INTERPOOL INC
Form 10-K
March 28, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

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

COMMISSION FILE NUMBER 1-11862

INTERPOOL, INC.
(Exact name of registrant as specified in the charter)

DELAWARE	**13-3467669**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

211 COLLEGE ROAD EAST, PRINCETON, NEW JERSEY 08540
(Address of principal executive office) (Zip Code)

(609) 452-8900
(Registrant s telephone number including area code)

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

Title of Each Class	Name of Each Exchange on which Registered
COMMON STOCK, PAR VALUE $.001	**NEW YORK STOCK EXCHANGE**

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

NONE

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $159,909,886 as of March 25, 2002.

At March 25, 2002, there were 27,363,352 shares of the registrant s Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement for the Annual Meeting of Shareholders to be held on May 8, 2002 are incorporated by reference into Part III of the Form 10-K.

INTERPOOL, INC.

FORM 10-K

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PART I

ITEM 1. BUSINESS

General

We are the largest lessor of intermodal chassis in the United States and one of the world s leading lessors of intermodal dry freight standard containers. At December 31, 2001, our chassis fleet totaled approximately 190,000 chassis and our container fleet totaled approximately 703,000 twenty-foot equivalent units (TEUs). From 1996 to 2001, we increased the size of our chassis fleet at a compound annual rate of 27% and our container fleet at a compound annual rate of 19%.

We concentrate on leasing equipment to our customers on a long-term basis. Substantially all of our new equipment is initially leased for terms of five to eight years and approximately 70% of our total fleet of chassis and 84% of our total fleet of containers are currently on long-term lease. We believe our focus on long-term leasing has enabled us to:

- maintain high utilization rates of our equipment, which over the last five years averaged 98%;
- achieve stable and predictable earnings;
- concentrate on the expansion of our asset base through the purchase and lease of new equipment to fulfill specific orders for new long-term leases; and
- operate with low overhead and staff levels.

Approximately 30% of our chassis are currently leased on a short-term basis to satisfy customers peak or seasonal requirements, generally at higher rates than under long-term leases. For customers who require daily or weekly chassis rentals, we operate chassis pools at major domestic shipping ports and terminals. These chassis pools consist of our chassis and those of our customers.

Approximately 16% of our containers are currently leased on a short-term basis. Our 50%-owned affiliate, Container Applications International, Inc. (CAI), markets our containers available for short-term leasing as part of its fleet, thereby facilitating redeployment of our containers at the end of long-term leases. Our relationship with CAI maximizes utilization of our container fleet and increases our leverage in the marketplace by giving us the world s third largest container lessor fleet on a combined basis.

We lease our chassis and containers to over 400 shipping and transportation customers throughout the world, including all of the world s 20 largest international container shipping lines and major North American railroads. We provide customer service and market to our customers through a worldwide network of offices, agents and marketing representatives. We believe one of the key factors in our ability to compete effectively has been the long-standing relationships that our management and marketing representatives have established with most of the world s large shipping lines and major North American railroads. As a result of these relationships, 7 of our top 10 customers have been customers for at least 10 years.

Industry Overview

The fundamental components of intermodal transportation are the chassis and the container. When a container vessel arrives in port, each marine container is loaded onto a chassis or rail car. A chassis is a rectangular, wheeled steel frame, generally 20 or 40 feet in length, built specifically for the purpose of transporting a container. Once mounted, the chassis and container are the functional equivalent of a trailer. When mounted on a chassis, the container may be trucked either to its final destination or to a railroad terminal for loading onto a rail car. Similarly, a container shipped by rail may be transferred to a chassis to travel over-the-road to its final destination. As the use of containers has become a predominant factor in the intermodal movement of cargo, the chassis has become a prerequisite for the domestic segment of the journey. A chassis seldom travels permanently with a single container, but instead serves as a transport vehicle for containers that are loaded or unloaded at ports or railroad terminals. Because of differing international road regulations and the lack of international standards for chassis, chassis used in the United States are seldom used in other countries.

Containers provide a secure and cost-effective method of transporting finished goods and component parts because they are generally freely interchangeable between different modes of transport, making it possible to move cargo from a point of origin to a final destination without the repeated unpacking and repacking of the goods required by traditional shipping methods. The same container may be carried successively on a ship, rail car and truck and across international borders with minimal customs formalities. Containerization is more efficient, more economical and safer in the transportation of cargo than break bulk transport in which the goods are unpacked and repacked at various intermediate points en route to their final destination. By eliminating manual repacking operations when differing modes of transportation are used, containerization reduces freight and labor costs. In addition, automated handling of containers permits faster loading and unloading and more efficient utilization of transportation equipment, thereby reducing transit time. The protection provided by sealed containers also reduces damage to goods and loss and theft of goods during shipment. Containers may also be picked up, dropped off, stored and repaired at independent common user depots located throughout the world.

The adoption of uniform standards for containers in 1968 by the International Standards Organization precipitated a rapid growth of the container industry, as shipping companies recognized the advantages of containerization over traditional break bulk transportation of cargo. This growth resulted in substantial investments in containers, container ships, port facilities, chassis, specialized rail cars and handling equipment.

Most containers are constructed of steel in accordance with recommendations of the International Standards Organization. The basic container type is the general-purpose dry freight standard container (accounting for approximately 87% of the world s container fleet), which measures 20 or 40 feet long, 8 feet wide and 8 1/2 or 9 1/2 feet high. In general, 20-foot containers are used to carry heavy, dense cargo loads (such as industrial parts and certain food products) and in areas where transport facilities are less developed, while 40-foot containers are used for lighter weight finished goods (such as apparel, electronic appliances and other consumer goods) in areas with better developed transport facilities.

Worldwide container traffic at the world s major ports has grown at a compound annual rate of 9% since 1990. The demand for containers is influenced primarily by the volume of international and domestic trade. In recent years, however, the rate of growth in the container industry has exceeded that of world trade as a whole due to several factors, including:

- the existence of geographical trade imbalances;
- the expansion of shipping lines;
- the growing reliance by manufacturers on just-in-time delivery methods; and
- increased exports by technologically advanced countries of component parts for assembly in other countries and the subsequent re-importation of finished products.

In recent years domestic railroads and trucking lines have begun actively marketing intermodal services for the domestic transportation of freight. Management believes that this trend should serve to accelerate the growth of intermodal transportation, and hence result in increased chassis and container demand.

The Leasing Market

Leasing companies own approximately half of the domestic chassis and half of the world s container fleet with the balance owned predominantly by shipping lines and railroads. Leasing companies have maintained this market position because container shipping lines and railroads receive both financial and operational benefits by leasing a portion of their equipment. The principal benefits of leasing are the following:

- provide lessees with an alternative source of financing in a traditionally capital-intensive industry;
- enable shipping lines to expand their routes and market shares at a relatively inexpensive cost without making a permanent commitment to support their new structure;
- enable lessees to benefit from leasing companies relationships with equipment manufacturers;

enable lessees to accommodate seasonal use and/or geographic concentration, thereby limiting their capital investment and storage costs; and

enable lessees to maintain an optimal mix of equipment types in their fleets.

Because of these benefits, container shipping lines and railroads generally obtain a significant portion of their container fleets from leasing companies, either on short-term or long-term leases. Short-term leases provide considerable operational flexibility in allowing a customer to pick up and drop off containers at various worldwide locations at any time. However, customers pay for this flexibility in the form of substantially higher lease rates for short-term leases and drop-off charges for the privilege of returning equipment to certain locations. Most short-term leases are master leases, under which a customer reserves the right to lease a certain number of containers, as needed under a general agreement between the lessor and the lessee. Long-term leases provide the lessee with advantageous pricing structures, but usually contain an early termination provision allowing the lessee to return equipment prior to expiration of the lease only upon payment of an early termination fee or a retroactive increase in lease payments.

Business Strategy

Our objective is to continue to expand on our market position as a leading long-term lessor of intermodal transportation equipment. To achieve this objective, we intend to continue to:

Focus on our core business of domestic chassis and international marine container leasing. Our strong market position in the chassis and container leasing businesses provide us with economies of scale that benefit our customers. Our equipment and operations are located worldwide to meet our domestic and international customers needs in a timely manner. In addition, we are able to focus our management and financial resources to compete effectively for equipment leasing requirements of all quantities.

Concentrate on long-term leasing to achieve high utilization rates and more stable and predictable earnings. Over the past 5 years, the annual utilization of our total chassis and container fleet has averaged approximately 98%. We concentrate on long-term leases in order to minimize the impact of economic cycles on our revenues and to achieve high utilization and more stable and predictable earnings. The lower rate of turnover provided by long-term leases enables us to concentrate on the expansion of our asset base through the purchase and lease of new equipment, rather than on the repeated re-marketing of our existing fleet.

Be a low cost provider of intermodal equipment. We believe a key part of our success has been our ability to obtain equipment on a low cost basis and to operate as a lean and efficient organization. Our focus on long-term leasing allows us to operate with less overhead and staff.

Purchase chassis and containers to fulfill specific customer orders. We generally purchase new containers to fulfill new long-term lease orders. Management believes that as a result, we currently have one of the youngest container fleets of the world s ten largest container lessors. The average age of our chassis is approximately 9 years and the average age of our containers is approximately 4 years. Due to the young age of the fleet, our equipment spends less time being inspected, repaired and refurbished.

Make strategic acquisitions of complementary businesses and asset portfolios on an opportunistic and financially disciplined basis. We intend to continue to review acquisition opportunities whenever asset prices and market conditions are favorable.

Operations

Lease Terms. Approximately 70% of our chassis and 84% of our containers are leased on a long-term basis. Our long-term leases generally have five to eight year initial terms.

We offer our customers both operating leases and direct finance leases. Under a direct finance lease, the customer owns the container at the expiration of the lease term. Although customers pay a higher per diem rate under a direct finance lease than under a long-term operating lease, a direct finance lease enables us to provide customers with access to financing on terms generally comparable to those available from financial institutions, which provide this type of financing.

Lease rentals are typically calculated on a per diem basis, regardless of the term of the lease. Our leases generally provide for monthly or quarterly billing and require payment by the lessee within 30 to 60 days after presentation of an invoice. Generally, the lessee is responsible for payment of all taxes and other charges arising out of use of the equipment and must carry specified amounts of insurance to cover physical damage to and loss of equipment, as well as bodily injury and property damage to third parties. In addition, our leases usually require lessees to repair any damage to the chassis and containers. Lessees are also required to indemnify us against our losses arising from accidents or similar occurrences involving the leased equipment. Our leases generally provide for pick-up, drop-off and other charges and set forth a list of locations where lessees may pick-up or return equipment.

Long-term leases provide the lessee with advantageous pricing structures, but usually contain an early termination provision allowing the lessee to return equipment prior to expiration of the lease only upon payment of an early termination fee or a retroactive increase in lease payments. Since 1991, we have experienced minimal early returns under our long-term leases, primarily because of the penalties involved and because customers must return all containers covered by the particular long-term lease being terminated, generally totaling several hundred units, and bear substantial costs related to their repositioning and repair.

Frequently, a lessee will desire to retain long-term leased equipment well beyond the initial lease term. In these cases, long-term leases will be renewed at the then prevailing market rate, either for one or more additional one-year periods or as part of a short-term agreement. In some cases, the customer has the right to purchase the equipment at the end of a long-term lease.

Equipment Tracking and Billing. We use a real time, internet accessible proprietary computer software system to enable sophisticated equipment tracking and billing and to provide a central operating database that coordinates our chassis leasing activities. The system processes information received electronically from our regional offices. The system records the movement and status of each chassis and links that information with the complex data comprising the specific lease terms in order to generate billings to lessees. More than 83,000 movement transactions per month are processed through the system, which is capable of tracking revenue on the basis of individual chassis. The system also generates a wide range of management reports containing information on all aspects of our leasing activities. The equipment acquired from Transamerica was integrated into our billing system on July 1, 2001.

Chassis Pools. For customers who require daily or weekly chassis rentals, we operate chassis pools at most of the major port authorities and terminal operations on the Eastern seaboard and the Gulf coast. These chassis pools consist of our chassis and those of our customers. The principal ports in the United States where we operate chassis pools are Baltimore, Boston, Charleston, Houston, New Orleans, Norfolk and Savannah. We also operate chassis pools at railroad locations within the United States.

Depots. We and our affiliate CAI operate in over 90 locations in all major transportation markets throughout the world. Depots are facilities owned by third parties at which containers and other items of transportation equipment are stored, maintained and repaired. We retain independent agents at these depots to handle and inspect equipment delivered to or returned by lessees, to store equipment that is not leased and to handle maintenance and repairs of chassis and containers. Some agents are paid a fixed monthly retainer to defray recurring operating expenses and some are guaranteed a minimum level of commission income. In addition, we generally reimburse our agents for incidental expenses.

Logistic Support. Our worldwide network of offices and relationships and our industry experience enables us to provide logistic services in order to facilitate the movement of chassis and containers to meet our customers needs.

Repositioning and Related Expenses. If lessees return large numbers of equipment to a location which has a larger supply than demand, we may incur expenses in repositioning the equipment to a better location. Repositioning expenses generally range between $50 and $500 per item of equipment, depending on geographic location, distance and other factors, and may not be fully covered by the drop-off charge collected from the lessee. In connection with necessary repositioning, we may also incur storage costs, which generally range between $0.20 and $2.50 per TEU per day. In addition, we bear certain operating expenses associated with our chassis and containers, such as the cost of maintenance and repairs not required to be made by lessees, agent fees, depot expenses for handling, inspection and storage and any insurance coverage in excess of that maintained by the lessee.

Maintenance, Repairs and Refurbishment. As chassis and containers age, the need for maintenance increases, and they may eventually require extensive maintenance. With the exception of chassis pool customers, our customers are responsible for maintenance and repairs of equipment other than normal wear and tear. When normal wear and tear of equipment is extensive, the equipment may have to be refurbished or remanufactured. Refurbishing and remanufacturing involve substantial cost, although chassis can be remanufactured for substantially less than the cost of purchasing a new chassis. Alternatively, we may elect to sell equipment requiring refurbishment.

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Disposition of Chassis and Containers and Residual Values. On an ongoing basis, we sell equipment that was previously leased. The decision whether to sell depends on the equipment s condition, remaining useful life and suitability for continued leasing or for other uses, as well as prevailing local market resale prices and an assessment of the economic benefits of repairing and continuing to lease the equipment compared to the benefits of selling. Pursuant to our relationship with CAI, containers that have come off long-term lease and have been designated for short-term leasing (not including renewals with existing lessees) are provided to CAI for deployment in CAI s short-term fleet. For each of our containers in its fleet, CAI pays us its average total fleet per diem rate less a management fee. Containers tendered for short-term leasing under our agreement with CAI are accounted for by us as fully utilized. Containers are also sold to shipping or transportation companies for continued use in the intermodal transportation industry or to secondary market buyers, such as wholesalers, depot operators, mini storage operators, construction companies and others, for use as storage sheds and similar structures. Because old chassis are more easily remanufactured than old containers, chassis are less likely to be sold than containers.

At the time of sale, the residual value of a container or chassis will depend, among other factors, upon mechanical or economic obsolescence, the current newly manufactured equipment price, as well as its physical condition. While there have been no major technological advances in the short history of containerization that have made active equipment obsolete, several changes in standards have decreased the demand for older equipment, such as the increase in the standard height of containers from 8 feet to 8 1/2 feet in the early 1970 s.

Sources of Supply. Most chassis used in the United States are manufactured domestically due to the high cost of transportation to the United States of chassis manufactured abroad. Manufacturers of chassis frequently produce over-the-road trailers as well, and can convert some production capability to chassis as needed. Because of the rising demand for containers and the availability of relatively inexpensive labor in the Pacific Rim, approximately 80% of world container production now occurs in China. Containers are also produced in other countries, such as South Korea, India, Indonesia, Malaysia, Taiwan, Turkey, South Africa, and, to a lesser extent, other parts of the world.

Upon completion of manufacture, new chassis and containers are inspected to insure that they conform to applicable standards of the International Standards Organization and other international self-regulatory bodies, as well as our internal standards.

PoolStat Chassis Pool Management

We have developed a proprietary internet-based real-time chassis management system which we call PoolStat. PoolStat has enabled us to operate, on a cooperative basis, pools of chassis which are owned by us and by shipping lines. Under this program, shipping lines can pool their chassis at common locations such as marine terminals and railroad depots. The billing and tracking features of PoolStat enable us to operate chassis pools. Our PoolStat software compiles data from each location and reports on levels of chassis contribution as compared to levels of chassis usage by each shipping line in the cooperative pool. In addition, centralized maintenance and repair improves service levels to customers and the trucking community and we receive a management fee.

PoolStat provides several benefits to customers, including allowing customers to:

maintain lower overall inventory requirement at each location;

decrease maintenance, repair and other operating expenses;

improve equipment control capabilities;

reduce time and expense of managing a chassis fleet; and

participate in cooperative pool net revenues.

By providing the PoolStat service, we are able to forge closer relationships with our customers for both short-term and long-term leasing opportunities. PoolStat now has approximately 240,000 chassis under its management and is actively looking to increase its level of business. We believe that PoolStat is the leading provider of chassis management tools in the United States.

Marketing and Customers

We lease our chassis and containers to over 400 shipping and transportation companies throughout the world, including all of the world s 20 largest international container shipping lines and major North American railroads. The customers for our chassis are a large number of domestic companies, many of which are domestic subsidiaries or branches of international shipping lines to which we also lease containers. With a network of offices and agents covering major ports in the United States, Europe and the Far East, we have been able to supply containers in nearly all locations requested by our customers. Our customer base is diverse. As of December 31, 2001, our top 25 customers represented approximately 69% of our consolidated revenues, with no single customer accounting for more than 6%.

We perform detailed credit risk analysis on our customers. Our credit policy sets different maximum exposure limits depending on our relationship and previous experience with each customer. Credit criteria may include, but are not limited to, customer trade route, country, social and political climate, assessments of net worth, asset ownership, bank and trade credit references, credit bureau reports, and operational history.

We seek to reduce credit risk by maintaining insurance coverage against defaults and equipment losses. Although there can be no assurance that such coverage will be available in the future, during 2001 we maintained contingent physical damage, recovery/repatriation and loss of revenue insurance, which provides coverage in the event of a customer s default. The policy covered the cost of recovering our equipment from the customer, including repositioning costs, the cost of repairing the equipment and the value of equipment which cannot be located or is uneconomical to recover. It also covered a portion of the lease revenues we may lose as a result of the customer s default (i.e., 180 days of lease payments following default). We are currently negotiating the renewal of our insurance coverage which terminated on January 31, 2002 and expect that premium rates and deductibles could increase as a result of general rate increases for this type of insurance as well as our historical claim experience and that of our competitors in the industry.

Competition

There are many companies leasing intermodal transportation equipment with which we compete. Some of our competitors have greater financial resources than we do, or are subsidiaries or divisions of much larger companies. Over the last several years, there has been consolidation in the container leasing business resulting from several acquisitions. The result of the consolidation has been fewer lessors, a more rationalized industry and a stabilizing pricing environment.

In addition, the containerized shipping industry, which we service, competes with providers of alternative methods of transporting goods, such as by air, truck and rail. We believe that in most instances these alternative methods are not as cost-effective as shipping of containerized cargo.

Because rental rates for chassis and containers are not subject to regulation by any government authority but are determined principally by the demand for and supply of equipment in each geographical area, price is one of the principal methods by which we compete. In times of low demand and excess supply, leasing companies tend to grant price concessions, such as free days or pick-up credits, in order to keep their equipment on lease and to avoid storage charges. We attempt to design lease packages tailored to the requirements of individual customers and consider our long-term relationships with customers to be important to our ability to compete effectively. We also compete on the basis of our ability to deliver equipment in a timely manner in accordance with customer requirements.

Other Business Operations

In addition to our chassis and container leasing operations we also receive revenues from other activities. We lease approximately 500 freight rail cars to railroad companies through our Chicago based Railpool division.

In December 2001, we sold our investment in Personal Computer Rentals (PCR) and have initiated a plan to liquidate the operations of Microtech Leasing Corporation. Both companies are involved in the computer rental business. They have been accounted for as discontinued operations in the consolidated financial statements.

Employees

As of December 31, 2001 we had approximately 196 employees, approximately 173 of whom are based in the United States, excluding discontinued operations. None of our employees is covered by a collective bargaining agreement. We believe our relations with our employees are good.

ITEM 2. PROPERTIES

In connection with our acquisition of Transamerica Leasing, Inc. s North American Intermodal Division (TA) in October 2000, we purchased real property located in Chicago, Illinois and Atlanta, Georgia. The purchase price for these two properties was included in the acquisition s aggregate purchase price. The Chicago site consists of an office and garage building containing approximately 20,000 square feet on approximately 38 acres. The Atlanta, Georgia site was sold on July 31, 2001.

In July 1998 we purchased approximately 18,000 square feet of condominium office space located on the 27th floor at 633 Third Avenue, New York, NY 10017 which serves as our New York office. All of our other commercial office space, aggregating approximately 42,438 square feet, is leased. Our executive offices are located at 211 College Road East, Princeton, New Jersey. We also lease office facilities in Chicago, Atlanta, Jacksonville, Barbados, Aberdeen, Antwerp, Basel, Hong Kong and Singapore.

On January 28, 2002 we executed a Purchase and Sale Agreement, pursuant to which we will acquire the building in Princeton, New Jersey, which houses our corporate offices. The fair market value purchase price of the approximately 39,000 square feet building will be $6,250,000.00 as determined by an independent property appraisal firm and approved by our Board of Directors. We expect to conclude the transaction during the second quarter of 2002. See Note 13 to the 2001 consolidated financial statements for further information regarding this transaction.

ITEM 3. LEGAL PROCEEDINGS

We are engaged in various legal proceedings from time to time incidental to the conduct of our business. In the opinion of management, we are adequately insured against the claims relating to such proceedings, and any ultimate liability arising out of such proceedings will not have a material adverse effect on our financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders through solicitation of proxies during the fourth quarter of fiscal 2001.

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Our Common Stock is traded on the New York Stock Exchange under the symbol IPX . The following table sets forth for the periods indicated commencing on January 1, 1999, the high and low last reported sale prices for the Common Stock on the New York Stock Exchange. All share and per share data have been rounded to the nearest cent.

	HIGH	LOW
Calendar Year 1999		
First Quarter	$16.75	$12.44
Second Quarter	15.25	10.50
Third Quarter	13.50	7.50
Fourth Quarter	9.13	6.88
Calendar Year 2000		
First Quarter	$ 8.00	$ 5.25
Second Quarter	9.75	5.31
Third Quarter	13.63	8.31
Fourth Quarter	17.63	11.56
Calendar Year 2001		
First Quarter	$18.44	$12.56
Second Quarter	17.00	13.55
Third Quarter	19.45	14.60
Fourth Quarter	19.25	11.65

As of March 25, 2002 there were approximately 1,500 record holders of our Common Stock. On March 25, 2002 the last reported sale price of the Common Stock on the New York Stock Exchange was $18.06 per share.

We paid a quarterly dividend on our Common Stock in the amount of 3.75 cents per share in January and April 2001 and 5 cents per share in July and October 2001. Effective January 2002, the quarterly dividend rate was increased to 5.5 cents per share.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected historical consolidated financial data, for the periods and at the dates indicated. The historical financial data for each of the five years in the period ended December 31, 2001, and at December 31, 2001, 2000, 1999, 1998 and 1997, are derived from and qualified by reference to the historical consolidated financial statements that have been audited and reported upon by Arthur Andersen LLP, independent public accountants. This information should be read in conjunction with our historical consolidated financial statements and the notes thereto.

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SELECTED FINANCIAL DATA
(in thousands, except per share amounts)

	YEAR ENDED DECEMBER 31, (1)				
	2001 (2)	2000 (3)	1999 (4)	1998 (5)	1997 (6)
INCOME STATEMENT DATA:					

	YEAR ENDED DECEMBER 31, (1)				
Revenues	$305,133	$242,255	$189,788	$174,241	$155,309
Earnings from continuing operations before interest and taxes	135,367	118,060	76,105	94,640	85,210
Income from continuing operations before change in accounting principle, extraordinary gain/loss and discontinued operations	$42,998	$41,800	$20,925	$37,270	$32,897
Income from continuing operations per share before change in accounting principle, extraordinary gain/loss and discontinued operations					
Basic	$1.57	$1.52	$0.76	$1.35	$1.16
Diluted	$1.48	$1.50	$0.74	$1.30	$1.12
Weighted average shares outstanding:					
Basic	27,417	27,421	27,571	27,561	27,552
Diluted	28,965	27,834	28,234	28,615	29,370
Cash dividends declared per common share:	$0.1925	$0.15	$0.15	$0.15	$0.15
	2001	**2000**	**1999**	**1998**	**1997**
BALANCE SHEET DATA:					
Cash, short-term investments and marketable securities	$102,827	$155,689	$207,002	$112,032	$42,941
Total assets	$1,917,785	$2,194,831	$1,443,259	$1,362,234	$1,114,456
Debt and capital lease obligations	$1,335,310	$1,596,275	$972,366	$912,229	$728,027
Stockholders equity	$362,464	$342,231	$301,367	$283,215	$250,446

(1) All prior year financial information has been adjusted to reflect the operations of Personal Computer Rentals (PCR) and Microtech Leasing Corporation (Microtech) as discontinued operations.

(2) The 2001 income statement data excludes net of tax extraordinary gains of $558 resulting from the retirement of debt, $833 resulting from the cumulative effect of change in accounting principle and a loss, net of tax, of $1,909 from discontinued operations.

(3) The 2000 income statement data excludes net of tax extraordinary gains of $840 resulting from the retirement of debt, $660 resulting from the cumulative effect of change in accounting principle, and $1,156 in income from discontinued operations, net of tax.The 2000 results include contributions from the North American Intermodal division of Transamerica Leasing, Inc., which we acquired on October 24, 2000, with an effective date of October 1, 2000. The 2000 results include only the chassis acquired from TA as the rail trailers and domestic containers were identified as assets held for sale at the time of purchase.

(4) The 1999 income statement data excludes a net of tax extraordinary gain of $740 resulting from the retirement of debt, and $946 in income from discontinued operations, net of tax.

SELECTED FINANCIAL DATA(in thousands, except per share amounts) 11

(5) The 1998 income statement data excludes income from discontinued operations of $344, net of tax.

(6) The 1997 income statement data excludes a net of tax extraordinary loss of $5,428 resulting from the retirement of debt and $194 in income from discontinued operations, net of tax.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our historical financial condition and results of operations should be read in conjunction with the historical consolidated financial statements and the notes thereto and the other financial information appearing elsewhere in this report.

Certain of the matters discussed herein and elsewhere in this Form 10-K may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and as such may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Interpool to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

General

We generate revenues through leasing transportation equipment, primarily intermodal chassis and dry freight standard containers. Most of our revenues are derived from payments under operating leases and income earned under finance leases, under which the lessee has the right to purchase the equipment at the end of the lease term.

Revenue derived from an operating lease generally consists of the total lease payment from the customer. In 1999, 2000, and 2001, revenues derived from operating leases were $173.9 million (92% of revenues), $226.3 million (93% of revenues) and $283.9 million (93% of revenues), respectively.

Revenue derived from a direct finance lease consists only of income recognized over the term of the lease using the effective interest method. The principal component of the direct finance lease payment is reflected as a reduction to the net investment in the direct finance lease. In 1999, 2000, and 2001, total payments from direct finance leases were $68.9 million, $65.0 million, and $63.9 million, respectively. In 1999, 2000 and 2001, the revenue component of total lease payments totaled $15.9 million (8% of revenues), $15.9 million (7% of revenues) and $21.2 million (7% of revenues).

Our mix of operating and direct finance leases is a function of customer preference and demand and our success in meeting those customer requirements. During the initial two years of either an operating lease or a direct finance lease, the contribution to our earnings before interest and taxes is very similar. In subsequent periods however, the operating lease will generally be more profitable than a direct finance lease, primarily due to the return of principal inherent in a direct finance lease. However, after the long-term portion (and any renewal) of an operating lease expires, the operating lease will have redeployment costs and related risks which are avoided under a direct finance lease.

We conduct business with shipping line customers throughout the world and are thus subject to the risks of operating in disparate political and economic conditions. Offsetting this risk is the worldwide nature of the shipping business and the ability of our shipping line customers to ship their operations from areas of unfavorable political and/or economic conditions to more promising areas. Substantially all of our revenues are billed and paid in U.S. dollars. We believe these factors substantially mitigate foreign currency rate risks.

Our container leasing operations are conducted through our subsidiary, Interpool Limited, a Barbados corporation. Our effective tax rate benefits substantially from the application of an income tax convention, pursuant to which the profits of Interpool Limited from container leasing operations are exempt from federal taxation in the United States. These profits are subject to Barbados tax at rates which are significantly lower than the applicable rates in the United States. See United States Federal Income Tax. Our chassis leasing operations are conducted primarily through Trac Lease and Interpool. The short-term portion of our container leasing operations is conducted through our 50%-owned affiliate, CAI. A portion of our other United States equipment leasing activities are conducted through Interpool itself.

During the three months ended September 30, 2001, we initiated a plan to dispose of PCR, a 51%-owned subsidiary engaged in leasing computers and related equipment, and to discontinue the operations of Microtech, a 75.5%-owned subsidiary, also engaged in computer leasing. As a result, PCR and Microtech have been classified as discontinued operations in the consolidated financial statements. On December 31, 2001, we completed the sale of our 51% ownership stake in PCR to an investment group comprised of the management of PCR.

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Results of Operations

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Revenues. Our revenues increased to $305.1 million for the year ended December 31, 2001, from $242.3 million in the year ended December 31, 2000, an increase of $62.8 million or 26%. The increase was primarily attributable to our October 2000 acquisition of the North American Intermodal division of Transamerica Leasing Inc. (TA) which resulted in $58.2 million of additional leasing revenues generated from the assets acquired which were not included as assets held for sale. In addition, finance lease revenues increased $5.3 million, which includes the favorable impact of an adjustment to income earned on finance lease receivables of $1.1 million related to prior periods, partially offset by decreased operating lease revenues of $.7 million. Our revenue includes $6.8 million due from a customer in default which is recoverable from insurance. Utilization rates of the container and chassis operating lease fleet at December 31, 2001 were 96% and 92%, respectively, and at December 31, 2000 were 99% and 97%, respectively.

Lease Operating and Administrative Expenses. Our lease operating and administrative expenses increased to $90.0 million for the year ended December 31, 2001 from $58.7 million in the year ended December 31, 2000, an increase of $31.3 million or 53%. The increase was primarily due to our October 2000 acquisition of assets from TA which resulted in $21.1 million of additional lease operating and administrative expenses. In addition we had expanded operations generating increased equipment rental of $7.7 million, minority interest expense of 1.6 million, storage expense of $1.3 million and employee benefits expense of $.6 million, partially offset by reduced insurance expense of $.3 million and legal fees of $.3 million. Maintenance and repairs expense decreased $.7 million which resulted from additional repairs on our operating lease equipment of $1.6 million, offset by $2.3 million of billable repairs to a customer in default which is recoverable from insurance.

Provision for Doubtful Accounts. The provision for doubtful accounts increased to $2.3 million for the year ended December 31, 2001 from $2.2 million for the year ended December 31, 2000, an increase of $.1 million or 5%.

Depreciation and Amortization of Leasing Equipment. Our depreciation and amortization expenses increased to $74.3 million for the year ended December 31, 2001 from $60.8 million for the year ended December 31, 2000, an increase of $13.5 million or 22%. The increase was primarily a result of the October 2000 acquisition of assets from TA, partially offset by reduced depreciation expense of $3.9 million as a result of our sale of rail trailers and domestic containers to TIP in March 2001 as detailed in Note 7 to the consolidated financial statements. Additionally, effective October 1, 2000, we revised our estimate of the depreciation life of chassis from 15 years to 17.5 years. The effect of this change was to decrease depreciation expense by $1.0 million for the three months ended December 31, 2000. For the year ended December 31, 2001, the effect of this change was to decrease depreciation expense by $3.7 million.

Other (Income)/Expense, Net. The change in other (income)/expense, net of $2.0 million was primarily due to a gain of $1.8 million on the sale of the rail trailers and domestic containers previously owned by us to TIP Intermodal Services (TIP), a GE Capital Company. These rail trailers and domestic containers were not acquired from TA as part of the October 2000 acquisition. Additionally, our net loss on the sale of leasing equipment increased $.2 million during the year ended December 31, 2001, partially offset by an increase in our income from unconsolidated subsidiaries of $.4 million during the year ended December 31, 2001. During the year ended December 31, 2001, our net loss on the sale of leasing equipment includes losses on sales of equipment recovered from a customer in default of $1.4 million.

Interest Expense, Net. Our net interest expense increased to $85.6 million in the year ended December 31, 2001 from $68.1 million in the year ended December 31, 2000, an increase of $17.5 million or 26%. The increase in net interest expense was due to increased interest expense of $10.4 million, as well as decreased investment income of $7.1 million. The increase in interest expense was primarily due to increased borrowings to acquire assets from TA and fund capital expenditures, resulting in incremental interest expense of $11.0 million, partially offset by reduced interest rates resulting in reduced interest expense of

$.6 million.

Provision for Income Taxes. Our provision for income taxes decreased to $6.7 million from $8.2 million primarily due to a lower effective tax rate resulting from greater income contribution from the international container division, which is subject to a lower statutory tax rate than our domestic intermodal division.

Income from Continuing Operations Before Cumulative Effect of Change in Accounting Principle and Extraordinary Gain. As a result of the factors described above, our income from continuing operations before cumulative effect of change in accounting principle and extraordinary gain was $43.0 million in the year ended December 31, 2001 versus $41.8 million in the year ended December 31, 2000.

(Loss) Gain from Discontinued Operations. During the three months ended September 30, 2001, we initiated a plan to dispose of PCR, a 51%-owned subsidiary, and to discontinue the operations of Microtech, a 75.5%-owned subsidiary and liquidate its lease portfolio. As a result of this decision, PCR and Microtech have been classified as discontinued operations in the consolidated financial statements. On December 31, 2001, we completed the sale of our 51% ownership stake of PCR to an investment group comprised of the management of PCR. Our loss from discontinued operations was $1.9 million for the year ended December 31, 2001, as compared to a gain from discontinued operations of $1.2 million for the year