XTRA Corporation

Annual Report 2000

Five Year Selected Financial Data

Year ended September 30, (Millions of dollars, except per share amounts)	2000	1999	1998	1997	1996
Operations					
Revenues	$ 477	$ 464	$ 461	$ 435	$ 422
Cash provided from operations	316	275	293	269	272
Capital expenditures [1]	240	265	199	249	210
Pretax income	105	58[2]	99[3]	71	69
Net income	63	35[2]	60[3]	43	41
Per Share Information					
Basic earnings per share	$ 5.21	$ 2.49[2]	$ 3.90[3]	$ 2.79	$ 2.56
Diluted earnings per share	$ 5.20	$ 2.49[2]	$ 3.88[3]	$ 2.78	$ 2.56
Dividends declared per share	$ —	$ —	$ 0.64	$ 0.78	$ 0.70
Financial Position					
Total assets	$ 1,566	$ 1,573	$ 1,575	$ 1,585	$ 1,537
Total debt	788	852	802	892	892
Total stockholders' equity	361	337	408	360	342

(1) Includes equipment purchased and leased-in under operating leases and capital expenditures for acquisitions.

(2) Includes one-time pretax charges of $13 million for restructuring, a $25 million equipment write-down, and a $1 million unusual item for expenses related to the terminated merger. Without these one-time charges, fiscal 1999 Basic and Diluted earnings per share would have been $4.16.

(3) Includes a $1 million pretax unusual item for expenses related to the terminated merger. Without this unusual item, fiscal 1998 Basic and Diluted earnings per share would have been $3.93 and $3.91, respectively.

TO OUR SHAREHOLDERS:

In fiscal year 2000, XTRA Corporation enjoyed a strong year in terms of both earnings and cash flow from operations. We would like to thank our shareholders for their continued support and our employees for their ongoing effort.

The Company's strong cash flow allowed it to spend $240 million for additional revenue equipment and to repurchase $39 million of its common stock in fiscal 2000, without impairing its financial strength.

In the prior year, Textainer Equipment Management Limited, a major marine container lessor, began managing XTRA's marine container fleet, and the transition of the Company's accounting, finance, information technology, and human resource functions to a Shared Services Center was completed. Significant cost savings were achieved due to these initiatives.

Overall, 2000 was a year in which the Company achieved significant progress. The product of our efforts is evident in our superior levels of earnings, predictable cash flow from operations and the high quality of our fleet.

FINANCIAL PERFORMANCE

Net income per diluted share rose to a record $5.20 in 2000 compared to $4.16 per share, befote one-time charges and an unusual item, in 1999, a 25% increase. Cash flow from operations was a strong $316 million in 2000, compared to $275 million in 1999.

During fiscal 2000, the Company repurchased 950,000 shares of its common stock for $39 million. The Company had $71 million of authorization remaining under its current $100 million stock repurchase authorization at year-end.

XTRA's revenues are affected primarily by equipment utilization, which increased to 85% in fiscal year 2000 from 81% in 1999. North American utilization was 85% in 2000 unchanged from 85% in 1999; International utilization increased to 82% ftom 71% in 1999.

Revenues increased in fiscal 2000 by $13 million to $477 million. The additional revenue was generated by our North American operations, where tevenues increased by $20 million to $421 million, primarily due to more working units and improved lease rates. International operations contributed $56 million to total revenues, $7 million less than 1999 due to lower lease rates and larger losses on sale of equipment partially offset by more working units.

NORTH AMERICAN OPERATIONS

Over-the-Road Trailers

XTRA is one of the two largest highway trailer operating lessors in North America, capturing approximately 25% of the leasing market. XTRA Lease, our largest division, provides a wide variety of over-the-road and storage trailers to contract and common carriets and private fleet owners throughout North America. This division contributed 70% of the Company's total revenue in 2000.

In fiscal year 2000, we invested $223 million in over-the-road equipment and by year-end operated a fleet of 90,000 units with a net investment of $999 million.

Overall, fiscal year 2000 was a strong year for over-the-road trailer leasing. However, higher diesel fuel prices and slowing domestic economic growth in the fourth fiscal quarter impacted the leasing industry. As a result, we experienced lower utilization than in the year earlier quarter. However, the overall utilization rate of 86% in 2000 was quite strong, decreasing modestly from 1999's utilization of 87%.

Intermodal

XTRA Intermodal leases three types of equipment: chassis, intermodal trailers, and domestic containers. Customers are primarily North American railroads and global steamship lines. This division contributed 18% of the Company's total revenue in 2000. The intermodal industry also was impacted by slowing domestic economic growth in the fourth quarter, and we experienced lower utilization than in the year earlier quarter.

At September 30, 2000, XTRA Intermodal operated a total fleet of 50,000 units with a net investment of $227 million. XTRA is the fourth largest lessor of chassis in North America, with a market share of 8% and a yeat-end fleet size of 25,000 units. Utilization averaged 87% in 2000, as compared to 85% in 1999. XTRA continues to focus on value-added chassis pools, which are managed chassis fleets located at railroad and port terminals. Chassis pools are desirable because leased equipment can be substituted for carrier-owned equipment to improve carriers' efficiency.

XTRA is the third largest lessor of intermodal trailers, with an estimated market share of 23%. In 2000, the railroads continued to ship more intermodal freight in domestic containets than in trailers. Given the overall demand for intermodal trailers and the expected continued trend toward greater use of domestic containers rather than trailers, we believe our trailer fleet will continue to be reduced during the next fiscal year. Utilization increased modestly to 76% in 2000, compared to 75% in 1999, on a smaller fleet.

INTERNATIONAL OPERATIONS

Marine Containers

XTRA International leases marine containers globally. Textainer, which manages XTRA International's fleet, is one of the four major container lessors, each of whom has a market share of approximately 15%. In fiscal year 2000, XTRA International contributed 12% of the Company's overall revenues. Equipment utilization increased to 82% from 71% in 1999, reflecting an improving market and benefits derived from Textainer's management of the fleet.

During 2000, the marine container leasing industry experienced a continued imbalance of U.S. imports and exports. An excess supply of containers still exists, principally on the U.S. East Coast. Container lease rates have modestly decreased, while new container prices have modestly increased. XTRA does not plan any futute purchases of marine containers.

CAPITAL STRATEGY AND FINANCING

During the three years ended September 30, 2000, the Company generated $884 million of cash flow from operations. During this same period, XTRA invested $704 million in property and equipment, including off-balance sheet leases, paid dividends of $10 million, repurchased $142 million of common stock, net of stock options exercised, and reduced net debt (debt less cash) outstanding by $102 million. Total capital spending in 2000, including equipment financed off-balance sheet, was $240 million, $25 million less than 1999. XTRA continues to maintain strong investment grade ratings and a solid balance sheet. At year-end, the Company's debt to equity ratio, including off-balance sheet financing, was 2.4 to 1.0, which is just below our long-term target range of 2.5 – 3.0 to 1.0. Cash flow from operations in 2000 reached $316 million, contributing to our strong financial position.

THE XTRA OUTLOOK

XTRA continues to be a leader in freight transportation equipment leasing. Despite the challenge of a slowing rate of economic growth, we are optimistic that our fiscal 2001 tevenues and earnings per share will be similar to, or modestly exceed, fiscal 2000. Our balance sheet and cash flows are strong and our market positions are significant. We remain committed to our three-pronged strategy to build shareholder value by growing the existing businesses, pursuing external growth through acquisitions, and implementing timely repurchases of our stock.

The Company continues to use technology as a tool to enhance its business. Recently, we entered into a strategic partnership relating to the sale, installation and distribution of Fleetview™, a cellular-based trailer-tracking product, which will improve the operating efficiency of our customers in the freight transportation industry. This partnership is but one example of our e-Business strategy, which aims to enhance the usability of our web sites and equipment and provide customer self-service features such as equipment availability, specifications and reservations as well as customer invoices and customer leasing history.

For fiscal 2001, we anticipate continued solid performance in out over-the-toad business. Freight demand should continue to be strong as North American economies continue to grow, but probably at a slower rate than in fiscal 2000. The intermodal business will remain steady, representing a significant source of cash flow. We do not anticipate significant changes in the marine container business in fiscal 2001. Since we see mixed signals about the strength of the economy over the next twelve months, we have committed to date relatively small amounts for new capital expenditures for 2001. As the year unfolds and we have a clearer view of the levels of demand, we may purchase additional equipment when appropriate.

We would like to take this opportunity to commend the people who comprise the XTRA team. These talented and committed individuals ate the driving force behind XTRA's success. Without their dedication, expertise, and professionalism, XTRA would not be the industry leader it is today.

Sincerely,

Robert B. Goergen
Chairman

Lewis Rubin
President and Chief Executive Officer

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, 2000

COMMISSION FILE NUMBER 1-7654

XTRA CORPORATION

EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER

DELAWARE	06-0954158
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)
200 NYALA FARMS ROAD	(203) 221-1005
WESTPORT, CONNECTICUT 06880	(REGISTRANT'S TELEPHONE NUMBER)
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	

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 5,2000:	11,825,173
Aggregate market value of voting and non-voting common Equity held by non-affiliates of the Registrant at November 5, 2000:	$540,000,000

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 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No __

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 ✓.

Pottions of the Registrant's Annual Report to Stockholders for the fiscal year ended September 30, 2000, 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 2001 Annual Meeting of Stockholders ate 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 Secutities 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, 200 Nyala Farms Rd, Westport, CT 06880. In addition, upon similar request, copies of individual exhibits will be furnished upon payment of a reasonable fee.

Form 10-K Table of Contents

The discussion below contains certain forward-looking statements including estimates of economic and industry conditions. 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 (the "Company" or "XTRA") is a leading global transportation equipment lessor with operations in North American over-the-road, domestic intermodal and marine containet matkets. The Company manages a diverse fleet of approximately 275,000 units, constituting a net investment of approximately $1.5 billion, consisting of over-the-road ("OTR") trailers; intermodal equipment, including chassis, intermodal (or "piggyback")trailers and domestic containers; and marine containers.

Transportation equipment customers lease equipment to cover cyclical, seasonal and geographic needs and as a substitute for purchasing. In addition, capital and capacity-constrained transportation providers often use leasing to maximize their asset utilization and reduce capital expenditures. By maintaining large and diversified fleets, leasing companies are able to provide customets with a broad selection of equipment and quick response times, which reduce equipment shortfalls and lost opportunities.

Lease Types and Rates

Transportation equipment is generally leased through operating or finance leases. XTRA primarily participates in the operating lease segment, placing less emphasis on finance leases because it believes the value-added component of such leases is low. Operating leases can be either daily ("per diem") leases or term leases. Per diem leases are for an initial period of less than one year, generally with the option to return the equipment without prior notice. Term leases are for an initial period of one year or more, with most being for an original term of three to five years. Term lease agreements may have early termination penalties that apply in the event of early redelivery, although in most cases, equipment is not returned prior to the expiration of the lease. Operating lessors generally offer certain customer services, which may include roadside assistance, insurance, repair and maintenance and regulatory compliance. Operating lessors enter into term leases due to the greater revenue stability of longer-term leases even though long-term lease rates are typically lower than per diem lease rates. The percentage of equipment on term leases versus per diem leases varies widely among leasing companies, depending upon each company's desire to have predictable revenues and cash flows. The Company's relatively high percentage of equipment on term leases reflects a desire for fairly consistent cash flows.

Many of XTRA's OTR per diem and term leases provide for additional fees if the equipment is returned to a location other than the originating location. XTRA's marine container and intermodal trailer leases allow the customers to return equipment to a different location. Returns of marine containers are subject to quantity and location limitations. Additional drop-off fees are charged for certain return locations and incentives are provided to return marine containers to more desired locations.

Lease rates depend on several factors including the type of lease, length of term, maintenance provided, type and age of the equipment and market conditions. In addition, in the OTR trailer business, the Company charges its customers a fee based on the number of miles the trailer has been moved or charges actual tire and brake wear incurred. The Company offers additional value-added services for specified fees, including roadside assistance, various insurance alternatives and trailer repair and maintenance.

Over the last several years, healthy market demand has allowed XTRA to maintain a strong overall term lease portfolio. At September 30, 2000 approximately 38% of the total fleet was leased to customers under term leases.

UTILIZATION

An important indicator of the Company's performance is the portion of its fleet that is on lease at any given time. This measure, called the utilization rate, is defined as the number of units on lease divided by the total number of units in the fleet. The Company leases equipment both on a term and a per diem basis in order to effectively utilize the fleet and maintain a balance between the greater stability of revenue associated with term leases and the higher profitability potential of per diem lease pricing. The Company actively manages the distribution of its units and keeps a large, diversified and well-maintained fleet of mostly standardized equipment in order to operate at high utilization rates.

EQUIPMENT FLEET

The Company's equipment fleet has increased over time through purchases of new equipment and through fleet acquisitions of other leasing companies. 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.

The Company's fleet and net investment consisted of the following units and net investment at the end of its last five fiscal years:

EQUIPMENT FLEET	NUMBER OF UNITS				
At September 30, (Units in thousands)	2000	1999	1998	1997	1996
Over-the-road trailers	90	85	79	78	75
Chassis	25	26	24	23	24
Intermodal trailers	18	20	22	23	24
Domestic containers	7	8	9	10	8
Marine containers	135	148	165	162	152
Total	275	287	299	296	283
EQUIPMENT FLEET	**NET INVESTMENT[1]**				
At September 30, (Millions of dollars)	2000	1999	1998	1997	1996
Over-the-road trailers	$ 999	$ 902	$ 770	$ 718	$ 632
Chassis	109	116	107	112	119
Intermodal trailers	100	126	153	168	197
Domestic containers	18	23	31	41	36
Marine containers	263	313	388	414	419
Total	$ 1,489	$ 1,480	$ 1,449	$ 1,453	$ 1,403

(1) 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.

For information regarding business information by operating segment and geographic area, see Note 7 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.

Description of Operating Divisions

The Company conducts its leasing operations through three divisions: XTRA Lease, XTRA Intermodal and XTRA International.

XTRA Lease: General

XTRA Lease, the Company's OTR trailer business operation, leases trailers to contract and common motor carriers and to private fleet owners throughout North America. XTRA Lease's fleet includes approximately 90,000 trailers, primarily dry cargo vans 48' and 53' long by 102" wide. For the fiscal year ended September 30, 2000, the average equipment utilization rate for the OTR business was 86%. Approximately 38% of the XTRA Lease units were leased on a term basis as of September 30, 2000, with the balance of units available for lease on a per diem basis.

XTRA Lease: Competitive Environment

XTRA estimates the leasing segment of the North American OTR trailer fleet (OTR trailers owned by leasing companies) to be approximately 365,000 units. XTRA enjoys a strong competitive position in the OTR trailer segment and believes its fleet of approximately 90,000 units, or 25% of the leased fleet, is exceeded by only one competitor who has an estimated 31% market share. The remainder of the industry is fragmented and primarily spread among many smaller, regional equipment ptoviders with smaller fleets.

XTRA Lease: Market Trends

Management believes that the demand for leased OTR trailers will continue due to a number of factors. The trend of private fleet owners outsourcing transportation fleets continues to be strong as companies move towards a variable cost approach to operating their businesses. In addition, as more private owners seek to provide their services with fewer owned units to reduce costs and capital commitments, they typically look to truckload carriers and logistics companies to handle their transportation needs. Truckload carriers and logistics companies represent a significant portion of XTRA Lease's customer base.

An increasing number of trailers are left empty at loading docks as drivers employ a drop-off rather than a wait-and-unload strategy to improve efficiencies and driver and truck utilization. The result is an increasing ratio of trailers to trucks in the freight transportation market. The Company believes that leasing companies will increasingly be relied upon to handle these growing trailer needs. Due to its national operating network and its strong teputation, XTRA believes it is well positioned to capitalize on the trends favoring the use of leasing companies.

XTRA Intermodal: General

Intermodal traffic tefers to the shipment of goods in standardized equipment through two or more modes of transportation, usually rail, truck or ship. On certain routings, shipping goods over two or more modes of transportation is more cost efficient. For example, over long distance, high density freight lanes, intermodal transportation can be more cost efficient than trucking.

Chassis are wheeled rectangular frames used to transport containers over the highway. XTRA's chassis are used as transport vehicles for marine and domestic containers, which are loaded or unloaded at shipyards, rail

terminals or consignee locations. A container loaded on a chassis is the functional equivalent of a trailer. Marine chassis are generally 20' or 40' in length to accommodate marine containers, while domestic chassis are generally 48' ot 53' in length and handle domestic containers. The Company's fleet of 25,000 units consists primarily of marine chassis leased to steamship lines. Domestic chassis leased to railroads and motor carriers make up the temainder of the chassis fleet. Approximately 52% of the chassis fleet was leased on a term basis as of September 30, 2000, with the balance available for lease on a per diem basis.

Intermodal (piggyback) trailers are designed to be catried on rail flatcars, pulled by ttactor over the highway and, to a lesset extent, transported over water by ships and barges. The Company's intermodal trailer fleet of 18,000 units consists ptimarily of units 48' and 45' long by 102" wide. Approximately 26% of the intermodal trailer fleet was leased on a term basis as of September 30, 2000, with the remainder of the fleet available for lease on a per diem basis.

Domestic containers are designed to transport freight over rail or on chassis over highway within North America. XTRA's fleet of 7,000 units consists primarily of 48' long by 102" wide units leased to North American railroads and othet domestic freight carriers. Approximately 88% of the domestic container fleet was leased on a term basis as of September 30, 2000, with the remainder of the fleet available for lease on a pet diem basis.

XTRA INTERMODAL: COMPETITIVE ENVIRONMENT

In the leased segment of the chassis market (chassis owned by leasing companies), the Company believes that it is the fourth largest lessor in North America with 8% of the market; its largest competitor has an estimated 46% market share. XTRA believes that it is the third largest intermodal trailer lessor in North America, with 23% of all intermodal trailers, compared to an estimated 36% for its largest competitor. In the leased segment of the domestic container market, the Company believes that it is the third largest lessor in the United States with a 10% market share.

XTRA INTERMODAL: MARKET TRENDS

Over the last decade, there has been a gradual shift in intermodal traffic from the use of intermodal trailers to domestic containers, reflecting the railroads' lowet cost of transporting containers versus intermodal trailers. The demand for leased chassis in North America has been growing significantly primatily due to the growth in the use of international and domestic containers, which are placed on chassis to transport the container to the next destination. As the use of containerized trade continues to increase, so will the market for chassis. In addition, the railroads and shipping lines have focused on reducing their capital expenditures on ancillary assets in favor of more core assets such as railcars or ships. To take advantage of this trend, the Company has established several chassis pools at key rail interchange locations and ports in the United States.

XTRA INTERNATIONAL: GENERAL

The Company's marine containers are standard, dry cargo 20' and 40' rectangular steel boxes leased primarily to steamship lines for transporting freight on ships worldwide. Container usage has exceeded world gross domestic product growth primarily as a result of the logistical advantages and efficiencies resulting from containerization.

During fiscal year 2000, the average utilization rate for the Company's marine containers was 82%. Approximately 35% of XTRA's marine container fleet was leased on a term basis at September 30, 2000, with the remainder of the fleet available for lease on a per diem basis.

XTRA INTERNATIONAL: COMPETITIVE ENVIRONMENT

XTRA has outsourced the management of its international container leasing business to Textainer Equipment Management Limited since fiscal 1999. The Company believes that Textainer's fleet (both owned and managed units) is approximately 900,000 twenty-foot equivalent units, making it among the world's four largest container fleets each of whom has a market share of approximately 15% of the leasing segment of the industry.

XTRA INTERNATIONAL: MARKET TRENDS

Demand for leased containers is influenced primarily by the volume of international and domestic trade. In recent years, container supply has exceeded demand as a result of aggressive industry spending for new, lower cost containers. With growth in demand and less supply growth, supply and demand were in better balance in fiscal 2000 rhan the prior few years.

ENVIRONMENTAL MATTERS

Although the nature of the Company's operations at its owned and leased facilities is such that it is not a heavily regulated entity pursuant to Federal and state environmental laws and regulations, the Company is requited to comply with such laws and regulations, including laws and regulations related to the generation, handling, storage, transportation, treatment and disposal of hazardous and solid wastes. In addition, under various Federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may become liable for the costs of removal or remediation of hazardous or toxic substances, typically without regard to fault.

The Illinois Environmental Protection Agency and the United States Environmental Protection Agency have notified the Company of alleged environmental contamination of its Fairmont City, Illinois property that resulted from the prior owners' zinc smelting operations. As a result, the Company has taken certain actions to suppress dust that have significantly teduced the level of airborne contaminants at the site. Although the Company is not yet able to accurately determine the nature and/or cost of any proposed remediation action at the site, based on the Company's current understanding of the nature of the contamination at the site, the Company does not believe that the ultimate resolution of this matter will have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company believes that the remainder of its facilities are in compliance in all material respects with all applicable United States Federal, state and local environmental laws, ordinances and regulations, as well as comparable laws and regulations outside the United States.

REGULATION

The Company's over-the-road and intermodal equipment is subject to various federal and state licensing and operating regulations as well as to various industry standards. The Federal Highway Adminisrration (the "FHWA") published a rule, effective June 1, 1999 requiring motor carriers engaged in interstate commerce to install retroreflective tape or reflex reflectors on the sides and rear of all trailers that (i) were manufactured prior to December 1, 1993, (ii) have an overall width of 80 inches or more and (iii) have a gross vehicle weight rating of 10,000 lbs. or more. The FHWA has mandated the installation be completed by June 1, 2001. The Company currently estimates that as of September 30, 2000 remaining expenditures for the Company to comply with the regulation will amount to approximately $3 million. Costs to install the reflective tape have been and will continue to be capitalized and depreciated over the remaining life of the specific trailers.

EMPLOYEES

The Company had 722 employees at September 30, 2000.

CORPORATE ORGANIZATION

The Company was organized in 1957. XTRA's corporate management offices are located at 200 Nyala Farms Road, Westport, CT 06880 (telephone number 203-221-1005).

XTRA, Inc., a wholly-owned direct 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 and/or branch offices pursuant to management service agreements.

ITEM 2 *Properties*

The Company maintains 85 facilities for the storage and distribution of its OTR and intermodal equipment throughout North America, occupying 682 acres, of which 388 acres are owned. These facilities occupy 2 to 148 acres. The Company also maintains 8 chassis pools at various customer locations.

ITEM 3 *Legal Proceedings*

From time to time, the Company is involved in various claims and legal actions arising out of the normal course of its business. Currently, there are no pending claims or actions that management believes will have a material adverse effect on the Company's financial position, results of operations or cash flows.

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 2000.

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/her present office are as follows:

Lewis Rubin (62) - 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 Cotporation, 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.

Jordan L. Ayers (41) - Vice President, XTRA Intermodal. Mr. Ayers joined the Company in 1994 as Vice President, Sales, XTRA Intermodal and was promoted to Vice President, Sales and Marketing, XTRA Intermodal in 1997. He was elected Divisional Executive Vice President, XTRA Intermodal in 1999. He was elected to his present position in 1999. Mr. Ayers was previously employed by Transamerica Leasing, a major intermodal equipment lessor.

Jeffrey R. Blum (48) - Vice President, Planning and Development. Mr. Blum joined the Company in 1995 as Vice President of Human Resources and became Vice President, Administration and Human Resources in 1996. He was elected to his current position in 1999. Prior to 1995, Mr. Blum served in similar capacities at First Winthrop Corporation from 1993 to 1995 and Signal Capital Corporation prior to 1993.

William H. Franz (49) - 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 Divisional Executive Vice President, XTRA Lease in 1993. He was elected to his present position in 1993.

Stephanie L. Johnson (36) - Vice President and Treasurer. Ms. Johnson joined the Company in January 2000 as Vice President and Treasurer. Previously she was Director of Finance for Cullman Ventures, Inc., a calendar manufacturer, from 1998 to 1999. Ms. Johnson served in various corporate finance positions at General Signal Corporation from 1992 to 1997 and Fortune Brands, Inc. prior to 1992.

A. Scott Mansolillo (37) - Vice President, General Counsel and Secretary. Mr. Mansolillo joined the Company in January 2000 as Vice President, General Counsel and Secretary. Prior to joining rhe Company, Mr. Mansolillo was previously employed by The Hartford Financial Services Group as Assistant Vice President, Capital Planning and Developmenr from 1998 ro 2000, and as Senior Corporate Counsel, Law Department from 1992 to 1998.

Michael J. Soja (51) - Vice President and Chief Financial Officer. Mr. Soja joined the Company as Assistant Controller in 1974, was elected Controller in 1978 and Vice President in 1979. He was elected Vice President, Finance and Administration in 1981 and Vice President, Finance and Treasurer in 1990. Mr. Soja was elected to his present position in 1990.

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 stockholders of record as of November 5, 2000 was 605. The following table sets forth the range of high and low sale prices of the Company's common stock on the New York Srock Exchange Composite Tape during fiscal years ended September 30, 1999 and 2000.

		High	Low
1999:	First Quarter	$49.2500	$37.5000
	Second Quarter	43.5000	37.5000
	Third Quarter	46.2500	37.7500
	Fourrh Quarter	47.8125	39.7500
2000:	First Quarter	$42.8750	$39.5625
	Second Quarter	46.7500	36.3750
	Third Quarter	47.5000	38.2500
	Fourth Quarter	45.2500	38.7500

The Company does not currently pay cash dividends on its common stock, and has no plans to do so. Future dividend policy will be determined by the Board of Directors and will depend on the earnings, financial condition, and cash requirements of the Company and other relevant facrors exisring at the time.

The Company's sources of funds for the payment of dividends on its common 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 or repurchases of common stock by the Company 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 combined amount of repurchases of common stock and cash dividends which could be paid on the Company's common stock was limited to $114 million at September 30, 2000.

ITEM 6 *Selected Financial Data*

This information is set forth in the table appearing on page 1 of the Company's 2000 Annual Report, which the 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 2000 Annual Report beginning at page 20 and is incorporated herein by reference.

ITEM 7A *Quantitative and Qualitative Disclosures About Market Risk*

The Company finances its operations principally with long-term financing. The Company borrows on a short-term basis primarily by issuing commercial paper, which is backstopped by unused borrowing capacity under a $270 million Revolving Credit Agreement (see Note 3 of the Notes to Consolidated Financial Statements). Such short-term borrowings, backstopped by the Revolving Credit Agreement, are classified as long-term debt, and constituted approximately 10% of debt at September 30, 2000. The balance of debt represented longer-term borrowings, primarily at a fixed rate. The Company estimates that the fair value of its debt at September 30, 2000 was $779 million (see Note 9 of the Notes to Consolidated Financial Statements). A 10% increase in interest rates (from 7% to 7.7%, for example) would result in an $18 million decrease in the fair value of the debt.

The Company's earnings are affected by fluctuations in the exchange rate of the U.S. dollar as compared to the Mexican peso and Canadian dollar. These earnings fluctuations are driven primarily by the Company's investments in, and financing of, its foreign operations, rather than by those operations' operating results. Historically, the fluctuations in foreign exchange rates have not had a material impact on the Company's financial position, results of operations or cash flows.

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 19 of the Company's 2000 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 2001 Annual Meeting of Stockholders (the "2001 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 2001 Ptoxy Statement under the captions "Executive Compensation" 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 2001 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 2001 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 7, 2000, which disclosed certain financial information for the fiscal fourth quarter ended September 30, 2000.

(C) For Financial Statements and Schedule, see Index to Financial Statements on page 19 of the Company's 2000 Annual Report, which Financial Statements and Schedule 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 5, 2000

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 5, 2000
/s/ Lewis Rubin	President, Chief Executive Officer and Director	November 5, 2000
/s/ Michael J. Soja	Vice President and Chief Financial Officer	November 5, 2000
/s/ Michael D. Bills	Director	November 5, 2000
/s/ H. William Brown	Director	November 5, 2000
/s/ Michael N. Christodolou	Director	November 5, 2000
/s/ Martin L. Solomon	Director	November 5, 2000

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
XTRA Mexicana, S.A. de C.V.	Mexico
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)

*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

The discussion below contains certain forward-looking statements including 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. Reference to years in the discussion below refers to XTRA Corporation's fiscal years.

XTRA Corporation leases, primarily on an operating basis, freight transportation equipment, including over-the-road trailers, marine containers, chassis, intermodal trailers, and domestic containers. XTRA's equipment utilization, lease rates, and therefore, 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. Substantially all of the Company's business is conducted in U.S. dollars, including its marine container business. Utilization and profitability are usually seasonally lower in the Company's 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.

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 histotically maintained a high proportion of its debt at fixed rates to reduce the impact of fluctuations in interest rates.

REVENUES

Revenues are a function of lease rates and working units; the latter depends on fleet size and equipment utilization. Utilization, 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 supply of, and demand for, available equipment, the level of economic activity in North America, and world trade activity.

The following table sets forth the Company's average equipment utilization (dollar weighted by investment in each type of equipment), average fleet size in units, and average net investment in tevenue equipment for the three years ended September 30, 2000. The Company's average fleet size and net investment includes equipment owned by the Company, equipment leased-in from third patties under operating and capital leases, and equipment leased to third parties under finance leases.

For the year ended September 30, (Millions of dollars)	2000	1999	1998
NORTH AMERICA			
XTRA Lease			
Utilization	86%	87%	90%
Units	90,000	85,000	79,000
Net investment (in millions)	$ 968	$ 832	$ 738
XTRA Intermodal			
Utilization	83%	79%	81%
Units	50,000	53,000	54,000
Net investment (in millions)	$ 232	$ 281	$ 290
Total			
Utilization	85%	85%	87%
Units	140,000	138,000	133,000
Net investment (in millions)	$ 1,200	$ 1,113	$ 1,028
INTERNATIONAL			
Utilization	82%	71%	82%
Units	140,000	160,000	164,000
Net investment (in millions)	$ 289	$ 350	$ 404
CONSOLIDATED			
Utilization	85%	81%	86%
Units	280,000	298,000	297,000
Net investment (in millions)	$ 1,489	$ 1,463	$ 1,432

Revenues increased by 3% or $13 million in 2000. The Company's average equipment utilization increased from 81% in 1999 to 85% in 2000. Average net investment in equipment increased by $26 million primarily due to an increase in the net investment in over-the-road trailers, which was partially offset by a decline in the net investment in the marine container and intermodal equipment fleets.

The Company's North American revenues increased 5% or $20 million from the same period a year ago due to continuing strong levels of domestic freight leading to more over-the-road working units, as well as an improvement in over-the-road lease rates. The Company's North American utilization averaged 85% in 2000 and 1999. XTRA Lease's revenues increased $25 million from 1999 primarily due to more working units and an improvement in lease rates. XTRA Lease's utilization averaged 86% in fiscal year 2000, as compared to

87% in 1999. XTRA Intermodal's revenues decreased $5 million from fiscal 1999 primarily due to a decline in working units and a decline in lease rates. XTRA Intermodal's utilization averaged 83% in fiscal 2000, compared to 79% in 1999.

The Company's XTRA Lease fleet, consisting primarily of over-the-road trailets, represented 65% of avetage net investment in equipment in 2000, versus 57% of average net investment in equipment in 1999. The Company continues to downsize its North American intermodal trailer fleet as the railroads continue to move toward more domestic container usage. XTRA's intermodal trailer fleet was 7% of average net investment in equipment in 2000, versus 9% of average net investment in equipment in 1999.

International revenues decreased 11% or $7 million in 2000, due to lower lease rates and larger losses on sale of equipment partially offset by more wotking units. Equipment utilization increased to 82% from 71% in the comparable prior year period. Marine container lease rates in 2000 continue to be at low levels for the Company and the industry as a whole. The Company sold approximately 13,000 units during the year, completing its previously announced plan to dispose of a significant number of older units. The Company's average marine container fleet size declined to 140,000 units in 2000 from 160,000 units in 1999.

Revenues increased by 1% or $3 million in 1999. The Company's average equipment utilization declined from 86% in 1998 to 81% in 1999. Average net investment in equipment increased by $31 million primarily due to an increase in the net investment in over-the-road trailers, which was partially offset by a decline in the ner invesrment in the marine container and intermodal equipment fleets.

The Company's North American revenues increased 5% or $20 million from 1998 due to strong levels of domestic freight leading to more working units, as well as an improvement in lease rates. The Company's North American utilization averaged 85% in 1999, as compared to 87% in 1998. XTRA Lease's revenues increased $23 million from 1998 due to more working units, as well as an improvement in lease rates. XTRA Lease's utilization averaged 87% in fiscal year 1999, as compared to 90% in 1998. XTRA Intermodal's revenues decreased $3 million from fiscal 1998 primarily due to a decrease in working units. XTRA Intermodal's utilization averaged 79% in fiscal 1999, compared to 81% in 1998.

The Company's XTRA Lease fleet represented 57% of average net investment in equipment in 1999, versus 51% of average net investment in equipment in 1998. XTRA's intermodal trailer fleet was 9% of average net investment in equipment in 1999, versus 11% of average net investment in equipment in 1998.

International revenues decreased 22% or $17 million in 1999, primarily due to fewer working units and a decrease in lease rates. Equipment utilization declined to 71% from 82% in 1998. Marine container lease rates in 1999 declined from 1998 and the Company's average marine container fleet size declined to 160,000 units in 1999 from 164,000 units in 1998.

OPERATING EXPENSES

In 2000, operating expenses increased by 1% or $3 million from 1999. In 1999, operating expenses, excluding one-time charges and an unusual item, increased by 3%, or $9 million from 1998.

Depreciation expense decreased 1% or $1 million in 2000 primarily due to a smallet fleet of marine containers and increased 1% or $1 million in 1999 due to a larger fleet investment. Rental equipment lease financing expenses of $9 million were incurred in 2000, $1 million in 1999 and no comparable expense in 1998.

In 2000, rental equipment operating expenses remained unchanged. In 1999, rental equipment operating expenses increased by 6% or $6 million primarily due to an increase in storage and repositioning expenses.

In 2000, selling and administrative expenses decreased by 8% or $4 million as a result of the efficiencies of the Shared Services Center and the marine container management outsourcing. These expense reductions were both partially offset by higher compensation expense, professional fees and depreciation expense. In 1999, selling and administrative expenses increased 2% or $1 million primarily due to higher professional fees.

In 1999, the Company recorded one-time charges for establishing a Shared Services Center, restructuring its marine container operations, and recording a write-down to adjust a portion of its marine container fleet to realizable value. These charges were $4 million, $9 million, and $25 million, respectively.

Unusual Item: Costs Related to Terminated Merger

During 1999 and 1998, XTRA recorded approximately $1 million in each year as an unusual item, representing expenses related to the terminated merger with Wheels MergerCo.

Normalized Operating Results

Excluding the one-time charges and unusual item in fiscal 1999, net income and diluted earnings per share would have been $58 million and $4.16, respectively. Excluding the unusual item, fiscal 1998 net income and diluted earnings per share would have been $60 million and $3.91, respectively.

Interest Expense

Interest expense is a function of the amount of average net debt outstanding (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.

For the year ended September 30,	2000	1999	1998
Average net debt outstanding (millions of dollars)	$ 821	$ 837	$ 829
Interest expense as a percentage of average net debt outstanding	7.1%	6.9%	7.0%

In 2000, interest expense was unchanged from 1999 as a higher average effective interest rate was offset by lower average net debt outstanding. Interest expense in 1999 was unchanged from 1998 as slightly higher average net debt outstanding was offset by a lower average effective interest rate.

Foreign Exchange Gain (Loss)

In 2000, the $1 million foreign exchange loss was due to the U.S. dollar strengthening versus the Canadian dollar. In 1999, the $1 million foreign exchange gain was due to the U.S. dollar weakening versus the Canadian dollar.

Pretax Income

In 2000, pretax income, before one-time charges and an unusual item, increased by 8% or $8 million primarily due to improved overall utilization rates. In 1999, pretax income, before one-time charges and an unusual item, declined 3% or $3 million primarily due to lower equipment utilization at XTRA International.

PROVISION FOR INCOME TAXES

The Company's effective income tax rate was approximately 39.5% in 2000 and 40% in 1999 and 1998. For additional information regarding the provision for income taxes, see Notes 1 and 4 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 or excess equipment supply, capital expenditures may be curtailed until demand for transportation equipment increases.

The following rable sets forth capital expenditures by equipment type, including units acquired by acquisition, units purchased, and units leased-in from third parties under operating leases and capital leases. The capital expenditures for fiscal 2001 represent XTRA's commitments as of November 5, 2000. See Note 5 of the Notes to Consolidated Financial Statements. The Company may increase capital spending in 2001 if conditions warrant.

(Millions of dollars)	2001	2000	1999	1998
Over-the-road trailers	$ 38	$ 223	$ 235	$ 176
Chassis	1	5	16	6
Marine containers	–	–	–	10
Non-revenue equipment	–	12	14	7
Total	$ 39	$ 240	$ 265	$ 199

The Company recognizes thar managing capital spending is essential to maintaining the quality of its fleet. The Company increases its fleet by purchasing new and used equipment and by acquiring equipmenr from other leasing companies. Fiscal 2000 capital expenditures include $34 million leased-in under an operating lease ($10 million of sale proceeds from equipment purchased and refinanced under an off-balance sheet lease and $24 million of equipment financed under an off-balance sheet lease). In 1999, due to strong conditions in its North American businesses, capital expenditures increased to $265 million, of which $235 million was for over-rhe-road trailers. Fiscal 1999 capital expenditures include $50 million leased-in under an operating lease.

During the three years ended September 30, 2000, the Company generated $884 million of cash flow from operations. During this same period, XTRA invested $704 million in property and equipment, including off-balance sheet leases, paid dividends of $10 million, repurchased $142 million of common stock, net of stock options exercised, and reduced net debt (debt less cash) outstanding by $102 million.

During fiscal 2000, the Company repurchased 950,000 shares of its common stock for $39 million. As of September 30, 2000, the Company had $71 million of authorization remaining under its current $100 million stock repurchase aurhorizarion.

Although some level of furure capital spending can be financed internally, the ability to fund expenditures above that level depends upon the availability of external financing. The Company historically has had available to it a variety of external sources at favorable rates and terms to finance its acquisitions and the growth of its leasing equipment fleet. However, the availability of such capital depends heavily upon prevailing market conditions and the Company's capital structure and credit ratings.

Currently, the Company's external financing options include a combination of medium-term and long-term borrowings in the public and private debt market, a revolving credit agreement, intermediate and long-term financing from banks and institutional investors, and lease financing. XTRA and XTRA, Inc. have registered with the Securities and Exchange Commission $604 million of securities consisting of Preferred Stock and Common Stock of XTRA as well as senior and subordinated debt securities of XTRA, Inc., fully and unconditionally guaranteed by XTRA Corporarion (the "Shelf Regisrration") (see Note 3 of the Notes to Consolidated Financial Statements). As of November 5, 2000, the Company had $337 million available for issuance under this Shelf Registration. As of November 5, 2000, the Company had $175 million of unused committed credit available under its $270 million Revolving Credit Agreement. For additional information regarding debt, see Note 3 of the Notes to Consolidated Financial Statements.

Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

The foregoing Part I, Item 1. Business; Management's Discussion and Analysis of Financial Condition and Results of Operarions; and Letter to our Shareholders contain certain forward-looking statements, including estimates of economic and industry conditions, equipment utilization, and capital expenditures. In addition, the Company may 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 contained 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 Operating Results

The Company's revenues may vary significantly from period to period whereas a high percentage of its operating costs are fixed. As a result of the variability of the Company's revenues and the Company's limited ability to reduce its fixed operating costs, the Company's profitability may be cyclical and subject to significant fluctuation from period to period. The Company's revenues are a function of lease rates and working units; the latter depends on fleet size and equipment utilization (the ratio of revenue earning equipment to the total fleet). Some of the factors which affect lease rates and working units are competition, economic conditions and world trade activity, the supply of and demand for available equipment, aggressive purchasing of equipment by the Company's customers and competitors leading to an excess supply of equipment and reduced lease rates and utilization, shifting traffic trends in the industry, severe adverse weather conditions, strikes by transportation unions and other factors in the freight transportation industry. The Company's fixed costs include depreciation, rental equipment lease financing expense, a portion of rental equipment operating expenses and selling and administrative expenses.

Availability of New Equipment

New equipmenr is built to the Company's specifications and reflects industry standards and customer needs. The Company obtains new equipment from a number of manufacturers. Certain of these manufacturers have consolidated and, in the process, eliminated manufacturing facilities. These manufacturers are in turn dependent on the prompt delivery and supply of the components required to assemble the chassis, trailers and containers. Historically, delivery rimes have varied from three to fifteen months from when the order is placed, and there can be no assurance that equipment will be available at the times or of the types needed by the Company. In addition, it is difficult to accurately predict demand for the Company's equipment in future periods. The Company's performance in a given period may be adversely affected because of its inability to quickly increase fleet size to take advantage of unexpectedly strong demand due to extended back orders or reduce fleet size in response to lower levels of demand.

Competition

Leasing transportation equipment is a highly competitive business and is affected by factors related to the transportarion market. Lease terms and lease rates, as well as availability, condition and size of equipment and customer service are all-important factors to the lessee. The Company has many competitors, some of which have leasing fleets that are larger in size than the Company's leasing fleet and some of which have greater resources. Various types of transportation equipment compete for freight movement. Over-the-road trailers, intermodal trailers, marine and domesric containers and railroad rolling stock are all potential vehicles for the movement of freight.

Customer Consolidation

Certain industries in which rhe Company competes, including trucking, intermodal transporration and shipping, are in the process of consolidation. As a result of this consolidation, rhe Company's cusromers may be better able to manage their equipment requirements and may seek increased efficiencies through direct ownership of equipment. In such event, the ratio of leased equipment to owned equipment may decrease, which could reduce the overall market for the Company's services.

Availability of Capital

The acquisition of new equipment, both for growth as well as replacement of older equipment, requires significant capital. In addition, over the past several years, the Company has grown its fleer through acquisitions of other companies, requiring addirional capital. The Company plans to continue to pursue acquisition opportunities. Historically, the Company generally has had available a variety of sources to finance such expenditures and acquisitions at favorable rates and terms. However, 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 the Company will be able to obtain sufficient financing on terms that are acceptable to it to fund its operations and capital expenditures or to enable the Company to take advantage of favorable acquisition opportunities.

Unaudited Quarterly Condensed Consolidated Statements of Operations

For the four quarters ended September 30, 2000 and 1999 (Millions of dollars, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000				
Revenues	$ 127	$ 115	$ 116	$ 119
Expenses[1]	94	93	93	92
Pretax income	33	22	23	27
Provision for income taxes	13	9	9	11
Net income	$ 20	$ 13	$ 14	$ 16
Basic earnings per common share	$ 1.61	$ 1.12	$ 1.15	$ 1.31
Basic shares outstanding (in millions)	12.6	12.0	12.0	12.0
Diluted earnings per common share	$ 1.61	$ 1.12	$ 1.15	$ 1.31
Diluted shares outstanding (in millions)	12.6	12.0	12.1	12.0
1999				
Revenues	$ 123	$ 110	$ 111	$ 120
Expenses[1]	93[2]	129[3]	93	91
Pretax income (loss)	30	(19)	18	29
Provision (benefit) for income taxes	12	(8)	7	12
Net income (loss)	$ 18	$ (11)	$ 11	$ 17
Basic earnings (loss) per common share	$ 1.18	$ (0.82)	$ 0.85	$ 1.28
Basic shares outstanding (in millions)	15.4	13.9	13.2	13.0
Diluted earnings (loss) per common share	$ 1.18	$ (0.82)	$ 0.85	$ 1.28
Diluted shares outstanding (in millions)	15.4	13.9	13.2	13.0

(1) Includes operating and interest expenses.

(2) Includes a $1 million unusual item related to the terminated merger.

(3) Includes $13 million of restructuring charges and a $25 million equipment write-down charge.

Consolidated Balance Sheets

September 30, (Millions of dollars, except per share amounts)	2000	1999
ASSETS		
Property and equipment	$ 2,327	$ 2,266
Accumulated depreciation	(895)	(827)
Net property and equipment	1,432	1,439
Lease contracts receivable	32	38
Trade receivables, net	84	80
Other assets	16	14
Cash	2	2
Total Assets	$ 1,566	$ 1,573
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Debt	$ 788	$ 852
Deferred income taxes	350	309
Accounts payable and accrued expenses	67	75
Total Liabilities	1,205	1,236
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: 11,880,172 shares at September 30, 2000; 12,812,400 shares at September 30, 1999	6	6
Capital in excess of par value	1	–
Retained earnings	365	341
Unearned compensation – restricted stock	(2)	(3)
Accumulated other comprehensive income	(9)	(7)
Total Stockholders' Equity	361	337
Total Liabilities and Stockholders' Equity	$ 1,566	$ 1,573

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

CONSOLIDATED INCOME STATEMENTS

For the year ended September 30, (Millions of dollars, except per share amounts)	2000	1999	1998
REVENUES	$ 477	$ 464	$ 461
OPERATING EXPENSES			
Depreciation on rental equipment	151	152	151
Rental equipment lease financing expense	9	1	–
Rental equipment operating expense	107	107	101
Selling and administrative expense	46	50	49
Revenue equipment write-down	–	25	–
Restructuring costs	–	13	–
Total Operating Expenses	313	348	301
Operating Income	164	116	160
INTEREST EXPENSE	58	58	58
FOREIGN EXCHANGE (GAIN) LOSS	1	(1)	2
Income before provision for income taxes and unusual item	105	59	100
UNUSUAL ITEM: COSTS RELATED TO TERMINATED MERGER	–	1	1
Pretax income	105	58	99
PROVISION FOR INCOME TAXES	42	23	39
Net Income	$ 63	$ 35	$ 60
Basic earnings per common share	$ 5.21	$ 2.49	$ 3.90
Basic shares outstanding (in millions)	12.2	13.9	15.3
Diluted earnings per common share	$ 5.20	$ 2.49	$ 3.88
Diluted shares outstanding (in millions)	12.2	13.9	15.4

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

Consolidated Statements of Stockholders' Equity

For the three years ended September 30, 2000 (Millions of dollars)	Common Stock $.50 Par Value	Capital in Excess of Par Value	Retained Earnings	Unearned Compensation on Restricted Stock	Accumulated Other Comprehensive Income[1]	Total Stockholders' Equity
Balance at September 30, 1997	$ 8	$ 52	$ 304	$ –	$ (4)	$ 360
Comprehensive Income:						
Net income	–	–	60	–	–	60
Translation adjustment	–	–	–	–	(7)	(7)
Total comprehensive income						53
Common stock cash dividends declared at $0.64 per share	–	–	(10)	–	–	(10)
Options exercised and related tax benefits	–	5	–	–	–	5
Balance at September 30, 1998	8	57	354	–	(11)	408
Comprehensive income:						
Net income	–	–	35	–	–	35
Translation adjustment	–	–	–	–	4	4
Total comprehensive income						39
Restricted stock granted, options exercised, and related tax benefits, net	–	4	–	(3)	–	1
Repurchase of common stock	(2)	(61)	(48)	–	–	(111)
Balance at September 30, 1999	6	–	341	(3)	(7)	337
Comprehensive income:						
Net income	–	–	63	–	–	63
Translation adjustment	–	–	–	–	(2)	(2)
Total comprehensive income						61
Restricted stock amortization, options exercised, and related tax benefits, net	–	2	(1)	1	–	2
Repurchase of common stock	–	(1)	(38)	–	–	(39)
Balance at September 30, 2000	$ 6	$ 1	$ 365	$ (2)	$ (9)	$ 361

(1) Other comprehensive income consists of the change in cumulative translation adjustments during the period.

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

Consolidated Statements of Cash Flows

For the year ended September 30, (Millions of dollars)	2000	1999	1998
Cash Flows From Operations			
Net Income	$ 63	$ 35	$ 60
Add non-cash income and expense items:			
Depreciation and amortization, net	151	151	150
Revenue equipment write-down	–	25	–
Deferred income taxes, net	40	22	35
Bad debt expense	5	4	5
Add other cash items:			
Net change in receivables, other assets, payables, and accrued expenses	(21)	(26)	(7)
Cash receipts on lease contracts receivable	25	25	24
Recovery of property and equipment net book value	53	39	26
Total Cash Provided from Operations	316	275	293
Cash Used for Investment Activities			
Additions to property and equipment	(216)	(215)	(199)
Total Cash Used for Investment Activities	(216)	(215)	(199)
Cash Flows from Financing Activities			
Borrowings of debt	120	77	–
Payments of debt	(184)	(25)	(90)
Proceeds from exercise of stock options	3	–	5
Repurchase of common stock	(39)	(111)	–
Dividends paid	–	–	– (10)
Total Cash Used for Financing Activities	(100)	(59)	(95)
Net increase (decrease) in cash	–	1	(1)
Cash at beginning of year	2	1	2
Cash at end of year	$ 2	$ 2	$ 1
Total interest paid	$ 58	$ 58	$ 58
Total income taxes paid	$ –	$ 2	$ 3

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

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature of Operations

XTRA Corporation leases, primarily on an operating basis, freight transportation equipment including over-the-road trailers, chassis, intermodal trailers, domestic containers, and marine containers. XTRA leases over-the-road and intermodal equipment throughout Notth America, predominantly within the United States, to conttact and common motor carriers, private fleet owners, and railroads. In addition, the Company leases marine containers worldwide to steamship lines.

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.

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 assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 1999 and 1998 financial information have been reclassified to conform to the current year presentation.

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 lease method of accounting. Full-payout or near full-payout leases, whete the present value of the minimum lease payments at the beginning of the lease term equals or exceeds 90% of the fair value of the leased property, are accounted for using 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 estimated future cash flows of the various types of its revenue equipment to determine if any 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 $207 million, which is fully depreciated, remains in service and is included in Property and Equipment at September 30, 2000.

Equipment and Real Estate Disposals

For purposes of the statements of cash flows, the total proceeds from the continuous disposal of revenue equipment is reflected in cash flow from operations and the gain or loss is included in revenues in the income statement. Gains or losses from the sale of real estate are included in the income statement in rental equipment operating expense and amounted to $1 million in 1999.

Repair and Maintenance

Repair and maintenance expenses are charged to operating expenses when incurred and amounted to $29 million, $29 million, and $28 million in 2000, 1999, and 1998, respectively.

Earnings per Share

Basic earnings per share is computed by dividing income available to common stockholders by weighted average shares outstanding. Diluted earnings per share reflects the effect of all other outstanding common stock equivalents using the treasury stock method.

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 for the Company's foreign operations are credited or charged to Accumulated Other Comprehensive Loss included in Stockholders' Equity. The gains and losses from remeasurement of certain intercompany liabilities of the Company's foreign operations are included in foreign exchange gain or loss. The Company's opetations in Mexico were accounted for as a highly inflationary economy in fiscal 1998 and, accordingly, all translation gains and losses were charged to foreign exchange loss. In fiscal 1999, the Company's operations in Mexico ceased being accounted for as a highly inflationary economy and, accordingly, all translation gains and losses are credited or charged to Accumulated Other Comprehensive Loss included in Stockholders' Equity.

Note 2 Equipment Leases

The Company uses the operating lease 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 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, 2000:

(Millions of dollars)	Operating Leases	Finance Leases
2001	$ 107	$ 20
2002	60	10
2003	38	4
2004	22	1
2005	10	–
2006 and thereafter	7	–
Total	$ 244	$ 35

The components of the net investment in finance leases as of September 30, 2000 and 1999 were as follows:

(Millions of dollars)	2000	1999
Minimum lease payments receivable	$ 35	$ 45
Add: estimated residual values	8	7
	43	52
Less: deferred finance lease income	(11)	(14)
Lease contracts receivable, net	$ 32	$ 38

Note 3 Debt

Debt as of September 30, 2000 and 1999 consisted of the following:

(Millions of dollars)	2000	1999
Unsecured financing		
Medium-term notes	$ 705	$ 673
Revolving Credit Agreement	80	169
Total unsecured financing	785	842
Secured financing	3	10
Total debt	$ 788	$ 852

The $705 million of medium-term notes outstanding at September 30, 2000 had a weighted average interest rate of 7.3% and maturities from fiscal years 2001 to 2019. At September 30, 2000, $337 million remained available under the shelf registration for future debt issuance. The weighted average interest rate incurred under the medium-term notes was 7.0% during 2000, 1999, and 1998.

The $270 million Revolving Credit Agreement consists of a $108 million 364-day credit agreement with a one-year term-out option and a $162 million five-year revolving credit agreement, collectively referred to as the "Revolving Credit Agreement". The Company's Revolving Credit Agreement had bank commitments of $270 million at September 30, 2000. The 364-day agreement has a final maturity date of September 2002; the five-year agreement has a maturity date of September 2005. Pricing on the Revolving Credit Agreement depends on the Company's credit ratings and is based on a fixed spread over the London Interbank Offered Rate (LIBOR). The Company pays a weighted average commitment fee of .14% on unused commitments.

The Company borrows on a short-term basis by issuing commercial paper and using uncommitted lines of credit. Short-term borrowings are generally at fixed rates for periods of less than one year and are back-stopped by the unused borrowing capacity under the Revolving Credit Agreement. They have therefore been classified as Revolving Credit Agreement borrowings. At September 30, 2000 and 1999, such borrowings amounted to $80 million and $169 million, respectively. At September 30, 2000, Revolving Credit Agreement borrowings had a weighted average interest rate of 6.8%. The weighted average interest rates incurred under the Revolving Credit Agreement, consisting primarily of short-term borrowings, were 6.2%, 5.2%, and 5.8% during 2000, 1999, and 1998, respectively. At September 30, 2000, $190 million of unused commitment was available under the Revolving Credit Agreement.

The secured financing at September 30, 2000, consisting of capital lease obligations, had a weighted average interest rate of 7.5% and is payable in installments through 2001. The weighted average interest rates incurred under the secured financing were 9.2%, 8.9%, and 9.1% during 2000, 1999, and 1998, respectively.

Revenue equipment recorded on the consolidated balance sheets related to secured financing was as follows at September 30, 2000 and 1999:

(Millions of dollars)	2000	1999
Revenue equipment	$ 7	$ 29
Accumulated depreciation	(3)	(17)
Net secured equipment	$ 4	$ 12

Ascribing the Company's Revolving Credit Agreement borrowings outstanding at September 30, 2000, to the Company's five-year credit agreement, the debt maturities of all debt during each of the next five fiscal years and thereafter is as follows:

(Millions of dollars)	Debt Maturities
2001	$ 118
2002	107
2003	84
2004	54
2005	159
2006 and thereafter	266
Total payments and maturities	$ 788

XTRA Corporation (the parent company) has no independent assets or operations. It guarantees, fully and unconditionally, all publicly-issued subsidiary debt, including XTRA, Inc, (subsidiary issuer). Any subsidiaries other than the subsidiary issuer are minor. The Company's loan agreements contain minimum debt service tests and restrictive covenants including restrictions on the amount of 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 or repurchases of common stock by the Company. 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 combined amount of repurchase of common stock and cash dividends which could be paid on the Company's common stock was limited to $114 million at September 30, 2000.

NOTE 4 INCOME TAXES

The components of the provision for income taxes for 2000, 1999, and 1998 are as follows:

(Millions of dollars)	2000	1999	1998
CURRENT TAX PROVISION			
Federal	$ –	$ –	$ 2
State	–	1	2
Foreign	2	–	–
Current tax provision	2	1	4
DEFERRED TAX PROVISION			
Federal	35	19	30
State	4	2	4
Foreign	1	1	1
Deferred tax provision	40	22	35
Provision for income taxes	$ 42	$ 23	$ 39

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 2000, 1999, and 1998 are as follows:

(Percentages)	2000	1999	1998
Federal statutory rate	35.0	35.0	35.0
Increase in taxes resulting from:			
State taxes and other	4.5	5.0	5.0
Effective income tax rate	39.5	40.0	40.0

The components of the net deferred tax liability as of September 30, 2000 and 1999 are as follows:

(Millions of dollars)	2000	1999
ASSETS		
Capital lease obligations	$ 1	$ 3
Investment tax credits	3	1
Alternative minimum tax credits	20	21
Other	20	19
Total deferred tax assets	$ 44	$ 44
LIABILITIES		
Revenue equipment	$ 373	$ 330
Other	21	23
Total deferred tax liabilities	394	353
Net deferred tax liability	$ 350	$ 309

The Company estimates that after filing its fiscal 2000 tax return, it will have $3 million of investment tax credit carryforwards available to reduce future federal income tax liabilities. The investment tax credit carryforwards expire in 2001. The Company also estimates that after filing its fiscal 2000 tax return, it will have $20 million of alternative minimum tax credit carryforwards and $27 million of net operating loss carryforwards available to reduce future federal income tax liabilities. The benefit of both tax credit carryforwards and the net operating loss carryforward has been recorded in the Company's financial statements.

NOTE 5 COMMITMENTS AND CONTINGENCIES

The Company's offices and certain facilities are occupied under leases expiring at various dates. In addition, the Company has leased certain revenue equipment with an original cost of $84 million under operating leases expiring by 2010.

At September 30, 2000, the Company's lease commitments under the non-cancelable portion of these leases for the next five years and in total thereafter were as follows:

(Millions of dollars)	Revenue Equipment	Office Facilities	Total Lease Commitments
2001	$ 9	$ 5	$ 14
2002	8	5	13
2003	9	4	13
2004	10	4	14
2005	10	4	14
2006 and thereafter	36	4	40
Total	$ 82	$ 26	$ 108

Rental equipment lease financing expense amounted to $9 million in 2000 and $1 million in 1999. Other rental expense amounted to $6 million in 2000, 1999, and 1998.

As of November 5, 2000, the Company had committed capital expenditures of $39 million principally for over-the-road trailers.

The Illinois Environmental Protection Agency and the United States Environmental Protection Agency have notified the Company of alleged environmental contamination of its Fairmont City, Illinois property that resulted from the prior owners' zinc smelting operations. As a result, the Company has taken certain actions to suppress dust that have significantly reduced the level of airborne contaminants at the site. Although the Company is not yet able to accurately determine the nature and/or cost of any proposed remediation actions at the site, based on the Company's current understanding of the nature of the contamination at the site, the Company does not believe that the ultimate resolution of this matter will have a material adverse effect on the Company's financial position, results of operations or cash flows.

From time to time, the Company is involved in various claims and legal actions arising out of the normal course of its business. Currently, there are no pending claims or actions that management believes will have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 6 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 contributions are discretionary and 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. The retirement trust fund's assets are administered by a trustee. Participants are entitled to their vested portion of the retirement assets upon termination of employment. The Company recorded expenses of $2 million in 2000, 1999, and 1998 in connection with the defined contribution retirement plan.

NOTE 7 SEGMENT AND GEOGRAPHIC INFORMATION

Applying the aggregation criteria of Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosures about Segments of a Business Enterprise and Related Information," the Company's operating divisions and related transportation equipment have been aggregated into two reportable segments: North America and International.

The North America segment consists of the Company's XTRA Lease and Intermodal divisions that lease over-the-road and intermodal equipment predominantly within the United States. The XTRA International division leases marine containers worldwide. Information about the Company's reportable segments and geographic segments is presented in the tables below.

SEGMENT INFORMATION: (Millions of dollars)	NORTH AMERICA	INTERNATIONAL	TOTAL
2000:			
Revenues	$ 421	$ 56	$ 477
Depreciation expense	124	27	151
Interest expense	46	12	58
Pretax income (loss)	108	(3)	105
Capital expenditures	216	–	216
Total segment assets at September 30, 2000	1,279	287	1,566
1999:			
Revenues	$ 401	$ 63	$ 464
Depreciation expense	122	30	152
Interest expense	44	14	58
Non-recurring charges	5	34	39
Pretax income (loss)	105	(47)	58
Capital expenditures	215	–	215
Total segment assets at September 30, 1999	1,238	335	1,573
1998:			
Revenues	$ 381	$ 80	$ 461
Depreciation expense	118	33	151
Intetest expense	42	16	58
Non-recurring chatges	1	–	1
Pretax income	97	2	99
Capital expenditures	189	10	199
Total segment assets at September 30, 1998	1,165	410	1,575

GEOGRAPHIC INFORMATION: (Millions of dollars)		2000	1999	1998
REVENUES	United States	$ 386	$ 371	$ 352
	Other countries	91	93	109
	Total revenues	$ 477	$ 464	$ 461
ASSETS	United States	$ 1,166	$ 1,119	$ 1,064
	Other countries	400	454	511
	Total assets	$ 1,566	$ 1,573	$ 1,575

NOTE 8 COMMON STOCK

REPURCHASE OF COMMON STOCK

In September 1999, the Company approved a $100 million stock repurchase authorization. The timing of the repurchases, which occur over an extended period of time, depend on price, market conditions, and other factors. As of November 5, 2000, the Company had repurchased $31 million of the stock under authorization.

1987 STOCK INCENTIVE PLAN

The 1987 Stock Incentive Plan, which expired November 1997, authorized the issuance of 1,150,000 shares of common stock under the Plan. The Plan allowed the Company to grant awards to key employees including restricted stock awards, stock options, and stock appreciation tights, subject primarily to the requirement of continuing employment. The awards under this plan were available for grant over a period of ten years from the date on which the plan was adopted, but grants were allowed to vest beyond the ten-year period. Stock options issued by the Company are exercisable at a future time as specified by the Company and expire five 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.

1997 STOCK INCENTIVE PLAN

The 1997 Stock Incentive Plan authorizes the issuance of 1,150,000 shares of common stock under the Plan. The Plan allows 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 the 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 expite five 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.

The Company is authorized to grant shares of restricted stock to employees. No monetary consideration is paid by employees who receive restricted stock. Restricted stock can be granted with or without performance restrictions. In 1999, the Company granted 87,750 shares of restricted stock under the 1997 Stock Incentive Plan at an average market value of $46.34 per share and recorded the total market value of the shares granted as unearned compensation in the Statement of Stockholders' Equity. The unearned compensation is being amortized to expense over the three-year vesting period. Restricted stock compensation charged to expense in 2000 and 1999 was $2 million and $1 million, respectively

1998 GENERAL STOCK INCENTIVE PLAN

The 1998 General Stock Incentive Plan authorizes the issuance of 150,000 shares of common stock under the Plan. The Plan allows the Company to grant awards to non-executive 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 the 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 expire five 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.

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 100,000 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. 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 difference between the exercise price and fair market value.

Accounting for Stock-Based Compensation

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Number 123 (SFAS 123), "Accounting for Stock-Based Compensation", which sets forth a fair value based method of recognizing stock-based compensation expense. As permitted by SFAS 123, the Company has elected to continue to apply APB No. 25, "Accounting for Stock Issued to Employees", to account for its stock-based compensation plans.

Had the compensation cost for these plans been determined according to SFAS 123, the Company's net income and earnings per share would have been the following pro forma amounts:

(Millions of dollars, except per share amounts)	2000	1999	1998
Net Income			
As reported	$ 63	$ 35	$ 60
Pro forma	61	33	59
Basic EPS			
As reported	$ 5.21	$ 2.49	$ 3.90
Pro forma	5.04	2.40	3.87
Diluted EPS			
As reported	$ 5.20	$ 2.49	$ 3.88
Pro forma	5.03	2.40	3.86

Because SFAS 123 does not require a fair value based method of accounting to be applied to options granted prior to October 1, 1995, the resulting pro forma compensation cost may not be representative of the pro forma costs to be expected in future years.

For purposes of the pro forma disclosure, the fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2000	1999	1998
Assumptions:			
Volatility	30.7%	26.0%	20.1%
Risk-free interest rate	6.0%	5.7%	4.4%
Dividend yield	–	–	1.8%
Expecred life of options (years)	3	3	3
Weighted average grant date fair value of options granted under the:			
1997 stock incentive plan	$ 11.74	$ 11.78	$ 8.59
1998 general stock option plan	13.28	11.85	–
1991 stock option plan for non-employee directors	12.46	10.04	9.86
Deferred director fee option plan	6.14	5.09	4.92

The following table summarizes the stock option transactions pursuant to the Company's stock incentive and stock option plans for the three-year period ended September 30, 2000:

	Shares (000s)	Weighted Average Exercise Price per Share ($)
Options outstanding at September 30, 1997	808	$ 49.10
Granted	95	52.52
Exercised	(96)	45.03
Forfeited	(14)	47.17
Options outstanding at September 30, 1998	793	52.40
Granted	415	45.99
Exercised	(5)	39.28
Forfeited	(157)	47.33
Options outstanding at September 30, 1999	1,046	50.33
Granted	502	41.07
Exercised	(28)	43.15
Forfeited	(412)	52.24
Options outstanding at September 30, 2000	1,108	44.93
Exercisable options at September 30, 2000	458	48.75
Shares available for grant at September 30, 2000	401	

The following table summarizes information about stock options outstanding at September 30, 2000:

	Options Outstanding			Options Exercisable	
	Number Outstanding at 9/30/00 (000s)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at 9/30/00 (000s)	Weighted Average Exercise Price
Range of exercise price					
$19.75 to $29.88	17	3.1	$ 21.95	6	$ 29.06
$39.00 to $60.44	1,091	3.3	45.27	452	49.01
Total	1,108	3.3	44.93	458	48.75

Note 9 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 long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates payable by the Company for new debt of the same remaining maturities and type. The fair value of the Company's short-term floating rate debt is its carrying amount.

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

As of September 30, (Millions of dollars)	Carrying Amount	Fair Value
2000		
Cash and short-term investments	$ 2	$ 2
Debt	788	779
1999		
Cash and short-term investments	$ 2	$ 2
Debt	852	855

NOTE 10 1999 ONE-TIME CHARGES

In the second quarter of fiscal 1999, XTRA recorded one-time charges for establishing a Shared Services Center, restructuring its marine container operations and recording a write-down to adjust a portion of its marine container fleet to realizable value. During fiscal 1999, approximately $12 million was charged against the restructuring reserve leaving a reserve balance at September 30, 1999 of $1 million. Included in the amounts charged to the restructuring reserve were $6 million of severance payments, $4 million of equipment write-downs, and $2 million related to facility shutdowns. The remainder of the restructuring reserve was fully utilized in fiscal 2000.

NOTE 11 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts as of September 30, 2000, 1999, and 1998 consists of the following:

For the three years ended September 30, (Millions of dollars)	2000	1999	1998
Balance at beginning of year	$ 14	$ 16	$ 14
Additions charged to operating expenses	5	4	5
Deductions[1]	(5)	(6)	(3)
Balance at end of year	$ 14	$ 14	$ 16

(1) Amounts charged against reserves, net of recoveries.

NOTE 12 BASIC AND DILUTED EARNINGS PER SHARE

The following tables provide a reconciliation of the numerators and denominators of basic and diluted earnings per share computations:

Year ended September 30,	2000	1999	1998
Net income (in millions) (numerator)	$ 63	$ 35	$ 60
Computation of Basic Shares Outstanding (in thousands, except per share amounts) Weighted average number of basic shares outstanding (denominator)	12,154	13,865	15,319
Basic earnings per common share	$ 5.21	$ 2.49	$ 3.90
Computation of Diluted Shares Outstanding (in thousands, except per share amounts)			
Weight average number of basic shares outstanding	12,154	13,865	15,319
Common Stock equivalents for diluted shares outstanding	14	7	72
Weighted average number of diluted shares outstanding (denominator)	12,168	13,872	15,391
Diluted earnings per common share	$ 5.20	$ 2.49	$ 3.88

NOTE 13 TERMINATION OF RECAPITILIZATION MERGER

XTRA entered into an Agreement and Plan of Merger and Recapitalization dated as of June 18, 1998, as amended and restated as of July 31, 1998, with Wheels MergerCo LLC ("MergerCo"). MergerCo was a newly organized Delaware limited liability company formed by Apollo Management IV, L.P. and Atlas Capital Partners LLC, an affiliate of Interpool, Inc. On November 25, 1998, the Company and MergerCo mutually agreed to terminate their existing merger agreement. Previously, MergerCo had indicated that due to market conditions it did not believe it would be able to obtain the financing necessaty to complete the transaction.

Report of Independent Public Accountants

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, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2000. 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 auditing standards generally accepted in the United States. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

St. Louis, Missouri

November 5, 2000

DIRECTORS

Robert B. Goergen
Chairman, The Ropart Group;
Chairman of the Board

Lewis Rubin
President and Chief Executive Officer;
Director

Michael D. Bills
Professor, University of Virginia;
Director

H. William Brown
Chief Financial Officer,
Marirrans Inc.;
Director

Michael N. Christodolou
Managing Partner,
Inwood Capital Partners, L.P.;
Director

Marrin L. Solomon
Chairman,
American Country Holdings Inc.;
Director

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

Michael N. Christodolou (Chairman)
H. William Brown
Martin L. Solomon

Compensation Committee

Martin L. Solomon (Chairman)
Michael N. Christodolou
Robert B. Goergen

Executive Committee

Robert B. Goergen (Chairman)
Michael D. Bills
Lewis Rubin

Nominating Committee

H. William Brown (Chairman)
Michael D. Bills
Mattin L. Solomon

OFFICERS

Lewis Rubin
President and Chief Executive Officer

Jordan L. Ayers
Vice President, XTRA Intermodal

Jeffrey R. Blum
Vice President, Planning and Development

William H. Franz
Vice Presidenr, XTRA Lease

Stephanie L. Johnson
Vice President and Treasurer

A.Scott Mansolillo
Vice President, General Counsel and Secretary

Michael J. Soja
Vice President and Chief Financial Officer

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Stockholder Reference

Stock Transfer Agent and Registrar of Stock

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Shares Traded

New York Stock Exchange
Common Stock Symbol: XTR

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