



# ANNUAL RESULTS PRESENTATION

for the year ended 31 March 2024





# AGENDA

Annual Results presentation

- 01 Operating Context
- 02 Business Performance
- 03 Financial Performance
- 04 Regulatory Compliance
- 05 Strategy & Looking Ahead





# AGENDA

Annual Results presentation

## 01 Operating Context

Michelle Phillips

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# Our Unique Assets



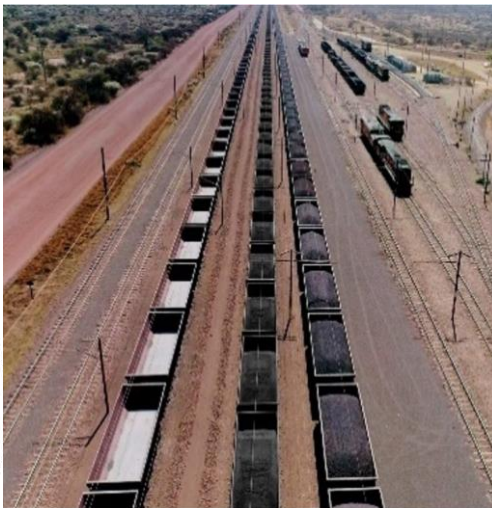
## Our asset base

**50 994** total headcount  
**R364,6 billion** asset base



## Commercial footprint

**8** commercial ports  
**16** cargo terminals across  
**7** South African ports  
**132** maintenance depots and  
**11** engineering yards  
**6** rail and port manufacturing  
and maintenance facilities



## Network and fleet base

**3 114 km** pipeline infrastructure  
**1 911** operational locomotives  
**30 400 km** railway network  
track including **2** heavy-haul  
lines















## Our property size

**R13,8 billion** commercial and  
residential property portfolio



## Critical challenges faced by Transnet along with other external factors that have macro-economic implications, have led to muted economic growth for the country

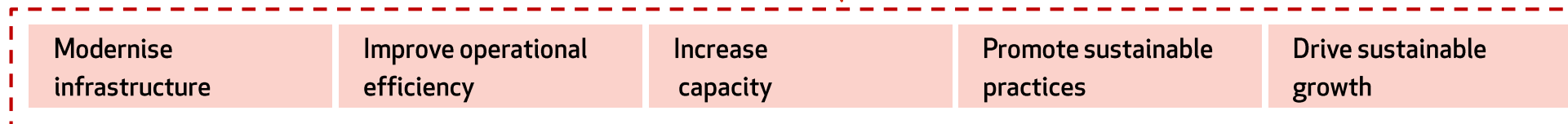
Transnet challenges		External factors	Broader macro-economic implications
Rail	 <ul style="list-style-type: none"> <li>• Underinvestment in the rail network</li> <li>• Rolling stock shortage, service delays and decreased operational capacity</li> <li>• Declining operational performance</li> <li>• Network vandalism and theft</li> </ul>	<ul style="list-style-type: none"> <li> High dependency on road transport</li> <li> Increasing logistics costs</li> <li> Declining economic growth &amp; outlook</li> </ul>	<ul style="list-style-type: none"> <li>• Stunted economic growth</li> <li>• Decreased foreign investment</li> </ul>
Port	 <ul style="list-style-type: none"> <li>• Efficiency challenges – aged equipment</li> <li>• Adverse weather challenges</li> <li>• Perceived high port charges</li> <li>• Port congestion</li> </ul>	<ul style="list-style-type: none"> <li> Promoting private sector participation</li> <li> Urbanisation and population growth</li> <li> Improving service delivery and customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced trade volumes</li> <li>• Loss of market share</li> <li>• Poor service delivery</li> <li>• Increased costs</li> <li>• Job losses</li> <li>• Income disparity</li> </ul>
Pipelines	 <ul style="list-style-type: none"> <li>• Declining liquid petroleum demand</li> <li>• Network vandalism and theft</li> <li>• High barriers to entry for junior players</li> <li>• Closure of refineries and cost impact</li> </ul>	<ul style="list-style-type: none"> <li> Greater safety and security</li> <li> Unreliable supply of electricity</li> <li> Evolving technology</li> </ul>	<ul style="list-style-type: none"> <li>• Increased crime</li> <li>• Safety risks</li> <li>• Lag in technological adoption</li> <li>• Innovation stagnation</li> <li>• Increased carbon emissions</li> <li>• Sustainability challenges</li> </ul>



## Several policies are driving change within the transport and logistics environment, with the aim of stimulating economic growth

National Rail Policy (NRP)	Freight Logistics Roadmap	Establishment of a Transport Economic Regulator	Private Sector Participation Framework	Rail Bill	Freight Road to Rail Migration (FRRM) Plan
Open rail industry Regulate infrastructure access	Efficient transport and logistics strategic plan	Oversees train slot sales terms and prices	Framework for private sector involvement in railways	Develop transport policy for rail industry oversight	Develop plan to shift freight from road to rail
Enable access for private train operators	Focus on efficiency, liberalisation and competition	Regulates access, pricing, compliance and penalties	Includes PSP unit for transaction execution	Enable network access and regulatory development	FRRM Plan outlines short- to long-term interventions
Exploit full market potential	Attract private sector participation (PSPs) and investment	Resolves disputes between IMs and train operators			Improve modal coordination and logistics efficiency
Supported by national policy and economic regulation					

Policy reforms aim to...



**SA Inc Growth by between ~0.5% and ~2.2%\***

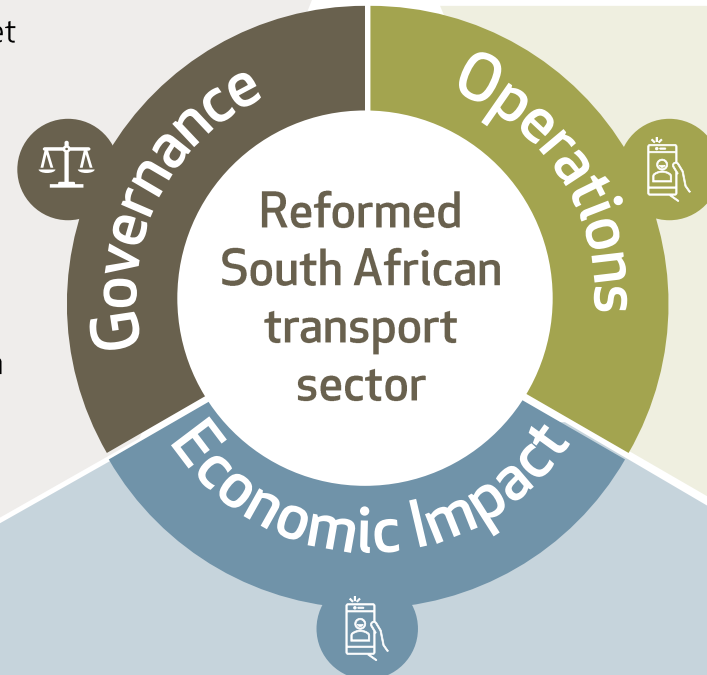
Footnote:\* It is estimated that logistics underperformance cost the South African economy between ~0.5% GDP (R5.605bn) in 2019 and ~2.2% GDP (R6.793 bn) in 2022

Source: Team analysis, various Department of Transport and National Treasury policy and planning documents



## These proposed changes/reforms will have a diverse impact on the governance, operations and economic impact of the South African logistics sector going forward

- Institutional reform resulting in the separation of Transnet Freight Rail into rail operations and infrastructure
- Introduction of **enhanced economic regulation and oversight of pricing** within rail segment through single transport economic regulator (STER)
- Transfer of **rail planning custodianship** to the policy department (DoT), enabling integrated rail planning through the Rail Masterplan (single passenger and freight plan)
- **Increased cost of compliance** for industry participants (license and regulator fees)



- **Improved rail operations** driven by **focused investment** into the rehabilitation and maintenance of the network
- Increased number of industry participants, particularly in the rail industry, offering customers **more choice and higher service value**
- **Enhanced logistics system efficiency and optimisation** driven by broader modal options

- **Increased competition** from introduction of private sector train operating companies (TOCs) which will drive down prices for logistics, benefiting consumers and businesses
- Improved **collaboration** between transport and logistics stakeholders to **drive efficiency, skills sharing and innovation**
- **Increased participation of private sector capital** in rail industry **enabling renewal and expansion** of rolling stock and network infrastructure assets



To align to these policies and address challenges, Transnet developed its Recovery Plan that aims to either optimise the business to drive efficiencies or transform the business

### Overview of Transnet's approach to the Recovery Plan

Transnet's recovery will have to balance the unique characteristics of its operating environment:

- Need to meet existing customer requirements for quality services
- Continued socio-economic contribution to the broader economy
- Alignment to changing policy environment that is liberalising the rail industry (National Rail Policy of March 2022 and Economic Regulation of Transport Bill 2022)
- Limited availability of shareholder capital to support repositioning of organisation

## Two-pronged approach

1

### Optimisation and enhancement

- Deep focus on the recovery of volumes from key operations across Operating Divisions through implementation of short-term tactical initiatives
- Improved execution of the 'segment strategy' approach to drive commercial returns and improve customer responsiveness across operations

2.a

### Transform of organisation

- Review and reinvent/transform parts of the organisation to meet the requirements for sustainable growth in the future

2.b

### Alignment to Freight Logistics Roadmap to 'unlock growth'

- Transnet will align to the recommendations of the Roadmap for the Freight Logistics System, as well as the reforms instituted by the Shareholder, National Treasury and Policy Departments





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## Our service delivery is enabled by our Reinvent for Growth Strategy, which aims to improve Transnet's service execution and how we collaborate with the market

Transnet's Reinvent for Growth Strategy has been developed with the aim of addressing operational challenges, addressing the liquidity of the business and improving execution of the mandate (logistics operations).

This entails renewed and focussed delivery against three main focus areas:

### Fixing and optimising the business

#### Tactical driven recovery plan

Consolidated Recovery Plan driven by operationally-focussed initiatives aimed at protecting current revenue sources, improving the way in which we do business, saving costs and meeting the short- to medium-term objectives of the Shareholder and other stakeholders (e.g., National Treasury)

### Transforming The Business

#### Transformative

Developing a new way of doing business with a fundamental change to operating models that embrace rail and regulatory reform towards longer term repositioning of the business

### Enabling The South African economy

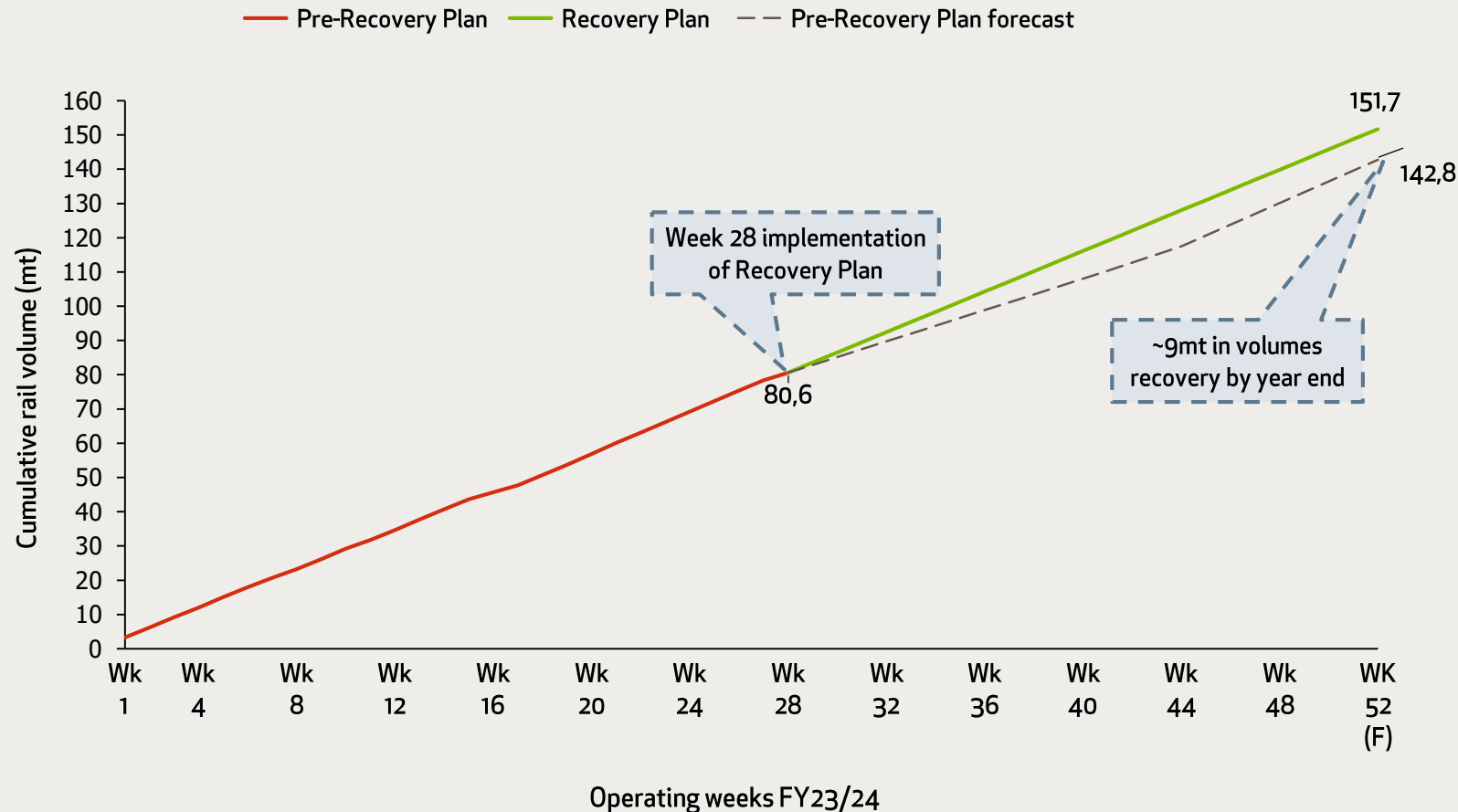
#### Expansionary

Various initiatives intended to reposition Transnet as a conduit for economic growth through the repositioning of various freight value chains to enhance competition, capacity and improve efficiency through industry collaboration in line with the Freight Logistics Roadmap



## The implementation of the Recovery Plan has arrested the decline of rail volumes

Impact of Transnet Recovery Plan on rail freight volumes in FY2023/24 (mt)

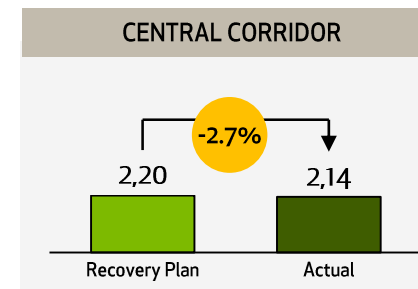
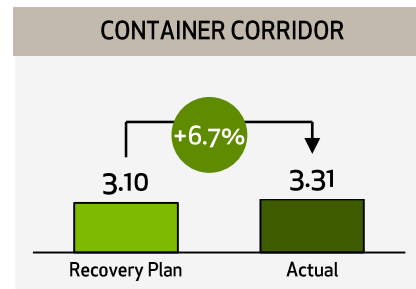
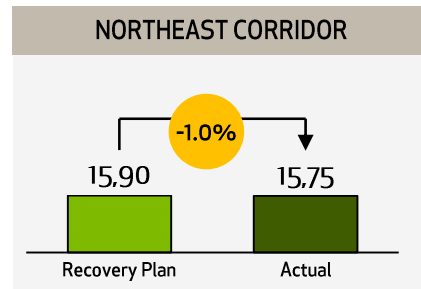
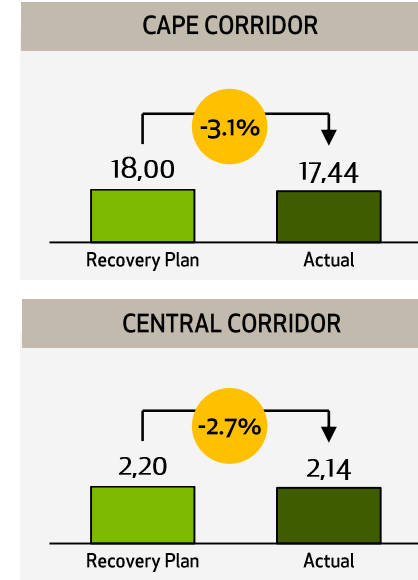
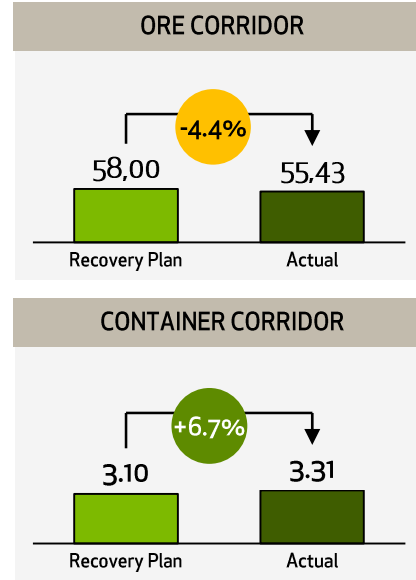
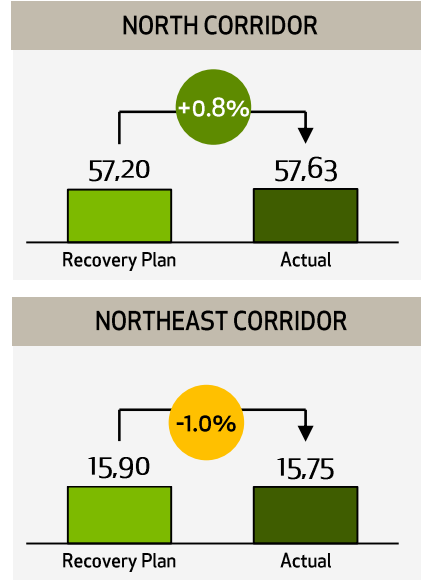
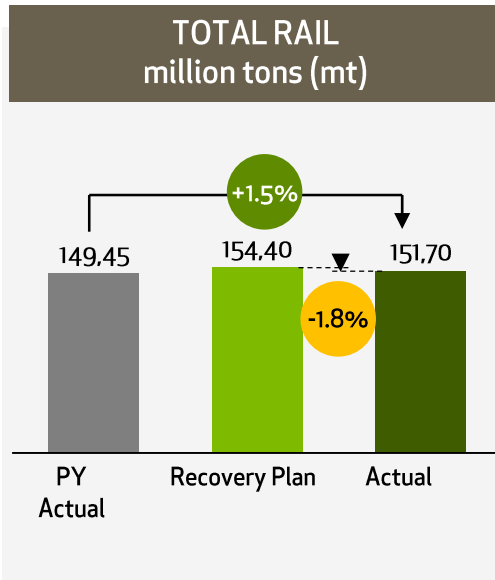


### Comments and insights

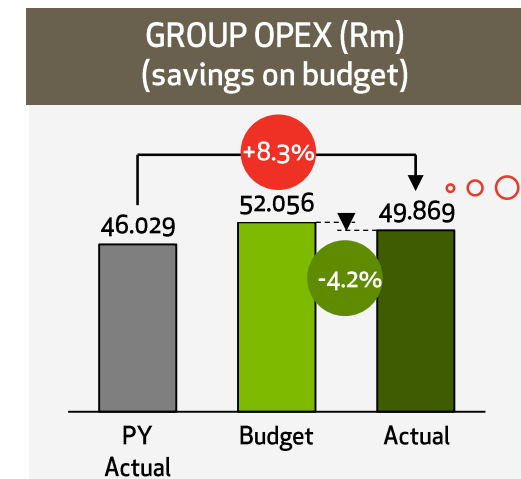
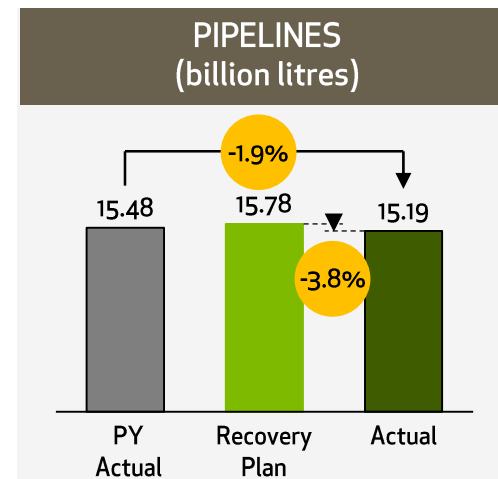
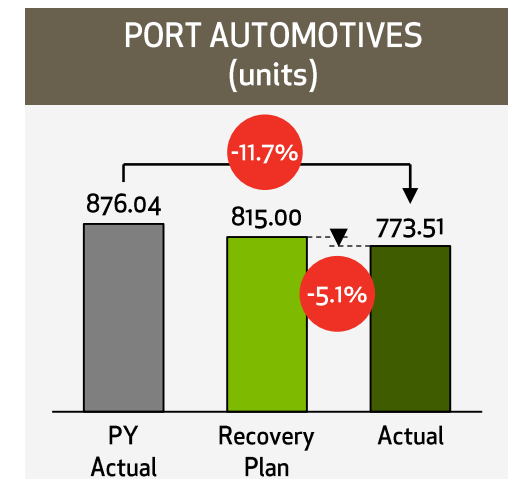
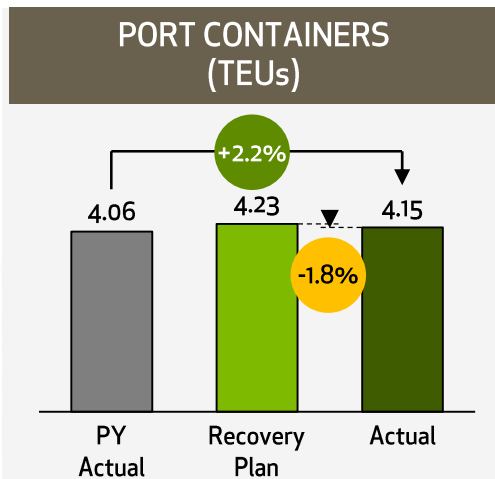
- **Volume performance:** Approximately 77,1mt of rail freight transported over the 24 weeks since implementation of Recovery Plan
- > • **Improved annual forecast:** Recovery of rail services has resulted in an increased volumes to ~151,7mt from 142,8mt since initial implementation
- > • **Enhanced operating tempo:** Notable improvement in the overall operating tempo in the later weeks as recovery initiatives gain traction. Last five weeks have exceeded ~3,1mt (average budgeted tempo per week)
- > • **Recovery of Coal Corridor tempo:** Weekly performance (tempo) on the Coal Corridor has improved significantly (~28%) since the inception of the Recovery Plan and at year-end exceeded the baseline target by ~9%
- > • **Improved operating tempo for key corridors:** Ore and Cape Corridors experienced improved operating tempos exceeding recovery baseline by ~2% and ~7% respectively, making recoveries from underperforming tempos at the inception of the Recovery Plan



In addition to the recovery of rail volumes, port container and pipelines volumes have also stabilised, while the Company continues to save costs



- Actual 2022/23
- Recovery Plan 2023/24
- Actual 2023/24
- Budget 2023/24



Excl. Natref prov



# Environment and Sustainability Outcomes 2023/24FY

## Employment equity & transformation



- Total headcount: 50 994
- Women at Executive level: 47,1%
- Women at extended Executive level: 44,6%
- People with disabilities: 2,2% of employees

## Build industrial capability through transformative B-BEEE spend



- Total B-BBEE spend: R31,1bn
- Black-owned enterprises spend: R15,7bn
- Black women-owned enterprises spend: R9,4bn of the 14bn of black-owned enterprises
- Exempted Micro enterprises (EME) spend: R4,8bn
- Qualifying small enterprises (QSE) spend: R2,7bn
- Black youth enterprises spend: R2,1bn
- B-BBEE spend as a % of the Total Measured Procurement Spend (TMPS): 112,6% (2023: 112,5%)
- 56,8% of TMPS directed towards Black-owned businesses (2023:54,8%)
- B-BBEE Certification Level: 2



# Environment and Sustainability Outcomes 2023/24FY

## Community development



- Invested R127,6m in community development (2023:R130,7m)
- Phelophepa Trains I and II provided healthcare to 640 776 patients (2023: 434 837 patients)
- Approximately R63m was invested in **comprehensive primary healthcare services**
- Approximately 12 500 reached through Teenage Health Programmes

## Sustaining employment in our communities



- R14,4m invested in **job creation efforts in communities hard hit by unemployment**
- Over 6 300 temporary jobs created through Phelophepa I and II



# Environment and Sustainability Outcomes 2023/24FY

## Skills development



- 254 trainees enrolled in programmes (YPT:154) (EIT:37) (TIT:52)
- R837m was spent on skills development
- 14,75 B-BBEE skills development points achieved – retaining Transnet's Level 2 status

## Research & development



- Total spend on R&D CAPEX projects: R58m (Target: R90m)
- **Several key products include:**
  - A reliability analytics platform that analyses and displays the statistics of component failures on TFR's locomotive fleet;
  - A Standard Gauge Wagon Bogie to position TE to offer Wagon products in the Standard Gauge market; and
  - An automated declaration of interest platform to improve TE's compliance to corporate governance.





# Environment and Sustainability Outcomes 2023/24FY

## Environmental stewardship



- **Carbon footprint (mtCO<sub>2</sub>e):** 4,2% reduction 2024: 2,67 (2023: 2,78)
- **Energy efficiency (tonne/GJ):** 0,8% increase 2024: 20,74 (2023: 20,58)
- **Environmental compliance:** 9 non-compliance notices and directives received (2023: 1)
- **Air Emissions Licences (AEL):** 6 received (2023: 4)
- **Air quality complaints:** 66 (2023: 60)

## Health and safety



- **LTIFR:** 0,70 (2023: 0,66) against tolerance of 0,75
- **LTI's:** 421 injuries (2023: 417)
- Transnet successfully obtained its three-year **Railway Safety Permit** valid from 29 August 2022 to 31 August 2025
- **3 employees** suffered fatal injuries (2023: 7)



## Long-standing Legal Matters

### NATREF MATTER

In June 2024, the court delivered a **judgement against Transnet**. However, for the purpose of cautionary disclosure, Transnet was required to make the necessary provision which had a negative impact on the income statement.

**The judgement ordered that Transnet pay:**

- **Total: R2,9 billion** including interest but excluding costs; and
- **Sasol: R6,2 billion** including interest but excluding costs.

### PIER 2 LEGAL DISPUTE

We have noted the legal challenge to the **selection of International Container Terminal Services, Inc. (ICTSI)** as the preferred bidder to enter into contract negotiations for the establishment of a joint partnership to manage the upgrade and development of Pier 2 at the Durban Container Terminal.

**Pier 2 is Transnet's biggest container terminal**, handling 72% of Port of Durban throughput and 46% of SA traffic. The process of selecting ICTSI was **rigorous, competitive, and fair and complied with our governance standards**. Transnet will **defend** its procurement process.



## Divisions: Freight Rail

Freight Rail



Engineering



National Ports Authority



Port Terminals



Pipelines



Property



### Division performance



44%  
of group revenue

REVENUE (Rm)	39 105
OPEX (Rm)	31 134
CAPEX (Rm)	12 268

### Repositioning the business

The strategic initiatives and key partnerships aimed at enhancing Freight Rail's operational efficiency and supporting growth include:

- **Rail Reform:** The Department of Transport (DoT) has established the Interim Rail Economic Regulatory Capacity (IRERC) to prepare frameworks for the implementation of the ERT Bill. Freight Rail has responded by:
  - Completing preparatory steps for the accounting separation of Transnet Freight Rail Operating Company.
  - Appointing an interim Transnet Rail Infrastructure Manager in November 2023. This manager will oversee operations, maintenance, renewal, and network advancement with organizational autonomy and decision-making authority over train path allocation, including defining and evaluating availability, assigning train paths, and managing infrastructure costs such as setting and collecting access tariffs.
- **Locomotive Restoration:** Freight Rail has awarded contracts to three Original Equipment Manufacturers (OEMs) for refurbishing long-standing locomotives. Additionally, efforts are underway to bring more locomotives back into service.
- **Strategic Partnerships:** A Mutual Cooperation Agreement was established with Richards Bay Coal Terminal (RBCT) in November 2023 to expedite the resolution of operational constraints, including maintenance and procurement processes for vital operations.



# Divisions: Freight Rail Security Incidents

- Security-related incidents increased by 5,4% year-on-year.
- Cable theft remains the primary security issue accounting for 57% of the reported incidents and is among the factors affecting train cancellations and tonnage losses.
- Just over a 1000 km cable was stolen in FY 23/24
- Net financial impact for 23/24 is R4,2bn, which is higher than the R3,7bn from FY 22/23.

Year	Cable theft incidents	Total (m)	Total (km)
2016/17	1709	113 425	113
2017/18	1598	120 143	120
2018/19	2045	274 951	275
2019/20	3081	449 528	450
2020/21	3477	724 171	724
2021/22	5506	1506 273	1506
2022/23	3877	1121 270	1121
2023/24	4411	1012 739	1013

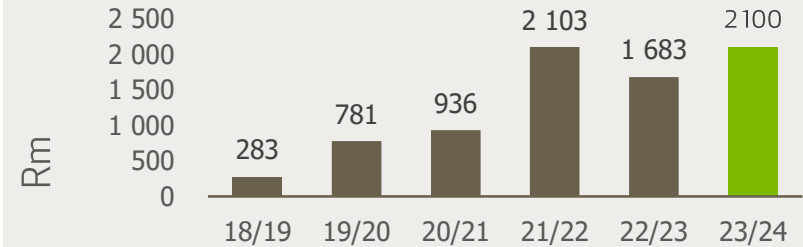
## 2023/24 YTD



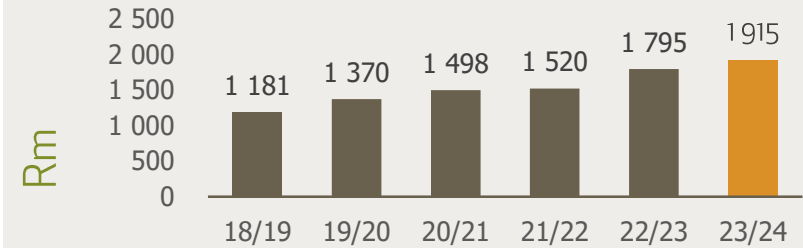
TFR net impact: ~R 1293m

## OPERATIONAL DISRUPTION

Revenue losses due to security incidents

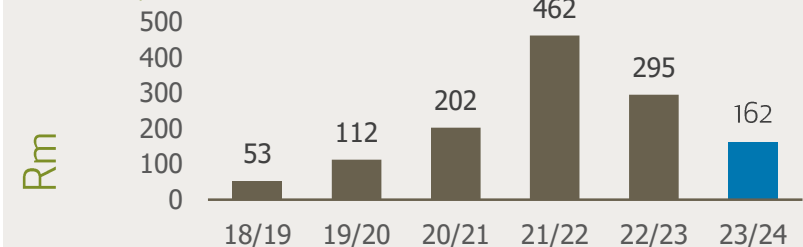


## SECURITY COSTS



## REMEDIATION

Cost of replacement





## Divisions: Engineering

Freight Rail



Engineering



National Ports Authority



Port Terminals



Pipelines



Property



### Division performance

**11%** of  
group  
revenue



<b>REVENUE (Rm)</b>	<b>9 817</b>
<b>OPEX (Rm)</b>	<b>10 005</b>
<b>CAPEX (Rm)</b>	<b>168</b>

### Repositioning the business

Key strategic initiatives to increase revenue, diversify and reduce reliance on TFR, while aligning with Rail Reforms include:

- **Leasing company:** TE will position itself to seize the opportunities that will flow from the establishment of a leasing company for rolling stock and maritime equipment. This initiative will be handed over to Transnet Group Business Development and TE will continue to provide support until the LeaseCo is operational.
- **TE Operating Model:** TE's operating model will be revised to enhance growth and efficiency, aiming to better serve Transnet and other external customers, including third-party operators.
- **Maritime Services Business:** The TE Maritime Services Business aims to provide maintenance and engineering solutions for TNPA and TPT to enhance the availability and reliability of critical port and maritime equipment in the bulk and container sectors. This will be supported by strategic OEM partnerships to expand services across Africa. The business is recognized for manufacturing key container and bulk material handling equipment and for refurbishing and maintaining port equipment



# Divisions: National Ports Authority

Freight Rail



Engineering



National  
Ports Authority



Port  
Terminals



Pipelines



Property



## Division performance

16%  
of group  
revenue



<b>REVENUE (Rm)</b>	<b>14 041</b>
<b>OPEX (Rm)</b>	<b>6 386</b>
<b>CAPEX (Rm)</b>	<b>1 746</b>

## Repositioning the business

The operating model of TNPA is shaped by legislative mandates, an integrated strategic framework, a desired end state, and business performance monitoring through dashboards. TNPA's restructuring follows a multi-faceted approach:

- Understand current challenges and root causes before implementing significant changes.
- Use the strategic framework to guide TNPA's transition to a reimagined state.
- **Focus on seven areas:** Terminal Oversight, Infrastructure, Property, People, Supply Chain Management, System, Environment, and Cost (TIPPSS-SEC) to enable the successful implementation of priority programs.
- Monitor TIPPSS performance in real-time for timely interventions and improved overall business performance.
- Develop and implement port growth strategies to enable ports to fulfill their landlord role, improve performance, diversify revenue streams, and explore untapped markets.



## Divisions: Port Terminals

Freight Rail



Engineering



National  
Ports Authority



Port  
Terminals



Pipelines



Property



### Division performance

20%  
of group revenue



<b>REVENUE (Rm)</b>	<b>18 456</b>
<b>OPEX (Rm)</b>	<b>12 123</b>
<b>CAPEX (Rm)</b>	<b>2 009</b>

### Repositioning the business

TPT's vision aims to maximize shareholder value by:

- Enhancing the efficiency, cost-effectiveness, and viability of current port operations
- Leveraging a portfolio of world-class infrastructure assets
- Strengthening global supply chains
- Growing revenue by forming global strategic partnerships to explore new business opportunities
- Generating sustainable economic growth
- Promoting regional integration



# Divisions: Pipelines

Freight Rail



Engineering



National Ports Authority



Port Terminals



Pipelines

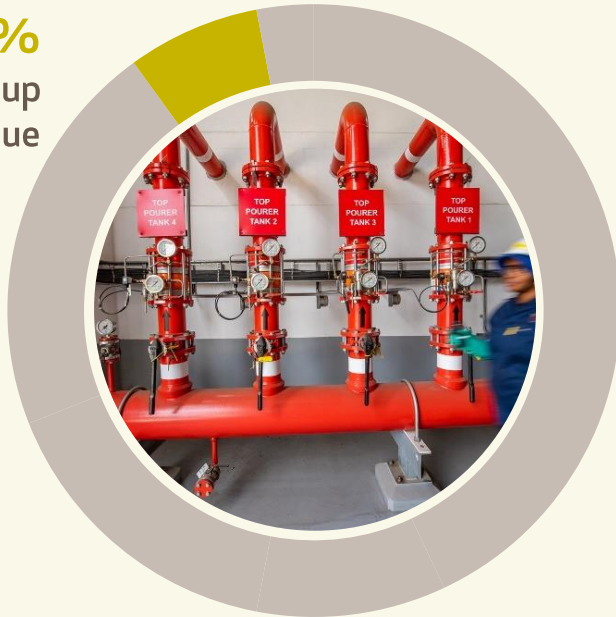


Property



## Division performance

7%  
of group  
revenue



<b>REVENUE (Rm)</b>	<b>6 697</b>
<b>OPEX (Rm)</b>	<b>6 698</b>
<b>CAPEX (Rm)</b>	<b>191</b>

## Repositioning the business

Pipelines has developed a multi-faceted approach that will support the transition to cleaner fuels based on the following energy mix:

- Refined petroleum products: The focus is on ensuring security of supply, maximising asset utilisation, marketing of skills and repurposing of assets.
  - Strategic projects include the development of the Coastal Accumulation Facility and Import Terminal at the port of Durban and a new Jet Fuel pipeline from Jameson Park to OR Tambo Airport
- Transition fuels (LNG): Pipelines' focus is on partnering for growth.
  - Pipelines has partnered with Vopak Terminals Durban to design, build and operate a LNG terminal in the port of Richards Bay.
  - Pipelines will also be repurposing the Lilly pipeline to enable the landside distribution of natural gas imported via the Richards Bay LNG Terminal.





# Divisions: Property

Freight Rail



Engineering



National Ports Authority



Port Terminals



Pipelines



Property



## Division performance

**2%**  
of group  
revenue



<b>REVENUE (Rm)</b>	<b>1 552</b>
<b>OPEX (Rm)</b>	<b>1 304</b>
<b>CAPEX (Rm)</b>	<b>131</b>

## Repositioning the business

- TP will continue leasing directly managed properties and surplus assets to generate revenue and reduce operational costs through tenant reimbursements and strengthening financial standing by solidifying portfolio valuation.
- Transnet will advertise properties for lease and development in the coming financial year to attract external investment into the TP portfolio.
- Due to capital funding constraints, TP will aggressively pursue PSP together with like-minded partners to leverage funding and strengthen the balance sheet



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# The company continues to strive for improved performance by driving key delivery levers

## Key levers supporting financial sustainability

**01**

Improving customer and public sentiments

**02**

Employee commitment and morale

**03**

Improving security effectiveness

**04**

Availability of critical equipment – Rail &amp; Ports

**05**

Leveraging technology and innovation

**06**

Key stakeholder support

“Re-invent for growth” as our contribution to the SA economy and country aspirations”

... and the trains are moving



## Performance Highlights

**01**

Increase in volumes as a result of the Recovery Plan initiatives

**02**

Revenue increased by 11,6%

**05**

Gearing at 46,2%, within the Group's target range of <50% and within lender covenants

**06**

R47 billion government guarantee support

**03**

Effective working capital management

**04**

Successful issuance of R15 billion domestic medium-term bond (March 2024)

**07**

Reduction in irregular expenditure compared to prior years - R1,7bn i.e. 37%

**08**

Unqualified audit opinion



## Financial Performance – At a Glance

Revenue	76,7	↑
	11,6%	

Net Operating Expenditure	54,7	↑
	19,2%	

EBITDA	22,0	↓
	3,6%	

Net Loss	7,3	↑
	43,4%	

Total Assets	364,6	-
	0,0%	

Total Liabilities	226,5	↑
	4,6%	

Gearing	46,2%	↑

Cash generated from operations (ex Working Cap)	28,8	↑
	13,6%	

Investing activities	17,0	↑
	8,0%	

Cash balance	13,9	↑
	2,5%	



Transnet has set itself a R1bn profitability target for 2024/25



## Consolidated Income Statement (Incl Budget)

KEY FINANCIAL INDICATOR	Actual March 2024	Actual March 2023	Var	Financial Commentary
	Rm	Rm		
Revenue	76 699	68 715	↑	Revenue increased by 11,6% • tariff increases • an increase in rail and port volumes.
Net operating expenses	(54 731)	(45 919)	↑	Net Opex increased by 19.2% • cautionary litigation provision of R4,8bn before tax • increased personnel • Electricity tariff increases, security and material costs.
EBITDA	21 968	22 796	↓	
Depreciation, FV and Impairments	(17 667)	(22 939)	↓	Impairment of assets decreased by 83,9% • locomotive impairments property and rail debtor impairments.
Net finance costs	(13 775)	(12 001)	↑	Net finance costs increased by 14,8% • interest rate hikes and total borrowings
Tax	2 485	1 503	↑	
Loss for the year	(7 327)	(5 108)	↑	
Add Back: Litigation provision	3 484	-	↑	The Company posted a net loss of R7,3bn. However, when reversing the impact of the litigation provision the loss for the year would have been R3,8bn which is a 25% improvement from prior year.
Loss: excl litigation provision	(3 843)	(5 108)	↓	



# Consolidated Statement of Financial Position

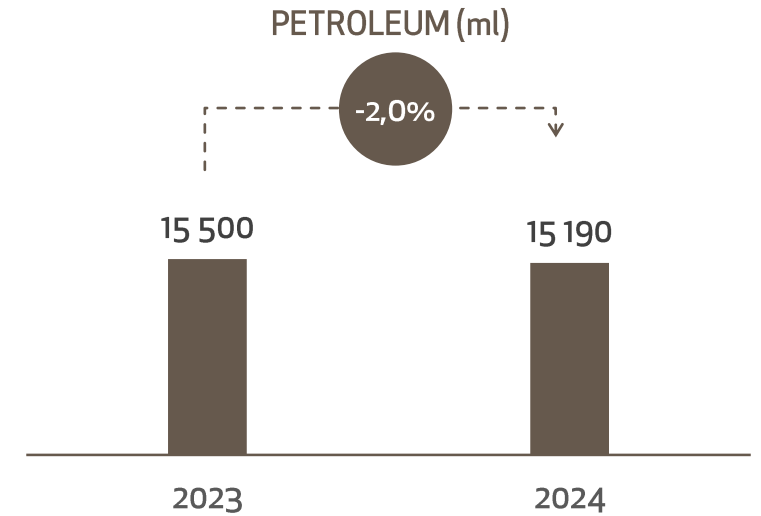
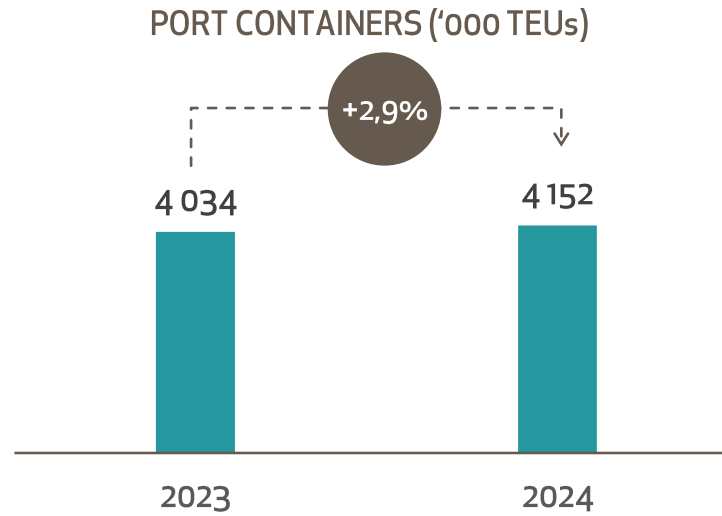
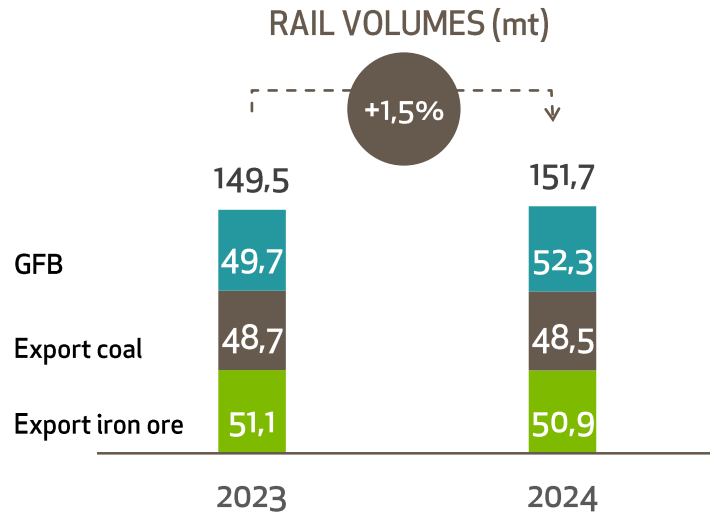
KEY FINANCIAL INDICATOR	March 2024	March 2023	Act vs. PY	Financial Commentary
	Rm	Rm	Impact	
NON-CURRENT ASSETS	336 148	337 438	↓	<p>Non-current assets</p> <ul style="list-style-type: none"> <li>• Devaluation of rail and port infrastructure</li> <li>• Off-set by increase in capital spend</li> </ul>
CURRENT ASSETS	28 488	27 353	↑	<p>Current assets</p> <ul style="list-style-type: none"> <li>• Increase in Inventory and Receivables</li> </ul>
TOTAL ASSETS	364 636	364 791	-	<p>Capital and reserves</p> <ul style="list-style-type: none"> <li>• R7.3bn loss for the year</li> <li>• NDR movement due to devaluation of PPE</li> </ul>
CAPITAL AND RESERVES	138 095	148 228	↓	
NON-CURRENT LIABILITIES	135 609	138 157	↓	<p>Non-current liabilities</p>
CURRENT LIABILITIES	90 932	78 406	↑	<ul style="list-style-type: none"> <li>• Reclassification of borrowings to short-term</li> </ul>
TOTAL EQUITY AND LIABILITIES	364 636	364 791	-	<p>Current liabilities</p> <ul style="list-style-type: none"> <li>• Reclassification of borrowings off-set by borrowings repaid</li> </ul>



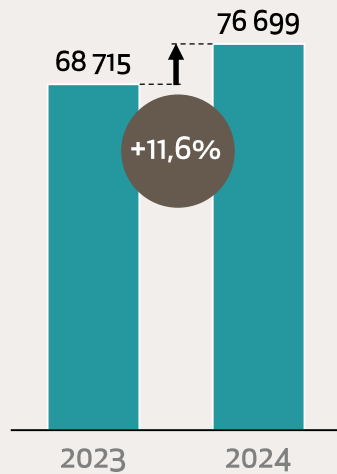


# Improved Revenue Performance for the Year

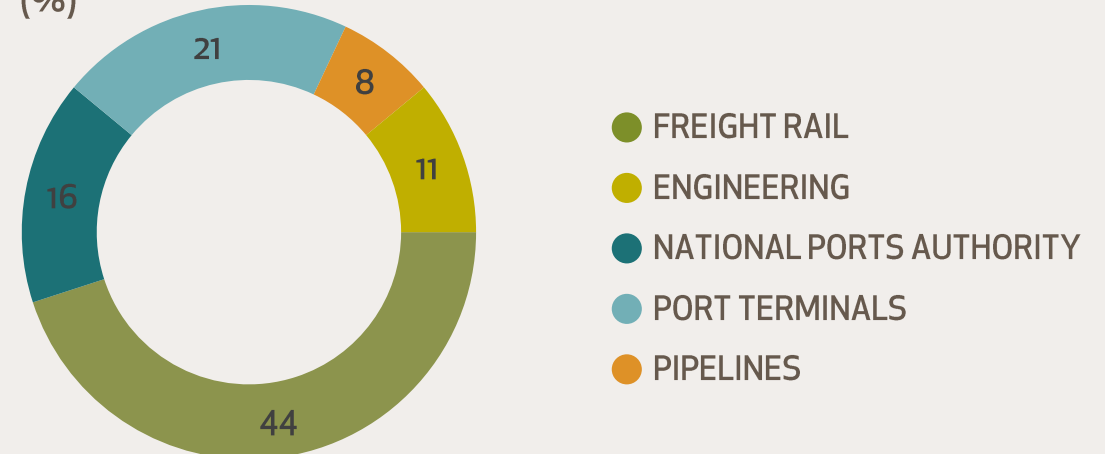
## OPERATIONAL VOLUMES



## REVENUE (Rm)



## TOTAL REVENUE CONTRIBUTION BY OPERATING DIVISION (%)



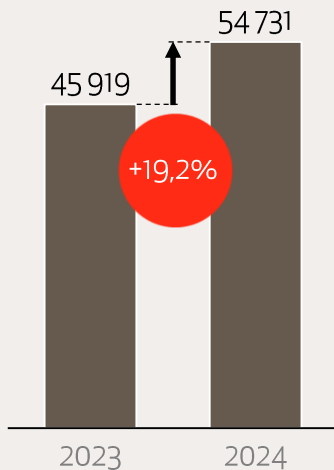


## Net Operating Expenses

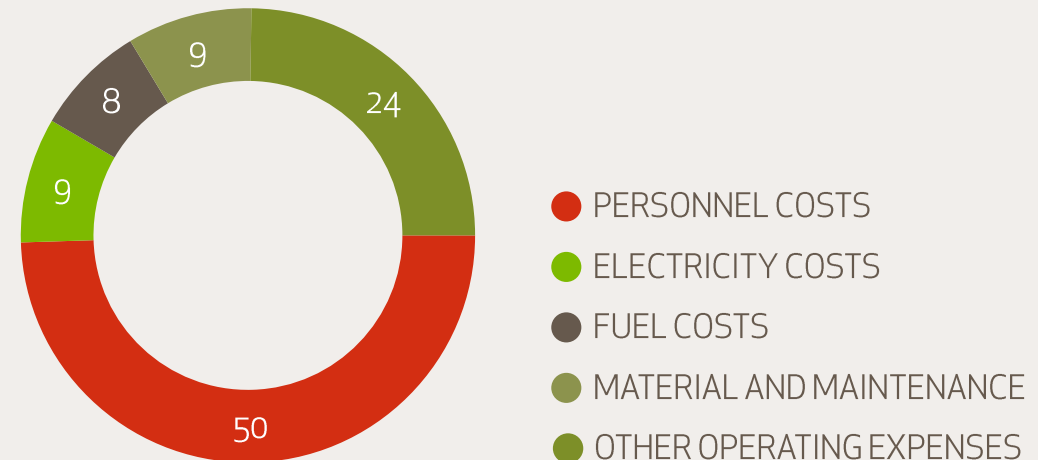
Net operating expenses increased by 19,2% due mainly to the impact of third-party claims as well as increased personnel, energy, security, maintenance and material costs. However, the normalised net operating expenditure (Natreff prov) for the year was 8,8% compared to last year and 4,3% below the recovery target.



Net Operating Expenses (Rm)



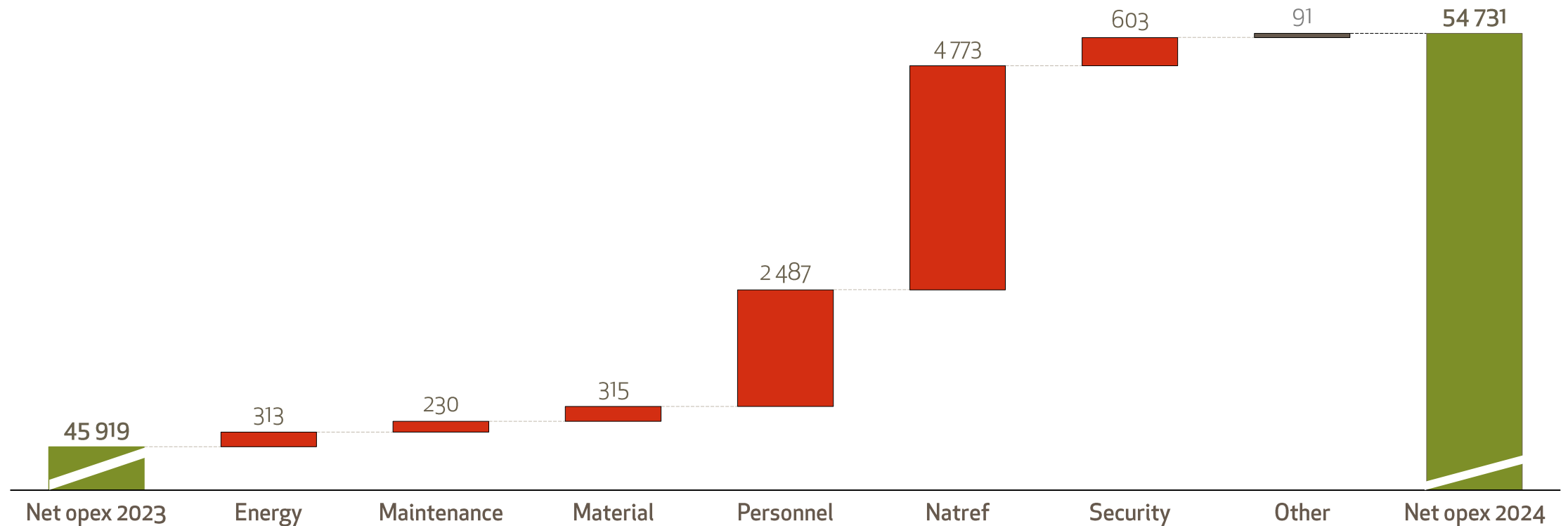
Net Operating Expenses Contribution By Cost Element (%)





## Net Operating Expenses Movement from March 2023 to March 2024

Net operating expenses (Rm)

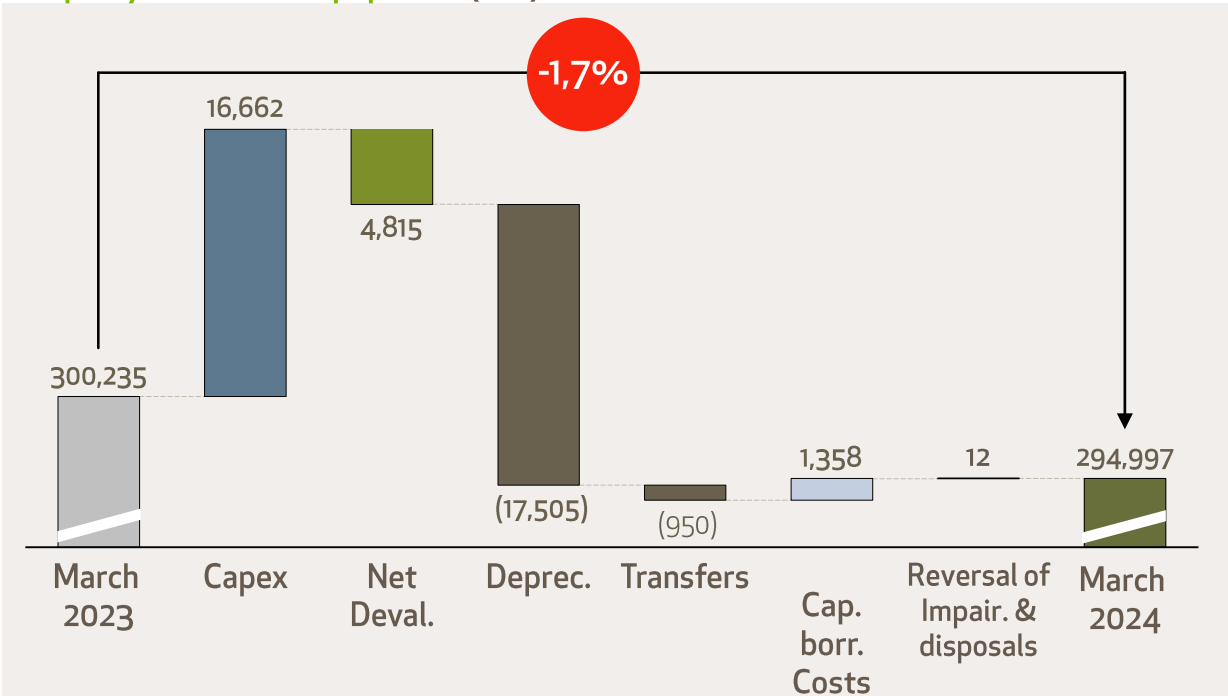


Net operating expenses increased by **8,8%** to R50,0 billion (Excl. R4,8bn provision), (2023: R45,9 billion) due mainly to increased personnel (salary increases, bargaining council wage agreements, and increased headcount at the ports), electricity (tariff increases), security (rail related and pipeline theft and vandalism incidents) and material and maintenance costs (in line with increased rail activity) compared to the prior year.



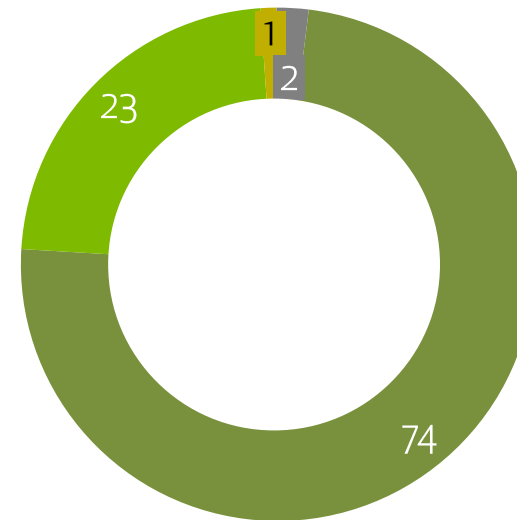
# Increased Capital Investment to improve Operational Sustainability

Property Plant And Equipment (Rm)



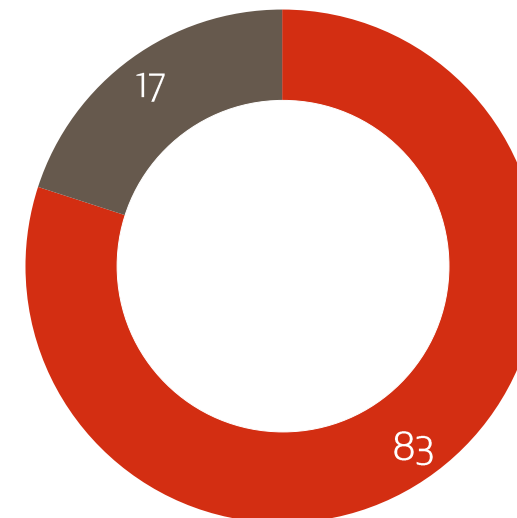
PPE decreased to R294,9 billion mainly as a result of depreciation and the net devaluation, partially offset by capital investment and borrowing costs. The net devaluation of R4,7 billion comprised of:

- Rail infrastructure devaluation of R4,0 billion;
- Port facilities devaluation of R1, 005 million
- Pipeline networks devaluation of R264 million; partially offset by
- Land and buildings revaluation of R475 million.



Capital Investment By Operating Segment (%)

- Rail
- Ports
- Pipelines
- Engineering and other



Expansion Vs Replacement (%)

- Replacement
- Expansion



## Capital Investment Performance – Top Projects Spend



Rail Infrastructure

**4 457**



Wagon New Builds and Renewals

**3 579**



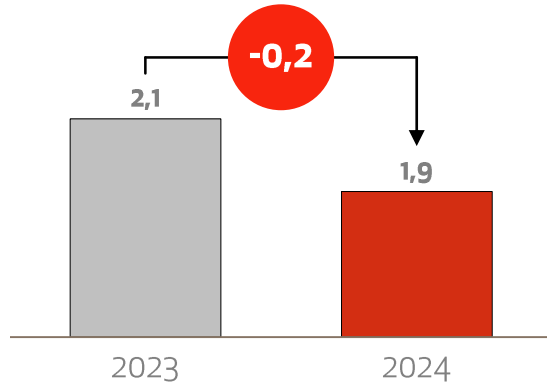
240 BT Electric Locomotives

**2 650**



# Operating Cash Flows, Borrowings and Credit Rating Outlook

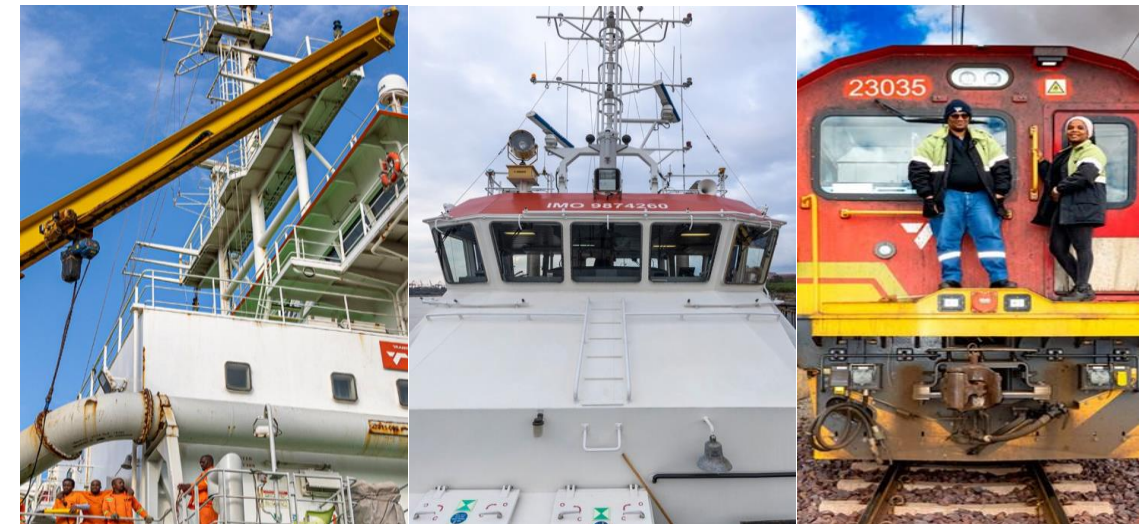
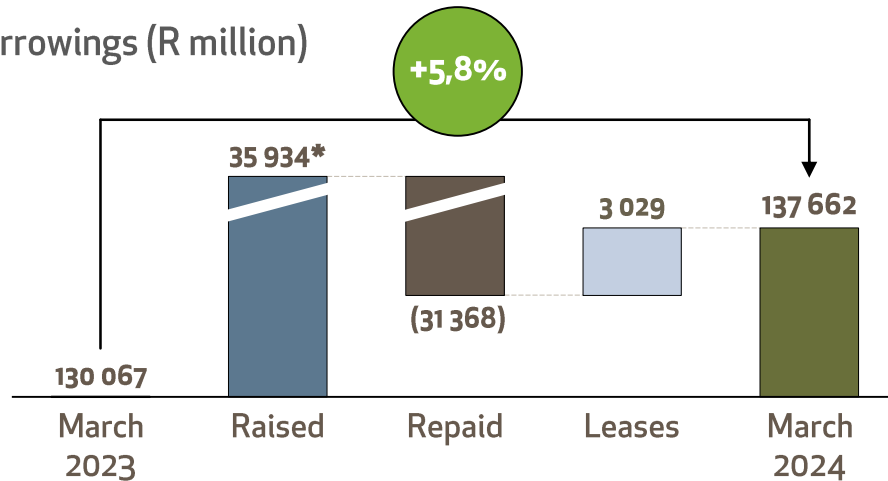
## Cash interest cover (times)



## Credit rating

	MOODY'S	S&P Global Ratings
Foreign currency	Ba3/Negative outlook	BB-/Negative outlook
Local currency	Ba3/Negative outlook	BB-/Negative outlook
BCA/SACP	b3/Negative outlook	b/Negative outlook

## Borrowings (R million)



Expected redemption in the next twelve months R16bn



# AGENDA

Annual Results presentation

01 Operating Context

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02 Business Performance

---

03 Financial Performance

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04 Regulatory Compliance

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05 Strategy & Looking Ahead

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# AGENDA

Annual Results presentation

01 Operating Context

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02 Business Performance

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03 Financial Performance

## 04 Regulatory Compliance

Nosipho Maphumulo

05 Strategy & Looking Ahead

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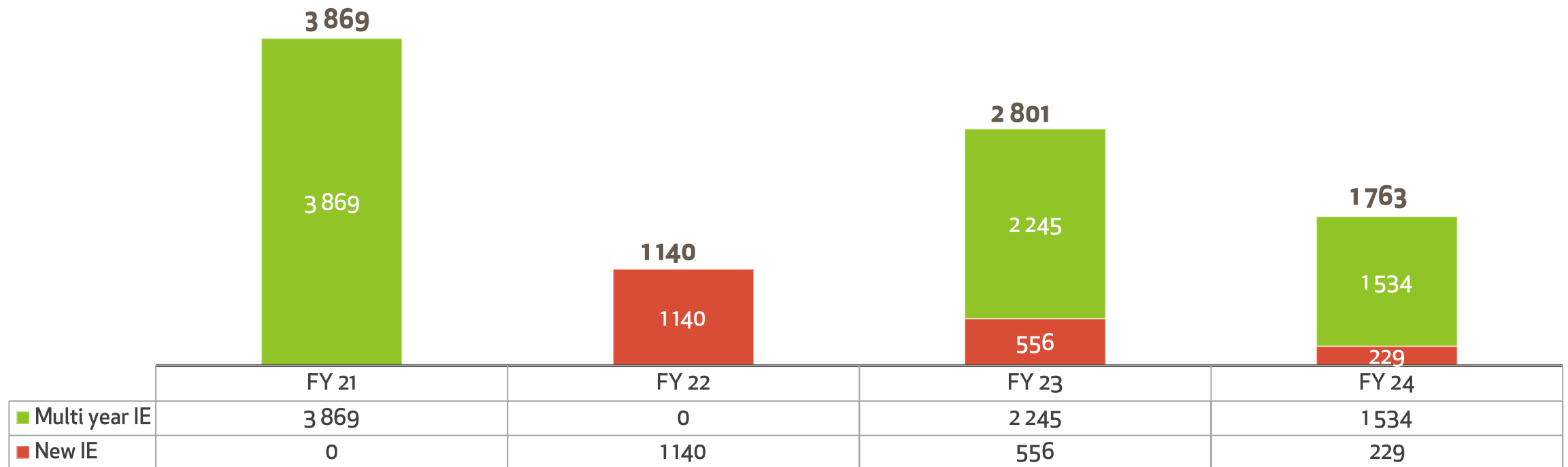




# Improvements Noted in the Reporting of Irregular Expenditure since the Exemption

The implementation of the remedial plan resulted in significant improvements on the internal control processes and the supply chain control environment. This graph below depicts improvements since the exemption on the reported PFMA non-compliances.

## Reduction in reported irregular expenditure





## Continuing on a journey to Financial Sustainability



### Human Capital

Continue human capital improvement – excite, motivate and incentivize the work force.  
“happy employees, happy customers”



### Delight Customers

- move volume and drive growth/
- Partner to achieve common goals



### Balance Sheet Optimisation

Continue efforts to **optimise the Balance Sheet**

- 3 pillars - own efforts (above), lender and shareholder support



### Cost reduction & Efficiencies

**Logistics inputs** in the value chain; **procurement efforts**; process efficiencies; employee innovation and service providers/OEM support

Transnet has set itself a R1bn profitability target for 2024/25



# AGENDA

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01 Operating Context

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05 Strategy & Looking Ahead

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# AGENDA

Annual Results presentation

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04 Regulatory Compliance

**05 Strategy & Looking Ahead**

Michelle Phillips





## Although significant progress has been made, there remains areas of improvement



### Highlights



### Lowlights



#### Governance

- Appointment of the Transnet Board of Directors – July 2023
- TNPA Board of Directors appointed – October 2023
- 37% reduction in PFMA transgressions

- Transnet reports a loss for first six months of 2023/24 – January 2024



#### Operations

- TNPA adds a **new vessel (Mohoma)** to its dredging fleet – May 2023
- Transnet Freight Rail introduces **outcomes-based security solutions** – August 2023
- East London handles its first **shipment of export manganese** – October 2023
- **Transnet Recovery Plan** implementation begins – October 2023
- **Arrival of additional port equipment** for Cape Town Container Terminal – December 2023
- Year-on-year **reduction in shunt derailments** from 121 (2022/23FY) down 23,97% to 92

- **Iron ore line derailment** – June 2023
- **Port delays/congestion** in key container terminals – November 2023
- **Coal line derailment** – January 2024
- **Security-related incidents** increased by 5,4% year-on-year, from 7 335 to 7 733 incidents. **Cable theft** remains the primary security issue accounting for 57% of the reported incidents and is among the **factors affecting train cancellations and tonnage losses.**
- **Main line derailments** increased by 8,97% to 85 (2022/23FY:78)



#### Financing

- R47 billion **guarantee facility** granted to Transnet – December 2023
- \$2 billion dollars – **20-year plus loans** approved by two DFIs
- **Successfully executed** the approved funding mandate

- S&P Global **lowers Transnet's stand-alone credit profile** – November 2023
- Moody's **downgrades Transnet's baseline credit assessment and outlook** from stable to negative – January 2024



#### Partnerships

- Transnet selects International Container Terminal Services Inc. as the preferred bidder for the **25-year joint venture with Transnet Port Terminals** to develop and upgrade the terminal – July 2023
- **Delivery of RBCT-procured locomotive spares** – February 2024
- **Transnet-Sasol partnership** – Sasol will fund the maintenance & repair for a fleet of 128 ammonia tankers









#### Policy Reforms

- The Interim Infrastructure Manager **established** – November 2023
- Network Statement **published for public consultation** – March 2024



# Collaboration with various industry stakeholders will yield positive outcomes

	Objectives	+	Key Actions	=	Results / Outcomes
NLCC	 <ul style="list-style-type: none"> <li>• Improve logistics efficiency and reliability</li> <li>• Enhance crisis management in logistics</li> </ul>		<ul style="list-style-type: none"> <li>• Set up logistics communication lines</li> <li>• Create a crisis management plan</li> <li>• Enhance efficiencies and turnaround</li> </ul>		<ul style="list-style-type: none"> <li>• Faster turnaround</li> <li>• More reliable logistics</li> <li>• Cost savings</li> </ul>
Operation Vulindlela	 <ul style="list-style-type: none"> <li>• Boost economic growth through better logistics</li> <li>• Encourage private investment in logistics</li> </ul>		<ul style="list-style-type: none"> <li>• Simplify regulations for logistics</li> <li>• Boost private sector with partnerships</li> </ul>		<ul style="list-style-type: none"> <li>• Simplify regulations for logistics</li> <li>• Boost growth with efficient logistics</li> </ul>
Coal miners	 <ul style="list-style-type: none"> <li>• Improve coal transportation from mines to ports and customers</li> </ul>		<ul style="list-style-type: none"> <li>• Timely spares for reliable rail</li> <li>• Boost rail security to Richards Bay</li> <li>• Regular meetings with coal miners</li> </ul>		<ul style="list-style-type: none"> <li>• Reliable locomotives reduce delays</li> <li>• More rail capacity for coal</li> <li>• Efficient coordination saves costs</li> </ul>
Customers	 <ul style="list-style-type: none"> <li>• Improve ammonia transportation for Sasol's chemical processes</li> </ul>		<ul style="list-style-type: none"> <li>• Sasol funds 128 tankers</li> <li>• Deliver ammonia from Secunda/Sasolburg</li> <li>• Five-year Transnet contract</li> </ul>		<ul style="list-style-type: none"> <li>• Timely transport, fewer delays</li> <li>• Cost savings from optimised logistics</li> </ul>
Industry associations	 <ul style="list-style-type: none"> <li>• Enhance mineral transportation and export logistics</li> </ul>		<ul style="list-style-type: none"> <li>• Upgrade rail/port for more exports</li> <li>• Optimise loading/unloading</li> <li>• Expand rail capacity</li> </ul>		<ul style="list-style-type: none"> <li>• Higher exports, fewer bottlenecks</li> <li>• Faster turnaround</li> <li>• Increased revenues and competitiveness</li> </ul>
Industry associations	 <ul style="list-style-type: none"> <li>• Enhance logistics and export for fresh produce</li> </ul>		<ul style="list-style-type: none"> <li>• Improve cold chain logistics for freshness</li> <li>• Streamline port handling to cut delays</li> <li>• Track shipments in real-time</li> </ul>		<ul style="list-style-type: none"> <li>• Better product quality and satisfaction</li> <li>• Higher exports, less spoilage</li> <li>• Improved logistics efficiency</li> </ul>



## Similarly, port performance, especially in the container sector, is expected to improve at major ports through the delivery of critical port equipment during 2024/25

Transnet Port Terminals has entered into long-term contracts with OEMs for the supply of new equipment; the provision of spares and technical support. The following major equipment have been ordered with the OEMs:

### Landside port equipment

#### Ship To Shore Cranes



- 1 unit ordered for Port Elizabeth
- 4 units ordered for DCT Pier 2
- Commissioning is planned for Q4 2025/26

#### Rubber Tyred Gantry Cranes



- 44 units ordered for DCT Pier 1 and Cape Town
- Commissioning is planned to start in Q4 2024/25

#### Straddle Carriers



- 20 units ordered, first batch expected Dec 2024/Jan 2025
- Commissioning expected in Q4 2024/25

#### Haulers



- 20 units delivered in 2023/24 for Durban, a further 45 units delivered (April 2024)
- 97 units delivered for Cape Town and Ngqura in July 2024, with testing commencing August 2024

#### Reach Stackers



- 7 units delivered for Durban (Apr/May 2024)
- 4 units delivered for Cape Town (May/Jun 2024)

### Waterside port equipment

#### Helicopters



- Award tender for three marine pilot helicopters (Richards Bay, Durban, Cape Town) by September 2024

#### Tugboats



- 7 tugboats delivered (Durban & East London)

#### General comments

- The port fleet comprises 31 tugs, 9 pilot boats, 7 workboats, 7 launches, 4 helicopters, 5 dredgers and 4 survey boats
- The dredgers and survey boats are utilised across the port system
- Ongoing technical move of equipment across ports to alleviate congestion as and when required
- Orders for various critical spares have also been placed with OEMs
- The delivery of these spares will improve the availability and reliability of existing equipment

OEMs = Original Equipment Manufacturers; DCT = Durban Container Terminal



## In line with policy and regulatory reforms, several key themes driving the repositioning of Transnet, have emerged

### Improved commercial acumen



#### Enhance the financial performance and market competitiveness of Transnet

- Improve execution of plan against target volumes
- Diversify revenue to maximise returns from asset base
- Enhance profitability and return on investment
- Improve brand positioning and strengthen market position

### Technological innovation



#### Leverage advanced technologies to improve operational efficiency and service delivery

- Bridge capability and capacity gaps through adoption of tech solutions to drive operational efficiency
- Gain competitive advantage through technological leadership

### Enhanced customer management



#### Build a customer-centric culture within Transnet to better meet the needs and expectations of customers

- Improve service execution to realise higher customer satisfaction and retention rates
- Establish analytics capability to leverage data to improve customer relationships and loyalty

### Sustainable practices



#### Integrate sustainability into all aspects of Transnet's operations to ensure long-term viability and compliance

- Reduce carbon footprint and environmental impact
- Enhance corporate reputation and stakeholder trust, particularly among customers
- Ensure long-term sustainability and regulatory compliance

### Fostering collaboration



#### Foster stronger partnerships and collaborative efforts with industry stakeholders and customers

- Leveraging private sector skills and resources through partnerships to improve performance and market positioning
- Streamline operations through shared best practices
- Enhance innovation through collaborative efforts

### Regulatory compliance



#### Ensure all operations and practices adhere to local and international regulations and standards

- Develop robust risk management practices
- Improve operational integrity and trustworthiness
- Build positive relationship with regulatory bodies

### Enhanced efficiency & cost optimisation



#### Optimise operational efficiency to reduce costs and improve financial sustainability

- Lower operating costs with aim of 'optimising cost to serve' in each service area
- Improve financial health and sustainability
- Enhance competitive edge through cost leadership

### Workforce reskilling and redevelopment



#### Develop a 'future-fit' skilled and motivated workforce to drive operational excellence, commercial returns and innovation

- Reskill and equip employees with tools to drive the repositioning of Transnet in more competitive space
- Enhance employee performance, productivity and satisfaction
- Build stronger organisational culture and capability

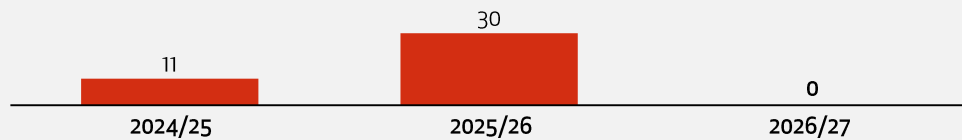




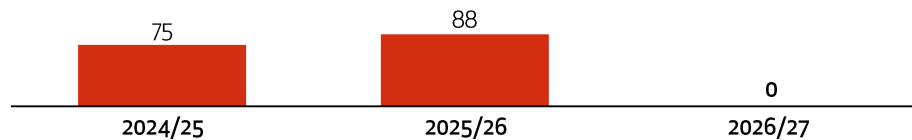
Several initiatives are being undertaken to improve locomotive availability and reliability which will drive volumes on the rail network in the next three years

### Planning

Return to service long-standing Mitsui units (15E/19E) via step-in OEM:

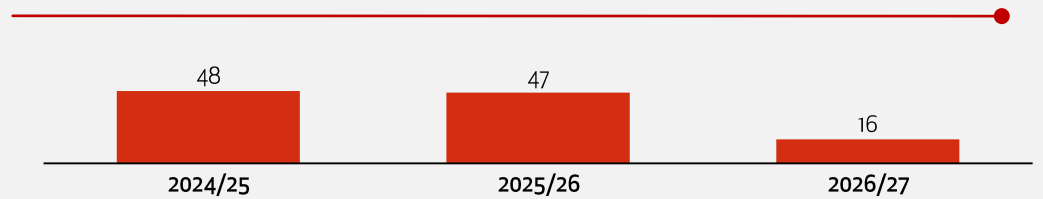


Return to service long-standing CRRC units (20E/21E/22E) via step-in OEM:

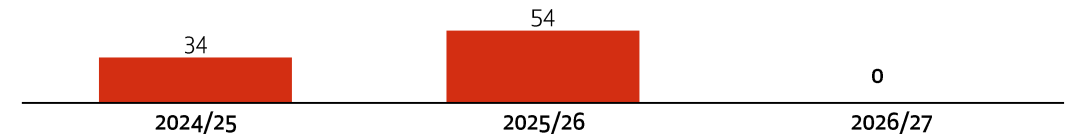


### Work in Progress

New Class 23E units



Return to service long-standing class 43/44Ds





# 2024 & Beyond





## Several successes in the Freight Logistics Roadmap and other policy reforms have already been achieved...

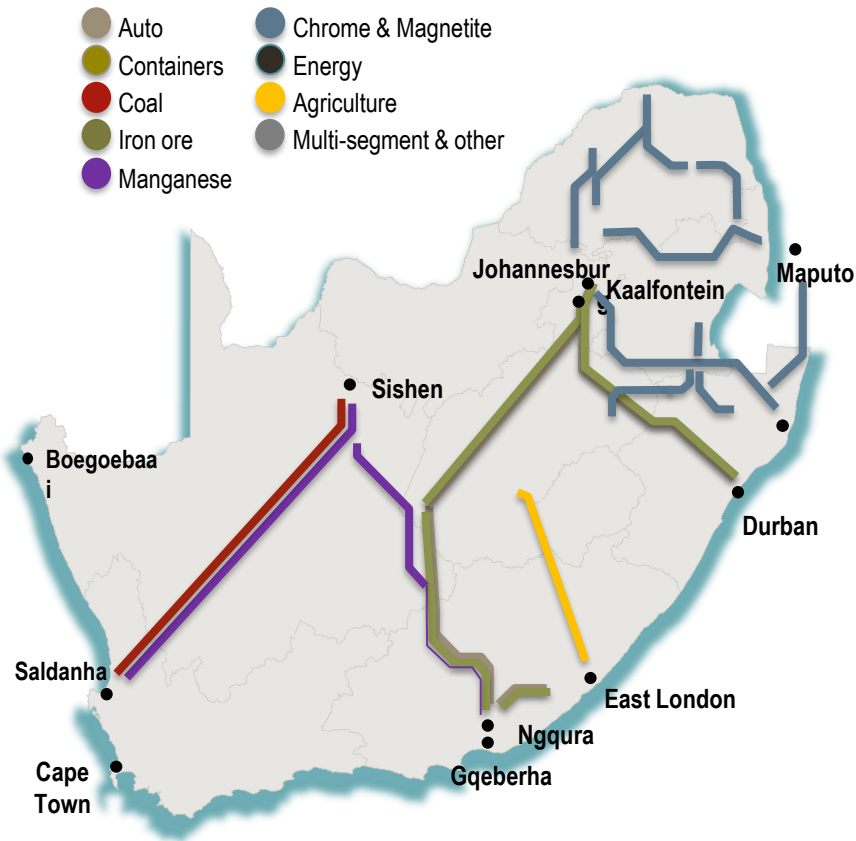
Initiative	Importance	Progress
<b>Accounting separation</b>	<ul style="list-style-type: none"> <li>Enable commercial separation between network and operations</li> </ul>	<ul style="list-style-type: none"> <li>TFR's financial statements has been successfully completed between network and operation (excel based separation)</li> <li>Completed initial mapping of assets and infrastructure between operating company and infrastructure manager (IM)</li> </ul>
<b>Establish interim IM</b>	<ul style="list-style-type: none"> <li>Transitional measure to carry out all required activities to ensure successful implementation of an Infrastructure Manager</li> </ul>	<ul style="list-style-type: none"> <li>Transnet established an interim IM in October 2023 and appointed acting Infrastructure Manager</li> <li>A process of refining organisational design, labour consultation and change management is underway</li> <li>Development of a multi-tier rail network classification consisting of strategic segments and the identification of economic network</li> </ul>
<b>Network statement</b>	<ul style="list-style-type: none"> <li>Statement will promote efficiency and transparency in the slot application process</li> </ul>	<ul style="list-style-type: none"> <li>Draft network statement based on best practice, having reviewed other networks statements and worked with DB Consulting and incorporating initial feedback from IRERC was published in March 2024</li> <li>Development of tariff methodology and initial system-wide tariff underway</li> <li>Final network statement and proposed tariff methodology to open slots for third party access are on track</li> </ul>
<b>TNPA as subsidiary</b>	<ul style="list-style-type: none"> <li>Vertical separation of infrastructure ownership and terminal operations will be undertaken in the ports sector</li> </ul>	<ul style="list-style-type: none"> <li>Then Minister of Public Enterprises and the Transnet Chairperson announced the appointment of the inaugural Board of Directors of Transnet National Ports Authority (TNPA) in October 2023</li> <li>Process of establishing TNPA as a 100% Transnet-owned subsidiary is underway</li> </ul>
<b>PSPs</b>	<ul style="list-style-type: none"> <li>Private sector participation (PSP) utilised to crowd in private investment and know-how to building an efficient and effective logistics system</li> </ul>	<ul style="list-style-type: none"> <li>Selected an equity partner (ICTSI) for DCT Pier 2 transaction</li> <li>Concluded Transnet-Sasol partnership – Sasol will fund the maintenance &amp; repair for a fleet of 128 ammonia tankers</li> <li>Delivery of locomotive spares procured by RBCT</li> <li>TNPA has appointed Vopak and Transnet Pipelines to build and operate a LNG import facility at the port of Richards Bay</li> <li>Grindrod SA appointed as the preferred bidder by TNPA for port of Richards Bay container handling facility</li> <li>Identified several other PSPs across the ports, property and rail segments for development</li> </ul>

TFR = Transnet Freight Rail, IM = Infrastructure Manager, DB = Deutsche Bahn, IRERC = Interim Rail Economic Regulator Capacity, TNPA = Transnet National Ports Authority, PSP = Private Sector Participation, ICTSI = International Container Terminals Services Inc., DCT = Durban Container Terminal, RBCT = Richards Bay Coal Terminal, LNG = liquefied natural gas



# Transnet overview of major private sector participation initiatives – Current status

National Treasury GFA transactions



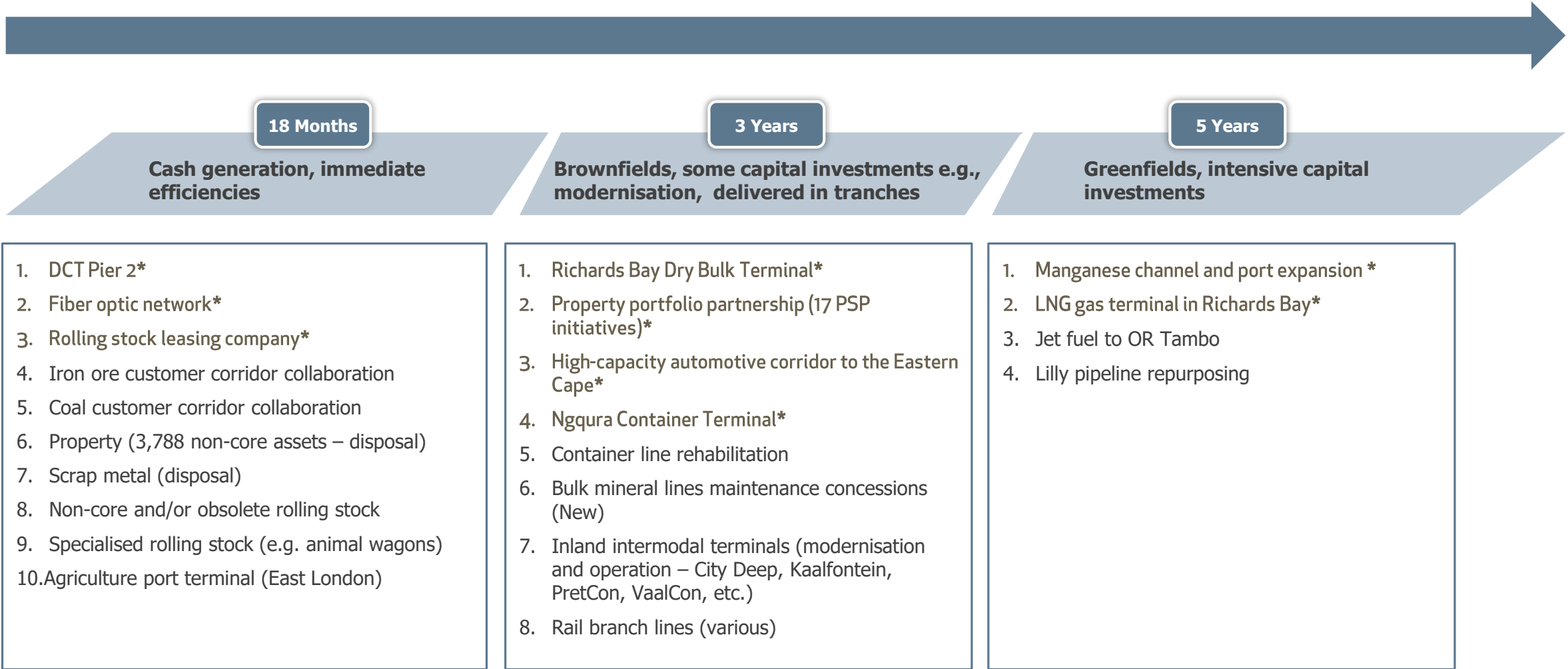
Segment	Initiative	Progress						Completion Date
		Concept	Feasibility	Bus Case	PSP/Proc	Contract	Execution	
Containers	<b>DCT Pier 2 PSP</b>	●	●	●	●	●	○	TBC
	NCT PSP	●	●	●	●	●	○	Reformulate
	Point Container Terminal	●	●	●	●	○	○	TBC
	ConCor Operating Lease	●	●	○	○	○	○	Reformulate
Auto	RBay Container Terminal	●	●	●	●	○	○	Sep 2026
	Ukuvuselela	●	●	●	●	○	○	Dec 2026
Energy	RBay LNG Terminal	●	●	●	●	●	○	Sep 2026
Chrome & magnetite	CFM run-through collaboration	○	○	○	○	○	●	Complete
	<b>RBay Dry Bulk Terminal</b>	●	●	○	○	○	○	Mar 2026
Iron Ore	67mtpa Capacity Expansion	●	●	○	○	○	○	Dec 2028
Manganese	<b>Ngqura export terminal</b>	●	●	○	○	○	○	Dec 2027
	16mtpa rail expansion (Ngqura)	●	●	○	○	○	○	Dec 2027
Agriculture	Siding lease for inland terminals	●	●	●	●	○	○	Various
Multi	Boegoebaai development	●	●	○	○	○	○	TBC
	<b>Leasing company</b>	●	●	○	●	○	○	Mar 2025

Source: Team analysis

GFA = Guarantee Framework Agreement, NCT = Ngqura Container Terminal, RBay = Richards Bay



# Timelines for implementing private sector participation initiatives have been plotted for the short to medium term



\*\* Transaction initiated/in progress – Stage 2 and above of JIEPS

DCT = Durban Container Terminal, PSP = private sector participation, LNG = liquefied natural gas, JIEPS = Joint Investment Framework for External Partner Selection

# When **Transnet** Works, South Africa Thrives!



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