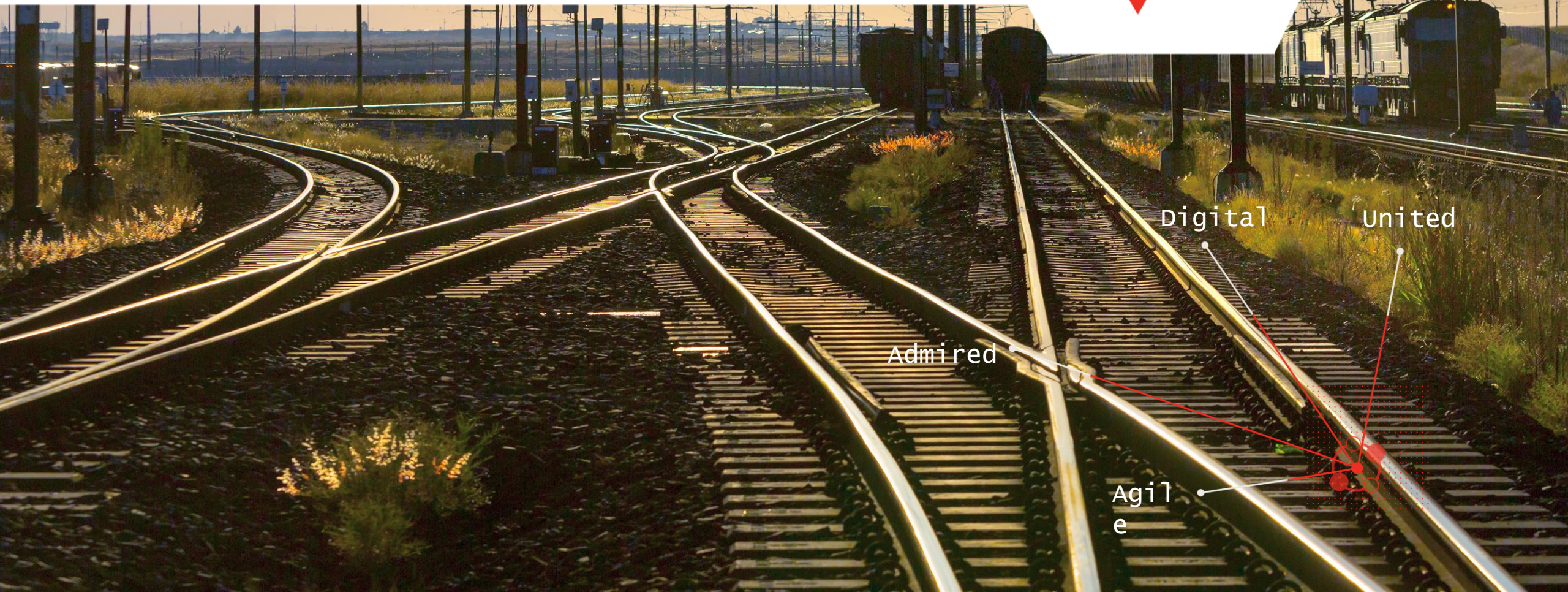


Parliamentary Portfolio Committee

Briefing by Transnet on Annual Report and Financial Statements for 2016/17 Financial Year

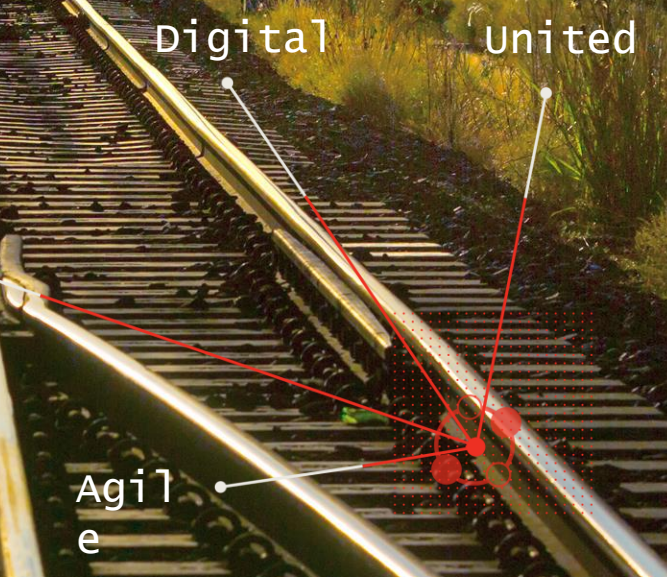


Admired

Digital

United

Agile





- ✓ **Revenue increased by 5,3% to R65,5 billion, underlined by:**
 - a 4,9% increase in general freight volumes;
 - a 2,4% increase in export coal railed volumes;
 - a 24,3% increase in railed automotive and container volumes; and
 - a record 12,1mt transported for manganese.
-

- ✓ **Operating expenses were contained at a 5,6% increase to R37,9 billion, mainly due to:**
 - a 10,1% increase in electricity costs; and
 - a 7,5% increase in personnel costs.
 - Savings of R2,4 billion were achieved against planned costs.

- ✓ **EBITDA increased by 5,0% to R27,6 billion, 7,1 times SA's GDP growth of 0,7%* for the financial year.**
-

- ✓ **Profit for the year increased to R2,8 billion (2016: R393 million), more than 600% higher than the prior year.**
-

- ✓ **Gearing at 44,4% and cash interest cover at 2,9 times, are well within loan covenant requirements.**

- ✓ **Cash generated from operations after working capital changes increased by 16,4% to R32,8 billion, reflecting our strong cash generating capability.**
-

- ✓ **Borrowings of R17,0 billion raised and R24,9 billion repaid during the year, reflecting the strength of Transnet's financial position.**

* The above GDP is calculated on 4 comparative quarters (Apr-Mar 2017 vs Apr-Mar 2016).



✓ **Capital investment of R21,4 billion.**

- Brings expenditure during the MDS period to **R145 billion**.
- **452 locomotives** accepted into operations since the inception of the locomotive acquisition contracts in 2014.

✓ **Continued focus on operational improvements, resulting in:**

- a **14,9%** increase in **Group operational efficiency**;
- a **1,2%** increase in **energy efficiency**; and
- **242 788MWh** regenerated by **new electric locomotives**.

✓ **Disabling Injury Frequency Rate (DIFR): 0,69.**

- **Sixth consecutive year** recording a **positive safety performance** that outperformed the target of 0,75 and the global benchmark of 1.
- Due to an increase in fatalities during the year, Transnet is enhancing its focus, efforts and investment in safety management.

✓ **B-BBEE spend: R37,0 billion.**

- **103,1%** of total measured procurement spend per the DTI codes.

✓ **3,1% of personnel costs invested in training. Focus on:**

- **artisans**;
- **engineers**; and
- **engineering technicians**.

✓ **R234 million invested in CSI programmes across South Africa.**

- **438 807** individuals from rural and needy communities, benefitted from **Phelophepa healthcare trains'** outreach programmes.

5-year review



	2013	2014	2015	2016	2017
VOLUMES					
General freight (GFB) (mt)	82,6	88,0	90,6	84,0	88,1
Export coal (mt)	69,2	68,1	76,3	72,1	73,8
Export iron ore (mt)	55,9	54,3	59,7	58,1	57,2
Total rail	207,7	210,4	226,6	214,2	219,1
Containers (TPT) ('000 TEUs)	4 237	4 503	4 571	4 366	4 396
Petroleum (Mℓ)	15 882	16 583	17 186	17 426	16 978
FINANCIALS					
Revenue	50 194	56 606	61 152	62 167	65 478
EBITDA	21 051	23 639	25 588	26 250	27 557
Capital investment	27 471	31 766	33 565	29 561	21 438*
Total assets	203 896	240 073	328 439	356 393	351 635
Total borrowings	73 088	90 444	110 377	134 517	124 780
RATIOS/STATISTICS					
EBITDA margin (%)	41,9	41,8	41,8	42,2	42,1
Gearing (%)	44,6	45,9	40,0	43,1	44,4
Cash interest cover (times)	3,7	3,7	3,6	3,1	2,9
Group operational efficiency (%)	3,3	13,8	16,6	15,9	14,9
Real GDP growth (%)	2,2	1,5	1,4	0,6	0,7

* Decrease due to value engineering and optimisation efforts.

Financial performance

TRANSNET



- Actual performance
- Revenue and volumes
- Net operating expenses
- EBITDA
- Property, plant and equipment
- Total borrowings, gearing and cash interest cover
- Abridged cash flow statement



Actual performance

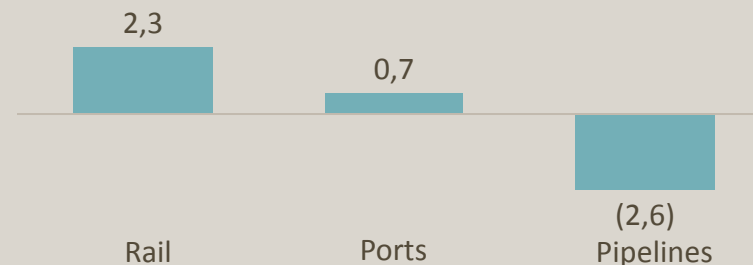


March 2017 vs prior year



* Absolute variance.

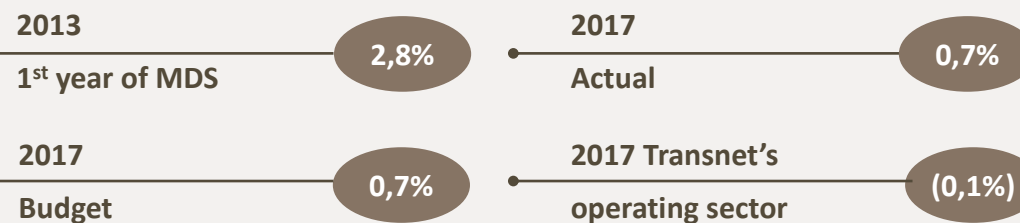
March 2017 volumes prior year



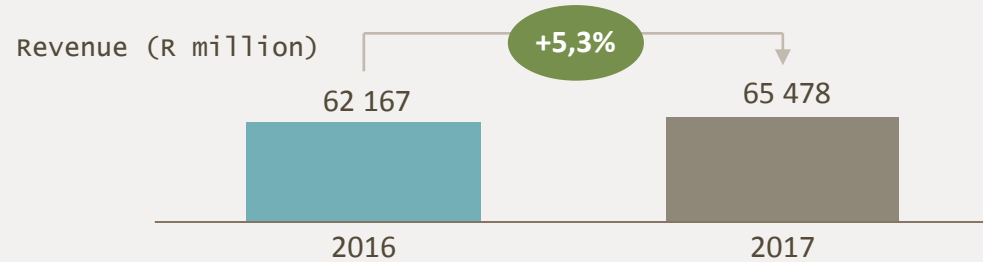
Positive performance in spite of:

- Ongoing economic uncertainty;
- Lower-than anticipated demand; and
- Depressed commodity prices.

GDP growth tracking below expectations:

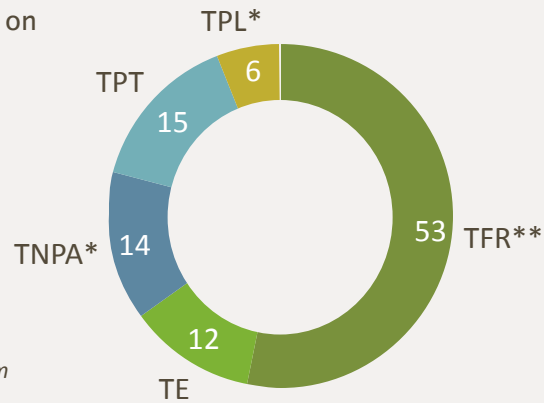


Revenue and volumes



Despite the ongoing volatile economic environment, tough competition, lower-than anticipated demand, and depressed commodity prices, revenue increased compared to prior year. Included in revenue is R2,1 billion (2016: R2,0 billion) generated by Transnet's Africa sales strategy. Transnet supported the industry in price reprieves in excess of R600 million in key sectors to maintain volumes in international markets, due to commodity price slumps.

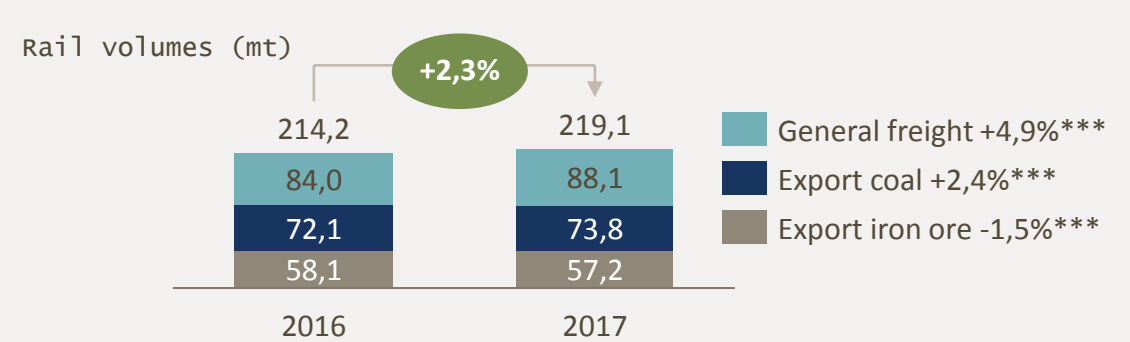
Revenue contribution by core Operating Division (%)



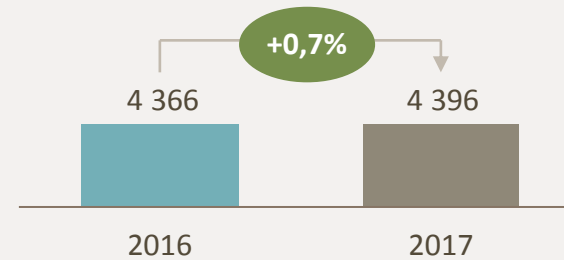
* Regulated entities.

** 69% of TFR revenue is from take or pay customers.

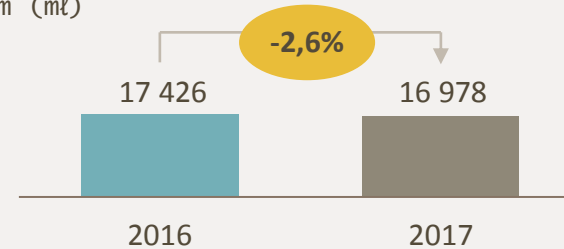
57% of Transnet's revenue is guaranteed as a result of regulated entities and take or pay contracts.



Port containers ('000 TEUs)



Petroleum (mℓ)

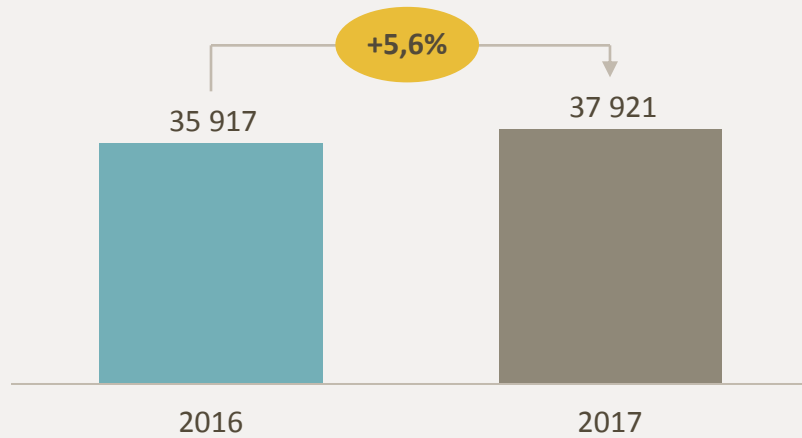


*** Variance % prior year.

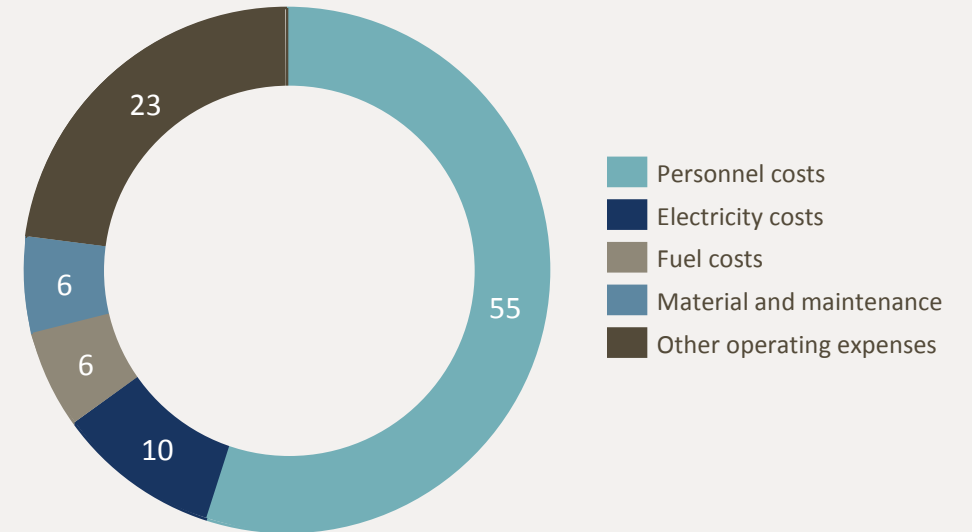
Net operating expenses



Net operating expenses (R million)



Net operating expenses contribution by cost element (%)



Net operating Expenses:



- **Electricity costs** ↑ 10,1%, mainly due to higher electricity tariffs.
- **Personnel costs** ↑ 7,5% to R20,8 billion (2016: R19,4 billion).

Represents
65% of
net
operating
expenses.

Cost-reduction initiatives:

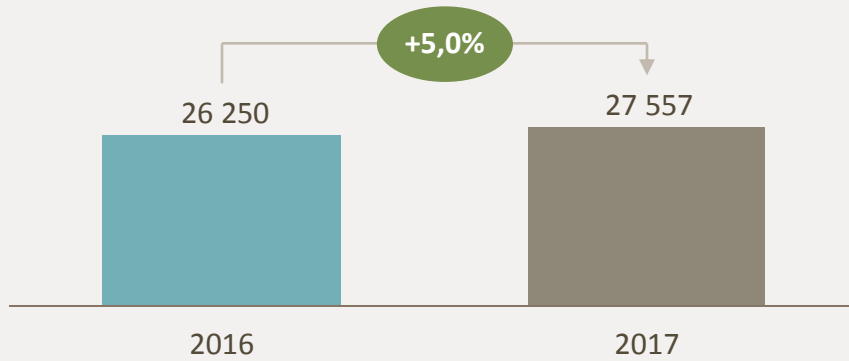
- Moratorium on filling vacancies and limiting overtime.
- Reduced professional and consulting fees.
- Limit discretionary costs (travel, accommodation, printing, stationery and telecommunications).

R2,4 billion
saving
against
planned
costs.

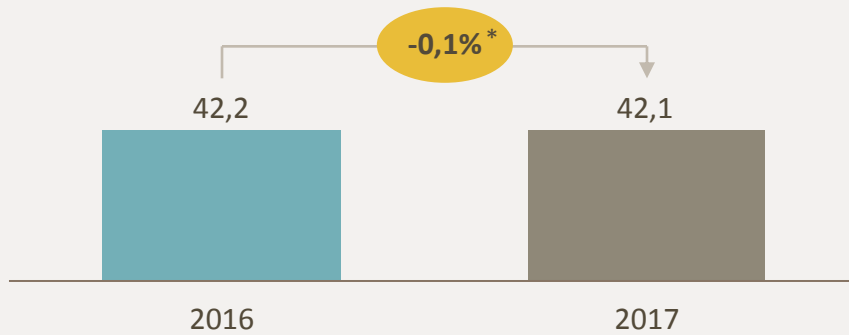
EBITDA



EBITDA (R million)

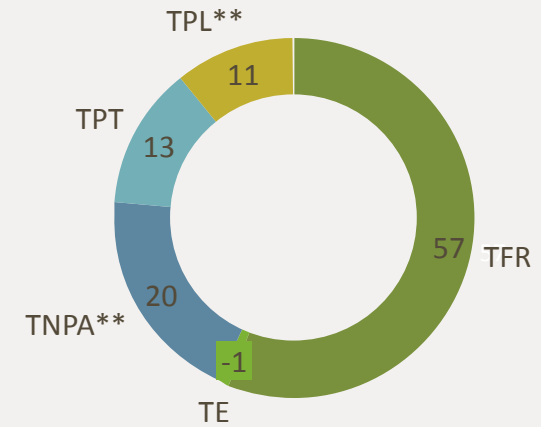


EBITDA margin (%)



* Absolute variance.

EBITDA contribution by core Operating Division (%)



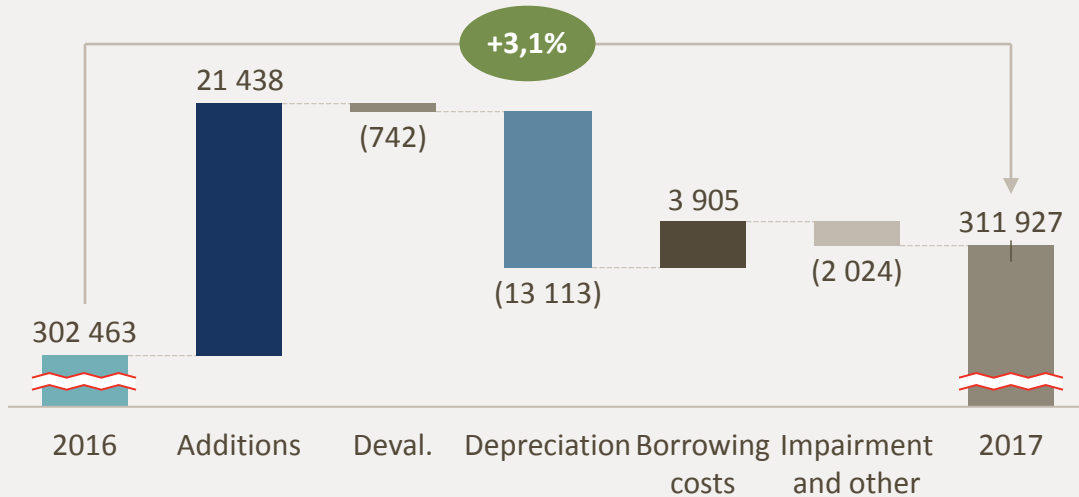
- EBITDA growth of **5,0%**, well in excess of **SA's GDP** growth of **0,7%** and **Transnet's operating sector** contracting by **0,1%**.
- Regulated entities and take-or-pay contracts represent approximately two-thirds of Group EBITDA.

** Regulated entities.

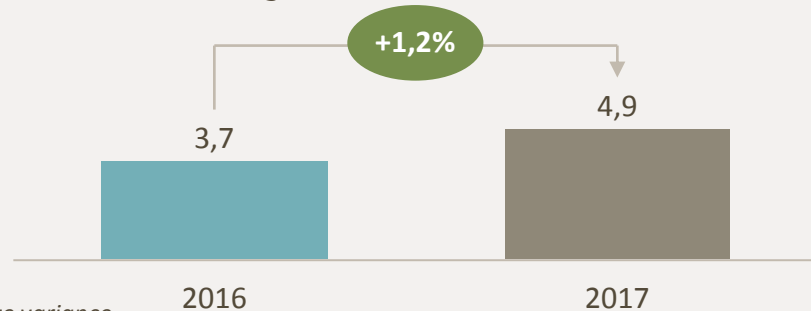
Property, plant and equipment



Property, plant and equipment (R million)




Return on total average assets (%)**



* Absolute variance.

** Excluding capital work in progress.

PPE  by 3,1% to **R311,9 billion**.

Due to:
capital investment of R21,4 billion.

- Expansion: R5,2 billion.
- Sustaining: R16,2 billion.
- R145 billion invested in the past five years.
- R229,2 billion (including a R20 billion 'war chest' for revenue diversification planned up to 2023/24).

Achievements in the past five years include:

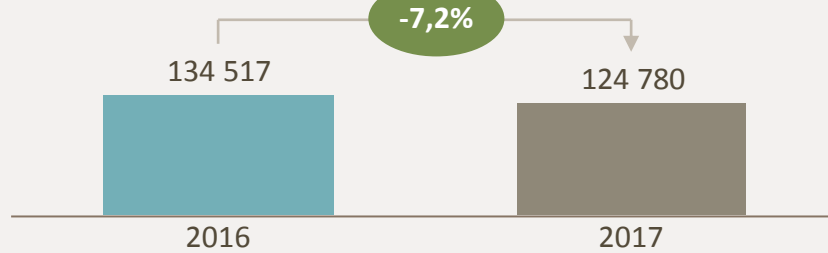
- **452 electric and diesel locomotives** accepted into operations, in terms of the contracts for 1 319 new locomotives signed in 2014.
- **10 188 wagons** produced as part of the wagon build programme.
- **R27 billion invested** in maintenance and refurbishment of rolling stock infrastructure.
- **R16 billion invested** in maintenance and refurbishment of rail infrastructure.
- **Major acquisitions of R8 billion** in port equipment including floating crafts, tippers, cranes and other port equipment.

Return on total average assets of 4,9% represents an absolute increase of **1,2%** compared to the prior year of **3,7%**, mainly due to a 28,3% increase in operating profits.

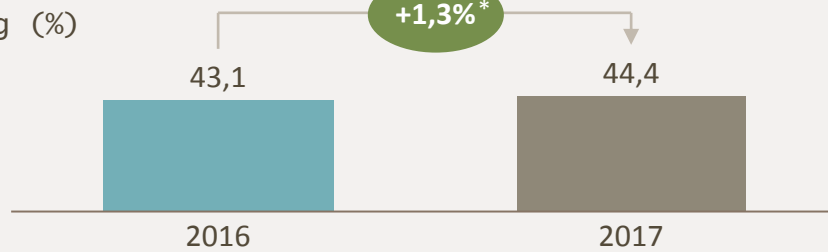
Total borrowings, gearing and cash interest cover



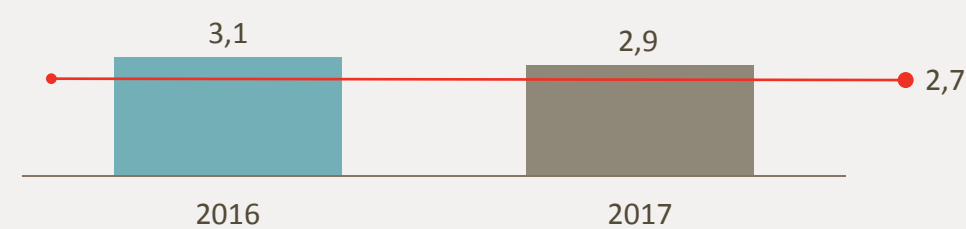
Total borrowings (R million)



Gearing (%)



Cash interest cover (times)



* Absolute variance.

- **Raised R17,0 billion** without government guarantees, and repaid borrowings of **R24,9 billion**.
- **7,2% decrease** in line with capital investment in the current financial year.

Transnet borrows on the strength of its financial position and has **maintained an investment grade credit rating** although Standard & Poor's and Moody's downgraded Transnet in line with the Sovereign on 5 April and 13 June 2017 respectively, as detailed in the next slide.

The gearing ratio  by **1,3%**.

Due to:

- execution of the capital investment programme:
 - Below the target range of 50,0%.
 - Well below the triggers in loan covenants.

Gearing ratio not expected to exceed the target ratio over the medium term.

Reflects available capacity to continue investment strategy, aligned to validated demand.

Cash interest cover is above the Group's target range of **2,7 times**, and is well above the triggers in loan covenants.

Abridged cash flow statement



	2017 R million	2016 R million
Cash flows from operating activities	25 104	28 572
Cash generated from operations	31 018	27 747
Changes in working capital	1 747	408
Other operating activities	(7 661)	417
Cash flows utilised in investing activities	(24 689)	(34 328)
Cash flows from financing activities	(7 936)	13 435
Net (decrease)/increase in cash and cash equivalents	(7 521)	7 679
Cash and cash equivalents at the beginning of the year	13 943	6 264
Total cash and cash equivalents at the end of the year	6 422	13 943

Credit rating as at 31 March



Foreign currency	Baa2/Negative outlook*	BBB-/Negative outlook *
Local currency	Baa2/Negative outlook*	BBB/Negative outlook *

*On 5 April 2017, Standard & Poor's lowered the Company's foreign currency rating to BB+ from BBB- and the local currency to BBB- from BBB, both with a negative outlook. On 13 June 2017, Moody's also lowered the Company's rating to Baa3 with a negative outlook. Both these actions were due to the rating action on the Sovereign as Transnet is viewed to be closely linked to the Government. Transnet evaluated the potential impact on its financial position, liquidity and solvency and expects no significant negative effect on estimates.

Borrowings raised

	2017 R billion
Development finance institutions	5,5
Commercial paper and call loans	7,6
Domestic bond issue	1,0
Export credit agencies	2,9
Total	17,0

- The stand-alone credit profile (SACP) of Transnet was affirmed at bbb by Standard & Poor's (above the Sovereign), reflecting the Company's strong financial position.
- Transnet successfully renegotiated R29,1 billion of debt during the financial year to relax loan covenant triggers, in view of the potential rating agencies' actions.

Capital investment

TRANSNET



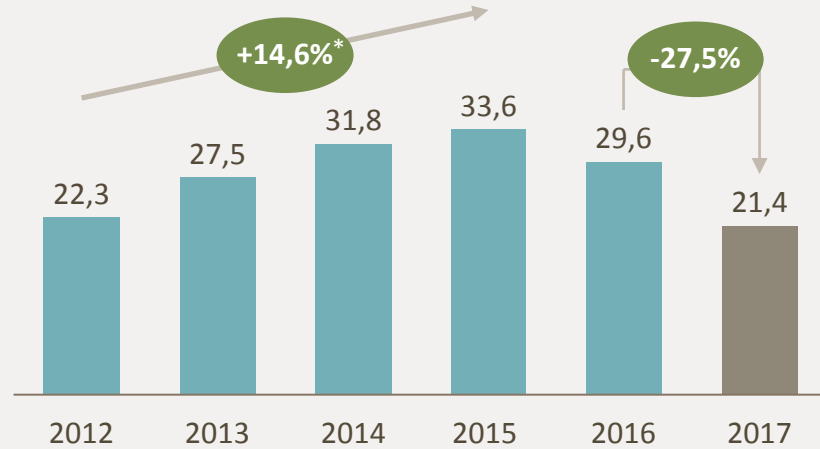
- Capital investment analysis
- Major capital deliveries



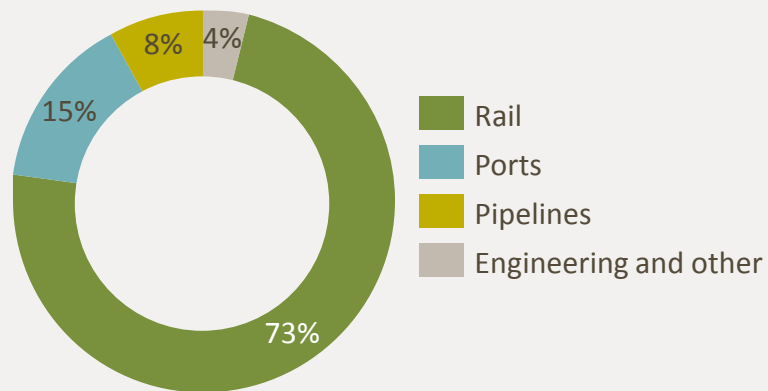
Capital investment analysis



Capital investment (R billion)

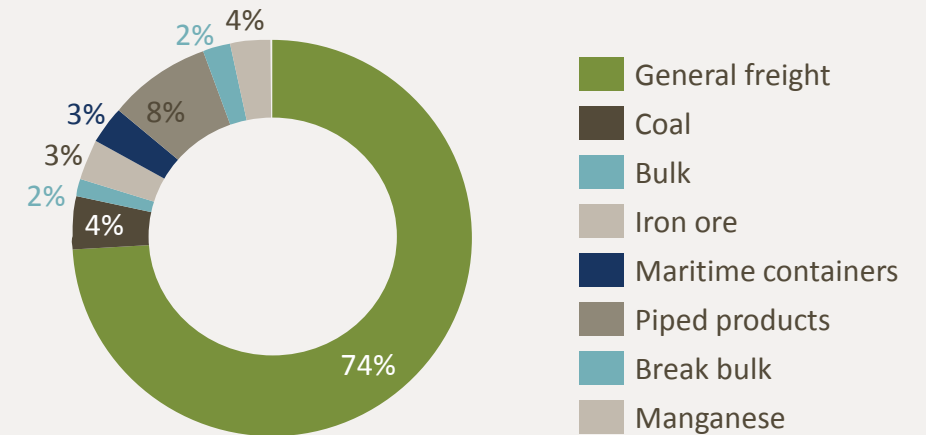


Capital investment by operating segment

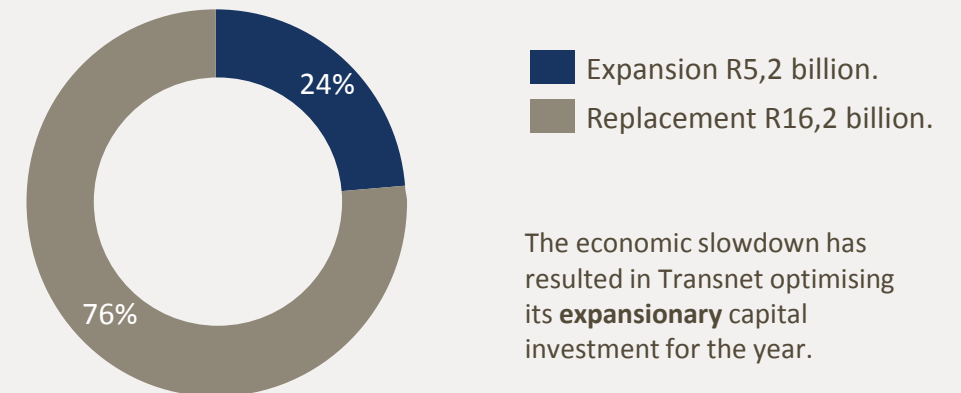


* CAGR to 2015.

Capital investment by commodity



Expansion vs replacement



The economic slowdown has resulted in Transnet optimising its **expansionary** capital investment for the year.

Major capital deliveries



Asset type	2017	Cumulative*
Locomotives		
233 class 44 diesel	103	117
359 class 22 electric	80	80
95 class 20E electric		95
60 class 43 diesel		60
100 class 21E electric		100
Total for the 1 319 locomotive contracts		452

232 class 45 diesel - two locomotives have been delivered and are undergoing acceptance testing.

240 class 23 electric - two locomotives have been delivered and are undergoing acceptance testing.

Wagons		
GFB and export coal	100	10 188

Asset type	2017
Rail refurbishment: infrastructure	
Turnouts (units)	91
Universals (units)	125
Rails (kilometers)	163
Ballast (kilometers screened)	176
Sleepers (units)	168 712

* Cumulative since inception of contracts.

Asset type	2017
Port equipment	
Haulers	14
61 ton multi-purpose trailers	4
Hazmat trailers	3
Empty container handlers	3
Bulldozer	1
Front-end loader	1
40 ton skips	14
Skid-steer loader	3
Workshop forklift	1
Tugs	4

Asset type	Stage of completion
Pipeline infrastructure	
New Multi-Product Pipeline phase 1	96%

- The NMPP 24" main pipeline, 16" inland pipelines as well as the pump stations have been fully commissioned and are operational, having transported approximately 15 billion litres of diesel from Durban to the inland region since commissioning in January 2012.
- The multi-product operation of the NMPP trunkline via the implementation of tightlining at the coastal terminal is expected to be operational by the end of November 2017.

volumes and operations



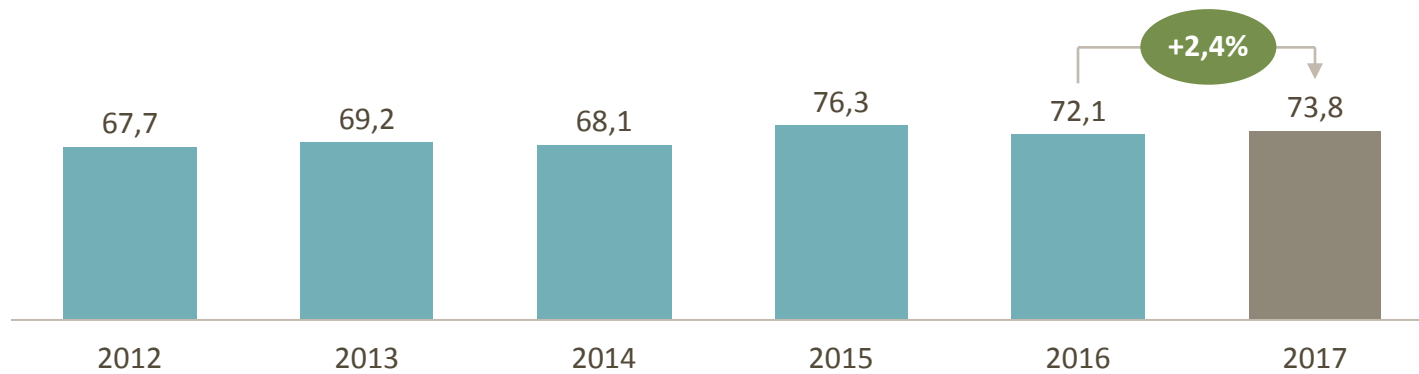
- Rail – Export coal
- Rail – Export iron ore
- Rail – General freight business (GFB)
- Rail – Manganese
- Ports containers
- Pipelines

Volumes and operations

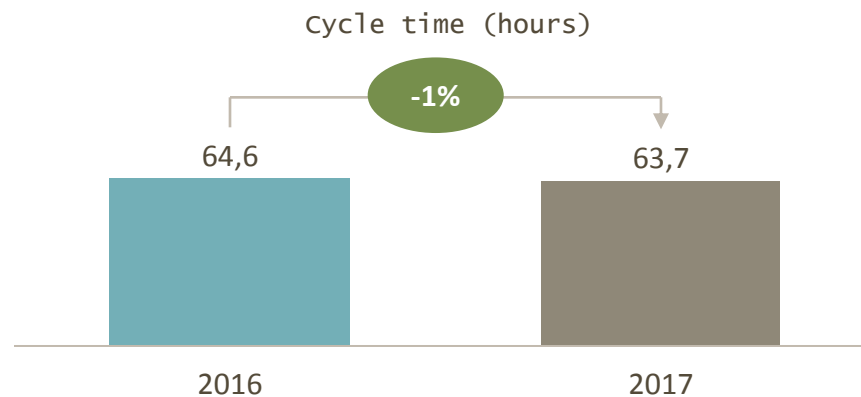


RAIL – EXPORT COAL

VOLUMES (mt)



PRODUCTIVITY AND EFFICIENCY



Export coal volumes:

↑ by 2,4% from prior year,

in spite of:

- low commodity prices in quarter 1 & 2;
- reduced demand from customers;
- adverse weather conditions in quarter 4; and
- service execution challenges.

Future volumes are supported by **74,0mtpa take or pay contracts** and an additional **7,0mtpa** relating to Waterberg coal, which was signed subsequent to year end.

Performance improvements included:

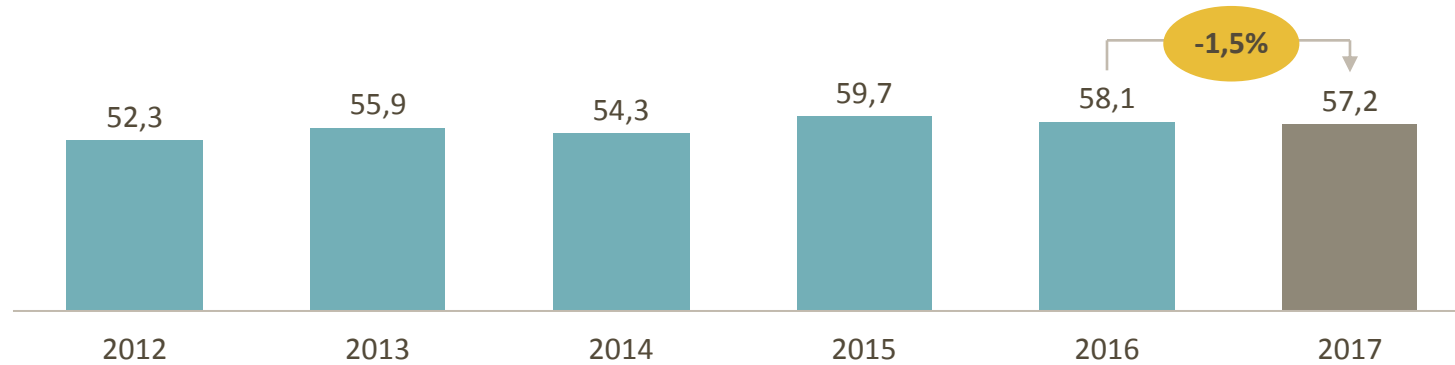
- Close customer liaison on low stockpiles and finding alternative mines.
- Strategic deployment of security to respond to cable theft (incl. engaging communities in high risk areas).
- Improved locomotive supply and deployment on the coal line.
- Cycle time improvement initiatives, including implementing lean six sigma projects.
- Positive on-time performance, mainly due to enhanced collaboration among supply chain partners:
 - On-time arrivals (OTA) improved by 142,7%; and
 - On-time departures (OTD) improved by 7,8%.

Volumes and operations (Cont.)

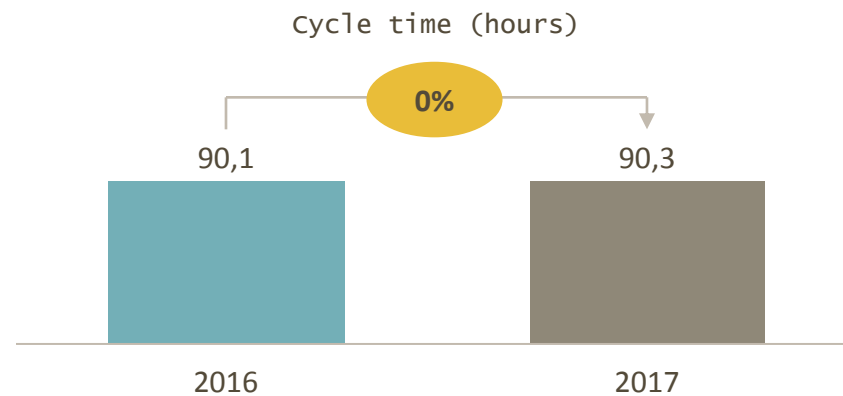


RAIL - EXPORT IRON ORE

VOLUMES (mt)



PRODUCTIVITY AND EFFICIENCY



Export iron ore volumes:

⬇️ by 1,5% compared to the prior year.

Volume losses recorded as follows:

- product availability challenges (mining business rescue & other product availability losses);
- tippler breakdown; and
- service execution.

Future volumes are supported by **61,0mtpa take or pay contracts**.

Performance improvements included:

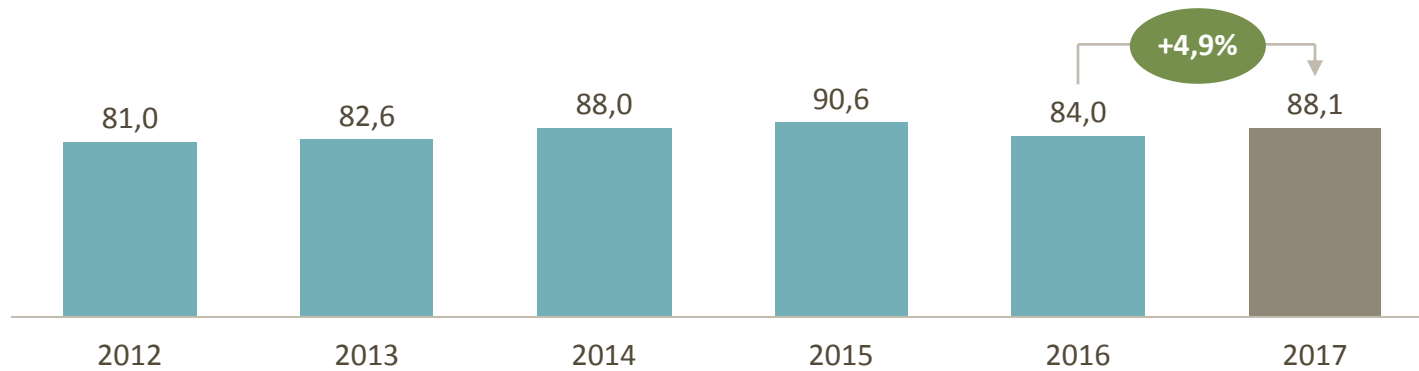
- Customer discussions on product availability challenges, including the outcome of mining business rescue plans.
- Tippler repair & volume recovery thereof.
- Implementing lean six sigma projects.
- Positive on-time performance, mainly due to enhanced collaboration among supply chain partners:
 - OTA improved by 230,4%.
 - OTD improved by 3 798,2%.

Volumes and operations (Cont.)



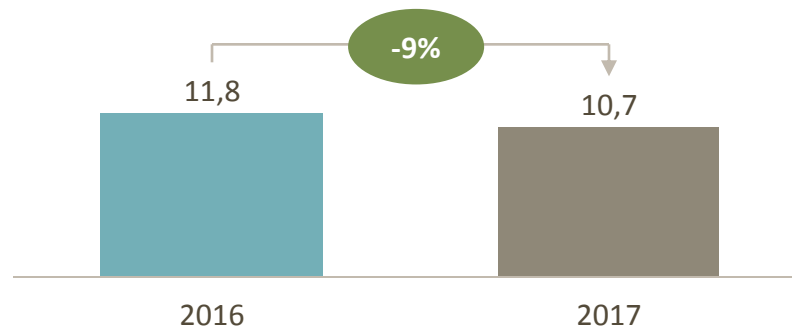
RAIL - GENERAL FREIGHT BUSINESS (GFB)

VOLUMES (mt)



PRODUCTIVITY AND EFFICIENCY

Wagon turnaround time (days)



GFB volume performance:

by 4,9% above the prior year,

in spite of:

- service execution challenges;
- market conditions;
- customer cancellations - (stockpile/plant breakdowns);
- wagon shortages; and
- locomotive failures.

Future volumes are supported by **11,0mtpa take or pay contracts** for magnetite.

Recovery initiatives included:

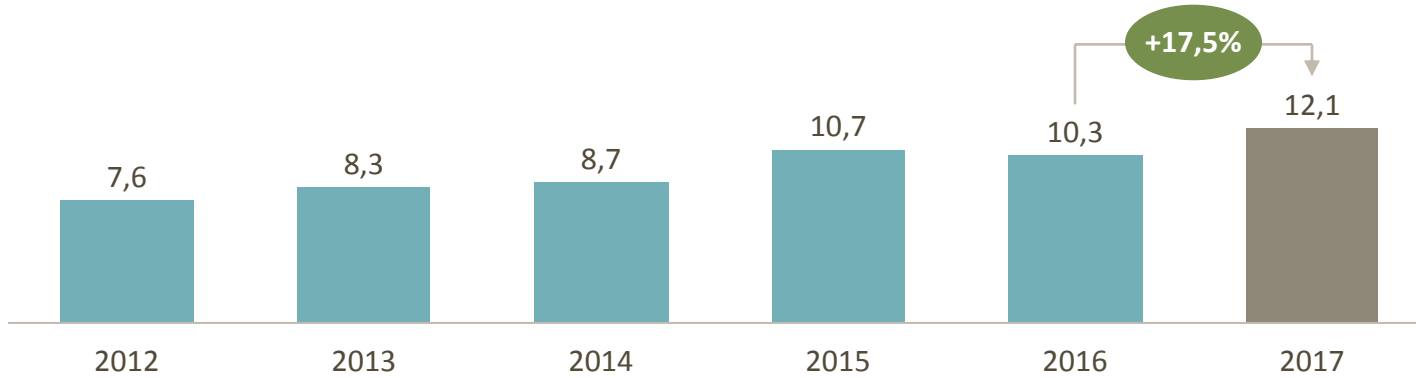
- Close customer liaison for alternative volume opportunities.
- Implementing lean six sigma projects.
- Implementation of recovery initiatives.
- Deployment of new locomotives introduced.
- Short interval management of operations.
- Positive on-time performance, mainly due to enhanced collaboration among supply chain partners:
 - OTA improved by 171,6%.
 - OTD improved by 419,0%.

Volumes and operations (Cont.)



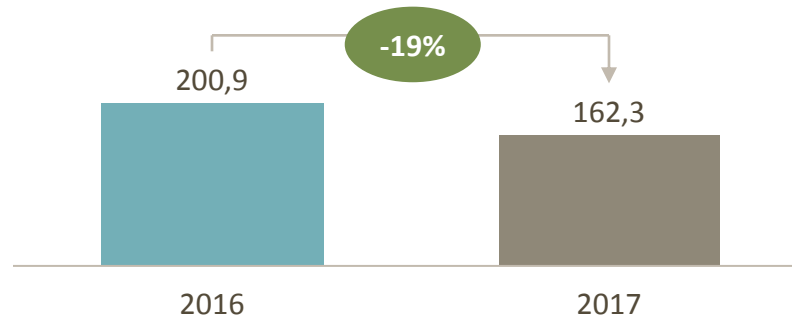
RAIL - MANGANESE

VOLUMES (mt)



PRODUCTIVITY AND EFFICIENCY

cycle time (hours)



Manganese volume performance:

↑ by 17,5% from the prior year.

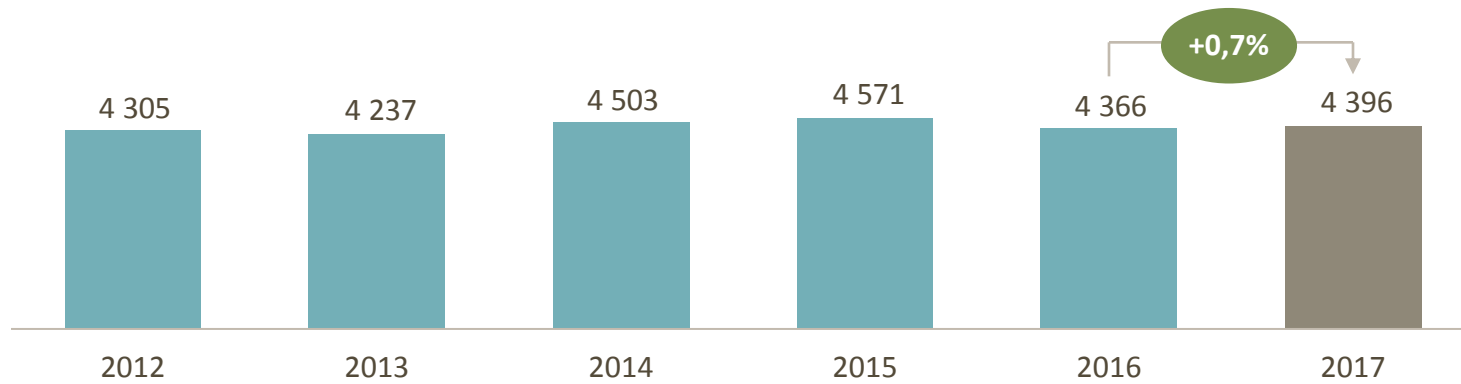
- A **record 12,1mt transported for manganese** attributed to world-class execution by our teams; and creation of new loading/offloading points.

Future volumes are supported by **11,7mtpa take or pay contracts** for manganese.

Volumes and operations (Cont.)



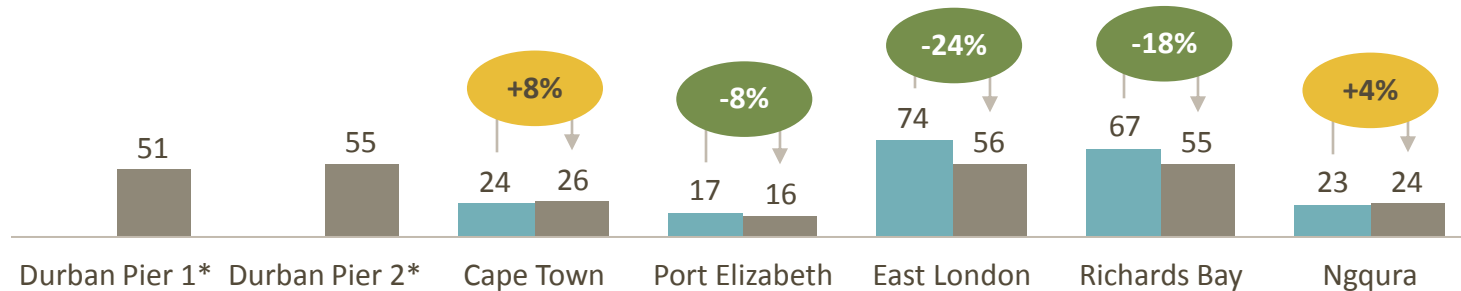
VOLUMES ('000 TEUS)



PRODUCTIVITY AND EFFICIENCY

Ship turnaround time (hours)

2016 2017



* Reported together in the prior year (2016: 46 hours).

The current year's performance:

0,7% above the prior year,

in spite of:

- continued subdued domestic and global demand; and
- operational challenges - mainly at Durban Pier 1.

Port efficiency improvement included:

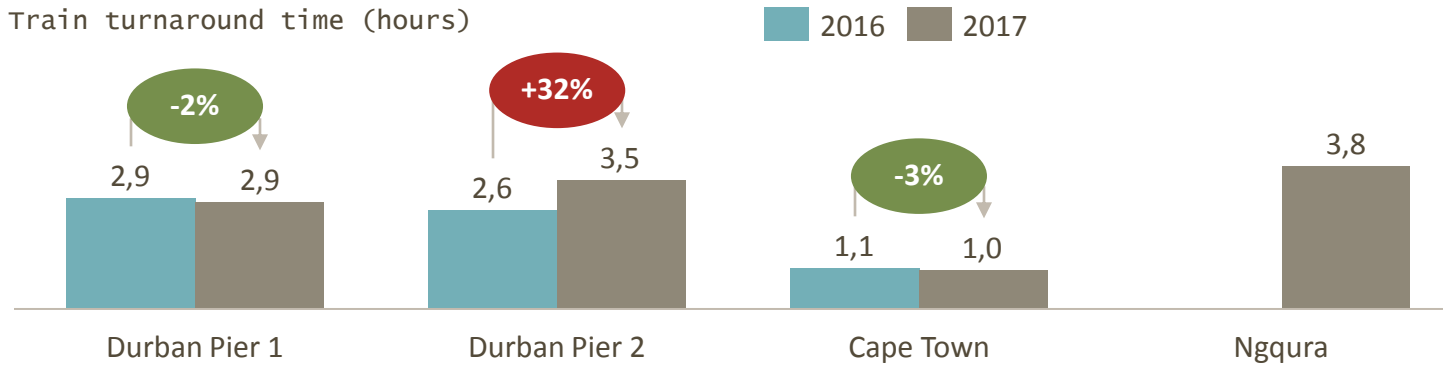
- Straddle carrier and crane maintenance;
- Refurbishment of straddle carriers to improve reliability;
- Hauler operation to reduce straddle carrier demand in the medium to long term;
- Straddle pooling at the Durban north quay to improve usage of equipment;
- Up-skilling and re-training of operators; and
- Improved labour force stability and productivity.

Volumes and operations (Cont.)

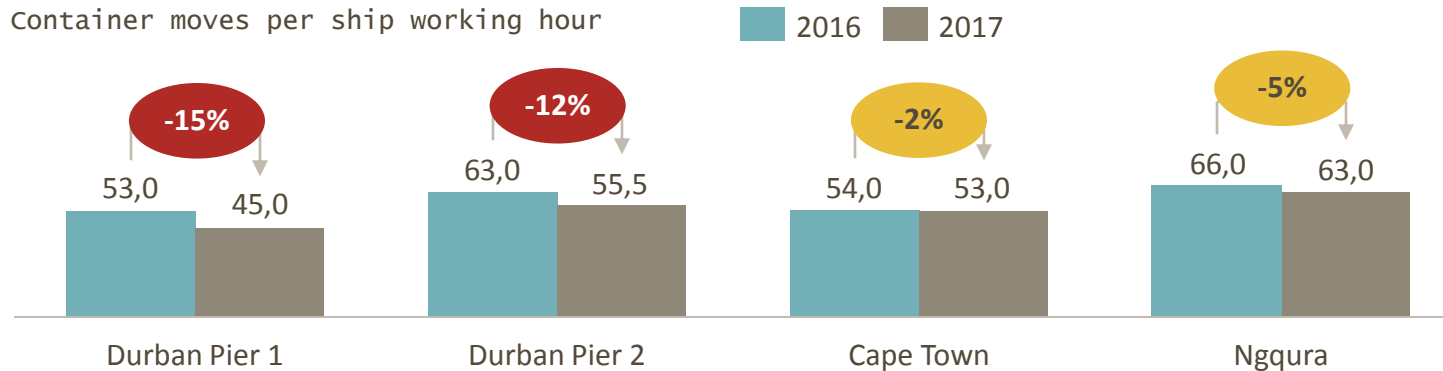


PRODUCTIVITY AND EFFICIENCY

Train turnaround time (hours)



Container moves per ship working hour



- Train turnaround times at Durban Pier 2 were affected by long train dwell times in Kings Rest Yard.
- Lean six sigma projects have been implemented to address this situation.

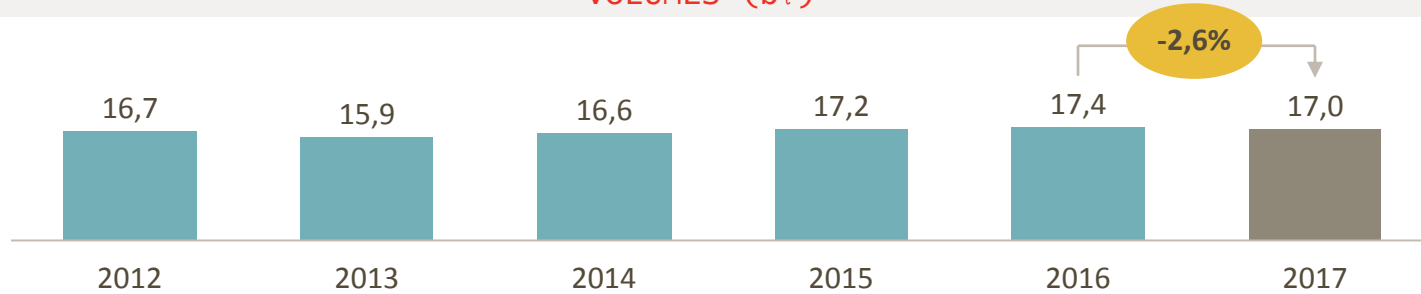
- Container moves per ship working hour in Cape Town and Ngqura were stable.
- Lean six sigma projects were launched to improve Durban Piers 1 and 2.

Volumes and operations (Cont.)



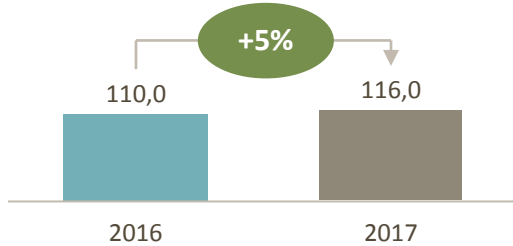
PIPELINES

VOLUMES (bl)

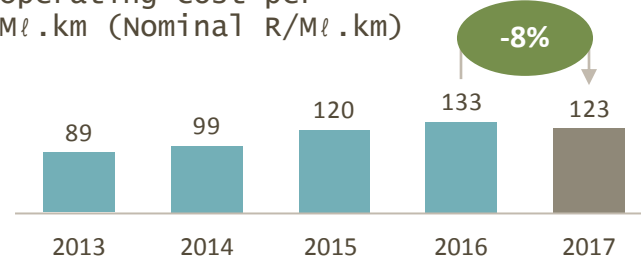


PRODUCTIVITY AND EFFICIENCY

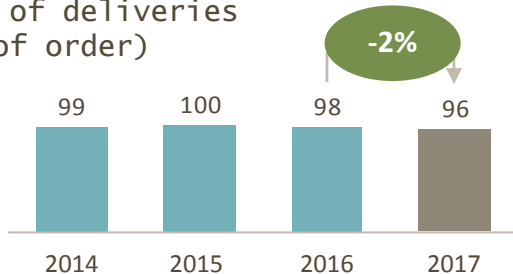
DJP + NMPP capacity utilisation (Mℓ/week)



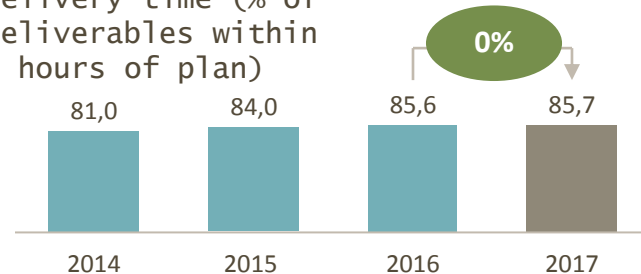
Operating cost per Mℓ.km (Nominal R/Mℓ.km)



Ordered vs delivered volumes (% of deliveries within 5% of order)



Planned vs actual delivery time (% of deliverables within 2 hours of plan)



Petroleum volume performance:

⬇️ 2,6% below the prior year,

Due to:

- reduced demand from customers.
- Efficiency improvements were noted between planned vs actual delivery times.
- Pipeline operating costs per Mℓ.km improved compared to the prior year, **reflecting a saving of 8,0 %.**

Sustainable development outcomes

TRANSNET

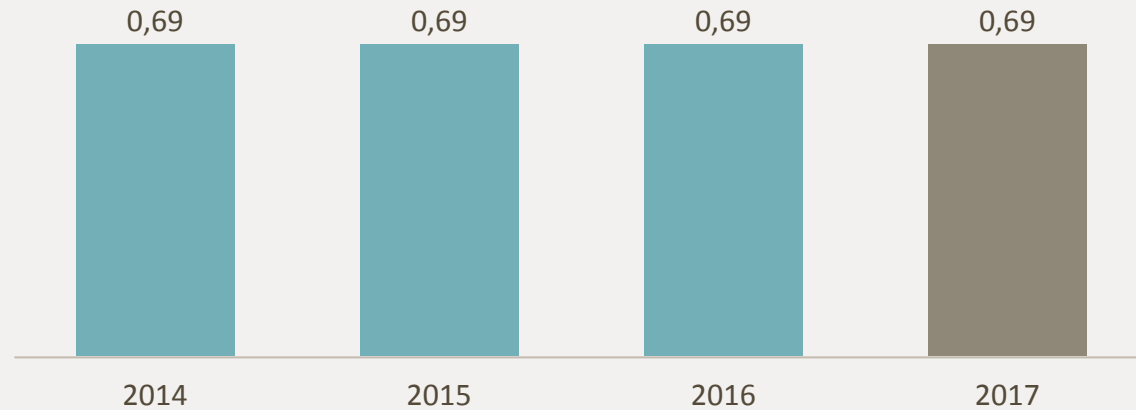


- Safety
- Human resources
- Community development
- Industrial capability building and transformation
- Enterprise development initiatives
- Environmental stewardship
- Internal controls

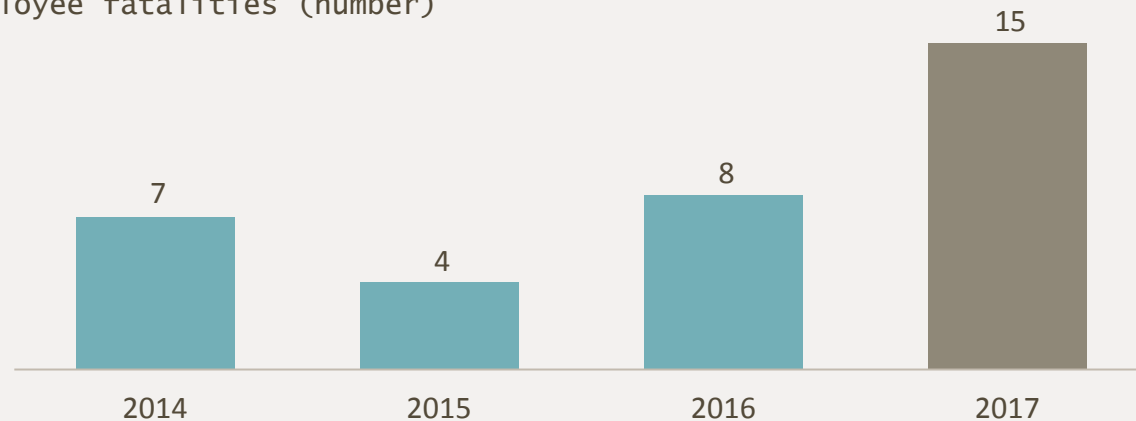
Safety – the sixth consecutive year recording a DIFR ratio below 0,75



Disabling injury frequency rate (DIFR)



Employee fatalities (number)



DIFR performance of 0,69 (target: 0,75)

- Sixth consecutive year recording a DIFR ratio below 0,75 due to continued focus and investment in safety.

The Company continues to monitor and mitigate, as best possible, both operational and behavioural risks that are inherent in Transnet's work environment.

Despite considerable efforts to improve safety, the Company regrets to report 15 employee fatalities in the current year, compared to 8 in the prior year. These were due to vehicle and train accidents as well as non-adherence to standard operating procedures.

Transnet's leadership has heightened its oversight role of safety performance in more visible ways through site visits, ensuring various levels of safety performance are clearly understood and adhered to.

The Company continues to analyse and review its current safety approaches and efficiency, while proactively striving towards zero harm. Numerous vehicle safety, driver awareness and other safety campaigns have been introduced to further embed a safety culture within Transnet's operations.

Human resources – employment, transformation, skills development



58 828

Transnet employees*

A representative workforce

Designated categories	Target %	Actual %
	2017	2017
Black	80,0	85,2
Females at GLT	50,0	50,0
Females at extended GLT	50,0	44,4
Females below extended GLT	40,0	27,7
PWD's	3,0	2,3

Exceeded target for black employees.

Female representation is growing steadily despite significant challenges in an operations-heavy environment at semi and unskilled levels.



skills development, capacity building and job creation

Key performance Indicator	Unit of measure	Annual Target	Actual 2017
Training spend	% of personnel costs Rand million	≥ 3,0	3,1 746
Engineering trainees	Number of learners	≥ 171	173
Technician trainees	Number of learners	≥ 220	229
Artisan trainees	Number of learners	≥ 250	250
Sector specific trainees	Number of learners	≥ 2 200	1 813

Invested 3,1% of the labour cost bill on skills development initiatives (focusing on operational and technical training).

Transnet achieved its targets for 2017 in the most critical skills development areas, that were the focus for the year.

Schools of Excellence in Transnet continued to be a great flagship of the Transnet Academy's delivery.

*Including contract employees.

Human resources – employment, transformation, skills development per province



58 828

Transnet employees*

A representative workforce

Province	Black (%)	Females at GLT (%)	Females at extended GLT (%)	Females below extended GLT (%)	PWD's (%)
Total	85,2	50	44,9	27,7	2,3
Eastern Cape	81,1			25,6	2,0
Free State	78,4			21,6	1,9
Gauteng	84,5	50	46,5	32,6	2,8
KZN	87,2		37,5	27,2	2,1
Limpopo	93,5			25,2	2,5
Mpumalanga	92,4		100,0	28,2	2,5
North West	87,5			21,6	1,7
Northern Cape	86,6			21,1	2,3
Western Cape	81,2		0,0	25,5	1,9



skills development, capacity building and job creation

*Including contract employees.

Province	Engineering trainees	Technician trainees	Artisan trainees
Total	173	229	250
Eastern Cape	12	37	32
Free state	8	23	27
Gauteng	44	41	39
Kwazulu/Natal	39	66	93
Limpopo	30	36	6
Mpumalanga	16	13	6
Northern Cape	3	1	15
North-West	3	6	2
Western Cape	18	6	30

Community development

Transnet Foundation invested R234 million



Healthcare

Access to primary health care services for rural communities. Two Phelophepa health care trains.

- 173 016 patients assisted on-board.
- 438 807 individuals assisted through outreach.
- 1 624 medical student placements.
- Teenage Health programme reached 9 105 girls and 2 849 boys.



Rural and farm schools sports development

- Two multi-purpose sports complexes completed in Empangeni.
- Sports apparel and equipment donated to 194 schools.
- 100 000 learners participated in sporting talent events.
- 1 200 graduate participants in Provincial/National sporting codes.
- The School of Excellence achieved a 100% matric pass rate for the 2016 calendar year.



Employee volunteer programme (EVP) and socio-economic infrastructure development (SEID)

- EVP projects: 3 216 employees volunteered during the year in mega projects across the country.
- SEID: The contractor for the construction of Idonotha Community Centre in KZN has been appointed.
- The donation of land was approved by Msunduzi Municipality for the construction of the Ezinkatheni Community Centre in 2017.



Education

Looks after orphaned and vulnerable youth in communities where Transnet has large projects or operations.

- 39 matric learners from the programme achieved 100% pass-rate with 40 distinctions.
- Mobile libraries procured and delivered much needed educational material to three schools.



Grants and donations

- The third and final instalment of R250 000 was paid to Batswana High School towards the building of four classrooms.
- R855 000 donated to NGO Afrika Tikkun for youth skills development and employment assistance.



Heritage preservation

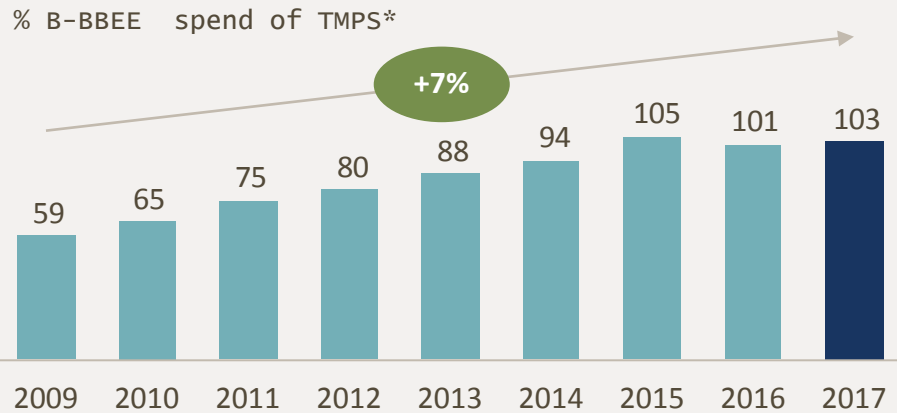
Managing Transnet heritage assets for future generations.

- The Transnet Transport Museum, located in George, has received a certificate of excellence from Trip Advisor for the third consecutive year.

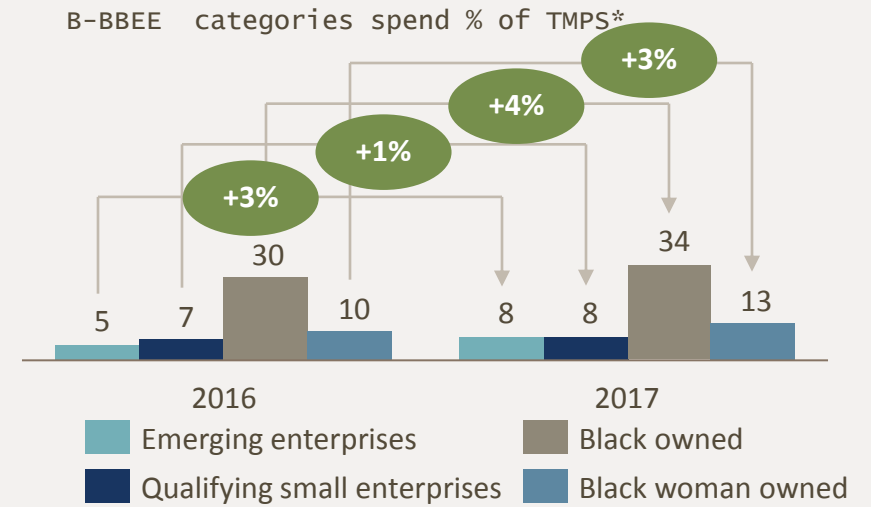
Industrial capability building and transformation



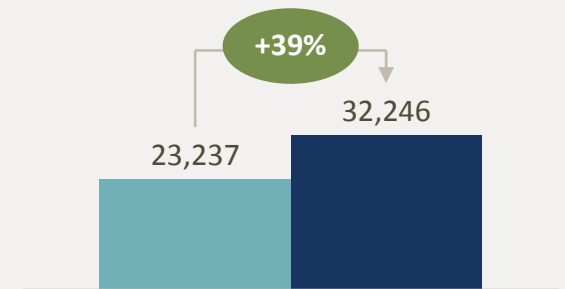
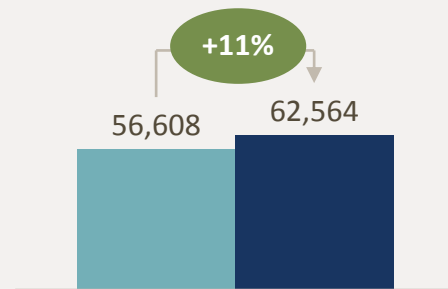
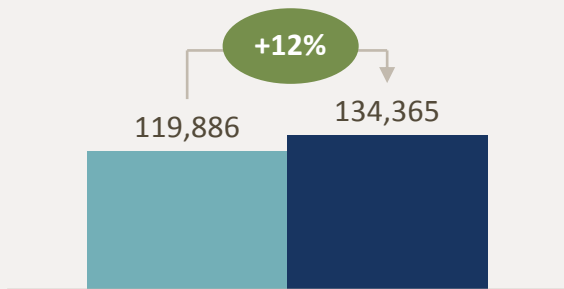
Broad-based black economic empowerment (B-BBEE) and local supplier industry development



Supplier development (SD) programme (R million) ■ 2016 ■ 2017



Transnet is currently rated as a **Level 2 B-BBEE contributor**



*TMPS – Total measurable procurement spend.

Enterprise development initiatives



Transnet Design and Innovation Challenge and Research Centre

R160 million spend since inception in 2014.
R106 million remaining expected spend until 2021.

- Partnership between Transnet, SABS, JASA and Wits Transnet Centre for Systems Engineering.
- The initiative aims to stimulate the entry of black entrepreneurs, particularly black youth, into high-tech sectors through Innovation and R&D facilities.
- Provides mentoring, design capability, funding, incubation, and access to markets.



Transnet – Shanduka Black Umbrella Incubation

Transnet has spent R30 million since inception in 2013. The project has been completed in the current year.

- A non-financial support service aimed at incubating 100% black-owned SMMEs, which can meet Transnet's supply chain needs.
- The two incubation centres are currently running in the Richards Bay (KwaZulu-Natal), and Port Elizabeth (Eastern Cape) areas.



Transnet – Productivity SA

R18 million spend since inception in 2014. To be completed in 2019.

- The Transnet – Productivity SA initiative provides operational support to qualifying black-owned SMME suppliers to Transnet.
- Helps small suppliers meet Transnet demand.
- Addresses challenges of operational performance that may affect product or service delivery.



Enterprise Development Hubs

R27 million spend since inception in 2014.
R12 million expected spend until 2019.

- The Enterprise Development Hub creates an enabling environment for SMMEs to access products and services offered by Provincial and National Economic Development Institutions.
- Four ED Hubs in operation in Johannesburg, Saldanha, De Aar and Mdantsane.



Godisa Fund

R55 million spend since inception in 2014. To be completed in 2023.

- Collaboration between Transnet, Anglo American and Small Enterprise Finance Agency.
- R150 million for financial assistance and R15 million for non-financial assistance.
- Aims to nurture current black-owned Transnet suppliers to meet contractual obligations and grow their businesses sustainably.



Container Bakeries

R29,9 million spend since inception in 2015. Project completed in the year.

- Partnership between Transnet and Umnyakazo to empower 100% rural black women-owned co-operatives to run and operate container bakeries in their EC, KZN and NW communities.

Transnet SMME Business Toolkits

R8 million spend since inception in 2015. Project completed.

- Transnet partnership with SAGE Pastel.
- Develop 1 250 SMME business toolkits, covering all key areas of SMME business management.

Enterprise development initiatives



Automotive Industry Development Centre (AIDC) Rapid Process Improvement Programme

R1,9 million spend since inception in 2013. The project has been completed.

- A partnership between Transnet and AIDC.
- Aims to improve Transnet supplier's in manufacturing and quality standards.
- Lean six sigma training.



Transnet – GIBS Supplier Development Programme

R13 million spend since inception in 2014. R9,7 million expected spend until 2018.

- The GIBS Enterprise Development Academy, aims to empower new and existing growth-oriented entrepreneurs through business education, mentorship.



Furniture Manufacturing Incubation

R18 million spend since inception in 2014. To be completed in 2018.

- Partnership between Transnet and Furntech.
- Centre of Excellence for the furniture industry.
- Offers business incubation and/or skills development in furniture manufacturing.
- Focused specifically on black people living with disabilities.



Transnet 'BE BOLD' Programme

R1,4 million spend in the current year. To be completed in 2018.

- Innovation and Entrepreneurship Programme for University Students.
- Provides mentorship and training to youth to develop innovative products and services.



Phuhliso Enterprise and Supplier Development Fund

R50 million spend since inception and R50 million expected spend until completion.

- Funding for BO, BWO, BYO, BDO SMMEs in the Cape Region (WC, NC & EC).
- Provides guarantees for large contracts and provide accessible funding to SMMEs.



Itireleng Fund

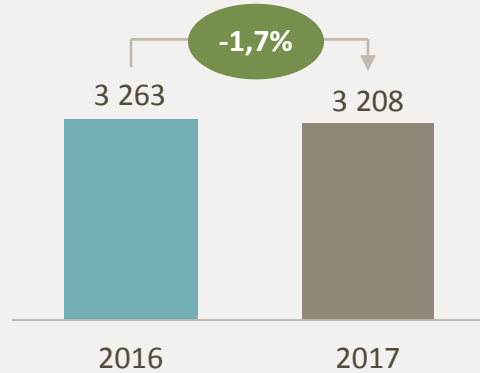
R24 million spend since inception in 2013. The project has been completed in the current year.

- A strategic partnership between Transnet and Gauteng Enterprise Propeller.
- Aims to provide financial and non-financial assistance to ensure SMMEs benefit from Transnet's ED programme.

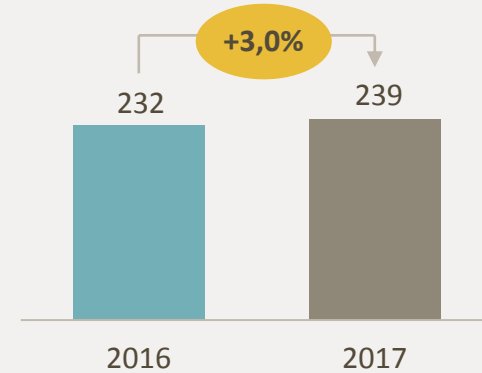


ENERGY CONSUMPTION & EFFICIENCY

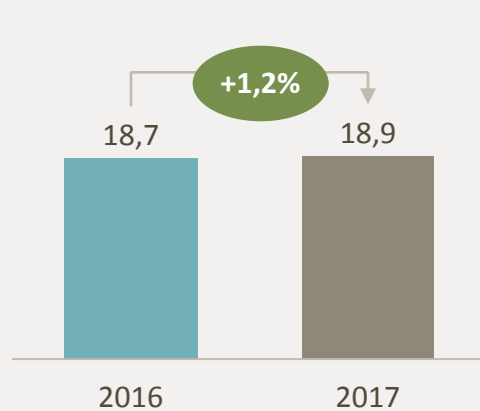
Total electricity consumption (Gw/h)



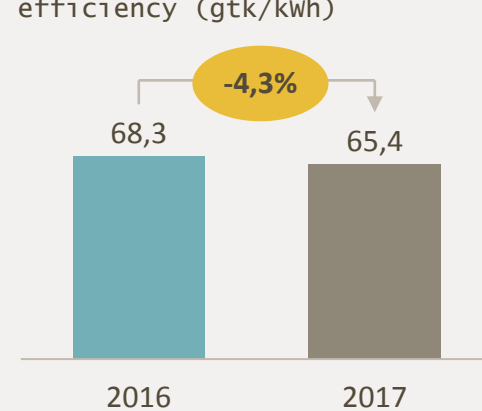
Total fuel consumption (million litres)



Total energy efficiency (ton/GJ)

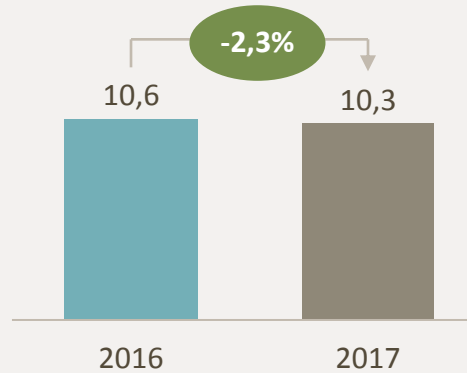


Traction electricity efficiency (gtk/kwh)

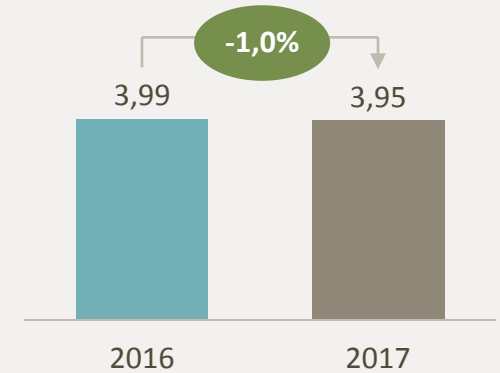


CARBON EMISSIONS

Carbon emissions intensity (kgCO₂e/ton)



Carbon emissions (mtCO₂e)



Freight commodities market share gains from road hauliers in the year resulted in **carbon emissions savings** to the South African transport sector of **637 152 tCO₂e**.



242 788MWh electricity regenerated by the new 15E, 19E, 20E and 21E locomotives.

tCO₂e - tons of carbon dioxide equivalent
MWh - Megawatt hours

GJ - Gigajoule
Gtk - gross ton km



Internal controls initiatives

Maintaining a world class risk and internal control environment



Transnet Financial Processes 'Step Up Programme'

- Group-wide step up programme on the critical financial reporting control's environment.
- Initiated by office of the Chief Financial Officer (CFO).
- Focus on end-to-end adequacy of key financial control processes.
- Commenced September 2016.
- To be completed June 2018.
- Spearheaded by management in close collaboration with Transnet Internal Audit.
- Moving towards a preventative and automated control environment.

Transnet Key Business Processes 'Step Up Programme'

- Group-wide step up programme on the business critical operational control's environment.
- Initiated by the Office of the Group Chief Operating Officer (GCOO).
- Focus on end-to-end adequacy of key business control processes impacting the business objectives, e.g. revenue/volume.
- Commenced February 2017.
- To be completed June 2018 for Phase 2.
- Spearheaded by operational management in close collaboration with Transnet Internal Audit function.
- Moving towards a preventative and automated control environment.

Smart Analytics Reporting Project

- Group-wide implementation of Power-BI data analytics.
- Initiated by office of Chief Financial Officer (CFO).
- Enforces and encourages Continuous Monitoring allowing control owners to identify data exceptions and address them constantly on a monthly basis.
- Focusing on key controls that have been identified as high risk by management and external auditors.
- Spearheaded by management, Group Internal Control and enabled the Transnet Power-BI Data Analytics team.
- Integrating External Audit Computer Assisted Audit Techniques exceptions to enhance compliance and efficiency of controls.

PFMA Compliance and Improvement Programme

- Enforce a strong culture of planning, management and accountability for PFMA compliance by all employees within Transnet.
- Development of a PFMA Controls Framework that is aligned to the Act to ensure compliance.
- Enforce punitive measures to discourage non-compliance.
- Combined effort between Group Risk, Control; Group Internal Control, External Audit and Transnet Internal Audit.
- Minimise the volume of PFMA infringements resulting in condonation by enforcing effective punitive measures.
- Automate PFMA controls by configuring the PFMA Controls Framework in the SAP system in order to minimise the levels of non-compliance.

Conclusion



Short- to medium-term outlook

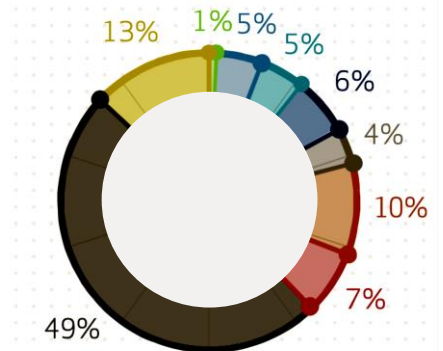
- ✓ Continue to **respond to changing market conditions** in an **agile way** through **bold and resilient cash flow management interventions** driven by the Group Leadership Team and the Board.
- ✓ MDS being **repositioned** to create **capacity ahead of validated demand** in the short to medium term.
- ✓ Aim to achieve capital spend of **R229,2 billion** (including R20 billion allocated to mergers and acquisitions) over the MDS period and between R340 billion and R380 billion to be invested over the next 10 years, depending on demand, to increase capacity **across all commodities and sectors**.
- ✓ Focus on: **diversified revenue streams, customer-centric service ethos, cost management, and productivity**.

Long-term outlook

- ✓ Management adopting the **Transnet 4.0** vision to accelerate MDS growth in the 4th Industrial Revolution.
- ✓ The future is **digital** and the Company will use the **latest technology intelligently**, to implement **real-time customer solutions** and **new product offerings**.
- ✓ Establish infrastructure networks for the transmission of **natural gas**.
- ✓ Accelerate growth in **property, spatial development** and **maritime connectivity**.
- ✓ Fundamentally reinventing Transnet's existing **business model** and **operational philosophy**:
 - **Extend Transnet's footprint in Africa, the Middle East and South Asia.**
 - **Become a fully integrated logistics service provider, with end-to-end solutions.**
 - **Establish an advanced manufacturing capability as an OEM for Africa.**

Through **dynamism, financial agility, operational unity** and **perpetual innovation**, Transnet achieved a **5,0% growth in EBITDA** (despite providing in excess of R600 million in price reprieves), a 16,4% increase in cash generated from operations after working capital changes, and a 14,9% improvement in operational efficiency.

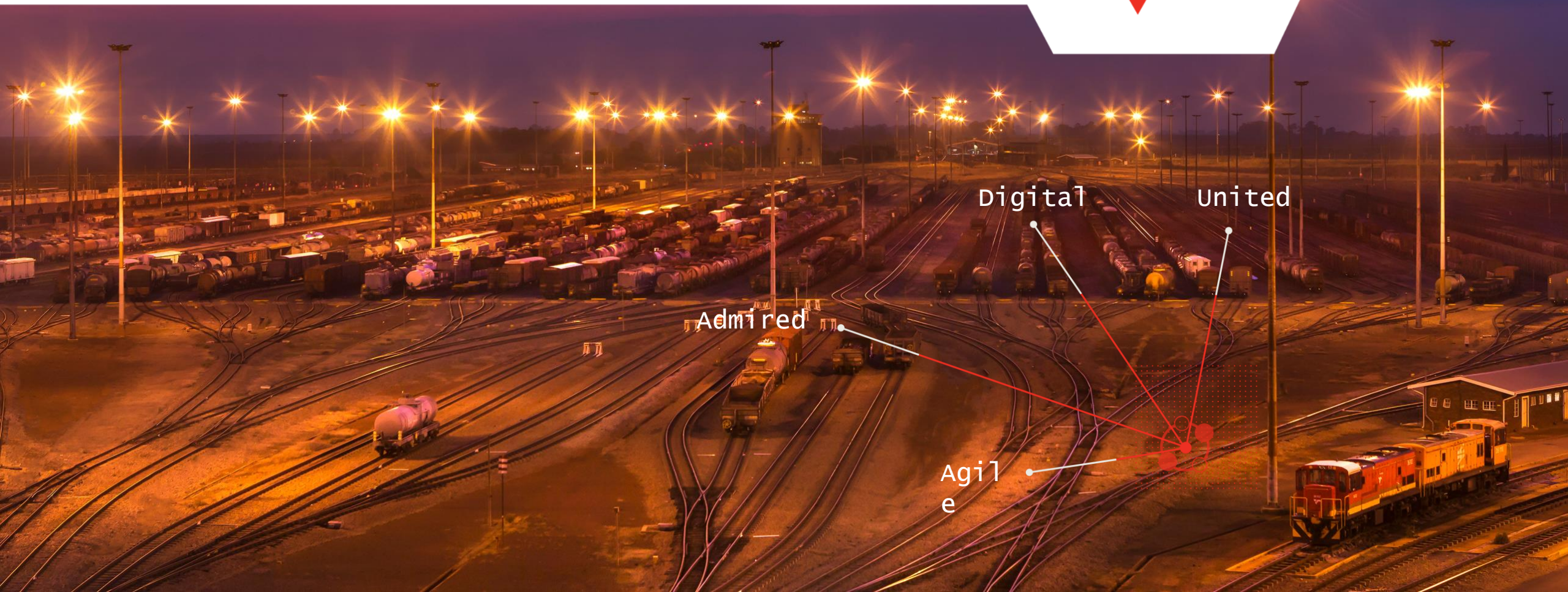
Seven-year capital investment by commodity (%) *



- 1% Break-bulk R1,9 billion
- 5% Piped products R10,3 billion
- 5% Bulk other R9,9 billion
- 6% Manganese R12,5 billion
- 4% Iron ore R8,9 billion
- 10% Maritime containers R21,5 billion
- 7% Coal R14,3 billion
- 49% General freight R102,4 billion
- 13% Automotive and other R27,5 billion

*Excludes R20 billion allocated to mergers and acquisitions.

Thank you.



Digital

United

Admired

Agile



List of awards



- Top Employers South Africa 2017 certification by Top Employers Institute.
- 2016 Ernst and Young Award for Excellence in integrated reporting.
- CFO Awards for the year 2017: Transformation and Empowerment Award (winner).
- Chartered Secretaries Southern Africa Integrated Report Awards for 2017 (winner: Large State-owned Company category).
- Women in Transport Awards – Three leading businesswomen for 2017.
- Top Employers South Africa 2016 certification by Top Employers Institute (Freight Rail).
- Nkonki SOC Integrated Reporting Awards 2015 (Winner: State-Owned Companies).
- Chartered Secretaries Southern Africa Integrated Report Awards for 2016 (Winner: Large State-Owned Company category).
- Businesswomen’s Association (BWA) – Six leading businesswomen for 2015 (National Ports Authority).
- 2015 Exporter of the Year Awards – Merit Award (Port Terminals: Ngqura Container Terminal; Port Terminals - Port Elizabeth; and Port Terminals – East London Terminals).
- Nominated among top three finalist of the 2015 Business Continuity Institute (BCI) Africa Awards (Port Terminals).
- CFO awards of the year 2015 – Public CFO of the year and the Strategy Execution Award.
- CIPS Pan African Procurement and SOEPF AAPP CPO Awards 2015 – CPO of the year.