



Transnet SOC Ltd half-year performance impacted by Covid-19; outlook remains cautiously optimistic

[Johannesburg, 11 December 2020] Transnet SOC Ltd ("**Transnet**") has been impacted by the phased lockdowns necessitated by the Covid-19 pandemic.

Lower demand in rail, container and petroleum volumes, on the back of limited economic activity, saw a decrease in Transnet revenue for the year ended 30 September 2020. For the period under review, the company reported R32,0 billion in revenue, down 17,3% when compared to the same period in the previous year.

The general slowdown in economic activity saw a decline in performance of key sectors, including mining and manufacturing. This resulted in the decline of rail (-16,4%) and port (-20,7%) volumes for the period, when compared to the same period in the previous year.

Bulk terminals were operating at reduced capacity during the initial hard lockdown, which weighed heavily on the exports of iron ore, manganese and chrome. During the same period container terminals were equally impacted.

After the initial hard lockdown, output was adversely impacted by regulations that prohibited mines from operating at full capacity in the interest of *'flattening the curve'* and protecting the safety of workers.

Port volumes were also impacted by the reduced number of employees at work, due to the effects of positive COVID-19 cases, whilst pipeline volumes were significantly impacted by the total shutdown of airports, imposed travel restrictions, and the negative impact of fuel theft incidents.

However, as restrictions began to ease and demand rebounded, Transnet experienced month-to-month improvements in performance across key indicators.

During this period Transnet supported the economy by focusing operations on moving essential cargo, decongesting the ports, operationalising container terminals and ports as well as essential rail corridors.

Transnet's costs are largely fixed, which resulted in an EBIDTA of R9,8 billion, a reduction of 47,3% compared to the prior reporting period.

The closure of construction sites and disruptions in procurement supply chains during Level Five of the lockdown resulted in a decline in maintenance with capital investments reduced to R4,9 billion.

Transnet continues to strike a careful balance between the need to protect its employees during the pandemic, and ensure reliable delivery to its customers.

Transnet raised R11,1 billion in long-term funding for the period from bank loans, development finance institutions and bonds.

Transnet's gearing ratio at 48,7% and rolling cash interest cover, including working capital changes at 2,5 times, remained within the triggers in loan covenants.

Transnet is a going concern, and has continued to adopt the going concern principle in preparing its financial results.

Outlook

Transnet started to see improvements in performance in the second half of the year, as a result of growing demand and a rebound in economic activity. As a second wave of the pandemic emerges, Transnet will continue to focus its attention on ensuring its employees operate in a safe environment, whilst delivering to its customers.

At the same time, we are consistently increasing efficiencies and developing a more customer-focused business offering. We are making positive strides in enhancing the efficiency of our procurement processes.

The half-year results have been reviewed by the Auditor-General of South Africa, who has issued an unmodified review opinion.

Issued on behalf of Transnet SOC Ltd

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