

## How Transnet creates value<sup>1</sup>

### INPUTS: VALUE DEPLOYED IN 2013

#### FINANCIAL CAPITAL

- Share capital R12,6 billion.
- Long- and short-term borrowings R73,1 billion.
- Cash generated from operations R22,6 billion.

#### MANUFACTURED CAPITAL

- Property, plant, equipment R176,9 billion.
- Investment property R7,9 billion.

#### HUMAN CAPITAL

- 54 726 permanent employees.

#### INTELLECTUAL CAPITAL

- Custodian of the country's freight railway, ports and pipelines infrastructure and technologies.

#### STAKEHOLDER RELATIONSHIPS CAPITAL

- Customers.
- Government and regulators.
- Employees.
- Funders.
- Suppliers.
- Organised labour.
- Communities.
- Pensioners.

#### NATURAL CAPITAL

##### Consumed:

- 3,7TWh coal-fired electricity.
- 230 million litres diesel.
- Water, air, ecosystems.



## 2013 HIGHLIGHTS



**Capital investment:** R27,5 billion (23,4% increase).



**Volumes:** 91,8% of target.  
Rail: 207,7mt (3,3% increase).  
Ports: 4,4m TEUs (1,2% increase).  
Pipelines: 15,9 billion litres.



**Revenue:** R50,2 billion (9,4% increase).  
**EBITDA:** R21,1 billion (11,5% increase).  
**Gearing:** 44,6%.

**Cash interest cover:** 3,7 times.

**Investment grade ratings:** maintained.



**DCT Pier 2:** 28 GCH (21,7% improvement).  
**Ngqura terminal:** 32 GCH (6,6% improvement).  
**Cape Town terminal:** 31 GCH (10,7% improvement).

**Durban:** TEUs/STAT hour improved 18,7%.

**Pipelines:** delivered 100% to order.



**New employees:** 3 804 (7,5% increase).

**Indirect jobs:** 24 689.

**Skills investment:** R846 million (4,4% of payroll).

**Trained 2 042 apprentices:** awarded 122 engineering bursaries.

## IN THE TRANSNET BUSINESS

#### FREIGHT RAIL

20 500km railway including  
1 500km heavy haul.

2 255 locomotives,  
71 036 wagons in service.

R80,0 billion total assets.\*

29 489 employees.

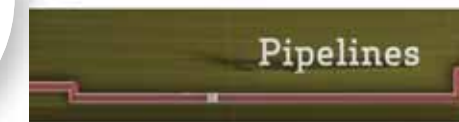
#### ENGINEERING

132 depots and  
7 factories.

Manufacture and maintenance  
of locomotives, wagons, coaches,  
port equipment.

R10,8 billion total assets.\*







12 752 employees.



<sup>1</sup> Adapted from International Integrated Reporting Council Integrated Reporting Framework Consultation Draft, April 2013

\* Excludes assets held-for-sale.



-  **Gross value added:** R36,2 billion
  - 44,6% reinvested.
  - 15,3% to lenders.
  - 40,0% to employees.
  - 0,1% to Government.
-  **Recognised B-BBEE spend:** R33,4 billion (88% to black suppliers).  
**Supplier development contracted:** R5,4 billion.
-  **Corporate Social Investment:** R132 million.  
**Two Phelophepa health care trains** reach 360 000 rural patients pa.
-  **DIFR** of 0,74, below target of 0,80.
-  **Total electricity** consumption reduced 3,4%.  
**Electricity regenerated** by new locomotives: 151 139 MWh.  
**Traction energy efficiency** improved 2,0%.
-  **Road-to-rail** gains reduced transport sector carbon emissions by 206 540tCO<sub>2</sub>e.

**TO BUILD SUSTAINABLE VALUE  
LOOKING AHEAD - OUTCOMES:**



Market Demand Strategy (2014-2020).

**ECONOMIC DIVIDENDS**



Capital investment R307,5 billion by 2020.  
 Volumes by 2020  
 Rail: 360mt pa.  
 Ports: 6,5m TEUs pa.  
 Pipelines: 31,6 billion litre capacity.

**Financial stability**  
 Gearing <50%.  
 Cash interest cover >3 times.  
 Investment grade ratings.

**Regulatory certainty.**

**Productivity and efficiency**  
 Rail reliability - 10% improvement.  
 Port efficiency - 8,5% improvement.  
 Pipeline delivery to order - 100%.

**Human capital by 2020**  
 Employees 66 750.  
 Skills investment 4% of payroll pa.

**Economy-wide jobs** 220 000.

**Local supplier industry development.**

**Private sector participation.**

**Rural development support.**

**Regional logistics integration.**

**SOCIAL DIVIDENDS**



**Mature governance.**

**Zero tolerance** for fraud and corruption.

**Zero harm:** safety and security vigilance to protect employees, customers, communities and assets.

**Employment equity,** with focus on women and people with disabilities.

**B-BBEE Level 1** by 2017.

**Corporate social investment.**

**Proactive stakeholder engagement** to build common value.

**ENVIRONMENTAL DIVIDENDS**



**Modal shift** from road-to-rail (35% market share), lowering transport sector carbon emissions.

**Energy efficiency.**

**Climate change mitigation.**

**Climate change adaptation.**

**Water use efficiency.**

**Waste management optimisation.**

**Biodiversity enhancement.**



**NATIONAL PORTS  
AUTHORITY**

8 commercial ports.

R66,1 billion  
total assets.\*

3 584 employees.

**PORT  
TERMINALS**

5 container terminals.

3 automotive terminals.

3 bulk terminals.

5 break-bulk terminals.

R18,4 billion total assets.\*

6 662 employees.

**PIPELINES**

3 800km pipelines  
transporting refined  
petroleum, crude oil,  
jet fuel, and gas.

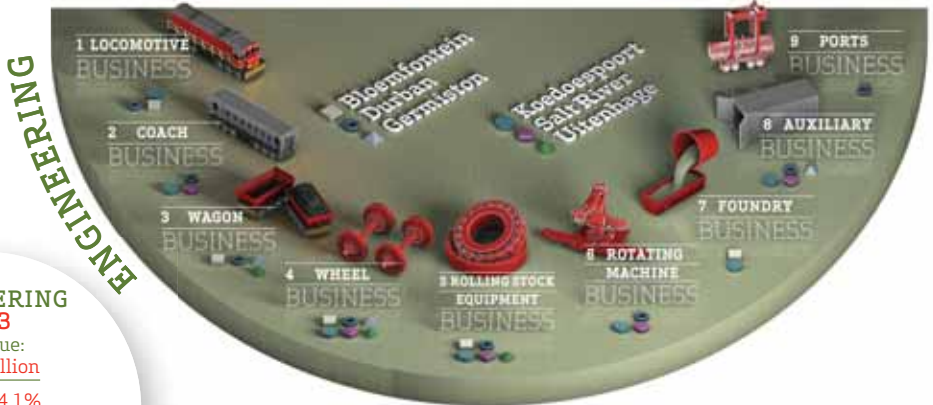
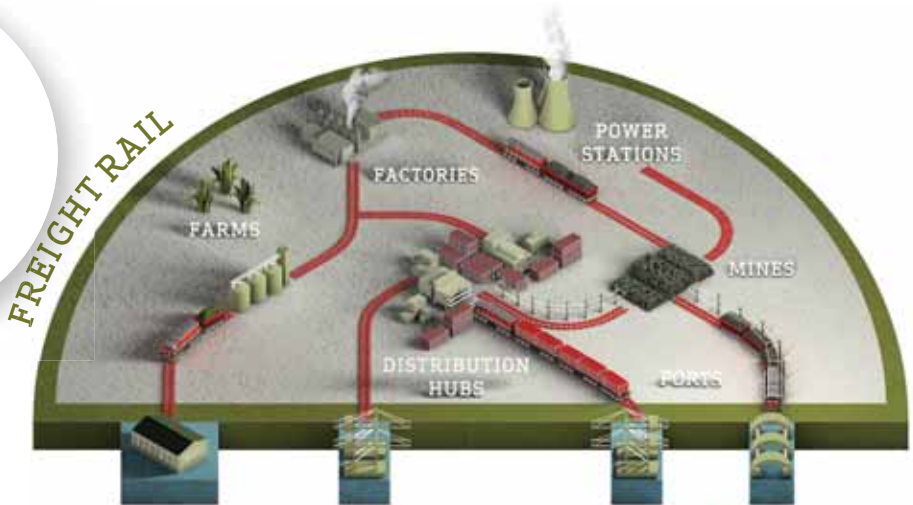
R28,1 billion assets.\*

627 employees.

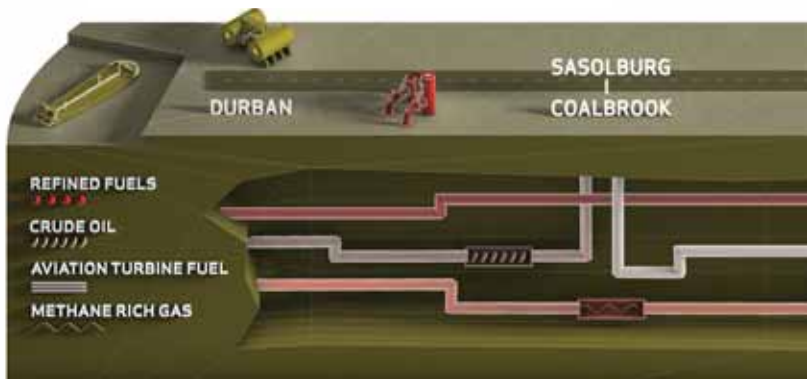
**Business model**

Transnet's five Operating divisions that drive business value creation are: Transnet Freight Rail, Transnet Engineering, Transnet National Ports Authority, Transnet Port Terminals, and Transnet Pipelines. There are three specialist units: Transnet Property, Transnet Capital Projects, and the Transnet Foundation. The Company's corporate centre is responsible for Finance, Planning and Monitoring, Human Resources, Risk, Commercial and Corporate Affairs.

**FREIGHT RAIL 2013**  
 Total volumes railed: 207,7mt  
 Revenue: R31,8 billion  
 ROTA: 10,6%  
 Capital investment: R18,3 billion  
 DIFR: 0,86



**ENGINEERING 2013**  
 Revenue: R13,1 billion  
 ROTA: 14,1%  
 Capital investment: R1,3 billion  
 DIFR: 0,76





### NATIONAL PORTS AUTHORITY 2013

Total container volumes:  
4 403 (000 TEUs)

Revenue: R8,3 billion

ROTA: 6,9%

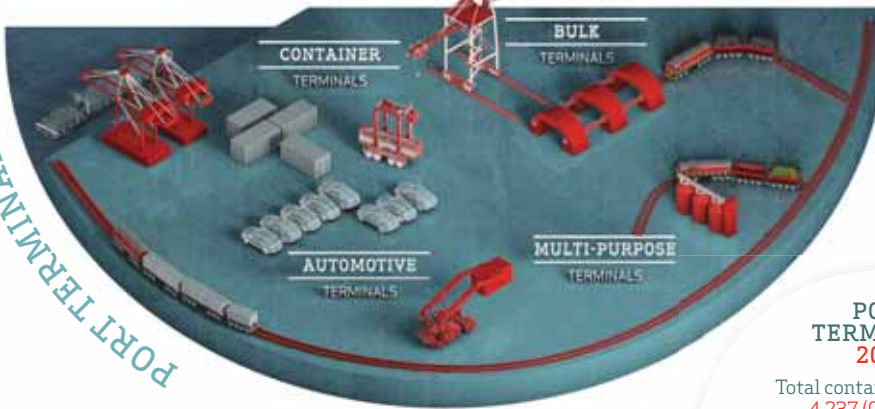
Capital investment:  
R1,7 billion

DIFR: 0,25

### NATIONAL PORTS AUTHORITY



### PORT TERMINALS



### PORT TERMINALS 2013

Total container volumes:  
4 237 (000 TEUs)

Revenue: R7,4 billion

ROTA: 3,7%

Capital investment:  
R2,2 billion

DIFR: 0,45

ALRODE  
SECUNDA



ORTIA



TARLTON

### PIPELINES 2013

Total volumes of  
petroleum products:  
18,9 (bl)

Revenue: R2,8 billion

ROTA: 8,3%

Capital investment:  
R2,8 billion

DIFR: 0,81