SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
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FILER

AMTRAN INC

CIK:**898904**| IRS No.: **351617970** | State of Incorp.:**IN** | Fiscal Year End: **1231**
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United States Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Period Ended June 30, 2001

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Transition Period From _________ to_____________.

Commission file number 000-21642

AMTRAN, INC.

(Exact name of registrant as specified in its charter)

Indiana	35-1617970
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7337 West Washington Street Indianapolis, Indiana	46231
(Address of principal executive offices)	(Zip Code)

(317) 247-4000

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last

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report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ______

Applicable Only to Issuers Involved in Bankruptcy
Proceedings During the Preceding Five Years

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court. Yes ______ No ______

Applicable Only to Corporate Issuers

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, Without Par Value - 11,478,698 shares outstanding as of July 31, 2001

PART I - Financial Information
Item I - Financial Statements
<TABLE>
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AMTRAN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

ASSETS	June 30, 2001 (Unaudited)	December 31, 2000
Current assets:		
<S>	<C>	<C>
Cash and cash equivalents..	$ 122,960	$ 129,137

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	2001	2000
Receivables, net of allowance for doubtful accounts (2001 - $900; 2000 - $1,191)	30,986	56,605
Inventories, net	58,153	49,055
Prepaid expenses and other current assets	23,445	25,411
Total current assets	235,544	260,208
Property and equipment:		
Flight equipment	1,019,652	962,906
Facilities and ground equipment	118,590	111,825
	1,138,242	1,074,731
Accumulated depreciation	(420,577)	(412,685)
	717,665	662,046
Goodwill	22,430	22,858
Deposits and other assets	130,830	87,318
Total assets	$ 1,106,469	$ 1,032,430

LIABILITIES AND SHAREHOLDERS' EQUITY

	2001	2000
Current liabilities:		
Current maturities of long-term debt	$ 125,139	$ 82,476
Accounts payable	33,354	10,066
Air traffic liabilities	107,313	107,050
Accrued expenses	151,105	147,095

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	2001	2000
Total current liabilities	416,911	346,687
Long-term debt, less current maturities	381,733	375,473
Deferred income taxes	54,875	54,503
Other deferred items	47,474	51,113
Total liabilities	900,993	827,776
Redeemable preferred stock; authorized and issued 800 shares	80,000	80,000
Shareholders' equity:		
Preferred stock; authorized 9,999,200 shares; none issued	-	-
Common stock, without par value; authorized 30,000,000 shares; issued 13,181,856 - 2001; 13,082,118 - 2000	60,588	59,012
Treasury stock; 1,710,658 shares - 2001; 1,696,355 shares - 2000	(24,768)	(24,564)
Additional paid-in-capital	11,548	12,232
Other comprehensive income	695	-
Retained earnings	77,413	77,974
Total shareholders' equity	125,476	124,654
Total liabilities and shareholders' equity	$ 1,106,469	$ 1,032,430

See accompanying notes.

</TABLE>

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AMTRAN, INC. AND SUBSIDIARIES

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CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)

	Three Months Ended June 30, 2001 (Unaudited)	Three Months Ended June 30, 2000 (Unaudited)	Six Months Ended June 30, 2001 (Unaudited)	Six Months Ended June 30, 2000 (Unaudited)
Operating revenues:				
Scheduled service	$235,523	$196,387	$ 447,554	$ 364,873
Charter	96,589	111,160	198,974	230,780
Ground package	14,845	15,225	36,476	37,311
Other	11,938	10,762	23,376	21,936
Total operating revenues	358,895	333,534	706,380	654,900
Operating expenses:				
Salaries, wages and benefits	83,516	71,930	164,488	140,632
Fuel and oil	68,029	63,246	138,010	126,682
Depreciation and amortization	33,746	30,781	69,244	62,353
Handling, landing and navigation fees	24,940	23,681	48,659	49,066
Aircraft rentals	21,406	16,776	41,395	32,862
Aircraft maintenance, materials and repairs	15,974	17,296	35,360	36,975
Crew and other employee travel	15,903	17,599	31,606	32,690
Ground package cost	12,044	13,036	30,284	31,931
Passenger service	11,360	12,252	23,111	23,422
Other selling expenses	11,193	9,194	21,947	17,484

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Commissions	10,137	10,539	20,813	21,694
Advertising	6,973	5,010	13,505	11,575
Facilities and other rentals	4,822	3,923	9,323	7,622
Other	22,293	19,649	44,310	38,726
Total operating expenses	342,336	314,912	692,055	633,714
Operating income	16,559	18,622	14,325	21,186
Other income (expense):				
Interest income	1,359	1,972	3,090	3,885
Interest expense	(6,951)	(7,982)	(14,309)	(15,642)
Other	(236)	(63)	(68)	49
Other expense	(5,828)	(6,073)	(11,287)	(11,708)
Income before income taxes and preferred stock dividends	10,731	12,549	3,038	9,478
Income taxes	4,200	6,680	891	5,563
Net income	6,531	5,869	2,147	3,915
Preferred dividends	(2,333)	-	(2,708)	-
Income (loss) available to common shareholders	$ 4,198	$ 5,869	$ (561)	$ 3,915

Basic earnings per common share:

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Average shares outstanding..........................	11,427,076	12,105,877	11,403,503	12,097,765
Net income (loss) per share.........................	$ 0.37	$ 0.48	$ (0.05)	$ 0.32
	==========	==========	==========	==========
Diluted earnings per common share:				
Average shares outstanding..........................	13,961,609	12,820,088	11,403,503	12,878,678
Net income (loss) per share.........................	$ 0.33	$ 0.46	$ (0.05)	$ 0.30
	==========	==========	==========	==========

</TABLE>

See accompanying notes.

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AMTRAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE PREFERRED STOCK, COMMON STOCK AND OTHER SHAREHOLDERS' EQUITY

(Dollars in thousands)

	Redeemable Preferred Stock	Common Stock	Treasury Stock	Additional Paid-in Capital	Other Comprehensive Income	Retained Earnings	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 2000	$ 80,000	$ 59,012	$ (24,564)	$ 12,232	$ -	$ 77,974	$ 204,654
	========	========	=========	========	=====	========	==========
Net loss available to common shareholders	-	-	-	-	-	(4,759)	(4,759)
Change in net gain/loss on derivative instruments	-	-	-	-	(158)	-	(158)
Total comprehensive income ..	-	-	-	-	-	-	(4,917)

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Restricted stock grants	-	9	-	4	-	-	13
Stock options exercised	-	184	-	(83)	-	-	101
Purchase of treasury stock	-	-	(196)	-	-	-	(196)
Balance, March 31, 2001	$ 80,000	$ 59,205	$ (24,760)	$ 12,153	$ (158)	$ 73,215	$ 199,655
Net income available to common shareholders	-	-	-	-	-	4,198	4,198
Change in net gain/loss on derivative instruments	-	-	-	-	431	-	431
Change in net gain/loss on available for sale securities	-	-	-	-	422	-	422
Total comprehensive income ..	-	-	-	-	-	-	5,051
Restricted stock grants	-	11	(8)	1	-	-	4
Stock options exercised	-	1,372	-	(606)	-	-	766
Balance, June 30, 2001	$ 80,000	$ 60,588	$ (24,768)	$ 11,548	$ 695	$ 77,413	$ 205,476

</TABLE>

See accompanying notes.

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AMTRAN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

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(Dollars in thousands)

	Six Months Ended June 30, 2001 (Unaudited)	2000 (Unaudited)
Operating activities:		
<S>	<C>	<C>
Net income	$ 2,147	$ 3,915
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69,244	62,353
Deferred income taxes	372	1,738
Other non-cash items	(5,921)	9,344
Changes in operating assets and liabilities:		
Receivables	25,619	(6,422)
Inventories	(11,329)	(10,508)
Prepaid expenses	1,966	(178)
Accounts payable	23,288	(7,974)
Air traffic liabilities	263	12,536
Accrued expenses	4,413	12,532
Net cash provided by operating activities	110,062	77,336
Investing activities:		
Proceeds from sales of property and equipment	32	54
Aircraft pre-delivery deposits	(70,873)	(9,838)

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Capital expenditures	(93,243)	(58,702)
Investment in BATA, LLC	18,043	-
Additions to other assets	(17,393)	(17,042)
Net cash used in investing activities	(163,434)	(85,528)
Financing activities:		
Preferred stock dividends	(2,708)	-
Proceeds from sale/leaseback transactions	369	-
Proceeds from long-term debt	55,140	11,500
Payments on long-term debt	(6,270)	(1,164)
Proceeds from exercise of stock options	868	679
Purchase of treasury stock	(204)	(3,897)
Net cash provided by financing activities	47,195	7,118
Decrease in cash and cash equivalents	(6,177)	(1,074)
Cash and cash equivalents, beginning of period	129,137	120,164
Cash and cash equivalents, end of period	$ 122,960	$ 119,090
Supplemental disclosures:		
Cash payments for:		
Interest	$ 21,431	$ 14,228
Income tax refunds	$ (5,470)	

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$ (131)

Financing and investing activities not affecting cash:
Accrued capitalized interest.................................. $ 7,994
$ -

</TABLE>

See accompanying notes.

AMTRAN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying consolidated financial statements of Amtran, Inc. and subsidiaries (the "Company") have been prepared in accordance with instructions for reporting interim financial information on Form 10-Q and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

The consolidated financial statements for the quarters ended June 30, 2001 and 2000 reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for such periods. Results for the six months ended June 30, 2001, are not necessarily indicative of results to be expected for the full fiscal year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

2. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share:
<TABLE>
<CAPTION>
Three Months
Ended June 30,
2001
2000

<S> <C>
<C>
Numerator:

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Numerator for basic earnings per share - income available to common shareholders as reported	$ 4,198,000	$ 5,869,000
Effect of dilutive securities:		
Redeemable preferred stock	375,000	-
	-----------	-----------
Numerator for diluted earnings per share	$ 4,573,000	$ 5,869,000
	-----------	-----------
Denominator:		
Denominator for basic earnings per share - weighted average shares	11,427,076	12,105,877
Effect of dilutive securities:		
Employee stock options	620,047	714,211
Redeemable preferred stock	1,914,486	-
	------------	------------
Dilutive potential common shares	2,534,533	714,211
	------------	------------
Denominator for diluted earnings per share - adjusted weighted average shares	13,961,609	12,820,088
	------------	------------
Basic income per share	$ 0.37	$ 0.48
Diluted income per share	$ 0.33	$ 0.46

</TABLE>

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	Six Months Ended June 30,	
	2001	2000
<S>	<C>	

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<C>

Numerator:		
Numerator for basic earnings per share - income (loss) available to common shareholders as reported	$ (561,000)	$ 3,915,000
Effect of dilutive securities:		
Redeemable preferred stock	-	-
	----------	----------
Numerator for diluted earnings per share	$ (561,000)	$ 3,915,000
Denominator:		
Denominator for basic earnings per share - weighted average shares	11,403,503	12,097,765
Effect of dilutive securities:		
Employee stock options	-	780,913
Redeemable preferred stock	-	-
	----------	----------
Dilutive potential common shares	-	780,913
	----------	----------
Denominator for diluted earnings per share - adjusted weighted average shares	11,403,503	12,878,678
	----------	----------
Basic income (loss) per share	$ (0.05)	$ 0.32
Diluted income (loss) per share	$ (0.05)	$ 0.30

</TABLE>

In accordance with Financial Accounting Standards Board Statement No. 128, "Earnings per Share," the impact of potentially dilutive securities has been excluded from the six months ended June 30, 2001, diluted earnings per share because their effect is antidilutive.

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3. Segment Disclosures

The Company identifies its segments on the basis of similar products and services. The airline segment derives its revenues primarily from the sale of scheduled service or charter air transportation. ATA Leisure Corp. ("ATALC") derives its revenues from the sale of vacation packages, which, in addition to air transportation, include hotels and other ground arrangements. ATALC purchases air transportation for its vacation packages from American Trans Air ("ATA") and other airlines.

Segment financial data as of and for the three and six months ended June 30, 2001 and 2000 follows:

For the Three Months Ended June 30, 2001

	Airline	ATALC	Other/ Eliminations	Consolidated
	(In thousands)			
Operating revenue (external)	$ 320,089	$ 20,572	$ 18,234	$ 358,895
Intersegment revenue	8,794	525	(9,319)	-
Operating expenses (external)	309,989	15,675	16,672	342,336
Intersegment expenses	1,873	5,370	(7,243)	-
Operating income (loss)	17,021	52	(514)	16,559
Segment assets	1,250,273	221,708	(365,512)	1,106,469

For the Three Months Ended June 30, 2000

	Airline	ATALC

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	Airline	ATALC	Other/ Eliminations	Consolidated
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Operating revenue (external)	$ 293,704	$ 25,247	$ 14,583	$ 333,534
Intersegment revenue	14,538	779	(15,317)	-
Operating expenses (external)	283,939	17,088	13,885	314,912
Intersegment expenses	1,026	11,865	(12,891)	-
Operating income (loss)	23,277	(2,927)	(1,728)	18,622
Segment assets	924,780	129,435	(191,082)	863,133

</TABLE>

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For the Six Months Ended June 30, 2001

	Airline	ATALC	Other/ Eliminations	Consolidated
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Operating revenue (external)	$ 613,312	$ 54,570	$ 38,498	$ 706,380
Intersegment revenue	24,433	990	(25,423)	-
Operating expenses (external)	618,373	39,763	33,919	692,055
Intersegment expenses	4,455	15,625	(20,080)	-
Operating income (loss)	14,917	172	(764)	14,325
Segment assets	1,250,273	221,708	(365,512)	1,106,469

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For the Six Months

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Ended June 30, 2000

	Airline	ATALC	Other/ Eliminations	Consolidated
	(In thousands)			
Operating revenue (external)	$ 561,130	$ 63,783	$ 29,987	$ 654,900
Intersegment revenue	37,305	1,506	(38,811)	-
Operating expenses (external)	564,345	40,988	28,381	633,714
Intersegment expenses	4,755	29,026	(33,781)	-
Operating income (loss)	29,335	(4,725)	(3,424)	21,186
Segment assets	924,780	129,435	(191,082)	863,133

4. Purchase of Treasury Stock

Since 1994, the Company's Board of Directors has approved the repurchase of up to 1,900,000 shares of the Company's common stock. As of June 30, 2001, the Company had repurchased 1,710,658 common shares at a cost of $24.8 million.

5. Commitments and Contingencies

In 2000, the Company entered into a series of preliminary agreements to purchase or lease 39 new Boeing 737-800 aircraft and ten new Boeing 757-300 aircraft, as well as the engines to power the aircraft. The Boeing 737-800 aircraft will be powered by General Electric CFM56-7B27 engines, and the Boeing 757-300 aircraft will be powered by Rolls-Royce RB211-535 E4C engines. The Company also received purchase rights for an additional 50 aircraft. The Company subsequently converted most of the preliminary agreements into firm commitments.

The Company has a purchase agreement with the Boeing Company to purchase directly from Boeing the ten new Boeing 757-300s and 20 of the new Boeing 737-800s. The manufacturer's list price is $73.1 million for each 757-300 and $52.4 million for each 737-800, subject to escalation. The Company's purchase price for each aircraft is subject to various discounts. To fulfill its purchase obligations, the Company expects to arrange for each

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of these aircraft, including the engines, to be purchased by third parties that will, in turn, enter into long-term operating leases with the Company. The first Boeing 737-800 purchased directly from Boeing, was delivered on June 29, 2001 and leased to the Company. The remaining aircraft are scheduled for delivery between July 2001 and April 2003. Advance payments are required for these purchases, and the Company has funded these advance deposits through aircraft deposit finance facilities and operating cash. As of June 30, 2001, the Company had $210.7 million in advance payments outstanding for these aircraft of which $138.0 million was provided by financing arrangements with various lenders. Upon delivery of the aircraft, advance payments funded with operating cash will be returned to the company, and those funded with deposit facilities will be used to pay down those facilities.

The Company has entered into operating lease agreements with respect to 14 of the new Boeing 737-800s, from International Lease Finance Corporation ("ILFC"). In conjunction with these lease agreements, the Company also committed to purchase two spare General Electric aircraft engines from ILFC. The first Boeing 737-800 that is being leased from ILFC was delivered on June 6, 2001. The remaining aircraft under these operating lease agreements are scheduled for delivery between July 2001 and May 2004. The first spare engine was received on June 28, 2001, and was financed partially through a $4.2 million promissory note held by ILFC. The Company intends to refinance the loan through an operating lease by the end of the year. The second engine is scheduled for delivery in October 2001.

The Company has an agreement to lease five of the new Boeing 737-800s from GE Capital Aviation Services. The aircraft under this lease agreement are scheduled for delivery from July 2001 through July 2002.

The Company has committed to purchase an additional four spare General Electric aircraft engines from the engine manufacturer. The spare engines under this agreement are scheduled for delivery between 2003 and 2006.

Also in 2000, the Company signed an agreement for warranty and ongoing maintenance services applicable to the General Electric engines which will power all 39 Boeing 737-800 aircraft. Under this agreement, overhauls will be provided in exchange for fixed payments by the Company for each engine flight hour over the life of the agreement. These payments will be accounted for as an expense as the flight hours are incurred.

In March 2001, the Company entered into a limited liability company agreement with Boeing Capital Corporation ("BCC") to form BATA Leasing LLC ("BATA"), a 50/50 joint venture. BATA will remarket the Company's fleet of 24 Boeing 727-200 aircraft in both passenger and cargo configurations. In exchange for supplying the aircraft and certain operating services to BATA, the Company has and will continue to receive both cash and equity in BATA. BCC will provide the aircraft marketing expertise. The Company transferred nine Boeing 727-200 aircraft to BATA

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in the second quarter of 2001 and expects to transfer the remaining 15 Boeing 727-200 aircraft to BATA by May 2002. Because the Company does not control BATA, the Company's investment is being accounted for under the equity method.

In 1998, the Company decided to extend the lives of the L-1011 series 50 and 100 aircraft through 2004 and, as a result, implemented a change in accounting estimate to reflect December 31, 2004, as the common retirement date for the entire fleet. With continuously increasing repair costs and the fuel inefficiency of this fleet, the Company is re-evaluating this decision. The Company is considering retiring each L1011-50 and 100 aircraft prior to its next scheduled heavy maintenance check. Two aircraft in this fleet were scheduled for heavy maintenance checks in the first half of 2001. One of those aircraft was retired in February 2001, and the other aircraft was retired in May 2001. A third aircraft is scheduled for a heavy maintenance check in October 2001, and, as of June 30, 2001, the Company is uncertain whether this required maintenance will be performed or whether the aircraft will be retired. The net book value of this aircraft, less anticipated salvage value, as of June 30, 2001, is approximately $2.6 million.

On June 8, 2001, the Company committed to the purchase of two additional Saab 340B aircraft. The Company expects these aircraft to be delivered in the third quarter of 2001.

On June 18, 2001, the Company entered into a merger agreement with INDUS Acquisition Company, a newly formed company wholly owned by J. George Mikelsons, the Company's Chairman, founder and majority shareholder, with the Company. Upon consummation of the merger of INDUS into the Company, the outstanding shares of the Company's common stock not presently owned by the Company, Mr. Mikelsons, or any affiliate of Mr. Mikelsons will be converted into the right to receive $23 in cash per share. As a result of the merger, Mr. Mikelsons would own all the outstanding shares of the Company's common stock (other than shares of the Company's common stock which may be issued in the future upon exercise of stock options or the conversion of shares of our Series B Preferred stock). Completion of the merger is subject to certain conditions, including approval of the merger by the affirmative vote of the holders of a majority of the shares of the Company's common stock not owned by INDUS, Mr. Mikelsons or any affiliate who is not deemed to be an affiliate of Mr. Mikelsons by reason of being an officer or director of the Company, voting at the annual meeting.

Completion of the merger is also subject to approval of the ILFC Amendment (as defined below) by the affirmative vote of the holders of a majority of the outstanding shares of the Company's common stock and Series B Preferred (as defined below), voting as separate classes, entitled to vote at the annual meeting, see "Note 6 - Redeemable Preferred Stock".

6. Redeemable Preferred Stock

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In the last half of 2000, the Company issued and sold 300 shares of Series B convertible redeemable preferred stock, without par value ("Series B Preferred"), at a price of $100,000 per share. The Series B Preferred is convertible into shares of the Company's common stock at a conversion price of $15.67 per share of common stock, subject to antidilution adjustments. The Series B Preferred is optionally redeemable by the Company under certain conditions, but the Company must redeem the Series B Preferred no later than September 20, 2015. Optional redemption by the Company may occur at 103.6% of the liquidation amount beginning September 20, 2003, decreasing 0.3% of the liquidation amount per year to 100.0% of the liquidation amount at the mandatory redemption date of September 20, 2015.

In connection with the merger agreement with INDUS, the Company entered into a Purchase and Voting Agreement dated as of May 16, 2001, with ILFC (the "ILFC Agreement"), which provides for the amendment of the terms of the Series B Preferred (the "ILFC Amendment"). Under the ILFC Agreement, ILFC agreed not to convert its existing Shares of Series B Preferred into common shares prior to the merger and to vote in favor of the ILFC Amendment. The Series B Preferred will continue to be convertible into shares of the Company's common stock following the merger. The Company agreed to purchase between 5% and 10%, at the Company's discretion, of ILFC's shares of Series B Preferred at a price reflecting the merger consideration paid to holders of shares of the Company's common stock. The ILFC Agreement also modified some of the terms of the Series B Preferred in connection with the merger. Upon redemption or termination of conversion rights, ILFC will receive an additional premium equal to the difference between $23 and the conversion price, as it may be adjusted from time to time. The dividend rate on the Series B Preferred also will increase upon the completion of the merger from an annual rate of 5.0% of the liquidation amount to an annual rate of 5.66% of the liquidation amount on the date the merger is completed. On the fourth anniversary of the completion date of the merger, the dividend rate will increase to 6.5% per annum, provided that from and after the date that a qualifying public offering is consummated, the dividend rate will decrease to 5.0% per annum. The foregoing description of the ILFC Agreement, including the ILFC Amendment, which is attached as Exhibit A to the ILFC Agreement, is qualified in its entirety by reference to the ILFC Agreement, which is included as an exhibit and incorporated by reference to this report.

Also, in the last half of 2000, the Company issued and sold 500 shares of Series A redeemable preferred stock, without par value ("Series A Preferred"), at a price of $100,000 per share. The Series A Preferred is optionally redeemable by the Company under certain conditions, but the Company must redeem the Series A Preferred in equal semiannual payments beginning December 28, 2010, and ending December 28, 2015. Optional redemption by the Company may occur at a redemption premium of 50.0% of the dividend rate beginning December 28, 2003, decreasing 10.0% per year to 20.0% of the dividend rate commencing December 28, 2006, and to 0.0% after the seventh year after issuance. Prior to the third anniversary of

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issuance, the Company may redeem the Series A Preferred with net proceeds of a public offering of the Company's common stock.

7. Change in Accounting Estimate

In March 2001, the Company entered into a limited liability company with BCC to form BATA, a 50/50 joint venture. BATA will remarket the Company's Boeing 727-200 aircraft in both passenger and cargo configurations. The Company estimates that the fleet of 24 Boeing 727-200s will be fully transferred to BATA by May 2002. Before the decision to transfer the Boeing 727-200 fleet to BATA, it was being depreciated to a common retirement date of December 31, 2008, with a salvage value per aircraft of $0.5 million. The Company implemented a change in accounting estimate to reduce the estimated useful life of each aircraft to the date upon which each aircraft is projected to be transferred to BATA, with a salvage value equal to the amount at which each aircraft will be contributed to BATA. The change in accounting estimate resulted in a decrease in net income of $0.3 million in the second quarter of 2001 and a decrease in basic and diluted income per share of $.03 and $.02, respectively, for the same period. The change resulted in a decrease in net loss of $0.1 million in the first six months of 2001 and a decrease in basic and diluted loss per share of $.01 for the same period.

8. Fuel Price Risk Management

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended ("FAS 133"). FAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

The Company enters into heating oil swap agreements to minimize the risk of jet fuel price fluctuations. These instruments have initial maturities of up to 12 months. As of June 30, 2001, the Company's existing instruments had remaining maturities of up to 12 months. In accordance with FAS 133, the Company accounts for its heating oil swap agreements as cash flow hedges. Upon the adoption of FAS 133, the fair value of the Company's fuel hedging contracts was $0.6 million. The Company recorded this amount, net of income taxes of $0.2 million, in other assets and other current liabilities, with a corresponding entry of the net fair value in accumulated other comprehensive income on the consolidated balance sheet. All changes in fair value of the heating oil swap agreements in the first six months of 2001 were effective for purposes of FAS 133, so these valuation changes were recognized in earnings as a

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component of fuel expense only upon settlement of each agreement.

For the three months ended June 30, 2001, the Company recognized hedging gains on settled contracts of approximately $0.8 million, and the Company recognized losses of $0.1 million for the six months ended June 30, 2001. These gains and losses are classified in fuel expense on the consolidated statement of operations. The fair value of the Company's fuel hedging agreements at June 30, 2001, representing the amount the Company would receive if the agreements were terminated, totaled $0.4 million.

PART I - Financial Information
Item II - Management's Discussion andAnalysis of Financial Condition and Results of Operations

Quarter and Six Months Ended June 30, 2001, Versus Quarter and Six Months Ended June 30, 2000

Overview

The Company is a leading provider of targeted scheduled airline services and charter airline services to leisure and other value-oriented travelers. The Company, through its principal subsidiary, American Trans Air, Inc. ("ATA"), has been operating for 28 years and is the eleventh largest U.S. airline in terms of 2000 capacity and traffic. ATA provides scheduled service through nonstop and connecting flights from the gateways of Chicago-Midway and Indianapolis to popular vacation destinations such as Hawaii, Phoenix, Las Vegas, Florida, California, Mexico and the Caribbean, as well as to New York's LaGuardia and John F. Kennedy Airports, Philadelphia, Denver, Dallas-Ft. Worth, Washington, D.C., Boston, Seattle and Minneapolis-St. Paul. Chicago Express Airlines, Inc. ("Chicago Express") also provides commuter passenger service between Chicago-Midway and the cities of Indianapolis, Milwaukee, Des Moines, Dayton, Grand Rapids, Madison and South Bend. ATA also provides charter service to independent tour operators, specialty charter customers and the U.S. military.

In the quarter and six months ended June 30, 2001, the Company recorded operating income of $16.6 million and $14.3 million, respectively, as compared to $18.6 million and $21.2 million in the same periods of 2000. The decline in operating results for the quarter and six months ended June 30, 2001, is due in part to higher employee costs associated with the hiring and training of crew for the 737-800 aircraft, which the Company began taking delivery of in the second quarter of 2001. The 2001 earnings were also impacted by non-cash, after-tax charges of $1.5 million and $2.9 million in the quarter and six months ended June 30, 2001, respectively, for the retirement of two Lockheed L-1011 aircraft. In the quarter and six months ended June 30, 2001, an increase in fuel price resulted in higher fuel expense of $4.9 million and $8.1 million, respectively, net of the benefit from additional revenue earned under fuel escalation clauses in commercial and military contracts.

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Results of Operations

For the quarter ended June 30, 2001, the Company earned $16.6 million in operating income, a decrease of 10.8% as compared to operating income of $18.6 million in the second quarter of 2000; and the Company earned $6.5 million in net income in the second quarter of 2001, an increase of 10.2% as compared to net income of $5.9 million in the second quarter of 2000.

Operating revenues increased 7.6% to $358.9 million in the second quarter of 2001, as compared to $333.5 million in the same period of 2000. Consolidated revenue per available seat mile ("RASM") increased 3.6% to 8.55 cents in the second quarter of 2001, as compared to 8.25 cents in the same period of 2000.

Operating expenses increased 8.7% to $342.3 million in the second quarter of 2001, as compared to $314.9 million in the comparable period of 2000. Consolidated operating cost per available seat mile ("CASM") increased 4.7% to 8.16 cents in the second quarter of 2001, as compared to 7.79 cents in the second quarter of 2000.

For the six months ended June 30, 2001, the Company earned $14.3 million in operating income, a decrease of 32.5% as compared to operating income of $21.2 million in the comparable period of 2000; and the Company earned $2.1 million in net income in the six months ended June 30, 2001, a decrease of 46.2% as compared to net income of $3.9 million in the same period of 2000.

Operating revenues increased 7.9% to $706.4 million in the six months ended June 30, 2001, as compared to $654.9 million in the same period of 2000. Consolidated RASM increased 4.6% to 8.50 cents in the six months ended June 30, 2001, as compared to 8.13 cents in the same period of 2000.

Operating expenses increased 9.2% to $692.1 million in the six months ended June 30, 2001, as compared to $633.7 million in the comparable period of 2000. Consolidated CASM increased 6.0% to 8.33 cents in the six months ended June 30, 2001, as compared to 7.86 cents in the same period of 2000.

Results of Operations in Cents Per ASM

The following table sets forth, for the periods indicated, operating revenues and expenses expressed as cents per available seat mile ("ASM").
<TABLE>
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Cents per ASM

Cents per ASM

Three Months Ended

June 30, Six Months Ended June 30,

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	2001	2000	2001	2000
Consolidated operating revenues:	8.55	8.25	8.50	8.13
Consolidated operating expenses:				
Salaries, wages and benefits	1.99	1.78	1.98	1.74
Fuel and oil	1.62	1.56	1.66	1.57
Depreciation and amortization	0.80	0.76	0.83	0.77
Handling, landing and navigation fees	0.59	0.59	0.59	0.61
Aircraft rentals	0.51	0.42	0.50	0.41
Aircraft maintenance, materials and repairs	0.38	0.43	0.43	0.46
Crew and other employee travel	0.38	0.44	0.38	0.41
Ground package cost	0.29	0.32	0.36	0.40
Passenger service	0.27	0.30	0.28	0.29
Other selling expenses	0.27	0.23	0.27	0.22
Commissions	0.24	0.26	0.25	0.27
Advertising	0.17	0.12	0.16	0.14
Facilities and other rentals	0.12	0.09	0.11	0.09
Other	0.53	0.49	0.53	0.48
Total consolidated operating expenses	8.16	7.79	8.33	7.86
Consolidated operating income	0.39	0.46	0.17	0.27
ASMs (in thousands)	4,196,738			

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4,041,321 8,310,993 8,059,857

</TABLE>

The following tables set forth, for the periods indicated, operating revenues and expenses for each reportable segment, in thousands of dollars, and expressed as cents per ASM:

	Three Months Ended June 30, 2001	2000	Inc (Dec)
Airline and Other			
Operating revenue (000s)	$ 337,798	$ 307,508	$ 30,290
RASM (cents)	8.05	7.61	0.44
Operating expenses (000s)	$ 321,291	$ 285,959	$ 35,332
CASM (cents)	7.66	7.08	0.58
ATALC			
Operating revenue (000s)	$ 21,097	$ 26,026	$ (4,929)
RASM (cents)	0.50	0.64	(0.14)
Operating expenses (000s)	$ 21,045	$ 28,953	$ (7,908)
CASM (cents)	0.50	0.71	(0.21)

	Six Months Ended June 30, 2001	2000	Inc (Dec)
Airline and Other			
Operating revenue (000s)	$ 650,820	$ 589,611	$ 61,209
RASM (cents)	7.83	7.32	0.51
Operating expenses (000s)	$ 636,667	$ 563,700	$ 72,967
CASM (cents)	7.66	6.99	0.67
ATALC			
Operating revenue (000s)	$ 55,560	$ 65,289	$ (9,729)
RASM (cents)	0.67	0.81	(0.14)
Operating expenses (000s)	$ 55,388	$ 70,014	$ (14,626)
CASM (cents)	0.67	0.87	(0.20)

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Consolidated Flight Operating and Financial Data

The following tables set forth, for the periods indicated, certain key operating and financial data for the consolidated flight operations of the Company. Data shown for "Jet" operations include the consolidated operations of Lockheed L-1011, Boeing 727-200, Boeing 757-200 and Boeing 737-800 aircraft in all of the Company's business units. Data shown for "J31/Saab" operations include the operations of Jetstream 31 propeller aircraft and Saab 340B aircraft by Chicago Express as the ATA Connection.

	Three Months Ended June 30,			
	2001	2000	Inc (Dec)	% Inc (Dec)
Departures Jet	14,928	13,590	1,338	9.85
Departures J31/Saab (a)	6,349	4,530	1,819	40.15
Total Departures (b)	21,277	18,120	3,157	17.42
Block Hours Jet	45,087	42,606	2,481	5.82
Block Hours J31/Saab	5,152	4,595	557	12.12
Total Block Hours (c)	50,239	47,201	3,038	6.44
RPMs Jet (000s)	3,083,775	2,999,108	84,667	2.82
RPMs J31/Saab (000s)	23,978	13,824	10,154	73.45

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Total RPMs (000s) (d)	3,107,753	3,012,932	94,821	3.15
ASMs Jet (000s)	4,162,629	4,019,421	143,208	3.56
ASMs J31/Saab (000s)	34,109	21,900	12,209	55.75
Total ASMs (000s) (e)	4,196,738	4,041,321	155,417	3.85
Load Factor Jet	74.08	74.62	(0.54)	(0.72)
Load Factor J31/Saab	70.30	63.12	7.18	11.38
Total Load Factor (f)	74.05	74.55	(0.50)	(0.67)
Passengers Enplaned Jet	2,223,168	1,982,169	240,999	12.16
Passengers Enplaned J31/Saab	146,355	76,344	70,011	91.70
Total Passengers Enplaned (g)	2,369,523	2,058,513	311,010	15.11
Revenue $ (000s)	358,895	333,534	25,361	7.60
RASM in cents (h)	8.55	8.25	0.30	3.64
CASM in cents (i)	8.16	7.79	0.37	4.75
Yield in cents (j)	11.55	11.07	0.48	4.34

</TABLE>

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See footnotes (a) through (j) on pages 17-18.

	Six Months Ended June 30, 2001	2000	Inc (Dec)	% Inc (Dec)
Departures Jet	29,696	26,977	2,719	10.08
Departures J31/Saab (a)	11,933	8,850	3,083	34.84
Total Departures (b)	41,629	35,827	5,802	16.19
Block Hours Jet	90,096	84,843	5,253	6.19
Block Hours J31/Saab	9,906	8,982	924	10.29
Total Block Hours (c)	100,002	93,825	6,177	6.58
RPMs Jet (000s)	5,983,367	5,860,505	122,862	2.10
RPMs J31/Saab (000s)	45,966	23,624	22,342	94.57
Total RPMs (000s) (d)	6,029,333	5,884,129	145,204	2.47
ASMs Jet (000s)	8,245,822	8,022,815	223,007	2.78

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ASMs J31/Saab (000s)	65,171	37,042	28,129	75.94
	---------	---------	-------	------
Total ASMs (000s) (e)	8,310,993	8,059,857	251,136	3.12
	---------	---------	-------	------
Load Factor Jet	72.56	73.05	(0.49)	(0.67)
Load Factor J31/Saab	70.53	63.78	6.75	10.58
	---------	---------	--------	-------
Total Load Factor (f)	72.55	73.01	(0.46)	(0.63)
	---------	---------	--------	-------
Passengers Enplaned Jet	4,325,424	3,868,461	456,963	11.81
Passengers Enplaned J31/Saab	278,149	132,696	145,453	109.61
	---------	---------	-------	------
Total Passengers Enplaned (g)	4,603,573	4,001,157	602,416	15.06
	---------	---------	-------	------
Revenue $ (000s)	706,380	654,900	51,480	7.86
RASM in cents (h)	8.50	8.13	0.37	4.55
CASM in cents (i)	8.33	7.86	0.47	5.98
Yield in cents (j)	11.72	11.13	0.59	5.30

</TABLE>

See footnotes (d) through (j) on page 18.

(a) Chicago Express provides service between Chicago-Midway and the cities of Indianapolis, Milwaukee, Des Moines, Dayton, Grand Rapids, Madison and South Bend as the ATA Connection, using 34-seat Saab 340B propeller aircraft. During the first three quarters of 2000, Chicago Express operated some 19-seat Jetstream 31 ("J31") aircraft as they phased in the Saab fleet. As of September 30, 2000, all J31 aircraft had been removed from revenue service.

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(b) A departure is a single takeoff and landing operated by a single aircraft between an origin city and a destination city.

(c) Block hours for any aircraft represent the elapsed time computed from the moment the aircraft first moves under its own power from the origin city boarding ramp to the moment it comes to rest at the destination city boarding ramp.

(d) Revenue passenger miles (RPMs) represent the number of seats occupied by revenue passengers multiplied by the number of miles those seats are flown. RPMs are an industry measure of the total seat capacity actually sold by the Company.

(e) Available seat miles (ASMs) represent the number of seats available for sale to revenue passengers multiplied by the number of miles those seats are flown. ASMs are an industry measure of the total seat capacity offered for sale by the Company, whether sold or not.

(f) Passenger load factor is the percentage derived by dividing RPMs by ASMs. Passenger load factor is relevant to the evaluation of scheduled service because incremental passengers normally provide incremental revenue and profitability when seats are sold individually. In the case of commercial charter and military/government charter, load factor is less relevant because an entire aircraft is sold by the Company instead of individual seats. Since both costs and revenues are largely fixed for these types of charter flights, changes in load factor have less impact on business unit profitability. Consolidated load factors and scheduled service load factors for the Company are shown in the appropriate tables for industry comparability, but load factors for individual charter businesses are omitted from applicable tables.

(g) Passengers enplaned are the number of revenue passengers who occupied seats on the Company's flights. This measure is also referred to as "passengers boarded."

(h) Revenue per ASM (expressed in cents) is total operating revenue divided by total ASMs. This measure is also referred to as "RASM." RASM measures the Company's unit revenue using total available seat capacity. In the case of scheduled service, RASM is a measure of the combined impact of load factor and yield (see (j) below for the definition of yield).

(i) Cost per ASM (expressed in cents) is total operating expense divided by total ASMs. This measure is also referred to as "CASM." CASM measures the Company's unit cost using total available seat capacity.

(j) Revenue per RPM (expressed in cents) is total operating revenue divided by total RPMs. This measure is also referred to as "yield." Yield is relevant to the evaluation of scheduled service because yield is a measure of the average price paid by customers purchasing individual seats. Yield is less relevant to the commercial charter and military/government charter businesses because the entire aircraft is sold at one time for one price. Consolidated yields and scheduled service yields are shown in the appropriate tables for industry comparability, but yields for individual charter businesses are omitted from

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applicable tables.

Operating Revenues

Scheduled Service Revenues. The following tables set forth, for the periods indicated, certain key operating and financial data for the scheduled service operations of the Company. Data shown for "Jet" operations include the combined operations of Lockheed L-1011, Boeing 727-200, Boeing 757-200 and Boeing 737-800 aircraft in scheduled service. Data shown for "J31/Saab" operations include the operations of Jetstream 31 propeller aircraft and Saab 340B aircraft by Chicago Express as the ATA Connection.

	Three Months Ended June 30,			
	2001	2000	Inc (Dec)	% Inc (Dec)
Departures Jet	11,830	9,804	2,026	20.67
Departures J31/Saab (a)	6,349	4,530	1,819	40.15
Total Departures (b)	18,179	14,334	3,845	26.82
Block Hours Jet	34,162	28,916	5,246	18.14
Block Hours J31/Saab	5,152	4,595	557	12.12
Total Block Hours (c)	39,314	33,511	5,803	17.32

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RPMs Jet (000s)	2,327,205	2,013,034	314,171	15.61
RPMs J31/Saab (000s)	23,978	13,824	10,154	73.45
Total RPMs (000s) (d)	2,351,183	2,026,858	324,325	16.00
ASMs Jet (000s)	2,921,718	2,462,036	459,682	18.67
ASMs J31/Saab (000s)	34,109	21,900	12,209	55.75
Total ASMs (000s) (e)	2,955,827	2,483,936	471,891	19.00
Load Factor Jet	79.65	81.76	(2.11)	(2.58)
Load Factor J31/Saab	70.30	63.12	7.18	11.38
Total Load Factor (f)	79.54	81.60	(2.06)	(2.52)
Passengers Enplaned Jet	1,810,709	1,511,676	299,033	19.78
Passengers Enplaned J31/Saab	146,355	76,344	70,011	91.70
Total Passengers Enplaned (g)	1,957,064	1,588,020	369,044	23.24
Revenue $ (000s)	235,523	196,387	39,136	19.93
RASM in cents (h)	7.97	7.91	0.06	0.76
Yield in cents (j)	10.02	9.69	0.33	3.41
Rev per segment $ (k)	120.35	123.67		

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</TABLE>

See footnotes (a) through (j) on pages 17-18.

(k) Revenue per segment flown is determined by dividing total scheduled service revenues by the number of passengers boarded. Revenue per segment is a broad measure of the average price obtained for all flight segments flown by passengers in the Company's scheduled service route network.

<TABLE>
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	Six Months Ended June 30,			
	2001	2000	Inc (Dec)	% Inc (Dec)
Departures Jet	23,411	18,967	4,444	23.43
Departures J31/Saab (a)	11,933	8,850	3,083	34.84
Total Departures (b)	35,344	27,817	7,527	27.06
Block Hours Jet	67,519	56,054	11,465	20.45
Block Hours J31/Saab	9,906	8,982	924	10.29
Total Block Hours (c)	77,425	65,036	12,389	19.05
RPMs Jet (000s)	4,414,819	3,772,065	642,754	17.04
RPMs J31/Saab (000s)	45,966	23,624	22,342	94.57

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Total RPMs (000s) (d)	4,460,785	3,795,689	665,096	17.52
ASMs Jet (000s)	5,707,467	4,767,406	940,061	19.72
ASMs J31/Saab (000s)	65,171	37,042	28,129	75.94
Total ASMs (000s) (e)	5,772,638	4,804,448	968,190	20.15
Load Factor Jet	77.35	79.12	(1.77)	(2.24)
Load Factor J31/Saab	70.53	63.78	6.75	10.58
Total Load Factor (f)	77.27	79.00	(1.73)	(2.19)
Passengers Enplaned Jet	3,499,095	2,840,326	658,769	23.19
Passengers Enplaned J31/Saab	278,149	132,696	145,453	109.61
Total Passengers Enplaned (g)	3,777,244	2,973,022	804,222	27.05
Revenue $ (000s)	447,554	364,873	82,681	22.66
RASM in cents (h)	7.75	7.59	0.16	2.11
Yield in cents (j)	10.03	9.61	0.42	4.37
Rev per segment $ (k)	118.49	122.73	(4.24)	(3.45)

</TABLE>

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See footnotes (a) through (j) on pages 17-18.
See footnote (k) on page 19.

Scheduled service revenues in the second quarter of 2001 increased 19.9% to $235.5 million from $196.4 million in the second quarter of 2000; and scheduled service revenues in the six months ended June 30, 2001, increased 22.7% to $447.6 million from $364.9 million in the same period of 2000. Scheduled service revenues comprised 65.6% and 63.4%, respectively, of consolidated revenues in the quarter and six months ended June 30, 2001, as compared to 58.9% and 55.7%, respectively, of consolidated revenues in the same periods of 2000.

The Company's second quarter 2001 scheduled service at Chicago-Midway accounted for approximately 65.4% of scheduled service ASMs and 85.9% of scheduled service departures, as compared to 61.4% and 80.9%, respectively, in the second quarter of 2000. In the first quarter of 2001, the Company began service from Chicago-Midway to Nassau. The Company began nonstop service to Hawaii from Chicago-O'Hare International Airport and New York's John F. Kennedy International Airport in the fourth quarter of 2000. In the second and third quarters of 2000, the Company began service from Chicago-Midway to Ronald Reagan Washington National Airport, Boston, Seattle and Minneapolis-St. Paul.

In January 2000, Chicago Express, a wholly owned subsidiary of Amtran, entered into an agreement to purchase nine 34-seat Saab 340B aircraft. These aircraft were placed into service in the first three quarters of 2000, replacing the previously operated 19-seat Jetstream J31 fleet. Chicago Express operates the aircraft between Chicago-Midway and the cities of Indianapolis, Milwaukee, Des Moines, Dayton, Grand Rapids, Madison and South Bend. The Company has recently announced service to Springfield, Illinois, to begin in the third quarter of 2001.

Increases in scheduled service frequencies and destinations, as well as the addition of the 34-seat Saab 340B aircraft between periods, contributed to a 23.2% and 27.1% increase in scheduled service passengers enplaned between the quarters and six month periods ended June 30, 2000 and 2001, respectively, and a corresponding 19.9% and 22.7% increase in revenue, respectively.

The Company anticipates that its Chicago-Midway operation will represent an increasing proportion of its scheduled service business throughout 2001 and beyond. The Company operated 97 peak daily jet and commuter departures from Chicago-Midway and served 28 destinations on a nonstop basis in the second quarter of 2001, as compared to 74 peak daily jet and commuter departures from Chicago-Midway and 25 nonstop destinations in the second quarter of 2000. In order to accommodate the growth in jet departures in the existing terminal, in October 2000, Chicago Express established a remote boarding operation at Chicago-Midway Airport with shuttle bus service between the remote location and the main terminal. This change has allowed the Company to convert the former Chicago Express gate to a jet departure gate.

The Company's anticipated growth at Chicago-Midway will be accomplished in conjunction with the construction of new terminal and gate facilities at the Chicago-Midway Airport. On March 7, 2001, the Company occupied 24 newly

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constructed ticketing and passenger check-in spaces in the new terminal, an increase from 16 ticketing and passenger check-in spaces previously occupied. Once all construction is complete in 2004, the Company expects to occupy 12 jet gates and one commuter aircraft gate at the new airport concourses. Eight of the gates which the Company will occupy are expected to open in late 2001, and the additional five gates are expected to be available for use by the Company in 2004. In addition to these improvements, the Company plans to complete the construction of a Federal Inspection Service facility in late 2001 at Chicago-Midway to facilitate nonstop international flights.

The Company's growing commitment to Chicago-Midway is consistent with its strategy for enhancing revenues and profitability in scheduled service by focusing primarily on low-cost, nonstop flights from airports where it has market or aircraft advantages in addition to its low-cost. The Company expects its growing concentration of connecting flights at Chicago-Midway to provide both revenue premiums and operating cost efficiencies, as compared to the Company's other gateway cities.

The Company's Hawaii service accounted for 20.2% of scheduled service ASMs and 4.3% of scheduled service departures in the second quarter of 2001, as compared to 16.7% and 4.4%, respectively, in the second quarter of 2000. The Company provided nonstop service in both periods from Los Angeles, Phoenix and San Francisco to both Honolulu and Maui, with connecting service between Honolulu and Maui. The Company provides these services through a marketing alliance with the largest independent tour operator serving leisure travelers to Hawaii from the United States. The Company distributes the remaining seats on these flights through normal scheduled service distribution channels. The Company believes it has superior operating efficiencies in west coast-Hawaii markets due to the relatively low ownership cost of the Lockheed L-1011 fleet and because of the high daily hours of utilization obtained for both aircraft and crews.

The Company's Indianapolis service accounted for 8.7% of scheduled service ASMs and 6.8% of scheduled service departures in the second quarter of 2001, as compared to 12.9% and 9.4%, respectively, in the second quarter of 2000. In both quarters, the Company operated nonstop to Cancun, Ft. Lauderdale, Ft. Myers, Las Vegas, Los Angeles, Orlando, St. Petersburg and Sarasota. The Company has served Indianapolis for 28 years through the Ambassadair Travel Club and in scheduled service since 1986.

The Company continuously evaluates the profitability of its scheduled service markets and expects to adjust its service from time to time. The Company announced nonstop service to Newark from Chicago-Midway to begin in the third quarter of 2001. In the fourth quarter of 2001, the Company will begin nonstop service between Chicago-Midway and Miami, and between Miami and San Juan. The Company also announced new nonstop service between Chicago-Midway and Aruba, Cancun, Grand Cayman, Montego Bay, Punta Cana and Puerto Vallarta to begin in February 2002.

Commercial Charter Revenues. The Company's commercial charter revenues are derived principally from independent tour operators and specialty charter customers. The Company's commercial charter product provides full-service air

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transportation to customer-designated destinations throughout the world. Commercial charter revenues accounted for 15.0% and 16.5%, respectively, of consolidated revenues in the quarter and six months ended June 30, 2001, as compared to 17.6% and 20.3%, respectively, in the comparable periods of 2000.

The following tables set forth, for the periods indicated, certain key operating and financial data for the commercial charter operations of the Company.

	Three Months Ended June 30,			
	2001	2000	Inc (Dec)	% Inc (Dec)
Departures (b)	2,105	2,357	(252)	(10.69)
Block Hours (c)	6,745	8,089	(1,344)	(16.62)
RPMs (000s) (d)	504,126	584,187	(80,061)	(13.70)
ASMs (000s) (e)	662,190	815,751	(153,561)	(18.82)
Passengers Enplaned (g)	346,394	366,882	(20,488)	(5.58)
Revenue $ (000s)	53,815	58,605	(4,790)	(8.17)
RASM in cents (h)	8.13	7.18	0.95	13.23
RASM less fuel escalation in cents (l)	7.77	6.85	0.92	13.43

<TABLE>
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	Six Months Ended June 30,			
	2001	2000	Inc (Dec)	% Inc (Dec)

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Departures (b)	4,414	5,179	(765)	(14.77)
Block Hours (c)	14,595	18,005	(3,410)	(18.94)
RPMs (000s) (d)	1,080,590	1,374,128	(293,538)	(21.36)
ASMs (000s) (e)	1,440,962	1,857,549	(416,587)	(22.43)
Passengers Enplaned (g)	702,036	845,571	(143,535)	(16.97)
Revenue $ (000s)	116,795	132,633	(15,838)	(11.94)
RASM in cents (h)	8.11	7.14	0.97	13.59
RASM less fuel escalation in cents (l)	7.68	6.76	0.92	13.61

</TABLE>

See footnotes (b) through (h) on pages 17-18.
See footnotes (l) on page 23.

(l) Commercial charter contracts generally provide that the tour operator will reimburse the Company for certain fuel cost increases, which, when earned, are accounted for as additional revenue. A separate RASM calculation, excluding the impact of fuel reimbursements, is provided as a separate measure of unit revenue changes.

The Company operates in two principal components of the commercial charter business, known as "track charter" and "specialty charter." The larger track charter business component is generally comprised of low frequency but repetitive domestic and international flights between city pairs, which support high passenger load factors and are marketed through tour operators, providing value-priced and convenient nonstop service to vacation destinations for the leisure traveler. Since track charter resembles scheduled service in terms of its repetitive flying patterns between fixed city pairs, it allows the Company to achieve reasonable levels of crew and aircraft utilization (although less than for scheduled service), and provides the Company with meaningful protection from some fuel price increases through the use of fuel escalation reimbursement clauses in tour operator contracts. Track charter accounted for approximately $45.1 million and $90.7 million, respectively, in revenues in the quarter and six months ended June 30, 2001, as compared to $47.7 million and $104.9 million, respectively, in the comparable periods of 2000.

Specialty charter (including incentive travel programs) is a product which is designed to meet the unique requirements of the customer, and is a business characterized by lower frequency of operation and by greater variation in city pairs served than the track charter business. Specialty charter includes such

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diverse contracts as flying university alumni to football games, transporting political candidates on campaign trips and moving NASA space shuttle ground crews to alternate landing sites. The Company also operates trips in all-first-class configuration for certain corporate and high-end leisure clients. Although lower utilization of crews and aircraft and infrequent service to specialty destinations often result in higher average operating costs, the Company has determined that the revenue premium earned by meeting special customer requirements more than compensates for these increased costs. The diversity of the Company's fleet types also permits the Company to meet a customer's particular needs by choosing the aircraft type, which provides the most economical solution for those requirements. Specialty charter accounted for approximately $2.3 million and $9.5 million, respectively, in revenues in the quarter and six months ended June 30, 2001, as compared to $6.4 million and $15.3 million, respectively, in the comparable periods of 2000.

Military/Government Charter Revenues. The following tables set forth, for the periods indicated, certain key operating and financial data for the military/government flight operations of the Company.

	Three Months Ended June 30,			
	2001	2000	Inc (Dec)	% Inc (Dec)
Departures (b)	992	1,413	(421)	(29.79)
Block Hours (c)	4,176	5,530	(1,354)	(24.48)
RPMs (000s) (d)	251,993	396,986	(144,993)	(36.52)
ASMs (000s) (e)	578,012	734,411	(156,399)	(21.30)
Passengers Enplaned (g)	65,835	102,155	(36,320)	(35.55)
Revenue $ (000s)	42,774	52,555	(9,781)	(18.61)
RASM in cents (h)	7.40	7.16	0.24	3.35
RASM less fuel escalation in cents (m)	7.07	6.87	0.20	2.91

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See footnotes (b) through (h) on page 17-18.
See footnote (m) on page 24.

	Six Months Ended June 30,			
	2001	2000	Inc (Dec)	% Inc (Dec)
Departures (b)	1,855	2,815	(960)	(34.10)
Block Hours (c)	7,925	10,713	(2,788)	(26.02)
RPMs (000s) (d)	482,756	709,411	(226,655)	(31.95)
ASMs (000s) (e)	1,089,038	1,390,637	(301,599)	(21.69)
Passengers Enplaned (g)	122,858	181,108	(58,250)	(32.16)
Revenue $ (000s)	82,179	98,147	(15,968)	(16.27)
RASM in cents (h)	7.55	7.06	0.49	6.94
RASM less fuel escalation in cents (m)	7.22	6.77	0.45	6.65

See footnotes (b) through (h) on page 16-17.

(m) Military/government reimbursements to the Company are calculated based upon a "cost plus" formula, including an assumed average fuel price for each contract year. If actual fuel prices differ from the contract rate, revenues are adjusted up or down to neutralize the impact of the change on the Company. A separate RASM calculation is provided, excluding the impact of the fuel price adjustments.

The Company participates in two related military/government charter programs known as "fixed award" and "short-term expansion." Pursuant to the U.S. military's fixed-award system, each participating airline is awarded certain "mobilization value points" based upon the number and type of aircraft made

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available by that airline for military flying. In order to increase the number of points awarded, the Company has traditionally participated in contractor teaming arrangements with other airlines. Under these arrangements, the team has a greater likelihood of receiving fixed-award business and, to the extent that the award includes passenger transport, the opportunity for the Company to operate this flying is enhanced since the Company represents a majority of the passenger transport capacity of the team. As part of its participation in this teaming arrangement, the Company pays a commission to the team, which passes that revenue on to all team members based upon their mobilization points. All airlines participating in the fixed-award business contract annually with the U.S. military from October 1 to the following September 30. For each contract year, reimbursement rates are determined for all aircraft types and mission categories based upon operating cost data submitted by the participating airlines. These contracts generally are not subject to renegotiation once they become effective.

Short-term expansion business is awarded by the U.S. military first on a pro rata basis to those carriers who have been provided fixed-award business and then to any other carrier with aircraft availability. Expansion flying is generally offered to airlines on very short notice.

The overall amount of military flying that the Company performs in any one year is dependent upon several factors, including (i) the percentage of mobilization value points represented by the Company's team as compared to total mobilization value points of all providers of military service; (ii) the percentage of passenger capacity of the Company with respect to its own team; (iii) the amount of fixed-award and expansion flying required by the U.S. military in each contract year; and (iv) the availability of the Company's aircraft to accept and fly expansion awards. Under its current teaming arrangement, the Company expects its military/government charter revenues to decrease to approximately $149.0 million for the contract year ending September 2001. This represents a 13.0% decrease from $169.5 million earned in the contract year ended September 2000.

Ground Package Revenues. The Company earns ground package revenues through the sale of hotel, car rental and cruise accommodations in conjunction with the Company's air transportation product. The Company markets these ground packages through its ATALC subsidiary and to its Ambassadair club members.

The Company's Ambassadair Travel Club offers hundreds of tour-guide-accompanied vacation packages to its approximately 35,000 individual and family members annually. ATALC offers numerous ground accommodations to the general public in many areas of the United States. These packages are marketed through travel agents, as well as directly by the Company.

In the second quarter of 2001, ground package revenues decreased 2.6% to $14.8 million, as compared to $15.2 million in the second quarter of 2000, and in the six months ended June 30, 2001, ground package revenues decreased 2.1% to $36.5 million, as compared to $37.3 million in the same period of 2000. The number of ground packages sold and the average revenue earned by the Company for a ground package sale are a function of the seasonal mix of vacation destinations served, the quality and types of ground accommodations offered and general competitive

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conditions in the Company's markets, all of which factors can change from period to period.

Other Revenues. Other revenues are comprised of the consolidated revenues of affiliated companies together with miscellaneous categories of revenue associated with the scheduled and charter operations of the Company, such as cancellation and service fees, Ambassadair Travel Club membership dues and cargo revenue. Other revenues increased 10.2% to $11.9 million in the second quarter of 2001, as compared to $10.8 million in the second quarter of 2000, and increased 6.8% to $23.4 million in the six months ended June 30, 2001, as compared to $21.9 million in the same period of 2000.

Operating Expenses

Salaries, Wages and Benefits. Salaries, wages and benefits include the cost of salaries and wages paid to the Company's employees, together with the Company's cost of employee benefits and payroll-related local, state and federal taxes. Salaries, wages and benefits expense in the second quarter of 2001 increased 16.1% to $83.5 million, as compared to $71.9 million in the second quarter of 2000, and in the six months ended June 30, 2001, increased 17.0% to $164.5 million, as compared to $140.6 million in the same period of 2000.

The Company increased its average equivalent employees by approximately 9.3% and 13.5%, respectively, between the quarter and six months ended June 30, 2001, and the comparable periods of 2000. This growth was most significant in categories of employees that were required for the increased flight activity between comparable periods, such as flight crews, customer service agents and maintenance staff. Some increase in staffing also resulted from additional mechanics and flight crews required for the Company's new fleet of Boeing 737-800 and Boeing 757-300 aircraft. In addition, equivalent employees also increased between the first six months of 2000 and 2001 because in the second quarter of 2000, the Company replaced its contracted ground handler at its busiest airport, Chicago-Midway, with its own ramp employees. Although this contributed to the increase in salaries, wages and benefits, the Company experienced a corresponding reduction in handling, landing and navigation fees.

Fuel and Oil. Fuel and oil expense increased 7.6% to $68.0 million in the second quarter of 2001, as compared to $63.2 million in the same period of 2000, and increased 8.9% to $138.0 million in the six months ended June 30, 2001, as compared to $126.7 million in the same period of 2000. The Company consumed 1.8% and 1.7%, respectively, more gallons of jet fuel for flying operations between the second quarters and six-month periods ended June 30, 2001 and 2000, which resulted in an increase in fuel expense of approximately $1.0 million and $1.5 million, respectively, between periods. Jet fuel consumption increased primarily due to the increased number of block hours of jet flying operations between periods. The Company flew 45,087 jet block hours in the second quarter of 2001, as compared to 42,606 jet block hours in the second quarter of 2000, and flew 90,096 jet block hours in the six months ended June 30, 2001, as compared to 84,843 jet block hours in the same period of 2000.

Fuel consumption growth between the quarter and six months ended June 30, 2001,

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as compared to the same periods of 2000, was less than total block hour growth, since block hour growth in 2001 was mainly in the 757-200 fleet, which is more fuel efficient than the wide-body Lockheed L-1011 fleet. Block hours for the Lockheed L-1011 fleet decreased in the quarter and six months ended June 30, 2001, as compared to the same periods of 2000.

During the second quarter and first six months of 2001, the Company's average cost per gallon of jet fuel consumed increased by 7.8% and 7.0%, respectively, as compared to the same periods of 2000, resulting in an increase in fuel and oil expense of approximately $4.8 million and $9.1 million, respectively, between periods.

During the second half of 2000 and first half of 2001, the Company entered into several fuel price hedge contracts under which the Company sought to reduce the risk of fuel price fluctuations. The Company recorded approximately $0.8 million less and $0.1 million more, respectively, in fuel and oil expense in the quarter and six months ended June 30, 2001, under its 2001 hedge contracts, as compared to the same periods of 2000, when there were no such fuel hedges in place. As of June 30, 2001, the Company had entered into swap agreements for approximately 31.8 million gallons of heating oil for future delivery between July 2001 and December 2001, which represents approximately 22.6% of total expected fuel consumption for that period.

Depreciation and Amortization. Depreciation reflects the periodic expensing of the recorded cost of owned airframes and engines, leasehold improvements and rotable parts for all fleet types, together with other property and equipment owned by the Company. Amortization is primarily the periodic expensing of capitalized airframe and engine overhauls for all fleet types on a units-of-production basis using aircraft flight hours and cycles (landings) as the units of measure. Depreciation and amortization expense increased 9.4% to $33.7 million in the second quarter of 2001, as compared to $30.8 million in the second quarter of 2000, and increased 10.9% to $69.2 million in the six months ended June 30, 2001, as compared to $62.4 million in the same period of 2000.

The Company increased its investment in rotable parts, furniture and fixtures, and computer hardware and software, and increased its provision for amortization of inventory obsolescence and debt issue costs between years. These changes resulted in an increase in depreciation and amortization expense of $0.3 million and $1.2 million, respectively, in the quarter and six months ended June 30, 2001, as compared to the same periods of 2000.

Amortization of capitalized engine and airframe overhauls increased $1.7 million and $4.7 million, respectively, in the quarter and six months ended June 30, 2001, as compared to the same periods of 2000, after including amortization of related manufacturers' credits. Changes to the cost of overhaul amortization were partly due to the increase in total block hours and cycles flown between comparable periods for the Boeing 727-200 fleet, since such expense varies with that activity, and partly due to the completion of more engine and airframe overhauls in 2001 for the Boeing 757-200 and Lockheed L-1011-500 fleets.

The cost of engine overhauls that become worthless due to early engine failures

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and which cannot be economically repaired is charged to depreciation and amortization expense in the period the engine fails. Depreciation and amortization expense attributable to these early engine failures increased $0.4 million and $1.1 million, respectively, in the quarter and six months ended June 30, 2001, as compared to the same periods of 2000. When these early engine failures can be economically repaired, the related repairs are charged to aircraft maintenance, materials and repairs expense.

In March of 2001, the Company entered into a limited liability company agreement with BCC to form BATA, a 50/50 joint venture. BATA will remarket the Company's Boeing 727-200 aircraft in both passenger and cargo configurations. In exchange for supplying the aircraft and certain operating services to BATA, the Company will receive both cash and equity in BATA. The Company expects that its fleet of 24 Boeing 727-200 aircraft will be fully transferred to BATA by May 2002. Before the decision to transfer the Boeing 727-200 fleet to BATA, it was being depreciated to a common retirement date of December 31, 2008, with a salvage value of $0.5 million per aircraft. The Company implemented a change in accounting estimate to reduce the estimated life of each aircraft to the date upon which each aircraft is projected to be transferred to BATA, with a salvage value equal to the amount at which each aircraft will be contributed to BATA. The change in accounting estimate resulted in an increase of depreciation expense of $0.5 million and a decrease of depreciation expense of $0.2 million, respectively, in the quarter and six months ended June 30, 2001, as compared to the same periods of 2000.

Handling, Landing and Navigation Fees. Handling and landing fees include the costs incurred by the Company at airports to land and service its aircraft and to handle passenger check-in, security, cargo and baggage where the Company elects to use third-party contract services in lieu of its own employees. Where the Company uses its own employees to perform ground handling functions, the resulting cost appears within salaries, wages and benefits. Air navigation fees are incurred when the Company's aircraft fly over certain foreign airspace.

Handling, landing and navigation fees increased by 5.1% to $24.9 million in the second quarter of 2001, as compared to $23.7 million in the second quarter of 2000, and decreased 0.8% to $48.7 million in the six months ended June 30, 2001, as compared to $49.1 million in the same period of 2000. The increase in fees between the second quarters of 2000 and 2001 is related to the increase in jet departures between the same periods. The total number of system-wide jet departures between the second quarters of 2001 and 2000 increased by 9.8% to 14,928 from 13,590.

The total number of system-wide jet departures between the six-month periods ended June 30, 2001 and 2000 increased by 10.1% to 29,696 from 26,977. Notwithstanding this increase in departures, handling, landing and navigation fees decreased between the periods. The primary reason for this decline was a reduction in costs resulting from the implementation of self-handling on the ramp at Chicago-Midway in May 2000. Prior to May 2000, the handling was performed by a third-party contractor. This change to self-handling resulted in an increase in salaries, wages & benefits during the first half of 2001 compared

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to the first half of 2000.

Aircraft Rentals. Aircraft rentals expense for the first quarter of 2001 increased 27.4% to $21.4 million in the second quarter of 2001, as compared to $16.8 million in the second quarter of 2000, and increased 25.8% to $41.4 million in the six months ended June 30, 2001, as compared to $32.9 million in the same period of 2000. The Company was leasing 6 additional Boeing 757-200 aircraft in the first six months of 2001, as compared to the same period of 2000, adding $3.7 million and $7.6 million, respectively, to aircraft rentals expense in the quarter and six months ended June 30, 2001, as compared to the same periods of 2000. During 2000, Chicago Express replaced its fleet of Jetstream 31 aircraft with Saab 340B aircraft which resulted in an additional rental expense of $0.3 million and $1.1 million, respectively, for the quarter and six months ended June 30, 2001, as compared to the same periods of 2000. In addition, aircraft rent increased $0.3 million in the quarter and first six months of 2001, as compared to the same periods of 2000, as a result of the delivery of one Boeing 737-800 aircraft on June 6, 2001. Aircraft rent increased $1.4 million in the second quarter and first six months of 2001, as compared to the same periods of 2000, as a result of the short-term leases on the Boeing 727-200's from BATA. These increases were partially offset by eight cancelled leases on Boeing 727-200 aircraft with other lessors, which resulted in a decrease of $1.5 million and $2.7 million respectively, in the quarter and six months ended June 30, 2001, as compared to the same periods of 2000.

Aircraft Maintenance, Materials and Repairs. This expense includes the cost of expendable aircraft spare parts, repairs to repairable and rotable aircraft components, contract labor for maintenance activities, and other non-capitalized direct costs related to fleet maintenance, including spare engine leases, parts loan and exchange fees, and related shipping costs. Aircraft maintenance, materials and repairs expense decreased 7.5% to $16.0 million in the second quarter of 2001, as compared to $17.3 million in the second quarter of 2000, and decreased 4.3% to $35.4 million in the six months ended June 30, 2001, as compared to $37.0 million in the same period of 2000.

The Company experienced a decrease of $0.1 million and $2.1 million, respectively, for the quarter and six months ended June 30, 2001, as compared to the same periods of 2000, in maintenance, materials and repairs due to the negotiated revision of return condition requirements on one leased Lockheed L-1011 aircraft. The second quarter 2001 decline was also attributable to a decrease in materials consumed and components repaired related to maintenance checks and other repairs on the fleet. The Company performed 14 maintenance checks on its fleet during the second quarter of 2001 as compared to 23 in the same period of 2000.

Crew and Other Employee Travel. Crew and other employee travel is primarily the cost of air transportation, hotels and per diem reimbursements to cockpit and cabin crew members incurred to position crews away from their bases to operate Company flights throughout the world. The cost of crew and other employee travel decreased 9.7% to $15.9 million in the second quarter of 2001, as compared to $17.6 million in the second quarter of 2000, and decreased 3.4% to $31.6 million in the six months ended June 30, 2001, as compared to $32.7 million in the same

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period of 2000.

The decrease in crew and other employee travel in the quarter and six months ended June 30, 2001, as compared to the same quarters of 2000, was mainly due to a decrease in crew positioning expense. The average cost of crew positioning per full-time-equivalent crew member decreased 33.0% in the second quarter of 2001 and decreased 27.5% in the six months ended June 30, 2001, as compared to the same periods of 2000. The decrease was primarily due to the decrease in military and charter departures in the first six months of 2001, as compared to the first six months of 2000. Military and charter flights often operate to and from points remote from the Company's crew bases, thus requiring significant positioning expenditures for cockpit and cabin crews on other airlines.

Ground Package Cost. Ground package cost is incurred by the Company with hotels, car rental companies, cruise lines and similar vendors who provide ground and cruise accommodations to Ambassadair and ATALC customers. Ground package cost decreased 7.7% to $12.0 million in the second quarter of 2001, as compared to $13.0 million in the second quarter of 2000, and decreased 5.0% to $30.3 million in the six months ended June 30, 2001, as compared to $31.9 million in the same period of 2000. Ground package costs vary based on the mix of destinations served, and decreased in approximate proportion to the decrease in ground package revenues.

Passenger Service. Passenger service expense includes the onboard costs of meal and non-alcoholic beverage catering, the cost of alcoholic beverages and in-flight movie headsets sold, and the cost of onboard entertainment programs, together with certain costs incurred for mishandled baggage and passengers inconvenienced due to flight delays or cancellations. For the second quarter of 2001 and 2000, catering represented 73.8% and 76.5%, respectively, of total passenger service expense, while catering represented 72.6% and 78.2%, respectively, of total passenger service expense for the six month periods ended June 30, 2001 and 2000.

The total cost of passenger service decreased 7.3% to $11.4 million in the second quarter of 2001, as compared to $12.3 million in the second quarter of 2000, and decreased 1.3% to $23.1 million in the six months ended June 30, 2001, as compared to $23.4 million in the same period of 2000. The Company experienced a decrease of approximately 17.4% and 16.3%, respectively, in the average unit cost of catering each passenger between the quarter and six months ended June 30, 2001, and comparable periods of 2000, primarily because in the first half of 2001 there were relatively less military and commercial charter flights in the Company's business mix, which are provided a more-expensive catering product mainly due to the longer stage length of these flights. This resulted in a price-and-business-mix decrease of $1.7 million and $3.2 million, respectively, in catering expense between the quarter and six months ended June 30, 2001, and the comparable periods of 2000. Total jet passengers boarded increased 12.2% and 11.8%, respectively, between the same time periods, resulting in approximately $1.1 million and $2.0 million, respectively, in higher volume-related catering expenses between the same sets of comparative periods. In the second quarter and six months ended June 30, 2001, as compared to the same periods of 2000, the Company also incurred approximately $0.3 million and $1.3 million, respectively,

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more expense for mishandled baggage and passenger inconvenience due to flight delays and cancellation.

Other Selling Expenses. Other selling expenses are comprised primarily of booking fees paid to computer reservation systems ("CRS"), credit card discount expenses incurred when selling single seats and ground packages to customers using credit cards for payment, and toll-free telephone services provided to single-seat and vacation package customers who contact the Company directly to book reservations. Other selling expenses increased 21.7% to $11.2 million in the second quarter of 2001, as compared to $9.2 million in the same period of 2000 and increased 25.1% to $21.9 million in the six months ended June 30, 2001, as compared to $17.5 million in the same period of 2000.

Approximately $1.3 million of this increase in the second quarter of 2001, and $2.8 million in the first six months of 2001, resulted from an increase in CRS fees. This increase resulted both due to the growth in single-seat sales volumes between periods, and due to an increase in rates charged by CRS systems for improved booking functionality. Credit card discount expense increased $0.9 million and $1.8 million, respectively, between the quarter and six months ended June 30, 2001, and the same periods of 2000, primarily due to higher volumes of scheduled service tickets sold using credit cards as form of payment.

Commissions. The Company incurs commissions expense in association with the sale by travel agents of single seats on scheduled service. In addition, the Company incurs commissions to secure some commercial and military/government charter business. Commissions expense decreased 3.8% to $10.1 million in the second quarter of 2001, as compared to $10.5 million in the second quarter of 2000 and decreased 4.1% to $20.8 million in the six months ended June 30, 2001, as compared to $21.7 million in the same period of 2000.

Approximately $1.4 million and $2.7 million, respectively, of the decreases in commissions in the quarter and six months ended June 30, 2001, as compared to the same periods of 2000, were attributable to lower military commissions, which is consistent with the decrease in military revenue between the same time periods. The Company also experienced a decrease in commissions of $0.6 million and $1.1 million, respectively, between the quarter and six months ended June 30, 2001, and the same periods of 2000, attributable to commissions paid to travel agents by ATALC, which is consistent with the decrease in related revenue for that affiliate. These decreases were partially offset by increases in scheduled service commissions of $1.5 million and $2.9 million, respectively, between the quarter and six months ended June 30, 2001, and the same periods of 2000, due to an increase in scheduled service sales made by travel agents between periods.

Advertising. Advertising expense increased 40.0% to $7.0 million in the second quarter of 2001, as compared to $5.0 million in the second quarter of 2000, and increased 16.4% to $13.5 million in the six months ended June 30, 2001, as compared to $11.6 million in the same period of 2000. The Company incurs advertising costs primarily to support single-seat scheduled service sales and the sale of air-and-ground packages. In 2001, the Company increased its advertising primarily in the Chicago-Midway market in connection with the

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arrival of the new Boeing 737-800 aircraft, the announcement of new scheduled service destinations and increased frequencies in existing markets.

Facilities and Other Rentals. Facilities and other rentals include the cost of all ground facilities that are leased by the Company such as airport space and general offices. The cost of facilities and other rentals increased 23.1% to $4.8 million in the second quarter of 2001, as compared to $3.9 million in the second quarter of 2000, and increased 22.4% to $9.3 million in the six months ended June 30, 2001, as compared to $7.6 million in the same period of 2000. Growth in facilities costs between periods was primarily attributable to the need to provide facilities at airport locations to support higher frequencies and new scheduled service destinations in 2001.

Other Operating Expenses. Other operating expenses increased 13.8% to $22.3 million in the second quarter of 2001, as compared to $19.6 million in the second quarter of 2000, and increased 14.5% to $44.3 million in the six months ended June 30, 2001, as compared to $38.7 million in the same period of 2000. The purchase by ATALC of charter air services from airlines other than the Company increased $1.6 million and $4.2 million, respectively, for the quarter and six months ended June 30, 2001, due to a decreased utilization of the Company's own aircraft for ATALC charter programs. The Company also recorded a loss on disposal of assets of $4.1 million in 2001 related to the retirement of two Lockheed L-1011 aircraft.

Interest Income and Expense. Interest expense in the quarter and six months ended June 30, 2001, decreased to $7.0 million and $14.3 million, respectively, as compared to $8.0 million and $15.6 million, respectively, in the same periods of 2000. The decrease in interest expense between periods was primarily due to an increase in capitalized interest on advanced payments made for new aircraft for future delivery.

The Company invested excess cash balances in short-term government securities and commercial paper and thereby earned $1.4 million and $3.1 million, respectively, in interest income in the quarter and six months ended June 30, 2001, as compared to $2.0 million and $3.9 million, respectively, in the same periods of 2000. The decrease in interest income between periods is due to a decline in the interest rate earned.

Income Tax Expense. In the quarter and six months ended June 30, 2001, the Company recorded $4.2 million and $0.9 million, respectively, in income tax expense applicable to $10.7 million and $3.0 million, respectively, of pre-tax income for those periods, while in the quarter and six months ended June 30, 2000, income tax expense of $6.7 million and $5.6 million, respectively, was recorded on pre-tax income of $12.5 million and $9.5 million, respectively. The effective tax rate applicable to the quarter and six months ended June 30, 2001, were 39.1% and 29.3%, respectively, as compared to 53.2% and 58.7%, respectively, for the same periods of 2000.

Income tax expense in both sets of comparative periods was affected by the permanent non-deductibility for federal income tax purposes of a percentage of amounts paid for crew per diem (40%). The effect of this and other permanent

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differences on the effective income tax rate for financial accounting purposes is to decrease tax credits otherwise applicable to pre-tax losses.

Liquidity and Capital Resources

Cash Flows. In the six months ended June 30, 2001 and 2000, net cash provided by operating activities was $110.1 million and $77.3 million, respectively. For the six months ended June 30, 2001, the increase in cash provided by operating activities primarily resulted from changes in current assets and liabilities.

Net cash used in investing activities was $163.4 million and $85.5 million, respectively, in the six month periods ended June 30, 2001 and 2000. Such amounts primarily included capital expenditures for aircraft purchases and pre-delivery deposits, engine and airframe overhauls, airframe improvements and the purchase of rotable parts. In the first six months of 2001, $70.9 million of the Company's capital expenditures were comprised of pre-delivery deposits on future deliveries of aircraft, as compared to $9.8 million in first six months 2000. Also, in the second quarter of 2001, the Company received $18.0 million in capital distribution from BATA.

Net cash provided by financing activities was $47.2 million and $7.1 million, respectively, in the six months ended June 30, 2001 and 2000. During the first six months of 2001, the Company financed $48.1 million in pre-delivery deposits on aircraft to be delivered in the future.

The Company believes that cash generated by operations, together with available borrowings under credit facilities, will be sufficient to fund operations during the next twelve months.

Aircraft and Fleet Transactions. In 2000, the Company entered into a series of preliminary agreements to purchase or lease 39 new Boeing 737-800 aircraft and ten new Boeing 757-300 aircraft, as well as the engines to power the aircraft. The Boeing 737-800 aircraft will be powered by General Electric CFM56-7B27 engines, and the Boeing 757-300 aircraft will be powered by Rolls-Royce RB211-535 E4C engines. The Company also received purchase rights for an additional 50 aircraft. The Company subsequently converted most of the preliminary agreements into firm commitments.

The Company has a purchase agreement with the Boeing Company to purchase directly from Boeing the ten new Boeing 757-300s and 20 of the new Boeing 737-800s. The manufacturer's list price is $73.1 million for each 757-300 and $52.4 million for each 737-800, subject to escalation. The Company's purchase price for each aircraft is subject to various discounts. To fulfill its purchase obligations, the Company expects to arrange for each of these aircraft, including the engines, to be purchased by third parties that will, in turn, enter into long-term operating leases with the Company. The first Boeing 737-800 purchased directly from Boeing, was delivered on June 29, 2001 and leased to the Company. The remaining aircraft are scheduled for delivery between July 2001 and April 2003. Advance payments are required for these purchases, and the Company has funded these advance deposits through aircraft deposit finance facilities and operating cash. As of June 30, 2001, the Company had $210.7 million in

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advanced payments outstanding for these aircraft of which $138.0 was provided by financing arrangements with various lenders. Upon delivery of the aircraft, advance payments funded with operating cash will be returned to the company, and those funded with deposit facilities will be used to pay down those facilities.

The Company has entered into operating lease agreements with respect to 14 of the new Boeing 737-800s, from International Lease Finance Corporation ("ILFC"). In conjunction with these lease agreements, the Company also committed to purchase two spare General Electric aircraft engines from ILFC. The first Boeing 737-800 that is being leased from ILFC was delivered on June 6, 2001. The remaining aircraft under these operating lease agreements are scheduled for delivery between July 2001 and May 2004. The first spare engine was received on June 28, 2001, and was financed partially through a $4.2 million promissory note held by ILFC. The Company intends to refinance the loan through an operating lease by the end of the year. The second spare engine is scheduled for delivery in October 2001.

The Company has an agreement to lease five of the new Boeing 737-800s from GE Capital Aviation Services. The aircraft under this lease agreement are scheduled for delivery from July 2001 through July 2002.

The Company has committed to purchase an additional four spare General Electric aircraft engines from the engine manufacturer. The spare engines under this agreement are scheduled for delivery between 2003 and 2006.

Also in 2000, the Company signed an agreement for warranty and ongoing maintenance services applicable to the General Electric engines, which will power all 39 Boeing 737-800 aircraft. Under this agreement, overhauls will be provided in exchange for fixed payments by the Company for each engine flight hour over the life of the agreement. These payments will be accounted for as an expense as the flight hours are incurred.

In March 2001, the Company entered into a limited liability company with BCC to form BATA, a 50/50 joint venture. BATA will remarket the Company's fleet of 24 Boeing 727-200 aircraft in both passenger and cargo configurations. In exchange for supplying the aircraft and certain operating services to BATA, the Company has and will continue to receive both cash and equity in BATA. BCC will provide the marketing expertise. The Company transferred nine Boeing 727-200 aircraft to BATA in the second quarter of 2001 and expects to transfer the remaining aircraft by May 2002. As of June 30, 2001, the Company continues to operate eight of these aircraft under operating leases with BATA. These leases terminate between July 2001 and November 2001.

On June 8, 2001, the Company committed to the purchase of two additional Saab 340B aircraft. The Company expects these aircraft to be delivered in the third quarter of 2001.

Significant Financings. In July 1997, the Company sold $100.0 million principal amount of 10.5% unsecured senior notes. In December 1999, the Company sold an additional $75.0 million principal amount of 10.5% unsecured senior notes. The $75.0 million in notes sold in 1999 were issued as a private placement under

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Rule 144A. The Company subsequently completed an exchange offer under which registered notes of equal value were issued to holders of the original notes.

In December 1998, the Company sold $125.0 million principal amount of 9.625% unsecured senior notes in a public offering.

In the second quarter of 1999, the Company completed the construction of a 120,000 square foot Maintenance and Operations Center immediately adjacent to the Company's maintenance hangar at Indianapolis International Airport. The Company financed this facility with an $8.0 million loan secured by a 15-year mortgage on the facility.

In December 1999, ATA issued $17.0 million of special facility revenue bonds to finance the construction of certain facilities at Chicago-Midway Airport. The bonds are payable from and secured by an assignment of special facility revenues, including certain of the City of Chicago's rights under a special facility financing agreement between the City of Chicago and the Company. The Company guarantees payment on the bonds. Construction of this facility is currently in progress and is expected to be completed by the end of 2001.

In December 1999, the Company amended its revolving credit facility to provide for maximum borrowings of $100.0 million, including up to $50.0 million for stand-by letters of credit. The facility matures January 2, 2003, and borrowings under the facility bear interest, at the option of ATA, at either LIBOR plus a margin or the agent bank's prime rate. This facility is subject to certain restrictive covenants and is collateralized by certain L-1011-50, L-1011-100 and Boeing 727-200 aircraft. As of June 30, 2001, there were no borrowings under the facility.

In February 2000, the Company borrowed $11.5 million, and in September 2000, the Company borrowed an additional $11.5 million. Each five-year note reflecting these borrowings is collateralized by one Lockheed L-1011-500 aircraft.

In September 2000, the Company obtained a $10.0 million, 14-year loan, secured by a mortgage on its maintenance facility at the Indianapolis International Airport. The proceeds of the loan were used to repay an advance received from the City of Indianapolis in December 1995 that had resulted from the sale/leaseback of the facility.

In December 2000, the Company entered into three finance facilities with Banca Commerciale Italiana, General Electric Capital Corporation and Rolls-Royce to fund pre-delivery deposits on new Boeing 757-300 and Boeing 737-800 aircraft. These facilities provide for up to $173.2 million in aircraft deposit funding, and as of June 30, 2001, the Company had borrowed $138.0 million against these three facilities. A total of $115.0 million has been classified as a current liability because the amounts are payable upon delivery of aircraft in 2001 and the first half of 2002. The remaining $23.0 million has been classified as a long-term liability because the Company has obtained a commitment for lease financing upon delivery of the aircraft. Interest on these facilities is payable monthly.

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On June 28, 2001, the Company signed a $4.2 million promissory note with ILFC for the purchase of a spare engine. The principal amount of the note payable is due in November 2001.

In September 2000, the Company issued and sold 300 shares of Series B Preferred to ILFC. For additional details with respect to the issuance and sale of the Series B Preferred, see "Financial Statements - Notes to Consolidated Financial Statements - Note 6 - Redeemable Preferred Stock."

In December 2000, the Company issued and sold 500 shares of Series A Preferred to BCC. For additional details with respect to the issuance and sale of the Series A Preferred, see "see "Financial Statements - Notes to Consolidated Financial Statements - Note 6 - Redeemable Preferred Stock."

The proceeds from the issuance and sale of the Series A Preferred and the Series B Preferred were used for general corporate purposes.

In June 2001, ATA received a commitment letter, which is included as an exhibit and incorporated by reference into this report, from Salomon Smith Barney Inc. and Citicorp USA Inc. with respect to a $175 million 3-year reducing revolving credit facility (the "Secured Credit Facility"). Bank One, NA has also agreed to commit $87.5 million of the $175 Secured Credit Facility. We expect that the structure of the Secured Credit Facility will include both a term loan and a revolving credit facility. Amtran and the lenders under the Secured Credit Facility are in the process of negotiating the definitive documentation for the Secured Credit Facility. The Secured Credit Facility will be used to finance the merger, including related transaction fees and expenses, purchase rotables and provide for the ongoing working capital needs and general corporate purposes of the Company and its subsidiaries. The amount available for the acquisition of shares of the Company's common stock pursuant to the merger shall not exceed $82.0 million in the aggregate.

Forward-Looking Information

Information contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" includes forward-looking information which can be identified by forward-looking terminology such as "believes," "expects," "may," "will," "should," "anticipates," or the negative thereof, or other variations in comparable terminology. Such forward-looking information is based upon management's current knowledge of factors affecting the Company's business. The differences between expected outcomes and actual results can be material, depending upon the circumstances. Where the Company expresses an expectation or belief as to future results in any forward-looking information, such expectation or belief is expressed in good faith and is believed to have a reasonable basis. The Company can provide no assurance that the statement of expectation or belief will result or will be achieved or accomplished.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different. Such factors include, but are not limited to, the following:

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o economic conditions;
o labor costs;
o aviation fuel costs;
o competitive pressures on pricing;
o weather conditions;
o governmental legislation;
o consumer perceptions of the Company's products;
o demand for air transportation in markets in which the Company operates; and
o other risks and uncertainties listed from time to time in reports the Company periodically files with the SEC.

The Company does not undertake to update its forward-looking statements to reflect future events or circumstances.

PART I - Financial Information
Item III - Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in market risk from the information provided in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of Amtran's Annual Report on Form 10-K for the year ended December 31, 2000, except as discussed below.

During the first six months of 2001, the Company entered into additional heating oil swap agreements to further minimize the risk of jet fuel price fluctuations. As of June 30, 2001, the Company had outstanding fuel hedge agreements totaling 31.8 million gallons, or 22.6% of the Company's projected aircraft fuel requirements for the remainder of 2001.

The following table depicts the estimated fair values the Company would pay on June 30, 2001, had the contracts been terminated on that date, based on a comparison of the average contract rate to the estimated forward prices of heating oil as of June 30, 2001.
<TABLE>
<CAPTION>

	Notional Amount (in Gallons)	Average Contract Rate per Gallon	Estimated Fair Values (Pay)/Receive
<S>	<C>	<C>	<C>

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Swap Contracts - Heating Oil 31,752,000 $0.7137
$385,761

</TABLE>

PART II - Other Information

Item I - Legal Proceedings

None

Item II - Changes in Securities

None

Item III - Defaults Upon Senior Securities

None

Item IV - Submission of Matters to a Vote of Security Holders

The Company convened its annual meeting of shareholders in Indianapolis, Indiana on May 29, 2001. Upon a vote of shareholders, the annual meeting was adjourned to a later date without taking action on any of the matters contained in the proxy statement for the annual meeting pending action by the board of directors on a proposal to take the Company private upon a vote of the shareholders. There were 11,039,451 votes for adjournment, 0 votes against adjournment and 344,542 shares not voting.

Item V - Other Information

None

Item VI - Exhibits and Reports of Form 8-K

(a) The exhibits listed on the accompanying Index to Exhibits are filed or incorporated by reference as a part of this report and such Index to Exhibits is incorporated herein by reference.

(b) Reports on Form 8-K filed during the quarter ending June 30, 2001:

Report filed on May 7, 2001, furnishing items under Item 5. Other Events.

Report filed on May 25, 2001, furnishing items under Item 5. Other Events.

Report filed on June 19, 2001, furnishing items under Item 5. Other Events.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Amtran, Inc.

(Registrant)

Date August 3, 2001 by /s/ Kenneth K. Wolff
-------------------- -----------------------------------
Kenneth K. Wolff
Executive Vice President and Chief Financial Officer
On behalf of the Registrant

Index to Exhibits

Exhibit No.

Description of Exhibit
<TABLE>
<S> <C>

2.1 Agreement and Plan of Merger between INDUS Acquisition Company and Amtran, Inc. (incorporated
by reference to Annex A to the Preliminary Proxy Statement on Schedule 14A filed by Amtran,
Inc. on June 29, 2001).

10.1 Purchase and Voting Agreement dated as of May 16, 2001 between Amtran, Inc., and ILFC

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(incorporated by reference to Exhibit 99.2 to the May 8-K).

10.2 Commitment Letter dated June 18, 2001, from Salomon Smith Barney Inc., and Citicorp USA, Inc.
to Amtran, Inc. (incorporated by reference to Exhibit 2 to the Schedule 13D filed by Amtran,
Inc., J. George Mikelsons and INDUS Acquisition Company on June 21, 2001).
</TABLE>

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