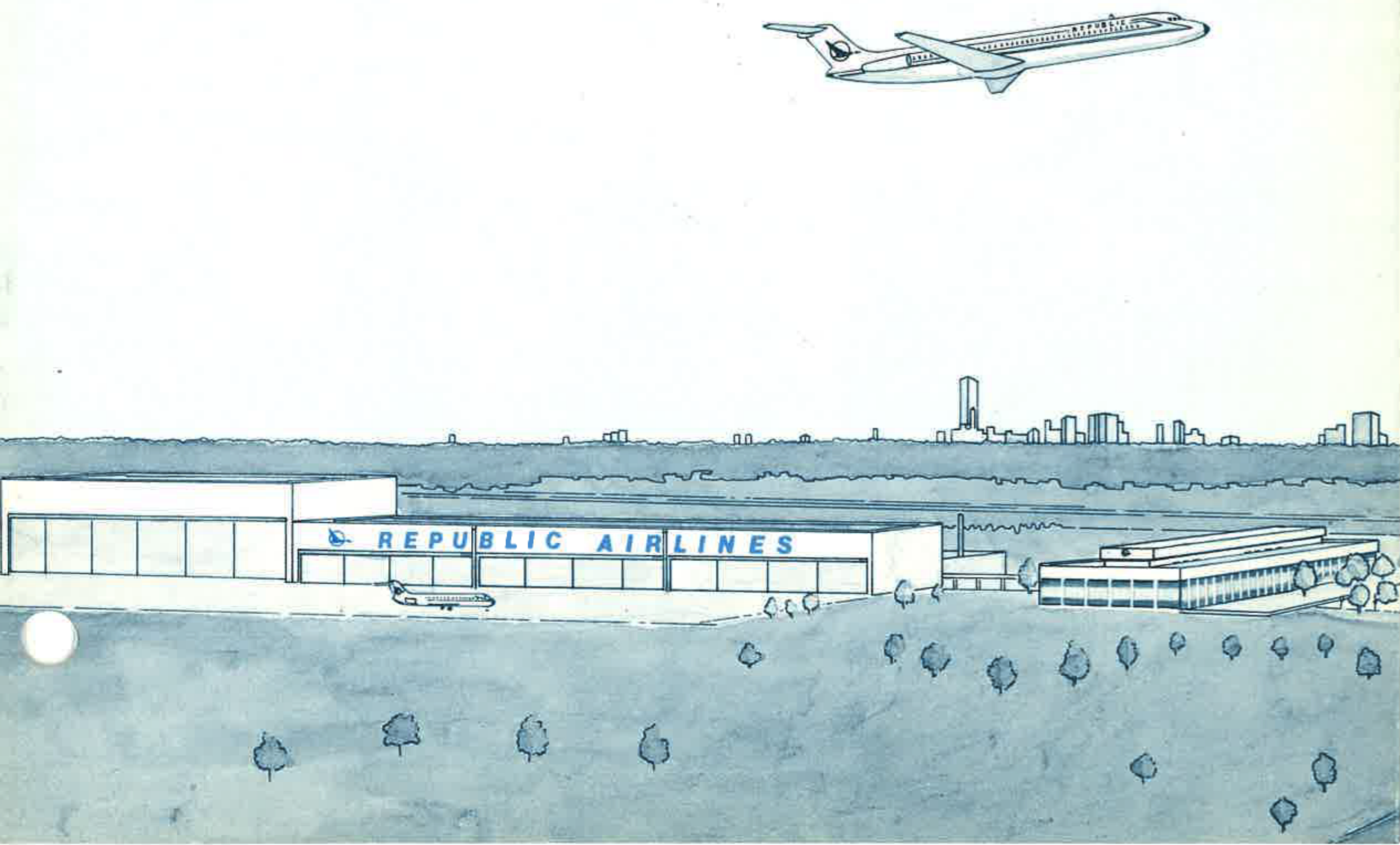
ANNUAL REPORT 1982
REPUBLIC AIRLINES



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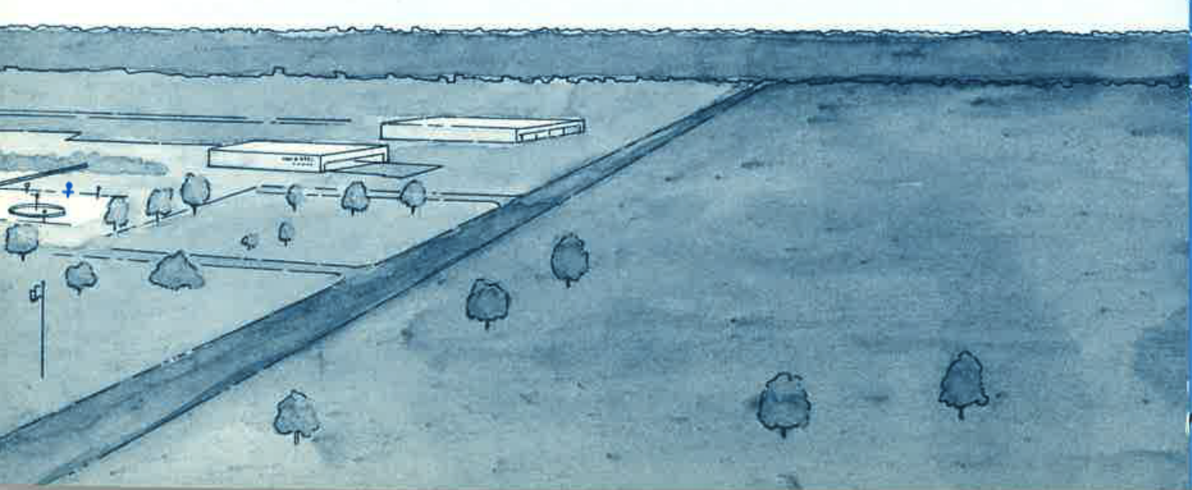


REPUBLIC AIRLINES, INC.

7500 Airline Drive • Minneapolis, Minnesota 55450 • 612-726-7411

Highlights

	1982	1981	1980
OPERATING REVENUES	$ 1,530,668,000	$ 1,448,416,000	$ 916,715,000
OPERATING PROFIT	$ 37,223,000	$ 16,456,000	$ 13,224,000
NET LOSS	$ (39,861,000)	$ (46,269,000)	$ (24,662,000)
NET LOSS PER COMMON SHARE–Primary	$ (1.99)	$ (2.30)	$ (1.19)
WORKING CAPITAL FROM OPERATIONS	$ 30,501,000	$ 16,807,000	$ 14,840,000
RETAINED EARNINGS (DEFICIT)	$ (30,286,000)	$ 14,125,000	$ 64,830,000
STOCKHOLDERS' EQUITY	$ 27,938,000	$ 72,348,000	$ 117,627,000
PASSENGERS	18,075,000	16,841,000	13,220,000
PASSENGER MILES	9,230,889,000	7,641,170,000	4,760,341,000
CARGO TON MILES	65,059,000	51,159,000	37,113,000

About Republic

Republic Airlines, the nation's fifth-largest carrier, provides safe, dependable air transportation to the traveling and shipping public.

The company, originally called Wisconsin Central Airlines, inaugurated scheduled service on February 24, 1948. The name was changed to North Central in 1952. Southern Airways, which began service in 1949, was merged into the company in 1979, and the name became "Republic." Hughes Airwest, another carrier with over 30 years of experience, was acquired October 1, 1980.

The airline serves 150 cities–more than any other carrier in the country. It flies to most of the nation's metropolitan areas and many intermediate-sized communities. The route system extends coast-to-coast, and from Canada to Mexico and the Cayman Islands in the Caribbean. (See map inside front cover.)

By carrying 18 million passengers in 1982, Republic ranks fifth among U. S. airlines. The company operates the seventh-largest commercial jet fleet in the world. Its 162 aircraft–Boeing 727s, Douglas DC-9s and Convair 580s–make 1,300 departures daily.

Republic's 14,400 dedicated employees offer the finest type of scheduled airline service.

ANNUAL MEETING

Wednesday, April 27, 1983

REGISTRARS AND TRANSFER AGENTS

Northwestern Trust Company
New York, New York 10005

Northwestern National Bank
Minneapolis, Minnesota 55480

SECURITIES LISTED

Common stock (RAI)

New York Stock Exchange
Midwest Stock Exchange

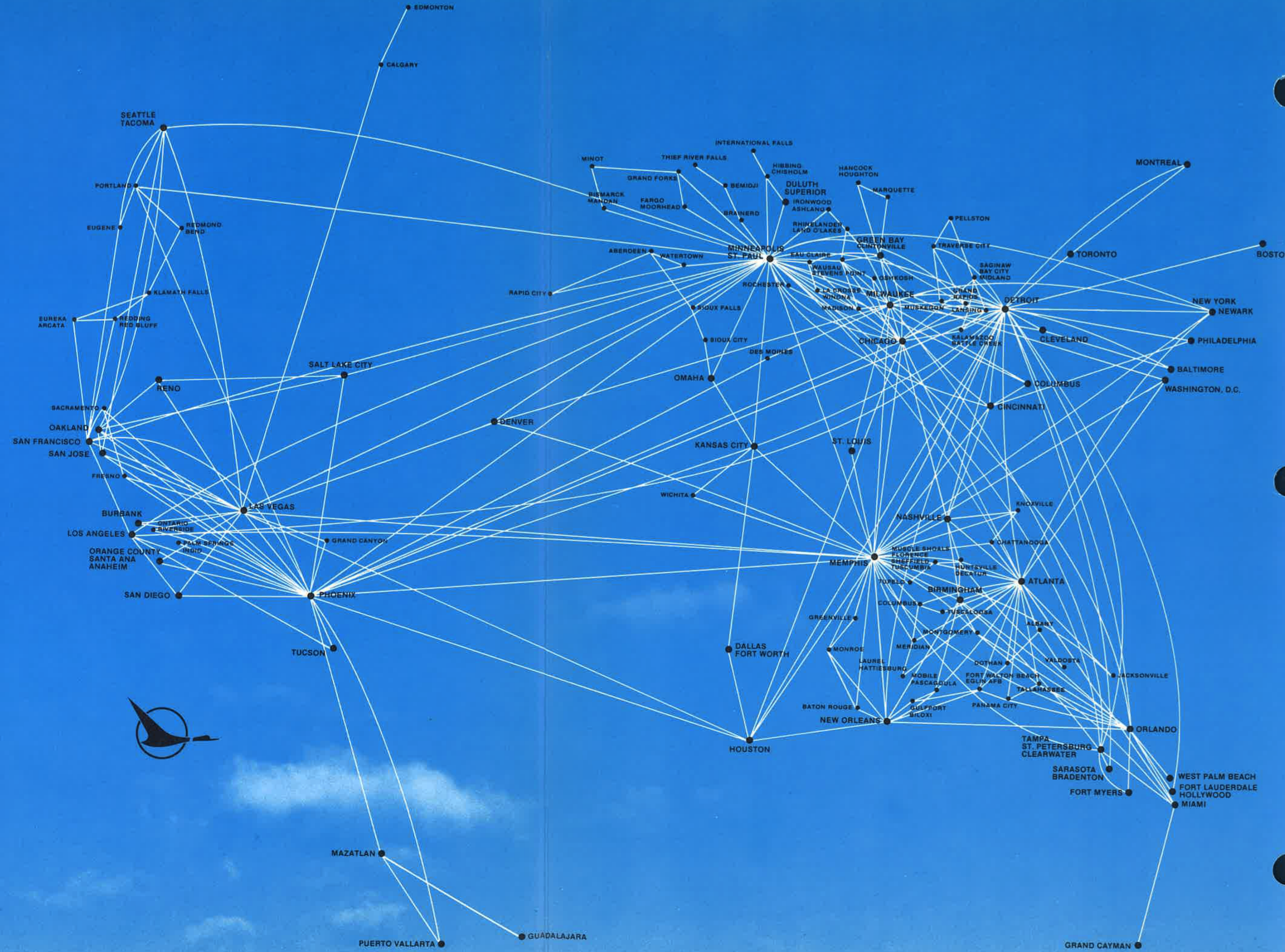
Convertible Senior Subordinated Debentures–10-1/8%

New York Stock Exchange

Trustee:
Northwestern National Bank
Minneapolis, Minnesota 55480

AUDITORS

Alexander Grant & Company


EDMONTON
CALGARY
SEATTLE
TACOMA
PORTLAND
EUGENE
REDMOND
BEND
KLAMATH FALLS
EUREKA
ARCATA
REDDING
RED BLUFF
RENO
SALT LAKE CITY
SACRAMENTO
OAKLAND
SAN FRANCISCO
SAN JOSE
FRESNO
DENVER
LAS VEGAS
BURBANK
ONTARIO
RIVERSIDE
LOS ANGELES
PALM SPRINGS
INDIO
ORANGE COUNTY
SANTA ANA
ANAHEIM
GRAND CANYON
SAN DIEGO
PHOENIX
TUCSON
MAZATLAN
PUERTO VALLARTA
GUADALAJARA
INTERNATIONAL FALLS
MINOT
THIEF RIVER FALLS
GRAND FORKS
HIBBING
CHISHOLM
BEMIDJI
BISMARCK
MANDAN
FARGO
MOORHEAD
DULUTH
SUPERIOR
BRAINERD
HANCOCK
HOUGHTON
MARQUETTE
IRONWOOD
ASHLAND
RHINELANDER
LAND O'LAKES
ABERDEEN
WATERTOWN
MINNEAPOLIS
ST. PAUL
RAPID CITY
ROCHESTER
EAU CLAIRE
WAUSAU
STEVENS POINT
GREEN BAY
CLINTONVILLE
OSHKOSH
LA CROSSE
WINONA
MILWAUKEE
MADISON
SIOUX FALLS
SIOUX CITY
DES MOINES
OMAHA
CHICAGO
PELLSTON
TRAVERSE CITY
SAGINAW
BAY CITY
MIDLAND
GRAND RAPIDS
MUSKEGON
LANSING
KALAMAZOO
BATTLE CREEK
DETROIT
TORONTO
MONTREAL
BOSTON
NEW YORK
NEWARK
CLEVELAND
PHILADELPHIA
BALTIMORE
WASHINGTON, D.C.
COLUMBUS
CINCINNATI
KANSAS CITY
ST. LOUIS
WICHITA
KNOXVILLE
NASHVILLE
CHATTANOOGA
MEMPHIS
MUSCLE SHOALS
FLORENCE
SHEFFIELD
TUSCUMBIA
HUNTSVILLE
DECATUR
TUPELO
BIRMINGHAM
ATLANTA
COLUMBUS
TUSCALOOSA
GREENVILLE
MONTGOMERY
ALBANY
MERIDIAN
MONROE
DALLAS
FORT WORTH
LAUREL
HATTIESBURG
DOTHAN
VALDOSTA
MOBILE
PASCAGOULA
FORT WALTON BEACH
EGLIN AFB
JACKSONVILLE
TALLAHASSEE
BATON ROUGE
GULFPORT
BILOXI
PANAMA CITY
NEW ORLEANS
ORLANDO
HOUSTON
TAMPA
ST. PETERSBURG
CLEARWATER
SARASOTA
BRADENTON
WEST PALM BEACH
FORT LAUDERDALE
HOLLYWOOD
FORT MYERS
MIAMI
GRAND CAYMAN

To our stockholders, employees and friends:

Republic Airlines made progress in 1982 by improving its financial position while leading the major carriers with a 21 percent traffic increase. Greater productivity, debt restructuring, lower unit costs, and the sale of debentures were highlights. Revenues were up six percent to $1.53 billion, and expenses of $1.57 billion were five percent over 1981. The resulting net loss was $39.9 million, compared with a $46.3 million loss a year ago.

Competition in the air transportation industry has never been more intense. The prolonged economic recession substantially lowered traffic demand and prompted fare wars to attract customers. Overcapacity plagued the industry, and prices were slashed drastically. Two scheduled airlines ceased operations last year, and two others merged. All major carriers continued to be adversely affected by air traffic control restrictions.

Republic worked hard to cope with these conditions, and before the end of the year, several major accomplishments were announced:

- the loan agreement with the company's principal banks was restructured, extending long-term debt payments and significantly improving cash flow over the next few years.
- the purchase agreement for 11 McDonnell Douglas DC-9 Super 80s was revised to extend deliveries through 1986.
- $75 million of Convertible Senior Subordinated Debentures were sold, resulting in a strong year-end cash position.
- three fuel-efficient DC-9 Super 80s were delivered in December 1982.

The revenues of $1.53 billion were up six percent even though the company had to match unprofitable competitive fares. Operating expenses increased to $1.49 billion. Employee pay concessions, lower fuel prices, and improved productivity helped to hold the line. As a result, operating profit more than doubled to $37.2 million in 1982, from $16.5 million in 1981. Interest and other expenses, partially offset by the sale of tax benefits, were $77.1 million. The net loss of $39.9 million, or $1.99 per share, resulted.

Republic's move toward financial recovery was a team effort. Most employees postponed wage increases, accepted a ten percent pay cut for six months, and deferred a month's compensation until August of 1983. The exemplary spirit of Republic personnel is one of the company's greatest assets. Fewer employees handled a record number of passengers, yet maintained the airline's reputation for helpful service. The company's traffic growth was greater than that of any other major carrier.

Republic flew a record 9.2 billion revenue passenger miles for the 21 percent increase, while the 11 major airlines had an average gain of five percent for 1982. The company also led the majors by expanding its market share 18 percent. Over 18 million passengers chose Republic, seven percent ahead of the previous year. Cargo ton miles, showing excellent progress, rose 27 percent to 65.1 million.

The extraordinary traffic gains were stimulated by a steady buildup of service at hub cities since January 1982. New nonstops linked Minneapolis/St. Paul with New York (LaGuardia), Los Angeles, San Francisco, Portland, Bismarck/Mandan, Grand Rapids and Cincinnati. Memphis received routes to Cincinnati, Knoxville, Las Vegas and Los Angeles.

From Detroit, new nonstop flights now operate to New Orleans, Montreal, Los Angeles, and Phoenix. Service was introduced from Phoenix to Los Angeles, Palm Springs/Indio and Chicago, while Las Vegas gained flights to San Francisco and Palm Springs/Indio. Nonstops were also inaugurated from Cleveland to both Baltimore and Milwaukee.

Fort Myers was added to the system in December. Flights operate to this popular Florida vacation spot from Minneapolis/St. Paul via Orlando, and from Detroit via Tampa/St. Petersburg/Clearwater.

Creative advertising is achieving national recognition for the company. Hollywood celebrities helped promote the new Los Angeles service. A memorable series of television commercials featured actual passengers who had written complimentary letters to the airline. The public enthusiastically responded to the "Kids Fly Free" plan with Chex cereal and the two-for-one "Pair Fare" ticket offer. Campaigns were also directed to travel agents–who sell two-thirds of Republic's tickets.

Regular business travelers–the backbone of airline traffic–received special attention. Over 100,000 passengers are participating in the "Frequent Flyer" program, which awards travel bonuses for selecting Republic often. Business Coach–featuring wide, two-by-two seating–was introduced on most flights.

"Celebrity Service" highlighted champagne and enhanced menus on selected long-haul routes. At airport terminals in Detroit, Minneapolis/St. Paul, Chicago, Atlanta, Memphis and Phoenix, quiet and comfortable "Republic Executive Suites" offer passengers a variety of amenities.

Three DC-9 Super 80s were added in 1982, bringing the fleet to 162 jet-powered aircraft. A flight equipment standardization program, currently underway, reduces maintenance expense and improves scheduling flexibility.

The goal for 1983 is to return the company to profitability and sustain Republic's growth. Resources are being concentrated in markets with the most potential for solid, long-term gains. The company's unique multi-hub route structure and connecting flight schedules are being steadily refined for optimum use of aircraft and personnel. This strategy has already made Republic the dominant carrier at several of these traffic centers.

Republic is well prepared to take full advantage of the increased demand for airline service which is forecast for the coming months. As the national economy recovers, deeply-discounted fares should not be needed to stimulate traffic. Based on these factors, the company is encouraged by the opportunities for further progress in 1983.

Sincerely,

Hal N. Carr
Chairman of the Board

Daniel F. May
President and Chief Executive Officer

March 11, 1983

Republic's fleet of 162 jet-powered aircraft is the seventh-largest in the world. Three new high-technology DC-9 Super 80s were added in 1982.

Building the system

Republic's route system draws passengers to its major hubs from medium-sized cities, and then carries them to their final destinations on long-haul flights. Results for 1982 prove this concept is working well. Connecting traffic jumped 86 percent at Minneapolis/St. Paul, 156 percent at Memphis, and 95 percent at Phoenix. Last year, Republic became the leading passenger carrier at Memphis, and continues to rank first at Detroit, Phoenix, and Milwaukee.

For 1982, Republic again led all major airlines in traffic growth. Revenue passenger miles climbed 21 percent to 9.2 billion, while the majors as a group experienced only a five percent increase. Republic carried 18 million passengers, up seven percent from 1981, and flew 65.1 million cargo ton miles for a 27 percent gain. Over 196,000 small express shipments were delivered under the VIP (Very Important Package) program.

Six times last year, the month's traffic exceeded the previous high set in March 1981. The peak was reached in June, when 1,813,605 air travelers chose Republic. A single-day record was established June 11 with 69,546 passengers. To supplement regular scheduled flights, the airline provided 286 charter trips for 52,882 people.

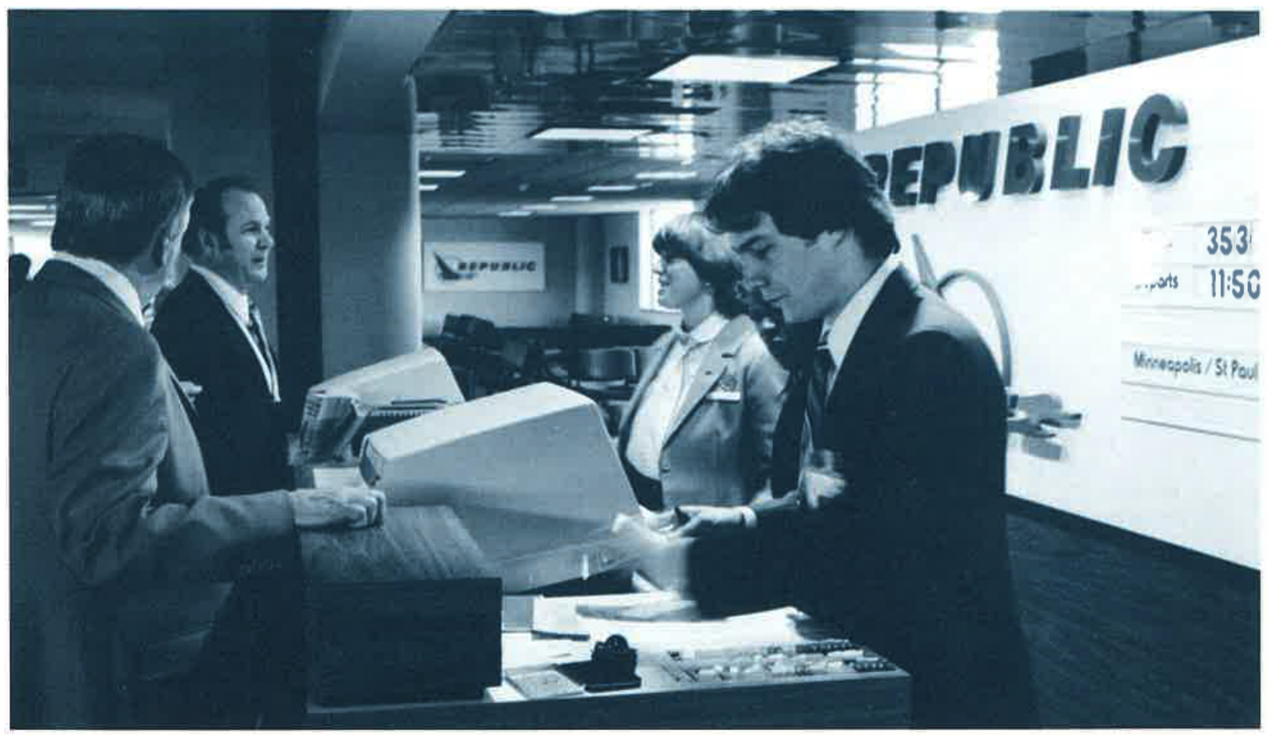
The company's operating performance in 1982 was again among the highest in the industry. Republic flew 99 percent of its 157 million scheduled miles. Contributing to this excellent operating effort was the airline's exacting maintenance program. Only three-tenths of one percent of Republic's departures were cancelled, and just 1.7 percent were delayed for maintenance reasons.

During the year, over 20 major routes were introduced. The Minneapolis/St. Paul hub received significant buildup, with new nonstop flights to New York (LaGuardia), Los Angeles, Portland, San Francisco, Grand Rapids, Bismarck/Mandan, and Cincinnati. The Memphis hub was linked with Los Angeles, Las Vegas and Cincinnati. In Detroit, nonstops were added to Phoenix, Los Angeles and New Orleans. At the Phoenix hub, flights were inaugurated to Chicago, Los Angeles and Palm Springs/Indio. Cleveland gained new service to Baltimore and Milwaukee, and nonstops joined Las Vegas to San Francisco and Palm Springs/Indio.

In December, Fort Myers became the newest city on the Republic system. This popular Florida destination is being served from Minneapolis/St. Paul, via Orlando, and from Detroit through Tampa/St. Petersburg/Clearwater. In February 1983, nonstops connected Memphis with Knoxville, and single-plane service was initiated between Montreal and Los Angeles, via Detroit.

Republic's program for improving its route system is based on development of major hubs. The company is already the dominant carrier at several of these centers. By focusing on markets with the greatest growth possibilities, Republic should maximize its inherent competitive strength and control traffic at these hubs.

As a continuation of this strategy, Republic announced plans early in 1983 to further expand service at Minneapolis/St. Paul, Detroit, Memphis and Phoenix. New nonstops being introduced in April include Memphis to New York (LaGuardia), Washington, D.C. (National), Tampa/St. Petersburg/Clearwater, and Jacksonville; Detroit-Philadelphia; Las Vegas-Reno; and Phoenix to San Diego, Portland and Memphis. At Minneapolis/St. Paul, additional nonstops are being scheduled to New York (LaGuardia), San Francisco, Seattle/Tacoma, and Portland.



New passenger facilities at New York LaGuardia, Kansas City, Phoenix and other major airports improve Republic's service in key markets.

To accomplish this, the company is reallocating some of its resources by discontinuing service at seven points –South Bend, Dayton, Spokane, Pasco/Richland/Kennewick, Boise, Twin Falls, and Redding/Red Bluff– which do not enhance Republic's primary east-west service patterns. Also, the community of interest between these cities and established hubs is limited, and potential traffic does not justify the personnel and aircraft required.

The company does have a commitment to the cities that surround its traffic centers. The airline is working closely with state and local tourist bureaus and Chambers of Commerce to promote business and tourism so viable air transportation can be continued. Should service by a regional carrier be more economically feasible, Republic will make every effort to help the community secure adequate, reliable replacement service.

Last year, several employee groups agreed to a series of work-rule modifications and other concessions designed to enable the airline to compete effectively and economically at some of the smaller cities around its hubs. The changes, which are currently being implemented, will also help preserve jobs for these employees.

Seven regional airlines–Simmons, Skywest, Mesaba, Sunbelt, AAA Air Enterprises, National Florida and San Juan–are co-hosts in ESCORT, Republic's computerized reservations and telecommunications system. The airline also provides airport facilities, counter and gate space, training, ticketing, and ground service for 29 regional carriers. In addition, the company has joint fare and interline ticketing agreements with more than 100 regional airlines.

The complexity of serving over 150 cities, handling 50,000 passengers, and making 1,300 departures daily requires sophisticated reservations and telecommunications. During 1982, all computer operations were consolidated at the airline's headquarters in Minneapolis/St. Paul. Two IBM 3081 mainframes, the largest and fastest available, were added to provide greater capacity for ESCORT. On November 29, a new daily record was set on ESCORT when 2.8 million reservations and operational messages were processed.

Reservations agents respond to customers more rapidly. Advanced computer terminals increase productivity by displaying three separate categories of information simultaneously.

To further increase productivity, the airline installed IBM Series I computer terminals in its Minneapolis/St. Paul and Phoenix central reservations offices. These high-technology units display three separate categories of information simultaneously. This reduces the workload of reservations agents and speeds up service to customers. In addition, Republic is one of the first airlines to utilize the enhanced toll-free (WATS) telephone service for reservations. Calls can now be easily transferred from one reservations center to another at peak periods.

Republic is introducing a new automated system to expedite check-in procedures. By this summer, passengers can receive computer-generated seat assignments at airport ticket counters or at the gates. This will also be available for on-line connecting flights.

Operating restrictions are still being imposed by the Federal Aviation Administration at certain airports as a result of the air traffic controllers' strike. Although some relief was granted in 1982, constraints are continuing into 1983. Republic will add service at key hubs and larger cities as the air traffic control system permits.

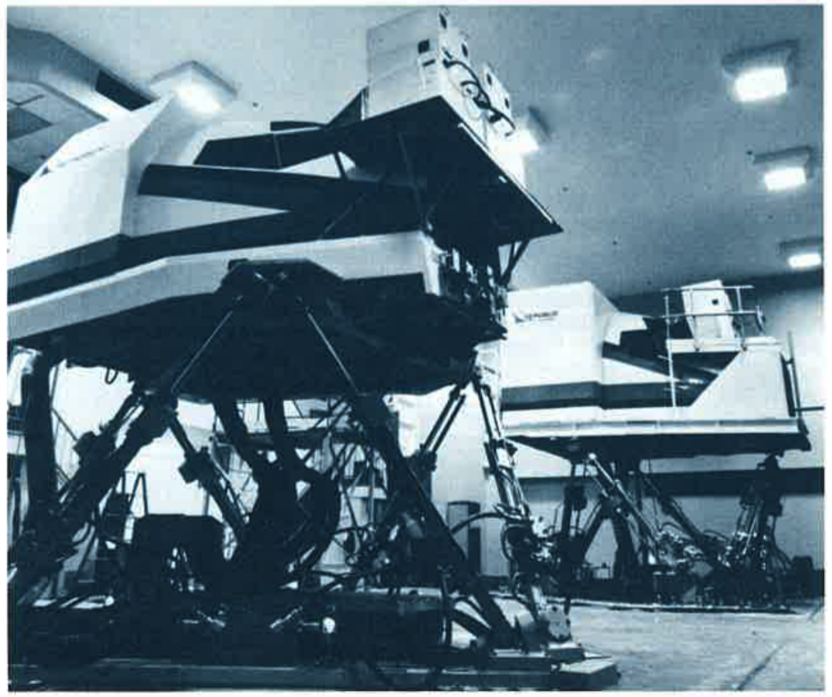
New facilities for Republic passengers were completed at Baton Rouge, Boston, Cleveland, Edmonton, Kansas City, Miami, Seattle/Tacoma and West Palm Beach during 1982. New air freight terminals were occupied at Milwaukee, Detroit, Houston (Hobby), Green Bay/Clintonville, and Burbank.

At the Minneapolis/St. Paul main operations base, the recently-completed construction project added 70,000 square feet to the hangar area and maintenance support shop space. In Atlanta, the power plant facility was developed to handle engine overhaul for the company's entire fleet. Some of this work had previously been done by outside firms. Also, the airline's Flight Crew Training Center was remodeled. Other construction is currently underway at New York (LaGuardia), Milwaukee, Houston (Hobby), Phoenix and Tucson.

These new facilities are especially important in the company's program to develop its unique multi-hub route system. Most carriers concentrate on just two or three hubs. Republic uses eight carefully-selected major cities across the country as traffic centers. This permits high-level passenger service, better equipment utilization, and convenient single-carrier transportation between 100 medium-sized cities and most major business and pleasure destinations.

As traffic increases with economic recovery, Republic is well prepared to generate profits in all regions of the country.

Flight simulators provide pilots with effective, federally-approved training and also reduce fuel consumption and instruction costs.



Building the fleet

Three new McDonnell Douglas DC-9 Super 80s were added to Republic's fleet in 1982. The airline now has six of the highly-sophisticated, ultra-quiet jets. Under a revised purchase agreement with McDonnell Douglas Corporation, Republic will receive three Super 80s this year, and five in 1985 and 1986.

These new 145-passenger aircraft are vital to Republic's future. The twin-engine jets have proven to be 30 percent more fuel-efficient than earlier aircraft with similar range and capacity. The Super 80s have the flexibility of making one-stop transcontinental flights or operating in short-haul markets. They also meet the most stringent noise standards in sensitive areas. Equally important, surveys have shown a high level of passenger satisfaction.

Republic's fleet of 162 jet-powered aircraft–the seventh-largest in the world–includes 132 DC-9s, 15 Boeing 727s, and 15 Convair 580s. With the new Super 80s and improved scheduling, the airline increased available seat miles by 10 percent in 1982.

This spring, a new DC-9-80 flight simulator is being put into operation at the company's Flight Crew Training Center in Atlanta. By utilizing the most recent advances in computer and simulation technology, this device will precisely duplicate the flight and system characteristics of the aircraft. Other airlines operating Super 80s have contracted to purchase training time on the company's new simulator. (Only two are available in the United States.) Republic's Flight Crew Training Department has four additional simulators which provide pilots with effective, federally-approved training, while significantly reducing fuel consumption and instruction costs.

Jet fuel continues to be one of the airline's largest expenses because over one million gallons are used daily. With supplies remaining high last year, the average price per gallon dropped to 97.5 cents, a decrease of six percent. Forecasts for 1983 indicate that this price trend will continue unless a dramatic shift in oil production occurs.

During 1982, Republic fully implemented its new technique to "power back" aircraft from the loading gates at 30 airports. The procedure employs the aircraft's reverse engine thrust, instead of manpower and expensive ground equipment, to move the plane. Several airlines have purchased the company's technical documentation for this FAA-approved method.

Extensive efforts to standardize major maintenance checks increased operating reliability. This resulted in common aircraft components which produced significant cost savings from the sale of surplus parts and smaller inventories at maintenance bases. Republic mechanics completed Business Coach modifications on 110 of the company's jets. New seats and cabin dividers were installed, often in a single night, and other changes upgraded cabin appearance. To increase the operating range of nine aircraft, supplemental fuel tanks were added.

Last year, the power plant facility in Atlanta was developed to handle engine overhaul for the entire Republic fleet. Mechanics rebuilt 143 engines, while 66 engine modules were repaired for assembly elsewhere. Formerly, some of this work was done by other firms. Republic is now seeking contracts for power plant work to increase the utilization of this facility. One recent agreement covers rebuilding up to 40 jet engines for two South American carriers.

Completion of the large construction project at the Minneapolis/St. Paul main operations base has dramatically expanded work space, permitting greater productivity. New support shop facilities are being used to maintain most aircraft components. Space for building and ground equipment maintenance is also included.

The Federal Aviation Administration issued a systemwide Repair Station Certificate–Part 145 to Republic in 1982. This enables the company to handle outside contracts for major aircraft maintenance at its Phoenix, Atlanta and Minneapolis/St. Paul bases, and line repairs at all 16 maintenance bases.

Republic presently has over 50 contracts with various airlines and aircraft operators for maintenance work at 90 locations. Last year, the company performed heavy airframe work and completed FAA certification of four DC-9s for one customer. A 16-member technical crew is provided for these aircraft. Also being maintained are a small fleet of DC-9s for an airline and seven Boeing 727s for a cargo carrier.

Other operators depend on Republic for a wide variety of support service–including emergency repairs, aircraft parts and supplies, routine maintenance, and training. In addition, the company provides flight crew and technical training, maintenance support, and management assistance to overseas carriers in Asia, Africa and South America.

In 1983, Republic is making an aggressive effort to further develop its extensive contract operations. Besides producing revenues, this program makes more efficient use of the company's maintenance facilities, inventory, and highly-skilled people.

With superior equipment and professional personnel, Republic is continuing to hold down costs, while improving the quality and performance of its fleet.

At Republic's expanded power plant facility in Atlanta (right), mechanics overhaul jet engines for the entire fleet. An addition to the Main Operations Base in Minneapolis/St. Paul (below) has dramatically enlarged work space in the hangar area and support shops.

Building the image

In today's environment, the airlines are intensely competing for business. Republic has responded with creative advertising and innovative promotions. These marketing programs emphasize the company's name and logo, nationwide route system, competitive fares, and quality service.

Advertising campaigns introduced the theme "Nobody Serves Our Republic Like Republic." The first television ads highlighted the airline's size with destinations "from sea to shining sea." The next series illustrated employee professionalism by using the actual passengers who had written complimentary letters. Hollywood stars Milton Berle, Debbie Reynolds, Doc Severinson and Carol Channing helped promote new "Celebrity Service" to Los Angeles from Detroit and Minneapolis/St. Paul.

Effective promotions in 1982 established Republic as a marketing leader in the industry. Consumers eagerly accepted the "Kids Fly Free" cereal offer. The Ralston-Purina Company issued several hundred thousand certificates permitting a child to fly free on Republic with a full fare-paying adult.

"Pair Fare," which used two-for-one pricing, attracted a large number of discretionary travelers. Nearly two-thirds of these people said they would not have flown, or would have chosen another airline, if the plan had not been available.

These programs were highly successful. The company's 21 percent increase in traffic was well ahead of the five percent industry average. Research in key cities showed that awareness of Republic had improved dramatically.

The airline and Ralston-Purina are teamed up again in 1983. Millions of Chex cereal boxes are announcing family discounts on a complete vacation package. This includes reduced fares for parents and children traveling together, plus hotel and car rental savings.

Two ambitious projects–Business Coach and the Frequent Flyer program–have been developed to attract a greater number of regular business travelers. These services are being vigorously advertised and promoted in local newspapers, national publications and trade magazines so Republic can gain a larger share of this important business market.

Business Coach features pre-boarding, roomy two-by-two seating in the front of the aircraft, complimentary beverages and other amenities. At several major airports, the company maintains comfortable "Executive Suites" where passengers can work, relax or meet with associates. Writing space, magazines and beverages are provided, and the suite is staffed with an attendant.

Republic Executive Suites are available to passengers for relaxing, working or meeting with business associates. These quiet, comfortable rooms are located in terminals at seven major cities.

Over 100,000 customers participated in the "Frequent Flyer" program and were awarded travel bonuses for selecting Republic on a regular basis. This year, the airline has introduced "FASTRAC," its own computerized mileage-tracking system, to simplify the procedure. After every 12,000 miles of travel on Republic, members automatically receive a free round-trip coach ticket, plus a Business Coach upgrade. By the end of 1983, more than 200,000 Frequent Flyers are expected to be enrolled. To give these passengers personalized attention, a Business Travel Service Center has been established.

The company's Convention Travel Service has achieved wide-spread acceptance. Last year, Republic was named "Official Airline" for nearly 200 events attended by 250,000 people. Qualifying groups receive cost and transportation information, air fare discounts and promotional assistance. The airline flies to 23 of the top 25 meeting and convention destinations in the continental United States.

In 1982, Republic was also named the Official Airline of the Aircraft Owners and Pilots Association and the Civil Air Patrol. "A.M. Weather," a popular PBS television program, was funded in part by a grant from the company.

Professional communication with the news media led to positive articles about Republic in business and trade publications such as Forbes, The Wall Street Journal, Air International, and Air Transport World. A new program, designed to assist travel writers, has also helped create awareness of the airline and the more than 150 cities it serves. Several government and civic bodies have publicly acknowledged the company's assistance in promoting tourism and business development.

Steps have been taken to strengthen relations with the 20,000 U.S. travel agents who sell two-thirds of all Republic tickets. The airline continues to support the basic travel agency system and seeks to improve agents' access to flight information. The company has become a co-host in four major computerized reservations and information systems–Apollo, Sabre, System One and Marsplus. Over 85 percent of the travel agencies in the U.S. will be tied to one of these automated systems by the end of 1983.

Company representatives made 174,000 calls on agencies and key commercial accounts during 1982. Retired employees, working as volunteers, manned special toll-free telephones to answer questions from travel agents. Pilots, flight attendants, and station, reservations, and passenger agents invested their own time to staff booths at travel fairs and shopping centers, and assist with other promotions. Eleven uniformed flight crew members visited all 535 Congressional offices in Washington.

Nearly 6,000 people received guided tours of the airline's facilities throughout the system. Another 10,200 guests attended public functions held in the company's headquarters.

Internal communications kept Republic's 14,400 highly-skilled employees well informed. "Republic People," the company's newspaper, is supplemented by a weekly bulletin entitled "Extra Section." A telephone call-in system, "Direct Approach," provides confidential answers to inquiries from personnel. ESCORT is used for immediate transmission of important news.

Republic's corporate image reflects the individual efforts of all employees and the quality service they provide. Creative marketing programs will improve national identity and stimulate further growth in 1983.

Business Coach service features pre-boarding, roomy seating, complimentary beverages and other amenities at fares below first class.

The future

Several important developments have substantially improved Republic's prospects for the future, and the airline is implementing strategic plans to take advantage of them.

One of the most significant events was the Federal Aviation Administration's recent announcement that flight quotas are being eliminated at the 22 major airports across the country. The air traffic control system should reach pre-strike capacity by April, and most operating restrictions should be lifted this fall.

Republic will concentrate on strengthening traffic centers, such as Memphis, Detroit, Minneapolis/St. Paul and Phoenix, and leave markets which are not compatible with its current hub-and-spoke system. Other carriers are also reorganizing their route structures, which often reduces service at some of Republic's key cities. Such changes will give the company an opportunity to gain new traffic in these markets.

Further, Republic and other major airlines have shown they will not be undersold by cut-rate carriers. This should discourage the use of discount pricing as a marketing tool and cause new entrants to be more prudent. Emphasis is returning to quality of service. Republic plans to dominate key markets by providing convenient schedules, excellent inflight attention, superior on-time performance, and prompt baggage delivery. Employees are striving to enhance the reputation they have earned for caring about the people they serve.

In the areas of cost control and productivity, the support of Republic's personnel has been gratifying. The cooperation of employee groups, a company strength for many years, has allowed Republic to increase flights and maintain its extensive system without incurring proportionate expenses. Additionally, the company has successfully restructured its finances so loan payments are more manageable, operating cash is available, and several new aircraft can be purchased. This action is providing the stability and capacity which are vital to recovery.

Republic is convinced that people enjoy air travel, and traffic will increase when the national economy improves. The airline has decisively moved to maximize its strength, eliminate excess costs, and prepare for a profitable future.

RESULTS OF OPERATIONS

1982 Compared with 1981

Republic made considerable progress in traffic growth, productivity improvements and operating profit during 1982. The national recession and continuing fare wars limited revenue potential, and high interest expense offset operating gains.

Revenues reached $1.53 billion, operating expenses were $1.49 billion, and the company achieved an operating profit of $37.2 million. Nonoperating expenses were $77.1 million, primarily interest of $100.7 million partially offset by $17.7 million from the sale of tax benefits and $5.9 million of other nonoperating items. This resulted in a net loss of $39.9 million for 1982.

In 1981, revenues were $1.45 billion, operating expenses totaled $1.43 billion, and the operating profit was $16.5 million. Nonoperating expenses of $62.7 million in 1981 included interest expense of $108.4 million, after deducting $28.9 million from the sale of tax benefits and $13.4 million from disposition of equipment. The net loss was $46.3 million.

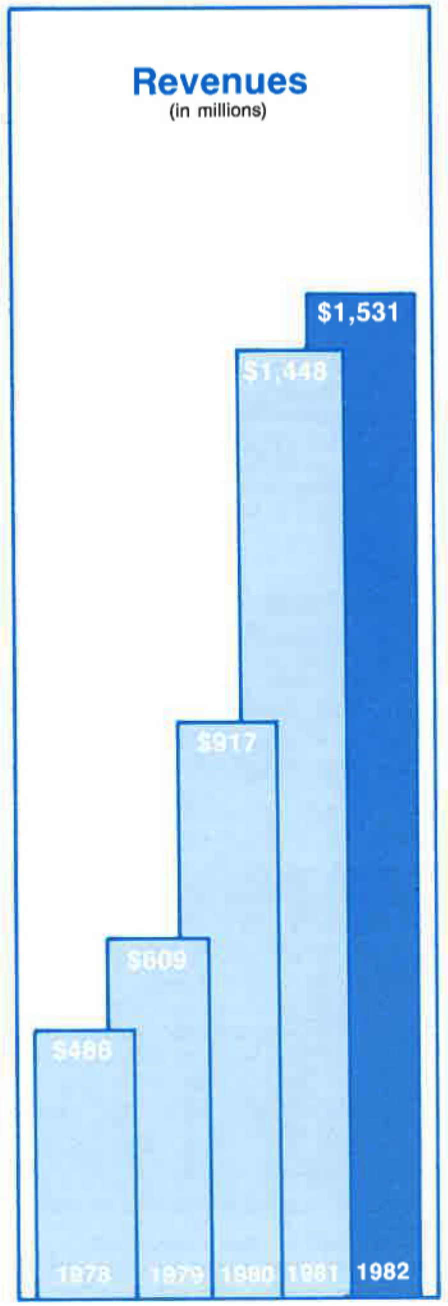
Operating revenues in 1982 rose $82.3 million, or 5.7 percent, compared with 1981. Passenger revenues increased $90.7 million, freight and mail climbed $8.3 million, and public service revenues declined $21.4 million. The higher passenger revenues were associated with a 21 percent rise in passenger miles. This would have equaled $280.9 million at 1981's average yield (revenue per passenger mile). Drastic fare discounting, which Republic had to match, was the main factor causing 1982's average yield to decrease to 15.29 cents from 17.37 cents in 1981, equal to 12 percent or $190.2 million based on 1982's passenger miles.

Although the industry's traffic was adversely affected by the national recession, the company achieved its growth through increased capacity, new long-haul routes, and effective marketing programs. May and June traffic was affected by a 26-day strike against another carrier.

Lower public service revenues reflect the company's withdrawal from unprofitable cities eligible for subsidy, and government termination of payments for service to various other marginal traffic cities.

Operating expenses in 1982, partially checked by stringent cost control and productivity programs, were up $61.5 million, or 4.3 percent, over 1981. However, operating expense per available seat mile declined to nine cents in 1982 from an average of 9.47 cents in 1981. Salaries and benefits increased $12.6 million, although the rise was tempered by six-month wage reductions and freezes for most employees which affected December 1981 and the first five months of 1982.

Fuel expense rose $3.9 million, primarily from higher consumption associated with flying more miles. This was somewhat offset by conservation measures, the introduction of more efficient aircraft, and a six percent drop in aviation fuel prices.



Travel agency commissions grew $25.3 million due to higher gross revenues, larger volume of sales by agents (66.2 percent in 1982–62.5 percent in 1981), and extra incentives for special promotional programs. All other operating expense increases relate to added capacity and inflation.

Interest expense before capitalized interest declined $20.1 million, or 16.5 percent, from 1981. A substantial portion of Republic's debt is tied to the prime rate, which averaged 14.8 percent in 1982 and 18.8 percent in 1981. This reduction in interest rate represents $17 million. Net interest expense for 1982 declined only $7.7 million because interest capitalized on pre-delivery deposits, for aircraft on order, was greater in 1981.

Results for the fourth quarter reversed an earlier improving trend with a net loss of $27.3 million, compared with a net loss of $12.5 million for the first nine months of 1982. During the last quarter, the industry suffered from a sharp drop in traffic demand. This immediately escalated the on-going fare wars, but these did not boost sales enough to compensate for lost revenues. Initially, Republic sought to maintain fare levels, but as market share fell, the company was forced to match all discounts.

1981 Compared with 1980

In accordance with generally accepted accounting principles, Republic Airlines financial statements include the results of Republic Airlines West, Inc. as a consolidated subsidiary only since October 1, 1980, the date on which that company (formerly Hughes Airwest) was acquired. Comparison of operating results of 1981 to 1980 is limited by this acquisition and the related integration and expansion of routes, service, facilities, personnel and schedules.

Republic lost $46.3 million in 1981 and $24.7 million in 1980. By including Hughes Airwest's operations for the first nine months of 1980, the pro forma combined results showed a net loss of $46.1 million. Even with operating profits in both years, net losses were incurred after deducting interest and other net nonoperating expenses. Results in 1981 were favorably affected by the $28.9 million sale of tax benefits and a $13.4 million gain on disposition of equipment. In 1980, the gain on disposition of equipment was $4.1 million.

Operating revenues in 1981 rose $531.7 million, or 58 percent over 1980, showing the effect of the acquisition and the use of newly-acquired aircraft. While revenue passenger miles increased 60 percent over 1980, yield was off slightly to 17.37 cents in 1981, from 17.52 cents, because of price competition and a longer average passenger trip. Revenues in 1981 were also adversely affected by the lingering recession and the operating restrictions imposed by the Federal Aviation Administration after the air traffic controllers' strike.

For 1981, operating expenses were up $528.5 million. Salaries and benefits gained $187 million, primarily because of the Hughes Airwest acquisition. Aircraft fuel expense for 1981 was $145.5 million more than 1980 due to rises of 34 percent in consumption and 16 percent in the average price. Agency commissions were $39.8 million over 1980, from increased rates and larger sales volume.

Interest expense reached $108.4 million in 1981, more than double the $48.3 million of 1980. Aircraft purchases and the acquisition of Hughes Airwest caused long-term debt and capital lease obligations to go to $756 million in 1981 from $674 million in 1980, and from $281 million in 1979. Significant portions of these obligations bear interest at rates floating with the prime rate, which averaged 18.8 percent in 1981 and 15.3 percent in 1980.

Inflation and Changing Prices

For information concerning the effects of changing prices and inflation on the company's operations, see "Supplemental Stockholder Information" on Pages 22 and 23.

LIQUIDITY & CAPITAL RESOURCES

In November 1982, Republic and McDonnell Douglas Corporation revised their contract extending deliveries of 11 DC-9-80 aircraft through 1986. Three of these aircraft were accepted in December 1982, three more are scheduled to be delivered in 1983, and the remaining five in 1985 and 1986. The cost of the eight DC-9-80s still on order will be approximately $190 million, excluding capitalized interest and possible price escalation.

Continuing commitments for additional fuel-efficient aircraft are required for Republic to stay competitive and grow. The company's acquisition costs for new jets were $71 million in 1982 and $140 million in 1981.

The ability of Republic to finance aircraft purchases depends on many factors–the company's operations and financial condition, cost and availability of funds in capital markets, and the general economy. If third-party financing cannot be obtained for the three aircraft due in 1983, McDonnell Douglas has agreed to lease them to Republic on a long-term basis.

While sustaining net losses for three consecutive years, the company's working capital decreased by $52.6 million in 1981 and $22.7 million in 1980, but increased by $88.4 million in 1982 largely because of Republic's sale of $75 million in debentures. The airline has supplemented its working capital and has conserved cash primarily by the means listed below.

1. *Employees.* In September 1981, most employees participated in a "stock for pay" plan under which 15 percent of one month's wages, or a total of $4.3 million was used to purchase approximately 709,000 shares of the company's common stock at the then-current market price. This program was followed by work force reduction and a temporary 10 percent pay cut and wage freezes for most personnel, which saved $23 million. In February 1982, a majority of employees agreed to a one-month pay deferral which requires Republic to repay $24 million in August 1983. In return, the company adopted a profit-sharing plan under which certain employees share 50 percent of the profit over three percent of gross revenues in any year through December 31, 1985.

2. *Sale of Tax Benefits.* Under terms of the Economic Recovery Tax Act of 1981, Republic received $28.9 million from the sale of tax benefits from new aircraft placed in service during 1981. Of that amount, $18.9 million was used to retire current maturities of debt, and $10 million was applied to the purchase price of two DC-9-80s. In December 1982, the company completed a similar transaction worth $17.7 million, and all proceeds were used to purchase three DC-9-80s.

3. *Pension Payment Deferral.* Pursuant to a waiver granted by the Internal Revenue Service, the company deferred a pension funding payment of $24 million due September 15, 1982. Payment of the deferred amount plus interest is being funded over a 15-year period, commencing in 1983.

4. *Disposal of Aircraft.* During 1981 and 1980, the airline sold 20 surplus aircraft and other equipment for $71.6 million, representing a gain of $17.5 million. This money was applied to debt and used for working capital. During 1982, the company sold one aircraft and other property for $17.2 million which primarily reduced debt.

5. *Restructuring of Debt and Preferred Stock Terms.* Certain payments relating to the company's 13 percent Convertible Subordinated Debentures and the preferred stock of Republic Airlines West, Inc. were extended to reduce obligations during the next four years. In addition, the repayment schedule of the Revolving Credit Agreement with the company's major banks has been revised. The original principal payments of $54.5 million yearly were reduced by $45.5 million in 1983, $18.5 million in each of 1984 and 1985, and $8.5 million in 1986. Thereafter, the payments increase from 1987 to maturity in 1991. Principal prepayments are required under certain circumstances.

6. *Issuance of Debentures.* In December 1982, Republic issued 10-1/8 percent Convertible Senior Subordinated Debentures having a face value of $75 million. The company received $71 million, after discounts and commissions.

The sale of these debentures has given Republic a stronger cash position. Cash and short-term investments totaled $125.5 million at December 31, 1982, compared with $43.5 million at December 31, 1981. The 1982 year-end cash position should be sufficient to meet 1983 obligations and to sustain reasonable losses during the historically weak traffic months. After 1983, a break-even operation would provide the company with adequate long-term liquidity because depreciation and amortization virtually equal the scheduled principal payments of debt and capital leases.

The company is highly leveraged. Outstanding debt and obligations under capital leases totaled $831.4 million at December 31, 1982. On $439.5 million of this debt, interest rates float with the prime.

During 1982, Republic incurred debt of $45 million in connection with the purchase of three DC-9-80 aircraft and $75 million with the 10-1/8 percent Convertible Senior Subordinated Debentures. At December 31, 1982, the company had borrowed $395.5 million, the maximum available, under its Revolving Credit Agreement which is secured by liens on most of the company's owned aircraft, engines, and ground equipment. The financial convenants of the Revolving Credit Agreement include debt-to-equity ratio and net worth requirements, a cash and short-term investment minimum, limitations on capital expenditures and additional debt, and restrictions on the payment of common stock dividends.

Consolidated balance sheets

(in thousands)

ASSETS	December 31 1982	December 31 1981
CURRENT ASSETS		
Cash	$ 34,402	$ 43,542
Short-term investments (at cost which approximates market)	91,082	–
Accounts receivable, less allowances	120,974	143,718
Flight equipment parts and supplies	49,369	47,764
Prepaid expenses and other	32,813	28,272
	328,640	263,296
PROPERTY AND EQUIPMENT–at cost		
Flight equipment	835,338	767,689
Ground property and equipment	101,936	96,811
	937,274	864,500
Less accumulated depreciation	248,606	199,026
	688,668	665,474
Advance deposits on equipment	19,641	67,490
	708,309	732,964
PROPERTY AND EQUIPMENT UNDER CAPITAL LEASES		
Flight equipment	157,145	157,134
Ground property and equipment	12,695	12,960
	169,840	170,094
Less accumulated amortization	32,113	20,862
	137,727	149,232
DEFERRED CHARGES AND OTHER ASSETS	11,498	9,075
	$1,186,174	$1,154,567

(in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31 1982	December 31 1981
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 27,654	$ 28,181
Current obligations under capital leases	6,465	5,443
Notes payable	–	28,100
Accounts payable	53,903	56,301
Interline payables and tickets outstanding	68,137	84,387
Accrued compensation and employee benefits	76,178	48,156
Accrued interest	19,620	31,662
Accrued pension liability	33,832	25,268
Other accrued expenses	21,203	22,591
	306,992	330,089
LONG-TERM OBLIGATIONS		
Long-term debt–less current maturities	647,349	565,469
Noncurrent obligations under capital leases	149,938	156,965
Long-term pension liability and other	25,957	1,696
	823,244	724,130
COMMITMENTS AND CONTINGENCIES (Notes E and F)	–	–
REDEEMABLE PREFERRED STOCK OF SUBSIDIARY	28,000	28,000
STOCKHOLDERS' EQUITY		
Common stock–authorized 30,000,000 shares of $.20 par value	4,413	4,412
Additional paid-in capital	53,811	53,811
Retained earnings (deficit)	(30,286)	14,125
	27,938	72,348
	$1,186,174	$1,154,567

The accompanying notes are an integral part of these statements.

Consolidated statements of operations

(in thousands except per share amounts)

	Year ended December 31 1982	1981	1980
OPERATING REVENUES			
Passenger	$1,402,693	$1,311,951	$827,678
Freight and mail	72,914	64,604	50,585
Public service	18,665	40,058	22,354
Non-scheduled service and other	36,396	31,803	16,098
	1,530,668	1,448,416	916,715
OPERATING EXPENSES			
Salaries and benefits	540,614	528,004	340,981
Aircraft fuel	410,365	406,495	260,946
Maintenance materials and repairs	49,353	57,705	39,637
Food service	33,811	31,252	18,077
Rentals and landing fees	76,188	68,725	41,380
Agency commissions	103,546	78,280	38,435
Depreciation and amortization	68,818	63,728	40,310
Other	210,750	197,771	123,725
	1,493,445	1,431,960	903,491
Operating profit	37,223	16,456	13,224
OTHER EXPENSES (INCOME)			
Interest expense	102,045	122,181	57,767
Less interest capitalized	1,342	13,819	9,426
	100,703	108,362	48,341
Sale of tax benefits	(17,752)	(28,930)	–
Gain on disposition of equipment	(2,570)	(13,369)	(4,112)
Interest income and other–net	(3,297)	(3,396)	(4,403)
	77,084	62,667	39,826
Loss before income taxes	(39,861)	(46,211)	(26,602)
INCOME TAXES (CREDIT)	–	58	(1,940)
NET LOSS	$ (39,861)	$ (46,269)	$ (24,662)
NET LOSS PER COMMON SHARE	$(1.99)	$(2.30)	$(1.19)

The accompanying notes are an integral part of these statements.

Consolidated statements of changes in financial position

(in thousands)

	Year ended December 31 1982	1981	1980
SOURCES AND APPLICATIONS OF WORKING CAPITAL			
SOURCES			
From operations			
Net loss	$(39,861)	$(46,269)	$(24,662)
Charges (credits) to operations not using (providing) working capital			
Depreciation and amortization	68,818	63,728	40,310
Deferred income taxes and other	1,544	(652)	(808)
Working capital provided from operations	30,501	16,807	14,840
Net book value of equipment dispositions	14,635	30,423	23,656
Cancellation of advance deposits	39,454	–	–
Increase in long-term obligations	118,983	144,775	421,475
Restructuring of debt agreements	46,755	–	–
Deferral of pension payment	24,086	–	–
Issuance of redeemable preferred stock of subsidiary	–	28,000	–
Issuance of common stock	1	4,267	–
Options and warrants exercised	–	1,159	602
Disposition of treasury stock	–	–	7,207
Other	1,203	1,670	1,878
	275,618	227,101	469,658
APPLICATIONS			
Acquisition of Hughes Airwest			
Increase in long-term obligations	–	–	(38,500)
Property and equipment acquired	–	–	240,542
Long-term liabilities assumed	–	–	(141,223)
	–	–	60,819
Additions to property and equipment	84,291	195,318	202,696
Reduction of long-term obligations	90,885	74,598	211,929
Payment of cash dividends	4,550	4,436	4,142
Acquisition of treasury stock	–	–	6,892
Other	7,451	5,345	5,838
	187,177	279,697	492,316
INCREASE (DECREASE) IN WORKING CAPITAL	88,441	(52,596)	(22,658)
Working capital (deficit) at beginning of year	(66,793)	(14,197)	8,461
Working capital (deficit) at end of year	$ 21,648	$(66,793)	$(14,197)
NET CHANGE IN WORKING CAPITAL ELEMENTS			
Cash and short-term investments	$ 81,942	$ (6,603)	$ 36,967
Accounts receivable	(22,744)	23,845	35,053
Flight equipment parts and supplies	1,605	4,502	12,491
Prepaid expenses and other	4,541	(7,458)	19,808
Current maturities of debt and capital lease obligations	(495)	(12,265)	(3,140)
Notes and accounts payable	30,498	(25,966)	(18,252)
Interline payables and tickets outstanding	16,250	(14,189)	(32,280)
Accrued compensation, interest, pension and other	(23,156)	(14,462)	(73,305)
INCREASE (DECREASE) IN WORKING CAPITAL	$ 88,441	$(52,596)	$(22,658)

The accompanying notes are an integral part of these statements.

Consolidated statements of changes in stockholders' equity

Years ended December 31, 1980, 1981 and 1982
(in thousands)

	Common Stock Shares Issued	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock Shares Held	Treasury Stock Amount
Balance at January 1, 1980	20,754	$4,151	$ 48,109	$ 93,634	135	$ 380
Cash dividend on common stock	–	–	–	(4,142)	–	–
Exercise of stock options and warrants	197	39	563	–	–	–
Acquisition of treasury stock	–	–	–	–	1,060	6,892
Disposition of treasury stock	–	–	(65)	–	(1,195)	(7,272)
Net loss for 1980	–	–	–	(24,662)	–	–
Balance at December 31, 1980	20,951	4,190	48,607	64,830	–	–
Cash dividends:						
Redeemable preferred stock	–	–	–	(2,336)	–	–
Common stock	–	–	–	(2,100)	–	–
Issuance of common stock	709	142	4,125	–	–	–
Exercise of stock options and warrants	401	80	1,079	–	–	–
Net loss for 1981	–	–	–	(46,269)	–	–
Balance at December 31, 1981	22,061	4,412	53,811	14,125	–	–
Cash dividends on redeemable preferred stock	–	–	–	(4,550)	–	–
Issuance of common stock	5	1	–	–	–	–
Net loss for 1982	–	–	–	(39,861)	–	–
Balance at December 31, 1982	22,066	$4,413	$ 53,811	$(30,286)	–	$ –

The accompanying notes are an integral part of these statements.

Auditors' Report

Alexander Grant
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER FIRM
GRANT THORNTON INTERNATIONAL

Stockholders and Board of Directors
Republic Airlines, Inc.

We have examined the consolidated balance sheets of Republic Airlines, Inc. (a Wisconsin corporation) and its subsidiary as of December 31, 1982 and 1981, and the consolidated statements of operations, changes in stockholders' equity and changes in financial position for the years ended December 31, 1982, 1981 and 1980. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Republic Airlines, Inc., and its subsidiary at December 31, 1982 and 1981 and the results of their operations and changes in their financial position for the years ended December 31, 1982, 1981 and 1980 in conformity with generally accepted accounting principles applied on a consistent basis.

Alexander Grant & Company

Minneapolis, Minnesota
February 24, 1983

Notes to financial statements

December 31, 1982, 1981 and 1980

Note A - Summary of Significant Accounting Policies

1. *Principles of Consolidation:* The consolidated financial statements include the accounts of Republic Airlines West, Inc., a subsidiary. (See Note C for information concerning the acquisition of Hughes Air Corp. d/b/a Hughes Airwest). All significant intercompany transactions have been eliminated.

2. *Flight Equipment Parts and Supplies:* Spare parts and supplies are priced at average cost. An allowance for obsolescence ($9,023,000 at December 31, 1982 and $7,155,000 at December 31, 1981) is provided for repairable parts by allocating their cost over the life of the related aircraft.

3. *Prepaid Expenses - Engine Overhaul:* The company reclassifies to a current prepaid expense the estimated portion of the purchase price of flight equipment attributable to its overhaul expected to be consumed within the next twelve months ($21,322,000 at December 31, 1982 and $21,099,000 at December 31, 1981). Actual overhaul costs are charged to expense as incurred.

4. *Capitalized Interest:* To properly reflect their total cost, major additions to flight equipment and ground facilities include capitalized interest based on the interest rate of the related debt outstanding. The capitalized interest is amortized over the useful lives of the related assets for both financial reporting and income tax reporting purposes.

5. *Property, Equipment and Depreciation:* Owned property and equipment are stated at cost. Property and equipment acquired under capital leases are stated at the lower of the present value of minimum lease payments or fair market value at the inception of the lease. Depreciation and amortization of property and equipment are provided on a straight line basis over estimated useful lives of 7-20 years for flight equipment and 3-10 years for other property and equipment.

6. *Deferred Charges:* Significant costs, such as personnel training relating to the introduction of new types of aircraft, are deferred and amortized over periods of up to five years. Expenses incurred in connection with the issuance of long-term obligations are amortized on a straight line basis over the terms of the related obligations.

7. *Passenger Revenues:* Passenger revenue is recognized when the transportation service is provided. Tickets sold but unused are included as a current liability.

8. *Pension Costs:* The company has pension plans covering all employee groups, and funds its current expense of normal costs. Prior service costs are amortized over varying periods up to 40 years. Pension funding is determined under the unit credit, aggregate frozen liability, and individual entry age normal methods.

9. *Income Taxes:* The company uses the flow-through method of accounting for investment tax credit which reduces income tax expense when the related liability is reduced. Investment credits not applied currently are offset against deferred income taxes to the extent they are applicable to previously deferred taxes becoming payable in the carry-over periods. The company recognizes deferred income taxes resulting from differences in financial and income tax reporting.

Note B - Sale of Tax Benefits - The leasing provisions of the Economic Recovery Tax Act of 1981 allowed the company to enter into sale-leaseback transactions for income tax purposes involving certain 1981 and 1982 equipment additions. As a result of these transactions, the company has recognized nonoperating income (net of related expenses) of $17,752,000 in the fourth quarter of 1982 and $28,930,000 in the fourth quarter of 1981. Provisions of these transactions include, among other things, indemnification of the buyer against loss of the stipulated tax benefit amount.

Note C - Acquisition of Hughes Airwest - On October 1, 1980, the company acquired from Summa Corporation and the Estate of Howard R. Hughes, Jr. all of the outstanding stock of Hughes Airwest. The total purchase price for all the stock was $38,500,000, consisting of $24,000,000 cash and $14,500,000 of the company's 13% convertible subordinated debentures. Hughes Airwest was a regional airline operating primarily in the western portions of the United States. The name of the acquired company was changed to Republic Airlines West, Inc. which operated as a subsidiary using the name "Republic Airlines." Effective December 31, 1982, Republic Airlines West, Inc. adopted a plan of dissolution whereby all of its assets and liabilities would transfer to Republic Airlines, Inc.

The fair value of the net assets acquired exceeded the $38,500,000 purchase price by $44,028,000. This amount has been allocated primarily to flight equipment as a reduction in fair value.

Results of Republic Airlines West, Inc. operations since the acquisition date are included in the consolidated statements of operations. The following data presents on a pro forma basis the combined results of operations for the year ended December 31, 1980, as if the acquisition of Hughes Airwest had been effected on January 1, 1980. Pro forma adjustments have been made to record interest on the funds borrowed and assumed to acquire Hughes Airwest, depreciation on the increased values of operating property and equipment, maintenance expense on the direct expense method rather than the accrual method for Hughes Airwest, and income tax adjustments based on pro forma operations (in thousands except per share amounts–unaudited):

Operating revenues	$1,238,955
Net loss	$(46,051)
Net loss per share	$(2.22)

Note D - Long-term Debt - Long-term debt at December 31 consists of the following (in thousands):

	1982	1981
Revolving credit agreement (a)	$395,455	$404,500
Installment notes (b)	145,540	121,235
Equipment Trust Certificates (c):		
due May 1, 1993	33,000	37,500
due July 1, 1998	8,303	8,821
Subordinated debentures (d):		
6¾% paid December 15, 1982	–	1,303
13% due November 15, 1993	14,500	14,500
10⅛% due December 15, 2007 (net of unamortized discount of $1,875,000)	73,125	–
Sundry	5,080	5,791
Total long-term debt (e)	675,003	593,650
Less current maturities (f)	27,654	28,181
	$647,349	$565,469

December 31, 1982, 1981 and 1980 (continued)

(a) Under the original terms of the Revolving Credit Agreement, the balance at December 31, 1982 (the maximum available) was to be retired in quarterly installments through 1989, with principal payments totaling $54,545,000 each year through 1988 and final payments totaling $68,186,000 in 1989. Effective November 1, 1982, the company and the bank participants agreed to a debt restructuring. Pursuant to this amendment of the Revolving Credit Agreement, principal payments will begin October 1, 1983 with an installment of $9,000,000, followed by quarterly installments totaling $36,000,000 annually in 1984 and 1985, $46,000,000 in 1986, $56,000,000 in 1987, $60,000,000 in 1988, 1989, and 1990, and final payments of $32,455,000 in 1991. The amendment also contains various provisions that require the company to prepay indebtedness under the Revolving Credit Agreement if certain conditions are met. In consideration of the debt restructuring, the company granted warrants expiring in 1990 to the bank participants to purchase 150,000 shares of the company's common stock at $8.00 per share. Interest is paid monthly to each participating bank at ½% over the Citibank, N.A. alternative rate or other rate as negotiated with individual bank participants. Effective rate at December 31, 1982 was 12%.

(b) Consists of various installment notes with final maturity dates from 1986 through 1997 at interest rates ranging from 8% (for notes guaranteed by the Federal Aviation Administration) to 19¼%. The aggregate installment payments in 1983 will be approximately $33,532,000 including interest.

(c) The Equipment Trust Certificates due May 1, 1993 require semi-annual sinking fund payments of $1,575,000 from 1983 through 1992 and $1,500,000 at maturity plus interest at 9%. The company may make semi-annual optional sinking fund payments beginning in May 1983 up to $1,575,000 and may pay off the remaining balance in full on or after May 1, 1988 at a premium.

The Equipment Trust Certificates due July 1, 1998 require semi-annual sinking fund payments of approximately $259,000 plus interest at rates ranging from ½ to 1½% over the Citibank, N.A. alternative rate. Effective rate at December 31, 1982 was 12%. The company may pay off the remaining balance in full at any time.

(d) On October 1, 1980, the company issued $14,500,000 of 13% convertible subordinated debentures due November 15, 1993 as partial payment for the acquisition of the stock of Hughes Airwest. Interest payments are due semi-annually. The debenture holder may convert the principal to common stock of the company at $13.42 per share, but has agreed to temporarily suspend the obligation of the company to reserve or deliver shares issuable upon conversion (1,080,477 shares at December 31, 1982) until such time as the company, through a vote of its shareholders, increases its authorized shares of common stock. If sufficient shares are not authorized or otherwise obtained, the company may be required, under certain circumstances, to pay cash to the debenture holder based on the market price of the common stock or to accelerate sinking fund payments. Prior to November 15, 1993, debentures are redeemable beginning on November 16, 1985 at a premium. Under the original terms of the debenture agreement, sinking fund payments of $1,450,000 were due annually beginning November 15, 1983. In order to revise the sinking fund obligations of the company on a basis comparable to the debt repayment modifications made under the Revolving Credit Agreement, the debenture holder agreed to reduce sinking fund obligations to $240,000 in 1983, $950,000 in each of 1984 and 1985, and $1,220,000 in 1986. Thereafter, the sinking fund obligations increase from $1,490,000 in 1987 to $1,650,000 in 1993. In consideration of the restructuring, the company granted warrants expiring in 1990 to the holder of the debentures to purchase 5,500 shares of the company's common stock at $8.00 per share.

In December 1982, the company issued $75,000,000 of 10⅛% convertible senior subordinated debentures due December 15, 2007 at 97½% of face value. The 10⅛% debentures are superior in right of payment to the company's 13% convertible subordinated debentures. Interest payments are due semi-annually and debenture holders may convert the principal to common stock of the company at $10.00 per share. Debentures are redeemable by the company at a premium through December 15, 1992, and at face value thereafter, except certain conditions must be met if redemption is to occur prior to December 15, 1984. Sinking fund payments of $3,750,000 are due annually beginning December 15, 1992, and continuing through December 15, 2006, with the balance due at maturity.

(e) Substantially all flight equipment and spare parts owned by the company are pledged as collateral against the above debt. Among the original loan covenants in the Revolving Credit Agreement are requirements for the maintenance of debt to equity ratios, restrictions on dividend payments until certain loan covenants are met and limitations on capital expenditures. As a result of continuing losses in 1981 and 1982, these covenants were amended to permit the company to remain in compliance. The revised covenants, which include minimum stockholders' equity and minimum cash and short-term investment provisions, are effective through the remaining term of the Revolving Credit Agreement.

The company is required to maintain average compensating balances ranging from 5% to 10% of the monthly average loan outstanding and is required to pay interest on any compensating balance short-fall at ½% over the Citibank, N.A. alternative rate. During 1982 the company was required to maintain average compensating balances (adjusted for float) of $20,982,000. At December 31, 1982, the required compensating balances (adjusted for float) were approximately $18,455,000.

(f) Current maturities of all long-term debt due in each of the next five years following December 31, 1982 are as follows (in thousands):

1983	$27,654
1984	57,685
1985	57,715
1986	63,189
1987	70,437

Note E - Leases - The company has lease commitments for flight equipment, various airport facilities, its main operating facilities, its maintenance and training facilities, and other property and equipment. The lease commitments for airport facilities are based upon usage and landings and are subject to adjustment depending upon the needs of the airport operating authority and, therefore, the amounts of the commitments are not determinable.

During 1981, the company took delivery of one DC-9-80 and two DC-9-30 aircraft under capital lease agreements. The debt obligations relating to the capitalization of these leases were $27,197,000 at December 31, 1982. The aggregate payments in 1983 will be approximately $4,601,000 including interest at rates ranging from 12¾% to 14½%.

The company also has other capital lease agreements for aircraft acquired before 1981. The debt obligations relating to the capitalization of these leases were $119,028,000 at December 31, 1982. The aggregate payments in 1983 will be approximately $14,908,000 including interest at rates ranging from 8¼% to 12½%.

In addition, the company has various types of ground property and equipment under capital lease agreements. The debt obligations relating to the capitalization of these leases were $10,178,000 at December 31, 1982. The aggregate payments in 1983 will be approximately $2,467,000 including interest at a weighted average of 13½%.

At December 31, 1982, future minimum rental payments under capital leases and noncancellable operating leases with initial or remaining terms of more than one year are as follows (in thousands):

	Operating Leases	Capital Leases
1983	$ 28,152	$ 21,976
1984	26,756	21,735
1985	25,685	21,439
1986	24,358	20,879
1987	21,809	19,035
Thereafter	308,285	192,587
Total minimum lease payments	$435,045	297,651
Less amounts representing interest		141,248
Present value of future minimum capital lease payments		$156,403

Note F - Commitments - During the fourth quarter of 1982, the company and McDonnell Douglas Corporation reached agreement regarding the company's commitments for eleven DC-9-80 aircraft and the rescheduling of aircraft delivery dates. Under the amended agreement, the company took delivery of three DC-9-80 aircraft in December 1982 and has agreed to take delivery of three DC-9-80 aircraft in 1983 and the remaining five in 1985 and 1986. In addition, pre-delivery deposit notes of $31,812,000 were cancelled and the related interest on those notes was forgiven for 1982. As a result of the reversal of amounts accrued in prior periods for the above mentioned aircraft commitments, the net loss in the fourth quarter of 1982 was reduced by $7,263,000 or $.33 per share. The company has also advanced pre-delivery deposits of $12,266,000 in cash and has capitalized interest of $7,375,000 in connection with the purchase commitments on the remaining eight DC-9-80 aircraft. A balance of approximately $180,000,000 will be expended prior to and at delivery. These prices may be increased by standard escalation clauses during the period of construction through delivery.

In June 1982, the company adopted a Profit Sharing Program (the "Plan") effective January 1, 1982, for all employees who are employed by the company on each of four eligibility dates, including the first and last days, during the Plan year. Employees participate, according to a formula, in 50% of the amount, if any, by which the company's net profits (excluding sale of tax benefits and gain on disposition of equipment) for any Plan year through December 31, 1985, exceed 3% of the company's gross revenues for such Plan year. The company has not accrued any liability as of December 31, 1982, since it incurred a net loss for the year then ended.

Note G - Income Taxes - Income tax expense for the years ended December 31, is as follows (in thousands):

	1982	1981	1980
Current income taxes			
Federal	$ –	$1,206	$ –
Investment tax credit	–	567	200
	–	1,773	200
State and local	–	(110)	(60)
	–	1,663	140
Deferred income taxes			
Federal	–	(2,978)	(6,384)
Investment tax credit	–	1,683	4,929
	–	(1,295)	(1,455)
State and local	–	(310)	(625)
	–	(1,605)	(2,080)
	$ –	$ 58	$(1,940)

Differences between income tax expense and amounts derived by applying the statutory federal income tax rate of 46% to income before income taxes are as follows (in thousands):

	1982	1981	1980
Income tax expense (credit) at statutory federal income tax rates	$(18,336)	$(21,257)	$(12,237)
Investment tax credit	–	2,250	5,129
Employee Stock Ownership Plan	88	2,346	1,027
State and local taxes net of federal income tax benefit	–	(420)	(685)
Non-taxable permanent differences	5,235	3,099	–
Tax effect of net operating loss carryforward not recognized	12,968	12,731	5,021
Other	45	1,309	(195)
	$ –	$ 58	$ (1,940)

December 31, 1982, 1981 and 1980 (continued)

Deferred income taxes arise from timing differences between financial and tax reporting. The tax effects of these differences are as follows (in thousands):

	1982	1981	1980
Capitalized interest	$ –	$(2,372)	$(2,899)
Investment tax credit	–	1,683	4,929
Training and development	–	(316)	(685)
Depreciation	–	(843)	(3,794)
Other	–	243	369
	$ –	$(1,605)	$(2,080)

For Federal income tax reporting purposes, the company and its subsidiary file separate tax returns. Republic Airlines, Inc. has, as of December 31, 1982, a net operating loss carryover of approximately $116,603,000 available to offset future taxable income. Approximately $37,216,000 expires in 1995, $29,665,000 in 1996 and $49,722,000 in 1997. Investment tax credits of $38,200,000 are available to offset future income taxes payable and expire as follows: $10,928,000 in 1994; $17,120,000 in 1995; $6,035,000 in 1996; and $4,117,000 in 1997.

Republic Airlines West, Inc. has, as of December 31, 1982, a net operating loss carryover of approximately $45,957,000 available to offset future taxable income. Approximately $30,557,000 expires in 1994, $10,492,000 in 1995 and $4,908,000 in 1996. Investment tax credits of $7,342,000 are available to offset future income taxes payable and expire as follows: $937,000 in 1993; $4,109,000 in 1994; $402,000 in 1995; $1,724,000 in 1996; and $170,000 in 1997.

For financial reporting purposes, the company and its subsidiary calculate income taxes on a consolidated basis. On this basis, there are approximately $65,000,000 of net operating loss carryovers available to offset future consolidated taxable income and consolidated investment tax credit carryovers of approximately $39,800,000 are available to offset future consolidated tax provisions. Any utilization of the pre-aquisition net operating losses or investment credits of Republic Airlines West, Inc. will be recorded as adjustments of the purchase transaction.

The Internal Revenue Service has examined and cleared the company's federal tax returns through December 31, 1976. Federal income tax returns of the company through December 31, 1979 are currently being examined. Several adjustments have been proposed, mainly dealing with the timing of tax deductions and provision has been made for adjustments which may result.

Note H - Retirement Plans - The company has retirement plans covering all employee groups. Pension expense for 1982, 1981 and 1980 was $35,865,000, $35,842,000 and $20,424,000, respectively. The company makes annual contributions to the plans equal to the amounts accrued for pension expense. However, in September 1982, the company received permission from the Internal Revenue Service to fund approximately $24,000,000 of the 1981 pension costs over a period of not more than fifteen years, commencing in September 1983. Changes during 1982 in the actuarial assumptions used in computing pension costs had the effect of reducing the 1982 net loss by approximately $2,980,000 or $.14 per share. Also in 1982, plan improvements and early retirement pension benefits had the effect of increasing the present value of plan benefits approximately $44,665,000 and increasing the 1982 net loss approximately $3,705,000 or $.17 per share. Plan improvements during 1981 had the effect of increasing the present value of plan benefits approximately $16,253,000 and increasing the 1981 net loss approximately $910,000 or $.04 per share. Changes during 1980 in the actuarial assumptions used in computing pension costs had the effect of reducing the 1980 net loss by approximately $3,864,000 or $.19 per share. The accumulated plan benefits and plan net assets for the company's defined benefit plans are as follows (in thousands):

	January 1 1982	January 1 1981
Actuarial present value of accumulated plan benefits		
Vested	$284,865	$191,580
Nonvested	30,609	39,342
	$315,474	$230,922
Net assets available for benefits	$233,463	$232,057

The weighted average assumed rate of return used in determining the above acturial present value of accumulated plan benefits was 7½% for both 1982 and 1981.

Note I - Net Loss Per Share - Primary loss per share for 1982, 1981 and 1980 was based on the weighted average number of common shares outstanding of 22,062,966, 21,385,451 and 20,722,638, respectively. The net loss was increased by preferred dividend requirements of $3,943,000 in 1982 and $2,942,000 in 1981 prior to computing the per common share amount. Fully diluted loss per share is not presented because it is anti-dilutive.

Note J - Redeemable Preferred Stock of Subsidiary - The company's subsidiary, Republic Airlines West, Inc., has authorized 500,000 shares of $100 par value Cumulative Preferred Stock. In February 1981, the subsidiary issued 280,000 shares in a private placement with McDonnell Douglas Corporation in connection with related aircraft acquisition and financing transactions. Principal terms of the cumulative preferred stock include:

Dividends: Annual cumulative dividends are payable quarterly at an annual rate of $13.00 per share through April 1985, $16.00 per share from May 1985 to January 1990, $18.00 per share from February 1990 to January 1993, and $20.00 per share thereafter.

Optional Call: Callable at any time, at $100 per share plus all unpaid dividends.

Preference: Upon liquidation $100 per share plus unpaid dividends before any distribution to the parent company.

Sinking Fund Redemption: Quarterly redemption of 2½% of the outstanding shares at a price of $100 per share plus dividends unpaid to the redemption date, begins on April 30, 1987, and is calculated to retire all preferred shares by April 30, 1997.

Mandatory Purchase: In case of default, including failure to pay dividends, the shareholder can require the parent company to purchase all or any portion outstanding at $100 per share plus all unpaid dividends. In addition, under the original terms of the agreement, the shareholder could require the parent company to purchase 17,500 shares quarterly beginning May 1983. However, the shareholder agreed on November 29, 1982 to limit the parent company's purchase obligation to 9,000 shares in 1983, 46,200 shares in each of 1984 and 1985, 59,000 shares in 1986, 72,000 shares in 1987 and 47,600 shares in 1988.

Supplemental stockholder information

STOCKHOLDER'S DISCLOSURE OF OWNERSHIP

The Civil Aeronautics Board requires that any person who owns as of December 31 of any year or who subsequently acquires ownership, either beneficially or as trustee, of more than 5%, in the aggregate, of the company's common stock shall file with the Board, within the time limits prescribed, a report containing the information required by Section 245.13 of Economic Regulations of the Civil Aeronautics Board, unless such person has previously filed such a report. Any stockholder who believes that he or she may be required to file such a report may obtain further information by writing to the Director, Bureau of Pricing and Domestic Aviation, Civil Aeronautics Board, Washington, D.C. 20428.

FORM 10-K REPORT

For the Form 10-K report to the Securities and Exchange Commission, write to Mr. A. L. Maxson, Senior Vice President-Finance, Republic Airlines, Inc., 7500 Airline Drive, Minneapolis, MN 55450.

LABOR AGREEMENTS

Among the agreements the airline has with six labor unions, one is currently under negotiation, three are amendable in 1983, and two are amendable in 1984. The company expects to reach equitable agreements with these unions.

COMMON STOCK INFORMATION

The following tabulation sets forth the price range for the company's common stock which is traded on the New York Stock Exchange and the Midwest Stock Exchange.

	1982 High	1982 Low	1981 High	1981 Low
1st Quarter	$4⅜	$2⅞	$ 8¼	$5¾
2nd Quarter	4¾	3⅛	11⅝	7⅝
3rd Quarter	6½	4⅜	9⅝	5⅛
4th Quarter	9½	4⅝	5½	3⅞

The company paid no cash dividends on common stock in 1982 and paid cash dividends on common stock of $.10 per share to its stockholders during the first quarter of 1981. The terms of the Revolving Credit Agreement dated October 1, 1980, as presently amended, restrict payment of dividends on or the repurchase of common stock until certain financial loan covenants are met. At February 28, 1983, the company had 35,442 holders of common stock.

QUARTERLY SUMMARIES OF OPERATIONS

(unaudited-in thousands except per share amounts)

	1982 Three Months Ended December 31	September 30	June 30	March 31	1981 Three Months Ended December 31	September 30	June 30	March 31
Operating Revenues	$348,579	$397,172	$412,193	$372,724	$355,156	$368,224	$373,936	$351,100
Operating Expenses	378,860	378,970	367,945	367,670	363,191	365,526	357,171	346,072
Operating Profit (Loss)	(30,281)	18,202	44,248	5,054	(8,035)	2,698	16,765	5,028
Net Earnings (Loss)	(27,324)	(5,824)	15,839	(22,552)	(7,759)	(18,445)	(4,879)	(15,186)
Net Earnings (Loss) Per Common Share								
Primary	(1.29)	(.31)	.68	(1.06)	(.39)	(.90)	(.27)	(.73)
Fully Diluted	(1.29)	(.31)	.67	(1.06)	(.39)	(.90)	(.27)	(.73)

EFFECTS OF CHANGING PRICES (unaudited)

Basis of preparation of 1982 supplemental data

As required by Financial Accounting Standards Board (FASB) Statement No. 33, "Financial Reporting and Changing Prices," the company has provided supplemental information concerning the effects of changing prices on its financial statements. The disclosures are intended to address two different aspects of an inflationary environment: (1) the effect of a rise in the general price level on the exchange value or purchasing power of the dollar (called "general inflation") and (2) the specific price changes in the individual resources used by the company.

The supplemental information on changing prices does not reflect a comprehensive application of either type of inflation accounting. During the experimental period, the FASB decided to focus on those items most affected by changing prices, that is: (1) the effect of both general inflation and specific price changes on inventories and property and equipment and the related impact on earnings or loss, and (2) the effect of general inflation on monetary assets and liabilities.

Loss from operations

The net loss as reported in the primary statements represents the amount reported on the historical cost basis of accounting. Net loss adjusted for general inflation represents the historical amounts of revenues and expenses stated in dollars of the same (constant) general purchasing power, as measured by the average level of the Consumer Price Index (CPI) for 1982. Under this measurement method, historical amounts of depreciation expense, gain on equipment dispositions, and spare parts inventory are adjusted to reflect the change in the level of the CPI since the date the properties were acquired.

Current cost accounting attempts to deal with a different issue than earnings or loss adjusted for general inflation. The specific prices of the company's goods and services have risen at a different rate than the general inflation rate as measured by the CPI. The net loss adjusted for changes in specific prices (current cost) measures spare parts inventory, property and equipment, and gain from disposition of equipment at current cost (rather than historical cost) at the balance sheet date.

Income taxes

Present tax laws do not allow deductions for higher depreciation adjustments for the effects of inflation. Thus, taxes are levied on the company at rates which, in real terms, exceed established statutory rates. During periods of persistent inflation and rapidly increasing prices, such a tax policy effectively results in a tax on shareholders' investment in the company.

Purchasing power gain from holding net monetary liabilities during the year

When prices are increasing, the holding of monetary assets (e.g., cash and receivables) results in a loss of general purchasing power. Similarly, liabilities are associated with a gain of general purchasing power because the amount of money required to settle the liabilities represents dollars of diminished purchasing power. The net gain in purchasing power is shown separately in the accompanying supplemental data. The amount has been calculated based on the company's average net monetary liabilities for the year multiplied by the change in the CPI for the year. Such amount does not represent funds available for distribution to shareholders.

Current cost measurements

Current cost calculations involve a substantial number of judgments as well as use of various estimating techniques that have been employed to limit the cost of accumulating the data. The data reported should not be thought of as precise measurements of the assets and expenses involved, but instead represent reasonable approximations of the price changes that have occurred in the business environment in which the company operates.

Current cost asset amounts were derived principally through a reference guide to current selling prices supplied by the Air Transport Association. Current cost depreciation is based on the average current cost of property and equipment during the year. Depreciation expense was computed by applying the ratio of historical depreciation expense to average historical asset cost to the average current cost of these assets. The result should be approximately the same as would be calculated using the depreciation methods used in preparing the primary financial statements.

Current cost does not purport to represent the amount at which the assets could be sold.

Increases in current cost adjusted for general inflation

Under current cost accounting, increases in specific prices (current cost) of spare parts inventory and property and equipment held during the year are not included in the loss from operations but are presented separately. The current cost increase is reduced by the effect of general inflation measured by applying the annual rate of change in the CPI to the average current cost balance of spare parts inventory and property and equipment.

Five-year comparison of selected financial data

As described above, the determination of net assets reflects a partial application of the two inflation accounting methods. Other assets, consisting primarily of deferred charges, have not been adjusted for general inflation, nor specific price changes. In addition, noncurrent payables have not been converted to reflect specific price changes (i.e., changes in interest rates).

CONSOLIDATED STATEMENT OF OPERATIONS
–ADJUSTED FOR CHANGING PRICES
Year ended December 31, 1982 (in thousands–unaudited)

	As Reported in the Primary Statements	Adjusted for General Inflation	Adjusted for Changes in Specific Prices (Current Cost)
Total operating revenues	$1,530,668	$1,530,668	$1,530,668
Depreciation and amortization expense	68,818	100,953	143,274
Other operating expenses	1,424,627	1,427,097	1,427,097
Other expenses–net	79,654	79,654	79,654
Gain on disposition of equipment	(2,570)	(934)	(1,679)
	1,570,529	1,606,770	1,648,346
Loss from operations	$ (39,861)	$ (76,102)	$ (117,678)
Gain from decline in purchasing power of net amounts owed		$ 33,380	$ 33,380
Increase in specific prices (current cost) of inventory and property and equipment held during the year*			$ 347,476
Effect of increase of general price level			280,535
Excess of increase in specific prices over increase in the general price level			$ 66,941

*At December 31, 1982, current cost of inventory was $56,746,000, and the current cost of property and equipment, net of accumulated depreciation and amortization, was $1,888,810,000.

FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA
–ADJUSTED FOR EFFECTS OF CHANGING PRICES
(In average 1982 constant dollars, in thousands except per share and price index amounts–unaudited)

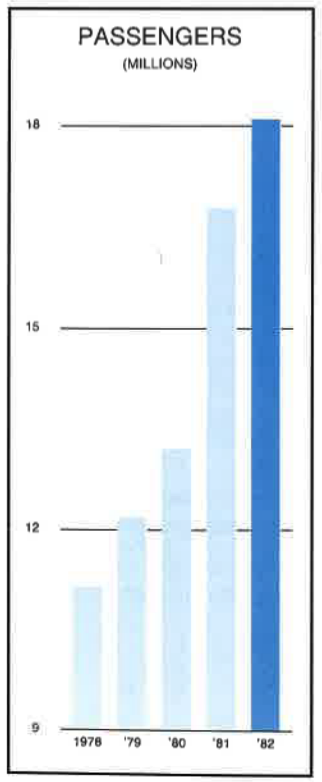
	Year Ended December 31				
	1982	1981	1980	1979	1978
Total operating revenues–at historical costs	$1,530,668	$1,448,416	$ 916,715	$609,230	$487,565
Total operating revenues–in average 1982 dollars	$1,530,668	$1,537,214	$1,073,834	$810,158	$721,367
Historical cost information–adjusted for general inflation					
Net loss from operations	$ (76,102)	$ (73,073)	$ (47,463)	$ (228)	–
Net loss from operations per common share	$ (3.63)	$ (3.57)	$ (2.29)	$ (.01)	–
Equity in net assets at year-end	$ 340,621	$ 353,398	$ 299,328	$279,560	–
Current cost information					
Net loss from operations	$ (117,678)	$ (110,365)	$ (61,788)	$ (8,166)	–
Net loss from operations per common share	$ (5.51)	$ (5.31)	$ (2.98)	$ (.40)	–
Excess of increase in specific prices over increase in the general price level	$ 66,941	$ 133,010	$ 96,490	$ 24,230	–
Equity in net assets at year-end	$1,135,704	$ 917,583	$ 759,832	$417,613	–
Gain from decline in purchasing power of net amounts owed	$ 33,380	$ 72,789	$ 65,703	$ 44,496	–
Cash dividends declared per common share–historical	–	$ .10	$ .20	$ .20	$ .16
Cash dividends declared per common share–in average 1982 dollars	–	$ .11	$ .23	$ .27	$ .24
Market price per common share at year-end–historical	$ 7.88	$ 4.13	$ 6.00	$ 6.00	$ 7.13
Market price per common share at year-end–in average 1982 dollars	$ 7.79	$ 4.24	$ 6.71	$ 7.55	$ 10.16
Average consumer price index	289.1	272.4	246.8	217.4	195.4

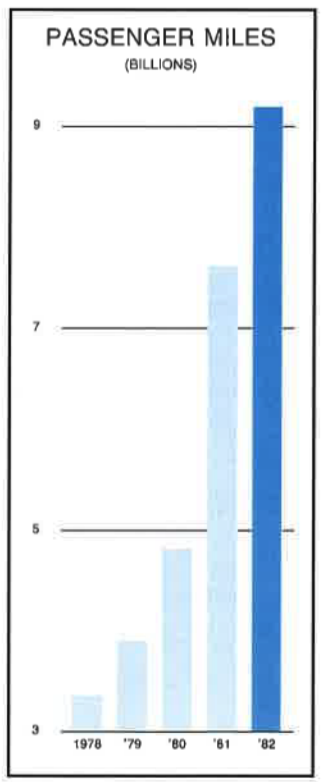
NOTE: Certain data for 1978 has been omitted as permitted by FASB No. 33.

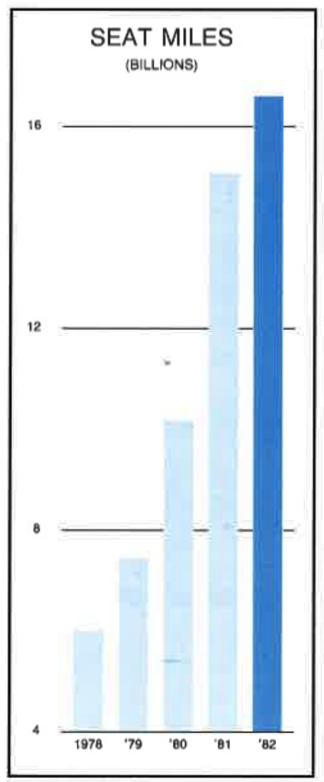
Five-year summary

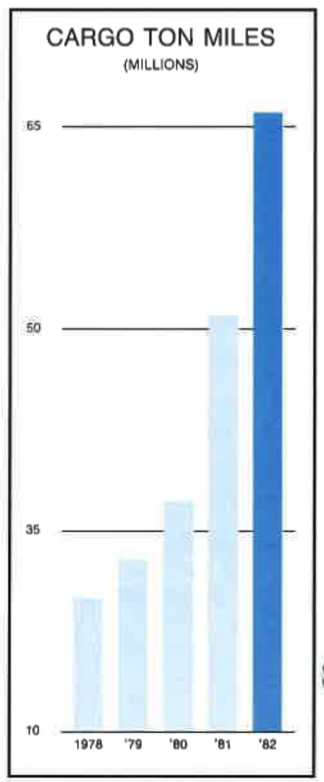
OPERATIONS (in thousands, except per share)	1982	1981	1980*	1979	1978
Operating Revenues	$1,530,668	$1,448,416	$916,715	$609,230	$487,565
Operating Expenses	1,493,445	1,431,960	903,491	581,177	444,756
Operating Profit	37,223	16,456	13,224	28,053	42,809
Net Earnings (Loss)	(39,861)	(46,269)	(24,662)	13,061	24,571
Net Earnings (Loss) Per Common Share–Primary	(1.99)	(2.30)	(1.19)	.70	1.42
Fully Diluted	(1.99)	(2.30)	(1.19)	.68	1.31
OTHER FINANCIAL DATA (in thousands, except per share)					
Current assets	$ 328,640	$ 263,296	$ 249,010	$144,691	$107,764
Property and equipment—net	846,036	882,196	778,375	399,632	314,054
Total assets	1,186,174	1,154,567	1,036,226	549,381	428,424
Total long-term debt and capital lease obligations	797,287	722,434	652,257	263,035	196,637
Redeemable preferred stock of subsidiary	28,000	28,000	–	–	–
Cash dividends per share of common stock	–	.10	.20	.20	.16
TRAFFIC STATISTICS					
Passengers	18,075,000	16,841,000	13,220,000	12,156,000	11,143,000
Passenger miles (000)	9,231,000	7,641,000	4,760,000	3,847,000	3,364,000
Available seat miles (000)	16,585,000	15,119,000	10,185,000	7,479,000	6,010,000
Passenger load factor	55.7%	50.5%	46.7%	51.4%	56.0%
Cargo ton miles (000)	65,000	51,000	37,000	32,000	28,000

* From October 1, 1980, operations include Republic Airlines West, Inc., a consolidated subsidiary acquired on that date.









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