Frontier Airlines Holdings, Inc.
Form 10-Q
October 30, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2006

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-51890

FRONTIER AIRLINES HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-4191157
(State or other jurisdiction of incorporated or organization)	(I.R.S. Employer Identification No.)
7001 Tower Road, Denver, CO	80249
(Address of principal executive offices)	(Zip Code)

(720) 374-4200
(Registrant's telephone number including area code)

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 period 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 ___

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer or large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ___ Accelerated filer _X_ Non-accelerated filer ___

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No X

The number of shares of the Company's Common Stock outstanding as of October 20, 2006 was 36,609,455.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

FRONTIER AIRLINES HOLDINGS, INC.
Consolidated Balance Sheets (Unaudited)
(In thousands, except share data)

	September 30, 2006	March 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 221,242	$ 272,840
Restricted investments	61,213	35,297
Receivables, net of allowance for doubtful accounts of $1,076 and $1,261 at September 30, 2006 and March 31, 2006, respectively	44,045	41,691
Prepaid expenses and other assets	24,037	23,182
Inventories, net of allowance of $246 and $378 at September 30, 2006 and March 31, 2006, respectively	12,193	6,624
Assets held for sale	2,664	3,543
Deferred tax asset	10,250	7,780
Total current assets	375,644	390,957
Property and equipment, net (note 4)	581,890	510,428
Security and other deposits	19,753	19,597
Aircraft pre-delivery payments	37,262	40,449
Restricted investments	-	481
Deferred loan fees and other assets	7,120	8,520
	$ 1,021,669	$ 970,432
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 41,266	$ 44,955
Air traffic liability	152,072	153,662
Other accrued expenses (note 6)	62,329	67,683
Current portion of long-term debt	25,160	22,274
Deferred revenue and other current liabilities (note 5)	19,188	12,437
Total current liabilities	300,015	301,011
Long-term debt related to aircraft notes (note 10)	352,038	313,482
Convertible debt	92,000	92,000
Deferred tax liability	18,705	12,733
Deferred revenue and other liabilities (note 5)	23,769	22,430
Total liabilities	786,527	741,656
Stockholders' equity:		
Preferred stock, no par value, authorized 1,000,000 shares; none issued	-	-
Common stock, no par value, stated value of $.001 per share, authorized 100,000,000 shares; 36,607,455 and 36,589,705 shares issued and outstanding at September 30, 2006 and March 31, 2006, respectively	37	37
Additional paid-in capital	193,470	192,936
Unearned ESOP shares	(698)	(2,094)
Accumulated other comprehensive income, net of tax (note 7)	121	151

Retained earnings		42,212		37,746
		235,142		228,776
	$	1,021,669	$	970,432

See accompanying notes to consolidated financial statements.

FRONTIER AIRLINES HOLDINGS, INC.
Statements of Operations
(Unaudited)
For the Three and Six Months Ended September 30, 2006 and 2005
(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Revenues:				
Passenger- mainline	$ 277,720	$ 229,397	$ 546,084	$ 437,464
Passenger- regional partner	25,132	23,391	52,461	46,345
Cargo	1,962	1,373	3,581	2,592
Other	5,042	4,263	9,794	8,433
Total revenues	309,856	258,424	611,920	494,834
Operating expenses:				
Flight operations	39,148	34,438	78,984	68,910
Aircraft fuel	101,450	70,912	191,864	130,742
Aircraft lease	27,326	23,472	53,208	46,903
Aircraft and traffic servicing	39,120	34,114	77,108	65,867
Maintenance	22,068	18,518	42,664	38,528
Promotion and sales	26,240	18,645	52,917	40,517
General and administrative	15,419	12,070	28,713	24,321
Operating expenses - regional partner	28,033	26,308	57,516	50,426
Aircraft lease and facility exit costs	-	53	(14)	3,365
(Gains) losses on sales of assets, net	(341)	(603)	(647)	(691)
Depreciation	8,304	6,862	15,836	13,534
Total operating expenses	306,767	244,789	598,149	482,422
Business interruption insurance proceeds (note 11)	868	-	868	-
Operating income	3,957	13,635	14,639	12,412
Nonoperating income (expense):				
Interest income	4,203	1,911	8,156	3,275
Interest expense	(7,840)	(5,044)	(14,672)	(9,162)
Other, net	29	(48)	74	(150)
Total nonoperating income (expense), net	(3,608)	(3,181)	(6,442)	(6,037)

Income before income tax expense		349		10,454		8,197		6,375
Income tax expense (benefit)		(160)		3,549		3,731		2,203
Net income	$	509	$	6,905	$	4,466	$	4,172
Earnings per share (note 9):								
Basic	$	0.01	$	0.19	$	0.12	$	0.12
Diluted	$	0.01	$	0.18	$	0.12	$	0.11
Weighted average shares of common stock outstanding								
Basic		36,600		36,166		36,595		36,097
Diluted		37,317		38,531		37,229		38,453

See accompanying notes to consolidated financial statements.

FRONTIER AIRLINES HOLDINGS, INC.
Consolidated Statements of Cash Flows (Unaudited)
For the Six Months Ended September 30, 2006 and 2005
(In thousands)

	Six Months Ended	
	September 30, 2006	September 30, 2005
Cash flows from operating activities:		
Net income	$ 4,466	$ 4,172
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:		
Compensation expense under long-term incentive plans and employee ownership plans	1,873	1,577
Depreciation and amortization	16,605	13,962
Inventory provisions and the write-off of fixed assets beyond economic repair	182	(34)
Deferred tax expense	3,520	2,211
Mark to market derivative losses	3,700	725
(Gains) losses on disposal of equipment and other assets, net	(647)	(691)
Changes in operating assets and liabilities:		
Restricted investments	(24,685)	(11,071)
Receivables	(2,354)	932
Security and other deposits	(122)	(35)
Prepaid expenses and other assets	(855)	(9,605)
Inventories	(5,230)	(2,292)
Other assets	(3)	642
Accounts payable	(3,689)	(10,137)
Air traffic liability	(1,590)	10,788
Other accrued expenses	(5,354)	(3,221)
Deferred revenue and other liabilities	4,633	4,475
Net cash (used in) provided by operating activities	(9,550)	2,398
Cash flows from investing activities:		
Decrease in short term investments	-	3,000
Aircraft lease and purchase deposits made	(23,369)	(15,892)
Aircraft lease and purchase deposits returned and applied	26,522	18,705
Decrease in restricted investments	-	2,034
Proceeds from the sale of property and equipment and assets held for sale	43,316	2,043
Capital expenditures	(129,083)	(81,413)
Net cash used in investing activities	(82,614)	(71,523)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	57	1,417
Payment to bank for compensating balances	(750)	-
Payment on short-term borrowings	-	(5,000)
Proceeds from long-term borrowings	52,400	54,700
Principal payments on long-term borrowings	(10,957)	(9,248)
Payment of financing fees	(184)	(443)
Net cash provided by financing activities	40,566	41,426

Net decrease in cash and cash equivalents		(51,598)		(27,699)
Cash and cash equivalents, beginning of period		272,840		171,795
Cash and cash equivalents, end of period	$	221,242	$	144,096

See accompanying notes to consolidated financial statements.

FRONTIER AIRLINES HOLDINGS, INC.
Notes to Consolidated Financial Statements
September 30, 2006

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Frontier Airlines Holdings, Inc., a Delaware corporation ("Frontier Holdings" or the "Company"), have been prepared in accordance with generally accepted accounting principles for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the Annual Report of the Company on Form 10-K for the year ended March 31, 2006. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included.

Certain prior period amounts have been reclassed to conform to the current year presentation.

The consolidated financial statements include the accounts of Frontier Holdings, Frontier Airlines, Inc. ("Frontier"), and Lynx Aviation, Inc. ("Lynx Aviation"). At this time, Frontier and Lynx Aviation are the only subsidiaries of Frontier Holdings. The financial performance of Frontier Holdings is represented by the financial performance of Frontier and includes only start-up costs for Lynx Aviation as it has not yet commenced operations. The Company currently operates in one business segment that provides air transportation to passengers and cargo and includes mainline operations and a regional partner.

Financial results for the Company and airlines in general, are seasonal in nature. More recently, results for Frontier's first and second fiscal quarters have exceeded its third and fourth fiscal quarters. Results of operations for the six months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ended March 31, 2007.

Reorganization

On April 3, 2006, Frontier completed its reorganization (the "Reorganization") into a Delaware holding company structure, whereby Frontier became a wholly owned subsidiary of Frontier Holdings, Inc. In connection with the Reorganization, each share of common stock of Frontier ("Frontier Common Stock") was exchanged for one share of common stock of Frontier Holdings ("Frontier Holdings Common Stock"), resulting in each shareholder of Frontier as of the close of business on March 31, 2006 becoming a stockholder of Frontier Holdings as of the opening of business on April 3, 2006.

Frontier Holdings assumed all of the outstanding options and awards under Frontier's 2004 Equity Incentive Plan effective upon the closing of the Reorganization. Each outstanding option and other award assumed by Frontier Holdings is exercisable or issuable upon the same terms and conditions as were in effect immediately prior to the completion of the Reorganization, except that all such options and awards now entitle the holder thereof to purchase Frontier Holdings Common Stock in accordance with the terms of such plan or agreement as in effect on the date of issuance. The number of shares of Frontier Holdings Common Stock issuable upon the exercise or issuance of such an option or award after the completion of the Reorganization equals the number of shares of Frontier Common Stock subject to the option or award prior to the completion of the Reorganization.

Also in connection with the Reorganization, Frontier's Employee Stock Ownership Plan was amended to provide that future awards under the plan will be made in shares of Frontier Holdings Common Stock.

Lynx Aviation

In September 2006, the Company formed a new subsidiary, Lynx Aviation, which intends to assume a purchase agreement between Frontier Holdings and Bombardier, Inc. for ten Q400 turboprop aircraft with the option to purchase ten additional aircraft. The aircraft will be purchased and operated by Lynx Aviation under a separate operating certificate. Lynx Aviation is currently in the start up phase of operations. Lynx Aviation plans to commence revenue service in July 2007 with ten aircraft in service by the end of calendar year 2007.

2. Recently Issued Accounting Standards

Recently Issued Accounting Standards not yet adopted

In March 2006, the Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force ("EITF") issued Issue 06-3, *How Sales Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement* ("EITF 06-3"). A consensus was reached that entities may adopt a policy of presenting sales taxes in the income statement on either a gross or net basis. If taxes are significant, an entity should disclose its policy of presenting taxes and the amounts of taxes. The guidance is effective for periods beginning after December 15, 2006. The Company presents sales net of sales taxes. As such, EITF 06-3 will not impact the method for recording these sales taxes in the consolidated financial statements.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company has not yet completed the analysis of the impact this Interpretation will have on its financial condition, results of operations, cash flows or disclosures.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("FAS 157"). This Standard defines fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The adoption of FAS 157 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In September 2006, the FASB also issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statement No. 87, 88, 106 and 132(R)* ("FAS 158"). This Standard requires recognition of the funded status of a benefit plan in the statement of financial position. The Standard also requires recognition in other comprehensive income certain gains and losses that arise during the period but are deferred under pension accounting rules, modifies the timing of reporting and adds certain disclosures. FAS 158 provides recognition and disclosure elements to be effective as of the end of the fiscal year after December 15, 2006 and measurement elements to be effective for fiscal years ending after December 15, 2008. The Company has not yet analyzed the impact FAS 158 and what impact it will have on its financial condition, results of operations, cash flows or disclosures.

Share-Based Payment

Effective April 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, and related interpretations, ("SFAS 123(R)"), to account for stock-based compensation using the modified prospective transition method and therefore will not restate prior period results.

SFAS 123(R) supersedes Accounting Principles Board Opinion No. 25*, Accounting for Stock Issued to Employees* ("APB No. 25"), and revises guidance in SFAS 123, *Accounting for Stock-*

Based Compensation. Among other things, SFAS 123(R) requires that compensation expense be recognized in the financial statements for share-based awards based on the grant date fair value of those awards. The modified prospective transition method applies to both (1) unvested awards under our 2004 Equity Incentive Plan ("2004 Plan") outstanding as of March 31, 2006, based on the grant date fair value estimated in accordance with the pro forma provisions of SFAS 123 and (2) any new share-based awards granted subsequent to March 31, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). Additionally, stock-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on a straight-line basis, which is generally commensurate with the vesting term. The Company's options are typically granted with graded vesting provisions, and compensation cost is amortized over the service period using the straight-line method.

The Company has recorded $273,000 and $477,000 of stock-based compensation expense, net of estimated forfeitures, during the three and six months ended September 30, 2006, respectively, as a result of its adoption of SFAS 123(R). See Note 3 for information on the assumptions the Company used to calculate the fair value of stock-based compensation. Unrecognized non-cash stock compensation expense related to unvested options and awards outstanding as of September 30, 2006 was approximately $3,257,000, and will be recorded over the remaining vesting periods of one to five years.

SFAS 123(R) requires the benefits associated with tax deductions in excess of recognized compensation cost to be reported as a financing cash flow rather than as an operating cash flow as previously required. For the three and six months ended September 30, 2006, the Company did not record any excess tax benefit generated from option exercises.

Prior to April 1, 2006, the Company accounted for stock-based compensation in accordance with APB No. 25 and related interpretations. Accordingly, compensation expense for a stock option grant was recognized only if the exercise price was less than the market value of the Company's common stock on the grant date. The accounting for stock-based compensation for restricted stock units did not change with the adoption of SFAS 123(R). Prior to the Company's adoption of SFAS 123(R), as required under the disclosure provisions of SFAS 123, as amended, the Company provided pro forma net income (loss) and earnings (loss) per common share for each period as if the Company had applied the fair value method to measure stock-based compensation expense.

The table below summarizes the impact on the Company's results of operations for the three and six months ended September 30, 2006 of outstanding stock options, stock appreciation rights ("SARs") and restricted stock units ("RSUs") issued under the 2004 Plan recognized under the provisions of SFAS 123(R):

	Three months ended September 30, 2006	**Six months ended September 30, 2006**
	(In thousands)	
Stock-based compensation expense:		
Stock options and SARs	$ 173	$ 340
RSUs	100	137
Income tax benefit	(62)	(123)
Net decrease to net income	$ 211	$ 354
Decrease to income per share:		

Basic	$0.01	$ 0.01
Diluted	$0.01	$ 0.01

The following table illustrates the effect on the net loss and loss per common share for the three and six months ended September 30, 2005 as if the Company had applied the fair value method to measure stock-based compensation, as required under the disclosure provisions of SFAS 123:

		Three months ended September 30, 2005		Six months ended September 30, 2005
		(In thousands)		
Net income, as reported	$	6,905	$	4,171
Add: stock-based compensation expense included in reported net earnings, net of tax		19		42
Less: total compensation expense determined under fair value method for all awards, net of tax		(174)		(378)
Pro forma net income	$	6,750	$	3,835
Income per share, basic:				
As reported	$	0.19	$	0.12
Pro forma	$	0.19	$	0.11
Income per share, diluted:				
As reported	$	0.18	$	0.11
Pro forma	$	0.18	$	0.10

3. Stock-Based Compensation

On September 9, 2004, the shareholders of Frontier approved the 2004 Plan. Frontier Holdings assumed all of the outstanding options and awards under the 2004 Plan effective upon the closing of the Reorganization. The 2004 Plan, which includes stock options issued since 1994 under a previous plan, allows the Compensation Committee of the Board of Directors to grant stock options, SARs, and RSUs, any or all of which may be made contingent upon the achievement of service or performance criteria. Eligible participants include all full-time director and officer level employees of the Company, and such other employees as may be identified by the Compensation Committee from time to time where legally eligible to participate, and non-employee directors. Subject to plan limits, the Compensation Committee has the discretionary authority to determine the size and timing of an award and the vesting requirements related to the award. The 2004 Plan expires September 12, 2009. The 2004 Plan allows up to a maximum of 2,500,000 shares for option grants and 500,000 shares for RSUs, subject to adjustment only to reflect stock splits and similar events. With certain exceptions, stock options and SARs issued under the 2004 Plan generally vest over a five-year period from the date of grant and expire ten years from the grant date. As of September 30, 2006, the Company had 1,735,000 shares available for future grants.

SFAS 123(R) requires the Company to estimate pre-vesting option forfeitures at the time of grant and periodically revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company records stock-based compensation expense only for those awards expected to vest using an estimated forfeiture rate based on our historical pre-vesting forfeiture data. Previously, the Company accounted for forfeitures as they occurred under the pro forma disclosure provisions of SFAS 123 for periods prior to April 1, 2006.

Stock Options and SARs

The Company utilizes a Black-Scholes-Merton option pricing model to estimate the fair value of share-based awards under SFAS 123(R), which is the same valuation technique the Company previously used for pro forma disclosures under SFAS 123. The Black-Scholes-Merton option pricing model incorporates various and subjective assumptions, including expected term and expected volatility.

The Company estimates the expected term of options granted using its historical exercise patterns, which the Company believes are representative of future exercise behavior. The Company estimates volatility of its common stock using the historical closing prices of its common stock for the period equal to the expected term of the options, which the Company believes is representative of the future behavior of the common stock. The Company's risk-free interest rate assumption is determined using the Federal Reserve nominal rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued. The Company has never paid any cash dividends on its common stock and the Company does not anticipate paying any cash dividends in the foreseeable future. Therefore, the Company assumed an expected dividend yield of zero. Stock options and SARs are classified as equity awards.

The following table shows the Company's assumptions used to compute the stock-based compensation expense and pro forma information for stock option and SAR grants issued during the six months ended September 30, 2006 and 2005:

	Six months ended September 30,	
	2006	**2005**
Assumptions:		
Risk-free interest rate	4.85%	4.05%
Dividend yield	0%	0%
Volatility	70.82%	74.4%
Expected life (years)	5	5

The per share weighted-average grant-date fair value of SARs granted during the six months of fiscal year 2007 was $4.61 using the above weighted-average assumptions.

A summary of the stock option and SARs activity and related information for the six months ended September 30, 2006 is as follows:

	Options and SARs	**Weighted-Average Exercise Price**
Outstanding, March 31, 2006	2,564,787	$ 11.07
Granted	176,629	$ 7.42
Exercised	(17,750)	$ 3.20
Surrendered	(42,500)	$ 13.23
Outstanding, September 30, 2006	2,681,166	$ 10.85
Exercisable at end of period	2,145,945	$ 11.50

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Exercise prices for options and SARs outstanding under the 2004 Plan as of September 30, 2006 ranged from $2.13 per share to $24.17 per share. The weighted-average remaining contractual life of these equity awards is 5.54 years. The aggregate intrinsic value of vested options and SARs was $1,756,542 as of September 30, 2006. A summary of the outstanding and exercisable options and SARs at September 30, 2006, segregated by exercise price ranges, is as follows:

Exercise Price Range	**Options and SARs Outstanding**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life (in years)**	**Exercisable Options and SARs**	**Weighted-Average Exercise Price**
$2.13 - $5.42	488,500	$ 4.96	2.9	456,500	$ 4.96
$5.80 - $7.77	516,129	$ 7.17	7.4	183,500	$ 6.91
$8.00 - $10.45	557,170	$ 9.61	6.6	435,986	$ 9.49
$10.47 - $15.63	457,567	$ 12.65	4.8	408,159	$ 12.69
$15.72 - $17.93	490,000	$ 16.83	5.9	490,000	$ 16.83
$18.26 - $24.17	171,800	$ 20.85	5.2	171,800	$ 20.85
	2,681,166	$ 10.85	5.5	2,145,945	$ 11.50

Restricted Stock Units

SFAS 123R requires that the grant-date fair value of RSUs be equal to the market price of the share on the date of grant if vesting is based on a service condition. The grant-date fair value of RSU awards are being expensed over the vesting period. RSUs are classified as equity awards.

As of September 30, 2006, the Company had outstanding RSUs with service conditions and vesting periods that range from three to five years.

A summary of the activity for the three months ended September 30, 2006 for RSUs is as follows:

	RSUs	
	Number of RSUs	Weighted-Average Grant Date Market Value
Outstanding, March 31, 2006	75,604	$ 10.15
Granted	131,930	$ 7.34
Surrendered	(2,244)	$ 8.53
Outstanding, September 30, 2006	205,290	$ 8.36

4. Property and Equipment, Net

As of September 30, 2006 and March 31, 2006, property and equipment consisted of the following:

	September 30, 2006	March 31, 2006
	(In thousands)	
Aircraft, spare aircraft parts, and improvements to leased aircraft	$ 632,928	$ 555,574
Ground property, equipment and leasehold improvements	41,923	35,937
Computer software	8,903	6,585
Construction in progress	3,365	1,597
	687,119	599,693
Less accumulated depreciation	(105,229)	(89,265)
Property and equipment, net	$ 581,890	$ 510,428

5. Deferred Revenue and Other Liabilities

At September 30, 2006 and March 31, 2006, deferred revenue and other liabilities consisted of the following:

	September 30, 2006	March 31, 2006
	(In thousands)	
Current:		
Deferred revenue related to co-branded credit card	$ 16,464	$ 12,437
Fair value on fuel hedge contracts	2,724	-
Total current portion	19,188	12,437
Long-term:		
Deferred revenue related to co-branded credit card	3,374	2,748
Deferred rent	19,764	19,093
Other	631	589
Total long-term portion	23,769	22,430
Total deferred revenue and other liabilities	$ 42,957	$ 34,867

6. Other Accrued Expenses

At September 30, 2006 and March 31, 2006, other accrued expenses consisted of the following:

	September 30, 2006	March 31, 2006
	(In thousands)	
Accrued salaries and benefits	$ 38,783	$ 35,203
Federal excise and other passenger taxes payable	9,689	23,715
Property tax payable and income taxes payable	5,310	2,529
Other	8,547	6,236
Total other accrued expenses	$ 62,329	$ 67,683

7. Comprehensive Income

A summary of the comprehensive income for the three and six months ended September 30, 2006 and 2005 is as follows:

	Three months ended September 30, 2006	2005	Six months ended September 30, 2006	2005
	(In thousands)		(In thousands)	
Net income	$ 509	$ 6,905	$ 4,466	$ 4,172
Other comprehensive income:				
Unrealized gain (loss) on derivative instruments, net of tax	(40)	7	(30)	(56)
Total comprehensive income	$ 469	$ 6,912	$ 4,436	$ 4,116

8. Retirement Health Plan

In conjunction with the Company’s collective bargaining agreement with its pilots, retired pilots and their dependents may retain medical benefits under the terms and conditions of the Health and Welfare Plan for Employees of Frontier Airlines, Inc. until age 65. The costs of retiree medical benefits are continued under the same contribution schedule as active employees.

Net periodic benefit cost for the three and six months ended September 30, 2006 and 2005 include the following components:

	Three months ended September 30, 2006	2005	Six months ended September 30, 2006	2005
	(In thousands)		(In thousands)	
Service cost	$ 248	$ 238	$ 496	$ 477
Interest cost	79	68	159	136
Recognized net actuarial loss	3	15	6	30

Net periodic benefit cost	$	330	$	321	$	661	$	643

9. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three months ended September 30,		Six months ended September 30,	
	2006	2005	2006	2005
Numerator:				
Net income as reported	$ 509	$ 6,905	$ 4,466	$ 4,172
Denominator:				
Weighted average shares outstanding, basic	36,600	36,166	36,595	36,098
Effects of dilutive securities:				
Employee stock awards	154	570	139	566
Warrants	563	1,795	495	1,789
Adjusted weighted average shares outstanding, diluted	37,317	38,531	37,229	38,453
Earnings per share, basic	$ 0.01	$ 0.19	$ 0.12	$ 0.12
Earnings per share, diluted	$ 0.01	$ 0.18	$ 0.12	$ 0.11

During the three and six months ended September 30, 2006, interest on convertible notes of $642,000 and $1,188,000, respectively, and 8,900,000 shares were excluded from the calculation of diluted earnings per share because they were anti-dilutive. For the three and six months ended September 30, 2006, the weighted average options, SARS, RSUs and warrants outstanding of 2,245,000 and 2,257,000, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive. For the three and six months ending September 30, 2005, the weighted average options, SARS, RSUs, and warrants outstanding of 1,055,451 were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

10. Long-term Debt

During the six months ended September 30, 2006, the Company borrowed $52,400,000 for the purchase of two Airbus A319 aircraft. These senior loans have terms of 12 years and are payable in quarterly installments of $767,000 and $764,000, respectively, as of September 30, 2006, including interest, payable in arrears, with a floating interest rate adjusted quarterly based on LIBOR. These loans bear interest at rates of 7.45% and 7.38%, respectively, at September 30, 2006. At the end of the term, there are balloon payments of $5,240,000 for each of these loans. A security interest in the two purchased aircraft secures the loans.

In March 2005, the Company entered into a 42-month revolving bank credit facility ("Credit Facility") to be used in support of letters of credit and for general corporate purposes. Under this facility, the Company may borrow the lesser of $13,000,000 or 50% of the current market value of pledged eligible spare parts. The amount of letters of credit available is equal to the amount available under the facility less current borrowings. The amount available under the Credit Facility at September 30, 2006 was $11,807,000, which was reduced by letters of credit issued during the quarter of $11,300,000 for a net amount available for borrowings of $507,000. There were no amounts borrowed under the Credit Facility as of September 30, 2006.

In July 2005, the Company entered into a 12 month credit agreement with a bank for a $5,000,000 revolving letter of credit facility, under which $3,500,000 could be used for issuance of letters of credit. This agreement was renewed in July 2006 for an additional year to increase the revolving letter of credit facility to $5,750,000 and increase the availability of letters of credit. Under the renewed agreement, $5,000,000 may be used for the issuance of letters of credit, which must be collateralized by a borrowing base consisting of certain receivable balances at the time of issuance. As of September 30, 2006, the aggregate amount of letters of credit issued under the agreement was $4,634,000. A cash compensating balance of $2,750,000, as of September 30, 2006 has been maintained to secure the letters of credit, which has been classified as restricted investments on the balance sheet.

The Credit Facility and the agreement contain standard events of default provisions, including a financial covenant to maintain $120,000,000 of unrestricted cash, with a 30-day cure period.

11. Business Interruption Insurance Proceeds

During the quarter ended September 30, 2006, the Company recorded insurance proceeds of $868,000. These insurance proceeds were a result of final settlements of business interruption claims that covered lost profits when the Company's service to Cancun, Mexico and New Orleans, Louisiana was disrupted by hurricanes during the fiscal year ended March 31, 2006.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Special Note About Forward-Looking Statements. This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act") that describe the business and prospects of Frontier Airlines Holdings, Inc. and the expectations of our company and management. All statements included in this report that address activities, events or developments that we expect, believe, intend or anticipate will or may occur in the future, are forward-looking statements. When used in this document, the words "estimate," "anticipate," "intend," "project," "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated. These risks and uncertainties include, but are not limited to: the timing of, and expense associated with, expansion and modification of our operations in accordance with our business strategy or in response to competitive pressures or other factors; failure of our new markets to perform as anticipated; the inability to achieve a level of revenue through fares sufficient to obtain profitability due to competition from other air carriers and excess capacity in the markets we serve; the inability to obtain sufficient gates at Denver International Airport to accommodate the expansion of our operations; general economic factors and behavior of the fare-paying public and its potential impact on our liquidity; terrorist attacks or other incidents that could cause the public to question the safety and/or efficiency of air travel; hurricanes and their impact on oil production; operational disruptions, including weather; industry consolidation; the impact of labor disputes; enhanced security requirements; changes in the government's policy regarding relief or assistance to the airline industry; the economic environment of the airline industry generally; increased federal scrutiny of low-fare carriers generally that may increase our operating costs or otherwise adversely affect us; actions of competing airlines, such as increasing capacity and pricing actions of United Airlines, Southwest Airlines, and other competitors, particularly in some of our Mexico destinations due to the increase in the number of domestic airlines authorized to serve Mexican markets from the U.S.; the availability of suitable aircraft, which may inhibit our ability to achieve operating economies and implement our business strategy; the unavailability of, or inability to secure upon acceptable terms, debt or operating lease financing necessary to acquire aircraft which we have ordered; uncertainties regarding aviation fuel price:, new business strategies such as the start-up of a new subsidiary using a different type of aircraft and in different markets, and various risk factors to our business discussed elsewhere in this report. Forward-looking statements include the statements in "Outlook" below. Because our business, like that of the airline industry generally, is characterized by high fixed costs relative to revenues, small fluctuations in our revenue per available seat mile ("RASM") or cost per available seat mile ("CASM") can significantly affect operating results. Additional information regarding these and other factors is contained in our SEC filings, including without limitation, our Form 10-K for the year ended March 31, 2006. These risks and factors are not exclusive, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this filing.

Our Business

On April 3, 2006, Frontier Airlines, Inc. ("Frontier") completed its corporate reorganization (the "Reorganization"). As a result of the Reorganization, Frontier became a wholly-owned subsidiary of Frontier Airlines Holdings, Inc., a Delaware corporation ("Frontier Holdings"), and Frontier Holdings became the successor issuer to Frontier pursuant to Rule 12g-3 under the Exchange Act. In connection with the Reorganization, each outstanding share of common stock, no par value, of Frontier was exchanged for one share of common stock, $0.001 par value, of Frontier Holdings, resulting in each shareholder of Frontier as of the close of business on March 31, 2006 becoming a stockholder of Frontier Holdings as of the opening of business on April 3, 2006. The common stock of Frontier Holdings is now the publicly traded stock of the company. In this report, references to "us," "we," or the "company" refer to the consolidated results of Frontier Holdings.

We were organized in February 1994, and we began flight operations in July 1994 with two leased Boeing 737-200 jets. We have since expanded our fleet in service to 55 jets as of October 20, 2006 (37 of which we lease and 18 of which we own), consisting of 48 Airbus A319s and seven Airbus A318s. In April 2005, we completed our plan to replace our Boeing aircraft with new purchased and leased Airbus jet aircraft. During the three and six months ended September 30, 2006, we increased year-over-year capacity by 14.7% and 16.7%, respectively. During the three and six months ended September 30, 2006, we increased mainline passenger traffic by 15.4% and 19.6%, respectively, over the prior comparable periods, outpacing our increase in capacity during both periods. We intend to continue our growth strategy and to expand to new markets and add frequency to existing markets that we believe are under-served.

In September 2006, we formed a new subsidiary, Lynx Aviation, Inc. ("Lynx Aviation"), that intends to assume a purchase agreement between Frontier Holdings. and Bombardier, Inc. for ten Q400 turboprop aircraft, with a seating capacity of 74, with the option to purchase ten additional aircraft. The aircraft will be purchased and operated by Lynx Aviation under a separate operating certificate. Lynx Aviation is currently in the start-up phase of operations. Lynx Aviation plans to commence revenue service in July 2007 with ten aircraft in service by the end of calendar year 2007. At this time, Frontier and Lynx Aviation are the only subsidiaries of Frontier Holdings and the financial performance of Frontier Holdings is represented by the financial performance of Frontier and includes only start-up costs for Lynx Aviation as it has not commenced operations yet.

Now in our 13th year of operations, we are a low cost, affordable fare airline operating primarily in a hub and spoke fashion connecting cities coast to coast through our hub at Denver International Airport ("DIA"). We are the second largest jet service carrier at DIA based on departures. As of October 20, 2006, we, in conjunction with Frontier JetExpress operated by Horizon Air Industries, Inc. ("Horizon"), operate routes linking our Denver hub to 47 U.S. cities spanning the nation from coast to coast, seven cities in Mexico and Calgary in Alberta, Canada. During the year ended March 31, 2005, we began certain point-to-point routes to Mexico from non-hub cities. As of October 20, 2006, we provide jet service to Cancun, Mexico directly from five non-hub cities and service to Puerto Vallarta, Mexico from Kansas City, Missouri. We began service between San Francisco and Los Angeles, California with five daily frequencies on June 29, 2006.

We have continued our Mexico expansion with the following routes, which we have received U.S. Department of Transportation ("DOT") authority planned for service as follows:

Destination	Non-stop Round trip frequencies	Planned Service Commencement
California:		
Los Angeles to Cabo San Lucas	One Daily	December 9, 2006
San Diego to Cancun	Once per week	December 16, 2006
San Francisco to Cabo San Lucas	Daily except Saturdays	December 9, 2006
Colorado:		
Denver to Guadalajara	Four weekly	December 22, 2006
Kansas:		
Kansas City to Cabo San Lucas	Once per week	December 16, 2006

In October 2006, we filed for authorization to the DOT for three flights a week from San Jose, California to Cabo San Lucas and four flights a week from Sacramento, California to Cabo San Lucas with a planned start date in March 2007. We also announced in October 2006 that we plan to add service on December 14, 2006 between San Francisco and Las Vegas with one flight daily.

In September 2003, we signed a 12-year agreement with Horizon ("Horizon Agreement"), under which Horizon operates up to nine 70-seat CRJ 700 aircraft under our Frontier JetExpress brand. The service began on January 1, 2004 with three aircraft. We increased JetExpress aircraft to a total of eight aircraft in service and one spare aircraft as of June 1, 2004. We control the scheduling of this service. We reimburse Horizon for its expenses related to the operation plus a margin. The agreement provides for financial incentives, penalties and changes to the margin based on the performance of Horizon and our financial performance. In September 2006, we amended the Horizon Agreement to provide that all nine CRJ-700 aircraft will be returned to Horizon during a one year ramp down period starting in January 2007. We are currently searching for a new partner to operate under the Frontier JetExpress brand to replace Horizon, which we intend to operate as many as 21 new regional jets. As of October 20, 2006, Frontier JetExpress provided service to Boise, Idaho; Billings, Montana; Fresno, California; Little Rock, Arkansas; Spokane, Washington; Tulsa, Oklahoma; and Calgary, Alberta, Canada and supplements our mainline service to Albuquerque, New Mexico; Dayton, Ohio; El Paso, Texas; Oklahoma City, Oklahoma; Omaha, Nebraska, and San Jose, California.

We currently lease 17 gates on Concourse A at DIA on a preferential basis. We use these 17 gates and share use of up to four common use regional jet parking positions to operate approximately 270 daily mainline flight departures and arrivals and 52 Frontier JetExpress daily system flight departures and arrivals.

Our filings with the Securities and Exchange Commission (the “SEC”) are available at no cost on our website, www.frontierairlines.com, in the Investor Relations folder contained in the section titled “About Frontier”. These reports include our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, Section 16 reports on Forms 3, 4 and 5, and any related amendments or other documents are made available as soon as reasonably practicable after we file the materials with the SEC.

Our corporate headquarters are located at 7001 Tower Road, Denver, Colorado 80249. Our administrative office telephone number is 720-374-4200 and our reservations telephone number is 800-432-1359.

Overview

We intend to continue our focused growth strategy while keeping our operating costs low. One of the key elements to keeping our costs low was the completion of the transition from a Boeing fleet to an all Airbus fleet in April 2005. This strategy produces cost savings because crew training is standardized for aircraft of a common type, maintenance issues are simplified, spare parts inventory is reduced, and scheduling is more efficient. We also keep our operating costs low by operating only two types of Airbus aircraft with a single class of service. Operating a single class of service simplifies our operations, enhances productivity, increases our capacity and offers an operating cost advantage. The anticipated addition of the Bombardier Q400 turboprop aircraft through Lynx Aviation, with seating capacity of 74, will allow us to maintain a low cost per available seat mile by allowing us to economically add routes to under-served markets in Colorado and elsewhere in the Rocky Mountain region. We anticipate that Lynx Aviation will begin revenue service in July 2007.

As of October 20, 2006, we had remaining firm purchase commitments for 24 aircraft (four Airbus 318 aircraft, ten Airbus 320 aircraft and ten Bombardier Q400 aircraft), and we intend to take delivery of one additional leased A319 aircraft in February 2007. We intend to use these additional aircraft to provide service to new markets and to add frequencies to existing markets that we believe are under-served.

The airline industry is intensely competitive with record high aviation fuel costs. We expect competition will remain intense. Business and leisure travelers continue to reevaluate their travel budgets and remain highly price sensitive. Increased competition has prompted aggressive strategies from competitors through discounted fares and sales promotions. Additionally, the intense competition coupled with the record high fuel costs has created financial hardship for some of our competitors that have been forced to reduce capacity and, in some cases, seek bankruptcy protection.

Highlights from the Quarter ended September 30, 2006

- Formed a new subsidiary, Lynx Aviation, Inc., which intends to assume a purchase agreement between Frontier Holdings and Bombardier, Inc. for ten Q400 turboprop aircraft (with an option to purchase ten additional aircraft) and will be operated with its own operating certificate.
- Announced that we are looking for a new partner to operate as many as 21 regional jets for our Frontier JetExpress service and amended our partnership agreement with Horizon to return all nine of the Horizon aircraft starting in January 2007.
- Took delivery of two new purchased Airbus 319 aircraft.

Outlook

Although we have been recently able to raise capital and continue to grow, the highly competitive nature of the airline industry could prevent us from attaining the passenger traffic or yields required to reach profitable operations in new and existing markets. We expect our full-year available seat mile capacity for fiscal year 2007 to increase by approximately 16% to 18% over fiscal year 2006. While the industry revenue environment remains extremely competitive, our passenger mainline RASM is expected to increase modestly by 6% to 10% in fiscal year 2007. Our mainline CASM excluding fuel is expected to increase over fiscal 2006 primarily due to a decrease in stage length from prior year. Anticipated expenses in fiscal year 2007 for the start-up costs in Lynx Aviation are expected to be approximately $3,300,000. Fuel costs have risen sharply in calendar 2006 and remain volatile, however, , there have been some recent price declines. Our fiscal 2007 cost forecast includes $1,000,000 for the effects of additional stock-based compensation expense that we will incur from the implementation of SFAS No. 123(R), *Share-Based Payment*, which was effective beginning April 1, 2006.

Operating Statistics

The following table provides certain of our financial and operating data for the three and six months ended September 30, 2006 and 2005.

	Quarters Ended September 30,			Six Months Ended September 30,		
	2006	2005	Change	2006	2005	Change
Selected Operating Data - Mainline:						
Passenger revenue (000s) (1)	$ 277,720	$ 229,397	21.1%	$ 546,084	$ 437,464	24.8%
Revenue passengers carried (000s)	2,428	2,028	19.7%	4,832	3,912	23.5%
Revenue passenger miles (RPMs) (000s) (2)	2,238,946	1,940,880	15.4%	4,523,498	3,780,979	19.6%
Available seat miles (ASMs) (000s) (3)	2,888,964	2,518,515	14.7%	5,678,077	4,864,412	16.7%
Passenger load factor (4)	77.5%	77.1%	.4 pts.	79.7%	77.7%	2.0 pts.
Break-even load factor (5)	76.6%	72.5%	4.1 pts.	77.7%	75.9%	1.8 pts.
Block hours (6)	59,603	50,976	16.9%	116,621	98,355	18.6%
Departures	25,297	21,189	19.4%	48,787	40,503	20.5%
Average seats per departure	129.7	129.4	0.2%	129.6	129.3	0.2%
Average stage length	881	919	(4.1%)	898	929	(3.3%)
Average length of haul	922	957	(3.7%)	936	967	(3.2%)
Average daily block hour utilization (7)	12.0	11.4	5.3%	12.1	11.4	6.1%
Passenger yield per RPM (cents) (8), (9)	12.31	11.69	5.3%	11.99	11.47	4.5%
Total yield per RPM (cents) (9), (10)	12.72	12.11	5.0%	12.37	11.86	4.3%
Passenger yield per ASM (cents) (9), (11)	9.54	9.01	5.9%	9.55	8.92	7.1%
Total yield per ASM (cents) (9), (12)	9.86	9.33	5.7%	9.85	9.22	6.8%
Cost per ASM (cents)	9.65	8.68	11.2%	9.52	8.88	7.2%
Fuel expense per ASM (cents)	3.51	2.82	24.5%	3.38	2.69	25.7%
Cost per ASM excluding fuel (cents) (13)	6.14	5.86	4.8%	6.14	6.19	(0.8%)
Average fare (14)	$ 104.20	$ 103.47	0.7%	$ 103.22	$ 102.79	0.4%
Average aircraft in service	54.1	48.8	10.9%	52.7	47.2	11.7%
Aircraft in service at end of period	55	49	12.2%	55	49	12.2%
Average age of aircraft at end of period	2.8	2.1	33.3%	2.8	2.1	33.3%
Average fuel cost per gallon (15)	$ 2.43	$ 1.94	25.3%	$ 2.36	$ 1.86	26.9%

Fuel gallons consumed (000's)	41,679	36,471	14.3%	81,400	70,253	15.9%

	Quarters Ended September 30, 2006	2005	Change	Six Months Ended September 30, 2006	2005	Change
Selected Operating Data - Regional Partner:						
Passenger revenue (000s) (1)	$ 25,132	$ 23,391	7.4%	$ 52,461	$ 46,345	13.2%
Revenue passengers carried (000s)	242	234	3.4%	506	467	8.4%
Revenue passenger miles (RPMs) (000s) (2)	146,784	148,956	(1.5%)	317,234	285,713	11.0%
Available seat miles (ASMs) (000s) (3)	200,643	204,432	(1.9%)	415,524	393,117	5.7%
Passenger load factor (4)	73.2%	72.9%	0.3 points	76.3%	72.7%	3.6 pts.
Passenger yield per RPM (cents) (8), (9)	17.12	15.70	9.0%	16.54	16.22	2.0%
Passenger yield per ASM (cents) (9), (11)	12.53	11.44	9.5%	12.63	11.79	7.1%
Cost per ASM (cents)	13.97	12.87	8.5%	13.84	12.83	7.9%
Average fare (14)	$ 103.95	$ 99.99	4.0%	$ 103.71	$ 99.28	4.5%
Aircraft in service at end of period	9	9	-	9	9	-

	Quarters Ended September 30, 2006	Quarters Ended September 30, 2005	Change	Six Months Ended September 30, 2006	Six Months Ended September 30, 2005	Change
Selected Operating Data - Combined:						
Passenger revenue (000s) (1)	$ 302,852	$ 252,788	19.8%	$ 598,545	$ 483,809	23.7%
Revenue passengers carried (000s)	2,670	2,262	18.0%	5,338	4,379	21.9%
Revenue passenger miles (RPMs) (000s) (2)	2,385,730	2,089,836	14.2%	4,840,732	4,066,692	19.0%
Available seat miles (ASMs) (000s) (3)	3,089,607	2,722,947	13.5%	6,093,601	5,257,529	15.9%
Passenger load factor (4)	77.2%	76.7%	.5 points	79.4%	77.3%	2.1 pts.
Yield per RPM (cents) (8)	12.60	11.98	5.2%	12.29	11.81	4.1%
Total yield per RPM (cents) (9), (10)	12.99	12.37	5.0%	12.64	12.17	3.9%
Yield per ASM (cents) (11)	9.73	9.19	5.9%	9.76	9.13	6.9%
Total yield per ASM (cents) (12)	10.03	9.49	5.7%	10.04	9.41	6.7%
Cost per ASM (cents)	9.93	8.99	10.5%	9.82	9.18	7.0%

(1) "Passenger revenue" includes revenues for reduced rate stand-by passengers, charter revenues, administrative fees, and revenue recognized for unused tickets that are greater than one year from issuance date. The incremental revenue from passengers connecting from regional flights to mainline flights is included in our mainline passenger revenue.

(2) "Revenue passenger miles," or RPMs, are determined by multiplying the number of fare-paying passengers carried by the distance flown. This represents the number of miles flown by revenue paying passengers.

(3) "Available seat miles," or ASMs, are determined by multiplying the number of seats available for passengers by the number of miles flown.

(4) "Passenger load factor" is determined by dividing revenue passenger miles by available seat miles. This represents the percentage of aircraft seating capacity that is actually utilized.

(5) "Break-even load factor" is the passenger load factor that will result in operating revenues being equal to operating expenses, assuming constant revenue per passenger mile and expenses.

A reconciliation of the components of the calculation of mainline break-even load factor is as follows:

	Three Months Ended September 30, 2006 (In thousands)	Three Months Ended September 30, 2005 (In thousands)	Six Months Ended September 30, 2006 (In thousands)	Six Months Ended September 30, 2005 (In thousands)
Net (income) loss	$ (509)	$ (6,905)	$ (4,466)	$ (4,172)
Income tax (expense) benefit	160	(3,549)	(3,731)	(2,203)
Passenger revenue	277,720	229,397	546,084	437,464
Revenue - regional partner	25,132	23,391	52,461	46,345
Charter revenue (included in passenger revenue)	(2,216)	(2,497)	(3,605)	(3,708)
Operating expenses - regional partner	(28,033)	(26,308)	(57,516)	(50,426)
Passenger revenue - mainline (excluding charter	$ 272,254	$ 213,529	$ 529,227	$ 423,300

and regional partner revenue) required to break even

	Three Months Ended September 30,		Six Months Ended September 30,	
	2006	2005	2006	2005
	(In thousands)		(In thousands)	
Calculation of mainline break-even load factors:				
Passenger revenue- mainline (excluding charter and regional partner revenue) required to break even ($000s)	$ 272,254	$ 213,529	$ 529,227	$ 423,300
Mainline yield per RPM (cents)	12.31	11.69	11.99	11.47
Mainline revenue passenger miles (000s) to break even assuming constant yield per RPM	2,211,649	1,826,595	4,413,903	3,690,497
Mainline available seat miles (000's)	2,888,964	2,518,515	5,678,077	4,864,412
Mainline break-even load factor	76.6%	72.5%	77.7%	75.9%

(6) “Mainline block hours” represent the time between aircraft gate departure and aircraft gate arrival.

(7) “Mainline average daily block hour utilization” represents the total block hours divided by the number of aircraft days in service, divided by the weighted average of aircraft in our fleet during that period. The number of aircraft includes all aircraft on our operating certificate, which includes scheduled aircraft, as well as aircraft out of service for maintenance and operational spare aircraft, and excludes aircraft removed permanently from revenue service or new aircraft not yet placed in revenue service. This represents the amount of time that our aircraft spend in the air carrying passengers.

(8) “Passenger yield per RPM” is determined by dividing passenger revenues (excluding charter revenue) by revenue passenger miles. This represents the average amount one passenger pays to fly one mile

(9) For purposes of these yield calculations, charter revenue is excluded from passenger revenue. These figures may be deemed non-GAAP financial measures under regulations issued by the SEC. We believe that presentation of yield excluding charter revenue is useful to investors because charter flights are not included in RPMs or ASMs. Furthermore, in preparing operating plans and forecasts, we rely on an analysis of yield exclusive of charter revenue. Our presentation of non-GAAP financial measures should not be viewed as a substitute for our financial or statistical results based on GAAP. The calculation of passenger revenue excluding charter revenue is as follows:

Quarters Ended September 30,		Six Months Ended September 30,	
2006	2005	2006	2005
(In thousands)			