

ANNUAL REPORT 1983
REPUBLIC AIRLINES



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About Republic

Republic Airlines—the nation's sixth-largest passenger carrier—provides safe, dependable air service to the traveling and shipping public. In 1983, *Fortune* magazine listed Republic as the 15th-largest transportation company in the United States.

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

Republic serves 140 cities—more than any other airline in the country—including most of the nation's metropolitan areas and many intermediate-sized communities. Its 104,000-mile route system extends coast-to-coast, and from Canada to Mexico and the Cayman Islands in the Caribbean. (See map, inside front cover.)

The company carried 17.8 million passengers in 1983, and operates the seventh-largest commercial jet fleet in the world. Its 163 aircraft—Boeing 727s, Douglas DC-9s and Convair 580s—make 1,300 departures daily.

Republic's 14,200 dedicated employees offer the finest type of scheduled airline service.

To our stockholders, employees and friends:

Republic Airlines and its employees are moving toward agreement on a three-year Partnership Plan which should lead to sustained profitability. The airline would be more competitive with reduced operating costs and would have the potential to increase revenues. Such a plan became mandatory when Republic lost \$111 million in 1983 due to unprecedented fare wars and higher labor expenses.

Early last year, below-cost pricing occurred in the industry as a result of weak traffic, overcapacity, and the extreme tactics used to attract immediate business. Republic faced a difficult dilemma—retain passengers by sales promotions that would cut revenues, or risk losing traffic and more revenues by holding fares at current levels. Expecting prices to rise, the company chose to match fares and offer travel incentives to protect its markets. While this brought new passengers, the decline in total revenues produced substantial losses.

Recognizing the urgent need to cut operating expenses, the airline's employees accepted a 15 percent wage reduction and freeze on September 1, for a nine-month period. As fares returned to stronger levels in the third quarter, losses were reduced significantly, and a modest profit was achieved in the fourth quarter.

For the year 1983, revenues were \$1.51 billion and expenses totaled \$1.62 billion, resulting in the net loss of \$111 million, or \$4.28 per share. For 1982, revenues were \$1.53 billion, with expenses of \$1.57 billion, for a net loss of \$39.9 million, or \$1.99 a share. The annual results included the sale of tax benefits of \$13 million in 1983 and \$17.8 million in 1982.

Republic flew 9.7 billion revenue passenger miles, a five percent gain

over 1982. Cargo ton miles, continuing to climb rapidly, rose 22 percent to 79.7 million. The airline carried 17.8 million passengers, off two percent due to the discontinuance of certain unprofitable routes.

The company's marketing strategy emphasizes the primary hubs—Minneapolis/St. Paul, Detroit, Memphis and Phoenix. Most new flights are targeted to strengthen Republic's position at these cities. Advertising is directed primarily toward business travelers, who account for the largest percent of airline traffic. During 1983, the theme "Nobody Serves Our Republic Like Republic" was dramatized in TV commercials featuring actual passengers and employees.

The seventh DC-9 Super 80 jet arrived in April 1983. Republic purchased another Super 80 in August and reached agreement with McDonnell Douglas Corporation to cancel the airline's obligations for the six DC-9-80s still on order. Pre-delivery deposits remaining were applied to the latest Super 80 which is being leased to McDonnell Douglas for 18 months. This transaction, including the net sale of tax benefits, produced income of \$3 million for Republic. In March 1984, the company sold four DC-9-10s, with delivery of two scheduled for June and two in September. The airline currently operates 163 jet-powered aircraft.

To improve its working capital position, Republic made a public offering of equity securities in June 1983. The company received \$58.3 million in proceeds from the sale of 3,740,000 units, each consisting of two shares of common stock and a warrant to purchase one additional common share. Also, \$8.5 million in cash was saved as many employees accepted alternatives for deferred wages due in 1983.

Republic gratefully acknowledges the valuable contribution of Joseph E. Rapkin, a director who died in May of 1983. This prominent Milwaukee attorney and civic leader had served the airline since 1965.

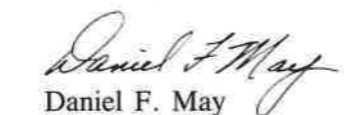
Under the proposed three-year Partnership Plan (described on page 2), the company believes that a meaningful net profit can be earned each year through 1986. By adopting the Plan, Republic personnel will be making a significant commitment to the company, and in exchange, will share in profits and ownership.

With the continuing support of its stockholders, employees and friends, Republic expects to earn a profit in 1984 and move toward achieving financial stability in the future. The airline's unique route system offers great potential, and management looks ahead confidently to better years.

Sincerely,

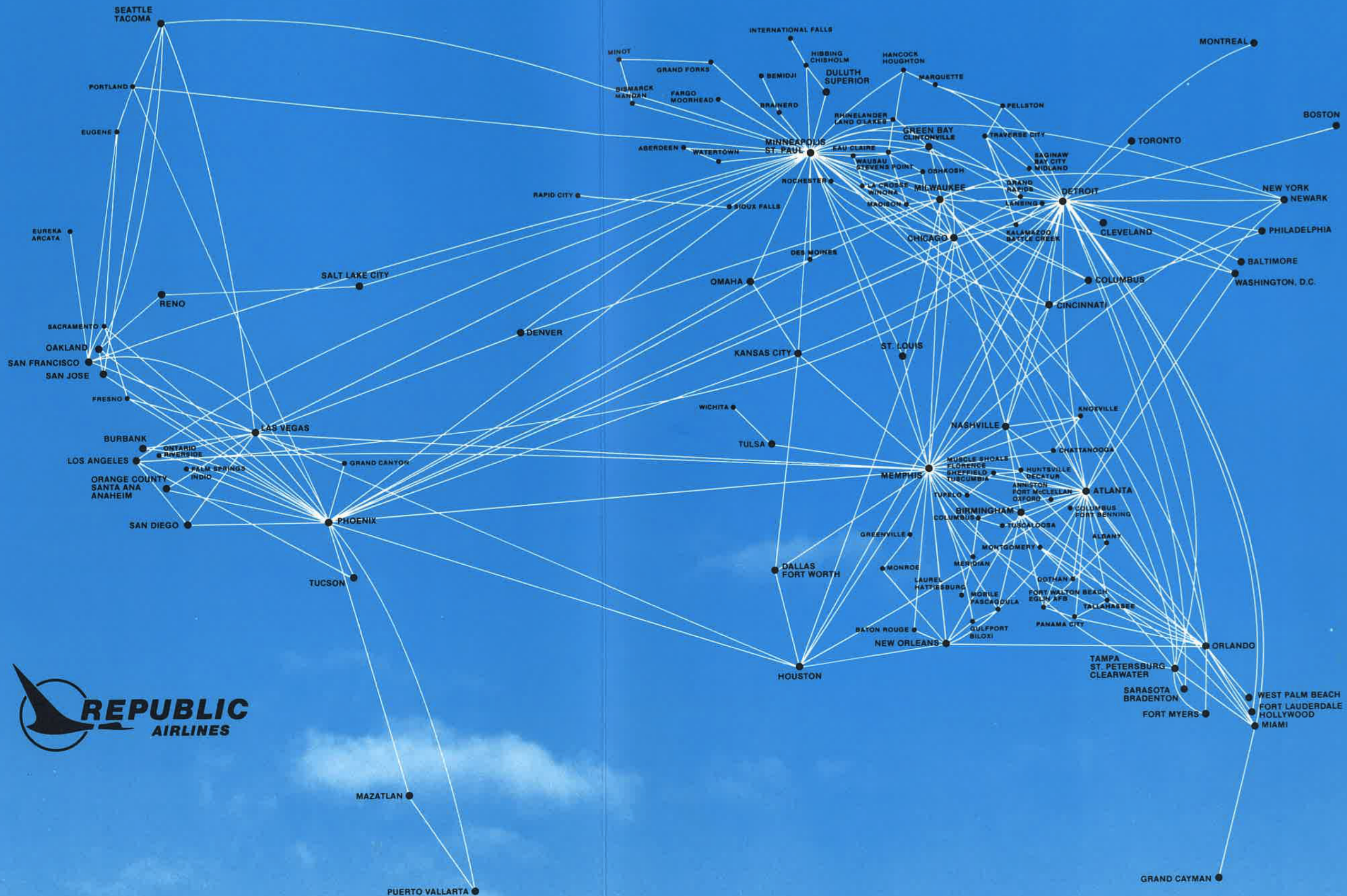


Hal N. Carr
Chairman of the Board



Daniel F. May
President and
Chief Executive Officer

March 8, 1984



Introduction

In 1983, Republic Airlines culminated a five-year period of rapid and extensive change since deregulation of the industry became law in late 1978. Southern Airways was merged into North Central Airlines in July 1979, and the company's name changed to Republic. Fifteen months later, Hughes Airwest (another regional carrier) was acquired. An air traffic controllers' strike occurred for the first time in the industry in August 1981, and the Federal Aviation Administration imposed severe operating restrictions at most major airports.

Fuel costs rose rapidly during 1979 and 1980, before peaking in 1981. Inflationary forces pushed interest charges and labor costs dramatically upward. A harsh economic recession greatly reduced air travel, and at the same time, dozens of new entrants began flying. Competition—from both established and fledgling airlines—intensified.

Unprecedented fare wars escalated and affected virtually every carrier in every market during the fourth quarter of 1982 and the first two quarters of 1983. This environment produced the most disastrous financial period in the history of the air transport industry, as a number of major airlines struggled to generate cash and to prevent declines in market share.

Consumers, on the other hand, came to expect extreme discounts as normal. Carriers then faced a difficult dilemma—to maintain fares at some reasonable level and immediately lose passengers to price-cutting competitors, or to match fares and create large operating losses.

Republic attempted to hold the line, but decreasing load factors and traffic levels showed that deep discounts had to be matched. Although the company was attracting passengers, its yield (average revenue per passenger mile flown) dropped drastically. Operating revenues for the first quarter of 1983 were below the previous year. Of the record 1.05 billion revenue passenger miles flown in March, 26 percent came from ticket redemptions tied to promotions or unprofitable discounts.

The company then implemented strong measures to boost revenues and cut costs. A new, mileage-based fare



Travelers have a wide variety of destination options when as many as 25 aircraft converge at Republic hubs during a two-hour period.

structure was adopted. Schedules were increased at major hubs, and service terminated at cities with limited profit potential. Aggressive advertising was directed toward business, vacation, and convention travelers.

Mid-year cost cuts

As 1983 progressed, all large carriers began moving to reduce labor costs—which represent up to 40 percent of all operating expenses. Across the industry, agreements were reached to improve productivity, reduce base pay, eliminate antiquated work rules, and establish lower pay and benefit scales for new employees.

Some airlines chose confrontation with employees, while others worked together to cut costs. Republic was able to depend on the support of its 14,200 workers during these difficult and trying times. In July 1983, all employees were asked to accept a 15 percent pay reduction and wage freeze, along with more productive work rules, for a nine-month period. The program became effective September 1, and is saving \$7 million a month. Employee

cooperation helped to steadily reduce operating expenses, and cost per available seat mile declined from 9.08 cents for the first quarter of 1983 to 8.24 cents in the fourth quarter.

Partnership Plan

In December 1983, the company announced a Partnership Plan designed to preserve the viability of the airline in an era of intense competition from established carriers and low-cost entrants.

The Plan is designed to extend the present pay cut and wage freeze through 1986 and substantially increase productivity. These actions would enable the company to earn a reasonable net profit in each of the next three years, based on realistic fares and load factors. Provisions of the Plan would include employee stock ownership and profit-sharing.

Management is working with the six labor organizations that represent Republic workers to develop the details of the Plan. The agreement would increase confidence in the company.

Passengers, travel agents, the financial community, and the news media will know that Republic has made a firm commitment to do everything necessary to ensure its future. The competition will know that Republic can withstand market encroachment and fare wars.

Hub strategy

By 1983, Republic's multi-hub route structure was well developed. It focuses on four primary hubs—Minneapolis/St. Paul, Detroit, Memphis and Phoenix—strengthened by other traffic centers.

Republic's strategy for growth is to bring passengers from medium-sized communities to these four major cities. Long-haul flights then carry the travelers to their business and leisure destinations. On some flights, up to 90 percent of Republic's passengers use this "self-feed" system. As many as 25 aircraft converge on a hub during a two-hour period, making dozens of travel options available.

Since 1979, Republic's passenger miles and market share have doubled. (See Five-year summary on page 24.) The number of passengers boarded at the four primary hubs has jumped 72 percent. In 1983, each of the hubs

boarded over one million passengers, with Phoenix and Memphis surpassing that mark for the first time (see chart). Republic now offers 109 flights each business day from Minneapolis/St. Paul, 92 from Detroit, 84 from Memphis, and 63 from Phoenix.

New flights

Major new routes were introduced in 1983 to strengthen Republic's hub cities. At Memphis, nonstops were added to New York (LaGuardia), Tampa/St. Petersburg/Clearwater, Gulfport/Biloxi, Mobile/Pascagoula, Dallas/Fort Worth and Phoenix. Detroit was linked to Philadelphia and Washington, D.C. (National). Phoenix received new Republic service to Portland, Sacramento, San Diego and Omaha. At Minneapolis/St. Paul, nonstops were inaugurated to St. Louis and Columbus (OH).

Elsewhere on the system, the company entered the following markets: Atlanta-Houston (Hobby), Omaha-Des Moines, Sacramento-Eugene, and Las Vegas-Palm Springs/Indio.

In February 1984, Tulsa became Republic's newest city, receiving service to Wichita and the Memphis hub. Other nonstops linked Detroit to

both Miami and Fort Lauderdale/Hollywood; Atlanta to Orlando, Memphis, and Milwaukee; Sioux Falls to Rapid City; and Des Moines to Minneapolis/St. Paul and Phoenix.

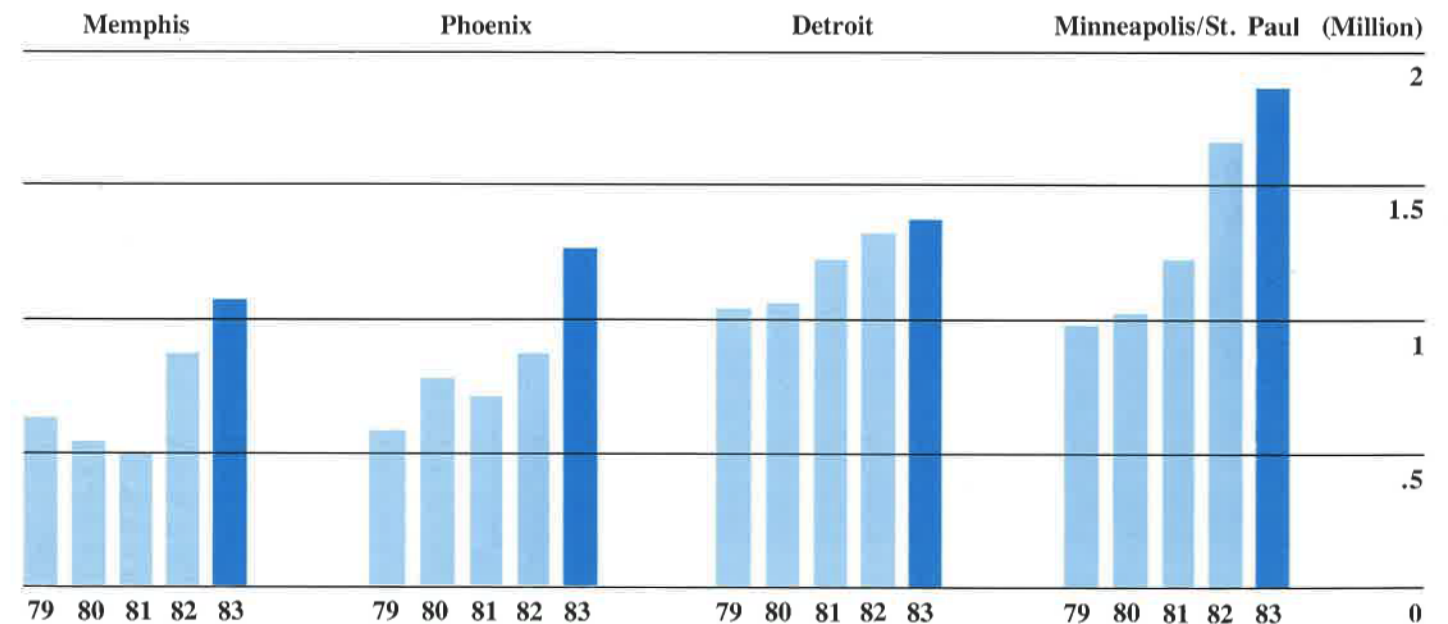
Sky Coach service

To support the Atlanta connecting complex, Republic "Sky Coach" service was inaugurated August 15 to serve Columbus (GA) and military personnel at Fort Benning. Chartered buses with the Republic name and corporate colors make scheduled trips which connect with flights to and from the Atlanta airport. This service is listed in the Official Airline Guide. "Sky Coach" carried 6,620 passengers in the first four and a half months. Similar service is being extended to Anniston/Oxford and nearby Fort McClellan on March 1.

Reallocated resources

Aircraft and personnel for new flights became available when Republic discontinued service at 18 points during 1983 and three in early 1984. Revenues and traffic potential at these cities were limited. The company worked closely with the communities to secure adequate, reliable replacement service by regional airlines.

Passengers Boarded At Republic Hubs

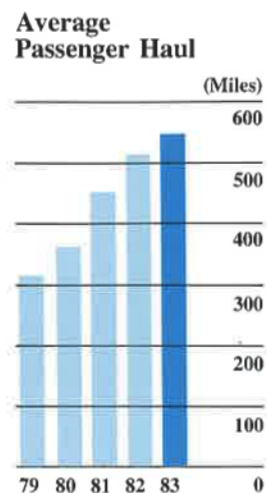


Republic presently provides airport facilities, counter and gate space, training, ticketing or ground service for 35 regional carriers. The company also has joint fares and interline ticketing agreements with over 100 regionals. Eight are already linked to ESCORT—Republic's computerized reservations and telecommunications system—and a ninth will become a co-host soon.

By teaming up with these carriers, Republic is able to offer passengers excellent connecting long-haul service.

Traffic growth

Traffic showed modest growth for 1983, compared with the previous year. Passenger miles increased five percent to 9.7 billion, although the number of passengers declined two percent to 17.8 million. This shows the effect of discontinuing service to some of the smaller cities and reallocating resources to long-haul routes. Republic's average passenger trip in 1983 was up seven percent to 544 miles from 511 (see chart). To supplement scheduled flights, 307 charter trips served 40,773 travelers. Cargo ton miles jumped 22 percent to 79.7 million. Over 192,000 small shipments were handled by the company's VIP service



for "Very Important Packages," a gain of eight percent.

A monthly traffic record was set in March when 1,926,246 passengers flew Republic. On March 25, a new daily high was established with 73,707 passengers.

In 1983, significant gains were made in "connecting" traffic. Transfers were up 156 percent at Phoenix, 31 percent in Minneapolis/St. Paul, 30 percent at Memphis, and 15 percent at Detroit.

Reservations and facilities

The automated check-in system introduced by Republic in 1983 has expedited procedures for reservations, ticket counter check-in, and boarding. Each of the 1,900 passenger agents has received 16 hours of training on the new system. During 1984, additional refinements will enable passengers to receive seat assignments when making reservations up to 60 days in advance.

A monthly record was set in March 1983 when reservations agents handled 2.6 million calls. On March 21, a single-day high occurred with 121,225 calls.

New facilities for Republic passengers were completed at New York (LaGuardia), Toronto, Detroit, Fort Myers, Miami, Columbus (GA)/Fort Benning, Houston (Hobby), Memphis, Minneapolis/St. Paul, Phoenix, Orange County/Santa Ana/Anaheim, Los Angeles and San Jose during 1983.

New air freight terminals were occupied at Montreal, Tampa/St. Petersburg/Clearwater, Milwaukee, St. Louis, and Las Vegas. Construction is currently underway on passenger or freight terminals at Grand Cayman, Dallas/Fort Worth, Milwaukee, Green Bay/Clintonville, Bismarck/Mandan, Tucson, and Sacramento.

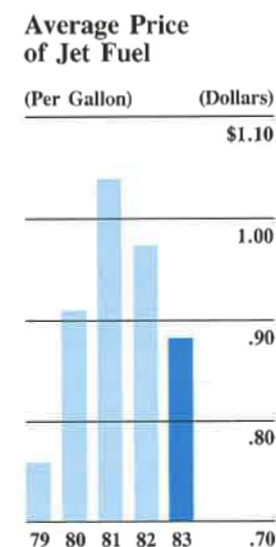
Aircraft transactions

The seventh McDonnell Douglas DC-9 Super 80 joined the Republic fleet in April. In March 1984, the company sold four DC-9-10s, with delivery of two scheduled in June and two in September. The airline currently operates 163 jet-powered aircraft—the seventh-largest fleet in the world—including 133 DC-9s, 15 Boeing 727s and 15 Convair 580s. With the new DC-9-80 and greater aircraft utilization from improved scheduling, available seat miles increased seven percent for the year.

Also, Republic and McDonnell Douglas Corporation reached an agreement in August 1983 which cancelled the company's obligations for the six DC-9-80s still on order. The remaining pre-delivery deposits were applied to the purchase of another Super 80, which is being leased to McDonnell Douglas for 18 months. This transaction, including the net sale of tax benefits, produced income of \$3 million for Republic.

Jet fuel

One of the company's major expenses continues to be jet fuel. Over one million gallons are used daily. The price of fuel decreased nine percent in 1983 to an average of 88.3 cents per gallon. No great changes in supply or price are forecast for 1984.



Republic's Flight Crew Training Center provides pilots with federally-approved simulator training which significantly reduces instructional costs. The airline has four flight simulators, including a new DC-9-80 unit added in May 1983—one of just two in this country.

Besides giving instruction to Republic pilots, the Training Center earns \$3 million annually under 30 contracts with other airlines and the federal government for flight crew training.

Fleet maintenance

Republic's exacting maintenance program again kept operating performance for 1983 among the highest in the industry. The airline completed 99.2 percent of its 169 million scheduled miles. Only three-tenths of one percent of scheduled departures were cancelled, and just 1.7 percent were delayed for maintenance reasons.

At the company's Power Plant Facility, mechanics rebuilt over 300 jet



Skilled mechanics at Republic's Power Plant Facility perform all major maintenance on the company's JT8D jet engines.

engines. Republic performs all major maintenance work on its JT8D engines.

Late in 1983, major aircraft maintenance being done at the Phoenix base was consolidated and moved to the Main Operations Base in Minneapolis/St. Paul. The change resulted from a decrease in outside contract work. Inventory savings are expected to total \$8 million in 1984.

To improve passenger comfort and convenience, Republic mechanics are completely revamping the interiors of the company's DC-9 Series 10 jets. Increased leg room and enclosed overhead bins for carry-on luggage are the main changes. The renovation project also includes more attractive, contemporary decor.



Cargo, including perishables such as fresh seafood, can be swiftly transported to Republic cities across the country.

Marketing concepts

Marketing programs are tied closely to the development of Republic's four primary hubs—Minneapolis/St. Paul, Detroit, Memphis and Phoenix. More nonstop flights to key business and leisure destinations are being added as resources permit. Dominance at these important hubs assures continued growth and discourages competition from other carriers.

Control of fares is an increasingly important task. Passengers have become extremely price-conscious, since all airlines have used drastic discounts to attract or keep business. Republic is determined to avoid unprofitable fares which cause system-wide yield erosion, but is prepared to match prices as needed to protect its markets.

Advertising

Republic's advertising campaigns are primarily targeted at business travelers, who account for the largest percent of all airline passengers. Continuing the theme "Nobody Serves Our Republic Like Republic," the company has developed a series of television commercials and print advertisements based on complimentary letters from passengers who write about the good service they receive. Authors join the personnel involved to reenact the situations which inspired the letters. The ads spotlight Republic's quality service, while displaying the friendliness and professionalism of employees.

Business travel

To attract more business passengers, Republic has vigorously promoted its Business Coach, Frequent Flyer and Executive Suite programs.

Business Coach, priced at just \$15 over a full coach fare, is an excellent value. The traveler enjoys pre-boarding, wider seats, and complimentary beverages. The quiet, comfortable atmosphere helps ensure a productive working trip.

Over 300,000 "Frequent Flyers" are now participating in one of the industry's best travel bonus programs. After every 20,000 miles flown on Republic, Frequent Flyers receive a free round-trip coach ticket and a Business Coach upgrade.

"FASTRAC," a computerized mileage-tracking system, automatically credits the mileage to the Frequent Flyer's account through the company's Business Travel Center.

Republic's high-mileage Frequent Flyer of 1983 logged 325,000 miles of travel on the airline and won a \$25,000 automobile in a joint promotion sponsored by the company and National Car Rental System. In 1984, a high-mileage Frequent Flyer will be named each month. This person will be awarded one year's use of a new Oldsmobile Cutlass. By the end of 1984, half-a-million regular passengers are expected to be Frequent Flyer members.

Republic "Executive Suites" offer convenient airport terminal facilities where passengers can relax or conduct business in attractive surroundings. Some 17,000 travelers paid the \$40 annual fee, or received a year's complimentary membership by



Members of Republic Executive Suites appreciate the comfortable facilities in terminals at seven major cities.

accumulating 60,000 miles as a Frequent Flyer.

Convention travel activity tripled during 1983. Republic was designated as the "Official Airline" for 600 conventions and meetings which attracted almost one million participants. Republic personnel coordinate reservations and ticketing for delegates, exhibitors, sponsors and family members attending these gatherings.

Sales promotion

Innovative promotions helped Republic project its image as a major carrier to leisure and vacation destinations. Early in 1983, the airline teamed with Ralston-Purina using millions of Chex cereal boxes to offer family discounts on complete vacation packages. The "ABC" fare emphasized Republic's extensive route system and encouraged travelers to fly rather than drive to nearby hubs. Purchase of a Curtis Mathes product entitled buyers to special discounts and a sweepstakes drawing for free travel.

"Suntrips with Rainchecks," a unique incentive for leisure travelers to fly Republic, was launched in November to stimulate winter traffic. If rain spoiled over half of the passenger's vacation in selected cities, the company issued another round-trip ticket. The program, backed by an

inexpensive weather insurance policy, generated national attention in the news media.

International sales

Republic's sales efforts extend well beyond the 140 cities it serves. A strong international marketing team is active at another 25 locations. These include London, Stockholm, Brussels, Munich, Milan, Madrid, Tel Aviv,

Mexico City, Guadalajara, Caracas, Bogota, Lima, Rio de Janeiro, Sao Paulo, Buenos Aires, Tokyo, Seoul, Taipei, Hong Kong, Manila, Bangkok, Kuala Lumpur, Singapore, Jakarta and Sydney. In 1983, a European cargo sales office was opened in Amsterdam.

The sales staff has been increased at the company's major hubs and other important traffic centers to promote



Republic's quiet, comfortable Business Coach provides an excellent atmosphere for a productive working trip or a relaxing leisure flight.

What's Bigger Than 140 Cities And Flies?

Republic Airlines. And We're Coming To Tulsa.

Starting February 1st you'll see something new in the air over Tulsa from Republic Airlines. We serve more U.S. cities than any other airline. And soon we'll be helping you reach them, with new service to and from Tulsa.

Our new nonstops bring Wichita and Memphis closer, with 6 quick flights every day. From Memphis, we can take you to major cities from Minneapolis/St. Paul to Miami, and

New York to New Orleans. And here's something to make the trip a little more interesting.

If you fly frequently, let us fly you free. Republic's Frequent Flyer program is the fastest way to get a free round trip of any major airline. Faster than United, American or Delta. And you can go to any city we serve. Just 20,000 miles does it. It's easy to join with instant enrollment at check-in and even easier to get your first 3,000 miles. We'll give them to you free if you become a

Frequent Flyer in February. Look for double mileage credit on any new flight to Wichita or Memphis during February too.

Thousands who write can't be wrong. Modesty presents us from telling you how many thousands of complimentary letters we get every year. The fact is, we're proud of them. They mean we're doing our jobs right. They give us a reputation to live up to.

NEW SERVICE FROM TULSA

- Akron
- Baton Rouge
- Birmingham
- Chattanooga
- Chicago
- Cincinnati
- Detroit
- Huntsville/Desatur
- Knoxville
- Memphis
- Milwaukee
- Miami
- Minneapolis/St. Paul
- Nashville
- New Orleans
- New York
- Orlando
- Philadelphia
- Tampa/St. Pete.

and over 43 other cities.

REPUBLIC AIRLINES
Nobody Serves Our Republic Like Republic.

Advertisements introducing Republic's arrival in Tulsa stressed the new service to Wichita and Memphis, while highlighting dozens of destinations reached through the Memphis hub.

additional business travel through personal contact with large agencies and corporate accounts. Republic joined the PARS reservations system in 1983 and is now a co-host in the five automated systems used by over 85 percent of U.S. travel agencies.

Volunteer activities

To publicize Republic schedules and the cities it serves, volunteers invested many hours of their time on sales blitzes in 1983. Both active and retired employees organized and participated in the Community Ambassador Program. Over 20,000 calls were made on selected travel agencies and commercial accounts in 50 cities by the 850 volunteers.

On October 8, an estimated 17,000 employees, family members, friends, business and civic leaders, travel agents and other invited guests participated in a "Rally Round Republic" open house at the airline's Main Operations Base in Minneapolis/St. Paul. Governor Rudy Perpich proclaimed "Republic Airlines Day" in Minnesota, and local news media covered the activities extensively. Visitors learned about the many technical skills and sophisticated equipment required to operate a major airline.



Active and retired employees volunteered to make personal sales calls on their own time. In 1983, 850 volunteers visited over 20,000 travel agencies and commercial accounts to promote the airline's service.

The future

With adoption of a three-year Partnership Plan, Republic will have the competitive cost structure to withstand price-slashing tactics and market encroachment by other carriers, while bringing financial stability to the company.

Republic has always believed that labor and management can reach mutually beneficial objectives by working together. Employees are one of the company's chief assets, and their concern and loyalty are essential in today's highly-competitive, deregulated marketplace.

The airline's schedules, markets and route system will focus on supporting its four major hubs and strengthening other traffic centers. With improved service to key business and leisure destinations, the company can retain its dominant position at these hubs.

Republic is striving to offer passengers the finest type of airline service. Convenient schedules, superior operating performance, courteous attention, excellent food service, and prompt baggage delivery support the company's slogan, "Nobody Serves Our Republic Like Republic."

With its unique route structure, the airline has great traffic potential. In addition, its employees are making sacrifices to ensure the airline's survival, stability and sustained success. Republic is determined to return to profitability in 1984—and to grow financially stronger in future years.

Management's discussion and analysis

RESULTS OF OPERATIONS

1983 compared with 1982

For 1983, revenues were \$1.51 billion, and operating expenses were \$1.54 billion, resulting in an operating loss of \$31 million. Nonoperating expenses were \$80 million, consisting of interest expense of \$97.9 million, partially offset by \$13 million from the sale of tax benefits and \$4.9 million from other nonoperating items. A net loss of \$111 million for 1983 was incurred.

During the first six months, Republic sustained losses of \$102.9 million, due to severe fare wars and higher labor costs. Conversely, the company's loss was held to \$8.1 million the second half of 1983 because of improving yields (average revenue per passenger mile) and employee wage concessions which began September 1.

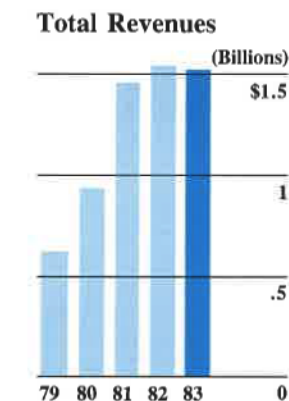
For 1982, revenues were \$1.53 billion, operating expenses totaled \$1.49 billion, and an operating profit of \$37.2 million resulted. Nonoperating expenses of \$77.1 million in 1982 included interest expense of \$100.7 million, offset by gains of \$17.8 million from the sale of tax benefits and \$5.8 million from other nonoperating items. The net loss was \$39.9 million.

Operating revenues in 1983 fell by \$19.2 million, or 1.3 percent, compared with 1982. Although revenue passenger miles increased five percent in 1983, yield declined 5.8 percent to 14.41 cents from 15.29 cents in 1982 which resulted in a decrease in passenger revenues.

In the fourth quarter of 1982, several airlines began offering deeply-discounted fares which Republic was forced to match. While the availability of discount fares increased during the first half of 1983, the fares themselves did not cover associated costs in many cases. To stimulate traffic, the company also offered free flights to fare-paying passengers in certain promotions, and this decreased yield levels. For the first six months of 1983, yield dropped to 12.93 cents from 15.38 cents in 1982—a decrease of 15.9 percent, contributing to the operating loss of \$66.2 million.

During the second half of 1983, yield improved 6.3 percent over 1982 with the expiration of most discount and promotional fares, and the adoption of a mileage-based pricing plan. The company expects yield to remain at current levels or to improve in 1984, unless competitors resort to price-cutting tactics. Republic will continue to match fares on selected routes when required to retain its market share.

Other revenues were down because of a \$9.7 million decrease in public service revenues. The change reflects withdrawal of service from unprofitable subsidized cities and government termination of subsidy payments for the remaining eligible cities on October 1, 1983.



Operating expenses increased by \$49.1 million in 1983, or 3.3 percent over the previous year. Operating expenses per available seat mile declined, however, to 8.68 cents in 1983, from nine cents in 1982, because capacity increased by 7.2 percent without a comparable increase in expenses.

Salaries and benefits increased by \$40.9 million over 1982. This was due to a 1.8 percent growth in the average number of employees in 1983 and to wage increases which followed the temporary 10 percent pay cut and wage freeze taken in the first five months of 1982. Effective September 1, 1983, employees agreed to a 15 percent pay cut and wage freeze. This program reduced costs by about \$28 million in 1983.

Although jet fuel consumption increased 5.2 percent, related expenses were down \$19.4 million because of a

9.4 percent drop in fuel prices. Average price per gallon was 88.3 cents in 1983, compared with 97.5 cents in 1982.

An \$8.8 million increase in the cost of maintenance materials and repairs occurred in 1983 because of the greater number of aircraft engine repairs and modifications completed in order to increase jet engine fuel efficiency. Advertising expense was up \$5 million, compared with 1982, as Republic continued to market the company's service aggressively and to build name recognition.

Net interest expense was down \$2.9 million, largely due to the decreasing prime rate. The cancellation of Republic's obligation to the McDonnell Douglas Corporation for six DC-9-80 aircraft on order resulted in expenses of \$1.4 million, due to the reversal of capitalized interest on pre-delivery deposits, and \$2 million of other charges.

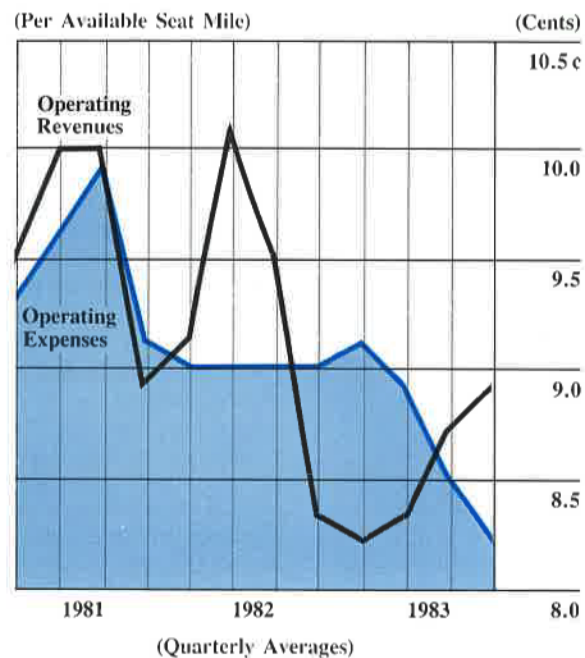
1982 compared with 1981

For 1982, 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, offset by \$17.8 million from the sale of tax benefits and \$5.8 million from other nonoperating items. This resulted in a net loss for 1982 of \$39.9 million.

For 1981, the first full year of operations since the acquisition of Hughes Airwest in October 1980, revenues were \$1.45 billion, operating expenses totaled \$1.43 billion, and an operating profit of \$16.5 million resulted. Nonoperating expenses of \$62.7 million in 1981 included interest expense of \$108.4 million, offset by gains of \$28.9 million from the sale of tax benefits and \$16.8 million from disposition of equipment and other nonoperating items. The net loss was \$46.3 million.

Operating revenues in 1982 rose by \$82.3 million, or 5.7 percent, over the previous year. Passenger revenues increased \$90.7 million, cargo was up \$8.3 million, and public service revenues declined by \$21.4 million. Higher passenger revenues resulted from a 21 percent rise in passenger

Operating Revenues and Operating Expenses



miles, and some extra traffic from a 26-day strike against another carrier. Drastic fare discounting, which Republic had to match, was the main factor causing 1982's yield to drop 12 percent to 15.29 cents, from 17.37 cents in 1981. However, the increased passenger miles more than offset the poorer yield. Lower public service revenues reflect the company's withdrawal of service from unprofitable subsidized cities.

Operating expenses were up \$61.5 million in 1982, or 4.3 percent over the previous year. Operating expenses per available seat mile declined, however, to nine cents in 1982 from 9.47 cents in 1981. Salaries and benefits increased \$12.6 million, tempered by six-month wage reductions for most employees from December 1981 through the first five months of 1982.

Fuel expense rose \$3.9 million. Higher consumption was offset by a six percent drop in aviation fuel prices.

Travel agency commissions were up \$25.3 million because a larger proportion of revenues were generated by travel agents—66.2 percent in 1982; compared with 62.5 percent in 1981—and extra incentives were given for special promotional programs.

Interest expense (before capitalized interest) declined by \$20.1 million, or 16.5 percent, from that of 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.

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.

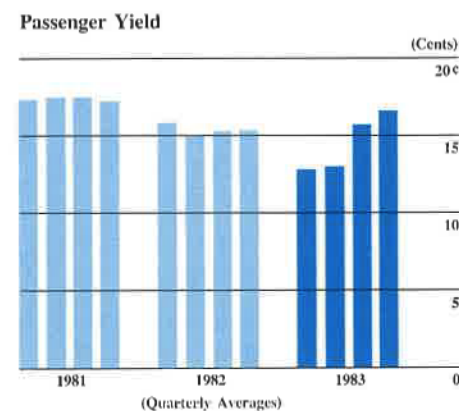
LIQUIDITY AND CAPITAL RESOURCES

During 1983 the company had a net loss of \$111 million and used cash of \$73.8 million in its operations, resulting in a \$22.4 million deficit in stockholders' equity as of December 31, 1983. The company's independent auditors have issued a qualified opinion on the 1983 financial statements. (See Auditors' Report on page 16.)

The company is currently negotiating with representatives of its six employee groups to obtain wage concessions and productivity improvements under a three-year Partnership Plan and is also receiving monthly waivers of the financial covenants from its major banking group. Republic's proposed Plan would extend the present 15 percent pay cut and wage freeze through 1986 and substantially increase productivity. Provisions of the Plan would include employee profit-sharing and stock ownership.

The company's management believes that with the wage and other concessions from its employee groups, the banks will approve long-term amendments to the Revolving Credit Agreement. The satisfactory resolution of these negotiations is necessary for the company to achieve successful operations.

Concerning the company's liquidity, cash and short-term cash investments totaled \$59.8 million at December 31, 1983, compared with \$125.5 million at



December 31, 1982. During the 1981-83 period, Republic conserved cash and supplemented its working capital by:

1. *Reduction of Salaries and Wages.* Effective September 1, 1983, employees accepted a 15 percent pay cut and wage freeze for a period of nine months, which represents a cost reduction of \$7 million a month. Previously, a 10 percent pay cut and wage freeze were in effect for six months through May 1982.

In 1982, most employees deferred one month's salary until August 1983. The \$24 million deferred pay obligation due in August 1983 was reduced by \$8.5 million when some employees accepted \$4.6 million in common stock or deferred the payment of \$3.9 million until August 1984.

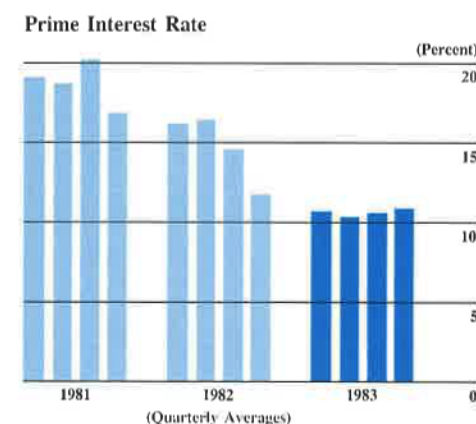
In September 1981, most employees participated in a "stock for pay" plan under which 15 percent of one month's wages, or a total of \$4.3 million, was used to purchase approximately 709,000 shares at the prevailing market price.

2. *Pension Contribution Waivers.* In December 1983, the Internal Revenue Service granted a conditional waiver permitting the company to defer \$23 million in 1982 pension contributions. The payment must be made over the next 15 years, with interest. A similar waiver was granted in September 1982 for the 1981 pension contribution of \$24 million.

3. *Sale of Tax Benefits.* Under terms of the Economic Recovery Tax Act of 1981, Republic received \$59.7 million during the past three years through sale of tax benefits from new aircraft placed in service. Of that amount, \$40.8 million has been applied to the purchase price of eight DC-9-80s, and \$18.9 million was used to retire debt. Such benefits will not be available in 1984.

4. *Issuance of Common Stock and Warrants.* Through a Unit offering of 7,480,000 shares of common stock and 3,740,000 warrants to purchase common stock, the company received proceeds of \$58.3 million in June 1983.

5. *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.



Because of the company's present financial condition, normal sources of external financing may not be available at this time. The adequacy of Republic's cash resources for operations, capital needs and debt retirement will, therefore, depend on the company's return to profitability. This requires continued cost control efforts, a high degree of labor productivity, and effective revenue generation programs. The proposed Partnership Plan would provide the necessary support for achieving viable operations.

The company is highly leveraged. Outstanding debt and obligations under capital leases, including current maturities, totaled \$817.3 million at December 31, 1983. Interest rates float with the prime rate on half of this debt.

At December 31, 1983, Republic had borrowed \$377.5 million, the maximum available under its Revolving Credit Agreement with its major banking group. The borrowings are secured by liens on most of the company's owned aircraft, engines and ground equipment, and certain accounts receivable. The

financial covenants of the Revolving Credit Agreement include debt-to-equity ratios and net worth requirements (as defined under the Agreement), a cash and short-term cash investments minimum, limitations on capital expenditures and additional debt, and restrictions on the payment of common stock dividends. These covenants become progressively more restrictive over the term of the agreement.

As a result of its losses and the restrictive nature of the Revolving Credit Agreement, the company has requested and has received modifications from the banking group on several occasions in the past. Currently, the company is receiving monthly waivers of the financial covenants. Management believes the banks will agree to long-term amendments once an acceptable wage and productivity agreement is reached with the company's employee groups. In the future, however, Republic may require additional modifications to the covenants if operating results do not meet the forecast.

During 1983, Republic incurred debt of \$25.8 million in connection with the purchase of two DC-9-80 aircraft. The aircraft purchased in August 1983 is being leased to McDonnell Douglas Corporation for an 18-month period. Concurrent with the purchase of this aircraft, Republic and McDonnell Douglas Corporation reached agreement to cancel obligations for the six remaining DC-9-80s on order.

In March 1984, the company reached agreement to sell four DC-9-10 aircraft, with delivery scheduled later in 1984. The proceeds from this sale will be used primarily to retire debt.

The company periodically acquires computer equipment, ground property and equipment, and leasehold improvements. The timing and source of future capital needs cannot be estimated at present. The amount of capital expenditures and debt is subject to restrictions contained in the Revolving Credit Agreement.



Consolidated balance sheets

(in thousands)

ASSETS	December 31	
	1983	1982
CURRENT ASSETS		
Cash and short-term cash investments	\$ 59,781	\$ 125,484
Accounts receivable-less allowances	119,690	120,974
Flight equipment parts and supplies	49,762	49,369
Prepaid expenses and other	33,834	32,813
	<u>263,067</u>	<u>328,640</u>
PROPERTY AND EQUIPMENT-at cost		
Flight equipment	900,309	835,338
Ground property and equipment	110,003	101,936
	<u>1,010,312</u>	<u>937,274</u>
Less accumulated depreciation	310,194	248,606
	<u>700,118</u>	<u>688,668</u>
Advance deposits on equipment	-	19,641
	<u>700,118</u>	<u>708,309</u>
PROPERTY AND EQUIPMENT UNDER CAPITAL LEASES		
Flight equipment	157,145	157,145
Ground property and equipment	15,937	12,695
	<u>173,082</u>	<u>169,840</u>
Less accumulated amortization	43,370	32,113
	<u>129,712</u>	<u>137,727</u>
DEFERRED CHARGES AND OTHER ASSETS		
	15,775	11,498
	<u>\$1,108,672</u>	<u>\$1,186,174</u>

(in thousands)

LIABILITIES	December 31	
	1983	1982
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 50,079	\$ 27,654
Current obligations under capital leases	7,834	6,465
Accounts payable	41,488	53,903
Interline payables and tickets outstanding	73,478	68,137
Accrued compensation and vacation benefits	57,200	76,178
Accrued interest	11,849	19,620
Accrued pension liability	31,826	33,832
Other accrued expenses	21,781	21,203
	<u>295,535</u>	<u>306,992</u>
LONG-TERM OBLIGATIONS		
Long-term debt-less current maturities	613,941	647,349
Noncurrent obligations under capital leases	145,454	149,938
Long-term pension liability and other	48,123	25,957
	<u>807,518</u>	<u>823,244</u>
COMMITMENTS AND CONTINGENCIES (Notes B, C and E)		
REDEEMABLE PREFERRED STOCK OF SUBSIDIARY	28,000	28,000
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock-authorized 60,000,000 shares of \$.20 par value ..	6,126	4,413
Additional paid-in capital	114,630	53,811
Retained earnings (deficit)	(143,137)	(30,286)
	<u>(22,381)</u>	<u>27,938</u>
	<u>\$1,108,672</u>	<u>\$1,186,174</u>

The accompanying notes are an integral part of these statements.

Consolidated statements of operations

(in thousands except per share amounts)

	Year ended December 31		
	1983	1982	1981
OPERATING REVENUES			
Passenger	\$1,388,285	\$1,402,693	\$1,311,951
Cargo	76,626	72,914	64,604
Other	46,583	55,061	71,861
	<u>1,511,494</u>	<u>1,530,668</u>	<u>1,448,416</u>
OPERATING EXPENSES			
Salaries and benefits	581,496	540,614	528,004
Aircraft fuel	390,937	410,365	406,495
Maintenance materials and repairs	58,111	49,353	57,705
Food service	34,201	33,811	31,252
Rentals and landing fees	76,863	76,188	68,725
Agency commissions	102,258	103,546	78,280
Depreciation and amortization	70,625	68,818	63,728
Other	228,020	210,750	197,771
	<u>1,542,511</u>	<u>1,493,445</u>	<u>1,431,960</u>
Operating profit (loss)	(31,017)	37,223	16,456
OTHER EXPENSES (INCOME)			
Interest expense-net of capitalized interest	97,852	100,703	108,362
Sale of tax benefits	(13,046)	(17,752)	(28,930)
Gain on disposition of equipment	(923)	(2,570)	(13,369)
Interest income and other-net	(3,869)	(3,297)	(3,396)
	<u>80,014</u>	<u>77,084</u>	<u>62,667</u>
Loss before income taxes	(111,031)	(39,861)	(46,211)
INCOME TAXES	-	-	58
NET LOSS	<u>\$ (111,031)</u>	<u>\$ (39,861)</u>	<u>\$ (46,269)</u>
NET LOSS PER COMMON SHARE	<u>\$(4.28)</u>	<u>\$(1.99)</u>	<u>\$(2.30)</u>

The accompanying notes are an integral part of these statements.

Consolidated statements of changes in financial position

(in thousands)

	Year ended December 31		
	1983	1982	1981
CASH AND SHORT-TERM CASH INVESTMENTS			
AT BEGINNING OF YEAR	\$125,484	\$ 43,542	\$ 50,145
FUNDS USED			
Net loss	111,031	39,861	46,269
Add (deduct) non-cash items:			
Depreciation and amortization	(70,625)	(68,818)	(63,728)
Other	(1,966)	(1,544)	652
Net change in certain working capital items	35,381	(21,106)	(8,376)
Cash used in (provided from) operations	73,821	(51,607)	(25,183)
Additions to property and equipment	59,969	84,291	195,318
Payment of long-term obligations	44,985	43,635	62,333
Payment of cash dividends	1,820	4,550	4,436
Other	8,784	7,451	5,345
	<u>189,379</u>	<u>88,320</u>	<u>242,249</u>
FUNDS PROVIDED			
Net book value of equipment dispositions	2,372	14,635	30,423
Cancellation of advance deposits	3,428	10,416	-
Increase in long-term obligations	30,887	118,983	144,775
Increase in notes payable	-	938	25,352
Deferral of pension payments	23,010	24,086	-
Issuance of redeemable preferred stock of subsidiary	-	-	28,000
Issuance of common stock and warrants	62,532	1	4,267
Options and warrants exercised	-	-	1,159
Other	1,447	1,203	1,670
	<u>123,676</u>	<u>170,262</u>	<u>235,646</u>
INCREASE (DECREASE) IN CASH AND			
SHORT-TERM CASH INVESTMENTS	<u>(65,703)</u>	<u>81,942</u>	<u>(6,603)</u>
CASH AND SHORT-TERM CASH INVESTMENTS			
AT END OF YEAR	<u>\$ 59,781</u>	<u>\$ 125,484</u>	<u>\$ 43,542</u>
CHANGES IN CERTAIN WORKING CAPITAL ITEMS			
Accounts receivable	\$ (1,284)	\$ (22,744)	\$ 23,845
Flight equipment parts and supplies	393	1,605	4,502
Prepaid expenses and other	1,021	4,541	(7,458)
Accounts payable	12,415	2,398	(614)
Interline payables and tickets outstanding	(5,341)	16,250	(14,189)
Accrued expenses	28,177	(23,156)	(14,462)
	<u>\$ 35,381</u>	<u>\$ (21,106)</u>	<u>\$ (8,376)</u>

The accompanying notes are an integral part of these statements.

Consolidated statements of changes in stockholders' equity (deficit)

Years ended December 31, 1981, 1982 and 1983
(in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)
	Shares Issued	Amount		
Balance at January 1, 1981	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)
Cash dividends on redeemable preferred stock	-	-	-	(1,820)
Issuance of common stock and warrants	8,564	1,713	60,819	-
Net loss for 1983	-	-	-	(111,031)
Balance at December 31, 1983	30,630	\$6,126	\$114,630	\$ (143,137)

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, 1983 and 1982, and the consolidated statements of operations, changes in stockholders' equity (deficit) and changes in financial position for the years ended December 31, 1983, 1982 and 1981. 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.

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, as described in Note B, significant uncertainties, which include the obtaining of employee wage and other concessions, could cause the company to be unable to continue in business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of a major portion of recorded asset amounts or the amount and classification of liabilities that might be necessary should the company be unable to continue in the normal course of business.

In our opinion, subject to the effects on the 1983 consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the consolidated financial statements referred to above present fairly the financial position of Republic Airlines, Inc., and its subsidiary at December 31, 1983 and 1982, and the results of their operations and changes in their financial position for the years ended December 31, 1983, 1982 and 1981 in conformity with generally accepted accounting principles applied on a consistent basis.

Alexander Grant + Company

Minneapolis, Minnesota
February 3, 1984

Notes to financial statements

December 31, 1983, 1982 and 1981

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. All significant intercompany transactions have been eliminated. Republic Airlines West, Inc. adopted a plan of dissolution whereby all of its assets and liabilities will be transferred to Republic Airlines, Inc. Certain accounts in the 1981 and 1982 consolidated financial statements have been reclassified to conform with the 1983 presentation.

2. *Flight Equipment Parts and Supplies:* Spare parts and supplies are priced at average cost. An allowance for obsolescence (\$14,101,000 at December 31, 1983 and \$9,023,000 at December 31, 1982) 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 (\$21,720,000 at December 31, 1983 and \$21,322,000 at December 31, 1982). 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. In 1983, capitalized interest of \$1,428,000 was reversed due to the cancellation of aircraft orders, resulting in a net charge of \$801,000. Capitalized interest was \$1,342,000 in 1982 and \$13,819,000 in 1981.

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 classified 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 carryover periods. The company recognizes deferred income taxes resulting from differences in financial and income tax reporting.

Note B - Uncertainties Affecting Going Concern - The consolidated financial statements of the company have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of a major portion of recorded asset amounts or the amount and classification of liabilities that might be necessary should the company be unable to continue in the normal course of business.

During the year ended December 31, 1983 the company incurred a net loss of \$111,031,000 and used cash of \$73,821,000 in its operations. In addition, at December 31, 1983, the company has a deficit in stockholders' equity of \$22,381,000. The company's financial condition, operating results and inability to meet its existing debt covenants without amendments to its loan agreements (Note D(a)) may result in the company being unable to continue in business.

The company's continuation as a going concern is principally dependent on its ability to:

- Successfully conclude negotiations with representatives of its employee groups to obtain wage and other concessions on a long-term basis.
- Continue to reach agreement with the participants to the Revolving Credit Agreement which will satisfactorily modify certain restrictive covenants.
- Ultimately attain successful operations.

The company is currently negotiating with representatives of its six employee groups to obtain wage and other concessions, and has been receiving monthly waivers of its loan agreement financial covenants. Management believes that, with the employee wage and other concessions, the company will be able to reach agreement on long-term amendments to the Revolving Credit Agreement and to have successful operations which should, in turn, enable the company to continue in the normal course of business. Without the employee wage and other concessions, management believes that the company may be unable to continue in the normal course of business.

Note C - 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 equipment additions. As a result of these transactions, the company has recognized nonoperating income (net of related expenses) of \$13,046,000 in 1983, \$17,752,000 in 1982 and \$28,930,000 in 1981. Provisions of these transactions include, among other things, indemnification of the buyer against loss of the stipulated tax benefit amount. The company does not expect to be able to sell tax benefits in the future.

Notes to financial statements

December 31, 1983, 1982 and 1981 (continued)

Note D - Long-term Debt - Substantially all flight equipment, spare parts and ground property owned by the company and certain accounts receivable (\$42,684,000 at December 31, 1983) are pledged as collateral against the long-term debt, consisting of the following at December 31 (in thousands):

	1983	1982
Revolving Credit Agreement (a).....	\$377,455	\$395,455
Installment notes (b).....	157,607	145,540
Equipment Trust Certificates (c):		
due May 1, 1993.....	29,850	33,000
due July 1, 1998.....	7,784	8,303
Subordinated debentures (d):		
13% due November 15, 1993.....	14,260	14,500
10-1/8% due December 15, 2007 (net of unamortized discount of \$1,797,000 and \$1,875,000).....	73,203	73,125
Sundry.....	3,861	5,080
Total long-term debt.....	664,020	675,003
Less current maturities (e).....	50,079	27,654
	<u>\$613,941</u>	<u>\$647,349</u>

(a) During July 1983, the company prepaid the October 1, 1983 and January 1, 1984 installments of \$9,000,000 each. The balance at December 31, 1983 (the maximum available) will be retired in quarterly installments aggregating \$27,000,000 in 1984, \$36,000,000 in 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 company is also required to prepay indebtedness under the Revolving Credit Agreement to the extent cash and short-term cash investments exceed certain balances, to the extent the company achieves profits in excess of specified amounts, and from net proceeds from the disposition of certain flight equipment. Interest is paid monthly to each participating bank at 1/2% over the Citibank, N.A. alternative rate or other rate as negotiated with individual bank participants. The effective rate at December 31, 1983 was 11 1/2%.

Among the original loan covenants in the Revolving Credit Agreement are requirements for the maintenance of debt to equity ratios, restrictions on dividend payments and capital expenditures. As a result of continuing losses in 1981, 1982 and 1983, 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 cash investments provisions, are effective through the remaining term of the Revolving Credit Agreement. At the current time, however, the company has obtained a waiver of certain covenants through March 31, 1984, but management estimates that the company may be unable to remain in compliance with current minimum stockholders' equity and minimum cash and short-term cash investments provisions during 1984. It will be necessary for the company to obtain further modifications from its lenders which it expects to obtain upon the successful negotiation of concessions with its employee groups.

The company is required to maintain average compensating balances of 10% of the monthly average loan outstanding and to pay interest on any compensating balance shortfall at 1/2% over the Citibank, N.A. alternative rate. During 1983 the company was required to maintain average compensating balances (adjusted

for float) of \$40,077,000. At December 31, 1983, the required compensating balances (adjusted for float) were approximately \$39,108,000.

(b) Consists of various installment notes with final maturity dates from 1985 through 1998 at interest rates ranging from 8% (for notes guaranteed by the Federal Aviation Administration) to 19%. The aggregate installment payments in 1984 will be approximately \$39,292,000 including interest.

(c) The Equipment Trust Certificates due May 1, 1993 require semi-annual sinking fund payments of \$1,575,000 from 1984 through 1992 and \$1,500,000 at maturity plus interest at 9%. The company may make semi-annual optional sinking fund payments 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 1/2 to 1 1/2% over the Citibank, N.A. alternative rate. The effective rate at December 31, 1983 was 11 1/2%. The company may pay off the remaining balance in full at any time without a premium.

(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 \$12.17 per share (1,171,734 shares at December 31, 1983), subject to adjustment. The debentures are redeemable at a premium beginning on November 16, 1985. Annual sinking fund payments are \$950,000 in each of 1984 and 1985, \$1,220,000 in 1986, \$1,490,000 in 1987, \$1,600,000 in each of 1988 through 1992 and \$1,650,000 in 1993.

In December 1982 the company issued \$75,000,000 of 10-1/8% convertible senior subordinated debentures at 97 1/2% of face value. The debentures, due December 15, 2007, 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 (7,500,000 shares at December 31, 1983). 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) Current maturities of all long-term debt due in each of the next five years following December 31, 1983 are as follows (in thousands):

1984.....	\$50,079
1985.....	59,222
1986.....	65,802
1987.....	72,193
1988.....	77,108

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 each airport operating authority and, therefore, certain amounts of the commitments are not determinable.

The company has capital lease agreements for 19 aircraft. The debt obligations relating to the capitalization of these leases were \$140,918,000 at December 31, 1983. The aggregate payments in 1984 will be approximately \$19,509,000 including interest at rates ranging from 8 1/4% to 14 1/2%.

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 \$12,370,000 at December 31, 1983. The aggregate payments in 1984 will be approximately \$3,557,000 including interest at a weighted average rate of 14%.

At December 31, 1983, 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
1984.....	\$ 31,146	\$ 23,066
1985.....	30,558	22,896
1986.....	30,137	22,253
1987.....	26,710	19,237
1988.....	25,088	19,056
Thereafter.....	327,031	174,050
Total minimum lease payments.....	<u>\$470,670</u>	<u>280,558</u>
Less amounts representing interest.....		127,270
Present value of future minimum capital lease payments.....		<u>\$153,288</u>

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

	1983	1982	1981
Current income taxes (credit)			
Federal.....	\$ -	\$ -	\$1,206
Investment tax credit.....	-	-	567
State and local.....	-	-	1,773
	-	-	(110)
	-	-	1,663
Deferred income taxes (credit)			
Federal.....	-	-	(2,978)
Investment tax credit.....	-	-	1,683
State and local.....	-	-	(1,295)
	-	-	(310)
	-	-	(1,605)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58</u>

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):

	1983	1982	1981
Income tax expense (credit)			
at statutory federal			
income tax rates.....	\$(51,074)	\$(18,336)	\$(21,257)
Investment tax credit.....	-	-	2,250
Employee Stock Ownership Plan.....	-	88	2,346
State and local taxes net of federal			
income tax benefit.....	-	-	(420)
Non-taxable permanent differences.....	797	1,471	2,619
Tax effect of net operating loss			
carryforward not recognized.....	50,268	16,732	13,211
Other.....	9	45	1,309
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58</u>

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

	1983	1982	1981
Capitalized interest.....	\$ -	\$ -	\$ (2,372)
Investment tax credit.....	-	-	1,683
Training and development.....	-	-	(316)
Depreciation.....	-	-	(843)
Other.....	-	-	243
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,605)</u>

For Federal income tax reporting purposes, the company and its subsidiary file separate tax returns. Republic Airlines, Inc. has, as of December 31, 1983, a net operating loss carryover of approximately \$202,023,000 available to offset future taxable income. Approximately \$37,216,000 expires in 1995, \$29,665,000 in 1996, \$22,081,000 in 1997 and \$113,061,000 in 1998. Investment tax credits of \$40,527,000 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; \$4,098,000 in 1997; and \$2,346,000 in 1998.

Republic Airlines West, Inc. has, as of December 31, 1983, a net operating loss carryover of approximately \$79,814,000 available to offset future taxable income. Approximately \$38,050,000 expires in 1994, \$23,674,000 in 1995 and \$18,090,000 in 1996. Investment tax credits of \$7,707,000 are available to offset future income taxes payable and expire as follows: \$896,000 in 1993; \$4,482,000 in 1994; \$402,000 in 1995; \$1,724,000 in 1996; and \$203,000 in 1997.

For financial reporting purposes, the company and its subsidiary calculate income taxes on a consolidated basis. On this basis, there are approximately \$185,000,000 of net operating loss carryovers available to offset future consolidated taxable income and consolidated investment tax credit carryovers of approximately \$42,000,000 are available to offset future consolidated tax provisions. Any utilization of the pre-acquisition net operating losses or investment credits of Republic Airlines West, Inc. will be recorded as adjustments of the purchase transaction.

Notes to financial statements

December 31, 1983, 1982 and 1981 (continued)

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 G - Retirement Plans - The company has retirement plans covering all employee groups. Pension expense for 1983, 1982, and 1981 was \$36,784,000, \$35,865,000 and \$35,842,000, respectively. The company has either made contributions to the plans equal to the amounts accrued for pension expense or has obtained minimum funding waivers from the Internal Revenue Service. In December 1983 and September 1982, the company received permission from the Internal Revenue Service to fund \$23,010,000 of the 1982 pension costs and \$24,086,000 of the 1981 pension costs over a period of not more than fifteen years. The current portion of the long-term pension liability due in 1984 is \$5,335,000 including interest.

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 loss approximately \$910,000 or \$.04 per share. The accumulated plan benefits and plan net assets for the company's defined benefit plans are as follows (in thousands):

	January 1	
	1983	1982
Actuarial present value of accumulated plan benefits		
Vested	\$321,151	\$284,865
Nonvested	33,065	30,609
	<u>\$354,216</u>	<u>\$315,474</u>
Net assets available for benefits	<u>\$291,697</u>	<u>\$233,463</u>

The weighted average assumed rate of return used in determining the above actuarial present value of accumulated plan benefits was 7½% for both 1983 and 1982.

Note H - Warrants and Options - During the second quarter of 1983, the company issued 3,740,000 warrants in connection with a unit offering of common stock and warrants. The warrants, all of which were outstanding at December 31, 1983, enable the holders to purchase common stock at \$10.00 per share through May 15, 1986.

In 1982 the company granted 155,500 warrants to certain lenders in consideration of the debt restructuring of the Revolving Credit Agreement and the 13% convertible subordinated debentures due November 15, 1993. The warrants enable the holders to purchase common stock at \$8.00 per share through August 26, 1990.

On September 1, 1983, an officer of the company was granted an option to purchase 25,000 shares of common stock at \$4.25 per share. The option terminates on August 31, 1988. At December 31, 1983, the entire option was outstanding.

Note I - Net Loss Per Share - Primary loss per share for 1983, 1982 and 1981 was based on the weighted average number of common shares outstanding of 26,720,591, 22,026,966 and 21,385,451, respectively. The net loss was increased by preferred dividend requirements of \$3,337,000 in 1983, \$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 - Preferred Stock and Redeemable Preferred Stock of Subsidiary - The company has authorized but unissued 25,000,000 shares of \$.01 par value Preferred Stock.

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 aircraft acquisition and financing transactions. 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. The shares are callable at any time, at \$100 per share plus all unpaid dividends. The liquidation preference is \$100 per share plus unpaid dividends before any distribution to Republic Airlines, Inc. Quarterly sinking fund redemption, consisting 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. In case of default, including failure to pay dividends, the shareholder can require the company to purchase all or any portion outstanding at \$100 per share plus all unpaid dividends. In addition, the shareholder could have required the company to purchase 9,000 shares in 1983, but waived its right to redeem these shares. The shareholder can require the company to purchase 55,200 shares in 1984, 46,200 shares in 1985, 59,000 shares in 1986, 72,000 shares in 1987, and 47,600 shares in 1988. With the approval of McDonnell Douglas Corporation, the October 1983 dividend of \$910,000 was declared and paid in January 1984.

Supplemental stockholder information

FORM 10-K REPORT

For the Form 10-K report to the Securities and Exchange Commission, write 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 and five are amendable in 1985. The company has also proposed a three-year Partnership Plan to these unions to obtain wage concessions and productivity improvements. 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.

	1983		1982	
	High	Low	High	Low
1st Quarter	\$10-1/8	\$7-1/2	\$4-3/8	\$2-7/8
2nd Quarter	9-3/8	6-3/4	4-3/4	3-1/8
3rd Quarter	7-7/8	3-3/4	6-1/2	4-3/8
4th Quarter	5-1/8	3-1/2	9-1/2	4-5/8

The company did not pay any cash dividends on common stock in 1983 or 1982, but paid a cash dividend 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 29, 1984, the company had 37,649 holders of common stock.

QUARTERLY SUMMARIES OF OPERATIONS

(unaudited-in thousands except per share amounts)

	1983				1982			
	Three Months Ended				Three Months Ended			
	December 31*	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Operating Revenues	\$386,381	\$392,959	\$374,246	\$357,908	\$348,579	\$397,172	\$412,193	\$372,724
Operating Expenses	359,052	385,082	401,747	396,630	378,860	378,970	367,945	367,670
Operating Profit (Loss)	27,329	7,877	(27,501)	(38,722)	(30,281)	18,202	44,248	5,054
Net Earnings (Loss)	4,037	(12,161)	(43,925)	(58,982)	(27,324)	(5,824)	15,839	(22,552)
Net Earnings (Loss) Per Common Share								
Primary10	(.44)	(1.83)	(2.70)	(1.29)	(.31)	.68	(1.06)
Fully Diluted10	(.44)	(1.83)	(2.70)	(1.29)	(.31)	.67	(1.06)

* Year-end adjustments resulting from changes in estimates of various benefit accruals increased net earnings by approximately \$6,100,000.

ANNUAL MEETING

Wednesday, April 25, 1984

REGISTRARS AND TRANSFER AGENTS

Norwest Trust Company
New York, New York 10005

Norwest Bank Minneapolis, N.A.
Minneapolis, Minnesota 55480

SECURITIES LISTED

Common Stock (RAI)

New York Stock Exchange
Midwest Stock Exchange

Warrants (RAIW)

New York Stock Exchange

Convertible Senior Subordinated Debentures-
10-1/8% (RAIK)

New York Stock Exchange

Trustee:
Norwest Bank Minneapolis, N.A.
Minneapolis, Minnesota 55480

AUDITORS

Alexander Grant & Company

Supplemental stockholder information

(continued)

EFFECTS OF CHANGING PRICES (unaudited)

Basis of preparation of 1983 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 1983. 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 as 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 or specific price changes. In addition, noncurrent payables have not been converted to reflect specific price changes (e.g., changes in interest rates).

CONSOLIDATED STATEMENT OF OPERATIONS —ADJUSTED FOR CHANGING PRICES

Year ended December 31, 1983 (in thousands—unaudited)

	As Reported in the Primary Statements	Adjusted for General Inflation	Adjusted for Changes in Specific Prices (Current Cost)
Total operating revenues	\$1,511,494	\$1,511,494	\$1,511,494
Depreciation and amortization expense	70,625	99,985	162,689
Other operating expenses	1,471,886	1,473,193	1,473,193
Gain on disposition of equipment	(923)	(437)	(946)
Other expenses—net	80,937	80,937	80,937
	<u>1,622,525</u>	<u>1,653,678</u>	<u>1,715,873</u>
Net loss	<u>\$ (111,031)</u>	<u>\$ (142,184)</u>	<u>\$ (204,379)</u>
Gain from decline in purchasing power of net amounts owed		<u>\$ 33,655</u>	<u>\$ 33,655</u>
Increase in specific prices (current cost) of inventory and property and equipment held during the year*			\$ 136,431
Effect of increase in general price level			<u>60,006</u>
Excess of increase in specific prices over increase in the general price level			<u>\$ 76,425</u>

* At December 31, 1983, current cost of inventory was \$53,706,000, and the current cost of property and equipment, net of accumulated depreciation and amortization, was \$1,940,059,000.

FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA —ADJUSTED FOR EFFECTS OF CHANGING PRICES

(In average 1983 constant dollars, in thousands except per share and price index amounts—unaudited)

	Year Ended December 31				
	1983	1982	1981	1980	1979
Total operating revenues—at historical costs	\$1,511,494	\$1,530,668	\$1,448,416	\$ 916,715	\$609,230
Total operating revenues—in average 1983 dollars	\$1,511,494	\$1,579,908	\$1,586,664	\$1,108,378	\$836,220
<i>Historical cost information—adjusted for general inflation</i>					
Net loss from operations	\$ (142,184)	\$ (78,550)	\$ (75,424)	\$ (48,990)	\$ (235)
Net loss from operations per common share	\$ (5.45)	\$ (3.75)	\$ (3.68)	\$ (2.36)	\$ (.01)
Equity in net assets at year end	\$ 307,687	\$ 351,578	\$ 364,766	\$ 308,957	\$288,553
<i>Current cost information</i>					
Net loss from operations	\$ (204,379)	\$ (121,464)	\$ (113,915)	\$ (63,776)	\$ (8,429)
Net loss from operations per common share	\$ (7.77)	\$ (5.69)	\$ (5.48)	\$ (3.08)	\$ (.41)
Excess of increase in specific prices over increase in general price level	\$ 76,425	\$ 69,094	\$ 137,289	\$ 99,594	\$ 25,009
Equity in net assets at year end	\$1,135,312	\$1,172,238	\$ 947,101	\$ 784,275	\$431,047
Gain from decline in purchasing power of net amounts owed	\$ 33,655	\$ 34,454	\$ 75,131	\$ 67,817	\$ 45,927
Cash dividends declared per common share—historical	—	—	\$.10	\$.20	\$.20
Cash dividends declared per common share—in average 1983 dollars	—	—	\$.11	\$.24	\$.27
Market price per common share at year end—historical	\$ 3.75	\$ 7.88	\$ 4.13	\$ 6.00	\$ 6.00
Market price per common share at year end—in average 1983 dollars	\$ 3.69	\$ 8.04	\$ 4.37	\$ 6.93	\$ 7.79
Average consumer price index	298.4	289.1	272.4	246.8	217.4

Five-year summary

OPERATIONS (in thousands, except per share)

	1983	1982	1981	1980*	1979
Operating revenues	\$1,511,494	\$1,530,668	\$1,448,416	\$ 916,715	\$609,230
Operating expenses	1,542,511	1,493,445	1,431,960	903,491	581,177
Operating profit (loss)	(31,017)	37,223	16,456	13,224	28,053
Net earnings (loss)	(111,031)	(39,861)	(46,269)	(24,662)	13,061
Net earnings (loss) per common share—Primary	(4.28)	(1.99)	(2.30)	(1.19)	.70
— Fully diluted	(4.28)	(1.99)	(2.30)	(1.19)	.68

OTHER FINANCIAL DATA (in thousands, except per share)

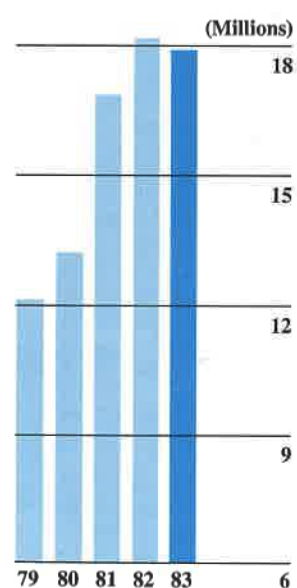
Current assets	\$ 263,067	\$ 328,640	\$ 263,296	\$ 249,010	\$144,691
Property and equipment—net	829,830	846,036	882,196	778,375	399,632
Total assets	1,108,672	1,186,174	1,154,567	1,036,226	549,381
Total long-term debt and capital lease obligations	759,395	797,287	722,434	652,257	263,035
Redeemable preferred stock of subsidiary	28,000	28,000	28,000	—	—
Cash dividends per share of common stock	—	—	.10	.20	.20

TRAFFIC STATISTICS

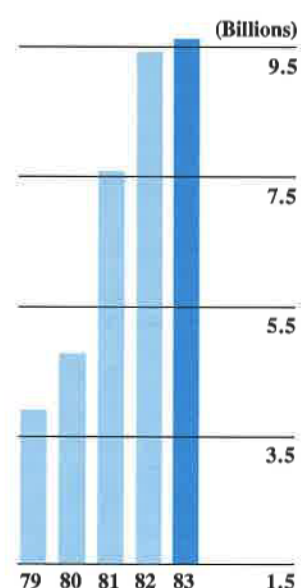
Passengers	17,787,000	18,075,000	16,841,000	13,220,000	12,156,000
Passenger miles (000)	9,675,000	9,231,000	7,641,000	4,760,000	3,847,000
Available seat miles (000)	17,773,000	16,585,000	15,119,000	10,185,000	7,479,000
Passenger load factor	54.4%	55.7%	50.5%	46.7%	51.4%
Cargo ton miles (000)	80,000	65,000	51,000	37,000	32,000

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

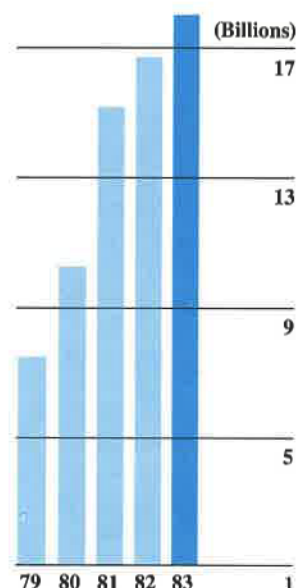
Passengers



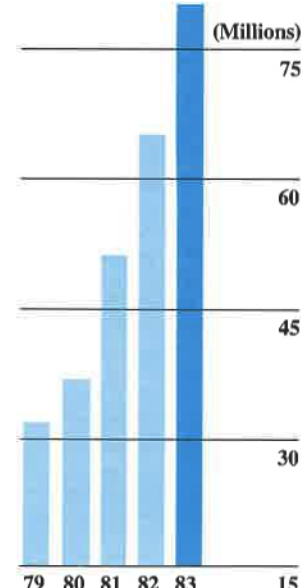
Passenger Miles



Seat Miles



Cargo Ton Miles



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* Executive Committee
† Audit Committee

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	Earl D. Jackson <i>Vice President—Maintenance and Technical Service</i>	Ralph Strangis <i>Assistant Secretary</i>



REPUBLIC AIRLINES, INC.
MINNEAPOLIS, MINNESOTA 55450