Review of Operations

Trencor's core interests are in operations ("the Operations") that focus on the provision, management and integration of equipment and services to facilitate the movement of goods by customers. The principal focus of the Operations is owning, leasing, managing and trading marine cargo containers worldwide.

TEXTAINER

(The amounts presented in this Textainer review are in accordance with US GAAP.)

Textainer Group Holdings Limited is, through its subsidiaries, primarily engaged in owning, leasing, managing and trading standard dry freight, special dry freight, tank and refrigerated marine cargo containers to global transportation and other companies. Textainer listed on the New York Stock Exchange (NYSE: TGH) in October 2007. At 31 December 2017, Trencor had a 47,78% (2016: 48,04%) beneficial interest in the company through Halco Holdings Inc ("Halco"), wholly-owned by the Halco Trust. Net profit attributable to Textainer's shareholders in 2017 was US$19,4 million (2016: net loss US$52,5 million – an immaterial correction was recorded for US GAAP statutory reporting purposes from the amount previously reported). Adjusted to conform to IFRS, Textainer's net loss attributable to shareholders in 2017 was US$43,1 million (2016: net loss US$260,6 million).

Effective 1 July 2017, the estimated future residual values and useful lives of certain container types were revised to more closely align to the industry norm. This had the effect of a reduction in the depreciation expense of US$7,1 million for the 6 months ended 31 December 2017.

The year under review and the outlook for the future are covered extensively in the Textainer letter to its shareholders on pages 7 and 8.

Further information regarding Textainer and its businesses can be viewed on its website at www.textainer.com.

Salient information

	2017	2016 Adjusted
Financial (US$ million)		
Total revenue	**490,9**	496,2
Income/(Loss) before income tax and non-controlling interest	**22,4**	(61,3)
Net income/(loss) attributable to common shareholders	**19,4**	(52,5)
Net income/(loss) attributable to Halco*	**9,3**	(24,4)
Ratio of interest bearing borrowings to total equity %	**247**	256
Operational		
Average fleet utilisation %	**96,4**	94,7
Fleet under management (TEU'000s)	**3 280**	3 143
Owned	**2 584**	2 546
Managed	**696**	597
Analysis of fleet under management (TEU'000s)	**3 280**	3 143
Standard dry freight containers	**3 058**	2 913
Refrigerated containers	**158**	161
Other specialised containers	**64**	69
Term leases %	**78,4**	76,9
Master leases %	**13,2**	13,0
Finance leases %	**5,7**	7,4
Spot leases %	**2,7**	2,7

* Halco's year-end effective interest in Textainer decreased from 48,04% in 2016 to 47,78% in 2017. Reduced further to 47,74% subsequent to the year-end following the vesting of restricted share units and exercise of share options.

TAC

(The amounts presented in this TAC review are in accordance with US GAAP.)

TAC Limited, a company that has been investing in and owning marine cargo containers since 1993, and its wholly-owned subsidiary Leased Assets Pool Company Limited ("LAPCO"), at 31 December 2017 owned 173 150 TEU (2016: 179 417 TEU) of dry freight containers of various types and 883 (2016: 1 193) stainless steel tank containers, which are managed by a number of equipment managers who lease these containers to shipping lines. Textainer continues to manage the largest portion of TAC's dry freight container fleet and Exsif Worldwide Inc manages most of the stainless steel tank containers. 81% of the fleet measured on a TEU basis is on long-term lease (2016: 83%).

During the year, the company committed to the purchase of 5 190 TEU of containers of varying types at a total cost of US$10 million (2016: 19 562 TEU and US$23 million). 9 710 TEU of TAC's older containers were disposed of during the year (2016: 11 766 TEU).

Utilisation remained high at 97,4% at the end of 2017 (2016: 94,8%).

LAPCO refinanced its bank facility in November 2017 and has funding in place for capital expenditure in 2018 and 2019.

TAC recorded income attributable to Halco of US$2,5 million in 2017 (2016: loss of US$1,9 million); the change from 2016 included higher revenue (US$1,7 million), lower depreciation (US$0,2 million), lower container impairment (US$1,1 million) and gains on the sale of older containers (US$1,4 million).

TAC expects the leasing market to be stronger in 2018 with higher new container prices leading to improved lease rates and higher used container resale prices. TAC should remain profitable if these stronger market conditions continue for the remainder of 2018.

Containers are a long-term investment and TAC believes that it will continue to generate profits by using its access to competitive bank funding and its relationships with competent managers including Textainer.

Salient information

	2017	2016
Financial (US$ million)		
Total revenue	**32,0**	33,7
Net income/(loss)	**2,5**	(1,9)
Operational		
Average fleet utilisation %	**94,4**	91,5
Analysis of fleet (TEU'000s)	**174**	181
Term leases	**141**	150
Master leases	**33**	31