AirTran Corporation 1992 Annual Report

Corporate Profile

AirTran Corporation is the parent company of Mesaba Aviation, Inc., a U.S. Domestic Air Carrier serving the hub airports of Minneapolis/St. Paul and Detroit.

As of June 1992, Mesaba's dual-hub system consisted of 39 cities in 13 states and Ontario, Canada. This system will grow to 42 cities this summer. Mesaba currently operates a fleet of 43 turboprop aircraft: twenty-two 19-passenger Fairchild Metro IIIs; fifteen 48-passenger Fokker F27s; and six 37-passenger deHavilland Dash 8s.

Over the next 18 months, Mesaba plans to take delivery of 19 additional Dash 8s and retire at least six older F27s. Based on current plans, Mesaba will be operating more than 50 aircraft and serving over 50 cities in the U.S. and Canada by the fall of calendar year 1993.

Mesaba is one of the nation's fastest growing regional airlines, and fiscal 1992 marked its fifth consecutive year of record earnings. The airline operates publicly as Mesaba/Northwest Airlink under a marketing agreement with Northwest Airlines.

AirTran Corporation is headquartered at Minneapolis/St. Paul International Airport, and its common stock is traded on the NASDAQ National Market System under the symbol ATCC.

Financial Highlights
Fiscal years ended March 31,

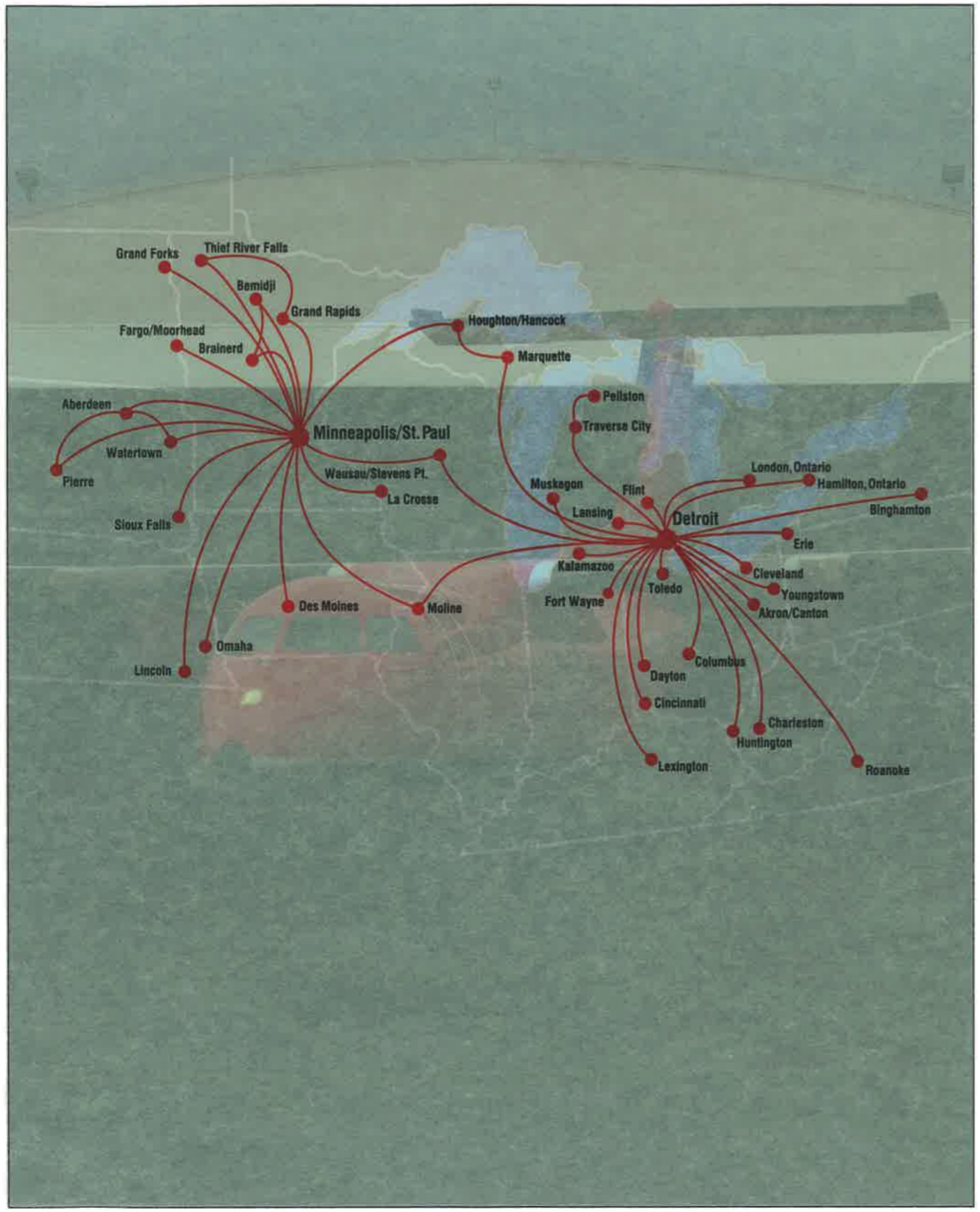
	1992	1991	1990
Operating Revenues	$ 102,389	$ 90,232	$ 70,743
Operating Expenses	92,204	82,550	66,279
Operating Income	10,185	7,682	4,464
Net Income	5,822	4,418	2,375
Net Income Per Share*	.66	.57	.30

Statistical Highlights
Fiscal years ended March 31,

	1992	1991	1990
Revenue Passengers	1,067,230	947,287	818,863
Revenue Passengers Miles (000)	216,082	196,873	174,689
Available Seat Miles (000)	419,903	388,377	327,889
Passenger Load Factor	51.5%	50.7%	53.3%
Yield Per Revenue Passenger Mile	46.8¢	44.8¢	39.2¢
Operating Cost Per Available Seat Mile	21.9¢	21.2¢	20.1¢

*Restated to reflect the two-for-one stock split in the form of a 100% stock dividend paid on May 6, 1992.

Mesaba Route System




NORTHWEST Airlink

By virtually any standard, fiscal 1992 was the most successful year in the history of AirTran Corporation, parent company of Mesaba Aviation, Inc.

- Operating revenues exceeded $100 million.
- Earnings reached record levels for the fifth consecutive year.
- AirTran's already-solid balance sheet was further strengthened.

In addition, two significant developments occurred after the close of fiscal 1992:

- Our Airlink Agreement with Northwest Airlines was extended for five years to March 31, 1997, paving the way for profitable growth in new markets.
- The first of our 25 new deHavilland Dash 8 turboprops entered passenger service, marking the start of the largest fleet expansion and modernization program in AirTran's history.

Our growing fleet of 37-seat Dash 8 turboprops will be used primarily for opening more than 10 attractive, new markets on Mesaba's Detroit system.

Record Revenues and Earnings For the fiscal year ended March 31, 1992, operating revenues rose 13% to $102,389,000. Earnings totaled $5,822,000, an increase of 32% from $4,418,000 in fiscal 1991. On a per share basis, our fiscal 1992 earnings came to $.66, compared to $.57 a year ago.

All per share data have been adjusted to reflect the two-for-one stock split declared by our Board of Directors on April 7, 1992 for shareholders of record on April 22, 1992. This stock split increased AirTran's issued and outstanding shares to 7,583,000 at March 31, 1992.

Operating Revenues

*Earnings Per Share**

*Restated to reflect the two-for-one stock split in the form of a 100% stock dividend paid on May 6, 1992.

AirTran typically incurs a net loss in the fourth quarter, our seasonally weakest period of the year. However, we reported earnings of $224,000 or $.02 per share in the fourth quarter of fiscal 1992, compared to the net loss of $158,000 or $.02 per share in the same period last year. Fourth quarter operating revenues rose 16% to $24,518,000.

Increased Passenger Traffic Our fiscal 1992 results were paced by solid traffic growth, primarily on the

Detroit portion of our route system. For the year, revenue passenger miles rose 10%, while passenger boardings reached a systemwide record of 1,067,000. The six new Detroit markets opened during the year made a solid contribution to Mesaba's traffic growth and profitability.

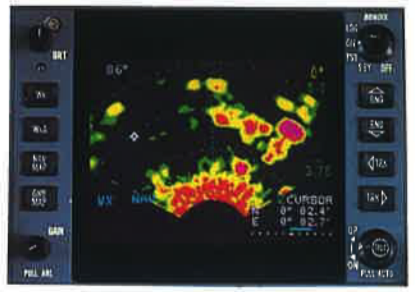
Attained amid a soft economy, Mesaba's fiscal 1992 performance fully reflects the strength of our dual-hub route system. Extending more than 1,000 miles across the Midwest, our system has also been expanded into Canada with the addition of Detroit service to London and Hamilton, Ontario.

Strong Financial Condition Given the strength of our operations, cash and short-term investments rose by approximately $5,000,000 in fiscal 1992 to more than $12,000,000. Moreover, long-term bank debt was paid down to $628,000 at March 31, 1992, from $2,464,000 a year earlier. Remaining long-term obligations of $7,264,000 at our fiscal year-end consisted primarily of capitalized leases on our Detroit and Minneapolis/St. Paul hangar facilities. Altogether, the ratio of long-term debt to stockholders' equity declined to .35 at the end of fiscal 1992 from .58 a year ago.

Revenue Passenger Miles

Long-Term Debt/Equity Ratio at March 31:

Passenger acceptance of our initial Dash 8s has been immediate, since no aircraft in its class offers a greater level of comfort and amenities.



Amended Airlink Agreement Our recently amended Airlink Agreement extends Mesaba's marketing relationship with Northwest through March 31, 1997. This extended contract will enable Mesaba to profitably introduce service for Northwest in a wide range of attractive new markets.

Our Airlink Agreement grants Mesaba exclusive rights to designated service areas out of Detroit, Minneapolis/St. Paul and Milwaukee. Further, with Northwest's approval, we will have substantial flexibility in adding new aircraft types as we plan for future growth.

New Dash 8 Aircraft To support our next round of planned growth, we have started taking deliveries of 25 new, 37-seat Dash 8 turboprops. Sub-leased from Northwest, the first of these aircraft entered passenger service in June. Phased-in deliveries will continue for the next 18 months.

Passenger acceptance of our initial Dash 8s has been immediate, supporting our belief that the Dash 8 is the premier turboprop of its type. No aircraft in its class offers a greater level of passenger comfort and amenities.

Passenger Load Factor

Revenue Passengers Carried

Available Seat Miles

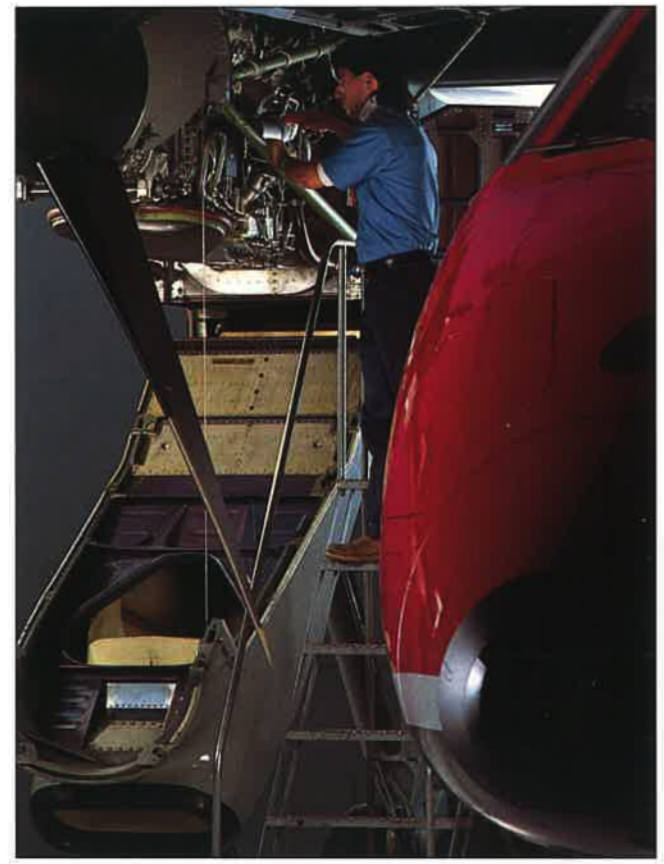
Yield per Revenue Passenger Mile

Moreover, the addition of our new Dash 8s should benefit Mesaba's operations. They are significantly more fuel-efficient than our Fokker F27s and provide proven reliability in both cold and hot weather operations. As new aircraft, the Dash 8s should also have a positive impact on maintenance costs, which have been affected in recent years by our aging F27 fleet.

Fleet and Market Expansion As our Dash 8s enter service, we will retire up to six F27s in fiscal 1993. Depending on future fleet requirements, we plan to

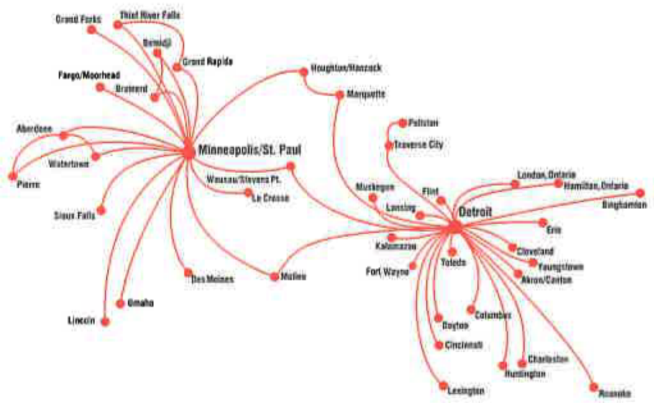
As of June	1992	1991	1990
Fairchild Metro III	22	18	16
Fokker F27	15	15	14
deHavilland Dash 8	6	–	–
Total	43	33	30

Fleet Composition



As new aircraft with proven reliability in cold and hot weather operations, our Dash 8s should have a positive impact on Mesaba's maintenance costs.

retire Mesaba's remaining F27s as leases expire during fiscal years 1994 and 1995. Based upon this schedule, we plan to operate over 50 aircraft by the fall of calendar year 1993, compared to 37 aircraft at the end of fiscal 1992.



Most of our Dash 8s will be used for opening more than 10 new Detroit markets over the next 18 months. Consistent with this plan, Detroit service will be introduced this summer to Binghamton, New York; Roanoke, Virginia; and Huntington, West Virginia. All in all, Mesaba's route system is expected to grow from 42 cities this summer to more than 50 by the fall of 1993. The new markets added to our system during this period will contribute to AirTran's growing profitability.

We extend our sincere thanks to AirTran's outstanding employees. As a service business, we can only be as good as the quality of our people, and AirTran's employees are among the best in the airline industry. We also thank you, our shareholders and customers, for your continuing confidence and support.

Best regards,

Robert D. Swenson
President and Chief Executive Officer

Positive Fiscal 1993 Outlook Looking ahead, we see fiscal 1993 shaping up as another good year for AirTran. Supported by our new Dash 8 fleet, AirTran's revenue growth rate should accelerate beyond the level posted this past year. Equally important, we are confident fiscal 1993 will be another year of strong earnings for your company.

Looking ahead, our Dash 8 fleet and new markets should help make fiscal 1993 a year of strong revenue and earnings growth for AirTran.

Earnings Summary

The Company reported record net income of $5,822,000 or $0.66 per share for the fiscal year ended March 31, 1992, an increase of 32% from $4,418,000 or $0.57 per share in fiscal 1991 and $2,375,000 or $0.30 per share in fiscal 1990. Earnings per share for fiscal years 1992, 1991 and 1990 have been adjusted to reflect a two-for-one stock split in the form of a 100% stock dividend declared by the Board of Directors on April 7, 1992 for shares held of record on April 22, 1992.

Results of Operations

Operating Revenues Operating revenues were $102,389,000 in fiscal 1992, compared to $90,232,000 in 1991 and $70,743,000 in 1990. The 13% increase in operating revenues for fiscal 1992 resulted from a 10% increase in revenue passenger miles flown and a 4% increase in passenger yield. The 28% increase in 1991 operating revenues was primarily due to a 13% rise in revenue passenger miles flown and a 14% increase in passenger yield. Passenger yield was 46.8 cents in fiscal 1992, compared to 44.8 cents in 1991 and 39.2 cents in 1990. Revenue passenger miles flown increased to 216,082,000 in 1992 from 196,873,000 in 1991 and 174,689,000 in 1990. The Company's average load factor was 51.5% in fiscal 1992, compared to 50.7% and 53.3% in 1991 and 1990, respectively.

Six used Metro III aircraft under operating leases were added to the Company's fleet during fiscal 1992 to initiate service to five new markets from the Detroit hub. Detroit service to Youngstown, Ohio was added on May 1, 1991, followed by Fort Wayne, Indiana on June 1, 1991, Lexington, Kentucky on June 10, Charleston, West Virginia on July 8 and London, Ontario on September 5, 1991. All expenditures required to initiate service to new markets in fiscal 1992 have been provided by internally generated funds and expensed as incurred. At March 31, 1992 the Company was serving 39 cities out of its Minneapolis/St.Paul and Detroit hubs.

Operating Expenses Total operating expenses increased 12% to $92,204,000 in fiscal 1992 from $82,550,000 in 1991 and $66,279,000 in 1990. These increases were due primarily to increased available seat miles flown, reflecting expansion of the Company's Detroit hub. Available seat miles rose 8% in fiscal 1992 to 419,903,000 from 388,377,000 in 1991 and 327,889,000 in 1990.

A comparison of the components of operating costs per available seat mile is shown in the following table for fiscal years 1992, 1991 and 1990:

March 31,	1992	1991	1990
Labor and Related Costs	6.0 ¢	5.7¢	5.4¢
Fuel Costs	2.6	3.0	2.5
Direct Maintenance Costs	4.4	4.1	3.2
Passenger-Related Expense	2.0	1.9	2.3
Depreciation, Amortization and Aircraft Rentals	4.8	4.6	4.5
Administrative and Other Costs	2.1	1.9	2.2
	21.9 ¢	21.2¢	20.1¢

Labor and related costs totaled $25,287,000 in fiscal 1992, compared to $22,024,000 in 1991 and $17,761,000 in 1990. Increases in labor and related costs in all three years reflect a growing work force along with normal wage, longevity and benefit increases. Total employment at the end of fiscal 1992 was 1,072 employees, compared to 665 at the beginning of fiscal 1990 when the initial Detroit expansion was in process.

Total fuel expense was $10,662,000 in fiscal 1992, $11,526,000 in 1991 and $8,289,000 in 1990. Fuel consumption increased 8% in 1992 and 18% in 1991, reflecting a higher level of Detroit expansion in 1991. Fuel prices declined 13% in 1992 and increased 17% in 1991. The average cost of fuel per gallon was 84¢ in 1992, 97¢ in 1991 and 83¢ in 1990. Certain provisions of the Company's Airlink Agreement with Northwest Airlines moderate the impact of fluctuating fuel prices.

Direct maintenance expense, excluding labor and related costs, increased to $18,592,000 in fiscal 1992 from $15,808,000 in 1991 and $10,355,000 in 1990. These increases reflect the growth in the Company's fleet and the additional available seat miles flown during the periods. The Company's fleet totaled 37 aircraft at the end of fiscal 1992, compared to 22 aircraft at the beginning of fiscal 1990. Higher overhaul costs and repairs for both Fokker F27 and Metro III aircraft also contributed to the increased direct maintenance expense. The Company has provided $6,890,000 in fiscal 1992 for future airframe and engine overhauls of leased aircraft, compared to $5,757,000 in fiscal 1991 and $4,045,000 in 1990.

Passenger-related expenses were $8,256,000 in fiscal 1992, $7,540,000 in fiscal 1991 and $7,403,000 in 1990. The increase in expenses for all three years resulted from growth in passenger traffic.

Depreciation and amortization totaled $6,081,000 in fiscal 1992, up from $5,118,000 in 1991 and $3,843,000 in 1990. Aircraft rentals were $14,125,000, $12,814,000, and $11,034,000 in fiscal 1992, 1991 and 1990, respectively. Increased investments in support equipment and facilities to accommodate the expansion of the Detroit hub accounted for the higher depreciation and amortization. The Company has used operating leases to finance its expanded fleet requirements. At March 31, 1992, the Company was operating 34 leased and three owned aircraft.

Operating Income The Company's operating income totaled $10,185,000 in fiscal 1992, up 33% from $7,682,000 in fiscal 1991 and also up from $4,464,000 in 1990. Operating margins increased to 9.9% in 1992 from 8.5% in 1991 and 6.3% in 1990. The 1992 operating income and margin reflect higher operating revenues generated primarily by increased passenger traffic.

Nonoperating Expense Interest expense increased 10% to $789,000 in fiscal 1992, compared to $717,000 in 1991, reflecting the first full year of interest expense on the Company's capitalized lease obligation for its new Detroit hangar.

Provision for Income Taxes The provision for income taxes rose to $4,040,000 in fiscal 1992 from $2,948,000 in 1991 and $1,583,000 in 1990, resulting in an effective tax rate of 41% in 1992 and 40% for both 1991 and 1990.

Liquidity and Capital Resources

The Company's working capital rose to $4,158,000 at March 31, 1992 from $1,080,000 at March 31, 1991, reflecting increased working capital provided from operations and lower debt repayments compared to fiscal 1991. The current ratio for fiscal year-end 1992 was 1.24 compared to 1.09 at the end of fiscal 1991. Cash and short-term investments increased by $5,181,000 to $12,384,000 at March 31, 1992. Net cash flows provided by operating activities totaled $12,069,000 in fiscal 1992, compared to $12,640,000 in 1991. Net cash flows used for financing activities amounted to $1,421,000 in fiscal 1992, primarily for the repayment of bank debt. Funds used to purchase spare parts, equipment and other assets totaled $5,467,000 in fiscal 1992, compared to $5,007,000 in 1991.

The Company has a $5,000,000 revolving line of credit at prime plus one-half of 1%. At March 31, 1992, $5,000,000 was available under this line of credit for future use. In addition, a letter of credit facility totaling $3,886,000 secures a lease commitment to the County of Wayne, Michigan, for the Company's Detroit hangar. All borrowings under the revolving line of credit and a term loan of $1,464,000 at March 31, 1992 are collateralized by F27 aircraft, spare parts, inventory and accounts receivable. Long-term debt, net of current maturities, totaled $7,892,000 at March 31, 1992, compared to $9,557,000 at the end of fiscal 1991. Lease financing for the Minneapolis/St. Paul and Detroit hangar facilities comprised $6,769,000 of long-term debt at the end of fiscal 1992. The ratio of long-term debt to stockholders' equity improved to .35 at March 31, 1992 compared to .58 at the end of fiscal 1991.

During fiscal 1992, the Company took delivery of six additional used Metro III aircraft. Five of these aircraft were acquired under five-year operating leases cancellable after 18 months and one was acquired under an operating lease that will terminate in June, 1992. These aircraft brought the Company's total fleet to 37 aircraft at March 31, 1992. Of this total, 33 aircraft are covered under operating leases with remaining terms of eight months to six years and aggregate monthly lease payments of approximately $1,257,000. Operating leases have been the Company's primary method for acquiring aircraft, and management expects to continue relying on lease financing to meet most of its future aircraft needs.

During fiscal 1992, the Company completed the installation of cockpit voice recorders and traffic alert and collision avoidance systems on selected aircraft, as required by an FAA directive, at a total cost of $846,000. The Company will be required to install traffic alert and collision avoidance systems on the remaining portion of its Metro fleet by 1994 at an estimated cost of $800,000.

As of April 1, 1992, the Company amended its Airlink Agreement with Northwest Airlines to provide, among other things, a contract extension to March 31, 1997, exclusive rights to designated service areas and support in acquiring new aircraft and equipment. Separately, Northwest Airlines has negotiated the acquisition of 25 deHavilland Dash 8 aircraft that will be made available to the Company under operating leases with terms up to five years. The 37-seat Dash 8 aircraft are scheduled to be delivered over the next 18 months and will be used primarily for new and expanded service from the Detroit hub and replacement of a portion of the Company's F27 fleet. As of June 1992, the Company had taken delivery and signed sub-leases for six Dash 8 aircraft. A total of 19 of these aircraft are expected to be delivered by the end of fiscal 1993 with the remainder provided in the first half of fiscal 1994. Manufacturer's product support along with fleet integration, spare parts and equipment provided by Northwest Airlines will satisfy the majority of the funding requirements necessary to initiate and expand service with the Dash 8 aircraft.

In connection with the extension of the Airlink Agreement as of April 1, 1992, the Company agreed to amend the expiration dates and exercise prices of common stock purchase warrants outstanding to Northwest Aircraft Inc. The warrants are exercisable through December 31, 1996 at prices ranging from $2.50 to $3.38.

Total stockholders' equity at March 31, 1992 amounted to $22,371,000, compared to $16,606,000 at the end of fiscal 1991.

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, and borrowings under existing credit agreements will provide adequate resources for meeting anticipated capital needs in fiscal 1993.

At March 31,	1992	1991
Assets		
Current Assets:		
Cash and short-term investments	**$ 12,384,000**	$ 7,203,000
Accounts receivable, net	**4,258,000**	2,941,000
Inventories	**3,614,000**	3,003,000
Prepaid expenses and deposits	**1,200,000**	602,000
Total current assets	**21,456,000**	13,749,000
Property and Equipment *(Note 3):*		
Facilities under capital lease	**9,069,000**	8,944,000
Flight equipment	**26,974,000**	23,442,000
Other property and equipment	**7,911,000**	6,634,000
Accumulated depreciation and amortization	**(18,089,000)**	(13,469,000)
Net property and equipment	**25,865,000**	25,551,000
Deferred Income Taxes *(Note 5)*	**317,000**	–
Other Assets, principally Airlink contract rights, net of accumulated amortization of $2,529,000 and $1,669,000, respectively *(Notes 2 and 7)*	**1,870,000**	2,816,000
	$ 49,508,000	$ 42,116,000
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current maturities of long-term debt *(Note 4)*	**$ 1,436,000**	$ 1,135,000
Accounts payable	**4,518,000**	4,473,000
Accrued liabilities:		
Payroll	**2,177,000**	1,689,000
Maintenance *(Note 3)*	**6,569,000**	4,420,000
Property taxes	**358,000**	227,000
Other	**881,000**	398,000
Income taxes payable	**1,359,000**	327,000
Total current liabilities	**17,298,000**	12,669,000
Long-Term Debt, net of current maturities *(Note 4)*	**7,892,000**	9,557,000
Other Noncurrent Liabilities, principally accrued maintenance *(Note 3)*	**1,947,000**	1,492,000
Deferred Income Taxes *(Note 5)*	**–**	1,792,000
Commitments and Contingencies *(Note 6)*		
Stockholders' Equity *(Note 7)*		
Common stock, $0.01 par value; 15,000,000 shares authorized, 7,582,508 and 7,356,890 shares issued and outstanding, respectively	**76,000**	74,000
Paid-in capital	**7,389,000**	6,891,000
Warrants issued for 1,529,862 common shares	**765,000**	765,000
Retained earnings	**14,141,000**	8,876,000
Total stockholders' equity	**22,371,000**	16,606,000
	$ 49,508,000	$ 42,116,000

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	1992	1991	1990
Operating Revenues:			
Passenger	**$ 101,060,000**	$ 88,140,000	$ 68,559,000
General aviation, freight and charter	**1,329,000**	1,307,000	1,265,000
Public service	**–**	785,000	919,000
Total operating revenues	**102,389,000**	90,232,000	70,743,000
Operating Expenses:			
Flight operations	**35,485,000**	33,881,000	26,998,000
Maintenance	**28,816,000**	24,330,000	17,505,000
Aircraft and traffic servicing	**16,654,000**	15,003,000	13,992,000
Depreciation and amortization	**6,081,000**	5,118,000	3,843,000
General and administrative	**5,168,000**	4,218,000	3,941,000
Total operating expenses	**92,204,000**	82,550,000	66,279,000
Operating income	**10,185,000**	7,682,000	4,464,000
Nonoperating Expense (Income):			
Interest expense	**789,000**	717,000	730,000
Other, net	**(466,000)**	(401,000)	(224,000)
Other nonoperating expense, net	**323,000**	316,000	506,000
Income before income taxes	**9,862,000**	7,366,000	3,958,000
Provision for Income Taxes *(Note 5)*	**4,040,000**	2,948,000	1,583,00
Net income	**$ 5,822,000**	$ 4,418,000	$ 2,375,000
Net Income Per Share	**$ .66**	$ .57	$ 0.30
Weighted Average Shares Outstanding	**8,778,000**	7,806,000	7,946,000

The accompanying notes to consolidated 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		Paid-In Capital	Warrants		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
Balance, March 31,1989	7,158,964	$ 72,000	$ 6,578,000	1,599,862	$ 791,000	$3,209,000	$ 10,650,000
Exercise of stock options	96,620	1,000	174,000	–	–	–	175,000
Exercise of warrants	44,306	–	26,000	(70,000)	(26,000)	–	–
Dividends paid on common							
stock ($.075 per common share)	–	–	–	–	–	(540,000)	(540,000)
Net income	–	–	–	–	–	2,375,000	2,375,000
Balance, March 31,1990	7,299,890	73,000	6,778,000	1,529,862	765,000	5,044,000	12,660,000
Exercise of stock options	57,000	1,000	113,000	–	–	–	114,000
Dividends paid on common							
stock ($.08 per common share)	–	–	–	–	–	(586,000)	(586,000)
Net income	–	–	–	–	–	4,418,000	4,418,000
Balance, March 31, 1991	7,356,890	74,000	6,891,000	1,529,862	765,000	8,876,000	16,606,000
Exercise of stock options	225,618	2,000	498,000	–	–	–	500,000
Dividends paid on common							
stock ($.075 per common share)	–	–	–	–	–	(557,000)	(557,000)
Net income	–	–	–	–	–	5,822,000	5,822,000
Balance, March 31, 1992	7,582,508	$ 76,000	$ 7,389,000	1,529,862	$ 765,000	$14,141,000	$ 22,371,000

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

For the years ended March 31	1992	1991	1990
Cash Flows from Operating Activities:			
Net income	**$ 5,822,000**	$ 4,418,000	$ 2,375,000
Adjustments to reconcile net income to net			
cash provided by operating activities:			
Depreciation and amortization	**6,082,000**	5,118,000	3,843,000
Accrued maintenance, long-term	**472,000**	(207,000)	507,000
Deferred income taxes	**(2,109,000)**	(538,000)	242,000
Changes in current operating items:			
Accounts receivable, net	**(1,317,000)**	2,401,000	(2,109,000)
Inventories	**(611,000)**	(853,000)	(605,000)
Prepaid expenses and deposits	**(598,000)**	211,000	(91,000)
Accounts payable and accrued liabilities	**3,296,000**	1,960,000	4,343,000
Income tax payable	**1,032,000**	130,000	380,000
Net cash flows provided by operating activities	**12,069,000**	12,640,000	8,885,000
Cash Flows from Investing Activities:			
Purchases of property and equipment	**(5,535,000)**	(4,282,000)	(8,615,000)
Decrease (increase) in other assets, principally			
Airlink contract rights	**86,000**	(708,000)	(1,025,000)
Decrease in other liabilities	**(18,000)**	(17,000)	(17,000)
Net cash flows used for investing activities	**(5,467,000)**	(5,007,000)	(9,657,000)
Cash Flows from Financing Activities:			
Proceeds from issuance of debt	**772,000**	–	2,600,000
Repayment of debt	**(2,136,000)**	(3,842,000)	(657,000)
Proceeds from issuance of common stock	**500,000**	114,000	175,000
Dividends paid	**(557,000)**	(586,000)	(540,000)
Net cash flows provided by (used for) financing activities	**(1,421,000)**	(4,314,000)	1,578,000
Net Increase in Cash and Short-term Investments	**5,181,000**	3,319,000	806,000
Cash and Short-term Investments:			
Beginning of year	**7,203,000**	3,884,000	3,078,000
End of year	**$ 12,384,000**	$ 7,203,000	$ 3,884,000
Supplementary Cash Flow Information			
Cash paid during the year for:			
Interest	**$ 789,000**	$ 729,000	$ 770,000
Income taxes	**5,116,000**	3,303,000	1,004,000

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

1. Corporate Organization and Business

Corporate Organization The consolidated financial statements include the accounts of AirTran Corporation (AirTran) and its wholly owned subsidiary, Mesaba Aviation, Inc. (Mesaba), referred to collectively herein as the Company.

Business The Company is a regional air carrier providing scheduled passenger and air freight service to 39 cities in the Upper Midwest as of March 31, 1992. Effective December 1, 1984, the Company began operating as Mesaba/Northwest Airlink (Airlink) under a cooperative marketing agreement with Northwest Airlines, Inc. (Northwest). On September 15, 1988, the agreement was restated as the Airline Service Agreement (the Airlink Agreement) and made effective December 10, 1988 to add Airlink service for Northwest's hub airport at Detroit, Michigan. Effective April 1, 1992, the Airlink Agreement was further amended to provide a five-year contract extension to March 31, 1997 and exclusive rights to designated service areas. In conjunction with market expansion under this amendment, Northwest has agreed to acquire new aircraft, spare parts and ground support equipment and provide for outside overhaul and repair costs. The amended term of the Airlink Agreement continues through March 31, 1997 and automatically renews indefinitely thereafter. Either party may terminate the agreement on 12 months' notice any time after March 31, 1996. As part of this Airlink 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 76% of the Company's passengers connected with Northwest in fiscal 1992, 81% in 1991 and 82% in 1990. Substantially all accounts receivable balances in the accompanying consolidated balance sheets are due from Northwest.

2. Summary of Significant Accounting Policies

Cash and Short-term Investments 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, which consist primarily of commercial paper and interest-bearing deposits with maturities of less than 90 days, are stated at cost, which approximates market. These investments are considered cash equivalents for statement of cash flows purposes.

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.

The Company capitalizes interest costs incurred on long-term construction projects. Total interest costs capitalized in 1992 and 1991 totaled $23,000 and $178,000, respectively. No interest costs were capitalized in 1990.

Airlink Contract Rights In connection with the Airlink 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 for subsequent amendment). 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. Northwest and the Company review contract compliance on a semiannual basis.

Revenue Recognition Passenger revenues are recorded as income when the respective services are rendered. The Company has also received public service subsidy revenues for serving certain communities that do not generate sufficient traffic to fully support profitable air service. Public service subsidy routes were discontinued in fiscal 1991.

Income Per Share Primary and fully diluted net income per share have been computed based upon the weighted average number of common and dilutive common equivalent shares outstanding during each year, adjusted retroactively for the two-for-one stock split (see Note 7).

3. Flight Equipment

The Company's fleet consists of the following aircraft as of March 31, 1992:

Number of Aircraft	Type of Aircraft	Seating Capacity
22	Fairchild Metro III (Metro III)	19
15	Fokker F27 (F27)	42-48

The Company owns three of the F27 aircraft; the remaining aircraft are leased under operating leases. As of June 1992, the Company took delivery of six deHavilland Dash 8 aircraft under operating leases (see Note 6).

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.

4. Long-term Debt

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

March 31	1992	1991
Revolving credit note; interest at 1/2% above prime rate (7.0% at March 31, 1992); due December 31, 1993 with interest payable monthly; collateralized by receivables, aircraft and parts	$ –	$ 1,000,000
Term note; interest at 1% above prime rate (7.5% at March 31, 1992); due in quarterly installments with interest payable monthly; collateralized by receivables, aircraft and parts	1,464,000	2,301,000
Capitalized lease; interest imputed at 8.5%; payable monthly; due in December 2008	3,778,000	3,876,000
Capitalized lease; interest imputed at 8.6%; payable monthly; term through August 2010 with mandatory prepayment provision due in August 2002	3,314,000	3,515,000
Commercial installment notes, secured by computer equipment; interest at rates ranging from 8.9% to 9.7%; payable monthly; due from December 1994 to February 1995	772,000	–
	9,328,000	10,692,000
Less - Current maturities	(1,436,000)	(1,135,000)
Total long-term debt	$ 7,892,000	$ 9,557,000

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 $3,886,000 under a lease 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, 1992). 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, 1992.

During fiscal year 1991, the Company entered into a land and building lease in connection with the construction of a 45,000 square foot hangar and maintenance facility at the Detroit Metropolitan Airport. Construction was funded primarily through the proceeds of sale of Wayne County Special Airport Facilities Revenue Bonds by Wayne County, Michigan. The facility was substantially complete as of March 31, 1991. The hangar facility is leased under a 20-year capital lease. At March 31, 1992, remaining lease payments totaled $5,340,000 of which $2,026,000 represented interest costs.

The Company's corporate headquarters and hangar facility, located in Minneapolis, is leased under a 20-year capital lease. At March 31, 1992, remaining minimum lease payments totaled $7,102,000, of which $3,324,000 represented interest costs.

As of March 31, 1992, the portions of long-term debt due in the five subsequent years are as follows:

March 31	
1993	$ 1,436,000
1994	1,231,000
1995	600,000
1996	315,000
1997	302,000
Thereafter	5,444,000
	$ 9,328,000

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, 1992 is comprised of the following elements:

March 31	1992	1991	1990
Current	$ 5,657,000	$ 3,598,000	$ 1,341,000
Deferred:			
Accelerated depreciation	(289,000)	(40,000)	303,000
Hangar lease obligations	132,000	153,000	61,000
Contract rights	(291,000)	(230,000)	225,000
Maintenance costs	(1,097,000)	(729,000)	(456,000)
Alternative minimum taxes	–	156,000	301,000
Accrued expenses not deductible for tax reporting purposes	(72,000)	40,000	(192,000)
Total provision for income taxes	$ 4,040,000	$ 2,948,000	$ 1,583,000

The difference between the statutory federal income tax rate and the effective tax rate for the three years ended March 31, 1992 is as follows:

March 31,	1992	1991	1990
Statutory federal tax rate	34.0%	34.0%	34.0%
State taxes, net of federal benefit	4.8	3.7	3.7
Other, net	2.2	2.3	2.3
Effective tax rate	41.0%	40.0%	40.0%

In February 1992, the Financial Accounting Standards Board issued Standard No. 109 (SFAS 109), "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 1994, with earlier adoption permitted. The Company has elected not to adopt SFAS 109 for the fiscal year ended March 31, 1992, 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 and Contingencies

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, 1992:

March 31	
1993	$ 14,193,000
1994	11,363,000
1995	5,753,000
1996	4,007,000
1997	3,003,000
Thereafter	5,522,000

In connection with amending the Airlink Agreement, Northwest has agreed to sublease up to 25 deHavilland Dash 8 aircraft to the Company under operating leases with terms up to five years. The Airlink Agreement allows the Company to return aircraft to Northwest upon the occurrence of certain events. As of June 1992, the Company had taken delivery of six Dash 8s. These leases require total future rental payments of approximately $880,000 per year for each aircraft. Rent expense under all operating leases totaled approximately $15,251,000 in 1992, $14,248,000 in 1991, and $12,407,000 in 1990.

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 $1,086,000 at March 31, 1992.

Litigation The Company is a party to ongoing legal proceeding arising in the ordinary course of business. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

7. Capital Stock

Stock Split On April 7, 1992, the Company's board of directors declared a two-for-one stock split of the Company's common stock for shares held of record on April 22, 1992. The par value per common share remained at $.01. This stock split has been retroactively reflected in these financial statements.

Stock Option Plans The Company has stock option plans for key employees and directors which authorize the issuance of shares of common stock for such options. 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, 1992 were as follows:

March 31	Shares Under Option
Options outstanding, March 31, 1989	481,680
Granted ($1.86 to $5.25 per share)	79,498
Exercised ($1.69 to $2.00 per share)	(96,620)
Canceled	(22,820)
Options outstanding, March 31, 1990	441,738
Granted ($1.98 to $2.25 per share)	364,354
Exercised ($1.44 to $2.63 per share)	(57,000)
Options outstanding, March 31, 1991	749,092
Granted ($5.38 to $6.13 per share)	267,840
Exercised ($1.44 to 4.25 per share)	(225,618)
Canceled	(32,000)
Options outstanding, March 31, 1992	759,314
Exercisable at March 31, 1992	491,474
Available for grant at March 31, 1992	494,350

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 399,078 warrants outstanding to NWA in consideration of guarantees by NWA of its 1986 and 1987 lease agreements for Metro III aircraft. These warrants allow for the purchase of AirTran's common stock at $2.58 per share through December 31, 1996. 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, as amended, allows for the purchase of up to 1,130,784 shares of AirTran common stock at $2.50 per share through December 9, 1993. The 1988 stock warrant was valued at $.50 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 for shares issued by the Company to other parties at the average purchase price of these shares.

The Company amended the expiration date and exercise price on 1,499,078 of the outstanding warrants in connection with the extension of the Airlink Agreement. The warrants are exercisable through December 31, 1996 at prices per share ranging from $2.50 to $3.38 The Company is currently estimating the value of the warrants, as amended, through independent appraisal. The Company issued warrants to the underwriter for its 1986 stock offering. These warrants were exercised in 1990.

Report of Independent Public Accountants

AirTran Corporation and Subsidiary

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, 1992 and 1991, 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, 1992. 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, 1992 and 1991, and the results of their operations and their cash flows fot each of the three years in the period ended March 31, 1992 in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

Minneapolis, Minnesota
June 3, 1992

Quarterly Financial Data

AirTran Corporation and Subsidiary

Quarters of fiscal year ended March 31,1992	June 30, 1991	September 30, 1991	December 31, 1991	March 31, 1992	Year 1992
Total operating revenues	$ 22,669	$ 28,471	$ 26,731	$ 24,518	$ 102,389
Operating income	$ 1,450	$ 4,865	$ 3,160	$ 710	$ 10,185
Net income	$ 859	$ 2,903	$ 1,836	$ 224	$ 5,822
Net income per share*	$ .10	$ .34	$ .20	$ .02	$ .66
Weighted average shares outstanding*	8,476,000	8,582,000	8,976,00	9,163,000	8,778,000
Quarters of fiscal year ended March 31,1991	**June 30, 1990**	**September 30, 1990**	**December 31, 1990**	**March 31, 1991**	**Year 1991**
Total operating revenues	$ 20,441	$ 24,869	$ 23,826	$ 21,096	$ 90,232
Operating income (loss)	$ 928	$ 4,660	$ 2,320	$ (226)	$ 7,682
Net income (loss)	$ 440	$ 2,745	$ 1,391	$ (158)	$ 4,418
Net income (loss) per share*	$ .06	$ .35	$ .18	$ (.02)	$ .57
Weighted average shares outstanding*	7,922,000	7,808,000	8,144,00	7,350,000	7,806,000

*Restated to reflect the two-for-one stock split in the form of a 100% stock dividend paid on May 6, 1992.

Five-Year Selected Financial and Statistical Data

AirTran Corporation and Subsidiary

Amounts in thousands, except per share data

Years ended March 31,	1992	1991	1990	1989	1988
Statement of Operations Data:					
Operating revenues	**$ 102,389**	$ 90,232	$ 70,743	$ 35,653	$ 29,171
Operating expenses	**92,204**	82,550	66,279	32,772	26,266
Operating income	**$ 10,185**	$ 7,682	$ 4,464	$ 2,881	$ 2,905
Net income	**$ 5,822**	$ 4,418	$ 2,375	$ 1,645	$ 1,549
Net income per share*	**$ .66**	$ .57	$ .30	$ .23	$ .22
Weighted average shares outstanding*	**8,778**	7,806	7,946	7,558	7,294
March 31,	**1992**	**1991**	**1990**	**1989**	**1988**
Balance Sheet Data:					
Current assets	**$ 21,456**	$ 13,749	$ 12,189	$ 8,761	$ 6,965
Net property and equipment	**25,865**	25,551	21,911	16,464	8,518
Other assets, net	**2,187**	2,816	2,956	2,606	149
Total assets	**$ 49,508**	$ 42,116	$ 37,056	$ 27,831	$ 15,632
Current liabilities	**$ 17,298**	$ 12,669	$ 10,371	$ 5,221	$ 4,401
Long-term liabilities	**9,839**	12,841	14,025	11,960	4,561
Stockholders' equity	**22,371**	16,606	12,660	10,650	6,670
Total liabilities and stockholders' equity	**$ 49,508**	$ 42,116	$ 37,056	$ 27,831	$ 15,632
Years ended March 31,	**1992**	**1991**	**1990**	**1989**	**1988**
Selected Operating Data:					
Revenue passengers carried	**1,067,230**	947,287	818,863	428,895	376,101
Revenue passenger miles (000)	**216,082**	196,873	174,689	97,665	82,712
Available seat miles (000)	**419,903**	388,377	327,889	183,111	153,685
Cost per available seat mile	**$ .219**	$ .212	$ .201	$ .177	$ .168
Passenger load factor	**51.5%**	50.7%	53.3%	53.3%	53.8%
Breakeven load factor	**46.6%**	46.8%	50.5%	49.2%	49.1%
Yield per revenue passenger mile	**$ .468**	$ .448	$ .392	$ .341	$ .323
Departures	**74,627**	67,854	59,614	34,697	30,314

*Restated to reflect the two-for-one stock split in the form of a 100% stock dividend paid on May 6, 1992.

Corporate Information

AirTran Corporation and Subsidiary

Stock Price and Dividend Information

The common stock of AirTran Corporation is traded under the symbol ATCC on the NASDAQ National Market System. The following table sets forth the range of high and low last sale prices for the Company's common stock and the dividends per share for the fiscal quarters of the years ended March 31,1992 and 1991. All prices and dividends per share have been adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend paid on May 6, 1992.

	High	Low	Dividends per share
Fiscal 1991			
First quarter	$4\frac{3}{16}$	$2\frac{7}{8}$	.02
Second quarter	$3\frac{1}{4}$	$1\frac{13}{16}$	.02
Third quarter	$3\frac{3}{16}$	$2\frac{1}{8}$	.02
Fourth quarter	$5\frac{3}{8}$	$2\frac{5}{8}$	.025
Fiscal 1992			
First quarter	$5\frac{5}{8}$	4	.025
Second quarter	$5\frac{1}{2}$	$4\frac{3}{8}$	.025
Third quarter	$7\frac{7}{8}$	$5\frac{3}{16}$	.03
Fourth quarter	$10\frac{1}{2}$	$7\frac{1}{8}$	.03

On June 19, 1992, the number of shareholders of the Company's common stock was 991.

Shareholder Information

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

Transfer Agent. Norwest Bank Minnesota, 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 3:00 PM, Friday, September 18, 1992, at the Decathlon Athletic Club, 7800 Cedar Avenue South, Bloomington, Minnesota.

Officers and Directors

AirTran Corporation and Subsidiary

Board of Directors

*Geoffrey T. Crowley**
Vice President, Affiliate Airline Group
Northwest Airlines, Inc.

John K. Ellingboe[2]
Vice President, General Counsel and Secretary
Fingerhut Companies, Inc.

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

Rodger T. Munt[1,3]
Private Investor

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

John S. Olbrych[1,2]
Chief Financial Officer
Daisytek International Corporation

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 Committee
2 Audit Committee
3 Compensation Committee
* Nominee for Class 1 director

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

AirTran Corporation. 7501 26th Avenue South. Minneapolis, Minnesota 55450. 612-726-5151