

TRANSNET SOC Limited
Issuer Code: BITRA
(“TRANSNET” or “the Issuer”)

Availability of Annual Financial Results Announcement

In terms of section 6.17 of the JSE Debt Listings Requirements, Noteholders are advised that the Annual Financial Statements for Transnet for the year ended 31 March 2020, are available on the Issuer’s website:

[link]

Transnet announces solid results despite a challenging operational environment

The turnaround strategy and plan remain on track despite setbacks encountered due to COVID-19 and a challenging economic environment. The implementation of the strategy will pick up momentum in the new financial year with the five (5) pillars being customer service, people, asset utilisation, safety and cost control. This will go a long way to positioning Transnet as an efficient freight transport service provider, whilst contributing to government’s socio-economic developmental agenda.

Salient features and performance highlights

- Revenue increased by 1,3% to R75,1 billion
- EBITDA increased by 0,7% to R34,0 billion
- Profit for the year at R3,9 billion
- Cash generated from operations increased to R35,9 billion
- Gearing of 47,6% and cash interest cover at 2,9 times
- Capital investment of R18,6 billion represent 3.5% increase compared to prior year

Throughout the COVID-19 crisis Transnet was able to meet its financial commitments without requiring any relief measures. Transnet remains cash generative and has not required government support other than the R3,5 billion which was guaranteed in 1999.

Noteholders are advised that the Board has every reason to believe that the Company has adequate resources and facilities in place to be able to continue in operation for the foreseeable future. The Board is satisfied that Transnet is a going

concern, and has continued to adopt the going concern principle in preparing the annual financial statements.

Operations and financial control environment

Noteholders are referred to the detail in the integrated report on the progress made on the turnaround strategy of the Company. A new management team took office in the first half of the new financial year, ensuring stability at the top. However, the impact of events of state capture and mismanagement remain in the organisation. The neglect in effective maintenance planning and investments in systems control contributed to the under-performance of the operations.

The external auditors are of the view that Transnet did not have adequate systems in place to identify and report all irregular expenditure as required by Section 55(2) (b) (i) of the PFMA. The absence of adequate systems and the use of manual processes resulted in irregular expenditure that was not always identified and reported, and this dates back to 2011.

As in the prior year, Transnet was in the 2019/20 year unable to determine the full extent of the understatement of the irregular expenditure stated in note 39 of the Annual Financial Statements. This led to a qualified audit opinion. It is important to emphasise that the financial statements are compliant with the International Financial Reporting Standards (IFRS) in all material respects. The qualification has mainly been as a result of non-compliance with the PFMA in the supply chain management processes and Transnet internal processes.

There were no restatements in the prior years' Annual Financial Statements, furthermore, the non-compliance with the PFMA as disclosed in note 39 of the Annual Financial Statements does not require any restatement of the previous years' annual financial statements, notwithstanding that note 39 was updated.

Discussions with National Treasury and the Auditor-General (SA) are continuing to find a solution as to how to record expenditure on contracts entered into in the period of state capture.

With the expectation of a favourable response from the audit qualification waiver requests to our lenders, Transnet is of the view that the qualified opinion will not result in any negative action related to the debt book.

The Company's external auditors reported one reportable irregularity in terms of section 45 (1) of the Auditing Profession Act, No 26 of 2005, to the Independent Regulatory Board for Auditors, which has since been resolved.

The Transnet Board, together with management, will continue to enhance controls to avoid the recurrence of such instances of non-compliance.

23 October 2020

Debt Sponsor
The Standard Bank of South Africa Limited