

Transnet SOC Limited
(Incorporated in the Republic of South Africa)
(Registration Number: 1990/000900/30)
Issuer Bond Code: BITRA
("Transnet", "the Company" or the "Issuer")

REVIEWED CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

In terms of section 6.17 of the JSE debt listing requirements, noteholders are advised that the Issuer's reviewed condensed consolidated financial results for the six months ended 30 September 2022, are available on the Issuer's website: <https://www.transnet.net/InvestorRelations/Pages/Interim-2022.aspx>

Salient features:

- Revenue increased by 2,0% from R35,4 billion to R36,1 billion
- EBITDA is down by 2,5% from 13,3 billion to R12,9 billion
- Profit for the period is R159 million (2021: R78 million loss)
- Cash generated from operations after working capital changes is R11,9 billion
- Gearing is at 43,7%
- Rolling cash interest cover (including working capital changes) is 2,1 times
- Capital investment to sustain and expand operations is R6,0 billion
- Debt service of R36,1 billion in capital repayments and interest paid.

These financial results were reviewed by the Auditor General of South Africa (AGSA). The AGSA issued an unmodified review report with no material findings. Any reference to future financial performance included in Transnet's financial results for the six months ended 30 September 2022 has not been reviewed or reported on by the Company's statutory auditors.

Transnet's performance for the period is underpinned by significant operational disruptions, associated with the floods in KZN at the start of the financial year and the continuing binding constraints of vandalism of infrastructure, including fuel and cable theft, as well as the unavailability of locomotives. The underperformance of Transnet Freight Rail, which contributes 45% of total revenue, is mainly driven by the challenges mentioned above and resulted in Transnet not meeting the cash interest cover ratio of 2,5x for some lenders. However, all the affected lenders have provided the required waivers to Transnet. The agreement reached with CRRC E-LoCo Supply, if successfully implemented, is expected to unlock the bottlenecks related to the availability of locomotives on key corridors, including the coal and iron ore lines.

OUTLOOK

There is meaningful progress in the implementation of our strategy to grow and fix the core of our operations and partner with the private sector to improve efficiencies and increase capacity.

Significant transactions that give effect to the growth and operational improvement strategy are progressing well, chief amongst these are the following:

- Durban Container Terminal Pier 2 (DCT2) and Ngqura Container Terminal (NCT): Request for proposals (RFP) closing 3 February 2023; a final decision is expected by the end of the financial year.
- Richards Bay Liquefied Natural Gas: Transnet National Ports Authority (TNPA) has issued the RFP for the construction of an LNG terminal at the Port of Richards Bay, following a successful request for information (RFI) phase.
- Transnet Pipelines (TPL) has started negotiating with their preferred partner on the Joint Development Agreement enabling them to participate in the TNPA tender for the LNG terminal.
- For Boegoebaai Port and Rail development, a request for quotation (RFQ) was issued which closed at the end of November 2022. Evaluations are underway.
- Traxion Rail was awarded a slot on the Kroonstad to East London line, in the pilot phase of the process to sell slots to third party operators.
- Ngqura Manganese Export Terminal – the RFP for the financing and construction of the terminal is due to close in March 2023, after which the preferred partner will be appointed.
- The feasibility for the 6 million ton expansion of the manganese line is due for completion at the end of the financial year, at which point a fast-tracked procurement process will commence.
- Transnet Freight Rail and Transnet Port Terminals have commenced the procurement process to enter into long-term master service agreements for the maintenance of locomotives and cranes. This will significantly improve the reliability of these crucial assets and start the process of entrenching a maintenance culture in Transnet.

22 December 2022

JSE Debt Sponsor

Absa Corporate and Investment Bank (a division of Absa Bank Limited)

