

A large circular collage of various industrial and railway scenes. It includes images of workers in blue uniforms and hard hats performing maintenance or construction, a red and yellow locomotive, a red container truck, a red forklift, and various industrial structures and equipment.

Repair and
Grow

ANNUAL RESULTS ANNOUNCEMENT

For the year ended
31 March 2021

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OVERVIEW

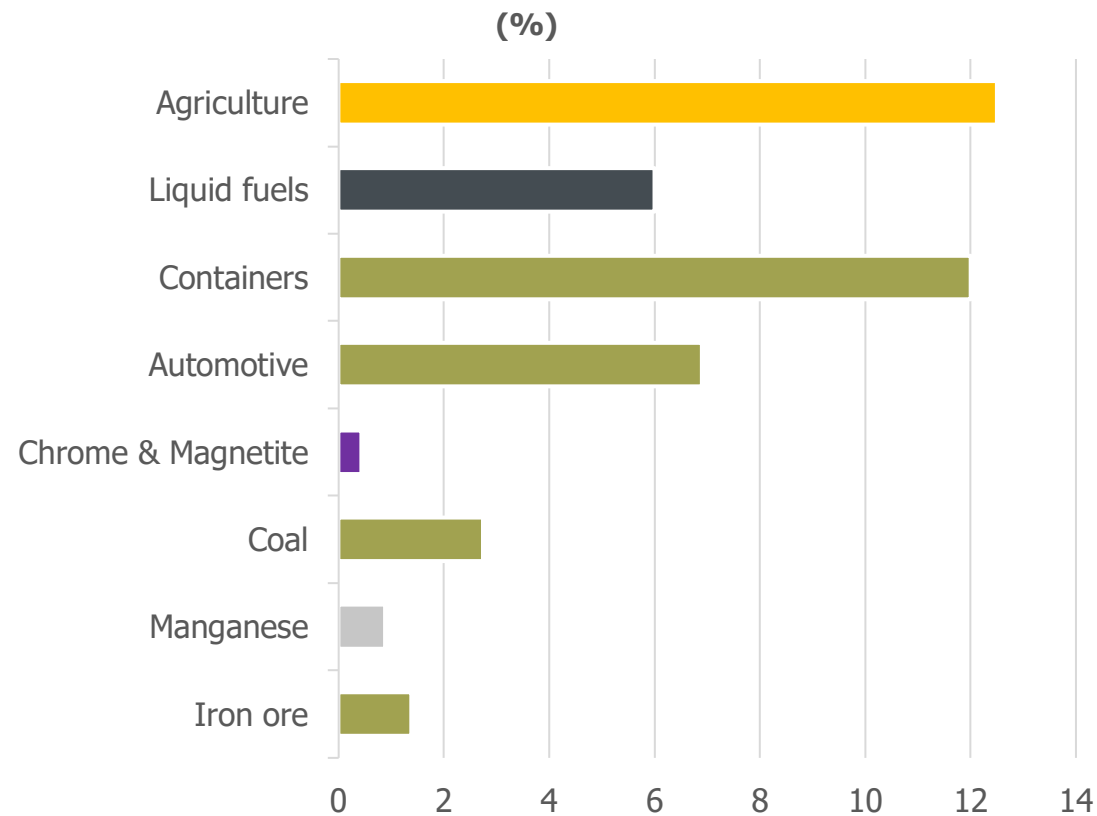
PORTIA DERBY
GROUP CHIEF EXECUTIVE

- Operational context
- Year in review
- Developmental outcomes

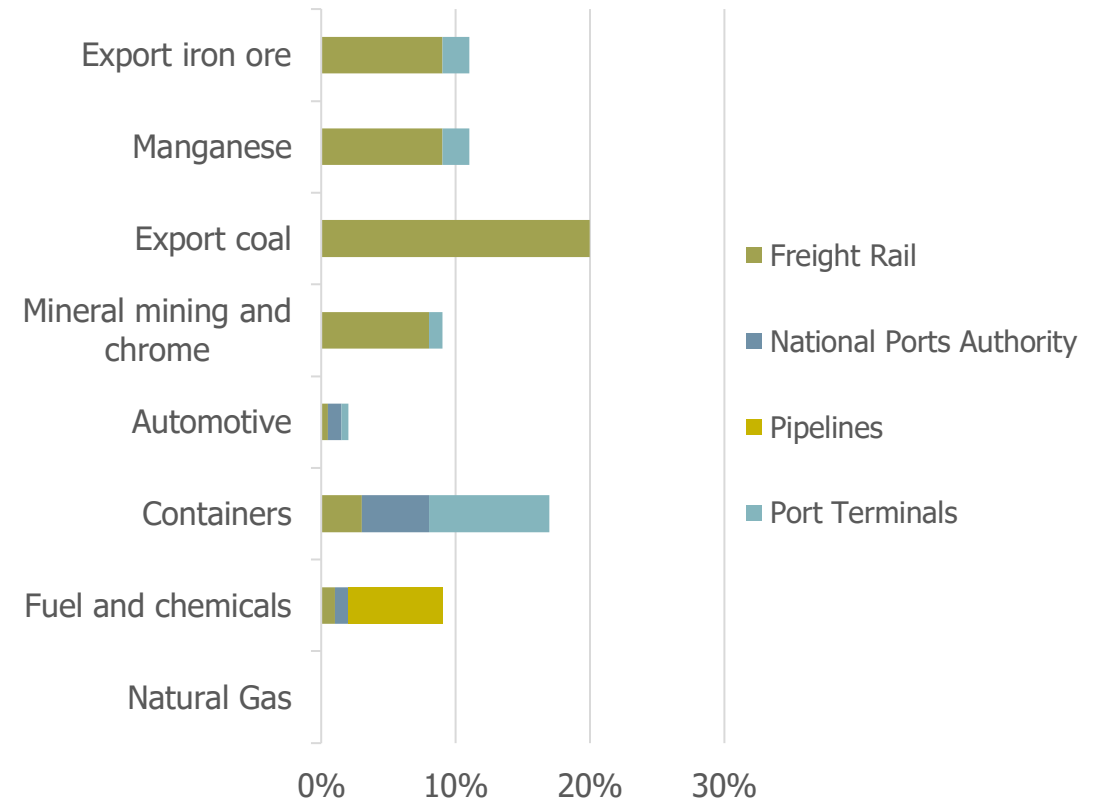
Operational context



Nine commodities contribute
~**42,9%** to total national GDP



...and contribute to **80%** of Transnet revenue (%)



Agriculture forms part of Transnet's Economic Reconstruction and Recovery focus



Year in review: Our commercial environment

Global context



After **contraction of 3,5%** in 2020, the **global economy** is projected to **grow 5,6% in 2021**.



World economy expected to **benefit** from the **large government stimulus programmes** announced by some **advanced economies**.



Global Economic recovery is envisioned to continue into 2022, with **global growth** moderating to **4,3%**.

South African context



April 2020, **S&P** further **downgraded the sovereign's long-term foreign currency rating**.

November 2020, **Moody's** **downgrades SA** sovereign credit rating to **junk status**.



SA economy contracted by **~7.2 per cent in 2020**.



National unemployment reached unprecedented **32,5%** in Q4 of 2020.



SA's manufactured exports **fell by 5%**, lower exports of motor vehicles, basic iron and steel and petroleum products.



Total volume of SA's transported goods decreased by **11,6%**.



Domestic lockdowns had a severe **impact on economic activity** as the country's **GDP declined by 7%**.

Transnet context



Transnet's revenue is directly affected by the **combined influences** of **global macro-economic trends** and **trade flows** as well as the **level of economic activity** in South Africa.

Volume output adversely impacted by regulations that **prohibited mines** from **operating at full capacity** in the interest of '**flattening the curve**' and **protecting the safety of employees**.

Year in review: How we responded to external events

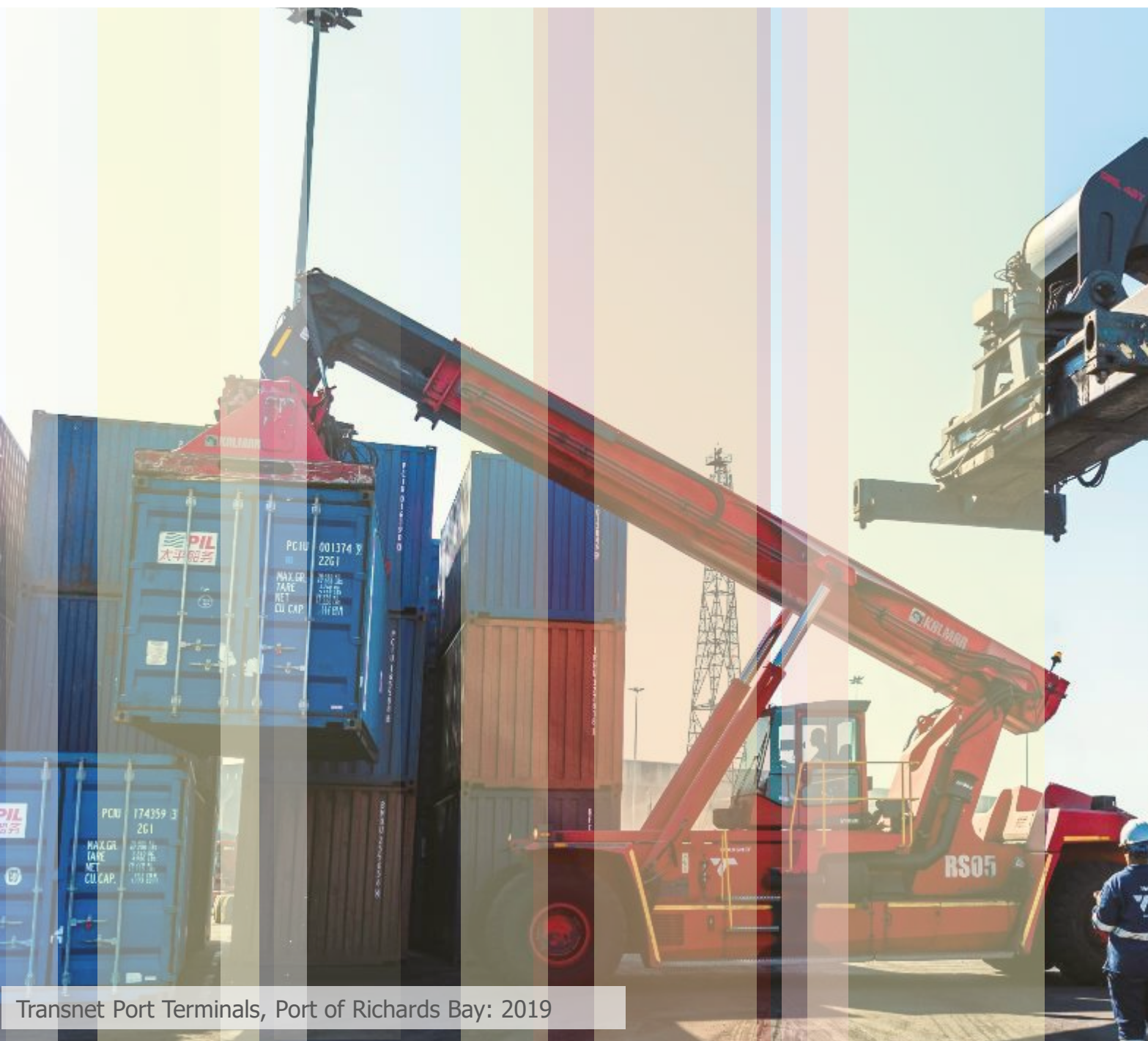


PERFORMANCE

PORTIA DERBY

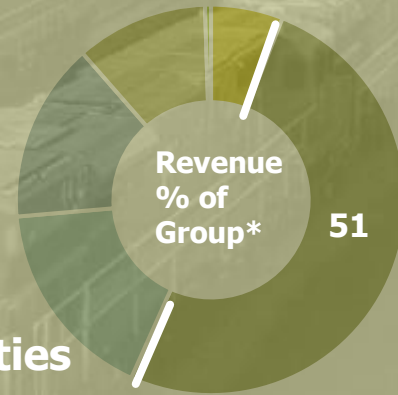
GROUP CHIEF EXECUTIVE

- Operating Division performance
- Developmental Outcomes



Divisions: Freight Rail and Engineering

REVENUE (Rm)	OPEX (Rm)	CAPEX (Rm)
39 448	25 145	11 926



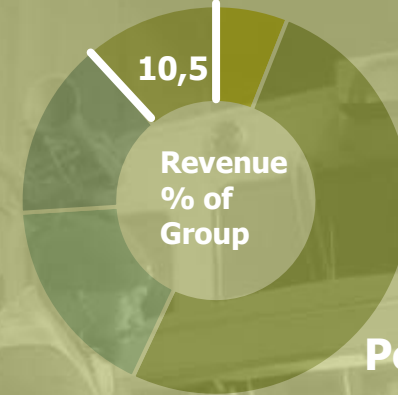
Performance

Opportunities

- Reopening the **Leeufontein link improved speed of service delivery** to the automotive industry, reducing the route by 60 km.
- **Thornwood rehabilitation** complete on the **Container Corridor** (restored 27 train slots p/d after embankment collapsed due to flooding).

- **Collaborative supply chain solutions, e.g.** back-of-port facilities and **improved terminal utilisation.**
- **Growth enabling partnerships and customer ownership** of selected **wagon fleets.**
- A **more efficient process** for **TFR Sidings and Branch Lines - partnerships** to **unlock investments.**
- Reform of the **Container Corridor** to **shift to a modern logistics enabler.**

REVENUE (Rm)	OPEX (Rm)	CAPEX (Rm)
8 191	9 665	222



Performance

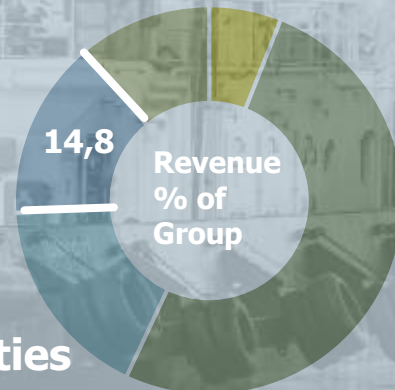
Opportunities

- **Port Hauler vehicle 1 (V1) prototype** being commissioned - Assembly of **Port Hauler vehicle 2 (V2)** commenced.
- **Contract valued at R360 million** concluded with **CFM (Mozambique)** to deliver **300 High Sided Wagons.**
- **Built new Transvaco train** to transport the **bulk of the COVID-19 vaccines** to SA's remote areas.

- **Potential demand from regional bulk commodity mines and mining companies** purchasing **own rolling stock.**
- Rolling **stock turnkey solutions** and maintaining **port equipment.**
- Demand for **rolling stock overhauls and upgrades.**

Divisions: National Ports Authority and Port Terminals

REVENUE (Rm)	OPEX (Rm)	CAPEX (Rm)
11 558	4 856	684



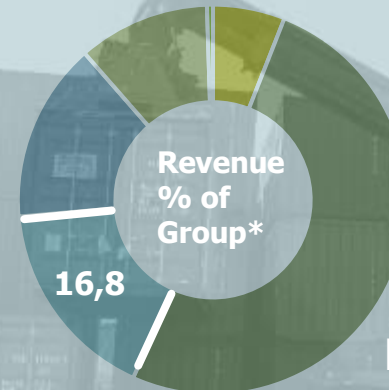
Performance

Opportunities

- **Joint planning of container terminal operations** – DBN, CT and PE.
- **Increased rail utilization at Port of Durban from 1 train every 2 weeks to 4 trains p/week**
- Increased parcel sizes for Manganese at PE (from **42,000 tons to 54,000 tons**) and NCT (from **50,000 tons to 60,000**)

- **Richards Bay:** LNG and petrochemicals
- **Durban:** Point Container Terminal expansion
- **Cape Town:** Truck staging
- **Saldanha:** Expansion for Manganese (Mn) and Iron Ore (Fe)
- **East London:** Gately Site RFP
- **Ngqura:** Liquid Bulk Operator
- **Port Elizabeth:** Automotive (Medium Term)

REVENUE (Rm)	OPEX (Rm)	CAPEX (Rm)
13 094	9 463	2 324



Performance

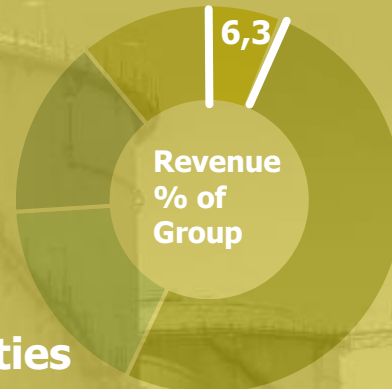
Opportunities

- **Mandatory truck booking systems** at DCT Pier 1 and Pier 2 and the Durban MPT **improved traffic flow to the terminals.**
- During **hard lock down, DCT was restricted to a single berth operation with 2 gangs. TPT worked to recover and ramped up to 60% (8 gangs)** relatively quickly, and finally **restored its 12 gang operation.**

- **Pursue growth enabling partnerships** to maximise productivity.
- Increase gangs to 14 in DCT.
- Create a pool of **OLE across the port system.**
- Partnering with **OEMs for MSA and consignment stock.**
- **Back-to-basics** in operations.

Divisions: Pipelines and Property

REVENUE (Rm)	OPEX (Rm)	CAPEX (Rm)
4 892	6 944	499



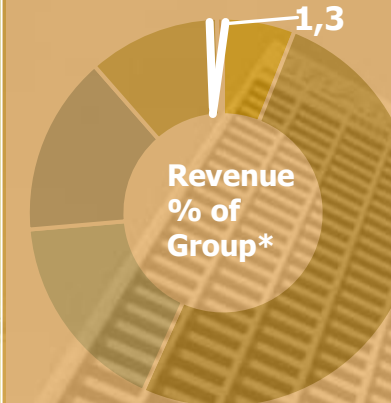
Performance

Opportunities

- **Exceeded target** for Execution of Ordered vs Delivered Volumes at **98% vs target of 95 %**.
- Technological interventions to **monitor and manage vandalism on the pipelines**.
- **Expedited R&D studies** to repurpose the existing **pipeline network and associated infrastructure**.

- Provide greater **efficiency/reliability/cost** incentives for the market to use **MPP-installed assets**.
- Develop a **fuel import terminal and accumulation facility** at the Port of Durban.
- Enter into the **Gas Storage and Transportation Market**.

REVENUE (Rm)	OPEX (Rm)	CAPEX (Rm)
1 013	779	166



Performance

Opportunities

- **New property strategy** approved by the Board, paving a way for the **optimisation** of the returns from **Transnet's vast property portfolio**.
- Implementing the **move** of Transnet into **own buildings**.
- Became a **hub for Transnet's immovable property needs**.

- Addressing **housing needs** of Operating Divisions at **strategic sites**.
- Disposal of **non-core residential properties**.
- Partner with the **private sector to develop the Gqeberha Waterfront, Carlton Centre Precinct Development Plan, and 1 Adderley Square**.
- Reconfigure old **DIA into a logistics hub**.

Developmental outcomes



Transformation BBEEE

- B-BBEE spend: **R23,39 billion**
 - **Black-owned** businesses: **R12,9 billion**
 - **Black women-owned** businesses: **R7,99 billion**
- **Spend on EMEs: R4,06 billion.**
- **Transnet is rated a Level 2 B-BBEE contributor.**

THIS TRAIN IS UNDER 24 HOUR CCTV SURVEILLANCE



Employment

- **55 827** Employees
 - **Permanent: 49 642**
 - **Contract: 6 185**
- Transnet has implemented various **changes to its organisational structure** and to improve **agility and speed of decision-making** and ensure dedicated focus on the core business.

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Skills Development

- **1,6% of personnel costs** amounting to **(R462,7 million)** invested in training artisans, engineers, young professionals and technicians.
- **Internal skills development initiatives** such as GCE Talent Nurturing Programme and Levelled Leadership Development Programme.



Health and safety

- **Colleagues lost in our operations: 4**
- **LTIFR: 0,61**, below tolerance of **0,75%**
- **Disabling injuries: 424**
- **Public fatalities: 95**
- **Running line derailments: 70**
- **Shunting derailments: 122**



Additional Transformation

- **Black employees: 90,3%** of total base.
- **Women in Exco: 40%.**
- **People with disabilities 2,2%** of base employee base.
- **Professional cadre Black employees: 3 219.**
- **Skilled cadre Black employees: 14 606.**

PERFORMANCE

NONKULULEKO DLAMINI

GROUP CHIEF FINANCIAL OFFICER

- Financial performance summary
- Transnet's recovery journey
- Revenue and volume performance
- Operating expenses
- Net loss reconciliation
- Balance sheet
- Capital investment

Financial performance summary



REVENUE: Down **10,5%** to **R67,3 billion**, due mainly to impact of COVID-19 lockdown **restrictions on volumes**



NET OPERATING EXPENSES: Up **16,2%** to **R47,8 billion**, due mainly to third party claims and environmental provisions



EBITDA: Down **42,8%** to **R19,5 billion**, with the EBITDA margin decreasing to 28,9%.



NET LOSS: **R8,4 billion**, compared to 2020: R2,9 billion profit



CASH GENERATED FROM OPERATIONS*: Down **26,8%** to **R24,4 billion**

** Including working capital changes.*



CAPITAL INVESTMENT: Down **14,3%** to R15,9 billion.



GEARING: 48,7%



CASH INTEREST COVER*: at 2,0 times

** Including working capital changes.*



TRAINING COSTS: **1,6%** of personnel costs invested in training artisans, engineers, and technicians.

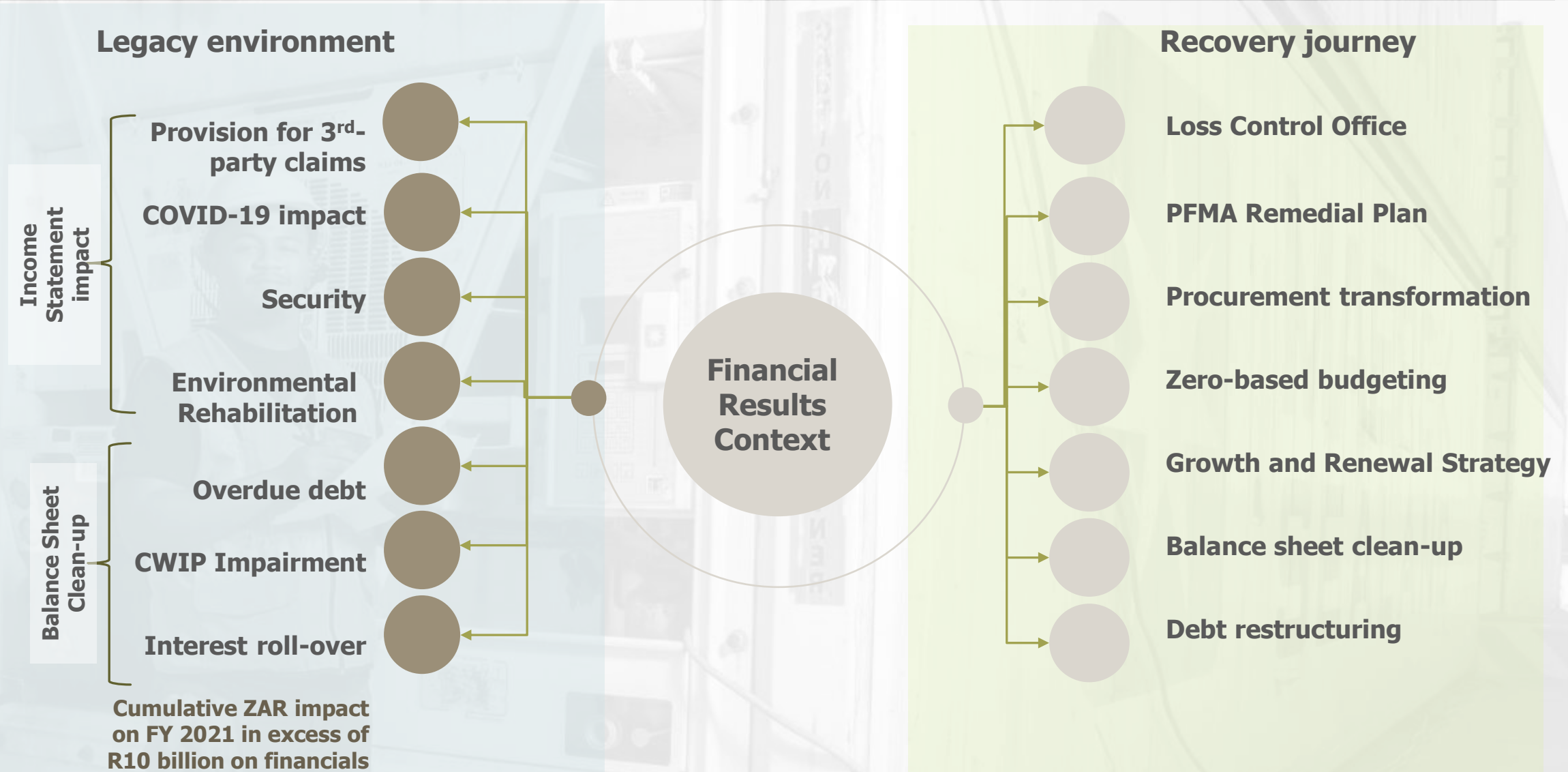


B-BBEE SPEND: **98,1%** of total measured procurement spend, totalling **R23,39 billion**



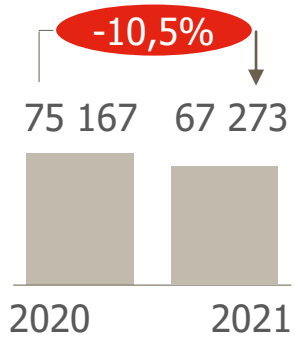
LTIFR: Performance of **0,61**, which is below that of the tolerance of **0,75%**

Transnet's recovery journey

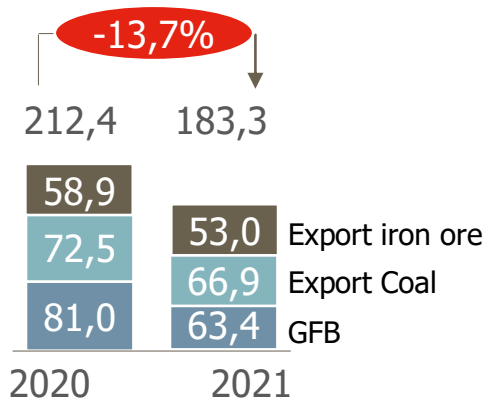


Revenue and volume performance

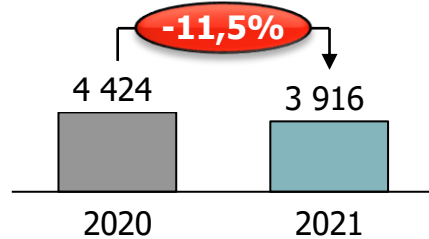
Revenue (Rm)



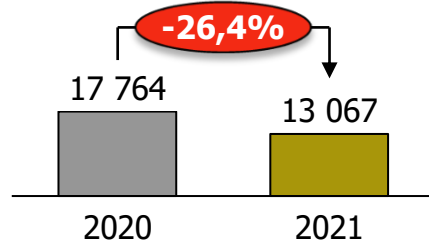
Rail Volumes (mt)



Port containers ('000 TEUs)

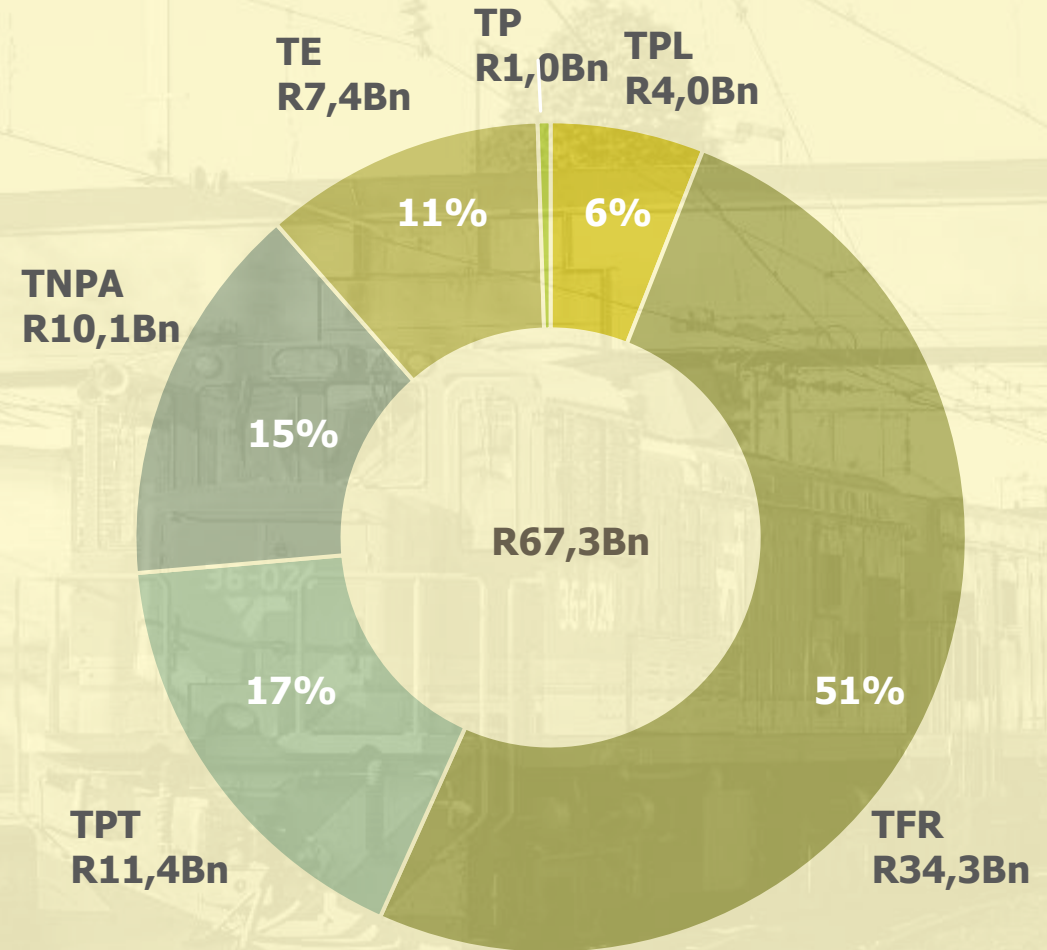


Petroleum (ml)



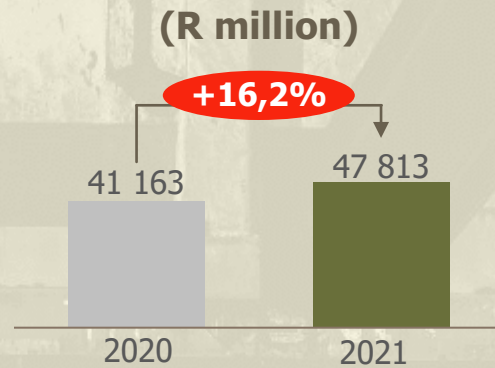
- **Rail Volumes** reduced due to constrained demand, cable theft, power failures, vandalism, adverse weather, and derailments.
- **Bulk and container terminals** operated at reduced capacity during the initial hard lockdown.
- **Pipeline volumes** were 26,4% lower than the prior year due to imposed travel restrictions, and the negative impact of fuel theft incidents.

Revenue contribution by Operating Division (%)



** Excludes specialist units and inter-company eliminations.

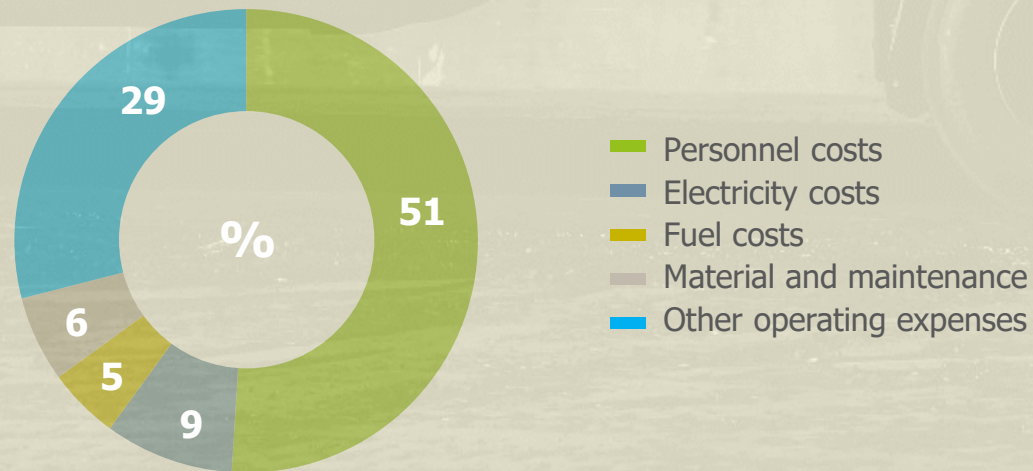
Operating expenses



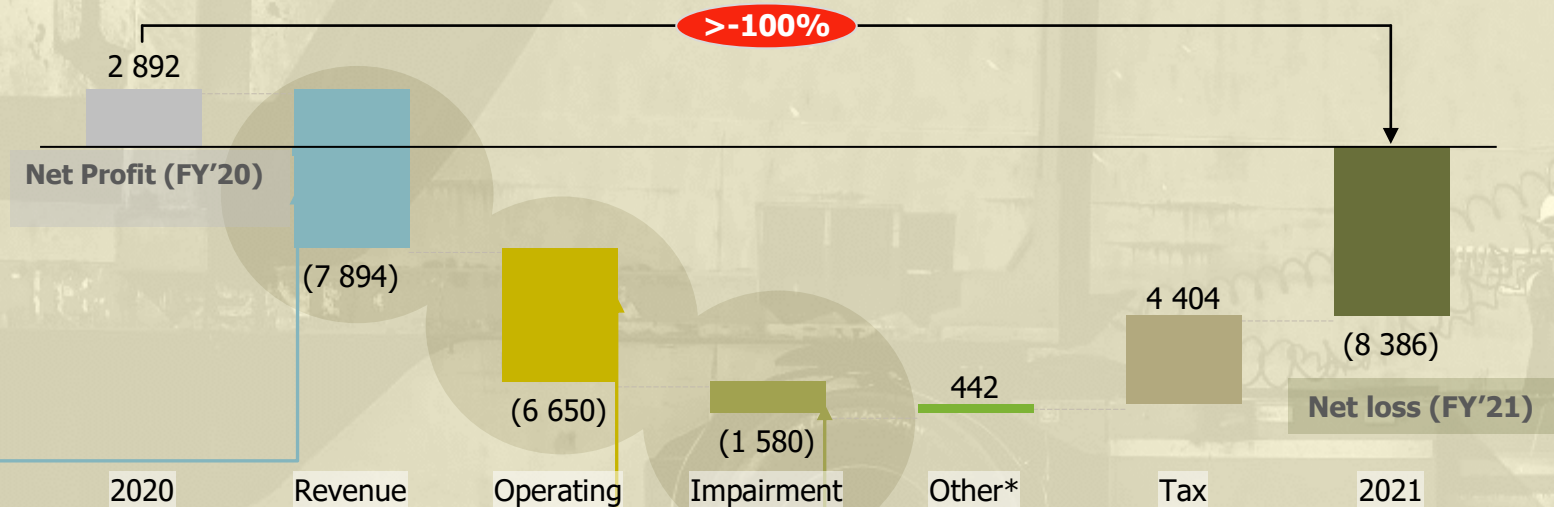
Commentary

- **Fixed costs:** mostly **Personnel costs, maintenance and security costs.**
- **Other cost savings** were offset by unexpected costs
- **14,64% increase in external, non-core operational expenses, amounting to R5,6 billion.**

% Contribution by cost element



Net loss reconciliation



*Other includes depreciation, post-retirement benefit obligation expense, income from associates and joint ventures, fair value adjustments and net finance costs.

Revenue

OPEX

Impairments

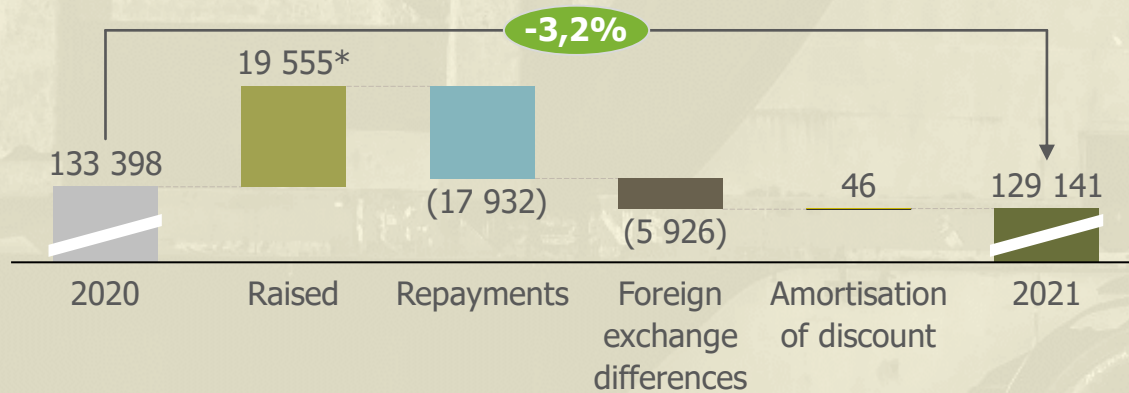
- Unachieved **revenue** targets relates to:
 - Lower demand.**
 - COVID-19** related commercial restrictions.
 - Operational challenges.**

- Third party claims increased by **R3,6 billion.**
- Environmental management expense.** increased by **R1,2 billion**
- Maintenance costs increased by **R1,0 billion.**
- Unbudgeted **COVID-19 costs of R232 million.**

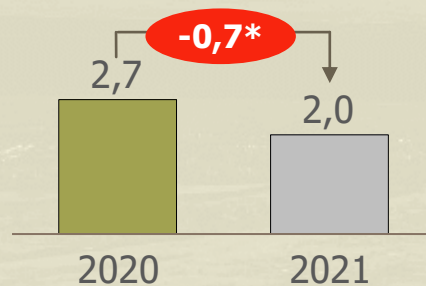
- Impairment** increased mainly on non-financial assets, as a result of:
 - Vandalised locomotives** not being able to be repaired due to the **suspension of the 1 064 OEM contracts.**
 - The impact of **derailments.**
 - Capital work in progress** assessment that resulted in a further impairment, mainly at the ports (balance sheet clean-up).

Balance sheet

Borrowings (Rm)



Cash Interest Cover (times)**



* Absolute variance.

** Excludes working capital changes.

Commentary

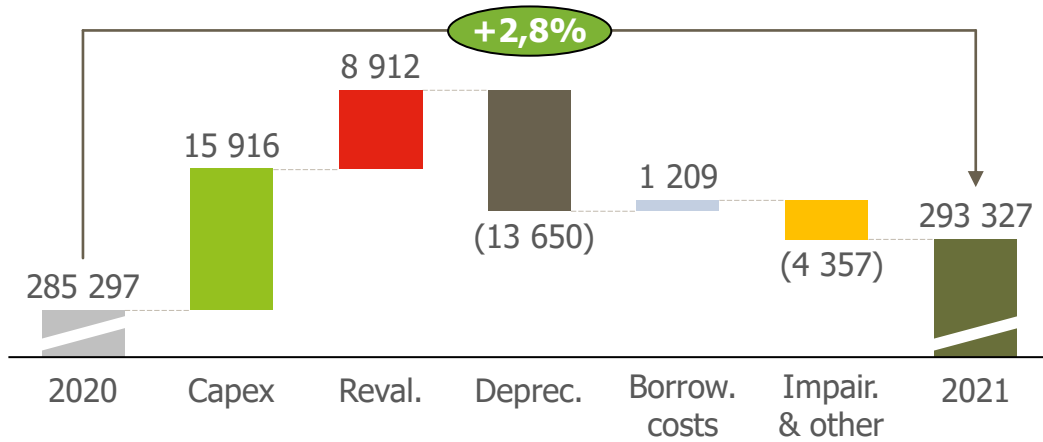
- Only **R3,5 billion of total debt is supported by government guarantees**
- Guarantees **date back to the 1999 financial year.**

Credit Rating

Foreign currency	Ba2/negative outlook	BB-/stable outlook
Local currency	Ba2/negative outlook	BB-/stable outlook
SACP/BCA	Ba3/negative outlook	bb-/stable outlook

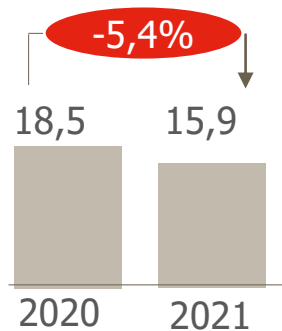
Capital investment

Property Plant and Equipment (Rm)



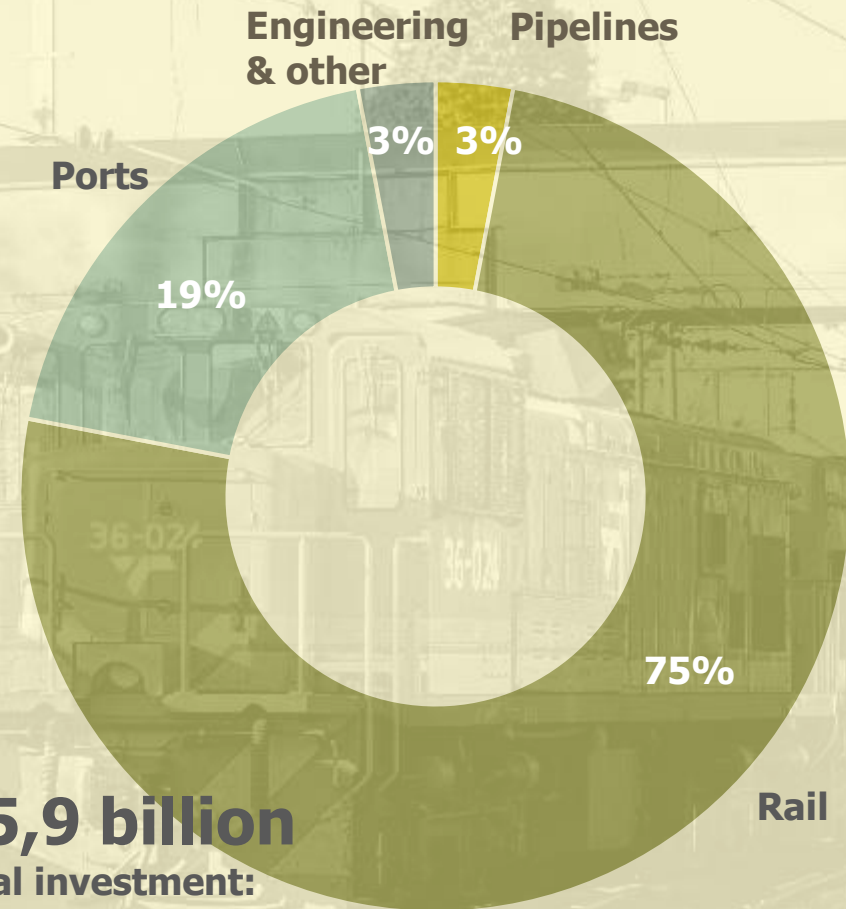
PPE: 2,8% Increase to R293,3 billion

Capital investment (Rbn)



PPE Impairment Increase by 70,7% to R3,4 billion

Capital investment by Operating Divisions (%)



R15,9 billion

Capital investment:

- Expansion: 2,2 billion (14%)
- Sustaining: 13,7 billion (86%)

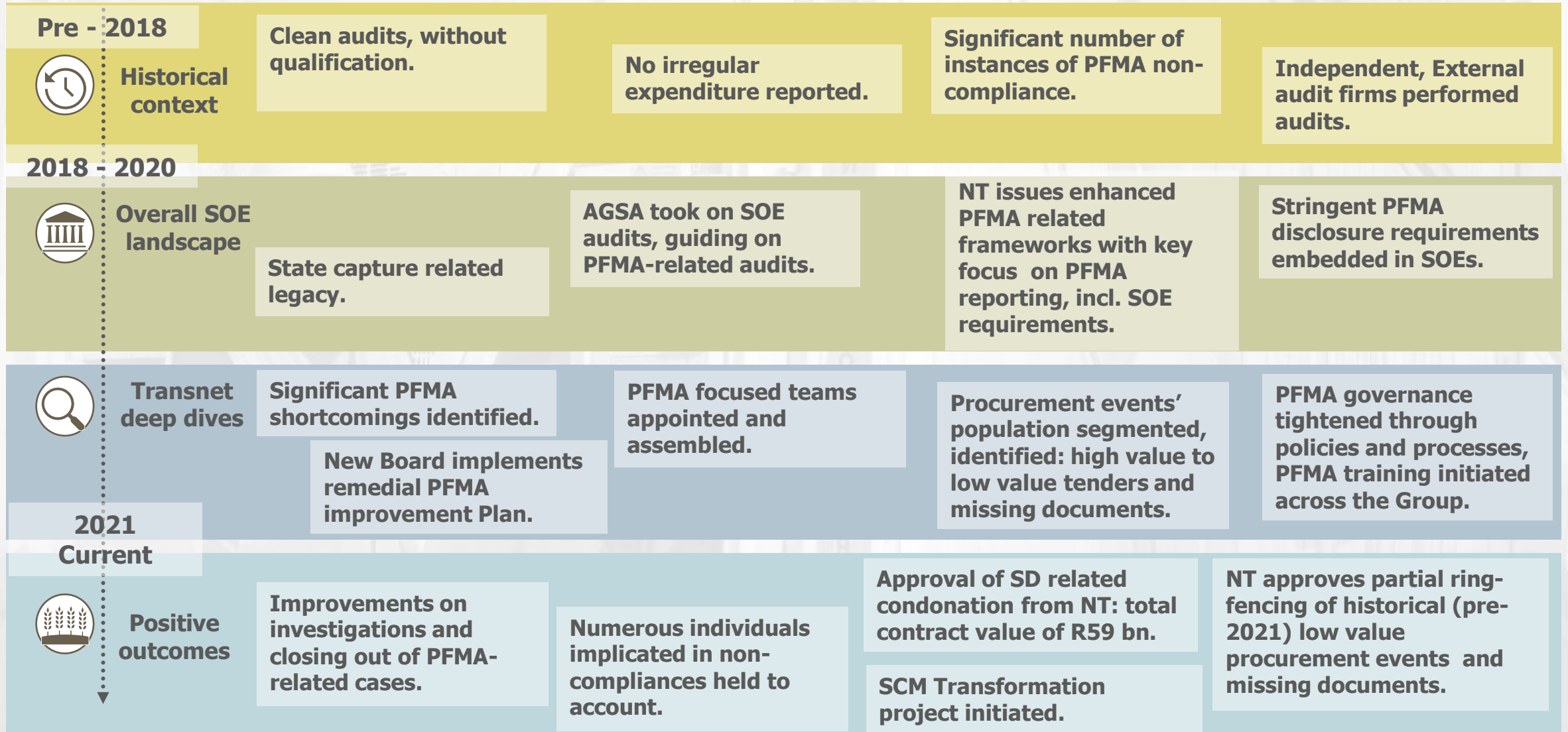
COMPLIANCE

NONKULULEKO DLAMINI
GROUP CHIEF FINANCIAL OFFICER

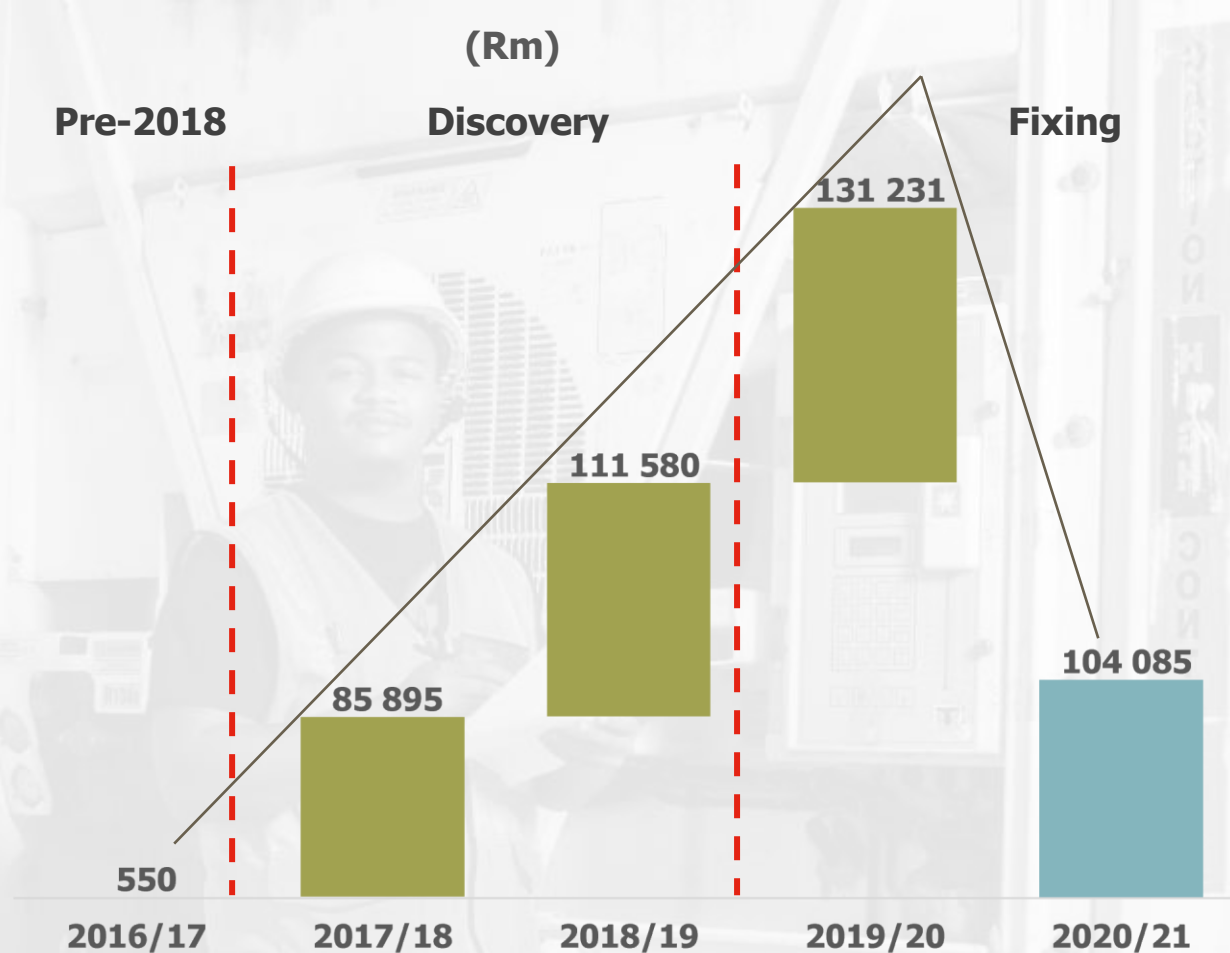
- PFMA compliance
- Irregular expenditure



PFMA Compliance: Historical analysis shows iterative improvements in controls, yet poor PFMA reflection due to take-on of historical non-compliance events in audits



Irregular expenditure



Low value tenders

- **408 000** were impractical to test
- **Approval granted for ~ 339 000 historical**
- **69 000 relate to 2021** – not rendered impractical

High value tenders

- **R59 billion of SD contracts condoned by National Treasury**
- **R183,5 billion tested for irregular expenditure**
- **Locomotives contracts at R42,9 billion** were all found to be irregular.
- **Of R62,4 billion worth of reviewed tenders, R28 billion** was identified as irregular.

FY2021 Current year IE Split	
Contracts entered into 2021	Contracts entered Prior 2021
R3,9 billion	R10,3 billion

STRATEGY AND OUTLOOK






PORTIA DERBY
GROUP CHIEF EXECUTIVE

- Repositioning the business
- Events subsequent to reporting date
- Back to basics Programme

Repositioning the business

Immediate tactical response

Repair & Grow

-  Improve **current asset utilisation**.
-  Contain **costs in operations**.
-  **Enhance employee operational skills**.
-  **Improve and simplify** business processes.
-  Meet **customer service expectations**.

Benefits derived from tactical interventions

Reconstruct & Transform

-  **Reposition** the organisation to enable growth within **core segments** (based on revenue and operational capability).
-  Transform **core commodity segment supply chains** through **partnerships, operational reform** and **targeted infrastructure investment**.

Optimization responses

Grow & Expand

-  Enhance **operational focus** and performance in areas where we have comparative advantage.
-  Form **partnerships that enable growth** in key industry-focused areas.
-  Support the **transformation of supply chains**.
-  Implement **market segment strategy for focused growth**.

Events subsequent to reporting date

National Ports Authority Subsidiarisation

- 22 June 2021: **Transnet National Ports Authority** announced as a **separate, wholly-owned subsidiary of Transnet** with its own Board of Directors.
- Transnet **collaborating with DPE to determine the process** to transfer National Ports Authority's business to the new subsidiary.
- **Impact on the Company's financial statements is still to be determined.**

Unrest in KZN and Gauteng

- 8 July 2021, **social unrest** causes **South Africa's economy to contract.**
- Impacts include **disruption of key services, shortages of food, fuel, and essential medical supplies.**
- Transnet's **operational and financial performance negatively impacted**, with Company declaring a **Force Majeur.**

Cyber attack

- 22 July 2021, a **cyber-attack, security intrusion and sabotage**, result in the **disruption of normal processes and functions.**
- Transnet **implemented all available and reasonable mitigation measures** to limit disruptive impacts.
- Company fell back on **manual systems to handle incoming and outgoing ships and the moving of containers.**







Voluntary severance packages

- 12 August 2021: **voluntary severance packages** offered to **all employees expressing interest.**
- **COVID-19 impacts** on Transnet's **financial position** has necessitated a **decrease in the fixed labour costs to sustainable levels.**
- **Critical positions** are being **retained for operational efficiency and business continuity.**

Fire damage at Richards Bay Bulk Terminal

- October 2021, **two separate fire incidents** caused **damage to conveyor belts** at the **Richards Bay Dry Bulk terminal.**
- Incidents caused **disruption to operations.**
- Transnet **fire forensic experts and insurance companies** are investigating **cause and extent of damage.**

Transnet 'Back to Basics' Programme: How Transnet gets back on track

<p>Human Capital Wellbeing</p> <p>1</p> 	<ul style="list-style-type: none"> • 'A Duty of Care' - clean, safe & functional facilities and available tools of trade (Depot clean-ups, PPE availability, housekeeping, basic equipment availability). • Safety focused culture – the cardinal rule is SAFETY. • Recognition of excellent employee performance. • Fill key vacancies. 	<p>Stable, Predictable safe Operations</p> <p>4</p> 	<ul style="list-style-type: none"> • Continuous improvement to optimise planning, configuration of operations and performance monitoring to improve asset turnaround times – • Embed continuous operational planning in our DNA. • Identify and remove 'bottlenecks' from various key interfaces (e.g. port terminals and rail yard) to support key client and industry requirements. • Responsive, customer centric planning and design
<p>Improve asset management</p> <p>2</p> 	<ul style="list-style-type: none"> • Enhanced duty of care programmes focusing on effective maintenance approaches for equipment and infrastructure. • Long-term contracts for equipment, spares and contractors (incl. skills transfer from OEMS/ specialists) • Immediate return of equipment to safe and reliable service – access to critical components 	<p>Proactive security</p> <p>5</p> 	<ul style="list-style-type: none"> • Accelerate standardisation and implementation of innovative security safety solutions (e.g. big data analytics) to support the roll-out of a proactive approach to protecting assets. • Improve security ecosystem collaboration through cooperation with neighbouring communities and government security cluster.
<p>Network renewal</p> <p>3</p> 	<ul style="list-style-type: none"> • Implement a targeted network renewal programme that strictly adheres to best practice asset maintenance principles and standards on key delivery infrastructure • Management to adopt a proactive approach to assessing the safe and reliable condition of assets, and monitoring adherence to planned maintenance standards across operations (e.g. corridor or terminal walkabouts) 	<p>Prioritise Critical Flows & Facilities</p> <p>6</p> 	<ul style="list-style-type: none"> • Prioritisation of servicing rail dependent customers and critical facilities • Allocate operating assets (e.g. rolling stock) and capacity (e.g. terminal space) to support security of supply.

THANK YOU

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Disclaimer

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By their nature, forward-looking statements are inherently predictive, speculative and involve inherent risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ either marginally or materially from those anticipated.

A number of factors could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including, but not limited to: changes in economic or political conditions and changes to the associated legal, regulatory and tax environments; lower than expected performance of existing or new services or products, and the impact thereof on the Company's future revenue, cost structure and capital expenditure; the Company's ability to expand its portfolio; skills shortage; changes in foreign exchange rates and a lack of market liquidity which could, in turn, impact expected customer growth and customer retention; acquisitions and divestments of businesses and assets and the pursuit of new, unexpected strategic opportunities; the extent of any future write-downs or impairment charges on the Company's assets; the impact of legal or other proceedings against the Company; uncontrollable increases to legacy defined benefit liabilities and higher than expected costs or capital expenditures.

Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise them, whether as a result of new information, future events or otherwise.