

EXHIBIT BB 10(b)

AFFIDAVIT & ANNEXURE

OF

**MATHANE EVELINE
MAKGATHO**



**JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE,
CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE**

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SUPPLEMENTARY STATEMENT

I, the undersigned,

MATHANE EVELINE MAKGATHO

do hereby state that:

1. I have already submitted a statement to the Commission on 16 May 2019.
2. The facts contained in this supplementary statement are both true and correct, and within my personal knowledge, unless the context provides otherwise. Where facts were provided by third parties, they are presented in the belief that they are true and correct.
3. The purpose of this supplementary statement is to correct errors in my signed main statement and to introduce documents relevant to my testimony that do not currently form part of the bundle which will be referred to in my testimony
4. For ease of reference, I will identify the specific paragraph and line in the statement to which the corrections are to be effected and I will set out the nature of the corrections or annexures to the supplementary statement to which the documents relate.
5. **Locomotive Funding Strategy**
 - 5.1. For introduction and context relating to the Locomotive Funding Strategy, I attach the following documents, namely:
 - 5.1.1. Email correspondence to Anoj Singh, dated 7 April 2013 referenced as "Note on Financing Transnet's 1064 Locomotives" referenced **Annexure "MM-A"**.

5.1.2. Email correspondence to Anoj Singh, 12 April 2013, with memorandum attached – "Memo on funding 1064 locomotives" referenced **Annexure "MM-B"**

5.1.3. Memorandum to Brian Molefe and Anoj Singh with subject "Locomotive Funding Strategy" reference **Annexure "MM-C"**.

5.1.4. Presentation styled "1064 Locomotive Financial Risks" referenced **Annexure "MM-D"**.

6. **Ad Paragraph 43**

6.1. The first sentence referenced "It is important to note that Regiments Capital only became part of the McKinsey Consortium after the Nedbank Consortium was removed from the McKinsey Consortium" to be deleted in its entirety and substituted with the sentence to read **"It is important to note that Regiments Capital replaced Nedbank in the McKinsey Consortium."**

7. **Ad Paragraph 52**

7.1. At line 2, reference to "R48 billion" to be corrected to read **"R4,8 billion"**.

7.2. For further background and context I attach the following documents, namely:

7.2.1. Minutes of ALCO meeting held on 25 June 2014 referenced **Annexure "MM-E"**.

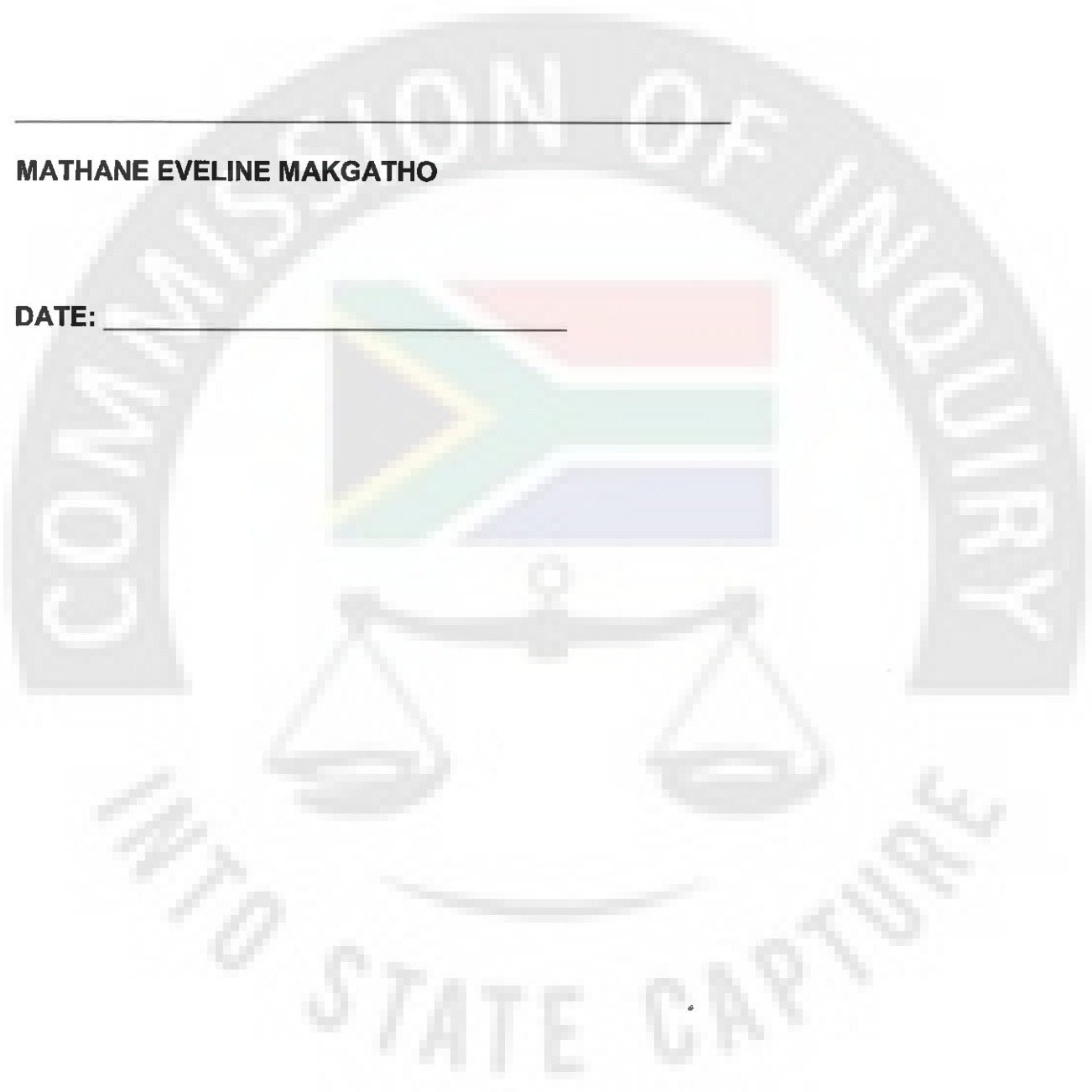
7.2.2. ALCO meeting presentation dated 18 September 2014 referenced **Annexure "MM-F"**.

8. **Ad paragraph 87**

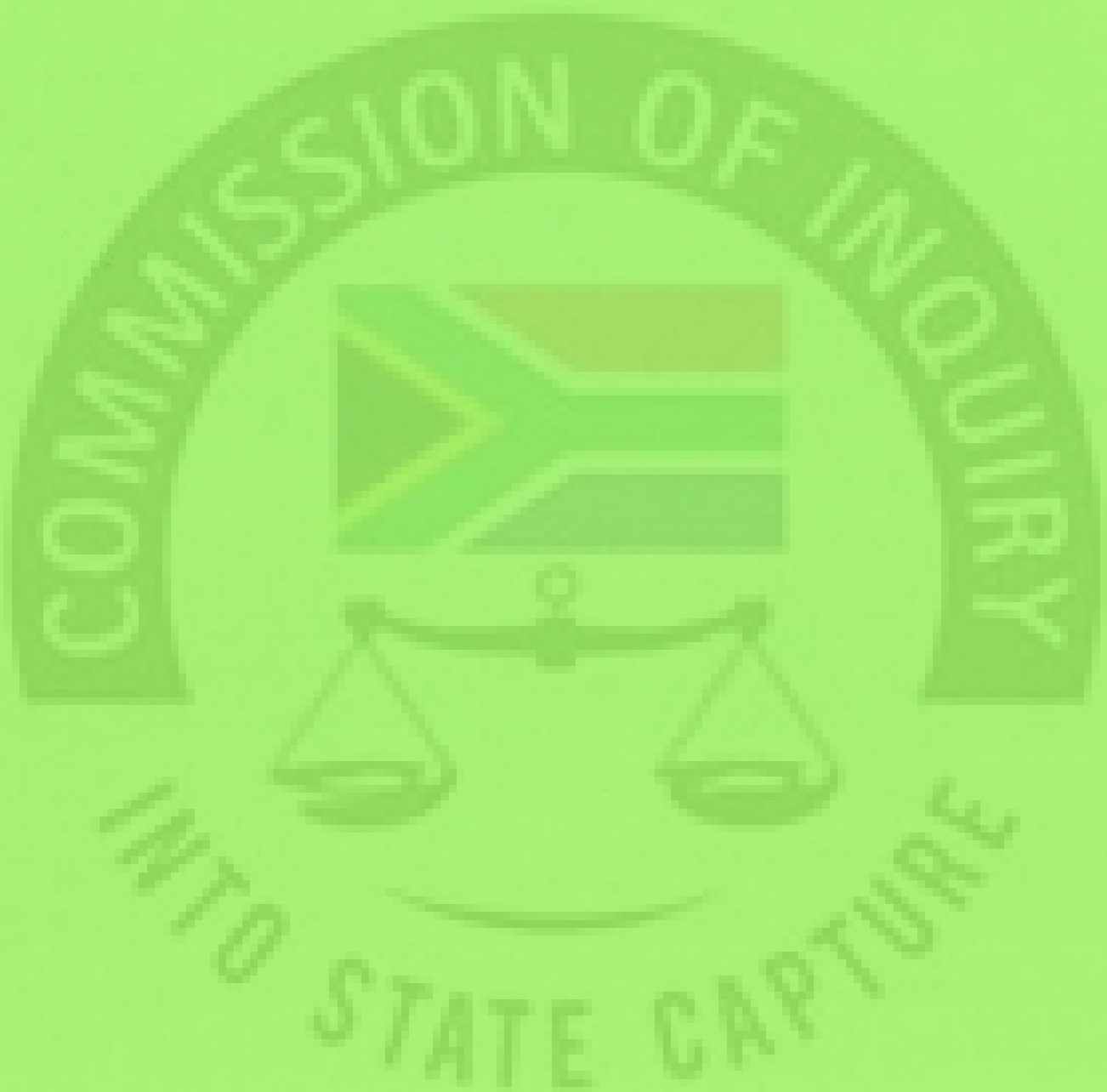
8.1. Introduce Citi Bank proposal referred to in paragraph 87 as
Annexure “MM- G”.

MATHANE EVELINE MAKGATHO

DATE: _____



Annexure “MM-A”



From: Makgatho <makgathom@telkomsa.net>
Sent: Sunday, 07 April 2013 13:36
To: anoj.singh@transnet.net
Cc: mathane.makgatho@transnet.net
Subject: Note on Financing Transnet's 1064 Locomotives

Dear Anoj
 Here with the note as promised.

Financing Transnet's new 1064 diesel and electric locomotives

The planned new fleet is estimated to cost R 38 billion using calendar year 2012 prices. Assuming an average inflation of 5 percent and a Rand depreciation of 10 percent for calendar year 2013, the new possible cost for the acquisition of the fleet can be assumed to be in the region of R43. 5 billion by mid 2013. This amount excludes steel price movement implications. The acquisition of the 1064 locomotives will be funded using a mixture of cash generated by operations and external borrowing. Assuming that two thirds will be financed using cash generated by operations, about R15 billion will need to be raised externally.

The following sources will be used to finance the locomotives

Bridge finance

We will negotiate a short term facility (2 years) that will be used to pay for immediate cash needs whilst the long term facilities are being negotiated. ABSA, Standard Bank, FirstRand and Nedbank. Negotiation of such a facility can take about three months to conclude. An amount of R3 to R5 billion should be sufficient to cover the required short term needs

Long term finance

ECAs - US Exim, EDC, ECGD, Hermes, SinoSure this are just few of the ECAs that have indicated appetite for Transnet credit - highly dependent on the choice for preferred supplier country of origin
 DFI - KfW Ipex bank, AfDB, French Development Bank, DBSA , China Development Bank, JBIC
 RSA asset managers, Japanese commercial banks, ICBC.
 Locomotive specific bond - I.e Capital market transaction backed by loco's - this will be subject to cost and benefit analysis
 ECA wrapped bond - can be used to refinance the short term bank facility

The fleet cost is based on a set of assumptions including timing of contracting, ZAR /USD exchange rate, assumptions on mix between local and foreign content, interest rate , volume growth, revenue growth, inflation, operational efficiencies and steel prices. Any adverse movement that is not aligned to the base assumptions will have a negative impact. The following risks and implications thereof need to be closely monitored :

1. Currency risk - Treasury will endeavor to negotiate a fixed RAND price but may not be possible for the entire project
2. Steel prices
3. Inflation
4. Volume growth and implications on revenue generated
5. Timing of actual cash flows vs planned and implications on funding requirement
6. Implications of Basel iii on swap costs, terms and conditions of derivative transactions and availability and quantum of credit lines

- 7. Possible increase of ETC on CIC and gearing
- 8. Possible impact of ETC increase on the S&P liquidity ratio

Kind Regards
Mathane Makgatho



Annexure “MM-B”



From: Mathane Makgatho Corporate JHB
Sent: Monday, 15 April 2013 09:04
To: Tshepo Matlamela Transnet Corporate JHB; Benjamin Hlatshwayo Transnet Corporate JHB
Subject: FW: Memo on funding for 1064 locos
Attachments: Memo on funding 1064 locomotives b.xml

fyi



Mathane Makgatho
Group Treasurer
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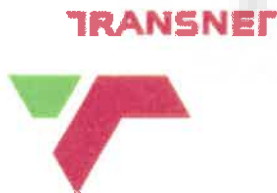
☎ 083-270-7651
✉ Mathane.Makgatho@transnet.net

From: Mathane Makgatho Corporate JHB
Sent: 12 April 2013 04:38 PM
To: Anoj Singh Corporate JHB
Subject: Memo on funding for 1064 locos

Dear Anoj

Herewith the 1064 funding memo as requested

Kind regards



Mathane Makgatho
Group Treasurer
Transnet SOC Ltd

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Memo

www.transnet.net

To : Mr Anoj Singh, Chief Financial Officer
From : Ms Mathane Makgatho, Group Treasurer
Date : 12 April 2013
SUBJECT : FUNDING OPTIONS FOR THE 1064 LOCOMOTIVES.

PURPOSE:

1. The purpose of this memo is to provide the GCFO with the options available to fund the new 1064 diesel and electric locomotives, highlight risks associated with a huge acquisition program and recommend funding options.

BACKGROUND:

2. The revised 2013/14 MDS investment plan is envisaging a R307 billion capital spent. The majority of the capital expenditure is for TFR's General freight business with a few major acquisitions planned. The 1064 locomotives acquisition program is one of the larger programs within the plan and calls for a pro-active planning approach from both the planning, tendering, contracting, execution and funding teams. The following table is an extract from the corporate plan and illustrates the planned cash-flows during the MDS period.

Amount in ZAR billions	13/14	14/15	15/16	16/17	17/18	18/19	19/20	Total
Electric locomotives - 599	-	1.43	4.92	4.92	5.22	5.22	2.22	23.93
Diesel locomotives - 465	-	1.40	2.80	2.97	2.99	2.99	0.20	13.35
Total	-	2.83	7.72	7.89	8.21	8.21	2.42	37.28

3. The planned new fleet is estimated to cost R 37 billion using calendar year 2012 prices. Assuming an average inflation of 5 percent and a Rand depreciation of 10 percent for calendar year 2013, the new possible cost for the acquisition of the fleet can be assumed to be in the region of R43.5 billion by mid-2013. This amount excludes steel price movement implications. The acquisition of the 1064 locomotives will be funded using a mixture of cash generated by operations and external borrowing. Assuming that two thirds will be financed using cash generated by operations, about R15 billion will need to be raised externally.

Discussion:

4. There is a number of funding sources that can be used to fund this project, and they can be grouped into Short term (Bridging finance) and long term funding sources.

5. **Bridging finance:** Short term funding can be sourced from the commercial paper market under Transnet R55 billion DMTN program and short term bank facilities (2 years) that can be used to pay for immediate cash needs whilst the long term facilities are being negotiated. For the company to have assurance that it will have the required deposit to pay once the contract has been entered into, the best approach is to start negotiating a locomotive specific funding facility with banks and other lenders to ensure that we have a committed facility by the end of the calendar year with an amortising drawdown profile. An amount of R R5 billion should be sufficient to cover the required short term needs as there are no cash flow implications for 2013-14 and only need R2.8 in 2014-15.

6. Long term funding sources:

- (a) **DMTN:** The first source of long term funding can be a long bond under the DMTN program which can be tapped on regular basis as and when a need arises.
- (b) **ECA:** This source of funding has proven very reliable in the past. Funding support from these agencies will depend on which country the locomotives are procured from.
- (c) **Development Agencies:** These can be multinational or regional agencies. For example the African Development Bank French Development Bank, DBSA, KfW/Ipex Bank and the EIB.
- (d) **Project Bonds or Transaction specific Bonds:** Project Bonds are project specific fixed income instruments whose yield is based not only on the borrowing company but also on the viability and the income potential of the project being financed. They can be advantageous because they place little reliance on the business but more reliance on the ability of the project to generate cash flows. Further advantages of these bonds are that they allow the borrower to tap into a new investor base; the tenors and liquidity are typically longer than that of bank loans. And the covenants of these bonds are less stringent than that of bank funding. This is applicable if an SPV is set up to raise funds, but it is not necessary to do so as we can do a project bond under the DMTN program
- (e) **Bank Loans:** This is the most traditional of funding sources. Given the relatively large size of this transaction, a club loan or syndication would be appropriate. The advantage of banks loans is that they can be tailored to suit the transaction. The disadvantages are that the tenors can be shorter typically between 3 and 5 years and can be a bit expensive compared to the capital markets.
- (f) **Leasing:** A lease is another possible funding source, but over the years we have found it to be more expensive than a pure buy decision. The team will do an analysis of a buy vs. lease and present to the GCFO for consideration but we don't expect it to be financially viable.

Risk's to be considered:

7. The fleet cost is based on a set of assumptions including timing of contracting, ZAR /USD exchange rate, and assumptions on mix between local and foreign content, interest rate, volume growth, revenue growth, inflation, operational efficiencies and steel prices. Any adverse movement that is not aligned to the base assumptions will have a negative impact. The following risks and implications thereof need to be closely monitored :

- a. Currency risk - Treasury will endeavor to negotiate a fixed RAND price but may not be possible for the entire project.
- b. Steel prices -this may be mitigated by the use of forward contracts.
- c. Inflation
- d. Volume growth and implications on revenue generated – mitigated by proper corporate planning.
- e. Timing of actual cash flows vs. planned and implications on funding requirement
- f. Implications of Basel iii on swap costs, terms and conditions of derivative transactions and availability and quantum of credit lines- as this may substantially increase the cost of hedging.
- g. Possible increase of ETC on cash interest cover and gearing
- h. Possible impact of ETC increase on the S&P liquidity ratio

RECOMMENDATION:

- 8. It is recommended that the GCFO approve the following:
 - 8.1 Establishment of a short funding facility of ZAR 5 billion by the end of December 2013;
 - 8.2 Launch two locomotive specific bonds with maturities of 15 years and 20 years, this will make it easier for Group to have a back to back debt with TFR; and
 - 8.3 Once the country of origin can be firmly established, have a formal roadshow specific to the potential ECA's and DFI's of the supplier.

Recommended by:

Ms. Mathane Makgatho
Group Treasurer
Date:

Noted by:

Anoj Singh
Group Chief Financial Officer
Date:

Annexure “MM-C”



TO: Mr. Brian Molefe, Group Chief Executive
Mr. Anoj Singh, Group Chief Financial Officer

FROM: Ms. Mathane Makgatho, Group Treasurer

SUBJECT: LOCOMOTIVES FUNDING STRATEGY

PURPOSE:

- 1 The purpose of this submission is to recommend to the Group Chief Executive and Group Chief Financial Officer the proposed funding strategy for the 1224 locomotives (comprising the 1064 locomotives - 599 electric locomotives and 465 diesel locomotives, 100 China South Railways Locomotives and 60 General Electric Locomotives) (collectively referred herein as the "Locomotives").

BACKGROUND:

- 2 In light of Transnet's Market Demand Strategy to meet volume growth and customer demand, Transnet wishes to increase the capacity of its General Freight Business from 80mt to 176mt.
- 3 Transnet will be acquiring rolling stock in order to meet the increased capacity requirements, to facilitate the anticipated growth and to address Transnet and Government's plan to migrate freight from road to rail.
- 4 In order to facilitate this objective, Transnet has entered into Locomotive Supply Contracts to acquire the Locomotives from Bombardier, General Electric (GE), China South Railways (CSR) and China North Railways (CNR).

DISCUSSION:

- 5 The estimated total cost of the Locomotives, after payment of a deposit of R7.4 billion in March 2014, is approximately R53.7 billion for the financial years 2014/15 - 2018/19 and it is anticipated that 70% (approximately R37.6 billion) will be funded using cash generated from operations and the balance of R16.1 billion will be funded externally from a variety of funding sources.



- 6 Detailed below is the indicative cashflows in relation to the acquisition of the Locomotives, including the March 2014 deposit of R7.4 billion:

	TOTAL CASHFLOWS 1064 LOCOS	100 LOCOS CSR	60 LOCOS GE	TOTAL
31-Mar-14	4 824 230 378	1 320 000 000	1 226 259 154	7 370 531 261
31-Mar-15	6 308 290 119	1 888 436 000	155 910 092	8 352 678 305
31-Mar-16	6 596 581 776	1 486 364 000	369 629 545	8 452 617 781
31-Mar-17	18 617 703 274	145 200 000		18 762 946 099
31-Mar-18	16 970 358 771	-		16 970 401 961
31-Mar-19	1 184 782 534	-		1 184 826 089
Total	54 501 946 851	4 840 000 000	1 751 798 792	61 093 745 643

- 7 As the Locomotives and their respective components will be procured from Bombardier; CSR; CNR; GE, they will have “foreign content” and as such, Transnet can make use of both tied and untied ECA-backed funding. Group Treasury has applied to US Exim for a Preliminary Commitment for a Long Term Loan or Guarantee for financing of the GE portion of the project that has US Content and is waiting for an indicative risk premium. In the Supplier Proposals for the locomotives, US Exim had proposed a \$722million cover. Since the final cover will depend on the foreign content and US Exim’s credit appetite, Group Treasury conservatively, only factored R5 billion as the potential cover from US Exim. In terms of the new 2014 Sector Understanding on Export Credits for Rail Infrastructure prescribed by the OECD Guidelines, US Exim may provide a guarantee of up to 14 years, which tenor is favourable for Transnet’s asset and liability matching strategy.
- 8 As part of the Bombardier and GE proposals, Export Development Canada (EDC) offered up to \$75 million towards the funding of the Locomotives. Group Treasury has requested for an increase in this amount and EDC subsequently agreed to \$100 million. EDC has already presented Transnet’s request to its pre-credit committee and will provide a term sheet by 13 June 2014.
- 9 The African Development Bank (“AfDB”) has presented Transnet with a \$1000 million loan facility offer, \$500 million on AfDB’s balance sheet and \$500m to be syndicated/co-financed with commercial banks and or other DFIs. Group Treasury hosted AfDB for a three day preliminary due diligence mission on the back of a proposed 20year \$500 million term loan facility at a price of 3m Jibar + 250-300bps. Subsequent to the initial review mission, AfDB revised the indicative pricing down to 3m Jibar +220-250 bps and the front-end fee from 200bps to 120bps (R60 million) . Group Treasury asked AFDB to revise the commitment fee of 75bps and the front-end fee downwards. Once the commercial terms are agreed, AfDB’s extended team of officials will conduct a more in-depth scrutiny of Transnet’s operations. Only \$500



million proposed by AFDB from its balance sheet has been factored into the potential funding for the Locomotives.

- 10 China Development Bank ("CDB") has indicated their willingness to fund the CSR and CNR portions up to \$3 billion at a rate of 3m Libor + 240-290bps. Transnet has reverted with its expected pricing and is waiting for CDB's response in this regard.
- 11 Group Treasury met with Multilateral Investment Guarantee ("MIGA") to discuss their service offering. MIGA indicated a keen interest in providing a guarantee for the funding of the Locomotives. MIGA may provide long tenors of up to 15 years and may collaborate with ECA's to guarantee the financing of the portion of the loan that is uncovered by the ECA's. Group Treasury will share additional information relating to the Locomotives so that MIGA can provide Transnet with an indicative term sheet.
- 12 The above funding initiatives will require certain minimum criteria to be met, to any funding being made available by the provider of the funding, these may include inter alia:
 - a. Acceptable levels of foreign/local content in the supplier contracts (a key requirement for ECA funders and some DFIs and Multilaterals);
 - b. Acceptable legal agreements, covenants and rating downgrade triggers to mitigate any risk on Transnet's business;
 - c. Some funders may require a special notarial bond to be registered in their favour over the Locomotives.
- 13 In addition to the above mentioned sources of financing the Locomotives, Transnet could source funds from:
 - a. Up to R14 billion and \$3.250 billion available capacity under the DMTN and GMTN Programmes, respectively which can be utilised to raise short- and long-term funding;
 - b. Approach other ECA's like Euler Hermes for Bombardier locomotives and Sinasure for CSR and CNR locomotives;
 - c. DFIs like MIGA, French Development Bank ("AFD"), CDB, DBSA, KfW/Ipex Bank and the European Investment Bank ("EIB"). Funding provided by DFIs is a viable funding source for the Locomotives providing cost effective funding rates and long tenors;
 - d. Although Basel III may impact the overall funding cost, bank funding may provide Transnet with an alternative funding source and can be negotiated on a bilateral or syndicated basis. The disadvantage of bank funding is that the tenors are shorter (typically between 3 and 5 years) and more expensive compared to capital market and ECA-backed funding, however Transnet Treasury can leverage off its existing relationships to negotiate more cost effective funding rates. To date Transnet has received indicative pricing and keen interest from Standard



Bank; Nedbank and Barclays/ABSA to provide each a 10 year R2 billion loan facility ranging from 3m Jibar + 165bps-180bps.

- e. Committed short term facilities amounting to R8.9 billion are also available to Transnet on a 24 hour notice.

- 14 Detailed below is a tabulated summary of the indicative amounts and pricing received from various financial institutions and available facilities to fund the locomotives:

New Facilities

Lender	Date Signed/Expected Close	Loan Amount (million)	Tenor (in years)	Rate
US Exim	Sept 2014	R 5 000	10-15	TBD
EDC	Sept 2014	R 1 000	10-14	TBD
AFDB	Nov/Dec 2014	R 5 000	20	3m Jibar +220-250 bps
China Development Bank	July 2015	R 30 000		6m Libor +240-290bps
LibFin	June 2014	R 1 750	18	3m Jibar +175 bps
Standard Bank	June /July 2014	R 2 000	10	3m Jibar +165 bps
Nedbank	July/Aug 2014	R 2 000	10	3m Jibar +180bps
ABSA	July/Aug 2014	R 2 000	10	3m Jibar +180bps
Sub -Total		R48 750		

Available Facilities

BTMU		R2 000	5	3m Libor+125bps
Short Term Facilities		R 8 900		
Sub- Total		R1 0900		
Total Facilities		R59 650		

- 15 Given the significant size of the transaction, Transnet may make use of a combination of the above funding sources and available facilities to fund the acquisition of the Locomotives. Group Treasury will elect the most cost effective funding that extends the debt maturity profile from a diversity of funding sources.

FINANCIAL IMPLICATIONS:

- 16 It is anticipated that 70% (circa. R 37.6 billion) of the expected total cost will be funded using cash generated from operations and the balance of R16.1 billion will be funded externally from the above illustrated funding sources.



BUDGET IMPLICATIONS:

- 17 The proposed external funding required to be raised has been budgeted for in the 2014/15 Finance Cost Budget and will be further budgeted for in the 2015/16-2018/19 Finance Cost Budgets respectively.

RECOMMENDATION:

- 18 It is recommended that the Group Chief Executive and Group Chief Financial Officer approve the proposed funding strategy for the Locomotives.

Compiled by:

Ms. Dorothy Kobe
Head: Structured Finance
Date:

Recommended/ Not Recommended

Ms. Mathane Makgatho
Group Treasurer
Date:

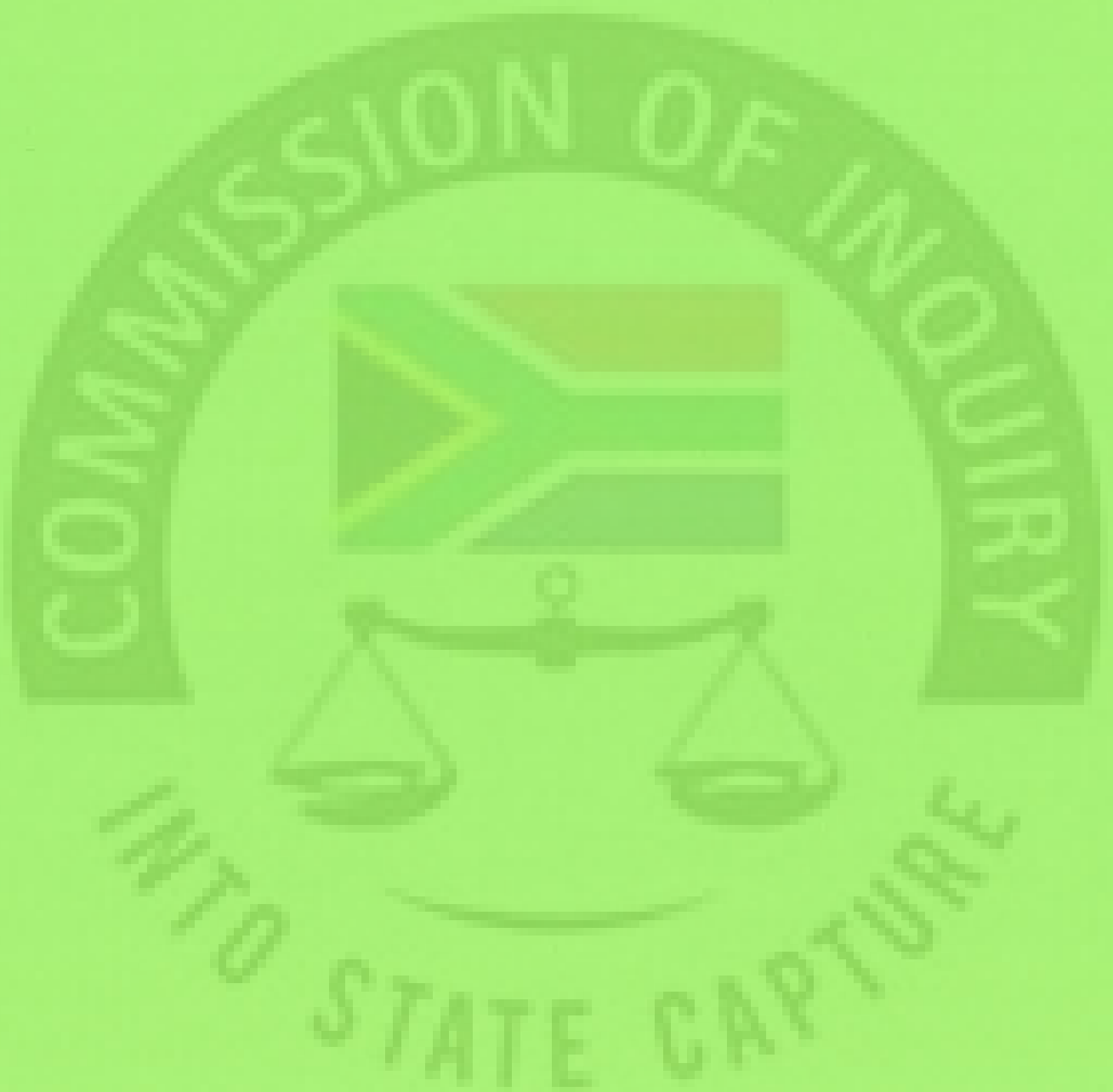
Recommended/ Not Recommended:

Mr. Anoj Singh
Group Chief Financial Officer
Date:

Approved/ Not Approved:

Mr. Brian Molefe
Group Chief Executive
Date:

Annexure “MM-D”



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1064 LOCOMOTIVES FINANCIAL RISKS

Major risks facing the 1064 acquisition program

1. Availability of funding and credit lines
 - Sizeable funding requirement
 - Availability of credit lines for hedges and swaps
 - Availability of lines for bonds
2. Cost escalation due:
 - Exchange rate volatility
 - General Price escalation
 - Input costs increase
 - Interest rate increase
 - Delays
3. Non-fulfilment of the commercial contract by the supplier

The current weak level of the Rand is a major concern as it will increase the overall cost of the locomotives

Key risks consideration - Funding



The planned new fleet is estimated to cost R 35-R42 billion, including cost of foreign exchange hedging and escalation. The acquisition of the 1064 locomotives will be funded using a mixture of cash generated by operations and external borrowing. Assuming that two thirds will be financed using cash generated by operations, about R15 billion will need to be raised externally. The following sources may be available to finance the locomotive acquisition program:

- Bridge funding to cover immediate needs
- ECA to cover imported component
- Pre-funded LC facility to cover uncovered portion
- Development finance institutions
 - KfW IpeX Bank has indicated interest to support European companies
 - China Development bank is willing and able (USD 5 billion) to support Chinese Companies
 - African Development bank is able to cover all African countries and 26 other countries.
- Locomotive specific bonds

Key risk considerations – Foreign Exchange



Every 25 cent movement in the spot exchange rate will increase cost of locomotive by R285 714 (R304 million for 1064).

Every 50 cent movement in the spot exchange rate will increase cost of locomotive by R571 428 (R608 million for 1064).

The table below gives an illustration of forward hedging rates for both USD and EURO over a seven year period by using market rates as at 24 January 14.

Date	Spot \$R10.92	Spot Euro14.80
Year 1	11.5733	15.6802
Year 2	12.3062	16.7474
Year 3	13.0834	17.9602
Year 4	13.8532	19.2799
Year 5	14.6166	20.6723
Year 6	15.3932	22.1245
Year 7	16.2068	23.6533

Possible solutions to FX challenges

- Negotiate a ZAR contract with fixed price – but given the length of the contract, a cost escalation clause may be necessary.
- Due to the current weak Rand environment, it is not ideal to utilise forward exchange contracts as a hedging instrument as Transnet will lock in weak levels, which can be seen from table on previous slide.
- Consider option hedging structure should be considered, structured in such a way that Transnet can also participate in possible future Rand strength. Buying a call option at the money forward, and simultaneously selling a put option at similar strike, will ensure that the maximum exposure is capped, but creates an opportunity to participate, should the Rand strengthen.
- Price escalation risk is more complex to mitigate as it will depend on the underlying of the price escalation clauses.
- In general the types of hedging instruments available for price risk escalation may be less liquid than FX hedging instruments, but this can only be determined during the negotiation phase after proper analysis of the drivers for price escalation.

Key risks consideration – Non fulfilment of supplier obligations

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Non fulfilment of supplier obligations will be covered by the following:

- Delivery and payment schedule
- Advance payment guarantee
- Performance bonds
- Warranty and retention bonds
- Delay penalties
- Liquidated damages
- Delivery, testing and commissioning clauses
- Termination clauses
- Invoicing and payment mechanics

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delivering freight reliably



THANK YOU

Annexure “MM-E”



TRANSNET

**MINUTES OF MEETING**

DEPARTMENT : Group Treasury
TYPE OF MEETING : ALCO, Monthly Meeting, Meeting No 04/14_15
PLACE : Head Office, Room 4308, Carlton Centre, Johannesburg
DATE & TIME : Monday, 25 June 2014
MINUTE TAKER : Zander Grobler

NAME	REPRESENTING
------	--------------

Anoj Singh (AS)	Group Chief Financial Officer (Chairperson)
Mathane Makgatho (MM)	Group Treasurer
Danie Smit (DS)	Deputy Treasurer: Middle Office
Tshepo Matlamela (TM)	Deputy Treasurer: Front Office
Stephen Mamabolo (SM)	Deputy Treasurer: Operations
Dorothy Kobe (DK)	Head: Structured Finance
Thabo Lebelo (TL)	General Manager Group Financial Planning
Moses Sekgobela (MS)	Group Capital Integration
Edward Thomas	Executive Manager ISM
Eddie Lindeque (EL)	General Manager Group Risk
Nombuyiselo Tsukudu (NT) (late)	General Manager Group Reporting

APOLOGIES**IN ATTENDANCE**

Zander Grobler (ZG) Treasury Risk Manager

DESCRIPTION	ACTION	DEADLINE
1 OPENING AND INTRODUCTION		
• AS welcomed everyone.		
2 ADOPTION OF THE AGENDA		
• Agenda was adopted after adding 5.3.3 Hybrid Structures		
3 APPROVAL OF THE MINUTES FROM THE PREVIOUS MEETING		
• Minutes of the previous meeting accepted without any changes. • Minutes for 17 Apr 14 – accepted on page 3 (par 5.4).		
4 MATTERS ARISING		
4.1 Payment controls	SM	Next ALCO
4.2 Penalty Mechanism for poor cash forecasting	TM	Next ALCO
4.3 Committed facilities R15bn by October 14	TM	Oct14
4.4 AB ratio rollout to BU's	TM	Next ALCO
4.5 Add expected completion dates for new funding	DK	Next ALCO
4.6 Quantum upgrade discussion	SM,TM,DS	Next ALCO
4.7 Impact of hedge accounting reserve on gearing /CIC	TL,SM	Next ALCO
4.8 AB ratio vs initiatives	TM, TL	Next ALCO
4.9 2 Additional Facilities before August	DK	End Aug14
4.10 JP Morgan swaps – analysis of proposals	DS,SM,TL	Next ALCO

TRANSNET



DESCRIPTION	ACTION	DEADLINE
4.11 Issuer limits for guarantees 4.12 Guarantee Assistance 4.13 Hybrid Structure Analysis	DS,AS DS,AS DK,TL	Next ALCO Next ALCO Next ALCO
5 FEEDBACK/REPORTING <ul style="list-style-type: none"> There was a meeting with the Minister prior to the AGM (scheduled for 27 June 14) which was positive and it seemed that the minister was less concerned with Transnet in comparison to other SOC's. AS indicated that the financial results would be made public on Monday (30 June 2014) that will be followed by visits to investors in China Brazil and other global destinations He indicated that there would be an EXCO strategy session during July 2014. 	AS	
5.1 GROUP TREASURER <ul style="list-style-type: none"> AS mentioned that concerns were raised about some payment processes that were seemingly not aligned to the SAP payment process. AS commented that the payment processes should be auditable. SM was requested to bring the payment controls to the next ALCO meeting to assess whether changes needed to be done MM indicated that Investec would add R1 bn to committed facilities. AS commented that facilities should reach R15 bn by Oct 14 	MM SM	
5.2 FRONT OFFICE REPORTING <p>5.2.1 Matters Arising: Shadow Rating Model Rollout</p> <ul style="list-style-type: none"> AS requested that instead of running pilot projects at a specific business Unit it should be rolled out to all at once. BU's should be sent the documentation on how to complete the information and should be given deadlines for completion. It can be addressed to the CFO's with the CE's being CC'd <p>5.2.2 Report Back</p> <ul style="list-style-type: none"> TM gave feedback on front office summary. He informed the committee that the method for monitoring monthly cashflow accuracy has changed from using the Absolute method to Average method TM pointed to nonperforming BU's and indicated that this was addressed with the BU's AS concluded that TM needed to develop penalty system/mechanism for poor forecasting. Heavier penalties should apply to outflows compared to inflows since inflows were more dependent on performance by 3rd parties. AS suggested that penalties should impact EBITDA MM suggested that performance could also be measured excluding PRASA since their performance had a significant impact on TFR performance. With reference to the source and usage ratio report (AB ratio) it was indicated that the ratio deteriorates to 1.35 @85% of EBITDA achievement. TL indicated that this represented a change of about R3 bn in EBITDA. AS concluded that initiatives of R6.5 bn were on the table to mitigate the risk to EBITDA, of which about R4.4 bn would probably be achieved and remarked that this was enough to offset the R3 bn at risk via the AB ratio. He requested that this conclusion should be used during correspondence relating to risks pertaining to the AB ratio. It also emphasises the importance that the management of the AB ratio should not be done in isolation but in conjunction with planning information. 	TM penalties	

ALCO Monthly Meeting No 04/14 15



DESCRIPTION	ACTION	DEADLINE
5.6 GROUP FINANCIAL PLANNING <ul style="list-style-type: none"> TL presented his report to the committee. AS referred to the cashflow at risk (R4,657m) on p5 and compared this to the Initiatives(R6,351m) which would yield R4,446m if 70% realised with savings on Capex (R5,505m) and compared this to the R3bn at risk on the AB ratio. AS commented that this was hence more than enough to cover the R3bn at risk and remarked that this is how the figures should relate and be monitored. 	TL TM	
5.7 GROUP CAPITAL INTEGRATION <p>MS tabled the Capital Investment Report and the following were highlighted:</p> <ul style="list-style-type: none"> DPE approvals for Manganese expansion as well as 100 locos for Coal. It was reported that a 6m delay in the project could cost R800 million. AS cautioned on how contracts were negotiated on mega projects and that lessons learned from NMPP should be applied where designed building and procuring happened more or less simultaneously. MS remarked that TFR cashflows sent to Treasury and Finance differed as the latter included Internal payments. This was addressed and should be more accurate in July. MS informed the committee that the service level agreement between TFR and TE had not been completed which lead to backlogs MM inquired about the September payments for the loco's and was informed that at this stage it should be viewed that it will go ahead as scheduled. 	MS	
5.8 LONG TERM CASHFLOW FORECAST. <ul style="list-style-type: none"> TM presented an updated cashflow forecast not included in the pack. He remarked that BTMU was fast tracked since Libfin could not be finalised and will now move to September. MM cautioned that at least 2 facilities would have to be finalised by August to avoid a negative balance. 	DK	
6 SUBMISSIONS		
6.1 ROLLING FUEL HEDGING STRATEGY <ul style="list-style-type: none"> DS presented the fuel hedging strategy to the committee. There were no concerns raised and the strategy was accepted as presented. 	DS	
6.2 Monetisation of JP Morgan swaps <ul style="list-style-type: none"> DS presented the submission and pointed to the 4 options on the table. DS indicated that he was not keen on the solutions and would not recommend any due to the risks associated. AS requested an assessment of the options compared to the original on a NPV basis to determine the best solution based on cash. AS concluded that a more detailed meeting was needed to discuss. If it makes commercial sense, can live with the downside risk? Will it resolve the current year's challenges? MM indicated that she would not advocate it since we still have sufficient facilities and would only lean toward monetising swaps if we were really in trouble. Further analysis was requested with a further request to include the tax implications. 	DS TL SM	

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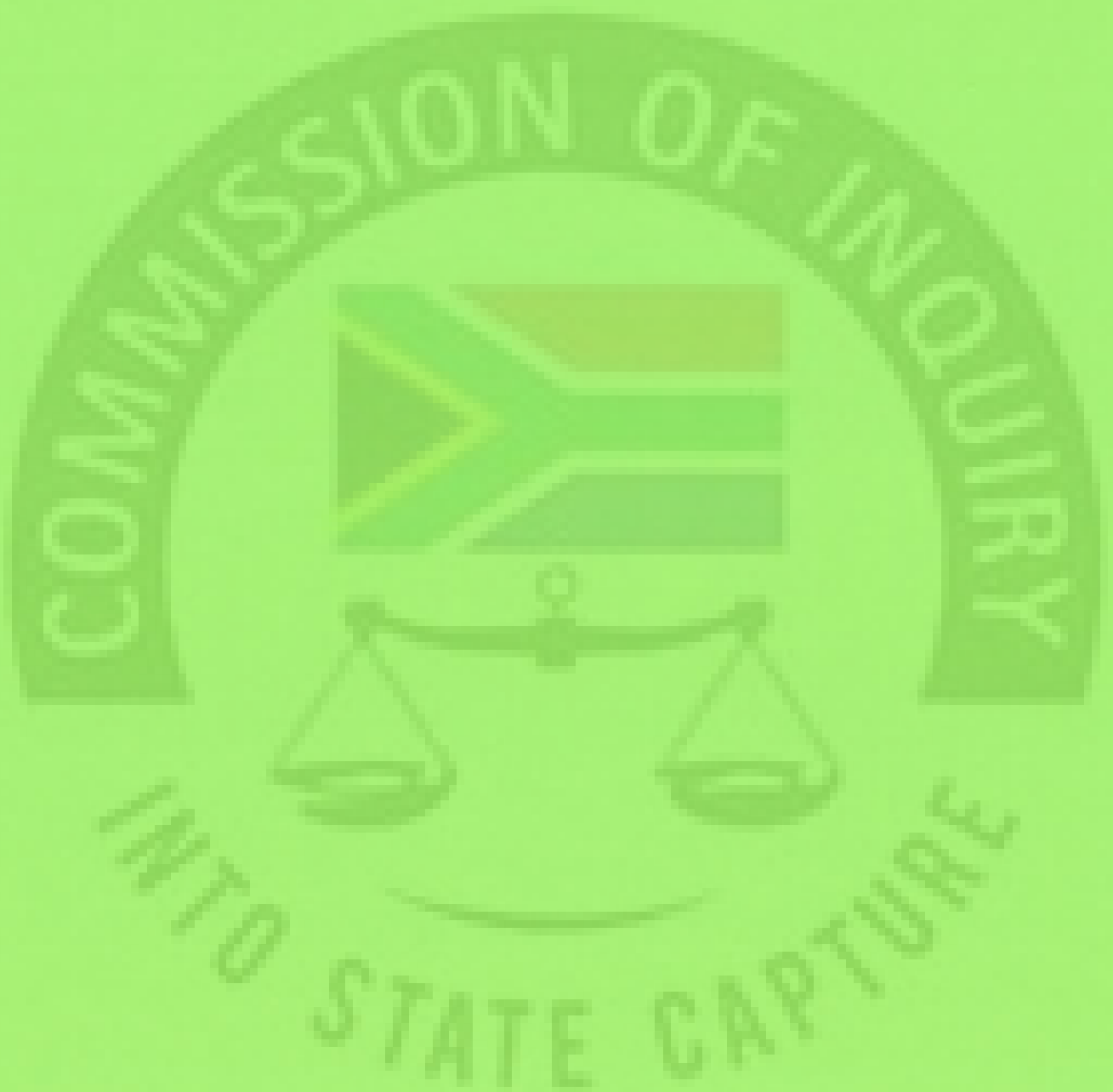
DESCRIPTION	ACTION	DEADLINE
6.3 Approval of Counterparty Limits for Guarantee Issuers <ul style="list-style-type: none"> DS presented the proposed limits He explained the reasoning behind only using 20% of the guarantee exposure to offset against the limit and indicated that using a 100% would put strain on limits. MM Inquired about using default probabilities in the calculations where to DS responded that it would have to be those of the contractors on each project and that this approach was not viable due to a lack of information. 		
6.4 ACCEPTANCE OF GUARANTEES IN SUPPLY AGREEMENTS <ul style="list-style-type: none"> DS presented the proposals in the submission which was largely based off work done by Weber Wentzel during the negotiations for guarantees on the Tug's contract. The document details the options. ET Inquired if there were no other options available to mitigate the risk associated with APG's and delivery. It was concluded that the options presented were what was available but that suggestions would be incorporated if there were any. DS also indicated that guarantee premiums were more expensive when using banks compared to insurers. DS also indicated resolving issues in contracts were preferred to claiming. AS concluded that a submission should be sent to him for review and comment whereafter the way forward will be determined. 		
6.5 Hybrid Funding Structures <ul style="list-style-type: none"> DK explained the principles of Hybrid funding to the committee It is essentially a combination between equity and debt and how the terms and conditions were defined determined the class it would be regarded as in terms of IFRS. AS remarked that rating agencies would view up to 30% as equity which would have a positive impact on gearing but since the cost of equity is higher it would have a negative impact in the CIC. DK referred to the example on page 6 AS remarked that structures like the JPM swap proposals and hybrid debt presented the easiest way to give headroom to current constraints AS concluded that further investigation was needed and requested TL to confirm the calculations on the hybrid structures. TL also to whether the hybrid impacts the CIC or Gearing It should also be established if current loan covenants would be impacted. A legal review should also be sought on the JP Morgan and hybrid structures. In addition to the above a NPV calculation should also be done on the hybrid structures. The tax impact should also be considered. TL to assess the impact on the corporate plan if R5bn were borrowed now using Hybrids and calculate the breakeven on the size that needed to be issued to create the required headroom. It should also be confirmed what rating agencies would allow. 	TL,DK,TM	

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DESCRIPTION	ACTION	DEADLINE
7 RESOLUTIONS <ul style="list-style-type: none"> Fuel submission accepted JP Morgan swaps – further analysis needed Limits – Do submission to AS for review and comment Counterparty Assistance – Do submission to AS for review and comment Hybrid bonds – additional analysis needed 	DS SM TL DK	
8 GENERAL <ul style="list-style-type: none"> No items under general. 		
9 NEXT MEETING TBC		
10 CLOSURE AS thanked everyone who attended the meeting.		

Annexure “MM-F”



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ALCO MEETING

Meeting No:

7

Date:

18 September 2014

Venue:

Boardroom 4308
43rd Floor, Carlton Centre
150 Commissioner Str
JHB

AGENDA **ALCO Meeting – 21 August 2014**

SUBJECT		DURATION	OWNER
1	INTRODUCTION	5 min	Chairperson
2	Adoption of agenda and apologies		
2.1	MINUTES	10 min	Chairperson
2.1	Meeting No. 6, 21 August 2014		
3	MATTERS ARISING	10 min	Chairperson
4.	FEEDBACK/ REPORTING	45 min	
4.1	GCFO's report (GCFO to provide input on the day of the meeting)		Anoj Singh
4.2	Treasurer's Report (Feedback from Finco / Capic Meeting)		Mathane Makgatho
4.3	Front Office		Tshepo Matlamela
4.4	Structured Finance		Dorothy Kobe
4.5	Middle Office		Danie Smit
4.6	Treasury Operations		Stephen Mamabolo
4.7	2013/14 Latest Estimates and Ratios		Thabo Lebelo
4.8	Update on MDS Capital Execution		Moses Sekgobela



AGENDA

ALCO Meeting – 21 August 2014

SUBJECT		DURATION	OWNER
5.	ITEMS FOR DISCUSSION /APPROVAL	10 min	Tshepo Matlamela
5.1	Cash Forecast		
5.2	Debt Management		
5.3	Fund Raising Initiatives (Structured Finance to provide input on the day of the meeting)	5 min	Dorothy Kobe
5.3.1	Domestic Issuance and International Issuance		
5.4	ALCO Treasury IT Operational Plan	5 min	Danie Smit
5.5	TCC Group Finance - Treasury		
5.6	Treasury Hedges, August 2014		
6.	FINANCIAL RISK MANAGEMENT AND COMPLIANCE	5 min	Danie Smit
6.1	Treasury Compliance Report, September 2014		
7.	CREDIT RATING	10 min	Mathane Makgatho and Tshepo Matlamela
7.1	Credit Ratios (Feedback report on the day of the meeting)		
8.	PLANS FOR THE NEXT MONTH	5 min	Mathane Makgatho

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INTRODUCTION



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MINUTES

(Item 2.1: Meeting No. 6, 21 August 2014)

**MINUTES OF MEETING**

DEPARTMENT : Group Treasury
TYPE OF MEETING : ALCO, Monthly Meeting, Meeting No 06/14_15
PLACE : Head Office, Room 4308, Carlton Centre, Johannesburg
DATE & TIME : Monday, 21 August 2014
MINUTE TAKER : Zander Grobler

NAME	REPRESENTING
Mathane Makgatho (MM)	Group Treasurer (Chairperson)
Danie Smit (DS)	Deputy Treasurer: Middle Office
Tshepo Matlamela (TM)	Deputy Treasurer: Front Office
Stephen Mamabolo (SM)	Deputy Treasurer: Operations
Dorothy Kobe (DK)	Head: Structured Finance
Moses Sekgobela (MS)	Group Capital Integration
Kevin Welr(KW)	Procurement
Helen Walsh(HW)	General Manager: Group Tax
Mario van der Walt (MW)	Group Financial Planning
Nombuyiselo Tsukudu (NT)	General Manager: Group Reporting
APOLOGIES	
Eddie Lindeque (EL)	General Manager Group Risk
Anoj Singh (AS)	Group Chief Financial Officer (Chairperson)
Edward Thomas	Executive Manager ICSM
IN ATTENDANCE	
Zander Grobler (ZG)	Treasury Risk Manager

DESCRIPTION	ACTION	DEADLINE
1 OPENING AND INTRODUCTION <ul style="list-style-type: none"> MM welcomed everyone. 		
2 ADOPTION OF THE AGENDA <ul style="list-style-type: none"> The agenda was adopted after removing items 5.4 and 5.5. DS distributed an updated ALCO mandate for approval. It was suggested that it be distributed electronically for review. 	ZG	Feedback by Next ALCO
2.1 APPROVAL OF THE MINUTES FROM THE PREVIOUS MEETING <ul style="list-style-type: none"> Minutes of the previous meeting accepted after the following changes 4.12 delete: Inflation Linkers: TM to provide SM with a view of the structure so that SM can check accounting impact 5.6 add: He indicated that desktop <i>functional</i> testing 6.2 change: SM asked TM to <i>forward</i> have a view of <i>the</i> Inflation linkers structure so he can check accounting. 		



DESCRIPTION		ACTION	DEADLINE
	Raised	Responsible	
3 MATTERS ARISING			
3.1 MATTERS ARISING: OUTSTANDING			
3.1.1 Penalty Mechanism for poor cash forecasting • Completed template need to be sent to OD's.	25/6	TM	Next ALCO
3.1.2 AB ratio rollout to BU's: • Confirmation of rollout and feedback.	25/6	TM	Next ALCO
3.1.3 Quantum Upgrade: • Meet to discuss co-ordinated effort on system upgrade and e-Treasury project. • Withholding tax opinion feedback to Treasury.	25/6	SM,TM,MM HW	Next ALCO
3.1.4 Impact of hedge accounting reserve on gearing /CIC • SM and MW to meet to discuss how changes in MTM are modelled showing impact on CIC and Gearing based on analysis reported on 21-Aug.	25/6	SM,MW	Next ALCO
3.1.5 JP Morgan swaps • Feedback needed if submission was Board approved.	25/6	MM,DS	Next ALCO
3.1.6 Guarantee Assistance: Memo & Responsibility • Feedback since not discussed at last meeting	25/6	MM	Next ALCO
3.1.7 ALCO Mandate – Acceptance of revised terms of reference • ZG to send, Committee to comment with view to accept at next meeting.	22/7	Committee	Next ALCO
3.1.8 Inflation Linkers: • HW to send tax input to Treasury and MW • MM to arrange meeting to discuss.	22/7	HW,MM	Feedback Next ALCO
3.1.9 Funding Requirement: • MW to send funding requirement to DK/TM based on latest estimates. • Meet with TFR – 1064 loco payment timing considering delays in 95 loco's (ref 6.7 below)	21/8	MW TM MS	Feedback Next ALCO
3.1.10 Confirmation that R1,795m from Group (Treasury Report, p4, Divisions Funded) related to bonus payments (ref 4.5 below).	21/8	NT	Feedback Next ALCO
3.2 MATTERS ARISING FEEDBACK			
3.2.1 Penalty Mechanism for poor cash forecasting • TM reported that the memo was complete and would be sent to OD's.	25/6	TM	Next ALCO
3.2.2 Committed facilities R15bn by October 14 • TM reported that committed facilities were R17bn hence surpassing the R15bn required, with the additions of ◦ ABSA +R2.5bn ◦ Nedbank +R2bn ◦ Investec +R1bn. • MM remarked that another R750m from Omsfin in the form of a structured short term facility was expected. • TM stated that a meeting will be held with DK to discuss how to allocate the excess (R2 bn) to long term funding.	25/6	Completed	
3.2.3 AB ratio rollout to BU's • TM reported that Moody's uses a bottom up approach in rating Transnet. Thus, there have been meetings to further discuss the approach with an aim to develop a template for ODs.	25/6	TM	Next ALCO



DESCRIPTION	ACTION	DEADLINE
<ul style="list-style-type: none"> The templates for Rail and Ports businesses have been developed and they should be acceptable to the OD's. It was indicated that they were ready to be rolled out. 		
3.2.4 Quantum Upgrade: System functionality RE: Withholding Tax to HW <ul style="list-style-type: none"> SM indicated that a meeting was scheduled with Sungard for next week (25 Aug) and indicated that they were working on the project documentation. SM reported that the withholding tax information was provided to HW who forwarded it to Deloitte. Once an opinion has been received it will be shared with Treasury. TM indicated that cash management were talking to procurement regarding a RFP for the e-Treasury system. MM remarked that all efforts needed to be co-ordinated since only one system and supplier was involved. It was agreed that a meeting would be held to discuss a co-ordinated effort. 	25/6	MM,SM,TM HW
3.2.5 Impact of hedge accounting reserve on gearing /CIC <ul style="list-style-type: none"> SM presented an analysis of the swap market values which aimed to determine where the hedge accounting reserve would be wiped out. DS explained the detail of the analysis done which indicated that at current exchange rates the mark to market would still be positive regardless of shifts in interest rate curves. SM and MW will meet to discuss how these changes would be modelled into the CIC and gearing. 	25/6	SM,MW
3.2.6 2 Additional Facilities before August <ul style="list-style-type: none"> DK reported that Libfin was finalised in July and indicated that drawdown on the completed Standard Bank facility would be today (21 Aug). 	25/6	Completed
3.2.7 JP Morgan swaps – SNG accounting opinion – Splitting of Interest from FV <ul style="list-style-type: none"> SM reported that the KPMG opinion had been submitted to the Audit Committee. SM reported that the SNG opinion allowed for a split of fair value and interest as IAS39 is not prescriptive in this regard. A submission on the restructuring of one swap to the value of \$750 m has been tabled for Board approval. 	25/6	MM,DS
3.2.8 Guarantee Assistance: Memo & Responsibility FINCO has requested that the memo be enhanced to include guarantee requirements from a Supply Chain perspective and not Treasury only. Matter was not discussed as memo needs to be updated. Meeting has been scheduled with Group ICSM.	25/6	MM
3.2.9 Hybrid Structure Analysis: Discuss with GCE <ul style="list-style-type: none"> MM reported that the Hybrid Structure was not approved based on the fact that financial solutions were sought for underlying problems and it was suggested that these needed to be solved first. 	25/6	Completed
3.2.10 HW Requested ALCO Mandate <ul style="list-style-type: none"> An updated mandate will be circulated electronically for review and comment by members with the aim of accepting at the next meeting. 	22/7	ZG, committee input



DESCRIPTION		ACTION	DEADLINE
3.2.11 Inflation Linkers: TM to provide SM with the structure so that SM can check accounting impact <ul style="list-style-type: none"> SM reported that he has received the information and gave feedback to Rhulani. HW indicated that she provided tax input but it seemed that some might have missed it. HW indicated that she would again send to MW and Treasury. MM suggested that a meeting be set up to discuss the Inflation Linkers and indicated that HW could attend. 		22/7	MM,HW Feedback next ALCO
3.2.12 Monitor Cash Generation <ul style="list-style-type: none"> This will be covered during feedback from MW and MS. 		22/7	Completed
4 FEEDBACK/REPORTING			
4.1 GCFO FEEDBACK			
4.2 GROUP TREASURER			
4.3 FRONT OFFICE REPORTING <p>TM presented the Front Office summary and highlighted the following;</p> <ul style="list-style-type: none"> Cash forecast accuracy posed some challenges as four OD's were below the required accuracy target of 95% as a result the overall average accuracy for the month was at 93% and 94% for the first Quarter. TM remarked that a contributor to the below target performance was the new methodology of using the averages calculation which is more reflective of the real accuracy and further indicated that the OD's would adjust to the new methodology within the next two months. MM enquired if the R1.5 bn loco payment in Sept was included in the cash flow forecast which TM confirmed. TM remarked that the AB ratio for the rolling twelve months was good and the details of the AB ratio were reflected on P2 of the presentation. 		TM,SM	Next ALCO
4.4 STRUCTURED FINANCE REPORTING <p>DK presented the Structured Finance report.</p> <ul style="list-style-type: none"> A discussion followed regarding the actual borrowing requirement for the 14/15 financial year and there seem to be consensus that R15.1bn was no longer the requirement, but there was uncertainty about the actual requirement. The committee was reminded that the GCE could only approve a 10% increase in the funding requirement in terms of the DOA and any number greater than 10% the Board would have to approve. The DPE, who approved the current requirement, would also have to be consulted. MW committed to sending the funding requirement based on the latest estimates and MM remarked that this will then be used to determine the way forward in terms of governance processes. DK remarked that EDC will come to do a due diligence on the 10th September. CDB – as reported at the last meeting, CDB were too expensive. MM reported that an analysis has been done to GCFO with recommendations, which now concluded Treasury's part and that a decision would have to be taken by the GCFO. US Exim approved a Rand equivalent amount of \$563.5m, Treasury will select the financiers from the shortlisted 5. MM remarked that the loco payment would have to be monitored closely considering that there were some uncertainty around the payments. TM needs to meet with TFR to keep abreast of when payments on the loco's will take place. 		TM,MW	Feedback Next ALCO

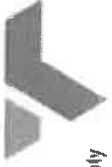


DESCRIPTION	ACTION	DEADLINE
<p>4.5 MIDDLE OFFICE REPORTING</p> <p>Danie Smit presented the Middle Office portion of the Treasury Report</p> <ul style="list-style-type: none"> DS explained that the longer version of the Finco Report would be presented to ALCO and this replaced the word version of the report previously sent to MM and AS only. DS referenced to Rand forward curve on p1 and remarked that these were the forward rates applicable if hedging took place and not spot rates. It was agreed that for committed fx exposures, forward rates would be used for budget purposes but for uncommitted fx exposures, forecasts would be used. On P3, MW queried the negative balance in Sept and it was explained that this would be the situation if no funding initiatives realised. MM remarked that committed facilities were sufficient to cover this shortfall. Referring to Divisions Funded on P4, TM singled out Group Services (R1,795m) and it was thought to relate to bonus payments. NT was tasked to confirm this. WACD at 9.35 from 9.40% the previous month. Fixed interest rate ratio: remained @ 79% after derivatives which is within limits. Fair market value of derivatives: positive R7.2 bn (previous R7.8 bn). Capex budget: Using the latest BER FX forecast. A R5.85bn budget excess could be expected over 7 years (R1.6bn for 14/15). A 10% movement from budget rates could result in a R14.6bn change over the 7 year period. Finance Cost Budget: a saving to budget of R11 million could be expected at current market rates, which included current as well as new funding as well as YTD saving on finance cost. Treasury has a target of saving R300m for the 14/15 financial year. DS pointed out that Transnet bond spreads had widened by approximately 15 basis points over the last 3 months referring to the graph on P8 and cautioned that this would increase the cost of funding. Fuel Budget (14/15): An excess of R51 million (prev R117 million) is expected including the pay-off profile of options. DS reported that 75% of TFR's traction fuel was hedged for 14/15 and remarked that a submission was circulating to get approval to do rolling hedges for the next FY. The overall counter party risk exposures were R14.58 bn, which includes R1.989bn guarantees at a nominal value of R10.2 bn. DS briefly touched on the Compliance Report and remarked that there were no compliance concerns that need to be reported to the committee. Referring to the ISDA's, DS cautioned that sub investment grade credit rating for Transnet and some banks would trigger certain early termination clauses. Heat maps plotting Transnet's top risks indicated that a credit rating risk downgrade was now a category one risk. TM reported that due to the recent downgrade of Transnet, clauses on borrowings with African Development Bank and EDC were triggered but not enforced since discussions with the lenders persuaded them and averted a repricing of the loans. TM in referring to a possible Moodys downgrade remarked that Transnet's current Issuer Standalone Rating was A3 which was still 3 notches above levels where covenant would be impacted and 6 notches above based on the Local Currency Rating. 	NT	Next ALCO
<p>4.6 TREASURY OPERATIONS</p> <p>SM briefly highlighted the following.</p> <ul style="list-style-type: none"> TIA would finalise the Treasury effectiveness review in September. There have been instances where former employees have claimed interest on a previous share scheme, but record indicated that amounts due have been paid. The matter was referred to legal. 		



DESCRIPTION	ACTION	DEADLINE
<ul style="list-style-type: none"> Item 15 (enhancement to financial management reporting) of the status report was also referred to but not discussed. On the IT report Item 1, SM reported that the battle box was updated as well as the BCP, but commented that there was a new template which had to be updated. SM also reported that CVA was down R47m from YE. 		
4.7 GROUP FINANCIAL PLANNING <ul style="list-style-type: none"> MW presented the financial performance report and explained the figures on page 1. Referring to the CIC he remarked that the 12 month rolling method used to calculate the CIC has been stopped, due to inconsistencies relating to prior year reporting, hence reverting back to the YTD calculation. Referring to trend estimates on p 13 it was evident that meeting September targets would be a challenge. Initiatives put in place to enhance EBITDA were explained and MW reported which ones have been realised. It was reported that the re-coupons of the JPM swap would provide about a R300m saving in external finance charges. DS remarked that upon execution restructuring could be customised even further to provide more relief for this financial year. MW remarked that initiatives were tracked on a weekly basis and that achieving it was not negotiable. MW indicated that the cashflow at risk did improve as initiatives started realising which brings some relief. KW queried the achievability of targets citing continuous under achievement every year. The reasons and solutions were explained and discussed within the committee. 		
4.8 GROUP CAPITAL INTEGRATION <p>MS tabled the Capital Investment Report and the following were highlighted:</p> <ul style="list-style-type: none"> YTD Investment was R8.2 bn which was 15% over the approved budget. This could mainly be attributed to accrual of the second milestone payment for the 100 additional 21E loco's. There was a concern that it seemed unlikely that the remainder 85 of the 95 loco's would be delivered this FY and since it was being built by CSR. This would have an impact on a portion of the 1064 loco's and hence the funding requirement. MM requested that the TFR Capital Team be met to understand the timing of payments of 1064 loco's considering delays in the 95 loco's. It was projected that by year end Capex would be R2.1 bn over budget and this would lead to affordability constraints since only R30bn could be afforded while R33bn was committed. MW commented on the importance of achieving the R6.1bn capex initiatives MM enquired about the additional R2.5bn on the NMPP project and it was reported that approval was required. This was not included in budget and if approved, R1.5bn would be spent in this FY 	MS	Next ALCO
5 RESOLUTIONS		
6 General <ul style="list-style-type: none"> HW reported Transnet filed for leave of appeal in the Pension Fund case. It was reported that detailed feedback would be provided to the Market, once questions were being raised, to explain Transnet's position in order to manage perceptions. 		
7 NEXT MEETING <ul style="list-style-type: none"> TBC 		

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MATTERS ARISING



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FEEDBACK/REPORTING

(Item 4.1: GCFO's report)

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FEEDBACK/REPORTING

(Item 4.2: Treasurer's Report)

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COMMISSION OF INQUIRY

FEEDBACK/REPORTING

(Item 4.3: Front Office)

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[illegible]

Credit Rating covenants:

1. Notify and advise how Transnet will meet obligations- R5 980;
2. Revision in price (BIB-) and prepayment or guarantee (90 days) below B8B-R5 597
3. Only matter if there is change of control-R63 888; GMTN includes Change of Business that leads to negative credit rating event.
4. No credit rating clause-R4 600;
5. Guarantee requirements if one notch from subinvestment (Local currency)-R5 871;
6. Qualifying Guarantee within 90 Days-R5 246.

N1-National Treasury engagements
N2-OD's Treasury engagements on CM Project / Credit rating
N3-Credit rating engagements.

Liquidity Position: Sources and Uses ratio

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SOURCES AND USES CALCULATION CUMULATIVE		September 2014 to August 2015											
		1	2	3	4	5	6	7	8	9	10	11	12
		Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug
Cash flows from operating activities before working capital movements		1 817	3 634	5 452	7 269	9 086	10 903	12 720	15 018	17 317	19 615	21 913	24 211
Capitalised borrowing costs		(149)	(299)	(448)	(597)	(746)	(896)	(1 045)	(1 181)	(1 318)	(1 454)	(1 591)	(1 727)
Interest on pensions		5	11	16	22	27	33	38	44	50	55	61	66
Finance cost on capitalised leases (operating leases x 1/3)		52	105	157	209	261	314	366	421	476	531	586	640
Government guarantee		3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500	3 500
Opening cash and cash equivalents		3 679	3 679	3 679	3 679	3 679	3 679	3 679	3 679	3 679	3 679	3 679	3 679
Committed facilities		14 100	14 100	16 100	16 100	16 100	16 100	16 100	16 100	16 100	16 100	16 100	16 100
Sources		23 005	24 730	28 456	30 182	31 907	33 633	35 359	37 085	38 811	40 537	42 263	43 989
Committed capital expenditure		3 272	10 320	12 305	13 761	15 097	16 782	18 834	20 792	22 667	24 378	27 016	28 816
Working capital movement		78	155	233	310	388	465	543	613	684	755	826	896
Loan redemptions		137	557	1 227	1 439	1 813	2 852	3 201	3 468	3 837	4 299	4 523	5 628
Uses		3 487	11 032	13 764	15 510	17 297	20 099	22 577	24 873	27 188	29 432	32 365	35 341
Sources and Uses (times)		6.60	2.24	2.07	1.95	1.84	1.67	1.57	1.51	1.46	1.43	1.37	1.31
95% EBITDA Achievement		6.57	2.23	2.05	1.92	1.82	1.65	1.54	1.48	1.43	1.39	1.33	1.28
90% EBITDA Achievement		6.55	2.21	2.03	1.90	1.79	1.62	1.51	1.45	1.40	1.36	1.30	1.25
85% EBITDA Achievement		6.52	2.19	2.01	1.88	1.77	1.59	1.48	1.42	1.37	1.33	1.27	1.21

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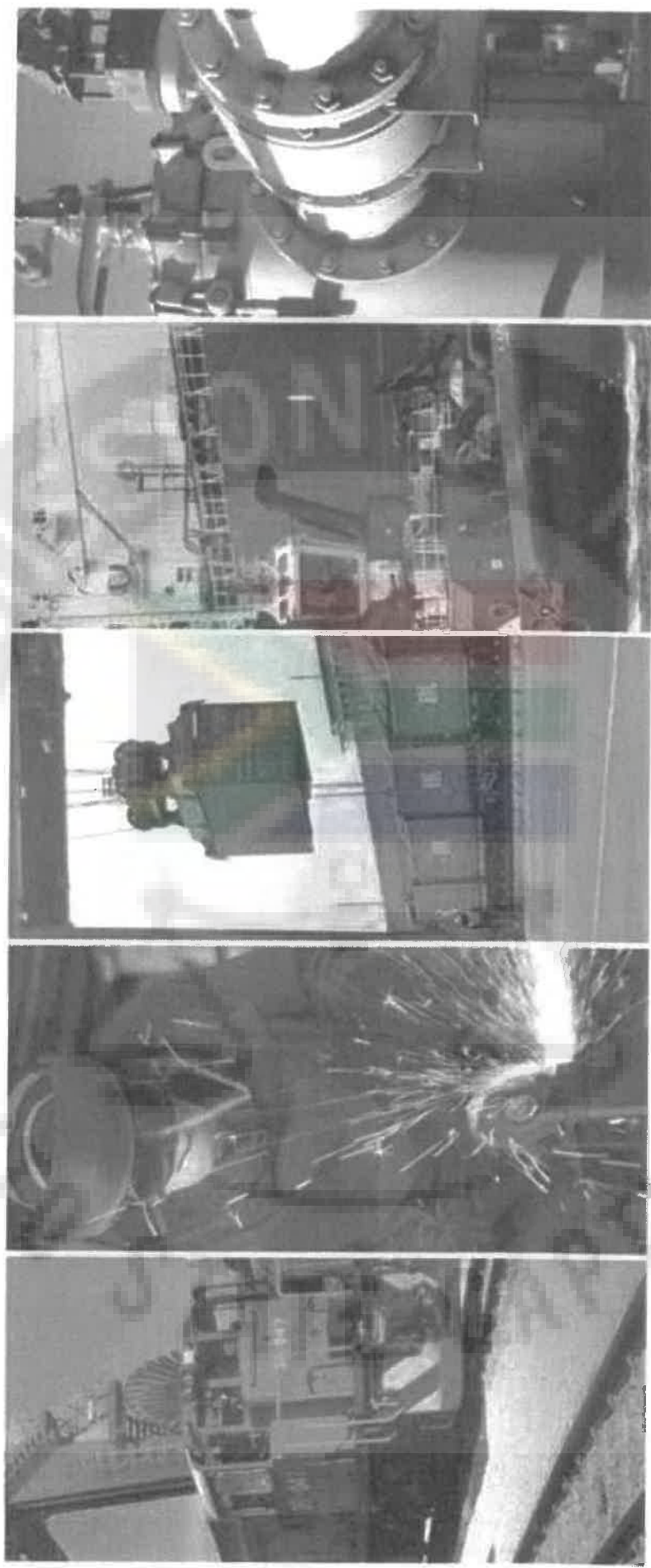
FEEDBACK/REPORTING

(Item 4.4: Structured Finance)

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ALCO
GROUP TREASURY STRUCTURED FINANCE

September 2014

Sources of Funding

TRANSNER



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Sources of Funding	Required Funding for 2014/15 (Corporate Plan) R billion	Raised to date (as at 4 September 2014) R billion
Domestic Bonds		
RMB (TNF20U)	5.700	1.000
Commercial Paper		
DFI's		2.400
ECA	4.400	
GMTN		
Bank Loans		
BTMU (*US\$300 m @ USD/ZAR10.32 and US\$200 m @ USD/ZAR10.65)	5.000	3.095* 2.129*
LIBFIN		1.750
Standard Bank (SBSA)		2.000
TOTAL	15.100	12.374

Domestic Bonds

TRANSNET

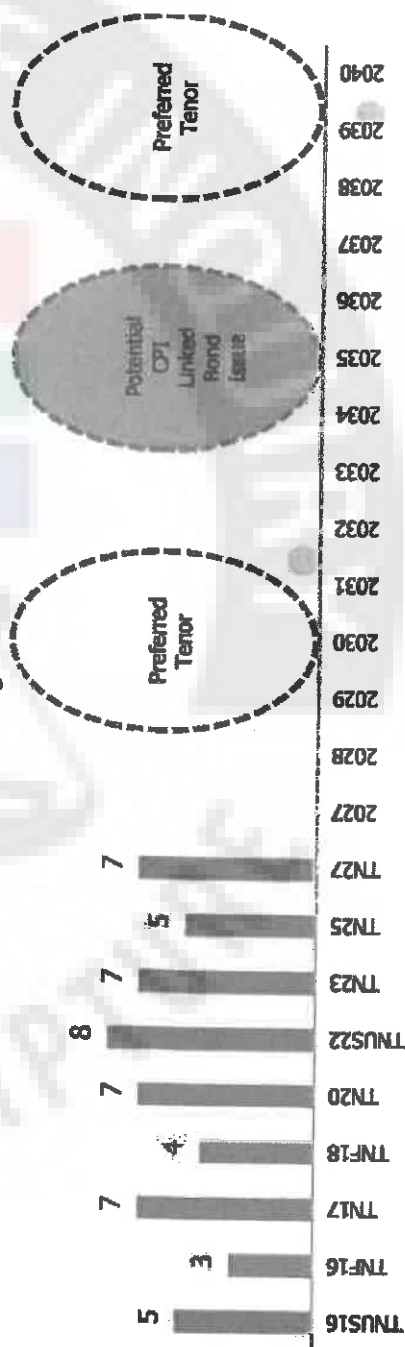


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	Issue Date	Maturity Date	Yrs to Maturity	Outstanding Amount (R billion)	Bond Limit (R billion)	YTM
TN17	14/11/2007	14/11/2017	3.00	7.000	7.000	7.630
TN20	17/09/2009	17/09/2020	6.00	7.000	7.000	8.895
TN23	06/11/2008	06/11/2023	9.00	7.000	7.000	9.040
TN25	19/08/2010	19/08/2025	11.00	5.144	7.000	9.355
TN27	09/11/2007	09/11/2027	13.00	7.000	7.000	9.415
TNF16	13/06/2013	10/06/2016	1.92	3.286	N/A	6.900
TNF18	22/08/2013	22/08/2018	4.00	1.500	N/A	7.417
TNF20U	14/04/2014	14/04/2020	5.79	1.000	N/A	7.280

Transnet Bond Curve Domestic and International Bond Issuances

■ Outstanding Balance



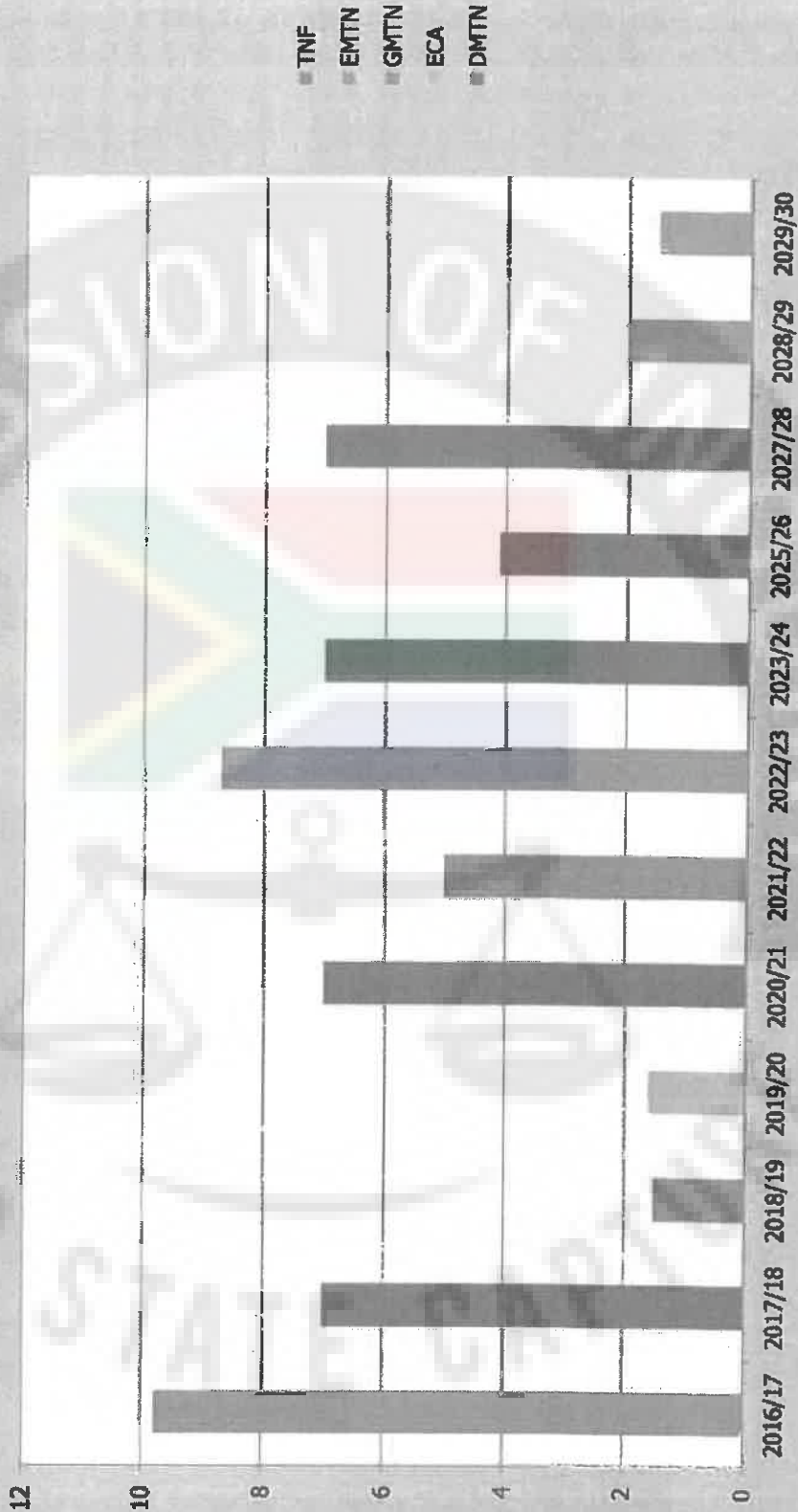
1. Only the TN25 bond is still available for tapping for an approximate amount of R1.856 billion.
2. Approval from the GCE pertaining to the issuance of two long dated bonds has been received.
3. Inaugural issuance of these instruments will proceed in the last week of September.
4. A possible increase in yields is expected for future issuance as a result of a recent credit downgrade from S&P to BBB- (Foreign Currency).
5. The two longer dated bonds may be benchmarked to the government's R213 and R214, respectively.



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Funding Buckets

Bullet Redemptions



Progress on Transactions

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Transaction	Salient Terms	Progress	Expected Transaction Close
1224 Locomotives Financing	EDC : <ul style="list-style-type: none">• 13 year, \$600 million facility at 3m Jibar+200bps;• Administration fee : 45bps of the financed amount.• Commitment Fee: 0.35% p.a. of the margin CDB : <ul style="list-style-type: none">• 15 year, \$2.5 billion bullet loan at 6m Libor+275bps.• Facility Agency Fee: \$60 000 p.a.• Arrangement Fee: 150bps of total commitments.• Commitment Fee: 1% of the unutilised portion. US EXIM: <ul style="list-style-type: none">• Guarantee size: \$563.5 million for 14 years• Risk Premium : 5.97%• Commitment fee: 0.125%	<ul style="list-style-type: none">• EDC and Investec Bank will jointly finance the procurement of the 240 locomotives from Bombardier.• Negotiations will resume once Group Treasury has finalised the 1224 Locomotives RFP process.• China Development Bank ("CDB") have indicated their willingness to fund the CSR and CNR locomotives. However, their revised pricing is still above Transnet's weighted cost of debt. The new rate is equivalent to 6m Jibar+450bps.• Group Treasury recommended to GCFO and GCE that Transnet should explore cost effective alternative funding sources that may be used to finance the CSR and CNR locomotives given that CDB failed to revise its pricing to acceptable levels.• The funding transaction for the GE Locomotives will commence once Group Treasury has appointed the Lead Arrangers and/ or Financiers.• The 1224 RFP process has advanced into the next stage with five shortlisted banks (HSBC; Standard Bank; Nedbank; JP Morgan; and ABSA/Barclays).• The banks have provided more comprehensive pricing and confirmed their final terms and conditions. Group Treasury envisages selecting the two best banks to co-lead and co-finance the transaction.	<ul style="list-style-type: none">• 30 November 2014• 30 October 2014
Standard Bank	<ul style="list-style-type: none">• 10 year, R2 billion loan facility at 3m Jibar+165bps (all in current rate of 7.38%).• Commitment Fee 0.36% of total undrawn amount.	<ul style="list-style-type: none">• The Standard Bank ZAR2bn loan was successfully executed on 19 August 2014 and the drawdown of the whole Facility took place on the 22nd August 2014.	<ul style="list-style-type: none">• 19 August 2014



Funding Plan Overview

Focus For 2014/15
<ul style="list-style-type: none">Continue to use the domestic capital markets as a primary funding source with emphasis on issuing new long-term fixed bonds; medium-term floating rate note bonds and a CPI Linked bondUse Commercial Paper for working capital needsContinue utilising Exports Credit Agency and DFI fundingImplement a Debt Redemption FundExplore opportunistic bank and private placement funding
Potential Further Sources of Funding
<ul style="list-style-type: none">Syndicated LoansIslamic Finance StructuresSovereign Wealth Funds

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FEEDBACK/REPORTING

(Item 4.5: Middle Office)

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Treasury Report for August 2014

MEM-SUP-059

Treasury Report – Market Update

Amounts in R million

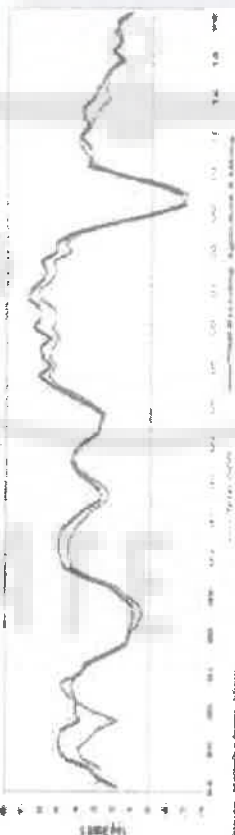
International Indicators

- Global economic growth has continued at a reasonable pace through to the present. Persistence of record low interest rates has continued to provide support for the world economy. Global economic conditions on the whole appear more favourable than at any stage since the 2009 global recession, albeit moderately. This outlook is underpinned by the fact that recent evidence points to a more brisk recovery in the US in Q2.
- However, the downside risk factors for a global recovery are the huge overhang of high levels of government debt in developed economies, combined with the uncertainty as to what impact a normalisation of interest rates globally, back to positive levels in real terms will imply for global economic conditions.

Local Indicators

- The quarter 2 seasonally adjusted and annualised q-o-q growth rate in GDP improved to 0.3%, from -0.6% in the 1st quarter, which was itself the worst such figure since the 2009 recession. The 2nd quarter outcome was somewhat worse than consensus forecasts and it is likely that GDP growth for the whole of the year will be lower still than the 1.7% most recently forecast by the IMF and the Reserve Bank.

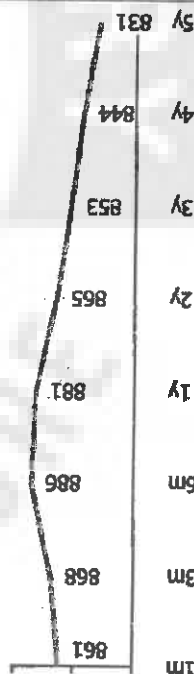
Foreign Exchange Reserves (R million)



Commodities

- Fuel price relief- The Department of Energy announced that the price of 95 Roef petrol would decline by 57c/l (or 4.67%) to R13.66/l in September, mainly owed to a 3.16% decline in the Rand price of Brent crude to a multi-month low in August. This will bring the fuel price to the lowest level since January. Looking forward, the Rand arguably poses the most pertinent risk to the fuel price outlook given that the global growth backdrop in conjunction with ample global energy supplies remain conducive to lower global crude prices.
- Prices for iron ore tumbled again in August hitting levels close to those seen last in October 2009. Oversupply as well as China's unseen signs of recovery are to blame for these losses. Benchmark Australian ore, with a 62% iron content, dropped 0.1% to \$97.62 a tonne, according to Metal Bulletin, bringing the monthly loss to 8.4% and the yearly one to over 35%.

Gasol Futures Curve (US\$/mt)



Iron Ore spot



Markets

Bonds

Bond yields have rallied in the past month, as markets have moved to price in a simultaneous slowdown in growth and inflation deceleration. While still there, pressure on the SARB to hike has fallen in line with declining inflation pressure. Currency and inflation risk premium have unwound, leading to a parallel shift lower in the curve. The benchmark R186 is currently trading within a 10bp range around 8.0%. The yield has fallen from a peak of 8.33% at the beginning of August.

Rand

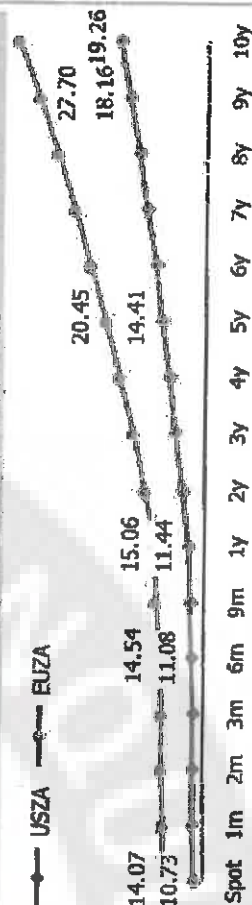
The Rand strengthened in August, appreciating by 1.6% on a trade-weighted basis. On a purchasing power parity basis alone the Rand is still about 9.2% undervalued.

The Rand strengthened further, but the underlying vulnerability remains given the country's twin deficits and uncertain monetary policy outlook.

Credit Default Swaps (CDS)

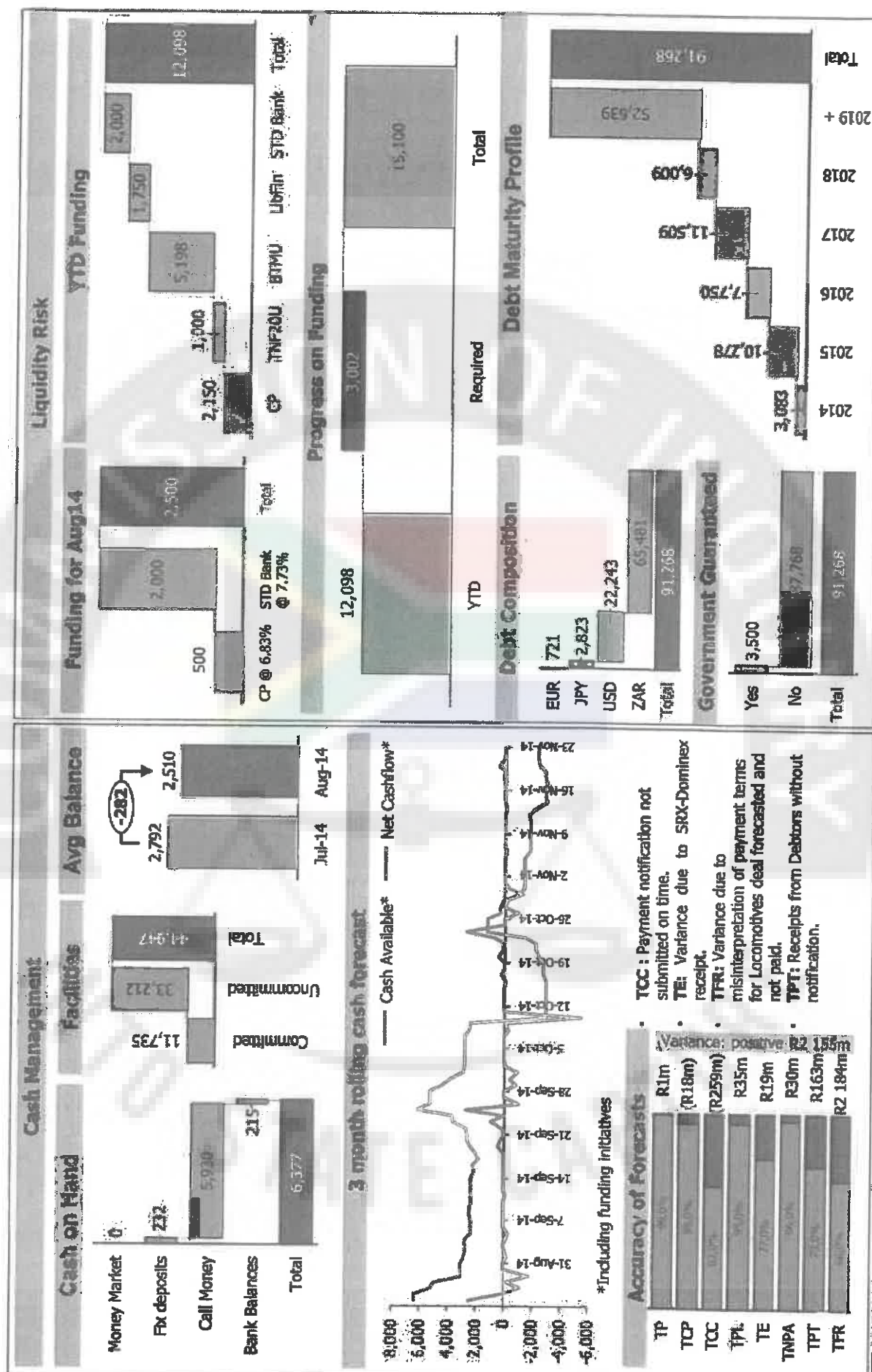
The local 5 year sovereign CDS spread (chart below) has narrowed rather sharply in recent weeks from levels around 200 basis points on August 7 to the most recent 167 basis points. The particularly weak local growth outlook is eclipsing the underlying risks to SA's fiscal dynamics that remain prevalent.

Rand Forward Curves



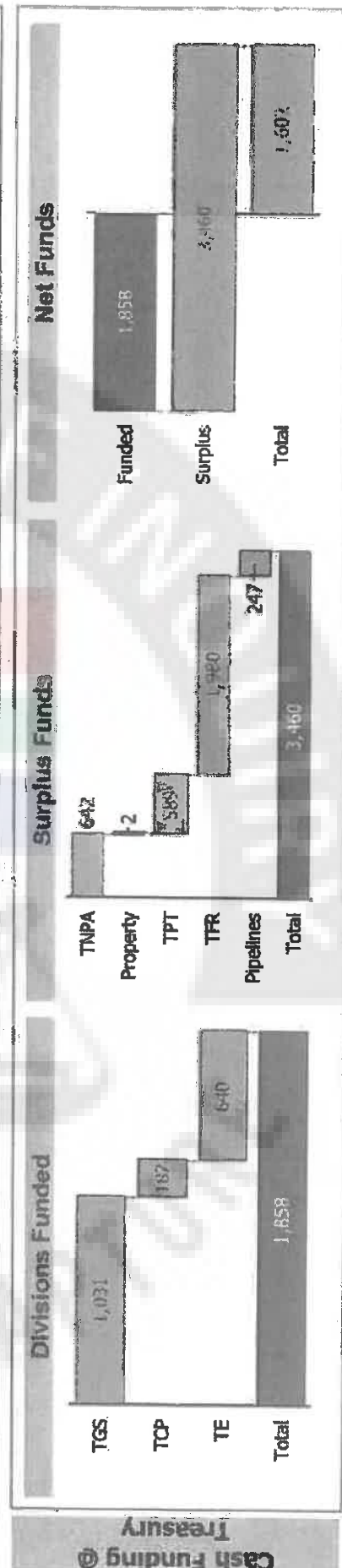
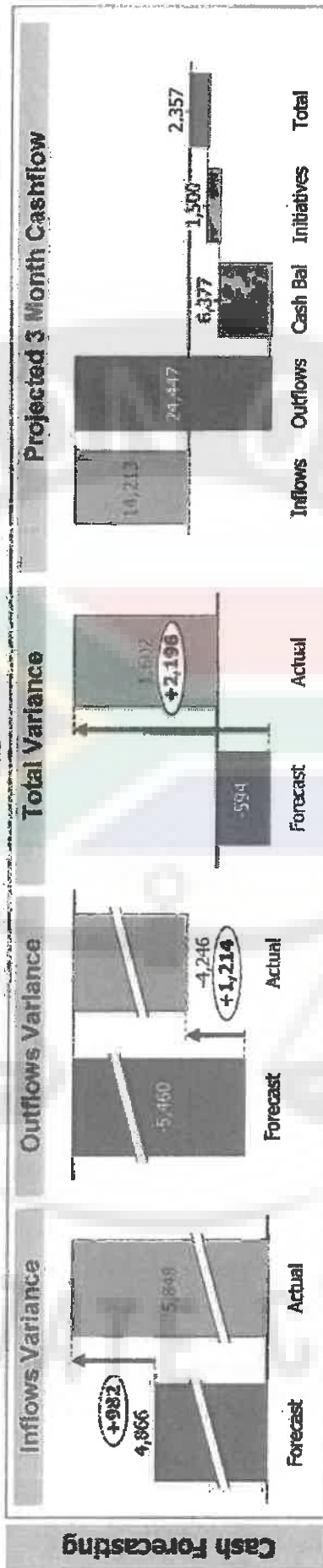
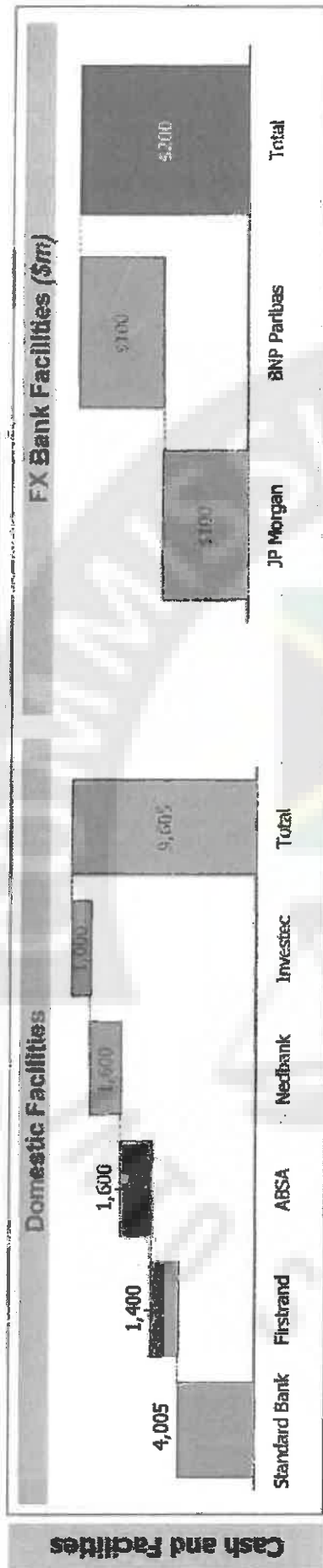
Treasury Report - Liquidity

Amounts in R million



Cash Management – Additional Info

Amounts in \$ million



Cash Management – Additional Info

Amounts in R million

				Actual Rm	Forecast Rm	Variance Rm	Accuracy Achieved	Variance Explanation					Actual Rm	Forecast Rm	Variance Rm	Accuracy Achieved	Variance Explanation		
Transnet Freight Rail	Operating receipts	3 639	3 022	617	80	The cause: Receipts from Debtors without notification. Corrective Actions: Improve communication with the customers.			Group Head Office	Operating receipts	22	0	22	0			Miscellaneous variance.		
	Operating payments	(1 650)	(3 228)	1 567	51	Variance due to misinterpretation of payment terms for Locomotives deal forecasted and not paid.				Operating payments	(1 053)	(772)	281			53	The cause of the variance: Payment notification not submitted on time. Corrective Actions: Improving relations with Accounts payable.		
	*Net In/(out)	1 989	(206)	2 194						*Net In/(out)	(1 031)	(772)	259						
	* Average Performance				66					* Average Performance									
Transnet Port Terminals	Operating receipts	868	654	214	67	The cause: Receipts from Debtors without notification. Corrective Actions: Account receivable managers to improve customer relations.			Transnet Capital Projects	Operating receipts	1	1	0	1	1	0	100		
	Operating payments	(279)	(228)	51	78	The cause: Variance due to Invoices received late from suppliers. Corrective Actions: Improve communication with the Accounts payable.				Operating payments	(188)	(170)	18			89	The cause of the variance: Variance due to certain vendors not included in the forecast for two weeks instead of the month.		
	*Net In/(out)	589	426	163						*Net In/(out)	(187)	(169)	18						
	* Average Performance				73					* Average Performance						96	Achieved		
Transnet National Ports Authority	Operating receipts	822	786	36	95	Miscellaneous variance.			Transnet Property	Operating receipts	51	52	1			98	Miscellaneous variance.		
	Operating payments	(180)	(188)	8	97	Miscellaneous variance.				Operating payments	(48)	(48)	0			100	Miscellaneous variance.		
	*Net In/(out)	642	600	40						*Net In/(out)	2	3	1						
	* Average Performance				96					* Average Performance						98	Achieved		
Transnet Engineering	Operating receipts	84	35	29	55	The cause of the variance: Variance due to SRX-Dumax receipt. Corrective Actions: Improve communication with the customers.			Grand Total	Inflows	5 848	4 898	950						
	Operating payments	(733)	(723)	10	99	Miscellaneous variance.				(Outflows)	(4 248)	(5 480)	1 232			71			
	*Net In/(out)	(669)	(688)	19						Net Total	1 602	(354)	232						
	* Average Performance				77					* Average Group Performance									
Transnet Pipelines	Operating receipts	352	316	38	89	The cause of the variance: Receipts were inaccurately forecasted due to cut off time of the system. Corrective Actions: Improve the revenue posting on time.													
	Operating payments	(105)	(108)	1	100	Miscellaneous variance.													
	*Net In/(out)	247	210	38															
	* Average Performance				98														
Grand Total										*Net In/(out): Net Cash Inflow/(Outflow), *Performance : Average of Receipts and Payments.								PAGE 2	

Funding – Additional Info

Amounts in R million

Funding Sources

- Domestic Bonds;
- Commercial Paper;
- International Bonds;
- Development Finance Institutions (AfDB, AFD, CDB);
- ECA's – US Exim; EDC; Atreidius;
- Bank Loans (eg: BTMU, Standard Bank); and
- Institutional Investor Loans (eg: LIRFin).

Progress on Funding Initiatives

US Exim (Export Import Bank of the United States)

The funding transaction for the GE Locomotives will commence once Group Treasury has appointed the Lead Arrangers and/ or Financiers.

The 1064 RFP process has advanced into the next stage with five shortlisted banks (HSBC; Standard Bank; ABSA/Bardays; Nedbank; JP Morgan). The banks are expected to provide more comprehensive pricing and confirm their final terms and conditions. This will then be evaluated and the best bank will be selected to lead the transaction and the other four to co-arrange.

Standard Bank

The Standard Bank ZAR2 bn loan was successfully executed on 19 August 2014 and the drawdown of the whole Facility took place on the 22nd August 2014.

Probable New Funding Initiatives

Long Dated and Inflation Linked Bonds

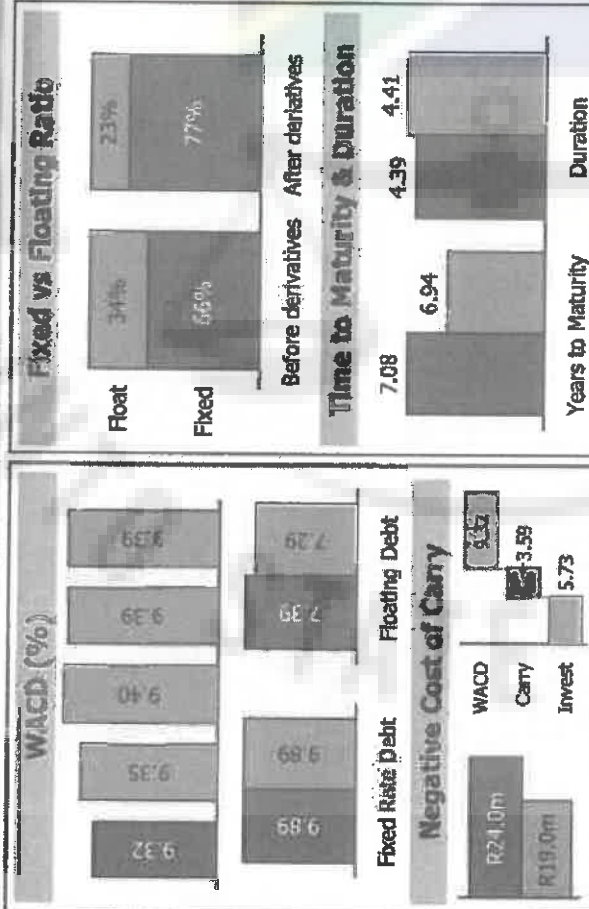
Group Treasury has proposed the issuance of two long dated bonds and an Inflation Linked bond to the Group Executive Officer and has received approval in this regard. Group Treasury will proceed with the inaugural issuance of these instruments the last week of September or early November, depending on market conditions. Transnet's bi-weekly bond auctions will recommence thereafter.

Treasury Report – FX and Currency Risk

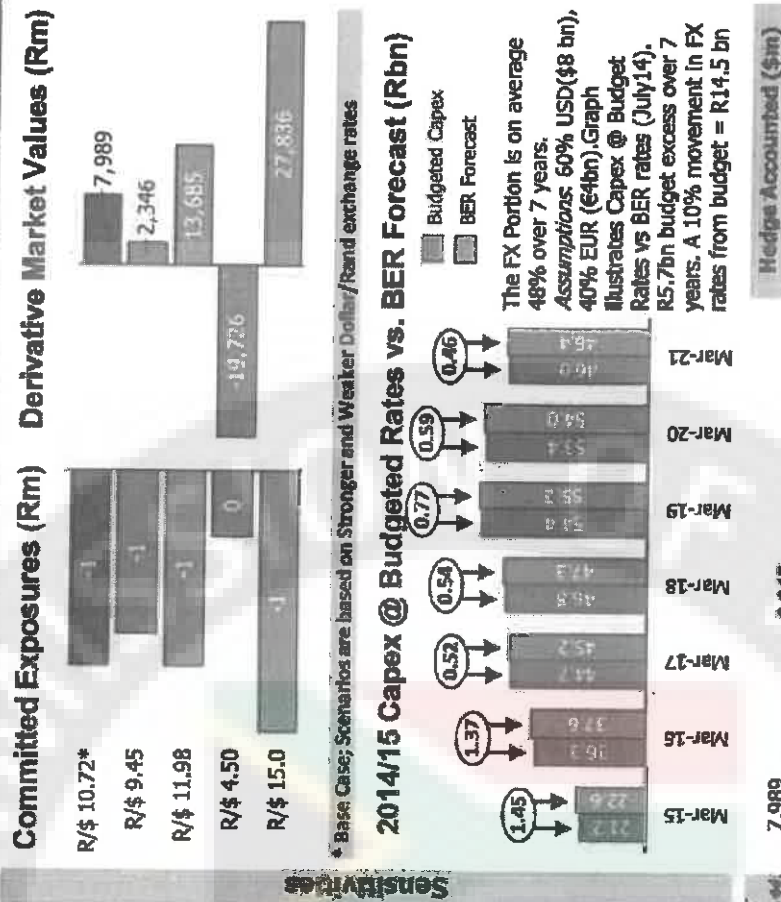
Amounts in R million

Current Previous

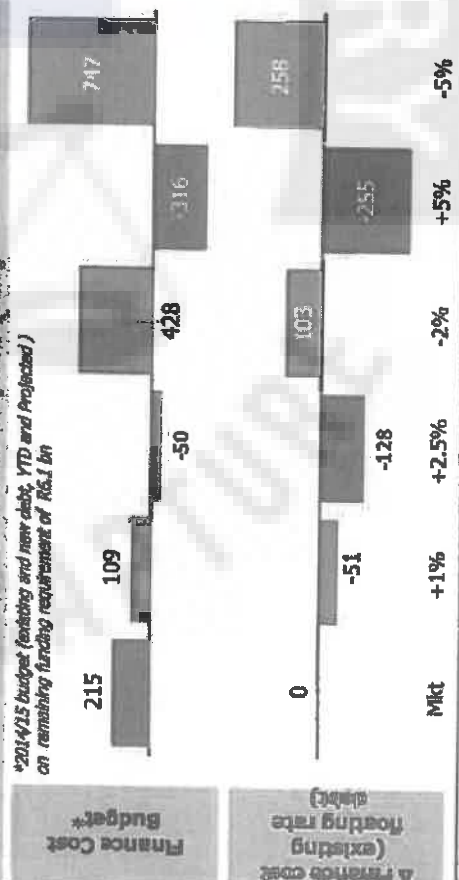
Interest Rate Risk



Foreign Exchange Rate Risk



Interest Rate Impact (Rm)

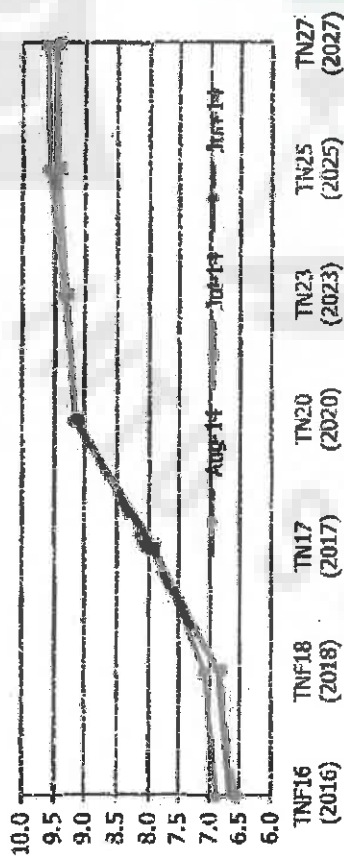


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Risk Management – Additional Info

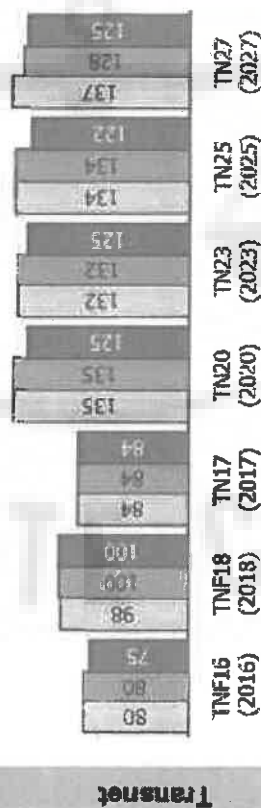
Amounts in R million

Transnet Yield Curve



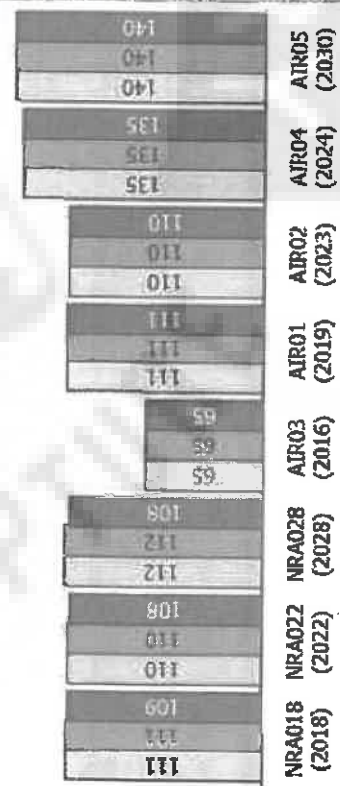
Corporate Bond Spreads: SOE's

Aug-14 Jul-14 Jun-14



Bond Spreads have started widening and can be attributed to rating downgrade, negative pension fund publicity, Sanral, Eskom and global ZAR bond

Sanral(NRA) and ACTSA(AIR)



TRANSNET

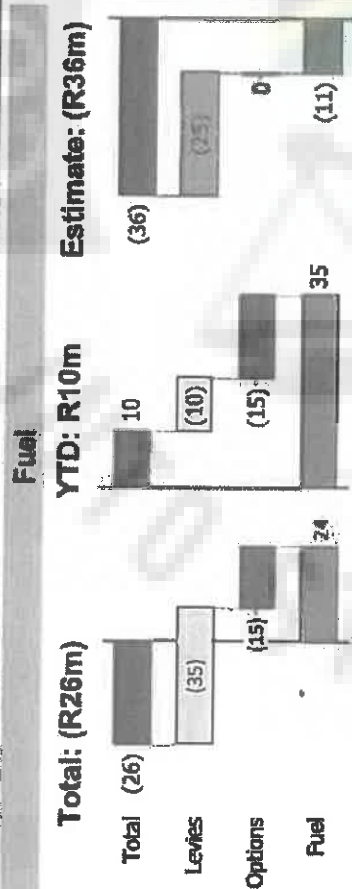
Weighted Average Cost of Debt

Counterparty	CCY	Maturity Date	O/s National (Rm)	WACD	O/s National (Rm)	WACD
25-Aug-14						
AFIAC	JPY	15-Nov-19	1,250	12.22%	1,250	12.22%
JIBC	JPY	22-Feb-21	1,573	11.14%	1,573	11.14%
AIDB - B Loan	USD	01-Aug-18	2,503	8.69%	2,503	8.69%
BTMU	USD	15-May-19	5,246	9.05%	5,246	9.05%
EDC	USD	30-Nov-18	931	7.47%	931	7.47%
KFW	EUR	25-Mar-19	721	9.64%	721	9.64%
TNUS16	USD	10-Feb-16	5,468	10.40%	5,468	10.40%
TNUS22	USD	26-Jul-22	8,195	8.96%	8,195	8.96%
Paragage Currency Loans	USD		28,762	8.52%	28,762	8.52%
AFD (French Dev. Bank)	ZAR	30-Nov-24	875	9.25%	875	9.25%
ECA Attradius	ZAR	15-Sep-20	336	11.10%	336	11.10%
ECA Finvera	ZAR	15-Sep-20	367	10.58%	367	10.58%
EXIM	ZAR	15-Jun-22	691	8.03%	691	8.03%
EXIM Sep 2023	ZAR	15-Sep-23	994	8.95%	994	8.95%
ESKOM Loans	ZAR		1,308	8.34%	1,308	8.34%
Euro 10% 2029	ZAR	30-Mar-29	1,500	14.56%	1,500	14.56%
Euro 13.5% 2028	ZAR	18-Apr-28	2,000	13.41%	2,000	13.41%
ESKOM Bonds	ZAR		3,699	13.43%	3,699	13.43%
TN17	ZAR	14-Nov-17	7,000	10.16%	7,000	10.16%
TN20	ZAR	17-Sep-20	7,000	9.89%	7,000	9.89%
TN23	ZAR	06-Nov-23	7,000	10.05%	7,000	10.05%
TN25	ZAR	19-Aug-25	5,144	9.12%	5,144	9.12%
TN27	ZAR	14-Nov-27	7,000	10.16%	7,000	10.16%
TN2421	ZAR	13-Nov-21	5,000	9.50%	5,000	9.50%
ESKOM Bonds	ZAR		1,308	8.34%	1,308	8.34%
Total Bond Rate Debt			70,693	9.89%	70,693	9.89%
25-Jul-14						
Commercial Paper	ZAR	20-Aug-15	2,795	6.69%	2,795	6.69%
110 Loco's	ZAR	20-Dec-21	2,737	7.44%	2,737	7.44%
32 Loco's	ZAR	30-Apr-20	947	6.46%	947	6.46%
AIDB - A Loan	ZAR	02-Aug-21	2,365	7.99%	2,365	7.99%
AFD (French Dev. Bank) FI	ZAR	30-Nov-24	638	8.15%	638	8.15%
KFW ZAR	ZAR	25-Mar-19	1,400	7.66%	1,400	7.66%
Libin	ZAR	19-Jul-22	1,750	7.78%	1,750	7.78%
Sid Bank 2024-08-21	ZAR	21-Aug-24	2,000	7.80%	2,000	7.80%
TN16	ZAR	18-Nov-21	156	8.56%	156	8.56%
TN18	ZAR	10-Jun-16	3,286	6.96%	3,286	6.96%
TN200	ZAR	22-Aug-18	1,500	7.49%	1,500	7.49%
TN200	ZAR	14-Apr-20	1,000	7.35%	1,000	7.35%
ESKOM Bonds	ZAR		20,575	7.39%	20,575	7.39%
Total Debt			91,268	8.32%	91,268	8.32%

Treasury Report – Commodity Risk | Credit Risk | Compliance | Accounting



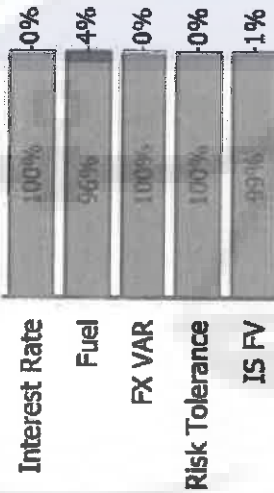
Amounts in R million



Budget Sensitivity (2014/15 FY)

300	800	500	1000	1500	2000
300	800	500	1000	1500	2000
300	800	500	1000	1500	2000
300	800	500	1000	1500	2000
300	800	500	1000	1500	2000
300	800	500	1000	1500	2000
300	800	500	1000	1500	2000
300	800	500	1000	1500	2000
300	800	500	1000	1500	2000
300	800	500	1000	1500	2000

Risk Tolerance Limit Utilisation



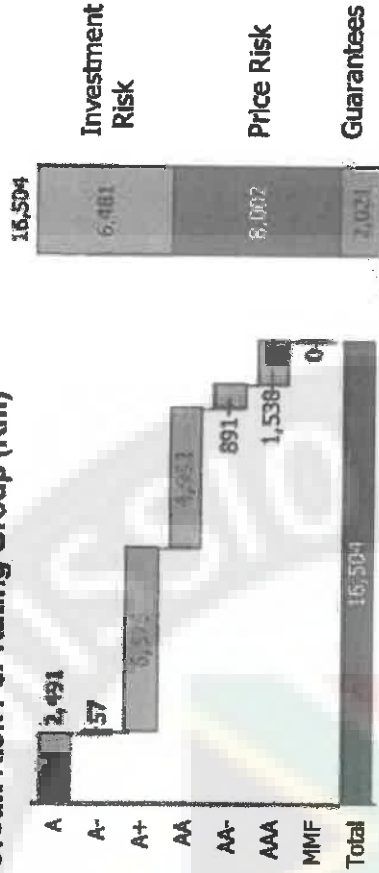
Compliance and Covenants

Debt covenants are up to date as at end-Aug 2014. Financial covenants at end-August 2014 were: Long Term Credit Rating of BBB- for S&P and A3 for Moody's (both are Investment grade); Cash Interest Cover (CIC) 3.7x on 12m forecast; and Gearing 47.1%. The French Development Agency (AFD) credit facility reprises higher if the CIC is below 3.0 times and Gearing is higher than 50% at 31 March or 30 September. CIC of 2.5x or lower and/or Gearing of $\geq 60\%$ is an event of default. AFD debt position is currently R1.5 billion

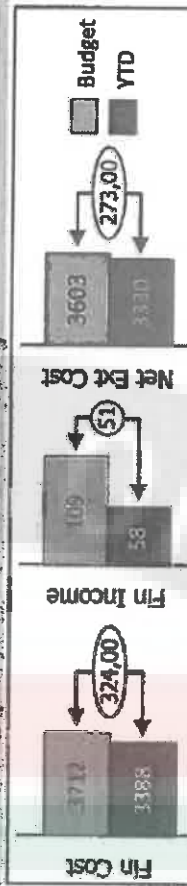
2 PA trades done during August were in accordance with approved policies.

Credit Risk

Credit Risk Per Rating Group (Rm)



Accounting (Finance Cost & Fair Value)



Hedge Accounting & Fair value

Cash flow hedges are close to 100% effective. Income statement net fair value for Treasury is R26m gain, which includes the amortisation of day one loss R6m, Day One Loss expensed on KPW and BTMU swaps R28m, reduction in CVA R49m (profit), and ineffectiveness of R11m profit.

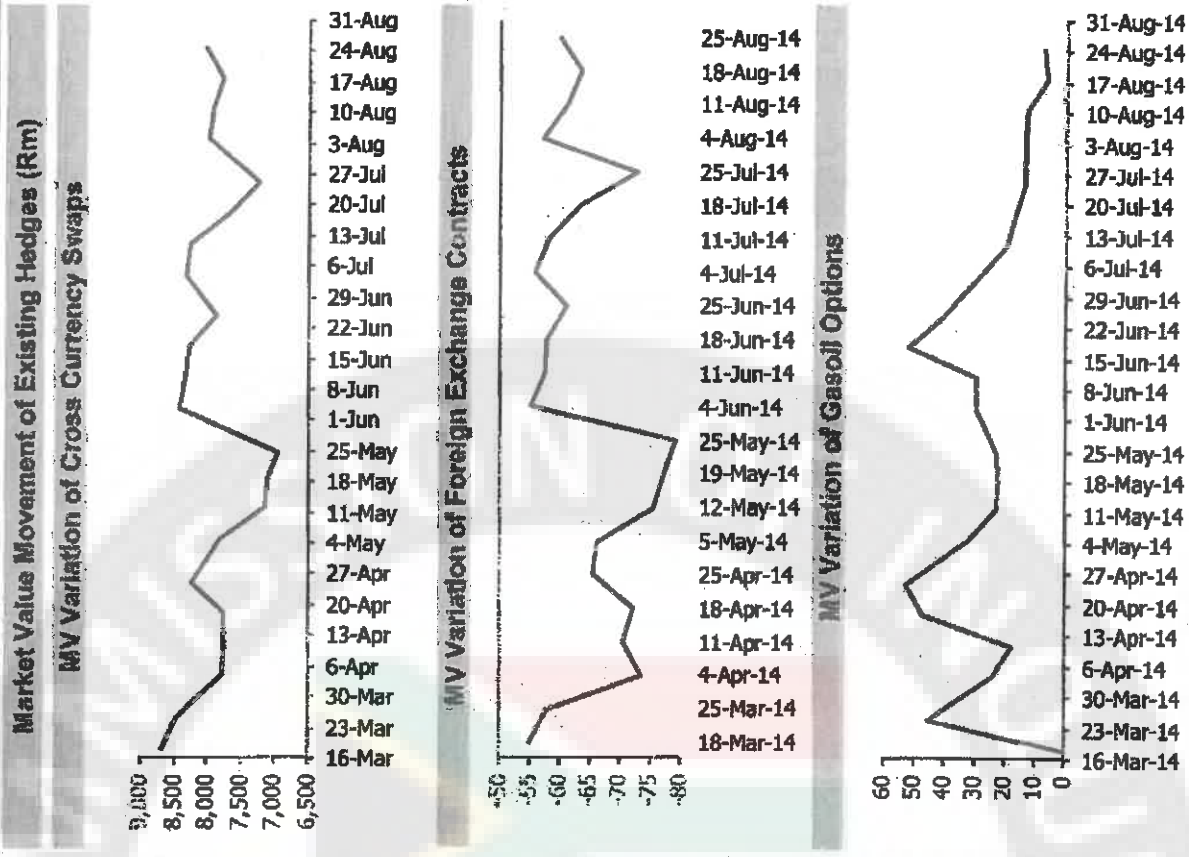
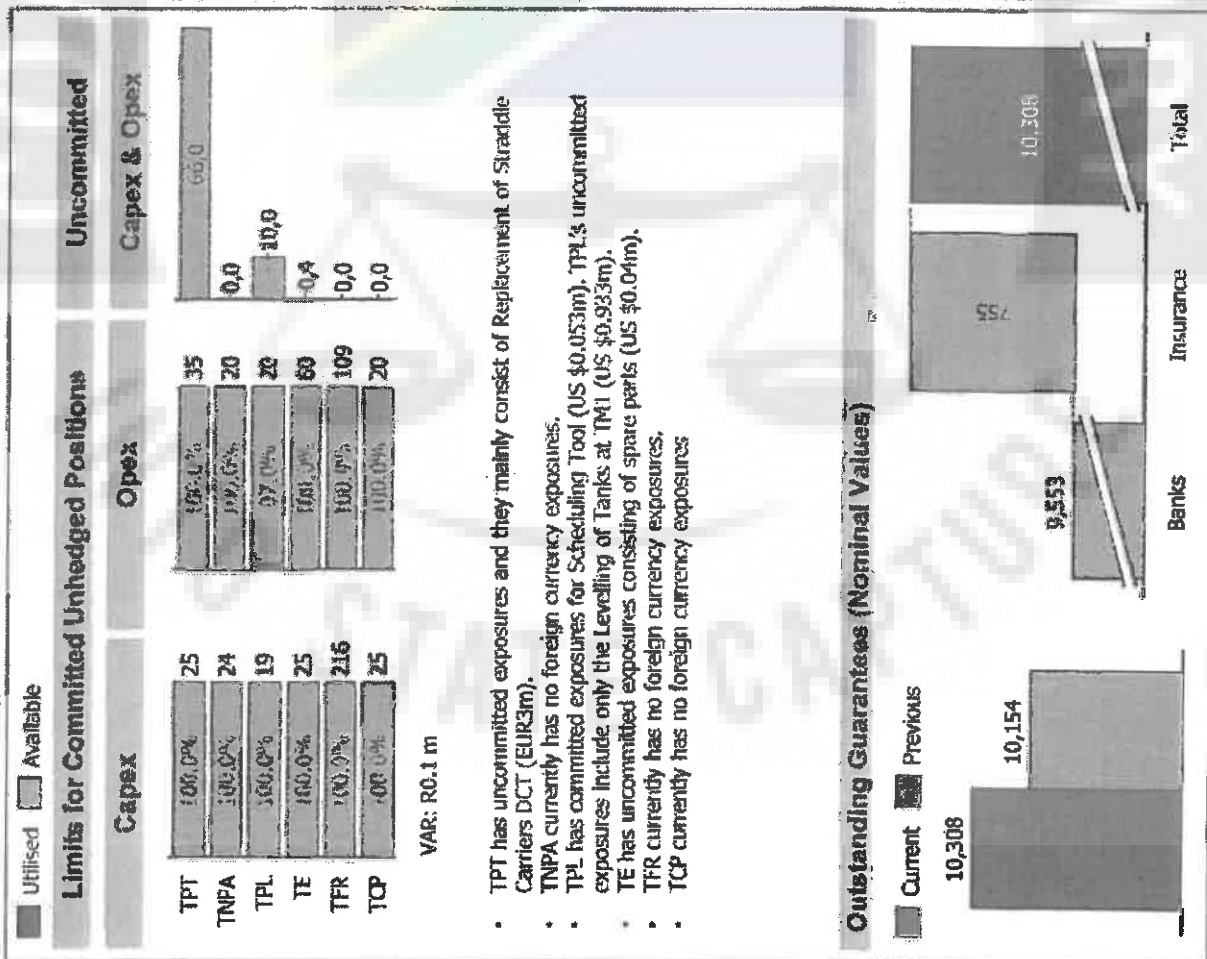
Cash Flow Hedge Reserve i.r.o. effective cash flow hedges is R1 258m gain. Foreign Exchange loss is R0.4m.

Impact of applying hedge accounting: Hedge accounting immunises the profit & loss against potential volatility arising from adverse market movements. Due to FX currency fluctuations the company could have incurred a YTD gain of R4.3m had hedge accounting not been applied. This underlines the importance of continuing to apply hedge accounting.

Derivative asset is R7 639m as opposed to a R7 997m for same item reported in Mar 2014, reflecting a negative balance sheet movement of R 358m. Derivative balances may switch from asset to liability and visa-versa depending on market movements, but currently it is in the money by R7 639m.

Risk Management – Additional Info

Amounts in R million



Financial Contract Management – Additional Info

Amounts in R million



Critical Debt / Loan Covenants

Both Export Development Canada (EDC) and African Development Bank (AfDB) loans would trigger a pricing revision if Transnet's credit rating is downgraded to an S & P rating of BBB- or a Moody's rating of Baa3. The debt total that is affected is R5.9 billion. The pricing revision risk materialised with the credit rating downgrade by S&P to BBB- on 19 June 2014. Following that Group Treasury entered into with both AfDB and EDC, AfDB agreed to not increasing their price. EDC did not indicate any intention to increase their pricing as well, and the mandatory discussion period lapsed during mid-August 2014. Group Treasury then wrote to EDC again confirming that given their silence on the matter, Transnet takes it for granted that no price increase will be required by them (EDC). Contractually (based on the mandatory discussion period of no more than 45 days), Transnet can indeed expect that EDC will, like AfDB, not increase their pricing on the loan.

On both loans a sub investment grade credit rating can lead to pre-payment which can be avoided if an acceptable guarantee can be provided within 90 days.

LibFin and KfW-CCB-RMB term loans facilities place requirements on Transnet's unsecured & unsubordinated Local Currency long-term debt obligations. In summary:

- Inform (confer with) Lenders upon request by Facility Agent should it fail to BBB+ (S&P) or Baa1 (Moody's). The S&P ratings is at the BBB+ from 19 June 2014. A 1-notch credit downgrade by Moody's would result in a Transnet Rating of Baa1.
- BBB (S&P) or Baa2 (Moody's) margin increases. To 1.6% (from 1.3%) for KfW-CCB-RMB, and unspecified for LibFin ;
- Below BBB (S&P) or Baa2 (Moody's) one of the following can occur: (i) Transnet repays Loans within 5 Business Days' notice from the Lenders, or (ii) delivers to each Facility Agent, for the ZAR or EUR Loan, who requires no prepayment a guarantee from a Qualifying Guarantor within 45 days (Libfin) and 60 days (KfW-CCB-RMB).

Contingent Liabilities

Total Transnet Group guarantees at the end of August 2014 amounted to **R123m**. The decrease from the previous month (**R137m**) is due mainly to the expiry of the R13m Insurance guarantee with GuardRisk. Group Insurance advises that GuardRisk has agreed to doing away with the guarantee requirement.

Letters of Credit

Total Letters of Credit (L/C's) in issue amounted to **R445m** at the end of the this August reporting month. The LC's open position is in respect of the only Letter of Credit being the IHC Hopper Dredger.

ISDA Covenants

Additional early termination events will arise if the following conditions prevail:

Long term credit rating downgrade below BBB- (S&P) or Baa3 (Moody's) by both Transnet and the banks below:

Bank	Current Rating (S&P)	Current Rating Moody's
HSBC	A+	Aa3
Deutsche Bank	A	A3
J P Morgan	A	A3
Standard Bank of SA	BBB	Baa1
Goldman Sachs	A-	Baa1
Transnet	BBB-	A3
Long term credit rating downgrade below BB+ (S&P) or Ba1 (Moody's) by both Transnet and the banks below:		
Citibank	A	A2
Long term local currency credit rating downgrade below investment grade by both Transnet and the banks below:		
First Rand	AA	Aa2

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FEEDBACK/REPORTING

(Item 4.6: Treasury Operations)

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**Treasury IT Progress Report
ALCO MEETING
18 September 2014**





THIS DOCUMENTS SEEKS TO HIGHLIGHT THE PROGRESS TO DATE ON THE FOLLOWING:

1. CASH MANAGEMENT INTERFACE
2. DR FUNCTIONAL TEST ISSUES (141)
3. Q1 CFRC FINDINGS
4. BUSINESS CONTINUITY PLAN
5. 141 MEGAWATT NETWORK FAILOVER AND CRITICAL APPLICATIONS DR TESTING
6. VOICE RECORDER AND DEALING ROOM TRADING TURRETS
7. CENTRE FOR INTERNET SECURITY PROJECT (CIS)
8. QUANTUM SYSTEM UPGRADE

Progress report

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1. CASH MANAGEMENT ISSUE PROGRESS:

CASH MAN FTP ISSUE	ROOT CAUSE	ACTION	RISKS	STATUS OF PROGRESS	DUE DATE
1. Cash Management	FTP box interfacing SAP BW and Quantum crashed or decommissioned on 20 July 2014	Reconfiguration of SFTP (Secure File Transfer Protocol) on interface box	Lack of accurate cash focus	<ul style="list-style-type: none"> Awaiting root cause report from Phillip Tladi Botoka to provide a detailed report, a system spec, clarity of roles & responsibilities for SAP, SunGard, T-Systems etc. Obtain work order from SunGard to reconfigure the SFTP connection and prepare memo for approval This FTP issues must have been fully addressed by end September 2014 	30 Sep 2014

2. DR FUNCTIONAL TEST ISSUES:

DR FUNCTIONAL TEST ISSUES	CORRECTIVE ACTION	ACTION REQUIRED	RISKS	STATUS OF PROGRESS	DUE DATE
Printing Functionality	Mono multifunctioning printer to be connected (print, fax and scanning)	Dedicated multi-functioning printer to be installed at 141. RFS logged with Data centrix and T-Systems.	In ability to print at DR site	Awaiting quotation from T-systems. Leon Foreman & Botoka Mogatusi working on this.	31 Jul 2014

3. Q1 CFRC AUDIT FINDINGS:

ITEM	ROOT CAUSE	ACTION	RISKS	STATUS OF PROGRESS	DUE DATE
Password history	<ul style="list-style-type: none"> Quantum password history is set to 15 instead of Transnet approved password history of 24 	<ul style="list-style-type: none"> Memo written to the acting head ISRGC to exempt and approve Treasury from the requirements 	<ul style="list-style-type: none"> No risks anticipated as the internal controls are in place to compensate the risk. Daily review of audit logs 	<ul style="list-style-type: none"> Awaiting approvals from ISRGC 	30 Sep 2014
User accounts management	<ul style="list-style-type: none"> Active user account after 90 days of inactivity in the systems 	<ul style="list-style-type: none"> Enforce the deactivation of inactive user accounts 	<ul style="list-style-type: none"> Unauthorized user access to the system 	<ul style="list-style-type: none"> SunGard to be approached to amend master audit file 	30 Sep 2014



Treasury IT Progress Report

4. Business Continuity Plan:

ITEM	ACTION	RISKS	STATUS OF PROGRESS	DUE DATE
Business Continuity Plan	<ul style="list-style-type: none"> The BCP is being re-updated in line with new template from Group Risk 	<ul style="list-style-type: none"> Unapproved BCP 	<ul style="list-style-type: none"> BCP being re-updated by Botoka Mogatusi 	20 Sep 2014

5. Megawatt Network failover and critical applications DR Testing:

ITEM	ACTION	RISKS	STATUS OF PROGRESS	DUE DATE
141 Megawatt network and critical applications testing	Testing connectivity and availability of critical applications including Quantum, Ramis, SAP etc.	Unavailable IT infrastructure and critical applications in the event of disaster	Q2 testing scheduled for 11 Oct 2014 as per Group deadlines	11 OCT 2014

6. Voice Recorder and dealing room telephone trading system:

ITEM	ACTION	RISKS	STATUS OF PROGRESS	DUE DATE
Voice recorder and dealing room telephone trading system	Quotations obtained from the supplier BT Systems	Hardware failure	Quotation obtained from BT Systems - The costs for the whole system is R1,343,674.52 Botoka Mogatusi to finalise the submission for internal authorisations	30 Sep 2014

7. CIS PROJECT:

ITEM	ACTION	RISKS	STATUS OF PROGRESS	DUE DATE
Operating systems	<ul style="list-style-type: none"> Quantum servers to comply with CIS (Centre of Internet security standards, baseline security standards to minimize hacking and virus attack for operating systems. (Windows Server 2008) 	<ul style="list-style-type: none"> Poorly secured operating systems that may lead to hacking and virus attack 	<ul style="list-style-type: none"> To get to 100% compliance on all Quantum servers. (R2240724) . Current status is 84% 	30 Sep 2014
CIS Database benchmark	<ul style="list-style-type: none"> Quantum database to comply with CIS database security baseline standards across all Quantum database including test and development 	<ul style="list-style-type: none"> Failure to comply with CIS standards 	<ul style="list-style-type: none"> Transnet is undergoing CIS/Audit reviews on all database servers. 	30 Sep 2014



Treasury IT Progress Report

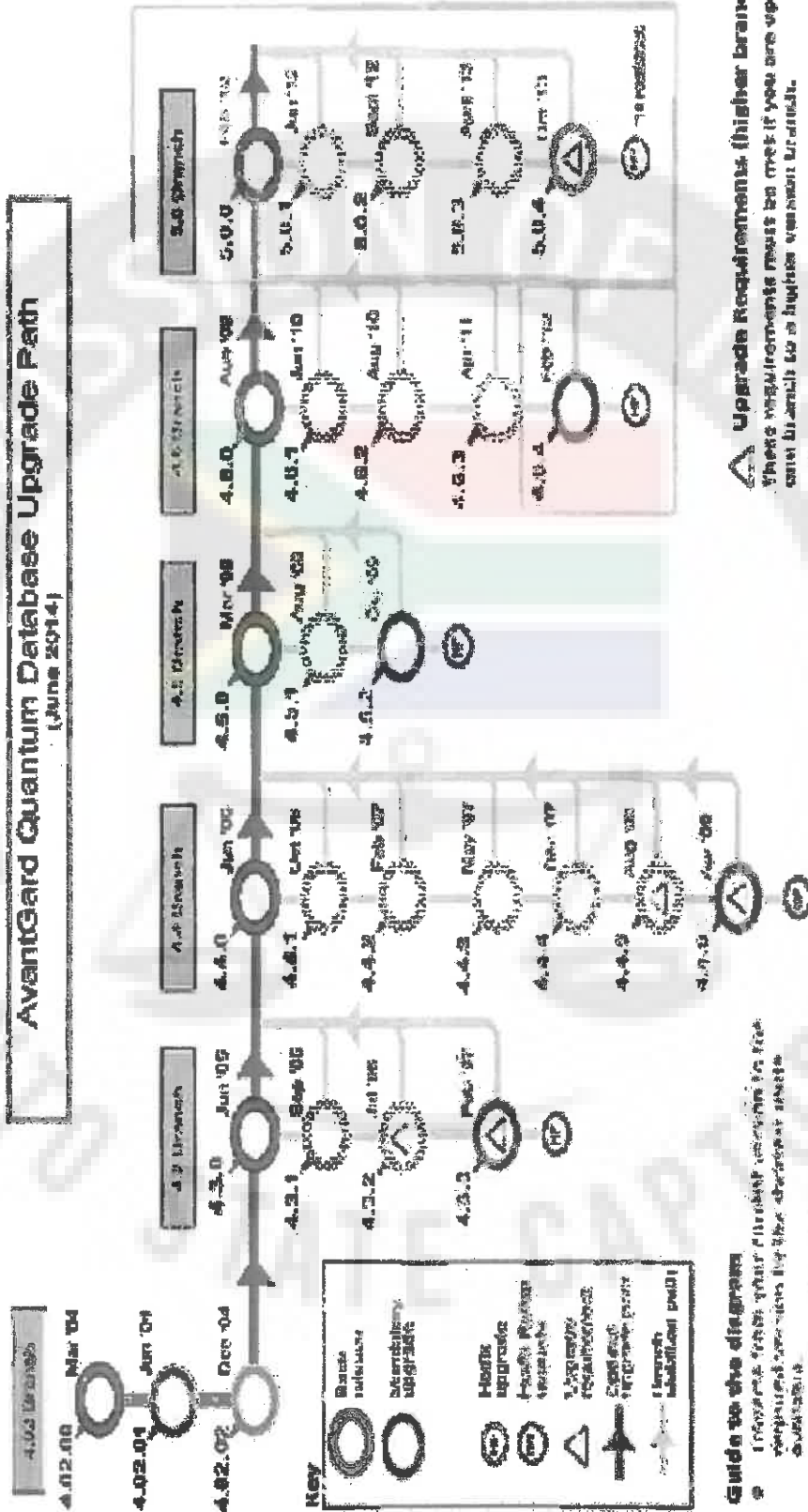
8. QUANTUM SYSTEM UPGRADE:

ITEM	ACTION	RISKS	STATUS OF PROGRESS	DUE DATE
Quantum system upgrade	Quantum system to be upgraded from v4.6.4 to v5.0.4 (Refer to next slide for the upgrade path)	No current risks except that we opted for the upgrade in order to support the cash management project.	<ul style="list-style-type: none"> Project governance documentations are still work in progress (Botoka Mogatusi) Discussions held with SunGard to identify the major functionality changes and key benefits for Transnet. SunGard will be running a presentation of V5 to Transnet. Project testing plans are still work in progress Technical testing Testing & migration strategy Testing phase 1: Simulation Testing phase 2: Simulated parallel run Scenario Testing: Less common day to day scenarios using dummy deals where applicable Parallel run testing Go-live 	<p>15 Sep 2014</p> <p>Ongoing</p> <p>Sep 2014</p> <p>Oct 2015</p> <p>Nov 2014</p> <p>Nov 2014</p> <p>Jan 2015</p> <p>Feb 2015</p> <p>Mar 2015</p> <p>May - Jun 2015</p> <p>Jul 2015</p>



Treasury IT Progress Report

8. QUANTUM SYSTEM UPGRADE PATH:



TRANSNET TREASURY DIVISION

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**25-Aug-14****COMMENTARY ON BALANCE SHEET****Trade debtors & other receivables - (R318m)**

This item comprises of interest receivable on money market instruments including call, fixed deposits, external bank accounts and internal current accounts. Interest receivable on Fixed deposit, Call Deposits and Bank current accounts decreased by R15m, R11m and R0.8m respectively. Offset by prepaid Guarantee fees of R0.7m. Interest receivable on internal current accounts has decreased by R292m mainly due to a decrease of R125m, R115m, R44m and R15m in GS, NPA, TFR and Pipelines respectively offset by an increase of R6m in TPT. Refer to Annexure A for details.

Derivative Financial Asset - (R358m)

Derivative assets arise from cross currency swaps that are in the money due to currency fluctuations and interest rate movements. These swaps were taken to hedge both interest rate and foreign currency risk exposures on foreign borrowings. The year to date decrease of R358m is driven largely by ZAR/Dollar, ZAR/JPY, ZAR/EUR exchange rates fluctuations and fair value movements. The table below shows the exchange rate movements YTD:

	Mar-14	Aug-14	movement	%
USD	10.74315	10.71570	-0.02745	-0.3%
JPY	9.51955	9.70165	0.18210	-1.9%
EUR*	14.56500	14.14258	-0.42242	-2.9%

*: the EUR rate is as at the swap date of 28 March 2014.

There is a net loss of R221m YTD included in Equity Cash Flow reserves.

Other Non Current Financial Assets - (R6m)

The non current financial assets represents the unamortised day-1-loss on the USD GMTN swap. The YTD decrease of R6m reflects the amortised amount for the current financial year.

Cash & cash equivalents - (R3 155m)

Cash and Cash Equivalent have decreased by R3 155m due to the decrease of R8 801m in Banks and R83m in Fixed deposit offset by an increase in Call deposit of R5 730m. Cash of R12 529m was utilised by the business units, mainly TFR. Cash was raised from borrowings amounting to R14 238m, consisting mainly of domestic Floating Rate Bonds of R1 000m, Loans of R10 902m and Commercial Paper of R2 204m. (Refer to annexures F and G for details).

Capital and Reserves - (R260m)

Reserves reflect a loss after tax of R101m and the Cash flow hedge reserves decrease of R159m after tax driven largely by fluctuations in market interest rates and foreign currency exchange rates. Refer to Annexure E.

Long term borrowings - (R2 203m)

Long term borrowings comprise of both external borrowings and intergroup advances. The total external borrowings including unamortised premium and discount is R91 693m of which R65 497m (71.43%) is bonds and R26 196m (28.57%) is loans. External long term borrowings have increased by R10 326m, mainly consisting of the bond issuances of R1 000m (domestic floating rate - R1 000m), RMB drawdowns R1 400m, Kfz R720m, BTMU tranche-1 R3 095m, BTMU tranche- 2 R2 129m, Libfin R1 750m and unrealised foreign exchange gains R17m.

The total intergroup advances is R84 393m of which R61 869m (73.31%) is current accounts and R22 523m (26.69%) is intergroup loans. Internal borrowings reflect a year to date increase of R12 529m, made up largely of current accounts of R19 396m. Refer to Annexure F for details.

Short term borrowings - (R517m)

Short Term borrowings including Repo liability and Commercial Paper is R5 943m showing a decrease of R517m. This decrease is mainly attributed to R8 357m loans repaid (including CP and Call), which is mainly offset by R3 850m Call loans raised and R2 204m Commercial Paper raised. Refer to Annexure G for details.

COMMENTARY ON INCOME STATEMENT**External Finance costs R324m**

Actual YTD external Finance costs is R3 388m against YTD Budget of R3 712m, reflecting a favourable budget variance of R324m or 8.72% due to funding occurring slower than planned.

External Finance income (R50m)

Actual YTD external Income is R58m against YTD Budget of R109m, reflecting an unfavourable budget variance of R50m or 46.24%. The unfavourable variance is due to less cash on hand than budgeted.

Foreign exchange loss (R0.4m)

Currency exposures arise from the USD bonds, JPY loans , USD loans and EUR loans. Foreign exchange losses on foreign borrowings are largely offset by gains on cross currency swaps.

Fair value adjustments R132.5m

The actual YTD is 26.4m gain against the YTD budget of R106.1m loss. The budget for gasoil options taken to hedge fuel budget for the business units, is held in Treasury while the actual is in the business units.

TRANSNET TREASURY DIVISION



25-Aug-14

BALANCE SHEET

Balance Sheet	Annexure	March-2014	Aug-14	YTD movement
Description		R'000	R'000	
ASSETS				
Non-Current Assets		8 065 302	7 701 004	(364 298)
Investments in Subsidiaries		(0)	-	-
Investments in Associates and Joint Ventures		-	-	-
Derivative Financial Assets	B	7 996 863	7 638 641	(358 223)
Long-Term Loans And Advances		-	-	-
Other Investments		-	-	-
Deferred Tax Assets		-	-	-
Other Non Current Financial Assets		68 439	62 363	(6 076)
Current Assets		10 325 614	7 578 778	(2 746 836)
Inventories		-	-	-
Trade And Other Receivables	A	727 800	409 161	(318 449)
External		36 483	10 456	(26 027)
Intergroup		691 117	398 695	(292 422)
Derivative Financial Assets		-	-	-
Short-Term Investments - Other	C	66 672	793 760	727 078
Cash And Cash Equivalents	D	9 531 542	6 376 677	(3 154 864)
Assets Classified as Held For Sale		0	-	(0)
Other Current Financial Assets		-	-	-
Total Assets		18 391 116	15 280 782	(3 110 334)
EQUITY AND LIABILITIES				
Capital And Reserves	E	(539 755)	(279 861)	259 895
Issued Capital		-	-	-
Reserves		(509 755)	(350 754)	159 001
Group Loans: Interest Free		(30 000)	(30 000)	-
P/L		-	100 894	100 894
Total equity attributable to equity holders of the parent		(539 755)	(279 861)	259 895
Non-Current Liabilities		(9 787 951)	(7 530 082)	2 257 869
Post Retirement Benefit Obligations		-	-	-
Long-Term Borrowings	F	(9 503 404)	(7 300 127)	2 203 278
External		(81 366 748)	(91 692 757)	(10 326 009)
Intergroup		71 863 344	84 392 630	12 529 287
Derivative Financial Liabilities		-	-	-
Long-Term Provisions		-	-	-
Deferred Tax Liabilities		(284 546)	(229 955)	54 591
Other Non Current Financial Liabilities		-	-	-
Current Liabilities		(8 063 410)	(7 470 840)	592 571
Trade Payables & Accruals	G	(1 742 073)	(1 574 647)	167 425
Short-Term Borrowings		(6 459 547)	(5 942 671)	516 876
Current Tax Liability		138 210	46 479	(91 731)
Derivative Financial Liabilities		-	-	-
Short-Term Provisions		-	-	-
Bank Overdraft		-	-	-
Liabilities Directly Associated with Assets Classified as Held for Sale		-	-	-
Other Current Financial Liabilities		-	-	-
Total Equity And Liabilities		(18 391 116)	(15 280 782)	3 110 334
DIFFERENCE				

TRANSNET TREASURY DIVISION



25-Aug-14

INCOME STATEMENT

R'000

DESCRIPTION	Year to date			
	ACTUAL	BUDGET	VARIANCE	% VARIANCE
Interest Income:	3 298 559	3 670 670	(374 111)	-10.19%
Interest on Intergroup Loans	1 005 055	1 464 342	(459 288)	-31.36%
Interest on Intergroup Current Accounts	2 233 103	2 097 691	135 412	6.46%
Finance income received from Group	-	-	-	0.00%
Gains/Losses relating to loans and receivables	-	-	-	0.00%
External income	58 401	108 636	(50 236)	-46.24%
Expense:	(3 482 656)	(3 937 805)	475 149	12.07%
External interest and discount amortised	(3 387 747)	(3 711 536)	323 789	8.72%
Interest on Intergroup Current Accounts	(74 909)	(226 269)	151 360	66.89%
Operating expenses	-	-	-	0.00%
Net Forex Exchange gain/(loss)	(434)	-	(434)	0.00%
Exchange Fluctuation gain/(loss)	(434)	-	(434)	0.00%
Fair Value Adjustments:	26 401	(106 076)	132 477	124.89%
External derivatives	26 401	(106 076)	132 477	124.89%
FAIR VALUE OF LISTED INVESTMENTS (BONDS)	-	-	-	0.00%
Total Finance Cost - Profit/(Loss) - YTD (Before Tax)	(140 130)	(373 210)	233 080	62.45%
Taxation	39 236	104 488	(65 253)	-62.45%
Total Finance Cost - Profit/(Loss) - YTD (After Tax)	(100 894)	(268 712)	167 818	62.45%

CAPEX (budget = 12 months, actual = ytd)

ACTUAL	BUDGET	VARIANCE	% VARIANCE
--------	--------	----------	------------

No expenditure on the capex budget to date

0.00%

ANNEXURE A

TRANSECT



Trade debtors & other receivables

Items	Mar-14	Accrued / (Raised) / (Amortised)	(Received) / Paid	Aug-14	YTD Movement
	R'000	R'000	R'000	R'000	R'000
Guarantee Fees Prepaid	-	(488)	1 167	881	881
ABSA Bank Ltd	3	13	(14)	2	(1)
Nedbank Ltd	42	123	(120)	45	3
RMB/Division of FirstRand Bank Ltd	43	499	(436)	108	63
Standard Corporate Inv Bank	1 881	6 088	(6 834)	1 115	(766)
Call deposits	18 467	42 709	(54 127)	7 049	(11 418)
Interest Receivable/Fixed Deposit	18 046	7 804	(22 382)	1 458	(14 588)
Clearing	-	-	-	-	-
	-	-	-	-	-
Total External	36 483	56 730	(62 756)	10 456	(26 028)
Group Services	125 195	198 523	(323 717)	-	(125 195)
Housing	-	-	-	-	-
Pipelines	65 625	82 981	(98 167)	50 439	(15 186)
National Port Authority	245 618	250 488	(365 031)	131 075	(114 543)
Port Terminals	1 007	16 628	(10 293)	7 342	6 335
Propnet	-	-	-	-	-
Freight/Rail	253 672	456 435	(500 269)	209 839	(43 834)
Total Intergroup	691 117	1 005 055	(1 297 477)	398 695	(292 422)
Total	727 600	1 061 785	(1 390 233)	409 151	(318 448)

Intergroup Loan Balances	Mar-14			Aug-14	YTD Mov
Group Services	6 000 000			-	(6 000 000)
Housing					-
Pipelines	1 954 200			1 954 200	-
National Port Authority	7 508 685			7 316 119	(192 566)
Port Terminals	391 750			366 641	(25 108)
Propnet					-
Freight/Rail	13 535 322			12 866 359	(668 963)
Total	29 389 956			22 523 319	(6 866 637)

ANNEXURE E

TRANSNET



Reserves

	31-Mar-14	25-Aug-14	movement
Net (Income)/loss Before Tax	-	140 130 009	140 130 009
Tax - normal tax	-	(46 478 930)	(46 478 930)
Tax - deferred tax	-	7 242 528	7 242 528
Net (Income)/loss After Tax	-	100 893 607	100 893 607
Retained Income 31 Mar 2013/4	555 120 312	555 120 312	-
Group Loans: Interest Free	(30 000 000)	(30 000 000)	-
CFHA Equity Reserve	(1 478 993 862)	(1 258 159 265)	220 834 597
CFHA Equity Reserve - deferred tax	414 118 282	352 284 595	(61 833 687)
Net tax CFHA Equity Reserve	(1 064 875 580)	(905 874 670)	159 000 910
	(539 755 268)	(279 860 751)	259 894 517

ANNEXURE F

Long term borrowings

TRANSENET

	Movement for the year to date						Total mov for the year
	Mar-14					Aug-14	
		Loans raised	Loans repaid/ Settlement	Exchange fluctuation	Transfers to Short Term		
	R'000	R'000	R'000	R'000	R'000	R'000	
Bonds - Nominal	(65 230 513)	(1 000 000)	-	48 038	-	-	(951 963)
Bonds - Discount / premium	698 231	-	-	(452)	-	121	(331)
Loans domestic	(9 459 822)	(4 952 778)	-	-	530 540	-	(4 422 238)
Loans - foreign	(7 362 644)	(5 948 794)	-	(30 529)	1 027 848	-	(4 961 477)
Total external borrowings	(61 368 748)	(11 901 572)	-	17 056	1 558 388	121	(10 326 009)
Current accounts-internal	42 473 387	(378 887)	19 774 811	-	-	-	19 395 924
Loan accounts - internal	29 388 856	(8 886 837)	-	-	-	-	(8 886 837)
Total internal borrowings	71 863 344	(7 245 524)	19 774 811	-	-	-	12 529 287
Total External & Internal Borrowings	(9 503 404)	(19 147 896)	19 774 811	17 056	1 558 388	121	2 203 278
Assets-held-for-sale / Discontinued operations		-	-	-	-	-	-
Total Group	(9 503 404)	(19 147 896)	19 774 811	17 056	1 558 388	121	2 203 278
Inter-group Balances - Current Accounts							
	Mar-14	Increase	Decrease			Aug-14	Total mov for the year
Group/Services	(6 766 895 239)	5 384 502 437				(1 382 382 802)	5 384 502 437
Propriet	(1 062 824 148)	144 842 228				(917 981 918)	144 842 228
Pipelines	9 744 956 295	158 030 215				9 900 986 510	158 030 215
National Port Authority	11 450 828 411	5 075 722 113				16 528 550 524	5 075 722 113
Port Terminals	4 771 898 503	1 083 768 144				5 855 667 647	1 083 768 144
Projects	939 418 191		(32 981 255)			906 424 938	(32 981 255)
Freight/Rail	19 574 445 080	7 929 946 843				27 504 390 903	7 929 946 843
Rail Engineering	3 821 561 285		(345 898 010)			3 475 663 255	(345 898 010)
Total	42 473 387 340	19 774 810 980	(378 887 265)			61 868 311 055	19 395 923 715
Inter-group Balances - Loans							
	Mar-14	Increase	Decrease			Aug-14	Total mov for the year
Group/Services	6 000 000 000					-	(6 000 000 000)
Propriet	1 954 200 000					1 954 200 000	-
Pipelines	7 508 684 763		(192 565 780)			7 316 119 003	(192 565 780)
National Port Authority	391 749 743		(25 108 293)			366 641 451	(25 108 292)
Projects							-
Freight/Rail	13 535 321 705		(648 983 138)			12 886 338 566	(648 983 138)
Rail Engineering	29 388 856 231	-	(668 637 211)			22 523 319 020	(6 866 637 211)
Total							

Short term borrowings



	Mar-13 R'000	Movement for the year to date					Aug-14 Total R'000	Total mov for the year R'000
		Loans raised R'000	Loans repaid R'000	Interest accrued R'000	Transfers from Long term R'000	Other R'000		
Call loan nominal	(2 000 000.00)	(3 850 000)	5 850 000	-	-	-	-	2 000 000
Transnet short-term paper	(1 828 000.00)	(2 150 000)	1 183 000	-	-	-	(2 795 000)	(967 000)
Short term portion loans domestic	(1 172 219.80)	(197 222)	525 799	-	(530 540)	-	(1 374 183)	(201 863)
Interest payable call loan nominal	-	-	-	-	-	-	-	-
Short-term portion forex loans	(1 403 188.63)	-	696 481	-	(1 027 846)	5 069	(1 729 465)	(326 286)
Market making liability (R157)	-	-	-	-	-	-	-	-
Commercial paper discount	43 885.79	(54 400)	101 583	-	-	-	91 019	47 183
Carries/repos liability carries sell/buy	(100 044.82)	(35 048)	-	-	-	-	(135 092)	(35 048)
Total Group	(6 459 547.26)	(6 286 670)	8 356 863	-	(1 558 386)	5 069	(5 942 671)	516 878

Loan repayments - Short term portion of Loans

	YTD R'000
Domestic	-
Club Loans	187 046
Compounding Loans	25 108
Finvera	13 442
Afradius	72 062
AFD	10 750
TNPA Tugs	48 453
EXIM	168 938
African Development Bank	525 799

Forex

	YTD R'000
JBIC 1	121 621
JBIC 2	29 810
AFDB	439 319
EDC	105 731
	696 481

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FEEDBACK/REPORTING

(Item 4.7: 2013/14 Latest Estimates and Ratios)

TRANSNET



TRANSPORTATION



**Performance and analysis
for the period ended August 2014**

12 September 2014

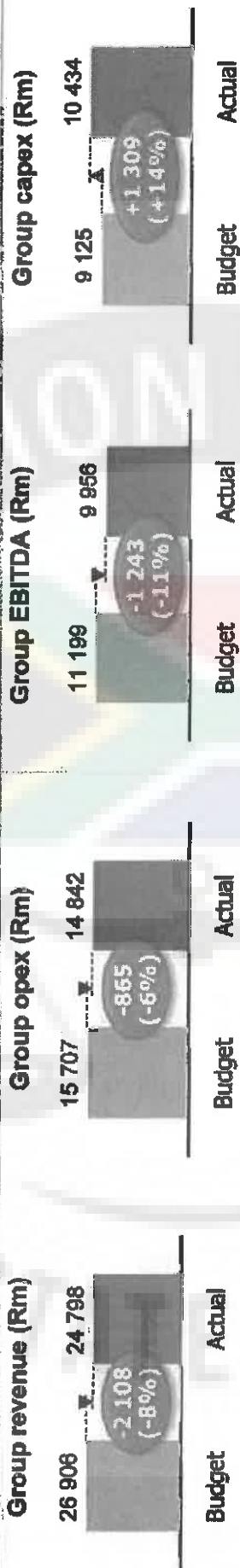
Financial performance for the period ended August 2014

TRANSNEF

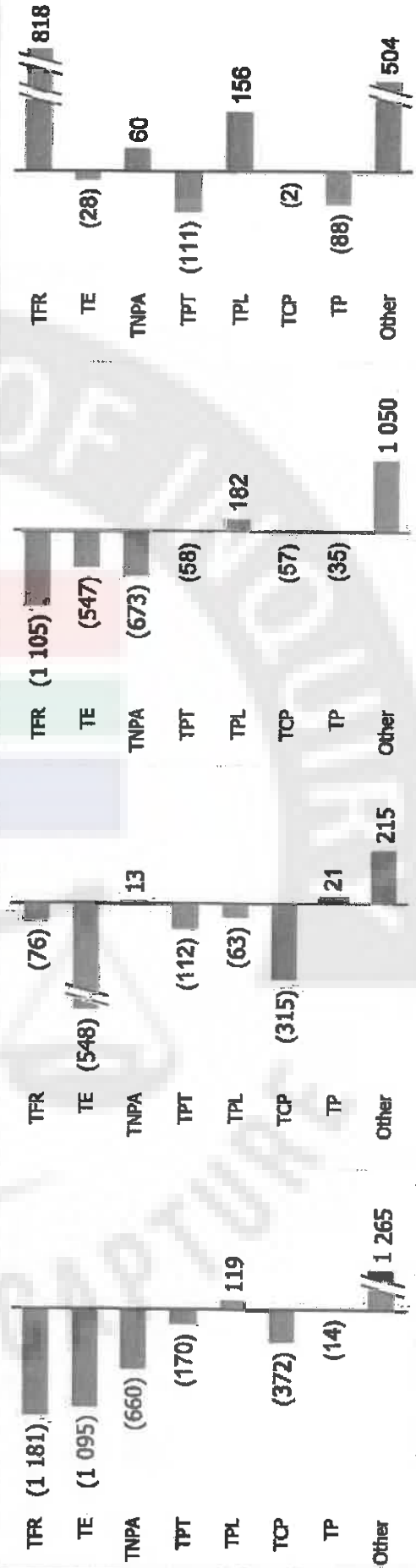
■ Budget
■ Actual



Creating better flows



Variance against budget (Rm)



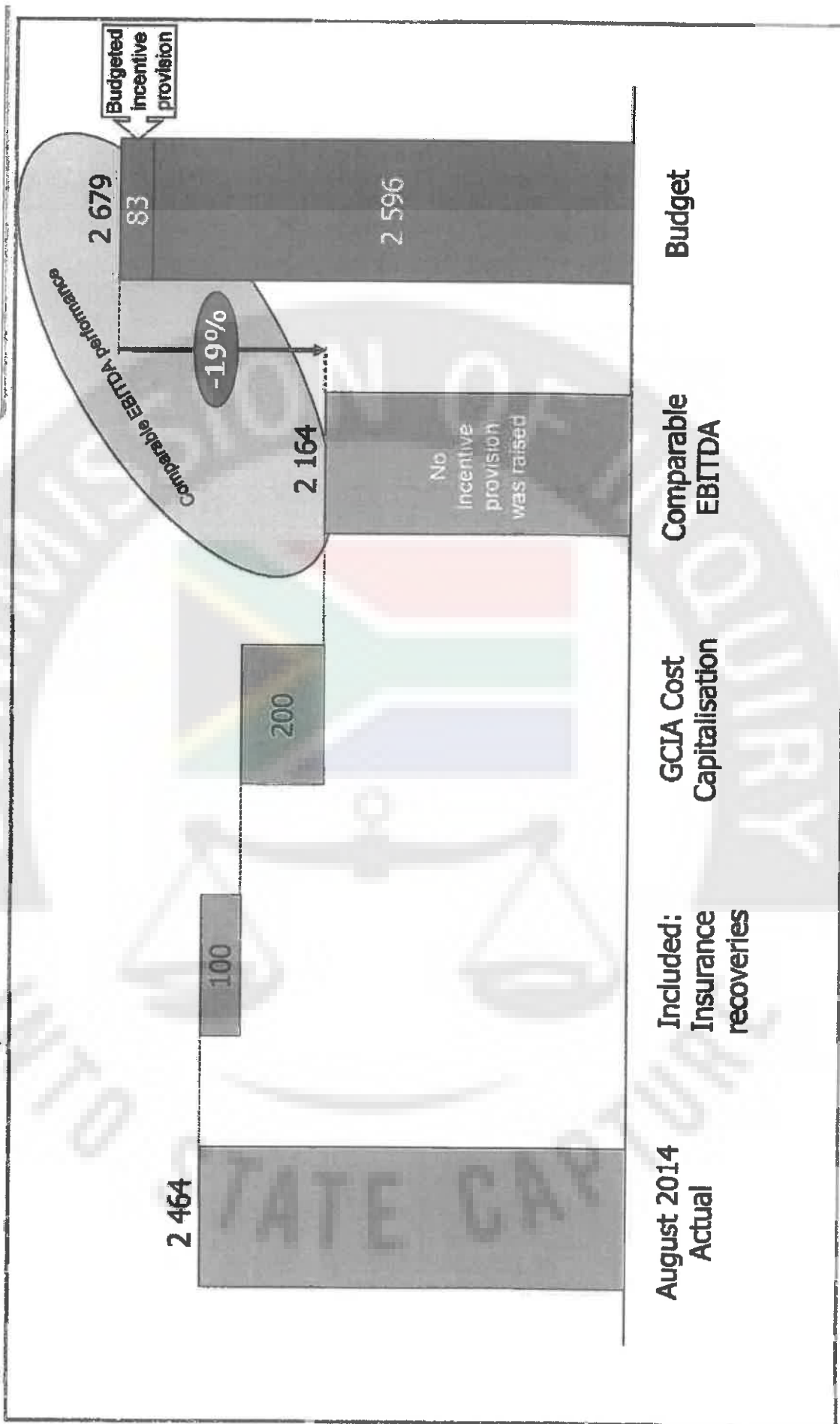
Analysis of August 2014: Actual Results

TRANSNET



2014 August 2014

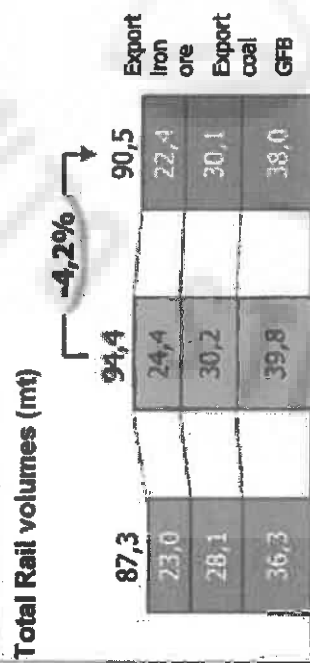
August 2014 Month: EBITDA, R million



Revenue analysis for the period ended August 2014



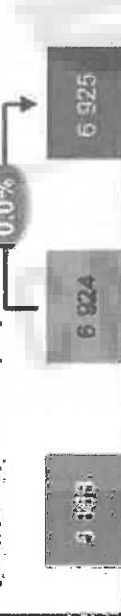
Key Commodities



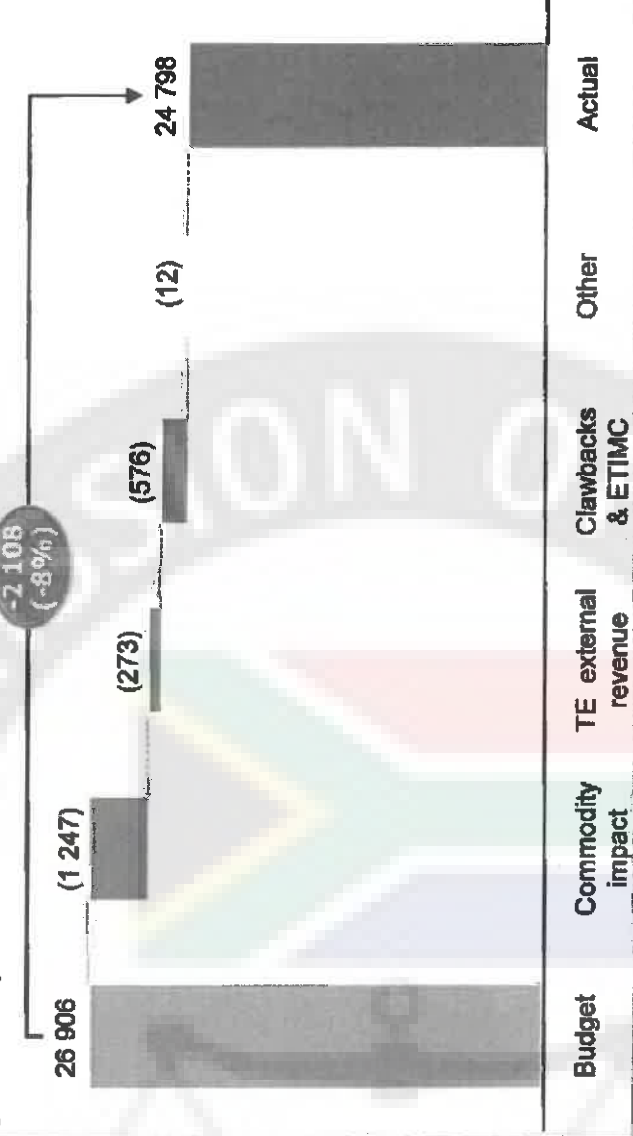
Port Containers ('000 TEUs)



Pipeline Petroleum (m³)

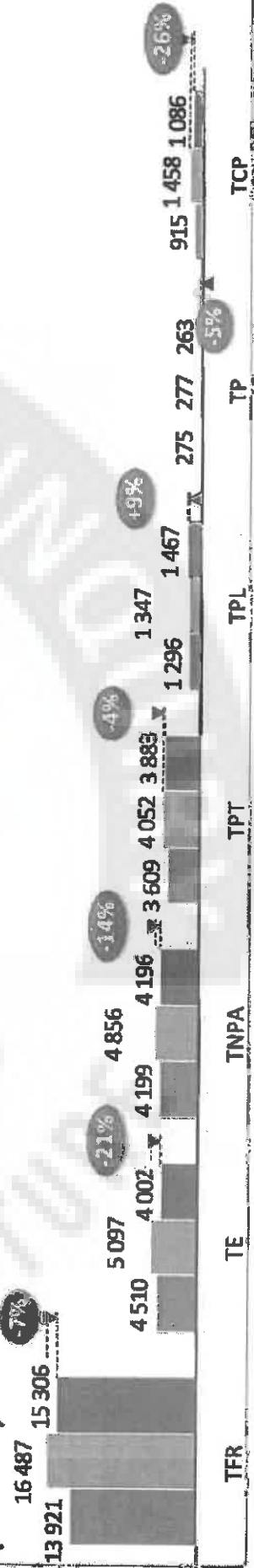


Group revenue (R million)



Operating division / specialist units (including internal revenue)

(R million)



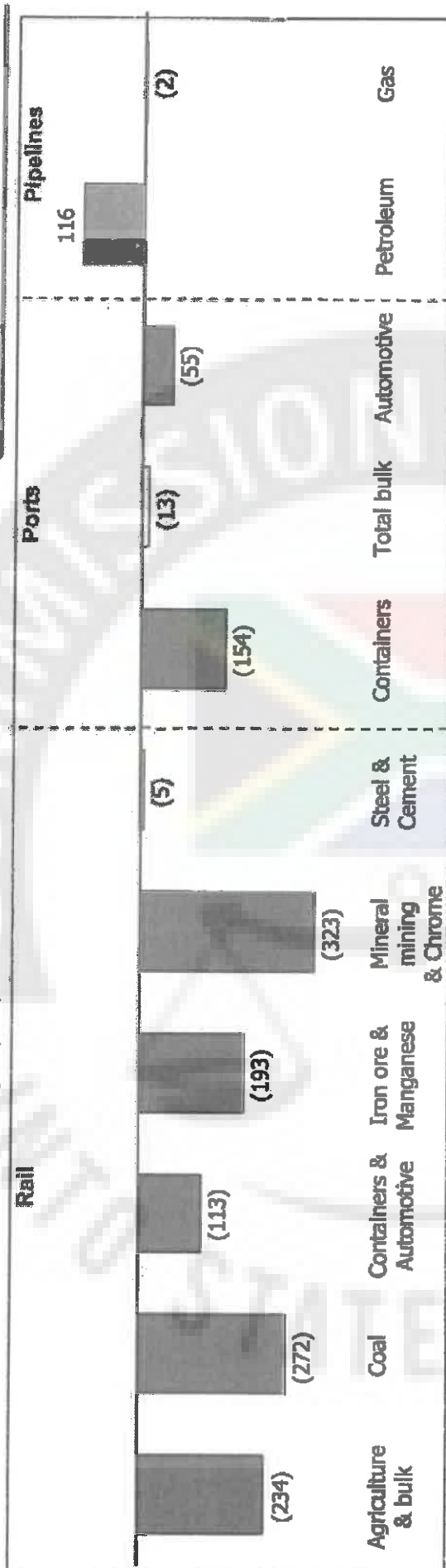
Commodity revenue analysis for the period ended August 2014

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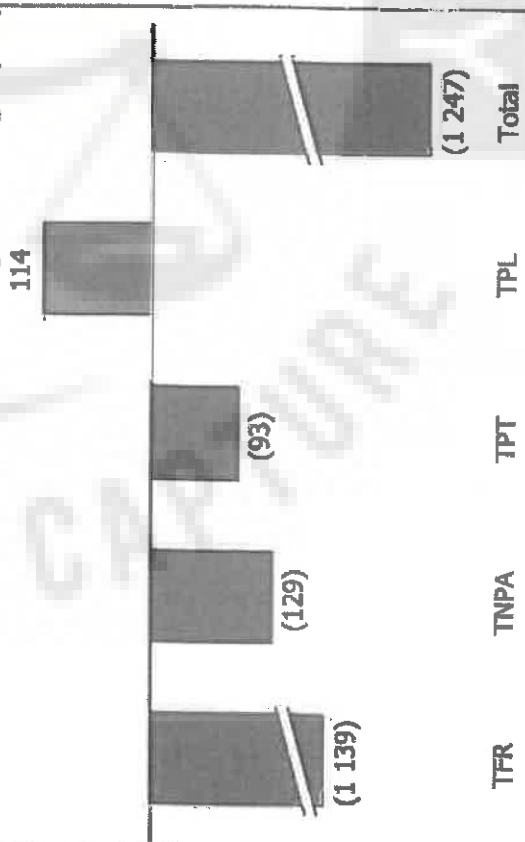


delivering freight reliability

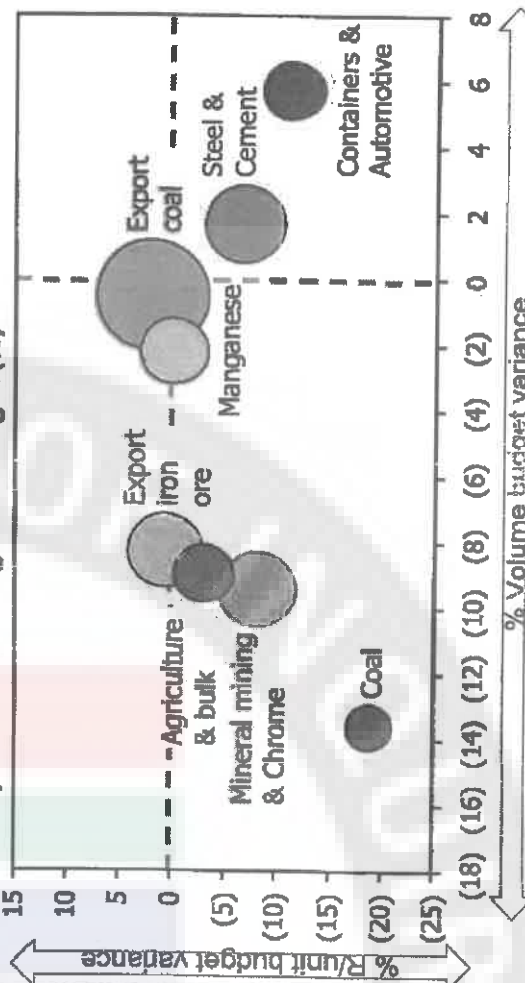
Commodity revenue variance against budget (Rm)



Divisional Commodity revenue variance against budget (Rm)



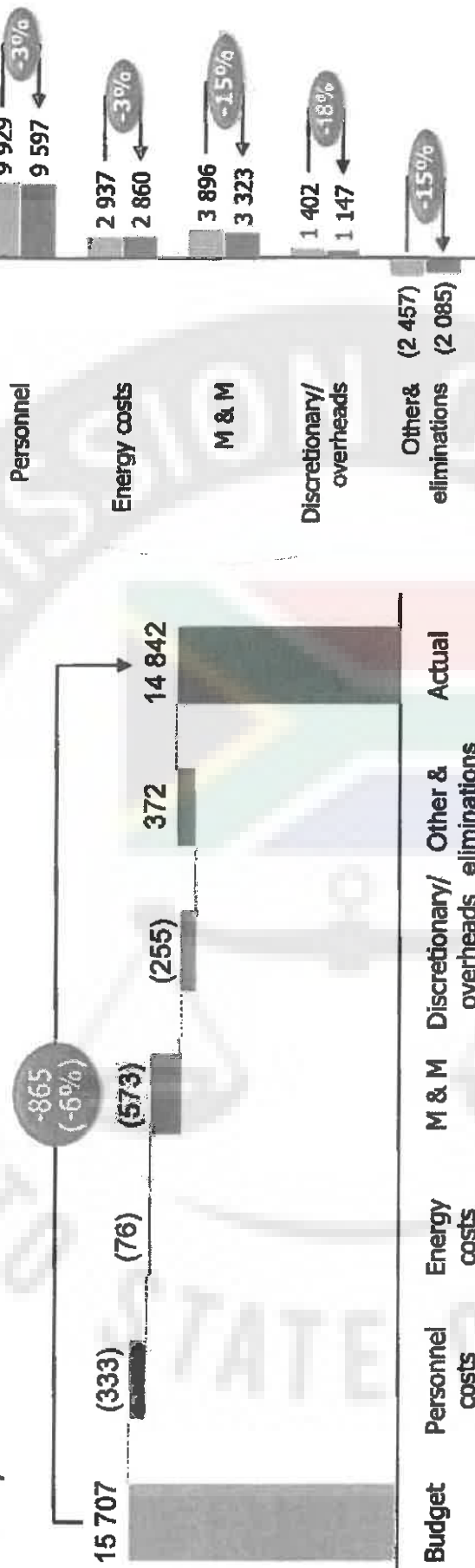
Volume and price variance against budget (%)



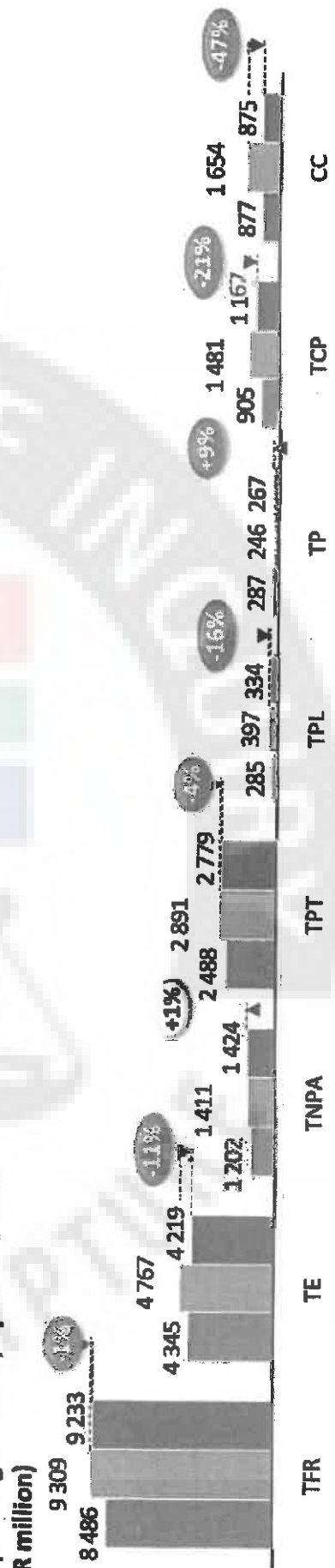
Operating expense analysis for the period ended August 2014



Group operating expenses (R million)



Operating divisions / specialist units (R million)



Overtime analysis for the period ended August 2014

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	April - August 2014		
	Budget Rm	Actual Rm	Deviation Rm
Freight Rail	447.1	495.3	48.2
Transnet Engineering	47.1	70.1	23.0
TNPA	50.4	56.0	5.6
Port Terminals	213.4	235.3	22.0
Pipelines	6.5	5.7	(0.8)
Capital Projects	0.7	1.1	0.4
Transnet Property	1.1	1.4	0.3
Transnet Foundation	0.8	0.5	(0.3)
Corporate Centre	2.1	1.0	(1.1)
Transnet Group	769.2	866.5	97.2

The overtime increased by R97 million compared to the budget for YTD August 2014, mainly due to Freight Rail ,Transnet Engineering and Port Terminals.

Discretionary cost management for the period ended August 2014

Transnet Group

	April - August 2014		
	Budget Rm	Actual Rm	Deviation Rm
Accommodation and refreshments	162.2	165.5	(3.2)
Advertising	45.1	49.0	(4.0)
Awards, donations and contributions	26.5	7.8	18.7
Entertainment	5.2	1.5	3.7
Managerial and consultancy fees	468.3	451.2	17.1
Membership fees	12.8	6.5	6.3
Miscellaneous expenses	300.3	217.2	83.2
Staff welfare	11.2	11.2	0.1
Placement fees	17.3	6.7	10.6
Other personnel costs	62.0	43.3	18.7
Postage	1.1	0.3	0.8
Printing and stationery	34.4	26.7	7.7
Promotions and advertising	69.7	46.4	23.2
Telecommunication costs	33.4	25.1	8.3
Transport cost	26.4	20.1	6.3
Travel expenses	125.8	68.0	57.8
Total discretionary costs	1 401.7	1 146.6	255.1

Target	704.5
Annualised	612.3
Difference	(92.2)

Discretionary cost management for the period ended August 2014

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celebrating 40 years

Freight Rail

	April - August 2014		
	Budget Rm	Actual Rm	Deviation Rm
Accommodation and refreshments	123.4	131.5	(8.2)
Managerial and consultancy fees	125.0	121.5	3.4
Membership fees	3.5	2.7	0.8
Staff welfare	6.7	8.9	(2.3)
Other personnel costs	51.7	39.3	12.4
Printing and stationery	12.5	6.3	6.1
Promotions and advertising	38.5	34.2	4.3
Travel expenses	51.8	28.5	23.4
Total discretionary costs	413.0	373.0	40.0
Target			200.0
Annualised			96.0
Difference			(104.0)

Transnet Engineering

	April - August 2014		
	Budget Rm	Actual Rm	Deviation Rm
Accommodation and refreshments	8.0	6.9	1.1
Awards, donations and contributions	0.6	1.9	(1.3)
Membership fees	1.6	0.8	0.8
Placement fees	2.5	1.8	0.8
Total discretionary costs	12.7	11.4	1.3
Target			2.8
Annualised			3.2
Difference			0.4

Discretionary cost management for the period ended August 2014

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TNPA

	April - August 2014		
	Budget Rm	Actual Rm	Deviation Rm
Managerial and consultancy fees	25.4	15.7	9.7
Printing and stationery	3.3	3.3	0.0
Promotions and advertising	9.1	5.6	3.5
Telecommunication costs	9.7	9.1	0.6
Travel expenses	26.3	20.0	6.3
Total discretionary costs	73.8	53.7	20.0

Target	36.9
Annualised	48.1
Difference	11.2

Port Terminals

	April - August 2014		
	Budget Rm	Actual Rm	Deviation Rm
Accommodation and refreshments	3.2	2.7	0.4
Advertising	2.7	1.8	0.9
Awards, donations and contributions	0.6	0.2	0.3
Entertainment	4.4	1.4	3.0
Membership fees	0.4	0.1	0.2
Miscellaneous expenses	214.2	174.4	39.8
Staff welfare	3.2	1.9	1.3
Postage	0.6	0.1	0.5
Promotions and advertising	2.2	0.6	1.6
Transport cost	20.4	15.8	4.6
Travel expenses	7.9	7.9	0.0
Total discretionary costs	259.7	207.1	52.7

Target	104.3
Annualised	126.4
Difference	22.1

Discretionary cost management for the period ended August 2014

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Generating freight revenue

Pipelines

	April - August 2014		
	Budget Rm	Actual Rm	Deviation Rm
Accommodation and refreshments	2.7	1.7	1.1
Awards, donations and contributions	0.1	0.0	0.1
Entertainment	0.5	0.1	0.4
Managerial and consultancy fees	10.8	9.4	1.4
Staff welfare	0.3	0.1	0.2
Other personnel costs	2.2	1.7	0.5
Promotions and advertising	1.7	2.1	(0.4)
Telecommunication costs	12.4	10.8	1.5
Transport cost	4.3	3.8	0.5
Travel expenses	0.1	0.0	0.1
Total discretionary costs	35.1	29.7	5.4

Target	33.0
Annualised	12.8
Difference	(20.2)

Capital Projects

	April - August 2014		
	Budget Rm	Actual Rm	Deviation Rm
Accommodation and refreshments	11	5	5.8
Membership fees	1	0	0.5
Miscellaneous expenses	3	2	1.4
Staff welfare	1	0	0.9
Placement fees	3	1	2.1
Other personnel costs	6	1	5.6
Postage	0	0	0.3
Printing and stationery	6	10	(3.7)
Promotions and advertising	6	1	5.0
Transport cost	1	0	0.5
Travel expenses	13	2	11.3
Total discretionary costs	52	22	29.6

Target	40.0
Annualised	71.0
Difference	31.0

Discretionary cost management for the period ended August 2014

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redefining the eight verticals

Property

	April - August 2014		
	Budget Rm	Actual Rm	Deviation Rm
Accommodation and refreshments	1.8	0.9	0.8
Advertising	0.3	0.0	0.3
Awards, donations and contributions	0.0	0.0	(0.0)
Entertainment	0.1	0.0	0.1
Managerial and consultancy fees	8.8	5.6	3.2
Membership fees	0.1	0.1	(0.0)
Miscellaneous expenses	18.5	16.7	1.8
Placement fees	0.4	0.7	(0.3)
Printing and stationery	1.2	1.8	(0.6)
Promotions and advertising	1.2	0.5	0.7
Telecommunication costs	2.4	1.6	0.8
Transport cost	0.3	0.0	0.3
Travel expenses	1.7	1.1	0.6
Total discretionary costs	36.9	29.1	7.8

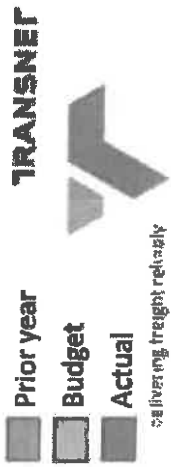
Target	12.5
Annualised	18.7
Difference	6.2

Corporate Centre

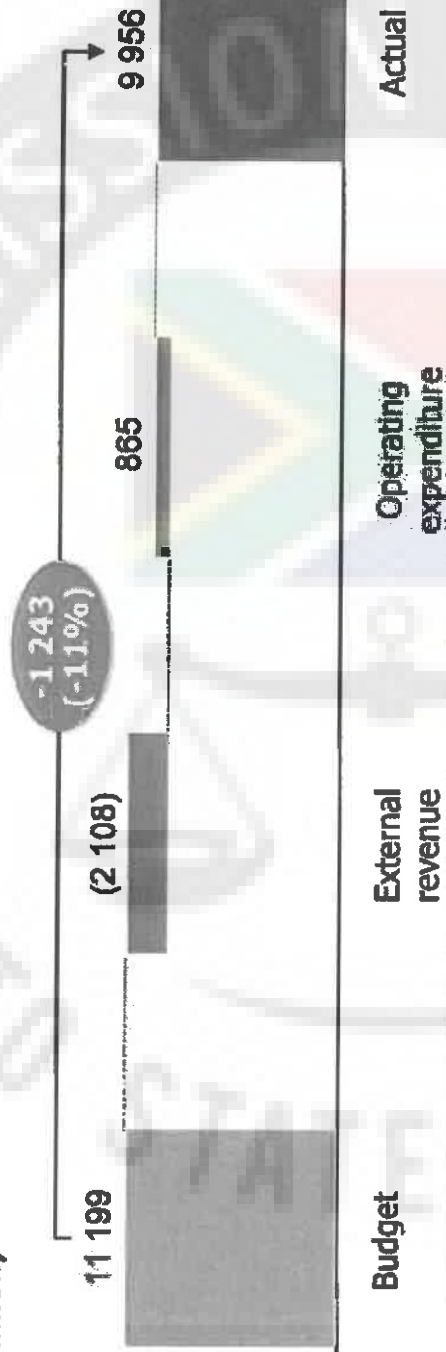
	April - August 2014		
	Budget Rm	Actual Rm	Deviation Rm
Accommodation and refreshments	11.2	16.6	(5.4)
Advertising	37.4	44.1	(6.7)
Awards, donations and contributions	25.2	5.7	19.5
Entertainment	0.3	0.0	0.3
Managerial and consultancy fees	298.3	299.0	(0.7)
Membership fees	6.7	2.7	4.0
Miscellaneous expenses	60.6	22.6	38.0
Placement fees	11.3	3.3	8.0
Other personnel costs	1.5	1.3	0.2
Postage	0.1	(0.0)	0.1
Printing and stationery	10.3	4.9	5.4
Promotions and advertising	10.6	2.7	7.9
Telecommunication costs	8.6	3.5	5.1
Transport cost	0.3	0.0	0.3
Travel expenses	20.8	8.1	12.7
Total discretionary costs	503.1	414.5	88.6

Target	254.0
Annualised	212.6
Difference	(41.4)

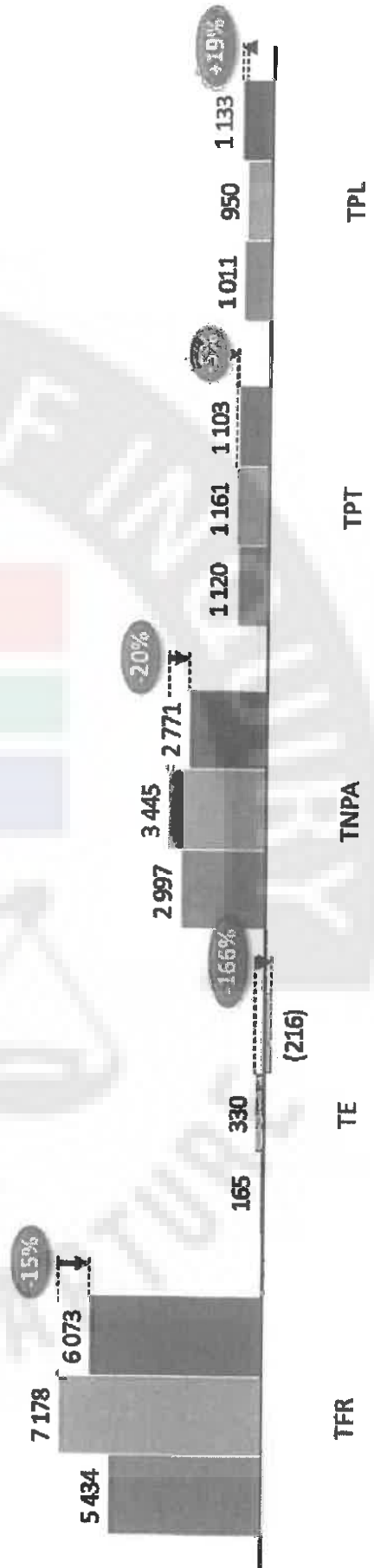
EBITDA the period ended August 2014



Group EBITDA (R million)



Core operating divisions (R million)



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Agencies Requested:

Latest Estimates:
September 2014
March 2015

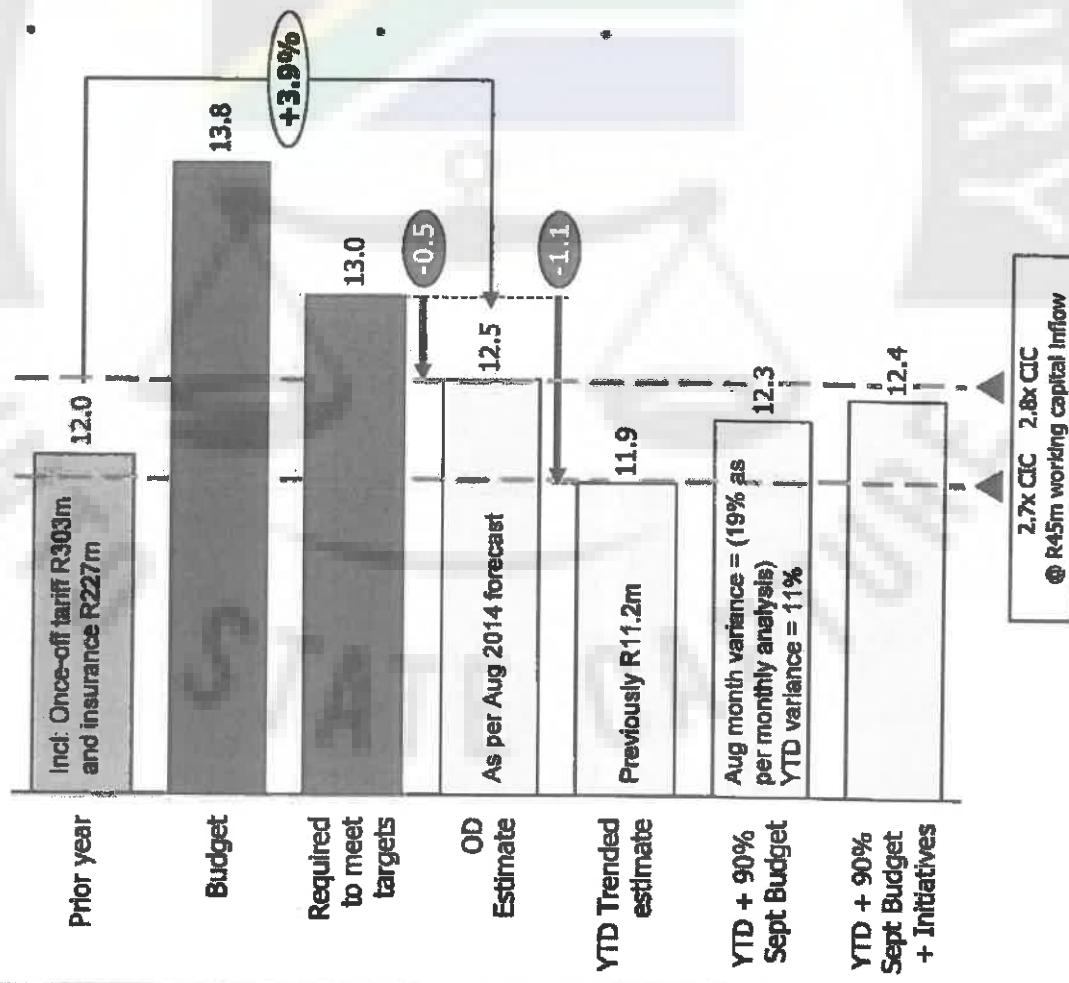
September 2014 Interim Reporting Estimate (Based on Aug 2014 Actual Results)

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Delivering freight reality

EBITDA Financial projections, Rbn



• OD Estimate is based on:

- Consolidated from Operating Division estimates, including interim initiatives;
- No incentive provision;
- Estimated R45m working capital inflow;
- Includes once-off insurance recoveries and capitalisation of GCI&A costs

• Trended estimate is based on:

- Aug 2014 YTD EBITDA of R9 956m trended for 1 month forward to September 2014 (adjusted for once-off R100m insurance recoveries and R200m GCI&A cost capitalisation accordingly)

• Adjusted estimate is based on:

- YTD, plus:
 - 90% of EBITDA budget (likely);
 - Remaining initiatives
- Impact of TFR/TE alignment of R100m EBITDA improvement
- Additional cost optimisation of R100 as per OD targets.

Working capital movement: September 2014 Estimate vs Target (post 6-day adjustment)

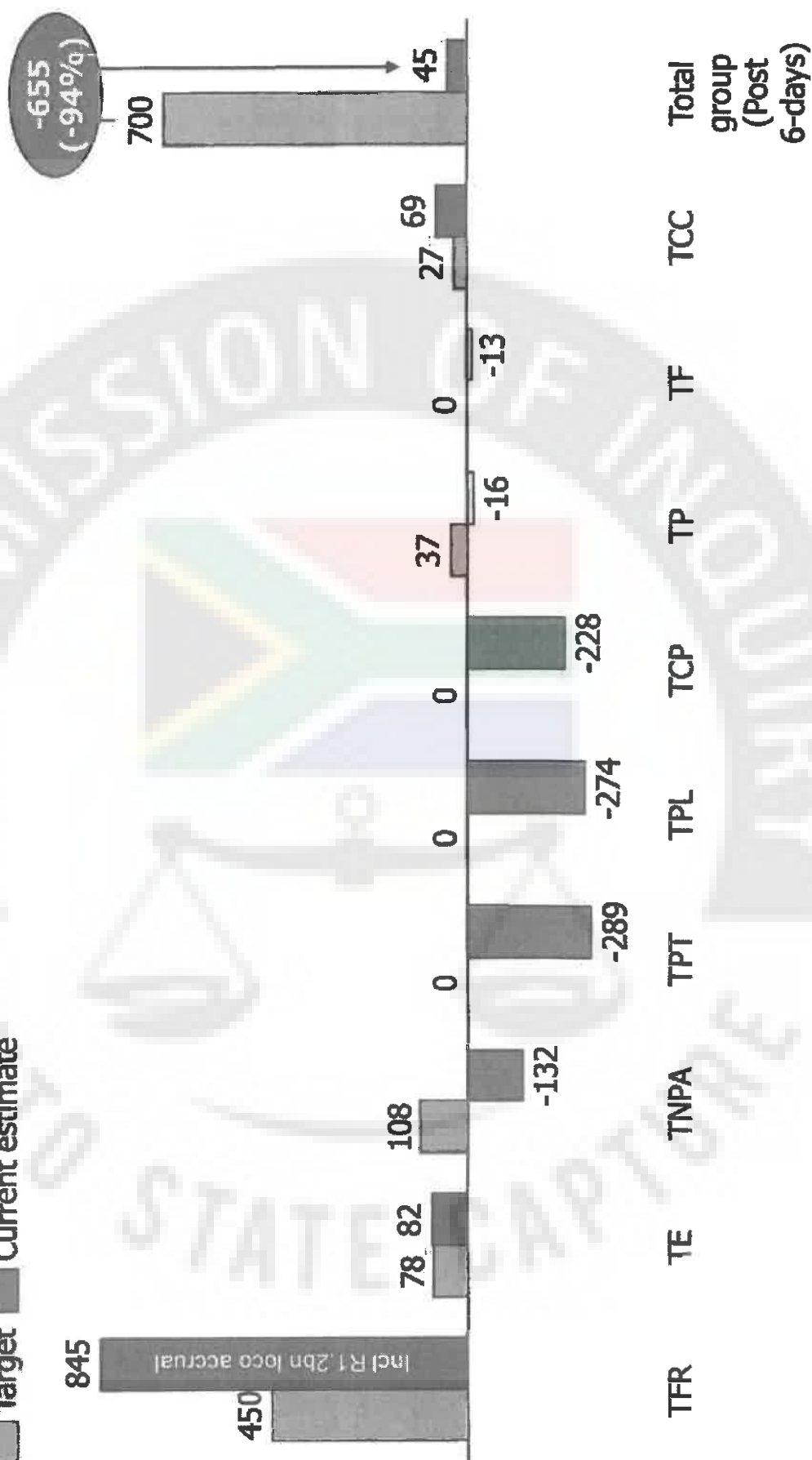
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Delivering the Energy Nation

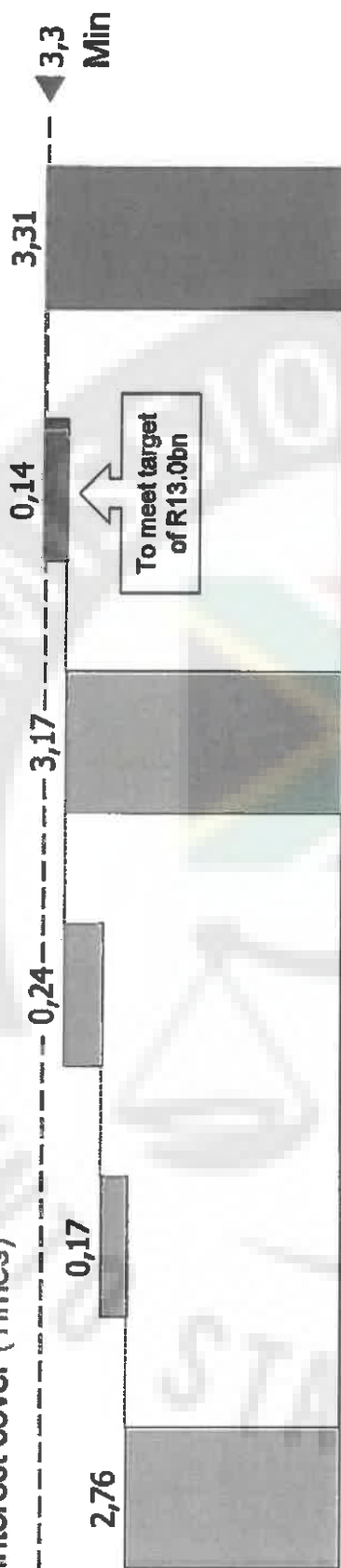
Working capital projections, R million

■ Target ■ Current estimate



September 2014 Interim Reporting Estimate (Based on Aug 2014 Actual Results)

Cash interest cover (Times)



OD Estimate @ R45m WC inflow
Meeting working capital target @R700m inflow

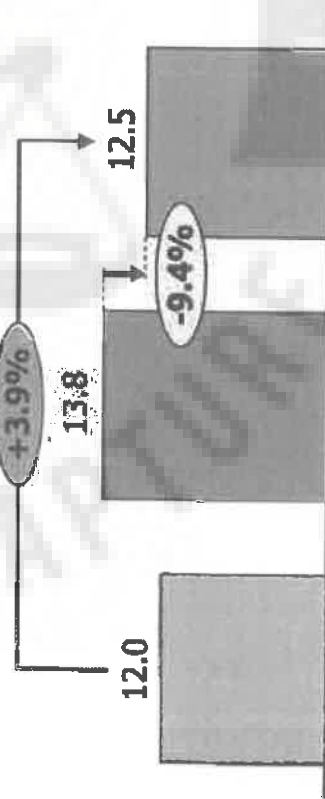
Implement JP Morgan structure @R300m

Likely estimate

Additional R500m EBITDA

Best-case estimate

EBITDA (R billion)

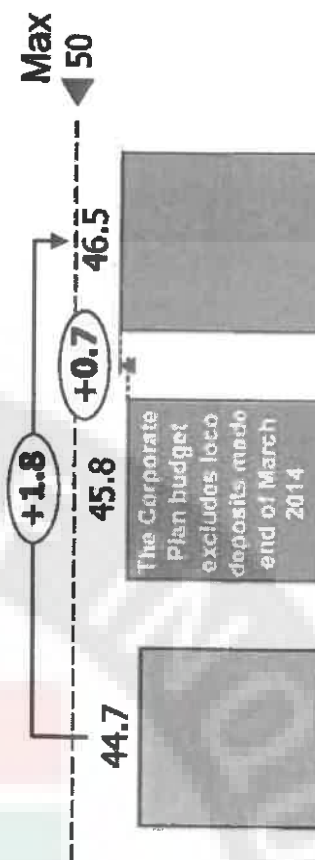


Sept 2013

Budget

Likely estimate

Gearing (%)



Sept 2013

Budget

Likely estimate

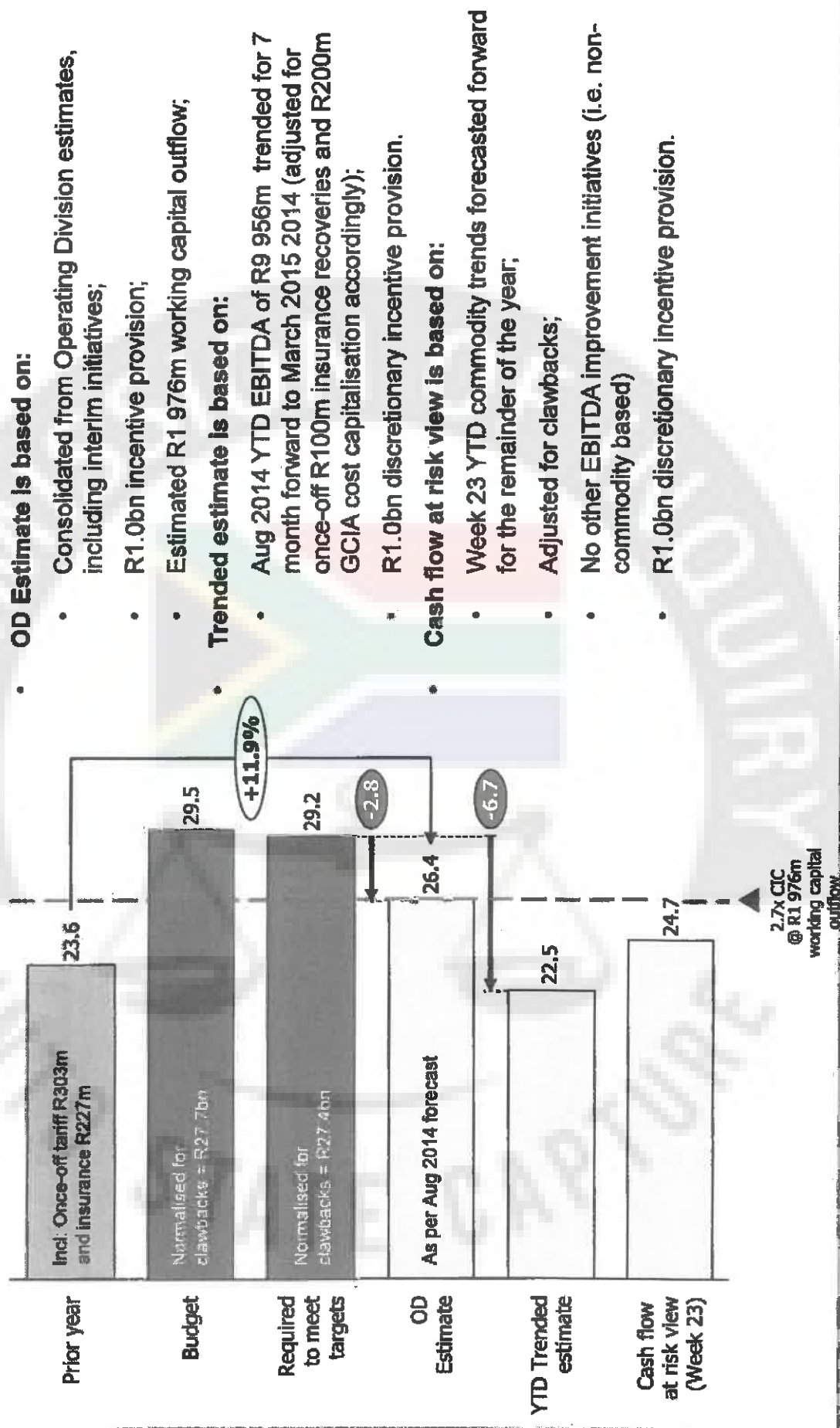
March 2015 Estimate (Based on Aug 2014 Actual Results)

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EBITDA Financial projections, Rbn

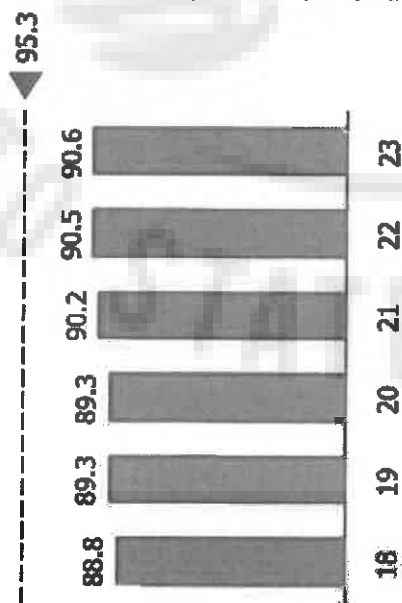


Weekly changes in annual trended volumes and 2014/15 commodity revenue forecast

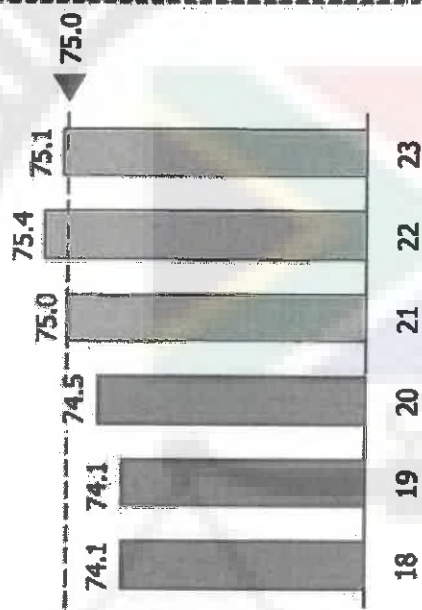
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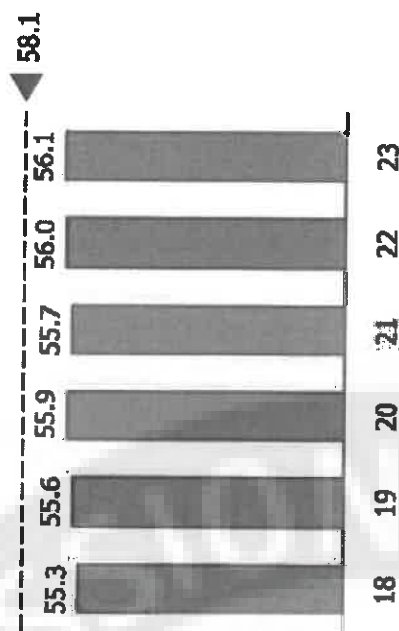
GFB (mt)



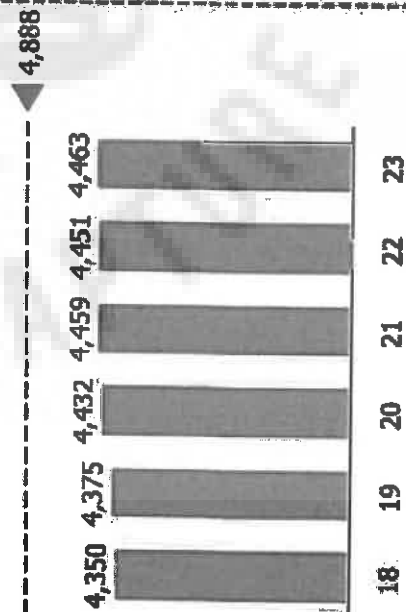
Export coal (mt)



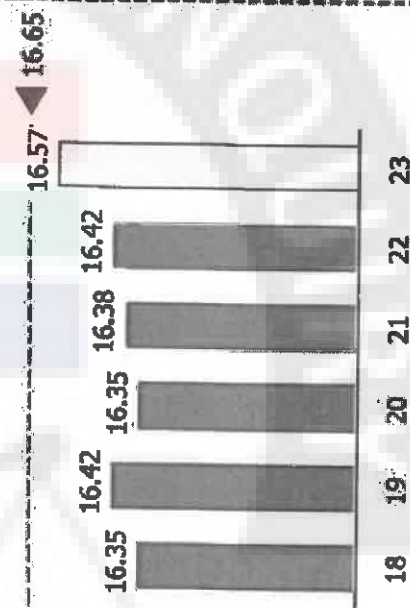
Export iron ore (mt)



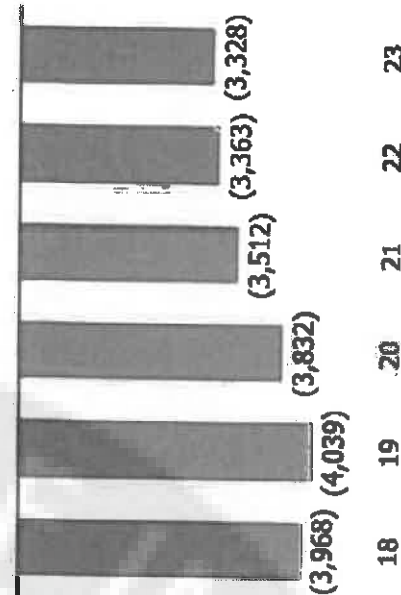
Port containers (kTEUs)



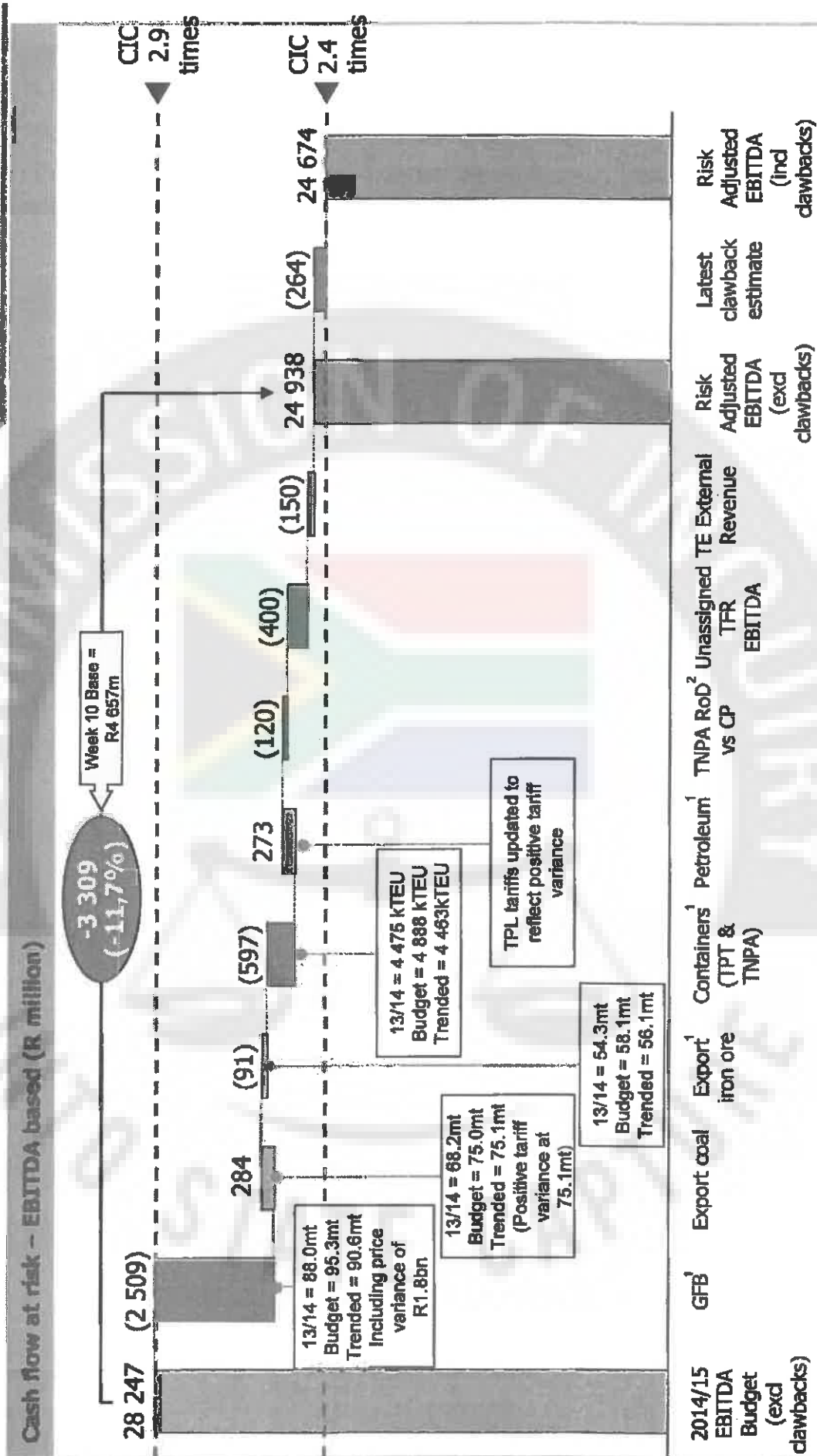
Petroleum (bnl)



Commodity revenue shortfall (Rm)



Cash flow at risk – Week 23 YTD trended volumes (excluding non-volume EBITDA initiatives)



¹ EBITDA at risk based on YTD trended commodity forecast, excluding other EBITDA initiatives

² RoD vs 2014/15 Corporate Plan cash impact (excluding clawback adjustment which is non-cash).

2014/15 EBITDA Estimate Reconciliation (Based on Aug 2014 Actual Results)

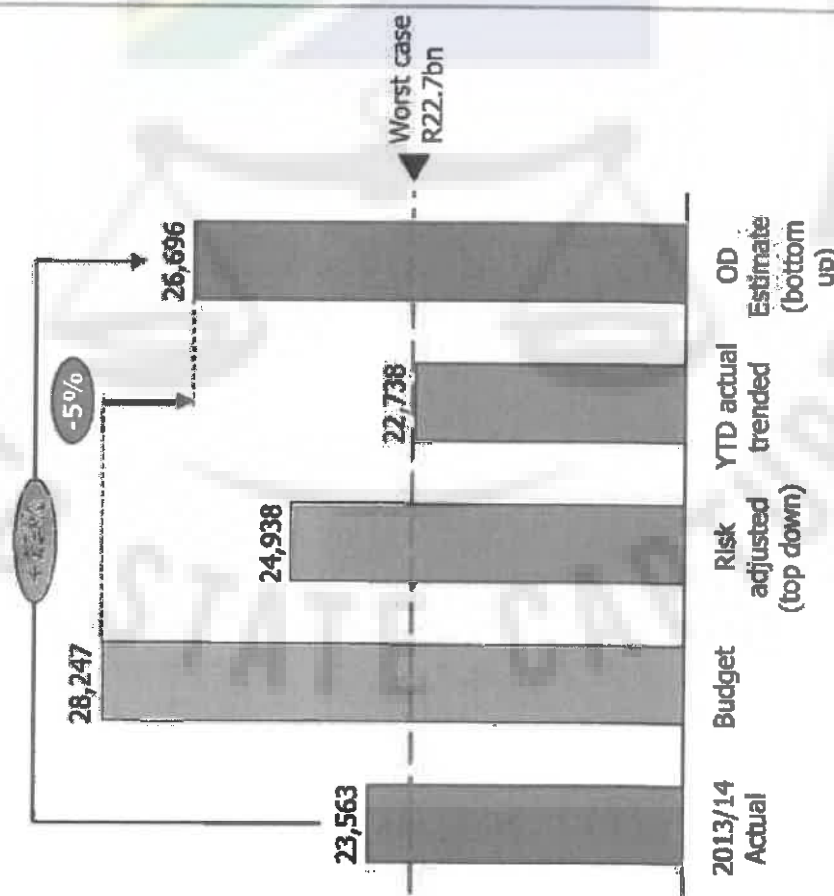
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EBITDA Estimate – excluding clawbacks (R million)

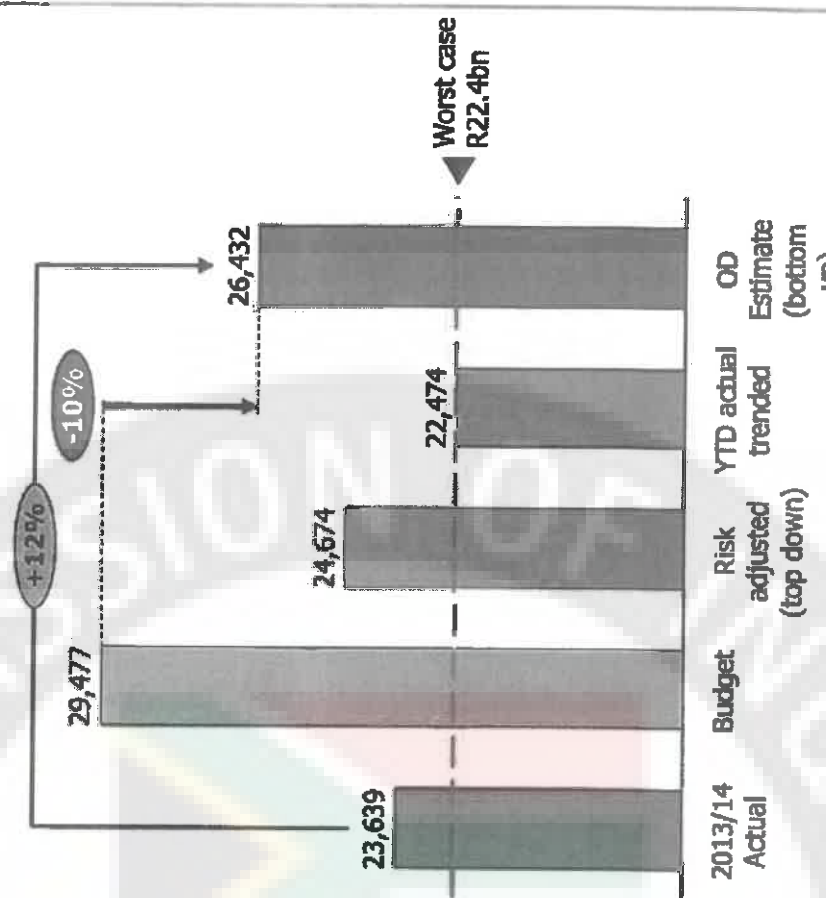
Performance view



- Risk adjusted EBITDA accounts for current YTD trended volumes forecasted for the remainder of the year.
- YTD actual trended is based on YTD EBITDA (including impact TE/IFR misalignment to date) and assumes no further improvement/ramp-up in commodity tempos.

EBITDA Estimate – including clawbacks (R million)

IFRS view



- Budgeted clawbacks of R1 230m income vs latest estimate of R264m expense – R1 494 EBITDA impact (included in both top down and bottom up estimates).



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Thank you

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solving transport problems



Capital Investment Report

August 2014

Summary

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Delivering freight reliably

Description of current status and issues

- Transnet's capital investment for the year to date amounted to R10.5bn against the approved budget of R9.6bn representing an over spending of 9%. The YTD spending for August 2014 is 19% above the R8.5bn spend for the comparable prior period.
- The Group's latest estimate for the year is R32.6bn compared to the budget of R30.6bn.
- The main reason for the over spend, is the accrual for the second milestone payment for the 100 additional 21E Locomotives (R1.3m). TFR projects that the payment will be made in September 2014.
- The NMPP memorandum for approval of the increase of ETC by R2.3bn has been approved by the Board.
- Delays in the 95 locomotives project could result in schedule overruns. As expected, 70 locomotives to be accepted over 6 months.
 - This could impact on the 1064 locomotive delivery.

Description of success

- 15 of the 95 GFB locomotives have been accepted into operations. 10 more locomotives have been delivered for testing.
- Five of the 60 Class 43 Diesels locomotives have been delivered. Two of these locomotives have been accepted into operations.
- Wagon Copex is ahead of schedule with 249 more units completed compared to the budget of 8 701 units.

Achievability of FY2015 Forecast

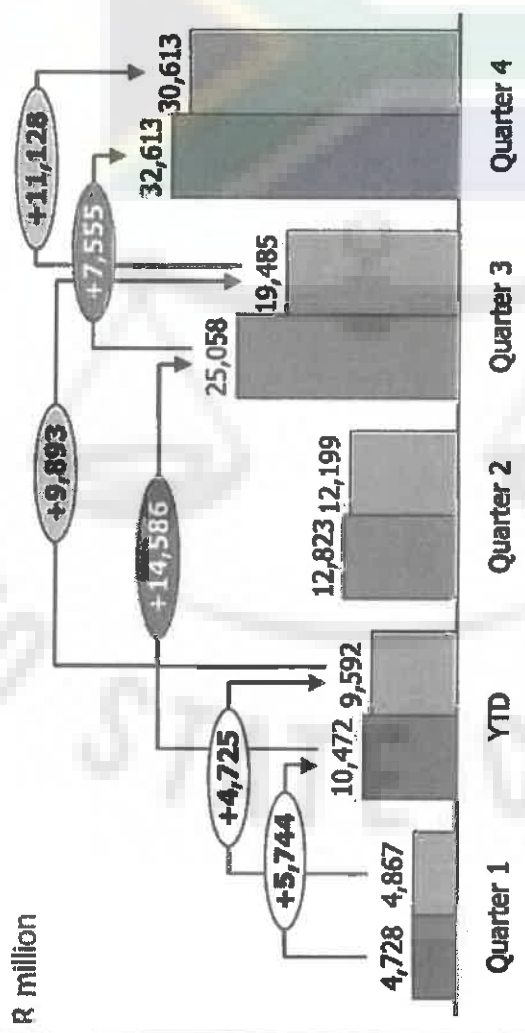
- A payment of R5.3bn for the 1 064 locomotives is expected in October.
- This will increase the likelihood of the forecast being achieved.



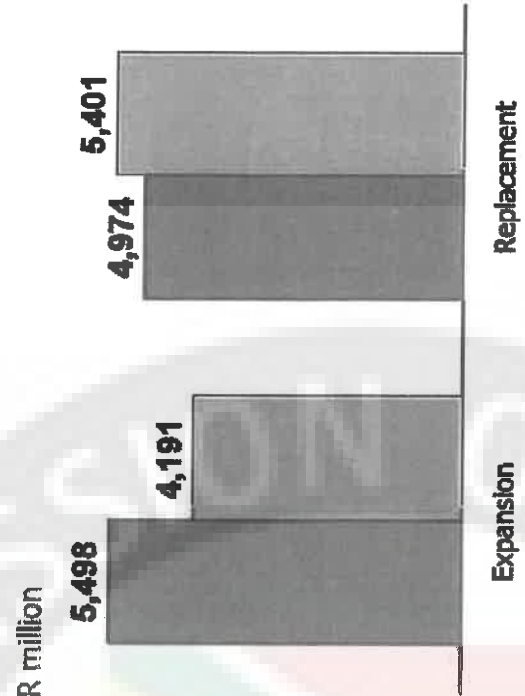
Group wide view of spend and pipeline

■ Budget ■ Actual ■ Forecast

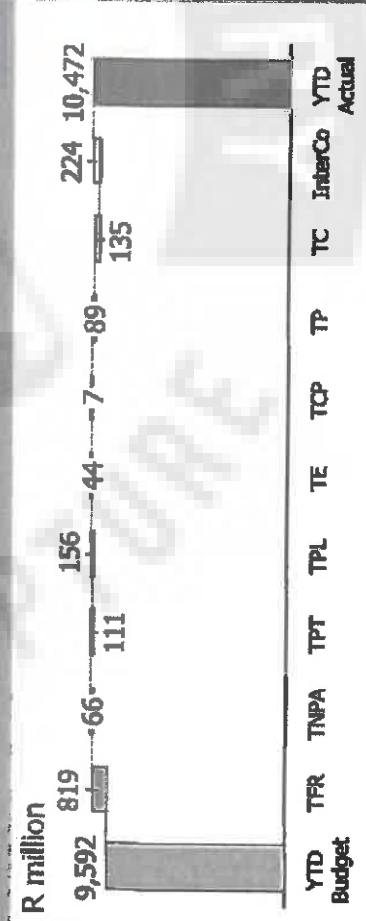
Year to date, Budget and Forecast Capital Investment



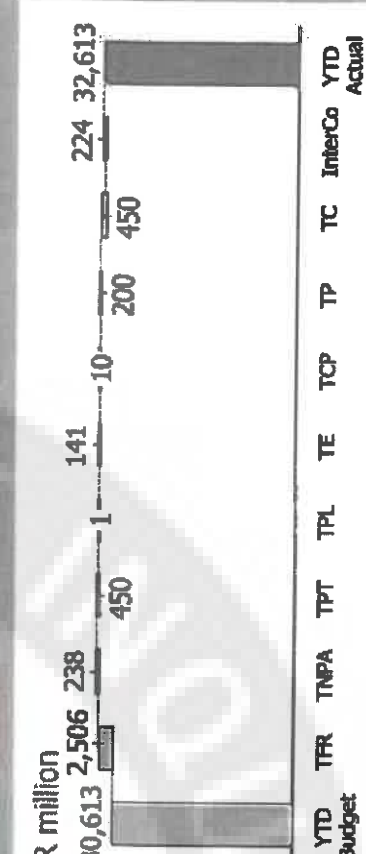
Group Expansion vs. Replacement



Group YTD Variance



Group Forecast FY 2015 Variance



Group Capital Variance – Project view

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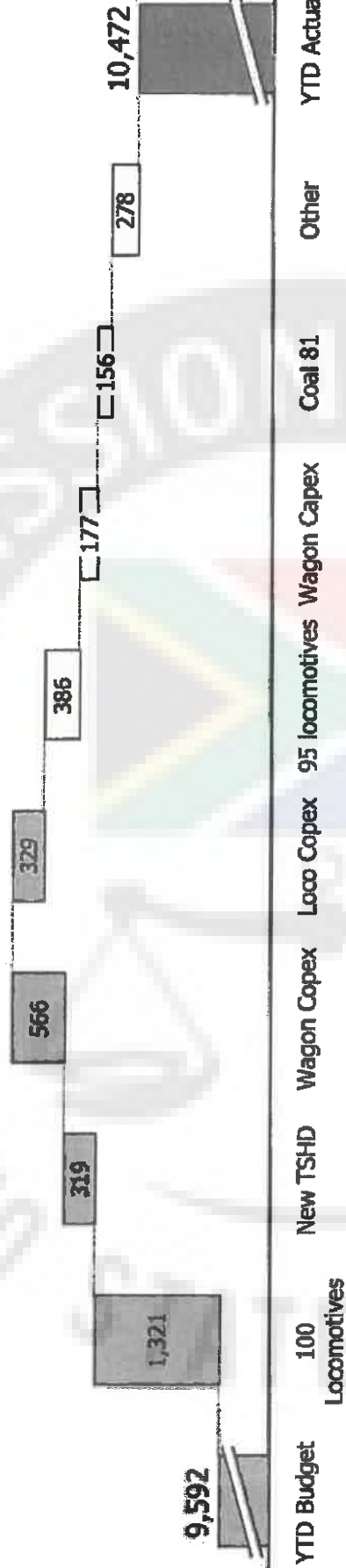


Delivering freight solutions

☐ Budget
 ☒ Actual
 ☐ Forecast

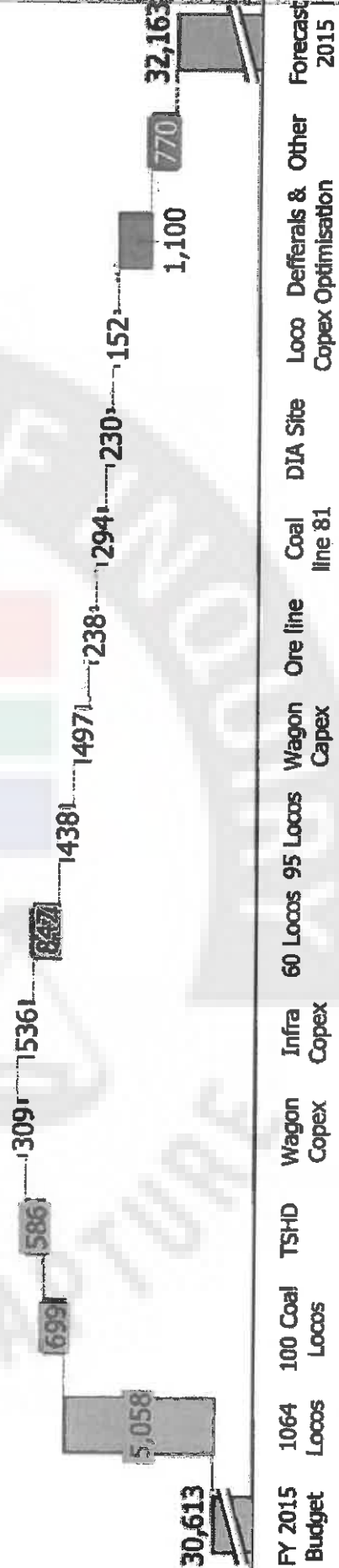
Group YTD Variance

Rm



Group IFY 2015 Forecast Variance

Rm

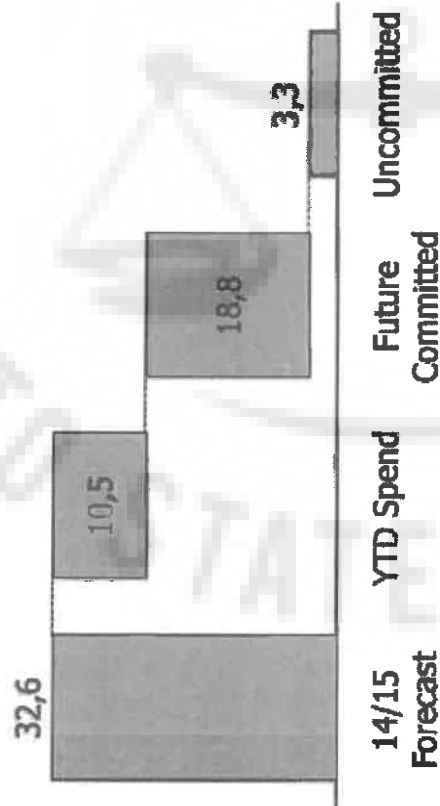


Transnet Group Committed Capital FY2015

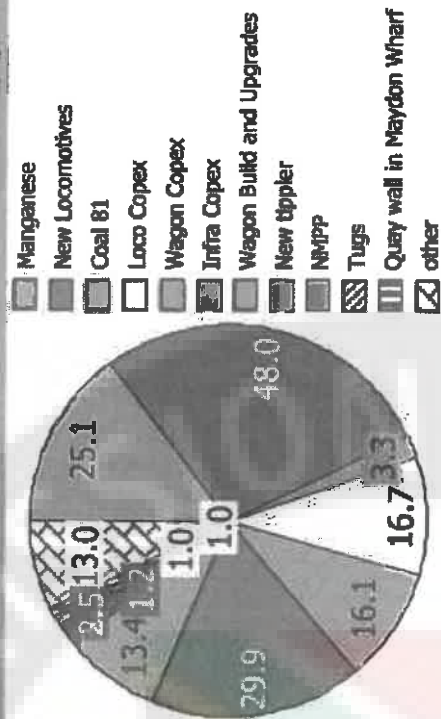


Rbn

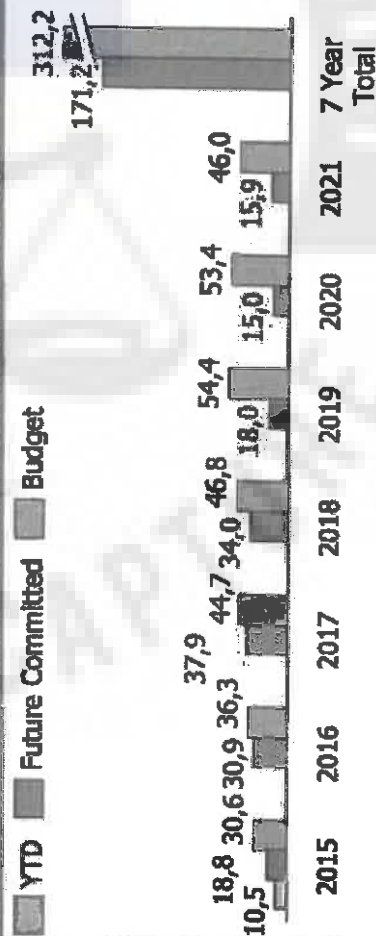
Transnet FY2015 Committed Capital



Transnet FY2015 Future Committed Capital R171,2bn

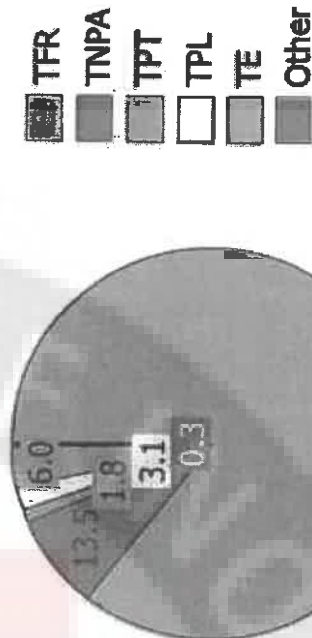


Transnet Group 7 year Committed Capital vs Budget



- Future committed capital makes up 54.8.0% of MDS Capex budget.
- In total YTD plus Future committed capital amounts to 58.1% of MDS Capex budget

Transnet 7 Future Committed Capital – R171,2bn



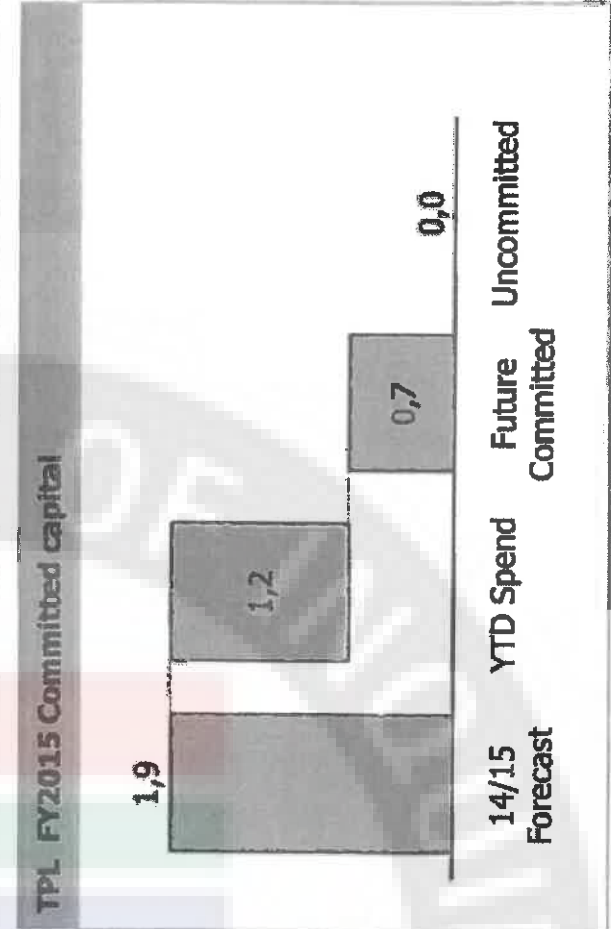
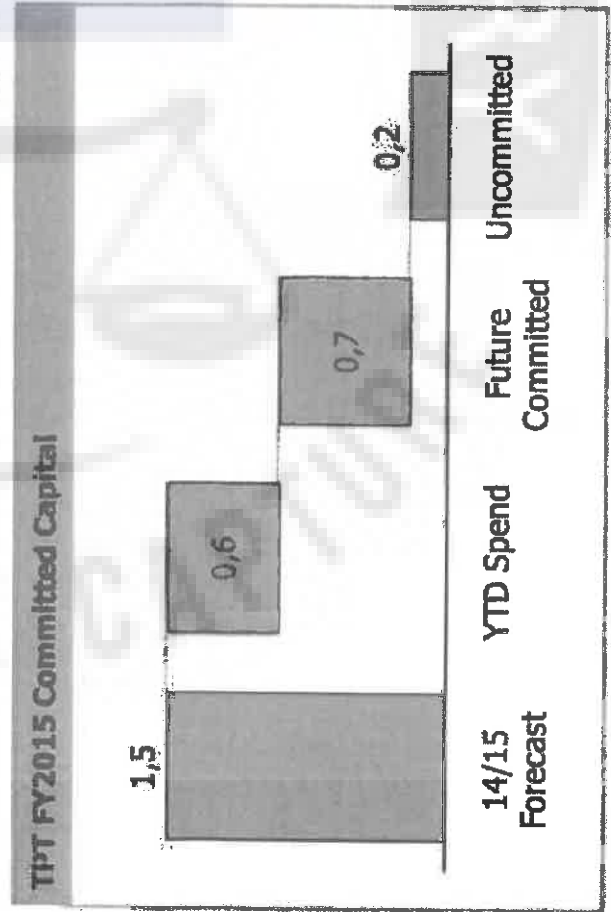
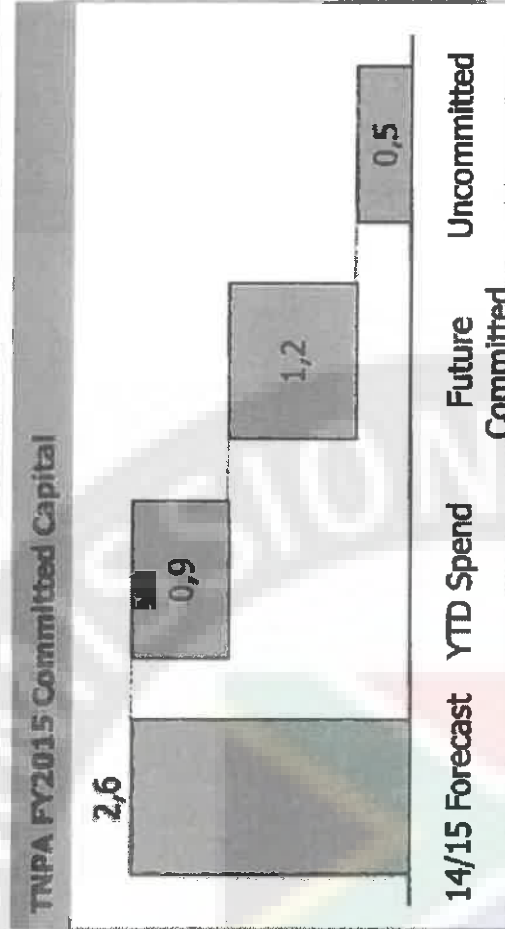
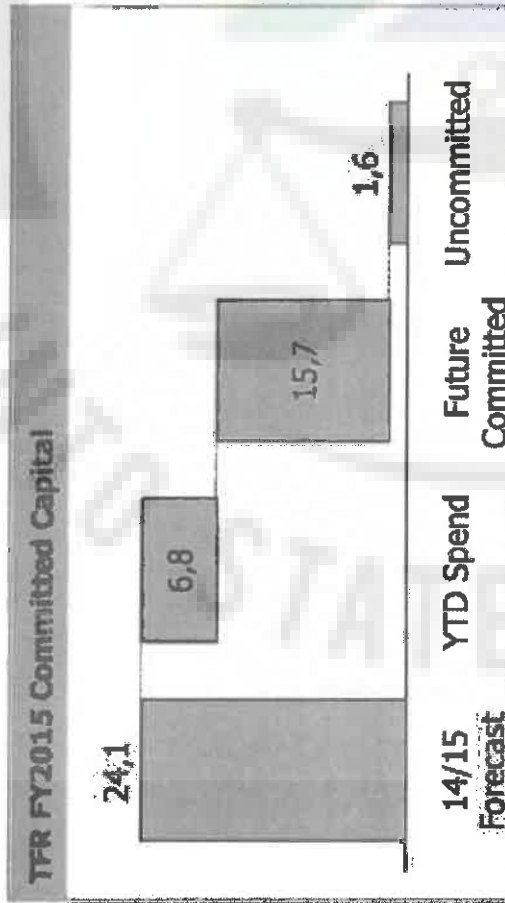
Committed Capital Investment FY2015 per OD as at August 2014

TRANSNER



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Rbn



Capital Investment performance

Delivering freight reliably



Budget

Actual

Forecast

Underspend

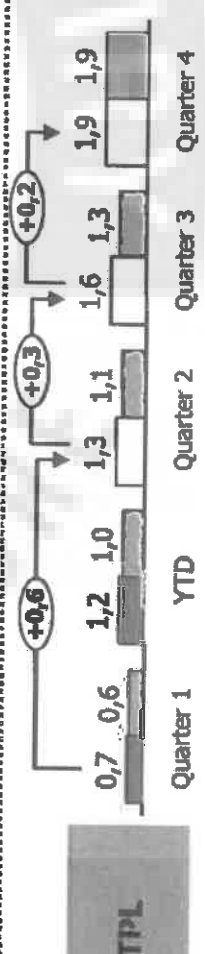
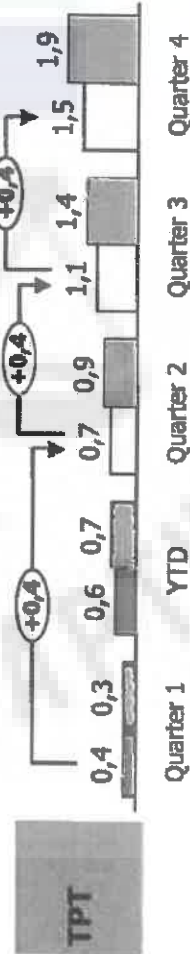
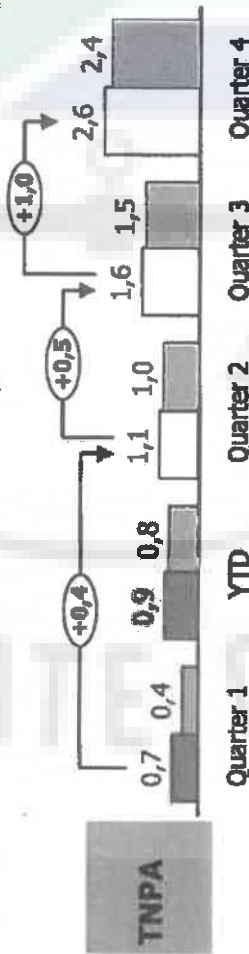
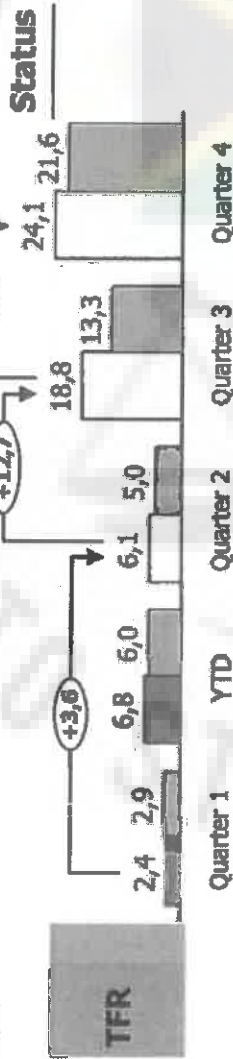
Spend to plan/Savings achieved

Overspend

Detailed further

Budget quarterly spend

Rbn



Resolution Plan

- | Issue | Resolution Plan |
|--|--|
| <ul style="list-style-type: none"> The main reason for the YTD over spend is the accrual for the second milestone payment for the 100 additional 21E Locomotives (R1.320m) Offset by the 95 Locomotives which is behind schedule by R366m. | <ul style="list-style-type: none"> This impact affordability but the acceleration of the project is expected to unlock MDS volumes earlier. 10 of the 95 Locomotives that are behind schedule are expected to be accepted into operations by 30 September 2014. |
| <ul style="list-style-type: none"> The main reason for the over spend is due to payment for TSHD of which resulted in net overspend of R319m. | <ul style="list-style-type: none"> OD's have been requested to defer/ optimise coxex to align with affordability limits. |
| <ul style="list-style-type: none"> The main reason for the underspend is due to capital optimisation. Delays in the commissioning and handover of 2 STS cranes due to inclement weather R30m. | <ul style="list-style-type: none"> * TPT has deferred a total of R450m capital for the FY2015 to align with affordability limits. The handover is expected to be done between the 17th and 20th of September. |
| <ul style="list-style-type: none"> The NMPP is operating at peak to catch up on previous project delays. | <ul style="list-style-type: none"> The NMPP memorandum for approval of the increase of ETC by R2.3bn has been approved by the Board. The spending is expected in the 2015/16 and 2016/18 financial year. |

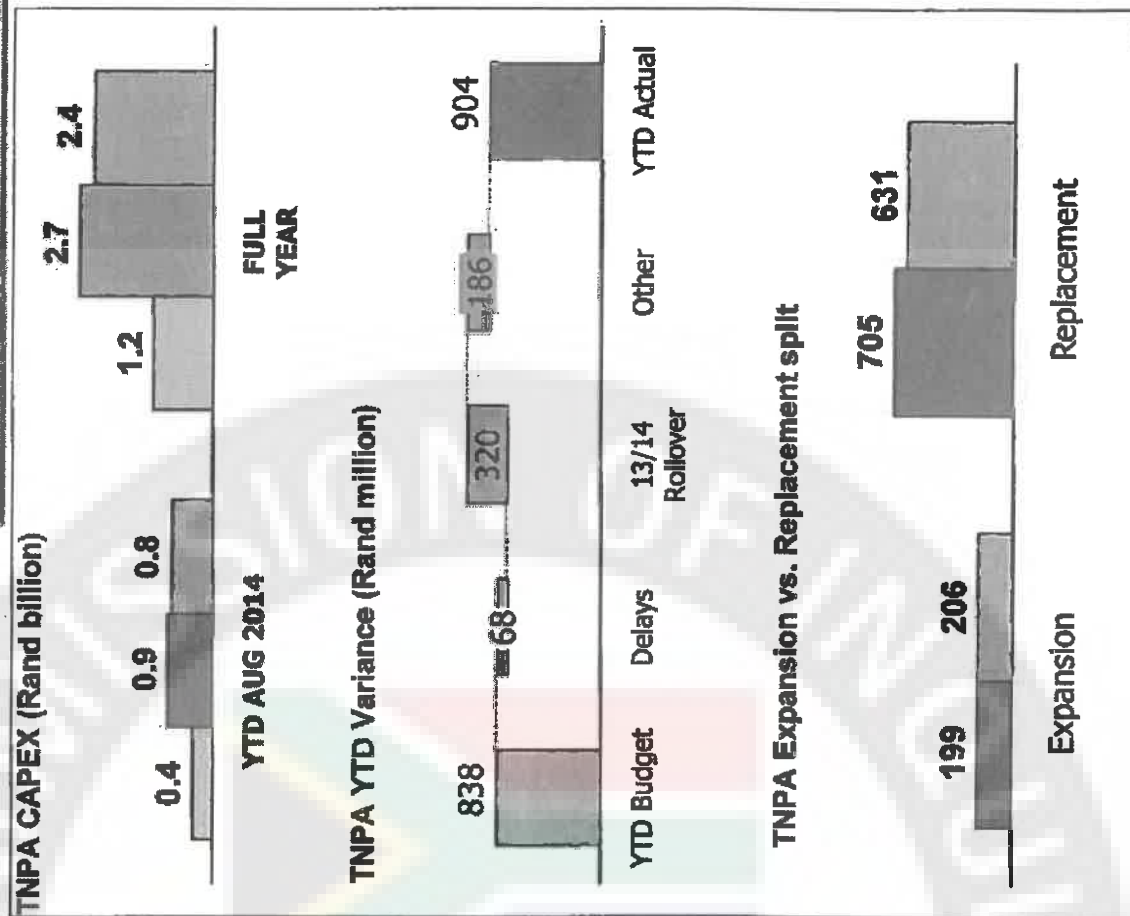
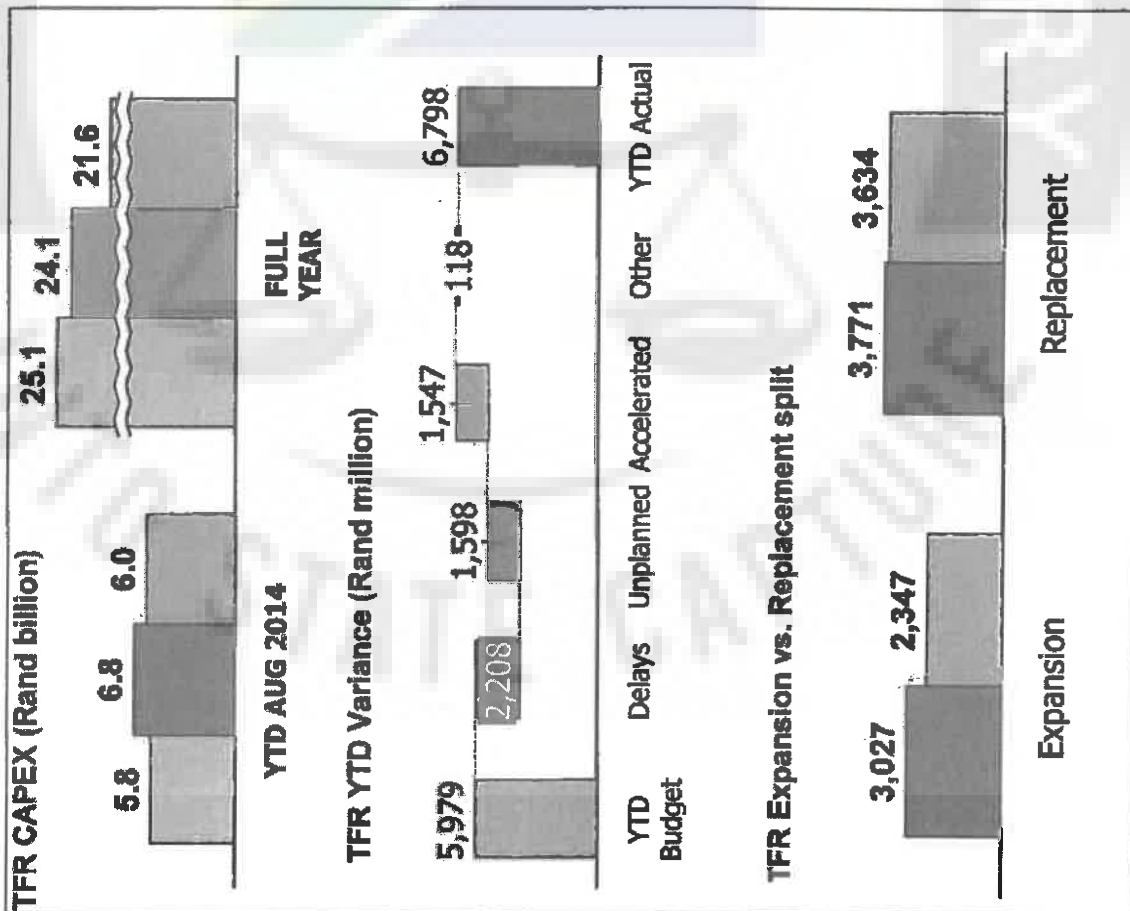
Year-to-date Operating Divisional Performance

TRANSNET



Delivering freight, reliably

☐ Budget
 ☐ Actual
 ☐ Forecast
 ☐ Prior year



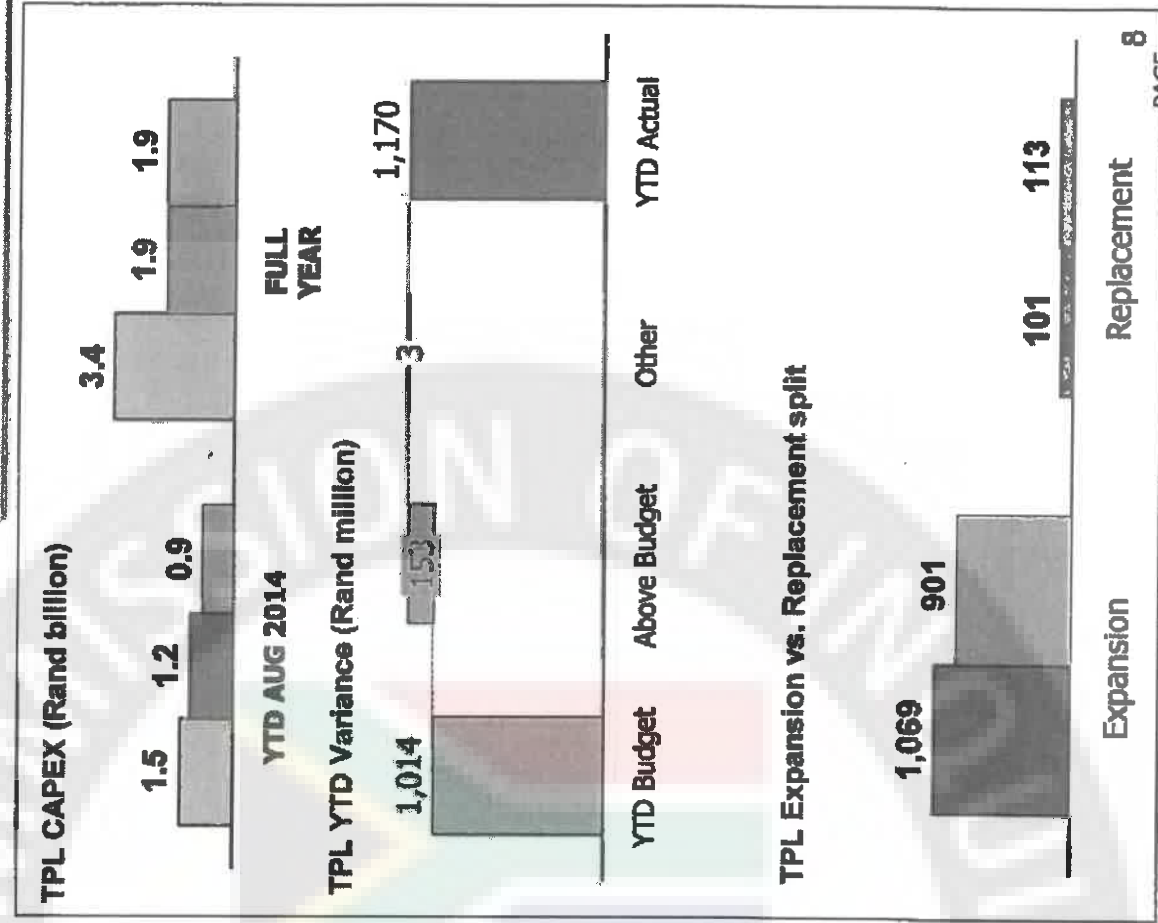
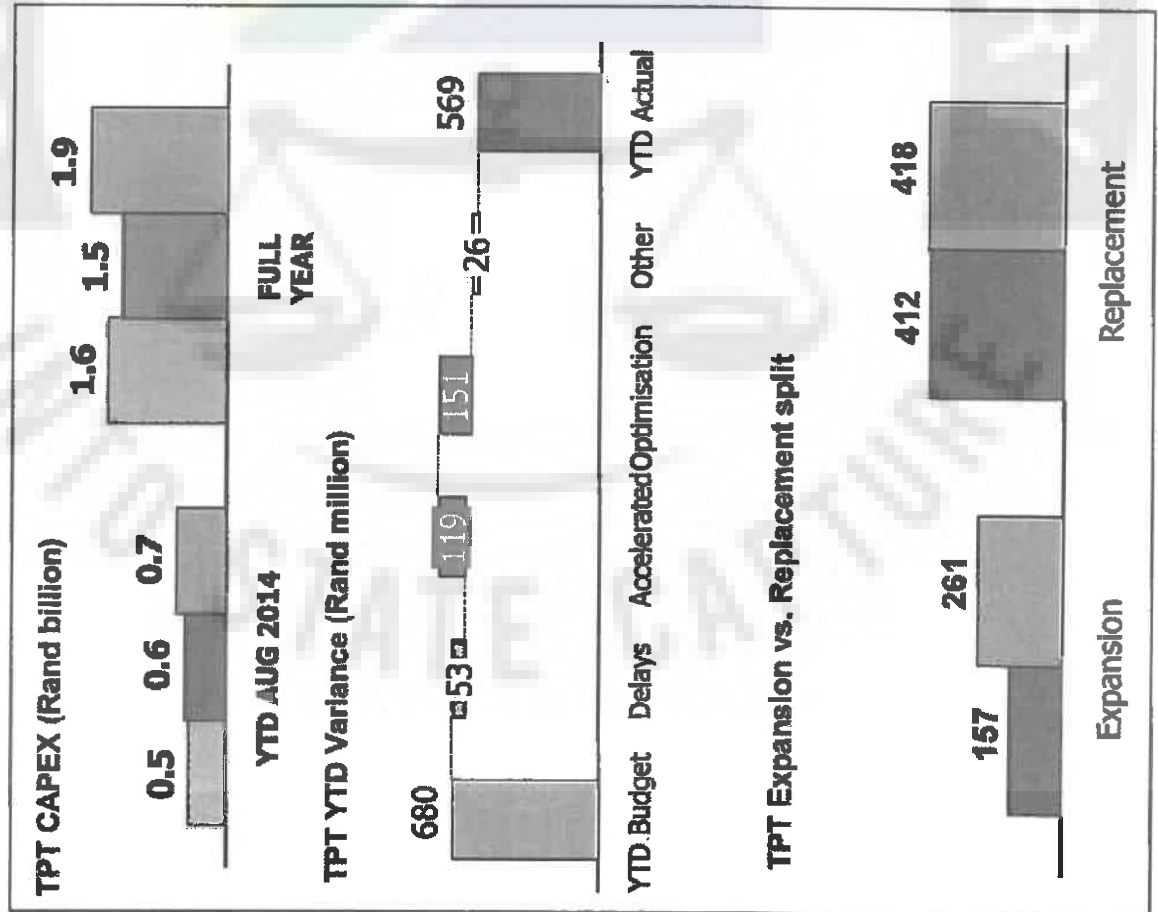
Year-to-date Operating Divisional Performance

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Budget
 Actual
 Forecast
 Prior year



FY 2015 Forecast - Capital spikes

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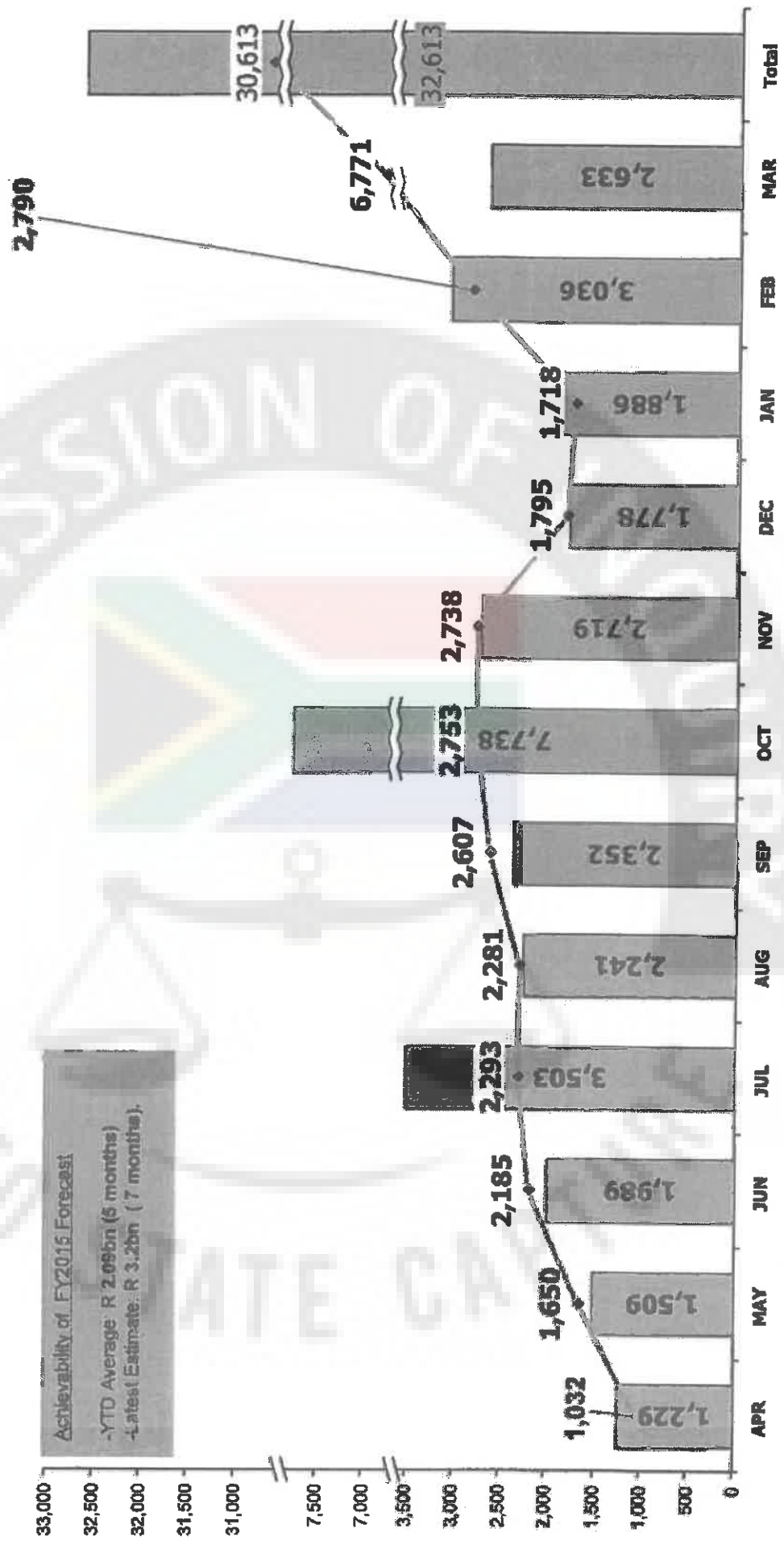


Monthly Actual
Monthly Forecast

Approved Monthly Budget

Suffering freight reliability

R million



- Spend to plan/Savings achieved
- Underspend
- Overspend

Capital Investment performance

(Actual/Forecast)

Project	Sept	Oct	Nov	Dec	Jan	Feb	Mar	status
Infrastructure Copex	304	273	243	182	152	304	391	
The forecast reflects deferrals and optimisation to address affordability.								
Locomotive Copex	222	228	226	157	231	270	268	
Locomotive Copex is behind schedule by R329m due to the stopping of some MOPs and GO programs.								
Wagon Copex	183	163	185	161	228	335	335	
Capex peaks occur in February and March and are mainly dependent on TE's ability to procure the required materials inputs.								
95 GFB Locomotives	282	282	355	282	235	26	381	
The acceptance of the 10 locomotives was delayed, TFR estimate that these will be accepted into operations by September 2014.								
1064 Locomotives	5 297							
A major spike is expected in October and dependent on the achievement of design milestone monitored by CAPIC and LSC feedback to be provided in August 2014.								
NMPP	111	97	97	47	47	97	11	
Unfavourable weather conditions pose a risk to the schedule.								
Coal Line 81mtpa	32	36	38	23	30	33	32	
A revision of the coal 81 could result in spikes in capex. The ETC revision is following government processes and will be presented at the September 2014 TFRIC.								

Spend to plan/Savings achieved

Underspend

Overspend

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Capital Investment performance

(Actual/Forecast)

Project	Sept	Oct	Nov	Dec	Jan	Feb	Mar	status
Wagon fleet upgrade	83	81	87	47	43	65	103	
Total	1 217	6455	1229	899	966	1 130	1521	

Capex reaches R100m in March, based on the status of the project, the risk of this not happening is remote.

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FEEDBACK/REPORTING

(Item 4.8: Update on MDS Capital Execution)

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ITEMS FOR DISCUSSION / APPROVAL

(Item 5.1: Cash Forecast)

(Item 5.2: Debt Management)

Cash forecast year ended 31 March 2015: OPEX and CAPEX as per the Corporate Plan

100% Funding Initiatives as at 09 September 2014

FY 14/15 Month	9-Sep	14-Sep	21-Sep	28-Sep	5-Oct	12-Oct	19-Oct	26-Oct	3-Nov	9-Nov	16-Nov	23-Nov	30-Nov	December	January	February	March
Opening Balance	116 536 437	2 525 175 095	930 503 393	1 276 019 793	3 880 527 066	1 517 923 331	-3 564 122 012	-3 289 699 871	625 383 644	-2 009 179 011	-2 452 742 030	-3 536 156 849	-3 002 204 609	-3 086 182 912	-2 443 157 104	-2 086 990 631	-3 424 217 326
OPEX	18 208 846	-44 096 352	683 360 567	2 815 009 786	-2 067 584 476	-359 741 793	1 78 736 464	4 036 331 161	-2 413 952 382	-7 631 960	15 092 165	688 380 644	312 810 753	1 810 289 214	2 208 064 686	1 870 369 333	1 960 294 912
CAPEX	-17 853 054	-1 568 000 000	-19 841 129	-88 512 064	-234 075 242	-5 472 303 550	-13 611 600	-54 147 306	-300 965 918	0	-4 797 962	-66 188 967	0	-1 805 531 855	-1 727 592 665	-2 849 421 093	-6 369 046 056
Other Investing Activities																	
Commercial Paper / Bond Type	0	0	200 000 000	0	75 000 000	0	110 000 000	0	250 000 000	0	-100 000 000	0	-32 000 000	250 000 000	250 000 000	500 000 000	500 000 000
Treasury Stocks (Value Realized)	-11 717 134	-42 575 350	-518 003 038	-121 990 448	-135 944 018	0	-702 723	-67 100 339	-169 644 355	-435 931 058	-993 709 022	-88 239 438	-364 789 056	-211 731 551	-374 305 556	-858 174 935	-248 731 551
Call Balance																	
Structured Finance	2 420 000 000					730 000 000								800 000 000			
Closing Balance	2 525 175 095	930 503 393	1 276 019 793	3 880 527 066	1 517 923 331	-3 564 122 012	-3 289 699 871	625 383 644	-2 009 179 011	-2 452 742 030	-3 536 156 849	-3 002 204 609	-3 086 182 912	-2 443 157 104	-2 086 990 631	-3 424 217 326	-7 581 700 021
Comments		R1,514 billion CAPEX payment to C&S planned for 12 Sept				Proposed Bond Issuance and loan payment											EDC loan

R 6 bn EDC
R 3 bn Bonds
R 1 bn bond CP
R 10 bn

ROLLING 12 MONTH AND 18 MONTH MATURITIES

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Monthly Debt Maturities @ 31 August 2014:

	FY 2014/15	FY 2015/16
April		(266 610 902.60)
May		(369 776 912.08)
June		(461 731 550.69)
July		(224 305 555.56)
August		(1 105 068 684.55)
September	(137 004 020.49)	(443 852 488.19)
October	(420 217 075.12)	(107 558 848.10)
November	(669 776 912.08)	(497 670 662.08)
December	(211 731 550.69)	(223 731 550.69)
January	(374 305 555.56)	(24 305 555.56)
February	(1 039 174 934.55)	(6 403 568 684.55)
March	(348 731 550.69)	
Rolling 12 Months debt maturity	(5 628 435 204.67)	
Rolling 18 Months debt maturity		(13 329 122 993.84)

Rolling 12 Months debt maturity
Rolling 18 Months debt maturity

Annual Debt Maturities as at 31 August 2014:

	R'm
FY 2014/15	(3 202)
FY 2015/16	(10 574)
FY 2016/17	(7 773)
FY 2017/18	(11 621)
FY 2018/19	(5 746)
FY 2019/20	(3 488)
FY 2020/21	(9 807)

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LOANS DEBT CREDIT RATINGS REQUIREMENTS

Debit/Loan	Inv. Security Rating	Original Amount (in mil)	Balance at Maturity	Maturity Date
ATRAHABUS (Astra Korea)	N	345	345	15/09/2020
PINNVENA (Astra Korea)	N	855	367	Various from 15 Sep 2020 to 15 Sep 2021
EXIM (Netherlands)	N	853	2,555	15/06/2022
AFAC (American Family Life Assurance Co. of Columbia, Waiver foreign)	N	1,240	1,250	15/11/2019
Neobank (32 months)	N	707	431	02/05/2021
Standard Bank (32 London 51%)	N	707	441	30/04/2020
AFB (French Dev Agency)	Y	1,720	1,718	29 November 2024
AFB (African Dev Bank) A-	Y	2,703	2,305	02/05/2021
AFB (African Dev Bank) B -	Y	3,128	2,391	01/05/2018
JEIC (Japan Bank for International Co-operation) EDC (Export Development (Brazil))	Y	2,453	1,573	20/03/2021
Neobank (tups)	Y	230	156	30/11/2018
Neobank (tups)	Y	1,130	1,601	18/11/2021
Indura (110 Luxembourg)	Y	1,371	1,137	20/12/2021
DMIN (Global MTN)	N/A	N/A	38,930	20/12/2021
Commercial Paper (DMIN Program)	N/A	N/A	2,795	Various up to 1-year
INUS 16 NGM (Global MTN)	Y/N	5,468	5,468	10/03/2016
INUR 22 (Global MTN)	Y/N	8,195	8,194	22/07/2022
INZA 21 (Global MTN)	Y/N	5,000	5,000	13/03/2021
EMIN (Euro-land MTN)	Y/N	2,000	2,000	14/04/2020
EMIN (Euro-land MTN)	Y/N	1,500	1,500	30/03/2020
KW IPAX-Bank (EUR)	Y	731	731	20/03/2019
IMBEX (ZAR KRW facility)	Y	3,400	1,400	20/03/2019
ATMU (Bank of Tokyo Mitsubishi as Facility Agent)	Y	USD 500 million	5246	15 May 2019
Liberty Life Ltd	Y	1750	1750	19 July 2022
Standard Bank (and Out of The Blue Originator)	Y	1750	2000	21 August 2024

Notes:
1. If there is a change of control and a negative rating based occurs as a result of the change in control.
2. Interest will be paid within 15 - 30 days if the option is exercised by investors. This put is exercisable if there is a change of control.
3. Interest will be paid in respect of interest received on a collateralized loan currency long-term debt.

A-18: N 11 450



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What would be the impact of Credit Rating downgrades?

- A 1-notch downgrade by S&P to BBB-(or 3-notches by Moody's to Baa3) on the Foreign Currency would trigger a pricing revision on the African Development Bank (AfDB) and Export Development Canada (EDC) Loans. The pricing revision risk materialised with the credit rating downgrade by S&P to BBB- on 19 June 2014. Group Treasury negotiated a waiver of the price increase with the Lenders. AfDB agreed to the waiver in August 2014. EDC did not respond on the follow-up communication from Group Treasury, sent before just expiry of the mandatory 45-day communication period. Based on this contractual provision EDC, like AfDB, is assumed to have accepted the price increase waiver as proposed by Transnet; and
 - A Foreign Currency sub-investment grade can lead to prepayment. However, prepayment can be avoided if an acceptable Guarantee is established within 90 days. Affected debt totals a ZAR-equivalent of R5.9 billion;
- LibFin, KfW-CCB-RMB, and Standard Bank/Out of the Blue term loans facilities place requirements on Transnet's unsecured & unsubordinated Local Currency long-term debt obligations. In summary:
- a) Inform (confer with) Lenders upon request by Facility Agent should it fall to BBB+ (S&P) or Baa1 (Moody's). The S&P ratings is at the BBB+ from 19 June 2014. A 1-notch credit downgrade by Moody's would result in a Transnet Rating of Baa1.
 - b) BBB (S&P) or Baa2 (Moody's) margin increases by 0.5% for the Standard Bank/Out of the Blue Originator (Pty) Ltd, 0.3% for KfW-CCB-RMB facility, and unspecified for LibFin ;
 - c) Below BBB (S&P) or Baa2 (Moody's) one of the following can occur: (i) Transnet repays Loans within 5 Business Days' notice from the Lenders, or (ii) delivers to each Facility Agent, for the ZAR or EUR Loan, who requires no prepayment a guarantee from a Qualifying Guarantor within 45 days (Libfin), 60 days (KfW-CCB-RMB) and 90 days (Standard Bank/Out of the Blue).

Guarantees and LCs as at 31 August 2014:

- The total Transnet Group guarantees amounted to R123m;
- Total Letters of Credit (L/C's) position R445m at the end of the reporting month.

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FUNDRAISING INITIATIVES FOR DISCUSSION/APPROVAL

(Item 5.3: Fund Raising Initiatives)

(Item 5.3.1 Domestic and International Issuance)



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FUNDRAISING INITIATIVES FOR DISCUSSION/ APPROVAL

- (Item 5.4: ALCO Treasury IT Operational Plan)
- (Item 5.5: TCC Group Finance - Treasury)
- (Item 5.6: Treasury Hedges)

GOALS	OBJECTIVES	PROBABLE RISKS/EVIDENCE	STATUS OF PROGRESS	EXPECTED COMPLETION DATE
1. SAFE IT ENVIRONMENT	PROVIDE EFFECTIVE SYSTEMS, SOFTWARE, HARDWARE EFFECTIVENESS AND DATA AVAILABILITY	<ul style="list-style-type: none"> Unreliable physical server infrastructure e.g. Intranet Synthesis server (old dell Voice recorder) 	Draft report on Treasury hardware and software system status.	30/04/2014
	EFFECTIVE CONTROL ACCESS AND AUTHORIZATION (QUANTUM)	<ul style="list-style-type: none"> Unauthorized users access Quantum Audit user activity reports Inadequate user permissions Office & Quantum files 		
	EFFECTIVE CONTROL ACCESS AND AUTHORIZATION (FILE SERVER JHBTCCFS102)	<ul style="list-style-type: none"> Unauthorized users access protected spreadsheet Inadequate user permissions from auditors 		
	PROVIDE RELIABLE, RELEVANT & ENABLING TECHNOLOGY	<ul style="list-style-type: none"> Lack of support on legacy unsupported software app and Operating Systems e.g. INTERNET SERVICE 6, Win 3.1, Windows server 2003 	Draft report on Treasury hardware and software system status.	8th of each month
	MONITOR AND MANAGE SYSTEM RESOURCES e.g. RAM, Hard disk space, performance etc.	<ul style="list-style-type: none"> Inefficient RAM patches. Inefficient hard disk space of all servers Slow system performance 	Patches loaded as per MS release them. Call logged by TSSA to install security patches. The T-systems reflected some low risk items to be cleared.	15th of each month
2. BUSINESS CONTINUITY MANAGEMENT AND DISASTER RECOVERY	ENSURE HIGH SYSTEMS AVAILABILITY AND UP TIME	<ul style="list-style-type: none"> Lack of business continuity plan Lack of DR site. Ineffective backup plan. Lack of change adherent management. Lack of common data do test backups. Ineffective and incomplete testing. Lack of business continuity area/stations. Unupdated Bottle box for Treasury business areas. 	<ul style="list-style-type: none"> BC Plan updated Reviewed by Stephen BCP to be approved by Group Treasurer Bottle box updated 	Quarterly
	MANAGING TESTING SCHEDULE AND TESTING DATABASES	<ul style="list-style-type: none"> Lack of testing work area environment/ test databases (DR) site Delays in getting a test report & Status Report ready for testing. 		
2. VENDOR MANAGEMENT	EFFECTIVE CONTRACT AND SERVICE LEVEL AGREEMENT "SLA" MANAGEMENT	<ul style="list-style-type: none"> Lack of SLA and contract Poor quality service due of SLA or lack of adherence agreed quality standards. Late renewals of contracts Lack of clarity of roles and responsibilities at service providers and Non compliance to procurement requirements. Non compliance to contract management policy. 		
4. IT CONTROLS AND AUDIT	ENSURE EFFECTIVENESS OF CIRC'S AND IT CONTROLS	<ul style="list-style-type: none"> Lack of regular IT audit. Infrequent review of controls Breach of controls 		
	REVIEW OF CIRC'S BASE DATA	<ul style="list-style-type: none"> Incomplete, obsolete or ineffective controls 		

5. IT BUSINESS PROCESSES AND PROCEDURES	DOCUMENTATION OF "IT" PROCESSES AND PROCEDURES	<ul style="list-style-type: none"> • Lack of IT system procedures. • Unauthorised process a procedures. • Lack of system workflow. • Lack of Treasury system architecture diagrams. 	<ul style="list-style-type: none"> • IT Business processes to be reviewed by Botoka and ensure that they are mapped accordingly. • Treasury system architecture and interfaces in place 	Sep-14
6. BUDGET AND ICT PAYMENTS	Ensure that ICT payments are all up to date, within budget, per contract and in compliance with procurement policies	<ul style="list-style-type: none"> • Unapproved expenditure • Lack of IT budget. • Lack of adequate monitoring and control of • Unauthorised consultation • Breach of procurement 		
7. GENERAL IT SUPPORT	MANAGE AND FOLLOW UP INCIDENTS REPORTED WITH SERVICE PROVIDERS ES TSSA USVD AND SUNGARD HELP DESK	<ul style="list-style-type: none"> • Disruption to an organization's operations, services or functions due to network unavailability 		
	EFFECTIVE NETWORK SUPPORT	<ul style="list-style-type: none"> • Disruption to organization's operations, services or functions due to network unavailability 		
	EFFECTIVE DESKTOP SUPPORT	<ul style="list-style-type: none"> • Disruption to organization's operations, services or functions due to desktop and security incidents logged with 	<ul style="list-style-type: none"> • Installation and configuration of new machines • User desktop issue resolution 	monthly
	EFFECTIVE APPLICATION SUPPORT (QUANTUM)	<ul style="list-style-type: none"> • Lack of SLA with application vendors. 	<ul style="list-style-type: none"> • Review and follow up on Quantum Incident report. Old low risk incidents to be closed 	Monthly
	EFFECTIVE DATABASE AND SERVER SUPPORT	<ul style="list-style-type: none"> • Disruption to organization's operations, services or functions due to network unavailability 		
8. REPORTS	SUBMISSION OF WEEKLY AND ALCO REPORTS	<ul style="list-style-type: none"> • Lack of submission of CO reports 		

Business Continuity Plan Transnet Corporate Centre

Group Finance Treasury



**In the event of an incident proceed immediately to
Section 2 and perform actions as listed**

Team Name:	Group Finance - Treasury
Produced By:	Group Risk
Version No.	2.0
Revision No.	2.0
Date of Issue:	March 2014

PURPOSE: To provide a documented framework that could guide Transnet Corporate Centre in the event of an incident which renders the Group Finance–Treasury inoperable and assist them with the management of this incident

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1. INTRODUCTION AND SCOPE

The Business Continuity Plan for **Group Finance-Treasury (GF-TRY)** is an integral part of the overall Business Continuity Plan (BCP) for Transnet Corporate Centre. The complete BCP, which identifies and includes all component BCPs, is held by the Business Continuity Coordinator (BCC) and a schematic diagram of this relationship can be found in the Common Data document.

This document outlines the actions and procedures that must be followed by the team to minimise the consequences of a significant adverse incident or event affecting the following critical business processes:

	Critical Processes (Critical Activities)	RTO (Recovery Time Objective)	MAO (Maximum Allowable Outage)
I.	Confirmations	2-3 Hours	1 day
II.	Settlements	2-3 Hours	1 day
III.	Bond Trading	2-3 Hours	1 day
IV.	Foreign Exchange Trading	2-3 Hours	1 day
V.	Money Market Trading	2-3 Hours	1 day
VI.	Cash Management	2-3 Hours	1 day
VII.	Funding	3 days	1 day
VIII.	Accounting	2-3 Hours	1 day
IX.	Risk Management	12 Hours	1 day

These critical processes / activities must be recovered and maintained within the prescribed Recovery Time Objective (RTO) in order for this business unit to operate as required.

The BCP also contains a set of procedures to enable lost data identification and recovery, procedures to minimise subsequent data re-input, emergency working procedures and lists of resources required to enable the above.

The BCP considers a finite list of scenarios with respect to the loss of systems, buildings, people and infrastructure. Scenario-specific emergency, contingency, or incident management procedures or plans will need to be maintained in support of this BCP. Depending on the nature of the incident, such procedures or plans may need to be invoked concurrently with this BCP to guarantee effective continuity and recovery of business operations.

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2. BUSINESS CONTINUITY PLAN INVOCATION ACTIONS

No.	Actions	Action Owner
TCC GF-TRY 000	INCIDENT OCCURS	
TCC GF-TRY 100	CHECKPOINT ONE – INCIDENT NOTIFICATION	
TCC GF-TRY 150	RECEIVE INCIDENT NOTIFICATION If you are not already aware of the incident, a member of the Operations (Ops) Management or Business Continuity Coordinator (BCC) Team will inform you of an incident affecting the Transnet Corporate Centre building(s), the IT systems or IT infrastructure. Ensure course of action is understood. Establish whether you are required to proceed to the designated Command Centre.	Team Leader
TCC GF-TRY 200	CHECKPOINT TWO - Incident Alert.	
TCC GF-TRY 220	ALERT TEAM MEMBERS Contact members, <i>via the approved contact method</i> , to place them on alert. Ensure each person is contacted. Explain what has happened and the required course of action. Ensure that critical staff relocates directly to the recovery site. Refer to the Common Data document section 5 for contact details.	Team Leader
TCC GF-TRY 240	WAIT FOR FURTHER NOTIFICATION Wait for further notification from the BCC or Ops Management Team, with regard to decisions made at the emergency meeting.	Team Leader
TCC GF-TRY 260	NOTE: If no business continuity incident has been declared, "stand down" and resume business as usual.	Team Leader
TCC GF-TRY 280	BCP INVOCATION NOTIFICATION A member of the Ops Management or the BCC Team will inform you that a business continuity incident has been declared. Ensure the course of action is understood, and whether recovery will be at the recovery location site or alternate relocation venue.	Team Leader
TCC GF-TRY 300	CHECKPOINT THREE– BCP invocation declared and recovery process started.	

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No.	Actions	Action Owner
TCC GF-TRY 310	INITIAL TEAM LEADER AND DEPUTY DECISIONS <ul style="list-style-type: none"> Which staff will be required at the recovery site or at alternate offices, or can continue with onsite visits. When the balance of this team will be required, and where. What to do with the balance of staff. <p>The above decisions to be communicated to all staff and the BCC. Reinforce that all external and media communication to be channelled through the Transnet Incident Management Team.</p>	Team Leader
TCC GF-TRY 320	CONTACT THE TEAM MEMBERS Contact team members. Ensure each person is contacted. Refer to the Common Data document section 5 for contact details. Inform them of the decisions made by the management team, what is expected of them, and whether to work from home or to relocate to the recovery site.	Team Leader
TCC GF-TRY 330	NOTIFY THE BCC If staff are relocating to the recovery site or recovering business functionality, inform the BCC when ready to proceed with the following actions.	Team Leader
TCC GF-TRY 340	Recovery Actions	
TCC GF-TRY 345	BATTLE BOX CONTENTS If required, distribute the relevant contents of the Battle Box to members of this team. The inventory is detailed in section 3.101.	Team Leader
TCC GF-TRY 350	IMPLEMENT EMERGENCY OPERATING PROCEDURE	
I	LOSS OF SYSTEMS In the event of the systems being unavailable and manual processes exist, proceed to section 2.1.1.	Team Leader
II	LOSS OF BUILDINGS In the event of loss or access to the buildings being denied, relocate staff as described in section 2.1.6 under "Staff Relocation" and carry on working from there.	Team Leader
III	LOSS OF INFRASTRUCTURE In the event of loss of infrastructure, relocate staff as described in section 2.1.6 under "Staff Relocation" and carry on working from there.	Team Leader
IV	LOSS OF PEOPLE If the incident involves loss of people, or in particular strike action follow the procedures detailed in sections 2.1.7 and 2.1.8, respectively.	Team Leader

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No.	Actions	Action Owner
TCC GF-TRY 355	<p>ALLOCATE RECOVERY SITE SEATS</p> <p>Take into consideration that it may be another few hours before full system functionality returns, and therefore not all staff might be required, or be able to work immediately.</p> <p>Seats are allocated to the team at the recovery site; refer to the BCC plan for the exact details.</p>	Team Leader



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No.	Actions	Action Owner		
	<p>CASH MANAGEMENT, TRADERS, CONFIRMATION, EXCON, SETTLEMENTS AND RISK MANAGEMENT</p> <ul style="list-style-type: none"> • Read through the Treasury Process flowchart If Required (Procedures available in the battle box) • Manage the Cash flows of the organisation • Bond, Money Market and Foreign Exchange traders secure trading deals within limits • Transactions are documented on deal slips or deal blotters • Transaction Information is entered into Quantum(Foreign Exchange and Money Market transactions are captured directly into Quantum; Bond/ REPO transactions are captured into Nutron and then exported or captured manually into Quantum) • Daily management of spot trades, FEC's and compliance to SARB. Daily preparation and capturing of AC's. Daily automation of recons and capturing of AT's and AA's when needed. • Confirmations are conducted on all transactions • Settlements perform the payments required • Risk Management will manage the risks associated <p>If Trading Systems are unavailable</p> <ul style="list-style-type: none"> • Bond and commercial paper transactions under DMTN funding programme must be confirmed within 30 minutes of the transaction. In a disruption, contact JSE (Johannesburg Stock Exchange) and Inform them of the situation. • JSE will inform the market of any delays • Dealer slips and blotters are available in the battle box • Swift payments may be settled manually via fax or Scan to Email (Swift password resetting procedures are available in the battle box) • An alternate location hosting Nutron for bond trade confirmations may be used e.g. JSE, Standard Bank and or Eskom If direct access is not available at recovery site. This is however not an ideal solution. • Rates to be acquired from Bloomberg Anywhere. Not practical to obtain from an external source due to automated links between Quantum and Bloomberg. • Limits will be retrieved by running a counter party exposure report from Quantum that is available at recovery site. <p>If Cash Management Systems are unavailable</p> <ul style="list-style-type: none"> • Refer to the Treasury Cash Management Procedures if needed (procedures available in the battle box) • Contact the Business Units and banks directly via phone or fax to retrieve Cash Flow Information and bank statements • Deals may be conducted on hard copy documents • Cash Flows are backed up every 24 hours – make use of the backups to identify corrections 	Team Leader		
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No.	Actions	Action Owner
	<p>FUNDING THROUGH AUCTIONS</p> <ul style="list-style-type: none"> • Read Through the Treasury Standard Operating Procedures to familiarise yourself with the activities if needed (Procedures available in Battle Box) • Analyse the current cash situation and requirements • Draft communiqué with approval of the Treasurer if within corporate plan, otherwise CFO approval is required. • Release approved Auction Communiqué to each investor and/or Panel of Dealers via email • Bids are received via email or a recorded telephone call • Bids are allocated on a best bid basis • Successful bids are documented on deal slips or deal biotiers • Transaction Information is entered into Quantum (Commercial paper transactions are captured directly into Quantum; Bond transactions are captured into Nutron and then exported or captured manually into Quantum) • Confirmations are conducted on all transactions • Settlements recognise the cash inflow <p>ensures that the cash inflow appears in the Treasury bank account If Auction Systems are unavailable</p> <ul style="list-style-type: none"> • If email is down contact all interested parties via phone • Contact JSE who can distribute a general notice to all members • The investor list is available in the battle box 	Team Leader
	<p>ACCOUNTING</p> <ul style="list-style-type: none"> • Read Through the Treasury Standard Operating Procedures to familiarise yourself with the activities if needed (Procedures available in Battle Box) • Extract the required information from the Quantum system • Consolidate information and prepare statements and reports • Submit to group and distribute in Excel format <p>If Systems are unavailable</p> <ul style="list-style-type: none"> • A 1 day backup is sufficient, after which the two days work will be recaptured <p>(accounting does not capture deals, EXCEPT for manual journal entries) I think this comment should belong to EXCON, not Accounting</p>	Team Leader

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No.	Actions	Action Owner
TCC GF-TRY 360	MAINTAIN COMMUNICATIONS Maintain communications with the BCP Command Centre and the BCC. Do not speak to the media. Refer all media queries direct to the nominated media spokesperson. Refer to section 3.5 for media spokesperson details.	Team Leader
TCC GF-TRY 365	PROBLEM MANAGEMENT Ensure that processing continues at optimum levels. Manage any problems and issues that are raised. Determine any non-critical processes that require attention due to time lapse. Report any exceptions or problems to the BCC.	Team Leader
TCC GF-TRY 370	ASCERTAIN ACCESSIBILITY OF FILES Ascertain if staff can retrieve physical files in the original offices. This might be required to address individual client requirements.	Team Leader
TCC GF-TRY 375	NOTIFICATION OF EXTENT OF DATA LOSS From the BCC receive notification of the extent of any known expected data loss, by application.	Team Leader
TCC GF-TRY 380	IDENTIFY AND RECOVER LOST DATA Inform team members of lost data, stating that transactions have been lost from which time / date and these must be resubmitted. Where necessary obtain original documents for re-keying. Refer to section 2.1.4 for lost data identification details.	Team Leader

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No.	Actions	Action Owner
TCC GF-TRY 385	RECOVERY SUCCESSFUL NOTIFICATION Receive notification of successful recovery from the BCC of the required applications for the team.	Team Leader
TCC GF-TRY 390	INTEGRITY CHECK Log onto your systems and check that the most recent transactions are captured. Verify the data as detailed in section 2.1.5. Log onto MS Outlook and confirm that the mail systems have been restored to the most recent backup date. Ensure that the day's entries appear correct (date, data fields complete,). Check emails for the selected latest send/receive date (probably the day prior to the incident). Check MS Office documents on the fileserver (network drive) for the latest changes. In the event of any of the integrity checks failing, the matter is to be escalated to the Ops Management Team (via the BCC) as a matter of urgency.	Team Leader
TCC GF-TRY 400	CHECKPOINT FOUR – Systems Recovered.	
TCC GF-TRY 420	NOTIFY BCC Notify the BCC that work has commenced on the available systems.	Team Leader
TCC GF-TRY 440	INPUT LOST DATA Enter lost data as identified in action TCC GF-TRY 380 .	Team Leader
TCC GF-TRY 460	INPUT BACKLOG DATA Input any backlog data identified and detailed in section 2.1.4.	Team Leader
TCC GF-TRY 500	CHECKPOINT FIVE – Backlog recovered and ready to process live data. Notify Ops Management team of successful data recovery via the BCC.	
TCC GF-TRY 510	MANAGEMENT DECISION The Ops Management Team to make a decision on whether to continue live data input and processing on the recovered systems. Await this decision before proceeding with live data input.	Team Leader
TCC GF-TRY 520	RESUME DEPARTMENTAL ACTIVITIES All business critical activities resumed. Refer to the Common Data document for staff contact details. Refer to RTOs in section 1.	Team Leader

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Ref.	Actions	Action Owner
TCC GF-TRY 530	CONTACT RECOGNISED BODIES As and when required, contact key clients / bodies to advise them not to speak to the media regarding the TCC situation. Advise them of any new contact telephone numbers.	Team Leader
TCC GF-TRY 540	CONSIDER NON-CRITICAL ACTIVITIES Once all business critical activities are running normally, consider continuing with non-critical activities that can be delayed for up to 1 week.	Team Leader
TCC GF-TRY 550	SUBMIT EXPENSES Pay any extraordinary expenses and log them on the expenditure forms in the common forms document. Submit the completed forms to the BCC for action.	Team Leader
TCC GF-TRY 560	REPLENISH STOCKPILE If required, replenish any distributed emergency stockpile of forms etc. from the Battle Box.	Team Leader
TCC GF-TRY 570	ORDER REPLACEMENT SUPPLIES Order / copy replacement forms etc.	Team Leader
TCC GF-TRY 580	PREPARE FOR RETURN TO PRIMARY / ALTERNATE SITE If recovery was carried out at the recovery site or alternate premises, the Ops Management Team is to make a decision on when to return to the primary site, or if unusable, to another building or location which should be prepared accordingly.	Team Leader
TCC GF-TRY 590	TEST BEFORE RETURN Test the desking and system infrastructure and access for full functionality before staff return to the primary / alternative site.	Team Leader
TCC GF-TRY 600	RETURN TO NORMAL Staff members to return to primary site and resume normal business operations.	Team Leader
TCC GF-TRY 700	BUSINESS AS USUAL Commence with business as usual.	Team Leader
TCC GF-TRY 800	PARTICIPATE IN INCIDENT REVIEW Participate in an incident review meeting in order to address any shortcomings in the plans and update BCP where necessary. Re-issue any revised BCP.	Team Leader

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2.1. Emergency Operating Procedures

2.1.1. Loss of Systems

Until the systems have been rebuilt, all information must be recorded manually or held back until such time that the systems are operational again.

Once the network is operational, VPN access will be possible via 3G cards or dial-up facilities from alternate venues or from home.

2.1.2. Manuals, Procedures and Manual Processes

In the event of the systems being unavailable proceed with manual processes.

2.1.3. Backup Data

The backed-up data is hosted by T-Systems at Megawatt Park. It is captured on disk storage by T-Systems every night at 23:00; and has a minimal data loss of 24 hours.

Email is the main means of communication and has a recovery point objective of 24 hours. SharePoint and the fileserver are backed up daily over the WAN and backups sent to Megawatt Park. The recovery needs of the servers are detailed in the Transnet Corporate Disaster Recovery Plan document.

2.1.4. Data Backlog Recovery Procedure

Lost data will need to be identified and recaptured in the correct sequence. Each team will have a procedure to recapture lost data.

2.1.5. Verification of Data

Once all systems have been restored to full functionality, perform verification of the data to ensure that it is up to date in line with the required backup status.

2.1.6. Loss of Building and Infrastructure

In the event of loss of building and/or infrastructure, relocate staff as described in section 3.2 under "Staff Relocation" and carry on working from there.

2.1.7. Loss of People

In the event of loss of people, refer to the team succession planning document or the team workforce plan.

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2.1.8. Strike Action Procedures

Transnet Corporate strike action procedures will be managed by Transnet Employee Relations. The BCC will direct you to the group representative.



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3. RESOURCE LISTS

3.1. Command Centres

The Command Centre is the designated location, with the necessary infrastructure, from where the Incident Management team will manage and direct recovery operations.

The following Command Centre options are available for use by this team:

- *Command Centre information to be updated*

3.2. Staff Relocation

On instruction from the BCC, **Seven (7) critical staff** will move to the primary alternate site or recovery sites as indicated in 3.3; **alternatively some of the staff will work directly from home**. If the current site will remain unavailable for an extended period, then plans will be made to source a suitable office site for rental in terms of the Group's strategy.

3.3. Offsite Seating

The department would have a full staff complement working in normal circumstances.

Seven (7) Offsite seat positions are allocated for these functions, and this allocation is sufficient for an indefinite period of offsite working.

The recovery seat allocation is detailed in the Continuity Requirements Analysis document, which forms part of the BCC plan. The recovery site for the team is located at **141 Sivewright road. (Doornfontein)**

The team leader or the BCC will decide on the seat allocation, taking into account factors such as the time of year, which floors and buildings are affected

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Actual Complement			Staff Requirement During an Incident and Post Recovery Period. Also note that staff can work by 3G/VPN/APN from home or from alternate locations such as another operating division premises in the Transnet Group, or at a service provider				
Process	Role	Fulltime Complement	0 – 0.125 days	0.125 – 1 days	2 – 5 days	6 – 14 days	Longer
All processes	General managers	4					4
Confirmations	administrator	2	1	1	1	1	2
Settlements	Officers	3	1	1	1	1	3
Bond Trading	Dealers	4	1	1	1		4
Foreign Exchange control	Officers	4	1	1	1	1	4
Debt Management	Debt managers	2	1	1	1	1	2
Cash Management	Administrators	3	1	1	1	1	3
Funding	Managers	4	0	0	0	0	4
IT	IT Manager	2	1	1	1	1	2
Economy Analyst	Analyst	1	0	0	0	0	1
Personal administrators	Administrators	3	0	0	0	0	3
Accounting	Managers	4	1	1	1	1	4
Risk Management	Officers	5	1	1	1	1	5
TOTAL		41					41
Carlton Centre – L/M/H-rise Affected			141	141	141	141	
Carlton Centre – Whole Building Affected							
CBD: M1 –M2 Ring Affected							

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3.4. Office Infrastructure Resource Analysis

Critical Process	Desks with PC and LAN	Desks with LAN / or Wi-Fi only	Fax	Filing	Meeting Room	Telephones	A4/A3 laser printer/fax detail	Dot Matrix Printer detail	Other: (specify e.g. colour)
All Critical Staff									
Confirmations									
Settlements									
Bond Trading									
Foreign Exchange Trading									
Money Market Trading									
Cash Management									
Funding									
Accounting									
Risk Management									

3.5. Media Spokesperson

Any incident that could adversely affect Transnet Corporate Centre in any way, or might involve Transnet or other Operating Divisions or any related department in the media, must have status updates and external communications routed to the appointed media spokesperson.

Transnet staff, Business Continuity or ICT Continuity Plan personnel are **not** allowed to discuss an incident or give information out to the media.

The official media spokespersons are detailed in the Group Common Data Document.

Keep the official media liaison function informed of the incident / business / ICT recovery status via the incident command centre.

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3.6. Critical Times

If an incident was to occur during the critical time detailed below, additional attention and possibly additional resources need to be given to the affected business process.

	Critical Processes (Critical Activities)	Critical Times
I.	Confirmations	2 – 3 hours
II.	Settlements	2 – 3 hours
III.	Bond Trading	2 – 3 hours
IV.	Foreign Exchange Trading	2 – 3 hours
V.	Money Market Trading	2 – 3 hours
VI.	Cash Management	2 – 3 hours
VII.	Funding	
VIII.	Accounting	2 – 3 hours
IX.	Risk Management	

3.7. Applications / Systems Requirements

The following applications and systems will be required for departmental functions to continue:

Bloomberg
Quantum
Eikon Reuters
Internet Services
Microsoft Exchange
SAP
Corp Smart

3.8. Hardware Requirements

If any additional hardware is required for use in the relocated venue, contact the BCC and all these requirements will be provided for by the ICT and Procurement teams.

The hardware currently required is as follows:

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7 Desktop PC (Intel) or Laptop Computer as per the standard issue
WAN Network connectivity
Reuters/Eikon
Bloomberg Anywhere
Telephony
Printer/Fax
Dual access safe

3.9. Business / Supplier Contact Details

Third Party contact details.

Service	Supplier	Name	Telephone	Cell phone

3.10. Battle Box Location for this Department

The Battle Box for this team is located at the following site:

- *Command Centre Information to be updated*

3.11. Battle Box Requirements for this Department

Item Description	Quantity
Copy of the Business Continuity Plan	1
Copy of the Common Data Document	1
Treasury Standard Operating Procedures	1
Treasury Process Flowchart / Decision Tree	1
ISDAS Agreements	1
Third party contact list (Counter Party, BESA, Investor List, Export Agencies, Banks)	1
Swift Password Resetting Procedures	1
Approved Delegations Framework	1
Financial Risk Management Framework	1
Counter Party Limits	1

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4. OUTSTANDING ACTIONS

NOTE: The deployment of this Business Continuity Plan may be compromised whilst the following outstanding actions remain incomplete.

Actions	Action Owner	End
Update Bank and Investor Contact List	Alec Bole	Done
Populating the Battle Box	Alec Bole	Done
Confirmations of the recovery seats availability	Botoka Mogatusi	Done
Development of the Treasury Decision Making Tree	Team Leader	TBA
Desktop review and testing of this plan	Botoka Mogatusi	Done
An agreement must be put in place between Treasury and an alternate corporation, hosting a Bond Exchange system which allows for usage during a disaster.	Team Leader	TBA

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5. COMMON DATA – Group Finance–Treasury

Name	Surname	Cell No.	Work phone	Alternative Contact Number	Email address
Team Leader					
Mathane	Makgatho	083 270 7651	011 308 2600		Mathane.Makgatho@transnet.net
Deputy Team Leader					
Danie	Smit	083 400 7708	011 308 2622		Danie.Smit@transnet.net
Deputy Team Leader Alternate					
Team					
Fanelwa	Bangan!		011 308 1729		Fanelwa.Bangan!@transnet.net
Malcolm	Barnard	083 265 8563	011 308 2557		Malcolm.Barnard@transnet.net
Alec	Bole		011 308 2564		Alec.Bole@transnet.net
Jackie	Borain		011 308 2608		Jackie.Borain@transnet.net
Willie	Bouman		011 308 2254		Willie.Bouman@transnet.net
Bruce	Gotha	083 258 5532	011 308 2199		Bruce.Gotha@transnet.net
Wanda	Gungqwa		01 308 1136		Wanda.Gungqwa@transnet.net
Zander	Grobler	083 882 6175	011 308 2611		Zander.Grobler@transnet.net
Ben	Hlatshwayo		011 308 3817		Benjamin.hlatshwayo@transnet.net
Phumzile	Hlekani		011 308 2585		Phumzile.Hlekane@transnet.net
Nhlanhla	Hlophe		011 308 3944		Nhlanhla.Hlophe@transnet.net
Dorothy	Kobe		011 308 2627		Dorothy.Kobe@transnet.net
Linda	Jansen Van Vuuren		011 308 2609		Linda.Jansenvanvuuren@transnet.net
Buti	Lekgoathi		011 308 2591		Buti.Lekgoathi@transnet.net
Reon	Louw	083 387 9965	011 220 3200 011 308 2643		Reon.Louw@transnet.net
Herbert	Mabope		011 308 2558		Herbert.Mabope@transnet.net
Rhulani	Madale		011 308 2421		Rhulani.Madale@transnet.net
Stephen	Mamabolo	083 4080106	011 308 2588		Stephen.mamabolo@transnet.net
Busani	Mataboge	072 541 6597	011 308 2617		Busani.Mataboge@transnet.net
Tshepo	Matlamela	083 447 1509	011 308 2612		Tshepo.Matlamela@transnet.net
Nosipho	Mcono		011 308 2515		Nosipho.Mcono@transnet.net
Zacharia	Moeti		011 308 2553		Zacharia.Moeti@transnet.net
Botoka	Mogatusi	083 842 2188	011 308 2626		Botoka.Mogatusi@transnet.net
Rosa	Moleko		011 308 1729		Rosa.Moleko@transnet.net
Collin	Moore	083 400 7721	011 308 2625		Collin.Moore@transnet.net
Monica	Motloung		011 308 1193		

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First Name	Surname	Cel. No.	Work phone	Alternative Contact Number	email address
Csaba	Nagy		011 220 3200 011 308 2647		Csaba.Nagy@transnet.net
Mariana Carol	Papadopoulos Phiri		011 308 2627		Carol.Phiri@transnet.net
Meddy	Radebe		011 308 2595		Meddy.Radebe@transnet.net
Teboho	Ramokoena		011 308 2607		Teboho.Ramokoena@transnet.net
Devanathan	Sathee		011 220 3200 011 308 2653		Davanathan.Sathee@transnet.net
Nontlaza	Sizani	083 267 2841	011 308 2201		Nontlaza.Sizani@transnet.net
Mark	Tannous		011 220 3200 011 308 2653		Mark.Tannous@transnet.net
Patrick	Tau	086 607 7681	011 308 2615		Patrick.Tau@transnet.net
Elmarie	Thorn		011 308 2661		Thorn.Elmarie@transnet.net
Tslets	Tslets		011 308 2598		Tslets.Tslets@transnet.net
Betsie	van Heerden		011 308 2623		Betsie.van_Heerden@transnet.net
Johan	Wolmarans		011 308 2581		Johan.Wolmarans@transnet.net

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6. DIRECTIONS TO OFFSITE SEATING

6.1. Direction to School Of Rail, Esselen Park

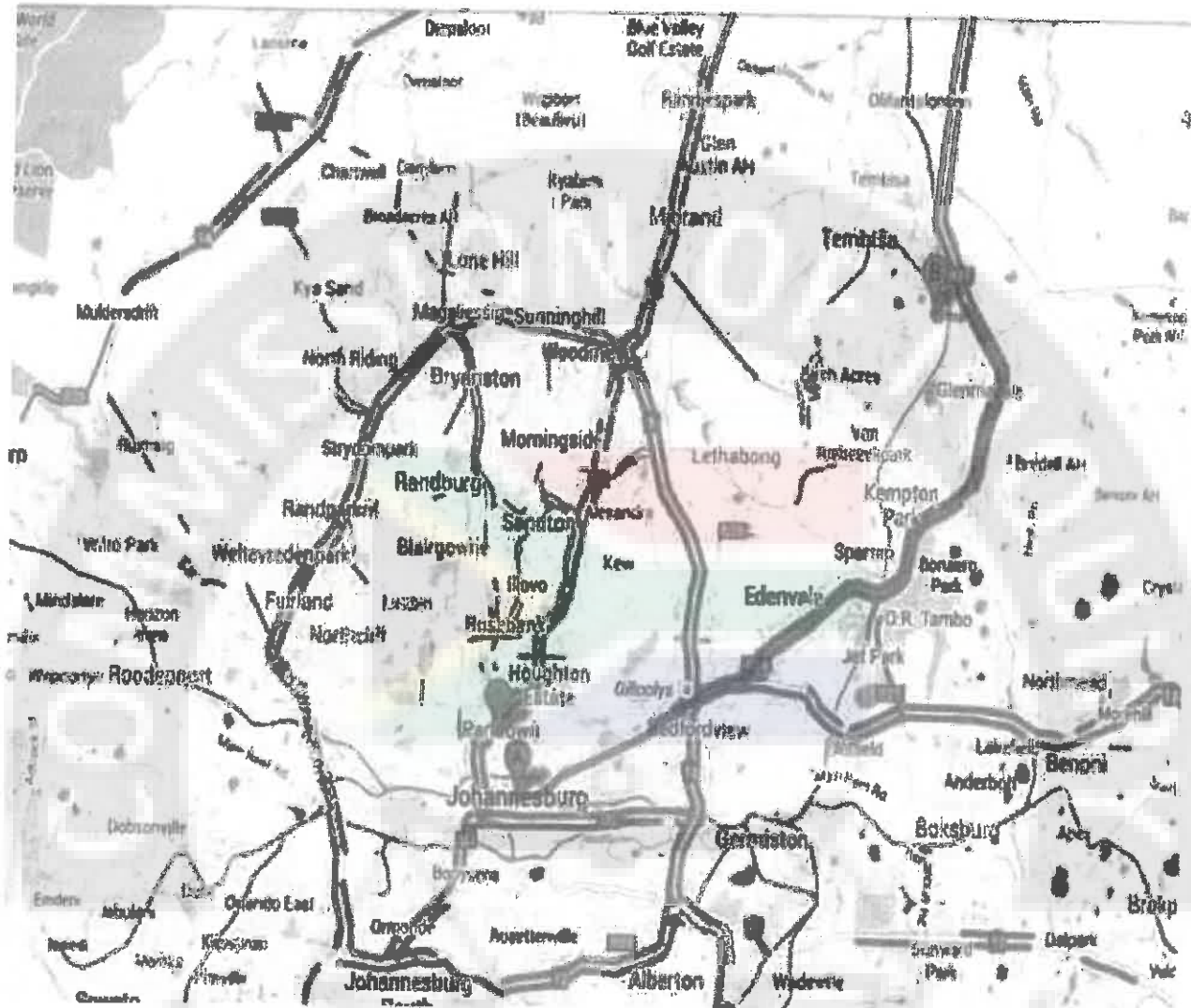
Driving directions to Esselen Park, Tembisa from 150 Commissioner St Johannesburg 2001

1. Head west on Commissioner St toward Kruis St 140 m
2. Take the 1st right onto Kruis St 86 m
3. Take the 1st right onto Albertina Sisulu Rd 1, 1 km
4. Continue straight to stay on Albertina Sisulu Rd 3, 2 km
5. Continue straight to stay on Albertina Sisulu Rd 4, 4 km
6. Continue onto R24 (signs for N12) 3, 2 km
7. Take exit 420 for R24 toward O R Tambo International Airport/Kempton Park/R21/Pretoria 850 m
8. Keep right to continue on R24 6, 7 km
9. Take the exit onto R21 14, 7 km
10. Take exit 32 for R25 toward Bronkhorstspuit/M87/Tembisa S/Johannesburg 650 m
11. Turn right onto R25 650 m
12. Continue onto Link Rd 800 m
13. Turn left restricted usage road 280 m
14. Turn right restricted usage road 90 m
15. Turn right restricted usage road 130 m
16. Turn right restricted usage road 400 m Esselen Park Tembisa.

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6.1.1. Map to School Of Rail, Esselen Park



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7. GLOSSARY OF TERMS

Term	Acronym	Definition
Battle Box		A secure offsite container for recovery plans, manuals, documents, tools (spare keys, torches, flash-drives, pads, pencils, batteries, etc.) and other items required for offsite work and recovery.
Business Continuity Coordinator	BCC	Business Continuity Coordinator describes the actions and procedures necessary for the BCC Team to manage and coordinate the recovery process, together with the "incident declaration" procedure.
Business Continuity Management	BCM	A holistic management process that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause; and provides a framework for building organisational resilience and the capability for an effective response to safeguard the interests of an organisation's key stakeholders, reputation, brand and value-creating activities.
Business Continuity Plan	BCP	The documented collection of procedures and information that is developed, compiled and maintained in readiness for dealing with a break in business continuity, to enable an organisation to continue to deliver its critical activities at an acceptable pre-defined level, which collectively define the approach for and which prescribes the steps that the company should take to recover lost business functions.
Common Data		This document is shared by all BCP Teams and contains contact lists, team lists and details of command centre.
Crisis		A situation with a high level of uncertainty that disrupts the core activities and/or credibility of an organisation and requires urgent action.
Critical Activities		Those activities which have to be performed in order to deliver the key products and services which enable an organisation to meet its most important and time-sensitive objectives.
Incident		An event, situation or interruption that might be, or could lead to a disruption to or loss of an organisation's operations, services or functions – which, if not managed, can escalate into an emergency or crisis.
Invocation		Act of declaring that an organisation's business continuity arrangements need to be put into effect in order to continue delivery of key products and services.
IT Continuity Recovery		The ability to recover and operate the systems identified in the business impact and risk analysis as being critical to the survival of the business in the event of a disaster. The solution to disaster recovery is normally a standby service where recovery of backups can be regularly tested.
Local Area Network	LAN	A local-area network (LAN) is a computer network that spans a relatively small area.
Maximum Acceptable Outage / Maximum Tolerable Period of Disruption	MAO / MTPD	The time it would take for adverse impacts, which might arise as a result of not providing a product / service or performing an activity, to become unacceptable.
Recovery		Implementing the prioritised actions required to return the key business activities and support functions to operational stability following an incident.
Recovery Time Objective	RTO	The target time within which the delivery of a product or service following its disruption is to be resumed or resources must be recovered.
The Damage Assessment Team (and Plan document)	DAMS	The Damage Assessment describes the actions and procedures necessary for the Damage Assessment Team to assess the damage, to identify lost equipment, to initiate a salvage operation and to compile new equipment lists for purchase.
Wide Area Network	WAN	A computer network that spans a relatively large geographical area. Typically, a WAN consists of two or more local-area networks (LANs).

Document Name	Version	Revision	Print Date	Page
TCC GF-Treasury BCP	2	2	18 February 2014	24 of 25
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Company Confidential

8. DOCUMENT QUALITY ASSURANCE (QA) CONTROL

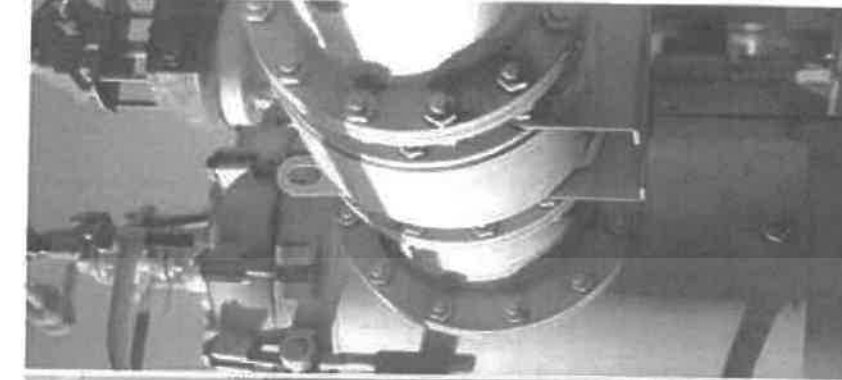
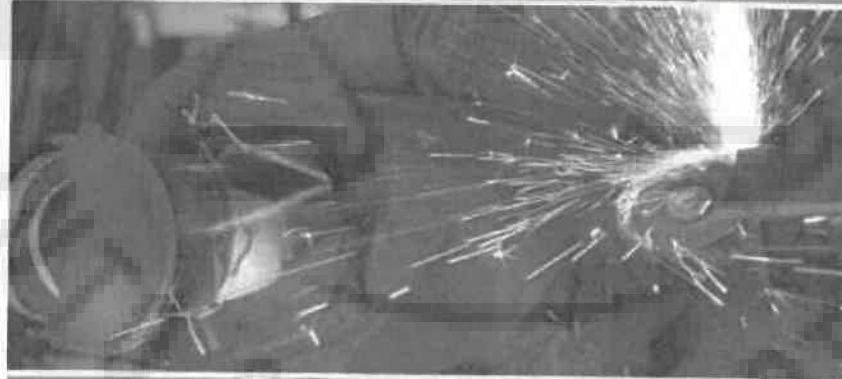
Document Properties	
Document Name:	Business Continuity Plan
Document Author:	Group Risk
Document Version:	2
Creation Date:	May 2008
Last Modified Date:	February 2014

Document Revision Control				
Revision Number	Page Number/s	Change Effectuated	Date of Issue	Approved
2	21			

Document Name	Version	Revision	Print Date	Page
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TREASURY ALCO



TREASURY OPERATIONS EFFECTIVENESS OF HEDGES

25th August 2014

TRANSNET GROUP TREASURY



FUNDING HEDGES

STRUCTURE	C/PARTY	FX	NOMINAL	EFF. %	Der. assets	YTD Equity
			JPY/EUR/USD'M		R'M	R'M
1	JBIC1	ABSA	JPY	23 500	104.1%	285
2	JBIC2	RMB	JPY	5 760	103.6%	(6)
3	AFLAC (a)	JP Morgan	JPY	5 000	100.0%	(6)
4	AFLAC (b)	JP Morgan	JPY	5 000	100.0%	(6)
5	AFLAC (c)	JP Morgan	JPY	5 000	100.0%	(6)
6	GMTN (A)	JP Morgan	USD	750	101.0%	(206)
7	GMTN (B1)	JP Morgan	USD	500	100.5%	(49)
8	GMTN (B2)	RMB	USD	500	100.3%	(402)
9	AfDB	Deutsche Bank	USD	410	95.5%	(56)
10	EDC	Nedbank	USD	100	98.7%	(30)
11	KfW	BNP	EUR	49.5	101.2%	8
12	BTMU	BNP	USD	300	100.9%	6
13	BTMU	SCMB	USD	200	111.49	(6)
TOTAL (Excl. IFRS13 CVA)					8 046	(1 258)
11	IFRS13 CVA (Loss)					
	TOTAL (Incl. IFRS13 CVA)					7 839

- Cumulative Equity Reserves is R1 258m in the money and it moved by R221m negative in the current financial year. Equity reserves reflects the Present value (PV) effect of the fair value after interest and FX elements are reclassified as part of effective cash flow hedge accounting processes. All the hedges are highly effective.
- Derivative assets were at R7 997 as at 25th March 2014 and have since decreased by R350m in the current financial year.
- Derivative asset were reduced by a cumulative credit risk "impairment" charge of R155m which was posted in the previous financial year-end.
- The YTD CVA figure was provided by Deloitte at end June 2014. The figure is R497m.

TRANSNET GROUP TREASURY



FAIR VALUE VOLATILITY - FEC, CROSS CURRENCY SWAPS, OPTIONS & FIRM COMMITMENTS

Operating Division	YTD		Hedge Effectiveness
	Total	Not Hedge Accounted	Eff. %
	R'M	R'M	
1 TFR	(46)	(46)*	N/A
2 TNPA	-	-	100%
3 TPT	-	-	100%
4 TPL	-	-	100%
5 TE	(20)	(20)	100%
6 Capital Projects	(1)	(1)	N/A
7 Group Services	1	1	100%
8 Treasury (Swaps)	(23)	(23)	95.5% – 111.9%
9 Treasury (IFRS13 CVA)	49	N/A	N/A
10 Group Total	(39)	(39)	

- All FEC hedges were 100% effective. The R46m loss posted for TFR relates to the gasoil options, which are not hedge accounted.
- The small volatility posted for TCP and the loss for TE relates to the costly benefit of rolling hedges.
- The R23m posted for Treasury relates largely to the day-1 losses expensed on KFW and two BTMU Cross Currency Swaps.
- The impact of IFRS13 credit risk element as reflected by the (CVA) credit risk adjustment has been included. Deloitte supplied us this figure by end June 2014. We confirmed our expectation that the YTD movement is small seeing that the higher figure of R455m at year-end was due to transitional impact on adoption of IFRS13.

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FINANCIAL RISK MANAGEMENT & COMPLIANCE

(Item 6.1. Treasury Compliance Report, Sept 2014)

TREASURY COMPLIANCE REPORT FOR TREASURY ALCO
September, 2014.

DATE	MONITORING PLANNED	MONITORING UNDERTAKEN	FINDINGS	REMEDIAL ACTION TAKEN
1. 25/07/2014	PFMA AD-HOC Monitoring for June, 2014	Monitoring conducted and completed on 27/07/2014.	No findings.	None required.
2. 14/08/2014	Independent ad-hoc Monthly Monitoring for July, 2014.	Monitoring concluded and report filed on 14/08/2014.	There were no breaches of the PFMA..	None required.
3. 04/09/2014	Protected Disclosures Act Independent Monitoring	First phase of Monitoring concluded.	No conclusive findings. Matter will be finalised once the report by the Auditors, Human Resources and further inquiry by the Compliance Manager is made.	No remedial action is required at this stage. Action will be taken once all the findings have been concluded and analysed.
4. 05/09/2014	Prevention and Combating of Corrupt Activities Act and the Prevention of Organised Crime Act.	Monitoring is pending and a report will be filed by Monday the 15 th of September.	None at this stage.	Not applicable at this stage.

DATED on this 9th DAY of SEPTEMBER, 2014.

B.E. GOTHIA
 Compliance Manager

ALCO REPORT: GROUP TREASURY COMPLIANCE-APRIL, 2014

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CREDIT RATING

(Item 7.1: Credit Ratios)



ITEMS FOR DISCUSSION / APPROVAL

(Item 8: Plans for the next month)

TRANSNET SOC LTD

TERMS OF REFERENCE : ASSET AND LIABILITY MANAGEMENT COMMITTEE

PURPOSE

1. For the purpose of this mandate the following definitions will apply:
 - 1.1. Financial management must be governed by prudence, the regulatory environment, appropriate risk management and control and standards and practices relevant to the industry. To achieve this, ALCO must –
 - 1.2. Implement governance procedures to enhance financial and applicable business services disciplines;
 - 1.3. Ensure a comprehensive risk management process that facilitates the identification, measurement, monitoring and control of financial and applicable business services risks are implemented;
 - 1.4. Ensure appropriate financial management frameworks, policies and procedures are adopted in the Group;
2. ALCO is responsible for monitoring the effectiveness of the financial and operational controls and facilitating the enhancement of Transnet's control environment;
3. Review and ensure adequacy of the Group's liquidity and cash flow forecasting.
4. Monitor the Group's credit rating matrixes that will include shadow rating and AB ratio.
5. Monitor the implementation of Capital investment programme and its impact on the Group's funding requirement.
6. Monitor the Group's cash flow generated via the business and its impact on funding requirements.
7. Monitor financial loan covenants to determine in advance the anticipated consequences and recommend appropriate risk mitigating actions.
8. Monitor the adequacy of operational risk management control, review and monitor the adequacy of compliance control.

COMPOSITION

9. The Chairman will be the Group Chief Financial Officer.
10. The Secretary shall be from the Treasury Middle Office.
11. The following shall be members of ALCO:
 - 11.1 The Group Chief Financial Officer.
 - 11.2 Group Treasurer.
 - 11.3 Deputy Treasurer Front Office.
 - 11.4 Deputy Treasurer Middle Office.
 - 11.5 Deputy Treasurer Operations.
 - 11.6 Head of Structured Finance.
 - 11.7 Group Chief Supply Chain Officer.
 - 11.8 General Manager Capital Integration.
 - 11.9 General Manager Enterprise Risk Management.
 - 11.10 General Manager Group Financial Planning.
 - 11.11 General Manager Group Reporting.
 - 11.12 General Manager Office of the Group Financial Officer.
 - 11.13 General Manager Group Taxation.

QUORUM

- 12 The Quorum shall be 7 members.

CONSTITUTION

- 13 The Group Chief Financial Officer may at any time change the composition of this Committee.

REPORTING RESPONSIBILITIES

- 14 ALCO reports to the Group Chief Financial Officer.

TERMS OF REFERENCE

- 15 The purpose of ALCO is to:

- 15.1 Review overall governance procedures in relation to financial disciplines.
- 15.2 Identify measure, monitor all financial risks, including but not limited to interest rate, price, liquidity, fuel, currency and counter party risks;
- 15.3 Ensure appropriate financial management frameworks, policies and procedures are adopted in the Group;
- 15.4 Review and insure adequacy of the Group's liquidity;
- 15.5 Recommend actions to Group FINCO/EXCO through chairperson.

RISK MANAGEMENT, CONTROLS AND IT

The Committee shall -

- 16. Have oversight of financial risks, internal financial controls and fraud and IT risks, as they relate to Treasury risks.
- 16.1 Have oversight of Financial IT Controls in the Treasury environment.
- 16.2 Consider whether there are any matters arising from the review of Internal controls and the reports of internal and external auditors which require the attention of the Risk Management Committee and or the Board's Risk Committee.

COMPLIANCE

- 17. Review Groups Treasury's Compliance Plan with specific reference to the procedures for identifying regulatory risks and controlling their impact on the Company as well as ensuring that the Company's policy complies with relevant regulatory and legal requirements.
- 17.1 Ensure that the Compliance Function within the Treasury Division is adequately resourced and has appropriate standing.
- 17.2 Monitor compliance with the applicable compliance laws, rules and standards and review all reports detailing the extent of compliance.

17.3 Review the Treasury internal control structure, including financial control, accounting systems and reporting, to ensure that compliance with laws, rules, codes and standards are incorporated.

17.4 Review the compliance policy developed and implemented by Management.

17.5 Monitoring of compliance to FRMF and DOA.

COMMITTEE OPERATION

18. A minimum of 9 scheduled meetings per year.

18.1. Unscheduled meetings may be convened by the Group Treasurer, her designate, as and when required. Meetings in addition to those scheduled may be held at the request of the Chairperson.

18.2 Papers for consideration by the Committee will be submitted, in the normal course, at least 2 days before the meeting to enable members to study the documentation and allow adequate opportunity for formal and informal discussions.

18.3 The Chairperson of the Committee may meet with the Group Treasurer prior to a Committee meeting to discuss important issues and agree on the agenda.

18.4 Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc basis for special matters, unless prior apology, with reasons has to be submitted to the Chairperson, the Group Treasurer and or Secretary of the Committee.

18.5 If the Chairperson is absent, the Group Treasurer will act as Chairperson.

18.6 The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agenda's of the meetings planned for the year.

18.7 The annual plan must ensure proper coverage of the matters laid out in the mandate.

18.8 Committee Members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.

18.9 The minutes must be completed as soon as possible after the meeting and circulated to all members for review thereof.

18.10 The minutes must be formally approved by the Committee at its next scheduled meeting.

Date Revised: 19 August 2014

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CLOSE

Annexure “MM-G”





Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Strictly Private and Confidential

Date: 21th November, 2012
To:

Transnet SOC LTD

43rd floor, Carlton Centre

150 Commissioner Street

Johannesburg

2001

Attn: The Group Treasurer

Transnet SOC Limited

{Address}

Attn: {xxx}

Subject: Ratings Advisory Services – Confidentiality Agreement

Dear Sirs,

Following our discussions, we understand that Transnet SOC Limited (the "Company") intends to grant a mandate to provide certain ratings advisory services and to assist the Company in conducting a comprehensive credit ratings analysis on the impact of the MDS programme (the "~~Perspective~~ Prospective Mandate").

In light of the above and considering our interest to the ~~Perspective~~ Prospective Mandate, the Company has provided and/or will provide Citigroup Global Markets Limited ("Citi") information that may not be available to the general public. This letter (the "Confidentiality Agreement") sets forth the terms and conditions of certain obligations that Citi agrees to undertake in consideration of the disclosure by the Company, its subsidiaries, affiliates, representatives and/or advisors, to Citi, and/or to (i) its employees and directors, (ii) the employees and directors of the subsidiaries and/or companies which are affiliated to Citi and (iii) its agents, advisors, officers which denominations and/or names are previously notified in writing to the Company (collectively, the "Recipients"), of Confidential Information (as defined below) in the context of the negotiation, assessment, structuring, execution and/or implementation of the Prospective ~~Perspective~~ Mandate.

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Comment [CMS1]:

Citi: The names of the persons involved in the project will be communicated to the Company shortly before the signing of the EL and NDA

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Citigroup Global Markets Limited

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Transnet SOC Limited
21.11.2012
Page 3

remedy for breach of this Confidentiality Agreement but shall be in addition to all other remedies available at law or equity to the Company.

This Confidentiality Agreement is governed by English law. Citi and the Company irrevocably agree that the English Courts are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Confidentiality Agreement. Our obligations under this Confidentiality Agreement shall terminate one (1) year following termination of any involvement of Citi with respect to the Prospective Perspective-Mandate.

Transnet SOC LTD
43rd floor, Carlton Centre
150 Commissioner Street
Johannesburg
2001

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Attn: The Group Treasurer
[Insert addresses for notices]

A person who is not a party to this Confidentiality Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Confidentiality Agreement.

This Confidentiality Agreement may be executed in counterparts. Please confirm that the foregoing is in accordance with your understanding of our agreement by signing and returning to us a copy of this letter.

Yours faithfully

CITIGROUP GLOBAL MARKETS LIMITED

By: _____
Arturo Lorente
Managing Director

Accepted and agreed to as of
the date set forth above:

TRANSNET SOC LTD LIMITED

By: _____
Name

Citibank, N.A.

145 West Street
Sandown
SANDTON 2196
Johannesburg
P O Box 1800
SAXONWOLD 2132
South Africa

T +27 (0) 11 944 1000
F +27 (0) 11 944 1010

www.citigroup.com

200 YEARS citi

21 November 2012

Ms Disebo Moephuli
The Group Treasurer
Transnet SOC Limited
Carlton Centre
150 Commissioner Street
Johannesburg
2001

RE: Ratings Advisory Services

Dear Ms Moephuli,

Thank you for your letter dated 7th November 2012 and content of which has been noted.

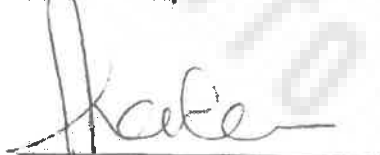
We would like to summarise our responses and comments as follows:

- In terms of the scope, we have amended our draft engagement letter to make reference to only the preliminary analysis of the impact of MDS on Transnet's credit rating.
- On ad hoc fees and expenses, Citi will provide the credit advisory services free of charge to Transnet. Travel and other expenses will be capped up to an aggregate amount of US\$75,000.00 (Seventy Five Thousand United States Dollars). Any expenses in excess of the above cap will only be reimbursed by Transnet if incurred with prior written consent of Transnet.
- We have deleted the paragraph covering the legal counsel service fees.
- The word "exclusive adviser" refers to rating advisory services for the proposed scope only and does not contradict exceptions included in paragraph 1 on page 2 of our draft engagement letter.
- Paragraph 3 under fees and expenses, relates to any ad hoc fees and non-monetary benefits. Under Citi's conduct of business rules, Citi may need to disclose essential arrangements in relation to this paragraph, hence the wording.
- We have amended the wording on 2nd paragraph of page 3. The professional advisers referred to, may include tax and legal advisers or outside consultants to Transnet. Disclosure of such information would be disclosed only if not in breach of the signed NDA.

Kindly find attached the draft engagement letter together with the non-disclosure agreements as amended.

Looking forward to your further comments.

Yours sincerely



Lorraine Tshabalala
Public Sector Head for South Africa



Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Strictly Private and Confidential

Date 21th November, 2012

To: **Transnet SOC LTD**
[Address] 43rd floor, Carlton Centre
150 Commissioner Street
Johannesburg
2001

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Attn: [xxx] The Group Treasurer

Subject: Ratings Advisory Services -- Engagement Letter

Dear Sirs,

We are pleased that {Transnet SOC Limited} (the "Company") has chosen to engage Citigroup Global Markets Limited as its ~~exclusive~~ adviser in connection with providing certain ratings advisory services and in conducting a comprehensive credit ratings analysis (collectively the "Services") on the impact of the MDS programme (the "Project"). We look forward to working with you on this engagement, and have set forth below the agreed upon terms of our engagement. For the purposes of this letter "Citi" shall mean Citigroup Global Markets Limited and/or any affiliate thereof, as Citi determines appropriate to perform the services described herein.

Comment [CMS1]:

Citi: The word exclusive refers to rating advisory services only and does not contradict the exceptions included in paragraph 1 on page 2 (exclusion of tax, accounting, legal areas).

Scope of Engagement. In the course of our engagement as your exclusive adviser, we will provide Services to assist the Company in assessing the impact of the Project on the Company's credit ratings conducted by S&P, Moody's and Fitch (the "Ratings Advisory Services"). The Services shall require Citi to:

- familiarize itself to the extent deemed appropriate and feasible with the business, operations, properties, financial condition and prospects of the Company, including its business plan;
- deliver to the Company a preliminary rating paper (the "Preliminary Rating Paper") which will provide considerations around the ~~shadow-potential~~ ratings impact of the Company's MDS Programme on the basis of the information provided to Citi; and
- provide such other services as may be agreed between the Company and Citi with respect to the Project, from time to time.

Comment [CMS2]:

Citi: Deleted two bullet points relating to:
- "assisting the Company in determining its ratings strategy, timetable and information needs;
- and advising the Company on its presentation strategy

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Transnet SOC Limited

21.11.2012

Page 3

monetary benefit (excluding settlement and exchange fees, regulatory fees or legal fees) are available upon your written request.

Use of Information. The Company recognises and confirms that Citi in acting pursuant to this engagement will be using publicly available information and information in reports and other materials provided by others, including, without limitation, information provided by or on behalf of the Company and that Citi does not assume responsibility for and may rely, without independent verification, on the accuracy and completeness of any such information. The Company agrees to furnish or cause to be furnished to Citi all necessary or appropriate information for use in its engagement and shall ensure that any information relating to the Company or its affiliates or the Transaction that is furnished to Citi by or on behalf of the Company will be true and correct in all material respects and not misleading by omission or otherwise and every statement of opinion, intention or expectation therein by the Company shall be honestly held. The Company agrees that any information or advice rendered by Citi or any of our representatives in connection with this engagement is for the confidential use of the Company only in the context of the Project and the Company will not, and will not permit any third party to, use it for any other purpose or disclose or otherwise refer to such advice or information, or to Citi, in any manner without our prior written consent.

Provision of Information. The Company shall promptly provide or procure the provision to Citi of all information concerning the Project, and the business and affairs of the Company and its affiliates which is relevant to Citi for the proper performance of its engagement hereunder (including information or advice provided to the Company by its other professional advisers, if not in breach of previously signed Confidentiality Agreements) and all such further information as Citi and/or its advisers may reasonably request. In particular the Company shall provide Citi and its advisers with such access to the directors and management of and the auditors and advisers to, the Company and its affiliates for the purpose of the engagement hereunder as Citi may reasonably request, provided sufficient notice is given to the Company.

Comment [CMS9]:

Citi: Other professional advisers might include tax and legal advisers, or outside consultants to the Company. Disclosure of such info would be disclosed only if not in breach of previously signed NDAs (wording amended).

Independent Investigation. The Company shall be responsible for making its own independent investigation and appraisal of the risks, benefits, appropriateness and suitability to and for it of the Project and any other transactions contemplated by this letter and Citi not making any recommendation (personal or otherwise) or giving any investment advice and will have no liability with respect thereto. The decision to proceed with any transaction arising out of or in connection with the Project will be made by the Company in the light of its own commercial assessments and Citi will not be responsible for such decision to proceed or such assessments. It is the responsibility of the Company to inform itself of the work performed by and the advice given by its other advisers and to make its own assessment of such work and advice.

Compliance. The Company will comply with, and will assist Citi to comply with, all applicable legal and regulatory provisions relevant to the Project, including without limitation those of any stock exchange or other regulatory body.

Certain Acknowledgements. The Company acknowledges that Citi has been retained hereunder solely as an adviser to the Company, and not as an adviser to or agent of any other person, and that the Company's engagement of Citi is as an independent contractor and not in any other capacity

Transnet SOC Limited
21.11.2012
Page 5

Intellectual Property. Citi shall retain the copyright and all other relevant intellectual property rights in its work products. If the Company makes any copies of the documents that Citi prepares, the Company agrees that such copies will be used only for the purposes of the Project and not (unless otherwise agreed with Citi) for other matters.

Indemnity. In connection with Citi's engagement hereunder, the Company hereby undertakes to Citi that if any of Citi, its affiliates, the respective directors, officers, agents and employees of Citi and its affiliates and each other person, if any, controlling Citi or its affiliates (each an "Indemnified Person") incurs any liability, claim, damages, cost, loss or expense (including, without limitation, legal fees, costs and expenses) (a "Loss") arising out of, in connection with or based on such engagement or the Project, the Company shall pay to Citi on demand an amount equal to such Loss, provided such loss is actually incurred and duly evidenced or certified, other than for a Loss finally judicially determined to result primarily from the wilful misconduct, bad faith, fraud or gross negligence of Citi or such persons.

Comment [CMS12]:
Citi: All added language in this clause accepted by Citi.

Citi Liability. The Company hereby agrees that no Indemnified Person will have any liability whatsoever to the Company or any of its affiliates (whether direct or indirect, in contract, tort or otherwise) for any Loss other than for a Loss finally judicially determined to result primarily from the wilful misconduct, bad faith, fraud or gross negligence of that Indemnified Person, provided such loss is actually incurred and duly evidenced or certified. Without prejudice to any claim the Company may have against Citi, no proceedings may be taken against any director, officer, employee or agent of Citi or any of its affiliates in respect of any claim the Company may have against Citi or any of its affiliates.

Nothing in this agreement shall be taken to exclude or restrict any duty or liability of Citi to the Company to the extent provided by the Financial Services and Markets Act 2000 or under the regulatory system (as defined by the Financial Services Authority (the "FSA")).

Termination of Engagement. The Company and Citi acknowledge that Citi commenced providing services to the Company in connection with the engagement on [DATE]. Each of Citi and the Company agree that the terms of this agreement shall be deemed to have applied since such date and that such terms will continue to apply until the earlier of the completion of the Project and 3 months after the date hereof, unless extended by mutual written consent or earlier terminated as provided below. Either the Company or Citi may terminate this agreement at any time, with or without cause, by giving written notice to the other party; provided, however, that no such expiration or termination will affect the matters set out in this section or under the captions "Fees and Expenses", "Use of Information", "Certain Acknowledgements", "Confidential Information", "Intellectual Property", "Indemnity", "Citi Liability" and "Miscellaneous". It is expressly agreed that following the expiration or termination of this agreement, Citi will continue to be entitled to receive ad hoc fees and expenses as described above that have accrued and approved by the Company prior to such expiration or termination but are unpaid, as well as reimbursement for expenses as contemplated above. It is also expressly agreed that, the Project is completed within 3 months after the date of expiration or termination of this agreement or if another agreement relating to the Project is entered into during the term of this agreement or within such period, Citi shall be entitled to its full ad hoc fees and expenses as described above.

Transnet SOC Limited
21.11.2012
Page 7

We are delighted to accept this engagement and look forward to working with you on this matter.
Please confirm that the foregoing is in accordance with your understanding of our agreement by
signing and returning to us a copy of this letter.

Yours faithfully

CITIGROUP GLOBAL MARKETS LIMITED

By _____

Arturo Lorente
Managing Director

Accepted and agreed to as of
the date set forth above:

TRANSNET SOC LIMITED

By _____

Name

Title



Carol Phiri Transnet Corporate JHB

Subject: Discuss Credit Rating Advisory Task - Contact: Lorraine Tshabalala (City Bank)
Location: Conference Call

Start: Fri 2013/01/25 10:00 AM
End: Fri 2013/01/25 10:30 AM

Recurrence: (none)

Meeting Status: Accepted

Organizer: Maseti, Wineka [ICG-CIB]

Passcode: 639 481 2483
Moderator Security Code: 55066710
International toll free - South Africa: 0800 984 006
Local - South Africa, Johannesburg: +27 11 019 7057
International toll free - UK: 0800 368 0634
Local - UK, London: +44 (0) 20 3364 5725





Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Strictly Private and Confidential

Date: 21th November, 2012

To: Transnet SOC Limited
[Address]

Attn: [xxx]

Subject: Ratings Advisory Services – Confidentiality Agreement

Dear Sirs,

Following our discussions, we understand that Transnet SOC Limited (the "Company") intends to grant a mandate to provide certain ratings advisory services and to assist the Company in conducting a comprehensive credit ratings analysis on the impact of the MDS programme (the "~~Perspective~~ Prospective Mandate").

In light of the above and considering our interest to the ~~Perspective~~ Prospective Mandate, the Company has provided and/or will provide Citigroup Global Markets Limited ("Citi") information that may not be available to the general public. This letter (the "Confidentiality Agreement") sets forth the terms and conditions of certain obligations that Citi agrees to undertake in consideration of the disclosure by the Company, its subsidiaries, affiliates, representatives and/or advisors, to Citi, and/or to (i) its employees and directors, (ii) the employees and directors of the subsidiaries and/or companies which are affiliated to Citi and (iii) its agents, advisors, officers which denominations and/or names are previously notified in writing to the Company (collectively, the "Recipients"), of Confidential Information (as defined below) in the context of the negotiation, assessment, structuring, execution and/or implementation of the ~~Prospective~~ Prospective Mandate.

As used herein, "Confidential Information" means all data, reports, interpretations, forecasts and records containing or otherwise reflecting information concerning the Company, its affiliates and subsidiaries that is provided to Citi by the Company, its subsidiaries, affiliates, parent company, representatives and/or advisors, in the course of its dealings with the Company, together with all analyses, compilations, studies or other documents, whether prepared by Citi or others in relation to the ~~Prospective~~ Prospective Mandate, that contain or otherwise reflect such information.

Citi agrees that it shall treat as confidential and not disclose, and to procure that its employees, its affiliates and its affiliates' employees (collectively "~~Representatives~~ Recipients") treat as confidential and not disclose, any and all Confidential Information, except to the extent that such disclosure (a) has been approved in writing by the Company or (b) is required by any applicable mandatory law or regulation provisions, supervisory Authority or other applicable judicial or governmental order (a "~~Mandatory~~ Disclosure").

Comment [CMS1]:

Citi: The names of the persons involved in the project will be communicated to the Company shortly before the signing of the EL and NDA.

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Comment [LQTCJ2]: The definition of "Recipients" is preferred as it is more encompassing, however, the term was not used in the document. The term "Recipients" should replace the term "Representatives" throughout the document.

Citi: Change accepted.

Citigroup Global Markets Limited

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Transnet SOC Limited
21.11.2012
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This Confidentiality Agreement may be executed in counterparts. Please confirm that the foregoing is in accordance with your understanding of our agreement by signing and returning to us a copy of this letter.

Yours faithfully

CITIGROUP GLOBAL MARKETS LIMITED

By: _____
Arturo Lorente
Managing Director

Accepted and agreed to as of
the date set forth above:

| TRANSNET SOC LIMITED

By: _____
Name





Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Strictly Private and Confidential

Date 21th November, 2012

To: Transnet SOC Limited
[Address]

Attn: [xxx]

Subject: Ratings Advisory Services – Engagement Letter

Dear Sirs,

We are pleased that {Transnet SOC Limited} (the “Company”) has chosen to engage Citigroup Global Markets Limited as its ~~exclusive~~ adviser in connection with providing certain ratings advisory services and in conducting a comprehensive credit ratings analysis (collectively the “Services”) on the impact of the MDS programme (the “Project”). We look forward to working with you on this engagement, and have set forth below the agreed upon terms of our engagement. For the purposes of this letter “Citi” shall mean Citigroup Global Markets Limited and/or any affiliate thereof, as Citi determines appropriate to perform the services described herein.

Comment [CMS1]:

Citi: The word exclusive refers to rating advisory services only and does not contradict the exceptions included in paragraph 1 on page 2 (exclusion of tax, accounting, legal areas).

Scope of Engagement. In the course of our engagement as your exclusive adviser, we will provide Services to assist the Company in assessing the impact of the Project on the Company’s credit ratings conducted by S&P, Moody’s and Fitch (the “Ratings Advisory Services”). The Services shall require Citi to:

- familiarize itself to the extent deemed appropriate and feasible with the business, operations, properties, financial condition and prospects of the Company, including its business plan;
- deliver to the Company a preliminary rating paper (the “Preliminary Rating Paper”) which will provide considerations around the ~~shadow-potential~~ ratings impact of the Company’s MDS Programme on the basis of the information provided to Citi; and
- provide such other services as may be agreed between the Company and Citi with respect to the Project, from time to time.

Comment [CMS2]:

Citi: Deleted two bullet points relating to:
- “assisting the Company in determining its ratings strategy, timetable and information needs;
- and advising the Company on its presentation strategy

Citi shall not be responsible for providing or arranging for the provision of financial, strategic or specialist advice including legal, regulatory, accounting, model auditing or taxation advice or services or any other services which the Company may require, other than those agreed upon between the Company and Citi from time to time. The Company acknowledges and agrees that Citi is acting solely in the capacity of an arms’ length contractual counterparty to the Company with

Comment [CMS3]:

Citi: Accepted insertion of more flexible wording with regards to the services to be provided by Citi

Citigroup Global Markets Limited

Registered office at above address. Registered in England, Number 1763297. Authorised and regulated by the Financial Services Authority

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the Company and that Citi does not assume responsibility for and may rely, without independent verification, on the accuracy and completeness of any such information. The Company agrees to furnish or cause to be furnished to Citi all necessary or appropriate information for use in its engagement and shall ensure that any information relating to the Company or its affiliates or the Transaction that is furnished to Citi by or on behalf of the Company will be true and correct in all material respects and not misleading by omission or otherwise and every statement of opinion, intention or expectation therein by the Company shall be honestly held. The Company agrees that any information or advice rendered by Citi or any of our representatives in connection with this engagement is for the confidential use of the Company only in the context of the Project and the Company will not, and will not permit any third party to, use it for any other purpose or disclose or otherwise refer to such advice or information, or to Citi, in any manner without our prior written consent.

Provision of Information. The Company shall promptly provide or procure the provision to Citi of all information concerning the Project, and the business and affairs of the Company and its affiliates which is relevant to Citi for the proper performance of its engagement hereunder (including information or advice provided to the Company by its other professional advisers, if not in breach of previously signed Confidentiality Agreements) and all such further information as Citi and/or its advisers may reasonably request. In particular the Company shall provide Citi and its advisers with such access to the directors and management of and the auditors and advisers to, the Company and its affiliates for the purpose of the engagement hereunder as Citi may reasonably request, provided sufficient notice is given to the Company.

Comment [CMS9]:

Citi: Other professional advisers might include tax and legal advisers, or outside consultants to the Company. Disclosure of such info would be disclosed only if not in breach of previously signed NDAs (wording amended).

Independent Investigation. The Company shall be responsible for making its own independent investigation and appraisal of the risks, benefits, appropriateness and suitability to and for it of the Project and any other transactions contemplated by this letter and Citi not making any recommendation (personal or otherwise) or giving any investment advice and will have no liability with respect thereto. The decision to proceed with any transaction arising out of or in connection with the Project will be made by the Company in the light of its own commercial assessments and Citi will not be responsible for such decision to proceed or such assessments. It is the responsibility of the Company to inform itself of the work performed by and the advice given by its other advisers and to make its own assessment of such work and advice.

Compliance. The Company will comply with, and will assist Citi to comply with, all applicable legal and regulatory provisions relevant to the Project, including without limitation those of any stock exchange or other regulatory body.

Certain Acknowledgements. The Company acknowledges that Citi has been retained hereunder solely as an adviser to the Company, and not as an adviser to or agent of any other person, and that the Company's engagement of Citi is as an independent contractor and not in any other capacity including as a fiduciary. Neither this agreement nor Citi's performance hereunder nor any previous or existing relationship between the Company and Citi will be deemed to create any fiduciary relationship. Citi may, to the extent it deems appropriate, render the Services through one or more of its affiliates. A person who is not a party to this agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement. Citi may, after completion of the Project, include the Company in its ratings advisory credentials thereby only describing "the

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affiliates and each other person, if any, controlling Citi or its affiliates (each an "Indemnified Person") incurs any liability, claim, damages, cost, loss or expense (including, without limitation, legal fees, costs and expenses) (a "Loss") arising out of, in connection with or based on such engagement or the Project, the Company shall pay to Citi on demand an amount equal to such Loss, provided such loss is actually incurred and duly evidenced or certified, other than for a Loss finally judicially determined to result primarily from the wilful misconduct, bad faith, fraud or gross negligence of Citi or such persons.

Comment [CMS12]:
Citi: All added language in this clause accepted by Citi.

Citi Liability. The Company hereby agrees that no Indemnified Person will have any liability whatsoever to the Company or any of its affiliates (whether direct or indirect, in contract, tort or otherwise) for any Loss other than for a Loss finally judicially determined to result primarily from the wilful misconduct, bad faith, fraud or gross negligence of that Indemnified Person, provided such loss is actually incurred and duly evidenced or certified. Without prejudice to any claim the Company may have against Citi, no proceedings may be taken against any director, officer, employee or agent of Citi or any of its affiliates in respect of any claim the Company may have against Citi or any of its affiliates.

Nothing in this agreement shall be taken to exclude or restrict any duty or liability of Citi to the Company to the extent provided by the Financial Services and Markets Act 2000 or under the regulatory system (as defined by the Financial Services Authority (the "FSA")).

Termination of Engagement. The Company and Citi acknowledge that Citi commenced providing services to the Company in connection with the engagement on [DATE]. Each of Citi and the Company agree that the terms of this agreement shall be deemed to have applied since such date and that such terms will continue to apply until the earlier of the completion of the Project and 3 months after the date hereof, unless extended by mutual written consent or earlier terminated as provided below. Either the Company or Citi may terminate this agreement at any time, with or without cause, by giving written notice to the other party; provided, however, that no such expiration or termination will affect the matters set out in this section or under the captions "Fees and Expenses", "Use of Information", "Certain Acknowledgements", "Confidential Information", "Intellectual Property", "Indemnity", "Citi Liability" and "Miscellaneous". It is expressly agreed that following the expiration or termination of this agreement, Citi will continue to be entitled to receive ad hoc fees and expenses as described above that have accrued ~~and approved by the Company~~ prior to such expiration or termination but are unpaid, as well as reimbursement for expenses as contemplated above. It is also expressly agreed that, the Project is completed within 3 months after the date of expiration or termination of this agreement or if another agreement relating to the Project is entered into during the term of this agreement or within such period, Citi shall be entitled to its full ad hoc fees and expenses as described above.

Miscellaneous. This agreement, its interpretation, and any non-contractual obligations arising from or connected with it are governed by English law. Citi and the Company irrevocably agree that the English courts are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this agreement and the documents to be entered into pursuant to it. Citi and the Company irrevocably submit to the jurisdiction of such court and waive any objection to proceedings in such court on the ground of venue or on the ground that the proceedings have been brought in an

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Yours faithfully

CITIGROUP GLOBAL MARKETS LIMITED

By _____

Arturo Lorente
Managing Director

Accepted and agreed to as of
the date set forth above:

TRANSNET SOC LIMITED

By _____

Name

Title

