

CHAIRMAN'S STATEMENT

Trencor's outstanding results for 2011 reflect the record performance of Textainer, the container leasing business listed on the New York Stock Exchange, operating worldwide and headquartered in Bermuda, in which Trencor holds a beneficiary interest.

- **Trading profit** from continuing operations after net financing costs increased by 53% from R1 002 million in 2010 to R1 529 million. Profit for the period included a non-cash gain of R63,8 million arising on the sale of containers to the prior non-controlling interest in Textainer's primary asset-owning subsidiary, Textainer Marine Containers Limited ('TMCL').
- **Headline earnings per share** (including the effect of net realised and unrealised foreign exchange translation gains and losses) were 559,8 cents (2010: 335,5 cents).
- **Adjusted headline earnings per share** (which excludes the effect of net unrealised foreign exchange translation gains and losses but includes gains on the sale of containers referred to above), at 482,9 cents (2010: 369,4 cents), were up by 30,7%.
- Net unrealised foreign exchange gains/(losses) arising on translation of net dollar receivables and the related valuation adjustments, not included in adjusted headline earnings per share, were R191 million or 77 cents per share (2010: loss R89 million or 34 cents per share).
- These various earnings are better reflected in tabular form:

	2011 Cents per share	2010 Cents per share
Headline earnings including gains on containers sold pursuant to TMCL restructuring in the current year (35,7 cents per share)	559,8	335,5
Deduct/(Add): Unrealised foreign exchange translation gains/(losses)	76,9	(33,9)
Adjusted headline earnings	482,9	369,4

Textainer

This year I am including in my report the annual letter from the President and CEO of Textainer and myself to the shareholders of Textainer. I trust the additional details below will be of interest to you:

To Our Shareholders

2011: A Record Breaking Year

Overview

The favorable market conditions created by 2010's worldwide container shortage extended into 2011. Utilization levels averaged a record 98.3% for the year. Container manufacturers responded to the resulting demand for new containers by steadily increasing prices until they reached a high in June of \$2,900 for a 20' standard dry freight container, a level not seen in the last 20 years. This high price combined with the financial impact of the downturn of 2009 led to a preference among many shipping lines to lease instead of buy new containers.

The high prices also combined with the limited supply of containers available for sale also resulted in increases in the sale prices for our used containers, benefiting our container disposal and trading activities.

The first six months of 2011 saw an unprecedented level of capital expenditure dramatically exceeding the record set in 2010 for the full year. After June, however, the demand for new containers declined resulting in very few new dry freight containers being produced until December. Total industry production for 2011 was estimated to be 2.7 million Twenty-Foot Equivalent Units ("TEU"), approximately half of theoretical capacity, over 50% of which was purchased by leasing companies. The trend, started in 2010, of leasing companies purchasing more new containers than shipping lines continued in 2011. We expect this trend to continue for at least the next few years.

We are especially pleased with our continuing success in the refrigerated container market. Unlike dry freight containers, the production of refrigerated containers continued at full speed throughout the year. Although we reentered this segment only four years ago, we believe we were the second largest buyer of new refrigerated containers among leasing companies in 2011 with purchases of 18,000 TEU. With a young fleet of almost 44,000 TEU as of year-end, we remain committed to becoming one of the leaders in the reefer industry.

2011 Records

- *Record topline performance:* revenues of \$422.8 million, an increase of 39% over 2010. Rental billings for both our owned and managed fleets totaled almost \$600 million;
- *Record bottomline performance:* net income attributable to common shareholders of \$189.6 million, or \$3.80 per diluted common share, an increase of 56% over 2010;
- *Record fleet size:* a container fleet of almost 2.5 million TEU at year-end, an increase of 7% over 2010. If containers ordered as of March 1, 2012 are included, our fleet exceeds 2.5 million TEU;
- *Record long-term lease level:* 78% of our fleet under long-term and direct finance leases, resulting in reduced utilization volatility and greater revenue stability;
- *Increased asset ownership:* 59% of our fleet owned, compared to 51% in 2010. Owned assets generate considerably more income per TEU than managed containers;
- *Record utilization:* fleet utilization of 98.3% for the full-year, an increase of 2.9 percentage points over 2010. Utilization was 98% or higher for eleven months of the year. Due largely to this high level of utilization, we disposed of only 74,000 containers from our fleet in 2011, 17% less than the number disposed in 2010; and
- *Record capex:* capital expenditures for both our owned and managed fleets totaled \$904 million, an increase of more than \$350 million from 2010. We purchased 215,000 TEU of new standard dry freight containers and 18,000 TEU of new refrigerated containers. We also purchased 215,000 TEU of

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older containers, the majority from our managed fleet. While purchases of managed containers do not increase our fleet size, they do contribute to earnings given the increased income generated by owned containers.

Liquidity

We issued \$400 million of fixed-rate asset backed notes through our principal asset owning subsidiary, Textainer Marine Containers Limited ("TMCL"). This financing was the largest ever non-insured, container-backed note issuance to date. It not only further strengthened our capital structure, helping ensure that we have the liquidity necessary for future growth, but it also demonstrated the strong confidence of institutional investors in Textainer.

Additionally, we entered into a joint venture with a new \$425 million facility specifically designed to fund direct finance leases, providing additional product options for our customers.

Return on Equity

Return on average equity was 30.1%, compared to 22.4% in 2010. During the year we took many steps to improve returns to our shareholders, including restructuring TMCL to remove an unrelated minority shareholder. After the removal of this shareholder, all income earned in TMCL flows to our shareholders.

Dividends

We consider dividends to be an important part of our shareholders' total return. Textainer has paid dividends for 23 consecutive years and, since our initial public offering in October 2007, we have maintained a stable or increasing dividend. We increased our quarterly payout 11 times, including each of the past eight quarters. Dividends have averaged 43% of net income since the IPO, rewarding our shareholders while enabling Textainer to retain capital for growth.

Outlook for 2012

Building on the trend of 2010-2011, in 2012 we expect leasing companies to perform well and to purchase the majority of the world's new container production for several reasons:

- Many shipping lines reported losses for 2011 and face a challenging freight rate environment. To the extent that they need containers, they are expected to lease instead of buy.
- Many of the banks which are among the primary lenders to the shipping industry are under pressure to meet capital ratios by restricting new lending. We understand that these banks are also finding it difficult and/or expensive to borrow US dollars. As a result, shipping lines may find it more difficult to obtain financing for container purchases.
- New container prices remain above \$2,300 in 2012 and have been rising. Additional price hikes are expected as the year progresses. As prices increase, the preference of shipping lines to lease increases as well.
- World trade is projected to grow 6-8% in 2012 compared to 2011.

We cannot ignore areas of potential concern. The global economic environment is unsettled, negatively affecting trade. Freight rates are under pressure due, in part, to excess vessel capacity. New vessel deliveries equal to 9% of current capacity are projected in 2012, exceeding the projected 6-8% growth of trade. Additional trade growth and/or capacity constraints appear necessary for freight rates to improve. Bunker prices exceed \$700/ton. Recognizing this, shipping lines have announced several steps aimed at improving their financial performance, including freight rate increases and bunker surcharges and the formation of new alliances intended to improve efficiency and reduce excess capacity.

Taking all of these factors into account, we expect container fleet utilization to remain near the historically high levels of the last two years. New container prices are expected to trend upwards. Sales prices for older containers are projected to be lower than 2011 but high relative to average prices achieved over the last five years. With this positive outlook in mind, we started the year with robust investments in new containers. As of March 1, we had ordered 62,000 TEU of new dry freight containers and 10,000 TEU of reefer containers for delivery through April 2012, representing \$230 million of new capital expenditure.

We are very excited about Textainer's prospects in 2012.

Strategic Focus

We continue to pursue strategic and organic growth via purchases of new and managed containers, purchase and leasebacks of shipping line containers, investments in trading containers, acquisitions of container fleets, and similar transactions.

Many of our managed containers are owned in funds that are due for liquidation when they reach a specified age (generally 5-7 years). These liquidations provide us with an ongoing opportunity to purchase managed containers.

To the extent that shipping lines' access to financing is limited due to challenging bank and capital markets, we believe they will increasingly consider purchase leasebacks. Indeed, we already see customer interest in such transactions.

We intend to maintain the liquidity, financial strength, and commitment to act opportunistically. With a debt-to-equity ratio of 2.2 to 1 and proven access to the capital markets, we will explore any acquisition or expansion opportunity to further strengthen our industry leading position.

We would like to thank John Maccarone, who retired in October, for his 24 years of service to Textainer. He is justifiably viewed as one of the founders of container leasing, having spent 35 years in the industry, the last 13 as our President and CEO. John deserves much of the credit for building Textainer into the industry leader that it is today. John is continuing his service to Textainer by remaining on our Board of Directors.

We would also like to thank our shareholders, suppliers, customers, and employees for their support and dedication.

Cash flow and dividend

The outlook for the collection of the long-term receivables has continued to improve in the strong trading conditions of 2011 and we anticipate satisfactory conditions in 2012. Taking this into account, together with Textainer's excellent performance and a conservative (by industry standards) debt:equity ratio of 173%, the board declared a final dividend of R1,25 per share making a total dividend of R1,75 (2010: R1,40) for the year.

Strategy

Our strategy remains unchanged – to invest in businesses that are involved in the movement of goods. This policy is pursued by Textainer and TAC. Accordingly, our core business interest is owning, leasing, managing and reselling marine cargo containers worldwide as well as related financing activities.

Textainer continues to successfully pursue organic growth through investment in containers for long-term leases, leasebacks, used-container trading contracts, container management contracts and the purchase of containers already managed by it. These activities have offered good room for growth, whilst at the same time rendering better and quicker returns than acquisitions of competitors and/or similar companies might have done. Nevertheless, it remains part of Textainer's growth plan to opportunistically remain on the lookout for suitable and realistically priced deals to grow through the acquisition of existing businesses in its chosen industry. The expansion by Textainer into refrigerated containers is proving successful and the company plans to further build on this success.

Appreciation

It is with regret but also appreciation that I note John Maccarone's retirement as President and CEO of Textainer. His 19 years of service yielded great success and he was noted as a leader in the industry. A mark of his success is the excellent management team he built up in the company.

From this team, Phil Brewer became President and CEO of Textainer and Robert Pedersen became President and CEO of our container management subsidiary. Together they have 35 years of service and we have every confidence in their management of Textainer in the years ahead.

It is a pleasure to acknowledge all of Tencor's people for their dedication and outstanding contribution they have made to our businesses. I am also grateful to my co-directors for the independent and meaningful role they play in the affairs of the group.



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30 April 2012