Financial and traffic reports

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President T. H. Davis said, "Revenues from the record traffic growth of our Airline Division were not great enough to offset the lower fares which helped to produce the growth. Revenue losses from promotional fares and increased expenses incurred in opening new markets last year caused a decline in earnings of our Airline Division. The sales and profits from our General Aviation operations showed substantial growth and improvement in 1978."

1978 was the first year the Company paid regular quarterly dividends to its shareholders. For the 12 months, dividend payments totaled $633,264, or 24 cents per share.

In January, 1979, the Company's directors declared a cash dividend of six cents per share on the common stock of Piedmont Aviation, Inc.

Payable March 5, 1979 to stockholders of record on February 16, 1979, it is the 20th cash dividend to be paid by Piedmont.

The Airline Division's traffic results for January, 1979 show a continuation of last year's record-setting trend. Available seat miles, revenue passenger miles and passenger boardings were at new highs for the month of January.

ASMs were up 25.3 per cent, to 247,979,975 from 197,883,338 in the first month of 1978. RPMs jumped 30 per cent in January, 1979, to 115,038,543 from 88,448,392 last year. Passenger boardings for the first month of the year were up over 25 per cent to 363,043 from 290,173 in January, 1978.

New benefit plans

(Continued from page one)

so that enrolling in the plan actually doubles your coverage.

When you elect this supplemental coverage, you automatically become eligible for additional spouse and dependent coverage at only 77¢ per month.

For married couples who are both employees, either or both may enroll; if both do so, they will have spouse coverage on each other (in addition to the supplemental amount) and double coverage for any eligible children.

Employees who have either a spouse or dependent children at the time of enrollment must sign up for them at that time or will thereafter be required to produce medical evidence of insurability before they can be covered. Employees who have neither spouse nor dependents at the time of enrollment and who later acquire either, must enroll them within 30 days of the time the relationship is established.

The supplemental coverage will be automatically adjusted when an employee's basic coverage changes. This supplemental coverage will terminate at any such time as the basic amount furnished by the Company terminates as provided in that plan. Refer to "Your Life Insurance Plan" booklet for further details on this provision.

The proposed supplemental retirement plan is open to all permanent, full-time employees with one or more years of service. Enrollment cards will be sent to employees within the next several days.

This plan offers employees an investment opportunity for additional retirement income. It also may provide educational assistance, financing for housing, or money for catastrophic situations.

The plan is subject to Internal Revenue Service approval and has been designed to meet their requirements. With IRS approval, the interest earned will receive deferred tax treatment. A minimum of $250,000 of annualized contributions is necessary for the Company to implement the program. While that sounds like a large sum, it is only approximately .3 of 1 per cent of Piedmont's total 1978 payroll.

Employees may contribute whole percentages from 1 per cent through a maximum of 10 per cent. Contributions will be applied to gross earnings each payday.

If the plan is implemented in 1979, an annual interest rate of 9.5 per cent from date of deposit with AEtna for contributions made in 1979 would be guaranteed. Additionally participants would receive a minimum guarantee of 8.7 per cent for the years 1980, 1981, 1982 and 1983. In the fall of each year, AEtna will announce the actual guarantee for the next year, which must be at least 8.7 per cent and probably will be higher. In the fall of 1983, AEtna will provide a new set of minimum guarantees through the year 1988. The cycle is then repeated each five years.

All interest rates are compounded at a daily rate which will produce the annual guaranteed rate to commence with the date the money is deposited with AEtna.

To be consistent with the basic intent of the plan, namely a retirement supplement, withdrawal opportunities have been limited in the plan design. Additionally, if the fund was subject to too much fluctuation, AEtna would be unable to make the kind of investments that make these attractive interest rates possible. Some penalties associated with withdrawals are required by the IRS in order for the plan to qualify.

The withdrawal provisions include:

For terminations with less than 10 years participation other than retirement, retirement disability or death, lump-sum payments would be made. For terminations with 10 years and more of participation and for retirement, retirement disability or death, lump sum or the same payment options provided for in the Company's pension plans would be offered.

For educational assistance — the plan could be used for funding educational needs.

For home purchases — the plan could provide an excellent vehicle to save for a down payment on a house.

For catastrophic situations — this provision would be administered by the Employee Benefits Committee. Operating from standard and consistent guidelines, the Committee would approve withdrawals at such time as an employee might encounter unexpected, major problems. These problems would include situations such as, the loss of home through a flood or fire, a major financial setback, and so forth.

Normal withdrawals should take about 30 days.

Reductions or increases in the percentage of contributions can be made only once every six months.

Contributions can be discontinued at any time, however, a participant must wait six months before starting contributions again.

Lump-sum contributions cannot be accepted. Contributions will be by payroll deduction only. Accounts cannot be used as collateral for loans. An annual statement of each account will be furnished.

The enrollment period for the supplemental retirement plan will commence when cards are sent out and will terminate at 5:00 p.m. on Friday, March 30, 1979. If enough employees enroll and the plan is implemented, the first contributions will be deducted commencing with the first payroll after April 1, 1979.

While both of these plans are financed entirely by employee contributions, Piedmont will pay all administrative costs. These two plans will significantly supplement employees' extensive Company-paid benefits.

Industry notes

Industry's traffic up 17.7 per cent for year

Domestic and international scheduled airline traffic, which increased 8 per cent in 1977 over 1976, was up 17.7 per cent in 1978, according to the Air Transport Association.

The ATA has also reported that the nation's airlines used about 50 million gallons less fuel in 1978 than in 1973, while carrying 78 million more passengers and more cargo. The report, Airlines and Fuel Conservation, shows an increase of 38 per cent in passengers flown and passenger miles produced per gallon of fuel since 1973. In 1978, the U. S. scheduled airlines accounted for nearly 85 per cent of public transportation passenger miles between U. S. cities and for about 95 per cent of such travel between this country and points overseas.

Brazil requires visas

Now, U. S. citizens who want to visit Brazil must obtain a visa from a Brazilian consular office before leaving home. The Brazilian Government adopted this new regulation in December. No charges are imposed for visas issued to U. S. tourists, but travelers must present a valid passport and one passport-size (2 by 3 inches) photograph when applying for a visa to visit Brazil.

Paste-up needed for interchange

Regularly scheduled Concorde service between Dallas/Ft. Worth and London and Paris started in mid-January with both British Airways and Air France airplanes. The carriers have interchange agreements with Braniff.

To meet Federal Aviation Administration regulations which forbid U. S. airlines to operate foreign airline-owned equipment requires a massive and on-going paste-up program.

Federal laws require U. S. airplanes to have registration numbers that begin with an N. British laws say British Airways planes must have registration numbers that begin with G. French laws contribute further confusion.

The registration problem was solved when British Airways and Air France organized a subsidiary U. S. corporation to own the Concordes when Braniff flies them. The solution means that the airplanes' ownership must change every time a British or French crew gets off and an American crew gets on the plane. Thus, a representative of Britain or France or the U. S. has to be present at Dulles every time the Concorde comes through to certify that the foreign registration has been canceled. So, for every flight, someone climbs up to the Concorde's tail to either paste on or remove a big N. A special adhesive to permit the N to be quickly applied and removed without damaging the Concorde's white paint was developed by the 3M Company. Since the passengers never have to leave the plane, they miss all the paste-up action.

Other news about Concorde includes word that the last of the eight supersonic jetliners built in France has made its first test flight. The final one of the eight Concordes built in the United Kingdom is scheduled for completion in February, 1979. After these 16 planes, no others will be built, according to Aerospatiale officials.

Hot air?

The Wall Street Journal reported a Japanese government agency has requested $280,000 to finance development of a dirigible-type airship. Plans call for a 120-passenger or 20-metric-ton cargo ship to be developed over the next six years. Total cost of the lighter-than-air craft is expected to be about $78 million.

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