Transnet Annual Financial Results
31 March 2008

30 June 2008

The Hilton Hotel, Sandton

freight rail

rail engineering

national ports authority

port terminals

pipelines

... from turnaround to growth

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TRANSNET

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CF WELLS: OVERVIEW OF FINANCIAL RESULTS

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- Funding requirements
- Challenges and financial strategy going forward

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The change in strategy from turnaround to growth

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- Pipeline Act
- NPA Act

Major risks and challenges

Divisional performance and synopsis of results

INTRODUCTION: MANDATE, VISION AND MISSION

TRANSNET

Vision and mission

- Transnet is a focused freight transport company, delivering integrated, efficient, safe, reliable and cost-effective services to promote economic growth in South Africa
- This is to be achieved through increasing our market share, improving productivity and profitability and by providing appropriate capacity to our customers ahead of demand

Values

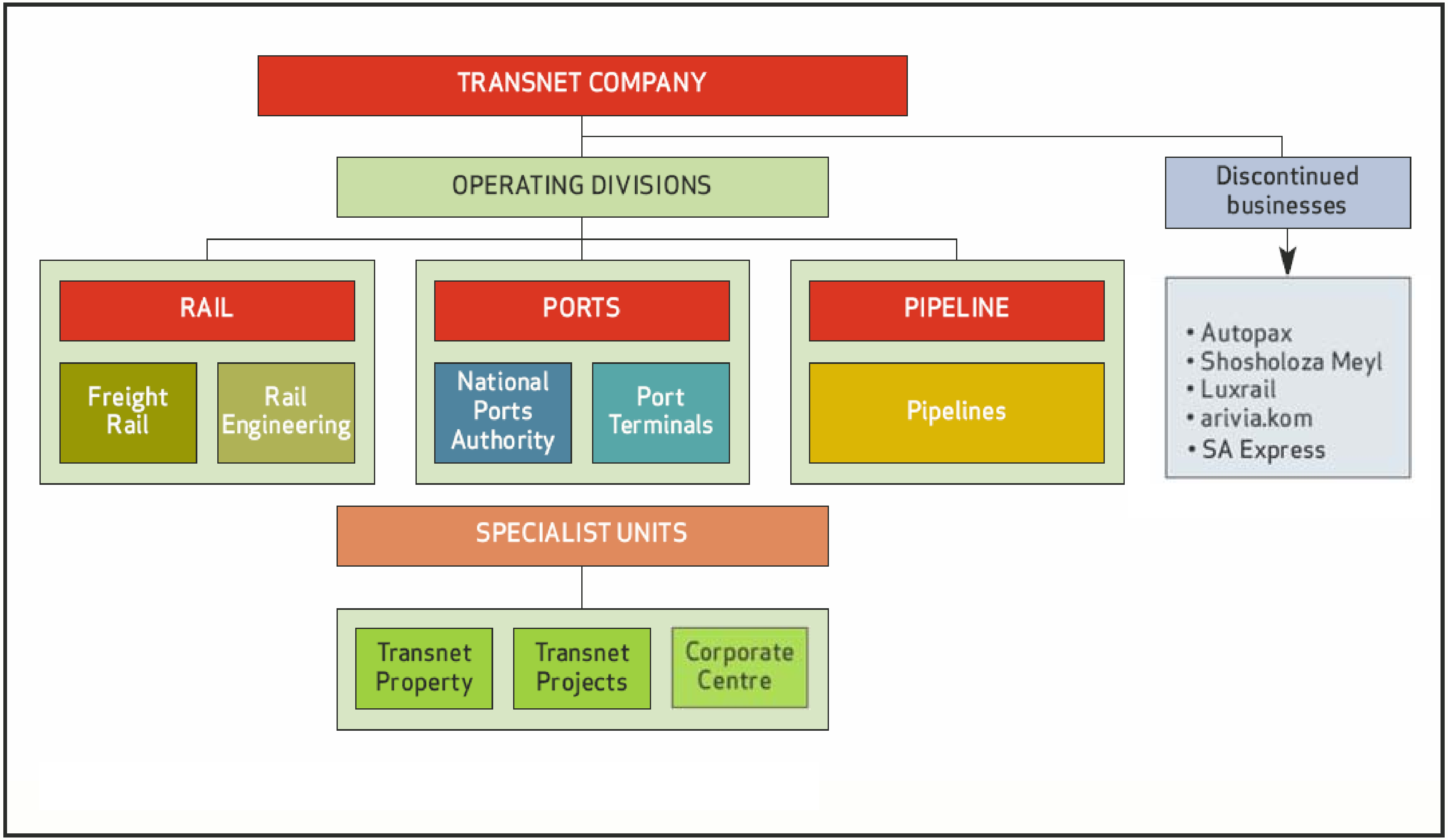
We would like our customers:

- to prefer us because we are reliable, trustworthy, responsive and safe;

and because:

- our employees are committed, safety conscious, accountable, ethical, disciplined and results orientated

TRANSNET STRUCTURE



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TRANSNET

THE NEED FOR A TURNAROUND STRATEGY IN 2004

TRANSNET

Transnet was facing a number of challenges

Liabilities

- Huge derivative liabilities arising from unfavourable contracts entered into with major clients for the transportation of commodities
- Pension funds reflected deficits
- Loss making non-core businesses in the Group
- Low profitability
- Gearing ratio had reached an unsustainably high level of 83%

Investment

- Absence of a structured investment programme at the time even though key infrastructure and rolling stock badly needed maintenance and replacement
- Low returns on investments and delays in execution

Market share

- Competition (mainly from road operators) was openly gnawing away Transnet's market share. General Freight volumes declined by 2.5% p.a. between 1997 and 2003
- Constraints in capacity and efficiencies handicapped growth

Efficiencies

- The company was not sufficiently oriented towards its customers – in fact, Transnet's inefficiencies were rubbing off on some of its major customers in the form of real losses of international opportunities
- Low efficiencies resulted in congestion at the ports and unstable service delivery in freight transport

THE TURNAROUND STRATEGY RESTED ON 4 PILLARS

TRANSNET

Business Re-engineering

- To establish a focused and integrated freight logistics business (Ports, Rail and Pipelines)
- Productivity and efficiency improvement through re-engineering programme (Vulindlela)
- Reorient company towards its customers
- Restructure and redefine role of Corporate Head office to lead and support the turnaround
- Investment plan to address backlog and create capacity

Strategic Balance Sheet Management

- Dispose of non-core assets to release cash locked up
- Improve the returns on assets (>WACC)
- Optimise cash flow and cash management
- Strategic asset/liability management to improve gearing

Corporate Governance & Risk Management

- To enhance internal control environment
- Improved risk management with focus on safety
- Corporate governance and establish a compact with Shareholder on service delivery

Human Capital

- Transforming culture and behaviour of staff to support new strategy
- Identifying and managing critical skills and refocus training
- Training and to establish accountability at all levels in the company
- Establish sound union relationships to assist with transformation of company

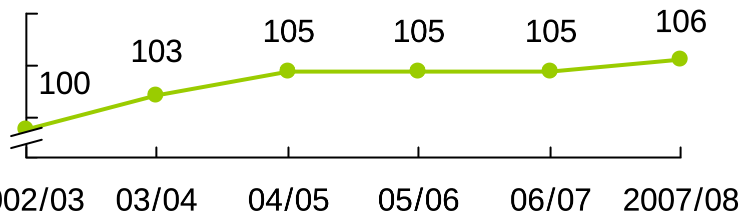
PERFORMANCE AGAINST PLAN: SIGNIFICANT OPERATIONAL EFFICIENCIES ACROSS OPERATING DIVISIONS

2003/04 | 2005/06 | 2007/08

Growth in key commodities

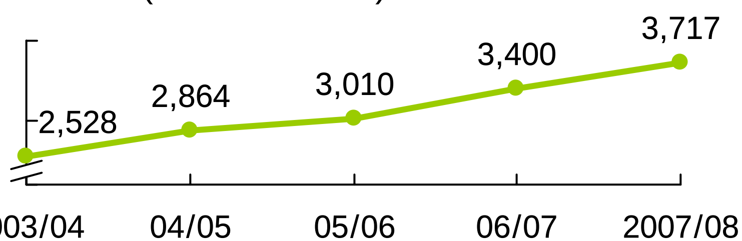
Rail

Total freight (billion vol.km)



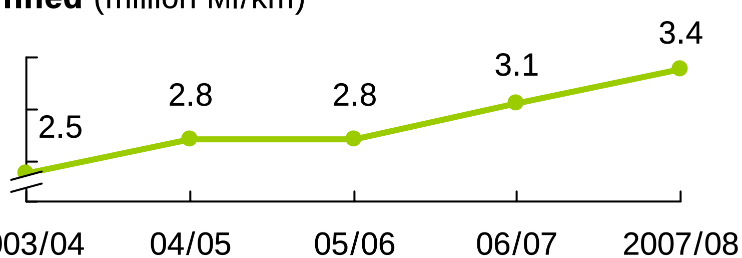
Ports

Containers (Thousand TEUs)



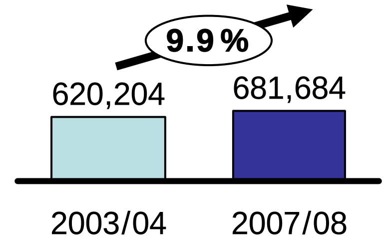
Pipe-lines

Refined (million Ml/km)

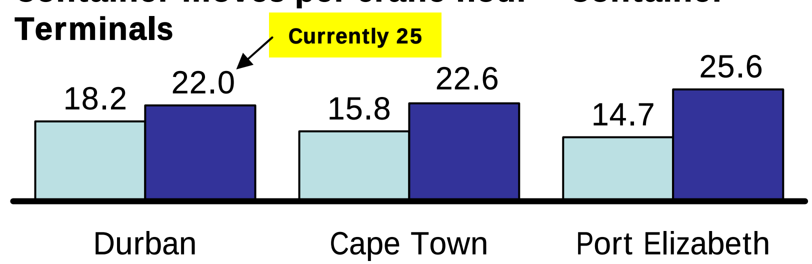


Key Performance Indicators

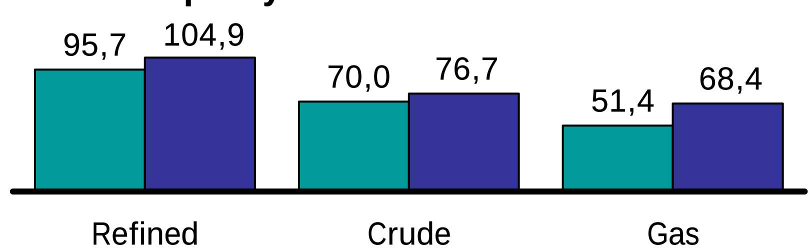
Net ton km per wagon (GFB)



Container moves per crane hour – Container Terminals



Percent capacity utilization



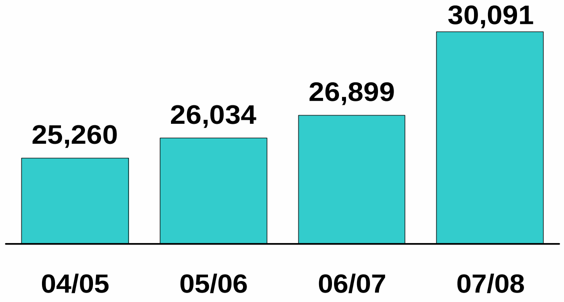
PERFORMANCE AGAINST THE PLAN: CAPITAL AND FINANCIAL EFFICIENCY

TRANSNET

Achievement | **Performance trend** | **R million**

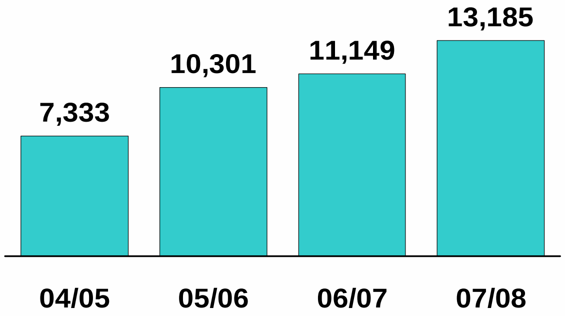
Revenue

- **Continuous increase in revenue showing results of initiatives to grow the business, with revenue increasing from R25.3bn in 2004/05 to R30.1bn in 2007/08 (19% increase)**



EBITDA

- **Improvements through:**
  - Operational efficiency improvements, effective cost-cutting initiatives mainly due to Vulindlela projects
  - Discontinuing non-core businesses
- **Improvement from R7.3bn in 2004/05 to R13.2bn during 2007/08 (80% improvement)**



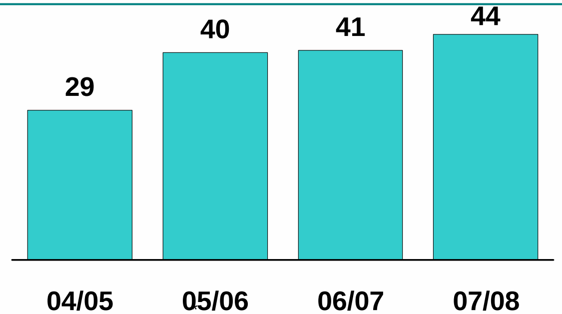
PERFORMANCE AGAINST THE PLAN: CAPITAL AND FINANCIAL EFFICIENCY

TRANSNET

	Achievement	Performance trend

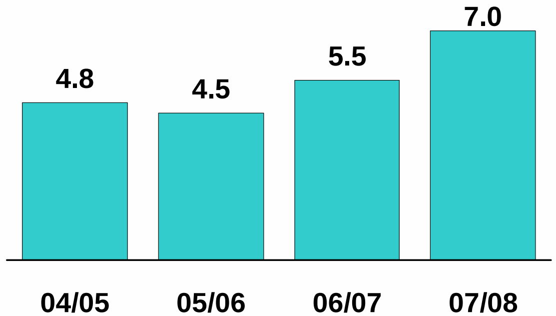
EBITDA Margin (%)

- Continuous improvement in operational efficiencies evidenced by increase in the EBITDA margin
- Increase from 29% in 2004/05 to 44% in 2007/08



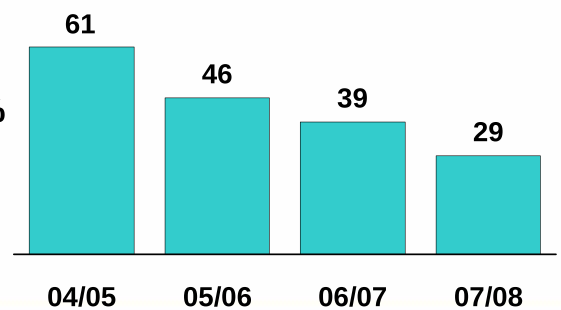
Cash interest cover (times)

- Continuous improvement in cash interest cover from 4.8 times in 2004/05 to 7.0 times in 2007/08.
- Indicative of a healthy cash position, enabling Transnet to service its borrowings and improve credit rating (BBB- to BBB+)



Gearing (%)

- Balance sheet restructuring and cost effective debt structures yielding positive results with consistent below target gearing from 61% in 2004/05 to 29% in 2007/08 (53% improvement)
- This enables Transnet to fund capital investments more cost effectively and without government guarantees



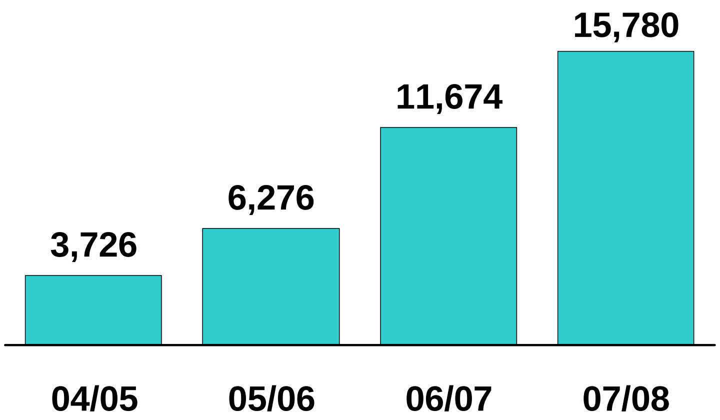
INFRASTRUCTURE INVESTMENTS AND CAPACITY DELIVERY

TRANSNET

Achievement | **Performance trend** | R million

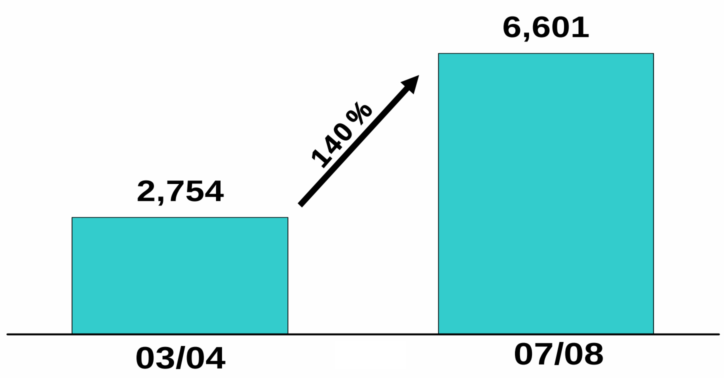
Capital expenditure

- Established Transnet Capital Projects (Specialist Unit) to roll out capital expenditure plan
- Actual capital expenditure consistently within 90% of target range
- The historic underinvestment required Transnet to address the maintenance backlog, whilst continuing to invest in capital investment to sustain and expand infrastructure to enable growth



TFR Maintenance

- Transnet is committed to appropriate planned maintenance of assets and specific attention has been placed on locomotives, wagons and infrastructure in TFR
- TFR adhering to cost effective and efficient maintenance



CORPORATE GOVERNANCE AND HUMAN CAPITAL APPROACH IN PLACE

Achievements / Progress

Corporate Governance & Risk Management

- **Governance structure and committees established and effective**
- **Enterprise-Wide Risk Management implemented and rolled-out throughout the organisation**
- **Comprehensive safety programmes in place**
- **Continuous audits to identify risk areas and mitigating strategies implemented**

Human Capital

- **Capacity building and skills mapping**
- **Talent management**
- **Change management programmes launched**
- **Performance management linked to strategic performance objectives (SPOs) defined and measured**

Corporate Governance and Human Capital operating models established supported by the culture charter programme creates an enabling environment to implement the new Growth Strategy

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TRANSNET

SHIFTING FOCUS TO THE NEXT HORIZON – GROWING THE NETWORK BUSINESS

TRANSNET

Four-point turnaround plan

Growth strategy
‘Optimise and extend growth’ to fulfil mandate

‘Expand competitive advantage’

‘Completed the stabilisation of the business’

Journey to stabilise and grow

‘A difficult beginning’
Huge liabilities and inefficiencies

- Financial restructuring
- New freight strategy
- Disposal of non-core assets
- Restructure corporate centre
- Create Human Capital strategy
- Risk and governance

- Build infrastructure projects
- Launch Vulindlela to improve efficiencies
- Grow critical capability
- Complete disposals
- Sound governance and risk structures
- Best practice capex

- Build Human Capital
- Effective commercial management for the network business
- Invest in long-term capacity
- Integrated business model
- Improve cross-divisional capital projects and financial planning
- Alignment of business objectives with strategy and measuring outcomes
- Funding strategy

- Develop new customer services
- Strategic growth initiatives
- Progressive implementation of the network business model
- Achieve world-class performance
- Explore regional expansion

2003/04 | **2007/08** | **Future**

Four-point Turnaround Strategy

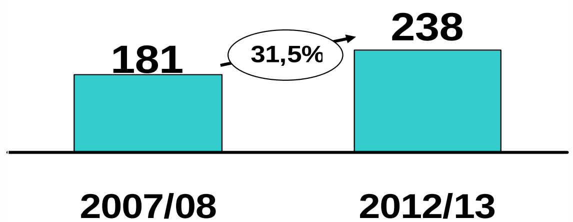
Four-point Growth Strategy

GROWTH TARGETS HAVE BEEN SET (RAIL, PORTS & PIPELINES) FOR NEXT 5 YEARS

TRANSNET

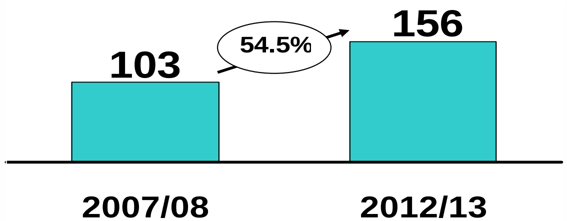
Average growth per year

Freight Rail (Volume Mt)



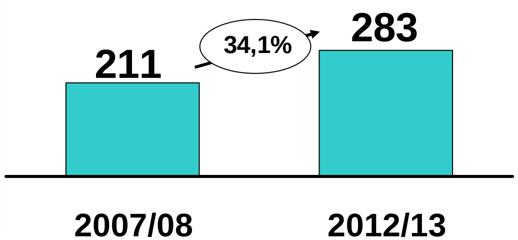
- 5.6% Annual growth
  - Ore 7.3%
  - Coal 3.6%
  - GFB 6.5%

Port Terminals (Volume Mt)



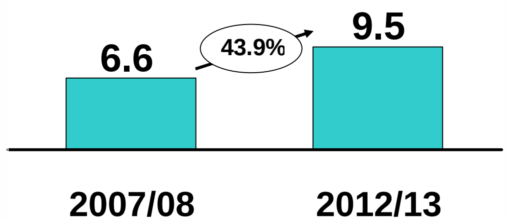
- 8.6% Annual growth

Transnet National Port Authority (Volume Mt)



- 6.0% Annual growth

Pipelines mMl/km



- 7.6% Annual growth

GROWTH STRATEGY WILL BE ENABLED BY THREE MAJOR THRUSTS AND IDENTIFIED STRATEGIC INITIATIVES

1

Client orientated planning and execution through integrated commercial management

Strategic initiatives

- Focusing on 5 key corridors, providing end-to-end logistics services to customers
- Focus on key commodities
- Productivity and efficiency improvements

Growth through

Re-engineering, integration, productivity and efficiency

Capital optimisation and financial management

Safety, risk and effective governance

Human capital execution

2

Investment plans

- Replacement and expansion of existing infrastructure to support growth
- Integrated investments of R80bn across rail, ports and pipelines
- Maintenance of core asset base

3

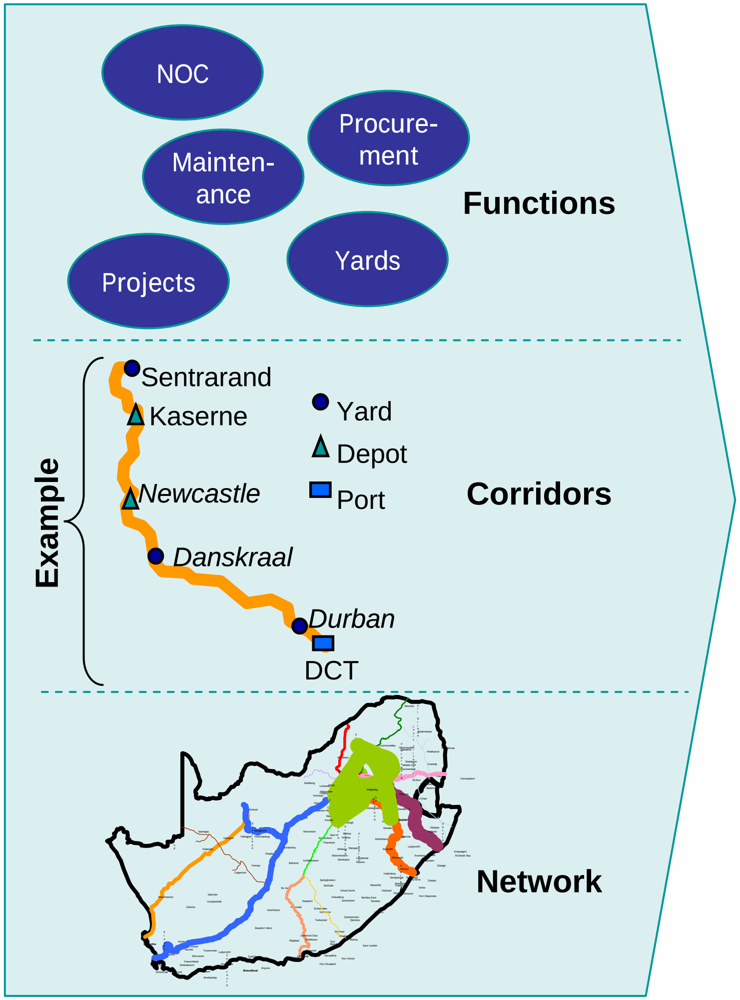
Governance and performance management

Strategic initiatives

- Financial strength and sustainability
- Enterprise wide performance management linked to benchmarked operating KPIs
- Risk& safety management
- Transnet culture charter

CORRIDOR APPROACH IS ESSENTIAL FOR SERVING SOUTH AFRICA'S CUSTOMERS

TRANSNET



Benefits from corridor approach

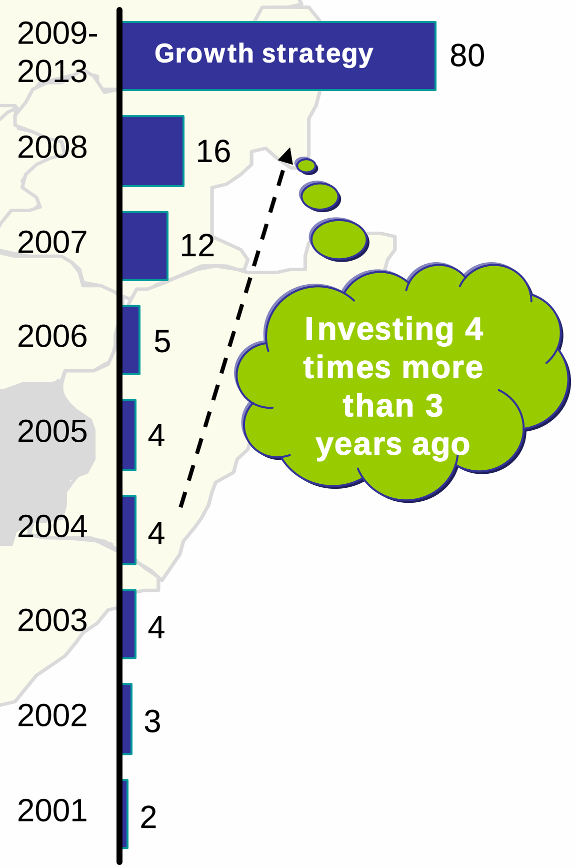
- Transnet as a network business needs to operate in an integrated manner throughout the logistics corridor
- Provide a common transformation and long-term planning backbone
- Maximise growth opportunities across all operating divisions (rail, port, pipeline)
- Capture operational and functional synergies across operating divisions through integrated solutions
- Improve efficiency and effectiveness of logistics supply chain
- Providing an end-to-end logistics service to customers
- Provide optimal capital base for network infrastructure evolution
- Focus on key commodities and aligning capital investment to high-growth potential corridors

SIGNIFICANT INVESTMENT ACROSS ALL DIVISIONS TO REPLACE ASSETS AND CREATE CAPACITY

TRANSNET

	Key projects		Investment R bn
Ports	• Cape Town container expansion • Port of Ngqura construction • Ngqura container terminal development including rail link • Durban entrance channel widening	NPA TPT	16 10
Rail	• Coal export /iron ore line expansion • Acquisition of 405 locomotives for GFB, iron ore and the coal line • Maintenance/upgrade of rolling stock and infrastructure	TFR TRE	38 2
Pipelines	• New multi-product pipeline		12
Specialist Units	• Business intelligence and building upgrades		2
	Total investment 2009-2013	=	80

Transnet historic consolidated Capex (excl. SAA)



MAJOR CAPITAL PROJECTS: SPENDING 31 MARCH 2008

TRANSNET

Total spending R15.8 bn in 2007/08

	MAJOR PROJECTS	R bn
RAIL R9.9 bn	▪ Maintenance of rolling stock and infrastructure	3.9
	▪ Ore line expansion to 47mtpa	1.4
	▪ Fleet renewal and modernisation	0.9
	▪ Upgrade of 18E Locomotives	0.4
	▪ Locomotives for coal line	0.2
	▪ 50 Locomotives for GFB	0.3
PORTS R4.6 bn	▪ Durban Harbour Entrance Channel widening and deepening	0.7
	▪ Pier 1 resurfacing & equipment and Salisbury Island	0.5
	▪ Durban Container Terminal equipment acquisition and re-engineering	0.2
	▪ Ngqura port construction and Container Terminal	0.8
	▪ Cape Town Container Terminal expansion	0.3
	▪ Saldanha IOT	0.5
PIPELINE R0.9 bn	▪ New Multi-Product Pipeline (NMPP)	0.6

CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS AND TO EXPAND CAPACITY

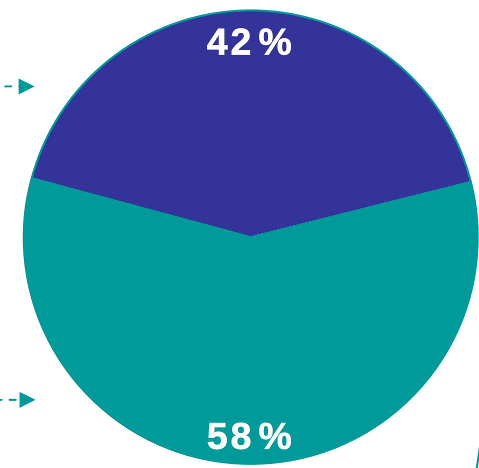
TRANSNET

Total capital investment 2008-2013

Replacement to sustain existing capacity — R33 bn

Expansion to build capacity for volume growth — R47 bn

R80 bn*



** Excludes borrowing costs*

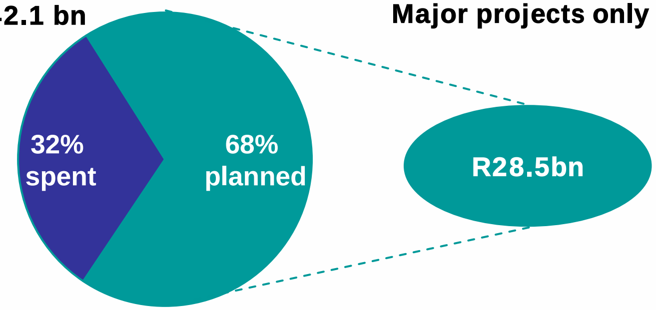
- Focus mainly on capacity creation
- Most of the projects already in progress/ committed
- Capex approval based on strategic fit, viability and affordability

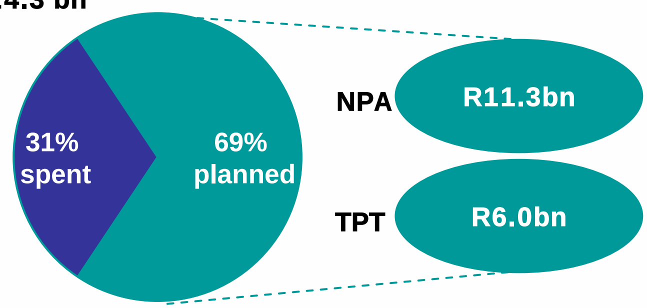
CAPITAL INVESTMENT PLAN COMMITTED FOR THE NEXT 5 YEARS : MAJOR PROJECTS

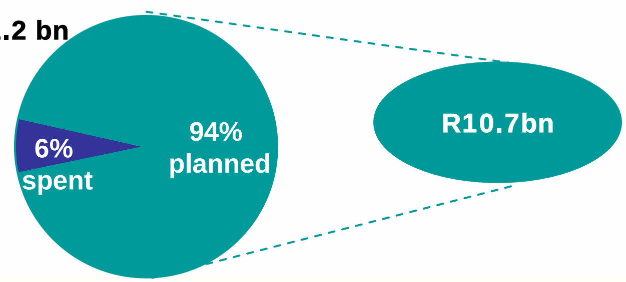
TRANSNET

- Invested to date (07/08)
- Incl. in R80 bn 5 yr plan

	Spending to date plus next 5 years	Next 5 years projection (included in R80.3bn) – Major projects only	Focus of investments over future years
Rail	R42.1 bn	R28.5bn	• Increase current capacity in GFB from approximately 80mtpa to 105mtpa • Coal line capacity expansion to 78mtpa • Iron ore line 3 phase capacity expansion 41mtpa – 47mtpa – 60mtpa • General freight lines upgrade and capital maintenance of rolling stock and infrastructure • Combined acquisition of 405 locomotives for coal, iron ore and general freight lines to improve reliability of service
Ports	R24.3 bn	NPA R11.3bn; TPT R6.0bn	• Increase container capacity with 3.8 million TEUs per annum (DCT, CTCT and Port of Ngqura) • Additional bulk and break-bulk capacity – 6mtpa and 4.35mtpa respectively • Increase automotive capacity for additional 180 000 units per annum • Durban Entrance Channel Widening, ship to shore crane replacements and the reconstruction of Quay walls at Maydon Wharf • Saldhana iron ore terminal capacity expansion to 47mpta
Pipe-lines	R11.2 bn	R10.7bn	• New Multi-Products Pipeline (NMPP) to provide sufficient capacity from 2010







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TRANSNET

MAJOR RISKS AND CHALLENGES IN GROWING THE BUSINESS

- Slow down in international/domestic economic activity
- Safety
- Economic regulation: Allow a fair return on existing assets as well as on planned investment
- Energy – fuel and electricity; pricing and supply
- Delivery of planned capital projects on time, within budget (resource constraints, EIA approvals, input costs eg. steel)
- Human Capital: Recruit and retain the necessary skills
- Debt raising in context of global financial crisis (difficult/expensive)

MITIGATING ACTIONS FORMULATED AND IMPLEMENTED

RISK: FUTURE IMPACT OF NATIONAL PORTS ACT (2005)

TRANSNET

- Act provides for the corporatisation of Transnet National Port Authority (TNPA) into a separate company (NPA)
  - Vesting of assets and liabilities into NPA
  - Transnet as sole shareholder

- Corporatisation of TNPA will have a significant adverse impact on Transnet – financially and strategically

- Government stated it has no intention of initiating the corporatisation process
  - Government committed to review the provisions of the NPA Act that relate to corporatisation with the intention of proposing amendments thereto

Enabling Transnet to proceed with the roll out of the growth strategy including the investment and funding plan

DIVISIONAL PERFORMANCE OVERVIEW:

TRANSNET

Freight Rail

- Revenue increased by 13.9%
- Total ton kilometres increased by 2%, reversing decade-long declining trend
- Coal volumes decline by 5.2% due to short supply from mines and disrupted service levels (TFR)
- Iron ore volumes increased but well below contract volumes

National Ports Authority

- Revenue increased by 12%
- Full container volumes increased by 12.7% (exports) and 16.6% (imports)

Port Terminals

- Revenue increased by 18.2%
- Container volumes (all imports, exports and transhipments combined) increased by 9%

Pipelines

- Revenue increased by 6% (no tariff increase)
- Volumes increased by 2.5% due to constrained supply chain in the petroleum industry

PERFORMANCE HIGHLIGHTS: TRANSNET

TRANSNET

	2008		% improvement versus 2007
Revenue	R30 091m	↑	11.9 %
EBITDA	R13 185m	↑	18.3 %
Gearing	29 %	↓	25.6 %
Cash flow from operating activities	R10 858m	↑	22.0 %
Capital expenditure	R15 780m	↑	35.2 %

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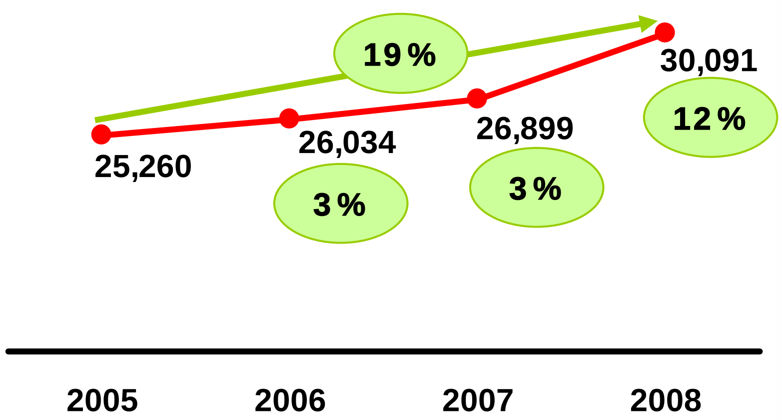
TRANSNET

FINANCIAL RESULTS: 31 MARCH 2008

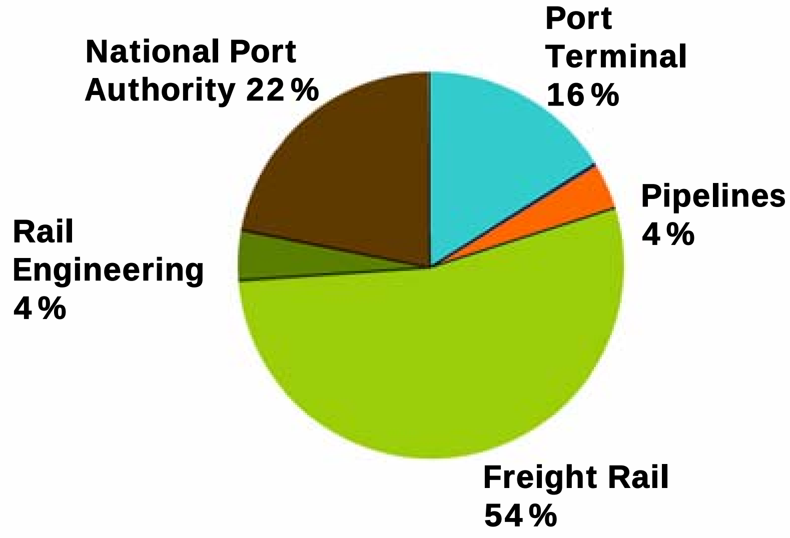
Consolidated income statement	2008	2007
	R million	R million
Revenue	**30 091**	26 899

Group revenue increased by 11.9% with volume and revenue mix mainly driving growth

Revenue
(R million)



% Contribution of external revenue per division

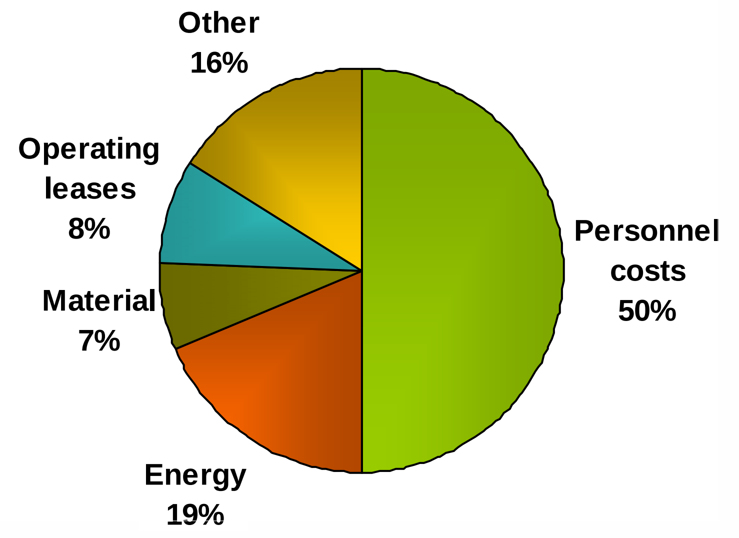


FINANCIAL RESULTS: 31 MARCH 2008

Consolidated income statement	2008	2007
	R million	R million
Revenue	**30 091**	26 899
Net operating expenditure	**(16 906)**	(15 750)

- Operating expenses increased by 7.3% to R16.9bn
- The low increase in operating costs represents productivity and efficiency improvements

% Contribution of operating expenses: 2008



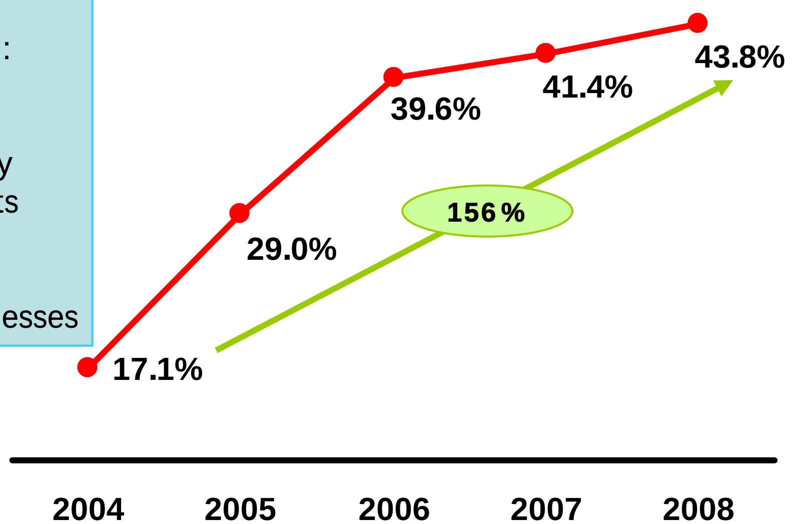
FINANCIAL RESULTS: 31 MARCH 2008

Consolidated income statement	2008	2007
	R million	R million
Revenue	**30 091**	26 899
Net operating expenditure	**(16 906)**	(15 750)
EBITDA	**13 185**	11 149

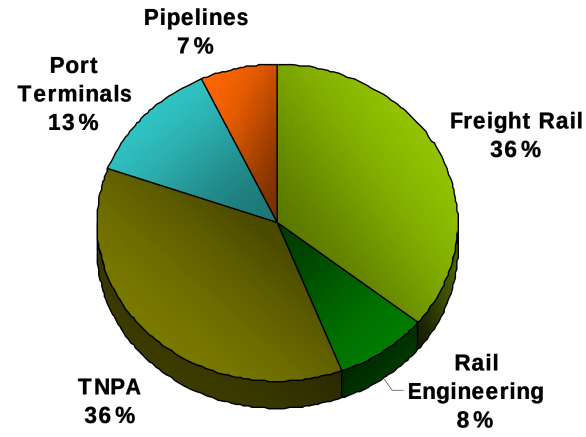
5-year
EBITDA Margin
improvement
mainly due to:

- Productivity and efficiency improvements
- Sale of low margin businesses

EBITDA Margin



% Contribution of EBITDA per division: 2008



FINANCIAL RESULTS: 31 MARCH 2008

Consolidated income statement	2008	2007
	R million	R million
Revenue	**30 091**	26 899
Net operating expenditure	**(16 906)**	(15 750)
EBITDA	**13 185**	11 149
Depreciation & amortisation	**(3 798)**	(2 949)

Depreciation & amortisation of assets increased by 28.8% due to the acceleration of the capital expenditure programme

FINANCIAL RESULTS: 31 MARCH 2008

TRANSNET

Consolidated income statement	2008	2007
	R million	R million
Revenue	**30 091**	26 899
Net operating expenditure	**(16 906)**	(15 750)
EBITDA	**13 185**	11 149
Depreciation & amortisation	**(3 798)**	(2 949)
Impairment of assets, dividends received and fair value adjustments	**1 321**	2 266

The fair value adjustments in the current year relate primarily to the revaluation of investment property

In the prior year the fair value adjustment of R2.5 bn arose primarily from the mark to market of the C-class preference share of R1.7 bn (redeemed during the current year)

FINANCIAL RESULTS: 31 MARCH 2008

TRANSNET

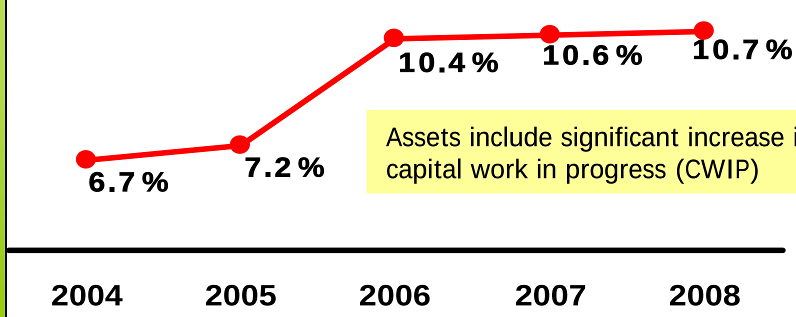
Consolidated income statement	**2008**	**2007**
	R million	R million
Revenue	**30 091**	26 899
Net operating expenditure	**(16 906)**	(15 750)
EBITDA	**13 185**	11 149
Depreciation & amortisation	**(3 798)**	(2 949)
Impairment of assets, dividends received and fair value adjustments	**1 321**	2 266
Profit from operations before net finance costs	**10 708**	10 466

Net profit from operations reflected an increase of 2.3% primarily as a result of

- 28.8% increase in depreciation & amortisation
- 45% decrease in fair value adjustments

Adjusting for the preference share fair value adjustment in the prior year results in an increase in net profit from operations of 22.3%

Return on average total assets (%)



Assets include significant increase in capital work in progress (CWIP)

FINANCIAL RESULTS: 31 MARCH 2008

TRANSNET

Consolidated income statement	2008	2007
	R million	R million
Revenue	**30 091**	26 899
Net operating expenditure	**(16 906)**	(15 750)
EBITDA	**13 185**	11 149
Depreciation & amortisation	**(3 798)**	(2 949)
Impairment of assets, dividends received and fair value adjustments	**1 321**	2 266
Profit from operations before net finance costs	**10 708**	10 466
Net finance costs	**(1 947)**	(2 325)

Net finance costs decreased by 16.3% mainly as a result of:

- Capitalised borrowing costs in terms of IAS23,
- Interest earned on the proceeds of the C-class preference share sold

Capitalised borrowing costs in the current year amounted to R287m (2007: R52m) and is expected to increase in line with the capital expenditure programme over the next 5 years

FINANCIAL RESULTS: 31 MARCH 2008

TRANSNET

Consolidated income statement	2008	2007
	R million	R million
Revenue	**30 091**	26 899
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Profit from operations before net finance costs	**10 708**	10 466
Net finance costs	**(1 947)**	(2 325)
Taxation	**(2 470)**	(1 928)

Current taxation charge of R1.2 bn (2007: R1.0 bn)
Deferred taxation charge of R1.3 bn (2007: R0.9 bn)

FINANCIAL RESULTS: 31 MARCH 2008

TRANSNET

Consolidated income statement	2008	2007
	R million	R million
Revenue	**30 091**	26 899
Net operating expenditure	**(16 906)**	(15 750)
EBITDA	**13 185**	11 149
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Impairment of assets, dividends received and fair value adjustments	**1 321**	2 266
Profit from operations before net finance costs	**10 708**	10 466
Net finance costs	**(1 947)**	(2 325)
Taxation	**(2 470)**	(1 928)
(Loss)/income from associates	**(59)**	2
Profit for the year from continuing operations	**6 232**	6 215

EBITDA margin	**44%**	41%
Adjusted headline earnings from continuing ops % increase	**31%**	

FINANCIAL RESULTS: 31 MARCH 2008

TRANSNET

Discontinued operations	2008	2007
	R million	R million
Loss from discontinued operations	**(661)**	(145)
(Loss)/Profit on disposal of discontinued operations	**(266)**	1 433
Impairments-lower of cost and fair value	**(994)**	(367)
(Loss)/Profit for the year from discontinued operations	**(1 921)**	921

OPERATING DIVISION PERFORMANCE

TRANSNET

Operating division	Revenue (Rm)			EBITDA (Rm)		
	2008	%△	2007	**2008**	%△	2007
Freight Rail	**16 598**	**14**	14 574	**5 151**	**46**	3 522

- The general freight business recorded an increase in volumes to 84.5mt
- Iron ore volumes increased by 6.3% to 31.9mt compared to prior year but were behind contracted volumes due to non availability of product from Kumba
- Volumes decreased in coal line by 5.2% to 63.5mt due to both short supply of product and disrupted service levels resulting mainly from derailments, cable theft and load shedding
- Operating costs increased by 3.6% for the year despite a significant increase in maintenance and energy costs. This was achieved through continued productivity improvements and cost saving initiatives
- As a result of better utilisation and good cost control EBITDA increased by 46% to R5.2 bn

CORE OPERATING DIVISION PERFORMANCE

TRANSNET

Freight Rail	Maintenance (Rm)		
	2008	% △	2007
Total expenditure	**6 601**	**20**	**5 495**
Maintenance & materials per income statement	**2 447**	**10**	**2 230**
COPEX*	**4 154**	**27**	**3 265**

*** Capitalised maintenance expenditure**

• **Rolling stock**	**2 802**	2 468
• **Infrastructure**	**1 258**	733
• **Other**	**94**	64

CORE OPERATING DIVISION PERFORMANCE

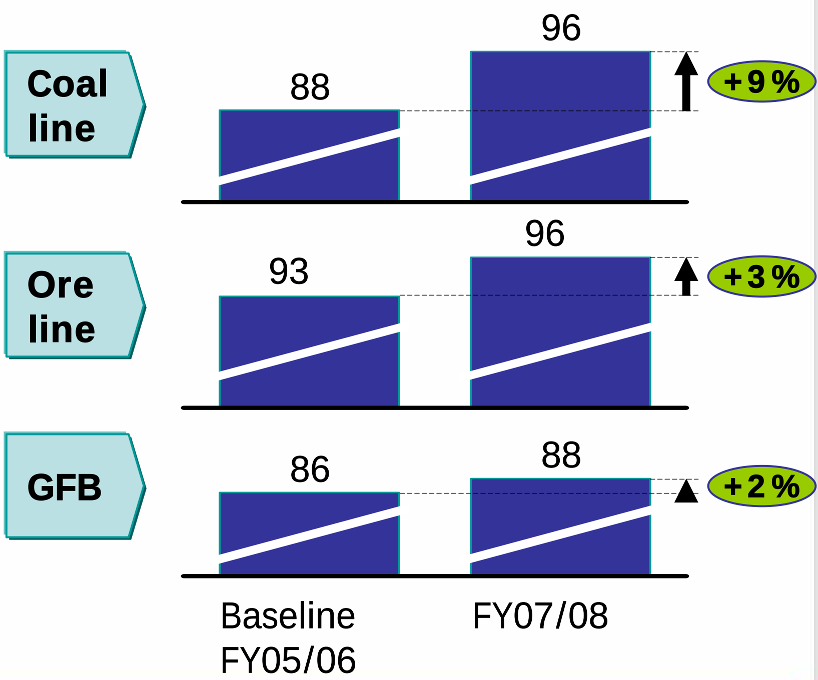
Operating division	Revenue (Rm) 2008	% △	2007	EBITDA (Rm) 2008	% △	2007
Freight Rail	**16 598**	**14**	14 574	**5 151**	**46**	3 522
Rail Engineering	**8 156**	**12**	7 310	**1 188**	**9**	1 088

The increase in internal revenue by 5.7% to R7.1bn is indicative of the ramp up of the maintenance and refurbishment programmes for locomotives and wagons

External revenue increased by 75.1% to R1.1bn based primarily on the increased demand for refurbishment of coaches for SARCC

1% improvement results in approximately 600 additional wagons

Wagons availability (% active fleet)



CORE OPERATING DIVISION PERFORMANCE

TRANSNET

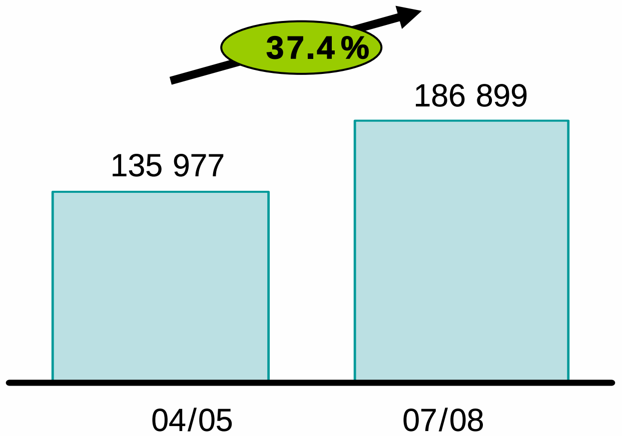
Operating division	Revenue (Rm) 2008	% △	2007	EBITDA (Rm) 2008	% △	2007
Freight Rail	**16 598**	**14**	14 574	**5 151**	**46**	3 522
Rail Engineering	**8 156**	**12**	7 310	**1 188**	**9**	1 088
National Ports Authority	**6 843**	**12**	6 107	**5 198**	**12**	4 628

The growth in revenue is based primarily on continued growth in container volumes and increased vessel calls at ports

Full container export and import volumes reflect an increase of 12.7% and 16.6% respectively compared to prior year

In response to the growth in container demand Transnet will spend R16.7 bn over the next 5 years on container-related projects

Containers per Berth



CORE OPERATING DIVISION PERFORMANCE

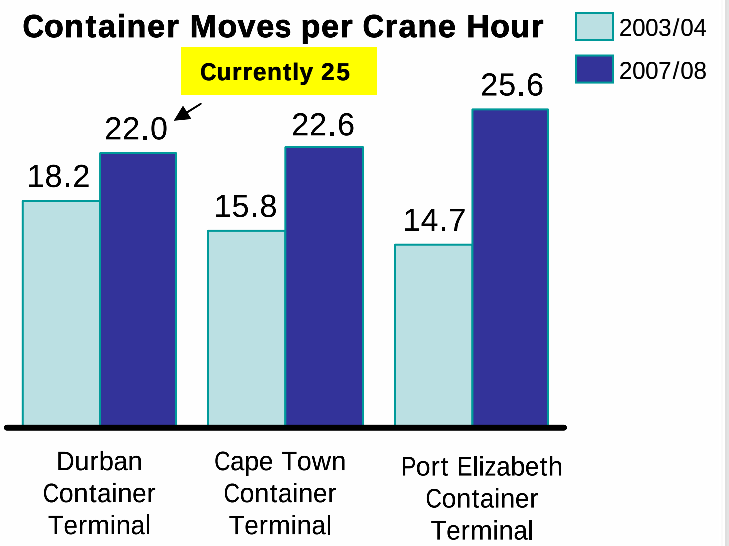
TRANSNET

Operating division	Revenue (Rm) 2008	% △	2007	EBITDA (Rm) 2008	% △	2007
Freight Rail	**16 598**	**14**	14 574	**5 151**	**46**	3 522
Rail Engineering	**8 156**	**12**	7 310	**1 188**	**9**	1 088
National Ports Authority	**6 843**	**12**	6 107	**5 198**	**12**	4 628
Port Terminals	**4 843**	**18**	4 098	**1 810**	**16**	1 561

The increase in revenue was mainly driven by a 9% increase in container volumes to 3.7 million TEU's.

The operational efficiency at the Durban and Cape Town Container Terminals both showed improvement

The new Pier 1 Container Terminal in Durban with a capacity of 700 000 TEUs became fully operational in November 2007, a month ahead of schedule



CORE OPERATING DIVISION PERFORMANCE

Operating division	Revenue (Rm)			EBITDA (Rm)		
	2008	% △	2007	2008	% △	2007
Freight Rail	**16 598**	**14**	14 574	**5 151**	**46**	3 522
Rail Engineering	**8 156**	**12**	7 310	**1 188**	**9**	1 088
National Ports Authority	**6 843**	**12**	6 107	**5 198**	**12**	4 628
Port Terminals	**4 843**	**18**	4 098	**1 810**	**16**	1 561
Pipelines	**1 292**	**6**	1 218	**990**	**6**	931

Revenue increase mainly attributable to a 2.5% volume increase. Revenue was below budget due to the proposed tariff increase not being granted by NERSA

The entire supply system in the petroleum industry is constrained and this has adversely impacted volume growth at Transnet pipelines

Transnet Pipelines has been awarded a license to construct the New Multi – Product Pipeline from Durban to Gauteng at a projected cost of R11.2 bn

The construction contract was awarded in May 2008 and actual construction is planned to begin in August 2008 with completion planned for September 2010

FINANCIAL RESULTS: 31 MARCH 2008

TRANSNET

Consolidated balance sheet	2008 R million	2007 R million
ASSETS		
Non-current assets		
PPE	**78 114**	53 896
Investment property	**4 514**	3 223
Other	**1 449**	1 158
Current assets		
Inventory, receivable assets and cash	**13 275**	9 841
Derivative financial assets	**412**	5 658
Assets classified as held-for-sale	**1 131**	3 570
TOTAL ASSETS	**98 895**	77 346

FINANCIAL RESULTS: 31 MARCH 2008

TRANSNET

Consolidated balance sheet	2008	2007
	R million	R million
ASSETS		
Non-current assets		
Property, plant & equipment	**78 114**	53 896
Investment Property	**4 514**	3 223

- In the current year the Group conducted a revaluation of port facilities and the pipeline networks, in line with accounting policy, which requires an independent valuation
- Consequently an amount of R13.9billion was recorded as an adjustment to the carrying amount of port facilities and pipeline networks as required by IAS 16
- Investment property also marked to fair value

FINANCIAL RESULTS: 31 MARCH 2008

TRANSNET

Consolidated balance sheet	2008	2007
	R million	R million
EQUITY & LIABILITIES		
Capital & Reserves	51 183	37 150
Non-current liabilities	27 862	23 184
Post-retirement benefit obligations	2 181	2 422

- The 2 defined benefit funds, namely the TSDBF and TPF are fully funded with actuarial surpluses in excess of R2.8 bn and R1.7 bn respectively
- Transnet has not recognised any portion of the surplus on these funds as the fund rules at present do not allow for the distribution of a surplus
- An ex gratia once–off bonus payment has again been provided for by the Group to supplement the pensions paid to members of the TSDBF
- The post retirement benefit obligation for medical funds has decreased by R263m to R1.8 bn (2007: R2.1 bn)

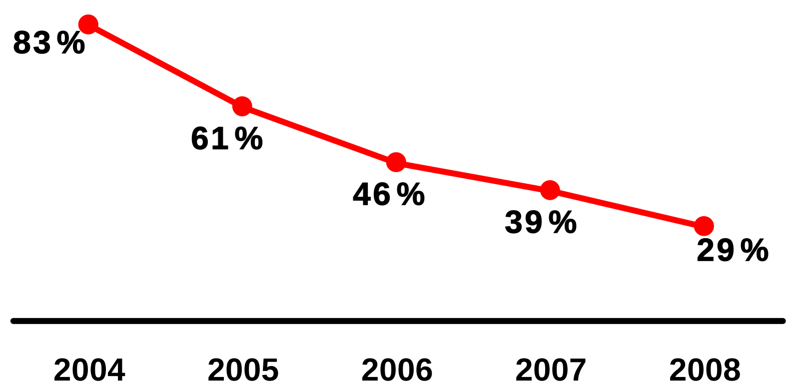
FINANCIAL RESULTS: 31 MARCH 2008

TRANSNET

Consolidated balance sheet	2008 R million	2007 R million
EQUITY & LIABILITIES		
Capital & Reserves	**51 183**	37 150
Non-current liabilities	**27 862**	23 184
Post-retirement benefit obligations	**2 181**	2 422
Borrowings	**16 890**	17 535

- Gearing continues to decline and reflects the strength of the Group balance sheet
- This ratio together with the cash interest cover of 7.0 times shows that the Group has significant capacity to fund future capital expenditure

Gearing (%)



FINANCIAL RESULTS: 31 MARCH 2008

TRANSNET

Consolidated balance sheet	2008 R million	2007 R million
EQUITY & LIABILITIES		
Capital & Reserves	**51 183**	37 150
Non-current liabilities	**27 862**	23 184
Post-retirement benefit obligations	**2 181**	2 422
Borrowings	**16 890**	17 535
Deferred taxation liabilities, provisions and derivatives	**8 791**	3 227
Current liabilities	**19 850**	**17 012**
Payables & others	**19 174**	16 559
Liabilities classified as held-for-sale	**676**	453
TOTAL EQUITY & LIABILITIES	**98 895**	77 346

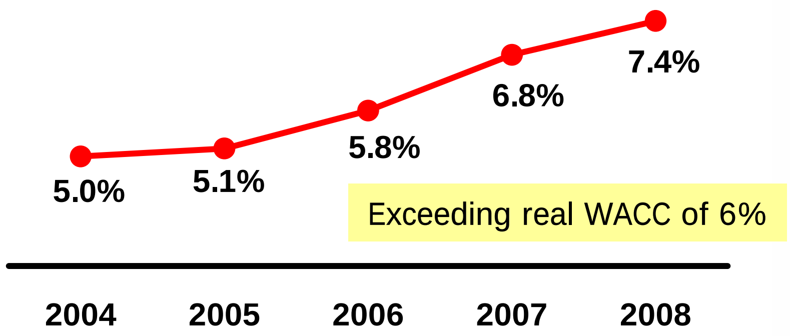
Mainly from revaluation

FINANCIAL RESULTS: 31 MARCH 2008

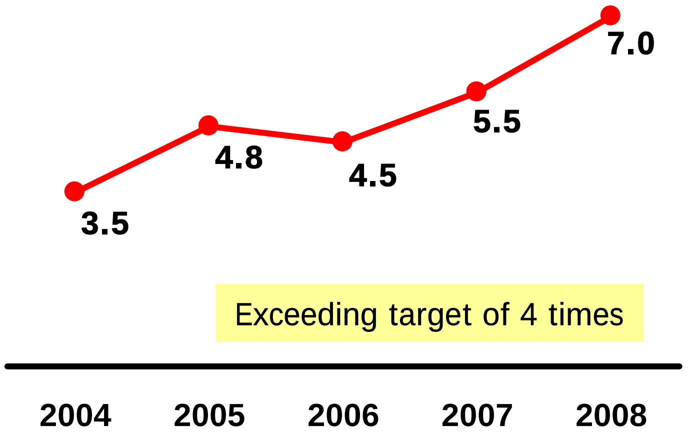
Consolidated cash flow statement	**2008**	2007
	R million	R million
Cash flow from operating activities	**10 858**	8 903

Increase in cash flow of 22%

CFROI (%)



Cash Interest cover (times)



FINANCIAL RESULTS: 31 MARCH 2008

Consolidated cash flow statement	**2008**	2007
	R million	R million
Cash flows from operating activities	**10 858**	8 903
Cash flows from investing activities	**(8 234)**	(10 307)
Capital expenditure - expansion	**(7 051)**	(3 498)
Capital expenditure – replacement	**(8 729)**	(8 176)
Other investing activities	**7 546**	1 367

R15.8bn

R5.6bn

- The capital expenditure programme for the current year amounted to R15.8 bn (2007:R 11.7 bn) excluding capitalised borrowing costs
- Includes C-Class preference share redeemed of R5 622m

In November 2007 Transnet issued the following bonds:

Bond No.	Nominal Amount	Tenure	Coupon	Spread above Government curve
T17	R1.25bn	10 year	9.25%	110
T27	R1.25bn	20 year	8.90%	95

CONTENTS OF PRESENTATION

FUNDING REQUIREMENTS: NEXT 3 YEARS

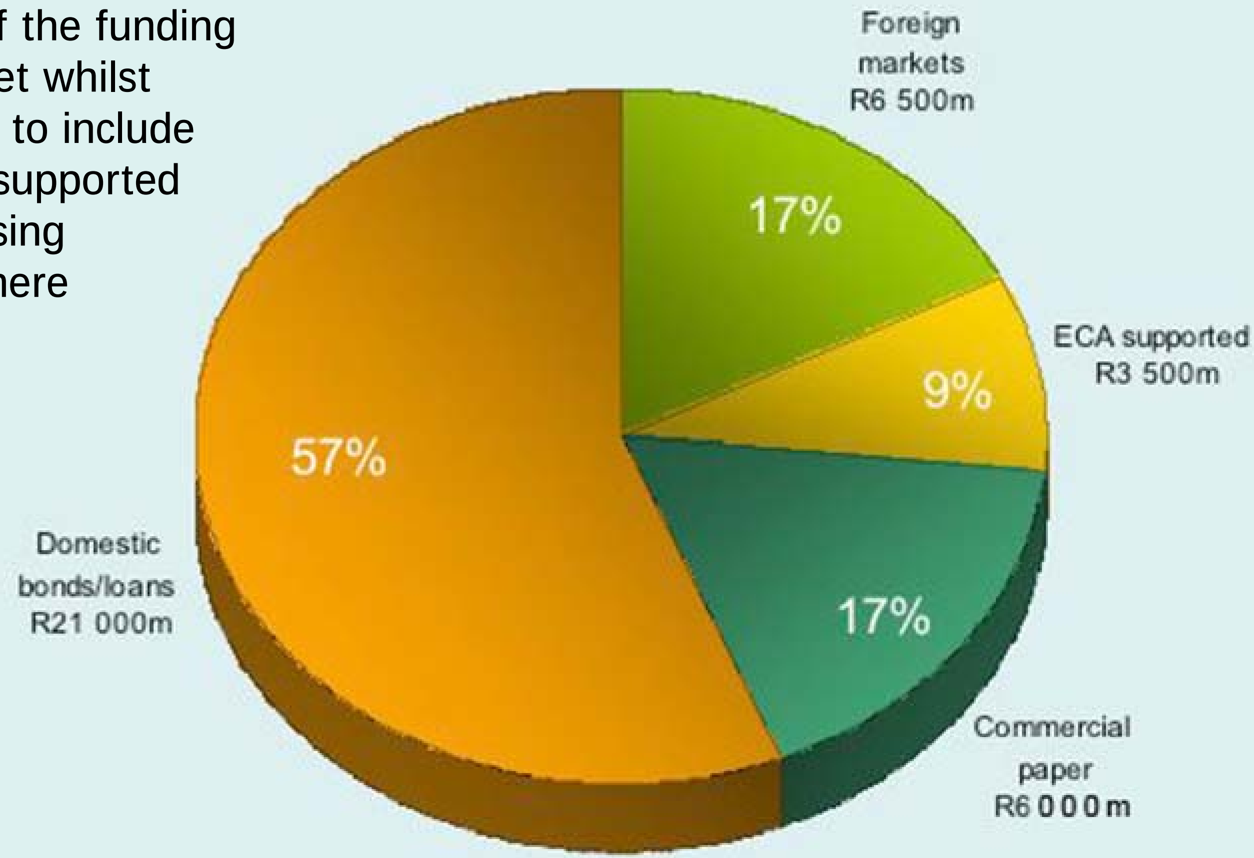
TRANSNET

	2008 R million	2009 R million	2010 R million	2011 R million	Next 3 years 2009-2011 R million
Cash flow from operating activities	10 858	8 317	9 067	12 024	29 408
Gross capital expenditure	(15 780)	(19 965)	(23 125)	(18 810)	(61 900)
Other investing activities	7 546	396	247	61	704
Cash surplus/(shortfall)	2 624	(11 252)	(13 811)	(6 725)	(31 788)
Loan raised/(redemptions)	9	(2 508)	(23)	(2 308)	(4 839)
Funding surplus/(requirements)	**2 633**	**(13 760)**	**(13 834)**	**(9 033)**	**(36 627)**

PRIMARY FUNDING SOURCES: 2008/09 to 2010/11

TRANSNET

The medium term strategy remains to source the majority of the funding from the domestic market whilst diversifying the portfolio to include commercial paper, ECA supported finance as well as accessing international markets where appropriate



FINANCIAL STRATEGY GOING FORWARD

TRANSNET

Financial improvement mainly through volume growth and efficiency improvements focusing on:

- Cost control and improved operational efficiencies in all operational areas
- Improving the utilisation of existing assets to benchmarked performance (asset turnover)
- Increased focus on cash management to ensure liquidity to fund operations and investment
- Return on investment that exceed weighted average cost of capital
- Optimal funding structures to cost effectively raise debt and to reduce WACD
- Integrated capital, operational and customer management to realise benefits of an integrated supply chain

CONTENTS OF PRESENTATION

CHALLENGES GOING FORWARD

TRANSNET

- Steep increases in input costs specifically steel, fuel and electricity
- Slow down in domestic and international economies
- Growing volumes in an economic slowdown
- Maintain high level of safety and customer service in growth phase
- Rollout of Capex program within resource constraints
- Raising funds effectively in financial markets that are in turmoil
- Maintain and improve Transnet's credit profile

Confident that we have established a sound basis to ensure sustainable operational and financial performance in future years

TRANSNET – DELIVERING ON OUR COMMITMENT TO YOU

TRANSNET

Turnaround

- Transnet successfully implemented its turnaround strategy enabling a focus on growing the business
- Through the operational integration of rail and ports, building a networked logistics capability
- On track with the roll out of the 5-year investment plan to replace ageing assets and create future capacity ahead of demand

Growth

- The four-point growth strategy is planned to grow total volumes transported for our customers by 25% over the next 3 years

Customers

- We are committed to reduce the cost of doing business by providing effective networked logistics services to our customers

I thank you!