FRONTIER AIRLINES INC /CO/
Form 424B5
September 15, 2003

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The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
File No. 333-86256

PROSPECTUS SUPPLEMENT (Subject to Completion) Issued September 12, 2003
(To Prospectus dated April 26, 2002)

3,700,000 Shares

COMMON STOCK

Frontier Airlines, Inc. is offering 3,700,000 shares of common stock.

Our common stock is listed on the Nasdaq National Market under the trading symbol FRNT. On September 11, 2003, the reported last sale price of our common stock on the Nasdaq National Market was $17.62 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-9.

PRICE $ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Frontier
Per Share	$	$	$
Total	$	$	$

We have granted the underwriters the right to purchase up to an additional 555,000 shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. Incorporated expects to deliver the shares to purchasers on September , 2003.

MORGAN STANLEY

MERRILL LYNCH & CO.

RAYMOND JAMES

September , 2003

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This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of the common shares we are offering and certain other matters relating to us. The second part, the prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the common stock we are offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. To the extent information in this prospectus supplement differs from information in the accompanying prospectus, you should rely on the information in the prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information different from the information contained in or incorporated by reference in this prospectus. We are offering to sell, and seeking offers to buy, our common stock only in jurisdictions where offers and sales are permitted. You should not assume that information contained in this prospectus or in any document incorporated by reference is accurate as of any date other than the date of the document that contains the information, regardless of when this prospectus is delivered or when any sale of our common stock occurs.

We have not taken any action to permit a public offering of the shares of common stock outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

In this prospectus, we use the terms Frontier, we, us and our to refer to Frontier Airlines, Inc.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Statements in this prospectus and in documents incorporated by reference in this prospectus contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represent our management s beliefs and assumptions concerning future events. When used in this prospectus and in documents incorporated by reference, forward-looking statements include, without limitation, statements regarding financial forecasts or projections, and our expectations, beliefs, intentions or future strategies that are signified by the words expects , anticipates , intends , believes or similar language. These forward-looking statements are subject to risks, uncertainties and assumptions that could cause our actual results and the timing of certain events to differ materially from those expressed in the forward-looking statements.

You should understand that many important factors, in addition to those discussed or incorporated by reference in this prospectus, could cause our results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect our results include those described in this prospectus under Risk Factors. In light of these risks and uncertainties, the forward-looking events discussed or incorporated by reference in this prospectus might not occur.

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PROSPECTUS SUMMARY

This summary highlights selected information about our company and the common stock that we are offering. This summary is not complete and does not contain all of the information that may be important to you. You should read carefully this entire prospectus, including the Risk Factors section, and the other documents we refer to and incorporate by reference for a more complete understanding of us and this offering. In particular, we incorporate important business and financial information in this prospectus by reference. Unless otherwise noted, information presented in this prospectus assumes that the underwriters will not exercise their over-allotment option.

FRONTIER AIRLINES

Frontier Airlines, Inc. is a growing, low cost, affordable fare airline that connects cities coast to coast from our hub at Denver International Airport, or DIA. Together with our regional jet codeshare partner, Frontier Jet Express, we operate approximately 194 daily flights to 39 cities in 24 states and to one city in Mexico. Now in our tenth year of operations, we are the second largest jet service carrier at DIA based on available seat miles for the six months ended June 30, 2003. We intend to continue our disciplined growth strategy by adding additional new aircraft to our fleet, increasing frequency on our existing routes and entering new markets.

We have been one of the lowest cost carriers in the industry, and recently we have been an industry leader in decreasing our unit operating costs. We have reduced our cost per available seat mile, or CASM, 6.1% from 8.66 cents in the quarter ended March 31, 2002 to 8.13 cents in the quarter ended June 30, 2003, despite a 24.6% increase in the average cost of jet fuel during that time. We have been able to lower our unit operating costs primarily as a result of our transition to a new, lower cost Airbus aircraft fleet (including the positive effect on our operating costs of purchasing rather than leasing six additional aircraft) and an increase in aircraft utilization.

We have an experienced management team and a strong company culture, with a highly productive and incentivized workforce of over 3,500 people who strive to offer high-quality customer service and who are committed to operating safely. We believe we offer our customers a differentiated product, including affordable fares, more comfortable seats and legroom on our new Airbus aircraft, LiveTV (a 24-channel satellite TV service with programming provided by DIRECTV®) at every seat on our Airbus A319 aircraft, a frequent flyer program called *EarlyReturns* that offers free flights at lower mileage levels than most airline programs, and reliable operating performance. We recently introduced a new, simplified affordable fare structure that we designed to stimulate demand, and we have demonstrated our ability to increase passenger traffic in the markets we serve.

Since commencing operations in 1994 we have grown significantly, flying over 4.5 million passengers in the 12 months ended August 31, 2003. We lease 10 gates at DIA and operate from as many as 14 gates during our peak service periods. We are in discussions with DIA to access additional gates that, if obtained, would accommodate the planned expansion of our operations. Our market share at DIA in terms of revenue passengers including Frontier JetExpress grew to 13.6%, an increase of over 28%, for the seven months ended July 31, 2003 compared to the seven months ended July 31, 2002 due to our increases in capacity and reductions in capacity by United Airlines, the largest carrier at DIA, which is in Chapter 11 reorganization proceedings. We currently have on average 25% of the available seat capacity in the markets we serve.

As of October 1, 2003, we will operate a fleet of 39 aircraft, consisting of 15 Boeing 737 aircraft and 24 Airbus aircraft. We lease our Boeing aircraft and 12 of our Airbus A319 aircraft, and own the remaining 12 of our Airbus aircraft. In May 2001, in order to improve our product offering, standardize our fleet and lower our unit costs, we began a fleet replacement plan to convert our Boeing fleet into a fleet of new purchased and leased Airbus jet aircraft, a transition we expect to complete by September 30, 2005. The average age of our fleet was 5.8 years at August 31, 2003, down from 9.5 years at August 31, 2002. In August 2003, we announced our plan to purchase up to 15 additional Airbus A319 aircraft and to lease as many as 14 additional A319 aircraft over the next five years. Upon completion of agreements and delivery of these aircraft, we would have 62 Airbus aircraft by early 2008, including seven A318s, a new aircraft that is substantially similar to the A319 but with a lower seating capacity that we expect will allow us to efficiently serve smaller markets. Our purchase agreement with Airbus also includes purchase rights for 23 additional aircraft, and allows us to purchase Airbus A320 aircraft in lieu of the A319 aircraft at our option. We believe the new fleet of efficient Airbus aircraft will enable us to continue to maintain or improve our low operating costs.

While the airline industry continues to suffer financial losses, we are one of only a few domestic airlines that has reported profitable operations recently. We had net income of $10.9 million for the three months ended June 30, 2003, which includes a compensation payment we received under the Emergency Wartime Supplemental Appropriations Act. Our operating margin, which excludes the compensation payment we received under the Appropriations Act, was 4.3%. During the quarter ended June 30, 2003, we increased capacity by 22.3% and our passenger traffic increased by 30.9% as compared to the quarter ended June 30, 2002. We believe that the new, simplified fare structure that we announced in February 2003, our increased capacity to high volume markets and our new branding campaign contributed to our strong results for the quarter.

Recent Developments

July and August 2003 Operating Statistics. For July 2003, our revenue passenger miles, or RPMs, increased 38.0% to 471,414,000 from July 2002. Our available seat miles, or ASMs, increased 11.4% to 588,708,000 for July 2003 from the same period last year. This resulted in a load factor for July 2003 of 80.1%, an increase of 15.4 points from July 2002, when our load factor was 64.7%. We carried 516,003 passengers during July 2003, a 42.7% increase from July 2002. Our average fare for the month of July 2003 was $106, a 1.9% increase from July 2002 when our average fare was $104.

For August 2003, our RPMs increased 37.9% to 463,434,000 from August 2002. Our ASMs increased 8.0% to 581,352,000 for August 2003 from the same period last year. This resulted in a load factor for August 2003 of 79.7%, an increase of 17.2 points from August 2002, when our load factor was 62.5%. We carried 507,359 passengers during August 2003, a 41.8% increase from August 2002. Our average fare for the month of August 2003 was $105, a 5.4% decrease from August 2002 when our average fare was $111.

New Branding Campaign. In May 2003, we launched in the Denver market a unique branding campaign called A Whole Different Animal that is intended to increase brand awareness in Denver and in other markets we serve and emphasize our commitment to being an affordable, flexible, accommodating and comfortable airline. This campaign includes television, radio and print advertisements featuring the distinctive animal artwork on our aircraft tails. The campaign highlights our simplified affordable fare structure, nationwide route system, company culture of providing high quality customer service, attractive *EarlyReturns* frequent flyer program and the enhancements we have made to the flying experience through more comfortable seats and legroom along with LiveTV on our new Airbus aircraft. We believe that the campaign has been received favorably in the Denver market, and we plan to expand the campaign nationally in September 2003.

LiveTV. In October 2002, we signed a purchase and long-term services agreement with LiveTV to bring DIRECTV® satellite programming to every seatback in our Airbus fleet. We have completed the installation of the LiveTV system on all our Airbus A319 aircraft, and we expect to have approval and installation of DIRECTV® by the end of September 2003 on our A318s. We have implemented a $5 per segment usage charge for access to the system to offset the costs for the system equipment, programming and services. We believe the DIRECTV® product represents a significant value to our customers and offers a competitive advantage for our company.

New Aircraft Orders. In August 2003, as a complement to our previously announced transition to a new fleet of all Airbus jet aircraft, we announced our plan to purchase up to 15 additional Airbus A319 aircraft and to lease as many as 14 additional A319 aircraft over the next five years. We plan to completely phase out our older Boeing aircraft by September 30, 2005, and anticipate the following fleet composition as of the end of each fiscal year through 2008:

Fiscal Year Ending	A319	A318	B737-300	End of Year Cumulative Total Fleet
March 31, 2004	24	4	11	39
March 31, 2005	37	7	4	48
March 31, 2006	43	7	0	50
March 31, 2007	50	7	0	57
March 31, 2008	55	7	0	62

This table does not include any of the 23 Airbus aircraft for which we have purchase rights, which would allow us to take delivery of additional A319 or A320 aircraft beginning in fiscal year 2006.

New Service. We began service from our hub at DIA to Orange County, California and Milwaukee, Wisconsin on August 31, 2003 with two and three daily round-trip flights, respectively, and we intend to add a third round-trip to Orange County, California on October 1, 2003. Additionally, we intend to provide service to St. Louis, Missouri on November 1, 2003 with two daily round-trip flights and we intend to restart our seasonal service to Mazatlan, Mexico on November 1, 2003. We have applied for and received authority to provide service to Cabo San Lucas and Puerto Vallarta, Mexico, and we intend to begin service to these markets on November 1, 2003 with one weekly round-trip, increasing to three weekly round-trips beginning on November 22, 2003. We have also received authority to begin service to Ixtapa/ Zihuatanejo, and we expect to begin operating this service in the first calendar quarter of 2004.

ATSB-Guaranteed Loan. In February 2003, we obtained a $70 million loan, of which $69.3 million was guaranteed by the Air Transportation Stabilization Board, or ATSB, and two other parties. In July 2003, we received a $26.6 million federal income tax refund and, as required by our loan agreement, we prepaid $10 million of the $70 million outstanding under the loan. We intend to use 60% of the net proceeds of this offering to prepay a portion of the ATSB-guaranteed loan. As a result, we will have approximately $23.1 million outstanding on the loan after this offering.

Corporate Information

Our corporate headquarters are located at 7001 Tower Road, Denver, Colorado 80249. Our telephone number is (720) 374-4200. Our website address is www.frontierairlines.com. Information contained on our website is not a prospectus and does not constitute part of this prospectus.

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THE OFFERING

Common stock offered	3,700,000 shares
Common stock estimated to be outstanding immediately after this offering	33,771,268 shares
Over-allotment option	555,000 shares
Use of proceeds	We intend to use 60% of the net proceeds from this offering to prepay a portion of our ATSB-guaranteed loan and the balance of the proceeds to fund working capital and capital expenditures, including capital expenditures related to the purchase of aircraft. See Use of Proceeds.
Dividends	We have not declared or paid any dividends on our common stock. We currently intend to retain our future earnings, if any, to finance the further expansion and continued growth of our business.
Risk factors	See Risk Factors and other information included or incorporated by reference in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Nasdaq National Market symbol	FRNT

Except as otherwise noted, all information in this prospectus assumes no exercise of the underwriters over-allotment option.

The figures above are based on 30,071,268 shares of common stock outstanding as of August 31, 2003 and assume no exercise of outstanding options since that date. The number of shares of common stock outstanding after this offering excludes 2,856,640 shares of common stock reserved for issuance under our stock option plan, of which 2,516,565 shares were subject to outstanding options at a weighted average exercise price of $10.22 per share as of August 31, 2003. The figures above also exclude 3,833,945 shares of common stock underlying warrants we issued to the ATSB and two other guarantors in connection with our ATSB-guaranteed loan, which are exercisable at $6.00 per share, subject to certain anti-dilution adjustments.

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SUMMARY FINANCIAL AND OPERATING DATA

We provide our summary historical financial and operating data in the tables below. The financial information for each of the years in the three year period ended March 31, 2003, and at March 31, 2001, 2002 and 2003, has been derived from our audited financial statements. The financial information for the three month periods ended June 30, 2002 and 2003, and at June 30, 2003, has been derived from our unaudited financial statements and includes all adjustments, consisting of normal recurring items, which we consider necessary for a fair presentation of our financial position and results of operations. The interim results set forth below for the three months ended June 30, 2002 and 2003 are not necessarily indicative of our financial condition or results of operations to be expected for any future period. You should read the following financial information in conjunction with our financial statements and related notes, and the information under Selected Financial and Operating Data and Management s Discussion and Analysis of Financial Condition and Results of Operations incorporated by reference in this prospectus from our Annual Report on Form 10-K for the year ended March 31, 2003 and our Quarterly Report on Form 10-Q for the three months ended June 30, 2003.

The as adjusted balance sheet data gives effect to the receipt and the application of approximately $61.6 million in net proceeds from the sale of 3,700,000 shares of our common stock in this offering, assuming an offering price of $17.62 per share, which was the reported last sale price of our common stock on the Nasdaq National Market on September 11, 2003.

	Year Ended March 31,			Three Months Ended June 30,	
	2001	**2002**	**2003**	**2002**	**2003**
				(unaudited)	
Statement of Operations Data (in thousands, except per share data):					
Total operating revenues	$472,876	$445,075	$469,936	$111,812	$142,366
Total operating expenses	392,155	428,689	500,560	114,910	136,236
Operating income (loss)	80,721	16,386	(30,624)	(3,098)	6,130
Income (loss) before income tax expense (benefit) and cumulative effect of change in accounting	88,332	24,832	(39,509)	(3,802)	17,622
Income tax expense (benefit)	33,465	8,282	(14,655)	(1,329)	6,689
Income (loss) before cumulative effect of change in accounting	54,868	16,550	(24,854)	(2,472)	10,934
Cumulative effect of change in method of accounting for maintenance(1)			2,011	2,011	
Net income (loss)	54,868	16,550	(22,843)	(462)	10,934
Income (loss) per share before cumulative effect of change in accounting principle:					
Basic	2.02	0.58	(0.84)	(0.09)	0.37
Diluted	1.90	0.56	(0.84)	(0.09)	0.36
Net income (loss) per share:					
Basic	2.02	0.58	(0.77)	(0.02)	0.37
Diluted	1.90	0.56	(0.77)	(0.02)	0.36

(1) Effective April 1, 2002, we changed our method of accounting for certain aircraft maintenance costs from the accrual method of accounting to the direct expense method. Under the new accounting method, maintenance costs are recognized as expense as maintenance services are performed and as flight hours are flown for nonrefundable maintenance payments required by lease agreements. We believe the direct expense method is preferable in the circumstances because the maintenance liability is not recorded until there is an obligating event (when the maintenance event is actually being performed or flight hours are actually flown). The direct expense method eliminates significant estimates and judgments inherent under the accrual method, and it is the predominant method used in the airline industry. Accordingly, effective April 1, 2002, we reversed our major overhaul accrual against the corresponding maintenance deposits and recorded a cumulative effect of a change in accounting principle, net of income taxes, of $2,010,672.

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	March 31,			June 30, 2003	
	2001	2002	2003	Actual	As Adjusted for this Offering
Balance Sheet Data (in thousands):					
Cash and cash equivalents	$ 109,251	$ 87,555	$ 102,880	$ 126,267	$ 150,895
Current assets	199,794	193,393	190,838	220,573	245,201
Total assets	295,317	413,685	587,844	624,102	648,730
Current liabilities	136,159	152,064	130,047	147,699	147,699
Long-term debt	204	66,832	261,739	258,757	221,814
Total liabilities	150,538	244,552	428,877	453,344	416,401
Stockholders equity	144,779	169,133	158,967	170,758	232,329
Working capital	63,635	41,329	60,791	72,874	97,502

	Year Ended March 31,			Three Months Ended June 30,	
	2001	2002	2003	2002	2003
Selected Operating Data:					
Passenger revenue (000s)(1)	$462,609	$435,946	$460,188	$109,292	$138,891
Revenue passengers carried (000s)	3,017	3,069	3,926	928	1,227
Revenue passenger miles (RPMs) (000s)(2)	2,773,833	2,756,965	3,599,553	859,604	1,125,233
Available seat miles (ASMs) (000s)(3)	4,260,461	4,592,298	6,013,261	1,369,399	1,675,050
Passenger load factor(4)	65.1%	60.0%	59.9%	62.8%	67.2%
Break-even load factor(5)	52.7%	57.5%	64.4%	65.0%	65.9%
Block hours(6)	83,742	92,418	120,297	27,680	33,127
Departures	38,556	41,736	53,081	12,184	14,610
Average seats per departure	132	132	132	132	132
Average stage length	837	834	858	851	869
Average length of haul	919	898	917	926	917
Average daily block hour utilization(7)	9.4	9.1	9.8	9.9	10.2
Yield per RPM (cents)(8)(9)	16.66	15.78	12.74	12.71	12.29
Yield per ASM (cents)(9)(10)	10.85	9.47	7.63	7.98	8.26
Total yield per ASM (cents)(11)	11.10	9.69	7.81	8.17	8.50
Cost per ASM (cents)	9.20	9.33	8.32	8.39	8.13
Fuel cost per ASM (cents)	1.66	1.33	1.42	1.27	1.39
Cost per ASM excluding fuel (cents)(12)	7.54	8.00	6.90	7.12	6.74
Average fare(13)	$146	$132	$109	$108	$105
Average aircraft in service	24.5	27.8	33.8	30.6	35.6
Aircraft in service at end of period	25.0	30.0	36.0	33.0	36.0
Average age of aircraft at end of period	11.4	10.6	7.4	9.6	6.7

(1) Passenger revenue includes revenues for non-revenue passengers, administrative fees, and revenue recognized for unused tickets that are greater than one year from issuance date.

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

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

(4) Passenger load factor is determined by dividing revenue passenger miles by available seat miles.

(5) Break-even load factor is the passenger load factor that will result in operating revenues being equal to operating expenses, net of certain adjustments, assuming constant yield per RPM and no change in ASMs. Break-even load factor as presented above may be deemed a non-GAAP financial measure under regulations issued by the Securities and Exchange Commission. We believe that presentation of break-even load factor calculated after certain adjustments is useful to investors because the elimination of special or unusual items allows a meaningful period-to-period comparison. Furthermore, in preparing operating plans and forecasts we rely on an analysis of break-even load factor exclusive of these special and unusual items. Our presentation of non-GAAP results should not be viewed as a substitute for our financial or statistical results based on GAAP, and other airlines may not necessarily compute break-even load factor in a manner that is consistent with our computation.

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

	Year Ended March 31,			Three Months Ended June 30,	
	2001	2002	2003	2002	2003
			(In thousands)		
(Income) loss before cumulative effect of change in accounting	$ (54,868)	$ (16,550)	$ 24,854	$ 2,472	$ (10,934)
Income tax (expense) benefit	(33,465)	(8,282)	14,655	1,329	(6,689)
Passenger revenue	462,609	435,946	460,188	109,292	138,891
Charter revenue	(472)	(1,011)	(1,515)	(58)	(614)
Passenger revenue (excluding charter revenue) required to break even (based on GAAP amounts)	$373,804	$410,103	$498,182	$113,035	$120,654
Non-GAAP adjustments:					
Unrealized derivative gain (loss)			(299)		752
Emergency Wartime Supplemental Appropriations Act compensation					15,024
Stabilization Act compensation		12,703			
Loss on early extinguishment of debt			(1,774)		
Aircraft lease exit costs		(4,914)			(686)
Provision for Boeing spare parts inventory			(2,478)		
Impairment of Boeing rotable parts		(1,512)			
Passenger revenue (excluding charter revenue) required to break even (based on adjusted amounts)	$373,804	$416,380	$493,631	$113,035	$135,744

The calculation of the break-even load factor follows:

	Year Ended March 31,			Three Months Ended June 30,	
	2001	2002	2003	2002	2003
Calculation of break-even load factor using GAAP amounts:					
Passenger revenue (excluding charter revenue) required to break even (based on GAAP amounts) ($000s)	$ 373,804	$ 410,103	$ 498,182	$ 113,035	$ 120,654
Yield per RPM (cents)	16.66	15.78	12.74	12.71	12.29
Revenue passenger miles (000s) to break even assuming constant yield per RPM	2,243,721	2,598,878	3,910,377	889,339	981,725
Available seat miles (000s)	4,260,461	4,592,298	6,013,261	1,369,399	1,675,050
Break-even load factor using GAAP amounts	52.7%	56.6%	65.0%	65.0%	58.6%
Calculation of break-even load factor using non-GAAP amounts:					
	$ 373,804	$ 416,380	$ 493,631	$ 113,035	$ 135,744

Passenger revenue (excluding charter revenue) required to break even (based on adjusted amounts) ($000s)					
Yield per RPM (cents)	16.66	15.78	12.74	12.71	12.29
Revenue passenger miles (000s) to break even assuming constant yield per RPM	2,243,721	2,638,657	3,874,655	889,339	1,104,508
Available seat miles (000s)	4,260,461	4,592,298	6,013,261	1,369,399	1,675,050
Break-even load factor using non-GAAP amounts	52.7%	57.5%	64.4%	65.0%	65.9%

(6) Block hours represent the time between aircraft gate departure and aircraft gate arrival.

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

(8) Yield per RPM is determined by dividing passenger revenues (excluding charter revenue) by revenue passenger miles.

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

	Year Ended March 31,			Three Months Ended June 30,	
	2001	2002	2003	2002	2003
			(In thousands)		
Passenger revenues, as reported	$462,609	$435,946	$460,188	$109,292	$138,891
Charter revenue	(472)	(1,011)	(1,515)	(58)	(614)
Passenger revenues, excluding charter revenue	$462,137	$434,935	$458,673	$109,234	$138,277

(10) Yield per ASM is determined by dividing passenger revenues (excluding charter revenue) by available seat miles.

(11) Total yield per ASM is determined by dividing passenger revenues by available seat miles.

(12) This may be deemed a non-GAAP financial measure under regulations issued by the Securities and Exchange Commission. We believe the presentation of financial information excluding fuel expense is useful to investors because we believe that fuel expense tends to fluctuate more than other operating expenses, it facilitates comparison of results of operations between current and past periods and enables investors to better forecast future trends in our operations. Furthermore, in preparing operating plans and forecasts, we rely, in part, on trends in our historical results of operations excluding fuel expense. However, our presentation of non-GAAP financial measures should not be viewed as a substitute for our financial results determine in accordance with GAAP.

(13) Average fare excludes revenue included in passenger revenue for non-revenue passengers, administrative fees, and revenue recognized for unused tickets that are greater than one year from issuance date.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In addition, please read Special Note About Forward-Looking Statements in this prospectus, where we describe additional uncertainties associated with our business and the forward-looking statements included or incorporated by reference in this prospectus. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere included or incorporated by reference in this prospectus. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

Risks Related to Frontier

We may not be able to obtain or secure financing for our new aircraft.

As of October 1, 2003, we will have commitments to purchase 17 additional new Airbus A319 and A318 aircraft, including our recently announced plan to purchase up to 15 additional Airbus A319 aircraft. We have secured financing commitments for four of these aircraft. To complete the purchase of the remaining aircraft, we must secure aircraft financing, which we may not be able to obtain on terms acceptable to us, if at all. The amount of financing required will depend on the required down payment on mortgage financed aircraft and the extent to which we lease as opposed to purchase the aircraft. We are exploring various financing alternatives, including, but not limited to, domestic and foreign bank financing, leveraged lease arrangements or sale/leaseback transactions. There can be no guarantee that additional financing will be available when required or on acceptable terms. The inability to secure the financing could have a material adverse effect on our cash balances or result in delays in or our inability to take delivery of Airbus aircraft that we have agreed to purchase, which would impair our strategy for long-term growth and could result in the loss of pre-delivery payments and deposits previously paid to the manufacturer, and/or the imposition of other penalties or the payment of damages for failure to take delivery of the aircraft in accordance with the terms of the purchase agreement with the manufacturer.

We have a significant amount of fixed obligations and we will incur significantly more fixed obligations, which could increase the risk of failing to meet payment obligations.

As of June 30, 2003, our total debt was $279.4 million. Maturities of our long-term debt were $20.6 million in 2004, $19.7 million in 2005, $22.3 million in 2006, $53.3 million in 2007, $13 million in 2008 and an aggregate of $150.5 million for the years thereafter. These figures do not include an additional $76.5 million of debt incurred after June 30, 2003, to the date of this prospectus in connection with the acquisition of three aircraft. After accounting for the effect of our interest rate derivative hedge, approximately 75% of our total long-term debt bears floating interest rates, and the remaining 25% bears fixed rates. In addition to long-term debt, we have a significant amount of other fixed obligations under operating leases related to our aircraft, airport terminal space, other airport facilities and office space. As of June 30, 2003, future minimum lease payments under noncancelable operating leases were approximately $82.2 million in 2004, $77.4 million in 2005, $63.9 million in 2006, $60.8 million in 2007, $59.2 million in 2008 and an aggregate of $360.8 million for the years thereafter. Approximately 88% of our minimum lease payments are fixed in nature, and the remaining 12% are adjusted periodically based on floating interest rates. As of October 1, 2003, we will have commitments of approximately $561.7 million to purchase 17 additional aircraft over the next four and a half years, including estimated amounts for contractual price escalations, spare parts to support these aircraft and to equip the aircraft with LiveTV. We will incur additional debt or long-term lease obligations as we take delivery of new aircraft and other equipment and continue to expand into new markets.

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If we fail to comply with financial covenants, some of our financing agreements may be terminated.

Under our loan facility, guaranteed in part by the ATSB, we are required to comply with specified financial and other covenants. We cannot assure you that we will be able to comply with these covenants or provisions or that these requirements will not limit our ability to finance our future operations or capital needs. Our inability to comply with the required financial covenants or provisions could result in a default under this financing agreement. In the event of any such default and our inability to obtain a waiver of the default, all amounts outstanding under the agreements could be declared to be immediately due and payable. In addition, other financial arrangements that contain cross-default provisions could also be declared in default and all amounts outstanding could be declared immediately due and payable. If we did not have sufficient available cash to pay all amounts that become due and payable, we would have to seek additional debt or equity financing, which may not be available on acceptable terms, or at all. If such financing were not available, we would have to sell assets in order to obtain the funds required to make the accelerated payments.

Our failure to successfully implement our growth strategy could harm our business.

Our growth strategy involves transitioning to an all Airbus fleet, including the addition of up to 38 Airbus aircraft, increasing the frequency of flights to markets we currently serve, expanding the number of markets served and increasing flight connection opportunities. It is critical that we achieve our growth strategy in order for our business to attain economies of scale and to sustain or increase our profitability. Increasing the number of markets we serve depends on our ability to access suitable airports located in our targeted geographic markets in a manner that is consistent with our cost strategy. We will also need to obtain additional gates at DIA. Any condition that would deny, limit or delay our access to airports we seek to serve in the future will constrain our ability to grow. Opening new markets requires us to commit a substantial amount of resources, even before the new services commence. Expansion will also require additional skilled personnel, equipment and facilities. An inability to hire and retain skilled personnel or to secure the required equipment and facilities efficiently and cost-effectively may affect our ability to achieve our growth strategy. We cannot assure you that we will be able to successfully expand our existing markets or establish new markets, and our failure to do so could harm our business.

Transition and growth of our fleet and expansion of our markets and services may also strain our existing management resources and systems to the point that they may no longer be adequate to support our operations, requiring us to make significant expenditures in these areas. We expect that we may need to further develop our information technology systems and other corporate infrastructure to accommodate future growth. We cannot assure you that we will be able to sufficiently develop our systems and infrastructure on a timely basis, and the failure to do so could harm our business.

We depend heavily on the Denver market to be successful.

Our business strategy has historically focused on adding flights to and from our Denver base of operations. A reduction in our share of the Denver market or reduced passenger traffic to or from Denver could have a material adverse effect on our financial condition and results of operations. In addition, our dependence on a hub system operating out of Denver makes us more susceptible to adverse weather conditions and other traffic delays in the Rocky Mountain region than some of our competitors that may be better able to spread these traffic risks over large route networks.

We face intense competition and market dominance by United Airlines and uncertainty with respect to its ability to emerge from Chapter 11 successfully; we also face competition from other airlines at DIA.

The airline industry is highly competitive, primarily due to the effects of the Airline Deregulation Act of 1978, which substantially eliminated government authority to regulate domestic routes and fares and increased the ability of airlines to compete with respect to flight frequencies and fares. We compete with United Airlines in our hub in Denver, and we anticipate that we will compete principally with United Airlines in our future market entries. United Airlines and its regional airline affiliates are the dominant carriers out of DIA, accounting for

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approximately 61% of all revenue passengers for the seven months ended July 31, 2003. Fare wars, capacity dumping in which a competitor places additional aircraft on selected routes, and other activities could adversely affect us. The future activities of United Airlines and other carriers may have a material adverse effect on our revenues and results of operations. Most of our current and potential competitors have significantly greater financial resources, larger route networks, and superior market identity. In addition, United Airlines is currently operating under the protection of Chapter 11 of the Bankruptcy Code. As it seeks to develop a plan or reorganization, United Airlines has expressed an interest in creating a low-cost operation in order to compete more effectively with us and other low-cost carriers. The uncertainty regarding United Airlines business plan, its ability to restructure under Chapter 11, and its potential for placing downward pressure on air fares charged in the Denver market are risks on our ability to maintain yields required for profitable operations. In addition, in the last two years Alaska Airlines, Spirit Airlines, JetBlue Airways, AirTran Airways and American TransAir have commenced service at DIA as spokes to their hubs in other cities. These airlines have offered low introductory fares and compete on several of our routes. Competition from these airlines could adversely affect us.

We may not have access to adequate gates or airport slots, which could decrease our competitiveness.

The number of gates available to us at DIA may be limited due to restricted capacity or disruptions caused by airport renovation projects. Available gates may not provide for the best overall service to our customers, and may prevent us from scheduling our flights during peak or opportune times. We are currently seeking additional gates at DIA in connection with our expanded operations. Negotiations regarding these gates has been affected in part by the bankruptcy of United Airlines and a change of administration at the City and County of Denver. We cannot be certain whether we will obtain any such gates. If we are unable to obtain additional gates at DIA, we may be forced to move a portion of our operations to another airport, potentially resulting in increased operating costs. Any failure to obtain gate access at DIA or the other airports that we serve could adversely affect us. In addition, the number of gates available to us at other airports may be limited due to restricted capacity or disruptions caused by major renovation projects. Available gates may not provide for the best overall service to our customers, and may prevent us from scheduling our flights during peak or opportune times.

We could encounter barriers to airport slots that would deny or limit our access to the airports that we currently use or intend to use in the future. A slot is an authorization to schedule a takeoff or landing at the designated airport within a specific time window. The FAA must be advised of all slot transfers and can disallow any such transfer. In the United States, the FAA currently regulates slot allocations at O Hare International Airport in Chicago, JFK and LaGuardia Airports in New York City, and Ronald Reagan National Airport in Washington D.C. We use LaGuardia Airport and Ronald Reagan National Airport in our current operations. The FAA s slot regulations require the use of each slot at least 80% of the time, measured on a monthly basis. Failure to comply with these regulations may result in a recall of the slot by the FAA. In addition, the slot regulations permit the FAA to withdraw the slots at any time without compensation to meet the operational needs of the U.S. Department of Transportation, or DOT. We also have commenced service to John Wayne Airport in Orange County, California, which limits arrivals and departures as a result of slot allocations for noise control purposes. Our ability to increase slots at these regulated airports is limited by the number of slots available for takeoffs and landings.

We experience high costs at DIA, which may impact our results of operations.

We operate our hub of flight operations from DIA where we experience high costs. Financed through revenue bonds, DIA depends on landing fees, gate rentals, income from airlines, the traveling public, and other fees to generate income to service its debt and to support its operations. Our cost of operations at DIA will vary as traffic increases or diminishes at that airport. We believe that our operating costs at DIA substantially exceed those that other airlines incur at most hub airports in other cities, which decreases our ability to compete with other airlines with lower costs at their hub airports. In addition, United Airlines, currently operating under the protection of Chapter 11 of the Bankruptcy Code, represents a significant tenant at DIA. If United Airlines rejects a significant portion of its payment obligations relating to its operations at DIA, or significantly reduces its operations, the resulting decrease in revenues available to DIA may result in a proportionate increase in the costs of all other airlines operating at DIA.

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Our transition to an Airbus fleet creates risks.

As of October 1, 2003, we will operate 15 Boeing aircraft and 24 Airbus aircraft. We plan to transition our fleet so that we are operating only Airbus aircraft by September 30, 2005. One of the key elements of this strategy is to produce cost savings because crew training is standardized for aircraft of a common type, maintenance issues are simplified, spare parts inventory is reduced, and scheduling is more efficient. However, during our transition period we will be incurring additional costs associated with retraining our Boeing crews in the Airbus aircraft. We also may retire the Boeing aircraft in advance of the end of the lease agreements, which causes us to recognize remaining lease obligations as expense in the current period and to incur costs associated with returning the aircraft. We plan to take a non-cash charge of approximately $2.4 million, net of taxes, during the current quarter for the early retirement of our last two Boeing 737-200s and the closure of our El Paso maintenance facility.

Once we operate only Airbus aircraft, we will be dependent on a single manufacturer for future aircraft acquisitions or deliveries, spare parts or warranty service. If Airbus is unable to perform its obligations under existing purchase agreements, or is unable to provide future aircraft or services, whether by fire, strike or other events that affect its ability to fulfill contractual obligations or manufacture aircraft or spare parts, we would have to find another supplier for our aircraft. Currently, Boeing is the only other manufacturer from which we could purchase or lease alternate aircraft. If we were forced to acquire Boeing aircraft, we would need to address fleet transition issues, including substantial costs associated with retraining our employees, acquiring new spare parts, and replacing our manuals. In addition, the fleet efficiency benefits described above may no longer be available.

In addition, once we operate only Airbus aircraft we will be particularly vulnerable to any problems that might be associated with these aircraft. Our business would be significantly disrupted if an FAA airworthiness directive or service bulletin were issued, resulting in the grounding of all Airbus aircraft of the type we operate while the defect is being corrected. Our business could also be harmed if the public avoids flying Airbus aircraft due to an adverse perception about the aircraft s safety or dependability, whether real or perceived, in the event of an accident or other incident involving an Airbus aircraft of the type we fly.

One of the unique features of our Airbus fleet is that every seat in each of our Airbus aircraft will be equipped with LiveTV. LiveTV is provided by LiveTV, LLC, a subsidiary of JetBlue Airlines. We do not know of any other company that could provide us with LiveTV equipment and if JetBlue were to stop supplying us with the equipment or service for any reason, we could lose one of the unique services that differentiates us from our competitors.

If we fail to extend or replace our regional jet codeshare agreement, our results of operations may suffer.

Since February 2002, Mesa Airlines has provided service as Frontier JetExpress to serve smaller cities in our route system using up to five 50-seat Bombardier CRJ-200 regional jets under a codeshare agreement with us. Our codeshare agreement with Mesa expires on January 1, 2004. We are currently considering various options to extend or replace this service as of January 1, 2004; however, there can be no assurance that we will be able to do so. If we fail to extend or replace this service, our revenues and results of operations and our ability to provide service and connections to the cities served by Frontier JetExpress will be adversely affected.

Our maintenance expenses may be higher than we anticipate.

We bear the cost of all routine and major maintenance on our owned and leased aircraft. Maintenance expenses comprise a significant portion of our operating expenses. In addition, we are required periodically to take aircraft out of service for heavy maintenance checks, which can adversely increase costs and reduce revenue. We also may be required to comply with regulations and airworthiness directives the FAA issues, the cost of which our aircraft lessors may only partially assume depending upon the magnitude of the expense. Although we believe that our purchased and leased aircraft are currently in compliance with all FAA issued airworthiness directives, additional airworthiness directives likely will be required in the future, necessitating additional expense.

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Our landing fees may increase because of local noise abatement procedures.

Compliance with local noise abatement procedures may lead to increased landing fees. As a result of litigation and pressure from airport area residents, airport operators have taken actions over the years to reduce aircraft noise. These actions have included regulations requiring aircraft to meet prescribed decibel limits by designated dates, curfews during night time hours, restrictions on frequency of aircraft operations, and various operational procedures for noise abatement. The Airport Noise and Capacity Act of 1990 recognized the right of airport operators with special noise problems to implement local noise abatement procedures as long as the procedures do not interfere unreasonably with the interstate and foreign commerce of the national air transportation system.

An agreement between the City and County of Denver and another county adjacent to Denver specifies maximum aircraft noise levels at designated monitoring points in the vicinity of DIA with significant payments payable by Denver to the other county for each substantiated noise violation under the agreement. DIA has incurred these payment obligations and likely will incur such obligations in the future, which it will pass on to us and other air carriers serving DIA by increasing landing fees. Additionally, noise regulations could be enacted in the future that would increase our expenses and could have a material adverse effect on our operations.

We have a limited number of aircraft, and any unexpected loss of any aircraft could disrupt and harm our operations.

Because we have a limited number of aircraft, if more than one of our aircraft unexpectedly are taken out of service, our operations may be disrupted. We can schedule all of our aircraft for regular passenger service and only maintain limited spare aircraft capability should one or more aircraft be removed from scheduled service for unplanned maintenance repairs or for other reasons. The unplanned loss of use of more than one of our aircraft for a significant period of time could have a material adverse effect on our operations and operating results. A replacement aircraft may not be available or we may not be able to lease or purchase additional aircraft on satisfactory terms or when needed. The market for leased or purchased aircraft fluctuates based on worldwide economic factors that we cannot control.

Unionization affects our costs and may affect our operations.

Three of our employee groups have voted for union representation: our pilots, dispatchers, and mechanics. In addition, since 1997 we have had union organizing attempts that were defeated by our flight attendants, ramp service agents, and stock clerks. The collective bargaining agreements we have entered into with our pilots, dispatchers and mechanics have increased our labor and benefit costs, and additional unionization of our employees could increase our overall costs. If any group of our currently non-unionized employees were to unionize and we were unable to reach agreement on the terms of their and other currently unionized employee groups collective bargaining agreements or we were to experience widespread employee dissatisfaction, we could be subject to work slowdowns or stoppages. In addition, we may be subject to disruptions by organized labor groups protesting certain groups for their non-union status. Any of these events would be disruptive to our operations and could harm our business.

Our limited marketing alliances could harm our business.

Many airlines have marketing alliances with other airlines, under which they market and advertise their status as marketing alliance partners. Among other things, they share the use of two-letter flight designator codes to identify their flights and fares in the computerized reservation systems and permit reciprocity in their frequent flyer programs. Our program partners presently include Midwest Airlines and Virgin Atlantic Airways, but we do not have the significant network of marketing partners that many other airlines do. Our limited marketing alliances put us at a competitive disadvantage to global network carriers, whose ability to attract passengers through more widespread alliances, particularly on international routes, may adversely affect our passenger traffic, and therefore our results of operations.

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Our lack of an established line of credit or borrowing facility makes us highly dependent upon our operating cash flows.

Airlines require substantial liquidity to operate under most conditions. We have no material lines of credit, and rely primarily on operating cash flows to provide working capital. Unless we secure a line of credit, borrowing facility or other financing, we will be dependent upon our existing cash and operating cash flows to fund our operations and to make scheduled payments on our debt and other fixed obligations. If we deplete our existing cash, including any cash we retain from the proceeds of this offering, fail to generate sufficient funds from operations to meet these cash requirements and are unable to secure a line of credit, borrowing facility or other financing, we could default on our debt and other fixed obligations. Our inability to meet our obligations as they become due would seriously harm our business and financial results.

If we are unable to attract and retain qualified personnel at reasonable costs, our business will be harmed.

Our business is labor intensive, with labor costs representing 24.7% of our operating expenses for the year ended March 31, 2003 and 27.2% of our operating expenses for the three months ended June 30, 2003. We expect salaries, wages and benefits to increase on a gross basis and these costs could increase as a percentage of our overall costs, which could harm our business. Our growth plans will require us to hire, train and retain a significant number of new employees in the future. From time to time, the airline industry has experienced a shortage of personnel licensed by the FAA, especially pilots and mechanics. We compete against the major U.S. airlines for labor in these highly skilled positions. Many of the major U.S. airlines offer wage and benefit packages that exceed our wage and benefit packages. As a result, in the future, we may have to significantly increase wages and benefits in order to attract and retain qualified personnel or risk considerable employee turnover. If we are unable to hire, train and retain qualified employees at a reasonable cost, we may be unable to complete our growth plans and our business could be harmed.

Risks Associated with the Airline Industry

We may be subject to terrorist attacks or other acts of war and increased costs or reductions in demand for air travel due to hostilities in the Middle East or other parts of the world.

On September 11, 2001, four commercial aircraft were hijacked by terrorists and crashed into The World Trade Center in New York City, the Pentagon in Northern Virginia and a field in Pennsylvania. These terrorists attacks resulted in an overwhelming loss of life and extensive property damage. Immediately after the attacks, the Federal Aviation Administration, or FAA, closed U.S. airspace, prohibiting all flights to, from and within the United States of America. Airports reopened on September 13, 2001, except for Washington D.C. Ronald Reagan International Airport, which partially reopened on October 4, 2001.

The September 11 terrorist attacks, and more recently, the war in Iraq created fear among consumers and resulted in significant negative economic impacts on the airline industry. Primary effects were substantial loss of revenue and flight disruption costs, increased security and insurance costs, increased concerns about the potential for future terrorist attacks, airport shutdowns and flight cancellations and delays due to additional screening of passengers and baggage, security breaches and perceived safety threats, and significantly reduced passenger traffic and yields due to the subsequent drop in demand for air travel.

Given the magnitude and unprecedented nature of the September 11 attacks, the uncertainty and fear of consumers resulting from the war in Iraq, or the potential for other hostilities in other parts of the world, it is uncertain what long-term impact these events will or could have on the airline industry in general and on us in particular. These factors could affect our operating results and financial condition by creating weakness in demand for air travel, increased costs due to new security measures and the potential for new or additional government mandates for security related measures, increased insurance premiums, increased fuel costs, and uncertainty about the continued availability of war risk coverage or other insurances.

In addition, although the entire industry is substantially enhancing security equipment and procedures, it is impossible to guarantee that additional terrorist attacks or other acts of war will not occur. Given the weakened state of the airline industry, if additional terrorist attacks or acts of war occur, particularly in the near future, it can be expected that the impact of those attacks on the industry may be similar in nature to but substantially greater than those resulting from the September 11 terrorist attacks.

Increases in fuel costs affect our operating costs and competitiveness.

Fuel is a major component of our operating expenses, accounting for 17.2% of our total operating expenses for the year ended March 31, 2003. Both the cost and availability of fuel are influenced by many economic and political factors and events occurring in oil producing countries throughout the world, and fuel costs fluctuate widely. We cannot predict our future cost and availability of fuel, which affects our ability to compete. The unavailability of adequate fuel supplies could have a material adverse effect on our operations and profitability. In addition, larger airlines may have a competitive advantage because they pay lower prices for fuel. We generally follow industry trends by imposing a fuel surcharge in response to significant fuel price increases. However, our ability to pass on increased fuel costs may be limited by economic and competitive conditions. Although we implemented a fuel hedging program in 2003, under which we enter into Gulf Coast jet fuel option contracts to partially protect against significant increases in fuel prices, this program is limited in fuel volume and duration. Our fuel hedging program currently protects us against potential fuel price increases on approximately 20% of our estimated fuel requirements through November 2003; approximately 15% for December 2003; approximately 7.5% from January 2004 through June 2004, and none thereafter.

The airline industry is seasonal and cyclical, resulting in unpredictable liquidity and earnings.

Because the airline industry is seasonal and cyclical, our liquidity and earnings will fluctuate and be unpredictable. Our operations primarily depend on passenger travel demand and seasonal variations. Our weakest travel periods are generally during the quarters ending in June and December. The airline industry is also a highly cyclical business with substantial volatility. Airlines frequently experience short-term cash requirements. These requirements are caused by seasonal fluctuations in traffic, which often reduce cash during off-peak periods, and various other factors, including price competition from other airlines, national and international events, fuel prices, and general economic conditions including inflation. Our operating and financial results are likely to be negatively impacted by the continued stagnation in national or regional economic conditions in the United States, and particularly in Colorado.

We, like many in the industry, have seen a negative impact to passenger traffic caused by the war with Iraq, the slowing economy, as well as threats of further terrorist activities. The impact has been more prevalent with our business traffic, which is higher yield traffic that books closer to the date of departure, than with our leisure customers. Even though the slowing economy has impacted us, we believe that the larger, more established carriers are being impacted to a greater extent as more price sensitive business travelers who typically fly these carriers are looking for affordable alternatives similar to the service we provide. The larger carriers have reduced their close-in fare structure to more aggressively compete for this traffic. Aggressive pricing tactics by our major competitors have had and could continue to have an impact on our business.

The airline industry tends to experience adverse financial results during general economic downturns, and recent airline financial results may lead to significant changes in our industry.

Since a substantial portion of both business and leisure airline travel is discretionary, the industry tends to experience adverse financial results during general economic downturns. The airline industry has been experiencing a decline in traffic, particularly business traffic, due to slower general economic conditions beginning in 2000 and more recently, from the lingering impact of the terrorist attacks of September 11, 2001, the war in Iraq and the outbreak of severe acute respiratory syndrome. The industry experienced record losses for the year ended 2001 and the major U.S. airlines reported net losses of more than $11 billion in 2002.

In response to these adverse financial results, some airlines have been reexamining their traditional business models and have taken actions in an effort to increase profitability, such as reducing capacity and rationalizing fleet types, furloughing or terminating employees, limiting service offerings, attempting to renegotiate labor contracts and reconfiguring flight schedules, as well as other efficiency and cost-cutting measures. Despite these

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business model adjustments, financial losses have continued and US Airways and United Airlines filed for Chapter 11 bankruptcy protection in 2002. Additional airline bankruptcies and restructurings may occur, potentially resulting in substantial change in our industry, which could adversely affect our business.

Our insurance costs have increased substantially as a result of the September 11th terrorist attacks, and further increases in insurance costs would harm our business.

Following the September 11 terrorist attacks, aviation insurers dramatically increased airline insurance premiums and significantly reduced the maximum amount of insurance coverage available to airlines for liability to persons other than passengers for claims resulting from acts of terrorism, war or similar events to $50 million per event and in the aggregate. In light of this development, under the Air Transportation Safety and System Stabilization Act, the U.S. government has provided domestic airlines with excess war risk coverage above $50 million up to an estimated $1.6 billion per event for us.

In December 2002, under the Homeland Security Act of 2002, the U.S. government expanded its insurance program such that airlines could elect either the government s excess third-party coverage or for the government to become the primary insurer for all war risks coverage. We elected the latter in February 2003 and discontinued the commercially available war risk coverage. While the Appropriations Act authorized the government to offer both policies through August 31, 2004, the current policies are in effect until October 12, 2003. We cannot assure you that any extension will occur, or if it does, how long the extension will last. We expect that if the government stops providing war risk coverage to the airline industry, the premiums charged by aviation insurers for this coverage will be substantially higher than the premiums currently charged by the government. Significant increases in insurance premiums would harm our financial condition and results of operations.

Our financial results and reputation could be harmed in the event of an accident or incident involving our aircraft.

An accident or incident involving one of our aircraft could involve repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service, and significant potential claims of injured passengers and others. We are required by the DOT and our lenders and lessors to carry hull, liability and war risk insurance. Although we believe we currently maintain liability insurance in amounts and of the type generally consistent with industry practice, the amount of such coverage may not be adequate and we may be forced to bear substantial losses from an accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our business and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause a public perception that we are less safe or reliable than other airlines, which would harm our business.

We are in a high fixed cost business, and any unexpected decrease in revenues would harm us.

The airline industry is characterized by low profit margins and high fixed costs primarily for personnel, fuel, aircraft ownership costs and other rents. The expenses of an aircraft flight do not vary significantly with the number of passengers carried and, as a result, a relatively small change in the number of passengers or in pricing would have a disproportionate effect on the airline s operating and financial results. Accordingly, a shortfall from expected revenue levels can have a material adverse effect on our profitability and liquidity.

Airlines are often affected by factors beyond their control, including weather conditions, traffic congestion at airports and increased security measures, any of which could harm our operating results and financial condition.

Like other airlines, we are subject to delays caused by factors beyond our control, including adverse weather conditions, air traffic congestion at airports and increased security measures. Delays frustrate passengers, reduce aircraft utilization and increase costs, all of which negatively affect profitability. During periods of snow, rain, fog, storms or other adverse weather conditions, flights may be cancelled or significantly delayed. Cancellations or delays due to weather conditions, traffic control problems and breaches in security could harm our operating results and financial condition.

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We are subject to strict federal regulations, and compliance with federal regulations increases our costs and decreases our revenues.

Airlines are subject to extensive regulatory and legal requirements that involve significant compliance costs. In the last several years, Congress has passed laws and the DOT and FAA have issued regulations relating to the operation of airlines that have required significant expenditures. For example, the President signed into law the Stabilization Act in November 2001. This law federalized substantially all aspects of civil aviation security and requires, among other things, the implementation of certain security measures by airlines and airports, including a requirement that all passenger baggage be screened. Funding for airline and airport security under the law is primarily provided by a new $2.50 per enplanement ticket tax effective February 1, 2002, with authority granted to the TSA to impose additional fees on air carriers if necessary. Under the Appropriations Act enacted on April 16, 2003, the $2.50 enplanement tax was temporarily suspended on ticket sales from June 1, 2003 through August 31, 2003. This enplanement tax resumed on September 1, 2003. In addition, the acquisition, installation and operation of the required baggage screening systems by airports will result in capital expenses and costs by those airports that will likely be passed on to the airlines through increased use and landing fees. On February 17, 2002, the Stabilization Act imposed a base security infrastructure fee on commercial air carriers in an amount equal to the calendar year ended 2000 airport security expenses. The infrastructure fee for us is $1,625,000 annually. It is impossible to determine at this time exactly what the full cost impact will be of the increased security measures imposed by the Stabilization Act.

Although we have obtained the necessary authority from the DOT and the FAA to conduct flight operations and are currently obtaining such authority from the FAA with respect to our Airbus aircraft, we must maintain this authority by our continued compliance with applicable statutes, rules, and regulations pertaining to the airline industry, including any new rules and regulations that may be adopted in the future. We believe that the FAA strictly scrutinizes smaller airlines like ours, which makes us susceptible to regulatory demands that can negatively impact our operations. We may not be able to continue to comply with all present and future rules and regulations. In addition, we cannot predict the costs of compliance with these regulations and the effect of compliance on our profitability, although these costs may be material. We also expect substantial FAA scrutiny as we transition from our Boeing fleet to an all Airbus fleet. An accident or major incident involving one of our aircraft would likely have a material adverse effect on our business and results of operations.

Substantial consolidation in the airline industry could harm our business.

Since its deregulation in 1978, the airline industry has undergone substantial consolidation through mergers and strategic alliances, and it may undergo additional consolidation in the future. Recent economic conditions and airline financial losses may contribute to further consolidation within our industry. Any consolidation or significant alliance activity within the airline industry could increase the size and resources of our competitors, which, in turn, could adversely affect our ability to compete.

Risks Related to this Offering

The market price of our common stock may be volatile, which could cause the value of your investment in Frontier to decline.

Any of the following factors could affect the market price of our common stock:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- our failure to meet financial analysts performance expectations;
- changes in fuel prices; and
- changes in market valuations of other airlines.

In addition, many of the risks described elsewhere in this Risk Factors section could materially and adversely affect our stock price. The stock markets have experienced price and volume volatility that has affected

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many companies stock prices. Stock prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may affect the market price of our common stock.

Other companies may have difficulty acquiring us, even if doing so would benefit our shareholders, due to provisions under our corporate charter, bylaws, shareholder rights agreement and option plans, as well as Colorado law.

Provisions in our restated articles of incorporation, our amended and restated bylaws and our shareholder rights agreement, as amended, and under Colorado law could make it more difficult for other companies to acquire us, even if doing so would benefit our shareholders. Our restated articles of incorporation and amended and restated bylaws contain the following provisions, among others, which may inhibit an acquisition of our company by a third party:

- a limitation on who may call shareholder meetings;
- a prohibition on shareholder action by written consent (except that unanimous written consent is permitted); and
- the ability of our board of directors to issue up to 1,000,000 shares of preferred stock without a shareholder vote.

The issuance of stock under our shareholder rights agreement could delay, deter or prevent a takeover attempt that shareholders might consider in their best interests. Any of these restrictions could have the effect of delaying or preventing a change in control.

In addition, all of our currently outstanding options under our stock option plan have a special acceleration feature pursuant to which those options will vest in full in the event we are acquired. The accelerated vesting of our employee stock options may prove to be a deterrent to a potential acquisition of us because the acquiring company may have to implement additional retention programs to assure the continued service of our employees, and the additional dilution which will result from the accelerated vesting of our outstanding employee stock options will likely reduce the amount which would otherwise be payable to our shareholders in an acquisition.

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USE OF PROCEEDS

The net proceeds from this offering of common stock will be approximately $61.6 million, or $70.8 million if the underwriters over-allotment option is exercised in full, assuming an offering price of $17.62 per share, which was the reported last sale price of our common stock on the Nasdaq National Market on September 11, 2003, and after deducting underwriting discounts and commissions and estimated expenses of the offering payable by us.

We intend to use 60% of the net proceeds from this offering to prepay approximately $36.9 million of our ATSB-guaranteed loan, and the balance to fund working capital and capital expenditures, including capital expenditures related to the purchase of aircraft. Pending the use of such net proceeds, we intend to invest these funds in investment-grade, short-term interest bearing securities.

Our ATSB-guaranteed loan has three tranches, in amounts initially totaling $63 million (Tranche A), $6.3 million (Tranche B) and $700,000 (Tranche C), and with interest rates as of June 30, 2003, at 1.99%, 2.34%, and 3.79%, respectively. The interest rate on each tranche of the loan adjusts quarterly based on LIBOR. Interest is payable quarterly, in arrears. In July 2003, we received a $26.6 million federal income tax refund and, as required by our loan agreement, we prepaid $10 million of the $70 million outstanding under the loan. The loan currently requires quarterly principal payments beginning in September 2004, with a final balloon payment of $33 million due in June 2007. The prepayments from this offering will eliminate the balloon payment and leave approximately $23.1 million outstanding on the loan. After the offering, our remaining principal payments under the loan will consist of $571,000 payable in September 2004, eight quarterly installments of approximately $2,643,000 beginning in December 2004, and one final payment of $1,343,000 in December 2006. Guarantee fees of 4.5% annually are payable quarterly in advance to the guarantors of the Tranche A and Tranche B loans. The loan facility is secured by certain assets of ours as described in the loan agreement, consisting primarily of Boeing rotable fixed assets, all expendable inventory and 50% of other property and equipment. Proceeds of the ATSB-guaranteed loan were used to fund working capital and for capital expenditures, including capital expenditures related to the purchase of aircraft.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2003:

on an actual basis; and

on an as adjusted basis to give effect to the receipt of the estimated net proceeds from the sale of the shares of our common stock in this offering and the application of such proceeds. The as adjusted amounts are based on a common stock per share price of $17.62, which was the reported last sale price of our common stock on the Nasdaq National Market on September 11, 2003.

The number of shares of common stock to be outstanding after this offering excludes:

2,905,890 shares of common stock reserved for issuance under our stock option plan, of which 2,545,815 shares were subject to outstanding options at a weighted average exercise price of $10.07 per share as of June 30, 2003;

3,833,945 shares of common stock underlying warrants issued in connection with our ATSB-guaranteed loan, which are exercisable at $6.00 per share, subject to certain anti-dilution adjustments.

You should read this table in conjunction with our financial statements and the notes to those statements, which are incorporated by reference in the prospectus.

	June 30, 2003	
	Actual	**As Adjusted for this Offering**
	(unaudited, in thousands)	
Current maturities of long-term debt	$ 20,610	$ 20,610
Long-term debt	$258,757	$221,814
Stockholders equity:		
Preferred stock, no par value; 1,000,000 shares authorized, none issued		
Common stock, no par value; 100,000,000 shares authorized and 30,022,018 shares issued and outstanding, actual; and 33,722,018 shares issued and outstanding, as adjusted	30	34
Additional paid-in capital	98,717	160,284
Unearned ESOP shares	(1,147)	(1,147)
Accumulated other comprehensive loss	(289)	(289)
Retained earnings	73,447	73,447
Total stockholders equity		