

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

REVIEWED CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

In terms of section 6.17 of the JSE debt listing requirements, noteholders are advised that the Issuer's reviewed condensed consolidated financial results for the six months ended 30 September 2023, are available on the Issuer's website:

<https://www.transnet.net/InvestorRelations/Pages/Interim-2023.aspx>

Salient features:

- Revenue increased by 8,6% from R36,1 billion to R39,2 billion
- EBITDA increased by 7,0% from 12,9 billion to R13,8 billion
- The loss for the period is R1 578 million (2022: R159 million profit)
- Cash generated from operations after working capital changes increased by 9,6% to R13,1 billion
- Gearing is at 44,4%
- Rolling cash interest cover (including working capital changes) is 1,9 times
- Capital investment to sustain and expand operations is R6,3 billion
- Debt service of R11,1 billion in capital repayments and interest paid

These financial results were reviewed by the Auditor General of South Africa (AGSA). The AGSA issued an unmodified review report. Any reference to future financial performance included in Transnet's financial results for the six months ended 30 September 2023 has not been reviewed or reported on by the Company's statutory auditors.

Rising oil prices and sustained losses for the rand reinforced concerns about a deteriorating near-term domestic inflation outlook that persisted during the reporting period. South Africa's load-shedding continued and prices for commodity exports also weakened. In concert with economic uncertainty, Transnet also experienced various operational challenges which resulted in a decline in volumes that diminished the overall financial performance of the Group. Revenue for the period

increased by 8,6% to R39,2 billion (2022: R36,1 billion), in line with weighted average tariff increases in the rail, port and pipeline businesses, partially offset by lower volumes throughout operations. Lower operational volumes especially at Freight Rail, were impacted by various operational challenges (including collisions and community unrest on the coal line and equipment challenges on the ore line), derailments, Eskom power outages affecting all lines, as well as customer challenges on the coal and general freight business (GFB) lines. Petroleum volumes decreased due mainly to a refinery shutdown in the first quarter of the period. Container volumes decreased due mainly to market and adverse weather conditions.

Emphasis of matter

Material uncertainty related to going concern

Without modifying their opinion, external audit have included an emphasis of matter pertaining to a material uncertainty related to going concern, as detailed in the going concern assessment in the 30 September 2023 condensed consolidated interim results.

The Board strongly believes that these associated risks will be satisfactorily addressed with the mitigation strategies in place. The Board continues to manage these strategies as a priority as it is important that they materialise as envisaged.

The Board further concluded after carefully considering the progress of the recovery plan and the financial support from the Government through the provision of guarantees that there is an expectation that the Group will continue to have access to adequate resources and facilities to be able to continue its operations and fund the capital investment programme for the foreseeable future as a going concern.

PROSPECTS

Transnet has faced a number of operational challenges during the reporting period. In response to these challenges, Transnet has developed a multi-tiered, targeted recovery plan that is anchored on improving operational execution through tactical initiatives that drive operational performance improvement and volume recovery. The initiatives include focused centres of operational excellence where Transnet in partnership with key stakeholders, plan and monitor the execution of the recovery plan.

The plan also requires that Transnet enhances the availability and reliability of critical equipment as a primary goal. Initiatives around the availability of equipment has seen partnerships with customers availing much needed equipment especially for the Ports. Cost control measures have been and continue to be implemented, along with better planning and execution of maintenance, employee training and incentives to support improved operational delivery.

Procurement optimisation (particularly for critical spares), more efficient capital allocation to drive volume throughput, and maintenance delivery are a top priority.

The plan is executable in the next 18-month period and is in its third month of delivery. The delivery against the plan is monitored on a weekly basis and input from all key stakeholders is considered to ensure that the plan is met. Transnet has secured a guarantee of R47 billion from the Government to support the funding of the recovery plan. This support has been instrumental

in the conclusion of a facility of R14 billion to meet capital and operational requirements of the business. Transnet is working closely with Government in the transformation of the logistics sector and the initiatives will support the long-term sustainability of the business. There is a focus on identifying quick wins that can be immediately addressed, as well as longer-term initiatives to stabilise the business and return it to its growth trajectory.

22 December 2023

JSE Debt Sponsor

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

