

U.S. Department of Transportation  
Research and Special Programs  
Administration

REPORT OF FINANCIAL  
AND OPERATING STATISTICS FOR  
LARGE CERTIFICATED  
AIR CARRIERS

Period ended September 30, 19 2000

Hawaiian Airlines, Inc.

(Full name of reporting company)

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CERTIFICATION\*

I, the undersigned Lyn F. Anzai  
(Title of officer in charge of accounts)

of the Hawaiian Airlines, Inc.  
(Full name of reporting company)

do certify that this report and all schedules, ADP-media submissions, Passenger Origin-Destination Survey submissions and supporting documents which are submitted herewith or have been submitted heretofore as parts of this report filed for the above indicated period have been prepared under my direction; that I have carefully examined them and declare that they correctly reflect the accounts and records of the company, and to the best of my knowledge and belief are a complete and accurate statement, after adjustments to reflect full accruals, of the operating revenues and expenses, income items, assets, liabilities, capital, retained earnings, and operating statistics for the periods reported in the several schedules, the Schedule T-100 ADP-media submissions, and the Passenger Origin-Destination Survey; that the various items herein reported were determined in accordance with the Uniform System of Accounts and Reports for Large Certificated Air Carriers prescribed by the Department of Transportation; and that the data contained herein are reported on a basis consistent with that of the preceding report except as specifically noted in the financial and statistical statements.

  
(Signature)

VP, General Counsel & Corporate  
Secretary

P.O. Box 30068  
Honolulu, HI 96820

(Air Carrier Post Office Address)

Dated November 10, 19 2000

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\*Title 18 U.S.C. Sec. 1001, Crimes and Criminal Procedure, makes it a criminal offense subject to a maximum fine of \$10,000 or imprisonment for not more than 5 years, or both, to knowingly and willfully make or cause to be made any false or fraudulent statements or representations in any matter within jurisdiction of any agency of the United States.

## BALANCE SHEET

As At: September 30, 2000

Air Carrier:

Schedule B-1

Operation : Domestic HAD

ACCT# DESCRIPTION

AMOUNT

	ASSETS	
	CURRENT ASSETS	
1010	Cash	7,528,286
1100	Short-Term Investments	74,444,287
1200	Notes Receivable	0
1270	Accounts Receivable	32,495,144
1290	Less Allow. for Bad Debts	1,161,299
1299	Net Notes & Accounts Receivable	31,333,845
1399	Net Spare Parts & Supplies	7,034,373
1410	Prepaid Items	6,576,662
1420	Other Current Assets	10,094,030
1499	Total Current Assets	137,011,483
	INVESTMENTS IN SPECIAL FUNDS	
1510	Inv. in Associated Companies	771,183
1530	Other Investments & Receivables	579,563
1550	Special Funds	349,755
1599	Total Inv. & Special Funds	1,700,501
	OPERATING PROPERTY & EQUIPMENT	
1609	Flight Equipment	35,214,995
1649	Ground-Property and Equipment	28,607,355
1668	Less Allowance for Depreciation	19,074,147
1675	Property & Equipment - Net	44,748,203
1679	Land	0
1685	Purchase Dep. & Adv. Payments	0
1689	Construction Work-in-progress	8,242,379
1695	Leased Property - Cap. Leases	7,092,029
1696	Accum. Amort. Capital Leases	3,276,692
1699	Total Oper. Prop. & Equipment	56,805,919
	NONOPERATING PROP. & EQUIPMENT	
1791	Less Allow. for Depr. - Nonop.	9,845,361
1792		9,845,361
1799	Net Nonoperating Prop. & Eqmt.	0
	OTHER ASSETS	
1820	Long-term Prepayments	38,196,528
1830	Unamort. Dev. & Preop. Costs	0
1890	Other Assets and Def. Charges	54,961,642
1895	Total Other Assets	93,158,170
1899	TOTAL ASSETS	288,676,073

## BALANCE SHEET

As At: September 30, 2000

Air Carrier: Hawaiian Airlines

Schedule B-1

Operation : Domestic HAD

ACCT# DESCRIPTION

AMOUNT

	LIABILITIES & STOCKHOLDERS' EQ.	
	CURRENT LIABILITIES	
2000	Curr. Maturities of L-T Debt	3,897,852
2005	Notes Payable - Banks	0
2015	Notes Payable - Others	0
2021	Trade Accts. Payable	47,183,719
2025	Accts. Payable - Other	33,276
2080	Curr. Oblig. Under Cap. Leases	739,639
2110	Accrued Salaries & Wages	3,639,732
2120	Accrued Vacation Pay	10,068,845
2125	Accrued Interest	0
2130	Accrued Taxes	549,991
2140	Dividends Declared	0
2160	Air Traffic Liability	70,603,280
2190	Other Current Liabilities	32,242,235
2199	Total Current Liabilities	168,958,569
	NONCURRENT LIABILITIES	
2210	Long-term Debt	33,597,241
2240	Advances from Assoc. Companies	0
2250	Pension Liability	0
2280	Noncurrent Obgl.-Capital Leases	2,231,895
2290	Other Noncurrent Liabilities	18,781,951
2299	Total Noncurrent Liabilities	54,611,087
	DEFERRED CREDITS	
2340	Deferred Income Taxes	12,562,320
2345	Deferred Investment Tax Credits	0
2390	Other Deferred Credits	0
2399	Total Deferred Credits	12,562,320
	STOCKHOLDERS' EQUITY	
2820	Preferred Shares Issued	0
2840	Common Shares Issued	410,011
2860	Subscribed & Unissued	0
2869	Total Capital Stock	410,011
2890	Additional Capital Invested	85,609,576
2899	Total Paid in Capital	86,019,587
2900	Retained Earnings	-33,475,490
2959	Total Stockholders' Equity	52,544,097
2990	Less Treasury Stock	0
2995	Net Stockholders' Equity	52,544,097
2999	Total Liab. & Stockholders' Eq.	288,676,073
2820A	No. of Preferred Shares Issued	0
2840A	No. of Common Shares Issued	40,997,335

US Department of Transportation Research and Special Programs Administration								AIRFRAME AND AIRCRAFT ENGINE ACQUISITIONS AND RETIREMENTS					Air Carrier <u>HAWAIIAN AIRLINES, INC.</u> Quarter Ended <u>September 30, 2000</u>	
L i n e	Year of First Delivery (Airframe) (1)	Airframe Manufacturer's Serial Number (2)	Date Acquired or Retired (3)	Acquisition or Retirement "A" or "R" (4)	Airframe License Number (5)	Number of Engines Acquired/ Retired (6)	Type, Model and Cabin Design (7)	Maximum Seating Capacity (8)	Cost (9)	Amortized/ Depreciated Cost (10)	Realization (11)	Acquired From/ Disposition (12)		
1	NONE	NONE	NONE	NONE	NONE	NONE	NONE							
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RSPA Form 41 Schedule B-7

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Air Carrier: Hawaiian Airlines, Inc.  
Quarter Ended: September 30, 2000

U.S. Department of Transportation  
Research and Special Programs  
Administration

**STATEMENT OF CASH FLOWS**

**Cash Flows From Operating Activities:**

Net loss .....	\$ (220)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation .....	2,718
Amortization .....	1,397
Net periodic postretirement benefit cost .....	279
Restructuring Charge .....	12,847
Loss on disposition of property and equipment .....	17
Increase in accounts receivable .....	(2,308)
Increase in inventory .....	(284)
Increase in prepaid expenses and other .....	(1,849)
Decrease in deferred taxes, net .....	7,596
Increase in accounts payable .....	3,803
Increase in accrued liabilities .....	3,923
Decrease in air traffic liability .....	(8,132)
Other, net .....	(2,843)

Net cash provided by operating activities ..... 16,944

**Cash Flows From Investing Activities:**

Purchases of property and equipment .....	(5,503)
Progress payments on flight equipment .....	(6,456)
Net proceeds from disposition of property and equipment .....	56

Net cash used in investing activities ..... (11,903)

**Cash Flows From Financing Activities:**

Proceeds from issuance of debt .....	1,996
Repurchase of common stock .....	(10,287)
Repurchase of warrants .....	-
Repayment of debt .....	(6,798)
Principal payments under capital lease obligation .....	(251)

Net cash used in financing activities ..... (15,340)

Net decrease in cash and cash equivalents ..... (10,299)

Cash and Cash Equivalents - Beginning of Period ..... 92,272

Cash and Cash Equivalents - End of Period ..... \$ 81,973

\* In thousands

## STATEMENT OF OPERATIONS

Quarter Ended: September 30, 2000

Air Carrier: Hawaiian Airlines

Schedule P-1.2 Group III

Operation : Pacific HAP

ACCT#	DESCRIPTION	AMOUNT
	OPERATING REVENUES	
3901.1	Passenger - First Class	0
3901.2	Passenger - Coach	7,538,208
3901	Transport Revenues - Passenger	7,538,208
3905	Mail	228,122
3906.1	Property - Freight	169,658
3906.2	Property - Excess Baggage	961
3907.1	Charter - Passenger	9,719,250
3907.2	Charter - Property	0
3919.1	Reserv. Cancellation Fees	0
3919.2	Misc. Operating Revenues	52,429
4808	Public Service Subsidy	0
4898	Transport Related	32,287
4999	Total Operating Revenue	17,740,915
	OPERATING EXPENSES	
5100	Flying Operations	4,974,000
5400	Maintenance	4,247,231
5500	Passenger Service	1,962,493
6400	Aircraft & Traffic Servicing	2,171,990
6700	Promotion & Sales	1,650,049
6800	General & Administrative	1,026,175
7000	Depreciation & Amortization	292,401
7100	Transport Related Expenses	73,356
7199	Total Operating Expenses	16,397,695
7999	Operating Profit or Loss	1,343,220
	NONOPERATING EXPENSE (INCOME)	
8181	Int. Exp. (Inc.) on L-T-D & Cap.Leases	66,715
8182	Other Interest Expense (Income)	0
8185	Foreign Exchange Gain or Loss	0
8188.5	Capital (Gains)/Losses- Op.Prop.	0
	Capital (Gains)/Losses- Other	
8189	Other Expense (Income) - Net	14,930
8199	Nonoperating Expense (Income)	81,645
8999	Income Before Income Taxes	1,261,575
9100	Income Tax Expense	1,458,093
9199	Inc. Bf. Disc. Ops & Other Items	-196,518
9600	Discontinued Operations	0
9796	Extraordinary Items	0
9797	Inc. Tax Appl. To Extraord.Item	0
9799	Income Before Account. Changes	-196,518
9800	Accounting Changes	0
9899	Net Income	-196,518

## STATEMENT OF OPERATIONS

Quarter Ended: September 30, 2000  
 Schedule P-1.2 Group III  
 ACCT# DESCRIPTION

Air Carrier:  
 Operation : Domestic HAD  
 AMOUNT

	OPERATING REVENUES	
3901.1	Passenger - First Class	0
3901.2	Passenger - Coach	0
3901	Transport Revenues - Passenger	129,134,178
3905	Mail	100,906
3906.1	Property - Freight	6,362,845
3906.2	Property - Excess Baggage	390,445
3907.1	Charter - Passenger	10,775,406
3907.2	Charter - Property	0
3919.1	Reserv. Cancellation Fees	0
3919.2	Misc. Operating Revenues	2,165,684
4808	Public Service Subsidy	0
4898	Transport Related	3,229,479
4999	Total Operating Revenue	152,158,943
	OPERATING EXPENSES	
5100	Flying Operations	44,281,846
5400	Maintenance	31,049,931
5500	Passenger Service	16,583,704
6400	Aircraft & Traffic Servicing	20,722,801
6700	Promotion & Sales	13,943,455
6800	General & Administrative	8,671,511
7000	Depreciation & Amortization	16,669,284
7100	Transport Related Expenses	619,885
7199	Total Operating Expenses	152,542,417
7999	Operating Profit or Loss	-383,474
	NONOPERATING EXPENSE (INCOME)	
8181	Int. Exp. (Inc.) on L-T-D & Cap. Leases	740,230
8182	Other Interest Expense (Income)	23,215
8185	Foreign Exchange Gain or Loss	0
8188.5	Capital (Gains)/Losses- Op.Prop.	16,752
	Capital (Gains)/Losses- Other	
8189	Other Expense (Income) - Net	-1,319,496
8199	Nonoperating Expense (Income)	-539,299
8999	Income Before Income Taxes	155,825
9100	Income Tax Expense	180,098
9199	Inc. Bf. Disc. Ops & Other Items	-24,273
9600	Discontinued Operations	0
9796	Extraordinary Items	0
9797	Inc. Tax Appl. To Extraord. Item	0
9799	Income Before Account. Changes	-24,273
9800	Accounting Changes	0
9899	Net Income	-24,273

## STATEMENT OF OPERATIONS

Quarter Ended: September 30, 2000  
 Schedule P-1.2 Group III  
 ACCT# DESCRIPTION

Air Carrier:  
 Operation : System HAS  
 AMOUNT

	OPERATING REVENUES	
3901.1	Passenger - First Class	0
3901.2	Passenger - Coach	7,538,208
3901	Transport Revenues - Passenger	136,672,386
3905	Mail	329,028
3906.1	Property - Freight	6,532,503
3906.2	Property - Excess Baggage	391,406
3907.1	Charter - Passenger	20,494,656
3907.2	Charter - Property	0
3919.1	Reserv. Cancellation Fees	0
3919.2	Misc. Operating Revenues	2,218,113
4808	Public Service Subsidy	0
4898	Transport Related	3,261,766
4999	Total Operating Revenue	169,899,858
	OPERATING EXPENSES	
5100	Flying Operations	49,255,846
5400	Maintenance	35,297,162
5500	Passenger Service	18,546,197
6400	Aircraft & Traffic Servicing	22,894,791
6700	Promotion & Sales	15,593,504
6800	General & Administrative	9,697,686
7000	Depreciation & Amortization	16,961,685
7100	Transport Related Expenses	693,241
7199	Total Operating Expenses	168,940,112
7999	Operating Profit or Loss	959,746
	NONOPERATING EXPENSE (INCOME)	
8181	Int. Exp. (Inc.) on L-T-D & Cap. Leases	806,945
8182	Other Interest Expense (Income)	23,215
8185	Foreign Exchange Gain or Loss	0
8188.5	Capital (Gains)/Losses- Op. Prop.	16,752
	Capital (Gains)/Losses- Other	
8189	Other Expense (Income) - Net	-1,304,566
8199	Nonoperating Expense (Income)	-457,654
8999	Income Before Income Taxes	1,417,400
9100	Income Tax Expense	1,638,191
9199	Inc. Bf. Disc. Ops & Other Items	-220,791
9600	Discontinued Operations	0
9796	Extraordinary Items	0
9797	Inc. Tax Appl. To Extraord. Item	0
9799	Income Before Account. Changes	-220,791
9800	Accounting Changes	0
9899	Net Income	-220,791



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NOTES TO RSPA FORM 41 REPORT

**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

In the opinion of management, the unaudited condensed financial statements included in this report contain all adjustments necessary for a fair presentation of the results of operations and statements of cash flows for the interim periods covered and the financial condition of Hawaiian Airlines, Inc. ("Hawaiian Airlines" or the "Company") as of September 30, 2000. The operating results for the interim period are not necessarily indicative of the results to be expected for the full fiscal year.

The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto contained in Hawaiian Airlines' Annual Report on Form 10-K for the year ended December 31, 1999.

**Cash and Cash Equivalents**

The Company considers all investments purchased with an original maturity of three months or less to be cash equivalents. Short-term cash investments at September 30, 2000 were valued at cost and amounted to \$74.4 million.

**Inventories**

Inventories consisting of flight equipment expendable parts and supplies are stated at average cost, less an allowance for obsolescence.

**Assets Held for Sale**

Assets held for sale consisting of expendable inventory parts and rotatable flight equipment are stated at the lower of average cost or net realizable value for expendable inventory parts and the lower of average cost or fair value less cost to sell for rotatable flight equipment. As of September 30, 2000, expendable inventory parts and rotatable flight equipment held for sale are fully reserved.

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NOTES TO RSPA FORM 41 REPORT

**Property and Equipment**

Owned property and equipment are stated at cost, except for assets determined to be impaired which are stated at fair market value. Costs of major improvements are capitalized. Depreciation and amortization are provided on a straight-line basis over the following estimated useful lives:

Flight equipment ..... 2-15 years, 15% residual value  
Ground equipment..... 5-15 years  
Airport terminal facility ..... 30 years  
Buildings ..... 15-20 years  
Leasehold improvements ..... Shorter of lease term or useful life

Maintenance and repairs are charged to operations as incurred, except that (1) costs of overhauling engines are charged to operations in the year the engines are removed for overhaul and (2) scheduled heavy airframe overhauls on DC-9-50 aircraft are recorded under the deferral method whereby the cost of overhaul is capitalized and amortized over the shorter of the period benefited or the lease term. Additionally, provision is made for the estimated cost of scheduled heavy airframe overhauls required to be performed on leased DC-9-50 aircraft prior to their return to lessors. Commencing January 1, 2000, due to the Company's intentions to replace its DC-9 fleet in 2001 and the resultant reduction of DC-9 flight equipment and related assets to fair market value as of December 31, 1999, heavy airframe overhauls and major structural modifications on DC-9 aircraft will be expensed as incurred. Maintenance and repairs on DC-10-10 aircraft are charged to operations on a flight hour basis.

**Reorganization Value in Excess of Amounts Allocable to Identifiable Assets**

Reorganization value in excess of amounts allocable to identifiable assets is amortized on a straight-line basis over 20 years. Accumulated amortization at September 30, 2000 totaled approximately \$19.5 million. The estimated income tax benefit from the expected utilization of net operating loss carryforwards arising prior to the Effective Date has also been applied as a reduction to Excess Reorganization Value. The Company will continue to assess and evaluate whether the remaining useful life of the asset requires revision or, through the use of estimated future undiscounted cash flows over the remaining life of the asset, whether the remaining balance of the asset may not be recoverable. The assessment of the recoverability of the unamortized amount will be impacted if estimated future operating cash flows are not achieved.

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NOTES TO RSPA FORM 41 REPORT

**Air Traffic Liability**

Passenger fares are recorded as operating revenues when the transportation is provided. The value of unused passenger tickets is included as air traffic liability. The Company performs periodic evaluations of this estimated liability, and any adjustments resulting therefrom, which can be significant, are included in results of operations for the periods in which the evaluations are completed.

**Frequent Flyer Program**

The Company sponsors a frequent flyer program and records an estimated liability for the incremental cost associated with providing the related free transportation during the period a free travel award is earned. Incremental costs primarily include fuel and catering.

The Company also sells mileage credits to participating partners such as hotels, car rental agencies and credit card companies. During 1999, as promulgated by the Securities and Exchange Commissions' Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," the Company changed the method it uses to account for the sale of these mileage credits. Under the new accounting method, revenue from the sale of mileage credits is deferred and recognized when transportation is provided. Previously, the resulting revenue was recorded in the period in which the credits were sold. The Company believes the new method is preferable as it results in a better matching of revenues with the period in which services are provided.

**Derivative Financial Instruments**

The Company utilizes derivative financial instruments principally comprised of heating oil forward contracts to manage market risks and hedge its exposure to fluctuations in its aircraft fuel costs. These contracts qualify for hedge accounting treatment as they manage risk, identify firm commitments for set time periods and meet correlation criteria for effectiveness. The Company accounts for its derivative contracts on a deferral basis. Initial and subsequent margin deposit requirements are reflected in prepaid expenses and other assets. Realized and unrealized gains and losses, fees and commissions are deferred and recognized upon settlement of the underlying contract. The Company's practice is to not hold or issue financial instruments for trading purposes.

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NOTES TO RSPA FORM 41 REPORT

**Sales Commissions**

Commissions from the sale of passenger traffic are recognized as expense when the transportation is provided and the related revenue is recognized. The amount of sales commissions not yet recognized as expense is included in prepaid expenses and other current assets in the accompanying balance sheets.

**Advertising Costs**

The Company expenses the cost of advertising as incurred.

**Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

**Use of Estimates in the Preparation of Financial Statements**

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

Material estimates that are particularly susceptible to significant change relate to the determination of air traffic liability, accruals for loss contingencies and the amounts reported for accumulated pension and other postretirement benefit obligations. Management believes that such estimates have been appropriately established in accordance with generally accepted accounting principles.

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NOTES TO RSPA FORM 41 REPORT

**New Accounting Pronouncements**

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The provisions of SFAS No. 133, as amended by SFAS No. 137, are effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company will adopt SFAS No. 133 on January 1, 2001 but has not yet determined the impact of its adoption.

**Restructuring Charge**

\$12.8 million in restructuring charges related to the impending retirement of the Company's fleet of DC-9 aircraft were recorded during the third quarter 2000. \$6.0 million of the charges were to reduce the net value of DC-9 surplus parts inventory to estimated fair market value. \$6.8 million of the charges were to provide for the return of the leased DC-9 aircraft to the conditions specified in the operating leases.

**2. Passenger Facility Charge Activity**

Passenger facility charge activity for the quarterly period ended September 30, 2000 is as follows:

PFC Amount in Account 2190 at Beginning of Quarter	\$ 381,529.94
Total Amount Collected in Trust for Public Agencies	634,140.43
Total Amount Remitted to Public Agencies (at \$2.92)	(723,398.18)
Adjustments (Collection compensation, PFC refunds)	(1,982.12)
PFC Amount in Account 2190 at End of Quarter	<u>\$ 381,529.94</u>

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NOTES TO RSPA FORM 41 REPORT

1. Summary of Significant Accounting Policies

**Basis of Presentation**

In the opinion of management, the unaudited condensed financial statements included in this report contain all adjustments necessary for a fair presentation of the results of operations and statements of cash flows for the interim periods covered and the financial condition of Hawaiian Airlines, Inc. ("Hawaiian Airlines" or the "Company") as of September 30, 2000. The operating results for the interim period are not necessarily indicative of the results to be expected for the full fiscal year.

The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto contained in Hawaiian Airlines' Annual Report on Form 10-K for the year ended December 31, 1999.

**Cash and Cash Equivalents**

The Company considers all investments purchased with an original maturity of three months or less to be cash equivalents. Short-term cash investments at September 30, 2000 were valued at cost and amounted to \$74.4 million.

**Inventories**

Inventories consisting of flight equipment expendable parts and supplies are stated at average cost, less an allowance for obsolescence.

**Assets Held for Sale**

Assets held for sale consisting of expendable inventory parts and rotatable flight equipment are stated at the lower of average cost or net realizable value for expendable inventory parts and the lower of average cost or fair value less cost to sell for rotatable flight equipment. As of September 30, 2000, expendable inventory parts and rotatable flight equipment held for sale are fully reserved.

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NOTES TO RSPA FORM 41 REPORT

**Property and Equipment**

Owned property and equipment are stated at cost, except for assets determined to be impaired which are stated at fair market value. Costs of major improvements are capitalized. Depreciation and amortization are provided on a straight-line basis over the following estimated useful lives:

Flight equipment .....	2-15 years, 15% residual value
Ground equipment.....	5-15 years
Airport terminal facility .....	30 years
Buildings .....	15-20 years
Leasehold improvements .....	Shorter of lease term or useful life

Maintenance and repairs are charged to operations as incurred, except that (1) costs of overhauling engines are charged to operations in the year the engines are removed for overhaul and (2) scheduled heavy airframe overhauls on DC-9-50 aircraft are recorded under the deferral method whereby the cost of overhaul is capitalized and amortized over the shorter of the period benefited or the lease term. Additionally, provision is made for the estimated cost of scheduled heavy airframe overhauls required to be performed on leased DC-9-50 aircraft prior to their return to lessors. Commencing January 1, 2000, due to the Company's intentions to replace its DC-9 fleet in 2001 and the resultant reduction of DC-9 flight equipment and related assets to fair market value as of December 31, 1999, heavy airframe overhauls and major structural modifications on DC-9 aircraft will be expensed as incurred. Maintenance and repairs on DC-10-10 aircraft are charged to operations on a flight hour basis.

**Reorganization Value in Excess of Amounts Allocable to Identifiable Assets**

Reorganization value in excess of amounts allocable to identifiable assets is amortized on a straight-line basis over 20 years. Accumulated amortization at September 30, 2000 totaled approximately \$19.5 million. The estimated income tax benefit from the expected utilization of net operating loss carryforwards arising prior to the Effective Date has also been applied as a reduction to Excess Reorganization Value. The Company will continue to assess and evaluate whether the remaining useful life of the asset requires revision or, through the use of estimated future undiscounted cash flows over the remaining life of the asset, whether the remaining balance of the asset may not be recoverable. The assessment of the recoverability of the unamortized amount will be impacted if estimated future operating cash flows are not achieved.

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NOTES TO RSPA FORM 41 REPORT

**Air Traffic Liability**

Passenger fares are recorded as operating revenues when the transportation is provided. The value of unused passenger tickets is included as air traffic liability. The Company performs periodic evaluations of this estimated liability, and any adjustments resulting therefrom, which can be significant, are included in results of operations for the periods in which the evaluations are completed.

**Frequent Flyer Program**

The Company sponsors a frequent flyer program and records an estimated liability for the incremental cost associated with providing the related free transportation during the period a free travel award is earned. Incremental costs primarily include fuel and catering.

The Company also sells mileage credits to participating partners such as hotels, car rental agencies and credit card companies. During 1999, as promulgated by the Securities and Exchange Commissions' Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," the Company changed the method it uses to account for the sale of these mileage credits. Under the new accounting method, revenue from the sale of mileage credits is deferred and recognized when transportation is provided. Previously, the resulting revenue was recorded in the period in which the credits were sold. The Company believes the new method is preferable as it results in a better matching of revenues with the period in which services are provided.

**Derivative Financial Instruments**

The Company utilizes derivative financial instruments principally comprised of heating oil forward contracts to manage market risks and hedge its exposure to fluctuations in its aircraft fuel costs. These contracts qualify for hedge accounting treatment as they manage risk, identify firm commitments for set time periods and meet correlation criteria for effectiveness. The Company accounts for its derivative contracts on a deferral basis. Initial and subsequent margin deposit requirements are reflected in prepaid expenses and other assets. Realized and unrealized gains and losses, fees and commissions are deferred and recognized upon settlement of the underlying contract. The Company's practice is to not hold or issue financial instruments for trading purposes.



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NOTES TO RSPA FORM 41 REPORT

**Sales Commissions**

Commissions from the sale of passenger traffic are recognized as expense when the transportation is provided and the related revenue is recognized. The amount of sales commissions not yet recognized as expense is included in prepaid expenses and other current assets in the accompanying balance sheets.

**Advertising Costs**

The Company expenses the cost of advertising as incurred.

**Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

**Use of Estimates in the Preparation of Financial Statements**

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

Material estimates that are particularly susceptible to significant change relate to the determination of air traffic liability, accruals for loss contingencies and the amounts reported for accumulated pension and other postretirement benefit obligations. Management believes that such estimates have been appropriately established in accordance with generally accepted accounting principles.

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NOTES TO RSPA FORM 41 REPORT

**New Accounting Pronouncements**

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The provisions of SFAS No. 133, as amended by SFAS No. 137, are effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company will adopt SFAS No. 133 on January 1, 2001 but has not yet determined the impact of its adoption.

**Restructuring Charge**

\$12.8 million in restructuring charges related to the impending retirement of the Company's fleet of DC-9 aircraft were recorded during the third quarter 2000. \$6.0 million of the charges were to reduce the net value of DC-9 surplus parts inventory to estimated fair market value. \$6.8 million of the charges were to provide for the return of the leased DC-9 aircraft to the conditions specified in the operating leases.

**2. Passenger Facility Charge Activity**

Passenger facility charge activity for the quarterly period ended September 30, 2000 is as follows:

PFC Amount in Account 2190 at Beginning of Quarter	\$ 381,529.94
Total Amount Collected in Trust for Public Agencies	634,140.43
Total Amount Remitted to Public Agencies (at \$2.92)	(723,398.18)
Adjustments (Collection compensation, PFC refunds)	(1,982.12)
PFC Amount in Account 2190 at End of Quarter	<u>\$ 381,529.94</u>

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NOTES TO RSPA FORM 41 REPORT

1. Summary of Significant Accounting Policies

**Basis of Presentation**

In the opinion of management, the unaudited condensed financial statements included in this report contain all adjustments necessary for a fair presentation of the results of operations and statements of cash flows for the interim periods covered and the financial condition of Hawaiian Airlines, Inc. ("Hawaiian Airlines" or the "Company") as of September 30, 2000. The operating results for the interim period are not necessarily indicative of the results to be expected for the full fiscal year.

The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto contained in Hawaiian Airlines' Annual Report on Form 10-K for the year ended December 31, 1999.

**Cash and Cash Equivalents**

The Company considers all investments purchased with an original maturity of three months or less to be cash equivalents. Short-term cash investments at September 30, 2000 were valued at cost and amounted to \$74.4 million.

**Inventories**

Inventories consisting of flight equipment expendable parts and supplies are stated at average cost, less an allowance for obsolescence.

**Assets Held for Sale**

Assets held for sale consisting of expendable inventory parts and rotatable flight equipment are stated at the lower of average cost or net realizable value for expendable inventory parts and the lower of average cost or fair value less cost to sell for rotatable flight equipment. As of September 30, 2000, expendable inventory parts and rotatable flight equipment held for sale are fully reserved.

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NOTES TO RSPA FORM 41 REPORT

**Property and Equipment**

Owned property and equipment are stated at cost, except for assets determined to be impaired which are stated at fair market value. Costs of major improvements are capitalized. Depreciation and amortization are provided on a straight-line basis over the following estimated useful lives:

Flight equipment ..... 2-15 years, 15% residual value  
Ground equipment..... 5-15 years  
Airport terminal facility ..... 30 years  
Buildings ..... 15-20 years  
Leasehold improvements ..... Shorter of lease term or useful life

Maintenance and repairs are charged to operations as incurred, except that (1) costs of overhauling engines are charged to operations in the year the engines are removed for overhaul and (2) scheduled heavy airframe overhauls on DC-9-50 aircraft are recorded under the deferral method whereby the cost of overhaul is capitalized and amortized over the shorter of the period benefited or the lease term. Additionally, provision is made for the estimated cost of scheduled heavy airframe overhauls required to be performed on leased DC-9-50 aircraft prior to their return to lessors. Commencing January 1, 2000, due to the Company's intentions to replace its DC-9 fleet in 2001 and the resultant reduction of DC-9 flight equipment and related assets to fair market value as of December 31, 1999, heavy airframe overhauls and major structural modifications on DC-9 aircraft will be expensed as incurred. Maintenance and repairs on DC-10-10 aircraft are charged to operations on a flight hour basis.

**Reorganization Value in Excess of Amounts Allocable to Identifiable Assets**

Reorganization value in excess of amounts allocable to identifiable assets is amortized on a straight-line basis over 20 years. Accumulated amortization at September 30, 2000 totaled approximately \$19.5 million. The estimated income tax benefit from the expected utilization of net operating loss carryforwards arising prior to the Effective Date has also been applied as a reduction to Excess Reorganization Value. The Company will continue to assess and evaluate whether the remaining useful life of the asset requires revision or, through the use of estimated future undiscounted cash flows over the remaining life of the asset, whether the remaining balance of the asset may not be recoverable. The assessment of the recoverability of the unamortized amount will be impacted if estimated future operating cash flows are not achieved.

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NOTES TO RSPA FORM 41 REPORT

**Air Traffic Liability**

Passenger fares are recorded as operating revenues when the transportation is provided. The value of unused passenger tickets is included as air traffic liability. The Company performs periodic evaluations of this estimated liability, and any adjustments resulting therefrom, which can be significant, are included in results of operations for the periods in which the evaluations are completed.

**Frequent Flyer Program**

The Company sponsors a frequent flyer program and records an estimated liability for the incremental cost associated with providing the related free transportation during the period a free travel award is earned. Incremental costs primarily include fuel and catering.

The Company also sells mileage credits to participating partners such as hotels, car rental agencies and credit card companies. During 1999, as promulgated by the Securities and Exchange Commissions' Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," the Company changed the method it uses to account for the sale of these mileage credits. Under the new accounting method, revenue from the sale of mileage credits is deferred and recognized when transportation is provided. Previously, the resulting revenue was recorded in the period in which the credits were sold. The Company believes the new method is preferable as it results in a better matching of revenues with the period in which services are provided.

**Derivative Financial Instruments**

The Company utilizes derivative financial instruments principally comprised of heating oil forward contracts to manage market risks and hedge its exposure to fluctuations in its aircraft fuel costs. These contracts qualify for hedge accounting treatment as they manage risk, identify firm commitments for set time periods and meet correlation criteria for effectiveness. The Company accounts for its derivative contracts on a deferral basis. Initial and subsequent margin deposit requirements are reflected in prepaid expenses and other assets. Realized and unrealized gains and losses, fees and commissions are deferred and recognized upon settlement of the underlying contract. The Company's practice is to not hold or issue financial instruments for trading purposes.

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NOTES TO RSPA FORM 41 REPORT

**Sales Commissions**

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NOTES TO RSPA FORM 41 REPORT

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AIRCRAFT OPERATING EXP. - Sch. P-5.2 Grp II & III Qtr: September 30, 2000					
Air Carrier: Hawaiian Airlines		Operation: System		HA S	
ACCT #	DESCRIPTION	Total Eqp Code 9999	DC-9-50 Code 6501	DC-10-1 Code 7301	DC-10-3 Code 7321
FLYING OPERATIONS					
5123	Pilots and Copilots	8,061,494	3,148,228	3,905,063	1,008,203
5124	Other Flight Personnel	776,461	0	617,131	159,330
5128.1	Trainees and Instructors	0	0	0	0
5136	Personnel Expenses	460,425	47,948	327,836	84,641
5141	Prof. & Tech. Fees & Exp.	0	0	0	0
5143.7	Aircraft Interch. -Outside	0	0	0	0
5145.1	Aircraft Fuel	29,921,199	6,321,998	18,756,645	4,842,556
5145.2	Aircraft Oil	67,089	40,458	21,167	5,464
5147	Aircraft Rentals	4,434,645	845,496	2,852,655	736,494
5153	Other Supplies	0	0	0	0
5155.1	Insur. Purch. - General	164,107	68,601	75,908	19,598
5157	Empl. Benefits and Pensions	1,770,106	614,251	918,673	237,182
5158	Injuries, Loss and Damage	244,191	244,191	0	0
5168	Taxes-Payroll	450,770	159,128	231,797	59,845
5169	Taxes-Other Than Payroll	2,877,790	669,056	1,755,502	453,232
5171	Other Expense	27,569	4,752	18,135	4,682
5199	Total Flying Operations	49,255,846	12,164,107	29,480,512	7,611,227
DIRECT MAINTENANCE-FLIGHT EQUIP					
5225.1	Maint Airf. Labor	1,790,324	1,597,686	153,109	39,529
5225.2	Maint Eng. Labor	148,776	144,415	3,466	895
5243.1	Maint Airf. Outside Rep.	23,981,124	1,217,327	18,092,666	4,671,131
5243.2	Maint Eng. Outside Rep.	1,991,032	1,987,169	3,071	792
5243.7	Maint AC Interch. Chrgs-O/S	0	0	0	0
5246.1	Maint Materials - Airframe	1,152,877	1,102,933	39,696	10,248
5246.2	Maint Materials - Engines	71,123	69,505	1,286	332
5272.1	Maint Airfrm Airworth. Provs.	0	0	0	0
5272.3	Maint Airfrm O/H Deferred	0	0	0	0
5272.6	Maint AC Eng. Airworth. Prov	0	0	0	0
5272.8	Maint AC Eng. O/H Def. (cr.)	0	0	0	0
5278	Total Dir Maint-Flt.Eqpt	29,135,256	6,119,035	18,293,294	4,722,927
5279.6	APPL. MAINT BURDEN FLT. EQ.	3,708,449	778,855	2,328,441	601,153
5299	Total Flt. Eq. Maint. (Memo)	32,843,705	6,897,890	20,621,735	5,324,080
7073.9	NET OBSL & DETER.- EXP. PARTS	0	0	0	0
DEPRECIATION - FLIGHT EQUIPMENT					
7075.1	Depr. Airframes	13,970,454	13,469,096	398,480	102,878
7075.2	Depr. Aircraft Engines	357,870	357,870	0	0
7075.3	Depr. Airframe Parts	63,172	60,504	2,120	548
7075.4	Depr. Engine Parts	0	0	0	0
7075.5	Depr. Other Flt Eqp.	136,404	8	108,407	27,989
7076.1	Amort. Cap. Leases Flt.Eqpt.	740,988	740,988	0	0
EXPENSE OF INTERCHANGE AIRCRAFT					
7098.1	Exp. of Interch. AC- Flt. Ops	0	0	0	0
7098.2	Exp. of Interch. AC- Maint.	0	0	0	0
7098.9	Total Aircraft Operating Expens	97,368,439	33,690,463	50,611,254	13,066,722
OTHER DEPRECIATION & AMORTIZATI					
7074.1	Amortization Developmental &Pre	576,571			
7074.2	Amortization Other Intangibles	0			
7075.8	Depreciation Hangar & Maint. Eq	22,610			
7075.9	Depreciation Ground Property	1,013,921			
7076.2	Amort. Capital Leases Other	79,695			



AIRCRAFT OPERATING EXP. - Sch. P-5.2 Grp II & III Qtr: September 30, 2000  
Air Carrier: Hawaiian Airlines

ACCT #	DESCRIPTION	Total Eqp Code 9999	DC-9-50 Code 6501	HAD DC-10-1 Code 7301	DC-10-3 Code 7321
FLYING OPERATIONS					
5123	Pilots and Copilots	7,402,626	3,148,228	3,624,516	629,882
5124	Other Flight Personnel	672,338	0	572,795	99,543
5128.1	Trainees and Instructors	0	0	0	0
5136	Personnel Expenses	405,112	47,948	304,284	52,880
5141	Prof. & Tech. Fees & Exp.	0	0	0	0
5143.7	Aircraft Interch. -Outside	0	0	0	0
5145.1	Aircraft Fuel	26,756,547	6,321,998	17,409,131	3,025,418
5145.2	Aircraft Oil	63,517	40,458	19,646	3,413
5147	Aircraft Rentals	3,953,341	845,496	2,647,715	460,130
5153	Other Supplies	0	0	0	0
5155.1	Insur. Purch. - General	151,300	68,601	70,455	12,244
5157	Empl. Benefits and Pensions	1,615,106	614,251	852,674	148,181
5158	Injuries, Loss and Damage	244,191	244,191	0	0
5168	Taxes-Payroll	411,661	159,128	215,144	37,389
5169	Taxes-Other Than Payroll	2,581,598	669,056	1,629,383	283,159
5171	Other Expense	24,509	4,752	16,832	2,925
5199	Total Flying Operations	44,281,846	12,164,107	27,362,575	4,755,164
DIRECT MAINTENANCE-FLIGHT EQUIP					
5225.1	Maint Airf. Labor	1,764,491	1,597,686	142,109	24,696
5225.2	Maint Eng. Labor	148,191	144,415	3,217	559
5243.1	Maint Airf. Outside Rep.	20,928,499	1,217,327	16,792,853	2,918,319
5243.2	Maint Eng. Outside Rep.	1,990,514	1,987,169	2,850	495
5243.7	Maint AC Interch. Chrgs-O/S	0	0	0	0
5246.1	Maint Materials - Airframe	1,146,179	1,102,933	36,844	6,402
5246.2	Maint Materials - Engines	70,906	69,505	1,194	207
5272.1	Maint Airfrm Airworth. Provs.	0	0	0	0
5272.3	Maint Airfrm O/H Deferred	0	0	0	0
5272.6	Maint AC Eng. Airworth. Prov	0	0	0	0
5272.8	Maint AC Eng. O/H Def. (cr.)	0	0	0	0
5278	Total Dir Maint-Flt.Eqpt	26,048,780	6,119,035	16,979,067	2,950,678
5279.6	APPL. MAINT BURDEN FLT. EQ.	3,315,590	778,855	2,161,161	375,574
5299	Total Flt. Eq. Maint. (Memo)	29,364,370	6,897,890	19,140,228	3,326,252
7073.9	NET OBSL & DETER.- EXP. PARTS	0	0	0	0
DEPRECIATION - FLIGHT EQUIPMENT					
7075.1	Depr. Airframes	13,903,221	13,469,096	369,852	64,273
7075.2	Depr. Aircraft Engines	357,870	357,870	0	0
7075.3	Depr. Airframe Parts	62,815	60,504	1,968	343
7075.4	Depr. Engine Parts	0	0	0	0
7075.5	Depr. Other Flt Eqp.	118,114	8	100,619	17,487
7076.1	Amort. Cap. Leases Flt.Eqpt.	740,988	740,988	0	0
EXPENSE OF INTERCHANGE AIRCRAFT					
7098.1	Exp. of Interch. AC- Flt. Ops	0	0	0	0
7098.2	Exp. of Interch. AC- Maint.	0	0	0	0
7098.9	Total Aircraft Operating Expens	88,829,224	33,690,463	46,975,242	8,163,519
OTHER DEPRECIATION & AMORTIZATI					
7074.1	Amortization Developmental &Pre	506,229			
7074.2	Amortization Other Intangibles	0			
7075.8	Depreciation Hangar & Maint. Eq	19,852			
7075.9	Depreciation Ground Property	890,223			
7076.2	Amort. Capital Leases Other	69,972			

AIRCRAFT OPERATING EXP. - Sch. P-5.2 Grp II & III Qtr: September 30, 2000				
Air Carrier: Hawaiian Airlines		Operation: Pacific		HAP
ACCT #	DESCRIPTION	Total Eqp Code 9999	DC-10-1 Code 7301	DC-10-3 Code 7321
<b>FLYING OPERATIONS</b>				
5123	Pilots and Copilots	658,868	280,547	378,321
5124	Other Flight Personnel	104,123	44,336	59,787
5128.1	Trainees and Instructors	0	0	0
5136	Personnel Expenses	55,313	23,552	31,761
5141	Prof. & Tech. Fees & Exp.	0	0	0
5143.7	Aircraft Interch. -Outside	0	0	0
5145.1	Aircraft Fuel	3,164,652	1,347,514	1,817,138
5145.2	Aircraft Oil	3,572	1,521	2,051
5147	Aircraft Rentals	481,304	204,940	276,364
5153	Other Supplies	0	0	0
5155.1	Insur. Purch. - General	12,807	5,453	7,354
5157	Empl. Benefits and Pensions	155,000	65,999	89,001
5158	Injuries, Loss and Damage	0	0	0
5168	Taxes-Payroll	39,109	16,653	22,456
5169	Taxes-Other Than Payroll	296,192	126,119	170,073
5171	Other Expense	3,060	1,303	1,757
5199	Total Flying Operations	4,974,000	2,117,937	2,856,063
<b>DIRECT MAINTENANCE-FLIGHT EQUIP</b>				
5225.1	Maint Airf. Labor	25,833	11,000	14,833
5225.2	Maint Eng. Labor	585	249	336
5243.1	Maint Airf. Outside Rep.	3,052,625	1,299,813	1,752,812
5243.2	Maint Eng. Outside Rep.	518	221	297
5243.7	Maint AC Interch. Chrgs-O/S	0	0	0
5246.1	Maint Materials - Airframe	6,698	2,852	3,846
5246.2	Maint Materials - Engines	217	92	125
5272.1	Maint Airfrm Airworth. Provs.	0	0	0
5272.3	Maint Airfrm O/H Deferred	0	0	0
5272.6	Maint AC Eng. Airworth. Prov	0	0	0
5272.8	Maint AC Eng. O/H Def. (cr.)	0	0	0
5278	Total Dir Maint-Flt.Eqpt	3,086,476	1,314,227	1,772,249
5279.6	APPL. MAINT BURDEN FLT. EQ.	392,859	167,280	225,579
5299	Total Flt. Eq. Maint. (Memo)	3,479,335	1,481,507	1,997,828
7073.9	NET OBSL & DETER.- EXP. PARTS	0	0	0
<b>DEPRECIATION - FLIGHT EQUIPMENT</b>				
7075.1	Depr. Airframes	67,233	28,628	38,605
7075.2	Depr. Aircraft Engines	0	0	0
7075.3	Depr. Airframe Parts	357	152	205
7075.4	Depr. Engine Parts	0	0	0
7075.5	Depr. Other Flt Eqp.	18,290	7,788	10,502
7076.1	Amort. Cap. Leases Flt.Eqpt.	0	0	0
<b>EXPENSE OF INTERCHANGE AIRCRAFT</b>				
7098.1	Exp. of Interch. AC- Flt. Ops	0	0	0
7098.2	Exp. of Interch. AC- Maint.	0	0	0
7098.9	Total Aircraft Operating Expens	8,539,215	3,636,012	4,903,203
<b>OTHER DEPRECIATION &amp; AMORTIZATI</b>				
7074.1	Amortization Developmental &Pre	70,342		
7074.2	Amortization Other Intangibles	0		
7075.8	Depreciation Hangar & Maint. Eq	2,758		
7075.9	Depreciation Ground Property	123,698		
7076.2	Amort. Capital Leases Other	9,723		

# OPERATING EXPENSES BY OBJECTIVE GROUPING

Quarter Ended: September 30, 2000  
Schedule P-6

Air Carrier: Hawaiian Airlines  
Operation : Domestic HAD

LINE#	DESCRIPTION	AMOUNT
-----		
	SALARIES & REL. FRINGE BENEFIT	
	SALARIES:	
Line 3	General Mgmt. Per.	1,136,470
Line 4	Flight Personnel	13,636,291
Line 5	Maintenance Labor	2,603,315
Line 6	Aircr. & Traffic Hndl. Per.	7,874,806
Line 7	Other Personnel	5,366,484
Line 8	Total Salaries	30,617,366
	RELATED FRINGE BENEFITS	
Line 10	Personnel Expense	1,615,002
Line 11	Empl. Benefits & Pensions	5,921,286
Line 12	Payroll Taxes	2,090,780
Line 13	Total Fringe Benefits	9,627,068
Line 14	Total Salaries & Benefits	40,244,434
	MATERIALS PURCHASED	
Line 16	Aircraft Fuel & Oil	29,401,662
Line 17	Maintenance Materials	3,123,811
Line 18	Passenger Food	3,547,901
Line 19	Other Materials	1,917,427
Line 20	Total Materials	37,990,801
	SERVICES PURCHASED	
Line 22	Advertising & Other Promotion	3,605,217
Line 23	Communications	818,750
Line 24	Insurance	755,491
Line 25	Outside Flight Eqpt. Maint.	23,245,818
Line 26	Traffic Commissions - Passenger	3,042,730
Line 27	Traffic Commissions - Cargo	7,092
Line 28	Other Services	13,010,194
Line 29	Total Services	44,485,292
Line 30	LANDING FEES	2,504,755
Line 31	RENTALS	6,813,227
Line 32	DEPRECIATION	15,352,095
Line 33	AMORTIZATION	1,317,189
Line 34	OTHER	3,214,739
Line 35	TRANSPORT RELATED EXPENSES	619,885
Line 36	TOTAL OPERATING EXPENSES	152,542,417

# OPERATING EXPENSES BY OBJECTIVE GROUPING

Quarter Ended: September 30, 2000

Air Carrier:

Schedule P-6

Operation : Pacific HAP

LINE#	DESCRIPTION	AMOUNT
	SALARIES & REL. FRINGE BENEFIT	
	SALARIES:	
Line 3	General Mgmt. Per.	134,488
Line 4	Flight Personnel	1,421,136
Line 5	Maintenance Labor	107,644
Line 6	Aircr. & Traffic Hndl. Per.	931,894
Line 7	Other Personnel	625,873
Line 8	Total Salaries	3,221,035
	RELATED FRINGE BENEFITS	
Line 10	Personnel Expense	664,609
Line 11	Empl. Benefits & Pensions	664,609
Line 12	Payroll Taxes	237,819
Line 13	Total Fringe Benefits	1,567,037
Line 14	Total Salaries & Benefits	4,788,072
	MATERIALS PURCHASED	
Line 16	Aircraft Fuel & Oil	3,464,416
Line 17	Maintenance Materials	232,560
Line 18	Passenger Food	419,854
Line 19	Other Materials	226,906
Line 20	Total Materials	4,343,736
	SERVICES PURCHASED	
Line 22	Advertising & Other Promotion	426,637
Line 23	Communications	96,890
Line 24	Insurance	38,046
Line 25	Outside Flight Eqpt. Maint.	3,091,819
Line 26	Traffic Commissions - Passenger	360,073
Line 27	Traffic Commissions - Cargo	839
Line 28	Other Services	1,549,629
Line 29	Total Services	5,563,933
Line 30	LANDING FEES	296,409
Line 31	RENTALS	821,835
Line 32	DEPRECIATION	212,336
Line 33	AMORTIZATION	80,065
Line 34	OTHER	217,953
Line 35	TRANSPORT RELATED EXPENSES	73,356
Line 36	TOTAL OPERATING EXPENSES	16,397,695

# OPERATING EXPENSES BY OBJECTIVE GROUPING

Quarter Ended: September 30, 2000  
Schedule P-6

Air Carrier:  
Operation : System HAS

LINE#	DESCRIPTION	AMOUNT
	SALARIES & REL. FRINGE BENEFIT	
	SALARIES:	
Line 3	General Mgmt. Per.	1,270,958
Line 4	Flight Personnel	15,057,427
Line 5	Maintenance Labor	2,710,959
Line 6	Aircr. & Traffic Hndl. Per.	8,806,700
Line 7	Other Personnel	5,992,357
Line 8	Total Salaries	33,838,401
	RELATED FRINGE BENEFITS	
Line 10	Personnel Expense	2,279,611
Line 11	Empl. Benefits & Pensions	6,585,895
Line 12	Payroll Taxes	2,328,599
Line 13	Total Fringe Benefits	11,194,105
Line 14	Total Salaries & Benefits	45,032,506
	MATERIALS PURCHASED	
Line 16	Aircraft Fuel & Oil	32,866,078
Line 17	Maintenance Materials	3,356,371
Line 18	Passenger Food	3,967,755
Line 19	Other Materials	2,144,333
Line 20	Total Materials	42,334,537
	SERVICES PURCHASED	
Line 22	Advertising & Other Promotion	4,031,854
Line 23	Communications	915,640
Line 24	Insurance	793,537
Line 25	Outside Flight Eqpt. Maint.	26,337,637
Line 26	Traffic Commissions - Passenger	3,402,803
Line 27	Traffic Commissions - Cargo	7,931
Line 28	Other Services	14,559,823
Line 29	Total Services	50,049,225
Line 30	LANDING FEES	2,801,164
Line 31	RENTALS	7,635,062
Line 32	DEPRECIATION	15,564,431
Line 33	AMORTIZATION	1,397,254
Line 34	OTHER	3,432,692
Line 35	TRANSPORT RELATED EXPENSES	693,241
Line 36	TOTAL OPERATING EXPENSES	168,940,112

# OPERATING EXPENSES BY FUNCTIONAL GROUPING

Quarter Ended: September 30, 2000  
Schedule P-7

Air Carrier:  
Operation : Domestic HAD

LINE#	DESCRIPTION	AMOUNT
Line 2	AIRCRAFT OPER. EXPENSES (DIRECT) Aircraft Operating Expenses	88,829,224
	SERV., SALES & GEN.OP.(INDIRECT)	
	PASSENGER SERVICE EXPENSE:	
Line 5	Flight Attendant Expense	9,156,968
Line 6	Food Expense	3,547,901
Line 7	Other In-Flight Expense	3,878,835
Line 8	Total Passenger Service Exp.	16,583,704
	PASSENGER SERVICING EXPENSE:	
Line 10	Line Servicing Expense	3,637,459
Line 11	Control Expense	1,552,008
Line 12	Landing Fees	2,504,755
Line 13	Total Aircraft Servicing Exp.	7,694,222
	TRAFFIC SERVICING EXPENSE:	
Line 15	Directly Assignable- Psgr.	6,438,647
Line 16	Directly Assignable- Cargo	2,053,029
Line 17	Not Directly Assignable	4,536,903
Line 18	Total Traffic Servicing Exp.	13,028,579
	RESERVATIONS AND SALES EXPENSE:	
Line 20	Directly Assignable- Psgr.	6,827,856
Line 21	Directly Assignable- Cargo	7,092
Line 22	Not Directly Assignable	3,271,833
Line 23	Total Reservat. & Sales Exp.	10,106,781
	ADVERTISING & PUBLICITY EXPENSE:	
Line 25	Directly Assignable- Psgr.	0
Line 26	Directly Assignable- Cargo	0
Line 27	Not Directly Assignable	3,836,674
Line 28	Total Advertising & Prom. Exp	3,836,674
Line 29	GENERAL & ADMINISTRATIVE EXPENSE	8,671,511
	MAINT. & DEPREC. -GROUND PROP.&EQ.	
Line 31	Maintenance Ground Prop.&Eqpt.	1,685,561
Line 32	Depreciation Ground Prop.&Eqpt	890,223
Line 33	Total Maint.&Depr.- Ground P&E	2,575,784
Line 34	DEPR. EXPENSE - MAINTENANCE EQ.	19,852
Line 35	AMORT. (OTHER THAN FLIGHT EQ.)	576,201
Line 36	TOTAL SVCING,SALES & GEN.OP.EXP.	63,093,308
Line 37	TRANSPORT RELATED EXPENSES	619,885
Line 38	TOTAL OPERATING EXPENSES	152,542,417

# OPERATING EXPENSES BY FUNCTIONAL GROUPING

Quarter Ended: September 30, 2000

Air Carrier:

Schedule P-7

Operation : Pacific HAP

LINE#	DESCRIPTION	AMOUNT
Line 2	AIRCRAFT OPER. EXPENSES (DIRECT)	
	Aircraft Operating Expenses	8,539,215
	SERV., SALES & GEN.OP.(INDIRECT)	
	PASSENGER SERVICE EXPENSE:	
Line 5	Flight Attendant Expense	1,083,623
Line 6	Food Expense	419,854
Line 7	Other In-Flight Expense	459,016
Line 8	Total Passenger Service Exp.	1,962,493
	PASSENGER SERVICING EXPENSE:	
Line 10	Line Servicing Expense	237,583
Line 11	Control Expense	96,213
Line 12	Landing Fees	296,409
Line 13	Total Aircraft Servicing Exp.	630,205
	TRAFFIC SERVICING EXPENSE:	
Line 15	Directly Assignable- Psgr.	761,941
Line 16	Directly Assignable- Cargo	242,953
Line 17	Not Directly Assignable	536,891
Line 18	Total Traffic Servicing Exp.	1,541,785
	RESERVATIONS AND SALES EXPENSE:	
Line 20	Directly Assignable- Psgr.	807,999
Line 21	Directly Assignable- Cargo	839
Line 22	Not Directly Assignable	387,184
Line 23	Total Reservat. & Sales Exp.	1,196,022
	ADVERTISING & PUBLICITY EXPENSE:	
Line 25	Directly Assignable- Psgr.	0
Line 26	Directly Assignable- Cargo	0
Line 27	Not Directly Assignable	454,027
Line 28	Total Advertising & Prom. Exp	454,027
Line 29	GENERAL & ADMINISTRATIVE EXPENSE	1,026,175
	MAINT. & DEPREC. -GROUND PROP.&EQ.	
Line 31	Maintenance Ground Prop.&Eqpt.	767,896
Line 32	Depreciation Ground Prop.&Eqpt	123,698
Line 33	Total Maint.&Depr.- Ground P&E	891,594
Line 34	DEPR. EXPENSE - MAINTENANCE EQ.	2,758
Line 35	AMORT. (OTHER THAN FLIGHT EQ.)	80,065
Line 36	TOTAL SVCING,SALES & GEN.OP.EXP.	7,785,124
Line 37	TRANSPORT RELATED EXPENSES	73,356
Line 38	TOTAL OPERATING EXPENSES	16,397,695

# OPERATING EXPENSES BY FUNCTIONAL GROUPING

Quarter Ended: September 30, 2000

Air Carrier:

Schedule P-7

Operation : System HAS

LINE#	DESCRIPTION	AMOUNT
Line 2	AIRCRAFT OPER. EXPENSES (DIRECT) Aircraft Operating Expenses	97,368,439
	SERV., SALES & GEN.OP.(INDIRECT)	
	PASSENGER SERVICE EXPENSE:	
Line 5	Flight Attendant Expense	10,240,591
Line 6	Food Expense	3,967,755
Line 7	Other In-Flight Expense	4,337,851
Line 8	Total Passenger Service Exp.	18,546,197
	PASSENGER SERVICING EXPENSE:	
Line 10	Line Servicing Expense	3,875,042
Line 11	Control Expense	1,648,221
Line 12	Landing Fees	2,801,164
Line 13	Total Aircraft Servicing Exp.	8,324,427
	TRAFFIC SERVICING EXPENSE:	
Line 15	Directly Assignable- Psgr.	7,200,588
Line 16	Directly Assignable- Cargo	2,295,982
Line 17	Not Directly Assignable	5,073,794
Line 18	Total Traffic Servicing Exp.	14,570,364
	RESERVATIONS AND SALES EXPENSE:	
Line 20	Directly Assignable- Psgr.	7,635,855
Line 21	Directly Assignable- Cargo	7,931
Line 22	Not Directly Assignable	3,659,017
Line 23	Total Reservat. & Sales Exp.	11,302,803
	ADVERTISING & PUBLICITY EXPENSE:	
Line 25	Directly Assignable- Psgr.	0
Line 26	Directly Assignable- Cargo	0
Line 27	Not Directly Assignable	4,290,701
Line 28	Total Advertising & Prom. Exp	4,290,701
Line 29	GENERAL & ADMINISTRATIVE EXPENSE	9,697,686
	MAINT. & DEPREC. -GROUND PROP.&EQ.	
Line 31	Maintenance Ground Prop.&Eqpt.	2,453,457
Line 32	Depreciation Ground Prop.&Eqpt	1,013,921
Line 33	Total Maint.&Depr.- Ground P&E	3,467,378
Line 34	DEPR. EXPENSE - MAINTENANCE EQ.	22,610
Line 35	AMORT. (OTHER THAN FLIGHT EQ.)	656,266
Line 36	TOTAL SVCING,SALES & GEN.OP.EXP.	70,878,432
Line 37	TRANSPORT RELATED EXPENSES	693,241
Line 38	TOTAL OPERATING EXPENSES	168,940,112