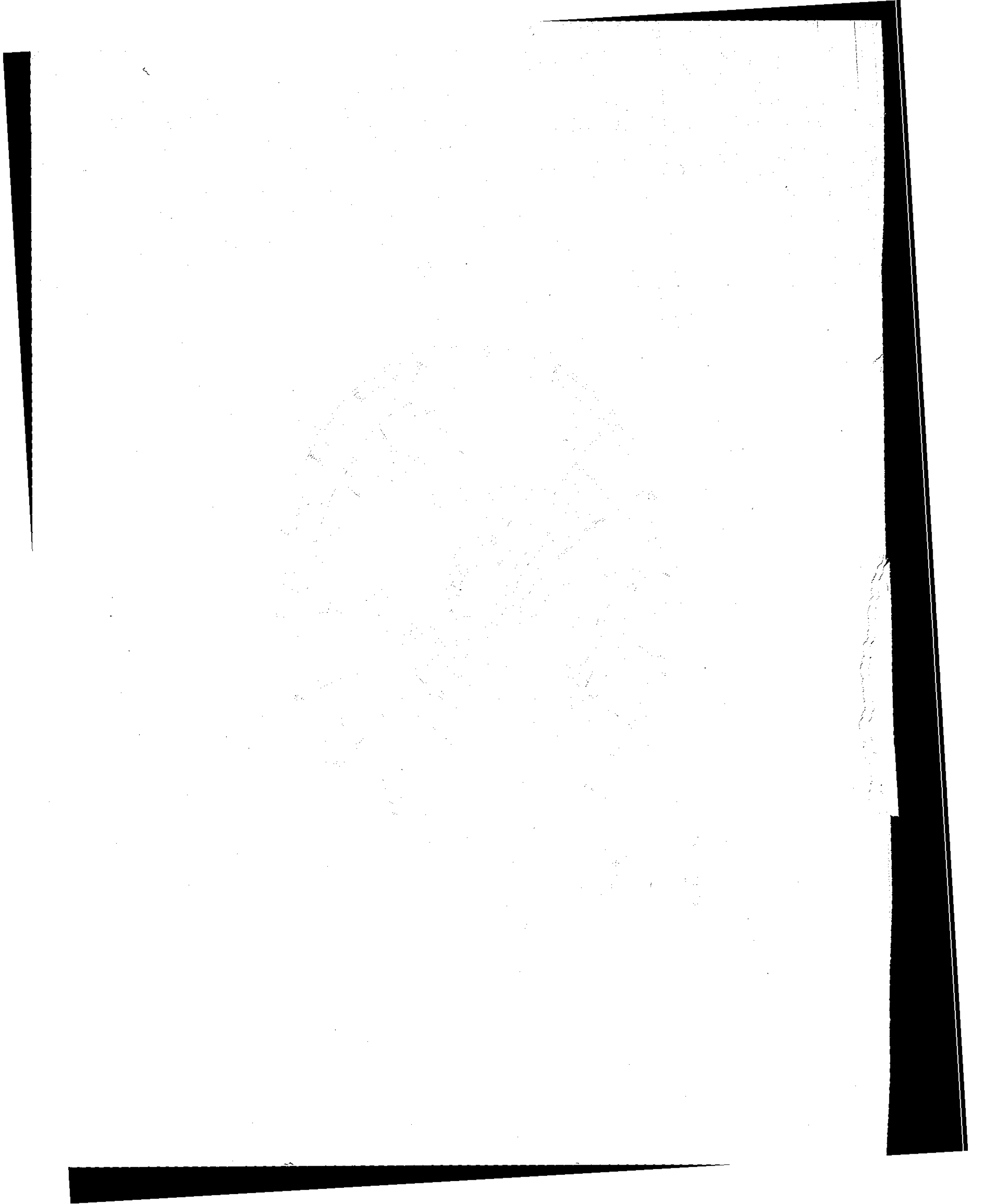
XTRA® CORPORATION

1996 ANNUAL REPORT



Year ended September 30 (Millions of dollars except per share amounts)	1992	1993	1994	1995	1996
Revenues	$202.6	$329.2	$ 355.3	$ 377.7	$ 422.5
Cash provided from operations	127.4	196.4	233.4	237.5	272.4
Income before income taxes	44.3	72.4	98.4	98.0	69.1
Net income	27.0	37.8[2]	57.6	57.3	41.1
Per Share Information					
Fully diluted earnings per common share	$ 1.75	$ 2.09[2]	$ 3.38	$ 3.39	$ 2.56
Dividends declared per common share	$ .39	$ .46	$ .54	$ .62	$ .70
Financial Position					
Capital expenditures (including value of equipment acquired under operating leases)[1]	$ 37.1	$409.6	$ 235.9	$ 698.9	$ 209.6
Total assets	535.2	858.0	1,004.9	1,516.4	1,536.8
Total debt and redeemable preferred stock	241.4	388.3	443.8	897.5	892.0
Total stockholders' equity	190.7	280.3	330.5	358.8	341.5

[1] Includes capital expenditures for acquisitions. See Note 2 of the Notes to Consolidated Financial Statements.

[2] Includes the effect of the Revenue Reconciliation Bill of 1993 which raised the federal corporate tax rate from 34% to 35%. The Company restated the deferred tax liabilities and assets to reflect the higher rate recording additional tax expense of approximately $5 million.

To Our Shareholders:

Freight transportation companies generally were faced with an extremely challenging environment in 1996. XTRA was no exception. The entire year was characterized by too little freight and too much equipment. Both the North American domestic freight markets and the global marine container markets showed signs of cyclical slowdown. Over-the-road truckers in the U.S. and Canada were mired in what one prominent investment banking firm described as "the worst trucking recession in 50 years". Railroad intermodal operations recorded minimal freight loadings growth. The marine container industry experienced an unpredicted decline in export shipments from the Pacific Rim countries, particularly China, coupled with soft demand in Europe, resulting in a rapid build-up of idle equipment and downward pressure on rates.

Despite the adverse business conditions, XTRA continued with its three-part strategy to improve long term shareholder value which includes: continued growth in existing businesses, external growth through acquisition and repurchases of common stock.

- During fiscal 1996, XTRA invested $210 million in capital, primarily for new equipment. This amount, while less than what was spent in 1995, allowed XTRA to grow the marine container fleet by 21% and to upgrade the quality of the over-the-road trailer fleet.
- External growth in 1996 was capped by the completion and successful integration of the marine container business, Matson Leasing Company, Inc., acquired on June 30, 1995. Fiscal 1996 was the first full year of results for this new product line which added a third, complementary business to XTRA's portfolio. We expect that over the long term, this addition will help smooth the cyclicality of our overall business.
- In fiscal 1996, XTRA repurchased a total of $46 million in common stock. Combined with the $20 million repurchased in fiscal 1995 and the $13 million repurchased in fiscal 1997 through November 14, 1996, this brings the total amount repurchased by the Company to $79 million since we announced the authorization to repurchase $100 million of common stock in January 1995.

Financial Performance

XTRA's revenues are generated by leasing over-the-road trailers, marine containers, intermodal trailers, chassis and domestic containers. The principal factor affecting financial results in the operating leasing business is equipment utilization, specifically that percentage of the fleet which is on-hire earning rental revenue. As a direct consequence of the challenging business conditions described above, XTRA's overall average equipment utilization declined from 86% in 1995 to 81% in 1996.

The Company's revenue rose from $378 million in 1995 to $423 million in 1996 primarily due to the inclusion of the marine container business for the full fiscal 1996. Revenues from our North American domestic businesses declined by $11 million due primarily to lower equipment demand. This environment of lower utilization combined with lease rates that were essentially unchanged, had an adverse impact on domestic business revenues for the year and, consequently, on net income and earnings per share. Net income was $41 million or $2.56 per share in 1996 versus $57 million or $3.39 per share in 1995.

Meanwhile, cash flow from operations in 1996 remained strong, increasing nearly 15% over 1995 to $272 million or approximately $17 per share. At September 30, 1996, the Company remained appropriately leveraged with a debt to equity ratio of 2.6 to 1.0, allowing us the ability to borrow at attractive rates and maintain a strong balance sheet with considerable financial flexibility.

Over-the-Road

XTRA Lease, our largest business segment, provides a wide variety of over-the-road trailers to truckers, logistics companies and private carriers throughout North America. We are the second largest highway trailer lessor with an estimated market share of 24%, and a Company-owned branch network of 87 locations throughout North America. XTRA Lease is also the largest supplier of storage trailers in North America. During 1996, the Company invested $100 million for new over-the-road equipment and by year-end, XTRA Lease operated a fleet of 75,000 units.

The truck freight recession that began in 1995 and continued into 1996, began to show signs of modest improvement late in the Company's second quarter. Freight demand remained reasonably healthy for the remainder of the year in most segments of the economy, resulting in tighter inventories and increased truck freight demand as both retail and durable goods stocks were replenished.

Throughout 1996, the backlog of demand for newly manufactured equipment remained very low. As a result of fewer trailers being built and more demand for freight transportation, truckers and private carriers better utilized their own fleets and were required to add more rental and lease units primarily in the second half of the year. Consequently, XTRA Lease performed reasonably well during a difficult 1996.

The gradual growth of the domestic economy has helped improve the industry's supply/demand balance for 1997. However, XTRA Lease's customers still operate in an uncertain and price competitive environment due to remaining pockets of excess capacity and the shippers' continued drive toward core carrier consolidation. This combination of underlying economic strength and carrier uncertainty has historically led to increased demand for leased equipment, therefore, we remain optimistic about the over-the-road business activity throughout 1997.

In the coming year, XTRA plans to add over-the-road equipment at a pace commensurate with anticipated customer demand. XTRA's capital spending on new over-the-road equipment combined with the retirement of older and obsolete trailers will result in maintaining a high quality fleet of about the same size in 1997. We will continue to enhance XTRA's reputation as the premier value-added supplier in the industry while exploring new market segments.

Intermodal

XTRA is a leader in the leasing of intermodal trailers, domestic containers and chassis to North American railroads and global steamship lines. At September 30, 1996, XTRA Intermodal operated a total fleet of over 56,000 units and maintained significant market share in each of its principal products.

The number of North American intermodal trailers on hire throughout 1996 was significantly below the previous year, reflecting lower demand for rail supplied trailers as a greater proportion of the rail intermodal loads were shipped in domestic containers and privately owned trailers. Over the past several years, we have responded to the decline in intermodal trailer demand by selling older equipment, and by the end of 1996 the Company's intermodal trailer fleet size had declined by 17% from the end of 1995.

Meanwhile, the Company's chassis fleet grew by 14% in 1996 and the number of working units increased consistently throughout the year. XTRA invested $22 million in new chassis equipment this year and we expect to continue to grow this product line, focusing on value added chassis pools. Chassis pools are increasingly desirable at both railroad and port terminals where a managed lease fleet is substituted for shipper-owned equipment to improve asset utilization and reduce redundant expenses. XTRA has developed a chassis management system to maximize the benefits of a chassis pool owned and operated by us.

While industry demand for domestic containers improved in 1996, since 1994 there has been a significant excess supply of equipment. The three year surplus of domestic containers has depressed rates and return opportunities, which has discouraged further investment in domestic containers.

Marine Containers

Beginning in the fall of 1995, worldwide utilization of marine containers declined significantly and unexpectedly due to a sharp decline in exports from the Pacific Rim countries, weak retail sales in the U.S. and Europe, and more balanced flows of containers in principal trade lanes. Chinese exports were down substantially as a result of a dramatic reduction in government financial support for export enterprises and sluggish demand from principal trade partners. This drop in demand produced an immediate over-capacity of both in-fleet and newly manufactured containers beginning in the Pacific Rim countries and rippling worldwide by year end. As a result of excess supply, rates have softened and are expected to remain competitive through the cyclical downturn.

During the year, XTRA International's container fleet size grew by 19% to 212,000 twenty foot equivalent units (TEUs). Consistent with industry trends, the Company's average marine container utilization declined from 90% in the fourth quarter of fiscal 1995 to 81% in all of 1996.

Approximately $79 million was invested in marine containers in 1996. Capital expenditures for 1997 will be substantially less than in 1996 unless the global container environment improves.

Based on continuing independent forecasts of growth in marine container loadings through the turn of the century, we remain confident that investment in marine containers will enhance XTRA's future ability to grow. Furthermore, we continue to believe that the marine container business is an excellent strategic fit, providing the Company with new access to global markets, and, under normal circumstances, will help to reduce the overall cyclicality of XTRA's business.

Capital Strategy and Financing

Total capital spending in 1996 was $210 million. Given current business conditions and anticipated equipment demand, 1997 capital spending is expected to be lower, particularly in the first half of the year. As of November 1996, we had committed to purchase approximately $59 million for new equipment in 1997. Extremely short lead times on new manufacturing give us significant flexibility to fluctuations in customer demand. As a result, spending in the second half of the year will depend largely on business conditions.

The major rating agencies continue to recognize XTRA's financial stability and solid performance as the Company continues to maintain its strong investment grade ratings on its short- and long-term public debt programs. These strong ratings help reduce financing costs and offer better access to capital. XTRA concluded the year's fixed rate financing with medium term note issuances totalling $243 million, with a weighted average life of 8 years and an average rate of 6.5%. Floating rate debt ended the year at 18% of total debt.

As mentioned in the introduction, XTRA continued its common stock repurchase program in 1996 with a total of $79 million repurchased between the January 1995 authorization of the $100 million stock repurchase program and November 14, 1996. In their first meeting of the 1997 fiscal year, your Board of Directors increased the original stock repurchase program by $100 million, bringing the total authorized repurchases to $200 million.

Leverage throughout the year remained in our debt to equity target range of 3.0 to 1.0. The Company seeks to maintain a level of leverage that balances our concurrent needs to maximize shareholder value, maintain investment grade credit ratings and create adequate flexibility to pursue opportunistic acquisitions.

An unfortunate combination of seasonal, cyclical and structural events led to disappointing earnings results for XTRA in 1996. The North American domestic freight market suffered for the second year from too much equipment and too little freight. The worldwide marine container industry, meanwhile, was surprised by the sudden and unanticipated softening in demand in 1996. The resulting overall average fleet utilization for XTRA was 81%, down significantly from 86% a year earlier. Fourth quarter utilization rose somewhat to 83%, but still fell short of the 84% level of a year ago.

Despite the challenging global environment, we are cautiously optimistic about 1997. In the North American highway market, supply and demand and underlying truck tonnage have recently improved. This indicates a positive momentum for the coming year. At XTRA Intermodal, the smaller trailer fleet should result in improved management of supply and demand balance. Lower growth rates in key marine container trade lanes may take most of 1997 to show modest recovery, but in the meantime, the reduction of capital expenditures for new equipment on a worldwide basis is likely to generate improving marine container utilization.

Moving forward, XTRA will continue to seek ways to improve shareholder value through implementation of our three part strategy: internal growth, external acquisition and stock repurchases. We will operate our business with a strong customer focus, adding value to our products and services with continuous quality improvement while carefully containing costs.

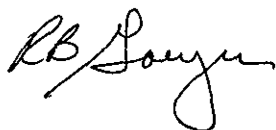
XTRA has recently adopted Economic Value Management (EVM) as a financial performance measurement as part of its effort to continually enhance shareholder value. EVM is a financial discipline that links personal financial rewards of managers to the Company's economic value growth. The focus of EVM is ensuring that the Company only invests capital where such investment will generate returns above its opportunity cost of capital.

XTRA remains a leader in freight transportation equipment leasing. The balance sheet is strong, its market positions significant, its reputation for prudent management is sound and it is well positioned for opportunistic growth.

We want to draw your attention to the hard working, high quality people who make up the XTRA team. These talented people are the driving force behind all that XTRA is and has accomplished. Without their dedication and experience, XTRA could not have reached its current level of strength and customer preference. We are extremely proud of this "Winning Team", and are certain that they will continue to represent you well in 1997.

Finally, we wish to recognize the retirement of Messrs. J. Russell Duncan and Gilbert Butler from XTRA's Board of Directors. Both men have made significant and lasting contributions to the performance of the Company over the last several years. We will miss their wise and valued counsel, but wish them well in their future endeavors.

Sincerely,



Robert B. Goergen
Chairman

Lewis Rubin
President and Chief Executive Officer

UNITED STATES
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
SEPTEMBER 30, 1996

COMMISSION FILE NUMBER 1-7654

XTRA Corporation (Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

06-0954158
(I.R.S. Employer Identification number)

60 STATE STREET
BOSTON, MASSACHUSETTS 02109
(Address of principal executive offices)

(617) 367-5000
(Registrant's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	*Name of exchange on which registered*
Common Stock, Par Value $.50 per Share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: none

Shares Outstanding of the Registrant's Common Stock at November 14, 1996: 15,246,099
Aggregate market value of voting stock held by non-affiliates of the registrant at November 14, 1996: $612,000,000

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 twelve 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 ninety days.
Yes ✓ No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ✓.

Portions of the Registrant's Annual Report to Stockholders for the fiscal year ended September 30, 1996, of which this Form 10-K is a part, are incorporated by reference in Parts I, II and IV. Portions of the Registrant's definitive Proxy Statement for use at the 1996 Annual Meeting of Stockholders are incorporated by reference in Part III.

*Exhibits to Form 10-K and Parent Company Financial Statements and Schedules have been included only in copies of the Form 10-K filed with the Securities and Exchange Commission.

A copy of this Form 10-K, including a list of exhibits and the Parent Company Financial Statements and Schedules, is available free of charge to stockholders upon written request to: Vice President and Chief Financial Officer, XTRA Corporation, 60 State Street, Boston, Massachusetts 02109. In addition, upon similar request, copies of individual exhibits will be furnished upon payment of a reasonable fee.

Item 1. Business

XTRA Corporation (the "Company" or "XTRA") leases, primarily on an operating basis, freight transportation equipment including over-the-road trailers, marine containers, intermodal trailers, chassis and domestic containers. XTRA leases over-the-road and intermodal equipment throughout North America, predominantly within the United States, to private fleet owners, railroads, contract and common carriers, as well as marine containers which are leased worldwide to steamship lines. Customers lease equipment primarily to cover cyclical, seasonal and geographical shortages and as a substitute for purchasing. The choice of equipment used is influenced by lease rates, terms, availability, condition and size of equipment, as well as other factors.

XTRA's equipment utilization and lease rates, and hence profitability, are impacted by the level of economic activity in North America, world trade activity, the supply of and demand for available equipment, the actions of its competitors and other factors in the freight transportation industry. Utilization and hence profitability is usually seasonally lower in the second and third fiscal quarters than in the first and fourth fiscal quarters. In general, the Company's receivable collection experience has been good. However, industry downturns tend to lengthen the collection period of certain receivables.

Lease Types and Rates

The Company leases its equipment on both a per diem and term basis. Per diem leases are for an initial period of less than one year and allow the customer to return the equipment without notice, although some per diem leases limit the amount and locations of equipment termination. Term leases provide for an initial period of one year or greater; generally one to five years. Lease rates depend upon the type of lease, length of term, maintenance provided and the type and age of the equipment. Generally, customers are responsible for damage to the equipment except for ordinary maintenance, although full-service leases are available on some equipment types.

Equipment Fleet

The Company's equipment fleet has grown through fleet acquisitions of other leasing companies and through purchases of new equipment. The new equipment, supplied by a number of manufacturers, is built to the Company's specifications and reflects industry standards and customers needs. The Company's fleet consisted of the following units and net investment at the end of its last five fiscal years:

	Units in thousands, millions of dollars					
Equipment Fleet [1]	1992	1993	1994	1995	1996	Net Investment at 9/30/96
Over-the-road trailers	30	65	69	76	75	$ 632
Marine containers	–	–	–	126	152	419
Intermodal trailers	33	33	34	29	24	197
Chassis	7	15	16	21	24	119
Domestic containers	8	8	8	8	8	36
Total	78	121	127	260	283	$1,403
Net investment	$478	$763	$860	$1,387	$1,403	

[1] The Company's fleet size and net investment includes equipment owned by the Company, equipment leased-in from third parties under operating and capital leases and equipment leased to third parties under finance leases. For purposes of this presentation, the net investment in equipment leased to the Company on an

operating basis represents the present value of the remaining lease payments. The net investment in revenue equipment leased to customers under finance leases as well as equipment owned by the Company or leased to the Company under capital leases represents the net carrying value of this equipment. The significant increases in net investment in equipment in 1993 and 1995 were primarily due to acquisitions. See Note 2 of the Notes to Consolidated Financial Statements for information relating to acquisitions.

For information regarding business information by geographic area, see Note 8 of the Notes to Consolidated Financial Statements. For additional information, including financing and capital expenditures, see Management's Discussion and Analysis of Financial Condition and Results of Operations. Such information is incorporated herein by reference.

Over-the-Road Trailers

XTRA's over-the-road fleet of 75,000 units, mostly dry cargo vans, consists primarily of units 48' and 53' long by 102" wide. This equipment is leased to private fleet owners, contract carriers and common carriers. Approximately 41% of the trailer fleet was leased on a term basis at the end of fiscal 1996 with the balance available for lease on a per diem basis.

Marine Containers

The Company's marine containers are standard, dry cargo 20' and 40' steel containers leased primarily to steamship lines for transporting freight on ships worldwide. XTRA's fleet consists of 152,000 units or 212,000 twenty-foot equivalent units (TEUs), an industry measure of fleet size. Approximately 33% of XTRA's marine container fleet was leased on a term basis at the end of fiscal 1996 with the remainder of the fleet available for lease on a per diem basis.

Intermodal Trailers

Intermodal trailers are designed to be carried on rail flatcars, pulled by tractor over the highway and, to a lesser extent, transported by water carriers on ships and barges. The Company's intermodal trailer fleet of 24,000 units consists primarily of units 45' and 48' long by 102" wide. The Company's intermodal trailers are leased primarily to North American railroads and water carriers. Approximately 33% of the intermodal trailer fleet was leased on a term basis at the end of fiscal 1996 with the remainder of the fleet available for lease on a per diem basis.

Chassis

Chassis are wheeled rectangular frames used to transport containers over the highway. Marine chassis are generally 20' or 40' in length to accommodate marine containers and domestic chassis are generally 48' or 53' in length and handle domestic containers. XTRA's marine and domestic chassis are used as transport vehicles for marine and domestic containers which are loaded or unloaded at shipyards, rail terminals or consignee locations. The Company's fleet of 24,000 units consists primarily of marine chassis and are leased to steamship lines, railroads and motor carriers. Approximately 61% of the chassis fleet was leased on a term basis at the end of fiscal 1996 with the balance available for lease on a per diem basis.

Domestic Containers

Domestic containers are boxes used to transport freight via rail on railcars or highway on chassis within North America. These containers are a substitute for intermodal and over-the-road trailers, particularly on long-haul, heavy volume routes. XTRA's fleet of approximately 8,000 units consists primarily of 48' long by 102" wide units leased to North American railroads and other domestic freight carriers. Approximately 75% of the Company's domestic container fleet was leased on a term lease basis at the end of fiscal 1996 with the balance available for lease on a per diem basis.

Competition

Leasing transportation equipment is a highly competitive business and is affected by factors related to the freight transportation market. Lease terms and lease rates, as well as availability, condition and size of equipment are all important factors to the lessee. In addition, various types of transportation equipment compete for business. Over-the-road trailers, intermodal trailers, marine and domestic containers, and railroad rolling stock are all potential vehicles for the movement of freight.

XTRA believes it is the second largest North American lessor of over-the-road trailers with its principal competitor having a slightly larger fleet. Recent estimates place the number of over-the-road trailers available for lease in North America at approximately 260,000.

At the end of fiscal 1996, the world's marine container leasing fleet is estimated at 5 million TEUs. XTRA believes it is one of the eight largest marine container lessors in the world. The two largest lessors account for approximately 50% of the leasing market.

The Company believes that the North American intermodal trailer fleet has decreased from approximately 110,000 trailers at the end of 1991 to approximately 95,000 trailers at the end of fiscal 1996. Some industry analysts believe that demand will continue to decrease. The Company monitors the size of the North American fleet relative to current and expected future demand and bases its trailer acquisition and disposition decisions, in part, on these factors. XTRA believes it is the second largest North American lessor of intermodal trailers.

XTRA believes it is the fifth largest North American chassis lessor with approximately 9% of the leasing fleet. The Company believes it is the third largest lessor of domestic containers with approximately 13% of the fleet.

Locations and Operations

XTRA's North American equipment is leased from equipment pools operated by Company employees at 92 locations. The marine container operations are managed by 14 Company offices and 9 agency locations, which utilize 105 independent depot locations worldwide to store and maintain equipment.

Employees

The Company had approximately 900 employees at September 30, 1996.

Corporate Organization

The Company was organized in 1957. XTRA's management subsidiary X-L-CO, INC. is located at 60 State Street, Boston, Massachusetts 02109 (telephone number (617) 367-5000).

XTRA Inc., a subsidiary of XTRA Corporation, owns substantially all of the Company's transportation equipment and conducts the Company's leasing business through certain of its subsidiaries pursuant to management service agreements.

On October 1, 1996, XTRA Missouri, Inc., an intermediate holding company, was merged into the Company. As a result of the merger, XTRA Inc. became a wholly-owned direct subsidiary of the Company. For disclosure on significant subsidiaries, see Note 12 of the Notes to Consolidated Financial Statements.

Item 2. Properties

The Company maintains 92 facilities for the storage and distribution of its over-the-road and intermodal equipment throughout North America, occupying 677 acres, of which 386 are owned. Except for locations in Chicago and the St. Louis area, consisting of 54 and 157 acres, respectively, these facilities are generally 2 to 16 acres. The marine container business is managed through 14 offices worldwide.

Item 3. Legal Proceedings

The Company has reached agreements to resolve its alleged involvement with respect to the environmental problems at the Edgerton Sand and Gravel Landfill site in Edgerton, Wisconsin and an adjacent manufacturing facility owned by its subsidiary prior to 1978. These agreements resolved the amount of the Company's financial obligations with respect to the remediation as well as the provision of an alternative water supply to affected residences in the area of the landfill site. The Company's financial obligations under these agreements were not material to the financial condition of the Company and had previously been fully provided for in the Company's financial statements.

The Illinois Environmental Protection Agency has notified a subsidiary of the Company of alleged environmental contamination resulting from the zinc smelting operations by a prior owner of property that the subsidiary owns in Fairmont City, Illinois. The Company has had its initial discussions with the successors in interest currently responsible for the liabilities of the prior owner with respect to participation in an investigation and cleanup of the facility under the Illinois voluntary remediation program. Based upon the Company's current understanding of the nature of the contamination, the Company believes that the resolution of this matter will not have a material impact on the Company's results of operations, cash flows or financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to stockholders of the Company during the fourth quarter of 1996.

Item 4A. Executive Officers of the Registrant

The executive officers of the Company, the age of each, and the period during which each has served in his present office are as follows:

Lewis Rubin (58) - President and Chief Executive Officer. Mr. Rubin was President and Chief Executive Officer of Flexi-Van Corporation, a Company engaged in the leasing of intermodal transportation equipment, from 1981 to 1983. He served as President and Chief Executive Officer of Gelco CTI Container Services, a subsidiary of Gelco Corporation, and as an Executive Vice President of Gelco Corporation from 1984 to 1988. Mr. Rubin was elected President and Chief Operating Officer of the Company in 1990. He was elected to his present position in 1990.

Robert B. Blakeley (36) - Vice President and Controller. Mr. Blakeley joined the Company in 1984, was promoted to Assistant Controller in 1987 and was elected to Controller and Chief Accounting Officer in 1991. Mr. Blakeley was elected to his present position in 1996.

Jeffrey R. Blum (44) - Vice President, Administration and Human Resources. Mr. Blum joined the Company and was elected to his current position in 1995. Prior to 1995, Mr. Blum served in similar capacities at First Winthrop Corporation from 1993 to 1995 and Signal Capital Corporation prior to 1993.

Michael K. Fox (50) - Vice President, XTRA Intermodal. Mr. Fox joined the Company in 1981 and was elected to several managerial positions. He was elected Divisional Executive Vice President, XTRA Intermodal in 1993. He was elected to his present position in 1994.

William H. Franz (45) - Vice President, XTRA Lease. Mr. Franz was previously employed by two large over-the-road lessors, Transport International Pool and Strick Lease. He joined the Company in 1992 and was elected to the position of Divisional Executive Vice President, XTRA Lease in 1993. He was elected to his present position in 1993.

Frederick M. Gutterson (54) - Vice President, XTRA International. Mr. Gutterson was President and Chief Executive Officer of Matson Leasing Company, Inc. since its inception in 1989. He was elected to his present position in 1995 following the Matson acquisition.

Christopher P. Joyce (35) - Vice President and Treasurer. Mr. Joyce joined the Company in 1985. He was promoted to Assistant Treasurer in 1991 and was elected to Treasurer in 1993. Mr. Joyce was elected to his present position in 1996.

James R. Lajoie (56) - Vice President, General Counsel and Secretary. Mr. Lajoie joined the Company as General Counsel in 1981. He was elected Vice President and General Counsel in 1987 and was elected to his present position in 1990.

Michael J. Soja (47) - Vice President and Chief Financial Officer. Mr. Soja joined the Company as Assistant Controller in 1974, was elected Controller in 1978, and elected Vice President in 1979. He was elected Vice President, Finance and Administration in 1981 and was elected Vice President, Finance and Treasurer in 1990. Mr. Soja was elected to his present position in 1990.

Charles D. Willmott (44) - Vice President, Marketing and Planning. Mr. Willmott was President of Distribution International Corporation, the holding company for the Strick Companies, prior to joining the Company in 1992. Mr. Willmott was elected to his present position in 1993, following the Strick Lease acquisition.

All terms of office expire as of the date of the Board of Directors' meeting following the next Annual Meeting of Stockholders and until their respective successors are elected and qualified.

PART II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is listed on the New York Stock Exchange and trades under the symbol "XTR". The approximate number of record holders as of November 14, 1996 was 877. The following table sets forth the range of high and low sale prices of the Company's Common Stock on the New York Stock Exchange Composite Tape and dividends declared during fiscal years ended September 30, 1995 and 1996.

		High	Low	Dividends Declared
1995:	First Quarter	$51 7/8	$40	$.14
	Second Quarter	52 1/2	44 1/8	.16
	Third Quarter	51 1/8	44 3/8	.16
	Fourth Quarter	49 1/4	42 3/4	.16
1996:	First Quarter	44 3/4	41 5/8	.16
	Second Quarter	46 3/4	39 3/4	.18
	Third Quarter	47 3/8	44 1/4	.18
	Fourth Quarter	45 7/8	40 1/2	.18

The Company has paid quarterly cash dividends on its Common Stock since January 1977. Future dividends will be determined by the Board of Directors and will be dependent upon the earnings, financial condition and cash requirements of the Company and other relevant factors existing at the time.

The Company's sources of funds for the payment of dividends on its capital stock are advances and dividends from its direct and indirect wholly-owned subsidiaries, including XTRA, Inc. The primary sources of funds for XTRA, Inc. are cash flows from operations, advances from its subsidiaries and external financing. The Company's loan agreements contain covenants that restrict the payment of dividends by the Company or repurchases of common stock and certain loan agreements contain covenants that restrict advances to and payment of dividends to the Company by its subsidiaries, including XTRA Inc. Under the most restrictive provisions of the Company's loan agreements, the repurchase of common stock and/or the amount of cash dividends which could be paid on the Company's capital stock was limited to $94 million at September 30, 1996.

Item 6. Selected Financial Data

This information is set forth in the table appearing on page 1 of the Company's 1996 Annual Report, which table is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this item appears in the Company's 1996 Annual Report beginning at page 21 and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

For the Financial Statements and Supplementary Data for XTRA Corporation and its subsidiaries, see Index to Financial Statements on page 17 of the Company's 1996 Annual Report, which Financial Statements and Supplementary Data are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable

PART III.

Item 10. Directors and Executive Officers of the Registrant

(a) Directors - Information with respect to all directors may be found in the Company's definitive Proxy Statement for the 1997 Annual Meeting of Stockholders (the "1997 Proxy Statement") under the caption "Information with Respect to Director Nominees," which is to be filed with the Securities and Exchange Commission. Such information is incorporated herein by reference.

(b) Executive Officers - Information with respect to executive officers of the registrant appears in Item 4A of this Report on Form 10-K.

Item 11. Executive Compensation

This information is contained in the 1997 Proxy Statement under the captions "Executive Compensation Tables" and "Compensation of Directors." Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

This information is contained in the 1997 Proxy Statement under the captions "Stock Ownership by Directors and Executive Officers" and "Beneficial Ownership of More Than Five Percent of Voting Securities." Such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

This information is contained in the 1997 Proxy Statement under the captions "Information with Respect to Director Nominees" and "Certain Transactions." Such information is incorporated herein by reference.

PART IV.

Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K

(a) Required exhibits are included only in the Form 10-K filed with the Securities and Exchange Commission.

(b) The Company filed a Current Report on Form 8-K, dated November 27, 1996, which disclosed certain financial information for the fiscal fourth quarter ended September 30, 1996.

(c) For Financial Statements and Schedule, see Index to Financial Statements on page 17 of the Company's 1996 Annual Report, which Financial Statements and Schedules are incorporated herein by reference.

Signatures

Pursuant to the requirements of Section 13 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.

XTRA Corporation
(Registrant)
By /s/ Lewis Rubin

President and Chief Executive Officer

November 14, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	*Title*	*Date*
/s/ Robert B. Goergen	Chairman of the Board of Directors	November 14, 1996
/s/ Robert M. Gintel	Vice Chairman of the Board of Directors	November 14, 1996
/s/ Lewis Rubin	President, Chief Executive Officer and Director	November 14, 1996
/s/ Michael J. Soja	Vice President and Chief Financial Officer	November 14, 1996
/s/ Robert B. Blakeley	Vice President and Controller	November 14, 1996
/s/ Gilbert Butler	Director	November 14, 1996
/s/ H. William Brown	Director	November 14, 1996
/s/ J. Russell Duncan	Director	November 14, 1996
/s/ Herbert C. Knortz	Director	November 14, 1996
/s/ Francis J. Palamara	Director	November 14, 1996
/s/ Martin L. Solomon	Director	November 14, 1996

Parent and Subsidiaries*

Name	State or Province of Incorporation
XTRA Corporation	Delaware
Subsidiary of XTRA Corporation	
XTRA, Inc.	Maine
Subsidiaries of XTRA, Inc.	
XTRA Intermodal, Inc.	Delaware
XTRA International Ltd	Delaware
X-L-CO., INC.	Delaware
XLI, Inc.	Delaware
Subsidiaries of XLI, Inc.	
Distribution International Corporation	Delaware
Subsidiaries of Distribution International Corporation	
Strick Canada Limited	Ontario
XTRA Lease, Inc.	Delaware

*Certain inactive subsidiaries have been omitted.

Index to Financial Statements
(Information required by Part II, Items 7 and 8 and Part IV, Item 14 of Form 10-K)

XTRA Corporation and Subsidiaries Consolidated Financial Statements and Schedule

Financial Statements	Page
Consolidated balance sheets - September 30, 1995 and 1996	18
Consolidated income statements for the three years ended September 30, 1996	19
Consolidated statements of cash flows for the three years ended September 30, 1996	20
Management's discussion and analysis of financial condition and results of operations for the three years ended September 30, 1996	21
Unaudited quarterly condensed consolidated income statements for the years ended September 30, 1995 and 1996	26
Consolidated statements of stockholders' equity for the three years ended September 30, 1996	27
Notes to consolidated financial statements	28
Report of independent public accountants	38
Schedule for the three years ended September 30, 1996	
Schedule I - Parent Company financial statements	*

*The Parent Company financial statements have been included in the Form 10-K filed with the Securities and Exchange Commission and have been omitted from this Annual Report.

September 30, 1995 and 1996
(Millions of dollars except per share and share amounts)

	1995	1996
Assets		
Property and equipment at cost		
Revenue equipment	$1,812.1	$1,911.7
Land, buildings and other	66.5	65.1
	1,878.6	1,976.8
Less-Accumulated depreciation	(480.3)	(569.8)
Net property and equipment	1,398.3	1,407.0
Cash	6.3	7.7
Trade receivables, net	55.7	52.3
Lease contracts receivable	35.3	41.7
Other assets	20.8	28.1
	$1,516.4	$1,536.8
Liabilities and Stockholders' Equity		
Liabilities		
Debt	$ 897.5	$ 892.0
Deferred income taxes	193.7	226.9
Accounts payable and accrued expenses	66.4	76.4
Total liabilities	1,157.6	1,195.3
Commitments and contingencies (Note 6)		
Stockholders' equity		
Preferred Stock, without par value; total authorized: 3,000,000 shares		
Common Stock, par value $.50 per share; authorized: 30,000,000 shares; issued and outstanding: 16,568,801 shares at September 30, 1995; 15,550,499 shares at September 30, 1996	8.3	7.8
Capital in excess of par value	107.6	63.3
Retained earnings	243.4	273.3
Cumulative translation adjustment	(.5)	(2.9)
Total stockholders' equity	358.8	341.5
	$1,516.4	$1,536.8

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

For the three years ended September 30, 1996 (Millions of dollars except per share amounts)	1994	1995	1996
Revenues	$355.3	$377.7	$422.5
Operating expenses			
Depreciation on rental equipment	104.6	117.1	145.9
Rental equipment operating expense	88.8	87.6	100.7
Selling and administrative expense	29.6	33.6	40.4
	223.0	238.3	287.0
Operating income	132.3	139.4	135.5
Interest expense	33.9	41.4	66.0
Foreign exchange loss	–	–	.4
Income before provision for income taxes	98.4	98.0	69.1
Provision for income taxes	40.8	40.7	28.0
Net income	$ 57.6	$ 57.3	$ 41.1
Earnings per fully diluted common share	$ 3.38	$ 3.39	$ 2.56
Weighted average number of fully diluted common and common equivalent shares outstanding (in millions)	17.0	16.9	16.1

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

For the three years ended September 30, 1996 (Millions of dollars)	1994	1995	1996
Cash flows from operations			
Net income	$ 57.6	$ 57.3	$ 41.1
Add non-cash income and expense items:			
Depreciation and amortization, net	99.2	110.6	146.2
Deferred income taxes, net	20.6	30.3	30.7
Bad debt expense	4.2	4.2	3.5
Add other cash items:			
Net change in receivables, other assets, payables and accrued expenses	11.8	(12.2)	2.5
Cash receipts on lease contracts receivable	18.5	19.2	17.6
Recovery of property and equipment net book value	21.5	28.1	30.8
Total cash provided from operations	233.4	237.5	272.4
Cash used for investment activities			
Additions to property and equipment	(245.0)[1]	(339.2)	(205.2)
Acquisition of certain net assets of Matson Leasing Co., Inc.	–	(357.5)	(4.4)
Total cash used for investment activities	(245.0)	(696.7)	(209.6)
Cash flows from financing activities			
Borrowings of debt	131.8	492.2	246.6
Payments of debt	(76.9)	(41.5)	(251.9)
Net proceeds from exercise of stock options	–	2.1	0.9
Repurchase of Common Stock	–	(20.0)	(45.8)
Dividends paid	(9.1)	(10.5)	(11.2)
Total cash provided by (used for) financing activities	45.8	422.3	(61.4)
Net increase (decrease) in cash	34.2	(36.9)	1.4
Cash at beginning of year	9.0	43.2	6.3
Cash at end of year	$ 43.2	$ 6.3	$ 7.7
Total interest paid	$ 31.6	$ 34.8	$ 51.8
Total income taxes paid (net of refunds)	$ 15.6	$ 16.8	$ (2.3)

[1] Includes certain acquisitions completed in 1994. See Note 2 of the Notes to Consolidated Financial Statements.

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

The discussion below contains certain forward-looking statements relating to, among other things, estimates of economic and industry conditions, equipment utilization and capital expenditures. Actual results may vary from those contained in such forward-looking statements. See "Cautionary Statements for Purposes of the 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995" contained below.

XTRA Corporation leases, primarily on an operating basis, freight transportation equipment including over-the-road trailers, marine containers, intermodal trailers, chassis and domestic containers. XTRA's equipment utilization and lease rates, and hence profitability, are impacted by the supply of and demand for available equipment, the level of economic activity in North America, world trade activity, the actions of its competitors and other factors in the freight transportation industry. The discussion and data below are presented on a consolidated basis.

The Company's pretax profits have been cyclical, principally due to the variability of the Company's revenues and the high percentage of fixed costs. To moderate this cyclicality, the Company attempts to maintain a balance between the amount of equipment leased on a per diem and term basis and maintains a mix of various types of freight transportation equipment available for lease. The Company has historically maintained a high proportion of its debt at fixed rates to reduce the impact of fluctuations in interest rates. The June 1995 acquisition of marine containers from Matson Leasing Company, Inc. initially financed with floating rate debt, resulted in a higher percentage of floating rate debt at September 30, 1995, 37%, as compared to 18% at September 30, 1996.

The marine container acquisition, in addition to providing a further diversification of its customer base, has reduced XTRA's dependence on the North American transportation industry. Although the marine container business is international, substantially all transactions are denominated in U.S. dollars. This discussion includes the marine container operating results for the three months ended September 30, 1995 and the full fiscal year 1996 and accordingly, these results may not be comparable to the year ended September 30, 1994 and may not be indicative of future results.

Revenues

Revenues are a function of lease rates and working units; the latter depends on fleet size and equipment utilization. Revenues increased by 6% from $355 million in fiscal 1994 to $378 million in fiscal 1995, primarily due to the June 30, 1995 acquisition of the marine container business as well as an increase in over-the-road working units and an increase in average lease rates. Partially offsetting the increase in fiscal 1995 revenues was a decrease in revenues derived from intermodal trailers due to reduced demand attributable to the softening economy, an increased supply of equipment and shifting traffic trends in the industry. Beginning in the second quarter of fiscal 1995, as a result of decreased levels of domestic freight, truckers began competing more aggressively with railroads, thus diverting some intermodal freight to over-the-road.

Revenues increased 12% or $45 million in fiscal 1996 principally due to the inclusion of the marine container business for the full fiscal year versus one quarter of the year in 1995, partially offset by lower revenues generated from the Company's domestic business, primarily intermodal trailers. The economic and industry conditions experienced in fiscal 1995 continued into fiscal 1996 as the transportation industry did not experience the moderate growth seen in the domestic economy. The decrease in utilization of the Company's domestic transportation equipment reflects reduced freight levels and increased industry-wide equipment supply. The over-supply of domestic transportation equipment is due to the record level of industry purchases in 1994 and 1995. In 1996, industry purchases of equipment were reduced considerably. However, the over-capacity, while diminished, continues to exist.

Growth in usage of marine containers, on a worldwide basis, has declined due to lower growth in freight demand, particularly in the Far East. Additionally, better world-wide trade balance has resulted in more efficient use of equipment by shippers and hence lower usage of leased containers. Increases in the supply of marine containers resulting from substantial industry-wide purchases have also reduced demand for leased containers. XTRA's marine container utilization declined from 90% in the fourth quarter of fiscal 1995 to average 81% for fiscal 1996.

Recent signs of growth in the domestic economy as well as some improvement in key industry indicators, such as the level of intermodal loadings and reduced purchases of new transportation equipment, suggest that domestic industry conditions may be improving modestly although an excess supply of equipment still exists.

The following table sets forth, for the Company, average utilization (dollar weighted by investment in each type of equipment) and average fleet size in units (including units leased under operating leases) during the last three years.

Year ended September 30	1994	1995	1996
Utilization	92%	86%	81%
Units (in thousands)	123	160	274

The increases in average fleet size in fiscal 1995 and 1996 are primarily attributable to the acquisition of the marine container business in fiscal 1995.

Utilization, which is the ratio of revenue-earning units to the total fleet, is derived from billing information, usage reports and other information from customers, assumptions based on historical experience and equipment inventories taken at Company depots, and is an approximation. Utilization is impacted by the level of economic activity in North America, world trade activity and the supply of and demand for available equipment.

Operating Expenses

Depreciation expense increased 12% or $13 million in 1995 due to an increase in average fleet size which included the effect of the marine container acquisition in the fourth quarter. In 1996, depreciation expense increased 25% or $29 million due primarily to the addition of the marine container fleet for the full fiscal year as well as an increase in the over-the-road fleet.

In 1995, lower rental equipment operating expenses for over-the-road trailer and intermodal equipment were mostly offset by operating expenses related to the addition of the marine container business in the fourth quarter. In 1996, rental equipment operating expenses increased 15% or $13 million primarily due to the inclusion of the marine container business for the full fiscal year.

In 1995, selling and administrative expenses increased 14% or $4 million principally due to the marine container business added in the fourth quarter and increased costs related to the development and implementation of management information systems. In 1996, selling and administrative expenses increased 20% or $7 million primarily due to the marine container business included for the full fiscal year.

Interest Expense

Interest expense is a function of the amount of average net debt outstanding (long-term debt less cash) and average interest rates. The following table sets forth total average net debt outstanding and interest expense as a percentage of total average net debt outstanding.

Year ended September 30	1994	1995	1996
Average net debt outstanding (millions of dollars)	$375	$518	$906
Interest expense as a percentage of average net debt outstanding	9.1%	8.0%	7.3%

In 1995 and 1996, interest expense increased 22% and 60% or $8 million and $25 million, respectively, primarily due to an increase in average net debt outstanding partially offset by a decrease in the average effective interest rate. In fiscal 1996, the increase in average net debt outstanding was primarily the result of the June 30, 1995 acquisition of the marine container business.

Foreign Exchange Loss

The foreign exchange loss of $.4 million in fiscal 1996 is attributable to the translation of certain intercompany liabilities of the Company's Canadian businesses. This loss is a result of the decreasing value of the Canadian dollar versus the U.S. dollar.

Income Before Provision for Income Taxes

Pretax earnings remained relatively unchanged in 1995 despite lower utilization. Increased profitability resulting from the marine container operations acquired late in the year as well as a larger working fleet of over-the-road trailers was offset by decreased demand for intermodal trailers . In 1996, pretax earnings decreased 29% or $29 million primarily due to lower domestic equipment utilization and as a result of the Company's high percentage of fixed costs.

Provision for Income Taxes

The Company's effective income tax rate was approximately 42% in fiscal years 1994 and 1995 and approximately 41% in fiscal 1996. For additional information regarding the provision for income taxes, see Notes 1 and 5 of the Notes to Consolidated Financial Statements.

FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

Significant capital investment is required by the Company's leasing operations, not only for growth but also for replacement of units retired from service. However, during periods of slower economic growth, capital expenditures may be curtailed until demand for transportation equipment increases.

The following table sets forth capital expenditures by equipment type, including units acquired by acquisition, units purchased and units leased-in from third parties under operating leases. The Company's committed capital expenditures for 1997 are as of November 13, 1996.

(Millions of dollars)	1994	1995	1996	1997
Over-the-road trailers	$151	$204	$100	$44
Marine containers	–	379	79	11
Intermodal trailers	70	50	2	2
Chassis	8	46	22	–
Other	7	20	7	2
Total	$236	$699	$210	$59

The Company recognizes the importance of managing capital spending as essential to maintaining the quality of its fleet. The Company grows its fleet by acquiring equipment from other leasing companies and by purchasing new and used equipment. In 1994, capital expenditures were $236 million, including $46 million of equipment acquired in three separate acquisitions. Responding to the strong demand for its products in 1994 and continuing into early 1995, expenditures in 1995 increased to $699 million, including $360 million paid to acquire the marine container fleet. In 1996, capital expenditures decreased to $210 million in response to deteriorating industry conditions. As of November 13, 1996, XTRA's committed capital expenditures for 1997 amounted to $59 million. The Company may increase capital spending in 1997 if conditions warrant. Actual capital expenditures for 1997 will depend on the Company's assessment of business conditions.

During the three years ended September 30, 1996, the Company generated $743 million of cash flow from operations. During this same period, XTRA invested $1.2 billion in property and equipment including acquisitions, paid dividends of $31 million, repurchased $66 million of common stock and increased net debt (debt less cash) outstanding by $505 million.

Although some level of future capital spending can be financed internally, the ability to fund expenditures above that level will depend upon the availability of external financing.

In addition to cash flow from operations, XTRA generally has available to it a variety of external means to finance future growth of its leasing equipment fleet. The Company's external financing options include a combination of a revolving credit agreement, medium-term and long-term borrowings in the public debt market, intermediate and long-term financing from banks, institutional investors and lease financing. The Company has registered with the Securities and Exchange Commission $742 million of securities consisting of Preferred Stock and Common Stock of the Company and Senior and Subordinated Debt Securities of its subsidiary XTRA, Inc., fully and unconditionally

guaranteed by XTRA Corporation (see Note 4 of Notes to Consolidated Financial Statements). As of November 13, 1996, XTRA Inc. has $604 million available for future issuance under this Shelf Registration. As of November 13, 1996 the Company had $140 million of unused credit available under its $300 million Revolving Credit Agreement. The Company's access to external financing will depend upon prevailing market conditions and the Company's credit ratings. There can be no assurance that the Company will be able to borrow funds in those markets at attractive rates or with covenants that are not more restrictive than the Company's current debt covenants. The Company also has potential access to external funds through the issuance of capital stock. XTRA deems its sources of financing adequate to meet projected needs.

The Company's source of funds for the payment of dividends on its capital stock are advances and dividends from its direct and indirect wholly-owned subsidiaries, including XTRA, Inc. The primary sources of funds for XTRA, Inc. are cash flows from operations, advances from its subsidiaries and external financing. Several of the Company's loan agreements contain covenants that restrict the payment of dividends by the Company or repurchases of common stock. In addition, certain loan agreements contain covenants that restrict advances to and the payment of dividends to the Company by its subsidiaries, including XTRA, Inc. Under the most restrictive provisions of the Company's loan agreements, the repurchase of common stock and/or the amount of cash dividends which could be paid on the Company's capital stock was limited to $94 million at September 30, 1996. For additional information regarding debt, see Note 4 of the Notes to Consolidated Financial Statements.

The Company has authorized the repurchase of up to $200 million of XTRA's common stock. The timing of the repurchases, which could occur over an extended period of time, will depend on price, market conditions and other factors. As of November 13, 1996, the Company had repurchased $79 million of common stock under this authorization.

CAUTIONARY STATEMENTS FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The Company may occasionally make forward-looking statements and estimates such as forecasts and projections of the Company's future performance or statements of management's plans and objectives. These forward-looking statements may be contained in, among other things, SEC filings and press releases made by the Company and in oral statements made by the officers of the Company. Actual results could differ materially from those in such forward-looking statements. Therefore, no assurances can be given that the results in such forward-looking statements will be achieved. Important factors that could cause the Company's actual results to differ from those contained in such forward-looking statements include, among others, the factors mentioned below.

Variable Revenues and Fixed Operating Expenses

The Company's revenues are variable due to their dependence on the level of domestic and international economic activity and the supply of and demand for equipment. In addition, the Company has a high percentage of fixed operating expenses, including depreciation, a portion of both rental equipment operating expense and selling and administrative expenses. As a result, the Company's pretax profits are cyclical. If domestic or global economic activity remains slow, operating margins may be adversely affected. See below for further discussion.

Variability of Revenues

The Company's revenues are variable and are based on lease rates, utilization, supply of and demand for equipment. See below for further discussion.

Lease Rates

Lease rates depend on the type of lease, length of term, maintenance provided and the type and age of the equipment. Future lease rates may increase or decrease depending on competition, economic conditions and other factors.

Utilization

Utilization is the ratio of revenue earning units to the total fleet. Utilization is directly impacted by the level of economic activity in North America, world trade activity, the supply of and demand for available equipment, the actions of competitors and other factors in the freight transportation industry.

Supply of Equipment

New equipment, supplied by a number of manufacturers, is built to the Company's specifications and reflects industry standards and customer needs. There may be a considerable amount of time between when an order is placed and when the equipment is delivered. In addition, it is difficult to accurately predict demand for the Company's equipment in future periods. As a result, the Company's performance in a given period may be adversely affected either because of its inability to quickly increase fleet size (because of extended back orders) to take advantage of unexpectedly strong demand, or to quickly reduce fleet size in order to react to reduced demand.

Demand

Demand for equipment is affected by economic factors, equipment supply and shifting traffic trends in the industry. A softening domestic or international economy may result in lower levels of freight shipments. Shifting traffic trends in the industry may impact the Company's businesses, such as truckers competing more aggressively, and divert some intermodal freight to over-the-road or vice versa. Other items affecting demand which may impact leasing needs can include adverse weather conditions such as floods or snow storms or strikes by transportation unions.

Operating Expenses

The Company's operating expenses consist of a high percentage of fixed costs and thus profitability can change as revenues fluctuate due to increases and decreases in utilization and/or lease rates. The fixed costs include depreciation, a portion of rental equipment operating expense and selling and administrative expenses. As a result, income from operations can be cyclical. If revenues decline in any period, operating margins may change from those reported in prior periods due to the fixed nature of a significant portion of the Company's expenses.

Capital Needs

The acquisition of new equipment, both for growth as well as replacement of older equipment, is capital intensive. In addition, over the past several years, the Company has grown its fleet through acquisitions of other companies such as Strick Lease and Matson Leasing Company, Inc., requiring additional capital. While the Company generally has had available a variety of sources to finance such expenditures and acquisitions at favorable rates or terms, the availability of such capital depends heavily upon prevailing market conditions, the Company's capital structure and its credit ratings. No assurances can be given that financing will continue to be available at attractive rates or with covenants that are not more restrictive than the Company's current debt covenants.

Interest Rates

Over the past several years, interest rates have remained at historically low levels. Because of the Company's dependence upon external financing to fund its capital needs and acquisitions, the level of interest rates directly effects the Company's profitability. The Company attempts to moderate the effect of changing interest rates by maintaining a high percentage of its debt with fixed rates. An increase in interest rates or a downgrade in the Company's debt ratings would adversely impact the cost of new borrowings, thereby adversely effecting its profitability.

Foreign Exchange Rates

A portion of the Company's North American over-the-road and intermodal business is transacted in local currencies. As a result, the Company's financial results are subject to foreign exchange rate fluctuations.

Acquisitions

Over the past years, the Company has used acquisitions of fleets operated by other companies to help grow its business. In order for the Company to take advantage of favorable acquisition opportunities as they are presented, it may be necessary for the Company to significantly increase its debt leverage ratios which could adversely effect its credit ratings. Also, the ability of the Company to take advantage of acquisition opportunities will depend on the availability of capital. See financial liquidity and capital resources above for discussion.

Consolidations of the Company's Customer Base

Consolidations of the Company's customer base, such as railroad or steamship lines, mergers or acquisitions, may result in reduced demand for leased equipment.

Unaudited Quarterly Condensed Consolidated Income Statements

XTRA Corporation and Subsidiaries

For the four quarters ended September 30, 1995 and 1996 (Millions of dollars except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1995				
Revenues	$ 96.3	$ 87.1	$ 86.2	$108.1
Expenses[1]	63.6	63.8	66.1	86.2
Income before income taxes	32.7	23.3	20.1	21.9
Provision for income taxes	13.6	9.7	8.3	9.1
Net income	$ 19.1	$ 13.6	$ 11.8	$ 12.8
Earnings per fully diluted common share	$ 1.12	$ .80	$ .70	$ .76
Weighted average number of fully diluted common shares outstanding (in millions)	17.0	17.0	16.9	16.8
1996				
Revenues	$112.2	$101.1	$101.4	$107.8
Expenses[1]	88.8	87.3	88.3	89.0
Income before income taxes	23.4	13.8	13.1	18.8
Provision for income taxes	9.5	5.6	5.3	7.6
Net income	$ 13.9	$ 8.2	$ 7.8	$ 11.2
Earnings per fully diluted common share	$ .85	$ .51	$ .49	$ .71
Weighted average number of fully diluted common shares outstanding (in millions)	16.4	16.1	16.0	15.7

[1] Includes operating and interest expenses.

Consolidated Statements of Stockholders' Equity

XTRA Corporation and Subsidiaries

For the three years ended September 30, 1996 (Millions of dollars)	Common Stock $.50 Par Value	Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustment
Balance at September 30, 1993	$8.4	$124.2	$148.1	$ (.5)
Net income	–	–	57.6	–
Common Stock cash dividends declared at $.54 per share	–	–	(9.1)	–
Options exercised and related tax benefits, net of shares forfeited under restricted stock plan	–	1.2	–	–
Translation adjustment	–	–	–	.6
Balance at September 30, 1994	8.4	125.4	196.6	.1
Net income	–	–	57.3	–
Common Stock cash dividends declared at $.62 per share	–	–	(10.5)	–
Options exercised and related tax benefits	.1	2.0	–	–
Repurchase of Common Stock	(.2)	(19.8)	–	–
Translation adjustment	–	–	–	(.6)
Balance at September 30, 1995	8.3	107.6	243.4	(.5)
Net income	–	–	41.1	–
Common Stock cash dividends declared at $.70 per share	–	–	(11.2)	–
Options exercised and related tax benefits	–	.9	–	–
Repurchase of Common Stock	(.5)	(45.2)	–	–
Translation adjustment	–	–	–	(2.4)
Balance at September 30, 1996	$7.8	$ 63.3	$273.3	$(2.9)

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

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of XTRA Corporation and its wholly-owned subsidiaries ("the Company"). All material intercompany accounts and transactions have been eliminated. Certain amounts in the prior year financial statements have been reclassified to be consistent with the current year's presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Provisions for income taxes recognize the tax effect of all revenue and expense transactions as well as any change during the period in deferred tax assets and liabilities. The effects of changes in tax rates and laws on deferred tax assets and liabilities are reflected in net income in the period in which such changes are enacted.

Leases

The Company records the majority of its leases using the operating method of accounting. Full-payout or near full-payout leases are accounted for under the finance method.

Depreciation

The Company provides for depreciation by using the straight-line method to amortize the cost of property and equipment to its estimated residual value over its estimated useful life. Revenue equipment is depreciated using estimated useful lives of 10 to 20 years. In addition, the Company reviews the condition and types of its revenue equipment to determine if any permanent impairment has occurred.

When equipment is sold or retired, its cost and accumulated depreciation are removed from the balance sheet, and any gain or loss is included in revenues. Revenue equipment with an original cost of approximately $80 million, which has reached the end of its estimated useful life, remains in service and is included in Revenue Equipment at September 30, 1996.

Repair and Maintenance

Repair and maintenance expenses are charged to operating expenses when incurred and amounted to $27 million, $26 million and $27 million in 1994, 1995 and 1996, respectively.

Earnings per Share

The computation of earnings per common share is based on net income divided by the weighted average number of outstanding common shares and common share equivalents.

Foreign Currency Translation

The Company translates the assets and liabilities of its foreign operations at the exchange rates in effect at year-end. Revenues and expenses are translated using average exchange rates in effect during the year. Gains and losses from foreign currency translation are credited or charged to cumulative translation adjustment included in stockholders' equity in the accompanying Consolidated Balance Sheets. The translation of certain intercompany liabilities of the Company's North American businesses are included in foreign exchange loss.

(2) Acquisitions

In fiscal 1994, the Company acquired certain assets of three leasing companies for approximately $46 million. The total rental fleets acquired amounted to approximately 6,000 units, primarily over-the-road trailers.

On June 30, 1995, the Company acquired certain net assets of Matson Leasing Company, Inc., a major lessor of marine container equipment which at that time operated a rental fleet of approximately 170,000 twenty-foot equivalent units. Total consideration for the assets approximated $360 million in cash and included approximately $10 million for recently purchased containers. The transaction was accounted for as a purchase.

The unaudited pro forma condensed consolidated income statements of the Company, as if Matson Leasing Company, Inc. had been acquired on October 1, 1993 is as follows:

For the twelve months ended September 30, (Millions of dollars except per share data)	1994	1995
Revenues	$421.2	$431.6
Net income	60.9	60.7
Earnings per fully diluted common share	$ 3.58	$ 3.59

(3) Equipment Leases

The Company uses the operating method of accounting for the majority of its equipment leases. Under this method, revenue is recognized in the month earned based on the terms of the lease contract, and the equipment is depreciated to its estimated residual value over its estimated useful life.

The finance method of accounting is used for revenue equipment leased to customers on a full-payout or near full-payout basis at lease inception. Under this method, finance lease income, the difference between the total lease receivable and the net book value less the unguaranteed residual value of the related equipment, is deferred and amortized as revenue over the lease term using the interest method, which provides a level rate of return on the net investment in the lease.

The following schedule summarizes the future minimum rental receipts on operating and finance leases by year as of September 30, 1996:

(Millions of dollars)	Operating Leases	Finance Leases
1997	$133.9	$16.0
1998	80.5	12.6
1999	47.5	9.4
2000	25.9	7.2
2001	12.6	4.8
2002 and thereafter	5.6	1.1
Total	$306.0	$51.1

The components of the net investment in finance leases as of September 30, 1995 and 1996 were as follows:

(Millions of dollars)	1995	1996
Minimum lease payments receivable	$ 40.7	$ 51.1
Add: estimated unguaranteed residual values	8.4	8.0
	49.1	59.1
Less: deferred finance lease income	(13.8)	(17.4)
Lease contracts receivable, net	$ 35.3	$ 41.7
Current portion of lease contracts receivable, net	$ 9.3	$ 10.7
Long-term portion of lease contracts receivable, net	26.0	31.0
Lease contracts receivable, net	$ 35.3	$ 41.7

(4) Debt

Debt as of September 30, 1995 and 1996 consisted of the following:

(Millions of dollars)	1995	1996
Unsecured financing		
Medium-term Notes	$418.5	$661.0
Revolving Credit Agreement	185.2	160.0
Term Loan	190.0	–
Total unsecured financing	793.7	821.0
Total secured financing	103.8	71.0
Total debt	897.5	892.0
Less: current portion	(56.4)	(55.8)
Long-term debt	$841.1	$836.2

The $661 million of Medium-term Notes outstanding under shelf registrations have a weighted average interest rate of 7.0% and maturities from 1996 to 2010. At September 30, 1996, $604 million remained available under the shelf registration for future debt issuance. The weighted average interest rates incurred were 7.9%, 7.6% and 7.1% during 1994, 1995 and 1996, respectively.

The Company's Revolving Credit Agreement has bank commitments of $300 million at September 30, 1996 and a revolving period maturity date of June 30, 1998. Pricing on the Revolving Credit Agreement is dependent on the Company's credit ratings and is based on a fixed spread over the London Interbank Offered Rate (LIBOR). The Company currently pays a facility fee on any unused commitment in the facility.

Unless the Company requests and the banks approve a renewal or extension of the agreement, borrowings outstanding on the revolving period maturity date will be converted to a five year term loan payable in equal quarterly installments with a final term maturity of June 30, 2003. The Company borrows on a short-term basis by issuing commercial paper and using uncommitted lines of credit. Short-term borrowings are back stopped by the unused borrowing capacity under the Revolving Credit Agreement, and hence have been classified as Revolving Credit Agreement borrowings. All borrowings classified as Revolving Credit Agreement borrowings at September 30, 1995 and September 30, 1996 were comprised of such uncommitted lines and commercial paper. Such borrowings have a weighted average

interest rate of 5.6%. At September 30, 1996, $140 million of unused commitment was available. The weighted average interest rates incurred under the Revolving Credit Agreement, consisting primarily of short-term borrowings, were 4.1%, 6.0% and 5.8% during 1994, 1995 and 1996, respectively.

The secured financing, consisting primarily of capital lease obligations and term loans has a weighted average interest rate of 9.2% and is payable in installments through 2001. The weighted average interest rates incurred under the secured financing were 9.1%, 9.3% and 9.4%, during 1994, 1995 and 1996, respectively.

Revenue equipment recorded on the consolidated balance sheets related to capital leases and secured debt was as follows at September 30, 1995 and 1996:

(Millions of dollars)	1995	1996
Revenue equipment	$179.0	$140.6
Accumulated depreciation	(72.5)	(62.7)
Net secured equipment	$106.5	$ 77.9

Assuming the Company were to convert the Revolving Credit Agreement to a term loan on its revolving period maturity date, the amount of minimum maturities of all debt during each of the next five fiscal years and thereafter would be as follows:

(Millions of dollars)	Total Debt
1997	$ 55.8
1998	76.9
1999	101.9
2000	107.8
2001	105.1
2002 and thereafter	444.5
Total payments and maturities	$892.0

The Company's loan agreements contain minimum debt service tests and various restrictive covenants including, without limitation, restrictions on incurring debt in relation to revenue equipment and stockholders' equity and limitations on secured borrowings. The Company's loan agreements contain covenants that restrict the payment of dividends by the Company or repurchases of common stock. In addition, certain loan agreements contain covenants that restrict advances to and the payment of dividends to the Company by its subsidiaries, including XTRA, Inc. Under the most restrictive provisions of the Company's loan agreements, the repurchase of common stock and/or the amount of cash dividends which could be paid on the Company's capital stock was limited to $94 million at September 30, 1996.

(5) Income Taxes

The components of the provision for income taxes for 1994, 1995 and 1996 are as follows:

(Millions of dollars)	1994	1995	1996
Current tax provision			
Federal	$16.2	$ 7.6	$ (3.5)
State	4.0	2.8	.8
Current tax provision	20.2	10.4	(2.7)
Deferred tax provision			
Federal	15.8	23.2	25.2
State	4.8	7.1	5.5
Deferred tax provision	20.6	30.3	30.7
Provision for income taxes	$40.8	$40.7	$28.0

The provision differs from income taxes currently payable because certain items of income and expense are recognized in different periods for financial statement purposes than for tax return purposes.

The reasons for the difference between the statutory U.S. Federal income tax rates and the Company's effective income tax rates for 1994, 1995 and 1996 are as follows:

Percent of Pretax Income	1994	1995	1996
Federal statutory rate	35.0%	35.0%	35.0%
Increase in taxes resulting from:			
State taxes	5.5	6.3	5.3
Other, net	1.0	.2	.2
Effective income tax rate	41.5%	41.5%	40.5%

The components of the net deferred tax liability as of September 30, 1995 and 1996 are as follows:

(Millions of dollars)	1995	1996
Assets		
Capital lease obligations	$ 31.1	$ 23.8
Investment tax credits	2.6	3.0
Alternative minimum tax credits	9.6	17.6
Other	20.4	17.7
Total deferred tax assets	$ 63.7	$ 62.1
Liabilities		
Revenue equipment	$231.4	$264.3
Other	26.0	24.7
Total deferred tax liabilities	257.4	289.0
Net deferred tax liability	$193.7	$226.9

The Company estimates that after filing its fiscal 1996 tax return, it will have $3 million of investment tax credit carryforwards and $18 million of alternative minimum tax credit carryforwards available to reduce future federal income tax liabilities. The investment tax credit carryforwards expire beginning in 2000. The benefit of both tax credit carryforwards has been recorded in the Company's financial statements. The Company has not recognized a valuation allowance for deferred tax assets.

(6) Commitments and Contingencies

The Company has leased rental equipment with an original cost of $4 million under operating leases. In addition, the Company's offices and certain facilities are occupied under leases expiring at various dates.

At September 30, 1996, the Company's rental commitments under the non-cancelable portion of these leases for the next five years and in total thereafter were as follows:

(Millions of dollars)	Total Lease Commitments
1997	$ 6.3
1998	5.2
1999	3.5
2000	2.8
2001	2.3
2002 and thereafter	6.3
	$26.4

Rental equipment lease financing expense amounted to $7 million, $2 million and $1 million in 1994, 1995 and and 1996, respectively which is included in the income statement under the caption Depreciation on rental equipment. Other rental expense amounted to $4 million in 1994 and 1995 and $5 million in 1996.

As of November 13, 1996, the Company had committed capital expenditures of $59 million, principally for revenue equipment in fiscal 1997.

The Company has reached agreements to resolve its alleged involvement with respect to the environmental problems at the Edgerton Sand and Gravel Landfill site in Edgerton, Wisconsin and an adjacent manufacturing facility owned by its subsidiary prior to 1978. These agreements resolved the amount of the Company's financial obligations with respect to the remediation as well as the provision of an alternative water supply to affected residences in the area of the landfill site. The Company's financial obligations under these agreements were not material to the financial condition of the Company and had previously been fully provided for in the Company's financial statements.

The Illinois Environmental Protection Agency has notified a subsidiary of the Company of alleged environmental contamination resulting from the zinc smelting operations by a prior owner of property that the subsidiary owns in Fairmont City, Illinois. The Company has had initial discussions with the successors in interest currently responsible for the liabilities of the prior owner with respect to participation in an investigation and cleanup of the facility under the Illinois voluntary remediation program. Based upon the Company's current understanding of the nature of the contamination, the Company believes that the resolution of this matter will not have a material impact on the Company's results of operations, cash flows or financial condition.

(7) Retirement Plans

The Company provides retirement benefits to substantially all of its employees through a qualified and funded defined contribution retirement plan. The Company's yearly profit sharing cash contributions are discretionary and the retirement trust fund's assets are administered by a trustee. The Company's contributions include an employee-matching contribution to a 401(k) plan and a profit sharing contribution and are based on a specified percentage of employee qualified compensation. Participants are entitled to their vested portion of the retirement assets upon termination of employment. The Company recorded defined contribution pension expense of approximately $2 million in 1994, 1995 and 1996.

(8) Business Information

The Company leases domestic and international transportation equipment. The over-the-road and intermodal equipment is leased throughout North America and the marine containers are moved between countries in international commerce. Information about the business of the Company by geographic area for 1995 and 1996 is presented in the table below. Prior to 1995, all of the Company's business was conducted in North America.

(Millions of dollars)	1995	1996
Revenues:		
North America	$ 358.1	$ 347.4
International	19.6	75.1
	$ 377.7	$ 422.5
Operating Income:		
North America	$ 131.2	$ 115.6
International	8.2	19.9
	$ 139.4	$ 135.5
Identifiable Assets:		
North America	$1,126.1	$1,100.2
International	390.3	436.6
	$1,516.4	$1,536.8

(9) Common Stock

Repurchase of Common Stock

The Company has authorized the repurchase of up to $200 million of its common stock. The timing of the repurchases, which could occur over an extended period of time, will depend on price, market conditions and other factors. As of November 13, 1996, the Company had repurchased approximately $79 million of common stock.

1987 Stock Incentive Plan

The 1987 Stock Incentive Plan authorizes the issuance of 1,150,000 shares of common stock under the plan. The plan enables the Company to grant awards to key employees including restricted stock awards, stock options and stock appreciation rights, subject primarily to the requirement of continuing employment. The awards under this plan are available for grant over a period of ten years from the date on which the plan was adopted, but grants may vest beyond the ten year period. Stock options issued by the Company are exercisable at a future time as specified by the Company and generally expire from five to ten years from the date of grant. The exercise price of stock options may not be less than the fair market value of the common stock at the date of grant.

1990 Stock Option Agreement

In fiscal 1990, the Company granted one employee two options to purchase an aggregate of 80,000 shares of common stock with exercise prices of $10.89 to $16.00. In fiscal 1991, one of the options was amended to change the option price from $16.00 to $11.50. In fiscal 1994, options to purchase 30,000 shares were exercised at an option price of $11.50 per share. In fiscal 1995, options to purchase the remaining 50,000 shares at $10.89 per share were exercised.

1991 Stock Option Plan for Non-Employee Directors

The 1991 Stock Option Plan for Non-Employee Directors authorizes the granting of options for a maximum of 50,000 shares. The option price per share is equal to the fair market value of the common stock on the date of grant. The term of each option is five years and options become exercisable one year after the date of grant.

The XTRA Corporation Deferred Director Fee Option Plan

The Deferred Director Fee Option Plan allows a non-employee director to elect to receive, in lieu of his annual retainer fee and/or board and committee meeting fees, a non-qualified stock option covering a specified amount of shares. The option exercise price is 50% of the fair market value of the shares at the time the options are awarded and the amount of shares is determined by dividing the director's fees by the exercise price.

The following table summarizes the transactions pursuant to the Company's Stock Option Plans for the three-year period ended September 30, 1996:

	Shares (000's)	Option Price Per Share ($)
Options outstanding at September 30, 1993:	227	9.75 to 43.75
Granted	79	24.25 to 50.50
Exercised	(54)	10.82 to 36.13
Forfeited	(3)	36.13 to 50.50
Options outstanding at September 30, 1994:	249	9.75 to 50.50
Granted	501	22.81 to 50.63
Exercised	(78)	9.75 to 36.13
Forfeited	(6)	36.13 to 50.50
Options outstanding at September 30, 1995:	666	10.82 to 50.63
Granted	21	20.75 to 45.38
Exercised	(36)	10.82 to 37.75
Forfeited	(11)	36.13 to 50.63
Options outstanding at September 30, 1996:	640	15.69 to 50.63
Exercisable options at September 30, 1996:	587	15.69 to 50.63
Options available for grant at September 30, 1996:	233	

Accounting for Stock-Based Compensation

In December 1995, the Financial Accounting Standards Board issued Statement of Accounting Standards No. 123 (SFAS No. 123) "Accounting for Stock-Based Compensation", which is to become effective for fiscal years beginning after December 15, 1995. SFAS No. 123 requires that employee stock-based compensation be recorded or disclosed at its fair value. The Company expects to continue to account for stock-based compensation under APB No. 25 and does not anticipate adopting the new accounting provision for stock-based compensation. SFAS 123 requires that companies which do not choose to account for stock-based compensation as prescribed by this statement, shall disclose, among other information, the proforma effects on earnings per share as if SFAS 123 had been adopted.

(10) Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Short-term Investments

The carrying amount approximates fair value because of the short maturity of those instruments.

Debt

The fair value of the Company's fixed rate debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company's floating rate debt is its carrying amount.

Interest Rate Swap Agreements

The fair value of interest rate swaps (used for hedging purposes) was the estimated amount that the Company would have paid to terminate the swap agreements taking into account interest rates and the credit-worthiness of the swap counterparties. These agreements matured in fiscal 1996.

The carrying amounts and estimated fair values of the Company's financial instruments are as follows:

For the two years ended September 30, 1996 (Millions of dollars)	Carrying Amount	Fair Value
1995		
Cash and short-term investments	$ 7.0	$ 7.0
Debt	897.5	905.1
Interest rate swaps	–	(.7)
1996		
Cash and short-term investments	$ 8.1	$ 8.1
Debt	892.0	877.0

(11) Allowance for Doubtful Accounts

Allowance for doubtful accounts as of September 30, 1994, 1995 and 1996 consist of the following:

For the year ended September 30, (Millions of dollars)	1994	1995	1996
Balance at beginning of year	$ 9.6	$10.9	$15.9
Additions charged to operating expenses	4.2	4.2	3.5
Additions charged to revenues	.2	.4	–
Deductions[1]	3.1	3.0	5.9
Other[2]	–	3.4	–
Balance at end of year	$10.9	$15.9	$13.5

[1] Amounts charged against reserves, net of recoveries.

[2] Includes the addition of reserves for accounts receivable related to acquisitions.

(12) Selected Financial Data of Significant Subsidiaries

The condensed consolidated data for XTRA Inc., a wholly-owned subsidiary of XTRA Corporation, included in the consolidated financial information of the Company, is summarized below:

XTRA, Inc.
and Subsidiaries

For the three years ended September 30, 1996 (Millions of dollars)	1994	1995	1996
Income Statement Data			
Revenues	$ 355.3	$ 377.7	$ 422.5
Income before provision for income taxes	98.4	97.9	68.9
Net income	57.6	57.2	40.9
Selected Balance Sheet Data			
Receivables, net	$ 95.3	$ 90.9	$ 93.9
Net property and equipment	842.8	1,395.5	1,406.8
Other assets	64.0	27.0	35.7
Total assets	$1,002.1	$1,513.4	$1,536.4
Debt	$ 443.8	$ 897.5	$ 892.0
Deferred income taxes	165.7	193.7	226.9
Other liabilities	66.3	69.7	76.8
Total liabilities	675.8	1,160.9	1,195.7
Stockholders' equity	326.3	352.5	340.7
Total liabilities and stockholders' equity	$1,002.1	$1,513.4	$1,536.4

To the Stockholders of XTRA Corporation:

We have audited the accompanying consolidated balance sheets of XTRA Corporation (a Delaware corporation) and subsidiaries as of September 30, 1995 and 1996, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of XTRA Corporation and subsidiaries as of September 30, 1995 and 1996, and the results of their operations and their cash flows for each of the three years in the period ending September 30, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
November 13, 1996

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Chairman, The Ropart Group;
Chairman of the Board

Robert M. Gintel
Senior Partner, Gintel & Co.;
Vice Chairman of the Board

Lewis Rubin
President and Chief Executive Officer;
Director

Gilbert Butler
President, Butler Capital Corporation;
Director

H. William Brown
Member, Board of Governors,
The Philadelphia Stock Exchange;
Director

J. Russell Duncan
Chairman, Milastar Corporation and Sound Techniques, Inc.;
Director

Herbert C. Knortz
Former Executive Vice President,
ITT Corporation;
Director

Francis J. Palamara
Former Executive Vice President and
Chief Operating Officer,
The New York Stock Exchange;
Director

Martin L. Solomon
Vice Chairman, Great Dane Holdings, Inc.;
Director

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Vice President, Marketing and Planning

Robert B. Blakeley
Vice President and Controller

Christopher P. Joyce
Vice President and Treasurer

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Shares Traded
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Common Stock Symbol: XTR
Options traded on the American and Pacific
Stock Exchanges

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Telephone: (617) 367-7810