

# 1986 earnings grow to record \$72.4 million

Piedmont reported net earnings of \$72.4 million for the year ended December 31, 1986, the most of any year in the company's history.

Earnings for the year rose 8.5 percent over the previous record of \$66.7 million set in 1985.

Per share earnings (fully diluted) for 1986 were \$3.45 compared to \$3.76 a year earlier. The average shares outstanding (fully diluted) increased 15.3 percent over 1985.

Our operating revenues for 1986 grew to \$1.87 billion, a 22.1 percent increase over the \$1.53 billion generated a year earlier. Operating expenses grew to \$1.70 billion, a 20.9 percent increase over 1985, and income before income taxes increased 56.3 percent to \$133.8 million from the \$85.6 million recorded a year earlier.

Bill Howard, chairman, president, and chief executive officer, said:

"Lower fuel prices contributed greatly to holding down our overall costs. In 1986, fuel prices dropped 32 percent. But for every penny per gallon that fuel goes up, our expenses rise \$4.5 million, and we expect fuel prices to inch up this year.

"Our yield, although among the best in the industry, declined 2.4 percent. At the same time, the cost per available seat mile increased. Our payroll is on the rise, and some costs, such as our reservations lines, have risen dramatically. We're also seeing major increases in taxes. What all this means is that we have to continue to keep our costs under tight control if we are to continue to compete successfully."

During the three months ended December 31, 1986, Piedmont had after-tax earnings of \$17.5 million, an increase of 9.1 percent from the \$16.05 million reported in the same three months of 1985. Per share earn-

ings for the final quarter of 1986 were \$.78 (fully diluted), down from \$.88 per share (fully diluted) a year earlier.

Operating revenues for the final three months of 1986 grew to \$509.8 million, a 22.1 percent increase over the \$417.4 million reported for the same period of 1985. Operating expenses during the period increased to \$456.2 million, up 18.7 percent from the \$384.4 million in the final quarter of 1985.

Howard noted that the 1986 figures reflect a strong increase in customer response to Piedmont services.

"Our ability to generate new revenues at a higher rate than our growth in costs, despite the intense competitive environment, was most gratifying. We also succeeded in filling a substantially higher percentage of our seats during the year which enabled us to offset lower average ticket prices."

The Tax Reform Act of 1986 significantly reduced the amount of investment tax credits available to the Company. As a result, fourth quarter 1986 net income was reduced by approximately \$10 million for the reversal of investment tax credits recognized in previous quarters.

During 1986, Piedmont benefited from changing the depreciable life of our 737 aircraft, electing early adoption of Statement of Financial Accounting Standards No. 87 "Employers Accounting for Pensions," and modifying the timing of recognition of sales commissions. Such changes increased net income for the fourth quarter by approximately \$4.9 million (\$.22 per share, fully diluted) and increased net income for the year by approximately \$13 million (\$.62 per share, fully diluted).



## PI seeks approval to serve Nassau by end of year

Piedmont plans to begin serving the Caribbean late this year with daily nonstop, round-trip service between Charlotte and Nassau. We are seeking approval from the Department of Transportation and the Bahamian government to begin service as early as November.

"The approval for this route will take several months to develop," Dick James, vice president-planning, said, "but we expect DOT's approval reasonably soon and the Nassau government's approval without any hearings or exhibits."

The two-hour flight between Nassau and Charlotte will serve one of the more heavily traveled destinations in the Caribbean.

"Nassau will be a different market for us," Dan Brock, vice president-marketing, said. "Whereas all of our markets now are a mix of business and leisure, Nassau will be predominately leisure. Nassau is very popular, provides warm weather year round, has hotel rooms to handle additional air traffic, offers gambling casinos, and is an important cruise ship stopping point.

"The market will also be important for our frequent flyers who, first, can earn mileage by flying Piedmont to this vacation destination, and second, who can use their accrued mileage for free trips to Nassau. Also, travelers in the region from which we're providing service have never had such an easy way to get to this popular resort," Brock added.

"Our service to Nassau, coupled with Henson's new service, gives us a presence in the Caribbean we've never had before."

The Bahamas include 700 islands, covering a land-and-sea area of 100,000 square miles. Only about 15 of the island areas are developed, and of the total population of

225,000, 59 percent reside on New Providence where the capital, Nassau, is located. Two million visitors come to the Bahamas resort islands each year. The airport is served by BahamasAir, Pan Am, Eastern, TWA, Delta, and United as well as several commuter carriers.



### up for discussion

Have a question about Piedmont? Beginning next month a new column, "up for discussion," will appear in the **Piedmonitor** to give you an opportunity to ask questions about your company.

All questions must be signed and include your name, title, and location. Your name will be withheld from publication upon request and will not be revealed when your question is sent to the proper department for an answer. Unsigned questions will be automatically discarded.

When related questions are received, they will be consolidated and answered as one question. As many questions and answers as space allows will appear each month in "up for discussion."

Send your questions to **Piedmonitor** Editor, H440, or One Piedmont Plaza, Winston-Salem, NC 27156-1000.



around Piedmont

Our fleet, as of February 15, includes 162 aircraft. We have 62 737-200s, 21 737-300s, 25 F28-4000s, 20 F28-1000s, and 34 727-200s. Two more 737-300s will join our fleet in March and one in April.

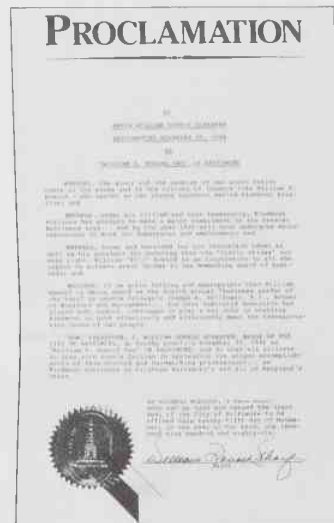
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The support we received in our bid to provide London service has been overwhelming. More than 1,250 letters backing Piedmont were sent to the Department of Transportation and/or government leaders. Ninety-seven state and national government officials in 10 states sent letters of support, and 66 petitions or resolutions of support were written by governing bodies and other groups. The number of local officials who supported us totaled 195.

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Piedmont Chairman Bill Howard has been elected to serve on the Board of Directors of the Air Transport Association. The board, composed of 21 of the nation's top airline executives, sets goals and policy for ATA, the 50-year-old trade and service organization of the U.S. scheduled airlines.

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The City of Baltimore proclaimed November 25 as "William R. Howard Day" in honor of Piedmont's chairman, president, and chief executive officer. Baltimore Mayor William Donald Schaefer made the presentation to applaud "the unique accomplishments of this devoted and hard-working professional... as Piedmont continues to brighten Baltimore's and all of Maryland's skies."

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Dennis O'Madigan, director-security, has been elected chairman for 1987 of the ATA's Security Committee. The committee is composed of officials responsible for carrying our airline security programs in fields ranging from anti-hijacking, sabotage prevention and cargo and baggage security to cooperative efforts with governments to help curb drug smuggling.

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Several new sales promotions are planned for this spring. In March and April, Piedmont representatives, in conjunction with the State of Maryland, are promoting tourism in the state, particularly in the Baltimore area.

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This summer if you purchase Ralston cereal chances are you'll see Piedmont's name on the box. Twenty-five million boxes of Ralston cereal will soon promote our service.

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For the second year in a row, Piedmont will be the Official Airline for The Crosby National Amateur Championship, to be held May 21-24 at Bermuda Run Country Club near Winston-Salem.

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Our GSO maintenance facility has a new, large cafeteria. The cafeteria is located on the second floor of the facility's newer section and is open during all four shifts.

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Piedmont stock (PIE on the New York Stock Exchange) soared to a record high (closing) of 58-3/8 on January 30. Our stock closed on January 31, 1986, at 39.

