



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

TRANSNET RELEASES AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2023 WITH AN UNMODIFIED AUDIT OPINION

Noteholders are advised that the Company's unmodified audited annual financial statements for the year ended 31 March 2023 have been published and are available on Transnet's website: <https://www.transnet.net/InvestorRelations/Pages/Annual-Results-2023.aspx>

The annual financial statements are available for inspection at the registered office of Transnet, 138 Eloff Street, Johannesburg and the offices of the debt sponsor (Absa Corporate and Investment Bank (a division of Absa Bank Limited)), 15 Alice Lane, Sandton, from 09:00 to 16:00 on business days.

Transnet's performance for the financial year ended 31 March 2023 improved in certain areas compared to the prior year, despite various operational challenges and the current economic climate.

Salient features of the financial performance compared to the prior financial year are as follows:

- **Revenue** increased by 0,6% to R68,9 billion
- **EBITDA** (Earnings before interest, taxation, depreciation and amortisation) declined by 2,1% to R23,0 billion
- **Loss for the year** is R5,7 billion from a profit of R5,0 billion in the prior year
- **Cash generated** from operations after working capital changes decreased by 12,8% to R25,4 billion; and
- **Gearing** at 43,6%, is within debt covenant requirements.

Performance overview

The Company experienced a difficult operating environment, particularly in the rail business, with decreased locomotive availability (a key unit of production) and high levels of cable theft and infrastructure vandalism, resulting in lower volumes railed. This was exacerbated by other factors: the reporting year started with extensive floods in KwaZulu-Natal, which had a hugely negative impact on operations on the Gauteng-Durban corridor; higher levels of loadshedding; and the employee wage strike in October 2022.



Despite these headwinds, Group revenue for the year increased by 0,6% to R68,9 billion (2022: R68,5 billion) in line with positive port and pipeline operational performance. Automotive and break-bulk volumes improved significantly (+21,0%) and petroleum volumes increased by 1,0% when compared to the prior year. Rail volumes however, decreased by 13,6%, adversely affected by the aforementioned operational challenges.

Net operating expenses rose by a tolerable level of 2,0% given inflationary pressures. This was a demonstration of financial resilience and commitment to various cost containment initiatives. That said, the entity recorded a decrease in EBITDA of 2,1% to R23,0 billion for the year. Considering other non-cash cost elements, (i.e depreciation, derecognition and amortisation, impairment, fair value adjustments) and the impact of net finance costs, the net loss for the year is 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.

As announced by the President in the State of the Nation Address in February 2023, there will be accounting separation between the Rail Operator and the Infrastructure Manager, with an interim Infrastructure Manager in place by 31 October 2023, in preparation for, and as part of rail reform. This is in line with the White Paper on the National Rail Policy that aims to enable full use of the rail infrastructure by providing access to TFR and other rail operators in a fair and non-discriminatory way.

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.

**Audit opinion**

The Auditor-General of South Africa, the Company's independent statutory external auditor, has expressed an unmodified audit opinion on the annual financial statements for the year ended 31 March 2023.

Emphasis of matter

External audit drew attention to note 40 in the consolidated and separate financial statements, which discloses material non-adjusting subsequent events. This includes a debt service account with a lender, changes in the Board of Directors and a settlement reached with a locomotive Original Equipment Manufacturer. Their opinion was not modified in respect of these matters.

Johannesburg

1 September 2023

JSE Debt Sponsor

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