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Reviewed Condensed Consolidated Results for the six months ended 30 September 2008

Consolidated income statement

For the period	30 Sept 08 6 months ended Reviewed	30 Sept 07 6 months ended Reviewed	31 Mar 08 12 months ended Audited
<i>(in Rand million)</i>			
Continuing operations			
Revenue	16 849	14 919	30 091
Net operating expenses excluding depreciation and amortisation	(10 232)	(8 725)	(16 906)
Profit from operations before depreciation and amortisation and items listed below	6 617	6 194	13 185
Depreciation and amortisation	(2 303)	(1 800)	(3 798)
Profit from operations before items listed below	4 314	4 394	9 387
Dividends received	—	122	122
Impairment of assets	(110)	(73)	(153)
Fair value adjustments	(282)	80	1 352
Profit from operations before net finance costs	3 922	4 523	10 708
Finance costs	(1 089)	(1 345)	(2 708)
Finance income	89	291	761
Profit before taxation	2 922	3 469	8 761
Taxation	(861)	(930)	(2 470)
Profit after taxation	2 061	2 539	6 291
Income/(loss) from associates	—	5	(59)
Profit for the year from continuing operations	2 061	2 544	6 232
Discontinued operations			
Loss from discontinued operations, including loss on disposal of discontinued operations and impairments	(400)	(34)	(1 921)
Profit for the year	1 661	2 510	4 311
Attributable to the shareholder	1 661	2 506	4 307
Attributable to minority interests	—	4	4

Consolidated cash flow statement

For the period	30 Sept 08 6 months ended Reviewed	30 Sept 07 6 months ended Reviewed	31 Mar 08 12 months ended Audited
<i>(in Rand million)</i>			
Cash flows from operating activities	3 176	4 727	10 858
Cash generated from operations	6 254	5 839	13 143
Changes in working capital	(1 104)	261	860
Cash generated from operations after working capital changes	5 150	6 100	14 003
Finance income	89	297	768
Settlement of post-retirement benefit obligations	(148)	(33)	(227)
Taxation paid	(381)	(162)	(928)
Finance costs	(1 399)	(1 461)	(2 782)
Derivatives raised and settled	(135)	(14)	24
Cash flows from investing activities	(8 580)	(169)	(8 234)
Investment to maintain operations	(3 862)	(3 981)	(8 729)
Investment to expand operations	(4 433)	(2 800)	(7 051)
Capital expenditure	(8 295)	(6 781)	(15 780)
Other changes from investing activities	(285)	6 612	7 546
Cash flows from financing activities	1 417	(76)	9
Borrowings raised	7 545	265	8 952
Borrowings repaid	(6 128)	(341)	(8 943)
(Decrease)/increase in cash and cash equivalents	(3 987)	4 482	2 633
Cash and cash equivalents at the beginning of the period	6 589	3 956	3 956
Cash and cash equivalents at the end of the period	2 602	8 438	6 589
Cash flows from discontinued operations			
Cash flows from operating activities	17	307	634
Cash flows from investing activities	(77)	(358)	(466)
Cash flows from financing activities	58	31	(376)
Decrease in cash equivalents from discontinued operations	(2)	(20)	(208)

Headline earnings reconciliation

For the period	30 Sept 08 Reviewed	30 Sept 07 Reviewed	31 Mar 08 Audited
<i>(in Rand million)</i>			
Earnings attributable to ordinary shareholder	1 661	2 506	4 307
Loss/(profit) on the disposal of property, plant and equipment	15	(117)	62
Total revaluations	169	(12)	109
Loss on disposal and impairment of discontinued operations	32	8	1 260
Impairment of property, plant and equipment	137	108	—
Investment property fair value adjustments	—	(128)	(1 151)
Total tax effects of adjustments	(38)	46	227
Headline earnings	1 807	2 423	4 705

Segmental analysis

For the period	30 Sept 08 6 months ended Reviewed	30 Sept 07 6 months ended Reviewed	31 Mar 08 12 months ended Audited
<i>(in Rand million)</i>			
Revenue by segment			
Continuing operations	16 849	14 919	30 091
Rail	13 168	12 183	24 754
Maritime	6 485	5 798	11 686
Pipeline	757	600	1 292
Property	202	171	371
Other operations*	(3 763)	(3 833)	(8 012)
Discontinued operations	1 346	1 477	2 980
Profit from operations before depreciation and amortisation segments	6 617	6 194	13 185
Continuing operations	3 136	2 751	6 339
Rail	3 852	3 660	7 008
Maritime	577	452	990
Pipeline	22	111	205
Property	(970)	(780)	(1 357)
Other operations*	(335)	9	(460)
Discontinued operations	2 922	3 469	8 761
Profit/(loss) before taxation by segment			
Continuing operations	60	816	2 464
Rail	2 649	3 011	6 012
Maritime	332	211	587
Pipeline	20	134	491
Property	(139)	(703)	(793)
Other operations*	(336)	(47)	(602)
Discontinued operations	101 448	80 240	97 716
Operating assets by segment**			
Continuing operations	42 204	36 362	39 588
Rail	49 340	27 744	44 607
Maritime	6 265	4 857	5 810
Pipeline	—	1 060	—
Aviation	2 692	2 101	2 747
Property	947	8 116	4 964
Other operations*	1 231	1 016	1 053
Assets classified as held-for-sale	8 218	6 571	15 203
Capital expenditure in current period by segment			
Continuing operations	4 005	4 248	10 072
Rail	3 614	1 649	4 588
Maritime	584	243	887
Pipeline	—	147	—
Aviation	13	20	35
Property	2	264	(379)
Other operations*	77	210	577
Capital expenditure directly associated with assets classified as held-for-sale	—	—	—

*Other operations incorporate all other operating divisions plus Company/Group adjustments, reclassifications and eliminations.
The most significant elimination is internal revenue and profit between Freight Rail and Rail Engineering amounting to R3 394 million (2007: R3 498 million).
**Excluding investments in associates.

Consolidated balance sheet

As at	30 Sept 08 Reviewed	30 Sept 07 Restated Reviewed	31 Mar 08 Audited
<i>(in Rand million)</i>			
ASSETS	91 052	62 821	84 077
Non-current assets	85 401	58 444	78 114
Property, plant and equipment	4 514	3 347	4 514
Investment properties	330	196	326
Intangible assets and goodwill	48	50	48
Investments in associates and joint ventures	197	278	533
Derivative financial assets	111	23	90
Long-term loans and advances	451	483	452
Other investments and long-term financial assets	—	—	—
Current assets	11 755	18 565	14 818
Inventories	2 617	2 294	2 319
Trade and other receivables	4 314	5 496	3 839
Derivative financial assets	273	147	412
Other short-term investments	679	803	550
Cash and cash equivalents	2 561	8 729	6 567
Assets classified as held-for-sale	1 311	1 096	1 131
Total assets	102 807	81 386	98 895
EQUITY AND LIABILITIES			
Capital and reserves	53 784	39 463	51 183
Attributable to the equity holder	12 661	12 661	12 661
Issued capital	41 123	26 802	38 522
Reserves	30 935	24 032	27 862
Non-current liabilities	2 144	2 328	2 181
Post-retirement benefit obligations	19 407	17 928	16 890
Long-term borrowings	129	212	453
Derivative financial liabilities	1 437	999	1 422
Long-term provisions	7 818	2 565	6 916
Deferred taxation liabilities	—	—	—
Current liabilities	18 008	17 891	19 850
Trade payables and accruals	7 330	7 145	8 382
Short-term borrowings	762	697	785
Current taxation liability	66	172	113
Derivative financial liabilities	2 119	2 213	2 533
Short-term provisions	—	308	22
Bank overdraft	692	241	676
Liabilities directly associated with assets classified as held-for-sale	—	—	—
Total equity and liabilities	102 807	81 386	98 895

Reconciliation of movements in capital and reserves

(in Rand million)	Issued capital	Revaluation reserves	Foreign currency translation reserve	Actuarial reserves	Other	Accumulated profit	Minority interests	Total
Restated opening balance as at 1 April 2007	12 661	7 007	(8)	3 282	249	13 837	122	37 150
As previously reported	12 661	7 257	(8)	3 282	249	13 548	122	37 111
Investment properties adjustments	—	—	—	—	—	382	—	382
Taxation on adjustments	—	(250)	—	—	—	(93)	—	(343)
Total recognised income and expenditure before taxation of equity items	—	6	—	(106)	—	2 506	4	2 410
Taxation effect of items recorded in equity	—	(2)	—	31	—	—	—	29
Minorities acquired	—	—	—	—	—	—	(126)	(126)
Restated balances at 30 September 2007	12 661	7 011	(8)	3 207	249	16 343	—	39 463
Total recognised income and expenditure before taxation of equity items	—	13 931	51	(413)	—	1 801	—	15 370
Taxation effect of items recorded in equity	—	(3 810)	—	160	—	—	—	(3 650)
Transfers to accumulated profit	—	(41)	—	—	—	41	—	—
Balances at 31 March 2008	12 661	17 091	43	2 954	249	18 185	—	51 183
Total recognised income and expenditure before taxation of equity items	—	1 524	—	(179)	—	1 661	—	3 006
Taxation effect of items recorded in equity	—	(455)	—	50	—	—	—	(405)
Balances at 30 September 2008	12 661	18 160	43	2 825	249	19 846	—	53 784

Corporate information

Directors: FTM Phaswana (Chairman), M Ramos* (Group Chief Executive), Dr I Abedian, Prof GK Everingham, MJ Hankinson**, NBP Gcaba, Dr ND Haste OBE (British), PG Joubert, NNA Matyuzma, MP Moyo**, BT Ngcuka, NR Ntshingila, KC Ramon and CF Wells

*Executive **Appointed to the Board of Directors on 25 July 2008.

Mr S Nicolaou resigned from the Board of Directors on 25 July 2008.

Group Company Secretary: Z Stephen

Business address and registered office: 47th Floor, Carlton Centre, 150 Commissioner Street, Johannesburg, 2001

PO Box 72501, Parkview, 2122, South Africa

External auditors: Deloitte & Touche, Deloitte Place, The Woodlands Office Park, Woodlands Drive, Sandton

Revenue from continuing operations

12,9% ↑ to R16 849 million

EBITDA from continuing operations

6,8% ↑ to R6 617 million

Cash generated from operations after working capital changes

15,6% ↓ to R5 150 million

Gearing increased to

32,5% ↑

Capital expenditure

22,3% ↑ to R8 295 million

Shareholders' equity

5,1% ↑ to R53 784 million



freight rail



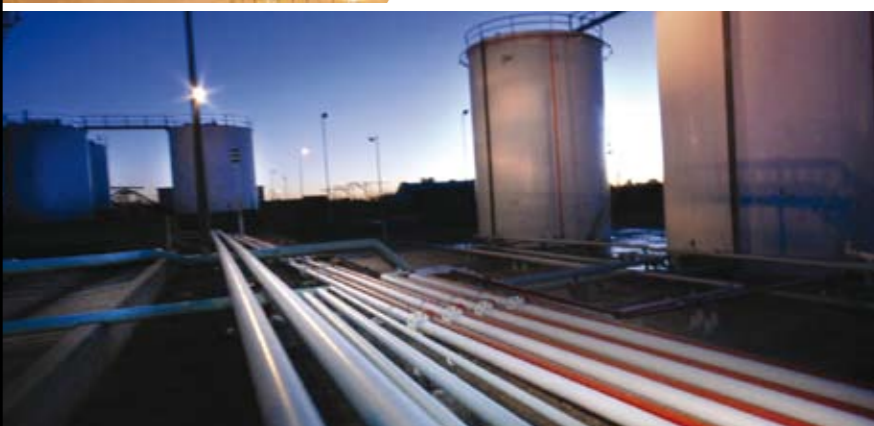
rail engineering



national ports authority



port terminals



pipelines

Commentary on results

Group accounting policies and basis of preparation

The condensed financial information has been prepared in compliance with International Accounting Standard (IAS) 34: *Interim Financial Reporting* and the Companies Act 1973 (as amended). These results have been prepared in terms of interpretations that are effective for the year ending 31 March 2009.

Accounting policies and methods of compilation used in the interim financial statements are compliant with IFRS and consistent with those used in the annual financial statements for 31 March 2008. The Group applied IFRIC 14: IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, IFRIC 12 – *Service Concession Agreements* and IFRIC 13 – *Customer Loyalty Programmes* in the current financial period. This has had no impact on the reported results.

Restatement of the interim financial statements

During the year ended 31 March 2008 the Group made an adjustment to the carrying value of investment property and reviewed its assessment of the split between taxation depreciable assets and non-taxation depreciable assets in respect of pipelines. Consequently, a restatement of the 30 September 2007 interim financial information is required. The financial effect of this adjustment is disclosed under the heading "Restatement of opening balances".

Statement of recognised income and expense

For the period ended	30 Sept 08 6 months ended Reviewed	30 Sept 07 6 months ended Reviewed	31 Mar 08 12 months ended Audited
(in Rand million)			
Net gains on revaluation reserves	1 069	4	10 084
Net gains on revaluations	1 524	6	13 896
Taxation effect of revalued items	(455)	(2)	(3 812)
Gains on foreign currency translation	—	—	51
Net actuarial gains on post-retirement benefit obligations	(129)	(75)	(328)
Actuarial gains related to post-retirement obligations	(179)	(106)	(519)
Taxation effect of net actuarial gains	50	31	191
Net income recognised directly in equity	940	(71)	9 807
Transferred to accumulated profit	—	—	41
Profit for the year	1 661	2 510	4 311
Total recognised income for the year	2 601	2 439	14 159
Attributable to:			
The equity holder	2 601	2 435	14 155
Minority interests	—	4	4
	2 601	2 439	14 159

Restatement of opening balances

(in Rand million)	1 April 07
Restatement of opening balances had the following impact on the financial statements:	
Balance sheet	
Shareholder's interest	
Shareholder's interest as previously reported	37 111
	39
Deferred tax on fair value adjustments and revaluation reserves	(343)
Fair value adjustments to investment properties – IAS 40	382
Restated shareholder's interest	37 150
The re-presentation of the income statement and discontinued cash flows relates to the classification of South African Express Airways to discontinued operations.	

Disposal groups and other assets classified as held-for-sale

(in Rand million)	TOTAL			RAIL			AVIATION			ROAD			OTHER**		
	30 Sept 08 Reviewed	30 Sept 07 Restated Reviewed	31 Mar 08 Audited	30 Sept 08 Reviewed	30 Sept 07 Restated Reviewed	31 Mar 08 Audited	30 Sept 08 Reviewed	30 Sept 07 Restated Reviewed	31 Mar 08 Audited	30 Sept 08 Reviewed	30 Sept 07 Restated Reviewed	31 Mar 08 Audited	30 Sept 08 Reviewed	30 Sept 07 Restated Reviewed	31 Mar 08 Audited
Assets held for sale															
Property, plant and equipment	687	817	644	494	202	494	811	—	775	49	300	58	(667)	315	(683)
Intangible assets	2	—	3	—	—	—	3	—	3	—	—	—	(1)	—	—
Investments in subsidiaries	—	—	—	—	—	—	—	—	—	—	1	—	—	(1)	—
Investments in associates	80	80	78	—	—	—	—	—	—	—	—	—	80	80	78
Inventories	27	6	28	1	1	1	45	—	44	5	5	4	(24)	—	(21)
Trade and other receivables	474	162	334	9	12	56	450	—	268	16	189	13	(1)	(39)	(3)
Cash and cash equivalents	41	31	44	1	1	1	8	—	6	—	1	3	32	29	34
	1 311	1 096	1 131	505	216	552	1 317	—	1 096	70	496	78	(581)	384	(595)
Liabilities directly associated with assets classified as held-for-sale															
Post-retirement benefit obligations	3	13	3	—	—	—	—	—	—	3	13	3	—	—	—
Borrowings and group loans	142	—	210	—	—	—	777	—	732	137	708	118	(772)	(708)	(640)
Provisions	49	50	30	21	21	23	26	—	7	2	29	7	—	—	(7)
Deferred taxation liabilities	69	—	36	—	—	—	69	—	36	—	—	—	—	—	—
Trade payables and accruals	425	160	392	81	48	105	293	—	250	78	162	53	(27)	(50)	(16)
Current taxation liability	4	4	5	—	—	—	—	—	—	—	—	—	4	4	5
Bank overdraft	—	14	—	—	—	—	—	—	—	—	14	—	—	—	—
	692	241	676	102	69	128	1 165	—	1 025	220	926	181	(795)	(754)	(658)

Discontinued operations

The (loss)/profit from discontinued operations including profit on disposal of discontinued operations and impairments is analysed as follows:

(in Rand million)	TOTAL			RAIL			AVIATION			ROAD			OTHER**		
	30 Sept 08 6 months ended Reviewed	30 Sept 07 6 months ended Restated Reviewed	31 Mar 08 12 months ended Audited	30 Sept 08 6 months ended Reviewed	30 Sept 07 6 months ended Restated Reviewed	31 Mar 08 12 months ended Audited	30 Sept 08 6 months ended Reviewed	30 Sept 07 6 months ended Restated Reviewed	31 Mar 08 12 months ended Audited	30 Sept 08 6 months ended Reviewed	30 Sept 07 6 months ended Restated Reviewed	31 Mar 08 12 months ended Audited	30 Sept 08 6 months ended Reviewed	30 Sept 07 6 months ended Restated Reviewed	31 Mar 08 12 months ended Audited
(Loss)/profit from discontinued operations	(368)	(26)	(661)	(496)	(304)	(807)	83	166	250	(50)	(53)	(94)	95	165	(10)
(Loss)/profit on disposal of discontinued operations	—	(8)	(266)	—	—	—	—	—	—	—	—	(287)	—	(8)	21
Impairments – lower of cost and fair value less costs to sell	(32)	—	(994)	30	—	(625)	(84)	—	(300)	22	—	(62)	—	—	(7)
(Loss)/profit from discontinued operations	(400)	(34)	(1 921)	(466)	(304)	(1 432)	(1)	166	(50)	(28)	(53)	(443)	95	157	4
Revenue	1 346	1 477	2 980	199	148	354	941	736	1 521	213	860	1 387	(7)	(267)	(282)
Net operating expenses excluding depreciation and amortisation	(1 681)	(1 468)	(3 440)	(684)	(441)	(1 117)	(746)	(504)	(1 062)	(244)	(738)	(1 276)	(7)	215	15
(Loss)/profit from operations before depreciation and amortisation and items listed below	(335)	9	(460)	(485)	(293)	(763)	195	232	459	(31)	122	111	(14)	(52)	(267)
Depreciation and amortisation	—	(40)	(72)	(11)	(11)	(44)	(38)	(27)	(62)	(9)	(119)	(145)	58	117	179
(Loss)/profit from operations before items listed below	(335)	(31)	(532)	(496)	(304)	(807)	157	205	397	(40)	3	(34)	44	65	(88)
Impairment of assets	—	(1)	(7)	—	—	—	—	—	(1)	—	(1)	(6)	—	—	—
Fair value adjustments	5	6	(26)	—	—	—	5	1	(26)	—	—	—	—	5	—
(Loss)/profit from operations before net finance costs	(330)	(26)	(565)	(496)	(304)	(807)	162	206	370	(40)	2	(40)	44	70	(88)
Finance costs	(6)	(27)	(44)	—	—	—	(47)	(40)	(84)	(10)	(32)	(73)	51	45	113
Finance income	—	6	7	—	—	—	—	—	—	—	6	6	—	—	1
(Loss)/profit before taxation	(336)	(47)	(602)	(496)	(304)	(807)	115	166	286	(50)	(24)	(107)	95	115	26
Taxation	(32)	21	(59)	—	—	—	(32)	—	(36)	—	(29)	13	—	50	(36)
Net (loss)/profit for the period	(368)	(26)	(661)	(496)	(304)	(807)	83	166	250	(50)	(53)	(94)	95	165	(10)
Attributable to the shareholder	(368)	(30)	(665)	(496)	(304)	(807)	83	166	250	(50)	(57)	(98)	95	165	(10)
Attributable to minority interests	—	4	4	—	—	—	—	—	—	—	4	4	—	—	—

**Including eliminations and impairments of disposal groups.

Group operating performance – continuing operations

Revenue increased by 12,9% to R16,8 billion (2007: R14,9 billion) when compared to the prior period with all operating divisions showing revenue growth. With the exception of Transnet Freight Rail, volume increases were the key drivers resulting in increased revenue.

Operating expenses increased by 17,3% due mainly to increased energy, personnel and maintenance related costs. As a result and in line with Transnet's expectations, profit from operations before depreciation and amortisation increased by 6,8% to R6,6 billion (2007: R6,2 billion).

Depreciation and amortisation increased by 27,9% to R2,3 billion (2007: R1,8 billion) as a direct result of the ramp-up of the capital expenditure programme which commenced three years ago and the revaluation of property, plant and equipment. Consequently, the operating profit after depreciation amounted to R4,3 billion reflecting a marginal decrease compared to the prior period.

The impairment of assets charge resulted primarily from damage to rolling stock in Freight Rail. Whilst the fair value adjustments are a consequence of the mark-to-market of derivative instruments used to hedge financial risks emanating from certain imports. Accordingly, the net profit before net finance costs decreased to R3,9 billion (2007: R4,5 billion) compared to the prior period.

The taxation charge for the period amounted to R861 million (2007: R930 million), comprising a current taxation charge of R364 million (2007: R368 million) and a deferred taxation charge of R497 million (2007: R562 million). The effective taxation rate for continuing operations of the Group at 29,5% (2007: 26,8%) is above the corporate taxation rate of 28% due to expenses incurred that are non-deductible for taxation.

Due to the significant increase in the depreciation and amortisation charge, profit after tax decreased by 18,8% to R2,1 billion (2007: R2,5 billion). This decrease in profit after tax is consistent with the corporate plan.

Commentary on operating divisions

Transnet Freight Rail

Revenue increased by 11,1% to R9,2 billion. Iron ore export tons have increased by 5% to 15,9 mt while general freight tons, which makes up a major portion of Freight Rail revenue, have remained constant at 43,5 mt compared to the prior period. Container volumes transported on rail have increased by 9% to 287 000 TEUs in line with the strategy of increasing our market share of long haul container volumes. Volumes decreased on the coal line by 6% to 29,9 mt primarily due to operational issues and derailments at Freight Rail. This area of the business is receiving significant management attention to stabilise operations and consequently, steady improvement is expected for the rest of the year. The implementation of cost control measures and the focus on key volume flows has both improved operating yields and reduced overhead costs resulting in EBITDA of R2,8 billion despite major increases in both energy and maintenance related costs.

Transnet Rail Engineering

Transnet Rail Engineering's internal revenue remained at R3,4 billion compared to the prior period. Maintenance and refurbishment programmes for locomotives and wagons continue to focus on the availability and reliability of rolling stock, which improved year on year. The external revenue of Rail Engineering reflected an increase of 15% to R564 million mainly due to the increased number of coach upgrades for South African Rail Commuter Corporation Limited.

Transnet National Ports Authority

Revenue increased by 9,9% to R3,8 billion compared to the prior period, driven primarily by continued growth in container imports and exports, liquid bulk imports and automotive export volumes. Vehicle import volumes decreased compared to the prior period due to a decline in local demand. Operating costs increased by 26,4% compared to the prior period due in the main to significantly higher dredging and energy costs. EBITDA increased by 5,5% to R2,9 billion.

Transnet Port Terminals

Revenue for the period amounted to R2,7 billion, an increase of 14,7% compared to the prior period. This increase was driven mainly by increased volumes in the container sector (6,7%), bulk sector (10,5%) and automotive sector (4,8%). The break-bulk sector experienced an 11,9% decline in volume mainly due to reduced steel exports. The 20,9% increase in operating costs results mainly from increased personnel numbers following the commissioning of the new Pier 1 Container terminal in Durban and significant increases in fuel costs. EBITDA of R994 million reflects an increase of 5,1% compared to the prior period.

Transnet Pipelines

Revenue has increased by 26,0% to R757 million for the period with increased volumes for all major products. NERSA approved a tariff increase for the 2008/09 financial year which was effective from 6 August 2008. Cost increases were well controlled, resulting in EBITDA of R577 million (2007: R452 million).

Revaluation of property, plant and equipment

Following a revaluation of port facilities in line with the Group accounting policy at 31 March 2008 amounting to R13,9 billion, the Group recorded a further revaluation of port facilities of R1,4 billion at 30 September 2008.

Deferred taxation

The increase in the deferred taxation liability from R2,6 billion at September 2007 to R7,8 billion at 30 September 2008 is primarily due to the revaluation of property, plant and equipment (as explained above) which has been recorded directly in equity.

Pension and post-retirement benefit obligations

The Group provides various post-retirement benefits to its active and retired employees, including pension, post-retirement medical and other benefits.

Both the Transnet Second Defined Benefit Fund (TSDBF) and the Transport Pension Fund are fully funded with significant actuarial surpluses. However, since 31 March 2008, the surpluses have decreased due to the decline in the equity markets. The asset portfolio of the TSDBF, whose members are all pensioners or dependants, was substantially invested in bonds as part of the risk mitigating strategy adopted in the prior year. Transnet has not recognised any portion of the surpluses on these funds in its financial statements.

Cash flows

Cash generated from operations increased by 7,1% to R6,3 billion which reflects the Group's ability to generate strong cash flows in order to support the capital expansion programme. Whilst cash generated from operations increased, the Group increased its investment in working capital by R1,1 billion. The working capital increase resulted from the planned additional investment in spares at Rail Engineering and an increase in trade receivables in line with the increase in revenue.

Cash interest cover for the period at 3,9 times is in line with the expectation of the Group.

Capital expenditure for the period amounted to R8,3 billion, an increase of 22,3% when compared to the prior period. In line with the growth strategy, an amount of R4,4 billion was spent to expand operations, an increase of 58,3% compared to the prior period.

The decrease in cash and cash equivalents of R4 billion to R2,6 billion during the current period reflects the utilisation of cash to fund capital expenditure.

Borrowings

The T004 bond was redeemed on 1 April 2008 with R3,2 billion switched by investors into Transnet's TN17 and TN27 bonds. Borrowings in the domestic market through the domestic medium term note programme (DMTN) will remain the main source of funding for Transnet. Transnet's funding strategy requires the group to diversify its funding sources to create opportunities for cost effective funding in the future. Accordingly, an export credit agency umbrella facility is in place to enable funding for imports and a number of other initiatives in both the domestic and foreign markets are in progress.

The gearing ratio at 32,5% remains well below the limit of 50% set by the Board and reflects the significant borrowing capacity available to the Group.

The Company has adequate cash on hand and banking facilities to meet its commitments. At the end of the period the Company had unused borrowing facilities of R36 billion, of which R7 billion is available immediately as short-term loans.

Capital expenditure

The five year rolling capital programme amounting to R80,3 billion is progressing well and all critical delivery dates should be met.

In the the six months ended 30 September 2008, R8,3 billion (2007: R6,8 billion) has been spent with a further R12,6 billion planned for the next six months, a 32% increase compared to the prior period.

Capital commitments will be financed by cash generated from operations, together with borrowings.

Contingencies and commitments

There has been no material movement in contingencies and commitments since 31 March 2008.

Guarantees

The Group has issued guarantees to third parties amounting to R5 billion, the most significant of which relates to promissory notes of R2,3 billion relating to the Newsshelf 697 structure. The sole shareholder in Transnet Limited, namely the South African Government, has guaranteed certain borrowings of the Group to the extent of R14 billion (2007: R19 billion).

Post-balance sheet event

No significant post-balance events have occurred since balance sheet date.

External auditor's report

The interim results have been reviewed by the Company's external auditors and their unmodified review report is available for inspection at the Company's registered office.

Prospects

The Board continues to assess the impact of the global economic environment on its business plans and will make amendments thereto if the circumstances require it.

Approval by Board of Directors

Signed on behalf of the Board of Directors.

FTM Phaswana

Chairman
27 October 2008

M Ramos

Group Chief Executive
27 October 2008

TRANSNET LIMITED

Incorporated in the Republic of South Africa
Registration number 1990/000900/06

