

TRANSNET RECEIVES UNMODIFIED AUDIT OPINION IN 2022/23 YEAR

[Johannesburg, 01 September 2023] Transnet SOC Ltd. ("Transnet") performance for the year ended 31 March 2023 improved in certain areas, notwithstanding operational challenges, and the current economic climate.

The tough operating environment particularly hit Transnet's rail business, with decreased locomotive availability and increased incidents of cable theft and infrastructure vandalism resulting in lower volumes railed.

Despite the headwinds, Transnet's total revenue increased by 0,6% to R68,9 billion (2022: R68,5 billion). The marginal increase in revenue is attributable mainly to positive port and pipeline operational performance.

Automotive and break-bulk volumes soared by 21,0% and petroleum volumes increased by 1,0%, compared to the prior year. Rail volumes, however, decreased by 13,6% as a result of the aforementioned operational challenges.

Net operating expenses increased by 2,0%, a tolerable level given the high inflationary economic environment. This demonstrates Transnet's financial resilience and commitment to various cost containment initiatives. However, the organisation recorded a decrease in EBITDA of 2,1% to R23,0 billion, with the net loss for the year at R5,7 billion.

Operational outlook

A turnaround strategy for the business is currently being developed which will be submitted to the Board, together with an implementation plan with key milestones, targets and deadlines. This will consist - amongst others - of business improvements, optimisation of operational performance and processes.

A key priority will be increasing locomotive availability to service in particular key export flows such as export coal and chrome. Transnet Freight Rail (TFR) is also pursuing collaboration with existing rail partners such as Caminhos De Ferros De Mocambique (CFM) to increase volume movements to neighbouring countries. TFR began implementing outcomes-based security solutions on 1 August 2023, which is expected to result in improvements in incidents of cable theft moving forward.

Another key focus area is successfully bedding down the recently announced DCT Pier 2 partnership. Transnet is now at the due diligence phase and the operating teams have commenced engagements with the international terminal operator partner, International Container Terminal Services Inc. (ICTSI).

The conclusion of the first LNG terminal section 56 transaction is expected to be announced by the end of the 2024 financial year. The Leasing Company project, plans for which were announced in the current reporting year, is an essential intervention for successful third-party access, and is expected to commence operations in the next financial year.

Going forward the organisation will focus on closing all strategic transactions and best utilise the Group's asset base with due care in line with government's objectives and Transnet's corporate strategy.

ENDS.

Issued on behalf of Transnet SOC Ltd

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