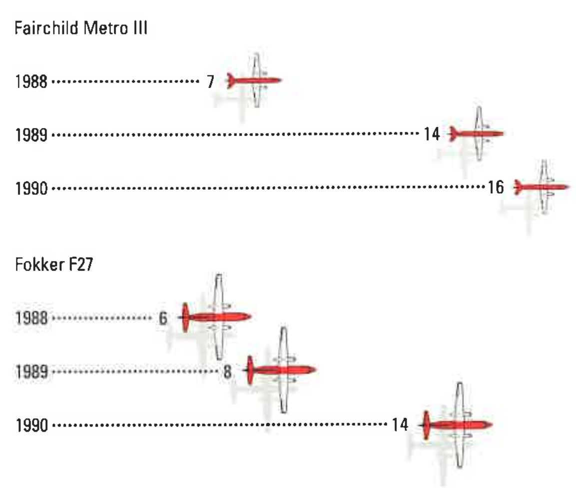
1990 Annual Report

AirTran Corporation

AirTran Corporation is the parent company of Mesaba Aviation, Inc., a U.S. Domestic Air Carrier serving the hub airports of Minneapolis/St. Paul, Minnesota and Detroit, Michigan. The Detroit hub operation completed its first full year of service in fiscal 1990 and virtually doubled Mesaba's size. As of June 1, 1990, Mesaba was providing scheduled passenger and air freight service to 36 cities in Michigan, Minnesota, Illinois, Indiana, Iowa, Nebraska, North Dakota, Ohio, Pennsylvania, South Dakota and Wisconsin. To serve its growing system, Mesaba operates a fleet of 19-passenger Fairchild Metro III turboprops and 48-passenger Fokker F27 turboprops. The Company operates as Mesaba/Northwest Airlink under a marketing agreement with Northwest Airlines. Under this relationship, all Mesaba flights carry Northwest's designator code in the nation's computerized reservations systems. This Airlink relationship enhances Mesaba's ability to provide convenient service and competitive fares between its regional markets and Northwest's global destinations. AirTran Corporation is headquartered at Minneapolis/St. Paul International Airport, and the Company's common stock is traded on the National Market System under the NASDAQ symbol ATCC.

Fleet Composition
as of March 31, 1990

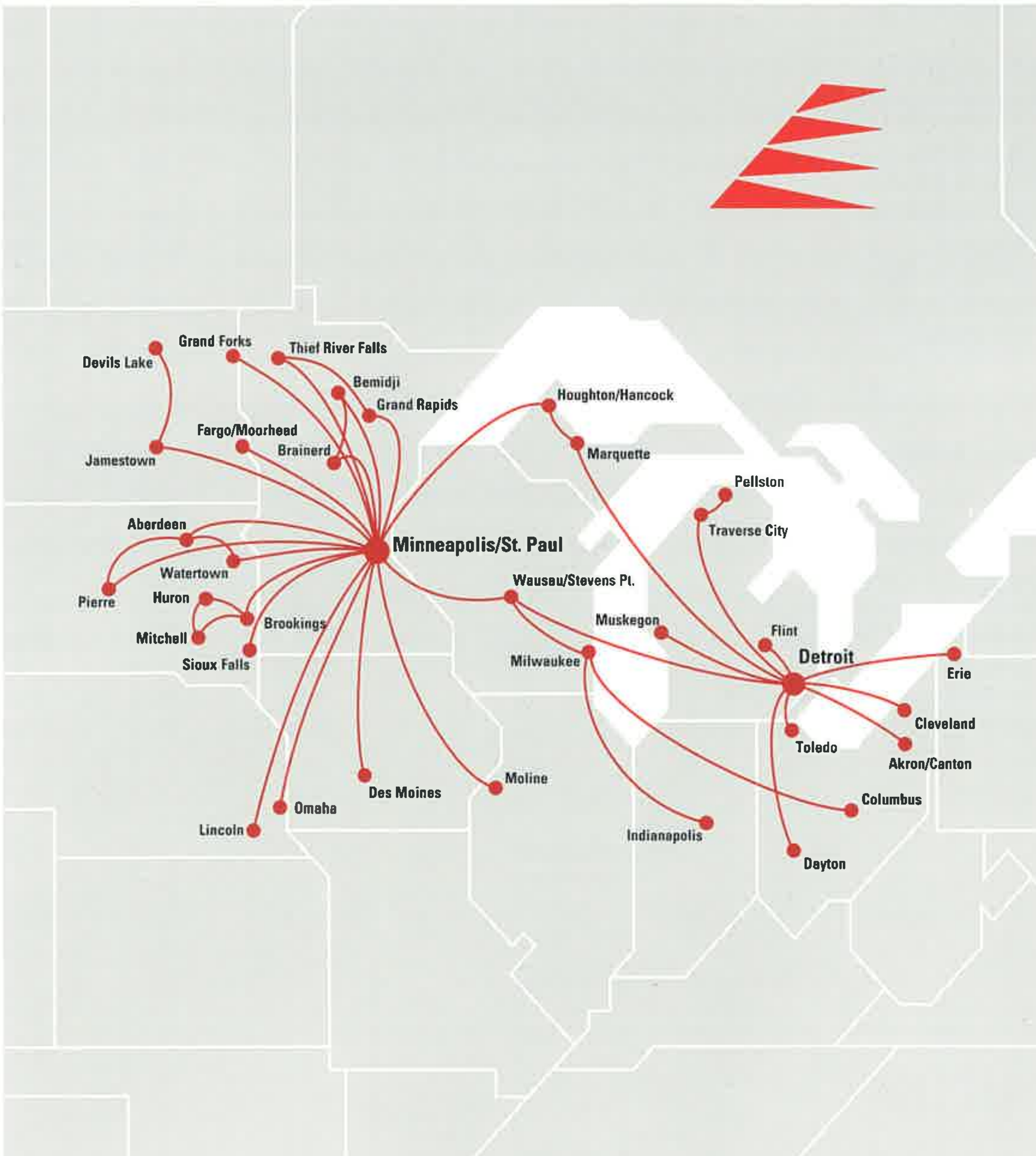


Financial Highlights

Fiscal Years Ended March 31, *(in thousands, except per share data)*	1990	1989	1988
Operating Revenues	$70,743	$35,653	$29,171
Operating Expenses	66,279	32,772	26,266
Operating Income	4,464	2,881	2,905
Net Income	2,375	1,645	1,549
Earnings Per Share			
Primary	.60	.48	.51
Fully Diluted	.60	.46	.45

Statistical Highlights

Fiscal Years Ended March 31,	1990	1989	1988
Revenue Passengers	818,863	428,895	376,101
Revenue Passengers Miles (000)	174,689	97,665	82,712
Available Seat Miles (000)	327,889	183,111	153,685
Passenger Load Factor	53.3%	53.3%	53.8%
Yield Per Revenue Passenger Mile	39.2¢	34.1¢	32.3¢
Operating Cost Per Available Seat Mile	20.1¢	17.7¢	16.8¢



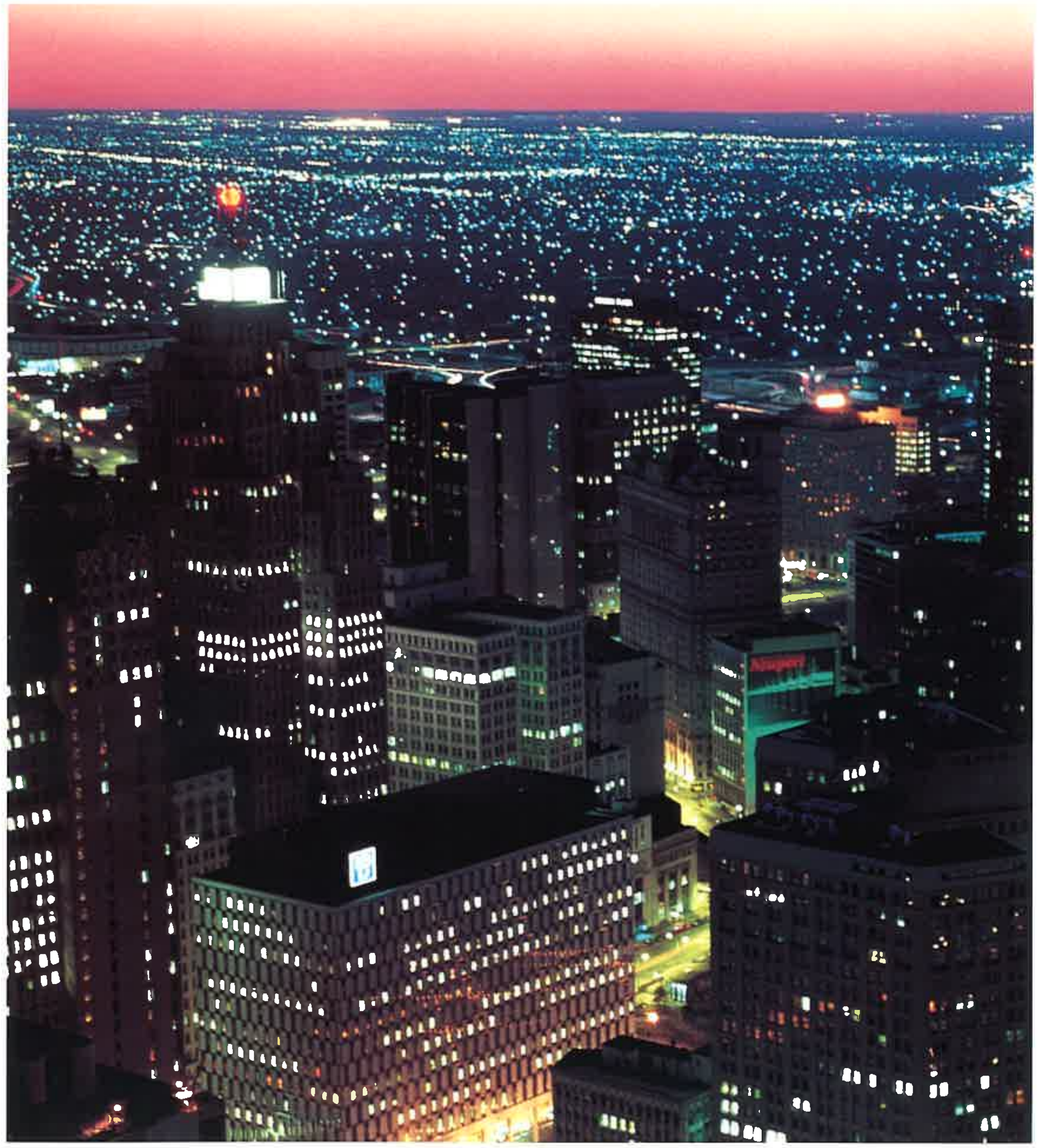
Route System, Mesaba Aviation, Inc.
Effective June 1, 1990

We are pleased to report that fiscal 1990 was another record year for AirTran Corporation, parent company of Mesaba Aviation, Inc. AirTran's revenues virtually doubled and our earnings reached a new high, reflecting the successful performance of our 13-city Detroit system during its first full year of operation. Although major progress was made during the past year, our results fell short of expectations, due largely to adverse weather that restrained Mesaba's fourth quarter traffic. However, the ability to post record results in spite of this situation and the largest expansion program in our history speaks well for AirTran's future. For the year ended March 31, 1990, operating revenues rose 98 percent to $70,743,000. Our net income totaled $2,375,000 or $.60 per share, an increase of 44 percent from $1,645,000 or $.46 per share in fiscal 1989. Our earnings growth was paced by increased capacity and passenger traffic. Reflecting the shorter segments flown on the Detroit system, our cost per available seat mile increased and we also benefited from a higher yield per revenue passenger mile. AirTran's fiscal 1990 earnings suffered as a result of a fourth quarter net loss of $.05 per share. We anticipated breakeven results for this period of seasonally weak traffic, but severe March weather forced Mesaba to cancel more than 700 flights, amounting to about $750,000 in lost revenues. The impact of this revenue shortfall was compounded by higher costs associated with the start-up of our Detroit expansion. As a result of our strong growth over the past few years, Mesaba has become a large regional carrier, serving 36 cities with a fleet of 30 aircraft. Our dual-hub system stretches from Pennsylvania on the East to South Dakota on the West, a distance of approximately 1,000 miles. Regional air carrier operations of this size are substantial by industry standards. Doubling Mesaba's size in one year has not been accomplished without some normal growing pains. To continue strengthening our business, we will focus on consolidating our expanded operations and enhancing profitability in fiscal 1991. During this period, minimal new service will be introduced and no additional aircraft are anticipated. Even so, internal forecasts indicate Mesaba should continue generating profitable growth from our existing fleet in the coming fiscal year.

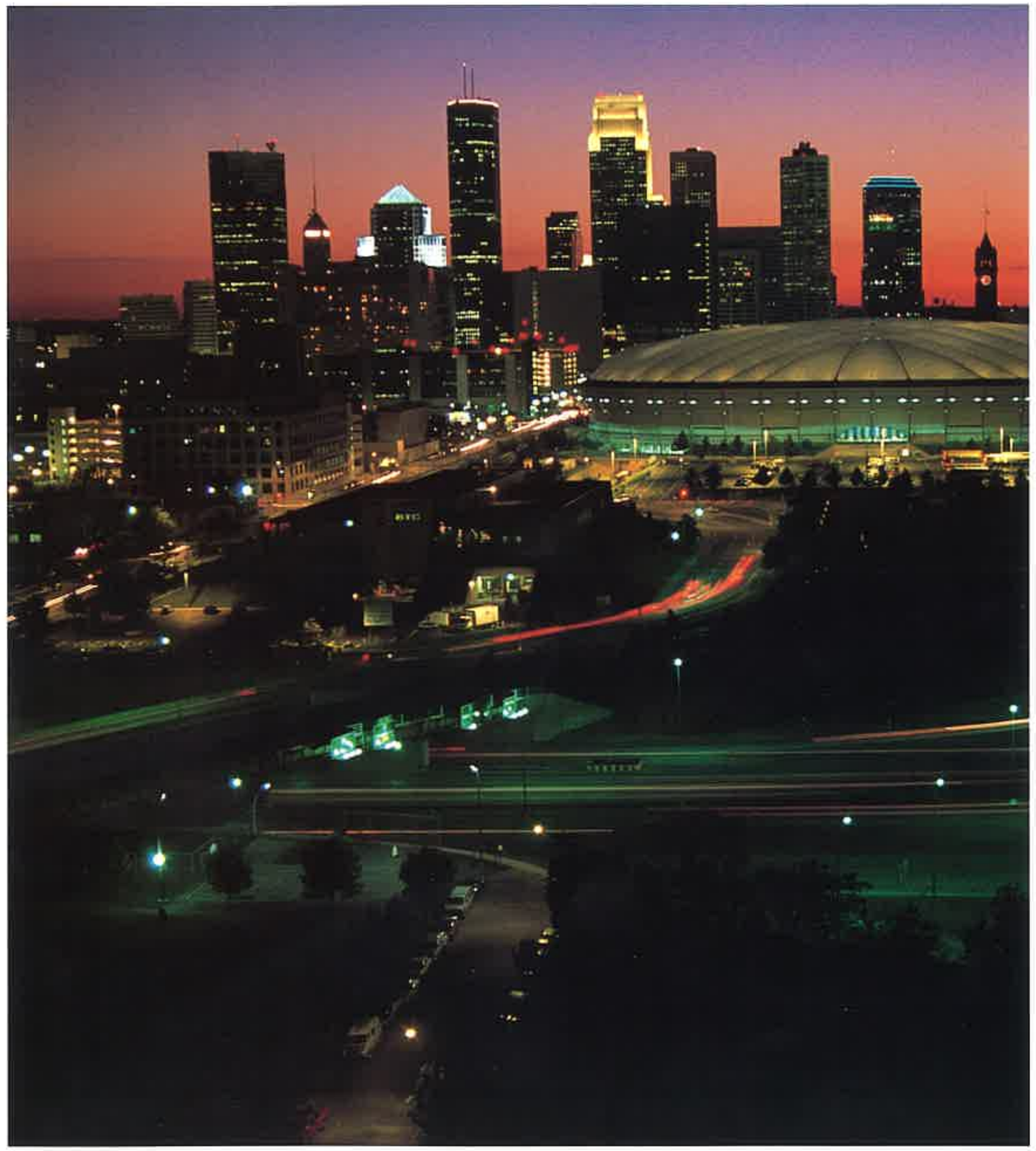
From left to right,
Patrick J. Thompson, Senior Vice President, Operations
Kenneth P. Bronson, Vice President, Finance and Treasurer
Philip L. Swenson, Vice President Planning/Marketing and Secretary
Robert D. Swenson, Chairman, President and Chief Executive Officer

We intend to begin Mesaba's next phase of Detroit expansion in fiscal 1992. Since additional aircraft will be required, we are in the final stages of selecting a new 30-seat aircraft type that will drive this new round of growth. Based on our long-range fleet plan, 30-seat turboprops will permit us to start profitable service in many markets that are too large for our 19-seat Fairchild Metro IIIs but too small, initially, for our 48-seat Fokker F27s. Having additional speed and passenger amenities, this new generation of aircraft will expand Mesaba's growth options and enhance our ability to match equipment with our markets. More than 15 new routes have been identified that can be profitably served with the addition of 30-seat turboprops. Most of these markets will be added to our Detroit system, coinciding with the phased-in deliveries of new aircraft. Since most of these markets have had previous service in recent years, we will avoid the costly market development efforts typically involved with service start-ups. To accommodate this growth, we currently intend to phase in fifteen to twenty 30-seat aircraft between fiscal 1992 and fiscal 1994. Our plans call for leasing these new aircraft, however, we may decide it is beneficial to own a portion of this fleet. Looking ahead, fiscal 1991 should be another good year for AirTran, although our growth will not match the record increases of a year ago. In comparison to year-earlier levels, traffic in certain markets has been modestly weaker thus far in the first quarter. However, advance bookings indicate stronger traffic during the peak summer season. We are closely monitoring the condition of our regional economy and have adopted a conservative approach toward additional hiring and major expenditures. The majority of our fiscal 1991 income will be earned during the second quarter, which coincides with the strongest traffic period of the airline industry. The fourth quarter is the seasonal low point of our annual traffic cycle, and we will strive to improve our results in this quarter. As always, we extend our sincere gratitude to Mesaba's outstanding employees, who are responsible for our continuing success. We also appreciate the support and confidence of you, our shareholders and valued customers.

Sincerely, Robert D. Swenson, *Chairman, Chief Executive Officer and President*



Our new Detroit hub operation is meeting our expectations as a source of strong, profitable growth for Mesaba. Approximately 376,000 passengers were boarded on our Detroit system during its first complete year of operation in fiscal 1990. Accounting for 46 percent of Mesaba's total passenger boardings last year, the Detroit system roughly doubled Mesaba's size. Reflecting the significant potential of this hub, we believe Detroit passenger boardings will exceed those at our Minneapolis/St. Paul hub during the coming fiscal year. The Detroit start-up also made a strong contribution to our earnings stream. During the initial phase of our Detroit expansion, Mesaba introduced service at Detroit to 12 strong regional markets in four states. Since all of these markets had Detroit service in the recent past, each city had well-documented volumes of traffic. This start-up strategy minimized our market development costs, thus shortening the time required to attain profitable operations. Under our marketing agreement with Northwest Airlines, Mesaba has the exclusive Airlink franchise at Detroit, which is Northwest's largest domestic hub. Based upon the size and strength of our Detroit operations, we anticipate a wide range of opportunities in Detroit as we move forward into the decade of the 1990s. We expect to start pursuing some of these opportunities in fiscal 1992. Approximately 15 new routes have already been identified, and service will be introduced as deliveries of new 30-seat turboprops are phased in between fiscal 1992 and fiscal 1994. Most of these new aircraft will be deployed at Detroit. Based upon these plans, the majority of Mesaba's growth should be derived from the Detroit system over the next few years. To accommodate our future Detroit expansion, we are finalizing plans for a new maintenance facility at Detroit Metropolitan Airport. This 45,000 square foot hangar would replace two smaller facilities currently handling our Detroit-based Metros and F27s. We expect to attain significant operating efficiencies by consolidating our Detroit maintenance under one roof. To be financed with the proceeds from a Wayne County bond offering at an attractive long-term rate, our new hangar carries a projected cost of approximately $4.5 million. We hope to have this facility completed and opened during fiscal 1991.



Mesaba has served Minneapolis/St. Paul International Airport through a predecessor corporation since 1973. For the past six years, our service at this major hub airport has been provided under an Airlink marketing relationship with Northwest Airlines. Today, we are the largest regional carrier at Minneapolis/St. Paul, and Mesaba boarded approximately 443,000 passengers on this system in fiscal 1990. Our Minneapolis/St. Paul hub currently serves 21 cities in eight states. Since the short-haul markets out of Minneapolis/St. Paul are adequately served with existing regional flights, opportunities for new turboprop service appear to be limited. We are continually evaluating new market opportunities for this hub but no new service is planned at the present time. However, longer-haul regional service has a promising future at Minneapolis/St. Paul. We believe any number of long-haul markets could be profitably served by smaller jet aircraft. Jets with about 50 seats may figure into Mesaba's long-range plan, but this type of aircraft will not be available until the mid-1990s. For this reason, we are currently forecasting moderate growth at our Minneapolis/St. Paul hub over the next few years. However, this large system will continue to provide Mesaba with a strong, stable base of revenues throughout this period. Mesaba is presently involved in an annual rate renewal case for its five remaining, federally-subsidized Essential Air Service markets served by our Minneapolis/St. Paul hub. Being our weakest cities in terms of passenger boardings, these public service subsidies accounted for only one percent of our total operating revenues in fiscal 1990. The two Metro III aircraft serving these cities in North and South Dakota will be profitably redeployed elsewhere on our system if Mesaba is not re-selected at the higher subsidy rates we have requested. The city of Milwaukee is connected to our Minneapolis/St. Paul hub via Wausau/Stevens Point, Wisconsin, one of Mesaba's largest regional markets. Northwest is developing Milwaukee into a mini-hub, designed to serve as a convenient alternative to heavily congested O'Hare Airport in Chicago. Mesaba introduced Milwaukee service to Indianapolis on April 1, 1990 and flights to Columbus, Ohio on June 1. Additional Milwaukee service may be implemented in the future.

Earnings Summary

The Company reported net income of $2,375,000 or 60 cents per share for the fiscal year ended March 31, 1990, an increase of 44% from $1,645,000 or 46 cents per share in fiscal 1989. Earnings of $1,549,000 or 45 cents per share were reported in fiscal 1988. The Company's fiscal 1990 operating results benefited from higher volumes of passenger traffic, reflecting the impact of the first full year of service to the new Detroit hub. A higher yield per revenue passenger mile also contributed to the Company's earnings. Full-year performance was restrained by a fourth quarter net loss stemming from the impact of adverse weather on passenger traffic and operations. The Company's operating margin was also restrained due to the higher operating expenses associated with the major Detroit expansion.

Results of Operations

Operating Revenues. Operating revenues totaled $70,743,000 in fiscal 1990, an increase of 98% from $35,653,000 in 1989 and also up from $29,171,000 in 1988. The 1990 revenue increase was due primarily to higher passenger traffic generated by the Company's 13 new Detroit markets. Reflecting the addition of new Detroit service, revenue passenger miles increased 79% in fiscal 1990 to 174,689,000 from 97,665,000 in 1989 and were also up from 82,712,000 in 1988. Passenger revenues for the year also increased due to a higher yield per revenue passenger mile, reflecting the shorter segments flown on the Detroit system. Yield per revenue passenger mile rose 15% in fiscal 1990 to 39.2 cents from 34.1 cents in 1989. During fiscal 1990, eight additional aircraft entered service on the Detroit system. Available seat miles rose 79% to 327,889,000 from 183,111,000 in 1989 and were also up from 153,685,000 in 1988. The passenger load factor remained unchanged at 53.3% compared to 1989 and declined slightly from 53.8% in 1988.

Operating Expenses. Total operating expenses were $66,279,000 in fiscal 1990, up from $32,772,000 in 1989 and $26,266,000 in 1988. The 1990 increase resulted primarily from the increased available seat miles flown and the added costs of the Detroit hub operation. Operating costs per available seat mile increased to 20.1 cents in fiscal 1990 from 17.7 cents in 1989 and 16.8 cents in 1988. Costs associated with the Detroit expansion and the shorter flight segments on the Detroit system were responsible for the 1990 increase in unit costs.

Flight operations expenses increased 113% in fiscal 1990 due primarily to a 77% increase in hours flown as a result of the Detroit expansion. Reflecting the addition of six Fokker F27 and two Fairchild Metro III aircraft during the year, aircraft leasing expenses rose 132% in fiscal 1990. The Company's fleet has grown from 13 to 30 aircraft as a result of new Detroit operations. Fuel consumption increased 83% in fiscal 1990, while the average cost of fuel rose 17% to 83 cents per gallon from 71 cents per gallon a year ago.

Maintenance expenses rose 115% in fiscal 1990, reflecting a 79% increase in available seat miles flown and higher repair costs associated with the expanded F27 fleet. Moreover, additional maintenance support was required in 1990 to accommodate the Detroit hub operations. The Company also provided $4,045,000 in fiscal 1990 for future aircraft overhauls, compared to $1,390,000 in 1989.

Aircraft and traffic servicing expenses increased 112% in fiscal 1990 due to increased traffic volumes and higher costs incurred for aircraft handling, terminals and facilities on the Detroit system. During the past year, the Company assumed all flight and ground handling operations at the Detroit and Wausau/Stevens Point, Wisconsin stations that were previously provided by Northwest Airlines.

Depreciation and amortization expenses rose 56% in fiscal 1990, reflecting increased investments in equipment to support the Detroit expansion and higher capitalized overhaul expenditures on Company-owned aircraft.

General and administrative expenses increased 35% in fiscal 1990, primarily due to the addition of personnel and related recruiting services required for supporting the Detroit expansion.

Operating Income. Operating income totaled $4,464,000 in fiscal 1990, an increase of 55% from $2,881,000 in 1989 and was also up from $2,905,000 in 1988. The operating margin declined to 6.3% in fiscal 1990 from 8.1% in 1989 due to significant expansion efforts at the Detroit hub.

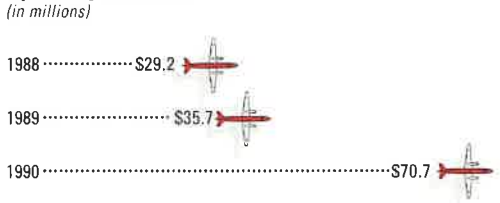
Financial Condition

Cash and short-term investments increased by $806,000 to $3,884,000 at March 31, 1990. Net cash flows provided from operations totaled $8,885,000 in fiscal 1990, up from $3,729,000 in 1989, reflecting higher earnings for the year as a result of the Detroit expansion. Net cash flows provided by financing activities amounted to $1,578,000 for the year ended March 31, 1990, resulting principally from net borrowings under the Company's revolving credit and term loan agreement. Funds used to acquire spare parts, equipment and fund the transition of Airlink operations at Detroit totaled $9,640,000 in fiscal 1990, compared to $8,221,000 in fiscal 1989.

At March 31, 1990, working capital totaled $1,818,000 and the current ratio was 1.18, compared to $3,540,000 and a current ratio of 1.68 at March 31, 1989. The decline in working capital reflected substantial investments in the new Detroit operations.

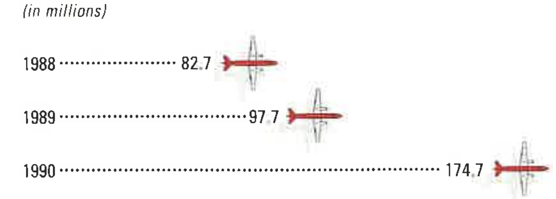
To assist in funding its Detroit expansion, the Company has a $5,000,000 revolving line of credit at prime

Operating Revenues
(in millions)

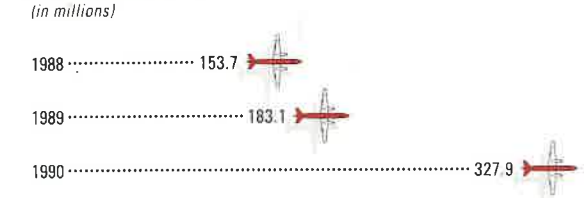


Earnings Per Share

Revenue Passenger Miles
(in millions)



Available Seat Miles
(in millions)



plus one-half of one percent and a $6,000,000 term loan at prime plus one percent. All borrowings are collateralized by F27 aircraft, spare parts, inventory and accounts receivable. $7,500,000 had been utilized on these lines, leaving $3,500,000 available for future needs, at March 31, 1990.

Long-term debt, net of current maturities, was $9,978,000 at March 31, 1990, compared to $8,645,000 at the end of fiscal 1989, reflecting increased borrowings to finance the Detroit expansion. Due to the Company's profitable operations, stockholders' equity rose by $2,010,000 to $12,660,000 at March 31, 1990. The ratio of long-term debt to stockholders' equity decreased to .79 at March 31, 1990 from .81 at March 31, 1989.

During fiscal 1990, the Company took delivery of six additional F27 aircraft and two Metro III aircraft. These additional aircraft were acquired through five-year operating leases negotiated with Northwest Aircraft Inc., a subsidiary of NWA Inc. At March 31, 1990, the Company's fleet consisted of 16 Metro IIIs and 14 F27s, with 27 of these aircraft leased. The aggregate monthly lease payments on these aircraft under operating leases with remaining terms of up to eight years is approximately $1,022,000.

The Company has entered into preliminary agreements regarding the construction of a 45,000 square foot hangar and maintenance facility at Detroit Metropolitan Airport. Construction costs of approximately $4,500,000 are currently anticipated, of which $3,600,000 would be financed through the sale of Special Facilities Revenue Bonds by Wayne County, Michigan. The remaining $900,000 would be provided by the Company.

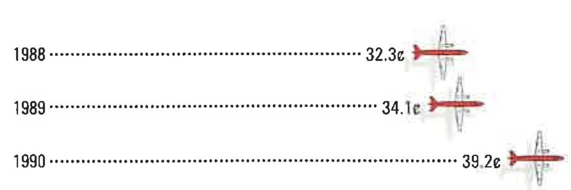
The Company has historically relied upon internally-generated funds, borrowings and the sale of common stock to support its working capital requirements. Management believes that funds from operations, borrowings and lease financing will provide adequate resources for meeting anticipated capital needs in fiscal 1991.

Effect of Change in Accounting Principle

In December, 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96 (FASB 96), "Accounting for Income Taxes," which changes the method used in accounting for deferred income taxes. The Company elected not to adopt FASB 96 for the fiscal year ended March 31, 1990, but is required to do so in fiscal 1993. Management believes the adoption of FASB 96 will not have a material impact on the Company's results of operations and financial condition.

Passenger Load Factor

Yield Per Revenue Passenger Mile



At March 31,	1990	1989
Assets		
Current Assets:		
Cash and short-term investments	**$ 3,884,000**	$ 3,078,000
Accounts receivable, net	**5,342,000**	3,233,000
Income tax refund receivable	--	183,000
Inventories	**2,150,000**	1,545,000
Prepaid expenses and deposits	**813,000**	722,000
Total current assets	**12,189,000**	8,761,000
Property and equipment (Note 2):		
Facilities under capital lease	**4,784,000**	4,647,000
Flight equipment	**20,548,000**	14,080,000
Other property and equipment	**6,004,000**	4,092,000
Accumulated depreciation and amortization	**(9,425,000)**	(6,355,000)
Net property and equipment	**21,911,000**	16,464,000
Other Assets, principally Airlink contract rights, net of accumulated amortization of $1,285,000 and $609,000, respectively (Notes 3 and 7)	**2,956,000**	2,606,000
	$37,056,000	$27,831,000
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current maturities of long-term debt (Note 4)	**$ 927,000**	$ 317,000
Accounts payable	**4,327,000**	2,214,000
Accrued liabilities –		
Payroll	**1,341,000**	847,000
Maintenance (Note 2)	**2,847,000**	1,156,000
Property taxes	**240,000**	252,000
Other	**492,000**	435,000
Income taxes payable	**197,000**	--
Total current liabilities	**10,371,000**	5,221,000
Long-Term Debt, net of current maturities (Note 4)	**9,978,000**	8,645,000
Other Noncurrent Liabilities, principally accrued maintenance (Note 2)	**1,717,000**	1,227,000
Deferred Income Taxes (Note 5)	**2,330,000**	2,088,000
Commitments (Note 6)		
Stockholders' Equity (Note 7):		
Common stock, $0.01 par value; 15,000,000 shares authorized, 3,649,945 and 3,579,482 shares issued and outstanding, respectively	**36,000**	36,000
Paid-in capital	**6,815,000**	6,614,000
Warrants issued for 764,931 and 799,931 common shares, respectively	**765,000**	791,000
Retained earnings	**5,044,000**	3,209,000
Total stockholders' equity	**12,660,000**	10,650,000
	$37,056,000	$27,831,000

The accompanying notes to consolidated financial statements are an integral part of these balance sheets

Consolidated Statements of Operations
AirTran Corporation and Subsidiary

For the Years Ended March 31	1990	1989	1988
Operating Revenues:			
Passenger	**$68,559,000**	$33,326,000	$26,719,000
General aviation, freight and charter	**1,265,000**	1,467,000	1,542,000
Public service	**919,000**	860,000	910,000
Total operating revenues	**70,743,000**	35,653,000	29,171,000
Operating Expenses:			
Flight operations	**26,998,000**	12,660,000	10,649,000
Maintenance	**17,505,000**	8,135,000	6,524,000
Aircraft and traffic servicing	**13,992,000**	6,609,000	5,076,000
Depreciation and amortization	**3,843,000**	2,458,000	1,836,000
General and administrative	**3,941,000**	2,910,000	2,181,000
Total operating expenses	**66,279,000**	32,772,000	26,266,000
Operating income	**4,464,000**	2,881,000	2,905,000
Nonoperating Expense (Income):			
Interest expense	**730,000**	277,000	366,000
Other, net	**(224,000)**	(141,000)	(157,000)
Other expense, net	**506,000**	136,000	209,000
Income before income taxes	**3,958,000**	2,745,000	2,696,000
Provision for Income Taxes (Note 5)	**1,583,000**	1,100,000	1,147,000
Net income	**$ 2,375,000**	$ 1,645,000	$ 1,549,000
Net Income Per Share:			
Primary	**$ 0.60**	$ 0.48	$ 0.51
Fully diluted	**0.60**	0.46	0.45
Weighted Average Shares Outstanding:			
Primary	**3,943,000**	3,458,000	3,055,000
Fully diluted	**3,973,000**	3,779,000	3,647,000

The accompanying notes to consolitaed financial statements are an integral part of these statements

Consolidated Statements of Changes in Stockholders' Equity
AirTran Corporation and Subsidiary

For the Years Ended March 31 (See Note 7)	Common Stock Shares	Common Stock Amount	Paid-In Capital	Warrants Shares	Warrants Amount	Retained Earnings	Total Stockholders' Equity
Balance, March 31, 1987	2,941,827	$29,000	$4,352,000	234,539	$226,000	$ 589,000	$ 5,196,000
Exercise of stock options	34,980	1,000	40,000	--	--	--	41,000
Conversion of NWA debentures	16,098	--	64,000	--	--	--	64,000
Dividends paid on common stock ($.06 per common share)	--	--	--	--	--	(180,000)	(180,000)
Net income	--	--	--	--	--	1,549,000	1,549,000
Balance, March 31,1988	2,992,905	30,000	4,456,000	234,539	226,000	1,958,000	6,670,000
Exercise of stock options	55,034	1,000	58,000	--	--	--	59,000
Conversion of NWA debentures	531,543	5,000	2,100,000	--	--	--	2,105,000
Issuance of warrants	--	--	--	565,392	565,000	--	565,000
Dividends paid on common stock ($.12 per common share)	--	--	--	--	--	(394,000)	(394,000)
Net income	--	--	--	--	--	1,645,000	1,645,000
Balance, March 31,1989	3,579,482	36,000	6,614,000	799,931	791,000	3,209,000	10,650,000
Exercise of stock options	48,310	--	175,000	--	--	--	175,000
Exercise of warrants	22,153	--	26,000	(35,000)	(26,000)	--	--
Dividends paid on common stock ($.15 per common share)	--	--	--	--	--	(540,000)	(540,000)
Net income	--	--	--	--	--	2,375,000	2,375,000
Balance, March 31, 1990	3,649,945	$36,000	$6,815,000	764,931	$765,000	$5,044,000	$12,660,000

The accompanying notes to consolidated financial statements are an integral part of these statements

For the Years Ended March 31	1990	1989	1988
Cash Flows from Operating Activities:			
Net income	**$ 2,375,000**	$ 1,645,000	$ 1,549,000
Adjustments to reconcile net income to net cash provided by operating activities :			
Depreciation and amortization	**3,843,000**	2,458,000	1,836,000
Accrued maintenance, long-term	**507,000**	(91,000)	156,000
Deferred income taxes	**242,000**	843,000	811,000
Changes in current operating items:			
Accounts receivable, net	**(2,109,000)**	(619,000)	(134,000)
Income tax receivable/payable	**380,000**	(519,000)	336,000
Inventories	**(605,000)**	(821,000)	7,000
Prepaid expenses and deposits	**(91,000)**	(497,000)	48,000
Accounts payable	**2,113,000**	865,000	(141,000)
Accrued liabilities	**2,230,000**	465,000	1,069,000
Net cash flows provided by operating activities	**8,885,000**	3,729,000	5,537,000
Cash Flows from Investing Activities:			
Purchases of property and equipment	**(8,615,000)**	(6,034,000)	(1,157,000)
Increase in other assets, principally Airlink contract rights	**(1,025,000)**	(2,187,000)	--
Decrease in other liabilities	**(17,000)**	(17,000)	(17,000)
Net cash flows used for investing activities	**(9,657,000)**	(8,238,000)	(1,174,000)
Cash Flows from Financing Activities:			
Proceeds from issuance of debt	**2,600,000**	4,900,000	--
Repayment of debt	**(657,000)**	(380,000)	(2,967,000)
Proceeds from issuance of common stock and warrants	**175,000**	59,000	105,000
Dividends paid	**(540,000)**	(394,000)	(180,000)
Net cash flows provided by (used for) financing activities	**1,578,000**	4,185,000	(3,042,000)
Net Increase (Decrease) in Cash and Short-Term Investments	**806,000**	(324,000)	1,321,000
Cash and Short-Term Investments:			
Beginning of year	**3,078,000**	3,402,000	2,081,000
End of year	**$ 3,884,000**	$ 3,078,000	$ 3,402,000
Supplementary Disclosure of Cash Flow Information,			
Cash Paid During the Year for:			
Interest	**$ 770,000**	$ 204,000	$ 378,000
Income taxes	**1,004,000**	774,000	--

The accompanying notes to consolitaed financial statements are an integral part of these statements

1. Corporate Reorganization and Business

Corporate Reorganization: Effective September 1, 1988, Mesaba Aviation, Inc. (Mesaba) became a wholly owned subsidiary of AirTran Corporation (AirTran), collectively referred to as the Company, pursuant to a plan of reorganization approved by the stockholders of Mesaba on August 18, 1988. The stockholders of Mesaba automatically became stockholders of AirTran with the identical equity interest in AirTran as they previously had in Mesaba. AirTran assumed all of Mesaba's stock option plans.

Business: The Company is a regional air carrier providing scheduled passenger and air freight service to 36 cities in the Upper Midwest. Effective December 1, 1984, the Company began operating as Mesaba/Northwest Airlink (Airlink) under a five-year marketing agreement with Northwest Airlines, Inc. (Northwest). On September 15, 1988, the agreement was restated to add Airlink service for Northwest's hub airport at Detroit, Michigan, effective December 10, 1988 (the Restated Marketing Agreement). The initial term of the Restated Marketing Agreement continues through December 9, 1993 and automatically renews indefinitely thereafter, unless either party gives 12 months' notice after December 9, 1992. As part of this cooperative marketing agreement, all flights appear in Northwest's timetables and the Company receives ticketing and certain check-in, baggage and freight-handling services from Northwest at certain airports. The Company also benefits from its relationship with Northwest through prorated fare arrangements, advertising and marketing programs. Approximately 82% of the Company's passengers connected with Northwest in fiscal 1990, 76% in 1989 and 70% in 1988.

2. Flight Equipment

The Company's fleet consisted of the following aircraft as of March 31, 1990:

Number of Aircraft	Type of Aircraft	Seating Capacity
16	Fairchild Metro III (Metro III)	19
14	Fokker F-27 (F27)	42-48

The Company owns three of the F27 aircraft; the remaining aircraft are leased under operating leases.

Aircraft maintenance and repairs are charged to expense when incurred, except for major airframe and engine overhauls. For purchased aircraft, major overhaul costs are capitalized when the expenditure is incurred and amortized over the minimum available operating hours until the next scheduled overhaul. For leased aircraft, the estimated cost of future overhauls is accrued based upon hours flown, thus providing for the overhaul cost when it occurs.

3. Summary of Significant Accounting Policies

Cash Management: The Company's cash management program occasionally results in negative cash balances. When checks are presented to the bank for payment, cash deposits are made from funds provided under the terms of the Company's line-of-credit arrangements or from short-term investments.

Short-Term Investments: Short-term investments, which consist primarily of commercial paper and interest-bearing deposits with maturities of less than 90 days, are stated at cost, which approximates market.

Inventories: Inventories consist of expendable aircraft service parts and fuel and are stated at the lower of average cost or market. Expendable parts are charged to maintenance as used.

Property and Equipment: Property and equipment is stated at cost and depreciated on a straight-line basis for financial reporting purposes over estimated useful lives of 5-10 years for aircraft engines, flight equipment and rotable parts; 3-10 years for all other equipment; 5-36 years for buildings and improvements; and for facilities under capital lease, over the lease term. Leasehold improvements are amortized over the shorter of the life of the lease or the life of the asset. Accelerated cost recovery methods of depreciation are applied for tax reporting purposes.

Airlink Contract Rights: In connection with the Restated Marketing Agreement, the Company paid a contract rights fee in the form of a stock purchase warrant to Northwest Aircraft Inc. (NWA), an affiliate of Northwest (see Note 7). In addition, the Company agreed to fund certain costs related to the transition of Airlink operations in the Detroit and Milwaukee service areas. Such transition costs are included as contract rights and are fully recoverable under the terms of the Airlink agreement. Contract rights are amortized on a straight-line basis over five years to coincide with the initial term of the Airlink agreement.

Revenue Recognition: Passenger revenues are recorded as income when the respective services are rendered. The Company also receives public service subsidy revenues for serving certain communities that do not generate sufficient traffic to fully support profitable air service.

Income Per Share: Primary net income per share has been computed based upon the weighted average number of common and dilutive common equivalent shares outstanding during each year. Prior to October 1988, fully diluted net income per share was determined on the assumption that all convertible debentures were converted with income adjusted for the interest, net of tax, paid on the debentures.

4. Long-Term Debt

Long-term debt as of March 31 is summarized as follows:

	1990	1989
Revolving credit note; interest at 1/2% above prime rate (10.5% at March 31, 1990); due December 31, 1991 with interest payable monthly; collateralized by receivables, aircraft and parts	$3,800,000	$2,900,000
Term note; interest at 1% above prime rate (11% at March 31, 1990); due in quarterly installments with interest payable monthly; collateralized by receivables, aircraft and parts	3,138,000	2,000,000
Capitalized lease; interest imputed at 8.5%; payable monthly; due in December 2008	3,967,000	4,062,000
	10,905,000	8,962,000
Less-Current maturities	(927,000)	(317,000)
Total long-term debt	$9,978,000	$8,645,000

During fiscal year 1989, NWA exercised its conversion privilege granted under the June 1985 Debenture Purchase Agreement. The Company issued 531,543 common shares for the conversion of the remaining debenture principal balance of $2,105,000.

The Company entered into a loan agreement with a bank in November 1988 which, as amended, provides for borrowings of up to $5,000,000 under a revolving line of credit and $6,000,000 under a separate term loan commitment. Compensating balances in an amount equal to 5% of the available revolving line of credit facility are required to be maintained ($250,000 as of March 31, 1990). The loan agreement requires the Company to maintain minimum levels of tangible net worth, net working capital and certain other financial ratios. The Company was in compliance with these requirements at March 31, 1990.

The Company's corporate headquarters and hangar facility is leased under a 20-year capital lease. At March 31, 1990, remaining minimum lease payments totaled $7,950,000, of which $3,983,000 represented interest costs.

As of March 31, 1990, the portions of long-term debt due in the five subsequent years are as follows:

1991	$ 927,000
1992	4,735,000
1993	943,000
1994	744,000
1995	126,000
Thereafter	3,430,000
	$10,905,000

5. Income Taxes

The Company provides deferred taxes for all temporary differences between financial and income tax reporting. The provision for income taxes for the three years ended March 31, 1990 is comprised of the following elements:

	1990	1989	1988
Current	$1,341,000	$ 257,000	$ 336,000
Deferred:			
Accelerated depreciation	303,000	309,000	366,000
Contract rights	225,000	940,000	(57,000)
Deferred maintenance costs	(456,000)	337,000	(435,000)
Alternative minimum taxes	301,000	(565,000)	--
Accrued expenses not deductible for tax reporting purposes	(119,000)	(152,000)	18,000
Deferred tax effects of tax operating loss carryforwards	--	--	805,000
Difference between investment tax credits realized for tax reporting purposes and investment tax credits recognized for book purposes	(12,000)	(26,000)	114,000
Total provision for income taxes	$1,583,000	$1,100,000	$1,147,000

The difference between the statutory federal income tax rate and the effective tax rate for the three years ended March 31,1990 is as follows:

	1990	1989	1988
Statutory federal tax rate	34.0%	34.0%	37.0%
State taxes, net of federal benefit	3.7	6.3	5.3
Other, net	2.3	(.2)	.2
Effective tax rate	40.0%	40.1%	42.5%

In December 1987, the Financial Accounting Standards Board issued Standard No. 96 (SFAS 96), "Accounting for Income Taxes," which particularly affects the treatment of deferred taxes. As amended, the new accounting rules and disclosure must be adopted by fiscal 1993, with earlier adoption permitted. The Company has elected not to adopt SFAS 96 for the fiscal year ended March 31, 1990, and believes that adoption of this statement will not have a material effect on the Company's financial position or results of future operations.

6. Commitments

Lease Commitments: The Company leases aircraft, land, hangar facilities and certain terminal facilities under operating leases which provide for approximate future minimum rental payments as follows at March 31, 1990:

1991	$12,808,000
1992	12,548,000
1993	11,740,000
1994	10,316,000
1995	4,614,000
Thereafter	8,068,000

Rent expense under all operating leases totaled approximately $12,407,000 in 1990, $5,734,000 in 1989 and $4,094,000 in 1988.

Employment Agreements: The Company has entered into severance agreements with certain of its key executives. Such agreements provide that, in the event these executives' employment with the Company is terminated within 24 to 36 months of a change in control (as defined), then the Company shall compensate such executives based upon a multiple of average annual compensation over the past five years. The maximum contingent liability of the Company pursuant to all such agreements is approximately $735,000 at March 31, 1990.

7. Capital Stock

Stock Option Plans: The Company has stock option plans for key employees and directors which authorize the issuance of up to 525,000 shares of common stock for such options, of which 41,760 remain available for grant. Under the plans, options are granted by the compensation committee of the board of directors and are exercisable for five years commencing one year after the date of grant. The purchase price of the stock is 110% of the fair market value of the stock at the date of grant for participants owning 10% or more of the outstanding common stock and 100% of the fair market value for all other participants.

Stock option transactions for the three years ended March 31, 1990 were as follows:

	Shares Under Option
Options outstanding, March 31,1987	273,224
Granted ($3.88 to $5.00 per share)	34,630
Exercised ($.72 to $3.63 per share)	(34,980)
Canceled	(2,000)
Options outstanding, March 31,1988	270,874
Granted ($3.50 to $5.25 per share)	37,000
Exercised ($.72 to $3.63 per share)	(55,034)
Canceled	(12,000)
Options outstanding, March 31,1989	240,840
Granted ($3.72 to $10.50 per share)	39,749
Exercised ($3.83 to $4.00 per share)	(48,310)
Canceled	(11,410)
Options outstanding, March 31, 1990	220,869
Exercisable at March 31, 1990	181,120
Available for grant at March 31, 1990	41,760

The Company has an employee stock purchase plan which allows all full-time personnel employed for more than six months the opportunity to purchase shares of stock in AirTran at the market price through payroll deductions. All administrative costs of this plan are paid by the Company.

Warrants: The Company has 199,539 warrants outstanding to NWA in consideration of guarantees by NWA of its 1986 and 1987 lease agreements for seven Metro III aircraft. These warrants allow for the purchase of shares of AirTran's common stock at $5.15 per share through July 1, 1991.

In September 1988, AirTran issued a common stock purchase warrant (1988 stock warrant) to NWA in consideration of the Company being selected to provide Airlink service at Detroit. The 1988 stock warrant allows for the purchase of up to 565,392 shares of AirTran common stock at $5.00 per share through December 9, 1993. The 1988 stock warrant was valued at $1.00 per share based upon an independent appraisal. Rights to purchase additional stock were also granted to NWA to preserve NWA's pro rata interest in the Company. Additional stock is to be offered for sale to NWA on a pro rata basis of shares issued by the Company to other parties at the average purchase price of these shares.

The Company issued warrants to the underwriter for its 1986 stock offering. These warrants were exercised in 1990.

Report of Independent Public Accountants

To the Stockholders of AirTran Corporation:

We have audited the accompanying consolidated balance sheets of AirTran Corporation (a Minnesota corporation) and Subsidiary as of March 31, 1990 and 1989, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended March 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AirTran Corporation and Subsidiary as of March 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1990 in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

Minneapolis, Minnesota
May 25, 1990

Years Ended March 31, (dollar amounts in thousands, except per share data)	1990	1989	1988	1987	1986
Statement of Operations Data:					
Operating revenues	**$ 70,743**	$ 35,653	$ 29,171	$ 21,806	$ 13,763
Operating expenses	**66,279**	32,772	26,266	22,148	12,844
Operating income (loss)	**$ 4,464**	$ 2,881	$ 2,905	$ (342)	$ 919
Net income (loss)	**$ 2,375**	$ 1,645	$ 1,549	$ (213)	$ 201
Net income (loss) per share					
Primary	**$ 0.60**	$ 0.48	$ 0.51	$ (0.07)	$ 0.08
Fully Diluted	**0.60**	0.46	0.45	(0.07)	0.08
Weighted average number of shares outstanding (000's)					
Primary	**3,943**	3,458	3,055	2,880	2,538
Fully diluted	**3,973**	3,779	3,647	2,919	2,538

March 31,	1990	1989	1988	1987	1986
Balance Sheet Data:					
Current assets	**$ 12,189**	$ 8,761	$ 6,965	$ 5,564	$ 4,661
Net property and equipment	**21,911**	16,464	8,518	9,044	8,707
Other assets, net	**2,956**	2,606	149	303	495
Total assets	**$ 37,056**	$ 27,831	$ 15,632	$ 14,911	$ 13,863
Current liabilities	**$ 10,371**	$ 5,221	$ 4,401	$ 4,357	$ 3,349
Long-term liabilities	**14,025**	11,960	4,561	5,357	5,301
Stockholders' equity	**12,660**	10,650	6,670	5,197	5,213
Total liabilities and stockholders' equity	**$ 37,056**	$ 27,831	$ 15,632	$ 14,911	$ 13,863

Years Ended March 31,	1990	1989	1988	1987	1986
Selected Operating Data:					
Revenue passengers carried	**818,863**	428,895	376,101	292,457	152,087
Revenue passenger miles (000)	**174,689**	97,665	82,712	61,172	31,815
Available seat miles (000)	**327,889**	183,111	153,685	133,414	79,462
Cost per available seat mile	**$ .201**	$ .177	$ .168	$ .163	$ .157
Passenger load factor	**53.3%**	53.3%	53.8%	45.9%	40.0%
Breakeven load factor	**50.5%**	49.2%	49.1%	47.6%	38.7%
Yield per revenue passenger mile	**$ .392**	$ .341	$ .323	$ .326	$ .348
Number of departures	**59,614**	34,697	30,314	30,194	26,851

Stock Price and Dividend Information

The common stock of AirTran Corporation is traded on the NASDAQ National Market under the symbol ATCC. The following table sets forth the high and low last sale prices of the Company's common stock for the fiscal quarters of 1990 and 1989.

	Bid Price of Common Shares 1990	1989	Dividends Per Share 1990	1989
1st Quarter				
High	8 1/8	4 3/8	$.04	$.03
Low	6 3/8	3 5/8	$.04	$.03
2nd Quarter				
High	11 1/4	5 1/2	$.04	$.03
Low	6 3/4	5	$.04	$.03
3rd Quarter				
High	12 1/8	5 7/8	$.04	$.03
Low	8 7/8	5 3/4	$.04	$.03
4th Quarter				
High	11 3/4	7 1/8	$.04	$.03
Low	6 3/4	6 1/2	$.04	$.03

On June 8, 1990, the number of recordholders of the Company's common stock was approximately 1,180.

Shareholder Information

Transfer Agent
Norwest Bank, Minneapolis, N.A.

Corporate Counsel
Briggs and Morgan, Minneapolis, Minnesota

Auditors
Arthur Andersen & Co., Minneapolis, Minnesota

Form 10-K
A copy of the Company's Form 10-K annual report will be provided free of charge to any shareholder upon written request to:
Vice President, Finance and Treasurer,
AirTran Corporation, 7501 26th Avenue South,
Minneapolis, Minnesota 55450

Notice of Annual Meeting
The Annual Meeting of Shareholders will be held at 3:30 PM, Wednesday, August 8, 1990 at AirTran Corporation's headquarters, 7501 26th Avenue South, Minneapolis, Minnesota.

Address
AirTran Corporation
7501 26th Avenue South
Minneapolis, MN 55450
612/726-5151

Board of Directors

Earl W. Dagg[2]
Medical Doctor

M.C. Lund[1]
Former President, Frontier Airlines, Inc.

Rodger T. Munt[1,3]
Vice President, Helijet U.S. Inc.

William G. Ness[2,3]
Chairman of the Board, Arctco, Inc.

John S. Olbrych[1,2]
Vice President, State Street Bank & Trust Co.

Alan R. Stephen[3]
President, Scenic Airlines, Inc.

Lowell T. Swenson[1]
Former Chairman of the Board, Mesaba Aviation, Inc.

Philip L. Swenson
Vice President, Planning and Marketing, and Secretary, AirTran Corporation

Robert D. Swenson[1]
Chairman of the Board, President and Chief Executive Officer, AirTran Corporation

Patrick J. Thompson
Senior Vice President, Operations, Mesaba Aviation, Inc.

[1] *Executive Committe*
[2] *Audit Committe*
[3] *Compensation Committe*

Corporate Officers

Robert D. Swenson
Chairman of the Board, President and Chief Executive Officer

Patrick J. Thompson*
Senior Vice President, Operations

Kenneth P. Bronson
Vice President, Finance and Treasurer

Richard A. Lawrence*
Vice President, Flight Operations

Lawrence E. McCabe*
Vice President, Corporate and Government Affairs

Philip L. Swenson
Vice President, Planning/Marketing and Secretary

Michael R. Wind*
Vice President, Ground and In-Flight Services

Keith S. Clow*
Vice President, Maintenance

**Officers of Mesaba Aviation, Inc. only*

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