In December 2013 Textainer's container fleet surpassed 3 million TEU representing a major milestone for the company as well as the industry. To appreciate the magnitude of this feat and put that quantity in perspective, if laid end-to-end, these containers would stretch from Los Angeles to Tokyo and back.

Chairman's Statement

Trencor's results for 2013 are satisfactory and largely reflect the performance of Textainer, the container leasing business in which Trencor has a beneficiary interest, which operates worldwide and is listed on the New York Stock Exchange and headquartered in Bermuda.

Trading profit after net financing costs increased by 25% from R1 636 million in 2012 to R2 038 million.

Headline earnings per share (including the effect of net realised and unrealised foreign exchange translation gains) were 792,6 cents (2012: 559,6 cents).

Adjusted headline earnings per share (which excludes the effect of net unrealised foreign exchange translation gains and the gain arising from the modification of debt terms) at 630,7 cents (2012: 546,1 cents) were up by 15,5%.

The option held by Halco Holdings to acquire the remaining 55,7% of TAC which it does not already own for approximately US$5 million became exercisable with effect from 1 July 2013 and, in accordance with International Financial Reporting Standards, TAC has been consolidated in Trencor's results for the first time, notwithstanding that Halco has not yet exercised the option. Earnings now include:

- R29,5 million (16,7 cents per share), being 44,3% of TAC's profit for the six months to 31 December 2013;
- R146,8 million (82,9 cents per share), being the value of the option at that date; and
- R172,2 million (97,2 cents per share) gain arising from the modification of debt terms.

Net unrealised foreign exchange gains arising on translation of net dollar receivables and the related valuation adjustments, not included in adjusted headline earnings per share, were R159 million or 64,7 cents per share (2012: R33 million or 13,5 cents per share).

These various earnings are better reflected in tabular form:

	2013	2012
	Cents per share	Cents per share
Headline earnings including, in 2013, the value placed on the option to acquire the remaining 55,7% of the shares in TAC (82,9 cents per share)	**792,6**	559,6
Deduct: Net unrealised foreign exchange translation gains	**64,7**	13,5
Deduct: Gain on modification of debt terms	**97,2**	–
Adjusted headline earnings	**630,7**	546,1

TEXTAINER

The 48,2% beneficiary interest in Textainer remains the core of Trencor and its future. I am again including a direct quote of the annual letter sent by the President & CEO of Textainer and myself as Chairman to the shareholders of Textainer:

"To Our Shareholders:

Textainer achieved a major milestone in 2013: we became the first and only lessor with a fleet size surpassing 3 million TEU. We grew our fleet size by 10% as a result of investing $752 million in new and used containers during the year. Total revenues increased 9% to a record level of $529 million and lease revenue increased an even more impressive 22% to $469 million. We are pleased to have provided our shareholders with a return on average equity of 17.3%.

Year in Review

The container leasing industry underwent a period of unprecedented growth from 2010 to 2012. We expected to see the rate of growth slow during 2013, but the year turned out to be more challenging than anticipated. We invested almost $200 million in new containers during the fourth quarter of 2012 which we expected to lease-out in early 2013. However, demand for these containers took longer to materialize than planned. As the year progressed, container prices, rental rates, and utilization all declined. We saw a pickup in demand leading into the traditional third quarter peak season, but the increase was less pronounced than in prior years. By year end, our utilization stood at 93.6%, a reduction of 2.7 percentage points since the beginning of the year.

The primary macro-economic factors which caused this decline in container demand were the economic malaise in Europe and a deceleration in the annual growth of China's GDP. In addition, container leasing was affected by the following industry specific factors.

The price of a new 20 foot standard container declined during 2013 from more than $2,400 to below $2,000. This fall in new container prices affected us in several ways. First, new container rental rates declined which led to similar declines in the rates received for depot container lease-outs. Second, used container prices fell approximately 20% from January to December which led to reduced gains on container sales. Third, shipping lines bought a higher percentage of total new container production than they had during 2010 to 2012. Manufacturers produced 2.3-2.4 million TEU of dry freight containers in 2013, slightly below the quantity produced in 2012. We estimate shipping lines purchased slightly less than 50% of all new containers in 2013, compared to approximately 35% in 2012.

Container lessors had easy access to financing. From 2005 to 2011, four container lessors, including Textainer, raised a total of $1.9 billion in the asset-backed markets in the US. During just the last two years, nine lessors raised almost $5 billion in the same markets. This increase in liquidity strengthened the competition among lessors for each lease-out opportunity.

Perhaps even more surprising than the significant increase in the quantity of funds raised is that the credit spread achieved by large, established lessors like Textainer was similar to the spread obtained by smaller, newer lessors. We believe the financial stability and experience of the manager is critical to the credit quality of asset-based financings and should be taken into account by lenders and investors. This is especially true for assets like containers which are subject to operating leases with terms shorter than their useful lives.

Another factor affecting our industry is that many shipping lines have increased the average age at which they dispose of containers in their fleets to 13 or more years old. We have also seen a similar increase in the average age of our disposals. For this reason, last year we extended the depreciable life of dry freight containers in our fleet from 12 to 13 years.

These factors combined to reduce container demand, rental rates, utilization, and used container prices. As utilization declined, storage and maintenance costs increased. Additionally, our depreciation expense rose for several reasons including: a) an increase in the size of our owned fleet; b) old fully depreciated containers were disposed and replaced with new higher-priced containers; and c) the percentage of refrigerated containers in our fleet grew. Compared to dry freight containers, refrigerated containers have a shorter life and lower residual value as a percentage of the original cost. As a result, they have relatively higher depreciation expense. Furthermore, purchase leaseback transactions have replaced outright sales as the shipping lines' preferred method of disposing of old containers. Purchase leaseback containers may remain on lease for several years during which time they are depreciated, unlike trading containers which are generally sold shortly after they are purchased and are not depreciated. Although extending the depreciable life of dry freight containers partially offset these factors, our depreciation expense nonetheless increased from 3.8% of average original equipment cost of owned assets in 2012 to 4.2% in 2013.

During 2013, we also saw an increase in bad debt expense and took an asset impairment relating to containers on lease to several small lessees which are in default. These lessees accounted for less than 0.5% of our fleet.

Notwithstanding these headwinds, we continued to maximize the cash flow from our fleet. Our total revenue of $529 million set a new record as did adjusted EBITDA of $430 million. Adjusted net income for 2013 was $175 million.

Textainer purchased 195,000 Twenty Foot Equivalent Units ('TEU') of dry freight and special containers and 12,000 TEU of refrigerated containers for delivery during 2013. Refrigerated containers now account for 12% of our fleet on a Cost Equivalent Unit ('CEU') basis. We believe among lessors we were the largest buyer of dry freight containers in 2013 and among the top investors in dry specials and refrigerated containers.

At year end our fleet totaled 3 million TEU. We are the first and only lessor with a 3 million TEU fleet. To put 3 million TEU in perspective, if the containers in our fleet were lined up end-to-end they would stretch from Los Angeles to Tokyo and back again. The percentage of our fleet which we own grew by 4 percentage points from the end of 2012 to 76% currently, the highest level in our history. At 2.3 million TEU, we believe our owned fleet itself is as large as or larger than the total fleet of any of our competitors. Our size, operating efficiency and industry-lowest cost/CEU/day provides us a competitive advantage.

We have had a sole supplier contract with the U.S. Department of Defense since 2003 covering the program management, leasing, transportation and repair of intermodal equipment. The contract was subject to renewal and open for bids last year. Textainer won the bidding and in December entered into a new contract with the U.S. military.

Our joint venture with Trifleet, one of the leading lessors of tank containers, continues to grow. We have committed to invest more than $10 million in tanks to be managed by Trifleet.

Liquidity

In order to remain the most reliable supplier of new containers and to have the flexibility to take advantage of investment opportunities when they arise, such as the purchase of a managed fleet or other acquisition, we continue to maintain a strong and flexible balance sheet. Our financial results and relatively low leverage, our debt-to-equity ratio is 2.3:1, have allowed us access to the capital markets when and as needed and at very competitive terms.

During 2013, we executed $870 million in debt financings. We significantly lowered our funding costs and further optimized our capital structure. We introduced a more flexible asset-backed financing structure and put in place a low cost borrowing facility to finance older containers. We were able to lower our overall funding costs by almost 100 basis points.

Dividends

We continued our tradition of maintaining or increasing our dividend every quarter since going public in 2007. We paid a total of $1.85 per share in dividends in 2013, an increase of more than 13% over the $1.63 per share paid in 2012. Our policy is to pay a dividend which is sustainable over the long term taking into account the appropriate mix between investing in our business and rewarding our shareholders. We consider dividends to be an important part of the total return we provide.

Outlook

January started on a positive note. Prior to Chinese New Year, we saw an increase in utilization and an improvement in lease terms, with higher rental rates and fewer free days for new container lease-outs. New container prices increased 10% to approximately $2,300 for a 20 foot standard container. We had anticipated this increase and have already invested $165 million in new and used containers in 2014, including 30,000 TEU purchased from our managed fleet for $35 million. New container inventories at factories today are estimated to total less than 500,000 TEU, a level we consider reasonable. Approximately 80% of these containers are owned by leasing companies.

The container manufacturers are continuing to push for higher prices but it is too early to tell whether these new prices will stick. Higher new container prices and/or higher interest rates should lead to increased rental rates and used container prices, improving returns earned on depot container lease-outs and gains on sale of disposal and trading containers.

Growth in containerized trade of 4%-5% is predicted for 2014, higher than the approximately 3% growth witnessed last year. This increase in growth should stimulate the demand for containers. However, as containership fleet growth of 7%-8% is expected during 2014, trade growth will not be sufficient to absorb the increase in containership capacity without increased vessel scrapping or lay-ups. Shipping lines will find it difficult to maintain increases in freight rates and are likely to turn to lessors to provide at least half of their container needs.

We believe margins on new container lease-outs will remain under pressure due to the financial challenges faced by shipping lines and container lessors' easy access to liquidity. We will remain selective in the deals that we pursue, but we also remain focused on maintaining or growing our market share. We expect to continue to see attractive purchase leaseback opportunities. Overall, the market environment for container leasing companies in 2014 is projected to be similar to last year. With 84% of our fleet subject to long-term and finance leases and only 4% of our leases expiring in 2014, we believe utilization will remain at or near its current level. We are conservatively levered and believe we have sufficient access to financing to pursue any compelling investment opportunity. Achieving economies of scale are critical to success in the container leasing industry. We have the largest fleet, at more than 3 million TEU, and the lowest operating costs/CEU in the industry. We are well positioned to take advantage of market developments during 2014.

Without the support, trust and dedication of our shareholders, customers, suppliers and employees, we would not be the world's leading container leasing company. We would like to take this opportunity to thank all of you."

CASH FLOW AND DIVIDEND

As detailed in the letter to Textainer shareholders, liquidity in and the competitive structure of the market are in a fairly fluid situation after some years of steady growth. Textainer continues to seek growth opportunities and to the extent that this may require raising of fresh capital, we believe it is to Trencor's advantage that Halco maintain its present approximate percentage holding in Textainer. Last year we paid a significant special dividend and believe that, going forward, our ongoing cash holding should take into consideration these potential cash requirements.

Accordingly, the board has declared a final dividend of 158 cents per share, bringing the total for the year (excluding the said special dividend) to 230 cents, compared to 215 cents for 2012.

STRATEGY

As detailed in the Textainer letter increased liquidity and tighter margins are putting pressure on companies in the container leasing industry. Textainer has handled these pressures well and we continue to pursue growth in the container leasing industry, both organic and through acquisitions. Textainer continues to seek growth in its traditional business as well as sections of the leasing industry in which it has hitherto not been involved. Current tighter market conditions may bring opportunities to the fore.

APPRECIATION

It is a pleasure to once again express my appreciation to the effective and dedicated staff in corporate head office who, under the leadership of our financial director, Jimmy McQueen, are responsible for the outstanding administration of Trencor's business.

And finally, our board of directors – we value the wide range of experience and expertise they bring to our business and the great responsibility they assume in the overall leadership in the conduct of our affairs.

N I Jowell

24 April 2014