TRANSNET

MEDIA STATEMENT

TRANSNET LIFTS RAIL VOLUMES AMID CHALLENGING CONDITIONS

[Johannesburg, XX December 2024] Transnet SOC Ltd (Transnet) today released its unaudited interim results for the six months to 30 September 2024.

Key highlights

- Revenue increased by 6,0% from R39,2 billion to R41,5 billion
- EBITDA decreased by 1,6% from R13,8 billion to R13,6 billion
- The loss for the period is R2,2 billion compared to a loss of R1,6 billion in 2023
- Cash generated from operations after working capital changes increased by 5,4% to R13,8 billion
- Gearing is at 48,0%
- Rolling cash interest cover (including working capital changes) is 1,9 times
- Capital investment to sustain and expand operations is R10,5 billion
- Debt service of R13,1 billion in capital repayments and interest paid

The current reporting period has seen a noticeable improvement in sentiment regarding South Africa's economic outlook.

The Company continues to experience marginal improvements in the operating environment, particularly the increase in revenue and improved volumes in the rail business owing to the **implementation of the Recovery Plan**. These improvements were achieved amid various operational challenges that continue to restrain the overall financial performance of the Group. Despite the improved revenue and rail volume performance, the Group posted a loss of R2,2 billion for the interim period.

Revenue for the period increased by 6,0% to R41,5 billion (2023: R39,2 billion), in line with weighted average tariff increases in the rail, port and pipeline businesses, and a 3,2% increase in rail volumes which was partially offset by lower container and petroleum volumes. Container volumes decreased due mainly to market challenges, equipment availability and adverse weather conditions. Petroleum volumes decreased due to low market demand and challenges experienced post the planned refinery shutdown. The positive operational volumes achieved at Freight Rail were however, impacted by various operational challenges, including security related incidents, rolling stock unavailability and the condition of rail infrastructure.

Net operating expenses increased by 10,2% to R27,9 billion (2023: R25,3 billion) due mainly to increased personnel costs, security incidents, fuel and electricity tariff increases, maintenance and material cost increases (mainly for locomotives and wagons).

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 1,6% to R13,6 billion (2023: R13,8 billion) with a resultant decrease in the EBITDA margin to 32,8% (2023: 35,3%).

Net finance costs increased by 7,9% to R7,1 billion (2023: R6,6 billion) due mainly to interest rate hikes and increase in total debt compared to the prior period. The South African Reserve Bank, however, lowered interest rates by 0,25% on 19 September 2024, its first-rate relief since the pandemic in 2020.

Prospects

Transnet has made progress, with early successes in stabilising operations, improving financial performance, and addressing infrastructure challenges. While significant work remains, particularly in areas including debt management and security, the ongoing reforms and leadership stability provide a strong foundation for continued recovery and long-term sustainability. Transnet remains committed to its role in supporting South Africa's economic recovery and is focused on delivering efficient, world-class logistics services for the benefit of the country.

Transnet's progress in line with its Recovery Plan continues to be hampered by operational challenges that are impeding the clear progress made in revenue and cash generation from operations after working capital changes.

The Board and management will remain focused on the implementation of the Recovery Plan and direct significant focus on resolving operational challenges to ensure that the tangible gains made thus far are translated into sustainable profitability.

Projects focused on improving rolling stock availability and the rail infrastructure condition will be prioritised while building on improved efficiencies and customer projects that have aided improved volume performance on the general freight business and export coal lines.

The replenishment of key port equipment in the short- and medium-term as well as the acquisition of critical spares to support the maintenance teams remain a key focus area across all terminals and will go a long way to sustain efficient and improved performance at the ports. The Department of Transport and National Treasury are both monitoring the progress of the Recovery Plan and the Guarantee Framework Conditions.

Cost control measures continue to be implemented, along with better planning and execution of maintenance, employee training and incentives to support improved operational delivery. 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.

ENDS.

Issued on behalf of the Group Chief Executive, Adv Michelle Phillips.

For Media Enquiries:

Mediadesk@transnet.net