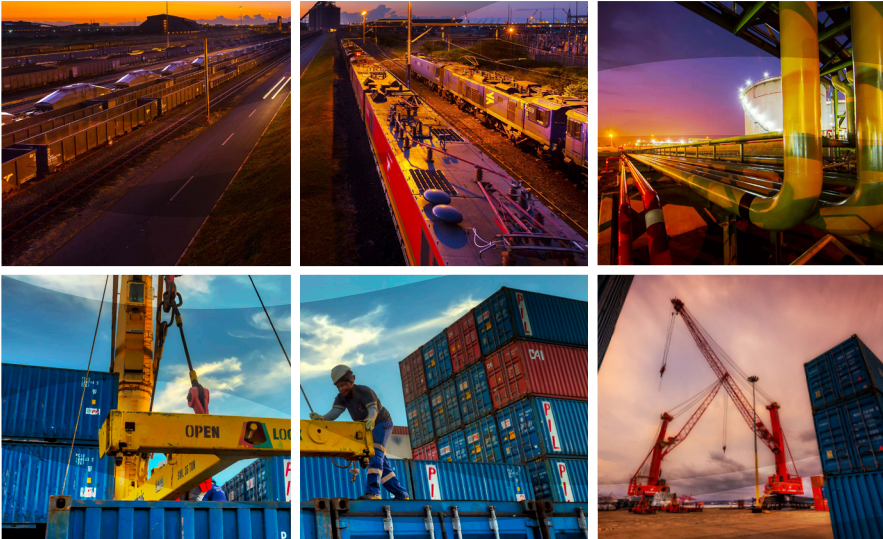




Audited condensed consolidated financial results

for the year ended 31 March 2022



Governance and compliance

The Public Finance Management Act (PFMA) imposes certain obligations on the Company relating to the prevention, identification and reporting of fruitless and wasteful expenditure; irregular expenditure; expenditure that does not comply with operational policies; losses through criminal conduct; and the collection of all revenue.

In the past four financial years, Transnet has received a qualified audit opinion as a result of misstatements identified in the irregular expenditure disclosed in the annual financial statements (AFS). The consequences of the qualifications have been severe for Transnet. The Company requested a departure from the National Treasury from disclosing in the AFS amounts as required by certain provisions of the PFMA and related instruction notes. These included irregular and fruitless and wasteful expenditure (IFWE) and non-condoned historical irregular expenditure as required by the Irregular Expenditure Framework. Transnet received an exemption from disclosing the particulars required by section 55(2)(b)(i) (ii) and (iii) of the PFMA in the AFS for a period of three years, starting from 2021/22 to 2023/24 financial years. The extent of the exemption has resulted in the disclosure of the confirmed and under assessment IFWE in the integrated report of the current and one comparative year.

The exemption was granted to allow Transnet time to develop and implement internal control measures to ensure accurate and complete reporting of IFWE.

Transnet has put measures in place to ensure that consequence management and remediation actions are continuously being undertaken, including matters handed over to the Special Investigative Unit

(SIU) for further investigations. The courts have also been approached to have certain contracts linked to fraudulent activities set aside.

Updates on the consequence management taken by Transnet will be included in reports sent to the National Treasury and the Department of Public Enterprises.

The enhancement of the PFMA remediation plan remains a key priority for the Company. The lessons learned and challenges have been clearly defined and place the organisation in a much better position to speedily implement initiatives that drive PFMA compliance across the organisation. In an effort to automate its procurement practices and in line with Transnet's digitalisation strategy, a new electronic tender submission system was launched in October 2021. The system aims to ensure that Transnet tenders are submitted via a secure e-Tender submission portal replacing manual publications.

Prospects

The world is slowly emerging from a pandemic which had far reaching implications that no one was truly prepared for or could have expected. Transnet too has shown signs of recovery and is looking forward, with a focused attention on addressing underlying operational challenges that have stifled expectations, whilst applying remedies after careful consideration of past impediments. These lessons enthused by a clear strategy (which is focused on sustainable revenue, a safer operational environment, an optimised cost approach, whilst efficiently and effectively utilising some of the country's most valuable economic generative assets) with the renewed vigour of management and the Board will aid the organisation in striving to reach the levels associated with a progressive business, and thereby contribute to the country's footsteps to a better future for its citizens. The road ahead is a long and arduous one, but Transnet is committed to enduring the path to improving conditions throughout the organisation, whilst supplementing economic growth.

Overview

Transnet's performance for the financial year ended 31 March 2022 exhibited aspects of resilience and intrinsic improvement in line with the lifting of COVID-19 lockdown restrictions which stimulated economic recovery, although this improvement was impeded by continued operational challenges. These challenges included rising security incidents (cable theft and vandalism of rail and pipeline infrastructure), an IT security breach with related issues which negatively impacted port and rail operations as well as fires that impacted the port terminals business. The extent of these ailments in rail operations combined with locomotive availability challenges and bad weather conditions resulted in total rail volumes transported declining by 5,6% in comparison to the prior year. Positive increases in port (5,5%) and pipeline (17,5%) operation volumes were still achieved and ultimately drove the increase in Group revenue by 1,8% to R68,5 billion (2021: R67,3 billion). Cost savings further contributed to an EBITDA growth of 20,5% to R23,4 billion (2021: R19,5 billion).

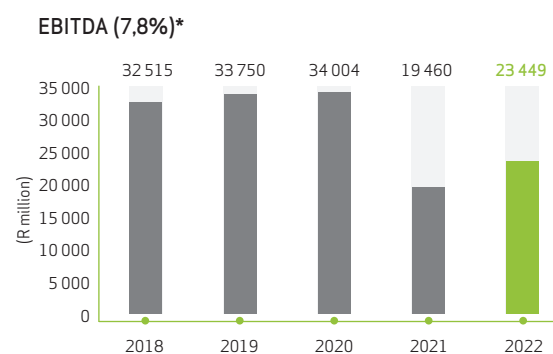
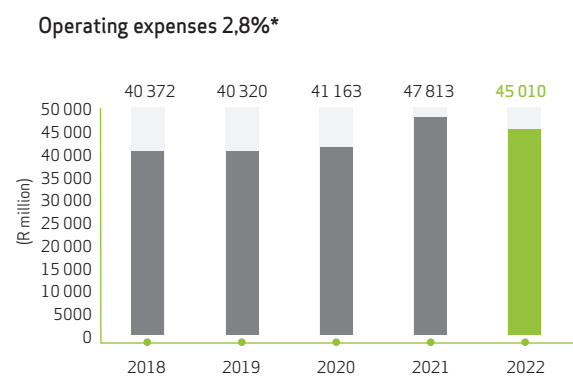
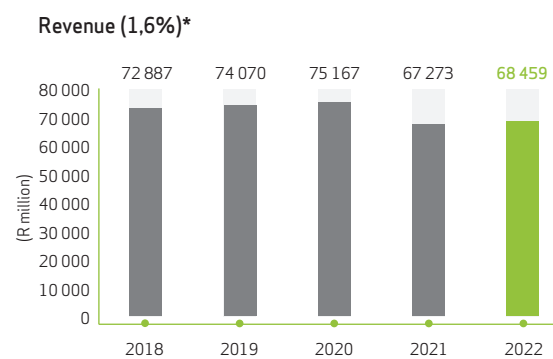
Salient features

- Revenue** increased by **1,8%** to **R68,5 billion**, in line with increased petroleum and container volumes due mainly to improved economic conditions.
- Net operating expenses** decreased by **5,9%** to **R45,0 billion**, due mainly to cost saving initiatives and the impact of the third-party settlement received partially offset by the provision for voluntary severance packages.
- EBITDA** increased by **20,5%** to **R23,4 billion**, with the EBITDA margin increasing to **34,3%**.
- Net profit** for the year is **R5,0 billion** (2021: R8,7 billion loss).
- Capital investment** decreased by **16,8%** to **R13,2 billion**.
- Gearing** of **45,5%** and cash interest cover* at **2,6 times**, both within loan covenant requirements.
- 1,6%** of **labour costs** was spent on **training**, focusing on artisans, engineers, and technicians.
- B-BBEE** spend of **R29,2 billion** or **99,8%** of total measured procurement spend, as defined by DTIC codes.
- LTIFR** performance of **0,69%**, which is below the tolerance of **0,75%**.

* Including working capital changes.

Short form announcement

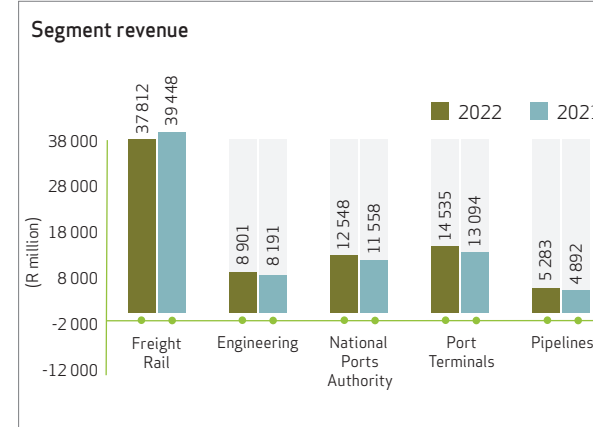
This short-form announcement is the responsibility of the Transnet Board of Directors. It is only a summary of the information contained in the integrated report and annual financial statements and does not contain full or complete details. Any investment decision should be based on the integrated report 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.



* Compound annual growth rate.

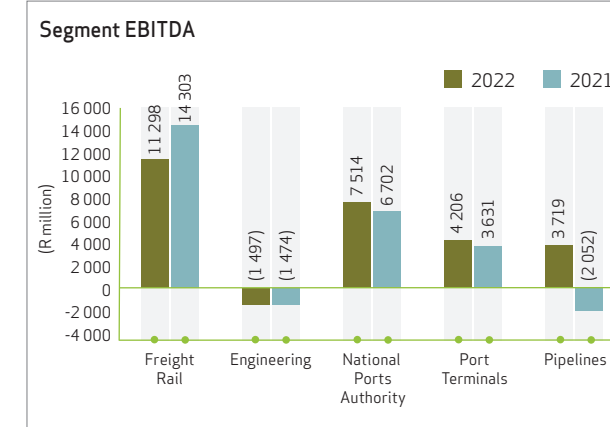
Condensed statement of financial position

	Audited	Restated
(in R million)	31 March 2022	31 March 2021
Non-current assets	332 636	319 520
Current assets	22 882	14 530
Total assets	355 518	334 050
Capital and reserves	143 778	127 821
Non-current liabilities	152 951	135 576
Current liabilities	58 789	70 653
Total equity and liabilities	355 518	334 050



Condensed statement of cash flows

	Audited	Restated
(in R million)	31 March 2022	31 March 2021
Cash flows from operating activities	17 534	12 419
Cash flows utilised in investing activities	(13 115)	(15 626)
Cash flows (utilised in)/from financing activities	(1 651)	119
Net increase/(decrease) in cash and cash equivalents	2 768	(3 088)
Cash and cash equivalents at the beginning of the year	1 168	4 256
Total cash and cash equivalents at the end of the year	3 936	1 168



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, Prof FS Mufamadi

Group Company Secretary
 S Bopape
 138 Eloff street, Braamfontein
 Johannesburg, 2000

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 4 Davenry Street,
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