Joint Report by the Chairman and Chief Executive Officer

We are pleased to share Trencor's 2017 integrated annual report with our stakeholders and potential investors.

This year we decided on a combined chairman and chief executive officer's report, in which we address core aspects of most interest to our shareholders, with more detailed information on our operations provided in the rest of the reports included in this integrated annual report.

During the year under review our primary objectives included significantly reducing the time and costs associated with the preparation of our IFRS financial statements, and progressing the simplification of Trencor's beneficiary interests in Halco Holdings, Textainer and TAC. We are pleased to report significant progress on both these objectives.

REPORTING UNDER IFRS

In earlier reports we explained the onerous, time-consuming and costly efforts involved in converting the results of Textainer and TAC, reporting under US GAAP, into IFRS for inclusion in the results of Trencor, required to report under IFRS. Differences in accounting treatment under US GAAP and IFRS in the areas of impairment testing and a revision of the residual values of the container fleets, cause significant differences in the financial results reported under the respective accounting conventions.

In our 2016 integrated annual report and at our annual general meeting in August 2017 we reported progress at Textainer in the customisation and implementation of a software system for recording fixed assets under both accounting conventions, aimed *inter alia* at significantly reducing the cost of preparing the information required for the IFRS financial statements, as well as reducing the time required to produce the information. In respect of the year under review, the implementation of the system did indeed hugely reduce the cost of this exercise. However, due to the time required to fully implement the system, substantial manual testing was still necessary which made it extremely difficult to significantly reduce the time delays in finalising the 2017 results.

In our SENS announcement on 2 January 2018, shareholders were advised that Halco Holdings and Textainer had entered into a voting limitation deed ("VLD"), in terms of which Halco Holdings had agreed to limit or restrict its shareholder voting rights in Textainer, solely in respect of the appointment and/or removal of directors and then only to the extent necessary to ensure that Trencor will be regarded for purposes of IFRS as being neither in control of nor having significant influence over Textainer. Going forward, with effect from our financial year ending 31 December 2018, Trencor will account for Textainer at fair value through profit or loss. This will significantly simplify the accounting process and allow us to report timeously and at significantly lower cost.

SIMPLIFICATION OF TRENCOR'S BENEFICIARY INTERESTS IN HALCO HOLDINGS, TEXTAINER AND TAC

Investigating the potential simplification of Trencor's beneficiary interests in Halco Holdings, Textainer and TAC revealed that a number of intricate steps would be required, with each of Halco Holdings, Halco Trust, Trencor and other relevant entities having to independently seek professional advice in exploring its own position, applicable local regulatory and legal considerations, as well as the best interests of its stakeholders in the various jurisdictions concerned. We are pleased that the outcome to date is that Trencor now owns the shares in Textainer and TAC. Further simplification of the corporate structure is envisaged.

TRENCOR FINANCIAL RESULTS

As in previous years, Trencor's financial results for the year ended 31 December 2017 consolidate and largely reflect the performances of Textainer and TAC. Textainer, the global container leasing business, operates worldwide and is listed on the New York Stock Exchange. TAC owns a fleet of marine containers, the bulk of which is managed on its behalf by Textainer. It follows that trading conditions experienced by, and the prospects of, Textainer may readily be seen as indicative of Trencor's own. More details regarding the activities of Textainer and TAC are provided in the review of operations on pages 9 and 10 of this integrated annual report.

Following a very challenging 2016 for the global container industry, trading conditions improved markedly during 2017. Specific positive developments and a view regarding prospects in the container leasing industry, are well summarised in the annual letter from the Chairman and the President/CEO of Textainer to the shareholders of Textainer included in Textainer's 2017 annual report. For ease of reference, we reproduce this letter on pages 7 and 8.

Trencor's operating profit before net finance expenses improved from a loss of R2 357 million in 2016 to a profit of R1 002 million. Operating profit before net finance expenses is arrived at after taking into account an impairment to the container fleets of R1 209 million (2016: R2 107 million). This profit reflects an improved business performance by Textainer in stronger trading conditions. Headline earnings per share was 149,4 cents (2016: headline loss per share 435,1 cents). Basic loss per share was 181,5 cents (2016: loss per share 984,4 cents).

Based on the spot exchange rate of US$1=R12,37 and the listed share price of Textainer on the NYSE at 31 December 2017 (US$21,50), the net asset value ("NAV") of Trencor at that date was as follows:

	R million	R per share
Beneficiary interest in Textainer	**7 255**	**40,97**
Beneficiary interest in TAC (US GAAP NAV)	**1 004**	**5,67**
Cash (excluding in Textainer and TAC)	**1 095**	**6,19**
Other net assets	**273**	**1,54**
Total NAV of Trencor	**9 627**	**54,37**

CORPORATE GOVERNANCE AND SUSTAINABILITY

Trencor's approach to responsible corporate governance and important aspects of sustainability are detailed in our corporate governance and sustainability reports on pages 11 and 20 respectively of this integrated annual report. Here we would merely emphasise the major beneficial impact of containerisation of global trade on various environmental aspects, something in which Textainer and TAC play a significant role and of which we are justly proud (refer to page 22 of the sustainability report).

CASH FLOW AND DIVIDEND

Pending final steps in the process towards simplifying Trencor's interests, referred to above, the board is of the view that it would be prudent to preserve Trencor's cash resources. It is also possible that the opportunity may arise for Trencor to invest in Textainer and/or TAC to assist with funding growth opportunities for these entities.

Taking into account *inter alia* the above considerations, the board declared a final dividend of 50 cents per share, resulting in a total dividend of 100 cents per share for the year (2016: total 130 cents per share).

APPRECIATION

We thank the directors of Trencor and our employees for their unstinting efforts and their contribution to the affairs of the company, especially considering the demands of the past year, which required exceptional efforts.

David Nurek
Chairman

Hennie van der Merwe
Chief Executive Officer

6 July 2018