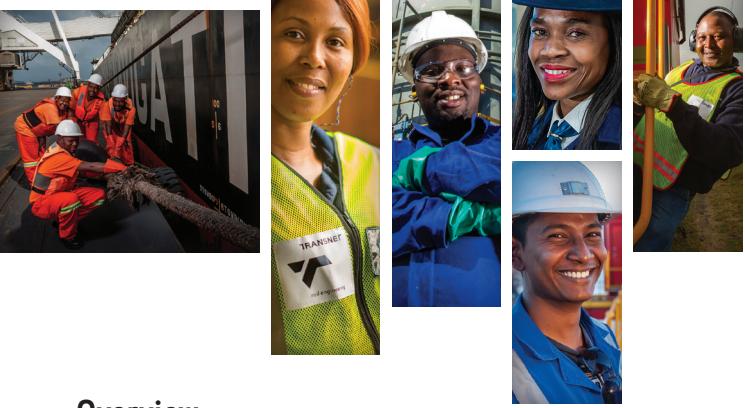




Reviewed condensed consolidated financial results

for the six months ended 30 September 2020



Overview

Transnet's half year results are on the back of the South African economy suffering a significant contraction during April, May and June of 2020, when the country operated under nation-wide lockdown restrictions in response to Covid-19.

Revenue decreased by **17,3%** to **R32,0 billion**, due mainly to the impact of the Covid-19 lockdown restrictions on rail, port and pipeline volumes.

Net operating expenses increased by **4,4%** to **R22,1 billion**, due mainly to the high proportion of fixed costs in the cost structure.

EBITDA decreased by **43,7%** to **R9,8 billion**, with the EBITDA margin decreasing to **30,8%**.

Cash generated from operations after working capital changes decreased by **22,1%** to **R12,6 billion**.

Capital investment decreased by **37,5%** to **R4,9 billion** compared to the prior period, due to lockdown restrictions.

B-BBEE spend amounted to **R10,75 billion** or **102%** of total measured procurement spend.

1,4% of labour costs was spent on training, focusing on artisans, engineers, and engineering technicians.

DIFR performance of **0,63** – against a tolerance of **0,75** – remains exceptional by international standards, and it is the tenth consecutive year that a ratio below 0,75 has been achieved with the global benchmark being **1,0**.

Gearing of **48,7%** and rolling cash interest cover including working capital changes at **2,5 times**, are within loan covenant requirements.

Commentary

The South African gross domestic product fell by 51,7% between the first and second quarters of 2020, mainly due to the impact of Covid-19. These economic conditions contributed to Transnet's below-par performance for the six-month period ending 30 September 2020, albeit with improved month-on-month performance during the period. Group revenue was 28,3% below the prior period in quarter 1 of the current financial period, but ultimately recovered to 17,3% below the prior period's performance.

Revenue for the period decreased by 17,3% to R32,0 billion (2019: R38,7 billion), with a 16,4% decrease in rail volumes, as well as a 20,7% decrease in container port volumes, and a 38,0% decrease in petroleum volumes, mainly due to lower customer demand resulting from the broad-based effect of restricted economic activity, with output declining sharply in the primary, secondary and tertiary sectors.

The mining sector contracted sharply in the second quarter of 2020, affected by subdued global demand, due to global lockdowns amid the pandemic and restricted activity levels at the ports, which weighed heavily on the export of iron ore and chrome. After the initial hard lockdown, output was still impeded by regulations that prohibited mines from operating at full capacity in the interest of 'flattening the curve' and protecting workers. The agricultural sector was the only growth sector in the second quarter of 2020, reflecting the essential-goods-provider status of this sector during the national lockdown. The production of field crops, as well as horticultural and animal products was supported by favourable weather conditions and increased foreign demand.

Net operating expenses increased by 4,4% to R22,1 billion (2019: R21,2 billion). Cost-containment initiatives implemented throughout the Company limited this increase, in spite of unforeseen Covid-19 related expenses of R174 million, and a R594,5 million provision relating to the remediation and rehabilitation of pipeline spill sites following theft incidents.

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 43,7% to R9,8 billion (2019: R17,5 billion) with a resultant decrease in the EBITDA margin to 30,8% (2019: 45,2%).

Prospects

Transnet will navigate into the unknown as the world endures a very difficult period – from both an economic and social perspective – following the initial onset and global spread of the Covid-19 pandemic. With the possible emergence of a second Covid-19 wave, Transnet will persevere to ensure its employees operate in a safe and well-equipped work environment, its customers are adequately supported and served, and to make the best of any available opportunities to progress the country's economic and developmental imperatives. The Company's operational, financial and governance bedrock will be reinforced by its five key strategic pillars (People, Safety, Customer Service, Asset Utilisation, and Cost Control) to contribute to the overall stabilisation of the South African economy, and by extension, the regional economy.

Short-form announcement

This short-form announcement is the responsibility of the Transnet Board of Directors. It is only a summary of the reported information and any investment decision should be based on the full announcement available on the Transnet website at www.transnet.net. The full announcement is also available for inspection at the registered office of Transnet.

Condensed statement of financial position

	Reviewed 30 September 2020	Reviewed 30 September 2019	Audited 31 March 2020
(in R million)			
Non-current assets	311 155	348 117	317 982
Current assets	17 691	14 498	18 243
Total assets	328 846	362 615	336 225
Capital and reserves	124 654	155 328	130 227
Non-current liabilities	168 241	167 184	168 971
Current liabilities	35 951	40 103	37 027
Total equity and liabilities	328 846	362 615	336 225

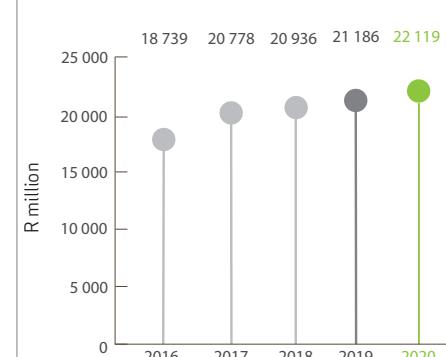
Condensed statement of cash flows

	Reviewed 30 September 2020	Reviewed 30 September 2019	Audited 31 March 2020
(in R million)			
Cash flows from operating activities	6 865	10 022	21 946
Cash flows utilised in investing activities	(4 779)	(8 618)	(20 145)
Cash flows utilised in financing activities	(1 451)	(4 698)	(1 701)
Net increase/(decrease) in cash and cash equivalents	635	(3 294)	100
Cash and cash equivalents at the beginning of the period	4 256	4 156	4 156
Total cash and cash equivalents at the end of the period	4 891	862	4 256

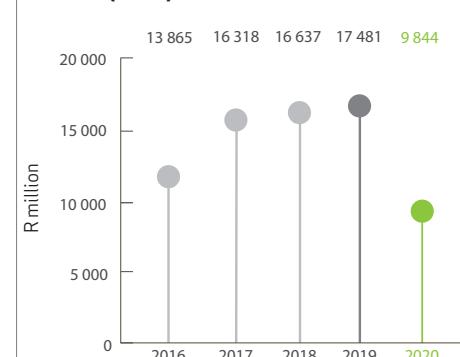
Revenue (0,5%)*



Net operating expenses 4,2%*

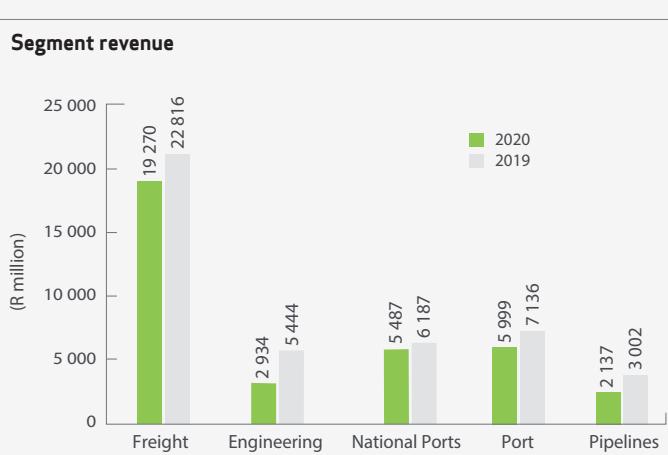


EBITDA (8,2%)*

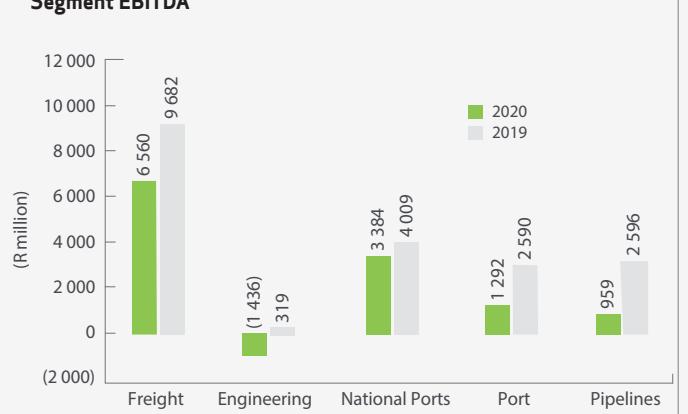


Condensed segmental analysis

Segment revenue



Segment EBITDA



Corporate information

Transnet SOC Ltd

Incorporated in the Republic of South Africa.
Registration number 1990/000900/30.

Directors

Executive directors
Ms PPJ Derby (*Group Chief Executive*)
Ms NS Dlamini (*Group Chief Financial Officer*)

Non-executive directors

Dr PS Molefe (*Chairperson*)
Ms UN Fikelepi, Ms DC Matshoga, Mr LL von Zeuner,
Ms ME Letlape, Ms GT Ramphaka, Mr AP Ramabulana,
Dr FS Mufamadi.

Interim Group Company Secretary

Ms S Bopape
Waterfall Business Estate
2nd Floor, 9 Country Estate Drive
Midrand, 1662
PO Box 72501, Parkview, 2122, South Africa.

Auditors

Auditor General of South Africa
300 Middel Street, New Muckleneuk
Pretoria, 0181