

FLIGHTSAFETY INTERNATIONAL ANNUAL REPORT

1995



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FlightSafety
international

FlightSafety International provides high-technology training to operators of aircraft and ships. Total training systems are used which include sophisticated simulators and training devices, computer-based training and, most importantly, professional instructors. These total training systems enable our customers to learn, practice and perfect normal and emergency procedures under controlled conditions. The Company's worldwide clients include corporations, airlines, the military and government agencies.

Five Year Financial Highlights FlightSafety International, Inc.

	1995	1994	1993	1992	1991
Training Revenues	\$307,051,000	\$271,743,000	\$244,784,000	\$239,434,000	\$229,777,000
Product Sales	18,742,000	29,556,000	52,312,000	39,001,000	37,864,000
Operating Revenues	325,793,000	301,299,000	297,096,000	278,435,000	267,641,000
Operating Costs and Expenses	159,624,000	147,603,000	151,575,000	132,362,000	131,101,000
Depreciation and Amortization	49,504,000	46,711,000	44,337,000	39,951,000	36,337,000
Income from Operations	116,665,000	106,985,000	101,184,000	106,122,000	100,203,000
Income Taxes	42,679,000	41,491,000	43,135,000 ⁽²⁾	45,706,000	38,152,000
Net Income	84,516,000	74,475,000	66,414,000 ⁽²⁾	82,309,000 ⁽³⁾	72,442,000
Net Income per Share	\$2.71	\$2.35	\$2.01 ⁽²⁾	\$2.39 ⁽³⁾	\$2.11
Cash Dividends Declared per Share	\$.52	\$.44	\$.38	\$.32	\$.26
Total Assets	844,435,000	792,929,000	753,934,000	814,486,000	690,594,000
Long-term Debt	38,054,000	39,813,000	41,572,000	44,630,000	29,653,000
Shareholders' Equity	603,001,000 ⁽¹⁾	560,404,000 ⁽¹⁾	526,433,000 ⁽¹⁾	564,409,000	490,433,000
Purchase of Equipment and Facilities	89,974,000	64,417,000	64,004,000	68,290,000	49,458,000
Working Capital	202,329,000	202,173,000	178,125,000	231,503,000	184,458,000

(1) Shareholders' equity was reduced by \$29.5 million in 1995 (\$29.2 million in 1994 and \$94.2 million in 1993) to reflect the repurchase of approximately 0.6 million shares in 1995 (0.8 million and 2.5 million shares in 1994 and 1993, respectively), of the Company's common stock.

(2) Due to an increase in the federal income tax rate in 1993, additional deferred

income tax liabilities of \$3.4 million, or 16 cents per share, were recorded in 1993 related to temporary differences that arose in prior years.

(3) In July 1992, the Company sold its minority financial interest in a European venture to the majority shareholder for a pre-tax gain of \$12.6 million which increased net income by \$7.7 million, or 22 cents per share.

Common Stock Price Range and Dividend Information

1995				1994			
Quarter	High	Low	Dividends Paid	Quarter	High	Low	Dividends Paid
First	46 1/8	37 1/8	\$.12	First	43 3/8	33 3/8	\$.10
Second	49 3/8	45 3/8	\$.12	Second	39 3/8	35 3/8	\$.10
Third	49 3/8	44	\$.12	Third	39 3/8	35 3/8	\$.10
Fourth	52 3/8	44 3/8	\$.14	Fourth	41 3/8	36 3/8	\$.12

FlightSafety International, Inc. common stock is listed on the New York Stock Exchange and is traded under the symbol FSI. There were approximately 16,309 shareholders on January 17, 1996, including

individual participants in security position listings. Dividends have been paid each quarter since the start of the cash dividend program in the third quarter of 1976.

**The best safety device in any aircraft
is a well-trained pilot.**

Letter to Our Shareholders

DEAR SHAREHOLDER:

FlightSafety International achieved record operating revenues and earnings for the year 1995. Revenues were \$325.8 million, compared with \$301.3 million in 1994. Net income was \$84.5 million; 1994 posted net income of \$74.5 million. Net income per share increased to \$2.71 versus the \$2.35 reported in 1994.

While the financial results from the past year were satisfying, 1995 was particularly noteworthy for the important agreements and technological advances made, and programs begun by your Company during the period. These will have a continuing, positive impact on earnings for years to come.

You can read about your Company's many activities in the following pages of this report, but I would like to note here several particularly significant items.

Commercial aviation has begun to flourish in the Asia-Pacific region, and your Company is deeply involved in that expansion. In 1995 we committed to develop a large airline training facility in Kunming, China. Scheduled to open early next year, the center will comprise a three-story pilot and flight attendant training center and a 12-story hotel for flight crew lodging. The center will begin operating with advanced FlightSafety simulators for the Boeing 737-300 and Boeing 757/767 and with flight attendant training devices for cabin service and emergency evacuation.

Additionally, during the past year China Eastern Airlines renewed its contract for pilot training using our Airbus A300 and Fokker 100 simulators, and agreed to send its first class of cadets to the FlightSafety Academy in Vero Beach, Florida. Cadet classes from Air China and China's Civil Aviation Flying College trained at the Academy in 1995.

Last year we signed agreements with ValuJet, a new and successful carrier based in Atlanta, creating an alliance of great significance. The contracts call for FlightSafety to conduct all of the carrier's pilot training, from recruitment evaluation, to crew resource management, to line certification. In effect, we have become ValuJet's training department and now instruct over 400 of the carrier's pilots annually.

We prize ValuJet's trust and will make whatever adjustments in equipment, programs and personnel necessary to meet the carrier's expanding training requirements. For example, we recently relocated an MD-80 simulator to Atlanta to accommodate the company's rapid growth.

Our record of service to ValuJet will demonstrate FlightSafety's eagerness and ability to satisfy the most rigorous airline training demands, and to do so for less than the cost a carrier would incur operating its own in-house training department. Once they analyze the cost-effectiveness of

our service, we anticipate more new and existing carriers will invite us to handle their training as well. We believe the outsourcing of crew training will become standard practice among airlines in the future, and, in turn, a significant business development for your company.

Overall airline activity within the United States is expanding. Furthermore, the FAA has imposed high training standards on regional carriers, which will result in even greater demand for simulators.

To keep pace we acquired training centers at Dallas-Fort Worth International and in Louisville, Kentucky, adding four Boeing simulators, including the first 747, to our inventory. We also assumed over 40 customer contracts in that transaction.

Our airliner simulator fleet continues to grow. This year's simulator additions will include Boeing 777, Saab 2000, Beech 1900D, and two de Havilland Dash-8s. In 1997 another ten airline simulators will be delivered.

Late last year we were pleased to be designated as the official training company for the new EMB-145 regional jet being developed by Embraer of Brazil. As a part of our agreement with the manufacturer, we will construct a new training center in Fort Lauderdale and equip it with simulators for the EMB-145 and EMB-120.

The United Kingdom's Civil Aviation Authority (CAA) authorized the FlightSafety Academy to provide Commercial Pilot License and Instrument Rating courses. This hard-won sanction enables the Academy to offer *ab initio* pilot programs to those airlines and individuals who operate under rules based on British aviation regulations. We also established a facility in Coventry, England, where pilots can complete training for their CAA license. The new center will also be a base for further service to the European community.

A significant development for business aviation in recent years has been the growth of fractional ownership. Under this concept an aircraft is owned in part by several companies and then operated within a fleet of such aircraft by an aviation enterprise. Fractional ownership is proving popular among companies new to business aviation and is expected to grow further in importance.

Executive Jet Aviation, which launched fractional ownership with its NetJets, is an industry leader and one of our valued, full-service customers. Last year, in cooperation with EJA, we developed Service Excellence Training to help pilots refine their skills in interacting with passengers.

Additionally, we were selected by Business Jet Solutions, a new fractional ownership company owned by AMR Combs and Bombardier, to provide training for its pilots.

Letter to Our Shareholders

The company is expected to employ more than 200 pilots over the next few years.

More good news in large fleet training came early this year with the signing of an agreement with Petroleum Helicopters Inc. The Louisiana-based company's 250 aircraft constitute the world's largest commercial helicopter fleet.

Business aviation has long been our core market, and our service to corporate flight departments is ever-increasing. Last year we added Level "D" simulators for the Learjet 60 and Citation V Ultra to our fleet. This year we will bring a Gulfstream III and V, Falcon 2000 and Bell 430, and four other business aircraft simulators on line. Four more will follow in 1997.

Our classrooms show clear evidence of our long-term commitment to our customers as well. Last year we began introducing new animated visuals and 3D-style graphics that increase learning comprehension by making training more interactive and efficient.

The training of military and government flight crews is one of the cornerstones of our business. Last year your Company won several important contracts from the armed services and FAA for fixed and rotary wing instruction.

One of the largest federal contracts was to upgrade the seven C-5 Galaxy simulators owned by the U.S. Air Force and operated by FlightSafety. The contract is valued at \$54 million over a three-year period.

Last year we installed our new-generation VITAL ChromaView visual system on a Boeing 737 and two Boeing 777 simulators operated by Japan's ANA-All Nippon Airways. The system, which provides uninterrupted imagery of unprecedented fidelity, has also been selected by Brit air for its new FlightSafety-built Canadair Regional Jet simulator, and by two Chinese carriers as well.

MarineSafety installed an advanced, full-mission bridge simulator at the California Maritime Academy. Also worth noting is the Bridge Resources Management program conducted at MarineSafety's Rotterdam facility. This innovative course parallels the disciplines instilled in FlightSafety's well-received aviation Crew Resource Management program.

We believe that this kind of cross-fertilization of training concepts and technologies will play an increasing role in our future as other industries grow to understand the value of sophisticated instruction. Last year, for example, Honda asked us to develop a troubleshooting training course for Honda and Acura automobile technicians. It is in our long-term interest to search for similar training opportunities outside the aviation and maritime industries, and we will do so.

In looking to the future, your Company agreed to establish an advanced flight training center on the Daytona

Beach, Florida, campus of Embry-Riddle Aeronautical University. The facility will serve as an educational, training, and research center and will include Level "D" simulators for Boeing 737-300 and Beech 1900D aircraft.

By aligning ourselves with the academic community and with young people who aspire to careers in aviation, we can help ensure their success and our own.

At its September 12, 1995, meeting, the Board of Directors agreed to double our stock repurchase program authorization to 8 million shares from 4 million shares. The Board is optimistic about your Company's long-term prospects and, coupled with our strong financial condition, believes repurchase of our common stock is an excellent investment for the Company. As of this date, the Company has repurchased 4 million shares since announcing the initial authorization in February 1993.

One of the best investments your Company can make is in good people. And I am proud to say our employees are the most knowledgeable and the most dedicated in the industry. I thank them for their professionalism.

We have instituted a Revenue Growth Sharing Program under which employees have the opportunity to receive a percentage of their learning center's increased revenues over the previous year. We anticipate this program will not only increase revenues, but will help further solidify the excellent staffs at the centers.

In summary, thanks to you, our customers and our shareholders, we have the people, the programs, the wherewithal and the vision to keep FlightSafety in the forefront of the training industry. We value your faith and confidence in us and will continue to work hard to see your trust rewarded.



A. L. Ueltschi
President

February 23, 1996



**Leading aviation insurance executive Harold Clark,
CEO of USAIG, advocates the benefits of FlightSafety training.**

From Harold Clark's perspective as Chairman/CEO of United States Aircraft Insurance Group — America's largest insurer of corporate aircraft — FlightSafety training is good insurance.

"It's all very clear when you look at it," he says. "On the whole, corporate aviation accidents are very rare. But some 70-90% of the accidents that do occur involve pilot error. And good training addresses the root causes of these mistakes. It does so by building proficiency where it really counts — in areas such as decision-making, emergency procedures, crew resource management, systems knowledge, and the timely and proper response to system failures."

By "good" training, Clark means training in the risk-free environment of a full-flight simulator. "Only 35% of the emergency procedures in an aircraft manual can be performed

safely in the aircraft, versus 100% in the simulator," Clark says. "And there are many other reasons, including the 'replay' advantage. The simulator allows for efficient repetition of cockpit events until the pilot's response is what it must be."

Regarding the issue of costs, Clark observes that "training is the way to become more professional and more proficient at a time when the increasing sophistication of aircraft requires the pilot to have more knowledge and more skill. But since we know that increased training leads to fewer losses, the pilots who train regularly receive our best combination of coverage and rates."

Clark's strong advocacy of high-technology aviation training is reflected in his company's own practices. The pilots who fly the company's corporate jet train at FlightSafety every six months.

FLIGHTSAFETY INTERNATIONAL 1995

The Year in Review



THE NEW IDEAL

*Classroom, developed
by FlightSafety and introduced
at the Savannah Center,
delivers the full potential of
interactive courseware to
maximize the learning process.*

THROUGH THEIR

*direct contact with customers,
FlightSafety instructors facilitate
the effective transfer of
knowledge using the Company's
high-technology training
environments.*

AS PART OF A CONTINUING

program of technological enhancement, Houston's Challenger 601-3A simulator was upgraded with a new-generation VITAL ChromaView visual system.

THE TUCSON CENTER'S

Learjet 60 is one of FSI's newest generation of simulators, all certified to Level "D," the FAA's highest standard, with requirements that include authentic cockpit illumination, runway sensations, and cockpit sounds, as well as a simulator performance monitoring system.

THE FLIGHTSAFETY CLASSROOMS

are designed and equipped to maximize the exchange of information between the instructor and the class. The Company is committed to facilities enhancement throughout its Learning Center network.



The Company has an enduring commitment to the business aviation training market.

Business Aviation Training: Reinforcing a Position of Leadership. Last year's success in business aviation training reflects a commitment to the Company's core market and the source of approximately 50% of its training revenues. FlightSafety's longstanding leadership was reinforced by adding new simulators and significant new programs.

Long-Term Agreements. Business Jet Solutions, an AMR Combs and Bombardier company, signed a long-term agreement for its pilots to maintain proficiency at FSI Learning Centers dedicated to Canadair Challenger and Learjet aircraft. The contract will result in training to support the organization's air charter operations and its flagship "Flexjet" fractional ownership program, which is expected to employ more than 200 pilots over the next few years.

New Simulators, Expanded Capacities. The Company has pioneered the advancement of simulation for business aircraft and regional airliners by designing and building the very first flight simulators for these aircraft types. Last year, FSI further expanded its business aviation training fleet through the installation of two additional Level "D" simulators for business aircraft: a Learjet 60 at the Tucson Learning Center and a Citation V Ultra at the Citation Learning Center in Wichita.

An FSI-built Citation II simulator became the first for business aircraft to be installed at the Company's Miami Airline Training Center. The simulator serves Citation I/II operators located in Central and Latin America, as well as Asia and Europe.

The IDEAL Classroom. A major innovation in classroom technology, developed by the Company, saw its debut at FSI's

FLIGHTSAFETY'S LONG-TERM

agreements with major aircraft manufacturers ensure that simulator technology and training programs will be in place to serve the first owners of new aircraft such as the Cessna Citation X.



Savannah Center for Gulfstream pilot and maintenance technician training. Referred to as the IDEAL Classroom (Interactive Data-based Environment for Accelerated Learning), the technology and its configuration comprise the Company's latest version of the most productive possible learning environment. The classroom arrangement and supporting computer technology are designed to deliver the full potential of the new interactive courseware developed by FSI's Training Systems Division. The touch-screen interactive technique enables each participant to work through a training procedure at a workstation monitored by the instructor, who can provide personal attention as required. The system also facilitates performance testing on required procedures and the recording of all results by the instructor through a central control.

New Courses, Programs. In addition to its technological advances, the Company enriched its training curriculum with new course offerings. Service Excellence Training was developed as part of an extensive training program for Executive Jet Aviation, the world's largest commercial operator of business jets, to

complement the personal service orientation of its crew members. This special workshop-style training is now available to all FlightSafety customers.

The Company received FAA approval to proceed with the development of FSI's Advanced Qualification Program (AQP), a proficiency-based training system that incorporates Crew Resource Management (CRM), Line Operational Simulation (LOS), and other innovative principles in crew member training normally available only to pilots of a few major airlines. The first AQP projects, for the Gulfstream V and Saab 340 aircraft, will be followed by other aircraft programs.

"The First 30 Seconds," being developed by the Company's Operations and Standards Division, will be a two-hour pilot enrichment course developed for introduction in 1996. It provides an overview of takeoff performance evaluation and the critical go/no go decision.

Unusual Attitude/Loss of Control training was added to most initial and recurrent pilot training programs. This new

PILOTS FOR MERCY AIR'S

fleet of Bell helicopters train at FSI's Fort Worth/Bell Learning Center. A simulator for this aircraft, the Bell 412, will be installed in 1997 at the Company's Paris Center as the first of its type in Europe.



dimension includes an expanded simulator briefing to discuss cause, recognition and recovery procedures, followed by event training in the simulator.

A new training seminar, inaugurated at the Teterboro Center, was developed by FSI and Air Security International and was made available to corporate pilots and managers to address the growing concern for aviation security.



airline Training: Expanding the Territory. Encouraged by growing demand for training services from the commercial air transport industry in North America and beyond, the Company acquired two existing airline flight training centers, expanded its fleet of air carrier simulators, and continued to win new training contracts from regional and major carriers.

Dalfort Flight Training Centers Acquired. Further strengthening its training presence in the North American air transport segment, the Company acquired the two flight training centers

of Dalfort Training. The facilities are located at Dallas-Fort Worth International Airport in Texas and near Louisville's airport in Kentucky. The 28,000 square foot, three-level building at DFW Airport is equipped with three simulators in its four bays, two Boeing 727-200 and a Boeing 737-200. The two-bay Louisville Center is equipped with a Boeing 747-200 flight simulator, the first in the FSI fleet for that aircraft type. The centers are actively serving a variety of customers, offering certified ground school and simulator pilot training.

Contracts and Courses. Utilization of the Company's airline training facilities continued to increase last year as existing contracts were serviced and new customers were added. Newcastle-based Gill Airways of the United Kingdom began a pilot-training program at the Houston Center after the U.K.'s Civil Aviation Authority granted approval of the center's ATR 42/72 regional airliner simulator. China Eastern Airlines renewed its contract for pilot training using the Miami Center's Airbus A300-600 simulator and Wilmington's Fokker 100. The first group of pilots from

AN ADVANCED SIMULATOR

for the 19-passenger Beech 1900D regional airliner was installed at the Company's LaGuardia training facility to support this successful new airplane from Raytheon Aircraft Company.

FLIGHTSAFETY'S MIAMI AIRLINE

Learning Center has provided its Boeing 757 simulator for training US Air's pilots. Conveniently accessible, particularly to Latin American carriers, the center's airliner simulators service an international customer base.

CONTACT AIR

a German carrier, is one of numerous regionals — both overseas and domestic — that use a broad range of FSI training services. Contact Air pilots like First Officer Jannis Hatzioannou train at the Paris Center.



Opportunity abounds for expanded service to the commercial air transport industry.

the new Indian regional airline, Gujarat Airways, trained on the Beech 1900D simulator at the Company's LaGuardia Airport learning center. Also at LaGuardia, the first participants in FSI's six-week Flight Dispatcher Course graduated and later passed their FAA dispatcher licensing examination.

ValuJet Airlines contracted with the Company for Crew Resource Management (CRM) training at the airline's Atlanta base of operations. All pilots on the roster will participate in the initial training program. Pilots joining the carrier will receive CRM training at FSI's Miami Center, where they prepare for DC-9 flying duties. Other airlines enrolled for CRM training include Aloha, Avianca/Colombia, and China Airlines.

Late in the year, the Company announced its designation as the official training company for the new EMB-145 regional jet

airliner now being developed by Embraer — Brasilaira de Aeronautica S/A. An advanced full flight simulator and a flight training device (FTD) will be provided at a new FSI Fort Lauderdale, Florida, training center devoted to Embraer. The Company operates flight simulators for the popular EMB-120 regional airliner in five other locations.

FlightSafety Simulation: Innovation Breeds Success. Responding to market opportunities, the Company continues to manufacture simulators and visual systems beyond its own needs for use by outside customers. In doing so, it has established a reputation for innovation and a growing presence in the global marketplace for simulation technology.

MORE CAPABILITY AND

new levels of control characterize the advanced instructor station for the Company's new Boeing 777 simulator designed and manufactured by FlightSafety Simulation in Tulsa. The simulator will be in service in 1996.

THE COMPANY DELIVERED

a Level "D" simulator for the new Saab 2000 regional aircraft at the Crossair training facility in Basel, Switzerland. Crossair ordered the 2000 after enjoying a 98.6% dispatch reliability rate with its first FSI-built simulator, a Saab 340.

JAPAN'S ALL NIPPON AIRWAYS

accepted delivery of two FSI-built VITAL ChromaView visual systems for its Boeing 777 simulators. Captain Ryosuke Kinoshita, head of All Nippon's flight crew training center, said a "search for the most realistic training environment possible" led to selecting VITAL.



FSI Simulation establishes an international presence through performance and innovation.

ChromaView Visuals Installed for All Nippon Airways. The Company completed its installation of three VITAL ChromaView visual systems on two Boeing 777-200 simulators and one Boeing 737-500 for ANA-All Nippon at Tokyo's Haneda Airport. ANA, the launch customer for the new visual system produced by FSI's Visual Simulation Systems in St. Louis, received approval from JCAB, the Japanese Civil Aviation Bureau. Currently being installed in new FSI simulators, the new-generation visual system represents a technical innovation from all previous commercial products in this area. The five-channel visuals for the Boeing 777 simulators spread across a 225-degree panorama, providing unprecedented scene content and weather replication, enhanced by cross-cockpit viewing. The photo-imagery-based system provides a superior visual environment with new levels of scene detail.

A Saab 2000 for Crossair. The Company also delivered the first full flight simulator for the Saab 2000 airliner to Crossair, the successful Swiss regional carrier based in Basel, Switzerland. The Saab 2000 simulator is installed alongside an FSI Saab 340A/B at the Crossair training facility, where the initial FSI simulator had a 98.6% dispatch reliability rate during its first year of operation.

Military and Government Training. The Company's involvement in military and government training remained strong through new agreements and add-ons to existing contracts with FSI's wholly owned subsidiary, FlightSafety Services Corporation.

The Year 2000 Level "D"

installed for Crossair is the second FSI-built simulator ordered by the Swiss regional carrier. Similarly, the French carrier Brit air has ordered a simulator for the new Canadair Regional Jet based on the high performance of its first FSI simulator, an ATR 42/72.



Contract Modifications and Systems Upgrades. FSI received a U.S. Air Force contract modification to upgrade the visual systems on seven government-owned C-5 full-flight simulators, which the Company operates for the Air Force Air Mobility Command in support of the FSI-directed Aircrew Training System for the C-5 aircraft. The order to upgrade simulators for the C-5, the largest aircraft in the Air Force fleet, is valued at \$52 million. The upgrades, to be accomplished over a three-year period, will give the Air Mobility Command and their Air Reserve Components the capability of training their C-5 air crews with the most advanced technology achievable in flight simulation. The new system will present realistic inflight training exercises such as full-contact aerial refueling with the KC-135 refueling aircraft. The seven C-5 simulators are located at Altus AFB, Oklahoma; Dover AFB, Delaware; Travis AFB, California; and Westover AFB, Massachusetts.

The Company also received a U.S. Air Force contract for the training of C-9A (DC-9) air crew, including initial, recurrent, upgrade, requalification and instructor training. The program,

which involves approximately 250 pilots and 50 flight mechanics, will take place at the St. Louis Center.

Military units trained by FSI include the C-20B (Gulfstream III) pilots of the 89th Airlift Wing based at Andrews Air Force Base, near Washington, D.C. The 89th is responsible for transporting the nation's VIPs.

As in previous years, the Federal Aviation Administration relied on the Company to train many of the agency's own pilots. The contracts include pilot initial and recurrent training for most major lines of business jets, for regional airliners such as the de Havilland Dash-8 and the Beech 1900, for airliner-type aircraft such as the Boeing 737 and MD-80, and for Sikorsky helicopter training as well.

Careers in the Making: Training for Future Professionals. Through its New Hire Program and its prestigious flight academy, the Company served the needs of young pilots seeking a boost along the early phases of their professional career paths.

OPERATED BY

*FlightSafety-trained Air National
Guard crew, this U.S. Air Force
KC-135 aircraft refuels a KC-10.*

*The Company also provides
training for the USAF C-5 training
system, in addition to providing air
crew training for all other military
branches and most U.S.
government agencies.*



New Hire Program. The success of the Company's innovative New Hire Program continued last year as more than 25 regional carriers continued to rely on FSI as a source of well-qualified new pilots. The program matches carefully screened first-officer candidates with openings at participating airlines and then provides candidate-funded aircraft-type-specific training tailored to the airline's requirements. Major participants in the program include Atlantic Southeast Airlines, Business Express, Chicago Express, Continental Express, Lone Star, Northwest AirlinK, Vanguard, and ValuJet.

FlightSafety Academy Continues Career Training, Establishes UK Facility. A tradition of excellence continued at the FlightSafety Academy in Vero Beach, Florida, as the school provided flight training for bright, achievement-oriented future professionals. Many of the Academy's cadets are sponsored by overseas airlines who send students with little or no flying experience to Vero Beach for primary (*ab initio*) training followed by multiple ratings. Consistent customers have included such air-

lines as Swissair, Italy's Alitalia, Greece's Olympic Airways, and the Innsbruck-based Austrian carrier, Tyrolean Airways.

Reflecting expanded connections to the Asia-Pacific Rim, Air China's first group of cadets in the United States graduated in 1995. China's Civil Aviation Flying College (CAFC) sent a second group of its students to the Academy and the first class of cadets from China Eastern Airlines signed on for early 1996. The Chinese cadets follow a training course tailored to the exacting requirements of the Civil Aviation Authority of China and the sponsoring airlines.

The Academy last year established a facility in Coventry, England, after being approved by Britain's CAA for the training of new pilots for the Private Pilot License (PPL), Basic Commercial Pilot License (BCPL), Instrument Rating (IR), and Flying Instructor Rating (FIC). For students from Europe, the United States provides excellent opportunities for new-pilot training that significantly reduce the cost of preparing for an airline career. Florida's flight-cadet-friendly weather conditions, fuel

AIRLINES SUCH AS THE

Atlanta-based ValuJet contracts with FSI to screen and recruit talented new pilots who, upon receipt of a conditional job offer from the airline, provide for their own type-specific training through the appropriate FSI Learning Center. ValuJet outsources its pilot training to FlightSafety.

A NEW AIRLINE/PIREP COURSE

that prepares young pilots for the demands of airline service—the Academy-Master Training Program — was introduced by the FlightSafety Academy at Vero Beach, Florida. The training is given in the context of a model regional airline.

FLIGHTSAFETY ACADEMY

last year continued a long tradition of providing ab initio (primary) training for new cadets sponsored by overseas and domestic airlines. The Academy has dormitory facilities, cockpit trainers, and a training fleet of more than 70 aircraft.



A proud tradition of excellence continues at FlightSafety Academy, training ground for future professionals.

prices, and easy airport access provide a superior training environment. Establishment of the U.K. facility addresses the CAA requirement that the final flight test for the CAA's Instrument Rating be conducted in British airspace.

To provide an even smoother transition to first officer training, the Academy last year introduced its Academy-Master Pilot Course, which refines and polishes the flying skills required for in-airline-service. The Academy-Master Pilot designation indicates a clearly recognizable level of preparedness for the commencement of a professional flying career through an intensive four-week course that provides understanding and skillful command of airline pilot duties in the pressurized environment of a fast-moving regional airline operation. Academy-Master graduates become a source of applicants for the FSI New Hire Program.

Maintenance Technician Training: New Inroads. Last year saw continued success in the form of new contracts and new inroads into the marketplace for FSI Maintenance Technician Training.

Aviaco Troubleshooting. Spain's AVIACO Airlines adopted FSI's successful troubleshooting training program for its aircraft maintenance technicians. The Madrid-based carrier is tailoring the program for its MD-88 maintenance group, using the same computer-based, type-specific FSI training systems now employed by American Airlines' MD-80 maintenance organization in Tulsa. The troubleshooting program is used at FlightSafety Learning Centers as an integral part of the maintenance training curriculum, as well as by other airlines and manufacturers.

COMPOSITE STRUCTURES REPAIR

course under way in West Palm Beach is representative of the special offerings that supplement a core curriculum of over 150 FSI courses for maintenance technicians. The courses are offered through FSI Learning Centers or at customer-specified locations.

MAINTENANCE TECHNICIANS,

and pilots as well, benefit from computer-generated graphics that illustrate through colorful, realistic animation the instructor's presentation of complex aircraft components and systems.

MARINESAFETY INTERNATIONAL'S

advanced simulators are an important training resource for the world's finest ships' pilots and bridge teams, drawing on shared databases to replicate the operating conditions of some of the world's busiest ports.



MarineSafety training increases safety at sea, in ports, and on inland waterways.

Troubleshooting Adapted for Automobiles. The Company's Advanced Diagnostic Systems Division in San Antonio is working on a troubleshooting training application for Honda and Acura automobile technicians. The computer-based courses utilize procedures that parallel the service manuals for the cars. Prototype software has been tested repeatedly and refinements are under way.

MRM Training. The Company introduced a new Maintenance Resource Management (MRM) course program based on the flight crew CRM programs that have been effective in enhancing the cockpit working environment and developing pilot teamwork. Utilizing a highly interactive workshop format, MRM training covers situational awareness, error chains, teamwork, decision-making, stress management and, above all, communication skills.



MarineSafety: A Leader in Maritime Training. FSI's maritime subsidiary, MarineSafety International, announced the opening of new facilities and the implementation of significant new training programs.

California Simulator Opening. A full mission bridge simulator was designed and installed by MarineSafety at the California Maritime Academy in Vallejo, California. When not in use by cadets of the Maritime Academy, the simulator is available for use by MSI to provide refresher training to shipping companies and harbor pilots. The new simulator uses the latest virtual reality image generator and is capable of simulating over 30 types of commercial and naval vessels

HOLLAND AMERICA LINE'S

cruise ship Maasdam passes through the Panama canal. Officers of the line utilize MarineSafety's Rotterdam facility for an innovative Bridge Resource Management (BRM) training series that parallels the discipline of Crew Resource Management (CRM) in aviation.



in dozens of specific harbors used by MarineSafety's three other locations.

Bridge Resource Management for Holland America Line. Officers of the seven Holland America Line cruise ships enhanced their Bridge Resource Management (BRM) skills in a special training program conducted by MSI at its Rotterdam facility in The Netherlands. More than a hundred officers have been trained using the concept pioneered by the aviation industry. The course includes seminars on such subjects as situational awareness, passage planning, error-chain analysis, communications, and teamwork — all closely coupled with simulator exercises.

Irish Continental Trains for New Ferry. Masters and officers of the new ferryboat *Isle of Innisfree*, operated by Irish Continental, participated in Bridge Resource Management seminars and specialized shiphandling exercises at MarineSafety in Rotterdam. Elements of the *Isle of Innisfree* training program included developing teamwork and communications among

bridge officers, maintaining situational awareness, detecting and analyzing error chains, and developing the skills required of the large ferry's bridge crew in navigating relatively narrow channels. Simulator exercises allowed the officers to practice docking and undocking at new berths at Holyhead before the ship entered service in May. Shuttling between Holyhead and Dublin, the *Isle of Innisfree* can carry 600 passenger cars and 1,760 passengers per trip.

Management's Discussion and Analysis of Results of Operations and Financial Condition

RESULTS OF OPERATIONS 1995 COMPARED WITH 1994

Training revenues increased by \$35.3 million, or 13 percent, in 1995 as compared to 1994. Business aviation training revenues increased by \$10.9 million, or eight percent, primarily because of increased demand for the Company's training services. Commercial airline training revenues increased by \$6.4 million, or 12 percent, due to the continued expansion of the Company's Airline New Hire Program, increased demand from South American customers and additional training equipment added in 1995. Primary flight training revenues increased by \$1.8 million, or 22 percent, primarily from new training agreements with foreign airlines and aviation authorities and increases in individual pilots seeking careers as professional pilots. There was also an increase in U.S. Government training revenues of \$7.9 million from the C-5 aircrew training system contract and \$1.1 million from the KC-135 aircrew training system contract with the U.S. Air Force. Training revenues for the year ended December 31, 1994, included approximately \$1.9 million related to an equivalent amount of retroactive salary and benefit expenses from October 1, 1992, paid to employees in accordance with the United States Government Services Contract Act on the Company's KC-135 contract. Excluding this 1994 non-recurring item, total training revenues increased by \$37.2 million or, 14 percent.

Product sales in 1995 decreased \$10.8 million, or 37 percent, from 1994. The decrease in product sales was primarily attributable to decreases in equipment being produced for unaffiliated customers by the Company's Simulation Systems Division. The Division's level of production was approximately the same as last year's level, with a greater emphasis toward meeting the Company's training requirements. The Division expects to deliver 13 simulators in 1996 for Company use.

Total expenses increased \$14.8 million, or eight percent, in 1995 as compared to 1994. Salary and wages increased by \$5.9 million, or eight percent, due to a \$7.6 million increase from personnel additions and annual salary increases, offset by the additional \$1.7 million in salary expenses incurred in 1994 related to retroactive salary increases from October 1, 1992, paid in accordance with the United States Government Services

Contract Act. Depreciation and amortization increased by \$2.8 million due to a full year of depreciation on simulators added in 1994 and a partial year of depreciation for simulators added in 1995. Operating expenses increased by \$12.4 million primarily from additional costs related to the C-5 training contract with the U.S. Air Force, increases in simulator and aircraft maintenance costs and training supplies. General and administrative expenses increased by \$4.1 million primarily due to increases in employee benefit costs, professional fees, and overall increases in general and administrative costs related to the increases in business volume. Cost of product sales decreased by \$10.4 million primarily from the related decrease in product sales. The increase in gross profit margin on product sales to 28.5% in 1995 from 19.5% in 1994 was principally due to the completion and acceptance in 1995 of equipment sold to outside customers.

Interest and other income increased by \$2.1 million in 1995 as compared to 1994 principally due to higher interest rates on short-term investments and higher average investment balances. Interest expense increased primarily from higher interest rates in 1995 on the Company's borrowings and increases in borrowings against the cash surrender value of corporate-owned life insurance policies.

Income taxes increased by \$1.2 million, or three percent, in 1995 as compared to 1994 due primarily to an increase in income before income taxes offset by higher tax exempt investment income. The effective income tax rate decreased to 33.6% in 1995 from 35.8% in 1994 primarily due to a refund of foreign income taxes, lower state income taxes and an increase in tax advantaged income as a percentage of pre-tax income.

Earnings per share and net income increased by 15 percent and 13 percent to \$2.71 per share from \$2.35 per share and \$84,516,000 from \$74,475,000 in 1995 as compared to 1994, respectively. The higher percentage increase in earnings per share is a result of the Company's stock repurchase program and its corresponding effect on the weighted average shares outstanding.

Inflation continued to increase operating costs and costs of equipment and facilities during 1995. The Company expects to recover its additional costs due to inflation with increases in volume and prices.

Management's Discussion and Analysis of Results of Operations and Financial Condition

FINANCIAL CONDITION

In 1995, \$140.5 million cash was provided by operations. Cash was principally used to purchase equipment and facilities (\$90.0 million), repurchase the Company's common stock (\$29.5 million), pay dividends (\$16.2 million) and pay corporate-owned life insurance premiums (\$7.5 million).

Accounts receivable at December 31, 1995, increased by \$9.9 million, or 17 percent, from December 31, 1994, due primarily to increases in amounts due from the U.S. Government related to the C-5 contract and in amounts billed in the 1995 fourth quarter as compared to the 1994 fourth quarter. Inventories at December 31, 1995, decreased by \$6.7 million, or 47 percent, from the prior year because of the decrease in product sales. Accounts payable and accrued expenses at December 31, 1995, increased \$14.1 million, or 43 percent, from December 31, 1994, due to amounts owed to subcontractors related to the C-5 contract and increased expenditures in the fourth quarter of 1995 as compared to 1994.

In 1996, the Company expects to spend in excess of \$70 million for additional equipment and facilities. The Company also expects to continue to repurchase shares of its common stock. The Board of Directors increased the shares authorized for the stock repurchase program from 4,000,000 shares to 8,000,000 shares on September 12, 1995. The Company expects to fund these items with cash provided by operations and short-term investments. As of December 31, 1995, the Company has 4,071,300 shares authorized and remaining for possible repurchase.

RESULTS OF OPERATIONS 1994 COMPARED WITH 1993

Training revenues increased by \$27.0 million, or 11 percent, in 1994 as compared to 1993. Business aviation training revenues increased by \$10.6 million primarily because of increased demand for the Company's training services. Commercial airline training revenues increased by \$4.5 million as demand from South American customers increased and from the continued expansion of the Company's Airline New Hire Program. Primary flight training revenues increased by \$2.0 million, primarily from more individual pilots seeking

careers as professional pilots. There was also an increase in training revenues of \$7.8 million from two aircrew training systems contracts with the U.S. Air Force. The most significant of these was for training of KC-135 tanker aircraft crews, and included contract revenues of \$1.9 million related to an equivalent amount of retroactive salary and benefit expenses from October 1, 1992, paid to employees in accordance with the United States Government Services Contract Act.

Product sales in 1994 decreased \$22.8 million, or 44 percent, from 1993. The decrease in product sales was primarily attributable to decreases in equipment being produced for unaffiliated customers by the Company's Simulation Systems Division.

Total expenses decreased \$1.6 million, or one percent, in 1994 as compared to 1993. Salary expense increased \$6.6 million principally due to additional personnel hired for the U.S. Air Force KC-135 contract and the retroactive salary paid as indicated above. Depreciation and amortization increased by \$2.4 million due to a full year of depreciation on simulators added in 1993 and a partial year of depreciation for simulators added in 1994. General and administrative expenses increased by \$1.2 million primarily because of costs associated with the KC-135 contract with the U.S. Air Force and increases in employee benefit costs. Operating expenses increased by \$3.9 million primarily from increases in costs of training supplies and simulator maintenance. Costs of product sales decreased by \$15.7 million primarily from the related decrease in product sales. Research and development expenditures incurred by the Visual Simulation Systems Division amounted to \$1.2 million in 1994 (\$3.2 million in 1993) and are included in costs of product sales. The decrease in gross profit margin of product sales to 19.5% in 1994 from 24.6% in 1993 was principally due to an increased percentage of sales to the U.S. Government, which has lower profit margins.

Interest and other income increased by \$0.8 million in 1994 as compared to 1993 principally due to proceeds from the corporate-owned life insurance policies. Interest expense increased primarily from higher interest rates in 1994 on the Company's borrowings and increases in borrowings against the cash surrender value of corporate-owned life insurance policies.

Consolidated Statements of Income

	1995	Year ended December 31, 1994*	1993
Revenues:			
Training revenues	\$307,051,000	\$271,743,000	\$244,784,000
Product sales	18,742,000	29,556,000	52,312,000
	325,793,000	301,299,000	297,096,000
Costs and Expenses:			
Salaries and wages	77,358,000	71,479,000	64,923,000
Depreciation and amortization	49,504,000	46,711,000	44,337,000
Operating expenses	39,654,000	27,243,000	23,317,000
General and administrative	29,204,000	25,074,000	23,868,000
Costs of product sales	13,408,000	23,807,000	39,467,000
	209,128,000	194,314,000	195,912,000
Income from operations	116,665,000	106,985,000	101,184,000
Other income (expense):			
Interest and other income	13,389,000	11,303,000	10,539,000
Interest expense	(2,859,000)	(2,322,000)	(2,174,000)
Income before income taxes	127,195,000	115,966,000	109,549,000
Income taxes	42,679,000	41,491,000	43,135,000
Net income for the year	\$ 84,516,000	\$ 74,475,000	\$ 66,414,000
Net income per share	\$2.71	\$2.35	\$2.01
Weighted average shares outstanding	31,180,998	31,706,635	33,089,261

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

*Reclassified to conform to 1995 presentation.

Consolidated Balance Sheets

Assets	December 31,	
	1995	1994
Current Assets:		
Cash	\$ 6,128,000	\$ 2,062,000
Short-term investments	194,084,000	194,930,000
Accounts receivable, less allowance for doubtful accounts of \$1,481,000 (\$1,433,000 in 1994)	69,575,000	59,718,000
Inventories	7,640,000	14,330,000
Prepaid expenses and other current assets	11,482,000	10,336,000
Total Current Assets	288,909,000	281,376,000
Equipment and facilities, at cost	894,308,000	806,651,000
Less—accumulated depreciation and amortization	(384,491,000)	(336,590,000)
	509,817,000	470,061,000
Intangible and other assets	45,709,000	41,492,000
	\$844,435,000	\$792,929,000
Liabilities and Shareholders' Equity		
	1995	1994
Current Liabilities:		
Current portion of long-term debt	\$ 1,759,000	\$ 1,759,000
Accounts payable and accrued expenses	47,016,000	32,890,000
Dividends payable	4,311,000	3,758,000
Income taxes payable	3,229,000	8,230,000
Unearned income for contract training	30,265,000	32,566,000
Total Current Liabilities	86,580,000	79,203,000
Long-term debt	38,054,000	39,813,000
Deferred income taxes	111,537,000	108,308,000
Other liabilities	5,263,000	5,201,000
Total Liabilities	241,434,000	232,525,000
Shareholders' Equity:		
Common stock—par value \$.10 per share		
Authorized—100,000,000 shares		
Issued and outstanding—30,792,681 shares (31,315,429 in 1994)	3,079,000	3,132,000
Capital in excess of par value	37,092,000	33,217,000
Retained earnings	564,549,000	525,661,000
	604,720,000	562,010,000
Restricted stock compensation	(1,719,000)	(1,606,000)
Total Shareholders' Equity	603,001,000	560,404,000
Commitments and contingencies		
	\$844,435,000	\$792,929,000

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Consolidated Statements of Cash Flows

	Year ended December 31,		
	1995	1994	1993
<i>Increase (decrease) in cash:</i>			
Cash flows from operating activities:			
Net income	\$ 84,516,000	\$ 74,475,000	\$ 66,414,000
Items in net income not using cash:			
Depreciation and amortization	49,504,000	46,711,000	44,337,000
Provision for losses on accounts receivable	581,000	300,000	519,000
Deferred income taxes	4,921,000	6,194,000	12,593,000
Increase in cash surrender value of corporate-owned life insurance, net of premiums	(1,992,000)	(1,617,000)	(1,396,000)
Other, net	533,000	633,000	833,000
Changes in working capital other than cash:			
Decrease (increase) in inventory	6,690,000	275,000	(4,747,000)
(Increase) in accounts receivable	(10,438,000)	(11,055,000)	(8,124,000)
(Increase) in prepaid expense and other current assets	(1,146,000)	(1,750,000)	(129,000)
Increase (decrease) in accounts payable and accrued expenses	14,126,000	(873,000)	(3,980,000)
Increase in dividends payable	553,000	557,000	100,000
(Decrease) increase in income taxes payable	(5,001,000)	2,931,000	(1,885,000)
(Decrease) increase in unearned income	(2,301,000)	1,570,000	871,000
<i>Net cash provided by operating activities</i>	140,546,000	118,351,000	105,406,000
Cash flows from investing activities:			
Capital expenditures	(89,974,000)	(64,417,000)	(64,004,000)
Corporate-owned life insurance premiums	(7,455,000)	(7,453,000)	(7,450,000)
Decrease (increase) in short-term investments	846,000	(15,981,000)	97,416,000
Intangible assets arising from acquisition			(6,916,000)
Other	3,041,000	1,124,000	2,785,000
<i>Net cash (used) provided by investing activities</i>	(93,542,000)	(86,727,000)	21,831,000
Cash flows from financing activities:			
Repurchase of common stock	(29,538,000)	(29,172,000)	(94,190,000)
Portion of long-term borrowings withdrawn from construction fund held by trustee, net		1,971,000	8,216,000
Repayment of long-term debt	(1,759,000)	(1,819,000)	(29,932,000)
Increase in long-term borrowings against cash surrender value of corporate-owned life insurance	2,622,000	10,273,000	
Cash dividends	(16,154,000)	(13,880,000)	(12,431,000)
Exercise of stock options	3,583,000	2,366,000	2,027,000
Effect of tax leases	(1,692,000)	(1,401,000)	(1,138,000)
<i>Net cash used by financing activities</i>	(42,938,000)	(31,662,000)	(127,448,000)
Net increase (decrease) in cash	4,066,000	(38,000)	(211,000)
Cash at beginning of year	2,062,000	2,100,000	2,311,000
Cash at end of year	\$ 6,128,000	\$ 2,062,000	\$ 2,100,000

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Notes to Consolidated Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Consolidation and Reporting

The accompanying financial statements include the accounts of the Company and its majority-owned subsidiaries.

The Company operates primarily in one industry segment: training. Training activities include advanced training of professional pilots and crews, primary training for individuals to obtain private or commercial pilot licenses, training in the maintenance of aircraft, design and implementation of integrated training systems and training crews in shiphandling. The Company is also engaged in the manufacture and sale of products including simulators and visual systems. The Company's clients include corporations, commercial airlines, ship operators, the military and other government agencies.

Revenues

Revenue from training is recognized when the training is provided except for revenue from training provided pursuant to annual contracts which is recognized on the straight-line method over the life of the contract. Revenues and costs arising from product sales are accounted for principally under the percentage of completion method.

Depreciation and Amortization

Depreciation is provided on the straight-line method over estimated useful lives as follows: simulators, training equipment and spare parts, 4 to 20 years; buildings, 25 to 40 years; and furniture, fixtures and equipment, 4 to 10 years. Leasehold improvements, including buildings on leased property, are amortized over the life of the lease or the life of the improvement, whichever is shorter.

Interest is capitalized as an integral component of cost during the construction period of simulators and facilities and is amortized over the life of the related assets.

Short-term Investments

Short-term investments consist primarily of state and

municipal obligations and are stated at amortized cost, which approximates market value.

Common Stock Repurchase

The Company records the repurchase of its common stock by reducing the common stock account by the par value of the common stock purchased and reducing retained earnings by the amounts in excess of par value. Repurchased common stock is cancelled and returned to the Company's authorized shares.

Amortization of Intangible Assets

Intangible assets arose principally from the acquisitions of a subsidiary in 1988 and a division in 1993 and are amortized over periods from 3 to 20 years.

Income Taxes

The Company records income taxes in accordance with Statement of Financial Accounting Standards No. 109 - "Accounting for Income Taxes," which was adopted in 1993 and had no effect on the Company's financial statements since the Company had previously recorded income taxes in accordance with Statement of Financial Accounting Standards No. 96.

Net Income Per Share

Net income per share is based upon the weighted average number of shares outstanding during each year. Stock options have not been included in the calculation of net income per share because their inclusion would not have a significant dilutive effect.

Management Estimates

The Company prepares its financial statements in accordance with generally accepted accounting principles, which requires management to make estimates and assumptions that effect amounts reported in the financial statements for the reporting period. Actual results could differ from those based upon such estimates and assumptions. These estimates and assumptions are revised as necessary.

NOTE 2 - EQUIPMENT AND FACILITIES

	December 31,	
	1995	1994
Simulators, training equipment and spare parts	\$663,289,000	\$636,009,000
Land and buildings	71,085,000	69,311,000
Furniture, fixtures and equipment	41,367,000	32,296,000
Leasehold improvements	7,509,000	6,168,000
Construction-in-progress	111,058,000	62,867,000
	\$894,308,000	\$806,651,000

Notes to Consolidated Financial Statements

NOTE 4 - INCOME TAXES

Analysis of income tax provision

	Year ended December 31,		
	1995	1994	1993
Currently payable	\$39,450,000	\$36,698,000	\$31,680,000
Deferred income taxes	4,921,000	6,194,000	12,593,000
Effect of tax leases	(1,692,000)	(1,401,000)	(1,138,000)
Income taxes as recorded	\$42,679,000	\$41,491,000	\$43,135,000

State and local income taxes amounted to \$5,167,000 in 1995 (\$5,591,000 in 1994 and \$5,645,000 in 1993). The principal temporary difference generating deferred income taxes in the current year and past years is depreciation of equipment and facilities, which is recognized in different years

for financial reporting than for tax reporting. Due to an increase in the federal income tax rate in 1993, additional deferred income tax liabilities of \$3.4 million were recorded in 1993 related to temporary differences that arose in prior years.

Analysis of effective tax rate

	Year ended December 31,					
	1995		1994		1993	
	Amount	%	Amount	%	Amount	%
Federal income tax at statutory rate	\$44,518,000	35.0%	\$40,588,000	35.0%	\$38,343,000	35.0%
State income taxes, net of federal tax benefit	3,359,000	2.7	3,634,000	3.1	3,727,000	3.4
Tax exempt investment income	(4,103,000)	(3.2)	(3,496,000)	(3.0)	(2,890,000)	(2.6)
Effect of federal tax rate increase on previously provided deferred income tax liabilities					3,427,000	3.1
Other, net	(1,095,000)	(0.9)	765,000	.7	528,000	.5
Income taxes as recorded	\$42,679,000	33.6%	\$41,491,000	35.8%	\$43,135,000	39.4%

The Company does not provide taxes on undistributed earnings of foreign subsidiaries since the Company anticipates no significant incremental U.S. income taxes on the repatriation of these earnings due to tax rates in foreign jurisdictions in

which the Company has operations approximating or exceeding the U.S. statutory income tax rates. The Company made tax payments of \$44.1 million in 1995 (\$33.9 million in 1994 and \$33.5 million in 1993).

Notes to Consolidated Financial Statements

NOTE 4 - LONG-TERM DEBT

	December 31,	
	1995	1994
Industrial development obligations due 1996-2012	\$36,470,000	\$37,170,000
Capitalized lease obligation	3,343,000	4,402,000
Less-current portion of long-term debt	(1,759,000)	(1,759,000)
	\$38,054,000	\$39,813,000

The Company's industrial development obligations had variable rates between 2.8 and 5.9 percent during 1995. The weighted average interest rate for the above borrowings was 4.4 percent in 1995 (3.6 percent in 1994). Assets pledged as security for the industrial development obligations are not material.

Intangible and other assets include investments in corporate-owned life insurance which have a cash surrender value of \$62.1 million offset by borrowings against cash surrender values of \$33.2 million at December 31, 1995 (\$52.7 million and \$30.6 million, respectively, at December 31, 1994). In 1995, the inter-

est rate on borrowings against cash surrender value of corporate-owned life insurance was 9.3 percent (8.9 percent in 1994).

The amounts of debt payable in the five years subsequent to 1995 are: \$1,759,000 in 1996, \$1,259,000 in 1997 and \$1,224,000 in 1998 with no debt payable in 1999 and 2000.

The Company paid interest of \$1,832,000 in 1995 (\$1,506,000 in 1994 and \$2,402,000 in 1993), net of amounts capitalized. The amount of interest capitalized was \$1,798,000 in 1995 (\$1,484,000 in 1994 and \$1,543,000 in 1993).

Notes to Consolidated Financial Statements

NOTE 5 - RETIREMENT PLANS

Substantially all employees of the Company and all but one of its domestic subsidiaries are eligible to participate in the Company's noncontributory defined benefit retirement plan. Benefits are based principally on years of service and compensation during an employee's career. An employee becomes vested upon completion of five years of service or the attainment of age 55 and is entitled to receive a minimum monthly benefit at normal retirement age. The Company also has a defined contribution plan

for certain employees. Pension cost amounted to \$1,801,000 in 1995 (\$1,821,000 in 1994 and \$1,799,000 in 1993).

The Company's funding policy is to contribute amounts sufficient to meet the requirements of the Employee Retirement Income Security Act of 1974, plus any additional amounts which the Company may determine to be appropriate. The assets of the Plan include insurance contracts, marketable equity securities and mutual funds.

The funded status as of the following measurement dates were:

	1995	December 31, 1994	1993
Plan assets at fair value	\$31,957,000	\$24,154,000	\$22,212,000
Actuarial present value of benefits for service rendered to date:			
Accumulated benefits based on salaries to date, including vested benefits of \$19,835,000 (\$17,584,000 in 1994 and \$14,998,000 in 1993)	20,576,000	18,118,000	15,419,000
Additional benefits based on estimated future salary levels	6,533,000	5,103,000	6,150,000
Projected benefit obligation	27,109,000	23,221,000	21,569,000
Plan assets in excess of projected benefit obligations	4,848,000	933,000	643,000
Unrecognized net actuarial (gain) loss	(2,474,000)	686,000	555,000
Unamortized transition net asset	(932,000)	(996,000)	(1,060,000)
Prepaid pension asset	\$ 1,442,000	\$ 623,000	\$ 138,000
Net periodic pension cost included the following components:			
Service cost-benefits earned during the period	\$ 1,931,000	\$ 1,930,000	\$ 1,810,000
Interest cost on projected benefit obligation	1,625,000	1,510,000	1,307,000
Actual return on plan assets	(5,635,000)	59,000	(2,173,000)
Net amortization and deferral	3,880,000	(1,678,000)	855,000
Net pension cost	\$ 1,801,000	\$ 1,821,000	\$ 1,799,000

The assumed discount rate in computing the projected benefit obligation was 7 percent, the assumed rate of compensation increase was 4 percent and the assumed long-term rate of return on plan assets was 7 percent.

Asset gains and losses are deferred in the year generated and amortized in future years over the average remaining service period of active participants.

Notes to Consolidated Financial Statements

NOTE 6 - SHAREHOLDERS' EQUITY

Changes in issued common stock, capital in excess of par value and retained earnings for the three years ended December 31, 1995, were as follows:

	Common Stock		Capital in excess of par value	Retained Earnings
	Shares	Amount		
Balance, December 31, 1992	34,456,608	\$3,446,000	\$28,525,000	\$534,116,000
Net income				66,414,000
Exercise of stock options, net	62,321	6,000	2,021,000	
Restricted stock compensation plan, net	5,529	1,000	232,000	
Dividends declared				(12,431,000)
Repurchase of common stock	(2,516,900)	(252,000)		(93,938,000)
Balance, December 31, 1993	32,007,558	3,201,000	30,778,000	494,161,000
Net income				74,475,000
Exercise of stock options, net	82,355	8,000	2,358,000	
Restricted stock compensation plan, net	316		81,000	
Dividends declared				(13,880,000)
Repurchase of common stock	(774,800)	(77,000)		(29,095,000)
Balance, December 31, 1994	31,315,429	3,132,000	33,217,000	525,661,000
Net income				84,516,000
Exercise of stock options, net	107,806	10,000	3,573,000	
Restricted stock compensation plan, net	6,446	1,000	302,000	
Dividends declared				(16,154,000)
Repurchase of common stock	(637,000)	(64,000)		(29,474,000)
Balance, December 31, 1995	30,792,681	\$3,079,000	\$37,092,000	\$564,549,000

On September 12, 1995, the Board of Directors increased the shares authorized for the stock repurchase program to 8,000,000 shares from 4,000,000 shares of the Company's common stock.

As of December 31, 1995, the Company has 4,071,300 shares authorized and remaining for possible repurchase.

Notes to Consolidated Financial Statements

NOTE 7 - EMPLOYEE STOCK PLANS

Stock Option Plans

The Company has three active stock option plans for its key employees, the "1979 Plan," the "1982 Plan" and the "1992 Plan."

The 1979 Plan provided for awards consisting of non-qualified options for the purchase of shares of common stock at the market price at date of grant. Options granted under the 1979 Plan expire ten years from date of grant. As of December 1989, pursuant to its terms, no further grants of options were available under the 1979 plan.

The 1982 Plan permitted awards consisting of non-qualified and incentive stock options at the market price at date of grant. As of August 1992, pursuant to its terms, no further grants of

options were available under the 1982 Plan.

The 1992 Plan permits awards consisting of non-qualified and incentive stock options for the purchase of up to 600,000 shares of common stock at the market price at date of grant. Options for 95,760 shares were granted in 1995 (110,340 in 1994 and 102,410 in 1993). At December 31, 1995, shares available for future options under the 1992 Plan were 246,222.

Proceeds received from the exercise of options under the plans are credited to the capital accounts in the year the options are exercised. The plans permit employees to tender shares to the Company in lieu of cash for the exercise of stock options. No amounts are charged or credited to income as a result of these plans.

The following tabulation sets forth the activity of the plans for the three years ended December 31, 1995.

	Number of Options	Option Price Per Share		
Outstanding at December 31, 1992	455,531	\$13.79	—	\$47.25
Granted in 1993	102,410		33.81	
Exercised in 1993	(14,673)	13.79	—	22.50
Cancelled in 1993	(3,000)	41.75	—	47.25
Outstanding at December 31, 1993	540,268	13.79		47.25
Granted in 1994	110,340		38.50	
Exercised in 1994	(39,571)	13.79	—	22.50
Cancelled in 1994	(17,636)	13.79	—	47.25
Outstanding at December 31, 1994	593,401	13.79	—	47.25
Granted in 1995	95,760		50.88	
Exercised in 1995	(63,902)	13.79	—	47.25
Cancelled in 1995	(26,965)	33.81	—	47.25
Outstanding at December 31, 1995	598,294	\$13.79	—	\$50.88

Under the 1979 Plan, 145,045 options were exercisable at December 31, 1995 (189,358 options at December 31, 1994). Under the 1982 Plan, 95,593 options were exercisable at December 31, 1995 (89,839 options at December 31, 1994). The remaining 12,795 options become exercisable in 1996. Under the 1992 Plan, 86,409 options were exercisable at December 31, 1995 (45,916 in 1994). The remaining options become exercisable as follows: 70,189 in 1996 and 1997, 58,902 in 1998, 40,020 in 1999 and 19,152 in the year 2000.

Employee Stock Purchase Plan

The Company has an employee stock purchase plan which provides for the granting of options to eligible employees to purchase not more than an aggregate of 1,112,500 shares of common stock. Options are granted annually on July 1 and terminate one year from date of grant. The purchase price of the shares is 85 percent of the closing price on the New York Stock Exchange of the common stock on the date of grant or exercise,

whichever is lower. At December 31, 1995, options to purchase approximately 45,000 shares were outstanding. The actual number of shares issued under the plan in 1995 was 48,814 (47,177 in 1994 and 48,745 in 1993).

Restricted Stock Compensation Plan

In 1984, the Board of Directors and shareholders approved the 1984 Restricted Stock Compensation Plan, which permits awards consisting of restricted stock of up to 900,000 shares of common stock. The Plan contains various restrictions on the disposition of the shares and the shares issued are held in escrow by the Company until such time as the restrictions lapse or they are forfeited. As of December 31, 1995, 98,054 restricted shares are being held in escrow. The quoted market price of the stock at the date issued has been recorded as restricted stock compensation and is being amortized over the time required for each employee to attain normal retirement age. The amount of compensation expense recorded is not significant to the Company's financial statements.

Notes to Consolidated Financial Statements

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Company is obligated under long-term operating leases for offices, facilities and real property. The future minimum rental payments under these leases are as follows: \$1,905,000 in 1996, \$1,621,000 in 1997, \$1,094,000 in

1998, \$745,000 in 1999, \$581,000 in 2000 and \$3,832,000 thereafter. These leases are generally subject to renewal. Rent expense for 1995 was \$1,849,000 (\$1,811,000 in 1994 and \$1,790,000 in 1993).

NOTE 9 - INDUSTRY SEGMENTS

The Company is predominantly in one industry segment: training. The Company is also engaged in product sales consisting of simulators, visual systems and other high-technology

training equipment. Revenue derived from U.S. Government agencies amounted to \$79,696,000 in 1995 (\$75,583,000 in 1994 and \$58,382,000 in 1993).

	Year ended December 31,		
	1995	1994	1993
Revenues:			
Training	\$307,051,000	\$271,743,000	\$244,784,000
Product sales	75,793,000	74,652,000	92,202,000
Intersegment elimination ⁽¹⁾	(57,051,000)	(45,096,000)	(39,890,000)
Total	\$325,793,000	\$301,299,000	\$297,096,000
Contribution to operating income:			
Training	\$111,331,000	\$101,236,000	\$ 88,339,000
Product sales	5,334,000	5,749,000	12,845,000
Total	\$116,665,000	\$106,985,000	\$101,184,000

(1) Intersegment sales, all of which relate to product sales, are recorded at cost.

Training revenues are predominately earned in the United States. Product sales to unaffiliated customers are in the following geographic areas:

	1995	1994	1993
United States	\$ 9,819,000	\$17,407,000	\$17,674,000
Asia	5,483,000	7,730,000	3,742,000
Europe	2,606,000	3,365,000	27,030,000
Other	834,000	1,054,000	3,866,000
Total	\$18,742,000	\$29,556,000	\$52,312,000

At December 31, 1995, the accounts receivable related to product sales were \$5.3 million (\$11.1 million in 1994 and \$13.4 million in 1993).

The following represents the identifiable assets by segment as of December 31:

	1995	1994	1993
Training	\$585,406,000	\$534,668,000	\$504,763,000
Product sales	24,324,000	36,040,000	42,531,000
Corporate ⁽²⁾	234,705,000	222,221,000	206,640,000
Total	\$844,435,000	\$792,929,000	\$753,934,000

(2) Corporate assets consist primarily of cash, short-term and other investments and equipment and facilities (net).

Capital expenditures and depreciation and amortization expense relate primarily to the training industry segment of the Company and are not material with respect to product sales.

Report of Independent Accountants

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF FLIGHTSAFETY INTERNATIONAL, INC.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and of cash flows present fairly, in all material respects, the financial position of FlightSafety International, Inc. and its subsidiaries at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,

on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Price Waterhouse LLP
New York, New York
January 29, 1996

1995, 1994 AND 1993 SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

1995	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	\$77,831,000	\$79,394,000	\$77,463,000	\$91,105,000
Income from operations	27,095,000	29,491,000	27,075,000	33,004,000
Net income	20,164,000	20,913,000	19,355,000	24,084,000
Net income per share	64 cents	67 cents	62 cents	78 cents
1994	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	\$73,246,000	\$74,009,000	\$70,486,000	\$83,558,000
Income from operations	23,772,000	26,496,000	22,707,000	34,010,000
Net income	16,199,000	18,539,000	16,236,000	23,501,000
Net income per share	51 cents	58 cents	51 cents	75 cents
1993	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	\$73,759,000	\$78,660,000	\$67,853,000	\$76,824,000
Income from operations	24,362,000	26,878,000	20,867,000	29,077,000
Net income	17,238,000	18,505,000	11,035,000 ⁽¹⁾	19,636,000
Net income per share	50 cents	56 cents	34 cents ⁽¹⁾	61 cents

(1) Due to an increase in the federal income tax rate, additional deferred taxes of \$3.4 million, or 10 cents per share, were recorded in 1993 related to increased deferred income tax liabilities for temporary differences recorded prior to 1993.

FlightSafety Training Programs

AIRBUS INDUSTRIE

Miami

ATR-42/72
Houston
Greater Philadelphia/Wilmington

BELL HELICOPTER

Fort Worth
Alliance

BOEING

Seattle
Houston
Salt Lake City
St. Louis
Long Beach
Miami
Cincinnati
Dallas
Louisville

BRITISH AEROSPACE/JETSTREAM 31

Seattle
St. Louis
Atlanta

CANADAIR/CHALLENGER

Montreal
Houston

CESSNA/CITATION

Wichita
Long Beach
Toledo
Paris
Miami

CESSNA 200/300/400 SERIES

Wichita
Long Beach

DASSAULT FALCONJET

Teterboro
Paris
Houston

DE HAVILLAND

TORONTO
Paris
Seattle

EMBRAER

Atlanta
Cincinnati
Houston
Seattle
Paris

FAIRCHILD METRO

San Antonio
Seattle
St. Louis

FOKKER 100/70

Greater Philadelphia/Wilmington
Paris

GULFSTREAM

Savannah
Houston
Long Beach

GULFSTREAM COMMANDER

Bethany

IAI WESTWIND/ASTRA

Greater Philadelphia/Wilmington

LEARJET

Wichita
Tucson
West Palm Beach

LOCKHEED JETSTAR

Atlanta

MCDONNELL DOUGLAS

Long Beach
Atlanta
St. Louis
Miami

MITSUBISHI

Houston
Wichita

MOONEY

San Antonio
Paris

PIPER

Lakeland

RAYTHEON/BEECH

Wichita
Toledo
Long Beach
Atlanta
Houston
Paris
Lakeland
Daleville
Dothan

RAYTHEON/BEECH 1900

LaGuardia
Wichita

RAYTHEON/HAWKER/125

Greater Philadelphia/Wilmington
Houston

SAAB

San Antonio
St. Louis
LaGuardia

SABRELINER

St. Louis

SHORTS 360

LaGuardia

SIKORSKY

West Palm Beach

TBM 700

San Antonio

MARITIME

Newport
Rotterdam
San Diego

FlightSafety Learning Centers

ALLIANCE FLIGHT TRAINING ACADEMY

2250 Alliance Boulevard
Fort Worth, Texas 76177
toll free (800) 791-1414
tel (817) 491-9699
fax (817) 491-4002

ATLANTA LEARNING CENTER

1804 Hyannis Court
College Park, Georgia 30337
toll free (800) 889-7916
tel (770) 991-6064
fax (770) 991-5959

BETHANY LEARNING CENTER

Wiley Post Airport
7310 N.W. 50th Street
P.O. Box 1640
Bethany, Oklahoma 73008
tel (405) 495-6400
fax (405) 495-6404

CINCINNATI AIRLINE LEARNING CENTER

1600 Dolwick Drive
Erlanger, Kentucky 41018
tel (606) 283-2345
fax (606) 283-2362

DALEVILLE LEARNING CENTER

600 Industrial Boulevard
Daleville, Alabama 36322
tel (334) 598-4485
fax (334) 598-4488

DALLAS AIRLINE LEARNING CENTER

2201 West Airfield Drive
P.O. Box 612786
DFW Airport, Texas 75261
tel (214) 574-7001
fax (214) 574-7003

DOTHAN LEARNING CENTER

600 FlightSafety Drive
Dothan, Alabama 36303
tel (334) 983-5652
fax (334) 983-1393

FLIGHT SAFETY ACADEMY

Vero Beach Municipal Airport
2805 Airport Drive
Vero Beach, Florida 32961
toll free (800) 800-1411
tel (407) 567-5178
fax (407) 567-5228
Airline Ab Initio & Transition
tel (407) 778-4992
fax (407) 778-6496

FORT WORTH LEARNING CENTER

9601 Trinity Boulevard
Fort Worth, Texas 76053
toll free (800) 379-7413
tel (817) 282-2557
fax (817) 282-8543

GREATER PHILADELPHIA/ WILMINGTON LEARNING CENTER

New Castle County Airport
155 N. Dupont Highway
New Castle, Delaware 19720
toll free (800) 733-7548
tel (302) 328-7548
fax (302) 322-6664

HOUSTON LEARNING CENTER

William P. Hobby Airport
7525 Fauna Street
Houston, Texas 77061
toll free (800) 927-1521
tel (713) 644-1521
fax (713) 644-2118

LAGUARDIA AIRLINE LEARNING CENTER

Marine Air Terminal
LaGuardia Airport
Flushing, New York 11371
toll free (800) 877-5343
tel (718) 565-4170
fax (718) 565-4174

LAKELAND FLIGHT ACADEMY

Lakeland Airport
2949 Airside Center Drive
Lakeland, Florida 33811
toll free (800) 726-5037
tel (941) 646-5037
fax (941) 644-6211

LONG BEACH LEARNING CENTER

Long Beach Municipal Airport
4330 Donald Douglas Drive
Long Beach, California 90808
toll free (800) 487-7670
tel Corp. Sched. (310) 420-7670
fax (310) 429-1226

LOUISVILLE AIRLINE LEARNING CENTER

4528 Bishop Lane
Louisville, Kentucky 40218
tel (502) 456-0958
fax (502) 456-0848

MIAMI AIRLINE LEARNING CENTER

4800 N.W. 36th Street
Miami, Florida 33122
P.O. Box 661198
Miami, Florida 33266-1198
tel (305) 871-8625
fax (305) 871-8659

MONTREAL LEARNING CENTER

9555 Ryan Avenue
Dorval, Quebec
Canada H9P 1A2
tel (514) 631-2084
fax (514) 631-2263

PARIS LEARNING CENTER

BP 25, Zone d'Aviation d'Affaires
Bldg. 404
Aéroport du Bourget
93352 Le Bourget CEDEX
France
tel +33 (1) 49-92-19-19
fax +33 (1) 49-92-18-92

FlightSafety Learning Centers

ST. LOUIS (SABRELINER) LEARNING CENTER

Lambert-St. Louis International Airport
6185 Aviation Drive
St. Louis, Missouri 63134-0888
toll free (800) 349-5447
tel (314) 731-2040
fax (314) 731-3077

ST. LOUIS AIRLINE LEARNING CENTER

4619 Le Bourget Drive
St. Louis, Missouri 63134-0888
toll free (800) 258-4351
tel (314) 426-6160
fax (314) 426-2834

SALT LAKE CITY AIRLINE LEARNING CENTER

201 North 2200 West
Salt Lake City, Utah 84116
tel (801) 355-3901
fax (801) 355-3801

SAN ANTONIO AIRLINE LEARNING CENTER

San Antonio International Airport
9027 Airport Boulevard
San Antonio, Texas 78216
toll free (800) 889-7917
tel (210) 826-6358
fax (210) 826-4008

SAVANNAH LEARNING CENTER

Travis Field
P.O. Box 2307
Savannah, Georgia 31402
toll free (800) 625-9369
tel (912) 964-6421
fax (912) 964-6430

SEATTLE AIRLINE LEARNING CENTER

1505 South 192nd St.
Seattle, Washington 98148
tel (206) 243-9081
fax (206) 243-0357

TETERBORO LEARNING CENTER

Teterboro Airport
100 Moonachie Avenue
Moonachie, New Jersey 07074
toll free (800) 827-8058
tel (201) 939-1810
fax (201) 939-7341

TOLEDO LEARNING CENTER

Toledo Express Airport
11600 West Airport Service Road
Swanton, Ohio 43558
toll free (800) 497-4023
tel (419) 865-0551
fax (419) 865-0754

TORONTO AIRLINE LEARNING CENTER

95 Garratt Boulevard
Downsview, Ontario
Canada M3K 2A5
tel (416) 638-9313
fax (416) 638-3348

TUCSON LEARNING CENTER

Tucson International Airport
1071 E. Aero Park Boulevard
Tucson, Arizona 85706
toll free (800) 203-5627
tel (602) 889-9538
fax (602) 889-9619

WEST PALM BEACH LEARNING CENTER

Palm Beach International Airport
3887 Southern Boulevard
West Palm Beach, Florida 33406
toll free (800) 769-6763
tel (407) 686-7677
fax (407) 689-7719

WICHITA (RAYTHEON) LEARNING CENTER

9720 E. Central Avenue
Wichita, Kansas 67206
toll free (800) 488-3747
tel (316) 685-4949
fax (316) 685-2476

WICHITA (RAYTHEON) MAINTENANCE LEARNING CENTER

9525 E. Central Avenue
Wichita, Kansas 67206
toll free (800) 808-0976
tel (316) 685-5510
fax (316) 685-2448

WICHITA (CESSNA) LEARNING CENTER

1951 Airport Road
Wichita, Kansas 67209
toll free (800) 227-5656
tel (316) 943-2140
fax (316) 943-1017

WICHITA (CESSNA) MAINTENANCE LEARNING CENTER

1962 Midfield Road
Wichita, Kansas 67209
toll free (800) 491-9796
tel (316) 945-0123
fax (316) 945-0161

WICHITA (CITATION) LEARNING CENTER

1851 Airport Road
Wichita, Kansas 67209
toll free (800) 488-3214
tel (316) 943-3214
fax (316) 943-7651

WICHITA (LEARJET) LEARNING CENTER

2 Learjet Way
Wichita, Kansas 67209
toll free (800) 491-9807
tel (316) 943-3394
fax (316) 943-0314

FlightSafety Headquarters, Divisions and Subsidiaries

MARINESAFETY INTERNATIONAL

NEWPORT LEARNING CENTER

344 Aquidneck Road
Middletown, Rhode Island 02482
tel (401) 849-0222
fax (401) 849-9264

SAN DIEGO LEARNING CENTER

P. O. Box 368002
San Diego, California 92136
tel (619) 231-3333
fax (619) 231-2062

MARINESAFETY ROTTERDAM B.V.

Wilhelminakade 701
P. O. Box 51290
3007 GG Rotterdam
The Netherlands
tel +31-10-486-6654
fax +31-10-484-6071

INSTRUCTIONAL SYSTEMS DIVISION

8900 Trinity Boulevard
Hurst, Texas 76053
tel (817) 595-5450
fax (817) 595-5479

SIMULATION SYSTEMS DIVISION

2700 North Hemlock Circle
Broken Arrow, Oklahoma 74012
tel (918) 251-0500
fax (918) 251-5597

TRAINING SYSTEMS DIVISION

1155 South Semoran Boulevard
Suite 1121
Winter Park, Florida 32792
toll free (800) 829-4992
tel (407) 657-6100
fax (407) 657-0207

VISUAL SIMULATION SYSTEMS DIVISION

5695 Campus Parkway
St. Louis, Missouri 63042
tel (314) 551-8400
fax (314) 551-8444

FLIGHTSAFETY SERVICES CORPORATION

10184 West Belleview Avenue, Suite 300
Littleton, Colorado 80127
tel (303) 932-3680
fax (303) 932-3699

WASHINGTON OFFICE

300 Metropolitan Square
655 Fifteenth Street, N.W.
Washington, D.C. 20005
tel (202) 639-4066
fax (202) 638-2670

CORPORATE HEADQUARTERS

FLIGHTSAFETY INTERNATIONAL

Marine Air Terminal
LaGuardia Airport
Flushing, New York 11371
toll free (800) 877-5343
tel (718) 565-4100
fax (718) 565-4134

FlightSafety Board of Directors and Officers

Directors

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Chairman
President, FlightSafety International, Inc.

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Senior Vice President and Director, Retired
International Business Machines Corporation
Information handling systems, equipment and services

EDWARD E. HOOD, JR.*
Vice Chairman and Executive Officer, Retired
General Electric Company
Diversified technology, manufacturing and services

CHARLES R. LONGSWORTH*
Chairman, Emeritus
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Museum, education, hotel and restaurant services

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Morgan Lewis Githens & Ahn
Investment bankers

BRUCE N. WHITMAN
Executive Vice President
FlightSafety International, Inc.

* Member of the Audit Committee

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President

BRUCE N. WHITMAN
Executive Vice President

EEMER G. GIESKE
Vice President-Government Affairs

DENNIS GULASY
Vice President-Simulation Systems

KENNETH W. MOTSCHWILLER
Vice President-Treasurer

JAMES S. WAUGH
Vice President-Marketing

MARIO D'ANGELO
Controller

PETER P. MULLEN
Secretary
Partner, Skadden, Arps, Slate, Meagher & Flom

REGISTRAR AND TRANSFER AGENT:
American Stock Transfer and Trust Co., 40 Wall Street, New
York, New York 10005

ANNUAL MEETING:
The Annual Meeting of Shareholders is scheduled for 4 p.m.,
Wednesday, April 24, 1996 at the corporate headquarters, Marine
Air Terminal, LaGuardia Airport, Flushing, New York 11371

FORM 10-K:
Form 10-K report to the Securities and Exchange Commission
will be made available to interested persons upon written
request to the Treasurer of the Corporation.

CORPORATE BROCHURE:
A brochure on the Company and its services will be gladly pro-
vided upon request. Please contact the office of the Treasurer.

A LEARJET 24, PART OF
Florida-based Able American Jets'
air ambulance fleet, pursues its
mission. Like thousands of aircraft
across the country and around the
world, it is flown by pilots who
train regularly at FlightSafety
International.



MARINE AIR TERMINAL
LA GUARDIA AIRPORT
FLUSHING, NEW YORK 11371

TEL 718 565 4100

FAX 718 565 4134

AN EQUAL OPPORTUNITY EMPLOYER

FlightSafety
international