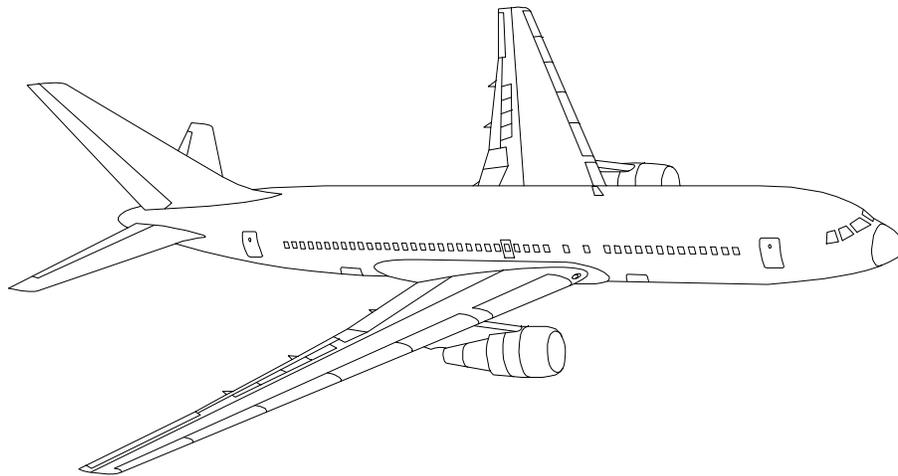


# AIRLINE QUARTERLY FINANCIAL REVIEW

FIRST QUARTER 1999



MAJORS



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

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## INTRODUCTION

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

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

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

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

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

**QUARTERLY RESULTS**

- Four major carriers (Alaska, America West, Delta, and Southwest) reported individual all-time company first quarter records in both operating and net profit, while Federal Express reported an all-time first quarter record in just net profit.
- Operating expenses, up 3.3 percent, grew nearly three times as fast as operating revenues, up 1.3 percent, eroding operating profit by \$434.9 million to \$1.8 billion. This decline arose solely from the passenger major group, which was down \$477.4 million to \$966.3 million, as the all-cargo major group gained \$42.6 million to \$213.6 million.
- Net income fell \$209.7 million to \$642 million. The passenger majors were down \$212.1 million to \$568 million, while the all-cargo group rose \$2.4 million to \$74 million.

OPERATING PROFIT (LOSS) AND NET INCOME (LOSS) 1/ (\$MILLIONS)						
CARRIER	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	1Q 98	1Q 99	\$CHANGE	1Q 98	1Q 99	\$CHANGE
TOTAL ALL MAJORS	1614.8	1179.9	-434.9	851.7	642.0	-209.7
TOTAL PASSENGER MAJORS	1443.7	966.3	-477.4	780.1	568.0	-212.1
ALASKA	22.5	26.2	3.7	14.5	18.7	4.2
AMERICA WEST	47.8	48.9	1.1	24.4	24.9	0.5
AMERICAN	384.3	26.8	-357.5	221.1	33.7	-187.4
CONTINENTAL	138.2	136.3	-1.9	76.8	81.7	4.9
DELTA	333.9	353.2	19.3	195.5	216.4	20.9
NORTHWEST	168.0	14.6	-153.4	75.2	-23.4	-98.6
SOUTHWEST	111.9	166.5	54.6	70.0	95.8	25.8
TRANS WORLD	-68.7	-37.6	31.1	-55.5	-21.6	33.9
UNITED	116.4	138.5	22.1	57.3	74.7	17.4
US AIRWAYS	189.4	92.9	-96.5	100.8	67.0	-33.8
TOTAL ALL-CARGO MAJORS	171.0	213.6	42.6	71.6	74.0	2.4
DHL AIRWAYS	11.1	3.9	-7.2	7.4	0.8	-6.6
FEDERAL EXPRESS	158.8	200.2	41.4	67.2	74.2	7.0
UNITED PARCEL SERVICE	1.1	9.5	8.4	-2.9	-1.0	1.9

- Operating results benefited greatly from the \$398.8 million (18.4 percent) drop in total fuel expenses, which due solely to tumbling unit fuel prices, down 11.8 percent to an average price of 46.96 cents. Total fuel expense comprised 7.6 percent of total operating expenses, down from 9.6 percent a year ago.
- The passenger load factor rose 1 percentage point to 68.7 percent.
- Passenger (RPM) yield fell 3.3 percent to 12.88 cents.
- Interest expense jumped \$40.8 million to \$411.6 million.
- The debt-to-investment ratio rose 1.1 percentage points to 46.5 percent, as total equity fell and total debt surged upward \$4.16 billion. Continental, up \$1.1 billion, and Northwest, up \$2.29 billion, accounted for much of this increase.

**12-MONTH RESULTS**

- Operating and net results declined from a year ago for the second consecutive period. Although most majors were improved and were positive, sharp declines reported by Northwest in both operating and net results due to the lingering effects from its August/September 1998 pilots' strike, and a sharp decline in net results reported by American, presumably due to its pilot sick out strike in February, dominated overall group results.
- Operating profit fell \$652 million to \$8.1 billion. The passenger group declined \$760.9 million to \$7 billion, while the all-cargo group improved \$109 million to \$1.1 billion.
- Net results fell \$1.23 billion to \$4.37 billion. The passenger group dropped \$1.24 billion to \$3.93 billion, but the all-cargo group rose \$12.1 million to \$440.6 million.

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

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<b>FINANCIAL RESULTS: (\$Millions)</b>							
1 Operating Revenues	24,523.1	24,214.5	101,924.3	101,615.8	101,402.9	101,176.6	99,928.7
2 Operating Expenses	23,343.2	22,599.8	93,827.9	93,084.5	92,671.6	92,120.4	91,180.3
3 Operating Profit (Loss)	1,179.9	1,614.8	8,096.4	8,531.3	8,731.3	9,056.2	8,748.4
4 Net Income (Loss)	642.0	851.7	4,367.7	4,577.4	5,252.9	5,793.4	5,595.1
<b>TRAFFIC: (Billions)</b>							
5 RPMs - Scheduled Rev. Svc.	138.15	133.71	587.43	582.99	579.38	577.84	571.21
6 ASMs - Scheduled Rev. Svc.	200.96	197.55	821.58	818.17	812.81	813.45	809.15
7 Overall RTMs (All Svc.)	18.93	18.61	80.21	79.88	79.64	79.45	78.57
8 Overall ATMs (All Svc.)	33.71	33.05	138.28	137.62	136.48	135.81	134.40
<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9 Operating Revenue per RTM	129.5	130.1	127.1	127.2	127.3	127.3	127.2
10 Operating Expense per RTM	123.3	121.4	117.0	116.5	116.4	115.9	116.1
11 Operating Profit (Loss) per RTM	6.2	8.7	10.1	10.7	11.0	11.4	11.1
12 Operating Expense per ATM	69.3	68.4	67.9	67.6	67.9	67.8	67.8
13 Passenger Revenue per RPM	12.88	13.32	12.68	12.78	12.91	12.95	12.95
<b>FINANCIAL RATIOS:</b>							
14 Operating Revenues to Total Investment	*	*	1.87	1.93	2.00	2.07	2.14
15 Times Interest Earned	*	*	5.87	6.17	6.45	7.13	6.96
16 Current Assets to Current Liabilities	*	*	0.70	0.73	0.75	0.79	0.78
17 No. of Days Cash Coverage of Cash Exp	*	*	29.0	30.1	35.0	43.4	40.0
<b>FINANCIAL PERCENTAGES:</b>							
18 Operating Profit (Loss) to Operating Rev	4.8	6.7	7.9	8.4	8.6	9.0	8.8
19 Net Income to Stockholders Equity	*	*	14.7	15.9	19.0	22.0	22.6
20 Corporate Return on Investment	*	*	10.8	11.5	13.2	14.8	15.0
21 Debt to Total Investment	*	*	46.5	45.6	44.5	45.5	45.4
<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22 Actual	68.7	67.7	71.5	71.3	71.3	71.0	70.6
23 Breakeven	67.3	64.1	66.9	66.2	65.7	65.0	64.8
<b>Employment &amp; Productivity:</b>							
24 Employment, Total Weighted Avg CY	506,788	486,179	500,941	495,788	489,964	484,093	477,525
25 Overall RTM's per Employee (000)	37.4	38.3	160.1	161.1	162.5	164.1	164.5

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
26 Operating Revenues (%)	1.3	2.8	2.0	2.4	4.0	5.5	5.7
27 Operating Expenses (%)	3.3	2.1	2.9	2.6	3.3	4.1	4.3
28 Operating Profit (Loss) (in Millions \$)	-434.9	192.5	-652.0	-24.6	913.5	1,675.5	1,632.1
29 Net Income (Loss)(in Millions \$)	-209.7	107.0	-1,227.4	-910.7	778.8	2,029.9	1,983.1
30 RPMs (Sch. Svc.) (%)	3.3	0.9	2.8	2.3	2.5	3.4	3.4
31 ASMs (Sch. Svc.) (%)	1.7	2.3	1.5	1.7	1.7	2.6	2.9
32 Operating Revenues per RTM (%)	-0.5	-0.8	-0.1	-0.2	0.4	0.7	0.6
33 Operating Expense per RTM (%)	1.6	-1.6	0.8	0.1	-0.2	-0.7	-0.7
34 Passenger Revenue per RPM (Sch. Svc)	-3.3	0.5	-2.1	-1.2	0.6	0.8	0.4

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<b>FINANCIAL RESULTS: (\$Millions)</b>							
1 Operating Revenues	19,043.2	18,647.1	78,046.9	77,650.8	77,218.1	76,601.2	75,457.8
2 Operating Expenses	17,830.3	17,107.6	70,837.6	70,114.8	69,747.7	69,233.5	68,603.7
3 Operating Profit (Loss)	1,212.9	1,539.6	7,209.3	7,536.0	7,470.5	7,367.7	6,854.1
4 Net Income (Loss)	674.0	873.1	3,867.9	4,067.0	4,491.5	4,837.9	4,616.6
<b>TRAFFIC: (Billions)</b>							
5 RPMs - Scheduled Rev. Svc.	100.79	97.08	425.66	421.94	418.66	416.59	412.39
6 ASMs - Scheduled Rev. Svc.	148.19	145.26	600.05	597.12	592.95	594.19	593.40
7 Overall RTMs (All Svc.)	12.78	12.49	53.85	53.56	53.26	53.08	52.61
8 Overall ATMs (All Svc.)	22.83	22.43	92.74	92.35	91.67	91.51	91.19
<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9 Operating Revenue per RTM	149.1	149.3	144.9	145.0	145.0	144.3	143.4
10 Operating Expense per RTM	139.6	137.0	131.6	130.9	131.0	130.4	130.4
11 Operating Profit (Loss) per RTM	9.5	12.3	13.4	14.1	14.0	13.9	13.0
12 Operating Expense per ATM	78.1	76.3	76.4	75.9	76.1	75.7	75.2
13 Passenger Revenue per RPM	13.99	14.38	13.62	13.70	13.83	13.79	13.73
<b>FINANCIAL RATIOS:</b>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp	*	*	**	**	**	**	**
<b>FINANCIAL PERCENTAGES:</b>							
18 Operating Profit (Loss) to Operating Rev	6.4	8.3	9.2	9.7	9.7	9.6	9.1
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	12.1	13.1	14.6	16.2	16.3
21 Debt to Total Investment	*	*	**	**	**	**	**
<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22 Actual	68.0	66.8	70.9	70.7	70.6	70.1	69.5
23 Breakeven	65.1	61.9	65.2	64.5	64.2	63.7	63.7
<b>Employment &amp; Productivity:</b>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

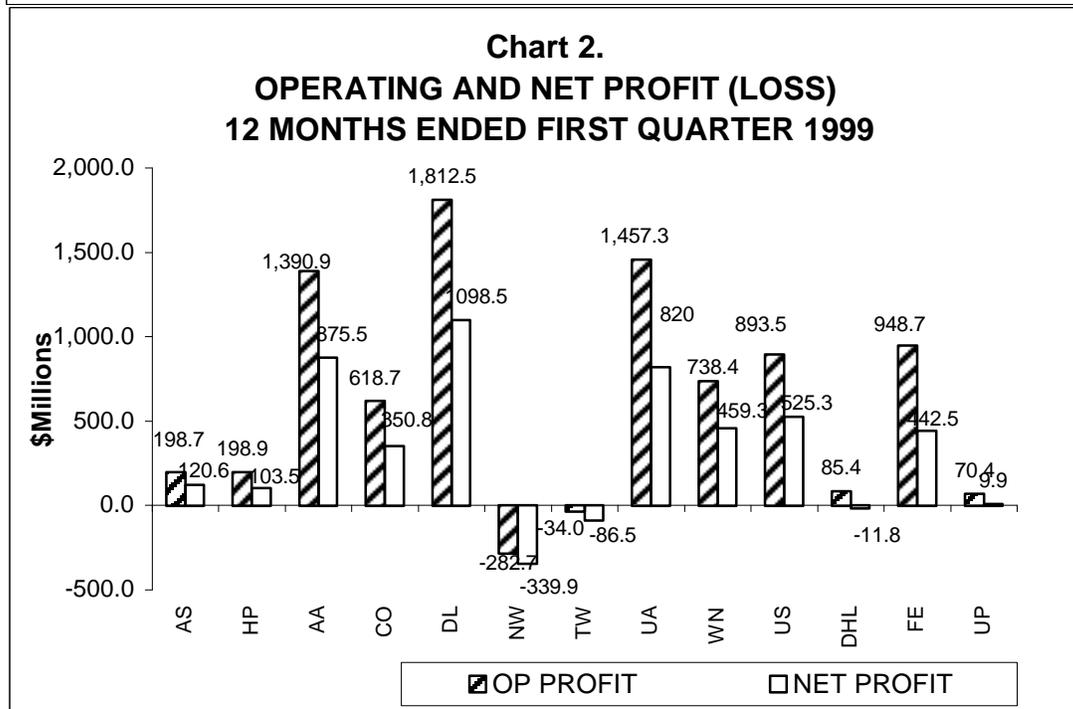
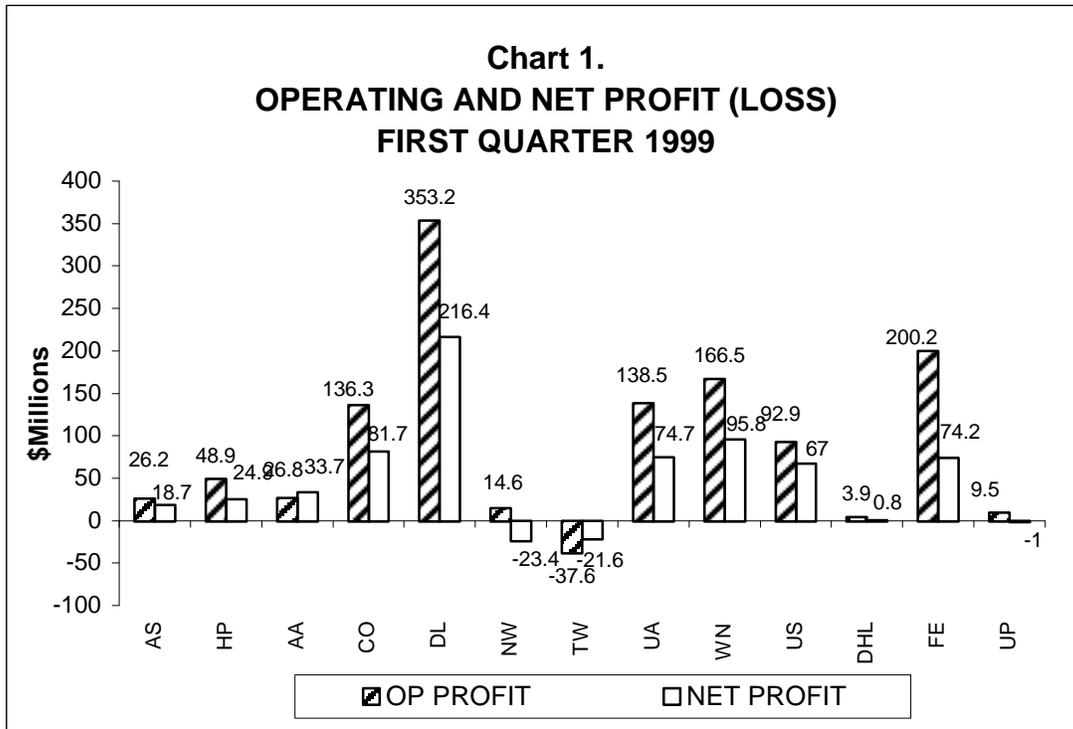
	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	2.1	2.8	3.4	3.6	4.8	5.6	5.2
27 Operating Expenses (%)	4.2	1.8	3.3	2.6	3.2	3.7	4.1
28 Operating Profit (Loss) (in Millions \$)	-326.7	219.1	355.2	900.9	1,386.2	1,578.0	999.0
29 Net Income (Loss)(in Millions \$)	-199.1	181.5	-748.7	-368.1	907.4	1,890.3	1,675.5
30 RPMs (Sch. Svc.) (%)	3.8	0.0	3.2	2.3	2.3	2.8	2.9
31 ASMs (Sch. Svc.) (%)	2.0	0.8	1.1	0.8	0.6	1.5	2.1
32 Operating Revenues per RTM (%)	-0.1	0.7	1.0	1.3	2.2	2.1	1.5
33 Operating Expense per RTM (%)	1.9	-0.3	0.9	0.3	0.7	0.3	0.5
34 Passenger Revenue per RPM (Sch. Svc)	-2.7	1.6	-0.8	0.1	2.2	1.6	0.5

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

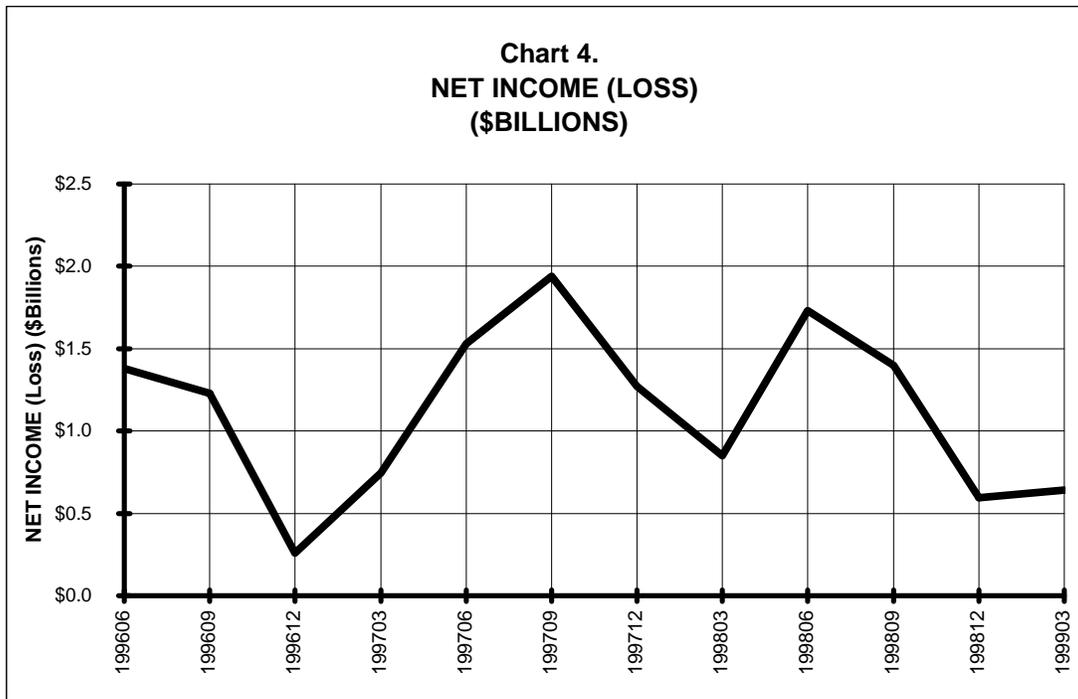
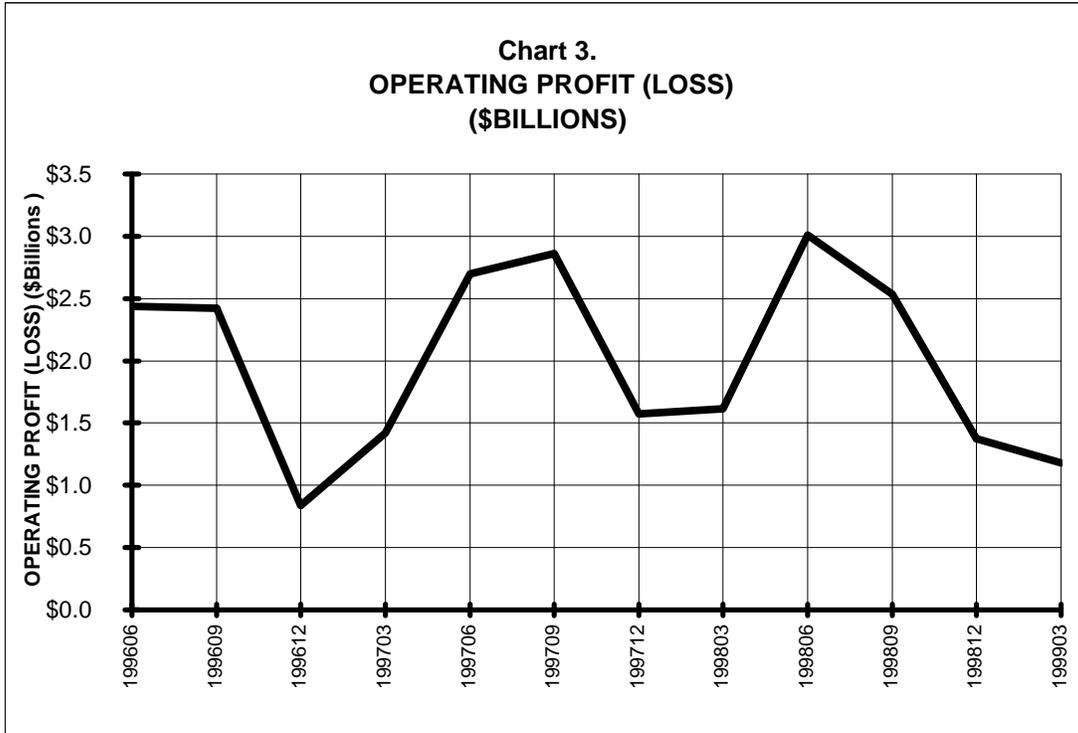
ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	5,479.9	5,567.4	23,877.5	23,965.0	24,184.8	24,575.4	24,470.9
2 Operating Expenses	5,512.9	5,492.2	22,990.3	22,969.6	22,923.9	22,886.9	22,576.6
3 Operating Profit (Loss)	-33.0	75.2	887.2	995.4	1,260.9	1,688.5	1,894.3
4 Net Income (Loss)	-32.0	-21.4	499.8	510.4	761.4	955.5	978.5
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	37.36	36.63	161.77	161.04	160.72	161.25	158.82
6 ASMs - Scheduled Rev. Svc.	52.77	52.29	221.53	221.05	219.86	219.26	215.74
7 Overall RTMs (All Svc.)	6.16	6.13	26.36	26.33	26.38	26.37	25.95
8 Overall ATMs (All Svc.)	10.88	10.62	45.54	45.27	44.81	44.29	43.21
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	89.0	90.9	90.6	91.0	91.7	93.2	94.3
10 Operating Expense per RTM	89.5	89.7	87.2	87.2	86.9	86.8	87.0
11 Operating Profit (Loss) per RTM	-0.5	1.2	3.4	3.8	4.8	6.4	7.3
12 Operating Expense per ATM	50.7	51.7	50.5	50.7	51.2	51.7	52.2
13 Passenger Revenue per RPM	9.86	10.51	10.22	10.37	10.51	10.77	10.93
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	-0.6	1.4	3.7	4.2	5.2	6.9	7.7
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	6.6	6.9	8.9	10.7	11.2
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	70.8	70.1	73.0	72.9	73.1	73.5	73.6
23 Breakeven	75.2	71.5	72.4	71.6	70.7	69.1	67.9
<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 (%)	-1.6	2.4	-2.4	-1.5	1.4	5.5	7.3
27 Operating Expenses (%)	0.4	3.0	1.8	2.5	3.6	5.4	4.8
28 Operating Profit (Loss) (in Millions \$)	-108.2	-26.6	-1,007.1	-925.5	-472.6	97.5	633.1
29 Net Income (Loss)(in Millions \$)	-10.6	-74.6	-478.7	-542.7	-128.6	139.7	307.6
30 RPMs (Sch. Svc.) (%)	2.0	3.3	1.9	2.2	3.3	4.9	4.5
31 ASMs (Sch. Svc.) (%)	0.9	6.5	2.7	4.0	5.0	5.7	5.1
32 Operating Revenues per RTM (%)	-2.1	-4.2	-3.9	-4.4	-3.9	-2.0	-0.7
33 Operating Expense per RTM (%)	-0.2	-3.7	0.2	-0.6	-1.8	-2.0	-3.0
34 Passenger Revenue per RPM (Sch. Svc)	-6.2	-2.8	-6.5	-5.8	-4.5	-1.6	0.4

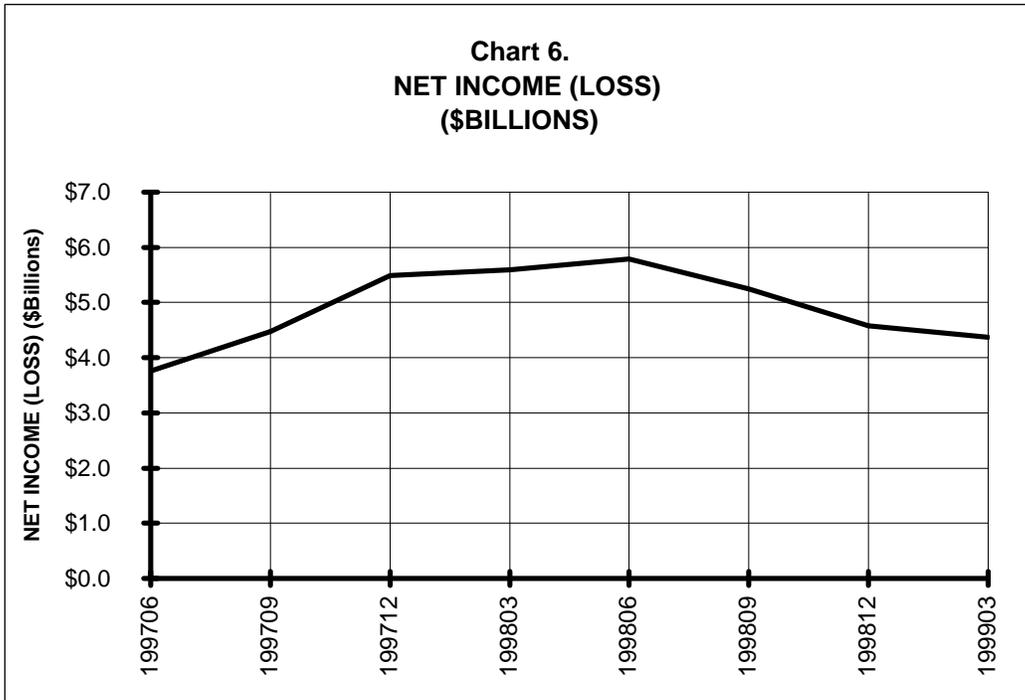
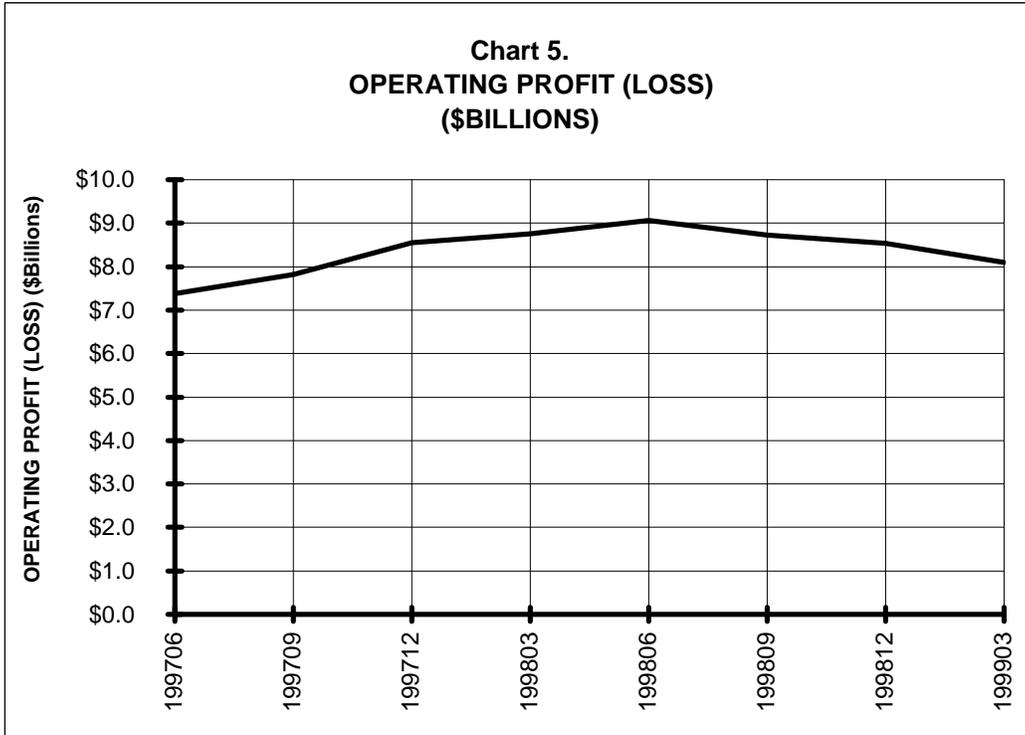
# COMPARISONS AMONG MAJOR GROUP AIRLINES



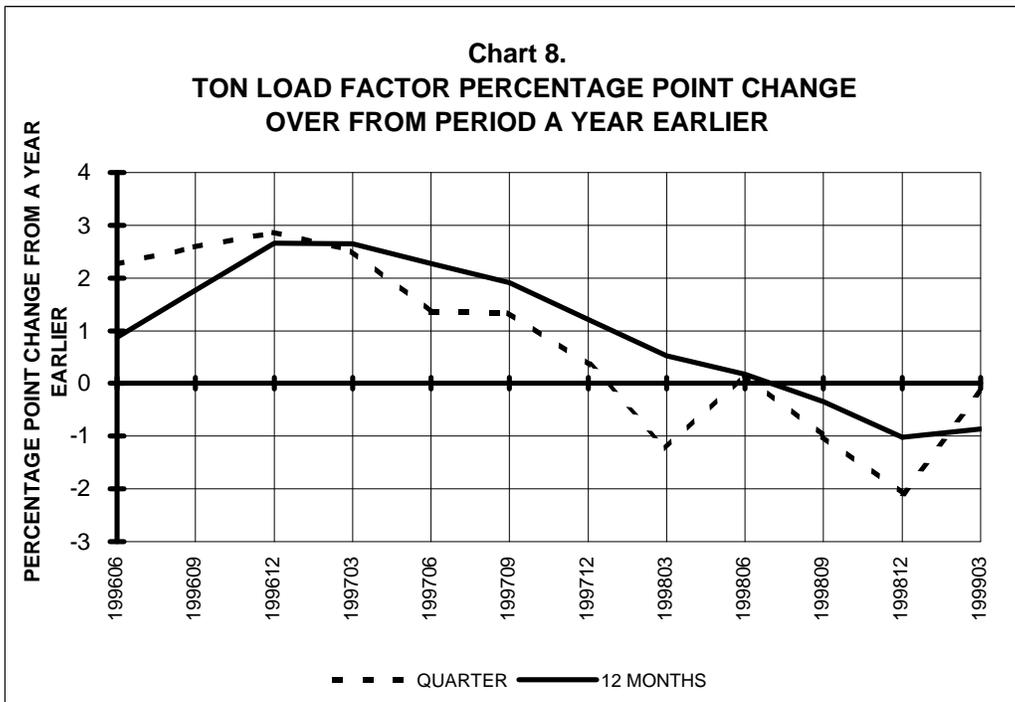
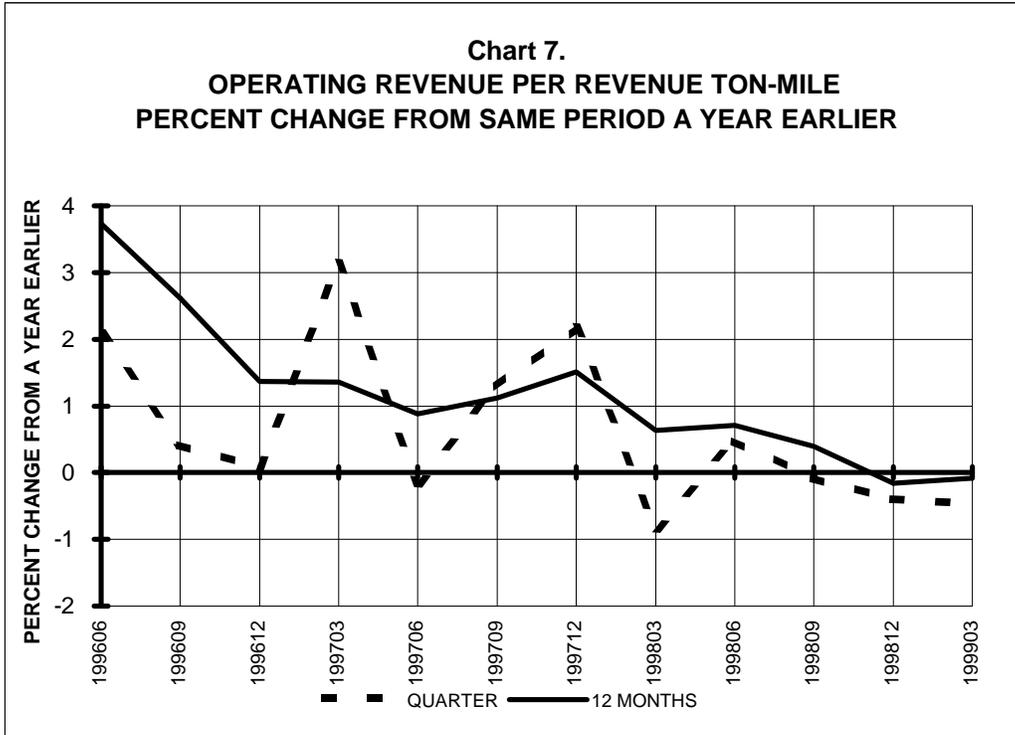
## TOTAL ALL MAJORS (SYSTEM) BY QUARTER



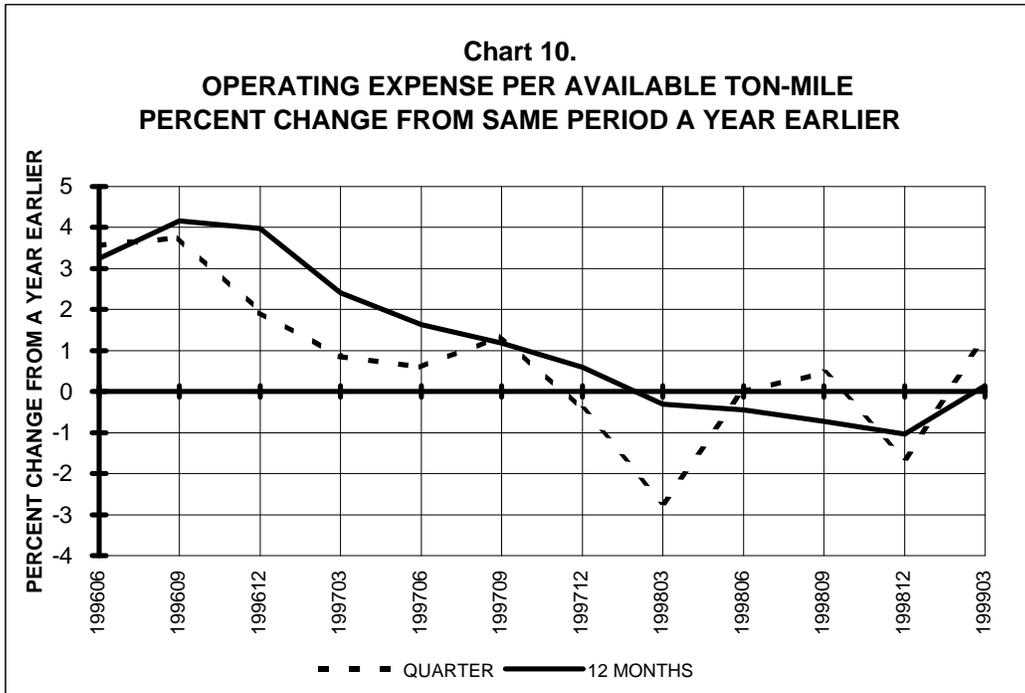
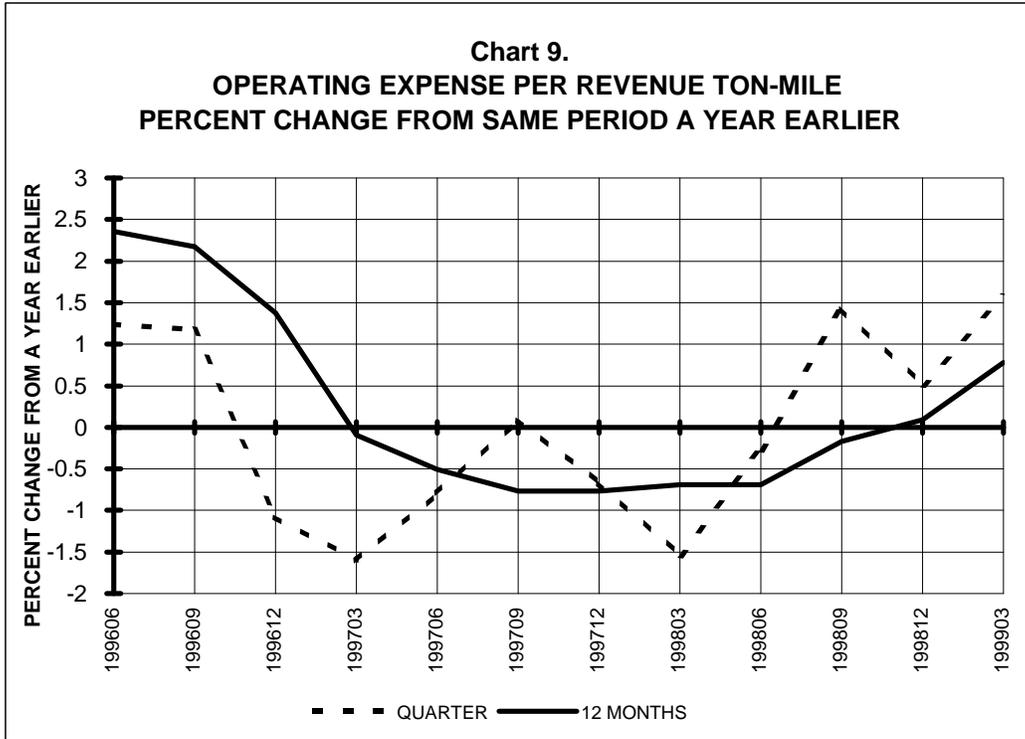
## TOTAL ALL MAJORS (SYSTEM) BY 12-MONTH ENDING PERIODS



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



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



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

**QUARTERLY RESULTS**

- For the quarter ended March 1999, all passenger majors, except for Trans World, reported an operating profit, and all but Northwest and Trans World reported a net profit.
- Six of the ten passenger majors reported an improvement from a year ago in operating results, and seven of ten reported an improvement in net results. Much of the overall group decline was attributable to sharp declines reported by Northwest, reflecting the August/September 1998 pilots' strike, as well as by American, which experienced a 3 day shut-down due to a pilot sick-out.
- For the group, operating revenues rose only 0.5 percent, while operating expenses grew faster, rising 3.1 percent, resulting in a \$477.4 million deterioration in operating profit to \$966.3 million.
- This decline would have been much worse without the \$349.2 million (17.6 percent) drop in total fuel expense.
- Net income fell \$212.1 million to \$568 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1998	THIS YEAR 1999	\$ Change	LAST YEAR 1998	THIS YEAR 1999	\$ Change
March	1,443.7	966.3	-477.5	780.1	568.0	-212.1
June	2,733.1	0.0	-	1,606.1	0.0	-
Sept.	2,265.9	0.0	-	1,266.7	0.0	-
Dec.	1,026.7	0.0	-	486.3	0.0	-

- The passenger load factor rose 1 percentage point to 68.7 percent as RPM traffic, up 3.3 percent, grew twice as fast as ASM capacity, up 1.7 percent.
- Every major carrier but one, Trans World, reported a decline in passenger (RPM) yield, which for the group fell 3.3 percent to 12.88 cents.
- All entities reported a deterioration in both operating and net results, with only domestic operating and net results, along with Latin net results remaining positive.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	1,426.2	1,109.5	-316.7	790.3	670.7	-119.6	97.1	100.8	3.8	145.3	148.2	2.0	68.0%
Int'l	17.5	-143.3	-160.8	-10.2	-102.7	-92.5	36.6	37.4	2.0	52.3	52.8	0.9	70.8%
Atlantic	10.3	-77.3	-87.6	0.1	-46.6	-46.6	15.0	15.7	4.6	20.7	22.1	6.6	71.3%
Latin	127.6	77.2	-50.5	75.3	50.4	-24.9	8.0	8.6	7.4	12.3	12.8	3.4	67.1%
Pacific	-120.4	-143.1	-22.7	-85.6	-106.5	-21.0	13.6	13.1	-4.2	19.2	17.9	-6.8	72.8%
System	1,443.7	966.3	-477.5	780.1	568.0	-212.1	133.7	138.1	3.3	197.6	201.0	1.7	68.7%

- Interest expense rose \$46.9 million to \$384.5 million.
- The operating profit margin was down 2.4 percentage points to 4.8 percent.

**12-MONTH RESULTS**

- All majors, except for Northwest and Trans World, reported an operating and net profit for 12-months ended March 1999.
- For the group, operating profit fell \$760.9 million to \$7 billion. Operating revenues rose 1.1 percent while operating expense rose twice as fast, up 2.2 percent. American and Northwest combined were down \$1.75 billion.
- Net results tumbled \$1.24 billion to \$3.93 billion. Much of this decline was attributable to Northwest, which alone experienced a sharp deterioration of \$957 million.
- The passenger load factor rose 0.9 percentage points to 71.5 percent. RPM traffic increased 2.8 percent while ASM capacity was up a lesser 1.5 percent.
- The declining growth rate in passenger (RPM) yield accelerated, declining 2.1 percent to 12.68 cents, the second consecutive year-to-year decline.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	20,262.1	20,163.7	84,702.2	84,603.7	84,729.5	84,634.4	83,755.5
2 Operating Expenses	19,295.8	18,719.9	77,710.2	77,134.3	76,914.0	76,539.2	76,002.6
3 Operating Profit (Loss)	966.3	1,443.7	6,992.0	7,469.4	7,815.4	8,095.2	7,752.9
4 Net Income (Loss)	568.0	780.1	3,927.0	4,139.2	4,834.9	5,406.7	5,166.6
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	138.15	133.71	587.43	582.99	579.38	577.84	571.21
6 ASMs - Scheduled Rev. Svc.	200.96	197.55	821.58	818.17	812.81	813.45	809.15
7 Overall RTMs (All Svc.)	16.29	15.99	69.12	68.81	68.66	68.75	68.09
8 Overall ATMs (All Svc.)	29.09	28.55	119.17	118.64	117.80	117.73	116.79
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	124.4	126.1	122.6	123.0	123.4	123.1	123.0
10 Operating Expense per RTM	118.4	117.1	112.4	112.1	112.0	111.3	111.6
11 Operating Profit (Loss) per RTM	5.9	9.0	10.1	10.9	11.4	11.8	11.4
12 Operating Expense per ATM	66.3	65.6	65.2	65.0	65.3	65.0	65.1
13 Passenger Revenue per RPM	12.88	13.32	12.68	12.78	12.91	12.95	12.95
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	1.86	1.94	2.02	2.10	2.19
15 Times Interest Earned	*	*	6.06	6.42	6.64	7.36	6.97
16 Current Assets to Current Liabilities	*	*	0.66	0.70	0.71	0.76	0.74
17 No. of Days Cash Coverage of Cash Exp	*	*	34.20	35.37	41.10	51.04	46.27
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	4.8	7.2	8.3	8.8	9.2	9.6	9.3
19 Net Income to Stockholders Equity	*	*	15.7	17.1	20.8	24.7	25.3
20 Corporate Return on Investment	*	*	11.5	12.4	14.6	16.6	16.8
21 Debt to Total Investment	*	*	46.3	45.2	43.8	44.8	44.6
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	68.7	67.7	71.5	71.3	71.3	71.0	70.6
23 Breakeven	67.5	64.1	67.0	66.2	65.8	65.0	64.9
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	403,761	388,217	399,161	395,275	391,165	387,725	383,773
25 Overall RTM's per Employee (000)	40.3	41.2	173.2	174.1	175.5	177.3	177.4

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	0.5	1.5	1.1	1.4	3.2	4.3	4.3
27 Operating Expenses (%)	3.1	0.3	2.2	1.6	2.1	2.5	2.7
28 Operating Profit (Loss) (in Millions \$)	-477.4	230.7	-760.9	-52.7	1,096.1	1,654.2	1,459.1
29 Net Income (Loss)(in Millions \$)	-212.1	139.3	-1,239.6	-888.1	865.0	2,128.9	1,972.6
30 RPMs (Sch. Svc.) (%)	3.3	0.9	2.8	2.3	2.5	3.4	3.4
31 ASMs (Sch. Svc.) (%)	1.7	2.3	1.5	1.7	1.7	2.6	2.9
32 Operating Revenues per RTM (%)	-1.4	-0.6	-0.3	-0.2	0.7	0.2	0.0
33 Operating Expense per RTM (%)	1.1	-1.7	0.7	0.0	-0.5	-1.5	-1.6
34 Passenger Revenue per RPM (Sch. Svc)	-3.3	0.5	-2.1	-1.2	0.6	0.8	0.4

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	15,833.1	15,565.5	64,902.0	64,634.4	64,550.5	63,971.6	63,104.3
2 Operating Expenses	14,723.5	14,139.3	58,484.5	57,900.3	57,733.0	57,339.7	57,016.9
3 Operating Profit (Loss)	1,109.5	1,426.2	6,417.5	6,734.2	6,817.5	6,631.9	6,087.3
4 Net Income (Loss)	670.7	790.3	3,689.3	3,808.9	4,278.7	4,487.5	4,150.4
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	100.79	97.08	425.66	421.94	418.66	416.59	412.39
6 ASMs - Scheduled Rev. Svc.	148.19	145.26	600.05	597.12	592.95	594.19	593.40
7 Overall RTMs (All Svc.)	11.04	10.78	46.66	46.39	46.18	46.15	45.78
8 Overall ATMs (All Svc.)	19.71	19.44	80.03	79.76	79.28	79.48	79.35
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	143.4	144.5	139.1	139.3	139.8	138.6	137.8
10 Operating Expense per RTM	133.3	131.2	125.3	124.8	125.0	124.3	124.5
11 Operating Profit (Loss) per RTM	10.0	13.2	13.8	14.5	14.8	14.4	13.3
12 Operating Expense per ATM	74.7	72.7	73.1	72.6	72.8	72.1	71.9
13 Passenger Revenue per RPM	13.99	14.38	13.62	13.70	13.83	13.79	13.73
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	7.0	9.2	9.9	10.4	10.6	10.4	9.6
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	13.7	14.6	16.8	18.2	18.0
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	68.0	66.8	70.9	70.7	70.6	70.1	69.5
23 Breakeven	64.9	61.5	65.0	64.3	63.9	63.5	63.6
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

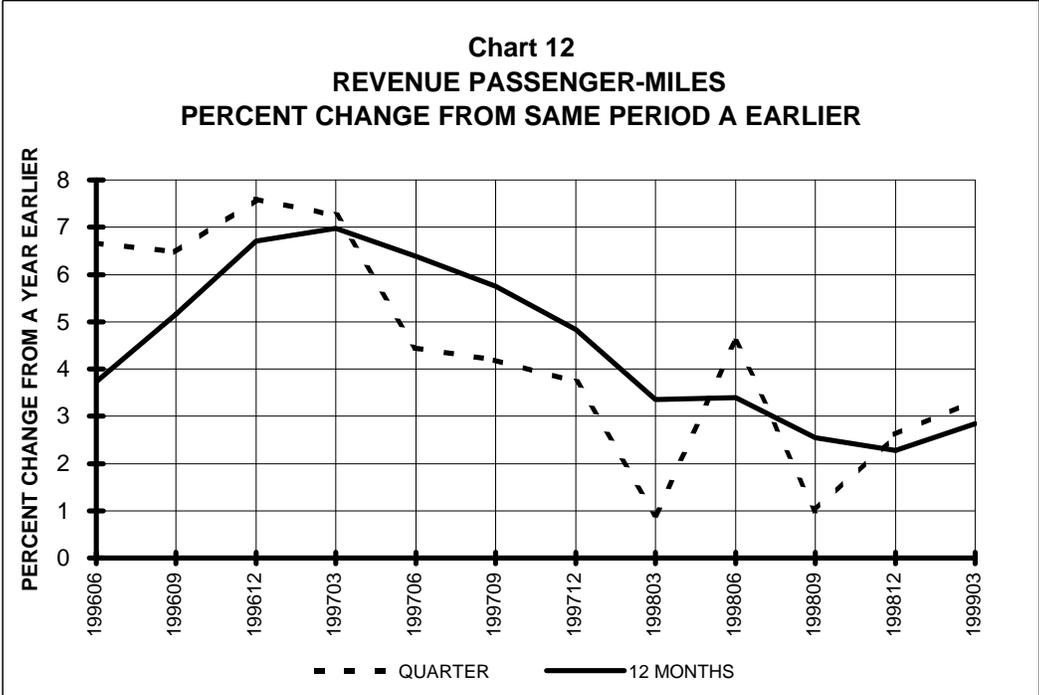
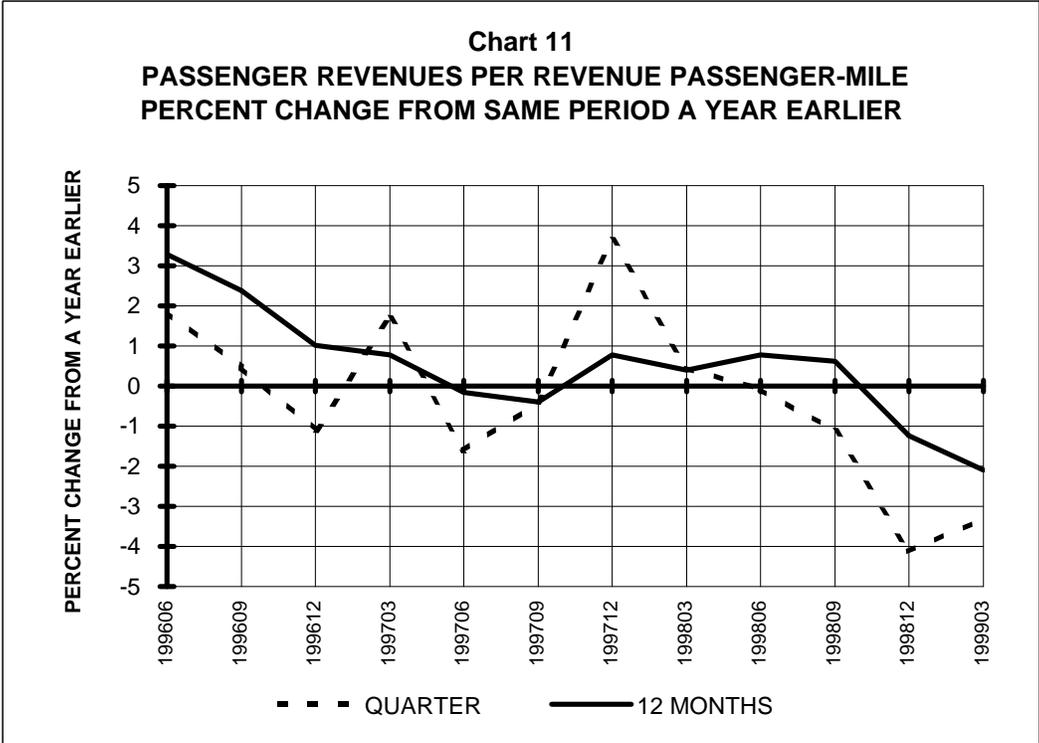
	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	1.7	1.9	2.8	2.9	4.6	4.6	4.1
27 Operating Expenses (%)	4.1	0.1	2.6	1.6	2.0	2.1	2.7
28 Operating Profit (Loss) (in Millions \$)	-316.7	269.2	330.2	916.1	1,652.4	1,640.4	962.9
29 Net Income (Loss)(in Millions \$)	-119.6	158.4	-461.1	-183.1	1,211.5	1,900.6	1,508.0
30 RPMs (Sch. Svc.) (%)	3.8	0.0	3.2	2.3	2.3	2.8	2.9
31 ASMs (Sch. Svc.) (%)	2.0	0.8	1.1	0.8	0.6	1.5	2.1
32 Operating Revenues per RTM (%)	-0.8	1.6	0.9	1.5	2.8	1.8	1.1
33 Operating Expense per RTM (%)	1.6	-0.2	0.6	0.2	0.3	-0.6	-0.3
34 Passenger Revenue per RPM (Sch. Svc)	-2.7	1.6	-0.8	0.1	2.2	1.6	0.5

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

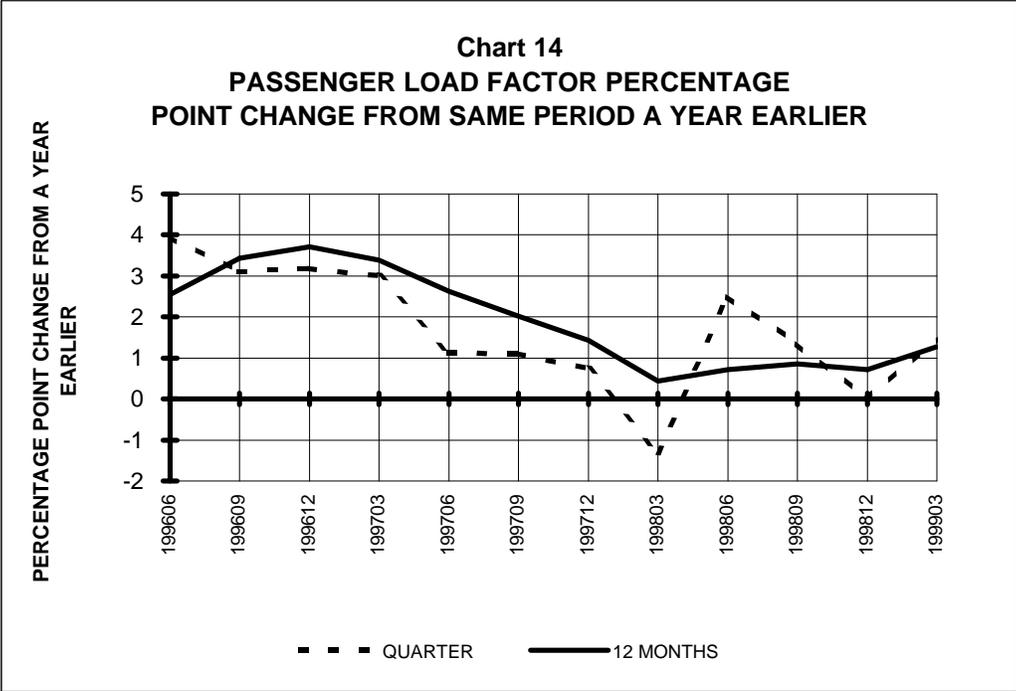
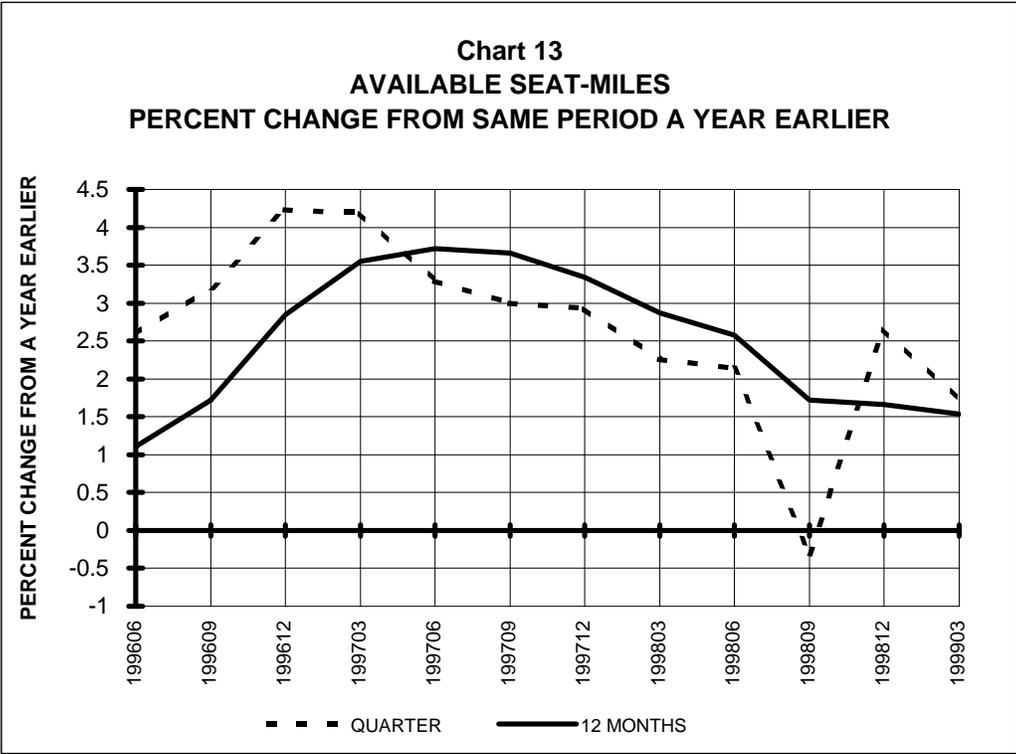
ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	4,429.1	4,598.2	19,800.2	19,969.3	20,179.0	20,662.8	20,651.2
2 Operating Expenses	4,572.3	4,580.7	19,225.7	19,234.1	19,181.0	19,199.5	18,985.6
3 Operating Profit (Loss)	-143.3	17.5	574.5	735.2	998.0	1,463.3	1,665.6
4 Net Income (Loss)	-102.7	-10.2	237.8	330.2	556.2	919.2	1,016.2
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	37.36	36.63	161.77	161.04	160.72	161.25	158.82
6 ASMs - Scheduled Rev. Svc.	52.77	52.29	221.53	221.05	219.86	219.26	215.74
7 Overall RTMs (All Svc.)	5.25	5.21	22.46	22.42	22.49	22.61	22.31
8 Overall ATMs (All Svc.)	9.38	9.12	39.14	38.88	38.52	38.26	37.44
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	84.4	88.3	88.2	89.1	89.7	91.4	92.6
10 Operating Expense per RTM	87.1	87.9	85.6	85.8	85.3	84.9	85.1
11 Operating Profit (Loss) per RTM	-2.7	0.3	2.6	3.3	4.4	6.5	7.5
12 Operating Expense per ATM	48.8	50.3	49.1	49.5	49.8	50.2	50.7
13 Passenger Revenue per RPM	9.86	10.51	10.22	10.37	10.51	10.77	10.93
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	-3.2	0.4	2.9	3.7	4.9	7.1	8.1
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	4.9	5.8	8.1	11.8	13.4
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	70.8	70.1	73.0	72.9	73.1	73.5	73.6
23 Breakeven	77.2	72.8	73.7	72.8	71.7	69.8	68.6
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	-3.7	0.2	-4.1	-3.3	-0.8	3.4	5.0
27 Operating Expenses (%)	-0.2	1.1	1.3	1.6	2.1	3.6	2.6
28 Operating Profit (Loss) (in Millions \$)	-160.8	-38.5	-1,091.1	-968.8	-556.2	13.8	496.1
29 Net Income (Loss)(in Millions \$)	-92.5	-19.1	-778.4	-705.1	-346.5	228.3	464.7
30 RPMs (Sch. Svc.) (%)	2.0	3.3	1.9	2.2	3.3	4.9	4.5
31 ASMs (Sch. Svc.) (%)	0.9	6.5	2.7	4.0	5.0	5.7	5.1
32 Operating Revenues per RTM (%)	-4.4	-5.4	-4.8	-5.0	-5.0	-3.3	-2.1
33 Operating Expense per RTM (%)	-0.9	-4.7	0.6	-0.2	-2.2	-3.1	-4.4
34 Passenger Revenue per RPM (Sch. Svc)	-6.2	-2.8	-6.5	-5.8	-4.5	-1.6	0.4

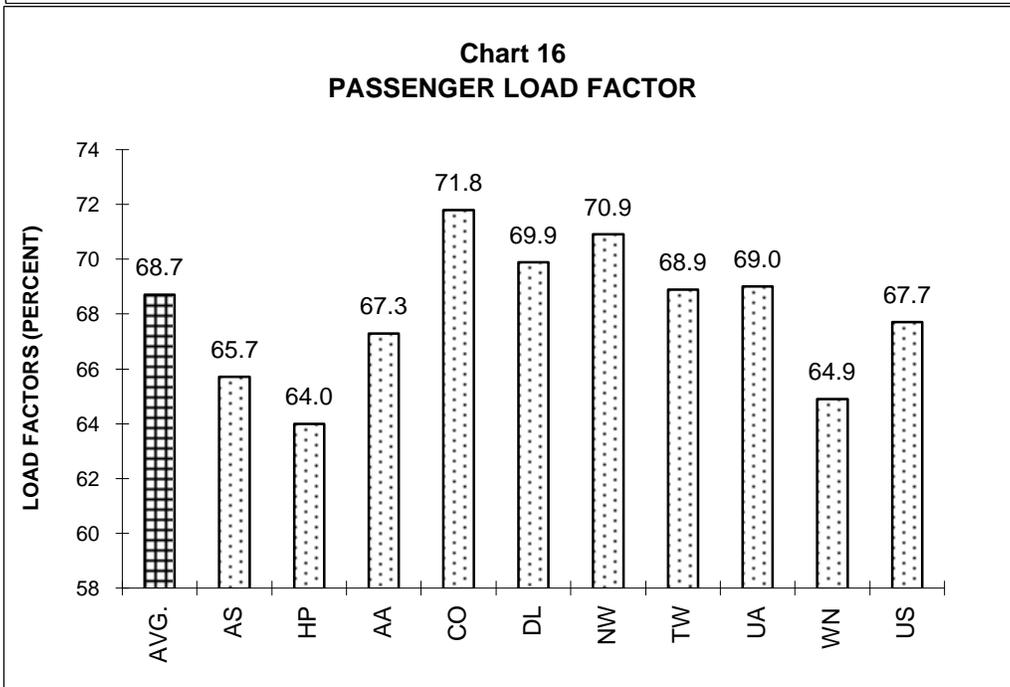
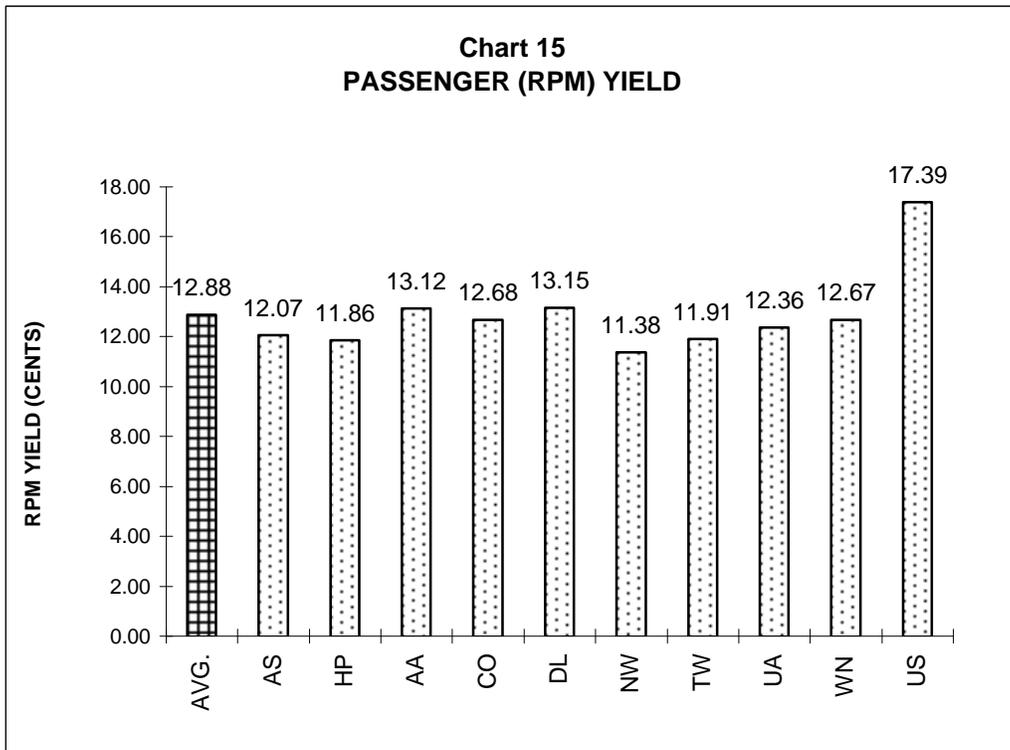
**TOTAL PASSENGER MAJORS (SYSTEM)  
QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)**



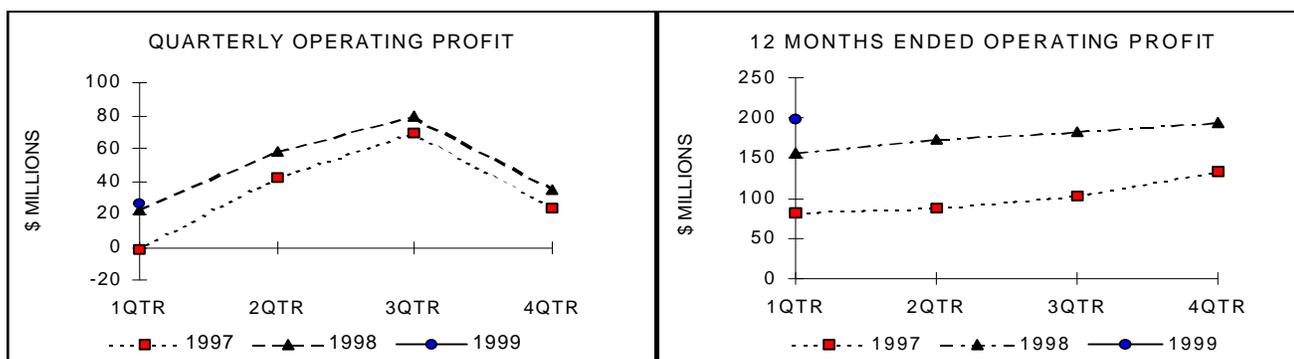
**TOTAL PASSENGER MAJORS (SYSTEM)  
QUARTERLY AND 12-MONTH BASIS (SCH. SVC.)**



**TOTAL PASSENGER MAJORS (SYSTEM)  
FIRST QUARTER 1999 (SCH. SVC.)**



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



**QUARTERLY RESULTS**

- Alaska reported the highest operating and net profit for any first quarter in carrier history.
- Operating revenues, up 8.6 percent, rose slightly faster than operating expenses, up 8 percent, resulting in an increase in operating profit of \$3.7 million to \$26.2 million.
- Much of this improvement was the result of the \$3.9 million (11.7 percent) decline in total fuel expenses.
- Net income rose \$4.2 million to \$18.7 million.
- Alaska's Latin operations reported the best first quarter in carrier history. For the Latin entity, operating profit gained \$3.6 million to \$3.8 million, and net income jumped \$6.4 million to a positive \$2.6 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	22.2	22.4	0.1	18.3	16.1	-2.2	2.2	2.4	7.8	3.4	3.7	7.6	64.8%
Int'l	0.3	3.8	3.6	-3.8	2.6	6.4	0.2	0.3	30.2	0.4	0.4	17.1	72.7%
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	0.3	3.8	3.6	-3.8	2.6	6.4	0.2	0.3	30.2	0.4	0.4	17.1	72.7%
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	22.5	26.2	3.7	14.5	18.7	4.2	2.5	2.7	10.0	3.8	4.1	8.6	65.7%

- The passenger load factor rose 0.9 percentage points to 65.7 percent as RPM traffic grew 10 percent, outpacing the 8.6 percent increase in ASM capacity.
- RTM yield dipped 0.2 percent, but profits rose due to a larger decline in RTM unit costs, down 0.7 percent.
- Interest expense declined \$0.8 million to a passenger major group low of \$3.8 million.
- Passenger (RPM) yield was down 1.7 percent to 12.07 cents.

**12-MONTH RESULTS**

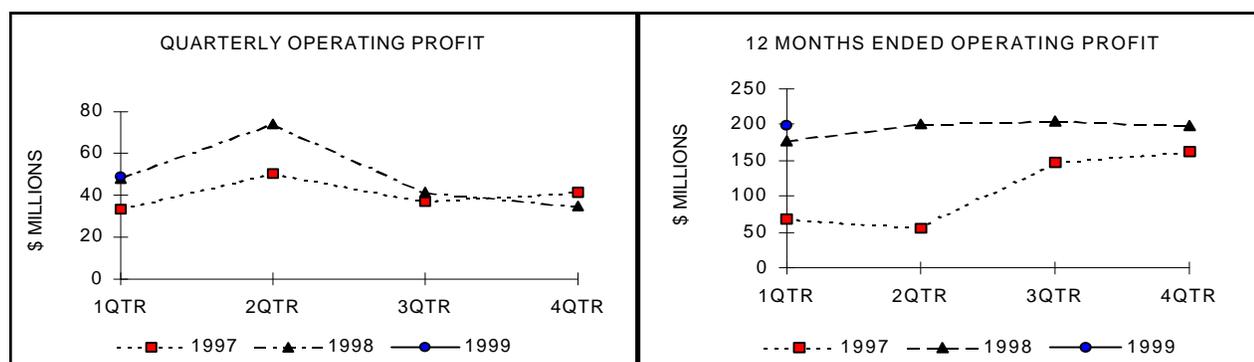
- Operating revenue growth, up 8.1 percent, exceeded operating expense growth, up 6 percent, causing operating profit to jump \$41.7 million to \$198.7 million.
- Net income improved \$27.9 million to \$120.6 million.
- The passenger load factor climbed 0.2 percentage points to 67.2 percent. RPM traffic rose 9.9 percent, while ASM capacity was up a slower 9.5 percent.
- Passenger (RPM) yield declined 1.4 percent to 12.13 cents, the first year-to-year decline in three years.
- Interest expense was a passenger group low \$16.3 million, down \$6.6 million from a year ago.
- Total debt declined \$45 million, while equity increased, resulting in the debt-to-investment ratio falling 9.4 percentage points to 25.3 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	376.6	346.8	1,611.0	1,581.3	1,553.2	1,527.2	1,490.0
2 Operating Expenses	350.4	324.3	1,412.4	1,386.3	1,369.9	1,354.5	1,333.0
3 Operating Profit (Loss)	26.2	22.5	198.7	195.0	183.3	172.7	157.0
4 Net Income (Loss)	18.7	14.5	120.6	116.5	106.2	105.8	92.7
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	2.70	2.45	11.51	11.27	11.00	10.74	10.48
6 ASMs - Scheduled Rev. Svc.	4.11	3.78	17.09	16.77	16.40	15.95	15.61
7 Overall RTMs (All Svc.)	0.29	0.26	1.23	1.21	1.18	1.15	1.13
8 Overall ATMs (All Svc.)	0.54	0.50	2.24	2.20	2.15	2.09	2.05
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	131.6	131.9	131.1	131.2	131.5	132.4	132.2
10 Operating Expense per RTM	122.5	123.3	115.0	115.0	116.0	117.4	118.3
11 Operating Profit (Loss) per RTM	9.2	8.6	16.2	16.2	15.5	15.0	13.9
12 Operating Expense per ATM	64.9	65.1	63.0	63.0	63.6	64.7	65.0
13 Passenger Revenue per RPM	12.07	12.28	12.13	12.17	12.26	12.33	12.30
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.18	2.19	2.19	2.26	2.28
15 Times Interest Earned	*	*	17.98	15.84	12.57	11.08	8.83
16 Current Assets to Current Liabilities	*	*	0.82	0.86	0.93	0.87	0.76
17 No. of Days Cash Coverage of Cash Exp	*	*	78.1	84.4	113.5	98.7	71.8
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	7.0	6.5	12.3	12.3	11.8	11.3	10.5
19 Net Income to Stockholders Equity	*	*	23.4	23.9	23.0	24.5	22.8
20 Corporate Return on Investment	*	*	17.9	17.9	17.1	18.3	17.2
21 Debt to Total Investment	*	*	25.3	26.6	35.1	30.7	34.7
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	65.7	64.8	67.3	67.2	67.1	67.3	67.1
23 Breakeven	64.0	63.2	60.6	60.4	60.7	61.3	61.8
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	7,972	7,541	7,935	7,827	7,712	7,626	7,510
25 Overall RTM's per Employee (000)	35.9	34.9	154.8	154.0	153.1	151.3	150.1

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	8.6	10.4	8.1	8.5	10.9	12.1	11.5
27 Operating Expenses (%)	8.0	2.7	6.0	4.7	5.6	6.2	6.3
28 Operating Profit (Loss) (in Millions \$)	3.7	23.9	41.7	61.9	80.3	85.5	74.5
29 Net Income (Loss)(in Millions \$)	4.2	16.7	27.9	40.5	44.4	52.6	44.0
30 RPMs (Sch. Svc.) (%)	10.0	5.0	9.9	8.7	8.1	6.0	4.7
31 ASMs (Sch. Svc.) (%)	8.6	6.1	9.5	8.9	9.1	6.7	4.6
32 Operating Revenues per RTM (%)	-0.2	5.3	-0.8	0.4	2.8	6.1	6.8
33 Operating Expense per RTM (%)	-0.7	-2.0	-2.8	-3.2	-2.1	0.5	1.9
34 Passenger Revenue per RPM (Sch. Svc)	-1.7	6.8	-1.4	0.4	4.0	7.5	8.2

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



**QUARTERLY RESULTS**

- America West reported its best operating and net profit for any first quarter in carrier history.
- Operating profit rose \$1.1 million to \$48.9 million although operating expenses, up 8.3 percent, grew faster than operating revenues, up 7.7 percent.
- Operating results benefited greatly from a \$9.1 million (18.9 percent) drop in total fuel expense.
- Net income climbed \$0.5 million to \$24.9 million.
- Operating and net results for the Latin entity moved into the black, with a gain of \$3.2 million in operating results to a positive \$2.1 million, and a gain of \$3.3 million in net results to a positive \$2 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	48.9	46.8	-2.1	25.8	23.0	-2.8	3.5	3.9	11.2	5.6	6.1	8.8	64.0%
Int'l	-1.1	2.1	3.2	-1.4	2.0	3.3	0.1	0.1	-0.7	0.2	0.2	-20.9	64.9%
Atlantic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Latin	-1.1	2.1	3.2	-1.4	2.0	3.3	0.1	0.1	-0.7	0.2	0.2	-20.9	64.9%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	47.8	48.9	1.1	24.4	24.9	0.5	3.6	4.0	10.8	5.8	6.3	7.7	64.0%

- The passenger load factor was up 1.8 percentage points, but was still a major group low 64 percent, as RPM traffic, up 10.8 percent, grew faster than ASM capacity, up 7.7 percent.
- Passenger (RPM) yield fell 2.6 percent to 11.86 cents.
- Interest expense declined \$1 million to \$9.6 million.

**12-MONTH RESULTS**

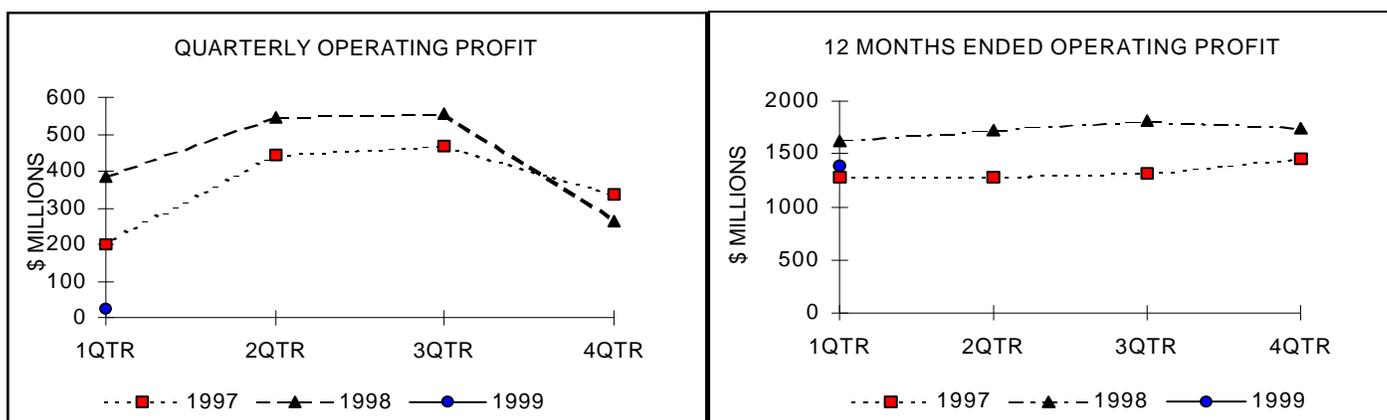
- For the sixth consecutive quarter-ended 12-month period, America West reported strong improvement in both operating and net profits, although the rate of growth continues to slow.
- The rate of growth in operating expense accelerated, rising 5.9 percent, but the declining growth rate in operating revenue reversed, rising 6.5 percent, resulting in a gain of \$22 million in operating profit to \$198.9 million.
- Net income advanced \$17.7 million to \$103.5 million.
- Interest expense decreased \$0.6 million to \$37.6 million.
- The passenger load factor climbed 0.5 percentage points to 67.8 percent as RPM traffic, up 5.8 percent, grew slightly faster than ASM capacity, up 5 percent.
- America West was one of only two majors (the other being TWA), that experienced an increase in passenger (RPM) yield, up 1.3 percent to 11.27 cents.
- Total debt fell \$90.7 million to \$376.3 million (only Alaska and DHL Airways reported lower debt). This, coupled with rising equity, resulted in the debt-to-investment ratio declining 3.3 percentage points to 32.2 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	510.5	474.2	2,019.3	1,983.0	1,962.5	1,938.4	1,896.3
2 Operating Expenses	461.6	426.4	1,820.4	1,785.1	1,757.9	1,738.2	1,719.4
3 Operating Profit (Loss)	48.9	47.8	198.9	197.8	204.6	200.1	176.9
4 Net Income (Loss)	24.9	24.4	103.5	103.0	104.3	103.0	85.8
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	4.02	3.63	16.75	16.36	16.18	15.97	15.83
6 ASMs - Scheduled Rev. Svc.	6.28	5.84	24.71	24.26	23.96	23.77	23.53
7 Overall RTMs (All Svc.)	0.43	0.39	1.77	1.74	1.73	1.71	1.70
8 Overall ATMs (All Svc.)	0.79	0.73	3.11	3.05	3.01	2.99	2.96
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	119.6	121.1	113.8	114.0	113.6	113.1	111.5
10 Operating Expense per RTM	108.1	108.9	102.6	102.7	101.7	101.4	101.1
11 Operating Profit (Loss) per RTM	11.5	12.2	11.2	11.4	11.8	11.7	10.4
12 Operating Expense per ATM	58.1	58.1	58.5	58.5	58.3	58.1	58.0
13 Passenger Revenue per RPM	11.86	12.18	11.27	11.33	11.32	11.29	11.13
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	1.92	1.94	1.95	1.94	1.90
15 Times Interest Earned	*	*	6.80	6.46	6.41	6.67	5.30
16 Current Assets to Current Liabilities	*	*	0.86	0.79	0.83	0.70	0.68
17 No. of Days Cash Coverage of Cash Exp	*	*	51.7	28.7	35.2	50.2	39.2
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	9.6	10.1	9.9	10.0	10.4	10.3	9.3
19 Net Income to Stockholders Equity	*	*	13.8	14.1	14.7	15.0	12.9
20 Corporate Return on Investment	*	*	12.9	13.4	13.9	13.6	12.3
21 Debt to Total Investment	*	*	32.2	27.3	27.6	27.0	28.9
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	64.0	62.2	67.8	67.4	67.5	67.2	67.3
23 Breakeven	58.6	56.2	61.7	61.1	60.8	60.6	61.5
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	9,439	8,644	9,025	8,826	8,747	8,768	8,850
25 Overall RTM's per Employee (000)	45.2	45.3	196.6	197.0	197.5	195.4	192.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER					
26	Operating Revenues (%)	7.7	2.0	6.5	5.1	5.8	5.3
27	Operating Expenses (%)	8.3	-1.2	5.9	3.5	2.9	-0.8
28	Operating Profit (Loss) (in Millions \$)	1.1	14.3	22.0	35.2	58.2	109.1
29	Net Income (Loss)(in Millions \$)	0.5	10.5	17.7	27.7	37.4	77.1
30	RPMs (Sch. Svc.) (%)	10.8	-8.7	5.8	1.2	-0.6	0.5
31	ASMs (Sch. Svc.) (%)	7.7	1.1	5.0	3.4	3.0	5.5
32	Operating Revenues per RTM (%)	-1.2	11.1	2.1	4.9	7.1	4.5
33	Operating Expense per RTM (%)	-0.7	7.7	1.5	3.4	4.1	-1.6
34	Passenger Revenue per RPM (Sch. Svc)	-2.6	11.6	1.3	4.5	7.1	4.8

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



**QUARTERLY RESULTS**

- American experienced a pilot sick-out during the first quarter, causing a significant deterioration in American's operating and net results.
- Operating revenues tumbled 8.7 percent, while operating expenses rose 0.4 percent, resulting in a \$357.5 million drop in operating profit to \$26.8 million.
- This deterioration could have been much larger, but total fuel expense fell \$72.6 million (19.8 percent).
- Net income was down \$187.4 million to \$33.7 million.
- The pilots' sick-out impacted all entities, with only the domestic and Latin entities remaining positive 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.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	295.5	51.0	-244.5	170.0	40.1	-129.9	17.6	16.9	-3.8	26.4	25.1	-5.0	67.3%
Int'l	88.8	-24.3	-113.0	51.1	-6.4	-57.5	7.8	7.7	-1.1	11.2	11.5	2.2	67.1%
Atlantic	9.4	-36.2	-45.6	5.4	-16.5	-21.9	3.0	2.9	-3.1	4.1	4.3	3.2	69.3%
Latin	74.5	26.3	-48.2	42.9	16.9	-25.9	4.3	4.1	-4.2	6.5	6.1	-5.6	66.7%
Pacific	4.9	-14.4	-19.2	2.8	-6.9	-9.7	0.5	0.7	36.5	0.7	1.1	74.0	60.7%
System	384.3	26.8	-357.5	221.1	33.7	-187.4	25.4	24.6	-2.9	37.7	36.6	-2.8	67.3%

- Passenger (RPM) yield dropped 7 percent, the largest decline among the majors, 13.12 cents.
- RPM traffic declined 3 percent, but ASM capacity declined 2.9 percent, leaving the passenger load factor unchanged at 67.3 percent.
- Interest expense jumped \$9.1 million to \$33.3 million.

**12-MONTH RESULTS**

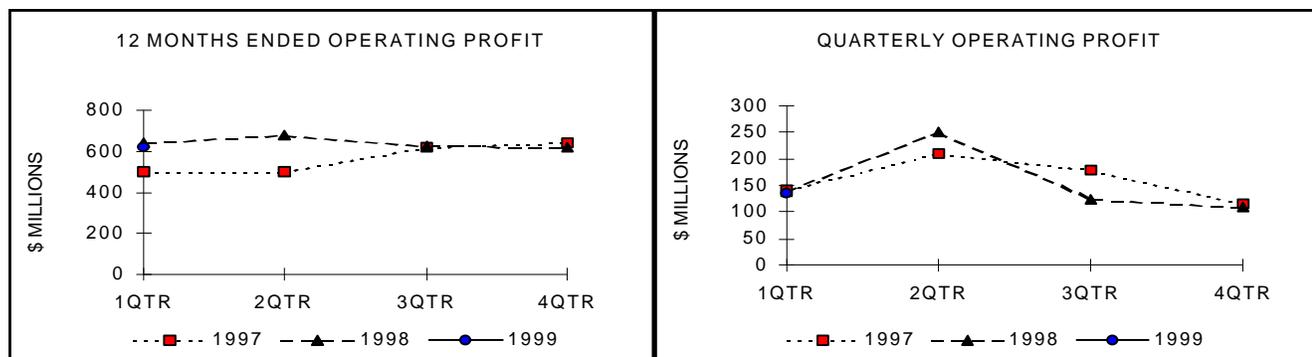
- Operating and net profit were down from a year ago for the first time since the 12-months ended September 1996.
- Operating revenue declined 0.7 percent as operating expenses rose 0.9 percent, resulting in operating profit falling \$241.4 million to \$1.39 billion.
- Net income fell \$51.7 million to \$875.5 million.
- The passenger load factor rose 0.7 percentage points to 70.2 percent. RPM traffic increased 1 percent, while ASM capacity climbed 0.1 percent.
- Passenger (RPM) yield declined 2.1 percent to 13.42 cents, the first year-to-year decline in more than 3 years.
- Interest expense declined \$16.8 million to \$95.7 million.
- Rising equity offset the \$202.1 million increase in total debt to \$2.57 billion, causing the debt-to-investment ratio to decline 1.3 percentage points to 28.5 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	3,616.0	3,960.0	15,954.8	16,298.8	16,394.5	16,229.8	16,065.1
2 Operating Expenses	3,589.2	3,575.7	14,564.0	14,550.5	14,574.2	14,495.7	14,432.8
3 Operating Profit (Loss)	26.8	384.3	1,390.9	1,748.4	1,820.3	1,734.1	1,632.3
4 Net Income (Loss)	33.7	221.1	875.5	1,062.9	1,097.3	1,018.0	927.2
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	24.62	25.36	108.13	108.87	108.27	107.64	107.03
6 ASMs - Scheduled Rev. Svc.	36.60	37.67	154.10	155.17	154.63	154.19	153.95
7 Overall RTMs (All Svc.)	2.90	3.04	12.74	12.88	12.86	12.82	12.78
8 Overall ATMs (All Svc.)	5.60	5.72	23.48	23.60	23.50	23.44	23.42
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	124.8	130.3	125.2	126.5	127.5	126.6	125.7
10 Operating Expense per RTM	123.9	117.7	114.3	112.9	113.3	113.0	113.0
11 Operating Profit (Loss) per RTM	0.9	12.6	10.9	13.6	14.2	13.5	12.8
12 Operating Expense per ATM	64.1	62.5	62.0	61.6	62.0	61.8	61.6
13 Passenger Revenue per RPM	13.12	14.10	13.26	13.49	13.67	13.60	13.54
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	1.86	1.96	2.04	2.08	2.12
15 Times Interest Earned	*	*	-59.46	821.48	38.80	21.02	13.84
16 Current Assets to Current Liabilities	*	*	0.75	0.87	0.85	0.80	0.78
17 No. of Days Cash Coverage of Cash Exp	*	*	22.4	39.8	46.7	48.5	47.2
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	0.7	9.7	8.7	10.7	11.1	10.7	10.2
19 Net Income to Stockholders Equity	*	*	14.3	18.0	19.5	19.0	18.2
20 Corporate Return on Investment	*	*	9.9	12.8	14.2	14.1	13.8
21 Debt to Total Investment	*	*	28.5	28.9	27.8	28.4	29.8
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	67.3	67.3	70.2	70.2	70.0	69.8	69.5
23 Breakeven	69.6	61.6	65.4	63.6	63.0	63.1	63.3
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	75,741	73,727	74,927	74,424	74,060	73,960	73,798
25 Overall RTM's per Employee (000)	38.2	41.2	170.1	173.1	173.7	173.4	173.1

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
26 Operating Revenues (%)	-8.7	5.6	-0.7	2.8	5.1	5.5	5.4
27 Operating Expenses (%)	0.4	0.7	0.9	1.0	2.0	2.8	3.4
28 Operating Profit (Loss) (in Millions \$)	-357.5	185.3	-241.4	301.4	508.5	447.6	342.4
29 Net Income (Loss)(in Millions \$)	-187.4	147.0	-51.7	282.7	443.9	423.3	359.9
30 RPMs (Sch. Svc.) (%)	-3.0	0.4	1.0	1.8	1.6	1.6	1.7
31 ASMs (Sch. Svc.) (%)	-2.9	0.5	0.1	0.9	0.9	0.8	0.9
32 Operating Revenues per RTM (%)	-4.2	4.7	-0.4	1.8	3.9	3.9	3.5
33 Operating Expense per RTM (%)	5.3	-0.2	1.2	-0.1	0.9	1.2	1.7
34 Passenger Revenue per RPM (Sch. Svc)	-7.0	5.6	-2.1	1.0	3.9	4.0	3.8

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



**QUARTERLY RESULTS**

- Operating expenses, up 9.6 percent, grew faster than operating revenues, up 8.8 percent, resulting in a \$1.9 million decline in operating profit to \$136.3 million.
- This decline occurred despite a \$42.1 million (22.6 percent) decline in total fuel expense.
- Net income, on the other hand, rose \$4.9 million to \$81.7 million.
- Only the domestic and Pacific entities experienced a gain in both operating and net results, but all entities reported an operating and net profit.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	103.3	107.6	4.3	45.8	62.7	16.9	8.0	9.0	12.4	11.7	12.7	8.4	71.2%
Int'l	34.9	28.7	-6.2	31.0	19.0	-12.0	4.3	4.7	10.6	6.1	6.5	5.4	72.8%
Atlantic	18.4	6.5	-11.9	18.2	6.0	-12.3	2.0	2.1	6.4	2.6	2.9	8.4	73.4%
Latin	17.7	13.1	-4.5	17.2	10.8	-6.4	1.3	1.7	32.4	2.0	2.4	18.1	70.2%
Pacific 1/	-1.1	9.1	10.2	-4.4	2.2	6.7	1.0	0.9	-9.1	1.4	1.2	-18.0	76.7%
System	138.2	136.3	-2.0	76.8	81.7	4.9	12.3	13.7	11.8	17.8	19.1	7.4	71.8%

- RPM traffic advanced 11.8 percent, outpacing the 7.4 percent rise in ASM capacity, producing a 2.9 percentage point gain in the passenger load factor to 71.8 percent, the highest among the passenger majors.
- Passenger (RPM) yield slid 3.1 percent to 12.68 cents.
- Interest expense rose \$13.1 million, the second largest increase among the majors, to \$41.5 million

**12-MONTH RESULTS**

- Operating profit was down \$23.8 million to \$618.7 million, the second consecutive quarter-ended 12-month period of decline. Operating revenues grew 11.1 percent, but operating expenses were up 12.5 percent.
- Net income fell \$12.6 million to \$350.8 million.
- RPM traffic growth, up 12.9 percent, continues to exceed ASM capacity growth, up 10.1 percent, resulting in the passenger load factor rising 1.8 percentage points to 72.8 percent.
- Passenger (RPM) yield declined from a year ago for the eighth consecutive quarter-ended 12-month period, down 3.2 percent to 12.36 cents.
- The debt-to-investment ratio rose 2.4 percentage points to 67.7 percent, due both to declining equity and rising total debt, up \$1 billion to \$3.2 billion.

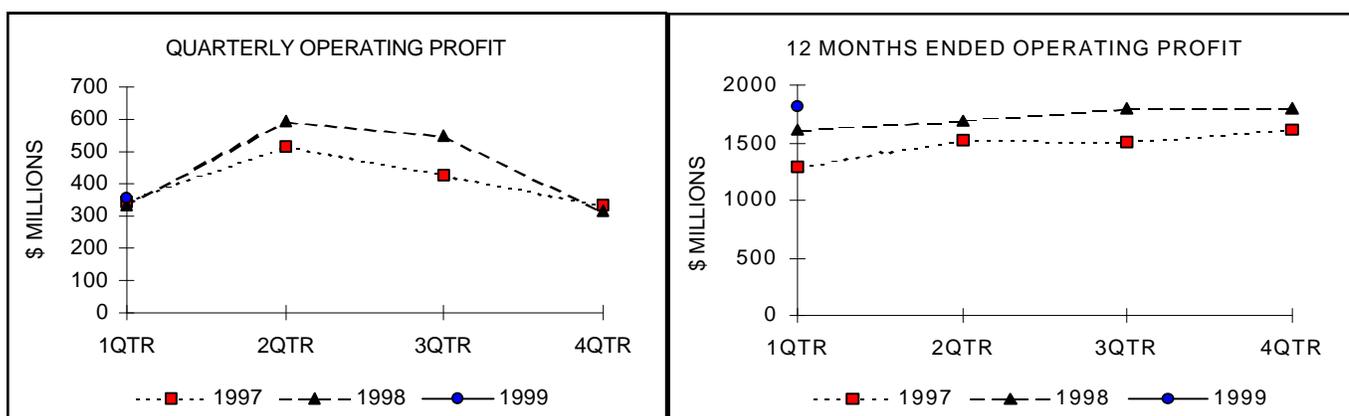
1/ Beginning in 1993, all of Continental's Pacific operations are reported by Air Micronesia which now reports its results separately. To be consistent for internal and analytical purposes, all of Continental's financial and traffic results for all quarterly and 12-month ended periods have been retroactively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

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	2,016.5	1,853.9	8,070.3	7,907.7	7,793.0	7,540.5	7,265.5
2 Operating Expenses	1,880.2	1,715.7	7,451.5	7,287.0	7,165.6	6,858.0	6,623.0
3 Operating Profit (Loss)	136.3	138.2	618.7	620.7	627.5	682.4	642.5
4 Net Income (Loss)	81.7	76.8	350.8	345.8	339.1	399.3	363.4
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	13.74	12.29	56.35	54.90	53.78	51.85	49.92
6 ASMs - Scheduled Rev. Svc.	19.14	17.83	77.44	76.12	74.69	72.60	70.31
7 Overall RTMs (All Svc.)	1.58	1.46	6.51	6.39	6.29	6.08	5.84
8 Overall ATMs (All Svc.)	2.49	2.34	10.13	9.98	9.84	9.57	9.23
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	127.7	127.0	124.0	123.8	124.0	124.0	124.4
10 Operating Expense per RTM	119.0	117.5	114.5	114.1	114.0	112.8	113.4
11 Operating Profit (Loss) per RTM	8.6	9.5	9.5	9.7	10.0	11.2	11.0
12 Operating Expense per ATM	75.4	73.2	73.6	73.0	72.8	71.6	71.8
13 Passenger Revenue per RPM	12.68	13.09	12.36	12.44	12.60	12.73	12.78
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.07	2.21	2.32	2.40	2.49
15 Times Interest Earned	*	*	4.96	5.26	5.46	6.17	5.64
16 Current Assets to Current Liabilities	*	*	1.00	0.95	0.86	0.83	0.73
17 No. of Days Cash Coverage of Cash Exp	*	*	71.1	72.7	66.9	65.2	48.7
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	6.8	7.5	7.7	7.8	8.1	9.1	8.8
19 Net Income to Stockholders Equity	*	*	27.4	29.0	30.0	37.6	36.9
20 Corporate Return on Investment	*	*	12.8	13.4	13.9	16.7	16.8
21 Debt to Total Investment	*	*	67.7	68.3	67.5	66.6	65.3
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	71.8	68.9	72.8	72.1	72.0	71.4	71.0
23 Breakeven	69.6	64.8	69.2	68.0	67.5	65.8	65.4
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	33,053	30,457	32,290	31,641	30,944	30,081	29,217
25 Overall RTM's per Employee (000)	47.8	47.9	201.5	201.9	203.1	202.1	199.9

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
26 Operating Revenues (%)	8.8	10.5	11.1	11.5	14.4	14.1	12.4
27 Operating Expenses (%)	9.6	11.6	12.5	13.1	15.7	12.3	11.0
28 Operating Profit (Loss) (in Millions \$)	-1.9	-3.4	-23.8	-25.2	5.2	180.0	144.4
29 Net Income (Loss)(in Millions \$)	4.9	-1.3	-12.6	-19.0	-11.8	130.0	38.5
30 RPMs (Sch. Svc.) (%)	11.8	12.9	12.9	13.2	15.5	16.4	16.0
31 ASMs (Sch. Svc.) (%)	7.4	12.6	10.1	11.4	13.0	13.0	12.0
32 Operating Revenues per RTM (%)	0.6	-4.7	-0.3	-1.5	-2.0	-3.4	-4.2
33 Operating Expense per RTM (%)	1.3	-3.8	1.0	-0.2	-0.9	-4.9	-5.4
34 Passenger Revenue per RPM (Sch. Svc)	-3.1	-2.7	-3.3	-3.2	-1.9	-1.9	-2.8

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



**QUARTERLY RESULTS**

- Delta reported the highest quarterly operating and net profit for any first quarter in its history, as well as the highest operating and net profit among all majors.
- Operating revenues, up 3.9 percent, grew slightly faster than operating expenses, up 3.7 percent, resulting in operating profit rising \$19.3 million to \$353.2 million.
- This improvement was aided by the \$24.1 million (7.1 percent) drop in total fuel expense.
- Net income gained \$20.9 million to \$216.4 million.
- The domestic and Latin entities reported gains in both operating and net income, while the Atlantic and Pacific fell deeper into the red.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	332.0	398.8	66.7	194.0	244.7	50.7	18.4	19.2	4.0	27.1	27.4	1.2	70.0%
Int'l	1.9	-45.5	-47.4	1.4	-28.3	-29.7	4.9	5.1	4.6	6.9	7.4	6.7	69.5%
Atlantic	-4.9	-34.4	-29.5	-2.8	-21.4	-18.5	3.9	3.7	-6.5	5.4	5.0	-7.3	72.6%
Latin	9.6	16.9	7.2	6.0	10.0	4.1	0.4	0.6	76.8	0.6	1.0	67.5	62.9%
Pacific	-2.8	-28.0	-25.1	-1.7	-17.0	-15.3	0.6	0.8	31.6	0.9	1.3	51.3	62.7%
System	333.9	353.2	19.3	195.5	216.4	20.9	23.4	24.3	4.1	34.0	34.8	2.3	69.9%

- RPM traffic, up 4.1 percent, rose faster than ASM capacity, up 2.3 percent, resulting in the passenger load factor rising 1.2 percentage points to 69.9 percent.
- Passenger (RPM) yield declined 1.4 percent to 13.15 cents.
- Interest expense rose \$1.6 million to \$43.3 million.

**12-MONTH RESULTS**

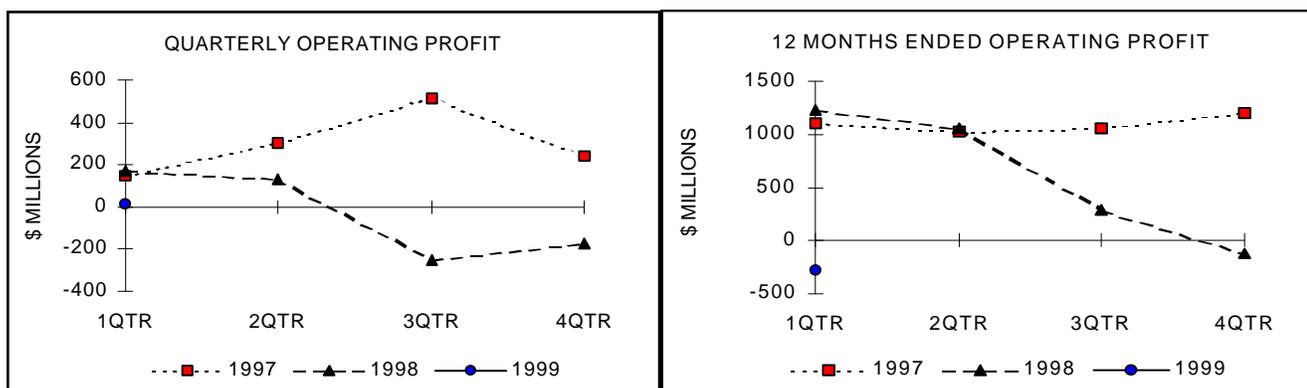
- As with quarterly results, operating and net profit were the highest among all majors.
- Operating profit improved \$200.4 million to \$1.81 billion, as operating revenues rose 4.4 percent while operating expenses grew a lesser 3.4 percent.
- Net income improved \$158.6 million to \$1.1 billion.
- Faster growth in RPM traffic, up 4.4 percent, than in ASM capacity, up 2.7 percent, resulted in the passenger load factor rising 1.2 percentage points to 73 percent.
- Passenger (RPM) yield dipped 0.2 percent to 12.73 cents.
- Total debt jumped \$689.9 million, offsetting strong growth in equity, causing the debt-to-investment ratio to rise 3.9 percentage points to 37.6 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	3,567.3	3,432.3	14,764.9	14,629.8	14,584.9	14,328.3	14,138.4
2 Operating Expenses	3,214.1	3,098.4	12,952.4	12,836.7	12,777.6	12,638.1	12,526.3
3 Operating Profit (Loss)	353.2	333.9	1,812.5	1,793.1	1,807.3	1,690.2	1,612.1
4 Net Income (Loss)	216.4	195.5	1,098.5	1,077.6	1,073.5	1,000.5	939.9
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	24.31	23.35	104.20	103.24	102.58	101.06	99.79
6 ASMs - Scheduled Rev. Svc.	34.80	34.01	142.75	141.96	140.97	140.00	139.04
7 Overall RTMs (All Svc.)	2.84	2.76	12.13	12.05	12.01	11.86	11.70
8 Overall ATMs (All Svc.)	4.97	4.83	20.45	20.31	20.12	19.89	19.63
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	125.6	124.2	121.8	121.4	121.4	120.8	120.8
10 Operating Expense per RTM	113.2	112.1	106.8	106.5	106.4	106.6	107.0
11 Operating Profit (Loss) per RTM	12.4	12.1	14.9	14.9	15.0	14.3	13.8
12 Operating Expense per ATM	64.7	64.2	63.3	63.2	63.5	63.5	63.8
13 Passenger Revenue per RPM	13.15	13.33	12.73	12.76	12.84	12.81	12.76
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.40	2.48	2.52	2.54	2.62
15 Times Interest Earned	*	*	13.05	13.05	12.34	11.55	10.47
16 Current Assets to Current Liabilities	*	*	0.53	0.60	0.69	0.78	0.77
17 No. of Days Cash Coverage of Cash Exp	*	*	24.6	23.9	34.3	49.5	45.4
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	9.9	9.7	12.3	12.3	12.4	11.8	11.4
19 Net Income to Stockholders Equity	*	*	26.9	27.5	28.6	28.1	28.6
20 Corporate Return on Investment	*	*	20.3	20.7	21.2	20.5	20.4
21 Debt to Total Investment	*	*	37.6	31.4	32.9	32.9	33.7
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	69.9	68.7	73.0	72.7	72.8	72.2	71.8
23 Breakeven	63.5	62.2	64.1	63.7	63.7	63.7	63.8
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	63,344	59,969	62,914	62,071	60,762	59,334	57,964
25 Overall RTM's per Employee (000)	44.8	46.1	192.8	194.2	197.7	199.9	201.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	3.9	-1.9	4.4	3.0	4.1	2.8	2.7
27	Operating Expenses (%)	3.7	-1.8	3.4	2.0	2.2	1.8	0.5
28	Operating Profit (Loss) (in Millions \$)	19.3	-9.1	200.4	171.8	294.2	165.4	312.3
29	Net Income (Loss)(in Millions \$)	20.9	5.9	158.6	143.6	203.6	146.2	225.3
30	RPMs (Sch. Svc.) (%)	4.1	0.7	4.4	3.6	3.7	3.4	3.8
31	ASMs (Sch. Svc.) (%)	2.3	1.0	2.7	2.4	2.2	2.4	2.5
32	Operating Revenues per RTM (%)	1.1	-4.0	0.8	-0.5	-0.3	-2.0	-2.7
33	Operating Expense per RTM (%)	1.0	-3.9	-0.2	-1.5	-2.0	-2.9	-4.9
34	Passenger Revenue per RPM (Sch. Svc)	-1.4	-2.1	-0.2	-0.5	1.0	0.2	-0.9

## QUARTERLY FINANCIAL & TRAFFIC REVIEW SYSTEM OPERATIONS NORTHWEST AIRLINES



### QUARTERLY RESULTS

- Northwest experienced a pilot strike from August 29 to September 12, 1998, causing the carrier to suspend temporarily all operations. The company resumed full operations within 10 days of the end of the strike. However, traffic has still not returned to pre-strike levels, and passenger yields have remained low to attract traffic to return, resulting in Northwest experiencing its worst first quarter operating and net results since 1993, and the worst first quarter net results among all majors.
- Operating revenues fell 7.3 percent as operating expenses dipped 0.7 percent, resulting in a \$153.4 million drop in operating profit to \$14.2 million.
- Net income fell into the red, down \$98.6 million to a loss of \$23.4 million.
- The operating profit margin dropped 6.6 percentage points to 0.7 percent.
- All entities were down from a year ago in both operating and net results, but domestic and Atlantic entity results remained positive.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	216.6	87.0	-129.6	110.5	33.9	-76.6	9.8	9.6	-1.5	14.5	14.2	-1.6	67.6%
Int'l	-48.6	-72.4	-23.8	-35.2	-57.3	-22.0	7.0	6.7	-4.6	9.3	8.8	-5.6	76.4%
Atlantic	36.0	17.8	-18.2	22.0	13.2	-8.7	1.5	1.8	23.1	1.9	2.5	32.3	73.6%
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	-84.6	-90.2	-5.6	-57.2	-70.5	-13.3	5.5	4.9	-12.0	7.4	6.3	-15.2	77.5%
System	168.0	14.6	-153.4	75.2	-23.4	-98.6	16.8	16.3	-2.8	23.8	23.0	-3.2	70.9%

- Total fuel expense fell \$80.7 million (28.2 percent), offsetting a steeper deterioration in operating results.
- Interest expense increased a major group high \$38.2 million to \$83.8 million, also a major group high.
- Passenger load factor climbed 0.2 percentage points to 70.9 percent, despite a 2.8 percent decline in RPM traffic, as ASM capacity was down 3.2 percent.
- Passenger (RPM) yield slid 5.5 percent to 11.38 cents, a major group low.

### 12-MONTH RESULTS

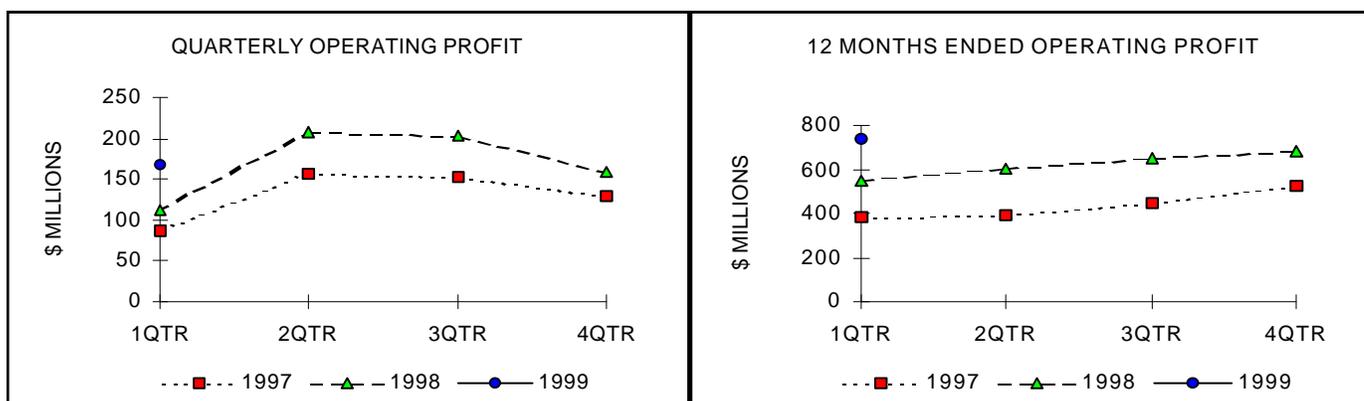
- Northwest experienced the largest deteriorations among all majors in both operating and net results, and it also reported largest operating and net losses.
- Operating and net results fell deeper into the red, the second consecutive quarter-ended 12-month period of losses after more than five years of continuous profits.
- Still reflecting the residual effects of the third quarter 1998 strike, operating revenues fell 14.5 percent, while operating expenses rose 0.7 percent, resulting in operating profit plunging \$1.5 billion to a loss of \$282.7 million.
- Net income fell \$957.4 million to a loss of \$339.9 million.
- The passenger load factor declined 0.8 percentage points to 73.2 percent.
- Passenger (RPM) yield fell 8 percent to 11.09 cents, the eighth consecutive 12-month period of decline.
- Interest expense jumped \$105.6 million, the largest increase among the passenger majors, to \$296.3 million.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<b>FINANCIAL RESULTS: (\$Millions)</b>							
1 Operating Revenues	2,145.2	2,313.5	8,538.4	8,706.7	8,996.3	9,881.7	9,982.4
2 Operating Expenses	2,130.6	2,145.5	8,821.2	8,836.1	8,705.6	8,825.0	8,757.4
3 Operating Profit (Loss)	14.6	168.0	-282.7	-129.4	290.7	1,056.8	1,225.0
4 Net Income (Loss)	-23.4	75.2	-339.9	-241.3	33.9	536.4	617.5
<b>TRAFFIC: (Billions)</b>							
5 RPMs - Scheduled Rev. Svc.	16.32	16.79	66.24	66.71	67.48	72.41	72.20
6 ASMs - Scheduled Rev. Svc.	23.01	23.76	90.52	91.27	91.58	97.22	97.63
7 Overall RTMs (All Svc.)	2.13	2.18	8.59	8.64	8.79	9.49	9.53
8 Overall ATMs (All Svc.)	3.62	3.76	14.39	14.53	14.61	15.53	15.57
<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9 Operating Revenue per RTM	100.6	106.0	99.4	100.8	102.4	104.2	104.7
10 Operating Expense per RTM	99.9	98.3	102.7	102.3	99.1	93.0	91.9
11 Operating Profit (Loss) per RTM	0.7	7.7	-3.3	-1.5	3.3	11.1	12.9
12 Operating Expense per ATM	58.9	57.0	61.3	60.8	59.6	56.8	56.2
13 Passenger Revenue per RPM	11.38	12.04	11.09	11.26	11.54	11.89	12.05
<b>FINANCIAL RATIOS:</b>							
14 Operating Revenues to Total Investment	*	*	1.02	1.09	1.17	1.31	1.36
15 Times Interest Earned	*	*	-0.59	-0.27	1.34	5.20	6.09
16 Current Assets to Current Liabilities	*	*	0.55	0.44	0.44	0.59	0.71
17 No. of Days Cash Coverage of Cash Exp	*	*	35.1	19.9	22.4	40.8	46.4
<b>FINANCIAL PERCENTAGES:</b>							
18 Operating Profit (Loss) to Operating Rev	0.7	7.3	-3.3	-1.5	3.2	10.7	12.3
19 Net Income to Stockholders Equity	*	*	-7.2	-5.0	0.7	10.9	12.7
20 Corporate Return on Investment	*	*	-0.1	0.6	3.7	9.9	11.1
21 Debt to Total Investment	*	*	52.4	49.5	42.2	40.6	33.4
<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22 Actual	70.9	70.7	73.2	73.1	73.7	74.5	74.0
23 Breakeven	73.5	66.7	80.2	78.1	73.9	66.9	64.6
<b>Employment &amp; Productivity:</b>							
24 Employment, Total Weighted Avg CY	48,388	46,729	47,741	47,326	46,867	46,689	45,955
25 Overall RTM's per Employee (000)	44.1	46.7	179.9	182.6	187.4	203.2	207.4

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
26 Operating Revenues (%)	-7.3	-0.1	-14.5	-12.8	-8.9	0.4	1.2
27 Operating Expenses (%)	-0.7	-1.1	0.7	0.6	-1.3	0.0	0.1
28 Operating Profit (Loss) (in Millions \$)	-153.4	21.8	-1,507.7	-1,332.6	-761.1	33.5	112.7
29 Net Income (Loss)(in Millions \$)	-98.6	13.9	-957.4	-844.8	-489.1	36.7	35.5
30 RPMs (Sch. Svc.) (%)	-2.8	1.2	-8.3	-7.4	-4.9	3.1	3.7
31 ASMs (Sch. Svc.) (%)	-3.2	3.1	-7.3	-5.8	-4.8	1.8	3.0
32 Operating Revenues per RTM (%)	-5.1	-1.2	-5.1	-4.0	-3.0	-2.0	-2.3
33 Operating Expense per RTM (%)	1.6	-2.2	11.8	10.7	5.0	-2.4	-3.4
34 Passenger Revenue per RPM (Sch. Svc)	-5.5	-2.1	-8.0	-7.0	-5.5	-3.6	-3.6

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



**QUARTERLY RESULTS**

- Southwest has reported a quarterly operating and net profit in every quarter since March 1991, an eight year period. Operating and net results for the quarter ended March 1999 were the highest for any first quarter in the carrier's history.
- Operating revenues jumped 14.1 percent, outpacing the 9.4 percent increase in operating expenses, leading to a major group high gain in operating profit of \$54.6 million to \$166.5 million.
- Declining fuel expense, down \$15.8 million (15.7 percent), contributed to this improvement.
- Net income improved \$25.8 million to \$95.8 million.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	111.9	166.5	54.6	70.0	95.8	25.8	6.9	8.0	16.6	11.3	12.4	10.0	64.9%
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	111.9	166.5	54.6	70.0	95.8	25.8	6.9	8.0	16.6	11.3	12.4	10.0	64.9%

- Interest expense declined \$2.2 million to \$13.3 million.
- The operating profit margin rose 3.6 percentage points to 15.5 percent, a major group high. This compares with an average of 4.8 percent for the passenger group as a whole.
- RPM traffic, up 16.6 percent, grew much faster than ASM capacity, up 10 percent, boosting the passenger load factor a major group high 3.7 percentage points to 64.9 percent.
- Passenger (RPM) yield declined 2.3 percent to 12.67 cents.

**12-MONTH RESULTS**

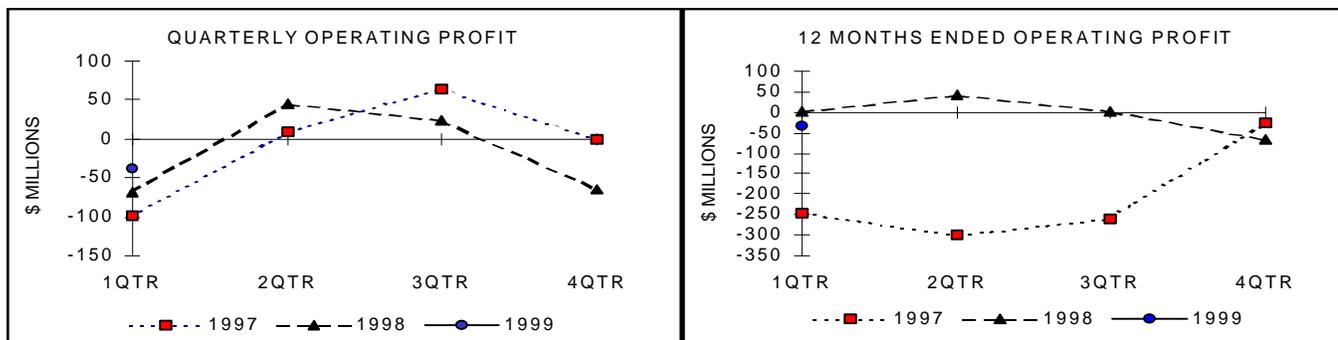
- Operating and net results for the 12-months ended March 1999 again set new all-time highs for any quarter-ended 12-month period in carrier history.
- Although the growth trend in operating revenues continues to decline, the 11 percent increase was still stronger than the 7.1 percent increase in operating expenses, resulting in a \$189.4 million gain in operating profit to \$738.4 million.
- Net income rose \$122.4 million to \$459.3 million.
- The passenger load factor jumped a group high 3.4 percentage points to 66.9 percent, a major group low. RPM traffic rose 13.4 percent as ASM capacity was up 7.6 percent.
- Passenger (RPM) yield declined 2.2 percent to 12.55 cents.
- Although RTM yield slid 1.6 percent, RTM unit costs were down 5.2 percent, enhancing profitability.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	1,075.6	942.7	4,297.0	4,164.0	4,092.0	3,994.4	3,872.5
2 Operating Expenses	909.0	830.8	3,558.6	3,480.3	3,438.8	3,393.5	3,323.4
3 Operating Profit (Loss)	166.5	111.9	738.4	683.7	653.2	600.9	549.0
4 Net Income (Loss)	95.8	70.0	459.3	433.4	413.6	376.5	336.9
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	8.05	6.90	32.57	31.42	30.83	29.94	28.72
6 ASMs - Scheduled Rev. Svc.	12.39	11.27	48.67	47.55	46.77	45.98	45.24
7 Overall RTMs (All Svc.)	0.84	0.72	3.40	3.28	3.22	3.14	3.01
8 Overall ATMs (All Svc.)	1.58	1.43	6.19	6.04	5.95	5.86	5.77
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	127.5	130.2	126.4	126.9	126.9	127.4	128.5
10 Operating Expense per RTM	107.8	114.8	104.6	106.1	106.6	108.2	110.3
11 Operating Profit (Loss) per RTM	19.7	15.5	21.7	20.8	20.3	19.2	18.2
12 Operating Expense per ATM	57.6	58.0	57.5	57.6	57.8	58.0	57.6
13 Passenger Revenue per RPM	12.67	12.97	12.55	12.61	12.64	12.71	12.83
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	1.46	1.46	1.47	1.47	1.47
15 Times Interest Earned	*	*	28.06	23.98	20.64	17.27	13.93
16 Current Assets to Current Liabilities	*	*	0.60	0.66	0.73	0.83	0.81
17 No. of Days Cash Coverage of Cash Exp	*	*	44.4	41.9	50.9	65.0	59.2
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	15.5	11.9	17.2	16.4	16.0	15.0	14.2
19 Net Income to Stockholders Equity	*	*	20.0	19.7	19.7	18.7	17.7
20 Corporate Return on Investment	*	*	16.6	16.2	16.1	15.2	14.4
21 Debt to Total Investment	*	*	20.0	20.9	21.8	22.2	23.4
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	64.9	61.2	66.9	66.1	65.9	65.1	63.5
23 Breakeven	53.0	52.6	53.4	53.3	53.5	53.6	52.9
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	25,852	23,608	24,858	24,297	23,877	23,586	23,438
25 Overall RTM's per Employee (000)	32.6	30.7	136.8	135.1	135.0	132.9	128.5

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
26 Operating Revenues (%)	14.1	6.3	11.0	9.1	11.4	11.9	10.0
27 Operating Expenses (%)	9.4	3.8	7.1	5.7	6.5	7.0	5.8
28 Operating Profit (Loss) (in Millions \$)	54.6	24.7	189.4	159.4	209.2	205.7	168.0
29 Net Income (Loss)(in Millions \$)	25.8	19.1	122.4	115.6	148.2	142.8	111.7
30 RPMs (Sch. Svc.) (%)	16.6	5.6	13.4	10.8	9.3	7.0	3.4
31 ASMs (Sch. Svc.) (%)	10.0	7.2	7.6	6.9	7.7	8.4	8.8
32 Operating Revenues per RTM (%)	-2.1	0.1	-1.6	-1.3	1.8	4.1	5.4
33 Operating Expense per RTM (%)	-6.1	-2.1	-5.2	-4.3	-2.7	-0.7	1.5
34 Passenger Revenue per RPM (Sch. Svc)	-2.3	-0.2	-2.2	-1.7	1.7	4.3	5.5

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



**QUARTERLY RESULTS**

- Trans World reported the only operating loss among all majors, although it was the smallest first quarter operating loss for the carrier since 1988.
- Although operating revenues dipped 0.1 percent, operating expenses dropped 3.8 percent, resulting in operating profit improving \$31.1 million to a loss of \$37.6 million.
- Total fuel expense fell \$17.7 million (21.4 percent) greatly benefiting operating results due mostly to falling unit fuel prices, down 20.9 percent, as consumption declined 0.5 percent.
- Net results were also up, gaining \$33.9 million to a loss of \$21.6 million.
- The operating profit margin jumped a major group high 4.1 percentage points, but was still the lowest among all majors at a negative 4.9 percent.
- Both the domestic and Atlantic divisions experienced operating and net losses, but both entities were improved from a year ago. Despite the strong gains in Atlantic operating and net results, TWA has produced nearly continuous operating and net losses since 1990, reporting an operating profit in only one quarter (September 1994), and a net profit in only four quarters.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	-11.5	-9.4	2.1	-14.3	1.8	16.1	4.8	4.9	2.2	7.1	7.2	1.3	68.4%
Int'l	-57.2	-28.2	29.0	-41.3	-23.4	17.9	1.0	0.8	-15.5	1.4	1.1	-18.8	72.3%
Atlantic	-57.2	-28.2	29.0	-41.3	-23.4	17.9	1.0	0.8	-15.5	1.4	1.1	-18.8	72.3%
Latin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
System	-68.7	-37.6	31.1	-55.5	-21.6	34.0	5.8	5.7	-0.8	8.5	8.3	-2.0	68.9%

- The passenger load factor climbed 0.9 percentage points to 68.9 percent, due to a larger decline in ASM capacity, down 2 percent, than in RPM traffic, down 0.8 percent.
- Trans World was the only major to show an increase in passenger (RPM) yield, up 1.4 percent to 11.91 cents.

**12-MONTH RESULTS**

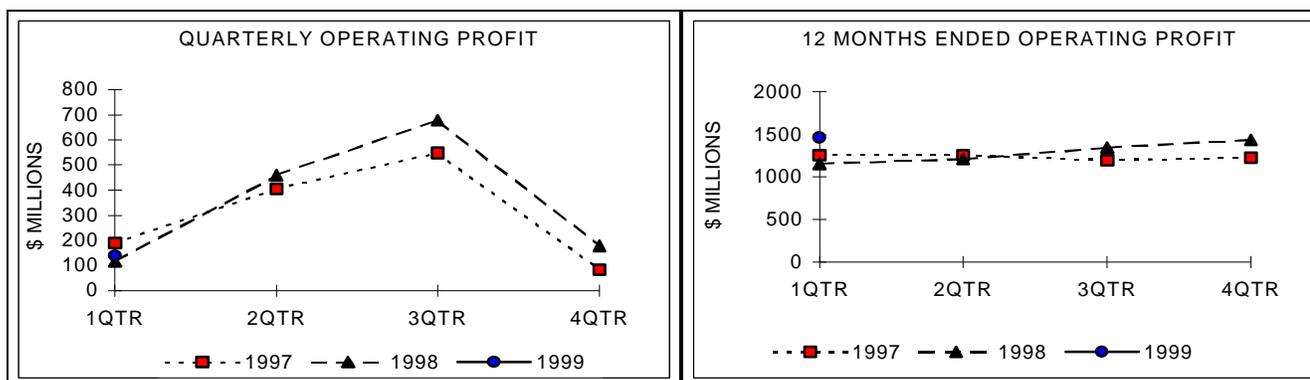
- Operating expenses declined 1.1 percent, but operating revenues fell a faster 2.3 percent, causing operating results to drop into the red, down \$37.9 million to a loss of \$34 million.
- Net results moved in the opposite direction, however, rising \$6 million to a \$86.5 million loss.
- Passenger (RPM) yield growth reversed the slowing growth trend of recent periods, rising a group high 2.3 percent to 11.90 cents.
- The passenger load factor increased 1.9 percentage points to 71.1 percent as ASMs, down 5.8 percent, declined faster than RPMs, down 3.2 percent.
- The company's cash position continues to worsen, with days cash coverage declining from 39.8 a year ago to 24.5.
- The debt-to-investment ratio was the highest among the majors at 83.5 percent, although dipping 0.8 percentage points from a year. Total debt was reduced \$240.4 million to \$875.7 million.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	764.6	765.4	3,258.3	3,259.1	3,324.9	3,370.1	3,333.4
2 Operating Expenses	802.2	834.1	3,292.4	3,324.3	3,323.8	3,329.0	3,329.5
3 Operating Profit (Loss)	-37.6	-68.7	-34.0	-65.2	1.1	41.1	3.9
4 Net Income (Loss)	-21.6	-55.5	-86.5	-120.5	-72.5	-60.9	-92.5
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	5.72	5.76	24.38	24.42	24.94	25.51	25.19
6 ASMs - Scheduled Rev. Svc.	8.30	8.47	34.28	34.45	35.01	36.03	36.40
7 Overall RTMs (All Svc.)	0.64	0.65	2.70	2.71	2.78	2.87	2.86
8 Overall ATMs (All Svc.)	1.16	1.17	4.79	4.80	4.86	4.99	5.04
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	120.1	117.7	120.7	120.1	119.4	117.5	116.7
10 Operating Expense per RTM	126.0	128.3	122.0	122.5	119.4	116.1	116.5
11 Operating Profit (Loss) per RTM	-5.9	-10.6	-1.3	-2.4	0.0	1.4	0.1
12 Operating Expense per ATM	69.2	71.4	68.7	69.3	68.4	66.7	66.1
7 Passenger Revenue per RPM	11.91	11.74	11.90	11.85	11.83	11.67	11.63
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.74	2.64	2.68	2.74	2.78
15 Times Interest Earned	*	*	0.52	0.08	0.64	0.97	0.47
16 Current Assets to Current Liabilities	*	*	0.60	0.61	0.74	0.76	0.80
17 No. of Days Cash Coverage of Cash Exp	*	*	24.5	29.1	36.2	43.1	39.8
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	-4.9	-9.0	-1.0	-2.0	0.0	1.2	0.1
19 Net Income to Stockholders Equity	*	*	-41.0	-52.3	-30.6	-27.6	-43.2
20 Corporate Return on Investment	*	*	2.1	-0.3	3.8	4.7	2.0
21 Debt to Total Investment	*	*	83.5	82.7	77.3	83.2	84.3
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	68.9	68.1	71.1	70.9	71.2	70.8	69.2
23 Breakeven	75.0	78.0	73.8	74.5	73.2	71.8	71.3
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	19,563	20,291	20,004	20,186	20,303	20,414	20,828
25 Overall RTM's per Employee (000)	32.6	32.1	134.9	134.4	137.1	140.5	137.2

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
26 Operating Revenues (%)	-0.1	0.4	-2.3	-2.1	0.1	-1.3	-5.7
Operating Expenses (%)	-3.8	-3.2	-1.1	-1.0	-7.2	-10.4	-11.9
28 Operating Profit (Loss) (in Millions \$)	31.1	30.8	-37.9	-38.3	261.9	339.6	248.7
29 Net Income (Loss)(in Millions \$)	33.9	16.1	6.0	-12.0	263.5	295.7	226.8
30 RPMs (Sch. Svc.) (%)	-0.8	1.6	-3.2	-2.7	-1.7	-3.0	-6.5
31 ASMs (Sch. Svc.) (%)	-2.0	-1.1	-5.8	-5.6	-6.6	-7.8	-8.9
32 Operating Revenues per RTM (%)	2.0	1.1	3.4	3.2	5.1	4.6	3.4
33 Operating Expense per RTM (%)	-1.8	-2.4	4.7	4.4	-2.6	-4.9	-3.6
34 Passenger Revenue per RPM (Sch. Svc)	1.4	-0.8	2.3	1.7	3.6	3.2	2.0

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



**QUARTERLY RESULTS**

- Operating revenues, up 2.6 percent, grew faster than operating expenses, up 2.1 percent, resulting in operating profit rising \$22.1 million to \$138.5 million.
- Total fuel expense fell \$47.1 million (11.8 percent) due solely to declining unit fuel prices, down 13.2 percent. Without this decline, operating results would have dropped sharply.
- Net income gained \$17.4 million to \$74.7 million.
- The domestic and Pacific entities combined produced the overall system improvements in both operating and net results, but all entities, except for Pacific operations, reported an operating and net profit.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	114.1	140.2	26.1	66.1	82.8	16.7	17.3	18.4	6.5	25.8	26.9	4.5	68.4%
Int'l	2.3	-1.8	-4.0	-8.8	-8.1	0.6	10.4	10.7	2.8	15.5	15.3	-1.2	70.1%
Atlantic	14.5	6.4	-8.1	3.0	0.5	-2.5	2.9	3.5	17.2	4.3	5.0	16.6	69.6%
Latin	24.5	11.5	-13.1	13.3	5.8	-7.5	1.5	1.5	-1.2	2.4	2.3	-1.5	64.4%
Pacific	-36.7	-19.6	17.1	-25.0	-14.4	10.6	5.9	5.7	-3.3	8.8	8.0	-9.7	72.0%
System	116.4	138.5	22.1	57.3	74.7	17.4	27.7	29.1	5.1	41.2	42.2	2.4	69.0%

- Interest expense rose \$4.7 million to \$80.6 million, the second highest only to American.
- Passenger (RPM) yield declined 2 percent to 12.36 cents.
- RPM traffic, up 5.1 percent, grew more than twice as fast as ASM capacity, up 2.4 percent, causing the passenger load factor to increase 1.8 percentage points to a 69 percent.

**12-MONTH RESULTS**

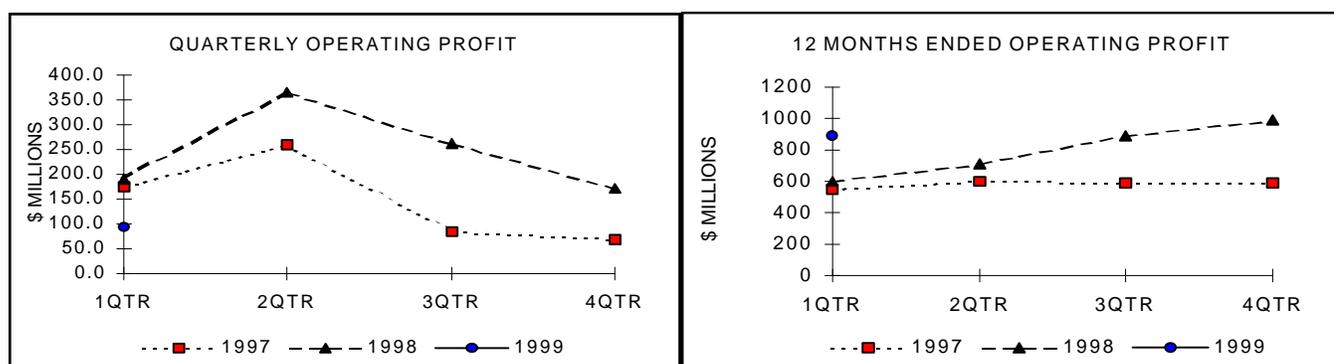
- Operating revenues rose 2 percent, as operating expenses were up a lesser 0.3 percent, producing a major group high \$304.6 million gain in operating profit to \$1.46 billion.
- Net income, however, was down \$66.3 million to \$820 million. However, year-ago results still reflect the positive impact of the third quarter 1997 non-recurring capital gain of \$180 million from the sale of United's stake in Apollo Travel Services to Galileo International.
- Passenger (RPM) yield slid 2 percent to 12.15 cents.
- For the first time in five 12-month ended periods, RPM traffic, up 4.2 percent, grew faster than ASM capacity, up 2.9 percent, causing the passenger load to rise 0.9 percentage point to 72 percent.
- Interest expense rose \$33.9 million to a major group high \$314.9 million.
- Total debt jumped \$691.7 million to a major group high \$5.65 billion.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	4,149.5	4,044.0	17,623.1	17,517.5	17,472.1	17,329.6	17,269.9
2 Operating Expenses	4,011.1	3,927.6	16,165.8	16,082.4	16,131.3	16,120.9	16,117.1
3 Operating Profit (Loss)	138.5	116.4	1,457.3	1,435.2	1,340.8	1,208.7	1,152.7
4 Net Income (Loss)	74.7	57.3	820.0	802.6	774.1	924.9	886.3
<u>TRAFFIC: (Billions)</u>							
5 RPMs - Scheduled Rev. Svc.	29.12	27.71	125.95	124.54	123.26	121.68	120.91
6 ASMs - Scheduled Rev. Svc.	42.21	41.23	174.87	173.89	172.49	170.94	169.94
7 Overall RTMs (All Svc.)	3.61	3.47	15.56	15.42	15.33	15.15	15.04
8 Overall ATMs (All Svc.)	6.44	6.21	26.62	26.39	26.08	25.65	25.32
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	114.9	116.4	113.2	113.6	114.0	114.4	114.8
10 Operating Expense per RTM	111.0	113.1	103.9	104.3	105.3	106.4	107.1
11 Operating Profit (Loss) per RTM	3.8	3.4	9.4	9.3	8.7	8.0	7.7
12 Operating Expense per ATM	62.3	63.3	60.7	60.9	61.9	62.9	63.7
13 Passenger Revenue per RPM	12.36	12.61	12.15	12.21	12.32	12.39	12.40
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.00	2.12	2.27	2.47	2.73
15 Times Interest Earned	*	*	5.51	5.76	6.11	7.78	8.22
16 Current Assets to Current Liabilities	*	*	0.48	0.49	0.53	0.57	0.51
17 No. of Days Cash Coverage of Cash Exp	*	*	13.9	16.4	18.9	23.0	15.5
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	3.3	2.9	8.3	8.2	7.7	7.0	6.7
19 Net Income to Stockholders Equity	*	*	23.3	24.6	25.4	34.0	37.3
20 Corporate Return on Investment	*	*	12.5	12.8	13.1	16.2	17.1
21 Debt to Total Investment	*	*	58.4	59.7	58.6	60.8	62.8
<u>PASSENGER LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	69.0	67.2	72.0	71.6	71.5	71.2	71.1
23 Breakeven	69.0	67.8	67.5	67.3	67.5	67.7	67.9
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	84,250	81,048	83,336	82,535	81,578	80,565	79,153
25 Overall RTM's per Employee (000)	42.9	42.9	186.8	186.9	187.9	188.0	190.0

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	2.6	-1.6	2.0	1.1	2.3	2.4	3.4
27	Operating Expenses (%)	2.1	0.2	0.3	-0.2	1.6	2.9	4.3
28	Operating Profit (Loss) (in Millions \$)	22.1	-72.7	304.6	209.7	145.6	-51.0	-102.8
29	Net Income (Loss)(in Millions \$)	17.4	-45.6	-66.3	-129.3	-158.6	221.8	226.2
30	RPMs (Sch. Svc.) (%)	5.1	-1.6	4.2	2.6	2.5	2.3	2.5
31	ASMs (Sch. Svc.) (%)	2.4	2.4	2.9	2.9	3.0	3.2	3.6
32	Operating Revenues per RTM (%)	-1.3	-2.7	-1.4	-1.7	-1.6	-2.1	-1.9
33	Operating Expense per RTM (%)	-1.9	-0.9	-3.0	-2.9	-2.2	-1.6	-1.0
34	Passenger Revenue per RPM (Sch. Svc)	-2.0	-0.4	-2.0	-1.7	-0.3	0.0	0.3

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



**QUARTERLY RESULTS**

- Operating expenses jumped 5.8 percent, while operating revenues were up only 0.5 percent, resulting in a \$96.5 million deterioration in operating profit to \$92.9 million.
- The decline would have been much worse if not for the \$35.7 million (26 percent) drop in total fuel expenses.
- Net income fell \$33.8 million to \$67 million.
- The Latin entity reported the only improvement from a year ago in operating or net results, but both the domestic and Latin entities had an operating and net profit.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			PAX. L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RPMs (Sch. Svc.)			ASMs (Sch. Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	193.2	98.7	-94.5	104.1	69.7	-34.4	8.5	8.4	-1.5	12.5	12.5	0.3	67.3%
Int'l	-3.8	-5.8	-2.0	-3.4	-2.7	0.6	0.9	1.1	26.3	1.2	1.6	30.5	70.7%
Atlantic	-5.9	-9.3	-3.4	-4.4	-5.0	-0.6	0.7	0.9	30.8	1.0	1.4	36.1	69.2%
Latin	2.1	3.5	1.4	1.0	2.3	1.3	0.2	0.2	8.8	0.2	0.3	7.1	78.5%
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	189.4	92.9	-96.6	100.8	67.0	-33.8	9.4	9.6	1.1	13.7	14.1	3.0	67.7%

- Despite a 2 percent decline, passenger (RPM) yield was still the highest among the majors at 17.39 cents.
- The operating profit margin fell by half, down 4.7 percentage points to 4.6 percent.
- Interest expenses fell \$3.2 million, the largest decline among the majors, to \$49.6 million.
- The passenger load factor slid 1.3 percentage points to 67.7 percent as ASM capacity, up 3 percent, grew faster than RPM traffic, up 1.1 percent.
- Rising equity, coupled with a major group high decline in total debt of \$524.4 million to \$1.96 billion, caused the debt-to-investment ratio to drop 14.2 percentage points, the largest decline among all majors, to 52.2 percent.

**12-MONTH RESULTS**

- US Airways reported its fourteenth consecutive quarter-ended 12-month operating and net profit, following six consecutive years of losses.
- Operating revenues were up 1.5 percent, as operating expenses declined 2.2 percent, producing a \$292 million gain in operating profit to \$893.5 million.
- Net income, reflecting the 1997 non-recurring positive \$477 million tax credit which is still included in year ago results, fell \$484 million to \$525.3 million.
- For the seventh time in the last eight quarter-ended 12-month periods, passenger (RPM) yield was down from a year ago, declining 1 percent to 16.94 cents, but still a major group high.
- The passenger load factor rose 0.9 percentage points to 72.4 percent.
- Although up from a year ago, productivity (RTMs per employee) was a passenger major group low 124.1.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<b>FINANCIAL RESULTS: (\$Millions)</b>							
1 Operating Revenues	2,040.4	2,030.9	8,565.1	8,555.7	8,556.0	8,494.5	8,442.1
2 Operating Expenses	1,947.5	1,841.5	7,671.7	7,565.6	7,669.4	7,786.3	7,840.6
3 Operating Profit (Loss)	92.9	189.4	893.5	990.0	886.6	708.2	601.5
4 Net Income (Loss)	67.0	100.8	525.3	559.1	965.2	1,003.2	1,009.3
<b>TRAFFIC: (Billions)</b>							
5 RPMs - Scheduled Rev. Svc.	9.55	9.44	41.36	41.25	41.05	41.05	41.12
6 ASMs - Scheduled Rev. Svc.	14.10	13.69	57.13	56.72	56.30	56.77	57.50
7 Overall RTMs (All Svc.)	1.04	1.04	4.48	4.48	4.47	4.48	4.49
8 Overall ATMs (All Svc.)	1.91	1.86	7.78	7.73	7.66	7.71	7.79
<b>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</b>							
9 Operating Revenue per RTM	196.8	195.8	191.0	190.8	191.3	189.4	187.9
10 Operating Expense per RTM	187.8	177.6	171.1	168.7	171.5	173.6	174.5
11 Operating Profit (Loss) per RTM	9.0	18.3	19.9	22.1	19.8	15.8	13.4
12 Operating Expense per ATM	102.0	99.0	98.6	97.9	100.1	100.9	100.6
13 Passenger Revenue per RPM	17.39	17.75	16.94	17.02	17.21	17.17	17.11
<b>FINANCIAL RATIOS:</b>							
14 Operating Revenues to Total Investment	*	*	2.28	2.28	2.35	2.43	2.60
15 Times Interest Earned	*	*	4.90	4.89	4.05	3.88	3.74
16 Current Assets to Current Liabilities	*	*	0.98	1.11	1.02	1.17	1.07
17 No. of Days Cash Coverage of Cash Exp	*	*	64.5	60.4	71.3	104.6	101.8
<b>FINANCIAL PERCENTAGES:</b>							
18 Operating Profit (Loss) to Operating Rev	4.6	9.3	10.4	11.6	10.4	8.3	7.1
19 Net Income to Stockholders Equity	*	*	33.5	39.1	79.8	106.6	153.8
20 Corporate Return on Investment	*	*	20.0	21.3	33.6	36.4	38.8
21 Debt to Total Investment	*	*	52.2	54.4	56.0	62.4	66.4
<b>PASSENGER LOAD FACTOR: (Sch. Svc. %)</b>							
22 Actual	67.7	69.0	72.4	72.7	72.9	72.3	71.5
23 Breakeven	68.7	64.9	67.8	66.8	67.9	69.1	69.2
<b>Employment &amp; Productivity:</b>							
24 Employment, Total Weighted Avg CY	36,159	36,203	36,131	36,142	36,315	36,702	37,060
25 Overall RTM's per Employee (000)	28.7	28.6	124.1	124.1	123.1	122.2	121.2

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	0.5	-2.9	1.5	0.6	1.1	2.7	4.8
27	Operating Expenses (%)	5.8	-3.9	-2.2	-4.4	-2.5	1.6	4.5
28	Operating Profit (Loss) (in Millions \$)	-96.5	15.3	292.0	403.8	294.2	104.1	49.8
29	Net Income (Loss)(in Millions \$)	-33.8	-42.8	-484.0	-493.1	383.3	580.2	627.5
30	RPMs (Sch. Svc.) (%)	1.1	-4.6	0.6	-0.8	-1.8	0.0	2.5
31	ASMs (Sch. Svc.) (%)	3.0	-5.5	-0.6	-2.7	-4.4	-3.2	-0.7
32	Operating Revenues per RTM (%)	0.5	0.9	1.6	1.8	2.8	2.5	2.1
33	Operating Expense per RTM (%)	5.7	-0.1	-2.0	-3.4	-0.9	1.4	1.7
34	Passenger Revenue per RPM (Sch. Svc)	-2.0	0.2	-1.0	-0.5	1.5	-0.1	-1.9

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

**QUARTERLY RESULTS**

- All three major all-cargo carriers reported an operating profit for the quarter ended March 1999, and two, DHL Airways and Federal Express, had a net profit. DHL reported the only declines from a year ago in operating or net results.
- For the all-cargo group, operating revenues, up 5.2 percent, grew faster than operating expenses, up 4.3 percent, resulting in a \$42.6 million gain in operating profit to \$213.6 million.
- Net income climbed \$2.4 million to \$74 million.

Quarter Ended	\$ Millions					
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)		
	LAST YEAR 1998	THIS YEAR 1999	\$ Change	LAST YEAR 1998	THIS YEAR 1999	\$ Change
March	171.0	213.6	42.6	71.6	74.0	2.4
June	275.0	0.0	-	123.4	0.0	-
Sept.	268.0	0.0	-	133.8	0.0	-
Dec.	347.8	0.0	-	109.4	0.0	-

- Operating results benefited greatly from the \$49.6 million (27.2 percent) drop in total fuel expense. This decline arose solely from falling unit fuel prices, down 28.7 percent, as fuel consumption rose 2.2 percent.
- Except for Latin and Pacific net results, all entities reported an operating and net profit. Domestic operations experienced a deterioration in both operating and net results, while Latin operations had a decline in net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	113.4	103.4	-10.0	82.8	3.3	-79.5	1.7	1.7	1.3	3.0	3.1	3.9	55.7%
Int'l	57.7	110.2	52.6	-11.2	70.7	81.9	0.9	0.9	-0.8	1.5	1.5	0.1	60.4%
Atlantic	66.5	107.3	40.7	26.8	81.6	54.7	0.3	0.3	-4.2	0.5	0.4	-3.5	64.6%
Latin	-0.7	0.7	1.4	7.6	-4.2	-11.7	0.1	0.1	-19.4	0.1	0.1	-18.0	49.0%
Pacific	-8.2	2.3	10.5	-45.6	-6.7	38.9	0.6	0.6	3.3	0.9	1.0	4.7	59.9%
System	171.0	213.6	42.6	71.6	74.0	2.4	2.6	2.6	0.6	4.5	4.6	2.6	57.2%

- RTM traffic climbed 0.6 percent, but ATM capacity grew faster, rising 2.6 percent, resulting in a 1.2 percentage point decline in the ton load factor to 57.2 percent.
- RTM yield growth, up 4.6 percent, exceeded RTM unit cost growth, up 3.7 percent, enhancing profitability.

**12-MONTH RESULTS**

- Except for a small net loss reported by DHL, the three all-cargo carriers reported a combined operating and net profit for the period. DHL also reported the only deteriorations in operating and/or net results.
- Operating profit for the group advanced \$109 million to \$1.1 billion, strengthening the improving trend begun last period.
- Net income declined \$12.1 million to \$440.6 million.
- The ton load factor was down 1.5 percentage points to 58 percent as ATM capacity, up 8.5 percent, rose at a faster rate than RTM traffic, up 9.1 percent.
- Total debt was relatively unchanged, up \$4.5 million to \$4.4 billion, but equity continued to rise leading to a 1.7 percentage point decline in the debt-to-investment ratio to 47.6 percent.

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

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	4,261.0	4,050.9	17,222.1	17,012.0	16,673.5	16,542.1	16,173.2
2 Operating Expenses	4,047.4	3,879.9	16,117.7	15,950.1	15,757.5	15,581.2	15,177.7
3 Operating Profit (Loss)	213.6	171.0	1,104.5	1,061.9	915.9	960.9	995.5
4 Net Income (Loss)	74.0	71.6	440.6	438.2	418.0	386.7	428.5
<u>TRAFFIC: (Billions)</u>							
5 RTMs - Scheduled Rev. Svc.	1.93	1.90	8.03	8.00	7.91	7.74	7.56
6 ATMs - Scheduled Rev. Svc.	3.28	3.13	13.38	13.23	12.96	12.45	12.09
7 Overall RTMs (All Services)	2.64	2.63	11.09	11.07	10.97	10.70	10.48
8 Overall ATMs (All Services)	4.62	4.50	19.10	18.99	18.68	18.07	17.61
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	161.3	154.2	155.3	153.6	151.9	154.7	154.3
10 Operating Expense per RTM	153.2	147.7	145.4	144.0	143.6	145.7	144.8
11 Operating Profit (Loss) per RTM	8.1	6.5	10.0	9.6	8.3	9.0	9.5
12 Operating Expense per ATM	87.7	86.2	84.4	84.0	84.4	86.2	86.2
13 Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	1.91	1.91	1.90	1.92	1.94
15 Times Interest Earned	*	*	4.73	4.70	5.14	5.44	6.83
16 Current Assets to Current Liabilities	*	*	1.09	1.07	1.15	1.07	1.17
17 No. of Days Cash Coverage of Cash Exp	*	*	3.8	4.2	4.8	5.4	8.3
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	5.0	4.2	6.4	6.2	5.5	5.8	6.2
19 Net Income to Stockholders Equity	*	*	9.5	9.6	9.3	8.8	10.0
20 Corporate Return on Investment	*	*	7.2	7.4	6.8	6.6	6.9
21 Debt to Total Investment	*	*	47.6	47.8	48.3	48.5	49.3
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	57.2	58.4	58.0	58.3	58.8	59.2	59.5
23 Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	103,027	97,962	101,780	100,513	98,799	96,368	93,752
25 Overall RTM's per Employee (000)	25.6	26.8	108.9	110.2	111.1	111.0	111.8

CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
26 Operating Revenues (%)	5.2	9.6	6.5	7.5	8.0	12.3	13.5
27 Operating Expenses (%)	4.3	11.3	6.2	7.9	9.9	13.0	13.0
28 Operating Profit (Loss) (in Millions \$)	42.6	-38.4	109.0	28.1	-182.6	21.2	173.0
29 Net Income (Loss)(in Millions \$)	2.4	-32.4	12.1	-22.6	-86.2	-99.0	10.5
30 RTMs (All Svc.) (%)	0.6	14.2	5.8	9.1	10.3	9.5	10.1
31 ATMs (All Svc.) (%)	2.6	13.8	8.5	11.3	12.2	10.7	10.4
32 Operating Revenues per RTM (%)	4.6	-4.1	0.6	-1.4	-2.1	2.6	3.1
33 Operating Expense per RTM (%)	3.7	-2.6	0.4	-1.1	-0.3	3.2	2.6
34 Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	3,210.1	3,081.6	13,144.8	13,016.4	12,667.6	12,629.6	12,353.5
2 Operating Expenses	3,106.8	2,968.3	12,353.1	12,214.6	12,014.6	11,893.8	11,586.8
3 Operating Profit (Loss)	103.4	113.4	791.8	801.8	653.0	735.8	766.8
4 Net Income (Loss)	3.3	82.8	178.6	258.1	212.7	350.5	466.2
<u>TRAFFIC: (Billions)</u>							
5 RTMs - Scheduled Rev. Svc.	1.05	1.03	4.29	4.27	4.21	4.20	4.12
6 ATMs - Scheduled Rev. Svc.	1.82	1.72	7.28	7.18	7.01	6.92	6.79
7 Overall RTMs (All Services)	1.73	1.71	7.19	7.16	7.08	6.93	6.83
8 Overall ATMs (All Services)	3.11	3.00	12.71	12.59	12.38	12.04	11.84
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	185.2	180.2	182.9	181.7	178.8	182.2	180.8
10 Operating Expense per RTM	179.2	173.5	171.9	170.5	169.6	171.5	169.6
11 Operating Profit (Loss) per RTM	6.0	6.6	11.0	11.2	9.2	10.6	11.2
12 Operating Expense per ATM	99.8	99.0	97.2	97.0	97.0	98.8	97.9
13 Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	3.2	3.7	6.0	6.2	5.2	5.8	6.2
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	4.5	5.8	4.9	7.1	8.9
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	55.7	57.1	56.6	56.9	57.2	57.6	57.7
23 Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	*	*	**	**	**	**	**
25 Overall RTM's per Employee (000)	*	*	**	**	**	**	**

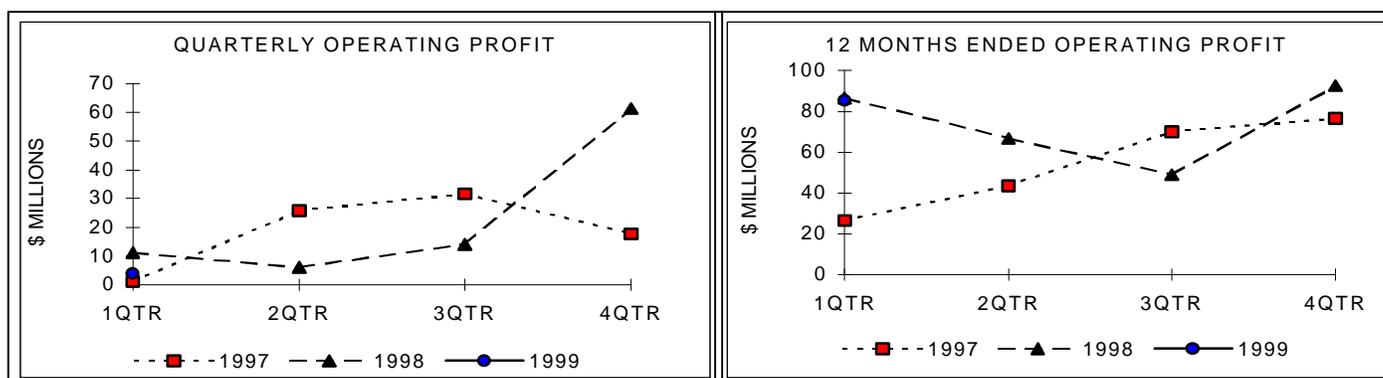
CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER							
26 Operating Revenues (%)	4.2	8.1	6.4	7.4	6.2	10.7	11.1
27 Operating Expenses (%)	4.7	10.5	6.6	8.0	9.1	12.1	11.6
28 Operating Profit (Loss) (in Millions \$)	-10.0	-50.2	25.0	-15.2	-266.2	-62.4	36.0
29 Net Income (Loss)(in Millions \$)	-79.5	23.1	-287.6	-185.0	-304.2	-10.2	167.5
30 RTMs (All Svc.) (%)	1.3	14.9	5.2	8.4	8.7	7.9	8.2
31 ATMs (All Svc.) (%)	3.9	11.1	7.3	9.1	9.3	8.0	8.6
32 Operating Revenues per RTM (%)	2.8	-5.9	1.2	-0.9	-2.3	2.6	2.7
33 Operating Expense per RTM (%)	3.3	-3.8	1.4	-0.3	0.4	3.9	3.0
34 Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	1,050.8	969.2	4,077.3	3,995.7	4,005.8	3,912.6	3,819.7
2 Operating Expenses	940.6	911.6	3,764.6	3,735.6	3,742.9	3,687.4	3,590.9
3 Operating Profit (Loss)	110.2	57.7	312.7	260.1	262.9	225.2	228.7
4 Net Income (Loss)	70.7	-11.2	262.0	180.1	205.2	36.3	-37.7
<u>TRAFFIC: (Billions)</u>							
5 RTMs - Scheduled Rev. Svc.	0.89	0.88	3.74	3.73	3.70	3.54	3.45
6 ATMs - Scheduled Rev. Svc.	1.47	1.42	6.11	6.06	5.95	5.53	5.30
7 Overall RTMs (All Services)	0.91	0.92	3.90	3.91	3.89	3.76	3.65
8 Overall ATMs (All Services)	1.50	1.50	6.40	6.39	6.30	6.04	5.77
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	115.7	105.8	104.5	102.2	103.0	104.0	104.7
10 Operating Expense per RTM	103.6	99.5	96.5	95.6	96.2	98.0	98.4
11 Operating Profit (Loss) per RTM	12.1	6.3	8.0	6.7	6.8	6.0	6.3
12 Operating Expense per ATM	62.6	60.7	58.9	58.4	59.4	61.1	62.2
13 Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	**	**	**	**	**
15 Times Interest Earned	*	*	**	**	**	**	**
16 Current Assets to Current Liabilities	*	*	**	**	**	**	**
17 No. of Days Cash Coverage of Cash Exp	*	*	**	**	**	**	**
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	10.5	5.9	7.7	6.5	6.6	5.8	6.0
19 Net Income to Stockholders Equity	*	*	**	**	**	**	**
20 Corporate Return on Investment	*	*	16.9	13.0	13.5	4.8	-0.2
21 Debt to Total Investment	*	*	**	**	**	**	**
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	60.4	61.0	61.0	61.1	61.8	62.3	63.2
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 (%)	8.4	14.5	6.7	8.1	14.2	18.1	21.9
27 Operating Expenses (%)	3.2	13.9	4.8	7.3	12.5	16.2	18.1
28 Operating Profit (Loss) (in Millions \$)	52.5	11.9	84.0	43.2	83.6	83.7	137.0
29 Net Income (Loss)(in Millions \$)	81.9	-55.5	299.7	162.3	217.9	-88.7	-157.1
30 RTMs (All Svc.) (%)	-0.8	12.9	7.0	10.3	13.2	12.7	13.8
31 ATMs (All Svc.) (%)	0.1	19.8	10.8	15.7	18.4	16.6	14.2
32 Operating Revenues per RTM (%)	9.4	1.4	-0.2	-2.0	0.9	4.8	7.2
33 Operating Expense per RTM (%)	4.1	0.9	-1.9	-2.7	-0.6	3.2	3.7
34 Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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



**QUARTERLY RESULTS**

- Operating profit fell \$7.2 million to \$3.9 million as operating expense growth, up 4.5 percent, exceeded operating revenue growth, up 2 percent.
- Net results dropped \$6.6 million to a \$0.8 million.
- The Atlantic entity reported strong gains and profits in both operating and net results, offsetting much of the deteriorations and losses reported by the domestic and Latin entities combined.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	-50.3	-62.6	-12.3	-28.4	-54.7	-26.3	0.1	0.1	8.0	0.1	0.1	10.5	51.9%
Int'l	61.5	66.5	5.0	35.8	55.5	19.7	0.6	0.6	4.2	1.0	1.0	5.4	60.4%
Atlantic	63.5	87.1	23.7	36.9	73.6	36.6	0.0	0.0	19.5	0.1	0.1	22.9	69.7%
Latin	-2.0	-20.7	-18.6	-1.1	-18.1	-16.9	0.0	0.0	-2.1	0.0	0.0	-7.5	57.1%
Pacific	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.6	3.3	0.9	1.0	4.7	59.9%
System	11.1	3.9	-7.3	7.4	0.8	-6.6	0.6	0.7	4.5	1.1	1.1	5.9	59.6%

- Total fuel expenses declined \$1.6 million (15.6 percent), the smallest dollar decline among the majors, due to declining fuel prices, down 23.4 percent, as DHL had a sharpest increase in fuel consumption among all majors, up 10.2 percent.
- The jump in fuel consumption arose mostly from the strong increase in ATM capacity, up 12.3 percent, which slightly outpaced the 11.3 percent increase in RTM traffic, up 11.3 percent. The ton load factor declined 0.5 percentage points to 58.4 percent.
- RTM unit costs were down 6.1 percent, but RTM yield dropped 8.4 percent, eroding profitability.
- Interest expense more than doubled from a year ago, rising \$2.6 million to \$4.9 million, but was relatively low when compared to most other majors.

**12-MONTH RESULTS**

- Operating expenses, up 8.4 percent, grew faster than operating revenues, up 7.7 percent, resulting in a \$1.2 million decline in operating profit to \$85.4 million.
- Net income dropped further into the red, down \$6 million to a loss of \$11.8 million, the fifth loss in the last six quarter-ended 12-month periods.
- ATM capacity, up 11.4 percent, grew twice as fast as RTM traffic, up 5.6 percent, causing the ton load factor to fall 3.2 percentage points to 58.5 percent.
- Total debt remained the lowest among all majors, declining \$5.2 million to \$18.9 million. Declining equity, however, resulted in the debt-to-investment ratio rising 4.3 percentage points to 12.8 percent, still a major group low.

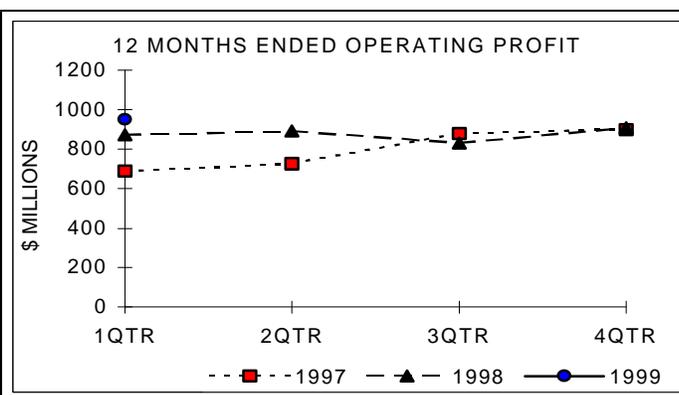
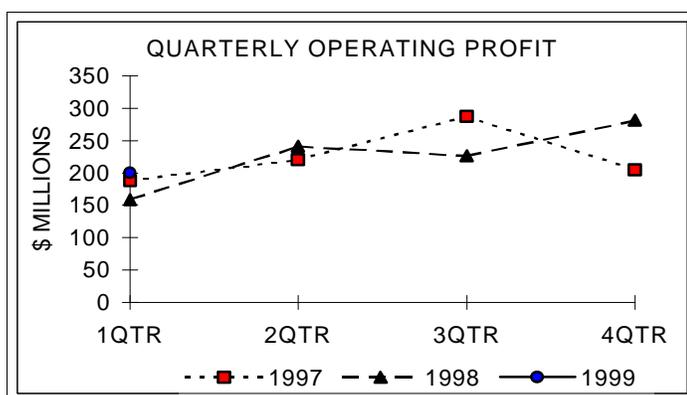
Note : Beginning with the first quarter 1998, The Airline Quarterly Financial Review of the Majors includes DHL Airways, which achieved major airline status (*i.e.*, annual operating revenues exceeding \$1 billion), effective January 1, 1997.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	319.4	313.2	1,354.7	1,348.5	1,285.9	1,284.8	1,258.0
2 Operating Expenses	315.5	302.0	1,269.4	1,255.9	1,236.9	1,218.1	1,171.4
3 Operating Profit (Loss)	3.9	11.1	85.4	92.6	49.0	66.7	86.6
4 Net Income (Loss)	0.8	7.4	-11.8	-5.2	18.2	-33.0	-5.8
<u>TRAFFIC: (Billions)</u>							
5 RTMs - Scheduled Rev. Svc.	0.10	0.09	0.38	0.37	0.36	0.36	0.36
6 ATMs - Scheduled Rev. Svc.	0.17	0.15	0.65	0.63	0.61	0.59	0.59
7 Overall RTMs (All Services)	0.11	0.09	0.41	0.40	0.39	0.39	0.39
8 Overall ATMs (All Services)	0.18	0.16	0.70	0.68	0.66	0.65	0.63
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	303.6	331.3	329.7	336.9	330.5	326.7	323.3
10 Operating Expense per RTM	300.0	319.5	308.9	313.8	317.9	309.7	301.0
11 Operating Profit (Loss) per RTM	3.7	11.8	20.8	23.1	12.6	17.0	22.3
12 Operating Expense per ATM	175.1	188.2	180.6	183.8	186.4	186.9	185.6
13 Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	6.55	5.85	5.31	4.93	4.63
15 Times Interest Earned	*	*	1.09	1.22	1.60	2.27	12.13
16 Current Assets to Current Liabilities	*	*	0.77	1.32	1.39	1.46	1.82
17 No. of Days Cash Coverage of Cash Exp	*	*	13.4	21.1	20.8	32.0	55.5
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	1.2	3.6	6.3	6.9	3.8	5.2	6.9
19 Net Income to Stockholders Equity	*	*	-6.8	-2.6	8.8	-14.5	-2.4
20 Corporate Return on Investment	*	*	36.7	34.7	22.1	0.1	0.7
21 Debt to Total Investment	*	*	12.8	11.6	22.7	24.7	8.5
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	58.4	58.9	58.5	58.6	58.6	60.3	61.7
23 Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	7,954	7,613	7,834	7,749	7,638	7,520	7,393
25 Overall RTM's per Employee (000)	13.2	12.4	52.4	51.7	50.9	52.3	52.6

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	2.0	11.5	7.7	10.0	8.0	13.1	14.0
27 Operating Expenses (%)	4.5	8.0	8.4	9.3	10.4	11.5	8.8
28 Operating Profit (Loss) (in Millions \$)	-7.2	9.9	-1.2	16.0	-21.0	23.1	60.0
29 Net Income (Loss)(in Millions \$)	-6.6	6.9	-6.0	7.5	33.5	-65.4	-29.1
30 RTMs (Sch. Svc.) (%)	11.3	3.7	5.6	3.7	0.8	1.3	0.8
31 ATMs (Sch. Svc.) (%)	12.3	10.1	11.4	10.8	9.3	7.4	5.6
32 Operating Revenues per RTM (%)	-8.4	7.5	2.0	6.0	7.2	11.6	13.1
33 Operating Expense per RTM (%)	-6.1	4.1	2.6	5.4	9.5	10.0	7.9
34 Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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



**QUARTERLY RESULTS**

- Operating revenue growth, up 5.7 percent, outpaced operating expense growth, up 4.7 percent, resulting in a \$41.4 million gain in operating profit to \$200.2 million, the highest first quarter operating profit in company history.
- A sharp drop in total fuel expense, down \$25.3 million (24.8 percent), accounted for more than half of the improvement in operating results.
- Net income rose \$7 million to \$74.2 million.
- Except for the Pacific entity, all entities reported an operating and net profit for the first quarter. Domestic operations showed the largest profits despite a decline 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.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	196.3	190.5	-5.8	90.9	79.0	-11.8	1.0	1.0	0.7	1.7	1.7	4.8	57.8%
Int'l	-37.5	9.7	47.2	-23.7	-4.9	18.8	0.7	0.6	-9.2	1.0	0.9	-9.0	63.3%
Atlantic	-4.5	17.8	22.3	-3.8	7.1	10.9	0.2	0.2	-13.5	0.3	0.3	-17.4	67.2%
Latin	3.9	20.5	16.6	1.5	11.7	10.2	0.1	0.0	-45.2	0.1	0.1	-48.0	54.4%
Pacific	-36.9	-28.6	8.3	-21.4	-23.7	-2.3	0.4	0.4	-2.8	0.6	0.6	1.1	62.4%
System	158.8	200.2	41.4	67.2	74.2	7.0	1.6	1.6	-3.2	2.7	2.7	-0.4	59.7%

- The ton load factor declined 1.7 percentage points to 59.7 percent, as ATM capacity, up 3.2 percent, grew much faster than RTM traffic, up a slight 0.5 percent.
- Profitability was enhanced as strong RTM yield growth, up 9.2 percent, offset the 8.2 percent jump in ATM unit costs.
- Interest expense was down \$9.1 million to \$22.3 million.

**12-MONTH RESULTS**

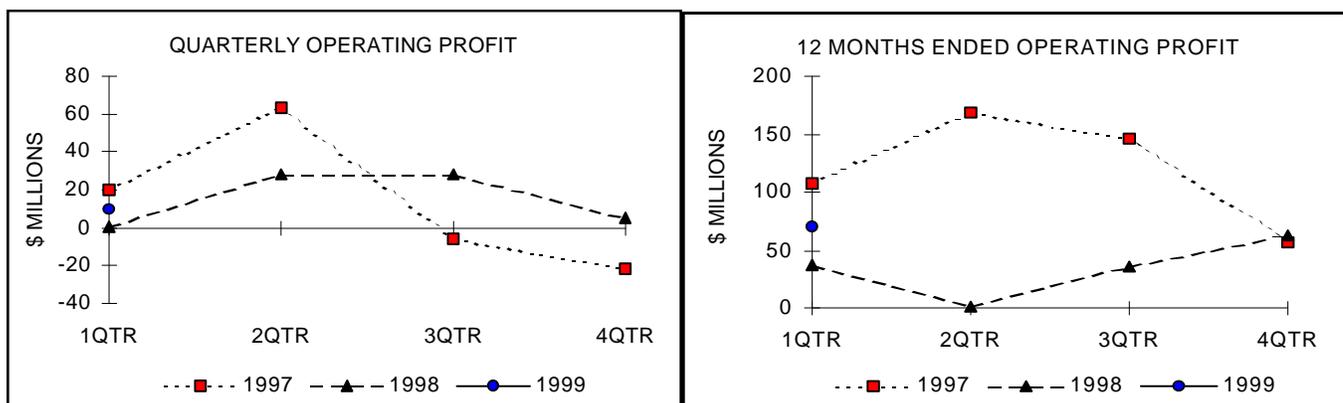
- Operating revenues rose 6 percent, slightly outpacing the 5.8 percent increase in operating expenses, leading to a \$7.7 million improvement in operating profit \$948.7 million.
- Net income was up \$9.5 million to \$442.5 million.
- RTM traffic rose 3.5 percent, but ATM capacity jumped 6.5 percent, causing the ton load factor to fall 1.9 percentage points to 61.1 percent.
- Total debt dropped \$286.3 million to \$1.27 billion. This, combined with an increase in total equity, pushed the debt-to-investment ratio down 6.6 percentage points to 25.3 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	3,457.3	3,270.4	13,853.2	13,666.3	13,446.9	13,414.8	13,066.1
2 Operating Expenses	3,257.1	3,111.6	12,904.5	12,759.0	12,615.7	12,522.8	12,194.5
3 Operating Profit (Loss)	200.2	158.8	948.7	907.3	831.2	892.1	871.7
4 Net Income (Loss)	74.2	67.2	442.5	435.4	404.6	441.9	433.0
<u>TRAFFIC: (Billions)</u>							
5 RTMs - Scheduled Rev. Svc.	1.57	1.59	6.61	6.63	6.59	6.52	6.36
6 ATMs - Scheduled Rev. Svc.	2.62	2.58	10.81	10.77	10.59	10.39	10.09
7 Overall RTMs (All Services)	1.59	1.64	6.79	6.84	6.81	6.73	6.56
8 Overall ATMs (All Services)	2.66	2.67	11.10	11.11	10.94	10.74	10.42
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	218.0	199.6	204.0	199.7	197.5	199.3	199.1
10 Operating Expense per RTM	205.4	189.9	190.1	186.5	185.3	186.1	185.8
11 Operating Profit (Loss) per RTM	12.6	9.7	14.0	13.3	12.2	13.3	13.3
12 Operating Expense per ATM	122.6	116.6	116.2	114.8	115.3	116.6	117.0
13 Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	2.81	2.80	2.79	2.82	2.80
15 Times Interest Earned	*	*	8.89	8.31	7.26	7.48	7.33
16 Current Assets to Current Liabilities	*	*	1.09	1.05	1.08	0.99	1.09
17 No. of Days Cash Coverage of Cash Exp	*	*	2.9	2.7	3.7	3.3	4.3
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	5.8	4.9	6.8	6.6	6.2	6.6	6.7
19 Net Income to Stockholders Equity	*	*	12.4	12.6	12.1	13.7	13.9
20 Corporate Return on Investment	*	*	10.9	11.1	10.7	11.8	11.8
21 Debt to Total Investment	*	*	25.3	25.7	26.6	29.5	31.9
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	59.7	61.4	61.1	61.6	62.2	62.7	63.0
23 Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	90,355	85,901	89,257	88,143	86,639	84,419	82,013
25 Overall RTM's per Employee (000)	17.6	19.1	76.1	77.6	78.6	79.7	80.0

	CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26 Operating Revenues (%)	5.7	11.4	6.0	7.4	9.1	15.2	15.8
27 Operating Expenses (%)	4.7	13.3	5.8	7.9	10.3	14.7	15.1
28 Operating Profit (Loss) (in Millions \$)	41.4	-29.4	77.0	6.2	-50.8	165.3	183.4
29 Net Income (Loss)(in Millions \$)	7.0	-25.2	9.5	-22.8	-46.1	73.0	87.6
30 RTMs (Sch. Svc.) (%)	-3.2	9.2	3.5	6.5	8.0	11.4	11.9
31 ATMs (Sch. Svc.) (%)	-0.5	11.9	6.5	9.6	10.4	12.4	11.0
32 Operating Revenues per RTM (%)	9.2	2.0	2.5	0.8	1.0	3.4	3.5
33 Operating Expense per RTM (%)	8.2	3.7	2.3	1.2	2.1	3.0	2.8
34 Passenger Revenue per RPM (Sch. Svc)	++	++	++	++	++	++	++

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



### QUARTERLY RESULTS

- Operating revenues, up 3.6 percent, grew twice as fast as operating expenses, up 1.8 percent, producing a \$8.4 million gain in operating profit to \$9.5 million.
- Net results, however, fell into the red, down \$1.9 million to a loss of \$1 million.
- Only the domestic entity reported an operating and/or net loss, while all international entities had operating and net profits. The Atlantic entity experienced the only a decline in operating results, with domestic and Latin operations reporting lower net results.

ENTITY	\$ Millions						TRAFFIC (Billions)			CAPACITY (Billions)			TON L.F.
	OPERATING PROFIT (LOSS)			NET INCOME (LOSS)			RTMs (All Svc.)			ATMs (All Svc.)			
	1998	1999	\$ Change	1998	1999	\$ Change	1998	1999	Change %	1998	1999	Change %	
Domestic	-32.6	-24.6	8.1	20.4	-21.0	-41.3	0.7	0.7	1.8	1.3	1.3	2.1	53.1%
Int'l	33.7	34.1	0.3	-23.3	20.0	43.3	0.2	0.3	20.2	0.4	0.5	20.2	54.1%
Atlantic	7.5	2.3	-5.2	-6.3	0.8	7.1	0.1	0.1	9.1	0.1	0.1	22.9	57.6%
Latin	-2.6	0.8	3.4	7.2	2.2	-5.0	0.0	0.0	96.9	0.0	0.1	94.6	40.5%
Pacific	28.8	30.9	2.2	-24.2	17.0	41.2	0.1	0.2	20.5	0.3	0.3	12.8	54.7%
System	1.1	9.5	8.4	-2.9	-1.0	2.0	0.9	1.0	6.4	1.7	1.8	6.6	53.4%

- ATM capacity, up 6.6 percent, grew slightly faster than RTM traffic, up 6.4 percent, causing the ton load factor to dip 0.1 percent to 53.4 percent.
- Although RTM yield fell 2.5 percent, RTM unit costs fell 4.2 percent, benefiting profitability.
- Unit fuel prices fell a major group high 36.4 percent, causing total fuel expense to drop \$22.5 million (32.4 percent). Without this decline, operating results would have been lower.
- UPS continues to report the highest productivity (RTMs per employee) among all the majors at 201.5.

### 12-MONTH RESULTS

- Operating revenues rose, up 8.9 percent, exceeding the 7.3 percent increase in operating expense, resulting in a \$33.2 million gain in operating profit to \$70.4 million.
- Net income jumped \$8.6 million to \$9.9 million.
- RTMs rose 10.2 percent, while ATM capacity rose 11.3 percent, causing the ton load factor to slip 0.5 percentage points to 53.3 percent.
- Productivity (RTMs per employee) continued to be very high when compared with all other majors, rising from 811.9 a year ago to 829.3.
- The debt-to-investment ratio rose 1.7 percentage points to 76.9 percent.

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

ITEMS	QUARTER ENDED		12 MONTHS ENDED				
	1999/03	1998/03	1999/03	1998/12	1998/09	1998/06	1998/03
<u>FINANCIAL RESULTS: (\$Millions)</u>							
1 Operating Revenues	484.3	467.3	2,014.2	1,997.2	1,940.6	1,842.5	1,849.0
2 Operating Expenses	474.8	466.3	1,943.8	1,935.2	1,904.9	1,840.3	1,811.9
3 Operating Profit (Loss)	9.5	1.1	70.4	62.0	35.7	2.2	37.2
4 Net Income (Loss)	-1.0	-2.9	9.9	7.9	-4.7	-22.2	1.3
<u>TRAFFIC: (Billions)</u>							
5 RTMs - Scheduled Rev. Svc.	0.26	0.22	1.04	1.00	0.96	0.86	0.84
6 ATMs - Scheduled Rev. Svc.	0.49	0.41	1.92	1.84	1.76	1.46	1.41
7 Overall RTMs (All Services)	0.95	0.89	3.89	3.83	3.78	3.57	3.53
8 Overall ATMs (All Services)	1.78	1.67	7.30	7.19	7.07	6.69	6.56
<u>YIELD &amp; UNIT COST &amp; PROFITS: (Cents)</u>							
9 Operating Revenue per RTM	51.0	52.3	51.8	52.1	51.4	51.6	52.4
10 Operating Expense per RTM	50.0	52.2	50.0	50.5	50.4	51.5	51.3
11 Operating Profit (Loss) per RTM	1.0	0.1	1.8	1.6	0.9	0.1	1.1
12 Operating Expense per ATM	26.7	27.9	26.6	26.9	26.9	27.5	27.6
13 Passenger Revenue per RPM	++	++	++	++	++	++	++
<u>FINANCIAL RATIOS:</u>							
14 Operating Revenues to Total Investment	*	*	0.52	0.52	0.52	0.51	0.54
15 Times Interest Earned	*	*	2.27	2.15	1.35	0.16	1.83
16 Current Assets to Current Liabilities	*	*	1.65	1.11	1.72	1.64	1.42
17 No. of Days Cash Coverage of Cash Exp	*	*	3.1	3.1	1.0	1.8	3.4
<u>FINANCIAL PERCENTAGES:</u>							
18 Operating Profit (Loss) to Operating Rev	2.0	0.2	3.5	3.1	1.8	0.1	2.0
19 Net Income to Stockholders Equity	*	*	1.1	0.9	-0.5	-2.4	0.1
20 Corporate Return on Investment	*	*	1.0	1.0	0.7	0.1	0.6
21 Debt to Total Investment	*	*	76.9	76.8	76.1	74.9	75.2
<u>TON LOAD FACTOR: (Sch. Svc. %)</u>							
22 Actual	53.4	53.5	53.3	53.3	53.4	53.4	53.8
23 Breakeven	++	++	++	++	++	++	++
<u>Employment &amp; Productivity:</u>							
24 Employment, Total Weighted Avg CY	4,718	4,448	4,689	4,621	4,522	4,429	4,346
25 Overall RTM's per Employee (000)	201.5	200.8	829.3	829.1	835.3	806.4	811.9

		CHANGE OVER COMPARABLE PERIOD 12 MONTHS EARLIER						
26	Operating Revenues (%)	3.6	-2.8	8.9	7.2	0.9	-5.2	-0.8
27	Operating Expenses (%)	1.8	1.2	7.3	7.1	7.3	3.8	3.2
28	Operating Profit (Loss) (in Millions \$)	8.4	-18.9	33.2	5.9	-110.7	-167.1	-70.4
29	Net Income (Loss)(in Millions \$)	1.9	-14.0	8.6	-7.4	-73.5	-106.6	-48.1
30	RTMs (Sch. Svc.) (%)	6.4	25.9	10.2	14.5	15.7	7.1	8.0
31	ATMs (Sch. Svc.) (%)	6.6	17.6	11.3	13.9	15.5	8.5	9.8
32	Operating Revenues per RTM (%)	-2.5	-22.9	-1.2	-6.5	-12.7	-11.5	-8.1
33	Operating Expense per RTM (%)	-4.2	-19.7	-2.5	-6.5	-7.4	-3.2	-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	<u>Operating revenues (Account 4999)</u> Overall revenue ton-miles (Item Z-240)
10	Operating expense per revenue ton-mile	<u>Operating expenses (Account 7199)</u> Overall revenue ton-miles (Item Z-240)
11	Operating profit per revenue ton-mile	<u>Operating profit (Account 7999)</u> Overall revenue ton-miles (Item Z-240)
12	Operating expense per available ton-mile	<u>Operating expenses (Account 7199)</u> Overall available ton-miles (Item Z-280)
13	Passenger revenue per revenue passenger-mile (scheduled service)	<u>Passenger revenues (scheduled service) (Account 3901)</u> Total revenue passenger-miles (scheduled service (Item K-140)
14	Operating revenues to total investment	<u>Operating revenue (Account 4999)</u> Total investment (See line 20)
15	Times interest earned	<u>Income Before income taxes (Account 8999) + interest on long-term debt and capital leases (Account 8181) + Other interest expense (Account 8182)</u> Interest on long-term debt and capital leases (Account 8181) + Other interest expense (Account 8182)
16	Current assets to current liabilities	<u>Current assets (Account 1499)</u> Current liabilities (Account 2199)
17	Number of days coverage of cash operating expenses	<u>Cash (Account 1010) + short-term investments (Account 1100)</u> [Total operating expenses (Account 7199) less depreciation and amortization (Account 7000)]/365
18	Operating Profit to operating revenues	<u>Operating profit (Account 7999)</u> Operating revenues (Account 4999)
19	Net income to stockholders' equity	<u>Net income (Account 9999)</u> Stockholders' equity (Account 2995) (5 Quarter average)

EXPLANATION OF LINE ITEMS

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