

Audited condensed financial results

for the year ended 31 March 2024

Overview

Group revenue for the year increased by 11,6% to R76,7 billion (2023: R68,7 billion), in line with weighted average tariff increases throughout the business, higher volumes from the rail and container businesses, partially offset by lower pipeline volumes. Rail volumes 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 lines. Petroleum volumes decreased due mainly to a refinery shutdown in the first quarter of the year.

Despite the improved revenue performance, the Group did, however, report a R7,3 billion loss for the year. The increase in the loss from the prior year is driven by the R4,8 billion increase in the Total and Sasol third party claim, as a result of the High Court judgement in June 2024. After assessment of the judgement, Transnet has decided to appeal against the judgement on various grounds.

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.

In the 2022 financial year, 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, which ended on 31 March 2024.

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 year. The exemption was granted to allow Transnet time to develop and implement internal control measures to ensure accurate and complete reporting of IFWE. The exemption also necessitated the continuous enhancement of the 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 consistently been included in the quarterly reports that are sent to the National Treasury and the Department of Public Enterprises (going forward the Department of Planning, Monitoring and Evaluation).

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 timely implement any outstanding initiatives that drive PFMA compliance across the organisation.

Total SA (Pty) Ltd and Sasol Oil (Pty) Ltd v Transnet Pipelines

Total SA (Pty) Limited (Total) and Sasol Oil (Pty) Limited (Sasol) initially brought separate action proceedings against Transnet for contractual damages amounting, cumulatively, to over R1,8 billion. The central basis for the actions is the contention by Total and Sasol that, since 2008, Transnet breached the variation agreement by overcharging them for tariffs in respect of the conveyance of crude oil. Sasol also raised, in the alternative, a claim for unjustified enrichment based on the *condictio indebiti*.

On 22 June 2022, the Constitutional Court ruled that Transnet has (as from 13 September 2020) validly terminated the pipeline agreement with Total and Sasol which regulated the conveyance of crude oil from Durban to the Natref inland refinery at Sasolburg. There has been no determination of the merits of the claimed amount and that the proceedings thus far have centred primarily on the termination of the variation agreement. The matter will revert to the High Court for determination of the remaining separated issues. The trial was set down for hearing from 15 April 2024 to 3 May 2024. On 18 June 2024, the High Court delivered a judgement in favour of Total and Sasol and dismissed Transnet's defences.

The judgement ordered that Transnet pay:

- Total the sum of R2,9 billion including interest as at 31 March 2024, which excludes costs; and
- Sasol the sum of R6,2 billion including interest as at 31 March 2024, which also excludes costs.

After assessment of the judgement, Transnet has decided to appeal against the judgement on various grounds. Transnet filed proper grounds for appeal that could result in another court coming to a different determination as the commercial court and Transnet will continue to exhaust all its appeal remedies up to the highest court. For as long as Transnet exhausts its legal remedies, execution of the commercial court's judgement is stayed.

On 25 July 2022 Transnet issued summons against Sasol and Total for a claim amounting to R1,33 billion for the short payments in relation to the conveyance of crude oil from the coast to Natref. The matter is due to be argued on 29 and 30 August 2024 and thereafter judgment will be reserved and delivered on a later date after hearing arguments. Transnet is exploring the possibility of settling the various matters with Sasol out of court.

Prospects

The operational challenges faced by Transnet hampered the progress made in operational performance for the financial year, with volumes still not at required levels. In response to these challenges, the Transnet Board together with management has developed and implemented a multi-tiered, targeted recovery plan (in November 2023) that is anchored on improving operational execution through tactical initiatives that drive operational performance improvement and volume recovery. The recovery plan is definitely assisting the business to get back on track (tangible gains noted in revenue performance and cash generated from operations), and with the continued support of the shareholder representative and National Treasury (in the form of the R47 billion approved government guarantee) Transnet is on course to contributing positively to economic growth in the country.

Salient features

Revenue increased by 11,6% to R76,7 billion, in line with weighted average tariff increases throughout the business.

Net operating expenses increased by 19,2% to R54,7 billion, due mainly to the impact of third-party claims, increased personnel, energy, security, maintenance and material costs.

EBITDA decreased by 3,6% to R22,0 billion, with the EBITDA margin decreasing to 28,6%.

Depreciation, derecognition and amortisation increased by 9,9% to R17,7 billion, due mainly to capital expenditure over the financial year and the net revaluation adjustments at the end of the prior financial year.

Net finance costs increased by 14,8% to R13,8 billion, in line with interest rate hikes and increased total borrowings over the reporting year.

Loss for the year of R7,3 billion (2023: R5,1 billion).

Capital investment increased by 20,1% to R16,7 billion for the year.

Cash generated from operations after working capital changes increased by 13,6% to R28,8 billion.

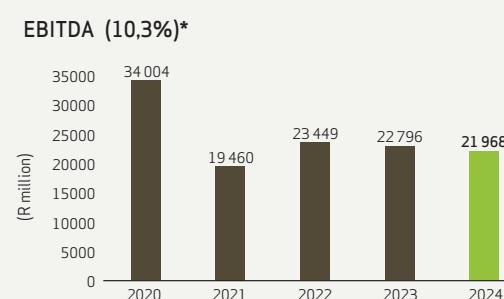
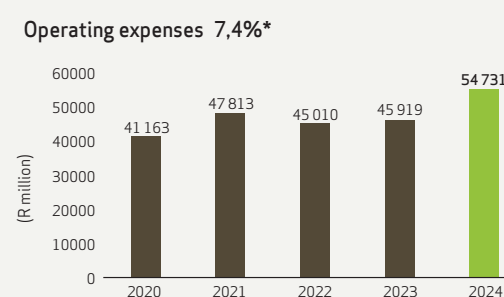
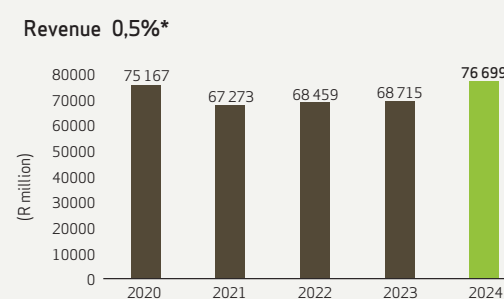
Gearing of 46,2% and cash interest cover* at 1,9 times.

2,7% of labour costs spent on training, focusing on artisans, engineers and technicians.

LTIFR performance of 0,71, which is below the tolerance of 0,75.

Level 2 B-BBEE certification and spend of R31,05 billion or 112,59%, of total measured procurement spend, as defined by DTIC codes.

* Including working capital changes.

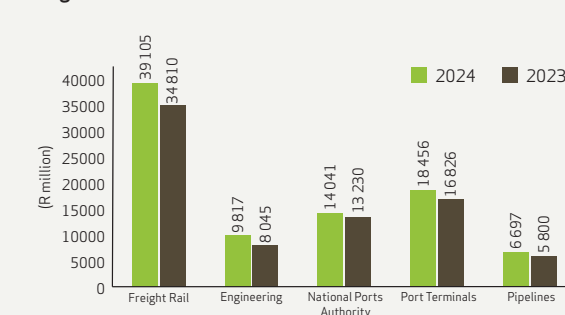


* Compound annual growth rate.

Condensed statement of financial position

	Audited	Restated
	31 March 2024	31 March 2023
(in Rand million)		
Non-current assets	336 148	337 438
Current assets	28 488	27 353
Total assets	364 636	364 791
Capital and reserves	138 095	148 228
Non-current liabilities	135 609	138 157
Current liabilities	90 932	78 406
Total equity and liabilities	364 636	364 791

Segment revenue



Corporate information

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

Directors

Executive directors
Ms MJ Phillips (Group Chief Executive)
Ms RNM Maphumulo (Group Chief Financial Officer)

Ms MJ Phillips was appointed as Group Chief Executive in March 2024.
Ms RNM Maphumulo was appointed as Group Chief Financial Officer in April 2024.

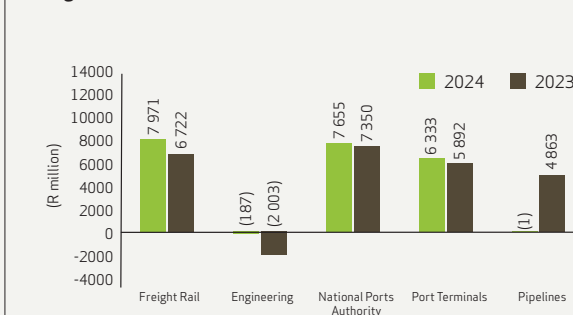
Non-executive directors

Mr A Sangqu (Chairperson), Mr M Buthelezi, Mr M Debel, Mr B Jiya, Ms L Letsoalo, Prof FS Mufamadi, Mr D Patel, Ms B Sedupane, Ms MP Zambane, and Mr C Benjamin.

Condensed statement of cash flows

	Audited	Audited
	31 March 2024	31 March 2023
(in Rand million)		
Cash flows from operating activities	14 246	22 196
Cash flows utilised in investing activities	(16 969)	(15 705)
Cash flows from financing activities	3 067	3 113
Net increase in cash and cash equivalents	344	9 604
Cash and cash equivalents at the beginning of the year	13 540	3 936
Total cash and cash equivalents at the end of the year	13 884	13 540

Segment EBITDA



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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. The integrated report and annual financial statements are also available for inspection at the registered office of Transnet.