



TRANSNET REACHES IMPASSE WITH CRRC E-LOCO AND CONSIDERS OTHER OPTIONS

[Johannesburg, 12 January 2023] Transnet SOC Limited ("Transnet") has reached an impasse with CRRC E-LoCo Supply, following unwillingness on the part of CRRC to engage with the relevant authorities in South Africa to normalise its operations in the country.

As a matter of urgency, in the next few weeks Transnet will therefore be issuing an open, competitive tender inviting any eligible Original Equipment Manufacturer (OEM) to step-in to rehabilitate the non-operational Chinese locomotives.

This is a critical intervention not only for Transnet's sustainability, but for the South African economy. The CRRC locomotives directly impact three major Corridors (North, Northeast and Cape Corridors) that account for roughly 50% of Transnet Freight Rail's revenue, and support three primary mining sector segments, namely export coal, chrome, and manganese.

After intensive good faith negotiations and following the conclusion of an In-Principle Settlement Agreement on 30 August 2022, Transnet SOC Ltd ("Transnet") concluded a Definitive Settlement Agreement with CRRC E-LoCo (Pty) Ltd ("CRRC") on 25 November 2022.

A key contingent requirement introduced by CRRC at the time of the In-Principle Agreement and also included in the Definitive Settlement Agreement is the normalising of CRRC's operation in South Africa by the South African Revenue Service ("SARS") and the South African Reserve Bank ("SARB") in order to allow Transnet to give effect to the Definitive Settlement Agreement.

As independent organs of state, both SARS and the SARB are required to follow statutory prescript in considering applications by CRRC to normalise its operations in South Africa. Transnet respects the independence and processes of these organs of State.

Among others, the Definitive Settlement Agreement is meant to enable rehabilitation of non-operational 22E locomotives (currently 161), long-term material and reliability support to Transnet, the repayment to Transnet of unjustified profits by CRRC and the delivery of the remaining 99 locomotives at the corrected price, subject to the outcome of Transnet and the SIU's Review Application.

In addition, Transnet will, on 13 January 2023, issue a confined tender to the other existing OEMs for the repairs of the other long-standing locomotives, which came from Wabtech, Mitsui and Alstom.

The resolution of this matter is key in supporting Transnet's efforts to normalise its operations, enhancing the service provided to customers, and boosting the national fiscus.

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