

JM

Jack M. Forehand
Treasurer

April 11, 1977

Messrs: I. R. Berman
G. J. Coffey
M. D. Dingman
S. A. Furbacher
C. F. Hammond, Jr.
C. A. Jacobson
J. F. Kelly
G. R. Moir
G. Morrow
J. J. Oberdorf
A. A. Smith
E. R. Zumwalt, Jr. ✓

Enclosed is a copy of our 1976 Form 10-K, the Annual Report to the Securities Exchange Commission.

Yours very truly,

Jack

~~*Gold / ...*~~
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JMF:am
enclosure

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1976 Commission file number 1-0402

TRANSWAY INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-5459210

(I.R.S. Employer
Identification No.)

747 Third Avenue, New York, New York

(Address of principal executive offices)

10017

(Zip Code)

Registrant's telephone number, including area code (212) 371-6464

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
<u>Capital Stock, no par value,</u>	<u>New York Stock Exchange</u>
<u>stated value \$5 per share</u>	<u>Midwest Stock Exchange</u>

Securities registered pursuant to Section 12(g) of the Act:

(Title of Class)

(Title of Class)

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report 6,994,410 (including 494,832 shares held in the issuer's treasury).

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

PART I

Item 1. Business.

Transway International Corporation ("Registrant") is engaged in (a) furnishing domestic freight forwarding and related transportation services, including motor transport, public warehousing and air freight forwarding, (b) providing various marine services, (c) manufacturing trailers, (d) transporting and distributing liquefied petroleum gas ("LPG") and (e) selling plumbing supplies and fabricated steel.

The Registrant was incorporated as "United States Freight Company" in 1925 under the laws of Delaware and is principally a holding company. For the most part, its business is conducted by its operating subsidiaries; references to the Registrant herein include its respective subsidiaries wherever applicable.

Information as to the amount of revenue and operating profit (income before expenses of corporate office, interest expense, income taxes and extraordinary items) attributable to each line of business of the Registrant during each of the last five years is set forth under the caption "Financial Highlights" on page 11 of this Annual Report on Form 10-K.

FREIGHT FORWARDING AND RELATED ACTIVITIES

The Registrant's domestic freight forwarding service is operated by six constituent companies which receive traffic from shippers consisting of less-than-carload or less-than-truckload shipments (generally under 10,000 pounds) and truckload or volume shipments (from 10,000 to 40,000 pounds) for delivery to designated consignees. During 1976, the Registrant handled approximately 2.4 billion pounds of domestic commercial and governmental traffic.

The Registrant, by means of trucks operated by cartage subsidiaries or non-affiliated operators of trucks, usually picks up shipments at the premises of the shipper, which are then delivered to the Registrant's various forwarding facilities. Shipments are consolidated into carload or truckload lots, loaded into trailers, boxcars or containers and then transported by railroad or truck lines to the destination terminals of the Registrant where the freight

is unloaded, sorted and delivered to the designated consignees. When goods are received by the Registrant or its agent, a bill of lading is issued to the shipper and the Registrant assumes a common carrier's responsibility for delivery of the freight to the consignee.

The most important part of the Registrant's domestic freight forwarding business consists of its long haul operations, which are conducted mainly over rail lines. The Registrant estimates that approximately 90% of its domestic shipments are handled by "piggyback" method (the transport of loaded wheeled road vehicles on flat-cars by rail), which are less expensive to the Registrant than the moving of such freight by boxcar. Trailers used in piggyback operations are owned or leased by the Registrant; flat-cars are either furnished by or leased from railroads.

In the course of its domestic freight forwarding business, the Registrant operates nearly 200 terminals for the consolidation, transfer and distribution of freight. These freight terminals permit the Registrant to render freight forwarding services in almost any part of the country.

Information published by the Interstate Commerce Commission indicates that the aggregate domestic freight forwarding business of the Registrant is greater both in dollar volume and tonnage handled than that of any other freight forwarding organization. However, in all areas in which the freight forwarding subsidiaries conduct their businesses, there are competitive freight forwarders of varying sizes. The Registrant's freight forwarding operations also compete with motor carriers and shipping associations.

In connection with its trucking operations (local pick-up and delivery of merchandise), the Registrant operates approximately 1,800 trucks, tractors and trailers, which service major metropolitan areas in the United States. Approximately 79% of these operations are related to the Registrant's freight forwarding operations. In conjunction with the operation of its motor vehicle equipment, the Registrant maintains garaging and servicing facilities. In certain localities, the Registrant is among the more important local trucking operators, but there is substantial competition in all areas.

Through subsidiaries, the Registrant also operates public warehouses in Miami and Orlando, Florida and Houston, Texas. Total warehousing capacity is approximately 520,000 square feet. Each of the warehouses furnishes local trucking services incidental to its business and provides direct access

to major railroads; the Houston building also contains space for storing perishable commodities.

Through a subsidiary, the Registrant provides domestic and international air freight forwarding service with cargo offices in certain principal cities in the United States.

MARINE SERVICES

The Registrant's subsidiary, Universal Transcontinental Corporation ("UTC"), furnishes international freight forwarding services and acts as export and import agent and customs house broker in connection with such foreign forwarding, arranging for and coordinating the transportation of shipments to and from foreign countries and handling entry and export documents, customs clearances and other details incidental to the export and import business. UTC maintains branch offices in various cities in the United States, as well as in Guatemala, Costa Rica and Brazil, and employs agents in principal foreign cities. For the years 1972, 1973, 1974, 1975 and 1976, revenues of UTC accounted for 14.7%, 16.1%, 18.0%, 18.3% and 15.9%, respectively, of the Registrant's total revenues.

The Registrant owns a 50% equity interest in Waterman Marine Corporation ("Waterman"), which has been engaged in carrying general cargoes since its organization in 1919. Waterman operates 19 vessels in regularly scheduled steamship service between United States Atlantic Ocean and Gulf of Mexico ports and European, Mediterranean, Red Sea, Persian Gulf, Indian Ocean and Far Eastern ports, including mainland China. Waterman's fleet includes three LASH-type (Lighter-Aboard-Ship) vessels, which were completed and placed in service during 1974. Approximately 10% of Waterman's revenues are received pursuant to two operating differential subsidy agreements with the U.S. Maritime Administration. An application for a third subsidy agreement, related to a trade route agreement which expired in 1976, is pending, with a decision expected during 1977. For information with respect to the Registrant's investment in Waterman, reference is made to Note 3 of Notes to Consolidated Financial Statements contained on pages 24 to 29 of the Registrant's 1976 Annual Report to Stockholders and included as a part of this Annual Report on Form 10-K.

The Registrant's subsidiary, Coordinated Caribbean Transport, Inc. ("CCT"), operates roll-on/roll-off trailer-ships between Miami, Central America and Ecuador. CCT owns two vessels and charters three others. For information re-

garding contracts for the construction of two United States flag tug-barges, reference is made to Note 8 of Notes to Consolidated Financial Statements contained on pages 24 to 29 of the Registrant's 1976 Annual Report to Stockholders and included as a part of this Annual Report on Form 10-K.

The S.S. Veracruz I, owned by the Registrant's subsidiary, Freeport Cruise Lines Panama, Inc. and operated by the Registrant's subsidiary, Bahama Cruise Line, Inc., is under a one-year time charter to a Canadian travel wholesaler for cruise line service in the Caribbean and from Vancouver to Alaska.

TRAILER MANUFACTURING

Great Dane Trailers, Inc. ("Great Dane") is engaged in the manufacture and distribution of piggyback and highway trailers, including a complete line of dry freight vans, produce vans, refrigerated trailers, warehousemen vans and fruit and grain trailers. Great Dane's principal manufacturing plant, which is located in Savannah, Georgia and was augmented during 1975 with the completion of a plant in Brazil, Indiana, produces from raw or semi-finished material the components used in the assembly of its products other than those items requiring machine shop or foundry work and except for certain components such as brakes, tires, wheels, rims, axles, landing gear and springs, which are purchased as finished items. Its facilities include a fabricating department which manufactures components and separate assembly lines for van trailers and chasses. Platform and extendible trailers are produced at the Memphis, Tennessee plant of a Great Dane subsidiary.

During 1976, Great Dane sales experienced a strong recovery from 1975 levels, which were depressed by the economic slump and by selling price increases resulting from government-mandated antilock braking systems. Trailer production increased by more than 150% compared with the prior year. Current production has reached a level equal to the record number of units produced at the end of 1974. The backlog of orders at December 31, 1976 amounted to \$18 million, compared to a backlog of \$8 million at December 31, 1975.

Great Dane products are sold principally in the eastern half of the United States, with a number of distributors also located in the north central and western states. Approximately 50% of Great Dane's products are sold through its branch offices, the balance being sold through independent distributors or directly to customers.

Although Great Dane is one of the larger trailer producers, the national truck trailer market is a competitive one dominated by several other manufacturers. Great Dane competes with the other producers on the basis of a quality product at a competitive price, although they possess greater resources and production capacities and larger sales and dealer organizations than Great Dane.

Transway Finance Company, a wholly-owned subsidiary of Great Dane, provides financing for customers of Great Dane in connection with purchases of trailers.

LIQUEFIED PETROLEUM GAS

Tropigas International Corp. ("Tropigas") and its subsidiaries are engaged in the transportation, distribution and sale of LPG for household, agricultural, commercial and industrial uses, including air conditioning and carburetion.

Throughout most of Tropigas' marketing areas, it supplies LPG on a direct retail basis and also markets at wholesale. However, in Bermuda, Tropigas sells LPG only on a wholesale basis and in Panama participates in retail distribution through affiliates. Sales at wholesale, primarily through about 2,100 distributors and other dealers, accounted for 47% of Tropigas' LPG sales by volume during 1976. An additional 23% of sales were made in world markets on a spot or contract basis. Household sales produce larger gross profits per gallon sold than commercial, industrial and other sales, but involve higher costs of installation, capital equipment and service. Tropigas also sells, both at retail and to dealers and distributors, merchandise consisting of gas ranges, water heaters and refrigerators and commercial, industrial, carburetion and other miscellaneous items.

Tropigas markets its products in Florida, North Carolina and Virginia within the United States and in the Caribbean area (including Puerto Rico, Bermuda and The Bahamas) and Central America. Most of the foreign countries in which Tropigas operates are characterized by stability in government; however, the governments of certain countries have from time to time adopted or indicated an intention to legislate controls over foreign investments.

In 1976, Tropigas sold 80% of its investment in its then Venezuelan subsidiaries to Venezuelan nationals for approximately the net asset value of such investment. Such divestment was made pursuant to the requirements of

Decision 24 of the Cartagena Agreement, to which Venezuela is a party. Tropigas has retained a 20% interest in such Venezuelan corporations.

During 1976, foreign operations accounted for 56% of LPG sales. Foreign LPG sales in 1976 (measured by volume), exclusive of sales in world markets on a spot or contract basis, were distributed as follows: the Caribbean area, 53%; Venezuela, 10%; and Central America, 37%.

Tropigas has contracts for the supply of LPG with producers within its areas of operation and also purchases product under contracts or spot arrangements with other suppliers as may be required. In general, Tropigas' contractual arrangements provide for certain minimum takings on the part of Tropigas; the maximum quantities required to be provided by the suppliers are limited either by contract provisions or the physical limitations of the production facilities. Present takings under these contracts are, and consistently have been, in excess of the established minimums. Tropigas currently has a total of 10 foreign contract suppliers. United States supplies for Tropigas' domestic market are furnished pursuant to commitments from domestic producers and suppliers who are required by Federal Energy Administration regulations to provide requirements equal to volumes sold in a defined base period to the limit of their ability to do so.

The volume of Libyan LPG available to Tropigas under a long-term supply agreement concluded in 1973 is substantially below the contract maximum. The Libyan National Oil Company continues to exercise its right under nationalization to take 51% of the production, thereby limiting Tropigas to 49%. Delays in completing improved and expanded facilities and erratic production have also resulted in lower volumes than originally projected. Despite temporary price concessions granted by Tropigas' supplier in response to adverse market conditions, price levels of Libyan LPG still preclude importation to the United States as originally intended by Tropigas. Since the second quarter of 1976, Tropigas has assumed full control of all world marketing of its share of the Libyan LPG.

Prior to January 1, 1976, Tropigas had been obtaining substantial quantities of LPG at a highly favorable price from Exxon International, Inc. ("Exxon") in Venezuela under a contract entered into in 1969, which was scheduled to expire on December 31, 1977. The LPG purchased under this contract was used to supply most territories served by Tropigas in Central America and the Caribbean and to supply a portion of the LPG sold by Tropigas in the United States. As of

December 31, 1975, Exxon attempted to terminate such contract as a result of the issuance by the Venezuelan Government of a decree nationalizing that country's petroleum industry, seeking to justify such termination by a claim that such government's action constituted a force majeure relieving Exxon from liability under the contract. In June 1976, an arbitrator rendered an award to the effect that, although the agreement was to remain in force, the prices charged by Exxon for LPG sold thereunder were to be subject to re-negotiation in order to take into account increased charges for the product by the Venezuelan national oil companies. As a consequence of such re-negotiation of prices between Exxon and Tropigas, the price paid for LPG under the contract has increased significantly, adversely affecting Tropigas' 1976 earnings.

Ocean transportation of LPG is accomplished by means of tankers especially designed for such use. Tropigas owns three such tankers built to its specifications, all of which are predominantly employed in the distribution of Tropigas' LPG from its various export supply areas to its marketing areas which are wholly or partially dependent on tanker imports. To supplement its own tanker fleet, Tropigas maintains one additional tanker, the Venus Gas, on short-term charter. In October 1976, the Tropigas Far East was delivered under a three-year time charter with options on the part of Tropigas to purchase the vessel, extend the time charter or convert the time charter to a bare boat charter for a period of up to twenty years. This new vessel was built to Tropigas' specifications and has the ability to carry a wide range of chemical cargoes in addition to LPG. The present tanker fleet, including the new vessel, is, in Tropigas' opinion, adequate to handle all of its marine transportation needs and provides sufficient flexibility to accommodate increasing demands in the future; if necessary, however, additional vessels are available to Tropigas for time charter.

Reference is made to Item 3 of this Annual Report on Form 10-K for a description of the facilities utilized by Tropigas for the bulk storage of LPG both in the United States and in the foreign countries in which it operates.

Tropigas is a principal marketer of LPG in each of the areas in which it operates. However, in a number of countries Tropigas is subject to increasing competition from other marketers, some of whom possess considerably greater total assets. No jurisdiction in which Tropigas operates has granted to Tropigas any exclusive license or franchise to conduct an LPG business.

LPG is sold in competition with other petroleum products, as well as natural gas, manufactured gas, electricity and charcoal. In many applications, LPG competes on the basis of its cleanliness, convenience, availability or adaptability to control. In addition to these factors, LPG can also compete on a price basis in some markets and in some types of sales inasmuch as the price range of other petroleum products and electricity varies widely in different competitive markets and areas.

PLUMBING AND STEEL PRODUCTS

Smith Pipe & Steel Company ("Smith Pipe & Steel"), based in Phoenix, Arizona, is a wholesaler and jobber of plumbing supplies and fabricated steel products to plumbing, heating, air conditioning and general contractors in Arizona and New Mexico. For residential construction, Smith Pipe & Steel furnishes plumbing fixtures, hot water heaters, piping such as copper tubing, plastic pipe and cast iron drainage pipe, heating and air conditioning duct work and steel mesh for concrete floors and walls. Industrial and commercial customers account for sales of heavy pipe, valves and fittings for the transportation of various types of liquid and of water well casing and irrigation tubes having agricultural applications. Smith Pipe & Steel also furnishes contractors with wire products, steel fence posts, beams, angles, plates, channel iron, reinforcing rods and other miscellaneous steel items and related hardware.

Although the Registrant believes that Smith Pipe & Steel is the largest wholesaler of plumbing supplies and fabricated steel products in the area in which it operates, it competes locally with numerous other distributors and its business may be affected by shortages of materials and by fluctuations in the demand for new construction.

REGULATION

The activities of the Registrant itself, including its issuance of securities, are not subject to the regulatory powers of the Interstate Commerce Commission. However, its domestic surface freight forwarding subsidiaries are subject to the provisions of Part IV of the Interstate Commerce Act which vests in such Commission regulatory powers over all domestic freight forwarders with respect to licensing, rates, tariffs, practices and other matters, including uniform accounting procedures.

Certain of the Registrant's motor transport subsidiaries are motor carriers subject to the regulatory powers of the Interstate Commerce Commission under Part II of the Interstate Commerce Act. In a number of jurisdictions, motor transport subsidiaries engaged in intrastate commerce are also subject to regulation by a public service commission or comparable state authority.

The Merchant Marine Act empowers the Federal Maritime Commission to exercise certain regulatory powers with respect to the Registrant's foreign freight business. Certain of its marine activities are also subject to the regulatory powers of the Federal Maritime Commission.

The Registrant's domestic and international air freight forwarding business is regulated by the Civil Aeronautics Board.

Tropigas, with respect to its domestic operations, is subject to the regulations of the Federal Energy Administration governing the allocation and pricing of petroleum products.

EMPLOYEES

The Registrant has an aggregate of 5,626 domestic employees, of whom 1,856 are engaged in its domestic freight forwarding operations and 1,342 in activities related thereto, 518 in its marine services operations and an aggregate of 1,910 in the operations of Great Dane, Tropigas and Smith Pipe & Steel. Employees subject to collective bargaining agreements are as follows:

<u>Union</u>	<u>No. of Employees</u>	<u>Contract Expiration Date</u>
Brotherhood of Railway, Airlines and Steamship Clerks	595	3/1/79
International Brotherhood of Teamsters	1,318	5/27/77 to 10/31/79
International Association of Mechanics and Aerospace Workers	36	3/31/79
National Association of Machinists and Aerospace Workers, AFL-CIO	97	3/31/78
International Longshoremen's Association	107	9/30/77 to 3/31/79

In addition, CCT, Freeport Cruise Lines Panama, Inc. and Tropigas and its subsidiaries employ an aggregate of 1,386 persons in the foreign countries in which they operate, of whom 156 are subject to collective bargaining agreements.

Financial Highlights

Transway International Corporation and Subsidiaries

	Year Ended December 31,				
	1976	1975	1974	1973	1972
	(thousands of dollars)				
Revenues					
Freight Forwarding and Related Activities	\$264,282	\$236,763	\$264,576	\$251,804	\$235,302
Marine Services	141,051	131,728	131,858	92,401	71,895
Trailer Manufacturing	107,867	54,542	88,495	68,167	58,582
Liquefied Petroleum Gas	77,585	76,544	83,682	51,116	37,394
Plumbing and Steel Products	17,411	16,456	23,510	24,052	22,440
	<u>\$608,196</u>	<u>\$516,033</u>	<u>\$592,121</u>	<u>\$487,540</u>	<u>\$425,613</u>
Operating Profit					
Freight Forwarding and Related Activities	\$ 16,085	\$ 11,635	\$ 14,611	\$ 16,543	\$ 12,989
Marine Services	8,840	7,968	5,707	1,876	1,937
Trailer Manufacturing	9,152	1,513	6,562	6,049	6,260
Liquefied Petroleum Gas	6,285	8,530	7,759	6,904	3,957
Plumbing and Steel Products	702	1,207	2,866	1,600	1,741
	<u>41,064</u>	<u>30,853</u>	<u>37,505</u>	<u>32,972</u>	<u>26,884</u>
Expenses of Corporate Office	(5,090)	(3,393)	(4,590)	(2,867)	(3,336)
Interest Expense	(4,090)	(3,171)	(2,157)	(1,665)	(1,549)
	<u>31,884</u>	<u>24,289</u>	<u>30,758</u>	<u>28,440</u>	<u>21,999</u>
Provision for Income Taxes	11,514	6,236	12,200	13,232	9,948
Income Before Extraordinary Items	20,370	18,053	18,558	15,208	12,051
Extraordinary Items			975	993	677
Net Income	<u>\$ 20,370</u>	<u>\$ 18,053</u>	<u>\$ 19,533</u>	<u>\$ 16,201</u>	<u>\$ 12,728</u>
Income Per Share					
Income Before Extraordinary Items	\$3.11	\$2.78	\$2.86	\$2.35	\$1.86
Extraordinary Items			.15	.15	.11
Net Income	<u>\$3.11</u>	<u>\$2.78</u>	<u>\$3.01</u>	<u>\$2.50</u>	<u>\$1.97</u>
Total Assets					
Freight Forwarding and Related Activities	\$ 34,414	\$ 33,021	\$ 30,870	\$ 36,978	\$ 36,133
Marine Services	65,776	56,537	39,271	21,130	15,596
Trailer Manufacturing	63,449	50,549	50,274	41,448	40,186
Liquefied Petroleum Gas	58,230	50,876	47,776	46,695	43,258
Plumbing and Steel Products	7,453	7,594	8,753	9,353	8,369
Other	4,812	10,147	11,017	8,106	10,154
	<u>\$234,134</u>	<u>\$208,724</u>	<u>\$187,961</u>	<u>\$163,710</u>	<u>\$153,696</u>

Marine Services includes equity in earnings of and investments in partially owned companies, principally Waterman Marine Corporation (50% owned). Trailer Manufacturing includes equity in earnings of and an investment in a wholly owned finance company.

Consolidated Summary of Operations (Item 2)

Transway International Corporation and Subsidiaries

	Year Ended December 31,				
	1976	1975	1974	1973	1972
	(thousands of dollars)				
Revenues	\$608,196	\$516,033	\$592,121	\$487,540	\$425,613
Cost of revenues	448,122	372,993	439,029	343,432	299,340
Interest expense	4,090	3,171	2,157	1,665	1,549
Provision for income taxes	11,514	6,236	12,200	13,232	9,948
Income before extraordinary items	20,370	18,053	18,558	15,208	12,051
Extraordinary items			975	993	677
Net income	20,370	18,053	19,533	16,201	12,728
Income per share :					
Income before extraordinary items	\$3.11	\$2.78	\$2.86	\$2.35	\$1.86
Extraordinary items			.15	.15	.11
Net income	<u>\$3.11</u>	<u>\$2.78</u>	<u>\$3.01</u>	<u>\$2.50</u>	<u>\$1.97</u>
Cash dividends per share	<u>\$1.40</u>	<u>\$1.40</u>	<u>\$1.40</u>	<u>\$1.40</u>	<u>\$1.40</u>
Average shares outstanding (in thousands)	6,550	6,487	6,485	6,482	6,476

Management's Discussion and Analysis of the Summary of Operations

1976 Versus 1975

Revenues—The revenue increase of \$92.2 million, or 17.9%, in 1976 over 1975 is due principally to a \$53.3 million (97.8%) increase in Trailer Manufacturing and a \$27.5 million (11.6%) increase in Freight Forwarding revenues. Both business lines experienced a recovery from the 1975 recession, especially Trailer Manufacturing which was unusually depressed in 1975. The number of trailers sold more than doubled the 1975 period and forwarder traffic tonnage handled increased 9.2% from 1975.

Cost of Revenues—The \$75.1 million (20.1%) increase in cost of revenues in 1976 from the prior year is generally attributed to the same factors causing revenue to increase. In addition, Liquefied Petroleum Gas (LPG) cost of revenues were increased by higher product cost due to the termination of a favorable LPG supply contract. Trailer manufacturing profit margins benefited from operating at a higher level of capacity than in 1975.

Interest Expense—The increased interest expense is principally due to the senior notes being outstanding for a larger portion of the year 1976 versus 1975.

Provision for Income Taxes—The percentage of income taxes to income before taxes increased to 36.1% from 25.7% in 1975. This increased effective tax rate is due to substantially higher income of domestic subsidiaries and increased taxes on foreign income. See Note 6 of the Notes to Consolidated Financial Statements.

Net Income—Net income increased \$2.3 million (12.8%) in 1976 as a result of factors noted above and an increase in equity earnings, partially offset by increases in operating expenses. The increases in operating expenses reflects a higher level of operations, normal cost increases and operating expense associated with the *S. S. Veracruz I* which commenced operation in late 1975. Increased 1976 equity earnings reflect improved vessel utilization by Waterman in the fourth quarter.

1975 Versus 1974

Revenues—The revenue decline of \$76.1 million, or 12.9%, in 1975 compared to 1974 is attributed principally to \$27.8 million (10.5%) decline in Freight Forwarding revenues and a \$34 million (38.4%) decline in Trailer Manufacturing revenue. Freight Forwarding experienced a 15.2% decline from 1974 in traffic tonnage handled, and Trailer Manufacturing sold 66% fewer trailers than in 1974. Both segments were adversely affected by the national recession and, in addition, trailer sales were depressed by the imposition of costly new Federal brake safety standards.

Cost of Revenues—The 15.0% decline in cost of revenues in 1975 from the prior year is generally consistent with the decline in revenues and is attributed to the same factors. In addition, LPG cost of revenues declined at a higher rate (15.2%) than its related revenue decrease of 8.5% because the sales decrease was concentrated in the world gas market which was not profitable in 1974.

Interest Expense—Higher average borrowings is the major reason for the increase in interest expense for 1975.

Provision for Income Taxes—The change in the 1975 tax provision compared to 1974 results primarily from the change in income before taxes, after adjustment for equity earnings and for foreign income taxed at less than 48%, included therein.

Net Income—Net income decreased 7.6% in 1975 from 1974. Factors noted above, as well as changes in operating expenses, including depreciation and maintenance and repairs, and equity earnings, caused the changes in net income. Equity earnings benefited from the inauguration of LASH vessels service by Waterman in the third quarter of 1974.

Item 3. Properties.

The Registrant's executive offices are located in leased premises occupying 16,500 square feet at 747 Third Avenue, New York, New York 10017.

Terminal, garage, warehouse and office space occupied or used by the Registrant in its freight forwarding business is, in most instances, located in leased premises. Generally, terminal facilities and appurtenant office and warehouse space are leased by the freight forwarding subsidiaries from the railroads. Such leases are of varying duration, and some of them are terminable at the election of either party upon specified notice.

The Registrant owns and occupies a garage in Chicago (the sale of which is contemplated), a warehouse in Orlando, Florida and freight facilities in Chicago, Indianapolis, Milwaukee and Phoenix. Other garage, warehouse and office space is occupied under leases for varying periods.

CCT owns a terminal in El Salvador which is used in connection with its marine activities.

Great Dane's principal trailer manufacturing facilities are located in a plant containing approximately 335,000 square feet of space, situated on two tracts of land aggregating approximately 50 acres which Great Dane owns in Savannah, Georgia. Other manufacturing activities are conducted in its 210,000-square foot plant located on an 80-acre site in Brazil, Indiana and in leased premises occupying approximately 99,000 square feet on a 9.8-acre site in Memphis, Tennessee. Construction will begin in 1977 on an additional 160,000 square feet of space at the Brazil, Indiana facility for the purpose of manufacturing refrigerated van trailers; it is estimated that such new construction will cost approximately \$8,300,000. Manufacturing plants and the equipment at such premises are well-maintained, in good condition and adequate for the conduct of the operations to which they relate.

The largest capital investment of Tropigas is in bulk storage facilities and in utilization equipment such as cylinders, systems tanks (used in larger commercial, industrial or agricultural applications), regulators and meters. Tropigas' storage facilities at December 31, 1976 were located in 13 countries and are summarized by area in the table which follows:

Capacity in Gallons

	<u>Ocean Terminals</u>	<u>Total Land Storage</u>	<u>On Land Owned By Tropigas (1)</u>	<u>On Leased Land (1)</u>
Caribbean	1,136,000	1,849,000	908,000	941,000
Central America	480,000 (2)	889,000	334,000 (3)	555,000
United States	627,000	1,883,000	1,016,000	867,000
Total	<u>2,243,000</u>	<u>4,621,000</u>	<u>2,258,000</u>	<u>2,363,000</u>

- (1) All bulk storage plants are owned by Tropigas.
- (2) In addition, Tropigas has a 50% interest in an ocean terminal on leased land with a 390,000-gallon capacity located at Santo Tomas de Castilla, Guatemala.
- (3) In addition, a corporation in which Tropigas has a 50% interest owns a 120,000-gallon bulk storage plant on owned land in Panama.

Atlantic Energy, Inc., in which Tropigas has a 50% ownership interest, owns a refrigerated LPG storage terminal in Chesapeake, Virginia, which has a storage capacity of 20 million gallons.

Tropigas owns the building in Coral Gables, Florida in which its executive and general offices are located.

In the Registrant's opinion, Tropigas' properties are generally in good condition and repair and its storage facilities and utilization equipment are adequate for its foreseeable needs. Tropigas owns or leases railroad tank cars and automotive vehicles required for its operations and, in some instances, engages independent haulers on a contractual basis.

The Registrant's Smith Pipe & Steel subsidiary occupies various leased office and warehouse premises in Phoenix and Tucson, Arizona. In addition, it owns a 96,000-square foot tract of land in Phoenix containing a 50,000-square foot warehouse and 3,000 square feet of office space.

Item 4. Parents and Subsidiaries.

Parents:

None.

Subsidiaries of the Registrant are listed below:

<u>Corporate Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Per Cent of Voting Securities Owned</u>
Alco Transport, Inc.	Florida	100
Bahama Cruise Line, Inc.	Florida	100
California Western Freight Association	California	100
Colonial Cartage Company	Florida	100
Colonial Warehouse Inc.	Florida	100
Coordinated Caribbean Transport, Inc.	New York	100
Custom Cartage Company	Delaware	100
Custom Equipment Rentals, Inc.	New York	100
Custom Storage Warehouse Company, Inc.*	New York	100
Dal-Tex Express, Inc.	Texas	100
Dependable Consolidators, Inc.	Illinois	100
East Coast Transportation Co., Inc.	Florida	100
Empire Freight Company, Inc.*	California	100
Great Dane Trailers, Inc.	Georgia	100
Great Dane Atlanta, Inc.	Delaware	100
Great Dane Birmingham, Inc.	Delaware	100
Great Dane Trailer Sales, Inc.	Delaware	100
Great Dane Charlotte, Inc.	Delaware	100
Great Dane Jacksonville, Inc.	Delaware	100
Great Dane Knoxville, Inc.	Tennessee	100
Great Dane Memphis, Inc.	Tennessee	100
Great Dane Miami, Inc.	Delaware	100
Great Dane Orlando, Inc.	Florida	100
Great Dane Richmond, Inc.	Virginia	100
Great Dane Tampa, Inc.	Delaware	100
Great Dane Trailers Indiana, Inc.	Delaware	100
Great Dane Trailers Tennessee, Inc.	Tennessee	100
Trailer Insurance Agency, Inc.	Georgia	100
Transway Finance Company	Delaware	100
Lasham Cartage Co.	Illinois	100
Merchant Shippers	California	100

<u>Corporate Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Per Cent of Voting Securities Owned</u>
Miami Terminal Transport Co.*	Florida	100
Freeport Cruise Lines, Inc.*	Liberia	100
Modern Shipping Service, Inc.	New York	100
Odecca Terminal Company	Florida	100
Pacific Forwarding Company, Inc.	New York	100
Robertson Drayage Co., Inc.	California	100
Smith Pipe & Steel Company	Arizona	100
St. Louis Cartage, Inc.	Missouri	100
Stor Dor Freight System, Inc.	Illinois	100
Transport Cartage and Distributing Co.	Illinois	100
Tropigas International Corp.	Delaware	100
Interam Technical Corp.	Florida	100
Tropigas Data Services, Inc.	Florida	100
Tropigas Inc. of Florida	Florida	100
Tropigas Inc. of North Carolina	North Carolina	100
Garner Gas Company, Incorporated	North Carolina	51
Jenkins Gas Company, Incorporated of Jacksonville, North Carolina	North Carolina	51
Jenkins Gas Company, Incorporated of New Bern, North Carolina (formerly Phillips Gas Company, Incorporated)	North Carolina	51
Jenkins Gas Company, Incorporated of Pollocksville, North Carolina	North Carolina	51
Jenkins Gas Company, Incorporated of Richlands, North Carolina	North Carolina	51
Jenkins Gas Company, Incorporated of Swansboro, North Carolina	North Carolina	51
Jenkins Gas Company, Incorporated of Warsaw, North Carolina	North Carolina	51
Jenkins Oil Company, Incorporated of Warsaw	North Carolina	51
Tropigas, S.A.	Panama	100
Antilles Gas Corporation	U.S. Virgin Islands	100
Copan, S.A.*	Panama	100

<u>Corporate Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Per Cent of Voting Securities Owned</u>
Freeport Cruise Lines Panama, Inc.	Panama	83**
International Trading & Transport Co., Inc.	Panama	100
Tropical Gas Company (U.K.), Limited	United Kingdom	100
Tropigas, Limited	The Bahamas	100
Tropigas Carriers, Inc.	Liberia	100
Tropigas de Costa Rica, S.A.	Costa Rica	100
Tropigas de Puerto Rico, Inc.	Puerto Rico	100
Tropigas Tankers, Inc.	Liberia	100
Ultracal, S.A.*	Panama	100
USAIR Freight, Inc.	Delaware	100
USF Caribbean Enterprises, Inc.	U.S. Virgin Islands	100
USF Warehouse, Inc.	Florida	100
Universal Carloading & Distributing Co., Inc.	Delaware	100
Universal Cartage Co.*	Texas	100
Universal Terminal Warehouse Co.	Texas	100
Universal-Transcontinental Corporation	New York	100
Wescar Terminals, Inc.	California	100
Wescartage Company, Inc.	Nevada	100
Western Carloading Co., Inc.	Delaware	100
Western Freight Handlers, Inc.	New York	100
Western Terminal Company	Illinois	100

* Inactive.

** Remaining 17% of voting securities are owned by the Registrant.

Note: Except for the financial statements of Transway Finance Company ("Transway Finance"), which are included on an equity basis, the financial statements of all of the above subsidiaries are included in the consolidated financial statements filed herein.

Waterman Marine Corporation, a Delaware corporation, is 50%-owned by the Registrant.

Atlantic Energy, Inc., a Delaware corporation, is 50%-owned by Tropigas International Corp., a wholly-owned subsidiary of the Registrant. Partially-owned corporations of Tropigas, S.A., a wholly-owned subsidiary of Tropigas International Corp., are as follows:

<u>Corporate Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Per Cent of Voting Securities Owned</u>
Antroca, S.A.	Panama	50
Contabilidad y Servicios, S.A.	Panama	50
Gases de Petroleo, S.A.	Panama	50
Terminales de Gas, S.A.	Guatemala	50
Transporte Tropigas, S.A.	Panama	50
Tropigas, C.A.	Venezuela	20
Distribuidora Commercial de Gas, C.A.	Venezuela	20
Gas-Cordillera, C.A.	Venezuela	20
Panamericana de Gas, C.A.	Venezuela	20
Tropigas de Chiriqui, S.A.	Panama	50
Tropigas de Panama, S.A.	Panama	50

Note: Waterman Marine Corporation, 50%-owned by the Registrant, and Transway Finance, wholly-owned by the Registrant, are significant subsidiaries and financial statements thereof are included. The remaining partially-owned companies are omitted as they are insignificant individually and in the aggregate.

Item 5. Pending Legal Proceedings.

Two stockholder derivative actions were instituted in May and June 1976 in the United States District Court for the Southern District of New York against the Registrant, its directors then in office and certain of its officers (Rosenbaum v. Acker et al.; Lewis v. Moir et al.). The actions relate to the cancellation of various outstanding options held by certain directors and officers under the Registrant's 1965 Stock Option Plan ("1965 Plan"), the granting in substitution therefor of options having a lower exercise price per share and the purchase by the Registrant of certain of such substituted options in accordance with the provisions of the 1965 Plan. An order has been entered by the Court to consolidate the two actions.

In their complaints, the plaintiffs allege viola-

tions of Sections 10, 14 and 16 of the Securities Exchange Act of 1934 ("Act"), the rules and regulations promulgated under the Act and the common law in that (a) the Registrant lacked the authority to grant the substituted options, (b) the actions taken constituted waste of the assets of the Registrant by the optionees, (c) incomplete and misleading information with respect to such options was issued by the Registrant's Board of Directors in connection with the solicitation of proxies, (d) the actions of the Board of Directors with respect to such options constituted a violation of the directors' fiduciary duty to the Registrant and its stockholders and (e) the sale of options to the Registrant under the 1965 Plan resulted in "short swing" profits under Section 16(b) of the Act. The actions seek to recover for the Registrant all losses and damages sustained by the Registrant as a result of options granted under the 1965 Plan subsequent to December 31, 1974 and all profits (including alleged "short swing" profits from the purchase of options by the Registrant) realized by any optionees with respect to such options. In addition, the plaintiffs have asked for a judgment that all options granted to any of the defendants subsequent to December 31, 1974 were null and void. The defendants' time to answer or move against the consolidated complaint has not yet expired.

Item 6. Increases and Decreases in Outstanding Securities.

(a) Increases and decreases in outstanding equity securities:

<u>Capital Stock, no par value, stated value</u>	
<u>\$5 per share:</u>	
Issued December 31, 1975	6,982,461 shs.*
Issued during 1976 upon conversion of debentures	3,949
Issued during 1976 upon exercise of stock options	<u>8,000</u>
Issued December 31, 1976	<u><u>6,994,410 shs.*</u></u>

*Includes 494,832 shares held in the treasury of the Registrant.

5% Convertible Subordinated
Debentures due April 1, 1981:

Outstanding December 31, 1975	\$ 441,000
Converted during 1976 into Capital Stock	(58,800)
Sinking fund payment during 1976	<u>(57,400)</u>
Outstanding December 31, 1976	\$ <u><u>324,800*</u></u>

* The Registrant redeemed all of the outstanding Debentures on January 13, 1977.

(b) Issuance of unregistered securities:

In February 1976, the Registrant, pursuant to Note Agreements dated September 30, 1975, issued and sold to certain institutional lenders 10-1/2% Senior Notes due November 1, 1990 of the Registrant in the aggregate principal amount of \$10,250,000. Such Notes were not registered under the Securities Act of 1933, as amended ("Act"), in reliance upon the exemption afforded by Section 4(2) thereof for transactions not involving any public offering; the purchasers acquired such Notes for investment and not with a view to the distribution thereof. Goldman, Sachs & Co., investment bankers, assisted in the placement of such Notes.

During 1976, the Registrant issued the following guaranties of obligations of corporations in which it has a financial interest:

(i) guaranty of payment of the indebtedness evidenced by a 9-1/2% Secured Promissory Note, Series B, due June 30, 1986, in the principal amount of \$2,000,000, issued by Atlantic Energy, Inc. to Aetna Life Insurance Company; and

(ii) guaranty of payment of the indebtedness evidenced by an 8-7/8% promissory note due August 1, 1981 in the principal amount of \$5,000,000, issued by Transway Finance to Union Bank.

Such guaranties were not registered under the Act in reliance upon the exemption afforded by Section 4(2) of the Act for transactions not involving any public offering, and were acquired for investment and not with a view to the distribution thereof.

Item 7. Approximate Number of Equity Security Holders.

<u>Title of Class</u>	<u>Number of Record Holders</u>
Capital Stock, no par value, stated value \$5 per share	17,137
5% Convertible Subordinated Debentures due April 1, 1981	8*

* Represents only the number of registered holders at December 31, 1976 and does not include holders of Debentures in coupon form. All of the outstanding Debentures were redeemed by the Registrant on January 13, 1977.

Item 8. Executive Officers of the Registrant.

Set forth below are the names and ages of the executive officers of the Registrant, the positions and offices with the Registrant presently held by each of them and a brief description of their principal business experience during at least the past five years. Each of such officers shall serve in the offices specified below at the pleasure of the Registrant's Board of Directors until the meeting of the Board of Directors following the next annual meeting of the Registrant's stockholders and until his successor is elected and qualifies. There are no family relationships among the executive officers.

<u>Name</u>	<u>Age</u>	<u>Positions and Offices</u>
G. R. Moir	64	Chairman of the Board of Directors and Chief Executive Officer since 1966; President since September 1976 and from 1973 to October 1975.
J. J. Oberdorf	63	Executive Vice President since 1971 and Vice President prior thereto; Director since 1970.

<u>Name</u>	<u>Age</u>	<u>Positions and Offices</u>
L. Berman	48	Vice President-Law and Secretary since April 1974 and Assistant Secretary and Assistant General Counsel from October 1973 to April 1974; General Counsel of the Insurance Services Office, New York, New York, prior thereto.
D. C. Bevan, Jr.	38	Vice President-Finance since 1971 and Assistant Vice President prior thereto.
J. Del Valle	45	Vice President-Marine since 1973 and Assistant Vice President from 1971 to 1973; Assistant to the President prior thereto.
J. M. Forehand	56	Treasurer since 1970.
G. Morrow	68	Assistant to the Chairman of the Board since April 1974 and Secretary and General Counsel prior thereto; Director since 1961.

Item 9. Indemnification of Directors and Officers.

Article III, Section 8 of the By-Laws of the Registrant provides, in part, that any director or officer who is made or threatened to be made a party to any action, suit or proceeding, other than an action by or in the right of the Registrant, shall be indemnified against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Registrant, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The By-Laws, as well as Section 145 of the Delaware General Corporation Law, permit (but do not require) indemnification of directors and officers against expenses incurred in connection with the defense or settlement of an action or suit by or in the right of the Registrant to procure a judgment in its favor, and also provide that a director or officer

who has been successful in the defense of an action, suit or proceeding must be indemnified by the Registrant against expenses incurred in connection therewith. In addition, as permitted by the By-Laws and the Delaware General Corporation Law, the Registrant has purchased and maintains insurance on behalf of its directors and officers against certain liabilities.

Item 10. Financial Statements and Exhibits Filed.

(a) Financial Statements:

See Indexes to Financial Statements of Transway International Corporation, Waterman Marine Corporation and Consolidated Subsidiaries and Transway Finance Company.

(b) Exhibits:

- (1) Statement setting forth the computation of per share earnings in accordance with Instruction (3) to Item 2 of the Annual Report on Form 10-K.

PART II

Part II has been omitted from this Annual Report on Form 10-K, pursuant to General Instruction H, inasmuch as the Registrant (a) has filed with the Securities and Exchange Commission since the close of the fiscal year ended December 31, 1976 or (b) will file not later than 120 days after the close of such fiscal year, a definitive proxy statement pursuant to Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRANSWAY INTERNATIONAL CORPORATION
(Registrant)

By s/ J.M. Forehand
J. M. Forehand, Treasurer

Dated: March 29, 1977

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K
ANNUAL REPORT

ITEM 10(a) - FINANCIAL STATEMENTS
for the years ended December 31, 1976 and 1975

TRANSWAY INTERNATIONAL CORPORATION

TRANSWAY INTERNATIONAL CORPORATION
INDEX to FINANCIAL STATEMENTS and SCHEDULES

The consolidated financial statements and the notes thereto, for the years ended December 31, 1976 and 1975, appearing on pages 20 to 29 of the 1976 Annual Report to Stockholders are incorporated in this Form 10-K Annual Report (see below) immediately following page F-18. The additional financial statements and other data indicated below should be read in conjunction with the financial statements in such 1976 Annual Report to Stockholders.

	Page Reference	
	Form 10-K	Annual Report to Stockholders
Report of independent certified public accountants	F-3 - F-4	29
Financial statements:		
Balance sheet, December 31, 1976 and 1975:		
Consolidated		20-21
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Statement of income and retained earnings for the years ended December 31, 1976 and 1975:		
Consolidated		22
Company	F-6	
Statement of changes in financial position for the years ended December 31, 1976 and 1975:		
Consolidated		23
Company	F-7	
Notes to consolidated financial statements		24-29
Supplementary information to consolidated and parent company financial statements	F-8 - F-12	

Continued

TRANSWAY INTERNATIONAL CORPORATION
INDEX to FINANCIAL STATEMENTS and SCHEDULES, Continued

	<u>Page Reference Form 10-K</u>
Schedules: III, IV, and X - Investments in, Equity in Earnings of, Dividends Received from, and Non-Current Indebtedness of (to) Subsidi- aries and Partially Owned Companies for the years ended December 31, 1976 and 1975	F-13 - F-14
V - Property, Plant and Equipment for the years ended December 31, 1976 and 1975	F-15
VI - Accumulated Depreciation of Property, Plant and Equipment for the years ended December 31, 1976 and 1975	F-16
XII - Valuation and Qualifying Accounts and Reserves for the years ended December 31, 1976 and 1975	F-17
XVI - Supplementary Income Statement Information for the years ended December 31, 1976 and 1975	F-18

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable or the information is included in the Notes to Consolidated Financial Statements.

REPORT of INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Transway International Corporation:

We have examined the financial statements, supplementary information and schedules of TRANSWAY INTERNATIONAL CORPORATION and of the Company and its consolidated subsidiaries as listed in the index on pages F-1 and F-2. 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. We did not examine the consolidated financial statements and schedules for 1976 and 1975 of Waterman Marine Corporation, a 50% owned company carried at equity, which statements reflect net assets and net income applicable to the related Company consolidated totals of 7% and 30%, respectively, in 1976 and 5% and 27%, respectively, in 1975. These statements and schedules were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Waterman Marine Corporation, is based solely upon such report.

In our opinion, based upon our examinations and the report of other auditors, the accompanying financial statements, including the supplementary information, listed on page F-1 present fairly the financial position of Transway International Corporation and the consolidated financial position of the Company and its consolidated subsidiaries at December 31, 1976 and 1975 and the results of their operations and the changes in their financial position for the two years then

ended, and the supporting schedules listed on page F-2 present fairly the information required to be included therein, all in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND

New York, New York
February 15, 1977.

TRANSWAY INTERNATIONAL CORPORATION
BALANCE SHEET, December 31, 1976 and 1975

ASSETS:	1976 (thousands of dollars)	1975 (dollars)
Cash	\$ 1,462	\$ 6,233
Accounts receivable, principally consolidated subsidiaries and an affiliate	<u>2,880</u>	<u>2,808</u>
Total current assets	4,342	9,041
Investments in consolidated subsidiaries and partially owned companies, at equity (Schedule III, IV, and X)	159,892	143,387
Property, plant and equipment, at cost, less allowance for depreciation of \$181,000 in 1976 and \$163,000 in 1975	281	326
Other assets	<u>1,426</u>	<u>1,898</u>
	<u>\$165,941</u>	<u>\$154,652</u>
LIABILITIES and STOCKHOLDERS' EQUITY:		
Notes payable, at 1/2 of 1% below prime rate at issuance	\$ 2,500	\$ 1,898
Current portion of long-term debt	2,575	5,068
Accounts payable	799	1,066
Federal taxes payable	6,024	2,096
Accrued expenses	<u>988</u>	<u>705</u>
Total current liabilities	12,886	10,833
Long-term debt, exclusive of current portion	25,000	27,623
Other liabilities, principally deferred Federal income taxes	3,156	2,740
Stockholders' equity (see Consolidated Balance Sheet)	<u>124,899</u>	<u>113,456</u>
	<u>\$165,941</u>	<u>\$154,652</u>

This statement should be read in conjunction with the consolidated financial statements and the supplementary information to the consolidated and parent company financial statements.

TRANSWAY INTERNATIONAL CORPORATION
 STATEMENT of INCOME and RETAINED EARNINGS
 for the years ended December 31, 1976 and 1975

	<u>1976</u>	<u>1975</u>
	(thousands of dollars)	(dollars)
Equity in earnings of consolidated subsidiaries and partially owned companies (Schedule III)	\$21,868	\$18,115
Management commissions from consolidated subsidiaries	3,667	3,438
Interest earned from consolidated subsidiaries	<u>3,153</u>	<u>2,071</u>
Income before other expenses	28,688	23,624
Other expenses:		
Operating and other expenses	5,092	3,393
Interest expense	<u>3,133</u>	<u>1,954</u>
	<u>8,225</u>	<u>5,347</u>
	20,463	18,277
Provision for income taxes not attributable to subsidiaries	<u>93</u>	<u>224</u>
Net income	20,370	18,053
Retained earnings, beginning of year	79,394	70,423
Cash dividends (\$1.40 per share)	<u>9,096</u>	<u>9,082</u>
Retained earnings, end of year	<u>\$90,668</u>	<u>\$79,394</u>

This statement should be read in conjunction with the consolidated financial statements and the supplementary information to the consolidated and parent company financial statements.

TRANSWAY INTERNATIONAL CORPORATION
 STATEMENT of CHANGES in FINANCIAL POSITION
 for the years ended December 31, 1976 and 1975

	<u>1976</u>	<u>1975</u>
	(thousands of dollars)	
Financial resources were provided by:		
Net income	\$20,370	\$18,053
Items not involving working capital:		
Depreciation	50	50
Deferred income taxes	227	458
Equity in undistributed earnings of con- solidated subsidiaries and partially owned companies	<u>(16,300)</u>	<u>(9,374)</u>
Working capital provided from operations	4,347	9,187
Increase in long-term debt		12,016
Other, net	<u>830</u>	<u>(205)</u>
	<u>5,177</u>	<u>20,998</u>
Financial resources were used for:		
Purchases of property, plant and equipment	5	77
Payment of dividends	9,096	9,082
Decrease in long-term debt	2,623	
Increase in investments, net	<u>205</u>	<u>18,957</u>
	<u>11,929</u>	<u>28,116</u>
Decrease in working capital	<u>(\$ 6,752)</u>	<u>(\$ 7,118)</u>
Decrease in working capital:		
Cash	(\$ 4,771)	(\$ 843)
Accounts receivable	72	(523)
Notes payable and current portion of long-term debt	1,891	(5,689)
Accounts payable and accrued expenses	(16)	1,148
Federal taxes payable	<u>(3,928)</u>	<u>(1,211)</u>
	<u>(\$ 6,752)</u>	<u>(\$ 7,118)</u>

This statement should be read in conjunction with the consolidated financial statements and the supplementary information to the consolidated and parent company financial statements.

TRANSWAY INTERNATIONAL CORPORATION
 SUPPLEMENTARY INFORMATION to CONSOLIDATED
 and PARENT COMPANY FINANCIAL STATEMENTS

Principles of Consolidation:

Undistributed earnings of Transway Finance Company and Waterman Marine Corporation included in consolidated retained earnings amounted to \$5,852,000 and \$14,751,000, respectively, at December 31, 1976.

Accounts Receivable:

Consolidated accounts receivable, principally trade receivables, are net of unearned carrying charges at December 31, 1976 and 1975 of \$378,000 and \$331,000, respectively.

Inventories:

Inventories used in the computation of cost of sales for 1976 and 1975 are as follows (thousands of dollars):

December 31, 1974	\$22,219
December 31, 1975	19,323
December 31, 1976	26,037

Depreciation:

Depreciation rates are as follows:

Buildings	2-1/2% to 10%
Vessels	4% to 12-1/2%
Trucks and tractors	12-1/2% to 33-1/3%
Trailers and other transportation equipment	4% to 50%
LP gas utilization equipment	5% to 20%
Other equipment and furniture	3-1/3% to 33-1/3%

Balance Sheet Details (thousands of dollars):

Accounts Payable consist of:

	<u>December 31,</u>	
	<u>1976</u>	<u>1975</u>
Trade accounts	\$38,183	\$30,349
Claims	2,682	3,012
Other	<u>1,573</u>	<u>1,494</u>
	<u>\$42,438</u>	<u>\$34,855</u>

Continued

TRANSWAY INTERNATIONAL CORPORATION
 SUPPLEMENTARY INFORMATION to CONSOLIDATED
 and PARENT COMPANY FINANCIAL STATEMENTS

Principles of Consolidation:

Undistributed earnings of Transway Finance Company and Waterman Marine Corporation included in consolidated retained earnings amounted to \$5,852,000 and \$14,751,000, respectively, at December 31, 1976.

Accounts Receivable:

Consolidated accounts receivable, principally trade receivables, are net of unearned carrying charges at December 31, 1976 and 1975 of \$378,000 and \$331,000, respectively.

Inventories:

Inventories used in the computation of cost of sales for 1976 and 1975 are as follows (thousands of dollars):

December 31, 1974	\$22,219
December 31, 1975	19,323
December 31, 1976	26,037

Depreciation:

Depreciation rates are as follows:

Buildings	2-1/2% to 10%
Vessels	4% to 12-1/2%
Trucks and tractors	12-1/2% to 33-1/3%
Trailers and other transportation equipment	4% to 50%
LP gas utilization equipment	5% to 20%
Other equipment and furniture	3-1/3% to 33-1/3%

Balance Sheet Details (thousands of dollars):

Accounts Payable consist of:

	December 31,	
	1976	1975
Trade accounts	\$38,183	\$30,349
Claims	2,682	3,012
Other	1,573	1,494
	\$42,438	\$34,855

Continued

TRANSWAY INTERNATIONAL CORPORATION
 SUPPLEMENTARY INFORMATION to CONSOLIDATED
 and PARENT COMPANY FINANCIAL STATEMENTS, Continued

Accrued Expenses consist of:

	December 31,	
	1976	1975
Taxes other than federal and foreign	\$ 1,150	\$ 821
Compensation and wages	2,015	1,094
Other	5,562	4,786
	\$ 8,727	\$ 6,701

Notes Payable and Long-Term Debt:

Maturities of noncurrent long-term debt are as follows (thousands of dollars):

	Consolidated	Parent Company
1978	\$ 1,462	
1979	1,214	
1980	925	
1981	3,459	\$ 2,500
1982-90	24,512	22,500
	\$31,572	\$25,000

Interest Expense:

Interest expense for the years ended December 31, 1976 and 1975 relates principally to long-term debt.

Federal Income Taxes:

The parent company's current and deferred federal income tax liabilities include the taxes of its wholly owned domestic subsidiaries, which are included in a consolidated tax return, except for certain deferred tax liabilities included in the statements of two subsidiaries.

Stock Options:

Qualified and nonqualified options outstanding may be exercised for periods up to five and ten years, respectively, from the date of grant. All options outstanding at December 31, 1976 were exercisable except 11,250 qualified options which become exercisable in 1977. As of December 31, 1975, 276,950 shares were available for future grants. Compensation expense was charged \$570,000 in 1976 for nonqualified stock option transactions.

Continued

TRANSWAY INTERNATIONAL CORPORATION
 SUPPLEMENTARY INFORMATION to CONSOLIDATED
 and PARENT COMPANY FINANCIAL STATEMENTS, Continued

Further information with respect to options granted under the plans follows:

	Number of <u>Shares</u>	<u>Option Price</u>		<u>Market Value</u>	
		<u>Per Share</u>	<u>Total</u>	<u>Per Share</u>	<u>Total</u>
Shares under option at December 31, 1976:					
Qualified	27,350	\$13.87	\$ 379,344	\$13.87 (B)	\$ 379,344
Nonqualified (granted 3,000 in 1976)	112,600	13.87 to 21.06	1,588,700	13.87 to (B) 21.06	1,588,700
Options exercised during:					
1976	63,850(A)	13.87	885,600	18.34 to (c) 25.94	1,520,766
1975	500	13.87	6,935	19.13 (c)	9,565
Options which became exercisable:					
1976	3,000	21.06	63,180	21.06 (D)	63,180
1975	209,550	13.87 to 16.06	2,955,626	13.87 to (D) 16.06	2,955,626
Options canceled:					
1976 (Qualified)	20,000	16.06	321,200	16.06 (B)	321,200

(A) The Company purchased 55,850 of these shares at market value on the date the options were exercised.

(B) At the date options were granted.

(C) At the date options were exercised.

(D) At the date options became exercisable.

Continued

TRANSWAY INTERNATIONAL CORPORATION
 SUPPLEMENTARY INFORMATION to CONSOLIDATED
 and PARENT COMPANY FINANCIAL STATEMENTS, Continued

Lease Commitments:

Minimum rental obligations at December 31, 1976 are net of sublease rentals and include noncapitalized financing leases as follows (thousands of dollars):

<u>Year</u>	
1977	\$ 610
1978	505
1979	394
1980	362
1981	292
1982-86	1,217
1987-91	1,010
1992-96	719
Remainder	123

If all noncapitalized financing leases were capitalized the impact upon net income for 1976 and 1975 would be less than 3% of the average net income for the three years then ended.

Total rent expense for the years ended December 31, 1976 and 1975 includes amounts applicable to noncapitalized financing leases of \$613,000 and \$669,000, respectively.

Replacement Cost Data (unaudited):

Replacement cost data at December 31, 1976 and for the year then ended follows:

	Estimated Replacement Cost	Historical Cost
	(thousands of dollars)	
Property, Plant and Equipment, at Cost:		
For which replacement cost has been determined	\$141,400	\$ 87,291
Included at historical cost	46,600	46,600
	188,000	133,891
Less, Allowance for depreciation	77,700	51,397
	\$110,300	\$ 82,494
Depreciation expense applicable to:		
Cost of revenues	4,000	2,462
Operating expenses	9,500	7,214
	\$ 13,500	\$ 9,676
Inventories	\$ 29,000	\$ 26,037

Continued

TRANSWAY INTERNATIONAL CORPORATION
SUPPLEMENTARY INFORMATION to CONSOLIDATED
and PARENT COMPANY FINANCIAL STATEMENTS, Continued

The replacement cost information is based on the hypothetical assumption that the Company would replace its entire productive capacity on December 31, 1976, whether or not such replacement would be practical. In the future, the Company will continue to replace its productive capacity over an extended period of time and actual decisions concerning replacement may differ significantly from the assumptions used in developing this replacement cost data.

The replacement cost of the trailer manufacturing plants was estimated by utilizing the construction cost of a recently completed facility as well as the estimated cost of a planned facility. Replacement cost of other buildings was generally estimated by applying published construction cost indexes to historical cost. Current vendor prices were used for estimating replacement cost of LP-Gas utilization equipment. Published and internally developed indexes were applied to historical cost in estimating the replacement cost of transportation equipment and other equipment and furniture.

Replacement cost depreciation has been computed using the straight-line method applied to the average replacement cost of productive capacity at the beginning and end of the year. Estimated useful lives and salvage are the same as those utilized in the historical cost financial statements.

Certain property, plant and equipment, principally vessels registered outside the North American continent, as well as assets not to be replaced and land, is included at historical cost.

The replacement cost of inventories was estimated using current vendor prices. The valuation of inventory at replacement cost would not materially affect the related 1976 cost of revenues since historical inventories are determined principally by the last-in, first-out (LIFO) method.

The Company's replacement cost data is further discussed in Note 10 to the consolidated financial statements.

TRANSWAY INTERNATIONAL CORPORATION
 SCHEDULES III, IV, and X - INVESTMENTS in, EQUITY in EARNINGS of,
 DIVIDENDS RECEIVED from, and NON-CURRENT INDEBTEDNESS of (to) SUBSIDIARIES
 and PARTIALLY OWNED COMPANIES
 for the year ended December 31, 1976
 (thousands of dollars)

<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>		<u>Col. D</u>		<u>Col. E</u>
Name of Issuer and Description of Investment	Balance at Beginning of Period	Equity in Net Earnings (Losses) for the Year	Other	Deductions		Balance at End of Period
				Dividends	Other	
Consolidated wholly owned subsidiaries:						
Coordinated Caribbean Transport:						
Investment	\$ 6,149	\$ 4,181				\$ 10,330
Advance	577				\$1,734(A)	(1,157)
Freeport Cruise Lines Panama, Inc.:						
Investment	2,014	1,817				3,831(B)
Advance	12,095				709(A)	11,386
Great Dane Trailers, Inc.:						
Investment	20,515	4,496				25,011
Advance	14,387		\$1,727(A)			16,114
Smith Pipe & Steel Company:						
Investment	6,993	371		\$ 600		6,764
Advance	(735)		37(A)			(698)
Tropigas International Corporation:						
Investment	45,528	3,389				48,917(B)
Advance	9,506		537(A)			10,043
Western Carloading Co., Inc.:						
Investment	3,662	2,295		1,000		4,957
Advance	688				2,541(A)	(1,853)
Other (33 companies):						
Investment	5,608	(810)		3,968		830
Advances to	9,374		5,166(A)			14,540
Advances from	(3,615)				2,260(A)	(5,875)
Investment in partially owned companies:						
Waterman Marine Corporation	10,623	6,129				16,752
Freeport Cruise Lines Ltd.	18				18(C)	
	<u>\$143,387</u>	<u>\$21,868</u>	<u>\$7,467</u>	<u>\$5,568</u>	<u>\$7,262</u>	<u>\$159,892</u>

Notes:

- (A) Increases/decreases relate principally to working capital requirements of subsidiaries.
 (B) In 1976, an advance of \$12,150,000 to Freeport Cruise Lines Panama, Inc., by a subsidiary of Tropigas International Corporation was converted to an investment. Accordingly, the Company's investment in Tropigas International Corporation as of December 31, 1976 includes an 83% ownership interest in Freeport Cruise Lines Panama, Inc.
 (C) Represents liquidation of a subsidiary.

TRANSWAY INTERNATIONAL CORPORATION
 SCHEDULES III, IV, and X - INVESTMENTS in, EQUITY in EARNINGS of,
 DIVIDENDS RECEIVED from, and NON-CURRENT INDEBTEDNESS of (to) SUBSIDIARIES
 and PARTIALLY OWNED COMPANIES
 for the year ended December 31, 1975
 (thousands of dollars)

Col. A	Col. B	Col. C		Col. D		Col. E
Name of Issuer and Description of Investment	Balance at Beginning of Period	Additions Equity in Net Earnings (Losses) for the Year		Deductions		Balance at End of Period
			Other	Dividends	Other	
Consolidated wholly owned subsidiaries:						
Coordinated Caribbean Transport:						
Investment	\$ 3,755	\$ 2,394				\$ 6,149
Advance	2,786				\$2,209(A)	577
Freeport Cruise Lines Panama, Inc.:						
Investment	2,340	(326)				2,014
Advance	1,564		\$10,531(B)			12,095
Great Dane Trailers, Inc.:						
Investment	19,662	853				20,515
Advance	13,403		984			14,387
Smith Pipe & Steel Company:						
Investment	7,635	648		\$1,290		6,993
Advance	(195)				540(A)	(735)
Tropigas International Corporation:						
Investment	38,119	7,409				45,528
Advance	2,850		6,656(C)			9,506
Western Carloading Co., Inc.:						
Investment	4,704	2,318		3,360		3,662
Advance	(1,200)		1,888(A)			688
Other (36 companies):						
Investment	9,877	(114)		4,091	64(D)	5,608
Advances to	8,864		510			9,374
Advances from	(4,816)		1,201(A)			(3,615)
Investment in partially owned companies:						
Waterman Marine Corporation	5,690	4,933				10,623
Freeport Cruise Lines Ltd.	18					18
	<u>\$115,056</u>	<u>\$18,115</u>	<u>\$21,770</u>	<u>\$8,741</u>	<u>\$2,813</u>	<u>\$143,387</u>

Notes:

- (A) Increases/decreases relate principally to working capital requirements of subsidiaries.
- (B) Increase in advance to finance construction of new cruise vessel.
- (C) Increase relates principally to repayment of notes payable to banks and working capital requirements.
- (D) Represents liquidation of subsidiaries.

TRANSWAY INTERNATIONAL CORPORATION
and ITS CONSOLIDATED SUBSIDIARIES
SCHEDULE V - PROPERTY, PLANT and EQUIPMENT
for the years ended December 31, 1976 and 1975
(thousands of dollars)

<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>	<u>Col. D</u>	<u>Col. E</u>	<u>Col. F</u>
<u>Classification</u>	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes Add (Deduct)	Balance at End of Period
For the year ended December 31, 1976:					
Real estate	\$ 16,493	\$ 672	\$ 28	(\$ 7)(E)	\$ 17,130
Vessels	32,616	2,966			35,582
Transportation equipment	34,484	3,742	3,050	(491)(C and E)	34,685
LP Gas utilization equipment	30,004	2,097	3,209	(5,736)(E)	23,156
Other equipment and furniture	<u>22,599</u>	<u>1,217</u>	<u>86</u>	<u>(392)(E)</u>	<u>23,338</u>
	<u>\$136,196</u>	<u>\$10,694</u>	<u>\$6,373</u>	<u>(\$6,626)</u>	<u>\$133,891</u>
For the year ended December 31, 1975:					
Real estate	\$ 14,795	\$ 3,109	\$ 48	(\$1,363)(A)	\$ 16,493
Vessels	20,217	15,763(B)	3,393	29 (A)	32,616
Transportation equipment	33,353	3,369	3,315	1,077 (A and D)	34,484
LP Gas utilization equipment	30,858	1,810	2,619	(45)(A)	30,004
Other equipment and furniture	<u>18,389</u>	<u>3,314</u>	<u>480</u>	<u>1,376 (A)</u>	<u>22,599</u>
	<u>\$117,612</u>	<u>\$27,365</u>	<u>\$9,855</u>	<u>\$1,074</u>	<u>\$136,196</u>

Notes:

- (A) Reclassifications, principally equipment for new trailer manufacturing facility.
- (B) Includes \$15,763,000 in 1975 for construction of new cruise vessel.
- (C) Represents the reclassification to "Other Assets," of the residual value of leased trailers.
- (D) Includes adjustment of trailers, formerly on long-term lease from residual value to original cost.
- (E) Represents the cost of property, plant and equipment of subsidiaries which were sold.

TRANSWAY INTERNATIONAL CORPORATION
and ITS CONSOLIDATED SUBSIDIARIES
SCHEDULE XII - VALUATION and QUALIFYING ACCOUNTS and RESERVES
for the years ended December 31, 1976 and 1975
(thousands of dollars)

<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>		<u>Col. D</u>	<u>Col. E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions (B)</u>	<u>Balance at End of Period</u>
		<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts (A)</u>		
For the year ended December 31, 1976:					
Allowance for doubtful accounts	<u>\$1,496</u>	<u>\$962</u>	<u>\$59</u>	<u>\$ 643</u>	<u>\$1,874</u>
For the year ended December 31, 1975:					
Allowance for doubtful accounts	<u>\$1,760</u>	<u>\$984</u>	<u>\$66</u>	<u>\$1,314</u>	<u>\$1,496</u>

Notes:

(A) Recoveries of accounts written off in prior years.

(B) Accounts written off.

TRANSWAY INTERNATIONAL CORPORATION
 and ITS CONSOLIDATED SUBSIDIARIES
 SCHEDULE XVI - SUPPLEMENTARY INCOME STATEMENT INFORMATION
 for the years ended December 31, 1976 and 1975
 (thousands of dollars)

<u>Col. A</u>	<u>Col. B</u>
<u>Item</u>	<u>Charged to Costs and Expenses</u>
For the year ended December 31, 1976:	
Maintenance and repairs	\$9,250
Taxes, other than income taxes	6,956
For the year ended December 31, 1975:	
Maintenance and repairs	6,748
Taxes, other than income taxes	5,896

Note: Items not listed do not exceed one
 per cent of net sales or are reported
 elsewhere herein.

Revenue and Income

Aided by a substantially higher level of national economic activity that affected most of Transway's principal lines of business, revenues and income attained their highest peak in the Company's 52-year history. Both major categories of corporate interests, Transportation and Product Sales, contributed to the record performance.

Revenues rose 18 percent to \$608,196,000 from \$516,033,000 reported in 1975 with net income increasing 13 percent to \$20,370,000 compared to \$18,053,000 the previous year. Pre-tax income for 1976 rose to \$31,884,000, an increase of 31 percent over the \$24,289,000 reported for 1975. Due to substantially higher income reported by the domestic subsidiaries and increased taxes on foreign income, the effective tax rate for 1976 was 36 percent compared to 26 percent in the prior year.

Transway's Transportation subsidiaries registered a 10 percent increase in revenues to \$405,333,000 and a 27 percent rise in operating profits to \$24,925,000. The Product Sales category reported 1976 revenues of \$202,863,000, an increase of 37 percent over 1975 revenues of \$147,542,000. Operating profits of the companies in this category also rose substantially, by 43 percent to \$16,139,000 compared to \$11,250,000 the previous year.

In the past four years consolidated revenues have increased \$182,583,000, or 43 percent, and net income increased \$7,642,000, or 60 percent. Internal growth in Marine Services, Trailer Manufacturing and Liquefied Petroleum Gas business lines were the principal factors accounting for this achievement.

Quarterly Results

Summarized quarterly financial data, in thousands of dollars, except for per share amounts, follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
1976				
Revenues	\$142,857	\$156,605	\$150,822	\$157,912
Income before other expenses and income	37,970	40,056	39,925	42,123
Net income	3,817	4,443	4,783	7,327
Income per share	.59	.67	.73	1.12
1975				
Revenues	123,335	125,719	127,212	139,767
Income before other expenses and income	31,854	32,790	37,165	41,231
Net income	3,629	3,756	4,099	6,569
Income per share	.56	.58	.63	1.01

Consolidated Balance Sheet

Transway International Corporation and Subsidiaries

Assets		December 31,	
		1976	1975
		(thousands of dollars)	
Current Assets	Cash (Note 4)	\$19,298	\$ 18,011
	Accounts receivable, less allowance for doubtful accounts, \$1,874,000 in 1976 and \$1,496,000 in 1975	61,164	52,196
	Inventories (Note 2)	26,037	19,323
	Total current assets	106,499	89,530
Investments (Note 3)		30,889	23,171
Property, Plant and Equipment, at Cost	Real estate	17,130	16,493
	Vessels	35,582	32,616
	Transportation equipment	34,685	34,484
	LP-Gas utilization equipment	23,156	30,004
	Other equipment and furniture	23,338	22,599
		133,891	136,196
	Less, Allowance for depreciation	51,397	49,313
		82,494	86,883
Other Assets		14,252	9,140
		\$234,134	\$208,724

See Notes to Consolidated Financial Statements

Liabilities and Stockholders' Equity		December 31,	
		1976	1975
		(thousands of dollars)	
Current Liabilities	Notes payable (Note 4)	\$ 5,050	\$ 1,898
	Current portion of long-term debt (Note 4)	4,359	6,746
	Accounts payable	42,438	34,855
	Federal and foreign taxes payable	7,023	3,251
	Accrued expenses	8,727	6,701
	Total current liabilities	<u>67,597</u>	<u>53,451</u>
Noncurrent Liabilities	Long-term debt, exclusive of current portion (Note 4)	31,572	32,795
	Other liabilities, principally deferred		
	Federal income taxes	10,066	9,022
Stockholders' Equity (Notes 4 and 5)	Capital stock, no par value, stated value \$5 per share	34,972	34,912
	Capital surplus	8,962	8,853
	Retained earnings	90,668	79,394
		<u>134,602</u>	<u>123,159</u>
	Less, Treasury stock, at cost	9,703	9,703
	Total stockholders' equity	<u>124,899</u>	<u>113,456</u>
	<u>\$234,134</u>	<u>\$208,724</u>	

Consolidated Statement of Income

Transway International Corporation and Subsidiaries

		Year Ended December 31,	
		1976	1975
		(thousands of dollars)	
Revenues	Transportation	\$405,333	\$368,491
	Product sales	202,863	147,542
		<u>608,196</u>	<u>516,033</u>
Cost of Revenues	Transportation	287,944	262,672
	Product sales	160,178	110,321
		<u>448,122</u>	<u>372,993</u>
	Income before other expenses and income	160,074	143,040
Other Expenses and Income	Operating expenses	132,393	121,993
	Interest expense	4,090	3,171
	Equity in earnings of wholly owned finance company and partially owned companies (Note 3)	(7,683)	(6,257)
	Other, net	(610)	(156)
		<u>31,884</u>	<u>24,289</u>
	Provision for income taxes (Note 6)	11,514	6,236
		<u>11,514</u>	<u>6,236</u>
	Net income	<u>\$ 20,370</u>	<u>\$ 18,053</u>
Income Per Share		<u>\$3.11</u>	<u>\$2.78</u>

Consolidated Statement of Retained Earnings

Retained earnings, beginning of year	\$ 79,394	\$ 70,423
Net income	20,370	18,053
Cash dividends (\$1.40 per share)	(9,096)	(9,082)
Retained earnings, end of year (Note 4)	<u>\$ 90,668</u>	<u>\$ 79,394</u>

See Notes to Consolidated Financial Statements

Consolidated Statement of Changes in Financial Position

Transway International Corporation and Subsidiaries

		Year Ended December 31,	
		1976	1975
		(thousands of dollars)	
Financial Resources Were Provided By	Net income	\$20,370	\$18,053
	Items not involving working capital:		
	Depreciation	9,676	8,568
	Deferred income taxes	403	840
	Equity in earnings of wholly owned finance company and partially owned companies	(7,379)	(6,280)
	Working capital provided from operations	23,070	21,181
	Disposition of property, plant and equipment	1,355	3,829
	Decrease in investments, net	470	460
	Increase in long-term debt, net		10,560
	Other, net		1,048
		<u>24,895</u>	<u>37,078</u>
Financial Resources Were Used For	Purchases of property, plant and equipment	10,694	27,365
	Payment of dividends	9,096	9,082
	Decrease in long-term debt, net	1,223	
	Other, net	1,059	
		<u>22,072</u>	<u>36,447</u>
	Increase in working capital	<u>\$ 2,823</u>	<u>\$ 631</u>
Increase In Working Capital	Cash	\$ 1,287	\$ 4,954
	Accounts receivable, net	8,968	(1,377)
	Inventories	6,714	(2,896)
	Notes payable and current portion of long-term debt	(765)	1,945
	Accounts payable and accrued expenses	(9,609)	(1,020)
	Federal and foreign taxes payable	(3,772)	(975)
		<u>\$ 2,823</u>	<u>\$ 631</u>

See Notes to Consolidated Financial Statements