

REINVENT  
FOR GROWTH

TRANSNET



# Audited condensed consolidated financial results

## for the year ended 31 March 2023

### Salient features

<b>Revenue</b> increased by 0,6% to R68,9 billion, in line with positive port and pipeline operational performance.
<b>Net operating expenses</b> increased by 2,0% to R45,9 billion, due mainly to the impact of the third-party settlement received in the prior year, and increased energy, maintenance and material costs.
<b>EBITDA</b> decreased by 2,1% to R23,0 billion, with the EBITDA margin decreasing to 33,3%.
<b>Net loss</b> for the year of R5,7 billion (2022: R5,0 billion profit).
<b>Capital investment</b> increased by 4,8% to R13,9 billion for the year.

**Cash generated from operations** after working capital changes decreased by 12,8% to R25,4 billion.

**Gearing** of 43,6% and **cash interest cover\*** at 2,1 times.

2,5% of **labour costs** spent on **training**, focusing on artisans, engineers, and technicians.

LTIFR performance of 0,66, which is below the tolerance of 0,75.

**Level 2 B-BBEE** certification and spend of R26,8 billion or 112,55%, of total measured procurement spend, as defined by DTIC codes.

\* Including working capital changes.

### Overview

Transnet's performance for the financial year ended 31 March 2023 improved in certain areas compared to the prior year, in spite of various operational challenges and the current economic climate. These challenges negatively impacted performance and included flooding in KwaZulu-Natal (KZN), power cuts across the country, the industrial strike in October 2022, interest rate hikes, and rising security incidents relating mainly to fuel theft, cable theft and vandalism of infrastructure. 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 prior year. Rail volumes however, decreased by 13,6%, adversely affected by the aforementioned operational challenges and persistent locomotive availability issues.

### Governance and compliance

The Public Finance Management Act (PFMA) imposes certain obligations on the Company relating to the prevention, identification and reporting of fruitless and wasteful expenditure; irregular expenditure; expenditure that does not comply with operational policies; losses through criminal conduct; and the collection of all revenue.

Transnet received an exemption from disclosing the particulars required by section 55(2)(b)(i) (ii) and (iii) of the PFMA in the annual financial statements for a period of three years, starting from the 2022 to 2024 financial years. The extent of the exemption has resulted in the disclosure of the confirmed and under assessment irregular, fruitless and wasteful expenditure (IFWE) in the integrated report of the current and one comparative financial year. The exemption was granted to allow Transnet to develop and implement internal control measures to ensure accurate and complete reporting of IFWE. The exemption also necessitated the continuous enhancement of internal controls to ensure accurate and complete reporting of IFWE. The 2023 financial year remediation plan was, as a result, enhanced to include the audit readiness plan to sustainably address the root causes relating to the occurrence, accuracy, and completeness of irregular expenditure, improve the PFMA control environment and to reduce incidences of future transgressions.

Transnet has also put measures in place to ensure that consequence management and remediation actions are continuously being undertaken. Updates on the consequence management taken by Transnet have been reported to the National Treasury and the Department of Public Enterprises on a quarterly basis.

The continuous tracking and enhancement of the PFMA remediation plan remains a key priority for the Company. The lessons learned and challenges experienced have been clearly defined in order to place the organisation in a much better position to timeously implement any outstanding initiatives that drive PFMA compliance across the organisation and in the next financial year that remains of the PFMA exemption period. Notable progress was made in the execution of the PFMA remedial plan in the current financial year. The remedial plan will continue to focus on supply chain governance, including the overhaul of the internal control environment and improving the delegation of authority process, optimising supply chain processes and on contract management through the implementation of effective standard operating procedures.

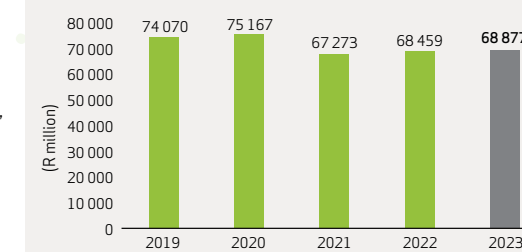
### Prospects

Transnet has endured yet another difficult year with resilience intact despite numerous operational challenges. Shoots of recovery were still evident in operations and these will be optimised to ensure they translate into tangible gains for the organisation. Through self-introspection, the Company has identified internal improvement opportunities that will enable a fast-track to back to basics operational performance. The prime focus and targeted effort will be aimed at the persistent operational challenges including locomotive availability issues, to ensure that the rail business is equipped to return to profitable operational performance. Management with the newly appointed Transnet Board is developing a turnaround plan focused on improving operational efficiencies, liquidity and meeting customer expectations.

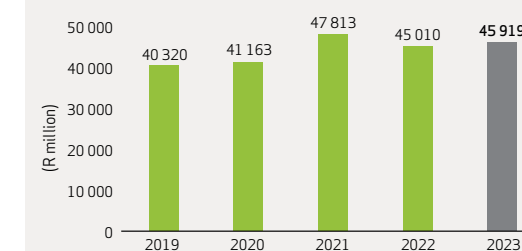
### Short form announcement

This short-form announcement is the responsibility of the Transnet Board of Directors. It is only a summary of the information contained in the integrated report and annual financial statements and does not contain full or complete details. Any investment decision should be based on the integrated report and annual financial statements available on the Transnet website at [www.transnet.net](http://www.transnet.net). The integrated report and annual financial statements are also available for inspection at the registered office of Transnet.

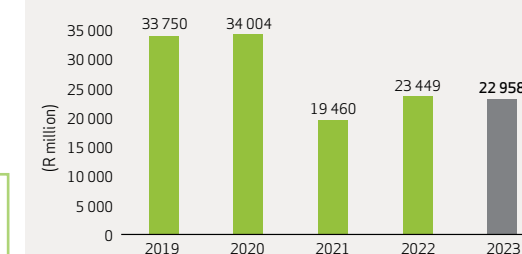
### Revenue (-1,8%)\*



### Operating expenses (3,3%)\*



### EBITDA (-9,2%)\*

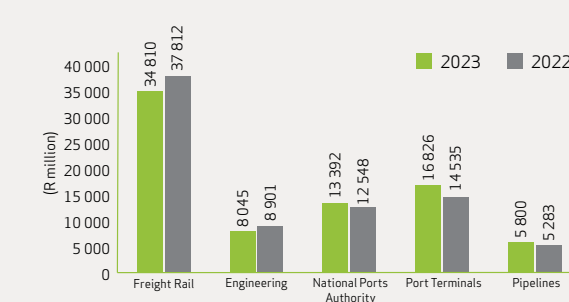


\* Compound annual growth rate.

### Condensed statement of financial position

	Audited 31 March 2023	Audited 31 March 2022
(in R million)		
Non-current assets	336 912	332 636
Current assets	27 142	22 882
<b>Total assets</b>	<b>364 054</b>	<b>355 518</b>
Capital and reserves	147 721	143 778
Non-current liabilities	137 927	152 951
Current liabilities	78 406	58 789
<b>Total equity and liabilities</b>	<b>364 054</b>	<b>355 518</b>

### Segment revenue



### Corporate information

#### Transnet SOC Ltd

Incorporated in the Republic of South Africa  
Registration number 1990/000900/30

#### Directors

Executive directors  
Ms PPJ Derby (Group Chief Executive)  
Ms NS Dlamini (Group Chief Financial Officer)

#### Non-executive directors

Mr A Sangqu (Chairperson), Ms R Buthelezi, Mr M Debel, Mr B Jija, Ms L Letsoalo, Dr PS Molefe, Prof FS Mufamadi, Mr D Patel, Ms B Sedupane, Ms MP Zambane  
Ms GT Ramphaka resigned in December 2022 and Mr LL Von Zeuner resigned in February 2023.

Mr AP Ramabulana, Ms UN Fikelepi, Ms ME Letlape, and Ms DC Matshoga retired by rotation in July 2023.

The new Transnet Board was appointed/(re-appointed 2 members) in July 2023.

### Condensed statement of cash flows

	Audited 31 March 2023	Audited 31 March 2022
(in R million)		
Cash flows from operating activities	22 196	17 534
Cash flows utilised in investing activities	(15 705)	(13 115)
Cash flows from/(utilised in) financing activities	3 113	(1 651)
<b>Net increase in cash and cash equivalents</b>	<b>9 604</b>	<b>2 768</b>
Cash and cash equivalents at the beginning of the year	3 936	1 168
<b>Total cash and cash equivalents at the end of the year</b>	<b>13 540</b>	<b>3 936</b>

### Segment EBITDA

