TRANSNET CAPITAL PROJECTS

CESA Presentation

3rd June 2010

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General Manager: Project Development & Execution

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INTRODUCTION

TRANSNET

Shareholder mandate

- Transnet's key role is to assist in lowering the cost of doing business in South Africa and enabling economic growth through providing appropriate ports, rail and pipeline infrastructure and operations in a cost-effective and efficient manner and within acceptable benchmark standards.
- Transnet is self-funded and does not receive subsidies from the State and accordingly Transnet must earn an appropriate return on investment to ensure the sustainability of the company over the long term.

Vision and mission

- Transnet is a focused freight transport company, delivering integrated, efficient, safe, reliable and cost-effective services to promote economic growth in South Africa.
- This is to be achieved through increasing our market share, improving productivity and profitability and by providing appropriate capacity to our customers ahead of demand.

Values

We would like our customers to prefer us because:

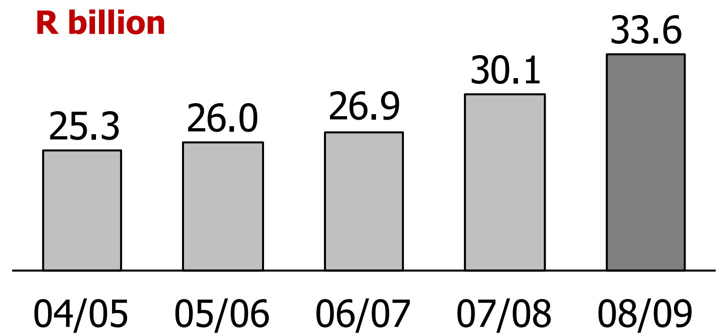
- We are reliable, trustworthy, responsive and safe; and because:
- Our employees are committed, safety conscious, accountable, ethical, disciplined and results orientated.

TRANSNET HAS EFFECTED A SUCCESSFUL FINANCIAL TURNAROUND OVER THE PAST FIVE YEARS

TRANSNET

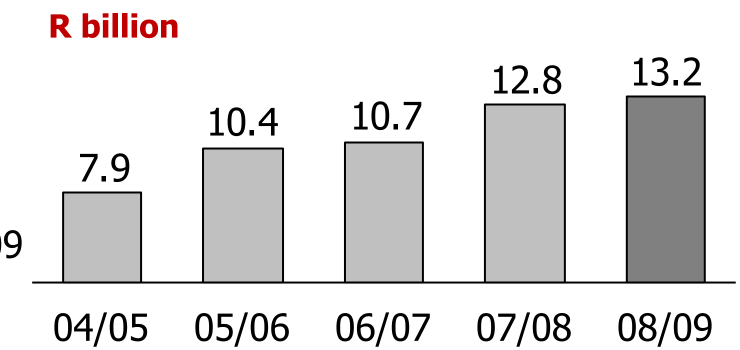
Revenue

- Continuous increase in revenue showing results of initiatives to grow the business, with revenue increasing from R25.3bn in 2004/05 to R33.6bn in 2008/09 (7.4% CAGR)



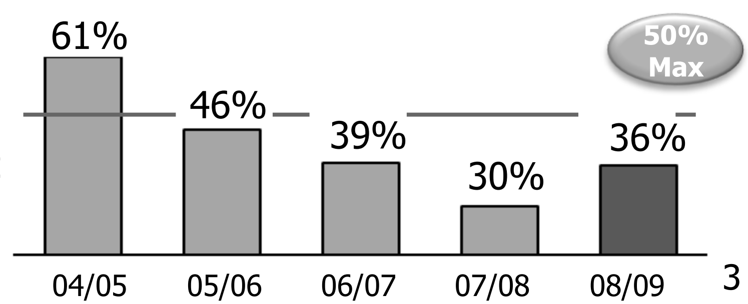
EBITDA

- Improvements through:
  - Operational efficiency improvements, effective cost cutting initiatives mainly due to reengineering projects
  - Sale of non-core businesses
- Improvement from R7.9bn in 2004/05 to R13.2bn in 2008/09 (13.7% CAGR)



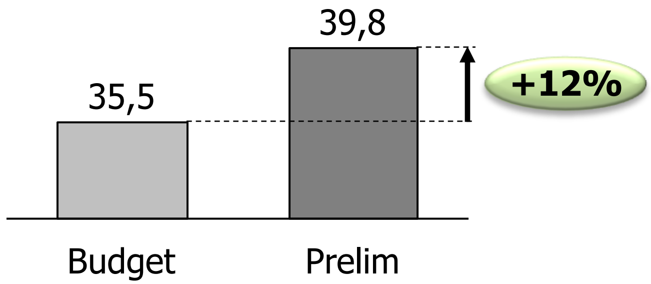
Gearing (%)

- Balance sheet restructuring and cost effective debt structures yielding positive results with consistent below target gearing from 61% in 2004/05 to 36.2% in 2008/09
- This enables Transnet to fund capital investments more cost effectively and without government guarantees



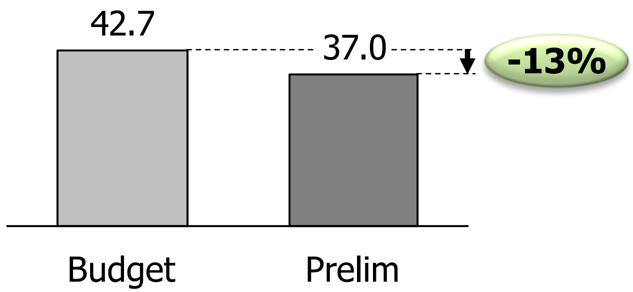
OVERVIEW OF PERFORMANCE 2009/10: KEY FINANCIAL RATIOS (prelim results)

EBITDA Margin (%)



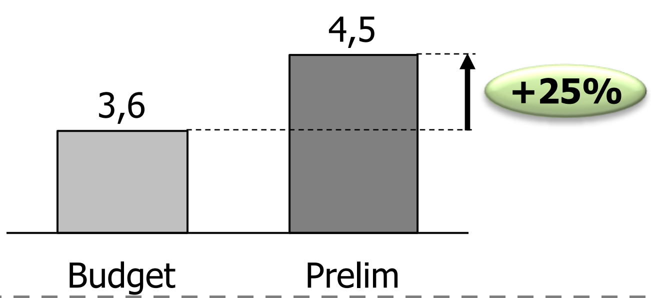
- Improvement in margin mainly due to impact of cost savings initiatives of >R2.5bn

Gearing (%)



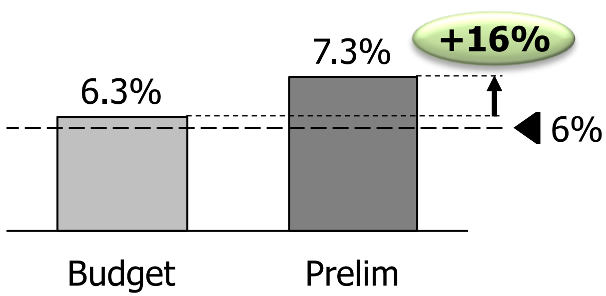
- Gearing improvement aided by prioritisation of capital spending during 2009/10

Cash Interest Cover (times)



- Despite lower revenue (TPL tariffs and TRE external sales), cash interest cover well above targeted levels

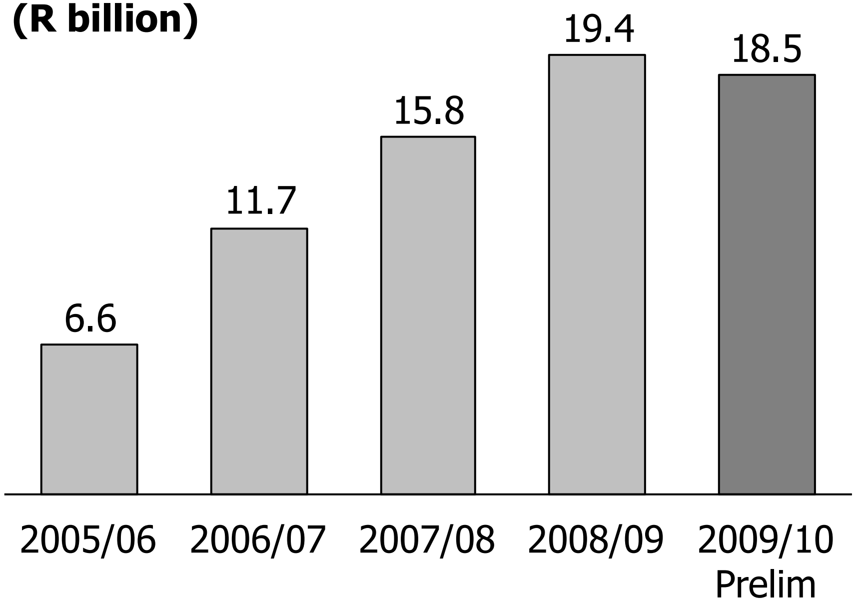
Return on Assets (%)



- Target 2009/10: 6% (2009/10 Compact)
- Required Return: >10% (5 year target)
- Improved asset utilisation a key priority

OVERVIEW OF PERFORMANCE 2009/10: CAPITAL INVESTMENT

Transnet Group Historical Capital Investment
(R billion)



Total Investment over past 5 years: R72bn

- The following major milestones in creating capacity ahead of demand have successfully been rolled out during the year:
  - Durban Harbour entrance channel widening and deepening was successfully commissioned in March 2010. The entrance channel has been widened to 225m from 140m and dredged to a depth of 18m from the initial 12m.
  - Locomotive programme: 6 of the 110 dual voltage (19E) locomotives for the Coal Line have been commissioned, 37 units are expected to be delivered in 2010/11 and all 50 of the EMD 'like new' locomotives have been delivered and operating in the general freight business. Three of the 44 locomotives for the iron ore (15Es) have been delivered and are currently undergoing acceptance testing.
  - Cape Town Container Terminal Capacity Expansion and Equipment on track with spending to date of R0.9bn.
  - Port of Ngqura commenced operations in October 2009.

- Transnet will continue to focus on the nature and extent of capital investment spending during the 2010/11 financial year in order to ensure an optimal capital portfolio in line with business needs and capacity requirements.

MAJOR CAPITAL INVESTMENTS: 2009/10 ACHIEVEMENTS & PROGRESS

Deepening and Widening of Durban Harbour Entrance Channel

Project by Numbers:

Project complete and handed over. Project close-out progressing well

Temporary sand bypass (TSS) system now operational. An extension to the TSS RoD to Dec 2013 received

Permanent Sand Bypass: FEL -3 study progressing well. Final designs to be completed by June 2010

8 000 TEUs Size of ship that can now call at Durban Port after widening and deepening project

Cape Town Container Terminal Expansion Project

Project by Numbers:

R4.4bn The total cost of the CTCT expansion project

0.7 million TEUs since 2007
0.9 million TEUS the capacity in 2010
1.4 million TEUs will be achieved upon completion of expansion plans

1.23 million m³ Quantity of sand to be dredged

Berth 602 Hand-over of the first section of has resulted in container vessels of 305m being berthed routinely

16 The number of RTG cranes already commissioned, total of 32

4 The number of STS cranes, 2 cold commissioned, 2 not on site to date

MAJOR CAPITAL INVESTMENTS: 2009/10 ACHIEVEMENTS & PROGRESS

Durban Container Terminal Re-engineering

Project by Numbers:

R1.7bn The total cost of the DCT Re-engineering Project

1 million LTI Free hours Achieved over a period of 7 months on a complex project made up of various contracts being executed within confined sites

Road over rail bridge handed over

Staff Parking Final hand-over in progress

Straddle Carrier Workshop Erection of steel trusses in progress

Durban Point Car Terminal

Project by Numbers:

13 000 parking bays

Durban Point Car Terminal Construction work complete. Project close-out in progress.

Island View Berth Upgrades

Island View Berth 5 Value Engineering Proposal finalised, awaiting sign-off by TNPA

IV Bunker Barge Berth 10 Warrant and cash-flow approved by TNPA.
FEL-4 phase to commence

MAJOR CAPITAL INVESTMENTS: 2009/10 ACHIEVEMENTS & PROGRESS

Salisbury Island and Maydon Wharf

Project by Numbers:

Negotiations taking place between Transnet and Dept. of Public Works to conclude a Land sale agreement

Replacement Facilities for the Navy Construction to commence during 2010

Maydon Wharf Berth 12 Reconstruction Designs complete. Construction to start in Aug 2010

Reconstruction of steel sheet pile berths Funds allocated over next 5 year period for reconstruction

Roads: Edwin Swales & Link Roads

Project by Numbers:

Feasibility study is in progress with geotechnical studies complete

Environmental approval to commence in 2010

Bayhead Road Widening & Upgrade

Designs complete.
Tenders are being called for at present.

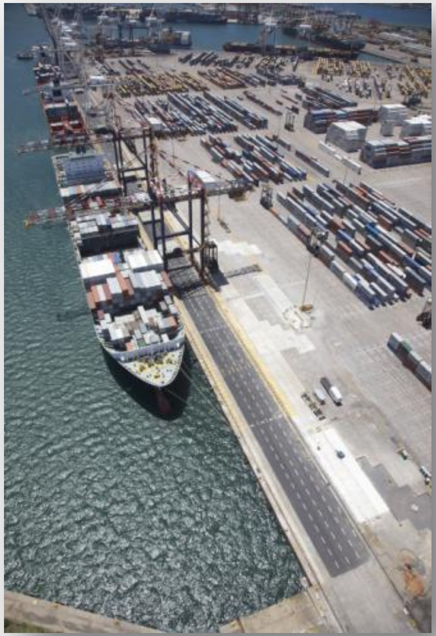
Construction to commence by Jul 2010

MAJOR CAPITAL INVESTMENTS: 2009/10 ACHIEVEMENTS & PROGRESS

Berth Deepening: Container Berths

Project by Numbers:

Scour protection to Container berths to commence in next 2 months



In terms of current design, dredging from 11.5m to 12.8m in the container channel and on the berths is nearing completion

Feasibility study for deepening of container berths complete-some elements being verified

Environmental authorisation process to commence in next 2 months

Berth deepening to commence within the 5-year capital program

Richcor: Port Projects

Project by Numbers:

Port to Nsezi Rail Link
Draft Board and public notices fore EIA process has been finalised

HMG JV handover to TCP is progressing well

Richard Bay Dry Bulk Terminal Refurbishment
Hot commissioning of the IMG MAN shiploader is due for completion during May 2010.

Rail Projects (Coal Line)

71 mtpa Task order issued to RME to commence construction of track switch structure for Delmas, Argent & Kendal traction subs

81 mtpa Capital investment Application approved, includes The FEL-3 study and EIA.

FEL-3 Study Team being mobilised

MAJOR CAPITAL INVESTMENTS: 2009/10 ACHIEVEMENTS & PROGRESS

Port of Ngqura

Project by Numbers:

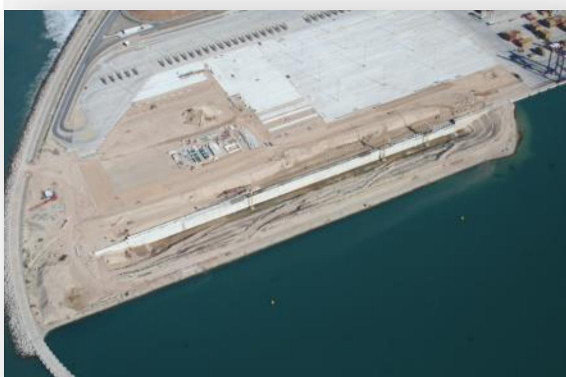
Project close-out in progress

Ngqura Master Plans report in the process of being finalised

Flooding of quay wall scheduled for 27 May 2010

3rd Tug will be delivered by 31 May 2010. First 2 tugs fully operational

Dredging tender has been penned and site inspection scheduled for 20 May 2010



Spatial/Site Development plan with the CDC (for approval by Municipality, and Emergency Plan for Marshalling Yard submitted to CDC

Locomotive fleet renewal

Project by Numbers:

R3.2bn The total estimated cost of 50 EMD's and 100 diesel electric locos

>30 years The average age of TFR's existing fleet

<15 years The average age of a "Class 1" railway's locomotives (TFR target ~20 years)

50 The number of EMD locomotives commissioned as at March 2010 (flag-ship CSDP)

59 The number of new mainline locos (incl EMD) in operation as at March 2010 (130 by 2011)

MAJOR CAPITAL INVESTMENTS: 2009/10 ACHIEVEMENTS & PROGRESS

Port of Ngqura

Project by Numbers:

R7bn Transnet's investment in Port of Ngqura

Port Control Equipped with world-class maritime equipment including high tech vessel traffic management information systems

60 hectares The size of the Ngqura Container Terminal

800 000 TEUs The current capacity in TUEs of the Ngqura Container Terminal

1.5 million TEUs The capacity in TEUs the terminal is set to reach by 2015

22 The number of rubber-tyred gantry cranes in use at the port, **6** ship-to-shore cranes, **2** rail mounted gantry cranes

Port of PE: Manganese Refurbishment

Project by Numbers:

R1bn investment required to refurbish the facility

Physical project is complete.

Potential solution or noise and centre chute wearing off on new Reclaimer B recommended and being discussed

4.2mtpa Restoration of capacity to this level. Previous capacity was constrained to 2.8mtpa

6mtpa Plans are to increase to this level of throughput as per design capacity of terminal

MAJOR CAPITAL INVESTMENTS: 2009/10 ACHIEVEMENTS & PROGRESS

Sishen-Saldanha Ore Line

Project by Numbers:

Phase 1A Dust Mitigation & Reverse Osmosis (RO) Plant
Environmental authorisation received for RO Plant. Site establishment commenced for civil works

Phase 1A Rework Site works completed, contracts being closed.

Phase 1B Capacity Expansion & Upgrade. Contract for installation of mooring hooks due to commence shortly

Phase 1B Marine Works
Work on maintenance dredging has been stopped

Sishen-Saldanha Ore Line

Project by Numbers:

Phase 1A&B Rail
Formation Repairs work on site is complete and ready for defects inspection.

Phase 1C Upgrade/ Expand Port & Rail Facilities Work associated with rebalancing of Shiploaders has been agreed to by TPT

Power Upgrade
Planting of concrete masts up to Loop 6 complete
Loop 15 – 19 nearing completion
Agreement between Transnet and Eskom has been signed for the Substation at Loop 18

MAJOR CAPITAL INVESTMENTS: 2009/10 ACHIEVEMENTS & PROGRESS

New Multi-Product Pipeline (NMPP)

Project by Numbers:

R15,4 billion Cost of the project

Pipeline Construction (PL3)
The Uncle Charlie's Horizontal Directional Drilling (HDD) has been completed.

Pipeline 1 (PL1)
The Durban section of PL1 achieved 1 million accident free hours (LTI's)

The Integrated Project Team (IPT) achieved 500 000 accident free hours (LTI's) for the first time since the project

Project by Numbers:

PL1 (Jameson Park to Durban) Five trenching machines mobilised on the project.
199km excavated to date

14 trenchless crossing sleeves completed with 24 remaining

353km of pipeline delivered to pipe yards
330km strung on the Right of Way (RoW)
138km bedding and lowering achieved
103km backfilled

PL4 (Anglo Coal Section) Pipe stringing and bending completed at the Anglo Coal Section.
3.8km has been welded, coated and ready for lowering-in.

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STRATEGIC PRIORITIES: 2010/11

TRANSNET

Key elements for growth

Client orientated planning and execution through integrated commercial management

- Focusing on five key corridors, providing end-to-end logistics services to customers
- Focus on key commodities

Reengineering, integration, productivity and efficiency

- Operational efficiency and productivity improvement.

Capital Optimisation and Financial Management

- Optimal cost structures.
- Effective funding.
- Strong balance sheet.

Safety, risk and environment

- Reduce safety incidents and cost of losses.
- Enterprise risk management.
- Improved environmental management.

Human Capital Optimisation

- Capacity and skills development.
- Transformation (EE)
- Reshaping the workforce

Governance and performance management

- Inform policy and regulatory reform.
- Procurement Strategy (including CSDP and BBBEE).
- Shared services.
- Environment and climate change focus.
- Effective reputation management.
- Revise operating model and structure for effective strategy execution.
- Performance management linked to SPOs and incentive schemes.
- Implement sustainability measurement framework.

Investment

- Replacement and expansion of infrastructure to support growth (ahead of demand).
- Obtain returns greater than weighted average cost of capital (WACC).
- Maintain financial metrics (gearing and cash interest cover levels).
- PSPs.
- Branch lines.

Expansion into new business

- Africa
- Domestic Intermodal
- PSPs to fund expansions

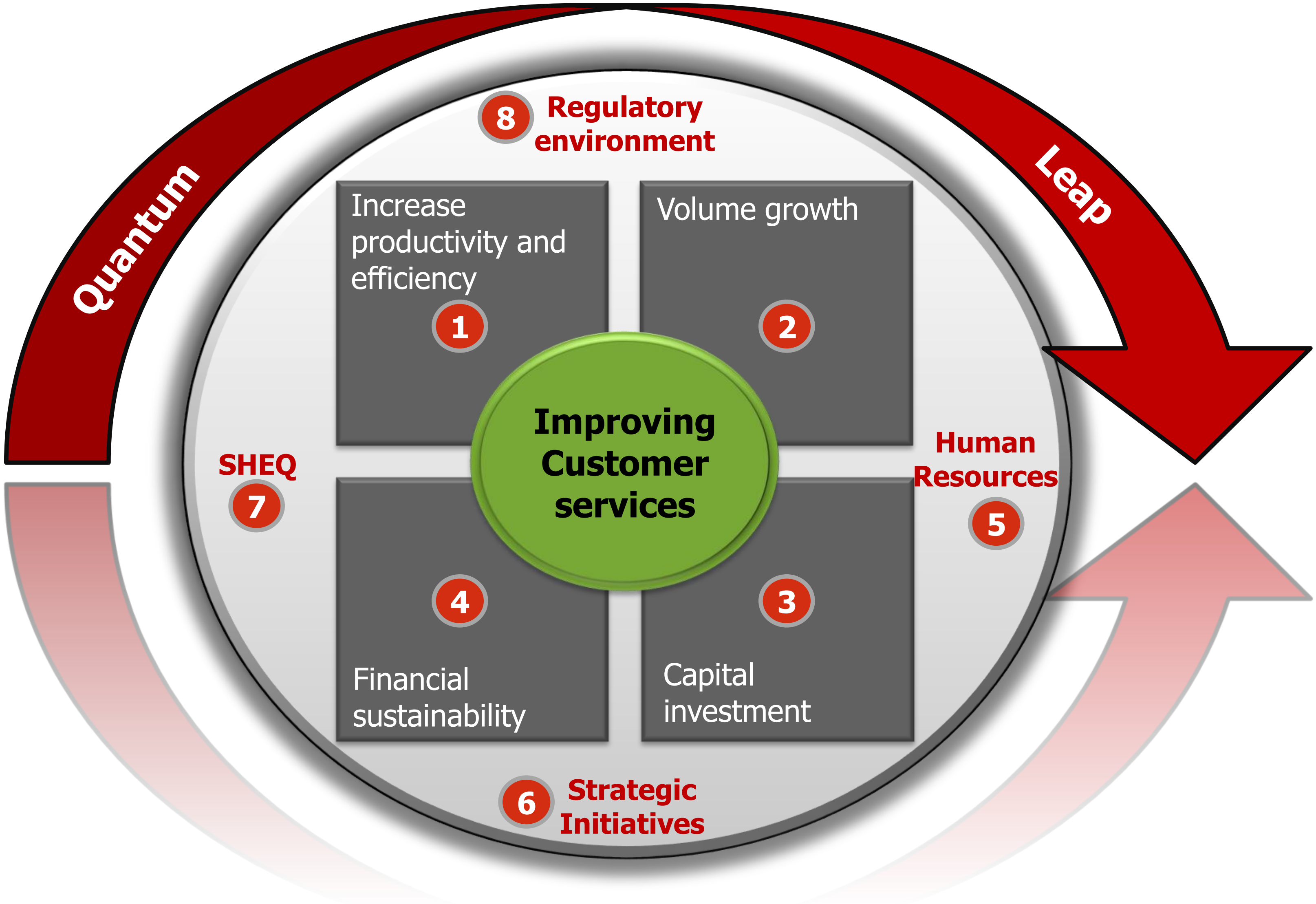
Productivity and efficiency improvements across the company

SUMMARY OF STRATEGIC OBJECTIVES IN SHAREHOLDER COMPACT: 2010/11

Volume and Revenue Growth	• Grow rail volumes in key General Freight Business sectors • Actively and vigorously contribute towards the reduction on overall transport and logistics cost
Capital and financial efficiency	• Transnet shall maintain a strong balance sheet with gearing at appropriate levels and sufficient cash interest cover • Earn an appropriate return on investment to ensure the sustainability of the company
Operational efficiency	• Improve operating efficiencies and effectiveness in line with industry standards • Net operating margin improvement in key business units, based on cost reduction and containment
Infrastructure Investments	• Make appropriate investment in ports, rail and pipelines to enable growth where the investment return is greater than Transnet's WACC
Developmental objectives	• Contribute towards ASGI-SA through its core business and leveraging the economic benefits from associated activities (i.e. Competitive Supplier Development Program) • Skills development and Black Economic Empowerment
SHEQ	• Increase focus on significantly improving health and safety standards in line with leading practices • Ensure compliance with environmental laws and proactively reduce negative environmental impacts

Aligned with Transnet's Growth Strategy

2010/11 CORPORATE PLAN FOCUS AREAS



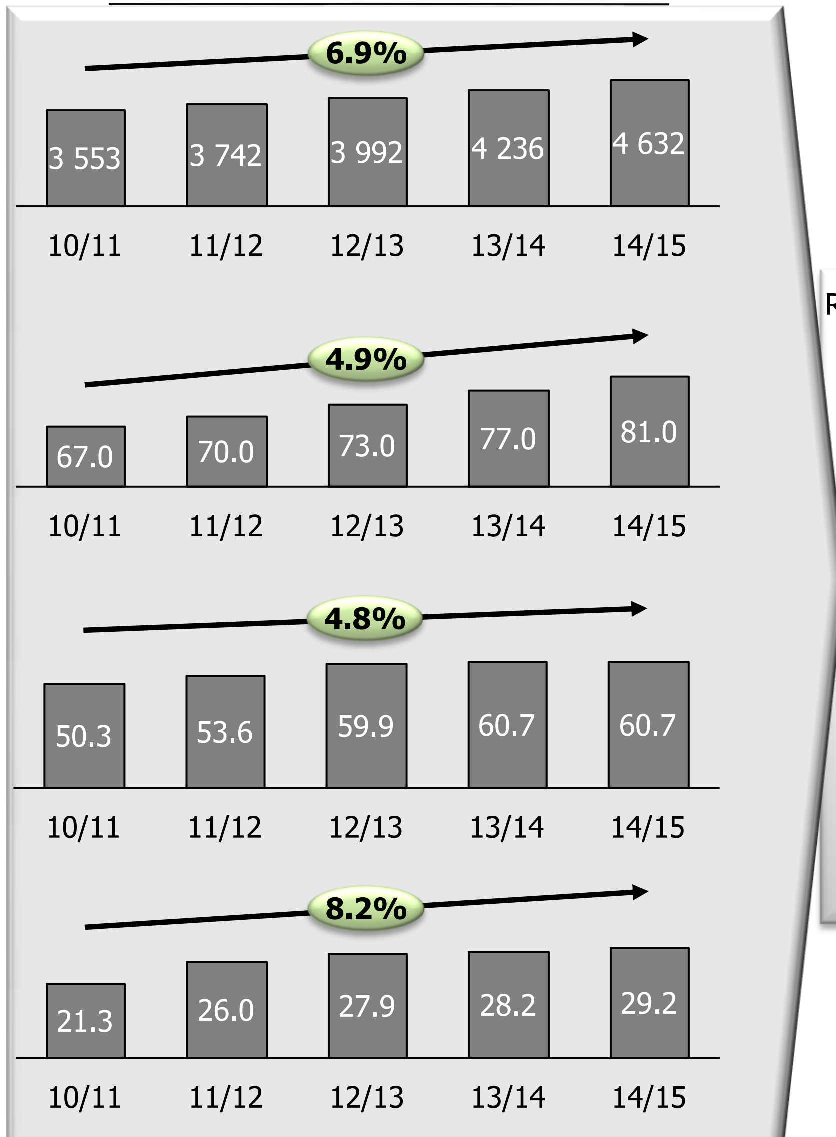
Achieving objectives within a framework of corporate governance, internal controls, dynamic management, leading practices and legal compliance

VOLUME GROWTH- KEY COMMODITIES

4-Year CAGR

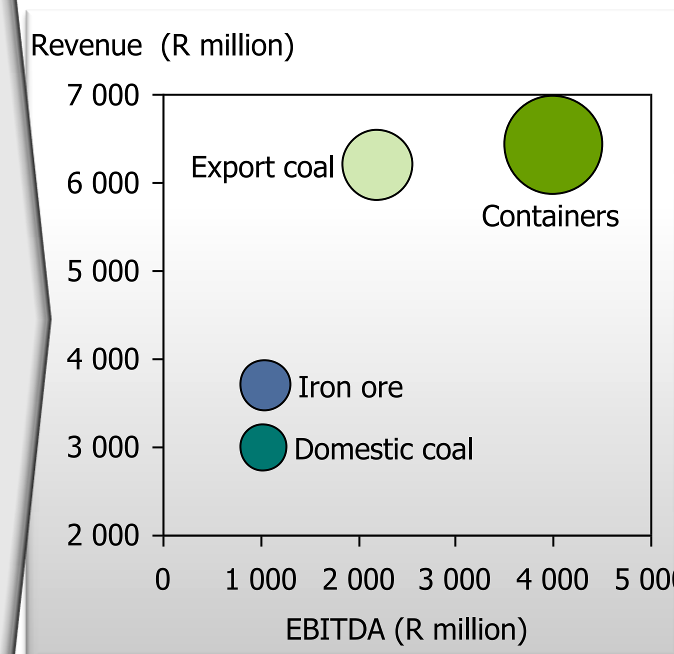
Sector	Market outlook
Maritime Containers ('000 TEUs)	South African container growth is expected to be between 6%-9%
Export Coal (mt)	Emerging markets demand is recovering, lead by China and India
Export iron ore (mt)	Increase in steel production in China. Projected undersupply of 24mt in 2010
Domestic coal (mt)	Strong demand from Eskom as result of increased electricity demand

Transnet Projection



Value for Transnet from key commodities

2010/11
Revenue and EBITDA contribution

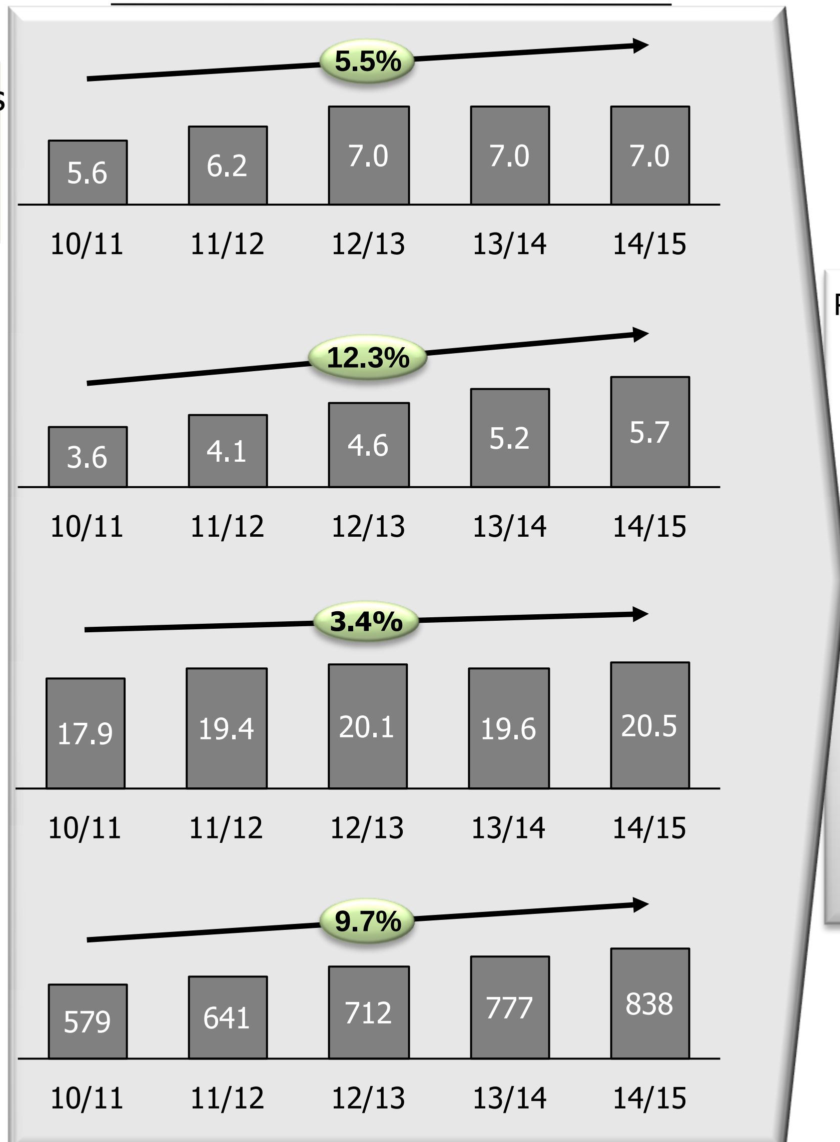


VOLUME GROWTH- KEY COMMODITIES

4-Year CAGR

Sector	Market outlook
Manganese (mt)	Production growth over the next 3-years is approximately 5.6%p.a. (industry indicate 14mt in future years)
Magnetite (mt)	Strong demand from Rio Tinto in Phalaborwa. Rio Tinto contracting for 3mt export
Pipeline Petroleum (Bn.l)	Steady growth in petroleum volumes are aligned to approximately GDP-1%
Rail containers ('000 TEUs)	Opportunity for TFR to gain market share if fuel prices continue to increase

Transnet Projection



Value for Transnet from key commodities

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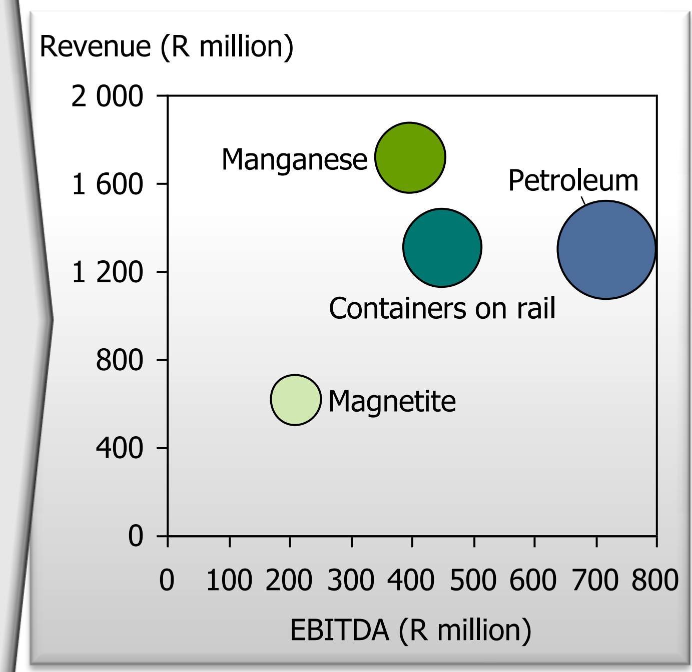
Revenue and EBITDA contribution



VOLUME GROWTH – CAPITALISE ON OPPORTUNITIES

Key deliverables in 2010/11

EXPANSION INTO NEW BUSINESS	PRIVATE SECTOR PARTICIPATION
Africa Strategy: Enabling economic trade ▪ Due-diligence on Africa opportunities: – Partnership with regional ports (Luanda) – Intensive cooperation with Port of Maputo – Growing volumes on SADC corridors – Development of Southern Africa transhipment hub **Domestic Intermodal Business** • Finalise domestic container strategy and develop roll out plan • Enable optimal resource requirements to support strategy • Secure volumes contracts	▪ Develop a detailed PSP Framework and strategy: ▪ Develop robust business cases for potential projects within approved PSP framework ▪ Obtain necessary governance approvals (Board/Shareholder) ▪ Establish transparent processes to engage private sector partnerships Expanding existing operations (export iron ore/ manganese expansion, export coal) New business (i.e. intermodal/Africa)

INITIATIVES TO SUPPORT STRATEGIC OBJECTIVES

Competitive Supplier Development Programme

- Transnet will continue to implement the Competitive Supply Development Programme (CSDP) to contribute towards the competitiveness of the domestic supply chain and procurement environment
- Leveraging the procurement capacity of Original Equipment Manufacturers (OEMs) through the development of downstream suppliers
- Expanding the local supplier base
- Close collaboration with all stakeholders to develop local suppliers and to maximise localisation opportunities

- 50 “Like-new” programme now complete under the equivalent of the CSDP Framework using Transnet Rail Engineering
- First major tender issued with CSDP obligation which will yield an investment of R335m for TRE together with significant skills transfer and >R300m for other local suppliers
- TRE will be a centre of excellence for locomotive OEMs

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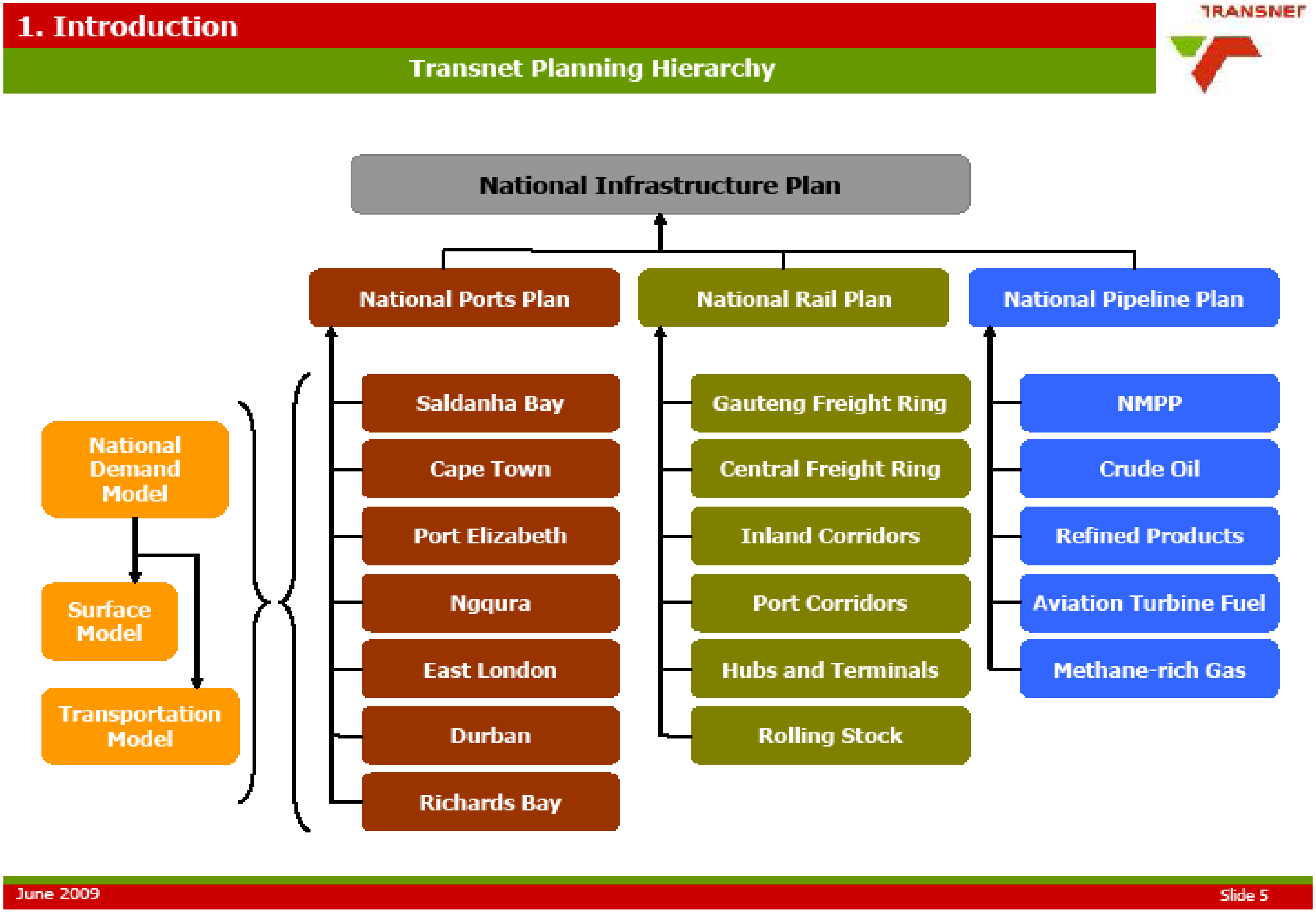
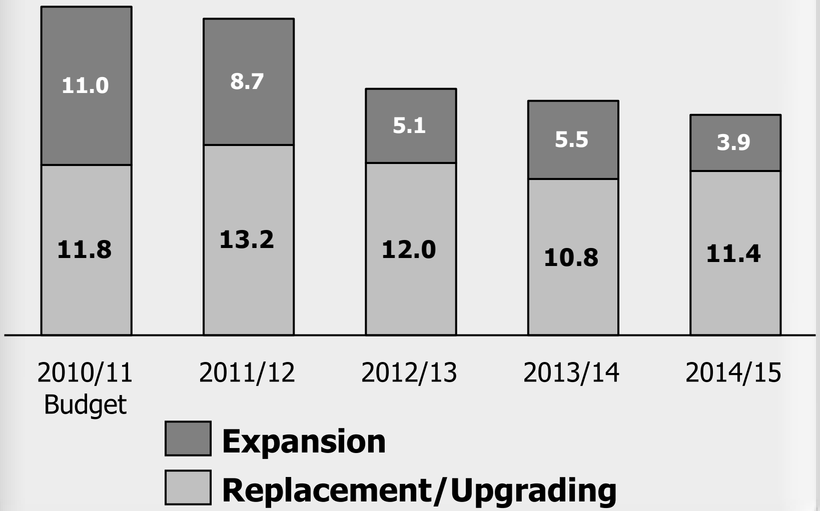
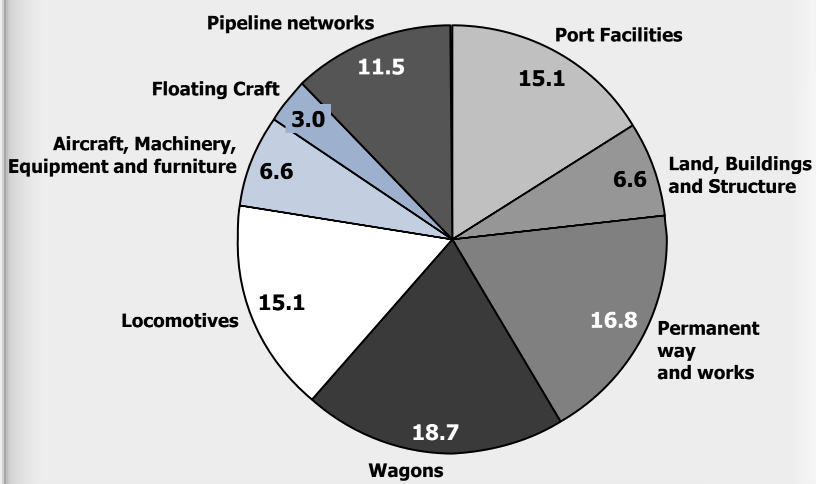

TRANSNET
1. Introduction
Transnet Planning Hierarchy
National Infrastructure Plan
National Ports Plan
National Rail Plan
National Pipeline Plan
Saldanha Bay
Cape Town
Port Elizabeth
Ngqura
East London
Durban
Richards Bay
Gauteng Freight Ring
Central Freight Ring
Inland Corridors
Port Corridors
Hubs and Terminals
Rolling Stock
NMPP
Crude Oil
Refined Products
Aviation Turbine Fuel
Methane-rich Gas
National Demand Model
Surface Model
Transportation Model
June 2009
Slide 5

Capital Investment Plan by Nature and Asset Type

Capital Investment
Expansion (R34.2bn) vs Replacement (R59.2bn)



Five-Year Investment in Assets (Rbn)



Source: Transnet

5-YEAR CAPITAL INVESTMENT: R93.4bn		
Major Projects	**2010/11 Budget**	**Next 4 years**
Ore Line (all phases)	3 591	1 631
NMPP	4 875	4 304
Major rolling stock overhauls and refurbishment	2 355	11 028
Major infrastructure overhauls and refurbishment	1 540	7 963
Dual Voltage Locomotives	945	1091
DCT Reengineering	264	188
Ngqura Container Terminal	425	607
DHEW	64	502
Coal Line*	667	362
Cape Town Container expansion	699	1 950
Berth deepening of Pier 1 berths for expansion into Salisbury Island	-	2365
RCB Dry Bulk Terminal equipment replacement and refurbishment	153	914
Reconstruction of sheet pile quay walls at Maydon Wharf	116	953
Tugs, dredgers (TSHDs) and other floating craft	524	2 476

* Total investment in coal line: R9.8bn (included in rolling stock and infrastructure projects

5 YEAR CAPITAL INVESTMENT PLAN: REPLACEMENT AND EXPANSION

Equipment	Existing fleet	New/Additional (over the next 5 years)	Comments
Locomotives 	1 978	304 (within 3 years) 15% new	Address capacity increase in Coal (110), Ore (44) and GFB (150).
Wagons 	72 643	7 231 10% new	Address capacity increases in Coal, iron ore and GFB.
Cranes 	95	19 20% new	Container handling cranes at PECT and CTCT. Capacity at other terminals to be extracted through improvement in efficiency.

Capacity Creation	Existing capacity	Future capacity (over the next 5 years)	Comments
Containers	4.56mTEUs	6.26mTEUs	Surplus capacity in system – will review on annual basis
Pipeline (NMPP)	4.4bn litres	8.7bn litres (2012)	Provision to increase in future years
Coal	71mt	81mt (2015)	Working with industry on feasibility to increase to >90mtpa
Iron Ore	47mt	60mt (2012)	Working with industry on feasibility to increase iron ore >80mtpa and manganese to >12mtpa

The Transnet capital investment programme makes a major contribution in terms of additional GDP – both in terms of magnitude and spread

(2018 difference with and without investment programme)	Direct impact	Indirect impact	Induced impact	Total impact
Impact on GDP (m)	R 38 436	R 31 712	R 42 399	R 112 548
Impact on Capital Formation (m)	R 116 797	R 67 079	R 86 043	R 269 920
Impact on Employment [numbers]	119 108	193 154	263 594	575 856
Skilled	27 105	43 589	62 742	133 436
Semi-skilled	57 475	79 869	105 435	242 778
Unskilled	34 529	69 696	95 417	199 642
Impact on Households (m):				R 71 697
Low Income Households				R 12 266
Medium Income Households				R 14 876
High Income Households				R 44 555
Fiscal Impact (m):				R 32 809
National Government				R 31 909
Provincial Government				R 218
Local Government				R 682
Impact on the Balance of Payments (m)				R 44 383

Source: DPE Study, Measurement of the impact of Transnet on the South African economy, 2010

Challenges in rolling out plans

TRANSNET

Funding challenges

- Remaining within set financial parameters e.g. gearing and cash interest cover ratios (Transnet doe not receive subsidies/funding from government)
- Limited credit lines and stringent loan covenants
- Uncertain regulatory tariff regime and legislative environment
- Increasing borrowing requirements from other SOE's and National government

Funding plan strategy

- Maintain Transnet's credit rating
- Minimize market risk especially interest rate and foreign exchange risks
- Reduce the weighted average of cost of debt
- Extend the duration of the debt portfolio
- Optimize asset and liability management
- Maintain the liquidity of Transnet bonds
- Diversify investor base and sources of funding
- Pre-funding activity:
    - In uncertain financial conditions Transnet implemented a strategy to raise funding well ahead of need ("pre-funding"). This enables Transnet to be selective in putting in place optimal funding structures.