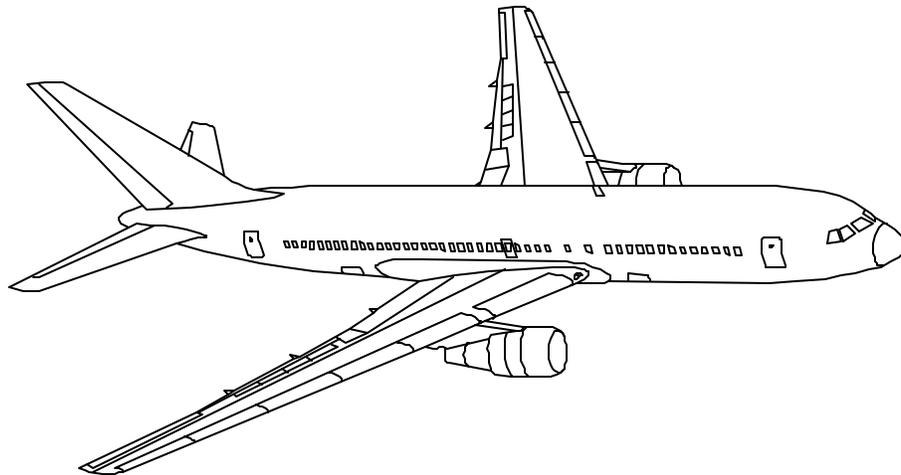


# **AIRLINE QUARTERLY FINANCIAL REVIEW**

FOURTH QUARTER 1999



MAJORS



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

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## INTRODUCTION

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

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

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

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

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

**QUARTERLY RESULTS**

- For the fourth quarter 1999, operating revenues rose 6.8 percent, but operating expenses rose much faster, up 10 percent, resulting in a \$670 million drop in operating profit to \$704.5 million. The passenger major group fell \$671.6 million to \$355.1 million, but the all-cargo major group managed a small \$1.7 million gain to \$349.5 million.
- Much of the decline in operating profit can be directly attributed to soaring total fuel expense, which jumped \$629.7 million (31 percent), as unit fuel prices jumped 27.1 percent, and fuel consumption rose 3 percent. Total fuel expense comprised 10.2 percent of total operating expenses, up from 8.5 percent a year ago.
- Net income, reflecting large capital gains by Continental and Delta, jumped \$208.2 million to \$803.9 million. The passenger majors gained \$89.7 million to \$576 million, and the all-cargo group was up \$118.4 million to \$227.8 million.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	4Q 1998	4Q 1999	\$CHANGE	4Q 1998	4Q 1999	\$CHANGE
TOTAL ALL MAJORS	1374.5	704.5	-670.0	595.7	803.9	208.2
TOTAL PASSENGER MAJORS	1026.7	355.1	-671.6	486.3	576.0	89.7
ALASKA	35.2	18.8	-16.4	24.8	15.3	-9.5
AMERICA WEST	34.8	36.1	1.3	19.1	28.9	9.8
AMERICAN	262.9	244.0	-18.9	165.4	155.8	-9.6
CONTINENTAL	108.9	-38.7	-147.6	62.6	150.2	87.6
DELTA	318.0	-27.5	-345.5	193.5	352.4	158.9
NORTHWEST	-176.6	103.9	280.5	-162.2	17.4	179.6
SOUTHWEST	159.4	154.2	-5.2	100.4	93.8	-6.6
TRANS WORLD	-65.7	-264.5	-198.8	-79.1	-271.9	-192.8
UNITED	178.4	179.9	1.5	48.0	111.6	63.6
US AIRWAYS	171.5	-51.1	-222.6	113.7	-77.5	-191.2
TOTAL ALL-CARGO MAJORS	347.8	349.5	1.7	109.4	227.8	118.4
DHL AIRWAYS	61.4	20.2	-41.2	-7.9	12.6	20.5
FEDERAL EXPRESS	281.3	241.9	-39.4	130.5	140.9	10.4
UNITED PARCEL SERVICE	5.1	87.3	82.2	-13.2	74.3	87.5

- The passenger load factor rose 0.7 percentage points to 69.3 percent as RPM traffic increased 5 percent exceeding the 4 percent rise in ASM capacity growth. Six individual carriers had a passenger load factor in excess of 70 percent.
- Passenger (RPM) yield increased 1.2 percent to 12.71 cents.
- Interest expense rose \$6.9 million to \$440.6 million.
- Total debt surged upward \$5.69 billion to \$31.1 billion, resulting in an increase of 1 percentage point in the debt-to-investment ratio to 46.6 percent.

**12-MONTH RESULTS**

- Operating results declined from a year ago for the fifth consecutive period, but net results improved for the first time in five periods. Individual carrier results were mixed, but sharp declines reported by American, Trans World and US Airways negatively impacted overall group results.
- Operating profit fell \$1.61 billion to \$6.92 billion. The passenger group declined \$1.61 billion to \$5.86 billion, but the all-cargo group climbed \$1.7 million to \$1.06 billion.
- Net results were up \$436.1 million to \$5 billion. The passenger group rose \$343.9 million to \$4.48 billion, and the all-cargo group rose \$92.2 million to \$530.4 million.

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

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	26,655.0	24,968.9	105,598.4	103,912.3	102,600.6	101,924.3	101,615.8
2	Operating Expenses	25,950.5	23,594.4	98,679.2	96,323.2	94,685.4	93,827.9	93,084.5
3	Operating Profit (Loss)	704.5	1,374.5	6,919.2	7,589.1	7,915.2	8,096.4	8,531.3
4	Net Income (Loss)	803.9	595.7	5,013.5	4,805.3	4,834.2	4,367.7	4,577.4
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	149.07	141.92	607.27	600.12	591.18	587.43	582.99
6	ASMs - Scheduled Rev. Svc.	215.03	206.86	850.56	842.39	828.91	821.58	818.17
7	Overall RTMs (All Svc.)	21.27	19.83	83.75	82.30	80.83	80.26	79.88
8	Overall ATMs (All Svc.)	37.08	35.10	144.38	142.40	139.67	138.33	137.62
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	125.3	125.9	126.1	126.3	126.9	127.0	127.2
10	Operating Expense per RTM	122.0	119.0	117.8	117.0	117.1	116.9	116.5
11	Operating Profit (Loss) per RTM	3.3	6.9	8.3	9.2	9.8	10.1	10.7
12	Operating Expense per ATM	70.0	67.2	68.3	67.6	67.8	67.8	67.6
13	Passenger Revenue per RPM	12.71	12.56	12.64	12.60	12.64	12.68	12.78
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.73	1.78	1.81	1.87	1.93
15	Times Interest Earned	*	*	6.52	6.40	6.45	5.87	6.17
16	Current Assets to Current Liabilities	*	*	0.76	0.74	0.71	0.70	0.73
17	No. of Days Cash Coverage of Cash Exp.	*	*	32.4	33.4	32.3	29.0	30.1
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	2.6	5.5	6.6	7.3	7.7	7.9	8.4
19	Net Income to Stockholders Equity	*	*	15.1	15.0	15.6	14.7	15.9
20	Corporate Return on Investment	*	*	10.7	10.8	11.2	10.8	11.5
21	Debt to Total Investment	*	*	46.6	44.4	44.6	46.5	45.6
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	69.3	68.6	71.4	71.2	71.3	71.5	71.3
23	Breakeven	69.7	67.1	68.0	67.3	67.0	66.9	66.2
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	527,928	503,608	518,501	512,421	506,418	501,268	495,788
25	Overall RTM's per Employee (000)	40.3	39.4	161.5	160.6	159.6	160.1	161.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.8	0.9	3.9	2.5	1.4	2.0	2.4
27	Operating Expenses (%)	10.0	1.8	6.0	3.9	2.8	2.9	2.6
28	Operating Profit (Loss) (in Millions \$)	-670.0	-200.0	-1,612.1	-1,142.2	-1,141.0	-652.0	-24.6
29	Net Income (Loss)(in Millions \$)	208.2	-675.4	436.1	-447.6	-959.2	-1,227.4	-910.7
30	RPMs (Sch. Svc.) (%)	5.0	2.6	4.2	3.6	2.3	2.8	2.3
31	ASMs (Sch. Svc.) (%)	4.0	2.7	4.0	3.6	1.9	1.5	1.7
32	Operating Revenues per RTM (%)	-0.5	-0.4	-0.9	-0.8	-0.3	-0.2	-0.2
33	Operating Expense per RTM (%)	2.5	0.5	1.1	0.5	1.0	0.7	0.1
34	Passenger Revenue per RPM (Sch. Svc.)	1.2	-4.1	-1.1	-2.4	-2.4	-2.1	-1.2

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	20,325.7	19,216.7	80,797.4	79,688.4	78,777.7	78,046.9	77,650.8
2	Operating Expenses	19,859.5	17,844.1	75,244.8	73,229.5	71,723.3	70,837.6	70,114.8
3	Operating Profit (Loss)	466.2	1,372.6	5,552.6	6,458.9	7,054.3	7,209.3	7,536.0
4	Net Income (Loss)	668.0	691.0	4,265.2	4,288.1	4,277.8	3,867.9	4,067.0
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	109.06	103.59	439.73	434.26	428.79	425.66	421.94
6	ASMs - Scheduled Rev. Svc.	159.49	151.97	626.05	618.52	607.50	600.05	597.12
7	Overall RTMs (All Svc.)	14.14	13.34	55.77	54.97	54.20	53.89	53.56
8	Overall ATMs (All Svc.)	25.20	23.68	97.19	95.67	93.85	92.77	92.35
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	143.8	144.1	144.9	145.0	145.3	144.8	145.0
10	Operating Expense per RTM	140.5	133.8	134.9	133.2	132.3	131.4	130.9
11	Operating Profit (Loss) per RTM	3.3	10.3	10.0	11.7	13.0	13.4	14.1
12	Operating Expense per ATM	78.8	75.4	77.4	76.5	76.4	76.4	75.9
13	Passenger Revenue per RPM	13.60	13.46	13.62	13.59	13.61	13.62	13.70
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	2.3	7.1	6.9	8.1	9.0	9.2	9.7
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	11.7	12.2	12.6	12.1	13.1
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	68.4	68.2	70.2	70.2	70.6	70.9	70.7
23	Breakeven	68.9	65.4	66.6	65.7	65.3	65.2	64.5
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

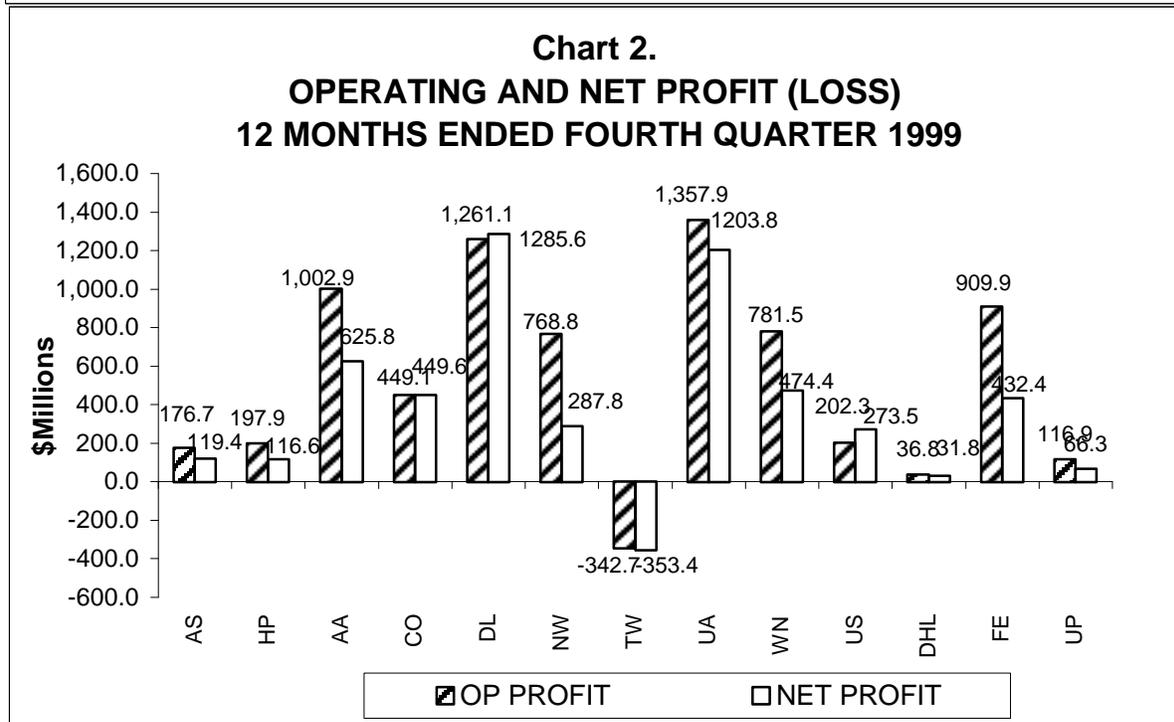
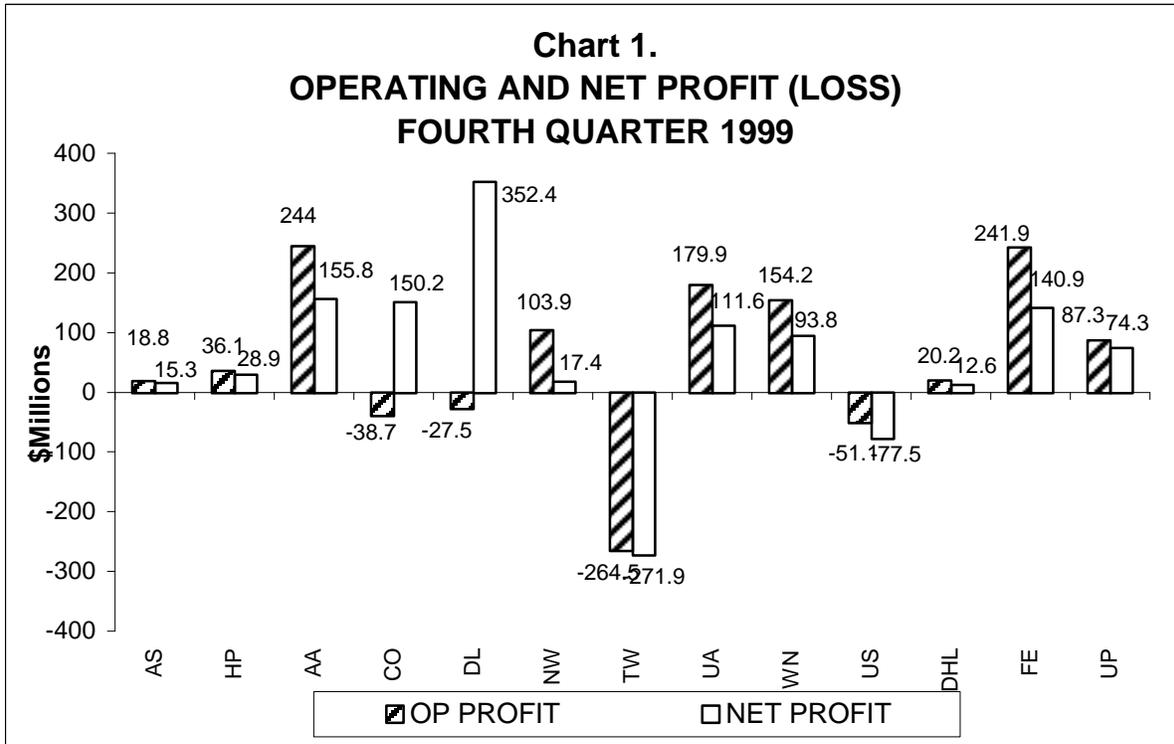
CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	5.8	2.3	4.1	3.2	2.8	3.4	3.6
27	Operating Expenses (%)	11.3	2.1	7.3	5.0	3.6	3.3	2.6
28	Operating Profit (Loss) (in Millions \$)	-906.4	65.5	-1,983.4	-1,011.6	-313.4	355.2	900.9
29	Net Income (Loss)(in Millions \$)	-23.0	-424.4	198.2	-203.4	-560.1	-748.7	-368.1
30	RPMs (Sch. Svc.) (%)	5.3	3.3	4.2	3.7	2.9	3.2	2.3
31	ASMs (Sch. Svc.) (%)	5.0	2.8	4.8	4.3	2.2	1.1	0.8
32	Operating Revenues per RTM (%)	-0.2	0.1	-0.1	0.0	0.7	1.0	1.3
33	Operating Expense per RTM (%)	5.0	-0.2	3.1	1.7	1.5	0.8	0.3
34	Passenger Revenue per RPM (Sch. Svc.)	1.0	-3.8	-0.6	-1.7	-1.3	-0.8	0.1

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

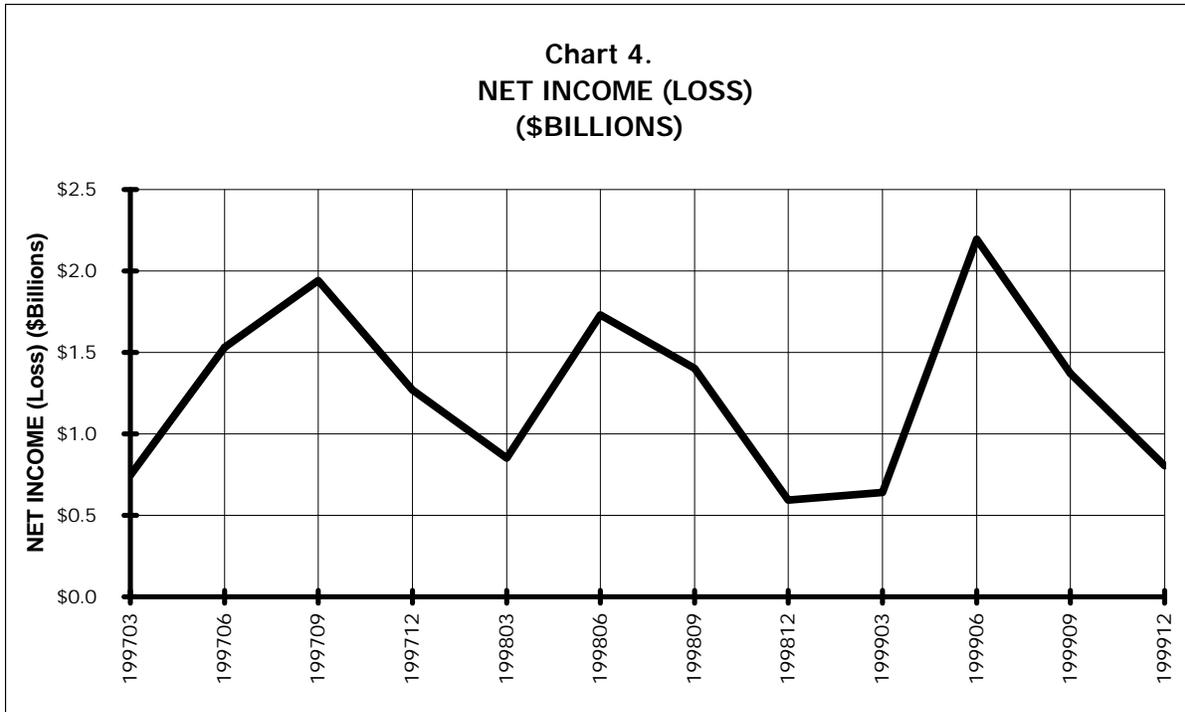
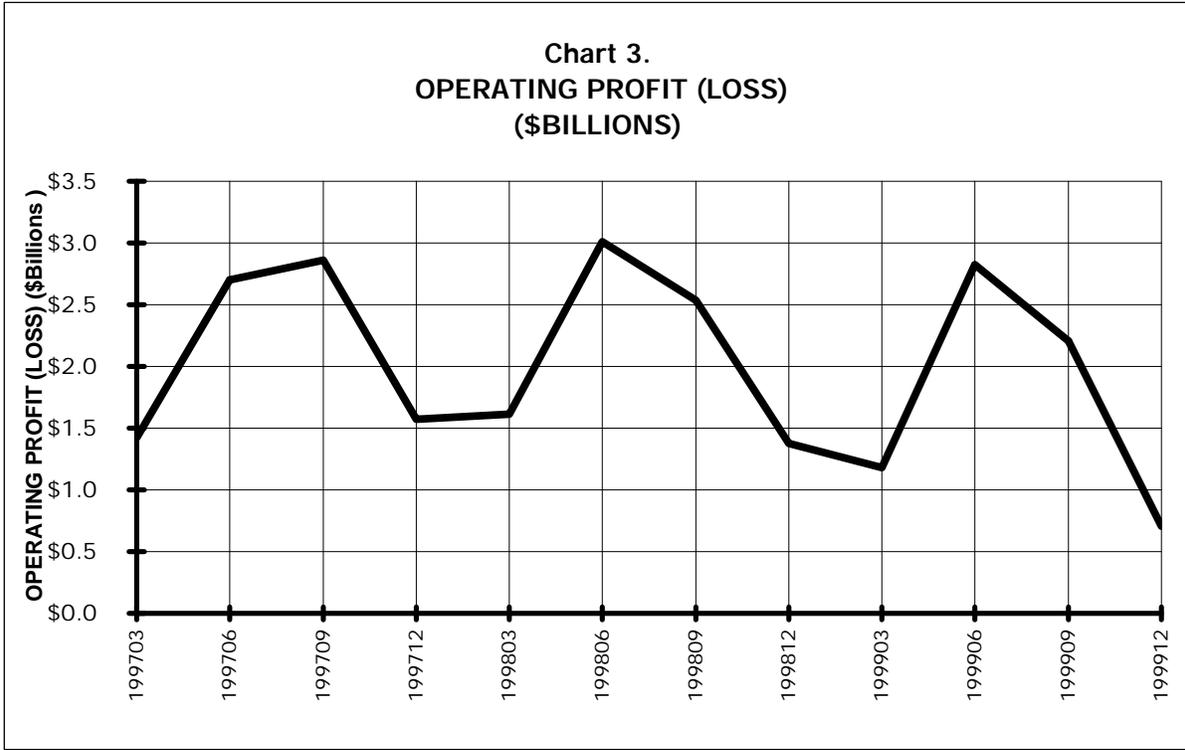
ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	6,329.3	5,752.2	24,801.0	24,223.9	23,822.9	23,877.5	23,965.0
2	Operating Expenses	6,091.0	5,750.3	23,434.4	23,093.7	22,962.1	22,990.3	22,969.6
3	Operating Profit (Loss)	238.3	1.9	1,366.6	1,130.2	860.8	887.2	995.4
4	Net Income (Loss)	135.8	-95.3	748.3	517.2	556.5	499.8	510.4
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	40.01	38.33	167.54	165.85	162.39	161.77	161.04
6	ASMs - Scheduled Rev. Svc.	55.53	54.89	224.50	223.86	221.41	221.53	221.05
7	Overall RTMs (All Svc.)	7.14	6.49	27.97	27.33	26.63	26.37	26.33
8	Overall ATMs (All Svc.)	11.88	11.42	47.19	46.73	45.82	45.56	45.27
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	88.7	88.6	88.7	88.6	89.5	90.5	91.0
10	Operating Expense per RTM	85.4	88.6	83.8	84.5	86.2	87.2	87.2
11	Operating Profit (Loss) per RTM	3.3	0.0	4.9	4.1	3.2	3.4	3.8
12	Operating Expense per ATM	51.3	50.4	49.7	49.4	50.1	50.5	50.7
13	Passenger Revenue per RPM	10.28	10.13	10.04	10.01	10.08	10.22	10.37
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	3.8	0.0	5.5	4.7	3.6	3.7	4.2
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	7.5	6.3	6.7	6.6	6.9
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	72.1	69.8	74.6	74.1	73.3	73.0	72.9
23	Breakeven	71.8	73.3	71.8	72.2	72.7	72.4	71.6
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	10.0	-3.7	3.5	0.2	-3.1	-2.4	-1.5
27	Operating Expenses (%)	5.9	0.8	2.0	0.7	0.3	1.8	2.5
28	Operating Profit (Loss) (in Millions \$)	236.4	-265.5	371.2	-130.7	-827.7	-1,007.1	-925.5
29	Net Income (Loss)(in Millions \$)	231.1	-251.0	237.9	-244.2	-399.0	-478.7	-542.7
30	RPMs (Sch. Svc.) (%)	4.4	0.9	4.0	3.2	0.7	1.9	2.2
31	ASMs (Sch. Svc.) (%)	1.2	2.2	1.6	1.8	1.0	2.7	4.0
32	Operating Revenues per RTM (%)	0.1	-3.0	-2.5	-3.4	-4.0	-4.0	-4.4
33	Operating Expense per RTM (%)	-3.6	1.6	-3.9	-2.8	-0.7	0.2	-0.6
34	Passenger Revenue per RPM (Sch. Svc.)	1.5	-5.7	-3.2	-4.8	-6.4	-6.5	-5.8

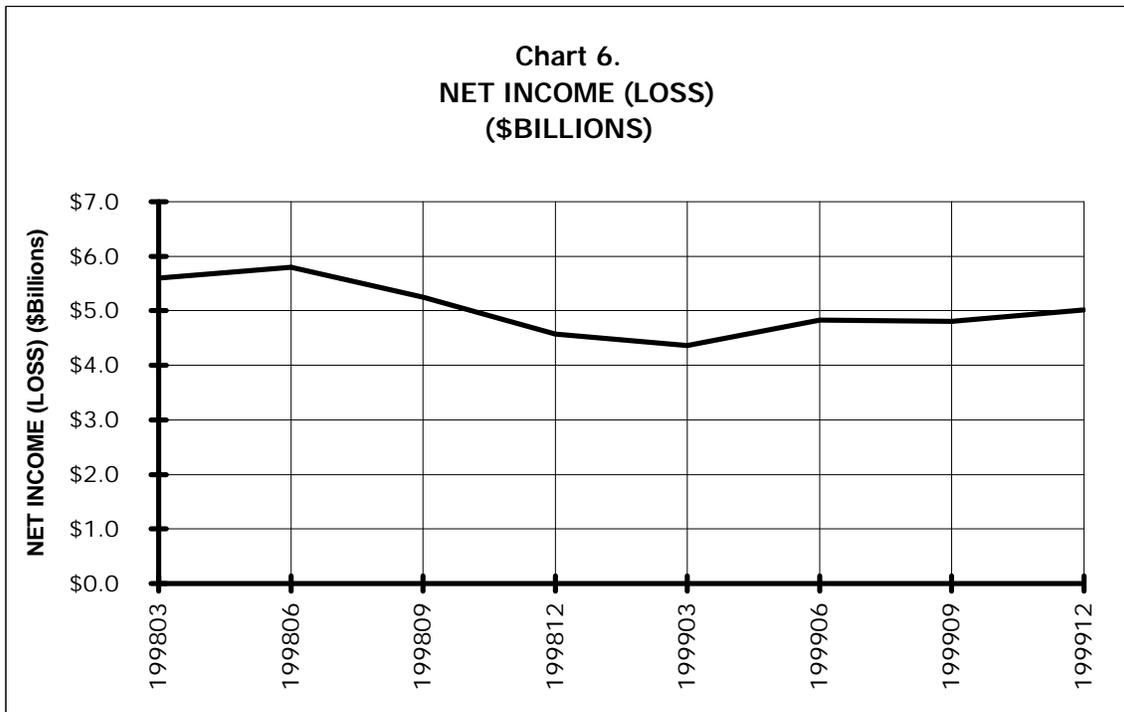
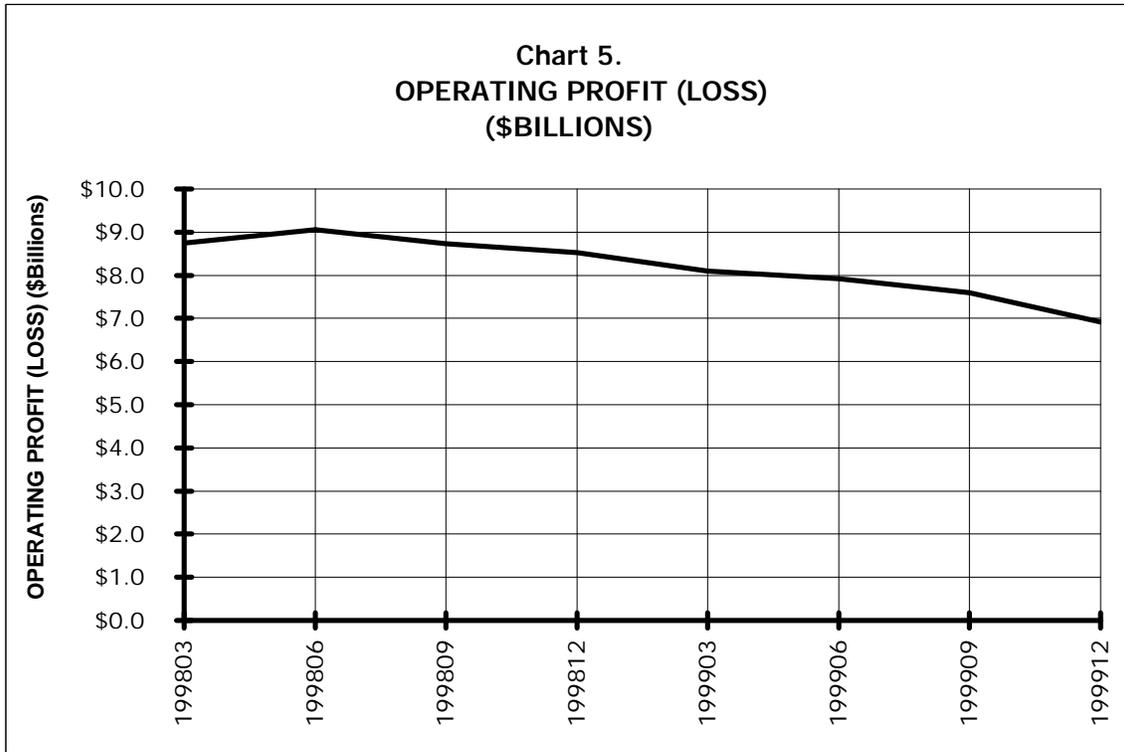
# COMPARISONS AMONG MAJOR GROUP AIRLINES



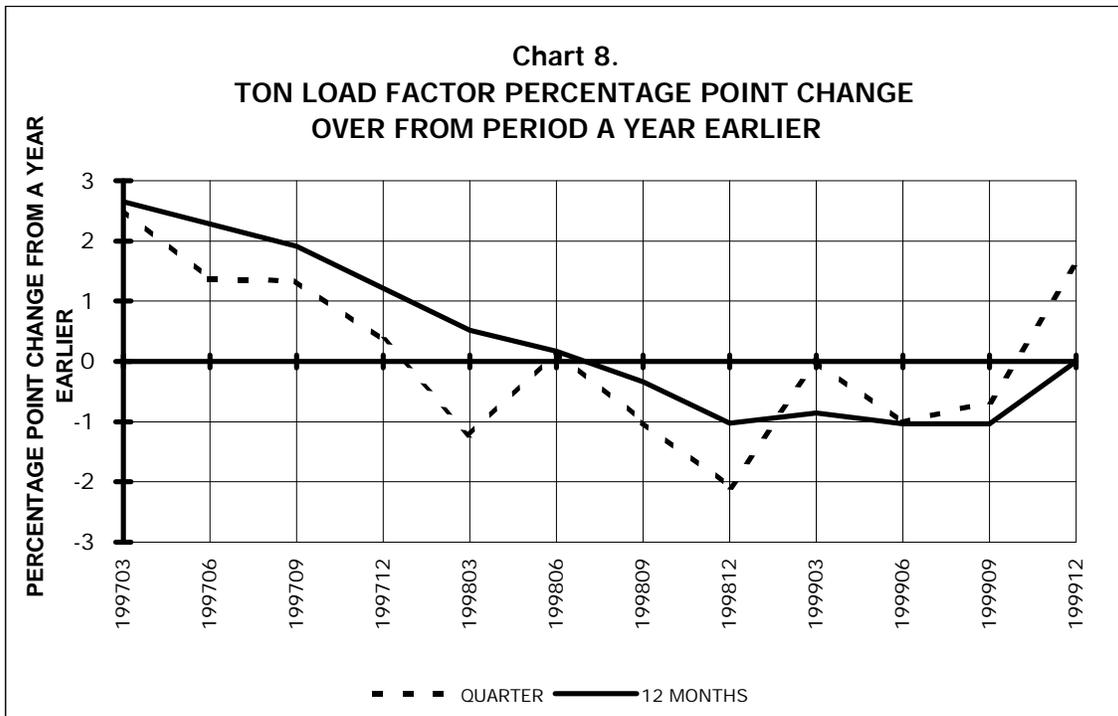
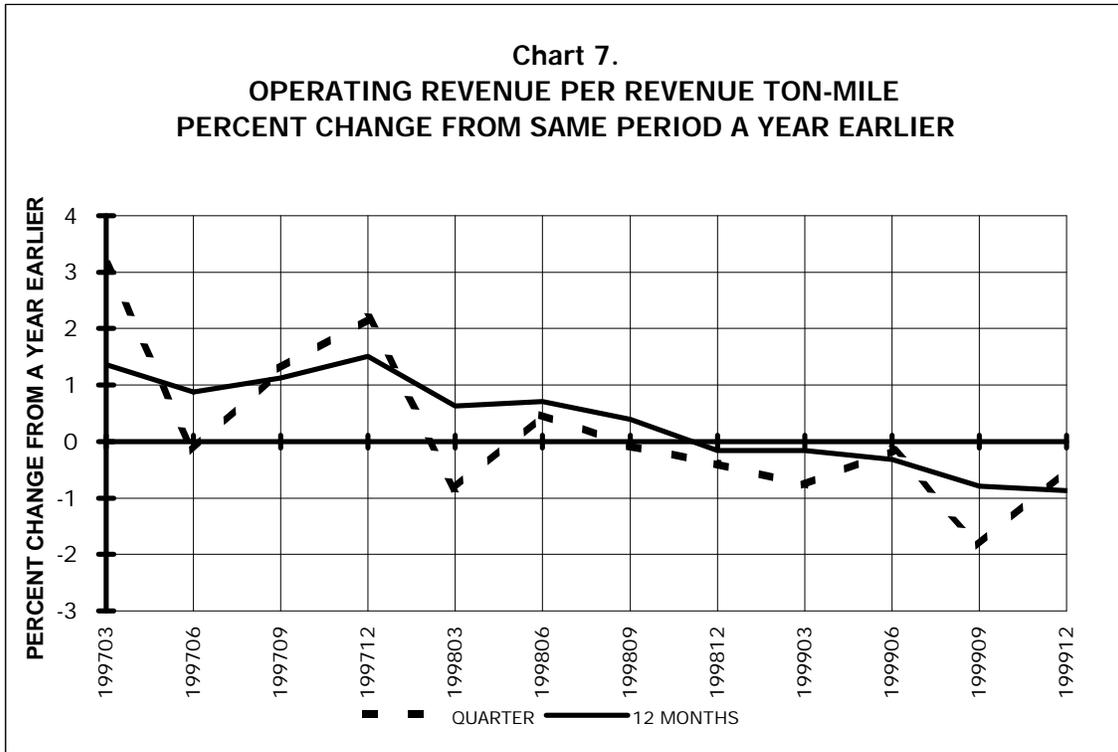
# TOTAL ALL MAJORS (SYSTEM) BY QUARTER



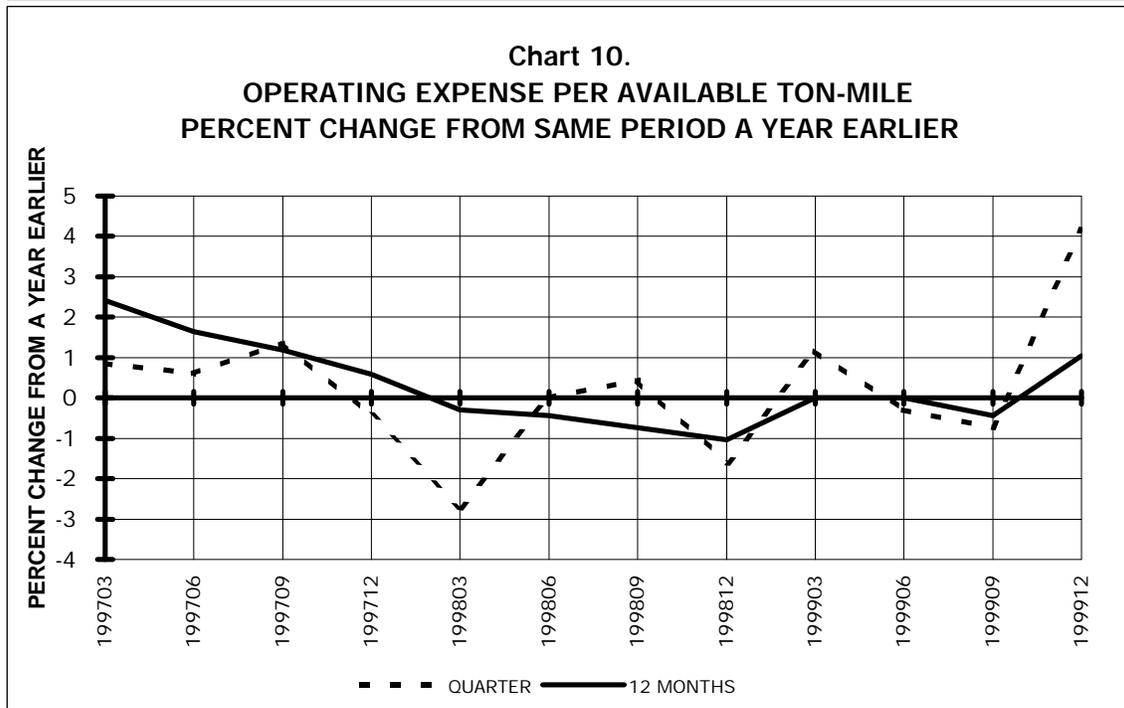
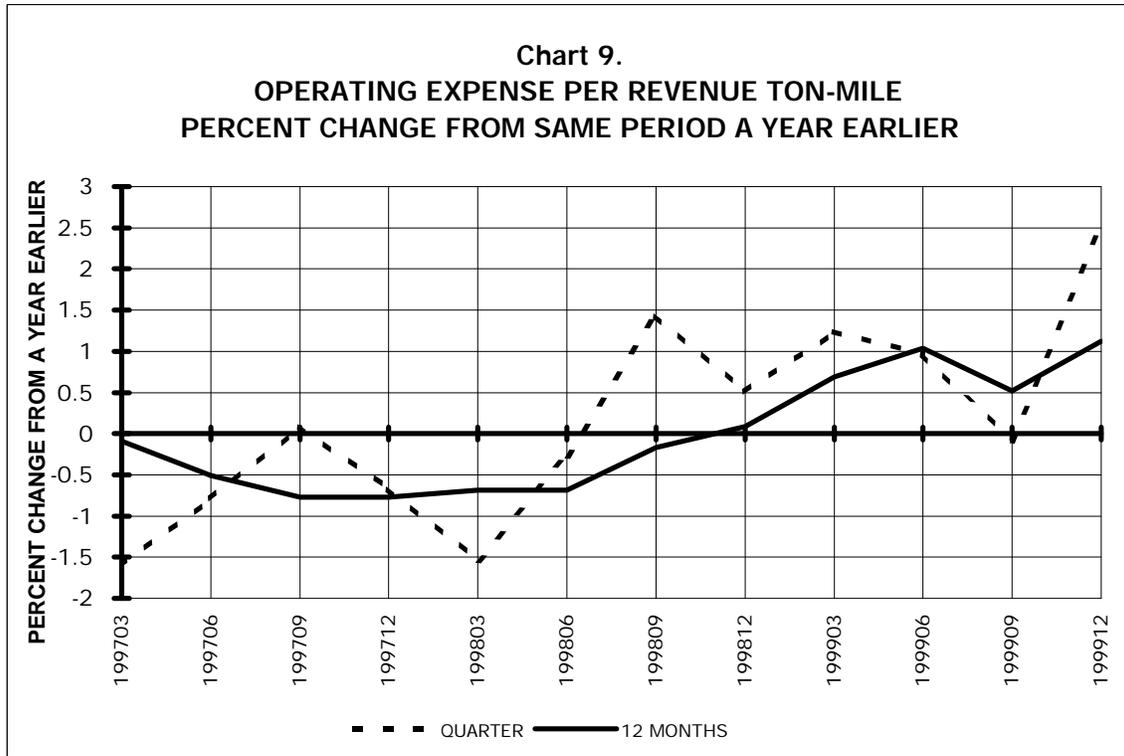
## TOTAL ALL MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS



## 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, six of the ten passenger majors reported an operating profit. Continental, Delta, Trans World and US Airways reported an operating loss. All passenger majors, except for Trans World and US Airways, reported a net profit. Both Continental and Delta avoided a net loss by recording large capital gains during the quarter.
- Despite the largely positive results only America West, Northwest and United experienced a year-to-year improvement in operating results.
- For the group, operating profit dropped \$671.9 million to \$354.8 million as operating expense growth, up 10.1 percent, exceeded operating revenue growth, up 6.3 percent.
- A large portion of the decline in operating results can be attributed to sharply rising total fuel expenses, up \$515.4 million (27.5 percent) from a year ago. Consumption rose 2.7 percent, but unit prices spiked 24.2 percent producing the increase.
- Reflecting large capital gains reported by Continental and Delta, net income advanced \$89.8 million to \$576 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1998	THIS YEAR 1999	\$ Change	LAST YEAR 1998	THIS YEAR 1999	\$ Change
March	1,443.7	966.3	-477.5	780.1	568.0	-212.1
June	2,733.1	2,541.1	-192.0	1,606.1	2,054.2	448.1
Sept.	2,265.9	1,993.1	-272.8	1,266.7	1,284.8	18.1
Dec.	1,026.7	355.1	-671.6	486.3	576.0	89.8

- The passenger load factor rose 0.7 percentage points to 69.3 percent as RPM traffic increased 5 percent, exceeding the 4 percent rise in ASM capacity growth.
- Passenger (RPM) yield was up 1.2 percent to 12.71 cents. Only Alaska, American, Northwest and United were up from a year ago.
- Except for the Pacific entity, all entities reported positive operating and net results. However, the Pacific entity reported the only year-to-year gain in either operating or net results, sharply cutting year ago losses.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	1,105.6	317.2	-788.5	627.2	583.9	-43.3	103.6	109.1	5.3	152.0	159.5	5.0	68.4%
Int'l	-78.9	37.9	116.8	-140.9	-7.8	133.1	38.3	40.0	4.4	54.9	55.5	1.2	72.1%
Atlantic	94.6	40.5	-54.1	13.6	1.9	-11.8	17.0	19.0	11.4	23.4	25.5	8.8	74.5%
Latin	49.3	20.5	-28.9	24.5	8.2	-16.4	8.1	8.2	0.8	13.1	12.6	-4.0	65.0%
Pacific	-222.9	-23.1	199.8	-179.1	-17.8	161.2	13.1	12.8	-2.5	18.3	17.4	-4.9	73.6%
System	1,026.7	355.1	-671.6	486.3	576.0	89.8	141.9	149.1	5.0	206.9	215.0	4.0	69.3%

- Interest expense jumped \$57.7 million to \$417 million.
- The operating profit margin fell 3.4 percentage points to 1.6 percent.

**12-MONTH RESULTS**

- All majors, except for Trans World, reported an operating and net profit for 12-months ended December 1999.
- For the group, operating expenses, up 5.9 percent, grew faster than operating revenues, up 3.5 percent. As a result, operating profit tumbled \$1.61 billion to a still strong \$5.9 billion. US Airways alone was down \$787 million.
- Net results, however, rose \$343.9 million to \$4.48 billion.
- RPM traffic rose 4.2 percent while ASM capacity rose 4 percent, causing the passenger load factor to climb 0.1 percentage points to 71.4 percent.
- The rate of decline in passenger (RPM) yield slowed, but it was still down 1.1 percent to 12.64 cents, the fifth consecutive year-to-year decline.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	21,776.1	20,491.8	87,567.4	86,283.1	85,170.1	84,702.2	84,603.7
2 Operating Expenses	21,421.0	19,465.1	81,711.8	79,755.9	78,370.1	77,710.2	77,134.3
3 Operating Profit (Loss)	355.1	1,026.7	5,855.6	6,527.2	6,800.0	6,992.0	7,469.4
4 Net Income (Loss)	576.0	486.3	4,483.1	4,393.3	4,375.2	3,927.0	4,139.2
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	149.07	141.92	607.27	600.12	591.18	587.43	582.99
6 ASMs - Scheduled Rev. Svc.	215.03	206.86	850.56	842.39	828.91	821.58	818.17
7 Overall RTMs (All Svc.)	18.05	16.94	72.07	70.96	69.62	69.18	68.81
8 Overall ATMs (All Svc.)	31.77	30.07	124.60	122.89	120.35	119.22	118.64
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	120.6	120.9	121.5	121.6	122.3	122.4	123.0
10 Operating Expense per RTM	118.7	114.9	113.4	112.4	112.6	112.3	112.1
11 Operating Profit (Loss) per RTM	2.0	6.1	8.1	9.2	9.8	10.1	10.9
12 Operating Expense per ATM	67.4	64.7	65.6	64.9	65.1	65.2	65.0
13 Passenger Revenue per RPM	12.71	12.56	12.64	12.60	12.64	12.68	12.78
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	1.69	1.75	1.79	1.86	1.94
15 Times Interest Earned	*	*	6.40	6.55	6.59	6.06	6.42
16 Current Assets to Current Liabilities	*	*	0.72	0.70	0.67	0.66	0.70
17 No. of Days Cash Coverage of Cash Exp.	*	*	38.54	39.74	37.95	34.20	35.37
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Reven	1.6	5.0	6.7	7.6	8.0	8.3	8.8
19 Net Income to Stockholders Equity	*	*	15.8	16.1	16.7	15.7	17.1
20 Corporate Return on Investment	*	*	11.3	11.6	11.9	11.5	12.4
21 Debt to Total Investment	*	*	46.8	44.0	44.0	46.3	45.2
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	69.3	68.6	71.4	71.2	71.3	71.5	71.3
23 Breakeven	70.6	67.3	68.4	67.5	67.2	67.0	66.2
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	421,506	401,029	413,710	408,591	403,507	399,452	395,275
25 Overall RTM's per Employee (000)	42.8	42.3	174.2	173.7	172.5	173.2	174.1

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	6.3	-0.6	3.5	1.8	0.6	1.1	1.4
27 Operating Expenses (%)	10.0	1.1	5.9	3.7	2.4	2.2	1.6
28 Operating Profit (Loss) (in Millions \$)	-671.6	-346.0	-1,613.8	-1,288.2	-1,295.2	-760.9	-52.7
29 Net Income (Loss)(in Millions \$)	89.7	-695.7	343.9	-441.6	-1,031.5	-1,239.6	-888.1
30 RPMs (Sch. Svc.) (%)	5.0	2.6	4.2	3.6	2.3	2.8	2.3
31 ASMs (Sch. Svc.) (%)	4.0	2.7	4.0	3.6	1.9	1.5	1.7
32 Operating Revenues per RTM (%)	-0.3	-1.6	-1.2	-1.5	-0.7	-0.5	-0.2
33 Operating Expense per RTM (%)	3.3	0.3	1.2	0.4	1.2	0.6	0.0
34 Passenger Revenue per RPM (Sch. Svc.)	1.2	-4.1	-1.1	-2.4	-2.4	-2.1	-1.2

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	16,764.0	15,745.2	67,351.3	66,332.4	65,510.0	64,902.0	64,634.4
2 Operating Expenses	16,446.9	14,639.6	62,337.4	60,530.1	59,215.7	58,484.5	57,900.3
3 Operating Profit (Loss)	317.2	1,105.6	5,013.8	5,802.3	6,294.3	6,417.5	6,734.2
4 Net Income (Loss)	583.9	627.2	3,892.7	3,936.0	4,020.9	3,689.3	3,808.9
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	109.06	103.59	439.73	434.26	428.79	425.66	421.94
6 ASMs - Scheduled Rev. Svc.	159.49	151.97	626.05	618.52	607.50	600.05	597.12
7 Overall RTMs (All Svc.)	12.09	11.45	48.29	47.66	46.96	46.71	46.39
8 Overall ATMs (All Svc.)	21.65	20.28	84.09	82.72	80.99	80.06	79.76
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	138.7	137.5	139.5	139.2	139.5	139.0	139.3
10 Operating Expense per RTM	136.1	127.8	129.1	127.0	126.1	125.2	124.8
11 Operating Profit (Loss) per RTM	2.6	9.7	10.4	12.2	13.4	13.7	14.5
12 Operating Expense per ATM	76.0	72.2	74.1	73.2	73.1	73.1	72.6
13 Passenger Revenue per RPM	13.60	13.46	13.62	13.59	13.61	13.62	13.70
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Reven	1.9	7.0	7.4	8.7	9.6	9.9	10.4
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	12.7	13.3	14.1	13.7	14.6
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	68.4	68.2	70.2	70.2	70.6	70.9	70.7
23 Breakeven	69.2	65.1	66.5	65.5	65.1	65.0	64.3
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

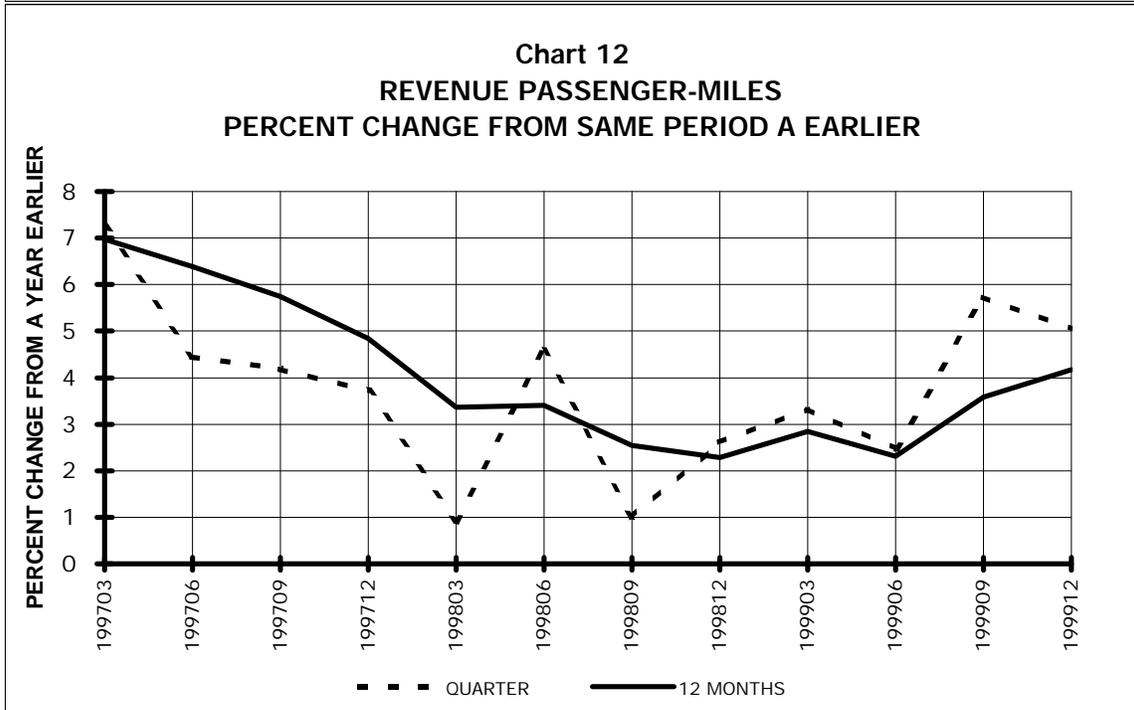
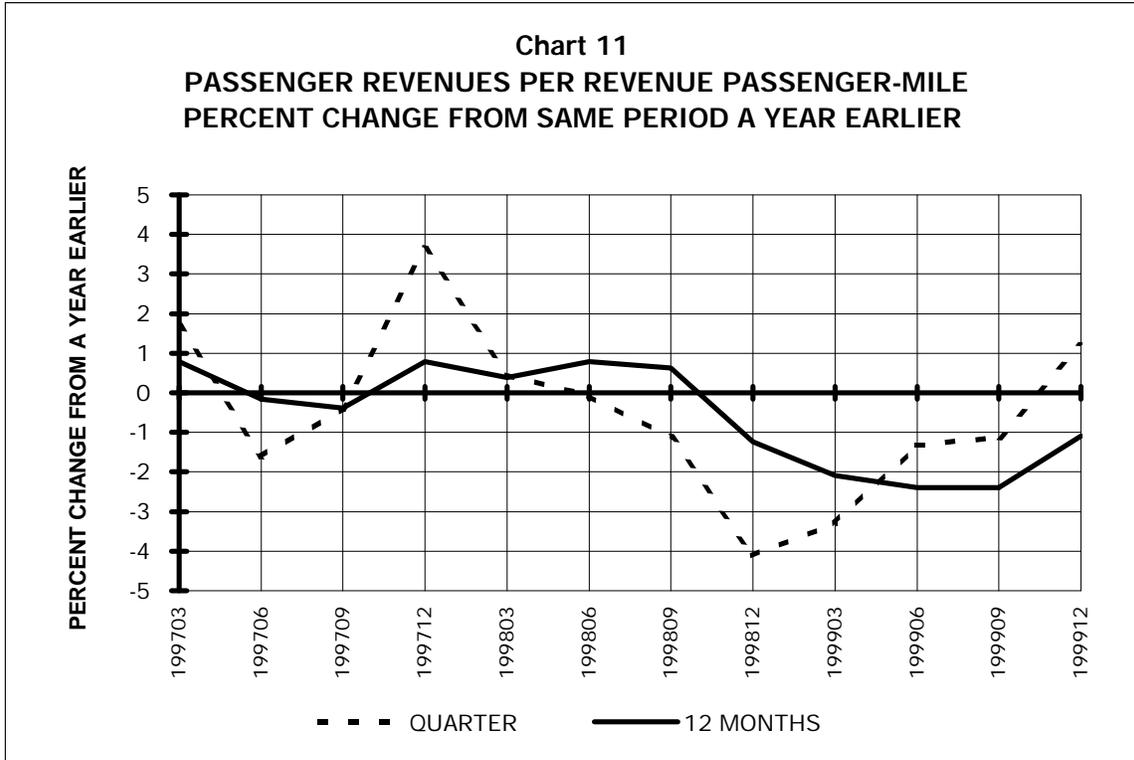
	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	6.5	0.5	4.2	2.8	2.4	2.8	2.9
27 Operating Expenses (%)	12.3	1.2	7.7	4.8	3.3	2.6	1.6
28 Operating Profit (Loss) (in Millions \$)	-788.4	-83.3	-1,720.4	-1,015.2	-337.6	330.2	916.1
29 Net Income (Loss)(in Millions \$)	-43.3	-469.7	83.8	-342.7	-466.6	-461.1	-183.1
30 RPMs (Sch. Svc.) (%)	5.3	3.3	4.2	3.7	2.9	3.2	2.3
31 ASMs (Sch. Svc.) (%)	5.0	2.8	4.8	4.3	2.2	1.1	0.8
32 Operating Revenues per RTM (%)	0.9	-1.4	0.1	-0.4	0.6	0.9	1.5
33 Operating Expense per RTM (%)	6.5	-0.8	3.4	1.6	1.4	0.6	0.2
34 Passenger Revenue per RPM (Sch. Svc.)	1.0	-3.8	-0.6	-1.7	-1.3	-0.8	0.1

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

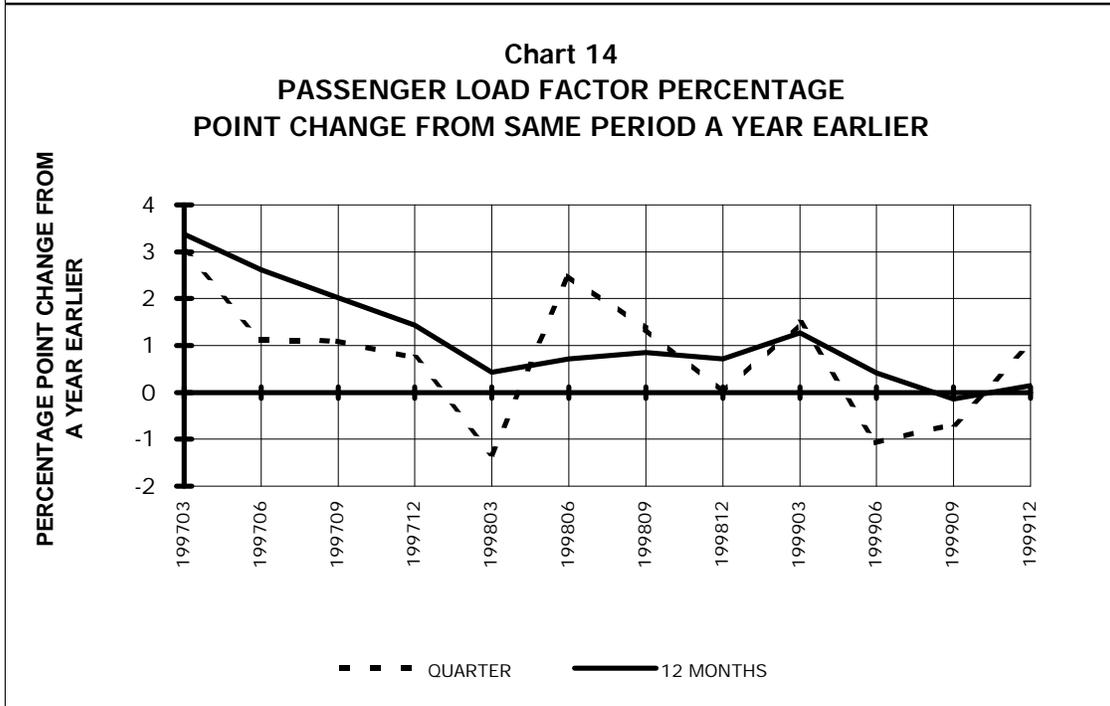
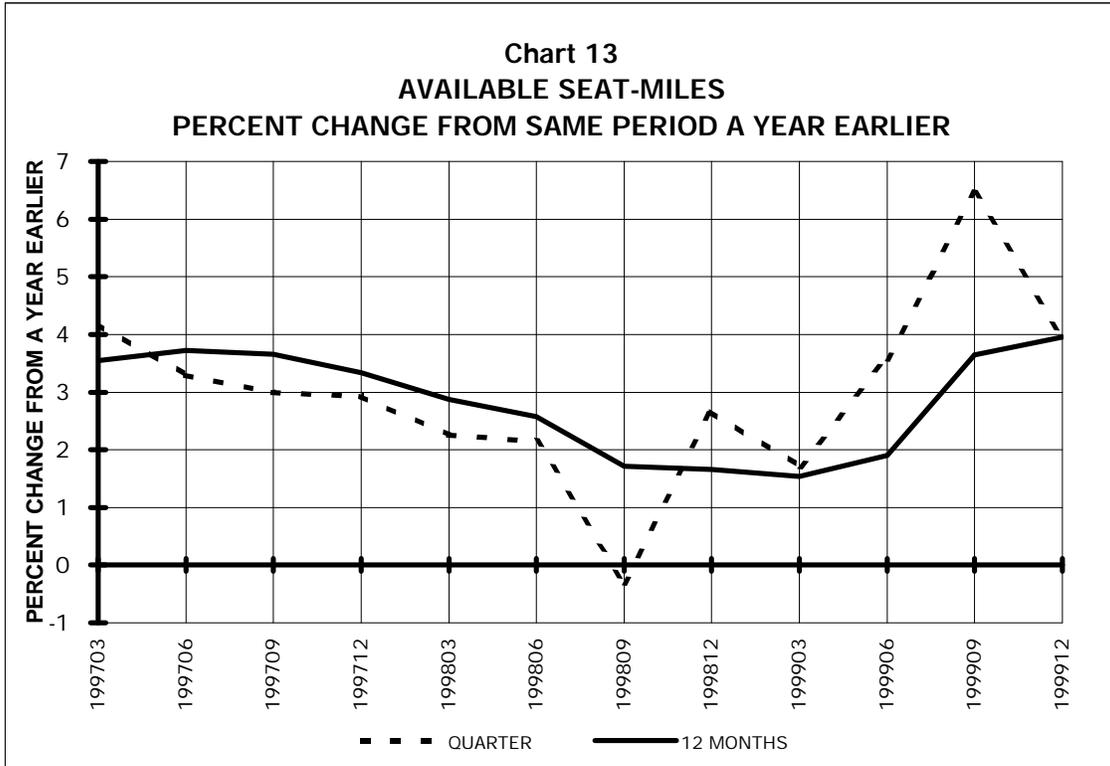
ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	5,012.1	4,746.6	20,216.1	19,950.7	19,660.1	19,800.2	19,969.3
2 Operating Expenses	4,974.2	4,825.5	19,374.4	19,225.8	19,154.4	19,225.7	19,234.1
3 Operating Profit (Loss)	37.9	-78.9	841.7	724.9	505.7	574.5	735.2
4 Net Income (Loss)	-7.8	-140.9	590.3	457.3	354.3	237.8	330.2
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	40.01	38.33	167.54	165.85	162.39	161.77	161.04
6 ASMs - Scheduled Rev. Svc.	55.53	54.89	224.50	223.86	221.41	221.53	221.05
7 Overall RTMs (All Svc.)	5.96	5.49	23.78	23.31	22.66	22.47	22.42
8 Overall ATMs (All Svc.)	10.12	9.79	40.50	40.17	39.35	39.16	38.88
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	84.1	86.4	85.0	85.6	86.7	88.1	89.1
10 Operating Expense per RTM	83.4	87.9	81.5	82.5	84.5	85.6	85.8
11 Operating Profit (Loss) per RTM	0.6	-1.4	3.5	3.1	2.2	2.6	3.3
12 Operating Expense per ATM	49.2	49.3	47.8	47.9	48.7	49.1	49.5
13 Passenger Revenue per RPM	10.28	10.13	10.04	10.01	10.08	10.22	10.37
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Revenue	0.8	-1.7	4.2	3.6	2.6	2.9	3.7
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	7.3	6.4	5.7	4.9	5.8
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	72.1	69.8	74.6	74.1	73.3	73.0	72.9
23 Breakeven	75.1	75.1	74.2	74.2	74.4	73.7	72.8
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
26 Operating Revenues (%)	5.6	-4.2	1.2	-1.1	-4.9	-4.1	-3.3
27 Operating Expenses (%)	3.1	1.1	0.7	0.2	-0.2	1.3	1.6
28 Operating Profit (Loss) (in Millions \$)	116.8	-262.7	106.5	-273.1	-957.6	-1,091.1	-968.8
29 Net Income (Loss)(in Millions \$)	133.1	-225.9	260.1	-98.9	-564.9	-778.4	-705.1
30 RPMs (Sch. Svc.) (%)	4.4	0.9	4.0	3.2	0.7	1.9	2.2
31 ASMs (Sch. Svc.) (%)	1.2	2.2	1.6	1.8	1.0	2.7	4.0
32 Operating Revenues per RTM (%)	-2.7	-3.1	-4.6	-4.6	-5.2	-4.9	-5.0
33 Operating Expense per RTM (%)	-5.1	2.3	-5.0	-3.3	-0.5	0.6	-0.2
34 Passenger Revenue per RPM (Sch. Svc.)(	1.5	-5.7	-3.2	-4.8	-6.4	-6.5	-5.8

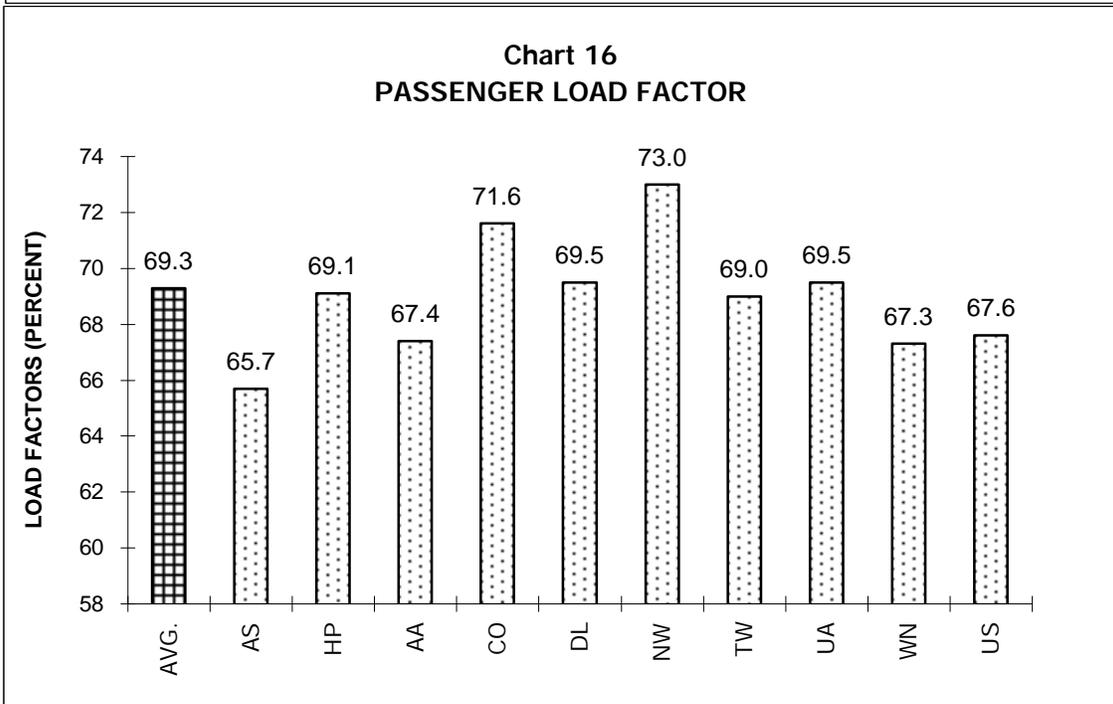
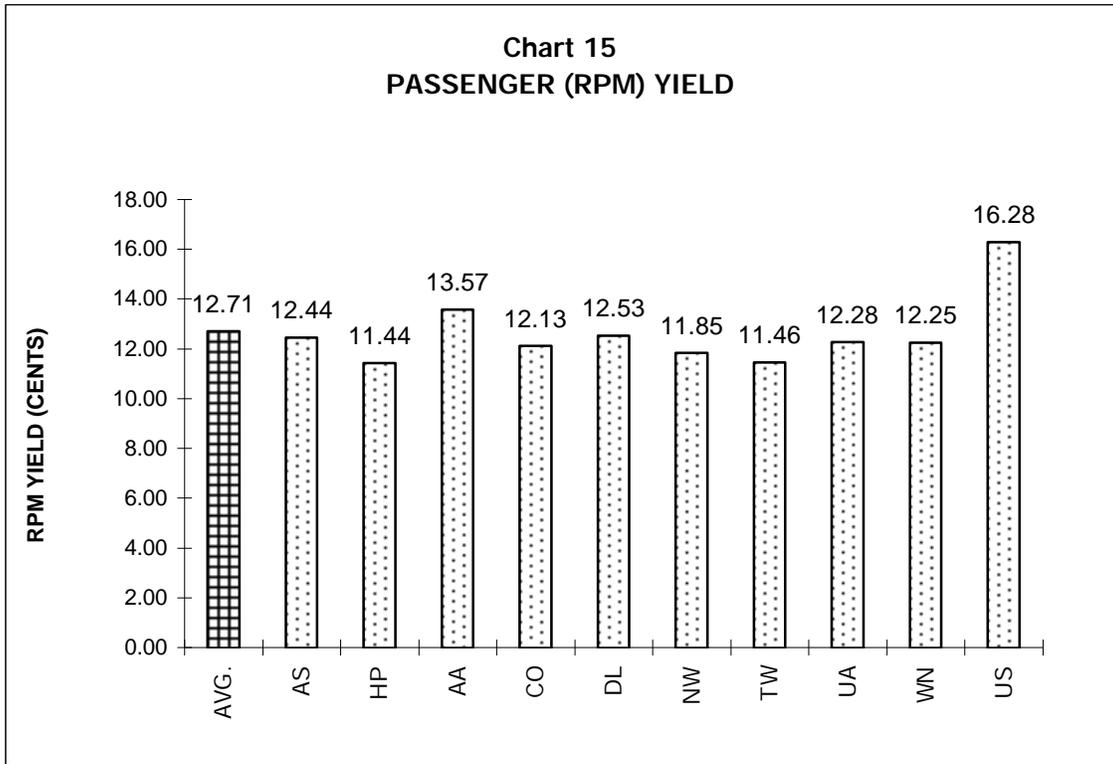
## TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)



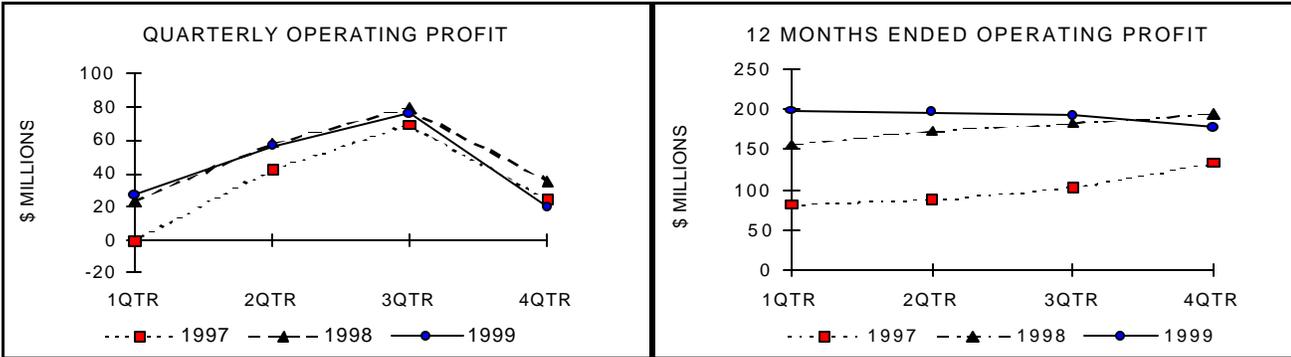
## TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)



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



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



**QUARTERLY RESULTS**

- Operating revenues were up 7.7 percent, but operating expenses jumped 13.3 percent, resulting in a \$16.4 million decline in operating profit to \$18.8 million.
- This profit decline was largely the result of sharply higher fuel expenses, which jumped 64.8 percent, or \$21.4 million from a year ago
- Net income also declined, down \$9.5 million to \$15.3 million.
- The declines in overall system operating and net profit arose from domestic operations as both operating and net profit for the Latin entity was virtually unchanged 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.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	32.0	15.5	-16.4	22.6	13.0	-9.6	2.5	2.5	2.6	3.8	3.9	2.1	65.2%
Int'l	3.2	3.2	0.0	2.3	2.3	0.1	0.3	0.3	6.9	0.4	0.4	6.9	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	3.2	3.2	0.0	2.3	2.3	0.1	0.3	0.3	6.9	0.4	0.4	6.9	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	35.2	18.8	-16.4	24.8	15.3	-9.5	2.7	2.8	3.0	4.2	4.3	2.6	65.7%

- RPM traffic grew 3 percent while ASM capacity rose a lesser 2.6 percent, producing a 0.3 percentage point gain in the passenger load factor to 65.7 percent.
- The operating profit margin declined 4.7 percentage points from a year ago to 4.6 percent.
- Profitability eroded as RTM unit cost growth, up 10.1 percent, more than doubled RTM yield growth, up 4.7 percent.
- Interest expense rose \$1.2 million but was still a group low \$5.1 million.
- Passenger (RPM) yield was up 5.2 percent to 12.44 cents.

**12-MONTH RESULTS**

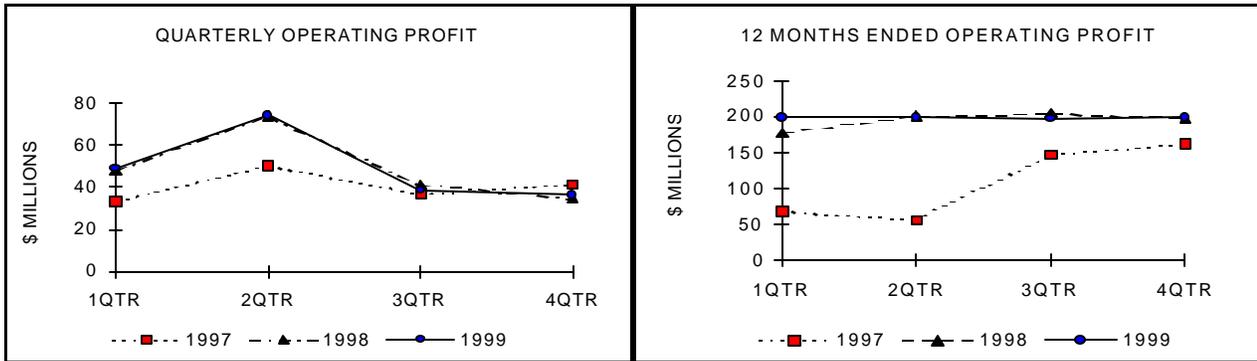
- Operating expense growth continues to accelerate, up 9.6 percent, while operating revenue growth slowed, up 7.2 percent resulting in a decline in operating profit of \$18.3 million to \$176.7 million.
- Net income, however, continued to rise, gaining \$2.9 million to \$119.4 million.
- The passenger load factor rose 0.8 percentage points to 68 percent, a major group low, as RPM traffic growth, up 4.4 percent, exceeded ASM capacity growth, up 3.2 percent.
- Passenger (RPM) yield increased from a year ago, up a major group high 3.4 percent to 12.58 cents.
- Alaska continues to benefit from the lowest interest expense among the passenger majors, down \$4.4 million to \$12.7 million.
- Total debt was reduced \$205 million to \$403.6 million. This increase offset rising equity leading to an 11 percentage point increase in the debt-to-investment ratio to 37.6 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	409.7	380.3	1,695.6	1,666.2	1,636.7	1,611.0	1,581.3
2	Operating Expenses	390.9	345.1	1,518.9	1,473.1	1,440.1	1,412.4	1,386.3
3	Operating Profit (Loss)	18.8	35.2	176.7	193.1	196.6	198.7	195.0
4	Net Income (Loss)	15.3	24.8	119.4	128.9	120.7	120.6	116.5
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	2.83	2.75	11.77	11.68	11.61	11.51	11.27
6	ASMs - Scheduled Rev. Svc.	4.31	4.20	17.31	17.20	17.19	17.09	16.77
7	Overall RTMs (All Svc.)	0.30	0.29	1.25	1.24	1.24	1.23	1.21
8	Overall ATMs (All Svc.)	0.57	0.55	2.27	2.26	2.25	2.24	2.20
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	136.5	130.4	135.5	134.1	132.4	131.1	131.2
10	Operating Expense per RTM	130.2	118.3	121.4	118.5	116.5	115.0	115.0
11	Operating Profit (Loss) per RTM	6.3	12.1	14.1	15.5	15.9	16.2	16.2
12	Operating Expense per ATM	69.1	62.8	66.9	65.3	63.9	63.0	63.0
13	Passenger Revenue per RPM	12.44	11.82	12.58	12.43	12.25	12.13	12.17
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.01	2.11	2.15	2.18	2.19
15	Times Interest Earned	*	*	20.44	22.33	17.80	17.98	15.84
16	Current Assets to Current Liabilities	*	*	0.83	0.69	0.81	0.82	0.86
17	No. of Days Cash Coverage of Cash Exp.	*	*	82.7	63.9	85.1	78.1	84.4
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	4.6	9.3	10.4	11.6	12.0	12.3	12.3
19	Net Income to Stockholders Equity	*	*	19.6	22.2	22.1	23.4	23.9
20	Corporate Return on Investment	*	*	15.4	17.6	17.4	17.9	17.9
21	Debt to Total Investment	*	*	37.6	21.7	23.6	25.3	26.6
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	65.7	65.4	68.0	67.9	67.5	67.3	67.2
23	Breakeven	66.4	61.8	63.1	61.9	61.1	60.6	60.4
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	8,380	7,928	8,312	8,199	8,073	7,949	7,827
25	Overall RTM's per Employee (000)	35.8	36.8	150.5	151.6	153.1	154.5	154.0

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	7.7	8.0	7.2	7.3	7.2	8.1	8.5
27	Operating Expenses (%)	13.3	5.0	9.6	7.5	6.3	6.0	4.7
28	Operating Profit (Loss) (in Millions \$)	-16.4	11.7	-18.3	9.8	23.9	41.7	61.9
29	Net Income (Loss)(in Millions \$)	-9.5	10.3	2.9	22.7	14.9	27.9	40.5
30	RPMs (Sch. Svc.) (%)	3.0	10.6	4.4	6.2	8.2	9.9	8.7
31	ASMs (Sch. Svc.) (%)	2.6	9.5	3.2	4.9	7.8	9.5	8.9
32	Operating Revenues per RTM (%)	4.7	-1.0	3.3	2.0	0.0	-0.8	0.4
33	Operating Expense per RTM (%)	10.1	-3.8	5.6	2.2	-0.8	-2.8	-3.2
34	Passenger Revenue per RPM (Sch. Svc.)	5.2	-2.9	3.4	1.4	-0.6	-1.4	0.4

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



**QUARTERLY RESULTS**

- Operating expenses, up 12.8 percent, grew only slightly faster than operating revenues, up 12.2 percent, resulting in a \$1.3 million gain in operating profit to \$36.1 million.
- Total fuel expense soared 66.6 percent (\$29 million), comprising 15.3 percent of total operating expenses, up from 9.4 percent a year ago.
- Net income gained \$9.8 million to \$28.9 million.
- All of the overall system improvements arose from domestic operations where operating profit rose \$4.2 million to \$38.3 million and net income rose \$12.5 million to \$31.1 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	34.1	38.3	4.2	18.6	31.1	12.5	3.9	4.5	13.1	6.1	6.4	6.0	69.1%
Int'l	0.7	-2.2	-2.9	0.5	-2.3	-2.8	0.1	0.1	-7.9	0.2	0.1	-14.4	65.5%
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	0.7	-2.2	-2.9	0.5	-2.3	-2.8	0.1	0.1	-7.9	0.2	0.1	-14.4	65.5%
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	34.8	36.1	1.3	19.1	28.9	9.7	4.0	4.5	12.6	6.2	6.6	5.5	69.1%

- RPM traffic growth, up 12.6 percent, more than doubled ASM capacity growth, up 5.5 percent, causing the passenger load factor to jump 4.4 percentage points, the largest point gain among all majors, to 69.1 percent.
- Passenger (RPM) yield, however, dipped 0.5 percent to a major group low 11.44 cents.
- Interest expense declined \$1.5 million to \$7.8 million.

**12-MONTH RESULTS**

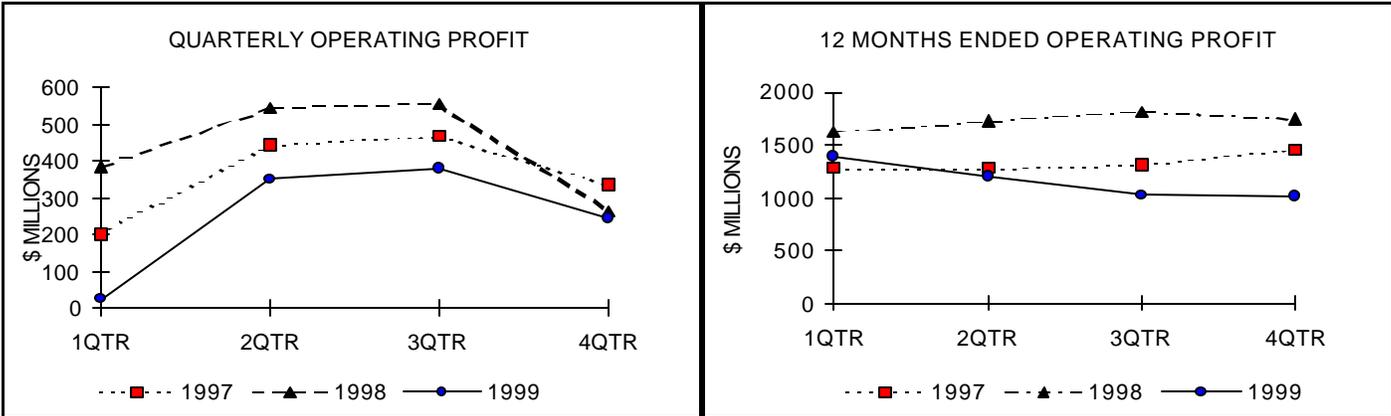
- For the third consecutive period, operating expenses, up 10.1 percent, grew faster than operating revenues, up 9.1 percent, but operating profit was nearly unchanged, up \$0.1 million to \$197.9 million.
- Net income advanced \$6.6 million to \$116.6 million.
- Interest expense was down \$3.3 million to \$35.4 million.
- The passenger load factor rose 1 percentage point to 68.4 percent as RPM traffic, up 8.2 percent, grew faster than ASM capacity, up 6.6 percent.
- Passenger (RPM) yield was up 1 percent to 11.44 cents.
- Total debt was reduced \$88 million to \$200.3 million (only DHL Airways reported lower debt). This, coupled with rising equity, caused in the debt-to-investment ratio to fall 8.8 percentage points to 18.5 percent, the lowest among all passenger majors.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	557.1	496.5	2,164.0	2,103.5	2,054.6	2,019.3	1,983.0
2	Operating Expenses	521.0	461.8	1,966.1	1,906.9	1,855.4	1,820.4	1,785.1
3	Operating Profit (Loss)	36.1	34.8	197.9	196.6	199.2	198.9	197.8
4	Net Income (Loss)	28.9	19.1	116.6	106.9	104.9	103.5	103.0
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	4.54	4.03	17.69	17.19	16.94	16.75	16.36
6	ASMs - Scheduled Rev. Svc.	6.57	6.22	25.87	25.53	25.12	24.71	24.26
7	Overall RTMs (All Svc.)	0.48	0.43	1.87	1.81	1.79	1.77	1.74
8	Overall ATMs (All Svc.)	0.84	0.78	3.28	3.23	3.17	3.11	3.05
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	116.5	116.1	116.0	115.9	114.8	113.8	114.0
10	Operating Expense per RTM	109.0	108.0	105.4	105.1	103.6	102.6	102.7
11	Operating Profit (Loss) per RTM	7.6	8.1	10.6	10.8	11.1	11.2	11.4
12	Operating Expense per ATM	62.0	58.9	59.9	59.1	58.6	58.5	58.5
13	Passenger Revenue per RPM	11.44	11.50	11.44	11.45	11.35	11.27	11.33
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.95	1.91	1.91	1.92	1.94
15	Times Interest Earned	*	*	7.85	6.97	6.95	6.80	6.46
16	Current Assets to Current Liabilities	*	*	1.12	1.04	0.88	0.86	0.79
17	No. of Days Cash Coverage of Cash Exp.	*	*	23.3	48.8	36.3	51.7	28.7
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	6.5	7.0	9.1	9.3	9.7	9.9	10.0
19	Net Income to Stockholders Equity	*	*	14.1	13.4	13.5	13.8	14.1
20	Corporate Return on Investment	*	*	13.2	12.6	12.7	12.9	13.4
21	Debt to Total Investment	*	*	18.5	23.7	24.9	32.2	27.3
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	69.1	64.7	68.4	67.3	67.4	67.8	67.4
23	Breakeven	65.6	61.1	62.9	61.7	61.5	61.7	61.1
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	9,966	9,091	9,749	9,530	9,248	9,026	8,826
25	Overall RTM's per Employee (000)	48.0	47.0	191.3	190.4	193.6	196.6	197.0

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	12.2	4.3	9.1	7.2	6.0	6.5	5.1
27	Operating Expenses (%)	12.8	6.3	10.1	8.5	6.7	5.9	3.5
28	Operating Profit (Loss) (in Millions \$)	1.3	-6.7	0.1	-8.0	-0.9	22.0	35.2
29	Net Income (Loss)(in Millions \$)	9.8	-1.4	13.6	2.6	1.9	17.7	27.7
30	RPMs (Sch. Svc.) (%)	12.6	4.5	8.2	6.2	6.1	5.8	1.2
31	ASMs (Sch. Svc.) (%)	5.5	5.1	6.6	6.5	5.7	5.0	3.4
32	Operating Revenues per RTM (%)	0.3	1.6	1.8	2.0	1.5	2.1	4.9
33	Operating Expense per RTM (%)	0.9	3.5	2.6	3.3	2.2	1.5	3.4
34	Passenger Revenue per RPM (Sch. Svc.)	-0.5	0.4	1.0	1.1	0.5	1.3	4.5

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



**QUARTERLY RESULTS**

- Operating revenues grew 6.7 percent, but operating expenses rose slightly faster, up 7.8 percent, resulting in an \$18.9 million decline in operating profit to \$244 million.
- Total fuel expense rose 23.2 percent (\$78.5 million). Without this increase operating results would have improved by nearly \$60 million from a year ago.
- Net income slid \$9.6 million to \$155.8 million.
- Except for domestic operations, all entities were up from a year ago and were profitable in both operating and net results. Domestic operations remained profitable as well, but experienced a decline in operating profit of \$77.3 million to \$158.9 million, and a decline in net results of \$44.3 million to \$101.9 million

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	236.3	158.9	-77.3	146.2	101.9	-44.3	18.3	18.8	2.8	26.6	28.2	5.9	66.7%
Int'l	26.6	85.1	58.5	19.2	53.9	34.7	8.2	8.7	6.3	12.2	12.6	3.7	68.9%
Atlantic	1.3	24.6	23.3	2.2	16.0	13.8	3.4	3.8	9.6	4.8	5.1	6.7	74.2%
Latin	33.8	42.8	9.1	21.7	27.1	5.4	4.1	4.1	-1.2	6.4	6.3	-2.3	64.8%
Pacific	-8.4	17.7	26.1	-4.6	10.8	15.4	0.6	0.9	37.1	1.0	1.3	29.1	68.5%
System	262.9	244.0	-18.8	165.4	155.8	-9.6	26.5	27.5	3.9	38.8	40.8	5.2	67.4%

- For the first time in five quarters, passenger (RPM) yield rose from the same quarter a year ago, up 4.1 percent to 13.57 cents.
- ASM capacity growth, up 5.2 percent, outpaced RPM traffic growth, up 3.9 percent, causing the passenger load factor to decline 0.9 percentage points to 67.4 percent.
- Interest expense declined \$2.9 million to \$18.8 million.

**12-MONTH RESULTS**

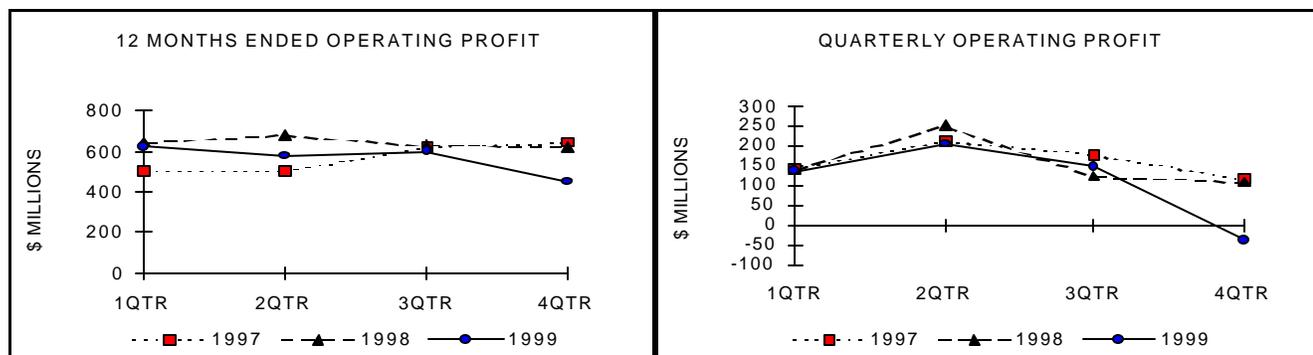
- Operating and net profits declined from a year ago for the fourth consecutive period after two consecutive years of improvements.
- The rate of decline in operating revenues slowed, down 1.3 percent, but operating expense growth continued to accelerate, up 3.7 percent, causing operating profit to tumble \$745.5 million to \$1 billion.
- Net income dropped \$437.1 million to \$625.8 million.
- ASM capacity, up 2 percent, grew slightly faster than RPM traffic, up 1.2 percent, causing the passenger load factor to decrease 0.6 percentage points to 69.6 percent.
- Passenger (RPM) yield was down 2.7 percent to 13.12 cents.
- Interest expense jumped \$44.4 million to \$131 million.
- Total debt jumped \$1.3 billion to \$3.91 billion, greatly outpacing equity growth causing the debt-to-investment ratio to rise 6.5 percentage points to 35.4 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	4,135.0	3,873.7	16,085.5	15,824.1	15,845.1	15,954.8	16,298.8
2	Operating Expenses	3,891.0	3,610.8	15,082.6	14,802.4	14,649.4	14,564.0	14,550.5
3	Operating Profit (Loss)	244.0	262.9	1,002.9	1,021.7	1,195.8	1,390.9	1,748.4
4	Net Income (Loss)	155.8	165.4	625.8	635.4	758.5	875.5	1,062.9
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	27.52	26.49	110.15	109.12	108.42	108.13	108.87
6	ASMs - Scheduled Rev. Svc.	40.81	38.78	158.22	156.19	154.48	154.10	155.17
7	Overall RTMs (All Svc.)	3.37	3.14	13.26	13.03	12.77	12.74	12.88
8	Overall ATMs (All Svc.)	6.40	5.92	24.76	24.28	23.66	23.50	23.60
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	122.8	123.2	121.3	121.4	124.0	125.2	126.5
10	Operating Expense per RTM	115.5	114.8	113.8	113.6	114.7	114.3	112.9
11	Operating Profit (Loss) per RTM	7.2	8.4	7.6	7.8	9.4	10.9	13.6
12	Operating Expense per ATM	60.8	61.0	60.9	61.0	61.9	62.0	61.6
13	Passenger Revenue per RPM	13.57	13.04	13.12	12.99	13.11	13.26	13.49
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.63	1.68	1.77	1.86	1.96
15	Times Interest Earned	*	*	-42.47	-56.63	-41.39	-59.46	821.48
16	Current Assets to Current Liabilities	*	*	0.92	0.85	0.79	0.75	0.87
17	No. of Days Cash Coverage of Cash Exp.	*	*	44.4	39.1	31.2	22.4	39.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	5.9	6.8	6.2	6.5	7.5	8.7	10.7
19	Net Income to Stockholders Equity	*	*	9.3	9.7	12.0	14.3	18.0
20	Corporate Return on Investment	*	*	6.1	6.6	8.1	9.9	12.8
21	Debt to Total Investment	*	*	35.4	33.6	32.1	28.5	28.9
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	67.4	68.3	69.6	69.9	70.2	70.2	70.2
23	Breakeven	64.1	65.5	66.8	67.2	66.5	65.4	63.6
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	81,471	75,626	78,757	77,296	76,008	75,006	74,424
25	Overall RTM's per Employee (000)	41.3	41.6	168.3	168.6	168.1	169.9	173.1

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	6.7	-2.4	-1.3	-3.5	-2.4	-0.7	2.8
27	Operating Expenses (%)	7.8	-0.7	3.7	1.6	1.1	0.9	1.0
28	Operating Profit (Loss) (in Millions \$)	-18.9	-71.9	-745.5	-798.6	-538.3	-241.4	301.4
29	Net Income (Loss)(in Millions \$)	-9.6	-34.5	-437.1	-461.9	-259.5	-51.7	282.7
30	RPMs (Sch. Svc.) (%)	3.9	2.3	1.2	0.8	0.7	1.0	1.8
31	ASMs (Sch. Svc.) (%)	5.2	1.4	2.0	1.0	0.2	0.1	0.9
32	Operating Revenues per RTM (%)	-0.3	-3.1	-4.1	-4.8	-2.1	-0.4	1.8
33	Operating Expense per RTM (%)	0.6	-1.4	0.8	0.3	1.5	1.2	-0.1
34	Passenger Revenue per RPM (Sch. Svc.)	4.1	-5.2	-2.7	-5.0	-3.6	-2.1	1.0

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



**QUARTERLY RESULTS**

- Operating expense growth, up 15.4 percent, more than doubled operating revenue growth, up 6.9 percent, resulting in a \$147.6 million deterioration in operating profit to a loss of \$38.7 million, Continental's first loss in any quarter since the fourth quarter 1994.
- Nearly half of this decline can be attributed to rising fuel expenses, which jumped \$71.1 million (41.9 percent).
- Net income, however, jumped \$87.6 million to \$150.2 million, greatly benefiting from a \$182 million capital gain from the sale of the company's interest in Amadeus Global Travel. Continental also recorded a \$50 million charge for early retirement of several DC-10-30 aircraft.
- All entities reported a decline in operating results, and the Atlantic and Latin entities experienced lower net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	89.7	-44.0	-133.7	46.2	151.3	105.1	9.0	9.7	8.0	12.8	13.5	5.5	71.9%
Int'l	19.2	5.3	-13.9	16.4	-1.1	-17.5	4.4	5.1	14.9	6.5	7.2	10.0	71.1%
Atlantic	20.5	7.2	-13.2	22.5	6.7	-15.9	2.1	2.9	33.1	2.8	3.9	39.0	73.1%
Latin	-2.6	-3.2	-0.6	-3.7	-6.0	-2.3	1.4	1.5	5.5	2.4	2.3	-5.3	66.0%
Pacific	1.3	1.2	-0.1	-2.4	-1.7	0.7	0.9	0.7	-14.8	1.3	1.0	-24.4	74.9%
1/ System	108.9	-38.7	-147.6	62.6	150.2	87.6	13.4	14.8	10.3	19.3	20.7	7.0	71.6%

- RPM traffic grew 10.3 percent, exceeding the 7 percent increase in ASM capacity, producing a 2.1 percentage point gain in the passenger load factor to 71.6 percent.
- Passenger (RPM) yield slid 1.5 percent to 12.13 cents.
- Interest expense jumped \$22.6 million to a major group high \$82.9 million.

**12-MONTH RESULTS**

- Operating profit declined from a year ago for the fifth consecutive period, down \$171.6 million to \$449.1 million, as operating expenses, up 8.9 percent, continued to grow faster than operating revenues, up 6 percent.
- Reflecting the large quarterly improvement and capital gain, net income advanced \$103.8 million to \$449.6 million.
- The declining growth rate in RPM traffic reversed, rising 8.4 percent, while the growth rate in ASM capacity continued to slow, rising 6.3 percent, resulting in the passenger load factor rising 1.4 percentage points to 73.5 percent.
- Passenger (RPM) yield declined from a year ago for the eleventh consecutive 12-month period, down 2.3 percent to 12.16 cents.
- Total debt rose \$707.4 million to \$3.53 billion, but rising equity offset much of this increase, causing the debt-to-investment ratio to decline 1.1 percentage points to 67.2 percent.

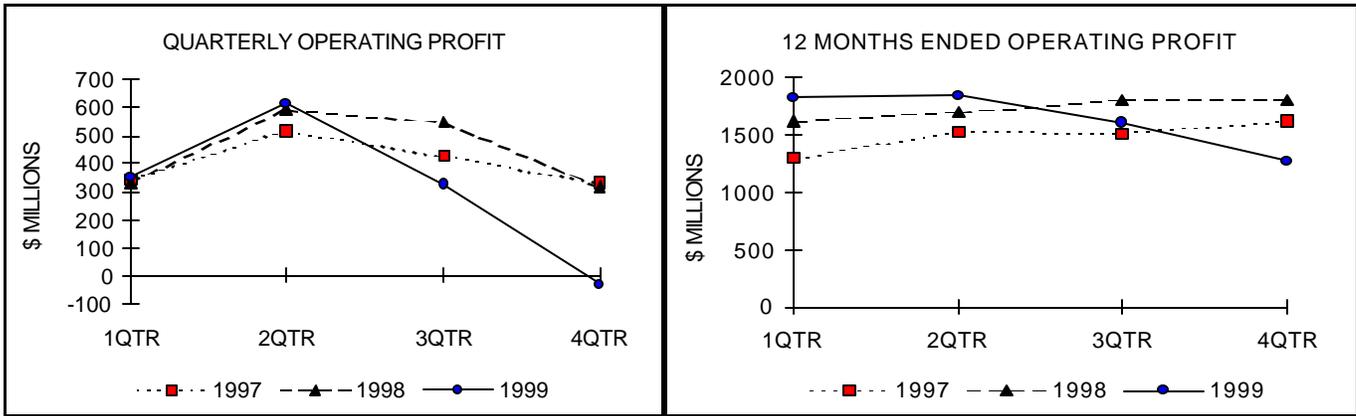
1/ Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which now reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively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

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,062.7	1,929.2	8,381.5	8,248.1	8,161.2	8,070.3	7,907.7
2	Operating Expenses	2,101.4	1,820.3	7,932.5	7,651.4	7,589.2	7,451.5	7,287.0
3	Operating Profit (Loss)	-38.7	108.9	449.1	596.7	572.0	618.7	620.7
4	Net Income (Loss)	150.2	62.6	449.6	362.0	318.9	350.8	345.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	14.81	13.43	59.49	58.11	57.22	56.35	54.90
6	ASMs - Scheduled Rev. Svc.	20.68	19.32	80.95	79.59	78.43	77.44	76.12
7	Overall RTMs (All Svc.)	1.76	1.57	6.90	6.71	6.59	6.51	6.39
8	Overall ATMs (All Svc.)	2.72	2.50	10.56	10.34	10.21	10.13	9.98
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	117.4	122.9	121.5	123.0	123.9	124.0	123.8
10	Operating Expense per RTM	119.6	116.0	115.0	114.1	115.2	114.5	114.1
11	Operating Profit (Loss) per RTM	-2.2	6.9	6.5	8.9	8.7	9.5	9.7
12	Operating Expense per ATM	77.2	72.7	75.1	74.0	74.3	73.6	73.0
13	Passenger Revenue per RPM	12.13	12.31	12.16	12.20	12.29	12.36	12.44
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.75	1.84	1.93	2.07	2.21
15	Times Interest Earned	*	*	4.23	4.44	4.35	4.96	5.26
16	Current Assets to Current Liabilities	*	*	0.79	0.90	0.89	1.00	0.95
17	No. of Days Cash Coverage of Cash Exp.	*	*	76.5	64.9	63.1	71.1	72.7
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	-1.9	5.6	5.4	7.2	7.0	7.7	7.8
19	Net Income to Stockholders Equity	*	*	28.2	24.3	22.8	27.4	29.0
20	Corporate Return on Investment	*	*	13.4	11.8	11.3	12.8	13.4
21	Debt to Total Investment	*	*	67.2	66.6	64.4	67.7	68.3
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	71.6	69.5	73.5	73.0	73.0	72.8	72.1
23	Breakeven	75.6	68.0	72.3	70.4	70.4	69.2	68.0
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	35,264	32,535	34,438	33,756	33,048	32,322	31,641
25	Overall RTM's per Employee (000)	49.8	48.2	200.2	198.7	199.3	201.3	201.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	6.9	6.3	6.0	5.8	8.2	11.1	11.5
27	Operating Expenses (%)	15.4	7.1	8.9	6.8	10.7	12.5	13.1
28	Operating Profit (Loss) (in Millions \$)	-147.6	-6.8	-171.6	-30.8	-110.4	-23.8	-25.2
29	Net Income (Loss)(in Millions \$)	87.6	6.7	103.8	22.9	-80.4	-12.6	-19.0
30	RPMs (Sch. Svc.) (%)	10.3	9.2	8.4	8.1	10.4	12.9	13.2
31	ASMs (Sch. Svc.) (%)	7.0	8.0	6.3	6.6	8.0	10.1	11.4
32	Operating Revenues per RTM (%)	-4.5	-0.5	-1.9	-0.8	-0.1	-0.3	-1.5
33	Operating Expense per RTM (%)	3.1	0.3	0.8	0.1	2.1	1.0	-0.2
34	Passenger Revenue per RPM (Sch. Svc.)	-1.5	-5.0	-2.3	-3.2	-3.5	-3.3	-3.2

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



**QUARTERLY RESULTS**

- Operating revenues climbed 1.5 percent, but operating expenses jumped 12.4 percent, resulting in a \$345.5 million drop in operating profit to a loss of \$27.5 million, the first fourth quarter loss since 1994.
- This decline occurred despite Delta benefiting from the lowest increase in total fuel expense among all majors, up only 3 percent (\$10.6 million).
- Net income, however, jumped \$158.9 million to \$352.4 million. Delta reported a capital gain of \$596 million from the sale of a portion of its investment in Priceline.com.
- The Atlantic entity reported both an operating and net profit, while the domestic entity, reflecting the capital gain, experienced just a net profit. The Pacific entity had the only improvements in both operating and net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	285.2	-9.3	-294.5	172.8	361.2	188.4	19.1	19.4	1.2	27.9	28.5	1.9	68.0%
Int'l	32.7	-18.2	-50.9	20.7	-8.8	-29.5	5.6	5.8	2.1	7.9	7.7	-2.9	75.0%
Atlantic	44.0	22.6	-21.4	27.3	16.1	-11.2	4.2	4.4	2.6	5.5	5.6	0.9	78.1%
Latin	5.8	-27.4	-33.2	3.6	-16.8	-20.4	0.5	0.7	22.4	1.0	1.1	1.8	63.6%
Pacific	-17.1	-13.5	3.6	-10.2	-8.1	2.1	0.8	0.7	-13.5	1.3	1.0	-22.1	70.0%
System	318.0	-27.5	-345.4	193.5	352.4	158.9	24.8	25.1	1.4	35.9	36.2	0.9	69.5%

- The passenger load factor rose 0.4 percentage points to 69.5 percent as RPM traffic, up 1.4 percent, increased slightly faster than ASM capacity, up 0.9 percent.
- Passenger (RPM) yield dipped 0.6 percent to 12.53 cents.
- Interest expense jumped a major group high \$41.8 million to \$82.9 million, also a major group high.

**12-MONTH RESULTS**

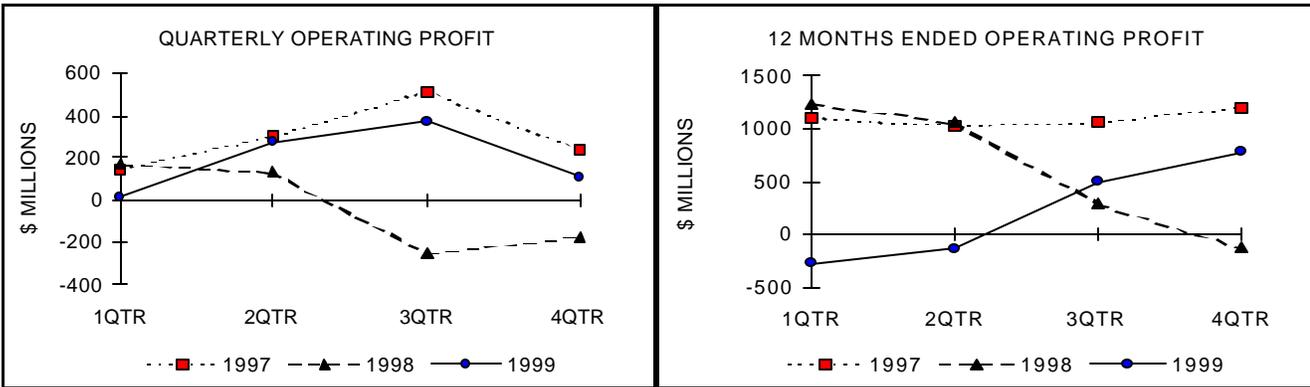
- After five consecutive years of growth, operating profit declined from a year ago for the second consecutive period, falling \$532 million to \$1.26 billion. Operating expenses, up 6.3 percent, grew three times faster than operating revenues, up 1.9 percent.
- Net income, however, advanced \$208 million to \$1.29 billion.
- Both RPM traffic growth, up 1.4 percent, and ASM capacity growth, up 1.9 percent, continued to slow, resulting in the passenger load factor slipping 0.3 percentage points to 72.4 percent. This was the only the second time since March 1996 that the passenger load factor has declined on a year-to-year basis.
- Passenger (RPM) yield declined 1.2 percent to 12.61 cents, the fifth consecutive period of decline.
- Total debt soared a major group high \$3.51 billion to \$5.42 billion, vastly offsetting equity growth, resulting in an increase of 19.8 percentage points in the debt-to-investment ratio to 51.2 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,572.3	3,520.6	14,901.4	14,849.7	14,875.6	14,764.9	14,629.8
2	Operating Expenses	3,599.8	3,202.6	13,640.3	13,243.1	13,044.4	12,952.4	12,836.7
3	Operating Profit (Loss)	-27.5	318.0	1,261.1	1,606.5	1,831.2	1,812.5	1,793.1
4	Net Income (Loss)	352.4	193.5	1,285.6	1,126.7	1,101.1	1,098.5	1,077.6
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	25.14	24.79	104.70	104.34	104.15	104.20	103.24
6	ASMs - Scheduled Rev. Svc.	36.17	35.86	144.65	144.34	143.26	142.75	141.96
7	Overall RTMs (All Svc.)	2.99	2.92	12.23	12.15	12.12	12.13	12.05
8	Overall ATMs (All Svc.)	5.32	5.12	21.03	20.83	20.56	20.45	20.31
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	119.3	120.6	121.9	122.2	122.8	121.8	121.4
10	Operating Expense per RTM	120.3	109.7	111.6	109.0	107.7	106.8	106.5
11	Operating Profit (Loss) per RTM	-0.9	10.9	10.3	13.2	15.1	14.9	14.9
12	Operating Expense per ATM	67.6	62.5	64.9	63.6	63.4	63.3	63.2
13	Passenger Revenue per RPM	12.53	12.60	12.61	12.63	12.74	12.73	12.76
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.93	2.18	2.30	2.40	2.48
15	Times Interest Earned	*	*	10.37	11.34	12.01	13.05	13.05
16	Current Assets to Current Liabilities	*	*	0.70	0.60	0.50	0.53	0.60
17	No. of Days Cash Coverage of Cash Exp.	*	*	48.5	40.3	28.1	24.6	23.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	-0.8	9.0	8.5	10.8	12.3	12.3	12.3
19	Net Income to Stockholders Equity	*	*	28.3	26.0	26.1	26.9	27.5
20	Corporate Return on Investment	*	*	19.6	19.2	19.6	20.3	20.7
21	Debt to Total Investment	*	*	51.2	40.9	37.4	37.6	31.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	69.5	69.1	72.4	72.3	72.7	73.0	72.7
23	Breakeven	73.1	63.5	67.8	65.4	64.2	64.1	63.7
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	63,891	63,219	63,799	63,631	63,378	62,940	62,071
25	Overall RTM's per Employee (000)	46.8	46.2	191.7	191.0	191.2	192.7	194.2

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	1.5	1.3	1.9	1.8	3.8	4.4	3.0
27	Operating Expenses (%)	12.4	1.9	6.3	3.6	3.2	3.4	2.0
28	Operating Profit (Loss) (in Millions \$)	-345.5	-14.1	-532.0	-200.8	141.0	200.4	171.8
29	Net Income (Loss)(in Millions \$)	158.9	4.0	208.0	53.2	100.6	158.6	143.6
30	RPMs (Sch. Svc.) (%)	1.4	2.8	1.4	1.7	3.1	4.4	3.6
31	ASMs (Sch. Svc.) (%)	0.9	2.8	1.9	2.4	2.3	2.7	2.4
32	Operating Revenues per RTM (%)	-1.1	0.0	0.4	0.7	1.7	0.8	-0.5
33	Operating Expense per RTM (%)	9.7	0.6	4.8	2.4	1.0	-0.2	-1.5
34	Passenger Revenue per RPM (Sch. Svc.)	-0.6	-2.6	-1.2	-1.6	-0.5	-0.2	-0.5

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



**QUARTERLY RESULTS**

- Northwest was the only major to experience faster growth in operating revenues, up 15.7 percent from the strike impacted quarter a year ago, than in operating expenses, up only 2.4 percent.
- Operating profit jumped a major group high \$280.5 million to a positive \$103.9 million.
- Total fuel expense rose 29.5 percent (\$72.2 million) comprising 13.3 percent of total operating expenses, up from 10.5 percent a year ago.
- Net income gained \$179.6 million, also a major group high, to a positive \$17.4 million.
- The operating profit margin rebounded from a negative 8.3 percent a year ago to a positive 4.2 percent.
- Both the domestic and Atlantic entities reported an operating and net profit, but the domestic and Pacific entities were responsible for the overall system wide improvements.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	-65.6	141.0	206.6	-68.9	48.1	117.0	9.7	10.5	8.2	14.4	14.9	3.5	70.1%
Int'l	-111.0	-37.1	73.9	-93.3	-30.7	62.7	6.8	7.3	7.4	9.1	9.4	3.2	77.5%
Atlantic	47.7	18.8	-28.9	29.4	8.7	-20.7	2.0	2.2	10.6	2.7	2.8	4.5	76.7%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	-158.7	-55.9	102.8	-122.7	-39.3	83.4	4.9	5.1	6.1	6.4	6.6	2.6	77.8%
System	-176.6	103.9	280.5	-162.2	17.4	179.7	16.5	17.8	7.9	23.6	24.4	3.4	73.0%

- Interest expense fell \$3.2 million, the largest decline among the majors, to \$78.5 million.
- The passenger load factor advanced 3.1 percentage points to a major group high 73 percent, as RPM traffic, up 7.9 percent, grew more than twice as fast as ASM capacity, up 3.4 percent.
- This increase in the passenger load factor occurred even as passenger (RPM) yield rose a group high 8.4 percent to 11.85 cents.

**12-MONTH RESULTS**

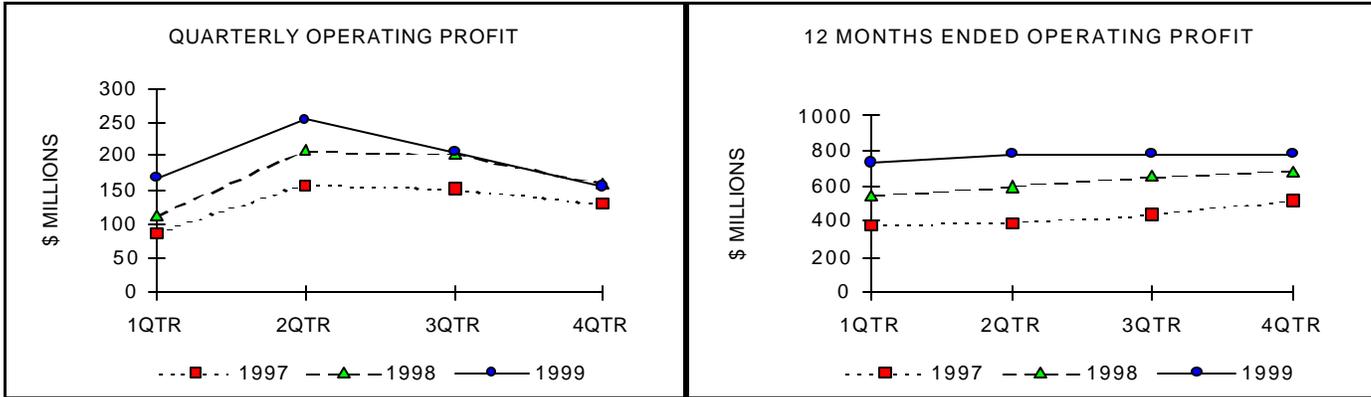
- Northwest experienced the largest improvements among all majors in both operating and net results.
- Operating profit soared \$898.2 million to a positive \$768.8 million as operating revenues jumped 13.3 percent while operating expenses rose a lesser 3 percent
- Net income also moved into the black, jumping \$529.1 million to \$287.8 million.
- The passenger load factor inched rose 1.5 percentage points to a group high 74.6 percent as RPM traffic growth, up 11.1 percent, outpaced ASM capacity growth, up 8.9 percent.
- For the first time in three years, passenger (RPM) yield was up from the same period a year earlier, rising 2.8 percent to 11.58 cents.
- Interest expense rose \$66 million to a major group high \$324.1 million.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,476.7	2,139.7	9,868.1	9,531.1	8,643.5	8,538.4	8,706.7
2	Operating Expenses	2,372.8	2,316.3	9,099.2	9,042.8	8,784.0	8,821.2	8,836.1
3	Operating Profit (Loss)	103.9	-176.6	768.8	488.3	-140.4	-282.7	-129.4
4	Net Income (Loss)	17.4	-162.2	287.8	108.2	-275.3	-339.9	-241.3
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	17.78	16.49	74.14	72.85	67.09	66.24	66.71
6	ASMs - Scheduled Rev. Svc.	24.37	23.58	99.41	98.62	91.90	90.52	91.27
7	Overall RTMs (All Svc.)	2.46	2.23	9.76	9.53	8.74	8.59	8.64
8	Overall ATMs (All Svc.)	3.97	3.81	15.81	15.64	14.56	14.39	14.53
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	100.6	95.9	101.1	100.0	98.8	99.4	100.8
10	Operating Expense per RTM	96.4	103.9	93.2	94.9	100.5	102.7	102.3
11	Operating Profit (Loss) per RTM	4.2	-7.9	7.9	5.1	-1.6	-3.3	-1.5
12	Operating Expense per ATM	59.7	60.9	57.5	57.8	60.3	61.3	60.8
13	Passenger Revenue per RPM	11.85	10.93	11.58	11.37	11.10	11.09	11.26
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.10	1.08	1.00	1.02	1.09
15	Times Interest Earned	*	*	2.37	1.54	-0.19	-0.59	-0.27
16	Current Assets to Current Liabilities	*	*	0.54	0.54	0.49	0.55	0.44
17	No. of Days Cash Coverage of Cash Exp.	*	*	31.8	30.7	26.7	35.1	19.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	4.2	-8.3	7.8	5.1	-1.6	-3.3	-1.5
19	Net Income to Stockholders Equity	*	*	6.3	2.4	-6.0	-7.2	-5.0
20	Corporate Return on Investment	*	*	7.1	5.2	0.9	-0.1	0.6
21	Debt to Total Investment	*	*	45.4	46.8	49.1	52.4	49.5
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	73.0	69.9	74.6	73.9	73.0	73.2	73.1
23	Breakeven	71.6	81.4	69.6	71.8	77.9	80.2	78.1
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	48,424	47,807	48,483	48,329	47,793	47,751	47,326
25	Overall RTM's per Employee (000)	50.8	46.6	201.4	197.2	183.0	179.9	182.6

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	15.7	-11.9	13.3	5.9	-12.5	-14.5	-12.8
27	Operating Expenses (%)	2.4	6.0	3.0	3.9	-0.5	0.7	0.6
28	Operating Profit (Loss) (in Millions \$)	280.5	-420.1	898.2	197.6	-1,197.2	-1,507.7	-1,332.6
29	Net Income (Loss)(in Millions \$)	179.6	-275.2	529.1	74.3	-811.7	-957.4	-844.8
30	RPMs (Sch. Svc.) (%)	7.9	-4.5	11.1	8.0	-7.4	-8.3	-7.4
31	ASMs (Sch. Svc.) (%)	3.4	-1.3	8.9	7.7	-5.5	-7.3	-5.8
32	Operating Revenues per RTM (%)	4.9	-6.3	0.3	-2.4	-5.2	-5.1	-4.0
33	Operating Expense per RTM (%)	-7.2	12.8	-8.9	-4.2	8.1	11.8	10.7
34	Passenger Revenue per RPM (Sch. Svc.)	8.4	-9.1	2.8	-1.5	-6.6	-8.0	-7.0

**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 nine years.
- Operating revenues rose 15 percent, but operating expenses grew faster, up 18.2 percent, resulting in a \$5.2 million decline in operating profit to \$154.2 million, still the highest quarterly profit reported by any passenger carrier.
- Much of the cause of the sharp jump in operating expenses can be attributed to the increase in total fuel expense, up a major group high 70.7 percent (\$66.6 million). Without this increase, operating profit would have gained nearly \$60 million.
- Net income declined \$6.6 million to \$93.8 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	159.4	154.2	-5.2	100.4	93.8	-6.6	7.8	9.4	19.4	12.3	13.9	13.1	67.3%
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	159.4	154.2	-5.2	100.4	93.8	-6.6	7.8	9.4	19.4	12.3	13.9	13.1	67.3%

- Interest expense climbed \$0.7 million to \$14.1 million.
- Although down 2.4 percentage point, the operating profit margin was still the highest among all majors at 12.8 percent.
- RTM unit costs were down 1 percent, but RTM yield dropped 3.8 percent eroding profitability.
- Despite the largest increases among the majors in both RPM traffic, up 19.4 percent, and ASM capacity, up 13.1 percent, the passenger load factor was a major group low, although up 3.5 percentage points to 67.3 percent.
- Passenger (RPM) yield fell 3.7 percent to 12.25 cents.

**12-MONTH RESULTS**

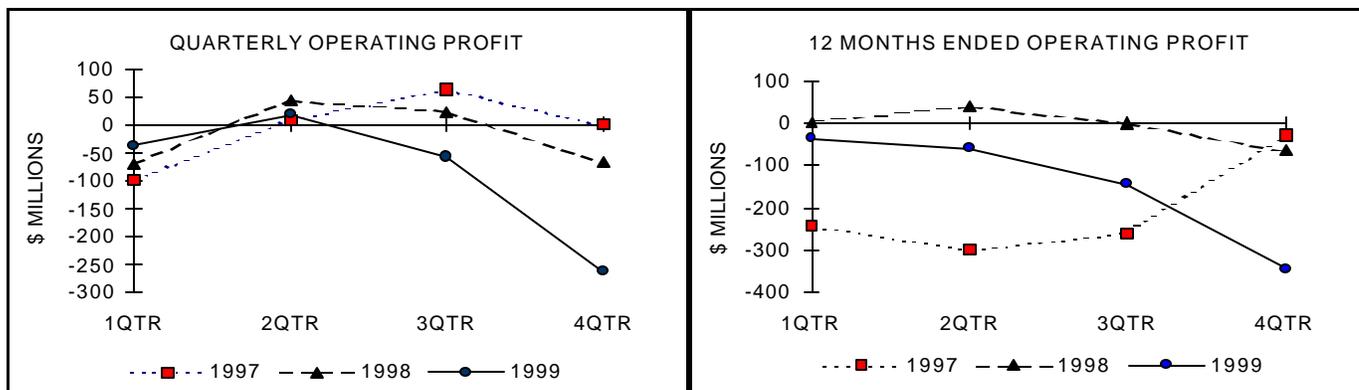
- Operating revenue growth, up 13.7 percent, outpaced operating expense growth, up 13.6 percent, producing a \$97.8 million improvement in operating profit to \$781.5 million.
- Net income rose \$41 million to \$474.4 million.
- The passenger load factor gained a major group high 2.9 percentage points to 69 percent. RPM traffic rose 16.1 percent as ASM capacity was up a lesser 11.3 percent.
- Passenger (RPM) yield fell 2.2 percent to 12.33 cents.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	1,204.4	1,047.7	4,735.6	4,578.9	4,438.6	4,297.0	4,164.0
2	Operating Expenses	1,050.2	888.3	3,954.1	3,792.2	3,654.4	3,558.6	3,480.3
3	Operating Profit (Loss)	154.2	159.4	781.5	786.7	784.1	738.4	683.7
4	Net Income (Loss)	93.8	100.4	474.4	481.0	483.6	459.3	433.4
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	9.35	7.83	36.48	34.96	33.82	32.57	31.42
6	ASMs - Scheduled Rev. Svc.	13.90	12.28	52.90	51.29	49.95	48.67	47.55
7	Overall RTMs (All Svc.)	0.97	0.82	3.78	3.63	3.52	3.40	3.28
8	Overall ATMs (All Svc.)	1.75	1.56	6.68	6.48	6.33	6.18	6.04
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	124.1	128.0	125.2	126.1	126.1	126.5	126.9
10	Operating Expense per RTM	108.2	108.5	104.5	104.5	103.8	104.8	106.1
11	Operating Profit (Loss) per RTM	15.9	19.5	20.7	21.7	22.3	21.7	20.8
12	Operating Expense per ATM	59.9	57.1	59.2	58.5	57.8	57.6	57.6
13	Passenger Revenue per RPM	12.25	12.72	12.33	12.44	12.47	12.55	12.61
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.43	1.45	1.46	1.46	1.46
15	Times Interest Earned	*	*	34.81	36.20	32.84	28.06	23.98
16	Current Assets to Current Liabilities	*	*	0.66	0.48	0.64	0.60	0.66
17	No. of Days Cash Coverage of Cash Exp.	*	*	41.3	27.2	51.8	44.4	41.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	12.8	15.2	16.5	17.2	17.7	17.2	16.4
19	Net Income to Stockholders Equity	*	*	17.9	19.0	20.0	20.0	19.7
20	Corporate Return on Investment	*	*	15.0	15.9	16.7	16.6	16.2
21	Debt to Total Investment	*	*	23.7	18.2	18.9	20.0	20.9
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	67.3	63.8	69.0	68.2	67.7	66.9	66.1
23	Breakeven	57.1	52.4	55.6	54.4	53.6	53.4	53.3
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	27,153	25,163	26,506	26,008	25,460	24,879	24,297
25	Overall RTM's per Employee (000)	35.8	32.5	142.7	139.6	138.2	136.5	135.1

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	15.0	7.4	13.7	11.9	11.1	11.0	9.1
27	Operating Expenses (%)	18.2	4.9	13.6	10.3	7.7	7.1	5.7
28	Operating Profit (Loss) (in Millions \$)	-5.2	30.5	97.8	133.5	183.2	189.4	159.4
29	Net Income (Loss)(in Millions \$)	-6.6	19.8	41.0	67.4	107.1	122.4	115.6
30	RPMs (Sch. Svc.) (%)	19.4	8.1	16.1	13.4	13.0	13.4	10.8
31	ASMs (Sch. Svc.) (%)	13.1	6.8	11.3	9.7	8.6	7.6	6.9
32	Operating Revenues per RTM (%)	-3.1	-0.1	-1.3	-0.6	-1.0	-1.6	-1.3
33	Operating Expense per RTM (%)	-0.3	-2.4	-1.5	-2.0	-4.1	-5.0	-4.3
34	Passenger Revenue per RPM (Sch. Svc.)	-3.7	-0.8	-2.2	-1.6	-1.9	-2.2	-1.7

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



**QUARTERLY RESULTS**

- Trans World experienced its worst performance in quarterly results since December 1996 in both operating and net results. It also reported the largest operating and net losses among all majors for the fourth quarter 1999.
- Operating expense surged upward 31.2 percent, more than quadrupling the 7.3 percent increase in operating revenues, resulting in a \$198.8 million drop in operating results to a loss of \$264.5 million.
- Total fuel expense rose 55.4 percent (\$39.3 million), comprising 10.3 percent of total operating expenses, up from 8.7 percent a year earlier.
- The net loss widened from a \$79.1 million loss a year ago to a loss of \$271.9 million.
- Operating and net results for both entities remained in the red. Although the Atlantic entity had an improvement in net results, the entity has produced nearly continuous operating and net losses in its Atlantic entity since 1990, reporting an operating profit in only one quarter (September 1994), and a net profit in only four quarters.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	-22.8	-209.2	-186.4	-10.0	-215.6	-205.6	4.6	5.4	16.3	7.2	7.8	9.3	68.4%
Int'l	-42.9	-55.3	-12.4	-69.1	-56.3	12.8	0.8	0.9	8.1	1.2	1.2	3.8	72.3%
Atlantic	-42.9	-55.3	-12.4	-69.1	-56.3	12.8	0.8	0.9	8.1	1.2	1.2	3.8	72.3%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	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	-65.7	-264.5	-198.8	-79.1	-271.9	-192.8	5.4	6.2	15.0	8.3	9.0	8.6	69.0%

- RPM traffic advanced 15 percent, nearly doubling the 8.6 percent increase in ASM capacity, causing the passenger load factor to gain 3.9 percentage points to 69 percent.
- Despite the strong passenger traffic growth, profitability was still down as passenger (RPM) yield slid 5.8 percent, the largest decline among the majors, to 11.46 cents.
- Interest on debt declined \$1.1 million to \$24.9 million.

**12-MONTH RESULTS**

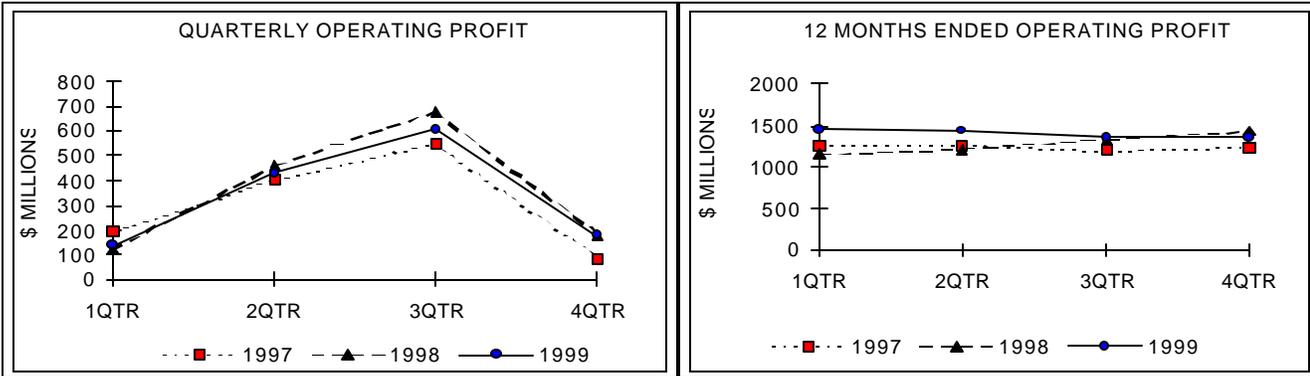
- After four consecutive periods of decline, operating revenues rose 1.5 percent, but operating expense jumped 9.8 percent, resulting in a \$277.5 million deterioration in operating results to a \$342.7 million loss.
- Net results were also down, falling \$232.9 million to a \$353.4 million loss.
- Passenger (RPM) yield declined from a year ago for the second consecutive period, down 3.9 percent to 11.39 cents.
- ASM capacity, up 3.3 percent, rose from a year ago for the first time since the first quarter 1996, but RPM traffic jumped 6.5 percent, causing the passenger load factor to rise 2.2 percentage points to 73.1 percent.
- The company's cash position worsened from a year ago, with days cash coverage declining from 29.1 to 18.8.
- Total debt was reduced \$55 million, but falling equity boosted the debt-to-investment ratio up a group high 30.5 percentage to 113.2 percent, the highest among the majors. Trans World is the only major with a negative equity position.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<b>FINANCIAL RESULTS: (\$Millions)</b>								
1	Operating Revenues	801.7	747.1	3,308.7	3,254.1	3,240.8	3,258.3	3,259.1
2	Operating Expenses	1,066.2	812.8	3,651.4	3,397.9	3,302.0	3,292.4	3,324.3
3	Operating Profit (Loss)	-264.5	-65.7	-342.7	-143.8	-61.2	-34.0	-65.2
4	Net Income (Loss)	-271.9	-79.1	-353.4	-160.6	-112.2	-86.5	-120.5
<b>TRAFFIC: (Billions)</b>								
5	RPMs - Scheduled Rev. Svc.	6.22	5.41	26.01	25.20	24.59	24.38	24.42
6	ASMs - Scheduled Rev. Svc.	9.03	8.32	35.59	34.88	34.36	34.28	34.45
7	Overall RTMs (All Svc.)	0.70	0.61	2.93	2.84	2.78	2.76	2.71
8	Overall ATMs (All Svc.)	1.27	1.16	5.02	4.90	4.83	4.82	4.80
<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>								
9	Operating Revenue per RTM	115.0	122.3	113.0	114.6	116.6	118.0	120.1
10	Operating Expense per RTM	152.9	133.1	124.8	119.6	118.8	119.2	122.5
11	Operating Profit (Loss) per RTM	-37.9	-10.8	-11.7	-5.1	-2.2	-1.2	-2.4
12	Operating Expense per ATM	83.7	70.2	72.7	69.3	68.4	68.3	69.3
7	Passenger Revenue per RPM	11.46	12.16	11.39	11.54	11.76	11.90	11.85
<b>FINANCIAL RATIOS:</b>								
14	Operating Revenues to Total Investment	*	*	3.52	3.12	2.89	2.74	2.64
15	Times Interest Earned	*	*	-2.62	-0.70	0.00	0.52	0.08
16	Current Assets to Current Liabilities	*	*	0.51	0.60	0.63	0.60	0.61
17	No. of Days Cash Coverage of Cash Exp.	*	*	18.8	26.9	33.4	24.5	29.1
<b>FINANCIAL PERCENTAGES:</b>								
18	Operating Profit (Loss) to Operating Reven	-33.0	-8.8	-10.4	-4.4	-1.9	-1.0	-2.0
19	Net Income to Stockholders Equity	*	*	-387.9	-89.7	-55.5	-41.0	-52.3
20	Corporate Return on Investment	*	*	-27.3	-6.0	-0.7	2.1	-0.3
21	Debt to Total Investment	*	*	125.8	88.5	83.7	83.5	82.7
<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>								
22	Actual	69.0	65.1	73.1	72.2	71.6	71.1	70.9
23	Breakeven	99.2	73.8	84.3	77.9	74.9	73.8	74.5
<b>Employment &amp; Productivity:</b>								
24	Employment, Total Weighted Avg CY	19,466	19,793	19,466	19,548	19,767	19,999	20,186
25	Overall RTM's per Employee (000)	35.8	30.9	150.4	145.3	140.6	138.1	134.4

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	7.3	-8.1	1.5	-2.1	-3.8	-2.3	-2.1
	Operating Expenses (%)	31.2	0.1	9.8	2.2	-0.8	-1.1	-1.0
28	Operating Profit (Loss) (in Millions \$)	-198.8	-66.2	-277.5	-144.9	-102.3	-37.9	-38.3
29	Net Income (Loss)(in Millions \$)	-192.8	-47.9	-232.9	-88.1	-51.3	6.0	-12.0
30	RPMs (Sch. Svc.) (%)	15.0	-8.8	6.5	1.0	-3.6	-3.2	-2.7
31	ASMs (Sch. Svc.) (%)	8.6	-6.3	3.3	-0.4	-4.6	-5.8	-5.6
32	Operating Revenues per RTM (%)	-6.0	2.7	-5.9	-4.0	-0.8	1.1	3.2
33	Operating Expense per RTM (%)	14.9	11.8	1.9	0.2	2.3	2.3	4.4
34	Passenger Revenue per RPM (Sch. Svc.)	-5.8	1.2	-3.9	-2.5	0.8	2.3	1.7

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



**QUARTERLY RESULTS**

- United reported the highest operating and net profit for any fourth quarter in its history.
- Although operating expenses, up 4.4 percent, grew slightly faster than operating revenues, up 4.3 percent, operating profit climbed \$1.1 billion to \$179.5 million.
- Total fuel expense rose 11.7 percent, or \$47 million.
- Net income gained \$63.6 million to \$111.6 million.
- The strongest gains in operating and net results occurred within the Pacific entity, up \$67.4 million to an operating profit of \$27.4 million, and up \$59.5 million to a net profit of \$20.5 million. Only the domestic entity reported a decline in both operating and net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	L.F.
Domestic	185.3	112.7	-72.5	83.4	69.6	-13.9	19.7	19.9	1.0	28.0	28.8	2.8	69.2%
Int'l	-6.9	67.1	74.0	-35.5	42.0	77.5	11.0	10.6	-3.7	15.8	15.1	-4.7	70.1%
Atlantic	25.3	35.3	10.0	4.0	19.3	15.3	3.5	3.8	8.4	5.1	5.4	4.6	71.5%
Latin	7.8	4.5	-3.3	-0.4	2.2	2.6	1.5	1.4	-5.9	2.4	2.2	-9.9	63.7%
Pacific	-40.0	27.4	67.4	-39.1	20.5	59.5	6.0	5.3	-10.3	8.3	7.5	-8.9	71.0%
System	178.4	179.9	1.4	48.0	111.6	63.6	30.7	30.5	-0.7	43.8	43.9	0.1	69.5%

- Interest expense dipped \$0.9 million to \$78.4 million.
- ASM capacity was relatively unchanged, up 0.1 percent, but with RPM traffic declining 0.7 percent, the passenger load factor declined 0.6 percentage points to 69.5 percent.
- Passenger (RPM) yield rose 3 percent to 12.28 cents.

**12-MONTH RESULTS**

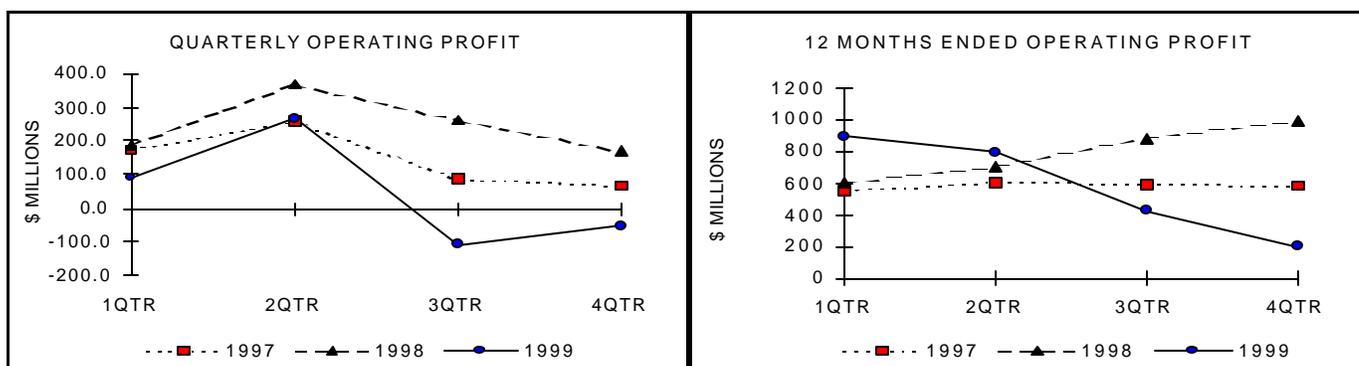
- Operating revenues grew 2.6 percent, but operating expenses grew faster, rising 3.3 percent, resulting in a \$77.6 decline in operating profit to \$1.36 billion.
- Net income, however, jumped \$401.2 million to \$1.2 billion. Current year results were favorably impacted by the large non-operating gain of \$428 million arising from the sale of its ownership share in the Apollo CRS during the second quarter 1999.
- Passenger (RPM) yield was up from a year ago after five consecutive periods of decline, rising 0.9 percent to 12.32 cents.
- ASM capacity, up 1.5 percent, grew faster than RPM traffic, up 0.7 percent, causing the passenger load to dip 0.6 percentage points to 71 percent.
- Interest expense rose \$5.8 million to \$316 million.
- Despite an increase in total debt of \$81.8 million to a major group high \$5.45 billion, soaring equity caused the debt-to-investment ratio to drop a major group high 10.6 percentage points to 49.1 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	4,453.1	4,270.0	17,966.7	17,783.6	17,722.2	17,623.1	17,517.5
2	Operating Expenses	4,273.2	4,091.5	16,608.8	16,427.1	16,294.7	16,165.8	16,082.4
3	Operating Profit (Loss)	179.9	178.4	1,357.9	1,356.5	1,427.5	1,457.3	1,435.2
4	Net Income (Loss)	111.6	48.0	1,203.8	1,140.2	1,206.0	820.0	802.6
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	30.51	30.72	125.37	125.58	125.98	125.95	124.54
6	ASMs - Scheduled Rev. Svc.	43.88	43.84	176.54	176.50	176.41	174.87	173.89
7	Overall RTMs (All Svc.)	3.89	3.84	15.61	15.56	15.60	15.56	15.42
8	Overall ATMs (All Svc.)	6.82	6.70	27.13	27.01	26.93	26.62	26.39
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	114.4	111.1	115.1	114.3	113.6	113.2	113.6
10	Operating Expense per RTM	109.8	106.5	106.4	105.6	104.5	103.9	104.3
11	Operating Profit (Loss) per RTM	4.6	4.6	8.7	8.7	9.2	9.4	9.3
12	Operating Expense per ATM	62.7	61.1	61.2	60.8	60.5	60.7	60.9
13	Passenger Revenue per RPM	12.28	11.92	12.32	12.23	12.18	12.15	12.21
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.74	1.79	1.89	2.00	2.12
15	Times Interest Earned	*	*	7.35	7.09	7.49	5.51	5.76
16	Current Assets to Current Liabilities	*	*	0.55	0.64	0.61	0.48	0.49
17	No. of Days Cash Coverage of Cash Exp.	*	*	12.2	31.2	30.9	13.9	16.4
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	4.0	4.2	7.6	7.6	8.1	8.3	8.2
19	Net Income to Stockholders Equity	*	*	24.8	25.5	30.1	23.3	24.6
20	Corporate Return on Investment	*	*	14.5	14.5	15.9	12.5	12.8
21	Debt to Total Investment	*	*	49.3	49.0	50.6	58.4	59.7
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	69.5	70.1	71.0	71.1	71.4	72.0	71.6
23	Breakeven	69.6	69.8	67.5	67.5	67.3	67.5	67.3
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	88,469	83,761	86,611	85,434	84,358	83,408	82,535
25	Overall RTM's per Employee (000)	44.0	45.9	180.3	182.1	184.9	186.6	186.9

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	4.3	1.1	2.6	1.8	2.3	2.0	1.1
27	Operating Expenses (%)	4.4	-1.2	3.3	1.8	1.1	0.3	-0.2
28	Operating Profit (Loss) (in Millions \$)	1.5	94.3	-77.3	15.7	218.8	304.6	209.7
29	Net Income (Loss)(in Millions \$)	63.6	28.5	401.2	366.1	281.1	-66.3	-129.3
30	RPMs (Sch. Svc.) (%)	-0.7	4.3	0.7	1.9	3.5	4.2	2.6
31	ASMs (Sch. Svc.) (%)	0.1	3.3	1.5	2.3	3.2	2.9	2.9
32	Operating Revenues per RTM (%)	3.0	-1.6	1.3	0.3	-0.7	-1.4	-1.7
33	Operating Expense per RTM (%)	3.1	-3.7	2.0	0.3	-1.8	-3.0	-2.9
34	Passenger Revenue per RPM (Sch. Svc.)	3.0	-3.7	0.9	-0.7	-1.7	-2.0	-1.7

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



**QUARTERLY RESULTS**

- For the fourth quarter 1999, US Airways reported operating and net losses and experienced its worst fourth quarter since 1995.
- Operating revenues climbed only 0.8 percent, while operating expenses jumped 12.5 percent, resulting in a \$222.6 million drop in operating results to a loss of \$51.1 million.
- Contributing to this decline was the sharp increase in total fuel expense, up a major group high \$79.4 million (65.3 percent).
- Net income fell \$191.2 million, the largest decline among all majors, to a loss of \$77.5 million
- Except for Latin operations, all entities reported operating and net losses and deteriorations from a year ago. The domestic entity, however, was the leading cause of the poor quarterly results, as operating results fell \$213.3 million to a \$41.1 million loss, and net results were down \$186.4 million to a \$70.6 million loss.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	172.1	-41.1	-213.3	115.9	-70.6	-186.4	8.9	9.1	1.8	12.9	13.6	5.5	66.8%
Int'l	-0.7	-10.0	-9.3	-2.1	-6.9	-4.8	1.1	1.3	19.7	1.6	1.8	9.7	74.0%
Atlantic	-1.2	-12.6	-11.4	-2.7	-8.5	-5.8	0.9	1.2	24.6	1.4	1.6	13.7	74.2%
Latin	0.5	2.7	2.1	0.5	1.6	1.0	0.2	0.2	-7.5	0.2	0.2	-12.3	72.5%
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	171.5	-51.1	-222.6	113.7	-77.5	-191.2	10.0	10.4	3.7	14.5	15.3	6.0	67.6%

- Passenger (RPM) yield was still the highest among the majors, although down 3.7 percent to 16.28 cents.
- The operating profit margin tumbled 10.6 percentage points to a negative 2.4 percent.
- The passenger load factor was down 1.5 percentage points, the largest decline among the majors, to 67.6 percent, as ASM capacity, up 6 percent, grew faster than RPM traffic, up 3.7 percent.
- Interest expense declined \$0.7 million to \$48.6 million.
- US Airways had the lowest productivity among all majors, declining from 30.2 RTM's per employee a year ago to 29 RTM's per employee in the current quarter.

**12-MONTH RESULTS**

- Although down sharply from a year earlier, US Airways reported its seventeenth consecutive quarter-ended 12-month operating and net profit, following six consecutive years of losses.
- Operating revenues declined 1.1 percent while operating expenses jumped 9.2 percent, resulting in a \$787.7 million drop in operating profit to \$202.3 million.
- Net income fell \$285.6 million to \$273.5 million. The decline would have been much worse if not for the \$274 million non-operating gain reported in the second quarter 1999 related to the sale of its interest in Galileo International, Inc.
- For the tenth time in the past eleven quarter-ended 12-month periods, passenger (RPM) yield was down from a year ago, declining 3 percent to 16.51 cents, but nevertheless remained a major group high.
- The passenger load factor slid a group high 2.6 percentage points to 70.1 percent.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,103.4	2,087.0	8,460.4	8,444.0	8,551.8	8,565.1	8,555.7
2	Operating Expenses	2,154.5	1,915.6	8,258.0	8,019.0	7,756.6	7,671.7	7,565.6
3	Operating Profit (Loss)	-51.1	171.5	202.3	424.9	795.3	893.5	990.0
4	Net Income (Loss)	-77.5	113.7	273.5	464.7	668.9	525.3	559.1
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	10.36	9.99	41.47	41.09	41.36	41.36	41.25
6	ASMs - Scheduled Rev. Svc.	15.32	14.46	59.12	58.26	57.81	57.13	56.72
7	Overall RTMs (All Svc.)	1.13	1.09	4.49	4.45	4.48	4.48	4.48
8	Overall ATMs (All Svc.)	2.10	1.97	8.04	7.92	7.85	7.78	7.73
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	186.0	191.4	188.6	189.9	191.0	191.0	190.8
10	Operating Expense per RTM	190.6	175.7	184.1	180.4	173.2	171.1	168.7
11	Operating Profit (Loss) per RTM	-4.5	15.7	4.5	9.6	17.8	19.9	22.1
12	Operating Expense per ATM	102.6	97.2	102.7	101.3	98.8	98.6	97.9
13	Passenger Revenue per RPM	16.28	16.91	16.51	16.67	16.86	16.94	17.02
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.20	2.24	2.26	2.28	2.28
15	Times Interest Earned	*	*	3.59	5.45	6.99	4.90	4.89
16	Current Assets to Current Liabilities	*	*	0.93	0.80	0.93	0.98	1.11
17	No. of Days Cash Coverage of Cash Exp.	*	*	39.3	48.2	56.4	64.5	60.4
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	-2.4	8.2	2.4	5.0	9.3	10.4	11.6
19	Net Income to Stockholders Equity	*	*	15.0	26.1	39.3	33.5	39.1
20	Corporate Return on Investment	*	*	11.7	17.0	22.5	20.0	21.3
21	Debt to Total Investment	*	*	54.8	51.1	50.2	52.2	54.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	67.6	69.1	70.1	70.5	71.5	72.4	72.7
23	Breakeven	75.2	67.0	73.5	71.4	68.1	67.8	66.8
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	39,022	36,106	37,589	36,860	36,374	36,172	36,142
25	Overall RTM's per Employee (000)	29.0	30.2	119.3	120.6	123.1	124.0	124.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.8	0.0	-1.1	-1.3	0.7	1.5	0.6
27	Operating Expenses (%)	12.5	-5.1	9.2	4.6	-0.4	-2.2	-4.4
28	Operating Profit (Loss) (in Millions \$)	-222.6	103.5	-787.7	-461.7	87.1	292.0	403.8
29	Net Income (Loss)(in Millions \$)	-191.2	-406.1	-285.6	-500.5	-334.3	-484.0	-493.1
30	RPMs (Sch. Svc.) (%)	3.7	2.1	0.5	0.1	0.8	0.6	-0.8
31	ASMs (Sch. Svc.) (%)	6.0	3.0	4.2	3.5	1.8	-0.6	-2.7
32	Operating Revenues per RTM (%)	-2.8	-1.2	-1.2	-0.7	0.8	1.6	1.8
33	Operating Expense per RTM (%)	8.5	-6.3	9.1	5.2	-0.2	-2.0	-3.4
34	Passenger Revenue per RPM (Sch. Svc.)	-3.7	-4.6	-3.0	-3.1	-1.8	-1.0	-0.5

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

**QUARTERLY RESULTS**

- All major cargo carriers reported an operating and net profit for the fourth quarter 1999. All carriers also reported an improvement in net income, but only UPS managed a gain in operating profit.
- For the all-cargo group, operating revenues rose 9 percent, but operating expenses grew faster, up 9.7 percent. Still, operating profit climbed \$1.7 million to \$349.5 million.
- Operating results were negatively impacted by a sharp rise in total fuel expense, up \$114.2 million (6.2 percent), due mostly to a large jump in unit fuel prices, up 61.2 percent, as fuel consumption rose 6.2 percent.
- Net income nearly doubled from a year ago, rising \$118.4 million to \$227.8 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1998	THIS YEAR 1999	\$ Change	LAST YEAR 1998	THIS YEAR 1999	\$ Change
March	171.0	213.6	42.6	71.6	74.0	2.4
June	275.0	285.7	10.7	123.4	141.8	18.5
Sept.	268.0	214.8	-53.2	133.8	86.8	-47.0
Dec.	347.8	349.5	1.7	109.4	227.8	118.4

- The only decline among all entity results was in domestic operating profit, which fell \$117.9 million to \$149 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	266.9	149.0	-117.9	63.8	84.2	20.4	1.9	2.1	8.8	3.4	3.6	4.3	57.8%
Int'l	80.8	200.4	119.6	45.6	143.6	98.1	1.0	1.2	17.6	1.6	1.8	8.0	66.6%
Atlantic	58.1	105.9	47.8	18.5	73.5	55.0	0.3	0.4	16.3	0.5	0.5	14.1	66.3%
Latin	10.9	53.9	43.0	2.5	32.6	30.1	0.1	0.1	6.2	0.1	0.1	5.1	54.4%
Pacific	11.8	40.6	28.8	24.6	37.5	12.9	0.6	0.7	19.5	1.0	1.1	5.6	68.4%
System	347.8	349.5	1.7	109.4	227.8	118.4	2.9	3.2	11.8	5.0	5.3	5.5	60.7%

- RTM traffic growth, up 11.8 percent, was more than twice ATM capacity growth, up 5.5 percent, causing the ton load factor to increase 3.4 percentage points to 60.7 percent.
- Profitability was relatively unchanged as RTM yield fell 2.6 percent while RTM unit costs declined 1.9 percent.

**12-MONTH RESULTS**

- All three all-cargo carriers experienced an operating and net profit for the year ended December 1999. DHL Airways reported the only decline in operating profit, while Federal Express experienced a small decline in net profit.
- Operating expense growth, up 6.4 percent, slightly exceeded operating revenue growth, up 6 percent, resulting in a \$1.7 million increase in operating profit to \$1.06 billion.
- Net income jumped \$92.2 million to \$530.4 million.
- Interest on debt dropped \$84.2 million to \$101.4 million.
- The ton load factor rose 0.7 percentage points to 59 percent as RTM traffic was up 5.5 percent and ATM capacity rose a lesser 4.2 percent.
- A small decline in total debt, down \$37.4 million, combined with rising equity caused the debt to investment ratio to decline 2.8 percentage points to 45 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					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<b>FINANCIAL RESULTS: (\$Millions)</b>								
1	Operating Revenues	4,878.9	4,477.1	18,031.0	17,629.2	17,430.5	17,222.1	17,012.0
2	Operating Expenses	4,529.5	4,129.3	16,967.4	16,567.3	16,315.3	16,117.7	15,950.1
3	Operating Profit (Loss)	349.5	347.8	1,063.6	1,061.9	1,115.2	1,104.5	1,061.9
4	Net Income (Loss)	227.8	109.4	530.4	412.0	459.1	440.6	438.2
<b>TRAFFIC: (Billions)</b>								
5	RTMs - Scheduled Rev. Svc.	2.33	2.09	8.53	8.29	8.15	8.03	8.00
6	ATMs - Scheduled Rev. Svc.	3.68	3.50	14.04	13.87	13.65	13.38	13.23
7	Overall RTMs (All Services)	3.22	2.88	11.68	11.34	11.21	11.09	11.07
8	Overall ATMs (All Services)	5.31	5.03	19.78	19.51	19.32	19.10	18.99
<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>								
9	Operating Revenue per RTM	151.3	155.3	154.4	155.5	155.5	155.3	153.6
10	Operating Expense per RTM	140.5	143.2	145.3	146.1	145.6	145.4	144.0
11	Operating Profit (Loss) per RTM	10.8	12.1	9.1	9.4	10.0	10.0	9.6
12	Operating Expense per ATM	85.3	82.1	85.8	84.9	84.4	84.4	84.0
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<b>FINANCIAL RATIOS:</b>								
14	Operating Revenues to Total Investment	*	*	1.92	1.91	1.92	1.91	1.91
15	Times Interest Earned	*	*	7.78	5.34	5.47	4.73	4.70
16	Current Assets to Current Liabilities	*	*	1.14	1.15	1.06	1.09	1.07
17	No. of Days Cash Coverage of Cash Exp.	*	*	2.5	2.7	4.8	3.8	4.2
<b>FINANCIAL PERCENTAGES:</b>								
18	Operating Profit (Loss) to Operating Reven	7.2	7.8	5.9	6.0	6.4	6.4	6.2
19	Net Income to Stockholders Equity	*	*	10.7	8.5	9.7	9.5	9.6
20	Corporate Return on Investment	*	*	7.1	6.4	7.1	7.2	7.4
21	Debt to Total Investment	*	*	45.0	46.6	48.0	47.6	47.8
<b>TON LOAD FACTOR: (Sch. Svc. %)</b>								
22	Actual	60.7	57.3	59.0	58.1	58.0	58.0	58.3
23	Breakeven	++	++	++	++	++	++	++
<b>Employment &amp; Productivity:</b>								
24	Employment, Total Weighted Avg CY	106,422	102,579	104,791	103,830	102,911	101,816	100,513
25	Overall RTM's per Employee (000)	30.3	28.1	111.5	109.2	108.9	108.9	110.2

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	9.0	8.2	6.0	5.7	5.4	6.5	7.5
27	Operating Expenses (%)	9.7	4.9	6.4	5.1	4.7	6.2	7.9
28	Operating Profit (Loss) (in Millions \$)	1.7	146.0	1.7	146.0	154.3	109.0	28.1
29	Net Income (Loss)(in Millions \$)	118.4	20.2	92.2	-6.0	72.4	12.1	-22.6
30	RTMs (All Svc.) (%)	11.8	3.6	5.5	3.3	4.8	5.8	9.1
31	ATMs (All Svc.) (%)	5.5	6.5	4.2	4.4	6.9	8.5	11.3
32	Operating Revenues per RTM (%)	-2.6	4.4	0.5	2.4	0.5	0.6	-1.4
33	Operating Expense per RTM (%)	-1.9	1.3	0.9	1.7	-0.1	0.4	-1.1
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<b>FINANCIAL RESULTS: (\$Millions)</b>								
1	Operating Revenues	3,561.6	3,471.5	13,446.1	13,356.0	13,267.7	13,144.8	13,016.4
2	Operating Expenses	3,412.6	3,204.6	12,907.4	12,699.3	12,507.6	12,353.1	12,214.6
3	Operating Profit (Loss)	149.0	266.9	538.7	656.7	760.1	791.8	801.8
4	Net Income (Loss)	84.2	63.8	372.4	352.1	256.9	178.6	258.1
<b>TRAFFIC: (Billions)</b>								
5	RTMs - Scheduled Rev. Svc.	1.22	1.12	4.47	4.37	4.32	4.29	4.27
6	ATMs - Scheduled Rev. Svc.	2.02	1.92	7.59	7.49	7.40	7.28	7.18
7	Overall RTMs (All Services)	2.05	1.88	7.48	7.32	7.24	7.19	7.16
8	Overall ATMs (All Services)	3.55	3.40	13.10	12.95	12.85	12.71	12.59
<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>								
9	Operating Revenue per RTM	173.7	184.2	179.7	182.5	183.2	182.9	181.7
10	Operating Expense per RTM	166.4	170.1	172.5	173.5	172.7	171.9	170.5
11	Operating Profit (Loss) per RTM	7.3	14.2	7.2	9.0	10.5	11.0	11.2
12	Operating Expense per ATM	96.3	94.3	98.5	98.0	97.3	97.2	97.0
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<b>FINANCIAL RATIOS:</b>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<b>FINANCIAL PERCENTAGES:</b>								
18	Operating Profit (Loss) to Operating Reven	4.2	7.7	4.0	4.9	5.7	6.0	6.2
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	6.5	6.7	5.5	4.5	5.8
21	Debt to Total Investment	*	*	**	**	**	**	**
<b>TON LOAD FACTOR: (Sch. Svc. %)</b>								
22	Actual	57.8	55.4	57.1	56.5	56.4	56.6	56.9
23	Breakeven	++	++	++	++	++	++	++
<b>Employment &amp; Productivity:</b>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

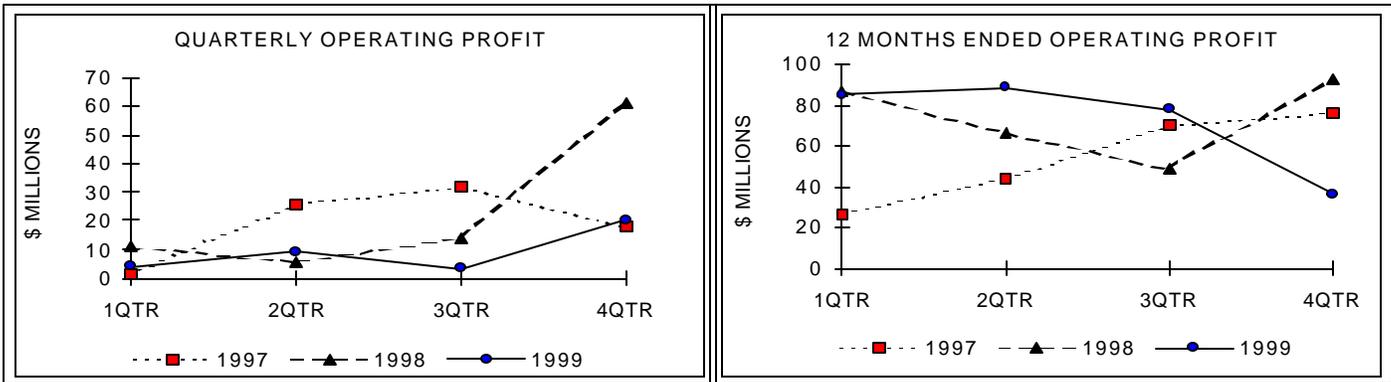
CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	2.6	11.2	3.3	5.4	5.1	6.4	7.4
27	Operating Expenses (%)	6.5	6.7	5.7	5.7	5.2	6.6	8.0
28	Operating Profit (Loss) (in Millions \$)	-117.9	148.7	-263.1	3.7	24.3	25.0	-15.2
29	Net Income (Loss)(in Millions \$)	20.4	45.3	114.3	139.4	-93.6	-287.6	-185.0
30	RTMs (All Svc.) (%)	8.8	4.5	4.5	3.3	4.5	5.2	8.4
31	ATMs (All Svc.) (%)	4.3	6.6	4.0	4.6	6.8	7.3	9.1
32	Operating Revenues per RTM (%)	-5.7	6.4	-1.1	2.1	0.5	1.2	-0.9
33	Operating Expense per RTM (%)	-2.2	2.1	1.2	2.3	0.7	1.4	-0.3
34	Passenger Revenue per RPM (Sch. Svc.)(	++	++	++	++	++	++	++

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	1,317.3	1,005.6	4,584.9	4,273.2	4,162.8	4,077.3	3,995.7
2	Operating Expenses	1,116.8	924.8	4,060.0	3,868.0	3,807.7	3,764.6	3,735.6
3	Operating Profit (Loss)	200.4	80.8	524.9	405.3	355.1	312.7	260.1
4	Net Income (Loss)	143.6	45.6	158.0	59.9	202.2	262.0	180.1
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.11	0.97	4.06	3.92	3.83	3.74	3.73
6	ATMs - Scheduled Rev. Svc.	1.66	1.58	6.45	6.38	6.24	6.11	6.06
7	Overall RTMs (All Services)	1.17	1.00	4.20	4.02	3.96	3.90	3.91
8	Overall ATMs (All Services)	1.76	1.63	6.69	6.55	6.47	6.39	6.39
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	112.2	100.7	109.3	106.3	105.1	104.5	102.2
10	Operating Expense per RTM	95.2	92.6	96.8	96.2	96.1	96.5	95.6
11	Operating Profit (Loss) per RTM	17.1	8.1	12.5	10.1	9.0	8.0	6.7
12	Operating Expense per ATM	63.4	56.7	60.7	59.0	58.9	58.9	58.4
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	15.2	8.0	11.4	9.5	8.5	7.7	6.5
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	9.0	5.6	12.8	16.9	13.0
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	66.6	61.2	62.8	61.3	61.2	61.0	61.1
23	Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	31.0	-1.0	14.7	6.7	6.4	6.7	8.1
27	Operating Expenses (%)	20.8	-0.8	8.7	3.3	3.3	4.8	7.3
28	Operating Profit (Loss) (in Millions \$)	119.6	-2.8	264.8	142.4	129.9	84.0	43.2
29	Net Income (Loss)(in Millions \$)	98.0	-25.1	-22.1	-145.3	165.9	299.7	162.3
30	RTMs (All Svc.) (%)	17.6	1.9	7.3	3.4	5.3	6.9	10.3
31	ATMs (All Svc.) (%)	8.0	6.2	4.6	4.1	7.2	10.8	15.7
32	Operating Revenues per RTM (%)	11.4	-2.9	6.9	3.2	1.1	-0.2	-2.0
33	Operating Expense per RTM (%)	2.8	-2.7	1.3	0.0	-1.9	-1.9	-2.7
34	Passenger Revenue per RPM (Sch. Svc.)(	++	++	++	++	++	++	++

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



**QUARTERLY RESULTS**

- Operating expenses jumped 8.3 percent while operating revenues slid 3.7 percent, resulting in a \$41.2 million drop in operating profit to \$20.2 million.
- Net results, however, gained \$20.5 million to a \$12.6 million profit.
- The domestic entity reported the only decline in both operating and net results. Operating results fell \$95.5 million to a loss of \$62.9 million while net results were down \$40.2 million to a loss of \$47 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	32.6	-62.9	-95.5	-6.8	-47.0	-40.2	0.1	0.1	14.7	0.1	0.1	16.0	53.8%
Int'l	28.8	83.1	54.3	-1.1	59.6	60.8	0.7	0.8	18.1	1.1	1.2	5.3	68.2%
Atlantic	34.9	80.1	45.3	6.1	57.7	51.6	0.0	0.1	9.9	0.1	0.1	4.0	72.5%
Latin	-6.0	3.0	9.0	-7.2	1.9	9.2	0.0	0.0	-32.8	0.0	0.0	-9.0	43.9%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.7	19.5	1.0	1.1	5.6	68.4%
System	61.4	20.2	-41.2	-7.9	12.6	20.6	0.7	0.9	17.8	1.2	1.3	6.2	66.8%

- Total fuel expenses jumped 69.8 percent (\$7.3 million), due largely to the 55.9 percent jump in unit fuel prices, as fuel consumption was rose 8.9 percent.
- RTM traffic grew 8.1 percent, but ATM capacity rose slight faster, up 9.5 percent, causing a decline in the ton load factor of 0.8 percentage points to 56.7 percent.
- Profitability was eroded as RTM yield fell 10.9 percent and RTM unit costs rose 0.2 percent.
- Interest expense dropped \$48.8 million to a low \$2.8 million.

**12-MONTH RESULTS**

- Operating expense growth, up 6.1 percent, grew faster than operating revenues, up 1.6 percent, resulting in operating profit declining \$55.8 million to \$36.8 million.
- Net income, however, rose \$37 million to \$31.8 million.
- The ton load factor rose 1.1 percentage points to 59.7 percent as RTM traffic growth, up 12 percent, outpaced ATM capacity growth, up 9.9 percent.
- Interest expense fell \$67.4 million to \$17.6 million.
- Total debt remained the lowest among all majors, although up \$60.5 million to \$82 million. This gain more than offset the increase in equity, causing the debt-to-investment ratio to soar 24.8 percentage points to 36.4 percent.

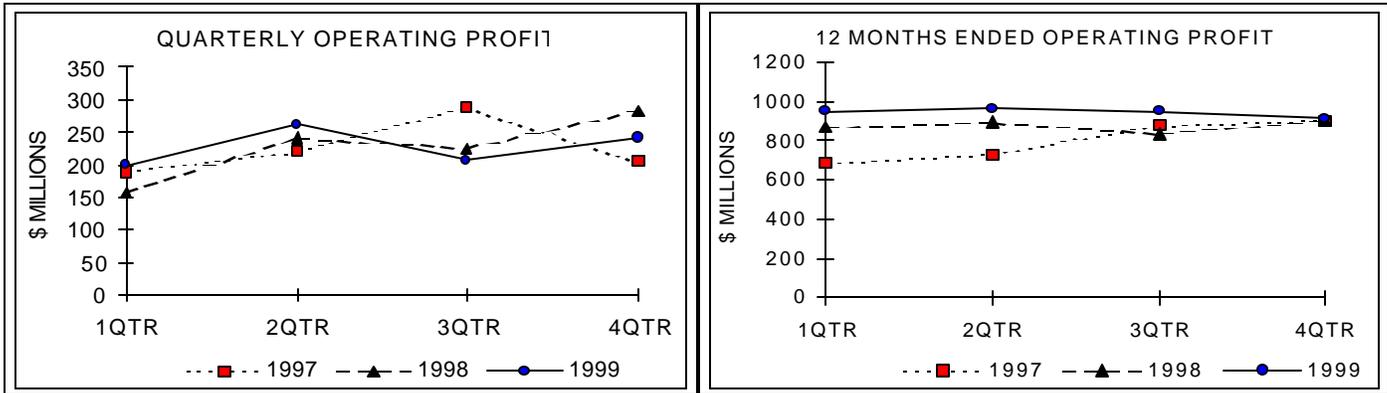
Note: Beginning with the first quarter 1998, The Airline Quarterly Financial Review of the Majors includes DHL Airways, which achieved major airline status (*i.e.*, annual operating revenues exceeding \$1 billion), effective January 1, 1997.

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

ITEMS		QUARTER ENDED		12 MONTHS ENDED				
		1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	370.6	384.9	1,369.8	1,384.1	1,367.3	1,354.7	1,348.5
2	Operating Expenses	350.4	323.5	1,333.0	1,306.1	1,278.6	1,269.4	1,255.9
3	Operating Profit (Loss)	20.2	61.4	36.8	78.0	88.8	85.4	92.6
4	Net Income (Loss)	12.6	-7.9	31.8	11.2	3.0	-11.8	-5.2
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.12	0.10	0.41	0.40	0.38	0.38	0.37
6	ATMs - Scheduled Rev. Svc.	0.20	0.17	0.72	0.70	0.68	0.65	0.63
7	Overall RTMs (All Services)	0.12	0.11	0.45	0.44	0.43	0.41	0.40
8	Overall ATMs (All Services)	0.20	0.19	0.75	0.73	0.72	0.70	0.68
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	310.2	348.2	305.7	315.2	321.7	329.8	336.9
10	Operating Expense per RTM	293.3	292.6	297.5	297.4	300.8	309.0	313.8
11	Operating Profit (Loss) per RTM	16.9	55.6	8.2	17.8	20.9	20.8	23.1
12	Operating Expense per ATM	172.3	174.2	177.6	178.2	177.6	180.6	183.8
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	7.50	7.82	7.58	6.55	5.85
15	Times Interest Earned	*	*	3.80	1.69	1.50	1.09	1.22
16	Current Assets to Current Liabilities	*	*	1.04	0.97	0.85	0.77	1.32
17	No. of Days Cash Coverage of Cash Exp.	*	*	1.3	1.8	25.0	13.4	21.1
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	5.5	16.0	2.7	5.6	6.5	6.3	6.9
19	Net Income to Stockholders Equity	*	*	22.6	7.9	2.0	-6.8	-2.6
20	Corporate Return on Investment	*	*	27.1	43.9	37.8	36.7	34.7
21	Debt to Total Investment	*	*	36.4	33.7	12.4	12.8	11.6
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	58.7	59.5	59.7	59.9	59.1	58.5	58.6
23	Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	8,245	7,934	8,163	8,085	7,969	7,841	7,749
25	Overall RTM's per Employee (000)	14.5	13.9	54.9	54.3	53.3	52.4	51.7

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-3.7	19.4	1.6	7.6	6.4	7.7	10.0
27	Operating Expenses (%)	8.3	6.2	6.1	5.6	5.0	8.4	9.3
28	Operating Profit (Loss) (in Millions \$)	-41.2	43.6	-55.8	29.0	22.1	-1.2	16.0
29	Net Income (Loss)(in Millions \$)	20.5	-23.3	37.0	-7.0	36.0	-6.0	7.5
30	RTMs (Sch. Svc.) (%)	8.1	11.2	12.0	12.9	8.1	5.6	3.7
31	ATMs (Sch. Svc.) (%)	9.5	11.8	9.9	10.4	10.4	11.3	10.8
32	Operating Revenues per RTM (%)	-10.9	7.4	-9.3	-4.6	-1.5	2.0	6.0
33	Operating Expense per RTM (%)	0.2	-4.5	-5.2	-6.5	-2.9	2.7	5.4
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

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



**QUARTERLY RESULTS**

- Operating revenues grew 7.8 percent, but operating expenses jumped 9.6 percent, resulting in \$39.4 million decline in operating profit to \$241.9 million.
- This deterioration can be attributed to the sharp rise in total fuel expense, up \$62 million (65.27 percent), as unit fuel prices jumped 54.2 percent and fuel consumption increased 7.1 percent.
- Net results, however, gained \$10.4 million to \$140.9 million.
- Only domestic operations reported a decline in either operating or net results, but all entities reported an operating and net profit for the quarter.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	258.0	160.5	-97.5	124.2	93.1	-31.1	1.1	1.2	9.6	1.8	2.0	6.0	60.7%
Int'l	23.3	81.4	58.1	6.4	47.9	41.5	0.7	0.8	18.2	1.0	1.2	11.6	67.5%
Atlantic	20.3	23.7	3.4	9.1	13.9	4.8	0.2	0.2	18.2	0.3	0.3	20.4	64.7%
Latin	13.5	50.6	37.1	6.9	30.4	23.5	0.0	0.0	1.4	0.1	0.1	3.8	57.0%
Pacific	-10.5	7.1	17.6	-9.7	3.6	13.3	0.4	0.5	20.0	0.7	0.7	8.8	69.9%
System	281.3	241.9	-39.4	130.5	140.9	10.4	1.7	2.0	12.9	2.9	3.1	8.0	63.2%

- The ton load factor rose 2.7percentage points to 63.2 percent as RTM traffic, up 12.9 percent, grew faster than ATM capacity, up 8.1 percent.
- Profitability eroded as RTM yield dropped 4.5 percent, while RTM unit costs were up 2.9 percent.
- Interest expense declined \$1.9 million to \$21 million.

**12-MONTH RESULTS**

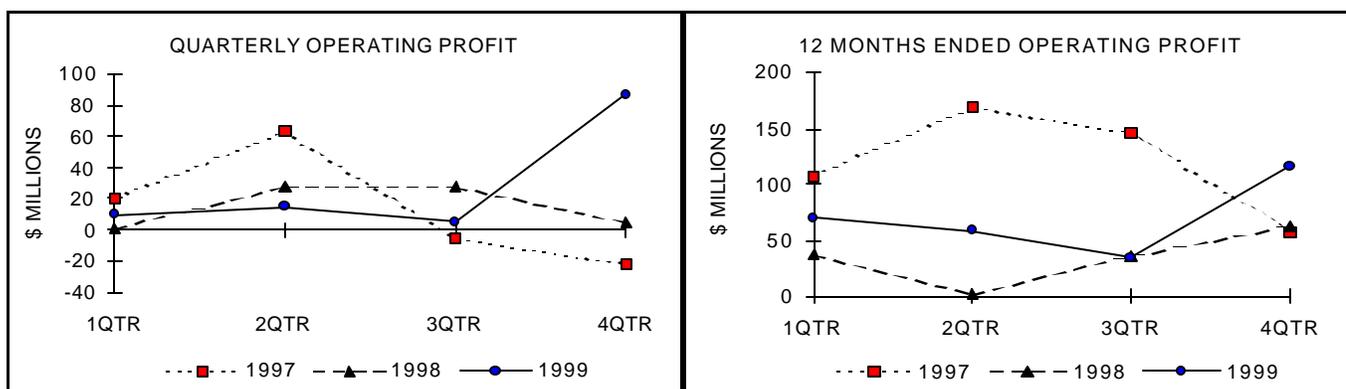
- Operating profit climbed \$2.6 million to \$909.3 million even though operating expenses, up 6.6 percent, rose slightly faster than operating revenues, up 6.6 percent.
- Net income, however, slipped \$3 million to \$432.4 million.
- Interest expense declined \$17.3 million to \$84.2 million.
- The ton load factor was unchanged from a year ago at 61.6 percent. RTM traffic was up 3.7 percent and ATM capacity increased 3.6 percent.
- The debt-to-investment ratio declined 3.9 percentage points to 21.8 percent, as equity continued to rise, and total debt was reduced \$113.8 million to \$1.16 billion.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<b>FINANCIAL RESULTS: (\$Millions)</b>								
1	Operating Revenues	3,855.9	3,577.3	14,508.4	14,229.8	14,048.9	13,853.2	13,666.3
2	Operating Expenses	3,614.0	3,296.0	13,598.5	13,280.4	13,080.0	12,904.5	12,759.0
3	Operating Profit (Loss)	241.9	281.3	909.9	949.3	968.9	948.7	907.3
4	Net Income (Loss)	140.9	130.5	432.4	422.0	460.3	442.5	435.4
<b>TRAFFIC: (Billions)</b>								
5	RTMs - Scheduled Rev. Svc.	1.88	1.70	6.93	6.76	6.68	6.61	6.63
6	ATMs - Scheduled Rev. Svc.	2.96	2.82	11.24	11.09	10.96	10.81	10.77
7	Overall RTMs (All Services)	1.97	1.74	7.09	6.87	6.82	6.79	6.84
8	Overall ATMs (All Services)	3.11	2.88	11.52	11.28	11.21	11.10	11.11
<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>								
9	Operating Revenue per RTM	195.9	205.1	204.6	207.2	205.9	204.1	199.7
10	Operating Expense per RTM	183.6	189.0	191.7	193.4	191.7	190.1	186.5
11	Operating Profit (Loss) per RTM	12.3	16.1	12.8	13.8	14.2	14.0	13.3
12	Operating Expense per ATM	116.0	114.3	118.1	117.7	116.7	116.2	114.8
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<b>FINANCIAL RATIOS:</b>								
14	Operating Revenues to Total Investment	*	*	2.84	2.84	2.84	2.81	2.80
15	Times Interest Earned	*	*	9.94	9.58	9.59	8.89	8.31
16	Current Assets to Current Liabilities	*	*	1.12	1.15	1.09	1.09	1.05
17	No. of Days Cash Coverage of Cash Exp.	*	*	2.3	2.4	2.8	2.9	2.7
<b>FINANCIAL PERCENTAGES:</b>								
18	Operating Profit (Loss) to Operating Reven	6.3	7.9	6.3	6.7	6.9	6.8	6.6
19	Net Income to Stockholders Equity	*	*	11.1	11.2	12.6	12.4	12.6
20	Corporate Return on Investment	*	*	10.1	10.2	11.1	10.9	11.1
21	Debt to Total Investment	*	*	21.8	22.4	25.3	25.3	25.7
<b>TON LOAD FACTOR: (Sch. Svc. %)</b>								
22	Actual	63.2	60.5	61.6	60.9	60.9	61.1	61.6
23	Breakeven	++	++	++	++	++	++	++
<b>Employment &amp; Productivity:</b>								
24	Employment, Total Weighted Avg CY	93,379	89,909	91,868	91,000	90,215	89,286	88,143
25	Overall RTM's per Employee (000)	21.1	19.4	77.2	75.5	75.6	76.0	77.6

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	7.8	6.5	6.2	5.8	4.7	6.0	7.4
27	Operating Expenses (%)	9.6	4.5	6.6	5.3	4.4	5.8	7.9
28	Operating Profit (Loss) (in Millions \$)	-39.4	76.1	2.6	118.1	76.8	77.0	6.2
29	Net Income (Loss)(in Millions \$)	10.4	30.8	-3.0	17.4	18.4	9.5	-22.8
30	RTMs (Sch. Svc.) (%)	12.9	2.0	3.7	0.9	1.4	3.5	6.5
31	ATMs (Sch. Svc.) (%)	8.0	6.3	3.6	3.1	4.4	6.5	9.6
32	Operating Revenues per RTM (%)	-4.5	4.4	2.5	4.9	3.3	2.5	0.8
33	Operating Expense per RTM (%)	-2.9	2.5	2.8	4.4	3.0	2.3	1.2
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

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



**QUARTERLY RESULTS**

- Although operating expenses were up 10.8 percent, operating revenues jumped 26.7 percent, resulting in an \$82.2 million improvement in operating profit to \$87.3 million.
- The large increase in operating expenses arose partly from soaring fuels expenses, up a group high 82.2 percent (\$44.8 million). Unit fuel prices rose 74.4 percent, and fuel consumption was up 4.4 percent.
- Net results gained \$87.5 million to \$74.3 million.
- All entities reported an operating and net profit for the fourth quarter 1999, but only the domestic entity experienced improvements in both operating results, up \$75.1 million to a profit of \$51.4 million, and in net results, up \$91.7 million to a profit of \$38.1 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	-23.7	51.4	75.1	-53.5	38.1	91.7	0.7	0.8	7.2	1.5	1.5	1.3	54.4%
Int'l	28.7	35.9	7.2	40.3	36.1	-4.2	0.3	0.3	19.1	0.5	0.5	1.9	64.7%
Atlantic	3.0	2.1	-0.9	3.3	2.0	-1.3	0.1	0.1	15.2	0.1	0.1	5.0	67.4%
Latin	3.4	0.3	-3.1	2.8	0.2	-2.6	0.0	0.0	45.0	0.0	0.1	14.1	54.1%
Pacific	22.4	33.5	11.2	34.3	33.9	-0.4	0.2	0.2	18.5	0.3	0.3	-0.8	65.0%
System	5.1	87.3	82.3	-13.2	74.3	87.4	1.0	1.1	10.5	2.0	2.0	1.4	57.1%

- The ton load factor rose a strong 4.7 percentage points to 57.1 percent as RTM traffic growth, up 10.5 percent, greatly exceeded ATM capacity growth, up 1.5 percent.
- Profitability was enhanced as RTM yield jumped 14.6 percent while RTM unit costs rose only 0.4 percent.
- UPS continues to report the highest productivity (RTMs per employee) among all the majors at 236.7.

**12-MONTH RESULTS**

- Operating revenues, up 7.8 percent, grew faster than operating expenses, up 5.2 percent, resulting in a \$54.9 million gain in operating profit to \$116.9 million.
- Net income nearly doubled from a year ago, rising \$58.4 million to \$66.3 million.
- RTMs rose 8 percent, while ATM capacity grew at a slower 4.6 percent, causing the ton load factor to increase 1.8 percentage points to 55.1 percent.
- Rising equity combined with the \$15.9 million reduction in total debt cause the debt-to-investment ratio to decline 75.7 percentage points to 75.7 percent.
- Productivity (RTMs per employee) continued to be very high when compared with all other majors, rising from 835.3 a year ago to 869.6.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	1999/12	1998/12	1999/12	1999/09	1999/06	1999/03	1998/12	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	652.5	514.9	2,152.9	2,015.3	2,014.3	2,014.2	1,997.2
2	Operating Expenses	565.1	509.9	2,036.0	1,980.8	1,956.7	1,943.8	1,935.2
3	Operating Profit (Loss)	87.3	5.1	116.9	34.6	57.6	70.4	62.0
4	Net Income (Loss)	74.3	-13.2	66.3	-21.2	-4.2	9.9	7.9
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.34	0.28	1.18	1.13	1.09	1.04	1.00
6	ATMs - Scheduled Rev. Svc.	0.52	0.51	2.08	2.08	2.00	1.92	1.84
7	Overall RTMs (All Services)	1.14	1.03	4.14	4.03	3.96	3.89	3.83
8	Overall ATMs (All Services)	1.99	1.96	7.52	7.49	7.39	7.30	7.19
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	57.4	50.1	52.0	50.0	50.9	51.8	52.1
10	Operating Expense per RTM	49.8	49.6	49.2	49.1	49.4	50.0	50.5
11	Operating Profit (Loss) per RTM	7.7	0.5	2.8	0.9	1.5	1.8	1.6
12	Operating Expense per ATM	28.4	26.0	27.1	26.4	26.5	26.6	26.9
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	0.53	0.50	0.51	0.52	0.52
15	Times Interest Earned	*	*	3.62	0.73	1.73	2.27	2.15
16	Current Assets to Current Liabilities	*	*	1.56	1.45	1.05	1.65	1.11
17	No. of Days Cash Coverage of Cash Exp.	*	*	4.4	5.0	4.0	3.1	3.1
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reven	13.4	1.0	5.4	1.7	2.9	3.5	3.1
19	Net Income to Stockholders Equity	*	*	7.0	-2.3	-0.4	1.1	0.9
20	Corporate Return on Investment	*	*	2.3	0.2	0.6	1.0	1.0
21	Debt to Total Investment	*	*	75.7	77.6	77.2	76.9	76.8
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	57.1	52.4	55.1	53.8	53.5	53.3	53.3
23	Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	4,798	4,736	4,760	4,745	4,727	4,689	4,621
25	Overall RTM's per Employee (000)	236.7	217.1	869.6	849.6	837.2	829.0	829.1

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	26.7	12.3	7.8	3.8	9.3	8.9	7.2
27	Operating Expenses (%)	10.8	6.3	5.2	4.0	6.3	7.3	7.1
28	Operating Profit (Loss) (in Millions \$)	82.2	26.3	54.9	-1.1	55.4	33.2	5.9
29	Net Income (Loss)(in Millions \$)	87.5	12.7	58.4	-16.5	18.0	8.6	-7.4
30	RTMs (Sch. Svc.) (%)	10.5	5.6	8.0	6.7	10.8	10.2	14.5
31	ATMs (Sch. Svc.) (%)	1.4	6.3	4.6	5.9	10.6	11.3	13.9
32	Operating Revenues per RTM (%)	14.6	6.4	-0.2	-2.7	-1.4	-1.2	-6.5
33	Operating Expense per RTM (%)	0.4	0.8	-2.6	-2.6	-4.1	-2.5	-6.5
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
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'</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>
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>