



Audited condensed consolidated financial results

for the year ended 31 March 2020



Overview

GDP growth for the 2019 calendar year was flat at 0,2% and is expected to contract by 9,5% in the 2020 calendar year. Despite various economic and operational challenges, the Company achieved solid results for the 2020 financial year, realising an increase in earnings before interest, tax and depreciation (EBITDA) of 0,7% and a net profit of R3,9 billion for the year.

Highlights

- Revenue** increased by 1,3% to R75,1 billion, due to a weighted tariff increase of 2,9%, partially offset by a 1,3% decline in rail freight volumes and a 2,4% decline in port container throughput.
- Net operating expenses** increased by 1,9% to R41,1 billion, which is especially pleasing when considering that the prior year cost level had shown zero growth on the year before that.
- EBITDA** increased by 0,7% to R34,0 billion, with the EBITDA margin decreasing from 45,6% to 45,3%.
- Gearing** of 47,6% and cash interest cover at 2,9 times are both within loan covenant requirements.
- Net profit** decreased by 34,9% to R3,9 billion, primarily due to fair value adjustments in the prior year being R2,5 billion higher than in the current year.
- Cash generated from operations** increased by 2,1% to R35,9 billion.
- Capital investment** of R18,6 billion, represents a 3,5% increase compared to the prior year.
- B-BBEE** status maintained at level 2 with spend amounting to R31,31 billion or 111,82% of total measured procurement spend, as defined by DTIC codes.
- 2,7% of labour costs was spent on **training**, focusing on artisans, engineers, and engineering technicians.
- DIFR** performance of 0,73, which is the tenth consecutive year that a ratio below 0,75 has been achieved against a global benchmark of 1,0.

Short form announcement

This short-form announcement is the responsibility of the Transnet Board of Directors. It is only a summary of the information contained in the integrated report and annual financial statements and does not contain full or complete details. Any investment decision should be based on the integrated report and annual financial statements available on the Transnet website at www.transnet.net. The integrated report and annual financial statements are also available for inspection at the registered office of Transnet.

Governance and compliance

In terms of the Public Finance Management Act, 1999 (PFMA) of South Africa, the Company is required to report the quantum of irregular expenditure incurred, which is expenditure that was incurred in contravention of procurement legislation, notwithstanding that value was received.

The legacy of non-compliant procurement events continue to have a lingering effect on the business. In particular, past procurement practices that were not in accordance with the Preferential Procurement Framework, dating back as far as the financial year ended 31 March 2012, resulted in a significant increase in reported irregular expenditure. Irregular expenditure arising from contracts entered into in the current financial year represent only 4% of reported irregular expenditure. The process to identify and accurately report all irregular expenditure is largely manual in nature and continues to result in reporting inaccuracies. The resultant concern relating to the completeness of the reported irregular expenditure has resulted in the external auditors issuing a qualified opinion for the year under review.

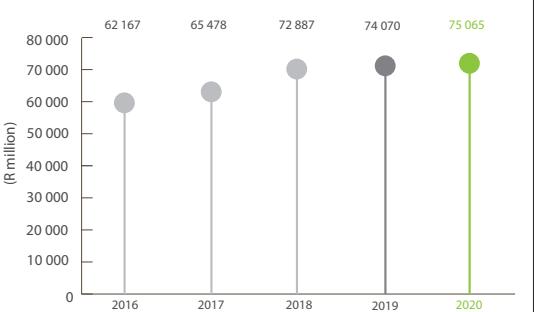
The qualified opinion is limited to the completeness of irregular expenditure as disclosed in note 39 of the annual financial statements and is not related to compliance with International Financial Reporting Standards nor the Companies Act of South Africa, 2008. Accordingly, it has no bearing on the financial strength and sustainability of Transnet as depicted in the annual financial statements. Transnet is satisfied with the adoption of the going concern assumption in the preparation of the annual financial statements.

The journey to repositioning the Company strategically continued during the year under review. A new executive management team is now in place and has made an immediate impact in providing direction and stability to the organisation. The commitment to fix the basics in the Company remains as the business transitions to greater efficiencies and customer responsiveness. During the past year pockets of excellence emerged across the organisation, covered in more detail in the Transnet 31 March 2020 Integrated Report. The business remains cash generative, with no additional government financial support, meeting its financial commitments and maintaining gearing and cash interest cover ratios within loan covenants.

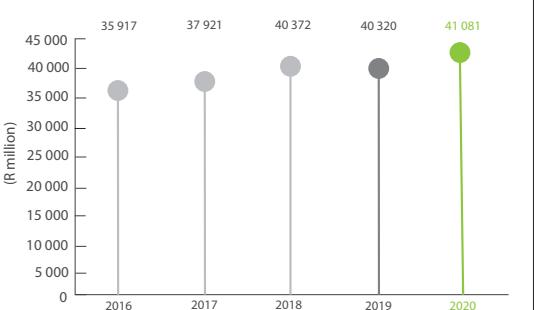
Prospects

The Covid-19 pandemic, and associated lockdowns, have had a devastating impact on global economies, introducing much uncertainty in the demand for commodities and availability of capital. With the support of front-line operational staff, Transnet responded well to the increase in demand as lockdown restrictions gradually lifted. With a new strategic outlook, and a renewed emphasis on the wellbeing of people, safety, customer service, asset utilisation, and cost control, the Company is well positioned as an agile and trust-worthy commercial partner to contribute to the collective restoration of the South African economy.

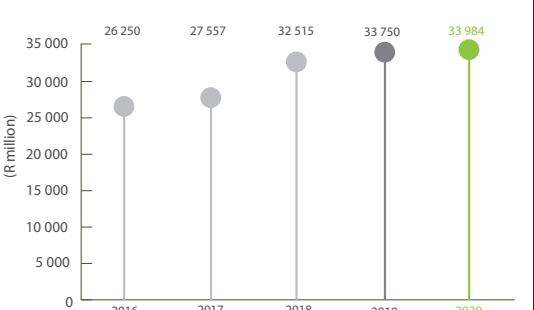
Revenue 4,8%*



Operating expenses 3,4%*



EBITDA 6,7%*

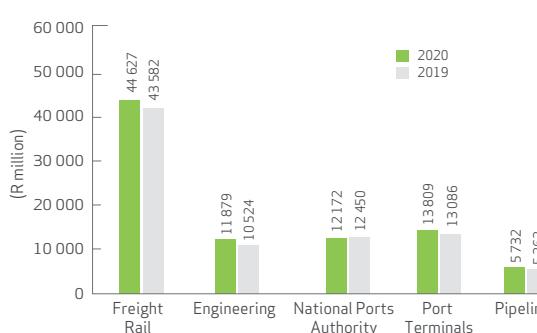


* Compound annual growth rate.

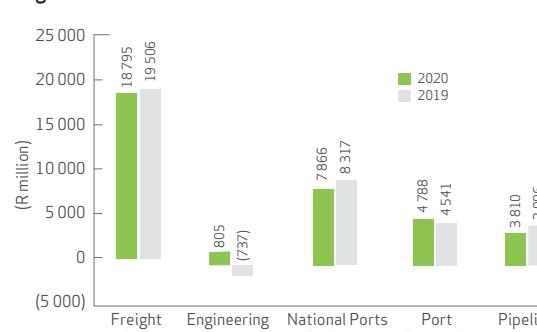
Condensed statement of financial position

	Audited	
(in R million)	31 March 2020	31 March 2019
Non-current assets	317 982	339 422
Current assets	18 243	16 078
Total assets	336 225	355 500
Capital and reserves	130 227	148 631
Non-current liabilities	168 971	173 782
Current liabilities	37 027	33 087
Total equity and liabilities	336 225	355 500

Segment revenue



Segment EBITDA



Condensed statement of cash flows

	Audited	
(in R million)	31 March 2020	31 March 2019
Cash flows from operating activities	21 946	21 930
Cash flows utilised in investing activities	(20 145)	(20 124)
Cash flows utilised in financing activities	(1 701)	(2 030)
Net increase/(decrease) in cash and cash equivalents	100	(224)
Cash and cash equivalents at the beginning of the year	4 156	4 380
Total cash and cash equivalents at the end of the year	4 256	4 156

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*)

Ms PPJ Derby was appointed on 1 February 2020.
Ms NS Dlamini was appointed on 1 July 2020.

Mr MS Mahomed's appointment as the Acting Group Chief Executive was terminated on 31 January 2020 and he was re-appointed as the Acting Group Chief Financial Officer on 1 February 2020. He subsequently resigned as the Acting Group Chief Financial Officer on 31 March 2020.

Mr MD Gregg-Macdonald's appointment as the Acting Group Chief Financial Officer was terminated on 31 January 2020. He was re-appointed as the Acting Group Chief Financial Officer on 1 April 2020 and he subsequently resigned as the Acting Group Chief Financial Officer on 30 June 2020.

Non-executive directors

Dr PS Molope (*Chairperson*), Ms UN Fikelepi, Ms DC Matshoga,
Mr LL von Zeuner, Ms ME Letape, Adv OM Motaung, Ms GT Ramphaka,
Mr AP Ramabulana, Dr FS Mufamadi.

Ms RJ Ganda resigned on 31 March 2020.

Adv OM Motaung passed away in September 2020.

Interim Group Company Secretary

S Bopape
Waterfall Business Estate, 2nd Floor
9 Country Estate Drive, Midrand, 1662.

Auditors

SizweNtsalubaGobodo Grant Thornton Inc.
20 Morris Street East, Woodmead, Johannesburg, 2191

www.transnet.net