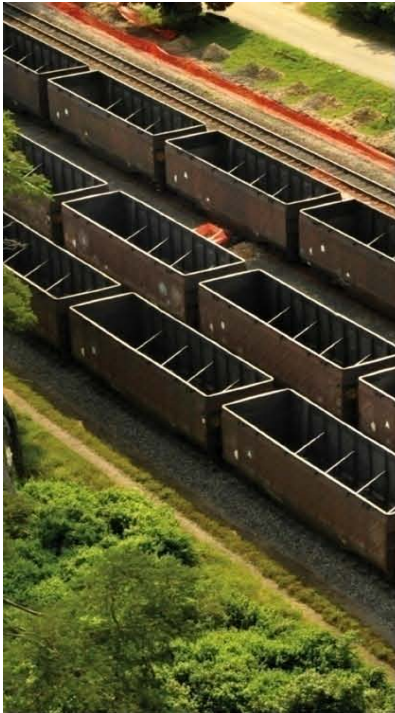


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**TRANSNET INTERIM RESULTS PRESENTATION 30 SEPTEMBER 2011**

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# TRANSNET VISION AND MISSION



## VISION

To enable the competitiveness, growth and development of the South African economy by delivering reliable freight transport and handling services that satisfy customer demand.

## MISSION

Transnet will meet customer demand for reliable freight transport and handling services through:

- Fully integrating and maximising the use of our unique set of assets
- Continuously driving cost efficiencies
- A demonstrated concern for sustainability in everything we do.

*delivering freight reliably*

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## FINANCIAL REVIEW

# FINANCIAL HIGHLIGHTS



	30 Sept 2011 R billion	30 Sept 2010 R billion		% Change
Revenue	22,4	18,7		20,3
EBITDA	9,4	7,4		27,0
Operating profit	5,1	3,8		25,2
Cash generated from operations	10,0	7,9		25,6
Capital investment*	9,5	10,2		(6,9)

Key Ratios	30 Sept 2011	30 Sept 2010	
EBITDA margin	42,0%	39,8%	
Operating profit margin	22,9%	20,6%	
Return on average total assets (excluding CWIP)	7,6%	6,6%	
Gearing	42,6%	41,3%	
Cash interest cover	3,1 times	3,4 times	

\* Excludes capitalised borrowing costs, includes capitalised finance leases and capitalised decommissioning liabilities.

# ABRIDGED INCOME STATEMENT



	30 Sept 2011 R million	30 Sept 2010 R million	% Change
Revenue	22 438	18 654	20,3
Net operating expenses excluding depreciation and amortisation	(13 014)	(11 233)	15,9
<b>EBITDA</b>	<b>9 424</b>	<b>7 421</b>	<b>27,0</b>
Depreciation and amortisation	(3 933)	(3 485)	12,9
<b>Profit before items listed below:</b>	<b>5 491</b>	<b>3 936</b>	<b>39,5</b>
Impairment of assets, fair value adjustments and other items	(345)	(87)	296,6
Net finance costs	(1 890)	(1 434)	31,8
<b>Profit before taxation</b>	<b>3 256</b>	<b>2 415</b>	<b>34,8</b>
Taxation	(917)	(652)	40,6
<b>Profit from continuing operations</b>	<b>2 339</b>	<b>1 763</b>	<b>32,7</b>

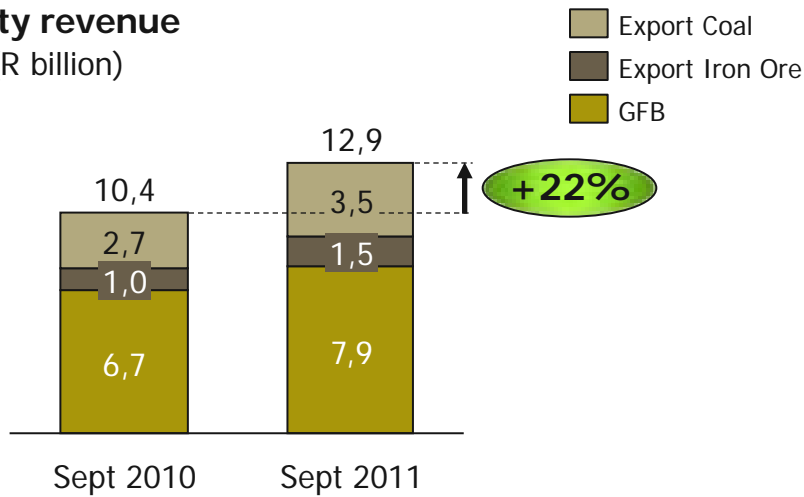
- The overall profit from continued operations increased by 32,7% indicating a marked improvement in performance compared to the prior period.

# REVENUE



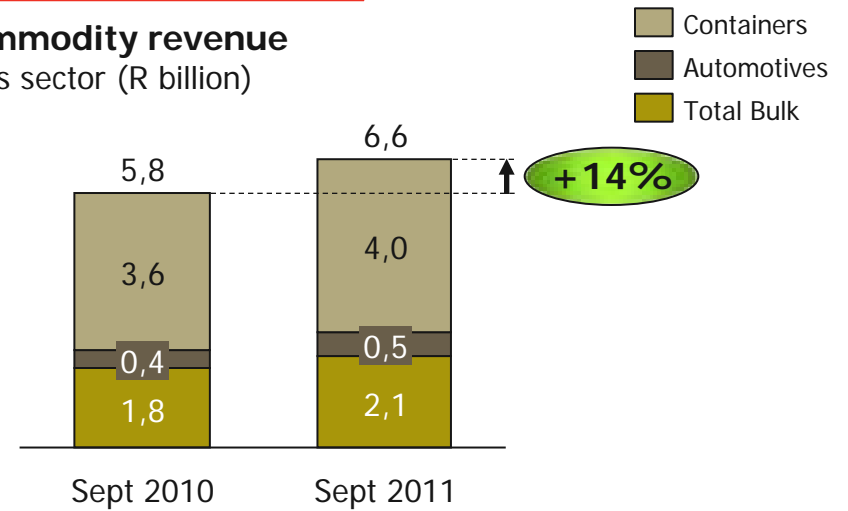
## Commodity revenue

Rail sector (R billion)



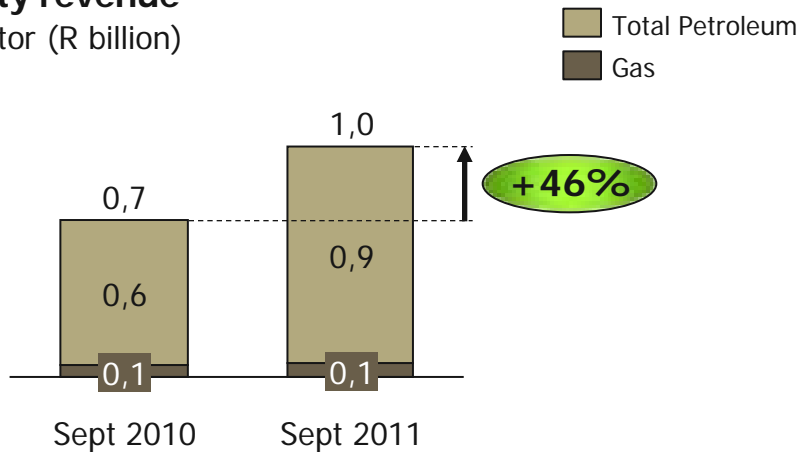
## Commodity revenue

Ports sector (R billion)

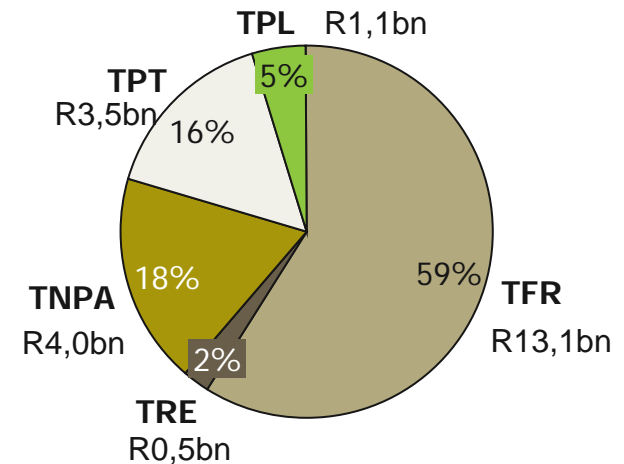


## Commodity revenue

Pipeline sector (R billion)



## Contribution by Operating divisions

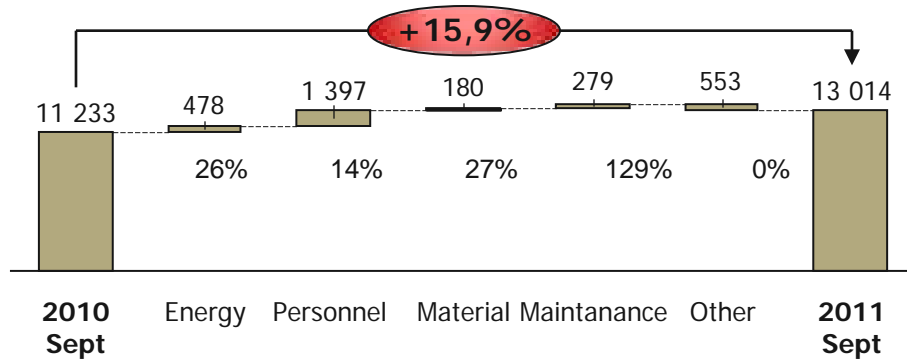


• External revenue increased by 20.3% to R22,4 billion mainly due to a 7,1% weighted volume increase.

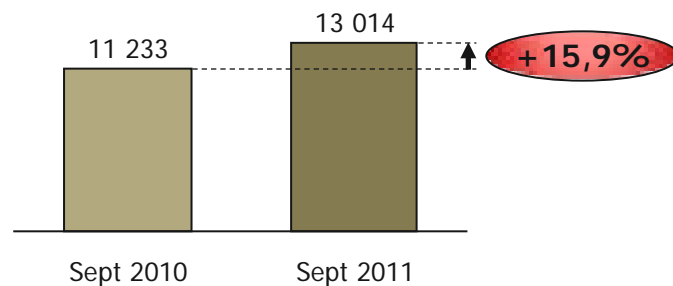
# OPERATING EXPENSES



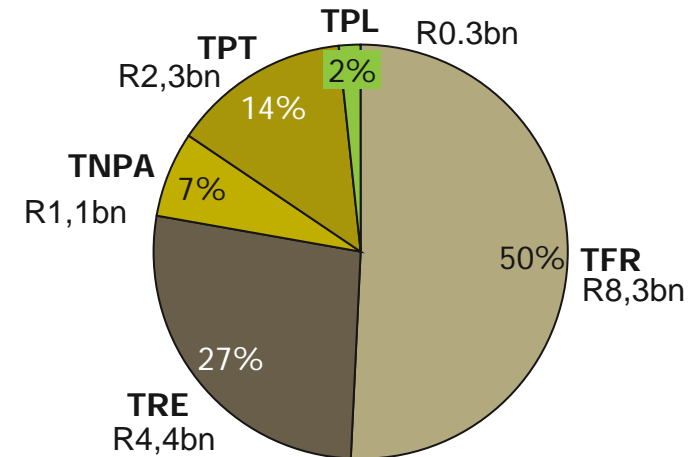
## Operating expenses (R million)



## Operating expenses (R million)



## Contribution by Operating divisions

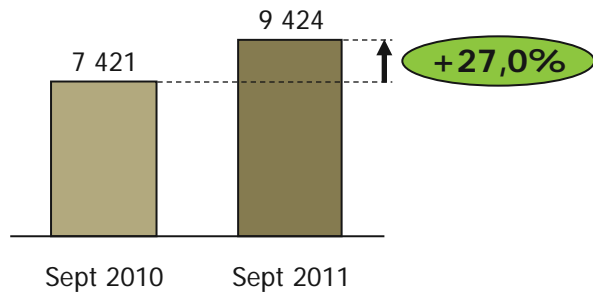


- Operating expenses increased by 15,9% to R13,0 billion compared to R11,2 billion in the prior period despite numerous cost-reduction initiatives implemented throughout the company.
- The operating expense increases resulted mainly from an increase in material costs (26,5%), increased personnel costs (14,4%) as well as an increase in energy costs (26,0%) mainly as a result of increased electricity tariffs and the price of crude oil.

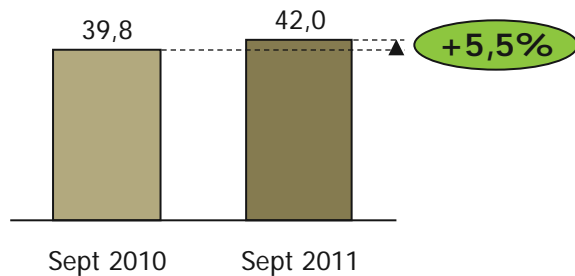
# EBITDA



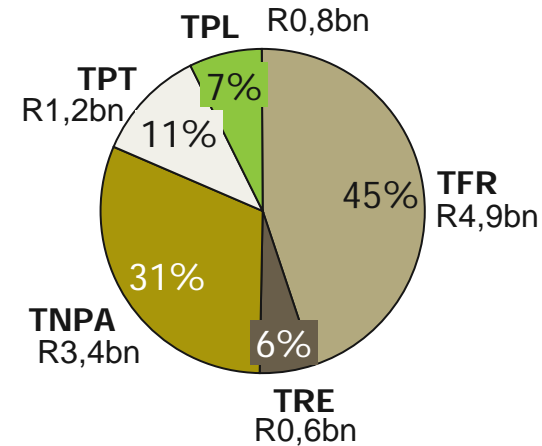
## EBITDA (R million)



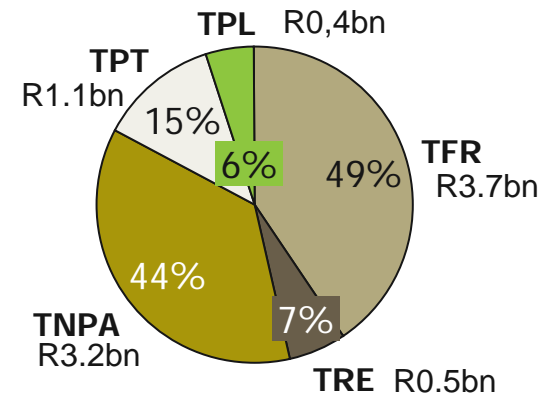
## EBITDA margin (%)



## EBITDA contribution by Operating divisions 2011



## 2010

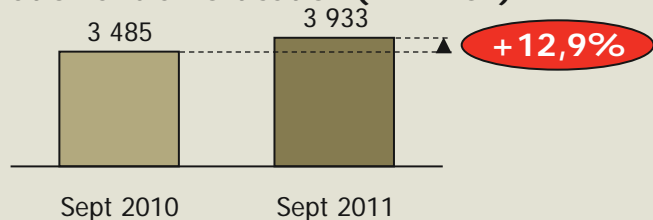


- Improvement in EBITDA margin is as a result of revenue growth offset by increased operating expenditure.
- EBITDA contribution of TFR and TPT has increased and TNPA has decreased from prior period.

# DEPRECIATION AND AMORTISATION, NET FINANCE COSTS, TAXATION AND PROFIT FOR THE PERIOD

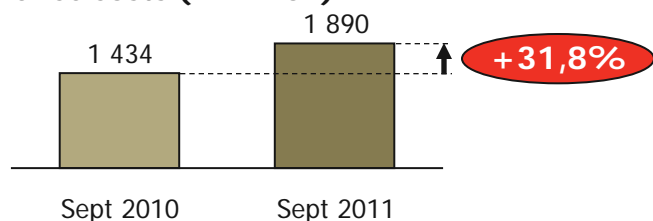


## Depreciation and amortisation (R million)



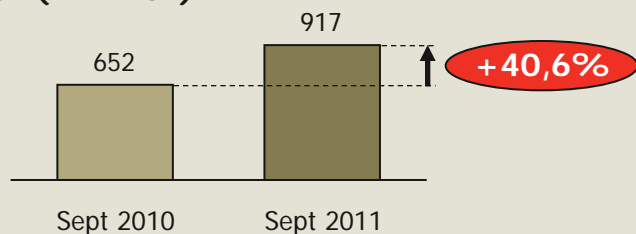
- Depreciation and amortisation of assets increased by 12.9% to R3.9 billion. This increase is attributed to the rollout of capital investment programme and the depreciation of revalued port facilities and pipelines.

## Net finance costs (R million)



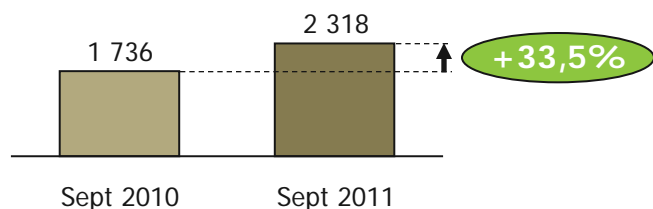
- Increase in net finance costs to R1.9 billion due to increased long-term borrowings to fund the capital investment programme.

## Taxation (R million)



- The taxation charge for the period amounted to R917 million compared to R652 million in the prior period. At 28,2% the effective taxation rate for the Group is marginally higher than corporate taxation rate of 28%.

## Profit for the period (R million)



- Profit for the period increased by 33,5% to R2.3 billion in September 2011.

# ABRIDGED STATEMENT OF FINANCIAL POSITION



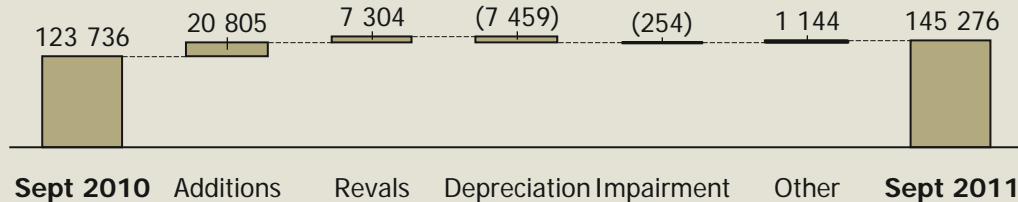
	30 Sept 2011 R million	30 Sept 2010 R million	% change
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>155 613</b>	131 347	15,6
Property, plant and equipment	<b>145 276</b>	123 736	14,8
Investment properties	<b>7 503</b>	6 925	7,7
Other non-current assets	<b>2 834</b>	686	75,8
<b>Current assets</b>	<b>14 678</b>	15 578	6,1
<b>Total assets</b>	<b>170 291</b>	146 925	13,7
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves	<b>76 745</b>	66 856	12,9
Non-current liabilities	<b>73 719</b>	67 404	8,6
Current liabilities	<b>19 827</b>	12 665	36,1
<b>Total equity and liabilities</b>	<b>170 291</b>	146 925	13,7

- The total asset base of the group has grown by R23,4 billion to R170,3 billion compared to the prior period.
- The increase is mainly as a result of capital investment of R20.8bn and revaluation of assets of R7.0bn.

# PROPERTY, PLANT AND EQUIPMENT AND LONG-TERM BORROWINGS

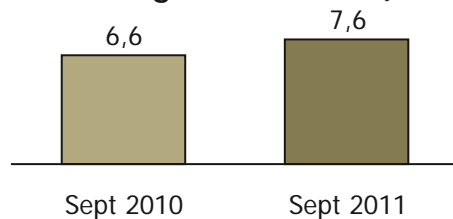


## Property, plant and equipment (R million)



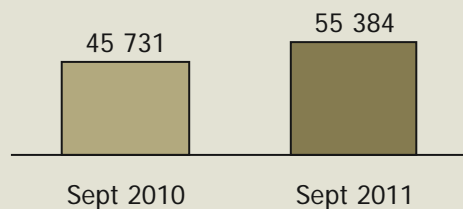
- PPE increased from R123,7 billion to R145,3 billion in September 2011.

## Return on average total assets (excluding CWIP) (%)



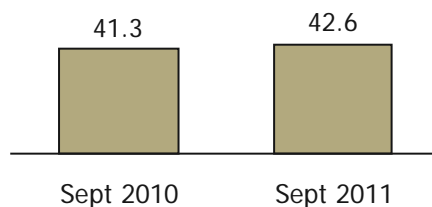
- Return on average total assets increased to 7.6% at 30 September 2011 compared to 6.6% in the prior year. This is indicative of an improvement in the operating performance.

## Net interest bearing debt (R million)



- Included in September 2011 net interest bearing is the early redemption of R3 billion in respect of T018 bonds.

## Gearing (%)



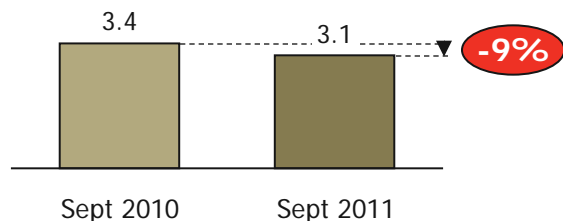
- Gearing increased to 42,6 % which is below the Group's target range of 50%, reflecting adequate capacity to fund future capital investments.

# ABRIDGED CASH FLOW STATEMENT AND FUNDING



	30 Sept 2011 R million	30 Sept 2010 R million	%
<b>Cash from operating activities</b>	<b>6 241</b>	<b>4 837</b>	29,0
• Cash generated from operations	9 984	7 946	25,6
• Security of supply petroleum levy	328	328	0
• Changes in working capital	(2 040)	(934)	118,4
• Other operating activities	(2 031)	(3223)	(37,0)
<b>Cash utilised in investing activities</b>	<b>(10 402)</b>	<b>(10 951)</b>	(5,0)
<b>Cash (utilised in)/ from financing activities</b>	<b>(2 852)</b>	<b>3 751</b>	(176,0)

## Cash interest cover (times)



- The cash interest cover decreased to 3,1 times compared to 3,4 times in the prior period due to the negative impact of working capital. However the cash interest cover ratio remains above the target of 3,0 times.

- Generated strong, predictable and sustainable cash flows from operations.
- Transnet has adequate liquidity and funding facilities to meet all its operational and capital investment funding requirements over the medium-term.
- The focus will be on working capital management.

Sources of funding 2011	R billion
• DMTN	4,0
• Commercial paper	1,3
• DFIs/ECA (AFDB loan)	6,0
<b>Total</b>	<b>11,3</b>

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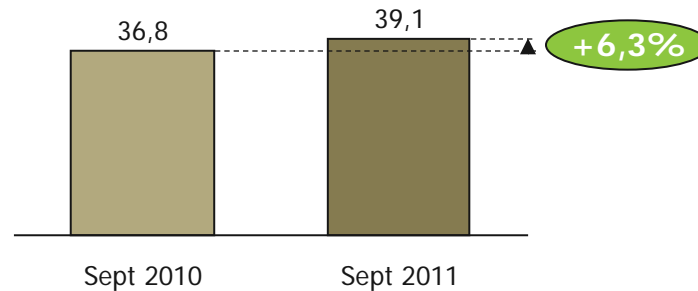
## OPERATIONAL REVIEW

# VOLUME GROWTH, PRODUCTIVITY AND EFFICIENCY



General freight business

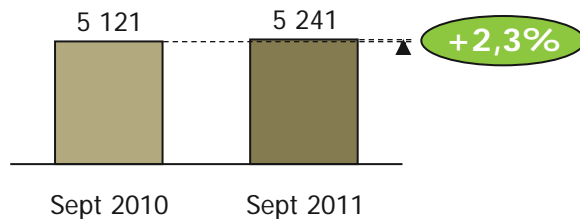
## Volumes (mt)



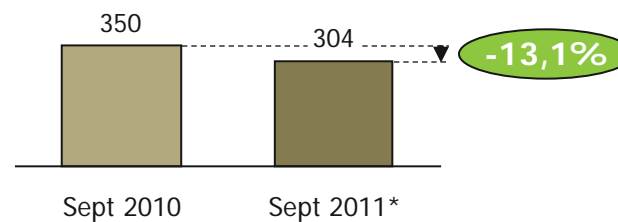
- GFB volumes reflect a 6.3% growth to 39,1mt from 36,8mt in the prior period.
- The increase in volumes is attributed to the effective Yield management strategies that optimized the cargo mix on general freight business traffic and an increase in containers on rail of 22,3% to 361 606 TEUs evidencing a market share increase.

## Productivity and efficiency

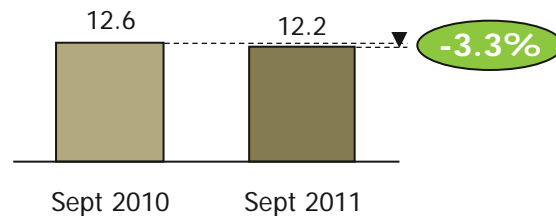
### GTK /loco/month ('000)



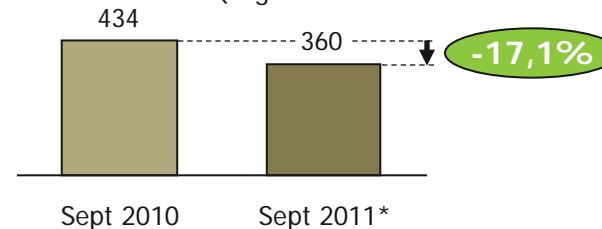
### On-time departures (avg min deviation from schedule)



### Wagon turnaround (days)



### On-time arrivals (avg min deviation from schedule)



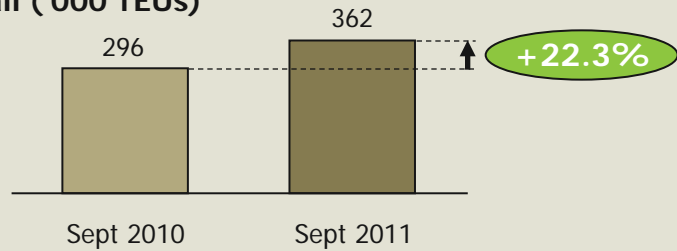
- On-time arrivals and departures showed an improvement compared to the prior year.
- Threshold performance excludes minor delays in operations.

# VOLUME GROWTH, PRODUCTIVITY AND EFFICIENCY (continued)



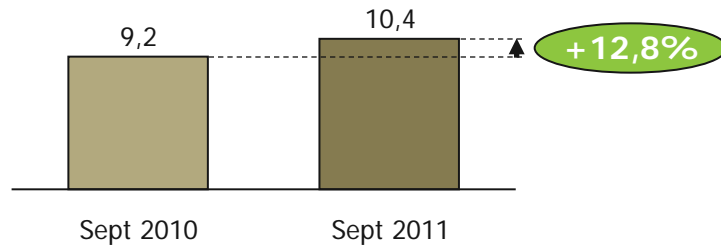
Strategic Commodities – GFB

## Containers on rail ('000 TEUs)



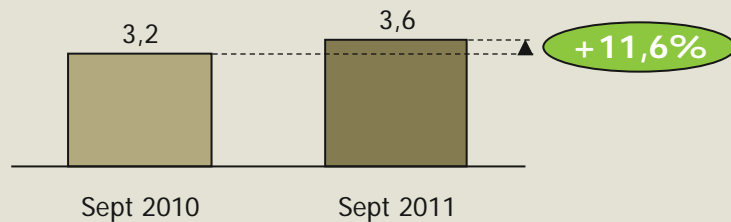
- Container volumes on rail increased by 22,3% compared to the prior period evidencing an increase in market share.

## Domestic coal (mt)



- Volume growth of 12,8% compared to prior period.
- One of Transnet's key focus areas over the next five years is to meet Eskom's domestic coal requirements.

## Export manganese (mt)



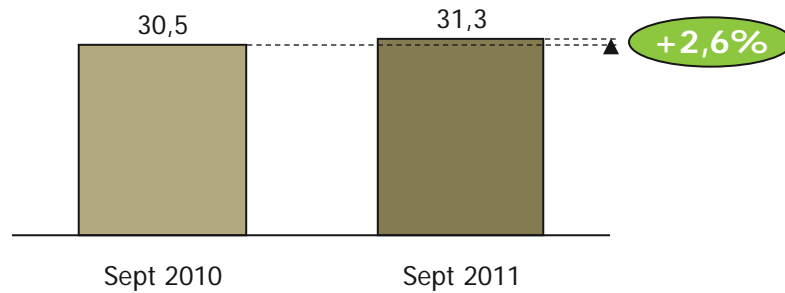
- Export manganese volumes increased by 11,6% compared to the prior period.

# VOLUME GROWTH, PRODUCTIVITY AND EFFICIENCY (continued)



Export coal

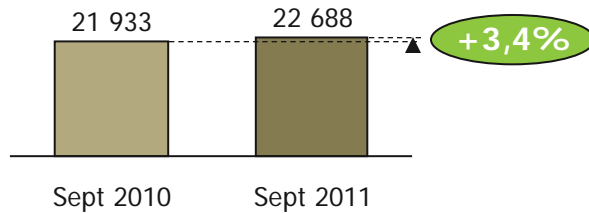
## Volumes (mt)



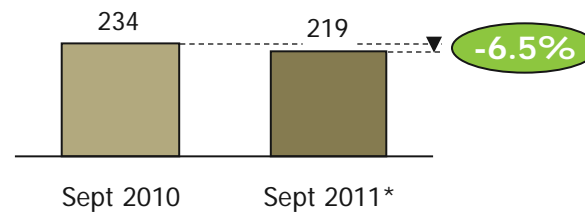
- Export coal volumes reflect marginal growth of 2,6% to 31,3mt from the prior period as a result of an extended period that the line was shutdown for annual maintenance and due to derailments that occurred.

## Productivity and efficiency

### GTK /loco/month ('000)

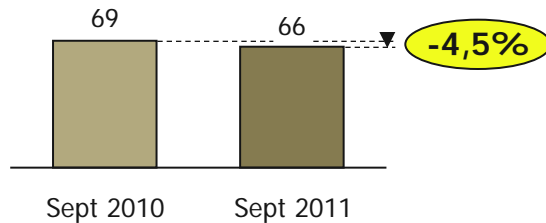


### On-time departures (avg min deviation from schedule)

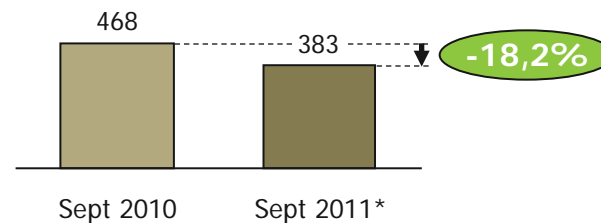


- However during September 2011 the export coal line set record weekly volume tonnages of 1,5mt per week.

### Wagon cycle time (hours)



### On-time arrivals (avg min deviation from schedule)



- On-time arrivals and departures showed an improvement compared to the prior year.

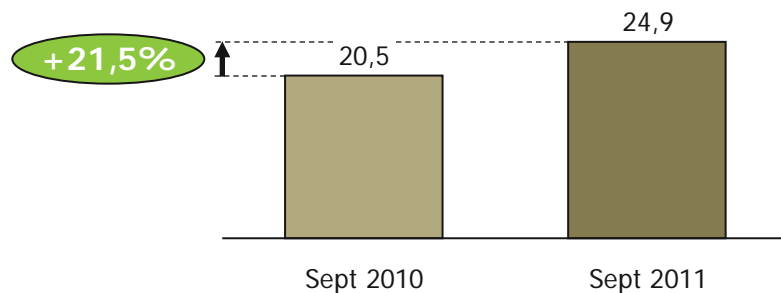
- On-time arrivals and departures for export coal business remains a focus area for TFR, as planned performance was not achieved.

# VOLUME GROWTH, PRODUCTIVITY AND EFFICIENCY (continued)



Export iron ore

## Volumes (mt)

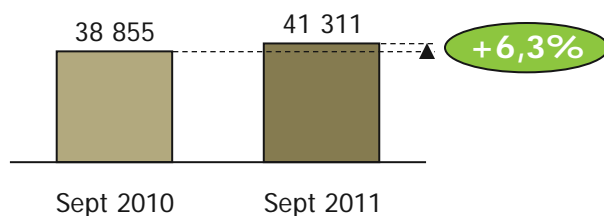


- Export iron ore volumes increased by 21,5% to 24,9mt due to improved efficiencies, which on the departures and arrivals improved significantly and increased capacity as a result of the capital expenditure programme.

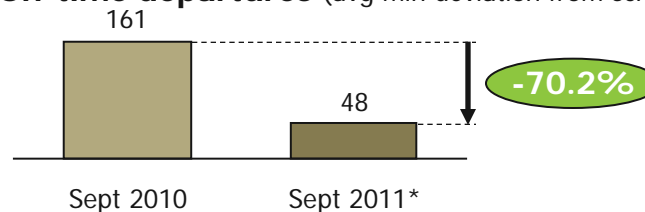
- During September 2011 the export iron ore line set record weekly volume tonnages of 1,65mt per week.

## Productivity and efficiency

### GTK /loco/month ('000)

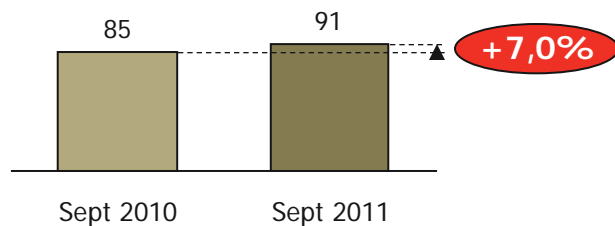


### On-time departures (avg min deviation from schedule)

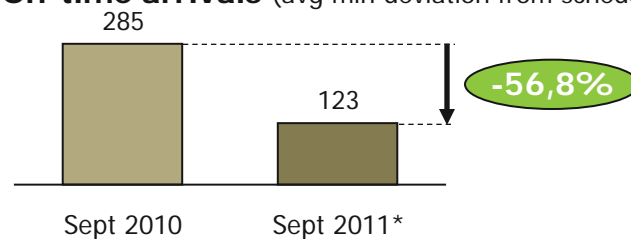


- On-time arrivals and departures showed an improvement compared to the prior year.

### Wagon cycle times (hours)



### On-time arrivals (avg min deviation from schedule)



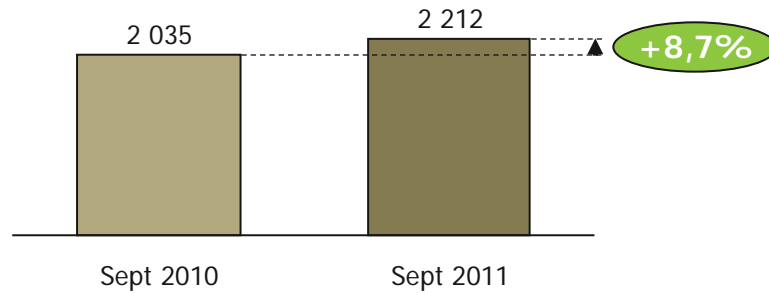
\* Adjusted with threshold

# VOLUME GROWTH, PRODUCTIVITY AND EFFICIENCY (continued)



Maritime Containers

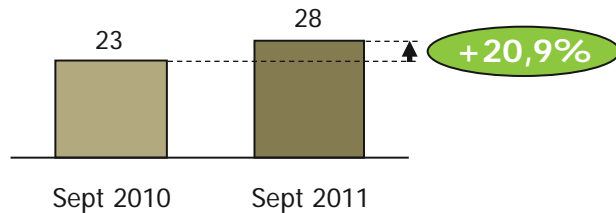
## Volumes ('000 TEUs)



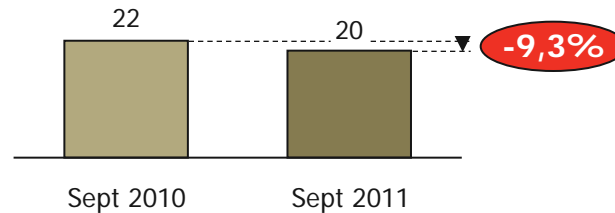
- Maritime container volumes reflect a 8,7% growth compared to the prior period.

## Productivity and efficiency

### GCH – DCT Pier 1

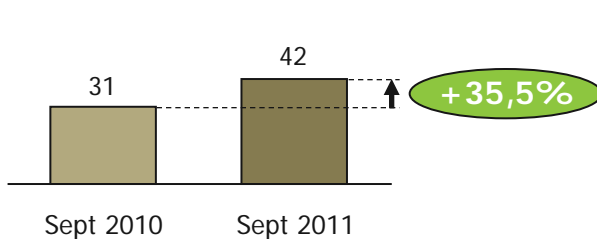


### GCH – DCT Pier 2

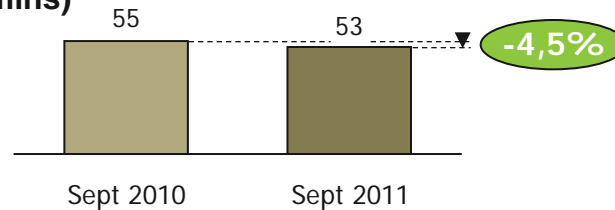


- Performance was severely affected by a major Navis implementation during September 2011.

### TEUs/STAT Hour - Durban



### Truck Turnaround Times – DCT Pier 2 (mins)



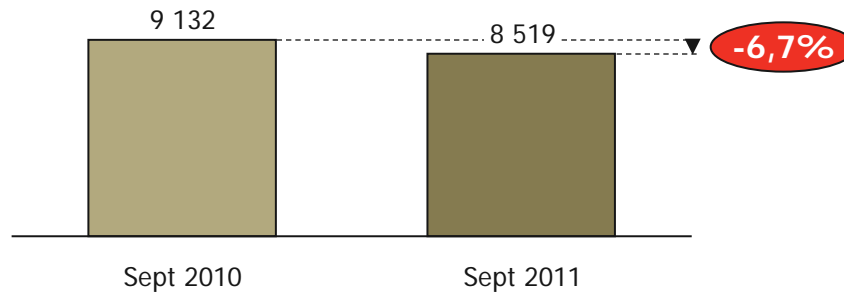
- Transnet has approved an acceleration of R1,3 billion of capital expenditure to replace aged equipment in DCT this includes acquisition of the 7 STS cranes for DCT.

# VOLUME GROWTH, PRODUCTIVITY AND EFFICIENCY (continued)



Petroleum (TPL)

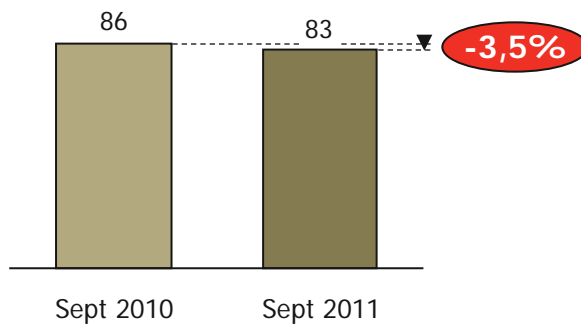
## Volumes (mℓ)



- Petroleum volumes decreased by 6,7% from the prior period due to production problems at the Natref refinery (several unplanned shutdowns in the 6 months) which influenced the volumes of crude transported to the refinery as well as refined products and Avtur.

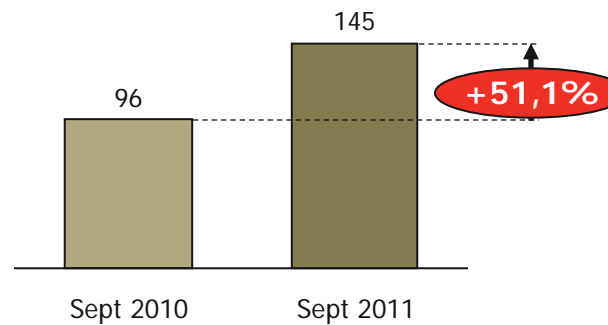
## Productivity and efficiency

### Capacity utilisation - DJP



- Capacity utilisation of DJP decreased by 3,5% due to a decline in TPL volumes.

### Internal production interruptions (total annual hours)

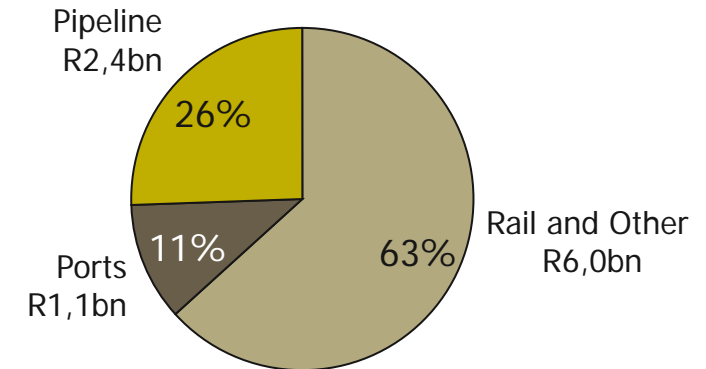


- A 51,1% increase in production interruptions on DJP is due to a number a factors e.g. lube system failure, transformer connection box explosion, power supply failures and equipment related failures.

# SUMMARY OF CAPITAL INVESTMENT



	30 Sept 2011 R billion	30 Sept 2010 R billion	% Change
Rail and Other	6,0	5,3	11,1
Ports	1,1	1,6	(31,3)
Pipeline	2,4	3,3	(27,3)



Projects accelerated during 2011	R million	Units
- GFB locomotives Acquisition - 95 Electric Locos - 43 Diesel Locos	3 649	138
- Acquisition of ship to shore cranes and related port infrastructure upgrade at Durban Container Terminal	916	7
- Container handling equipment – Maydon Wharf and Point	438	6 M/H 8 R/S
- Container Handling equipment – Ngqura container terminal phase 2A.	1 099	4 STS, 18 RTGS

Other projects approved	R million
- 81mtpa Coal line expansion	5 100
- Domestic Coal- Eskom containerized solution	590
- Acquisition of 3 tugs for the Port of Saldanha	550
- Construction of sand bypass system for the Port of Durban	477

- Plans are in place to meet the planned capex spend of R25,8bn for year 2011/12 .
- A total of R6,1 billion of capital projects have been accelerated to address strategic needs of the company.
- Total investment of R86,8 billion during the past 5 years, funded with limited Government guarantee on the strength of Transnet's financial position.

# ACHIEVEMENTS FOR THE PERIOD



- **New Multiproduct Pipeline**
  - No further cost escalations anticipated. Schedule to complete is still valid no slippage anticipated.
  - 16 inch pipelines (3) in northern network operational.
    - Kendal to Waltloo 236 million litres transported.
    - Jameson Park to Alrode 368 million litres transported.
    - Alrode to Langlaagte.
  - 24 inch Trunkline 550km –line fill injected into pipe on 18 October 2011
    - Delayed by 2 weeks due to countrywide Petroleum shortages as a result of refinery issues.
    - Impact on schedule and cost is being assessed.
- **Export Iron Ore line**
  - Rail infrastructure capacity created to date 60mt. Power supply installation is outstanding and expected completion is December 2012.
  - Rail throughput tempo of 57.8mt has been achieved over the last three weeks of September 2011 and the channel has been operating at around this level in October.
- **Rail Infrastructure:**
  - Replacement of 298km of rail.
  - Replacement of 231 000 sleepers.
  - Screening of 295km of track.
- **Durban Container Terminal Reengineering**
  - All new facilities on Y-site completed and operational. Commissioning of refuelling facility outstanding pending environmental authorisation.
  - 70% of the paving crack repairs for the stacking area completed.
- **Cape Town Container Terminal**
  - 720m of the 1130m long quay dredged to -15.5m chart datum facilitating the handling of deep draft vessels at the port.
- **2 Tugs: Durban (1) and Richards Bay (1)**
  - Both these tugs have been commissioned during the year.

# LOCOMOTIVE AND WAGON FLEET PROGRAMME



Spending (R million)	Coal 110 CI 19E	Ore 32 CI 15E	GFB 100 CI 43	GFB 43 Diesels	GFB 95 Electric
Sept 2011 YTD Actual	708	4	403	-	-
Planned future spending					
2012	857	85	510	99	126
2013	292	715	692	890	1 273
2014	-	98	569		1 260

Delivery schedule	Locomotives* (units)	Wagons (units)
2012	86	1509
2013	196	672
2014	106	736
2015	-	915
2016	-	461

\*Delivery schedule based on approval of the accelerated acquisition of 138 locomotives for GFB.

## Upgrade and refurbishment of rolling stock:

- 11 locomotives have been upgraded from Class 6E to Class 18E.
- 310 wagons upgraded from 48t to 60t carrying capacity.
- 990 wagon liftings conducted.
- 482 Ore Line and 438 Coal Line wagons were manufactured up to September 2011.

## Acquisition of 110 Class 19E dual voltage locomotives for the Coal Line:

- 80 locomotives have been delivered .
- 71 locomotives accepted into operations .
- 9 locomotives are at various stages of testing and commissioning.

## Acquisition of 32 Class 15E locomotives for the Iron Ore Line:

- All 44 locomotives for the initial contract have been delivered and accepted into operations.
- Transnet entered into a contract to acquire 32 more Class 15E locomotives with delivery expected as follows:
  - 17 locomotives in 2013.
  - 15 locomotives in 2014.

## Acquisition of 100 Class 43 Diesel locomotives:

- 17 locomotives delivered. 13 locomotives accepted into operations and 4 undergoing testing.
- 90 locomotives will be built at Rail Engineering's Koedoespoort plant of which 7 have been completed.

## Acquisition of 43 diesel locomotives:

- Approval to commence with the acquisition was obtained in October 2011.

## Acquisition of 95 electric locomotives:

- The acquisition of the locomotives has been approved by the Board, PFMA application has been made to the Shareholder in terms of section 54.

# SAFETY



<p><b>Disabling Injury Frequency Rate (DIFR)</b></p>	<p>0,73      0,85      +16,4%</p> <p>Sept 2010      Sept 2011</p>	<ul style="list-style-type: none"> <li>The Company's 6-month rolling disabling injury frequency rate (weighted) deteriorated to 0.85 at 30 September 2011 compared to 0,73 for the prior period.</li> </ul>
<p><b>Employee fatalities (Numbers)</b></p>	<p>8      5      -37,5%</p> <p>Sept 2010      Sept 2011</p>	<ul style="list-style-type: none"> <li>Sadly there were 5 employee fatalities as at 30 September 2011. Transnet conveys its deepest condolences to the families and friends of the employees who lost their lives on duty.</li> </ul>
<p><b>Public fatalities (Numbers)</b></p>	<p>72      58      -19,4%</p> <p>Sept 2010      Sept 2011</p>	<ul style="list-style-type: none"> <li>Sadly there were 58 public fatalities as at 30 September 2011. Public fatalities remains a focus area.</li> </ul>
<p><b>Cost of losses (R million)</b></p>	<p>642      206      -67,9%</p> <p>Sept 2010      Sept 2011</p>	<ul style="list-style-type: none"> <li>Cost of losses decreased by 67,9% to R206 million compared to R642 million in the prior period. The number of incidents decreased to 423 from 854 in the prior period.</li> </ul>

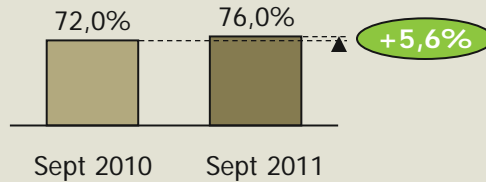
• Continued commitment to strive for zero fatalities

# Status update BBEEE and CSDP



## BBEE

### BBEE spend % against total measured procurement spend



- Recognised BBEE procurement of 76% , which is in excess of DTI target of 50%.
- Actual spend with BBEE suppliers (level 1-9) is R13.9 billion

## CSDP

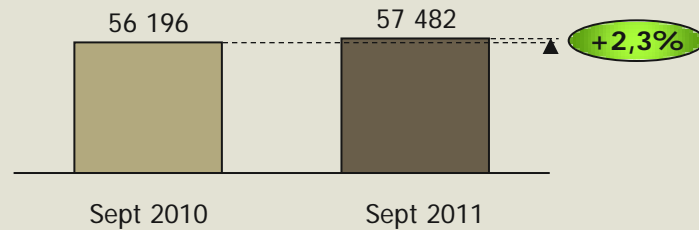
Projects	Rm	Rm	%	Rm	%
	Total Contracted	Committed Local Content	Local Content Committed	Actual Cumulative Local Content Spend	Actual Cumulative Local Content Spend
General Electric 100 Loco's	2,300	1,246	54%	262	21%
GE Long Term Parts Agreement (LTPA)	1,359	164	12%	59	36%
EMD Long Term Parts Agreement (LTPA)	543	224	41%	36	16%
EMD 50 Like New Loco's	481	322	67%	322	100%
Mitsui/Venus 32 New 15E Loco's	1,312	525	40%	79	15%
Mitsui/ Venus 44 New 15E Loco's	1,980	772	39%	772	100%
Mitsui / Venus 110 New 19E Loco's	3,300	1,287	39%	1,287	100%
<b>Total</b>	<b>11,275</b>	<b>4,540</b>	<b>40%</b>	<b>2,817</b>	<b>62%</b>

Additional transactions relating to Port Handling equipment are at various stages of completion and will be reported on once finalised. Indications are that CSDP commitment of \$6,5m will be generated from the recent 7 tandem lift cranes purchased for Durban.

# EMPLOYEE DEVELOPMENT AND TRAINING

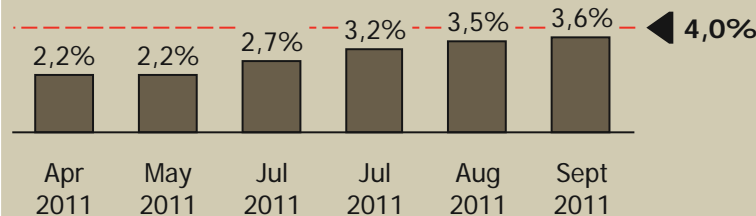


## Employee headcount



- An increase in employee headcount due to anticipated increase in volume growth.

## Training spend



- The training spend target for 2012 is 4.0% of labour cost and the actual YTD spend is 3.6% and for the month of September 4.3% spend.

## Training and development activities

- 366 Engineering bursars
- 178 Technician learners
- 1812 apprentices
- 577 Managers enrolled for leadership development
- 42 Chartered Accountant trainees
- 200 registered procurement learners on the CIPS programme

- Total of 3175 learners being supported by Transnet which is 5,5% of total Transnet employee headcount.

• The key focus is on functional and technical training. All targets for the feeder pipelines as per Shareholder Compact have been exceeded.

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**CONCLUSION**

# CONCLUSION



- The financial performance for the period is encouraging with the Company reporting improved profits and cash flows.
- Container volumes in the ports sector continue to outperform expectations.
- Volume performance in the rail sector not within growth expectations.
- Efficiencies and safety are below targeted levels and management will continue to focus on improving these areas.

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