



Southern

**Southern Airways, Inc.
1979 Interim Report**

Three Months Ended March 31

Balance Sheets

As of March 31
(in thousands)

	1979	1978
Assets		
Current Assets		
Cash and temporary investments	\$ 11,709	\$ 3,557
Accounts receivable - net	18,482	18,378
Inventories - net	8,630	7,839
Prepayments	507	665
Total Current Assets	39,328	30,439
Property and Equipment - less allowances for depreciation and maintenance	78,855	80,953
Deferred Charges and Other Assets	2,361	2,389
	\$ 120,544	\$ 113,781
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts and notes payable	\$ 14,709	\$ 16,573
Air traffic liability	9,961	8,929
Accrued expenses and other liabilities	15,798	12,348
Total Current Liabilities	40,468	37,850
Long-Term Debt	56,105	57,200
Deferred Credits	691	338
Stockholders' Equity		
Series A Convertible Preferred Stock - \$1.00 par value		
Shares issued and outstanding - 163,196 shares (1978)	—	163
Common Stock - \$2.00 par value		
Shares issued and outstanding - 1,908,056 shares (1979) and 1,581,465 shares (1978)	3,816	3,163
Other paid-in capital	6,053	5,123
Retained earnings	13,411	9,944
Total stockholders' equity	23,280	18,393
	\$ 120,544	\$ 113,781

NOTE: A more detailed presentation of quarterly results (Form 10-Q filed with the Securities and Exchange Commission) is available to stockholders upon request.

Statements of Operations

Three Months Ended March 31
(in thousands except per share amounts)



	1979	1978
Operating Revenues		
Passenger	\$ 42,847	\$ 34,846
Charter	248	2,456
Freight and other	4,173	3,550
Public service	825	1,304
Total Operating Revenues	48,093	42,156
Operating Expenses		
Flying operations	16,208	14,679
Maintenance	6,177	6,069
Aircraft, traffic and passenger servicing	14,320	12,865
General and administrative	2,358	2,267
Depreciation and amortization	3,399	2,949
Promotion, sales and other	4,931	4,963
Total Operating Expenses	47,393	43,792
Operating Income (Loss)	700	(1,636)
Interest and Other Non-Operating Expenses - Net	1,548	1,260
Loss before Income Taxes	(848)	(2,896)
Income Tax Credit	(358)	(1,304)
Net Loss	\$ (490)	\$ (1,592)
Net Loss Per Average Common Share Outstanding	\$ (.26)	\$ (1.02)
Operating Statistics		
Revenue plane miles (000)*	8,361	7,080
Seat miles flown (000)*	652,963	535,295
Passengers carried*	1,016,195	889,836
Passenger miles flown (000)*	338,131	275,217
Passenger load factor*	51.8%	51.4%
Yield per passenger mile*	12.67¢	12.66¢
Operating cost per seat mile	7.19¢	7.31¢
Book value per share of common stock	\$ 12.20	\$ 11.01

* Scheduled Service

Chairman's Report

At a public meeting on April 26, the Civil Aeronautics Board announced its unanimous approval of the Southern-North Central merger. A final written order is expected by May 10, to be submitted to the President of the United States for approval. Consummation of the merger and the formation of Republic Airlines could take place in June.

The establishment of Republic Airlines will be a happy event for the stockholders, employees and customers of both companies. With routes extending from New England to Southern California and from Canada to the Caribbean, Republic's customers will have faster and more frequent schedules. The stockholders and employees will share the benefits of a new and enlarged business.

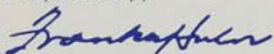
Despite poor operating conditions occasioned by severe weather, the first quarter's anticipated loss was reduced substantially compared with last year. The quarter produced a \$490,000 loss instead of the \$1,592,000 loss a year earlier. This equates to a 23 cents per share loss instead of a loss of \$1.02 per share a year ago.

Revenues reached \$48.1 million in the first quarter, up 14.1 per cent from \$42.2 million last year. The increase resulted primarily from a 22.9 per cent increase in revenue passenger miles.

Operating expenses totaled \$47.4 million in the similar quarter, an increase of 8.2 per cent compared with \$43.8 million in 1978. More efficient scheduling concepts, increased seating in some aircraft and generally tight cost controls held down expense increases although total available seat miles flown increased 10 per cent.

During the quarter, Southern took advantage of administrative flexibility granted by airline deregulation. This permitted introduction of new service between Atlanta and Washington's Dulles International Airport, as well as service between Atlanta and New York's La Guardia Airport, with the Dulles stop en route. A new route was established between Memphis and Detroit. Memphis has gained its first Southern nonstop service to and from Atlanta. In turn, service was suspended at four unprofitable points: Columbus, Ga., Charleston and Columbia, S. C., and Charlotte, N. C. Southern retains authority to reinstate this service. As deregulation permits, the Company will continue to reallocate service from unproductive markets to more profitable ones.

Respectfully,



Frank W. Hulse
Chairman

May 1, 1979



Southern Air Cargo

We've Got The Right Connections

When an airline can get
your cargo to all 50 states
and practically anywhere
in the free world,
you know they've got
the right connections.
And Southern has.



Southern