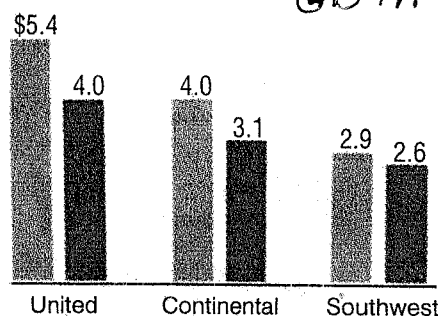


Philadelphia Inquirer July 22, 2009

## Declining Revenue

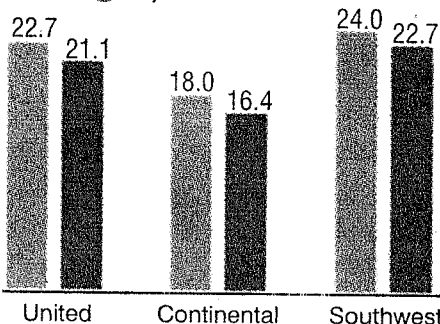
Three major airlines reported declines in revenue and passengers in the second quarter.

Revenue, in billions



SOURCE: The airlines

Passengers, in millions



MIKE PLACENTRA / Staff Artist

# Turbulent times for major U.S. airlines

Even as some gains are being reported, nearly all are making schedule and workforce cuts.

By Linda Loyd

INQUIRER STAFF WRITER

Despite falling revenue and passenger numbers, Southwest Airlines Co. and United Airlines eked out small profits in the latest quarter, while Continental Airlines yesterday reported a loss of \$213 million for the three months ending June 30.

Faced with volatile fuel prices and a decline in business travel, Continental announced that it will cut 1,700 workers, or 3.4 percent of its work force, and increase fees for checked baggage and telephone bookings.

Low-fare carrier Southwest said 1,400 employees, or 4 percent of its work force, have accepted voluntary buy-

outs. United said it planned to cut international capacity — seats and flights — by an additional 7 percent after Labor Day.

"We're all suffering from a significant decline in business travel demand," said Southwest chairman and chief executive Gary Kelly. "We've detected a slight improvement in July, but post-summer we are prepared for significant continued weakness on the revenue front."

Southwest, Philadelphia's second-busiest airline, said its second-quarter profit fell to \$54 million, or 7 cents a share, from \$321 million, or 44 cents a share, in the year-ago period.

See AIRLINES on E5

Associated Press

Southwest Airlines

reported a small profit gain in the latest quarter.

# NRG rejects Exelon takeover

Shareholders said the \$7.5 billion offer was too low. Both companies' shares rose after news of the failure.

By Andrew Maykut  
INQUIRER STAFF WRITER

Exelon Corp. yesterday abandoned its bid to create the nation's largest electric utility after its proxy battle to take over nuclear power producer NRG Energy Inc. went to court.

The Chicago company, which had been in a hostile takeover bid after NRG's rejection of its shareholders' slate of directors, ended its bid after NRG's shareholders had rejected the offer.

"The NRG shareholders have spoken. Exelon will move on," Exelon's chief executive, W. Rowe, said in a statement. "We thank its owners well."

Liberated from the unwelcome presence of NRG's shares in Princeton-based NRG's portfolio yesterday, closing up \$1.27 at \$24.

Exelon shares also increased 2.5 percent to \$53.33, up \$1.28. The company, whose debt was downgraded by Moody's last October, is regarded as a better credit risk than NRG, which had to absorb NRG's debt, but closed at \$53.33, up \$1.28.

NRG's rebuff of the \$7.5 billion offer was the third failed takeover attempt by the company since its 1999 merger of Peco Energy Co. with Illinois Power Co. in 2003 and with PECO's Enterprise Group in New Jersey in 2005.

See NRG on E5

# Merck beats estimates but profits still slip

By Miriam Hill

INQUIRER STAFF WRITER

Merck & Co. Inc. beat Wall Street estimates yesterday.



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MICHAEL DWYER / Associated Press

**Like Southwest, United Airlines** eked out a small profit in the latest quarter but is still making cuts. It plans to reduce international capacity by 7 percent in the last four months of the year

## Airlines

### Continued from E1

Dallas-based Southwest has cut 300 flights, or 9 percent of its schedule, since November and said it will further cut seat capacity 6 percent in the third-quarter and 8 percent in the fourth-quarter 2009.

United posted a profit of \$28 million, or 19 cents a share, after losing \$2.74 billion, or \$21.57 per share, a year earlier.

The Chicago-based airline attributed earnings to fuel hedge gains and other accounting charges. Excluding the items, United said it would have lost \$323 million, or \$2.23 per share, which is less than analysts were expecting.

Revenue fell 25.2 percent to \$4.02 billion. United ended the quarter with \$2.8 billion in total cash, of which \$2.6 billion is unrestricted.

Analysts are watching United's cash balance because several have said the airline is at risk to file for bankruptcy if the economy does not recover.

"Our solid cash balance means we have no incremental credit card reserve requirements with either of our two major credit card processors," United's chief financial officer Kathryn Mikells told investors. "Importantly, we've already posted non-cash collateral with our largest credit card processor that would cover any reserve requirements through early next year."

Continental, in the meantime, reported a second-quarter

loss of \$213 million, or \$1.72 per share, from a loss of \$5 million, or 5 cents, a year earlier.

Revenue fell 22.7 percent to \$3.13 billion from \$4.04 billion.

Excluding special charges, Continental said it lost \$169 million, or \$1.36 per share, slightly better than analysts were expecting. The Houston-based carrier said it lost \$50 million in the quarter because of swine-flu fears.

Continental said it would generate \$100 million annually in revenue-raising initiatives, including increasing by \$5 — to \$20 — the checked bag fee for customers who don't prepay online. The airline will add a \$5 fee to reservations booked by telephone.

Contact staff writer Linda Loyd at 215-854-2831 or lloyd@phillynews.com.



ROBERT GRAVES / Associated Press

**Continental Airlines** said yesterday that it lost \$213 million in the quarter that ended June 30. The Houston-based carrier said part of its losses can be attributed to swine-flu fears.

the end of next week, a lawyer for the company told a federal bankruptcy judge yesterday.

Peter J. Young, of Proskauer Rose L.L.P., told U.S. Bankruptcy Judge Jean K. FitzSimon that the company, which owns The Inquirer, the Philadelphia Daily News and Philly.com, was still going over details of the plan with investors.

Before the plan is presented to the court, Young said, it will be circulated among the creditors.

The court had given the company until Aug. 31 to present its plan. Company officials declined to discuss specifics of the plan yesterday. Previously, they said it involved raising \$50 million in new capital and negotiating with lenders to reduce the company's \$300 million debt.

Representatives for creditors said yesterday that they had not been advised of the company plan as of yet.

In a related matter, Philadelphia Newspapers has filed a motion asking FitzSimon to reconsider her order blocking the company from conducting its own investigation of an unauthorized taping of a meeting by a key lender.

FitzSimon had ruled that

## Pharma

### Continued from E1

the company's cervical cancer vaccine, Gardasil, fell 18 percent to \$268 million from the same period a year ago. The vaccine has not sold as well among older women as expected.

Sales of RotaTeq, a rotavirus vaccine for infants, slumped 29 percent to \$126 million, partly because of higher government purchases in earlier periods. Merck also said it had conquered production problems that had caused second-quarter sales of shingles vaccine Zostavax to drop 36 percent from a year ago to \$42 million.

Merck and Schering-Plough jointly sell the cholesterol drugs Vytorin and Zetia. The

