TAL International Group, Inc.
Form 10-Q
October 29, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For The Quarterly Period Ended September 30, 2014

Or

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

For the Transition Period from to

Commission file number- 001-32638

TAL International Group, Inc.
(Exact name of registrant as specified in the charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-1796526 (I.R.S. Employer Identification Number)
100 Manhattanville Road, Purchase, New York (Address of principal executive office)	10577-2135 (Zip Code)

(914) 251-9000
(Registrant's telephone number including area code)

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 requirement for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ý	Accelerated Filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). YES o NO ý

As of October 17, 2014, there were 33,647,028 shares of the Registrant's common stock, $0.001 par value outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that involve substantial risks and uncertainties. In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the Securities and Exchange Commission, or SEC, or in connection with oral statements made to the press, potential investors or others. All statements, other than statements of historical facts, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "expect," "estimate," "anticipate," "predict," "believe," "think," "plan," "will," "should," "intend," "seek," "potential" and similar expressions and variations are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements in this report are subject to a number of known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from those described in the forward-looking statements, including, but not limited to, the risks and uncertainties described in the section entitled "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on February 20, 2014, in this report as well as in the other documents we file with the SEC from time to time, and such risks and uncertainties are specifically incorporated herein by reference.

Forward-looking statements speak only as of the date the statements are made. Except as required under the federal securities laws and rules and regulations of the SEC, we undertake no obligation to update or revise forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. We caution you not to unduly rely on the forward-looking statements when evaluating the information presented in this report.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The consolidated financial statements of TAL International Group, Inc. ("TAL" or the "Company") as of September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and September 30, 2013 included herein have been prepared by the Company, without audit, pursuant to U.S. generally accepted accounting principles and the rules and regulations of the SEC. In addition, certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements reflect, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the results for the interim periods. The results of operations for such interim periods are not necessarily indicative of the results for the full year. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K filed with the SEC, on February 20, 2014 from which the accompanying December 31, 2013 Balance Sheet information was derived, and all of our other filings filed with the SEC from October 11, 2005 through the current date pursuant to the Exchange Act.

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TAL INTERNATIONAL GROUP, INC.
Consolidated Balance Sheets
(Dollars in thousands, except share data)
(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS:		
Leasing equipment, net of accumulated depreciation and allowances of $1,020,199 and $910,713	$3,651,393	$3,414,904
Net investment in finance leases, net of allowances of $1,056 and $1,057	228,013	257,176
Equipment held for sale	48,929	58,042
Revenue earning assets	3,928,335	3,730,122
Unrestricted cash and cash equivalents	73,433	68,875
Restricted cash	29,478	29,126
Accounts receivable, net of allowances of $821 and $948	81,425	74,174
Goodwill	74,523	74,523
Deferred financing costs	27,358	29,087
Other assets	9,906	11,898
Fair value of derivative instruments	6,379	27,491
Total assets	$4,230,837	$4,045,296
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Equipment purchases payable	$68,228	$112,268
Fair value of derivative instruments	4,044	1,900
Accounts payable and other accrued expenses	53,382	63,022
Net deferred income tax liability	401,895	358,255
Debt	3,004,872	2,817,933
Total liabilities	3,532,421	3,353,378
Stockholders' equity:		
Preferred stock, $0.001 par value, 500,000 shares authorized, none issued	—	—
Common stock, $0.001 par value, 100,000,000 shares authorized, 37,006,283 and 36,858,778 shares issued respectively	37	37
Treasury stock, at cost, 3,187,843 and 3,011,843 shares	(45,225)	(37,535)
Additional paid-in capital	503,607	498,854
Accumulated earnings	238,766	220,492
Accumulated other comprehensive income	1,231	10,070
Total stockholders' equity	698,416	691,918
Total liabilities and stockholders' equity	$4,230,837	$4,045,296

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

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TAL INTERNATIONAL GROUP, INC.
Consolidated Statements of Income
(Dollars and shares in thousands, except earnings per share)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Leasing revenues:				
Operating leases	$145,613	$139,994	$424,432	$410,352
Finance leases	4,441	3,868	14,118	10,118
Other revenues	470	582	1,464	1,944
Total leasing revenues	150,524	144,444	440,014	422,414
Equipment trading revenues	13,745	13,984	45,026	64,051
Equipment trading expenses	(12,032)	(11,977)	(39,450)	(55,082)
Trading margin	1,713	2,007	5,576	8,969
Net gain on sale of leasing equipment	870	4,293	6,427	22,580
Operating expenses:				
Depreciation and amortization	57,198	52,321	165,238	151,470
Direct operating expenses	8,287	6,854	25,236	19,034
Administrative expenses	11,317	10,432	34,277	32,950
Provision for doubtful accounts	22	256	58	1,759
Total operating expenses	76,824	69,863	224,809	205,213
Operating income	76,283	80,881	227,208	248,750
Other expenses:				
Interest and debt expense	26,695	27,105	81,202	84,291
Write-off of deferred financing costs	173	—	5,072	2,578
Net (gain) loss on interest rate swaps	(545)	295	410	(8,125)
Total other expenses	26,323	27,400	86,684	78,744
Income before income taxes	49,960	53,481	140,524	170,006
Income tax expense	17,343	18,820	48,534	59,949
Net income	$32,617	$34,661	$91,990	$110,057
Net income per common share—Basic	$0.97	$1.04	$2.74	$3.29
Net income per common share—Diluted	$0.97	$1.03	$2.72	$3.27
Cash dividends paid per common share	$0.72	$0.68	$2.16	$1.98
Weighted average number of common shares outstanding—Basic	33,594	33,486	33,607	33,480
Dilutive stock options and restricted stock	201	222	168	194
Weighted average number of common shares outstanding—Diluted	33,795	33,708	33,775	33,674

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

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TAL INTERNATIONAL GROUP, INC.
Consolidated Statements of Comprehensive Income
(Dollars in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	$32,617	$34,661	$91,990	$110,057
Other comprehensive income (loss):				
Change in fair value of derivative instruments designated as cash flow hedges (net of income tax effect of $(516), $(2,688), $(8,766) and $3,740, respectively)	(1,051)	(4,920)	(16,303)	6,847
Reclassification of realized loss on interest rate swap agreements designated as cash flow hedges (net of income tax effect of $1,326, $953, $3,339 and $1,600, respectively)	2,546	1,748	6,386	2,933
Amortization of loss on terminated derivative instruments designated as cash flow hedges (net of income tax effect of $102, $266, $619 and $812, respectively)	186	482	1,132	1,484
Foreign currency translation adjustment	(234)	288	(54)	(57)
Other comprehensive income (loss), net of tax	1,447	(2,402)	(8,839)	11,207
Comprehensive income	$34,064	$32,259	$83,151	$121,264

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

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TAL INTERNATIONAL GROUP, INC.
Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net income	$91,990	$110,057
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	165,238	151,470
Amortization of deferred financing costs	5,799	5,400
Amortization of net loss on terminated derivative instruments designated as cash flow hedges	1,751	2,296
Net (gain) on sale of leasing equipment	(6,427)	(22,580)
Net loss (gain) on interest rate swaps	410	(8,125)
Write-off of deferred financing costs	5,072	2,578
Deferred income taxes	48,533	59,836
Stock compensation charge	4,700	4,099
Changes in operating assets and liabilities:		
Net equipment purchased for resale activity	(6,335)	(5,214)
Net realized gain (loss) on interest rate swaps terminated prior to their contractual maturities	7,408	(24,235)
Other changes in operating assets and liabilities	(16,485)	(17,123)
Net cash provided by operating activities	301,654	258,459
Cash flows from investing activities:		
Purchases of leasing equipment and investments in finance leases	(547,555)	(534,884 company.

Such
offer
is
subject
to
disclosure
requirements
of
a
foreign
country
that
are
different
from
those
of
the
United
States.
Financial

statements included in the document will be prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

Information Relating to the US Offer for Rio Tinto plc and the Rio Tinto Ltd Offer for Rio Tinto shareholders located in the US

It

may
be
difficult
for
you
to
enforce
your
rights
and
any
claim
you
may
have
arising
under
the
U.S.
federal
securities
laws,
since
the
issuers
are
located
in
a
foreign
country,
and
some
or all
of
their
officers
and
directors
may
be
residents
of
foreign
countries.
You
may
not
be
able
to

sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgement. You should be aware that BHP Billiton may purchase securities of either

Rio
Tinto
plc
or
Rio
Tinto
Ltd
otherwise
than
under
the
exchange
offer,
such
as
in
open
market
or
privately
negotiated purchases.
References
in
this
presentation
to
$
are
to
United
States
dollars
unless
otherwise
specified.
BHP Billiton Offer for Rio Tinto

Slide 4
The largest mining company by market capitalisation
US$B
Market Capitalisation as at 31 January 2008
0
20
40

60
80
100
120
140
160
180
200
220

*Rio Tinto Market Cap = Market Cap of Rio Tinto Plc + 62.6% of Market Cap of Rio Tinto Ltd (due to Rio Tinto Plc s approximate 37.4% holding of Rio Tinto Ltd, as per www.riotinto.com/investors/590 data book.asp)

**Market value may be unreliable due to a high percentage of non free-float shares.

Sources: Investments and Value Management, Datastream, Bloomberg

Slide 5
Structure driven by customer needs
Petroleum
Energy Coal
Metallurgical Coal
Manganese
Iron Ore

Stainless Steel Materials
Base Metals
Aluminium
Diamonds & Spec Prod
Note: Location of dots indicative only

Slide 6
Core strategy is unchanged
Focus on value creation

People

Run current assets at

full potential

Accelerate development
projects

Create future options
People
Licence to Operate
World Class Assets
The BHP Billiton Way
(Value Added Processes)
Financial Strength
and Discipline
Project Pipeline
Growth
Options
People
Licence to Operate
World Class Assets
The BHP Billiton Way
(Value Added Processes)
Financial Strength
and Discipline
Project Pipeline
Growth
Options

Slide 7
Highlights
Half year ended December 2007

Strong operating and financial results

Cost control focus

is yielding excellent results

Project delivery

first production from seven new projects

Healthy volume growth from new production expected in FY 2008

A further four projects approved

Interim dividend increased 45% to 29 US cents per share

Longer term fundamentals remain strong

Slide 8
2006
% Change
Underlying EBIT by Customer Sector Group
2007
Half year ended December (US$m)
Petroleum
1,972
1,612
+22
Aluminium
680
840
-19
Base Metals (including Uranium)
3,367
2,889
+17
Diamonds & Specialty Products
72
78
-8
Stainless Steel Materials
799
1,427
-44
Iron Ore
1,673
1,404
+19
Manganese
431
105
+311
Metallurgical Coal

523
657
-20
Energy Coal
277
242
+15
Group & Unallocated Items
(1)
(171)
(120)
BHP Billiton (Total)
9,623
9,134
+5
(1) Includes Technology

Slide 9
Declining rate of cost increase
H1 FY2005 and H2 FY2005 are shown on the basis of UKGAAP.
Other
periods are calculated under IFRS. All periods excluded third party trading.
4.0%
2.2%

3.0%
1.7%
5.5%
8.4%
5.9%
4.5%
4.3%
5.8%
6.7%
5.6%
4.9%
3.9%
0%
1%
2%
3%
4%
5%
6%
7%
8%
9%
H1 FY2005
H2 FY2005
H1 FY2006
H2 FY2006
H1 FY2007
H2 FY2007
H1 FY2008
Total
Excl Non-Cash
Operating cost increase relative to preceding half year

Slide 10
Outlook
long term fundamentals strong, shorter term more fluid
0
1,000
2,000
3,000

4,000
5,000
India
China
40
42
44
46
48
50
52
54
56
58
Jan-07
Apr-07
Jul-07
Oct-07
Gross domestic product (US$bn)
ISM purchasing manufacturers index
Source: International Monetary Fund
Source: Thomson Financial

Slide 11
China s growth driven by domestic demand
Asian export
markets more important than the US
0
5
10

15
20
25
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007F
Consumption
Investment
Inventories
Net Exports
Source: CEIC Data Co. Ltd (February 2008), BHP Billiton Estimates for CY2007
Composition of Chinese GDP
(RMB trillions)
Destination of Chinese exports
24%
46%
21%
9%
Europe
Other
North
America
Asia

Slide 12
Can Chinese consumption growth offset the shorter term slow down in the US?
0
10
20
30

40
50
60
70
80
90
100
Iron Ore
Copper
Energy
China
India
USA
Europe
Share of Consumption
(2007, %)
China Share of Incremental Demand
(1997-2007, %)
0
10
20
30
40
50
60
70
80
90
100
Iron Ore
Copper
Energy
Sources of data: CRU Quarterly Reports (January 2008); IISI
Steel Statistical Yearbook (December 2007);
BP Statistical Review of World Energy June 2007

Slide 13
A unique balance across high margin CSM, non ferrous
and energy commodities
0%
10%
20%
30%
40%
50%
60%
70%
80%
Diamonds
Aluminium
Nickel
Copper
Ag/Pb/Zn
Energy Coal
Petroleum
Met Coal
Manganese
Iron Ore
Note: EBITDA margin excludes third party trading.
EBITDA excluded third party trading and Group and Unallocated.
EBITDA margin H1 FY 2008
EBITDA H1 FY 2008
(Total = US$11.4bn)
CSM
Energy
Non Ferrous
Other
49%
24%

26%
1%
Non Ferrous
CSM
Energy
Other

Slide 14

Future growth from high quality opportunities
Future Options
2010
2008
As at 6 February 2008
Proposed
capital expenditure
<$500m
$501m-$2bn
$2bn+
Feasibility
Execution
Scarborough
SSM
Petroleum
D&SP
Energy Coal
Aluminium
Iron Ore
Base Metals
Met Coal
Manganese
CSG
2013
Guinea
Alumina
Samarco
4
Nimba
Worsley
E&G
Pyrenees
Samarco
Perseverance
Deeps
Navajo
Sth
Ekati
Canadian
Potash
Thebe
Browse
LNG
WA Iron Ore
Quantum 2
CW Africa
Exploration
CW Africa
Exploration
Goonyella

Expansions
GEMCO
Exp
CMSA
Pyro
Expansion
Olympic Dam
Expansion 1
Puma
Puma
CMSA Heap
Leach 2
Olympic Dam
Expansion 2
Olympic Dam
Expansion 3
Neptune
Shenzi
WA Iron Ore
RGP 4
NWS
T5
Cliffs
Cerrejon
Opt Exp
Escondida
3rd Conc
Angola
& DRC
Caroona
WA Iron Ore
RGP 5
SA Mn
Ore Exp
Resolution
Corridor
Sands I
Angostura
Gas
NWS
Angel
WA Iron Ore
Quantum 1
Saraji
MKO
Talc
Gabon
Newcastle
Third Port
Alumar

Atlantis
North
Yabulu
Klipspruit
Kipper
GEMCO
Zamzama
Phase 2
Macedon
Maruwai
Stage 1
Turrum
Neptune
Nth
CMSA Heap
Leach 1
Knotty
Head
Eastern
Indonesian
Facility
Red Hill
UG
Kipper
Ph 2
NWS CP
Corridor
Sands II
Wards
Well
RBM
Daunia
Boffa/Santou
Refinery
Peak Downs
Exp
Shenzi
Nth
Maya
Nickel
DRC
Smelter
Mad Dog
SWR
KNS
Exp
Cannington
Life Ext
Hallmark
Blackwater

UG
NWS
WFG
Kennedy
Douglas-
Middelburg
NWS Nth
Rankin B
Mt Arthur
Coal UG
Bakhuis
Maruwai
Stage 2

Slide 15
Development spend in high margin businesses
Note:
Represents pipeline projects in execution, feasibility does not include pre-feasibility projects.
EBITDA
margins
for

business
in
12
months
to
31
December
2007
not
for
individual
projects.
EBITDA margin excluded third party trading.
Source: BHP Billiton estimates.
0%
10%
20%
30%
40%
50%
60%
70%
80%
Petroleum
Iron Ore
Aluminium
Development pipeline capex
(Total US$16.1bn)
EBITDA margins
(12 months to December 2007)
Petroleum
Aluminium
Iron Ore
Other
24%
33%
28%
15%

Slide 16
Strong cash flow -
delivering value to shareholders
0
2,000
4,000
6,000

8,000
10,000
12,000
14,000
16,000
18,000
FY2002
FY2003
FY2004
FY2005
FY2006
FY2007
FY2008
H1
H2
0
1500
3000
4500
6000
7500
9000
FY2002
FY2003
FY2004
FY2005
FY2006
FY2007
FY2008
Available Cash Flow
(US$m)
Available Cash Flow
(US$m)
Organic Growth[1]
(US$m)
Return to Shareholders[2]
(US$m)
(1)
Capital and Exploration FY expenditures (exclude acquisitions).
(2)
Dividends paid and share buy-backs.
(3)
FY2005,
FY2006,
FY2007
and
H1
FY2008
have
been

calculated
on
the
basis
of
the
IFRS.
Prior periods have been calculated on the basis of UKGAAP.
0
1500
3000
4500
6000
7500
9000
FY2002
FY2003
FY2004
FY2005
FY2006
FY2007
FY2008

Slide 17
Summary

Continued excellent operating and financial results

Unique portfolio balance provides stability

Project pipeline and global footprint to support future growth

Longer term outlook for global growth remains robust

BHP Billiton s offer to acquire Rio Tinto

Slide 19
Background to the offer

Early 2007: BHP Billiton discussed a merger of equals. This concept was rejected by Rio Tinto

1 November 2007: BHP Billiton made a confidential proposal to combine the

companies. Rio Tinto rejected the proposal and refused to enter
discussions

8 November 2007: BHP Billiton confirmed it had approached Rio Tinto with a proposal

12 November 2007: BHP Billiton announced the proposal following
market speculation.
Since then:

Global roadshow has indicated a clear understanding of the industrial logic of the
combination

Rio Tinto has refused to engage to discuss the proposal

21 December 2007: BHP Billiton required to   put up or shut up
by 6 February 2008

1 February 2008: Chinalco
acquires a c.12% stake in Rio Tinto plc

6 February 2008: BHP Billiton announced offers for all of the outstanding shares of Rio
Tinto
BHP Billiton Offer for Rio Tinto

Slide 20
BHP Billiton offer for Rio Tinto
Rio Tinto plc Offer:

Rio Tinto plc shareholders will receive 3.4 BHP Billiton shares for every Rio Tinto plc share held

80% in BHP Billiton Plc shares

20% in BHP Billiton Ltd shares

Separate US offer (which forms part of the Rio Tinto plc Offer) to:

US resident shareholders of Rio Tinto plc shares

All holders of Rio Tinto plc ADRs

UK CGT rollover relief expected to be available for UK resident shareholders accepting the Rio Tinto plc Offer if there are approximately 70% acceptances under
the Rio Tinto plc Offer
Rio Tinto Ltd Offer:

Rio Tinto Ltd shareholders will receive 3.4 BHP Billiton Ltd shares for every Rio Tinto Ltd share held

If compulsory acquisition is reached in the Rio Tinto Ltd Offer,
then Australian CGT rollover relief
is expected to be available for Australian resident shareholders
accepting the Rio Tinto Ltd
Offer
(a)
With a mix and match
facility
Notes:
a)
To
reach
the
compulsory
acquisition
thresholds
in
respect
of
Rio
Tinto
Ltd,
some
or
all
of
the
Rio
Tinto
plc
holding
in
Rio

Tinto
Ltd
will
need
to
be
accepted
into
the
Rio
Tinto
Ltd
Offer
by
Rio
Tinto
plc
or
ASIC
will
need
to
provide
relief
from the Australian Corporations Act. ASIC has indicated that it would consider an application for this relief, if it becomes ap
BHP Billiton Offer for Rio Tinto

Slide 21
BHP Billiton offer for Rio Tinto

Offers are inter-conditional

Subject to pre-conditions relating to certain anti-trust clearances in the EU, the US, Australia, Canada and South Africa and FIRB approval in Australia

Conditional on more than 50% acceptances in respect of publicly-held shares

Subject to BHP Billiton shareholder approval and other terms and
conditions set out in the
offer announcement

Maintenance of BHP Billiton s progressive dividend policy

Proposed initial share buyback of up to US$30bn following completion if the offer is
successful
(a)

Buyback and any refinancing of Rio Tinto s
borrowings to be funded through a
combination
of
a
US$55bn
committed
bank
financing
facility,
cash
flow
from
operations,
asset disposal proceeds and, if required, debt financing

Target single A credit rating

DLC structure maintained
Notes:
a)
i.e.
if
BHP
Billiton
acquires
100%
of
the
shares
in
Rio
Tinto
Limited
and
Rio
Tinto

plc
on
the
3.4:1
offer
terms
announced
offer
terms.
BHP Billiton Offer for Rio Tinto

Slide 22
Unlocking value
Why a combination with Rio Tinto?

Combined entity will have a unique portfolio of tier 1 assets

Enhanced ability to optimise

and high-grade portfolio

Greater diversity and reduced value at risk

Combination makes sense in both a rising and a falling market

Uniquely positioned to meet the growing demands of the global economy
largely driven by
China growth

Expected material quantifiable synergies and financial benefits unique to this combination
(a)

US$1.7bn nominal per annum from cost savings

US$2.0bn additional nominal per annum primarily from volume acceleration

Other combination benefits

Broader stakeholders will benefit

Customers
more product, more quickly and more efficiently

Communities, employees and developing countries
Notes:
a)
Estimated
incremental
EBITDA
based
on
publicly
available
information.
To
be
read
in
conjunction
with
the
notes
in
Appendix
IV
of
BHP
Billiton s
announcement

dated
6-Feb-2008.
Full
run
rate
synergies
expected
by
year
7.
BHP Billiton Offer for Rio Tinto

Slide 23
Indicative timetable
Event
Date
Satisfaction of regulatory approval pre-conditions
Second half of 2008
Posting of offer documents for Rio Tinto plc Offer and

Rio Tinto Ltd Offer to shareholders
Day 0
(Within 28 days after the pre-conditions
are satisfied)
Last date for fulfilment of minimum acceptance condition in Rio Tinto
plc Offer
Day 60
Last date for fulfilment of all conditions to the Rio Tinto plc Offer
and all conditions to the Rio Tinto Ltd Offer (because offers
are inter-conditional)
Day 81
First date for delivery of consideration under the offers
Within 14 days after the offers become wholly
unconditional
BHP Billiton Offer for Rio Tinto

Appendix

Slide 25
2006
2007
Financial highlights
Half year ended December (US$m)
Revenue
25,539
22,113
+15
Underlying EBITDA
11,167
10,494
+6
Underlying EBIT
9,623
9,134
+5
Attributable profit (excluding exceptionals)
5,995
6,168
-3
Attributable profit
6,017
6,168
-2
Net operating cash flows
7,870
7,116
+11
EPS (excluding exceptionals) (US cents)
106.8
103.9
+3
Dividends per share (US cents)
29

20
+45
%
Change

Slide 26
Cash flow
Operating cash flow
and dividends
(1)
11,600
10,188
Net interest paid
(313)
(231)
Tax paid
(2)
(3,417)
(2,841)
Net operating cash flow
7,870
7,116
Capital expenditure
(3,753)
(3,466)
Exploration expenditure
(598)
(312)
Purchases of investments
(153)
(31)
Proceeds from sale of fixed assets & investments
134
298
Net cash flow before dividends and
funding
3,500
3,605
Dividends paid
(3)

(1,571)
(1,122)
Net cash flow before funding & buy-backs
1,929
2,483
2007
2006
Half year ended December (US$m)
(1)
Operating cash flow includes dividends received.
(2)
Includes royalty related taxes paid.
(3)
Includes dividends paid to minority interests.

Slide 27
Return on capital and margins
(1)
H1 2008 is calculated on an annualised basis.
(2)
FY2005, FY2006, FY2007 and H1 2008 are shown on the basis of Underlying EBIT.
Prior periods are calculated under UKGAAP. All periods excluded third party trading.

35%
38%
30%
44%
48%
44%
29%
21%
13%
11%
40%
30%
24%
20%
0%
10%
20%
30%
40%
50%
60%
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
H1 2008
Return on Capital
EBIT Margin
(2)
(1)

Slide 28
2006
% Change
Underlying EBIT by Customer Sector Group
2007
Half year ended December (US$m)

Record half year EBIT

Record half year production from global continuing operations

Cash costs flat with comparative half

Three major new projects on line in first half: Stybarrow, Atlantis and Genghis Khan

Exploration
successful drilling of Thebe and acreage captured in Gulf of Mexico and Falklands
Shenzi
Petroleum
1,972
1,612
+22.3

Slide 29
2006
% Change
Underlying EBIT by Customer Sector Group
2007

Production at record levels

Softer prices for metals and cost impacted by weaker US$

South African power situation will impact metal production
Half year ended December (US$m)

Record copper concentrate production

Contribution of 96,000 tonnes from new projects

Olympic Dam pre-feasibility study progressing well
Mozal
Olympic Dam

Production and sales volumes improved second quarter

Ravensthorpe ramping up as expected
Nickel West
Aluminium
680
840
-19.0
Base Metals
3,367
2,889
+16.5
Stainless Steel Materials
799

1,427
-44.0

Slide 30
2006
% Change
Underlying EBIT by Customer Sector Group
2007
Half year ended December (US$m)

Record Half Year EBIT

Record production and shipments

RGP3 commissioned and RGP4 on schedule

Record production and shipments

Groote Eylandt expansion approved lifting capacity to
4.2mtpa of ore and concentrate

Record shipments benefiting from expanded Hay Point Terminal

EBIT impacted by lower prices

Severe flooding in Queensland will impact production
TEMCO
BMA
Mount Newman
Metallurgical Coal
523
657
-20.4
Manganese
431
105
+310.5
Iron Ore

1,673
1,404
+19.2

Slide 31
2006
% Change
Underlying EBIT by Customer Sector Group
2007

Higher export prices driven by strong demand

Record annual production at Hunter Valley and Cerrejon

Approval of Klipspruit (+1.8mtpa export coal) and
Newcastle
third port
Half year ended December (US$m)
BECSA

Koala Underground completed ahead of schedule and
budget

Increased exploration activity on diamond targets in
Angola and potash opportunity in Canada
Ekati
Energy Coal
277
242
+14.5
Diamonds & Specialty Products
72
78
-7.7

Slide 32
0%
10%
20%
30%
40%
50%

60%
70%
Petroleum
Aluminium
Base Metals
Diamonds
& Specialty
Products
Stainless
Steel
Materials
Iron Ore
Manganese
Met Coal
Energy
Coal
2005
2006
2007
H1 2008
EBIT margin
(1)
by Customer Sector Group
(1)
All periods excluded third party trading.

Slide 33
Underlying EBIT analysis
Half year ended Dec 2007 vs Dec 2006
3,000
4,000
5,000
6,000

7,000
8,000
9,000
10,000
11,000
12,000
Dec-06
Net Price
Volume
Exchange
Inflation
Cash Costs
Non Cash
Costs
Exploration
& Bus. Dev
Other
Dec-07
US$m
9,134
1,635
461
(506)
(206)
(199)
(61)
(222)
(413)
9,623
(1)
Including $154m of price-linked costs impact.
(2)
Including $324m due to increase in volume from new operations.
(1)
(2)

Slide 34
-250
-150
-50
50
150
250

350
450
Impact of major volume changes
Half year ended Dec 2007 vs Dec 2006
US$m
Total volume
(1)
variance US$461
million
Copper
387
Met
Coal
83
Iron
Ore
81
Aluminium/
Alumina
44
D&SP
24
Energy
Coal
(9)
Petroleum
(25)
Nickel
(226)
Other
102
(1)
Volume variances calculated using previous year margin and including $324m due to increase in volume from new operations.

Slide 35
Impact of major commodity price
Half year ended Dec 2007 vs Dec 2006
-200
-100
0
100

200
300
400
500
Total price variance US$1,635 million
(1)
US$m
Petroleum
466
Base
Metals
350
Manganese
346
Iron Ore
333
Energy
Coal
308
SSM
97
Diamonds
(23)
Aluminium
(44)
Met Coal
(198)
(1) Including $154m of price-linked costs impact.

Slide 36
Developing world metals demand to show significant growth
US$ expenditure
(per capita)
10
20
30
40
50
GDP per capita (US$ 000)*
10
20
30
40
Aluminium
Copper
Iron Ore
Coking Coal
* 1 January 2008 real US dollars
Sources of data: CRU Quarterly Reports (January 2008); Brook Hunt Aluminium Metal
Service (February 2008); IISI

Steel Statistical Yearbook
(December 2007); World Bank (World Development Indicators Online
Database, February 2008); BHP Billiton analysis
China: $2,000 per capita

Slide 37
But, the dollar value of oil intensity per capita is 10 times
that of non ferrous metals
US$ Expenditure
(per capita)
100
200
300
400
500
GDP per capita (US$ 000)*
10
20
30
40
Crude Oil
Aluminium/Copper
China: $2,000 per capita
* 1 January 2008 real US dollars
Sources of data: CRU Quarterly Reports (January 2008); Brook Hunt Aluminium Metal

Service (February 2008); IISI
Steel
Statistical Yearbook (December 2007); World Bank (World Development Indicators Online Database, February 2008);
BP Statistical Review of World Energy June 2007; BHP Billiton analysis

Slide 38
0
500
1,000
1,500
2,000
2,500

3,000
3,500
4,000
4,500
5,000
5,500
FY02
H1 03
H2 03
H1 04
H2 04
H1 05
H2 05
H1 06
H2 06
H1 07
H2 07
H1 08
Petroleum
Aluminium
Base Metals
Iron Ore
Met Coal
Manganese
Energy Coal
SSM
Other
China

Diversification remains for sales into China

Currently 20% of total company revenues
US$m
431
785
1,075
1,357
371
1,588
Europe
Japan
Other Asia
Nth
America
China
ROW
Australia
2,407
2,946
3,611

3,999
5,293
5,013

Slide 39
But so is Metallurgical coal

Leading position in the seaborne market

100% BMA owned Hay Point limits impact of
infrastructure constraints

Significant growth options
Iron Ore is an important part of the mix

Geographic proximity to the growing Asian market

Record H1 production and shipments

Plans underway to expand WAIO to 300mtpa by 2015
And Manganese is a significant contributor

Largest supplier of seaborne manganese ore from high quality resource base

Manganese ore and alloy assets operating at record production levels in a strong demand environment
Broad exposure to carbon steel sector demand
20%
64%
Total Carbon Steel Sector H1 FY 2008
EBIT
(Total = US$2.6bn)
16%
Manganese
Met Coal
Iron Ore

Slide 40
Source:
EIA International Energy Outlook 2007
WNA Global Nuclear Fuel Market 2007
Well positioned to meet energy demand regardless of fuel mix
90
100
110
120
130
140
150
160
170
180
2007
2010
2015
2020
2025
2030

Energy Demand
Renewables
Nuclear
Gas
Oil
Coal
2007 = 100
Projected world primary energy demand

Slide 41
China s copper, nickel, aluminium and iron ore demand
and its percentage share of world demand
000 tonnes
Data: CRU Copper Quarterly, January 2008
000 tonnes
Data: CRU Nickel Quarterly, January 2008

Data: Brook Hunt Aluminium Metal Service, February 2008
000 tonnes
million tonnes
Data: IISI
Steel Statistical Yearbook (Dec. 2007); China Customs data
(www.customs.gov.cn); CRU -
"The Iron Ore Market Service" Interim
Report, December 2007; The Tex Report (February 2008); Iron ore data
are seaborne traded, based on import statistics
Copper
Nickel
Aluminium
Iron Ore
0
500
1,000
1,500
2,000
2,500
3,000
3,500
4,000
4,500
5,000
95
96
97
98
99
00
01
02
03
04
05
06
07
0%
5%
10%
15%
20%
25%
30%
Chinese refined copper
consumption
% share of world refined copper
consumption (right hand scale)
0
50

100
150
200
250
300
350
95
96
97
98
99
00
01
02
03
04
05
06
07
0%
5%
10%
15%
20%
25%
30%
Chinese primary nickel
consumption
% share of world primary nickel
consumption (right hand scale)
0
50
100
150
200
250
300
350
400
450
95
96
97
98
99
00
01
02
03
04

05
06
07
0%
5%
10%
15%
20%
25%
30%
35%
40%
45%
50%
Chinese iron ore imports
% share of global seaborne iron ore
(right hand scale)
0
2,000
4,000
6,000
8,000
10,000
12,000
14,000
95
96
97
98
99
00
01
02
03
04
05
06
07
0%
5%
10%
15%
20%
25%
30%
35%
Chinese aluminium
consumption
% share of global aluminium
consumption (right hand scale)

Slide 42
China and India account for a major share of world commodity
demand
Share of World Commodity Demand - 2007
0%
25%
50%

75%
100%
Other
Europe
Japan
USA
India
China
Notes: Iron ore is demand for seaborne imports. Steel data are for crude steel production. Coal includes all coal types. Source: CRU Quarterly Reports (January 2008), Brook
Hunt Aluminium Metal Service (February
2008), BP Statistical Review of World Energy June 2007, IISI
Steel Statistical Yearbook (December 2007);
BP Statistical Review of World Energy June 2007

Slide 43
China s intensity of aluminium use is rising but it has much further to climb
Aluminium - GDP per capita vs consumption per capita
0
5
10

15
20
25
30
0
5000
10000
15000
20000
25000
30000
35000
40000
45000
50000
GDP/Capita (Jan. 2008 Constant US Dollars)
China
Germany
India
Japan
Korea, Rep.
United States
Taiwan
Note: Based on a project of similar growth patterns to the other
nations shown
Source: World Bank (World Development Indicators Online Database, February 2008); Government
Statistics for Taiwan (www.stat.gov.tw); Brook Hunt Aluminium Metal Service (February 2008)

Slide 44
China s intensity of copper use is rising but it has much further to climb
Copper - GDP per capita vs consumption per capita
0
5
10

15
20
0
5000
10000
15000
20000
25000
30000
35000
40000
45000
50000
GDP/Capita (Jan. 2008 Constant US Dollars)
China
Germany
India
Japan
Korea, Rep.
United States
Taiwan
*Note: Based on a project of similar growth patterns to the other nations shown
Source: World Bank (World Development Indicators Online Database, February 2008); Government Statistics for Taiwan (www.stat.gov.tw); CRU Copper Quarterly (January 2008)

Slide 45
China s intensity of steel use is rising but it has much further to climb
Steel - GDP per capita vs consumption per capita
0
200
400

600
800
1000
1200
0
5000
10000
15000
20000
25000
30000
35000
40000
45000
50000
GDP/Capita (Jan. 2008 Constant US Dollars)
China
Germany
India
Japan
Korea, Rep.
United States
Taiwan
*Note: Based on a project of similar growth patterns to the other nations shown
Source: World Bank (World Development Indicators Online Database, February 2008); Government
Statistics for Taiwan (www.stat.gov.tw); IISI
Steel Statistical Yearbook (Dec. 2007)

Slide 46
China s energy use has far to grow, providing strong opportunities
for suppliers of energy raw materials
Energy - GDP per capita vs energy use per capita
0
2
4

6
8
10
0
5000
10000
15000
20000
25000
30000
35000
40000
45000
50000
GDP/Capita (Jan. 2008 Constant US Dollars)
China
Germany
India
Japan
Korea, Rep.
United States
Taiwan
*Note: Based on a project of similar growth patterns to the other nations shown
Source: World Bank
World Development Indicators Online Database (February 2008), Government Statistics for Taiwan (www.stat.gov.tw);
BP Statistical Review of World Energy June 2007

Slide 47
Inventories remain at historically low levels;
Real LME metal prices are still high
Monthly Real LME Metal Prices and Stocks
0
20
40

60
80
100
120
140
160
180
200
0
2
4
6
8
10
12
14
16
18
20
LME Price Index (left scale)
Stocks (right scale)
Source: Macquarie Capital Securities Research, February 2008. *
London Metal Exchange (LME) prices and stocks of Al, Cu, Zn, Pb, Ni
Stock/consumption ratios very low

Slide 48
1920-1945
Great Depression
World War II
High military demand
Investment dries up
Prices collapse

and stagnate
1975-2007
Emerging Market growth
Maturing of Japan
1990: Collapse of USSR
Re-birth
of US economy
Productivity & IT revolution
Commodification
Cost benefits from technology
and economies of scale
China s long boom
Renewed call
on
copper resources
Global Copper Prices in 1880-2007
0.00
0.50
1.00
1.50
2.00
2.50
3.00
3.50
4.00
1880
1890
1900
1910
1920
1930
1940
1950
1960
1970
1980
1990
2000
10-Year
Moving
Average
Real Annual
Cu Price
1880-1914
Second Industrial
Revolution & US economic expansion
Electrification
Colonial/imperial raw materials
networks
Rising real prices

Expansion of US
copper mining
Expansion in
African Copperbelt
Expansion in
Chile/Peru
Escondida &
Freeport
Flotation, open-pit
mining and
mechanisation
Flash smelting
Birth of Sx/Ew
WWI
WWII
Twin Oil
Shocks
Collapse
of USSR
Wall
Street
Crash
1920-2007
Sources of data: CRU Quarterly Reports (January 2008, and archives), US Geological Survey
Metal Prices in the US Through 1998
(http://minerals.usgs.gov/minerals), US Bureau of Economic Analysis (US CPI Database)
China s
Boom
1970s
Oil Shocks
Inflation/recession
Demand slumps
Substitution
LME pricing
Costs and prices
fall from peaks
Vietnam
War
1950-1973
Post-war boom
Japan s
economic miracle
High demand growth
Nationalisation in
Chile,
Peru, Mexico
and Africa
Costs and prices rise
Producer pricing
Korean

War

Slide 49
0.0
1.0
2.0
3.0
4.0
5.0

6.0
7.0
8.0
9.0
10.0
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
Exploration
Sustaining
Capex
Growth
Expenditure
Capital & exploration expenditure
US$bn
9.9
7.4
6.4
4.3
3.1
3.0
3.2
Total
1.3
0.8
0.8
0.5
0.5
0.3
0.4
Exploration
(1)
1.5
1.4
1.4
1.2
0.8
0.7
0.9
Sustaining & Other
7.1
5.2
4.2
2.6
1.8
2.0

1.9
Growth
2008F
2007
2006
2005
2004
2003
2002
US$ Billion
(1)
2008 Forecast includes
US$600m for Petroleum
F

Slide 50
Portfolio management
US$6.1bn of disposals
0
1,000
2,000
3,000
4,000
5,000
6,000
7,000
Sale Proceeds
Base Metals
D&SP
Energy Coal
SSM
Petroleum
Steel
Other
139
Dec 2007
444
FY 2007
6,146
Total proceeds
845
FY 2002
2,472
FY 2003
(1)
277
FY 2004
1,035
FY 2005
934
FY 2006
US$m
Proceeds from
sale of assets
(1) Includes BHP Steel demerger
and BHP Steel loans
(net of cash disposed and costs)
US$m

Slide 51
Sanctioned development projects (US$9.6bn)
Sanctioned
Third coal berth capable
of handling an estimated
30 million tpa
End CY10

390
Energy
Coal
Newcastle Third Port (Australia)
35.5%
Sanctioned
Incremental 1.8 million
tpa export coal
Incremental 2.1 million
tpa domestic
H2 CY09
450
Energy
Coal
Klipspruit
100%
Sanctioned
Additional 1 million tpa
manganese concentrate
H1 CY09
110
Mn Ore
GEMCO (Australia)
60
%
On time and
budget.
Increase system capacity
to 155 million tpa
H1 CY10
1,850
Iron Ore
Western Australia Iron Ore RGP
4 (Australia)
86.2%
On time and
budget.
7.6 million tpa
H1 CY08
590
Iron Ore
Samarco Third Pellet Plant
(Brazil)
50%
On time and
budget.
2 million tpa
Q2 CY09
725
Alumina

Alumar Refinery Expansion
(Brazil)
36%
Production Capacity
(100%)
Progress
Initial
Production
Target Date
Share of
Approved
Capex
US$m
Commodity
Minerals Projects

Slide 52
Sanctioned development projects (US$9.6bn) cont.
On revised
schedule and
budget
150 million cubic feet gas
per day

H1 CY08
46
Gas
Zamzama Phase 2 (Pakistan)
38.5%
On time and
budget.
LNG processing capacity
4.2 million tpa
Late CY08
350
LNG
North West Shelf 5th Train
(Australia)
16.67%
On time and
budget.
50,000 barrels and 50
million cubic feet gas per
day
Q1 CY08
405
Oil/Gas
Neptune (US)
35%
Production Capacity
(100%)
Progress
Initial
Production
Target Date
Share of
Approved
Capex
US$m
Commodity
Petroleum Projects
On revised
schedule and
budget
45,000 tpa nickel
Q1 CY08
556
Nickel
Yabulu (Australia)
100%
On time and
budget.
360,000 tpa nickel ore
H1 CY08

139
Nickel
Cliffs (Australia)
100%
Production Capacity
(100%)
Progress
Initial
Production
Target Date
Share of
Approved
Capex
US$m
Commodity
Minerals Projects
(cont d)

Slide 53
Sanctioned development projects (US$9.6bn) cont.
Sanctioned
10,000 bpd condensate
and processing capacity
of 80 million cubic feet
gas per day

CY11
500
Oil/Gas
Kipper (Australia)
32.5%-50%
On time and
budget.
96,000 barrels of oil and
60 million cubic feet gas
per day
H1 CY10
1,200
Oil/Gas
Pyrenees (Australia)
71.43%
On time and
budget.
Tie-back to Atlantis South
H2 CY09
100
Oil/Gas
Atlantis North (US)
44%
On time and
budget.
100,000 barrels and 50
million cubic feet of gas
per day
Mid CY09
1,940
Oil/gas
Shenzi (US)
44%
On time and
budget.
800 million cubic feet gas
per day and 50,000 bpd
condensate
End CY08
200
Oil/Gas
North West Shelf Angel
(Australia)
16.67%
Production Capacity
(100%)
Progress
Initial
Production
Target Date

Share of
Approved
Capex
US$m
Commodity
Petroleum Projects
(cont d)

Slide 54
Development projects in feasibility (US$6.5bn)
3.2 million tpa
H2 CY11
1,000
Alumina
Guinea Alumina Project (Guinea)

33.3%
1 million tpa clean coal
End CY08
50
Met Coal
Maruwai Stage 1 (Indonesia)
100%
6.9 million tpa bauxite
H2 CY09
320
Bauxite
Bakhuis (Suriname)
45%
Optimisation of existing
reserve base
H1 CY08
1,000
Energy Coal
Douglas-Middelburg Optimisation
(South Africa)
84%
5 million tpa clean coal
H2 CY10
405
Met Coal
Maruwai (Indonesia)
100%
1.1 million tpa
End CY10
1,750
Alumina
Worsley Efficiency and Growth
(Australia)
86%
Project Capacity
(100%)*
Forecast Initial
Production*
Estimated Share
of Capex*
US$m
Commodity
Minerals Projects
(US$4.7bn)
*
Indicative only

Slide 55
Development projects in feasibility (US$6.5bn) cont.
5.7 million tpa saleable coal
End CY10
480
Energy Coal
Navajo South Mine Extension

(USA)
100%
Maintain Nickel West system
capacity
H2 CY13
500
Nickel
Perseverance Deeps (Australia)
100%
7 million tpa saleable coal
End CY10
475
Energy Coal
Mt Arthur Coal UG (Australia)
100%
Project Capacity
(100%)*
Forecast Initial
Production*
Estimated Share
of Capex*
US$m
Commodity
Minerals Projects
(US$4.7bn)
LNG processing capacity
2.5 million tpa
H2 CY12
600
LNG
NWS North Rankin B
16.67%
Project Capacity
(100%)*
Forecast Initial
Production*
Estimated Share
of Capex*
US$m
Commodity
Petroleum Projects
(US$600m)
*
Indicative only

Slide 56
Development projects commissioned since July 2001
Q1 CY04
Q2 CY04
266
299
Products & Capacity Expansion (Australia)

85%
Q1 CY04
Q1 CY04
33
50
Cerrejon Zona Norte (Colombia)
33.3%
Q4 CY03
Q4 CY03
464
464
Ohanet (Algeria)
45%
Q4 CY03
Q2 CY04
411
449
Hillside 3 (South Africa)
100%
Q4 CY03
Q4 CY03
380
411
Mt Arthur North (Australia)
100%
Q3 CY03
Q4 CY03
171
181
Area C (Australia)

85%
Q2 CY03
Q3 CY03
40
40
Zamzama (Pakistan)
38.5%
Q2 CY01
Q2 CY01
752
775
Antamina (Peru)
33.75%
Q4 CY02
Q2 CY03
34
50
Bream Gas Pipeline (Australia)
50%

Q3 CY02
Q3 CY02
543
600
Escondida Phase IV (Chile)
57.5%
Q3 CY02
Q3 CY02
143
146
San Juan Underground (US)
100%
Q2 CY02
Q2 CY02
120
138
Tintaya Oxide (Peru)
99.9%
Q3 CY01
Q3 CY01
114
128
Typhoon (US)
50%
Mozal 2 (Mozambique)

47.1%
Project
Q2 CY03
Q4 CY03
311
405
Initial Production Date
Our Share of Capex
Actual
Budget
Actual
US$m
Budget
US$m

Slide 57
Development projects commissioned since July 2001
Q2 CY06
Q1 CY06
188
165
Worsley Development Capital Project (Australia)

86%
Q4 CY05
Q3 CY05
33
29
Paranam Refinery Expansion (Suriname)
45%
Oct 2005
Q4 CY05
251
230
Escondida Norte (Chile)
57.5%
Mid CY05
Mid CY05
100
90
BMA Phase 1 (Including Broadmeadow) (Australia)
50%
April 2005
Mid CY05
200
200
Dendrobium (Australia)
100%
April 2005
Early CY05
139
146
Panda Underground (Canada)
80%
Jan 2005
End CY04
337
327
Angostura (Trinidad)
45%
Q2 CY04
Q2 CY04
80
83
WA Iron Ore Accelerated Expansion (Australia)
85%
Jan 2005
End CY04
370
368
Mad Dog (US)
23.9%
Q4 CY04

Q4 CY04
132
132
GoM Pipelines Infrastructure (US)
22/25%
Q4 CY04
Q4 CY04
101
95
Western Australia Iron Ore RGP (Australia)
85%
Q4 CY04
Q4 CY04
192
192
ROD (Algeria)
36%
Mid CY04
Mid CY04
252
247
NWS Train 4 (Australia)
16.7%
Minerva (Australia)
90%
Project
Jan 2005
Q4 CY04
157
150
Initial Production Date
Our Share of Capex
Actual
Budget
Actual
US$m
Budget
US$m

Slide 58
Development projects commissioned since July 2001
Q4 CY07
Q4 CY07
144
(1)
140

Pinto Valley (USA)
100%
Q4 CY07
Q4 CY07
1,300
(1)
1,300
Western Australia Iron Ore RGP3 (Australia)
86.2%
Q4 CY07
Q1 CY08
2,079
(1)
2,200
Ravensthorpe (Australia)
100%
End CY07
End CY07
176
200
Koala Underground (Canada)

80%
Q2 CY08
Q2 CY08
380
(1)
380
Stybarrow (Australia)-
50%
H2 CY07
H2 CY07
1,630
(1)
1,630
Atlantis
South
(US)

44%
H2 CY07
H2 CY07
365
(1)
365
Genghis Khan
(US)

44%
H1 CY07

Mid CY07
140
(1)
100
Blackwater
Coal
Preparation
(Australia)

50%
Q4 CY06
H2 CY06
88
(1)
88
BMA Phase 2 (Australia)
50%
Q4 CY06
Q4 CY06
1,100
990
Spence (Chile)
100%
Q2 CY06
H2 CY06
566
500
Escondida
Sulphide
Leach
(Chile)

57.5%
Q2 CY06
H2 CY06
501
489
Western
Australia
Iron
Ore
RGP2
(Australia)

85%
Project
Initial Production Date
Our Share of Capex
Actual
Budget

Actual
US$m
Budget
US$m
(1)
Actual cost subject to finalisation.

Slide 59
Key net profit sensitivities
US$1/t on iron ore price
60
US$1/bbl on oil price
30
US$1/t on metallurgical coal price
25
USc1/lb on aluminium price
25
USc1/lb on copper price
25
US$1/t on energy coal price
25
USc1/lb on nickel price
2
AUD (USc1/A$) Operations
(2)
65
RAND (0.2 Rand/US$) Operations
(2)
35
(US$m)
Approximate impact
(1)

on FY 2008 net profit
after tax of changes of:

(1) Assumes total volumes exposed to price.
(2) Impact based on average exchange rate for the period.

e:8pt;">1.2
%

100.0
%

98.7

%

1.3
%

100.0
%
In the equipment fleet tables above, we have included total fleet count information based on CEU. CEU is a ratio used to convert the actual number of containers in our fleet to a figure based on the relative purchase prices of our various equipment types to that of a 20 foot dry container. For example, the CEU ratio for a 40 foot standard height dry container is 1.6, and a 40 foot high cube refrigerated container is 10.0. The CEU ratios used in this calculation are from our debt agreements and may differ slightly from current actual cost ratios and CEU ratios used by others in the industry.
We lease five types of equipment: (1) dry freight containers, which are used for general cargo such as manufactured component parts, consumer staples, electronics and apparel, (2) refrigerated containers, which are used for perishable items such as fresh and frozen foods, (3) special containers, which are used for heavy and over-sized cargo such as marble slabs,

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building products and machinery, (4) tank containers, which are used to transport bulk liquid products such as chemicals, and (5) chassis, which are used for the transportation of containers domestically. Our in-house equipment sales group manages the sale process for our used containers and chassis from our equipment leasing fleet and buys and sells used and new containers and chassis acquired from third parties.

The percentage of our equipment fleet by equipment type as of September 30, 2014 and the percentage of our leasing revenues by equipment type for the nine months ended September 30, 2014 are as follows:

Equipment Type	Percent of total fleet in units		Percent of total fleet in CEU		Percent of leasing revenues	
Dry	87.1	%	60.6	%	64.4	%
Refrigerated	4.8		23.0		20.6	
Special	4.2		5.0		7.3	
Tank	0.7		5.5		3.5	
Chassis	1.0		1.9		2.0	
Equipment leasing fleet	97.8		96.0		97.8	
Equipment trading fleet	2.2		4.0		2.2	
Total	100.0	%	100.0	%	100.0	%

We generally lease our equipment on a per diem basis to our customers under three types of leases: long-term leases, finance leases and service leases. Long-term leases, typically with initial contractual terms ranging from three to eight years, provide us with stable cash flow and low transaction costs by requiring customers to maintain specific units on-hire for the duration of the lease. Finance leases, which are typically structured as full payout leases, provide for a predictable recurring revenue stream with the lowest cost to the customer because customers are generally required to retain the equipment for the duration of its useful life. Service leases command a premium per diem rate in exchange for providing customers with a greater level of operational flexibility by allowing the pick-up and drop-off of units during the lease term. We also have expired long-term leases whose fixed terms have ended but for which the related units remain on-hire and for which we continue to receive rental payments pursuant to the terms of the initial contract. Some leases have contractual terms that have features reflective of both long-term and service leases and we classify such leases as either long-term or service leases, depending upon which features we believe are predominant.

The following table provides a summary of our equipment leasing fleet portfolio by lease type, based on CEU as of the dates indicated below:

Lease Portfolio	September 30, 2014		December 31, 2013		September 30, 2013	
Long-term leases	66.9	%	68.0	%	69.3	%
Finance leases	8.5		9.2		7.6	
Service leases	18.3		18.0		17.4	
Expired long-term leases (units on-hire)	6.3		4.8		5.7	
Total	100.0	%	100.0	%	100.0	%

As of September 30, 2014, December 31, 2013 and September 30, 2013, our long-term and finance leases combined had average remaining contract terms of approximately 42 months, 44 months, and 42 months, respectively, assuming no leases are renewed.

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Operating Performance

Our profitability is primarily determined by the extent to which our leasing and other revenues exceed our ownership, operating and administrative expenses. Our profitability is also impacted by the gains or losses that we realize on the sale of our used equipment and the net sales margins on our equipment trading activities.

Our leasing revenues are primarily driven by the size of our owned fleet, our equipment utilization and the average lease rates in our lease portfolio. Our leasing revenues also include ancillary fees driven by container pick-up and drop-off volumes. Leasing revenues for the third quarter of 2014 increased 4.2% from the third quarter of 2013.

Owned fleet size. As of September 30, 2014, our owned fleet included 2,749,832 CEU, an increase of 5.4% from December 31, 2013 and 8.9% from September 30, 2013. The increase in our fleet size over the third quarter of 2013 was primarily due to our purchases of new containers and the completion of several large sale-leaseback transactions during 2013 and 2014. These investments were supported by solid leasing demand. In 2014, leasing demand has been driven by improved trade growth and the continued market share shift from owned to leased containers. Market forecasters are generally projecting global trade growth will be between 5% and 6% this year and our customers have continued to lease a larger than normal share of their new container requirements due to strains on their financial performance created by excess vessel capacity and weak freight rates.

As of October 22, 2014, we have purchased over $585 million of containers for delivery in 2014 through new orders and sale-leaseback transactions.

Utilization. Our average utilization was 97.9% during the third quarter of 2014, an increase from 97.3% in both the second quarter of 2014 and the third quarter of 2013. Our utilization remains historically high due to the relatively tight supply/demand balance for containers and the high percentage of our units that are on-hire to customers on long-term or finance leases. In general, we expect that our utilization will remain at a high level in 2014, though over time we expect our utilization will moderate gradually as the global supply and demand for containers normalizes.

The following tables set forth our equipment fleet utilization(1) for the periods indicated below:

	Quarter Ended				
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Average Utilization	97.9 %	97.3 %	97.1 %	97.0 %	97.3 %

	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Ending Utilization	98.1 %	97.7 %	96.9 %	97.2 %	97.0 %

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(1) Utilization is computed by dividing our total units on lease (in CEU) by the total units in our fleet (in CEU) excluding new units not yet leased and off-hire units designated for sale.

Average lease rates. Average lease rates in the third quarter of 2014 for our dry container product line decreased by 2.1% from the second quarter of 2014 and 6.6% from the third quarter of 2013, excluding the impact of sale-leaseback transactions. Lower new container prices, widespread availability of attractively priced financing, and extremely aggressive competition for new leasing transactions continue to pressure market lease rates, and market lease rates for dry containers are currently well below our portfolio average. Low market lease rates negatively impact our overall average lease rates as we add new containers to our fleet and as existing containers either have leases renegotiated and re-priced at expiration or as the containers are dropped-off from older leases with higher lease rates and picked-up onto new leases with lower lease rates. We expect our dry container lease rates will continue to decrease for the remainder of 2014, and if market lease rates remain near their current low level for an extended period of time, we expect the decrease in our average dry container lease rates will accelerate in 2015 and 2016 due to the large number of leases with high lease rates that are scheduled to expire in those years.

Average lease rates in the third quarter of 2014 for our refrigerated container product line decreased by 4.0% from the third quarter of 2013. For several years, our average lease rates for refrigerated containers have been negatively impacted by historically low market leasing rates. The cost of refrigeration machines included in refrigerated

containers has trended down over the last few years, which has led to lower refrigerated container prices and lease rates. Lease rates for new refrigerated containers are also being negatively impacted by the widespread availability of attractively priced financing and aggressive competition.

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The average lease rates for special containers were approximately 3.2% higher in the third quarter of 2014, compared to the third quarter of 2013, excluding the impact of sale-leaseback transactions. This increase is mainly the result of the drop-off and sale of older special containers that were on leases with rates well below our portfolio average.
Equipment disposals. During the third quarter of 2014, we recognized a $0.9 million gain on the sale of our used containers, compared to a gain of $4.3 million in the third quarter of 2013.
In the third quarter of 2014, our gain on sale was negatively impacted by lower average sale prices for used containers. Our average used container selling prices decreased approximately 18% from the third quarter of 2013 as leasing companies and shipping lines have increased disposal volumes in response to the gradual normalization of the global container supply/demand balance. We expect used container selling prices will continue to trend down toward historical levels as the global supply and demand balance for containers continues to normalize.
Our gain on equipment disposals has also been negatively impacted by a decrease in the disposal volume of original TAL dry containers and by high purchase prices paid for sale-leaseback containers. In general, used dry container sale prices remain above our long-term estimated residual values, and the per unit gains on the disposal of original TAL dry containers remain relatively high. However, TAL purchased few new containers in the late 1990’s and early 2000’s, and as a result, we have a limited amount of original TAL dry containers currently available for sale.
TAL has been supplementing its reduced sale volume of original TAL containers with older containers purchased from our customers through sale-leaseback transactions. These containers have generally been purchased for prices higher than the net book value of original TAL containers of similar ages. The higher purchase prices are supported by per diem revenue and drop-off fees received by TAL under the terms of the leaseback agreements, and these sale-leaseback transactions remain profitable on an overall basis. However, TAL has started to recognize losses on the disposal of a large portion of our sale-leaseback containers due to the reduction in sale prices for used containers and the fact that lease revenue and fees are excluded from the gain or loss calculations upon disposal.
Equipment ownership expenses. Our ownership expenses, which consist of depreciation and interest expense, increased by $4.5 million or 5.7% in the third quarter of 2014 as compared to the third quarter of 2013. This increase in our ownership expenses was less than the increase in the average net book value of our revenue earning assets, which increased by approximately 7.8% from the third quarter of 2013 to the third quarter of 2014.
Depreciation expense increased $4.9 million or 9.4% in the third quarter 2014 as compared to the third quarter of 2013 mainly due to the net increase in the size of our depreciable fleet. Depreciation expense increased faster than our revenue earning assets mainly reflecting a decrease in the portion of our fleet that is fully depreciated. TAL purchased few new containers in the late 1990's and early 2000's, and as a result, we have relatively few original TAL containers reaching the end of their depreciable lives. We expect the portion of fully depreciated containers in our fleet will continue to trend down for the next several years.
Interest expense decreased $0.4 million or 1.5% in the third quarter of 2014 as compared to the third quarter of 2013. This decrease was due to a decrease in our average effective interest rate, partially offset by an increase in our average outstanding debt. Our average effective interest rate decreased to 3.62% in the third quarter of 2014 as compared to 3.80% in the third quarter of 2013 reflecting the refinancing of selected debt facilities with lower cost debt and the issuance of new debt at interest rates lower than those on our existing debt facilities. Our average outstanding debt increased by 3.35% mainly due to the 7.8% increase in average revenue earning assets.
Credit performance. We recorded a small provision for doubtful accounts during the third quarter of 2014, compared to a $0.3 million provision during the third quarter of 2013. While our credit performance was strong during the third quarter of 2014, our overall concern about credit risk remains heightened due to the difficult market conditions facing our shipping line customers. Most of the major shipping lines have reported modest or negative profitability over the last few years due to persistent excess vessel capacity and weak freight rates. Several shipping lines are also currently undertaking significant financial restructurings due to high current financial leverage and ongoing sizable losses. In addition, it is anticipated that the volume of new vessels entering service over the next several years will cause the global container vessel fleet to grow at a higher rate than global containerized trade. As a result, we expect freight rates and our customers' financial performance to remain under pressure.
Operating expenses. Direct operating expenses were $8.3 million in the three months ended September 30, 2014, compared to $6.9 million in the same period in 2013, an increase of $1.4 million. This increase was due to an increase

of $1.0 million, mostly in repair, handling, and repositioning expenses due to a larger volume of pick-up and drop-off activity. In addition, there was an increase in survey costs of $0.6 million related to increased procurement activity. Our storage costs remained relatively flat, despite an increase in utilization due to an increase in the average number of containers held for sale of 4,802 TEU or 14.2% from the third quarter of 2013 to the third quarter of 2014.

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Our administrative expenses increased $0.9 million to $11.3 million in the third quarter of 2014, compared to $10.4 million in the third quarter of 2013. This increase was mainly due to an increase in incentive compensation and foreign exchange losses on our Euro and GBP denominated assets and liabilities.

Dividends

We paid the following quarterly dividends during the nine months ended September 30, 2014 and 2013 on our issued and outstanding common stock:

Record Date	Payment Date	Aggregate Payment	Per Share Payment
September 3, 2014	September 24, 2014	$24.2 Million	$0.72
June 3, 2014	June 24, 2014	$24.2 Million	$0.72
March 3, 2014	March 24, 2014	$24.2 Million	$0.72
September 3, 2013	September 24, 2013	$22.8 Million	$0.68
June 4, 2013	June 25, 2013	$22.1 Million	$0.66
March 7, 2013	March 28, 2013	$21.4 Million	$0.64

Historically, most of our dividends have been treated as a non-taxable return of capital, and based on our current estimates we believe that our dividends paid in 2014 will also be treated as a non-taxable return of capital to TAL shareholders. The taxability of the dividends to TAL shareholders does not impact TAL's corporate tax position. Investors should consult with a tax adviser to determine the proper tax treatment of these distributions.

Stock Buyback Program

On March 13, 2006, our Board of Directors authorized a stock buyback program for the repurchase of our common stock. The stock repurchase program, as now amended, authorizes us to repurchase up to 4.0 million shares. During the third quarter of 2014, TAL repurchased 176,000 shares at an average price of $43.67. As of September 30, 2014, 812,157 shares may yet be purchased under the stock buyback program.

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Results of Operations

The following table summarizes our results of operations for the three and nine months ended September 30, 2014 and 2013 (in thousands of dollars):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Leasing revenues:				
Operating leases	$145,613	$139,994	$424,432	$410,352
Finance leases	4,441	3,868	14,118	10,118
Other revenues	470	582	1,464	1,944
Total leasing revenues	150,524	144,444	440,014	422,414
Equipment trading revenues	13,745	13,984	45,026	64,051
Equipment trading expenses	(12,032)	(11,977)	(39,450)	(55,082)
Trading margin	1,713	2,007	5,576	8,969
Net gain on sale of leasing equipment	870	4,293	6,427	22,580
Operating expenses:				
Depreciation and amortization	57,198	52,321	165,238	151,470
Direct operating expenses	8,287	6,854	25,236	19,034
Administrative expenses	11,317	10,432	34,277	32,950
Provision for doubtful accounts	22	256	58	1,759
Total operating expenses	76,824	69,863	224,809	205,213
Operating income	76,283	80,881	227,208	248,750
Other expenses:				
Interest and debt expense	26,695	27,105	81,202	84,291
Write-off of deferred financing costs	173	—	5,072	2,578
Net (gain) loss on interest rate swaps	(545)	295	410	(8,125)
Total other expenses	26,323	27,400	86,684	78,744
Income before income taxes	49,960	53,481	140,524	170,006
Income tax expense	17,343	18,820	48,534	59,949
Net income	$32,617	$34,661	$91,990	$110,057

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Comparison of Three Months Ended September 30, 2014 to Three Months Ended September 30, 2013

Leasing revenues. The principal components of our leasing revenues are presented in the following table. Per diem revenue represents daily usage revenue earned under operating lease contracts; fee and ancillary lease revenue represent fees billed for the pick-up and drop-off of containers in certain geographic locations and billings of certain reimbursable operating costs such as repair and handling expenses; and finance lease revenue represents interest income earned under finance lease contracts.

	Three Months Ended September 30,	
	2014	2013
	(in thousands)	
Leasing revenues:		
Operating lease revenues:		
Per diem revenue	$138,672	$133,721
Fee and ancillary lease revenue	6,941	6,273
Total operating lease revenue	145,613	139,994
Finance lease revenue	4,441	3,868
Other revenues	$470	$582
Total leasing revenues	$150,524	$144,444

Total leasing revenues were $150.5 million in the three months ended September 30, 2014, compared to $144.4 million in the same period in 2013, an increase of $6.1 million, or 4.2%.

Per diem revenue increased by $5.0 million, or 3.7%, compared to the three months ended September 30, 2013. The primary reasons for this increase are as follows:

- $11.1 million increase due to an increase of approximately 178,000 CEU in the average number of containers on-hire under operating leases; partially offset by a
- $6.2 million decrease due to lower average per diem rates.

Fee and ancillary lease revenue increased by $0.7 million in the three months ended September 30, 2014, compared to the same period in 2013. This increase was primarily due to a $0.5 million increase in handling revenue due to higher pick-up and and drop-off volumes. In addition, there was an increase of $0.4 million in reimbursable repair costs.

Finance lease revenue increased by $0.6 million in the three months ended September 30, 2014, compared to the same period in 2013, primarily due to an increase in the average size of our finance lease portfolio partially offset by a decrease in the portfolio average interest rate.

Equipment Trading Activities. Equipment trading revenues represent the proceeds on the sale of equipment purchased for resale. Equipment trading expenses represent the cost of equipment sold, including costs associated with the acquisition, maintenance and selling of trading inventory, such as positioning, repairs, handling and storage costs, and estimated direct selling and administrative costs.

	Three Months Ended September 30,	
	2014	2013
	(in thousands)	
Equipment trading revenues	$13,745	$13,984
Equipment trading expenses	(12,032)	(11,977)
Equipment trading margin	$1,713	$2,007

The equipment trading margin was $1.7 million in the three months ended September 30, 2014, compared to $2.0 million in the same period in 2013. Equipment trading margin decreased by $0.3 million due to lower per unit margins on equipment sold resulting from declining selling prices.

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Net gain on sale of leasing equipment. Gain on sale of equipment was $0.9 million for the three months ended September 30, 2014, compared to $4.3 million in the same period in 2013, a decrease of $3.4 million. The primary reasons for this decrease are as follows:

- $4.2 million decrease due to a 18% decrease in used dry container selling prices; partially offset by a
- $0.7 million increase due to an increase in sales volume.

Depreciation and amortization. Depreciation and amortization was $57.2 million in the third quarter of 2014, compared to $52.3 million in the third quarter of 2013, an increase of $4.9 million or 9.4%. Depreciation expense increased $5.5 million primarily due to the net increase in the size of our depreciable fleet, partially offset by a decrease of $0.6 million due to equipment becoming fully depreciated.

Direct operating expenses. Direct operating expenses primarily consist of our costs to repair equipment returned off lease, to store the equipment when it is not on lease and to reposition equipment that has been returned to locations with weak leasing demand.

Direct operating expenses were $8.3 million in the three months ended September 30, 2014, compared to $6.9 million in the same period in 2013, an increase of $1.4 million. This increase was due to an increase of $1.0 million, mostly in repair, handling, and repositioning expenses resulting from a larger volume of pick-up and drop-off activity. In addition, there was an increase in survey costs of $0.6 million related to increased procurement activity. Our storage costs remained relatively flat, despite an increase in utilization due to an increase in the average number of containers held for sale of 4,802 TEU or 14.2% from the third quarter of 2013 to the third quarter of 2014.

Administrative expenses. Administrative expenses were $11.3 million in the third quarter of 2014 compared to $10.4 million in the same period in 2013, an increase of $0.9 million or 8.7%. This increase was mainly due to foreign exchange losses on our Euro and GBP denominated assets and increased incentive compensation.

Provision for doubtful accounts. Our provision for doubtful accounts was minimal in the third quarter of 2014, compared to $0.3 million in the third quarter of 2013.

Interest and debt expense. Interest and debt expense was $26.7 million in the third quarter of 2014, compared to $27.1 million in the third quarter of 2013, a decrease of $0.4 million. Interest and debt expense decreased by $1.7 million due to a lower effective interest rate of 3.62% in the third quarter of 2014, compared to 3.80% in the prior year quarter. This was partially offset by a $1.3 million increase due to a higher average debt balance of $2,884.5 million in the third quarter of 2014, compared to $2,791.0 million in the prior year quarter.

Net (gain) loss on interest rate swaps. Net gain on interest rate swaps was $0.5 million in the three months ended September 30, 2014, compared to a loss of $0.3 million in the same period in 2013. While the large majority of our interest rate swap agreements have been designated as hedges and generally do not incur accounting gains or losses, a small portion of our interest rate swaps are not designated as hedges and thus are subject to revaluation. The fair value of these non-designated interest rate swap agreements increased during the third quarter of 2014 due to an increase in long term interest rates. Under the majority of our interest rate swap agreements, we make interest payments based on fixed interest rates and receive payments based on the applicable prevailing variable interest rate. As long term interest rates increased during the third quarter of 2014, the current market rate on interest rate swap agreements with similar terms increased relative to our existing interest rate swap agreements, which caused the fair value of our existing interest rate swap agreements to increase during the quarter.

Income tax expense. Income tax expense was $17.3 million in the three months ended September 30, 2014, compared to $18.8 million in the same period in 2013. The effective tax rates for the three months ended September 30, 2014 and 2013 were 34.7% and 35.2%, respectively. Our effective tax rate decreased due to changes in state apportionment factors for several states which lowered our state effective tax rate.

While we record income tax expense, we do not currently pay any significant federal, state or foreign income taxes due to the availability of net operating loss carryovers and accelerated tax depreciation for our equipment. The majority of the expense recorded for income taxes is recorded as a deferred tax liability on the balance sheet. We anticipate that the deferred income tax liability will continue to grow for the foreseeable future.

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Comparison of Nine Months Ended September 30, 2014 to Nine Months Ended September 30, 2013

Leasing revenues. The principal components of our leasing revenues are presented in the following table. Per diem revenue represents daily usage revenue earned under operating lease contracts; fee and ancillary lease revenue represent fees billed for the pick-up and drop-off of containers in certain geographic locations and billings of certain reimbursable operating costs such as repair and handling expenses; and finance lease revenue represents interest income earned under finance lease contracts.

	Nine Months Ended September 30,	
	2014	2013
	(in thousands)	
Leasing revenues:		
Operating lease revenues:		
Per diem revenue	$403,402	$393,387
Fee and ancillary lease revenue	21,030	16,965
Total operating lease revenue	424,432	410,352
Finance lease revenue	14,118	10,118
Other revenues	$1,464	$1,944
Total leasing revenues	$440,014	$422,414

Total leasing revenues were $440.0 million in the nine months ended September 30, 2014, compared to $422.4 million in the same period in 2013, an increase of $17.6 million, or 4.2%.

Per diem revenue increased by $10.0 million, or 2.5%, compared to the nine months ended September 30, 2013. The primary reasons for this increase are as follows:

- $23.8 million increase due to an increase of approximately 129,000 CEU in the average number of containers on-hire under operating leases; partially offset by a
- $13.8 million decrease due to lower average per diem rates.

Fee and ancillary lease revenue increased by $4.1 million in the nine months ended September 30, 2014, compared to the same period in 2013, primarily due to a $2.7 million increase in reimbursable repair costs. In addition, there was an increase of $1.1 million in handling revenue due to higher pick-up and drop-off volumes.

Finance lease revenue increased by $4.0 million in the nine months ended September 30, 2014, compared to the same period in 2013. This is mainly due to an increase in the average size of our finance lease portfolio partially offset by a decrease in the portfolio average interest rate.

Equipment Trading Activities. Equipment trading revenues represent the proceeds on the sale of equipment purchased for resale. Equipment trading expenses represent the cost of equipment sold, including costs associated with the acquisition, maintenance and selling of trading inventory, such as positioning, repairs, handling and storage costs, and estimated direct selling and administrative costs.

	Nine Months Ended September 30,	
	2014	2013
	(in thousands)	
Equipment trading revenues	$45,026	$64,051
Equipment trading expenses	(39,450)	(55,082)
Equipment trading margin	$5,576	$8,969

The equipment trading margin was $5.6 million in the nine months ended September 30, 2014, compared to $9.0 million in the same period in 2013, a decrease of $3.4 million. The trading margin decreased by $1.9 million due to lower per unit margins on equipment sold and decreased by $1.6 million due to lower sales volumes.

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Net gain on sale of leasing equipment. Gain on sale of equipment was $6.4 million in the nine months ended September 30, 2014, compared to $22.6 million in the same period in 2013, a decrease of $16.2 million. The primary reasons for this decrease are as follows:

- $16.3 million decrease due to a decline of approximately 19% in used dry container selling prices;
- $2.5 million decrease due to larger gains in 2013 related to units declared lost by one of our customers, which were not repeated in 2014; partially offset by a
- $2.7 million increase due to an increase in sales volume.

Depreciation and amortization. Depreciation and amortization was $165.2 million in the nine months ended September 30, 2014, compared to $151.5 million in the same period in 2013, an increase of $13.7 million or 9.0%. Depreciation expense increased by $16.1 million due to the net increase in the size of our depreciable fleet, partially offset by a decrease of $2.4 million due to equipment becoming fully depreciated.

Direct operating expenses. Direct operating expenses primarily consist of our costs to repair equipment returned off lease, to store the equipment when it is not on lease and to reposition equipment that has been returned to locations with weak leasing demand.

Direct operating expenses were $25.2 million in the nine months ended September 30, 2014, compared to $19.0 million in the same period in 2013, an increase of $6.2 million. This increase was primarily driven by a $2.3 million increase in storage costs due to an increase in the number of containers off-hire, a $1.9 million increase in repair expense, and a $1.4 million increase mainly in handling and repositioning expenses resulting from a larger volume of pick-up and drop-off activity. In addition, there was an increase in survey costs of $0.7 million due to increased procurement activity.

Administrative expenses. Administrative expenses were $34.3 million in the nine months ended September 30, 2014 compared to $33.0 million in the same period in 2013, an increase of $1.3 million or 3.9%. This increase was mainly due to increased incentive compensation.

Provision for doubtful accounts. Our provision for doubtful accounts was $0.1 million for the nine months ended September 30, 2014, compared to $1.8 million in the nine months ended September 30, 2013. In 2013, we recorded a provision related to payment defaults and estimated recovery costs for several small regional shipping lines. We have had no such defaults this year.

Interest and debt expense. Interest and debt expense was $81.2 million in the nine months ended September 30, 2014, compared to $84.3 million in the nine months ended September 30, 2013, a decrease of $3.1 million. Interest and debt expense decreased by $7.4 million due to a lower effective interest rate of 3.72% in the nine months ended September 30, 2014, compared to 4.06% for the same period in 2013. This was partially offset by an increase of $4.3 million due to a higher average debt balance of $2,876.1 million in the nine months ended September 30, 2014, compared to $2,736.2 million in the nine months ended September 30, 2013.

Net loss (gain) on interest rate swaps Net loss on interest rate swaps was $0.4 million in the nine months ended September 30, 2014, compared to a gain of $8.1 million in the same period in 2013. While the large majority of our interest rate swap agreements have been designated as hedges and generally do not incur accounting gains or losses, a small portion of our interest rate swaps are not designated as hedges and thus are subject to revaluation. The fair value of these non-designated interest rate swap agreements decreased during the nine months ended September 30, 2014 due to a decrease in long term interest rates. Under the majority of our interest rate swap agreements, we make interest payments based on fixed interest rates and receive payments based on the applicable prevailing variable interest rate. As long term interest rates decreased during 2014, the current market rate on interest rate swap agreements with similar terms decreased relative to our existing interest rate swap agreements, which caused the fair value of our existing interest rate swap agreements to decrease.

Income tax expense. Income tax expense was $48.5 million in the nine months ended September 30, 2014, compared to $59.9 million in the same period in 2013. The effective tax rates for the nine months ended September 30, 2014 and 2013 were 34.5% and 35.3%, respectively. Our effective tax rate decreased due to changes in state apportionment factors for several states which lowered our state effective tax rate.

While we record income tax expense, we do not currently pay any significant federal, state or foreign income taxes due to the availability of net operating loss carryovers and accelerated tax depreciation for our equipment. The

majority of the expense recorded for income taxes is recorded as a deferred tax liability on the balance sheet. We anticipate that the deferred income tax liability will continue to grow for the foreseeable future.

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Business Segments

We operate our business in one industry, intermodal transportation equipment, and in two business segments, Equipment leasing and Equipment trading.

Equipment leasing

We own, lease and ultimately dispose of containers and chassis from our leasing fleet, as well as manage containers owned by third parties. Equipment leasing segment revenues represent leasing revenues from operating and finance leases, fees earned on managed container leasing activities, as well as other revenues. Expenses related to equipment leasing include direct operating expenses, administrative expenses, depreciation expense and interest expense. The Equipment leasing segment also includes gains and losses on the sale of owned leasing equipment.

Equipment trading

We purchase containers from shipping line customers and other sellers of containers, and resell these containers to container retailers and users of containers for storage or one-way shipment. Equipment trading segment revenues represent the proceeds on the sale of containers purchased for resale. Expenses related to equipment trading include the cost of containers purchased for resale that were sold and related selling costs, as well as direct operating expenses, administrative expenses and interest expense.

Segment income before income taxes

The following table lists the income before income taxes for the Equipment leasing and Equipment trading segments for the periods indicated:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	% Change	2014	2013	% Change
	(in thousands)			(in thousands)		
Income before income taxes(1)						
Equipment leasing segment	$45,928	$49,320	(6.9)%	$134,253	$150,538	(10.8)%
Equipment trading segment	$3,660	$4,456	(17.9)%	$11,753	$13,921	(15.6)%

(1) In the three months ended September 30, 2014 and 2013, income before income taxes excludes net gains and losses on interest rate swaps of $0.5 million and $0.3 million, respectively, and the write-off of deferred financing costs of $0.2 million for the three months ended September 30, 2014. There was no write-off of deferred financing costs for the three months ended September 30, 2013. For the nine months ended September 30, 2014 and 2013, income before income taxes excludes net losses and gains on interest rate swaps of $0.4 million and $8.1 million, respectively, and the write-off of deferred financing costs of $5.1 million and $2.6 million, respectively.

Equipment leasing income before income taxes. Income before income taxes for the Equipment leasing segment was $45.9 million in the three months ended September 30, 2014, compared to $49.3 million in the same period in 2013, a decrease of $3.4 million, which was primarily due to a decrease in used container disposal gains.

Income before income taxes for the Equipment leasing segment was $134.3 million in the nine months ended September 30, 2014, compared to $150.5 million in the same period in 2013, a decrease of $16.2 million, which was primarily due to a $16.1 million decrease in used container disposal gains.

Equipment trading income before income taxes. Income before income taxes for the Equipment trading segment was $3.7 million in the three months ended September 30, 2014, compared to $4.5 million in the same period in 2013, a decrease of $0.8 million. This decrease was primarily due to a $0.3 million decrease in trading margin resulting from lower per unit margins on equipment sold and a $0.5 million decrease in leasing margin (leasing revenue less depreciation and interest) resulting from a decrease in units on lease that were purchased for resale.

Income before income taxes for the Equipment trading segment was $11.8 million in the nine months ended September 30, 2014, compared to $13.9 million in the same period in 2013, a decrease of $2.1 million. This decrease was primarily due to a $3.4 million decrease in the equipment trading margin resulting from lower sales volumes and lower per unit margins on equipment sold. This was partially offset by a $1.1 million increase in leasing margin (leasing revenue less depreciation and interest) resulting from a longer period of on-hire time in 2014 for those units on lease that were purchased for resale, partially offset by a decrease in the number of units on lease.

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Liquidity and Capital Resources

Our principal sources of liquidity are cash flows provided by operating activities, proceeds from the sale of our leasing equipment, principal payments on finance lease receivables and borrowings under our credit facilities. Our cash in-flows and borrowings are used to finance capital expenditures, meet debt service requirements and pay dividends.

We continue to have sizable cash in-flows. For the twelve months ended September 30, 2014, cash provided by operating activities, together with the proceeds from the sale of our leasing equipment and principal payments on our finance leases, was $608.5 million. In addition, as of September 30, 2014 we had $73.4 million of unrestricted cash and $375.0 million of additional borrowing capacity under our current credit facilities.

As of September 30, 2014, major committed cash outflows in the next 12 months include $393.3 million of scheduled principal payments on our existing debt facilities and $114.1 million of committed but unpaid capital expenditures.

We believe that cash provided by operating activities and existing cash, proceeds from the sale of our leasing equipment, principal payments on our finance lease receivables and availability under our borrowing facilities will be sufficient to meet our obligations over the next 12 months.

At September 30, 2014, our outstanding indebtedness was comprised of the following (amounts in millions):

	Current Amount Outstanding	Maximum Borrowing Commitment
Asset backed securitization (ABS) term notes	$1,299.5	$1,299.5
Term loan facilities	880.7	880.7
Asset backed warehouse facility	280.0	550.0
Revolving credit facilities	445.0	550.0
Capital lease obligations	99.7	99.7
Total Debt	$3,004.9	$3,379.9

The maximum commitment levels depicted in the chart above may not reflect the actual availability under all of the credit facilities. Certain of these facilities are governed by borrowing bases that limit borrowing capacity to an established percentage of relevant assets.

As of September 30, 2014, we had $1,375.9 million of debt outstanding on facilities with fixed interest rates and $1,629.0 million of debt outstanding on facilities with interest rates based on floating rate indices (primarily LIBOR). We economically hedge the risks associated with fluctuations in interest rates on our floating rate borrowings by entering into interest rate swap agreements that convert a portion of our floating rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense. As of September 30, 2014, we had interest rate swaps in place with a net notional amount of $1,135.5 million to fix the floating interest rates on a portion of our floating rate debt obligations.

Debt Covenants

We are subject to certain financial covenants under our debt agreements. As of September 30, 2014, we were in compliance with all such covenants. Below are the primary financial covenants to which we are subject:

- Minimum Earnings Before Interest and Taxes ("Covenant EBIT") to Cash Interest Expense;
- Minimum Tangible Net Worth ("TNW"); and
- Maximum Indebtedness to TNW.

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Non-GAAP Measures

We primarily rely on our results measured in accordance with generally accepted accounting principles ("GAAP") in evaluating our business. Covenant EBIT, Cash Interest Expense, TNW, and Indebtedness are non-GAAP financial measures defined in our debt agreements that are used to determine our compliance with certain covenants contained in our debt agreements and should not be used as a substitute for analysis of our results as reported under GAAP. However, we believe that the inclusion of this non-GAAP information provides additional information to investors regarding our debt covenant compliance.

Minimum Covenant EBIT to Cash Interest Expense

For the purpose of this covenant, Covenant EBIT is calculated based on the cumulative sum of our earnings for the last four quarters (excluding income taxes, interest expense, amortization, net gain or loss on interest rate swaps and certain non-cash charges). Cash Interest Expense is calculated based on interest expense adjusted to exclude interest income, amortization of deferred financing costs, and the difference between current and prior period interest expense accruals.

Minimum Covenant EBIT to Cash Interest Expense is calculated on a consolidated basis and for certain of our wholly-owned special purpose entities ("SPEs"), whose primary activity is to issue asset backed notes. Covenant EBIT for each of our SPEs is calculated based on the net earnings generated by the assets pledged as collateral for the underlying debt issued. The actual Covenant EBIT to Cash Interest Expense ratio for each SPE may differ depending on the specific net earnings associated with those pledged assets. As of September 30, 2014, the minimum and actual consolidated Covenant EBIT to Cash Interest Expense ratio and Covenant EBIT to Cash Interest Expense ratio for each of the issuers of our debt facilities whose initial borrowing capacity was approximately $200 million or greater were as follows:

Entity/Issuer	Minimum Covenant EBIT to Cash Interest Expense Ratio	Actual Covenant EBIT to Cash Interest Expense Ratio
Consolidated	1.10	3.05
TAL Advantage I, LLC	1.10	7.82
TAL Advantage III, LLC	1.30	2.51
TAL Advantage IV, LLC	1.10	2.18
TAL Advantage V, LLC	1.10	2.50*

* Reflects the weighted average for all series of notes issued by TAL Advantage V, LLC. Each series of notes must comply separately with this covenant, and as of September 30, 2014, each series is in compliance.

Minimum TNW and Maximum Indebtedness to TNW Covenants

We are required to meet consolidated Minimum TNW and Maximum Indebtedness to TNW covenants. For the purpose of calculating these covenants, all amounts are based on the consolidated balance sheet of TAL International Group, Inc. TNW is calculated as total tangible assets less total indebtedness, which includes equipment purchases payable and, in certain cases, the fair value of derivative instruments liability.

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For the majority of our debt facilities, the Minimum TNW is calculated as $321.4 million plus 50% of cumulative net income or loss since January 1, 2006, which as of September 30, 2014 was $681.9 million. As of September 30, 2014, the actual TNW for each of our SPEs and for the $450 million revolving credit facility was $1,042.1 million. As of September 30, 2014, the maximum and actual Indebtedness to TNW ratios for each of our debt facilities whose initial borrowing capacity was approximately $200 million or greater was as follows:

Entity/Issuer	Maximum Indebtedness to TNW Ratio	Actual Indebtedness to TNW Ratio
Consolidated	4.75	2.97
TAL Advantage I, LLC	4.75	2.96
TAL Advantage III, LLC	4.75	2.96
TAL Advantage IV, LLC	4.75	2.96
TAL Advantage V, LLC	4.75	2.96

As of September 30, 2014, our outstanding debt on facilities whose initial borrowing capacity was approximately $200 million or greater was approximately $2.3 billion. Outstanding debt on the remaining facilities of $0.7 billion have various other debt covenants, all of which the Company is in compliance with as of September 30, 2014.

Failure to comply with these covenants could result in a default under the related credit agreements and/or could result in the acceleration of our outstanding debt if we were unable to obtain a waiver from the creditors.

Cash Flow

The following table sets forth certain cash flow information for the nine months ended September 30, 2014 and 2013 (in thousands):

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net cash provided by operating activities	$301,654	$258,459
Cash flows from investing activities:		
Purchases of leasing equipment and investments in finance leases	$(547,555)	$(534,884)
Proceeds from sale of equipment, net of selling costs	117,351	106,141
Cash collections on finance lease receivables, net of income earned	36,269	29,083
Other	(108)	—
Net cash (used in) investing activities	$(394,043)	$(399,660)
Net cash provided by financing activities	$96,947	$128,394

Operating Activities

Net cash provided by operating activities increased by $43.2 million to $301.7 million in the nine months ended September 30, 2014, compared to $258.5 million in the same period in 2013. The majority of this increase is comprised of the following:

- Earnings excluding non-cash expenses increased by $12.0 million,

- In 2014, we received net payments of $7.4 million to terminate certain interest rate swap contracts and replaced them with new interest rate swap contracts that have a longer duration, while in 2013, we paid $24.2 million to terminate certain interest rate swap contracts. This resulted in an increase in operating cash flows of $31.6 million.

Investing Activities

Net cash used in investing activities decreased by $5.7 million to $394.0 million in the nine months ended September 30, 2014, compared to $399.7 million in the same period in 2013. This decrease was primarily due to higher proceeds from the sale of equipment due to higher disposal volumes and an increase in cash collections on finance lease receivables, net of income earned, partially offset by an increase in payments for the purchase of leasing equipment.

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Financing Activities

In the nine months ended September 30, 2014, cash flows provided from financing activities decreased by $31.5 million to $96.9 million, compared to $128.4 million in the same period in 2013. This decrease was due to a decrease of $9.7 million in net borrowings under our various debt facilities, an increase of $7.7 million of restricted cash requirements, purchases of treasury stock of $7.7 million in the current quarter, and an increase in dividends paid on common stock of $6.3 million.

Contractual Obligations

We are party to various operating and capital leases and are obligated to make payments related to our long term borrowings. We are also obligated under various commercial commitments, including obligations to our equipment manufacturers. Our equipment manufacturer obligations are in the form of conventional accounts payable, and are satisfied by cash flows from operations and long term financing activities.

The following table summarizes our contractual obligations and commercial commitments as of September 30, 2014:

	Contractual Obligations by Period					
Contractual Obligations:	Total	Remaining 2014	2015	2016	2017	2018 and thereafter
	(dollars in millions)					
Total debt obligations(1)	$3,368.3	$135.4	$439.0	$487.9	$304.6	$2,001.4
Capital lease obligations(2)	108.8	2.6	39.7	29.9	18.8	17.8
Operating leases (mainly facilities)	7.6	0.4	1.6	1.4	1.2	3.0
Purchase obligations:						
Equipment purchases payable	68.2	68.2	—	—	—	—
Equipment purchase commitments	45.9	18.3	27.6	—	—	—
Total contractual obligations	$3,598.8	$224.9	$507.9	$519.2	$324.6	$2,022.2

(1) Amounts include actual and estimated interest for floating rate debt based on September 30, 2014 rates and the net effect of our interest rate swaps.

(2) Amounts include interest.

Off-Balance Sheet Arrangements

As of September 30, 2014, we did not have any relationships with unconsolidated entities or financial partnerships, such entities which are often referred to as structured finance or special purpose entities, which were established for the purpose of facilitating off-balance sheet arrangements. We are, therefore, not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Critical Accounting Policies

Our consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles, which require us to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements and accompanying notes. Our estimates are based on historical experience and currently available information. Actual results could differ from such estimates. Our critical accounting policies are discussed in our 2013 Form 10-K filed with the SEC on February 20, 2014.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of changes in value of a financial instrument, derivative or non-derivative, caused by fluctuations in interest rates, foreign exchange rates and equity prices. Changes in these factors could cause fluctuations in the results of our operations and cash flows. In the ordinary course of business, we are exposed to interest rate and foreign currency exchange rate risks.

Interest Rate Risk

We enter into interest rate swap agreements to fix the interest rates on a portion of our floating rate debt. We assess and manage the external and internal risk associated with these derivative instruments in accordance with our overall operating goals. External risk is defined as those risks outside of our direct control, including counterparty credit risk, liquidity risk, systemic risk and legal risk. Internal risk relates to those operational risks within the management oversight structure and includes actions taken in contravention of our policy.

The primary external risk of our interest rate swap agreements is counterparty credit exposure, which is defined as the ability of a counterparty to perform its financial obligations under a derivative agreement. All of our derivative agreements are with highly rated financial institutions. Credit exposures are measured based on the market value of outstanding derivative instruments. Both current and potential exposures are calculated for each derivative agreement to monitor counterparty credit exposure.

As of September 30, 2014, we had net interest rate swap agreements in place to fix interest rates on a portion of our borrowings under debt facilities with floating interest rates as summarized below:

Net Notional Amount	Weighted Average Fixed (Pay) Leg Interest Rate	Weighted Average Remaining Term
$1,135.5 Million	1.92%	6.3 years

During the nine months ended September 30, 2014, we designated certain interest rate swap agreements as cash flow hedges at their inception. For the three and nine months ended September 30, 2014, we recognized unrealized gains and losses of $2.3 million and $15.3 million, respectively, in accumulated other comprehensive loss related to changes in the fair value of the designated agreements. Changes in the fair value of non-designated interest rate swap agreements are recognized in the consolidated statements of income as net gains or losses on interest rate swaps. We recognized net activity on interest rate swaps in the three and nine months ended September 30, 2014 and 2013 as follows (amounts in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net (gain) loss on interest rate swaps	$(0.5)	$0.3	$0.4	$(8.1)

Since 70% of our floating rate debt is hedged using interest rate swaps, our interest expense is not significantly affected by changes in interest rates. However, a 100 basis point increase in the interest rates on our floating rate debt (primarily LIBOR) would result in an increase of approximately $2.4 million in interest expense over the next 12 months.

Foreign Currency Exchange Rate Risk

Although we have significant foreign based operations, the U.S. dollar is the operating currency for the large majority of our leases and obligations, and most of our revenues and expenses for the three and nine months ended September 30, 2014 and 2013 were denominated in U.S. dollars. We recorded net foreign currency exchange losses of $0.5 million and gains of $0.1 million for the three months ended September 30, 2014 and 2013, respectively, and foreign currency exchange losses of $0.6 million and $0.4 million for the nine months ended September 30, 2014 and 2013, respectively. Foreign currency exchange gains and losses are recorded in administrative expenses.

ITEM 4. CONTROLS AND PROCEDURES.

Based upon the required evaluation of our disclosure controls and procedures, our President and Chief Executive Officer and our Senior Vice President and Chief Financial Officer concluded that as of September 30, 2014 our disclosure controls and procedures were adequate and effective to ensure that information was gathered, analyzed and disclosed on a timely basis.

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our fiscal quarter ended September 30, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we are a party to litigation matters arising in connection with the normal course of our business. While we cannot predict the outcome of these matters, in the opinion of our management, based on information presently available to us, we believe that we have adequate legal defenses, reserves or insurance coverage and any liability arising from these matters will not have a material adverse effect on our business. Nevertheless, unexpected adverse future events, such as an unforeseen development in our existing proceedings, a significant increase in the number of new cases or changes in our current insurance arrangements could result in liabilities that have a material adverse impact on our business.

ITEM 1A. RISK FACTORS.

For a detailed discussion of our risk factors, refer to our 2013 Form 10-K filed with the Securities and Exchange Commission on February 20, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On March 13, 2006, our Board of Directors authorized a stock buyback program for the repurchase of our common stock. The stock repurchase program, as now amended, authorizes us to repurchase up to 4.0 million shares. During the third quarter of 2014, TAL repurchased 176,000 shares at an average price of $43.67. As of September 30, 2014, 812,157 shares may yet be purchased under the stock buyback program.

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ITEM 6. EXHIBITS.

Exhibit Number	Exhibit Description
4.71*	Amendment No. 2 dated October 10, 2014 to the Amended and Restated Indenture, dated as of August 12, 2011, by and between TAL Advantage III LLC, as Issuer and Wells Fargo Bank, National. Association, as Indenture Trustee
4.72*	Second Amended and Restated 2009-1 Supplement dated as of October 10, 2014 by and between TAL Advantage III LLC, as Issuer and Wells Fargo Bank, National Association, as Indenture Trustee
4.73*	Second Amended and Restated Series 2009-1 Note Purchase Agreement dated as of October 10, 2014 by and between TAL Advantage III LLC, as Issuer and the Noteholders from time to time party thereto and the other financial institutions from time to time party hereto
4.74*	Amendment No. 2 dated October 10, 2014 to the Management Agreement dated October 23, 2009 by and between TAL Advantage III LLC, as Issuer and TAL International Container Corporation, as Manager
31.1*	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1**	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2**	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS***	XBRL Instance Document
101.SCH***	XBRL Instance Extension Schema
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase
101.DEF***	XBRL Taxonomy Extension Definition Linkbase
101.LAB***	XBRL Taxonomy Extension Label Linkbase
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase

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* Filed herewith.

** Furnished herewith.

*** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability.

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SIGNATURE

Pursuant to the requirements 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.

	TAL International Group, Inc.
October 29, 2014	By: /s/ JOHN BURNS John Burns Senior Vice President and Chief Financial Officer (Principal Financial Officer)