

Reviewed condensed consolidated financial results

for the six months ended 30 September 2019

TRANSNET



Income statement

for the six months ended

(in R million)	Reviewed		Audited
	30 Sept 2019	30 Sept 2018	31 March 2019
Revenue	38 667	37 573	74 070
Net operating expenses excluding depreciation and amortisation	(21 186)	(20 936)	(40 320)
Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)	17 481	16 637	33 750
Depreciation, derecognition and amortisation	(7 177)	(7 247)	(14 274)
Profit from operations before items listed below:	10 304	9 390	19 476
Impairment of assets	(410)	(522)	(2 688)
Post-retirement benefit obligation expense	(58)	(58)	(287)
Fair value adjustments	(1)	815	3 271
Income from associates and joint ventures	—	—	19
Profit from operations before net finance costs	9 835	9 625	19 791
Finance costs	(5 671)	(5 787)	(11 597)
Finance income	105	142	387
Profit before tax	4 269	3 980	8 581
Income tax expense	(1 321)	(1 132)	(2 534)
Profit for the period	2 948	2 848	6 047

Statement of financial position

as at

(in R million)	Reviewed		Audited
	30 Sept 2019	30 Sept 2018	31 March 2019
Assets			
Non-current assets	348 117	345 079	339 422
Property, plant and equipment	320 713	322 947	313 558
Investment properties	14 655	11 487	14 498
Intangible assets	691	964	911
Investments in associates and joint ventures	175	157	174
Derivative financial assets	9 918	7 747	8 273
Long-term loans and advances	261	—	260
Other investments and long-term financial assets	1 704	1 777	1 748
Current assets	14 498	20 019	16 078
Inventories	2 476	3 286	2 441
Trade, other receivables and contract assets	10 381	10 442	8 695
Derivative financial assets	40	16	18
Other short-term investments	579	527	595
Cash and cash equivalents	862	5 626	4 156
Assets classified as held-for-sale	160	122	173
Total assets	362 615	365 098	355 500
Equity and liabilities			
Capital and reserves	155 328	153 588	148 631
Issued capital	12 661	12 661	12 661
Reserves	142 667	140 927	135 970
Non-current liabilities	167 184	159 142	173 782
Employee benefits	2 863	2 934	2 802
Long-term borrowings	105 394	98 895	115 176
Derivative financial liabilities	2 039	1 250	1 759
Long-term provisions	2 580	2 433	2 593
Deferred tax liabilities	50 603	49 629	47 846
Other non-current liabilities	3 705	4 001	3 606
Current liabilities	40 103	52 368	33 087
Trade payables, accruals and contract liabilities	19 243	20 318	19 463
Short-term borrowings	19 392	30 601	12 490
Current tax liability	21	56	7
Derivative financial liabilities	12	27	6
Short-term provisions	1 435	1 366	1 121
Total equity and liabilities	362 615	365 098	355 500

Highlights

Revenue increased by **2,9%** to **R38,7 billion** for the year, supported by a **3,0%** increase in export iron ore volumes and a **1,6%** increase in petroleum volumes.

Net operating expenses increased by **1,2%** to **R21,2 billion**.

EBITDA increased by **5,1%** to **R17,5 billion**, with the EBITDA margin increasing from **44,3%** to **45,2%**.

Profit for the period increased by **3,5%** to **R2,9 billion**.

Cash generated from operations after working capital changes increased by **5,3%** to **R16,2 billion**.

Capital investment of **R7,9 billion** for the period.

B-BBEE spend amounted to **R14,7 billion** or **102,48%** of total measured procurement spend.

2,5% of labour costs was spent on **training**, focusing on artisans, engineers and technicians.

DIFR performance was **0,72** against a tolerance of **0,75**, below the global benchmark of **1,0**.

Gearing of **43,2%** and cash interest cover at **3,0 times** were both comfortably within loan covenant requirements.

Statement of comprehensive income

for the six months ended

(in R million)	Reviewed		Audited
	30 Sept 2019	30 Sept 2018	31 March 2019
Profit for the period	2 948	2 848	6 047
Other comprehensive income/(loss)	5 196	(13 771)	(25 091)
Gains/(losses) on revaluations	5 293	(14 515)	(25 974)
Cash flow hedges	(81)	681	793
Actuarial (losses)/gains on post-retirement benefit obligations	(16)	63	90
Tax relating to components of other comprehensive income/(loss)	(1 447)	3 870	7 070
Other comprehensive income/(loss) for the period, net of tax	3 749	(9 901)	(18 021)
Total comprehensive income/(loss) for the period	6 697	(7 053)	(11 974)

Headline earnings summarised reconciliation

for the six months ended

(in R million)	Reviewed		Audited
	30 Sept 2019	30 Sept 2018	31 March 2019
Profit for the period attributable to the equity holder	2 948	2 848	6 047
Profit on the disposal of property, plant and equipment	(8)	(58)	(54)
Total remeasurements	43	671	(916)
Investment property fair value adjustments	(137)	(231)	(3 160)
Impairment of property, plant and equipment	180	902	2 244
Total tax effects of adjustments	(17)	(185)	95
Headline earnings	2 966	3 276	5 172

Statement of cash flows

for the six months ended

(in R million)	Reviewed		Audited
	30 Sept 2019	30 Sept 2018	31 March 2019
Cash flows from operating activities	10 022	9 801	21 930
Cash generated from operations	18 356	18 351	35 165
Changes in working capital	(2 191)	(2 996)	(1 633)
Cash generated from operations after changes in working capital	16 165	15 355	33 532
Finance costs	(5 529)	(5 238)	(10 968)
Finance income	105	142	387
Tax paid	(5)	—	(7)
Settlement of post-retirement benefit obligations	(79)	(80)	(144)
Derivatives settled and raised	(635)	(378)	(870)
Cash flows utilised in investing activities	(8 618)	(9 027)	(20 124)
Investment to maintain operations	(6 638)	(5 865)	(14 763)
Investment to expand operations	(2 027)	(2 902)	(4 806)
Changes in investments, loans, advances and other investing activities	47	(260)	(555)
Cash flows (utilised in)/from financing activities	(4 698)	472	(2 030)
Borrowings raised	26 202	30 596	8 387
Borrowings repaid	(30 900)	(30 124)	(10 417)
Net (decrease)/increase in cash and cash equivalents	(3 294)	1 246	(224)
Cash and cash equivalents at the beginning of the period	4 156	4 380	4 380
Total cash and cash equivalents at the end of the period	862	5 626	4 156

Statement of changes in equity

for the six months ended

(in R million)	Issued capital	Revaluation reserve	Foreign currency translation reserve	Actuarial gains and losses	Cash flow hedging reserve	Other	Retained earnings	Total
	Opening balance as at 1 April 2018	12 661	85 598	—	2 374	(1 010)	249	60 733
Total comprehensive income for the period (net of tax)	—	(10 520)	—	45	573	—	2 885	(7 017)
Balances as at 30 September 2018	12 661	75 078	—	2 419	(437)	249	63 618	153 588
Restated total comprehensive income for the period (net of tax)	—	(8 246)	—	20	11	—	3 258	(4 957)
Balances as at 31 March 2019	12 661	66 832	—	2 439	(426)	249	66 876	148 631
Total comprehensive income for the period (net of tax)	—	3 815	—	(12)	(54)	—	2 948	6 697
Transfer to retained earnings (net of tax)	—	(22)	—	—	—	—	22	—
Balances as at 30 September 2019	12 661	70 625	—	2 427	(480)	249	69 846	155 328

Segment information

for the six months ended

(in R million)	Transnet Freight Rail		Transnet Engineering		Transnet National Ports Authority		Transnet Port Terminals		Transnet Pipelines		Total reportable segments		Other*		Total Transnet	
	Reviewed 30 Sept 2019	Reviewed 30 Sept 2018	Reviewed 30 Sept 2019	Reviewed 30 Sept 2018	Reviewed 30 Sept 2019	Reviewed 30 Sept 2018	Reviewed 30 Sept 2019	Reviewed 30 Sept 2018	Reviewed 30 Sept 2019	Reviewed 30 Sept 2018	Reviewed 30 Sept 2019	Reviewed 30 Sept 2018	Reviewed 30 Sept 2019	Reviewed 30 Sept 2018	Reviewed 30 Sept 2019	Reviewed 30 Sept 2018
External revenue	22 331	21 619	586	669	5 223	5 503	7 136	6 736	3 000	2 708	38 276	37 235	391	338	38 667	37 573
Internal revenue	485	417	4 858	3 576	964	881	—	—	2	2	6 309	4 876	(6 309)	(4 876)	—	—
Total revenue	22 816	22 036	5 444	4 245	6 187	6 384	7 136	6 736	3 002	2 710	44 585	42 111	(5 918)	(4 538)	38 667	37 573
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	9 682	9 991	319	(672)	4 009	4 391	2 590	2 499	2 596	2 100	19 196	18 309	(1 715)	(1 672)	17 481	16 637
Total assets**	181 644	189 489	19 093	17 560	95 208	86 962	16 952	17 783	43 317	43 658	356 214	355 452	6 241	9 524	362 455	364 976
Total liabilities	122 184	123 246	20 246	17 327	34 086	36 341	3 351	5 674	19 874	22 235	199 741	204 823	7 546	6 687	207 287	211 510
Capital expenditure***	6 202	5 999	97	155	528	355	762	694	140	86	7 729	7 289	186	781	7 915	8 070
Cash generated from operations after changes in working capital	8 068	4 253	631	1 965	3 781	3 977	2 529	2 120	2 301	1 094	17 310	13 409	(1 145)	1 946	16 165	15 355

* Other includes other segments, inter-unit eliminations and consolidation adjustments.

** Excludes assets held-for-sale.

*** Capital expenditure excludes the effects of borrowing costs, includes capitalised finance leases and capitalised decommissioning liabilities.

