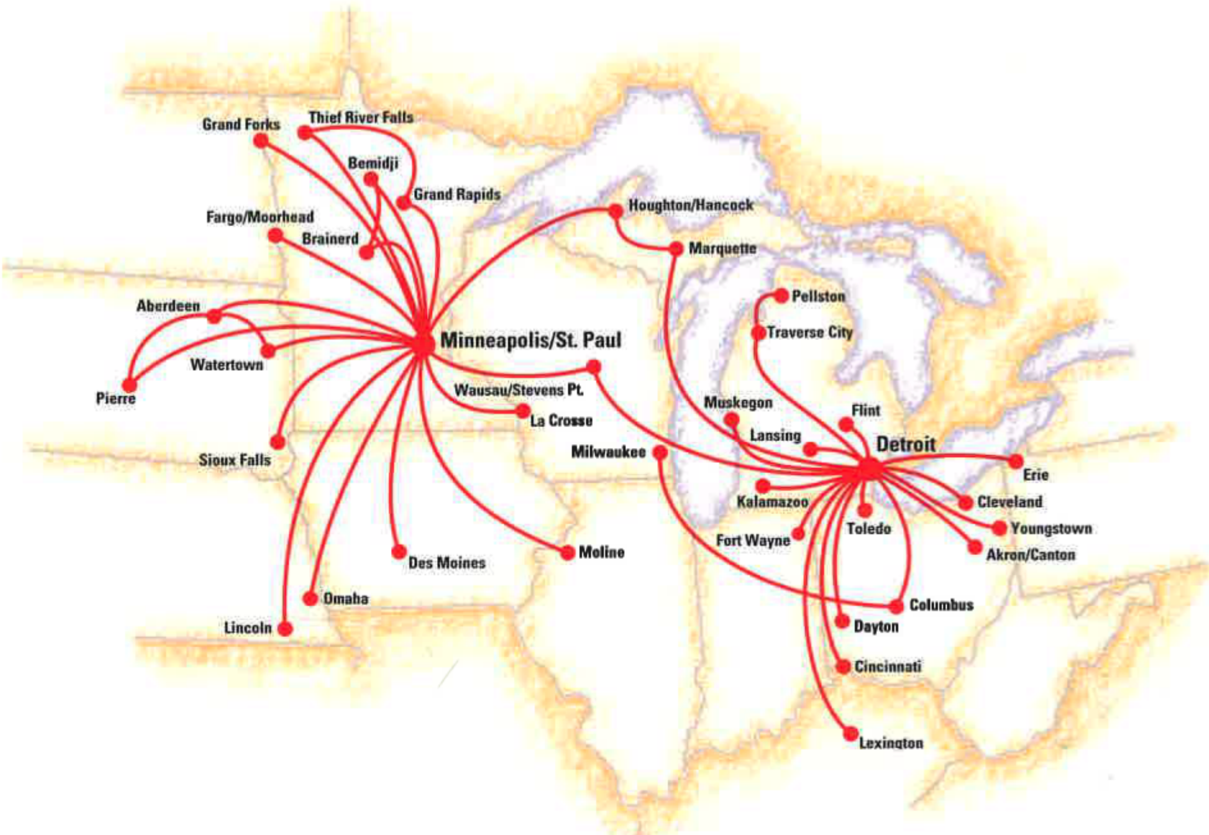
AirTran Corporation

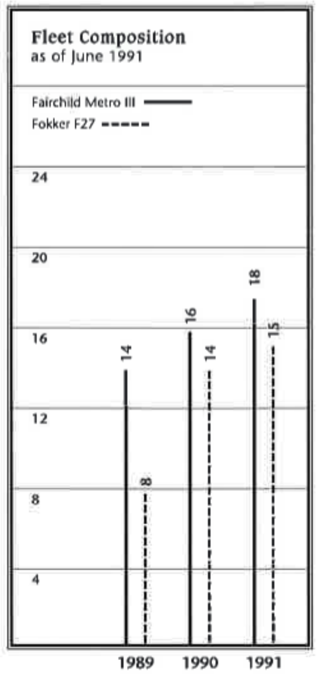
1991 Annual Report



Corporate Profile

AirTran Corporation is the parent company of Mesaba Aviation, Inc., a U.S. Domestic Air Carrier and one of the nation's fastest growing regional airlines over the past decade.

Mesaba, which operates publicly as Mesaba/Northwest Airlink under a marketing agreement with Northwest Airlines, serves the hub airports of Minneapolis/St. Paul and Detroit. Mesaba is the largest regional airline at both of these major U.S. hubs.



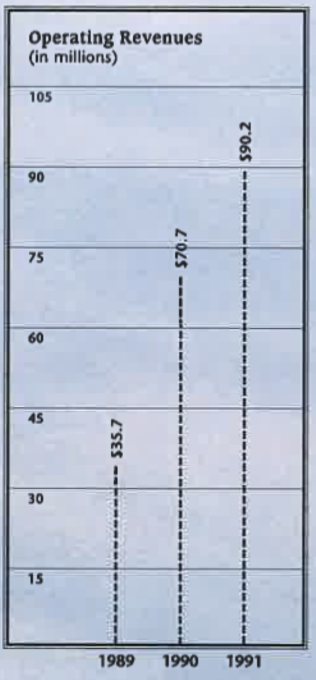
As of June 1991, Mesaba's dual-hub system consisted of 37 cities in Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Nebraska, North Dakota, Ohio, Pennsylvania, South Dakota and Wisconsin. This system is currently served by a fleet of 33 aircraft: eighteen 19-passenger Fairchild Metro III and fifteen 48-passenger Fokker F27 turboprops.

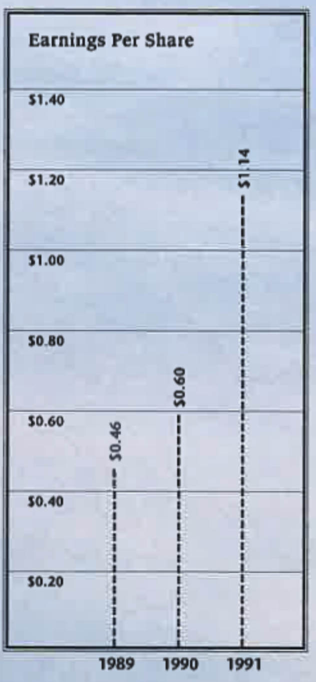
AirTran Corporation is headquartered at Minneapolis/St. Paul International Airport, and its common stock is traded on the NASDAQ National Market System under the symbol ATCC.

AirTran Corporation

Financial Highlights *Fiscal years ended March 31,* *(in thousands, except per share data)*	*1991*	*1990*	*1989*
Operating Revenues	$ **90,232**	$ 70,743	$ 35,653
Operating Expenses	**82,550**	66,279	32,772
Operating Income	**7,682**	4,464	2,881
Net Income	**4,418**	2,375	1,645
Earnings Per Share			
Primary	**1.14**	.60	.48
Fully Diluted	**1.14**	.60	.46

Statistical Highlights *Fiscal years ended March 31,*	*1991*	*1990*	*1989*
Revenue Passengers	**947,287**	818,863	428,895
Revenue Passengers Miles (000)	**196,873**	174,689	97,665
Available Seat Miles (000)	**388,377**	327,889	183,111
Passenger Load Factor	**50.7%**	53.3%	53.3%
Yield Per Revenue Passenger Mile	**44.8¢**	39.2¢	34.1¢
Operating Cost Per Available Seat Mile	**21.2¢**	20.1¢	17.7¢





To Our Shareholders

Fiscal 1991 was the strongest year in the history of AirTran Corporation by a wide margin. Our excellent performance reflects the many actions taken over the past 18 months to strengthen the operations of our Mesaba Aviation, Inc. subsidiary. For the year ended March 31, 1991, AirTran's operating revenues rose 28% to $90,232,000. Our earnings totaled $4,418,000, an increase of 86% from our previous record of $2,375,000 in fiscal 1990. On a per share basis, our fiscal 1991 earnings were $1.14, compared to $0.60 last year.

Record Results in Spite of Recession and Gulf War Mesaba's fiscal 1991 results were attained amid a deepening recession and period of uncertainty arising from the Gulf war. Higher fuel costs during the Middle East crisis did not significantly affect Mesaba's operations. The fuel efficiency of our turboprop fleet as well as certain provisions of our Airlink agreement that moderate the impact of fluctuating fuel prices benefited us during this period. Last summer, we modified our revenue pro-ration formula with Northwest to further strengthen our passenger yield. This adjustment, together with the shorter, higher-yield routes on our Detroit system, helped increase our yield to 44.8 cents in fiscal 1991 from 39.2 cents a year ago. Mesaba's yield is now comparable to those recorded by many of the nation's leading regional airlines.

Strong Passenger Traffic Mesaba's performance also benefited from a 13% increase in revenue passenger miles, resulting from strong passenger traffic throughout most of the year. This solid increase reflects the basic strength of Mesaba's dual hub system, which encompassed 37 cities in 12 states as of June 1991. Mesaba is

the largest regional carrier serving Detroit and Minneapolis/St. Paul, and 81% of the nearly 950,000 passengers that we carried to and from these major hubs in fiscal 1991 made connections with Northwest flights.

Miles flown on our Detroit system rose 22% in fiscal 1991 and accounted for just over half of Mesaba's system-wide revenue passenger mile total. Revenue passenger miles on our Minneapolis/St. Paul system rose 4% during the past year. Our Detroit operation will continue to generate the majority of Mesaba's future growth due to the significant opportunities for new regional service out of Detroit. Supported by an adequate number of aircraft and sufficient gate space, we believe the size of our Detroit operation can be doubled within several years. At the same time, our large Minneapolis/St. Paul system will continue to provide us with a strong, sizeable base of traffic.

Shifting Capacity to Detroit System The partial realignment of our route system last Spring also enhanced Mesaba's traffic in fiscal 1991. Capacity was shifted from several under-performing Milwaukee markets to our more profitable Detroit system. We further strengthened traffic by introducing service to higher density Detroit markets, including Kalamazoo and Lansing, Michigan and Cincinnati, Ohio. In addition, Detroit service frequencies were added to Cleveland and Columbus, Ohio. Minneapolis service to LaCrosse, Wisconsin was introduced in the fourth quarter.

In January 1991, we also withdrew from our remaining federally subsidized Essential Air Service (EAS) routes when service to several small cities in North and South Dakota was assumed by other carriers. These were the weakest markets in our system, but they accounted for a disproportionate share of our daily flight operations and fleet utilization. The aircraft previously serving these EAS markets were profitably redeployed elsewhere on our system.

Strong Financial Condition In addition to posting significantly improved operating results, AirTran continued to strengthen its financial condition in fiscal 1991. Reflecting our strong cash flow from operations, cash and short-term investments nearly doubled to $7,203,000 at year-end. We reduced bank debt by more than $3,800,000, leaving $3,300,000 outstanding at March 31, 1991. Our other debt consists of capitalized leases on our Minneapolis/St. Paul and Detroit hangar facilities,which are both at favorable, long-term rates. The Detroit maintenance hangar was completed in April 1991. Long-term debt fell to 58% of stockholders' equity at our fiscal year-end, a significant improvement from 79% at the end of fiscal 1990. AirTran's strong financial condition provides us with ample flexibility for financing future growth. **Planning for Additional Aircraft** Our strong fiscal 1991 growth was attained through full utilization of our existing fleet of fifteen, 48-passenger Fokker F27s and sixteen, 19-passenger Fairchild Metro IIIs. We will need additional aircraft for our next round of continued expansion, and we are evaluating various aircraft types best suited to our markets and long-term growth requirements. We hope to finalize our fleet plan later this year and begin phasing in new aircraft in fiscal 1993. In the meantime, we are adding five Metro III aircraft on short-term leases to support a modest expansion of our Detroit system during the coming year. Youngstown, Ohio was added on May 1, followed by Fort Wayne, Indiana on June 1 and Lexington, Kentucky on June 10. Charleston, West Virginia will be added on July 8, and we recently received approval to start Canadian service this fall. **Fiscal 1992 Outlook** Reflecting our expansion plans, fiscal 1992 will be a year of modest revenue growth for Mesaba. Our fiscal 1992 earnings will also be affected by expenses related to our five

Detroit service start-ups, including the hiring and training of additional employees. Normally, with new aircraft deliveries, factory support in training, spare parts and aircraft integration funds should offset most of these start-up costs. However, since our fiscal 1992 expansion will be supported by used aircraft on short-term leases, we will incur all of the associated start-up costs during the coming year. Given these factors, our fiscal 1992 operating plan calls for earnings at approximately the same level as 1991.

Promising Long-term Outlook Over the past decade, Mesaba has developed into one of the nation's premier regional airlines. In recognition of our progress, *Airline Executive International* magazine selected Mesaba as the best-managed commuter/regional airline for 1990. By adhering to our policy of carefully managed growth, we are committed to further strengthening our performance and industry position. We are proud of our company and believe the decade ahead holds tremendous opportunity for both the regional airline industry and Mesaba.

We offer our thanks to Mesaba's excellent employees for their hard work and dedicated efforts. We also thank you, our shareholders, for your continuing support.

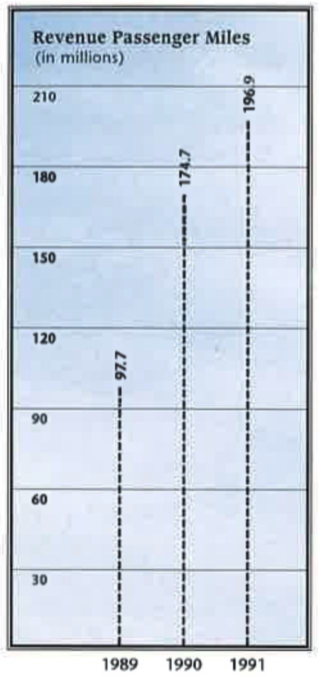
Sincerely,

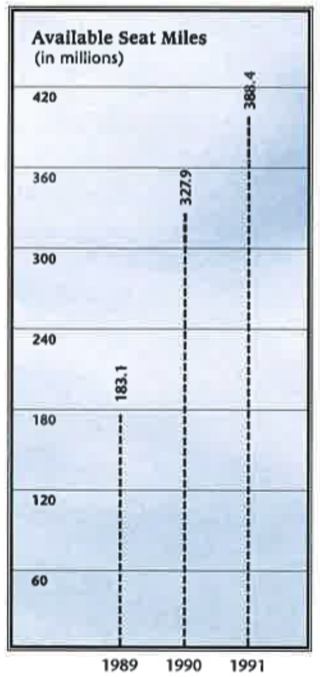
Robert D. Swenson
President and Chief Executive Officer

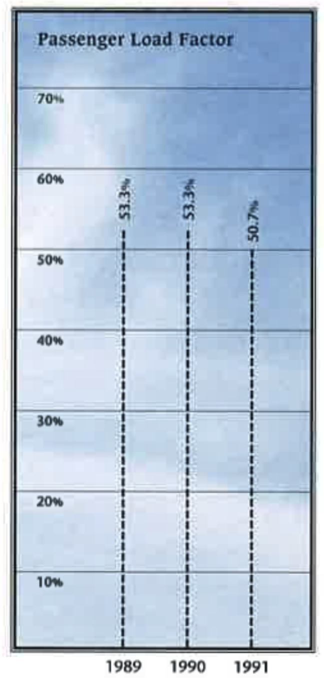
left to right: **Robert D. Swenson,** Chairman of the Board, President and Chief Executive Officer; **Kenneth P. Bronson,** Vice President, Finance and Treasurer; **Philip L. Swenson,** Vice President, Planning/ Marketing and Secretary; **Patrick J. Thompson,** Senior Vice President, Operations

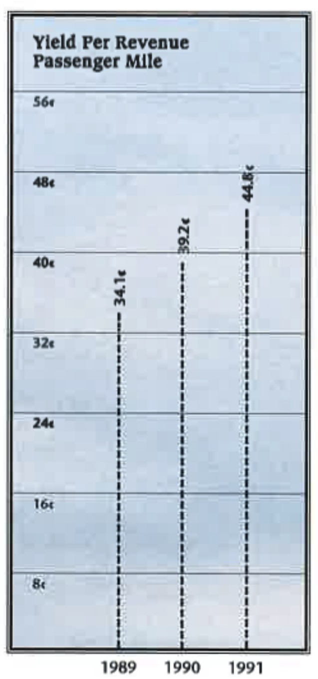
Financial Review

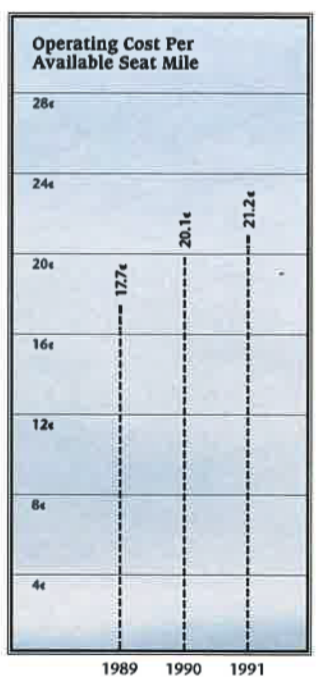
AirTran Corporation and Subsidiary

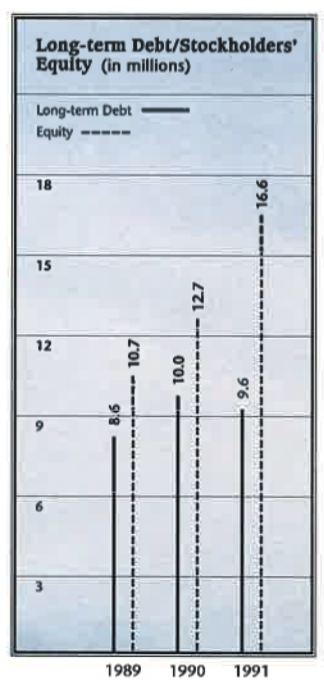












Management's Discussion and Analysis of Results of Operations and Financial Condition

AirTran Corporation and Subsidiary

Earnings Summary The Company reported net income of $4,418,000 or $1.14 per share for the fiscal year ended March 31, 1991, an increase of 86% from $2,375,000 or $0.60 per share in fiscal 1990. Earnings of $1,645,000 or $0.46 per share were reported in fiscal 1989. The Company's fiscal 1991 earnings benefited from strong passenger traffic during most of the year and a higher yield per revenue passenger mile. **Results of Operations/*Operating Revenues*** Operating revenues rose 28% in fiscal 1991 to $90,232,000 from $70,743,000 in fiscal 1990 and were also up from $35,653,000 in fiscal 1989. Revenue growth during this period has resulted from increased passenger traffic due to the addition of the Detroit system as well as a higher yield per revenue passenger mile. Due primarily to traffic growth on the Detroit system, revenue passenger miles increased 13% in fiscal 1991 to 196,873,000 from 174,689,000 in 1990 and were also up from 97,665,000 in 1989. Yield per revenue passenger mile rose 14% to 44.8 cents in fiscal 1991 from 39.2 cents in 1990 and was also up from 34.1 cents in 1989. The 1991 increase was partially due to a modification in the revenue pro-ration formula with Northwest Airlines. The increased yield in 1991 and 1990 also reflects the shorter route segments flown on the Company's Detroit system. The passenger load factor decreased to 50.7% in fiscal 1991 from 53.3% in both 1990 and 1989. The reduced 1991 load factor was due to slower traffic growth in the first and fourth quarters and additional capacity. ***Operating Expenses*** Total operating expenses increased 25% to $82,550,000 in fiscal 1991 from $66,279,000 in 1990 and were also up from $32,772,000 in 1989. These increases were primarily attributable to the increased number of available seat miles flown during this three-year period, reflecting the addition of the Company's Detroit system. Available seat miles rose 18% in fiscal 1991 to 388,377,000 from 327,889,000 in 1990 and were also up from 183,111,000 in 1989. A comparison of the components of operating costs per available seat mile is shown in the table on the next page for fiscal years 1991, 1990 and 1989.

Operating Costs per Available Seat Mile	1991	1990	1989
Labor and related costs	5.7¢	5.4¢	5.3¢
Fuel costs	3.0	2.5	2.1
Direct maintenance costs	4.1	3.2	2.4
Passenger-related expense	1.9	2.3	1.8
Depreciation, amortization and aircraft rentals	4.6	4.5	3.9
Administrative and other costs	1.9	2.2	2.2
	21.2¢	20.1¢	17.7¢

Labor and related costs increased to $22,024,000 in fiscal 1991 from $17,761,000 in 1990 and $9,708,000 in 1989. The overall growth in the Company's work force during this three-year period, along with normal wage and benefit increases, accounted for the higher labor and related costs. As a result of the Detroit expansion, the Company's work force increased to 948 employees at the end of fiscal 1991 from 400 at the beginning of fiscal 1989. However, the Company reduced its fiscal 1991 work force through normal attrition from 1,008 employees at the beginning of the year to the period-ending total of 948. Fuel costs rose to $11,526,000 in fiscal 1991 from $8,289,000 in 1990 and $3,837,000 in 1989. A portion of these increases was attributable to higher fuel consumption due to the addition of the Detroit system. Fuel consumption increased 18% in 1991 and 83% in 1990. The higher fuel expense during this period also resulted from increases in the average cost per gallon of fuel, which rose to $0.97 in 1991 from $0.83 in 1990 and $0.71 in 1989. The higher average fuel cost in 1991 reflected the impact of the Persian Gulf war. Fuel costs rose to a high of $1.25 per gallon during this crisis but declined to an average of $0.71 per gallon by year-end fiscal 1991. 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 $15,808,000 in fiscal 1991 from $10,355,000 in 1990 and $4,352,000 in 1989. These increases reflect the significantly greater number of miles flown and the growth of the Company's fleet, both resulting from the addition of Detroit service. The Company's fleet expanded from 13 aircraft at the beginning of fiscal 1989 to 31 aircraft the end of fiscal 1991. The aging of the Company's fleet has also contributed to the increased direct maintenance expense. The Company has provided $5,757,000 in fiscal 1991 for future airframe and engine overhauls of leased aircraft, compared to $4,045,000 in 1990 and $1,390,000 in 1989. Passenger related expenses totaled $7,540,000 in fiscal 1991, compared to $7,403,000 in 1990 and $3,214,000 in 1989. Higher traffic volumes gener-

ated by the Company's Detroit system as well as increased landing fees, airport services and facility charges accounted for the increases during this period. Depreciation and amortization amounted to $5,118,000 in fiscal 1991, up from $3,843,000 in 1990 and $2,458,000 in 1989. Aircraft rentals rose to $12,814,000 in 1991 from $11,034,000 in 1990 and $4,740,000 in 1989. The higher levels of depreciation and amortization have resulted from increased investments in support equipment and facilities to accommodate the expansion of operations during this period. Aircraft rental expenses have increased due to the Company's utilization of operating leases to finance its expanded fleet requirements. ***Operating Income*** The Company's operating income totaled $7,682,000 in fiscal 1991, an increase of 72% from $4,464,000 in 1990 and also up from $2,881,000 in 1989. The operating margin increased to 8.5% in 1991 from 6.3% in 1990 and 8.1% in 1989. The 1991 operating income and margin reflected higher operating revenues, due primarily to increased traffic and enhancements in the yield per revenue passenger mile. ***Provision for Income Taxes*** The provision for income taxes rose to $2,948,000 in fiscal 1991 from $1,583,000 in 1990 and $1,100,000 in 1989, resulting in an effective tax rate of 40% for each of the past three years. **Financial Condition** Cash and short-term investments increased by $3,319,000 to $7,203,000 at March 31, 1991. Net cash flows provided by operating activities rose to $12,640,000 in fiscal 1991 from $8,885,000 in 1990, primarily reflecting the higher earnings for the current year. Net cash flows used for financing activities amounted to $4,314,000 in fiscal 1991, principally due to repayment of bank debt. Funds used to purchase spare parts, equipment and other assets totaled $5,007,000 in fiscal 1991, compared to $9,657,000 in 1990 when the Company was supporting the first full year of its Detroit expansion. At March 31, 1991 working capital totaled $1,080,000 and the current ratio was 1.09, compared to $1,818,000 and a current ratio of 1.18 at the end of fiscal 1990. The reduction in working capital resulted primarily from significant repayments of bank debt during fiscal 1991. The Company has a $5,000,000 revolving line of credit at prime plus one-half of 1%. At March 31, 1991, $4,000,000 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 new Detroit hangar. All borrowings under the revolving credit line and a term loan of $2,301,000 at March 31, 1991 are collateralized by F27 aircraft, spare parts, inventory and accounts receivable. Long-term debt, net of current maturities, totaled $9,557,000 at March 31, 1991, compared to $9,978,000 at the end of fiscal 1990. The Company made debt repayments of $3,842,000 during fiscal 1991, which were largely offset by additional lease financing of $3,630,000 related to the construction of the Company's new Detroit hangar facility. Lease financing for the Minneapolis/St. Paul and Detroit hangars comprised $7,257,000 of the Company's long-term debt at March 31, 1991. Reflecting the Company's profitable operations in fiscal 1991, stockholders' equity rose by $3,946,000 to $16,606,000 at March 31, 1991. As a result, the ratio of long-term debt to stockholders' equity improved to .58 at March 31, 1991 from .79 at the end of fiscal 1990. In the first quarter of fiscal 1991, the Company took delivery of one F27 aircraft, which was acquired under a five-year operating lease with Northwest Aircraft Inc., a subsidiary of NWA Inc. This aircraft brought the Company's total fleet to 31 aircraft at March 31, 1991. Of this total, 28 aircraft are financed by operating leases with remaining terms of one to seven years and aggregate monthly lease payments of approximately $1,080,000. In April 1991, the Company took delivery of one additional Metro III aircraft under a five-year operating lease cancellable after 18 months and entered into negotiations with another lessor for up to five additional Metro IIIs under similar terms. Operating leases have been the Company's primary method for acquiring aircraft, and management expects to continue relying upon lease financing to meet most of its future aircraft needs. Current FAA directives require the installation of cockpit voice recorders in selected aircraft by October 1991. The Company estimates it will incur approximately $250,000 to install these systems on its affected aircraft during fiscal 1992. The Company is also required by the FAA to install traffic alert and collision avoidance systems on 50% of its F27 fleet by December 31, 1991. The Company expects to incur approximately $1,000,000 to meet this requirement. All remaining F27 aircraft in the Company's fleet must be equipped with these systems by December 1993. 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 1992.

Consolidated Balance Sheets

AirTran Corporation and Subsidiary

At March 31,	*1991*	*1990*
ASSETS		
Current Assets:		
Cash and short-term investments	$ 7,203,000	$ 3,884,000
Accounts receivable, net	2,941,000	5,342,000
Inventories	3,003,000	2,150,000
Prepaid expenses and deposits	602,000	813,000
Total current assets	13,749,000	12,189,000
Property and Equipment (Note 2):		
Facilities under capital lease	8,944,000	4,784,000
Flight equipment	23,442,000	20,548,000
Other property and equipment	6,634,000	6,004,000
Accumulated depreciation and amortization	(13,469,000)	(9,425,000)
Net property and equipment	25,551,000	21,911,000
Other Assets, principally Airlink contract rights and facility deposits, net of accumulated amortization of $1,669,000 and $1,285,000, respectively (Notes 3 and 7)	2,816,000	2,956,000
	$ 42,116,000	$ 37,056,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt (Note 4)	$ 1,135,000	$ 927,000
Accounts payable	4,473,000	4,327,000
Accrued liabilities		
Payroll	1,689,000	1,341,000
Maintenance (Note 2)	4,420,000	2,847,000
Property taxes	227,000	240,000
Other	398,000	492,000
Income taxes payable	327,000	197,000
Total current liabilities	12,669,000	10,371,000
Long-Term Debt, net of current maturities (Note 4)	9,557,000	9,978,000
Other Noncurrent Liabilities, principally accrued maintenance (Note 2)	1,492,000	1,717,000
Deferred Income Taxes (Note 5)	1,792,000	2,330,000
Commitments (Note 6)		
Stockholders' Equity (Note 7):		
Common stock, $0.01 par value; 15,000,000 shares authorized, 3,678,445 and 3,649,945 shares issued and outstanding, respectively	37,000	36,000
Paid-in capital	6,928,000	6,815,000
Warrants issued for 764,931 common shares	765,000	765,000
Retained earnings	8,876,000	5,044,000
Total stockholders' equity	16,606,000	12,660,000
	$ 42,116,000	$ 37,056,000

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	*1991*	*1990*	*1989*
Operating Revenues:			
Passenger	$ 88,140,000	$ 68,559,000	$ 33,326,000
General aviation, freight and charter	1,307,000	1,265,000	1,467,000
Public service	785,000	919,000	860,000
Total operating revenues	90,232,000	70,743,000	35,653,000
Operating Expenses:			
Flight operations	33,881,000	26,998,000	12,660,000
Maintenance	24,330,000	17,505,000	8,135,000
Aircraft and traffic servicing	15,003,000	13,992,000	6,609,000
Depreciation and amortization	5,118,000	3,843,000	2,458,000
General and administrative	4,218,000	3,941,000	2,910,000
Total operating expenses	82,550,000	66,279,000	32,772,000
Operating income	7,682,000	4,464,000	2,881,000
Nonoperating Expense (Income):			
Interest expense	717,000	730,000	277,000
Other, net	(401,000)	(224,000)	(141,000)
Other expense, net	316,000	506,000	136,000
Income before income taxes	7,366,000	3,958,000	2,745,000
Provision for Income Taxes (Note 5)	2,948,000	1,583,000	1,100,000
Net income	$ 4,418,000	$ 2,375,000	$ 1,645,000
Net Income Per Share:			
Primary	$ 1.14	$ 0.60	$ 0.48
Fully diluted	1.14	0.60	0.46
Weighted Average Shares Outstanding:			
Primary	3,902,000	3,943,000	3,458,000
Fully diluted	3,903,000	3,973,000	3,779,000

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 31,1988	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
Exercise of stock options	28,500	1,000	113,000	–	–	–	114,000
Dividends paid on common stock ($.16 per common share)	–	–	–	–	–	(586,000)	(586,000)
Net income	–	–	–	–	–	4,418,000	4,418,000
Balance, March 31, 1991	3,678,445	$ 37,000	$ 6,928,000	764,931	$ 765,000	$ 8,876,000	$16,606,000

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

Consolidated Statements of Cash Flows

AirTran Corporation and Subsidiary

For the Years Ended March 31	*1991*	*1990*	*1989*
Cash Flows from Operating Activities:			
Net income	$ 4,418,000	$ 2,375,000	$ 1,645,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,118,000	3,843,000	2,458,000
Accrued maintenance, long-term	(207,000)	507,000	(91,000)
Deferred income taxes	(538,000)	242,000	843,000
Changes in current operating items:			
Accounts receivable, net	2,401,000	(2,109,000)	(619,000)
Income tax receivable/payable	130,000	380,000	(519,000)
Inventories	(853,000)	(605,000)	(821,000)
Prepaid expenses and deposits	211,000	(91,000)	(497,000)
Accounts payable	146,000	2,113,000	865,000
Accrued liabilities	1,814,000	2,230,000	465,000
Net cash flows provided by operating activities	12,640,000	8,885,000	3,729,000
Cash Flows from Investing Activities:			
Purchases of property and equipment	(4,282,000)	(8,615,000)	(6,034,000)
Increase in other assets	(708,000)	(1,025,000)	(2,187,000)
Decrease in other liabilities	(17,000)	(17,000)	(17,000)
Net cash flows used for investing activities	(5,007,000)	(9,657,000)	(8,238,000)
Cash Flows from Financing Activities:			
Proceeds from issuance of debt	–	2,600,000	4,900,000
Repayment of debt	(3,842,000)	(657,000)	(380,000)
Proceeds from issuance of common stock and warrants	114,000	175,000	59,000
Dividends paid	(586,000)	(540,000)	(394,000)
Net cash flows provided by (used for) financing activities	(4,314,000)	1,578,000	4,185,000
Net Increase (Decrease) in Cash and Short-term Investments	3,319,000	806,000	(324,000)
Cash and Short-term Investments:			
Beginning of year	3,884,000	3,078,000	3,402,000
End of year	$ 7,203,000	$ 3,884,000	$ 3,078,000
Supplementary Disclosure of Cash Flow Information			
Cash paid during the year for:			
Interest	$ 729,000	$ 770,000	$ 204,000
Income taxes	3,303,000	1,004,000	774,000

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

Notes to Consolidated Financial Statements

AirTran Corporation and Subsidiary

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 l8, 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 37 cities in the Upper Midwest. Effective December l, 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. Either party may terminate the agreement on 12 months' notice any time 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 81% of the Company's passengers connected with Northwest in fiscal 1991, 82% in 1990 and 76% in 1989. Substantially all accounts receivable balances in the accompanying consolidated balance sheets are due from Northwest.

2. Flight Equipment

The Company's fleet consists of the following aircraft as of March 31, 1991:

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

The Company owns three of the F27 aircraft; all the remaining aircraft are leased under operating leases. In April 1991, the Company took delivery of one additional Metro III which is being leased under an operating lease.

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 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 and repairs as consumed.

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 1991 totaled $178,000. No interest costs were capitalized in 1990 or 1989.

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 Restated Marketing Agreement. Contract rights are amortized on a straight-line basis over five years to coincide with the initial term of the Restated Marketing Agreement. Northwest and the Company review contract compliance on a semi-annual basis.

Revenue Recognition. Passenger revenues are recorded 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.

Income Per Share. Net income per share has been computed based upon the weighted average number of common and dilutive common equivalent shares outstanding during each year.

4. Long-term Debt

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

	1991	*1990*
Revolving credit note; interest at 1/2% above prime rate (9.5% at March 31, 1991); due December 31, 1992 with interest payable monthly; collateralized by receivables, aircraft and parts	$ 1,000,000	$ 3,800,000
Term note; interest at 1% above prime rate (10% at March 31, 1991); due in quarterly installments with interest payable monthly; collateralized by receivables, aircraft and parts	2,301,000	3,138,000
Capitalized lease; interest imputed at 8.5%; payable monthly; due in December 2008	3,876,000	3,967,000
Capitalized lease; interest imputed at 8.6%; payable monthly; term through August 2010 with mandatory prepayment provision due in August 2002	3,515,000	–
	10,692,000	10,905,000
Less - Current maturities	(1,135,000)	(927,000)
Total long-term debt	$ 9,557,000	$ 9,978,000

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. In addition, a letter of credit facility totaling $3,886,000 secures a lease commitment to the County of Wayne, Michigan. 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, 1991). 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, 1991.

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 sale proceeds of Special Airport Facilities Revenue Bonds issued 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, 1991, remaining lease payments totaled $5,835,000 of which $2,320,000 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, 1991, remaining minimum lease payments totaled $7,526,000, of which $3,650,000 represented interest costs.

As of March 31, 1991, the portions of long-term debt due in the five subsequent years are as follows:

1992	$ 1,135,000
1993	2,161,000
1994	971,000
1995	365,000
1996	315,000
Thereafter	5,745,000
	$10,692,000

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, 1991 is comprised of the following elements:

	1991	*1990*	*1989*
Current	$ 3,598,000	$1,341,000	$ 257,000
Deferred:			
Accelerated depreciation	(40,000)	303,000	309,000
Hangar lease obligations	153,000	61,000	–
Contract rights	(230,000)	225,000	940,000
Deferred maintenance costs	(729,000)	(456,000)	337,000
Alternative minimum taxes -	156,000	301,000	(565,000)
Accrued expenses not deductible for tax reporting purposes and other	40,000	(192,000)	(178,000)
Total provision for income taxes	$ 2,948,000	$ 1,583,000	$ 1,100,000

The difference between the statutory federal income tax rate and the effective tax rate for the three years ended March 31, 1991 is as follows:

	1991	*1990*	*1989*
Statutory federal tax rate	34.0%	34.0%	34.0%
State taxes, net of federal benefit	3.7	3.7	6.3
Other, net	2.3	2.3	(.2)
Effective tax rate	40.0%	40.0%	40.1%

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, 1991, 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, 1991:

1992	$12,773,000
1993	11,642,000
1994	10,299,000
1995	4,701,000
1996	2,947,000
Thereafter	8,329,000

Rent expense under all operating leases totaled approximately $14,248,000 in 1991, $12,407,000 in 1990, and $5,734,000 in 1989.

Employment Agreements. The Company has entered into 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 $893,000 at March 31, 1991.

7. Capital Stock

Stock Option Plans. The Company has stock option plans for key employees and directors which authorize the issuance of up to 725,000 shares of common stock for such options, of which 75,175 are available for grant at March 31, 1991. 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 must be 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, 1991 were as follows:

	Shares Under Option
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 ($3.38 to $4.00 per share)	(48,310)
Canceled	(11,410)
Options outstanding, March 31, 1990	220,869
Granted ($3.95 to $4.50 per share)	182,177
Exercised ($2.88 to 5.25 per share)	(28,500)
Options outstanding, March 31, 1991	374,546
Exercisable at March 31, 1991	192,369
Available for grant at March 31, 1991	75,175

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 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. Under the 1988 stock warrant, NWA may also purchase additional shares based on a pro rata portion of any shares of common stock, securites convertible into common stock, or rights to purchase common stock issued by the Company during the term of the 1988 stock warrant.

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, 1991 and 1990, 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, 1991. 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, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1991 in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

Minneapolis, Minnesota
May 21, 1991

Quarterly Financial Data

AirTran Corporation and Subsidiary

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	928	4,660	2,320	(226)	7,682
Net income	440	2,745	1,391	(158)	4,418
Net income per share:					
Primary	.11	.71	.35	(.04)	1.14
Fully diluted	.11	.71	.35	(.04)	1.14
Weighted average shares outstanding	3,961,000	3,904,000	4,072,000	3,675,000	3,903,000

Quarters of fiscal year ended March 31, 1990	*June 30, 1989*	*September 30, 1989*	*December 31, 1989*	*March 31, 1990*	*Year 1990*
Total operating revenues	$ 14,771	$ 19,335	$ 18,405	$ 18,232	$ 70,743
Operating income	1,302	2,811	666	(315)	4,464
Net income	714	1,612	342	(293)	2,375
Net income per share:					
Primary	.18	.40	.08	(.08)	.60
Fully diluted	.18	.39	.08	(.08)	.60
Weighted average shares outstanding	3,914,000	4,130,000	4,236,000	3,646,000	3,973,000

Five-Year Selected Financial and Statistical Data

AirTran Corporation and Subsidiary

Years ended March 31, (amounts in thousands, except per share data)	*1991*	*1990*	*1989*	*1988*	*1987*
Statement of Operations Data:					
Operating revenues	$ 90,232	$ 70,743	$ 35,653	$ 29,171	$ 21,806
Operating expenses	82,550	66,279	32,772	26,266	22,148
Operating income (loss)	$ 7,682	$ 4,464	$ 2,881	$ 2,905	$ (342)
Net income (loss)	$ 4,418	$ 2,375	$ 1,645	$ 1,549	$ (213)
Net income (loss) per share					
Primary	$ 1.14	$ 0.60	$ 0.48	$ 0.51	$ (0.07)
Fully Diluted	1.14	0.60	0.46	0.45	(0.07)
Weighted average number of shares outstanding					
Primary	3,902	3,943	3,458	3,055	2,880
Fully diluted	3,903	3,973	3,779	3,647	2,919

March 31,	*1991*	*1990*	*1989*	*1988*	*1987*
Balance Sheet Data:					
Current assets	$ 13,749	$ 12,189	$ 8,761	$ 6,965	$ 5,564
Net property and equipment	25,551	21,911	16,464	8,518	9,044
Other assets, net	2,816	2,956	2,606	149	303
Total assets	$ 42,116	$ 37,056	$ 27,831	$ 15,632	$ 14,911
Current liabilities	$ 12,669	$ 10,371	$ 5,221	$ 4,401	$ 4,357
Long-term liabilities	12,841	14,025	11,960	4,561	5,357
Stockholders' equity	16,606	12,660	10,650	6,670	5,197
Total liabilities and stockholders' equity	$ 42,116	$ 37,056	$ 27,831	$ 15,632	$ 14,911

Years ended March 31,	*1991*	*1990*	*1989*	*1988*	*1987*
Selected Operating Data:					
Revenue passengers carried	947,287	818,863	428,895	376,101	292,457
Revenue passenger miles	196,873	174,689	97,665	82,712	61,172
Available seat miles	388,377	327,889	183,111	153,685	133,414
Cost per available seat mile	$ .212	$ .201	$ .177	$ .168	$ .163
Passenger load factor	50.7%	53.3%	53.3%	53.8%	45.9%
Breakeven load factor	46.8%	50.5%	49.2%	49.1%	47.6%
Yield per revenue passenger mile	$ .448	$ .392	$ .341	$ .323	$ .326
Number of departures	67,854	59,614	34,697	30,314	30,194

Officers and Directors

AirTran Corporation and Subsidiary

Board of Directors

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]
General Manager, Helijet U.S. Inc.

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

John S. Olbrych[1,2]
Managing General Partner
Cooper & Olbrych

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

Corporate Information

AirTran Corporation and Subsidiary

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 1991 and 1990.

	1991	*1990*
Bid Price of Common Shares		
1st Quarter		
High	$ 8 3/8	$ 8 1/8
Low	5 3/4	6 3/8
2nd Quarter		
High	6 1/2	11 1/4
Low	3 5/8	6 3/4
3rd Quarter		
High	6 3/8	12 1/8
Low	4 1/4	8 7/8
4th Quarter		
High	10 3/4	11 3/4
Low	5 1/4	6 3/4
Dividends Per Share		
1st Quarter	$ .04	$ .04
2nd Quarter	.04	.04
3rd Quarter	.04	.04
4th Quarter	.05	.04

On June 17, 1991, the number of recordholders of the Company's common stock was approximately 1,148.

Shareholder Information

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, Wednesday, July 31, 1991 at the Decathlon Athletic Club, 7800 Cedar Avenue South, Bloomington, Minnesota.

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

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