



Tiger International 1974 Annual Report

	<i>For the years ended December 31</i>	1974	1973
Financial Highlights	Revenue (000)	\$337,953	\$292,242
	Net Income (000)	\$ 15,021	\$ 34,503
	Fully diluted earnings per share	\$ 1.20	\$ 2.68
	Stockholders' equity (000)	\$208,813	\$198,691
	Book value per common share	\$ 16.80	\$ 15.99
	Cash dividends paid per common share	\$.40	\$.20

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

Contents	Tiger International/Stockholders' Letter & Corporate Tables	2
	Flying Tiger Line/Summary & Tables	6
	Flying Tiger Line/Condensed Financial Statements	10
	Tiger Leasing Group/Summary & Tables	12
	Tiger Leasing Group/Condensed Financial Statements	16
	Tiger International/Financial Statements	19
	Tiger International/Notes to Financial Statements	25
	Tiger International/Officers & Directors	40

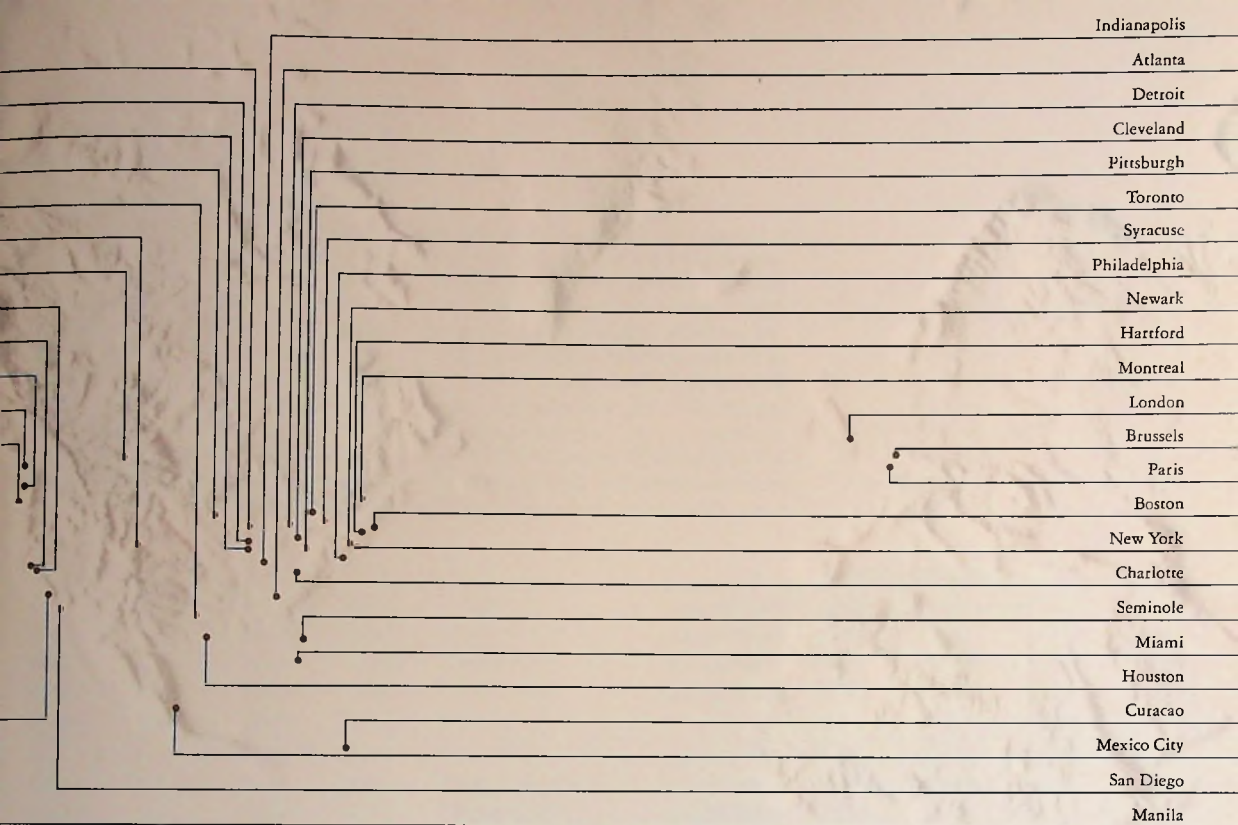
Milwaukee
Chicago
Lemont
Minneapolis
Dallas/Fort Worth
Denver
Regina
Palo Alto
San Francisco
Seattle
Vancouver
Portland
Tokyo
Osaka
Okinawa
Seoul
Taipei
Kaohsiung
Hong Kong
Los Angeles
Bangkok
Saigon
Kuala Lumpur
Singapore



Tiger International's profit declined severely from \$34.5 million in 1973 to \$15 million in 1974 because of the effects of the fuel crisis and the recession on Flying Tiger Line and high interest rates on Tiger Leasing Group.

The largest adverse element was the impact of the fuel crisis on Flying Tiger Line. Fuel costs, which had averaged 13 cents per gallon domestically and 12 cents internationally in 1973, jumped to 30 cents domestically and 37 cents internationally in 1974.

Flying Tiger was not able immediately to pass along the impact of these cost increases. Being regulated by the Civil Aeronautics Board, the airline had to obtain that agency's approval to raise rates. As the year progressed, we were able to obtain rate increases sufficient to cover the future impact



of increased fuel costs. The airline's fuel bill rose \$25 million over 1973 even though we used fewer gallons in 1974, while revenue influenced mainly by rate increases, grew by only \$12.3 million. Other costs also went up in 1974, and many of these increases have not yet been compensated for by rate adjustments. The immediate impact of higher costs, coupled with the delay in raising our rates, inevitably reduced profits in 1974.

The airline was also affected by the problems of the U.S. economy. Flying Tiger had a particularly strong year domestically in 1973, and 1974 began with signs of strength both domestically and internationally. When the economy went into a recession, freight shipments declined. The result was that domestic revenue ton miles for 1974 declined below 1973 by 4.2 percent. International freight revenue ton miles, while 4.4 percent above 1973, were still far below the potential shown early in the year.

In spite of our severe difficulties we demonstrated our confidence in the future of the air freight business by introducing into service the 747 Freight Master, an aircraft two and a half times as large as our DC-8-63. The skill and expertise of the Flying Tiger people, particularly the maintenance and operating personnel, were put to a test. The successful introduction of this huge, complex aircraft into our daily service in the short lead time we had available is proof of the high caliber of our people.

In 1975, we expect Flying Tiger's traffic to be below last year's level in the first half and above in the second half on an overall revenue ton mile basis. Revenue should increase because of rate increases implemented last year and this year. Programs are underway

to keep expenses other than depreciation and interest (which will increase because of the 747's) in check. The airline should be profitable in 1975.

Tiger Leasing Group's revenue increased by 30 percent in 1974 compared with 1973. Excellent growth was reported from our railcar, finance, and aircraft leasing divisions as well as from many other specialized areas of leasing activity. But because of high interest rates, the fact that we could not recognize in 1974 certain debenture exchange

benefits which were included in 1973's results, and the inability to use as much investment tax credit as generated, net income declined from 1973.

In 1974, North American Car, Tiger Leasing's Railcar Division, leased 7691 new railcars, leading its industry in the placement of new cars as it did in 1972 and 1973. The division's railcar additions amounted to 10 percent of all new railcars built in the U.S. in 1974. Forty percent of its fleet is covered hopper cars, 36 percent is tank cars, and the balance is box, refrigerator, flat, and gondola cars. This is the most diversified fleet in the railcar leasing industry and affords Tiger Leasing protection against softness in any one area.

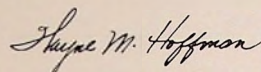
Tiger International		1974	1973	1972	1971	1970
Net Income (thousands)	First Quarter	\$ 2,511	\$ 5,810	\$ 4,532	\$ 2,201	\$ 716
	Second Quarter	5,381	7,839	6,802	4,373	2,403
	Third Quarter	6,151	10,011	8,424	5,813	3,623
	Fourth Quarter	978	10,843	10,052	7,991	3,786
	Year	15,021	34,503	29,810	20,378	10,528
Contribution to Net Income (thousands) Flying Tiger Line	First Quarter	\$ (1,843)	\$ 1,803	\$ 1,741	\$ 817	\$ 716
	Second Quarter	937	3,577	3,582	3,215	2,403
	Third Quarter	1,125	5,324	4,917	4,306	3,623
	Fourth Quarter	(1,817)	5,922	5,927	4,969	3,786
	Year	(1,598)	16,626	16,167	13,307	10,528
Tiger Leasing Group	First Quarter	4,354	4,007	2,791	1,384	—
	Second Quarter	4,444	4,262	3,220	1,158	—
	Third Quarter	5,026	4,687	3,507	1,507	—
	Fourth Quarter	2,795	4,921	4,125	3,022	—
	Year	16,619	17,877	13,643	7,071	—
Fully Diluted Earnings Per Share	First Quarter	\$.20	\$.45	\$.35	\$.19	\$.09
	Second Quarter	.43	.61	.52	.36	.27
	Third Quarter	.49	.77	.65	.47	.40
	Fourth Quarter	.08	.85	.76	.63	.40
	Year	1.20	2.68	2.28	1.65	1.16
Contribution to Fully Diluted Earnings Per Share Flying Tiger Line	First Quarter	\$ (.15)	\$.14	\$.14	\$.07	\$.09
	Second Quarter	.08	.28	.27	.27	.27
	Third Quarter	.09	.41	.38	.35	.40
	Fourth Quarter	(.15)	.46	.45	.39	.40
	Year	(.13)	1.29	1.24	1.08	1.16
Tiger Leasing Group	First Quarter	.35	.31	.21	.12	—
	Second Quarter	.35	.33	.25	.09	—
	Third Quarter	.40	.36	.27	.12	—
	Fourth Quarter	.23	.39	.31	.24	—
	Year	1.33	1.39	1.04	.57	—

National Equipment Rental's Finance Leasing Division pushed revenue up over 50 percent above 1973. But because its source of financing is bank credit tied to the prime rate, its earnings were reduced by the steep increase in interest rates in 1974. Revenue and net income from computer leases declined as expected. Our computer portfolio will be depreciated to residual value in 1976, after which computer rentals should generate net income well above current levels and continue doing so, at a diminishing rate, well into the next decade.

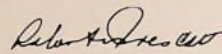
The return to more normal demand in the railcar market in 1975 will enable Tiger

Leasing Group to consolidate the financial and operational gains which three years of unusually high growth have produced. We will also benefit from declining short-term interest rates. The result should be growing revenue and net income for Tiger Leasing Group.

Overall, we are confident that 1975 will be a year of improved earnings for Tiger International.



Wayne M. Hoffman
President and Chief Executive Officer



Robert W. Prescott
Chairman of the Board
March 17, 1975

		1974	1973	1972	1971	1970
Net Income Before Income Taxes (thousands)	First Quarter	\$ 3,973	\$ 9,957	\$ 7,647	\$ 3,521	\$ 1,118
	Second Quarter	8,165	13,553	11,601	7,052	3,756
	Third Quarter	7,924	17,359	14,817	10,434	5,997
	Fourth Quarter	3,328	17,872	16,893	13,239	5,922
	Year	23,390	58,741	50,958	34,246	16,793
Revenue (thousands)	First Quarter	\$ 72,257	\$ 61,567	\$ 56,761	\$ 40,745	\$ 24,381
	Second Quarter	81,940	68,490	62,624	46,843	29,434
	Third Quarter	88,747	77,559	67,125	54,442	35,048
	Fourth Quarter	95,009	84,626	70,701	67,520	36,648
	Year	337,953	292,242	257,211	209,550	125,511
Contribution to Revenue (percent) Flying Tiger Line	First Quarter	56	59	63	67	100
	Second Quarter	57	61	63	70	100
	Third Quarter	58	62	65	74	100
	Fourth Quarter	56	62	67	65	100
	Year	57	61	64	69	100
Tiger Leasing Group	First Quarter	44	41	37	33	—
	Second Quarter	43	39	37	30	—
	Third Quarter	42	38	35	26	—
	Fourth Quarter	44	38	33	35	—
	Year	43	39	36	31	—
Distribution of Revenue (percent)	Wages and benefits	24.9	25.4	24.4	24.8	29.3
	Other	16.5	14.3	15.8	16.6	15.8
	Interest	15.9	11.8	10.5	11.0	6.3
	Depreciation and maintenance	15.0	14.7	15.3	15.8	12.2
	Aircraft fuel	13.3	6.9	7.0	8.2	12.4
	Equipment and facilities rentals	6.7	6.4	6.9	6.9	9.2
	Net Income	4.5	11.8	11.6	9.7	8.4
	Taxes	3.2	8.7	8.5	7.0	6.4
Assets (thousands)	\$1,112,575	\$894,084	\$715,904	\$658,100	\$210,746	
Stockholders' Equity (thousands)	208,813	198,691	166,337	134,673	53,811	
Book Value Per Share (dollars)	16.80	15.99	13.49	11.19	6.47	

Dallas/Fort Worth

Denver

Seattle

Vancouver

Portland

Tokyo

Seoul

Osaka

Okinawa

Kaohsiung

Hong Kong

Bangkok

Saigon

Kuala Lumpur

Singapore

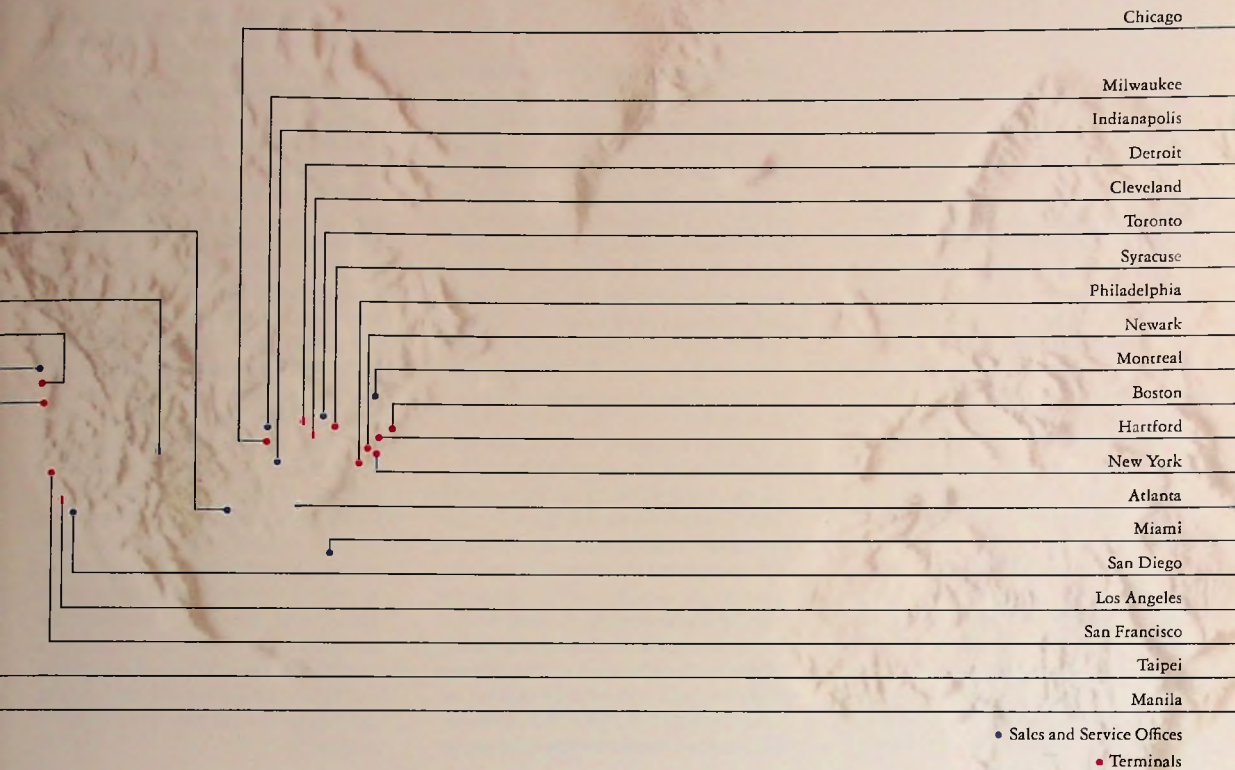


FLYING TIGER LINE

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.

Inflation, recession, and fuel price and availability problems combined in 1974 to impede Flying Tiger Line's recent history of steady annual growth. Yet, Flying Tiger emerged from 1974 in a reasonably strong position.

The year began in the crush of the fuel crisis. On January 1, 1974, our average international fuel prices jumped from 14 cents to 43 cents per gallon. Through the auspices of the International Air Transport Association and with the approval of the Civil Aeronautics Board (CAB), international freight rates across the Pacific were raised eight percent in January, seven percent in March, and five percent in July. By mid-year, international rates had been increased suffi-



- Sales and Service Offices
- Terminals

ciently to cover higher fuel costs. And by then, unit fuel costs declined from a high of 43 cents to 37 cents, on average.

The result was that we had an operating profit (before interest and taxes) of \$10 million in 1974 from our international freight and mail business. Since international freight rates increased much faster than mail rates, we changed our flight schedules to capitalize on the higher-yielding freight traffic. A 4.4 percent increase in freight ton miles over 1973 produced a 23 percent increase in revenue. International mail revenue declined 22 percent on a 28 percent decrease in ton miles.

Domestic fuel prices increased from 18 cents in December 1973 to 22 cents the next month but by May had reached 32 cents. Because many of Flying Tiger's long-term fuel contracts expired at the end of 1973, our prices were much higher than those of the industry in general. Since the CAB uses industry data in analyzing rate proposals, price increases domestically were insufficient to make up for our increased cost of fuel.

Domestic rate increases which came later and in smaller amounts than international—four percent in February, four percent in May, and two percent in August—were in-

sufficient to cover fully increased costs. Our operating loss from domestic business of \$12 million reflects this. The loss, however, is not wholly attributable to rates. Domestic revenue ton miles in 1974 declined 4.2 percent below the prior year. Domestic revenue increased two percent to \$73.9 million from \$72.3 million in 1973. Included in these figures is domestic mail revenue which was \$4.2 million in 1974 compared to 1973's \$4.9 million. Despite the reduction in traffic, we were able to maintain our market share on our domestic routes.

Our largest problem early in 1974, and still our largest potential problem, was that of fuel supply which is beyond management's control. The government's fuel allocation program forced us to reduce capacity below planned amounts when our business was strong. At the time we needed added capacity the most, we were prevented from having it, and the level of business in the first half of 1974 was artificially curtailed. By the time increased fuel supply allowed

us to expand capacity, the effects of recession had taken hold amongst our customers, and traffic started to weaken.

From a company standpoint, a cost increase, even when excessive, is a manageable problem. We continue to maintain that air freight is far more service sensitive than price sensitive. As long as we retain the value of service we have historically offered, we feel our customers will accept higher rates. But fuel supply limitations, or any outside limit on our capacity, strikes at the heart of our operation, impeding our ability to offer the highest level of service to our customers.

Our fuel expense in 1974 was \$45 million, \$25 million over that of 1973. Other cost increases over 1973 amounting to \$19 million resulted from inflation and from expansion of our operation in anticipation of a strong 1974. Our expectations were proved right in the first half of the year but were later soured by the recession. If rate increases received in 1974 had been in effect all year, the amount of revenue attributable solely to higher rates would have been approximately \$34 million. Thus, additional rate increases will be required. As can be

seen, most of the problem is with domestic rates, and fortunately, we received a domestic increase of almost eight percent effective January 1, 1975. Internationally, an increase of approximately seven percent has been approved, and we await final CAB action for implementation.

We are proud of the way Flying Tiger came through the enormous problems of 1974, particularly in the international freight sector. There were other progressive steps which we took to support the continued success of the airline.

Foremost was the successful introduction of the 747 Freight Master. The decision to purchase this aircraft was based upon two fundamental considerations. First, while the DC-8-63 aircraft has been and will remain the backbone of our fleet for some years, it is no longer in production, and used DC-8-63's have not been available. Our orderly expansion was, therefore, dependent upon our finding a suitable aircraft to supplement our existing fleet. Second, our business has grown to the point where the demand on certain routes has required two DC-8-63's on the same schedule. The substitution of one 747 aircraft for two DC-8-63's would result in greater efficiency and higher profitability.

Flying Tiger Line		1974	1973	1972	1971	1970
Revenue (thousands)	First Quarter	\$ 39,675	\$ 35,914	\$ 34,943	\$ 27,178	\$ 23,863
	Second Quarter	46,024	41,100	39,474	32,693	29,429
	Third Quarter	50,547	48,141	43,134	40,132	34,376
	Fourth Quarter	53,018	51,773	46,803	44,244	35,704
	Year	189,264	176,928	164,354	144,247	123,372
Pretax Income (Loss) (thousands)		\$ (1,019)	\$ 30,683	\$ 29,074	\$ 22,167	\$ 16,633
Equity in Net Income of North American Car (thousands)		4,296	4,465	3,148	1,383	—
Net Income Including Equity in North American Car (thousands)		3,766	20,182	18,922	14,748	10,328
Sources of Revenue (percent)	Domestic common carriage	39.0	40.7	29.7	27.2	24.7
	International — freight	35.4	30.8	31.9	24.4	16.4
	— mail	9.6	13.1	12.3	14.8	24.3
	Military Airlift Command	8.0	8.8	20.0	23.6	24.8
	Charter	6.3	4.5	3.6	7.2	5.9
	Other	1.7	2.1	2.5	2.8	3.9

After exploring all possibilities, we elected, with Boeing's cooperation, to purchase 747 passenger aircraft, which were readily available on the used market, and to convert them to freighter configuration. In addition, we upgraded the engines to the highest standard available. In 1974, we elected to expense the pre-operating and training costs associated with the introduction of our Freight Masters which totaled \$1.7 million.

The result is the Flying Tiger Freight Master at a cost of \$22.7 million, compared with a new 747F at approximately \$35 million. Since Flying Tiger made this decision, a number of U.S. and foreign airlines have also elected to acquire these converted freighters.

We placed two Freight Masters in operation in 1974 and will receive a third in July of 1975. The aircraft has proved to be a very efficient vehicle, and as our business volume warrants, we will probably add additional 747's to our fleet.

Meanwhile, to balance our lift requirements we sold one DC-8-63 in 1974 and will sell one or possibly two more in 1975.

In September, Flying Tiger opened a new \$7 million terminal at New York's John F. Kennedy International Airport. The terminal, which replaced three separate facilities (two of which were off the airport),

will improve our service to our New York area customers. We also moved into a joint cargo facility in Portland, Oregon and began construction of new facilities at Seattle and Anchorage. Expansion of our terminal at Chicago was also begun.

Flying Tiger's new "Vital II" advanced visual system for our aircraft simulator was installed early in 1974. This was the first "four-window" system of its kind to be approved for flight simulation use by the Federal Aviation Administration. The new system cost \$500,000 but is estimated to have saved \$580,000 in flight training costs including almost two million gallons of fuel in 1974.

Flying Tiger began 1975 much improved from its position the year before. In addition to rate increases received in 1974 and in early 1975, stringent economy programs have been inaugurated to reduce expenses wherever prudent.

Because of the substantial increases in international mail rates, we plan to increase our share of the mail market, by realigning our flight schedules to meet more completely the needs of the Postal Service. Added to our already profitable international common

carriage freight, income from international operations should improve in 1975. Again because of increases in charter rates and because all of our available capacity will not be needed for scheduled service, we will make more aircraft time available for charter use.

In 1974, we had the staff and the capacity to maintain our historic growth rate. As the recession developed, we reduced staff and other expenses accordingly. But we finished 1974, and remain still, with under-utilized capacity and facilities. Nevertheless, if we are right in our expectations for only a small decline in domestic business below 1974 levels and for some growth in international traffic, Flying Tiger will return to profitable operations for the year 1975 if we maintain current operating efficiencies. At the same time, with current equipment and facilities we will be poised to return to former rates of growth when the economy improves.

		1974	1973	1972	1971	1970
Distribution of Revenue (percent)	Wages and benefits	36.1	34.3	32.2	30.7	29.8
	Aircraft fuel	23.8	11.7	11.0	11.9	12.6
	Other	14.8	12.8	14.5	13.6	12.7
	Aircraft and facilities rentals	8.2	7.8	7.9	8.5	6.5
	Materials and outside services	5.9	4.3	4.0	4.3	6.1
	Depreciation	5.4	4.8	4.9	5.5	6.3
	Taxes, interest and insurance	3.8	12.9	14.0	15.3	17.6
	Net Income	2.0	11.4	11.5	10.2	8.4
Assets (thousands)		\$275,522	\$235,876	\$215,071	\$217,828	\$204,900
Number of Employees		3,549	3,550	3,195	3,058	2,781
Domestic Cargo Statistics (thousands)	Revenue ton miles					
	Freight	384,434	397,140	277,934	234,780	203,462
	Mail, express, and other	26,218	31,333	12,715	15,815	10,305
	(percent) Load factor	60.3	61.8	58.6	55.0	56.5
	(cents) Revenue per ton mile	18.0	16.9	16.9	15.9	14.3
International Cargo Statistics (thousands)	Revenue ton miles					
	Freight	297,291	284,738	295,022	190,305	100,035
	Mail	88,316	122,812	116,836	133,220	190,091
	Military Airlift Command	63,217	74,310	176,125	180,090	155,061
	Charter	64,407	66,490	59,460	103,435	78,384
	(percent) Load factor	68.1	64.6	68.9	64.6	64.6
	(cents) Revenue per ton mile	22.1	19.0	17.7	17.5	17.3

Flying Tiger Line Condensed Financial Statements*

Consolidated Balance Sheets		December 31, 1974 and 1973	1974	1973
Assets		<i>(expressed in thousands)</i>		
Current Assets	Cash and certificates of deposit		\$ 11,555	\$ 23,097
	Receivables — net		44,096	42,760
	Other current assets		6,620	5,445
	Total current assets		62,271	71,302
Investment and Receivable	Investment in North American Car		31,266	26,970
	Note receivable from Tiger International, Inc.		9,000	9,000
			40,266	35,970
Property and Equipment, at cost	Aircraft, engines and other flight equipment		178,069	133,246
	Other equipment		12,758	8,617
	Buildings and leasehold improvements		27,170	16,065
			217,997	157,928
	Less — Reserves for depreciation and amortization		59,410	50,279
			158,587	107,649
	Aircraft leased to others, net of reserves for depreciation		6,895	14,191
			165,482	121,840
Other	Other assets and deferred charges		7,503	6,764
			\$275,522	\$235,876
Liabilities and Stockholder's Equity				
Current Liabilities	Current installments of long-term debt		\$ 6,333	\$ 3,418
	Accounts payable and accrued liabilities		32,554	36,466
	Total current liabilities		38,887	39,884
Long-Term Debt	Equipment trust certificates, etc.		74,008	43,213
	Note payable to Tiger International, Inc.		25,000	25,000
Deferred Credits	Deferred income taxes and other		58,408	42,326
Stockholder's Equity	Common stock interest of Parent Company		21,925	21,925
	Retained earnings		57,294	63,528
			79,219	85,453
			\$275,522	\$235,876

*These condensed financial statements are in general conformity with those published by The Flying Tiger Line Inc., the formats being consistent with those prescribed by the Civil Aeronautics Board and in general use in the airline industry. The formats and grouping of accounts herein do not conform to the separate Flying Tiger Line Inc. 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.

Consolidated Statements of Income		For the years ended December 31, 1974 and 1973	
		1974	1973
Operating Revenues	Common carriage —	<i>(expressed in thousands)</i>	
	Domestic	\$ 73,772	\$ 71,998
	International — freight	67,038	54,407
	— mail	18,105	23,220
	Military Airlift Command	15,148	15,579
	Charters	11,948	7,916
	Other	3,253	3,808
		189,264	176,928
Operating Expenses	Total operating expenses	188,886	144,766
	Income from operations	378	32,162
Other (Income) Expense	Interest expense	3,521	3,613
	Interest income and other — net	(2,124)	(2,134)
		1,397	1,479
	Income (loss) before income tax provision and equity in net income of North American Car	(1,019)	30,683
	Income tax provision (credit)	(489)	14,966
	Income (loss) before equity in net income of North American Car	(530)	15,717
	Equity in net income of North American Car	4,296	4,465
Net Income		\$ 3,766	\$ 20,182

Consolidated Statements
of Changes in Financial Position

For the years ended December 31, 1974 and 1973

Source of Funds

Operations	Net income	\$ 3,766	\$ 20,182
	Add (deduct) — items not involving funds		
	Depreciation and amortization, including amounts charged to other accounts	12,064	10,151
	Deferred income tax provision (credit)	(519)	3,474
	Equity in net income of North American Car	(4,296)	(4,465)
	Overhaul reserves	2,153	1,092
	Funds provided by operations	13,168	30,434
Financing	Proceeds from equipment and other financing	48,500	—
Other	Increase in deferred taxes not affecting net income	16,256	—
	Retirement of property and equipment — net	10,644	2,337
	Other — net	3,014	2,503
		29,914	4,840
	Funds Provided	91,582	35,274

Application of Funds

Long-Term Debt	Current maturities and payment of long-term debt	17,705	6,282
Purchase of Property	Purchase of property and equipment	71,911	10,872
Other	Dividends paid on common stock	10,000	9,300
	Funds Applied	99,616	26,454
	Net increase (decrease) in working capital	\$ (8,034)	\$ 8,820

Regina

Denver

Vancouver

Los Angeles

Palo Alto

San Francisco

Seoul

Dallas

Taipei

Mexico City

Singapore



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 (TLG) achieved record revenue and slightly-improved pre-tax income in 1974 although income after tax declined from 1973. Revenue for 1974 increased 30 percent because of record volumes of business in most leasing areas. Pre-tax income failed to keep pace with revenue because of higher interest rates and a change in the recognition of certain debenture exchange benefits arising from the acquisition of National Equipment Rental. In 1973, \$1,333,000 of such benefits was included in pre-tax income; none was included in 1974. While pre-tax income grew three percent, our tax provision increased

Minneapolis

Lemont

Chicago

Cleveland

Pittsburgh

Toronto

Montreal

London

Brussels

Paris

New York

Charlotte

Atlanta

Seminole

Houston

Curacao

by 20 percent because lower Tiger International consolidated earnings reduced the amount of investment tax credit which TLG could utilize in 1974. However, unused credits totaling \$2.8 million will be available for use in future years.

The Railcar Division led its industry in new car placements for the third consecutive year with 7691 new railcars leased in the U.S. and Canada. The company has moved from fourth to third largest in its industry. The fleet is the industry's most diversified.

Prior to the acquisition of North American Car in 1971, substantial deferred maintenance had been allowed to accumulate on its railcar fleet. We implemented an extensive four-year maintenance program costing approximately \$12 million, during which all of the company's railcars needing maintenance were either repaired or scrapped. As a result, the entire fleet has been fully upgraded. This program has reduced the number of cars out of revenue-generating service for maintenance reasons from five to two and one-half percent.

In 1974, new car costs increased by more than 40 percent. Correspondingly, this inflation also increased the value of most of the

approximately 32,000 cars already in our fleet, which should be reflected over the remaining lives of the equipment in the form of higher lease rates as existing leases are renewed or as the cars are re-leased to new customers.

A major area of emphasis for the Railcar Division in the coming years will be the marketing of its pressure differential covered hoppers. Designed to ship such diverse products as cement, flour, starch, and chemicals, this car has generated great interest among shippers because it permits unloading the commodity in an enclosed, pollution-free system. With many companies converting their plants to more sophisticated handling procedures, orders for the pressure differential car are increasing.

The demand for railcars will return to more normal levels in 1975 compared to the unusually high demand of the last two years. This gives us an opportunity to digest our gains of the last three years. The Railcar Division, while remaining flexible in its

capital budgeting for 1975, presently estimates leasing approximately 3800 new tank cars, covered hoppers, and other specialized rail equipment costing \$100 million.

Almost all of the nearly 40,000 cars in our fleet are under long-term lease contracts providing firm rentals for many years in the future. Over \$100 million of these rentals are due in 1975. Of the 4000 cars coming off lease this year, approximately 75 percent (up from 67 percent in 1974) are expected to remain in the service of current lessees. Almost 95 percent of North American Car's lease revenue in 1975 will come from the existing fleet.

NAC Leasing Corporation, TLG's leverage lease and lease underwriting division, participated in structuring net finance leveraged leases with a cost of approximately \$100 million during the year. Such leases primarily involved railroad locomotives

and various kinds of rolling stock. Lease packages were also arranged for intermodal cargo containers, aircraft, and plant modernization projects. In conjunction with the Railcar Division, the company is active in structuring finance leases combined with maintenance services for the acquisition of coal unit trains by utilities throughout the U.S.

During 1974, National Equipment Rental (NER) and its subsidiaries continued their excellent record of revenue and earnings contribution to Tiger Leasing Group. TLG's Finance Leasing Division purchased approximately \$45 million of industrial and commercial equipment for placement on full-payout finance leases. The Finance Leasing Division's 1975 capital budget is presently estimated to exceed \$50 million.

A strong contributor to the growth of TLG's Finance Leasing Division is its vendor leasing program, under which the company provides major companies in the

Tiger Leasing Group		1974	1973	1972	1971	1970
Net Income (thousands)		\$ 17,883	\$ 18,650	\$ 13,376	\$ 6,213	\$ 4,900
Pre-tax Income (thousands)		27,638	26,804	19,618	9,748	7,120
Revenue (thousands)	First Quarter	\$ 32,225	\$ 25,331	\$ 21,405	\$ 13,381	\$ 13,154
	Second Quarter	35,706	27,204	22,745	13,846	12,802
	Third Quarter	37,790	29,267	23,664	14,087	12,523
	Fourth Quarter	41,821	31,973	23,513	22,128	13,482
	Year	147,542	113,775	91,327	63,442	51,961
Sources of Revenue (percent)	Operating leases	76.2	83.6	87.7	91.4	94.8
	Finance leases	18.1	11.8	7.9	1.6	—
	Sales and other	5.7	4.6	4.4	7.0	5.2

United States and elsewhere with individually-tailored full-payout lease plans for marketing their products. Programs have been implemented in such industries as business machines, electronic systems, and several kinds of industrial equipment. To limit the extent of its commitment to any single manufacturer, the division usually conducts its programs on a regional, rather than national, basis. In many cases, vendors assume some financial responsibility in the event of lessee default which thereby reduces our risk.

National Aircraft Leasing had the strongest year in its history in revenue and net income in 1974. Approximately \$48 million of jet aircraft were acquired and leased during the year.

Tiger Leasing Group continued to emphasize geographic expansion in 1974. We were active in Canada, Europe, Mexico, and various Asian countries, leasing railcars, aircraft, and many types of industrial, construction, and computer equipment.

In Canada, the Railcar Division continued to add new cars to its fleet which is comprised primarily of covered hoppers for agricultural products and bulkhead flat cars for lumber products. Because of the increasing number of Canadian cars and U.S.-owned cars operating in international

service, the company is building a repair shop near Regina, Saskatchewan. The \$2 million shop will be in full operation by mid-1975.

In early 1975, TLG's leverage and lease underwriting services were extended to Canadian companies with the opening of an office in Montreal.

At year's end, approximately 30 percent of TLG's computer equipment was on lease in Europe, where lease terms for data processing systems are generally for longer periods than in the U.S.

Bell Worldwide's leasing, engineering, and equipment management expertise will aid TLG in the Middle East, Indonesia, and other parts of Asia, where significant leasing activity is now developing. It increased its penetration of markets in the Caribbean, Asia, and the South Pacific Basin during the year. Through Bell, TLG is also active with companies engaged in the expansion of coal mining in the U.S.

Recently, joint venture agreements with long-established Asian companies have led to the formation of separate Tiger Leasing Group entities in Korea and Singapore to serve the equipment needs of many Asian

markets. We believe such efforts offer substantial promise of future growth to Tiger Leasing.

As a result of its high level of capital additions in 1974, Tiger Leasing Group expanded its two major credit lines with groups of major banks. North American Car has increased its credit line from \$70 million to \$110 million; NER from \$55 million to \$75 million. Long-term financing was arranged early in 1975 to lower North American Car's level of short-term borrowing. More of such financing is planned for this year.

Tiger Leasing Group looks forward to increased revenue and net income in 1975 despite the generally gloomy economic outlook. This reflects the strength and nature of our leasing business. We anticipate the expansion of our business—both in terms of services offered and geographic areas served—to continue at an impressive rate.

		1974	1973	1972	1971	1970
Distribution of Revenue (percent)	Interest	31.4	26.1	24.6	25.2	26.4
	Depreciation	18.6	20.6	25.6	28.3	28.6
	Net Income	12.1	16.4	14.7	9.8	9.4
	Other	11.2	9.8	8.9	7.5	9.7
	Wages and benefits	10.4	11.5	10.5	11.7	12.3
	Insurance and taxes	8.6	9.1	9.0	8.6	7.8
	Equipment rentals	4.0	1.9	1.1	1.1	1.3
	Maintenance	3.7	4.6	5.6	7.8	4.5
Equipment Acquisitions (thousands) (Includes Equipment Leased-In)	North American Car Corporation	\$201,500	\$136,261	\$ 71,590	\$ 36,711	\$ 42,359
	National Equipment Rental, Ltd.	99,741	71,363	32,338	—	—
Assets (thousands)		\$884,126	\$680,677	\$513,219	\$456,540	\$327,285
Number of Employees		1,174	1,122	887	787	637
Total Rail Cars in Fleet		39,975	32,922	27,534	24,987	25,469
New Cars Added During Year		7,691	6,099	3,433	1,757	1,658

Tiger Leasing Group*

Condensed Financial Statements**

Consolidated Balance Sheets		December 31, 1974 and 1973	1974	1973
Assets			<i>(expressed in thousands)</i>	
Cash, Receivables and Inventories	Cash and certificates of deposit		\$ 18,805	\$ 23,833
	Receivables, including finance lease receivables — net		264,594	156,339
	Inventories		20,815	14,832
			304,214	195,004
Property, Plant and Equipment, at cost	Equipment for lease or under lease		769,771	644,027
	Shop properties, chemical and terminal facilities		15,696	15,795
	Less — accumulated depreciation		785,467	659,822
			211,561	184,638
			573,906	475,184
Other	Other assets and deferred charges		6,006	10,489
			\$884,126	\$680,677
Liabilities and Stockholders' Equity				
Accounts Payable	Accounts payable and accrued liabilities		\$ 52,158	\$ 31,488
Long-Term Debt	Equipment obligations		444,506	353,696
	Notes payable		131,157	78,867
	Subordinated long-term debt		575,663	432,563
			18,349	31,385
Deferred Credits	Deferred income taxes, investment tax credits and other		90,665	61,405
Stockholders' Equity	Publicly held interest in \$3 Cumulative Preferred Stock, stated value \$50 per share		6,952	7,077
	Preferred stock interest held by Parent Company		20,793	14,707
	Common stock interest of Parent Company and affiliate		32,209	32,170
	Retained earnings		87,337	69,882
			147,291	123,836
			\$884,126	\$680,677

*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.

Consolidated Statements of Income		<i>For the years ended December 31, 1974 and 1973</i>	
		1974	1973
		<i>(expressed in thousands)</i>	
Revenues	Rental and operating revenue	\$139,183	\$108,968
	Other revenue	8,359	4,807
		147,542	113,775
Costs and Expenses	Maintenance	12,982	11,775
	Depreciation and other costs of operations	39,017	28,767
	Cost of sales	3,053	2,503
	Selling, general and administrative expenses	18,468	14,175
	Interest and amortization of debt expense	48,588	30,308
	Interest capitalized and deferred	(2,204)	(557)
		119,904	86,971
Income before income tax provision		27,638	26,804
Income tax provision		9,755	8,154
Net Income		\$ 17,883	\$ 18,650

**Consolidated Statements
of Changes in Financial Position**

For the years ended December 31, 1974 and 1973

Source of Funds

Operations	Net income	\$ 17,883	\$ 18,650
	Add items not involving funds		
	Depreciation and amortization, including amounts charged to other accounts	28,141	23,457
	Deferred income tax provision	7,923	6,782
	Other — net	1,206	1,000
Funds provided by operations		55,153	49,889
Financing	Proceeds from issuance of long-term debt	171,789	161,911
	Issuance of preferred stock	6,169	13,975
		177,958	175,886
Other	Retirement of property and equipment — net	8,225	6,065
	Increase in deferred taxes not affecting net income	21,337	16,282
	Increase in accounts payable and accrued liabilities	20,670	7,504
	Collection of finance lease receivables	9,300	11,611
	Other — net	2,851	649
		62,383	42,111
		\$295,494	\$267,886

Application of Funds

Purchase of Property	Additions to property, plant and equipment	\$222,540	\$184,617
Long-Term Debt	Payments on debt	43,109	55,420
Other	Increase in receivables excluding finance lease receivables	28,807	15,737
	Increase (decrease) in cash	(5,028)	4,664
	Increase in inventories	5,983	6,073
	Redemption of preferred stock	83	1,375
		29,845	27,849
		\$295,494	\$267,886

**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—
Postal, Military &
Fuel Management*
David J. Barish
Vice President—Finance
Anna Chennault
*Vice President—
International Affairs*
James E. Colburn
Vice President—Operations

Thomas J. Delaney
*Vice President—
Customer Service*
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
Albert Y. Woodward
*Vice President—
Federal Affairs*

George A. Zettler
*Vice President—
Sales & Service*
R. J. Valenta
Corporate Controller
Ray Vingo
Treasurer
Rosanne O'Brien
Secretary
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**

NORTH AMERICAN CAR
CORPORATION
Wayne M. Hoffman
Chairman of the Board
Thomas F. Grojean
*President &
Chief Executive Officer*
Robert B. Oppenheimer
*Executive Vice President &
President—Railcar Division*
Martin A. Lynch
Vice President—Finance
H. Russell Platt III
Vice President—Sales
John E. Flynn
*Vice President—General
Counsel, Secretary*
Vincent E. Bjoin
*Vice President—
Plant Operations*
Robert A. Boerke
Vice President—Engineering
Joseph J. Connors
*Vice President—
Midwestern District*
Richard R. Forrest
*Vice President—
Eastern District*
Harold E. Hough
Vice President—Purchasing
Francis W. Kreidler
Vice President—Marketing

Paul F. Robinson
*Vice President—
Alexander Chemicals Div.*
Richard C. Underwood
*Vice President—
Southwestern District*
James J. Redmond
Controller
Louis H. Schnur
Treasurer
NORTH AMERICAN CAR
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Robert A. Greenbury
President
NAC LEASING
CORPORATION
Eugene H. Crew
President
NATIONAL EQUIPMENT
RENTAL, LTD.
Harry M. Weisberg
President
David B. Burroughs
*Executive Vice President &
President—Finance Leasing
Division*
Richard M. Avidon
Vice President—Finance
Gerald S. Jacobs
*Vice President &
General Counsel*
NATIONAL AIRCRAFT
LEASING, LTD.
Lewis B. Simon
President

NATIONAL COMPUTER
RENTAL, LTD.
Thomas J. McArdle
President
John M. Phelan
Executive Vice President
BELL WORLDWIDE, INC.
Thomas V. Murphy
President
NACCO, S.A. (France)
David MacNaughton
President
EQUIPO NACIONAL DE
ARRENDAMIENTO, S.A.
(Mexico)
Steven H. Spencer
President
NATIONAL EQUIPMENT
RENTAL, S.A. (Belgium)
Benjamin Tepper
Managing Director
NER FRANCE, S.A.
Pierre Hardy
Managing Director
SOON DOUGLAS (PTE.) LTD.
(Singapore)
Graeme N. Douglas
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

Tiger International, Inc. and Subsidiaries
Consolidated Financial Statements



Tiger International, Inc. and Subsidiaries

Consolidated Statements of Income

<i>For the years ended December 31, 1974 and 1973</i>		1974	1973
		<i>(expressed in thousands)</i>	
Revenues (Note 1)	Common carriage --		
	Domestic	\$ 73,772	\$ 71,998
	International	95,811	84,711
	Military Airlift Command	15,148	15,579
	Leasing and related services	137,184	107,571
	Other	16,038	12,383
		337,953	292,242
Costs and Expenses (Notes 9 and 13)	Airline operations	150,791	113,555
	Leasing operations	25,095	16,052
	Selling, general and administrative	47,764	37,384
	Depreciation and amortization	36,783	31,526
	Interest, and preferred dividends of subsidiary	56,334	35,541
	Interest capitalized and deferred	(2,204)	(557)
		314,563	233,501
	Income before income tax provision	23,390	58,741
	Income tax provision (Note 6)	8,369	24,238
Net Income		\$ 15,021	\$ 34,503
Earnings Per Share (Note 11)	Primary	\$ 1.20	\$ 2.70
	Fully Diluted	1.20	2.68
Supplementary Earnings Per Share Data (Note 11)	The Company's \$1.20 Series Cumulative Convertible Preferred Stock was called for redemption on March 1, 1973. Assuming that these securities were converted into common stock at the beginning of 1973, earnings per share would have been as follows:		
	Primary	\$ 1.20	\$ 2.68
	Fully Diluted	1.20	2.68

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

Tiger International, Inc. and Subsidiaries

Consolidated Statements of Changes in Financial Position

21

For the years ended December 31, 1974 and 1973

1974

1973

Source of Funds

		<i>(expressed in thousands)</i>	
Operations	Net income	\$ 15,021	\$ 34,503
	Add (deduct) items not involving working capital		
	Depreciation and amortization charged to operations	36,783	31,526
	Depreciation and amortization charged to other accounts	3,774	2,246
	Deferred income tax provision (Note 6)	8,737	19,595
	Other — net	1,214	(176)
	Working capital provided by operations	65,529	87,694
Financing	Proceeds from equipment financing and other borrowings	230,115	181,233
	Proceeds from common stock issued upon exercise of stock options and warrants including related tax benefits	66	1,583
		230,181	182,816
Other	Collection of long-term and finance lease receivables	13,262	13,679
	Retirement of property and equipment	22,011	12,938
		35,273	26,617
	Funds Provided	330,983	297,127
Application of Funds			
Long-Term Debt	Payments on long-term debt	58,236	66,153
	Increase (decrease) in current portion of long-term debt	7,817	(12,268)
		66,053	53,885
Purchase of Property	Purchase of property, plant and equipment including finance lease equipment	297,341	192,776
	Other		
	Cash dividends and redemption of preferred stock	—	1,024
	Cash dividends declared on common stock	4,965	3,725
	All other — net	2,930	4,414
		7,895	9,163
	Funds Applied	371,289	255,824
	Net increase (decrease) in working capital (Note 10)	\$ (40,306)	\$ 41,303
Other Changes In Financial Position	Conversion of \$1.20 Series Cumulative Convertible Preferred Stock into common shares	\$ —	\$ 1,668

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

Tiger International, Inc. and Subsidiaries

Consolidated Balance Sheets

Assets	December 31, 1974 and 1973	1974	1973
		<i>(expressed in thousands)</i>	
Current Assets (Note 4)	Cash and certificates of deposit	\$ 48,098	\$ 64,128
	Receivables, less allowance for doubtful accounts of \$2,179,000 (1974) and \$1,104,000 (1973)	60,914	51,197
	Inventories, principally at average cost	25,092	17,697
	Prepaid expenses and other	3,616	9,181
	Total current assets	137,720	142,203
Finance Lease Receivables (Note 4)	Aggregate future rentals, less allowance for doubtful accounts of \$5,877,000 (1974) and \$5,064,000 (1973) (due within one year — \$37,996,000 (1974) and \$25,397,000 (1973))	283,625	183,735
	Estimated residual value of leased equipment	15,514	11,711
		299,139	195,446
	Less: Unearned income	92,937	64,694
		206,202	130,752
Property, Plant and Equipment, at cost (Notes 2, 4 and 9)	Equipment for lease or under operating lease	806,528	682,999
	Equipment used in airline operations	178,069	133,246
	Buildings and leasehold improvements	32,717	22,133
	Shop and terminal facilities and other equipment	24,407	19,844
		1,041,721	858,222
	Less: Accumulated depreciation and amortization	303,059	264,791
		738,662	593,431
Other Assets (Notes 3 and 8)	Cost in excess of fair value of net assets of acquired business	15,835	15,862
	Long-term receivables	6,203	5,910
	Unamortized debt expense and other assets	7,953	5,926
		29,991	27,698
		\$1,112,575	\$894,084

Liabilities and Stockholders' Equity		December 31, 1974 and 1973		1974	1973
				<i>(expressed in thousands)</i>	
Current Liabilities (Note 4)	Current portion of senior and subordinated debt	\$	22,996	\$	15,179
	Accounts payable and accrued liabilities		79,316		49,322
	Income taxes		943		2,931
	Total current liabilities		103,255		67,432
Long-Term Debt (Note 4)	Senior debt —				
	Equipment obligations		508,014		386,444
	Notes and lease contracts payable to banks and others		159,164		104,311
			667,178		490,755
	Subordinated debt		18,049		30,235
Deferred Credits (Note 6)	Deferred income taxes and investment tax credits		97,952		91,745
	Other		10,376		8,149
			108,328		99,894
Commitments and Contingent Liabilities	(Notes 2 and 12)				
Minority Stockholders' Equity (Note 8)	North American Car Corporation \$3 Cumulative Preferred Stock, \$50 stated value —				
	Authorized — 141,737 shares (1974) and 145,907 shares (1973)				
	Outstanding — 139,040 shares (1974) and 141,537 shares (1973)		6,952		7,077
Tiger International, Inc. Stockholders' Equity (Notes 4 and 8)	Common Stock, \$1 par value —				
	Authorized — 35,000,000 shares				
	Outstanding — 12,431,385 shares (1974) and 12,425,511 shares (1973)		12,431		12,426
	Additional paid-in capital		121,430		121,369
	Retained earnings		74,952		64,896
			208,813		198,691
			\$1,112,575		\$894,084

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

Tiger International, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

For the years ended December 31, 1974 and 1973

		<u>\$1 Par \$1.20 Series Cumulative Convertible Preferred Stock</u>	<u>\$1 Par Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<i>(expressed in thousands)</i>						
Balance, January 1, 1973		\$1,488	\$10,017	\$103,431	\$51,401	\$166,337
Add (deduct)	Net income	—	—	—	34,503	34,503
	Issuance of shares upon exercise of stock options and warrants including related tax benefits	—	107	1,476	—	1,583
	Issuance of shares pursuant to the stock purchase plan	—	45	1,044	—	1,089
	Five percent stock dividend	—	589	16,444	(17,033)	—
	Conversion of \$1.20 Series Cumulative Convertible Preferred Stock into common shares including redemption of fractional shares (Note 8)	(1,443)	1,668	(297)	—	(72)
	Cash dividends declared on common stock (\$.30 per share)	—	—	—	(3,725)	(3,725)
	Redemption of \$1.20 Series Cumulative Convertible Preferred Stock and dividends paid	(45)	—	(729)	(250)	(1,024)
Balance, December 31, 1973		—	12,426	121,369	64,896	198,691
Add (deduct)	Net income	—	—	—	15,021	15,021
	Issuance of shares upon exercise of stock options	—	5	61	—	66
	Cash dividends declared on common stock (\$.40 per share)	—	—	—	(4,965)	(4,965)
Balance, December 31, 1974	(Notes 4 and 8)	\$ —	\$12,431	\$121,430	\$74,952	\$208,813

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

Tiger International, Inc. and Subsidiaries

Notes to Financial Statements

(1) Summary of Significant Accounting Policies	The following accounting policies of Tiger International, Inc., formerly The Flying Tiger Corporation, and subsidiaries are presented to facilitate the understanding of information presented in the financial statements. This summary should be read in conjunction with the other notes to the financial statements.
Principles of Consolidation	The consolidated financial statements include the accounts of Tiger International and its subsidiaries. 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 at the rate of exchange prevailing at year end, except that property, plant and equipment and related debt have been 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. All conversion gains or losses are included in income. The Company's foreign revenues and assets located in foreign countries are not significant.
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 24 to 30 years.
Revenue Recognition	The Company's operations consist primarily of the air transportation of property and mail, the leasing, under operating leases, of specialized railroad cars, computers, aircraft, trailers and construction equipment and the leasing, under finance leases, of industrial equipment, specialized railroad cars and aircraft. Revenue related to air transportation is recognized as the services are performed. <p data-bbox="463 792 1219 914">During their initial non-cancellable term, operating leases 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 billed. Expenses including interest, depreciation and maintenance are charged to income as incurred.</p> <p data-bbox="463 922 1219 1117">During their initial non-cancellable term, finance leases 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, is shown as a non-current receivable. Aggregate rental income to be earned on finance leases (representing the excess of total rentals receivable under the contract plus estimated residual values, over the 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 data-bbox="463 1125 1219 1247">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>
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 accrued 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 and estimated cost of overhauls is a charge or credit to maintenance expense. Upon sale or other disposal of property and equipment, the applicable cost and accumulated reserves for depreciation and maintenance are eliminated from the accounts. Any difference between sales price and the net book value is included in income with respect to property other than car equipment and aircraft components which are on the composite depreciation method and certain aircraft which are on the cost recovery method.

Tiger International, Inc. and Subsidiaries

Notes to Financial Statements

Retirements of car equipment and certain aircraft components made in the ordinary course of business are generally charged to the reserve for depreciation and any proceeds realized are credited to the same account. Upon destruction of equipment, or other abnormal retirement, the cost and accumulated depreciation are eliminated from the accounts and the difference between the proceeds received and the net book value is included in income.

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

Inventory

Inventory includes aircraft spare parts and operating supplies and parts and components for assembly and maintenance of equipment for lease, principally on an average cost basis, and includes material, labor and factory overhead as cost elements.

Capitalization and Amortization of 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, using the interest method.

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.

Income Taxes

Tiger International and its subsidiaries file a consolidated federal income tax return. Payment of income taxes has been partially deferred through deduction of accelerated depreciation and other allowable tax deductions, and by the differing treatment of finance leases for tax and 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. In 1973 the Company changed its method of accounting for investment tax credits arising from the acquisition of equipment for lease under finance leases, to a 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.

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 net rentals to be received during the next year from leases extending beyond one year.

Research and Development Costs

Research and development costs are generally charged to expense as incurred. However, in 1974 the Company adopted the policy of deferring costs associated with the development of a computer system for use by the Company. These costs, \$904,000 at December 31, 1974, are to be amortized over a three-year period upon completion of the system in 1975.

(2) Lease and Purchase Commitments

At December 31, 1974 and 1973 the Company had long-term leases on aircraft and aircraft engines used in airline operations, car equipment and aircraft under lease, facilities and other equipment. There are renewal and fair market value purchase options on the aircraft and aircraft engines and renewal options on the leased equipment and facilities. Rentals during the renewal option periods are generally at rates as favorable as for the initial lease periods. One of the airline subsidiary's lease agreements, with remaining rentals of \$25,793,000, contains restrictive provisions similar to those contained in the Company's loan agreements, but generally less restrictive. The Company is contingently liable, in addition to the basic rental commitment included below, under leases to purchase the equipment for \$11,499,000 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 Statements of Income for the years ended December 31, 1974 and 1973, the annual and aggregate rentals for subsequent years and the present value of minimum remaining lease payments. Sub-

lease rentals relating to equipment under lease, which are generally higher than those paid by the Company, have been excluded. Non-capitalized finance leases herein are as defined by the Securities and Exchange Commission and the present value does not represent the cost of such equipment were it to be purchased.

Annual Rentals Included in the Consolidated Statements of Income	1974	1973
Non-capitalized finance leases	\$18,400,000	\$13,693,000
Other leases	2,543,000	1,563,000
	\$20,943,000	\$15,256,000

The finance leases are net of sublease revenues of \$277,000 and \$2,178,000 in 1974 and 1973, respectively, excluding sublease revenues from equipment acquired for lease.

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

	1974		1973		
	Range	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount
Aircraft and engines used in airline operations	6.9%-8.4%	7.6%	\$ 72,033,000	7.6%	\$ 78,354,000
Equipment for lease or under lease:					
Car equipment	5.7%-8.9%	7.2%	71,105,000	6.8%	27,502,000
Aircraft	6.4%-9.3%	8.0%	29,103,000	6.4%	13,627,000
Facilities and other equipment	4.3%-9.5%	6.7%	16,376,000	6.0%	9,476,000
			\$188,617,000		\$128,959,000

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, 1974, net of sublease revenues, are as follows:

	Total	Non-capitalized Finance Leases			Other Leases
		Aircraft and Engines	Equipment for Lease or Under Lease	Facilities and Other Equipment	Facilities and Other Equipment
1975	\$ 25,632,000	\$ 11,021,000	\$ 10,383,000	\$ 2,156,000	\$ 2,072,000
1976	25,844,000	11,629,000	10,567,000	2,102,000	1,546,000
1977	25,193,000	11,181,000	10,567,000	1,975,000	1,470,000
1978	24,044,000	10,344,000	10,567,000	1,844,000	1,289,000
1979	24,190,000	10,344,000	10,835,000	1,784,000	1,227,000
1980 to 1984	115,025,000	47,645,000	54,159,000	7,361,000	5,860,000
1985 to 1989	60,531,000	1,101,000	49,696,000	5,920,000	3,814,000
1990 to 1994	28,910,000	—	24,775,000	1,963,000	2,172,000
1995 and beyond	1,473,000	—	153,000	330,000	990,000
	\$330,842,000	\$103,265,000	\$181,702,000	\$25,435,000	\$20,440,000

As of December 31, 1974, there are no significant rentals to be received from sublease of aircraft and engines or facilities and other equipment.

Tiger International, Inc. and Subsidiaries

Notes to Financial Statements

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 a 50% tax provision would have been reduced by approximately \$1,038,000 in 1974 and \$497,000 in 1973, as follows:

	Decrease in Net Income	Actual Rental Expense	Imputed	
			Interest	Amortization
1974	\$1,038,000	\$18,677,000	\$10,615,000	\$10,158,000
1973	497,000	15,871,000	8,510,000	8,354,000

This effect on net income does not represent the effect had the equipment been purchased since it does not give effect to service lives, investment tax credits, income tax deferrals, or residual values which would have been applicable to a purchase.

At December 31, 1974, the Company had purchase commitments of \$105,000,000 for materials, car equipment, aircraft and other equipment for lease, to be delivered in 1975 and 1976, and had construction contracts for new facilities aggregating \$2,813,000. In December 1974 the Company committed to acquire a third Boeing 747 Freight Master for approximately \$25,000,000, delivery of which is scheduled for July 1975.

(3) Disposition of Aircraft

The Company has seven CL-44 aircraft and a partial interest in an expanded fuselage CL-44 aircraft which are either under lease or have been sold on a deferred payment basis to a single overseas airline. These arrangements extend through 1978 and are renewable thereafter. The disposition of these aircraft is being recorded under the cost recovery method and the balances at December 31, 1974 and 1973, were as follows:

	1974	1973
Partial interest in an expanded fuselage CL-44	\$ 1,002,000	\$ 1,175,000
Six CL-44 aircraft under lease	4,736,000	8,783,000
Receivable for one CL-44 aircraft on deferred payment contract and other receivables	3,740,000	4,375,000
Total for seven CL-44 aircraft	8,476,000	13,158,000
Total unrecovered cost	\$ 9,478,000	\$14,333,000

During 1974, the Company sold two aircraft, including a DC-8-63, the sales prices being \$3,461,000 in excess of the net book value of the aircraft. The Company also reduced the unrecovered cost of its CL-44 aircraft by an amount equal to such excess. The sales, therefore, had no effect on revenue or net income. The unrecovered CL-44 aircraft cost was further reduced in 1974 by \$1,394,000 which was substantially cash received.

The Company signed a letter of intent to sell six CL-44 aircraft on October 28, 1974 to the overseas airline that is currently operating those aircraft. Under the agreement the Company will consolidate into one note receivable the sale of the six aircraft and other notes receivable that have a net book value of \$8,476,000 at December 31, 1974. The remaining balance of \$1,002,000 that relates to the expanded fuselage CL-44 aircraft is not part of the agreement. The note receivable under the proposed new agreement calls for monthly payments aggregating \$7,000,000 if paid before October 31, 1975 to \$10,000,000 if paid over the five years ended October 31, 1979. In addition, the lessee will pay 1974 rent of \$553,000.

The financial condition of the lessee airline is such that recovery of a substantial portion of the above amounts is dependent upon success of future operations of the lessee. In management's opinion, the lessee's operations or other disposition of aircraft will be adequate to provide recovery of remaining costs.

(4) Long-term Debt The outstanding balance of equipment obligations and other debt at December 31, 1974 and 1973 consisted of the following:

	1974	1973
Senior Debt:		
Tiger International, Inc. —		
Variable rate ($\frac{3}{4}\%$ over prime) unsecured notes payable to banks, due in quarterly installments 1975 to 1977	\$ 3,870,000	\$ 5,590,000
Variable rate ($\frac{1}{2}\%$ over prime) secured notes payable to banks, due in quarterly installments 1976 to 1980	30,000,000	20,000,000
Subsidiaries —		
Equipment and facilities obligations:		
4.4% to 10.5% equipment obligations maturing serially 1975 to 1994 (average rate 7.8%)	357,027,000	278,592,000
6.6% equipment trust certificates due 1975 to 1980	25,500,000	31,061,000
Variable rate (prime to $\frac{3}{4}\%$ over prime) and $6\frac{3}{4}\%$ equipment obligations due 1975 to 1981 (average rate 11.1%)	131,003,000	80,251,000
7% note, secured by facilities, due 1975 to 1988	3,215,000	3,356,000
Variable rate (prime to 2% over prime) and $5\frac{1}{2}\%$ to 14% notes and lease contracts payable, secured by receivables and related equipment and facilities leased, due 1975 to 1991 (average rate 11.8%)	141,657,000	89,032,000
	692,272,000	507,882,000
Less:		
Principal amount of equipment trust certificates held in treasury	2,398,000	3,398,000
Current portion*	22,696,000	13,729,000
	\$667,178,000	\$490,755,000

* Exclusive of \$47,101,000 and \$25,370,000 in 1974 and 1973, 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.

	1974	1973
Subordinated Debt:		
Subsidiaries —		
$5\frac{1}{8}\%$ Subordinated Sinking Fund Notes, payable in equal installments to 1984	\$ — **	\$ 12,650,000
$5\frac{1}{4}\%$ Convertible Subordinated Debentures due 1988	3,804,000	4,364,000
$6\frac{3}{4}\%$ Senior Subordinated Note due 1982	2,400,000	2,700,000
$9\frac{1}{4}\%$ Subordinated Debentures due 1992	13,523,000	13,523,000
	19,727,000	33,237,000
Less:		
Current portion	300,000	1,450,000
Imputed discount, primarily applicable to $5\frac{1}{4}\%$ Debentures	1,378,000	1,552,000
	\$ 18,049,000	\$ 30,235,000

** Converted to equipment obligation during 1974.

Tiger International, Inc. and Subsidiaries

Notes to Financial Statements

The maturities and required payment of long-term debt for the five years subsequent to December 31, 1974, are as follows:

1975	\$ 70,097,000***
1976	178,272,000***
1977	60,910,000
1978	64,242,000
1979	64,024,000

*** Includes \$14,643,000 and \$110,450,000 for 1975 and 1976, respectively, which is expected to be repaid out of the proceeds of the sale of long-term equipment obligations.

The secured notes payable to banks of Tiger International 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, 1974, \$8,141,000 of retained earnings were free of such cash dividend limitations. The Company is obligated under the secured term loan agreement to apply the proceeds received from the issuance by it of shares of its common stock upon the exercise of stock options and warrants, up to \$10,000,000, to repayment of borrowings. In addition, in 1974, all shares of North American Car Corporation Second Series Preferred Stock owned by Tiger International, 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 and have provisions as to working capital, additional borrowing, capital expenditures, the ratio of earnings to fixed charges, etc. The Company and its subsidiaries have revolving lines of credit with various banks totaling \$227,000,000, of which \$206,647,000 was borrowed as of December 31, 1974. A commitment fee, generally 1/2%, is paid on the unused portion of the lines of credit.

In conjunction with these lines of credit and lease 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, 1974 and 1973, approximately \$22,725,000 and \$22,785,000 (including \$6,481,000 and \$8,463,000 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.

The 5 1/4% Convertible Subordinated Debentures due 1988 are those of National Equipment 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, 1974, \$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, 1974 and 1973, \$980,000 and \$420,000, respectively, of the 5 1/4% Convertible Subordinated Debentures had been purchased on the open market.

The imputed discount of the 5 1/4% Convertible Subordinated Debentures and 6 3/4% Senior Subordinated Note of National Equipment assumed an interest rate of 10%, which was the current rate on similar debt at the time of the acquisition of National Equipment. Since the 5 1/4% 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 \$866,940,000 at December 31, 1974, are encumbered under certain loan agreements.

(5) Translation of Items
in Foreign Currencies

Conversion gains or losses included in income for the years ended December 31, 1974 and 1973, including the gains or losses resulting from the devaluation of the United States dollar on February 13, 1973, were \$496,000 and \$(6,000), respectively. Foreign revenues and costs, and related assets are not significant. If translated at current rates instead of historical rates the balance of long-term debt would not change significantly.

(6) Income Taxes

The provisions for income taxes for 1974 and 1973 are summarized as follows:

	1974	1973
Current—		
United States	\$ (1,894,000)	\$ 5,346,000
State	147,000	523,000
Foreign	1,379,000	1,271,000
Investment tax credit	—	(2,497,000)
	(368,000)	4,643,000
Deferred—		
United States	9,108,000	19,308,000
State	790,000	1,376,000
Foreign	1,829,000	1,676,000
Investment tax credit	(2,990,000)	(2,765,000)
	8,737,000	19,595,000
Total income tax provision	\$ 8,369,000	\$24,238,000

The income tax provisions for 1974 and 1973 were 35.8% and 41.3% of 1974 and 1973 pretax income, respectively. The primary reasons for the difference between these rates and the 48% Federal tax rate are as follows:

	1974	1973
Federal tax rate	48.0%	48.0%
Investment tax credits	(12.8)	(8.9)
State taxes and other	0.6	2.2

In 1974 and 1973, the timing differences giving rise to deferred income taxes were as follows:

	1974	1973
Excess of tax over book depreciation	\$11,716,000	\$17,326,000
Tax net operating losses	(2,230,000)	—
Excess tax over book gain on disposition of equipment	(4,068,000)	(840,000)
Lease revenue recognition	5,081,000	2,397,000
Investment tax credit applied to reduce deferred tax provision	(2,990,000)	(2,765,000)
Foreign taxes	1,829,000	1,676,000
Other, net	(601,000)	1,801,000
	\$ 8,737,000	\$19,595,000

Cash outlays for income taxes are not expected to exceed the tax provisions for any of the next three years. The Company had approximately \$39,940,000 of investment tax credit carry forward for Federal income tax purposes as of December 31, 1974, of which

Tiger International, Inc. and Subsidiaries

Notes to Financial Statements

\$29,880,000 had been applied as a reduction of deferred Federal income tax provisions. Included in these amounts is \$3,502,000 resulting from the expected carry back of the 1974 tax net operating loss to prior years' consolidated Federal income tax returns.

The investment tax credits expire for tax purposes as follows:

<i>Year of Expiration</i>	<i>Investment Tax Credit</i>
1975	\$ 2,235,000
1976	1,450,000
1977	1,353,000
1978	8,418,000
1979	6,811,000
1980	9,249,000
1981	10,424,000

Investment tax credits deferred and being amortized over the life of the related finance leases for financial statement purposes aggregated \$5,008,000 as of December 31, 1974. Expired investment tax credits of \$1,265,000, previously deducted from the deferred tax provision, are being amortized over the life of the related property and equipment.

(7) 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, 1974 and 1973 were \$5,064,000 and \$3,926,000, respectively, which includes as to certain of the plans, amortization of unfunded liability for prior service benefits. During 1974, one of the pension plans was amended to provide additional benefits, resulting in significant increases of the unfunded prior service costs and actuarially-computed vested benefits in excess of pension funds. Concurrently, the amortization period over which the unfunded prior service costs will be amortized was changed from 20 to 30 years and the interest rate assumption was changed from five percent to six percent for this amended plan. These changes did not have a material effect on the Company's net income. At December 31, 1974, the unfunded prior service liability aggregated approximately \$22,547,000 and actuarially-computed value of vested benefits exceeded pension funds by approximately \$17,467,000.

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

(8) Minority Interest and Capital Stock

The terms of North American's \$3 Cumulative Preferred Stock require annual retirement of 8,000 shares. The stock is redeemable at any time at the option of North American, subject to certain refunding limitations, at \$53 per share if redeemed prior to September 1, 1976, and at declining amounts for various periods thereafter. The Company has purchased 36,960 shares of preferred stock on the open market at an average price of \$41.22 per share. Such reacquired shares will be applied against required future redemptions. The excess of stated value over cost of the reacquired shares has been applied as a reduction of the cost in excess of fair value of net assets of acquired business.

At December 31, 1974 and 1973 the Company had reserved shares of common stock for issuance, as follows:

<i>Reserved for</i>	<i>Shares</i>	
	<i>1974</i>	<i>1973</i>
Warrants	1,063,580	1,063,580
Qualified Stock Option Plans	490,026	498,756
Qualified Employee Stock Purchase Plan	368,082	368,082
Officers Stock Purchase Agreements	120,000	—
	2,041,688	1,930,418

At December 31, 1974, the Company had 1,063,580 warrants outstanding, expiring December 31, 1975. Each warrant entitles the holder to purchase one share of common stock for \$17.85.

At December 31, 1974, options for the purchase of 416,709 shares were outstanding with an aggregate purchase price of \$9,245,000, granted to officers and key employees at prices ranging from \$11.45 to \$34.66 per share and are exercisable 1975-1979. Unoptioned shares available at December 31, 1974 and 1973 were 73,317 and 92,107, respectively.

During 1971, the stockholders approved a Qualified Employee Stock Purchase Plan. Under the plan, employees were offered common stock at \$24.10 per share. During 1973, the Company issued 45,185 shares of common stock to employees upon completion of the first offering under the plan. Also during 1973, the Company made a second offering to employees under the plan at \$28.05 per share. During 1974, substantially all subscriptions under the second offering were cancelled by the participants. 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%. A third 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, 1974, the Company had received subscriptions for 317,686 shares.

In September 1974, the Company's Board of Directors approved, subject to 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, Inc. 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.

All of the per share data and the data with respect to the warrants have been adjusted to give effect to the five percent stock dividend issued in April 1973. Such data for the warrants also reflect the issuance of additional warrants, concurrently with the issuance of the 1973 five percent stock dividend, to adjust the exercise ratio to one, from 1.05, common share for each warrant.

(9) Depreciation

The Company used the following service lives and salvage values in depreciating its fixed assets:

	Service Life (Years)	Salvage Value
Equipment for lease or under operating lease—		
Car equipment	25 to 30	3%
Computers and related equipment	8 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 19 years)	3 to 35	—

Tiger International, Inc. and Subsidiaries

Notes to Financial Statements

The major classes of property, plant and equipment and related reserves as of December 31, 1974 were as follows:

	Original Cost	Accumulated Depreciation and Amortization	Net
Equipment for lease or under operating lease—			
Car equipment	\$ 645,781,000	\$143,563,000	\$502,218,000
Aircraft on cost recovery basis	36,756,000	31,074,000	5,682,000
Other	123,991,000	63,889,000	60,102,000
Equipment used in airline operations	178,069,000	50,806,000	127,263,000
Buildings and leasehold improvements	32,717,000	4,906,000	27,811,000
Shop and terminal facilities and other equipment	24,407,000	8,821,000	15,586,000
	\$1,041,721,000	\$303,059,000	\$738,662,000

(10) Changes in Working Capital

The net changes in the components of Working Capital for the years ended December 31, 1974 and 1973 were as follows:

	Increase (Decrease) in Working Capital	
	1974	1973
Cash and certificates of deposit	\$ (16,030,000)	\$28,578,000
Receivables	9,717,000	6,117,000
Inventories	7,395,000	6,343,000
Prepaid expenses and other	(5,565,000)	1,413,000
Current portion of senior and subordinated debt	(7,817,000)	12,268,000
Accounts payable, accrued liabilities and income taxes	(28,006,000)	(13,416,000)
Net increase (decrease) in working capital	\$ (40,306,000)	\$41,303,000

(11) Earnings Per Share

Primary earnings per share have been computed based upon the weighted average number of the Company's common and common equivalent shares outstanding, adjusted for the five percent stock dividend issued in April 1973, after deducting preferred dividend requirements from net income. The common equivalent shares are the shares issuable under outstanding stock options, stock subscriptions and warrants (where dilutive) 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.

Fully diluted earnings per share have been computed in the same manner (except that common equivalent shares attributable to the assumed exercise of outstanding stock options, subscriptions and warrants have been determined during the period, using the average market price or ending market price, whichever would yield the greater dilution), giving retroactive effect to the conversion of the \$1.20 Series Cumulative Convertible Preferred Stock, after adding to net income the preferred stock dividends.

Supplementary primary and fully diluted earnings per share data have been computed in the same manner, assuming however, that the \$1.20 Series Cumulative Convertible Preferred Stock, called for redemption on March 1, 1973 had been converted into common shares at the date of original issuance.

The number of shares used in the computation of earnings per share were as follows:

	1974	1973
Primary	12,518,000	12,705,000
Fully Diluted	12,518,000	12,896,000
Supplementary Earnings Per Share		
Primary	12,518,000	12,896,000
Fully Diluted	12,518,000	12,896,000

(12) Contingent Liabilities

At December 31, 1974 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 The Flying Tiger Line Inc., 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 The Flying Tiger Line Inc., 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. The Flying Tiger Line Inc.'s special counsel in many of these actions, who also represents most of the other airline defendants, is of the opinion that, although the legal issues have not been finally resolved, The Flying Tiger Line Inc. has substantial defenses under the present law to the imposition of any liability in such actions.

At December 31, 1974 the Company was contingently liable under an outstanding guarantee for the indebtedness, which matures from 1978 to 1981, of a foreign airline in the amount of \$4,950,000. The guarantee is related to the sale of an aircraft by the Company to the foreign airline.

(13) Capitalized Interest

The Company capitalized interest in connection with aircraft acquisitions. If capitalized interest had been expensed when incurred net income for the years ended December 31, 1974 and 1973, would have been reduced \$1,007,000 and \$200,000, respectively. Fully diluted earnings per share would have been reduced \$.08 and \$.02 for the years ended December 31, 1974 and 1973, respectively.

Auditors' Report

To the Stockholders, Tiger International, Inc.:

We have examined the consolidated balance sheets of TIGER INTERNATIONAL, INC. (a Delaware corporation, formerly The Flying Tiger Corporation) and subsidiaries as of December 31, 1974 and 1973, and the related consolidated statements of income, stockholders' equity, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Tiger International, Inc. and subsidiaries as of December 31, 1974 and 1973, and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Los Angeles, California,
March 17, 1975.

ARTHUR ANDERSEN & CO.

Tiger International, Inc. and Subsidiaries

Review 1970-1974

		1974	1973	1972	1971	1970
		<i>(expressed in thousands)</i>				
Consolidated Summary of Earnings*	Revenues	\$337,953	\$292,242	\$257,211	\$209,550	\$125,511
	Costs and expenses					
	Airline operations	150,791	113,555	103,191	94,357	82,304
	Leasing operations	25,095	16,052	13,645	10,615	—
	Selling and administrative	47,764	37,384	31,052	21,660	10,779
	Depreciation and amortization	36,783	31,526	30,729	24,984	7,790
	Interest and preferred dividends of subsidiary	54,130	34,984	27,636	23,688	7,875
		314,563	233,501	206,253	175,304	108,718
	Income before income tax provision and extraordinary items	23,390	58,741	50,958	34,246	16,793
	Income tax provision	8,369	24,238	21,148	13,868	6,322
		15,021	34,503	29,810	20,378	10,471
	Extraordinary items	—	—	—	—	57
	Net Income	\$ 15,021	\$ 34,503	\$ 29,810	\$ 20,378	\$ 10,528
Earnings Per Share**						
Primary	\$ 1.20	\$ 2.70	\$ 2.54	\$ 1.91	\$ 1.27	
Fully Diluted	1.20	2.68	2.28	1.65	1.16	
Shares used for computation of fully diluted earnings per share**	12,518,000	12,896,000	13,086,000	12,576,000	9,700,000	

Stock Market Information		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Common Stock	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
	1973				
	High	39.76	31.31	34.75	38.38
	Low	25.71	18.75	20.13	14.00
	Close	30.75	22.00	33.25	20.00
	Cash dividends paid per common share	—	.20	—	—

*Information relating to North American Car Corporation and National Equipment Rental, Ltd., which comprise Tiger Leasing Group, is not included in the results of operations for periods prior to their acquisition by purchase, January 1971 and October 1971, respectively.

**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 1970-1974. Earnings per share in 1970 include \$.01 of extraordinary items.

**Management Analysis
1974 compared to 1973**

In 1974, Flying Tiger contributed 57 percent of revenue and a loss of \$1.6 million. Tiger Leasing contributed 43 percent of revenue and \$16.6 million of net income.

Total revenue in 1974 increased 16 percent over 1973. Flying Tiger revenue grew seven 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 30 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 56 percent. A major component of this is the increased cost of leased-in equipment due to an emphasis of 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 increased 28 percent in 1974. Flying Tiger expenses reflected a higher average number of employees over 1973 as well as higher cost per employee. The 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 and Tiger Leasing. Interest expense rose 55 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.

1973 compared to 1972

In 1973, Flying Tiger contributed 61 percent of revenue and \$16.6 million of net income. Tiger Leasing contributed 39 percent of revenue and \$17.9 million of net income. In 1972, Flying Tiger contributed 64 percent of revenue and \$16.2 million of net income. Tiger Leasing contributed 36 percent of revenue and \$13.6 million of net income.

Total revenue in 1973 was 14 percent higher than in 1972. Flying Tiger revenue increased eight percent because of gains in commercial traffic which more than compensated for a sharp decrease in military business. Tiger Leasing, whose revenue was up 25 percent over 1972, reported record levels of business in most leasing areas.

Costs and expenses of airline operations grew 10 percent, roughly in relation to the level and mix of business. Tiger Leasing's costs and expenses of operation grew 18 percent, a rate below that at which leasing business grew.

Consolidated selling and administrative expenses rose 20 percent in 1973. Depreciation and amortization expenses were up three percent. These items, along with the provision for income tax, also increased in relation to the levels of airline and leasing business.

Interest expense was up 27 percent from 1972 because of higher levels of borrowings and generally higher interest rates in 1973 over 1972.

Effective January 1, 1973, the Company changed its method of accounting for investment tax credits arising from the acquisition of equipment for lease under finance leases from the "flow through" method to a deferral method. The prior years' credits applicable to finance lease equipment were not material.

Tiger International, Inc. and Subsidiaries

Fourth Quarter Report

<i>For the Three Months ended December 31, 1974 and 1973</i>		1974	1973
		<i>(expressed in thousands)</i>	
Revenues	Common carriage --		
	Domestic	\$ 18,707	\$ 22,751
	International	28,653	24,560
	Military Airlift Command	3,954	3,344
	Leasing and related services	37,006	32,272
	Other	6,689	1,897
		95,009	84,626
Costs and Expenses	Airline operations	41,940	32,009
	Leasing operations	7,810	3,616
	Selling, general and administrative	16,672	11,211
	Depreciation and amortization	9,309	8,073
	Interest, and preferred dividends of subsidiary	15,950	11,845
		91,681	66,754
	Income before income tax provision	3,328	17,872
	Income tax provision	2,350	7,029
Net Income		\$ 978	\$ 10,843
Earnings Per Share	Primary	\$.08	\$.85
	Fully Diluted	.08	.85

The sharp reduction in net income in the fourth quarter in comparison with the fourth quarter of 1973 and the third quarter of 1974 resulted primarily from the following: (1) The effects of the recession, inflation, and the fuel crisis on Flying Tiger which caused the airline to lose \$1.8 million. (2) The change in the recognition of certain benefits arising from the exchange of North American Car Corporation debentures for those of National Equipment Rental which was completed in 1973.

A further reduction in after tax net resulted from an *increased* tax provision rate compared with the prior three quarters. Following normal accounting practice, the Company had estimated its net income for the year, the amount of investment tax credits which would be available, and therefore, the income tax provision rate which would be applicable. For the first three quarters, the tax provision rate calculation was 30 percent. However, the airline's loss in the fourth quarter, which was not projected, reduced the amount of investment tax credit which could be utilized, which then had the effect of increasing the income tax provision rate to 36 percent for the year. This required a 71 percent rate in the fourth quarter to bring the full year's rate to the 36 percent level.

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, 1974, 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, 1975, 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 1974 Annual Report. However, a copy of Form 10-K is available upon request to the Director of Corporate and Financial Relations, Tiger International, 7401 World Way West, Los Angeles, California 90009

Directors	<p>Robert W. Prescott <i>Chairman of the Board</i></p> <p>Wayne M. Hoffman <i>President & Chief Executive Officer</i></p> <p>Laurence C. Craigie <i>Consultant</i> <i>Lockheed</i> <i>Aircraft Corporation</i> <i>Burbank, California</i></p> <p>J. Howard Edgerton <i>Chairman of the Board</i> <i>California Federal Savings & Loan Association</i> <i>Los Angeles, California</i></p>	<p>Myer Feldman <i>Senior Partner</i> <i>Ginsburg, Feldman & Bress</i> <i>Attorneys at law</i> <i>Washington, D.C.</i></p> <p>Thomas F. Grojean <i>President & Chief Executive Officer</i> <i>North American Car Corporation</i> <i>Chicago, Illinois</i></p> <p>Charles Luckman <i>Chairman of Executive Committee</i> <i>Charles Luckman Associates (Architects)</i> <i>Los Angeles, California</i></p>	<p>William E. McKenna <i>Chairman of the Board & President</i> <i>Technicolor Inc.</i> <i>(Film Processing)</i> <i>Hollywood, California</i></p> <p>Norman L. Meyers <i>Partner</i> <i>Meyers, Marshall & Meyers</i> <i>Attorneys at law</i> <i>Washington, D. C.</i></p> <p>B. Houston Rehrig <i>President</i> <i>Rehrig-Pacific Company</i> <i>(Plastic Molders)</i> <i>Los Angeles, California</i></p>
Officers	<p>Wayne M. Hoffman <i>President & Chief Executive Officer</i></p> <p>Robert W. Prescott <i>Chairman of the Board</i></p>	<p>Rolf Bodenburg <i>Treasurer</i></p> <p>William D. Evans <i>Controller</i></p> <p>Rosanne O'Brien <i>Secretary</i></p>	<p>Stephan M. Benoff <i>Director of Corporate & Financial Relations & Assistant Secretary</i></p>
	<p>Auditors <i>Arthur Andersen & Co.</i></p> <p>General Counsel <i>White & Case</i></p> <p>Common Stock Transfer Agents <i>The Chase Manhattan Bank N. A.</i> <i>1 Chase Manhattan Plaza</i> <i>New York, N.Y. 10015</i></p>	<p><i>Bank of America, Corporate Agency Division</i> <i>111 West Seventh Street</i> <i>Los Angeles, California 90014</i></p> <p><i>Registrars</i> <i>The Bank of New York</i> <i>90 Washington Street</i> <i>New York, N.Y. 10015</i></p> <p><i>Union Bank</i> <i>742 South Hill Street</i> <i>Los Angeles, California 90054</i></p>	<p>Stock Exchanges <i>New York Stock Exchange</i> <i>Pacific Stock Exchange</i> <i>Midwest Stock Exchange</i></p> <p>Warrant Agents <i>Warrant Agent</i> <i>The Chase Manhattan Bank N. A.</i> <i>1 Chase Manhattan Plaza</i> <i>New York, N.Y. 10015</i></p> <p>Stock Exchanges <i>American Stock Exchange</i> <i>Pacific Stock Exchange</i></p>
Annual Stockholders' Meeting	<p><i>Date: May 16, 1975</i></p> <p><i>Time: 2 p.m.</i></p> <p><i>Place: Corporate Headquarters</i> <i>7401 World Way West</i> <i>International Airport</i> <i>Los Angeles,</i> <i>California 90009</i></p>		
Corporate Address	Tiger International, 7401 World Way West, Los Angeles, California 90009		