ANNUAL REPORT

1997

American Airlines

Delta Air Lines

Continental Airlines

U·S AIRWAYS

Alaska Airlines

FedEx

HAWAIIAN AIRLINES

KLM

EMERY WORLDWIDE
A CNF COMPANY

TWA

Aloha AIRLINES

SOUTHWEST

ups

RAA

ATA
AMERICAN TRANS AIR

DHL
WORLDWIDE EXPRESS

EVERGREEN

POLAR AIR CARGO

Canadian Airlines

THE POWER OF PARTNERSHIP

Air Transport Association

Air Canada*

Alaska Airlines

Aloha Airlines

America West Airlines

American Airlines

American Trans Air

Canadian Airlines International*

Continental Airlines

Delta Air Lines

DHL Airways

Emery Worldwide

Evergreen International Airlines

Federal Express

Hawaiian Airlines

Kiwi International Air Lines

KLM - Royal Dutch Airlines*

Midwest Express Airlines

Northwest Airlines

Polar Air Cargo

Reeve Aleutian Airways

Southwest Airlines

Trans World Airlines

United Airlines

United Parcel Service

US Airways

*Associate Member

MISSION

Air Transport Association

The Air Transport Association (ATA) is the nation's oldest and largest airline trade association. Its membership of 22 U.S. and three associate (non-U.S.) airlines carries more than 560 million passengers and nearly 25 billion ton miles of cargo each year. U.S. members account for greater than 95 percent of the passenger and cargo traffic carried by scheduled U.S. airlines.

In an intensely competitive industry, ATA enables marketplace rivals to pool their unparalleled experience, technical expertise and operational knowledge, in order for the industry as a whole to better serve the public and improve airline safety, service and efficiency.

ATA represents its members on major aviation issues in the technical, legal and political arenas. Its activities are designed to advocate and support measures which will enhance aviation safety, ensure industry efficiency, foster growth and promote the financial health of the airline industry.

While ATA's agenda of issues continously changes, its major priorities remain unchanged. They include:

- Assisting the airline industry in continuing to provide the world's safest system of transportation
- Advocating the modernization of the Federal Aviation Administration's air traffic control system, in order to improve service for airline customers
- Increasing the protection and security of airline passengers and cargo against threats directed at the United States
- Seeking to prevent legislative and regulatory actions that would penalize airlines and their customers by imposing rate, route, service and schedule controls on the industry
- Endeavoring to reduce the disproportionate share of taxes and fees paid by airlines and their passengers at the federal, state and local levels
- Improving the industry's ability to attract capital
- Helping to shape international aviation policy, to ensure that U.S. carriers can compete on equal terms with foreign carriers.

During its more than 60 years of existence, the Air Transport Association has seen the airline industry grow from the small, pioneering companies of the 1930s into key players in the global transportation market. ATA members continue to play a major role in shaping the future of air transportation.

PRESIDENT'S LETTER

When I assumed leadership as president and chief executive officer of the Air Transport Association in early 1995, I did so with a vision shared by the ATA Board of Directors — the airline CEOs who lead this great industry. Together, we foresaw vast untapped potential in finding ways to temper fierce economic competition with public policy cooperation. By working together to promote sound national aviation policy, our airline members have much to offer the flying public. Today, I am pleased to report the industry is well on its way to achieving that goal.

The year 1996 culminated in a White House meeting and a presidential press conference in which ATA member-airline CEOs joined President Clinton and Vice President Gore in announcing the beginning of a program of unprecedented government/industry cooperation. The industry moved forward unilaterally with a proactive program to advance important joint government/industry safety goals. In response, the government deferred to the industry to provide the expertise on how the program should be implemented. Building on this agreement, ATA is continuing to work with the Administration to reshape a cooperative relationship that will benefit the industry, the economy and the traveling public.

*Through ATA, the airline industry is working to provide the government with the technical expertise and state of the-art knowledge necessary to formulate sound aviation policy. That policy will ensure that our resources are directed to initiatives that truly improve safety and efficiency. It was the ATA-developed "*Twelve Point Security Plan,*" for example, that constituted the core of the security recommendations adopted by the Gore Commission. At the same time, however, ATA is continuing to develop an internal cost/benefit analysis capability that will allow the industry to challenge unsound government aviation initiatives. Using that capability, ATA presented more than 1,000 pages of detailed economic cost/benefit data in support of industry comments on proposed government rulemakings during 1996.*

ATA is also working to improve the aviation infrastructure on which the traveling public depends, and to stem the outflow of dedicated aviation resources from the national airport and airways system. I am happy to report that, as a result of ATA-directed industry efforts, the campaign to preserve and protect vital aviation resources took a giant step forward in 1996. The year marked a turning point in the campaign to halt the diversion of airport revenues to municipal governments. Congress overwhelmingly adopted ATA-endorsed anti-diversion legislation, and the FAA — for the first time — began to enforce vigorously anti-diversion provisions of existing law.

Building on these first steps, the airline industry is forging a new chapter in the history of industry/government relations. With the Air Transport Association at the forefront of that effort, the country will see continued improvements in the nation's system of air travel during 1997 — improvements that will ensure even greater efficiency and margins of safety in the overall system for many years to come.

Sincerely,

Carol B. Hallett

Carol B. Hallett
President & CEO

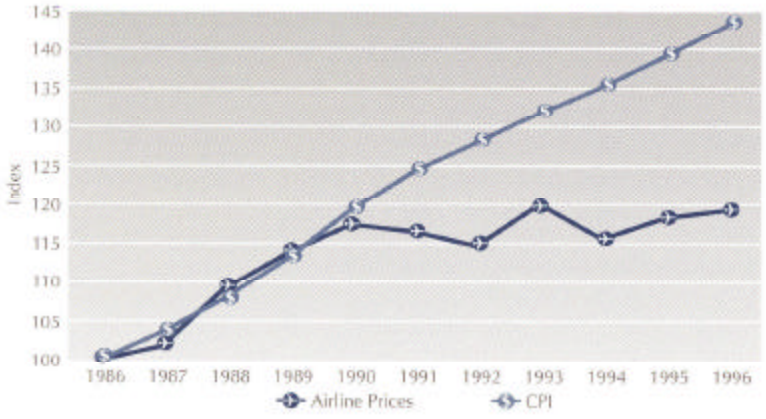
HIGHLIGHTS

1996 HIGHLIGHTS

TRAFFIC	1995	1996	Percent Change
Passengers Enplaned (000)	547,773	**581,201**	6.1
Domestic Service	499,000	**530,661**	6.3
International Service	48,773	**50,540**	3.6
Revenue Passenger Miles (000)	540,656,211	**578,408,509**	7.0
Available Seat Miles (000)	807,077,839	**834,688,294**	3.4
Passenger Load Factor (%)	67.0	**69.3**	
Aircraft Departures	8,061,521	**8,227,938**	2.1
Cargo Revenue Ton Miles (000)	16,920,976	**17,698,336**	4.6
Freight and Express Revenue Ton Miles (000)	14,577,522	**15,244,952**	4.6
Mail Revenue Ton Miles (000)	2,343,454	**2,453,384**	4.7
Total Revenue Ton Miles (000)	70,986,598	**75,539,188**	6.4

FINANCIAL ($000)	1995	1996	Percent Change
Passenger Revenues	69,594,423	**75,315,600**	8.2
Domestic Service	53,348,671	**58,606,456**	9.9
International Service	16,245,752	**16,709,144**	2.9
Freight and Express Revenues	8,616,169	**9,795,068**	13.7
Mail Revenues	1,265,522	**1,279,721**	1.1
Total Operating Revenues	94,577,657	**101,918,628**	7.8
Total Operating Expenses	88,718,139	**95,693,889**	7.9
Operating Profit	5,859,518	**6,224,739**	
Net Profit	2,313,591	**2,824,328**	
Rate of Return on Investment (%)	11.9	**11.5**	
Operating Profit Margin (%)	6.2	**6.1**	
Net Profit Margin (%)	2.4	**2.8**	

AIRLINE PRICES vs CONSUMER PRICES (1986=100)



1986-1996 SUMMARY
U.S. Scheduled Airlines

Traffic — Scheduled Service
Revenue Passengers Enplaned (000)
Revenue Passenger Miles (000)
Available Seat Miles (000)
Revenue Passenger Load Factor (%)
Average Passenger Trip Length (Miles)
Freight and Express Ton Miles (000)
Aircraft Departures

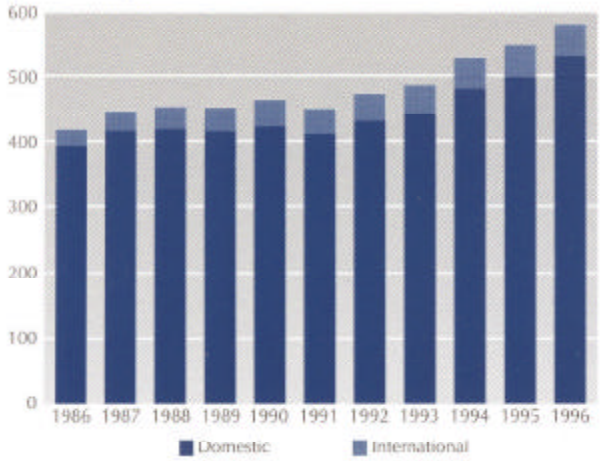
Financial
Passenger Revenues ($000)
Freight and Express Revenues ($000)
Mail Revenues ($000)
Charter Revenues ($000)
Total Operating Revenues ($000)
Total Operating Expenses ($000)
Operating Profit ($000)
Interest Expense ($000)
Net Profit ($000)*

Revenue Per Passenger Mile (Cents)
Rate of Return on Investment (%)
Operating Profit Margin (%)
Net Profit Margin (%)

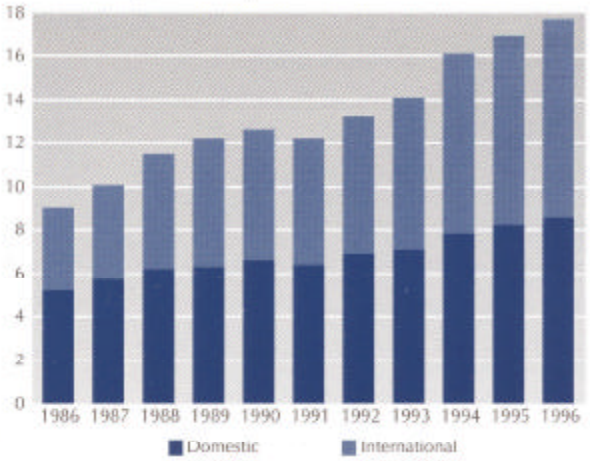
Employees

Note: Federal Express began reporting as a Section 401 carrier in 1986 and is included in 1986 and later years.

PASSENGERS ENPLANED
(Millions)



CARGO
Ton Miles (Billions)



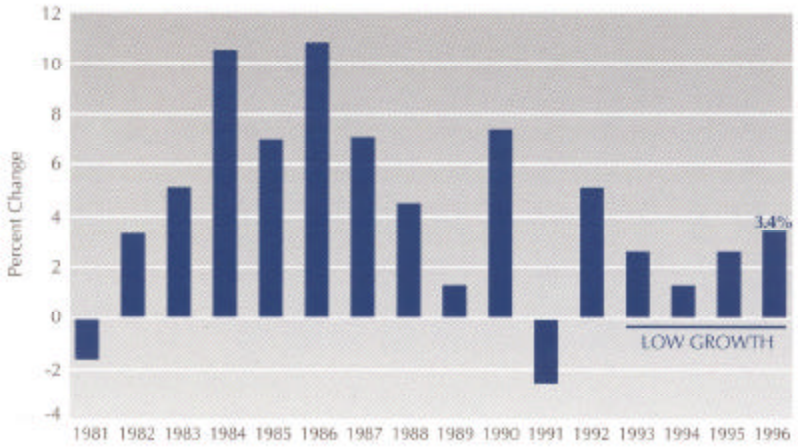
1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
418,946	447,678	454,614	453,692	465,560	452,301	475,108	488,520	528,848	547,773	**581,201**
366,545,855	404,471,484	423,301,559	432,714,309	457,926,286	447,954,829	478,553,708	489,684,421	519,381,688	540,656,211	**578,408,509**
607,435,847	648,720,938	676,802,328	684,375,876	733,374,893	715,199,140	752,772,435	771,640,648	784,330,936	807,077,839	**834,688,294**
60.3	62.3	62.5	63.2	62.4	62.6	63.6	63.5	66.2	67.0	**69.3**
875	903	931	954	984	990	1,007	1,002	982	987	**995**
7,344,054	8,260,278	9,632,219	10,275,002	10,546,329	10,225,199	11,129,712	11,943,595	13,792,157	14,577,522	**15,244,952**
6,426,970	6,581,309	6,699,564	6,622,080	6,923,593	6,782,782	7,050,633	7,245,395	7,531,026	8,061,521	**8,227,938**
40,056,093	44,940,391	50,295,686	53,802,067	58,453,215	57,091,675	59,828,487	63,945,223	65,421,539	69,594,423	**75,315,600**
5,627,996	6,398,156	7,477,731	6,892,754	5,431,627	5,508,572	5,915,650	6,662,389	7,283,927	8,616,169	**9,795,068**
838,278	923,022	971,807	955,455	970,475	957,077	1,184,205	1,211,631	1,183,268	1,265,522	**1,279,721**
1,268,899	1,611,673	1,697,793	2,051,883	2,876,581	3,717,358	2,801,163	3,081,990	3,548,428	3,484,645	**3,444,198**
50,524,933	56,985,709	63,748,886	69,315,854	76,141,739	75,158,493	78,140,243	84,559,213	88,313,425	94,577,657	**101,918,628**
49,201,832	54,516,820	60,312,383	67,504,587	78,054,094	76,943,234	80,584,703	83,121,041	85,599,970	88,718,139	**95,693,889**
1,323,101	2,468,889	3,436,503	1,811,267	(1,912,355)	(1,784,741)	(2,444,460)	1,438,172	2,713,455	5,859,518	**6,224,739**
1,692,548	1,695,388	1,845,762	1,944,388	1,978,163	1,776,994	1,742,641	2,026,793	2,347,478	2,423,877	**1,972,589**
(234,909)	593,398	1,685,599	127,902	(3,921,002)	(1,940,157)	(4,791,284)	(2,135,626)	(344,115)	2,313,591	**2,824,328**
10.9	11.1	11.9	12.4	12.8	12.7	12.5	13.1	12.6	12.9	**13.0**
4.9	7.2	10.8	6.3	(6.0)	(0.5)	(9.3)	(0.4)	5.2	11.9	**11.5**
2.6	4.3	5.4	2.6	(2.5)	(2.4)	(3.1)	1.7	3.1	6.2	**6.1**
(0.5)	1.0	2.6	0.2	(5.1)	(2.6)	(6.1)	(2.5)	(0.4)	2.4	**2.8**
421,686	457,349	480,553	506,728	545,809	533,565	540,413	537,111	539,759	546,987	**564,425**

*Excludes fresh-start accounting extraordinary gains of Continental and Trans World in 1993.

1996 Airline Industry Review

The U.S. airline industry achieved record profits in 1996 of $2.82 billion. They also set records for both the number of passengers and the amount of cargo carried. By almost any measure, 1996 was a great success. These records were established in spite of dramatic increases in the cost of jet fuel and adverse weather conditions early in the year. Although the industry is pleased to have returned to profitability, it is important to note that the 2.8 percent profit margin is only half of the average for U.S. industry overall. Passenger traffic increased by 7.0 percent to 578.4 billion revenue passenger miles and cargo traffic increased by 4.6 percent to 17.7 billion revenue ton miles.

CAPACITY GROWTH RATES
Available Seat Miles (ASMs)

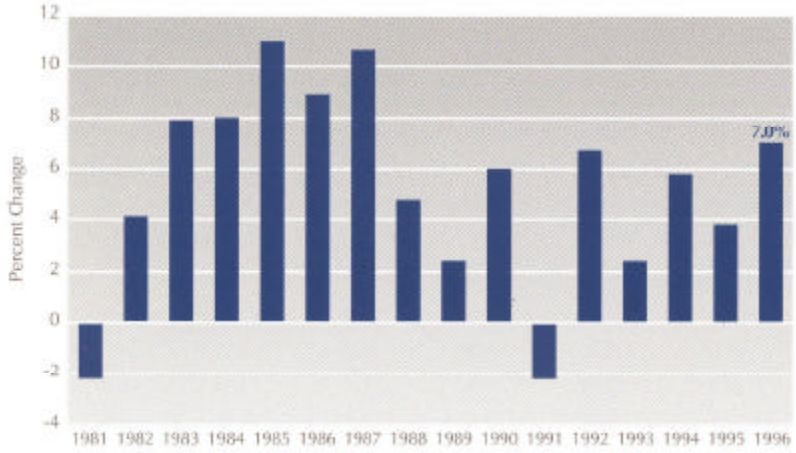


Traffic

The two major factors that most influence the demand for air travel and shipping are the health of the U.S. economy and the prices that airlines charge for their products. In 1996, the U.S. economy continued to expand — growing by 2.4 percent, generating rising incomes for both individuals and businesses. This increase in income, in turn, stimulated additional demand for air travel and shipping, which tends to grow at roughly twice the rate of increase in the overall economy.

With the economy growing at 2.4 percent in 1996, the demand for air travel would normally have grown by four to five percent. In 1996, however, air travel grew by 7.0 percent as a result of the expiration and eight-month absence of the 10.0 percent federal excise tax on airline passenger tickets, the 6.25 percent cargo waybill tax and the $6-per-passenger international departure tax. In the case of the ticket tax, both airlines and passengers benefited from its absence. While the tax was not in effect, airline prices moved slightly higher, and passengers were seeing fares decline. When the taxes were reinstated, airline prices dropped but costs to customers increased. All

TRAFFIC GROWTH RATES
Revenue Passenger Miles (RPMs)



in all, the absence of the tax was very stimulative. Domestic traffic increased by 7.8 percent.

International traffic also experienced strong growth in 1996. The number of international passenger enplanements rose to 50.5 million, with the largest growth rates occurring in the Caribbean and Latin American markets followed by the Pacific. Atlantic markets grew more slowly as some U.S. airlines continued to restructure their service.

Revenue

With strong traffic increases and revenue per passenger per mile (yield) increasing for the full year by 0.8 percent in domestic and international markets, revenue gains in 1996 were impressive. Passenger revenue increased by 8.2 percent over 1995 levels. Freight and express revenue increased by 13.7 percent to $9.8 billion. Mail revenue increased more slowly by 1.1 percent to $1.3 billion.

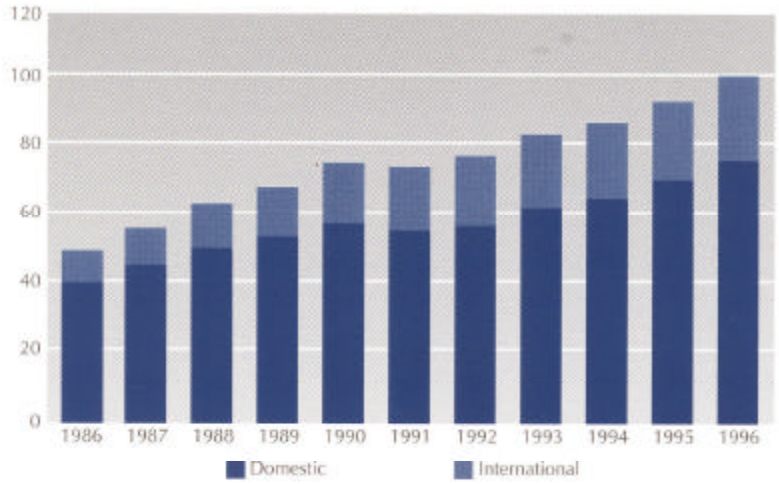
Capacity

Although traffic growth was strong in 1996, airlines added capacity cautiously. Total Available Seat Miles (ASMs) increased by only 3.4 percent, to 834.7 billion. Domestic capacity grew at a rate of 3.7 percent, leading growth in international capacity, which reached only 2.6 percent. The largest increase was in the Caribbean and Latin American markets, where capacity growth nearly matched the rate of traffic growth. European and Pacific economies, on the other hand, did not keep pace with the growth in the U.S. economy and, consequently, did not generate as great an increase in demand. In addition, international markets did not benefit as much from the eight-month elimination of the excise tax during 1996. Therefore, less capacity growth was required in international markets.

Fleet

The fleets of ATA's U.S.-airline members grew from 4,298 aircraft in 1995 to 4,481 aircraft in 1996. ATA members continue to make steady progress on the replacement of older, noisier, Stage 2 aircraft, as part of their overall program to replace or modify all of these jets by the end of 1999.

REVENUES
Dollars (Billions)



PASSENGER YIELD
Revenue per Passenger Mile
(Cents)

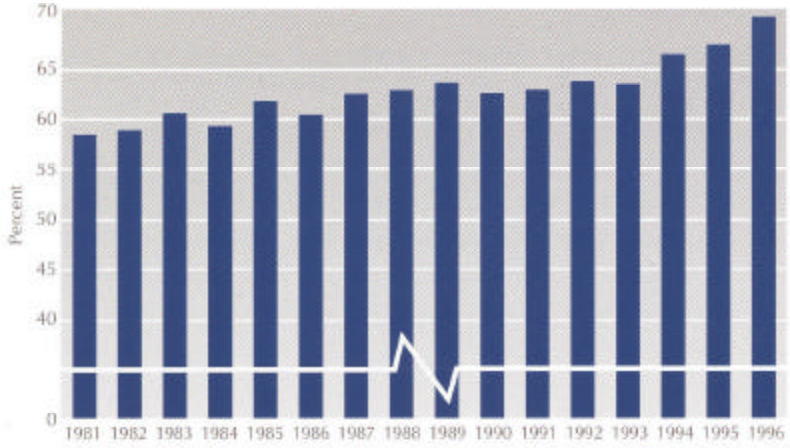
	1986	1995	1996
Domestic	11.0	13.5	**13.8**
International	9.7	11.1	**10.9**
Total	10.9	12.9	**13.0**

FREIGHT AND EXPRESS YIELD
Revenue per Freight and Express Ton Mile
(Cents)

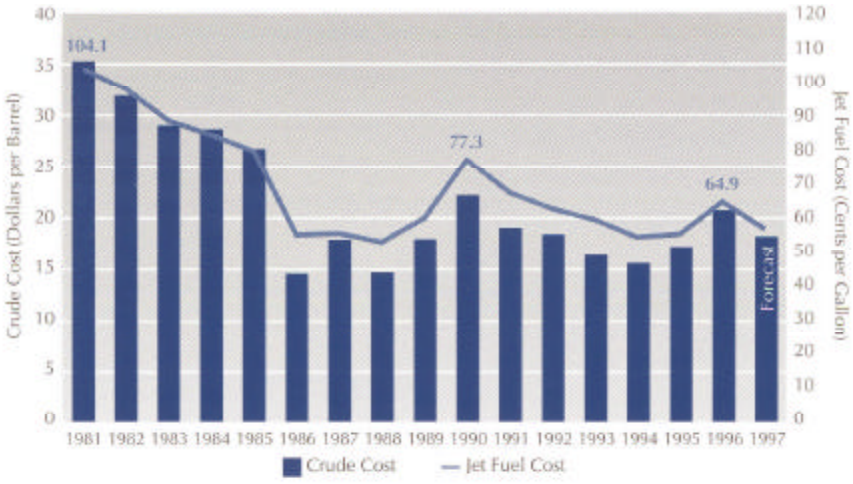
	1986	1995	1996
Domestic	110.6	77.9	**83.5**
International	40.4	44.4	**49.7**
Total	76.6	59.1	**64.3**

LOAD FACTOR

Percent of Seats Filled



FUEL COST COMPARED TO CRUDE OIL COST



That program is now nearing completion and remains on schedule. At the close of 1996, ATA members reported that their fleets were over 75 percent Stage 3 compliant. In addition to the enormous environmental benefits derived from this program, airlines are able to achieve productivity benefits as well. A review of the Aircraft Operating Statistics table (see page 15) shows that when an airline replaces a B727-200 with a B757-200 it gains 39 seats per aircraft, while fuel consumption (and related pollution) decreases by 19.0 percent. Crew productivity gains are also made. These productivity gains — crew, fuel and seats — are essential ingredients to continued progress in reducing the cost of air travel and shipping.

With an increase in the size of the U.S. fleet, the number of aircraft departures increased to 8.2 million, or more than 22,500 daily departures in scheduled service. Total aircraft miles flown increased to 5.6 billion. The airlines acknowledge with regret that there were three fatal airline accidents in 1996. However, they can point with pride to the safety accomplishments of the industry, which have made it the world's safest mode of travel. The airlines remain committed to making continued progress toward improving the safety, security and efficiency of the aviation system.

With capacity growing more slowly than traffic, load factors increased to post-World War II record levels. Load factor measures the percentage of seats

filled with passengers and is one of the most important indicators of asset utilization in the industry. In 1996, load factors for domestic travel increased from 65.4 to 67.9 percent and from 71.8 to 73.3 percent for international travel. Overall, load factors reached 69.3 percent, compared to 67.0 percent in 1995. Although passengers may not appreciate the inconveniences associated with high load factors, this increase in the efficient use of airplanes is one of the major achievements of deregulation and has resulted in significantly lower airfares — a much-appreciated benefit.

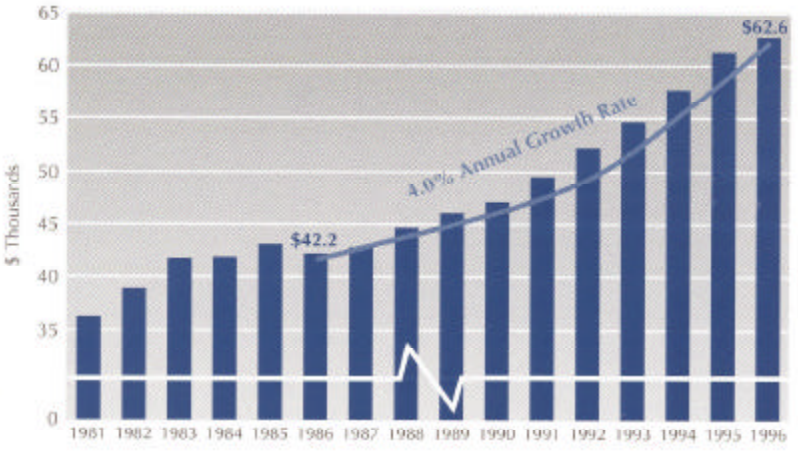
Expenses

Increased flying, even with higher load factors, normally increases costs, and 1996 was no exception. Airline management continued to make serious attempts to contain the growth of airline costs and the potential consequent increases in air fares. In spite of these efforts, some airline costs continued to increase. Jet fuel (kerosene) prices, the airlines' largest expense behind labor, increased from an average cost per gallon in 1995 of 55.5 cents to a 64.9-cents average in 1996. Fuel prices increased most sharply in the fourth quarter, peaking at more than 75 cents per gallon. With nearly 18 billion gallons of fuel being used annually, this price increase added $1.6 billion to total costs. Furthermore, these costs do not include the 4.3-cents-per-gallon federal deficit reduction tax imposed on the airlines, which added more than half-a-billion

EMPLOYMENT

	1986	1995	1996
U.S. SCHEDULED AIRLINES			
Pilots and Copilots	37,108	55,389	**57,564**
Other Flight Personnel	8,855	8,571	**8,866**
Flight Attendants	67,891	86,670	**89,079**
Mechanics	47,651	50,455	**50,807**
Aircraft and Traffic Service Personnel	136,205	251,056	**266,491**
Office Employees	84,759	41,851	**40,151**
All Other	39,217	52,995	**51,467**
Total Employment	421,686	546,987	**564,425**
AVERAGE COMPENSATION PER EMPLOYEE			
Salaries and Wages	$34,440	$47,490	**$48,331**
Benefits and Pensions	5,374	10,389	**10,982**
Payroll Taxes	2,408	3,350	**3,318**
Total Compensation	$42,222	$61,229	**$62,631**

LABOR COSTS PER EMPLOYEE
Wages and Benefits



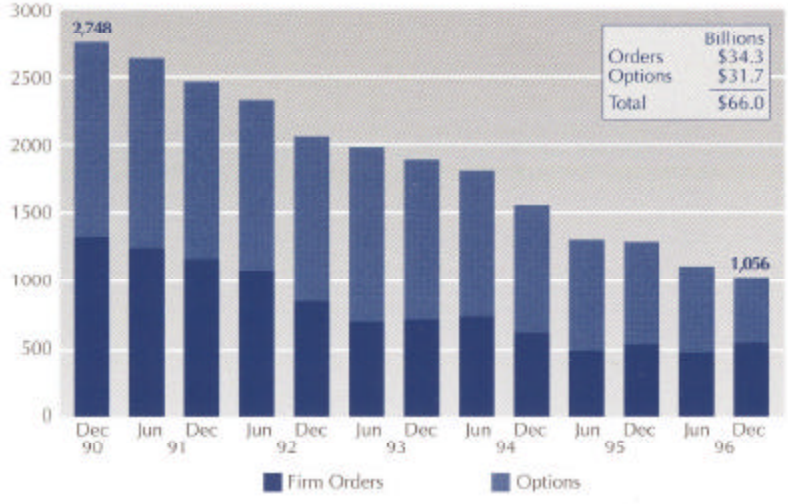
dollars to airline costs. Not surprisingly, the airlines object to being singled out for deficit reduction taxes, when they are already paying their fair share of income taxes along with other industries.

The largest single item of expense for the airlines is labor cost. In 1996, airlines employed 565,000 people, with an average compensation including insurance and pension benefits of $62,600 per person. Airline employees are generally highly skilled and, consequently, are among the most highly compensated employees in the nation. Over the last ten years, airline employee compensation has increased 4.0 percent per year. During that time, the Consumer Price Index (CPI) has only increased 3.6 percent per year. Airline employee real purchasing power has steadily increased during a time when the airlines have lost billions of dollars. In order to offset those increasing labor costs, airlines have continued to invest in productivity-producing aircraft and have worked with employees to improve productivity on the job. As a result, labor cost per available ton mile has increased at 2.0 percent per year over the last decade.

The fastest-rising cost for the airlines has been airport charges for landing fees and rentals. In the last ten years, per-passenger airport charges, including the Passenger Facility Charge (PFC) instituted in 1992, have increased by 104 percent (doubled). During that same period, the Producer Price Index (PPI) — a measure of prices paid by businesses — increased by only 27 percent. In other words, airport costs increased at a rate nearly four times the rate of increase in the average business enterprise. The airlines have made tremendous strides to become more efficient and cost effective. The airport community needs to follow suit.

Total operating expenses increased by 7.9 percent to $96 billion and operating income increased to $6.2 billion. Federal and state governments have benefited from the improving earnings of the airline industry. Provisions for income taxes increased to $1.8 billion in 1996. Although earnings have rebounded in the past two years, airlines, for the most part, have not yet been able to pay share-

AIRCRAFT ORDERS AND OPTIONS IN PLACE
ATA U.S. Members

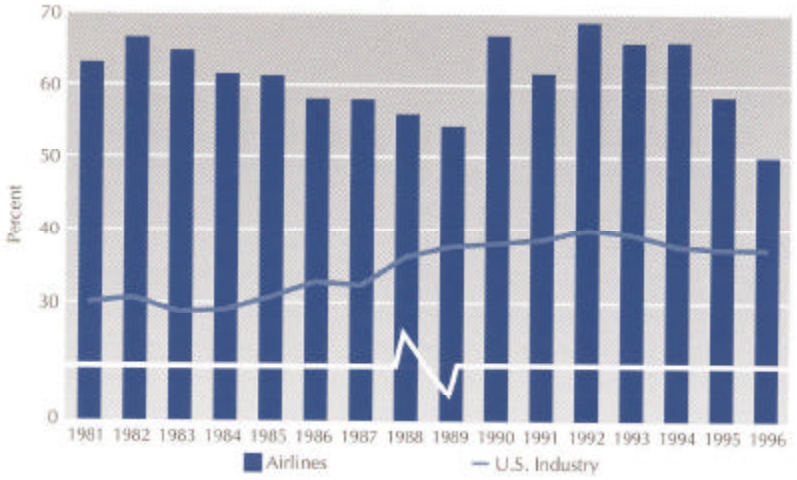


holder dividends. A true turnaround cannot be recognized until this important group of stakeholders can see a reasonable return on their investment.

Balance Sheet

When the industry was losing billions of dollars in the early 1990s, the airlines took on additional debt, in order to sustain their operations and remain in business. The profits of the past two years have been applied to reducing the level of debt in the industry. Total long-term debt decreased from $17.6 billion in 1994 to $16.5 billion in 1995, and in 1996 was further reduced to $14.8 billion. The percentage of capital coming from debt and long-term capital leases in the airline industry in 1996 was 50.4 percent. This is a very high level of indebtedness when compared to the average company in U.S. industry, where the percent of capital coming from debt and capital leases averages only 40 percent. Because of the high level of indebtedness, airlines have high fixed charges for interest expenses. In an economic slowdown, these fixed charges do not drop with reduced operations and expose the industry to higher levels of risk as earnings decline. For this reason, most airline debt has not yet regained its investment-grade rating, preventing many banks, insurance companies and pension funds from investing in airline securities. As additional debt is repaid, rating agencies will likely reconsider these ratings.

AIRLINES IMPROVE BALANCE SHEETS
Debt as a Percent of Total Capital



Some of the airlines' earnings are being used to acquire additional aircraft. Industry capacity has been growing slowly for the last several years. Airlines have been very cautious about adding capacity, following the losses of the early nineties. At the end of 1996, ATA U.S. member airlines, who carried more than 95 percent of passenger and freight traffic in the U.S., had 575 new aircraft on order, at a total cost of $34.3 billion. This is the lowest number of aircraft on order in many years and demonstrates a continuation of the trend in reducing the growth rate of new capacity. Furthermore, many of the aircraft on order will be used to replace older Stage 2 aircraft, rather than to add new capacity. The relatively low number of aircraft orders suggests that capacity for the U.S. airline industry will likely grow slowly for the next several years. At the completion of 1996, the gross book value of aircraft assets reached $67.3 billion, including capitalized leases. Aircraft are the largest category of the airlines' $95 billion in total assets.

As 1997 began, the Federal Aviation Excise Tax had expired once again, but was reinstated effective March 8, 1997. Traffic and revenue growth were moving ahead and fuel prices were beginning to abate. These are encouraging signs for 1997 and the airlines look forward to another profitable year. ■

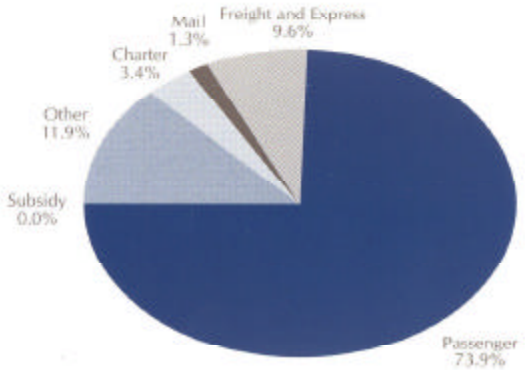
TRAFFIC AND OPERATIONS DATA
U.S. Scheduled Airlines

	1995			1996		
	Domestic	International	Total	Domestic	International	Total
Passenger Traffic — Scheduled Service						
Revenue Passengers Enplaned (000)	499,000	48,773	547,773	**530,661**	**50,540**	**581,201**
Revenue Passenger Miles (000)	394,707,883	145,948,328	540,656,211	**425,489,152**	**152,919,357**	**578,408,509**
Available Seat Miles (000)	603,917,402	203,160,437	807,077,839	**626,184,703**	**208,503,591**	**834,688,294**
Revenue Passenger Load Factor (%)	65.4	71.8	67.0	**67.9**	**73.3**	**69.3**
Average Length of Haul (Miles)	791	2,992	987	**802**	**3,026**	**995**
Cargo Traffic (Revenue Ton Miles) — Scheduled Service						
Total (000)	8,211,536	8,709,440	16,920,976	**8,465,738**	**9,232,598**	**17,698,336**
Freight and Express (000)	6,396,662	8,180,860	14,577,522	**6,578,411**	**8,666,541**	**15,244,952**
U.S. Mail (000)	1,814,874	528,580	2,343,454	**1,887,327**	**566,057**	**2,453,384**
Overall Traffic and Operations Data						
Total Revenue Ton Miles - Charter service (000)	5,232,474	2,992,687	8,225,161	**5,269,606**	**3,575,551**	**8,845,157**
Total Revenue Ton Miles - All services (000)	52,910,081	26,295,684	79,205,765	**56,283,980**	**28,100,074**	**84,384,054**
Total Available Ton Miles - All services (000)	95,490,896	44,562,137	140,053,033	**99,177,930**	**46,943,423**	**146,121,353**
Ton Mile Load Factor - All services (%)	55.4	59.0	56.6	**56.8**	**59.9**	**57.7**
Revenue Aircraft Departures - Scheduled services	7,625,758	435,763	8,061,521	**7,781,122**	**446,816**	**8,227,938**
Revenue Aircraft Miles - Scheduled services (000)	4,491,351	986,048	5,477,399	**4,699,266**	**926,679**	**5,625,945**
Revenue Aircraft Hours - Scheduled services	10,863,721	1,797,348	12,661,069	**11,326,452**	**1,864,917**	**13,191,369**

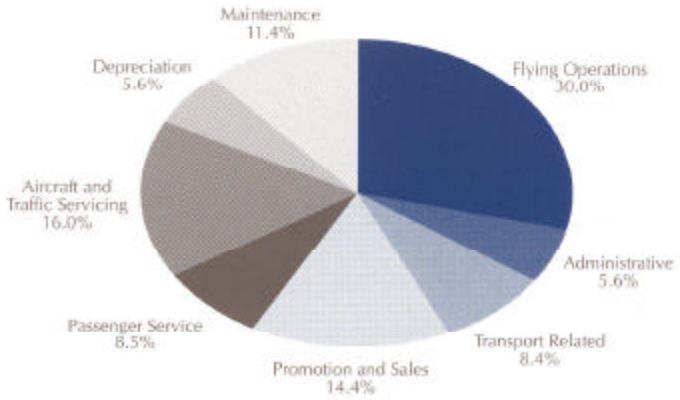
INCOME STATEMENT ($000)
U.S. Scheduled Airlines

	1995			1996		
	Domestic	International	Total	Domestic	International	Total
Operating Revenues						
Passenger	53,348,671	16,245,752	69,594,423	**58,606,456**	**16,709,144**	**75,315,600**
Freight and Express	4,985,598	3,630,571	8,616,169	**5,490,719**	**4,304,349**	**9,795,068**
Mail	1,049,640	215,882	1,265,522	**1,024,500**	**255,221**	**1,279,721**
Charter	2,536,179	948,466	3,484,645	**2,462,902**	**981,296**	**3,444,198**
Public Service Revenue	7,994	11,804	19,798	**4,311**	**0**	**4,311**
Other	9,223,047	2,374,053	11,597,100	**9,349,602**	**2,730,128**	**12,079,730**
Total Operating Revenues	71,151,129	23,426,528	94,577,657	**76,938,490**	**24,980,138**	**101,918,628**
Operating Expenses						
Flying Operations	19,064,049	6,177,638	25,241,687	**21,516,439**	**7,236,944**	**28,753,383**
Maintenance	7,694,597	2,270,864	9,965,461	**8,288,387**	**2,602,968**	**10,891,355**
Passenger Service	5,280,889	2,467,399	7,748,288	**5,581,329**	**2,596,134**	**8,177,463**
Aircraft and Traffic Servicing	11,102,962	3,747,516	14,850,478	**11,580,176**	**3,740,144**	**15,320,320**
Promotion and Sales	9,973,654	3,526,918	13,500,572	**10,419,120**	**3,354,130**	**13,773,250**
Administrative	3,946,554	1,332,337	5,278,891	**4,109,676**	**1,240,428**	**5,350,104**
Transport Related	5,562,297	1,698,412	7,260,709	**6,225,074**	**1,844,590**	**8,069,664**
Depreciation and Amortization	3,765,837	1,106,216	4,872,053	**3,877,505**	**1,480,845**	**5,358,350**
Total Operating Expenses	66,390,839	22,327,300	88,718,139	**71,597,706**	**24,096,183**	**95,693,889**
Operating Income or (Loss)	4,760,290	1,099,228	5,859,518	**5,340,784**	**883,955**	**6,224,739**
Other Income or (Expense)						
Interest Expense	(1,903,349)	(520,528)	(2,423,877)	**(1,518,167)**	**(454,422)**	**(1,972,589)**
Income Taxes	(1,329,726)	(209,050)	(1,538,776)	**(1,683,359)**	**(156,530)**	**(1,839,889)**
Other	312,379	104,347	416,726	**301,859**	**110,208**	**412,067**
Net Profit or (Loss)	1,839,594	473,997	2,313,591	**2,441,117**	**383,211**	**2,824,328**
Operating Profit Margin (%)	6.7	4.7	6.2	**6.9**	**3.5**	**6.1**
Net Profit Margin (%)	2.6	2.0	2.4	**3.2**	**1.5**	**2.8**

OPERATING REVENUES



OPERATING EXPENSES



BALANCE SHEET ($000)
U.S. Scheduled Airlines

	1995	1996
Assets		
Current Assets	19,931,028	**21,963,111**
Investments and Special Funds	8,091,762	**8,533,846**
Flight Equipment Owned	56,068,212	**59,070,824**
Ground Equipment and Property	16,804,012	**16,651,669**
Reserve for Depreciation (Owned)	(29,077,462)	**(30,014,539)**
Leased Equipment and Property Capitalized	7,133,186	**8,208,574**
Reserve for Depreciation (Leased)	(2,573,230)	**(2,812,404)**
Other Property	11,338,044	**11,167,982**
Deferred Charges	2,111,934	**2,253,263**
Total Assets	89,827,486	**95,022,326**
Liabilities		
Current Liabilities	27,456,446	**30,760,154**
Long-Term Debt	16,470,535	**14,807,488**
Other Non-Current	19,035,075	**16,842,351**
Deferred Credit	9,775,872	**11,135,832**
Stockholders' Equity — Net of Treasury Stock	17,089,558	**21,476,501**
Preferred Stock	10,129	**21,154**
Common Stock	586,687	**662,866**
Other Paid-In Capital	11,845,287	**13,644,207**
Retained Earnings	4,799,641	**7,707,746**
Less: Treasury Stock	315,687	**741,626**
Total Liabilities and Stockholders' Equity	89,827,486	**95,022,326**

ATA AIRLINE STATISTICS — 1996

	Number of Aircraft
Alaska	74
Aloha	17
America West	99
American	642
American Trans Air	45
Continental	317
Delta	544
DHL	27
Emery*	74
Evergreen*	21
Federal Express	563
Hawaiian	23
Kiwi**	8
Midwest Express	22
Northwest	399
Polar Air Cargo	15
Reeve Aleutian	5
Southwest	243
Trans World	192
United	564
United Parcel Service*	197
US Airways	390
ASSOCIATE MEMBERS	
Air Canada	136
Canadian	80
KLM-Royal Dutch**	109

*Includes non-scheduled service
NA - Not available

Employees	Aircraft Departures	Passengers (000)	Revenue Passenger Miles (000)	Passenger Revenues ($000)	Cargo Revenues ($000)	Total Operating Revenues ($000)	Operating Profit/ (Loss) ($000)	Net Profit/ (Loss) ($000)
7,440	153,094	11,758	9,793,978	1,105,883	78,528	1,306,621	80,691	45,609
1,894	77,534	5,059	695,716	187,665	31,233	232,671	6,171	4,335
9,357	206,509	18,130	15,275,989	1,625,460	46,519	1,751,813	68,666	8,505
82,571	787,415	79,324	104,521,123	13,631,844	672,343	15,136,003	1,330,845	573,819
4,480	31,180	3,431	4,914,897	385,556	—	716,123	(39,825)	(30,969)
29,199	442,944	35,743	37,344,225	4,885,152	177,647	5,487,150	394,421	319,551
58,935	942,988	97,201	93,876,999	11,980,514	525,798	13,317,693	571,113	249,024
8,036	67,427	—	—	—	632,092	1,085,360	30,787	27,504
864	47,750	—	—	—	211,007	213,088	23,654	16,562
388	8,456	—	—	—	160,128	213,029	19,165	(11,408)
97,809	310,996	—	—	—	4,723,166	10,950,187	646,985	318,495
2,262	58,683	5,338	3,297,979	326,266	18,771	384,473	1,911	(1,533)
855	14,063	1,205	900,064	172,644	1,433	182,749	2,199	2,022
1,430	34,954	1,489	1,239,147	239,172	11,118	270,599	31,442	19,541
45,320	585,924	52,682	68,626,530	8,598,293	745,787	9,751,383	1,107,926	578,817
409	4,084	—	—	—	231,215	260,181	6,523	3,377
297	4,148	73	40,025	16,403	7,848	27,259	(3,086)	(1,930)
21,863	748,374	55,372	27,085,489	3,269,240	80,004	3,407,361	349,728	207,337
24,731	284,416	23,281	27,110,708	3,077,905	153,076	3,554,407	(199,297)	(284,816)
79,205	785,158	81,863	116,554,641	14,246,992	772,324	16,316,749	1,130,224	533,744
4,129	116,725	—	—	—	341,908	1,792,199	76,125	30,135
39,417	737,628	56,639	38,942,794	6,799,420	158,899	7,704,057	368,668	183,232
19,868	NA	12,600	19,199,000	3,980,000	347,000	4,880,000	215,000	149,000
15,464	NA	8,578	16,145,000	2,570,700	227,200	3,096,400	91,400	187,100
25,033	NA	NA	31,286,000	3,554,000	914,000	5,433,000	47,000	223,000

**Financial data for KIWI International Air Lines is for the 12 months ended March 31, 1996.
KLM data is for the 12 months ended March 31, 1997, at a rate of 52.5 cents per guilder.

OPERATING FLEET — ATA AIRLINES

As of December 31, 1996

	Alaska	Aloha	America West	American	American Trans Air	Continental	Delta	DHL	Emery	Evergreen	Federal Express	Hawaiian	Kiwi Int'l	Midwest Express	Northwest	Polar Air Cargo	Reeve Aleutian	Southwest	Trans World	United	United Parcel Service	US Airways	Air Canada	Canadian	KLM Royal Dutch	TOTAL
B-747						2				12	1				41	15			14	49	14		9	4	30	**191**
A340																							4			**4**
B-777																				16						**16**
L-1011					14		49												11							**74**
A300				35							19															**54**
DC-10				17		23					34	10			33					34				9		**160**
A310											28												1			**29**
MD-11				16			14				22														8	**60**
B-767				71			59												14	42	15	12	29	11	8	**261**
DC-8								7	39	1											49					**96**
B-757			14	90	7	17	90								48				3	92	60	34				**455**
MD-90							16																			**16**
A320			24												50					36			34	12		**156**
B-727				78	24	44	129	20	34		163		8		43		2		39	75	59					**718**
MD-80	42			260		69	120							2	8				53			31				**585**
B-737	32	17	61			132	67											243		220		203		44	31	**1050**
DC-9						30			1	8		13		20	176				58			62	35			**403**
F-100				75																		40			6	**121**
F-28																						8				**8**
L-188																	3									**3**
F-50																									10	**10**
CRJ																							24			**24**
F-70																									6	**6**
Saab 340B																									10	**10**
F-27											32															**32**
Cessna 208											264															**264**
TOTAL	**74**	**17**	**99**	**642**	**45**	**317**	**544**	**27**	**74**	**21**	**563**	**23**	**8**	**22**	**399**	**15**	**5**	**243**	**192**	**564**	**197**	**390**	**136**	**80**	**109**	**4806**

AIRCRAFT ON ORDER — ATA AIRLINES

As of December 31, 1996

Aircraft Type	Number		Firm Order Delivery Dates			
	Firm	Options	1997	1998	1999	2000+
Airbus						
A300	17	0	5	4	4	4
A310	0	0	0	0	0	0
A320	125	47	13	63	36	13
A330	16	0	0	0	0	16
A340	6	3	2	4	0	0
Boeing						
B-737	245	121	44	70	64	67
B-747	28	11	15	4	7	2
B-757	91	129	37	18	8	28
B-767	38	45	26	11	1	0
B-777	33	60	22	4	2	5
McDonnell Douglas						
MD-80	22	0	17	2	3	0
MD-90	15	56	0	3	5	7
MD-11	3	27	1	2	0	0
Canadian Regional Jet						
CRJ	5	0	5	0	0	0
TOTAL	**644**	**499**	**187**	**185**	**130**	**142**

Note: The value of firm aircraft orders was $37.9 billion.

AIRCRAFT OPERATING STATISTICS — 1996

Averages for Most Commonly Used Models

	Number of Seats	Average Cargo Payload (Tons)	Speed Airborne	Flight Length	Fuel (Gallons Per Hour)	Aircraft Operating Cost Per Hour
B747-100	410	7.67	518	2,882	3,633	$6,567
B747-400	400	8.49	539	5,063	3,445	7,075
B747-200/300	369	8.46*	529	3,321	3,759	7,790
B747-F	0	76.01	508	2,313	3,695	8,853
L-1011-100/200	305	4.50	498	1,363	2,399	5,081
B-777	291	9.70	513	2,451	2,037	4,194
DC-10-10	286	8.54	498	1,493	2,233	5,092
DC-10-40	284	5.78	504	1,963	2,647	4,684
DC-10-30	272	6.92*	516	2,379	2,625	5,859
A300-600	266	11.63	467	1,126	1,671	5,123
MD-11	260	10.24*	524	3,253	2,400	6,335
L-1011-500	222	5.06	523	2,995	2,454	4,764
B767-300ER	216	7.32	495	2,331	1,590	3,616
B757-200	187	2.39	464	1,167	1,048	2,637
B767-200ER	181	4.52	486	2,135	1,432	3,195
MD-90	154	0.43	441	782	817	1,711
B727-200	148	0.63	440	742	1,288	2,396
B727-F	0	15.73	444	586	1,367	4,810
A320-100/200	148	0.75	458	1,101	816	2,126
B737-400	144	0.49	414	702	792	2,106
MD-80	141	0.48	432	798	924	2,033
B737-300	131	0.40	416	602	836	1,943
DC-9-50	121	0.47	374	345	898	1,925
B737-100/200	112	0.36	388	442	831	1,899
B737-500	110	0.35	412	570	743	1,730
DC-9-40	109	0.41	387	487	837	1,789
DC-9-30	100	0.47	389	468	818	1,749
F-100	97	0.17	384	500	705	1,858
DC-9-10	71	0.83	380	413	737	1,614

*Passenger aircraft models only

FAA AVIATION FORECASTS
Commercial Air Carriers FY 1997-2008

Fiscal Year	Passengers (Millions)	Passenger Miles (Billions)	Jet Aircraft	Domestic Departures (Millions)
1997	599.3	598.9	4,916	7.1
1998	625.5	627.6	5,069	7.2
1999	650.2	655.8	5,197	7.4
2000	676.1	685.5	5,314	7.6
2001	703.3	717.7	5,560	7.8
2002	731.9	751.8	5,796	8.0
2003	761.7	787.4	6,027	8.2
2004	792.1	823.2	6,281	8.4
2005	823.6	860.6	6,508	8.6
2006	856.5	899.2	6,762	8.8
2007	890.4	939.5	6,987	9.0
2008	925.6	981.3	7,226	9.2

SAFETY
U.S. Air Carriers — Scheduled Service
Aircraft With 30 Seats or More

	Departures (Millions)	Fatal Accidents	Fatalities	Fatal Accidents per 100,000 Departures
1986	6.4	2	5	0.016*
1987	6.6	4	231	0.046*
1988	6.7	3	285	0.030*
1989	6.6	8	131	0.121
1990	6.9	6	39	0.087
1991	6.8	4	62	0.059
1992	7.1	4	33	0.057
1993	7.2	1	1	0.014
1994	7.5	4	239	0.053
1995	8.1	2	166	0.025
1996	8.2	3	342	0.036

*Sabotage-caused accidents are included in *Fatal Accidents* and *Fatalities* columns, but not in the *Fatal Accidents per 100,000 Departures* column.
Source: National Transportation Safety Board

TOP 25 AIRLINES IN 1996
Scheduled Service
Carriers Certificated Under Section 401, Federal Aviation Act

		Passengers (000)
1	**Delta**	97,201
2	**United**	81,863
3	**American**	79,324
4	**US Airways**	56,639
5	**Southwest**	55,372
6	**Northwest**	52,682
7	**Continental**	35,743
8	**Trans World**	23,281
9	**America West**	18,130
10	**Alaska**	11,758
11	Simmons	6,010
12	**Hawaiian**	5,338
13	**Aloha**	5,059
14	Reno	4,930
15	Mesa	4,307
16	Continental Express	4,100
17	Horizon Air	3,753
18	Atlantic Southeast	3,632
19	**American Trans Air**	3,431
20	ValuJet	3,003
21	Continental Micronesia	2,601
22	Trans States	2,121
23	Carnival	1,770
24	Air Wisconsin	1,757
25	Western Pacific	1,754

*Includes non-scheduled service
■ **ATA Member**

	Revenue Passenger Miles (000)		Freight Ton Miles (000)		Total Operating Revenues (000)
1 **United**	116,554,641	1 **Federal Express**	5,353,490	1 **United**	16,316,749
2 **American**	104,521,123	2 **United Parcel Service***	3,351,121	2 **American**	15,136,003
3 **Delta**	93,876,999	3 **Northwest**	1,910,689	3 **Delta**	13,317,693
4 **Northwest**	68,626,530	4 **United**	1,785,759	4 **Federal Express**	10,950,187
5 **US Airways**	38,942,794	5 **American**	1,641,172	5 **Northwest**	9,751,383
6 **Continental**	37,344,225	6 **Delta**	1,000,133	6 **US Airways**	7,704,057
7 **Trans World**	27,110,708	7 **Emery***	965,205	7 **Continental**	5,487,150
8 **Southwest**	27,085,489	8 **Polar Air**	769,342	8 **Trans World**	3,554,407
9 **America West**	15,275,989	9 **Evergreen***	451,248	9 **Southwest**	3,407,361
10 **Alaska**	9,793,978	10 **Continental**	359,142	10 **United Parcel Service**	1,792,199
11 **American Trans Air**	4,914,897	11 **DHL Airways**	358,215	11 **America West**	1,751,813
12 Continental Micronesia	4,569,143	12 **Trans World**	268,840	12 **Alaska**	1,306,621
13 Tower	3,327,961	13 Challenge Air Cargo	181,360	13 **DHL Airways**	1,085,360
14 **Hawaiian**	3,297,979	14 **US Airways**	151,905	14 Continental Micronesia	777,246
15 Reno	2,765,805	15 Continental Micronesia	79,057	15 **American Trans Air**	716,123
16 Carnival	2,121,312	16 Arrow	79,037	16 Simmons	465,401
17 Western Pacific	1,519,889	17 **Alaska**	63,639	17 American Int'l	448,763
18 ValuJet	1,467,959	18 American Int'l	63,639	18 Tower	417,819
19 Simmons	1,316,845	19 Amerijet	62,522	19 Mesa	394,938
20 **Midwest Express**	1,239,147	20 **Hawaiian**	50,815	20 Continental Express	386,762
21 Mesa	998,608	21 **America West**	47,279	21 **Hawaiian**	384,473
22 Midway	988,433	22 **Southwest**	36,714	22 Atlantic Southeast	375,300
23 Airtran	929,699	23 Tower	26,656	23 World	356,409
24 Continental Express	903,757	24 Carnival	22,080	24 Reno	351,188
25 **Kiwi**	900,064	25 Fine Airlines	17,409	25 Atlas	315,659

LEADING U.S. AIRPORTS — 1996

Passengers (Arriving & Departing)

1	Chicago O'Hare	69,153,528
2	Atlanta	63,303,171
3	Dallas/Ft. Worth	58,034,503
4	Los Angeles	57,974,559
5	San Francisco	39,251,942
6	Miami	33,504,579
7	Denver	32,296,174
8	New York Kennedy	31,155,411
9	Detroit	30,610,993
10	Las Vegas	30,459,965
11	Phoenix	30,411,852
12	Newark	29,107,459
13	Minneapolis/St. Paul	28,771,750
14	St. Louis	27,274,846
15	Houston	26,484,079
16	Boston	25,167,741
17	Honolulu	24,326,737
18	Seattle	24,324,596
19	Orlando	23,587,773
20	Charlotte	21,849,879

Cargo Metric Tonnes (Enplaned & Deplaned)

1	Memphis	1,933,846
2	Los Angeles	1,719,449
3	Miami	1,709,906
4	New York Kennedy	1,636,497
5	Louisville	1,368,520
6	Anchorage*	1,269,283
7	Chicago O'Hare	1,259,858
8	Newark	958,267
9	Atlanta	800,181
10	Dallas/Ft. Worth	774,947
11	Dayton	767,255
12	San Francisco	711,877
13	Oakland	615,298
14	Indianapolis	609,450
15	Philadelphia	499,532
16	Honolulu	436,165
17	Boston	405,582
18	Ontario/San Bernardino	396,485
19	Denver	389,899
20	Seattle	388,218

*Preliminary data
Source: Airports Council International

TOP 30 DOMESTIC AIRLINE MARKETS*

Passengers — Outbound plus Inbound

Twelve months ended September 1996

1	New York	Los Angeles	3,149,020	16	New York	San Juan	1,673,790
2	New York	Chicago	2,996,460	17	Chicago	Los Angeles	1,511,120
3	New York	Miami	2,777,610	18	Chicago	Detroit	1,506,680
4	Honolulu	Kahului, Maui	2,750,020	19	Los Angeles	Phoenix	1,474,500
5	New York	Boston	2,400,920	20	New York	West Palm Beach	1,453,700
6	New York	San Francisco	2,282,480	21	Honolulu	Kona, Hawaii	1,391,420
7	New York	Orlando	2,234,940	22	Los Angeles	Honolulu	1,371,240
8	Dallas/Ft.Worth	Houston	2,205,080	23	Honolulu	Hilo, Hawaii	1,281,090
9	Los Angeles	Las Vegas	2,102,850	24	Chicago	Minneapolis	1,275,160
10	New York	Washington	2,087,370	25	Los Angeles	Seattle/Tacoma	1,259,130
11	Los Angeles	San Francisco	2,034,980	26	Boston	Washington	1,218,870
12	New York	Atlanta	1,978,680	27	Chicago	Atlanta	1,216,750
13	Honolulu	Lihue, Kauai	1,832,820	28	New York	Dallas/Ft. Worth	1,168,750
14	New York	Ft. Lauderdale	1,768,430	29	New York	Tampa	1,153,880
15	Los Angeles	Oakland	1,710,310	30	San Francisco	San Diego	1,139,240

*Includes all commercial airports in a metropolitan area. Does not include connecting passengers.
Source: DOT Origin/Destination Survey

U.S. SCHEDULED AIRLINES

Data for the following 97 carriers are included in this report.

Majors (Annual revenues of over $1 billion)	**Nationals** (Annual revenues of $100 million to $1 billion)		**Regionals** (Annual revenues of under $100 million)		
Alaska	Air Transport Int'l	Horizon Air	AV Atlantic	Frontier	Renown
America West	Air Wisconsin	**Kiwi**	Airtran	Grand	Ryan International
American	**Aloha**	Markair	Air 21	Great American	Sierra Pacific
Continental	American Int'l	Mesa	Air South	Kitty Hawk	Spirit Air
Delta	**American Trans Air**	**Midwest Express**	Amerijet	Laker	Sun Jet
Federal Express	Arrow	**Polar Air**	Buffalo	MGM Grand	Sun Pacific
Northwest	Atlantic Southeast	Reno	Capitol Air	Miami Air	Sun World
Southwest	Atlas Air	Rich	Capitol Cargo	Midway	Tatonduk
Trans World	Business Express	Simmons	Casino Express	Millon	Trans Air Link
United	Carnival	Southern Air	Challenge Air Cargo	Nations Air	Trans Continental
United Parcel Service	Continental Express	Sun Country	Champion Air	North American	Transmeridian
US Airways	Continental Micronesia	Tower	Custom Air	Northern Air	Tristar
	DHL Airways*	Trans States	Eastwind	Pace Aviation	UPS, Inc.
	Emery	US Airways Shuttle	Express One	Pacific Int'l	USA Jet
	Evergreen	ValuJet	Falcon Air	Pan American	Vanguard
	Executive Airlines	World	Fine Airlines	Prestige	Viscount
	Hawaiian		Florida West	**Reeve Aleutian**	Western Pacific
					Zantop

*Became a Major beginning January 1997

■ **ATA Member**

INDEX OF CHARTS AND TABLES

DEFINITION OF TERMS

U.S. Scheduled Airlines — Carriers certificated by the federal government under Section 401 of the Federal Aviation Act, permitting the operation of large aircraft with 60 seats or more.

Revenue Passenger Mile — One fare-paying passenger transported one mile.

Available Seat Mile — One seat transported one mile.

Revenue Passenger Enplanements — The total number of revenue passengers boarding aircraft in scheduled service, including origination, stopover and connecting passengers.

Scheduled Service — Transport service operated over the routes of a U.S. scheduled airline, based on published flight schedules, including extra sections.

Load Factor — The percentage of seating or freight capacity which is utilized.

Revenue Ton Mile — One ton of revenue traffic (passengers and cargo) transported one mile.

Available Ton Mile — One ton of capacity (passengers and cargo) transported one mile.

Air Cargo — Total volume of freight, mail and express traffic transported by air. Statistics include the following:

Freight and Express — Commodities of all kinds — includes small-package counter services, express services and priority reserved freight.

U.S. Mail — All classes of mail transported for the U.S. Postal Service.

Net Profit Margin — Net profit after interest and after taxes as a percent of operating revenues.

Operating Profit Margin — Operating profit (operating revenues minus operating expenses) as a percent of operating revenues.

Return on Investment — Net profits plus interest expense (on long-term debt) divided by long-term debt plus stockholders' equity (net worth).

On December 12, 1996, the ATA Board of Directors joined President Clinton and Vice President Gore at the White House to announce the voluntary installation of smoke-detection systems in all Class-D cargo holds.

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