

Accounting changes, lower fuel prices Contribute to 3rd quarter results

Piedmont's net income for the third quarter of 1986 was \$25.1 million compared to \$18.2 million in the same period of 1985.

Revenues for the period grew 22 percent to \$476 million while expenses rose 20 percent to \$430 million. The slightly greater revenue growth, coupled with certain accounting changes that resulted in a \$2.4 million increase in net income for the quarter as well as lower fuel prices, improved earnings for the period.

For the first nine months of 1986, revenues climbed to \$1.4 billion, up 22 percent from the first nine months of 1985. Expenses also grew 22 percent, climbing to \$1.2 billion for the same period. The revenue growth, however, was determined on a larger base than expenses (\$1.1 billion in revenue for the first nine months of 1985 compared to \$1.02 billion in expenses for the period). In addition, certain accounting changes attributed to revenue growth for the first nine months, so that net earnings for the period grew to \$54.9 million compared to

\$50.7 million for the first nine months of 1985.

Primary earnings per share for the three months ended September 30 were \$1.19 per share compared to \$1.01 a year earlier. For the nine months ended September 30, primary earnings were \$2.72, down from \$3.01 for the same period of 1985.

"The men and women of Piedmont have continued to perform well, particularly in overcoming our first quarter loss of \$6.9 million," President Bill Howard said.

"We still must find our earnings comparisons to the rest of the industry sobering. Continental, Delta, TWA, United, and USAir all had significantly higher percentages of growth in earnings during the period than did Piedmont. We also fell from a position as the industry's second most profitable airline in the second quarter of the year to ninth in the third quarter.

"Clearly we are performing well, but many competitors have caught up to us and passed us in profitability," Howard said.

He pointed to increased cost controls and productivity

as the most vital elements to keep Piedmont's earnings at a level competitive with other successful airlines.

Our earnings during the third quarter were positively affected by a change we made in calculating the depreciable life of our 737s and by adopting a new system for determining employers' pension expense. (Effective January 1, 1987, the Financial Accounting Standard Board is requiring all U.S. companies to calculate their pension expense in a new way, and Piedmont chose to adopt the new system early. This accounting change relates only to financial statement reporting. It in no way reduces the amount of money that Piedmont pays into the pension fund nor does it reduce the pension benefits that are paid to retired employees.) These changes increased our net income for the third quarter by \$2.4 million (\$.11 per share, fully diluted) and net income for the nine months by \$7.1 million (\$.35 per share, fully diluted).

around
Piedmont

On December 15, our fleet will include 159 aircraft: 18 737-300s, 62 737-200s, 25 F28-4000s, 20 F28-1000s, and 34 727-200s. The next aircraft delivery will be in January when two more 737-300s will be added to the fleet.

Piedmont currently serves 87 airports (113 cities) in 27 states, the District of Columbia, and two Canadian provinces. Henson, The Piedmont Regional Airline, serves 30 airports (44 cities) in 11 states and the District of Columbia. The Piedmont Commuter System includes CCAir which serves 20 airports (25 cities) in six states; Jetstream which serves 17 airports (21 cities) in nine states; and Brockway which flies to 22 airports (25 cities) in five states and the District of Columbia.

Piedmont stock (PIE on the New York Stock Exchange) closed October 31 at 46. The high for the month—an all-time record—was reached October 16 when our stock reached 48-7/8. On October 31, 1985, our stock closed at 29-7/8.

Four new safety programs are being developed by our station agents in coordination with our ground safety department this fall. Representatives from 15 stations are meeting together to produce four separate films. The topics covered include: working with the handicapped; servicing the F28; defensive driving on the ramp; and an introduction to ground support equipment at Piedmont.

"Our agents are the experts, so we asked them to develop these programs," Jim Swartz, director-ground safety, said, "and they're doing an excellent job. These films will be the beginning of our own safety video library."

The first of four programs will be ready for distribution by the end of the year.

Two new partners have joined Piedmont's Frequent Flyer Bonus Program. National Car Rental, the third largest car rental company in the world, and Omni Hotels which offer 25 luxury properties in Piedmont cities throughout the United States, joined our program November 1. Members can now earn 1,000 miles of credit when they rent cars from National and 500 miles of credit for each Omni Hotel stay.

Trula Scott, manager-inflight services, has been named to a three-person committee for the North American Group of the International Organization of Flight Attendant Management. The organization, which meets every two years, met in Phoenix in October. Forty-seven carriers were represented. The next conference will be held in Australia in 1988.

Piedmont is coordinating schedules at seven Florida points with Air France for Boeing 747 flights from Miami to Paris. Air France offers nonstop service to Paris at 6:59 p.m. on Saturdays and 11:50 p.m. on Sundays.

The second floor of our new headquarters building, One Piedmont Plaza, is ready for occupancy. Accounting moved November 21, and Payroll is scheduled to move December 1. Piedmont now occupies all seven floors except for a section of the third floor which will be renovated by the first of the year, and part of the first floor which is currently leased. Approximately 500 employees now work at headquarters.

Piedmont and Funway Holidays, Inc. have entered into a marketing arrangement which, for the first time in our history, gives us our own private label: "Piedmont Vacations." Under the new program, holiday packages to Florida, California, and Colorado ski resorts are being marketed as "Piedmont Vacations." The Piedmont Vacations office, a subsidiary of Funway Holidays which is headquartered in Milwaukee, is located on Grand National Drive in Orlando. For copies of the new brochures, stop by one of Piedmont's sales offices or city ticket offices or write Agency Sales and Tour Development, H630.

How We Compare 3rd quarter results

Carrier	Net Income (loss)		Yield	
	1986	1985	1986	1985
American	\$111.7 million	\$87.3 million	10.15¢	10.90*
Continental	\$ 65.1 million	\$41.3 million	N/A	N/A
Delta	\$ 53.0 million	\$29.5 million	12.70¢	14.08¢
Eastern	\$ 17.9 million	\$23.9 million	12.21¢	13.99¢
Northwest	\$ 59.7 million*	\$39.0 million	10.21¢	9.50¢
Pan Am	\$ 5.5 million	\$21.1 million	10.20¢	9.68¢
People Express	(\$112.9 million)**	\$16.5 million	N/A	N/A
Piedmont	\$ 25.1 million	\$18.2 million	15.43¢	16.13¢
PSA	\$ 11.7 million	\$485,000	15.20¢	15.61¢
Southwest	\$ 21.2 million	\$16.8 million	9.90¢	11.08¢
TWA	\$ 65.2 million	(\$13.5 million)	9.06¢	9.81¢
United	\$ 47.6 million	\$ 6.6 million	9.71¢	10.40¢
USAir	\$ 39.0 million	\$25.9 million	14.49¢	16.67¢
Western	\$ 25.8 million	\$29.6 million	10.23¢	11.23¢

*results take into account the acquisition of Republic, effective August 2.

**includes Frontier, Britt, and PBA.



Don Shanks (left), vice president-customer relations, and Congressman Sherwood Boehlert hold the ribbon for Oneida County Executive John Plumley as he does the honors marking the opening of our newly renovated reservations center at the Oneida County Airport. The press conference and ribbon-cutting ceremony were held October 27.

Our UCA Reservations Center, one of six on our system, is located in the former Empire Airlines headquarters building. The center, which currently employs 130 reservations personnel, is expected to grow to over 500 by the end of 1987.