

# AirTran

AirTran Corporation/Second Quarter Report

Fiscal 1989 September 30, 1988



Pilots are encouraged to use the Minneapolis-St. Paul Terminal Area Congestion Program for flights arriving and below 8000 feet. For more information, call 1-800-368-3683.

## To Our Shareholders

The second quarter of fiscal 1989 was a period of solid progress for AirTran Corporation, highlighted by our selection as the new AirLink marketing partner for Northwest Airlines at its Detroit hub. By providing us with our second major hub, we are now moving into an exciting new phase of growth and corporate development.

AirTran, the parent company of Mesaba Aviation, Inc., reported record results in this year's second quarter. Operating revenues totaled \$8,488,000 in the three-month period ended September 30, 1988, up 15 percent from a year ago. Earnings rose 20 percent to a second quarter record of \$601,000 or 17 cents per share on a fully diluted basis. For the first six months of fiscal 1989, operating revenues increased 13 percent to \$16,420,000, while earnings improved to \$1,148,000 or 33 cents per share fully diluted.

Reflecting the strength of our Minneapolis-St. Paul system, AirTran's second quarter earnings were fueled by strong traffic and load factors in Mesaba's existing markets. We also benefited from reduced interest expense, having eliminated all long-term bank debt at the end of fiscal 1988.

In August, Mesaba was granted the authority to provide all AirLink service for Northwest at Detroit, its largest domestic hub. Coupled with Northwest's dominance at Detroit, this exclusive franchise assures Mesaba of a strong competitive position. In all, we believe the Detroit operation should more than double our fiscal 1988 revenues during the 12 months following its December start-up.

To be phased-in over a two-month period, our Detroit system will include such large markets as Cleveland, Dayton, Toledo, and Akron/Canton, Ohio; Erie, Pennsylvania; and Flint, Michigan. Bridge routes through Milwaukee will connect our two hubs, allowing us to rotate Detroit aircraft to our new, 80,000-square-foot Twin Cities maintenance facility.

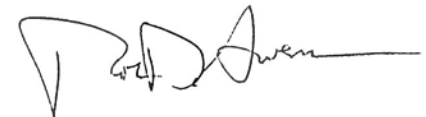
We are more than doubling our fleet of six Fokker F27 and seven Fairchild Metro III jet props to accommodate our Detroit expansion. Thus far, we have leased seven new Metro IIIs and five additional F27s, with negotiations in process for several more leased Fokkers.

As a result of Northwest's decision to retire its aging Convair fleet, Mesaba will assume all service for Northwest at Wausau/Stevens Point, Wisconsin in December. This is a substantial growth opportunity for our Minneapolis/St. Paul hub and other large Convair cities could be added to our system in the future.

In October, Northwest Aircraft, Inc., a subsidiary of NWA Inc., converted the entire outstanding balance of the convertible debenture issued by Mesaba in March 1985 into 532,000 shares of AirTran common stock. By making Northwest Aircraft our single largest shareholder, this action signals Northwest's commitment to our AirLink partnership at Detroit and Minneapolis/St. Paul.

Looking ahead, AirTran's earnings outlook for the balance of fiscal 1989 remains positive. Our results should also benefit from our Detroit service in the fourth quarter, even though we may encounter the normal difficulties associated with any major start-up. We appreciate the hard work of our growing family of employees and thank our shareholders for their continuing support.

Sincerely,



Robert D. Swenson  
President and Chief Executive Officer



## Consolidated Statements of Operations (unaudited)

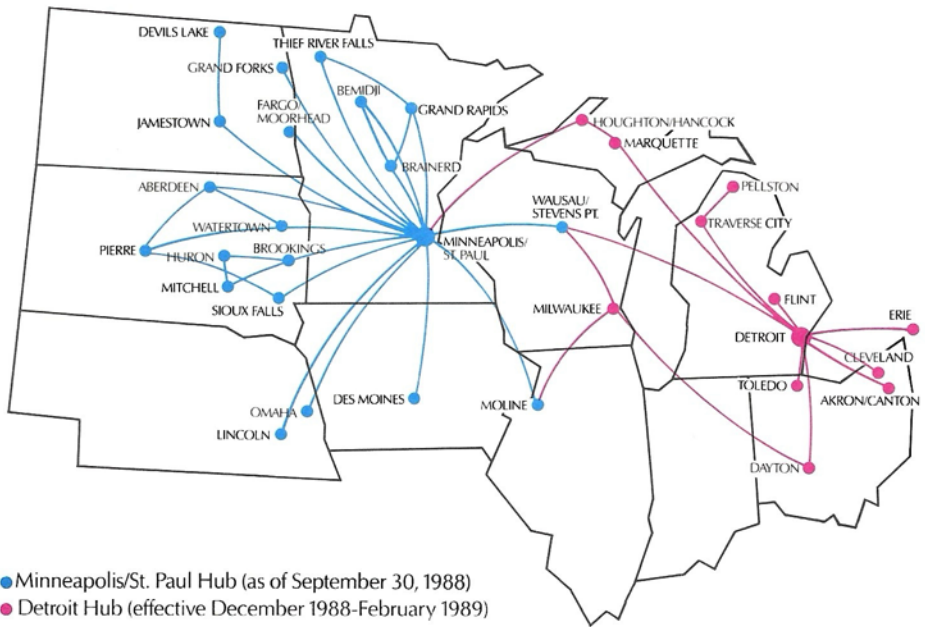
	Three Months Ended September 30		Six Months Ended September 30	
	1988	1987	1988	1987
Operating Revenues:				
Passenger	<b>\$7,854,400</b>	\$6,930,200	<b>\$15,215,400</b>	\$13,554,800
Public service	<b>224,400</b>	212,800	<b>449,100</b>	472,100
General aviation, freight and charter	<b>409,500</b>	268,200	<b>755,500</b>	553,500
Total operating revenues	<b><u>8,488,300</u></b>	<u>7,411,200</u>	<b><u>16,420,000</u></b>	<u>14,580,400</u>
Operating Expenses	<b><u>7,484,700</u></b>	<u>6,491,100</u>	<b><u>14,486,300</u></b>	<u>12,576,200</u>
Operating Income	<b><u>1,003,600</u></b>	<u>920,100</u>	<b><u>1,933,700</u></b>	<u>2,004,200</u>
Nonoperating Expenses	<b><u>1,700</u></b>	<u>56,600</u>	<b><u>20,900</u></b>	<u>153,900</u>
Income Before Income Taxes	<b>1,001,900</b>	863,500	<b>1,912,800</b>	1,850,300
Provision for Income Taxes	<b><u>401,000</u></b>	<u>362,000</u>	<b><u>765,000</u></b>	<u>805,000</u>
Net Income	<b><u>\$ 600,900</u></b>	<u>\$ 501,500</u>	<b><u>\$1,147,800</u></b>	<u>\$ 1,045,300</u>
Net Income per Share:				
Primary	<b>\$ 0.19</b>	\$ 0.16	<b>\$ 0.37</b>	\$ 0.34
Fully diluted	<b><u>\$ 0.17</u></b>	<u>\$ 0.14</u>	<b><u>\$ 0.33</u></b>	<u>\$ 0.30</u>
Average Shares				
Outstanding:				
Primary	<b>3,099,100</b>	3,078,800	<b>3,073,400</b>	3,069,500
Fully diluted	<b><u>3,655,800</u></b>	<u>3,682,800</u>	<b><u>3,658,000</u></b>	<u>3,681,000</u>

## Consolidated Balance Sheet Data (unaudited)

	September 30 1988	March 31 1988
Cash and Short-Term Investments	<b>\$ 3,311,800</b>	\$ 3,401,600
Net Property and Equipment	<b>9,993,400</b>	8,517,900
Working Capital	<b>1,806,800</b>	2,563,600
Total Assets	<b>17,775,600</b>	15,631,700
Long-Term Debt	<b>1,854,900</b>	1,980,700
Stockholders' Equity	<b>8,239,900</b>	6,670,300

# Route System of Mesaba Aviation, Inc.

An AirTran Company



## Operating Statistics

	Three Months Ended September 30		Six Months Ended September 30	
	1988	1987	1988	1987
Revenue				
passenger-miles	<b>24,966,889</b>	21,475,207	<b>47,176,528</b>	42,988,892
Available				
seat-miles	<b>45,697,091</b>	39,148,245	<b>87,809,871</b>	76,114,247
Passenger load				
factor	<b>54.6%</b>	54.9%	<b>53.7%</b>	56.5%
Yield per revenue				
passenger mile	<b>31.5¢</b>	32.3¢	<b>32.3¢</b>	31.5¢
Operating cost per				
available seat-mile	<b>16.1¢</b>	16.3¢	<b>16.2¢</b>	16.2¢

# AirTran

AirTran Corporation

6201 34th Avenue South

Minneapolis, MN 55450

3000025891  
RAYMOND C SWANSON &  
VERA H SWANSON JT TEN  
3225 CARRIAGE DR  
HAMEL MN 55340

First Class  
U.S. Postage

**PAID**

Permit No. 3363  
Minneapolis, MN