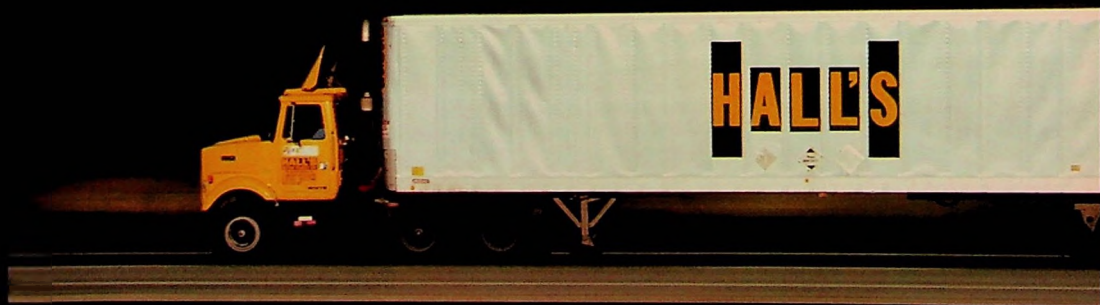


TIGER

REPORT 79



FINANCIAL HIGHLIGHTS

For the year ended December 31,	1978	1979	% Change
REVENUE (000)	\$ 703,808	\$ 925,483	+31
NET INCOME (000)	50,019	43,627	-13
EARNINGS PER SHARE	3.68	3.03	-18
ASSETS (000)	1,633,090	1,965,318	+20
SHARE OWNERS' EQUITY (000)	325,301	357,846	+10
BOOK VALUE PER COMMON SHARE	22.86	25.12	+10
CASH DIVIDENDS PER COMMON SHARE	.60	.80	+33

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AUDITORS

Arthur Andersen & Co.
Los Angeles, California

The Annual Meeting of Share Owners will be held on Friday, May 16, 1980, at 10:00 A.M. at the Beverly Hilton Hotel, 9876 Wilshire Boulevard, Beverly Hills, California 90210.

GENERAL COUNSEL

White & Case, New York

STOCK EXCHANGES

New York Stock Exchange
Pacific Stock Exchange
Midwest Stock Exchange

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.

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

Annual Report 1979
Tiger International
Tiger International Building
1888 Century Park East
Los Angeles, California 90067
(213) 552-6300

TO OUR SHARE OWNERS

Tiger International 1979 revenue was a record \$925,483,000, up 31 percent from \$703,808,000 last year. Net income was \$43,627,000 down 13 percent from \$50,019,000 in 1978. Earnings per share declined 18 percent to \$3.03 from \$3.68 in 1978.

The company achieved its second highest earnings despite severe problems faced by Flying Tigers.

During most of the year, Flying Tigers suffered from a profit squeeze on international routes because of rapidly escalating fuel costs and regulatory lag in rate increases. In addition, a costly strike closed Flying Tigers down for 18 days in the third quarter.

Led by excellent pre-tax earnings and revenue growth from North American Car and TigerAir, the leasing operations reported record results in all four quarters of 1979. Tiger Insurance earnings also were at a record level.

The history of commerce has essentially been the history of transportation. World trade and commerce are dependent upon modern, efficient transportation. Tiger hopes to play an important role in the transportation industry. During the past year we have taken several steps toward that end. We have announced our intent to sell Tiger Investors Mortgage Insurance Company, we have moved to acquire Seaboard World Airlines and we have acquired Hall's Motor Transit Company, a surface common carrier.

Our major objective is to become the most innovative, efficient, customer-oriented transportation company in the world, providing a high level of service to the shipping public at lowest possible cost. We have made a tremendous investment in transportation equipment and facilities. Our assets total nearly \$2 billion and to replicate these today would cost 50 percent more.

To accomplish our transportation objectives we need a highly motivated, professional management team. We



intend to attract young people who are interested in transportation and to give them the training and experience in various modes of activities which will enhance their future capabilities and potential for advancement. We expect that these young people will be the leaders of transportation in the future and that our company will have the quality of leadership which will carry it to our objectives.

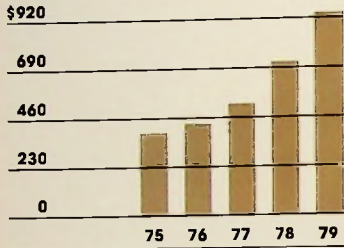
One of the special challenges of the coming decade is to chart a wise course for our company in an era of increasingly expensive fuel. The buying public must have an array of options available to satisfy their transportation requirements. We intend to supply a broad spectrum of services, employing the various modes of transportation to accomplish the best overall result for our customers. We believe fuel will continue to be available as users conserve and as higher prices encourage increased production.

Our ultimate purpose is to maximize the return on our share owners' investment. We can better serve that

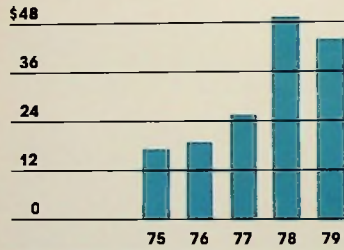
purpose by achieving a proper balance of business activity.

The real purpose of grouping together several strategic business units is to achieve a blending of cash needs with cash flows, of labor and capital intensities, and of tax characteristics, in order to promote consistent earnings growth. The expansion into trucking is one step toward achieving a balanced corporate financial structure. Trucking is not capital intensive, has high return on equity characteristics, and usually a high tax rate. Combining these financial attributes into Tiger International can increase cash flow by sheltering the normally high trucking taxes. The cooperative effect of combining these discrete activities should produce other benefits as well. It is management's role to achieve the greatest synergy possible.

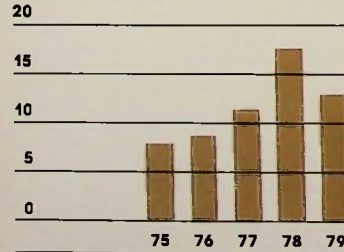
TOTAL REVENUE (MILLIONS)



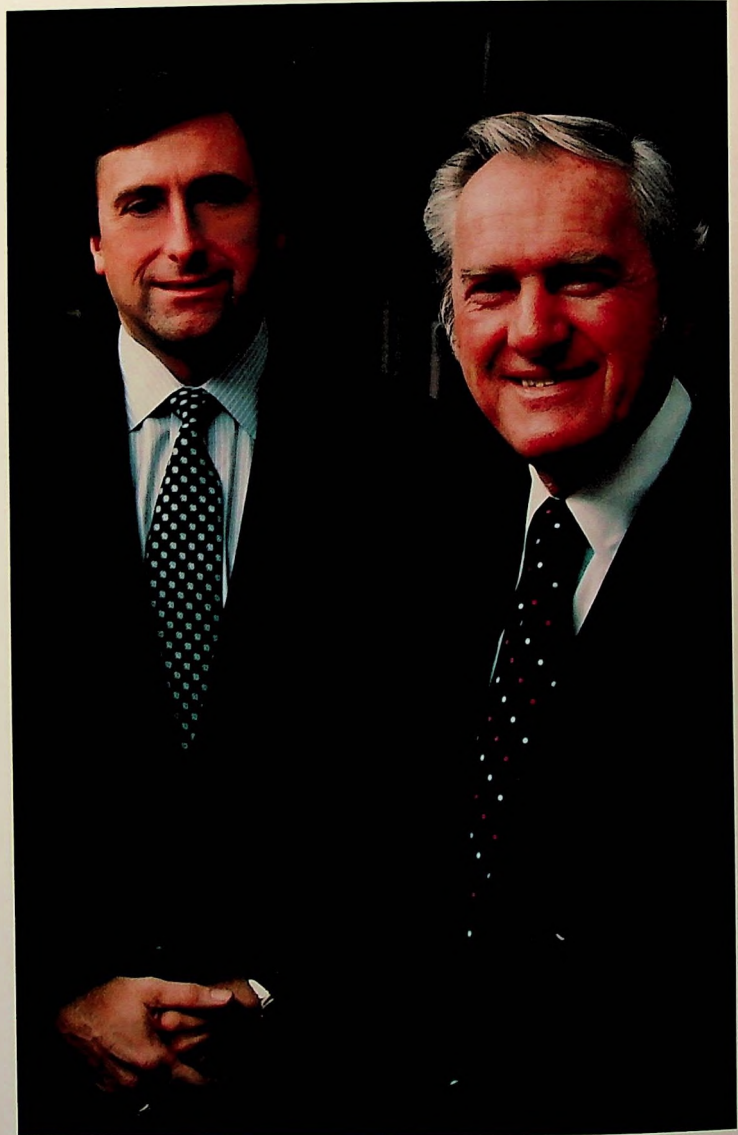
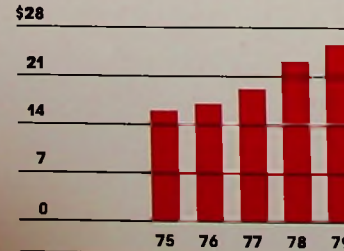
NET INCOME (MILLIONS)



RETURN ON EQUITY (PERCENT)



BOOK VALUE PER COMMON SHARE



Thomas F. Grojean

Wayne M. Hoffman

In the past several years, Tiger International's major operating divisions have made significant progress in strengthening their market positions.

In 1977, Flying Tigers became the free world's largest cargo airline. This was prior to domestic deregulation. Since then, it has aggressively expanded its position by adding eleven more cities to its domestic route system. In addition, Flying Tigers is improving both the quality and the breadth of its services offered in order to gain an increased share of the airfreight market. Throughout the system more departures and capacity are being added to fulfill shippers' desires for all cargo service. Flying Tigers is expanding its ground support operation to provide more reliable and consistent pickup and delivery services. It has also established a truck feeder system to serve 78 additional markets, which could not be economically served by air with the current aircraft fleet. The acquisition of Seaboard World Airlines will enable us to expand our participation in the growing U.S. export market, both to Europe and to Asia.

Tiger International has committed tremendous financial and managerial resources to airfreight. It would take approximately \$900 million to duplicate our existing capability in aircraft, facilities and equipment. We are confident that in time, Flying Tigers will achieve an appropriate return on this investment. The doubling of fuel costs in 1979 has disrupted the improving trend of earnings. To offset this we must significantly increase rates, especially on international routes.

Airfreight is more valuable today than ever before because shipper inventory carrying costs in terms of cost of money, real estate and obsolescence have increased even more rapidly than airfreight rates.

Flying Tigers is working to achieve maximum utilization of its aircraft fleet.

Increased flight time and higher load factors will allow us to take advantage of our efficient fleet and be the lowest cost airfreight carrier.

North American Car had excellent growth in 1979 and its knowledge of shipper needs, rail equipment and financing techniques has enabled it to become number three in the industry in size of fleet and number one in terms of market value of fleet.

Much of North American Car growth has come from new products and services to rail shippers. The company has developed outstanding strengths in the areas of repair, finance, management, marketing, remarketing and administration. Recently it has acquired an innovative new product, the RoadRailer® a fuel efficient, road/rail freight trailer. RoadRailer will become a major profit contributor in the years ahead. North American Car has placed a great deal of emphasis on developing new services. This will allow a balance between capital and service income and increase the value added of our product lines. With innovative products and new services, we expect North American Car to continue its strong growth.

TigerAir has also significantly broadened its services offered. Initially an aircraft leasing company, TigerAir now provides a wide range of services to the corporate and commercial aviation markets. TigerAir's financial strength and knowledge of aviation equipment and markets make it unique in the industry.

Tiger International continued to add substantially to its earning assets in 1979. Capital expenditures totalled \$365 million, up 66 percent from 1978. Major components of these expenditures included \$148 million for Flying Tiger Line, \$98 million for North American Car and \$71 million for TigerAir.

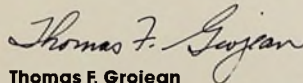
On January 24, 1980, we completed the acquisition of Hall's Motor Transit Company of Mechanicsburg, Pennsylvania. The acquisition, valued at \$44 million in cash and stock, will contribute over \$200 million to Tiger International's revenue in 1980. Hall's capable management and strong route system make it an attractive entry into the trucking industry for Tiger.

The proposed merger of Flying Tigers and Seaboard World Airlines came a major step closer on January 15,

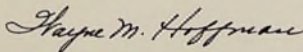
1980. The Civil Aeronautics Board administrative law judge, in a favorable decision, supported the merger.

We hope to receive approval of the CAB and the President by mid-year. The total cost of the acquisition would be approximately \$100 million.

Tiger International is a service company. Each of our more than 12,000 employees worldwide is vital to our success in providing the finest transportation services to the shipping public. Our more than 20,000 share owners provide the investment capital necessary for continued growth. Without the knowledge, skill and dedication of employees, the vision and confidence of share owners, Tiger International could not have achieved the degree of success it has thus far attained.



Thomas F. Grojean
PRESIDENT



Wayne M. Hoffman
CHAIRMAN OF THE BOARD &
CHIEF EXECUTIVE OFFICER



Activity at Flying Tigers' busy Los Angeles Terminal continues around-the-clock. At 8:30 p.m. a Boeing 747 Jetfreighter arrives from Asia. Before dawn, freight bound for Los Angeles will be off loaded and trucked away; cargo for other cities will be trans loaded onto the appropriate plane, and out bound freight loaded for a return trip across the Pacific.

FLYING TIGERS IMPROVES SERVICE TO CUSTOMERS

Flying Tigers' 1979 revenue was \$465,152,000 up 13 percent from \$413,187,000 the previous year. Pre-tax income for the year was \$1,186,000, a 97 percent decline from \$38,638,000 in 1978.

During 1979, Flying Tigers experienced a profit squeeze on international routes caused by rapidly escalating fuel prices and regulatory lag in rate increases. In addition, a costly third quarter strike closed down operations for 18 days. In the fourth quarter of 1979, Flying Tigers began to achieve increased business volume even though it had raised rates to meet sharply higher costs, particularly fuel. By year end, Flying Tigers had increased its share of both the domestic and international airfreight markets.

This favorable revenue trend is expected to continue in 1980, with Flying Tigers placing great emphasis on improving the quality of service. The anticipated acquisition of Seaboard World Airlines, currently under review by the U.S. Civil Aeronautics Board, will provide significant opportunities to serve new markets with scheduled service and to increase revenue.

FUEL COSTS INCREASE SHARPLY

Flying Tigers' costs of doing business increased sharply in 1979. This was primarily due to large and unanticipated increases in fuel costs triggered by the political turmoil in Iran. Fuel prices increased from \$.41 a gallon in January to \$.74 a gallon at year end. Because of allocation by some suppliers and temporary shortages at certain locations, fuel sometimes had to be bought on the spot market, at a cost of up to \$1.20 a gallon, a high premium over the contract price. It was also necessary to cancel some flights because of fuel shortages.

In December 1979, fuel represented 30 percent of Flying Tigers' revenues. The corresponding figure a year earlier was 22 percent.

	1975	1976	1977	1978	1979
Revenue* (000)	\$219,840	\$250,021	\$287,523	\$407,955	\$457,611
Income before income tax provision (000)	\$ 8,645	\$ 16,132	\$ 20,735	\$ 38,638	\$ 1,186
Capital expenditures (000)	\$ 32,425	\$ 17,721	\$ 96,953	\$ 59,983	\$148,021
Depreciation (000)	\$ 22,871	\$ 22,226	\$ 25,185	\$ 33,457	\$ 35,025
Assets (000)	\$345,233	\$387,509	\$414,794	\$449,906	\$586,034
Employees	3,439	3,457	3,458	4,483	4,501

*Excluding non-operating revenue.

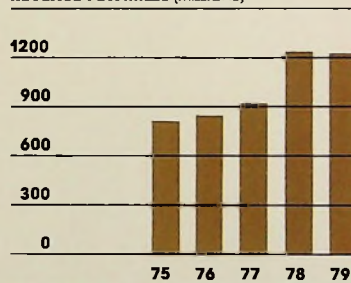
It is difficult to predict the future price of fuel; however, current industry estimates indicate that fuel will cost in the \$1.00 to \$1.20 per gallon range at the end of 1980. Flying Tigers, like any other business that depends upon petroleum fuel, does not know how future supplies will be allocated; however, because airfreight is vital to world economy, the industry should continue to receive sufficient supplies. Fuel used by the airline industry is 6.7 percent of world consumption. The airfreight market uses a fraction of this amount.

Severe cutbacks in domestic automotive production started in August, and, by year end, Flying Tigers' revenues from automotive traffic had fallen 78 percent from levels reached a year earlier. At the end of 1978, automotive traffic comprised 13 percent of Flying Tigers' domestic cargo revenues; this dropped to 2 percent in December 1979. In spite of this severe downturn in automotive business, Flying Tigers' total domestic revenues were up 27 percent in December 1979 over December 1978. Revenue ton miles increased 9 percent for this period.

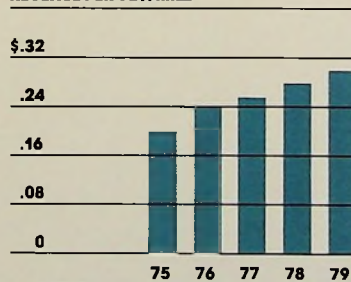
Flying Tigers carries a wide variety of products in its scheduled and chartered cargo operations. These products are generally high value, time sensitive or perishable in nature. Domestically, items such as automotive parts, machinery, computer systems, printed matter, apparel, hazardous materials, flowers, fresh fruits and vegetables are important commodities. On the transpacific routes, apparel, semi-conductors, cameras, machinery, stereos, automotive parts, electronic components, meat and fish are major products carried by Flying Tigers.

Wide geographic coverage is an important service feature in the airfreight business. In 1979, Flying Tigers expanded its domestic operations with the addition of scheduled freighter service to Portland, Oregon, and dedicated interline service to Pittsburgh and St. Louis. In early 1980, Flying Tigers inaugurated service to Honolulu and Miami, bringing

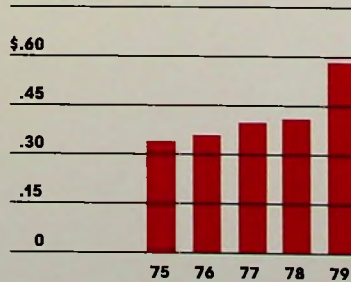
REVENUE TON MILES (MILLIONS)



REVENUE PER TON MILE



FUEL COST PER GALLON





Airfreight usually moves at night to meet customer requirements for overnight transportation. The need for rapid turn-around of airfreight calls for clockwork precision and on-time performance by flight crews and ground crews alike, often during difficult weather conditions. Above, a B-747 crew prepares for night takeoff at Los Angeles International airport.

the total number of domestic cities now served by air to 22. Flying Tigers now serves a total of 89 domestic cities with a combination of aircraft and over-the-road trucking. In addition, pick-up and delivery service is made available upon request to another 8,900 cities and towns in the United States.

This strong domestic system is integrated with Flying Tigers' international routes, which provide scheduled service to Japan, Hong Kong, Korea, Singapore and Taiwan. Also, U.S. CAB approval has been granted for scheduled service to Montreal and Toronto, Canada. Canadian approval is now required in order to implement service.

Commercial charter operations in 1979 brought in revenue of \$38.8 million, a 77 percent increase over 1978. Flying Tigers provides chartered (non-scheduled) service for cargo and passenger traffic to all corners of the earth. Such charter operations greatly improve aircraft utilization on weekends and during periods when business from scheduled operations is not at its peak.

In 1979, military charter revenue, both passenger and freight, was \$45.5 million, a 30 percent increase over 1978.

INTERNATIONAL RATE ADJUSTMENTS

During 1979, all the airfreight carriers serving Asian markets were affected by higher operating costs, primarily fuel. Adjusting rates in international markets is a cumbersome process; both rates and routes are closely regulated and changes require approval by the governments involved. Beginning in mid-1979, Flying Tigers received its first rate increases in five years in Hong Kong, Taiwan, and Singapore. In early 1980, Flying Tigers received rate increases in the Japanese market, but a surge of fuel cost increases in Japan offset much of these increases. These rate adjustments still lag behind

increased costs of fuel, both in timing and amount.

DOMESTIC RATE ADJUSTMENTS

Domestic air cargo deregulation, which became effective early in 1978, enables a carrier like Flying Tigers to adjust prices in response to the costs of doing business, while providing shippers improved schedules and service. Flying Tigers increased domestic rates to compensate in large part for increased fuel costs. However, due to the rapid escalation of fuel costs, the implementation of rate increases generally lagged costs. Delays in implementing increases also resulted from competitive considerations in some markets.

SERVICE IS IMPROVED

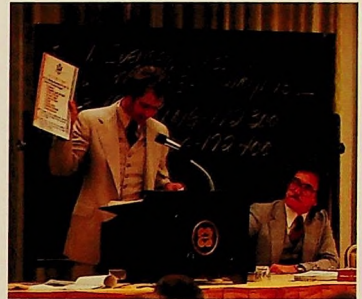
Flying Tigers added new flights, improved terminal facilities and invested in additional people and equipment to improve service. Changes in scheduling and increased manpower improved our hub operations at Chicago's O'Hare, and additional equipment was purchased at O'Hare so operations can continue even under adverse weather conditions. In addition, Flying Tigers has instituted new, more stringent performance standards for service at all of its stations.

AIRCRAFT FLEET GROWS

Flying Tigers is committed to operating fuel efficient aircraft. During 1979, it purchased two new B-747-200Fs for \$107 million which provide approximately 7 percent greater fuel efficiency than the B-747-100s. The 747-200s are quieter, and have greater range and weight carrying capability. Flying Tigers has ordered two additional B-747-200Fs for delivery in mid-1980, and has an option to purchase two more for 1981 delivery.

In addition, Flying Tigers has committed over \$100 million to re-engine DC-8 jettfreighters it owns by 1985 and has negotiated options for 22 additional DC-8s to be re-engined over the next several years. The re-engining will improve fuel efficiency by 17 percent as well as reduce the noise level by approximately 50 percent. The re-engining will extend the life of the DC-8s by more than 10 years. As a result, depreciation on these aircraft was reduced by \$2.3 million in the last half of 1979.

Flying Tigers' operating fleet consists of fourteen DC-8-63s, seven



As part of a constantly expanding customer service effort, Flying Tigers schedules about 25 Hazardous Materials seminars each year. At the two-day seminars, Tiger instructors answer questions concerning shipment of hazardous materials and alert shipper representatives to any changes in government regulations.

Personalized door-to-door service is the goal of Flying Tigers' new TRIAD sales and customer service system. With TRIAD, a team composed of a field sales person, a customer service representative and driver/salesman work together to serve every customer. If questions develop concerning a shipment, the customer knows the name of the person to call for assistance.



A gleaming new Boeing 747-200F "Robert W. Prescott" arrives at Hong Kong's Kai Tak airport, half way point on its maiden flight. During 1979 Flying Tigers purchased two new B-747-200Fs, taking delivery of the "Prescott" in November. The new freighters have greater range and weight carrying capability, are quieter and more fuel efficient.

DC-8-61s, seven B-747-100Fs and two B-747-200Fs.

FACILITIES EXPANDED

Flying Tigers is investing \$30 million in expanded ground facilities in order to improve customer service and accommodate future growth. These new terminals will enable Flying Tigers to improve service by reducing aircraft and freight handling time and allowing more competitive schedules. A new Houston terminal went into operation in October 1979. In April 1980, a new Dallas/Fort Worth terminal is scheduled for completion, and, by mid-year, the new Charlotte terminal will be ready.

The new Los Angeles terminal, completed in March 1980, is the largest single-carrier cargo facility at the Los Angeles International Airport and the largest of Flying Tigers' 28 terminals throughout the world. Its 15.6 acre ramp area will permit simultaneous parking for five stretched DC-8s and two B-747s. The warehouse design will greatly speed cargo handling for both inbound and outbound freight.

While Flying Tigers has operated its own DC-8 simulator for pilot training since 1968, it has been buying B-747 simulator time from other airlines. The increase in Flying Tigers' 747 fleet has made it cost-effective to purchase a 747 simulator at a cost of \$5.3 million. The new simulator will be operational in January 1981.

LABOR RELATIONS

Flying Tigers has for many years experienced very favorable relationships with its employees. Although an 18-day strike by a union representing Flying Tigers' approximately 1,850 mechanics, traffic agents and ramp services personnel halted scheduled service operations from August 24 through September 11, return to service was prompt and employees' attitudes positive. The reduction of revenue, together with increased costs and



The end-to-end merger of Flying Tigers and Seaboard World Airlines would create a company authorized to serve 9 terminals in Asia, 11 markets in Western Europe, Bahrain in the Middle East, as well as the entire United States market.

expenses, resulted in a third quarter pre-tax loss of \$12,975,000 for Flying Tigers. Flying Tigers is presently in negotiation with its pilots and expects to conclude an agreement with this group amicably through the negotiation process.

TEN YEARS IN ASIA

September 15, 1979, marked the tenth anniversary of Flying Tigers' scheduled all-cargo service to Asia. Since the first scheduled DC-8 jettfreighter flight into Tokyo, Flying Tigers has expanded service to Korea, Okinawa, Taiwan, Hong Kong, the Philippines and Singapore. Service to the Philippines was, however, discontinued in May 1979. Flying Tigers' management is currently meeting with Philippine officials to reinstate this service. Approval is pending for service to Malaysia. In these ten years, Flying Tigers increased its market share to 26 percent.

SEABOARD WORLD AIRLINES

Flying Tigers aspires to become a worldwide airfreight carrier. A step toward that objective was taken during 1978 and 1979 when Tiger purchased approximately 24.3 percent of the common stock of Seaboard World Airlines, a company primarily engaged in the air transportation of freight and mail between the U.S. and cities in Europe and the Middle East. Tiger and Seaboard then entered into a merger agreement under which Tiger, subject to certain conditions, would acquire the remaining common shares of Seaboard for a total acquisition price of approximately \$100 million.

On January 15, Administrative Law

Judge John Mathias of the U.S. Civil Aeronautics Board ruled in favor of the merger. If his decision is approved by the CAB and the President, and the other conditions are met, Seaboard will be integrated with Flying Tigers by the end of 1980.

The end-to-end merger of Seaboard and Flying Tigers would create a company capable of providing reliable airfreight service to many new markets.

The proposed Flying Tigers-Seaboard merger would provide excellent competition for foreign and U.S. flag carriers. With the merger, we would expect to gain an increased share of transatlantic air cargo traffic for U.S. flag carriers.

Seaboard has been operating in Europe since 1947 and has an established customer base. It has experienced employees, valuable fuel contracts and landing agreements with foreign governments. In addition, Flying Tigers and Seaboard have compatible aircraft fleets.

FUTURE

Flying Tigers' operations for 1980 should significantly improve over 1979. Plans include expansion of Flying Tigers' domestic system by adding scheduled service to more cities, as well as improved schedules and higher frequencies. Also, joint efforts with Tiger's trucking subsidiary, Hall's Motor Transit Company, will provide an expansion of current trucking services thereby affording the customer additional service options.



To meet the increasing demand for new railcars, North American entered into a railcar production agreement with a company that is currently assembling railcar kits purchased outside the U.S., but will be building cars designed by North American Car later this year. Some of the first assembled railcars are pictured above. By 1984, the production facilities will be able to manufacture 5,000 railcars per year.

TIGER LEASING HAS RECORD YEAR

Tiger Leasing achieved record revenue and pre-tax income in 1979. Strong performance from North American Car and TigerAir boosted revenue to \$447.6 million, up 62 percent. Pre-tax income increased 63 percent to \$70.7 million. Tiger Financial Services had an excellent year in 1979 contributing record earnings. Tiger Computer reported revenue of \$23.5 million and was profitable for the year.

North American Car

North American Car achieved record revenue and pre-tax income in 1979. Revenue increased 66 percent to \$329.0 million from \$198.2 million in 1978.

This excellent performance resulted from the extremely strong demand for special purpose railcars, rapid expansion of the railcar repair network and the sale of railcars, both in the growing corporate investor program and directly to shippers.

North American Car's success results from its ability to develop and market new services for rail shippers. North American Car has developed:

- A worldwide fleet of 52,264 railcars which makes it the third largest full service railcar leasing company.
- The largest network of railcar repair shops in the industry.
- A major railcar investment program.
- A line of proprietary railcars designed for specific needs.
- A railcar management program for fleet owners.

LEASING OPERATIONS CONTINUE STRONG

North American Car's largest operation is the leasing of special purpose railcars. These cars are provided through a variety of leasing arrangements to meet shippers' individual requirements.

In 1979, a year of very high demand for covered hoppers, leasing profits increased substantially as more than

	1975	1976	1977	1978	1979
Revenue (000)	\$ 167,615	\$ 182,889	\$ 204,245	\$ 277,010	\$ 447,558
Income before income tax provision (000)	\$ 23,682	\$ 22,672	\$ 28,675	\$ 43,327	\$ 70,683
Capital expenditures (000)	\$ 194,779	\$ 90,114	\$ 109,613	\$ 159,758	\$ 216,518
Depreciation (000)	\$ 33,805	\$ 38,112	\$ 43,063	\$ 47,538	\$ 51,913
Assets (000)	\$ 1,040,939	\$ 1,058,363	\$ 1,122,432	\$ 1,203,689	\$ 1,435,064
Employees	975	1,009	1,280	2,430	3,077

6,355 railcars, representing 15 percent of the fleet, were re-leased and 5,900 new railcars were added to the fleet. At year end, only 0.3 percent of the fleet was off lease. The average lease term for the fleet was 7.6 years.

FLEET EXPANSION CONTINUES

Since 1971, North American Car has added more than 34,500 railcars to its owned and managed fleet. This rapid expansion has lowered the average age of the fleet to 8.3 years. At the close of 1979, the U.S. and Canadian fleet consisted of 19,608 covered hopper cars used for hauling grain, plastic pellets and food products; 16,211 tank cars for chemicals, food and petroleum products; and 5,330 other specialized railcars.

NEW SOURCE FOR RAILCARS

North American Car's growth, remarkable as it has been, could have been even greater if new railcars had been available as fast as they were needed. But U.S. and Canadian freight car manufacturers had record levels of order backlogs in 1979. This situation is likely to continue in 1980.

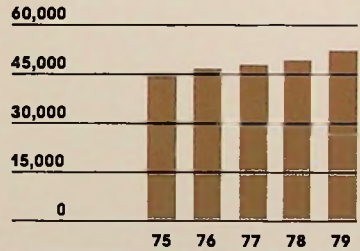
In order to obtain a reliable source of quality equipment to meet the growing demand, North American Car has entered into a railcar production agreement with a company which has extensive steel fabricating and welding experience. Under the agreement, the supplier will, at first, assemble railcar kits purchased from manufacturers outside the United States. By mid-1980, it will be manufacturing cars designed by North American Car.

This combination of manufacturing skills with North American Car's knowledge of freight car design and marketing will result in a superior product at a competitive price. By 1981, the production facilities will be able to manufacture 5,000 freight cars annually.

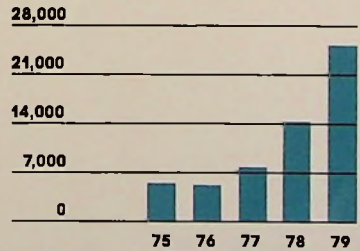
NEW RAILCAR DESIGNS

North American Car's knowledge of shipper needs and rail equipment has enabled it to design several special-

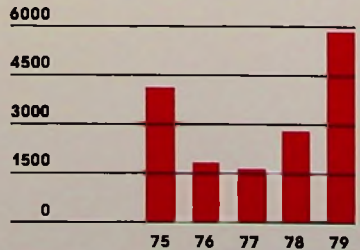
RAILCARS IN FLEET



RAILCARS MAINTAINED



RAILCARS ADDED TO FLEET





The RoadRailer™ is an exciting new fuel efficient bi-modal vehicle for transporting freight over the highway and on railroad tracks. It will become available for lease this fall through North American's new division, Bi-Modal Corporation. Each RoadRailer has two sets of running gear, as pictured above, one for highway operations and one for rail operations.

purpose railcars. Two examples are the Asepticar® for shippers of liquid food products, and the "PD" (pressure differential) car which provides a self-contained loading, unloading and transfer system for many types of dry and liquid freight.

To its line of specialty cars North American Car is now adding the Road-Railer®, a combination over-the-road/rail vehicle. The 45-foot RoadRailer is equipped with both rubber tires and steel wheels. On the highway it is operated as a truck trailer; for use on railroads, the steel wheels are lowered so that the vehicle can be coupled to other Road-Railer units and operated as a unit train.

RoadRailer flexibility is one reason for its reduced operating costs. Unlike normal piggyback equipment, neither a flat car nor special trailer-loading equipment is needed. Furthermore, the savings in weight and lower wind resistance of RoadRailer means a reduction in the railroad's fuel consumption. A Department of Energy study found that a typical over the road truck trailer would use 139 gallons of fuel for a 1,000 mile haul. RoadRailer would use only 52 gallons of fuel, compared to 95 gallons for a railroad piggyback trailer.

The RoadRailer is less expensive than a piggyback trailer/flatcar combination. North American Car expects to have 250 of these trailers available for lease by year end.

RAILCAR REPAIR EXPANDS

North American Car greatly expanded its role in the railcar repair market during the latter half of 1978 and, in 1979, this activity played a major part in its growth. A network of 18 repair shops, 8 mobile repair units and a wheel shop has firmly established North American as a leader in the field. During the year the new repair sites were integrated with the existing system. Standardized work methods, cost controls and pricing policies are being put into effect.

When North American Car leases a

railcar, the agreement typically includes a provision for rental credits whenever the car is out of service for mechanical reasons. The new mobile repair units, with equipment mounted on a truck body, make it possible to perform minor repairs on leased sidings without routing the railcars to major repair shops. This arrangement cuts down greatly on the amount of lost time—and hence lost income—when railcars go out of service.

Mobile units, plus the large number and geographic dispersion of repair shops, meant that North American Car was able to perform over 95 percent of the normal repairs on the railcars it owns in 1979. As recently as 1977, only 50 percent of these repairs were performed internally.

Not only does the present repair network improve leasing profits through control of out-of-pocket repair costs and increase revenue because of lower rental credits, it also provides strong marketing support to the leasing operation. Quick turnaround time in the shops means more efficient use of the cars and therefore reduces the number of railcars a larger shipper needs to lease.

But repairs to North American Car's owned fleet are only part of the story. With the network's expanded capabilities, a new sales force was established to market repair services to other large fleet owners. During the year, 53 percent of the nearly 25,000 railcars repaired were owned by others.

COAL UNIT TRAIN MAINTENANCE GROWS

As electric utilities convert to coal for a fuel source, the business of repairing coal cars is rapidly growing. North American Car is expanding its capability to serve this market. A new \$7.5 million facility dedicated to coal unit train maintenance is under construction near Douglas, Wyoming. This shop, plus the facility at Edgemont, South Dakota, which North American now manages, gives important repair facilities on two major rail lines out of the coal-rich Powder River Basin in northeastern Wyoming.

Coal train repair shops, more specialized than general repair shops, contain as many as 10 miles of track permitting a large number of railcars to be handled at one time.

During 1979, the capital investment in repair facilities was \$13.6 million.



In Minneapolis, workmen load grain into a North American Car covered hopper. These railcars are capable of carrying 4750 cubic feet of grain.

Computers are used to keep track of the status of each railcar in North American Car's repair network.

The fully-automated Kansas City wheel shop is capable of performing a full line of wheel services for North American Car railcars and railcars owned by others.



At TigerAir's service and modification center in Burbank, California, designers work on a custom interior for a Gulfstream III business jet. At the center, which features more than 300,000 square feet of hangar space, TigerAir has total in-house capability for design and modification of aircraft ranging from a single engine Cessna to Boeing 707 jetliners.

CORPORATE INVESTOR PROGRAM WELL RECEIVED

The corporate investor program, begun at the end of 1978, became well established during 1979 and contributed significantly to North American Car's growth. Under this program, North American Car sells to investors cars which it would otherwise add to its fleet of owned cars. These cars are then managed for the investor under a long-term management agreement which calls for North American Car to perform marketing, administration and maintenance services. North American Car benefits by realizing income at the time of the sale plus receiving an ongoing stream of management fee and maintenance income. In addition, North American Car is able to serve its customers better by providing more cars than its own financing capabilities would permit.

The corporate investor participating in the program receives a relatively predictable stream of operating income, an investment in an asset with an excellent residual value and the tax benefits associated with ownership. The investor also gains the services of a manager with more than 70 years' experience in full service leasing to assure that the investment is protected and the return is maximized.

TigerAir

TigerAir maintained its leadership in 1979 in the sales, service and leasing of commercial and corporate aircraft and aviation equipment.

Revenue for the year set a record of \$88 million, up 60.6 percent.

TigerAir has arranged to purchase three B-747-200B passenger aircraft that will be leased or sold to other airlines.

The year 1979 marked completion of TigerAir's BAC 1-11 executive program, which began in 1973. All sixteen aircraft in the program have been leased or sold. For the second consecutive year,

TigerAir sold more multi-engine Cessna aircraft than any other Cessna dealership in the Western zone.

TigerAir's leased fleet was well utilized in 1979. This fleet consists of Boeing, Douglas and BAC 1-11 aircraft. Over the next several years it will be expanded with modern, fuel-efficient aircraft.

TigerAir is developing a mix of sales, lease and service functions to provide optimum profitability and stability in a cyclical industry. For commercial airlines 1980 will be a difficult year because of the rapid increase in aviation fuel prices, combined with the economic slowdown. TigerAir's ability to provide fuel-efficient aircraft will offer economic advantages to both corporate and commercial operators.

TigerAir's service and support operations continued to expand in 1979. The spare parts inventory of engines and avionics was increased and further diversified. Aircraft Tank Service manufactured and installed numerous auxiliary fuel tanks.

Aviquipco, TigerAir's international parts distributor, continued its growth in 1979. Aviquipco's sixteen offices in fifteen countries provide a supply of aviation parts and ground-support equipment to airlines, military forces, original equipment manufacturers and general aviation operators.

In December, TigerAir received an Air Charter Certificate (FAA Regulation 135) which will enable it to serve corporations and other potential customers more effectively by providing them opportunities to charter before they commit to purchase aircraft.

TigerAir's wide range of sales and services offered make it unique in its field. This comprehensive scope permits TigerAir to respond to a broad range of customer aviation needs.

Tiger Financial Services

Tiger Financial Services had an excellent year in 1979, more than doubling its 1978 revenue. It acted as an intermediary in \$200 million of financings, up from \$80 million in 1978. These transactions included 3,500 railcars, major aircraft and mining equipment.



At a major spare parts facility in Sunland, California, TigerAir maintains a parts inventory of more than 40,000 line items.

TigerAir now offers a new air charter service which is headquartered at the Burbank airport.

Tiger Financial Services 1979 transactions included financing of construction and mining equipment such as this 3,000-ton shovel used in coal strip-mining at Jackson, Kentucky.



Hall's operating fleet is among the most modern in the industry, consisting of more than 5,000 pieces of equipment, including 632 of the type of road tractors pictured above. In 1979 over 1,000 units of revenue producing equipment were added to Hall's fleet as part of its major fleet modernization program.

HALL'S MOTOR TRANSIT JOINS TIGER FAMILY

The acquisition of Hall's Motor Transit Company has established Tiger International as a major force in the intercity trucking industry. A strong regional carrier, Hall's has a regular route system covering 21,355 miles through the industrial heartland of America. It serves customers in seventeen states, the District of Columbia and the province of Quebec. Hall's has an excellent financial record, a good reputation with its shippers, modern equipment and a capable and experienced management team.

In 1979, Hall's reported record revenues of \$199.3 million, up 10.9 percent from 1978. This performance placed it among the top sixteen motor carriers in the United States. Pre-tax income was \$7.1 million, down 19 percent from 1978. This was an excellent performance given the unanticipated increases in fuel costs, labor unrest and the economic slowdown during the final quarter of 1979. Hall's 1979 financial results are not included in Tiger International's financial statements for the year because the date of purchase was January 24, 1980. Hall's results will be consolidated in 1980.

OPERATIONS CONTINUE GROWTH

Hall's has two major operating divisions. The general commodities division, headquartered in Mechanicsburg, Pennsylvania, accounts for approximately 80 percent of revenue. This operation transports a wide variety of freight, ranging from small parcels to truckload shipments weighing as much as 44,000 pounds. The automotive, chemical, appliance and processed food industries are among the principal users of this division's services. The division also maintains a container operation, which transports seaborne containers to and from major ports on the Eastern seaboard and other points in the system.

The special commodities division, headquartered in the Pittsburgh area, contributes the balance of Hall's revenue. This operation, using independent drivers and equipment owned by others, transports chiefly steel, iron and refrigerated products.

Hall's operations are subject to Interstate Commerce Commission regulation of its rates and routes. It operates a network of 56 terminals in a region bordered by Norfolk, Virginia, Montreal, Boston and Minneapolis. In terms of outbound revenue, its ten

	1975*	1976*	1977*	1978*	1979*
Revenue (000)	\$108,154	\$132,004	\$158,150	\$179,691	\$199,323
Assets (000)	\$ 65,261	\$ 72,461	\$ 81,362	\$ 92,023	\$105,074
Employees	3,503	4,419	4,187	4,608	4,500

*Not included in Tiger International, Inc.'s financial statements.

largest terminals are those at Chicago; South Plainfield and Secaucus, New Jersey; Cleveland; Philadelphia; York, Pennsylvania; St. Paul; Baltimore; Mechanicsburg, Pennsylvania, and Hagerstown, Maryland. Hall's has nearly 4,500 employees, including 3100 terminal workers, 700 road drivers, 325 maintenance employees, 250 general office workers and a sales force of 125.

MAJOR FLEET EXPANSION COMPLETED

At year end, Hall's operating fleet consisted of 5,048 total pieces of equipment, which included 632 road tractors, 2,832 road trailers, 1,023 city delivery trucks and tractors and 561 city delivery trailers. Hall's completed a major fleet modernization program in 1979; 1030 units of revenue-producing equipment were added, at a capital expenditure of \$16.7 million. The fleet is among the most modern in the industry. Thirty-five percent of its motor equipment has an average age of less than two years and 60 percent of the trailers average less than four years old.

DEVELOPING NEW SERVICES

Hall's will be managed as a separate Tiger International profit center. There will, however, be opportunities for Flying Tigers and Hall's to work together, and expand the services that Tiger International can provide to shippers.

As the airfreight industry grows in the United States, more effective use of ground transportation will be required. Since it is not practical to serve many smaller markets with jettfreighters, opportunities abound for providing expedited freight service to and from these communities through joint truck/airfreight services. Airfreight terminals in major cities would act as hubs, with coordinated trucking schedules providing efficient spoke distribution. This will make it possible for the combined operations to feed goods from approximately 1,000 cities to 25 airfreight centers. Hall's is a successful, well managed operation which Tiger International expects will become the nucleus for further expansion in trucking.



Hall's route system covers seventeen states, the District of Columbia and the province of Quebec.

At the Mechanicsburg, Pennsylvania, breakbulk facility, over 3.5 million pounds of freight are handled daily.

A sophisticated computer system provides Hall's management with ongoing analysis of the sales and traffic mix.

TIGER INSURANCE CONTINUES GROWTH

Tiger Investors Mortgage Insurance Company had an excellent year in 1979, continuing its strong growth since its acquisition in 1977. Revenue reached \$26.3 million, up 20 percent, while pre-tax income was \$13.9 million, up 34 percent. Tiger IMI's insurance in force was \$6.5 billion, up 20 percent from 1978.

Tiger IMI's primary business is providing private mortgage insurance to savings and loans, banks and other lenders. Private mortgage insurance protects lenders from losses resulting from borrower defaults on high-ratio mortgage loans. The availability of these high-ratio loans makes housing affordable to thousands of young families with adequate incomes but little savings.

At year end, Tiger IMI had a sales force of over 75 in 18 offices nationwide, actively marketing its services to lending institutions in all fifty states.

As previously announced, Tiger International plans to sell this operation in order to concentrate on expansion in transportation related businesses.

	1975*	1976*	1977	1978	1979
Revenue (000)	\$13,195	\$15,117	\$17,618	\$21,879	\$26,293
Income before income tax provisions (000)	\$ 3,199	\$ 4,820	\$ 7,452	\$10,375	\$13,928
Assets (000)	\$49,487	\$54,458	\$65,397	\$76,205	\$94,110
Employees	118	137	155	183	213

*Not included in Tiger International, Inc.'s financial statements.



TIGER INSURANCE	1975*	1976*	1977	1978	1979
Sources of revenue (percent)					
Premiums earned	83.9	80.5	78.0	77.6	74.8
Investment income	19.2	19.3	20.6	22.4	23.9
Capital gains (losses) and other	(3.1)	.2	1.4	—	1.3
Distribution of revenue (percent)					
Net income	12.6	16.2	27.3	27.7	31.9
Wages and benefits	19.5	20.1	20.7	20.1	20.2
Insurance losses and loss expense	34.7	28.5	18.6	13.4	10.6
Taxes	15.4	19.2	18.5	22.2	23.2
Other	17.8	16.0	14.9	16.6	14.1
Insurance volume (000)					
Insurance written	\$ 671,000	\$ 831,000	\$1,319,000	\$1,853,000	\$1,935,000
Insurance in force	3,327,000	3,730,000	4,379,000	5,444,000	6,532,000
Maximum exposure to loss	708,000	790,000	920,000	1,119,000	1,316,000
Statutory policyholders surplus	33,856	40,724	45,397	56,385	64,778
Operating ratios					
95% loan-to-value policies as percent of insurance in force	36.0	34.0	30.0	29.0	28.0
Loans in default as percent of insurance in force	1.3	1.4	1.0	.8	.7
Insurance losses as percent of premiums earned	41.4	35.4	23.8	17.0	13.9
Underwriting expenses, before deferral, as percent of premiums written	51.9	50.2	49.0	43.5	43.9

*Not included in Tiger International, Inc.'s financial statements.

FLYING TIGER LINE	1975	1976	1977	1978	1979
Sources of revenue (percent)					
Scheduled cargo operations	80.8	83.5	81.3	84.2	80.1
Military Airlift Command	10.3	7.9	8.3	8.6	9.9
Charter	7.2	8.0	9.4	5.4	8.5
Other	1.7	0.6	1.0	1.8	1.5
Distribution of revenue (percent)					
Wages and benefits	34.2	33.6	32.9	31.2	32.9
Aircraft fuel	23.0	22.2	23.6	21.3	26.4
Other	12.6	13.7	10.4	14.6	16.0
Aircraft and facilities rentals	1.1	1.3	1.4	2.6	3.7
Taxes, interest and insurance	9.4	9.8	9.8	9.1	1.8
Depreciation	9.4	8.5	8.0	6.7	6.4
Materials and outside services	5.5	6.2	8.1	9.5	10.3
Net income	4.8	4.7	5.8	5.0	2.5
Scheduled cargo statistics					
Revenue ton miles (000)					
Freight	721,427	791,149	836,170	1,156,056	1,164,382
Mail	90,327	83,550	82,746	81,284	57,827
Load factor (percent)	63.0	62.9	63.7	67.4	68.4
Revenue per ton mile (cents)	21.9	23.9	25.4	27.8	30.0
Non-scheduled cargo statistics					
Military Airlift Command (000)	72,878	69,496	80,064	112,572	132,720
Charter (000)	63,710	80,518	122,411	89,734	127,157
Fuel costs per gallon (cents)					
	33.7	35.9	39.5	41.3	58.2

TIGER LEASING	1975	1976	1977	1978	1979
Source of Revenue (percent)					
Operating leases	77.7	77.8	74.2	61.4	54.5
Finance leases	12.4	8.5	8.0	6.1	2.9
Sales and other	9.9	13.7	17.8	32.5	42.6
Distribution of Revenue (percent)					
Interest	36.2	33.4	30.3	25.0	17.5
Depreciation and amortization	20.2	20.8	21.1	17.2	11.0
Cost of sales	—	2.2	4.8	9.2	27.0
Other	13.4	9.4	8.6	11.7	12.2
Wages and benefits	9.8	9.9	10.1	11.9	8.2
Insurance and taxes	5.8	6.8	8.2	6.6	6.7
Maintenance	5.0	9.4	8.9	8.7	8.2
Net income	9.6	8.1	8.0	9.7	9.2
Total railcars in fleet	44,317	45,624	46,575	48,513	52,264
Cars added during year	4,210	1,873	1,590	2,849	5,900

HALL'S MOTOR TRANSIT*	1975	1976	1977	1978	1979
Revenue ton miles (000)	812,545	965,357	1,112,790	1,189,529	1,199,031
Revenue per ton mile (cents)	13	14	14	15	17
Units of operating equipment	4,742	4,761	4,721	4,900	5,048
Number of terminals operated	62	63	63	58	56
Operating ratio (percent)	94.6	93.2	93.4	94.4	95.6
Average length of haul (miles)	383.3	387.5	386.7	378.8	399.8

*Not included in Tiger International, Inc.'s financial statements.

CONSOLIDATED STATEMENTS OF INCOME**FOR THE YEARS ENDED DECEMBER 31, 1979 AND 1978****1979****1978***(expressed in thousands)***Revenue:**

Airfreight operations	\$457,611	\$407,955
Leasing and related services	436,796	270,503
Mortgage insurance	25,866	21,213
Other	5,210	4,137
	925,483	703,808

Costs and Expenses:

Airfreight	366,669	284,227
Leasing	203,597	85,083
Selling, general and administrative	112,855	93,947
Depreciation and amortization	79,323	73,728
Interest	106,209	90,360
Interest capitalized and deferred <i>(Note 1)</i>	(7,293)	(253)
	861,360	627,092

Income before income tax provision	64,123	76,716
Income tax provision <i>(Note 6)</i>	20,496	26,697

Net Income	\$ 43,627	\$ 50,019
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Earnings per Share <i>(Note 11)</i>	\$ 3.03	\$ 3.68
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CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1979 AND 1978

1979

1978

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

Add items not involving working capital—	\$ 43,627	\$ 50,019
Depreciation and amortization	79,323	73,728
Depreciation and amortization charged to other accounts	13,610	12,545
Deferred income tax provision	17,208	22,173
Other—net	(380)	5,739

Funds provided by operations

153,388

164,204

Collection of Long-Term and Finance Lease Receivables—net

24,973

32,894

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

178,361

197,098

Financing

Additions to obligations under capital leases

—

7,702

Proceeds from debt financing, net of current repayments

410,608

169,800

Proceeds from common stock issued

31

36,810

410,639

214,312

Other

Working capital of acquired businesses

142

4,829

Retirement of property, plant and equipment

54,437

36,632

54,579

41,461

Funds provided

643,579

452,871

APPLICATION OF FUNDS:**Acquisition of Businesses**

4,100

12,166

Long-Term Obligations

Payments of obligations under capital leases

16,993

19,454

Payments of long-term debt

155,693

148,210

Refinancing of long-term debt

39,539

23,904

212,225

191,568

Purchase and Lease of Property

365,291

220,133

Other

Cash dividends declared on common stock

11,410

8,314

Increase in investments of insurance company

12,969

13,406

Increase in other investments

15,125

11,546

Deposits

11,103

4,828

Other—net

13,116

(9,147)

63,723

28,947

Funds applied

645,339

452,814

Net increase (decrease) in working capital

\$ (1,760)

\$ 57

Net Increase (Decrease) in the Components of Working Capital

Cash and certificates of deposit

\$ 6,860

\$ (37,999)

Commercial paper, at cost

(31,325)

29,675

Receivables

48,611

14,426

Inventories

32,525

16,662

Prepaid expenses and other

2,506

(597)

Current portion of long-term obligations

(29,081)

(9,552)

Accounts payable, accrued liabilities and income taxes

(31,856)

(12,558)

Net increase (decrease) in working capital

\$ (1,760)

\$ 57

22 **CONSOLIDATED BALANCE SHEETS**

DECEMBER 31, 1979 AND 1978	1979	1978
	<i>(expressed in thousands)</i>	
ASSETS		
Current Assets (Note 3):		
Cash and certificates of deposit of \$225 (1979) and \$18,186 (1978)	\$ 41,955	\$ 35,095
Commercial paper, at cost	—	31,325
Receivables, less allowance for doubtful accounts of \$12,252 (1979) and \$11,417 (1978)	156,689	108,078
Inventories	74,966	42,441
Prepaid expenses and other	8,847	6,341
	282,457	223,280
Investments of Insurance Company (Notes 1 and 9)	77,343	64,374
Net Investment in Finance Leases (due within one year — \$36,471 (1979) and \$41,293 (1978)) (Notes 1, 2 and 3)	109,381	124,990
Investment in Leveraged Leases (Note 2)	8,655	8,876
Property, Plant and Equipment, at Cost (Notes 2 and 10):		
Equipment for lease or under lease	1,254,547	1,138,232
Equipment used in airfreight operations	554,095	415,359
Buildings and leasehold improvements	52,639	44,481
Shop and terminal facilities and other	71,861	62,753
	1,933,142	1,660,825
Less: Accumulated depreciation and amortization	571,952	523,957
	1,361,190	1,136,868
Other Assets (Notes 1, 3 and 4):		
Cost in excess of fair value of net assets of acquired businesses, net	27,647	23,998
Long-term receivables	12,009	14,941
Unamortized debt expense	5,122	4,347
Deposits, investments and other assets	81,514	31,416
	126,292	74,702
	\$1,965,318	\$1,633,090

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

CONSOLIDATED BALANCE SHEETS**DECEMBER 31, 1979 AND 1978****1979****1978***(expressed in thousands)***LIABILITIES AND SHARE OWNERS' EQUITY****Current Liabilities** (Notes 2, 3 and 6):

Current portion of long-term obligations	\$ 59,963	\$ 30,882
Accounts payable and accrued liabilities	164,855	131,856
Income taxes	1,540	2,683
	226,358	165,421

Senior Debt (Note 3):

Equipment obligations	779,246	550,872
Notes payable to banks and others	150,216	161,896
	929,462	712,768

Subordinated Debt (Note 3)

14,020 14,399

Obligations Under Capital Leases (Note 2)

201,817 218,799

Deferred Credits (Notes 1 and 6):

Deferred income taxes and tax credits	162,368	145,070
Unearned premiums of insurance company	15,778	14,791
Other	51,117	29,662
	229,263	189,523

Commitments, Legal Actions and Contingencies (Notes 2 and 12)**Minority Preferred Shares Subject to Redemption** (Note 8):

North American Car Corporation \$3 Cumulative Preferred Stock, \$50 stated value— Authorized — 141,737 shares Outstanding— 131,042 shares (1979) and 137,570 shares (1978)	6,552	6,879
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Share Owners' Equity (Notes 1, 3, 4 and 8):

Common Stock, \$1 par value— Authorized — 35,000,000 shares Outstanding— 14,266,983 shares (1979) and 14,230,585 shares (1978)	14,267	14,231
Additional paid-in capital	160,767	159,880
Retained earnings	183,160	151,190
	358,194	325,301
Less Treasury Stock, at cost (18,600 shares in 1979)	348	—
	357,846	325,301
	\$1,965,318	\$1,633,090

24 **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, 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 (<i>Note 4</i>)	—	—	—	(2,550)	(2,550)
Reissuance of 99,605 shares of Treasury stock in connection with acquisition (<i>Note 4</i>)	—	—	—	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
Add (deduct)					
Net income	—	—	43,627	—	43,627
Unrealized depreciation of equity investments by insurance affiliate	—	—	(247)	—	(247)
Treasury stock purchase of 18,600 shares (<i>Note 4</i>)	—	—	—	(348)	(348)
Issuance of shares pursuant to the Executive Incentive Plan	34	858	—	—	892
Shares issued upon exercise of stock options	2	29	—	—	31
Cash dividends declared on common stock (\$.80 per share)	—	—	(11,410)	—	(11,410)
Balance, December 31, 1979	\$14,267	\$160,767	\$183,160	\$ (348)	\$357,846

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.

INVESTMENTS OF TIGER INSURANCE

Equity securities, except redeemable preferred stocks, are stated at the lower of aggregate cost or market value; bonds, notes and redeemable preferred stocks are stated at amortized cost. Retained earnings as of December 31, 1979 are decreased by \$775,000 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, 1979 and 1978, amounting to \$7,041,000 and \$3,038,000, 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 \$1,376,000 (1979) and \$2,288,000 (1978).

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 <i>(where applicable)</i>
Railcars	25 to 30 years	based on scrap steel prices
Aircraft	5 to 16 years	0 to 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 (i.e., the cost, less salvage recovery, is charged to accumulated depreciation).

INCOME TAXES

The Company files a consolidated Federal income tax return. Investment tax credits on equipment acquired for use in its airfreight 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 leases, 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 1978 have been reclassified to conform with the presentation in 1979.

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, net income would have been reduced by \$3,941,000 (\$.27 per share) in 1979. In 1978 the effect would not have been significant.

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 (\$15,863,000) is not being amortized since, in the opinion of management, there has been no diminution in its value. Other amounts (\$11,784,000 at December 31, 1979 and \$8,174,000 at December 31, 1978) arising from acquisitions subsequent to 1977 are being amortized on a straight-line basis over 10 to 40 years.

2. Leases**THE COMPANY AS LESSEE**

At December 31, 1979 and 1978, 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 2009. 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. 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 leases (included under the respective captions in the consolidated balance sheets) at December 31, 1979 and 1978 (expressed in thousands):

	1979	1978
Equipment for lease or under lease	\$169,208	\$169,187
Equipment used in airfreight operations	118,541	118,541
	287,749	287,728
Less: accumulated amortization	(107,968)	(92,173)
	\$179,781	\$195,555

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, 1979 (expressed in thousands):

Year ending December 31,	
1980	\$ 35,026
1981	35,467
1982	34,730
1983	34,538
1984	28,377
Later years	212,234
Net minimum lease payments	380,372
Less: amount representing interest	(169,313)
Present value of net minimum lease payments	\$211,059*

*Includes \$14,601 due in 1980 of which \$9,242 is classified as current and \$5,359 is classified as long-term (see Note 1)

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, 1979 (expressed in thousands):

Year ending December 31,	
1980	\$ 16,710
1981	14,765
1982	13,931
1983	12,937
1984	8,150
Later years	89,317
Total minimum payments required	\$155,810

Total rental expense for all operating leases with lease terms in excess of one month for the years ended December 31, 1979 and 1978 was as follows (expressed in thousands):

	1979	1978
Minimum rentals	\$21,486	\$13,219
Less: sublease rentals	(1,204)	(629)
	\$20,282	\$12,590

THE COMPANY AS LESSOR

The leasing operations consist principally of the leasing of railcars, aircraft and engines and other equipment. Most of the equipment is leased-out under operating leases, however, the Company has entered into certain lease arrangements which are accounted for as direct financing leases or leveraged leases.

NET INVESTMENT IN FINANCE LEASES:

The following lists the components of the net investment in finance leases as of December 31, 1979 and 1978 (expressed in thousands):

	1979	1978
Minimum lease payments receivable	\$135,575	\$158,943
Less: Allowance for uncollectibles	(5,297)	(8,156)
Net minimum lease payments receivable	130,278	150,787
Estimated residual value of leased equipment (unguaranteed)	15,511	18,693
Less: unearned income	(36,408)	(44,490)
Net investment in finance leases	\$109,381	\$124,990

At December 31, 1979, minimum lease payments receivable for each of the five succeeding fiscal years are as follows (expressed in thousands):

Year ending December 31,	
1980	\$36,471
1981	30,460
1982	16,448
1983	11,217
1984	8,252

OPERATING LEASES:

The following is an analysis of equipment held for lease as of December 31, 1979 and 1978 (expressed in thousands):

	1979	1978
Equipment for lease or under lease	\$1,254,547	\$1,138,232
Less: accumulated depreciation and amortization	(352,410)	(335,429)
	\$ 902,137	\$ 802,803

The following is a schedule by years of minimum future rentals on non-cancellable operating leases as of December 31, 1979 (expressed in thousands):

Year ending December 31,	
1980	\$162,127
1981	131,403
1982	103,586
1983	73,440
1984	45,359
Later years	114,377
Total minimum future rentals	\$630,292

LEVERAGED LEASES:

The Company is the lessor in two leveraged lease agreements entered into in 1973 and 1974. At December 31, 1979 and 1978 the Company's net investment in these leveraged leases is composed of the following elements (expressed in thousands):

	1979	1978
Receivables (net of principal and interest on nonrecourse debt)	\$6,495	\$7,203
Estimated residual value of leased assets	3,076	3,076
Less: unearned and deferred income	(916)	(1,403)
Investment in leveraged leases	8,655	8,876
Less: deferred taxes	(6,478)	(6,021)
Net investment in leveraged leases	\$2,177	\$2,855

PURCHASE COMMITMENTS:

At December 31, 1979, the Company had commitments to purchase \$136,600,000 of aircraft, facilities and equipment to be used in airfreight operations and \$224,100,000 of railcars, aircraft and other equipment for leasing and related services. In addition, starting in 1982, the Company is committed to re-engine its fleet of DC-8 aircraft at a cost of approximately \$129,000,000.

3. Long-Term Debt

The outstanding balance of long-term equipment obligations and other long-term debt at December 31, 1979 and 1978 consisted of the following (expressed in thousands):

	1979	1978
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 10.7% (1979))	\$ 21,295	\$ 21,295
7% note payable	—	500
<i>Subsidiaries</i>		
Equipment and facilities obligations:		
4½% to 11¼% equipment trust obligations, maturing serially 1980 to 1999 (average rate 9.1% (1979))	621,367	530,986
6¾% to 11¼% notes secured by facilities, due 1980 to 1996 (average rate 9.3% (1979))	6,739	7,686
4¼% to 12% equipment obligations and notes payable secured by receivables and equipment and facilities leased, due 1980 to 1991 (average rate 10.5% (1979))	130,863	124,954
Variable rate (¼% to 2½% over prime) equipment obligations and notes payable, secured by receivables and related equipment and facilities leased, due 1980 to 1991 (average rate 11.4% (1979))	200,171	53,998
	980,435	739,419
Less:		
Principal amount of equipment trust certificates held in treasury	552	4,247
Current portion*	50,421	22,404
	\$929,462	\$712,768

*Exclusive of \$71,092 in 1979 and \$76,714 in 1978 (see Note 1)

SUBORDINATED DEBT:

(Net of current portion of \$300 and imputed debt discount)

	1979	1978
<i>Subsidiaries</i>		
5¼% Convertible Subordinated Debentures, due to 1988	\$ 1,842	\$ 1,876
6¾% Senior Subordinated Notes, due to 1982	600	900
9¼% Subordinated Debentures, due to 1992	11,578	11,623
	\$ 14,020	\$ 14,399

The long-term debt matures as follows for the five years subsequent to December 31, 1979 (expressed in thousands):

1980	\$121,813
1981	90,235
1982	106,286
1983	119,699
1984	93,730

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, 1979, \$24,802,000 of retained earnings were free of such cash dividend restrictions, and approximately \$28,797,000 of cash was intended to meet minimum cash balance requirements, which are not subject to restrictions on withdrawals.

Tiger International's subsidiaries have revolving lines of credit with various banks totaling \$344,000,000 of which \$160,000,000 was borrowed at December 31, 1979. A commitment fee, generally ½ percent per annum, is paid on the unused portions of these credit lines.

At December 31, 1979, assets having a total net book value of \$1,138,000,000 were encumbered by debt.

At December 31, 1979 Tiger International's term loan agreement provides 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.

In 1979, the Company entered into a \$40,000,000 unsecured credit agreement with a group of banks. There were no borrowings outstanding under this credit agreement at December 31, 1979. 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 percent 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. Effective January 1, 1980, the amount available under this agreement was increased to \$70,000,000.

4. Acquisitions and Investments

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. During 1979, a subsidiary of Tiger International acquired all of the common stock of a railcar facility for approximately \$4,100,000. These acquisitions, which were accounted for as purchases, did not have a material effect on the Company's financial position or results of operations.

During October 1979, Tiger International acquired approximately 294,000 shares of the common stock of Hall's Motor Transit Company (Hall's) for approximately \$6,130,000. On January 24, 1980, Tiger International acquired all of the remaining outstanding stock of Hall's. The total purchase price of the acquisition was approximately \$44,000,000, which includes \$17,000,000 in cash and 1,184,000 shares of common stock. Hall's is a Pennsylvania based motor freight common carrier. The acquisition will be accounted for as a purchase and, accordingly its operations will be included in the consolidated financial statements from the date of acquisition. The Company is in the process of obtaining property appraisals and other information to determine "fair values" necessary for the allocation of the purchase price.

The following financial information for Hall's was extracted from Hall's annual report for the year ended December 29, 1979 (expressed in thousands):

	December 29, 1979
Total assets	\$105,074
Total liabilities	\$ 65,867
Stockholders' equity	39,207
	\$105,074
	Year ended
	December 29, 1979
Operating revenues	\$199,323
Net income	\$ 4,686

During 1978 Tiger International acquired 962,200 shares, at a cost of approximately \$9,110,000, of Seaboard World Airlines Inc. (Seaboard) common stock. During 1979, Tiger International acquired an additional 724,700 shares of Seaboard's stock for approximately \$9,237,000. These shares, representing approximately 24 percent of Seaboard's common shares outstanding, have been accounted for on the cost basis, since these shares have been placed in a restrictive trust pending regulatory approval for Tiger International to own these shares directly. At December 31, 1979 and March 12, 1980, the market value of these shares exceeds the carrying value of this investment.

The investments in Hall's and Seaboard have been classified under the caption "Deposits, investments and other assets" in the consolidated balance sheets.

Tiger International is authorized to purchase shares of its own common stock in open market or private transactions. As of December 31, 1979, Tiger International had acquired 18,600 shares of its own common stock at an average price of \$18.71 per share.

5. 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, 1979 and 1978 follows (expressed in thousands):

	REVENUE	OPERATING PROFIT, BEFORE INTEREST EXPENSE	INTEREST EXPENSE	OPERATING PROFIT	IDENTIFIABLE ASSETS
1979					
Airfreight	\$465,152*	\$ 20,311*	\$ 19,125	\$ 1,186*	\$ 544,282
Leasing & related services	447,558	148,645	77,962	70,683	1,296,608
Private mortgage insurance	26,293	13,928	—	13,928	92,860
Eliminations and other	(13,520)	—	—	—	—
	\$925,483	\$182,884	\$ 97,087	\$85,797	\$1,933,750
1978					
Airfreight	\$413,187*	\$ 56,731*	\$ 18,093	\$38,638*	\$ 424,540
Leasing & 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	(8,268)	—	—	—	—
	\$703,808	\$179,773	\$ 87,433	\$92,340	\$1,619,342

*Includes interest of \$3,073 (1979) and \$1,360 (1978) earned on loans and advances to other industry segments.

Financial information related to the Company's operations in different geographic areas as of and for the years ended December 31, 1979 and 1978 follows (expressed in thousands):

	REVENUE	OPERATING PROFIT	IDENTIFIABLE ASSETS
1979			
United States	\$847,641	\$ 72,160	\$1,678,376
Canada	39,407	9,160	138,395
Other Foreign	38,435	4,477	116,979
	\$925,483	\$ 85,797	\$1,933,750
1978			
United States	\$643,454	\$ 83,302	\$1,386,107
Canada	33,081	6,263	154,030
Other Foreign	27,273	2,775	79,205
	\$703,808	\$ 92,340	\$1,619,342

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. Approximately 14 percent of the revenue of the airfreight business in 1979 and 1978 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):

	1979	1978
Identifiable assets	\$1,933,750	\$1,619,342
Corporate assets	31,568	13,748
	\$1,965,318	\$1,633,090
Operating profit	\$ 85,797	\$ 92,340
General corporate expenses, net	(3,486)	(4,108)
Corporate interest expense	(18,188)	(11,516)
	\$ 64,123	\$ 76,716

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

NOTES TO FINANCIAL STATEMENTS

Depreciation and amortization expense and capital expenditures for the Company's industry groups and Corporate for 1979 and 1978 follows (expressed in thousands):

	1979	1978
DEPRECIATION AND AMORTIZATION EXPENSE:		
Airfreight	\$ 35,025	\$ 33,457
Leasing and related services	51,913	47,538
Private mortgage insurance	5,740	5,063
Corporate	255	215
	<u>\$ 92,933</u>	<u>\$ 86,273</u>
CAPITAL EXPENDITURES:		
Airfreight	\$148,021	\$ 59,983
Leasing and related services	216,518	159,758
Private mortgage insurance	72	236
Corporate	680	156
	<u>\$365,291</u>	<u>\$220,133</u>

6. Income Taxes

The provisions for income taxes for 1979 and 1978 are summarized as follows (expressed in thousands):

	1979	1978
CURRENT —		
United States	\$ —	\$ 4,969
Foreign tax credits	—	(1,803)
Investment tax credits	—	(1,646)
	—	1,520
State	361	364
Foreign	2,927	2,640
	<u>3,288</u>	<u>4,524</u>
DEFERRED —		
United States	20,346	27,630
State	3,475	1,968
Foreign	6,242	4,245
Foreign tax credits	(1,748)	—
Investment tax credits —		
Current year benefit, net	(11,107)	(13,316)
Prior years benefit	—	1,646
	<u>17,208</u>	<u>22,173</u>
Total income tax provision	<u>\$20,496</u>	<u>\$26,697</u>

The net income tax provisions were 32.0% and 34.8% of 1979 and 1978 pretax income, respectively. The primary reasons for the difference between these rates and the statutory federal tax rate are as follows:

	1979	1978
Federal tax rate	46.0%	48.0%
Investment tax credits	(17.3)	(17.4)
State taxes and other	3.3	4.2

The timing differences giving rise to deferred income taxes were as follows (amounts in 1979 are subject to elections to be made upon filing returns) (expressed in thousands):

	1979	1978
Excess of tax over book depreciation	\$31,114	\$35,796
Book reserves not deductible for tax purposes	(836)	(877)
Tax (over) under book gain on disposition of equipment	(2,537)	1,060
Differing treatment of finance leases	(878)	(2,521)
Differing treatment of capital leases	(384)	(1,722)
Interest capitalized for book purposes	3,221	125
Residual fee income	1,613	1,096
Tax net operating loss	(1,391)	—
Net foreign and investment tax credits applied to reduce deferred tax provision	(12,855)	(13,316)
Investment tax credits utilized	—	1,646
Other, net	141	886
	<u>\$17,208</u>	<u>\$22,173</u>

Cash outlays for income taxes are not expected to exceed the tax provisions for any of the next three years. The Company has approximately \$48,121,000 of investment tax credit carry forwards available for federal income tax purposes for 1979, and future years, of which \$39,984,000 has been applied as a reduction of deferred federal income tax provisions. Foreign tax credits available to offset 1979, prior and future years' federal income taxes aggregate \$1,748,000, which if not utilized will be included in federal income tax provisions in future years.

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	—	3,453
1982	—	5,800
1983	—	3,228
1984	1,748	6,596
1985	—	8,959
1986	—	18,454

Investment tax credits deferred and being amortized over the life of the related finance leases for financial statement purposes aggregated \$515,000 at December 31, 1979. 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 \$40,000 (1979) and \$192,000 (1978).

NOTES TO FINANCIAL STATEMENTS**7. Pension Plans**

Tiger International maintains pension plans for substantially all its employees. The total costs of the plans were \$13,873,000 (1979) and \$11,490,000 (1978); the amounts include amortization, from 25 to 40 years, of unfunded prior service costs. The Company's policy is to fund pension costs accrued. At December 31, 1978, the latest date at which comprehensive determinations have been made, the actuarially computed value of vested benefits exceeded pension fund assets and balance sheet accruals by approximately \$34,059,000. During 1979, the Company negotiated a new contract with its airline maintenance and terminal employees which will increase pension costs and the unfunded prior service liability in 1980 by approximately \$852,000 and \$5,587,000 respectively.

8. 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 and are redeemable at any time at the option of North American.

At December 31, 1979 and 1978 the Company had reserved the following shares of common stock for issuance:

RESERVED FOR	SHARES	
	1979	1978
Qualified Stock Option Plans	230,750	467,488
Qualified Employee Stock Purchase Plan	628,491	628,491
Officers' Stock Purchase Agreements	465,000	220,000
	1,324,241	1,315,979

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, amounting to \$36,562,000, were used to repay an equivalent amount of borrowings under Tiger International's term loan.

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, 1979, the Company had subscriptions outstanding for 133,974 shares.

At December 31, 1979, there were no options outstanding. Unoptioned shares available at December 31, 1979 and

10. Property, Plant and Equipment

At December 31, 1979, 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	\$ 996,500	\$251,664	\$ 744,836
Other	258,047	100,746	157,301
Equipment used in airfreight operations	554,095	181,792	372,303
Buildings and leasehold improvements	52,639	14,272	38,367
Shop and terminal facilities and other	71,861	23,478	48,383
	\$1,933,142	\$571,952	\$1,361,190

1978 were 230,750 and 453,488 respectively.

In September 1974, July 1978, and July 1979 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. The July 1978 agreements enable the officers to purchase 100,000 shares of common stock at \$26.88 per share and the July 1979 agreements (which are subject to approval at the May 16, 1980 annual share owners' meeting) enable the officers to purchase 245,000 shares of common stock at \$22.13 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. The amounts awarded (60% in stock and 40% in cash) under the plan were \$1,443,000 (1979) and \$1,487,000 (1978). Shares awarded under the plan cannot be sold, hypothecated, or pledged for a period of 5 years from date of grant.

9. Investments of Insurance Company

At December 31, 1979 and 1978 the investments of the insurance company are summarized as follows (expressed in thousands):

	1979	1978
EQUITY SECURITIES:		
Preferred—		
Redeemable	\$ 3,574	\$ 6,435
Non-Redeemable	3,160	4,637
Common	7,996	7,736
	14,730	18,808
BONDS:		
U.S. Government	28,988	29,039
Corporate	31,109	14,014
Foreign	2,516	2,513
	62,613	45,566
Total Investments	\$77,343	\$64,374

11. 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 (14,405,000 in 1979 and 13,598,000 in 1978), 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.

12. 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 Tigers 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 Tigers, seeking indemnification. The City has been denied the right to indemnification in cases involving inverse condemnation. Flying Tigers' special counsel in many of these actions and management are of the opinion that, although the legal

issues have not been finally resolved, Flying Tigers has substantial defenses under the present law to the imposition of any liability in such actions.

In December, 1978 by order 78-12-159 the Civil Aeronautics Board made final the temporary rates at which air carriers had been paid for the transportation of mail in foreign air transportation between March 1974 and December 1978. The Postal Service has appealed the Board's decision. Should the CAB's decision ultimately be reversed, Flying Tigers would be required to repay approximately \$3,000,000. Management believes that the CAB's decision represents a reasoned exercise of that agency's discretion and that the CAB's decision on this point will be sustained. Petitions for judicial review of that same decision have been filed by a number of air carriers. These petitioners contend that the Board's rate-making methodology undercompensated air carriers for the transportation of mail. Should these carriers prevail, it is probable that the net effect upon Flying Tigers would be an increase in aggregate mail revenue entitlements from March 8, 1974 to date.

At December 31, 1979, the Company was contingently liable under outstanding guarantees for indebtedness and lease obligations in the amount of \$46,878,000 which will be fully amortized during the period from 1980 to 1993. The guarantees relate to construction of facilities, equipment sold and leases arranged for others, financed by third parties.

13. Selected Quarterly Financial Data (Unaudited)

(Amounts in thousands except per share data)

	1979 QUARTER ENDED			
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
Revenue	\$200,515	\$228,627	\$220,003	\$276,338
Net Income	\$ 11,450	\$ 15,800	\$ 1,949	\$ 14,428
Earnings Per Share	\$.80	\$ 1.10	\$.14	\$ 1.00
	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

Earnings per share for the quarters ended after June 30, 1978 reflects 1,500,000 shares of stock offered June 15, 1978 (See Note 8).

The seasonal fluctuations in the business of Flying Tiger Line and fluctuations in foreign exchange rates are reflected in the revenue, net income and earnings per share in the above summary. In addition, the third quarter of 1979 reflects the impact of an 18-day strike at the Flying Tiger Line.

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.

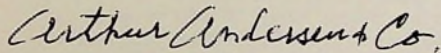
In airfreight operations, delays in obtaining satisfactory rate adjustments in periods of rapidly escalating costs have impeded the Company's ability to recover such costs on a timely basis; however, in replacement of operating capacity, the airline has been successful in recent years in obtaining replacement 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, 1980.

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, 1979 and 1978, 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, 1979 and 1978, 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.

**ARTHUR ANDERSEN & CO.**

Los Angeles, California,
March 12, 1980.

1979 COMPARED TO 1978

Total revenue increased 31 percent. Airfreight operations revenue increased 12 percent due to improved schedules and service and increased rates on domestic routes. However, revenues were adversely effected by an 18-day strike by maintenance and terminal personnel during the third quarter. Leasing and related services revenue increased 61 percent due to continued strong demand for railcars, with lease renewal rates being higher and only 0.3% of the fleet off lease at December 31, 1979 compared to 0.9% a year earlier. In addition, sales of railcars and aircraft and the railcar maintenance and repair activities continued to be strong. Mortgage insurance revenue increased 22 percent as insurance originations continued strong, despite higher interest rates on home mortgages.

Airfreight costs and expenses increased 29 percent due to rapidly rising fuel costs. In 1979 fuel costs averaged 58.2 cents per gallon, up 41 percent from 1978. Leasing costs and expenses increased 139 percent as a result of increased business activity and increased sales of railcars and aircraft.

Selling, general and administrative expenses increased 20 percent due to increased volume of business and the effects of inflation.

Interest expense increased due to new borrowings for the acquisition of equipment and because of higher interest rates.

The strike lowered income and, with increased costs and expenses, resulted in only a small pretax income for airfreight operations for the year. Last year, fuel costs were 21 percent of Flying Tigers' revenue, while this year it rose to 26 percent. While Flying Tigers has been able to raise prices domestically to recover some of its increased costs, international airfreight prices are still rigidly controlled by various national governments. This has resulted in a very serious cost/price squeeze on Flying Tigers' Pacific routes. Leasing and Insurance operations had increases of 63 percent and 34 percent, respectively, in pretax income during the year, but these increases were insufficient to offset the decline in airfreight operations, resulting in a decline in the Company's yearly comparative net income.

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.

COMMON STOCK 1978				COMMON STOCK 1979					
QUARTER	1	2	3	4	QUARTER	1	2	3	4
\$32					\$32				
24					24				
16					16				
8					8				
0					0				

COMMON STOCK 1979				
QUARTER	ONE	TWO	THREE	FOUR
High	\$27.63	\$27.00	\$27.75	\$23.75
Low	19.13	22.25	21.13	16.50
Close	24.63	22.50	23.00	19.00
Cash dividends declared per common share	.20	.20	.20	.20
COMMON STOCK 1978				
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

SUPPLEMENTAL INFORMATION ON INFLATION ACCOUNTING

The following unaudited information on the Company's financial data adjusted for general inflation is presented in accordance with the provisions of Statement of Financial Accounting Standards No. 33. (In thousands except per share amounts and average consumer price index)

	YEAR ENDED DECEMBER 31				
	1979	1978	1977	1976	1975
Revenue:					
As reported	\$925,483	\$703,808	\$514,399	\$435,834	\$391,895
As adjusted	\$925,483	\$783,049	\$616,145	\$555,720	\$528,523
Cash Dividends per common share:					
As reported	\$.80	\$.60	\$.50	\$.40	\$.40
As adjusted	\$.80	\$.66	\$.59	\$.51	\$.54
Market price per common share:					
As reported	\$ 19.00	\$ 24.38	\$ 16.38	\$ 12.25	\$ 13.75
As adjusted	\$ 17.97	\$ 26.12	\$ 19.13	\$ 15.28	\$ 17.98
Average consumer price index	217.4	195.4	181.5	170.5	161.2

Additional information on the Company's 1979 financial data adjusted for general inflation is as follows:

Net income:

As reported	\$ 43,627
Adjustments to restate for general inflation:	
Cost of sales	(754)
Depreciation and amortization expense	(42,120)
As adjusted for general inflation	\$ 753

Gain from decline in purchasing power of net monetary liabilities in 1979

\$100,743

Net income per share:

As reported	\$ 3.03
As adjusted	\$.05

Net assets at end of year:

As reported	\$357,846
As adjusted	\$902,425

The adjusted information above is presented in average 1979 dollars. Such constant dollar accounting is a method of adjusting for general inflation by reporting financial data in dollars which have the same purchasing power. The index used to prepare the constant dollar information is the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the U. S. Department of Labor.

The effects of changing prices on net income, as computed by constant dollar accounting, is applied only to property, plant and equipment and inventories, those items most often affected by inflation. The adjustment for general inflation is most significant to the historical cost of fixed assets and the related depreciation expense, since fixed assets are purchased over an extended period of time and remain at original cost in the balance sheet. Depreciation expense allocates, on a ratable basis, a portion of the historical cost stated in dollars having varying amounts of purchasing power. The adjusted depreciation was computed using the same methods and rates as used in the historical financial statements.

A similar relationship exists with respect to the cost of sales but is less significant since inventories are usually only held for short periods prior to their sale. In the historical financial statements cost of sales is included in leasing costs and expenses.

Income tax expense has not been adjusted since the increased cost of sales and depreciation and amortization expense would not be deductible for income tax purposes.

During a period of inflation, the holding of monetary lia-

bilities results in a gain in general purchasing power. The gain in purchasing power is shown separately in the table above. The amount was determined by comparing the change in net monetary liabilities actually reported in 1979 with the change in net monetary liabilities in 1979 as measured in constant dollars. Although this gain does not represent actual funds that are available for use by the Company, in the opinion of management, the portion of the constant dollar adjustments associated with the leasing activities cannot be separated from the gain from the decline in the purchasing power of net monetary liabilities because in the leasing industry financing is an integral part of asset acquisition. During 1979, the constant dollar adjustment relating to depreciation and amortization may be viewed as an offset to the purchasing power gain associated with the Company's net monetary liability position.

Adjusted net assets at the end of the year were determined by considering the effects of general inflation on inventories and property, plant and equipment and by adjusting the net monetary liabilities included in the end of the year net assets for the reasons discussed above. The impact on adjusted net assets of the adjustment to inventories was less significant than the related adjustment to cost of sales because of the use of the first-in, first-out method of valuing inventories.

The difference between cash dividends per common share and the market price per common share as reported and as adjusted results from adjusting the quarterly dividends and the end of year market price to average 1979 dollars.

TEN-YEAR SUMMARY*

<i>(Amounts in thousands except per share data)</i>	1979	1978	1977
REVENUE:			
Airfreight operations	\$ 457,611	\$ 407,955	\$ 287,523
Leasing and related services	436,796	270,503	200,438
Mortgage insurance	25,866	21,213	17,154
Other	5,210	4,137	9,284
	925,483	703,808	514,399
COSTS AND EXPENSES:			
Airfreight	366,669	284,227	203,204
Leasing	203,597	85,083	47,510
Selling, general and administrative	112,855	93,947	72,200
Depreciation and amortization	79,323	73,728	63,942
Interest	106,209	90,360	86,474
Interest capitalized and deferred	(7,293)	(253)	(870)
	861,360	627,092	472,460
Income before income tax provision**	64,123	76,716	41,939
Income tax provision	20,496	26,697	15,595
NET INCOME	\$ 43,627	\$ 50,019	\$ 26,344
Fully diluted earnings per share***	\$ 3.03	\$ 3.68	\$ 2.08
Shares used for computation of fully diluted earnings per share***	14,405,000	13,598,000	12,695,000
Share owners' equity	\$ 357,846	\$ 325,301	\$ 246,413
Book value per common share***	\$ 25.12	\$ 22.86	\$ 19.42
Assets	\$ 1,965,318	\$ 1,633,090	\$ 1,516,999
Number of employees	8,684	7,162	4,938
Cash dividends per common share***	\$.80	\$.60	\$.50

*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.

**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 1979 there was no significant dilution from fully diluted computations.

Notice to Share Owners

The following notice 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, 1979, 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, 1980 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 other-

wise 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 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.

	1976	1975	1974	1973	1972	1971	1970
\$	250,021	\$ 219,840	\$ 189,264	\$ 176,928	\$ 164,354	\$ 144,247	\$ 123,372
	179,688	164,557	144,652	112,854	91,929	62,481	—
	6,125	7,498	1,513	1,354	832	2,832	2,139
	435,834	391,895	335,429	291,136	257,115	209,560	125,511
	173,624	153,894	138,960	101,724	91,360	83,891	75,253
	37,715	27,146	21,124	14,603	12,548	9,905	—
	58,266	54,738	47,977	37,372	31,507	21,660	10,759
	59,239	53,763	45,424	39,096	38,215	31,513	12,732
	78,522	77,546	64,278	42,847	34,801	30,167	13,349
	(1,040)	(794)	(2,204)	(557)	(117)	—	(114)
	406,326	366,293	315,559	235,085	208,314	177,136	111,979
	29,508	25,602	19,870	56,051	48,801	32,424	13,532
	11,225	9,602	7,842	23,043	20,216	12,993	4,757
\$	18,283	\$ 16,000	\$ 12,028	\$ 33,008	\$ 28,585	\$ 19,431	\$ 8,832
\$	1.44	\$ 1.27	\$.96	\$ 2.60	\$ 2.18	\$ 1.55	\$.91
	12,702,000	12,636,000	12,518,000	12,896,000	13,086,000	12,576,000	9,700,000
\$	226,767	\$ 210,654	\$ 199,588	\$ 192,459	\$ 161,600	\$ 131,169	\$ 51,254
\$	17.89	\$ 16.94	\$ 16.06	\$ 15.49	\$ 15.36	\$ 13.20	\$ 6.16
\$	1,371,986	\$ 1,308,728	\$ 1,219,512	\$ 980,374	\$ 808,268	\$ 748,716	\$ 278,118
	4,493	4,414	4,723	4,672	4,082	3,845	3,418
\$.40	\$.40	\$.40	\$.20	\$ —	\$ —	\$ —

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REHRIG INDUSTRIES (PLASTIC MOLDERS)
LOS ANGELES, CALIFORNIA



Tiger International

1888 Century Park East
Los Angeles, California 90067



Flying Tigers is committed to operating fuel efficient aircraft and during 1979 purchased two new B-747-200Fs. Providing approximately 7 percent greater fuel efficiency than B-747-100s, the 747-200s are also quieter, have greater range and weight-carrying capability.



RoadRoller, an exciting new fuel efficient bi-modal vehicle for transporting freight over the highway and on railroad tracks, will become available for lease in 1980 through North American Car's new division, Bi-Modal Corporation. Each RoadRoller has two sets of running gear, one for highway operation and one for rail.



Hall's operating fleet is among the most modern in the industry, consisting of more than 5,000 pieces of equipment, including 632 of the type of road tractors pictured above. In 1979 over 1,000 units of revenue producing equipment were added to Hall's fleet as part of its major fleet modernization program.



At TigerAir's service and modification center in Burbank, California, which features more than 300,000 square feet of hangar space, TigerAir has total in-house capability for design and modification of aircraft ranging from a single engine Cessna to Boeing 707 jetliners.