

MESSAGE FROM THE MANAGING PARTNERS

Touax Group's strategy of refocusing on its three long-term leasing activities in the service of sustainable transport has borne fruit in 2020.

Despite the very difficult environment associated with the Covid-19 health crisis, the group has shown great resilience in all its activities and has supported you in your projects (USD 1.2 billion in assets under management and over 30% growth in investment and EBITDA).

Thanks to the significant improvement in our financial structure and operational performance, we have also been able to successfully renew and increase our credit lines and initiate measures to optimize financial costs thus increasing our competitiveness.

A structuring event for **Touax Rail** is the €81.9 million capital increase with DIF Capital Partners (an infrastructure fund with €7.5 billion under management). **Touax**, as the majority shareholder, will be able to further finance its future needs and strengthen its current position in the long-term freight railcar leasing activity in Europe and Asia. 2020 is also the year the container activity utilization rates have moved to record levels between 96% and 98% thanks to the recovery of the Asian market in the summer, and strong discipline from the main players (factories, shipping companies and leasing companies on production capacity and investments). This shows a strong maturity of the sector and an ability to adapt to the growing crisis in which **Touax Container** has been able to maintain its positive trend started a few years back.



It is also worth noting the good performance of **Touax River Barges** activity which has managed to maintain a utilization rate above 96% and to launch new production of barges in Europe. The modular construction activity in Africa is also experiencing a very good turnaround in 2020 with a return to profits that confirms several years of team effort and the success of the implementation of our «Lean» strategy. In this context of resilience of our businesses focused on the sustainable development, we have also significantly increased our third-party asset management activity, which is very promising.

For 2021, we are rather optimistic because, from a structural point of view and in the medium-long term, the Asian market recovery, the European green deal, the various recovery plans announced by the governments on infrastructure and the trend towards outsourcing, should continue to support investments in our asset classes.

2021 will also be the Year of Rail in Europe with a 30% market share target in 2030 versus 18% in 2020!

We are also taking this opportunity to wish all of you and your family a great 2021.

Fabrice et Raphael Walewski

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Touax

RAILCAR DIVISION

GLOBAL BUSINESS

A number of events will have marked the year 2020 for **Touax Rail**. A €81,9 million capital increase of **Touax Rail** Ltd was completed in September 2020 with one of the European leading independent infrastructure funds, DIF Capital Partners (see page Focus Corporate for more details). This transaction will enable **Touax Rail** to accelerate the development of its freight railcars' business in Europe and in Asia. Immediately accretive, the transaction allows to finance minority stakes in entities holding assets, in **Touax Rail** India Ltd as well as to finance the future growth of **Touax Rail** Ltd.

In the first half of the year, revenue from the Freight Railcars division reached €32.1 million, an increase of 13% from €28.4 million in the first half of 2019. Leasing revenue increased by 6.4% to €30.1 million over the period, thanks to an increase in lease rates which offset a slight drop in utilization rates (85.6% on average over the period). Sales of freight railcars and syndication margins both increased, with disposals to investors. **Touax Rail** retains the management of this equipment.

Touax Rail fleet of railcars has continued to grow in 2020. Following deliveries of new Aggregate Hopper and Aggregate Box for the UK market **Touax Rail** is thrilled to announce the delivery within the coming weeks of first batches of new intermodal wagons to a Belgium RU and the conclusion of an agreement for the construction and delivery to a German operator of 100 new 80' Sggrs wagons. Besides the development of new assets, **Touax Rail** is still investing actively to keep on upgrading its current fleet of wagons, improving their braking systems to reduce rail freight noise. However a large part of our fleet is already equipped from origin with composite brakes shoes, so "silent". Our wagon fleet is also gradually being equipped with GPS systems to ensure a reliable tracking.

Even though **Touax Rail** and its customers were impacted by the Covid pandemic, rail transportation had the opportunity to demonstrate its reliability and resilience at a time when the restrictions implemented by European Union member states to slow the spread of the virus were putting a brutal brake on the transport of goods by road in particular.

As stated by the ERFA, one of the direct consequences of the COVID crisis has been the freeing up of capacity on the European railway network due to drastically reduced passenger traffic. This has coincided with a significant increase in the service offer and punctuality of rail freight. Passenger traffic will return, but it is essential that policy makers also ensure that lessons are learnt from this crisis regarding the key success factors for rail freight: good quality and sufficient capacity for freight.

ORGANIZATION

In order to provide a higher customer experience, **Touax Rail** enhanced its team with:

Patrycja MATUSZKIEWICZ, Personal and Accounts Assistant in Dublin

Derek BRANNIGAN, Management Accountant in Dublin

Friederike VON BÜNAU, Marketing Coordinator in Dublin

Madeleine CABRAL, Fleet Manager Apprentice in Paris

Boris BRUNATO, Junior Wagon Engineer in Paris

Franciele MAGALHAES ZAEDOW, Fleet Assistant in Hamburg

Raoul WAWRZYNEK, Fleet Manager in Hamburg

RIVER BARGES DIVISION



GLOBAL BUSINESS

As we are all aware the spread of the Covid-19 pandemic around the world has had strong impacts on the overall economy and of course also on the river transport activity. The global inland water transport market is expected to decline at a compound annual growth rate of -5% compared to the 2019 figures, according to the United Nations Trade and Development body. The decline is mainly due to the economic slowdown across countries and the measures taken to contain the virus. On a more positive note they expect that the market will slowly recover and grow at a rate of +5% from 2021, forecasting that the 2019 levels would be then found in 2022.

We must be aware that transport through the inland waterway system plays an important role in insuring the continuous supply of agricultural products, raw materials, chemicals, petroleum products and other goods. This is why it is crucial to keep the industry moving while preserving the health, safety and well-being of the inland river shipping community.

NEW OPPORTUNITIES

Now is also the moment to take advantage and make production greener. Global CO2 emissions are on track to decline by 8% this year. This is roughly the same reduction that is needed annually for the next 10 years to maintain progress to just a 1.5-degree Celsius rise in global temperatures. As economies open back up, more needs to be done to ensure international production is in sync with the climate emergency.

Touax River Barges is forecasting an important investment program to develop its fleet over the period 2021-2024, thanks to European dedicated investment funds, in order to promote the innovative river transport.

HISTORIC DROUGHT ON THE PARAGUAY RIVER

The Paraguay River has reached its lowest level in half a century after months of extreme drought in the region. And the situation is getting worse every day especially since the river is where almost 85% of the country's foreign trade is being done.

The river springs in Brazil, scarcely runs through Bolivia, crosses Paraguay then merges into the Parana, which in turn empties into the Atlantic Ocean through the Río de la Plata.

The fall in the water level has slowed down cargo vessel traffic, causing significant cost overruns for the transport of iron ore, fertilisers, fuel, food and other imported goods. Paraguay could face price increases and shortages in supplies if the situation continues to deteriorate.

Fortunately Touax owns high capacity (Jumbo) barges built for the Parana river and with specifications adapted to low water levels (lower draft, higher capacity). Touax customers could therefore adapt loading capacity, and still navigate or use the barges on shallow waters.



Touax Barge

MARINE CONTAINER DIVISION

GLOBAL BUSINESS

Following a challenging first half of 2020 due to the spread of the pandemic, global containerized trade volumes experienced a sharp recovery in the third quarter of 2020, driven by the quick recovery in consumption of goods globally, and growth of e-commerce. Assuming strong demand sustains, this could lead all the way through to Chinese New Year up to at least end of March 2021.

This changing market dynamic has lead **Touax Container** to face some challenges with the sudden high demand and rapidly rising up prices. Demand for new and depot containers outstripped supply and resulted in container shortages. Chinese container factories are said to be sold out till Q2 2021. In this context, **Touax Container** was able to secure production space and consequently was able to sign long term lease contracts for new containers, mainly 40'HC boxes, with top ocean carriers.

The utilization rate of our fleet remained at a strong level of around 96% and is forecasted to increase by the end of the year.

The secondary market was also positively impacted by this shortage of units with an increase in used containers prices and volumes. This has resulted in a positive growth of sales for both new and used containers by 116% in the first half of the year as compared to 2019. Given the limited offer, **Touax Container** decided to keep supporting its loyal buyers across the world.

In its trading activity of new containers **Touax Container** has achieved a great result by ordering more than 10 000 boxes of various sizes over the 12 months between September 2019 and the same month of 2020. As indicated in the previous issues, this activity has come up beside the leasing and resale ones as the third core businesses of the Company. To increase the pace and enhance our level of service

to customers, we decided to hire a Trading Product Manager, in charge to understand our customers' and prospects' requirements and match them with containers' technical specifications and production timing.

To complete our move towards datamining as a solid basis to glean meaningful patterns and trends, we also hired a Business Analyst who will allow us to maximize our performance and our customers' experience.

ORGANIZATION

In the third quarter of 2020 new skilled resources enhanced our team:

Steeve JEAN-ALPHONSE was hired as a Business Analyst, based in Paris.

Wilfried TARRAGON joined us as a Leasing, Resale & Trading Administrator, based in Paris.

Pauline WALEWSKI joined Touax as Trading Junior Product Manager, based in Paris.

Samuel SUFLER has been appointed Resale and Trading Manager for the North East coast of North America, based in Philadelphia.

Thais NASCIMENTO took over the role of Resale and Trading Manager for the South America based in Sao Paulo.

Gretten BARZAGA was nominated as Inside Sales and Trading Executive for the Americas based in Miami.

Edward TYSON has been appointed Resale and Trading Manager for the Gulf and Central North America, based in Austin.

TOUAX ONE TRIP UNITS: NEW DESIGN

Focusing in always fulfilling our customers' needs, **Touax Container** has made some key design changes in its NEW One Trip Units. Our new product will feature 12 vents, bamboo flooring and rain gutter, protecting the unit from water dripping directly onto the top gasket. Those adjustments were based on our trust and deep understanding of our customers' requirements. To further enhance our customer's experience, we are also constantly improving our production schedule, our

logistics efforts and our delivery timing.

The upgraded design will make our One Trip Units more attractive and in line with the application and needs of our customers.

Moreover we have secured production of NEW 20'DC in the second half of 2020 and additional sizes will come in the first part of 2021. We are thrilled to already have secured pre-committed orders of one trippers for 2021 first quarter with some of our long-lasting partners.



CUSTOMER SERVICE = CONNECTIVITY

In order to stay close to customers and ensure a high reactivity to their requests, our Customer Service Executives operate within the regional teams in Singapore, Hamburg and Miami.

Under the supervision of the Regional Operations and Customer Service Managers, they ensure a key role in connecting customers with **Touax Container** various departments and depots.



Eugenia TAN at office in Singapore

“As a Regional Customer Service Executive in Asia – indicates Eugenia TAN, from Singapore - I am the first point of contact for resolving our customers’ inquiries and concerns. At leasing level, this encompasses

monitoring and issuance of all kinds of bookings and invoices, from One-way to long terms contracts, liaising with the depots and customers. On the containers’ resale side, it includes also additional services as providing CSC plate’s details to customers, requesting images of units for sale, obtaining PTI reports from depots for reefer containers and arranging boxes’ surveys. I have also to interact and work closely with my colleagues based in Hamburg and Miami for cross regional bookings and deals. One of the main challenges is to make sure that **Touax Container** service is delivered consistently across the regional time differences”.

“Being the first point of contact we represent **Touax Container** and its values towards our customers – adds Florian BEHRENS, EMEA Regional Customer Service Executive based in Hamburg - We support, give advices, coordinate and do generally anything possible to us to provide a smooth experience to our customers. We regularly attend industry events and exhibitions, as Intermodal, to meet customers in person. In EMEA the Resale & Trading activity is more dynamic at the moment, so I closely follow and process our commercial team’s instructions to generate invoices in different currencies, release containers, provide technical specifications or certificates to our customers and coordinate barge handlings when required. To close the resale process, I also look into the timely payment of the units sold”.

“I am a bridge that inter-connects several internal departments, as Commercial, Operations and Accounting and manage them as internal customers – confirms proudly Gustavo RINCON, AMR Regional Customer Service Executive - and I ensure connectivity of all these departments to our

external customers, especially sending accurate inventories, ensuring accessibility of units, providing services as trucking and logistics, following payments and in general taking care of operating issues that can raise on a daily basis. Accuracy in performing our tasks translate in much smoother processes and transactions”.

The team is completed by Joe QIU, based in Singapore, who operates as Global Customer Service Executive, in charge to support the regional offices. “My role includes leasing booking management for new units in coordination with the factories, follow-up of the One-Way activity for all the new units for trading, reconciliation of leasing contract rental billing. This provides me with opportunities to listen to the voice of our colleagues and clients from different countries with different cultures, which allow me to broaden my horizons and handle divergent expectations”.



Joe QIU sharing with colleagues in Singapore



Gustavo RINCON at coffee break in Miami



Florian BEHRENS at Intermodal Europe

CORPORATE

FINANCE & IT

Significant work has been successfully carried out around the financial management of the Group with, on the corporate side, a buyback operation of the hybrid capital of the parent company TOUAX SCA for an amount of €24 million and on the operational side, the refinancing of the Railcars and Containers divisions. A financing agreement for a total commitment of US\$65 million composed of a term loan and a revolver line was signed to support the development of **Touax Container**, at the end of November 2020. Just after, mid-December 2020, a second financing agreement for a commitment of €180 million was signed to support the growth of **Touax Rail**, consisting of a term loan of €120 million and a revolver line of €60 million. These financing agreements benefit from improved conditions thanks to a return to profits.

At the same time, we continued to proceed with the financial structuring of **Touax Rail** and **Touax Barges**. The rail division

ASSET MANAGEMENT

Throughout 2020, **Touax Group's** investors have enjoyed a consistent, stable and uninterrupted distribution of revenue from their investments in assets managed by **Touax**. This strong performance during a difficult economic environment demonstrates the resilience of the investment premise and stability of the investment model proposed by our Group.

A Rail syndication for a portion of new build railcar fleet closed as planned in June and will continue as new railcars are delivered through the end of 2020 and into 2021.

With the help of **Touax Rail**, the Asset Management team also successfully syndicated a Sale and Lease back of a young fleet of railcars purchased from a major European operator.

The first syndication of European barges has been completed in December 2020 on a small portfolio purchased by the Touax Transportation Asset Income EUR Sub Fund I.

The Container activity through a partnership with a shipping liner client was able to provide liquidity to an investor on a portion of an older container fleet. There were also recurring syndications of newer containers to the Touax Transportation Asset Income USD Sub Fund I, providing the Fund with the investment opportunities as funds become available. We are already working on similar opportunities for 2021.

The virtual marketing of Touax's investment opportunities continued with the organization of two webinars for existing and potential investors in Europe and the United States as well as the participation in a second virtual conference.

welcomed the arrival of a minority financial partner and the river barge division was capitalized by the Group.

In a still on & off lockdown process our IT department has enabled everyone to work from home in remote security with perfect network and equipment performance all around the world. The cyber-attacks that may have been attempted have all been foiled, once again proving the reliability of our systems.

All 2020 continuous improvement projects have been finalized, allowing us to open new ones for 2021 to maintain and keep improving our performance, including the one of the accounting teams in the monthly process of consolidation. Detailed planning and supervision have been extended from half-yearly and annual closings to annual and multi-year budget forecasting work.

HUMAN RESOURCES

Over the last semester, the Human Resources team continued to monitor globally the pandemic situation and the related national lockdown rules with particular attention to in our countries where **Touax Group** staff is based.

Beyond the now usual implementation of improved cleaning measures for our office spaces, an emphasis was brought on how to work efficiently in this virtualized work environment. In this respect, all our employees and managers have been invited in October to go through some training online classes. They have been provided with some best practices regarding collaboration in virtual team and remote management.

This was part of our Human Resources Department's project of digital transformation launched in 2019.

Moving forward to 2021, the Department is continuing its effort in this domain. As a result, **Touax Group** is expanding its partnership with its software provider Lucca through the implementation of an online Annual Review tool. This will allow the Company to host on a same web-platform several aspects of its resources' management, including payroll and holidays 'management.

A global employees' satisfaction survey has been conducted in November to understand how our people are feeling overall as **Touax Group's** employees. Over 75% of the teams participated in the survey, a large majority expressed its satisfaction and all employees provided constructive suggestions to identify areas of improvement in terms of new work conditions and people development.

A great initiative that we will repeat in the future!!



CORPORATE FOCUS

Touax Group has recently joined forces for the growth and development of its rail division with DIF Capital Partners, one of Europe's leading infrastructure funds. DIF has to date invested in over 200 infrastructure projects including transportation, energy, telecom and social infrastructure with an investment value in the tens of billions of euros.

On September 29th, 2020, DIF invested € 81.9 million for a 49% participation in **Touax Rail Ltd**, the holding and operational entity of **Touax Rail**. The proceeds were used by **Touax Rail Ltd** to acquire full ownership of some 4.000 rail platforms which were previously partially owned by minority stakeholders and to pay back an intercompany loan with Touax SCA. Furthermore, they will serve to foster the growth of **Touax Rail** with a goal to rapidly reach 15.000 wagon platforms.

The cooperation with DIF is based on a long-term partnership and a shared strategic vision to continue to develop **Touax Rail** as a leading freight railcar leasing platform in both Europe and Asia. As of today, **Touax Rail** manages some 11.000 wagon platforms, thereof close to

7.000 fully owned by **Touax Rail** and slightly more than 4.000 which are the property of third-party investors including DIF. An ambitious growth program has already been initiated with several hundred new wagon platforms on order with manufacturers both in Europe and in Asia which will enter **Touax Rail's** fleet over the next 18 to 24 months.

Fabrice Walewski, General Partner & CEO of **Touax Group**, says that *"We are very delighted to have DIF Capital Partners as partner to accompany the development of our long term leasing activities of freight wagons in Europe & Asia. With this transaction, Touax Rail Limited will strengthen its position in the market."*

Carl Jobst von Hoersten, partner and head of DIF Germany commented: *"This transaction is a unique investment providing exclusive access to the attractive railcar market. Touax Rail is a well-established, asset heavy railcar platform with a robust and resilient business model which is well-positioned for growth. We look forward working together with Touax Rail's highly experienced management team to further grow the platform."*



DIF Capital Partners is an independent infrastructure fund manager, with €8.5 billion of assets under management across seven closed-end infrastructure funds and several co-investment vehicles. DIF invests in greenfield and brownfield infrastructure assets located primarily in Europe, North America, Latin America and Australasia through two complementary strategies, targeting equity investments in public-private partnerships (PPP/PFI/P3), concessions, regulated assets and renewable energy projects with long-term contracted or regulated income streams and in small to mid-sized infrastructure assets in the energy, transportation and telecom sectors with mid-term contracted income streams.

MAIN EVENTS / CALENDAR

Due to lockdowns imposed across the borders, all 2020 major events as Intermodal, Logitrans etc, have been postponed or cancelled and so we did not had the possibility to meet our partners and enjoy sharing with them as we were used to do

However, some of these events went digital and **Touax Group** teams attended some of them including the Rail Freight Group, the European Intermodal Summit 2020 and some others.

Also, a Seminar has been organized in Paris, on October 2nd, 2020 by the "Plateforme Verte" – <https://laplateformeverte.org/> - to promote the

applications of Hydrogen energy in different kinds of transports. Raphaël Walewski, one of the 2 Managing Partners of

Touax Group and Didier Bacon, the Managing Director of **Touax River Barges**, attended this event by participating in some workshops.

Hoping in an improving 2021, **Touax Group** teams are looking forward to meet with you all at some of the planned 2021 events such as the Transport and Logistic fair in Munich on May, 4th - 7th (Hall 6, booth 234) or the Intermodal Asia in Shanghai on July, 20th - 22th.



EUROPEAN YEAR OF RAIL



2021 is set to be the European Year of Rail.

Throughout the year, a series of events and other initiatives will be organised to increase the proportion of passengers and goods transported by rail, in line with the objectives of the green deal for Europe. It shall promote rail as a sustainable, innovative and safe mode of transport, in particular by highlighting the role of rail as a game changer to help reaching the Union's climate neutrality objective by 2050.

To achieve this goal, steadily rising transport gas emissions, accounting for a quarter of the EU's greenhouse, must be reduced by 90%.

Rail emits much less CO2 than road or air for an equivalent journey, and is the only mode of transport that has continuously reduced its greenhouse gas emissions since 1990.

Yet, 75% of domestic freight is currently transported by road. The European Year of Rail is therefore a unique opportunity to make a difference and effectively contribute to modal shift and start fully exploiting the potential of rail.

The European Commission is notably to launch a feasibility study on the creation of a European label to promote goods transported by rail. Such a label would also encourage businesses to switch their transport to rail.

The Commission will also launch a second study that will explore the idea of a rail connectivity index, similar to the one already existing for air transport.

Other objectives for the year include raising awareness of the European and

cross-border dimension of rail transport and increasing its contribution to the economy, industry and society in the EU.

As far as the EU's rail transport policy is concerned, 2021 will be the first full year in which the rules laid down in the fourth railway package will be implemented across the EU, which will mean a more open rail market and, hopefully, reduced administrative costs. A number of legislative reforms are already announced, notably of the combined transport directive and of the European corridors.

