

# AirTran

First Quarter Report, June 30, 1993



## To Our Shareholders

The first quarter of fiscal 1994 was another period of solidly profitable operations for AirTran Corporation, parent company of Mesaba Aviation, Inc. During this period, however, our earnings were affected by a series of challenging conditions beyond our control that contributed to passenger traffic falling short of planned levels. For this reason, first quarter net income of \$1,158,000 or \$.14 per share was virtually unchanged from the year-earlier period. Operating revenues rose 22% to \$32,120,000 from \$26,406,000 a year ago.

**Traffic Shortfall** Mesaba's first quarter passenger traffic was affected by the economy as well as ongoing media coverage of Northwest's financial condition. Throughout the quarter, we continued taking scheduled deliveries of new 37-seat deHavilland Dash 8 turboprops, which are gradually replacing our Fokker F27 fleet. As a result, Mesaba's traffic growth and capacity moved out of alignment during this period, resulting in a reduction in our passenger load factor. These factors will continue to affect Mesaba's passenger traffic and load factor in the second quarter.

**Moving Forward** Now that Northwest's labor groups have agreed to a concessions package and the

airline's debt has been restructured, Northwest has the opportunity to move forward from this period of uncertainty. This is good news for Mesaba, since it bodes well for passenger confidence and the resumption of our Airlink payments from Northwest on a timely basis.

**Reduced ASM Costs** AirTran's first quarter earnings continued to benefit from the reduced maintenance costs and greater efficiency of our Dash 8 fleet. Reflecting these factors as well as increased capacity, operating costs per available seat mile fell to 18.8 cents in the first quarter from 22 cents a year ago. As the number of Fokker F27s in our fleet is further reduced, we plan to make additional reductions in our ASM costs over the balance of fiscal 1994.

**Future Plans** Having recently taken delivery of the final two Dash 8s on our initial order of 25 aircraft, we are now evaluating alternatives for the 8 Fokker F27s and 15 Fairchild Metro IIIs whose leases expire over the next 12 months. We have a variety of options, including phasing out our remaining F27s and renewing the Metro leases at more favorable rates. Our objective is to provide AirTran with optimum flexibility and efficiency as we plan for the future. We are also continuing to

analyze various opportunities in the airline industry to help diversify our base of operations.

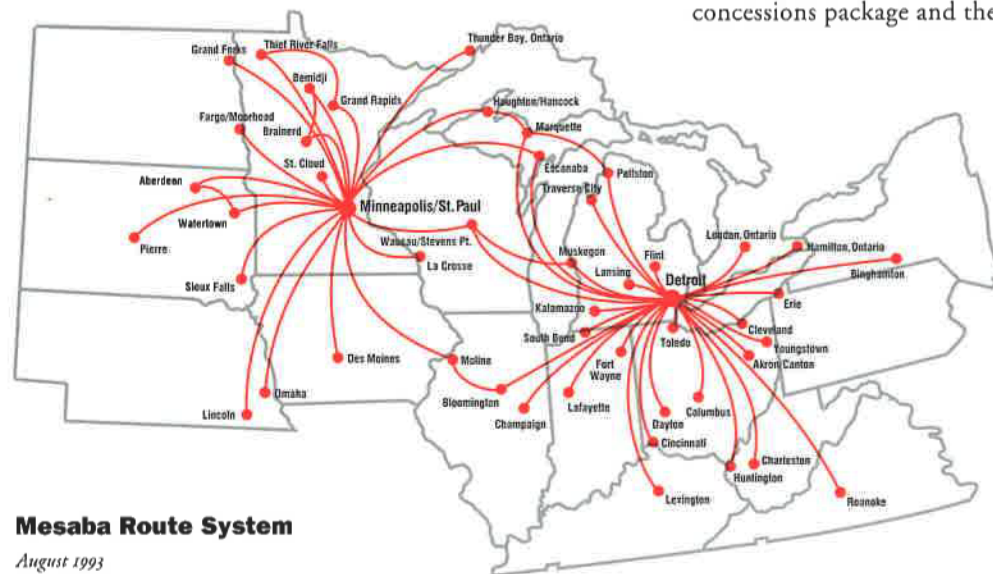
**Underlying Strength** We anticipate lower earnings in the second quarter of fiscal 1994 for the same reasons that affected our first quarter performance. Moreover, last year's second quarter results benefited from an unusually high passenger load factor, which was due primarily to half-price ticket promotions. Given these factors, our fiscal 1994 earnings probably will not equal last year's record level. However, our ability to remain solidly profitable amid this year's challenging conditions speaks well of AirTran's underlying strength.

We appreciate the continuing support of our shareholders, and we apologize for the lateness of this quarterly report. However, we felt this report would be most meaningful to you if we delayed its completion pending the resolution of Northwest's financial difficulties. We also thank our many fine employees for their hard work and dedicated efforts throughout this period of uncertainty.

Best regards,



Robert D. Swenson  
President and Chief Executive Officer



**Consolidated Statements of Operations** *(unaudited)*

	<i>Three months ended June 30,</i>	
	<i>1993</i>	<i>1992</i>
<b>Operating Revenues:</b>		
Passenger	\$ 31,702,000	\$ 26,030,000
General aviation, freight and charter	418,000	376,000
Total operating revenues	<u>32,120,000</u>	<u>26,406,000</u>
<b>Operating Expenses:</b>		
Flight operations	15,177,000	9,734,000
Maintenance	5,469,000	6,511,000
Aircraft and traffic servicing	5,663,000	4,422,000
Depreciation and amortization	1,988,000	2,026,000
General and administrative	1,722,000	1,398,000
Total operating expenses	<u>30,019,000</u>	<u>24,091,000</u>
Operating income	2,101,000	2,315,000
<b>Nonoperating Expenses (Income)</b>	(4,000)	111,000
Income before income taxes	2,105,000	2,204,000
<b>Provision for Income Taxes</b>	947,000	971,000
Net income	<u>\$ 1,158,000</u>	<u>\$ 1,233,000</u>
<b>Net Income Per Share</b>	<u>\$ 0.14</u>	<u>\$ 0.14</u>
<b>Average Shares Outstanding</b>	<u>8,497,000</u>	<u>9,053,000</u>

**Operating Statistics**

	<i>Three months ended June 30,</i>	
	<i>1993</i>	<i>1992</i>
Passengers carried	346,000	282,000
Revenue passenger miles	71,915,000	56,972,000
Available seat miles	159,127,000	108,752,000
Passenger load factor	45.2%	52.4%
Passenger breakeven load factor	42.4%	48.1%
Yield per revenue passenger mile	44.1¢	45.7¢
Operating cost per available seat mile	18.8¢	22.0¢
Average passenger trip (miles)	209	202

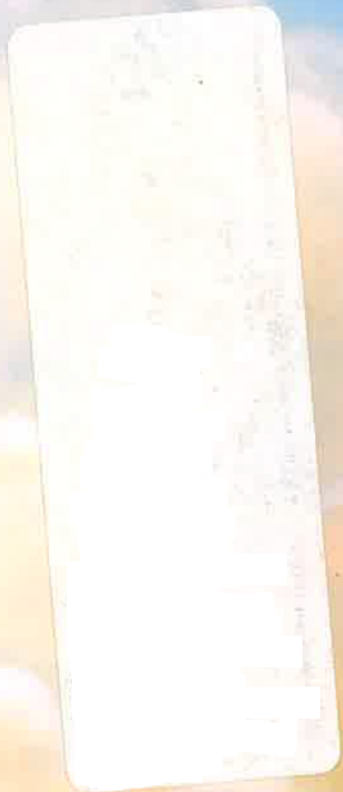
**Consolidated Balance Sheets** *(unaudited)*

	<i>June 30,</i>	<i>March 31,</i>
	<i>1993</i>	<i>1993</i>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and short-term investments	\$ 11,127,000	\$ 12,786,000
Accounts receivable, net	12,088,000	6,372,000
Inventories	3,544,000	3,695,000
Prepaid expenses and deposits	504,000	306,000
Deferred tax asset	3,007,000	2,667,000
Total current assets	<u>30,270,000</u>	<u>25,826,000</u>
<b>Property and Equipment:</b>		
Facilities under capital lease	9,147,000	9,147,000
Flight equipment	27,709,000	27,706,000
Other property and equipment	8,627,000	8,527,000
Accumulated depreciation and amortization	(25,456,000)	(24,061,000)
Net property and equipment	20,027,000	21,319,000
<b>Other Assets</b>	4,555,000	5,055,000
	<u>\$ 54,852,000</u>	<u>\$ 52,200,000</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 1,031,000	\$ 1,231,000
Accounts payable	5,469,000	5,700,000
Accrued liabilities	9,911,000	9,062,000
Income taxes payable	2,076,000	702,000
Total current liabilities	<u>18,487,000</u>	<u>16,695,000</u>
<b>Long-Term Debt, net of current maturities</b>	6,511,000	6,660,000
<b>Other Noncurrent Liabilities</b>	1,249,000	1,436,000
<b>Deferred Tax Liability</b>	803,000	1,044,000
<b>Stockholders' Equity</b>		
Common stock	70,000	69,000
Paid-in capital	1,837,000	1,348,000
Warrants	5,194,000	5,194,000
Retained earnings	20,701,000	19,754,000
Total stockholders' equity	<u>27,802,000</u>	<u>26,365,000</u>
	<u>\$ 54,852,000</u>	<u>\$ 52,200,000</u>

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