

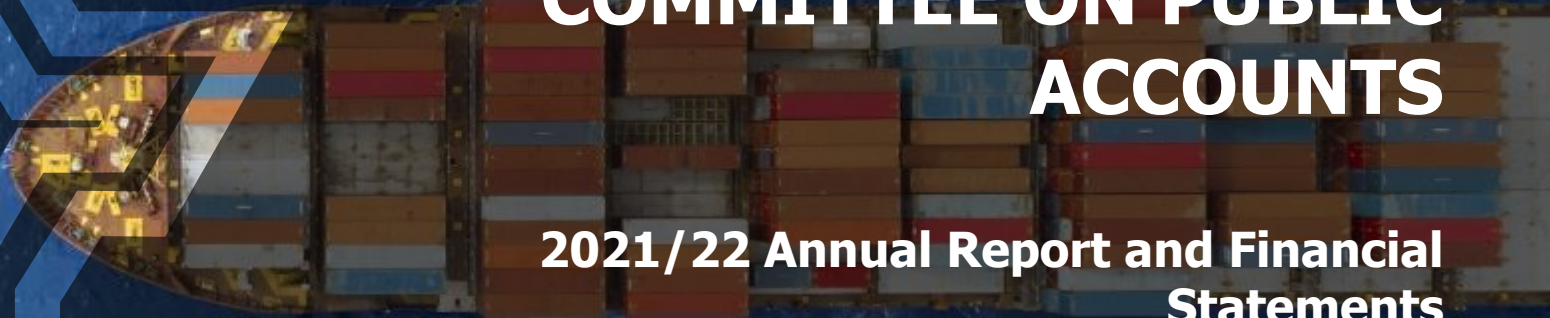
**TRANSNET**



# **TRANSNET PRESENTATION TO THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**2021/22 Annual Report and Financial  
Statements**

**05 September 2023  
09:30 – 13:00  
Room 514, Marks Building  
CAPE TOWN**





# FY 2022 ANNUAL RESULTS SCOPA PRESENTATION

For the year ended  
31 March 2022



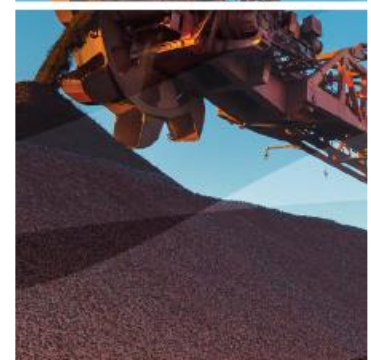
**OVERVIEW:** PORTIA DERBY

**PERFORMANCE:** NONKULULEKO DLAMINI

**COMPLIANCE:** NONKULULEKO DLAMINI

**STRATEGY:** PORTIA DERBY

**REPOSITIONING THE BUSINESS:** PORTIA DERBY



## OVERVIEW: PORTIA DERBY

- GROUP CHIEF EXECUTIVE

# Year in review: Our operating context



- **COVID-19** outbreaks **disrupted supply chains**, creating **bottlenecks in logistics systems**.
- Global growth improved to **6,1%** from **-4,9%** in 2020.
- High **demand** for **primary commodities** (e.g. coal) lead to the **highest prices ever**.
- Surging **global energy prices** in the **Q2**.
- Global **goods trade** began to **recover**.
- **Inflationary** pressures **intensified**.



- Sub-Saharan Africa (SSA) economic **growth for 2021 estimated at 4%**.
- Share of **regional countries** in high risk of **debt distress at 60,5%**.
- **Droughts** impacting **agricultural production**.
- **High inflation**, and rising **financial risks** due to **high debt levels**.



- **GDP growth** rebounded to **4,9%**, due mainly to a combination of **base effects, strong commodity prices**, and gradual **reopening** of the **economy** after COVID-19 restrictions.
- Outbreak of **public unrest** in July 2021.
- New wave of **COVID-19** led to **lost jobs** and **delayed investments**, exacerbated by **power outages**.
- **Price inflation** from **electricity** and **fuel prices** strained households financially.



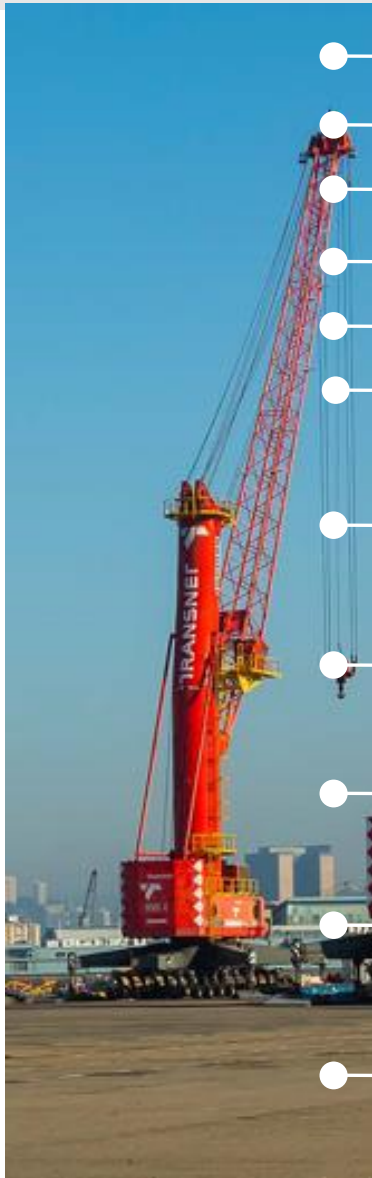
- **Capacity constraints** for the **primary export commodities** (e.g., coal and iron ore) driven by:
  - **locomotive unavailability**;
  - **vandalism** of the **rail infrastructure** and continued **cable theft**.
- **July cyber attack** **weakened our ICT environment**, **force majeure** at several **key container terminals** in **critical supply chains**.

Source: World Bank Global Economic Prospects: January 2022

Source: Treasury Economic Review: Budget review

Source: World Bank Group - 2022 Global economic prospects: June 22

# Asset optimisation: Our unique assets



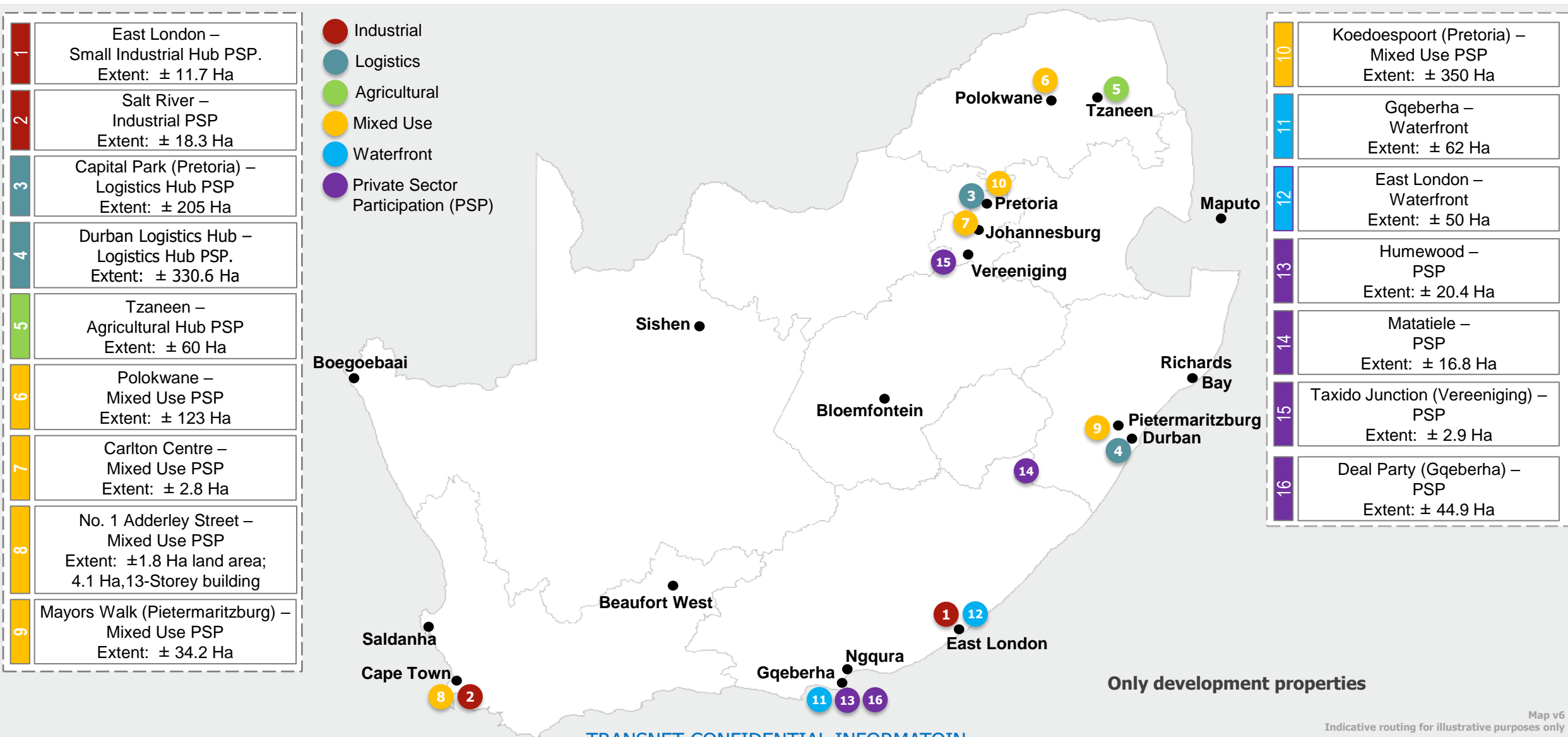
- **50 015** employees
- Overall asset base: **R356 billion**
- **3 800 km** Pipeline infrastructure
- **1 854** Locomotives
- **64 329** Wagons
- **8** Commercial ports along **2 796 km** of coastline
- **16** Cargo terminals across **7 South African** ports
- **30 400 km** Railway network track and **2** heavy-haul lines
- **6** Rail and port manufacturing and maintenance factories
- **132** Maintenance depots and **11** engineering yards
- Investment property portfolio: **R29,1 billion**



- **Freight Rail**
- **Engineering**
- **National Ports Authority**
- **Port Terminals**
- **Pipelines**
- **Transnet Property**



# Asset optimisation — This year's results are a reflection of Transnet Properties coming to its own



# Overview: Long-standing legal matters



## McKinsey

- Transnet received the payment due to Transnet of R870 million.
- Since the release of the State-Capture Report, some of the OEMs have come forward to settle matters with Transnet with regards to the allegations.



## Richards Bay Land Claims

- Transnet entered into an agreement with the Mandlazini Community in the Richards Bay area regarding a land claim settlement.
- The matter is to be formalised by the National Land Claims Commissioner.



## Total/Sasol

- 21 June 2022, the Constitutional Court delivered its judgment on the Sasol / Total contractual dispute.
- In terms of the judgment, the Constitutional Court found:
  - that the Variation Agreement was terminable; and
  - the Variation Agreement was validly terminated, with effect from 13 September 2020.

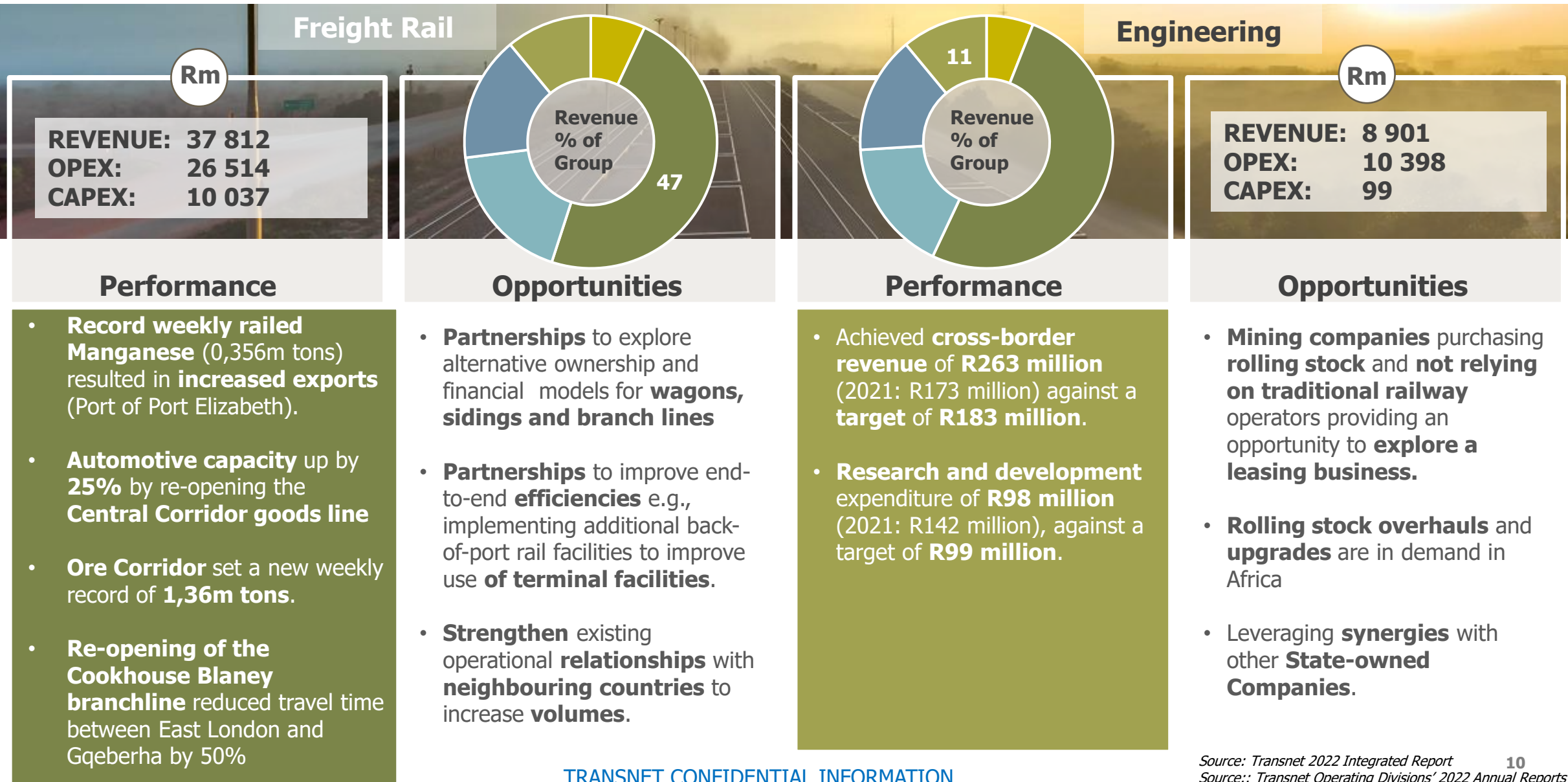




## PERFORMANCE: PORTIA DERBY

- GROUP CHIEF EXECUTIVE

# Divisions: Freight Rail and Engineering



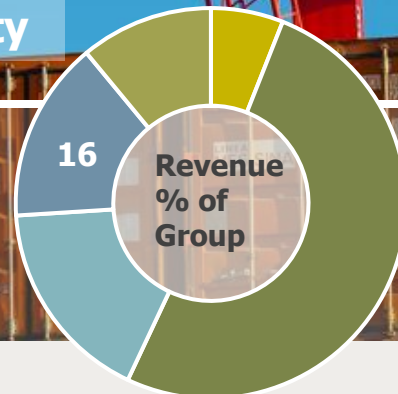
# Divisions: National Ports Authority and Port Terminals



## National Ports Authority

Rm

**REVENUE: 12 548**  
**OPEX: 5 034**  
**CAPEX: 1 124**



### Performance

- Revenue increased by 8,5% to **R12,54 billion**:
  - Containers up **10%**
  - Automotive growth: **46%**
  - Breakbulk volumes up **50%**
- Introduction of a **new operating model**

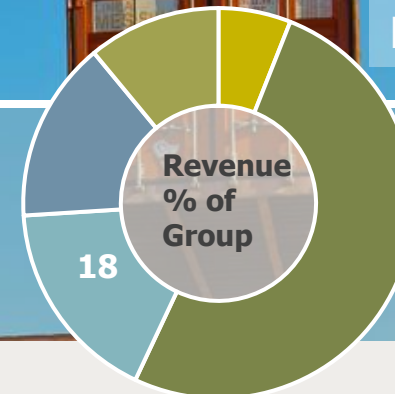
### Opportunities

- Positioning **TNPA** as an **integrated and competitive** world-class port system.
- Explore **opportunities** to **diversify revenue** and introduce increased Private Sector Participation
- Develop a **utilities management strategy** to improve **cost efficiencies** for **water** and **electricity usage** in the port system.

## Port Terminals

Rm

**REVENUE: 14 535**  
**OPEX: 10 329**  
**CAPEX: 1 548**



### Performance

- Automotive imports** up by **88%**, and **exports** up by **16%**.
- Durban Multi-Purpose Terminal: 17,6%** above budget due to **increased ad hoc shipments** and **handling more** bi-weekly services.
- Durban Agriport** was **17% above budget** due to the export programme and **high demand** for local grains.

### Opportunities

- Leverage **economies of scale** with integrated services across the **transport value chain**.
- Leverage **private partnerships** to improve capabilities and **attract volumes** from **new markets**.
- Offer customised **solutions** to **OEMs** in the **automotive industry**.
- Partner with **Government agencies** to attract **new OEMs**.

# Divisions: Pipelines and Property

## Pipelines

Rm

**REVENUE: 5 283**  
**OPEX: 1 564**  
**CAPEX: 330**

### Performance

- **Petroleum volumes of 15,35 billion litres** exceeded prior year by **17,5%**.
- **Ordered versus delivered volumes were above budget at 98,9%** (2021: 95%)
- Multi-product pipeline (MPP) capacity **use of 91:148 Mℓ per week** was **12%** above the prior year.
- The **planned** versus the **actual** delivery times was **above prior year at 88,3%** (2021: 83,2%)



### Opportunities

- Finance, construct, operate and maintain **LNG midstream infrastructure** to enable the import of LNGs into the **ports of Richards Bay and Ngqura**.
- Provide **import infrastructure** to enable **new entrants** to participate in the **petroleum and gas sector supply chain**.
- Provide **solutions to the BNLS** (Botswana, Namibia, Lesotho and South Africa) on strategic **stock storage and handling**.

## Property

Rm

**REVENUE: 937**  
**OPEX: 825**  
**CAPEX: 70**

### Performance

- **Net profit** for the year, before taxation is **R1 526 million** (2021: R569,7 million), due mainly to **increase in value of investment properties**.
- **Freight Rail properties** have been **transferred to Property** as part of the strategy to **consolidate investment properties under Property's purview**.

### Opportunities

- Roll out the **Development Leases Reversion Programme** to take over the **development leases** into the **Property portfolio** upon expiry and **grow the balance sheet**
- **Consolidate and standardise** head office and regional office space in Transnet-owned properties to **save costs, optimally utilise Transnet assets and standardise the look and feel of facilities**.

# ESG outcomes



## Environmental stewardship

- Carbon footprint: **3,27 mtCO<sub>2</sub>e**
- **Cumulative carbon emission savings** from 'road to rail' from 2015 to 2022: **3 122 mtonCO<sub>2</sub>.**



## Health and safety

- **LTIFR rate** – 0,69 (2021: 0,62)
- against tolerance of 0,75
- **Running line derailments:** 78 (2021: 70)
- **Shunting derailments:** 121 (2021: 122)
- Employee Wellness Programme service offerings across all 11 official South African languages.



## Building Industrial capability

- **R67 million** in ESD spend, 2,1% of net profit after tax
- **R378 million early payments** to qualifying **ESD beneficiaries** (2021: R70,1 million).
- **Local procurement spend** accounted for **72%** designated sector spend (2021: R2,2 billion; **9,4%** of TMPS).



## Creating employment

- Transnet's **total headcount 55 827** (incl. contract employees)
- **4 620 +** temporary jobs created through **Phelophepa I and II**
- **R7,7 million +** was invested in **job creation efforts in communities** hard hit by unemployment.



## Skills development

- **1 229 trainees** were trained at **Transnet schools** (2021: 1 396), surpassing the **1 105 annual target**
- **R655 million** was spent on **skills development**
- **22,11 B-BBEE skills development points achieved** – retaining Transnet's **Level 2 B-BBEE status**

# ESG outcomes



## Community Development

- Invested **R139,56 million** in community development (2021: R112,2 million)
- **Phelophepa Healthcare Trains I and II** treated **344 362** patients in **70** communities
- Approximately **33 856** citizens were **vaccinated** against COVID-19 through the **Transvaco vaccine train**



## Transformation Employment equity

- **Black employees: 78,6%** of total employees
- **Women in Exco: 44% and 47,4%** at extended Exco
- **People with disabilities 2,3%** of employees.
- **Professional Corps Black employees: 3 375**
- **Skilled Corps Black employees: 15 577**

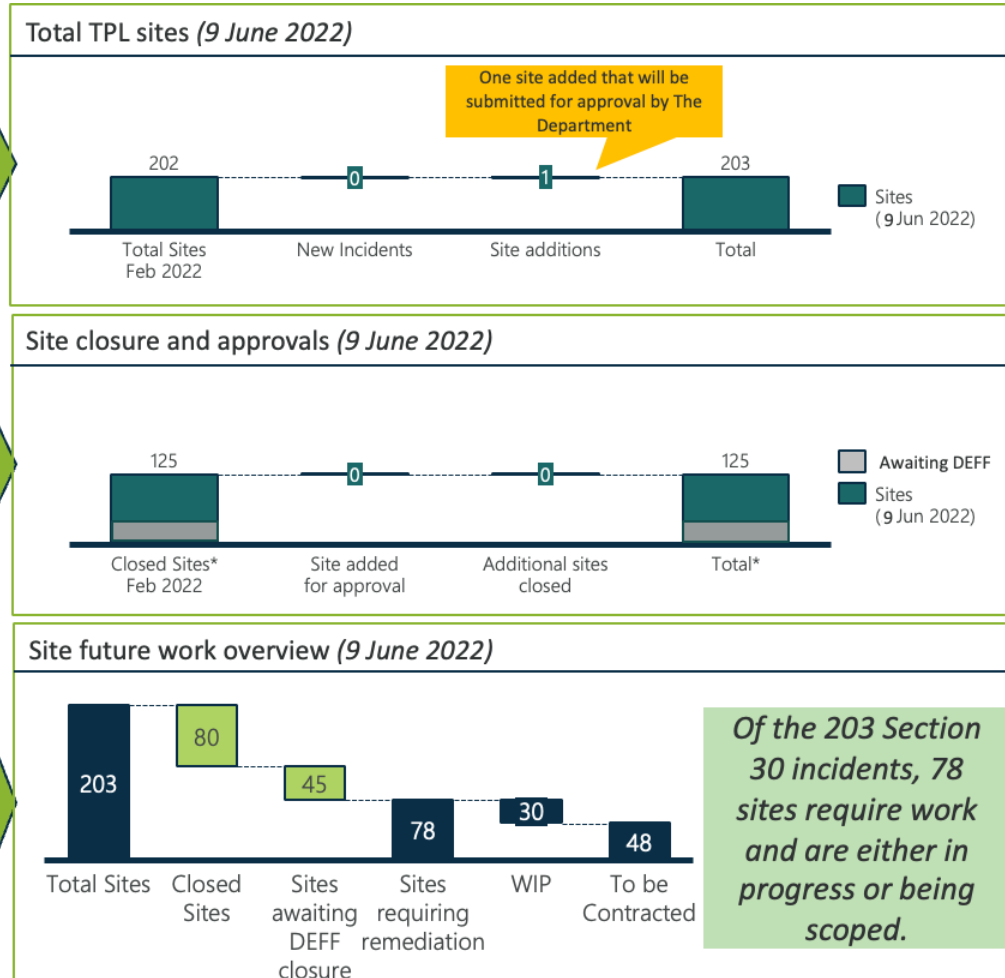
## Transformation B-BEEE spend

- **Black-owned enterprises** spend accounts for **R12,55 billion**
- **Black women-owned enterprises** spend: **R7,41 billion**
- **EME spend** at **R5,14 billion**
- **QSE spend** at **R2,91 billion**
- **Black youth enterprises** at **R1,83 billion**



# Environmental remediation

- Site Overview
- Closed Sites
- Site Remediation



Source: Team analysis


### Comments relating to the site summary...

- 203 sites are registered as section 30 sites
- 80 sites are certified closed
- 45 sites are awaiting DEFF closure approval
- 78 sites require remediation
  - 30 sites are currently being remediated n
  - 48 sites requiring remediation are being scoped for release to the market

### Harrismith - Meul River Incident



*Due to the concerted, coordinated efforts of various role players, the containment & recovery of the spill has been effective and a result of successful containment & recovery:*

A large, stylized graphic on the left side of the slide, resembling a large letter 'F' or a series of horizontal bars. It is composed of several colored segments: a dark blue vertical bar on the left, and horizontal bars in shades of olive green, light blue, and orange. The segments are separated by thin white lines.

**PERFORMANCE:** NONKULULEKO DLAMINI  
- GROUP CHIEF FINANCIAL OFFICER



# Financial performance summary



**Revenue:** ▲ 1,8%

At R68,5 billion, in line with increased petroleum and container volumes



**Net operating expenses:** ▼ 5,9%

At R45,0 billion, driven by cost saving initiatives, reduction in provision and third-party settlement partially offset by voluntary severance packages



**EBITDA:** ▲ 20,5%

At R23,4 billion, with the EBITDA margin increasing to 34,3%.



**Net profit after Tax:** ▲

At R5,0 billion (2021: R8,7 billion loss)



**Capital investment:** ▼ 16,8%

At R13,2 billion



**Cash generated from operations:** ▲ 18,1%

At R29,1 billion.



**Gearing:** ▼ 45,5%



**Cash interest cover:** 2,6 times



**Training spend:** 1,6%

Labour costs invested in training artisans, engineers, and engineering technicians.



**LTIFR:**

Performance of 0,69 against a tolerance of 0,75 which is within the global benchmark of 1,0.



**B-BBEE spend:** 99,8%

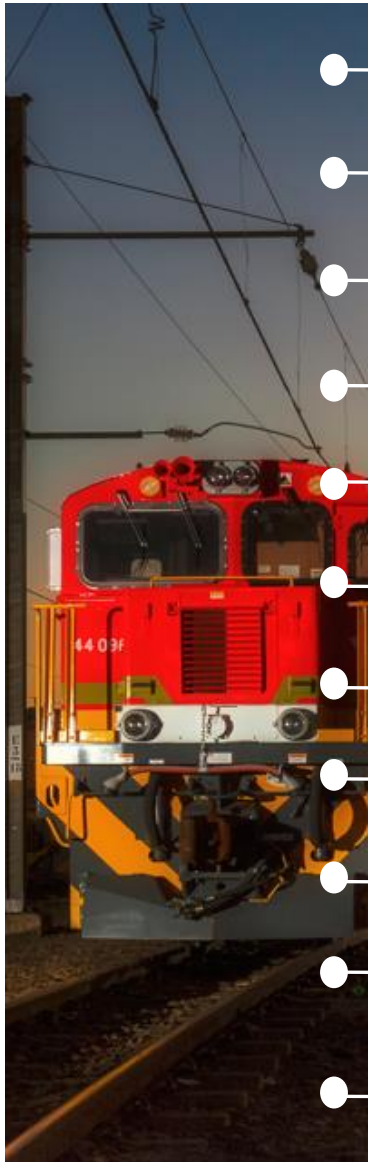
At R29,2 billion spend or of total measured procurement spend, as defined by DTIC codes.

# Significant strides in key focus areas



- Unmodified audit opinion for the first time after 4 years
- No breach of loan covenants at 31 March 2022
- PFMA exemption from AFS disclosure (Irregular, Fruitless & Wasteful Expenditure)
- Bond maturity default risk successfully mitigated
- Audited results released on time to meet regulatory deadlines
- Significant progress in the review of investment property to ensure proper valuation
- Segment strategy implementation

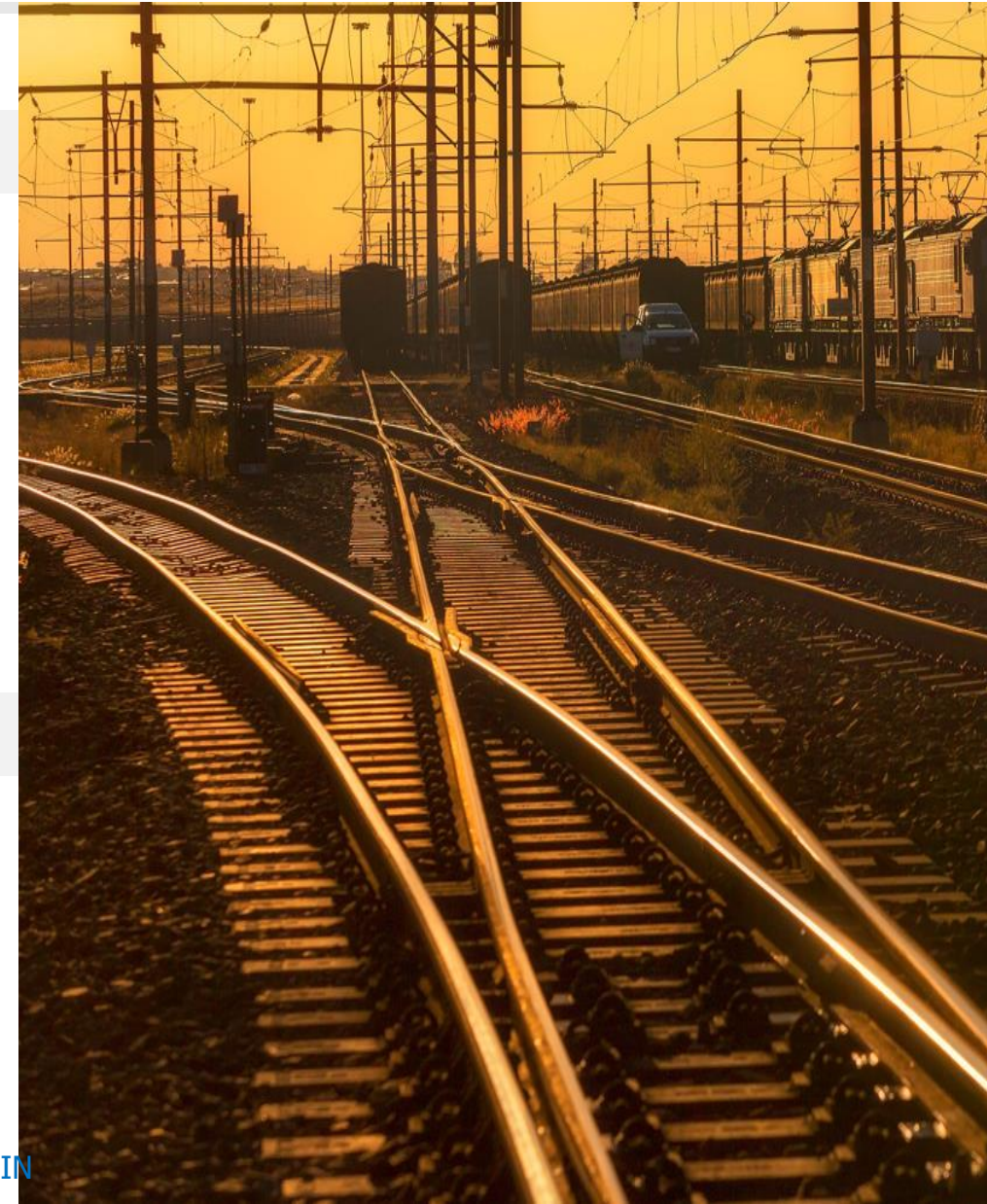
# Financial performance context



- Availability of locomotives must be resolved
- Security of assets from theft and vandalism
- Risk of cyber attacks and system penetration
- Liquidity management
- Collection of long overdue debt
- Weather conditions (recently, KZN Floods)
- Environmental incidents resulting in significant provision requirements
- Impairment of assets
- Automation, digitisation and effective utilisation of information technology systems
- Supply chain management reform finalisation
- A sustainable remediation programme to embed solutions to challenges with irregular expenditure

# Financial performance: year ended 31 March 2022

Key Financial indicator	2022	2021	(Act vs.PY)
Income Statement	Rm	Rm	
Revenue	68 459	67 273	▲
Net operating expenses	(45 010)	(47 813)	▼
EBITDA	23 449	19 460	▲
Impairment of assets	(2 534)	(4 386)	▼
Fair value adjustment	10 175	(1 243)	▲
Net profit/(loss) for the year	5 048	(8 734)	▲
Ratios			
EBITDA margin, %	34,3	28,9	▲
Operating profit margin, %	12,6	8,3	▲
Net debt/EBITDA, times	5,1	6,3	▼
Return on invested capital (%)	4,4	0,1	▲



# Financial position as at 31 March 2022

Key Financial indicator	2022	2021	(Act vs.PY)
Balance Sheet	Rm	Rm	
Non-current assets	332 636	319 520	▲
Current assets	22 882	14 530	▲
<b>Total Assets</b>	<b>355 518</b>	<b>334 050</b>	▲
Capital and Reserves	143 778	127 821	
Non-Current Liabilities	152 951	135 576	▲
Current Liabilities	58 789	70 653	▼
<b>Total Equity and Liabilities</b>	<b>355 518</b>	<b>334 050</b>	

Non-current assets – R13 billion:

- PPE increase
- Investment property increase
- Reduced by the derivative financial assets transferred to current assets (TNU22)

Current assets – R8,4 billion:

- Derivative financial assets (TNUS22)
- Cash and cash equivalents

Current Liabilities - R11,9 billion:

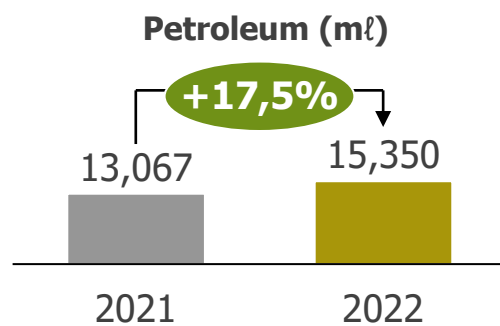
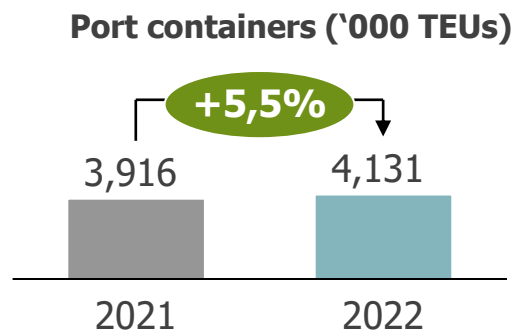
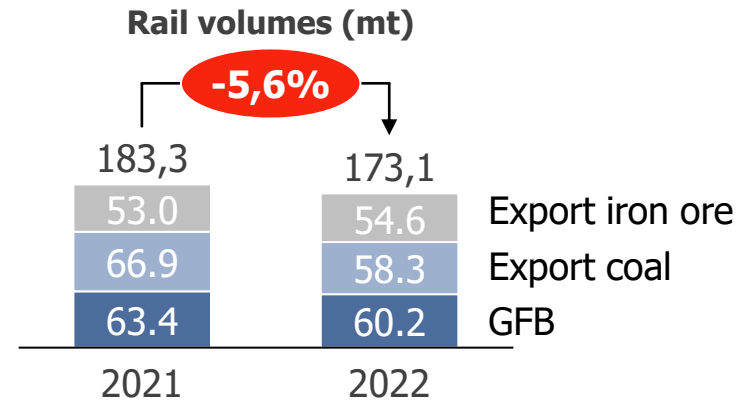
- ST borrowings reclassification of debt loan

Non-current liabilities - R17,4 billion:

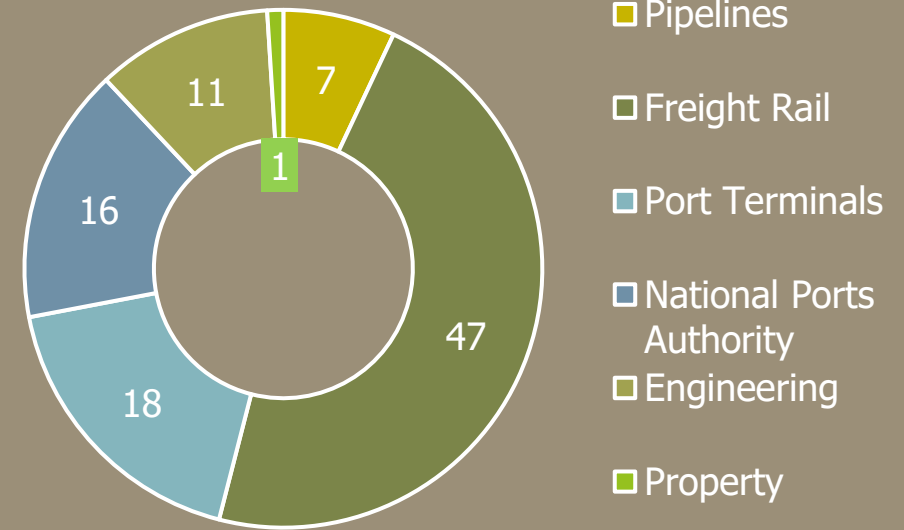
- Borrowings – reclassification of debt.

# Operational challenges have hampered the rail volumes

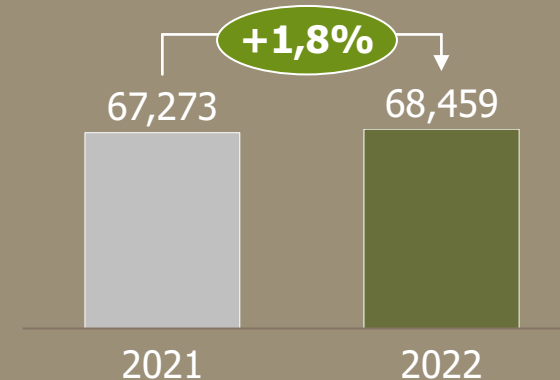
## Volumes at a glance



## Total revenue contribution by core Operating Division (%)

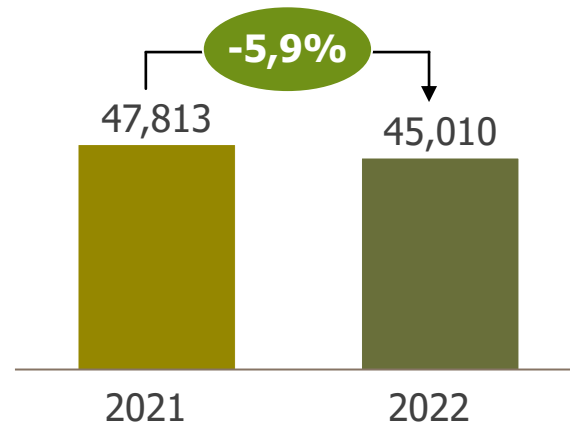


## Revenue (R million)

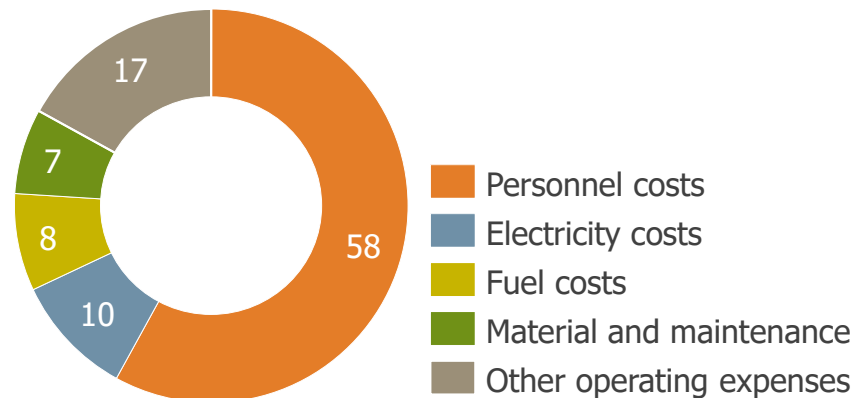


# R2,8 billion saving against prior year costs

Net operating expenses (R million)



Net operating expenses contribution by cost element (%)

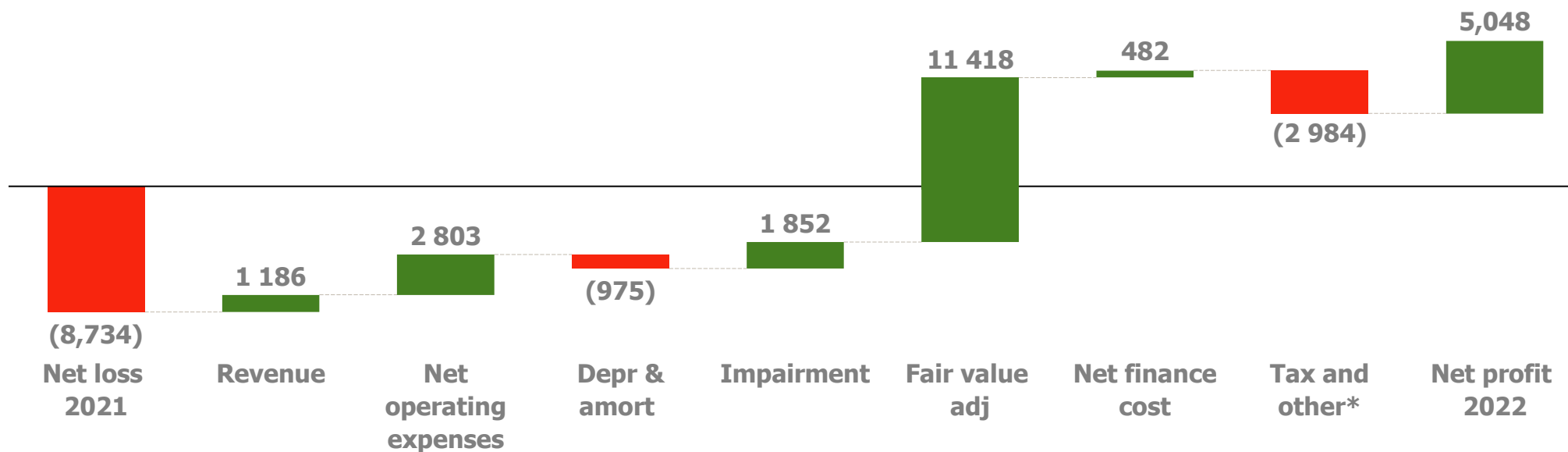


Savings against planned costs from:

- Cash preservation initiatives.
- Reduction in provisions.
- The third-party settlement.
- Off-set by provision and payment of Voluntary Severance Packages.

# Net profit after tax: March 2021 to March 2022

Numbers in R million

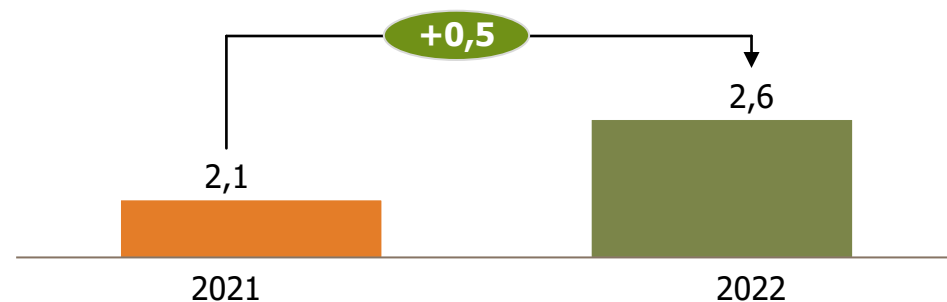


\*Other includes movement in employee benefit and loss from associates.

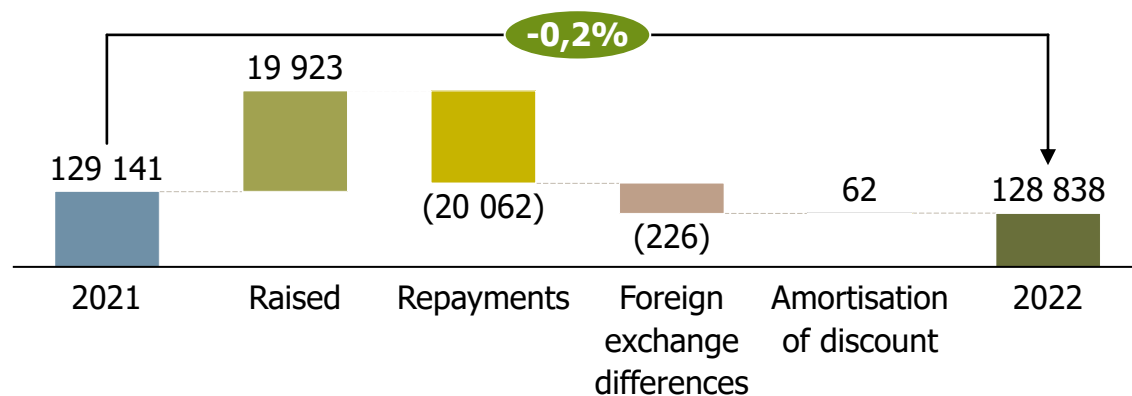


# Operating cash flows, borrowings and funding outlook


## Cash interest cover (times)



## Borrowings (R million)



## Credit rating

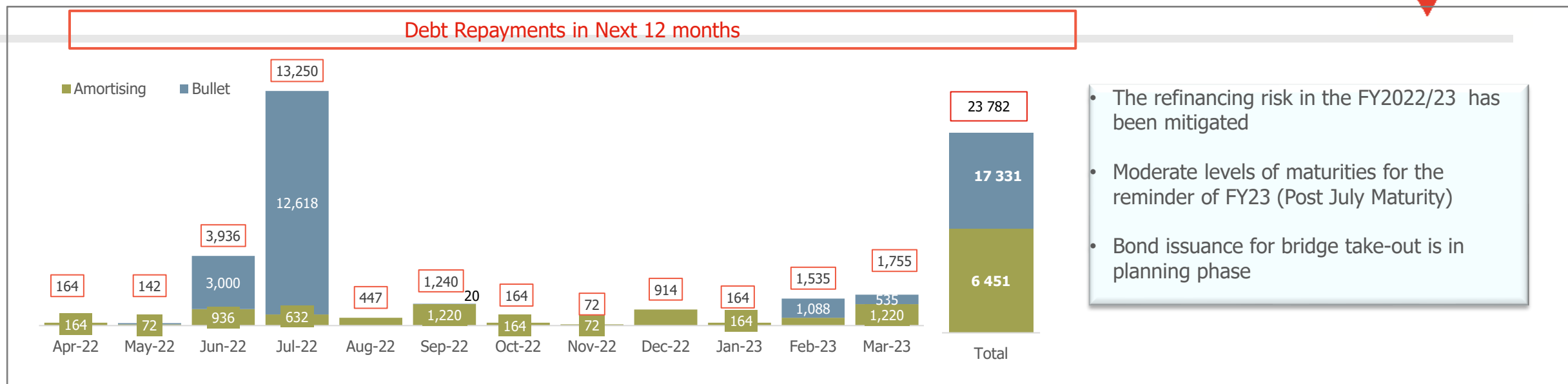
	 <b>MOODY'S</b>	<b>S&amp;P Global</b> Ratings
Foreign currency	<b>Ba3/negative outlook</b>	<b>BB-/Negative</b>
Local currency	Ba3/negative outlook	BB-/Negative outlook/CreditWatch
SACP/BCA	b1/negative outlook	bb-/Negative Outlook / CreditWatch

- Diverse funding sources include:
  - Bonds
  - Loans
  - ECA
  - Alternative funding
- Funding will be raised subject to market conditions and investor demand
- Increase domestic funding
- Extend the duration of the debt portfolio
- Cognisant of loan covenants
- Compliance to regulatory and listing requirements
- Off-balance sheet structures in line with the partnership strategy

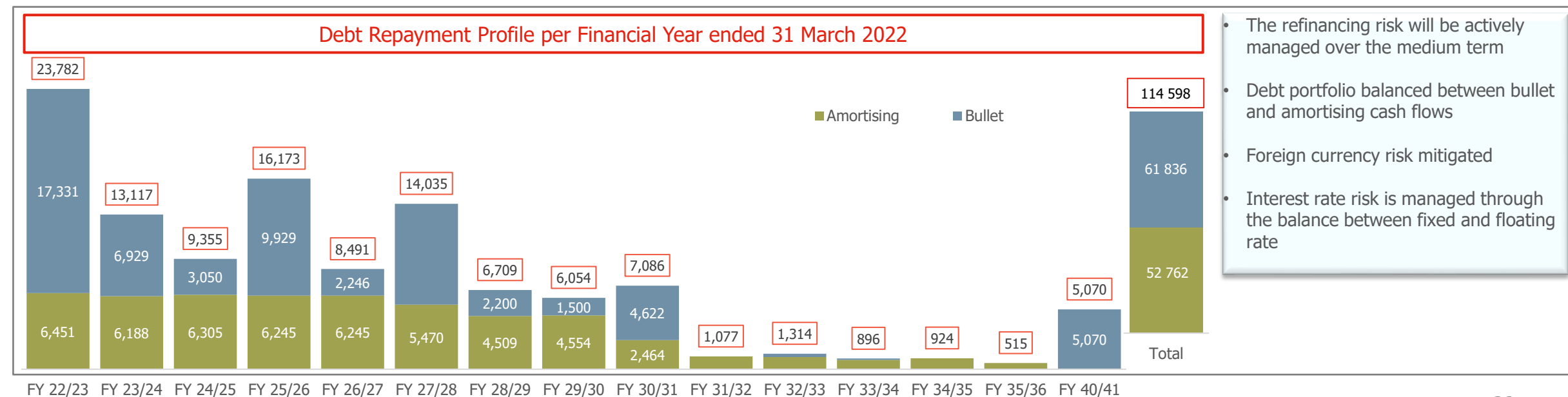
# Debt repayment profile (after derivatives)



Amounts in R/million



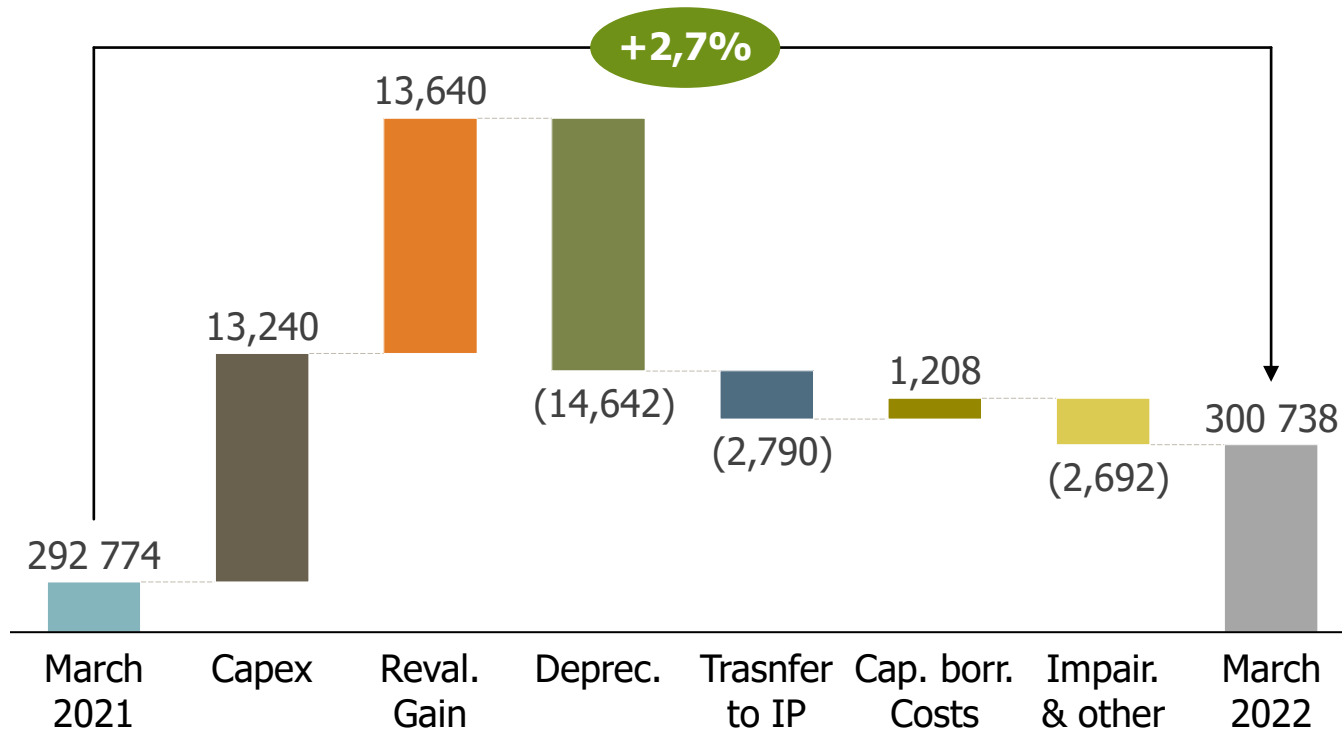
- The refinancing risk in the FY2022/23 has been mitigated
- Moderate levels of maturities for the remainder of FY23 (Post July Maturity)
- Bond issuance for bridge take-out is in planning phase



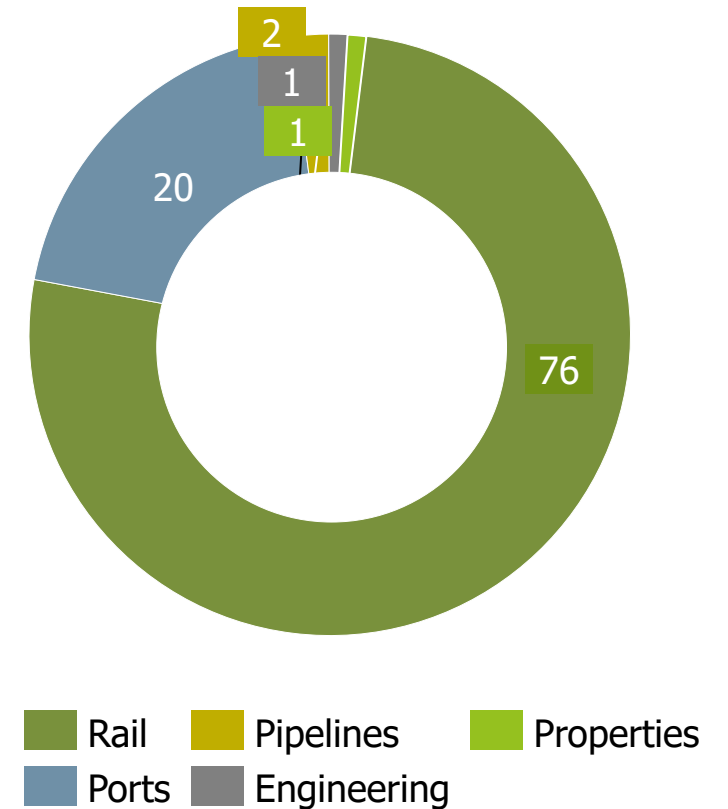
- The refinancing risk will be actively managed over the medium term
- Debt portfolio balanced between bullet and amortising cash flows
- Foreign currency risk mitigated
- Interest rate risk is managed through the balance between fixed and floating rate

# Capital investment

Property, plant and equipment (R million)



Capital investment by operating segment (%)





**REINVENT**  
FOR GROWTH



# FINANCIAL PERFORMANCE OVERVIEW

Nonkululeko Dlamini

# FINANCIAL PERFORMANCE HIGHLIGHTS



**01** **Unmodified** audit opinion for the Annual Financial Statements

**02** Financial Statements prepared on **going concern basis**

**03** R5,8bn Government injection for KZN floods and repair of long-standing locomotives

**04** Successful **issuance of USD 1bn** Global Medium-Term funding

**05** Gearing at **43,6%** an improvement compared to prior year

**06** Recovery of long outstanding debt

**07** Reduction in **irregular expenditure** compared to prior year

**08** Moody's revised the outlook stable from negative, while S&P affirmed ratings at BB-

# THE COMPANY CONTINUES TO STRIVE FOR IMPROVED PERFORMANCE



## AMID KEY FACTORS CONSTRAINING OPERATIONS

### Challenges

**01** Locomotive unavailability

**02** Impact of April 2022 - KZN floods on operations

**03** Security challenges (increase in theft and vandalism)

**04** October 2022 industrial strike action

**05** Derailments

**06** High levels of debt and high repayment obligations

### Financial Implications

**A** Breach of lender covenant- Cash Interest Cover (CIC)

**B** Loss position of R5,7 billion

# CONSOLIDATED FINANCIAL PERFORMANCE AT A GLANCE



	Financial Performance Rbn	Financial Position Rbn	Cashflow Statement Rbn	Ratios
Revenue	68,9 0,6% ↑	Total Assets 364,1 2,4% ↑	Cash from operations** 25,4 12,8% ↓	Gearing 43,6% ↓
Net Operating Expenditure	45,9 2,0% ↑	Total Liabilities 216,3 2,2% ↑	Investing Activities 15,7 19,7% ↑	Cash interest cover 2,1 times ↓
EBITDA	23,0 2,1% ↓	Capital & Reserves 147,7 2,7% ↑	Financing Activities 3,1 >(100%) ↑	Net Debt to EBITDA 4,98 times ↓
Net Loss	5,7 >(100%) ↓	Capital Investment* 13,9 4,8% ↑	Cash Balance 13,5 >100% ↑	EBITDA margin 33,3% ↓

\* Excluding intangibles. | \*\* After working capital changes.



# OPERATING DIVISION'S FINANCIAL PERFORMANCE AT A GLANCE



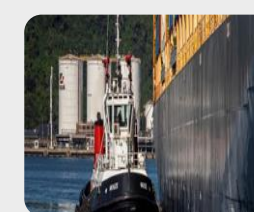
## Freight Rail



## Engineering



## National Ports Authority



## Port Terminals



## Pipelines



## Property



### REVENUE (Rm)

34 810  
7,9% ↓

8 045  
9,6% ↓

13 392  
6,7% ↑

16 826  
15,8% ↑

5 800  
9,8% ↑

2 242  
>100% ↑

### OPEX (Rm)

(28 088)  
5,9% ↑

(10 048)  
3,4% ↓

(5 880)  
16,8% ↑

(10 934)  
5,9% ↑

(937)  
40,1% ↓

2 544  
>100% ↑

### EBITDA (Rm)

6 722  
40,5% ↓

(2 003)  
33,8% ↑

7 512  
0,03% ↓

5 892  
40,1% ↑

4 863  
30,8% ↑

(302)  
>100% ↓

### CAPEX (Rm)

11 288  
12,5% ↑

11  
88,9% ↓

1 551  
30,9% ↑

1 037  
33,0% ↓

32  
90,3% ↓

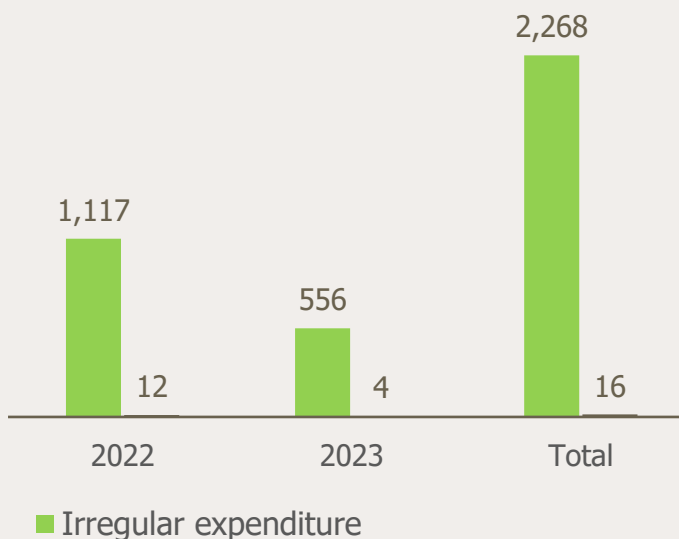
3  
95,7% ↓



# PFMA REPORTABLE ITEMS OVERVIEW: 31 MARCH 2023



## NEW PFMA REPORTABLE ITEMS INCURRED (Rm)



- IFWE exemption applicable from FY 2022 to 2024

### Irregular expenditure (IE) R2,2bn:

- FY 23 new IE decreased by R 0,561bn (50,2%) in the CY from FY 22 R1,1 bn restated.
- FY 23 **new IE of R556 mil.**
- R1,7bn is related to **multi-year contracts**
- IE resulted from repeat non-compliance with various SCM prescripts.

### Fruitless and wasteful expenditure:

- New FWE **decreased by R8mil (67%)** in the CY.
- FY 23 relates mainly to losses suffered due to inadequate internal controls in place.



REINVENT  
FOR GROWTH

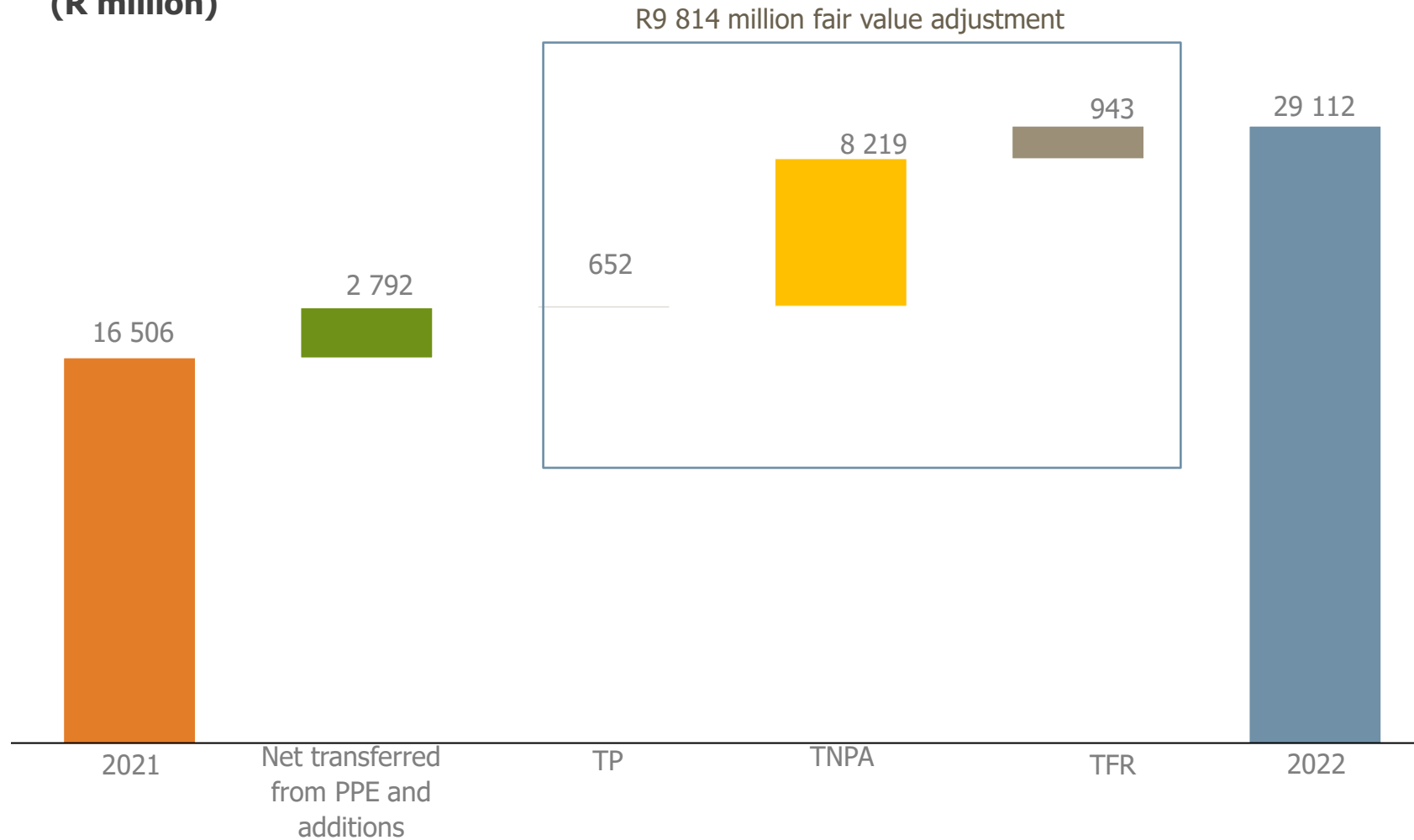


**THANK YOU**

Contact details:  
138 Eloff Street  
Johannesburg  
2000

# Investment property fair value adjustment

(R million)



- **Historically undervalued Transnet property portfolio**
- **Exacerbated by Covid-19 disruptions**
- **Economic recovery and price adjustment**
- **Valuation performed by an independent expert**



**COMPLIANCE: NONKULULEKO DLAMINI**  
- GROUP CHIEF FINANCIAL OFFICER

# PFMA REPORTABLE ITEMS OVERVIEW

## BACKGROUND

- Transnet appointed a Loss Control officer to tackle the challenge of irregular and wasteful expenditure.
- A multi-pronged approach was developed working with a multifunctional team.
- There was agreement to ring-fence legacy PFMA violation stemming from 2011 to 2018 as it falls under the Presidential Proclamation.
- Those matters which are of significant findings are looked into by Law enforcement agencies like SIU.
- The company in its drive to eradicate corruption decided for a more focused scrutiny and root cause analysis on the irregular expenditure which was from transactions of less monetary value.
- The reintroduction of PFMA Training was rolled out for all Management levels.
- Review of procurement policies and manuals.
- These initiatives have yielded positive results compared from 20/21FY to 21/22FY.

## PFMA EXEMPTION

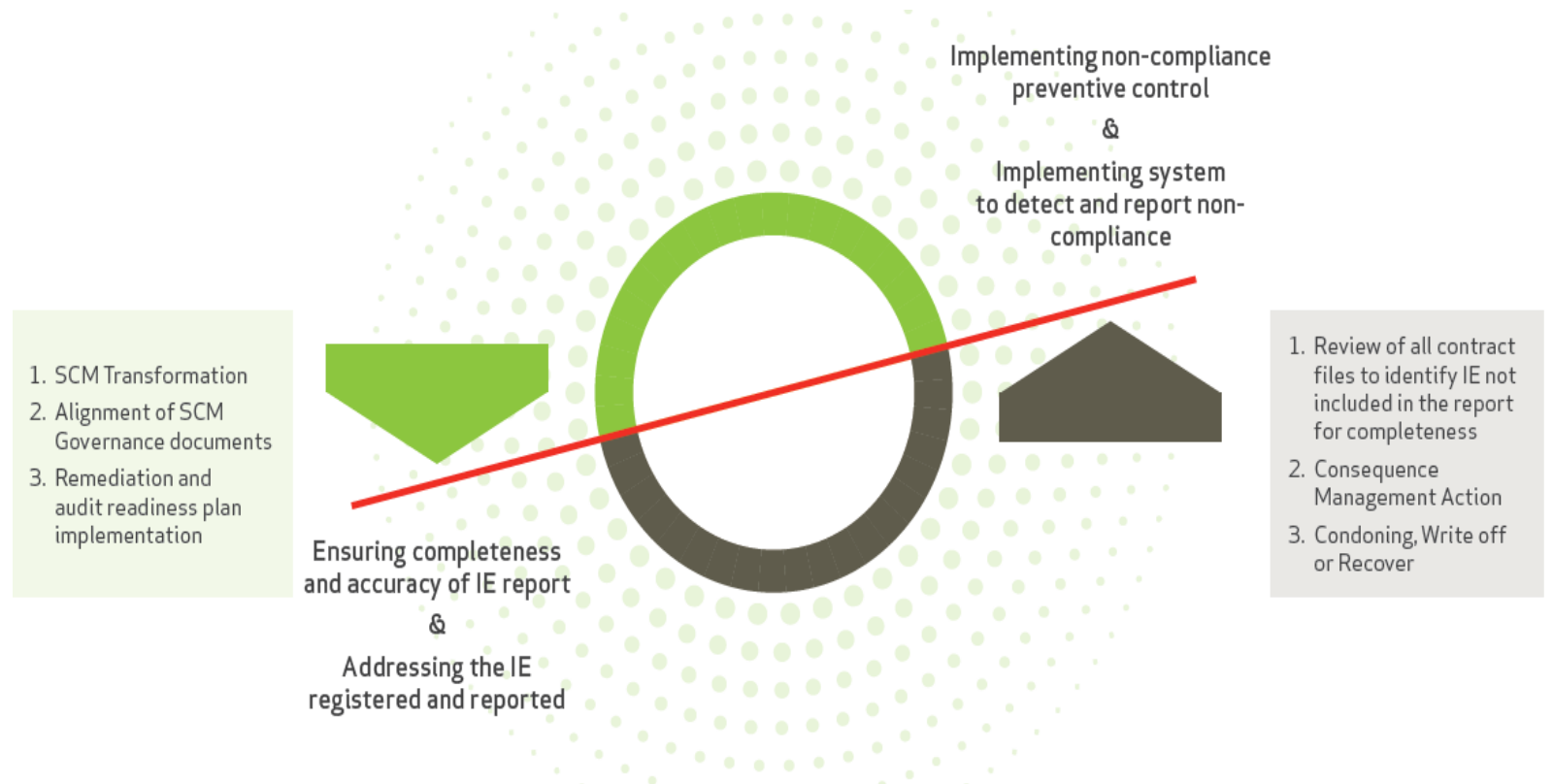
- Exemption granted from section 55(2)(b)(i)(ii) & (iii) of the PFMA.
- Applicable for three years starting from 2021/22 to 2023/24.
- The exemption afforded Transnet an opportunity to deal with legacy challenges:
  - In the SCM environment,
  - Implemented internal control measures that ensured accurate and complete reporting of irregular and fruitless and wasteful expenditure (IFWE).
- Transnet was allowed to report its IFWE in the Integrated Report (IR) instead of the Annual Financial Statements (AFS) effective from the financial years ended 31 March 2022 up to 31 March 2024.

## REPORTING REQUIREMENTS

- Agreed Upon Procedures were required to be performed by the auditors on the reportable items.
- Report PFMA violations on a quarterly basis to National Treasury (NT) in accordance with the terms of the exemption and in line with the IFWE Reporting Frameworks.
- Submission of quarterly PFMA reportable items to NT that are subjected to Internal Audit reviews.

# KEY BENEFITS OF THE EXEMPTION RESULTED IN IMPROVING THE SCM CONTROL ENVIRONMENT

## Exemption benefits:



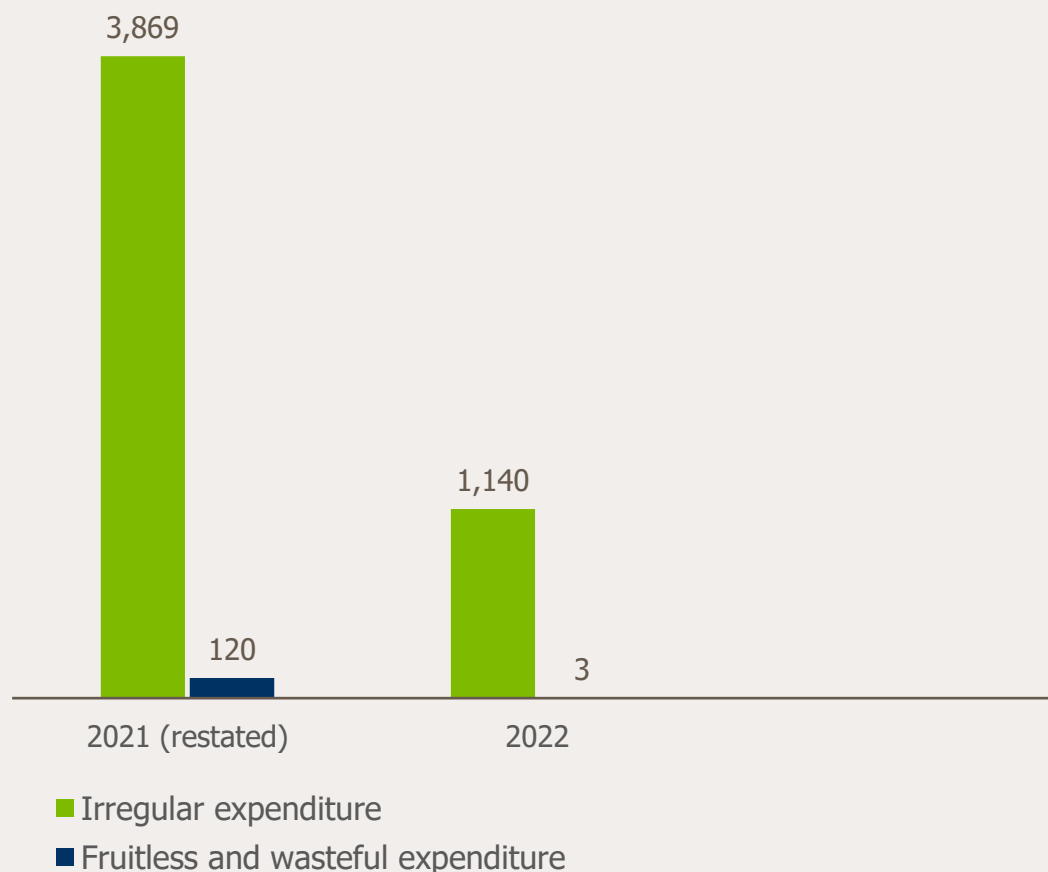
- allowed Supply Chain Management (SCM) teams to focus mainly on building and strengthening the SCM internal control environment
- enabled Transnet to pro-actively deal with the deep-seated root-causes of repeat adverse audit findings
- removed focus from the historical irregular expenditure that dated as far back as FY2011.

The above model demonstrates the balance achieved between initiatives implemented to address the historic irregular expenditure (IE) (upward arrow) and implementing sustainable controls aimed at preventing and/or detecting non-compliances in the supply chain environment on an ongoing basis.

# PFMA REPORTABLE ITEMS FY 2021/22



## NEW PFMA REPORTABLE ITEMS INCURRED (R'm)




## IFWE exemption applicable from FY 2022 – 2024

### Irregular expenditure (IE) R1.1 bn:

- FY 22 **new IE** decreased by R 2.7 bn (71%) in the CY from FY 21 R3.9 bn
- FY 22 **new IE** of **R1.1 bn**
- All IE were from new **contracts per the exemption conditions**
- **Confirmed IE categories and related %:**
  - Non-compliance to Basic Conditions of Employment Act 12%
  - Non-compliance to National Treasury requirements 13%
  - Non-compliance to the Preferential Procurement Policy Framework Act 19%
  - Other 56%:
    - ❖ Services rendered/good received prior going through procurement processes and issuing purchase orders;
    - ❖ Tenders issued to the market without stipulating mandatory
    - ❖ Local content requirements; and
    - ❖ Contraventions of other applicable legislation, which resulted in irregular expenditure.

### Fruitless and wasteful expenditure:

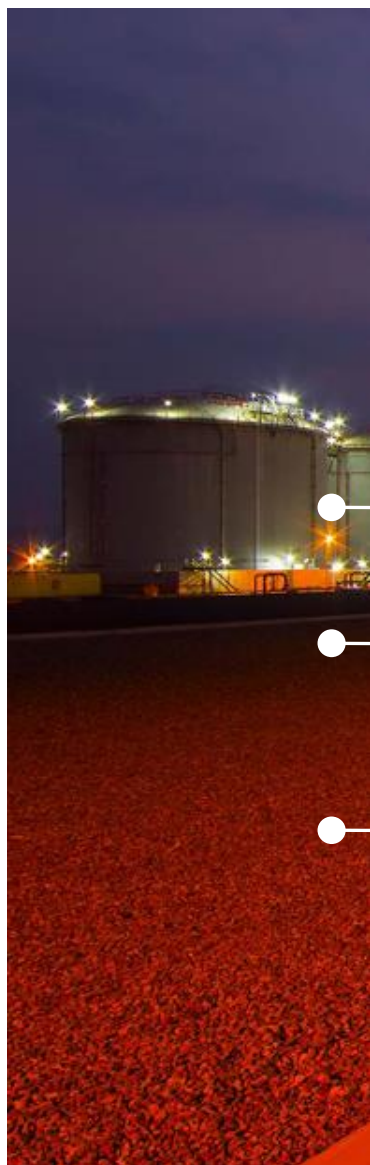
- New FWE **decreased by R108 mil** (90%) in the CY.
- FY 22 relates mainly to losses suffered due to inadequate internal controls in place.



**STRATEGY: PORTIA DERBY**  
- GROUP CHIEF EXECUTIVE



# Investing for growth: the year in review



- **Expansion Capital investment: R1,9 billion**
- **Sustaining Capital investment: R11,3 billion**

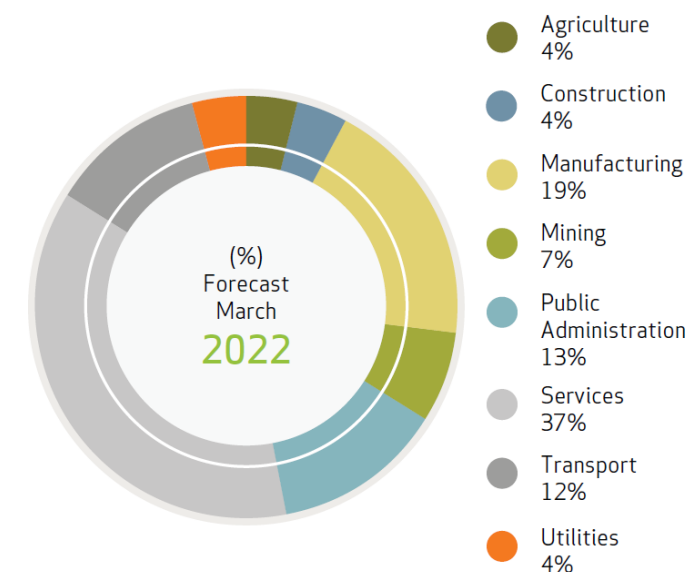
**Additional infrastructure investment highlights for the financial year include:**

- **R183 million invested in wagon fleet renewal and modernisations.**
- **R727 million invested in the acquisition of new locomotives.**
- **R2,92 billion invested to maintain the condition of rail infrastructure.**
- **R4,85 billion invested to maintain the condition of rolling stock.**
- **R340 million for the construction of the new tippler in Saldanha and all the related bulk electric power supply.**



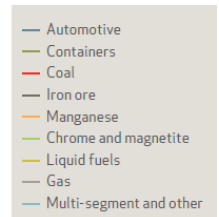
- **R131 million invested in the roads, port entrance and other services for the Tank farm in the Port of Ngqura.**
- **R210 million invested on the acquisition of 45 Straddle carries and**
- **R101 million investment in the NMPP programme.**

## GDP forecast – March 2022 (calendar year)

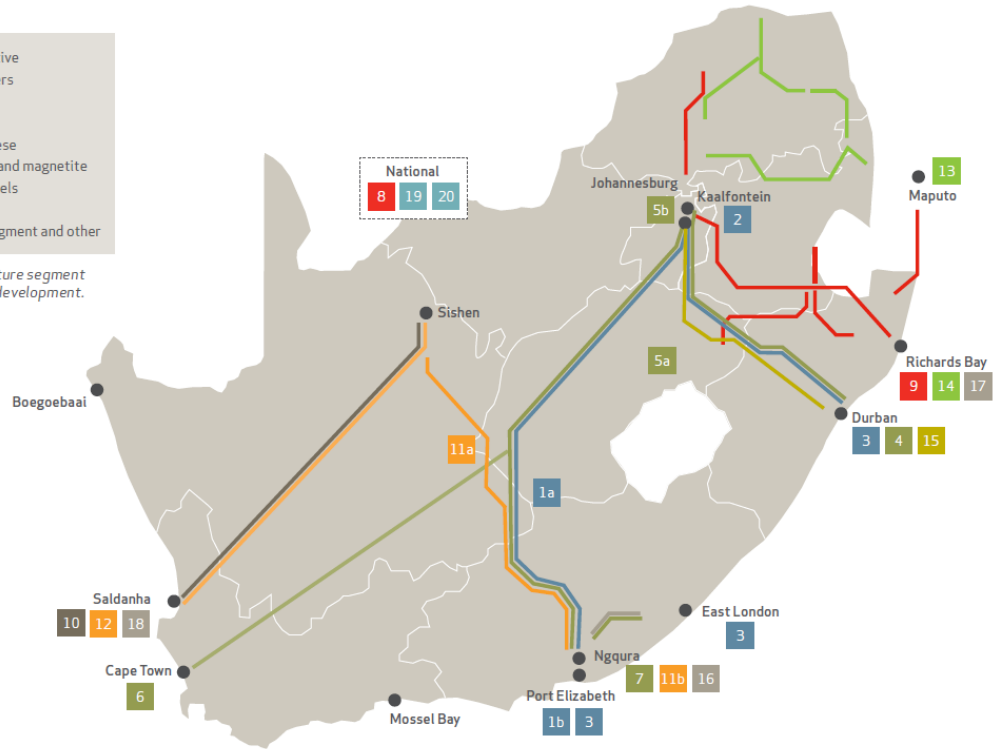


Source: Transnet 2022 Integrated Report  
 Source: <http://tradingeconomics.com/south-Africa/gdp>

# High-level portfolio overview of segment initiatives



Note: Agriculture segment initiatives in development.



Rail routings are approximations for illustrative purposes.

- 1 High-capacity corridor for automotive volumes via the South Corridor and Gqeberha
- a&b
- 2 Kaalfontein Terminal automotive supply chain integration
- 3 Automotive export capacity and value-added services at the ports of Durban, Port Elizabeth and East London
- 4 Reposition the port of Durban as an international container hub, including:
  - Point Container Terminal
  - Durban Container Terminal Pier 2
  - Various master plan-led projects
- 5 Rail revitalisation of the Container Corridor, including:
  - Rail turnaround operational partnerships
  - New Gauteng hub terminal/s
  - City Deep Container Terminal
- a&b
- 6 Cape Town Container Terminal landside capacity expansion
- 7 International transshipment hub development at the port of Ngqura
- 8 Partnership-based Eskom coal logistics solution
- 9 Consolidated and sustainable export coal network
- 10 Iron ore export capacity expansion via the port of Saldanha
- 11 Ngqura manganese corridor expansion (rail and new bulk export terminal)
  - a&b
- 12 Port of Saldanha manganese export capacity expansion
- 13 Strengthening the secondary export channel via the port of Maputo
- 14 Expansion of bulk export capacity via the port of Richards Bay
- 15 Develop the Transnet Fuel Import Terminal at the port of Durban
- 16 Develop a liquefied natural gas (LNG) terminal and facilities at the port of Ngqura
- 17 Develop a LNG terminal and facilities at the port of Richards Bay
- 18 Develop a LNG terminal and facilities at the port of Saldanha
- 19 Rail operating model: Third-party access
- 20 Various wagon sales to private operators

# Progress on current initiatives

Segment / Area / OD	Transaction	Progress and current status	Next steps
<b>Containers</b>	Durban Container Terminal (DCT) – Pier 2	<ul style="list-style-type: none"> <li>• RFI Responses received Sept 2021</li> <li>• TAs appointed Oct 2021</li> <li>• RFQ closed 12 April 2022 and evaluations completed</li> <li>• RFP drafted, consultation underway</li> </ul>	<ul style="list-style-type: none"> <li>• Labour consultation and governance approval process</li> <li>• Issue RFP to market</li> </ul>
	Ngqura Container Terminal (NCT)	<ul style="list-style-type: none"> <li>• RFI Responses received Sept 2021</li> <li>• TAs appointed Oct 2021</li> <li>• RFQ closed 12 April 2022 and evaluations completed</li> <li>• RFP drafted, consultation underway</li> </ul>	
<b>Manganese (Mn)</b>	16mtpa Mn Export Facility at the Port of Ngqura (NMET)	<ul style="list-style-type: none"> <li>• Pre-qualification (Stage 1) complete.</li> <li>• Stage 2 RFP preparations finalised.</li> <li>• EIA Amendment RFP in progress.</li> <li>• Funding application to IISA favorably received.</li> </ul>	<ul style="list-style-type: none"> <li>• Issue Stage 2 RFP to pre-qualified bidders.</li> <li>• EIA approval</li> </ul>
<b>Natural gas</b>	Richards Bay Natural Gas Import Facility (TNPA)	<ul style="list-style-type: none"> <li>• RFI Responses received April 2022</li> <li>• TA support for planning of S56 RFP (marine+terminal) currently in procurement, with RFP development undertaken as a closed process.</li> </ul>	<ul style="list-style-type: none"> <li>• Appoint Transaction Advisor to assist with RFP</li> </ul>
<b>Boegoebaai</b>	Port and Rail Development	<ul style="list-style-type: none"> <li>• RFI preparations in final stages</li> </ul>	<ul style="list-style-type: none"> <li>• Issue RFI to market</li> </ul>
<b>Iron ore</b>	Sale of Wagons	<ul style="list-style-type: none"> <li>• RFI issued to customers</li> </ul>	<ul style="list-style-type: none"> <li>• Responses to be received by end-August 2022</li> </ul>



# Contextualising the way forward: Transnet on the continent

## Continental Partnership projects underway:

- Kenya Railways MOU signed with TE
- Deepening our Benin relationship with SOBEMAP
- Launched the pilot between Transnet and CFM (Chrome and Magnetite)

### Benin

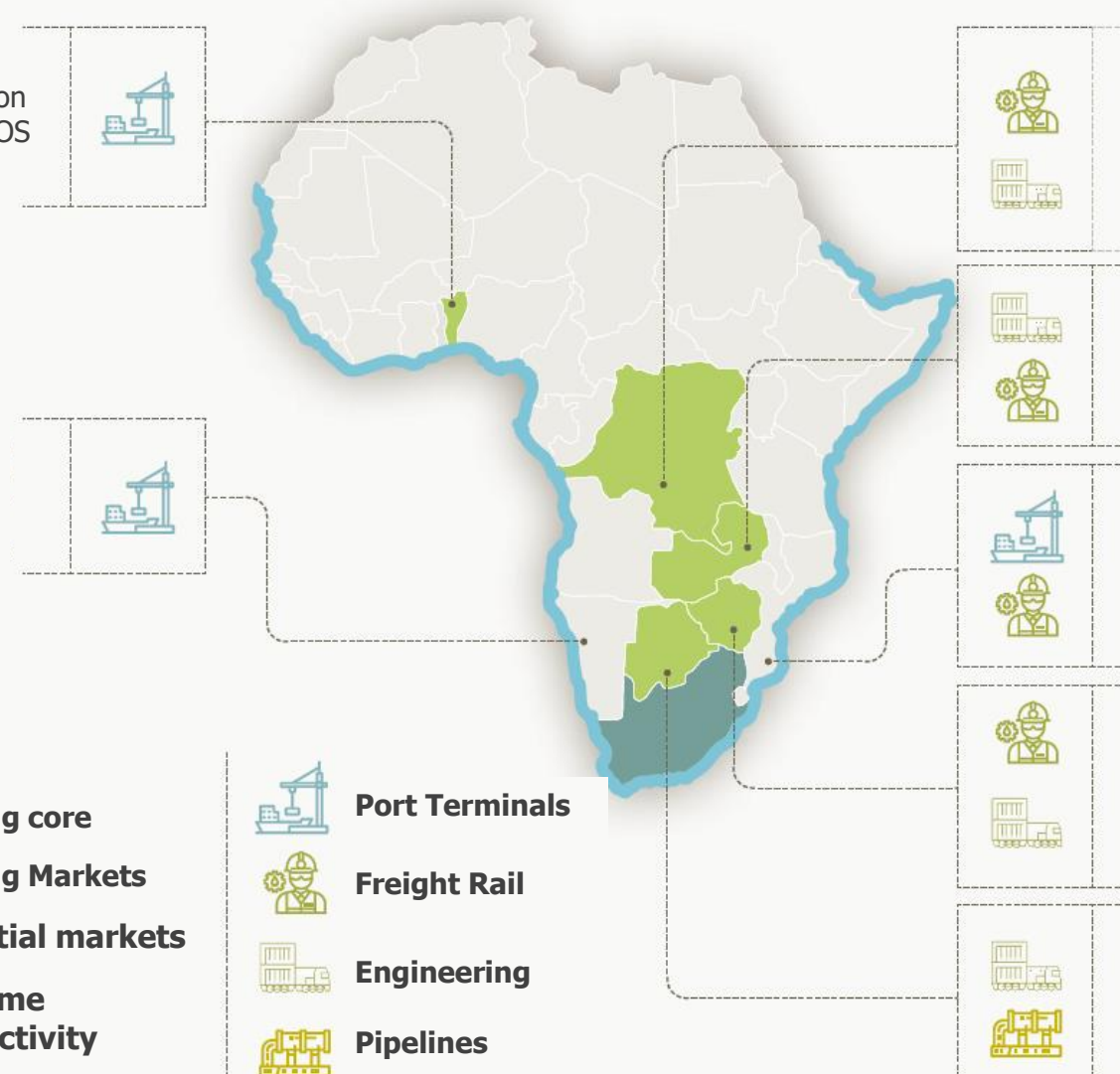
- Technical cooperation agreement with GCOS System

### Namibia

- Collaboration on terminal operations
- Port dredging

- Existing core
- Existing Markets
- Potential markets
- Maritime connectivity

- Port Terminals
- Freight Rail
- Engineering
- Pipelines



### North-South Corridor

- Optimise, rehabilitate and upgrade the North-South Corridor to facilitate intra-Africa trade and the supply of rolling stock

### Zambia

- Leasing of rolling stock

### Mozambique

- Collaboration with MPDC and CFM
- Port dredging and port systems

### Zimbabwe

- Leasing of rolling stock

### Botswana

- GABCON Terminal (JV)
- Botswana Rail Link

# Repositioning the business

## Freight Rail

- In line with the **National Rail Policy** and the **economic regulation** of transport.
- TFR has **finalised the accounting separation** to determine the **actual cost** of the infrastructure.
- This will provide **input** into the **regulatory model** which will determine a **fair access fee**.
- Infrastructure will be **classified into three tiers**, A, B and C standard.
- The opportunity exists for continue to invest and prioritise long term sustainable and profitable flows (A&B).

## Port Terminals

- Port Terminals' strategy will see it **to become a world-class port operator**.
- **Collaborative partnerships** are being explored in **Terminal Operations** to position **South Africa's ports** for **continental infrastructure integration**.

## Engineering

- Engineering is well positioned as a **final assembler and manufacturer of key components for rail and** Accordingly, it is:
  - Aligning **maintenance** with TFR's **corridor business model**, and
  - Configuring the **Manufacturing unit** as a **profit-driven business unit**.

## Pipelines

- Securing a **direct import terminal at the port of Durban** and acquiring a **terminal operating licence** is a key **strategic objectives** for Pipelines in aligning with the Transnet Liquid Fuels Master Plan, enabling:
  - opportunities for **new market entrants**
  - increased **imports of clean fuels**.

## National Ports Authority

- TNPA as a **wholly-owned subsidiary** of Transnet is focused on becoming a world-class Port authority and will **enhance oversight** of port terminal operations.
- Transnet will **retain control** of the subsidiary and **consolidate the assets, liabilities, revenue and expenditure of the new entity**.
- Future focus is on constructing **world-class hub port in Durban**.

## Property

- Transnet Property manages a **portfolio of commercial and residential properties**.
- There is a **shift** from **basic property management** of **non-core properties** to a **full-scale asset management approach** of the entire Transnet property portfolio.
- **Partnerships** will play a pivotal role in some of Transnet's **investment property developments**.

Source: Transnet Corporate Plans 2021/22 and 2022/23  
Source: Transnet Operating Divisional 2022 Annual Reports

# Considering the risks

- **Our liquidity Position**
- **Inflation both in South Africa and across the globe**
- **Fuel and Electricity Price increases**
- **Security issues**
- **Global warming and its impact on infrastructure**



# Resolving critical challenges



## Security

- Transnet is shifting to **outcomes-based security contract**.
- Comprehensive **security strategy** and plan for Transnet.
- Working with **SAPS** and **security agencies** to proactively address the criminality.



## Infrastructure maintenance

- **Capital required** throughout the **rail-and-port network** for infrastructure **refurbishment, maintenance** and **expansion** to support the **key commodity segments**.
- The **cost of above** cannot be generated by **Transnet's operations**. **Interventions require a Government-led integrated funding plan**.



## Loco availability

- 1 064 Review**
- **Transnet** and the **SIU** successfully brought an **application** in terms of **Rule 30** challenging that the CRRC application to have the review dismissed was an irregular step.
  - We are starting a **new procurement event** to make up the short-fall in traction power.
  - In the event that the **deadlock** is not resolved, an **alternative OEM support strategy** will be pursued.

# Siyabonga

Before images – Bayhead



After images – Bayhead





# Disclaimer

Certain statements in this document do not comprise reported financial results or historical information, but forward-looking statements. These statements are predictions of or indicate anticipated future events, trends, future prospects, objectives, earnings, savings or plans and include, but are not limited to, statements regarding volume growth, increases in market share, exchange rate fluctuations, and cost reductions. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "believe", "continue", "anticipate", "ongoing", "expect", "will", "could", "may", "intend", "plan", "could", "may", and "endeavour".

By their nature, forward-looking statements are inherently predictive, speculative and involve inherent risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ either marginally or materially from those anticipated.

A number of factors could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including, but not limited to: changes in economic or political conditions and changes to the associated legal, regulatory and tax environments; lower than expected performance of existing or new services or products, and the impact thereof on the Company's future revenue, cost structure and capital expenditure; the Company's ability to expand its portfolio; skills shortage; changes in foreign exchange rates and a lack of market liquidity which could, in turn, impact expected customer growth and customer retention; acquisitions and divestments of businesses and assets and the pursuit of new, unexpected strategic opportunities; the extent of any future write-downs or impairment charges on the Company's assets; the impact of legal or other proceedings against the Company; uncontrollable increases to legacy defined benefit liabilities and higher than expected costs or capital expenditures.

Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise them, whether as a result of new information, future events or otherwise.