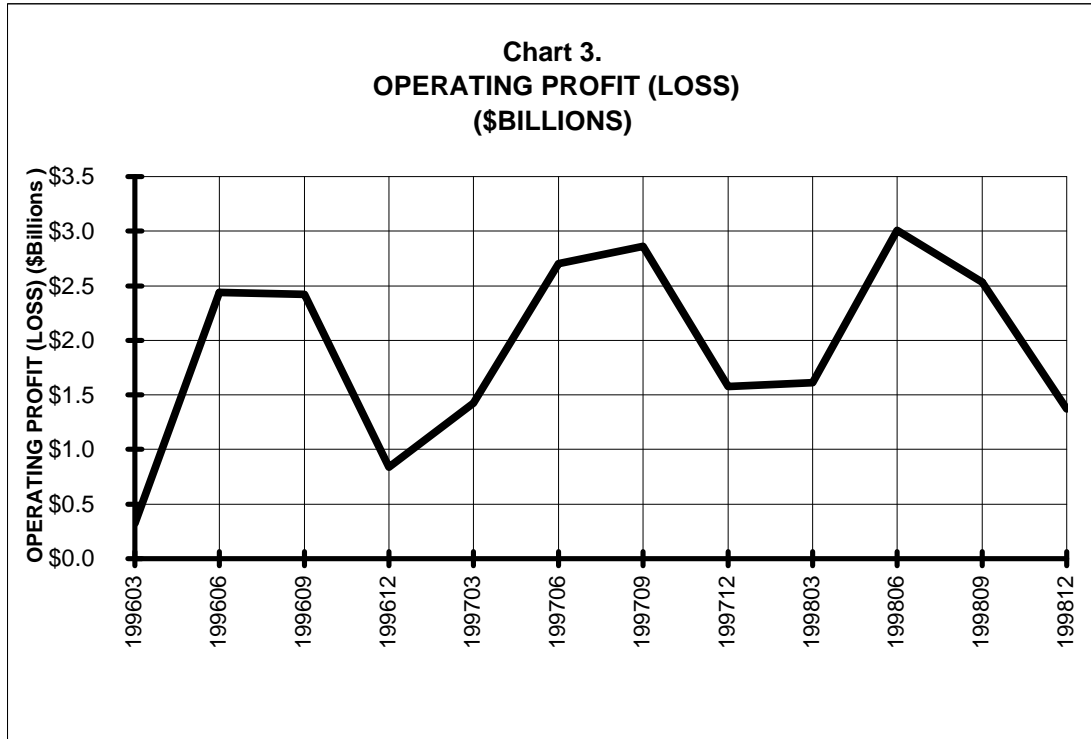
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	5,752.2	5,972.0	23,965.0	24,184.8	24,575.4	24,470.9	24,338.0
2	Operating Expenses	5,750.3	5,704.6	22,969.6	22,923.9	22,886.9	22,576.6	22,417.1
3	Operating Profit (Loss)	1.9	267.4	995.4	1,260.9	1,688.5	1,894.3	1,920.9
4	Net Income (Loss)	-95.3	155.7	510.4	761.4	955.5	978.5	1,053.1
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	38.33	38.00	161.04	160.72	161.25	158.82	157.63
6	ASMs - Scheduled Rev. Svc.	54.89	53.70	221.05	219.86	219.26	215.74	212.57
7	Overall RTMs (All Svc.)	6.49	6.54	26.33	26.38	26.37	25.95	25.56
8	Overall ATMs (All Svc.)	11.42	10.96	45.27	44.81	44.29	43.21	42.16
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	88.6	91.3	91.0	91.7	93.2	94.3	95.2
10	Operating Expense per RTM	88.6	87.2	87.2	86.9	86.8	87.0	87.7
11	Operating Profit (Loss) per RTM	0.0	4.1	3.8	4.8	6.4	7.3	7.5
12	Operating Expense per ATM	50.4	52.1	50.7	51.2	51.7	52.2	53.2
13	Passenger Revenue per RPM	10.13	10.74	10.37	10.51	10.77	10.93	11.01
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	0.0	4.5	4.2	5.2	6.9	7.7	7.9
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	6.9	8.9	10.7	11.2	12.6
21	Debt to Total Investment	*	*	**	**	**	**	**
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	69.8	70.8	72.9	73.1	73.5	73.6	74.2
23	Breakeven	73.3	69.5	71.6	70.7	69.1	67.9	68.2
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-3.7	8.8	-1.5	1.4	5.5	7.3	9.1
27	Operating Expenses (%)	0.8	5.5	2.5	3.6	5.4	4.8	4.2
28	Operating Profit (Loss) (in Millions \$)	-265.5	187.4	-925.5	-472.6	97.5	633.1	1,133.2
29	Net Income (Loss)(in Millions \$)	-251.0	163.0	-542.7	-128.6	139.7	307.6	691.7
30	RPMs (Sch. Svc.) (%)	0.9	5.6	2.2	3.3	4.9	4.5	5.4
31	ASMs (Sch. Svc.) (%)	2.2	6.1	4.0	5.0	5.7	5.1	4.4
32	Operating Revenues per RTM (%)	-3.0	-0.6	-4.4	-3.9	-2.0	-0.7	0.2
33	Operating Expense per RTM (%)	1.6	-3.7	-0.6	-1.8	-2.0	-3.0	-4.3
34	Passenger Revenue per RPM (Sch. Svc.)	-5.7	0.4	-5.8	-4.5	-1.6	0.4	0.9

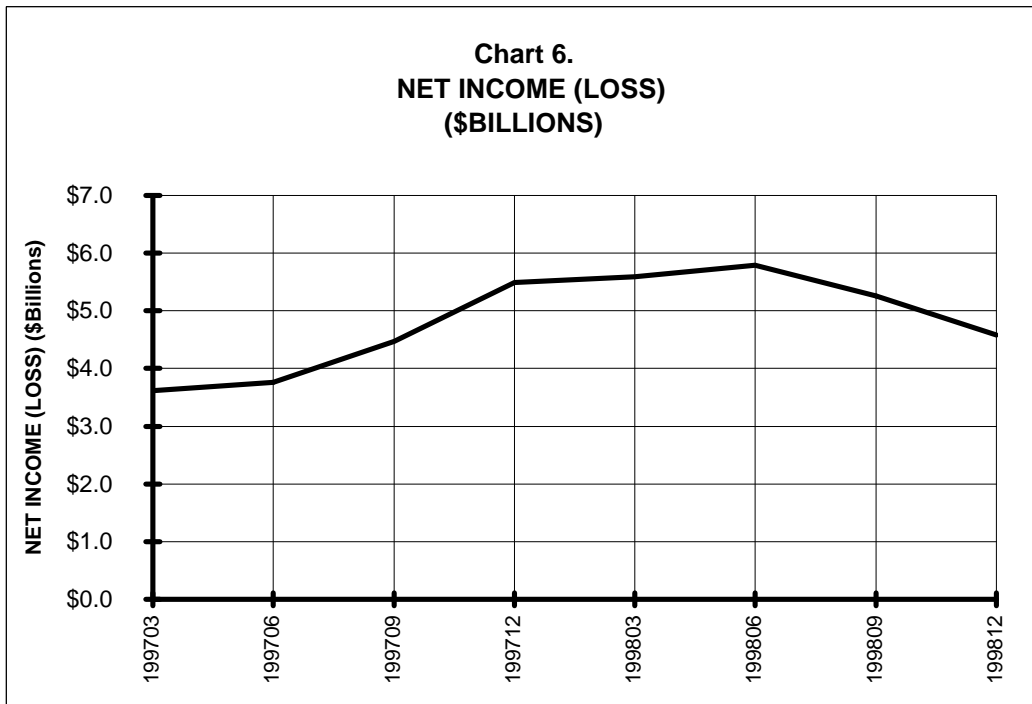
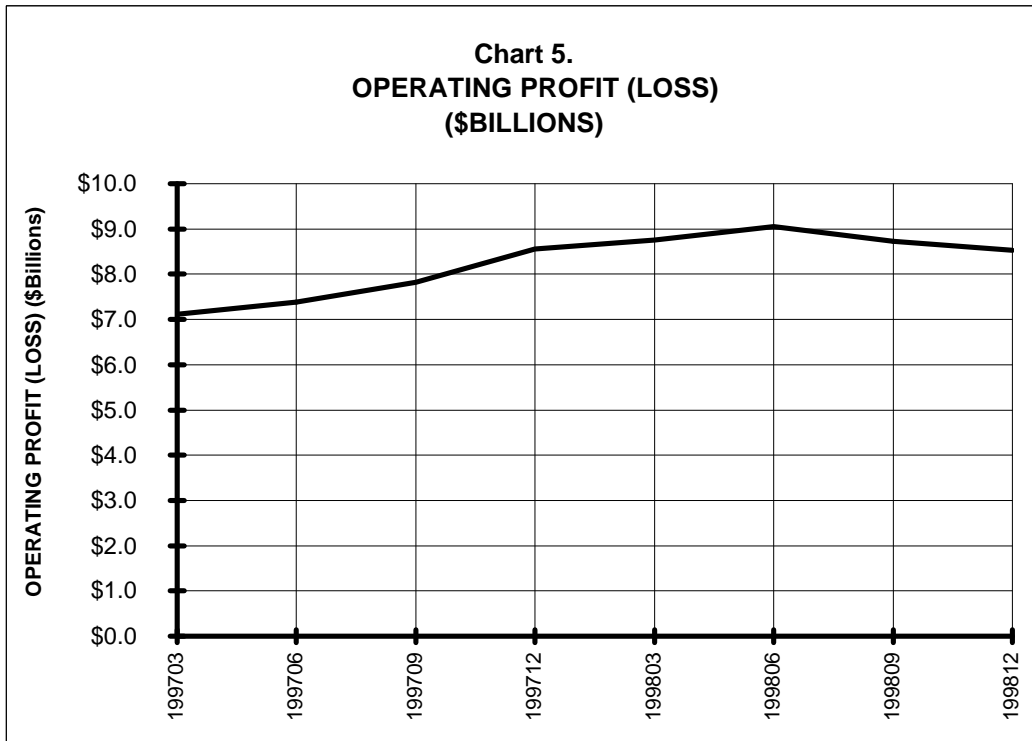
COMPARISONS AMONG MAJOR GROUP AIRLINES



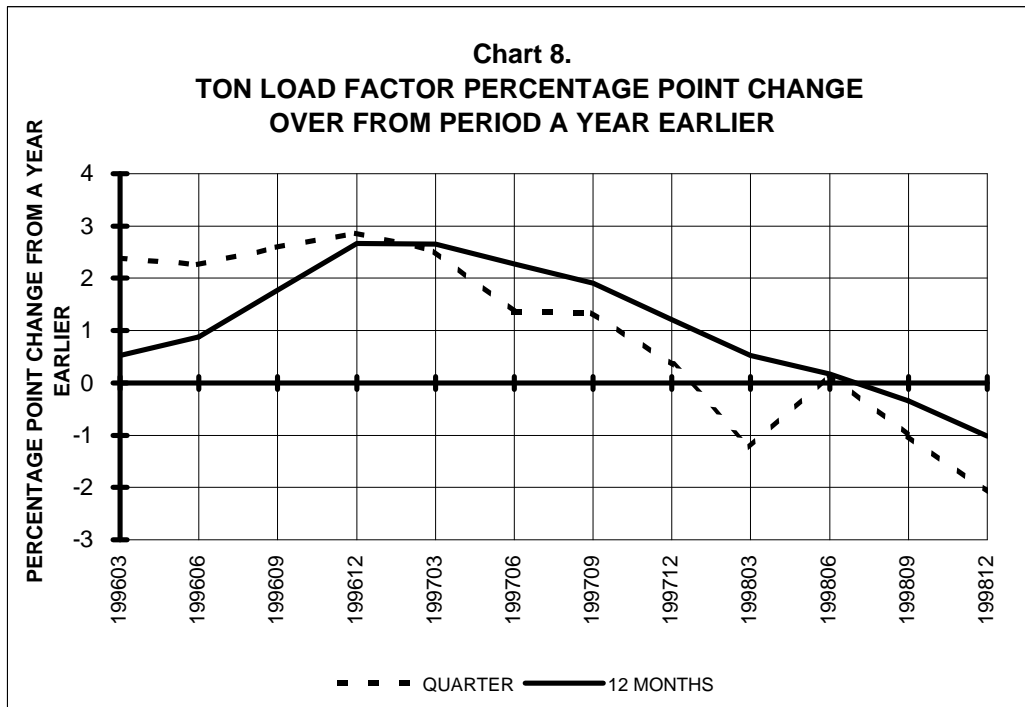
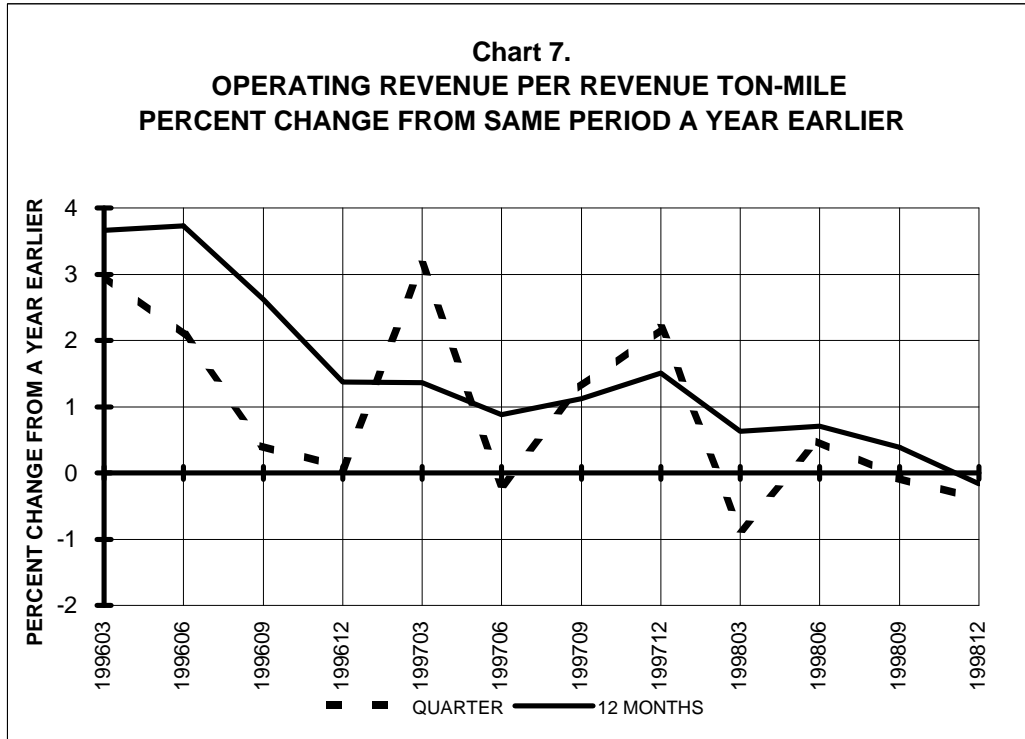
TOTAL ALL MAJORS (SYSTEM) BY QUARTER



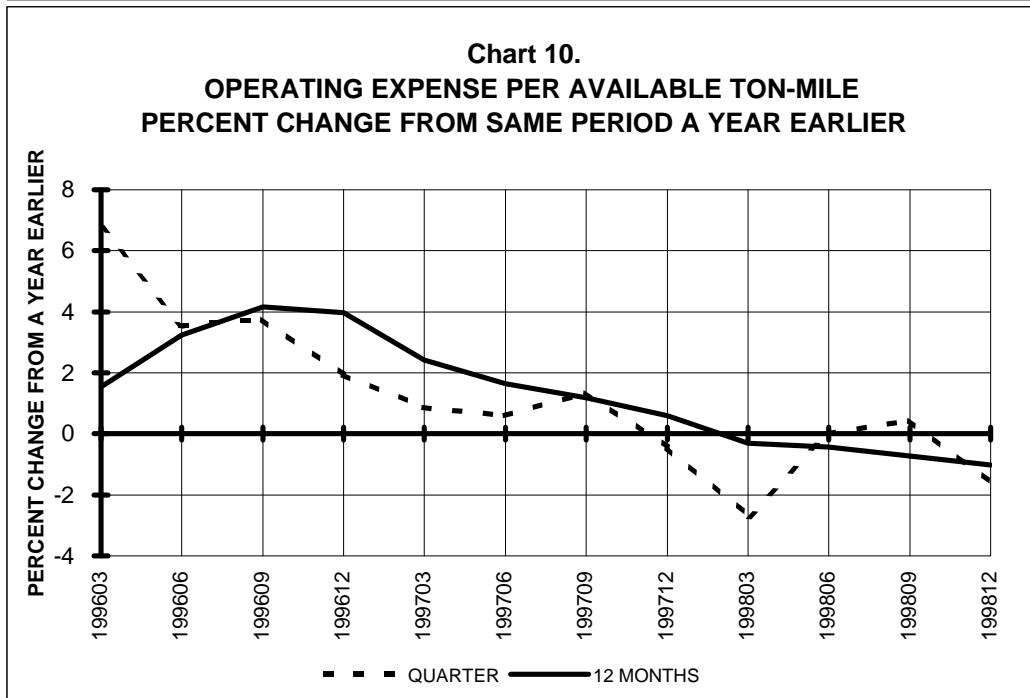
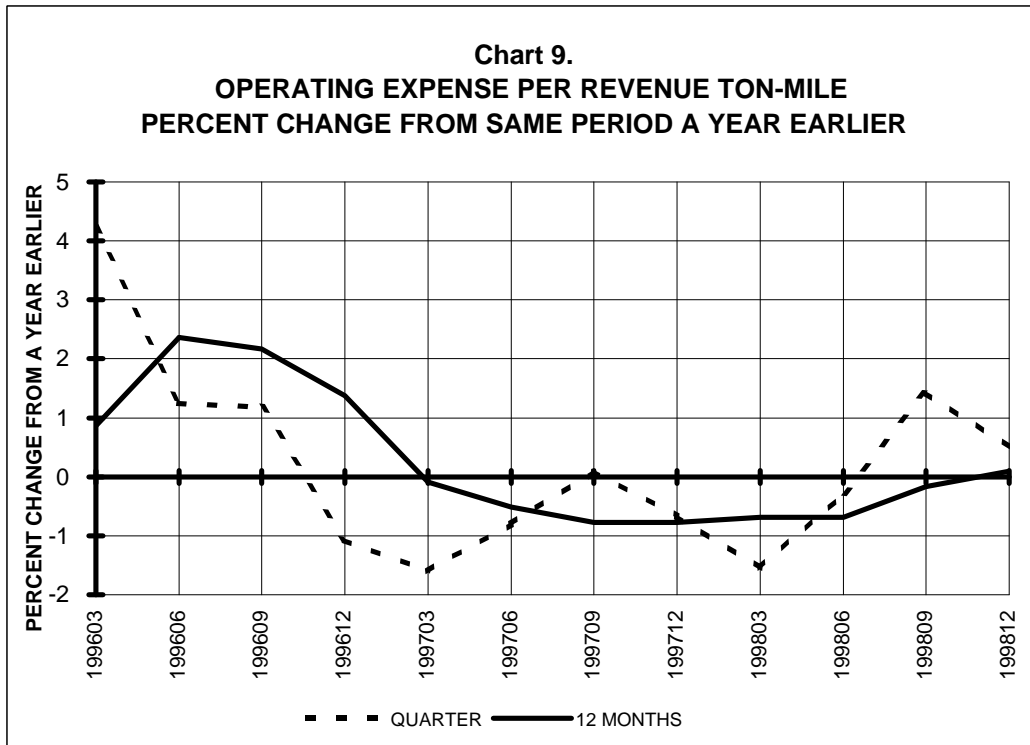
TOTAL ALL MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS



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 1998, all passenger majors, except for Northwest and Trans World, reported an operating and net profit.
- Despite the profitable quarter, six of the ten passenger majors reported declines from a year ago in operating profit, and five reported a decline in net results. Although individual carrier results were mixed, much of the overall group decline was attributable to sharp declines reported by Northwest, reflecting the August 1998 pilots' strike, as well as US Airways' decline in net results, reflecting the impact of a large positive non-operating gain a year ago.
- Operating revenues dipped 0.6 percent, while operating expenses rose 1.1 percent, producing a \$346 million decline in operating profit to \$1.03 billion.
- This decline would have been much larger without the \$440.1 million (19.1 percent) decrease in total fuel expense, which resulted from a 21.5 percent drop in unit fuel prices, as total fuel consumption rose 3.1 percent.
- Net income dropped \$695.7 million to \$486.3 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1997	THIS YEAR 1998	\$ Change	LAST YEAR 1997	THIS YEAR 1998	\$ Change
March	1,213.0	1,443.7	230.8	640.8	780.1	139.3
June	2,390.8	2,733.1	342.3	1,366.0	1,606.1	240.1
Sept.	2,545.7	2,265.9	-279.8	1,838.5	1,266.7	-571.8
Dec.	1,372.7	1,026.7	-346.0	1,182.0	486.3	-695.7

- RPM traffic gained 2.6 percent, and ASM capacity rose 2.7 percent, leaving the passenger load factor unchanged at 68.6 percent.
- Passenger (RPM) yield fell 4.1 percent to 12.56 cents. Only America West and Trans World reported a year-to-year increase.
- Among the entities, only the Pacific division reported an operating and/or net loss. All entities, however, reported a deterioration in both operating and net results from a year ago.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	1,188.9	1,105.6	-83.3	1,096.9	627.2	-469.8	100.3	103.6	3.3	147.8	152.0	2.8	68.2%
Int'l	183.8	-78.9	-262.7	85.0	-140.9	-225.9	38.0	38.3	0.9	53.7	54.9	2.2	69.8%
Atlantic	138.9	94.6	-44.2	70.5	13.6	-56.9	16.3	17.0	4.7	21.7	23.4	7.9	72.7%
Latin	81.4	49.3	-32.1	49.7	24.5	-25.1	7.3	8.1	11.9	11.7	13.1	12.1	62.0%
Pacific	-36.4	-222.9	-186.4	-35.1	-179.1	-143.9	14.5	13.1	-9.0	20.3	18.3	-9.6	71.8%
System	1,372.7	1,026.7	-346.0	1,182.0	486.3	-695.7	138.3	141.9	2.6	201.5	206.9	2.7	68.6%

- Interest expense was up \$23.2 million to \$359.3 million.
- The operating profit margin declined 1.7 percentage points to 5 percent.

12-MONTH RESULTS

- All majors, except for Northwest and Trans World, reported an operating and net profit for calendar year 1998.
- For the group, operating profit was down \$52.7 million to \$7.47 billion, as operating revenue growth, up 1.4 percent, was slightly outpaced by operating expense growth, up 1.6 percent.
- Net results fell \$888.1 million to \$4.14 billion. Much of this decline was attributable to Northwest, which alone experienced a sharp deterioration of \$844.8 million.
- The passenger load factor climbed 0.5 percentage points to 71.3 percent. RPM traffic gained 2.3 percent as ASM capacity was up 1.7 percent.
- Passenger (RPM) yield declined 1.2 percent to 12.78 cents, the first year-to-year decline in over a year.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	20,491.8	20,617.5	84,603.7	84,729.5	84,634.4	83,755.5	83,461.9
2	Operating Expenses	19,465.1	19,244.8	77,134.3	76,914.0	76,539.2	76,002.6	75,939.7
3	Operating Profit (Loss)	1,026.7	1,372.7	7,469.4	7,815.4	8,095.2	7,752.9	7,522.1
4	Net Income (Loss)	486.3	1,182.0	4,139.2	4,834.9	5,406.7	5,166.6	5,027.3
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	141.92	138.31	582.99	579.38	577.84	571.21	570.00
6	ASMs - Scheduled Rev. Svc.	206.86	201.50	818.17	812.81	813.45	809.15	804.79
7	Overall RTMs (All Svc.)	16.94	16.80	68.81	68.66	68.75	68.09	67.76
8	Overall ATMs (All Svc.)	30.07	29.23	118.64	117.80	117.73	116.79	115.79
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	120.9	122.8	123.0	123.4	123.1	123.0	123.2
10	Operating Expense per RTM	114.9	114.6	112.1	112.0	111.3	111.6	112.1
11	Operating Profit (Loss) per RTM	6.1	8.2	10.9	11.4	11.8	11.4	11.1
12	Operating Expense per ATM	64.7	65.8	65.0	65.3	65.0	65.1	65.6
13	Passenger Revenue per RPM	12.56	13.10	12.78	12.91	12.95	12.95	12.94
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.94	2.02	2.10	2.19	2.28
15	Times Interest Earned	*	*	6.42	6.64	7.36	6.97	6.47
16	Current Assets to Current Liabilities	*	*	0.70	0.71	0.76	0.74	0.74
17	No. of Days Cash Coverage of Cash Ex	*	*	35.37	41.10	51.04	46.27	45.48
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Rev	5.0	6.7	8.8	9.2	9.6	9.3	9.0
19	Net Income to Stockholders Equity	*	*	17.1	20.8	24.7	25.3	26.4
20	Corporate Return on Investment	*	*	12.4	14.6	16.6	16.8	17.4
21	Debt to Total Investment	*	*	45.2	43.8	44.8	44.6	44.8
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	68.6	68.6	71.3	71.3	71.0	70.6	70.8
23	Breakeven	67.3	65.3	66.2	65.8	65.0	64.9	65.3
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	401,029	384,594	395,275	391,165	387,725	383,773	380,858
25	Overall RTM's per Employee (000)	42.3	43.7	174.1	175.5	177.3	177.4	177.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-0.6	7.1	1.4	3.2	4.3	4.3	6.3
27	Operating Expenses (%)	1.1	3.1	1.6	2.1	2.5	2.7	3.7
28	Operating Profit (Loss) (in Millions \$)	-346.0	802.8	-52.7	1,096.1	1,654.2	1,459.1	2,256.9
29	Net Income (Loss)(in Millions \$)	-695.7	1,057.4	-888.1	865.0	2,128.9	1,972.6	2,596.8
30	RPMs (Sch. Svc.) (%)	2.6	3.7	2.3	2.5	3.4	3.4	4.8
31	ASMs (Sch. Svc.) (%)	2.7	2.9	1.7	1.7	2.6	2.9	3.3
32	Operating Revenues per RTM (%)	-1.6	2.2	-0.2	0.7	0.2	0.0	0.8
33	Operating Expense per RTM (%)	0.3	-1.8	0.0	-0.5	-1.5	-1.6	-1.7
34	Passenger Revenue per RPM (Sch. Svc)	-4.1	3.6	-1.2	0.6	0.8	0.4	0.8

QUARTERLY FINANCIAL & TRAFFIC REVIEW
DOMESTIC OPERATIONS
TOTAL PASSENGER MAJORS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	15,745.2	15,661.2	64,634.4	64,550.5	63,971.6	63,104.3	62,820.6
2	Operating Expenses	14,639.6	14,472.3	57,900.3	57,733.0	57,339.7	57,016.9	57,002.5
3	Operating Profit (Loss)	1,105.6	1,188.9	6,734.2	6,817.5	6,631.9	6,087.3	5,818.1
4	Net Income (Loss)	627.2	1,096.9	3,808.9	4,278.7	4,487.5	4,150.4	3,992.0
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	103.59	100.31	421.94	418.66	416.59	412.39	412.36
6	ASMs - Scheduled Rev. Svc.	151.97	147.79	597.12	592.95	594.19	593.40	592.22
7	Overall RTMs (All Svc.)	11.45	11.24	46.39	46.18	46.15	45.78	45.75
8	Overall ATMs (All Svc.)	20.28	19.81	79.76	79.28	79.48	79.35	79.15
<u>YIELD & UNIT COST & PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	137.5	139.4	139.3	139.8	138.6	137.8	137.3
10	Operating Expense per RTM	127.8	128.8	124.8	125.0	124.3	124.5	124.6
11	Operating Profit (Loss) per RTM	9.7	10.6	14.5	14.8	14.4	13.3	12.7
12	Operating Expense per ATM	72.2	73.1	72.6	72.8	72.1	71.9	72.0
13	Passenger Revenue per RPM	13.46	13.99	13.70	13.83	13.79	13.73	13.68
<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	7.0	7.6	10.4	10.6	10.4	9.6	9.3
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	14.6	16.8	18.2	18.0	18.4
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	68.2	67.9	70.7	70.6	70.1	69.5	69.6
23	Breakeven	65.1	63.7	64.3	63.9	63.5	63.6	64.1
<u>Employment & Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

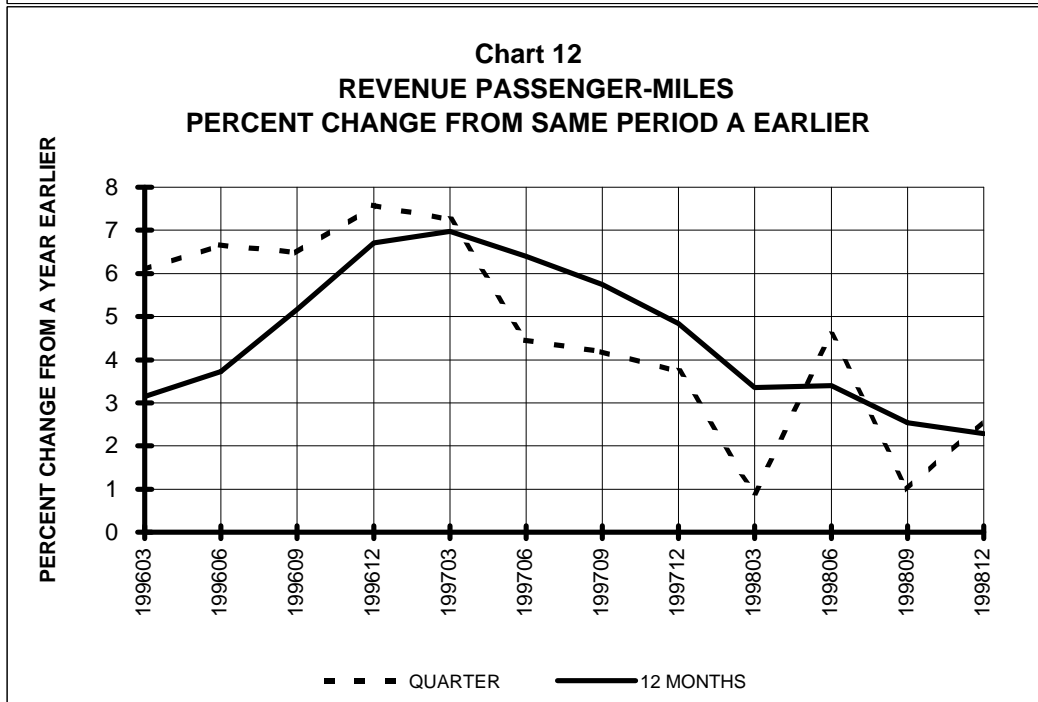
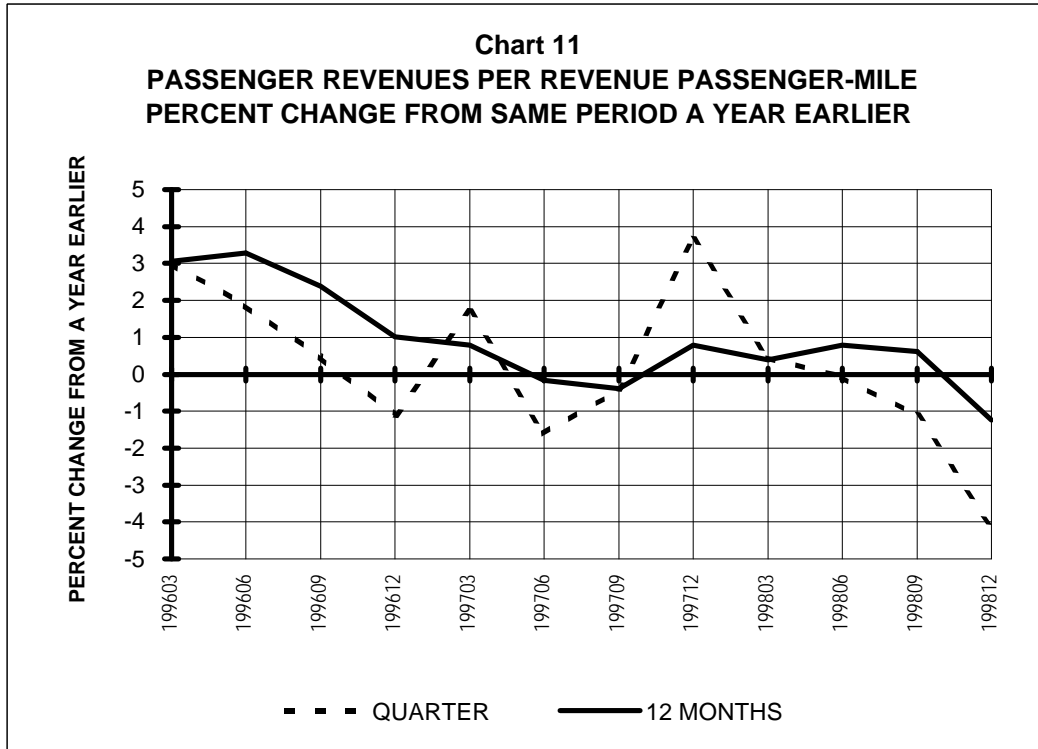
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.5	7.4	2.9	4.6	4.6	4.1	6.2
27	Operating Expenses (%)	1.2	3.0	1.6	2.0	2.1	2.7	4.3
28	Operating Profit (Loss) (in Millions \$)	-83.3	653.0	916.1	1,652.4	1,640.4	962.9	1,329.1
29	Net Income (Loss)(in Millions \$)	-469.7	924.8	-183.1	1,211.5	1,900.6	1,508.0	1,859.2
30	RPMs (Sch. Svc.) (%)	3.3	3.0	2.3	2.3	2.8	2.9	4.6
31	ASMs (Sch. Svc.) (%)	2.8	1.8	0.8	0.6	1.5	2.1	3.0
32	Operating Revenues per RTM (%)	-1.4	4.2	1.5	2.8	1.8	1.1	1.7
33	Operating Expense per RTM (%)	-0.8	-0.1	0.2	0.3	-0.6	-0.3	-0.2
34	Passenger Revenue per RPM (Sch. Svc)	-3.8	4.7	0.1	2.2	1.6	0.5	0.8

QUARTERLY FINANCIAL & TRAFFIC REVIEW
INTERNATIONAL OPERATIONS
TOTAL PASSENGER MAJORS

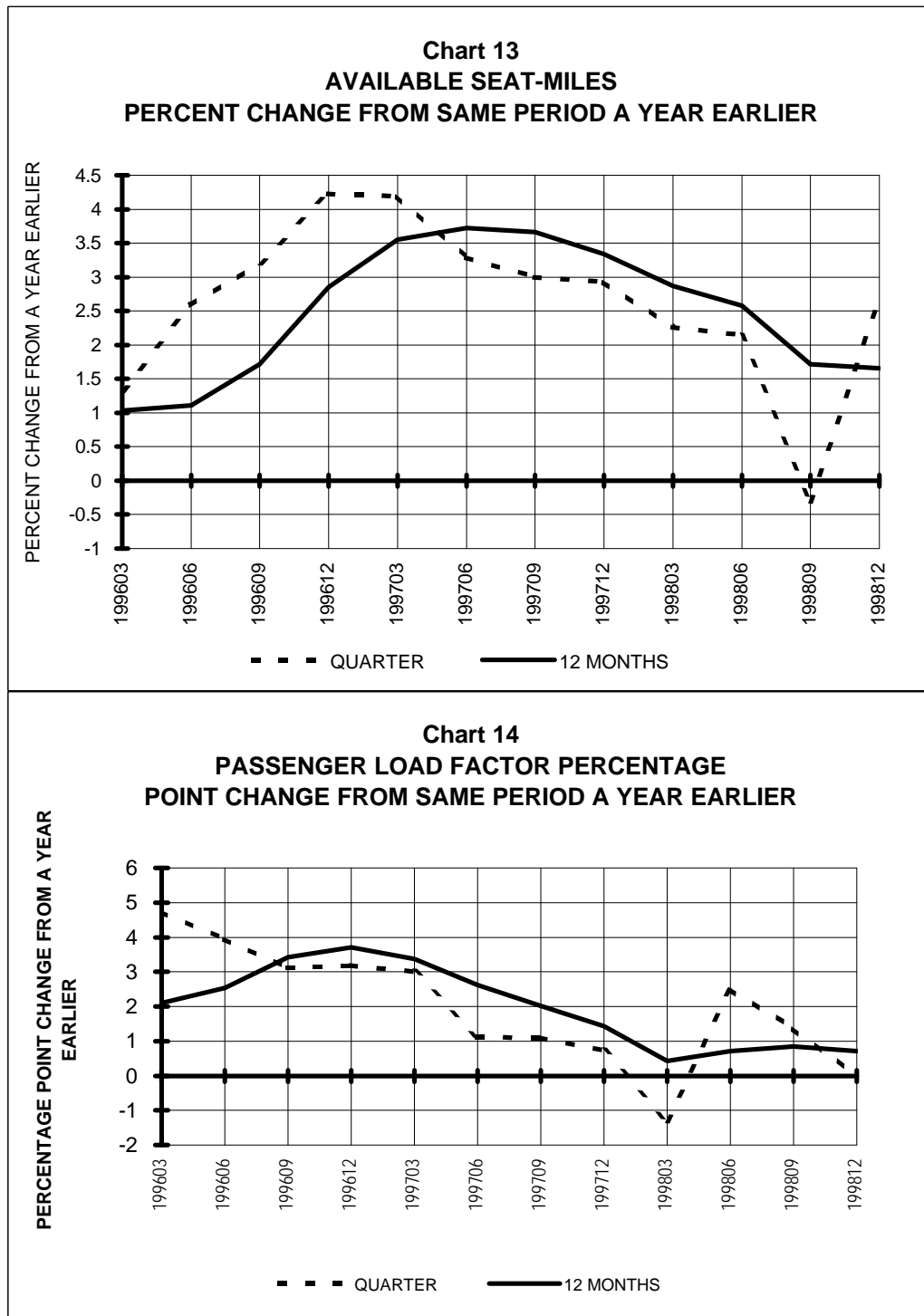
ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
FINANCIAL RESULTS: (\$Millions)							
Operating Revenues	4,746.6	4,956.3	19,969.3	20,179.0	20,662.8	20,651.2	20,641.3
Operating Expenses	4,825.5	4,772.5	19,234.1	19,181.0	19,199.5	18,985.6	18,937.3
Operating Profit (Loss)	-78.9	183.8	735.2	998.0	1,463.3	1,665.6	1,704.0
Net Income (Loss)	-140.9	85.0	330.2	556.2	919.2	1,016.2	1,035.3
TRAFFIC: (Billions)							
RPMs - Scheduled Rev. Svc.	38.33	38.00	161.04	160.72	161.25	158.82	157.63
ASMs - Scheduled Rev. Svc.	54.89	53.70	221.05	219.86	219.26	215.74	212.57
Overall RTMs (All Svc.)	5.49	5.56	22.42	22.49	22.61	22.31	22.01
Overall ATMs (All Svc.)	9.79	9.42	38.88	38.52	38.26	37.44	36.64
YIELD & UNIT COST & PROFITS: (Cents)							
Operating Revenue per RTM	86.4	89.2	89.1	89.7	91.4	92.6	93.8
Operating Expense per RTM	87.9	85.9	85.8	85.3	84.9	85.1	86.0
Operating Profit (Loss) per RTM	-1.4	3.3	3.3	4.4	6.5	7.5	7.7
Operating Expense per ATM	49.3	50.6	49.5	49.8	50.2	50.7	51.7
Passenger Revenue per RPM	10.13	10.74	10.37	10.51	10.77	10.93	11.01
FINANCIAL RATIOS:							
Operating Revenues to Total Investment	*	*	**	**	**	**	**
Times Interest Earned	*	*	**	**	**	**	**
Current Assets to Current Liabilities	*	*	**	**	**	**	**
No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
FINANCIAL PERCENTAGES:							
Operating Profit (Loss) to Operating Rev	-1.7	3.7	3.7	4.9	7.1	8.1	8.3
Net Income to Stockholders Equity	*	*	**	**	**	**	**
Corporate Return on Investment	*	*	5.8	8.1	11.8	13.4	14.4
Debt to Total Investment	*	*	**	**	**	**	**
PASSENGER LOAD FACTOR: (Sch. Svc. %)							
Actual	69.8	70.8	72.9	73.1	73.5	73.6	74.2
Breakeven	75.1	70.8	72.8	71.7	69.8	68.6	68.7
Employment & Productivity:							
Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
Overall RTM's per Employee (000)	*	*	**	**	**	**	**

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
Operating Revenues (%)	-4.2	6.3	-3.3	-0.8	3.4	5.0	6.6
Operating Expenses (%)	1.1	3.1	1.6	2.1	3.6	2.6	1.9
Operating Profit (Loss) (in Millions \$)	-262.7	149.8	-968.8	-556.2	13.8	496.1	927.7
Net Income (Loss)(in Millions \$)	-225.9	132.5	-705.1	-346.5	228.3	464.7	737.6
RPMs (Sch. Svc.) (%)	0.9	5.6	2.2	3.3	4.9	4.5	5.4
ASMs (Sch. Svc.) (%)	2.2	6.1	4.0	5.0	5.7	5.1	4.4
Operating Revenues per RTM (%)	-3.1	-2.3	-5.0	-5.0	-3.3	-2.1	-1.0
Operating Expense per RTM (%)	2.3	-5.2	-0.2	-2.2	-3.1	-4.4	-5.4
Passenger Revenue per RPM (Sch. Svc)	-5.7	0.4	-5.8	-4.5	-1.6	0.4	0.9

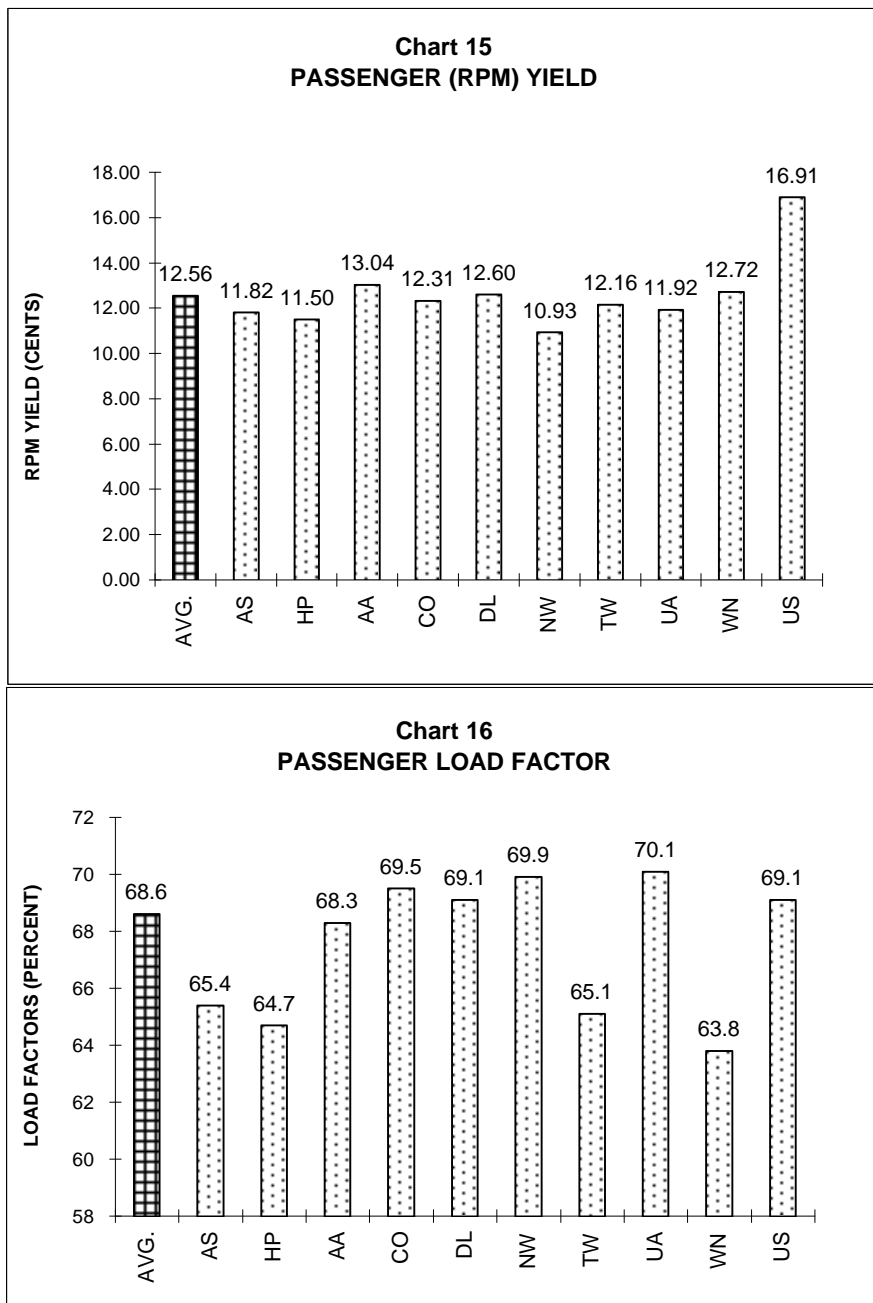
TOTAL ALL MAJORS (SYSTEM) **QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)**



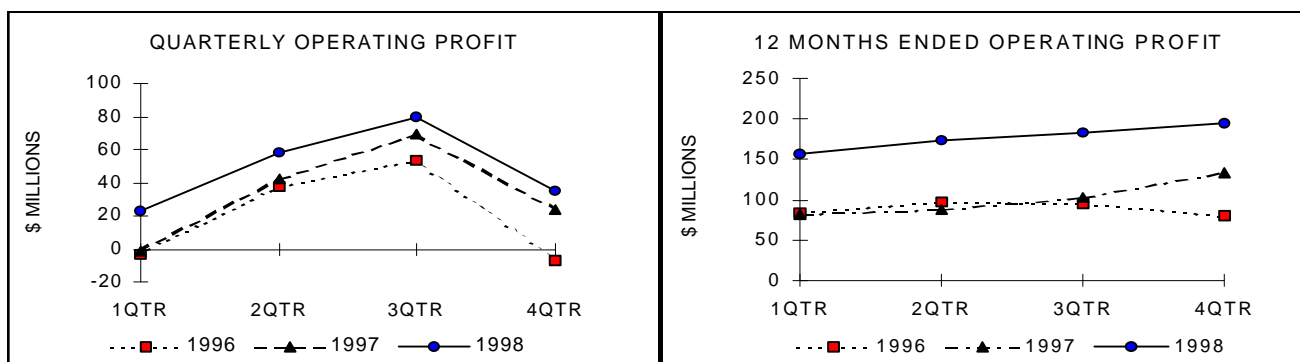
TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)



**TOTAL PASSENGER MAJORS (SYSTEM)
FOURTH QUARTER 1998 (SCH. SVC.)**



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



QUARTERLY RESULTS

- Alaska reported the highest operating and net profit for any fourth quarter in carrier history.
- Operating profit rose \$11.7 million to \$35.2 million, benefiting from a more rapid rise in operating revenues, up 8 percent, than in operating expenses, up 5 percent.
- Most of the improvement in operating profit occurred as total fuel expense fell \$10.2 million. Although total fuel consumption rose 8 percent, unit fuel prices dropped 29.3 percent.
- Net income advanced \$10.3 million to \$24.8 million.
- Both the domestic and Latin entities were profitable, and both reported improvements from the fourth quarter 1997. Domestic operating profit rose \$8.9 million to \$32 million, and net income rose \$8.3 million to \$22.6 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	23.1	32.0	8.9	14.3	22.6	8.3	2.3	2.5	8.9	3.5	3.8	8.4	64.9%
Int'l	0.4	3.2	2.8	0.3	2.3	2.0	0.2	0.3	28.7	0.3	0.4	21.1	70.0%
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	0.4	3.2	2.8	0.3	2.3	2.0	0.2	0.3	28.7	0.3	0.4	21.1	70.0%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	23.5	35.2	11.7	14.5	24.8	10.3	2.5	2.7	10.6	3.8	4.2	9.5	65.4%

- The passenger load factor climbed 0.6 percentage points to 65.4 percent as RPM traffic, up a major group high 10.6 percent, grew faster than ASM capacity, up 9.5 percent (also a major group high increase).
- Profitability was enhanced despite a 1 percent decline in RTM yield as RTM unit costs fell 3.8 percent.
- Interest expense declined \$1.8 million to a passenger major group low of \$3.9 million.
- Passenger (RPM) yield was down 2.9 percent to 11.82 cents.

12-MONTH RESULTS

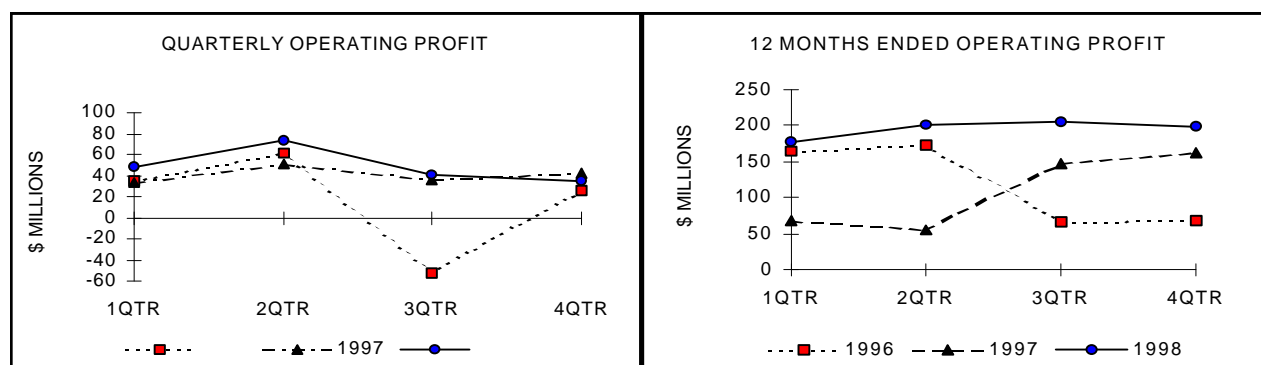
- Operating and net profit were the highest for any calendar year in the carrier's history.
- Operating revenues rose 8.5 percent, while operating expenses were up a lesser 4.7 percent, boosting operating profit \$61.9 million to \$195 million.
- Net income gained \$40.5 million to \$116.5 million.
- The passenger load factor dipped a slight 0.1 percentage point to 67.2 percent as ASM capacity increased 8.9 percent and RPM traffic rose a lesser 8.7 percent.
- Passenger (RPM) yield growth, up 0.4 percent to 12.17 cents, has slowed dramatically from recent periods.
- Interest expense was a passenger group low \$17.1 million, down \$7.3 million from a year ago.
- The debt-to-investment ratio declined a sharp 9.4 percentage points to 26.6 percent, reflecting rising equity and a \$45.4 million decline in total debt.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	380.3	352.2	1,581.3	1,553.2	1,527.2	1,490.0	1,457.4
2	Operating Expenses	345.1	328.7	1,386.3	1,369.9	1,354.5	1,333.0	1,324.4
3	Operating Profit (Loss)	35.2	23.5	195.0	183.3	172.7	157.0	133.1
4	Net Income (Loss)	24.8	14.5	116.5	106.2	105.8	92.7	76.0
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	2.75	2.48	11.27	11.00	10.74	10.48	10.36
6	ASMs - Scheduled Rev. Svc.	4.20	3.84	16.77	16.40	15.95	15.61	15.39
7	Overall RTMs (All Svc.)	0.29	0.27	1.21	1.18	1.15	1.13	1.12
8	Overall ATMs (All Svc.)	0.55	0.50	2.20	2.15	2.09	2.05	2.02
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	130.4	131.7	131.2	131.5	132.4	132.2	130.7
10	Operating Expense per RTM	118.3	122.9	115.0	116.0	117.4	118.3	118.8
11	Operating Profit (Loss) per RTM	12.1	8.8	16.2	15.5	15.0	13.9	11.9
12	Operating Expense per ATM	62.8	65.2	63.0	63.6	64.7	65.0	65.5
13	Passenger Revenue per RPM	11.82	12.17	12.17	12.26	12.33	12.30	12.12
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	2.19	2.19	2.26	2.28	2.29
15	Times Interest Earned	*	*	15.84	12.57	11.08	8.83	6.83
16	Current Assets to Current Liabilities	*	*	0.86	0.93	0.87	0.76	0.72
17	No. of Days Cash Coverage of Cash Ex	*	*	84.4	113.5	98.7	71.8	61.2
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	9.3	6.7	12.3	11.8	11.3	10.5	9.1
19	Net Income to Stockholders Equity	*	*	23.9	23.0	24.5	22.8	19.6
20	Corporate Return on Investment	*	*	17.9	17.1	18.3	17.2	15.4
21	Debt to Total Investment	*	*	26.6	35.1	30.7	34.7	36.0
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	65.4	64.8	67.2	67.1	67.3	67.1	67.3
23	Breakeven	61.8	63.0	60.4	60.7	61.3	61.8	63.3
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	7,928	7,466	7,827	7,712	7,626	7,510	7,437
25	Overall RTM's per Employee (000)	36.8	35.8	154.0	153.1	151.3	150.1	149.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	8.0	19.2	8.5	10.9	12.1	11.5	11.5
27	Operating Expenses (%)	5.0	8.9	4.7	5.6	6.2	6.3	8.0
28	Operating Profit (Loss) (in Millions \$)	11.7	30.1	61.9	80.3	85.5	74.5	52.4
29	Net Income (Loss)(in Millions \$)	10.3	14.2	40.5	44.4	52.6	44.0	30.4
30	RPMs (Sch. Svc.) (%)	10.6	8.0	8.7	8.1	6.0	4.7	5.8
31	ASMs (Sch. Svc.) (%)	9.5	10.2	8.9	9.1	6.7	4.6	3.8
32	Operating Revenues per RTM (%)	-1.0	10.5	0.4	2.8	6.1	6.8	5.9
33	Operating Expense per RTM (%)	-3.8	0.8	-3.2	-2.1	0.5	1.9	2.6
34	Passenger Revenue per RPM (Sch. Svc)	-2.9	14.1	0.4	4.0	7.5	8.2	7.4

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



QUARTERLY RESULTS

- Operating expenses, up 6.3 percent, grew faster than operating revenues, up 4.3 percent, causing operating profit to fall \$6.7 million to \$34.8 million.
- This decline occurred despite a \$14.3 million (24.9 percent) drop in total fuel expense as unit prices fell 27.3 percent. Without this decline, the deterioration in operating results would have been larger.
- Net income dipped \$1.4 million to \$19.1 million.
- Domestic operations were responsible for the overall system declines, with operating profit sliding \$9.3 million to \$34.1 million and net income was down \$4 million to \$18.6 million. Latin operating and net results were profitable for the first time since the second quarter 1995.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	43.4	34.1	-9.3	22.6	18.6	-4.0	3.8	3.9	4.9	5.7	6.1	6.2	64.8%
Int'l	-1.9	0.7	2.6	-2.1	0.5	2.7	0.1	0.1	-10.5	0.2	0.2	-25.3	61.0%
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	-1.9	0.7	2.6	-2.1	0.5	2.7	0.1	0.1	-10.5	0.2	0.2	-25.3	61.0%
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	41.5	34.8	-6.8	20.5	19.1	-1.3	3.9	4.0	4.5	5.9	6.2	5.1	64.7%

- ASM capacity, up 5.1 percent, rose faster than RPM traffic, up 4.5 percent, resulting in the passenger load factor dropping 0.4 percentage points to 64.7 percent.
- Passenger (RPM) yield rose 0.4 percent to 11.50 cents.
- Interest expense decreased \$0.4 million to \$9.3 million.

12-MONTH RESULTS

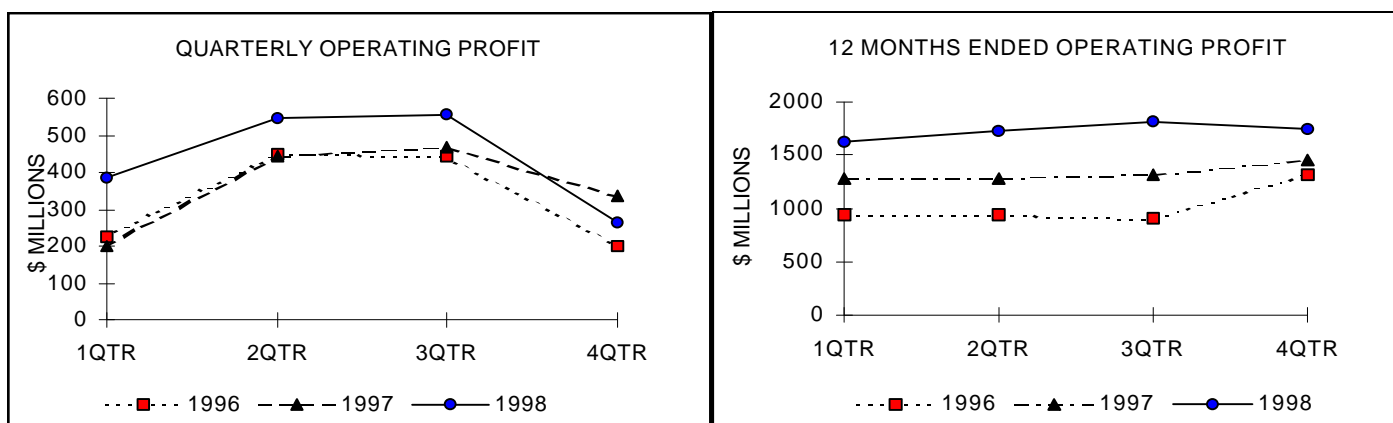
- For 1998, America West reported its highest operating and net profit for any calendar year.
- For the fifth consecutive quarter-ended 12-month period, America West reported strong improvement in both operating and net profits, although the rate of growth continues to slow.
- Operating profit rose \$35.2 million to \$197.8 million, as operating revenue growth, up 5.1 percent, exceeded operating expense growth, up 3.5 percent.
- Net income gained \$27.7 million to \$103 million.
- Interest expense decreased \$1 million to \$38.7 million.
- RPMs rose 1.2 percent, but ASMs rose nearly three times faster, up 3.4 percent, causing the passenger load factor to fall 1.5 percentage points to 67.4 percent, the largest decline among the majors.
- Passenger (RPM) yield was up a major group high 4.5 percent, but remained low at 11.33 cents.
- Total debt was down \$38.5 million to \$288.3 million (only Alaska and DHL Airways reported lower debt). This, coupled with rising equity, resulted in the debt-to-investment ratio declining 5 percentage points to 27.3 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	496.5	476.0	1,983.0	1,962.5	1,938.4	1,896.3	1,887.1
2	Operating Expenses	461.8	434.5	1,785.1	1,757.9	1,738.2	1,719.4	1,724.6
3	Operating Profit (Loss)	34.8	41.5	197.8	204.6	200.1	176.9	162.6
4	Net Income (Loss)	19.1	20.5	103.0	104.3	103.0	85.8	75.3
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	4.03	3.85	16.36	16.18	15.97	15.83	16.17
6	ASMs - Scheduled Rev. Svc.	6.22	5.92	24.26	23.96	23.77	23.53	23.46
7	Overall RTMs (All Svc.)	0.43	0.42	1.74	1.73	1.71	1.70	1.74
8	Overall ATMs (All Svc.)	0.78	0.75	3.05	3.01	2.99	2.96	2.95
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	116.1	114.3	114.0	113.6	113.1	111.5	108.7
10	Operating Expense per RTM	108.0	104.3	102.7	101.7	101.4	101.1	99.3
11	Operating Profit (Loss) per RTM	8.1	10.0	11.4	11.8	11.7	10.4	9.4
12	Operating Expense per ATM	58.9	58.3	58.5	58.3	58.1	58.0	58.4
13	Passenger Revenue per RPM	11.50	11.45	11.33	11.32	11.29	11.13	10.84
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	1.94	1.95	1.94	1.90	1.89
15	Times Interest Earned	*	*	6.46	6.41	6.67	5.30	4.60
16	Current Assets to Current Liabilities	*	*	0.79	0.83	0.70	0.68	0.67
17	No. of Days Cash Coverage of Cash Ex	*	*	28.7	35.2	50.2	39.2	37.9
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	7.0	8.7	10.0	10.4	10.3	9.3	8.6
19	Net Income to Stockholders Equity	*	*	14.1	14.7	15.0	12.9	11.6
20	Corporate Return on Investment	*	*	13.4	13.9	13.6	12.3	11.4
21	Debt to Total Investment	*	*	27.3	27.6	27.0	28.9	32.3
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	64.7	65.1	67.4	67.5	67.2	67.3	68.9
23	Breakeven	61.1	60.0	61.1	60.8	60.6	61.5	63.5
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	9,091	8,775	8,826	8,747	8,768	8,850	8,897
25	Overall RTM's per Employee (000)	47.0	47.5	197.0	197.5	195.4	192.2	195.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.3	7.4	5.1	5.8	6.8	5.3	7.7
27	Operating Expenses (%)	6.3	4.0	3.5	2.9	-1.2	-0.8	2.5
28	Operating Profit (Loss) (in Millions \$)	-6.7	16.1	35.2	58.2	143.8	109.1	93.9
29	Net Income (Loss)(in Millions \$)	-1.4	8.4	27.7	37.4	99.7	77.1	66.8
30	RPMs (Sch. Svc.) (%)	4.5	-2.9	1.2	-0.6	-0.5	0.5	5.9
31	ASMs (Sch. Svc.) (%)	5.1	3.4	3.4	3.0	4.2	5.5	9.3
32	Operating Revenues per RTM (%)	1.6	10.2	4.9	7.1	7.3	4.5	1.6
33	Operating Expense per RTM (%)	3.5	6.8	3.4	4.1	-0.8	-1.6	-3.4
34	Passenger Revenue per RPM (Sch. Svc)	0.4	10.9	4.5	7.1	7.6	4.8	1.9

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



QUARTERLY RESULTS

- Operating profit dropped \$71.9 million to \$262.9 million despite a 0.7 percent decline in operating expenses as operating revenues fell 2.4 percent.
- This deterioration occurred even though total fuel expense fell \$76.9 million, the largest decline among all majors. Fuel consumption rose 2 percent while unit fuel prices fell 20.2 percent.
- Net income was down \$34.5 million to \$165.4 million.
- All entities, except the Pacific division, reported an operating and net profit for the fourth quarter 1998, but the domestic entity had the only improvement in net income.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	L.F.
Domestic	239.6	236.3	-3.4	143.0	146.2	3.2	18.0	18.3	1.8	26.9	26.6	-1.0	68.8%
Int'l	95.2	26.6	-68.6	56.8	19.2	-37.6	7.9	8.2	3.5	11.4	12.2	7.0	67.3%
Atlantic	27.2	1.3	-26.0	16.2	2.2	-14.1	3.3	3.4	3.7	4.3	4.8	10.2	72.1%
Latin	57.2	33.8	-23.5	34.2	21.7	-12.5	4.1	4.1	1.3	6.4	6.4	0.7	64.1%
Pacific	10.7	-8.4	-19.1	6.4	-4.6	-11.0	0.5	0.6	19.1	0.7	1.0	47.5	64.5%
System	334.8	262.9	-71.9	199.9	165.4	-34.4	25.9	26.5	2.3	38.2	38.8	1.4	68.3%

- Passenger (RPM) yield dropped 5.2 percent to 13.04 cents.
- RPM traffic gained 2.3 percent, outpacing the 1.4 percent rise in ASM capacity, causing a 0.6 percentage point increase in the passenger load factor to 68.3 percent.
- Interest expense was relatively unchanged, down \$0.1 million to \$21.7 million.
- Total debt rose \$162 million to \$2.61 billion. Soaring equity, however, more than offset this increase, causing the debt-to-investment ratio to decline 2.6 percentage points to 28.9 percent.

12-MONTH RESULTS

- For 1998, American reported its highest calendar year operating and net profit in history.
- Operating revenue advanced 2.8 percent, nearly tripling the 1 percent increase in operating expenses, raising operating profit \$301.4 million to \$1.74 billion.
- Net income advanced \$282.7 million to \$1.06 billion, the third consecutive quarter-ended 12-month period where net results have exceeded \$1 billion.
- The passenger load factor rose 0.6 percentage points to 70.2 percent. RPM traffic, up 1.8 percent, grew twice as fast as ASM capacity, up 0.8 percent.
- Although the rate of growth continues to slow, passenger (RPM) yield increased 1 percent to 13.49 cents.
- Interest expense declined \$17.4 million to \$76.6 million.

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

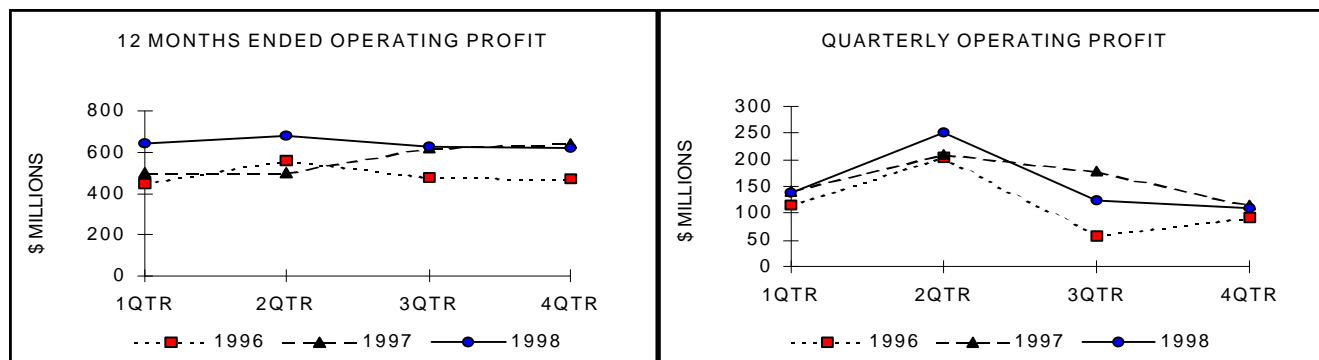
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	3,873.7	3,969.4	16,298.8	16,394.5	16,229.8	16,065.1	15,855.8
2	Operating Expenses	3,610.8	3,634.6	14,550.5	14,574.2	14,495.7	14,432.8	14,408.8
3	Operating Profit (Loss)	262.9	334.8	1,748.4	1,820.3	1,734.1	1,632.3	1,447.0
4	Net Income (Loss)	165.4	199.9	1,062.9	1,097.3	1,018.0	927.2	780.2
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	26.49	25.89	108.87	108.27	107.64	107.03	106.94
6	ASMs - Scheduled Rev. Svc.	38.78	38.24	155.17	154.63	154.19	153.95	153.75
7	Overall RTMs (All Svc.)	3.14	3.12	12.88	12.86	12.82	12.78	12.75
8	Overall ATMs (All Svc.)	5.92	5.82	23.60	23.50	23.44	23.42	23.47
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	123.2	127.1	126.5	127.5	126.6	125.7	124.3
10	Operating Expense per RTM	114.8	116.4	112.9	113.3	113.0	113.0	113.0
11	Operating Profit (Loss) per RTM	8.4	10.7	13.6	14.2	13.5	12.8	11.3
12	Operating Expense per ATM	61.0	62.4	61.6	62.0	61.8	61.6	61.4
13	Passenger Revenue per RPM	13.04	13.76	13.49	13.67	13.60	13.54	13.36
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	1.96	2.04	2.08	2.12	2.13
15	Times Interest Earned	*	*	821.48	38.80	21.02	13.84	8.64
16	Current Assets to Current Liabilities	*	*	0.87	0.85	0.80	0.78	0.74
17	No. of Days Cash Coverage of Cash Ex	*	*	39.8	46.7	48.5	47.2	49.1
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	6.8	8.4	10.7	11.1	10.7	10.2	9.1
19	Net Income to Stockholders Equity	*	*	18.0	19.5	19.0	18.2	16.0
20	Corporate Return on Investment	*	*	12.8	14.2	14.1	13.8	12.7
21	Debt to Total Investment	*	*	28.9	27.8	28.4	29.8	31.5
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	68.3	67.7	70.2	70.0	69.8	69.5	69.6
23	Breakeven	65.5	63.2	63.6	63.0	63.1	63.3	64.3
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	75,626	74,172	74,424	74,060	73,960	73,798	73,452
25	Overall RTM's per Employee (000)	41.6	42.1	173.1	173.7	173.4	173.1	173.6

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-2.4	6.9	2.8	5.1	5.5	5.4	4.8
27	Operating Expenses (%)	-0.7	3.5	1.0	2.0	2.8	3.4	4.3
28	Operating Profit (Loss) (in Millions \$)	-71.9	135.2	301.4	508.5	447.6	342.4	131.5
29	Net Income (Loss)(in Millions \$)	-34.5	126.8	282.7	443.9	423.3	359.9	218.5
30	RPMs (Sch. Svc.) (%)	2.3	1.3	1.8	1.6	1.6	1.7	2.3
31	ASMs (Sch. Svc.) (%)	1.4	1.4	0.9	0.9	0.8	0.9	0.7
32	Operating Revenues per RTM (%)	-3.1	5.7	1.8	3.9	3.9	3.5	2.8
33	Operating Expense per RTM (%)	-1.4	2.4	-0.1	0.9	1.2	1.7	2.4
34	Passenger Revenue per RPM (Sch. Svc)	-5.2	6.3	1.0	3.9	4.0	3.8	2.5

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

CONTINENTAL AIR LINES 1/



QUARTERLY RESULTS

- Operating revenues rose a strong 6.3 percent, but operating expenses rose faster, up 7.1 percent, producing a \$6.8 million decline in operating profit to \$108 million.
- This deterioration occurred despite a \$52.3 million (23.7 percent) decline in total fuel expense. Unit fuel prices fell 27.6 percent, more than offsetting the 5.5 percent rise in fuel consumption.
- Net income improved \$6.7 million to \$62.6 million.
- Only the Pacific entity reported a gain in operating results, up \$23 million to a profit of \$1.3 million. Both the Pacific and domestic divisions reported gains in net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	97.9	89.7	-8.2	32.1	46.2	14.2	8.3	9.0	8.5	11.8	12.8	8.2	70.3%
Int'l	17.8	19.2	1.4	23.9	16.4	-7.5	4.0	4.4	10.5	6.1	6.5	7.7	68.0%
Atlantic	34.1	20.5	-13.6	33.3	22.5	-10.8	2.0	2.1	6.2	2.7	2.8	4.0	76.3%
Latin	5.3	-2.6	-7.9	7.8	-3.7	-11.5	1.0	1.4	46.1	1.8	2.4	35.9	59.3%
Pacific 1/	-21.7	1.3	23.0	-17.2	-2.4	14.8	1.0	0.9	-15.6	1.6	1.3	-18.2	66.5%
System	115.7	108.9	-6.8	55.9	62.6	6.7	12.3	13.4	9.2	17.9	19.3	8.0	69.5%

- RPM traffic jumped 9.2 percent, more than offsetting the 8 percent increase in ASM capacity, producing a 0.7 percentage point increase in the passenger load factor to 69.5 percent.
- RTM unit costs climbed 0.3 percent, while RTM yield dipped 0.5 percent, eroding profitability.
- Passenger (RPM) yield was down 5 percent to 12.31 cents.

12-MONTH RESULTS

- Operating profit declined from a year ago for the first time since June 1997, down \$25.2 million to \$620.7 million.
- Net income declined \$19 million to \$345.8 million.
- RPMs grew 13.2 percent, while ASMs rose a lesser 11.4 percent, resulting in the passenger load factor rising 1.1 percentage points to 72.1 percent.
- Passenger (RPM) yield declined from a year ago for the seventh consecutive quarter-ended 12-month period, down 3.2 percent to 12.44 cents.
- Declining equity, coupled with the \$834.8 million increase in total debt to \$2.83 billion, pushed the debt-to-investment ratio up 3.4 percentage points to 68.3 percent.

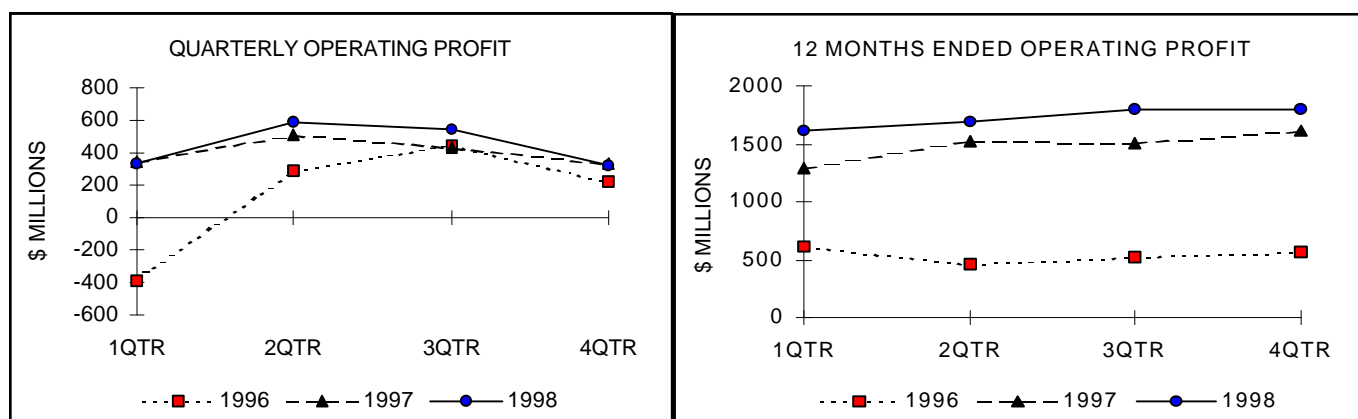
1/ Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which now reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively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

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	1,929.2	1,814.6	7,907.7	7,793.0	7,540.5	7,265.5	7,089.9
2	Operating Expenses	1,820.3	1,698.9	7,287.0	7,165.6	6,858.0	6,623.0	6,444.0
3	Operating Profit (Loss)	108.9	115.7	620.7	627.5	682.4	642.5	645.9
4	Net Income (Loss)	62.6	55.9	345.8	339.1	399.3	363.4	364.8
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	13.43	12.30	54.90	53.78	51.85	49.92	48.52
6	ASMs - Scheduled Rev. Svc.	19.32	17.89	76.12	74.69	72.60	70.31	68.31
7	Overall RTMs (All Svc.)	1.57	1.47	6.39	6.29	6.08	5.84	5.64
8	Overall ATMs (All Svc.)	2.50	2.37	9.98	9.84	9.57	9.23	8.90
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	122.9	123.5	123.8	124.0	124.0	124.4	125.7
10	Operating Expense per RTM	116.0	115.7	114.1	114.0	112.8	113.4	114.3
11	Operating Profit (Loss) per RTM	6.9	7.9	9.7	10.0	11.2	11.0	11.5
12	Operating Expense per ATM	72.7	71.7	73.0	72.8	71.6	71.8	72.4
13	Passenger Revenue per RPM	12.31	12.96	12.44	12.60	12.73	12.78	12.85
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	2.21	2.32	2.40	2.49	2.56
15	Times Interest Earned	*	*	5.26	5.46	6.17	5.64	5.48
16	Current Assets to Current Liabilities	*	*	0.95	0.86	0.83	0.73	0.76
17	No. of Days Cash Coverage of Cash Ex	*	*	72.7	66.9	65.2	48.7	60.0
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	5.6	6.4	7.8	8.1	9.1	8.8	9.1
19	Net Income to Stockholders Equity	*	*	29.0	30.0	37.6	36.9	40.1
20	Corporate Return on Investment	*	*	13.4	13.9	16.7	16.8	17.9
21	Debt to Total Investment	*	*	68.3	67.5	66.6	65.3	64.9
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	69.5	68.8	72.1	72.0	71.4	71.0	71.0
23	Breakeven	68.0	65.5	68.0	67.5	65.8	65.4	65.2
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	32,535	29,750	31,641	30,944	30,081	29,217	28,429
25	Overall RTM's per Employee (000)	48.2	49.4	201.9	203.1	202.1	199.9	198.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.3	17.9	11.5	14.4	14.1	12.4	13.2
27	Operating Expenses (%)	7.1	17.4	13.1	15.7	12.3	11.0	11.2
28	Operating Profit (Loss) (in Millions \$)	-6.8	23.7	-25.2	5.2	180.0	144.4	173.9
29	Net Income (Loss)(in Millions \$)	6.7	13.8	-19.0	-11.8	130.0	38.5	17.5
30	RPMs (Sch. Svc.) (%)	9.2	19.1	13.2	15.5	16.4	16.0	15.8
31	ASMs (Sch. Svc.) (%)	8.0	14.0	11.4	13.0	13.0	12.0	11.0
32	Operating Revenues per RTM (%)	-0.5	-2.5	-1.5	-2.0	-3.4	-4.2	-2.8
33	Operating Expense per RTM (%)	0.3	-2.9	-0.2	-0.9	-4.9	-5.4	-4.4
34	Passenger Revenue per RPM (Sch. Svc)	-5.0	0.2	-3.2	-1.9	-1.9	-2.8	-1.9

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



QUARTERLY RESULTS

- Delta reported the highest fourth quarter operating and net profits among the major carriers.
- Operating revenue growth, up 1.3 percent, was slower than operating expense growth, up 1.9 percent, resulting in operating profit dropping \$14.1 million to \$318 million.
- A sharp drop in total fuel expense, down \$56.7 million (13.3 percent), was significant in preventing a much sharper decline in operating results. Unit fuel prices fell 16.3 percent while fuel consumption rose 2.9 percent.
- Net income rose \$4 million to an all-time fourth quarter record of \$193.5 million.
- The domestic and Atlantic entities reported gains in both operating and net income, while the Latin and Pacific entities experienced declines. The Pacific entity reported the only operating and/or net losses.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	279.8	285.2	5.4	157.3	172.8	15.5	18.9	19.1	1.3	27.8	27.9	0.7	68.5%
Int'l	52.3	32.7	-19.6	32.2	20.7	-11.4	5.2	5.6	8.2	7.1	7.9	11.4	71.3%
Atlantic	37.0	44.0	7.0	22.7	27.3	4.6	4.2	4.2	1.6	5.6	5.5	-1.2	76.8%
Latin	11.8	5.8	-6.0	7.4	3.6	-3.7	0.4	0.5	47.5	0.6	1.0	73.5	52.9%
Pacific	3.5	-17.1	-20.6	2.1	-10.2	-12.3	0.7	0.8	27.6	0.9	1.3	48.6	63.1%
System	332.1	318.0	-14.2	189.5	193.5	4.0	24.1	24.8	2.8	34.9	35.9	2.8	69.1%

- Both RPM traffic and ASM capacity rose 2.8 percent, leaving the passenger load factor relatively unchanged at 69.1 percent.
- Passenger (RPM) yield fell 2.6 percent to 12.60 cents.
- Interest expense was down \$7 million to \$41.1 million.

12-MONTH RESULTS

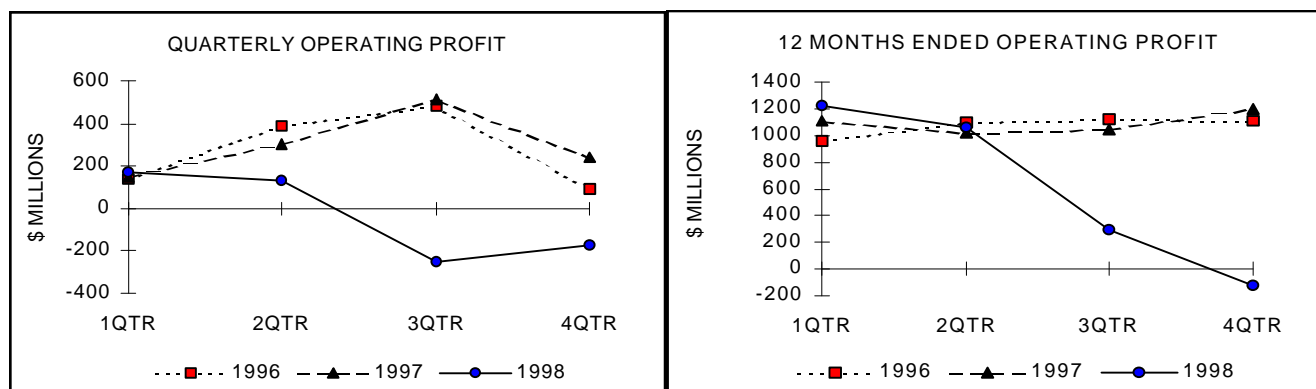
- As with quarterly results, Delta reported the highest calendar year 1998 operating and net profits among all majors.
- Operating profit improved \$171.8 million to \$1.79 billion, as operating revenues rose 3 percent and operating expenses grew a lesser 2 percent.
- Net income improved \$143.6 million to \$1.08 billion.
- RPM traffic, up 3.6 percent, grew faster than ASM capacity, up 2.4 percent, resulting in the passenger load factor to rising 0.9 percentage points to 72.7 percent.
- Passenger (RPM) yield slid 0.5 percent to 12.76 cents.
- The debt-to-investment ratio fell 6.3 percentage points to 31.4 percent due to the combined effect of rising equity and total debt declining \$224.2 million to \$1.9 billion.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	3,520.6	3,475.7	14,629.8	14,584.9	14,328.3	14,138.4	14,203.9
2	Operating Expenses	3,202.6	3,143.5	12,836.7	12,777.6	12,638.1	12,526.3	12,582.7
3	Operating Profit (Loss)	318.0	332.1	1,793.1	1,807.3	1,690.2	1,612.1	1,621.3
4	Net Income (Loss)	193.5	189.5	1,077.6	1,073.5	1,000.5	939.9	934.0
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	24.79	24.12	103.24	102.58	101.06	99.79	99.62
6	ASMs - Scheduled Rev. Svc.	35.86	34.86	141.96	140.97	140.00	139.04	138.70
7	Overall RTMs (All Svc.)	2.92	2.88	12.05	12.01	11.86	11.70	11.64
8	Overall ATMs (All Svc.)	5.12	4.93	20.31	20.12	19.89	19.63	19.46
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	120.6	120.6	121.4	121.4	120.8	120.8	122.0
10	Operating Expense per RTM	109.7	109.0	106.5	106.4	106.6	107.0	108.1
11	Operating Profit (Loss) per RTM	10.9	11.5	14.9	15.0	14.3	13.8	13.9
12	Operating Expense per ATM	62.5	63.7	63.2	63.5	63.5	63.8	64.7
13	Passenger Revenue per RPM	12.60	12.93	12.76	12.84	12.81	12.76	12.82
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	2.48	2.52	2.54	2.62	2.73
15	Times Interest Earned	*	*	13.05	12.34	11.55	10.47	9.94
16	Current Assets to Current Liabilities	*	*	0.60	0.69	0.78	0.77	0.74
17	No. of Days Cash Coverage of Cash Ex	*	*	23.9	34.3	49.5	45.4	40.9
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	9.0	9.6	12.3	12.4	11.8	11.4	11.4
19	Net Income to Stockholders Equity	*	*	27.5	28.6	28.1	28.6	30.7
20	Corporate Return on Investment	*	*	20.7	21.2	20.5	20.4	21.2
21	Debt to Total Investment	*	*	31.4	32.9	32.9	33.7	37.7
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	69.1	69.2	72.7	72.8	72.2	71.8	71.8
23	Breakeven	63.5	63.2	63.7	63.7	63.7	63.8	63.8
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	63,219	57,986	62,071	60,762	59,334	57,964	56,980
25	Overall RTM's per Employee (000)	46.2	49.7	194.2	197.7	199.9	201.9	204.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	1.3	5.7	3.0	4.1	2.8	2.7	6.7
27	Operating Expenses (%)	1.9	2.6	2.0	2.2	1.8	0.5	-1.3
28	Operating Profit (Loss) (in Millions \$)	-14.1	108.1	171.8	294.2	165.4	312.3	1,050.2
29	Net Income (Loss)(in Millions \$)	4.0	64.2	143.6	203.6	146.2	225.3	685.0
30	RPMs (Sch. Svc.) (%)	2.8	3.1	3.6	3.7	3.4	3.8	6.1
31	ASMs (Sch. Svc.) (%)	2.8	2.0	2.4	2.2	2.4	2.5	3.8
32	Operating Revenues per RTM (%)	0.0	0.8	-0.5	-0.3	-2.0	-2.7	-1.0
33	Operating Expense per RTM (%)	0.6	-2.3	-1.5	-2.0	-2.9	-4.9	-8.4
34	Passenger Revenue per RPM (Sch. Svc)	-2.6	3.6	-0.5	1.0	0.2	-0.9	0.5

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



QUARTERLY RESULTS

- Northwest experienced a pilot strike from August 29 to September 12, 1998, causing the carrier to suspend temporarily all operations. The company resumed full operations within 10 days of the end of the strike. However, traffic has still not returned to pre-strike levels, and passenger yields have remained low to attract traffic to return, resulting in Northwest experiencing the worst quarterly results among all majors.
- Operating revenues dropped 11.9 percent, while operating expenses rose 6 percent, resulting in operating profit dropping \$420.1 million, the largest decline among all majors, to a loss of \$176.6 million.
- Net income fell \$275.2 million to a loss of \$162.2 million.
- The operating profit margin tumbled 18.3 percentage points, the largest decline among the majors, to a negative 8.3 percent.
- Operating and net results for both the domestic and Pacific entities fell sharply into the red, but Atlantic entity results improved and were positive.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	236.5	-65.6	-302.1	116.3	-68.9	-185.2	9.9	9.7	-1.9	14.3	14.4	1.2	67.0%
Int'l	7.1	-111.0	-118.1	-3.3	-93.3	-90.0	7.4	6.8	-7.9	9.6	9.1	-5.1	74.5%
Atlantic	47.7	47.7	0.0	27.7	29.4	1.7	1.6	2.0	19.3	2.0	2.7	33.8	72.5%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	-40.6	-158.7	-118.1	-31.0	-122.7	-91.7	5.8	4.9	-15.7	7.6	6.4	-15.4	75.3%
System	243.5	-176.6	-420.1	113.0	-162.2	-275.2	17.3	16.5	-4.5	23.9	23.6	-1.3	69.9%

- Total fuel expense was down \$68.3 million (21.9 percent) due to the combined effect of consumption declining 2.3 percent and unit fuel prices declining 20 percent.
- Interest expense rose \$33.3 million, the largest increase among the passenger majors, to a major group high \$81.7 million.
- RPM traffic decreased 4.5 percent while ASM capacity declined a lesser 1.3 percent, resulting in the passenger load factor falling 12.4 percentage points, the largest decline among the majors, to 69.9 percent.
- Passenger (RPM) yield fell 9.1 percent, the largest decline among the majors, to 10.93 cents, a group low.

12-MONTH RESULTS

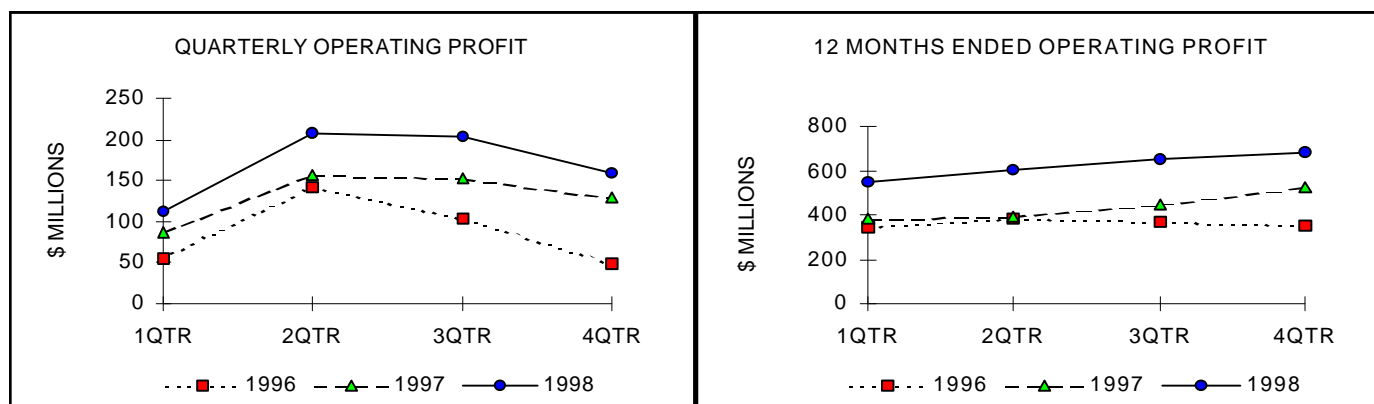
- Operating and net results were negative for the first time on a 12-month ended basis in more than five years.
- Reflecting the third quarter strike, operating revenues tumbled 12.8 percent, as operating expenses rose 0.6 percent, resulting in operating profit plunging \$1.33 billion to a loss of \$129.4 million.
- Net income fell \$844.8 million to a loss of \$241.3 million.
- The operating profit margin fell a group high 13.6 percentage points to a negative 1.5 percent.
- The passenger load factor declined 1.2 percentage points to 73.1 percent.
- Passenger (RPM) yield dropped 7 percent to 11.26 cents, the seventh consecutive 12-month period of decline.
- Interest expense jumped \$67.2 million, the largest increase among the passenger majors, to \$258.1 million.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	2,139.7	2,429.4	8,706.7	8,996.3	9,881.7	9,982.4	9,983.7
2	Operating Expenses	2,316.3	2,185.8	8,836.1	8,705.6	8,825.0	8,757.4	8,780.5
3	Operating Profit (Loss)	-176.6	243.5	-129.4	290.7	1,056.8	1,225.0	1,203.2
4	Net Income (Loss)	-162.2	113.0	-241.3	33.9	536.4	617.5	603.5
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	16.49	17.26	66.71	67.48	72.41	72.20	72.00
6	ASMs - Scheduled Rev. Svc.	23.58	23.89	91.27	91.58	97.22	97.63	96.92
7	Overall RTMs (All Svc.)	2.23	2.37	8.64	8.79	9.49	9.53	9.51
8	Overall ATMs (All Svc.)	3.81	3.88	14.53	14.61	15.53	15.57	15.42
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	95.9	102.3	100.8	102.4	104.2	104.7	105.0
10	Operating Expense per RTM	103.9	92.1	102.3	99.1	93.0	91.9	92.4
11	Operating Profit (Loss) per RTM	-7.9	10.3	-1.5	3.3	11.1	12.9	12.7
12	Operating Expense per ATM	60.9	56.3	60.8	59.6	56.8	56.2	57.0
13	Passenger Revenue per RPM	10.93	12.03	11.26	11.54	11.89	12.05	12.11
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	1.09	1.17	1.31	1.36	1.40
15	Times Interest Earned	*	*	-0.27	1.34	5.20	6.09	5.96
16	Current Assets to Current Liabilities	*	*	0.44	0.44	0.59	0.71	0.63
17	No. of Days Cash Coverage of Cash Ex	*	*	19.9	22.4	40.8	46.4	36.3
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	-8.3	10.0	-1.5	3.2	10.7	12.3	12.1
19	Net Income to Stockholders Equity	*	*	-5.0	0.7	10.9	12.7	12.8
20	Corporate Return on Investment	*	*	0.6	3.7	9.9	11.1	11.3
21	Debt to Total Investment	*	*	49.5	42.2	40.6	33.4	31.0
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	69.9	72.3	73.1	73.7	74.5	74.0	74.3
23	Breakeven	81.4	65.5	78.1	73.9	66.9	64.6	64.9
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	47,807	45,969	47,326	46,867	46,689	45,955	45,508
25	Overall RTM's per Employee (000)	46.6	51.6	182.6	187.4	203.2	207.4	208.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-11.9	4.7	-12.8	-8.9	0.4	1.2	2.4
27	Operating Expenses (%)	6.0	-1.9	0.6	-1.3	0.0	0.1	1.6
28	Operating Profit (Loss) (in Millions \$)	-420.1	151.3	-1,332.6	-761.1	33.5	112.7	95.3
29	Net Income (Loss)(in Millions \$)	-275.2	80.5	-844.8	-489.1	36.7	35.5	24.7
30	RPMs (Sch. Svc.) (%)	-4.5	6.6	-7.4	-4.9	3.1	3.7	4.9
31	ASMs (Sch. Svc.) (%)	-1.3	3.3	-5.8	-4.8	1.8	3.0	3.2
32	Operating Revenues per RTM (%)	-6.3	-2.3	-4.0	-3.0	-2.0	-2.3	-2.2
33	Operating Expense per RTM (%)	12.8	-8.4	10.7	5.0	-2.4	-3.4	-2.8
34	Passenger Revenue per RPM (Sch. Svc.)	-9.1	-3.3	-7.0	-5.5	-3.6	-3.6	-3.4

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



QUARTERLY RESULTS

- Southwest has reported a quarterly operating and net profit in every quarter since March 1991, a period of more than seven years. Operating and net results for the quarter ended December 1998 were the highest for any fourth quarter in the carrier's history.
- Operating revenues advanced 7.4 percent, exceeding the 4.9 percent increase in operating expenses, producing a \$30.5 million improvement in operating profit to \$159.4 million.
- Much of this improvement arose from the \$29.7 million (24.1 percent) decline in total fuel expense. Unit fuel prices fell 28 percent while fuel consumption rose 5 percent.
- Net income gained \$19.8 million to \$100.4 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	128.9	159.4	30.5	80.6	100.4	19.8	7.2	7.8	8.1	11.5	12.3	6.8	63.8%
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	128.9	159.4	30.5	80.6	100.4	19.8	7.2	7.8	8.1	11.5	12.3	6.8	63.8%

- Interest expense declined \$2.1 million to \$13.4 million.
- The operating profit margin rose 2 percentage points to 15.2 percent, a passenger group high. This compares with an average of 5.5 percent for the passenger group as a whole.
- Although RTM yield dipped 0.1 percent, RTM unit costs declined 2.4 percent, enhancing profitability.
- The passenger load factor rose only 0.8 percentage points to 63.8 percent, but the increase was still the highest among the majors. RPMs rose 8.1 percent as ASMs rose 6.8 percent.
- Passenger (RPM) yield slid 0.8 percent to 12.72 cents.

12-MONTH RESULTS

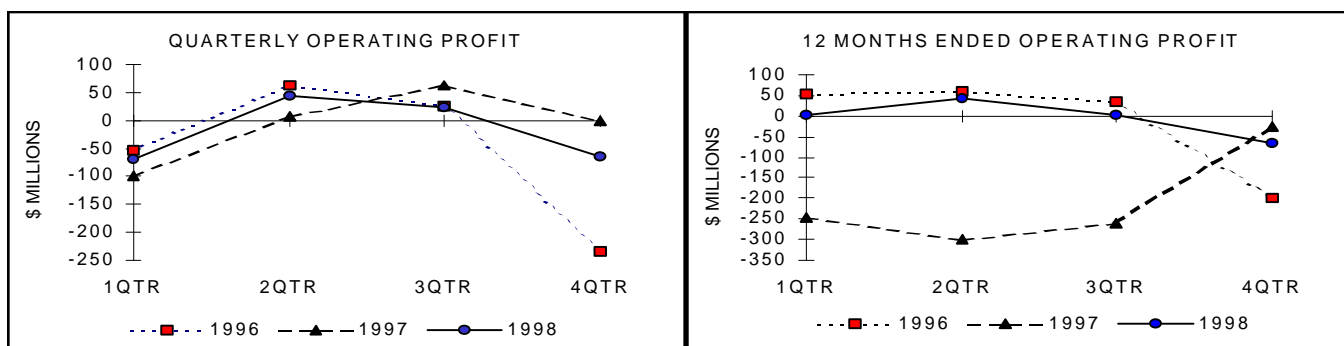
- Operating and net results for the 12-months ended December 1998 again set new all-time highs for any quarter-ended 12-month period in carrier history.
- Operating revenues increased 9.1 percent, while operating expenses rose a lesser 5.7 percent, resulting in operating profit gaining \$159.4 million to \$683.7 million.
- Net income rose \$115.6 million to \$433.4 million.
- The passenger load factor jumped a group high 2.4 percentage points to 66.1 percent, a major group low.
- Passenger (RPM) yield declined 1.7 percent to 12.61 cents.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	1,047.7	975.6	4,164.0	4,092.0	3,994.4	3,872.5	3,817.0
2	Operating Expenses	888.3	846.8	3,480.3	3,438.8	3,393.5	3,323.4	3,292.7
3	Operating Profit (Loss)	159.4	128.9	683.7	653.2	600.9	549.0	524.3
4	Net Income (Loss)	100.4	80.6	433.4	413.6	376.5	336.9	317.8
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	7.83	7.24	31.42	30.83	29.94	28.72	28.36
6	ASMs - Scheduled Rev. Svc.	12.28	11.50	47.55	46.77	45.98	45.24	44.49
7	Overall RTMs (All Svc.)	0.82	0.76	3.28	3.22	3.14	3.01	2.97
8	Overall ATMs (All Svc.)	1.56	1.47	6.04	5.95	5.86	5.77	5.69
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	128.0	128.1	126.9	126.9	127.4	128.5	128.5
10	Operating Expense per RTM	108.5	111.2	106.1	106.6	108.2	110.3	110.8
11	Operating Profit (Loss) per RTM	19.5	16.9	20.8	20.3	19.2	18.2	17.6
12	Operating Expense per ATM	57.1	57.7	57.6	57.8	58.0	57.6	57.9
13	Passenger Revenue per RPM	12.72	12.82	12.61	12.64	12.71	12.83	12.83
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	1.46	1.47	1.47	1.47	1.50
15	Times Interest Earned	*	*	23.98	20.64	17.27	13.93	12.84
16	Current Assets to Current Liabilities	*	*	0.66	0.73	0.83	0.81	0.92
17	No. of Days Cash Coverage of Cash Ex	*	*	41.9	50.9	65.0	59.2	73.3
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	15.2	13.2	16.4	16.0	15.0	14.2	13.7
19	Net Income to Stockholders Equity	*	*	19.7	19.7	18.7	17.7	17.5
20	Corporate Return on Investment	*	*	16.2	16.1	15.2	14.4	14.2
21	Debt to Total Investment	*	*	20.9	21.8	22.2	23.4	27.2
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	63.8	63.0	66.1	65.9	65.1	63.5	63.7
23	Breakeven	52.4	53.2	53.3	53.5	53.6	52.9	53.4
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	25,163	23,482	24,297	23,877	23,586	23,438	23,320
25	Overall RTM's per Employee (000)	32.5	32.4	135.1	135.0	132.9	128.5	127.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	7.4	17.2	9.1	11.4	11.9	10.0	12.0
27	Operating Expenses (%)	4.9	8.1	5.7	6.5	7.0	5.8	7.7
28	Operating Profit (Loss) (in Millions \$)	30.5	80.4	159.4	209.2	205.7	168.0	174.6
29	Net Income (Loss)(in Millions \$)	19.8	52.4	115.6	148.2	142.8	111.7	110.5
30	RPMs (Sch. Svc.) (%)	8.1	2.0	10.8	9.3	7.0	3.4	4.7
31	ASMs (Sch. Svc.) (%)	6.8	10.3	6.9	7.7	8.4	8.8	9.3
32	Operating Revenues per RTM (%)	-0.1	13.7	-1.3	1.8	4.1	5.4	6.0
33	Operating Expense per RTM (%)	-2.4	4.8	-4.3	-2.7	-0.7	1.5	1.9
34	Passenger Revenue per RPM (Sch. Svc)	-0.8	14.4	-1.7	1.7	4.3	5.5	6.3

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
TRANS WORLD AIRLINES



QUARTERLY RESULTS

- Operating expenses were relatively unchanged, up 0.1 percent, but operating revenues dropped 8.1 percent, resulting in operating profit dropping \$66.2 million to a loss of \$65.7 million.
- Total fuel expense fell \$32.5 million (31.3 percent) as unit fuel prices fell 26 percent and consumption declined 7.3 percent.
- Net results fell deeper into the red, down \$47.9 million, to a loss of \$79.1 million.
- Trans World and Northwest were the only two majors to report an operating and/or net loss during the quarter.
- The operating profit margin was the lowest among all majors at a negative 8.8 percent.
- Both the domestic and Atlantic division experienced operating and net deteriorations and losses. The Atlantic entity has produced nearly continuous operating and net losses since 1990, reporting an operating profit in only one quarter (September 1994), and a net profit in only four quarters.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	31.5	-22.8	-54.3	4.0	-10.0	-14.0	4.8	4.6	-4.2	7.3	7.2	-1.6	64.4%
Int'l	-31.0	-42.9	-12.0	-35.2	-69.1	-34.0	1.1	0.8	-28.2	1.6	1.2	-27.6	69.4%
Atlantic	-31.0	-42.9	-12.0	-35.2	-69.1	-34.0	1.1	0.8	-28.2	1.6	1.2	-27.6	69.4%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	0.5	-65.7	-66.2	-31.2	-79.1	-48.0	5.9	5.4	-8.8	8.9	8.3	-6.3	65.1%

- ASM capacity dropped 6.3 percent, but RPM traffic fell a faster 8.8 percent, resulting in the passenger load factor declining 1.7 percentage points to 65.1 percent.
- Passenger (RPM) yield increased a major group high 1.2 percent to 12.16 cents.

12-MONTH RESULTS

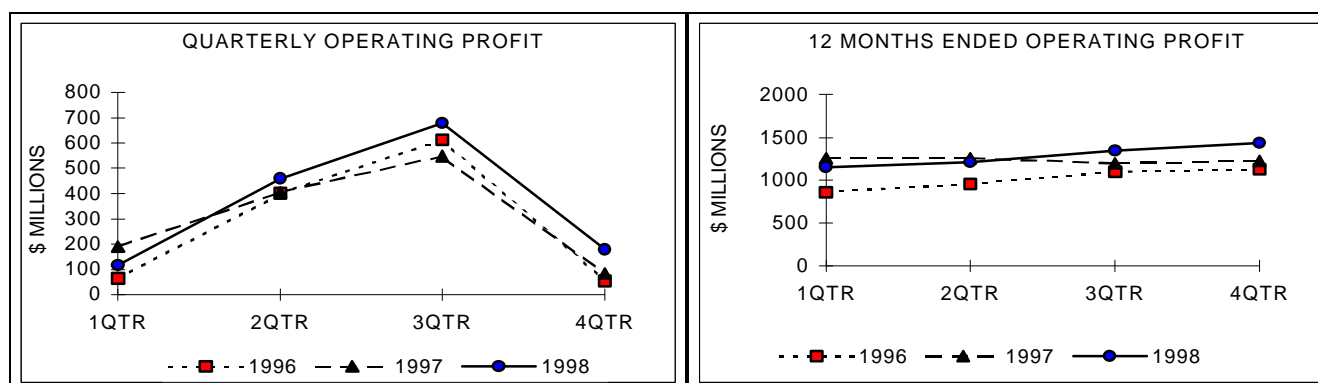
- After three consecutive quarters of 12-month ended positive operating results, operating profit for the year ended 1998 again fell into the red, down \$38.3 million to a loss of \$65.2 million.
- Net results declined \$12 million to a \$120.5 million loss.
- Passenger (RPM) yield growth slowed, but still rose a group high 1.7 percent to 11.85 cents.
- The passenger load factor gained 2.1 percentage points to 70.9 percent as ASMs, down 5.6 percent, declined faster than RPMs, down 2.7 percent.
- Total days cash coverage rose from 27.1 a year ago to 29.1, but has been declining over recent 12-month ended periods.
- The debt-to-investment ratio was the highest among the majors at 82.7 percent, rising 3.7 percentage points from a year ago, due solely to falling equity as total debt was reduced \$123.1 million to \$884.8 million.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	747.1	812.8	3,259.1	3,324.9	3,370.1	3,333.4	3,330.3
2	Operating Expenses	812.8	812.3	3,324.3	3,323.8	3,329.0	3,329.5	3,357.2
3	Operating Profit (Loss)	-65.7	0.5	-65.2	1.1	41.1	3.9	-26.9
4	Net Income (Loss)	-79.1	-31.2	-120.5	-72.5	-60.9	-92.5	-108.5
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	5.41	5.93	24.42	24.94	25.51	25.19	25.10
6	ASMs - Scheduled Rev. Svc.	8.32	8.87	34.45	35.01	36.03	36.40	36.48
7	Overall RTMs (All Svc.)	0.61	0.68	2.71	2.78	2.87	2.86	2.86
8	Overall ATMs (All Svc.)	1.16	1.22	4.80	4.86	4.99	5.04	5.05
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	122.3	119.1	120.1	119.4	117.5	116.7	116.4
10	Operating Expense per RTM	133.1	119.0	122.5	119.4	116.1	116.5	117.3
11	Operating Profit (Loss) per RTM	-10.8	0.1	-2.4	0.0	1.4	0.1	-0.9
12	Operating Expense per ATM	70.2	66.5	69.3	68.4	66.7	66.1	66.5
7	Passenger Revenue per RPM	12.16	12.02	11.85	11.83	11.67	11.63	11.65
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	2.64	2.68	2.74	2.78	2.83
15	Times Interest Earned	*	*	0.08	0.64	0.97	0.47	0.24
16	Current Assets to Current Liabilities	*	*	0.61	0.74	0.76	0.80	0.68
17	No. of Days Cash Coverage of Cash Ex	*	*	29.1	36.2	43.1	39.8	27.1
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	-8.8	0.1	-2.0	0.0	1.2	0.1	-0.8
19	Net Income to Stockholders Equity	*	*	-52.3	-30.6	-27.6	-43.2	-49.3
20	Corporate Return on Investment	*	*	-0.3	3.8	4.7	2.0	0.5
21	Debt to Total Investment	*	*	82.7	77.3	83.2	84.3	79.0
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	65.1	66.8	70.9	71.2	70.8	69.2	68.8
23	Breakeven	73.8	69.0	74.5	73.2	71.8	71.3	71.6
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	19,793	20,263	20,186	20,303	20,414	20,828	21,711
25	Overall RTM's per Employee (000)	30.9	33.7	134.4	137.1	140.5	137.2	131.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-8.1	1.2	-2.1	0.1	-1.3	-5.7	-6.3
27	Operating Expenses (%)	0.1	-21.7	-1.0	-7.2	-10.4	-11.9	-10.6
28	Operating Profit (Loss) (in Millions \$)	-66.2	233.8	-38.3	261.9	339.6	248.7	172.4
29	Net Income (Loss)(in Millions \$)	-47.9	227.4	-12.0	263.5	295.7	226.8	176.3
30	RPMs (Sch. Svc.) (%)	-8.8	-4.4	-2.7	-1.7	-3.0	-6.5	-7.4
31	ASMs (Sch. Svc.) (%)	-6.3	-10.2	-5.6	-6.6	-7.8	-8.9	-10.1
32	Operating Revenues per RTM (%)	2.7	10.1	3.2	5.1	4.6	3.4	3.8
33	Operating Expense per RTM (%)	11.8	-14.8	4.4	-2.6	-4.9	-3.6	-0.9
34	Passenger Revenue per RPM (Sch. Svc)	1.2	8.6	1.7	3.6	3.2	2.0	2.6

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



QUARTERLY RESULTS

- Operating revenues climbed 1.1 percent, while operating expenses declined 1.2 percent, producing a \$94.3 million gain in operating profit to \$178.4 million, a fourth quarter record for United.
- Total fuel expense fell \$60.2 million (13.1 percent) due to declining unit fuel prices, down 15.2 percent, as fuel consumption rose 2.5 percent.
- Net income rose \$28.5 million to \$48 million, the strongest improvement among the majors.
- All of the improvements in operating and net results arose from domestic operations, but all the entities except the Pacific division reported an operating and net profit for the quarter. Pacific operating and net results fell into the red, reflecting the continuing economic problems in Asia.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	29.1	185.3	156.2	-4.0	83.4	87.4	18.3	19.7	7.7	26.3	28.0	6.5	70.4%
Int'l	55.0	-6.9	-61.8	23.5	-35.5	-58.9	11.1	11.0	-1.2	16.1	15.8	-2.0	69.4%
Atlantic	32.8	25.3	-7.5	14.2	4.0	-10.2	3.2	3.5	8.9	4.5	5.1	15.1	69.0%
Latin	10.5	7.8	-2.7	4.6	-0.4	-5.0	1.4	1.5	8.1	2.2	2.4	11.1	61.0%
Pacific	11.7	-40.0	-51.7	4.6	-39.1	-43.7	6.5	6.0	-8.1	9.5	8.3	-13.0	72.1%
System	84.1	178.4	94.4	19.5	48.0	28.5	29.4	30.7	4.3	42.4	43.8	3.3	70.1%

- Interest expense rose \$8.5 million to \$77.5 million.
- Passenger (RPM) yield decreased 3.7 percent to 11.92 cents.
- The passenger load factor rose 0.7 percentage points to a major group high 70.1 percent. RPM traffic, up 4.3 percent, grew faster than ASM capacity, up 3.3 percent.

12-MONTH RESULTS

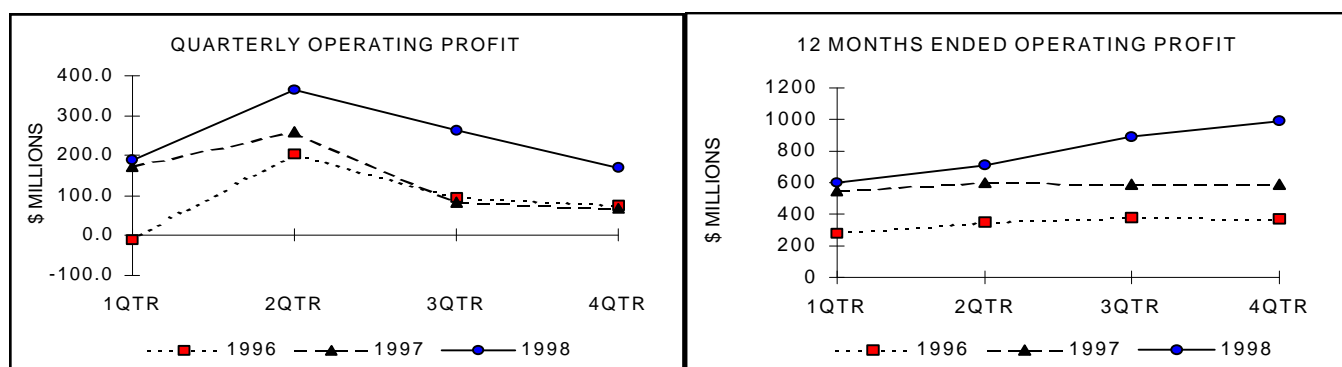
- Operating revenues rose 1.1 percent, while operating expenses dipped 0.2 percent, resulting in a \$209.7 million gain in operating profit to \$1.43 billion.
- Net income, however, fell \$129.3 million to \$802.6 million. However, the 1997 results reflected the positive impact of the third quarter 1997 non-recurring capital gain of \$180 million from the sale of United's stake in Apollo Travel Services to Galileo International.
- Passenger (RPM) yield declined 1.7 percent to 12.21 cents.
- For the fourth consecutive period, ASM capacity, up 2.9 percent, rose faster than RPM traffic, up 2.6 percent, resulting in a slight decline in the passenger load, down 0.2 percentage point to 71.6 percent.
- Interest expense rose \$39.9 million to a major group high \$310.2 million. Total debt has increased significantly over the last year, rising \$1.11 billion to a major group high \$5.4 billion.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	4,270.0	4,224.5	17,517.5	17,472.1	17,329.6	17,269.9	17,335.2
2	Operating Expenses	4,091.5	4,140.5	16,082.4	16,131.3	16,120.9	16,117.1	16,109.7
3	Operating Profit (Loss)	178.4	84.1	1,435.2	1,340.8	1,208.7	1,152.7	1,225.5
4	Net Income (Loss)	48.0	19.5	802.6	774.1	924.9	886.3	931.9
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	30.72	29.44	124.54	123.26	121.68	120.91	121.35
6	ASMs - Scheduled Rev. Svc.	43.84	42.44	173.89	172.49	170.94	169.94	169.00
7	Overall RTMs (All Svc.)	3.84	3.74	15.42	15.33	15.15	15.04	15.00
8	Overall ATMs (All Svc.)	6.70	6.38	26.39	26.08	25.65	25.32	24.94
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	111.1	112.9	113.6	114.0	114.4	114.8	115.5
10	Operating Expense per RTM	106.5	110.6	104.3	105.3	106.4	107.1	107.4
11	Operating Profit (Loss) per RTM	4.6	2.2	9.3	8.7	8.0	7.7	8.2
12	Operating Expense per ATM	61.1	64.9	60.9	61.9	62.9	63.7	64.6
13	Passenger Revenue per RPM	11.92	12.38	12.21	12.32	12.39	12.40	12.42
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	2.12	2.27	2.47	2.73	3.05
15	Times Interest Earned	*	*	5.76	6.11	7.78	8.22	9.00
16	Current Assets to Current Liabilities	*	*	0.49	0.53	0.57	0.51	0.55
17	No. of Days Cash Coverage of Cash Ex	*	*	16.4	18.9	23.0	15.5	18.4
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	4.2	2.0	8.2	7.7	7.0	6.7	7.1
19	Net Income to Stockholders Equity	*	*	24.6	25.4	34.0	37.3	45.3
20	Corporate Return on Investment	*	*	12.8	13.1	16.2	17.1	19.7
21	Debt to Total Investment	*	*	59.7	58.6	60.8	62.8	61.2
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	70.1	69.4	71.6	71.5	71.2	71.1	71.8
23	Breakeven	69.8	70.2	67.3	67.5	67.7	67.9	68.3
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	83,761	79,931	82,535	81,578	80,565	79,153	77,760
25	Overall RTM's per Employee (000)	45.9	46.8	186.9	187.9	188.0	190.0	193.0

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	1.1	6.6	1.1	2.3	2.4	3.4	6.2
27	Operating Expenses (%)	-1.2	5.9	-0.2	1.6	2.9	4.3	6.1
28	Operating Profit (Loss) (in Millions \$)	94.3	30.3	209.7	145.6	-51.0	-102.8	95.3
29	Net Income (Loss)(in Millions \$)	28.5	-0.7	-129.3	-158.6	221.8	226.2	398.2
30	RPMs (Sch. Svc.) (%)	4.3	4.0	2.6	2.5	2.3	2.5	4.1
31	ASMs (Sch. Svc.) (%)	3.3	3.8	2.9	3.0	3.2	3.6	3.9
32	Operating Revenues per RTM (%)	-1.6	-0.6	-1.7	-1.6	-2.1	-1.9	-0.5
33	Operating Expense per RTM (%)	-3.7	-1.3	-2.9	-2.2	-1.6	-1.0	-0.6
34	Passenger Revenue per RPM (Sch. Svc)	-3.7	2.1	-1.7	-0.3	0.0	0.3	1.6

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



QUARTERLY RESULTS

- US Airways reported its best fourth quarter operating and net profits in carrier history.
- Operating revenues were unchanged from a year ago, but operating expenses fell 5.1 percent. As a result, operating profit jumped \$103.5 million to \$171.5 million, the largest improvement among the majors.
- Much of this improvement arose from the sharp decline in total fuel expense, down \$39 million (24.3 percent).
- Net income, however, tumbled \$406.1 million to \$113.7 million. The 1997 results reflected a non-recurring positive \$477 million tax credit.
- The only deterioration reported among all entities was with domestic net results, which reflected the positive tax credit. The domestic entity, however, accounted for nearly all of the systemwide operating and net profits.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	79.1	172.1	93.0	530.8	115.9	-414.9	8.9	8.9	0.3	12.8	12.9	0.6	69.2%
Int'l	-11.1	-0.7	10.4	-10.9	-2.1	8.8	0.9	1.1	19.3	1.3	1.6	27.8	67.8%
Atlantic	-9.1	-1.2	7.8	-8.5	-2.7	5.8	0.8	0.9	21.1	1.0	1.4	30.8	67.7%
Latin	-2.0	0.5	2.6	-2.4	0.5	3.0	0.2	0.2	10.1	0.2	0.2	13.2	68.8%
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	68.0	171.5	103.4	519.8	113.7	-406.1	9.8	10.0	2.1	14.0	14.5	3.0	69.1%

- Although down 4.6 percent, passenger (RPM) yield was still the highest among the majors at 16.91 cents.
- The operating profit margin rose 4.9 percentage points to 8.2 percent.
- Interest expenses fell \$14.1 million, the largest decline among the majors, to \$49.3 million.
- RPM traffic rose 2.1 percent, but ASM capacity increased a faster 3 percent, resulting in the passenger load factor declining 0.6 percentage points to 69.1 percent.
- With total equity rising and total debt falling a major group high \$556.3 million to \$2.03 billion, the debt-to-investment ratio dropped 15.7 percentage points, the largest decline among all majors, to 54.4 percent.

12-MONTH RESULTS

- US Airways reported its thirteenth consecutive quarter-ended 12-month operating and net profit, following six consecutive years of losses.
- Operating revenues climbed 0.6 percent, but with operating expenses declining 4.4 percent, operating profit improved \$403.8 million to \$990 million, an all-time quarter-ended 12-month high for the carrier.
- Net income, reflecting the year tax credit of \$477 million, dropped \$493.1 million to \$559.1 million.
- For the sixth time in the last seven quarter-ended 12-month periods, passenger (RPM) yield was down from a year ago, declining 0.5 percent to 17.02 cents, still a major group high.
- The passenger load factor increased 1.4 percentage points to 72.7 percent.
- Although up from a year ago, productivity (RTMs per employee) was a passenger major group low 123.7.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	2,087.0	2,087.4	8,555.7	8,556.0	8,494.5	8,442.1	8,501.5
2	Operating Expenses	1,915.6	2,019.3	7,565.6	7,669.4	7,786.3	7,840.6	7,915.3
3	Operating Profit (Loss)	171.5	68.0	990.0	886.6	708.2	601.5	586.2
4	Net Income (Loss)	113.7	519.8	559.1	965.2	1,003.2	1,009.3	1,052.2
	TRAFFIC: (Billions)							
5	RPMs - Scheduled Rev. Svc.	9.99	9.79	41.25	41.05	41.05	41.12	41.58
6	ASMs - Scheduled Rev. Svc.	14.46	14.04	56.72	56.30	56.77	57.50	58.29
7	Overall RTMs (All Svc.)	1.09	1.08	4.48	4.47	4.48	4.49	4.53
8	Overall ATMs (All Svc.)	1.97	1.91	7.73	7.66	7.71	7.79	7.88
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	191.4	193.8	190.8	191.3	189.4	187.9	187.5
10	Operating Expense per RTM	175.7	187.5	168.7	171.5	173.6	174.5	174.6
11	Operating Profit (Loss) per RTM	15.7	6.3	22.1	19.8	15.8	13.4	12.9
12	Operating Expense per ATM	97.2	106.0	97.9	100.1	100.9	100.6	100.4
13	Passenger Revenue per RPM	16.91	17.73	17.02	17.21	17.17	17.11	17.11
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	2.28	2.35	2.43	2.60	2.82
15	Times Interest Earned	*	*	4.89	4.05	3.88	3.74	3.68
16	Current Assets to Current Liabilities	*	*	1.11	1.02	1.17	1.07	1.20
17	No. of Days Cash Coverage of Cash Ex	*	*	60.4	71.3	104.6	101.8	95.2
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	8.2	3.3	11.6	10.4	8.3	7.1	6.9
19	Net Income to Stockholders Equity	*	*	39.1	79.8	106.6	153.8	271.3
20	Corporate Return on Investment	*	*	21.3	33.6	36.4	38.8	43.2
21	Debt to Total Investment	*	*	54.4	56.0	62.4	66.4	70.1
	PASSENGER LOAD FACTOR: (Sch. Svc. %)							
22	Actual	69.1	69.7	72.7	72.9	72.3	71.5	71.3
23	Breakeven	67.0	71.1	66.8	67.9	69.1	69.2	69.1
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	36,106	36,800	36,142	36,315	36,702	37,060	37,364
25	Overall RTM's per Employee (000)	30.2	29.3	124.1	123.1	122.2	121.2	121.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.0	2.0	0.6	1.1	2.7	4.8	10.4
27	Operating Expenses (%)	-5.1	2.4	-4.4	-2.5	1.6	4.5	7.9
28	Operating Profit (Loss) (in Millions \$)	103.5	-6.2	403.8	294.2	104.1	49.8	217.5
29	Net Income (Loss)(in Millions \$)	-406.1	470.3	-493.1	383.3	580.2	627.5	869.0
30	RPMs (Sch. Svc.) (%)	2.1	-2.0	-0.8	-1.8	0.0	2.5	6.8
31	ASMs (Sch. Svc.) (%)	3.0	-4.2	-2.7	-4.4	-3.2	-0.7	2.5
32	Operating Revenues per RTM (%)	-1.2	3.3	1.8	2.8	2.5	2.1	3.2
33	Operating Expense per RTM (%)	-6.3	3.7	-3.4	-0.9	1.4	1.7	1.0
34	Passenger Revenue per RPM (Sch. Svc.)	-4.6	3.8	-0.5	1.5	-0.1	-1.9	-2.0

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

TOTAL ALL-CARGO MAJORS 1/

QUARTERLY RESULTS

- All three major all-cargo carriers reported an operating profit for the quarter ended December 1998, but only Federal Express had a net profit. Except for net results of DHL, the three all-cargo carriers reported improvements in both operating and net results.
- For the all-cargo group, operating revenues, up 8.2 percent, grew much faster than operating expenses, up 4.9 percent, boosting operating profit \$146 million to \$347.8 million.
- Net income improved by \$20.2 million to \$109.4 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1997	THIS YEAR 1998	\$ Change	LAST YEAR 1997	THIS YEAR 1998	\$ Change
March	209.4	171.0	-38.4	104.0	71.6	-32.3
June	309.6	275.0	-34.6	165.2	123.4	-41.8
Sept.	313.1	268.0	-45.1	102.5	133.8	31.3
Dec.	201.8	347.8	146.0	89.2	109.4	20.2

- Total fuel expense fell \$68.2 million (29.9 percent), due primarily to unit fuel prices dropping 28.9 percent. Fuel consumption was down 1.3 percent.
- All entities reported both an operating and net profit, with the domestic and Pacific entities experiencing improvements in both operating and net results, while Atlantic operations experienced operating and net declines.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	118.2	266.9	148.8	18.5	63.8	45.4	1.8	1.9	4.5	3.2	3.4	6.6	55.4%
Int'l	83.6	80.8	-2.8	70.7	45.6	-25.1	1.0	1.0	1.9	1.5	1.6	6.2	61.2%
Atlantic	81.3	58.1	-23.2	70.1	18.5	-51.6	0.3	0.3	1.6	0.5	0.5	5.3	65.0%
Latin	6.3	10.9	4.6	2.6	2.5	-0.2	0.1	0.1	4.5	0.1	0.1	4.4	53.8%
Pacific	-4.0	11.8	15.8	-2.0	24.6	26.7	0.6	0.6	1.8	1.0	1.0	6.9	60.4%
System	201.8	347.8	146.0	89.2	109.4	20.3	2.8	2.9	3.6	4.7	5.0	6.5	57.3%

- RTM traffic rose 3.6 percent, but faster growth in ATM capacity, up 6.5 percent, resulted in the ton load declining 1.6 percentage points to 57.3 percent.
- As RTM yield, up 4.4 percent, rose nearly three times the pace of RTM unit costs, up 1.3 percent, profitability continued strong.

12-MONTH RESULTS

- Except for a small net loss reported by DHL, the three all-cargo carriers reported an operating and net profit for the period.
- Operating profit for the group improved \$28.1 million to \$1.06 billion, reversing the downward trend of recent periods.
- Net income declined \$22.6 million to \$438.2 million.
- The ton load factor decreased 1.2 percentage points to 58.3 percent as ATM capacity, up 11.3 percent, rose more than RTM traffic, up 9.1 percent.

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

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	4,477.1	4,138.5	17,012.0	16,673.5	16,542.1	16,173.2	15,818.5
2	Operating Expenses	4,129.3	3,936.7	15,950.1	15,757.5	15,581.2	15,177.7	14,784.7
3	Operating Profit (Loss)	347.8	201.8	1,061.9	915.9	960.9	995.5	1,033.8
4	Net Income (Loss)	109.4	89.2	438.2	418.0	386.7	428.5	460.8
	TRAFFIC: (Billions)							
5	RTMs - Scheduled Rev. Svc.	2.09	2.00	8.00	7.91	7.74	7.56	7.40
6	ATMs - Scheduled Rev. Svc.	3.50	3.23	13.23	12.96	12.45	12.09	11.76
7	Overall RTMs (All Services)	2.88	2.78	11.07	10.97	10.70	10.48	10.15
8	Overall ATMs (All Services)	5.03	4.72	18.99	18.68	18.07	17.61	17.06
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	155.3	148.7	153.6	151.9	154.7	154.3	155.8
10	Operating Expense per RTM	143.2	141.4	144.0	143.6	145.7	144.8	145.6
11	Operating Profit (Loss) per RTM	12.1	7.3	9.6	8.3	9.0	9.5	10.2
12	Operating Expense per ATM	82.1	83.3	84.0	84.4	86.2	86.2	86.6
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	1.91	1.90	1.92	1.94	2.00
15	Times Interest Earned	*	*	4.70	5.14	5.44	6.83	7.68
16	Current Assets to Current Liabilities	*	*	1.07	1.15	1.07	1.17	1.10
17	No. of Days Cash Coverage of Cash Ex	*	*	4.2	4.8	5.4	8.3	6.1
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	7.8	4.9	6.2	5.5	5.8	6.2	6.5
19	Net Income to Stockholders Equity	*	*	9.6	9.3	8.8	10.0	11.1
20	Corporate Return on Investment	*	*	7.4	6.8	6.6	6.9	7.5
21	Debt to Total Investment	*	*	47.8	48.3	48.5	49.3	49.3
	TON LOAD FACTOR: (Sch. Svc. %)							
22	Actual	57.3	58.9	58.3	58.8	59.2	59.5	59.5
23	Breakeven	++	++	++	++	++	++	++
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	102,579	95,718	100,513	98,799	96,368	93,752	91,182
25	Overall RTM's per Employee (000)	28.1	29.1	110.2	111.1	111.0	111.8	111.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	8.2	10.2	7.5	8.0	12.3	13.5	14.4
27	Operating Expenses (%)	4.9	12.9	7.9	9.9	13.0	13.0	13.1
28	Operating Profit (Loss) (in Millions \$)	146.0	-64.7	28.1	-182.6	21.2	173.0	279.9
29	Net Income (Loss)(in Millions \$)	20.2	-43.3	-22.6	-86.2	-99.0	10.5	84.7
30	RTMs (All Svc.) (%)	3.6	7.8	9.1	10.3	9.5	10.1	8.4
31	ATMs (All Svc.) (%)	6.5	9.8	11.3	12.2	10.7	10.4	8.5
32	Operating Revenues per RTM (%)	4.4	2.3	-1.4	-2.1	2.6	3.1	5.6
33	Operating Expense per RTM (%)	1.3	4.7	-1.1	-0.3	3.2	2.6	4.4
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	3,471.5	3,122.8	13,016.4	12,667.6	12,629.6	12,353.5	12,121.8
2	Operating Expenses	3,204.6	3,004.6	12,214.6	12,014.6	11,893.8	11,586.8	11,304.9
3	Operating Profit (Loss)	266.9	118.2	801.8	653.0	735.8	766.8	817.0
4	Net Income (Loss)	63.8	18.5	258.1	212.7	350.5	466.2	443.1
	TRAFFIC: (Billions)							
5	RTMs - Scheduled Rev. Svc.	1.12	1.06	4.27	4.21	4.20	4.12	4.05
6	ATMs - Scheduled Rev. Svc.	1.92	1.76	7.18	7.01	6.92	6.79	6.68
7	Overall RTMs (All Services)	1.88	1.80	7.16	7.08	6.93	6.83	6.61
8	Overall ATMs (All Services)	3.40	3.19	12.59	12.38	12.04	11.84	11.54
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	184.2	173.1	181.7	178.8	182.2	180.8	183.4
10	Operating Expense per RTM	170.1	166.6	170.5	169.6	171.5	169.6	171.0
11	Operating Profit (Loss) per RTM	14.2	6.6	11.2	9.2	10.6	11.2	12.4
12	Operating Expense per ATM	94.3	94.2	97.0	97.0	98.8	97.9	98.0
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	7.7	3.8	6.2	5.2	5.8	6.2	6.7
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	5.8	4.9	7.1	8.9	8.9
21	Debt to Total Investment	*	*	**	**	**	**	**
	TON LOAD FACTOR: (Sch. Svc. %)							
22	Actual	55.4	56.6	56.9	57.2	57.6	57.7	57.3
23	Breakeven	++	++	++	++	++	++	++
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

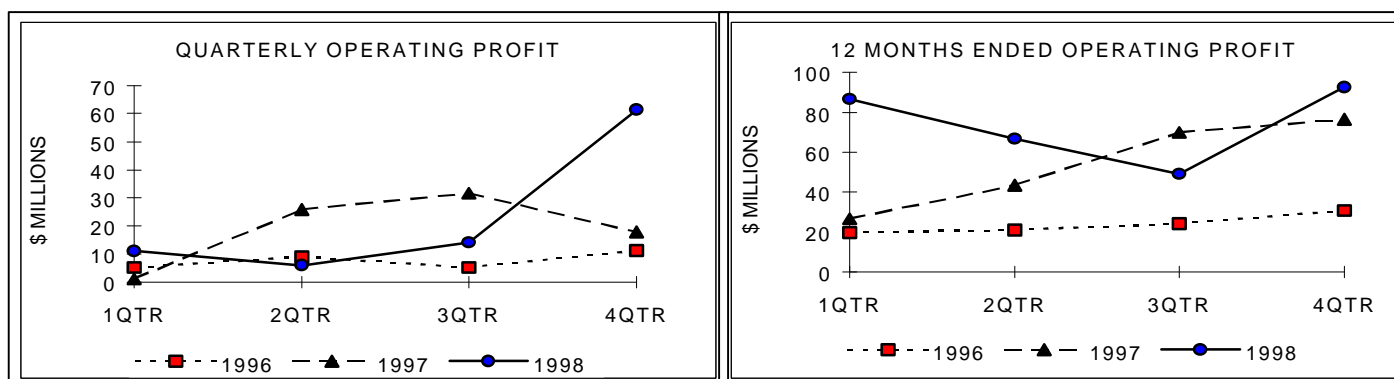
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	11.2	6.6	7.4	6.2	10.7	11.1	11.4
27	Operating Expenses (%)	6.7	10.9	8.0	9.1	12.1	11.6	11.4
28	Operating Profit (Loss) (in Millions \$)	148.7	-102.2	-15.2	-266.2	-62.4	36.0	74.5
29	Net Income (Loss)(in Millions \$)	45.3	-73.8	-185.0	-304.2	-10.2	167.5	130.7
30	RTMs (All Svc.) (%)	4.5	5.5	8.4	8.7	7.9	8.2	4.6
31	ATMs (All Svc.) (%)	6.6	7.2	9.1	9.3	8.0	8.6	6.9
32	Operating Revenues per RTM (%)	6.4	1.1	-0.9	-2.3	2.6	2.7	6.4
33	Operating Expense per RTM (%)	2.1	5.2	-0.3	0.4	3.9	3.0	6.5
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	1,005.6	1,015.7	3,995.7	4,005.8	3,912.6	3,819.7	3,696.7
2	Operating Expenses	924.8	932.1	3,735.6	3,742.9	3,687.4	3,590.9	3,479.9
3	Operating Profit (Loss)	80.8	83.6	260.1	262.9	225.2	228.7	216.9
4	Net Income (Loss)	45.6	70.7	180.1	205.2	36.3	-37.7	17.8
	TRAFFIC: (Billions)							
5	RTMs - Scheduled Rev. Svc.	0.97	0.94	3.73	3.70	3.54	3.45	3.35
6	ATMs - Scheduled Rev. Svc.	1.58	1.48	6.06	5.95	5.53	5.30	5.09
7	Overall RTMs (All Services)	1.00	0.98	3.91	3.89	3.76	3.65	3.54
8	Overall ATMs (All Services)	1.63	1.54	6.39	6.30	6.04	5.77	5.52
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	100.7	103.7	102.2	103.0	104.0	104.7	104.3
10	Operating Expense per RTM	92.6	95.2	95.6	96.2	98.0	98.4	98.2
11	Operating Profit (Loss) per RTM	8.1	8.5	6.7	6.8	6.0	6.3	6.1
12	Operating Expense per ATM	56.7	60.7	58.4	59.4	61.1	62.2	63.0
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Ex	*	*	**	**	**	**	**
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	8.0	8.2	6.5	6.6	5.8	6.0	5.9
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	13.0	13.5	4.8	-0.2	2.8
21	Debt to Total Investment	*	*	**	**	**	**	**
	TON LOAD FACTOR: (Sch. Svc. %)							
22	Actual	61.2	63.8	61.1	61.8	62.3	63.2	64.1
23	Breakeven	++	++	++	++	++	++	++
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-1.0	23.0	8.1	14.2	18.1	21.9	25.7
27	Operating Expenses (%)	-0.8	19.5	7.3	12.5	16.2	18.1	18.8
28	Operating Profit (Loss) (in Millions \$)	-2.8	37.5	43.2	83.6	83.7	137.0	205.5
29	Net Income (Loss)(in Millions \$)	-25.1	30.4	162.3	217.9	-88.7	-157.1	-45.9
30	RTMs (All Svc.) (%)	1.9	12.3	10.3	13.2	12.7	13.8	16.1
31	ATMs (All Svc.) (%)	6.2	15.5	15.7	18.4	16.6	14.2	12.0
32	Operating Revenues per RTM (%)	-2.9	9.5	-2.0	0.9	4.8	7.2	8.2
33	Operating Expense per RTM (%)	-2.7	6.5	-2.7	-0.6	3.2	3.7	2.3
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

QUARTERLY FINANCIAL & TRAFFIC REVIEW SYSTEM OPERATIONS DHL AIRWAYS



QUARTERLY RESULTS

- Operating revenue growth, up 19.4 percent, tripled the growth in operating expenses, up 6.2 percent, producing a \$43.6 million gain in operating profit to \$61.4 million.
- Net results, however, fell into the red, down \$23.3 million to a loss of \$7.9 million.
- Both the domestic and Latin entities reported an operating and net profit for the fourth quarter, but only the domestic entity experienced an improvement in either operating and net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	-49.1	32.6	81.7	-46.4	-6.8	39.6	0.1	0.1	5.5	0.1	0.1	7.0	54.4%
Int'l	67.0	28.8	-38.1	61.8	-1.1	-62.9	0.7	0.7	2.9	1.0	1.1	7.7	60.8%
Atlantic	68.2	34.9	-33.4	63.1	6.1	-57.0	0.0	0.0	22.0	0.1	0.1	25.5	68.6%
Latin	-1.3	-6.0	-4.8	-1.3	-7.2	-5.9	0.0	0.0	5.6	0.0	0.0	1.6	59.5%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.6	1.8	1.0	1.0	6.9	60.4%
System	17.8	61.4	43.6	15.4	-7.9	-23.3	0.7	0.7	3.1	1.1	1.2	7.6	60.3%

- Total fuel expenses declined a group low \$3 million (22.2 percent).
- RTM traffic advanced 11.2 percent, but ATM capacity rose slightly faster, up 11.8 percent, causing the ton load factor to decline 0.3 percentage points to 59.5 percent.
- RTM yield jumped 7.4 percent while RTM unit costs fell 4.5 percent, greatly enhancing profitability.
- Interest expense rose \$49.8 million, the largest increase among the majors, to \$51.6 million.

12-MONTH RESULTS

- Operating profit improved \$16 million to \$92.6 million as operating revenues, up 10 percent, grew faster than operating expenses, up 9.3 percent.
- Net income was up \$7.5 million, but remained in the red with a loss of \$5.2 million, the fourth loss out of the last five quarter-ended 12-month periods.
- DHL had the highest operating profit margin among all majors at 16 percent, rising a group high 10.5 percentage points from a year ago.
- RTM traffic increased 3.7 percent, but ATM capacity jumped 10.8 percent, pushing the ton load factor down 4 percentage points to 58.6 percent.
- Although total debt remained the lowest among all majors, it increased \$4.3 million while equity declined, resulting in the debt-to-investment ratio rising 1.9 percentage points to 11.6 percent, also a major group low.

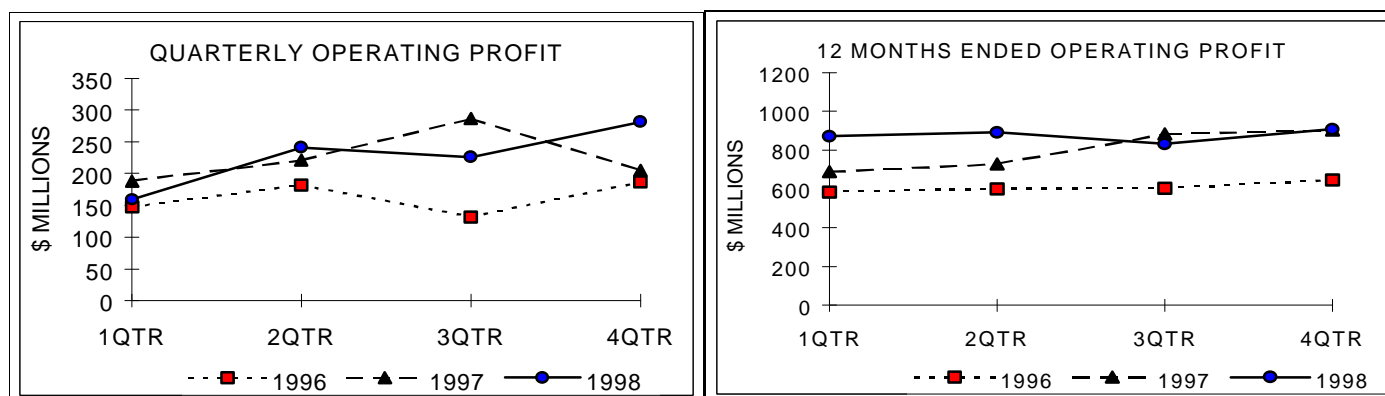
Note : Beginning with the first quarter 1998, The Airline Quarterly Financial Review of the Majors includes DHL Airways, which achieved major airline status (*i.e.*, annual operating revenues exceeding \$1 billion), effective January 1, 1997.

QUARTERLY FINANCIAL & TRAFFIC REVIEW
SYSTEM OPERATIONS
DHL AIRWAYS

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
FINANCIAL RESULTS: (\$Millions)								
1	Operating Revenues	384.9	322.3	1,348.5	1,285.9	1,284.8	1,258.0	1,225.7
2	Operating Expenses	323.5	304.5	1,255.9	1,236.9	1,218.1	1,171.4	1,149.0
3	Operating Profit (Loss)	61.4	17.8	92.6	49.0	66.7	86.6	76.6
4	Net Income (Loss)	-7.9	15.4	-5.2	18.2	-33.0	-5.8	-12.7
TRAFFIC: (Billions)								
5	RTMs - Scheduled Rev. Svc.	0.10	0.09	0.37	0.36	0.36	0.36	0.37
6	ATMs - Scheduled Rev. Svc.	0.17	0.15	0.63	0.61	0.59	0.59	0.58
7	Overall RTMs (All Services)	0.11	0.10	0.40	0.39	0.39	0.39	0.39
8	Overall ATMs (All Services)	0.19	0.17	0.68	0.66	0.65	0.63	0.62
YIELD & UNIT COST & PROFITS: (Cents)								
9	Operating Revenue per RTM	348.2	324.2	336.9	330.5	326.7	323.3	317.7
10	Operating Expense per RTM	292.6	306.3	313.8	317.9	309.7	301.0	297.8
11	Operating Profit (Loss) per RTM	55.6	17.9	23.1	12.6	17.0	22.3	19.9
12	Operating Expense per ATM	174.2	183.2	183.8	186.4	186.9	185.6	186.4
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
FINANCIAL RATIOS:								
14	Operating Revenues to Total Investment	*	*	5.85	5.31	4.93	4.63	4.53
15	Times Interest Earned	*	*	1.22	1.60	2.27	12.13	11.92
16	Current Assets to Current Liabilities	*	*	1.32	1.39	1.46	1.82	1.65
17	No. of Days Cash Coverage of Cash Ex	*	*	21.1	20.8	32.0	55.5	33.5
FINANCIAL PERCENTAGES:								
18	Operating Profit (Loss) to Operating Rev	16.0	5.5	6.9	3.8	5.2	6.9	6.3
19	Net Income to Stockholders Equity	*	*	-2.6	8.8	-14.5	-2.4	-5.3
20	Corporate Return on Investment	*	*	34.7	22.1	0.1	0.7	-2.1
21	Debt to Total Investment	*	*	11.6	22.7	24.7	8.5	9.7
TON LOAD FACTOR: (Sch. Svc. %)								
22	Actual	59.5	59.8	58.6	58.6	60.3	61.7	62.6
23	Breakeven	++	++	++	++	++	++	++
Employment & Productivity:								
24	Employment, Total Weighted Avg CY	7,934	7,490	7,749	7,638	7,520	7,393	7,260
25	Overall RTM's per Employee (000)	13.9	13.3	51.7	50.9	52.3	52.6	53.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	19.4	12.2	10.0	8.0	13.1	14.0	12.9
27	Operating Expenses (%)	6.2	10.3	9.3	10.4	11.5	8.8	9.0
28	Operating Profit (Loss) (in Millions \$)	43.6	6.6	16.0	-21.0	23.1	60.0	45.8
29	Net Income (Loss)(in Millions \$)	-23.3	2.7	7.5	33.5	-65.4	-29.1	-40.2
30	RTMs (Sch. Svc.) (%)	11.2	-0.4	3.7	0.8	1.3	0.8	1.9
31	ATMs (Sch. Svc.) (%)	11.8	5.7	10.8	9.3	7.4	5.6	5.0
32	Operating Revenues per RTM (%)	7.4	12.6	6.0	7.2	11.6	13.1	10.9
33	Operating Expense per RTM (%)	-4.5	10.7	5.4	9.5	10.0	7.9	6.9
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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



QUARTERLY RESULTS

- Federal Express reported operating and net profits that were the highest for any fourth quarter in company history.
- Operating revenues, up 6.5 percent, grew faster than operating expenses, up 4.5 percent, producing an improvement in operating profit of \$76.1 million to \$281.3 million.
- A portion of this improvement was attributable to the sharp drop in total fuel expense, down \$28.1 million (22.9 percent), due to the 26.1 percent decline in unit fuel prices. Fuel consumption rose 4.3 percent.
- Net income was also higher, up \$30.8 million to \$130.5 million.
- Except for relatively small Pacific operating and net losses, all entities improved from a year ago and were profitable.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	216.9	258.0	41.2	110.2	124.2	13.9	1.0	1.1	5.6	1.7	1.8	9.3	58.7%
Int'l	-11.7	23.3	35.0	-10.6	6.4	16.9	0.7	0.7	-3.4	1.0	1.0	1.3	63.7%
Atlantic	4.5	20.3	15.8	1.2	9.1	7.9	0.2	0.2	-5.9	0.3	0.3	-1.3	65.9%
Latin	9.1	13.5	4.4	4.7	6.9	2.2	0.1	0.0	-5.0	0.1	0.1	-11.8	58.4%
Pacific	-25.3	-10.5	14.7	-16.5	-9.7	6.8	0.4	0.4	-2.2	0.7	0.7	4.1	63.4%
System	205.2	281.3	76.1	99.7	130.5	30.9	1.7	1.7	2.0	2.7	2.9	6.3	60.5%

- The ton load factor decreased 2.5 percentage points to 60.5 percent, the largest decline among the three major all-cargo carriers, as ATM capacity, up 6.3 percent, grew more than three times faster than RTM traffic, up 2 percent.
- Interest expense fell \$9.5 million to \$22.9 million.

12-MONTH RESULTS

- Operating revenues grew 7.4 percent, but were slightly outpaced by operating revenue growth, up 7.9 percent. Still, operating profit gained \$6.2 million to \$907.3 million.
- Net income, however, fell \$22.8 million to \$435.4 million, the second consecutive quarter-ended 12-month period of decline.
- ATM capacity, up 9.6 percent, grew faster than RTM traffic, up 6.5 percent, resulting in the ton load factor declining 1.7 percentage points to 61.6 percent.
- Total debt dropped \$294.6 million to \$1.28 billion, and total equity rose, pushing the debt-to-investment ratio down 7 percentage points to 25.7 percent.

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

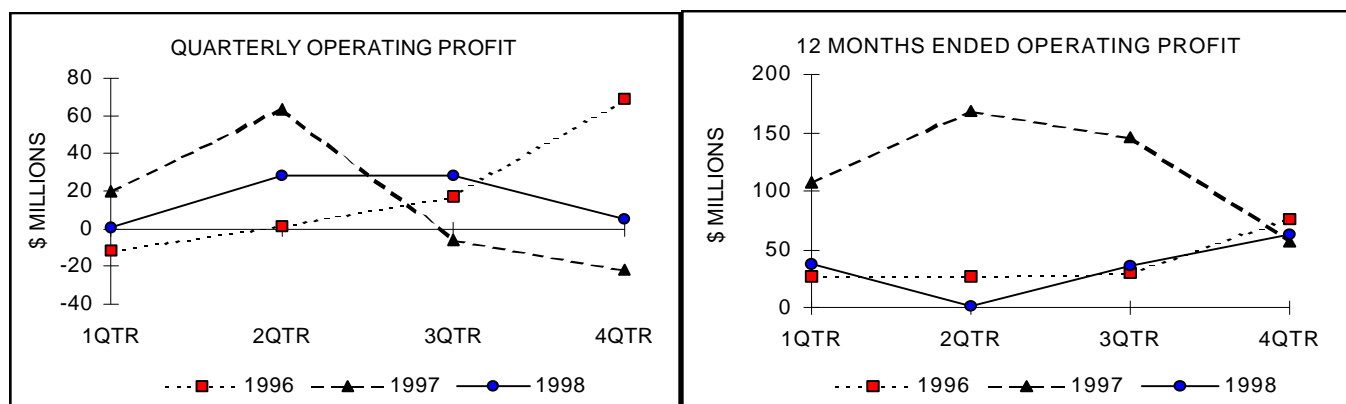
ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	3,577.3	3,357.8	13,666.3	13,446.9	13,414.8	13,066.1	12,730.2
2	Operating Expenses	3,296.0	3,152.6	12,759.0	12,615.7	12,522.8	12,194.5	11,829.2
3	Operating Profit (Loss)	281.3	205.2	907.3	831.2	892.1	871.7	901.1
4	Net Income (Loss)	130.5	99.7	435.4	404.6	441.9	433.0	458.2
	TRAFFIC: (Billions)							
5	RTMs - Scheduled Rev. Svc.	1.70	1.66	6.63	6.59	6.52	6.36	6.23
6	ATMs - Scheduled Rev. Svc.	2.82	2.65	10.77	10.59	10.39	10.09	9.83
7	Overall RTMs (All Services)	1.74	1.71	6.84	6.81	6.73	6.56	6.42
8	Overall ATMs (All Services)	2.88	2.71	11.11	10.94	10.74	10.42	10.14
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	205.1	196.4	199.7	197.5	199.3	199.1	198.2
10	Operating Expense per RTM	189.0	184.4	186.5	185.3	186.1	185.8	184.2
11	Operating Profit (Loss) per RTM	16.1	12.0	13.3	12.2	13.3	13.3	14.0
12	Operating Expense per ATM	114.3	116.2	114.8	115.3	116.6	117.0	116.7
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	2.80	2.79	2.82	2.80	2.82
15	Times Interest Earned	*	*	8.31	7.26	7.48	7.33	7.99
16	Current Assets to Current Liabilities	*	*	1.05	1.08	0.99	1.09	1.09
17	No. of Days Cash Coverage of Cash Ex	*	*	2.7	3.7	3.3	4.3	3.9
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	7.9	6.1	6.6	6.2	6.6	6.7	7.1
19	Net Income to Stockholders Equity	*	*	12.6	12.1	13.7	13.9	15.3
20	Corporate Return on Investment	*	*	11.1	10.7	11.8	11.8	12.7
21	Debt to Total Investment	*	*	25.7	26.6	29.5	31.9	32.7
	TON LOAD FACTOR: (Sch. Svc. %)							
22	Actual	60.5	63.0	61.6	62.2	62.7	63.0	63.3
23	Breakeven	++	++	++	++	++	++	++
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	89,909	83,890	88,143	86,639	84,419	82,013	79,643
25	Overall RTM's per Employee (000)	19.4	20.4	77.6	78.6	79.7	80.0	80.6

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.5	13.9	7.4	9.1	15.2	15.8	16.3
27	Operating Expenses (%)	4.5	14.1	7.9	10.3	14.7	15.1	14.8
28	Operating Profit (Loss) (in Millions \$)	76.1	19.0	6.2	-50.8	165.3	183.4	254.1
29	Net Income (Loss)(in Millions \$)	30.8	7.5	-22.8	-46.1	73.0	87.6	139.7
30	RTMs (Sch. Svc.) (%)	2.0	7.7	6.5	8.0	11.4	11.9	14.0
31	ATMs (Sch. Svc.) (%)	6.3	9.0	9.6	10.4	12.4	11.0	10.7
32	Operating Revenues per RTM (%)	4.4	5.8	0.8	1.0	3.4	3.5	2.0
33	Operating Expense per RTM (%)	2.5	6.0	1.2	2.1	3.0	2.8	0.7
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

QUARTERLY FINANCIAL & TRAFFIC REVIEW

SYSTEM OPERATIONS

UNITED PARCEL SERVICE



QUARTERLY RESULTS

- Operating revenue growth, up 12.3 percent, nearly doubled operating expense growth, up 6.3 percent, boosting operating profit into the black, up \$26.3 million to a positive \$5.1 million.
- Net results, however, remained in the red, although improving \$12.7 million to a loss of \$13.2 million.
- The domestic entity reported both an operating and net loss, while all international entities had an operating and net profit. The Latin and Pacific entities experienced an improvement in both operating and net results, and domestic operations had a smaller operating loss.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1997	1998	\$ Change	1997	1998	\$ Change	1997	1998	Change %	1997	1998	Change %	
Domestic	-49.6	-23.7	25.9	-45.3	-53.5	-8.2	0.7	0.7	2.8	1.4	1.5	3.3	51.4%
Int'l	28.3	28.7	0.4	19.5	40.3	20.9	0.3	0.3	13.7	0.4	0.5	15.8	55.3%
Atlantic	8.6	3.0	-5.6	5.8	3.3	-2.5	0.1	0.1	12.4	0.1	0.1	13.1	61.4%
Latin	-1.5	3.4	4.9	-0.8	2.8	3.5	0.0	0.0	39.7	0.0	0.0	64.0	42.6%
Pacific	21.3	22.4	1.1	14.5	34.3	19.8	0.2	0.2	12.4	0.3	0.3	12.9	54.4%
System	-21.2	5.1	26.3	-25.9	-13.2	12.7	1.0	1.0	5.6	1.8	2.0	6.3	52.4%

- RTM traffic rose 5.6 percent, but was slightly outpaced by ATM capacity growth, up 6.3 percent, leading to a 0.4 percentage point decline in the ton load factor to 52.4 percent.
- RTM yield was up a strong 6.4 percent, while RTM unit costs rose a slight 0.8 percent, greatly benefiting profitability.
- Unit fuel prices fell a major group high 44.1 percent, resulting in total fuel expense dropping \$37 million (40.5 percent). Without this decline, operating results would have shown no improvement. Fuel consumption was up 6.6 percent.
- UPS continues to report the highest productivity (RTMs per employee) among all the majors at 217.1.

12-MONTH RESULTS

- For the first time in five quarter-ended 12-month periods, operating results improved from the same period a year ago, rising \$5.9 million to \$62 million. Operating revenue growth, up 7.2 percent, and operating expense growth, up 7.1 percent, were nearly the same.
- Net income was down for the fifth consecutive period, although the rate of deterioration has slowed significantly, slipping \$7.4 million to \$7.9 million.
- RTMs rose 14.5 percent as ATM increased 13.9 percent, causing the ton load factor to climb 0.3 percentage points to 53.3 percent.
- Productivity (RTMs per employee) continued to be very high when compared with all other majors, rising from 781.7 a year ago to 829.1.
- Despite the rise in total equity, total debt jumped \$399 million to \$3.09 billion, pushing the debt-to-investment ratio up 2.4 percentage points to 76.8 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1998/12	1997/12	1998/12	1998/09	1998/06	1998/03	1997/12
	FINANCIAL RESULTS: (\$Millions)							
1	Operating Revenues	514.9	458.4	1,997.2	1,940.6	1,842.5	1,849.0	1,862.6
2	Operating Expenses	509.9	479.6	1,935.2	1,904.9	1,840.3	1,811.9	1,806.5
3	Operating Profit (Loss)	5.1	-21.2	62.0	35.7	2.2	37.2	56.1
4	Net Income (Loss)	-13.2	-25.9	7.9	-4.7	-22.2	1.3	15.3
	TRAFFIC: (Billions)							
5	RTMs - Scheduled Rev. Svc.	0.28	0.25	1.00	0.96	0.86	0.84	0.81
6	ATMs - Scheduled Rev. Svc.	0.51	0.44	1.84	1.76	1.46	1.41	1.35
7	Overall RTMs (All Services)	1.03	0.97	3.83	3.78	3.57	3.53	3.34
8	Overall ATMs (All Services)	1.96	1.84	7.19	7.07	6.69	6.56	6.31
	YIELD & UNIT COST & PROFITS: (Cents)							
9	Operating Revenue per RTM	50.1	47.1	52.1	51.4	51.6	52.4	55.7
10	Operating Expense per RTM	49.6	49.2	50.5	50.4	51.5	51.3	54.0
11	Operating Profit (Loss) per RTM	0.5	-2.2	1.6	0.9	0.1	1.1	1.7
12	Operating Expense per ATM	26.0	26.0	26.9	26.9	27.5	27.6	28.6
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
	FINANCIAL RATIOS:							
14	Operating Revenues to Total Investment	*	*	0.52	0.52	0.51	0.54	0.59
15	Times Interest Earned	*	*	2.15	1.35	0.16	1.83	3.53
16	Current Assets to Current Liabilities	*	*	1.11	1.72	1.64	1.42	0.93
17	No. of Days Cash Coverage of Cash Ex	*	*	3.1	1.0	1.8	3.4	2.2
	FINANCIAL PERCENTAGES:							
18	Operating Profit (Loss) to Operating Rev	1.0	-4.6	3.1	1.8	0.1	2.0	3.0
19	Net Income to Stockholders Equity	*	*	0.9	-0.5	-2.4	0.1	1.6
20	Corporate Return on Investment	*	*	1.0	0.7	0.1	0.6	1.0
21	Debt to Total Investment	*	*	76.8	76.1	74.9	75.2	74.4
	TON LOAD FACTOR: (Sch. Svc. %)							
22	Actual	52.4	52.8	53.3	53.4	53.4	53.8	53.0
23	Breakeven	++	++	++	++	++	++	++
	Employment & Productivity:							
24	Employment, Total Weighted Avg CY	4,736	4,338	4,621	4,522	4,429	4,346	4,279
25	Overall RTM's per Employee (000)	217.1	224.5	829.1	835.3	806.4	811.9	781.7

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	12.3	-11.6	7.2	0.9	-5.2	-0.8	3.9
27	Operating Expenses (%)	6.3	6.8	7.1	7.3	3.8	3.2	5.3
28	Operating Profit (Loss) (in Millions \$)	26.3	-90.3	5.9	-110.7	-167.1	-70.4	-20.0
29	Net Income (Loss)(in Millions \$)	12.7	-53.6	-7.4	-73.5	-106.6	-48.1	-14.8
30	RTMs (Sch. Svc.) (%)	5.6	8.8	14.5	15.7	7.1	8.0	-0.4
31	ATMs (Sch. Svc.) (%)	6.3	11.3	13.9	15.5	8.5	9.8	5.6
32	Operating Revenues per RTM (%)	6.4	-18.7	-6.5	-12.7	-11.5	-8.1	4.3
33	Operating Expense per RTM (%)	0.8	-2.0	-6.5	-7.4	-3.2	-4.7	5.7
34	Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

FOOTNOTES

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

EXPLANATION OF LINE ITEMS

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

EXPLANATION OF LINE ITEMS

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