

1985 earnings rise To record \$66.7 million

Piedmont reported net earnings of \$66.7 million for the year ended December 31, 1985, the most of any year in the company's history.

Earnings for the year rose 14.7 percent over the previous record of \$58.2 million set in 1984.

Per share earnings (fully diluted) for 1985 increased 0.3 percent to \$3.76 a share compared with \$3.75 per share for the full year of 1984.

Operating revenues for 1985 grew to \$1.53 billion, a 19 percent increase over the \$1.28 billion generated a year earlier. Operating expenses grew to 1.41 billion, a 23 percent increase over 1984, and net operating income decreased 13.7 percent to \$120.2 million from the \$139.3 million recorded a year earlier.

"What this means is that we made 13.7 percent less money running the airline than we did in 1984," Bill Howard, president and chief executive officer, explained.

"Our net profit rose primarily because of lower interest expenses and a reduction in income taxes during the year. Our operating profit declined because, while we added 23 percent more seats, our operating expenses grew at a faster rate, increasing our unit costs. Putting it another way, our yield—the amount of money we receive for carrying one passenger one mile—decreased because of widespread fare discounting."

During the three months ended December 31, 1985, Piedmont had after-tax earnings of \$16.05 million, a decrease of 0.2 percent from the \$16.08 million reported in the same three months of 1984. Per share earnings for the final quarter of 1985 were \$0.88 (fully diluted), down from \$1.03 per share (fully diluted) a year earlier.

Operating revenues for the final three months of 1985 grew to \$417.4 million, an 18.5 percent increase over the \$352.1 million reported for the same period in 1984. Operating expenses during the period increased to

\$384.4 million, up from \$312.7 million recorded in the final quarter of 1984.

Howard noted that record earnings for 1985 were achieved despite significantly reduced average ticket prices and increased competition by discount carriers and traditional major airlines over Piedmont's route system.

"The growing strength and maturity of our hubs at Charlotte, Dayton, and the

Baltimore/Washington International Airport enabled us to expand our traffic rapidly enough to offset the average lower ticket price," he said.

"Our system of keeping most Piedmont connecting passengers on Piedmont flights helps us offer highly competitive services at a competitive price."

Thanks, Piedmont

Last fall, Piedmont surveyed a small sample of Frequent Flyer Bonus Program members to profile their travel habits and to gauge the program's success to date.

The response was overwhelming.

Almost 45 percent of the 8,000 flyers selected answered our questionnaire, and two out of every three who answered returned the questionnaires along with comments in praise and support of Piedmont. Following are just a few of those comments:

- *I enjoy flying PI and think it's got all the others beat when it comes to service and style.*
- *I fly PI because I have more confidence in that airline than any other.*
- *PI has been a good people-oriented airline. I've watched the "up-and-coming airline" mature to what it is now and PI has never lost its people-caring attitude.*
- *I personally believe PI is the best #1 airline for (1) on-time, (2) schedule to various destinations, (3) personnel, (4) cleanliness of planes, (5) food.*
- *Personally delighted with your successful growth.*
- *PI is a great airline. It's service-oriented and has proven time and time again that customers are important.*
- *I really fly PI because of great service and convenience.*
- *Your airline is terrific—particularly the people.*
- *Your employees appear to enjoy their work and are always very helpful.*
- *Friendly, competent service from reservations, ticketing, and gate personnel to in-flight personnel is a pleasant plus.*
- *It's easy to see how you became the NUMBER ONE AIRLINE in 84-85. Everyone who works for PI has the number one spirit.*
- *The PI personnel are among the most courteous and friendly I encounter.*
- *The best part about flying PI is the employee attitude.*
- *I enjoy flying PI. It seems a truly caring airline.*
- *Keep the big boys jumping with your North Carolina charm.*
- *Don't be like other airlines and lose that personal touch.*

around
Piedmont

On March 15, our fleet will number 131. We will have 63 737-200s, 11 737-300s, 20 F28-1000s, three F28-4000s, and 34 727-200s. Empire will have 16 F28-4000s on that date with an additional delivery scheduled for this spring. The Piedmont identity will appear in 120 airports by March 15.

The concourse expansion work will be completed at MIA by March 15. Maintenance, avionics, catering, and flight crew facilities will soon be ready for occupancy.

At MCO, expansion plans are underway. The Concourse will be widened from 60 to 85 feet, the holdroom will be enlarged, and a Presidential Suite will be available. When the work is completed in 1987 we will have six gates.

Plans are also on the drawing boards at TPA for additional facilities on both the concourse and airside buildings.

Work has begun at DCA on a new Presidential Suite and administrative area, located adjacent to Gate 39 in the north end of the terminal. The new facilities will be ready in the second quarter of 1986.

We are now the largest carrier at JAX with 22 daily departures. In December, we boarded over 26,500 passengers, more than any other airline, and on December 20, we had a record day.

CMI Station Agent Kathryn Thomas has received a TOPS (Total Outstanding Passenger Services) Award for escorting a child from CMI to TPA.

A seven-year-old boy became ill while visiting his father and was hospitalized. When he was released from the hospital, his mother wanted him to come home to TPA but she couldn't afford to fly to CMI to bring the boy back and he could not travel by car because of his condition. The boy arrived at the airport, but the note from his doctor said he should not fly alone. When advised of the situation, Thomas, who was just getting off duty, volunteered to escort the child home.

The boy arrived safely, thanks to Thomas, and was met by a very relieved and happy mother. Because of Thomas' efforts, she received five shares of Piedmont stock and an engraved plaque.

Captain Cheryl Peters, a 737 pilot based at CLT, was one of ten women honored recently at a National Aviation Club luncheon for Women in Aviation.

The honorees included "women who are currently making aviation history and are helping maintain our nation's lead in this most critical profession." Senator Barry Goldwater, who has over 50 years of flying experience, spoke at the luncheon.

Peters became the first female to fly for Piedmont when she joined the Company in May 1974. She was upgraded to captain in 1979 on the YS-11.

Howard Mackinnon, senior vice president-finance and treasurer, has been selected to serve on the Chamber of Commerce of the United State's Economic Policy Committee. The committee, which includes 45 members representing a variety of companies from around the United States, helps develop U.S. Chamber policy positions on items such as the federal budget, the deficit, monetary matters, international trade, and financial regulation.

Mackinnon has also been elected to a three-year term on the board of directors of the Forsyth County United Way.

Ted Celentino, vice president-computer and communications services, has been elected to the boards of directors of Arinc Inc. He is one of 14 air transport industry executives on the boards of Arinc Inc. and its wholly-owned subsidiaries, Aeronautical Radio, Inc. (ARINC) which operates five air transport communication centers and 13 communications equipment maintenance centers around the country and in San Juan, and ARINC Research Corporation, an engineering and management consulting firm.

traffic

	January	
passengers*	1,499,722	+29.3%
revenue passenger miles*	695.8 million	+30.5%
available seat miles*	1.4 billion	+21.3%
load factor	50.62%	+ 3.58 pts.

*record for January

cargo

	January	
U.S. Mail	1,803,503	+31.1%
Air Freight	1,571,506	+ 7.7%
Air Express	45,745	- 1.2%
TOTAL	3,420,754	+18.7%