FINANCIAL REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 1984



To our stockholders:

Republic Airlines earned the largest quarterly profit in the company's history, \$29 million, or 73 cents per share. This resulted from increased revenues, reduced expenses, and a gain from disposition of surplus equipment. Yield (revenue per passenger mile flown) improved 31 percent to 16.95 cents for the second quarter of 1984 compared with last year, when deeply-discounted fares were rampant in the industry.

The company also made significant progress on several fronts, including:

- Long-term agreements with four unions representing mechanics; clerical personnel and station, reservations and passenger service agents; flight attendants; and dispatchers. These agreements are in addition to those previously negotiated with pilots and maintenance supervisors. Under the new contracts, reduced employment costs and increased productivity are assured through the end of 1986.
- Inauguration of nonstop service June 1 to Indianapolis from Detroit, Memphis, and Minneapolis/St. Paul; to Washington, D.C. (Dulles) from Detroit and Memphis; and from Boston to Minneapolis/St. Paul. Additional round trips between Chicago and Minneapolis/St. Paul created a 10-flight "mini-shuttle" service.
- A review of advertising agencies which resulted in Dancer Fitzgerald Sample of New York being chosen as the company's new agency.
- Sale of two surplus DC-9 Series 10 aircraft and equipment, plus the sale and exchange of several airport gates, for a net gain of \$8.9 million.
- Strengthening the management team by naming A. B. Magary Senior Vice President—Marketing and Gary H. Lantner, Vice President and Secretary. Both have extensive airline industry experience.

For the second quarter, revenues reached \$410.5 million, and operating expenses were \$366.8 million, for an operating profit of \$43.7 million. Other expenses were \$14.7 million. Income taxes of \$11.7 million were offset by an extraordinary gain of \$11.7 million (28 cents per share) from utilization of tax loss carryforwards. As a result, net earnings were \$29 million, or 73 cents per share. For the same period of 1983, a net loss of \$43.9 million was incurred, or a loss of \$1.83 per share.

Revenues were \$804.1 million for the first six months of 1984. With operating expenses of \$741.9 million, an operating profit of \$62.2 million resulted. This represents an improvement of \$128.4 million from the \$66.2 million operating loss recorded in 1983. After other expenses of \$37.2 million, income taxes and the offsetting extraordinary gain from tax loss carryforwards, net earnings of \$25 million were achieved, or 68 cents per share. This compares with a net loss of \$102.9 million for the first six months last year, or a loss of \$4.49 per share.

In the second quarter, Republic carried four million passengers and flew 2.2 billion revenue passenger miles. down 16 percent. Unlimited fare cuts artificially stimulated traffic in 1983. May was a record month for cargo, which continues strong growth. Cargo ton miles for the quarter iumped 24 percent.

Republic has reached agreement with all its employee groups on a wage, productivity and stock ownership plan. The plan includes issuing 5.5 million shares of common stock, 2.2 million warrants to purchase common stock, and a profit-sharing program in the form of preferred stock.

As part of the agreement with the pilots, the company intends to terminate the defined benefit pension plans for pilots and replace them with a defined contribution plan, subject to government approvals. The resulting reduction in the company's pension liability of \$55-\$65 million would be recorded as an extraordinary gain in the second half of 1984.

Republic is continuing to stress superior performance. Marketing efforts will focus on building the airline's national identity and increasing its share of passengers at the cities served. Future schedule refinements will add flights in hubs such as Minneapolis/St. Paul, Detroit and Memphis, while redeploying assets from less profitable markets.

The airline is implementing programs to further improve revenues and become more cost efficient. The support shown by our employees is a significant factor in strengthening the company's position in today's highlycompetitive, deregulated environment. Every employee will become a Republic stockholder—a personal incentive for instilling pride and ensuring quality service. The momentum from the first six months is helping Republic regain its financial viability. The company is looking forward to the future with renewed vigor and confidence.

Sincerely,

DANIEL F. MAY

Chairman of the Board and Chief Executive Officer

President and

Chief Operating Officer

July 26, 1984

REPUBLIC AIRLINES, INC.

and Consolidated Subsidiary

Consolidated Balance Sheets

(unaudited-in thousands)		
ASSETS	June 30, 1984	December 31, 1983
CURRENT ASSETS		\$ 59,781
Cash and short-term cash investments Accounts receivable—less allowances	\$ 106,652 139,327	119,690
Parts and supplies—less reserves	42,110	49,762
Prepaid expenses and other		33,834
Tropula expenses and other transfer	323,702	263,067
PROPERTY AND EQUIPMENT		,
Flight equipment-at cost	898,012	900,309
Flight equipment leased	157,145	157,145
Ground property and equipment-at cost	111,981	110,003
Ground property and equipment leased	15,626	15,937
	1,182,764	1,183,394
Less accumulated depreciation, amortization	386,735	353,564
	796,029	829,830
DEFERRED CHARGES	16.465	15 775
AND OTHER ASSETS	16,465	15,775
	\$1,136,196	\$1,108,672
LIABILITIES		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 60,117	\$ 50,079
Current obligations under capital leases	8,307	7,834
Accounts payable	44,000	41,488
Interline payables and tickets outstanding.	92,308	73,478
Accrued compensation and vacation benefits	52,961	57,200
Other accrued expenses	80,918	65,456
	338,611	295,535
LONG-TERM OBLIGATIONS		
Long-term debt-less current maturities	579,122	613,941
Noncurrent obligations under capital leases	140,925	145,454
Long-term pension liability and other	48,822	48,123
	768,869	807,518
REDEEMABLE PREFERRED STOCK	20.000	20,000
OF SUBSIDIARY	28,000	28,000
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, \$.20 par value;	6 120	6 126
30,639,390 shares outstanding	6,128 114,664	6,126 114,630
Retained earnings (deficit)	(120,899)	(143,137
Employee stock to be issued	823	(143,137
Employee stock to be issued		(22 201
	716	(22,381
	\$1,136,196	\$1,108,672

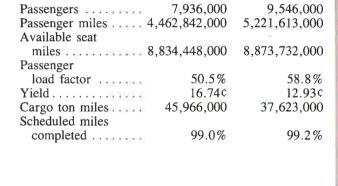
Consolidated Statements of Operations

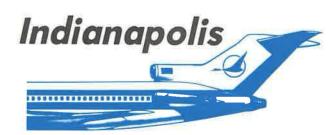
(unaudited-in thousands except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
OPERATING REVENUES	1984	1983	1984	1983
Passenger	\$377,111	\$345,501	\$737,197	\$ 671,485
Cargo		18,533	39,346	37.320
Other		10,212	27,564	23,349
Other	410,489	374,246	804,107	732,154
OPED ATIMIC EMPENDED	410,407	374,240	004,107	732,134
OPERATING EXPENSES	126 271	156 560	260 256	200 241
Salaries and benefits	126,271 92,954	156,562 98,161	260,256 186,870	308,341 200,229
Aircraft fuel		14,231	26,628	30,053
•	9,089	9,144	17,392	17,889
Food service	. ,	,		39.380
Rentals and landing fees	20,059 27,623	20,128	39,329 54,024	50,478
Agency commissions		26,324 17,453	36,541	34,551
Depreciation and amortization				
Other	59,578	59,744	120,841	117,456
	366,758	401,747	741,881	798,377
Operating profit (loss)	43,731	(27,501)	62,226	(66,223)
OTHER EXPENSES (INCOME)				
Interest expense-net of capitalized interest	24,482	23,841	49,177	47,330
Sale of tax benefits	24,402	(6,621)	72,177	(6,621)
Gain on disposition of equipment		(32)	(9,657)	(886)
Interest income and other-net		(764)	(2,262)	(3,007)
interest meone and other net	14,710	16,424	37,258	36,816
	14,710	10,424	31,230	30,810
Earnings (loss) before income taxes	20.021	(42.025)	24.069	(102 020)
and extraordinary item	29,021	(43,925)	24,968	(103,039)
INCOME TAXES (CREDIT)	11,730		11,730	(132)
Earnings (loss) before extraordinary item	17,291	(43,925)	13,238	(102,907)
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EXTRAORDINARY ITEM	11 720		11 720	
Effect of utilization of tax loss carryforwards		=====	11,730	
NET EARNINGS (LOSS)	\$ 29.021	\$ (43,925)	\$ 24,968	\$(102,907)
(<u> </u>	+ (12)===/		
EARNINGS (LOSS) PER COMMON SHARE-				
PRIMARY				
Before extraordinary item		\$(1.83)	\$.35	\$(4.49)
Extraordinary item	.35	=0	37	
Net earnings (loss)	\$.85	\$(1.83)	\$.72	\$(4.49)
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EARNINGS (LOSS) PER COMMON SHARE-				
FULLY DILUTED				
Before extraordinary item		\$(1.83)	\$.38	\$(4.49)
Extraordinary item	.28		30	
Net earnings (loss)	\$.73	\$(1.83)	\$.68	\$(4.49)
	(-	====	-

Operating Statistics

	Three Months Ended June 30		
	1984	1983	
Passengers	4,024,000	4,823,000	
Passenger miles	2,246,732,000	2,668,127,000	
miles	4,432,990,000	4,504,038,000	
Passenger			
load factor	50.7%	59.2%	
Yield	16.95¢	12.970	
Cargo ton miles Scheduled miles	23,421,000	18,937,000	
completed	99.4%	99.4%	
3	Six Months Ended June 30		
	1984	1983	





Republic's newest city now has nine daily departures to Detroit, Memphis and Minneapolis/St. Paul!





A Capital Idea.

Now 16 daily flights to three Washington area airports.