UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the six months ended 30 September 2024

SALIENT FEATURES

Revenue of **R41,5 billion** (2023: R39,2 billion), increased by **6,0%**, in line with weighted average tariff increases in the rail, port and pipeline businesses, and an increase in rail volumes.

Net operating expenses increased by **10,2%** to **R27,9 billion** (2023: R25,3 billion), due mainly to increased personnel, security, energy, maintenance and material costs.

EBITDA of **R13,6 billion** (2023: R13,8 billion), with the EBITDA margin decreasing to **32,8%** (2023: 35,3%).

Cash generated from operations after working capital changes increased by **5,4%** to **R13,8 billion** (2023: 13,1 billion).

Capital investment increased by **66,2%** to **R10,5 billion** (2023: 6,3 billion).

B-BBEE spend amounted to **R19,08 billion or 108,7%** of total measured procurement spend.

2,4% of **labour costs** were spent on training, focusing on artisans, engineers and engineering technicians.

LTIFR performance of **0,71** against a tolerance of **0,75**, which is within the global benchmark of **1,0**.

Gearing of **48,0%** and rolling cash interest cover (including working capital changes) at **1,9 times**.

Income statement

For the period ended

(in R million)	30 Sept 2024	Reviewed 30 Sept 2023	Audited 31 March 2024
Revenue	**41 515**	39 165	76 699
Net operating expenses excluding depreciation and amortisation	**(27 899)**	(25 327)	(54 731)
Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)	**13 616**	13 838	21 968
Depreciation, derecognition and amortisation	**(9 019)**	(8 937)	(17 689)
Profit from operations before items listed below:	**4 597**	4 901	4 279
Reversal of impairment/(impairment) of assets	**239**	(325)	(579)
Post-retirement benefit obligation expense	**(35)**	(39)	(179)
Fair value adjustments	**(394)**	(73)	432
(Loss)/income from associates and joint ventures	**(2)**	–	10
Profit from operations before net finance costs	**4 405**	4 464	3 963
Finance costs	**(7 439)**	(6 882)	(14 284)
Finance income	**290**	257	509
Loss before tax	**(2 744)**	(2 161)	(9 812)
Tax	**579**	583	2 485
Loss for the period	**(2 165)**	(1 578)	(7 327)

Statement of comprehensive income

For the period ended

(in R million)	30 Sept 2024	Reviewed 30 Sept 2023	Audited 31 March 2024
Loss for the period	**(2 165)**	(1 578)	(7 327)
Other comprehensive loss for the period, net of tax	**(526)**	(1 457)	(2 806)
Other comprehensive loss	**(713)**	(2 005)	(3 937)
Losses on revaluations	**(77)**	(2 037)	(4 650)
Cash flow hedges	**(584)**	(26)	642
Actuarial (losses)/gains on post-retirement benefit obligations	**(52)**	58	71
Tax relating to components of other comprehensive loss	**187**	548	1 131
Total comprehensive loss for the period	**(2 691)**	(3 035)	(10 133)

Headline earnings summarised reconciliation

For the period ended

(in R million)	30 Sept 2024	Reviewed 30 Sept 2023	Audited 31 March 2024
Loss for the period attributable to the equity holder	**(2 165)**	(1 578)	(7 327)
(Profit)/loss on the disposal of property, plant and equipment	**(104)**	(22)	169
Total remeasurements	**(545)**	(429)	(808)
Investment property fair value adjustments	**3**	(23)	(615)
Reversal of impairment of non-financial assets	**(548)**	(406)	(193)
Total tax effects of adjustments	**175**	121	139
Headline loss	**(2 639)**	(1 908)	(7 827)

Statement of financial position

As at

(in R million)	30 Sept 2024	Restated reviewed 30 Sept 2023	Audited 31 March 2024
Assets			
Non-current assets	**335 594**	336 142	336 148
Property, plant and equipment	**298 230**	296 901	294 997
Investment property	**30 820**	29 565	30 822
Intangible assets	**706**	617	756
Investments in associates and joint ventures	**75**	71	77
Derivative financial assets	**2 431**	5 623	6 011
Other financial assets	**3 332**	3 365	3 485
Current assets	**27 132**	23 395	28 488
Inventory	**4 714**	3 892	4 083
Trade and other receivables	**10 243**	9 653	9 228
Contract assets	**860**	848	855
Current tax asset	**–**	2	–
Derivative financial assets	**–**	6	–
Short-term investments	**42**	55	39
Cash and cash equivalents	**10 921**	8 592	13 884
Assets classified as held-for-sale	**352**	347	399
Total assets	**362 726**	359 537	364 636
Equity and liabilities			
Capital and reserves	**135 404**	145 193	138 095
Issued capital	**18 498**	18 498	18 498
Reserves	**116 906**	126 695	119 597
Non-current liabilities	**130 619**	122 132	135 609
Employee benefits	**677**	664	638
Long-term borrowings	**68 895**	63 839	75 140
Derivative financial liabilities	**1 740**	245	311
Long-term provisions	**15 623**	10 369	15 042
Deferred tax liability	**40 163**	43 412	40 928
Other non-current liabilities	**3 521**	3 603	3 550
Current liabilities	**96 703**	92 212	90 932
Trade payables and accruals	**26 924**	24 971	26 174
Contract liabilities	**1 314**	1 380	1 223
Short-term borrowings	**67 151**	65 090	62 522
Derivative financial liabilities	**–**	2	–
Short-term provisions	**1 314**	769	1 013
Total equity and liabilities	**362 726**	359 537	364 636

Statement of cash flows

For the period ended

(in R million)	30 Sept 2024	Reviewed 30 Sept 2023	Audited 31 March 2024
Cash flows from operating activities	**6 527**	6 069	14 246
Cash generated from operations	**15 038**	14 613	28 920
Changes in working capital	**(1 239)**	(1 515)	(118)
Cash generated from operations after changes in working capital	**13 799**	13 098	28 802
Finance costs	**(7 195)**	(6 802)	(14 282)
Finance income	**290**	257	509
Tax paid	**–**	–	2
Settlement of post-retirement benefit obligations	**(51)**	(49)	(107)
Derivatives settled and raised	**(316)**	(435)	(678)
Cash flows utilised in investing activities	**(11 066)**	(6 710)	(16 969)
Investment to maintain operations	**(8 523)**	(4 826)	(13 317)
Investment to expand operations	**(2 391)**	(1 847)	(3 393)
Changes in investments, loans, advances and other investing activities	**(152)**	(37)	(259)
Cash flows from/(utilised in) financing activities	**1 576**	(4 307)	3 067
Borrowings raised	**6 588**	–	34 435
Borrowings repaid	**(5 012)**	(4 307)	(31 368)
Net (decrease)/increase in cash and cash equivalents	**(2 963)**	(4 948)	344
Cash and cash equivalents at the beginning of the period	**13 884**	13 540	13 540
Cash and cash equivalents at the end of the period	**10 921**	8 592	13 884

Statement of changes in equity

For the period ended

(in R million)	Issued capital	Revaluation reserve	Actuarial gains and losses	Cash flow hedging reserve	Other	Retained earnings	Total
Restated opening balances as at 1 April 2023	18 498	64 450	2 601	(192)	249	62 622	148 228
Total comprehensive (loss)/income for the period (net of tax and transfers to retained earnings)	–	(1 530)	42	(19)	–	(1 528)	(3 035)
Restated balances as at 30 September 2023	18 498	62 920	2 643	(211)	249	61 094	145 193
Total comprehensive (loss)/income for the period (net of tax and transfers to retained earnings)	–	(2 162)	10	488	–	(5 434)	(7 098)
Balances as at 31 March 2024	18 498	60 758	2 653	277	249	55 660	138 095
Total comprehensive loss for the period (net of tax)	**–**	**(62)**	**(38)**	**(426)**	**–**	**(2 165)**	**(2 691)**
Transfer to retained earnings (net of tax)	**–**	**(58)**	**–**	**–**	**–**	**58**	**–**
Balances as at 30 September 2024	**18 498**	**60 638**	**2 615**	**(149)**	**249**	**53 553**	**135 404**

Segment information

for the six months ended

(in R million)	Transnet Freight Rail 30 Sept 2024	Transnet Freight Rail Reviewed 30 Sept 2023	Transnet Rail Engineering 30 Sept 2024	Transnet Rail Engineering Reviewed 30 Sept 2023	Transnet National Ports Authority 30 Sept 2024	Transnet National Ports Authority Restated reviewed 30 Sept 2023	Transnet Port Terminals 30 Sept 2024	Transnet Port Terminals Reviewed 30 Sept 2023
External revenue*	**21 700**	20 015	**171**	234	**5 807**	5 747	**10 089**	9 440
Internal revenue	**317**	232	**4 742**	4 080	**1 374**	1 310	**0**	–
Total revenue	**22 017**	20 247	**4 913**	4 314	**7 181**	7 057	**10 089**	9 440
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**4 810**	4 702	**(618)**	(517)	**3 820**	3 994	**3 388**	3 536
Total assets**	**172 930**	169 822	**11 617**	11 331	**104 020**	100 101	**36 794**	31 339
Total liabilities	**144 735**	135 252	**12 836**	11 178	**23 694**	22 402	**8 164**	6 715
Capital expenditure***	**7 111**	4 666	**21**	43	**1 729**	997	**1 185**	407
Cash generated from operations after changes in working capital	**3 775**	(878)	**(1 138)**	4 011	**3 876**	4 353	**3 542**	3 145

(in R million)	Transnet Pipelines 30 Sept 2024	Transnet Pipelines Reviewed 30 Sept 2023	Total reportable segments 30 Sept 2024	Total reportable segments Restated reviewed 30 Sept 2023	Other* 30 Sept 2024	Other* Restated reviewed 30 Sept 2023	Total Transnet 30 Sept 2024	Total Transnet Restated reviewed 30 Sept 2023
External revenue*	**3 303**	3 232	**41 070**	38 668	**445**	497	**41 515**	39 165
Internal revenue	**3**	3	**6 436**	5 625	**(6 436)**	(5 625)	**0**	–
Total revenue	**3 306**	3 235	**47 506**	44 293	**(5 991)**	(5 128)	**41 515**	39 165
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**2 107**	2 389	**13 507**	14 104	**109**	(266)	**13 616**	13 838
Total assets**	**45 588**	40 817	**370 949**	353 410	**(8 575)**	5 780	**362 374**	359 190
Total liabilities	**21 155**	15 048	**210 584**	190 595	**16 738**	23 749	**227 322**	214 344
Capital expenditure***	**102**	118	**10 148**	6 231	**323**	67	**10 471**	6 298
Cash generated from operations after changes in working capital	**2 335**	2 255	**12 390**	12 886	**1 409**	212	**13 799**	13 098

* *Revenue from segments below the quantitative thresholds are attributable to Transnet Property and the corporate centre function. Transnet Property manages internal and external leases of commercial and residential property and the Transnet corporate centre function performs an administration function for the Group. Also includes the elimination of inter segment transactions.*

** *Excludes assets held-for-sale.*

*** *Excludes capitalised borrowing costs, includes capitalised finance leases and capitalised decommissioning liabilities.*

Commentary

Introduction

The current reporting period has seen a noticeable improvement in sentiment regarding the South African economic outlook. There have been visible signs of constructive action being taken by the new government to address key economic challenges, for example the electricity and logistics crises. Investors have seen the Rand appreciating against leading currencies, which has benefitted the inflation outlook. Despite all these positive impulses, the actual data releases in recent months thus far do not reflect any real improvement in economic growth. Against this backdrop, Transnet also experienced various operational challenges which resulted in a restrained overall financial performance for the Group, with improved revenue and rail volume performance, but ultimately a net loss for the interim period.

Performance overview

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 partially offset by lower container and petroleum volumes. Petroleum volumes decreased due to low market demand and challenges post the planned refinery shutdown. Container volumes decreased due mainly to market and adverse weather conditions. Positive operational volumes 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 (salary increases and bargaining council wage agreements), security (mainly rail related incidents), fuel and electricity (tariff increases) and maintenance and material costs (mainly for locomotives and wagons) compared to the prior period.

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%).

Depreciation, derecognition and amortisation of assets increased by 0,9% to R9,0 billion (2023: R8,9 billion), due mainly to the capital expenditure for the last 12 months.

Profit from operations after depreciation and amortisation decreased by 6,2% to R4,6 billion (2023: R4,9 billion).

Reversal of impairment of assets, amounting to R239 million (2023: R325 million impairment), is primarily due to Freight Rail property, plant and equipment impairment reversals (relating mainly to locomotive assessment timing and wagons that were held for sale but have been brought back into operations) partially offset by National Ports Authority, Properties and Freight Rail debtor impairments.

Post-retirement benefit obligations are actuarially assessed in accordance with IAS 19: *Employee Benefits* and adjusted accordingly. The Company recognised a cost of R35 million (2023: R39 million) during the period.

Fair value adjustments amounted to a R394 million loss (2023: R73 million loss). These adjustments are due mainly to derivative fair value losses as a result of interest rate and cross currency swaps that are hedge accounted for, in terms of IFRS 13: *Fair Value Measurement*.

Profit from operations before net finance costs decreased by 1,3% to R4,4 billion (2023: R4,5 billion).

Net finance costs increased by 7,9% to R7,1 billion (2023: R6,6 billion) resulting mainly from the interest rate hikes and increase in total debt compared to the prior period. The SARB did lower interest rates by 0,25% on 19 September 2024, its first rate relief since the pandemic in 2020.

The tax credit of R579 million (2023: R583 million credit) consists of a deferred tax credit. The deferred tax credit arose mainly due to the loss before tax. The effective tax rate for the Group is 21,1%.

This resulted in a loss for the period of R2,2 billion (2023: R1,6 billion loss).

Commentary on operating divisions

Transnet Freight Rail (Freight Rail)

Operationally Freight Rail has continued to be impacted by challenges relating to security related incidents, rolling stock unavailability and the rail infrastructure condition, however the organisation has made strides to achieve its recovery plan objectives and there are positive signs evidenced by a positive operational and financial result relative to the prior period. Volume performance is higher than the prior period, reflecting an increase of 3,2% to 78,0 million tons (mt) (2023: 75,6 mt).

Revenue for the period under review increased by 8,7% to R22,0 billion (2023: R20,2 billion). The increase in revenue is attributable to the increase in volumes as well as an improved rand/ton as a result of an inflationary price increase and better product mix on delivered volumes.

General freight business

General freight business volumes increased by 10,9% to 28,5mt (2023: 25,7mt), compared to the prior period. The main contributors to the increase in volumes were a 16,9% increase in manganese volumes to 8,3 mt (2023: 7,1 mt), a 31,3% increase in domestic coal volumes to 2,1 mt (2023: 1,6 mt), a 45,4% increase in coal volumes to Eskom power stations to 1,6 mt (2023: 1,1 mt), and an intermodal volume increase of 33,3% to 2,4 mt (2023: 1,8 mt). This can be attributed to various initiatives and projects with customers, improved efficiencies and the favourable distribution pattern for manganese exports to Port Elizabeth and Saldanha.

However, a decrease in volumes were recorded for cement and lime by 20,0% to 0,8 mt (2023: 1,0 mt), iron and steel by 4,3% to 2,2 mt (2023: 2,3 mt), and grain by 33,3% to 0,2 mt (2023: 0,3 mt). During May to July 2024, AMSA experienced a breakdown of their blast furnace resulting in an unstable start-up. This impacted the iron and steel portfolio as AMSA iron ore traffic flows were reduced which affected their iron ore flows. Furthermore, ongoing security incidents, resources constraints, vandalised substations, a derailment, shunt locomotive failure and operational challenges had a marked effect on performance.

The average turnaround times reflect an 11,0% improvement to 12,1 days from 13,6 days in the prior period, primarily due to performance improvement initiatives linked to business turnaround plans.

Export coal line

The business railed 24,5 mt of export coal (2023: 23,4 mt), 4,7% more than in the prior period. The increase in performance was due mainly to improved efficiencies as well as an increase in customer demand.

The efficiency improvements also contributed to a 19,0% average wagon cycle time improvement to 92,2 hours from 94,0 hours in the prior period.

Export iron ore line

Export iron ore volumes transported decreased by 5,7% to 25,0mt (2023: 26,5mt). The deterioration in performance was due mainly to an increase in derailments, security-related challenges, unavailability of resources (long standing locomotives), rail network issues and off-loading issues at Saldanha harbour.

Average wagon cycle times were negatively impacted owing to the factors mentioned above and increased by 6,1% from an average of 101,0 hours in the prior period to 107,2 hours.

Operating expenditure increased by 10,7% to R17,2 billion compared to the prior period (2023: R15,5 billion), due mainly to increased personnel costs attributed to salary increases minimised by lower headcount, security costs attributed to security interventions, an increase in electronic data costs linked to transversal contracts and fuel and electricity costs due mainly to tariff increases.

This resulted in an EBITDA of R4,8 billion which was 2,3% higher than the prior period (2023: R4,7 billion).

Transnet Engineering (Engineering)

Revenue increased by 13,9%, reaching R4,9 billion (2023: R4,3 billion). This growth can be attributed to a combination of a 5,1% inflationary adjustment and increased demand for rolling stock (from Freight Rail), which necessitated enhanced availability. Conversely, revenue from cross border and domestic customers experienced a decline of 26,9%, falling to R171 million (2023: R234 million). This reduction is primarily due to a decrease in orders from the external market.

Net operating expenses for the period increased by 14,5%, amounting to R5,5 billion (2023: R4,8 billion). The rise in expenses was primarily driven by an increase in materials, energy and maintenance expenses in line with work completed for Freight Rail, partially offset by a significant decrease in operating income due to insurance proceeds related to the Durban floods in the prior period.

As a result of the above factors, there was a deterioration in the EBITDA loss, which increased by 19,5% to R618 million (2023: R517 million).

Transnet National Ports Authority (National Ports Authority)

Revenue increased by 1,8% to R7,2 billion (2023: R7,1 billion) due mainly to an increase in marine revenue, container revenue and bulk revenue, partially offset by a decrease in lease income.

Net operating expenses increased by 9,7% to R3,4 billion (2023: R3,1 billion), due mainly to increased personnel costs (wage agreement increases and filling of critical vacancies), electricity costs (higher electricity tariffs) and maintenance costs (catch up on maintenance spending).

Accordingly, EBITDA has decreased by 4,4% to R3,8 billion (2023: R4,0 billion).

Transnet Port Terminals (Port Terminals)

Revenue increased by 6,9% to R10,1 billion (2023: R9,4 billion).

Volume performance across most sectors show a regression year on year due to various internal and external factors. Container volumes declined by 0,6% to 2 129 054 twenty-foot equivalent units (TEUs) (2023: 2 142 525 TEUs). The container sector has been negatively impacted by the lower global and domestic demand, on the back of higher inflation and rising food prices and has had challenges on the operational side with equipment availability and adverse weather conditions. The geo-political conflict around the globe has impacted volume coming through South Africa, as well as the Red Sea diversions. Automotive volumes declined by 3,6% to 400 458 units (2023: 415 511 units). The automotive sector decline is primarily due to the lower domestic demand due to inflation and affordability. Original equipment manufacturers (OEM's) have been facing some challenges in terms of moving units- MBSA has cut production due to weak global demand and Toyota SA has not been able to export to the European market due to European emissions standards. Bulk volumes decreased by 3,3% to 34,7 mt (2023: 35,9 mt) due mainly to rail constraints as a result of locomotive shortages, derailments and cable theft. Port Terminal's equipment challenges also placed constraints on the ability to export bulk. Agricultural produce has been affected by the El Nino weather pattern which has resulted in droughts and lower exports as a result. Break-bulk volumes increased by 10,7% to 15,3 mt (2023: 13,8 mt) due mainly to favourable market conditions.

Port Terminals' headline operational measure, namely the average moves per ship working hour (SWH), has resulted in mixed successes across the container terminals. The SWH improved compared to the prior period at the Durban Container Terminal (DCT) Pier 1 as well as the Cape Town Container Terminal (CTCT). DCT Pier 1 improved from 33 moves per hour in 2023 to 37 moves per hour in 2024. The CTCT improved from 24 moves per hour in 2023 to 27 moves per hour in 2024.

The SWH at Durban's Pier 2 Container Terminal declined from 41 moves per hour in 2023 to 36 moves per hour in 2024. This is primarily due to the challenges relating to availability and reliability of an aged equipment fleet. The current attention of the terminal is to maximise the availability and reliability of the equipment through focused maintenance by the technical team, assisted by maintenance service and spares contracts with OEMs. The medium to long-term plan is the replacement of equipment in line with the fleet plan, some of which will occur in the final quarter of the 2025 financial year.

The Ngqura Container Terminal (NCT) decreased from 39 moves per hour in 2023 to 31 moves per hour in 2024 primarily due to the terminal changing from a 2-berth to a 3-berth operating model. Although this allows the simultaneous operation of three vessels, it also necessitates the spread of port equipment between three vessels instead of two, which results in a lower productivity per vessel. However, overall volume across all three berths has increased in excess of 13 thousand TEUs or 4,1% from the prior period.

While unfavourable weather conditions, due to the effects of climate change, continue to impact operational performance, terminals have combatted this through the focus on speedy operational recovery after such interruptions.

As mentioned for DCT Pier 2 above, the replenishment of key equipment fleet in the short and medium-term as well as through the acquisition of critical spares to support the maintenance teams is a key focus across all terminals. TPT has established an OEM partnership for the acquisition of equipment, including support over its lifespan. The long-term benefits are expected to result in reduced lead time to procure spares, standardise equipment, reduce spare holdings, and incentivise local investment. The machine lifetime support is expected to have a positive effect on machine uptime.

Saldanha Iron Ore (Bulk) Terminal has maintained its average dual loading rate per hour being above the target of 8 250 tons per hour despite equipment challenges. The terminal does a planned annual maintenance shutdown on major equipment which assists in improving handling efficiencies. It also has live performance data which assists the terminal to monitor performance and make necessary decisions on a real time basis. The stockpile capacity is 2,5 million tons, allowing optimal stockpiling before export loading. The terminal also focusses on adequate cleaning of conveyor belts between vessels to support the uninterrupted loading operations.

The Saldanha Multi-purpose Terminal (MPT) is used as an overflow facility for the handling of iron ore. The skip operation complemented by a mobile ship-loader results in the export of iron ore at a loading rate of more than 800 tons per hour.

The Saldanha MPT's core business is the export of manganese, through a skip operation, which is also supported by a mobile ship-loader. The terminal recorded a loading rate for manganese ore of 713 tons per hour for the current reporting period, compared to 599 tons per hour for the prior period. Manganese ore is also exported through Port Elizabeth's Bulk Operating Terminal (PE BOT) and its Multi-purpose Terminal (PE MPT). The PE BOT is in excess of 61 years old, with aged infrastructure, consisting of two tipplers, two ship-loaders and stackers/ reclaimers in the stack. However, the terminal can still churn out in excess of 4 million tons of manganese ore at a rate of more than 600 tons per hour. The plant is subjected to an annual maintenance shut and the plant is being refurbished to sustain operations for approximately 5 years, after which it will be decommissioned. The PE MPT can handle approximately 6 million tons of manganese through a skip operation and recorded an improved loading rate from the prior period of 426 tons per hour for the current reporting period (2023: 388 tons per hour).

The Richards Bay Dry Bulk Terminal (DBT) handled magnetite at a loading rate of 1 632 tons per hour in 2024, a significant improvement from the 1 103 tons per hour recorded in 2023. The chrome loading rate at DBT also improved compared to the prior period from 703 tons per hour to 1 079 tons per hour. The terminal has improved plant maintenance and monitoring, which has increased plant reliability and boosted the terminals operational performance.

In the automotive sector, the Durban Automotive Terminal improved the loading/discharge rate from 152 units per hour in 2023 to 153 units per hour in 2024. East London Automotive Terminal remained above the threshold of 200 units per hour at 203 (2023: 204 units per hour). The Port Elizabeth Automotive Terminal decreased marginally from 182 units per hour in 2023 to 178 units per hour in 2024. The loading rates of the automotive terminals are within current operational design and customer expectations.

Net operating expenses increased by 13,5% to R6,7 billion (2023: R5,9 billion). The increase is due mainly to higher labour costs (salary increases, additional headcount and other costs related to the continued implementation of the fourth shift) and higher repairs and maintenance (due to aging equipment).

The resultant impact on EBITDA is a decline of 4,2% to R3,4 billion (2023: R3,5 billion).

Transnet Pipelines (Pipelines)

Revenue for the period has increased by 2,2% to R3,3 billion (2023: R3,2 billion) due mainly to the higher allowable revenue granted by NERSA.

Petroleum volumes transported decreased by 11,4% to 6,564 billion litres (2023: 7,408 billion litres) due to low market demand and challenges experienced post the planned refinery shutdown.

Net operating expenses increased to R1,2 billion (2023: R0,8 billion). This is predominantly attributable to the impact of the court judgement received on 18 June 2024 relating to a litigious claim. Transnet has filed an application for leave to appeal the judgement on 8 July 2024 which was acknowledged by the appeals registrar on 12 July 2024. The appeal was heard on 15 October 2024 and Transnet is awaiting the outcome.

Consequently, EBITDA for the period has decreased by 11,8% to R2,1 billion (2023: R2,4 billion).

Group financial position

Revaluation of property, plant and equipment

The Group assesses the revaluation of its rail infrastructure, port infrastructure and pipeline networks in line with its accounting policy, which requires an independent valuation every three years, as well as index valuations in the intervening periods. During the period, a discounted cash flow valuation was performed on rail infrastructure, and an index valuation was performed on pipeline assets.

- The carrying value of rail infrastructure did not require a revaluation adjustment (March 2024: R4,0 billion devaluation).
- The carrying value of port facilities did not require a revaluation adjustment (March 2024: R1,0 billion devaluation).
- The carrying value of pipeline networks did not require a revaluation adjustment (March 2024: R264 million devaluation).

Revaluation adjustments are performed in accordance with IAS 16: *Property, plant and equipment.*

Deferred tax

The deferred tax liability decreased to R40,2 billion (March 2024: R40,9 billion), mainly as a result of the impact of the loss for the period and cash flow hedge losses recognised in equity.

Cash flows

Cash generated from operations after working capital changes increased by 5,4% to R13,8 billion (2023: R13,1 billion). The rolling cash interest cover (CIC) ratio at 1,9 times (2023: 1,9 times) is mainly as a result of the higher net finance costs. This resulted in a breach in loan covenants, with all the required waivers received from the affected lenders.

Borrowings

Transnet raised funding of R6,3 billion (2023: R nil) through the issuance of bonds (under the Domestic Medium-Term Note (DMTN) programme) and bilateral loans during the interim period and made debt repayments of R5,0 billion.

The gearing ratio increased to 48,0% (March 2024: 46,2%), within the Group's target range of <50,0% and is well within the triggers in loan covenants. The deterioration is mainly as a result of the decrease in cash on hand and the loss for the interim reporting period.

Derivative financial assets and liabilities

Derivative financial instruments are held by the Group to hedge financial risks associated with its capital investment and borrowing programmes. The 'mark-to-market' of these derivative financial instruments resulted in a net derivative financial asset of R690 million (March 2024: R5,7 billion). Cross-currency interest rate hedges and forward-exchange contracts were executed to eliminate foreign currency and interest rate risk on borrowings. These hedges have been hedge accounted for in terms of IFRS 9: *Financial Instruments*.

Pension and post-retirement benefit obligations

The two defined benefit funds, namely the Transnet sub-fund of the Transport Pension Fund (TTPF) and the Transnet Second Defined Benefit Fund (TSDBF) are fully funded with actuarial surpluses of R1 482 million (March 2024: R1 529 million) and R4 249 million (March 2024: R4 304 million) respectively. Transnet has not recognised any portion of the surplus on these funds, as the fund rules do not allow for the distribution of a surplus.

The total value of ad hoc bonuses paid to beneficiaries by the TTPF (since December 2011) and TSDBF (since November 2007) amounts to R668 million and R5,5 billion respectively. These payments continue to supplement the current statutory increase of the beneficiaries of the TTPF and TSDBF to provide pensioners with increases above CPI.

The post-retirement medical benefit obligation is approximately R320 million (March 2024: R284 million).

Contingencies and commitments

There were no material movements in contingencies and commitments since 31 March 2024.

Going concern assessment

The consolidated interim results are prepared on the going-concern basis. In undertaking the going concern assessment for the foreseeable future, the directors have considered and evaluated the following:

- Financial performance;
- Current economic factors and projections;
- Funding and liquidity considerations;
- Loan covenants;
- Credit rating agencies;
- Economic regulation risks;
- Current litigation matters;
- Contingent liabilities and post balance sheet events; and
- Counter party risk.

The key features of this assessment are summarised as follows:

The Transnet Board (Board) has reviewed the Group's performance for the interim period and considered the robustness of budgets and business results, cash flow projections for the 15 months ending 31 December 2025, cost-saving opportunities, the cost of capital projects and related optimisation opportunities and the funding plan.

Financial performance was satisfactory for the interim reporting period due mainly to the impact of operational challenges. Volumes are not yet at required levels, though improvements have been noted in the rail business, but encouragingly cash generated from operations was above expectations. Capital expenditure for the interim period has also increased significantly, predominantly focused on the renewal of the asset base. The Board and management is therefore still confident that the recovery plan will achieve its objectives and therefore will continue with its implementation, focusing on finding solutions to the operational challenges impeding its progress.

Transnet will continue to navigate an ever-changing legislative landscape on its path of recovery, including reforms that could result in the corporatisation of National Ports Authority into a wholly owned subsidiary of Transnet and the split of Freight Rail into Transnet Freight Rail Operating Company (TFROC) and the Transnet Rail Infrastructure Manager (TRIM) (could also become a wholly owned subsidiary of Transnet) which is expected to oversee rail network quality and reliability to deliver the highest possible tonnage for the business. These reforms are still in the process of assessment, refinement and full quantification.

The 2024/25 corporate plan depicts an improvement in financial performance as operations improve over time. Financial performance has shown signs of stabilisation in key areas of the business and with the continued joint effort of management and the Board to improve efficiencies and build on the positive signs, the Group is projected to accelerate and contribute sustainable profits in subsequent years.

Transnet will continue to focus on improving cash generation to support capital investment and to partially repay loans.

Transnet expects continued access to debt capital markets, primarily through its Domestic Medium-Term Note (DMTN) programme and long-term loans to satisfy its funding requirements. The funding pipeline to cover the 2025 financial year funding requirements is envisaged to benefit from the balance of the guarantees under the R47 billion government guarantee facility approved on 1 December 2023. R27,4 billion guaranteed debt has been issued to date under this framework. The government guarantee facility has mitigated the need for financial covenants such as the CIC, being included in any of the new funding deals.

For the 30 September 2024 reporting period, Transnet achieved a CIC of 1,9 times and therefore breached the CIC loan covenants with affected lenders (as detailed in the events after reporting date section). The breach is an event of default and is the main driver for the Group's net liability position. Transnet submitted waiver requests to each of the affected lenders requesting that they waive the triggered event of default. The waiver process has been completed and Transnet has received all the required waivers from the affected lenders.

The directors note the resultant increase in debt levels, the related borrowing cost pressure on the cash flow projections, and the ability of the Group to settle their debts as they become due and payable. However, the recent debt secured is over a longer tenure at concessionary pricing, thus alleviating some of the cash flow pressure.

The directors evaluated all significant matters, including ongoing legal proceedings and contingent liabilities with any developments during the post-reporting period and assessed their impact on the liquidity and solvency of the Group. The Group does not expect a negative impact on its funding ability.

After performing the assessment and considering all associated risks, the directors believe that material uncertainties relating to events or conditions which may cast significant doubt on the entity's ability to continue as a going concern exist, but these are adequately mitigated as detailed above. The directors will continue to manage these mitigation strategies as a priority as it is important that they materialise as envisaged. The directors after carefully considering the progress of the recovery plan and the financial support from the government, through the provision of guarantees, still believes 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. They therefore continue to adopt the going concern assumption in preparing the consolidated interim results of Transnet SOC Ltd.

Guarantees

The sole Shareholder in Transnet SOC Ltd, namely the South African Government, has guaranteed certain borrowings of the Group amounting to R30,9 billion (March 2024: R24,9 billion), representing 22,7% of total borrowings of R136,0 billion.

Capital investment

The Transnet Group continued to execute its capital investment programme. Capital expenditure for the period ended 30 September 2024 amounts to R10,5 billion representing an increase of 66,3% against the prior period of R6,3 billion. 15,5% was invested in the expansion of capacity while 84,5% was invested to maintain current capacity.

The infrastructure investment highlights for the period include:

- R2,74 billion invested to maintain the condition of rail infrastructure;
- R2,79 billion invested to maintain the condition of rolling stock;
- R800 million invested in the acquisition of new locomotives;
- R883 million invested in the acquisition of tugs;
- R292 million invested in the replacement of La Spezia cranes;
- R165 million invested in the Bayhead Park roads upgrade;
- R150 million invested in the replacement of rubbered tyred gantries (RTG's);
- R139 million invested in the acquisition of haulers and empty container handlers; and
- R136 million invested in wagon new builds, fleet renewal and upgrades.

Economic, social and environmental impact

Broad-based black economic empowerment (B-BBEE) enterprise and supplier development

Transnet undertakes all its procurement activities in a manner that protects and advances persons, or categories of persons, who have been disadvantaged by past discrimination and ensures that procurement activities are fair, equitable, transparent, competitive and cost-effective. Transnet's procurement activities contribute directly to the growth and economic transformation of South Africa and as such, can decrease income inequalities, while significantly increasing the number of previously disadvantaged individuals who manage, own and control businesses.

Transnet recognises that socio-economics remain a significant challenge in South Africa. As such, the Group continues to implement a value creation approach in transforming communities and societies by providing opportunities through Broad-Based Black Economic Empowerment (B-BBEE) as well as employment equity. The Company seeks to empower small, medium and micro-sized enterprises (SMMEs) that are black owned, black youth owned, black female owned and people with disabilities owned by developing their capabilities in order to be competitive. As a state-owned company (SOC), Transnet recognises that the ongoing weak economic conditions and high levels of unemployment in South Africa significantly impact the job market hence entrepreneurship, innovation and transformation is encouraged.

Transnet embraces transformation through alignment with the B-BBEE legislation in order to realise South Africa's full economic potential. The Group is guided by the Enterprise Development programme informed by the Broad-Based Black Economic Empowerment Act, No 53 of 2003, as amended (Act 46 of 2013), as well as the B-BBEE Codes of Good Practice. As a SOC, Transnet is also guided by section 5 of the Preferential Procurement Policy Framework Act (PPPFA) which is intended to assist with the implementation of the PPPFA Regulations 5 of 2000. Transnet remains focused on broadening and improving meaningful B-BBEE participation in the economy and extensively increasing its participation through the involvement of communities in the Company's procurement opportunities to drive ownership and control of enterprise and supplier development.

As a SOC, Transnet's B-BBEE verification covers six of the seven elements of the Generic Transport Public Sector Scorecard, excluding the ownership element. The Rail Charter, Maritime Charter and Property Charter are also applied. Transnet maintained and retained a level 2 B-BBEE status for 2024/2025. Transnet acknowledges the importance of B-BBEE as a critical component of achieving sustainable and inclusive economic growth. The Company will, therefore, continue to optimise its contribution to B-BBEE in the execution of its mandate as a SOC.

Transnet's total recognised B-BBEE spend for the interim period, as per the Department of Trade and Industry Codes (the Codes), is R19,08 billion or 108,7% of total measured procurement spend (TMPS) of R17,55 billion. Transnet spent R10,29 billion (58,6% of TMPS) on black-owned enterprises; R8,57 billion (48,8% of TMPS) on black women-owned enterprises; R2,50 billion (14,2% of TMPS) on exempted micro-enterprises (EME); and R2,28 billion (13,0% of TMPS) on qualifying small enterprises (QSE). Black youth enterprises spend accounts for R841 million (4,8% of TMPS). Enterprise spend relating to black people living with disabilities accounts for R15 million (0,1% of TMPS).

Safety

Transnet has embarked on the implementation of the safety 10-point plan, a migration plan to Transnet safety excellence, which is an envisaged future safety management system. The first phase of the roadmap sought to stabilise the core of safety management which is aimed at arresting the workplace, public incidents and critical compliance findings.

The Group safety policy which came into effect in the third quarter of the last financial year, bears testament to Transnet's leadership commitment to employees' and stakeholder safety (including the public). Leadership is further taking the lead in building a positive safety culture through the Executive Visible Felt leadership programme.

Transnet continues to pursue the safety vision of "Zero Harm" through various flagship programmes contained in the safety 10-point plan and its safety accreditations, licences and certifications are in good standing.

Transnet has also successfully renewed its Railway Safety Regulator (RSR) Permit having met all special conditions of the ongoing three-year permit.

Sadly, four colleagues lost their lives in work-related incidents during the current reporting period. Transnet extends its deepest condolences to the families, friends and colleagues of these late employees. In-depth investigations are taking place and it is through these, that Transnet can create a learning environment to prevent any future loss of lives.

Transnet's rolling lost time injury frequency rate (LTIFR) is 0,71, compared to the tolerance of 0,75. Thirty- eight public fatalities have been reported in the current reporting period, compared to thirty-eight reported for the prior period. This is attributed to factors such as bodies found next to the railway line, collisions at level crossings and people trespassing. It is imperative that more focus is placed on community safety.

Transnet acknowledges that its safety performance requires significant improvement. Accordingly, the focus is concentrated on occurrence prevention and strengthening investigative capabilities. These entail all classes of occurrences from near misses to major incidents, key to these are train derailments, motor vehicle accidents, level crossing accidents and lost time to injuries (LTIs) in general. The improvement of Transnet's safety performance is a continuous improvement process that will remain at the core of the organisation's strategic focus areas.

Corporate social investment (CSI)

Transnet's CSI efforts remain committed to uplifting and developing communities nationwide, despite facing unprecedented financial constraints. These fiscal challenges have necessitated a more measured approach to CSI investments for the current interim reporting period. Nevertheless, with limited resources, the Foundation strategically allocated funding to sustainable initiatives in key focus areas such as health, education, and livelihoods, while maintaining ongoing sponsorships and donations to community projects, resulting in a CSI spend of R52,7 million.

Phelophepa I and II health care trains

Transnet's two global flagship "Phelophepa" health care trains provided comprehensive, high-end primary health care services to communities situated along the rail corridors. Our services offering to the most vulnerable and marginalised included general health check-ups, screening for a range of health conditions, including cancers, the provision of dentistry, optometry, and counselling services. Additionally, Phelophepa provided a range of medicines and distributed prescription spectacles and ready readers to patients who queued for long hours to access these services

During the current six-month period, the two Phelophepa trains provided 511 034 patients with comprehensive primary healthcare services.

Education development

Information and communication technologies (ICT) centres were built in two schools in the Xhariep district. A further two ICT centres are currently in the process of completion at two identified schools in Limpopo (Ba-Phalaborwa).

Livelihoods portfolio

The portfolio continues to implement a sustainable business model for the three Transnet community centres in Khuma (North West Province), Springs and Thokoza. Local non-governmental organisations (NGOs) at the centres drive innovative social and economic solutions to community challenges.

The strategic partnerships with NGOs at the community centres enable the portfolio to achieve a sustainable CSI intervention and through resourcing and training of these NGOs results in their subsequent independence.

The level of food insecurity and hunger is astronomically high amongst many sectors of South African society. Consequently, food security is one of the pillar focus areas of the portfolio. The portfolio implemented a food security drive during the Freedom-day period to provide much needed social relief to the senior citizen beneficiaries who, statistically, support a family of six to eight members on their state pensions. Such relief is aligned with addressing livelihoods and community care. The focus community was New Brighton Township in the Cape corridor that has become an operational hotspot with infrastructure located there increasingly under community attack. 300 food parcels were distributed during the current interim reporting period.

Severe flooding in the Eastern Cape during the month of June 2024 resulted in a desperate need for social relief amongst vulnerable communities. The portfolio provided 800 households impacted by the floods with non-perishable food items and blankets.

The theme for Mandela Day 2024 was "a dignified early childhood environment" that aligns with the Foundation's strategic focus on early childhood development (ECD) centres. 100 eager employees from Mangaung built, from the ground up, brick and mortar ablution facilities (toilets) at ten ECD Centres. The ECD centres were also nominated by social workers from the Department of Basic Education.

Food insecurity, poverty, hunger, and other socio-economic challenges affect South Africans widely but also affect the communities in which Transnet operates. Therefore, the Foundation has permission to convert two sites (Warrenton and Glencoe KZN) into food farms operated by local NGOs.

The business model for the Warrenton farm includes planting beneficiary crops (spinach) that will contribute towards food security for vulnerable members of the local community, as well as planting commercial crops that will provide for the future sustainability of the farm.

Energy efficiency and carbon emissions reduction

During the reporting period, Transnet's total electricity consumption amounted to 906 GWh resulting in a 0,3% increase from the prior period's 903 GWh. This increase in consumption can be attributed to an increase in traction electricity consumption. Similarly, the total fuel consumption for the period stood at 83 megalitres, representing a 7,8% increase compared to 77 megalitres in the prior period, primarily driven by increased fuel consumption from increased traction volumes.

Transnet's total carbon emissions for the reporting period amounted to 1,12 mtCO_2e (year to date, August 2024), reflecting a 0,9% increase from the prior period's 1,11 mtCO_2e. This increase in carbon emissions can be primarily attributed to an increase in scope 1 and 2 emissions.

Transnet's total energy efficiency registered 19,97 ton/GJ, a decrease of 7,3% compared to the prior period's 21,54 ton/GJ. Additionally, Transnet's carbon emissions intensity was recorded at 8,79 kgCO_2e/ton representing a decrease of 6,6% compared to the prior period, indicating a decrease in performance.

The prior period numbers for electricity, energy efficiency and emissions were rebased as a result of an internal assurance audit as communicated in the 2024 Integrated Report.

Human capital

Transnet's permanent employee headcount as at 30 September 2024 was 46 003. The Company spent 2,4% of its labour cost on training during the period, focusing on artisans, engineers, and engineering technicians. Overall, Transnet awarded no full-time engineering bursaries but 67 engineering technician trainees were given workplace experience opportunities. 4 new apprentices joined the Company's apprenticeship scheme and 40 new young professionals-in-training were contracted.

Sector-specific skills development continued to focus on maritime, rail and port terminal operations, with 97 learners participating in these programmes. Currently, the Group has access to 749 apprentices and 228 engineering bursars in its talent pool.

Transnet did not achieve its employment equity targets across all job grades. The employee race profile for the period was 81,0% african, 9,7% coloured, 2,9% indian and 6,4% white. Female representation now exceeds 36,9% in executive, senior, professional and skilled technical levels, including a 41,2% representation in the Group Exco team. Representation of people with disabilities remains a challenge, at 2,1% of the total headcount (2023: 2,2%).

Legislative compliance

To the best knowledge of the directors, the Company has complied, in all material respects, with all legislation and regulations applicable to it during the period. This includes, without limitation, the Companies Act, 71 of 2008 (as amended), the Public Finance Management Act, No 1 of 1999 (as amended), the Treasury Regulations and the Income Tax Act, No 58 of 1962 (as amended). The status quo remains since March 2012 as it relates to the National Environmental Management: Integrated Coastal Management Act, No 24 of 2008 and the National Ports Act, No 12 of 2005.

Economic regulation

The tariffs for Pipelines are regulated by the National Energy Regulator of South Africa (NERSA), while the National Ports Authority's tariffs are regulated by the Ports Regulator of South Africa (the Ports Regulator).

The Railway Safety Regulator (RSR) charges railway safety permit fees to the Company. Transnet also operates within a policy context which is determined by the Department of Transport.

Pipelines

Petroleum pipelines

Pipelines applied to NERSA for a petroleum pipeline revenue requirement based on the Petroleum Pipelines Act on 2 August 2024. Based on the application of the methodology, Pipelines applied for a 20,77% increase in tariffs for the 2025/26 financial year (FY) and a decrease of 0,21% for the 2026/27 FY. The increase for the 2025/26 FY is due mainly to deferred allowable revenue from the 2024/25 FY decision. NERSA has published the application on their website.

Petroleum storage

Pipelines applied to NERSA for the approval of storage tariffs for the 2025/26 to 2027/28 FYs in terms of the Petroleum Pipelines Act on 1 August 2024. The tariffs applied for amounted to a 52,58% decrease, a 5,90% increase and a 2,90% increase for the 2025/26, 2026/27 and 2027/28 FYs, respectively.

National Ports Authority

On 01 August 2024, the National Ports Authority tariff application for the 2025/26 FY (tariff application) was submitted to the Ports Regulator of South Africa (PRSA). The 2025/26FY application translated into a weighted average tariff increase of 7,90%.

The tariff application is currently under review by the Ports Regulator.

Incorporation of Transnet National Ports Authority as a subsidiary of Transnet SOC Ltd

On 22 June 2021, President Ramaphosa, together with the Minster of Public Enterprises announced the establishment of the Transnet National Ports Authority as an independent subsidiary of Transnet.

On 11 October 2023, the Minister of Public Enterprises and the Transnet Board Chairperson announced the appointment of the inaugural board of directors of Transnet National Ports Authority.

The Freight Logistics Roadmap of South Africa (FLR) approved by Cabinet on 8 December 2023 augmented the instruction given to Transnet to establish Transnet National Ports Authority as a subsidiary of Transnet, with its own board in line with its restructuring programme and may at a later date be incorporated as a separate state-owned entity.

Further, the Guarantee Support Framework Agreement (GSFA) (in clause 6.1.7) provides that Transnet must establish the National Ports Authority, as a wholly owned subsidiary by 30 April 2025.

Transnet SOC Ltd is attending to the preparatory work to establish National Ports Authority as a subsidiary of Transnet SOC Ltd. This includes a comprehensive financial balance sheet and governance due diligence prior to incorporation for submission and engagement with the Board, the Shareholder, National Treasury, labour, lenders and other third-party stakeholders regarding the associated risks.

Economic Regulation of Transport Act, 2024

The Economic Regulation of Transport Act (ERT Act) propagates the establishment of a single Transport Economic Regulator to oversee and regulate access arrangements, train path allocation and access fees, amongst other regulatory roles. The ERT Act was assented to by the President on 11 June 2024, and the commencement date is awaited. The Department of Transport has issued an invitation for nominations of persons to serve on the board of the Transport Economic Regulator (TER), and the closing date for nominations was 16 September 2024.

White paper on rail policy

The white paper on national rail policy (NRP) positions the provision of access to third-party operators on the Transnet Freight Rail network infrastructure as the crux of South African rail reform. Cabinet approved the white paper on rail policy in March 2022 (published on 12 May 2022). The policy is intended to provide certainty on the trajectory of the country's rail system. To facilitate controlled access to its railway infrastructure network, Freight Rail has advanced its work towards the vertical accounting and governance separation of its infrastructure and operations businesses.

The guarantee framework agreement provides that the Infrastructure Manager must be established as an operating division with its management by 01 April 2025 and as a wholly owned subsidiary with a board comprising of a majority of independent non-executive directors who are not members of the Transnet Board by 30 September 2025.

Group accounting policies

The condensed financial information has been prepared in compliance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and contains the information required by the International Accounting Standard (IAS) 34: Interim Financial Reporting, and the requirements of the Companies Act, No 71, 2008 of South Africa.

Financial information presented has been prepared using accounting policies that comply with International Financial Reporting Standards (IFRS). The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 March 2024.

New standards and interpretations issued by the International Accounting Standards Board, effective for the period under review, did not have a significant impact on the Group's financial results.

Restatements

Restatements to the prior period financial results were made in accordance with those disclosed in the 31 March 2024 annual financial statements as detailed in note 39, updated if applicable to 30 September 2023.

Events after reporting date

Cash interest cover (CIC) loan covenant breach

For the 30 September 2024 reporting period, Transnet achieved a CIC of 1,9 times. A number of loans require Transnet to maintain the CIC loan covenant at a minimum of 2,5 and 2,0 times at 31 March and 30 September of each financial year. The current CIC level constitutes a breach of the CIC loan covenant on loans at 2,5 times with a total capital balance of R27,0 billion and loans at 2,0 times with a total capital balance of R15,0 billion. The breach is an event of default.

Transnet submitted waiver requests to each of the affected lenders requesting that they waive the triggered event of default. The waiver process has been completed and Transnet has received all the required waivers from the affected lenders.

Moody's rating review update

On 9 October 2024, Moody's completed the review update of Transnet's ratings. The corporate family rating and baseline credit assessment were confirmed and remained unchanged at Ba3 and b3, respectively. The negative outlook also remained unchanged.

S&P Global ratings (S&P) review update

On 29 November 2024, S&P placed Transnet's foreign and local (BB-), national scale (Za.AA-/za.A-1+) and standalone (b) credit ratings on credit watch negative on elevated leverage. The credit watch placement reflects the increased likelihood of a downgrade if the anticipated turnaround in Transnet's business performance and cash flow generation does not materialise soon enough to control the current leverage levels and capital structure.

Group Chief Executive statement

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 resolute in the implementation of the recovery plan and direct significant focus on resolving these operational challenges to ensure that the tangible gains made thus far are translated to 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. In the period under review, capital investment increased from R6,3 billion to R10,5 billion to restore operations and improve future generation capacity. The replenishment of key port equipment in the short- and medium-term as well as through the acquisition of critical spares to support the maintenance teams is 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 will continue to support Transnet in its transition to unlock its growth potential and ultimately fulfil its role in government's strategy to improve domestic economic growth.

Approved by the Board of Directors

Management and the Board of Directors declares that in terms of Article 4(2)(c) of the Transparency Law of 2008, to the best of their knowledge, the 30 September 2024 unaudited condensed consolidated interim financial results have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of Transnet SOC Ltd. The 30 September 2024 unaudited condensed consolidated interim financial results include a fair review of the development and performance of the business and the position of Transnet SOC Ltd, together with a description of the principal risks and uncertainties that Transnet SOC Ltd faces.

Ms MJ Phillips
Group Chief Executive
27 November 2024

Ms RNM Maphumulo
Group Chief Financial Officer
27 November 2024

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)

Non-executive directors
Mr A Sangqu (Chairperson), Ms R Buthelezi, Mr M Debel, Mr B Jiya, Ms L Letsoalo, Prof FS Mufamadi, Mr D Patel, Ms B Sedupane, Ms MP Zambane

Mr C Benjamin resigned from the Board, effective 1 September 2024.

Group Company Secretary
S Bopape

138 Eloff Street, Braamfontein, Johannesburg, 2000.

Auditors
Auditor-General of South Africa
4 Daventry Street, Lynnwood Bridge Office Park, Lynnwood Manor, Pretoria, SA

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