

THE FLYING TIGER LINE INC.

ANNUAL REPORT 1969

The New World of Flying Tigers





THE **FLYING TIGER LINE** INC.

7401 WORLD WAY WEST
LOS ANGELES INTERNATIONAL AIRPORT
LOS ANGELES, CALIFORNIA 90009
(213) 646-6161

April 1, 1970

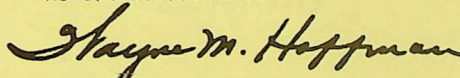
Dear Fellow Tiger:

It is a pleasure to provide you with this copy of our just-published 1969 Flying Tiger annual report which is now being mailed to our shareholders. As you'll read, the year just ended was a record year for us; our accomplishments have been the greatest in our 25-year history.

It has been a year of unusual challenge to Tigers. The opening of our new route across the Pacific, the phasing in of our new fleet of aircraft, and the development of new market areas -- these challenges could not have been met without the individual and collective skill, dedication and enthusiasm of Tiger employees.

We hope next year will be even more impressive as we consolidate our gains and get to know our New World a little better.


Robert W. Prescott


Wayne M. Hoffman

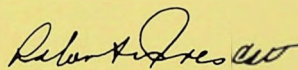
Letter to the Stockholders

1969 was a year of success and significance for The Flying Tiger Line. In a sense it marked a New World for the company, the culmination of a decade of intense planning and organizing for the opportunities of the seventies. That such broad and complex preparations were completed at the time that record revenues were also set is a tribute to the skill and dedication of the entire Tiger team. Profit—a direct result of customer satisfaction and operational efficiency—showed a sharp improvement during the year, rising to \$.95 a share from a restated 1968 loss of \$1.47.

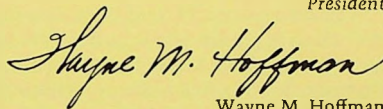
In 1969, the President of the United States awarded Flying Tigers a certificate to fly cargo across the Pacific to the Orient as a regularly scheduled carrier, and negotiations were completed with many of the governments in the Far East for operating rights within these nations. Resultant operations represented the greatest step-up of activities in the airline's history. What formerly had been a route system of 3,906 miles spanning one nation, mushroomed to a 17,537-mile network, covering more than half the globe and linking nine prosperous nations and territories in a vast new air cargo chain where none had existed before. By late 1969, shortly after trans-Pacific operations began, monthly traffic gains leaped as much as 170 per cent over comparable months in the previous year.

At the same time, and as part of the same process of profitable growth, the airline retired its old turbo-prop CL-44s, and phased in the balance of its fleet of DC-8 Super 63F cargo jets. So rapid and successful was this transition that by the fourth quarter we were the only major airline flying a single type of aircraft. The range, speed, economy and carrying capacity of this \$200 million superfreighter fleet has convincingly proved its high profitability, one which should last and improve—through the next decade.

To become the modern, far-flying airline it now is, the Tigers rely on sound management techniques and skilled people at every level of every activity. The leap into the New World of the Flying Tigers had to be taken in one step; it could not have been done in stages. That step was taken in 1969 by the outstanding men and women of The Flying Tiger Line.



Robert W. Prescott
President



Wayne M. Hoffman
Chairman of the Board





lents are sufficient to amortize debt for the next 2½ years. The current portion of our long term debt also reflects \$1,844,000 of debt on the B-707 aircraft which are on full payout leases with two foreign airlines and include purchase options. The debt is secured by assignment of these long term leases to the lender. During 1969, the company entered into loan agreements providing for the issuance of \$25 million principal amount of 5¾% subordinated notes, due 1979-1989. The notes are convertible into common stock at \$32.50 per share through 1989. The net proceeds have been added to the company's working capital.

Due to accelerated depreciation for tax purposes and other tax deductions, the company was not required to pay Federal income taxes on its profits in 1969. However, a provision was made for taxes which may be payable in the future. The Tax Reform Act of 1969 allows only 20% of the investment tax credit carry-forward to be applied in any one year up to a maximum of 50% of the taxes payable. We have approximately \$2 million per year to be applied against taxes on future earnings to a maximum of approximately \$10 million.

On October 2, 1969 a proposal for the formation of a holding company to be called The Flying Tiger Corporation (Corporation) was

submitted to and approved by Flying Tiger stockholders. Under the terms of the Plan of Reorganization and Agreement of Merger dated August 1, 1969, Flying Tiger will merge into FTL Air Freight Corporation, which is a wholly-owned subsidiary of Corporation. Corporation was organized by and is a wholly-owned subsidiary of Flying Tiger. Upon consummation of the merger, the corporate existence of Flying Tiger will cease and the business of Flying Tiger will thereafter be conducted by the surviving air carrier under the name of The Flying Tiger Line Inc. Under this plan, on the effective date of the reorganization, your present stock certificates for Flying Tiger shares will automatically represent Corporation shares. The effective date will be the last day of the month in which the Plan of Reorganization shall be filed with the Secretary of State of Delaware.

As indicated previously, we have substantial tax assets in the form of excess tax depreciation and investment tax credit carry-forward. It is hoped that diversification will enhance our opportunity to use these sizeable tax assets and to stabilize and increase earnings.

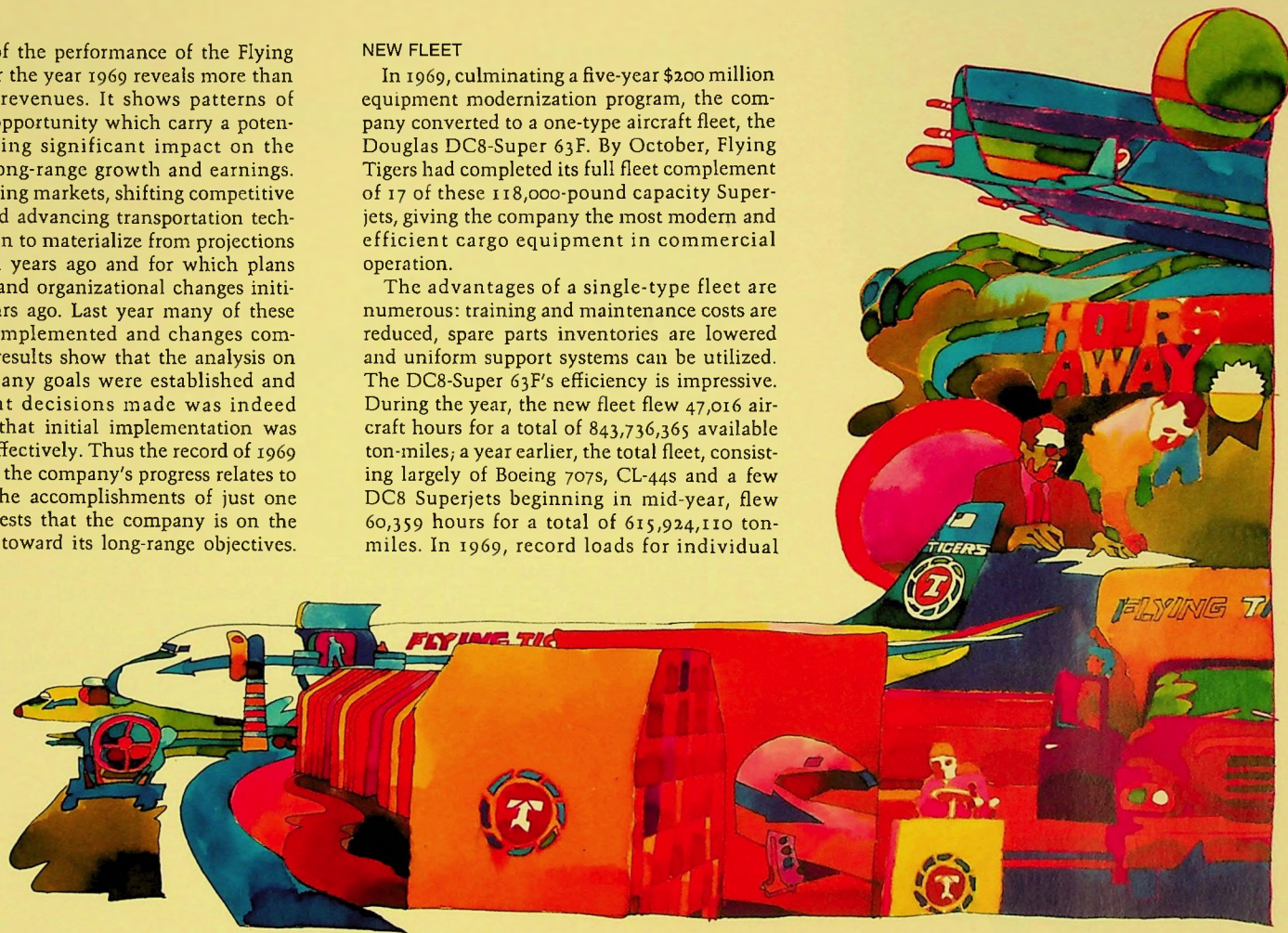
We have a favorable tax ruling indicating that the proposed plan will be tax free, and final approval of the CAB is awaited.

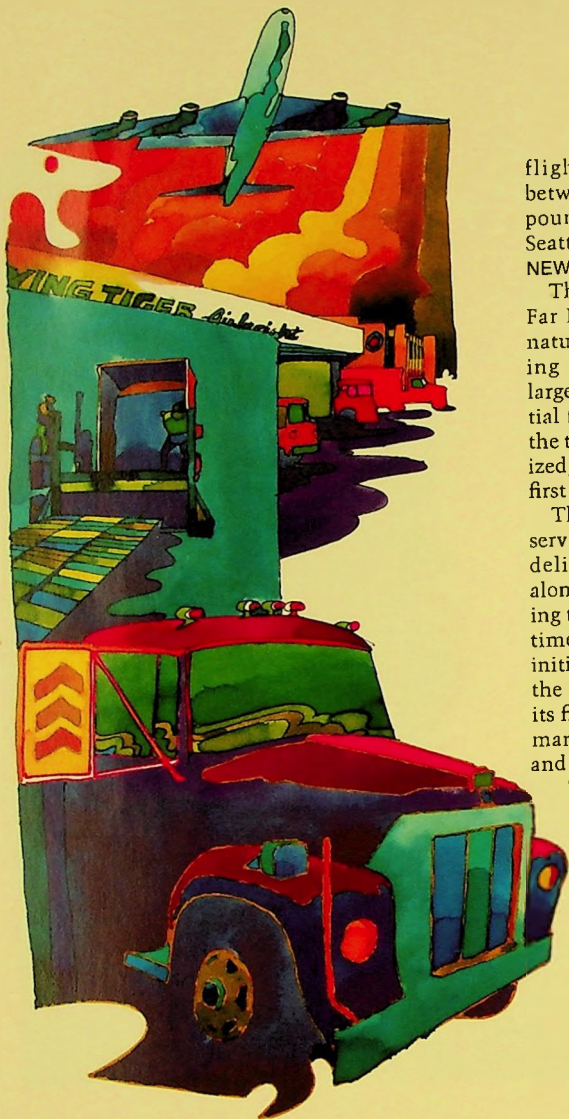
A review of the performance of the Flying Tiger Line for the year 1969 reveals more than record high revenues. It shows patterns of change and opportunity which carry a potential for making significant impact on the company's long-range growth and earnings. Newly emerging markets, shifting competitive situations and advancing transportation technologies began to materialize from projections made several years ago and for which plans were drawn and organizational changes initiated two years ago. Last year many of these plans were implemented and changes completed. The results show that the analysis on which company goals were established and management decisions made was indeed sound, and that initial implementation was carried out effectively. Thus the record of 1969 suggests that the company's progress relates to more than the accomplishments of just one year; it suggests that the company is on the right course toward its long-range objectives.

NEW FLEET

In 1969, culminating a five-year \$200 million equipment modernization program, the company converted to a one-type aircraft fleet, the Douglas DC8-Super 63F. By October, Flying Tigers had completed its full fleet complement of 17 of these 118,000-pound capacity Superjets, giving the company the most modern and efficient cargo equipment in commercial operation.

The advantages of a single-type fleet are numerous: training and maintenance costs are reduced, spare parts inventories are lowered and uniform support systems can be utilized. The DC8-Super 63F's efficiency is impressive. During the year, the new fleet flew 47,016 aircraft hours for a total of 843,736,365 available ton-miles; a year earlier, the total fleet, consisting largely of Boeing 707s, CL-44s and a few DC8 Superjets beginning in mid-year, flew 60,359 hours for a total of 615,924,110 ton-miles. In 1969, record loads for individual





flights were established: 117,111 pounds between Seattle and San Francisco, and 99,124 pounds on the international route between Seattle and Saigon.

NEW ROUTE

The expansion of routes to and within the Far East in 1969 dramatically enhanced the nature and scope of Tigers' business, reaffirming the company's position as the world's largest all-cargo carrier. The synergistic potential for using the domestic route as a feeder to the trans-Pacific flow of goods was quickly realized, increasing revenues dramatically in the first few months of operations.

The company established an international service standard of no longer than second-day delivery to any consignee at points served along its 17,537 miles of route structure. Selling to this standard, which was met 95% of the time, Tiger sales increased rapidly. In the initial four months of operation on this route, the company was well on its way to realizing its first year objective of capturing 20% of this market, estimated to be \$200 million annually and growing at an extremely rapid rate.

The Tigers had moved quickly to capitalize on the need for airlift to handle heavy mail loads even before the company was prepared to fly its full Far East

route. And in August 1969 it began mail flights which, in 4½ months, produced \$9.29 million in revenue from the 16½ million pounds carried. Total trans-Pacific revenue, during these months in 1969, amounted to \$13.1 million. Additionally, the assignment of aircraft to international operations has enabled the company to compete more effectively in the profitable commercial charter market to the U.S. This resulted in a 50% gain in charter revenue over prior years when charter capability in the Pacific was limited to Military Airlift Command (MAC) backhaul flights.

MILITARY REVENUE

Trans-Pacific military revenue of \$49.4 million during 1969 was the second highest in the company's history and 14% higher than 1968. This was due in part to the greater carrying capacity of the DC8-Super 63F over the CL-44 turboprop which preceded it in service. Of the total military revenue, nearly 51%, \$25.2 million, was passenger traffic to Vietnam. The closing months of 1969 saw early results of U.S. de-escalation policy in Southeast Asia and military revenue began to decrease for the Tigers and other carriers. This trend should continue in 1970, but it is expected that this reduction should be more than offset by gains in international common carriage.



Consolidated Statements of Income (expressed in thousands)

For the Years Ended December 31, 1969 and 1968

	1969	1968 (Note 2)
OPERATING REVENUES:		
Scheduled cargo operations—		
Domestic	\$22,467	\$21,430
International	13,102	—
Military Airlift Command	49,386	43,255
Charters, service sales, etc.	11,938	12,014
	<u>\$96,893</u>	<u>\$76,699</u>
OPERATING EXPENSES:		
Flying operations	\$35,546	\$32,681
Maintenance	15,377	16,671
Ground operations	14,602	11,067
Sales, advertising and publicity	3,106	2,959
General and administrative	4,742	3,905
Depreciation and amortization (straight-line)	10,715	11,487
	<u>\$84,088</u>	<u>\$78,770</u>
Operating income (loss)	\$12,805	\$ (2,071)
OTHER (INCOME) EXPENSE:		
Interest expense	\$ 8,676	\$ 3,087
Miscellaneous (net)	(1,783)	(530)
	<u>\$ 6,893</u>	<u>\$ 2,557</u>
Income (loss) before Federal income tax provision (credit), and extraordinary item	\$ 5,912	\$ (4,628)
Federal Income Tax Provision (Credit) (Note 8)	1,601	(2,226)
Income (Loss) Before Extraordinary Item	\$ 4,311	\$ (2,402)
Extraordinary Item—		
Provision for losses on fleet disposition, less applicable deferred income tax credit of \$4,078	—	(4,249)
NET INCOME (LOSS)	<u>\$ 4,311</u>	<u>\$ (6,651)</u>
PER SHARE OF COMMON STOCK (Note 7):		
Income (loss) before extraordinary item	\$.95	\$ (.53)
Extraordinary item	—	(.94)
NET INCOME (LOSS)	<u>\$.95</u>	<u>\$ (1.47)</u>

The accompanying notes are an integral part of these statements.

The Flying Tiger Line Inc. and Subsidiaries

Consolidated Statements of Source and Application of Funds (expressed in thousands)

For the Years Ended December 31, 1969 and 1968

	1969	1968 (Note 2)
WORKING CAPITAL AT BEGINNING OF YEAR	\$14,702	\$19,907
SOURCE OF FUNDS:		
Operations—		
Net income (loss)	\$ 4,311	\$ (6,651)
Add (deduct)—		
Depreciation and amortization provisions	11,312	6,345
Deferred tax provision (credit) (Note 8)	1,601	(2,967)
Gain on retirement of property and equipment	(514)	(116)
Extraordinary item (portion not reducing funds)	—	7,686
	\$16,710	\$ 4,297
Financing—		
Proceeds from issue of 5¾% convertible subordinated notes	\$25,000	\$ —
Proceeds from issue of 1968 Equipment Trust Certificates	19,000	19,000
Proceeds from issue of 1967 Equipment Trust Certificates	—	51,000
Proceeds from Equipment Purchase Notes	—	13,380
Proceeds from common stock issued upon exercise of stock options	80	50
Deferred debt expense	(208)	(342)
	\$43,872	\$83,088
Other—		
Collection on long-term receivables	\$ 1,222	\$ —
Proceeds from retirement of property and equipment	5,015	1,240
All other—net	—	380
	\$ 6,237	\$ 1,620
Funds provided	\$66,819	\$89,005
APPLICATION OF FUNDS:		
Long-term debt—		
Payments on long-term debt	\$13,126	\$ 7,985
Increase (decrease) in current portion of long-term debt	(1,089)	4,078
	\$12,037	\$12,063
Equipment acquisition—		
Purchase and lease of property and equipment, net of cash deposits applied	\$31,052	\$81,245
Deferred interest on leased aircraft	426	—
Deposits on equipment	—	448
	\$31,478	\$81,693
Other—		
Reclassification of prepaid engine overhaul costs (Note 2)	\$ 5,632	\$ —
Cash dividends on common stock	454	454
All other—net	135	—
	\$ 6,221	\$ 454
Funds applied	\$49,736	\$94,210
WORKING CAPITAL AT END OF YEAR	\$31,785	\$14,702

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets (expressed in thousands)

December 31, 1969 and 1968

	1969	1968 (Note 2)
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,490	\$ 2,587
Marketable securities, at cost approximating market, and short-term commercial paper	19,730	—
Receivables, less reserves—		
Cargo customers	6,718	3,975
Charters, service sales and other	15,220	10,355
Federal income tax refund	—	3,337
Materials and supplies, at average cost	4,794	4,745
Equipment under sales contract	—	6,725
Prepaid insurance, rents, etc.	3,526	2,702
Prepaid engine overhaul cost	—	7,335
Total current assets	\$ 53,478	\$ 41,761
Aircraft, engines and other flight equipment	\$116,852	\$ 96,965
Other equipment	4,832	4,057
Buildings and leasehold improvements	8,098	7,660
	\$129,782	\$108,682
Less — Reserves for depreciation and amortization	15,946	11,105
	\$113,836	\$ 97,577
Aircraft in nontransport use, net of reserves (Note 3)	17,144	18,803
Deposits on aircraft, engines, etc.	—	10,940
	\$130,980	\$127,320
Unamortized debt expenses	\$ 1,526	\$ 1,468
Long-term lease receivables, less unearned income of \$2,076 in 1969 and \$3,342 in 1968	7,734	8,955
Long-term deposits, etc.	4,025	2,894
	\$ 13,285	\$ 13,317
	\$197,743	\$182,398

The Flying Tiger Line Inc. and Subsidiaries

LIABILITIES AND STOCKHOLDERS' EQUITY	1969	1968 (Note 2)
CURRENT LIABILITIES:		
Notes payable to bank	\$ —	\$ 4,000
Current installments of long-term debt	10,042	11,131
Accounts payable and accrued liabilities	11,651	11,928
Total current liabilities	\$ 21,693	\$ 27,059
LONG-TERM DEBT, less current installments (Notes 5 and 6):		
Equipment Trust Certificates, etc.	\$ 93,133	\$102,536
Convertible Subordinated Notes	25,000	—
	\$118,133	\$102,536
DEFERRED CREDITS:		
Deferred Federal income taxes (Note 8)	\$ 13,986	\$ 12,384
Overhaul liability—leased aircraft and engines	1,028	1,453
	\$ 15,014	\$ 13,837
COMMITMENTS (Note 4)		
STOCKHOLDERS' EQUITY (Note 7):		
Common shares—\$1 par value—		
Authorized 10,000,000 shares		
Outstanding 4,544,638 shares (1969) and 4,540,638 shares (1968)	\$ 4,545	\$ 4,541
Additional paid-in capital	17,260	17,184
Retained earnings (Note 6)	21,098	17,241
	\$ 42,903	\$ 38,966
	\$197,743	\$182,398

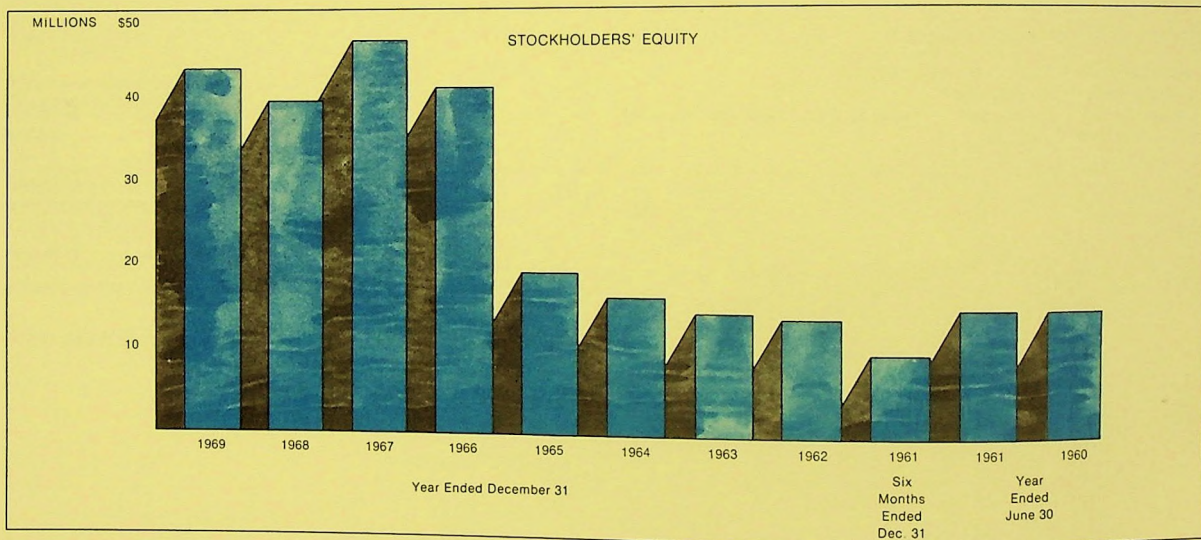
The accompanying notes are an integral part of these statements.

Consolidated Statements of Stockholders' Equity (expressed in thousands)
 For the Years Ended December 31, 1969 and 1968

	1969				1968 (Note 2)
	\$1 Par Common Stock	Additional Paid-in Capital	Retained Earnings	Total	Total
BALANCE, Beginning of year, as restated (Note 2)	\$4,541	\$17,184	\$17,241	\$38,966	\$46,021
ADD —					
Net income (loss) for year	—	—	4,311	4,311	(6,651)
Issuance of shares under stock options	4	76	—	80	50
	\$4,545	\$17,260	\$21,552	\$43,357	\$39,420
DEDUCT —					
Cash dividends on common stock—\$.10 per share	—	—	454	454	454
BALANCE, End of year (Notes 2 and 6)	\$4,545	\$17,260	\$21,098	\$42,903	\$38,966

The accompanying notes are an integral part of these statements.

The Flying Tiger Line Inc. and Subsidiaries



Notes to Financial Statements

December 31, 1969

(1) CONSOLIDATION

The Financial Statements include the accounts of The Flying Tiger Line Inc. and its wholly-owned subsidiaries for the year 1969 and restated year 1968. All significant intercompany transactions have been eliminated in consolidation.

(2) ACCOUNTING CHANGES

The Financial Statements presented herein reflect a change in accounting treatment for initial training and preoperating costs relative to aircraft fleet acquisitions to charge off such costs when incurred. Previously, initial training and preoperating costs had been deferred and amortized over a five year period. Years prior to 1969 have been retroactively restated to reflect this change in accounting method. The net effect of this change was to reduce net income \$1,374,000 for 1969, \$1,205,000 for 1968, and \$1,345,000 for years prior to 1968. Initial training and preoperating costs included in depreciation and amortization for 1969 and 1968 were \$2,905,000 and \$5,139,000, respectively, after restatement.

Prepaid engine overhaul costs have been reclassified from current assets to the equipment category since the experience with the new equipment has indicated that the overhaul period should be extended over a period substantially greater than one year.

(3) AIRCRAFT IN NONTRANSPORT USE

Aircraft in nontransport use and related spares include Boeing 707 and CL-44 aircraft, which have been retired from the Company's operating fleet,

and are carried at estimated net realizable value.

The Boeing 707 aircraft and certain of the CL-44 aircraft are on leases with options to purchase. The remaining CL-44 aircraft are available for lease or sale.

(4) LEASE COMMITMENTS

At December 31, 1969, the Company had long-term leases on aircraft, engines, facilities and equipment, with minimum lease periods ranging from one year to 30 years. There are renewal and purchase options on the aircraft and engines.

The schedule below summarizes annual and aggregate rentals for the minimum lease periods:

	Annual Rental for 1970	Aggregate Rental	Lease Period (Years)
Aircraft and engines	\$8,472,000	\$128,924,000	15
Facilities and equipment	1,503,000	19,117,000	1 to 30
	\$9,975,000	\$148,041,000	

Leases with respect to three aircraft with annual rentals of \$2,981,000 and aggregate rentals of \$57,374,000 are subject to revision on or before September 1, 1970, depending upon long-term financing to be obtained by the lessor.

(5) LONG-TERM DEBT

The outstanding balance of Equipment Trust Certificates and other debt obligations at December 31, 1969, consisted of the following:

Equipment trust certificates—		
1959 and 1964	5½%, due 1970	\$ 1,619,000
1965	½% over prime rate, maximum 8%, due 1970-1974	8,436,000
1967	6.6%, due 1970-1980	46,454,000
1968	6 to 7%, due 1970-1981	35,937,000
Subordinated equipment purchase notes—		
	6¾%, due 1974-1979	6,612,000
Other notes secured by facilities and equipment—		
	5½%-7%, due 1971-1988	4,117,000
		\$103,175,000
Less—Current portion		10,042,000
		\$ 93,133,000

The 5¾% convertible subordinated notes are due from 1979 to 1989 and are convertible into common stock at \$32.50 per share through 1989.

(6) RESTRICTIONS UNDER DEBT AGREEMENTS

The equipment trust agreements and other debt agreements include restrictive provisions as to cash dividends on common shares, working capital, borrowing, capital expenditures, etc. Under the most restrictive provisions, cash dividends were limited to \$500,000 for 1969.

The loan agreements related to the 5¾% convertible subordinated notes limit the payment of cash dividends for years subsequent to December 31, 1969, to an aggregate of \$1,000,000, plus net income.

(7) CAPITAL STOCK

At December 31, 1969, there were 237,100 shares of common stock reserved for issuance under the Qualified Stock Option Plan, of which options for purchase of 228,100 shares of common stock were outstanding, granted to officers and key employees at prices ranging from \$17.88 to \$39.00 per share (exercisable 1970-1974). At December 31, 1969, stock purchase warrants were outstanding for 25,000 shares of common stock, exercisable from 1970-1979, presently at \$28.75 per share, increasing to \$31.33 per share in 1975.

Also, at December 31, 1969, 769,231 common shares were reserved for the conversion of the 5¾% convertible subordinated notes at \$32.50 per share

through 1989.

The shares reserved above had no significant dilutive effect on the earnings per share which are computed on a weighted average method for the years ended December 31, 1969 and 1968.

(8) FEDERAL INCOME TAXES

Provisions for income taxes have been deferred through deduction of accelerated depreciation and other allowable deductions for tax purposes. The provision for 1969 has been reduced by approximately \$1,573,000 of investment tax credit. Under recently enacted legislation, the investment tax credit has been terminated with respect to future property additions. However, the Company has approximately \$10,000,000 of investment tax

credit carry-forward which may be utilized through 1976, of which \$5,144,000 has been applied as a reduction of deferred tax provisions. The maximum amount available in any one year is limited to approximately \$2,000,000.

(9) PENSION PLANS

The Company maintains pension plans for substantially all employees. The total pension plan expense for the year ended December 31, 1969, was \$1,480,000, of which \$79,000 was applicable to the unfunded liability for past service benefits which is being amortized over 20 years. Pension costs are funded as accrued. At December 31, 1969, the actuarially computed vested benefits exceeded pension funds by approximately \$1,290,000.

Arthur Andersen & Co.
Los Angeles, California

To the Stockholders,
The Flying Tiger Line Inc.:

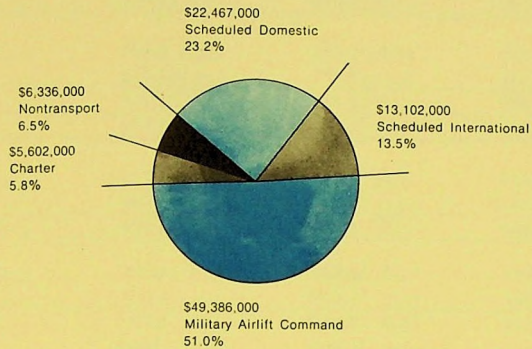
We have examined the consolidated balance sheets of THE FLYING TIGER LINE INC. (a Delaware corporation) and subsidiaries as of December 31, 1969 and 1968, and the related consolidated statements of income, stockholders' equity, and source and application of funds for the years then ended. Our examinations 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 The Flying Tiger Line Inc. and subsidiaries as of December 31, 1969 and 1968, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the periods after giving retroactive effect to the change in accounting for initial training and preoperating costs as described in Note 2.

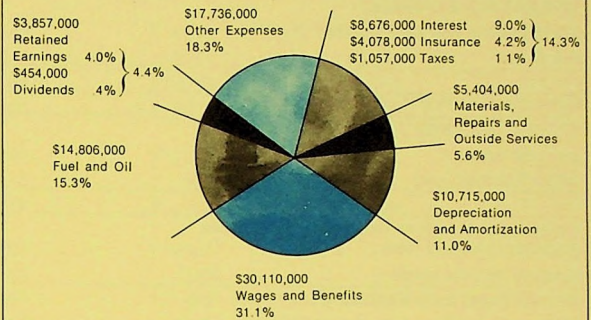
Los Angeles, California
February 27, 1970

Arthur Andersen & Co.

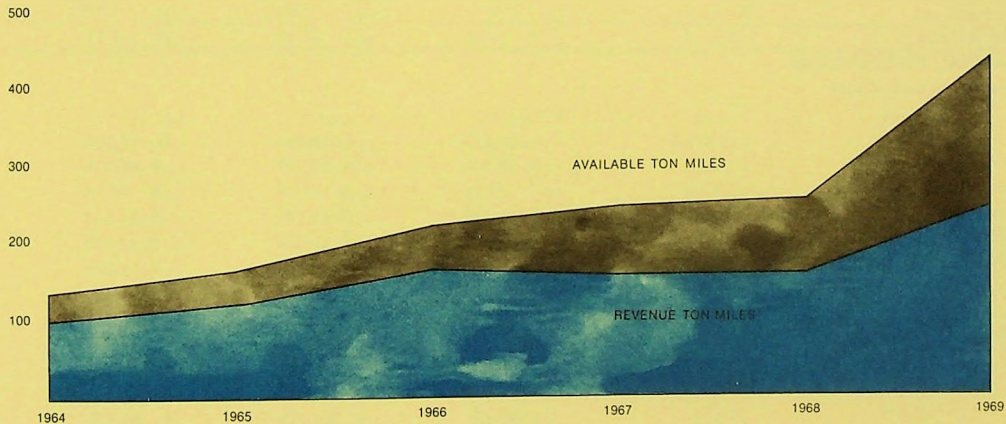
SOURCES OF REVENUES



DISTRIBUTION OF REVENUES



TON
MILES
(000)



Comparative Consolidated Income Statements and Other Financial Information

(expressed in thousands) (Note 2)

	1969	1968	1967	1966
INCOME STATEMENTS				
OPERATING REVENUES:				
Scheduled cargo operations	\$ 35,569	\$ 21,430	\$ 21,689	\$23,483
Military Airlift Command	49,386	43,255	53,413	48,074
Charters, service sales, etc.	11,938	12,014	11,929	14,462
	\$ 96,893	\$ 76,699	\$ 87,031	\$86,019
OPERATING EXPENSES:				
Depreciation and amortization (Note 2)	\$ 10,715	\$ 11,487	\$ 6,698	\$ 7,517
All other	73,373	67,283	67,633	58,606
	\$ 84,088	\$ 78,770	\$ 74,331	\$66,123
Operating income (loss)	\$ 12,805	\$ (2,071)	\$ 12,700	\$19,896
OTHER (INCOME) AND EXPENSES:				
Interest expense	\$ 8,676	\$ 3,087	\$ 1,775	\$ 2,302
Miscellaneous (net)	(1,783)	(530)	(903)	(1,727)
	\$ 6,893	\$ 2,557	\$ 872	\$ 575
Income (loss) before Federal income taxes and extraordinary item	\$ 5,912	\$ (4,628)	\$ 11,828	\$19,321
Federal income taxes	1,601	(2,226)	3,958	7,439
Income (loss) before extraordinary item	\$ 4,311	\$ (2,402)	\$ 7,870	\$11,882
Extraordinary item, less income taxes	—	(4,249)	(801)	—
NET INCOME (LOSS)	\$ 4,311	\$ (6,651)	\$ 7,069	\$11,882
EARNINGS PER SHARE OF COMMON STOCK:				
Income (loss) before extraordinary item	\$.95	\$ (.53)	\$ 1.73	\$ 2.68
Extraordinary item	—	(.94)	(.18)	—
NET INCOME (LOSS)	\$.95	\$ (1.47)	\$ 1.55	\$ 2.68
OTHER FINANCIAL INFORMATION				
Shares outstanding at end of year:				
Preferred	—	—	—	—
Common*	4,544,638	4,540,638	4,538,138	4,439,364
Stockholders' equity	\$ 42,903	\$ 38,966	\$ 46,021	\$40,259
Book value per common share	\$ 9.44	\$ 8.58	\$ 10.14	\$ 9.07
Current assets	\$ 53,478	\$ 41,761	\$ 37,497	\$39,688
Current liabilities	\$ 21,693	\$ 27,059	\$ 17,590	\$19,892
Working capital (deficit)	\$ 31,785	\$ 14,702	\$ 19,907	\$19,796
Flight equipment at cost	\$116,461	\$ 96,965	\$ 89,501	\$88,995
Long-term debt	\$118,133	\$102,536	\$ 79,967	\$34,867
SCHEDULED CARGO STATISTICS				
Available ton miles (000)	448,501	263,223	246,415	226,700
Revenue ton miles (000)	252,983	166,041	163,250	169,811
Load factor	56.4%	63.1%	66.2%	74.9%
Revenue per ton mile	14.06¢	12.9¢	13.29¢	13.83¢
NUMBER OF AIRLINE EMPLOYEES	2,241	2,475	2,096	2,089

*Common shares adjusted for 2 for 1 stock split in 1967 and 5% stock dividends in 1965, 1963, and 1960.

December 31

Six Months
EndedYear Ended
June 30

1965	1964	1963	1962	December 31 1961	1961	1960
\$17,087	\$13,707	\$10,919	\$10,259	\$ 5,268	\$11,791	\$14,656
30,237	23,151	27,466	38,395	11,121	13,435	8,116
8,832	8,610	3,825	3,609	2,184	2,739	3,215
\$56,156	\$45,468	\$42,210	\$52,263	\$18,573	\$27,965	\$25,987
\$ 7,007	\$ 5,345	\$ 5,860	\$ 6,464	\$ 4,815	\$ 4,376	\$ 4,163
41,110	35,792	34,259	38,564	14,781	23,007	22,612
\$48,117	\$41,137	\$40,119	\$45,028	\$19,596	\$27,383	\$26,775
\$ 8,039	\$ 4,331	\$ 2,091	\$ 7,235	\$ (1,023)	\$ 582	\$ (788)
\$ 2,423	\$ 2,120	\$ 2,425	\$ 2,792	\$ 991	\$ 675	\$ 922
(345)	(355)	(234)	85	128	61	(144)
\$ 2,078	\$ 1,765	\$ 2,191	\$ 2,877	\$ 1,119	\$ 736	\$ 778
\$ 5,961	\$ 2,566	\$ (100)	\$ 4,358	\$ (2,142)	\$ (154)	\$ (1,566)
2,740	1,075	(52)	2,266	(538)	(72)	(394)
\$ 3,221	\$ 1,491	\$ (48)	\$ 2,092	\$ (1,604)	\$ (82)	\$ (1,172)
—	200	317	478	(3,627)	101	173
\$ 3,221	\$ 1,691	\$ 269	\$ 2,570	\$ (5,231)	\$ 19	\$ (999)
\$ 1.00	\$.46	\$ (.02)	\$.67	\$ (.51)	\$ (.03)	\$ (.38)
—	.06	.10	.15	(1.16)	.03	.06
\$ 1.00	\$.52	\$.08	\$.82	\$ (1.67)	\$ —	\$ (.32)
99,112	99,112	99,112	99,112	99,112	99,112	99,112
3,215,990	3,211,580	3,210,740	3,134,978	3,128,818	3,128,818	3,111,878
\$18,993	\$15,996	\$14,507	\$13,795	\$ 9,976	\$14,981	\$14,949
\$ 5.91	\$ 4.98	\$ 4.52	\$ 4.40	\$ 3.19	\$ 4.79	\$ 4.80
\$21,556	\$20,506	\$16,717	\$18,591	\$13,835	\$ 9,586	\$ 7,068
\$12,411	\$12,799	\$10,681	\$10,993	\$12,431	\$11,085	\$ 5,961
\$ 9,145	\$ 7,707	\$ 6,036	\$ 7,598	\$ 1,404	\$ (1,499)	\$ 1,107
\$92,247	\$68,837	\$70,825	\$71,354	\$57,082	\$40,612	\$29,578
\$48,154	\$29,283	\$36,018	\$42,785	\$43,380	\$31,927	\$15,271
172,570	135,642	117,354	103,245	46,371	97,373	112,313
127,611	99,489	77,832	74,197	34,246	69,667	85,314
73.9%	73.3%	66.3%	71.9%	73.9%	71.5%	76.0%
13.39%	13.78%	14.03%	13.83%	15.38%	16.92%	17.18%
1,666	1,359	1,234	1,430	1,175	1,076	967

CHIEF FINANCIAL OFFICER

Thomas F. Grojean
Vice President—Finance
7401 World Way West
International Airport
Los Angeles, California 90009

TRANSFER AGENTS

The Chase Manhattan Bank
1 Chase Manhattan Plaza, New York, N. Y. 10015
Bank of America, Corporate Agency Division
111 West Seventh Street, Los Angeles, California 90014

REGISTRARS

The Bank of New York
48 Wall Street, New York, N. Y. 10015
Union Bank
8th and Hill Streets, Los Angeles, California 90054

AUDITORS

Arthur Andersen & Co.
1320 West Third Street, Los Angeles, California 90017

CAPITAL STOCK

Listed on New York Stock Exchange
and Pacific Coast Stock Exchange

ANNUAL STOCKHOLDERS MEETING

Date: May 15, 1970
Time: 2:00 P.M.
Place: 7401 World Way West
International Airport
Los Angeles, California

DOMESTIC REVENUE

Domestic revenue in 1969 totaled \$22 million, up slightly over 1968. Tigers, along with other trunk carriers operating all-cargo equipment, lost money on domestic operations. The industry at large, with an investment of more than one billion dollars, lost more than \$23.5 million on domestic freight in 1969 reflecting the inequities of rate structures for this traffic. During 1968 and 1969, Tigers, along with others in the industry, have been seeking pricing adjustments to set rates more realistically. Some progress was made during 1969, and a further revision of general commodity rates is being sought in 1970. Through these and other developments, it is expected that Tigers' losses on domestic carriage will be markedly reduced next year. One key to accomplishing this lies in realizing the potential of the new international route. Experience in 1969 showed that approximately 65% of freight carried to the Far East originated east of the Mississippi, suggesting

that the domestic route by serving as a feeder to the international will generate longer haul and higher yield revenue.

NEW MARKETING AND SALES APPROACH

The new fleet of Tiger aircraft, coupled with the expansion of service to broader areas, suggested to Tiger management the need for a new approach to marketing analysis and sales of the company's services. Planning for this was begun in 1967 and by 1969 implementation in the form of a new marketing organization and new selling strategies were nearly completed. Basically, the new system centers around a Terminal Profit Center organization. Under this plan of decentralization, each general manager of the 14 domestic and 4 international terminals has been given broad authority and responsibility for the sales, service and profit in his area. Applying performance standards and control systems established by the terminals division headquarters at Los Angeles, each general manager operates his





business as a profit center. To successfully manage his profit center, the terminal manager must work closely in harmony with other terminal managers. He shares, on a 50-50 basis, credit for all inbound as well as outbound loads. Hence his profitability is tied directly to that of the linking terminal and both are interdependent on efficient handling of loads on both ends as well as general system-wide performance. His performance is measured against profit objectives and he is given a great amount of managerial discretion in developing the customer-oriented services that will help him increase his sales.

Most important, each terminal manager can draw on the resources of Tiger headquarters where highly-skilled marketing specialists, including distribution planning experts, and analysts knowledgeable in specialized industries, help him prepare customer-by-customer, commodity-by-commodity and industry-by-industry total shipping packages for customers and prospective customers in his area. Appointed to key positions on the marketing team are a Manager of Perishables Market Planning, a Director of Distribution Planning, a Director of International Market Planning, and a Manager of Electronics Industry Plan-

ning, among others. Studying the logistic patterns of production and distribution within a specific industry, they can tailor programs to the unique needs of that industry. For example, comprehensive market planning has resulted in an appreciable increase in Tigers' share of the perishables commodities air cargo business. It is an industry which represents 8% of the total airfreight market, and Tigers carry 20% of the perishables flown along its Transcontinental Domestic Route 100.

It is too early to fully evaluate the results of the new marketing approach and the Terminal Profit Center organization. But the year's experience shows that a strong team of field managers has been built and that marketing analysis and research will produce new sources of revenue for the company through increased customer use of air transportation.

FACILITIES EXPANSION

During 1969, schedules were met for the completion of a major portion of the company's extensive facilities expansion program. This was in response to the pressing need for handling the larger aircraft and the increased traffic resulting from the new international operations. Terminal space at Los Angeles and San Francisco was doubled. A \$2.25 million

facility was constructed at Detroit. In New York, a \$1.2 million freight distribution and processing center was designed and built off-airport to alleviate Tigers' problem of operating in JFK's congested facilities. Space was trebled in Boston and substantially increased at Newark. In the Far East, new or improved facilities were acquired for the start-up of scheduled international operations.

NEW TECHNIQUES

Flying Tigers, the airline which pioneered the airfreight industry, continued to introduce cost-saving innovations in all aspects of its operations in 1969. One of its most significant contributions has been the development of more efficient and more economical systems of handling freight on the ground. Pre-palletization of freight and automated loading systems permit the 18-pallet, 118,000-pound capacity DC8-Super 63F cargo-jets to be loaded or off-loaded in less than 30 minutes. Thus ground service to the Tiger customer is greatly im-

proved and in-flight schedules are maximized.

A substantial tariff discount is offered shippers who containerize their own shipments to make possible direct loading aboard the aircraft, completely by-passing the terminal. As a result, more than 35% of Tiger freight is containerized by the customer, twice the percentage of other carriers.

Advanced palleting techniques are generating new and specialized business. One example is the Tiger-developed electronic pallet which reduces packaging costs for manufacturers and has resulted in a significant increase in the volume of computer traffic handled by the Tigers last year. Studies were carried out in 1969 on temperature-controlled containers for shipment of fresh fruit and meat from the U.S. to Japan. These containers would then be used to return to the U.S. such Japanese products as seafood, locally grown fruits and vegetables and electronic goods requiring special environmental handling.





ADVANCED TECHNOLOGIES

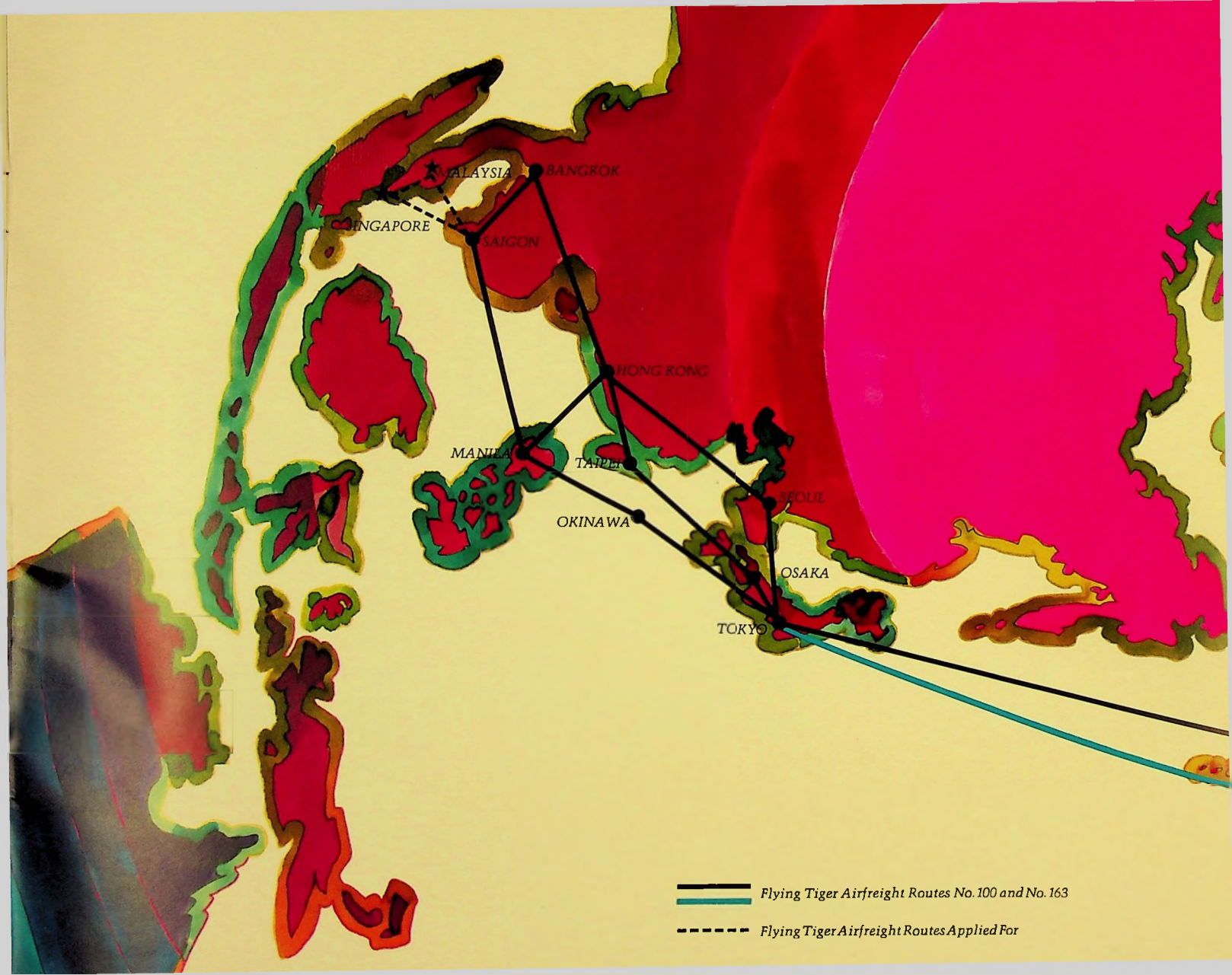
To assure continued leadership in the air cargo industry, Tiger management has maintained a high level of commitment to advanced technology in all aspects of operations. Its data processing equipment features third-generation solid state computers, and 1969 saw the first full year's use of the company's IBM 1130 computer system for flight operations. This user-oriented system features crew control programming for the storage of real-time records and the retrieval of vital crew data. Information from Tigers' systemwide teletype network is produced on tape for direct input to the computer, providing quick and accurate computations of complex crew pay schedules while assuring that flight scheduling conforms with FAA regulations and union work rules. In 1970 this system will provide dispatchers with vital information for flight planning and selection of optimum routing choices based on weather conditions, fuel loads, payloads and other criteria.

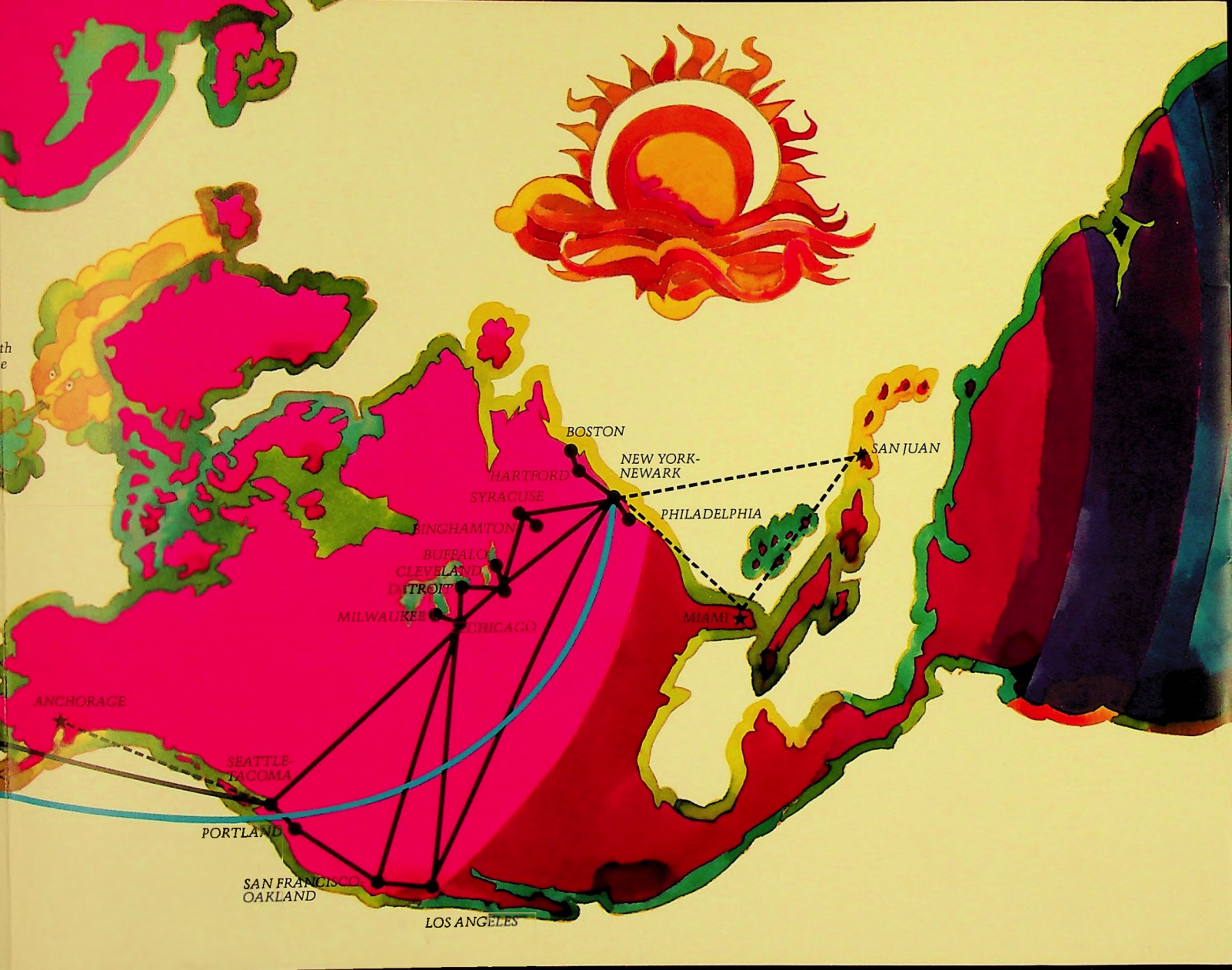
FLIGHT TRAINING CENTER

The \$1.5 million DC8-63F flight simulator which the company acquired in 1968 saved the Tigers approximately \$2.5 million during 1969. This would have been the cost of flight time for the equivalent training of crews in actual DC8-Super 63F aircraft. The only one of its kind certified by the Federal Aviation Administration, the Tiger flight simulator had a remarkable availability record of 99.32 percent out of a total of 5,000 hours of operation during the year.

YEAR OF CHANGE

To summarize, 1969 has been a big year for the Flying Tiger Line. It might have been a time of awkward and costly transition in adjusting to profound change; instead, it was a year of accomplishment and fruition. The benefits of change—growth and profit—were realized. With its new fleet, its new routes, new business approach and its continuing zeal, the Tigers anticipate another good year in 1970 and a decade even better than the one ended.





BOSTON

NEW YORK-
NEWARK

SAN JUAN

HARTFORD
SYRACUSE

PHILADELPHIA

BINGHAMTON
BUFFALO
CLEVELAND
DETROIT

MIAMI

MILWAUKEE
CHICAGO

ANCHORAGE

SEATTLE-
TACOMA

PORTLAND

SAN FRANCISCO
OAKLAND

LOS ANGELES

Routes—Present and Future

Flying Tigers' International Airfreight Route No. 163, over which scheduled service began September 14, 1969, launched the company into one of the world's fastest growing areas of commerce. This highly prized route award authorized Tigers to provide cargo-only service between the major markets of the United States and the Orient. It added 13,585 miles to Flying Tigers' 3,952-mile U.S. Airfreight Route No. 100, for a total route system of 17,537 miles extending from Boston to Bangkok.

In the U.S., the company provides daily scheduled airfreight service between these points: Los Angeles, San Francisco, Portland, Seattle, Milwaukee, Chicago, Detroit, Cleveland, Buffalo, Syracuse, Binghamton, Hartford, Boston, New York and Philadelphia.

The company's international network, operating over the Great Circle Route, connects the domestic system with the following points throughout Asia: Tokyo, Japan; Seoul, Korea; Hong Kong; Taipei, Taiwan; Naha, Okinawa; and Saigon, Cam Rahn Bay and Da Nang in South Vietnam.

Employing its new fleet of DC8-Super 63F cargojets, the company operated a flight frequency at the close of 1969 of 23 times weekly between the U.S. and the Far East, providing

more than 2.5 million pounds of lift capacity.

Flying Tigers plans to begin service soon to Osaka, Japan and, later on, to Manila in the Philippines and Bangkok, Thailand. It also has applied for permission to add Singapore, Malaysia and Anchorage, Alaska to International Route No. 163, and to add Miami and Puerto Rico to Domestic Route No. 100.

Shippers, however, are not limited to the above points when they call upon Tigers for transportation services. In 1969 the company expanded its Skyroad, Sea-Air and interline shipping programs to provide service to and from virtually anywhere in the world. In the U.S., Tigers' Skyroad provides combination air-truck service, with through rates and single carrier responsibility, to areas distant from airport terminal cities. Sea-Air, under a special tariff approved by the U.S. Civil Aeronautics Board, combines low-cost ocean with high-speed air service, giving international shippers an alternate means of transport between the Far East and the United States, Europe and Africa. And Flying Tigers' interline agreements with some 90 airlines throughout the world provide shippers with a cooperative network of air routes for the rapid shipment of air cargo to all parts of the globe.





FLYING TIGER LINE

7401 World Way West • International Airport, Los Angeles, California 90009