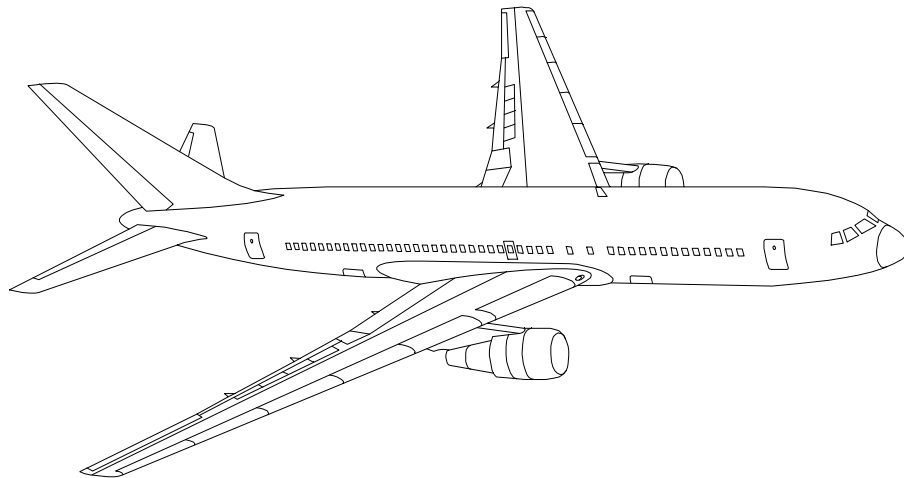


# **AIRLINE QUARTERLY FINANCIAL REVIEW**

**SECOND QUARTER 1997**



**MAJORS**



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

## TABLE OF CONTENTS

	<u>DESCRIPTION</u>	<u>PAGE</u>
Introduction .....		3
Total System Passenger & All-Cargo Majors .....		4
Total Passenger Majors .....		8
Chart 1	Operating Profit (Loss) By Quarter .....	12
Chart 2	Net Income (Loss) By Quarter .....	12
Chart 3	Operating Profit (Loss) By 12-Month Ending Periods ...	13
Chart 4	Net Income (Loss) By 12-Month Ending Periods Percent Change From 12-Months Earlier .....	13
Chart 5	Operating Revenue Per Revenue Ton-Mile Percent Change From 12-Months Earlier .....	14
Chart 6	Ton Load Factor Percentage Point Change From 12 Months Earlier .....	14
Chart 7	Operating Expense Per Revenue Ton-Mile, Percent Change From 12-Months Earlier .....	15
Chart 8	Operating Expense Per Available Ton-Mile, Percent Change From 12-Months Earlier .....	15
Chart 9	Passenger Revenue Per Revenue Passenger-Mile, Percent Change From 12-Months Earlier .....	16
Chart 10	Revenue Passenger-Miles, Percent Change From 12-Months Earlier .....	16
Chart 11	Available Seat-Miles, Percent Change From 12 Months Earlier .....	17
Chart 12	Passenger Load Factor, Percentage Point Change From 12-Months Earlier .....	17
First Quarter 1996 Comparisons Among Major Airlines:		
	Operating and Net Profit (Loss), RPMs and ASMs .....	18
	System Load Factors and System Yields .....	19
Alaska Airlines, Inc. ....		
		20
America West Airlines, Inc .....		
		22
American Airlines, Inc .....		
		24
Continental Airlines, Inc .....		
		26
Delta Air Lines, Inc .....		
		28
Northwest Airlines, Inc .....		
		30
Southwest Airlines Co. ....		
		32
Trans World Airlines, Inc. ....		
		34
United Air Lines, Inc. ....		
		36
USAir, Inc. ....		
		38
Total All-Cargo Majors .....		40
Federal Express Corp. ....		44
United Parcel Service .....		46
<u>Appendix</u>		
Footnotes .....		48
Explanation of Line Items .....		49

## INTRODUCTION

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

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

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

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

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

**QUARTERLY RESULTS**

- o Every major carrier (except for Trans World) reported an operating and net profit for the second quarter 1997.
- o The major group combined reported an all-time quarterly record in both operating and net profit. Five major carriers (Delta, Federal Express, Southwest, UPS and US Airways) reported individual all-time quarterly company records for both operating and net profits. Continental reported a record quarterly operating profit and American a record quarterly net income. Alaska and United reported record second quarter operating and net profits.
- o Operating revenues, up 5.5 percent, grew faster than operating expenses, up 4.9 percent, boosting operating profit \$245.1 million to \$2.67 billion. Improvements in both the passenger major group, up \$144.8 million, and the all-cargo major group, up \$100.3 million, contributed to the overall improvement.
- o Net income also improved, rising \$126.2 million to \$1.5 billion. The passenger majors rose \$67.7 million to \$1.35 billion and the all-cargo majors rose \$58.5 million to \$149.3 million.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	2Q 96	2Q 97	\$CHANGE	2Q 96	2Q 97	\$CHANGE
TOTAL ALL MAJORS	2427.0	2672.1	245.1	1373.0	1499.2	126.2
TOTAL PASSENGER MAJORS	2243.6	2388.4	144.8	1282.2	1349.9	67.7
ALASKA	37.4	42.2	4.8	19.0	23.5	4.5
AMERICA WEST	62.1	50.6	-11.5	28.4	23.0	-5.4
AMERICAN	447.4	444.0	-3.4	212.7	226.4	13.7
CONTINENTAL	206.1	210.4	4.3	176.0	120.5	-55.5
DELTA	291.0	516.0	225.0	161.4	301.2	139.8
NORTHWEST	388.7	299.7	-89.0	217.6	135.2	-82.4
SOUTHWEST	142.2	156.4	14.2	85.3	93.8	8.5
TRANS WORLD	62.0	5.9	-56.1	25.3	-14.4	-39.7
UNITED	400.0	404.2	4.2	195.9	238.9	43.0
US AIRWAYS	206.6	258.9	52.3	160.6	201.8	41.2
TOTAL ALL-CARGO MAJORS	183.4	283.7	100.3	90.8	149.3	58.5
FEDERAL EXPRESS	182.1	220.7	38.6	89.7	113.2	23.5
UNITED PARCEL	1.2	63.0	61.8	1.2	36.2	35.0

- o Seven majors (Alaska, Delta, Federal Express, Southwest, United, UPS and US Airways) experienced improvement in both operating and net results.
- o The passenger load factor climbed 0.8 percentage points to 72.1 percent.
- o Interest expense fell \$79.6 million to \$396.7 million.
- o Total fuel expense increased a very slight 0.2 percent (\$6.7 million) from a year ago. The passenger majors experienced an increase of 0.6 percent (\$15.1 million) while the all-cargo carriers benefited from a 4.5 percent (\$8.3 million) decline. The average unit fuel price declined 2.6 percent to 61.05 cents.
- o Total debt for the group was cut sharply, down \$1.04 billion to \$21.3 billion, although individual carrier results were mixed. American slashed its total debt \$1.8 billion, accounting for much of the overall decline.
- o The debt-to-investment ratio dropped 6.5 percentage points to 48.5 percent. The passenger group fell 7.9 points to 48.2 percent, while the all-cargo group increased 0.4 points to 49.6 percent.

**12-MONTH RESULTS**

- o For the seventh consecutive quarter-ended 12-month period, the major group attained a new all-time high in net income. Operating profit was also a record high.
- o All majors, except Trans World, reported an operating and net profit for the period. Eight of the twelve majors saw year-to-year improvements in both operating and net results.
- o Operating profit soared \$1.64 billion to \$7.33 billion. Four majors (American, Delta, Northwest and United) individually recorded an operating profit in excess of \$1 billion. The passenger group improved \$1.37 billion to \$6.44 billion and the all-cargo group improved \$268.4 million to \$896.1 million.
- o Net results improved \$1.17 billion to \$3.71 billion. The passenger group improved \$1.01 billion to \$3.26 billion and the all-cargo group improved \$158 million to \$453.3 million.
- o Every major carrier (except Southwest) experienced a decline in interest expense, down \$516.3 million to \$1.57 billion. This was this lowest level of interest expense since the 12-months ended June 1988.
- o Productivity (RTMs per employee) continues to rise, up from 159.5 a year ago to 165.8, even though employment is rising as well.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	24,681.4	23,399.7	94,724.7	93,442.9	91,242.6	89,624.5	88,139.1
2	Operating Expenses	22,009.3	20,972.7	87,389.9	86,353.2	85,254.2	83,935.7	82,447.6
3	Operating Profit (Loss)	2,672.1	2,427.0	7,334.8	7,089.7	5,988.3	5,688.8	5,691.5
4	Net Income (Loss)	1,499.2	1,373.0	3,714.9	3,588.7	2,779.1	2,602.4	2,543.0
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	144.68	138.53	558.81	552.66	543.70	534.29	525.27
6	ASMs - Scheduled Rev. Svc.	200.59	194.20	792.95	786.56	778.79	770.84	764.52
7	Overall RTMs (All Svc.)	19.55	18.48	75.46	74.40	73.22	71.92	70.79
8	Overall ATMs (All Svc.)	32.86	31.51	129.27	127.91	126.60	125.20	124.08
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	126.3	126.6	125.5	125.6	124.6	124.6	124.5
10	Operating Expense per RTM	112.6	113.5	115.8	116.1	116.4	116.7	116.5
11	Operating Profit (Loss) per RTM	13.7	13.1	9.7	9.5	8.2	7.9	8.0
12	Operating Expense per ATM	67.0	66.6	67.6	67.5	67.3	67.0	66.4
13	Passenger Revenue per RPM	12.90	13.11	12.85	12.90	12.84	12.88	12.87
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.29	2.29	2.25	2.19	2.15
15	Times Interest Earned	*	*	4.89	4.58	3.66	3.23	2.92
16	Current Assets to Current Liabilities	*	*	0.71	0.73	0.70	0.72	0.74
17	No. of Days Cash Coverage of Cash Exp.	*	*	35.1	35.0	33.6	34.3	35.4
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	10.8	10.4	7.7	7.6	6.6	6.3	6.5
19	Net Income to Stockholders Equity	*	*	18.3	18.8	15.5	15.2	15.9
20	Corporate Return on Investment	*	*	12.8	12.9	11.2	11.0	11.1
21	Debt to Total Investment	*	*	48.5	50.0	50.0	51.4	55.0
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	72.1	71.3	70.5	70.3	69.8	69.3	68.7
23	Breakeven	64.2	63.9	65.7	65.7	66.2	66.1	65.6
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	461,293	448,661	455,047	451,888	448,834	445,827	443,733
25	Overall RTM's per Employee (000)	42.4	41.2	165.8	164.6	163.1	161.3	159.5

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	5.5	7.7	7.5	8.1	7.4	6.9	6.6
27	Operating Expenses (%)	4.9	6.8	6.0	6.5	7.3	6.5	5.1
28	Operating Profit (Loss) (in Millions \$)	245.1	332.2	1,643.3	1,730.4	433.1	679.5	1,472.1
29	Net Income (Loss)(in Millions \$)	126.2	276.9	1,171.9	1,322.6	544.5	1,452.1	1,824.4
30	RPMs (Sch. Svc.) (%)	4.4	6.7	6.4	7.0	6.7	5.2	3.7
31	ASMs (Sch. Svc.) (%)	3.3	2.6	3.7	3.5	2.9	1.7	1.1
32	Operating Revenues per RTM (%)	-0.2	2.0	0.8	1.5	1.3	2.6	3.8
33	Operating Expense per RTM (%)	-0.8	1.2	-0.6	-0.1	1.3	2.2	2.3
34	Passenger Revenue per RPM (Sch. Svc.)	-1.6	1.9	-0.2	0.8	1.0	2.4	3.3

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	18,814.2	17,973.5	72,122.9	71,282.3	69,508.1	68,250.2	66,895.2
2	Operating Expenses	16,672.9	15,753.2	66,189.1	65,269.4	64,146.9	63,063.1	61,727.4
3	Operating Profit (Loss)	2,141.2	2,220.3	5,933.8	6,012.9	5,361.3	5,187.0	5,167.8
4	Net Income (Loss)	1,222.4	1,251.9	3,071.4	3,100.9	2,576.5	2,454.2	2,380.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	105.16	100.73	405.16	400.74	394.17	386.89	378.63
6	ASMs - Scheduled Rev. Svc.	147.83	143.67	585.47	581.32	575.14	569.08	563.87
7	Overall RTMs (All Svc.)	13.24	12.66	51.15	50.57	49.91	49.10	48.19
8	Overall ATMs (All Svc.)	22.51	21.78	89.06	88.33	87.47	86.59	85.81
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	142.1	141.9	141.0	141.0	139.3	139.0	138.8
10	Operating Expense per RTM	125.9	124.4	129.4	129.1	128.5	128.4	128.1
11	Operating Profit (Loss) per RTM	16.2	17.5	11.6	11.9	10.7	10.6	10.7
12	Operating Expense per ATM	74.1	72.3	74.3	73.9	73.3	72.8	71.9
13	Passenger Revenue per RPM	13.61	13.98	13.57	13.66	13.57	13.61	13.59
<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	11.4	12.4	8.2	8.4	7.7	7.6	7.7
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	13.7	14.3	13.1	12.9	13.2
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	71.1	70.1	69.2	68.9	68.5	68.0	67.1
23	Breakeven	63.2	61.1	64.4	63.8	64.1	64.0	63.3
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

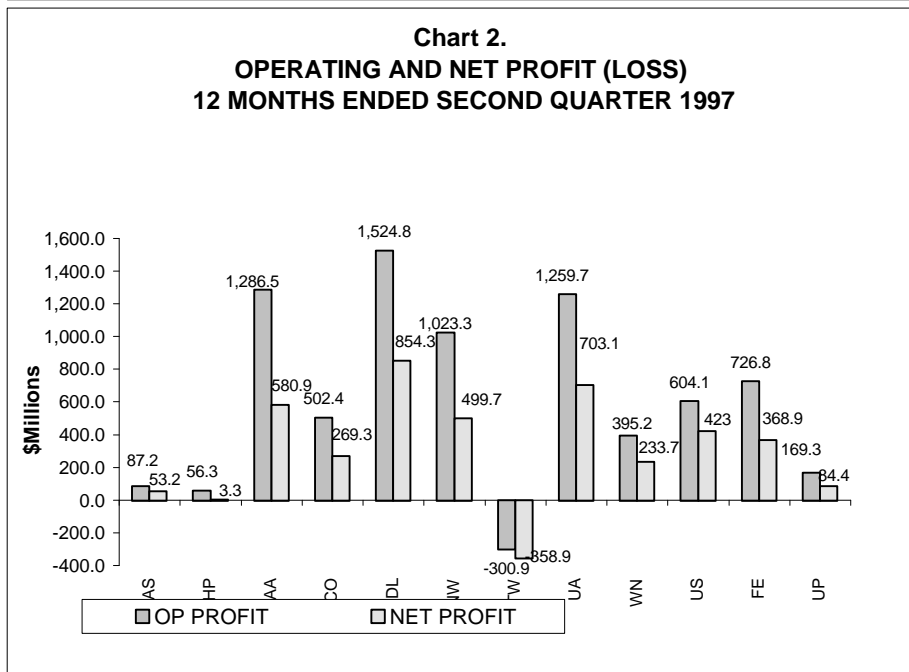
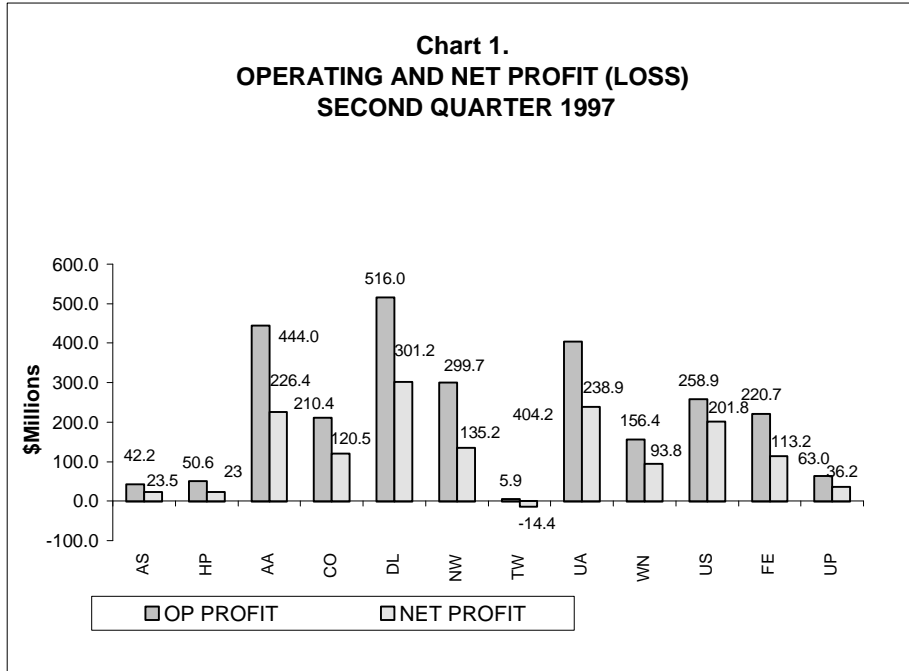
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	4.7	8.7	7.8	8.9	8.1	7.8	7.1
27	Operating Expenses (%)	5.8	6.8	7.2	7.5	7.4	6.2	4.4
28	Operating Profit (Loss) (in Millions \$)	-79.1	430.6	766.0	1,275.7	765.2	1,237.5	1,837.3
29	Net Income (Loss)(in Millions \$)	-29.5	299.7	690.6	1,019.8	709.6	1,700.6	1,936.0
30	RPMs (Sch. Svc.) (%)	4.4	6.9	7.0	7.7	7.3	5.2	3.1
31	ASMs (Sch. Svc.) (%)	2.9	2.8	3.8	3.8	2.8	1.4	0.6
32	Operating Revenues per RTM (%)	0.1	2.7	1.6	2.3	1.8	3.2	4.4
33	Operating Expense per RTM (%)	1.2	1.0	1.0	1.0	1.2	1.7	1.8
34	Passenger Revenue per RPM (Sch. Svc.)	-2.6	3.4	-0.1	1.4	1.7	3.7	4.9

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	5,867.3	5,426.1	22,601.8	22,160.7	21,734.4	21,374.4	21,243.9
2	Operating Expenses	5,336.4	5,219.4	21,200.8	21,083.8	21,107.3	20,872.6	20,720.1
3	Operating Profit (Loss)	530.9	206.7	1,401.0	1,076.8	627.1	501.7	523.8
4	Net Income (Loss)	276.8	121.2	643.5	487.9	202.6	148.2	162.2
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	39.52	37.79	153.66	151.92	149.53	147.40	146.63
6	ASMs - Scheduled Rev. Svc.	52.76	50.53	207.48	205.25	203.66	201.76	200.65
7	Overall RTMs (All Svc.)	6.31	5.82	24.31	23.82	23.31	22.82	22.60
8	Overall ATMs (All Svc.)	10.35	9.73	40.21	39.58	39.13	38.61	38.27
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	93.0	93.2	93.0	93.0	93.2	93.7	94.0
10	Operating Expense per RTM	84.6	89.7	87.2	88.5	90.6	91.5	91.7
11	Operating Profit (Loss) per RTM	8.4	3.6	5.8	4.5	2.7	2.2	2.3
12	Operating Expense per ATM	51.6	53.7	52.7	53.3	53.9	54.1	54.1
13	Passenger Revenue per RPM	11.03	10.82	10.94	10.89	10.91	10.96	11.01
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	9.0	3.8	6.2	4.9	2.9	2.3	2.5
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	9.9	8.4	5.5	5.0	5.4
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	74.9	74.8	74.1	74.0	73.4	73.1	73.1
23	Breakeven	66.9	73.0	69.6	71.1	72.4	72.7	72.5
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

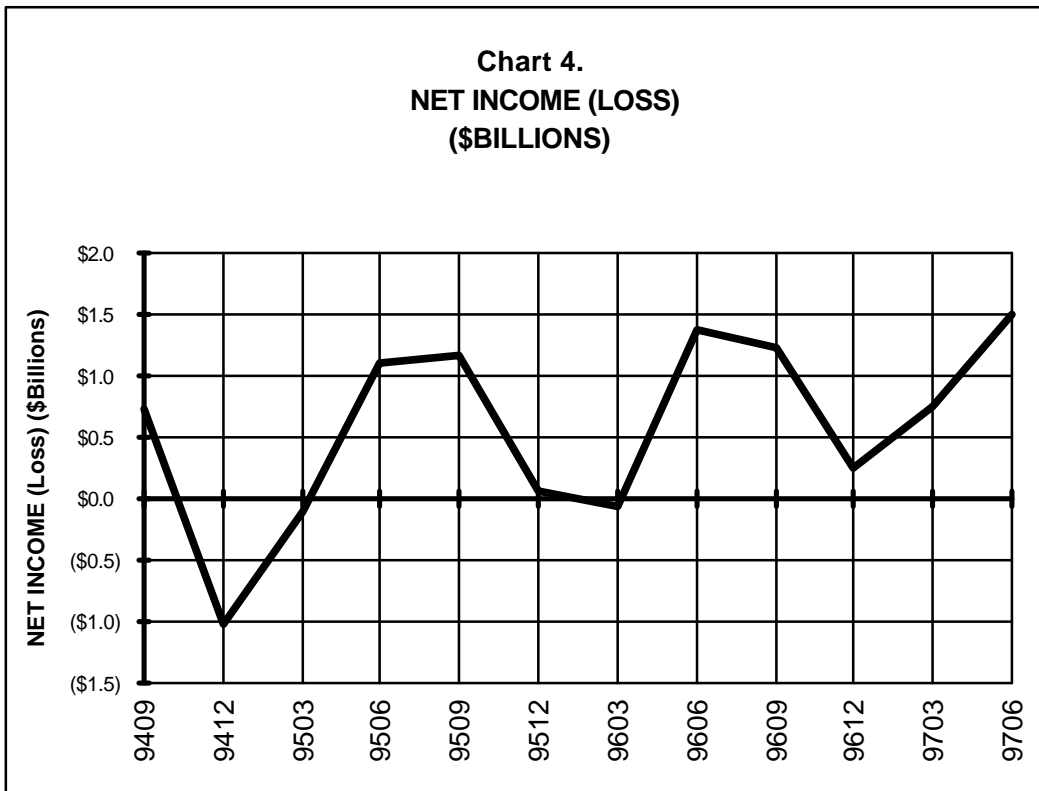
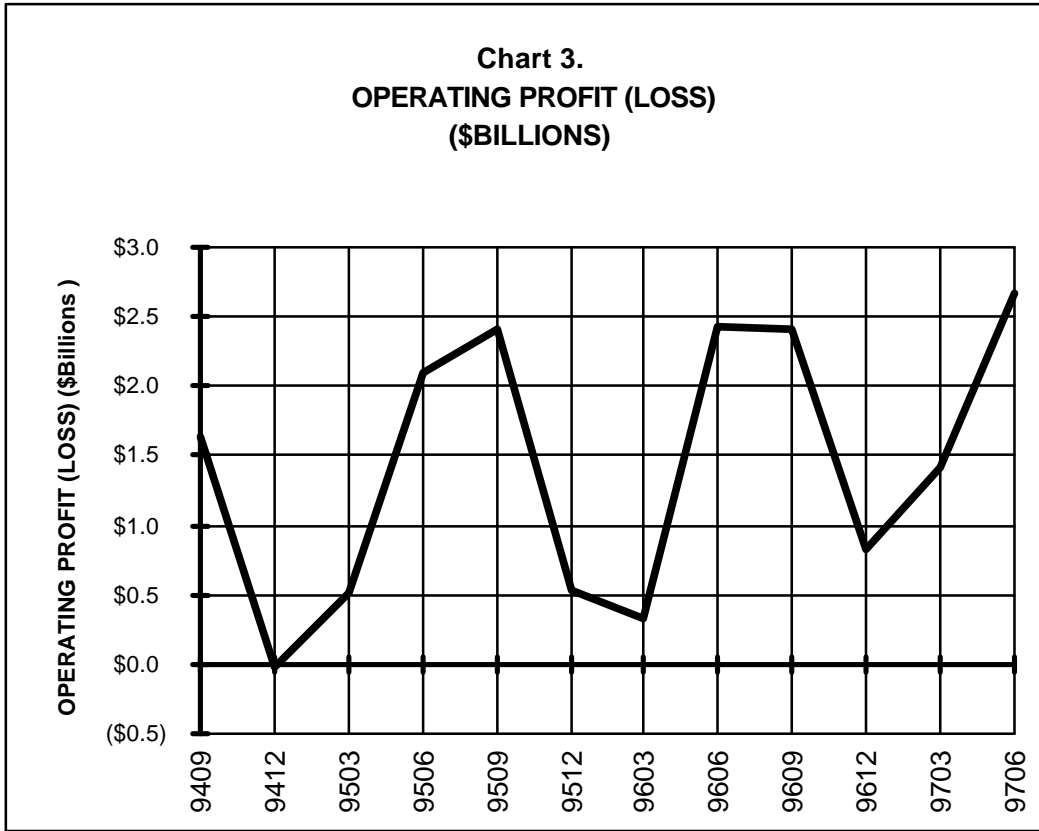
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	8.1	4.5	6.4	5.5	5.1	4.1	5.0
27	Operating Expenses (%)	2.2	6.8	2.3	3.4	7.0	7.2	7.2
28	Operating Profit (Loss) (in Millions \$)	324.2	-98.3	877.2	454.7	-332.0	-558.1	-365.1
29	Net Income (Loss)(in Millions \$)	155.6	-22.7	481.3	302.9	-165.1	-248.5	-111.5
30	RPMs (Sch. Svc.) (%)	4.6	6.1	4.8	5.2	5.3	5.0	5.4
31	ASMs (Sch. Svc.) (%)	4.4	2.1	3.4	2.8	3.0	2.5	2.6
32	Operating Revenues per RTM (%)	-0.2	-0.4	-1.1	-1.2	-0.4	0.5	1.8
33	Operating Expense per RTM (%)	-5.7	1.8	-4.9	-3.1	1.6	3.5	3.9
34	Passenger Revenue per RPM (Sch. Svc.)	1.9	-2.9	-0.6	-1.8	-1.6	-1.9	-1.3

## COMPARISONS AMONG MAJOR GROUP AIRLINES

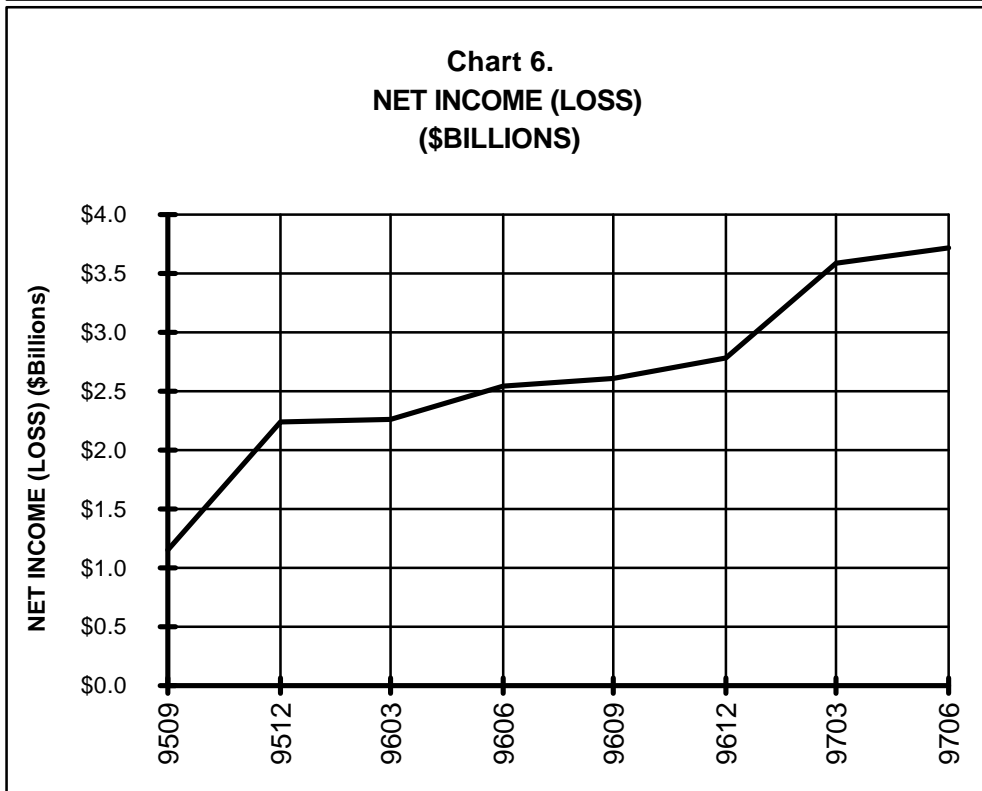
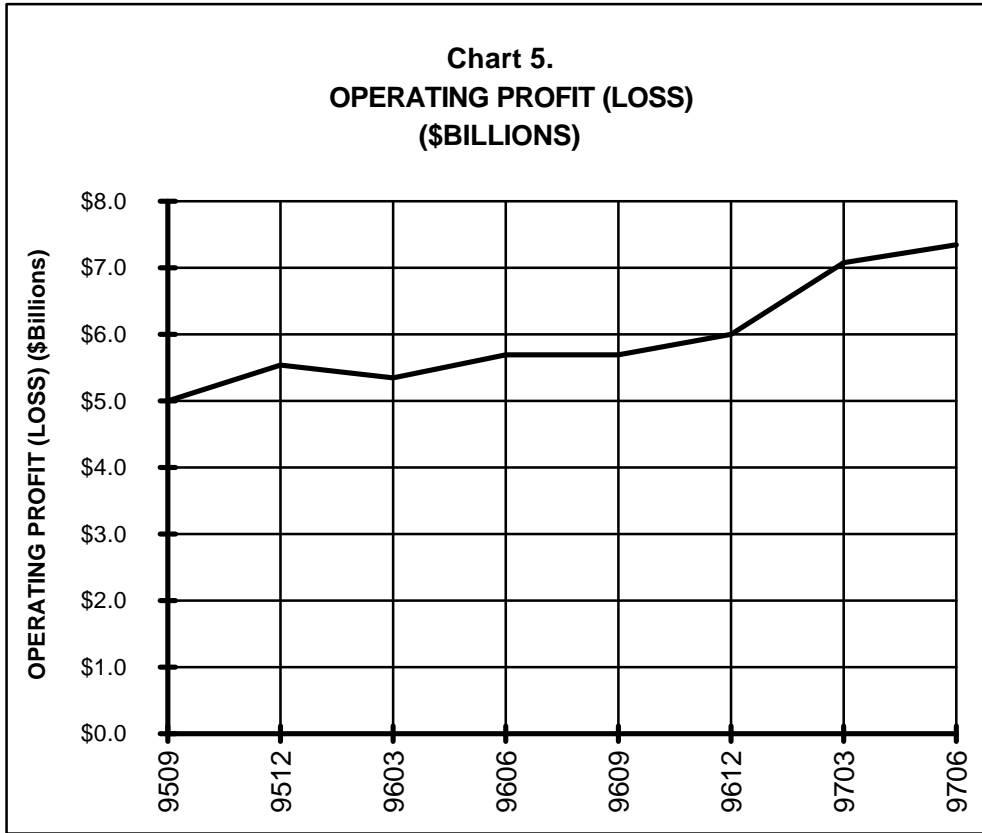




# TOTAL ALL MAJORS (SYSTEM) BY QUARTER

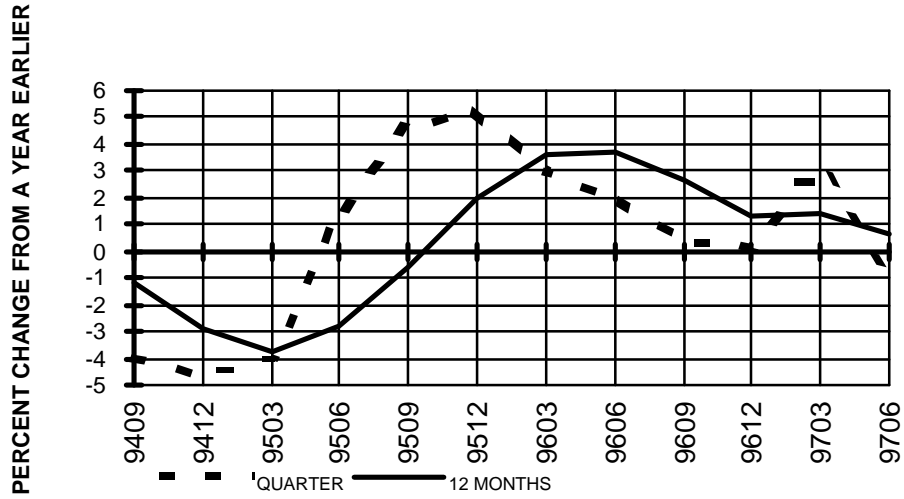


# TOTAL ALL MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS

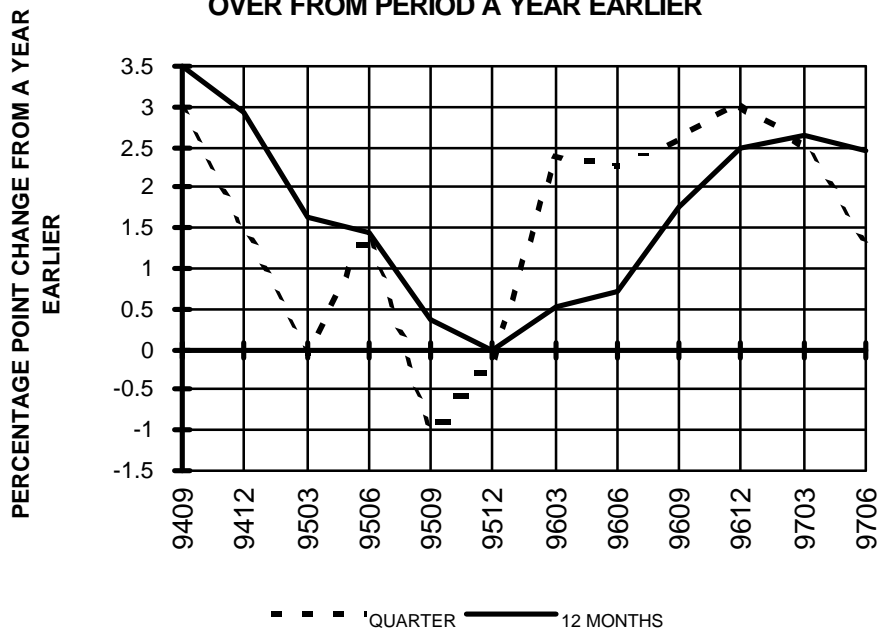


# TOTAL ALL MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS

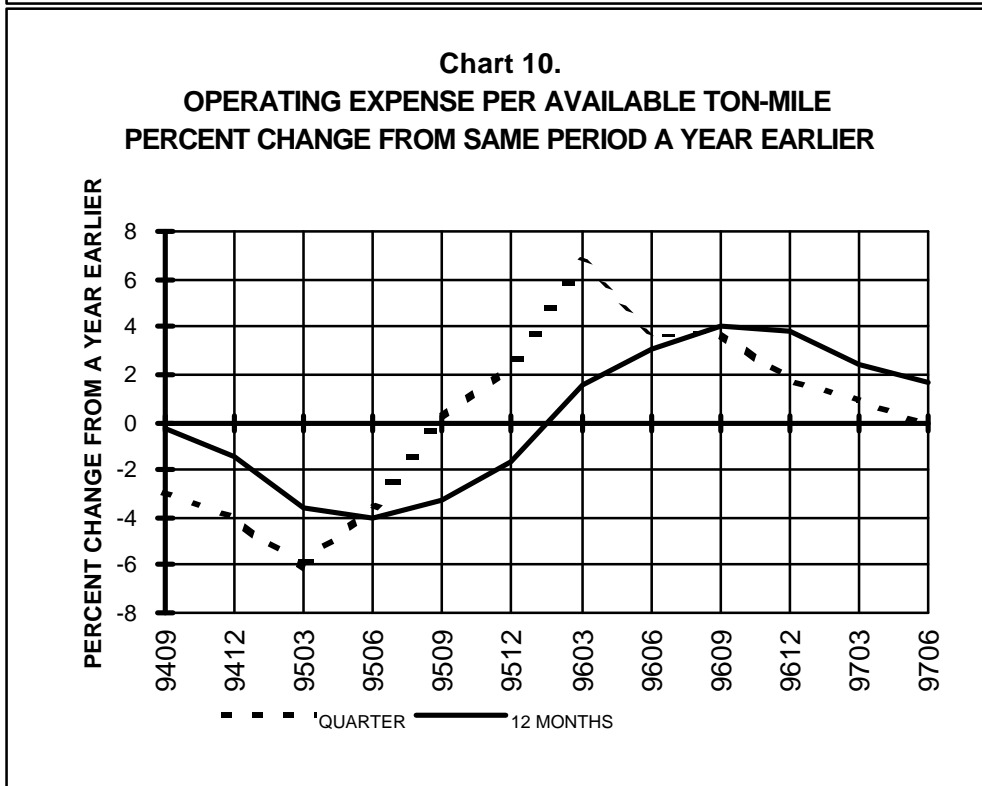
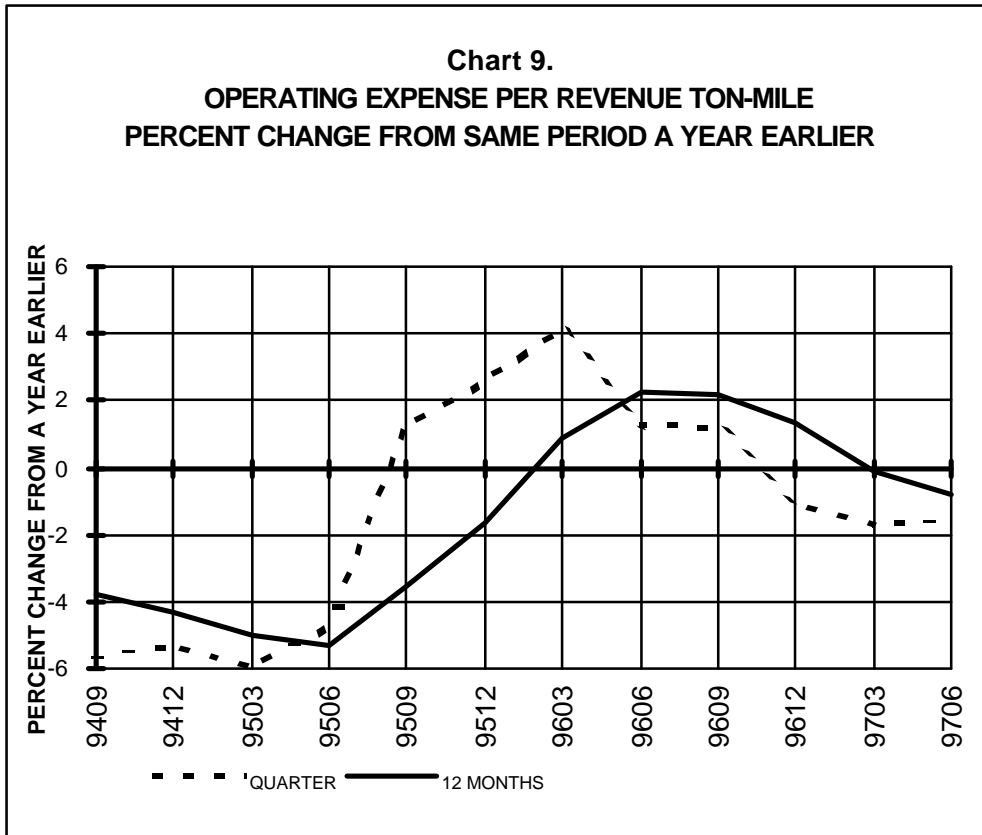
**Chart 7.**  
**OPERATING REVENUE PER REVENUE TON-MILE**  
**PERCENT CHANGE FROM SAME PERIOD A YEAR EARLIER**



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



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



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

**QUARTERLY RESULTS**

- o For the quarter ended June 1997, all passenger majors reported an operating profit and all but Trans World reported a net profit. America West, Northwest, and Trans World were the only passenger majors to experience a decline in both operating and net results.
- o The passenger majors combined reported an all-time record for any quarter in both operating and net profit.
- o Operating profit jumped \$144.8 million to \$2.39 billion as operating revenues rose 4.1 percent exceeding the 3.8 percent increase in operating expenses.
- o Net results increased \$67.7 million to \$1.35 billion.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1996	THIS YEAR 1997	\$ Change	LAST YEAR 1996	THIS YEAR 1997	\$ Change
March	184.4	1,213.0	1,028.6	-122.7	640.8	763.5
June	2,243.6	2,388.4	144.8	1,282.2	1,349.9	67.7
Sept.	2,267.4	0.0	-	1,146.4	0.0	-
Dec.	569.9	0.0	-	124.6	0.0	-

- o The passenger load factor rose 0.8 percentage points to 72.1 percent as RPMs, up 4.4 percent, grew faster than ASMs, up 3.3 percent. Only America West had a decline from a year ago.
- o Only Alaska, American, Southwest, and United experienced increases in passenger (RPM) yield which, for the passenger group, declined 2.2 percent to 12.82 cents.
- o All entities reported operating and net profits for the second quarter. The Atlantic and Latin entities reported improvements from a year ago in operating and/or net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	1,996.7	1,863.8	-132.9	1,138.1	1,074.4	-63.7	100.7	105.2	4.4	143.7	147.8	2.9	71.1%
Int'l	247.0	524.7	277.7	144.1	275.5	131.4	37.8	39.5	4.6	50.5	52.8	4.4	74.9%
Atlantic	121.0	351.3	230.3	87.8	206.8	119.0	16.8	18.0	6.9	20.8	21.6	3.5	83.5%
Latin	31.4	106.7	75.3	5.4	60.8	55.4	6.2	6.6	7.2	10.1	10.6	4.9	62.5%
Pacific	94.6	66.7	-27.9	50.9	7.9	-43.0	14.8	14.9	0.9	19.6	20.6	5.2	72.3%
System	2,243.6	2,388.4	144.8	1,282.2	1,349.9	67.7	138.5	144.7	4.4	194.2	200.6	3.3	72.1%

- o Total debt for the group dropped \$1.57 billion to \$17.4 billion. American reported a decline of \$1.83 billion and all other carrier results were mixed.
- o Passenger (RPM) yield declined 1.6 percent to 12.90 cents.
- o Total fuel expense rose 0.6 percent (\$15.1 million) from a year ago, but as a percent of total operating revenues declined from 12.5 percent to 12.1 percent. Unit fuel prices declined 1.9 percent to 61.05 cents as consumption rose 2.6 percent.

**12-MONTH RESULTS**

- o Except for Trans World, all majors reported an operating and net profit for the 12 months ended June 1997. Four majors (American, Delta, Northwest and United) reported an operating profit exceeding \$1 billion.
- o For the group, operating profit soared \$1.37 billion to \$6.44 billion as operating revenues grew 6.5 percent and operating expenses were up a lesser 5 percent.
- o Net results surged upward \$1.01 billion to \$3.26 billion.
- o RPM traffic was up 6.4 percent while ASM capacity grew a slower 3.7 percent boosting the passenger load factor 1.8 percentage points to 70.5 percent. Only Southwest experienced a slight decline, down 0.1 points.
- o Passenger (RPM) yield dipped 0.2 percent to 12.85 cents. Only three majors (Alaska, American, and United) experienced a year-to-year gain.
- o With total debt falling and earnings rapidly advancing, the debt-to-investment ratio dropped 7.9 percentage points to 48.2 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9706	9606	9706	9703	9612	9609	9606
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	21,121.8	20,283.2	81,134.7	80,296.1	78,500.2	77,340.9	76,173.8
2 Operating Expenses	18,733.4	18,039.5	74,696.1	74,002.2	73,234.9	72,285.2	71,109.9
3 Operating Profit (Loss)	2,388.4	2,243.6	6,438.6	6,293.8	5,265.2	5,055.7	5,063.9
4 Net Income (Loss)	1,349.9	1,282.2	3,261.7	3,194.0	2,430.5	2,297.9	2,247.7
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	144.68	138.53	558.81	552.66	543.70	534.29	525.27
6 ASMs - Scheduled Rev. Svc.	200.59	194.20	792.95	786.56	778.79	770.84	764.52
7 Overall RTMs (All Svc.)	17.11	16.30	66.08	65.26	64.23	63.12	62.16
8 Overall ATMs (All Svc.)	28.80	27.80	113.56	112.55	111.46	110.38	109.47
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	123.4	124.5	122.8	123.0	122.2	122.5	122.5
10 Operating Expense per RTM	109.5	110.7	113.0	113.4	114.0	114.5	114.4
11 Operating Profit (Loss) per RTM	14.0	13.8	9.7	9.6	8.2	8.0	8.1
12 Operating Expense per ATM	65.0	64.9	65.8	65.7	65.7	65.5	65.0
13 Passenger Revenue per RPM	12.90	13.11	12.85	12.90	12.84	12.88	12.87
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.36	2.37	2.33	2.27	2.22
15 Times Interest Earned	*	*	4.64	4.37	3.45	3.05	2.75
16 Current Assets to Current Liabilities	*	*	0.68	0.68	0.66	0.69	0.70
17 No. of Days Cash Coverage of Cash Exp	*	*	40.3	40.1	38.5	39.2	40.5
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	11.3	11.1	7.9	7.8	6.7	6.5	6.6
19 Net Income to Stockholders Equity	*	*	19.6	20.6	16.7	16.7	17.8
20 Corporate Return on Investment	*	*	13.8	14.0	12.1	12.0	12.1
21 Debt to Total Investment	*	*	48.2	50.4	51.3	52.3	56.1
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	72.1	71.3	70.5	70.3	69.8	69.3	68.7
23 Breakeven	64.3	63.7	65.9	65.8	66.3	66.1	65.6
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	378,975	371,651	374,850	373,018	370,990	368,978	367,896
25 Overall RTM's per Employee (000)	45.2	43.8	176.3	175.0	173.1	171.1	169.0

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	4.1	7.3	6.5	7.4	6.7	6.5	6.4
27 Operating Expenses (%)	3.8	6.3	5.0	5.7	6.7	5.9	4.4
28 Operating Profit (Loss) (in Millions \$)	144.8	314.3	1,374.7	1,544.3	343.0	718.5	1,547.6
29 Net Income (Loss)(in Millions \$)	67.7	265.0	1,014.0	1,211.3	508.0	1,494.8	1,889.7
30 RPMs (Sch. Svc.) (%)	4.4	6.7	6.4	7.0	6.7	5.2	3.7
31 ASMs (Sch. Svc.) (%)	3.3	2.6	3.7	3.5	2.9	1.7	1.1
32 Operating Revenues per RTM (%)	-0.9	1.7	0.2	0.8	0.8	2.4	3.8
33 Operating Expense per RTM (%)	-1.1	0.7	-1.2	-0.8	0.8	1.9	2.0
34 Passenger Revenue per RPM (Sch. Svc)	-1.6	1.9	-0.2	0.8	1.0	2.4	3.3

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9706	9606	9706	9703	9612	9609	9606
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	15,953.7	15,432.4	61,146.7	60,625.3	59,143.4	58,231.8	57,120.8
2 Operating Expenses	14,089.9	13,435.7	56,155.2	55,501.0	54,654.4	53,854.0	52,754.5
3 Operating Profit (Loss)	1,863.8	1,996.7	4,991.5	5,124.4	4,489.0	4,377.8	4,366.3
4 Net Income (Loss)	1,074.4	1,138.1	2,578.7	2,642.4	2,132.8	2,040.3	1,973.6
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	105.16	100.73	405.16	400.74	394.17	386.89	378.63
6 ASMs - Scheduled Rev. Svc.	147.83	143.67	585.47	581.32	575.14	569.08	563.87
7 Overall RTMs (All Svc.)	11.63	11.17	44.93	44.46	43.80	43.06	42.23
8 Overall ATMs (All Svc.)	19.73	19.24	78.27	77.77	77.02	76.33	75.68
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	137.2	138.2	136.1	136.3	135.0	135.2	135.3
10 Operating Expense per RTM	121.1	120.3	125.0	124.8	124.8	125.1	124.9
11 Operating Profit (Loss) per RTM	16.0	17.9	11.1	11.5	10.2	10.2	10.3
12 Operating Expense per ATM	71.4	69.8	71.7	71.4	71.0	70.6	69.7
13 Passenger Revenue per RPM	13.61	13.98	13.57	13.66	13.57	13.61	13.59
<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 Reve	11.7	12.9	8.2	8.5	7.6	7.5	7.6
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	14.5	15.3	13.8	13.7	14.1
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	71.1	70.1	69.2	68.9	68.5	68.0	67.1
23 Breakeven	63.5	61.1	64.7	64.1	64.4	64.2	63.5
<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 (%)	3.4	8.5	7.0	8.4	7.7	7.7	7.1
27 Operating Expenses (%)	4.9	6.4	6.4	6.8	6.9	5.8	3.8
28 Operating Profit (Loss) (in Millions \$)	-132.9	404.1	625.2	1,162.2	664.9	1,205.1	1,829.7
29 Net Income (Loss)(in Millions \$)	-63.7	283.5	605.1	952.3	667.4	1,702.4	1,948.0
30 RPMs (Sch. Svc.) (%)	4.4	6.9	7.0	7.7	7.3	5.2	3.1
31 ASMs (Sch. Svc.) (%)	2.9	2.8	3.8	3.8	2.8	1.4	0.6
32 Operating Revenues per RTM (%)	-0.7	2.5	0.6	1.4	1.2	3.2	4.8
33 Operating Expense per RTM (%)	0.7	0.5	0.1	0.0	0.6	1.5	1.6
34 Passenger Revenue per RPM (Sch. Svc.)	-2.6	3.4	-0.1	1.4	1.7	3.7	4.9

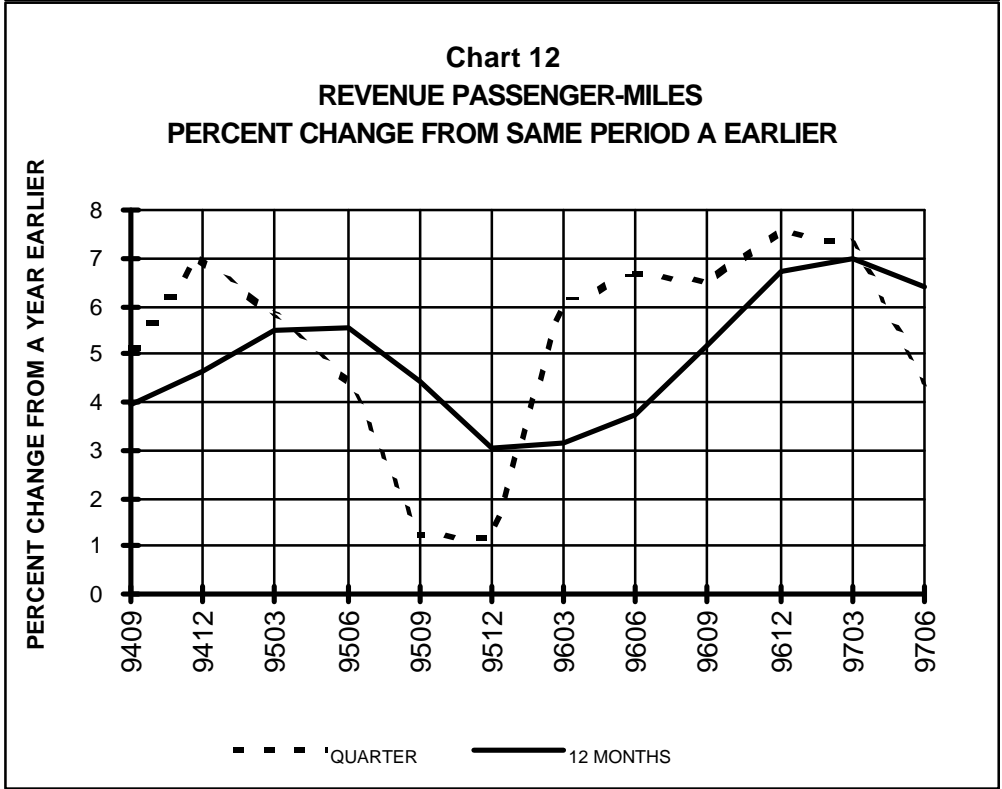
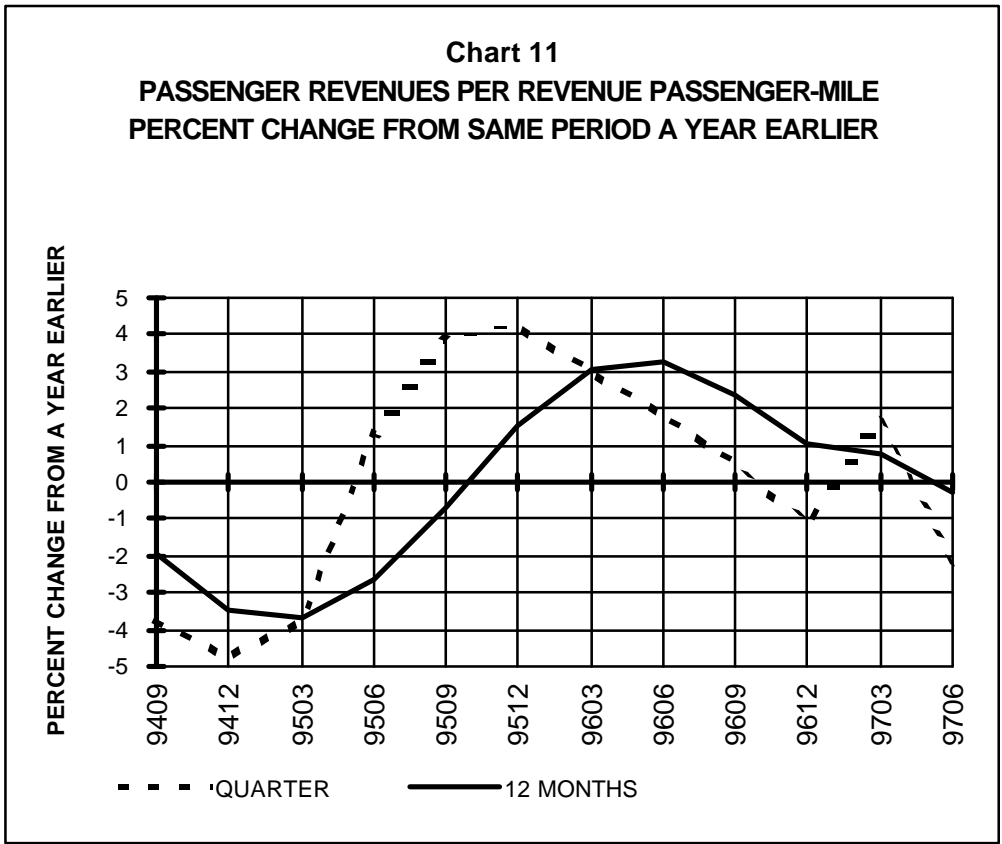
**QUARTERLY FINANCIAL & TRAFFIC REVIEW  
INTERNATIONAL OPERATIONS  
TOTAL PASSENGER MAJORS**

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	9706	9606	9706	9703	9612	9609	9606
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	5,168.1	4,850.8	19,988.1	19,670.7	19,356.7	19,109.0	19,053.0
2 Operating Expenses	4,643.5	4,603.8	18,540.9	18,501.3	18,580.5	18,431.1	18,355.4
3 Operating Profit (Loss)	524.7	247.0	1,447.2	1,169.5	776.3	677.9	697.6
4 Net Income (Loss)	275.5	144.1	683.0	551.5	297.7	257.6	274.1
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	39.52	37.79	153.66	151.92	149.53	147.40	146.63
6 ASMs - Scheduled Rev. Svc.	52.76	50.53	207.48	205.25	203.66	201.76	200.65
7 Overall RTMs (All Svc.)	5.48	5.13	21.16	20.80	20.43	20.07	19.93
8 Overall ATMs (All Svc.)	9.07	8.56	35.29	34.78	34.44	34.05	33.79
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	94.3	94.6	94.5	94.6	94.7	95.2	95.6
10 Operating Expense per RTM	84.7	89.8	87.6	89.0	90.9	91.8	92.1
11 Operating Profit (Loss) per RTM	9.6	4.8	6.8	5.6	3.8	3.4	3.5
12 Operating Expense per ATM	51.2	53.8	52.5	53.2	53.9	54.1	54.3
13 Passenger Revenue per RPM	11.03	10.82	10.94	10.89	10.91	10.96	11.01
<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 Reve	10.2	5.1	7.2	5.9	4.0	3.5	3.7
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	11.7	10.2	7.3	6.8	7.2
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	74.9	74.8	74.1	74.0	73.4	73.1	73.1
23 Breakeven	66.7	72.3	69.2	70.6	71.8	72.0	71.8
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

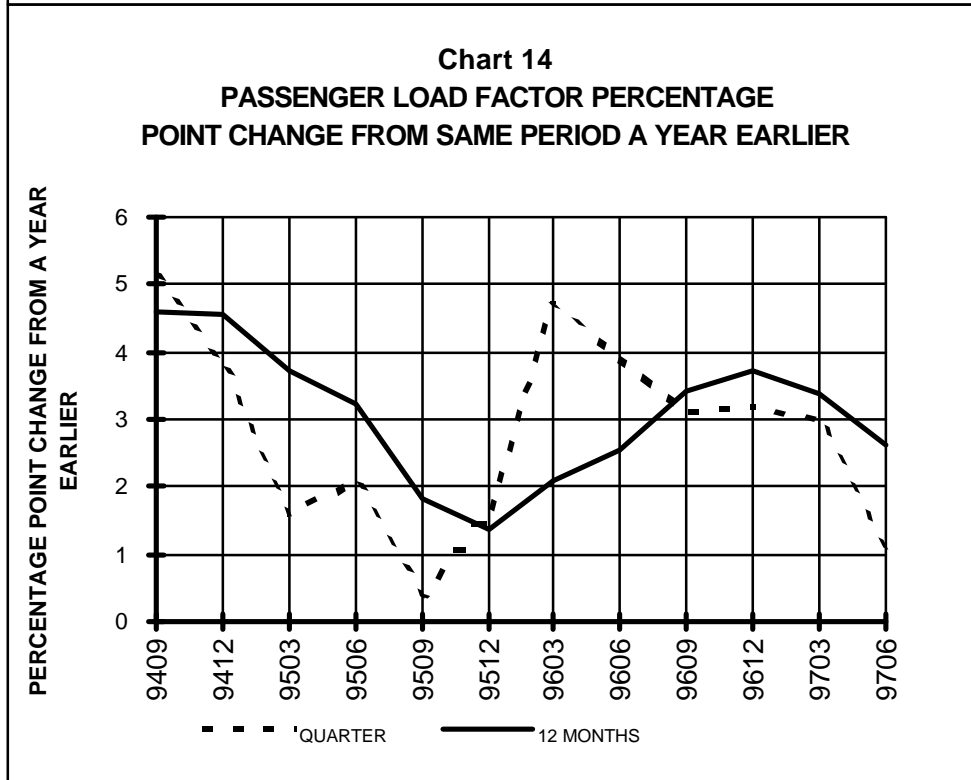
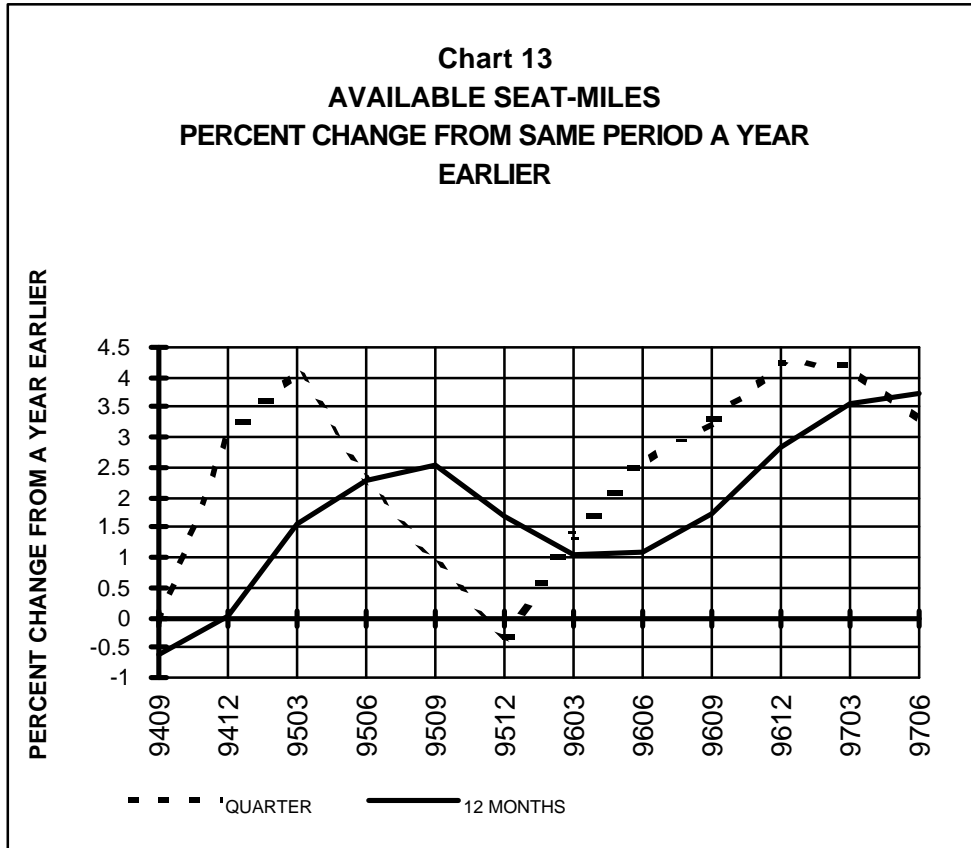
	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	6.5	3.6	4.9	4.2	4.1	3.2	4.3
27 Operating Expenses (%)	0.9	6.0	1.0	2.2	6.1	6.2	6.2
28 Operating Profit (Loss) (in Millions \$)	277.7	-89.7	749.6	382.2	-321.8	-486.6	-282.0
29 Net Income (Loss)(in Millions \$)	131.4	-18.5	408.9	258.9	-159.4	-207.5	-58.4
30 RPMs (Sch. Svc.) (%)	4.6	6.1	4.8	5.2	5.3	5.0	5.4
31 ASMs (Sch. Svc.) (%)	4.4	2.1	3.4	2.8	3.0	2.5	2.6
32 Operating Revenues per RTM (%)	-0.3	-1.2	-1.2	-1.4	-1.0	-0.1	1.3
33 Operating Expense per RTM (%)	-5.7	1.1	-4.9	-3.2	1.1	2.8	3.0
34 Passenger Revenue per RPM (Sch. Svc.)	1.9	-2.9	-0.6	-1.8	-1.6	-1.9	-1.3



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

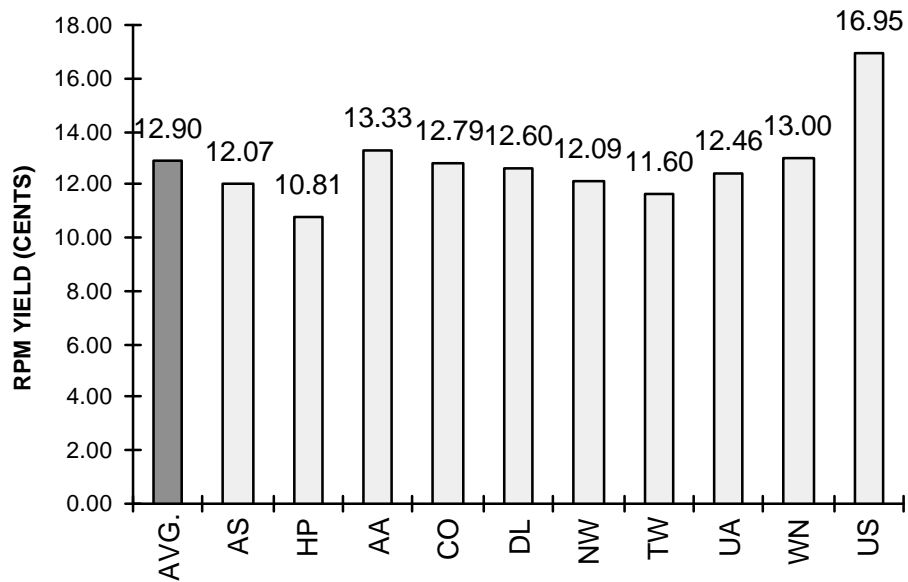


# TOTAL PASSENGER MAJORS (SYSTEM) QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)

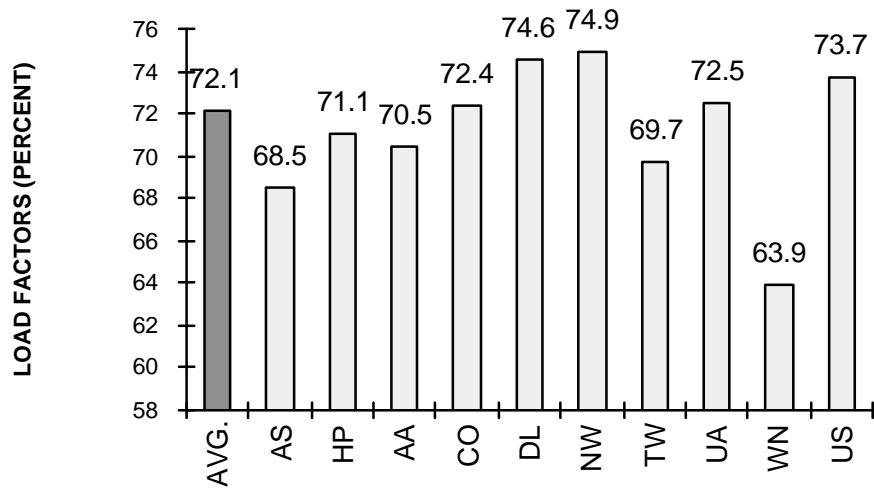


# TOTAL PASSENGER MAJORS (SYSTEM) SECOND QUARTER 1997 (SCH. SVC.)

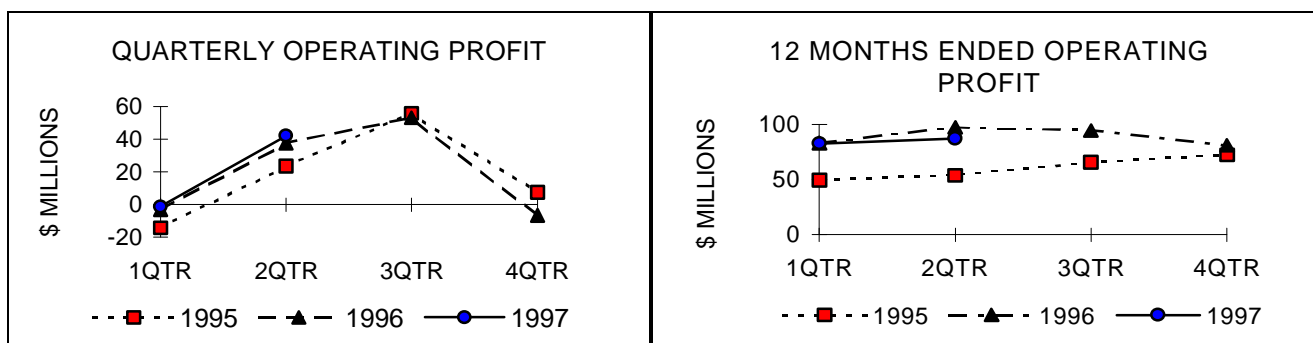
**Chart 15  
PASSENGER (RPM) YIELD**



**Chart 16  
PASSENGER LOAD FACTOR**



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



**QUARTERLY RESULTS**

- o Alaska reported its best operating profit and net income for any second quarter in its history.
- o Operating revenues, up 7.6 percent, grew slightly faster than operating expenses, up 7 percent, producing a \$4.8 million improvement in operating profit to \$42.2 million.
- o Net results gained \$4.5 million to \$23.5 million.
- o Both the domestic and Latin entities were profitable in operating and net results during the second quarter, and both were improved from a year ago.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	35.2	39.5	4.3	17.9	22.0	4.1	2.3	2.4	4.7	3.5	3.6	0.7	67.8%
Int'l	2.2	2.6	0.4	1.1	1.5	0.3	0.2	0.2	5.2	0.3	0.3	-0.1	77.7%
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	2.2	2.6	0.4	1.1	1.5	0.3	0.2	0.2	5.2	0.3	0.3	-0.1	77.7%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	37.4	42.2	4.7	19.0	23.5	4.5	2.5	2.6	4.8	3.8	3.8	0.7	68.5%

- o The passenger load factor jumped a major group high 2.7 percentage points to 68.5 percent as RPM growth, up 4.8 percent, far exceeded the 0.7 percent increase in ASMs.
- o RTM yield advanced a major group high 3.1 percent, outpacing the strong 2.5 percent increase in RTM unit costs, enhancing profitability.
- o Total fuel expense dropped 5.3 percent (\$2.2 million) due to a 6.4 percent drop in unit fuel prices as fuel consumption rose 1.2 percent.
- o Interest expense declined \$1.2 million to \$6.3 million, the lowest interest expense among all passenger majors.
- o Passenger (RPM) yield increased a major group high 3.1 percent to 12.07 cents.

**12-MONTH RESULTS**

- o For the second consecutive quarter-ended 12-month period, operating expenses, up 10.4 percent, grew faster than operating revenues, up 8.8 percent, causing operating profit to decline, down \$10.1 million to \$87.2 million.
- o Net income, however, advanced \$10.3 million to \$53.2 million.
- o RPM traffic jumped 9.7 percent while ASM capacity rose 3.5 percent producing a major group high 3.8 percentage point increase in passenger load factor to 67.8 percent.
- o Passenger (RPM) yield was up 1.1 percent to 11.47 cents.
- o Interest expense, down \$10.1 million to \$25.4 million, was the lowest among all passenger majors.
- o The debt-to-investment ratio dropped 8.3 percentage points to 40.8 percent as total debt was cut \$53.5 million to \$260.5 million, a major group low, and equity continues to rise.

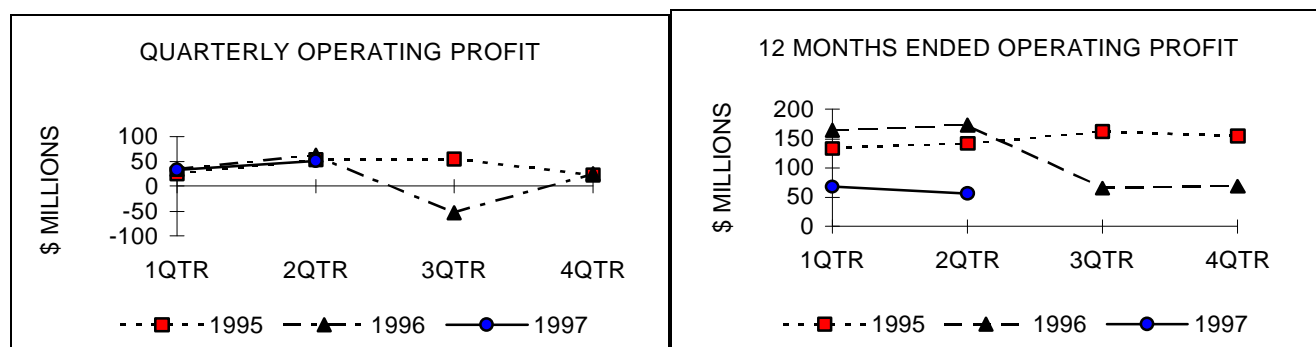
1/ Alaska Airlines became a major air carrier effective on January 1, 1996.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	368.0	342.0	1,362.5	1,336.5	1,306.6	1,289.5	1,252.3
2	Operating Expenses	325.9	304.6	1,275.3	1,254.0	1,225.9	1,195.0	1,155.0
3	Operating Profit (Loss)	42.2	37.4	87.2	82.5	80.7	94.5	97.3
4	Net Income (Loss)	23.5	19.0	53.2	48.7	45.6	46.1	42.9
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	2.62	2.50	10.13	10.01	9.79	9.60	9.24
6	ASMs - Scheduled Rev. Svc.	3.82	3.79	14.95	14.92	14.84	14.71	14.44
7	Overall RTMs (All Svc.)	0.28	0.27	1.09	1.08	1.06	1.04	1.00
8	Overall ATMs (All Svc.)	0.50	0.50	1.96	1.96	1.96	1.94	1.91
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	130.0	126.1	124.8	123.8	123.4	123.9	124.7
10	Operating Expense per RTM	115.1	112.3	116.8	116.1	115.8	114.9	115.0
11	Operating Profit (Loss) per RTM	14.9	13.8	8.0	7.6	7.6	9.1	9.7
12	Operating Expense per ATM	65.0	60.8	64.9	63.9	62.7	61.5	60.5
13	Passenger Revenue per RPM	12.07	11.71	11.47	11.37	11.29	11.33	11.35
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.19	2.14	2.05	1.94	1.84
15	Times Interest Earned	*	*	4.61	4.08	3.53	3.35	3.06
16	Current Assets to Current Liabilities	*	*	0.75	0.67	0.71	0.89	0.83
17	No. of Days Cash Coverage of Cash Exp.	*	*	38.5	23.8	31.7	42.1	34.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	11.5	10.9	6.4	6.2	6.2	7.3	7.8
19	Net Income to Stockholders Equity	*	*	15.0	14.3	13.8	14.3	14.0
20	Corporate Return on Investment	*	*	12.4	12.0	11.8	12.0	11.7
21	Debt to Total Investment	*	*	40.8	39.9	40.4	44.4	49.1
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	68.5	65.8	67.8	67.1	66.0	65.3	64.0
23	Breakeven	62.6	60.6	66.5	66.1	65.1	63.3	61.8
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	7,395	6,868	7,217	7,086	6,937	6,767	6,589
25	Overall RTM's per Employee (000)	38.3	39.5	151.3	152.4	152.6	153.7	152.4

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	7.6	14.5	8.8	10.6	12.4	13.0	12.6
27	Operating Expenses (%)	7.0	10.7	10.4	11.4	12.4	11.2	9.2
28	Operating Profit (Loss) (in Millions \$)	4.8	13.9	-10.1	-0.9	8.3	28.5	43.1
29	Net Income (Loss)(in Millions \$)	4.5	10.4	10.3	16.2	20.8	26.0	29.0
30	RPMs (Sch. Svc.) (%)	4.8	16.9	9.7	12.8	14.6	14.7	13.7
31	ASMs (Sch. Svc.) (%)	0.7	8.9	3.5	5.6	7.4	7.7	9.3
32	Operating Revenues per RTM (%)	3.1	-0.8	0.1	-0.9	-0.9	-0.5	0.0
33	Operating Expense per RTM (%)	2.5	-4.0	1.6	-0.2	-0.9	-2.1	-3.1
34	Passenger Revenue per RPM (Sch. Svc.)	3.1	1.9	1.1	0.7	0.6	1.3	1.2

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



**QUARTERLY RESULTS**

- o Operating expense growth, up 6.4 percent, more than doubled operating revenue growth, up 3 percent, causing operating profit to fall \$11.5 million to \$50.6 million.
- o Net income declined \$5.4 million to \$23 million.
- o The deteriorations in system operating and net results arose solely from domestic operations. Latin operating and net results, which have not been profitable since June 1995, improved from a year ago for the first time since the fourth quarter 1994.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	66.2	53.8	-12.3	32.8	26.6	-6.3	3.7	4.0	8.0	5.1	5.6	9.7	71.8%
Int'l	-4.1	-3.3	0.8	-4.4	-3.6	0.8	0.1	0.1	1.6	0.2	0.2	11.9	48.3%
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	-4.1	-3.3	0.8	-4.4	-3.6	0.8	0.1	0.1	1.6	0.2	0.2	11.9	48.3%
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	62.1	50.6	-11.5	28.4	23.0	-5.4	3.8	4.1	7.8	5.3	5.8	9.7	71.1%

- o Strong growth in RPMs, up 7.8 percent, was offset by a major group high increase in ASMs, up 9.7 percent, causing the passenger load factor to decline 1.2 percentage points to 71.1 percent, still 7.4 percentage points above operating breakeven.
- o Passenger (RPM) yield fell 4.9 percent to 10.81 cents, a major group low.
- o Interest expense dipped \$0.5 million to \$12.1 million, the second lowest among all passenger majors after Alaska. (Note: UPS, an all-cargo carrier, had no interest expense.)
- o Total fuel expense was relatively unchanged from a year ago, up 0.1 percent, as declining fuel prices, down 7.2 percent, were offset by rising consumption, up 7.9 percent..

**12-MONTH RESULTS**

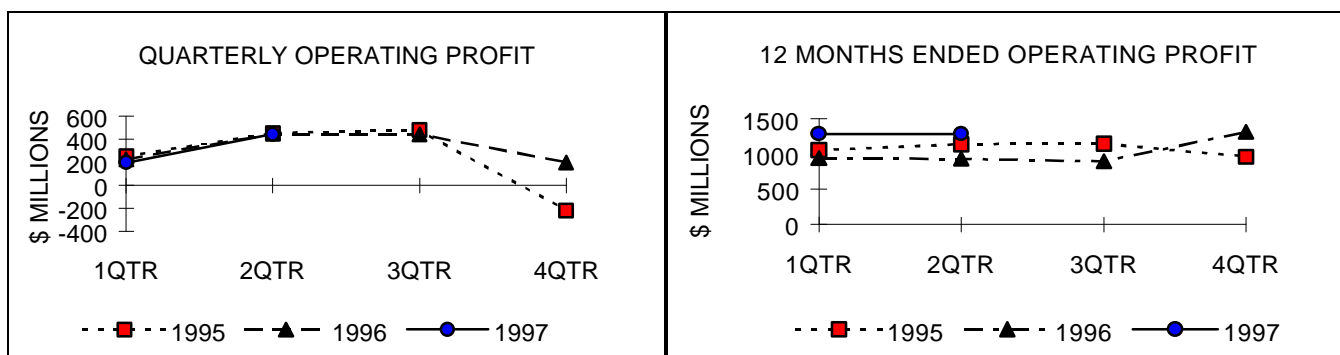
- o America West, although profitable, experienced its fourth consecutive year-to-year deterioration in both operating and net results.
- o Although operating expense growth, up 15.6 percent, has slowed over recent periods, operating revenue growth has also slowed, up 7.1 percent, causing operating profit to fall \$117 million to \$56.3 million. Only TWA reported a larger deterioration.
- o Net income dropped \$66.5 million to \$3.3 million.
- o Interest expense continues to decline, down \$6.3 million to \$47.9 million.
- o ASMs, up 13.5 percent, grew slightly faster than RPMs, up 13.3 percent, causing the passenger load factor to dip 0.1 percentage points to 70.4 percent
- o Total debt was reduced \$10.6 million to \$371.5 million (only Alaska had less debt), but the quarterly net loss reduced equity leaving the debt-to-investment ratio relatively unchanged at 36.5 percent.
- o Passenger (RPM) yield declined 5.4 percent to 10.49 cents, a major group low.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	480.9	466.7	1,814.9	1,800.7	1,751.8	1,708.2	1,694.5
2	Operating Expenses	430.3	404.6	1,758.6	1,732.9	1,683.1	1,642.2	1,521.2
3	Operating Profit (Loss)	50.6	62.1	56.3	67.8	68.7	66.0	173.3
4	Net Income (Loss)	23.0	28.4	3.3	8.7	8.5	2.4	69.8
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	4.14	3.84	16.05	15.75	15.28	14.58	14.17
6	ASMs - Scheduled Rev. Svc.	5.82	5.31	22.82	22.30	21.47	20.63	20.10
7	Overall RTMs (All Svc.)	0.44	0.41	1.72	1.69	1.64	1.56	1.52
8	Overall ATMs (All Svc.)	0.73	0.67	2.88	2.81	2.71	2.60	2.53
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	108.6	113.9	105.4	106.7	107.0	109.3	111.5
10	Operating Expense per RTM	97.2	98.8	102.2	102.7	102.8	105.0	100.1
11	Operating Profit (Loss) per RTM	11.4	15.2	3.3	4.0	4.2	4.2	11.4
12	Operating Expense per ATM	58.7	60.3	61.1	61.6	62.1	63.1	60.1
13	Passenger Revenue per RPM	10.81	11.37	10.49	10.62	10.64	10.86	11.09
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.80	1.76	1.68	1.62	1.56
15	Times Interest Earned	*	*	1.51	1.71	1.69	1.60	3.61
16	Current Assets to Current Liabilities	*	*	0.62	0.64	0.67	0.71	0.78
17	No. of Days Cash Coverage of Cash Exp.	*	*	32.0	36.5	40.2	46.8	51.2
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	10.5	13.3	3.1	3.8	3.9	3.9	10.2
19	Net Income to Stockholders Equity	*	*	0.5	1.4	1.3	0.4	10.8
20	Corporate Return on Investment	*	*	5.0	5.4	5.3	4.8	11.2
21	Debt to Total Investment	*	*	36.5	37.7	37.7	38.6	36.6
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	71.1	72.3	70.4	70.6	71.2	70.7	70.5
23	Breakeven	63.9	62.4	69.5	69.1	69.6	69.1	63.6
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	9,046	8,187	8,587	8,372	8,140	8,050	8,078
25	Overall RTM's per Employee (000)	49.0	50.0	200.4	201.6	201.1	194.2	188.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	3.0	16.1	7.1	10.5	12.2	13.4	16.6
27	Operating Expenses (%)	6.4	15.9	15.6	18.2	19.6	22.2	16.1
28	Operating Profit (Loss) (in Millions \$)	-11.5	9.1	-117.0	-96.4	-86.0	-96.5	31.0
29	Net Income (Loss)(in Millions \$)	-5.4	7.5	-66.5	-53.6	-45.3	-52.0	16.8
30	RPMs (Sch. Svc.) (%)	7.8	9.9	13.3	14.0	15.1	13.3	13.2
31	ASMs (Sch. Svc.) (%)	9.7	9.8	13.5	13.6	11.2	8.6	7.8
32	Operating Revenues per RTM (%)	-4.7	6.0	-5.5	-2.8	-2.0	1.0	4.1
33	Operating Expense per RTM (%)	-1.6	5.9	2.1	3.9	4.5	8.7	3.6
34	Passenger Revenue per RPM (Sch. Svc.)	-4.9	6.5	-5.4	-2.7	-2.1	0.4	3.2

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



**QUARTERLY RESULTS**

- o For the second consecutive quarter, operating expenses, up 4.3 percent, increased at a faster rate than operating revenues, up 3.7 percent, causing a year-to-year decline in operating profit, down \$3.4 million to \$444 million. Still, this is the second best second quarter operating profit ever recorded by American, and it was also the second highest profit recorded among all majors (behind Delta).
- o Net income gained \$13.7 million to \$226.4 million, an all-time quarterly record for the carrier.
- o Only the domestic entity reported a deterioration in operating profit, down \$59 million to \$265.5 million, or net income, down \$10.6 million to \$135.3 million. All international entities reported improvements and were profitable.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	324.5	265.5	-59.0	145.9	135.3	-10.6	18.8	19.1	1.6	27.1	27.2	0.4	70.0%
Int'l	122.9	178.6	55.7	66.8	91.0	24.3	7.9	8.2	5.0	11.3	11.5	2.0	71.8%
Atlantic	72.3	92.1	19.8	43.4	47.0	3.6	3.8	4.0	4.3	4.9	4.8	-1.6	83.5%
Latin	36.0	68.3	32.3	14.3	34.8	20.5	3.5	3.8	6.9	5.8	6.1	4.9	62.2%
Pacific	14.5	18.1	3.6	9.1	9.3	0.1	0.5	0.5	-2.0	0.6	0.7	2.2	75.0%
System	447.4	444.0	-3.4	212.7	226.4	13.7	26.6	27.3	2.6	38.4	38.7	0.9	70.5%

- o RPMs rose 2.6 percent as ASMs were up only 0.9 percent, resulting in the passenger load factor increasing 1.1 percentage points to 70.5 percent, 7 percentage points above operating breakeven.
- o Passenger (RPM) yield increased 1.1 percent to 13.33 cents.
- o Interest expense dropped to less than half of that a year ago, down a major group high \$59.4 million to \$47.7 million.
- o This decline reflects, in part, a significant effort by American to cut its total debt, which tumbled a major group high \$1.8 billion to \$2.6 billion. This, coupled with soaring equity, caused the debt-to-investment ratio to drop 17.2 percentage points to 34.6 percent.

**12-MONTH RESULTS**

- o American reported the second largest improvements (behind Delta) among all majors in both operating and net results.
- o Operating revenues declined over the same period a year ago for the fourth consecutive period, but the rate of decline continues to slow, down 0.5 percent. Operating expenses, however, fell 3 percent causing operating profit to jump \$353.8 million to \$1.29 billion.
- o Net income soared upward \$339.6 million to \$580.9 million, a new all-time carrier high for any 12-month period.
- o RPM traffic rose a low 1.7 percent, but with the only decline among the majors in ASM capacity, down 1.2 percent, the passenger load factor increased 2 percentage points to 69.2 percent.
- o Passenger (RPM) yield was relatively unchanged, up 0.2 percent to 13.08 cents.

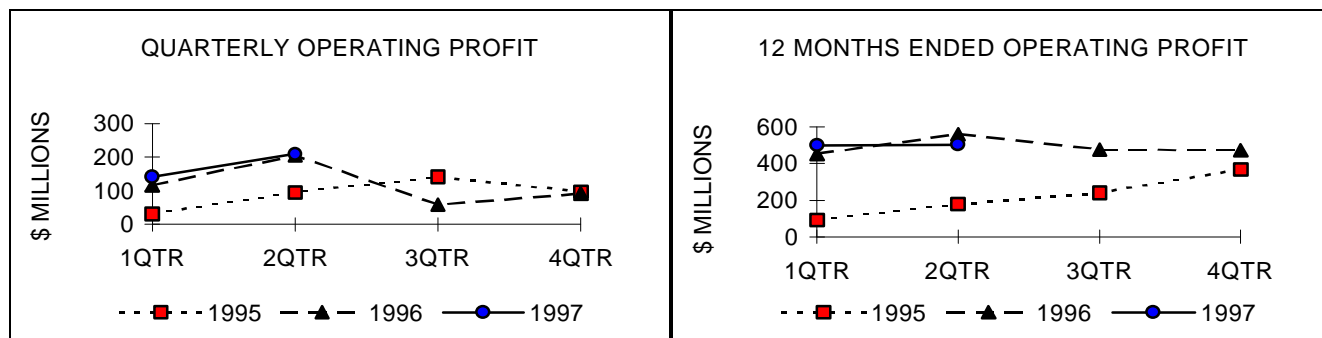


**QUARTERLY FINANCIAL & TRAFFIC REVIEW  
SYSTEM OPERATIONS  
AMERICAN AIRLINES**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	4,028.1	3,884.7	15,390.8	15,247.4	15,125.7	15,271.2	15,466.8
2	Operating Expenses	3,584.0	3,437.2	14,104.3	13,957.5	13,810.2	14,373.7	14,534.1
3	Operating Profit (Loss)	444.0	447.4	1,286.5	1,289.9	1,315.5	897.6	932.7
4	Net Income (Loss)	226.4	212.7	580.9	567.3	561.7	236.5	241.3
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	27.30	26.61	105.92	105.23	104.52	104.15	104.12
6	ASMs - Scheduled Rev. Svc.	38.70	38.35	152.97	152.63	152.62	153.65	154.86
7	Overall RTMs (All Svc.)	3.26	3.19	12.63	12.56	12.51	12.47	12.49
8	Overall ATMs (All Svc.)	5.89	5.93	23.52	23.56	23.58	23.73	23.90
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	123.7	121.9	121.9	121.4	120.9	122.4	123.9
10	Operating Expense per RTM	110.0	107.9	111.7	111.1	110.4	115.2	116.4
11	Operating Profit (Loss) per RTM	13.6	14.0	10.2	10.3	10.5	7.2	7.5
12	Operating Expense per ATM	60.8	58.0	60.0	59.2	58.6	60.6	60.8
13	Passenger Revenue per RPM	13.33	13.18	13.08	13.04	13.04	13.06	13.05
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.03	1.95	1.86	1.80	1.75
15	Times Interest Earned	*	*	4.48	3.97	3.56	2.06	1.94
16	Current Assets to Current Liabilities	*	*	0.68	0.64	0.62	0.61	0.60
17	No. of Days Cash Coverage of Cash Exp.	*	*	46.6	35.1	38.3	30.0	22.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	11.0	11.5	8.4	8.5	8.7	5.9	6.0
19	Net Income to Stockholders Equity	*	*	12.9	13.2	13.7	6.0	6.5
20	Corporate Return on Investment	*	*	11.4	11.4	11.5	7.7	8.1
21	Debt to Total Investment	*	*	34.6	36.2	37.8	41.7	51.8
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	70.5	69.4	69.2	68.9	68.5	67.8	67.2
23	Breakeven	63.5	62.4	64.8	64.6	64.2	67.1	67.5
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	72,974	78,691	72,510	73,939	75,930	77,465	78,951
25	Overall RTM's per Employee (000)	44.6	40.5	174.2	169.9	164.7	161.0	158.1

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	3.7	-2.3	-0.5	-2.0	-3.1	-1.0	1.6
27	Operating Expenses (%)	4.3	-2.4	-3.0	-4.5	-5.7	0.7	3.2
28	Operating Profit (Loss) (in Millions \$)	-3.4	-8.4	353.8	348.8	347.7	-252.4	-209.4
29	Net Income (Loss)(in Millions \$)	13.7	21.5	339.6	347.5	353.9	-103.0	-105.5
30	RPMs (Sch. Svc.) (%)	2.6	2.5	1.7	1.7	1.8	1.6	2.4
31	ASMs (Sch. Svc.) (%)	0.9	-0.8	-1.2	-1.6	-1.6	-0.5	0.6
32	Operating Revenues per RTM (%)	1.5	-3.9	-1.6	-3.0	-4.4	-2.1	-0.1
33	Operating Expense per RTM (%)	1.9	-3.9	-4.0	-5.5	-6.9	-0.4	1.5
34	Passenger Revenue per RPM (Sch. Svc.)	1.1	0.8	0.2	0.2	0.5	1.4	1.6

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



**QUARTERLY RESULTS**

- o Although operating expenses, up 9.9 percent, grew faster than operating revenues, up 8.9 percent, operating profit improved \$4.3 million to \$210.4 million, an all-time high for the carrier for any quarter.
- o Net income, however, fell \$55.5 million to \$120.5 million.
- o Total fuel expense rose a major group high 17.4 percent (\$30.3 million) as unit fuel prices rose 5.9 percent and fuel consumption jumped 10.8 percent.
- o Except for the Pacific entity, all entities reported operating and net profits for the second quarter. Only the domestic and Latin entities, however, experienced an improvement in both operating and net results. Pacific operations experienced a deterioration in both operating and net results, while domestic operations suffered a decline only in net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	159.9	163.8	3.9	138.5	80.2	-58.3	7.8	8.5	9.0	11.1	11.7	4.7	72.6%
Int'l	46.3	46.7	0.4	37.5	40.3	2.8	2.8	3.5	28.2	4.0	4.9	22.4	71.8%
Atlantic	32.3	38.1	5.8	32.7	35.8	3.1	1.0	1.6	59.0	1.3	2.0	53.2	83.1%
Latin	-3.5	11.6	15.1	-3.8	11.5	15.3	0.7	0.8	27.1	1.1	1.3	22.3	62.6%
Pacific 1/	17.4	-3.0	-20.5	8.6	-7.0	-15.6	1.1	1.1	-0.6	1.7	1.6	-1.3	65.7%
System	206.1	210.4	4.3	176.0	120.5	-55.5	10.5	12.0	14.1	15.2	16.6	9.4	72.4%

- o RPM traffic, up 14.1 percent, grew faster than ASM capacity, up 9.4 percent, resulting in the passenger load factor increasing 2.9 percentage points to 68.8 percent, 9.2 points above operating breakeven.
- o The declines in both RTM yield, down 14 percent, and RTM unit costs, down 14.7 percent, were the largest among all majors.
- o Passenger (RPM) yield also fell, down 12.8 percent, as passenger revenue growth was stagnant but RPMs advanced strongly.

**12-MONTH RESULTS**

- o Operating profit declined over a year ago for the first time in 4 years, falling \$55.6 million to \$505.4 million, as operating expense, up 9.2 percent, rose faster than operating revenues, up 7.4 percent.
- o Net results deteriorated for the second consecutive 12-month period, down \$184.1 million to \$276.4 million.
- o RPMs rose 9.9 percent outpacing the 7.8 percent increase in ASMs, causing the passenger load factor to rise 1.3 percentage points to 69.3 percent.
- o Passenger (RPM) yield declined 2.4 percent to 12.70 cents, the first year-to-year decline since September 1992.
- o Productivity (RTMs per employee) rose from 182.1 to 189.8.
- o Total debt was cut \$83.2 million to \$1.49 billion, but equity was down due to the quarterly net loss, pushing the debt-to-investment ratio up 2.5 percentage points to 68 percent.

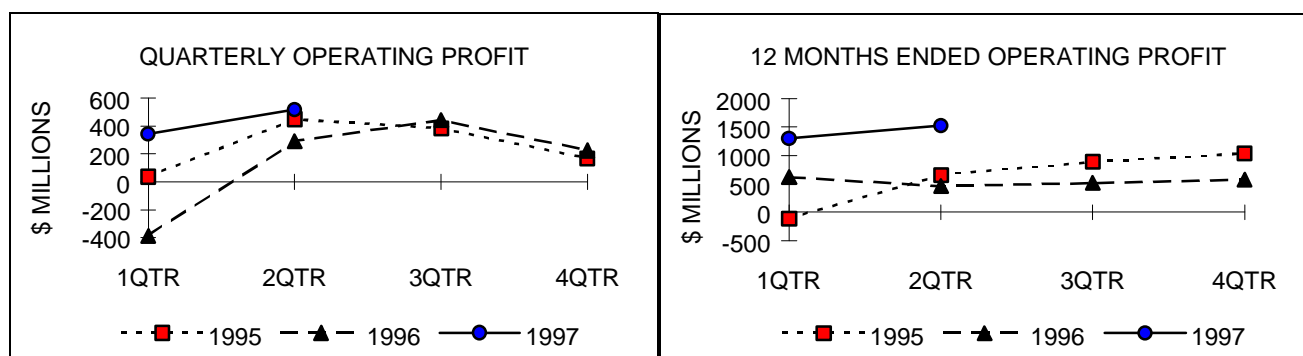
1/ Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which now reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively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

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	1,749.7	1,606.6	6,609.9	6,466.8	6,264.4	6,135.0	5,990.2
2	Operating Expenses	1,539.3	1,400.4	6,107.5	5,968.7	5,792.4	5,658.3	5,429.2
3	Operating Profit (Loss)	210.4	206.1	502.4	498.1	472.0	476.7	561.0
4	Net Income (Loss)	120.5	176.0	269.3	324.9	347.3	355.8	460.5
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	12.01	10.53	44.53	43.05	41.91	41.03	40.50
6	ASMs - Scheduled Rev. Svc.	16.59	15.16	64.23	62.80	61.53	60.36	59.57
7	Overall RTMs (All Svc.)	1.38	1.21	5.15	4.98	4.85	4.73	4.66
8	Overall ATMs (All Svc.)	2.15	1.92	8.19	7.95	7.77	7.61	7.53
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	126.7	132.6	128.3	129.8	129.3	129.8	128.5
10	Operating Expense per RTM	111.4	115.6	118.6	119.8	119.5	119.7	116.4
11	Operating Profit (Loss) per RTM	15.2	17.0	9.8	10.0	9.7	10.1	12.0
12	Operating Expense per ATM	71.5	73.1	74.6	75.1	74.5	74.4	72.1
13	Passenger Revenue per RPM	12.79	13.45	12.98	13.15	13.10	13.14	13.01
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.67	2.69	2.63	2.57	2.51
15	Times Interest Earned	*	*	4.21	4.19	3.80	3.40	3.69
16	Current Assets to Current Liabilities	*	*	0.76	0.77	0.81	0.74	0.77
17	No. of Days Cash Coverage of Cash Exp.	*	*	61.6	58.9	69.6	58.2	57.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	12.0	12.8	7.6	7.7	7.5	7.8	9.4
19	Net Income to Stockholders Equity	*	*	33.6	42.3	48.2	52.0	71.4
20	Corporate Return on Investment	*	*	16.3	19.3	20.9	22.0	27.0
21	Debt to Total Investment	*	*	67.3	66.7	69.9	68.7	65.5
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	72.4	69.5	69.3	68.5	68.1	68.0	68.0
23	Breakeven	63.1	60.3	64.8	64.1	63.7	63.4	61.9
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	27,835	25,153	27,177	26,506	25,950	25,653	25,614
25	Overall RTM's per Employee (000)	49.6	48.2	189.5	187.9	186.7	184.3	182.1

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	8.9	11.1	10.3	10.9	9.8	8.8	7.3
27	Operating Expenses (%)	9.9	3.8	12.5	11.0	8.5	4.8	0.5
28	Operating Profit (Loss) (in Millions \$)	4.3	109.6	-58.6	46.7	105.5	238.5	383.5
29	Net Income (Loss)(in Millions \$)	-55.5	58.3	-191.2	-77.2	56.4	624.4	808.2
30	RPMs (Sch. Svc.) (%)	14.1	2.6	9.9	7.0	4.7	0.0	-3.3
31	ASMs (Sch. Svc.) (%)	9.4	-0.2	7.8	5.4	0.8	-5.3	-9.3
32	Operating Revenues per RTM (%)	-4.5	7.7	-0.2	3.0	4.5	9.4	12.3
33	Operating Expense per RTM (%)	-3.6	0.6	1.9	3.0	3.3	5.4	5.1
34	Passenger Revenue per RPM (Sch. Svc.)	-4.9	8.2	-0.2	3.2	4.6	8.9	11.0

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



**QUARTERLY RESULTS**

- o For the quarter ended June 1997, Delta reported the best operating and net results among all majors, as well as the strongest year-to-year improvements. In addition, operating and net results were the highest for any quarter in the carrier's history.
- o Operating revenues rose 5 percent while operating expenses declined 1.7 percent causing operating results to soar \$225 million to a profit of \$516 million.
- o Net income jumped \$139.8 million to \$301.2 million.
- o All entities reported operating and net improvements for the first quarter, and all entities also reported operating and net profits. The strongest improvements were in the Atlantic operations.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	355.7	372.6	16.9	204.9	212.8	8.0	18.6	20.0	7.9	26.3	27.5	4.6	72.9%
Int'l	-64.7	143.4	208.1	-43.4	88.4	131.8	5.6	5.7	2.4	7.2	7.1	-2.1	81.0%
Atlantic	-51.7	119.3	171.0	-34.7	73.6	108.3	4.6	4.7	3.3	5.7	5.7	-1.3	83.1%
Latin	3.3	13.5	10.2	1.8	8.3	6.5	0.4	0.3	-5.5	0.5	0.5	-8.8	68.4%
Pacific	-16.3	10.6	26.9	-10.5	6.4	16.9	0.7	0.7	-0.1	0.9	0.9	-3.6	75.1%
System	291.0	516.0	225.0	161.4	301.2	139.8	24.1	25.8	6.6	33.5	34.5	3.1	74.6%

- o RPM traffic growth, up 6.6 percent, was more than double ASM capacity growth, up 3.1 percent, causing the passenger load factor to gain 2.5 percentage points to 74.6 percent, 10.9 percentage points above breakeven.
- o Passenger (RPM) yield slid 2.7 percent to 12.60 cents.
- o RTM declined 2.9 percent while RTM unit costs tumbled 9 percent enhancing profitability.
- o Total fuel expense declined 0.4 percent (\$1.3 million) despite a 3 percent increase in consumption as unit fuel prices slid 3.3 percent.

**12-MONTH RESULTS**

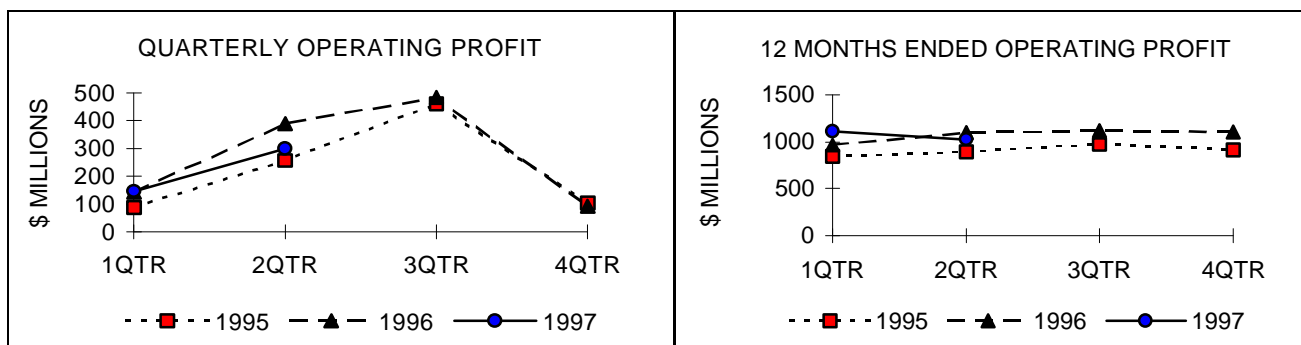
- o Year ago operating results were adversely affected by a negative \$556 million non-recurring adjustment, which was reported in operating expenses, and the resulting effect on net results (net of taxes) was a negative \$339 million. Due in large part to this adjustment, Delta reported the largest improvements over a year ago among all majors in both operating and net results.
- o Reflecting four strong quarters of operations since this adjustment, operating and net results were the highest among all majors.
- o Operating profit spiraled upward \$1.07 billion to \$1.5 billion and net income surged \$698.4 million to \$854.3 million. Roughly half of these improvements, however, were attributable to the year ago adjustment.
- o The passenger load factor rose 3.7 percentage points to 71.5 percent as RPM traffic growth, up 10.2 percent, more than doubled ASM capacity growth, up 4.6 percent.
- o Passenger (RPM) yield declined 2.7 percent to 12.60 cents.
- o Total debt was cut \$127.1 million to \$2.18 billion. This, combined with soaring equity, resulted in the debt-to-investment ratio dropping 5.9 percentage points to 41.6 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,618.8	3,447.6	13,938.2	13,767.0	13,317.7	13,063.1	12,810.0
2	Operating Expenses	3,102.8	3,156.6	12,413.4	12,467.1	12,746.6	12,547.4	12,351.2
3	Operating Profit (Loss)	516.0	291.0	1,524.8	1,299.8	571.1	515.7	458.8
4	Net Income (Loss)	301.2	161.4	854.3	714.6	249.0	193.7	155.9
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	25.75	24.15	97.70	96.10	93.88	91.26	88.63
6	ASMs - Scheduled Rev. Svc.	34.53	33.48	136.70	135.66	133.61	131.64	130.66
7	Overall RTMs (All Svc.)	2.98	2.76	11.31	11.08	10.81	10.49	10.24
8	Overall ATMs (All Svc.)	4.83	4.64	18.98	18.79	18.49	18.21	18.08
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	121.4	125.0	123.3	124.2	123.2	124.5	125.2
10	Operating Expense per RTM	104.1	114.4	109.8	112.5	118.0	119.6	120.7
11	Operating Profit (Loss) per RTM	17.3	10.5	13.5	11.7	5.3	4.9	4.5
12	Operating Expense per ATM	64.2	68.1	65.4	66.4	68.9	68.9	68.3
13	Passenger Revenue per RPM	12.60	12.95	12.78	12.87	12.76	12.92	13.09
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.84	2.84	2.70	2.58	2.49
15	Times Interest Earned	*	*	8.90	7.07	3.08	2.51	2.12
16	Current Assets to Current Liabilities	*	*	0.74	0.75	0.75	0.87	0.93
17	No. of Days Cash Coverage of Cash Exp.	*	*	36.1	33.2	30.6	42.5	52.1
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	14.3	8.4	10.9	9.4	4.3	3.9	3.6
19	Net Income to Stockholders Equity	*	*	31.7	29.2	10.7	8.7	7.5
20	Corporate Return on Investment	*	*	21.0	18.7	9.1	8.2	7.8
21	Debt to Total Investment	*	*	41.6	44.8	46.2	46.3	47.5
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	74.6	72.1	71.5	70.8	70.3	69.3	67.8
23	Breakeven	63.7	66.0	63.8	64.4	68.2	67.2	65.8
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	56,686	53,237	55,653	54,790	53,812	53,060	52,570
25	Overall RTM's per Employee (000)	52.6	51.8	203.2	202.3	200.8	197.8	194.7

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	5.0	4.6	8.8	8.8	6.1	4.6	3.3
27	Operating Expenses (%)	-1.7	10.8	0.5	3.5	10.7	8.2	5.2
28	Operating Profit (Loss) (in Millions \$)	225.0	-157.4	1,066.0	683.6	-467.3	-373.0	-200.0
29	Net Income (Loss)(in Millions \$)	139.8	-89.5	698.4	469.2	-261.0	-228.5	-251.8
30	RPMs (Sch. Svc.) (%)	6.6	10.6	10.2	11.3	10.3	6.8	2.6
31	ASMs (Sch. Svc.) (%)	3.1	1.6	4.6	4.2	2.7	1.0	0.1
32	Operating Revenues per RTM (%)	-2.9	-3.4	-1.5	-1.7	-2.6	0.0	2.4
33	Operating Expense per RTM (%)	-9.0	2.3	-9.0	-6.3	1.7	3.5	4.2
34	Passenger Revenue per RPM (Sch. Svc.)	-2.7	-5.8	-2.4	-3.2	-4.6	-2.6	0.0

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



**QUARTERLY RESULTS**

- o Operating revenues dipped 0.7 percent as operating expenses increased 3.3 percent causing operating profit to drop \$89 million to \$299.7 million.
- o Net income also deteriorated from a year ago, down \$82.4 million to \$135.2 million.
- o The Pacific division reported its largest second quarter operating loss in five years, and its largest second quarter net loss ever.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	323.4	284.5	-38.8	181.1	150.9	-30.2	9.9	10.3	3.4	14.1	14.3	1.6	71.7%
Int'l	65.3	15.2	-50.2	36.5	-15.6	-52.1	7.6	7.9	3.1	9.4	9.9	5.7	79.6%
Atlantic	38.9	38.9	-0.1	23.5	23.3	-0.2	1.9	1.9	1.0	2.1	2.1	-1.1	89.3%
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	26.4	-23.7	-50.1	13.0	-38.9	-51.9	5.8	6.0	3.8	7.2	7.8	7.7	77.0%
System	388.7	299.7	-89.0	217.6	135.2	-82.4	17.6	18.1	3.3	23.5	24.2	3.2	74.9%

- o Unit fuel prices inched upward 0.2 percent while consumption rose 1.8 percent boosting total fuel expense 2 percent (\$6.2 million).
- o Interest expense climbed \$2.1 million to \$48.7 million, the largest increase among all majors.
- o The passenger load factor was unchanged at 74.9 percent, still a major group high, as RPM traffic rose 3.3 percent and ASM capacity increased 3.2 percent.
- o Passenger (RPM) yield dropped 4.7 percent to 12.09 cents.

**12-MONTH RESULTS**

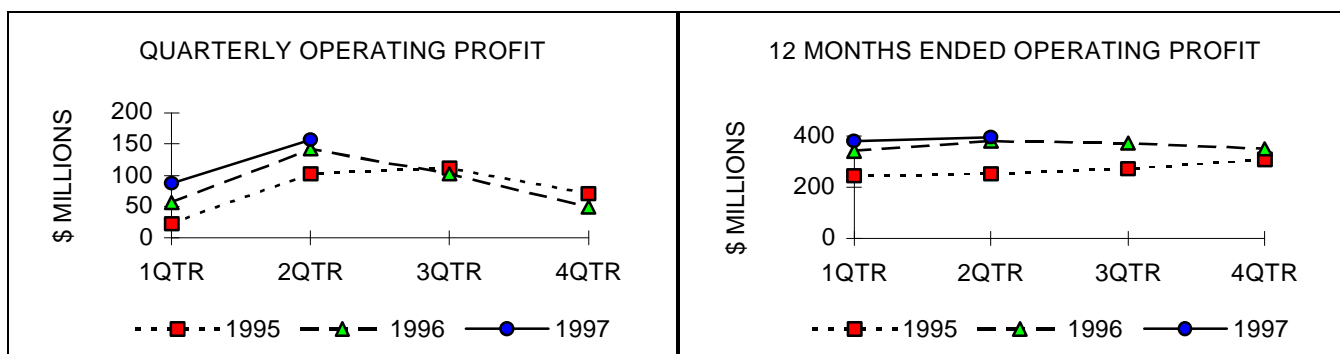
- o For the first time in over four years, operating expenses, up 6 percent, grew faster than operating revenues, up 4.5 percent.
- o As a result, operating profit fell \$72.9 million to \$1.02 billion, the fifth consecutive period with profits in excess of \$1 billion.
- o Net income dropped \$130.7 million to \$499.7 million.
- o The passenger load factor increased 0.9 percentage points to a major group high 73.5 percent, 8.1 percentage points above operating breakeven.
- o Passenger (RPM) yield declined 1.7 percent to 12.34 cents.
- o Productivity (RTMs per employee) continued to be a passenger group high, rising from 203.6 a year ago to 206.4.
- o Despite a \$175.6 million increase in total debt, soaring equity caused the debt-to-investment ratio to decline 1.7 percentage points to 35 percent. Only Southwest has a lower ratio.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,494.9	2,513.1	9,845.9	9,864.1	9,751.4	9,606.6	9,418.0
2	Operating Expenses	2,195.3	2,124.4	8,822.6	8,751.8	8,643.5	8,487.7	8,321.8
3	Operating Profit (Loss)	299.7	388.7	1,023.3	1,112.3	1,107.9	1,119.0	1,096.2
4	Net Income (Loss)	135.2	217.6	499.7	582.0	578.8	646.4	630.4
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	18.13	17.56	70.22	69.64	68.63	67.51	65.97
6	ASMs - Scheduled Rev. Svc.	24.21	23.46	95.52	94.76	93.90	92.80	90.83
7	Overall RTMs (All Svc.)	2.37	2.31	9.26	9.20	9.09	8.99	8.82
8	Overall ATMs (All Svc.)	3.84	3.75	15.15	15.07	14.97	14.85	14.56
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	105.2	108.7	106.3	107.2	107.3	106.9	106.8
10	Operating Expense per RTM	92.5	91.8	95.3	95.1	95.1	94.4	94.4
11	Operating Profit (Loss) per RTM	12.6	16.8	11.1	12.1	12.2	12.4	12.4
12	Operating Expense per ATM	57.2	56.7	58.2	58.1	57.8	57.2	57.2
13	Passenger Revenue per RPM	12.09	12.69	12.34	12.50	12.53	12.54	12.55
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.46	1.51	1.54	1.53	1.53
15	Times Interest Earned	*	*	5.15	5.82	5.65	5.64	5.32
16	Current Assets to Current Liabilities	*	*	0.63	0.65	0.57	0.69	0.78
17	No. of Days Cash Coverage of Cash Exp.	*	*	38.3	48.0	28.9	41.3	55.7
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	12.0	15.5	10.4	11.3	11.4	11.6	11.6
19	Net Income to Stockholders Equity	*	*	11.4	13.9	14.5	17.2	18.2
20	Corporate Return on Investment	*	*	10.3	11.9	12.3	13.5	13.6
21	Debt to Total Investment	*	*	35.0	35.8	34.2	33.4	36.7
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	74.9	74.9	73.5	73.5	73.1	72.7	72.6
23	Breakeven	65.0	61.9	65.4	64.6	64.1	63.6	63.5
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	45,421	44,061	44,879	44,539	44,099	43,688	43,312
25	Overall RTM's per Employee (000)	52.2	52.5	206.3	206.6	206.1	205.7	203.6

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-0.7	12.3	4.5	7.9	9.5	8.1	6.3
27	Operating Expenses (%)	3.3	7.1	6.0	7.0	8.1	7.1	4.4
28	Operating Profit (Loss) (in Millions \$)	-89.0	132.7	-72.9	148.8	197.7	150.3	207.8
29	Net Income (Loss)(in Millions \$)	-82.4	85.9	-130.7	37.5	72.5	176.8	202.1
30	RPMs (Sch. Svc.) (%)	3.3	11.3	6.4	8.5	9.8	10.6	10.9
31	ASMs (Sch. Svc.) (%)	3.2	7.6	5.2	6.3	7.4	7.6	6.6
32	Operating Revenues per RTM (%)	-3.2	3.8	-0.5	1.3	2.6	1.2	0.3
33	Operating Expense per RTM (%)	0.8	-1.0	1.0	0.5	1.3	0.3	-1.5
34	Passenger Revenue per RPM (Sch. Svc.)	-4.7	2.2	-1.7	0.2	0.9	-0.6	-2.5

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



**QUARTERLY RESULTS**

- o Southwest has not reported a quarterly operating or net loss since the quarter ended March 1991, a six-plus year period of consecutive profitable quarters. Operating and net results for the quarter ended June 1997 were the highest for any quarter in the carrier's history.
- o Operating revenue growth, up 5.1 percent, outpaced operating expense growth, up 4.2 percent, leading to an improvement in operating profit of \$14.2 million to \$156.4 million.
- o Net income gained \$8.5 million to \$93.8 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	142.2	156.4	14.2	85.3	93.8	8.5	6.8	7.0	3.0	10.2	11.0	8.0	63.9%
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	142.2	156.4	14.2	85.3	93.8	8.5	6.8	7.0	3.0	10.2	11.0	8.0	63.9%

- o Interest expense rose \$1.4 million to \$16.1 million.
- o The operating profit margin inched upward 0.7 percentage points to a major group high 16.3 percent.
- o ASM capacity, up 8 percent, grew much faster than RPM traffic, up 3 percent, causing the passenger load factor to drop 3.1 percentage points to 63.9 percent, a group low. A sharper decline in the operating breakeven load factor, however, increased the spread to 12.5 percentage points.
- o Passenger (RPM) yield climbed 1 percent to 13 cents.
- o Total fuel expense rose 1.5 percent (\$1.7 million) due solely to rising fuel consumption, up 6.1 percent, as unit fuel prices fell 4.3 percent.

**12-MONTH RESULTS**

- o Reflecting its recent string of record or near-record quarterly profits, operating and net results for the 12-months ended June 1997 were the highest for any quarter-ended 12-month period in its history.
- o For the third consecutive quarter-ended 12-month period, operating expenses, up 12.7 percent, grew slightly faster than operating revenues, up 11.6 percent, but operating profit still improved \$14.2 million to \$395.2 million.
- o Net income rose \$4.3 million to \$233.7 million.
- o The passenger load factor rose 1.7 percentage points to 66 percent, a major group low, but still 8.6 percentage points above operating breakeven.
- o Passenger (RPM) yield declined 1.6 percent to 12.19 cents, the first year-to-year decline in nearly two years.
- o Interest expense was up \$0.9 million to \$60.1 million, the only increase among all majors.
- o Total debt jumped \$86.6 million to \$753.9 million. Still, soaring equity caused the debt-to-investment ratio to dip 0.4 percentage points to 29.6 percent, a major group low.
- o Productivity dipped slightly from 128.3 a year ago to 128.2.

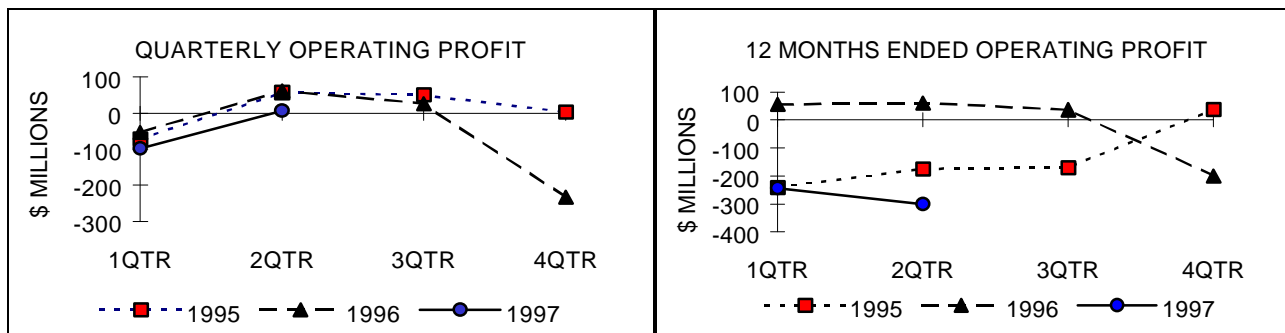


**QUARTERLY FINANCIAL & TRAFFIC REVIEW  
SYSTEM OPERATIONS  
SOUTHWEST AIRLINES**

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	956.9	910.6	3,568.0	3,521.7	3,407.4	3,324.1	3,197.4
2	Operating Expenses	800.5	768.4	3,172.8	3,140.7	3,057.6	2,951.9	2,816.4
3	Operating Profit (Loss)	156.4	142.2	395.2	381.0	349.7	372.2	381.0
4	Net Income (Loss)	93.8	85.3	233.7	225.2	207.3	222.5	229.4
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	7.02	6.81	27.99	27.78	27.09	25.86	24.78
6	ASMs - Scheduled Rev. Svc.	10.98	10.16	42.40	41.58	40.71	39.80	38.53
7	Overall RTMs (All Svc.)	0.73	0.71	2.91	2.89	2.81	2.68	2.57
8	Overall ATMs (All Svc.)	1.41	1.30	5.43	5.33	5.22	5.10	4.93
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	130.4	128.8	122.4	121.9	121.2	123.9	124.7
10	Operating Expense per RTM	109.1	108.7	108.9	108.7	108.7	110.1	109.8
11	Operating Profit (Loss) per RTM	21.3	20.1	13.6	13.2	12.4	13.9	14.9
12	Operating Expense per ATM	56.9	58.9	58.4	58.9	58.6	57.9	57.1
13	Passenger Revenue per RPM	13.00	12.87	12.19	12.16	12.07	12.34	12.39
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.51	1.54	1.54	1.54	1.52
15	Times Interest Earned	*	*	10.03	10.29	10.23	11.23	12.57
16	Current Assets to Current Liabilities	*	*	0.82	1.07	0.97	1.07	0.90
17	No. of Days Cash Coverage of Cash Exp.	*	*	70.6	80.5	73.8	78.2	65.8
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	16.3	15.6	11.1	10.8	10.3	11.2	11.9
19	Net Income to Stockholders Equity	*	*	14.1	14.1	13.4	14.9	16.1
20	Corporate Return on Investment	*	*	11.7	11.6	11.1	12.0	12.5
21	Debt to Total Investment	*	*	29.6	30.8	28.7	29.1	30.0
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	63.9	67.0	66.0	66.8	66.5	65.0	64.3
23	Breakeven	51.4	54.9	57.4	58.4	58.6	56.6	55.4
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	23,274	21,220	22,744	22,230	21,476	20,714	19,993
25	Overall RTM's per Employee (000)	31.5	33.3	128.2	129.9	130.9	129.5	128.3

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.1	23.3	11.6	16.4	18.6	20.9	21.6
27	Operating Expenses (%)	4.2	20.8	12.7	17.0	19.2	19.2	18.6
28	Operating Profit (Loss) (in Millions \$)	14.2	39.6	14.2	39.6	41.2	97.5	127.5
29	Net Income (Loss)(in Millions \$)	8.5	25.6	4.3	21.4	24.7	62.9	78.9
30	RPMs (Sch. Svc.) (%)	3.0	13.6	13.0	15.9	16.1	13.3	13.6
31	ASMs (Sch. Svc.) (%)	8.0	13.9	10.0	11.5	12.5	13.4	14.9
32	Operating Revenues per RTM (%)	1.2	8.1	-1.9	-0.2	1.8	7.0	7.9
33	Operating Expense per RTM (%)	0.4	5.8	-0.8	0.4	2.3	5.7	5.1
34	Passenger Revenue per RPM (Sch. Svc.)	1.0	8.6	-1.6	0.3	2.0	6.7	7.4

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



**QUARTERLY RESULTS**

- o After 22 months of operating under the protection of Chapter 11 bankruptcy laws, Trans World obtained confirmation of a Plan of Reorganization from the bankruptcy court and emerged from bankruptcy on November 3, 1993. On June 30, 1995, Trans World again filed bankruptcy to implement a prepackaged restructuring plan. It emerged from the second bankruptcy on August 23, 1995.
- o Although much of the rest of the airline industry continues to report strong, and often record, quarterly financial results, Trans World continues to experience significant financial difficulties. For the second quarter 1997, the carrier attained a small operating profit, but reported the only net loss among the major carriers.
- o Although operating expenses were cut 7.2 percent, operating revenues tumbled 12.8 percent, the sharpest decline among all majors, causing operating profit to fall \$56.1 million to a small profit of \$5.9 million.
- o Net results, however, dropped into the red, down \$39.7 million to a loss of \$14.4 million.
- o Both rgw domestic and Atlantic entities contributed to the systemwide operating and net deteriorations, with only the domestic entity remaining slightly profitable.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	77.0	29.7	-47.3	28.6	11.4	-17.2	5.0	5.0	0.3	7.5	7.3	-1.7	67.9%
Int'l	-15.0	-23.8	-8.8	-3.4	-25.8	-22.4	2.1	1.4	-32.1	2.6	1.8	-30.1	76.9%
Atlantic	-15.0	-23.8	-8.8	-3.4	-25.8	-22.4	2.1	1.4	-32.1	2.6	1.8	-30.1	76.9%
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	62.0	5.9	-56.1	25.3	-14.4	-39.7	7.0	6.4	-9.2	10.1	9.2	-9.0	69.7%

- o The passenger load factor was relatively unchanged at 69.7 percent as both RPMs and ASMs were down 9 percent. The breakeven load factor, however, rose 5.2 percentage points. No other major carrier reported a decline in RPMs or ASMs.
- o Passenger (RPM) yield slid 2.8 percent to 11.60 cents, well below the group average of 12.82 cents.
- o Trans World slashed its total fuel expense a group high 16.4 percent (\$21.2 million) as consumption dropped 12.5 percent and unit fuel prices declined 4.4 percent.
- o Cash reserves continue to dwindle as days cash coverage declined to 10.5, down from 33.9 just a year ago.

**12-MONTH RESULTS**

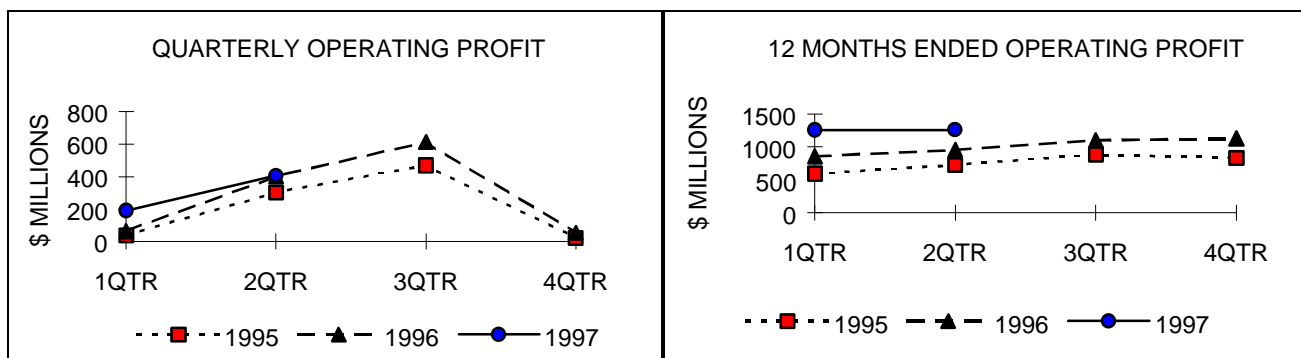
- o Trans World reported the only operating and net losses and largest deteriorations among all majors.
- o Operating results tumbled \$361.3 million to a loss of \$300.9 million. Operating revenues declined 2.4 percent, the first year-to-year decline since calendar year 1995, while operating expenses grew 8.1 percent.
- o The year ago net loss of \$121.7 widened to a loss of \$358.9 million, a deterioration of \$237.2 million.
- o The deterioration in passenger (RPM) yield accelerated, down 2.4 percent to 11.31 cents.
- o The passenger load factor climbed 0.5 percentage points to 67.3 percent.
- o Total debt was reduced \$142.9 million, the second largest debt reduction among the majors (after American) to \$933.6 million, but falling equity caused the debt-to-investment ratio to jump 13.4 percentage points to 83.2 percent, the ratio only increase among all majors.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	844.4	965.8	3,412.9	3,534.3	3,554.4	3,552.9	3,496.6
2	Operating Expenses	838.5	903.8	3,713.8	3,779.0	3,753.7	3,516.3	3,436.1
3	Operating Profit (Loss)	5.9	62.0	-300.9	-244.8	-199.3	36.6	60.4
4	Net Income (Loss)	-14.4	25.3	-358.9	-319.3	-284.8	-54.0	-121.7
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	6.38	7.03	26.29	26.94	27.11	26.86	26.17
6	ASMs - Scheduled Rev. Svc.	9.16	10.07	39.05	39.96	40.59	40.10	39.16
7	Overall RTMs (All Svc.)	0.73	0.81	3.04	3.13	3.17	3.14	3.07
8	Overall ATMs (All Svc.)	1.28	1.39	5.41	5.52	5.62	5.56	5.45
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	116.2	118.6	112.2	112.9	112.1	113.3	113.9
10	Operating Expense per RTM	115.4	111.0	122.1	120.8	118.4	112.1	112.0
11	Operating Profit (Loss) per RTM	0.8	7.6	-9.9	-7.8	-6.3	1.2	2.0
12	Operating Expense per ATM	65.8	64.9	68.7	68.4	66.8	63.3	63.0
7	Passenger Revenue per RPM	11.60	11.93	11.31	11.40	11.35	11.47	11.59
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.62	2.54	2.46	2.39	2.52
15	Times Interest Earned	*	*	-2.01	-1.51	-1.17	0.63	-1.22
16	Current Assets to Current Liabilities	*	*	0.60	0.55	0.60	0.76	0.83
17	No. of Days Cash Coverage of Cash Exp.	*	*	10.5	13.8	18.5	27.0	33.9
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	0.7	6.4	-8.8	-6.9	-5.6	1.0	1.7
19	Net Income to Stockholders Equity	*	*	-114.2	-87.3	-73.2	-13.7	-64.2
20	Corporate Return on Investment	*	*	-18.3	-14.2	-10.9	5.1	0.4
21	Debt to Total Investment	*	*	83.2	84.1	80.2	66.8	69.8
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	69.7	69.8	67.3	67.4	66.8	67.0	66.8
23	Breakeven	71.2	66.0	76.4	74.9	73.2	67.9	67.4
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	22,040	23,407	23,574	23,916	23,623	23,086	22,571
25	Overall RTM's per Employee (000)	33.0	34.8	129.0	130.9	134.2	135.8	136.0

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	-12.6	13.8	-2.4	4.6	8.3	9.6	7.1
	Operating Expenses (%)	-7.2	14.1	8.1	13.7	15.7	3.1	-0.1
28	Operating Profit (Loss) (in Millions \$)	-56.1	5.5	-361.3	-299.7	-236.3	206.6	234.7
29	Net Income (Loss)(in Millions \$)	-39.7	20.1	-237.2	-177.5	-57.3	390.9	249.2
30	RPMs (Sch. Svc.) (%)	-9.2	12.7	0.4	6.1	8.9	8.1	5.1
31	ASMs (Sch. Svc.) (%)	-9.0	8.0	-0.3	4.0	7.1	5.1	1.6
32	Operating Revenues per RTM (%)	-2.0	3.4	-1.5	0.0	0.6	3.6	4.4
33	Operating Expense per RTM (%)	4.0	3.6	9.0	8.8	7.5	-2.6	-2.5
34	Passenger Revenue per RPM (Sch. Svc.)	-2.8	1.4	-2.4	-1.1	-0.4	2.0	3.6

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



**QUARTERLY RESULTS**

- o United reported its highest second quarter operating profit and net income in its history.
- o Operating profit rose \$4.2 million to \$404.2 million although operating expenses, up 5.7 percent, grew slight faster than operating revenues, up 5.3 percent.
- o Net income advanced \$43 million to \$238.9 million.
- o Except for a deterioration in domestic operating results, down \$56.3 million to \$253.9 million, all entities reported operating and net profits.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	310.3	253.9	-56.3	143.9	154.4	10.5	18.6	19.0	2.5	25.6	26.2	2.1	72.7%
Int'l	89.8	150.3	60.5	52.0	84.5	32.5	10.9	11.4	4.3	14.7	15.8	7.3	72.1%
Atlantic	38.1	74.5	36.5	22.4	40.6	18.2	3.0	3.5	18.1	3.6	4.2	17.0	84.3%
Latin	-0.8	11.1	11.9	-1.1	5.8	6.9	1.2	1.2	0.7	2.0	2.0	-1.5	60.0%
Pacific	52.6	64.7	12.1	30.7	38.1	7.4	6.7	6.7	-1.1	9.1	9.6	5.5	69.3%
System	400.0	404.2	4.2	195.9	238.9	43.0	29.5	30.4	3.1	40.3	41.9	4.0	72.5%

- o ASMs, up 4 percent, grew slightly faster than RPMs, up 3.1 percent, pushing the passenger load factor down 0.6 percentage points to 72.5 percent, still 5.3 percentage points above operating breakeven.
- o Total fuel expense climbed 0.7 percent (\$3.2 million) due to the 2.8 percent increase in fuel consumption as unit fuel prices were down 2 percent.
- o Interest expense dipped \$2.9 million but was still a major group high \$67.5 million.
- o Passenger (RPM) yield climbed 0.8 percent to 12.46 cents.

**12-MONTH RESULTS**

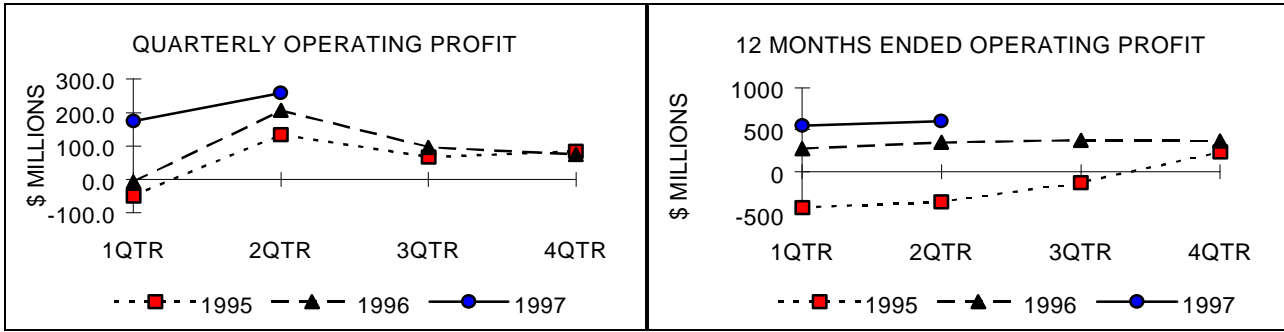
- o Operating revenues, up 8.1 percent, grew faster than operating expenses, up 6.6 percent, boosting operating profit \$304.5 million to a profit of \$1.26 billion, an all-time high for the carrier for any 12-month ended period.
- o Net income soared \$326.5 million to \$703.1 million.
- o Passenger (RPM) yield was up 3.6 percent to 12.39 cents.
- o Although RPM growth, up 4 percent, continues to slow while ASM growth, up 3.1 percent, accelerates, the passenger load factor inched upward 0.6 percentage points to 71.8 percent (only Northwest was higher at 73.5 percent).
- o Interest expense was down \$47.6 million to \$268.9 million, still a group high.
- o Profitability was enhanced as RTM yield, up 2.7 percent, grew more than twice as fast as RTM unit costs, up 1.2 percent.
- o Total debt was up a major group high \$193.1 million to \$3.48 billion, also a major group high. Despite the increase, soaring equity caused the debt-to-investment ratio to drop 21.1 percentage points (the largest decline among all majors) to 62.9 percent.
- o Productivity (RTMs per employee) rose from 187.9 a year ago to 192.7.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	4,371.6	4,152.5	16,921.9	16,702.9	16,316.7	16,007.8	15,646.8
2	Operating Expenses	3,967.3	3,752.5	15,662.2	15,447.4	15,186.5	14,908.7	14,691.6
3	Operating Profit (Loss)	404.2	400.0	1,259.7	1,255.5	1,130.2	1,099.1	955.2
4	Net Income (Loss)	238.9	195.9	703.1	660.1	533.7	470.0	376.6
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	30.38	29.46	118.94	118.02	116.55	115.53	114.38
6	ASMs - Scheduled Rev. Svc.	41.92	40.30	165.70	164.08	162.65	161.32	160.71
7	Overall RTMs (All Svc.)	3.75	3.54	14.49	14.28	14.06	13.89	13.76
8	Overall ATMs (All Svc.)	6.16	5.80	24.03	23.67	23.40	23.18	23.08
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	116.6	117.3	116.8	117.0	116.1	115.2	113.7
10	Operating Expense per RTM	105.8	106.0	108.1	108.2	108.0	107.3	106.8
11	Operating Profit (Loss) per RTM	10.8	11.3	8.7	8.8	8.0	7.9	6.9
12	Operating Expense per ATM	64.4	64.7	65.2	65.3	64.9	64.3	63.7
13	Passenger Revenue per RPM	12.46	12.36	12.39	12.36	12.22	12.10	11.96
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	3.56	3.79	3.95	3.92	3.91
15	Times Interest Earned	*	*	7.03	6.83	5.55	4.76	3.81
16	Current Assets to Current Liabilities	*	*	0.47	0.55	0.52	0.52	0.50
17	No. of Days Cash Coverage of Cash Exp.	*	*	13.0	21.6	15.8	16.1	15.7
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	9.2	9.6	7.4	7.5	6.9	6.9	6.1
19	Net Income to Stockholders Equity	*	*	52.0	66.3	76.0	82.5	92.3
20	Corporate Return on Investment	*	*	18.8	19.4	18.1	17.4	16.2
21	Debt to Total Investment	*	*	62.9	68.4	70.8	75.6	84.0
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	72.5	73.1	71.8	71.9	71.7	71.6	71.2
23	Breakeven	67.2	67.2	68.0	68.0	68.4	68.5	68.6
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	76,713	74,177	75,296	74,662	74,216	73,646	73,202
25	Overall RTM's per Employee (000)	48.9	47.7	192.4	191.2	189.4	188.6	187.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	5.3	9.2	8.1	9.2	9.5	9.2	9.1
27	Operating Expenses (%)	5.7	7.2	6.6	7.0	8.0	8.2	7.9
28	Operating Profit (Loss) (in Millions \$)	4.2	97.7	304.5	398.1	298.3	213.9	228.1
29	Net Income (Loss)(in Millions \$)	43.0	42.3	326.5	325.8	192.9	75.5	148.8
30	RPMs (Sch. Svc.) (%)	3.1	4.5	4.0	4.3	4.5	3.9	3.0
31	ASMs (Sch. Svc.) (%)	4.0	2.8	3.1	2.8	2.8	2.8	3.5
32	Operating Revenues per RTM (%)	-0.6	4.7	2.7	4.1	4.8	5.2	5.6
33	Operating Expense per RTM (%)	-0.2	2.8	1.2	2.0	3.3	4.3	4.5
34	Passenger Revenue per RPM (Sch. Svc.)	0.8	4.2	3.6	4.5	4.6	4.8	5.8

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



**QUARTERLY RESULTS**

- o US Airways (formerly USAir) attained all-time carrier highs during the second quarter 1997 in both operating profit and net income.
- o As operating revenues, up 10.8 percent, grew faster than operating expenses, up 9.1 percent, operating profit improved \$52.3 million to \$258.9 million.
- o Net income gained \$41.2 million to \$201.8 million.
- o All entities reported operating and net profits and improvements. Domestic operations, however, led the way as operating profit was up \$41.6 million to \$243.9 million and net income rose \$27.8 million to \$186.9 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	202.3	243.9	41.6	159.1	186.9	27.8	9.3	9.9	5.8	13.2	13.5	2.5	73.0%
Int'l	4.2	15.0	10.8	1.5	14.9	13.4	0.7	1.1	52.1	0.9	1.3	44.3	80.2%
Atlantic	6.0	12.1	6.1	4.0	12.4	8.4	0.5	0.9	63.9	0.7	1.1	56.6	82.3%
Latin	-1.8	2.9	4.7	-2.5	2.4	5.0	0.2	0.2	13.5	0.2	0.3	9.1	71.5%
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	206.6	258.9	52.4	160.6	201.8	41.2	10.0	11.0	9.0	14.1	14.9	5.2	73.7%

- o Interest expense declined \$1.9 million to \$69.1 million.
- o Passenger (RPM) yield dropped 5.6 percent, but was still a major group high 16.95 cents.
- o RTM yield rose 1.4 percent as RTM unit costs dipped 0.1 percent boosting profits.
- o The passenger load factor gained 2.6 percentage points to 73.7 percent as RPMs, up 9 percent, grew faster than ASMs, up 5.2 percent.
- o Total fuel expense declined 1.1 percent (\$1.7 million) despite a 4.2 percent increase in fuel consumption as unit fuel prices fell 5.1 percent to 58.71 cents, a group low.

**12-MONTH RESULTS**

- o US Airways, in reporting its seventh consecutive quarter-ended 12-month operating and net profits following six consecutive years of losses, achieved new all-time 12-month highs.
- o Operating revenues rose 14.8 percent while operating expenses increased a lesser 11.9 percent, causing operating profit to jump \$256.2 million to \$260.4 million.
- o Net income improved \$260.4 million to \$423 million.
- o Passenger (RPM) yield declined 0.7 percent, the first year-to-year decline in two years, to 17.19 cents, still a major group high.
- o The passenger load factor rose 3 percentage points to 70 percent, 2.8 points above operating breakeven..
- o The debt-to-investment ratio dropped 17.2 percentage points to 91 percent. This decline resulted from total equity turning positive and total debt falling \$96.1 million to \$2.62 billion.
- o Although up from a year ago, productivity (RTMs per employee) was a major group low 120.3.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,208.5	1,993.6	8,269.7	8,054.8	7,704.1	7,382.4	7,201.1
2	Operating Expenses	1,949.5	1,787.0	7,665.6	7,503.1	7,335.4	7,004.0	6,853.2
3	Operating Profit (Loss)	258.9	206.6	604.1	551.7	368.7	378.4	347.9
4	Net Income (Loss)	201.8	160.6	423.0	381.8	183.2	178.5	162.6
<u>TRAFFIC: (Billions)</u>								
5	RPMs - Scheduled Rev. Svc.	10.95	10.04	41.04	40.13	38.94	37.91	37.31
6	ASMs - Scheduled Rev. Svc.	14.86	14.12	58.61	57.87	56.88	55.84	55.66
7	Overall RTMs (All Svc.)	1.19	1.08	4.48	4.38	4.24	4.13	4.04
8	Overall ATMs (All Svc.)	2.01	1.91	7.99	7.88	7.74	7.60	7.49
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	186.0	183.9	184.7	184.1	181.6	179.0	178.1
10	Operating Expense per RTM	164.2	164.8	171.2	171.5	172.9	169.8	169.5
11	Operating Profit (Loss) per RTM	21.8	19.1	13.5	12.6	8.7	9.2	8.6
12	Operating Expense per ATM	97.0	93.8	96.0	95.2	94.7	92.2	91.5
13	Passenger Revenue per RPM	16.95	17.95	17.19	17.44	17.46	17.50	17.31
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	3.12	3.16	3.08	2.95	2.86
15	Times Interest Earned	*	*	2.79	2.49	1.69	1.69	1.58
16	Current Assets to Current Liabilities	*	*	0.95	0.85	0.77	0.71	0.67
17	No. of Days Cash Coverage of Cash Exp.	*	*	80.4	74.2	82.5	70.3	69.4
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	11.7	10.4	7.3	6.8	4.8	5.1	4.8
19	Net Income to Stockholders Equity	*	*	0.0	-246.1	-80.0	-66.9	-56.2
20	Corporate Return on Investment	*	*	26.0	25.7	18.4	18.5	18.0
21	Debt to Total Investment	*	*	91.0	97.8	103.3	107.0	108.2
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	73.7	71.1	70.0	69.3	68.5	67.9	67.0
23	Breakeven	66.8	64.4	67.2	66.6	67.4	66.0	65.4
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	37,591	36,650	37,213	36,978	36,807	36,849	37,016
25	Overall RTM's per Employee (000)	31.6	29.6	120.3	118.3	115.3	111.9	109.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	10.8	7.6	14.8	14.1	10.3	7.9	6.8
27	Operating Expenses (%)	9.1	4.0	11.9	10.6	8.7	0.5	-3.4
28	Operating Profit (Loss) (in Millions \$)	52.3	71.9	256.2	275.7	134.0	505.2	701.3
29	Net Income (Loss)(in Millions \$)	41.2	82.8	260.4	301.9	150.2	521.8	714.1
30	RPMs (Sch. Svc.) (%)	9.0	0.6	10.0	7.7	3.5	-0.2	-3.3
31	ASMs (Sch. Svc.) (%)	5.2	-5.3	5.3	2.5	-2.2	-7.1	-9.6
32	Operating Revenues per RTM (%)	1.1	7.2	3.7	5.3	6.1	7.8	11.5
33	Operating Expense per RTM (%)	-0.4	3.6	1.0	2.1	4.5	0.4	0.8
34	Passenger Revenue per RPM (Sch. Svc.)	-5.6	6.9	-0.7	2.6	4.8	8.2	10.2

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

**QUARTERLY RESULTS**

- o Both Federal Express and United Parcel Service (UPS) reported an all-time high in operating and net profit during the second quarter 1997.
- o Operating revenues, up 14.2 percent, outpaced operating expenses, up 11.7 percent, causing operating profit to jump \$100.3 million to \$283.7 million.
- o Net income gained \$58.5 million to \$149.3 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1996	THIS YEAR 1997	\$ Change	LAST YEAR 1996	THIS YEAR 1997	\$ Change
March	135.4	208.2	72.8	57.3	103.4	46.2
June	183.4	283.7	100.3	90.8	149.3	58.5
Sept.	149.0	0.0	-	80.7	0.0	-
Dec.	255.3	0.0	-	119.8	0.0	-

- o Total fuel expense declined 4.5 percent (\$8.3 million), and comprised 5.4 percent of total operating expenses, down 0.9 percentage points from June 1996. Unit fuel prices was down 2.5 percent to an average of 61.04 cents as consumption increased 7.1 percent.
- o The Pacific entity reported the only operating and/or net loss during the quarter. Except for a small decline in Latin net results, all entities reported improvements in both operating and net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	223.7	277.5	53.8	113.7	148.0	34.3	1.49	1.61	7.7	2.54	2.78	9.4	57.9%
Int'l	-40.3	6.2	46.5	-22.9	1.3	24.2	0.69	0.82	18.9	1.17	1.28	9.7	64.2%
Atlantic	11.2	19.1	8.0	3.0	9.8	6.9	0.20	0.22	10.4	0.32	0.34	6.0	65.1%
Latin	3.2	4.8	1.6	4.8	2.9	-1.9	0.04	0.06	36.5	0.08	0.10	35.2	54.8%
Pacific	-54.7	-17.7	36.9	-30.7	-11.4	19.2	0.45	0.54	21.2	0.77	0.84	8.8	65.0%
System	183.4	283.7	100.3	90.8	149.3	58.5	2.19	2.43	11.3	3.71	4.06	9.5	59.9%

- o RTM traffic, up 11.5 percent, grew slightly faster than ATM capacity, up 9.5 percent causing the ton-load factor to rise 1.1 percentage points to 60 percent. For domestic operations, the ton load factor declined 0.9 points to 57.9 percent, but for international operations it rose 5.5 points to 64.7 percent.
- o Profitability was greatly enhanced as RTM yield rose 2.5 percent, while RTM unit costs were up only 0.2 percent.
- o Both UPS and Federal Express experienced an increase in total debt, up a combined \$529.1 million to \$3.88 billion. Much of this increase, however, was offset by soaring equity gains limiting the increase in the debt-to-investment ratio to a low 0.4 percentage points to 49.6 percent.

**12-MONTH RESULTS**

- o Both Federal Express and United Parcel Service experienced operating and net profits and year-to-year improvements for the 12-months ended June 1997. Operating profits were at an all-time high for both carriers, while Federal Express also reported record net income.
- o Operating profit jumped \$268.4 million to \$896.1 million.
- o Net income improved \$158 million to \$453.3 million.
- o The ton load factor climbed 0.7 percentage points to 59.7 percent.
- o Productivity (RTMs per employee) rose slightly from 113.8 to 117.1.



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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,559.6	3,116.5	13,590.0	13,146.8	12,742.4	12,283.6	11,965.3
2	Operating Expenses	3,276.0	2,933.1	12,693.8	12,351.0	12,019.3	11,650.6	11,337.7
3	Operating Profit (Loss)	283.7	183.4	896.1	795.9	723.1	633.1	627.7
4	Net Income (Loss)	149.3	90.8	453.3	394.8	348.6	304.6	295.3
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.70	1.46	6.65	6.41	6.14	5.87	5.68
6	ATMs - Scheduled Rev. Svc.	2.74	2.46	10.70	10.41	10.11	9.78	9.55
7	Overall RTMs (All Services)	2.43	2.19	9.38	9.13	8.99	8.80	8.63
8	Overall ATMs (All Services)	4.06	3.71	15.71	15.36	15.14	14.82	14.62
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	146.4	142.6	144.9	144.0	141.7	139.6	138.7
10	Operating Expense per RTM	134.7	134.2	135.4	135.2	133.7	132.4	131.4
11	Operating Profit (Loss) per RTM	11.7	8.4	9.6	8.7	8.0	7.2	7.3
12	Operating Expense per ATM	80.7	79.1	80.8	80.4	79.4	78.6	77.6
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	1.94	1.92	1.89	1.81	1.78
15	Times Interest Earned	*	*	8.17	7.52	6.90	6.32	5.96
16	Current Assets to Current Liabilities	*	*	1.17	1.36	1.24	1.16	1.27
17	No. of Days Cash Coverage of Cash Exp.	*	*	4.3	3.7	3.2	3.9	3.2
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Reve	8.0	5.9	6.6	6.1	5.7	5.2	5.2
19	Net Income to Stockholders Equity	*	*	12.3	11.1	10.0	9.0	8.9
20	Corporate Return on Investment	*	*	8.0	7.3	6.7	6.0	6.0
21	Debt to Total Investment	*	*	49.6	47.9	43.3	46.7	49.2
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	59.9	58.9	59.7	59.5	59.4	59.4	59.0
23	Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	82,318	77,010	80,197	78,870	77,844	76,849	75,837
25	Overall RTM's per Employee (000)	29.5	28.4	116.9	115.8	115.5	114.5	113.8

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	14.2	10.3	13.6	12.6	11.2	9.1	8.2
27	Operating Expenses (%)	11.7	10.3	12.0	11.6	11.1	10.1	9.5
28	Operating Profit (Loss) (in Millions \$)	100.3	17.9	268.4	186.1	90.1	-39.0	-75.4
29	Net Income (Loss)(in Millions \$)	58.5	11.9	158.0	111.5	36.6	-42.6	-65.2
30	RTMs (All Svc.) (%)	11.3	5.6	8.7	7.3	6.2	5.6	4.8
31	ATMs (All Svc.) (%)	9.5	7.2	7.5	6.9	6.7	6.1	6.4
32	Operating Revenues per RTM (%)	2.7	4.5	4.5	5.0	4.7	3.3	3.3
33	Operating Expense per RTM (%)	0.4	4.4	3.0	4.0	4.6	4.3	4.5
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	2,860.5	2,541.2	10,976.2	10,656.9	10,364.7	10,018.3	9,774.4
2	Operating Expenses	2,583.0	2,317.5	10,033.9	9,768.4	9,492.4	9,209.1	8,973.0
3	Operating Profit (Loss)	277.5	223.7	942.3	888.5	872.3	809.2	801.5
4	Net Income (Loss)	148.0	113.7	492.7	458.4	443.7	414.0	407.1
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.92	0.82	3.63	3.53	3.42	3.28	3.20
6	ATMs - Scheduled Rev. Svc.	1.53	1.37	6.01	5.86	5.70	5.52	5.40
7	Overall RTMs (All Services)	1.61	1.49	6.22	6.11	6.11	6.04	5.96
8	Overall ATMs (All Services)	2.78	2.54	10.80	10.56	10.45	10.25	10.13
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	177.8	170.1	176.4	174.5	169.5	165.8	164.0
10	Operating Expense per RTM	160.5	155.1	161.3	159.9	155.3	152.4	150.5
11	Operating Profit (Loss) per RTM	17.2	15.0	15.1	14.5	14.3	13.4	13.4
12	Operating Expense per ATM	92.9	91.2	92.9	92.5	90.9	89.8	88.6
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	9.7	8.8	8.6	8.3	8.4	8.1	8.2
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	10.4	10.0	9.8	9.2	9.1
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	57.9	58.8	57.6	57.9	58.5	58.9	58.9
23	Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25	Overall RTM's per Employee (000)	*	*	**	**	**	**	**

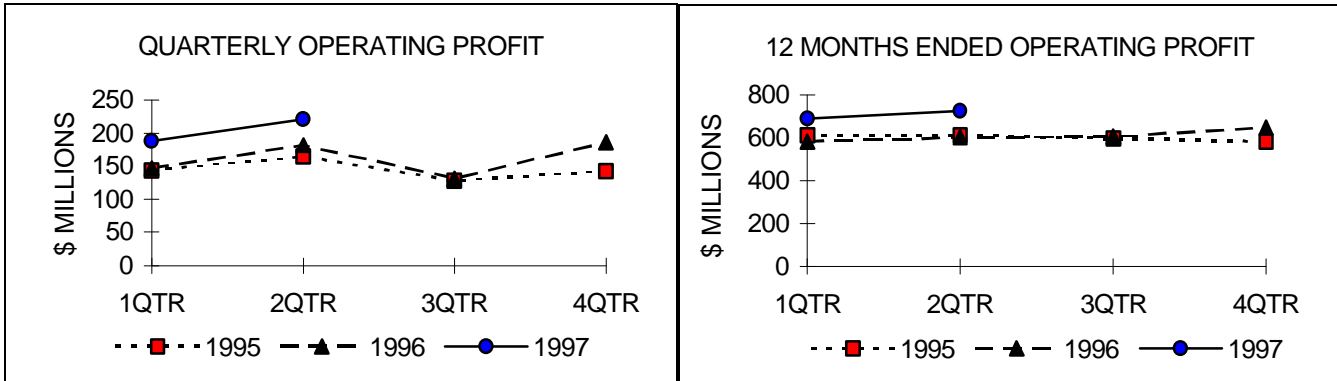
		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	12.6	9.7	12.3	11.6	10.5	8.5	7.4
27	Operating Expenses (%)	11.5	9.4	11.8	11.3	10.3	8.9	8.0
28	Operating Profit (Loss) (in Millions \$)	53.8	26.5	140.8	113.5	100.3	32.3	7.7
29	Net Income (Loss)(in Millions \$)	34.3	16.1	85.6	67.4	42.3	-1.6	-12.2
30	RTMs (All Svc.) (%)	7.7	5.2	4.4	3.7	4.8	5.4	5.1
31	ATMs (All Svc.) (%)	9.4	5.5	6.6	5.6	5.9	5.2	5.3
32	Operating Revenues per RTM (%)	4.5	4.3	7.6	7.6	5.5	2.9	2.2
33	Operating Expense per RTM (%)	3.5	4.0	7.2	7.3	5.3	3.3	2.7
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	699.1	575.3	2,613.7	2,489.9	2,377.7	2,265.3	2,190.9
2	Operating Expenses	693.0	615.6	2,659.9	2,582.6	2,526.8	2,441.5	2,364.7
3	Operating Profit (Loss)	6.2	-40.3	-46.2	-92.6	-149.2	-176.2	-173.8
4	Net Income (Loss)	1.3	-22.9	-39.5	-63.7	-95.1	-109.4	-111.9
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.78	0.65	3.01	2.88	2.72	2.58	2.48
6	ATMs - Scheduled Rev. Svc.	1.21	1.08	4.68	4.56	4.42	4.26	4.15
7	Overall RTMs (All Services)	0.82	0.69	3.16	3.02	2.88	2.75	2.67
8	Overall ATMs (All Services)	1.28	1.17	4.92	4.80	4.69	4.56	4.49
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	85.0	83.2	82.8	82.3	82.6	82.2	82.1
10	Operating Expense per RTM	84.2	89.0	84.3	85.4	87.8	88.6	88.6
11	Operating Profit (Loss) per RTM	0.8	-5.8	-1.5	-3.1	-5.2	-6.4	-6.5
12	Operating Expense per ATM	54.1	52.7	54.1	53.8	53.9	53.5	52.7
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	**	**	**	**	**
15	Times Interest Earned	*	*	**	**	**	**	**
16	Current Assets to Current Liabilities	*	*	**	**	**	**	**
17	No. of Days Cash Coverage of Cash Exp.	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	0.9	-7.0	-1.8	-3.7	-6.3	-7.8	-7.9
19	Net Income to Stockholders Equity	*	*	**	**	**	**	**
20	Corporate Return on Investment	*	*	-1.1	-3.0	-5.3	-6.4	-6.7
21	Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	64.2	59.2	64.2	63.0	61.4	60.4	59.5
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 (%)	21.5	12.9	19.3	17.2	14.6	12.1	11.7
27	Operating Expenses (%)	12.6	13.7	12.5	12.8	14.1	14.9	15.3
28	Operating Profit (Loss) (in Millions \$)	46.5	-8.6	127.6	72.6	-10.3	-71.5	-83.1
29	Net Income (Loss)(in Millions \$)	24.2	-4.2	72.4	43.9	-5.7	-41.0	-53.2
30	RTMs (All Svc.) (%)	19.0	6.5	18.3	15.2	9.3	6.0	4.1
31	ATMs (All Svc.) (%)	9.7	11.1	9.6	10.0	8.5	8.0	8.8
32	Operating Revenues per RTM (%)	2.2	6.0	0.9	1.6	4.8	5.8	7.3
33	Operating Expense per RTM (%)	-5.4	6.8	-4.9	-2.1	4.4	8.3	10.8
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

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



**QUARTERLY RESULTS**

- o For the second quarter 1997, Federal Express reported its highest operating and net results in carrier history.
- o Operating revenue growth, up 13.5 percent, slightly outpaced the 13 percent increase in operating expenses, causing operating profit to improve \$38.6 million to \$220.7 million.
- o Net income gained \$23.5 million to \$113.2 million.
- o Although all entities reported improvements in both operating and net results, the Pacific entity still failed to produce an operating or net profit despite a 19 percent increase in Pacific traffic.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	226.6	231.0	4.4	118.3	122.2	3.9	0.84	0.93	10.6	1.42	1.55	8.8	60.3%
Int'l	-44.4	-10.3	34.1	-28.6	-9.0	19.6	0.52	0.61	17.3	0.85	0.89	4.8	68.3%
Atlantic	13.9	17.9	4.0	6.8	9.2	2.4	0.14	0.16	13.3	0.21	0.23	9.9	66.9%
Latin	-0.9	5.6	6.6	-1.0	2.8	3.8	0.04	0.04	15.7	0.07	0.08	9.7	57.5%
Pacific	-57.4	-33.9	23.5	-34.5	-21.1	13.4	0.34	0.41	19.1	0.56	0.58	2.3	70.3%
System	182.1	220.7	38.5	89.7	113.2	23.5	1.36	1.54	13.1	2.27	2.44	7.3	63.2%

- o Total fuel expense jumped 4.3 percent (\$4.6 million) despite a 2.5 percent decline in unit fuel prices as consumption jumped 7.1 percent.
- o The ton load factor rose 3.3 percentage points to 63.2 percent as strong RTM traffic growth, up 13.2 percent, exceeded ATM capacity growth, up 7.3 percent.
- o RTM yield was up a slight 0.4 percent, but profitability was enhanced as RTM unit costs dipped 0.2 percent.

**12-MONTH RESULTS**

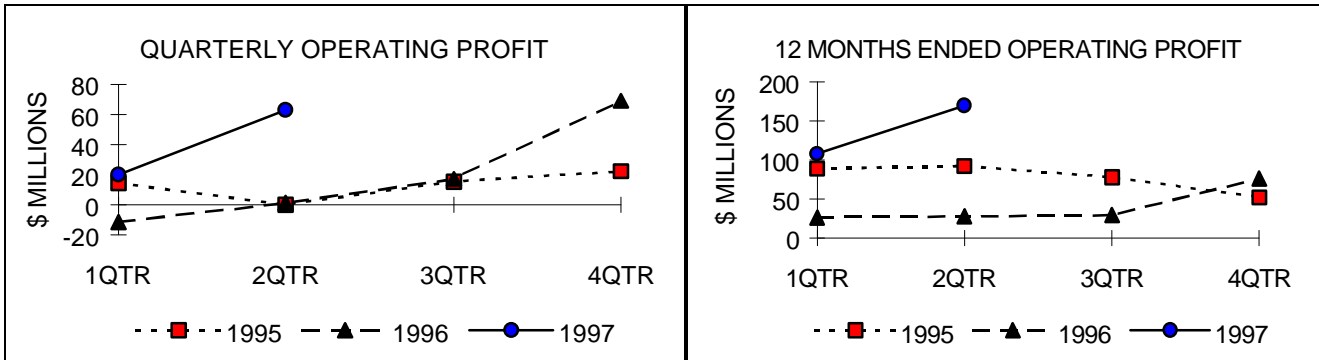
- o As with quarterly results, operating and net results for the 12-months ended June 1997 were the highest for any 12-month period in the carrier's history.
- o Operating profit jumped \$126.6 million to \$726.8 million as operating revenues, up 13.2 percent, grew slightly faster than operating expenses, up 12.7 percent.
- o Net income jumped \$82 million to \$368.9 million.
- o RTM traffic rose 14.9 percent while ATM capacity increased a lesser 9 percent, producing a 3.3 percentage point gain in the ton load factor to 63.3 percent.
- o Interest expense declined \$7.7 million to \$98.2 million.
- o Soaring equity offset the \$187 million increase in total debt to \$1.51 billion, resulting in a 0.2 percentage point dip in the debt-to-investment ratio to 33.7 percent, the second lowest ratio (after Southwest) among all majors.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	3,054.4	2,690.2	11,647.2	11,282.9	10,950.2	10,576.2	10,289.2
2	Operating Expenses	2,833.8	2,508.0	10,920.4	10,594.6	10,303.2	9,972.3	9,689.0
3	Operating Profit (Loss)	220.7	182.1	726.8	688.3	647.0	603.9	600.2
4	Net Income (Loss)	113.2	89.7	368.9	345.4	318.5	296.8	286.9
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	1.49	1.29	5.85	5.65	5.40	5.16	4.99
6	ATMs - Scheduled Rev. Svc.	2.36	2.14	9.24	9.02	8.76	8.48	8.27
7	Overall RTMs (All Services)	1.54	1.36	6.04	5.86	5.63	5.41	5.26
8	Overall ATMs (All Services)	2.44	2.27	9.55	9.39	9.16	8.93	8.76
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	198.4	197.7	192.7	192.4	194.4	195.4	195.6
10	Operating Expense per RTM	184.1	184.3	180.7	180.7	182.9	184.2	184.2
11	Operating Profit (Loss) per RTM	14.3	13.4	12.0	11.7	11.5	11.2	11.4
12	Operating Expense per ATM	116.3	110.4	114.3	112.9	112.5	111.6	110.6
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	2.78	2.75	2.74	2.67	2.62
15	Times Interest Earned	*	*	7.53	7.21	6.74	6.16	5.75
16	Current Assets to Current Liabilities	*	*	1.10	1.22	1.13	1.08	1.07
17	No. of Days Cash Coverage of Cash Exp.	*	*	4.4	3.9	3.5	4.6	3.7
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	7.2	6.8	6.2	6.1	5.9	5.7	5.8
19	Net Income to Stockholders Equity	*	*	13.3	12.9	12.3	11.8	11.8
20	Corporate Return on Investment	*	*	11.1	10.8	10.4	10.1	10.0
21	Debt to Total Investment	*	*	33.7	35.7	32.9	33.2	33.9
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	63.2	59.9	63.3	62.5	61.5	60.6	60.0
23	Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	78,058	72,982	76,041	74,772	73,792	72,771	71,725
25	Overall RTM's per Employee (000)	19.7	18.6	79.5	78.4	76.3	74.4	73.3

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	13.5	10.6	13.2	12.5	11.4	9.6	8.6
27	Operating Expenses (%)	13.0	10.6	12.7	12.1	11.5	10.1	9.3
28	Operating Profit (Loss) (in Millions \$)	38.6	16.7	126.6	104.9	66.1	9.2	-10.8
29	Net Income (Loss)(in Millions \$)	23.5	10.9	82.0	69.3	36.1	-6.8	-18.6
30	RTMs (Sch. Svc.) (%)	13.1	8.6	14.9	13.8	10.0	6.5	4.4
31	ATMs (Sch. Svc.) (%)	7.3	11.7	9.0	10.1	9.5	8.8	8.5
32	Operating Revenues per RTM (%)	0.4	1.9	-1.5	-1.2	1.3	3.0	4.0
33	Operating Expense per RTM (%)	-0.1	1.9	-1.9	-1.5	1.3	3.4	4.7
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

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



**QUARTERLY RESULTS**

- o United Parcel Service (UPS) reported all-time records for any quarter in its history in both operating profit and net income.
- o Operating profit advanced \$61.8 million to \$63 million as operating revenue, up 18.5 percent, grew more than four times faster than operating expenses, up 4 percent.
- o Net results jumped \$35 million to \$36.2 million.
- o Except for the Latin entity, all entities reported operating and net profits and improvements from a year ago. Domestic operations, however, led the way as operating profit rose \$49.4 million to \$46.5 million and net income increased \$30.4 million to \$25.8 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1996	1997	\$ Change	1996	1997	\$ Change	1996	1997	Change %	1996	1997	Change %	
Domestic	-2.9	46.5	49.4	-4.5	25.8	30.4	0.65	0.68	4.0	1.12	1.23	10.3	54.9%
Int'l	4.1	16.5	12.4	5.7	10.4	4.6	0.17	0.22	23.9	0.32	0.39	22.8	55.0%
Atlantic	-2.7	1.2	4.0	-3.9	0.6	4.5	0.06	0.07	4.2	0.11	0.11	-1.5	61.0%
Latin	4.1	-0.9	-5.0	5.8	0.1	-5.7	0.00	0.01	325.0	0.01	0.03	365.5	46.5%
Pacific	2.7	16.1	13.4	3.8	9.6	5.9	0.11	0.14	27.7	0.20	0.26	26.7	53.2%
System	1.2	63.0	61.8	1.2	36.2	35.0	0.82	0.89	8.2	1.44	1.62	13.1	54.9%

- o Profitability was greatly enhanced as RTM yield rose a strong 9.1 percent and RTM unit costs declined 4.3 percent.
- o ATM capacity, up 12.9 percent, grew much faster than RTM traffic, up 8.7 percent, causing the ton load factor to drop 2.2 percentage points to 55.2 percent.
- o Total fuel expense dropped 16.3 percent (\$13 million) despite an 8.9 percent rise in consumption as unit fuel prices fell 23.1 percent.
- o UPS continues to be the most productive major in terms of RTMs per employee, up from 204.7 a year ago to 211.3.

**12-MONTH RESULTS**

- o Operating revenue growth, up 15.9 percent, continued to accelerate while operating expense growth, up 7.6 percent, slowed producing an improvement in operating profit of \$141.8 million to \$169.3 million.
- o Net income jumped \$76.1 million to \$84.4 million.
- o RTMs declined for the third consecutive quarter-ended 12-month period, down 0.9 percent, while ATM capacity grew 5.3 percent, causing the ton load factor to decline 3.4 percentage points to 54.2 percent.
- o Productivity (RTMs per employee) continued to be very high when compared with all other majors, although declining from 819.3 a year ago to 804.3.
- o Total debt rose \$342.1 million causing the debt-to-investment ratio to increase 1.3 percentage points to 71.1 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED					
	9706	9606	9706	9703	9612	9609	9606	
<u>FINANCIAL RESULTS: (\$Millions)</u>								
1	Operating Revenues	505.2	426.3	1,942.8	1,863.9	1,792.2	1,707.5	1,676.1
2	Operating Expenses	442.2	425.1	1,773.5	1,756.4	1,716.1	1,678.3	1,648.7
3	Operating Profit (Loss)	63.0	1.2	169.3	107.6	76.1	29.2	27.5
4	Net Income (Loss)	36.2	1.2	84.4	49.4	30.1	7.7	8.3
<u>TRAFFIC: (Billions)</u>								
5	RTMs - Scheduled Rev. Svc.	0.21	0.17	0.80	0.76	0.74	0.70	0.69
6	ATMs - Scheduled Rev. Svc.	0.38	0.32	1.45	1.39	1.35	1.29	1.28
7	Overall RTMs (All Services)	0.89	0.82	3.34	3.27	3.36	3.38	3.37
8	Overall ATMs (All Services)	1.62	1.44	6.16	5.97	5.97	5.88	5.85
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>								
9	Operating Revenue per RTM	56.6	51.7	58.3	57.0	53.4	50.5	49.8
10	Operating Expense per RTM	49.6	51.5	53.2	53.8	51.1	49.6	48.9
11	Operating Profit (Loss) per RTM	7.1	0.2	5.1	3.3	2.3	0.9	0.8
12	Operating Expense per ATM	27.2	29.6	28.8	29.4	28.7	28.5	28.2
13	Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>								
14	Operating Revenues to Total Investment	*	*	0.69	0.68	0.65	0.61	0.60
15	Times Interest Earned	*	*	13.13	10.45	8.67	12.37	24.10
16	Current Assets to Current Liabilities	*	*	1.72	2.34	1.99	1.71	2.71
17	No. of Days Cash Coverage of Cash Exp.	*	*	3.5	2.5	1.0	-0.4	0.3
<u>FINANCIAL PERCENTAGES:</u>								
18	Operating Profit (Loss) to Operating Revenue	12.5	0.3	8.7	5.8	4.2	1.7	1.6
19	Net Income to Stockholders Equity	*	*	9.3	5.5	3.4	0.9	1.0
20	Corporate Return on Investment	*	*	3.5	2.2	1.4	0.4	0.3
21	Debt to Total Investment	*	*	71.1	67.3	61.5	66.9	69.8
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>								
22	Actual	54.9	57.4	54.1	54.7	56.2	57.5	57.6
23	Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>								
24	Employment, Total Weighted Avg CY	4,260	4,028	4,156	4,098	4,052	4,078	4,112
25	Overall RTM's per Employee (000)	209.5	204.7	802.5	797.4	828.7	829.5	819.3

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER								
26	Operating Revenues (%)	18.5	8.7	15.9	13.5	10.0	6.6	5.9
27	Operating Expenses (%)	4.0	8.4	7.6	8.7	8.8	10.1	10.6
28	Operating Profit (Loss) (in Millions \$)	61.8	1.1	141.8	81.3	24.0	-48.3	-64.6
29	Net Income (Loss)(in Millions \$)	35.0	1.1	76.1	42.1	0.5	-35.9	-46.8
30	RTMs (Sch. Svc.) (%)	8.2	1.1	-1.0	-2.8	0.3	4.2	5.5
31	ATMs (Sch. Svc.) (%)	13.1	0.8	5.3	2.3	2.6	2.2	3.3
32	Operating Revenues per RTM (%)	9.5	7.5	17.1	16.6	9.7	2.4	0.4
33	Operating Expense per RTM (%)	-3.7	7.1	8.8	11.9	8.5	5.5	4.7
34	Passenger Revenue per RPM (Sch. Svc.)	++	++	++	++	++	++	++

## FOOTNOTES

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



EXPLANATION OF LINE ITEMS

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

EXPLANATION OF LINE ITEMS

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