PEOPLE

MESABA HOLDINGS, INC.

PERFORMANCE

2000 ANNUAL REPORT

PROGRESS

Our Vision

By keeping our focus firmly on serving our guests' needs, we will provide safe, reliable, convenient and comfortable air transportation that will set the standard for all regional airlines, while providing a secure and positive work environment for our associates, and a market-driven return on investment for our shareholders.

Mesaba Airlines is a U.S. domestic air carrier and one of the nation's largest regional airlines. With a fleet of over 100 jet and jet-prop aircraft, Mesaba operates over 800 daily departures to 103 cities in 27 states and Canada. Under agreement with Northwest Airlines, Mesaba has operated as Northwest Airlink since 1984, serving the hub airports of Detroit, Memphis and Minneapolis/St.Paul. Mesaba Holdings, Inc., the parent company of Mesaba Airlines, is headquartered at the Minneapolis/St.Paul International Airport. Its common stock is traded on the Nasdaq National Market under the symbol MAIR.

Financial Highlights

Financial Highlights-Consolidated

(In Thousands, Except Per Share Information)

For the Years Ended March 31,	2000	1999	1998
Operating Revenues	$406,199	$331,753	$277,225
Operating Expenses	359,364	299,531	246,856
Operating Income	46,835	32,222	30,369
Net Income	31,061	21,271	19,804
Net Income per Share - Diluted	$1.48	$0.99	$0.95
Shares Outstanding - Diluted	21,043	21,512	20,846

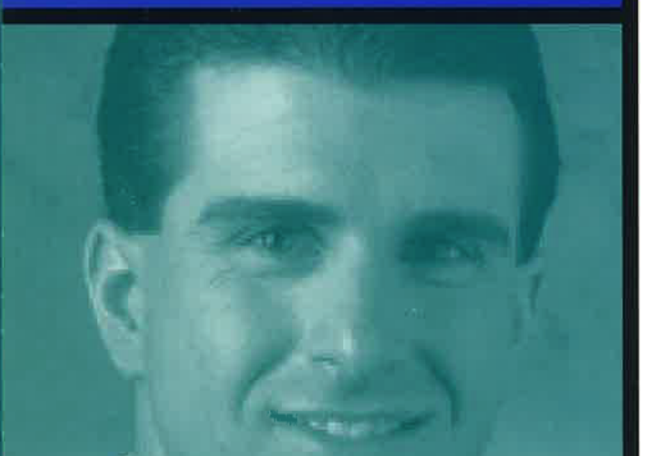
All amounts adjusted for the 3 for 2 stock split effective April 30, 1998.

Statistical Highlights-Mesaba Aviation, Inc

(In Thousands, Except Percentages and Unit Data)

For the Years Ended March 31,	2000	1999	1998
Revenue Passengers	5,668	4,342	3,324
Revenue Passenger Miles	1,534,116	1,112,050	805,495
Available Seat Miles	2,677,712	1,994,626	1,469,229
Passenger Load Factor	57.3%	55.8%	54.8%
Passenger Revenue per Available Seat Miles	$0.150	$0.165	$0.186
Operating Cost per Available Seat Mile	$0.134	$0.150	$0.168

We have sharpened our operational focus and built a leadership team capable of supporting future growth. Mesaba now has one of the strongest and most experienced leadership teams in the regional airline business. This team is committed to working together in a collaborative way to focus capabilities and prioritize opportunities across all business functions.



To Our Shareholders

We are pleased to report that Mesaba Airlines completed a very successful fiscal 2000, achieving record performance in both operational excellence and financial growth.

We added two officer positions, Vice President-Flight Operations and Vice President-Technical Operations, to the management team headed by new President and CEO Paul F. Foley. Those two new positions will allow us to focus even more sharply on operational performance. The strength of Mesaba's middle management was demonstrated once again this year by the smooth transition to the new senior management group. Mesaba now has one of the strongest and most experienced management teams in the regional airline business. That team is committed to a collaborative leadership approach designed to prepare Mesaba for another round of growth.

We added 11 new Avro RJ-85 jets to bring our fleet of those aircraft up to 33 aircraft. The last three aircraft in our planned fleet of 36 RJ-85s will be delivered by June 2000. Those last jet deliveries will raise our total fleet size to 109 aircraft, including 73 Saab 340 turboprops.

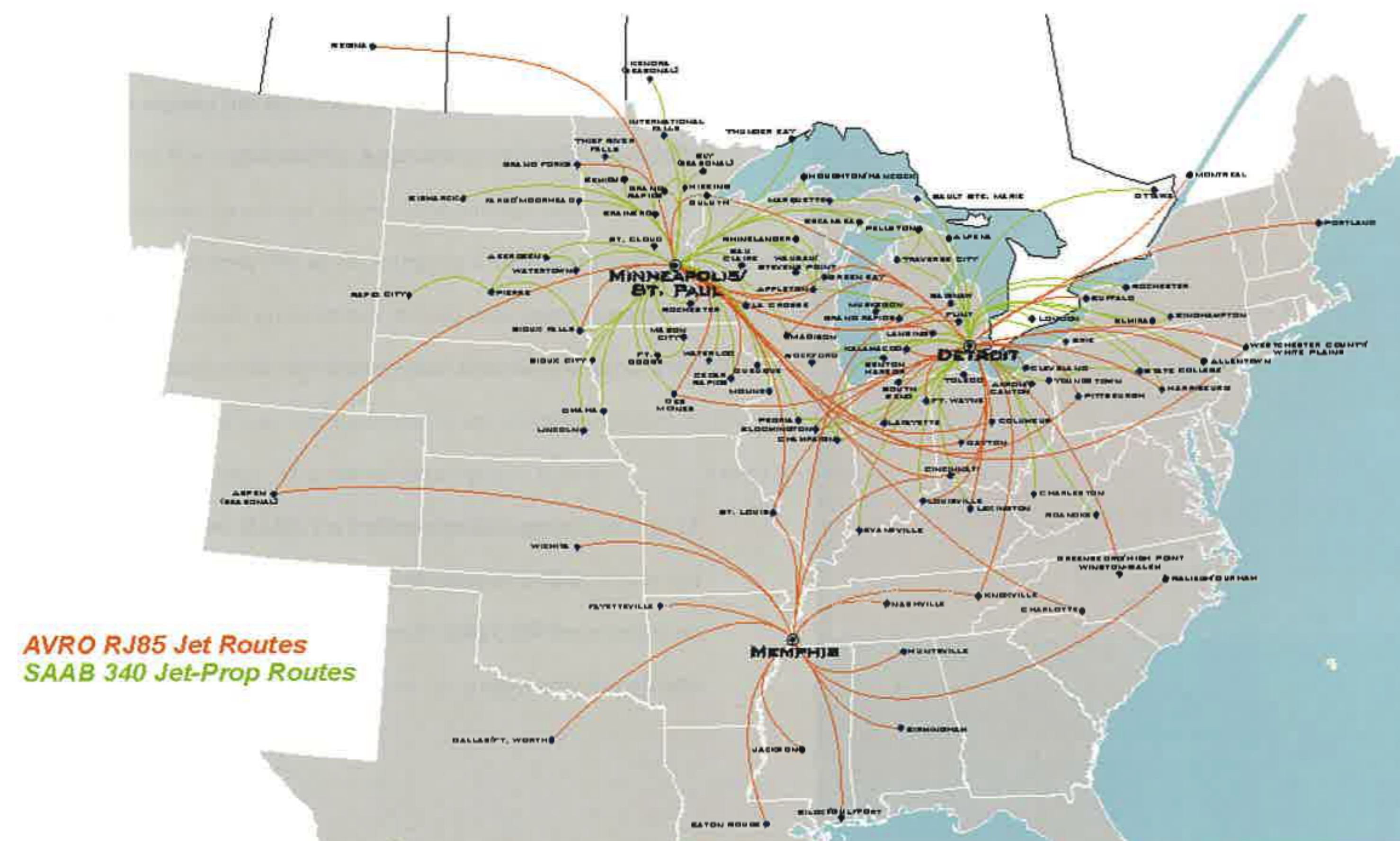
In February, we opened a brand new, 126,000 square foot maintenance and training facility at the Cincinnati/ Northern Kentucky Airport. This magnificent facility, built primarily to maintain the jets in our fleet, provides solid evidence of your company's commitment to investment for the future. A key part of the building incorporates state of the art training rooms designed to give our people the best training available in all disciplines of the airline. While the Cincinnati facility provided extensive new capabilities for our maintenance people, we suffered a setback when high winds collapsed a portion of our hangar in Detroit on May 9, 2000. We were very fortunate that no one was hurt, but our Detroit base will not be back up to full maintenance capacity until at least late Fall.

We were pleased to sign a four-year labor agreement with our mechanics' union in August 1999. That agreement will help Mesaba compete in the tightening marketplace for skilled mechanics. We are currently in the beginning stages of negotiating our first contract with the union representing our flight attendants, and we recently concluded a five-year agreement with the union representing the dispatchers. In June of this year, we added 175 new customer service agents in Minneapolis as we assumed ground handling responsibility for our Avro RJ-85 jets at six new gates in the expanded Green Concourse.

The primary focus for Fiscal 2001 will be the development and implementation of a strategic growth initiative for Mesaba. We are exploring many different options in order to maximize the value of your company and we look forward to sharing the results of our efforts with you. As always, the success of your company is based on the continued confidence of our shareholders, the strong spirit of cooperation with our main business partner, Northwest Airlines, and the dedication and skill of our 3,500 associates.

Carl R. Pohlad
Chairman of the Board

Paul F. Foley
President and CEO



PEOPLE

AT MESABA, A FEELING OF PRIDE IN EVERY ASPECT OF OUR BUSINESS IS CONTRIBUTING TO THE BOTTOM LINE EVERY DAY.

PROGRESS

PERFORMANCE

PEOPLE

2000 marks the entrance of a new Leadership Team at Mesaba. Led by President and CEO Paul F. Foley, the team brings a new vision to many of the internal processes currently in place. From all levels of flight operations to purchasing to maintenance, a cross-functional team approach is being implemented. This new collaborative structure, combined with a focus on improved communication and discipline, will allow our people to be more effective and in turn encourage productivity.

Our Spectrum Award program, in its 4th year, continues to honor those employees who display outstanding dedication. Their hard work and commitment has earned Mesaba a great deal of respect in the industry.

To ensure our people exemplify the highest standards, Mesaba has made strides in recruiting efforts. This year, Mesaba signed an agreement for a pilot "bridge" hiring program with Western Michigan University.

PERFORMANCE

As expressed in our vision statement, Mesaba continues to focus on the safety and comfort of our guests. To minimize any inconveniences our guests may experience, Mesaba has adopted the commitments outlined in Northwest Airlines Customers First program. The plan includes such initiatives as keeping customers informed of the status of delayed and canceled flights, offering the lowest fare available, raising the domestic baggage limitation and permitting customers to cancel reservations without penalty for up to 24 hours.

Along with the Customers First program, Mesaba is upgrading facilities and employing new technologies to exceed the expectations of our guests. The use of jetbridges to board both our Saab 340 and RJ-85 aircraft has grown again this year. For those locations that do not have bridge loading capability, the Company has invested over $600,000 to provide ground level boarding assistance to our passengers.

PROGRESS

This year saw the completion of the 126,000 square foot aircraft maintenance hangar and world-class training facility at the Cincinnati/Northern Kentucky International Airport. This new facility can accommodate six Avro RJ-85 aircraft and will allow us to reduce costs by bringing some aircraft maintenance in-house.

The current expansion underway at Minneapolis/St. Paul International Airport led to the opening of six new gates in June of 2000. The new Midfield Terminal project at Detroit Metro Airport is scheduled for completion in October of 2001. These facility improvements will make flying more convenient for our guests as well as position Mesaba for future growth.

Management's Discussion And Analysis Of Financial Condition And Results Of Operation

(As used herein, "unit cost" means operating cost per available seat mile. Dollars and shares outstanding are expressed in thousands)

Earnings Summary

The Company reported net income of $31.1 million or $1.48 per diluted share for the fiscal year ended March 31, 2000, compared to $21.3 million or $0.99 per diluted share in fiscal 1999 and $19.8 million or $0.95 per diluted share in fiscal 1998. Weighted average common shares and common share equivalents outstanding was 21.0 million, 21.5 million and 20.8 million in fiscal years 2000, 1999 and 1998, respectively. Earnings per share and weighted average shares outstanding for fiscal 1998 have been adjusted to reflect a three-for-two stock split in the form of a 50% stock dividend declared by the Board of Directors on April 6, 1998 for shares held of record on April 17, 1998.

Results of Operations

Operating Revenues.

Operating revenues rose 22.4% to $406.2 million in fiscal 2000 from $331.8 million in fiscal 1999 and $277.2 million in fiscal 1998. Passenger revenue per available seat mile ("RASM") decreased 9.1% to $0.150 from $0.165 in 1999, primarily due to additional deliveries of the higher capacity RJ85 aircraft. Mesaba's revenue per available seat mile is lower on the RJ85 than for the Saab 340 because Northwest provides more services related to the jet operation. Mesaba's average passenger load factor was 57.3% in 2000, up from 55.8% in 1999 and 54.8% in 1998. The improvement in traffic and load factor are attributable to the introduction of 11 RJ85 aircraft in fiscal 2000 as well as overall increases in passenger demand within the industry.

Operating Expenses.

Due to the additional aircraft, total operating expense increased 20.0% to $359.4 million in 2000 from $299.5 million in 1999 and $246.9 million in 1998. Mesaba experienced a 10.7% decrease in the cost per available seat mile ("CASM") to 13.4 cents compared with 15.0 cents in 1999. Seat capacity (measured in available seat miles or "ASM") increased 34.2% in 2000 to 2.68 billion, primarily as a result of the introduction of 11 RJ85 aircraft. The following table compares components of Mesaba's operating cost per ASM for the years ended March 31, 2000, 1999 and 1998:

	2000	1999	1998
Wages and benefits	3.7¢	4.0¢	4.6¢
Fuel	1.0	1.3	1.7
Direct maintenance	2.6	2.8	2.9
Rents	3.3	3.5	3.9
Landing fees	0.3	0.4	0.4
Insurance and taxes	0.2	0.4	0.5
Depreciation and amortization	0.5	0.5	0.4
Other	1.8	2.1	2.4
Total	13.4¢	15.0¢	16.8¢

Wages and benefits increased 23.4% to $99.1 million in fiscal 2000 compared to $80.3 million in fiscal 1999 and $67.2 million in fiscal 1998. However, the increased capacity generated by the additional aircraft has caused these costs to be reduced on a unit cost basis 7.5% to 3.7 cents from 4.0 cents. The overall dollar increase is a result of increased cost of flight crews due to a 21.5% increase in block hours flown and the addition of flight crews to support the continued introduction of the RJ85 aircraft. Wage and benefit cost of support personnel also increased due to an increase in scheduled operations. Normal wage and benefit increases also contributed to the higher expenses. Overall, personnel levels (measured on a full time equivalent basis at the fiscal year end) increased to approximately 3,000 from 2,700.

Total fuel costs increased 5.1% to $26.8 million in fiscal 2000 from $25.5 million in fiscal 1999 and $25.0 million in fiscal 1998. The change is attributable to increased consumption caused by an increase in block hours flown by the jet-prop operation. The average price per gallon, including taxes and into plane fees, was 83.5 cents in fiscal years 2000, 1999 and 1998. Certain provisions of the Airlink Agreement protect Mesaba from future fluctuations in fuel prices. Unit cost decreased 23.1% to 1.0 cents from 1.3 cents. Mesaba is not required to provide fuel for the jet operation.

Direct maintenance expense, excluding wages and benefits costs, increased to $69.8 million in fiscal 2000 from $56.7 million in fiscal 1999 and $42.2 million in fiscal 1998. This increase was attributable to the addition of 11 RJ85 aircraft to the fleet during fiscal 2000. On a unit cost basis the cost decreased 7.1% to 2.6 cents from 2.8 cents.

Aircraft rentals were $88.9 million in fiscal 2000, $70.4 million in fiscal 1999 and $57.2 million in fiscal 1998. Mesaba added 11 RJ85 aircraft during the period. However, unit costs decreased 5.7% to 3.3 cents from 3.5 cents. Fiscal year 1998 costs include $7.7 million in wet leased aircraft expenses.

Landing fees were $7.5 million in fiscal 2000, $6.9 million in fiscal 1999 and $6.3 million in fiscal 1998. The increase is attributable to a 6.2% increase in jet-prop departures, which caused an increase in the total gross landing weight. On a unit cost basis, the cost decreased to 0.3 cents from 0.4 cents in fiscal 1999. Mesaba is not required to pay landing fees for the jet operation.

Insurance and taxes were $5.7 million in fiscal 2000, $6.9 million in fiscal 1999 and $6.8 million in fiscal 1998. This is due primarily to a 40% reduction in passenger liability and hull insurance rates, offset by increases in passenger volume and an increase in property taxes and hull insurance caused by increasing fleet values. Due to the additional capacity generated by the jet and jet-prop equipment, unit cost decreased 50.0% to 0.2 cents from 0.4 cents.

Depreciation and amortization totaled $14.4 million in fiscal 2000 compared to $10.0 million in fiscal 1999 and $6.5 million in fiscal 1998. The increase in Mesaba's depreciation and amortization resulted primarily from the acquisition of spare parts to support the RJ85 and Saab 340 fleet and the amortization of the Northwest warrants. In April and June 1998, the Company paid a contract rights fee in the form of stock purchase warrants to Northwest as part of amendments to the Regional Jet Services Agreement allowing for the increase from 12 to 36 aircraft. Contract rights are being amortized on a straight-line basis over the minimum term of the Jet Agreement. Unit cost was unchanged at 0.5 cents.

Administrative and other costs totaled $47.3 million in fiscal 2000, $42.8 million in fiscal 1999 and $35.7 million in fiscal 1998. This increase is primarily attributable to 11.3% higher crew related expenses due to increased flying and training to support the RJ85 and Saab 340 fleet. Additionally, higher passenger and airport related expenses were incurred due to increases in traffic and the number of cities served. Unit cost decreased 14.3% to 1.8 cents from 2.1 cents. Mesaba is generally not required to provide airport and passenger related services for the jet operation.

Operating Income.
The Company's operating income was $46.8 million in fiscal 2000, $32.2 million in fiscal 1999 and $30.4 million in fiscal 1998. Mesaba's operating margins were 11.5% in 2000, 9.7% in 1999 and 11.0% in 1998. Both operating income and operating margins were adversely impacted by the pilots' strike at Northwest Airlines, which resulted in an 18-day suspension of service in fiscal 1999.

Nonoperating income.
Nonoperating income was $4.4 million in fiscal 2000, $4.0 million in fiscal 1999 and $2.6 million in fiscal 1998. Interest income increased $0.6 million to $4.3 million in 2000 from $3.7 million in 1999.

Provision for Income Taxes.
The provision for income taxes was $20.2 million in fiscal 2000, $14.1 million in fiscal 1999 and $13.1 million in fiscal 1998. The effective tax rate was 39.4% in 2000, 39.0% in 1999 and 39.9% (not including the gain on distribution which is not taxable) in 1998.

Liquidity and Capital Resources

The Company's working capital increased to $95.3 million with a current ratio of 3.1 at March 31, 2000 compared to $67.7 million and 2.4 at March 31, 1999. Cash and cash equivalents increased by $17.0 million to $100.2 million at March 31, 2000. Net cash flows provided by operating activities totaled $31.5 million in fiscal 2000, $35.9 million in fiscal 1999 and $30.0 million in fiscal 1998. The change from fiscal 1999 is primarily due to the decrease in payables. Net cash flows used for investing activities totaled $18.4 million in fiscal 2000, $22.7 million in fiscal 1999 and $13.2 million in fiscal 1998. The change from fiscal 1999 is primarily due to lower levels of capital expenditures. Net cash flows provided by financing activities amounted to $4.0 million in fiscal 2000 and consisted of $4.4 million in proceeds from the exercise of stock options by current and former employees offset by principal payments of $0.5 million.

Long term debt, net of current maturities, totaled $3.9 million at March 31, 2000 and $4.4 million as of March 31, 1999. Long-term debt consists principally of capitalized lease financing for the Minneapolis/St. Paul and Detroit hangar facilities. The ratio of long term debt to stockholders' equity was 3% at March 31, 2000, compared to 4% at the end of fiscal 1999.

As of June 2000, Mesaba's fleet consisted of 109 aircraft covered under operating leases with remaining terms of nine months to 16 years and aggregate monthly lease payments of approximately $8.5 million. Operating leases have been the Company's primary method for acquiring aircraft, and management expects to continue relying on this method to meet most of its future aircraft financing needs. The remaining three undelivered aircraft will require additional monthly lease payments of approximately $0.5 million per month and will be funded from operations. Continued funding of the monthly minimum lease payments is ensured as long as the current operating contracts with Northwest are in effect.

During fiscal 2000, Mesaba leased approximately 497,000 square feet of facilities, ramp, parking and unimproved land at the Cincinnati/Northern Kentucky Airport. The lease covers approximately 126,000 square feet of hangar and maintenance space and obligates Mesaba to pay monthly rentals of $77.0 until January 29, 2029 as part of Special Facilities Bond financing provided by Cincinnati/Northern Kentucky Airport Authority. The ground lease has a 30-year term concurrent with the facilities lease, which expires January 29, 2029. Monthly lease payments of approximately $10.5 are required under the ground lease. Mesaba intends to make these lease payments from operations.

Approximately 80% of Mesaba's passengers connected with Northwest in fiscal 2000, 81% in 1999 and 79% in 1998. Approximately 84% of the Company's accounts receivable balance at March 31, 2000 are due from Northwest. Loss of the Company's affiliation with Northwest or Northwest's failure to make timely payment of amounts owed to the Company or to otherwise materially perform under the Airlink or Jet Agreement for any reason would have a material adverse effect on the Company's operations and financial results.

The Company has historically relied upon internally generated funds to support its working capital requirements. Management believes that funds from operations will provide adequate resources for meeting non-aircraft capital needs in fiscal 2001.

Report Of Independent Public Accountants

To Mesaba Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Mesaba Holdings, Inc. (a Minnesota corporation) and Subsidiary as of March 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2000. 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 Mesaba Holdings, Inc. and Subsidiary as of March 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2000, in conformity with generally accepted accounting principles.

As explained in Note 2 to the financial statements, effective April 1, 1998, the Company changed its method of accounting for start-up costs.

Arthur Andersen LLP
Minneapolis, Minnesota
May 5, 2000

Consolidated Balance Sheets

(In Thousands, Except Share and Per Share Information)

As of March 31,	2000	1999
ASSETS		
Current Assets:		
Cash and cash equivalents	$100,172	$ 83,152
Accounts receivable, net	20,090	15,905
Inventories	6,103	6,564
Prepaid expenses and deposits	4,371	3,719
Deferred income taxes	9,216	7,029
Total current assets	139,952	116,369
Property and Equipment:		
Facilities under capital lease	9,147	9,147
Flight equipment	55,446	41,178
Other property and equipment	26,676	21,635
Accumulated depreciation and amortization	(37,160)	(24,765)
Net property and equipment	54,109	47,195
Other Assets, net	13,663	15,659
	$207,724	$179,223
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of capital lease obligations	$ 429	$ 393
Accounts payable	13,003	20,857
Accrued liabilities-		
Payroll	8,271	8,786
Maintenance	14,064	10,415
Other	8,919	8,223
Total current liabilities	44,686	48,674
Capital Lease Obligations, net of current maturities	3,866	4,359
Other Noncurrent Liabilities	14,454	16,951
Shareholders' Equity:		
Common stock, $.01 par value, 60,000,000 shares authorized; 20,267,141 and 19,863,829 shares issued and outstanding, respectively	203	199
Paid-in capital	49,427	45,013
Warrants	16,500	16,500
Retained earnings	78,588	47,527
Total shareholders' equity	144,718	109,239
	$207,724	$179,223

The accompanying notes are an integral part of these consolidated balance sheets.

Consolidated Statements Of Operations

(In Thousands, Except Per Share Information)

For the Years Ended March 31,	2000	1999	1998
Operating Revenues:			
Passenger	$401,342	$328,244	$273,973
Freight and other	4,857	3,509	3,252
Total operating revenues	406,199	331,753	277,225
Operating Expenses:			
Wages and benefits	99,070	80,297	67,194
Aircraft fuel	26,809	25,512	24,983
Aircraft maintenance	69,767	56,682	42,172
Aircraft rents	88,877	70,422	57,235
Landing fees	7,520	6,886	6,330
Insurance and taxes	5,677	6,894	6,761
Depreciation and amortization	14,354	10,027	6,500
Other	47,290	42,811	35,681
Total operating expenses	359,364	299,531	246,856
Operating income	46,835	32,222	30,369
Nonoperating (Expense) Income:			
Interest expense	(404)	(443)	(458)
Interest income and other	4,785	4,405	3,022
Income before income taxes and change in accounting principle	51,216	36,184	32,933
Provision for Income Taxes	20,155	14,113	13,129
Net income before change in accounting principle	$ 31,061	$ 22,071	$ 19,804
Pre-Operating Cost Write-off, net of tax	-	(800)	-
Net income	$ 31,061	$ 21,271	$ 19,804
Earnings Per Common Share Before Accounting Change – Basic	$1.54	$ 1.12	$ 1.03
Earnings Per Common Share – Basic	$1.54	$ 1.07	$ 1.03
Weighted Average Number of Common Shares Outstanding – Basic	20,177	19,793	19,270
Earnings Per Common Share Before Accounting Change – Diluted	$1.48	$ 1.03	$ 0.95
Earnings Per Common Share – Diluted	$1.48	$ 0.99	$ 0.95
Weighted Average Number of Common Shares Outstanding and Common Share Equivalents Outstanding – Diluted	21,043	21,512	20,846

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

Mesaba Holdings, Inc. and Subsidiary

Consolidated Statements Of Shareholders' Equity

(In Thousands, Except Share Information)

For the Years Ended March 31	Common Stock Shares	Common Stock Amount	Paid-In Capital	Warrants Shares	Warrants Amount	Retained Earnings	Total Shareholders' Equity
Balance, March 31, 1997	19,176,069	$ 192	$ 40,050	922,500	$ 3,100	$ 6,452	$ 49,794
Issuance of warrants	–	–	–	1,320,000	4,800	–	4,800
Exercise of stock options, net of related tax effects	221,184	2	1,146	–	–	–	1,148
Net income	–	–	–	–	–	19,804	19,804
Balance, March 31, 1998	19,397,253	194	41,196	2,242,500	7,900	26,256	75,546
Issuance of warrants	–	–	–	1,909,422	8,600	–	8,600
Exercise of stock options, net of related tax effects	466,576	5	3,817	–	–	–	3,822
Net income	–	–	–	–	–	21,271	21,271
Balance, March 31, 1999	19,863,829	199	45,013	4,151,922	16,500	47,527	109,239
Exercise of stock options, net of related tax effects	403,312	4	4,414	–	–	–	4,418
Net income	–	–	–	–	–	31,061	31,061
BALANCE, March 31, 2000	20,267,141	$ 203	$ 49,427	4,151,922	$ 16,500	$ 78,588	$ 144,718

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

Consolidated Statements Of Cash Flows

(In Thousands)

For the Years Ended March 31,	2000	1999	1998
Operating Activities:			
Net income	$ 31,061	$ 21,271	$ 19,804
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation and amortization	14,354	10,027	6,500
Gain on sale of equipment	(125)	–	–
Deferred income taxes	(2,889)	(2,581)	(819)
Change in current operating items:			
Accounts receivable, net	(4,185)	(1,018)	(266)
Inventories	461	(443)	(1,835)
Prepaid expenses and deposits	(652)	69	(734)
Accounts payable and other	(6,521)	8,557	7,305
Net cash flows provided by operating activities	31,504	35,882	29,955
Investing Activities:			
Purchases of property and equipment, net	(19,343)	(22,669)	(13,418)
Proceeds from sale of equipment	898	-	175
Net cash flows used for investing activities	(18,445)	(22,669)	(13,243)
Financing Activities:			
Repayment of capital lease obligations	(457)	(437)	(432)
Proceeds from issuance of common stock	4,418	3,822	1,148
Net cash flows provided by financing activities	3,961	3,385	716
Net Increase in Cash and Cash Equivalents	17,020	16,598	17,428
Cash and Cash Equivalents:			
Beginning of year	83,152	66,554	49,126
End of year	$100,172	$ 83,152	$ 66,554
Supplementary Cash Flow Information:			
Cash paid during the year for-			
Interest	$ 404	$ 443	$ 458
Income taxes	$19,636	$ 14,569	$ 15,169

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

Notes to Consolidated Financial Statements

(Dollars in Thousands, Except Share and Per Share Information)

1. Corporate Organization and Business:

Corporate Organization

The consolidated financial statements include the accounts of Mesaba Holdings, Inc. (the "Company") and its subsidiary, Mesaba Aviation, Inc. ("Mesaba"). All significant intercompany balances have been eliminated in consolidation.

Business

The Company operates a regional air carrier providing scheduled passenger and air freight service as Mesaba Airlines/Northwest Airlink and Mesaba Airlines/Northwest Jet Airlink under two separate agreements with Northwest Airlines, Inc. ("Northwest") to 103 cities from Northwest's hub airports, Minneapolis/St. Paul, Detroit and Memphis.

Under the Airline Services Agreement (the "Airlink Agreement") the Company operates Saab 340 jet-prop aircraft for Northwest. This agreement provides for exclusive rights to designated service areas and extends through June 30, 2007, automatically renewing indefinitely thereafter. Either Northwest or the Company may terminate the Airlink Agreement on 365 days notice any time after June 30, 2000. In addition, Mesaba purchases fuel, reservation systems, ground handling and other services from Northwest. The Company paid $20,645 to Northwest in fiscal 2000, $16,440 in 1999 and $17,963 in 1998 for these services.

Under the Regional Jet Services Agreement (the "Jet Agreement"), the Company operates Avro RJ85 ("RJ85") regional jets for Northwest. This agreement extends through April 30, 2007, automatically renewing indefinitely thereafter. Northwest may terminate the Jet Agreement on not less than 180 days nor more than 365 days notice any time after October 25, 2003. Under the Jet agreement, Mesaba is not required to provide fuel, airport or passenger related services.

Under the agreements, all Mesaba flights appear in Northwest's timetables and Mesaba receives ticketing and certain check-in, baggage and freight-handling services from Northwest at certain airports. Mesaba also benefits from its relationship with Northwest through advertising and marketing programs. The Airlink Agreement and Jet Agreement provide for certain incentive payments from Northwest to Mesaba based on achievement of certain operational or financial goals, as defined. Such incentives totaled $5,159 in 2000, $4,830 in 1999 and $4,297 in 1998 and are included in passenger revenues in the accompanying consolidated statements of operations.

Approximately 80% of Mesaba's passengers connected with Northwest in fiscal 2000, 81% in 1999 and 79% in 1998. Approximately 84% of the March 31, 2000 accounts receivable balances in the accompanying consolidated balance sheets are due from Northwest.

Loss of Mesaba's affiliation with Northwest or Northwest's failure to make timely payment of amounts owed to the Company or failure to otherwise materially perform under the Airlink or Jet Agreement would have a material adverse effect on the Company's operations, financial position and cash flows. Northwest and the Company review contract compliance on a periodic basis.

2. Summary of Significant Accounting Policies:

Cash and Cash Equivalents

Cash equivalents consist primarily of U.S. government securities and interest-bearing deposits with average maturities of less than 90 days and are stated at cost, which approximates market.

Inventories

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

Property and Equipment
Property and equipment are 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 over the lease term for facilities under capital lease. Leasehold improvements are amortized over the shorter of the life of the lease or the life of the asset.

Other Assets
In connection with the Jet Agreement as amended, the Company paid a contract rights fee in the form of stock purchase warrants to Northwest. Contract rights totaled $11,700 and related accumulated amortization totaled $3,204 and $1,759 at March 31, 2000 and 1999, respectively. Contract rights are amortized on a straight-line basis over six years to coincide with the minimum term of the Jet Agreement.

In connection with the Airlink Agreement, the Company paid a contract rights fee in the form of a stock purchase warrant to Northwest. Contract rights totaled $4,800 and related accumulated amortization totaled $1,320 and $840 at March 31, 2000 and 1999, respectively. Contract rights are amortized on a straight-line basis over ten years to coincide with the term of the Airlink Agreement.

The Company periodically evaluates whether events and circumstances have occurred which may affect the estimated useful life or the recoverability of the remaining balance of its long-lived assets. If such events or circumstances were to indicate that the carrying amount of these assets would not be recoverable, the Company would estimate the future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) were less than the carrying amount of the intangible assets, the Company would recognize an impairment loss.

Revenue Recognition
Passenger revenues are recorded as income when the respective services are rendered.

Frequent Flyer Awards
As a Northwest Airlink carrier, Mesaba participates in Northwest's frequent flyer program (WorldPerks), and passengers may use mileage accumulated in that program to obtain discounted or free trips that might include a flight segment on one of Mesaba's flights. However, under the Airlink and Jet Agreement, Northwest is responsible for the administration of WorldPerks, and Mesaba receives revenue from Northwest for WorldPerks travel awards redeemed on Mesaba flight segments.

Income Taxes
The Company accounts for income taxes under the liability method whereby deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities. These differences will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Other Noncurrent Liabilities
In order to assist the Company in integrating new aircraft into its fleet, certain manufacturers provide the Company with spare parts or other credits. The Company has deferred these amounts and amortizes them over the term of the Airlink agreement as a reduction of rent expense. Amortization of $2,497, $1,822 and $1,071 was recorded during the year ended March 31, 2000, 1999 and 1998, respectively.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

Start Up Costs
In April of 1998, the Company adopted AICPA Statement of Position (SOP) 98-5 "Reporting on the Costs of Start-Up Activities" which requires all start-up costs to be charged to expense as incurred. The adoption of SOP 98-5 resulted in an $800 charge (net of tax) to operations, or $0.04 per basic and diluted share for previously capitalized start-up costs and was recorded as a cumulative effect of change in accounting principle.

Comprehensive Income
The Company has adopted the provisions of statement of Financial Accounting Standard (SFAS) No. 130 "Reporting Comprehensive Income". SFAS No. 130 establishes standards for reporting comprehensive income and its components in financial statements. Comprehensive income, as defined, includes all changes in equity (net assets) during a period from non-owner sources. To date, the Company has not had any transactions that are required to be reported as comprehensive income.

Segment Reporting
The Company has reviewed SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" and determined that the aggregation criteria outlined in SFAS No. 131 has been achieved and therefore the Company's two operating divisions are reported as a single reportable segment.

Derivatives
In June of 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Company is not required to adopt SFAS No. 133 until January 1, 2001, since SFAS No. 137 amended the effective date of SFAS No. 133 to apply for all fiscal quarters of all fiscal years beginning after June 15, 2000. As the Company does not currently engage or plan to engage in derivative or hedging activities, management does not expect any impact to the Company's results of operations, financial position or cash flows upon adoption of this standard.

3. Flight Equipment:

The Company's airline fleet consisted of the following aircraft held under operating leases as of March 31, 2000:

Number of Aircraft	Type of Aircraft	Seating Capacity
73	Saab 340	30/34
33	Avro RJ85	69

Under terms of the Jet Agreement, the Company subleases its RJ85 aircraft from Northwest under operating leases with original terms of up to ten years. The Jet Agreement allows the Company to return aircraft to Northwest upon the occurrence of certain events, including termination or breach of the Jet Agreement.

The Company leases all of its Saab 340 aircraft, either directly from aircraft leasing companies or through subleases with Northwest under operating leases with terms of up to 17 years. The Airlink Agreement allows Mesaba to return aircraft to Northwest upon the occurrence of certain events.

Aircraft maintenance and repairs on Saab 340 and RJ85 aircraft are charged to expense when incurred, except for the cost of major airframe inspections, for which the estimated cost is accrued and charged to maintenance expense based upon hours flown, thus providing for the inspection cost when it occurs.

The aircraft operating leases require future minimum rental payments as follows at March 31, 2000:

2001	$106,438
2002	$106,242
2003	$105,535
2004	$102,457
2005	$ 99,617
Thereafter	$347,696

Mesaba has firm lease commitments for the remaining 3 undelivered RJ85 aircraft. The table above does not reflect any minimum lease payments for those undelivered aircraft.

Rent expense under aircraft operating leases totaled approximately $88,877 in 2000, $70,422 in 1999 and $49,500 (not including wet lease expense) in 1998 (including $48,422, $32,472 and $27,172 paid to Northwest in 2000, 1999 and 1998, respectively).

4. **Income Taxes:**

The provision for income taxes for the three years ended March 31 is comprised of the following elements:

	2000	1999	1998
Current:			
Federal	$ 19,213	$ 11,657	$ 11,053
State	3,831	2,973	2,895
Deferred	(2,889)	(517)	(819)
Total provision for income taxes	$ 20,155	$ 14,113	$13,129

The actual income tax expense differs from the expected tax expense for 2000, 1999 and 1998 (computed by applying the U.S. federal corporate tax rate of 35 percent to earnings before income taxes) as follows:

	2000	1999	1998
Computed tax expense at statutory rate	$ 17,926	$ 12,664	$ 11,527
Increase (decrease) in income taxes resulting from:			
State taxes, net of federal tax benefit	2,490	1,932	1,672
Non-deductible flight crew expenses	877	754	552
Other, net	(1,138)	(1,237)	(622)
Total income tax expense	$ 20,155	$ 14,113	$ 13,129

Deferred tax assets and liabilities are comprised of the following as of March 31:

	2000	1999	1998
Deferred tax assets:			
Maintenance	$ 4,064	$ 3,456	$ 2,126
Prepaids	1,938	1,288	229
Warrants	3,069	411	489
Leases	3,181	1,320	1,887
Inventories	678	892	1,344
Other Accruals	2,536	1,460	219
Gross deferred tax assets	15,466	8,827	6,294
Deferred tax liabilities:			
Property and equipment	4,563	746	1,042
Preoperating costs	-	67	457
Integration funds	-	-	93
Gross deferred tax liabilities,	4,563	813	1,592
Net deferred tax assets	$ 10,903	$ 8,014	$ 4,702

Mesaba Holdings, Inc. and Subsidiary

5. **Shareholders' Equity:**

Stock Split

On April 6, 1998 the Company's board of directors declared a three-for-two stock split of the Company's common stock for shares held of record on April 17, 1998. The par value per common share remained at $0.01. 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 vest over a period of four to 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 were as follows:

	Shares	Price Per Share
Options outstanding, March 31, 1997	1,310,250	$2.75-$8.92
Granted	217,500	$8.25-$14.25
Exercised	(221,184)	$2.75-$8.92
Options outstanding, March 31, 1998	1,306,566	$2.92-$14.25
Granted	190,000	$18.00-$23.00
Exercised	(470,779)	$2.92-$12.42
Options outstanding, March 31, 1999	1,025,787	$3.50-$23.00
Granted	420,000	$9.63-$13.81
Exercised	(403,312)	$3.50-$9.50
Cancelled	(265,475)	$4.75-$23.00
Options outstanding, March 31, 2000	777,000	$3.50-$23.00
Exercisable at March 31, 2000	205,000	
Available for grant at March 31, 2000	399,475	

As of March 31, 2000, of the total shares available for grant, 54,000 are available for non-employee directors and 345,475 are available for certain management personnel.

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized in the accompanying consolidated statements of operations. Had compensation cost been recognized based on the fair values of options at the grant dates consistent with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and net income per common share would have been decreased to the following pro forma amounts:

	2000	1999	1998
Net Income			
As reported	$31,061	$21,271	$19,804
Pro forma	$30,191	$19,904	$18,873
Basic Earnings Per Share			
As reported	$ 1.54	$ 1.07	$ 1.03
Pro forma	$ 1.50	$ 1.01	$ 0.98
Diluted Earnings Per Share			
As reported	$ 1.48	$ 0.99	$ 0.95
Pro forma	$ 1.43	$ 0.93	$ 0.91

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions summarized below:

	2000	1999	1998
Risk free interest rate	5.26% - 6.23%	5.56% - 5.59%	5.66% - 5.68%
Expected life of option grants	6 yrs.	6 yrs.	6 yrs.
Expected volatility of option grants	51.08%	54.91%	36.63%
Expected dividend yield	$0	$0	$0
Weighted average fair value of options granted	$6.28	$11.90	$13.98

6. Commitments and Contingencies:

Lease Commitments

In addition to the aircraft described in Note 3, the Company leases land, office and hangar facilities and certain terminal facilities under capitalized and operating leases which provide for approximate future minimum rental payments as follows at March 31, 2000:

	Capitalized Leases	Operating Leases
2001	$ 785	$ 2,701
2002	786	1,680
2003	643	1,399
2004	643	1,350
2005	643	1,334
Thereafter	2,881	25,351
	6,381	$ 33,815
Less- Amount representing interest	2,086	
	4,295	
Less- Current maturities	429	
Total long-term capital lease obligations	$ 3,866	

Rent expense under all facility operating leases totaled approximately $3,850 in 2000, $3,421 in 1999 and $3,410 in 1998.

Benefit Plan

The Company maintains a 401(k) benefit plan for eligible employees whereby the Company will match 25% to 75% of employee contributions to the plan, up to 8% of each employee's compensation, depending on each employee's length of service. The Company's contribution to the plan totaled $1,086 in 2000, $882 in 1999 and $701 in 1998.

Litigation

The Company is a party to ongoing legal and tax proceedings 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 consolidated financial position, results of operations or its cash flows.

7. Earnings Per Share

Basic earnings per common share is computed by dividing net income by the weighted average number of shares of the common stock outstanding during the year. Diluted earnings per share is computed by dividing net income by the sum of the weighted average number of shares of common stock outstanding plus all additional common stock that would have been outstanding if potentially dilutive common shares related to stock options and warrants had been issued. Options and warrants totaling 4,063, 3,459 and 1,973, respectively, were excluded from the computation of diluted earnings per share for the years ended March 31, 2000, 1999 and 1998, respectively. The following table reconciles the number of shares utilized in earnings per share calculations:

	2000	1999	1998
Numerator:			
Net Income	$ 31,061	$ 21,271	$ 19,804
Denominator:			
For Earnings per Common Share – Basic:			
Weighted average number of issued shares outstanding	20,177	19,793	19,270
Effect of dilutive Securities:			
Computed shares outstanding under the Company's stock option plan utilizing the treasury stock method	230	486	711
Computed shares outstanding under warrants issued utilizing the treasury stock method	636	1,233	865
For earnings per Common Share – Diluted:			
Weighted Average Common Shares and Share Equivalents Outstanding	21,043	21,512	20,846
Earnings per share – Basic	$ 1.54	$ 1.07	$ 1.03
Earnings per share – Diluted	$ 1.48	$ 0.99	$ 0.95

8. Quarterly Financial Data (Unaudited)

(in thousands except share and per share data)

	Quarters of Fiscal Year Ended March 31, 2000				
	June 30, 1999	September 30, 1999	December 31, 1999	March 31, 2000	Fiscal Year 2000
Total operating revenues	$ 99,815	$ 102,503	$ 101,008	$ 102,873	$ 406,199
Operating income	14,028	11,224	11,593	9,990	46,835
Net income	9,076	7,318	7,851	6,816	31,061
Earnings per Common Share – Basic	$ 0.45	$ 0.36	$ 0.39	$ 0.34	$ 1.54
Weighted average Common shares outstanding – Basic	19,968	20,221	20,252	20,267	20,177
Earnings per Common Share – Diluted	$ 0.43	$ 0.35	$ 0.38	$ 0.33	$ 1.48
Weighted average Common shares and Share Equivalents outstanding – Diluted	21,266	21,119	20,913	20,875	21,043

	Quarters of Fiscal Year Ended March 31, 1999				
	June 30, 1998	September 30, 1998	December 31, 1998	March 31, 1999	Fiscal Year 1999
Total operating revenues	$ 80,469	$ 71,689	$ 89,641	$ 89,954	$331,753
Operating income	10,464	1,806	10,242	9,710	32,222
Net income	6,033	2,080	6,730	6,428	21,271
Earnings per Common Share – Basic	$ 0.31	$ 0.10	$ 0.34	$ 0.32	$ 1.07
Weighted average Common shares outstanding – Basic	19,616	19,824	19,838	19,864	19,793
Earnings per Common Share - Diluted	$ 0.28	$ 0.10	$ 0.32	$ 0.30	$ 0.99
Weighted average Common shares and Share Equivalents outstanding – Diluted	21,755	21,638	21,230	21,246	21,512

Five Year Selected Financial And Statistical Data

(In Thousands, Except Per Share Information)

Fiscal years ended March 31,	2000	1999	1998	1997	1996
Statement of Operations Data:					
Operating revenues	$406,199	$331,753	$277,225	$185,701	$170,455
Operating expenses	$359,364	$299,531	$246,856	$166,118	$158,148
Operating Income	$ 46,835	$ 32,222	$ 30,369	$ 19,583	$ 12,307
Net Income	$ 31,061	$ 21,271	$ 19,804	$ 11,986	$ 6,972*
Net income per Share - Basic	$ 1.54	$ 1.07	$ 1.03	$ 0.63	$ 0.41*
Weighted average number of shares outstanding - Basic	20,177	19,793	19,270	19,143	16,857
Net income per Share - Diluted	$ 1.48	$ 0.99	$ 0.95	$ 0.62	$ 0.40*
Weighted average number of shares outstanding and common share equivalents - Diluted	21,043	21,512	20,846	19,310	17,534

*Excludes non-taxable gain of $49,303 from distribution of subsidiary

	2000	1999	1998	1997	1996
Balance Sheet Data:					
Current assets	$139,952	$116,369	$ 89,499	$ 67,601	$ 43,212
Net property and equipment	54,109	47,195	32,097	19,772	12,388
Other noncurrent assets	13,663	15,659	15,595	17,193	2,604
Total assets	$207,724	$179,223	$137,191	$104,566	$ 58,204
Current liabilities	$ 44,686	$ 48,674	$ 42,509	$ 33,393	$ 17,323
Long-term liabilities	18,320	21,310	19,136	21,379	6,466
Shareholders' equity	144,718	109,239	75,546	49,794	34,415
Total liabilities and shareholders' equity	$207,724	$179,223	$137,191	$104,566	$ 58,204

Corporate Information

Address
Mesaba Holdings, Inc.
7501 26th Avenue South
Minneapolis, MN 55450

Transfer Agent
Norwest Bank Minnesota, N.A.

Corporate Counsel
Briggs and Morgan,
Minneapolis, Minnesota

Auditors
Arthur Andersen LLP,
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:

Finance Department
Mesaba Holdings, Inc.
7501 26th Avenue South
Minneapolis, MN 55450

Annual Meeting
The annual meeting of shareholders will be held at 10:00 a.m. Monday, August 21, 2000, at the Marriott City Center, Minneapolis, Minnesota.

Board Of Directors

Carl R. Pohlad
Chairman of the Board
Mesaba Holdings, Inc.

Paul F. Foley
President and Chief Executive Officer
Mesaba Holdings, Inc.

Richard H. Anderson
Executive Vice President and Chief Operating Officer of Northwest Airlines, Inc.

Donald E. Benson
Executive Vice President
Marquette Bancshares, Inc.

Pierson M.(Sandy) Grieve
Retired Chairman and CEO, Ecolab, Inc.
Partner, Palladium Equity Partners, LLC

Robert C. Pohlad
President
Pohlad Companies

Douglas M. Steenland
Executive Vice President and Chief Corporate Officer of Northwest Airlines, Inc.

Raymond W. Zehr
Vice President
Pohlad Companies

Corporate Officers

Carl R. Pohlad
Chairman of the Board

Paul F. Foley
President and Chief Executive Officer

John S. Fredericksen
Executive Vice President
Administration And General Counsel

Robert E. Weil
Vice President
Chief Financial Officer and Treasurer

Scott L. Durgin
Vice President
Customer Service

John G. Spanjers
Vice President
Flight Operations

Scott R. Bussell
Vice President
Technical Operations

Managing Directors

Scott M. Ficek
Director
Information Services

Andrew McBride
Director
Financial Planning and Analysis

Jon R. Meyer
Director
Accounting and Controller

Dennis J. Ofstedahl
Director – Stations

Bradley C. Osborn
Director
Hub Operations

Darlene C. Radloff
Director
Organizational Learning And Development

Charles P. Rathbun
Director
Quality Control and Engineering

William R. Ruester
Director
Safety and Compliance

Daniel F. Sheehan
Director
Administration and Human Resources

R. Neil Schnaak
Director
Flight Operations

Sandra K. Sturm
Director
Purchasing and Contracts

MESABA AIRLINES