3rd Annual MIT Airline Industry Conference

Airline Financing Challenges: A Capital Markets Overview

April 19, 2004

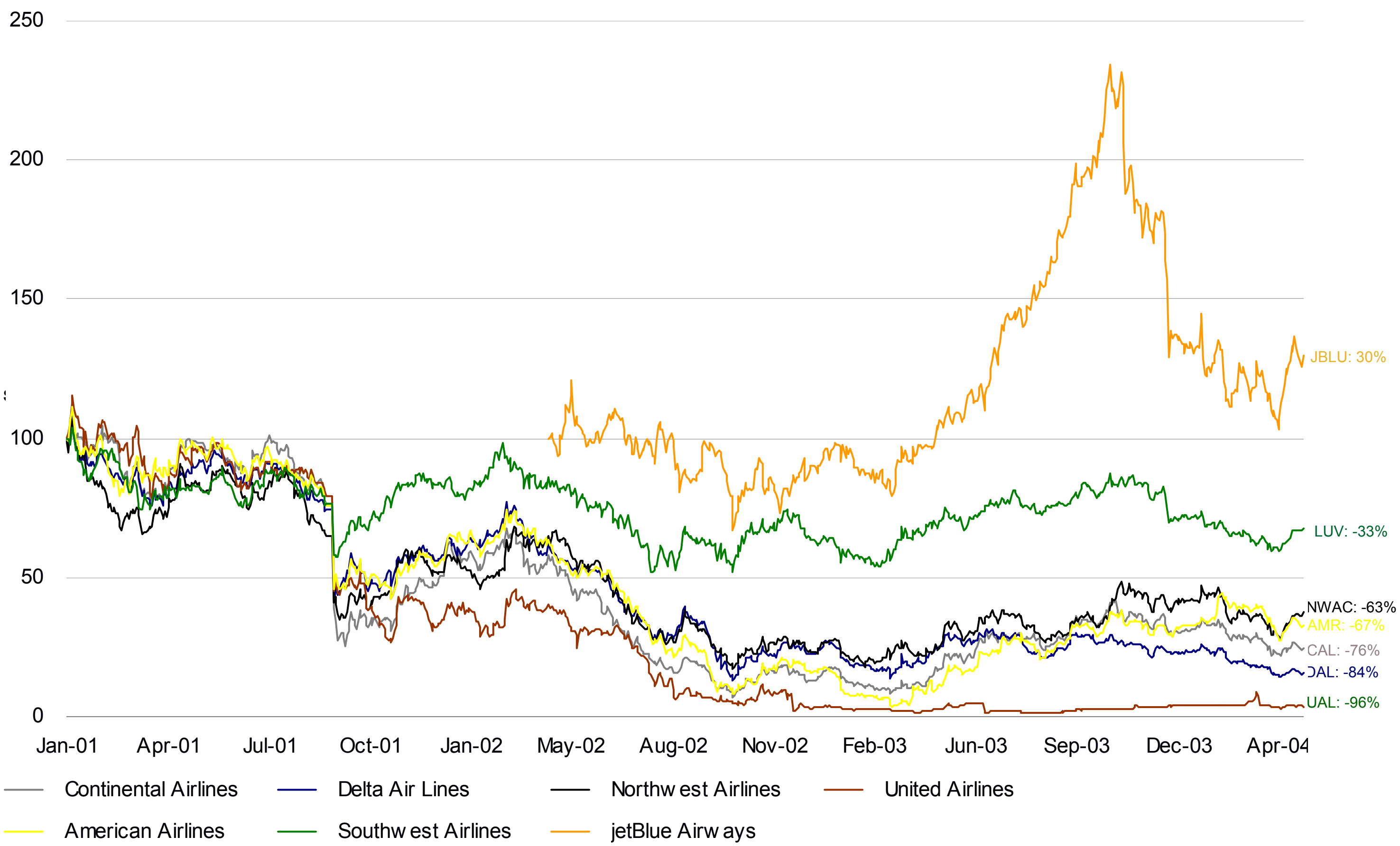
Morgan Stanley

Capital Markets Overview

Conditions Reflect Improving Macro Environment

Historical Stock Price Performance[1]

(% Change)



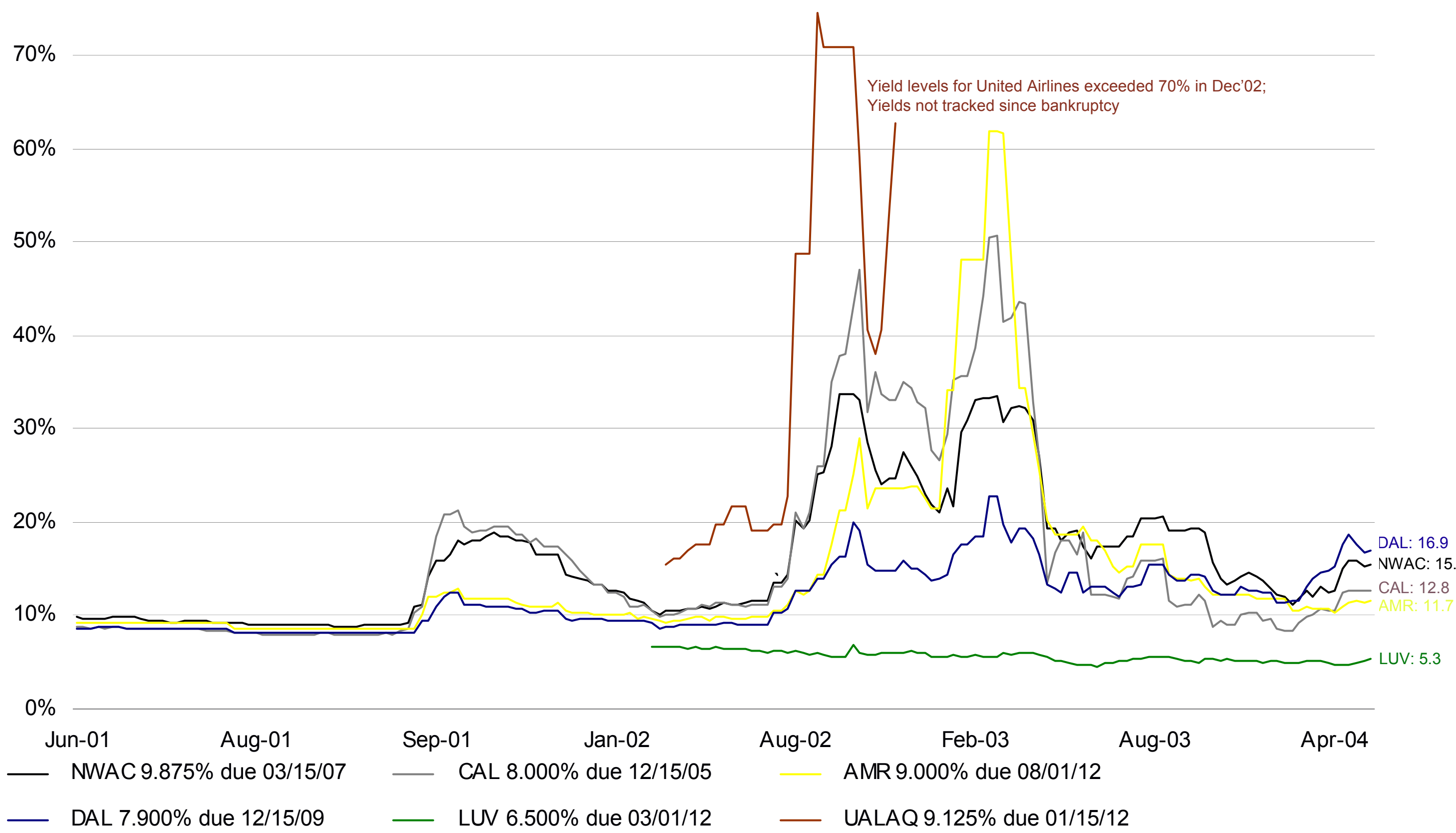
Source FactSet

Note
1. Data as of April 12, 2004

Unsecured Debt Trading Levels Have Improved

Airline Benchmarks

Historical Unsecured Airline Debt Levels
(% Yield)

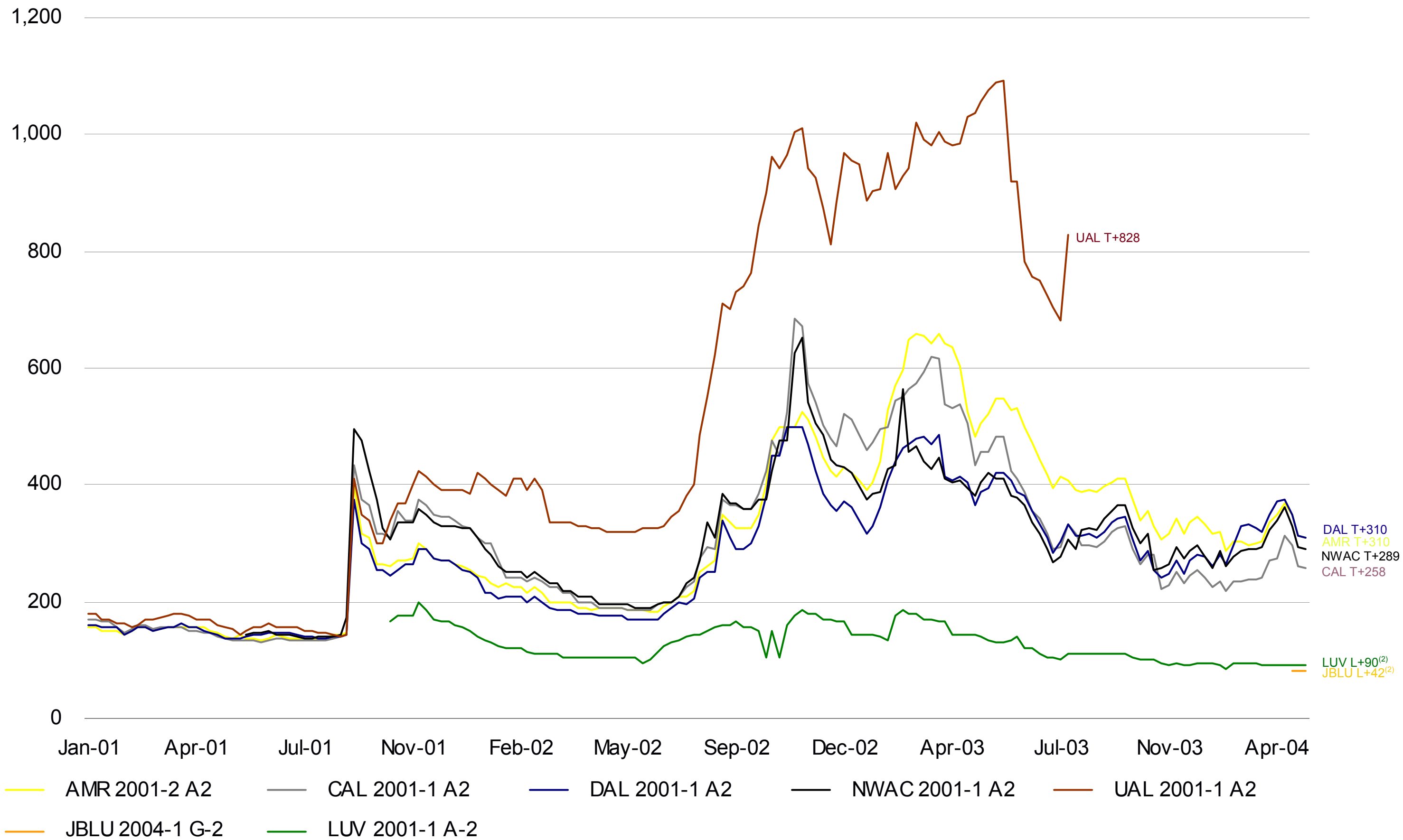


Source MS Fixed Income through April 12, 2004

EETC Trading Levels Have Improved

Airline Benchmarks

10-Year Spreads to Treasuries of Select EETC A-2 Tranches[1]
(Bps)



Source MS Fixed Income

Notes
1. From January 2001 to April 12, 2004
2. Spread to LIBOR

Mainline's Debt Outlook

Debt Profile[1]

	AMR	CAL	DAL	NWAC	UAL	JBLU	LUV
Total Debt ($Bn)	13.93	5.98	12.56	8.29	0.85	1.11	1.54
Debt/Cap (%)	99.67	88.30	103.15	127.27	-16.82	62.29	23.34
CASM	10.15	9.36	10.48	9.87	10.50	6.07	7.60

Note
1. Source: Companies' 10Ks

Convertibles in the Airline Industry

January 2002 to Present

Pricing Date	Issuer	Size $MM	Coupon (%)	Premium (%)	Maturity	First Put	Call Protection	Senior/Sub	Structure
1/16/2002	Continental Airlines	175	4.50	28.6	5		NC-3	Sr	Cvt Debt
3/17/2003	Alaska Air Group	150	L+250bps	35.4	20	5	NC-3	Sr	Cvt Debt
5/1/2003	AirTran Holdings	100	7.00	60.0	20	7	NC-7	Sr	Cvt Debt
5/14/2003	Northwest Airlines Corp	150	6.63	60.0	20	7	NC-7	Sr	Cvt Debt
5/27/2003	Delta Air Lines	300	8.00	99.6	20	5	NC-5	Sr	Cvt Debt
6/4/2003	Continental Airlines	150	5.00	42.3	20	7	NC-7	Sr	Cvt Debt
6/11/2003	Mesa Air Group	75	6.25	46.0	20	5	NC-5	Sr	Cvt Debt
7/10/2003	JetBlue Airways	150	3.50	50.0	30	5	NC-3,PC-2@150%	Sr	Cvt Debt
7/24/2003	America West Airlines	75	7.25	30.0	20	5	NC-5	Sr	Cvt Debt
7/30/2003	ExpressJet Holdings	125	4.25	30.5	20	5	NC-5	Sr	Cvt Debt
9/17/2003	AMR Corporation	300	4.25	32.0	20	5	NC-5	Sr	Cvt Debt
10/30/2003	Northwest Airlines Corp	225	7.63	60.0	20	5	NC-3	Sr	Cvt Debt
2/2/2004	Delta Air Lines	325	2.88	30.0	20	5	NC-5	Sr	Cvt Debt
2/4/2004	Mesa Air Group	100	2.12	40.3	20	5	NC-5	Sr	Cvt Debt
2/9/2004	AMR Corporation	300	4.50	40.0	20	5	NC-5	Sr	Cvt Debt
2/19/2004	Atlantic Coast Airlines, Inc.	125	6.00	45.0	30	5	NC-3	Sr	Cvt Debt

Source MS Fixed Income

Cumulative Capital Markets Aircraft-Backed Debt

As of April 14, 2004

- **To date, the actual losses due to foreclosure have been better than the market's perception**
- **However, even with the recent rally in prices, there is $3.7 billion of trading losses**

EETC Payoff Profile

	Total Issuance		Matured		Defaulted					
Total	**No.**	**Principal ($MM)**	**No.**	**Principal ($MM)**	**No.**	**Principal ($MM)**	**Prior Amort. ($MM)**	**Liquidation ($MM)**	**Lifetime ($MM)**	**(%)**
G	25	7,317.7	0	0.0	0	0.0	0.0	0.0	0.0	NA
A	98	21,431.3	10	61.7	4	284.9	46.5	231.8	278.3	97.7%
B	70	6,225.8	1	11.1	4	99.2	13.3	78.9	92.3	93.0%
C	80	6,028.0	9	147.5	3	50.1	21.5	27.3	48.8	97.4%
D	19	1,722.3	5	116.3	1	5.5	2.1	0.0	2.1	38.1%
E	1	14.5	1	14.5	0	0.0	0.0	0.0	0.0	NA
Total	**293**	**42,739.7**	**26**	**351.0**	**12**	**439.7**	**83.5**	**338.0**	**421.5**	**95.8%**

ETC/PTC Payoff Profile

	Total Issuance				Matured/Called			Defaulted					
Type	**No. of Transactions**	**No. of Aircraft**	**No. of Tranches**	**Principal ($MM)**	**No. of Tranches**	**Principal ($MM)**	**% of Total Issuance**	**No. of Tranches**	**Principal ($MM)**	**Prior Amort. ($MM)**	**Liquidation ($MM)**	**Lifetime Repayment ($MM)**	**(%)**
ETC	44	139	1,850	3,708	1,178	1,518.2	40.9%	282	749.8	0.0	0.0	0.0	0.0
PTC	45	209	113	7,600	32	2,108.0	27.7%	27	2,054.7	398.3	0.0	398.3	19.4%
Total	**89**	**348**	**1,963**	**11,308.2**	**1,210**	**3,626.2**	**32.1%**	**309**	**2,804.5**	**398.3**	**0.0**	**398.3**	**14.2%**

Secured Debt Market Valuation

Security Type	**Outstanding Principal ($MM)**	**Estimated Price ($)**	**Valuation ($MM)**
ETC	1,440.2	70.0	1,008.2
PTC	3,437.2	70.0	2,406.1
Total	**4,877.5**	**70.0**	**3,414.2**
G	7,317.7	101.0	7,390.9
A	21,084.7	98.0	20,663.0
B	6,115.4	90.0	5,503.9
C	5,830.5	85.0	4,955.9
D	1,600.5	75.0	1,200.4
Total	**41,948.9**	**94.7**	**39,714.1**
Grand Total	**46,826.4**	**92.1**	**43,128.4**
Discount on issued airline secured principal ($MM)			**3,698.0**