

Tiger International 1975 Annual Report
Flying Tiger Line
Tiger Leasing Group

1975 ANNUAL REPORT

Tiger International 1975 Annual Report

Financial Highlights	For the years ended December 31	
	1975	1974*
Revenue (000)	\$389,945	\$334,174
Net Income (000)	\$ 18,502	\$ 13,970
Fully diluted earnings per share	\$ 1.46	\$ 1.12
Stockholders' equity (000)	\$220,753	\$207,185
Book value per common share	\$ 17.75	\$ 16.67
Cash dividends paid per common share	\$.40	\$.40

*Restated

Tiger International Tiger International, Inc., is a holding company which is engaged, through its subsidiaries, in air cargo transportation and in leasing.



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To Our Stockholders:

Tiger International's net profit increased 32 percent to \$18.5 million in 1975 from a restated \$14 million in 1974.

The recession adversely affected both Flying Tiger Line and Tiger Leasing Group in 1975. The improved earnings were largely attributable to the inclusion in our results of certain non-operating items.

The airline contributed 58 percent of Tiger International's revenue and 26 percent of net income in 1975 compared with 57 percent of revenue and a loss of \$1.6 million in 1974. The Leasing Group contributed 42 percent of revenue and 74 percent of net income in 1975 compared with 43 percent of revenue and a profit of \$15.6 million.

Flying Tiger Line itself had improved operating earnings in 1975 as compared with most other airlines, whose earnings deteriorated. One reason for the favorable comparison with other airlines is the fact that our fuel costs topped out in 1974 whereas other airlines still faced stiff increases in 1975 as term contracts for fuel ran out.

Flexibility is extremely important to Flying Tigers' success. In 1975, as domestic business weakened we shifted capacity to international common carriage, commercial charters, and military charters. While this shift resulted in a loss of domestic market



share, to do otherwise would have meant unacceptably low load factors and a larger loss domestically.

International freight revenue ton miles on the other hand increased 27 percent in 1975. In shifting equipment from the weak domestic market to the stronger Asian market, we were able to increase our productivity and our overall results.

Flying Tigers established its charter activities as a separate profit center in 1974. This decision has enabled us better to assess the profit opportunities in the expanding commercial charter markets.

Flying Tigers entered 1976 with a strong financial position improved from that of the prior year in which over \$16 million in bank debt was prepaid.

The long-term prospects for the air freight industry as a whole and for Flying Tigers in particular remain excellent. We were encouraged by the recent decision of a Civil Aeronautics Board administrative law judge in the Domestic Air Freight Rate Investigation recommending a substantial increase in domestic freight rates. This opinion, now under review by the Board, holds that rate levels should be based upon the cost of all-freighter aircraft operations rather than a mixture of passenger (belly) and all-freighter aircraft costs.

Tiger Leasing Group performed creditably in the face of the severe recession in 1975, with revenue increasing 13 percent and net income, on a separate company basis, remaining about level with 1974.

The Railcar Division had a higher than normal percentage of cars off lease in 1975, averaging four percent compared to less than

one percent in 1974. Nevertheless, its earnings increased 40 percent in 1975 from 1974, aided by the revaluation of the scrap value of cars which has the effect of reducing depreciation expense on existing equipment.

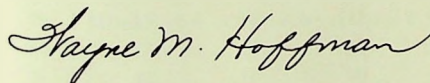
Despite a strong aircraft leasing performance, National Equipment Rental's earnings declined sharply in 1975 because of an increase in bad debts for which a special charge of \$2.5 million was provided and because of a cutback of finance lease business from \$45 million in new business in 1974 to \$20 million in 1975.

Tiger International had as its goal since its entry in the leasing business five years ago, profitable growth through expanded railcar operations, additional product lines, and geographic expansion. While we have not yet accomplished all our objectives, we have captured the number one share of new railcar additions, we have expanded into other equipment lines such as computers, aircraft, heavy construction equipment, and general industrial equipment, and we have established new companies in Europe, Asia, Mexico, and South America. From 1971 through 1975, \$805 million of new equipment was acquired for lease. Significantly, most of this equipment, as well as the prior owned equipment, has appreciated in value as a result of the intense inflation of the past two years. These increased values will be reflected in higher future earnings.

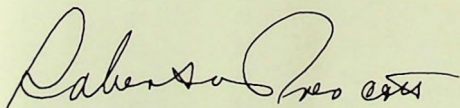
The growth in assets over the last five years has resulted in a considerable increase in the Leasing Group's debt. Near-term

plans include reducing capital spending and utilizing a portion of cash flow to reduce debt. Since current demand for new equipment is relatively soft, the reduced capital spending should not result in a comparable loss of market share. An improved financial position will help Tiger Leasing's units retain their market positions when demand for new equipment returns. The increasing value of the railcar fleet will result in higher lease rates as cars become available for re-lease or renewal.

The following pages of this Annual Report will give more facts and figures on the progress and expansion of the various companies that make up Tiger International. We are proud of our people who are continually called upon to exploit opportunities and to solve difficult problems. The past two years have proved, we believe, that our people are capable of coping with major difficulties while continuing their primary thrust toward profitable growth. The oil crisis, the interest and credit crunch, and the worldwide recession have brought many businesses to disaster. As you will see in the Report which follows, we have weathered these blows and emerged as a stronger company than before.



Wayne M. Hoffman
President and Chief Executive Officer



Robert W. Prescott
Chairman of the Board

March 22, 1976

Tiger International

		1975	1974*	1973*	1972*	1971*
Net Income (thousands)	First Quarter	\$ 2,511	\$ 2,330	\$ 5,736	\$ 4,535	\$ 2,201
	Second Quarter	2,621	5,186	7,766	6,805	4,373
	Third Quarter	6,994	5,838	9,939	8,427	5,813
	Fourth Quarter	6,376	616	10,815	9,708	7,996
	Year	18,502	13,970	34,256	29,475	20,383
Contribution to Net Income (thousands) Flying Tiger Line	First Quarter	\$ (1,840)	\$ (1,843)	\$ 1,803	\$ 1,741	\$ 817
	Second Quarter	(120)	937	3,577	3,582	3,215
	Third Quarter	2,733	1,125	5,324	4,917	4,306
	Fourth Quarter	4,018	(1,817)	5,922	5,927	4,969
	Year	4,791	(1,598)	16,626	16,167	13,307
Tiger Leasing Group	First Quarter	4,351	4,173	3,933	2,794	1,384
	Second Quarter	2,741	4,249	4,189	3,223	1,158
	Third Quarter	4,261	4,713	4,615	3,510	1,507
	Fourth Quarter	2,358	2,433	4,893	3,781	3,027
	Year	13,711	15,568	17,630	13,308	7,076
Fully Diluted Earnings Per Share	First Quarter	\$.20	\$.19	\$.44	\$.35	\$.19
	Second Quarter	.21	.42	.61	.52	.36
	Third Quarter	.55	.46	.76	.65	.47
	Fourth Quarter	.50	.05	.85	.73	.63
	Year	1.46	1.12	2.66	2.25	1.65



		1975	1974*	1973*	1972*	1971*
Contribution to Fully Diluted Earnings Per Share Flying Tiger Line	First Quarter	\$ (.14)	\$ (.15)	\$.14	\$.14	\$.07
	Second Quarter	(.01)	.08	.28	.27	.27
	Third Quarter	.21	.09	.41	.38	.35
	Fourth Quarter	.32	(.15)	.46	.45	.39
	Year	.38	(.13)	1.29	1.24	1.08
Tiger Leasing Group	First Quarter	.34	.34	.30	.21	.12
	Second Quarter	.22	.34	.33	.25	.09
	Third Quarter	.34	.37	.35	.27	.12
	Fourth Quarter	.18	.20	.39	.28	.24
	Year	1.08	1.25	1.37	1.01	.57

*Restated.

		1975	1974*	1973*	1972*	1971*
Net Income Before Income Taxes (thousands)	First Quarter	\$ 3,851	\$ 3,944	\$ 9,858	\$ 7,649	\$ 3,521
	Second Quarter	3,791	7,919	13,454	11,603	7,052
	Third Quarter	10,688	7,548	17,262	14,820	10,434
	Fourth Quarter	10,572	2,952	17,881	16,440	13,249
	Year	28,902	22,363	58,455	50,512	34,256
Revenue (thousands)	First Quarter	\$ 87,782	\$ 71,035	\$ 61,494	\$ 56,737	\$ 40,745
	Second Quarter	92,864	80,696	68,416	62,600	46,843
	Third Quarter	101,811	87,341	77,486	67,101	54,442
	Fourth Quarter	107,488	95,102	84,660	70,676	67,530
	Year	389,945	334,174	292,056	257,114	209,560
Contribution to Revenue (percent) Flying Tiger Line	First Quarter	52%	57%	59%	63%	67%
	Second Quarter	57	58	61	63	70
	Third Quarter	61	59	63	65	74
	Fourth Quarter	63	56	62	67	65
	Year	58	57	61	64	69
Tiger Leasing Group	First Quarter	48	43	41	37	33
	Second Quarter	43	42	39	37	30
	Third Quarter	39	41	37	35	26
	Fourth Quarter	37	44	38	33	35
	Year	42	43	39	36	31



		1975	1974*	1973*	1972*	1971*
Distribution of Revenue (percent)	Wages and benefits	23.6%	25.2%	25.4%	24.4%	24.8%
	Other	16.9	16.7	14.4	15.9	16.6
	Interest	15.4	15.2	11.8	10.5	11.0
	Depreciation and maintenance	15.7	15.2	14.7	15.3	15.8
	Aircraft fuel	12.9	13.5	6.9	7.0	8.2
	Equipment and facilities rentals	7.1	6.8	6.4	6.9	6.9
	Net Income	5.0	4.2	11.7	11.5	9.7
	Taxes	3.4	3.2	8.7	8.5	7.0
	Assets (thousands)	\$1,128,214	\$1,088,991	\$878,067	\$ 715,295	\$ 658,010
Stockholders' Equity (thousands)	220,753	207,185	198,114	166,007	134,678	
Book Value Per Share (dollars)	17.75	16.67	15.94	13.47	11.19	

*Restated.

Flying Tiger Line

Flying Tiger Line is a certificated all-cargo airline which carries freight and mail primarily on scheduled flights over a route system which extends from the East Coast of the United States to the West Coast and across the Pacific to East and Southeast Asia.

Flying Tiger Line had a year of gradual recovery in 1975. Results from the prior year were affected first by the fuel crisis, then the recession. By the time 1975 began, Flying Tigers had adjusted to the fuel crisis, but the recession was beginning to have its largest impact on our business.

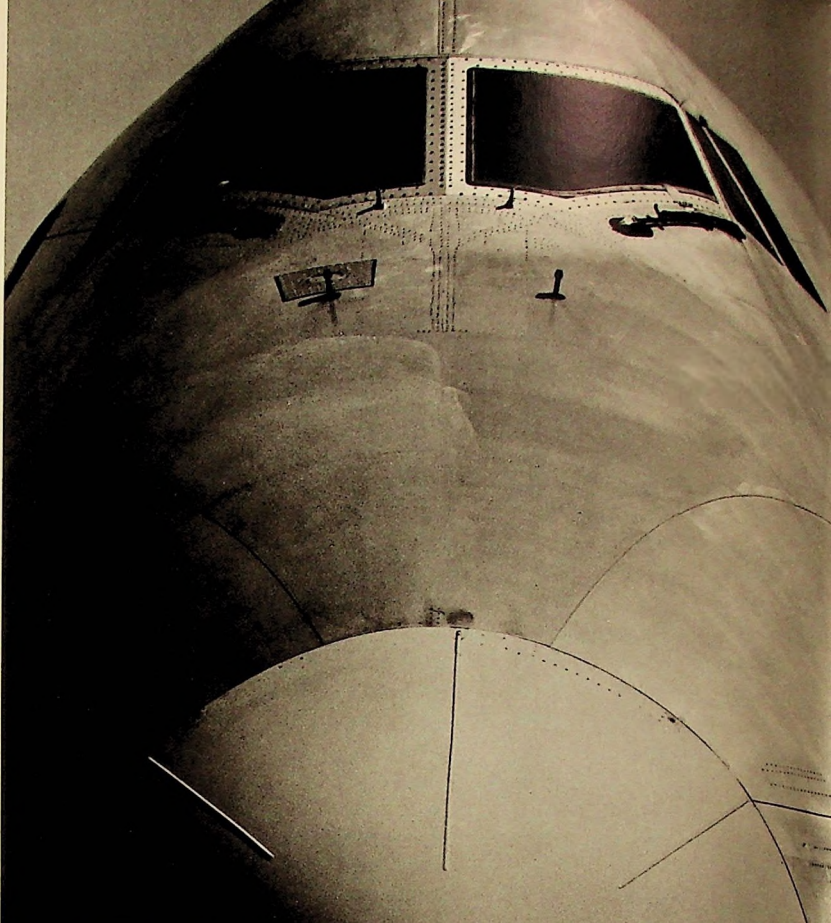
When 1975 ended, international traffic was at record levels while the depressed domestic business had begun to improve as the economy strengthened. The year was profitable.

International and Domestic Traffic

International freight traffic was very strong in 1975. International freight revenue ton miles in 1975 exceeded those of 1974 by 27

Serichi Osada's miniature cactus farm, like other small businesses around the world, uses air freight to speed its products to distant markets. Half a million "red cap" cacti are shipped from Asia to the U.S. annually.

SEATTLE LOS ANGELES



percent. International freight revenue in 1975 was \$89 million, 33 percent above the \$67 million of 1974.

Most of the strength was in traffic from Asia to the United States which gained in volume as the U.S. economy strengthened and consumer purchases increased. As the Japanese economy improves in the coming year, air freight from the U.S. to Japan should grow, giving Flying Tiger Line a better two-way balance of traffic. This should improve the airline's profitability.

As domestic demand weakened, we cut back capacity with the result that revenue rose in 1975 were 12 percent below those of the prior year. The fact that domestic revenue in 1975 was almost level with 1974 —\$73.2 million compared with \$73.8 million—is primarily attributable to domestic rate increases received in 1975.

While almost all segments of our domestic market had lower levels of traffic, two had a particularly negative effect on Flying Tigers. One was the reduction of business from United Parcel Service, one of our largest customers. UPS was granted surface

freight forwarding rights in certain states allowing them to ship transcontinentally by surface as well as by air. Certain traffic that had been shipped by air was diverted to long-haul rail piggy-back. The other sharp decline was in automobile parts, normally the highest volume commodity of our domestic business. The recession's impact on the automotive industry was translated into a 69 percent reduction in automotive traffic in 1975 from 1974.

The prospects for UPS and the automotive business, as well as many other areas of our domestic business, look better in 1976. **Charter and Mail Business**
Civilian charter activity increased substantially in 1975 to \$15.8 million from \$11.9 million in 1974. When the scheduled services of all carriers were strained by the high level of traffic from Asia to the United States, volume shippers responded by chartering aircraft to speed their products to the marketplace. Furthermore, in some of the more rapidly-developing countries in Africa and

the Middle East, inadequate harbor facilities have led many importers to employ air freight charters to move essential materials on a timely basis. Flying Tigers participated in this business.

Military Airlift Command (MAC) charter business totaled \$22.6 million in 1975, 49 percent above 1974's level of \$15.1 million. In addition to our annual MAC contract, we participated in the Cambodian mercy flights early in 1975, and we also flew extra military passenger flights to Europe for six months of the year. We expect MAC business to decline somewhat in 1976.

Both international and domestic mail volumes were down in 1975. International mail revenue declined 14.3 percent from \$18.1 million to \$15.5 million. During the latter half of the year, commercial demand pre-empted normally excess capacity in which lower-rated, space available mail would

This California farm's customers demand freshness, and they get it because of air freight. Hong Wo Yuen Farms loads bok choy into air freight containers in the field. Less than 24 hours after picking, it's in Chinese dishes on the U.S. east coast.

The major U.S. automobile manufacturers have assembly plants throughout the country. The components used by these plants are generally manufactured in and around Michigan. Air

freight is frequently employed to speed these components to distant locations. This is especially true in times when meeting customers' shifting demands is all important.

HONGKONG BO



have been carried. Reduced troop strength in Southeast Asia also had an adverse effect on mail volume. The decrease in domestic mail to \$2.9 million in 1975 from \$4.2 million in 1974 resulted primarily from our reduction in domestic capacity.

Rate Increases

After granting only modest rate increases in 1974, the Civil Aeronautics Board (CAB) approved domestic rate increases of eight and nine percent in January and July of 1975. In February 1976, a 10 percent domestic increase was granted by the Board. The CAB recognized that such increases were necessary for the growth of all-cargo service throughout the U.S.

Internationally, no significant rate increases have been received since the summer of 1974. We believe that a recent proposal for a

rate increase to take effect this summer meets the criteria the CAB has enunciated. The increase, if granted, would raise Tigers' yield about eight percent.

Aircraft Fleet

Flying Tigers' aircraft fleet now consists of 17 DC-8-63 freighters and three Boeing 747 freighters. Based on our experience of a year and a half, the 747 has surpassed our expectations from an economic standpoint.

The 747 is an unusual freighter in that its design density (the relationship of cargo space to weight payload) generally matches the density of freight in the marketplace. To capitalize on this, Tigers designed a unique 10-foot-high shelf pallet which utilizes the height capacity of the 747. The productivity of the 747 was demonstrated when we achieved an unprecedented 97 percent eastbound load factor over a 10-week period during the fourth quarter.

With the design density of our DC-8's, we often run out of space before reaching our maximum payload. The 747 is also more

fuel-efficient and more labor-efficient than the DC-8. Given proper loads, therefore, the 747 will generate higher profits.

We now anticipate that our growth for the balance of the decade will require a fleet of six 747's and 15 to 16 DC-8's. Thus, we have ordered three additional 747's from Boeing for delivery in 1977. These additional airplanes will be similarly converted from passenger configuration. All six 747's will be modified to operate at 750,000 pounds gross weight, up from their current 733,000 pounds. This will permit us to increase our payload by over 10,000 pounds, or five percent.

Over the last two years, we have sold three DC-8's at prices substantially above their book values. We plan to sell one or two more prior to the delivery of our next 747.

In 1975, Flying Tigers completed the sale of seven CL-44 aircraft. This leaves us with only a partial interest in one expanded fuselage CL-44, the sale of which is currently under negotiation. For the first time in many years, we will own no non-operational aircraft.

Fuel Costs Stable in 1975

In the first half of 1974, our biggest problem was the cost of fuel. Fuel costs in 1974

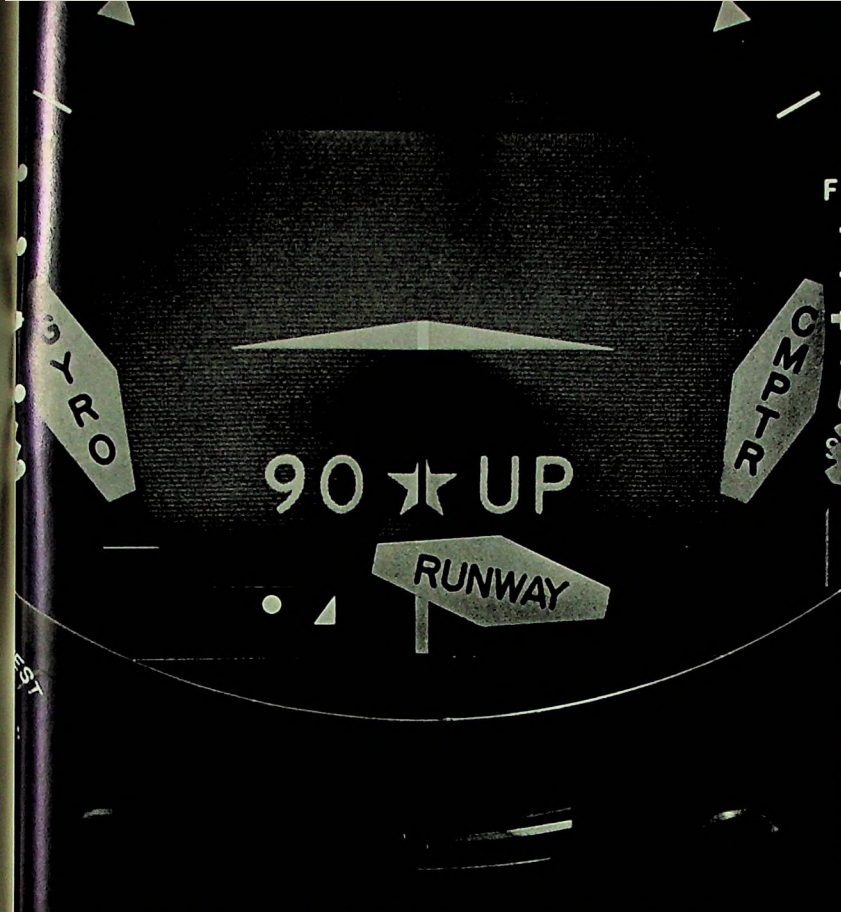
This television factory in Seoul, Korea uses air freight not only because it's fast but because losses from damage and theft are less than with any other mode of transportation.

These workers in Hong Kong are loading a unique 10-foot-high pallet. Flying Tigers designed it to use the height capacity of our 747's.

The U.S. Postal Service is a major user of air freight. In 1975, Flying Tigers' domestic mail revenue totaled \$2.9 million; international mail revenue totaled \$15.5 million.

FRANCISCO MANILA





were 219 percent of what they totaled in the prior year. In 1975, on the other hand, fuel prices remained fairly stable. The average cost was 29.6 cents a gallon domestically and 36.4 cents internationally in 1975, compared with 30.1 cents domestically and 37.2 cents internationally in 1974.

We expect to see a slight decrease in fuel prices during the first half of 1976, offset by increases during the second half.

Route and Facilities Expansion

We currently have pending before the Civil Aeronautics Board applications to add Singapore, Malaysia, Indonesia, and most importantly Anchorage, Alaska to our routes. The documented need for additional all-cargo services to Alaska, as well as the fact that we already use Anchorage as a transit stop on our way to Asia, argue well for the granting of traffic rights to and from that city. To serve us better as a key fueling and transloading point for the airline's transpacific flights, Flying Tiger Line built a new 32,000 square foot terminal at

In this day of fast-changing styles, high-fashion denims speed by air from the factory in Hong Kong to U.S. markets to keep pace with the latest trend.

KAOHSIUNG TOKYO



Anchorage with positions for four aircraft and three bays for line maintenance. This large, modern facility will serve us well if and when our petition is granted.

In addition, Flying Tigers has asked the CAB for authority to add San Juan, San Diego, Dallas/Fort Worth, Houston, Atlanta, Baltimore/Washington, and Miami to our domestic route structure.

With the change in government in Saigon, service to South Vietnam was discontinued early in 1975. This later led to the suspension of service to Bangkok. The loss of traffic to and from these points will have no material adverse effect on our business.

In addition to the new facility at Anchorage, Flying Tiger Line opened a terminal at Seattle. The new 44,000 square-foot

building includes three aircraft positions, 24 truck-dock positions, and five freight bypass positions for containerized cargo.

Tiger Honors

The men and women of Flying Tigers received two special honors in 1975. In November, the Federal Aviation Administration honored Flying Tigers with an award "for developing safety programs for the transportation of hazardous materials and for generally providing training and technical advice to the aviation industry, shippers, and freight forwarders." Air Transport World magazine presented its Second Annual Air Cargo Development Award to Tigers "for its contribution to the development of air cargo since the award of its international route into the Pacific in 1969."

The outlook for 1976 is much improved. With the economy picking up, our domestic traffic should grow and be profitable. Our already profitable international traffic will continue to grow. Flying Tigers is well positioned with strong finances; good equipment, and, most importantly, skilled and dedicated people to achieve a high level of profitable growth.

These coats are ready for the clothing rack as soon as they reach their destination in the United States because they travel from Seoul, Korea in a Flying Tigers "Garments on Hangers" container.

Trucking is an integral part of air freight, and Flying Tigers maintains a fleet of trucks that provides customers with pick up and delivery service.

Flying Tigers employs a hub concept of distribution for maximum efficiency. This Asian car is being transloaded in Chicago from a 747 to a DC-8 to help speed it to its final U. S. destination.

CAGO TA IPE SEOUL



	1975	1974	1973	1972	1971
Revenue (thousands)					
First Quarter	\$ 45,313	\$ 39,675	\$ 35,914	\$ 34,943	\$ 27,178
Second Quarter	52,387	46,024	41,100	39,474	32,693
Third Quarter	59,143	50,547	48,141	43,134	40,132
Fourth Quarter	62,997	53,018	51,773	46,803	44,244
Year	219,840	189,264	176,928	164,354	144,247
Pretax Income (Loss) (thousands)	\$ 9,275	\$ (1,019)	\$ 30,683	\$ 29,074	\$ 22,167
Equity in Net Income of North American Car (thousands)*	4,247	4,032	4,408	3,087	1,384
Net Income Including Equity in North American Car (thousands)	11,050	3,502	20,125	18,861	14,749
Sources of Revenue (percent)					
Domestic common carriage	33.2	39.0	40.7	29.7	27.2
International—freight	40.5	35.4	30.8	31.9	24.4
—mail	7.1	9.6	13.1	12.3	14.8
Military Airlift Command	10.3	8.0	8.8	20.0	23.6
Charter	7.2	6.3	4.5	3.6	7.2
Other	1.7	1.7	2.1	2.5	2.8
Distribution of Revenue (percent)					
Wages and benefits	34.2	36.1	34.3	32.2	30.7
Aircraft fuel	23.0	23.8	11.7	11.0	11.9
Other	12.6	14.9	12.8	14.5	13.6
Aircraft and facilities rentals	7.2	8.2	7.8	7.9	8.5
Taxes, interest and insurance	6.4	3.8	12.9	14.0	15.3
Depreciation	6.1	5.4	4.8	4.9	5.5
Materials and outside services	5.5	5.9	4.3	4.0	4.3
Net Income*	5.0	1.9	11.4	11.5	10.2



	1975	1974	1973	1972	1971
Assets (thousands)	\$266,367	\$275,140	\$235,759	\$215,011	\$217,829
Number of Employees	3,439	3,549	3,550	3,195	3,058
Domestic Cargo Statistics (thousands)					
Revenue ton miles					
Freight	344,770	384,434	397,140	277,934	234,780
Mail, express and other	17,625	26,218	31,333	12,715	15,815
(percent) Load factor	61.6	60.3	61.8	58.6	55.0
(cents) Revenue per ton mile	20.2	18.0	16.9	16.9	15.9
International Cargo Statistics (thousands)					
Revenue ton miles					
Freight	376,657	297,291	284,738	295,022	190,305
Mail	72,702	88,316	122,812	116,836	133,220
Military Airlift Command	72,878	63,217	74,310	176,125	180,090
Charter	63,710	64,407	66,490	59,460	103,435
(percent) Load factor	64.1	68.1	64.6	68.9	64.6
(cents) Revenue per ton mile	23.2	22.1	19.0	17.7	17.5

* Restated.

Flying Tiger Line

Condensed Financial Statements*

Consolidated Balance Sheets		December 31, 1975 and 1974	
Assets		1975	1974
		<i>(expressed in thousands)</i>	
Current Assets	Cash and certificates of deposit	\$ 20,466	\$ 11,555
	Receivables—net	45,038	44,096
	Other current assets	7,700	6,620
	Total current assets	73,204	62,271
Investment and Receivable	Investment in North American Car	35,131	30,884
	Note receivable from Tiger International, Inc.	9,000	9,000
		44,131	39,884
Property and Equipment, at cost	Aircraft, engines and other flight equipment	158,478	178,069
	Other equipment	15,887	12,758
	Buildings and leasehold improvements	29,638	27,170
		204,003	217,997
	Less—accumulated depreciation and amortization	66,855	59,410
		137,148	158,587
	Aircraft leased to others, net of accumulated depreciation	701	6,895
		137,849	165,482
Other	Other assets and deferred charges	11,183	7,503
		\$266,367	\$275,140
<hr/>			
Liabilities and Stockholder's Equity			
Current Liabilities	Current installments of long-term debt	\$ 7,491	\$ 6,333
	Accounts payable and accrued liabilities	28,155	32,554
	Total current liabilities	35,646	38,887
Long-Term Debt	Equipment trust certificates, etc.	56,695	74,008
	Note payable to Tiger International, Inc.	25,000	25,000
Deferred Credits	Deferred income taxes and other	60,939	58,408
Stockholder's Equity	Common stock interest of Parent Company	21,925	21,925
	Retained earnings	66,162	56,912
		88,087	78,837
		\$266,367	\$275,140

*These condensed financial statements are in general conformity with those published by Flying Tiger Line, the formats being consistent with those in general use in the airline industry. The formats and grouping of accounts herein do not conform to the separate Flying Tiger Line tables or the Consolidated Financial Statements of Tiger International, Inc. presented elsewhere in this Annual Report, although included therein and should be read in conjunction with those financial statements and related notes. The 1974 financial statements have been restated for a change in accounting and correction of accounting errors by North American Car.

Consolidated Statements of Income		<i>For the years ended December 31, 1975 and 1974</i>	
		1975	1974
		<i>(expressed in thousands)</i>	
Operating Revenues	Common carriage—		
	Domestic	\$ 73,191	\$ 73,772
	International—freight	88,959	67,038
	—mail	15,511	18,105
	Military Airlift Command	22,590	15,148
	Charters	15,776	11,948
	Other	3,813	3,253
		219,840	189,264
Operating Expenses	Total operating expenses	211,683	188,886
	Income from operations	8,157	378
Other (Income) Expense	Interest expense	6,809	3,521
	Gain from aircraft sales, interest income and other—net	(7,927)	(2,124)
		(1,118)	1,397
	Income (loss) before income tax provision (credit) and equity in net income of North American Car	9,275	(1,019)
	Income tax provision (credit)	2,472	(489)
	Income (loss) before equity in net income of North American Car	6,803	(530)
	Equity in net income of North American Car	4,247	4,032
	Net Income	\$ 11,050	\$ 3,502

Consolidated Statements
of Changes in Financial Position

		<i>For the years ended December 31, 1975 and 1974</i>	
Source of Funds			
Operations	Net income	\$11,050	\$ 3,502
	Add (deduct)—items not involving funds		
	Depreciation and amortization, including amounts charged to other accounts	15,405	12,064
	Deferred income tax provision (credit)	1,973	(519)
	Equity in net income of North American Car	(4,247)	(4,032)
	Overhaul reserves	1,602	2,153
	Funds provided by operations	25,783	13,168
Financing	Proceeds from equipment and other financing	8,300	48,500
Other	Increase in deferred taxes not affecting net income	—	16,256
	Retirement of property and equipment—net	17,858	10,644
		17,858	26,900
	Funds Provided	51,941	88,568
Application of Funds			
Long-Term Debt	Current maturities, payment and prepayment of long-term debt	25,613	17,705
Purchase of Property	Purchase of property and equipment	9,078	71,911
Other	Dividends paid on common stock	1,800	10,000
	Other—net	1,276	(3,014)
		3,076	6,986
	Funds Applied	37,767	96,602
	Net increase (decrease) in working capital	\$14,174	\$ (8,034)

Tiger Leasing Group

Tiger Leasing Group, through North American Car Corporation and National Equipment Rental, Ltd., leases specialized types of railroad cars to shippers on a full-service basis and to railroads on a finance basis and also leases general industrial and construction equipment, computers, and aircraft.

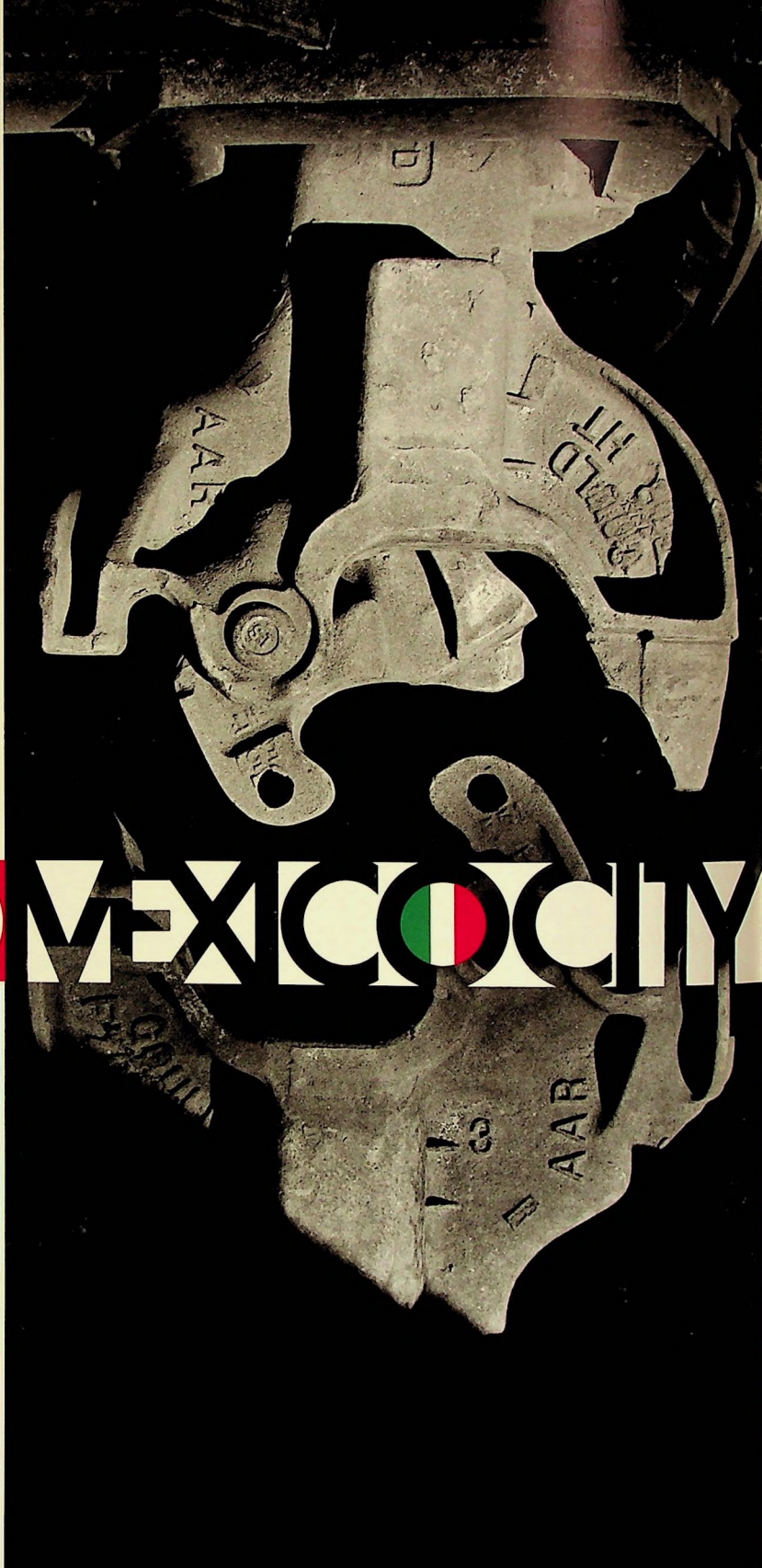
Tiger Leasing Group's results were hampered by a sluggish economy which lowered demand for railroad cars and increased payment delinquencies and reduced the level of business in the Finance Lease Division.

During 1975, the Group's capital expenditures were \$156 million, 48 percent below the \$301 million expended in 1974. Our total investment in leased equipment since

Maintenance and materials handling equipment are kept in working condition at a major petroleum refinery on the island of Curacao by Tiger Equipment & Services.

CHICAGO

MEXICO CITY



the acquisition by Tiger International in 1970 now stands at \$805 million.

Because of inflation, leased equipment has significantly appreciated in value. This increased value will permit higher lease rates as the initial leases terminate. The higher revenue should offset inflationary cost increases and provide increased earnings. In recent years, scrap sale proceeds of older railcars have increased greatly, even exceeding the original cost of the equipment. We recognized this increase in railcar salvage value in 1975 by adjusting residual values upward to the average scrap values realized over the past five years. This revision had the effect of increasing 1975 net income by approximately \$1.4 million, and will increase annual earnings over the next 20 years by approximately the same amount.

Railcar Leasing Services

North American Car Corporation, a major rail equipment lessor since 1907, added 4,210 new railcars during 1975. This brought the total North American Car fleet to 44,317 cars with an acquisition cost of \$816 million.

The railcar fleet contains the most diversified range of car types in the industry, including 19,345 covered hoppers, 16,265 tank cars, and 8,707 insulated boxcars, bulkhead flatcars, piggyback, automobile racks, and other specialized cars. A network of company-owned and contract repair shops throughout the United States, Canada, and Mexico provides continuing maintenance for the fleet.

Nearly 20 percent of the fleet is operated in Canada. To coordinate maintenance programs for covered hoppers carrying agricultural products in international and domestic service, a car repair facility was opened at Regina, Saskatchewan during 1975.

North American Car has continued to expand its railcar leasing activities geographically. In addition to its major Canadian subsidiary, North American Car operates in continental Europe through NACCO, S. A.,

headquartered in Paris, and in Mexico through Endasa, headquartered in Mexico City. During 1975, North American Car also opened offices in Britain and Brazil.

The railcar fleet is leased primarily to shippers on long-term leases that ensure a stable revenue stream for many years into the future. At the end of 1975, these firm lease commitments provided for more than \$600 million of future revenue.

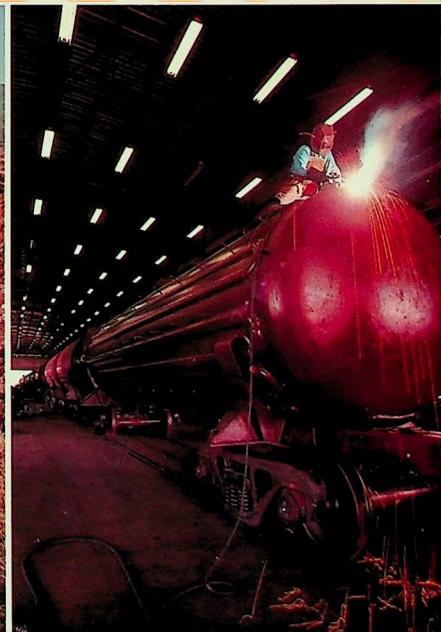
Because demand for rail equipment was very soft in the latter half of 1975, the number of railcars off lease increased to four percent of the fleet during the period. Almost no cars were off lease in 1974. Activity in early 1976 indicates that the market is improving.

Pressure differential (PD) covered hoppers utilize up to 15 psi of air pressure to unload dry chemicals, cement, and flour in a totally enclosed system.

Large hydraulic power shovels were provided during 1975 by Tiger Equipment & Services to break ground for a Korean shipyard.

North American Car assembled 1,935 new tank cars and covered hoppers during 1975 at its facilities in Texarkana, Arkansas, and Chicago Ridge, Illinois.

LONDON BRUSSELS



North American Car's capital spending program for 1976 is \$35 million, down from the \$115 million spent in 1975. The heavy purchases of the last several years will permit us to maintain our market share during the current period of weaker demand. Meanwhile, the sharply reduced capital requirements of 1976 will permit us to use a portion of cash flow to reduce debt.

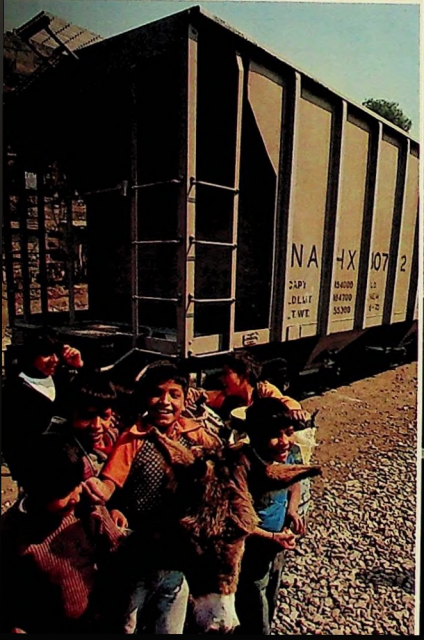
Finance Leasing Services

National Equipment Rental, Ltd.'s industrial equipment finance lease operations were adversely affected by the poor economy. The Finance Lease Division typically writes leases with small-to-medium size companies, which were the worst casualties of the recession. As a result of mounting delinquencies in lease portfolios in 1975, a special charge of \$2.5 million for bad debts was provided.

In Mexico, the leased fleet of Endasa, acquired by North American Car in 1973, increased by 55 percent in 1975 to a total of 935 cars.



SEOUL



Because of its collection problems, National Equipment curtailed its finance leasing, adding only \$20 million in new equipment in 1975 compared to \$45 million in 1974. Future business will emphasize vendor programs in which National Equipment Rental possesses equipment expertise and can retain a share in the residual value of the equipment.

NAC Leasing Corporation arranges lease financing on a fee basis. The year was a disappointing one primarily because of the negative effect of two factors. First, there was a period of uncertainty from November 1974 to May 1975 while the Internal Revenue Service prepared new rules concerning tax-leveraged leases. Second, lessee demand for equipment was reduced as a result of the recession.

Computer Leasing Services

National Computer Rental, Ltd. has moved a substantial number of its computers to Europe. It currently derives more than half

its revenues from overseas markets where lease terms are considerably longer than those obtainable in the United States.

While the major portion of the computer portfolio will be depreciated to residual value by the end of 1976, continued economic utility of the computers is anticipated well into the next decade. We are constantly finding ways to enhance the utility of older equipment with modern peripheral gear.

During 1975, National Computer Rental extended its services to include leases of IBM 370 equipment. In addition to recovering more than its original cost of equipment during the initial lease term, National Computer will retain the residual value of the equipment. This program will also improve profits in the years ahead.

Aircraft Leasing Services

Modern jet aircraft are leased and sold to

commercial carriers and corporations around the world through National Aircraft Leasing, Ltd. Its diversified inventory includes DC-8, DC-10, 707, 727, and 737 turbo-fan airliners and Hercules turbo-prop freighters. The original cost of the current portfolio is in excess of \$91 million.

The 727-200 program offers these aircraft on short term leases to enable commercial airlines to meet their temporary fleet requirements. Such leases typically are more profitable than finance leases. All four 727 aircraft became available for re-lease during 1975 and were promptly placed in service with new lessees.

National Computer Rental assists companies in Europe and the United States in disposing of their existing computer equipment and acquiring large data processing systems.

The NAL One-Eleven executive jet aircraft, leased and sold to companies around the world by National Aircraft Leasing, accommodates up to

21 passengers. With 520 square feet of cabin space, this aircraft combines comfort with trans-continental or transoceanic range.

HOUSTON SAO PAULO



The NAL One-Eleven executive jet program continued to be well accepted in 1975. Three aircraft were sold during the year. Of the 13 remaining One-Elevens, six were on lease at the end of the year and the rest were scheduled for modification or available for lease.

Construction and Materials Handling
Tiger Equipment & Services, Ltd. leases, maintains, and manages construction and materials handling equipment. The company, formerly Bell Worldwide, ended 1975 with a substantial increase in revenue and profit. One of Tiger Equipment's largest projects is at Royal Dutch Shell's Curacao refinery. Tiger Equipment manages, maintains, and in some cases, operates the equipment it leases to Shell.

Tiger Equipment has commenced a number of new programs. It is leasing and maintaining equipment used by the ship-building industry in Pusan, Korea. It is the exclusive distributor for a German manufacturer's hydraulic power shovel which can be used in the mining of coal in the U.S., and Tiger Equipment has formed a new division to market and service this product. It is broadening its equipment management and consulting services to Alyeska, the builder of the Alaskan pipeline. These efforts should provide Tiger Equipment & Services with continued growth in revenue and profit in 1976.

Tiger Leasing Group made good progress in 1975, notwithstanding the adverse economic climate. We are establishing ourselves as a worldwide, diversified equipment leasing organization with a solid base for profitable growth. The improved economic outlook for 1976 should bring with it a higher level of earnings.

NACCO. S.A. and Tiger Leasing Ltd. lease railcars to chemical and petroleum shippers in Europe.

Through one of its vendor leasing programs, National Equipment Rental provided \$18 million worth of office machines to companies in the United States.

National Aircraft Leasing, whose fleet is leased to commercial airlines around the world, has placed two 727-200's and one DC-10-30 with major air carriers in Mexico.

GAPORRECURACAO



	1975	1974*	1973*	1972*	1971*
Net Income (thousands)	\$17,684	\$16,808	\$18,416	\$13,128	\$ 6,218
Pre-tax Income (thousands)	26,352	26,587	26,518	19,172	9,758
Revenue (thousands)					
First Quarter	\$42,633	\$31,003	\$25,258	\$21,381	\$13,381
Second Quarter	40,358	34,462	27,130	22,721	13,846
Third Quarter	39,674	36,384	29,194	23,640	14,087
Fourth Quarter	40,482	41,914	32,007	23,488	22,138
Year	163,147	143,763	113,589	91,230	63,452
Sources of Revenue (percent)					
Operating leases	79.8	77.7	83.4	87.8	91.4
Finance leases	12.5	16.7	11.8	7.9	1.6
Sales and other	7.7	5.6	4.8	4.3	7.0
Distribution of Revenue (percent)					
Interest	29.6	30.3	26.2	24.6	25.2
Depreciation	18.0	19.1	20.6	25.7	28.3
Net Income	10.8	11.7	16.2	14.4	9.8
Other	13.4	11.5	9.9	9.3	7.5
Wages and benefits	10.0	10.7	11.5	10.5	11.7
Insurance and taxes	6.7	8.8	9.1	8.8	8.6
Equipment rentals	7.3	4.1	1.9	1.1	1.1
Maintenance	4.2	3.8	4.6	5.6	7.8



	1975	1974*	1973*	1972*	1971*
Equipment Acquisitions (thousands) (Includes Equipment Leased-In)					
North American Car Corporation	\$120,036	\$201,500	\$136,261	\$71,590	\$ 36,711
National Equipment Rental, Ltd.	36,392	99,106	71,134	32,166	—
Assets (thousands)	\$939,291	\$860,541	\$664,750	\$513,700	\$456,540
Number of Employees	975	1,174	1,122	887	787
Total Rail Cars in Fleet	44,317	40,975	32,922	27,534	24,987
New Cars Added During Year	4,210	7,691	6,099	3,433	1,757

*Restated.

Tiger Leasing Group^{*} Condensed Financial Statements^{**}

Consolidated Balance Sheets	<i>December 31, 1975 and 1974</i>	1975	1974 ^{***}
Assets			
		<i>(expressed in thousands)</i>	
Cash, Receivables and Inventories	Cash and certificates of deposit	\$ 25,088	\$ 18,851
	Receivables, including finance lease receivables—net	261,414	236,787
	Inventories	19,143	20,815
		305,645	276,453
Property, Plant and Equipment, at cost	Equipment for lease or under lease	822,073	765,582
	Shop properties, chemical and terminal facilities	18,295	15,688
		840,368	781,270
	Less—accumulated depreciation	231,509	211,619
		608,859	569,651
Other	Other assets and deferred charges	24,787	14,437
		\$939,291	\$860,541
Liabilities and Stockholders' Equity			
Accounts Payable	Accounts payable and accrued liabilities	\$ 39,271	\$ 51,915
Long Term Debt	Equipment obligations	473,132	423,826
	Notes payable	126,677	131,092
		599,809	554,918
	Subordinated long-term debt	18,222	18,349
Deferred Credits	Deferred income taxes, tax credits and other	118,991	89,620
Stockholders' Equity	Publicly held interest in \$3 Cumulative Preferred Stock, stated value \$50 per share	6,952	6,952
	Preferred stock interest held by Parent Company	20,793	20,793
	Common stock interest of Parent Company and affiliate	32,209	32,209
	Retained earnings	103,044	85,785
		162,998	145,739
		\$939,291	\$860,541

*Tiger Leasing Group consists of North American Car Corporation consolidated with its subsidiaries, including National Equipment Rental, Ltd.

**These financial statement formats are in general conformity with those published by North American Car Corporation and National Equipment Rental, Ltd. separately, and are consistent with leasing industry practice. The formats and grouping of accounts herein do not conform to the separate Tiger Leasing Group tables or the Consolidated Financial Statements of Tiger International, Inc. presented elsewhere in this Annual Report, although included therein and should be read in conjunction with those financial statements and related notes.

***Restated for change in accounting for foreign currency translation, correction of accounting error and change in accounting for net finance lease subsidiaries.

Consolidated Statements of Income

		<i>For the years ended December 31, 1975 and 1974</i>	
		1975	1974***
		<i>(expressed in thousands)</i>	
Revenues	Rental and operating revenue	\$150,553	\$134,125
	Other revenue	12,594	9,638
		163,147	143,763
Costs and Expenses	Maintenance	13,766	12,982
	Depreciation and other costs of operations	44,544	38,904
	Cost of sales	7,851	3,053
	Selling, general and administrative expenses	22,396	18,616
	Interest and amortization of debt expense	49,032	45,825
	Interest capitalized and deferred	(794)	(2,204)
			136,795
Income before income tax provision		26,352	26,587
Income tax provision		8,668	9,779
Net Income		\$ 17,684	\$ 16,808

Consolidated Statements
of Changes in Financial Position*For the years ended December 31, 1975 and 1974*

Source of Funds			
Operations	Net income	\$ 17,684	\$ 16,808
	Add (deduct) — items not involving funds		
	Depreciation and amortization, including amounts charged to other accounts	30,400	28,136
	Deferred income tax provision	7,330	7,947
	Other — net	(683)	(1,231)
Funds provided by operations		54,731	51,660
Financing	Proceeds from issuance of long-term debt	93,192	164,765
	Issuance of preferred stock	—	6,169
		93,192	170,934
Other	Retirement of property and equipment — net	14,196	8,225
	Increase in deferred taxes not affecting net income	22,041	21,337
	Increase (decrease) in accounts payable and accrued liabilities	(12,644)	20,670
	Collection of finance lease receivables	34,072	8,715
	Other — net	(7,891)	3,440
		49,774	62,387
		\$197,697	\$284,981
Application of Funds			
Purchase of Property	Additions to property, plant and equipment	\$121,318	\$213,989
	Long-Term Debt	Payment on debt	48,695
Other	Increase in receivables excluding finance lease receivables	23,119	28,807
	Increase (decrease) in cash	6,237	(4,982)
	Increase (decrease) in inventories	(1,672)	5,983
			27,684
		\$197,697	\$284,981

Flying Tiger Line Officers

Wayne M. Hoffman
Chairman of the Board
Robert W. Prescott
*President &
Chief Executive Officer*
Joseph J. Healy
*Executive Vice President &
Chief Operating Officer*
William Gelfand
Senior Vice President
David J. Barish
Vice President—Finance
Nissen Davis
*Vice President—
Public Relations & Advertising*
L. R. Emerson
Vice President—Asia

Michael Gurley
*Vice President & General
Manager—North America*
Charles I. Hopkins, Jr.
*Vice President—
Personnel Relations*
John F. McDonald
*Vice President—
Maintenance & Engineering*
Wayne E. Partridge
Vice President—Law
Richard H. Steiner
Vice President—Marketing
George A. Zettler
*Vice President—
Sales & Service*

Rosanne O'Brien
Secretary
R. J. Valenta
Corporate Contoller
Ray Vingo
Treasurer
Stuart M. Warren
*General Attorney
& Assistant Secretary*
Myer Feldman
Assistant Secretary
Yvonne Renfrew
Assistant Secretary
J. W. Rosenthal
Assistant Secretary

Flying Tiger Line

7401 World Way West, Los Angeles, California 90009

Tiger Leasing Group Officers

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CORPORATION
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Thomas F. Grojean
*President &
Chief Executive Officer*
John E. Flynn
*Vice President—General
Counsel & Secretary*
Martin A. Lynch
*Vice President—
Finance & Treasurer*
W. Thomas Morton, Jr.
Controller
RAILCAR DIVISION
Robert B. Oppenheimer
President
H. Russell Platt III
Senior Vice President
Vincent E. Bjoin
*Vice President—
Plant Operations*
Robert A. Boerke
Vice President—Engineering
James F. Compton
*Vice President—
Marketing & Fleet Management*
Richard R. Forrest
*Vice President—
Eastern District*
Harold E. Hough
Vice President—Purchasing
Francis W. Kreidler
*Vice President—
Special Projects*

James H. Ozanne
Vice President—Finance
Richard C. Underwood
Vice President—Sales
James J. Redmond
Controller
ALEXANDER CHEMICAL
DIVISION
Paul F. Robinson
*Vice President &
General Manager*
NORTH AMERICAN CAR
(CANADA) LIMITED
Robert A. Greenbury
President
NAC LEASING
CORPORATION
Eugene H. Crew
President
NATIONAL EQUIPMENT
RENTAL, LTD.
Harry M. Weisberg
President
Francis P. Burke
Vice President—Accounting
Gerald S. Jacobs
*Vice President &
General Counsel*
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DIVISION
David B. Burroughs
President
NATIONAL AIRCRAFT
LEASING, LTD.
Lewis B. Simon
President

NATIONAL COMPUTER
RENTAL, LTD.
Thomas J. McArdle
President
John M. Phelan
Executive Vice President
TIGER EQUIPMENT &
SERVICES, LTD.
Thomas V. Murphy
President
NACCO, S. A. (France)
David MacNaughton
President
ENDASA, S. A. de C. V.
Steven H. Spencer
President
TIGER LEASING GROUP
BRASIL-ARRENDAMENTO
LTD.
Geoffrey Locke
President
NATIONAL EQUIPMENT
RENTAL, S. A. (Belgium)
Benjamin Tepper
Managing Director
NATIONAL EQUIPMENT
RENTAL FRANCE, S. A.
Pierre Hardy
Managing Director
WHASHIN TIGER
LEASING CO., INC.
(Korea)
J. H. Hahn
President
Marvin J. Winship
Executive Vice President

Tiger Leasing Group

222 South Riverside Plaza, Chicago, Illinois 60606

75 FINANCIAL REPO 

Tiger International, Inc. and Subsidiaries

Consolidated Statements of Income

<i>For the years ended December 31, 1975 and 1974</i>		1975	1974
		<i>(expressed in thousands)</i>	
Revenues (Notes 1, 3 and 6)	Common carriage—		
	Domestic	\$ 73,191	\$ 73,772
	International	119,368	95,811
	Military Airlift Command	22,590	15,148
	Leasing and related services	150,013	133,759
	Other	24,783	15,684
		<u>389,945</u>	<u>334,174</u>
Costs and Expenses (Notes 5, 6, 10 and 13)	Airline operations	167,299	150,791
	Leasing operations	36,779	24,987
	Selling, general and administrative	54,699	47,888
	Depreciation and amortization	42,020	36,778
	Interest, and preferred dividends of subsidiary	61,040	53,571
	Interest capitalized and deferred	(794)	(2,204)
		<u>361,043</u>	<u>311,811</u>
	Income before income tax provision	28,902	22,363
	Income tax provision (Note 7)	10,400	8,393
Net Income		<u>\$ 18,502</u>	<u>\$ 13,970</u>
Earnings Per Share (Note 12)		<u>\$ 1.46</u>	<u>\$ 1.12</u>

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

Tiger International, Inc. and Subsidiaries
Consolidated Statements of Changes
in Financial Position

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		<i>For the years ended December 31, 1975 and 1974</i>	
		1975	1974
		<i>(expressed in thousands)</i>	
Source of Funds			
	Operations (Note 7)		
	Net income	\$ 18,502	\$ 13,970
	Add items not involving working capital		
	Depreciation and amortization charged to operations	42,020	36,778
	Depreciation and amortization charged to other accounts	3,188	2,776
	Deferred income tax provision	8,563	8,761
	Other—net	888	813
	Working capital provided by operations	73,161	63,098
Financing	Proceeds from equipment financing and other borrowings	101,493	209,003
	Proceeds from common stock issued upon exercise of stock options	40	66
		101,533	209,069
Other	Collection of long-term and finance lease receivables	36,646	12,677
	Retirement of property and equipment	33,633	22,011
		70,279	34,688
	Funds Provided	244,973	306,855
Application of Funds			
Long-Term Debt	Payments on long-term debt	74,870	57,694
	Increase in current portion of long-term debt	8,365	7,817
		83,235	65,511
Purchase of Property	Purchase of property, plant and equipment including finance lease equipment	130,431	264,414
Other	Cash dividends declared on common stock	4,974	4,965
	Increase in investment in unconsolidated entities	1,002	8,497
	Deposits and other—net	7,137	3,482
		13,113	16,944
	Funds Applied	226,779	346,869
	Net increase (decrease) in working capital (Note 11)	\$ 18,194	\$ (40,014)

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

Tiger International, Inc. and Subsidiaries

Consolidated Balance Sheets

Assets	December 31, 1975 and 1974	1975	1974
		<i>(expressed in thousands)</i>	
Current Assets (Note 4)	Cash and certificates of deposit of \$6,567,000 (1975) and \$6,481,000 (1974)	\$ 59,763	\$ 48,144
	Receivables, less allowance for doubtful accounts of \$4,566,000 (1975) and \$2,179,000 (1974)	61,101	60,823
	Inventories	24,244	25,092
	Prepaid expenses and other	4,452	3,710
		149,560	137,769
Finance Lease Receivables (Note 4)	Aggregate future rentals, less allowance for doubtful accounts of \$8,468,000 (1975) and \$5,877,000 (1974) (due within one year—\$36,567,000 (1975) and \$37,996,000 (1974))	236,464	237,561
	Estimated residual value of leased equipment	16,184	15,502
		252,648	253,063
	Less: Unearned income	74,343	74,669
		178,305	178,394
Property, Plant and Equipment, at cost (Notes 2, 4 and 10)	Equipment for lease or under operating lease	823,507	802,338
	Equipment used in airline operations	158,478	178,069
	Buildings and leasehold improvements	38,087	32,717
	Shop and terminal facilities and other equipment	27,268	24,399
		1,047,340	1,037,523
	Less: Accumulated depreciation and amortization	299,686	303,117
		747,654	734,406
Other Assets (Notes 2, 3, 4, 5 and 9)	Cost in excess of fair value of net assets of acquired business	15,835	15,835
	Investment in unconsolidated entities	9,499	8,497
	Long-term receivables, including officers' loans of \$1,436,000 (1975) and \$500,000 (1974)	4,551	6,203
	Unamortized debt expense	3,150	2,574
	Deposits and other assets	19,660	5,313
		52,695	38,422
		\$1,128,214	\$1,088,991

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

Liabilities and Stockholders' Equity	<i>December 31, 1975 and 1974</i>		
	1975	1974	
	<i>(expressed in thousands)</i>		
Current Liabilities (Note 4)	Current portion of senior and subordinated debt	\$ 31,361	\$ 22,996
	Accounts payable and accrued liabilities	63,937	79,740
	Income taxes	1,311	276
		96,609	103,012
Long-Term Debt (Note 4)	Senior debt—		
	Equipment obligations	529,827	487,334
	Notes and lease contracts payable to banks and others	135,257	159,099
		665,084	646,433
	Subordinated debt	17,922	18,049
Deferred Credits (Note 7)	Deferred income taxes and tax credits	105,817	96,983
	Other	15,077	10,377
		120,894	107,360
Commitments, Legal Action and Contingent Liabilities	(Notes 2 and 14)		
Minority Stockholders' Equity (Note 9)	North American Car Corporation \$3 Cumulative Preferred Stock, \$50 stated value—		
	Authorized— 141,737 shares (1975) and (1974)		
	Outstanding— 139,040 shares (1975) and (1974)	6,952	6,952
Tiger International, Inc. Stockholders' Equity (Notes 4 and 9)	Common stock, \$1 par value—		
	Authorized— 35,000,000 shares		
	Outstanding— 12,434,949 shares (1975) and 12,431,385 shares (1974)	12,435	12,431
	Additional paid-in capital	121,466	121,430
	Retained earnings	86,852	73,324
		220,753	207,185
	\$1,128,214	\$1,088,991	

Tiger International, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

<i>For the years ended December 31, 1975 and 1974</i>				
	<i>\$1 Par Common Stock</i>	<i>Additional Paid-In Capital</i>	<i>Retained Earnings</i>	<i>Total</i>
	<i>(expressed in thousands)</i>			
Balance, December 31, 1973, as previously reported	\$12,426	\$121,369	\$64,896	\$198,691
Cumulative effect of restatements (Notes 5 and 6)	—	—	(577)	(577)
Balance, December 31, 1973 as restated	12,426	121,369	64,319	198,114
Add (deduct)				
Net income	—	—	13,970	13,970
Exercise of stock options	5	61	—	66
Cash dividends declared on common stock (\$.40 per share)	—	—	(4,965)	(4,965)
Balance, December 31, 1974	12,431	121,430	73,324	207,185
Add (deduct)				
Net income	—	—	18,502	18,502
Exercise of stock options	4	36	—	40
Cash dividends declared on common stock (\$.40 per share)	—	—	(4,974)	(4,974)
Balance, December 31, 1975 (Notes 4 and 9)	\$12,435	\$121,466	\$86,852	\$220,753

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

(1) Summary of Significant Accounting Policies	The following accounting policies of Tiger International, Inc. and subsidiaries (the Company) the two major subsidiaries being North American Car Corporation (North American) and The Flying Tiger Line Inc. (Flying Tiger Line), are presented to facilitate the understanding of information presented in the financial statements.
Principles of Consolidation	The consolidated financial statements include the accounts of Tiger International, Inc. and its subsidiaries, except for two net finance lease subsidiaries and three foreign joint ventures of North American, accounted for on the equity basis as described in Note 5. All significant intercompany accounts and transactions have been eliminated.
Translation of Items in Foreign Currencies	The accounts of foreign subsidiaries and assets and liabilities relating to operations outside the United States have been translated into United States dollars, in accordance with Statement of Financial Accounting Standards No. 8, at the rate of exchange prevailing at year end, with property, plant and equipment being translated at the approximate rates prevailing when acquired. Income and expense items have been translated at average rates during the year, except depreciation, which has been calculated at the approximate rates prevailing when the property was acquired. Gain or loss on forward exchange contracts is recognized in operations when settled.
Pension Plans	Pension costs are accrued and funded based on the actuarially determined cost of the plans. The Company amortizes the unfunded liability for prior service costs over periods ranging from 23 to 30 years.
Revenue Recognition	<p>The Company's operations consist primarily of the air transportation of property and mail, the leasing, under operating leases, of specialized rail cars, computers, aircraft, trailers and construction equipment and the leasing, under finance leases, of industrial equipment, specialized rail cars and aircraft.</p> <p>Revenue related to air transportation is recognized as the services are performed.</p> <p>Operating leases, during their initial noncancellable term, return less than the full cost of the equipment plus interest charges and are generally for shorter terms and at more favorable rates than would prevail for comparable equipment under finance leases. Revenue related to operating leases is recognized monthly as earned. Expenses including interest, depreciation and maintenance are charged to operations as incurred.</p> <p>Finance leases, during their initial noncancellable term, return the cost of the equipment, after taking into account residual values, which generally approximate 10 percent of the cost of the equipment, as well as interest charges, related expenses and a profit on the investment. Aggregate rentals receivable, less unearned income, are shown as a non-current receivable.</p> <p>Aggregate rental income to be earned on finance leases (representing the total rentals receivable under the contract plus estimated residual values less cost of the related equipment and lease origination cost) is recognized as revenue during the term of the lease in decreasing amounts related to the declining balance of the unrecovered investment.</p> <p>The Company participates in lease transactions as a third party in which it is neither lessor nor lessee. All lease origination fees are recorded as income and all fees and costs as expense in the year of origination. Additional income is recorded in the year of origination representing the present value (discounted) of future participation in the estimated residual value of the assets.</p>

Tiger International, Inc. and Subsidiaries

Notes to Financial Statements

Property, Plant and Equipment

The cost of the aircraft, leasing equipment and other property and equipment acquired, the cost of modifying aircraft purchased or leased, and the cost of rebuilding or modifying leasing equipment is charged to the appropriate property and equipment accounts. The cost of maintenance and repairs is charged to expense. Maintenance expense includes provisions for aircraft airframe and engine overhauls charged to expense on the basis of hours flown; the actual cost of overhaul is charged to the related reserve when incurred. Any difference between the actual cost of overhauls and the provisions for overhaul is a charge or credit to maintenance expense. Upon normal retirement of car equipment (cars 20 to 24 years old or older) and certain aircraft components which are on the composite depreciation method, the cost, less salvage recovery, is charged to the depreciation reserve. Upon sale or disposal of other property and equipment, the applicable cost and accumulated depreciation are eliminated from the accounts and any difference between sales price and the net book value is included in income. The disposition of certain aircraft which had been accounted for on the cost recovery method was completed in 1975 by cash settlement.

The Company provides for depreciation and amortization principally on the straight-line method, using estimated service lives and salvage values for the various classes of assets.

The Company capitalizes interest costs on debt incurred to finance the acquisition of aircraft, for the period prior to delivery and subsequent use in operations or placement on lease. Interest so capitalized is amortized over the depreciable life of the related asset.

Inventory

Inventory includes aircraft spare parts and operating supplies and parts and components for assembly and maintenance of equipment for lease and is priced at the lower of cost or market. Cost is determined by the use of the first-in, first-out (FIFO) and average cost methods, and includes material, labor and factory overhead as cost elements. The effect on income of a change to FIFO in 1975 for large equipment components is immaterial.

Other Assets

The cost in excess of fair value of net assets of acquired business is not being amortized since, in the opinion of management, there has been no diminution in the value of the acquired business. Any gain on acquisition of minority interests in the acquired business is credited to the cost when realized.

Deferred debt expense is being amortized over the period the related indebtedness is outstanding, principally using the dollars of debt outstanding method.

Income Taxes

The Company files a consolidated Federal income tax return. Payment of income taxes has been partially deferred primarily through the use of accelerated depreciation, the treatment of finance leases, and other allowable tax practices which differ from those used for financial reporting purposes. Investment tax credits on equipment acquired for use in airline operations and under operating leases are accounted for as a reduction of the provisions for income taxes in the year in which the credits arise, or such later year in which they are so utilizable without exceeding the limits for deduction. Investment tax credits arising from the acquisition of equipment for lease under finance leases are accounted for under the deferral method whereby the credits are amortized over the initial terms of the related leases 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 deduction of accelerated depreciation and other allowable tax deductions, are amortized over the remaining life of property and equipment to which the tax deductions relate.

Current Portion of Debt

The Company excludes from the current portion of debt amounts of equipment obligations due within one year which will be paid from the proceeds of rentals to be received during the next year from leases extending beyond one year.

Research and Development and Similar Costs

Research and development costs are charged to expense as incurred and were not material in the years ended December 31, 1975 and 1974. The Company follows the policy of deferring costs associated with the development of new computer systems for use by the Company. These costs, \$2,252,000 and \$904,000 at December 31, 1975 and 1974, respectively, are to be amortized to expense upon completion of the systems.

(2) Lease and Purchase Commitments

At December 31, 1975 and 1974 the Company had long-term leases on aircraft and aircraft engines used in airline operations, car equipment and aircraft used in the leasing operations, and facilities and other equipment. 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. One of the lease agreements of Flying Tiger Line, with remaining rentals of \$22,676,000 contains provisions similar to those contained in the Company's loan agreements.

In addition to the basic rental commitment shown below, the Company is contingently liable under certain leases to purchase the equipment for \$16,648,000 if the leases are not renewed upon expiration of the initial terms. Under the aircraft and car equipment leases the Company is obligated to bear the costs of maintaining and operating the equipment.

The schedules below summarize the annual rental expense included in the Consolidated Statements of Income for the years ended December 31, 1975 and 1974, the estimated present value of the net minimum remaining finance lease commitments and the annual and aggregate minimum remaining lease payments for subsequent years. Sublease rentals relating to equipment under lease, which are generally higher than those paid by the Company, have been excluded from the schedules below. Non-capitalized finance leases herein are as defined by the Securities and Exchange Commission and the present value does not necessarily represent the cost of such equipment were it to be purchased.

Annual Rentals Included in the Consolidated Statements of Income	1975		1974	
Non-capitalized finance leases	\$24,605,000		\$18,400,000	
Other leases	2,845,000		2,543,000	
	\$27,450,000		\$20,943,000	

The finance leases are net of sublease revenues of \$2,080,000 and \$277,000 in 1975 and 1974, respectively, excluding sublease revenues from equipment acquired for lease.

The estimated present values of the net minimum remaining finance lease commitments are as follows:

	Interest Rate Range	1975		1974	
		Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount
Aircraft and engines used in airline operations	6.9%-10.8%	8.3%	\$ 88,661,000	7.6%	\$ 72,033,000
Equipment for lease or under lease:					
Car equipment	5.7 - 8.9	7.5	113,158,000	7.2	71,105,000
Aircraft	6.4 - 9.3	8.0	28,073,000	8.0	29,103,000
Facilities and other equipment	4.3 - 9.5	6.7	15,139,000	6.7	16,376,000
			\$245,031,000		\$188,617,000

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The present values were computed using the interest rates implicit in the applicable leases and are net of rentals from subleases, excluding those from equipment acquired for lease.

The minimum remaining lease payments at December 31, 1975, net of sublease revenues, are as follows:

	Non-Capitalized Finance Leases			Other Leases	Total
	Aircraft and Engines	Equipment for Lease or Under Lease	Facilities and Other Equipment	Facilities and Other Equipment	
1976	\$14,181,000	\$15,283,000	\$1,954,000	\$1,757,000	\$33,175,000
1977	14,294,000	15,282,000	1,945,000	1,539,000	33,060,000
1978	13,457,000	15,281,000	1,884,000	1,374,000	31,996,000
1979	13,457,000	15,546,000	1,759,000	1,222,000	31,984,000
1980	13,457,000	15,547,000	1,758,000	1,215,000	31,977,000
1981 to 1985	53,967,000	76,973,000	6,769,000	5,861,000	143,570,000
1986 to 1990	14,268,000	71,841,000	5,446,000	3,207,000	94,762,000
1991 to 1995	—	26,949,000	1,618,000	1,100,000	29,667,000
1996 and beyond	—	—	291,000	643,000	934,000
	\$137,081,000	\$252,702,000	\$23,424,000	\$17,918,000	\$431,125,000

As of December 31, 1975, there are no significant rentals to be received from sublease of aircraft and engines used in operations or facilities and other equipment.

If the finance leases discussed above had been capitalized, with the related leasehold interest amortized on a straight-line basis and interest cost was accrued on the basis of outstanding lease liability, net income after income tax, computed using the approximate effective tax rate for each year of 36% would have been reduced as follows:

	Approximate Decrease in Net Income	Actual Rental Expense	Imputed	
			Interest	Amortization
1975	\$2,428,000	\$26,685,000	\$16,055,000	\$14,424,000
1974	1,329,000	18,677,000	10,615,000	10,138,000

This effect on net income does not represent the effect had the equipment been purchased since it does not give effect to residual values which would have been applicable to a purchase.

At December 31, 1975, the Company had purchase commitments of \$49,841,000 for materials, car equipment, aircraft and other equipment for lease, to be delivered from 1976 to 1980. Subsequent to December 31, 1975 the Company committed to acquire three Boeing 747 Freight Masters in a modified configuration for approximately \$82,000,000, deliveries of which are scheduled for 1977.

(3) Disposition of Aircraft Used in Operations

The Company, during 1974, had seven CL-44 aircraft and a partial interest in an expanded fuselage CL-44 aircraft which were either under lease or were sold on a deferred payment basis to a foreign airline, the net book value of which at December 31, 1974 was \$9,478,000. During 1975 the Company sold the seven CL-44 aircraft to the foreign airline for \$7,000,000 cash (including the amount related to the aircraft previously sold on a deferred payment basis) which was \$920,000 less than the net book value at the time of sale which amount was charged to income.

During 1975 the Company sold two DC-8-63 aircraft to overseas airlines, the sales prices (\$10,900,000 and \$10,500,000) being \$7,483,000 in excess of the net book value of the aircraft which amount is included in income. During 1974 the Company sold two aircraft, including one DC-8-63, the sales prices being \$3,461,000 in excess of the net book value of the aircraft and also reduced the unrecovered cost of the above CL-44 aircraft by an amount equal to such excess.

(4) Long-Term Debt

The outstanding balance of equipment obligations and other debt at December 31, 1975 and 1974 consisted of the following:

	1975	1974
Senior Debt:		
Tiger International, Inc. —		
Variable rate (¾% over prime) unsecured notes payable to banks, due in quarterly installments 1976 to 1977	\$ 2,150,000	\$ 3,870,000
Variable rate (½% over prime) secured notes payable to banks, due in quarterly installments 1976 to 1980	30,000,000	30,000,000
Subsidiaries —		
Equipment and facilities obligations:		
4.5% to 11.25% obligations maturing serially 1976 to 1994 (average rate 7.9%)	391,406,000	336,347,000
7.0% equipment trust certificates due 1976 to 1980	21,250,000	25,500,000
Variable rate (¼% to 1% over prime) and 6¾% equipment obligations due 1976 to 1982 (average rate 7.9%)	135,187,000	131,003,000
7.0% to 11.25% notes, secured by facilities, due 1976 to 1988 (average rate 8.2%)	5,223,000	3,215,000
Variable rate (½% to 2½% over prime) and 7% to 8¾% notes and lease contracts payable, secured by receivables and related equipment and facilities leased, due 1976 to 1991 (average rate 8.8%)	112,109,000	141,592,000
	697,325,000	671,527,000
Less:		
Principal amount of equipment trust certificates held in treasury	1,180,000	2,398,000
Current portion*	31,061,000	22,696,000
	\$665,084,000	\$646,433,000

*Exclusive of \$56,728,000 and \$47,101,000 in 1975 and 1974, respectively, maturing within one year which is not reflected as a current liability because payment will be made from net rentals to be received during the next year from leases extending beyond one year.

	1975	1974
Subordinated Debt:		
Subsidiaries —		
5¼% Convertible Subordinated Debentures due 1988	\$ 3,710,000	\$ 3,804,000
6¾% Senior Subordinated Note due 1982	2,100,000	2,400,000
9¼% Subordinated Debentures due 1992	13,523,000	13,523,000
	19,333,000	19,727,000
Less:		
Current portion	300,000	300,000
Imputed discount, primarily applicable to 5¼% Debentures	1,111,000	1,378,000
	\$17,922,000	\$18,049,000

Tiger International, Inc. and Subsidiaries

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The maturities and required payment of long-term debt for the five years subsequent to December 31, 1975, are as follows:

1976	\$ 88,089,000**
1977	177,225,000**
1978	69,956,000
1979	71,352,000
1980	59,746,000

**Includes \$15,850,000 and \$107,975,000 for 1976 and 1977, respectively, which is expected to be repaid out of the proceeds of the sale of long-term equipment obligations.

The Tiger International, Inc. secured notes payable to banks are outstanding under a term loan agreement which includes provisions limiting other borrowings and the payment of cash dividends on common shares and requires certain minimum cash balances to be maintained. At December 31, 1975, \$7,386,000 of retained earnings were free of such cash dividend limitations. The Company is obligated under the agreement relating to the secured notes payable to banks to apply the proceeds received from the issuance by it of shares of its common stock upon the exercise of stock options to repayment of borrowings, in multiples of \$200,000 up to \$10,000,000. In addition, all shares of North American Second Series Preferred Stock owned by Tiger International, Inc., have been pledged as security for the borrowings.

The equipment trust agreements and other debt agreements of subsidiaries contain restrictive provisions as to the payment of cash dividends, maintenance of minimum working capital and fixed charges coverage, and restrictions on additional borrowing and capital expenditures.

The Company's subsidiaries have revolving lines of credit with various banks totaling \$138,831,000 of which \$107,220,000 was borrowed as of December 31, 1975. A commitment fee, generally 1/2% per annum, is paid on the unused portion of the lines of credit, and in addition one subsidiary pays a quarterly fee of 1/16% of the total commitment.

In conjunction with these lines of credit and other agreements, the Company and its subsidiaries have informally agreed to maintain average cash balances determined from the bank ledger records throughout the period the loans are outstanding, equivalent to approximately 15% to 20% of the average outstanding loan balance. At December 31, 1975 and 1974, approximately \$34,303,000 and \$22,725,000 (including \$4,977,000 and \$6,481,000 of certificates of deposit), respectively, of the Company's cash was intended to meet the provisions of these informal agreements. In some instances the Company pays interest, generally at the same rate as the applicable borrowing rate, in lieu of compensating balance amounts. At December 31, 1975, \$5,978,000 of compensating balances is covered by an escrow deposit required by a 1975 lease financing agreement and is included in other assets. An additional \$2,137,000 of cash, related to bank borrowings, was legally restricted at December 31, 1975.

The 5 1/4% Convertible Subordinated Debentures due 1988 are those of National Equipment Rental, Ltd. (National Equipment), a subsidiary of North American, and are convertible into common shares of American Export Industries, Inc. (AEI), its former parent. Pursuant to the Purchase Agreement between North American and AEI, National Equipment agreed that upon conversion of any debentures prior to their maturity, National Equipment would, at its option, issue debentures of similar terms without a right of conversion or deliver to its former parent that number of shares of AEI stock equal to the number of shares issued by its former parent upon the conversion of the debentures.

At December 31, 1975, \$20,216,000 of the 5 1/4% Convertible Subordinated Debentures had been exchanged for \$13,523,000 of North American 9 1/4% Subordinated Debentures due 1992, plus accrued interest to the date of exchange, pursuant to an offer made during 1972 and completed in 1973. At December 31, 1975 and 1974, \$1,074,000 and \$980,000, respectively, of the 5 1/4% Convertible Subordinated Debentures had been purchased on the open market.

The imputed discount on the 5 1/4% Convertible Subordinated Debentures and 6 3/4% Senior Subordinated Note of National Equipment assumes an interest rate of 10%, which was the current rate on similar debt at the time of the acquisition of National Equipment.

Since the 5¼% Convertible Subordinated Debentures had been recorded at the discounted amount initially, there was no significant gain in connection with the exchange transaction described above.

Assets having an aggregate net book value of \$879,288,000 at December 31, 1975, are encumbered under equipment trust obligations and various loan agreements.

(5) Investment in Unconsolidated Entities

Two net finance lease subsidiaries, both of which began operations in 1974, and three joint ventures formed in 1975, are accounted for on the equity method of accounting. This method of accounting for finance lease subsidiaries was adopted by the Company because all debt of these subsidiaries, \$20,085,000, is non-recourse, the lenders having recourse only to the equipment. This change by the Company conforms its method of accounting for these two subsidiaries to that used by North American. The leases of these net finance lease subsidiaries are accounted for as leveraged leases with income being recognized for financial reporting purposes on the same basis as the Company's finance leases.

The Company's equity in net income of unconsolidated subsidiaries and joint ventures for the years ended December 31, 1975 and 1974 was \$192,000 and \$131,000, respectively. The total assets of subsidiaries and joint ventures accounted for on the equity basis were \$31,544,000 and \$31,111,000 at December 31, 1975 and 1974, respectively.

(6) Translation of Items in Foreign Currencies and Restatements of Financial Statements

Due to the Company's change in policy regarding foreign currency translation and consolidation of net finance lease subsidiaries and the correction of accounting errors involving the earnings contribution from foreign computer leasing operations, financial statements of prior periods have been restated. As a result of the change in policy regarding foreign currency translation to conform to the method prescribed in Statement of Financial Accounting Standards No. 8, net income was increased in 1975 by \$48,000 and restatement of income in 1974 for this change and the others described above was as follows:

	Previously Reported	Restated
Income before income tax provision	\$23,390,000	\$22,363,000
Income tax provision	8,369,000	8,393,000
Net income	\$15,021,000	\$13,970,000
Earnings per share	\$1.20	\$1.12

The restatements described above reduced retained earnings at December 31, 1973 by \$577,000.

The aggregate exchange gain (loss) included in income for the years ended December 31, 1975 and 1974, was (\$753,000) and \$578,000, respectively.

The Company had foreign revenues in 1975 and 1974 of \$37,448,000 and \$15,950,000, respectively. Net income was \$4,787,000 and \$2,062,000 in 1975 and 1974, respectively, and assets located in foreign countries were \$116,718,000 and \$91,191,000 at December 31, 1975 and 1974, respectively. Not included is revenue related to the international operations of Flying Tiger Line.

(7) Income Taxes

The provisions for income taxes for 1975 and 1974 are summarized as follows:

	1975	1974
Current—		
United States	\$ 73,000	\$(1,894,000)
State	742,000	147,000
Foreign	1,022,000	1,379,000
	1,837,000	(368,000)
Deferred—		
United States	10,912,000	8,902,000
State	207,000	790,000
Foreign	2,169,000	1,829,000
Investment tax credits, net	(4,725,000)	(2,760,000)
	8,563,000	8,761,000
Total income tax provision	\$10,400,000	\$ 8,393,000

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The income tax provisions were 36.2% and 37.8% of 1975 and 1974 pretax income, respectively. The primary reasons for the difference between these rates and the 48% Federal tax rate are as follows:

	1975	1974
Federal tax rate	48.0%	48.0%
Investment tax credits	(16.5)	(12.4)
State taxes and other	4.7	2.2

The timing differences giving rise to deferred income taxes were as follows (amounts in 1975 are subject to elections to be made upon filing returns):

	1975	1974
Excess of tax over book depreciation	\$26,680,000	\$19,097,000
Book reserve not deductible for tax purposes	(1,700,000)	(1,192,000)
Tax net operating losses	(6,585,000)	—
Excess tax over book gain on disposition of equipment	(6,542,000)	(2,143,000)
Differing treatment of finance leases	4,010,000	1,539,000
Net investment tax credits applied to reduce deferred tax provision	(4,725,000)	(2,760,000)
Foreign and investment tax credits made available from carry back of tax net operating losses	(879,000)	(5,993,000)
Other, net	(1,696,000)	213,000
	\$ 8,563,000	\$ 8,761,000

Cash outlays for income taxes are not expected to exceed the tax provisions for any of the next three years. The Company had approximately \$42,683,000 of investment tax credit carry forwards for Federal income tax purposes as of December 31, 1975, of which \$32,727,000 had been applied as a reduction of deferred Federal income tax provisions. Foreign tax credit carry forwards for Federal income tax purposes aggregate \$5,409,000 as of December 31, 1975, all of which have been applied as a reduction of deferred Federal income tax provisions.

The tax credits expire for tax purposes as follows:

Year of Expiration	Foreign Tax Credits	Investment Tax Credits
1976	\$ 866,000	\$1,444,000
1977	1,215,000	1,349,000
1978	1,313,000	8,335,000
1979	1,395,000	6,606,000
1980	620,000	8,946,000
1981	—	10,455,000
1982	—	5,548,000

Investment tax credits deferred and being amortized over the life of the related finance leases for financial statement purposes aggregated \$4,742,000 as of December 31, 1975. Expired investment tax credits of \$3,500,000, previously deducted from the deferred Federal income tax provision, are being amortized over the life of the property and equipment to which the election to deduct additional tax depreciation relates. The net amortization of such investment tax credits deducted from the deferred Federal income tax provision was \$637,000 in 1975 and \$1,027,000 in 1974.

The Company's tax returns for the four years ended December 31, 1974 are currently under examination by the Internal Revenue Service.

(8) Pension Plans

The Company maintains pension plans for substantially all employees. The total costs of the Company's pension plans for the years ended December 31, 1975 and 1974 were \$5,891,000 and \$5,064,000, respectively, which includes as to certain of the plans, amortization of unfunded liability for prior service benefits. During 1975 and 1974, certain changes in pension plans were made which: provided additional benefits, resulting in significant increases of the unfunded prior service costs and actuarially computed vested benefits in excess of pension funds; changed the amortization periods over which unfunded prior service costs

will be amortized, 20 to 30 years; and changed interest rate assumptions, primarily from five to six percent. In the aggregate, these changes did not have a material effect on the Company's net income for the years ended December 31, 1975 and 1974. At December 31, 1975, the unfunded prior service liability aggregated approximately \$21,075,000 and the actuarially computed value of vested benefits exceeded pension funds by approximately \$14,866,000.

The Employee Retirement Income Security Act of 1974, although affecting provisions in some of the Company's pension plans, will not have a material effect on the Company's pension costs.

(9) Minority Interest and Common Stock

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, 1975 and 1974 the Company had reserved shares of common stock for issuance, as follows:

Reserved for	Shares	
	1975	1974
Warrants	—	1,063,580
Qualified Stock Option Plans	484,988	490,026
Qualified Employee Stock Purchase Plan	368,082	368,082
Officers' Stock Purchase Agreements	120,000	120,000
	973,070	2,041,688

On December 31, 1975, the warrants expired without exercise.

At December 31, 1975, options granted to officers and key employees for the purchase of 330,664 shares were outstanding at prices ranging from \$14.63 to \$34.66 per share with an aggregate purchase price of \$8,036,000, and are exercisable 1976-1979. Unoptioned shares available at December 31, 1975 and 1974 were 154,324 and 73,317, respectively.

During 1971, the stockholders approved a Qualified Employee Stock Purchase Plan. In 1974 the Qualified Employee Stock Purchase Plan was amended so that the cost of the stock at exercise would be the lesser of the offering price or the market price of the stock on the date of exercise less 15%. An offering of common stock under the Qualified Employee Stock Purchase Plan, as amended, was made in 1974 at \$11.90 per share subject to the market value adjustment. At December 31, 1975, the Company had subscriptions outstanding for 259,929 shares.

In September 1974, the Company's Board of Directors approved, with subsequent ratification by the stockholders at the 1975 Annual Meeting, stock purchase agreements between the Company and certain principal officers. Under the agreements the officers agreed to purchase an aggregate of 120,000 shares at \$9.13 per share, which was the closing price of the common stock on the New York Stock Exchange on September 10, 1974. Each officer is obligated under the agreements to pay the full purchase price for his shares not later than September 1984, or at any time upon demand by the Company if his employment terminates prior to that date.

(10) Depreciation

The Company uses the following service lives and salvage values in providing depreciation and amortization for its property, plant and equipment:

	Service Life (Years)	Salvage Value
Equipment for lease or under operating lease—		
Car equipment	25 to 30	*
Computers and related equipment	8.5 to 10	15%
Aircraft	10 to 15	15%
Equipment used in airline operations—		
Aircraft and engines	10 to 14	15%
Other	3 to 14	—
Buildings and shop properties (average 17 years)	3 to 35	—

*Based upon the five year average price of scrap steel.

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The Company adjusted the salvage value of its rail cars in 1975 to recognize increases in the scrap value of rail cars resulting from continuing inflation. The scrap value of rail cars at the end of their depreciable lives is estimated to be at least \$38 million more than the estimated values previously assumed. The change in salvage value had the effect of increasing net income and earnings per share by approximately \$1,400,000 and \$.11, respectively, in 1975 from what it would have been without the change and will continue to have a similar effect in moderately decreasing amounts for the ensuing 20 years, based on North American's present fleet.

The major classes of property, plant and equipment and related reserves as of December 31, 1975, were as follows:

	Original Cost	Accumulated Depreciation and Amortization	Net
Equipment for lease or under operating lease—			
Car equipment	\$692,556,000	\$158,038,000	\$534,518,000
Other	130,951,000	69,284,000	61,667,000
Equipment used in airline operations	158,478,000	55,619,000	102,859,000
Buildings and shop properties—			
Buildings and leasehold improvements	38,087,000	6,153,000	31,934,000
Shop and terminal facilities and buildings and shop properties—other equipment	27,268,000	10,592,000	16,676,000
	<u>\$1,047,340,000</u>	<u>\$299,686,000</u>	<u>\$747,654,000</u>

(11) Changes in Working Capital

The net changes in the components of Working Capital for the years ended December 31, 1975 and 1974 were as follows:

	Increase (Decrease) in Working Capital	
	1975	1974
Cash and certificates of deposit	\$11,619,000	\$(15,984,000)
Receivables	278,000	9,626,000
Inventories	(848,000)	7,395,000
Prepaid expenses and other	742,000	(5,471,000)
Current portion of senior and subordinated debt	(8,365,000)	(7,817,000)
Accounts payable, accrued liabilities and income taxes	14,768,000	(27,763,000)
Net increase (decrease) in working capital	<u>\$18,194,000</u>	<u>\$(40,014,000)</u>

(12) Earnings Per Share

Earnings per share have been computed based upon the weighted average number of the Company's common and common equivalent (where dilutive) shares outstanding. The common equivalent shares are the shares issuable under outstanding stock options, stock subscriptions and warrants less those shares the Company could have purchased with the proceeds from the exercise of these options, subscriptions (net of paid shares) and warrants. The stock subscription paid 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.

The number of shares used in the computation of earnings per share were 12,636,000 and 12,518,000 for the years ended December 31, 1975 and 1974, respectively.

(13) Capitalized Interest

The Company capitalizes interest in connection with aircraft acquisitions. If capitalized interest had been expensed when incurred net income for the years ended December 31, 1975 and 1974 and earnings per share would have been reduced \$292,000 (S.02) and \$1,288,000 (S.08), respectively.

(14) Legal Action and Contingent Liabilities

At December 31, 1975 various legal actions were pending against the City of Los Angeles, and various actions and cross actions were pending against the airlines using Los Angeles International Airport, including Flying Tiger Line, involving noise and air pollution in the vicinity of the airport. Most of these suits were brought against the City, which in a number of cases has cross-complained against various airlines, including Flying Tiger Line, seeking indemnification.

In one action, in which the plaintiff was awarded judgment against the City, the court decided in favor of the airline cross-defendants and against the City on the issue of indemnification. The City appealed this ruling, and on appeal the court decided against the City. The California Supreme Court has denied the City's petition for a further hearing. As a consequence, the City has exhausted its legal remedies within the state court jurisdiction. Flying Tiger Line's special counsel in many of these actions, who also represents most of the other airline defendants, and management, are of the opinion that, although the legal issues have not been finally resolved, Flying Tiger Line has substantial defenses under the present law to the imposition of any liability in such actions.

Standard Oil Company (Ohio) ("SOHIO") and BP Oil Company ("BP") have filed suit against Flying Tiger Line seeking damages arising from their provision of fuel to Flying Tiger Line at New York, Newark, Cleveland and Detroit. The suit seeks a declaration that unforeseen circumstances made it commercially impractical as of April 1, 1974, for SOHIO and BP to perform their contractual obligations at the prices set forth in their contracts. Alternatively, SOHIO and BP demand that the contracts should be interpreted so that the escalator clauses contained therein be based on the price for domestic crude petroleum which was not subject to price control prior to passage of the new energy bill in December 1975. BP has also requested a declaration from the court that BP properly terminated its contract with Flying Tiger Line for the provision of fuel at New York and Newark as of January 1975. If SOHIO or BP were successful in their lawsuit it could increase Flying Tiger Line's cost of fuel in 1974 and 1975 by as much as an aggregate of approximately \$4,000,000 and would increase Flying Tiger Line's cost for fuel in the future. In the opinion of management, the ultimate resolution of this litigation will not materially affect the Company's financial position or results of operations for 1974 and 1975.

Flying Tiger Line agreed in February 1976, to join twelve other U.S. and foreign air carriers providing Transpacific service from the U.S. to Asia in tendering pleas of nolo contendere to charges set forth in a Federal criminal information alleging that the carriers had knowingly permitted persons to obtain air transportation services from the United States to foreign countries at less than the rates, fares and charges lawfully in effect, in violation of the Federal Aviation Act. As a result of their pleas, Flying Tiger Line and each of the other carriers will pay a fine (in the case of Flying Tiger Line not to exceed \$15,000), and have agreed with the United States Attorney for the Northern District of California to accept a Federal Court injunction enjoining each carrier from engaging in future tariff violations with respect to air transportation sold or originating in the United States. The agreement with the United States Attorney is subject to the approval of the court, which Flying Tiger Line believes will be granted in March 1976. In a related development, Flying Tiger Line instituted, and understands its principal competitors have instituted or are instituting new voluntary procedures designed to correct widespread disregard of tariffs with respect to Transpacific air freight sold or originating in Asia (such disregard of tariffs will not be subject to the injunction).

Flying Tiger Line has, since early 1970, been providing international air transportation to certain of its customers at less than its published rates and charges, and has been incurring commissions to certain of its air freight agents in excess of the rates set by the International Air Transport Association. Flying Tiger Line is unable to estimate reliably the undercollections of revenue during this period from tariff misapplications. The rebates and additional commissions paid by Flying Tiger Line in connection with transpacific air

transportation since 1970 averaged 3.8% of international freight revenue but varied from year to year from approximately 1.1% to 7.7% of international freight revenue depending on market conditions and increased from 1.6% in 1974 to 4.8% in 1975.

Based upon its review of the above practices in 1975, the Company's management believes that no adjustment of the Company's Federal income tax provisions for 1975 or prior years is necessary.

At December 31, 1975, the Company was contingently liable under outstanding guarantees for indebtedness, which mature from 1976 to 1982 in the amount of \$13,549,000. The guarantees are related to the sales of DC-8-63 aircraft by the Company to foreign airlines.

Auditors' Report

To the Stockholders, Tiger International, Inc.:

We have examined the consolidated balance sheets of TIGER INTERNATIONAL, INC. (a Delaware corporation) and subsidiaries as of December 31, 1975 and 1974, and the related consolidated statements of income, stockholders' equity, and changes in financial position for the years then ended. Our examination was 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, 1975 and 1974, and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods after giving retroactive effect to the changes (with which we concur) in accounting for the translation of foreign currency as explained in Note 6 to the consolidated financial statements and in the consolidation treatment given to leveraged finance lease subsidiaries as explained in Note 5 to the consolidated financial statements.

Los Angeles, California,
March 22, 1976.

ARTHUR ANDERSEN & CO.

Notice to Stockholders

The following notice to stockholders 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 prescribed notice are to sections of such regulations:

(1) Any person who either owned, as of December 31, 1975, 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, 1976, as to the capital stock owned as of December 31 of the preceding year, and, in the case of stock subsequently acquired, a report under Section 245.13, within 10 days after such acquisition, unless such person has otherwise filed with the Board a report covering such acquisition or ownership; (2) any bank or broker covered by (1) above, to the extent that it holds shares as trustee on the last day of any quarter of a calendar year, shall file with the Board, within 30 days after the end of the quarter, a report in accordance with the provisions of section 245.14; and (3) any person required to report under this subpart who grants a security interest in more than 5 percent of any class of the capital stock of Tiger International, Inc. shall within 30 days after granting such security interest file with the Board a report containing the information required in Section 245.15.

Any shareholder who believes that he may be required to file such a report may obtain further information by writing to the Director, Bureau of Operating Rights, Civil Aeronautics Board, Washington, D.C. 20428.

Form 10-K

The company files annually a report on Form 10-K with the Securities and Exchange Commission. Many of the information requirements of Form 10-K are satisfied by this 1975 Annual Report. However, a copy of Form 10-K is available upon request to the Vice President-Treasurer, Tiger International, Inc., Tiger International Building, 1888 Century Park East, Los Angeles, California 90067.

Tiger International, Inc. and Subsidiaries
Fourth Quarter Report

		For the Three Months ended December 31, 1975 and 1974	
		1975	1974*
		<i>(expressed in thousands)</i>	
Revenues	Common carriage—		
	Domestic	\$ 23,032	\$ 18,707
	International	35,634	28,653
	Military Airlift Command	4,551	3,954
	Leasing and related services	39,297	37,398
	Other	4,974	6,390
		107,488	95,102
Costs and Expenses	Airline operations	46,305	41,940
	Leasing operations	8,162	8,646
	Selling, general and administrative	16,875	16,965
	Depreciation and amortization	11,071	9,542
	Interest, and preferred dividends of subsidiary	14,717	15,833
	Interest capitalized and deferred	(214)	(776)
		96,916	92,150
	Income before income tax provision	10,572	2,952
	Income tax provision	4,196	2,336
Net Income		\$ 6,376	\$ 616
Earnings Per Share		\$.50	\$.05

*Restated.

The substantial increase in net income in the fourth quarter 1975 in comparison with the fourth quarter of 1974 resulted primarily from the following: (1) The net profit from aircraft sales by Flying Tiger which increased 1975 net income by \$2.2 million (2) The effects of the recession, inflation, and the fuel crisis on Flying Tiger Line partially offset in 1975 by rate increases, but which caused the airline to lose \$1.8 million in 1974 (3) The change in salvage value of rail cars which increased 1975 net income by approximately \$300,000. In addition, the 1975 fourth quarter tax provision rate was less than that for the comparable 1974 period in which a substantially increased provision was required primarily to provide for the loss of available investment tax credits by reason of the airline's loss in that quarter.

Tiger International, Inc. and Subsidiaries

Review 1971-1975

	1975	1974	1973	1972	1971*
	<i>(expressed in thousands)</i>				
Consolidated Summary of Earnings**					
Revenues	\$389,945	\$334,174	\$292,056	\$257,114	\$209,560
Costs and expenses—					
Airline operations	167,299	150,791	113,555	103,191	94,357
Leasing operations	36,779	24,987	16,164	13,539	10,615
Selling, general and administrative	54,699	47,888	37,372	31,507	21,660
Depreciation and amortization	42,020	36,778	31,526	30,729	24,984
Interest and preferred dividends of subsidiary	61,040	53,571	35,541	27,753	23,688
Interest capitalized and deferred	(794)	(2,204)	(557)	(117)	—
	361,043	311,811	233,601	206,602	175,304
Income before income tax provision	28,902	22,363	58,455	50,512	34,256
Income tax provision	10,400	8,393	24,199	21,037	13,873
Net Income	\$ 18,502	\$ 13,970	\$ 34,256	\$ 29,475	\$ 20,383
Earnings Per Share—					
Primary	\$ 1.46	\$ 1.12	\$ 2.68	\$ 2.51	\$ 1.91
Fully Diluted	1.46	1.12	2.66	2.25	1.65
Shares used for computation of fully diluted earnings per share***	12,636,000	12,518,000	12,896,000	13,086,000	12,576,000

Stock Market Information

Common Stock

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1975				
High	\$ 11.88	\$ 14.75	\$ 16.88	\$ 14.00
Low	7.25	11.13	9.88	10.50
Close	11.50	14.75	11.13	13.75
Cash dividends paid per common share	.10	.10	.10	.10
1974				
High	\$ 22.88	\$ 19.13	\$ 14.38	\$ 9.50
Low	16.50	10.75	8.25	6.25
Close	18.63	13.75	8.50	7.25
Cash dividends paid per common share	.10	.10	.10	.10

*Information relating to National Equipment Rental, Ltd., a member of Tiger Leasing Group, is not included in the results of operations prior to its acquisition by purchase in October 1971.

**This summary of earnings has been restated for change in accounting for foreign currency translation, correction of accounting errors and the change in accounting for net finance lease subsidiaries. The changes for foreign currency and accounting errors increased (decreased) net income by (\$1,051,000) (1974), (\$247,000) (1973), (\$335,000) (1972) and \$5,000 (1971) and earnings per share by (\$.08) (1974), (\$.02) (1973) and (\$.03) (1972).

***Supplementary Earnings Per Share: Assuming conversion of convertible securities at the date of original issuance, supplementary earnings per share would have been the same as the fully diluted earnings per share for 1971-1973.

Management Analysis
1975 compared to 1974

In 1975, Flying Tiger Line contributed 58 percent of revenue and \$4.8 million of net income. Tiger Leasing Group contributed 42 percent of revenue and \$13.7 million of net income.

Total revenue in 1975 was 17 percent higher than in 1974. Flying Tiger Line revenue increased 16 percent because of rate increases, increased commercial and military traffic, and gains from sales of aircraft. Tiger Leasing Group revenue was up 13 percent over 1974 principally due to substantial rail car additions.

Costs and expenses of airline operations grew 11 percent in 1975. This was due to increased fuel consumption and the effects of inflation on labor, materials, and other costs of operations. Costs and expenses of leasing operations grew 47 percent. A major component of this is the increased cost of leased-in equipment due to an emphasis on this financing method instead of outright purchase. In a purchase, which has a higher effective cost to the Company, the costs would be reflected in depreciation and interest expenses. Other costs were also affected by inflation. Consolidated selling and administrative expenses rose 14 percent in 1975. The major reason for this was significant increases in provisions for doubtful accounts caused by delinquencies experienced by both leasing and airline operations resulting from the economic recession. In addition, in 1975 there was a significant increase in the amount of commissions paid by Flying Tiger Line related to international operations.

Depreciation and amortization expenses were up 14 percent in 1975 as a result of equipment purchases by Flying Tiger Line and Tiger Leasing Group. Depreciation was reduced in 1975 by \$2.2 million due to the adjustment the Company made in the salvage value of its rail cars. Interest expense was up 14 percent from 1974 despite lower interest rates, because of higher levels of borrowings.

The provision for income tax increased 24 percent in 1975 due to higher pre-tax income.

Management Analysis
1974 compared to 1973

In 1974, Flying Tiger Line contributed 57 percent of revenue and a loss of \$1.6 million. Tiger Leasing Group contributed 43 percent of revenue and \$15.6 million of net income.

Total revenue in 1974 increased 14 percent over 1973. Flying Tiger Line revenue grew 7 percent, primarily because of rate increases received in 1974. On a total revenue ton miles basis, traffic declined 5.4 percent from 1973. Revenue for Tiger Leasing Group exceeded 1973 by 27 percent due largely to record lease placements in most divisions.

Costs and expenses of airline operations rose 33 percent in 1974. Approximately \$25 million of this increase is attributable to higher fuel prices. The remainder of the increase resulted primarily from the effects of inflation on labor, materials, and other costs of operations. Costs and expenses of leasing operations grew 55 percent. A major reason for this is an increased emphasis in 1974 on leasing-in equipment instead of purchasing it. Other costs were also affected by inflation.

Consolidated selling and administrative expenses increased 28 percent in 1974. Flying Tiger Line expenses reflected a higher average number of employees over 1973 as well as higher cost per employee. The Tiger Leasing Group expenses increased as a result of the higher level of business and expanded geographic operations.

Depreciation and amortization increased 17 percent in 1974 as a result of equipment purchases by Flying Tiger Line and Tiger Leasing Group. Interest expense rose 51 percent due to increases in total borrowings and substantially higher interest rates.

The provision for income tax declined 65 percent in 1974 because of the reduced pre-tax income in relation to 1973.

Directors

Robert W. Prescott
Chairman of the Board
Wayne M. Hoffman
*President &
Chief Executive Officer*
Laurence C. Craigie
Consultant
Lockheed
Aircraft Corporation
Burbank, California
J. Howard Edgerton
Chairman of the Board
California Federal Savings
& Loan Association
Los Angeles, California

Myer Feldman
Senior Partner
Ginsburg, Feldman & Bress
Attorneys at law
Washington, D.C.
Thomas F. Grojean
Executive Vice President
Tiger International
President
Tiger Leasing Group
Charles Luckman
Founder
Charles Luckman
Associates (Architects)
Los Angeles, California

William E. McKenna
Chairman of the Board
& President
Technicolor Inc.
(Film Processing)
Hollywood, California
Norman L. Meyers
Partner
Meyers, Marshall & Meyers
Attorneys at law
Washington, D.C.
B. Houston Rehrig
President
Rehrig-Pacific Company
(Plastic Molders)
Los Angeles, California

Officers

Wayne M. Hoffman
*President &
Chief Executive Officer*
Robert W. Prescott
Chairman of the Board

Thomas F. Grojean
Executive Vice President
John E. Flynn
Vice President—Law
Martin A. Lynch
Vice President—Treasurer

Rolf Bodenbug
Assistant Treasurer—
Tax Administration
William D. Evans
Controller
Rosanne O'Brien
Secretary

CHICAGO BRUSSELS

Auditors
Arthur Andersen & Co.
General Counsel
White & Case
Common Stock
Transfer Agents
The Chase Manhattan
Bank N.A.
1 Chase Manhattan Plaza
New York, N.Y. 10015

Bank of America
Corporate Agency Division
111 West Seventh Street
Los Angeles,
California 90014
Registrars
The Bank of New York
90 Washington Street
New York, N.Y. 10015

Union Bank
742 South Hill Street
Los Angeles,
California 90054
Stock Exchanges
New York Stock Exchange
Pacific Stock Exchange
Midwest Stock Exchange

Annual Stockholders' Meeting

Date: May 14, 1976. Time: 2 p.m.
Place: 7401 World Way West, International Airport
Los Angeles, California 90009

Corporate Address

Tiger International, Tiger International Building,
1888 Century Park East, Los Angeles, California 90067

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