

TIGER

Report 78



Financial Highlights

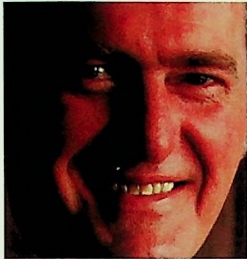
For the year ended December 31,	1977*	1978	% Change
Revenue (000)	\$ 514,399	\$ 703,808	+36.8
Net income (000)	26,344	50,019	+89.9
Earnings per share	2.08	3.68	+76.9
Assets (000)	1,516,999	1,633,090	+ 7.7
Share owners' equity (000)	246,413	325,301	+32.0
Book value per common share	19.42	22.86	+17.7
Cash dividends per common share	.50	.60	+20.0

* Restated for the provisions of Statement of Financial Accounting Standards No. 13 — Accounting for Leases.

Tiger International

TIGER

Annual Report 1978



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"... we have to chart a sound course for the company's future growth. This activity — strategic planning — is the primary task of senior management."

Clearly established as the world's largest airfreight carrier, Flying Tigers logged an all-time high of 1.2 billion airfreight revenue ton miles in 1978, up 38 percent from 1977. Airfreight revenue in 1978 increased 39 percent to \$413.2 million. Pre-tax income rose 86 percent to \$38.6 million. Flying Tigers now offers contract trucking services to 39 domestic cities which connect with freighter aircraft at our 17 terminal cities. The service affords overnight or second-day transportation to key United States population centers.



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Railcar leasing activities grew in several key markets in 1978 as shippers of products requiring special handling and storage considerations increased their demand for more sophisticated rolling equipment. North American Car, a leader in the leasing of special purpose railcars, has more than doubled its fleet since 1971.



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More than 16 percent of the mortgages on one-to-four family residential properties are now privately insured. Tiger Investors Mortgage Insurance has about 6.5 percent of that market, insuring over 42,000 loans in 1978.

Auditors

Arthur Andersen & Co.
Los Angeles, California

General Counsel

White & Case, New York

Stock Exchanges

New York Stock Exchange
Pacific Stock Exchange
Midwest Stock Exchange

Transfer Agents

Manufacturers Hanover
Trust Co., New York 10015
Union Bank, Los Angeles,
California 90051

Registrars

The Bank of New York
New York 10015
Union Bank, Los Angeles,
California 90051

Earnings per Share

\$4.00

3.00

2.00

1.00

0.00

74 75 76 77 78

Financial Statements

page 19

Officers and Directors

page 38

The Annual Meeting of Share Owners will be held on Friday, May 11, 1979, at 10:00 A.M. at the Beverly Hilton Hotel, 9876 Wilshire Boulevard, Beverly Hills, California 90210.

The company files annually a report on form 10-K with the Securities and Exchange Commission. A copy is available on request to the Vice President-Corporate Communications, Tiger International, 1888 Century Park East, Los Angeles, California 90067.

FLIGHTS

To Our Share Owners

Tiger International had an excellent year in 1978. Revenue increased 37 percent to \$704 million. Net income increased 90 percent to \$50 million. Earnings per share increased 77 percent to \$3.68 per share. Each of the company's operating groups contributed to this performance.

Our company is dependent for its continued success upon the skills and abilities of the men and women who perform the varied and complex tasks involved in managing the \$1.6 billion in company assets. Therefore, it is most important to attract and develop outstanding people to manage our activities, an objective which carries the highest priority.

Equally important is the need we have to chart a sound course for the company's future growth. This activity—strategic planning—is the primary task of senior management.

It is essential that we assess our capabilities—both in terms of human and financial resources—and that we develop plans which will assure sound and profitable growth for our company.

We are, in major part, a transportation oriented enterprise—moving airfreight and selling, leasing and maintaining railcars and aircraft. We intend to broaden the scope of our transportation activities.

For example, trucking may be a logical area for future growth for the company. Airfreight, by its own nature, is dependent upon the motor vehicle for pick-up and delivery between airports and the customers' places of business. In the past, we relied upon other companies to perform many of those trucking services. In the future, we might perform many of these services ourselves. Furthermore, in order to bring the benefits of airfreight to smaller cities and towns where direct air service is not feasible we may develop truck hub and spoke networks around principal air terminals. This may require regulatory approval or new legislation.

Similarly, while continuing to improve our position as a leader in the leasing of specialized railcars, we are broadening our activities to include leasing and selling other transportation equipment, and increasing our capabilities in equipment maintenance and repair.

From the standpoint of financial resources we are in an excellent position to exploit these opportunities for expansion. In addition to the substantial cash we generate internally, we have access to the capital markets on efficient terms. Our major assets, primarily aircraft, railcars and other transportation equipment, have long economic lives. Railcars for example, can be used for up to 40 years. As a result, long term financing for eighty to ninety percent of the purchase cost is easily obtainable. We have special knowledge and skills in the management of such transportation related assets and these assets have a history of generating predictable earnings. We are thus able to safely employ relatively high levels of debt for new equipment.

To control the cost of financing, particularly in

today's high interest environment, we have made a deliberate effort to improve the credit ratings of our major operating companies. Flying Tiger Line, for example, received an "A" rating from Moody's in its last public equipment financing—the highest awarded to a major U.S. air carrier. North American Car is improving its fixed charge coverage so as to improve its credit ratings as well.

These improvements will permit us to reduce our borrowing costs and to gain access to a greater number of lending institutions, enhancing the availability of adequate funds even in periods of tight credit. We improved the financial strength of Tiger IMI by a capital contribution. As a result, mortgage backed securities insured by Tiger IMI are now rated "AA." This increased Tiger IMI's opportunity for growth in an area new to its operations.

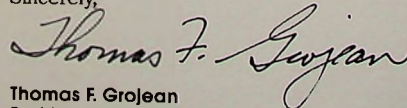
Reflecting the favorable perception the company has achieved in the investment market, Tiger International in 1978 sold 1.5 million shares of stock, raising \$36 million of equity, which further improved our financial position.

Our prospects for future growth are excellent. Your Board of Directors, recognizing these prospects, must attempt to reconcile the desirability of reinvesting earnings into the business with the need and desire of share owners for cash dividends. At its March, 1979 board meeting Tiger's directors voted a 33 percent increase in the annual dividend rate to \$.80. This increase will provide our share owners with an improved return on their investment in the company, while not penalizing the company's prospects for future growth. As our earnings increase we intend to recommend further increases in dividends.

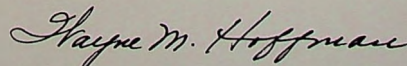
Of cardinal importance is return on equity. In 1978, we achieved a 17.5 percent return on average equity, an excellent result.

Many people are important to us: our customers, our employees, our lenders, our suppliers and our share owners. With increased effort, enthusiasm and, we hope, imagination, we try to meet the legitimate needs of each of these constituencies. We speak for all members of the Tiger family, many of whom are also share owners, in stating the conviction that, while 1978 earnings were reasonably good, the earnings immediately ahead should be even better.

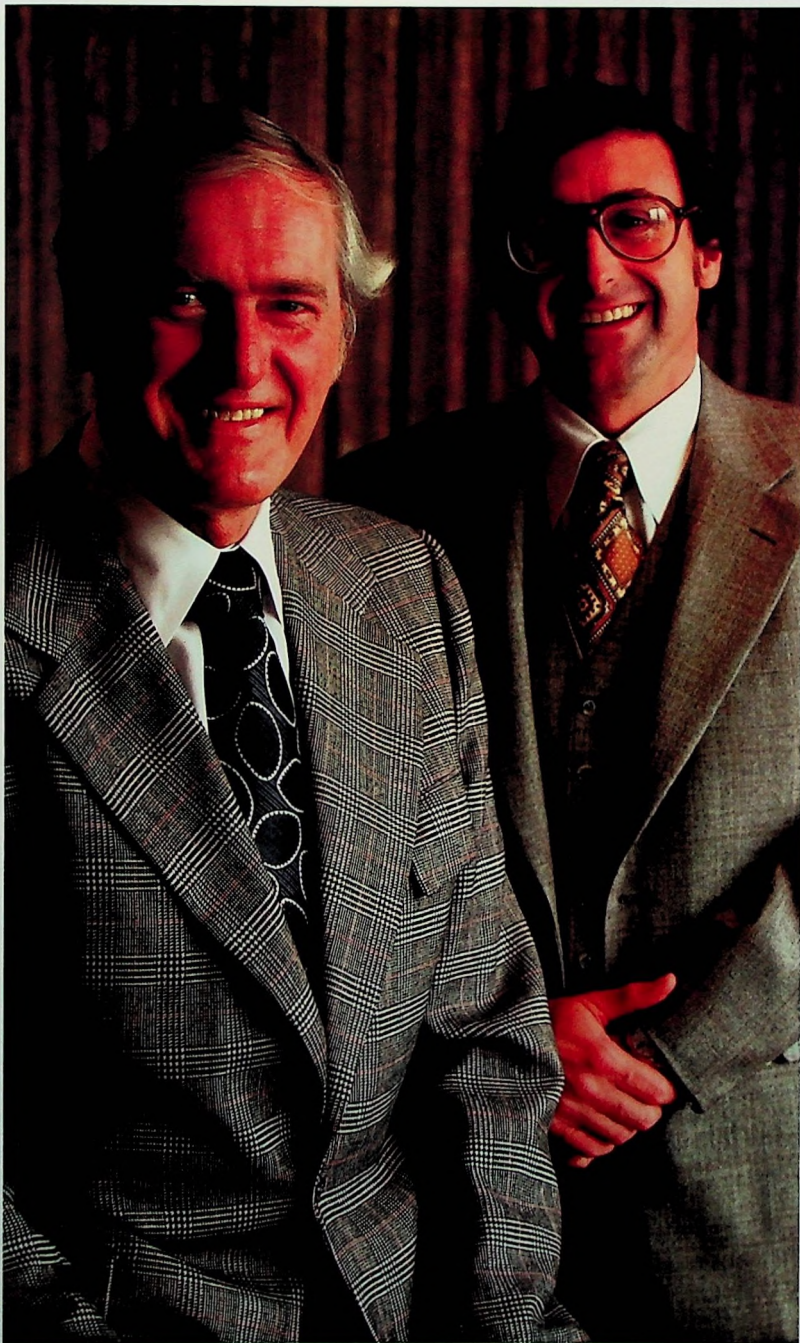
Sincerely,



Thomas F. Gojman
President



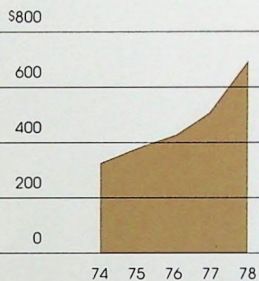
Wayne M. Hoffman
Chairman of the Board & Chief Executive Officer



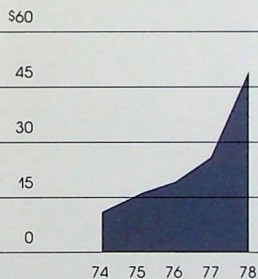
Wayne M. Hoffman

Thomas F. Grojean

Total Revenue (millions)



Net Income (millions)



Return on Equity (percent)



AIRFREIGHT

Flying Tigers Revenue and Earnings Reach New Highs

In late 1974 Flying Tigers began adding 747 jettfreighters to improve and expand its international scheduled airfreight services and capacity. Since then scheduled service frequencies have been increased substantially, routes have been extended and international cargo capacity has been increased over 94 percent.

In the United States, air cargo deregulation became effective in January, 1978, and Flying Tiger Line moved swiftly to take advantage of its opportunities. We embarked on a five-year program to expand our route structure to all of the nation's key domestic markets.

In 1978, Flying Tigers introduced service to eight more cities in the United States as well as to Singapore. These new services increased our coverage to a total of 48 cities in the United States and nine in the Pacific.

Clearly established as the world's largest airfreight carrier, Flying Tiger Line logged an all-time high of 1.2 billion airfreight revenue ton miles in 1978, up 38 percent from 1977.

The Flying Tiger Line	1974**	1975**	1976**	1977**	1978
Revenue* (000)	\$189,264	\$219,840	\$250,021	\$287,523	\$407,955
Income (loss) before income tax provision (000)	\$ (1,656)	\$ 8,645	\$ 16,132	\$ 20,735	\$ 38,638

* Excluding non-operating revenue

** Restated for the provisions of Statement of Financial Accounting Standards No. 13

— Accounting for Leases.

Operating Review

Airfreight revenue in 1978 increased 39 percent to \$413.2 million. Pre-tax income rose 86 percent to \$38.6 million.

Because of a long strike at Northwest Airlines, which ended in August, and startup problems experienced by some carriers at the new Tokyo airport, Flying Tigers

gained additional airfreight volume and an estimated \$5 million in pre-tax profits in the second and third quarters. Partly as a result, the gains in revenue and pre-tax earnings over the prior year were strongest in the second and third quarters.

During the first seven months of 1978, Flying Tigers began scheduled airfreight service to Anchor-

age, Atlanta, Charlotte, Houston, Dallas/Ft. Worth, Cincinnati and San Juan. New terminals are being built at Houston and Dallas/Ft. Worth for completion in 1979, at a cost of approximately \$5 million. Ground has been broken for a new \$10 million Los Angeles terminal which will open in the fall of 1979.

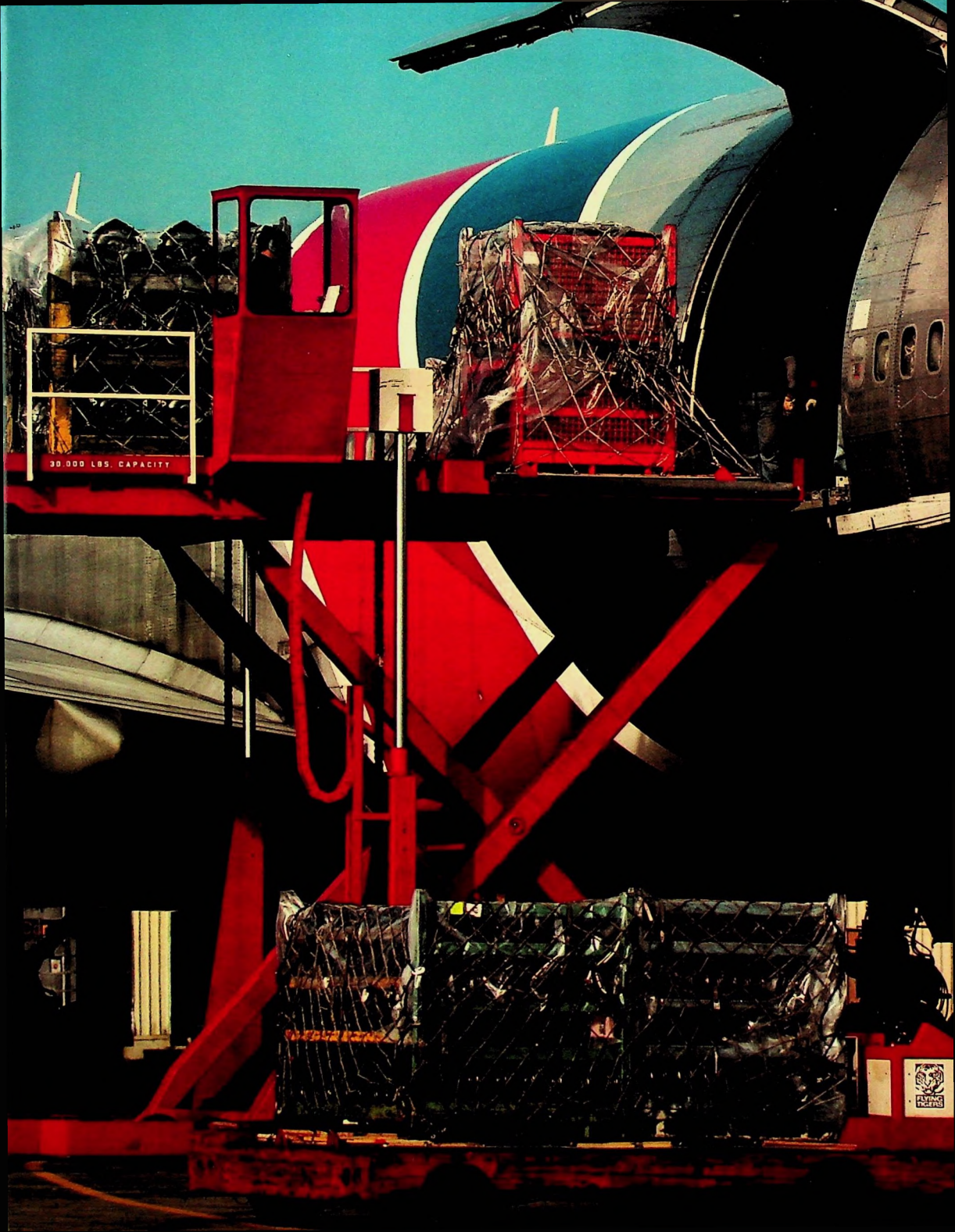
During 1978, more than \$50 million was spent for additional stretched DC-8 aircraft and new ground facilities. Overall employment increased by about a third during the year.



Nearly 45 percent of the 1.4 million pounds of seafood Flying Tigers transported last year was fresh salmon from Anchorage to Seattle. At right, auto components bound for the West Coast are loaded onto a 747 jettfreighter in Detroit.

Scheduled Airfreight

During the last three years, Flying Tigers' major improvements in international airfreight revenue and profit resulted from the addition of more efficient capacity and improvements in route structure and scheduled services.



30,000 LBS. CAPACITY



1974:

Flying Tigers' first two 747 jettfreighters were added to Pacific scheduled service. Scheduled services to key markets were substantially improved.

1975:

Another 747 was added to Pacific scheduled service. Applications were filed with the CAB for routes to Singapore, Malaysia, Indonesia and between Alaska and key markets in Asia.

1977:

Flying Tigers was awarded all-cargo rights between the United States and Singapore, Malaysia and Indonesia, and between Alaska and the airline's Asian points.

In July, two more 747 freighters were added to serve the Pacific routes; prime time scheduled services were substantially improved and available capacity was greatly increased.

In August, prime time domestic scheduled service was nearly doubled. This



Service to Singapore began in June. A nighttime stop on the Pacific schedule, Singapore is a strong westbound oriented market, particularly for oil well drilling and control equipment from Houston and Dallas / Ft. Worth, and electronic components.

resulted in growing domestic volume and stimulated international traffic to various parts of the domestic system.

1978:

Scheduled airfreight service was extended to eight additional cities and truck feeder services began in 34 additional cities bringing the

number of cities Flying Tigers serves directly to 65 worldwide. Flying Tigers now serves over 3,600 markets.

Flying Tigers also benefited last year from the integration of the United States and Pacific systems; this integration enables each system to support and en-

hance the growth of the other. International airfreight revenue grew because of strong United States markets for consumer goods from Asia and increasing exports of United States products to such Pacific basin countries.

Service to Singapore began in June. Singapore is a strong Westbound market, particularly for oil well drilling and control equipment from Houston and Dallas/Ft. Worth and for electronic components. Growth of Flying Tigers' participation in this market will lead to a better balance between eastbound and westbound traffic on the Pacific.

In July, Flying Tigers moved its Tokyo operations to the new Narita airport. Flying Tigers' facility at the new location totals 33,400 square feet compared with the 8,100 square feet it had previously.

Early in 1978 Tiger International purchased some shares of Seaboard

It's 12:58 a.m. at Chicago's O'Hare Airport, the major hub of Flying Tigers' network of terminals. In a few minutes, a Boeing 747, Flight 071, will arrive from New York, bound for Anchorage and the Orient. The ground crew begins to move into high gear, knowing that lost minutes mean lost revenue.

During the hours before dawn, nine other aircraft arrive from locations around the system. Freight bound for Chicago is unloaded, and cargo bound for other cities is transloaded into the appropriate plane. Outbound Chicago freight is then loaded, all within a few hours.

Airfreight usually moves at night to meet customer requirements for overnight transportation. The need for rapid turnaround of freight calls for clockwork precision by Flying Tigers employees, often during difficult weather conditions.

While deregulation of domestic airfreight last year provided new opportunities, it also placed an added burden on our Chicago facilities as service began to and from eight more cities. As a result, employees, equipment and facilities were added. There are now more than 500 employees at Chicago, heavy-duty snow removal equipment has been added, and a 30,000 square foot import warehouse opened in January, 1979.

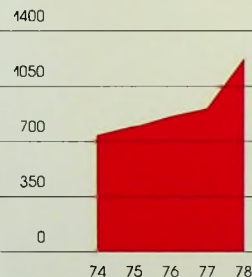
The size and diversity of the O'Hare operation stagger the imagination. During one 24-hour period last year the freight list included such items as the master tape for a rock concert (LA-Chicago); cattle (Chicago-Tokyo); X-ray equipment (Chicago-San Juan); flowers (LA-Chicago); and sailboat parts (Chicago-Seattle).



World Airlines stock and indicated an interest in working toward a merger of the two businesses. As of March, 1979, Tiger has acquired over 24 percent of Seaboard's shares. Tiger is currently engaged in a hearing before the Civil Aeronautics Board regarding its direct ownership of at least 25 percent of Seaboard stock.

Flying Tigers has taken steps to acquire additional

Revenue Ton Miles (millions)



international routes. During 1978, applications were made to the Civil Aeronautics Board for all-cargo rights to points in Western Europe, the Middle East and Nigeria; Toronto and Montreal; and India and Sri Lanka.

For years, Flying Tigers had been seeking routes into the rapidly-growing South and Southwest sunbelt markets to build a more balanced domestic airfreight system and to provide more opportunities to generate international traffic. It also labored under rate restraints imposed by the Civil Aeronautics Board and a considerable lag in obtaining rate increases to offset rising costs, a particularly penalizing experience in periods of advancing inflation and sharply rising fuel costs.

The deregulation of domestic air cargo that went into effect on January 9, 1978, eliminated both of those regulatory barriers by permitting any scheduled

United States airfreight carrier immediately to serve any market in the United States except within Alaska and Hawaii, and to charge prices dictated only by the competitive market. On that very day, Flying Tigers began scheduled airfreight

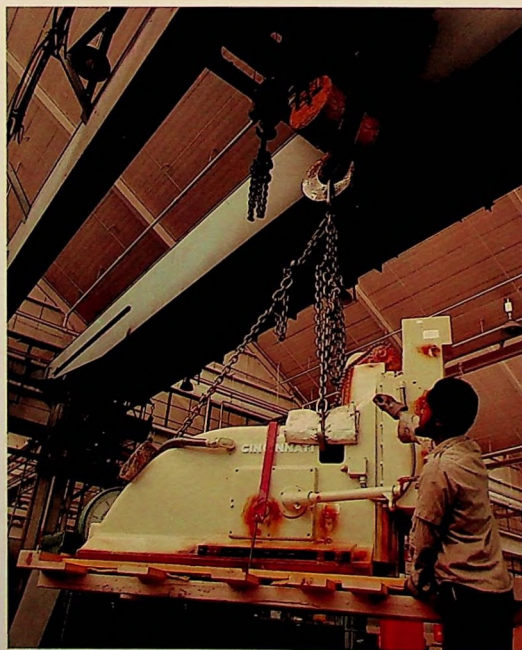
service between Anchorage and destinations in the "Lower 48," a most attractive addition since Anchorage had already been an important transloading, refueling and crew change stop in the company's international system since inception of



For companies with time-sensitive products ranging from fashions to flowers, airfreight helps provide a marketing edge. Above left, color transparencies are reviewed for the latest Spiegel catalog; at right, fresh-cut flowers from California are displayed by a Midwest florist.



Flying Tiger Line	1974	1975	1976	1977	1978
Sources of revenue (percent)					
Scheduled cargo operations	84.0	80.8	83.5	81.3	84.2
Military Airlift Command	8.0	10.3	7.9	8.3	8.6
Charter	6.3	7.2	8.0	9.4	5.4
Other	1.7	1.7	0.6	1.0	1.8
Distribution of revenue (percent)					
Wages and benefits	36.1	34.2	33.6	32.9	31.2
Aircraft fuel	23.8	23.0	22.2	23.6	21.3
Other	14.9	12.6	13.7	10.4	14.6
Aircraft and facilities rentals	1.9	1.1	1.3	1.4	2.6
Taxes, interest and insurance	6.9	9.4	9.8	9.8	9.1
Depreciation	8.8	9.4	8.5	8.0	6.7
Materials and outside services	5.9	5.5	6.2	8.1	9.5
Net income	1.7	4.8	4.7	5.8	5.0
Assets (thousands)	\$338,414	\$345,233	\$387,509	\$411,794	\$449,906
Number of employees	3,549	3,439	3,457	3,458	4,483
Scheduled cargo statistics					
Revenue ton miles (thousands)					
Freight	681,725	721,427	791,149	836,170	1,156,056
Mail	114,534	90,327	83,550	82,746	81,284
Load factor (percent)	63.8	63.0	62.9	63.7	67.4
Revenue per ton mile (cents)	20.0	21.9	23.9	25.4	27.8
Non-scheduled cargo statistics					
Military Airlift Command (thousands)	63,217	72,878	69,496	80,064	112,572
Charter (thousands)	64,407	63,710	80,518	122,411	89,734
Fuel costs per gallon (cents)	30.9	33.7	35.9	39.5	41.3



From the new Flying Tigers terminal at Cincinnati, companies like Cincinnati Milacron, a manufacturer of high-technology industrial machines and systems, can take advantage of scheduled all-cargo service to locations throughout the United States and to Asia.

scheduled Asian services in 1969 but one in which it was not allowed to deliver or pick up cargo.

Two months later, Charlotte and Atlanta were included in the system. A month later, Houston and Dallas/Fort Worth were added. In May, service was started to San Juan. And in July, flights into Cincinnati improved service to the important Ohio Valley market. More cities are to be added in 1979.

We increased domestic rates in April 6.2 percent to meet increased costs. Subsequently we reduced certain door-to-door rates to give us a competitive advantage in our new door-to-door service. We expect to offer additional service and price options to our customers which will permit us to increase our market share.

Decontrol of the price of aviation fuel was approved by Congress to become effective March 1, 1979. Flying Tiger Line supported deregulation, although



Color television sets manufactured by Zenith undergo inspection at a factory in Chicago prior to airfreight shipment to major U.S. markets.

somewhat higher fuel prices may result, because the supply of fuel should improve and the availability of fuel is critical to Flying Tiger Lines' operations.

Charter Services

Flying Tigers is certified to provide military and commercial charter service (cargo and passengers) anywhere in the world. To improve aircraft utilization on routes



A plan introduced during 1978 has extended Flying Tiger Line airfreight services into many communities via the nation's highways.

There has been a shift of manufacturing from large cities to smaller, surrounding communities in recent years. Flying Tigers has responded to this shift by extending freight services outward from our major terminal cities to dozens of outlying communities.

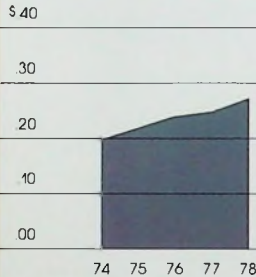
Flying Tigers now offers contract trucking services to 39 domestic cities which connect with freighter aircraft at our 17 terminal cities. The service affords overnight or second-day delivery to most key population centers.

In the past year, Flying Tigers has also expanded its local pick up and delivery services. In the San Francisco area, for example, Flying Tigers introduced an expedited pick up and delivery system that links shipments to and from the Peninsula and East Bay areas with scheduled domestic and international flights.

Trucks leave the Flying Tigers terminal each day by 9 a.m. to ensure Bay Area deliveries by noon. Every afternoon, Flying Tigers trucks pick up such time-sensitive commodities as electronics equipment, machine parts, medical supplies, chemicals, produce and flowers for prime-time evening departure flights.

As the system grows, Flying Tigers becomes competitive in more markets than ever before.

Revenue Per Ton Mile



with a directional imbalance, and on weekends or other periods of slack demand, we sell freight charters to many places around the world.

In addition, Flying Tigers is the largest participant in the Military Airlift Command (MAC) program.

Military charter revenue for 1978, both passenger and freight was \$35.1 million, up 47 percent over 1977. Total charter revenue, both military and commercial, was \$57.0 million, an increase of 12 percent over 1977.

Aircraft Fleet

In the service-sensitive airfreight business, the provision of high quality, high frequency service is the key to growth. In planning for continuing growth both domestically and internationally, an efficient aircraft fleet is critical. During 1978, Flying Tigers again increased its fleet.

Flying Tigers ordered two new Boeing 747-200 jet freighters for delivery in October, 1979. Delivery of these longer range, highly efficient aircraft will free some DC-8's for use on the domestic system. We have options to purchase two additional 747-200 freighters for 1980 and two for 1981 delivery.

In 1978, Flying Tigers purchased one and leased three additional stretched DC-8 freighters. In June an additional B-747 freighter was leased for one year with

an option for a second year.

In the last half of 1978, the peak demand season, Flying Tigers' operating fleet consisted of six B-747's and nineteen stretched DC-8's. For the second half of 1979, another 747 aircraft, currently out on lease, will return to our service. One additional leased stretched DC-8 also will be available. The two new 747-200's will be delivered in late 1979.

The near-collision in mid-February, 1979, between a Flying Tigers 747 and a Boeing 727 at Chicago O'Hare Airport resulted in an estimated \$17 million worth of damage to the Flying Tigers craft. While those costs are covered by insurance and adequate provisions have been made for replacing the lost capacity, the aircraft is not scheduled to be returned to service until May, 1979. Veteran Flying Tigers pilot, Capt. Richard Petrick, has been widely credited with averting a major airline disaster by his skill in the precision of his landing in extremely poor visibility and the speed with which he reacted to avoid the other craft and its 115 passengers by veering off the runway into the snow. A DC-8-63 was leased from a European carrier immediately after the incident to assure continuity of Flying Tigers' scheduled and charter services.

The Future

Flying Tigers is expanding fleet capacity and will be adding scheduled airfreight services in both domestic and international markets in 1979. With domestic deregulation Flying Tigers will provide a broader range of service and price options to shippers. And both domestically and internationally, the opportunity provided aggressive marketers to tap new markets throughout the United States and the Pacific Basin should enable Flying Tigers to continue its profitable growth.

LEASING

North American Car, TigerAir Show Strong Growth in 1978

North American Car, TigerAir, and Tiger Computer are the principal components of Tiger Leasing.

North American Car is a leader in the leasing of special purpose railcars to shippers of such commodities as grain and other agricultural products, most chemicals and the spectrum of petroleum products. Since 1971, Tiger has invested more than \$708 million in such railcars, and has been expanding this fleet rapidly.

TigerAir acquires jet aircraft for sale or lease to airlines and others. It also converts aircraft and remodels interiors, provides maintenance and other services at its fixed base in Burbank and distributes spare parts worldwide.

Tiger Computer provides marketing and computer placement services on a fee basis to users and potential users of IBM equipment in the United States and Europe.

Tiger Leasing	1974*	1975*	1976*	1977*	1978
Revenue (000)	\$147,280	\$167,615	\$182,889	\$204,245	\$277,010
Income before income tax provision (000)	\$ 24,731	\$ 23,682	\$ 22,672	\$ 28,765	\$ 43,327

* Restated for the provisions of Statement of Financial Accounting Standards No. 13
—Accounting for Leases.

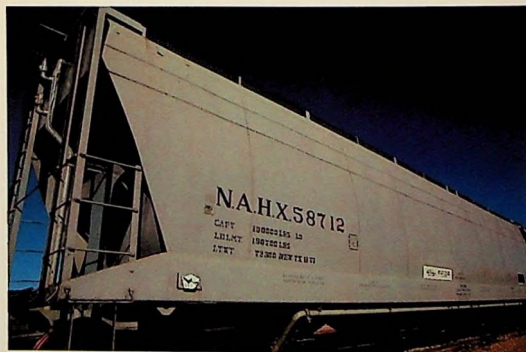
Operating Review

Tiger Leasing achieved record revenue and pre-tax income in 1978.

Revenue from leasing activities increased 36 percent in 1978 to \$277 million. Pre-tax income rose 51 percent to \$43.3 million.

Total acquisition costs for new equipment were \$159.8 million, an increase of 51 percent from 1977. During the year \$116.4 million in new long term financing was arranged to support Tiger's leasing businesses, up from \$102.4 million in 1977.

North American Car reported record revenues of \$198.2 million in 1978, 23 percent higher than in 1977. It invested approximately \$101 million in 2,900 new railcars during the year, bringing its total fleet to 48,500 hopper, covered hopper, tank and other specialized railroad cars. Additionally, the service and repair of railcars owned by others has become a significant part of North American Car's revenue and earnings.



North American Car invested \$101 million in new railcars during 1978, bringing its total fleet to 48,500 hopper, covered hopper, tank and other specialized railcars. The company more than doubled its repair and maintenance facilities during the year.

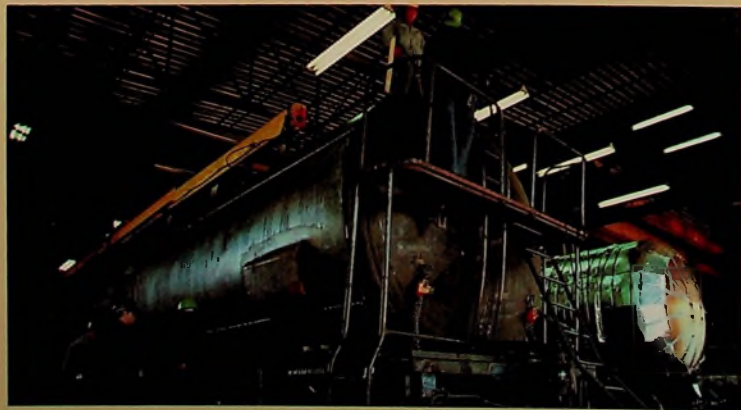
TigerAir reported revenue of \$55.3 million, well ahead of 1977 levels, largely due to increased sales of aircraft and spare parts during the year.

The computer leasing business reported revenue of \$19.9 million and positive pre-tax income compared with a loss in 1977.

North American Car — Railcar Leasing

During the year, North American increased its fleet size, expanded the repair and maintenance capabilities for its own fleet and for outside customers, and developed new railcars to meet changing transportation needs. The fleet under management has more than doubled





To maximize safe transport of materials such as liquefied petroleum gas (LPG) and anhydrous ammonia, the railcar industry worked with the federal government to develop safety modifications for thousands of railroad pressure tank cars. North American's repair division will modify some 1,700 company-owned cars and already has contracts to modify 1,800 cars owned by others.

since 1971.

Utilization of railcars reached a record high in 1978, averaging only 1.1 percent off-lease.

Firm rentals for the leased fleet were approximately \$526 million, of which \$123 million is to be received in 1979. About 15 percent of the fleet will come off-lease in 1979 and will be re-leased or reassigned for lease periods averaging five years.

Railcar leasing activities grew in several key markets in 1978 as shippers of products requiring special handling and storage considerations increased their demand for more sophisticated rolling equipment. Some major railroads also recognized the economic benefits to be gained by leasing specialized railcars. One major railroad for example, leased 900 such cars from North American in 1978.

At the end of last year, North American Car also launched a new program designed for corporations interested in owning railcars as investments. In this program, the company sells railcars to the investor, then provides that investor with complete management services for continuing fees. The investor receives the tax and other benefits of ownership, while North American manages the cars as part of its running fleet.

Railcar Maintenance and Repair

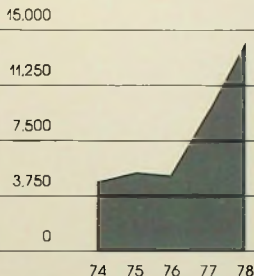
Besides expanding its own fleet of railcars, North American Car in recent years has been adding significantly through acquisition, new construction and expansion, to its railcar repair and service capabilities. Initially this was a means of better controlling maintenance costs but increasingly it is a source of additional revenue and profits, as North American Car sells its maintenance and

repair to others. In 1976, North American Car provided about 40 percent of scheduled maintenance on its own fleet; in 1978, 85 percent. It provided maintenance for approximately 19,000 cars in 1978.

North American Car more than doubled its repair and maintenance network with the acquisition of 11 such facilities last year. Four were purchased individually during the year, including plants in Mira Loma, California; Staples, Minnesota; Elkton, Maryland and Roscoe, Texas. Late in the year, the company began construction of a new facility in East Camden, Arkansas, and dur-

pared with approximately 16,000 miles for rail freight cars generally, the market for coal car repair services —estimated presently

Railcars Maintained



company in 1978 put its first mobile repair units into service —among the earliest to do so. Each mobile repair unit is equipped to perform government-mandated inspections and light repairs in the field, eliminating the up to 30 days lost time once required to forward a car to a stationary repair plant. By the end of 1979, over 20 mobile units will be in operation.

Tank Car Safety Modification

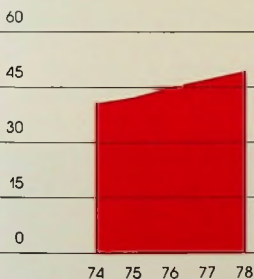
The safety of railroad pressure tank cars transporting potentially hazardous materials became an issue of public and government con-

the required modifications to its 1,700 tank cars. The cost to the company, estimated at \$17 million, will be capitalized and offset by rental increases over the remaining life of the cars. Of significance, in terms of added revenue, the company already has contracts to perform modifications for approximately 1,800 cars owned by others. North American Car will, in total, modify nearly one-fifth of the nation's pressure tank car fleet.

New Railcars

North American Car continues to develop and market new railcars to meet chang-

Railcars in Fleet (000's)



ing the course of 1978, made significant capital improvements at its existing repair shops. In December, it acquired Surface Transportation International, Inc., with seven repair plants of its own across the country including one major facility specializing in the maintenance of coal train cars.

Owned chiefly by electric utilities rapidly expanding their use of coal as a relatively convenient, plentiful and therefore, cheap and dependable source of energy, those high mileage coal unit trains are in increasing demand: over 70 percent of United States utilities are planning to expand their coal car fleets in the two years through 1980. With coal cars averaging about 100,000 miles a year of usage com-



With 19 full-service car repair plants, North American Car now is the largest and most diversified railcar maintenance operation in the country. During 1978, mobile repair units (above right) were introduced to handle government-mandated inspections and light repairs in the field.

around \$50 million a year — is expected to double by 1985.

With 19 full-service car repair plants located strategically across the United States and Canada, North American Car currently boasts more such facilities than any other car lessor or contract repair company operating in either of the two countries. And it expects to continue to expand that network, mostly internally, while strengthening its capability to perform repair and maintenance in a market exceeding \$2.5 billion annually.

To strengthen its ability to meet repair needs, the

cern in 1978 after several derailments occurred around the country. None of these major accidents involved tank cars leased by North American Car.

To maximize the safe transport of materials such as liquefied petroleum gas (LPG) and anhydrous ammonia, the rail tank car industry worked with the federal government in developing modifications to these cars, such as head shields, couplers and thermal insulation, to improve their safety.

North American Car is ahead of schedule in making

ing customer requirements. Already a leader in leasing hopper cars by virtue of its expansion in recent years, the company in the mid-Seventies worked with a specialty railcar manufacturer to develop and market a proprietary product line of Pressure Differential (PD) railcars. Providing a completely sealed system for transporting dry and liquid freight, and for loading and unloading it (through large vacuum hoses), the equipment has been gaining wider acceptance for the protection it affords against contamination, safety hazards



To meet a growing demand for aircraft services, TigerAir has broadened the scope of its activities. The division's expanding markets now range from airlines and corporations to private aircraft owners, and TigerAir supplies aircraft through sale or lease, spare parts and maintenance services.

and environmental pollution.

A special adaptation of the PD design to ensure the uncontaminated shipment of processed foods, called the Asepticar, was introduced in 1978. Among the earliest versions put into service last year, the Asepticar for tomato paste with a capacity of 20,000 gallons, eliminates the need for some 363 costly 55-gallon drums which cannot be reused, and reduces loading and unloading costs. A total of 18 Asepticars is presently in service for a variety of food processors on a commercial or test basis.

TigerAir

TigerAir is engaged in the business of supplying aircraft, through sale and lease, and spare parts and maintenance services to the airline, corporate and general aviation markets. To serve its purchase and lease customers better the company has broadened the scope of its

activities.

In 1978, it acquired Aviquipo Inc., a United States concern with 14 facilities abroad supplying spare parts and ground support equipment to airline, original equipment manufacture and government customers — providing TigerAir with its first such foreign service capability.

The deregulation of airline passenger service within the United States during 1978 and the further development of open skies policies internationally, opened new opportunities for the acquisition and sale or lease of aircraft as airline routes were altered and equipment needs shifted.

TigerAir has been benefiting also from continued growth in the demand for used and new aircraft generally and particularly from the rise in corporate demand for larger aircraft to support engineering projects and oilfields around the world and provide access to



geographically scattered facilities. With those larger craft usually coming out of airline service requiring considerable modification, TigerAir benefits as a re-builder of aircraft interiors as well as in its role as a broker or lessor of aircraft to the corporate market.

During 1978, TigerAir purchased 12 heavy aircraft for corporate and airline customers, six more than in 1977, including Boeing 727 and 707 and BAC-1-11 mod-

els. All have since been sold or leased.

In February, 1979, TigerAir announced an agreement with Singapore Airlines concerning the sale of Singapore's fleet of seven 747-200 aircraft. Under the agreement TigerAir is entitled to buy the entire fleet from Singapore. The first aircraft will be delivered to TigerAir in November, 1979; the last is available for delivery in October, 1980.

Tiger Leasing	1974	1975	1976	1977	1978
Sources of Revenue (percent)					
Operating leases	76.0	77.7	77.8	74.2	61.4
Finance leases	16.3	12.4	8.5	8.0	6.1
Sales and other	7.7	9.9	13.7	17.8	32.5
Distribution of Revenue (percent)					
Interest	34.4	36.2	33.4	30.3	25.0
Depreciation and amortization	20.0	20.2	20.8	21.1	17.2
Cost of sales	—	—	2.2	4.8	9.2
Net income	10.9	9.6	8.1	8.0	9.7
Other	12.0	13.4	9.4	8.6	11.7
Wages and benefits	10.4	9.8	9.9	10.1	11.9
Insurance and taxes	7.9	5.8	6.8	8.2	6.6
Maintenance	4.4	5.0	9.4	8.9	8.7
Funds Provided by Operations and Collection of Finance Lease Receivables (thousands)					
	\$ 54,910	\$ 85,872	\$ 83,137	\$ 90,509	\$ 124,548
Equipment Acquisitions (thousands) (Includes equipment leased-in)					
North American Car	\$217,655	\$ 158,387	\$ 67,388	\$ 54,004	\$ 111,038
National Equipment Rental	117,003	36,392	22,726	55,609	48,720
Assets (thousands)	\$928,169	\$1,040,939	\$1,058,363	\$1,122,432	\$1,203,689
Number of Employees	1,174	975	1,009	1,280	2,430
Total railcars in fleet	40,975	44,317	45,624	46,575	48,513
Cars added during year	7,691	4,210	1,873	1,590	2,849

TigerAir's fixed base operation at Burbank, California operates also as a Cessna dealership, as well as a service center for airframe, avionics and engine maintenance, for structural and other aircraft modifications and a provider of flight line services for operators of both large and small aircraft.

Computer Leasing

Tiger Computer (United States) and Tiger Leasing (Europe) lease and market computer equipment and provide financial consultation to large computer system users. In 1978, emphasis was placed on non-recourse leverage leasing to reduce

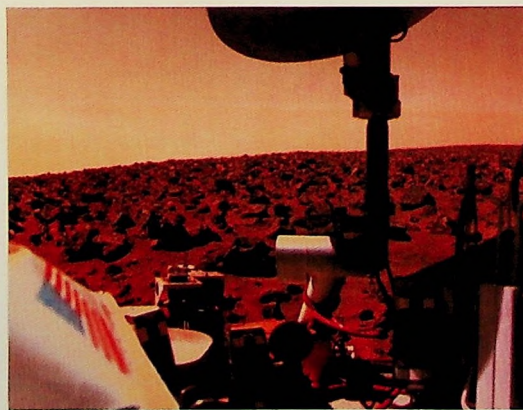
the financial risk of computer ownership to the company. These leases still allow Tiger to participate in the residual value of equipment at the end of the initial lease term.

A small pre-tax profit was achieved from these activities in 1978 compared with a \$2.4 million pre-tax loss in 1977. During 1978

approximately \$54 million of IBM 370 and Series 3000 equipment was placed on lease or under management. Firm rentals equal approximately 89 percent of the cost of the equipment purchased during 1978.

Tiger Financial Services

Strictly an intermediary for financing the purchase of railroad equipment initially and, more recently, of aircraft and computers, Tiger Financial Services in the past year also began offering its customers the equipment acquisition, maintenance and management capabilities of North American Car, Tiger-Air and Tiger Computer. Thus, besides arranging a good deal more financing in 1978 than in 1977, nearly \$80 million worth (bringing its total to over half a billion dollars since 1972) compared with \$67 million in 1977, Tiger Financial Services became considerably more profitable, achieving peak earnings substantially ahead of prior periods.



With the help of a supplemental computer system leased from Tiger Computer, scientists at Jet Propulsion Labs in Pasadena accomplished swift, accurate scientific analysis of photos from the Mariner and Viking space missions and produced these remarkably distortion-free photographs of the dawn side of Mars (left) and the boulder-strewn field of red rocks on Mars' Utopian Plain.

INSURANCE

New Marketing Thrusts Result in Record Year

Tiger Investors Mortgage Insurance Company provides private mortgage insurance for savings and loans, banks and other lenders insuring them against losses from defaults in payments on conventional mortgage loans. The insurance policy typically covers a high ratio mortgage loan extended to the purchaser of a new or existing residential property. A relatively new concept that encourages lenders to finance home purchases on lower down payments than those they usually require, such private mortgage insurance was rapidly gaining wider use even before the recent spurt in home prices and interest rates.

Private mortgage insurance in force has risen sharply to a total of some \$81 billion by the end of 1978 from approximately \$10 billion just seven years earlier. More than 16 percent of all one-to-four family mortgages were privately insured in 1978. Tiger Investors Mortgage Insurance insured over 42,000 loans in 1978.

Tiger Insurance*	1974	1975	1976	1977	1978
Revenue (000)	\$ 10,763	\$ 13,195	\$ 15,117	\$ 17,618	\$ 21,879
Income before income tax provision (000)	\$ 2,389	\$ 3,199	\$ 4,820	\$ 7,452	\$ 10,375

* 1976 and prior years are not included in Tiger International, Inc.'s financial statements.

Operating Review

Revenue in 1978 was \$21.9 million, up 24 percent from the previous year. Pre-tax income rose 39 percent to \$10.4 million. In 1978, the company's share of the total residential insurance market was 6.5 percent. Tiger IMI's total insurance in force at year-end was \$5.4 billion, up 24 percent.

In 1978, Tiger International provided \$2.6 million additional equity to Tiger IMI. Standard & Poor's agreed to rate residential mortgage backed securities insured by Tiger IMI as "AA," thus improving Tiger IMI's ability to generate new business from mortgage lenders.

To enhance the effectiveness of its marketing to lenders, ten account executives were added to the sales staff; five professional secondary marketing experts were placed in major market areas; a new sales division was formed in the Pacific Northwest and Mountain States and a new sales



In cooperation with local lending institutions and realtors, Tiger IMI co-sponsors Homebuyers Forums like this gathering in Erie, Pennsylvania to help educate first-time homebuyers.

and underwriting office was opened in Detroit. With the addition of new underwriting offices scheduled for opening in early 1979 in Nashville and Oklahoma City, Tiger IMI will have 16 offices nationwide.

To ensure the repeated use of its services once a customer has become an approved lender, Tiger IMI has instituted a number of innovations directed at

benefiting those lenders in their own operations.

Tiger IMI offers a series of programs including the Homebuyers Forum and Realtor Program. The Homebuyers Forum is usually sponsored by a local lending institution and helps first time buyers understand the whole process of buying and financing a home, including how mortgage insurance can reduce the downpay-





For eight years, Tiger IMI's annual Chowder Feed has been a popular customer relations event. At this year's U.S. League convention in Dallas, more than 5,000 delegates enjoyed New England-style chowder, apple pie and beverage.

ment. The Realtor Program shows real estate brokers how they can qualify more prospects by working with lenders who make mortgage insurance available. Both programs provide lenders a steady stream of new prospects for mortgages.

Tiger IMI also recruited during the year a corps of professionals experienced in

the purchase and sale of mortgages in the secondary mortgage market, thereby helping to make available more funds for mortgage lending and thus more private mortgage insurance for Tiger IMI. And, initially in eight major cities, it created teams of "Tigerettes" to expedite, through personal pickup and delivery

the rapid processing of mortgage insurance applications that would ordinarily be sent through the mail and otherwise to assist Tiger IMI's bank and other lender clientele.

By careful management of risk, Tiger IMI works to minimize the insurer's loss ratio (the amount of claims paid in relation to premiums earned). Tiger IMI's loss ratio, for statutory reporting purposes, on insured mortgage loans was 17 percent in 1978, down from 24 percent the previous year.

Earnings from the Tiger IMI investment portfolio contributed \$4.9 million of income before taxes in 1978, up 27 percent from 1977. Tiger IMI manages the structure and quality of this investment portfolio to provide funds to meet claims of policyholders in future periods.

Policyholders surplus, the amount of assets in excess of liabilities available to satisfy Tiger IMI's obligations to policyholders under insurance contracts in force,

in 1978 increased 24 percent to \$56.4 million.

The Future

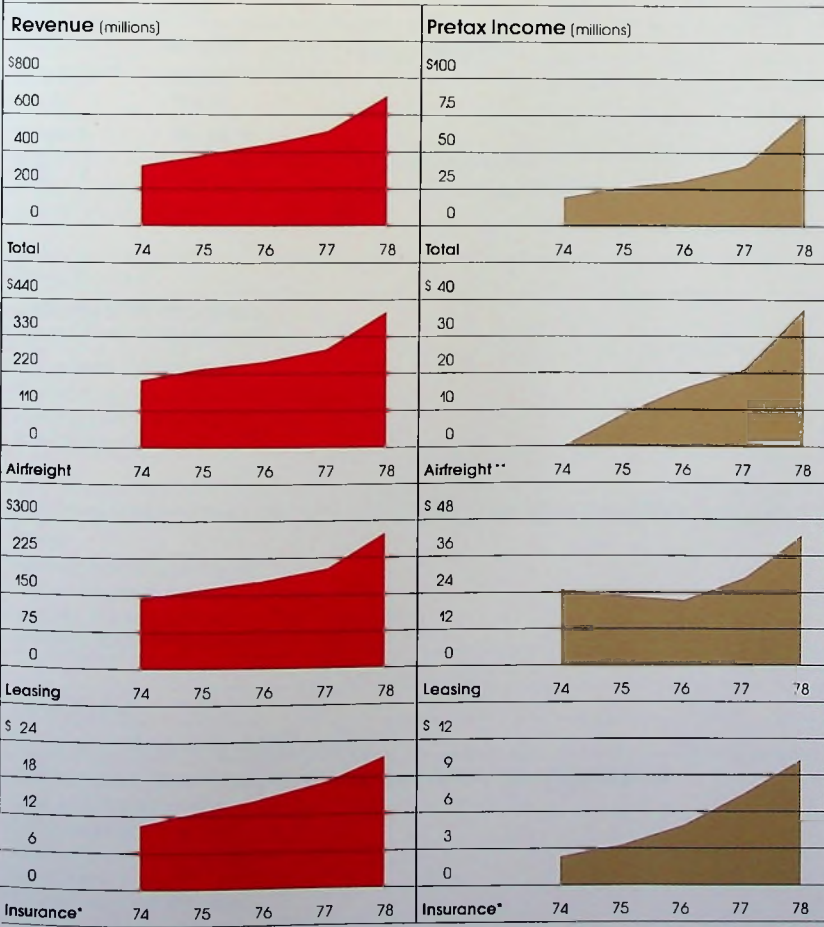
Despite the prospect of continued inflation and reduced housing starts in 1979, there is evidence that home ownership serves as an important hedge against inflation while continuing to exercise a strong appeal, in its own right, for most Americans. A burgeoning population of young adults reaching home-buying age in the years immediately ahead, combined with innovative financing techniques designed to ease that initial purchase, plus the tax benefits afforded homebuying families, would appear to enhance prospects for mortgage lending over the longer term. Significantly, the proportion of loans covered by private mortgage insurance is each year carving out a larger share of the total residential mortgage market.

Tiger Insurance *	1974	1975	1976	1977	1978
Sources of revenue (percent)					
Premiums earned	101.4	83.9	80.5	78.0	77.6
Investment income	19.0	19.2	19.3	20.6	22.4
Capital gains (losses)	(20.4)	(3.1)	.2	1.4	—
Distribution of revenue (percent)					
Net income	8.3	12.6	16.2	27.3	27.7
Wages and benefits	26.4	19.5	20.1	20.7	20.1
Insurance losses and loss expense	26.2	34.7	28.5	18.6	13.4
Taxes	17.2	15.4	19.2	18.5	22.2
Other	21.9	17.8	16.0	14.9	16.6
Assets (thousands)	\$ 43,553	\$ 49,487	\$ 54,458	\$ 65,397	\$ 76,205
Number of employees	114	118	137	155	183
Insurance volume (thousands)					
Insurance written	\$ 870,000	\$ 671,000	\$ 831,000	\$1,319,000	\$ 1,853,000
Insurance in force	2,967,000	3,327,000	3,730,000	4,379,000	5,444,000
Maximum exposure to loss	625,000	708,000	790,000	920,000	1,119,000
Statutory policyholders surplus	25,680	33,856	40,724	45,397	56,385
Operating ratios					
95% loan-to-value policies as percent of insurance in force	37.0	36.0	34.0	30.0	29.0
Loans in default as percent of insurance in force	.9	1.3	1.4	1.0	.8
Insurance losses as percent of premiums earned	25.8	41.4	35.4	23.8	17.0
Underwriting expenses, before deferral, as percent of premiums written	50.2	51.9	50.2	49.0	43.5

* 1976 and prior years are not included in Tiger International, Inc.'s financial statements

FINANCIALS

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*1976 and prior years are not included in Tiger International's Financial Statements
 **There was a pretax loss of \$1,656,000 in Airfreight during 1974
 NOTE: Pretax Income for the operating groups does not include an allocation of corporate expenses.
 See Note 6 to Notes to Financial Statements.

Consolidated Statements of Income**For the Years Ended December 31, 1978 and 1977****1978****1977***(expressed in thousands)***Revenue:**

Airfreight operations	\$407,955	\$287,523
Leasing and related services	270,503	200,438
Mortgage insurance	21,213	17,154
Other (Note 3)	4,137	9,284
	703,808	514,399

Costs and Expenses:

Airfreight	284,227	203,204
Leasing	85,083	47,510
Selling, general and administrative	93,947	72,200
Depreciation and amortization	73,728	63,942
Interest	90,360	86,474
Interest capitalized and deferred (Note 1)	(253)	(870)
	627,092	472,460

Income before income tax provision	76,716	41,939
Income tax provision (Note 7)	26,697	15,595

Net Income	\$ 50,019	\$ 26,344
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Earnings per share (Note 12)	\$ 3.68	\$ 2.08
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The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Changes in Financial Position

For the Years Ended December 31, 1978 and 1977

1978

1977

*(expressed in thousands)***SOURCE OF FUNDS:****Operations****Net income**

\$ 50,019

\$ 26,344

Add items not involving working capital—

Depreciation and amortization

73,728

63,942

Depreciation and amortization charged to other accounts

12,545

8,944

Deferred income tax provision

21,565

13,724

Other—net

5,739

4,296

Funds provided by operations

163,596

117,250

Collection of Long-Term and Finance Lease Receivables—net

32,894

21,150

Funds provided by operations and collection of long-term and finance lease receivables

196,490

138,400

Financing

Additions to obligations under capital lease

7,702

37,480

Proceeds from debt financing, net of current repayments

169,800

193,011

Proceeds from common stock issued

36,810

—

214,312

230,491

Other

Reduction of restricted trust funds for acquisition of aircraft

—

56,743

Working capital of acquired businesses

4,829

1,398

Retirement of property, plant and equipment

36,632

24,840

41,461

82,981

Funds Provided

452,263

451,872

APPLICATION OF FUNDS:**Acquisition of Businesses**

12,166

40,768

Long-Term Obligations

Payments of obligations under capital leases

19,454

12,982

Payments of long-term debt

148,210

79,072

Refinancing of long-term debt

23,904

89,579

191,568

181,633

Purchase and Lease of Property (in 1977 net of trust funds reclassified to current assets)

220,133

206,655

Other

Restricted trust fund deposits

—

500

Cash dividends declared on common stock

8,314

6,345

Increase in investments of insurance company

13,406

8,977

Deposits, investments and other—net

7,227

916

28,947

16,738

Funds Applied

452,814

445,794

Net increase (decrease) in working capital

\$ (551)

\$ 6,078

Net Increase (Decrease) in the Components of Working Capital

Cash and certificates of deposit

\$ (37,999)

\$ 10,090

Commercial paper, at cost

29,675

1,650

Receivables

14,426

23,415

Inventories

16,662

2,936

Prepaid expenses and other

(597)

1,678

Current portion of long-term obligations

(9,552)

9,127

Accounts payable, accrued liabilities and income taxes

(13,166)

(42,818)

Net increase (decrease) in working capital

\$ (551)

\$ 6,078

Consolidated Balance Sheets**December 31, 1978 and 1977****1978****1977***(expressed in thousands)***ASSETS****Current Assets** (Note 4):

Cash and certificates of deposit of \$18,186 (1978) and \$22,373 (1977)	\$ 35,095	\$ 73,094
Commercial paper, at cost	31,325	1,650
Receivables, less allowance for doubtful accounts of \$11,417 (1978) and \$10,488 (1977)	108,078	93,652
Inventories	42,441	25,779
Prepaid expenses and other	6,341	6,938

223,280 201,113

Investments of Insurance Company (Notes 1 and 10)

64,374 50,968

Net Investment in Finance Leases (due within one year —
\$41,293 (1978) and \$40,427 (1977)) (Notes 1, 2 and 4)

124,990 149,928

Investment in Leveraged Leases (Note 2)

8,876 10,585

Property, Plant and Equipment, at cost (Notes 2 and 11):

Equipment for lease or under lease	1,138,232	1,045,020
Equipment used in airfreight operations	415,359	367,328
Buildings and leasehold improvements	44,481	39,023
Shop and terminal facilities and other	62,753	39,722

1,660,825 1,491,093

Less: Accumulated depreciation and amortization

523,957 454,895

1,136,868 1,036,198

Other Assets (Notes 1 and 4):

Cost in excess of fair value of net assets of acquired businesses, net	23,998	19,988
Long-term receivables, including officers' loans of \$637 in 1977	14,941	16,101
Unamortized debt expense	4,347	4,279
Deposits, investments and other assets	31,416	27,839

74,702 68,207

\$1,633,090 \$1,516,999

The accompanying notes are an integral part of these consolidated balance sheets.

December 31, 1978 and 1977	1978	1977
	<i>(expressed in thousands)</i>	
LIABILITIES AND SHARE OWNERS' EQUITY		
Current Liabilities (Notes 2, 4 and 7):		
Current portion of long-term obligations	\$ 30,882	\$ 21,330
Accounts payable and accrued liabilities	131,856	119,143
Income taxes	3,291	2,838
	166,029	143,311
Senior Debt (Note 4):		
Equipment obligations	550,872	510,211
Notes and lease contracts payable to banks and others	161,896	198,544
	712,768	708,755
Subordinated Debt (Note 4)		
	14,399	15,201
Obligations Under Capital Leases (Note 2)		
	218,799	230,551
Deferred Credits (Notes 1 and 7):		
Deferred income taxes and tax credits	144,462	126,832
Unearned premiums of insurance company	14,791	12,762
Other	29,662	26,285
	188,915	165,879
Commitments, Legal Actions and Contingencies (Notes 2 and 15)		
Minority Share Owners' Equity (Note 9):		
North American Car Corporation \$3		
Cumulative Preferred Stock, \$50 stated value—		
Authorized — 141,737 shares		
Outstanding— 137,570 shares (1978) and 137,770 shares (1977)	6,879	6,889
Share Owners' Equity (Notes 1, 4 and 9):		
Common Stock, \$1 par value—		
Authorized — 35,000,000 shares		
Outstanding— 14,230,585 shares (1978) and 12,690,297 shares (1977)	14,231	12,690
Additional paid-in capital	159,880	124,243
Retained earnings	151,190	109,480
	325,301	246,413
	\$1,633,090	\$1,516,999

Consolidated Statements of Share Owners' Equity

	\$1 Par Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
			<i>(expressed in thousands)</i>		
Balance, December 31, 1976	\$12,675	\$124,078	\$ 90,014	\$ —	\$226,767
Add (deduct)					
Net income	—	—	26,344	—	26,344
Unrealized depreciation of equity investments by insurance affiliate	—	—	(533)	—	(533)
Treasury stock purchase of 203,148 shares (Note 5)	—	—	—	2,321	2,321
Reissuance of 203,148 shares of Treasury stock in connection with acquisition (Note 5)	—	—	—	(2,321)	(2,321)
Issuance of shares pursuant to the Executive Incentive Plan	15	165	—	—	180
Cash dividends declared on common stock (\$.50 per share)	—	—	(6,345)	—	(6,345)
Balance, December 31, 1977	12,690	124,243	109,480	—	246,413
Add (deduct)					
Net income	—	—	50,019	—	50,019
Unrealized appreciation of equity investments by insurance affiliate	—	—	5	—	5
Shares issued in public stock offering	1,500	34,920	—	—	36,420
Treasury stock purchase of 99,605 shares (Note 5)	—	—	—	2,550	2,550
Reissuance of 99,605 shares of Treasury stock in connection with acquisition (Note 5)	—	—	—	(2,550)	(2,550)
Issuance of shares pursuant to the Executive Incentive Plan	23	345	—	—	368
Shares issued upon exercise of stock options	18	372	—	—	390
Cash dividends declared on common stock (\$.60 per share)	—	—	(8,314)	—	(8,314)
Balance, December 31, 1978	\$14,231	\$159,880	\$151,190	\$ —	\$325,301

The accompanying notes are an integral part of these consolidated statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The major accounting policies of the Company are set forth below. The word "Company" as used in this report includes Tiger International, Inc. and its subsidiaries, the significant subsidiaries being The Flying Tiger Line Inc., Tiger Leasing Group, Inc. and Tiger Insurance Group, Inc.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company accounts and transactions have been eliminated.

Change in Method of Accounting for Leases

The Company's leases are classified in accordance with Statement of Financial Accounting Standards No. 13—Accounting for Leases (FASB 13), of the Financial Accounting Standards Board. Effective with the quarter ended March 31, 1978, the Company retroactively applied the provisions of this statement. Accordingly, financial statements for 1977 and prior years have been restated to reflect changes required by FASB 13. The effect of the accounting change on net income as previously reported for the year ended December 31, 1977 is as follows (expressed in thousands except per share amounts):

Net income as previously reported	\$28,738
Adjustment for effect of change in accounting	(2,394)
Net income as adjusted	\$26,344
Earnings per share as previously reported	\$ 2.26
Adjustment for effect of change in accounting	(.18)
Earnings per share as adjusted	\$ 2.08

The cumulative effect is to decrease retained earnings as of December 31, 1976 by \$12,205,000.

Investments of Tiger Insurance

Equity securities, except redeemable preferred stocks, are stated at market value; bonds, notes and redeemable preferred stocks are stated at amortized cost. Retained earnings as of December 31, 1978 are decreased by \$528,000 to reflect unrealized depreciation of non-redeemable equity securities. Since bonds, notes and redeemable preferred stocks may be held until maturity or redemption the excess of amortized cost over market value as of December 31, 1978 and 1977, amounting to \$3,038,000 and \$529,000, respectively, is not recognized in the financial statements. The statements of income include realized gains or losses from the sale of securities, based on the cost of specific security lots.

Translation of Foreign Currencies

The accounts of foreign subsidiaries and other accounts denominated in foreign currencies are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 8. Net translation rate losses were \$2,288,000 (1978) and \$510,000 (1977).

Recognition of Revenue

Airfreight
As services are performed
Operating leases
Monthly, as earned

Finance and leveraged leases

Earned income recognized as revenue during the lease term, adjusted to reflect a constant periodic rate of return on net investment
Leasing related services
Includes gains on sales of railcars and aircraft primarily held for lease
Private mortgage insurance
As earned, on a pro-rata basis over the term of each policy

Depreciation and Amortization

Plant and equipment are depreciated primarily using the straight-line method. Accelerated depreciation is used for residual value of computers, and for certain aircraft and computers for lease.

	Term	Salvage Value (where applicable)
Railcars	25 to 30 years	based on scrap steel prices
Aircraft	10 to 14 years	15 percent
Other	2 to 35 years (average 15 years)	15 percent

Expenditures for maintenance and repairs are charged to expenses as incurred, including provision for aircraft airframe and engine overhauls which are charged to expense on the basis of hours flown. Betterments and major renewals are capitalized.

Costs and accumulated depreciation of property, plant and equipment sold or retired are removed from the accounts. Gains or losses are included in income except for normal retirement of railcars (aged 20 to 24 years or more) and other assets which are on the composite depreciation method (e.g., the cost, less salvage recovery, is charged to accumulated depreciation).

Interest Capitalized

Interest expense, net of related interest income, on debt incurred to finance the

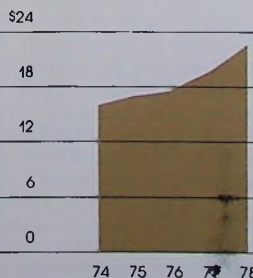
acquisition of aircraft is capitalized until the aircraft is placed in service. Interest so capitalized is being amortized over the depreciable life of the related asset. If the interest had been expensed as incurred, the effect on net income would not have been significant in 1978 or 1977.

Cost in Excess of Fair Value of Net Assets of Acquired Businesses, Net

Cost in excess of fair value of net assets of acquired businesses, relating to an acquisition initiated prior to November 1, 1970 (\$15,824,000) is not being amortized since, in the opinion of management, there has been no diminution in its

value. Other amounts (\$8,174,000 at December 31, 1978 and \$4,162,000 at December 31, 1977) arising from 1978 and 1977 acquisitions are being amortized on a straight-line basis over 10 to 40 years.

Book Value per Common Share



Notes to Financial Statements

Income Taxes

The Company files a consolidated Federal income tax return. Investment tax credits on equipment acquired for use in its air-freight operations and on equipment for lease under operating leases are accounted for as a reduction of the provisions for income taxes in the year in which the credits arise, or in the year in which they are so utilizable without exceeding the deduction limits. Investment tax credits arising from the acquisition of equipment for lease under finance leases and leveraged leases are accounted for under the deferral method, whereby the credits are amortized over the initial terms of the related lease in decreasing amounts related to the declining balance of the unrecovered investments. Investment tax credits which have been utilized to reduce income tax provisions, but which the Company elects to permit to expire by reason of the deduction of accelerated depreciation and other allowable tax deductions, are amortized over the remaining lives of the property and equipment to which the tax deductions relate.

Current Portion of Long-term Obligations

Equipment obligations and obligations under capital lease, due within one year, which will be paid from net rentals to be received during the next year from longer-term leases, are excluded from the current portion of long-term obligations.

Inventories

Inventories supporting maintenance and/or assembly of aircraft and leased equipment are priced at the lower of cost or market. Cost is determined by first-in,

first-out and average-cost methods and includes materials, labor and factory overhead. Construction equipment and aircraft for sale are included in inventory at acquisition cost.

Insurance Loss Reserves

Tiger Insurance provides reserves for losses and related expenses by charges to income for anticipated losses on claims reported but not settled, and claims incurred but not reported.

Reclassifications

Certain items in 1977 have been reclassified to conform with the presentation in 1978.

Cash Dividends per Common Share

\$.80

.60

.40

.20

.00

74 75 76 77 78

2. Leases**The Company as Lessee**

At December 31, 1978 and 1977, the Company was lessee under long-term leases on aircraft and engines, railcar equipment, facilities and other equipment. These leases extend for varying periods through 2008. There are renewal and fair market value purchase options on the leased equipment and facilities. Rentals during the renewal option periods are generally at rates that are as favorable as for the initial lease periods. In addition, the Company is contingently liable under certain leases to purchase the equipment for \$7,478,000 if the leases are not renewed upon expiration of the initial terms. Under most equipment leases, the Company is obligated to bear the costs of maintaining and operating the equipment. Most of the Company's facilities are recorded as operating leases.

Capital Leases:

The following is an analysis of the property under capital lease (included under the respective captions in the consolidated balance sheets) at December 31, 1978 and 1977 (expressed in thousands):

	1978	1977
Equipment for lease or under lease	\$169,187	\$151,228
Equipment used in airfreight operations	118,541	120,005
	287,728	271,233
Less: accumulated amortization	(92,173)	(74,546)
	\$195,555	\$196,687

The following is a schedule of future minimum lease payments under capital leases together with the present value of net minimum lease payments at December 31, 1978 (expressed in thousands):

Year ending December 31,	
1979	\$ 35,936
1980	36,837
1981	37,143
1982	36,505
1983	36,017
Later years	243,504
Net minimum lease payments	425,942
Less: amount representing interest	(198,965)
Present value of net minimum lease payments	\$226,977*

*Includes \$13,877 due in 1979 of which \$8,178 is classified as current and \$5,699 is classified as long-term (see Note 1)

Notes to Financial Statements

Operating Leases:		Operating Leases:			
The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of December 31, 1978 (expressed in thousands):		The following is an analysis of equipment held for lease as of December 31, 1978 and 1977 (expressed in thousands):			
		1978	1977		
Year ending December 31,		Equipment for lease or under lease	\$1,138,232	\$1,045,020	
1979	\$12,461	Less: accumulated depreciation and amortization	(335,429)	(298,859)	
1980	9,925		\$ 802,803	\$ 746,161	
1981	9,500	The following is a schedule by years of minimum future rentals on non-cancellable operating leases as of December 31, 1978 (expressed in thousands):			
1982	9,204	Year ending December 31,			
1983	8,526	1979	\$146,172		
Later years	23,948	1980	117,441		
Total minimum payments required	\$73,564	1981	93,288		
		1982	70,135		
		1983	45,573		
		Later years	109,658		
		Total minimum future rentals	\$582,267		
		Total rental expense for all operating leases with lease terms in excess of one month for the years ended December 31, 1978 and 1977 was as follows (expressed in thousands):			
		1978	1977		
Minimum rentals	\$13,219	\$6,429	\$6,429		
Less: sublease rentals	(629)	(579)			
	\$12,590	\$5,850			
The Company as Lessor		Leveraged Leases:			
The Company, as lessor, has entered into certain lease arrangements which are accounted for as direct financing leases. The leasing operations consist principally of the leasing of aircraft and engines, railcars and other equipment. In addition, the Company leases-out certain equipment under operating leases and leveraged leases.		The Company is the lessor in two leveraged lease agreements entered into in 1973 and 1974. At December 31, 1978 and 1977 the Company's net investment in these leveraged leases is composed of the following elements (expressed in thousands):			
		1978	1977		
Net Investment in Finance Leases:		Receivables (net of principal and interest on nonrecourse debt)	\$7,203	\$ 9,643	
The following lists the components of the net investment in finance leases as of December 31, 1978 and 1977 (expressed in thousands):		Estimated residual value of leased assets	3,076	3,087	
	1978	1977			
Minimum lease payments receivable	\$158,943	\$192,398	Less: unearned and deferred income	(1,403)	(2,145)
Less: allowance for uncollectibles	(8,156)	(6,037)	Investment in leveraged leases	8,876	10,585
Net minimum lease payments receivable	150,787	186,361	Less: deferred taxes	(6,021)	(6,147)
Estimated residual value of leased equipment (unguaranteed)	18,693	19,798	Net investment in leveraged leases	\$2,855	\$ 4,438
Less: unearned income	(44,490)	(56,231)	Purchase Commitments:		
Net investment in finance leases	\$124,990	\$149,928	At December 31, 1978, the Company had commitments to purchase \$143,000,000 of aircraft, facilities and equipment to be used in airfreight operations and \$217,000,000 of railcars, aircraft and other equipment for leasing and related services.		
At December 31, 1978, minimum lease payments receivable for each of the five succeeding fiscal years are as follows (expressed in thousands):		3. Revenue			
Year ending December 31,		Revenue for 1978 and 1977 is classified to conform to the segment information in Note 6. Other revenue for 1977 includes a \$4,673,000 gain from a sale of a DC-8-63 aircraft previously used in airfreight operations. The aggregate sales price was \$10,100,000.			
1979	\$41,293				
1980	30,130				
1981	27,425				
1982	13,340				
1983	10,633				

Notes to Financial Statements

4. Long-Term Debt

The outstanding balance of long-term equipment obligations and other long-term debt at December 31, 1978 and 1977 consisted of the following (expressed in thousands):

	1978	1977
Senior Debt:		
<i>Tiger International, Inc.</i>		
Variable rate (½% over prime) secured notes payable to banks, due in quarterly installments 1980 to 1984 (average rate 8.9% (1978))	\$ 21,295	\$ 57,857
7% note payable due in annual installments 1979 to 1982	500	—
<i>Subsidiaries</i>		
Equipment and facilities obligations:		
4½% to 11¼% equipment trust obligations, maturing serially 1979 to 1997 (average rate 8.9% (1978))	530,986	492,830
6¾% to 11¼% notes secured by facilities, due 1979 to 1996 (average rate 8.7% (1978))	7,686	9,299
4¼% to 12¾% equipment obligations and notes payable secured by receivables and equipment and facilities leased, due 1979 to 1991 (average rate 8.3% (1978))	124,954	70,635
Variable rate (¼% to 2½% over prime) equipment obligations and notes payable, secured by receivables and related equipment and facilities leased, due 1979 to 1991 (average rate 10.3% (1978))	53,998	94,352
	739,419	724,973
Less:		
Principal amount of equipment trust certificates held in treasury	4,247	2,549
Current portion*	22,404	13,669
	\$712,768	\$708,755

*Exclusive of \$76,714 in 1978 and \$79,521 in 1977 (see Note 1)

	1978	1977
Subordinated Debt:		
(Net of current portion of \$300 and imputed debt discount)		
<i>Subsidiaries</i>		
5¼% Convertible Subordinated Debentures, due to 1988	\$ 1,876	\$ 1,969
6¾% Senior Subordinated Notes, due to 1982	900	1,109
9¼% Subordinated Debentures, due to 1992	11,623	12,123
	\$ 14,399	\$ 15,201

The long-term debt matures as follows for the five years subsequent to December 31, 1978 (expressed in thousands):

1979	\$99,418
1980	81,602
1981	73,918
1982	74,506
1983	76,750

Certain long-term debt and lines of credit are covered by agreements which restrict borrowings and cash payment of dividends and require maintenance of minimum cash balances ranging from 10 percent to 20 percent of average outstanding loan balances. At December 31, 1978, \$25,653,000 of retained earnings were free of such cash dividend restrictions, and approximately

\$10,048,000 of cash was intended to meet minimum cash balance requirements.

Tiger International's subsidiaries have revolving lines of credit with various banks totaling \$78,000,000, of which \$27,000,000 was borrowed at December 31, 1978. A commitment fee, generally ½ percent per annum, is paid on the unused portions of these credit lines.

At December 31, 1978, assets having a total net book value of \$1,040,000,000 were encumbered by debt.

On January 14, 1977, Tiger International entered into a term-loan agreement in the amount of \$60,000,000. Proceeds were used to acquire Tiger Insurance Group (Note 5) and to repay secured notes payable

to banks. The terms of this agreement provide for interest at the rate of ½ percent over the bank prime lending rate, with a maximum weighted-average interest rate of 10 percent over the term of the loan, including the cost of compensating cash balances or fees paid in lieu thereof; and for payment of principal and interest in quarterly installments from 1980 through 1984. On June 15, 1978 Tiger International offered 1,500,000 shares of Common Stock to the public at a price of \$25.375 per share. The net proceeds of the offering, amounting to \$36,562,000 in the aggregate, were used to prepay an equivalent amount of borrowings under the term-loan

agreement. Borrowings under the agreement have been secured by the pledge of the stock of Tiger Insurance Group; effective January 1, 1979, these borrowings are unsecured.

Effective January 1, 1979, the Company entered into a \$40,000,000 unsecured credit agreement with a group of banks. The terms of this agreement provide for interest at the rate of one-quarter of one percent over the bank prime lending rate through June 30, 1981 (revolving period) and one-half of one percent over the prime lending rate thereafter through June 30, 1986 (term period). In addition, the agreement requires the maintenance of compensating balances equal to 10 per-

Notes to Financial Statements

cent of the commitment plus 10 percent of the outstanding balance and for the quarterly payment of interest during the revolving period and the quarterly payment of principal and interest during the term period.

5. Acquisitions

On January 14, 1977, Tiger International acquired Investors Mortgage Group, Inc. (whose name was changed to Tiger Insurance Group, Inc.) for \$36,763,000 in cash, obtained principally from a long-term borrowing. Tiger Insurance Group provides private real estate mortgage insurance through its subsidiary, Tiger Investors Mortgage Insurance Company.

At September 30, 1977, Tiger International acquired a railcar repair facility for \$1,684,000 in cash and 203,148 treasury shares. The shares were purchased during August and September 1977 for \$2,321,000 and had approximately the same market value when reissued. The acquisition has been accounted for as a purchase.

During 1978, a subsidiary of Tiger International acquired for cash and notes all of the outstanding stock of a distributor and broker of aircraft parts and equipment and an aircraft service center for approximately \$3,720,000. Also, during 1978, subsidiaries of Tiger International acquired several railcar facilities for \$5,896,000 in cash and notes and 99,605 treasury shares. The shares were purchased for \$2,550,000 and had approximately the same market value when reissued. The 1977 repair facility acquisition and the 1978 acquisitions, which were accounted for as purchases, did not have a material effect on the Company's financial position or results of operations.

6. Results Segmented by Lines of Business and Geographic Area

Tiger International is engaged primarily in three businesses: airfreight, leasing and related services, and private mortgage insurance.

Financial information related to each of the Company's operations in different industries as of and for the years ended December 31, 1978 and 1977 follows (expressed in thousands):

	Revenue	Operating Profit, Before Interest Expense	Interest Expense	Operating Profit	Identifiable Assets
1978					
Airfreight	\$411,827	\$ 55,371	\$18,093	\$37,278	\$ 424,540
Leasing and related services	277,010	112,667	69,340	43,327	1,119,857
Private mortgage insurance	21,879	10,375	—	10,375	74,945
Eliminations and other	(6,908)	—	—	—	—
	\$703,808	\$178,413	\$87,433	\$90,980	\$1,619,342
1977					
Airfreight	\$296,742	\$ 35,883	\$16,244	\$19,639	\$ 389,201
Leasing and related services	204,245	90,688	61,923	28,765	1,062,326
Private mortgage insurance	17,618	7,452	—	7,452	61,697
Eliminations and other	(4,206)	—	—	—	—
	\$514,399	\$134,023	\$78,167	\$55,856	\$1,513,224

Financial information related to the Company's operations in different geographic areas as of and for the years ended December 31, 1978 and 1977 follows (expressed in thousands):

	Revenue	Operating Profit	Identifiable Assets
1978			
United States	\$643,454	\$ 81,942	\$1,386,107
Canada	33,081	6,263	154,030
Other Foreign	27,273	2,775	79,205
	\$703,808	\$ 90,980	\$1,619,342
1977			
United States	\$467,650	\$ 46,844	\$1,282,625
Canada	30,958	7,956	155,540
Other Foreign	15,791	1,056	75,059
	\$514,399	\$ 55,856	\$1,513,224

In accordance with Statement of Financial Accounting Standards No. 14, operating profit (total revenue less operating expenses) does not reflect general corporate expenses or income taxes. Revenues and transfers between industries and geographic areas are not significant to any industry group or geographic area. Interest of \$1,360,000 (1978) and \$1,096,000 (1977)

earned on loans and advances to other industry segments is not included in airfreight revenues or operating profit in accordance with the statement. Approximately 14 percent of the revenue of the airfreight business in 1978 and 1977 was received from two agencies of the United States government: Military Airlift Command and the U.S. Post Office. Identifiable assets are those

assets that are used in the Company's operations in each industry group and geographic area.

A reconciliation of total identifiable assets and operating profit as presented above to the consolidated amounts of total assets and income before income tax provision follows (expressed in thousands):

Notes to Financial Statements

	1978	1977
Identifiable assets	\$1,619,342	\$1,513,224
Corporate assets	13,748	3,775
	\$1,633,090	\$1,516,999
Operating profit	\$ 90,980	\$ 55,856
General corporate expenses, net	(4,108)	(3,824)
Corporate interest expense	(10,156)	(10,093)
	\$ 76,716	\$ 41,939

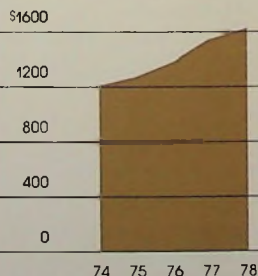
Corporate assets are principally cash and certificates of deposit, equipment and leasehold improvements and investments.

Depreciation and amortization expense and capital expenditures for the Company's industry groups and Corporate for 1978 and 1977 follows (expressed in thousands):

	1978	1977
Depreciation and Amortization Expense:		
Airfreight	\$ 33,457	\$ 25,185
Leasing and related services	47,538	43,063
Private mortgage insurance	5,171	4,577
Corporate	107	61
	\$ 86,273	\$ 72,886

	1978	1977
Capital Expenditures:		
Airfreight	\$ 59,983	\$ 96,953
Leasing and related services	159,758	109,613
Private mortgage insurance	236	32
Corporate	156	57
	\$ 220,133	\$206,655

Assets (millions)



7. Income Taxes

The provisions for income taxes for 1978 and 1977 are summarized as follows (expressed in thousands):

	1978	1977
Current –		
United States	\$ 5,807	\$ 31,620
Foreign tax credits	(1,842)	(2,327)
Investment tax credits	(2,037)	(29,293)
	1,928	—
State	525	444
Foreign	2,679	1,427
	5,132	1,871
Deferred –		
United States	26,792	(16,251)
State	1,807	1,304
Foreign	4,245	4,278
Foreign tax credits	—	995
Investment tax credits –		
Current year benefit, net	(13,316)	(5,895)
Prior years benefit	2,037	29,293
	21,565	13,724
Total income tax provision	\$ 26,697	\$ 15,595

The net income tax provisions were 34.8% and 37.2% of 1978 and 1977 pretax income, respectively. The primary reasons for the difference between these rates and the 48% statutory federal tax rate are as follows:

	1978	1977
Federal tax rate	48.0%	48.0%
Investment tax credits	(17.4)	(14.1)
State taxes and other	4.2	3.3

The timing differences giving rise to deferred income taxes were as follows (amounts in 1978 are subject to elections to be made upon filing returns) (expressed in thousands):

	1978	1977
Excess of tax over book depreciation	\$34,135	\$ 8,078
Book reserves not deductible for tax purposes	(561)	(2,822)
Excess of tax over book gain on disposition of equipment	(702)	(3,398)
Differing treatment of finance leases	(102)	(6,430)
Differing treatment of capital leases	(1,589)	(1,723)
Net investment tax credits applied to reduce deferred tax provision	(13,316)	(5,895)
Foreign and investment tax credits	2,037	30,288
Redemption of tax and loss bonds	—	(2,504)
Other, net	1,663	(1,870)
	\$21,565	\$13,724

Notes to Financial Statements

Cash outlays for income taxes are not expected to exceed the tax provisions for any of the next three years. The Company has approximately \$31,038,000 of investment tax credit carry forwards available for federal income tax purposes for 1978, and future years, of which all but \$504,000 has been applied as a reduction of deferred federal income tax provisions. Foreign tax credits available to offset 1978 and future years' federal income taxes aggregate \$1,842,000, which if not utilized will be included in federal income tax provisions in future years. All foreign tax credits and approximately \$2,037,000 of investment tax credit carry-forwards are expected to be utilized in the 1978 tax return when filed.

The tax credits expire for tax purposes as follows (expressed in thousands):

Year of Expiration	Foreign Tax Credits	Investment Tax Credits
1979	\$ —	\$ 302
1980	—	1,329
1981	—	5,422
1982	—	5,857
1983	1,842	3,258
1984	—	6,648
1985	—	8,222

Investment tax credits deferred and being amortized over the life of the related finance leases for financial statement purposes aggregated \$889,000 at December 31, 1978. Expired investment tax credits of \$5,657,000, previously deducted from the deferred federal income tax provision, are being amortized as described in Note 1. The net amortization of such investment tax credits deducted from the deferred income tax provision was \$192,000 (1978) and \$307,000 (1977).

8. Pension Plans

Tiger International maintains pension plans for substantially all its employees. The total costs of the plans were \$11,490,000 (1978) and \$7,475,000 (1977); the amounts include amortization, from 30 to 40 years, of unfunded prior service costs. The Company's policy is to fund pension costs accrued. At December 31, 1977, the unfunded prior service liability totalled approximately \$40,967,000, and the actuarially computed value of vested benefits exceeded pension fund assets and balance sheet accruals by approximately \$42,982,000, the latest date at which comprehensive determinations have been made.

9. Minority Interest and Common Stock

North American Car Corporation (North American) is a subsidiary of Tiger Leasing Group, Inc. The terms of North American's \$3 Cumulative Preferred Stock require annual retirement of 8,000 shares. These shares are redeemable at any time at the option of North American.

At December 31, 1978 and 1977 the Company had reserved the following shares of common stock for issuance:

Reserved for	Shares	
	1978	1977
Qualified Stock Option Plans	467,488	484,988
Qualified Employee Stock Purchase Plan	628,491	628,491
Officers' Stock Purchase Agreements	220,000	220,000
	1,315,979	1,333,479

On June 15, 1978, the Company offered 1,500,000 shares of common stock to the public at a price of \$25.375 per share. The net proceeds of this offering amounted to \$36,562,000 (see Note 4).

In 1977, the Board of Directors, with the approval of a majority of share owners, increased by 500,000 the number of shares reserved for the Qualified Employee Stock Purchase Plan.

An offering of common stock under the Qualified Employee Stock Purchase Plan, as amended, was made in July 1978 at \$22.90 per share. At December 31, 1978, the Company has subscriptions outstanding for 237,716 shares.

At December 31, 1978, options granted to officers and key employees for the purchase of 14,000 shares were outstanding at prices ranging from \$17.75 to \$21.19 per share with an aggregate purchase price of \$282,875. These options expire in March 1979. Un-optional shares available at December 31, 1978 and 1977

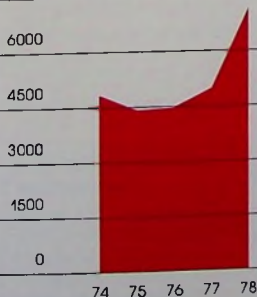
were 453,488 and 281,138, respectively.

In September 1974 and July 1978, the Company entered into stock purchase agreements with certain principal officers. The September 1974 agreements enable the officers to purchase 120,000 shares of common stock at \$9.13 per share and the July 1978

agreements enable the officers to purchase 100,000 shares of common stock at \$26.88 per share. The price per share under these agreements was the price of common stock on the New York Stock Exchange at the date the agreements were entered into. Each officer is obligated under the agreements to pay the full purchase price for his shares not later than ten years from the dates of the agreements or at any time upon demand by the Company if his employment terminates prior to that date.

The Company has a discretionary Executive Incentive Plan, approved by the share owners in 1976, whereby awards are contingent upon the attainment of certain levels of profitability. The amounts awarded (60% in stock and 40% in cash) under the plan were \$1,487,000 (1978) and \$612,000 (1977). Shares awarded under the plan cannot be sold, hypothecated, or pledged for a period of 5 years from date of grant.

Number of Employees



Notes to Financial Statements

10. Investments of Insurance Company

At December 31, 1978 and 1977 the investments of the insurance company are summarized as follows (expressed in thousands):

	1978	1977
Equity Securities:		
Preferrred—		
Redeemable	\$ 6,435	\$ 6,159
Non-Redeemable	4,637	4,692
Common	7,736	6,547
	18,808	17,398
Bonds:		
U.S. Government	29,039	17,148
Corporate	14,014	14,942
Foreign	2,513	1,480
	45,566	33,570
Total investments	\$64,374	\$50,968

12. Earnings Per Share

Earnings per share have been computed based upon the weighted average number of the Company's common and common equivalent (where dilutive) shares outstanding each year (13,598,000 in 1978 and 12,695,000 in 1977), including the shares issuable under outstanding stock options and stock subscriptions, less those shares the Company could have purchased with the proceeds from the exercise of these options and subscriptions (net of paid

shares). The paid stock subscription shares are those shares which could be purchased from the weighted average collections during the period.

No significant dilution of earnings per share results from fully diluted computations.

11. Property, Plant and Equipment

At December 31, 1978, the major classes of property, plant and equipment and the related accumulated depreciation and amortization were as follows (expressed in thousands):

	Original Cost	Accumulated Depreciation and Amortization	Net
Equipment for lease or under lease			
Railcar equipment	\$ 943,047	\$233,017	\$ 710,030
Other	195,185	102,412	92,773
Equipment used in airfreight operations	415,359	156,981	258,378
Buildings and leasehold improvements	44,481	11,214	33,267
Shop and terminal facilities and other	62,753	20,333	42,420
	\$1,660,825	\$523,957	\$1,136,868

13. Selected Quarterly Financial Data (Unaudited)

(expressed in thousands except per share amounts):

1978 Quarter Ended				
	March 31,	June 30,	September 30,	December 31,
Revenue	\$138,869	\$168,861	\$192,146	\$203,932
Net Income	\$ 5,076	\$ 12,322	\$ 15,722	\$ 16,899
Earnings Per Share	\$.40	\$.95	\$ 1.09	\$ 1.18
1977 Quarter Ended				
	March 31,	June 30,	September 30,	December 31,
Revenue	\$106,907	\$121,524	\$138,843	\$147,125
Net Income	\$ 611	\$ 6,530	\$ 8,155	\$ 11,048
Earnings Per Share	\$.05	\$.51	\$.65	\$.87

Earnings per share for the quarters ended September 30, 1978 and December 31, 1978 reflect the impact of 1,500,000 shares of stock offered June 15, 1978 (see Note 9).

The revenue, net income and earnings per share in the above summary reflect the seasonal fluctuations in the business of Flying Tiger Line and fluctuations in foreign exchange rates. In addition, the second quarter of 1977 includes net income of \$2,336,000, \$.18 per share, from the sale of a DC-8-63 aircraft by Flying Tiger Line.

Notes to Financial Statements

14. Replacement Cost Data (Unaudited)

Due to the impact of inflation, when the Company replaces an asset with one having an equivalent productive capacity or with an item of inventory, it is required to make a capital investment that is significantly greater than the historical cost of such an asset reported in the Company's financial statements.

In airfreight operations, delays in obtaining satisfactory rate adjustments in periods of rapidly escalating costs have impeded the Company's ability to recover such costs on a timely basis; however, in replacement of operating capacity, the airline has been successful in recent years in obtaining replacement cost values in disposition of its operating aircraft, thus ameliorating some of the capital investment requirements on the replacement aircraft.

In leasing operations, depreciated replacement costs and rising financing costs are generally reflected in rental rates obtained upon lease renewals and in the realization of salvage and residual values. In addition, depreciation and tax credits permitted for Federal income tax purposes have benefited the company in meeting cash investment requirements for replacement of equipment. Quantitative replacement cost information is included in the Company's annual report to the Securities and Exchange Commission on Form 10-K, which is expected to be available for distribution after March 31, 1979.

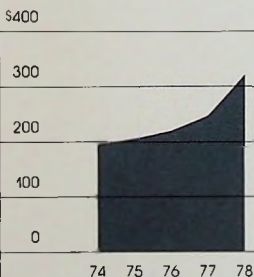
15. Legal Actions and Contingencies

Based upon complaints of aircraft noise and engine emissions, various legal actions are pending against the City of Los Angeles and against Flying Tiger and other airlines using Los Angeles International Airport. Most of these suits were brought against the City, which in a number of cases has cross-complained against various airlines, including Flying Tiger, seeking indemnification. However, the City has been denied the right to indemnification in cases involving inverse condemnation. Flying Tiger's special counsel in many of these actions and management are of the opinion that, although the legal issues have not been finally resolved, Flying Tiger has substantial defenses under the present law to the imposition of any liability in such actions.

Standard Oil Company (Ohio) ("SOHIO") and BP Oil Company ("BP") have filed suit against Flying Tiger seeking damages arising from their provision of fuel to Flying Tiger at New York, Newark, Cleveland and Detroit. If SOHIO or BP were successful in their lawsuit it could increase Flying Tiger's cost of fuel in 1974, 1975 and 1976 by as much as an aggregate of approximately \$6,000,000. In the opinion of management, based on discussions with legal counsel, adequate provision has been made by Flying Tiger so that Flying Tiger's financial position and results of operations are presented fairly during the respective periods.

At December 31, 1978, the Company was contingently liable under outstanding guarantees for indebtedness and lease obligations in

the amount of \$21,924,000 which will be fully amortized during the period from 1979 to 1993. The guarantees relate to construction of facilities, equipment sold and leases arranged for others, financed by third parties.

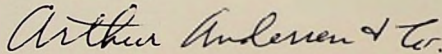
Share Owners' Equity (millions)

Auditors' Report

To the Share Owners, Tiger International, Inc.:

We have examined the consolidated balance sheets of TIGER INTERNATIONAL, INC. (a Delaware corporation) and subsidiaries as of December 31, 1978 and 1977, and the related consolidated statements of income, share owners' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Tiger International, Inc. and subsidiaries as of December 31, 1978 and 1977, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change (with which we concur) in the method of accounting for leases as required by Statement of Financial Accounting Standards No. 13 and explained in Note 1 to the accompanying financial statements.



ARTHUR ANDERSEN & CO.

Los Angeles, California,
March 12, 1979.

Notice to Share Owners

The following notice to share owners is published in accordance with Section 245.16 of Subpart B of Part 245 of the Economic Regulations of the Civil Aeronautics Board (the Board); section references in the following notice are to sections of such regulations.

(1) Any person who either owned, at December 31, 1978, or subsequently acquired, beneficially or as a trustee, more than 5 per centum, in the aggregate of any class of the capital stock of Tiger International, Inc. (i.e., Tiger International, Inc.'s Common Stock \$1 Par Value) shall file with the Board a report containing the information required by Section 245.12, on or before April 1, 1979 as to the capital stock owned at December 31 of the preceding year, and, in the case of stock subsequently acquired, a report under Section 245.13, within 10 days after such acquisition, unless such person has otherwise filed with the Board a report covering such acquisition or ownership; (2) any bank or broker covered by (1) above, to the extent that it holds shares as trustee on the last day of any quarter of a calendar year, shall file with the Board, within 30 days after the end of the quarter, a report in accordance with the provisions of section 245.14; and (3) any person required to report under this subpart who grants a security interest in more than 5 percent of any class of the capital stock of Tiger International, Inc. shall within 30 days after granting such security interest file with the Board a report containing the

information required in Section 245.15.

Any share owner who believes that he may be required to file such a report may obtain further information by writing to the Director, Bureau of Pricing and Domestic Aviation, Civil Aeronautics Board, Washington, D.C. 20428.

Tiger International, Inc. and Subsidiaries
Management Analysis

1978 Compared to 1977

Total revenue increased 37 percent. Airfreight operations revenue increased 42 percent due to continued expansion of international service and capacity, expanded prime time domestic service put into effect in the second half of 1977 as well as from the expansion of scheduled service to eight new cities following deregulation of air cargo. In addition, the Northwest Airlines strike and start up problems at the new Tokyo Airport experienced by others contributed to an increase in airfreight volume. Leasing and related services revenue increased 35 percent due to additional revenue derived from equipment additions and higher renewal rental rates on railcars, increased revenue from railcar repair services and expansion of the aircraft leasing operations and related services. Mortgage insurance revenue increased 24 percent due to an increase in market share. Other revenue for 1977 includes a gain from the sale of an operating aircraft.

Airfreight costs and expenses increased 40 percent primarily due to increased levels of business activity in 1978. Leasing costs and expenses increased 79 percent as a result of growth in the railcar fleet, increased government mandated inspections of the fleet, expansion of the railcar repair service and expansion of the aircraft leasing operations.

Selling, general and administrative expenses increased 30 percent as a result of higher payroll costs caused by a growth in the Company's railcar repair and aircraft leasing activities, increased operating costs relating to mortgage insurance and to inflation.

Depreciation expense increased 15 percent primarily as a result of equipment acquisitions.

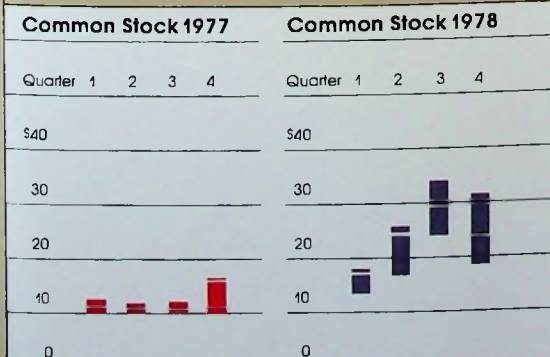
1977 Compared to 1976

Total revenue increased 18 percent. Airfreight operations revenue increased 15 percent due to increased demand for charter flights, improved domestic and international market conditions and an increase in available capacity. Leasing and related services revenue increased 12 percent due to additional revenue derived from equipment additions and higher renewal rental rates on railcars, higher utilization of the railcar fleet and increased revenue from railcar repair services. Other revenue increased primarily due to a higher gain recognized on the sale of operating aircraft by Flying Tigers (one DC-8-63 aircraft was sold in each period). The remainder of the 1977 increase resulted from the inclusion of mortgage insurance revenue from Tiger Insurance Group which was purchased on January 14, 1977.

Airfreight costs and expenses increased 17 percent due to higher fuel prices, costs relating to increased levels of operations and non-recurring training costs of approximately \$1,700,000 associated with the addition of Boeing 747-100F aircraft. Leasing costs and expenses increased 26 percent as a result of increased maintenance expense for the railcar fleet caused by inflation and the aging of the fleet, increased expenses associated with the expansion of the railcar repair service business and expansion of aircraft leasing operations.

Selling, general and administrative expenses increased 24 percent due primarily to the inclusion in 1977 of approximately \$10,105,000 of operating costs of Tiger Insurance Group, and to inflation.

Interest expense increased due to new borrowings for the acquisition of Tiger Insurance Group and for the purchase of three Boeing 747-100F aircraft.



Common Stock 1978

Quarter	One	Two	Three	Four
High	\$18.63	\$26.13	\$34.63	\$32.38
Low	14.38	17.50	24.50	19.00
Close	17.88	24.88	29.75	24.38
Cash dividends declared per common share	.15	.15	.15	.15

Common Stock 1977

High	\$13.50	\$12.00	\$12.63	\$16.38
Low	10.25	10.13	10.50	10.38
Close	10.75	11.50	11.00	16.38
Cash dividends declared per common share	.125	.125	.125	.125

Tiger International, Inc. and Subsidiaries
Ten-Year Summary*

<i>(Amounts in thousands except per share data)</i>	1978	1969	1970	1971
Revenue:				
Airfreight operations	\$ 407,955	\$ 96,893	\$ 123,372	\$ 144,247
Leasing and related services	270,503	—	—	62,481
Mortgage insurance	21,213	—	—	—
Other	4,137	1,428	2,139	2,832
	703,808	98,321	125,511	209,560
Costs and Expenses:				
Airfreight	284,227	63,374	75,253	83,891
Leasing	85,083	—	—	9,905
Selling, general and administrative	93,947	7,848	10,759	21,660
Depreciation and amortization	73,728	11,003	12,732	31,513
Interest	90,360	11,947	13,349	30,167
Interest capitalized and deferred	(253)	(74)	(114)	—
	627,092	94,098	111,979	177,136
Income before income tax provision**	76,716	4,223	13,532	32,424
Income tax provision	26,697	752	4,757	12,993
Net Income	\$ 50,019	\$ 3,471	\$ 8,832	\$ 19,431
Fully diluted earnings per share***	\$ 3.68	\$.42	\$.91	\$ 1.55
Shares used for computation of fully diluted earnings per share***	13,598,000	8,282,000	9,700,000	12,576,000
Share owners' equity	\$ 325,301	\$ 42,042	\$ 51,254	\$ 131,169
Book value per common share***	\$ 22.86	\$ 5.07	\$ 6.16	\$ 13.20
Assets	\$ 1,633,090	\$ 268,855	\$ 278,118	\$ 748,716
Number of employees	7,162	2,881	3,418	3,845
Cash dividends per common share***	\$.60	\$.05	\$ —	\$ —

*Information related to North American Car Corporation and National Equipment Rental, Ltd., which comprise the majority of Tiger Leasing Group, is not included in the summary for periods prior to their acquisition by purchases, January 1971 and October 1971, respectively, nor for Tiger Insurance Group, Inc. acquired January, 1977. The 10 year summary has been restated for the provisions of FASB 13. See Note 1 to notes to financial statements for the effect of FASB 13.

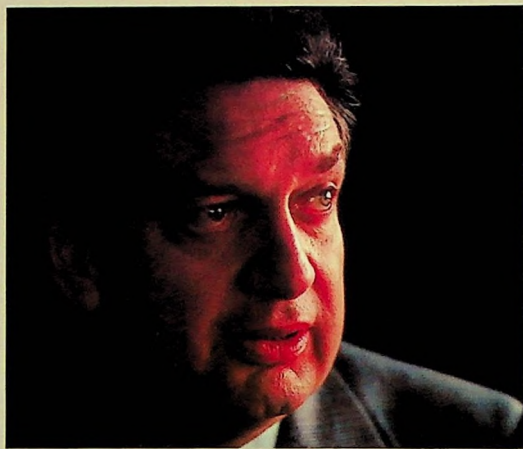
**Extraordinary income of \$57,000 in 1970 is excluded from income before tax provision and income tax provision but included in net income.

***Adjusted for the three for two stock distribution in 1972, and the five percent stock dividends issued in 1970, 1971, 1972 and 1973. In the years 1974 through 1978 there was no significant dilution from fully diluted computations.

	1972	1973	1974	1975	1976	1977	1978
\$	164,354	\$ 176,928	\$ 189,264	\$ 219,840	\$ 250,021	\$ 287,523	\$ 407,955
	91,929	112,854	144,652	164,557	179,688	200,438	270,503
	—	—	—	—	—	17,154	21,213
	832	1,354	1,513	7,498	6,125	9,284	4,137
	257,115	291,136	335,429	391,895	435,834	514,399	703,808
	91,360	101,724	138,960	153,894	173,624	203,204	284,227
	12,548	14,603	21,124	27,146	37,715	47,510	85,083
	31,507	37,372	47,977	54,738	58,266	72,200	93,947
	38,215	39,096	45,424	53,763	59,239	63,942	73,728
	34,801	42,847	64,278	77,546	78,522	86,474	90,360
	(117)	(557)	(2,204)	(794)	(1,040)	(870)	(253)
	208,314	235,085	315,559	366,293	406,326	472,460	627,092
	48,801	56,051	19,870	25,602	29,508	41,939	76,716
	20,216	23,043	7,842	9,602	11,225	15,595	26,697
\$	28,585	\$ 33,008	\$ 12,028	\$ 16,000	\$ 18,283	\$ 26,344	\$ 50,019
\$	2.18	\$ 2.60	\$.96	\$ 1.27	\$ 1.44	\$ 2.08	\$ 3.68
	13,086,000	12,896,000	12,518,000	12,636,000	12,702,000	12,695,000	13,598,000
\$	161,600	\$ 192,459	\$ 199,588	\$ 210,654	\$ 226,767	\$ 246,413	\$ 325,301
\$	15.36	\$ 15.49	\$ 16.06	\$ 16.94	\$ 17.89	\$ 19.42	\$ 22.86
\$	808,268	\$ 980,374	\$ 1,219,512	\$ 1,308,728	\$ 1,371,986	\$ 1,516,999	\$ 1,633,090
	4,082	4,672	4,723	4,414	4,493	4,938	7,162
\$	—	\$.20	\$.40	\$.40	\$.40	\$.50	\$.60

Officers

The Flying Tiger Line



Joseph J. Healy

Joseph J. Healy
President

L. Russell Emerson
Senior Vice President
Scheduled Services

William Gelfand
Senior Vice President

Walter H. Bernhardson
Vice President
Personnel Relations

William M. Caldwell, IV
Vice President
Marketing

Nissen Davls
Vice President
Public Relations

Charles W. Jacob, Jr.
Vice President
Finance & Treasurer

Lewis H. Jordan, III
Vice President
Maintenance & Engineering

Wayne E. Partridge
Vice President
Law

LaMont W. Shadowens
Vice President
Flight Operations

George A. Zettler
Vice President
Sales

Michael Gurley
Vice President
Western Region

Richard L. Haberly
Vice President
Eastern Region

Peter E. Hubbard
Vice President
Midwestern Region

Paul Stokes
Vice President
Asia

James J. Tufts
Vice President
Southern Region

R. J. Valenta
Corporate Controller

Rosanne O'Brien
Secretary

Stuart M. Warren
General Attorney & Assistant
Secretary

Myer Feldman
Ginsburg, Feldman & Bress
Assistant Secretary

J. W. Rosenthal
Ginsburg, Feldman & Bress
Assistant Secretary

The Flying Tiger Line
7401 World Way West
Los Angeles,
California 90009
(213) 646-6161

Tiger Leasing

North American Car Corporation

James H. Ozanne
President

H. Russell Platt III
Senior Vice President
Marketing & Sales

Robert A. Boerke
Vice President
Engineering

James F. Compton
Vice President
Marketing & Fleet Management

Richard R. Forrest
Vice President
Eastern Region

Robert A. Greenbury
Vice President
International Operations

John A. Harrison
Vice President
Finance

Harold C. Herrmann
Vice President
General Manager,
Terminal Services Division

Francis W. Kreidler
Vice President
Special Projects

Jon M. Larson
Vice President
General Manager,
Car Repair Division

Roger A. Noback
Vice President
Law

Richard C. Underwood
Vice President
Sales

John O. Logan
General Manager,
Alexander Chemicals Division

North American Car (Canada) Ltd.

Raymond L. Bachlinsky
Vice President
Marketing & Sales

TigerAir, Inc.

Theodore F. Schlegel
President

Richard M. Barkley
Vice President
Corporate Aircraft Division

Robert E. Chipperfield
Vice President
Commercial Sales & Leasing

William E. Dernbach
Vice President
Operations & Technical Services

Wilbur E. Glowka, Jr.
Vice President / Controller

John F. McDonald
Vice President
Sales Engineering

L. Craig Woodhouse
Group Vice President

National Equipment Rental, Ltd.

Harry M. Welsberg
President

Thomas J. McArdle
President
Computer Division (U.S.)

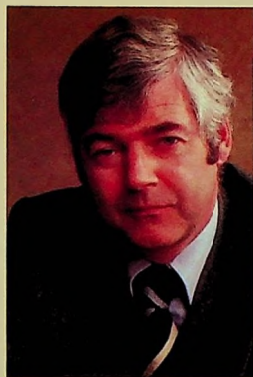
Ronald H. Kreuscher
Vice President
Controller



James H. Ozanne



Theodore F. Schlegel



David MacNaughton



Left to right: Michael J. Gray, Robert N. Tidball, Thomas J. McArdle and Harry M. Welsberg.



Steven H. Spencer



John M. Phelan

Tiger Insurance



Jackson W. Goss

Tiger Financial Services, Inc.

Robert N. Tidball
President

Tiger Equipment & Services, Ltd.

Michael J. Gray
President

Tiger Leasing (Europe)

John M. Phelan
President
Computer Division (Europe)

Endasa, S.A. de C.V. (Mexico)

Steven H. Spencer
President

Nacco, S.A. (France)

David MacNaughton
President

Tiger Equipamentos e Servicos Ltda. (Brazil)

Geoffrey Locke
President

Whashin Tiger Leasing Co., Inc. (Korea)

Hahn Jung Hyon
President

Tiger Leasing
222 South Riverside Plaza
Chicago, Illinois 60606
(312) 648-4000

Tiger Investors Mortgage Insurance Company

Jackson W. Goss
President

C. Allen Merritt, Jr.
Senior Vice President
Finance & Treasurer

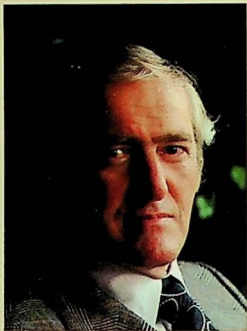
James W. Breznay
Senior Vice President
Legal & Secretary

Roger F. Blood
Senior Vice President
Risk Management

Coleman F. Church, III
Senior Vice President
Marketing

Tiger Insurance
225 Franklin Street
Boston,
Massachusetts 02110
(617) 482-0610

**Tiger International
Directors**



Wayne M. Hoffman
Chairman of the Board &
Chief Executive Officer
Tiger International



Thomas F. Grojean
President
Tiger International



Gordon M. Metcalf
Retired Chairman
Sears, Roebuck & Company



Laurence C. Craigie
Consultant
Lockheed Aircraft Corporation
Burbank, California



Charles Luckman
Founder
The Luckman Partnership, inc.
(Architects)
Los Angeles, California



B. Houston Rehrig
President
Rehrig Industries (Plastic
Molders)
Los Angeles, California



J. Howard Edgerton
Chairman of the Executive
Committee
California Federal Savings &
Loan Association
Los Angeles, California



William E. McKenna
Chairman of the Board
Vencap, Inc.
Irvine, California

**Tiger International
Officers**

Wayne M. Hoffman
Chairman of the Board &
Chief Executive Officer

Thomas F. Grojean
President

John E. Flynn
Vice President
Law

Clark Hale
Vice President
Employee Relations

Martin A. Lynch
Vice President
Treasurer

O. Glenn Saxon
Vice President
Corporate Communications

William D. Evans
Controller

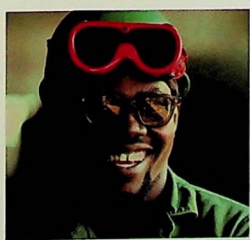
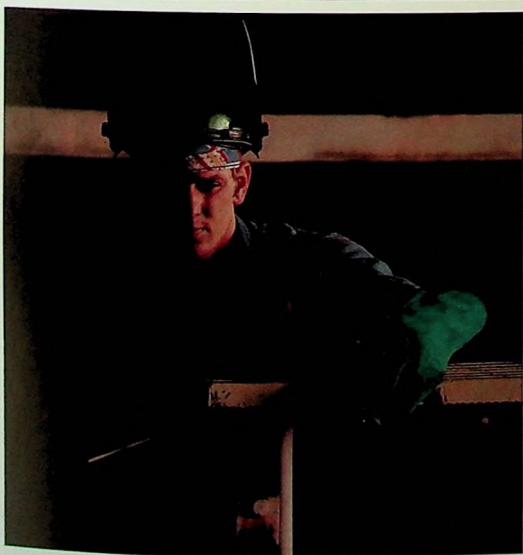
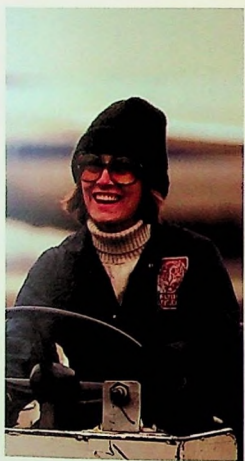
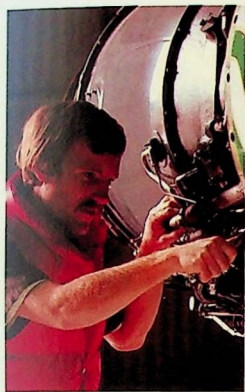
Rosanne O'Brien
Secretary

Rolf Bodenbug
Assistant Treasurer
Tax Administration

Paul M. O'Hara
Assistant Treasurer

**Tiger International
Tiger International Building
1888 Century Park East
Los Angeles,
California 90067
(213) 552-6300**

OUR PEOPLE





Tiger International

1888 Century Park East
Los Angeles, California 90067

Financial Highlights

For the year ended December 31,	1977*	1978	% Change
Revenue (000)	\$ 514,399	\$ 703,808	+36.8
Net income (000)	26,344	50,019	+89.9
Earnings per share	2.08	3.68	+76.9
Assets (000)	1,516,999	1,633,090	+ 7.7
Share owners' equity (000)	246,413	325,301	+32.0
Book value per common share	19.42	22.86	+17.7
Cash dividends per common share	.50	.60	+20.0

* Restated for the provisions of Statement of Financial Accounting Standards No. 13—Accounting for Leases.