

**TRANSNET**



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**ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015**

**2015**  
ANNUAL RESULTS  
**2015**

# AGENDA

FOR THE YEAR ENDED 31 MARCH 2015

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EXECUTIVE SUMMARY

FINANCIAL RESULTS

CAPITAL INVESTMENT

VOLUMES AND OPERATIONS

HUMAN CAPITAL AND SUSTAINABLE  
DEVELOPMENT

CONCLUSION





# EXECUTIVE SUMMARY – In the context of GDP growth of 2%.

FOR THE YEAR ENDED 31 MARCH 2015



**Revenue** increased by **8,0%** to **R61,2 billion**.



**EBITDA** increased by **8,2%** to **R25,6 billion**.



**Gearing** at **40,0%** and **cash interest cover** at **3,6 times**.



**DIFR** at **0,69** reflects a 4 year stable **safety** record.



**Capital investment** increased by **5,7%** to **R33,6 billion**, bringing the spend during MDS to **R92,8 billion**.



**Cash generated from operations after working capital changes** increased by **21,1%** to **R30,6 billion**.



**Overall growth in rail volumes** of **7,7%** to **226,6mt**, including **export coal volume growth** of **11,9%** and **iron ore and manganese volume growth** of **10,7%**.



**B-BBEE** spend of **R45,2 billion** or **105,1%** of Total Measured Procurement Spend (**TMPS**) for the year per **DTI codes**.





## 5 YEAR REVIEW – Significant increase in volumes, operational efficiency and assets without significant deterioration of financial ratios.

	2011	2012	2013	2014	2015	Variances	
						3 years**	5 years***
<b>Volumes</b>							
- GFB (mt)	73,7	81,0	82,6	88,0	90,6	9,7%	22,9%
- Export coal (mt)	62,2	67,7	69,2	68,2	76,3	10,3%	22,7%
- Export iron ore (mt)	46,2	52,3	55,9	54,3	59,7	6,8%	29,2%
- Total rail	182,1	201,0	207,7	210,4	226,6	9,1%	24,4%
- Containers (TPT) ('000 TEUs)	4 017	4 305	4 237	4 503	4 571	7,9%	13,8%
- Petroleum (MI)	18 025	16 741	15 882	16 583	17 186	8,2%	(4,7%)
<b>Financials</b>							
- Revenue	37 952	45 900	50 194	56 606	61 152	21,8%	61,1%
- EBITDA	15 763	18 882	21 051	23 639	25 588	21,6%	62,3%
- Capital investment	21 504	22 259	27 471	31 766	33 565	22,2%	56,1%
- Total assets	167 070	178 005	203 896	240 073	328 439	61,1%	96,6%
- Total borrowings	60 030	58 132	73 088	90 444	110 377	51,0%	83,9%
<b>Ratios</b>							
- EBITDA margin (%)	41,5	41,1	41,9	41,8	41,8		
- Gearing (%)	41,1	41,9	44,6	45,9	40,0		
- Return on total average assets (%)*	6,6	7,8	7,7	6,5	6,4		
- Cash interest cover (times)	3,9	4,2	3,7	3,7	3,6		
- FFO/Debt (%)	16,5	22,1	19,7	18,1	16,2		
- FFO/cash interest coverage (times)	2,2	2,5	2,4	2,5	2,2		
- Group operational efficiency (%)	(1,3)	17,5	3,3	13,8	16,6		

\* Excluding Regulator claw backs.

\*\* Absolute comparison to 2013.

\*\*\* Absolute comparison to 2011.





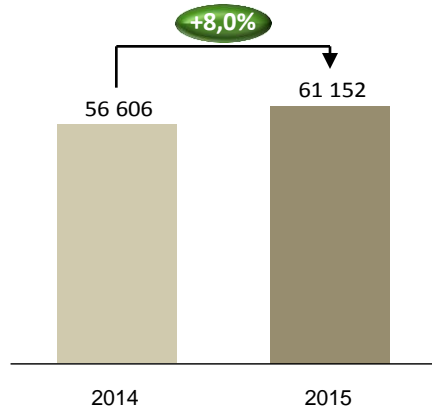
# REVENUE AND VOLUMES

FOR THE YEAR ENDED 31 MARCH 2015

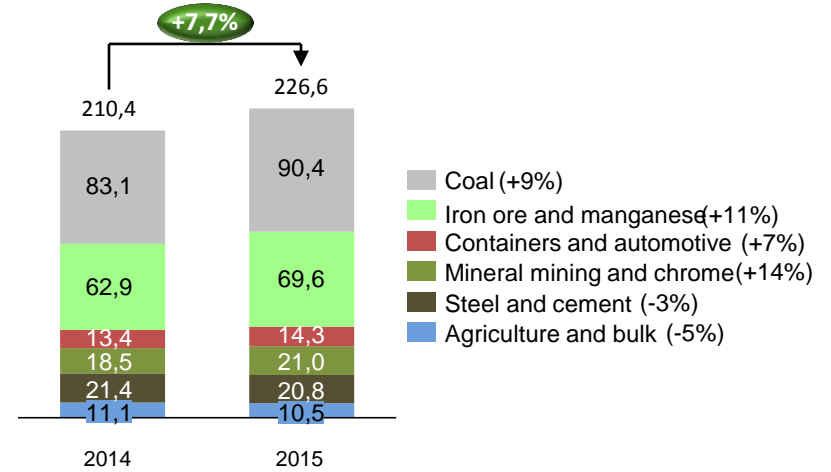


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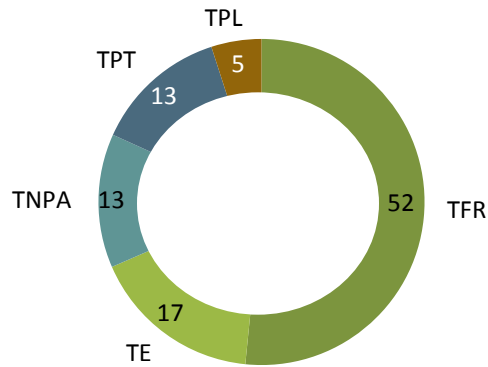
Revenue (R million)



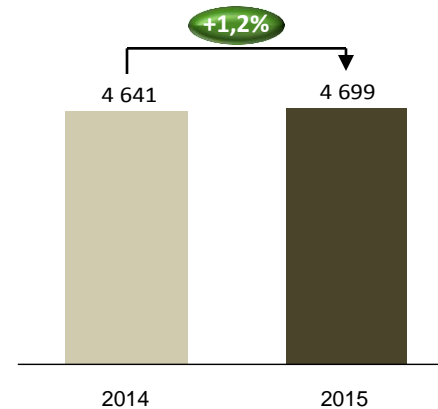
Rail volumes (mt)



Revenue contribution by Operating Division\* (%)



Port containers ('000 TEUs) (TNPA)



\* Excludes specialist units and intercompany eliminations.



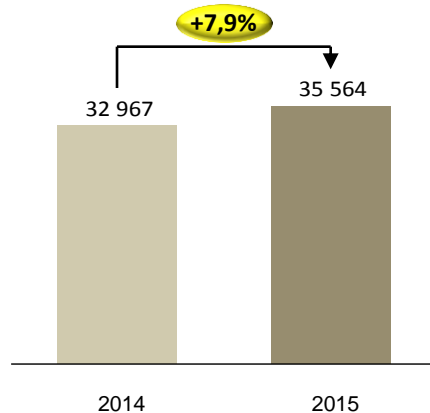


# OPERATING EXPENSES

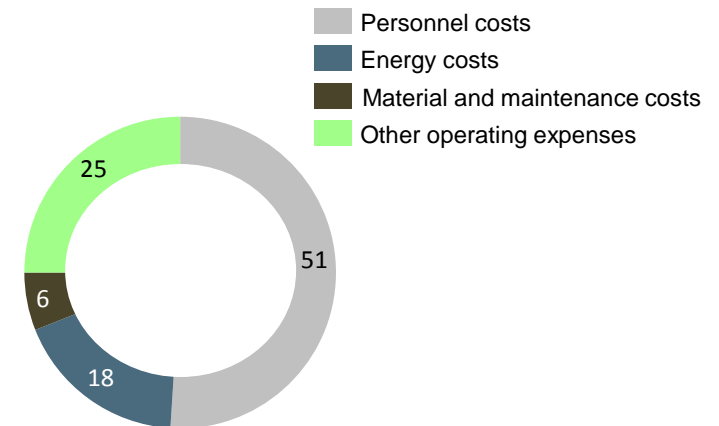
FOR THE YEAR ENDED 31 MARCH 2015



Net operating expenses (R million)



Net operating expenses contribution by cost element (%)



Net operating expenses increased by 7,9% to R35,6 billion (2014: R33,0 billion) mainly due to an increase in energy costs of 5,7% as well as an increase in personnel costs of 10,0%. Energy costs increased mainly due to the higher electricity tariffs as well as fuel price increases impacted by foreign exchange volatility.

The net operating expenses increase was limited largely due to numerous cost-reduction initiatives implemented throughout the Company, which resulted in a R1,3 billion saving in planned costs.



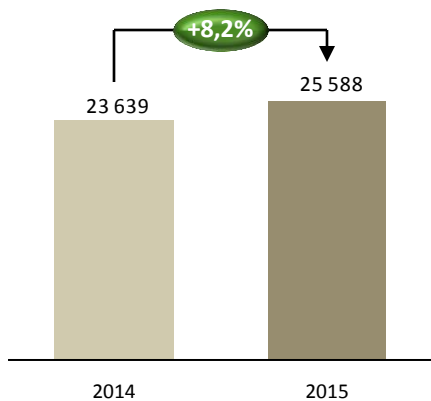


# EBITDA

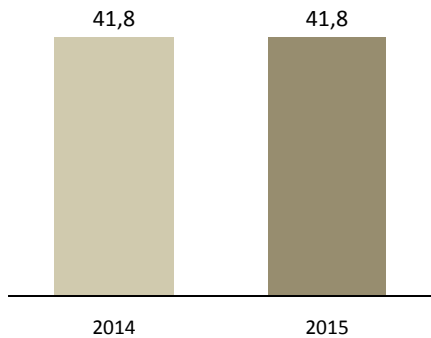
FOR THE YEAR ENDED 31 MARCH 2015



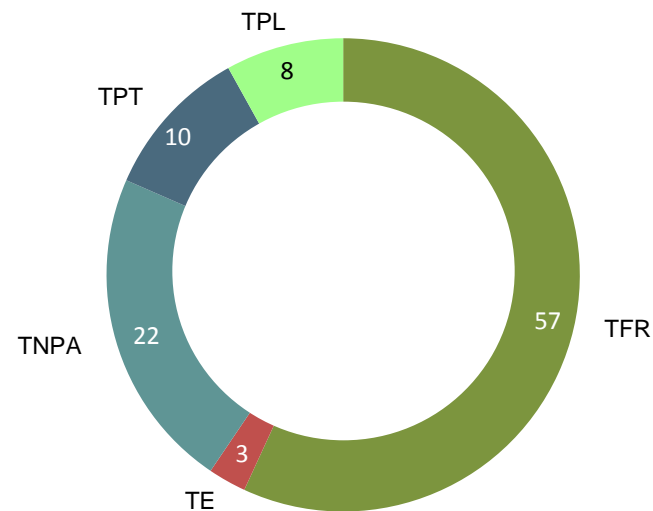
## EBITDA (R million)



## EBITDA margin (%)



## EBITDA contribution by Operating Division\* (%)



\* Excludes specialist units and intercompany adjustments.



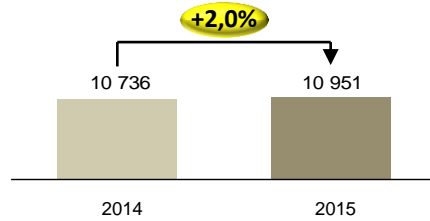


# DEPRECIATION, IMPAIRMENT, FINANCE COSTS AND NET PROFIT

FOR THE YEAR ENDED 31 MARCH 2015

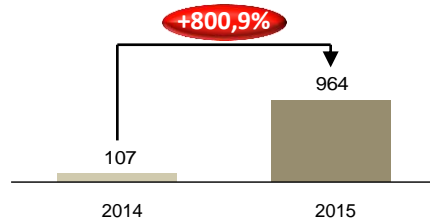


## Depreciation, derecognition and amortisation (R million)



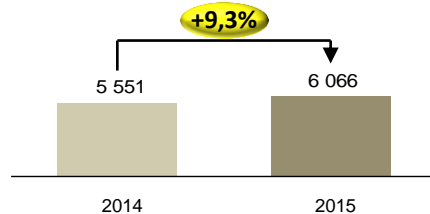
Depreciation, derecognition and amortisation of assets for the year increased by 2,0% due to the capital investments for the year as well as the depreciation of revalued port facilities and pipelines, partially offset by an adjustment to the useful lives of assets. This trend is expected to continue in line with the execution of the capital investment programme.

## Impairment of assets (R million)



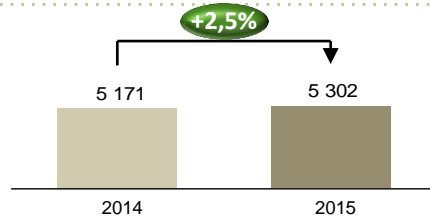
Impairment of assets, amounting to R964 million (2014: R107 million), relates primarily to the impairment of trade and other receivables, as well as an impairment of property, plant and equipment.

## Net finance costs (R million)



Net finance costs increased by 9,3%, in line with expectations, due to increased borrowings to fund the capital investment programme.

## Net profit for the year (R million)



Accordingly net profit for the year increased by 2,5%.







# ABRIDGED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2015

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	2015	2014
	R million	R million
Assets		
Property, plant and equipment	287 166	207 322
Investment properties	9 074	8 572
Other non-current assets	9 701	9 168
Non-current assets	305 941	225 062
Current assets	22 498	15 011
Total assets	328 439	240 073
Equity and Liabilities		
Capital and reserves	142 328	97 113
Non-current liabilities	145 853	117 723
Current liabilities	40 258	25 237
Total equity and liabilities	328 439	240 073



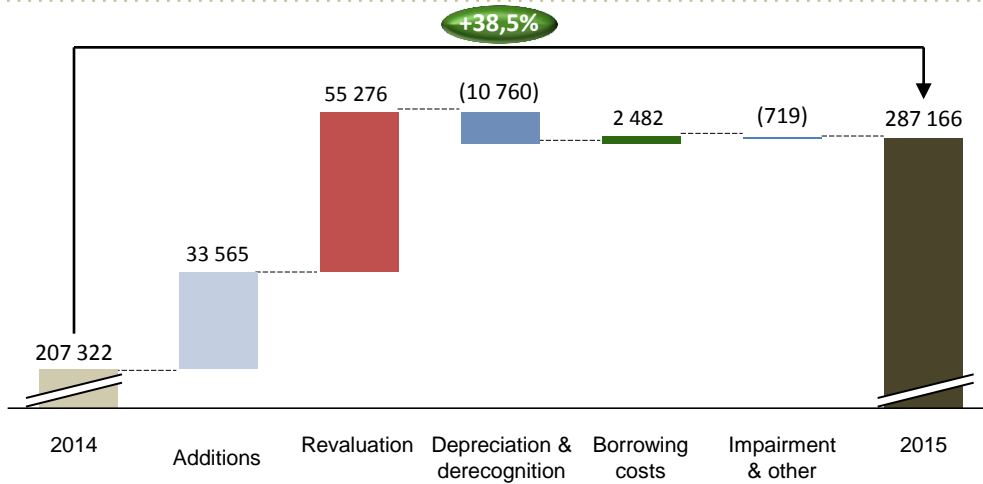


# PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 31 MARCH 2015

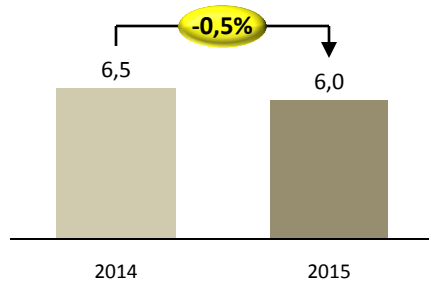


Property, plant and equipment (R million)



PPE increased by 38,5% to R287,2 billion, mainly as a result of the revaluation of rail infrastructure for the first time of R49,8 billion as well as capital investment for the year of R33,6 billion, with R14,5 billion being invested in the expansion of infrastructure and equipment, while R19,1 billion was invested in maintaining existing capacity.

Return on total average assets (excluding CWIP) (%)\*



Return on total average assets at 6,0% is due to the significant increase in the asset base, due mainly to the revaluation of assets.

\* Includes Regulator claw backs.



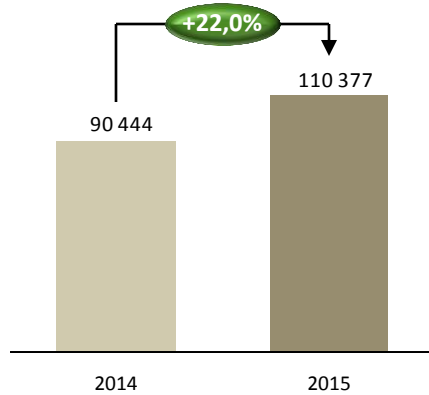


# TOTAL BORROWINGS

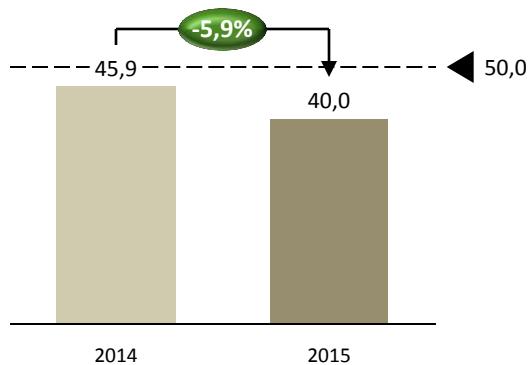
FOR THE YEAR ENDED 31 MARCH 2015



Total borrowings (R million)



Gearing (%)



Transnet raised R34,1 billion for the year and repaid borrowings amounting to R18,4 billion. The 22,0% increase is in line with the funding plan for the capital investment programme.

The gearing ratio improved to 40,0% (2014: 45,9%) due mainly to the revaluation of rail infrastructure for the first time. This level is well below the Group's target range of 50,0%, reflecting the capacity available to continue with the counter-cyclical investment strategy. The gearing ratio is not expected to exceed the target ratio over the medium term.





# ABRIDGED CASH FLOW STATEMENT AND FUNDING

FOR THE YEAR ENDED 31 MARCH 2015

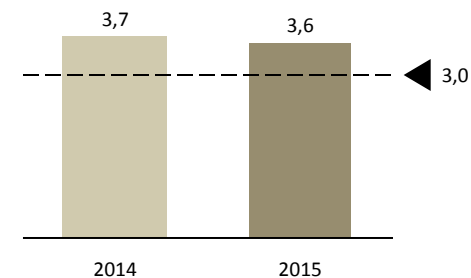
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	2015	2014	%
	R million	R million	change
Cash and cash equivalents at the beginning of the year	3 633	2 598	39,8
Cash flows from operating activities	23 666	18 709	26,5
Cash generated from operations	27 280	24 043	13,5
Changes in working capital	3 327	1 228	170,9
Other operating activities	(6 941)	(6 562)	5,8
Cash flows utilised in investing activities	(36 715)	(32 067)	14,5
Cash flows from financing activities	15 680	14 393	8,9
Net increase in cash and cash equivalents	2 631	1 035	154,2
Total cash and cash equivalents at the end of the year	6 264	3 633	72,4

## Cash interest cover (times)



Sources of funding	2015	2014
	R billion	R billion
DFI's/ECA's/Bank of Tokyo Mitsubishi Ltd and other bank loans	16,0	4,9
GMTN	-	5,0
Domestic bonds and commercial paper	9,1	8,5
Call loans	9,0	4,0
Total	34,1	22,4

## Credit rating: Long-term foreign currency



Baa2  
Stable outlook

STANDARD  
& POOR'S

BBB-  
Stable outlook





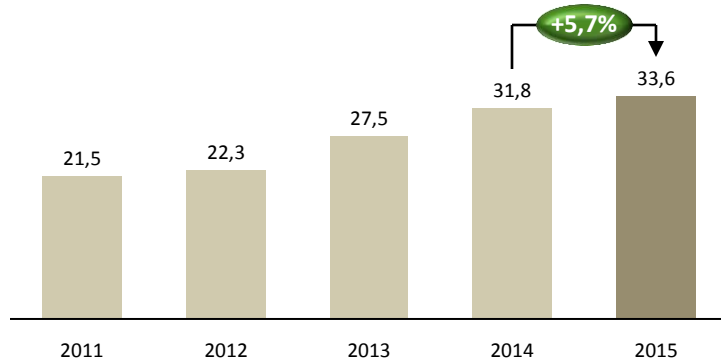
# CAPITAL INVESTMENT ANALYSIS

FOR THE YEAR ENDED 31 MARCH 2015

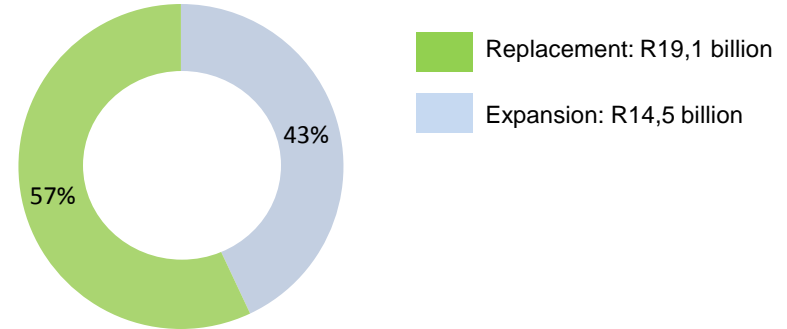


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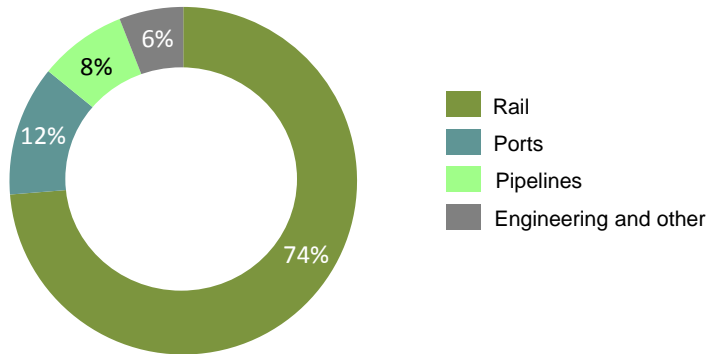
## Capital investment (R billion)



## Expansion vs replacement



## Capital investment by operating segment





# MAJOR CAPITAL DELIVERIES

FOR THE YEAR ENDED 31 MARCH 2015



Asset type	Quantity	
	2015	Cumulative
<b>Locomotives</b>		
60 Class 43 Diesel	25	25
95 Class 20 Electric	94	94
100 Class 21 Electric	14	14
<b>Wagons</b>		
GFB	2 700	7 988

Asset type	Quantity
<b>Rail refurbishment: Infrastructure</b>	
Turnouts	201
Universals	364
Screening	492 km
Sleepers	684 955

Asset type	2015 Quantity
<b>Port infrastructure</b>	
Rubber-tyred gantries (RTG) for NCT	4
Straddle carriers	10
Ship-to-shore cranes for NCT	2
Ship-to-shore cranes for CTCT	2
Haulers and trailers	25
Rail mounted gantries (RMG)	2

Asset type	Stage of completion
<b>Pipeline infrastructure</b>	
Coastal terminal	77%
Inland terminal	86%
NMPP Trunkline is 100% complete and fully operational with single product (diesel).	





# LOCOMOTIVE ACQUISITION PROGRAMME – ESTIMATED DELIVERY SCHEDULE

FOR THE YEAR ENDED 31 MARCH 2015



Year	General freight business				Export coal
	95 electric locomotives	1 064 locomotives	60 diesel locomotives	Wagons for MDS	100 electric locomotives
2016	1	148	35	2 100	86
2017	–	492	–	1 700	–
2018	–	424	–	1 250	–
2019	–	–	–	1 050	–
2020	–	–	–	1 000	–
2021	–	–	–	900	–





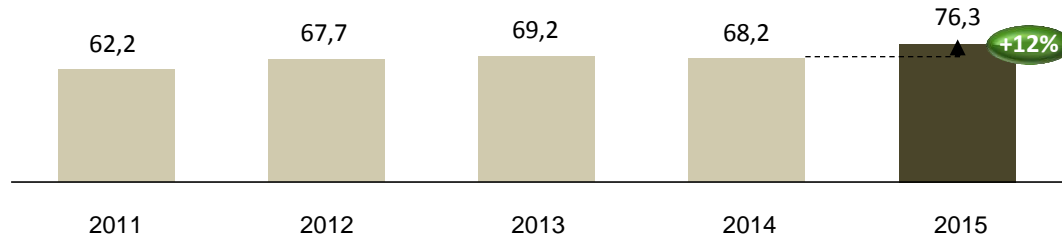
# VOLUMES AND OPERATIONS

FOR THE YEAR ENDED 31 MARCH 2015



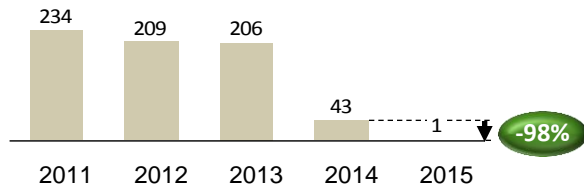
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### Volumes (mt)

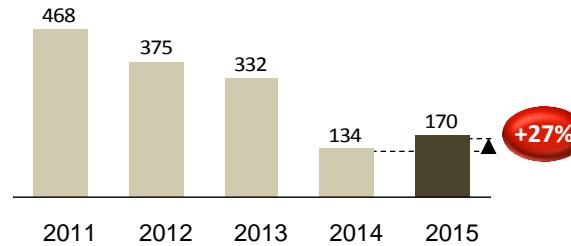


### Productivity and efficiency

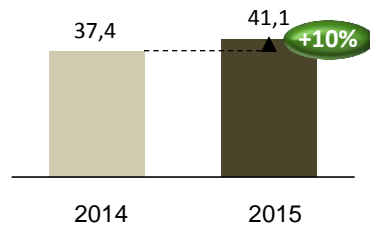
#### On-time departure (minutes)



#### On-time arrivals (minutes)



#### Route density (Richards Bay corridor) Tonkm/Routekm



- Export coal volumes increased by 12% from 68,2mt to 76,3mt mainly due to:
  - Improved product availability from key customers; and
  - Improved resource availability through sustained implementation of the capital investment programme.

- Due to operational efficiency improvements, on-time departures improved. On-time arrivals deteriorated mainly due to en-route disruptions which affected cycle time.

- Strong volume performance had a positive impact on corridor density.

Rail – export coal







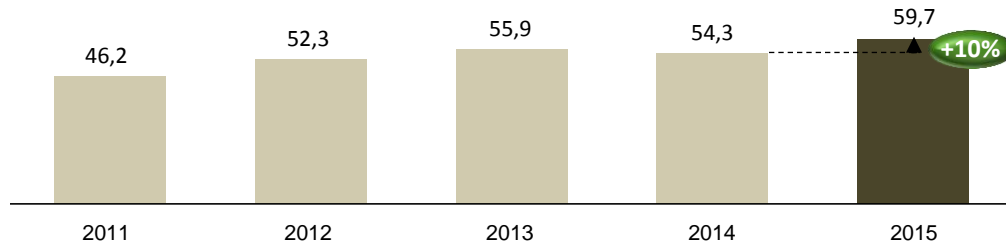
# VOLUMES AND OPERATIONS

FOR THE YEAR ENDED 31 MARCH 2015



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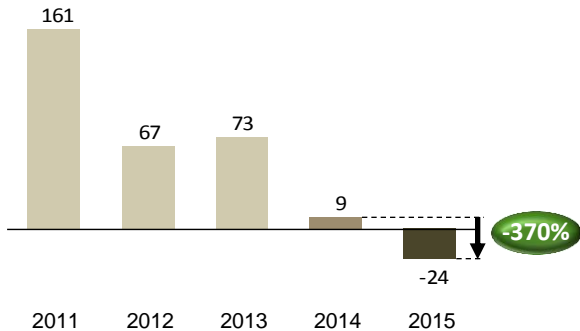
Volumes (mt)



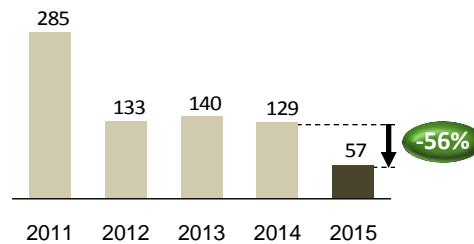
- Export iron ore volumes increased by 10% from 54,3mt to 59,7mt, compared to the prior year, mainly due to:
  - Key customers recovered from production constraints; and
  - Internal resource availability improved through sustained implementation of the capital investment programme.

Productivity and efficiency

On-time departure (minutes)



On-time arrivals (minutes)



- Both on-time departures and on-time arrivals showed efficiency gains, due mainly to process adherence improvements.
- Improvements on tippler breakdowns at Saldanha contributed to the improved cycle time.

Rail – export iron ore





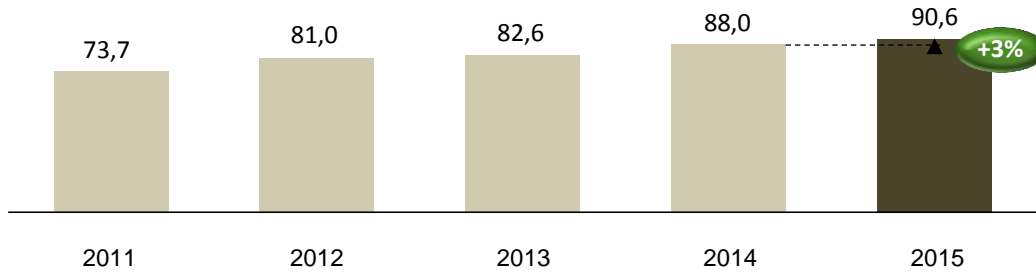
# VOLUMES AND OPERATIONS

FOR THE YEAR ENDED 31 MARCH 2015



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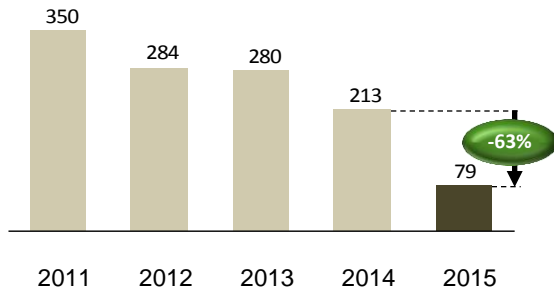
Volumes (mt)



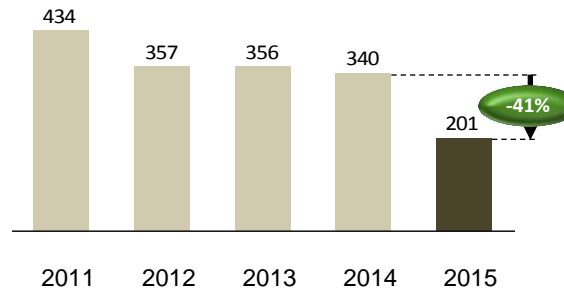
- GFB volumes increased by 3% from the prior year, mainly due to:
  - The continued success in growth of market share arising from the road-to-rail modal shift; and
  - The success of the Business Unit Strategy implemented 24 months ago; partially offset by:
    - The negative impact of slow global and domestic economic growth;
    - Slow recovery from industrial action; and
    - Eskom related power outages, which increased due to the challenges facing the power utility, and will continue to impact performance in 2016.

Productivity and efficiency

On-time departure (minutes)



On-time arrivals (minutes)



- Both on-time departures and on-time arrivals improved significantly against budget, mainly due to lean and six sigma strategies implemented by Business Units and increased monitoring of mainline trains by the National Command Centre.

Rail – General freight business (GFB)





# VOLUMES AND OPERATIONS

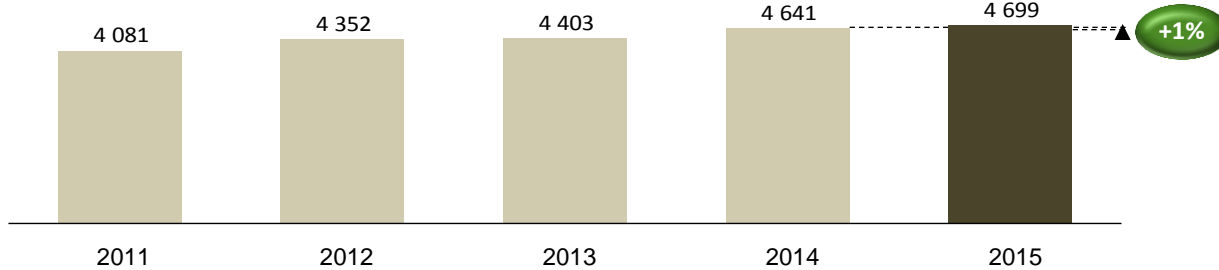
FOR THE YEAR ENDED 31 MARCH 2015



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Ports – containers

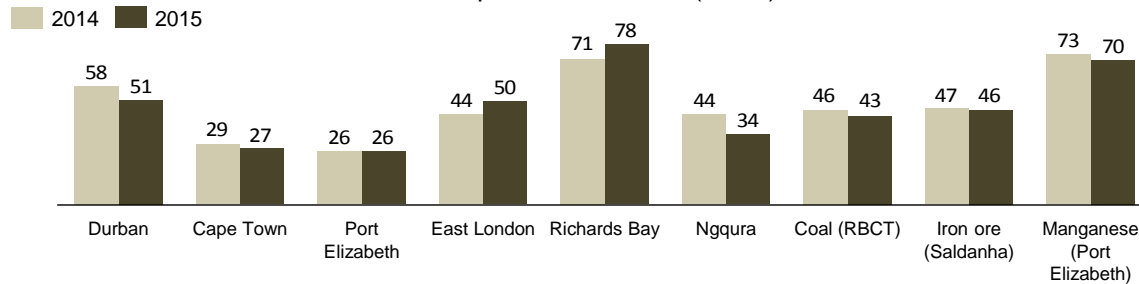
### Volumes ('000 TEUs) (TNPA)



- Maritime container volumes increased by 1% compared to the prior year, due mainly to:
  - Increased containerisation in the bulk and break-bulk sectors in respect of iron ore, magnetite and manganese exports; partially offset by a decline in:
    - Transshipment containers;
    - Vehicle and transport equipment imports; and
    - Exports of electronics, base metal and chemical products.

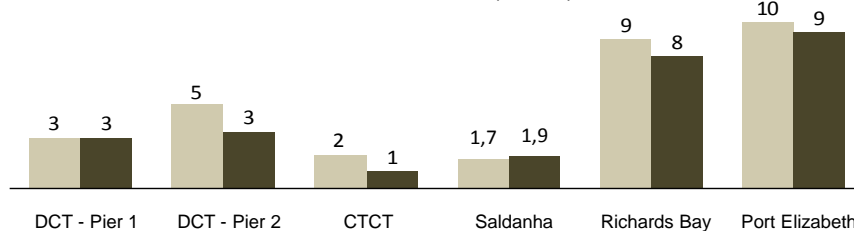
### Productivity and efficiency

#### Ship turnaround time (hours)



- Ship turnaround time reflects well at most ports, with the exception of East London and Richards Bay.

#### Train turnaround time (hours)



- Train turnaround time reflects well, with the exception of the Port of Saldanha, mainly due to staff vacancies and equipment challenges, which are being addressed.

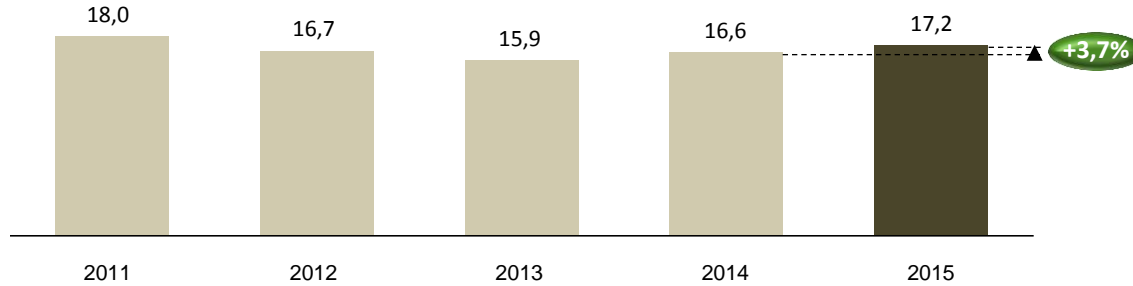




# VOLUMES AND OPERATIONS

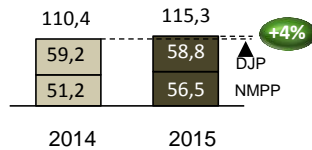
FOR THE YEAR ENDED 31 MARCH 2015

Volumes (bl)

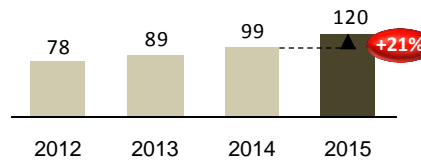


Productivity and efficiency

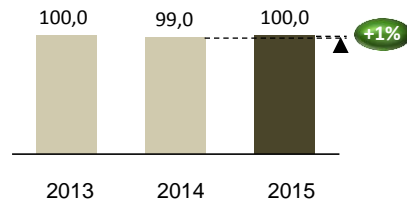
DJP + NMPP capacity utilisation (Ml/Week)



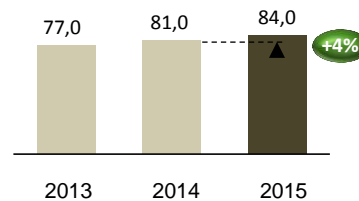
Operating cost per Ml.km (Nominal R/Ml.km)



Ordered vs delivered volumes (% of deliverables within 5% of order)



Planned vs actual delivery time (% of deliverables within 2 hours of plan)



- Petroleum products' volumes increased by 3,7% compared to the prior year, mainly due to:
  - Increased Avtur volumes; and
  - Improved crude volumes.
- The NMPP capacity utilisation averaged 115 mega-litres per week, which exceeds expectation.
- Ordered vs delivered volumes and planned vs actual delivery time reflects favourably compared to the prior year.
- Pipeline operating costs are higher than the prior year (as may be expected, with typical inflationary pressures).

Pipelines





# SAFETY – the fourth consecutive year that the Company recorded a DIFR ratio below 0,75.

<p>Disabling injury frequency rate (DIFR)</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>DIFR</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0,82</td> </tr> <tr> <td>2012</td> <td>0,65</td> </tr> <tr> <td>2013</td> <td>0,74</td> </tr> <tr> <td>2014</td> <td>0,69</td> </tr> <tr> <td>2015</td> <td>0,69</td> </tr> </tbody> </table>	Year	DIFR	2011	0,82	2012	0,65	2013	0,74	2014	0,69	2015	0,69	<p>The Company recorded a DIFR performance of 0,69 compared to the target of 0,75. This is the fourth consecutive year that the Company recorded a DIFR ratio below 0,75, due to continued focus and investment in safety.</p>
Year	DIFR													
2011	0,82													
2012	0,65													
2013	0,74													
2014	0,69													
2015	0,69													
<p>Employee fatalities (Numbers)</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>Number of Fatalities</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>12</td> </tr> <tr> <td>2012</td> <td>7</td> </tr> <tr> <td>2013</td> <td>9</td> </tr> <tr> <td>2014</td> <td>7</td> </tr> <tr> <td>2015</td> <td>4</td> </tr> </tbody> </table>	Year	Number of Fatalities	2011	12	2012	7	2013	9	2014	7	2015	4	<p>The organisation remains committed to zero employee fatalities. Despite considerable efforts to improve safety, the Company regrets to report four employee fatalities in the current year, compared to seven in the prior year.</p>
Year	Number of Fatalities													
2011	12													
2012	7													
2013	9													
2014	7													
2015	4													





# HUMAN RESOURCES

FOR THE YEAR ENDED 31 MARCH 2015



	Actual %		Target %	
	2015	2015	2015	2015
A representative workforce	<b>Designated categories</b>			
	Black	83,0	80,0	• Transnet achieved and exceeded its targets for black employees.
	Females at Group Exco	40,0	50,0	• Female representation is growing steadily despite significant challenges in an operations heavy environment at semi and unskilled levels.
	Females at extended Exco	43,0	50,0	
	Females below extended Exco	26,4	35,0	
PWD's	2,3	2,0		

	Key performance Indicator	Unit of measure	Annual Target	2015 Actual
Skills development, capacity building and job creation	Training spend	% of personnel costs Rand million	≥ 4,4	2,8 644,1
	Engineering trainees	Number of learners	≥ 220	255
	Technician trainees	Number of learners	≥ 363	563
	Artisan trainees	Number of learners	≥ 605	613
	Sector specific trainees	Number of learners	≥ 2 178	3 320
	Protection officers	Number of learners	968	988
	Direct jobs created (Transnet employees)	Number of jobs	≥ 4 426	2 905*

- Transnet invested 2,8% of the labour cost bill on skills development initiatives to grow and develop capacity requirements to support MDS (focusing on operational and technical training).
- Transnet achieved its targets for 2015 in all critical skills that were the focus for the year.
- Training of 988 protection officers also took place showing positive progress in the School of Security.
- The Schools of Excellence in Transnet continued to be a great flagship of the Transnet Academy's delivery platforms to contribute to local and regional skills development.

\* Includes fixed-term project and trainee contract employees.



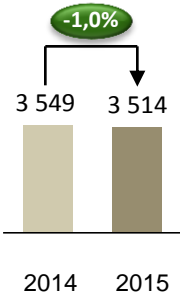


# ENERGY EFFICIENCY AND CARBON EMISSIONS REDUCTION

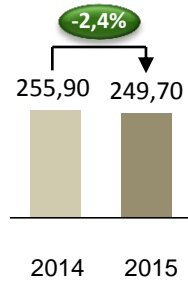
FOR THE YEAR ENDED 31 MARCH 2015

## Energy consumption & efficiency

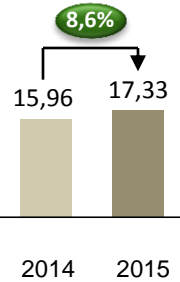
Total electricity consumption (GWh)



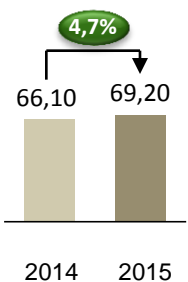
Total fuel consumption (million litres)



Total energy efficiency (ton/GJ)

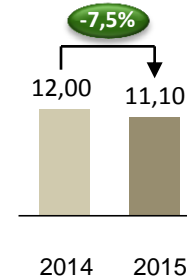


Traction electricity efficiency (gtk/kWh)

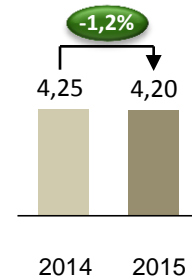


## Carbon emissions

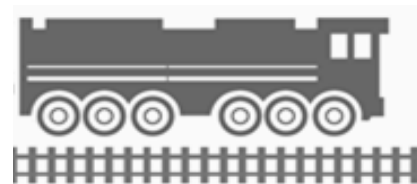
Carbon emissions intensity (kgCO<sub>2</sub>e/ ton)



Carbon emissions (mtCO<sub>2</sub>e)



Freight commodities market share gains from road hauliers in the year resulted in carbon emissions savings to the South African transport sector of **479 648 tCO<sub>2</sub>e**.



**165 753MWh** electricity regenerated by the new 15E and 19E locomotives.





# B-BBEE SPEND AND CSDP\*

FOR THE YEAR ENDED 31 MARCH 2015

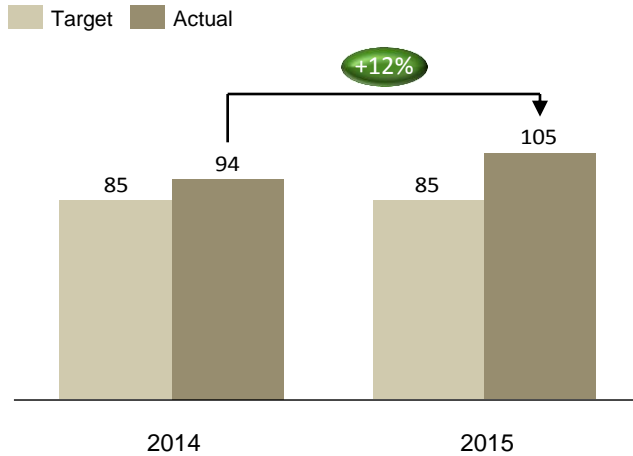


delivering freight reliably

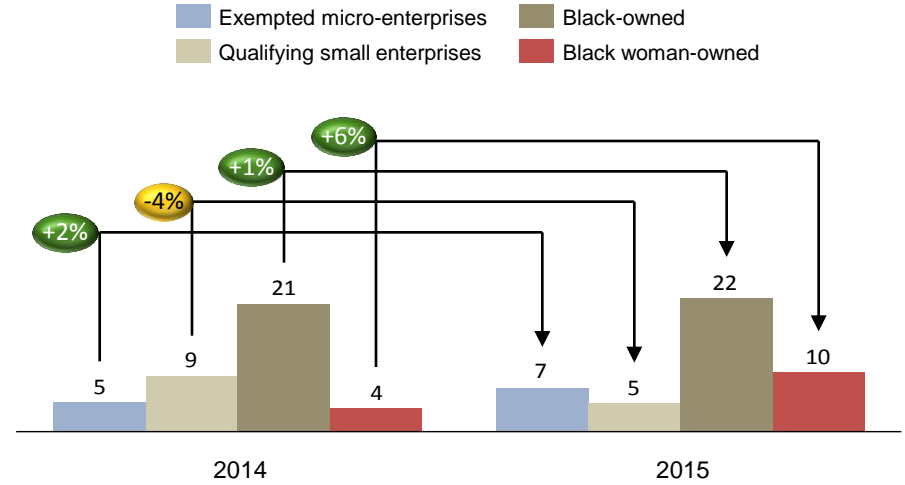
Broad-based black economic empowerment (B-BBEE) and local supplier industry development.

Transnet is currently a level 2 contributor.

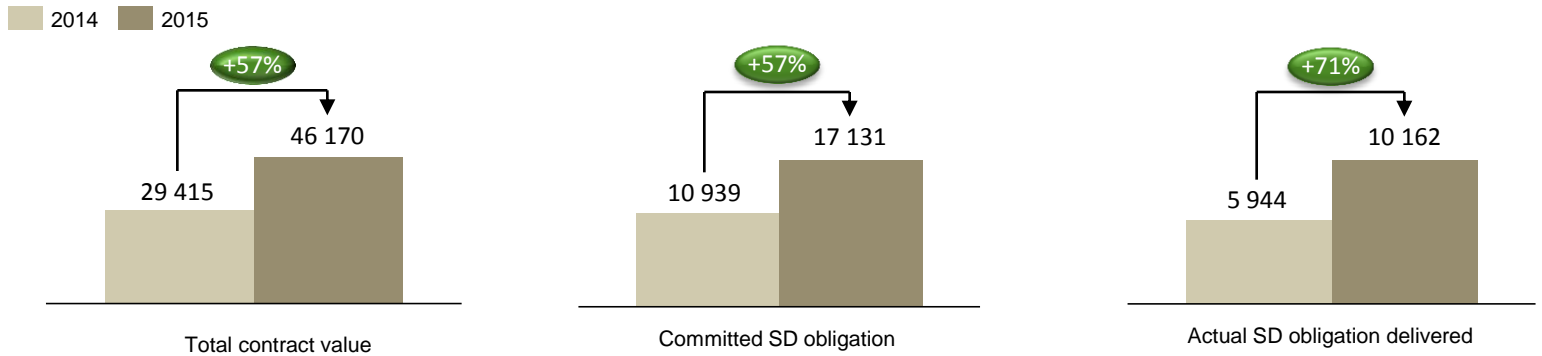
% B-BBEE spend of TMPS



B-BBEE categories spend % of TMPS



Supplier development (SD) programme (R million)



\* CSDP – Competitive Supplier Development Programme.







# CONCLUSION

FOR THE YEAR ENDED 31 MARCH 2015

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- The third year of MDS implementation has proved challenging.
- However, the Company has maintained its financial and operating performance.
- Consequently it is anticipated that it will continue delivering on its MDS commitments.



TRANSNET



THANK YOU