MIDWEST EXPRESS HOLDINGS

WELCOME ABOARD | COMMUNITY PRIDE | SHAREHOLDER Q & A | FINANCIAL REVIEW

Midwest Express Airlines took to the skies on June 11, 1984 with a vision of redefining the air travel experience

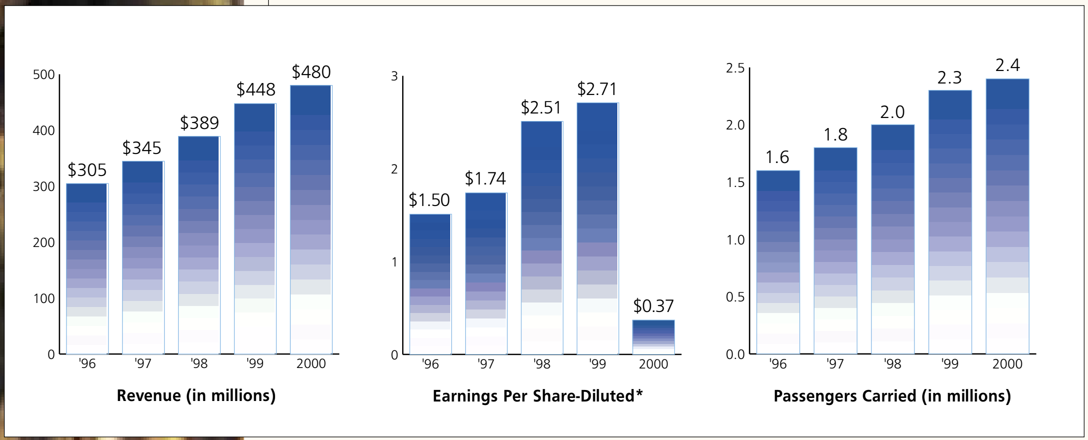
In This Report

Midwest Express Holdings

Midwest Express Holdings, Inc. is the holding company for Midwest Express Airlines, a premium-service airline headquartered in Milwaukee.

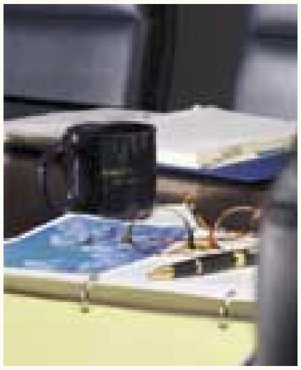
Catering primarily to business travelers since taking to the skies in 1984, the airline known as “the best care in the air” has earned its reputation providing passengers with personal attention, two-across wide leather seats, fine food served on china with complimentary wine or champagne, and baked-onboard chocolate chip cookies on luncheon flights – all at competitive fares. *Condé Nast Traveler, Travel+Leisure* and the *Zagat Airline Survey* recognize Midwest Express as the best airline in the United States.

Midwest Express Airlines features primarily nonstop service to destinations throughout the United States. Astral Aviation, Inc. – its wholly owned subsidiary – operates Skyway Airlines, The Midwest Express Connection, which offers connections to Midwest Express as well as point-to-point service between select markets.



*Earnings per share before cumulative effect of accounting changes

PUBLISHED FOR SHAREHOLDERS AND FUTURE SHAREHOLDERS. This annual report contains forward-looking statements that may state the company’s or management’s intentions, hopes, beliefs, expectations or predictions for the future. Words such as “expect,” “anticipate,” “believe,” “estimate,” “goal,” “objective” or similiar words are intended to identify forward-looking statements. It is important to note that the company’s actual results could differ materially from those projected results due to factors that include but are not limited to uncertainties related to general economic factors, industry conditions, scheduling developments, government regulations, labor relations, aircraft maintenance and refurbishment schedules, potential delays related to acquired aircraft, fuel costs, competitive developments and interest rates.



BOARD OF DIRECTORS

John F. Bergstrom
Chairman and Chief Executive Officer
Bergstrom Corporation
Automobile sales and leasing

James G. Grosklaus
Retired Executive Vice President
Kimberly-Clark Corporation
Consumer products

Timothy E. Hoeksema
Chairman, President and
Chief Executive Officer
Midwest Express Holdings, Inc.

Ulice Payne, Jr.
Partner
Foley & Lardner
Legal services

Samuel K. Skinner
President and Chief Executive Officer
US Freightways Corporation
Transportation

Richard H. Sonnentag
Managing Partner
Cobham Group LP
Investments

Frederick P. Stratton, Jr.
Chairman and Chief Executive Officer
Briggs & Stratton Corporation
Engine manufacturing

David H. Treitel
Chairman and Chief Executive Officer
SH&E, Inc.
Aviation consulting

John W. Weekly
Chairman and Chief Executive Officer
Mutual of Omaha Insurance Company
Insurance

OFFICERS

Timothy E. Hoeksema
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Chief Executive Officer

Robert S. Bahlman
Senior Vice President and
Chief Financial Officer

David C. Reeve
Senior Vice President-Operations

Carol N. Skornicka
Senior Vice President-
Corporate Development,
Secretary and General Counsel

Christopher I. Stone
Senior Vice President-Human Resources

William E. Brown
Vice President-Technical Services

Michael W. Mooney
Vice President-Planning and Pricing

Christopher D. White
Vice President-Safety and
Regulatory Compliance

Dennis J. O'Reilly
Treasurer

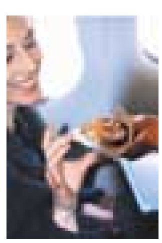
Financial and Statistical Highlights

FINANCIAL	2000	1999	Change
Operating revenues ($000s)	$ 480,021	$ 447,552	7.3%
Operating income ($000s)	6,878	60,752	-88.7%
Income before cumulative effect of accounting changes	5,227	38,791	-86.5%
Cumulative effect of accounting changes, net of applicable income taxes	(4,713)	-	n.m
Net income ($000s)	$ 514	$ 38,791	-98.7%
Operating margin	1.4 %	13.6 %	-12.2 pts.
Net margin	1.1 %	8.7 %	-7.6 pts.
Income per common share – diluted:			
Income before cumulative effect of accounting changes	$ .37	$ 2.71	-86.3%
Cumulative effect of accounting changes, net	$ (.33)	-	n.m
Net income	$ 0.04	$ 2.71	-98.5%

OPERATING STATISTICS*	2000	1999	Change
Midwest Express Airlines			
Passengers carried	2,055,857	2,053,535	0.1%
Revenue passenger miles (000s)	1,974,485	1,958,510	0.8%
Available seat miles (000s)	3,163,247	2,993,765	5.7%
Load factor	62.4 %	65.4 %	-3.0 pts.
Passenger revenue yield	$ 0.193	$ 0.185	4.2%
Flights	46,019	45,156	1.9%
Astral Aviation, dba Skyway Airlines			
Passengers carried	445,842	367,742	21.2%
Revenue passenger miles (000s)	112,610	84,517	33.2%
Available seat miles (000s)	247,623	170,428	45.3%
Load factor	45.5 %	49.6 %	-4.1 pts.
Passenger revenue yield	$ 0.524	$ 0.527	-0.6%
Flights	50,979	44,415	14.8%

* *Excluding charter operations*

MMMM...
MIDWEST EXPRESS AND SKYWAY PASSENGERS ENJOYED 2,951,760 BAKED-ONBOARD CHOCOLATE CHIP COOKIES IN 2000.



Terminology

Revenue Passenger Mile (RPM)
A measurement of traffic. The number of seats filled by paying passengers multiplied by the number of miles those seats are flown.

Available Seat Mile (ASM)
A measurement of capacity. The number of seats available to transport passengers multiplied by the number of miles those seats are flown.

Load Factor
The percentage of seats filled with paying passengers (RPMs/ASMs).

Passenger Revenue Yield
Passenger revenue per revenue passenger mile flown (Passenger Revenue/RPMs).

Tim Hoeksema
Chairman, President and Chief Executive Officer

Message from the Chairman

Dear Fellow Shareholder:

2000 was a disappointing year for Midwest Express Holdings. Although it ended profitably, our financial results and operational performance fell short of the expectations of our loyal investors and passengers, and significantly short of our own expectations. Clearly, our performance was not what you have come to count on from us – a company that has consistently delivered excellent returns to shareholders and "the best care in the air" to passengers.

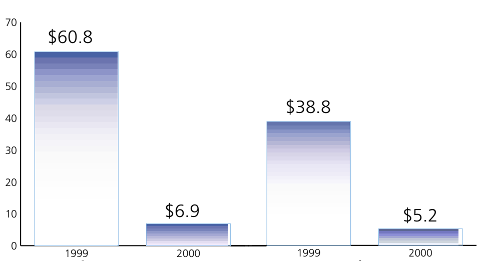
Our performance in 2000 was the result of many factors, both internal and external. Some of these issues are non-recurring, such as a threatened labor action by our Midwest Express pilot group early in 2000. This impacted revenue because potential passengers booked their flights on other carriers during the first part of the year. And some issues are ongoing, such as higher fuel prices, which negatively impacted 2000 operating income by $36 million.

Still other factors are more complex. We are taking corrective action to address the areas we can control and working to better respond to those we have less control over.

For example, lower aircraft utilization due mainly to a shortage of trained pilots restricted our capacity growth in 2000 and resulted in higher unit costs. While the pilot issue is an industrywide challenge, it impacted us even more. Our size and lean pilot staffing could not accommodate our growth plans; new FAA pilot rest/reserve rules, which resulted in the need to hire 18 pilots without gaining any additional flying time; and a higher-than-normal rate of pilot attrition. We are working hard to improve our ability to bring pilots onboard quicker, including making a significant investment in our pilot training infrastructure and planning better long-term for flight simulator training. Also affecting aircraft utilization was an unexpectedly large number of flight cancellations due to poor weather and various maintenance-related issues.

One of the major contributors to that last item was our ongoing transition to a phased maintenance program. Fortunately the transition will be complete by mid-2001, after which time we should begin to realize improvements in both efficiency and dispatch reliability. Additionally last year we experienced an increase in unscheduled engine repairs and on-ground damage to our aircraft (including an incident that took our charter aircraft out of service for three months) – problems we certainly do not expect to recur in 2001.

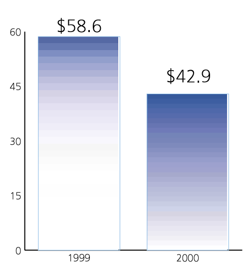
Our poor operational performance resulted in an unacceptable level of on-time performance, which inconvenienced our customers. As you no doubt know, the inability of the national air traffic control system to keep up with air traffic growth resulted in severe delays, especially on the East Coast, throughout 2000. An almost unbelievable statistic – flights into and out of New York La Guardia negatively impacted our monthly on-time performance about 20 percentage points for a number of months. We have already seen some improvement in on-time performance, thanks to schedule modifications late in 2000, the re-imposition of slot restrictions at La Guardia early in 2001, and the decision to discontinue Midwest Express service from Indianapolis in early 2001.



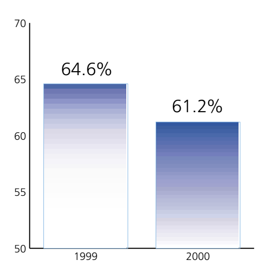
Operating Income (in millions)

Net Income* (in millions)

*Income before cumulative effect of accounting changes



Cash Flow from Operations (in millions)



Load Factor

We launched jet service from Indianapolis in 2000, but due to the poor on-time performance between Indianapolis and La Guardia found it nearly impossible to build brand loyalty. Additionally, we were unable to secure slots to provide service to Washington, D.C. – a key component of our growth plans. Ultimately, the discontinuation of Indianapolis service was a strategic move to focus our resources on Kansas City, which we named our third base of operations in 2000. Our aggressive Kansas City growth plans for 2001 and beyond include additional nonstop service to major cities and the development of a regional air service network with Air Midwest, our codeshare partner.

We're confident these efforts will allow us to put last year behind us, and quickly return to outperforming the industry both financially and operationally. Our strategic growth plans include a well-defined long-term effort we call "Destination 2004" and short-term, annual initiatives that will help close the gap between where we are now and where we want to be in 2004. In 2001, we are focusing on initiatives that address operational performance, planning, our workforce and marketing our unique product.

Operational performance – Last year, we did not provide the world-class operational performance our customers deserve. We have spent considerable time and effort identifying the factors that led to our worst operational year ever, and developing and implementing strategies to eliminate these obstacles. Our goal is to provide customers with reliable service in 2001 by meeting specific targets for on-time performance, dispatch reliability, flight completion, aircraft in-service dates and pilot training.

Planning – In 2000, we completed an in-depth strategic analysis, which reaffirmed the viability of our premium product. And our conviction that our success depends on providing exceptional service was further solidified by a renewed companywide focus on the customer. 2001 will be a year highlighted by further important decision-making – in particular, future fleet acquisitions and new aircraft types for both Midwest Express and Skyway – that will move us toward the successful accomplishment of Destination 2004.

Workforce – Customer service provides Midwest Express and Skyway Airlines with a competitive advantage. This means we have to acquire, develop and retain talented individuals who epitomize and deliver on our promise of "best care" service. This pervasive effort requires us to capitalize on our commitment to have the right people, in the right places, at the right time, doing the right things. It entails improving the recruitment and hiring processes; better identifying the development needs of our employees and tailoring programs to meet their needs; and improving employee retention as a means of increasing customer satisfaction.

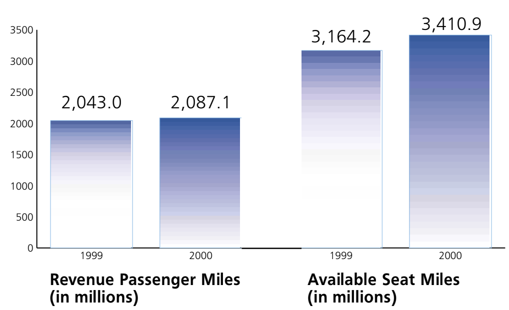
Marketing – Being recognized as a carrier of choice requires us to effectively and efficiently build relationships with customers. Among our 2001 initiatives are increasing brand awareness and preference nationally and in emerging markets, increasing customer loyalty, better targeting specific customer groups, using technology to further increase bookings and sell distressed inventory, and shifting distribution to more efficient channels.

Our 2001 initiatives and Destination 2004 are achievable, because the 3,786 employees of Midwest Express Airlines and Astral Aviation are committed to providing service that exceeds the expectations of both shareholders and passengers. We all are sincerely grateful for your continued support, which encouraged and sustained us during the difficult year we just completed. Thank you.

Sincerely,

Timothy E. Hoeksema

Timothy E. Hoeksema
Chairman, President and Chief Executive Officer



Welcome Aboard 'The Best Care in the Air'

On June 11, 1984, Midwest Express Airlines took to the skies, offering service between Milwaukee and three cities – Appleton, Wisconsin; Boston; and Dallas/Ft. Worth. With a fleet of two DC-9s, our 83 employees set out to redefine the air travel experience. Since then, our airline has steadily grown. By the end of 2000, we served 29 cities and had 34 McDonnell Douglas aircraft in service – 24 DC-9s and 10 MD-80s. In 2001, we plan to put three more MD-80s into scheduled service.

Skyway Airlines, The Midwest Express Connection, inaugurated service in 1989. In 1994 the regional carrier was brought under the operation of Astral Aviation, Inc., a wholly owned subsidiary of Midwest Express Airlines. Skyway served 30 markets at the end of 2000, providing connections to Midwest Express Airlines as well as point-to-point service. Skyway's fleet includes five Fairchild Dornier 328JETs and 15 Beech 1900D turboprop aircraft. Three more 328JETs will join the fleet in 2001.

Remaining steadfast over the years has been our service concept: providing travelers with premium service at competitive fares. Our strategic plan, too, remains unique: establishing bases of operations in underserved markets, and offering primarily nonstop service. Departure and arrival times at both airlines are set to maximize use of the workday. Our schedules are ideal for the business traveler who is often able to fly out in the morning, put in a full day's work and fly back the same day.

AHHH... 337,824 BOTTLES OF COMPLIMENTARY WINE AND CHAMPAGNE WERE SERVED ON MIDWEST EXPRESS AND SKYWAY FLIGHTS IN 2000.

Award-Winning Service Earns Customer Loyalty

Our passengers honor us with their continued patronage, and industry publications recognize our customer-focused service through the awards they've bestowed on us in recent years.

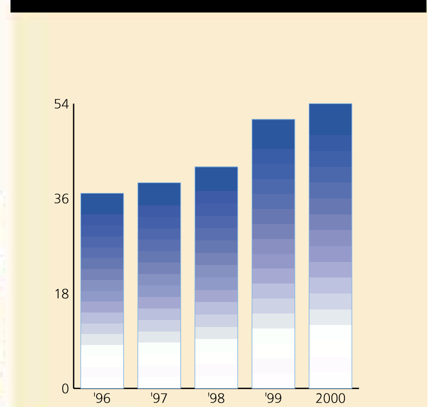
Condé Nast Traveler magazine readers rated Midwest Express Airlines "Top Domestic Airline" in 2000 – our sixth year as number one and our ninth year in the top three. And *Condé Nast Traveler* Business Travel Awards named Midwest Express Airlines "Best Value" and, for the second straight year, "Best U.S. Airline."

Travel+Leisure magazine named Midwest Express Airlines "Best Domestic Airline" as part of its 2000, 1998 and 1997 World's Best Awards.

In 1999, a leading consumer report awarded Midwest Express Airlines its highest ranking for customer satisfaction. Over the years, the report has also named us "Best U.S. Airline" and "Most Comfortable Coach Seat in the Sky."

The prestigious *Zagat Airline Survey* has called Midwest Express Airlines the Rolls Royce of airlines, and ranked us the "#1 U.S. Airline" in its last two surveys.

Aircraft in Service at Year-End



ADVERTISEMENT: *Midwest Express offers the only nonstop flights between Kansas City and major business destinations*

The Secrets to Our Success

Superior Travel Experience, Competitive Fares, Premium Revenue Yields

Two-across wide leather seating, elegant meals, convenient schedules and the personal attention of our employees – all at competitive coach fares – have earned Midwest Express Airlines its reputation as "the best care in the air."

Seating on Midwest Express Airlines jets – customized to a roomier two-by-two configuration from standard two-by-three coach seating – provides passengers added legroom and workspace. With about 20% fewer seats than traditional coach settings, our leather seats are larger than most coach seats – 21 inches wide at the cushion, compared with 17-18 inches for standard seats. The pitch between seats is 33-34 inches, while most airlines average a 31-inch pitch in coach class. Phone service is available in each pair of seats.

Prior to boarding Midwest Express Airlines, passengers are offered coffee and a choice of newspapers. In the air, they're served fine meals on china, with linen napkins and complimentary wine or champagne.

Lunches feature baked-onboard chocolate chip cookies, a treat popular with all our travelers. On average, we spend nearly $10 per passenger meal, twice the industry average.

Skyway Airlines regional jets feature the widest and tallest passenger cabins in their class, while its turboprop aircraft provide stand-up cabins with contoured leather seats. Inflight service – including snacks or light meals, depending on the length of the flight – is offered on our regional jets.

Providing customers with "above and beyond" service is an important aspect of our customer service philosophy. We depend on an outstanding team of dedicated employees to help us excel in a competitive industry. We have a very selective process for attracting people who share our ideals, and then provide ongoing training to help integrate our goals and philosophy into the service our employees provide day after day, flight after flight.

Our service-oriented philosophy leads to strong customer loyalty and provides us with a competitive advantage. Independent research of Milwaukee-based frequent flyers indicates that nearly three of every four prefer to fly Midwest Express Airlines. Midwest Express is the market share leader in Milwaukee, with a 34.3% share in 2000.

Midwest Express MD-80

Skyway 328JET

In particular, our people-pleasing service and nonstop flights from previously underserved markets help us attract a larger percentage of business travelers than other carriers. Even at competitively priced fares, this contributes to premium revenue yields – 30-40% higher than the industry average.

Supplemental Revenue Opportunities Enhance Earnings

Supplemental revenue – revenue generated in addition to that from passenger ticket sales – contributes to earnings. Our major supplemental programs include:

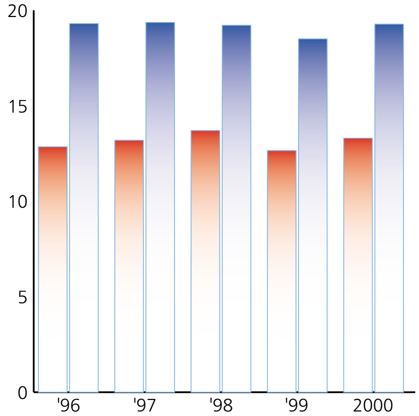
Frequent Flyer Partners: Our Frequent Flyer partnerships generated $13.8 million in revenue in 2000. Our Frequent Flyer program generates revenue for Midwest Express by fostering repeat ridership among passengers, and through the sale of Frequent Flyer miles to partners in our program. Our largest partner is Elan Financial Services, which awards miles to cardholders for purchases made using the Midwest Express MasterCard. In 2000, we added Avis, Radisson Hotels and Resorts Worldwide, and Sabena Belgian World Airlines as program partners, and expanded our relationship with Northwest Airlines.

Mail/Cargo: We produced $11.1 million in revenue during 2000 by moving 24.1 million pounds of United States mail and 8.5 million pounds of cargo.

Charters: Midwest Express' charter program generated sales of $6.0 million in 2000. Our service and comfort make us the airline of choice for professional and collegiate sports teams, as well as other groups requiring transportation tailored to their unique needs.

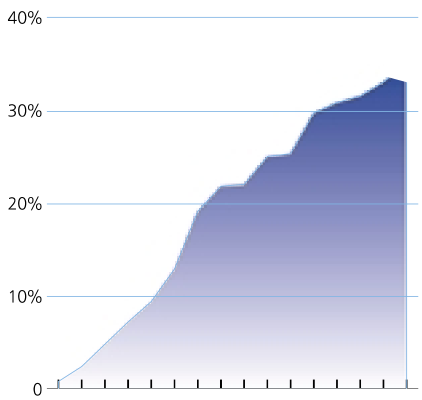
Airport and Ground Handling Services: Providing ticket counter, gate and ramp services for other airlines boosted our supplemental revenue by $3.0 million in 2000.

WEB SAVVY
OUR REDESIGNED WEB SITE WAS LAUNCHED ON SEPTEMBER 23, 2000. VISITORS CAN TAKE A VIRTUAL AIRCRAFT TOUR, CHECK THE STATUS OF FLIGHTS AND MAKE ONLINE RESERVATIONS. HOTELS AND CARS CAN ALSO BE BOOKED ON THE SITE — A CONVENIENCE FOR PASSENGERS THAT EARNS SUPPLEMENTAL REVENUE FOR MIDWEST EXPRESS.

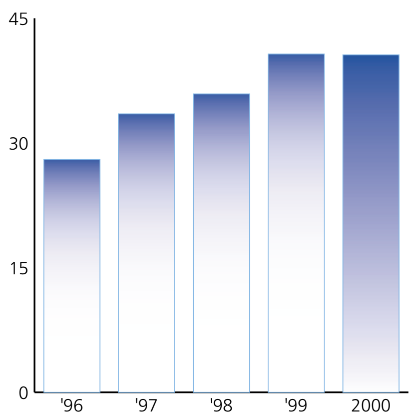


Yield
(in cents)

Midwest Express Airlines
U.S. Majors (2000 results estimated)



Milwaukee Market Share



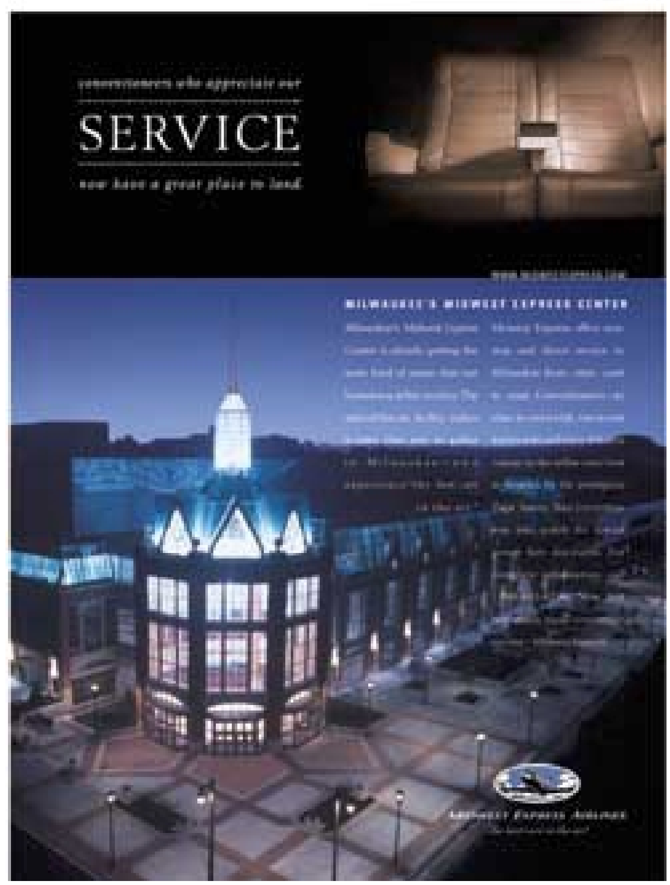
Supplemental Revenue
(dollars in millions)

OFFICIALLY YOURS

MIDWEST EXPRESS AND SKYWAY AIRLINES WERE NAMED THE OFFICIAL OR PARTICIPATING AIR CARRIER OF 102 CONVENTIONS IN 2000.

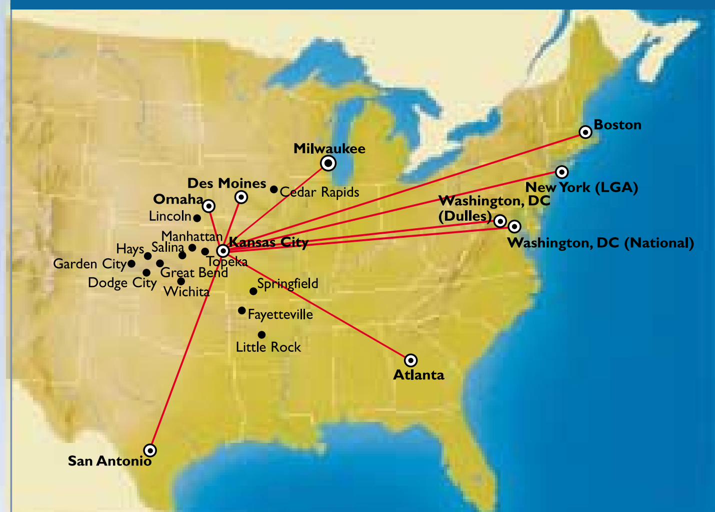
ADVERTISEMENT: *Frequent Flyer miles gather quickly with the Midwest Express MasterCard*

ADVERTISEMENT: *Together, Midwest Express and the Midwest Express Center equal convention success*



American Eagle Codeshare Partnership

US Airways Express/Air Midwest Codeshare Partnership



Skyway Airlines, The Midwest Express Connection

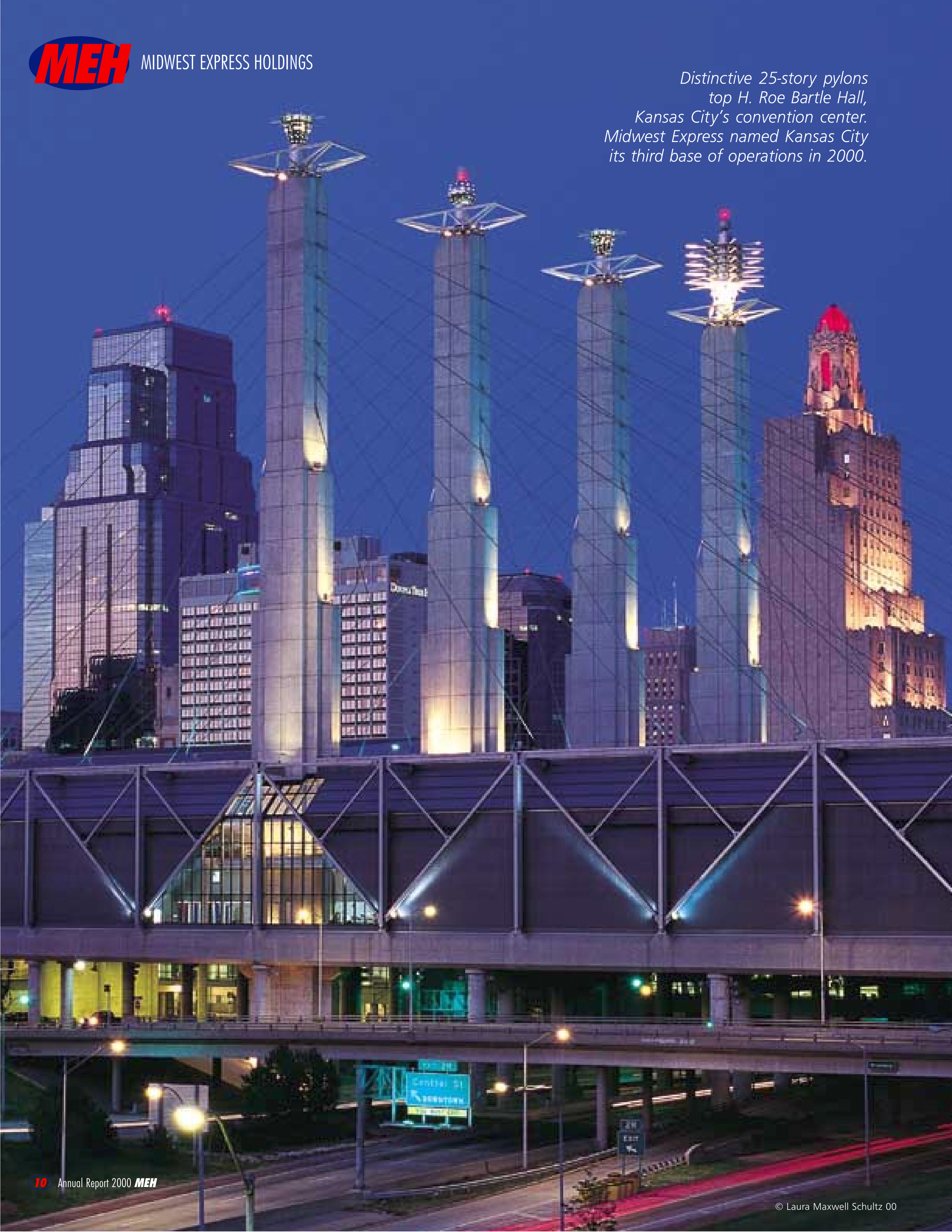
MIDWEST EXPRESS AIRLINES

Destinations

MIDWEST EXPRESS AIRLINES
The best care in the air.

SKYWAY AIRLINES
The Midwest Express Connection

Distinctive 25-story pylons top H. Roe Bartle Hall, Kansas City's convention center. Midwest Express named Kansas City its third base of operations in 2000.



Community Pride

Midwest Express Airlines' three bases of operations exemplify our marketing strategy of establishing bases in cities that are underserved by other airlines. All three are thriving business communities boasting stable economies, loyal workforces and low unemployment.

MILWAUKEE, our largest base, has also been our hometown since 1984. Companies headquartered in the city include Briggs & Stratton Corporation; Harley-Davidson Motor Company®; Johnson Controls, Inc.; Manpower Inc.; Miller Brewing Company; Northwestern Mutual; Rockwell Automation; and The Marcus Corporation. In 2000, Milwaukee's General Mitchell International Airport served 6.1 million passengers.

We established our second operations base in **OMAHA** in 1994. Thirty Fortune 500 companies are located in the Omaha metropolitan area, including Berkshire Hathaway Inc.; ConAgra Foods Inc.; First Data Corporation and Mutual of Omaha Insurance Co. Eppley Field in Omaha served 3.8 million passengers in 2000.

KANSAS CITY, our newest base of operations, joined us in 2000. Among the many companies headquartered there are Farmland Industries; H&R Block; Hallmark Cards; Lee Apparel Co.; Russell Stover Candies; and Sprint. Kansas City International Airport served 11.8 million passengers in 2000.

Today, we are the market share leader in Milwaukee. From Omaha, we provide the only nonstop flights to both coasts. And from Kansas City, we provide the most nonstop service to Washington, D.C.-area airports. Additionally, we meet the needs of our Midwestern customer base and improve utilization of our aircraft by offering seasonal service to warm-weather leisure destinations.

A key element of Midwest Express Airlines' expansion strategy involves establishing bases of operations in cities like Milwaukee, Omaha and Kansas City – strong business centers that are underserved by other airlines. Our goal is to increase earnings by successfully replicating our expansion strategy in markets that meet these requirements.

'Heart of America' Newest Midwest Express Base ✓

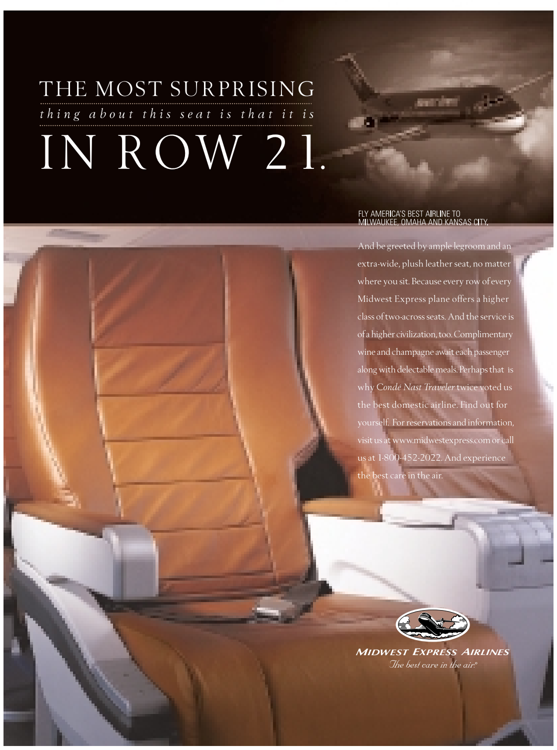
The "Heart of America" has captured our heart. Once the gateway for pioneers headed west, Kansas City was named Midwest Express' third base of operations in 2000. As such, the city will benefit from expanded Midwest Express nonstop jet service and the addition of a regional air service network. Establishing a base in the city also brings with it a pledge by Midwest Express to further increase employment and become a more visible presence in the Kansas City community.

Midwest Express Airlines has served Kansas City since 1989. At the end of 2000, we provided nonstop service between Kansas City and Boston, Des Moines, Milwaukee, New York La Guardia, Omaha, San Antonio, Washington National and Washington Dulles; connecting service via Milwaukee to cities throughout the route systems of Midwest Express and Skyway Airlines, The Midwest Express Connection; and connecting service to 15 cities in the northeast U.S. and Canada via a codeshare arrangement with American Eagle. In March 2001, Midwest Express expects to begin a codeshare with US Airways Express/ Air Midwest, providing passengers in 15 Midwestern cities with connecting service via Kansas City. Midwest Express will begin nonstop service from Kansas City to both Atlanta and New Orleans in April, and to San Francisco in late summer.

Midwest Express is proud to have been recognized by *Ingram's* as Kansas City's preferred airline – receiving the magazine's Gold award for best airline the last two years.

ADVERTISEMENT: *New regional jet service is a great way to enjoy Skyway Airlines, The Midwest Express Connection*

ADVERTISEMENT: *Ample legroom and wide leather seats help make Midwest Express "the best care in the air"*



The Gift That Keeps Giving

Year after year, Midwest Express practices responsible corporate citizenship by participating in the civic life of the communities in which we do business. Additionally, we provide support to qualified charitable, educational and similar organizations. By aligning our corporate giving efforts around the needs of our communities, we strive to make a difference and improve quality of life.

In general, Midwest Express provides support to social, welfare and health organizations; civic, cultural and environmental organizations; and educational organizations.

In this time of tight budgets with an eye firmly fixed on the bottom line, is it fiscally responsible to support corporate giving? While our corporate citizenship efforts help our communities, they also build brand awareness, strengthen consumer loyalty, reinforce partnerships and, ultimately, make Midwest Express Airlines and Skyway Airlines companies of choice among air travelers. The bottom line: everyone benefits.

SAFETY FIRST

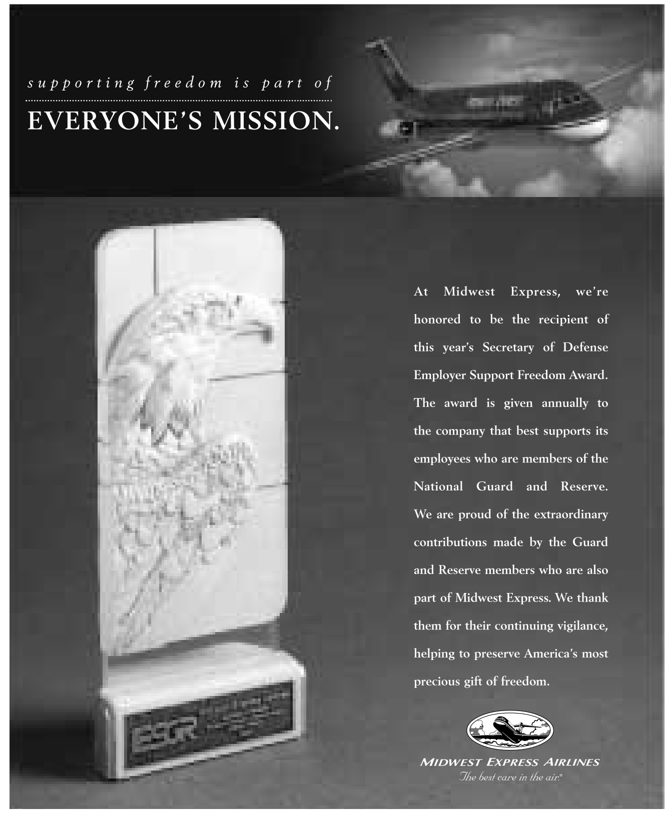
2000 MARKED THE THIRD CONSECUTIVE YEAR THAT THE FEDERAL AVIATION ADMINISTRATION BESTOWED THE CERTIFICATE OF EXCELLENCE DIAMOND AWARD – ITS HIGHEST HONOR – ON SKYWAY AIRLINES, RECOGNIZING EXEMPLARY MAINTENANCE PRACTICES.

Share in a Miracle ✓

The Midwest Express Miracle Miles Program gives our passengers an opportunity to donate their Frequent Flyer miles to support the worthy efforts of nonprofit organizations throughout the country, including the Make-A-Wish Foundation, AIDS Resource Center of Wisconsin, the American Heart Association, the Easter Seal Society and the Ronald McDonald House Charities.

Since the program's inception in 1994, about 25 million miles have been donated – including 5 million by Midwest Express. In 2000, more than 1.5 million donated miles helped grant wishes to sick children, transport patients for treatment, and reunite families.

ADVERTISEMENT: *Midwest Express was honored as the winner of the Secretary of Defense 2000 Employer Support Freedom Award*



National Freedom Award Recognizes Patriotism

Midwest Express Airlines is proud to be the national winner of the 2000 Employer Support Freedom Award. The U.S. Department of Defense's highest civilian award is presented annually to the company that best supports its employees who are members of the National Guard and Reserve.

Midwest Express is the first airline to win the national award; four other regional winners were also recognized in a ceremony at the Pentagon in November. The winners were cited as "world-class patriots" that "set an example for all of corporate America."

Midwest Express' military leave compensation and benefits policies; its efforts to recruit National Guard and Reserve members as employees; and its ongoing, broad-based support for its citizen soldiers were among the judging criteria. Nearly 10,000 employers from 30 states were nominated – first by an employee, and then by state and regional committees for the Employer Support of the Guard and Reserve. At the national level, a dozen active reservists from throughout the country evaluated the finalists.

"Supporting our Guard and Reserve members is good for Midwest Express, good for the community and good for the country," said David Reeve, senior vice president of operations, as he accepted the Employer Support Freedom Award at a special ceremony at the Pentagon. "Guard and Reserve members bring excellent leadership skills and a unique and diverse perspective to the company, one that helps us better serve our unique and diverse passenger group."

SHARING OUR CODE

IN 2000, MIDWEST EXPRESS EXPANDED ITS CODESHARE AGREEMENT WITH AMERICAN EAGLE TO INCLUDE SERVICE FROM BOSTON TO 15 CITIES IN THE NORTHEAST UNITED STATES AND CANADA.

Shareholder **Questions and Answers**

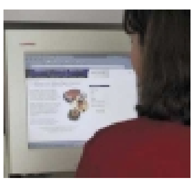
Q: What is your growth strategy for 2001 and beyond?

Tim Hoeksema, Chairman, President and Chief Executive Officer:

In the short term, we plan to increase capacity about 15% in 2001. At Midwest Express Airlines, that growth will come from the addition of three MD-80 aircraft to our fleet and from the full-year operation of markets launched in 2000. Skyway Airlines will add three Fairchild Dornier 328JETs and increase aircraft utilization over 2000. Over the longer term, we plan to grow in the disciplined manner that has proven successful for us in the past. Growth will come through adding flights on existing routes, adding new cities and establishing new bases of operations.

Shareholders and passengers often ask how we decide where aircraft will fly when we expand our fleet. In some cases, newly acquired aircraft are put into service on mature routes. Or we may fly larger aircraft on an existing route; this strategy works especially well in limited-access airports, because it's the only way to increase capacity without acquiring additional take-off and landing rights – which is difficult and expensive. When we enter new markets, it's because the routes meet well-established criteria. We conduct in-depth reviews of potential routes, concentrating on size, yield, business links, competition, seasonality, operational requirements and strategic fit.

And while our ongoing customer research indicates passengers are pleased with their overall experiences with Midwest Express, one of their concerns is that we do not serve enough cities. Codeshare affiliations allow our passengers to book flights to a broader range of destinations, all on one ticket and often reflecting a better fare and connections than could be accomplished on two unaffiliated airlines. Shareholders benefit from codeshares because our flights have more seats filled, since we can carry passengers traveling beyond cities on our route map. That translates into increased revenues and greater profits for each flight. And we're able to offer this enhanced service, generate more revenue and earn more profits without the expense of adding aircraft.



JUST THE TICKET

TICKETS ISSUED ELECTRONICALLY ACCOUNTED FOR 69% OF MIDWEST EXPRESS AND SKYWAY TICKET REVENUE IN 2000. ELECTRONIC TICKETS ARE NOT ONLY POPULAR WITH PASSENGERS, THEY ALSO HELP REDUCE OUR DISTRIBUTION COSTS.

Q: The airline industry is experiencing merger mania. Is Midwest Express Holdings a likely target for takeover by another airline?

Tim Hoeksema:

We have a corporate policy of not commenting on takeover rumors. Generally speaking, however, given that our product and service are so unique, a takeover by another airline wouldn't seem to make much sense.

Q: What is your fleet growth strategy?

Bob Bahlman, Chief Financial Officer:

The Midwest Express Airlines fleet plan is to replace our DC-9 aircraft over time with new aircraft, most likely the Boeing 717 or Airbus 320 family of aircraft. That decision is expected to be made by the end of the first quarter 2001, and the aircraft transition would begin mid- to late-2002. We also expect to select a new fleet type for Skyway Airlines in the first quarter of 2001, with deliveries beginning in mid-2002. That regional jet fleet addition will support our growth on routes that are too small for DC-9 or MD-80 aircraft, but too large for turboprops.

Overall, this strategy will enable us to continue double-digit capacity and revenue growth.

Q: How are you controlling costs?

Bob Bahlman:

In 2000, we spent considerable time educating our employees on cost control measures and our overall efficiency measure – cost per available seat mile. In the end, however, we did not achieve our cost targets primarily because we fell significantly short of our planned capacity growth. Our plan for 2000 included capacity growth exceeding 16%. However, due to a shortage of trained pilots, delayed in-service dates for new aircraft and increased flight cancellations, our capacity growth was less than 8%. The result was an inefficient spreading of fixed costs over fewer seat miles.

In 2001, our plan includes minimal increases in overhead costs and reduced non-aircraft-related capital spending. In addition, we continue to focus on process improvements that should further reduce costs and realize benefits from our transition to a new maintenance program, continued shift to Internet passenger bookings and economies of scale.

Q: In 2000, we saw the start-up and, in some cases, failure of other premium service airlines. What are you doing to remain profitable? Are you worried about competition from "copycat" airlines?

Dennis O'Reilly, Treasurer and Director of Investor Relations:

For many reasons, Midwest Express has managed to succeed when other carriers have not. Our disciplined fleet and route expansion has been vital to our profitable performance. We've seized opportunities to capture markets other carriers have abandoned – markets large enough to warrant nonstop Midwest Express jet service but small enough to discourage major airlines or low-fare, volume-oriented competition.

We also respond quickly to competitive action and changing conditions by monitoring the inventory and pricing of available seats with a state-of-the-art revenue management system. Our experienced analysts use this system to optimize the number of passengers and the fares paid on future flights. Attracting a larger percentage of business travelers than other carriers, even at competitively priced fares, contributes to premium revenue yields – 30% to 40% higher than the industry average.

And our commitment to providing "the best care in the air" leads to strong customer loyalty that provides a competitive advantage. While other airlines may be able to mimic our product – generous legroom, excellent meals and two-across seating – they aren't able to copy the excellent service provided by our employees, whom we feel are the best in the industry.

Q: What are you doing about high fuel costs?

Dennis O'Reilly:

All of us as consumers felt the effects of fluctuating fuel prices in 2000, and the airlines were no exception. Airlines may hedge fuel in an attempt to save on fuel costs. This can be accomplished in many ways with varying degrees of risk. Midwest Express has historically purchased caps, which establish a ceiling price for fuel. This method has minimum risk, as the only exposure is the premium paid to acquire the cap. Another method is to commit to purchase a set number of gallons at a predetermined price. This is more risky, since it may require purchasing the fuel at a much higher-than-market price.

Given the unpredictable nature of fuel prices in 2000, we didn't hedge as aggressively as we have in the past. With prices unusually high, we chose to hold off in anticipation of prices falling to more historic levels. However, due to the OPEC countries' ability to manage production and inventory, fuel prices remained at very high levels throughout the year. We are continually assessing the fuel situation and will consider hedging in the future as a way to minimize significant swings in earnings due to fluctuating fuel prices.

Q: What opportunity for growth does the current competitive environment offer you?

Mike Mooney, Vice President of Planning and Pricing:

As it has for the nearly 17 years of our existence, the competitive environment offers Midwest Express opportunities wrapped in challenges. One such opportunity is consolidation, since it appears likely some and possibly most of the major airlines will consolidate into a smaller group of much larger airlines. The resulting consolidation of routes and hubs will open up new route opportunities for Midwest Express and Skyway. At the same time, the resulting mega-major airlines will have even more network power.

Other trends include rapid growth of regional jet operations by regional partners of major airlines, more innovation in airline ticket distribution, continued congestion at key airports, and cost control challenges due to high labor and fuel costs. Here, an opportunity for Midwest Express is our Kansas City expansion. We are in the process of adding new routes and flights from Kansas City and beginning a codesharing program with Air Midwest, a regional airline that operates nearly 100 flights per day from Kansas City.

An example of our growth plans meeting a significant challenge is Indianapolis. Midwest Express started nonstop service between Indianapolis and both Boston and New York La Guardia during 2000. However, we discovered that operating only those routes did not allow us to define our premium product well enough to compete effectively with the mainline and regional jet services of entrenched incumbent carriers. From that painful conclusion, we made the decision to withdraw those services from Indianapolis and move the resources to Kansas City routes that promise better return and long-term growth potential.

Q: Pilot training restricted your capacity growth in 2000. How are you changing that going forward?

Eric Korbitz, Assistant Director of Flight Standards and Training:

Both Midwest Express and Skyway were negatively impacted by pilot training and scheduling issues in 2000. This was an industrywide problem, as small and medium-sized carriers saw an unprecedented number of pilots moving to the major carriers. Our pilots are highly skilled, which makes them especially attractive to larger carriers. At the same time, we were expanding our capacity, further straining our crew resources. The result is that we were forced to modify our flight schedule throughout the year. We selected flights that would have minimal impact on our passengers, and were successful in transferring many of them to other flights.

We're implementing a number of changes to address the situation. We've expanded the size of our pilot training classes. This sounds simple, but it requires devoting extra resources to hiring instructors for ground school and required flight checks. Discontinuing our jet flights to Indianapolis early this year has had an immediate impact on our pilot scheduling, as it has freed up crews for the rest of the system.

Pilot training will always be an issue. We have to balance labor costs with our requirements for pilots. We're getting caught up, but it will be a gradual recovery. We've made a lot of progress toward a solution.

Q: Aircraft maintenance issues were a problem in 2000. How are you addressing those issues?

Bill Brown, Vice President of Technical Services:

It's true our dispatch reliability was less than stellar in 2000. The primary contributing factors were greater aircraft damage than expected, extreme weather conditions throughout the country in December, and a bumpy transition to our new maintenance program. This last cause was probably the greatest obstacle to achieving our reliability goals. Integrating this program caused a number of challenges. Our maintenance line became very tight, with little room for flexibility. Also, more unplanned maintenance was found during these checks, meaning that in several cases we missed planned completion dates by a few weeks.

Reliability should improve in 2001 for several reasons. We'll realize the benefits of our new program's focus on catching problems earlier, when maintenance costs are relatively low. We'll add a maintenance coordinator to monitor aircraft as they proceed through the maintenance system. And we'll position mechanics in cities that have demonstrated a need for on-site maintenance.

Q: What is the status of your labor union relations?

Chris Stone, Senior Vice President of Human Resources:

Three employee groups at Midwest Express Holdings have chosen union representation – Skyway Airlines pilots, Midwest Express pilots and Midwest Express flight attendants. Skyway pilots ratified a five-year contract in December 1998 and Midwest Express pilots a five-year contract in February 2000. Midwest Express flight attendants have been in negotiations since January 2000, and in mediation under the National Mediation Board since September 2000. We are eager to come to an agreement with the flight attendants.

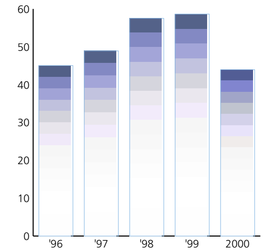
Q: Traffic and load factor fell below expectations in 2000. How are your marketing programs addressing this?

Jim Reichart, Director of Advertising and Brand:

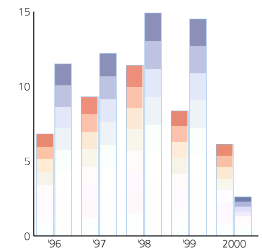
Traffic and load factor are just two components of our overall financial success. Our goal is to achieve the best balance between load factor and yield, ensuring a reasonable profit. We are bolstering our marketing efforts in several areas to better realize this balance in 2001.

In our hometown of Milwaukee, we're relying heavily on direct communications with our loyal customers, as we continue to build and maintain long-standing relationships. In newer bases, particularly Kansas City, we're aggressively advertising to increase brand awareness and encourage first-time trial, which we know to be the single biggest driver of brand preference for Midwest Express. On a national level, we are working closely with corporations to direct more of their business to Midwest Express. In addition, we are exploring tools that would allow these clients access to direct online booking, which would lower distribution costs and increase market share.

Finally, we are capitalizing on e-business tools for selling unsold seats. Our "Best Care Web Fares" have shifted from a monthly to a weekly format, providing potential customers more opportunities to select these very low fares. If you'd like to receive this information via e-mail, simply register via our Web site, *www.midwestexpress.com.*

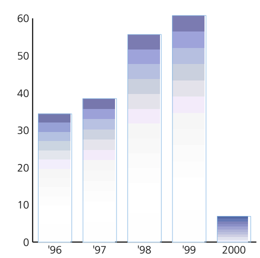


Cash Flow from Operations
(dollars in millions)

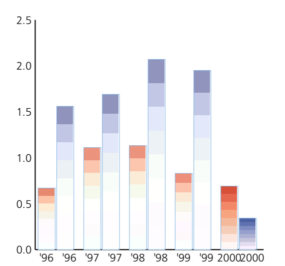


Operating Margin
(in percent)

Midwest Express Airlines
U.S. Majors (2000 results estimated)



Operating Income
(dollars in millions)



Operating Income Per ASM
(in cents)

Midwest Express Airlines
U.S. Majors (2000 results estimated)

Attention to Detail

My wife and I have just completed our second roundtrip on Midwest Express and had to tell you how very pleased we are with your extraordinary service. In 30 years of flying commercially, I have never experienced an entire airline so completely dedicated to excellent customer service as Midwest Express. The reservations agents, gate agents, flight attendants and crew all seem to work as a team to make the flying experience a true pleasure. The food, needless to say, is superb and the wider seats are greatly appreciated, but what is really noticeable is the attention to detail that everyone at your fine airline seems to take. For example, on one leg of our flight there were several infants traveling with their parents. The flight attendants went to them and explained again the safety procedures, and offered to space their meal service so each parent could eat in peace while the other took care of the infant. Now maybe that's only a little thing, but I've never seen it done on any other airline. You have certainly created a unique air travel experience. Know that your efforts and those of everyone at Midwest Express have been noticed by at least two passengers. Keep up the good work!

Michael Cervine
Clifton, New Jersey

Time to Care

I am writing to thank you for the incredible service my mom and I received. I had reconstructive surgery on my right leg and had a fixator on the leg to help straighten it and realign my bones. I have not walked since I was a little boy. The next surgeries I have can hopefully get me walking again. The people at Midwest Express could not have been nicer. They took great care to get me on the plane and secure me in my seat. We want to thank your airline for taking the time to help someone who really needed extra help. We have heard that your airline is the best. I can see why. In the world today where everyone is in a hurry, Midwest Express takes the time to care.

Chad Klochko
Farmington Hills, Michigan

Word of Mouth

In the past I have routinely used the major airlines for travel. In February I needed to go to Washington, D.C. on business and the agency booked my flight on Midwest Express. I was pleasantly surprised to find wide seats, real meals and super courteous service on the part of all of your employees from check-in to baggage claim. The plane was clean throughout; the staff courteous, friendly and helpful; and the flight an outstanding experience. I have resolved from this point on to use Midwest Express as my airline of choice when I travel. In fact, I have become your unofficial and unauthorized spokesman in my area, provided you don't mind.

Jack D. Kay
Medford, Wisconsin

Love is in the Air

This is not your typical customer service letter. Initially, let me start by warning you that it is not the type of issue that you have addressed in any training or customer service manual. I waited for a flight from Newark to Milwaukee, with continuing service to Madison, my final destination. This was my freshman year in college and I was returning to school after the Thanksgiving holiday. On the flight, I read and listened to music. However, at some point during this flight I met the passenger sitting across the aisle from me. We began to talk and, as it turned out, she also happened to be a freshman at the University of Wisconsin-Madison. Thereafter, we spent the trip discussing school, where we lived and shared our thoughts about our freshman year in college. When we arrived in Milwaukee, we found out that our connecting flight to Madison was delayed. We decided to have lunch together and continued to spend the afternoon talking. That flight occurred more than seven years ago. I recently became engaged to the girl sitting in that aisle seat across from me. Thank you, Midwest Express, for playing a part in making this happen.

Jared Shapiro
Livingston, New Jersey

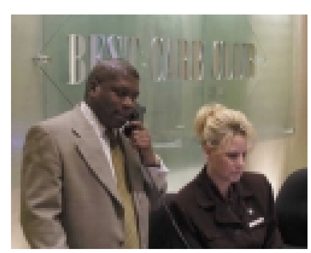
Newsworthy

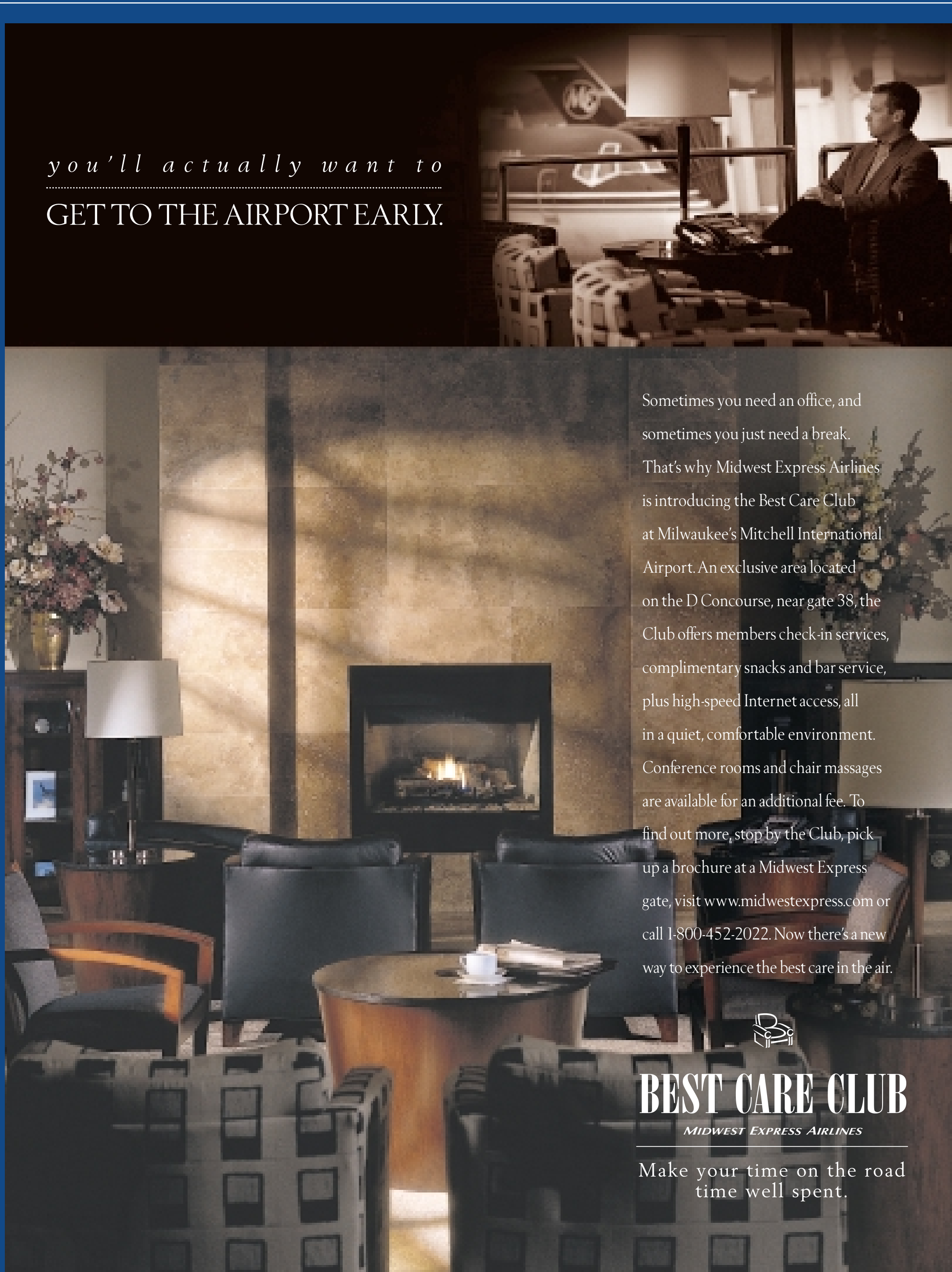
The following letter was sent to the "Washington Post" and copied to Midwest Express.

Over recent weeks, the *Washington Post* has carried many articles concerning poor airline service. However, we would like to report that not all airlines are lousy. We have been traveling quite a lot recently and while we have bad experiences like everyone else, we have also had great experiences with two airlines – Midwest Express and Virgin Atlantic. The service on both airlines was flawless. Both airlines treated us with the respect and courtesy that adult human beings deserve. We traveled to and from the U.K. on Virgin Atlantic, and we were actually early on both legs. On Midwest Express, they even held our plane to Madison for a few minutes in Milwaukee, so that passengers arriving late on a connection from New York could make it. If all airlines spent some time looking at and copying how these two carriers treat their passengers, there would be a whole lot less grumbling from customers. And maybe the calls for Congress to do something about the current horrible state of affairs would subside.

Richard J. & Eleanor B. Bochner
Vienna, Virginia

IN THE AIR AND ON THE GROUND
THE MIDWEST EXPRESS BEST CARE CLUB OPENED ITS DOORS AT MILWAUKEE'S GENERAL MITCHELL INTERNATIONAL AIRPORT ON AUGUST 13, 2000, OFFERING MEMBERS SPACE TO WORK OR RELAX BEFORE AND AFTER FLIGHTS.





ADVERTISEMENT: *The Midwest Express Best Care Club helps members make their time on the road time well spent*

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FINANCIAL REVIEW

MIDWEST EXPRESS HOLDINGS, INC.
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	2000	1999	1998	1997	1996
Statement of Income Data:					
Total operating revenues	**$ 480,021**	$ 447,552	$ 388,874	$ 344,557	$ 304,746
Total operating expenses	**473,143**	386,800	333,219	306,087	270,387
Operating income	**6,878**	60,752	55,655	38,470	34,359
Income before cumulative effect of accounting changes	**5,227**	38,791	35,869	24,940	21,750
Cumulative effect of accounting changes, net of applicable income taxes	**(4,713)**	–	–	–	–
Net income	**514**	38,791	35,869	24,940	21,750
Income per common share – basic:					
Income before cumulative effect of accounting changes	**.37**	2.75	2.54	1.76	1.51
Cumulative effect of accounting changes, net	**(.33)**	–	–	–	–
Net income	**.04**	2.75	2.54	1.76	1.51
Income per common share – diluted:					
Income before cumulative effect of accounting changes	**.37**	2.71	2.51	1.74	1.50
Cumulative effect of accounting changes, net	**(.33)**	–	–	–	–
Net income	**.04**	2.71	2.51	1.74	1.50
Balance Sheet Data:					
Property and equipment, net	**242,875**	211,449	160,583	89,156	70,903
Total assets	**305,997**	263,829	220,477	166,748	129,135
Long-term debt	**2,886**	3,068	3,206	3,333	–
Shareholders' equity	**$ 129,276**	$ 133,539	$ 97,632	$ 63,398	$ 40,341
Selected Operating and Other Data (1):					
Midwest Express Airlines, Inc.:					
Revenue passenger miles (000s)	**1,974,485**	1,958,510	1,623,659	1,409,528	1,239,966
Available seat miles (000s)	**3,163,247**	2,993,765	2,498,543	2,198,179	1,954,151
Passenger load factor (%)	**62.4 %**	65.4 %	65.0 %	64.1 %	63.5 %
Revenue yield (cents per RPM)	**19.3**	18.5	19.2	19.4	19.3
Revenue per scheduled service ASMs (2)	**12.6**	12.7	13.1	13.1	13.0
Cost per total ASM (cents per mile)	**13.0**	11.5	11.8	12.1	12.0
Aircraft in service at year-end (3)	**34**	32	27	24	22
Average aircraft utilization (hours per day)	**8.5**	8.8	9.1	9.3	9.2
Number of FTE employees at year-end	**2,857**	2,449	2,133	1,889	1,624
Astral Aviation, Inc., d/b/a Skyway Airlines, The Midwest Express Connection:					
Revenue passenger miles (000s)	**112,610**	84,517	77,547	69,277	71,165
Available seat miles (000s)	**247,623**	170,428	160,772	158,912	160,488
Passenger load factor (%)	**45.5 %**	49.6 %	48.2 %	43.6 %	44.3 %
Revenue yield (cents per RPM)	**52.4**	52.7	52.9	55.1	52.7
Revenue per scheduled service ASMs (2)	**23.9**	26.3	26.9	24.1	23.5
Cost per total ASM (cents per mile)	**25.5**	25.2	23.7	23.8	21.6
Aircraft in service at year-end (3)	**20**	19	15	15	15
Average aircraft utilization (hours per day)	**7.5**	8.2	8.1	7.7	7.8
Number of FTE employees at year-end	**523**	424	322	277	245

(1) Revenue passenger miles, available seat miles, passenger load factor and revenue yield are for scheduled service operations. The other statistics include charter operations.

(2) Passenger, cargo and other transport-related revenue divided by scheduled service ASMs.

(3) Aircraft acquired but not yet placed in service are excluded from the aircraft in service statistics.

Results of Operations

2000 Overview

2000 operating income for Midwest Express Holdings, Inc. (the "Company") was $6.9 million, a decrease of $53.9 million from 1999. Net income in 2000 decreased by $38.3 million to $0.5 million. The unfavorable change in financial results was primarily caused by higher fuel prices, increased labor and aircraft maintenance costs, decreased aircraft utilization, and lower passenger load factors.

The Company increased traffic, as measured by scheduled service revenue passenger miles ("RPMs"), by 2.2%, while capacity increased 7.8%. Capacity, as measured by available seat miles ("ASMs"), at Astral Aviation, Inc., doing business as Skyway Airlines, The Midwest Express Connection ("Astral"), increased 45.3% due to five new regional jets in scheduled service for the entire year. Capacity at Midwest Express Airlines, Inc. ("Midwest Express") increased 5.7% due to the addition of two MD-80 aircraft into scheduled service. Capacity at both operating units was constrained by a shortage of trained pilots to support the Company's growth plan and an increase in flight cancellations, which resulted in abnormally low aircraft utilization.

Midwest Express revenue from cargo, charter and other services decreased $0.1 million, or 0.3%, in 2000. Increased charter revenue was mostly offset by lower cargo and mail volumes.

Operating expenses increased $86.3 million, or 22.3%, to $473.1 million. On a cost per available seat mile basis, costs increased 12.7% at Midwest Express (3.6% excluding the impact of higher fuel prices) and increased 1.5% at Astral (decreased 3.4% excluding the impact of higher fuel prices). Higher fuel prices caused the Company's costs to increase $36.1 million, as into-plane costs per gallon increased 63.7%. The $10 one-way fuel surcharge implemented in February and increased to $20 in September 2000 offset some of the impact of higher fuel prices in 2000. Unit costs also increased due to lower aircraft utilization as a result of a shortage of pilots and higher number of flight cancellations. In addition, the Company's labor costs increased 20.2% primarily due to the addition of maintenance and flight operations employees hired to support the growth plan. Pilot costs also increased as a result of higher wages associated with a new five-year contract and compliance with the new Federal Aviation Administration ("FAA") mandated crew rest/reserve rules. Cost changes are further explained in the sections that follow.

The following table provides operating revenues and expenses for the Company expressed as cents per total available seat miles ("ASMs"), including charter operations, and as a percentage of total operating revenues for 2000, 1999 and 1998:

	2000		1999		1998	
	Per Total ASM	**%**	Per Total ASM	%	Per Total ASM	%
Operating revenues:						
Passenger service	**12.76¢**	**91.5%**	12.75¢	90.9%	13.12¢	90.8%
Cargo	**0.32**	**2.3%**	0.37	2.7%	0.44	3.0%
Other	**0.86**	**6.2%**	0.91	6.4%	0.90	6.2%
Total operating revenues	**13.94**	**100.0%**	14.03	100.0%	14.46	100.0%
Operating expenses:						
Salaries, wages and benefits	**4.41**	**31.6%**	3.95	28.2%	4.18	28.9%
Aircraft fuel and oil	**2.72**	**19.5%**	1.67	11.9%	1.60	11.0%
Commissions	**0.74**	**5.3%**	0.96	6.8%	1.12	7.7%
Dining services	**0.73**	**5.2%**	0.75	5.3%	0.73	5.0%
Station rental/landing/other	**1.01**	**7.3%**	0.96	6.8%	0.96	6.7%
Aircraft maintenance materials/repairs	**1.58**	**11.3%**	1.44	10.3%	1.37	9.5%
Depreciation and amortization	**0.49**	**3.6%**	0.41	2.9%	0.37	2.6%
Aircraft rentals	**0.71**	**5.1%**	0.63	4.5%	0.72	5.0%
Other	**1.35**	**9.7%**	1.35	9.7%	1.34	9.3%
Total operating expenses	**13.74¢**	**98.6%**	12.12¢	86.4%	12.39¢	85.7%
Total ASMs (millions)	**3,443.7**		3,190.4		2,689.7	

Note: Numbers in this table may not be recalculated due to rounding.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Operating Revenues

The Company's operating revenues totaled $480.0 million for 2000, a $32.5 million, or 7.3%, increase over 1999. Passenger revenues accounted for 91.5% of total revenues and increased $32.6 million, or 8.0%, from 1999 to $439.4 million. The increase was primarily attributable to a 5.7% increase in revenue yield and a 2.2% increase in passenger volume, as measured by revenue passenger miles.

Midwest Express passenger revenue increased $18.1 million, or 5.0%, from 1999 to $380.4 million. This increase was caused by a 4.2% increase in revenue yield and an increase of .8% in passenger volume. Total Midwest Express capacity, as measured by scheduled service ASMs, increased 5.7% due to additional aircraft in service during 2000. Capacity was constrained by a shortage of trained pilots to support the Company's growth plan, by compliance with the new FAA-mandated crew rest/reserve rules, and by an increase in flight cancellations. Load factor decreased from 65.4% in 1999 to 62.4% in 2000 due to poor performance of the Indianapolis operation, a threat of a pilots' strike in the first quarter, and increased competition on some routes.

Astral passenger revenue increased $14.5 million, or 32.5%, from 1999 to $59.0 million. Traffic increased 33.2% on a 45.3% increase in capacity due to the operation of five regional jets during most of 2000. Load factor decreased from 49.6% in 1999 to 45.5% in 2000.

The Company's revenue from cargo, charter and other services decreased $0.1 million, or 0.3%, in 2000. Although charter revenues increased $1.2 million in 2000, anticipated revenues were constrained when the dedicated charter aircraft was extensively damaged by a third party in early November and a majority of charter services were subcontracted to other airlines. Mail volumes decreased in 2000 as more mail was transported by ground transportation or dedicated freight carriers. Freight volumes declined because of increased competition.

Operating Expenses
2000 operating expenses increased $86.3 million, or 22.3%, from 1999, primarily due to higher fuel prices and increased labor and aircraft maintenance costs. Aircraft utilization decreased significantly in the second half of the year due to flight cancellations related to poor weather, maintenance issues and a shortage of trained pilots to support the Company's growth plan and comply with the revised FAA-mandated crew rest/reserve rules. Because of this, Midwest Express operated only 1.9% more flights during the year, although it had two additional aircraft in service. Astral had similar issues with higher fuel prices and low utilization: the regional jets operated at about 70% utilization, but had the infrastructure to support full utilization. Offsetting higher costs in most categories were lower commission costs and no profit sharing. On a cost per total ASM basis, Midwest Express' operating expenses increased 12.7%, from 11.5¢ to 13.0¢ in 2000, and cost per total ASM at Astral increased 1.5%, from 25.2¢ to 25.5¢.

Salaries, wages and benefits increased $25.5 million, or 20.2%, from 1999 to $151.7 million. On a cost per total ASM basis, these costs increased 11.4%, from 4.0¢ in 1999 to 4.4¢ in 2000. The labor cost increase reflects the addition of 507 full-time equivalent employees (408 at Midwest Express and 99 at Astral) from 1999 and increases in labor rates. Midwest Express added employees throughout the organization to support the two additional aircraft placed in service. Midwest Express also added mechanics to support growth, and complete aircraft modifications and repairs more efficiently. Pilot costs at Midwest Express increased due to a 2.5% contract signing bonus, increased wage rates associated with the new contract, and the implementation of the new FAA-mandated interpretation of crew rest/reserve rules, which added the equivalent of 18 pilots with no increased flying. These increases were partially offset by a $4.8 million reduction in the profit sharing and management incentive plans.

Aircraft fuel and oil and associated taxes increased $40.5 million, or 76.1%, to $93.7 million in 2000. Into-plane fuel prices increased 63.7% in 2000, averaging $1.01 per gallon in 2000 versus 61.4¢ per gallon in 1999, generating a $36.1 million unfavorable price variance. The Company has managed the price risk of fuel to some extent by purchasing commodity options that establish ceiling prices. The Company hedged 25% of first quarter 2000 fuel prices but did not hedge other fuel requirements. The Company experienced continued high fuel costs in January 2001, averaging $1.02 per gallon.

Commissions decreased $5.1 million, or 16.7% to $25.4 million. The decrease was primarily due to a new commission rate structure that reduced base travel agent commissions from 8% to 5% effective October 1999. In addition, the Company realized savings due to increased travel booked directly through its reservations centers, Midwest Express Web site, other travel-related Web sites and ticket counters.

The Company's dining services costs increased $1.2 million, or 5.0%, from 1999 to $25.1 million. The increase was primarily due to a 4.1% increase in food and services prices. Total dining services costs (including food, beverages, linen, catering equipment and supplies) increased from $11.60 per Midwest Express passenger in 1999 to $12.08 in 2000.

Station rental, landing and other fees increased $4.4 million, or 14.4%, from 1999 to $34.9 million. The increase was caused by 14.8% more flight segments at Astral and higher airport costs throughout the system. On a cost per ASM basis, these costs increased 6.0%.

The Company's aircraft maintenance, materials and repairs increased by $8.2 million, or 17.8%, from 1999 to $54.3 million. Midwest Express' maintenance costs increased $5.9 million, or 14.7%, to $45.8 million, and Astral's maintenance costs increased $2.4 million, or 38.3%, to $8.5 million. The Company's aircraft maintenance costs increased 9.1% on a cost per total ASM basis. The increase was attributable to higher-than-expected costs for engine repairs, increased costs associated with transition to the new MSG-3 aircraft maintenance program, and higher use of contract labor.

Depreciation and amortization increased $3.8 million, or 28.7%, from 1999 to $17.0 million. The increase was primarily the result of the depreciation associated with two additional MD-80 aircraft placed into service, aircraft noise hushkits and capital spending associated with the start-up of the regional jet program. Depreciation increased 19.3% on a cost per total ASM basis due to lower aircraft utilization.

Aircraft rental costs increased $4.5 million, or 22.5%, from 1999 to $24.5 million. The increase from 1999 was primarily the result of Astral leasing five new regional jets and Midwest Express completing a sale/leaseback on one MD-80 aircraft in September 1999. On a cost per total ASM basis, these costs increased 13.4%.

Other operating expenses increased by $3.4 million, or 7.8%, from 1999 to $46.6 million. The increase was due to cost increases in advertising, aircraft simulator rentals, Frequent Flyer program expenses, crew hotel rooms, charter costs and other items. This increase was partially offset by a nonrecurring $2.7 million favorable settlement of a sales and use tax dispute on meals boarded on aircraft in Wisconsin. On a cost per ASM basis, these costs decreased 0.1%.

Interest Income and Interest Expense
Interest income reflects interest earned on the Company's cash and cash equivalents. Interest expense consists of mortgage interest associated with the Company's headquarters building and interest on the short-term note payable.

Provision for Income Taxes
Income tax expense in 2000 was $0.3 million, a decrease of $22.6 million from 1999. The effective tax rates for 2000 and 1999 were 36.4% and 37.1% respectively. For purposes of calculating the Company's income tax expense and effective tax rates, the Company treats amounts payable to Kimberly-Clark Corporation under a tax allocation and separation agreement entered into in connection with the Company's initial public offering, as if they were payable to taxing authorities.

Cumulative Effect of Accounting Changes
The Company's cumulative effect of accounting changes, net of applicable tax, totaled ($4.7) million. The charge was ($7.8) million, net of tax, for a change in accounting methods for Frequent Flyer partner miles, partially offset by a $3.1 million, net of tax, adjustment for major airframe maintenance due to the Company's transition to dividing major maintenance events into smaller, more frequent events, and to expense all airframe maintenance costs as they are incurred.

Net Income
Net income was $0.5 million, a decrease of $38.3 million from 1999. The net income margin decreased from 8.7% in 1999 to 0.1% in 2000.

Year Ended December 31, 1999
Compared to Year Ended December 31, 1998

Operating Revenues
The Company's operating revenues totaled $447.6 million in 1999, a $58.7 million, or 15.1%, increase over 1998. Passenger revenue accounted for 90.9% of total revenues and increased $53.9 million, or 15.3%, from 1998 to $406.8 million. The increase was primarily attributable to a 20.1% increase in passenger volume, as measured by revenue passenger miles, offset by a 4.0% decrease in revenue yield.

Midwest Express' passenger revenue of $362.3 million increased $50.4 million, or 16.2%, from 1998. This increase was caused by a 16.8% increase in passengers carried. Total capacity increased 19.8% due to five additional aircraft in scheduled service. Also, load factor increased from 65.0% in 1998 to 65.4% in 1999 due to continued strong travel demand. Revenue yield decreased 3.7%, to 18.5¢ in 1999, from 19.2¢ in 1998 due to longer aircraft flight segments, competitive pricing pressure in several markets and operating larger aircraft on certain routes.

Passenger revenue at Astral increased $3.5 million, or 8.4%, in 1999 to $44.5 million. This increase was caused by a 9.2% increase in passengers carried, offset by a 0.5% decrease in revenue yield. Total capacity increased 6.0% due to four additional jet aircraft in service in fourth quarter 1999. Load factor increased from 48.2% to 49.6% in 1999 due to continued strong travel demand.

Revenue from other services increased $4.7 million, or 19.3%, in 1999 to $28.8 million. Midwest Express benefited from revenue increases of $3.1 million from the Midwest Express MasterCard program, $1.0 million from Frequent Flyer partnership programs, $0.8 million in fees from ticket exchanges and $0.2 million in ground handling services for other airlines. Partially offsetting these increases were decreases of $0.3 million in charter revenue and $0.2 million in maintenance services for other airlines.

Operating Expenses
1999 operating expenses increased $53.6 million, or 16.1%, from 1998 to $386.8 million, primarily due to an increase in flight segments. On a cost per total ASM basis, Midwest Express' operating expenses decreased 2.7%, from 11.82¢ to 11.50¢ in 1999, and cost per total ASM at Astral increased 6.1%, from 23.70¢ to 25.15¢ in 1999.

Salaries, wages and benefits increased $13.9 million, or 12.3%, from 1998 to $126.2 million. On a cost per total ASM basis, these costs decreased from 4.18¢ in 1998 to 3.95¢, or 5.5%, in 1999. Major contributors to the labor cost increase were the addition of 418 full-time equivalent employees from 1998, increases in labor rates and increased benefit costs. Midwest Express added employees throughout the organization to support aircraft placed in service in 1999; Astral added employees to support ramp and gate operations at the Milwaukee airport and the start-up of the regional jet program. The labor rate increase was due to an increase in pay scales for most operations employees at Midwest Express effective January 1999, as well as merit increases for salaried employees. These rate adjustments were implemented based on industry salary surveys and management's desire to increase pay scales to maintain a competitive position in the industry. These increases were partially offset by a $5.0 million reduction in the employee profit sharing and management incentive plans. These plans, which are payable annually, are generally based upon increasing operating income year over year. The incremental change in operating income for 1999 versus 1998 was significantly less than the incremental change from 1998 to 1997. Therefore, accruals for these programs were $5.0 million less in 1999.

Aircraft fuel, oil and associated taxes increased $10.3 million, or 24.0%, from 1998 to $53.2 million. Fuel consumption increased 14.4% from 1998, primarily because Midwest Express operated 13.0% more aircraft flight hours and used larger aircraft with higher fuel usage per hour. Into-plane fuel prices (which represent the Company's cost after the effect of hedging) increased 8.1% in 1999, averaging 61.4¢ per gallon versus 56.8¢ per gallon in 1998.

Commissions to travel agents and credit card companies increased $.4 million, or 1.4%, to $30.5 million. Commissions as a percentage of passenger revenue decreased to 7.5% in 1999 from 8.5% in 1998. Most of this reduction was due to a cap placed on travel agent commissions of $25 one way and $50 roundtrip, implemented February 1, 1999, and a new commission rate structure that reduced base commissions from 8% to 5% effective October 19, 1999. In addition, more ticket sales were generated in 1999 from direct sales via the Company's reservation center, Web site and ticket counters.

The Company's dining services increased $4.3 million, or 21.7%, to $23.9 million, primarily due to a 16.8% increase in passenger volume at Midwest Express. Total dining services costs (including food, beverages, linen, catering equipment and supplies) increased from $11.17 per Midwest Express passenger in 1998 to $11.60 in 1999.

Station rental, landing and other fees increased $4.6 million, or 17.6%, in 1999. Midwest Express incurred higher ground handling fees, landing fees and facility costs due to expanded operations.

Aircraft maintenance, materials and repairs increased $9.1 million, or 24.7%, from 1998 to $46.1 million. Midwest Express' maintenance costs increased $8.0 million, or 25.0%, and Astral's maintenance costs increased $1.1 million, or 22.5%. Midwest Express' increase was caused by a significant number of airframe maintenance, aircraft refurbishment and heavy checks requiring extensive use of contract labor, more flight hours at Midwest Express, and higher material and aircraft component repair costs. Increased costs at Astral were caused by more flight hours, utilization of contract mechanics, and higher material and aircraft component repair costs.

Depreciation and amortization increased $3.2 million, or 31.8%, in 1999 to $13.2 million, primarily the result of depreciation associated with four MD-80 aircraft placed in service during 1999.

Aircraft rental costs increased $.7 million, or 3.8%, in 1999 to $20.0 million as a result of Astral leasing five Fairchild Dornier 328JETs in the second half of the year and Midwest Express leasing one MD-80 aircraft. Those costs were partially offset by lower lease costs for two leased MD-88 aircraft that were re-negotiated in 1999.

Other operating expenses increased $7.1 million, or 19.8%, from 1998. Other operating expenses consist primarily of advertising and promotion, insurance, property taxes, reservation fees, administration and other items. The increase was primarily due to higher professional and financial services costs, higher booking fees associated with record passenger volume, an increase in advertising and promotion to support new service, higher flight simulator rental costs to support increased pilot training, increased costs for crew hotel rooms, higher legal fees, and a $1.1 million nonrecurring airport rental credit received from Milwaukee County in 1998.

Interest Income and Interest Expense
Interest income reflects interest earned on the Company's cash and cash equivalents. Interest expense consists primarily of mortgage interest associated with the Company's headquarters building.

Provision for Income Taxes
Income tax expense in 1999 was $22.9 million, an increase of $1.7 million from 1998.

Net Income
Net income increased $2.9 million, or 8.1%, in 1999. The net income margin decreased to 8.7% in 1999 from 9.2% in 1998.

Liquidity and Capital Resources

The Company's cash and cash equivalents totaled $15.7 million at December 31, 2000, compared with $16.0 million at December 31, 1999. Net cash provided by operating activities totaled $42.9 million during 2000. Net cash used in investing activities totaled $56.3 million, primarily due to capital expenditures of $56.2 million. Net cash provided by financing activities totaled $13.0 million during 2000.

The Company had a working capital deficit of $69.1 million as of December 31, 2000, versus a $37.1 million deficit on December 31, 1999. The working capital deficit is due to a $20.0 million note payable for short-term liquidity needs and an increase of $18.0 million in the Company's air traffic liability to $54.4 million. Air traffic liability represents deferred revenue for advance bookings, whereby passengers have purchased tickets for future flights, which is recognized when the passenger travels. Because of the air traffic liability, the Company expects to operate at a working capital deficit, which is not unusual for the industry.

As of December 31, 2000, the Company has a $55.0 million revolving bank credit facility. The Company borrowed $20.0 million under the revolving bank credit facility in the fourth quarter of 2000. The Company also used the revolving agreement to obtain letters of credit totaling approximately $9.5 million, which reduces the amount of available credit. The outstanding letters of credit are used to support financing on the Company's maintenance facility and for various other purposes.

Capital expenditures totaled $56.2 million for the period ended December 31, 2000. Expenditures consisted primarily of aircraft acquisition and refurbishment costs. Other capital expenditures included construction of a new training facility and an airport lounge, engine overhauls, spare aircraft parts, and costs associated with information technology projects. The Company expects to spend about $80.0 million on capital expenditures in 2001, $55.0 million of which will be associated with the acquisition and refurbishment of aircraft. The remaining capital spending will include the construction of a new maintenance facility for Astral, engine overhauls and spare parts, and costs associated with improving and maintaining the Company's information technology systems.

During 1999, the Company signed a purchase agreement to acquire four additional MD-80 series aircraft. The Company financed the first delivery in 2000 using internal cash flow. The remaining three aircraft will be delivered during 2001. The Company will evaluate financing alternatives at that time.

Leases for three Midwest Express aircraft are guaranteed by Kimberly-Clark Corporation. The Company pays Kimberly-Clark a guarantee fee equal to 1.25% annually of the outstanding lease commitments. Kimberly-Clark will continue to guarantee the leases for the three aircraft until the expiration of their initial lease terms. These jet aircraft leases are scheduled to expire in 2001, but may be renewed for another 33 months. Aircraft lease guarantee fees will be immaterial in 2001.

Astrals' five regional jet aircraft acquired in 1999 and 2000 were financed via operating leases over a period of 16.5 years.

The Company's Board of Directors has authorized a $30.0 million common stock repurchase program. During 2000, the Company repurchased 276,290 shares of common stock at a cost of $6.0 million. As of December 31, 2000, the Company has repurchased a total of 842,015 shares of common stock at a cost of $17.0 million under the share repurchase program.

In October 1998, Midwest Express moved into a newly constructed maintenance facility that is owned by Milwaukee County and located at General Mitchell International Airport. To finance the $8.2 million project, the City of Milwaukee issued variable-rate demand industrial development revenue bonds. The Company's variable rent payments are based on the current interest rate of the City of Milwaukee's outstanding bonds over the 32-year lease term. The bonds are secured by a promissory note between Midwest Express and the City of Milwaukee, with further security provided by Firstar Bank, National Association.

The Company believes existing cash and cash equivalents, cash flow from operations, funds available from credit facilities, and available long-term financing for the acquisition of jet aircraft will be adequate to meet its current and anticipated working capital requirements and capital expenditures.

Market Risk

Quantitative and Qualitative Disclosures about Market Risk – The Company's primary market risk exposures include commodity price risk (i.e. aircraft fuel prices) and interest rate risk. The Company's operating results are significantly impacted by changes in the price of aircraft fuel. The Company manages the price risk of fuel by purchasing commodity options that establish ceiling prices. Any premiums paid to enter into option contracts are recorded as prepaid expense and amortized to fuel expense over their respective option life. For 2000, aircraft fuel, oil and associated taxes (including the effect of any hedging) represented 19.8% of the Company's total operating expenses. Based on the Company's fiscal 2001 fuel consumption estimate of 115 million gallons, a one-cent increase in the average annual price per gallon of aviation fuel would increase the Company's fuel expense by approximately $1.1 million. As of December 31, 2000, the Company has not hedged fuel purchases in the first quarter 2001 or beyond.

Exposure to interest rate risk relates primarily to the Company's cash equivalents and short-term investment portfolios, and interest expense from floating rate debt instruments. Market risk associated with the Company's long-term debt is the potential increase in fair value resulting from a decrease in interest rates. A 10% change would not have a material impact on the Company's interest expense associated with fixed or variable rate debt. If short-term interest rates average 10% more in 2001 than they did during 2000, there would be no material impact on the Company's interest income.

Pending Developments

Forward-Looking Statements – This *Annual Report*, particularly this Pending Developments section, contains forward-looking statements that may state the Company's or management's intentions, hopes, beliefs, expectations or predictions for the future. In the following discussion and elsewhere in the report, statements containing words such as "expect," "anticipate," "believe," "estimate," "goal," "objective" or similar words are intended to identify forward-looking statements. It is important to note that the Company's actual results could differ materially from those projected results due to factors that include but are not limited to uncertainties related to general economic factors, industry conditions, labor relations, scheduling developments, government regulations, aircraft maintenance and refurbishment schedules, potential delays related to acquired aircraft, fuel costs, competitive developments and interest rates. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in the Company's SEC filings, including but not limited to the Company's prospectus dated May 23, 1996 included in the Registration Statement on Form S-1 No. 333-03325.

MD-80 Series Aircraft – In November 1999, the Company signed a purchase agreement to acquire four MD-80 series aircraft previously operated by Scandinavian Airlines System ("SAS"). One aircraft was delivered in September 2000 and the remaining three will be delivered in February, June and November 2001. After refurbishment and modification, three aircraft are expected to enter scheduled service in 2001 and the fourth in 2002. The Company expects this project, including aircraft refurbishment, modification and support equipment, will cost $50.0 million. These four aircraft will be used to increase capacity on the Company's high-traffic routes and expand service in existing and new markets.

Regional Jet Aircraft – The Company currently operates five 32-passenger Fairchild Dornier 328JETs. A sixth aircraft was delivered in December 2000 and was placed in service in January 2001. Two additional 328JETs will be acquired in 2001, one in March and the other in May. The Company expected to acquire the Fairchild Dornier 428JET, which was designed as a 44-passenger derivative of the 328JET. Fairchild Dornier canceled its 428JET program in the third quarter of 2000. The Company is currently evaluating alternatives for its regional jet program in light of this cancellation, including disposal of the existing fleet of Fairchild Dornier 328JETs and acquisition of a different regional jet product. The Company filed a demand for arbitration with the American Arbitration Association. The respondent in this arbitration is Dornier Luftfahrt GmbH, now known as Fairchild Dornier. The Company alleges that Fairchild Dornier breached an aircraft purchase agreement by deciding not to produce its 428JET. The Company seeks damages in an amount not yet determined.

Capacity Growth – In 2001, capacity (as measured by scheduled services ASMs) is expected to increase 15%. This capacity growth is expected to result from improved aircraft utilization and additional aircraft in the Company's fleet.

Labor Relations – In April 1999, Midwest Express' flight attendants elected the Association of Flight Attendants ("AFA"), AFL-CIO, a labor union, for representation in collective bargaining. Negotiations began in January 2000. In September 2000, AFA requested assistance from the National Mediation Board. The Company and AFA continue in mediated negotiations.

Astral Maintenance Facility – In January 2001, the Company announced plans to construct a 72,000-square-foot maintenance facility in Milwaukee to provide maintenance support for Astral. The project is pending approval by the Milwaukee County Board and the county executive, and contingent upon obtaining City of Milwaukee industrial revenue bonds. The Company expects the cost of this project to be approximately $6 million.

REPORT OF MANAGEMENT

To the Shareholders of Midwest Express Holdings, Inc.:

The management of Midwest Express Holdings, Inc. is responsible for the preparation, content, integrity and objectivity of the financial statements and other information contained in this annual report. The financial statements were prepared using accounting principles generally accepted in the United States of America, applied on a consistent basis. The statements have been audited by Deloitte & Touche LLP, independent auditors, whose report appears on the next page.

The Company maintains a system of internal control that is supported by written policies and procedures, and is monitored by management and the internal audit function. Although all internal control systems have inherent limitations, including the possibility of circumvention and overriding controls, management believes the Company's internal control system provides reasonable assurance as to the integrity and reliability of the financial statements, and that its assets are safeguarded against unauthorized acquisition, use or disposition. Management takes appropriate actions to correct deficiencies as they are identified.

The Audit Committee of the Board of Directors is composed entirely of outside directors. The Committee meets periodically with the Company's management and internal audit function and with its independent auditors to review auditing, internal control and financial reporting matters.

Based on its assessment of internal control as of December 31, 2000, management believes its system of internal control over the preparation of financial statements and the safeguarding of assets is effective.

Timothy E. Hoeksema

Timothy E. Hoeksema
Chairman, President and Chief Executive Officer

Robert S. Bahlman

Robert S. Bahlman
Senior Vice President, Chief Financial Officer and Controller

To the Shareholders and Board of Directors of Midwest Express Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Midwest Express Holdings, Inc. and its subsidiary as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Midwest Express Holdings, Inc. and its subsidiary as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the consolidated financial statements, Midwest Express Holdings, Inc. changed its methods of accounting for major airframe maintenance as well as frequent flyer revenue in 2000.

Deloitte & Touche LLP

Milwaukee, Wisconsin
January 26, 2001

MIDWEST EXPRESS HOLDINGS, INC.
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	2000	1999	1998
Operating revenues:			
Passenger service	**$ 439,376**	$ 406,803	$ 352,933
Cargo	**11,092**	11,912	11,761
Other	**29,553**	28,837	24,180
Total operating revenues	**480,021**	447,552	388,874
Operating expenses:			
Salaries, wages and benefits	**151,667**	126,167	112,315
Aircraft fuel and oil	**93,709**	53,226	42,925
Commissions	**25,406**	30,499	30,080
Dining services	**25,076**	23,892	19,633
Station rental, landing and other fees	**34,897**	30,510	25,933
Aircraft maintenance materials and repairs	**54,283**	46,076	36,961
Depreciation and amortization	**17,006**	13,211	10,021
Aircraft rentals	**24,508**	20,014	19,290
Other	**46,591**	43,205	36,061
Total operating expenses	**473,143**	386,800	333,219
Operating income	**6,878**	60,752	55,655
Other income (expense):			
Interest income	**1,863**	1,117	1,727
Interest expense	**(339)**	(270)	(280)
Other, net	**(113)**	68	(75)
Total other income (expense)	**1,411**	915	1,372
Income before income taxes and cumulative effect of accounting changes	**8,289**	61,667	57,027
Provision for income taxes	**3,062**	22,876	21,158
Income before cumulative effect of accounting changes	**5,227**	38,791	35,869
Cumulative effect of accounting changes, net of applicable income taxes of $2,768	**(4,713)**	–	–
Net income	**$ 514**	$ 38,791	$ 35,869
Income per common share – basic:			
Income before cumulative effect of accounting changes	**$ .37**	$ 2.75	$ 2.54
Cumulative effect of accounting changes, net	**(.33)**	–	–
Net income	**$ .04**	$ 2.75	$ 2.54
Income per common share – diluted:			
Income before cumulative effect of accounting changes	**$ .37**	$ 2.71	$ 2.51
Cumulative effect of accounting changes, net	**(.33)**	–	–
Net income	**$ .04**	$ 2.71	$ 2.51

Refer to Note 6 for pro forma results of accounting changes.

See notes to consolidated financial statements.

MIDWEST EXPRESS HOLDINGS, INC.
AS OF DECEMBER 31, 2000 AND 1999
(DOLLARS IN THOUSANDS)

	2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 15,703**	$ 16,049
Accounts receivable:		
less allowance for doubtful accounts of $226 in 2000 and $166 in 1999	**15,850**	10,237
Inventories	**7,988**	7,270
Prepaid expenses:		
Commissions	**2,491**	2,168
Other	**2,606**	2,477
Total prepaid expenses	**5,097**	4,645
Deferred income taxes	**9,351**	4,687
Total current assets	**53,989**	42,888
Property and equipment, net	**242,875**	211,449
Landing slots and leasehold rights, less accumulated amortization of $2,878 in 2000 and $2,505 in 1999	**3,872**	4,244
Purchase deposits on flight equipment	**1,900**	2,000
Other assets	**3,361**	3,248
Total assets	**$ 305,997**	$ 263,829
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 6,216**	$ 4,796
Notes payable	**20,000**	–
Air traffic liability	**54,440**	36,428
Accrued liabilities:		
Scheduled maintenance expense	**6,914**	3,897
Accrued profit sharing	**–**	4,957
Vacation pay	**5,718**	4,840
Frequent Flyer awards	**2,281**	4,001
Other	**27,556**	21,023
Total current liabilities	**123,125**	79,942
Long-term debt	**2,886**	3,068
Deferred income taxes	**21,694**	14,283
Noncurrent scheduled maintenance expense	**7,566**	16,991
Accrued pension and other postretirement benefits	**7,909**	9,115
Deferred Frequent Flyer partner revenue	**7,517**	–
Other noncurrent liabilities	**6,024**	6,891
Total liabilities	**176,721**	130,290
Shareholders' equity:		
Preferred stock, without par value, 5,000,000 shares authorized, no shares issued or outstanding	**–**	–
Common stock, $.01 par value, 25,000,000 shares authorized, 14,549,531 shares issued in 2000 and 14,543,231 in 1999	**145**	145
Additional paid-in capital	**11,609**	11,147
Treasury stock, at cost; 742,680 shares in 2000 and 531,104 shares in 1999	**(15,991)**	(10,752)
Retained earnings	**133,513**	132,999
Total shareholders' equity	**129,276**	133,539
Total liabilities and shareholders' equity	**$ 305,997**	$ 263,829

See notes to consolidated financial statements.

MIDWEST EXPRESS HOLDINGS, INC.
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(DOLLARS IN THOUSANDS)

	2000	1999	1998
Operating activities:			
Net income	**$ 514**	$ 38,791	$ 35,869
Items not involving the use of cash:			
Cumulative effect of accounting changes, net	**4,713**	-	-
Depreciation and amortization	**17,006**	13,211	10,021
Deferred income taxes	**2,747**	1,470	272
Other	**5,674**	5,565	4,974
Changes in operating assets and liabilities:			
Accounts receivable	**(2,845)**	(629)	(3,704)
Inventories	**(718)**	(3,250)	(78)
Prepaid expenses	**(452)**	1,713	(2,990)
Accounts payable	**1,420**	(168)	(496)
Accrued liabilities	**3,811**	789	11,769
Air traffic liability	**9,897**	1,143	6,352
Deferred Frequent Flyer partner revenue	**1,151**	-	-
Net cash provided by operating activities	**42,918**	58,635	61,989
Investing activities:			
Capital expenditures	**(56,209)**	(67,206)	(74,332)
Aircraft acquisitions and modifications financed by or intended to be financed by sale and leaseback transactions	**-**	-	557
Purchase deposits on flight equipment	**100**	(2,983)	(10,800)
Proceeds from sale of property and equipment	**243**	89	336
Other	**(410)**	(1,438)	451
Net cash used in investing activities	**(56,276)**	(71,538)	(83,788)
Financing activities:			
Proceeds from sale and leaseback transactions	**-**	15,951	4,492
Purchase of treasury stock	**(5,982)**	(4,253)	(2,003)
Proceeds from debt issuance	**20,000**	-	-
Other	**(1,006)**	3,799	699
Net cash provided by financing activities	**13,012**	15,497	3,188
Net (decrease) increase in cash and cash equivalents	**(346)**	2,594	(18,611)
Cash and cash equivalents, beginning of year	**16,049**	13,455	32,066
Cash and cash equivalents, end of year	**$ 15,703**	$ 16,049	$ 13,455
Supplemental cash flow information:			
Cash paid for:			
Income taxes	**$ 2,294***	$ 20,668*	$ 22,754*
Interest	**$ 259**	$ 270	$ 280
Supplemental schedule of investing activities:			
Transfer of flight equipment from purchase deposits to property and equipment	**$ -**	$ 14,366	$ 11,917
Accrued capital expenditures	**1,034**	1,372	-
Spare parts credit	**-**	1,350	-

* *Included in taxes paid are amounts paid to Kimberly-Clark in accordance with the Tax Agreement totaling $1,866 in 2000, $4,047 in 1999 and $4,535 in 1998.*

See notes to consolidated financial statements.

MIDWEST EXPRESS HOLDINGS, INC.
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(DOLLARS IN THOUSANDS)

	Common Stock, $.01 par value	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total Shareholders' Equity
Balances at December 31, 1997	$ 96	$ 9,531	$ (4,572)	$ 58,343	$ 63,398
Net income	-	-	-	35,869	35,869
Stock split effected in the form of a dividend	49	(49)	-	-	-
Purchase of 65,300 shares of treasury stock	-	-	(2,003)	-	(2,003)
Issuance of treasury stock upon exercise of stock options and related tax benefits	-	122	132	-	254
Other	-	76	42	(4)	114
Balances at December 31, 1998	145	9,680	(6,401)	94,208	97,632
Net income	-	-	-	38,791	38,791
Purchase of 147,100 shares of treasury stock	-	-	(4,253)	-	(4,253)
Issuance (receipt) of common stock upon exercise of stock options and related tax benefits	-	1,395	(104)	-	1,291
Other	-	72	6	-	78
Balances at December 31, 1999	145	11,147	(10,752)	132,999	133,539
Net income	-	-	-	514	514
Purchase of 276,290 shares of treasury stock	-	-	(5,982)	-	(5,982)
Issuance of common stock upon exercise of stock options and related tax benefits	-	324	667	-	991
Other	-	138	76	-	214
Balances at December 31, 2000	$ 145	$ 11,609	$ (15,991)	$ 133,513	$ 129,276

See notes to consolidated financial statements.

MIDWEST EXPRESS HOLDINGS, INC.
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

Note 1. Business and Basis of Presentation

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Midwest Express Holdings, Inc. (the "Company") and its subsidiary, which is wholly owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

Midwest Express Airlines, Inc. ("Midwest Express") is a U.S. air carrier providing scheduled passenger service to 29 destinations in North America. Midwest Express also provides aircraft charter services, air freight and other airline services. In May 1994, Midwest Express established Omaha, Nebraska, as its first base of operations outside of Milwaukee, Wisconsin, and currently provides nonstop jet service between Omaha and six destinations. In September 2000, Midwest Express established Kansas City, Missouri, as its third base of operations and currently provides nonstop jet service between Kansas City and eight destinations. Astral Aviation, Inc., doing business as Skyway Airlines, The Midwest Express Connection ("Astral"), provides regional scheduled passenger service to cities primarily in the Midwest. Astral is a wholly owned subsidiary of Midwest Express Airlines.

Stock Splits

On April 22, 1998, the Company announced that its Board of Directors had approved a plan to split its stock 3-for-2 in the form of a 50% stock dividend. The new shares were issued May 27, 1998, to shareholders of record as of May 11, 1998.

Note 2. Accounting Policies

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America and to accounting practices generally followed in the airline industry. Significant policies followed are described below.

Cash and Cash Equivalents

The Company considers all highly liquid investments with purchased maturities of three months or less to be cash equivalents. They are carried at cost, which approximates market.

Inventories

Inventories consist primarily of aircraft maintenance parts, maintenance supplies and fuel stated at the lower of cost on the first-in, first-out (FIFO) method or market, and are expensed when used in operations.

Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line method applied to each unit of property for financial reporting purposes and by use of accelerated methods for income tax purposes. Aircraft are depreciated to estimated residual values, and any gain or loss on disposal is reflected in income. The depreciable lives for the principal asset categories are as follows:

Asset Category	Depreciable Life
Flight equipment	10 to 15 years
Other equipment	5 to 8 years
Office furniture and equipment	5 to 20 years
Buildings	40 years
Building improvements	Lesser of 20 years or remaining life of building

Other Assets

Airport take-off and landing slots have historically appreciated in value, and are occasionally traded, sold or leased among airlines. The cost of take-off and landing slots is amortized on the straight-line method over 20 years consistent with industry practice. The cost of airport leasehold rights is amortized on the straight-line method over the term of the lease. The cost of capitalized software is amortized on the straight-line method over five years or less.

Impairment of Long-Term Assets

Periodically the carrying value of long-lived assets is evaluated in accordance with Statement of Financial Accounting Standards ("SFAS"), No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The Federal Aviation Administration has designated John F. Kennedy International Airport ("Kennedy") and La Guardia Airport ("La Guardia") in New York, O'Hare International Airport ("O'Hare") in Chicago and Ronald Reagan Washington National Airport ("Reagan National") in Washington, D.C. as "high density traffic airports" and has limited the number of departure and arrival slots at these airports. In April 2000, legislation was signed eliminating slot restrictions beginning in 2001 at O'Hare and in 2007 at La Guardia and Kennedy. The Company has slots at La Guardia and Reagan National. As a result of the passage of this legislation, the Company adjusted the book life of its La Guardia slots. The affect of the adjustment on the asset was immaterial.

Revenue Recognition

Passenger and cargo revenues are recognized in the period when the service is provided. A portion of the revenue from the sale of Frequent Flyer mileage credit is deferred and recognized when transportation is provided to the passenger. Contract maintenance revenue is recognized when work is completed and invoiced. The estimated liability for sold, but unused, tickets is included in current liabilities as air traffic liability.

Advertising Expense

Advertising costs are charged to expense in the year incurred. Advertising expense for the years ended December 31, 2000, 1999 and 1998 was $6.9 million, $5.6 million and $4.8 million, respectively.

Maintenance and Repair Costs

Routine maintenance and repair costs for owned and leased aircraft are charged to expense when incurred. Effective January 1, 2000, the Company changed its accounting policy associated with major maintenance on airframes in conjunction with the Company's efforts to divide major maintenance events into smaller, more frequent events; as a result, the Company expensed airframe maintenance costs as they were incurred. In the past, major airframe costs were either (1) accrued to expense on the basis of estimated future costs and estimated flight hours between major maintenance events, or (2) capitalized when incurred and amortized on the basis of estimated flight hours until the next major maintenance event. Costs associated with major maintenance on aircraft engines will continue to use the deferral or accrual method. The actual maintenance and repair costs to be incurred could differ from the Company's estimates.

Frequent Flyer Program

The estimated incremental cost of providing future transportation in conjunction with the Company's Frequent Flyer program is accrued based on estimated redemption percentages applied to actual mileage recorded in members' accounts. The ultimate cost will depend on the actual redemption of Frequent Flyer miles and may be greater or less than amounts accrued at December 31, 2000.

Postretirement Health Care and Life Insurance Benefits

The costs of health care and life insurance benefit plans for retired employees are accrued over the working lives of employees in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes ("SFAS 109")." SFAS No. 109 requires that deferred income taxes be determined under the asset and liability method. Deferred income taxes have been recognized for the future tax consequences of temporary differences by applying enacted statutory tax rates applicable to differences between the financial reporting and the tax bases of assets and liabilities.

Income tax expense and deferred income tax assets and liabilities are reflected in the Company's financial statements in accordance with SFAS No. 109.

Leases
Rental obligations under operating leases for aircraft, facilities and equipment are charged to expense on the straight-line method over the term of the lease.

Hedging Transactions
The Company has at times entered into hedging arrangements to reduce its exposure to fluctuations in the price of jet fuel. There were no contracts entered into as of December 31, 2000 and minimal contracts as of December 31, 1999. Net settlements are recorded as adjustments to aircraft fuel expense.

Use of Estimates
The preparation of consolidated 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 year. Future results could differ from those estimates.

Accounting Standard to Be Adopted
In 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which amends certain provisions of SFAS No. 133 to clarify four areas causing difficulty in implementation. The Company evaluated the accounting and disclosure effects of SFAS No. 133 and the corresponding amendments under SFAS No. 138. The Company adopted SFAS No. 133 and the corresponding amendments under SFAS No. 138 on January 1, 2001. As of December 31, 2000, the Company had no derivative instruments.

Note 3. Property and Equipment
As of December 31, 2000 and 1999, property and equipment consisted of the following (in thousands):

	2000	1999
Flight equipment	**$ 262,119**	$ 230,341
Other equipment	**13,922**	12,611
Buildings and improvements	**26,379**	19,111
Office furniture and equipment	**16,203**	12,067
Construction in progress	**31,460**	34,288
	350,083	308,418
Less accumulated depreciation	**(107,208)**	(96,969)
Property and equipment, net	**$ 242,875**	$ 211,449

Note 4. Leases
The Company leases aircraft, terminal space, office space and warehouse space. Future minimum lease payments required under operating leases having initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2000 were as follows (in thousands):

Year ended December 31,	
2001	$ 26,071
2002	23,925
2003	23,174
2004	23,147
2005	22,778
2006 and thereafter	128,870
	$ 247,965

As of December 31, 2000, the Company had 13 of its jet aircraft in service under operating leases, three of which have been guaranteed by Kimberly-Clark Corporation ("Kimberly-Clark"). Prior to 1995, the Company was a member of the Kimberly-Clark consolidated group. These leases have expiration dates ranging from 2001 through 2011 and can generally be renewed, based on the fair market value at the end of the lease term, for one to three years. All of the leases include purchase options at or near the end of the lease term at fair market value, but generally not in excess of the lessor's defined cost of the aircraft.

As of December 31, 2000, the Company's turboprop fleet was financed under operating leases with initial lease terms of five to 12 years, and expiration dates ranging from 2001 through 2008. These leases permit renewal for various periods at rates approximating fair market value and purchase options at or near the end of the lease term at fair market value.

In the fourth quarter 1999, the Company entered into lease agreements to finance the acquisition of five Fairchild Dornier 328JETs. The leases run for a term of 16.5 years, with expiration for all leases occurring in 2015. These leases permit renewal for various periods at rates approximating fair market value and purchase options at or near the end of the lease term at fair market value.

In October 1998, Midwest Express moved into a newly constructed maintenance facility that is owned by Milwaukee County and located at General Mitchell International Airport. To finance the $8.2 million project, the City of Milwaukee issued variable-rate demand industrial development revenue bonds. The Company's variable rent payments are based on the current interest rate of the City of Milwaukee's outstanding bonds over the 32-year lease term. The bonds are secured by a promissory note between Midwest Express and the City of Milwaukee, with further security provided by Firstar Bank, National Association.

Rent expense for all operating leases, excluding landing fees, was $38,259,000, $31,096,000 and $28,088,000 for 2000, 1999 and 1998, respectively.

Note 5. Financing Agreements
At December 31, 2000, the Company had available a $55.0 million unsecured revolving credit facility with three banks. The bank credit facility requires an annual commitment fee of 12.5 basis points on the average unused commitment with interest payable on the outstanding principal balance at LIBOR plus 50 basis points. As of December 31, 2000, the Company borrowed $20 million under the revolving bank credit facility in fourth quarter 2000 for short-term liquidity needs. The interest rate at December 31, 2000 was 7.2%. The Company also used the revolving credit agreement to obtain letters of credit totaling $9.5 million that reduced the amount of available credit. The outstanding letters of credit are used to support financing on the Company's maintenance facility and for various other purposes.

In August 1997, the Company purchased its headquarters building, which it had previously leased. As part of the transaction, the Company assumed $3,487,000 of long-term debt. The mortgage note has an interest rate of 8.25% and is payable in monthly installments through April 2011. Future maturities of long-term debt for the next five years are as follows (in thousands):

Year ended December 31,	
2001	$ 182
2002	214
2003	233
2004	253
2005	274

The fair market value of the Company's borrowing under the mortgage note approximates its carrying value as of December 31, 2000.

Note 6. Cumulative Effect of Accounting Changes
Effective January 1, 2000, the Company adopted Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"), issued by the Securities and Exchange Commission in December 1999. SAB 101 provides guidance on the application of

generally accepted accounting principles to revenue recognition in financial statements. Prior to the issuance of SAB 101, the Company recognized all revenue from Frequent Flyer miles sold to partners, net of the incremental cost of providing future air travel, when the mileage was sold, which was consistent with most major airlines. Beginning January 1, 2000, as a result of adopting SAB 101, the Company changed its method used to account for the sale of Frequent Flyer mileage credits to participating partners such as credit card companies, hotels and car rental agencies. The cumulative effect of the change in accounting method was $(7.8) million (net of taxes of $4.6 million). Under the new accounting method, a portion of the revenue from the sale of Frequent Flyer mileage credits is deferred and recognized when transportation is provided to the passenger. The Company believes the new method appropriately matches revenues with the period in which services are provided.

Effective January 1, 2000, the Company also changed its accounting policy associated with major maintenance on airframes in conjunction with the Company's efforts to divide major maintenance events into smaller more frequent events; as a result, the Company expensed airframe maintenance costs as they are incurred. The cumulative effect of the change in accounting policy was $3.1 million (net of taxes of $1.8 million). In the past, major airframe costs were either (1) accrued to expense on the basis of estimated future costs and estimated flight hours between major maintenance events, or (2) capitalized when incurred and amortized on the basis of estimated flight hours until the next major maintenance event. Costs associated with major maintenance on aircraft engines will continue to use the deferral or accrual method.

The pro forma results, assuming that accounting changes were applied retroactively, are shown below (in thousands, except per share data):

Twelve months ended December 31, 1999

	Pro Forma	As Previously Reported
Net Income	$ 38,094	$ 38,791
Earnings per common share	$ 2.70	$ 2.75
Earnings per common share assuming dilution	$ 2.67	$ 2.71

Twelve months ended December 31, 1998

	Pro Forma	As Previously Reported
Net Income	$ 35,428	$ 35,869
Earnings per common share	$ 2.51	$ 2.54
Earnings per common share assuming dilution	$ 2.48	$ 2.51

Note 7. Net Income Per Share

Reconciliations of the numerator and denominator of the basic and diluted net income per share computations are summarized as follows (in thousands, except per share amounts):

	2000	1999	1998
Net Income Per Share – Basic:			
Income before cumulative effect of accounting changes	**$ 5,227**	$ 38,791	$ 35,869
Cumulative effect of accounting changes, net	**(4,713)**	–	–
Net income (numerator)	**514**	38,791	35,869
Weighted average shares outstanding (denominator)	**13,947**	14,121	14,102
Net income per share – basic	**$ 0.04**	$ 2.75	$ 2.54
Net Income Per Share – Diluted:			
Income before cumulative effect of accounting changes	**$ 5,227**	$ 38,791	$ 35,869
Cumulative effect of accounting changes, net	**(4,713)**	–	–
Net income (numerator)	**514**	38,791	35,869
Weighted average shares outstanding	**13,947**	14,121	14,102
Effect of dilutive securities:			
Stock options	**109**	160	196
Shares issuable under the 1995 Stock Plan for Outside Directors	**11**	12	8
Weighted average shares outstanding assuming dilution (denominator)	**14,067**	14,293	14,306
Net income per share – diluted	**$ 0.04**	$ 2.71	$ 2.51

Note 8. Shareholders' Equity

In 1996, the Board of Directors adopted a shareholder rights plan and made a dividend distribution of one Preferred Share Purchase Right ("Right") on each outstanding share of the Company's common stock. As a result of the 3-for-2 stock splits effected in May 1997 and 1998, four-ninths of a Right is now associated with each share of common stock. The Rights are exercisable only if a person or entity acquires 15% or more of the common stock of the Company or announces a tender offer for 15% or more of the common stock. Each Right initially entitles its holders to buy one one-hundredth share of the Company's Series A Preferred Stock at an exercise price of $100, subject to adjustment. If a person or entity acquires 15% or more of the Company's common stock, then each Right will entitle its holder to purchase, at the Right's then-current exercise price, Company common stock valued at twice the exercise price. The Board of Directors is also authorized to reduce the 15% threshold referred to above to not less than 10%. The Rights expire in 2006.

Under the Company's 1995 Stock Option Plan, the Compensation Committee of the Board of Directors may grant options, at its discretion, to certain employees to purchase shares of common stock. An aggregate of 1,548,900 shares of common stock is reserved for issuance under the Plan. Under the Plan, options granted have an exercise price equal to 100% of the fair market value of the underlying stock at the date of grant. Granted options become exercisable at the rate of 30% after the first year, 30% after the second year and the remaining 40% after the third year, unless otherwise determined, and have a maximum term of 10 years.

Transactions with respect to the Plan have been adjusted to reflect the effect of the two stock splits and are summarized as follows:

	Shares	Weighted Average Price
Options outstanding at January 1, 1998	541,125	$ 12.43
Granted	285,750	30.50
Exercised	(19,000)	11.90
Forfeited	(45,900)	24.41
Options outstanding at December 31, 1998	761,975	$ 18.49
Granted	309,250	29.27
Exercised	(77,150)	11.01
Forfeited	(72,850)	27.62
Options outstanding at December 31, 1999	921,225	$ 22.02
Granted	286,100	23.83
Exercised	(61,850)	11.69
Forfeited	(80,510)	28.30
Options outstanding at December 31, 2000	1,064,965	$ 22.63

Options exercisable with their weighted average exercise price as of December 31, 2000, 1999 and 1998 were: 548,710 options at $18.83, 391,200 options at $14.76 and 316,250 options at $10.17 respectively.

Options exercisable at December 31, 2000 consisted of:

Exercise Price	Number of Options
$ 8.00	145,250
14.00	22,500
15.14	22,500
16.11	161,825
25.94	2,445
26.78	2,445
29.22	65,220
30.28	1,350
30.52	120,150
31.00	1,290
32.56	1,290
33.63	2,445
	548,710

The following table summarizes information concerning currently outstanding options:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$8.00	145,250	4.7 years	$ 8.00
$14.00 - $19.50	232,825	6.5 years	15.97
$20.00 - $24.50	229,300	9.1 years	24.44
$25.00 - $29.50	237,890	8.2 years	28.90
$30.00 - $34.50	219,700	7.2 years	30.68
Options outstanding at December 31, 2000	1,064,965	7.4 years	$22.63

The Company has adopted the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). The Company has elected to continue to follow the provisions of Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees" and its related interpretations; accordingly, no compensation cost has been reflected in the financial statements for its stock option plan. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS 123, the Company's net income and net income per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	2000	1999	1998
Net income (loss):			
As reported	**$ 514**	$ 38,791	$ 35,869
Pro forma	**$ (1,382)**	$ 36,920	$ 34,514
Net income (loss) per share – basic:			
As reported	**$ 0.04**	$ 2.75	$ 2.54
Pro forma	**$ (0.10)**	$ 2.61	$ 2.45
Net income (loss) per share – diluted:			
As reported	**$ 0.04**	$ 2.71	$ 2.51
Pro forma	**$ (0.10)**	$ 2.58	$ 2.41

For purposes of these disclosures, the fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2000	1999	1998
Expected volatility	**32.2%**	30.9%	31.6%
Risk-free interest rate	**5.0%**	6.5%	4.5%
Forfeiture rate	**2.0%**	5.0%	5.0%
Dividend rate	**0.0%**	0.0%	0.0%
Expected life in years	**7**	5	5

Based on these assumptions, the weighted average fair value of options granted in each of the last three years are: $10.89 in 2000, $11.58 in 1999 and $11.04 in 1998.

Note 9. Income Taxes

The provision for income taxes for the years ended December 31, 2000, 1999 and 1998 consisted of the following (in thousands):

	2000	1999	1998
Current provision:			
Federal	**$ (2,506)**	$ 18,122	$ 17,611
State	**53**	3,284	3,275
	(2,453)	21,406	20,886
Deferred provision:			
Federal	**2,204**	1,272	246
State	**543**	198	26
	2,747	1,470	272
Total provision for income taxes	**$ 294**	$ 22,876	$ 21,158

A reconciliation of income taxes at the U.S. federal statutory tax rate to the effective tax rate follows:

	2000	1999	1998
Tax at statutory U.S. tax rates	**35.0%**	35.0%	35.0%
State income taxes, net of federal benefit	**3.8**	3.8	3.8
Other, net	**(2.4)**	(1.7)	(1.7)
Provision for income taxes	**36.4%**	37.1%	37.1%

Deferred tax assets and liabilities resulting from temporary differences comprise the following (in thousands):

	2000	1999
Current deferred income tax assets attributable to:		
Frequent Flyer	**$ 4,662**	$ 1,484
Accrued liabilities	**2,235**	1,618
Maintenance expense liability	**2,443**	1,317
Other	**11**	268
Net current deferred tax assets	**$ 9,351**	$ 4,687
Noncurrent deferred income tax (liabilities) assets attributable to:		
Excess of tax over book depreciation	**$(31,569)**	$ (25,585)
Maintenance expense liability	**2,800**	6,304
Frequent Flyer	**2,781**	–
Pension liability	**2,094**	2,831
Other	**2,200**	2,167
Net noncurrent deferred tax liabilities	**$(21,694)**	$ (14,283)

As of December 31, 2000, the Company has state net operating loss carryforwards of approximately $25 million, which will begin to expire in the year ended December 31, 2015.

In connection with the Company's initial public offering in 1995 (the "Offering"), the Company, Midwest Express, Astral and Kimberly-Clark entered into a Tax Allocation and Separation Agreement (''Tax Agreement''). Pursuant to the Tax Agreement, the Company is treated for tax purposes as if it purchased all of Midwest Express' assets at the time of the Offering, and as a result, the tax bases of Midwest Express' assets were increased to the deemed purchase price of the assets. The tax on the amount of the gain on the deemed asset purchase was paid by Kimberly-Clark. This additional basis is expected to result in increased income tax deductions and, accordingly, may reduce income taxes otherwise payable by the Company. Pursuant to the Tax Agreement, the Company will pay to Kimberly-Clark the amount of the tax benefit associated with this additional basis (retaining 10% of the tax benefit), as realized on a quarterly basis, calculated by comparing the Company's actual taxes to the taxes that it would been owed had the increase in basis not occurred. In the event of certain business combinations or other acquisitions involving the Company, tax benefit amounts thereafter will not take into account, under certain circumstances, income, losses, credits or carryovers of businesses other than those historically conducted by Midwest Express or the Company. Except for the 10% benefit, the effect of the Tax Agreement is to put the Company in the same financial position it would have been in had there been no increase in the tax bases of Midwest Express' assets. The effect of the retained 10% benefit is reflected in the financial statements as a reduction in the Company's provision for income taxes.

Note 10. Commitments and Contingencies

In February 1997, Midwest Express agreed to pay $9.25 million over 15 years for the naming rights to the Midwest Express Center, an 800,000-square-foot convention center in Milwaukee, that opened in July 1998.

In January 2001, the Company announced plans to construct a 72,000-square-foot maintenance facility in Milwaukee to handle maintenance support for Astral. The project is pending approval by the Milwaukee County Board and the county executive, and contingent upon obtaining City of Milwaukee industrial revenue bonds. The Company expects the cost of this project to be approximately $6 million.

During 1999, the Company signed a purchase agreement to acquire four MD-80 series aircraft operated by Scandinavian Airlines Systems. The Company financed the first delivery in 2000 using internal cash flow. The remaining three aircraft will be delivered throughout 2001. The Company will evaluate financing alternatives at that time.

On December 20, 2000, Astral filed a Demand for Arbitration with the American Arbitration Association. The respondent in this arbitration is Dornier Luftfahrt GmbH, now known as Fairchild Dornier. Astral alleges that Fairchild Dornier breached an aircraft purchase agreement by deciding not to produce its Fairchild Dornier 428JET regional jet. Astral purchased five Fairchild Dornier 328JETs and was planning to acquire 428JET regional jets under the aircraft purchase agreement. Astral seeks damages in an amount not yet determined.

Note 11. Retirement and Benefit Plans

Retirement Benefits

Midwest Express provides benefits to substantially all of its employees through the Midwest Express Airlines, Inc. Retirement Account Plan ("Retirement Account Plan"). The Retirement Account Plan is a money purchase pension plan that was adopted effective April 1, 2000.

The Retirement Account Plan replaced the Midwest Express Airlines, Inc. Salaried Employee's Retirement Plan ("Midwest Express Pension Plan"). The Midwest Express Pension Plan, a defined benefit plan, was terminated on March 31, 2000. Benefits earned under the Midwest Express Pension Plan prior to March 31, 2000, were paid to employees in December 2000. Employees had the option to have the lump sum value of the Midwest Express Pension Plan benefit transferred to the new Retirement Account Plan or to receive annuity payments.

The following table sets forth the funded status of the plans as of December 31 (in thousands):

	Midwest Express Pension Plan	
	2000	1999
Change in Benefit Obligation		
Net benefit obligation at beginning of year	**$ 26,812**	$ 27,614
Service cost	**1,111**	3,266
Interest cost	**2,442**	2,092
Plan amendments	**4,104**	–
Actuarial loss (gain)	**634**	(6,129)
Curtailment (gain)	**(9,874)**	–
Settlement loss	**6,408**	–
Gross benefits paid	**(26,957)**	(31)
Net benefit obligation at end of year	**$ 4,680**	$ 26,812
Change in Plan Assets		
Fair value of assets at beginning of year	**$ 22,329**	$ 17,739
Actual return on plan assets	**452**	2,147
Employer contributions	**4,176**	2,474
Gross benefits paid	**(26,957)**	(31)
Fair value of plan assets at end of year	**$ –**	$ 22,329
Funded status at end of year	**$ (4,680)**	$ (4,483)
Unrecognized net actuarial loss	**–**	1,017
Unrecognized prior service cost	**3,887**	(26)
Unrecognized net transition obligation	**–**	63
Accrued benefit liability	**$ (793)**	$ (3,429)
Weighted-average assumptions		
Discount rate	**7.75%**	7.75%
Expected return on plan assets	**10.00%**	10.00%
Rate of compensation increase	**4.25%**	4.25%

	Supplemental Pension Plan	
	2000	1999
Change in Benefit Obligation		
Net benefit obligation at beginning of year	**$ 1,343**	$ 1,290
Service cost	**29**	68
Interest cost	**118**	106
Plan amendments	**225**	–
Actuarial (gain)	**(19)**	(121)
Curtailments (gain)	**(840)**	–
Net benefit obligation at end of year	**$ 856**	$ 1,343
Funded status at end of year	**$ (856)**	$ (1,343)
Unrecognized net actuarial loss	**–**	483
Unrecognized prior service cost	**213**	45
Unrecognized net transition obligation	**–**	11
Accrued benefit liability	**$ (643)**	(804)
Weighted-average assumptions		
Discount rate	**7.75%**	7.75%
Rate of compensation increase	**4.25%**	4.25%

The net periodic benefit cost of defined benefit pension plans for the years ending December 31, 2000, 1999 and 1998, respectively, includes the following (in thousands):

Midwest Express Pension Plan	2000	1999	1998
Components of Net Periodic Benefit Cost			
Service cost	**$ 1,111**	$ 3,266	$ 2,456
Interest cost	**2,442**	2,092	1,676
Expected return on assets	**(2,241)**	(1,802)	(1,175)
Amortization of:			
Transition obligation	**6**	23	23
Prior service cost	**217**	(2)	(3)
Actuarial loss	**–**	409	379
Total net periodic benefit cost	**$ 1,535**	$ 3,986	$ 3,356
FAS 88 charges:			
Curtailment (credit)	**(8,232)**	–	–
Settlement charge	**8,237**	–	–
Total net periodic benefit cost	**$ 1,540**	$ 3,986	$ 3,356

Supplemental Pension Plan	2000	1999	1998
Components of Net Periodic Benefit Cost			
Service cost	**$ 29**	$ 68	$ 52
Interest cost	**118**	106	81
Amortization of:			
Transition obligation	**1**	4	4
Prior service cost	**13**	5	5
Actuarial loss	**20**	36	36
Total net periodic benefit cost	**$ 181**	$ 219	$ 178
FAS 88 charges:			
Curtailment (credit)	**(342)**	–	–
Total net periodic benefit cost	**$ (161)**	$ 219	$ 178

Postretirement Health Care and Life Insurance Benefits

Midwest Express allows retirees to participate in unfunded health care and life insurance benefit plans. Benefits are based on years of service and age at retirement. The plans are principally non-contributory for current retirees, and are contributory for most future retirees.

The following table sets forth the status of the plans as of December 31, 2000 and 1999 respectively (in thousands):

	2000	1999
Change in Benefit Obligation		
Net benefit obligation at beginning of year	**$ 3,580**	$ 2,725
Service cost	**443**	430
Interest cost	**310**	266
Plan amendments	**298**	–
Actuarial (gain) loss	**(25)**	159
Gross benefits paid	**(2)**	–
Net benefit obligation at end of year	**$ 4,604**	$ 3,580
Change in Plan Assets		
Fair value of assets at beginning of year	**$ –**	$ –
Employer contributions	**2**	–
Gross benefits paid	**(2)**	–
Fair value of plan assets at end of year	**$ –**	$ –
Funded status at end of year	**$ (4,604)**	$ (3,580)
Unrecognized net actuarial loss	**484**	503
Unrecognized prior service cost	**298**	–
(Accrued)/benefit liability	**$ (3,822)**	$ (3,077)
Weighted-average assumptions		
Discount rate	**7.75%**	7.75%
Rate of compensation increase	**4.25%**	4.25%

The net periodic benefit cost of postretirement health care and life insurance benefits for the years ending December 31, 2000, 1999 and 1998, respectively includes the following (in thousands):

Components of Net Periodic Benefit Cost	2000	1999	1998
Service cost	**$ 443**	$ 430	$ 270
Interest cost	**310**	266	176
Actuarial loss	**7**	37	2
Total net periodic benefit cost	**$ 760**	$ 733	$ 448

The assumed health care cost trend rate was appoximately 8%, declining annually to a rate of 6% by the year 2005, and remaining level thereafter. A change of one percentage point would not be significant.

Defined Contribution Plans

Midwest Express will make contributions each month to the employee's account under the new Retirement Account Plan. Company contributions under the plan vary based on the age of the employee. In addition, some employees who were participants in the old Midwest Express Pension Plan on March 31, 2000, may receive additional transition benefits each year, payable under the new Retirement Account Plan.

Company contributions under the Retirement Account Plan are limited to the extent required by tax provisions. To the extent contributions to the Retirement Account Plan are limited under tax law, any excess will be paid pursuant to supplemental retirement arrangements. The amount expensed and reflected in the accompanying income statement was $3,110,000 in 2000.

The Company has two voluntary defined contribution investment plans covering substantially all employees. Under these plans, the Company matches a portion of an employee's contributions. Amounts expensed and reflected in the accompanying income statements were $2,437,000, $1,642,000 and $1,471,000 in 2000, 1999 and 1998, respectively.

Profit Sharing Plans

The Company has three profit sharing plans: an employee profit sharing plan for substantially all employees of Midwest Express, an employee profit sharing plan for substantially all employees of Astral, and an Annual Incentive Plan for key management employees. Company contributions for all plans are based entirely on achieving specified levels of profitability. The Company expensed $75,000, $4,951,000 and $9,984,000 under these plans during 2000, 1999 and 1998, respectively.

Note 12. Segment Reporting

Midwest Express and Astral constitute the two reportable segments of the Company. The Company's reportable segments are strategic units that are managed independently because they provide different services with different cost structures and marketing strategies. No single customer accounted for more than 10% of revenue. The accounting policies of the reportable segments are the same as those described in Note 2.

Midwest Express offers jet service to 29 destinations throughout North America by offering single-class, premium service at competitive coach fares. As of December 31, 2000, Midwest Express operated a fleet of 34 aircraft – 24 DC-9s, eight MD-80s and two MD-88s.

Astral offers point-to-point service in select markets and increases traffic for Midwest Express by providing passengers with connecting service to jet flights. As of December 31, 2000, Astral operated a fleet of 15 Beech 1900D turboprop aircraft and five Fairchild Dornier 328JETs.

Revenue for passengers who travel on both carriers within a single itinerary is allocated to each entity based on a formula that is dependent upon the fare type paid by the passenger. There were 138,382; 100,848; and 88,154 passengers in 2000, 1999 and 1998, respectively, under the aforementioned pricing agreement.

Although Astral is independent from an operational perspective, Midwest Express performs a number of services for Astral including, but not limited to, coordinating aircraft scheduling, pricing, reservations, yield management, advertising, fuel procurement and revenue accounting. Astral is charged a marketing service fee for these services – 8.5%, 9% and 10% of the revenue for passengers who travel exclusively on Astral and approximately $1.15, $2.00 and $2.00 per passenger for passengers who connect between the carriers for the years ended December 31, 2000, 1999 and 1998, respectively. These service charges comprise a majority of the intercompany revenue and expense between the two segments.

Midwest Express also performs treasury functions for Astral, including centrally controlling cash. Astral earns interest income at market rates for any cash managed by Midwest Express. This interest income comprises the intercompany interest income and expense shown as eliminations in the following information. The total asset elimination consists primarily of the intercompany payable and receivable balances.

Reportable segments, as defined by Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosure about Segments of an Enterprise and Related Information," are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding resource allocation and assessing performance.

Financial information on the Company's two operating segments, Midwest Express and Astral, follows (in thousands):

2000	Midwest Express	Astral	Elimination	Consolidated
Operating revenues	$425,125	$ 59,257	$ (4,361)	$480,021
Operating income (loss)	10,860	(3,982)	–	6,878
Depreciation and amortization expense	15,661	1,345	–	17,006
Interest income	1,863	599	(599)	1,863
Interest expense	938	–	(599)	339
Income (loss) before income taxes and cumulative effect	11,672	(3,383)	–	8,289
Provision (credit) for income taxes	4,319	(1,257)	–	3,062
Cumulative effect of accounting changes, net	(4,713)	–	–	(4,713)
Total assets	282,452	24,291	(746)	305,997
Capital expenditures (including purchase deposits on flight equipment)	42,156	13,953	–	56,109
1999				
Operating revenues	$406,127	$ 44,887	$ (3,462)	$447,552
Operating income	58,847	1,905	–	60,752
Depreciation and amortization expense	12,336	875	–	13,211
Interest income	1,033	706	(622)	1,117
Interest expense	892	–	(622)	270
Income before income taxes	58,854	2,813	–	61,667
Provision for income taxes	21,869	1,007	–	22,876
Total assets	253,354	25,406	(14,931)	263,829
Capital expenditures (including purchase deposits on flight equipment)	66,894	3,295	–	70,189
1998				
Operating revenues	$351,357	$ 41,478	$ (3,961)	$388,874
Operating income	52,390	3,265	–	55,655
Depreciation and amortization expense	9,334	687	–	10,021
Interest income	1,727	587	(587)	1,727
Interest expense	867	–	(587)	280
Income before income taxes	53,175	3,852	–	57,027
Provision for income taxes	19,714	1,444	–	21,158
Total assets	213,119	21,319	(13,961)	220,477
Capital expenditures (including purchase deposits on flight equipment)	83,630	1,502	–	85,132

Midwest Express Holdings, Inc.

Quarterly Financial Summary (Unaudited)
(In Thousands, Except Per Share Data)

	Three Months Ended			
2000	March 31	June 30	September 30	December 31
Operating revenues	$106,764	$125,818	$127,027	$120,412
Operating expenses	109,391	112,413	120,556	130,783
Operating (loss) income	(2,627)	13,405	6,471	(10,371)
(Loss) income before income taxes and cumulative effect of accounting changes	(2,486)	14,025	6,857	(10,107)
Income taxes (credit)	(924)	5,185	2,540	(3,739)
(Loss) income before cumulative effect of accounting changes	(1,562)	8,840	4,317	(6,368)
Cumulative effect of accounting changes, net of applicable income taxes of $2,768	(4,713)	-	-	-
Net (loss) income	(6,275)	8,840	4,317	(6,368)
(Loss) income per share – basic:				
(Loss) income before cumulative effect of accounting changes	(0.11)	0.63	0.31	(0.46)
Cumulative effect of accounting changes, net	(0.34)	-	-	-
Net (loss) income	(0.45)	0.63	0.31	(0.46)
(Loss) income per share – diluted:				
(Loss) income before cumulative effect of accounting changes	(0.11)	0.63	0.31	(0.46)
Cumulative effect of accounting changes, net	(0.34)	-	-	-
Net (loss) income	(0.45)	0.63	0.31	(0.46)

	Three Months Ended			
1999	March 31	June 30	September 30	December 31
Operating revenues	$98,881	$117,662	$115,837	$115,172
Operating expenses	87,616	96,858	98,343	103,983
Operating income	11,265	20,804	17,494	11,189
Income before income taxes	11,365	20,896	17,795	11,611
Income taxes	4,262	7,836	6,673	4,105
Net income	7,103	13,060	11,122	7,506
Net income per share – basic	0.50	0.92	0.79	0.53
Net income per share – diluted	0.50	0.91	0.78	0.53

Shareholder Information

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Midwest Express Holdings, Inc.
6744 South Howell Avenue
Oak Creek, Wisconsin 53154-1402
(414) 570-4000

Web Site
www.midwestexpress.com

Transfer Agent and Registrar
Firstar Bank, National Association
Corporate Trust Department
Milwaukee, Wisconsin

Independent Auditors
Deloitte & Touche LLP
Milwaukee, Wisconsin

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Annual Meeting
The Annual Meeting of Midwest Express Holdings, Inc. will be held at 10 a.m. local time on Wednesday, April 25, 2001, at the Hyatt Regency Crown Center, 2345 McGee Street, Kansas City, Missouri. Shareholders of record on March 9, 2001, will be mailed an official notice of the meeting.

Financial Reports
Form 10-K (without exhibits) and other reports filed with the U.S. Securities and Exchange Commission are available without charge upon written request to the Company's Investor Relations department at the headquarters address. Company documents filed electronically with the Securities and Exchange Commission (SEC) can also be found on the SEC's Web site at *www.sec.gov.*

Common Stock
Midwest Express Holdings, Inc. (symbol: MEH) common stock trades on the New York Stock Exchange. As of December 31, 2000, there were 14,549,531 shares of common stock issued and 758 registered shareholders.

Following are low and high closing prices per share for the past two years:

	2000	1999
First Quarter	$22 1/16 – 31 7/8	$24 1/8 – 30 15/16
Second Quarter	$19 5/8 – 28 1/4	$28 5/16 – 34 3/8
Third Quarter	$18 14/32 – 24 7/16	$26 3/16 – 34 11/16
Fourth Quarter	$13 5/8 – 19 5/8	$25 13/16 – 32 5/8

The Company has not paid a cash dividend since its initial public offering in 1995.