

TRANSNET



TRANSNET SOC LTD

*(Incorporated in the Republic of South Africa with limited liability
under registration number 1990/000900/06)*

ZAR55,000,000,000

Domestic Medium Term Note and Commercial Paper Programme

On 6 September 2007, Transnet SOC Ltd (the "Issuer") established a ZAR30,000,000,000 Domestic Medium Term Note and Commercial Paper Programme (the "Programme") pursuant to a programme memorandum dated 6 September 2007 (the "Previous Programme Memorandum"). This Programme Memorandum (this "Programme Memorandum") will apply to all Notes (as defined herein) issued under the Programme on or after 25 October 2011 (the "Programme Date") and will in respect of such Notes, supersede and replace the Previous Programme Memorandum in its entirety. This Programme Memorandum will not apply to any Notes issued under the Programme before the Programme Date, and the Previous Programme Memorandum will continue to apply to such Notes.

Under this Programme Memorandum, the Issuer may from time to time issue notes (the "Notes"), which expression shall include Senior Notes and Subordinated Notes (each as defined herein) denominated in any currency agreed by the Issuer and the Relevant Dealer(s) (as defined herein) and further subject to all applicable laws and, in the case of Notes listed on the Interest Rate Market of the JSE (as defined herein) or such other Financial Exchange(s) (as defined herein) as may be determined by the Issuer and the relevant authority, the debt listings requirements of the JSE Limited (the "JSE") or such other Financial Exchange(s), that are subject to the terms and conditions (the "Terms and Conditions") contained in this Programme Memorandum. Any other terms and conditions not contained in the Terms and Conditions that are applicable to any Notes, replacing or modifying the Terms and Conditions, will be set forth in a pricing supplement (the "Applicable Pricing Supplement").

Capitalised terms used in this Programme Memorandum are defined in the section of this Programme Memorandum headed "Terms and Conditions of the Notes", unless separately defined, and/or in relation to a Tranche of Notes, in the Applicable Pricing Supplement.

As at the Programme Date, the Programme Amount is ZAR55,000,000,000. This Programme Memorandum will apply to the Notes issued under the Programme (including Notes issued under the Programme pursuant to the Previous Programme Memorandum) in an aggregate outstanding Nominal Amount which will not exceed ZAR55,000,000,000 unless such amount is increased by the Issuer as set out in the section of this Programme Memorandum headed "General Description of the Programme".

The Notes may comprise, without limitation, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes and/or such combination of the foregoing Notes and/or such other type of Notes as may be determined by the Issuer and the Relevant Dealer(s) (as defined herein) and specified in the Applicable Pricing Supplement. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

This Programme Memorandum has been approved by the JSE. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to all applicable laws. Unlisted Notes may also be issued under the Programme. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE in accordance with the rules of the BESA Guarantee Fund Trust. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the BESA Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE. A copy of the Applicable Pricing Supplement relating to a Tranche of Notes which is to be listed on the Interest Rate Market of the JSE will be delivered to the JSE and the CSD, before the Issue Date, and the Notes in that Tranche may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement, in accordance with the Applicable Procedures. The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the CSD. The placement of a Tranche of unlisted Notes may (at the sole discretion of the Issuer) be reported through the JSE reporting system, in which event the settlement of trades in such Notes will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The settlement and redemption procedures for a Tranche of Notes listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

The Notes may be issued on a continuing basis and be placed by one or more of the Dealers specified under the section headed "Summary of Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Programme Memorandum to the "Relevant Dealer(s)" shall, in the case of Notes being (or intended to be) placed by more than one Dealer, be to all Dealers agreeing to place such Notes.

As at the Programme Date, the Issuer and the Programme are rated. A Tranche of Notes may also, before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The rating assigned to the Programme and/or the Issuer and/or the Notes, as the case may be, as well as the Rating Agency(ies) which assigned such Rating(s), will be specified in the Applicable Pricing Supplement.

Arranger and JSE Debt Sponsor
TRANSNET SOC LTD

Dealers

TRANSNET SOC LTD

ABSA CAPITAL, A DIVISION OF ABSA BANK LIMITED

DEUTSCHE BANK AG, JOHANNESBURG BRANCH

INVESTEC BANK LIMITED

NEDBANK CAPITAL, A DIVISION OF NEDBANK LIMITED

RAND MERCHANT BANK, A DIVISION OF FIRSTRAND BANK LIMITED

THE STANDARD BANK OF SOUTH AFRICA LIMITED, ACTING THROUGH ITS CORPORATE AND INVESTMENT BANKING DIVISION

Programme Memorandum dated 25 October 2011.

GENERAL

Capitalised terms used in this section headed "General" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum and all documents incorporated by reference (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*"). To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Programme Memorandum is in accordance with the facts and does not omit anything which would make any statement false or misleading and all reasonable enquiries to ascertain such facts have been made. This Programme Memorandum contains all information required by law and the debt listings requirements of the JSE.

The JSE accepts no responsibility for the contents of this Programme Memorandum, any Applicable Pricing Supplements, or the annual reports of the Issuer (as amended or restated from time to time), it makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of this Programme Memorandum, any Applicable Pricing Supplements, or the annual reports of the Issuer (as amended or restated from time to time).

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of Notes, that the information contained or incorporated in this Programme Memorandum is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Programme Memorandum are honestly held and that there are no other facts, the omission of which would make this Programme Memorandum or any of such information or expression of any such opinions or intentions misleading in any material respect.

This Programme Memorandum is to be read and construed with any amendment or supplement thereto and in conjunction with any other documents which are deemed to be incorporated herein by reference (see the section headed "*Documents Incorporated by Reference*") and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the Applicable Pricing Supplement. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum.

The Arranger, the Dealers, the JSE Debt Sponsor and other professional advisers named herein have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger, the Dealers, the JSE Debt Sponsor or other professional advisers as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer. The Arranger, the Dealers, the JSE Debt Sponsor and other professional advisers do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any other document entered into in relation to the Programme or any other information supplied by the Issuer in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, the Dealers, the JSE Debt Sponsor or other professional advisers.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer, the Arranger, the Dealers, the JSE Debt Sponsor, other professional advisers or the JSE that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme should subscribe for, or purchase, any Notes.

Each person contemplating the subscription for, or purchase of, any Notes should determine for itself the relevance of the information contained in this Programme Memorandum and should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its subscription for, or purchase of, Notes should be based upon any such investigation as it deems necessary. Neither this Programme Memorandum nor any Applicable Pricing Supplement nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer, the Arranger, the Dealers, the JSE Debt Sponsor or other professional advisers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Programme Memorandum nor any Applicable Pricing Supplement nor the offering, sale or delivery of any Note shall at any time imply that the information contained herein is correct at any time subsequent to the date hereof or that any other financial statements or other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealers or other professional advisers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements, if any, of the Issuer, when deciding whether or not to subscribe for, or purchase, any Notes.

Neither this Programme Memorandum nor any Applicable Pricing Supplement constitutes an offer to sell or the solicitation of an offer to buy or an invitation to subscribe for or purchase any Notes. The distribution of this Programme Memorandum and any Applicable Pricing Supplement and the issue, sale or offer of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Applicable Pricing Supplement or any Notes come are required by the Issuer, the Arranger, the Dealers, the JSE Debt Sponsor and other professional advisers to inform themselves about, and observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Programme Memorandum or any Applicable Pricing Supplement and other offering material relating to the Notes, see the section headed "*Subscription and Sale*".

None of the Issuer, the Arranger, the Dealers, the JSE Debt Sponsor nor other professional advisers represent that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, the Dealers, the JSE Debt Sponsor and other professional advisers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement nor other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. The Dealers have represented that all offers and sales by them will be made on the same terms.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act"). Notes may not be offered, sold or delivered within the United States or to U.S. persons except in accordance with Regulation S under the Securities Act.

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealers, if any, that is specified in the Applicable Pricing Supplement as the Stabilising Manager (or any person acting for the Stabilising Manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the debt listings requirements of the JSE and approved by the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

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DOCUMENTS INCORPORATED BY REFERENCE

Capitalised terms used in this section headed "Documents Incorporated by Reference" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum:

- (a) all amendments, restatements and/or supplements to this Programme Memorandum prepared by the Issuer from time to time;
- (b) in respect of any issue of Notes under the Programme, the published annual report of the Issuer (incorporating its audited annual financial statements in respect of its fiscal year end 31 March, together with reports and the notes thereto) and attached to or intended to be read with such financial statements of the Issuer for its 3 (three) financial years prior to the date of such issue and in respect of all financial years thereafter;
- (c) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme; and
- (d) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is electronically submitted by the Securities Exchange News Service ("**SENS**") established by the JSE, to SENS subscribers, if required,

save that any statement contained in this Programme Memorandum or in any of the documents incorporated by reference in and forming part of this Programme Memorandum shall be deemed to be modified or superseded for the purpose of this Programme Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will, in addition to the Programme Memorandum, provide at the registered office of the Issuer as set out at the end of this Programme Memorandum, without charge, to any person, upon request of such person, a copy of any or all of the documents which are incorporated herein by reference, unless such documents have been modified or superseded, in which case the modified or superseding documentation will be provided. Requests for such documents, and, if required, the Programme Memorandum, should be directed to the Issuer at its registered office as set out at the end of this Programme Memorandum. In addition, the constitutive documents of the Issuer will be available at the registered office of the Issuer as set out at the end of this Programme Memorandum.

This Programme Memorandum as amended and/or restated and/or supplemented from time to time, all Applicable Pricing Supplements, the audited annual financial statements and the half-year financial results of the Issuer are also available on the Issuer's website, www.transnet.net. In addition, this Programme Memorandum as amended and/or and restated and/or supplemented from time to time and all Applicable Pricing Supplements will be filed with the JSE which will publish such documents on its website at <http://www.jse.co.za>. This Programme Memorandum does not constitute an offer or invitation by or on behalf of the Issuer, the Arranger, the Dealers, the JSE Debt Sponsor or other professional advisors to any person in any jurisdiction to subscribe for or purchase any Notes.

The Issuer will, for so long as any Note remains outstanding and listed on the Interest Rate Market of the JSE, publish a new Programme Memorandum or a supplement to this Programme Memorandum, as the case may be, if:

- (a) a change in the condition (financial or otherwise) of the Issuer has occurred which is material in the context of the Notes and the Issuer's payment obligations thereunder; or
- (b) an event has occurred which affects any matter contained in this Programme Memorandum, the disclosure of which would reasonably be required by Noteholders and/or potential investors in the Notes; or
- (c) any of the information contained in this Programme Memorandum becomes outdated in a material respect; or

(d) this Programme Memorandum no longer contains all the material correct information required by the Applicable Procedures,

provided that, in the circumstances set out in paragraphs (c) and (d) above, no new Programme Memorandum or supplement to this Programme Memorandum, as the case may be, is required in respect of the Issuer's consolidated audited annual financial statements if such consolidated audited annual financial statements are incorporated by reference into this Programme Memorandum and such consolidated audited annual financial statements are published, as required by the Companies Act, and submitted to the JSE within 6 (six) months after the financial year end of the Issuer.

GENERAL DESCRIPTION OF THE PROGRAMME

Capitalised terms used in this section headed “General Description of the Programme” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer may from time to time issue one or more Tranches of Notes under the Programme, pursuant to this Programme Memorandum, provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Programme (including Notes issued under the Programme pursuant to the Previous Programme Memorandum) from time to time does not exceed the Programme Amount.

A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to applicable laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange. If the Issuer issues a Tranche of unlisted Notes or a Tranche of Notes is listed on any Financial Exchange other than (or in addition to) the JSE, the Issuer will, by no later than the last day of the month of issue of that Tranche of Notes, inform the JSE in writing of the aggregate Nominal Amount and the Maturity Date (if any) of that Tranche of Notes.

This Programme Memorandum and any supplement will only be valid for the issue of Notes in an aggregate Nominal Amount which, when added to the aggregate Nominal Amount then outstanding of all the Notes previously or simultaneously issued under the Programme (including Notes issued under the Programme pursuant to the Previous Programme Memorandum), does not exceed ZAR55,000,000,000 or its equivalent in other currencies. For the purpose of calculating the South African Rand equivalent of the aggregate Nominal Amount of the Notes issued under the Programme from time to time, the South African Rand equivalent of the Notes denominated in another Specified Currency (as specified in the Applicable Pricing Supplement) shall be determined as of the date of agreement to issue such Notes (the “**Agreement Date**”) on the basis of the spot rate for the sale of the South African Rand against the purchase of such Specified Currency in the South African foreign exchange market quoted by any leading bank selected by the Issuer on the Agreement Date (the “**Conversion Rate**”) and in respect of:

- (a) Zero Coupon Notes and other Notes, the Conversion Rate shall be applied to the net subscription proceeds received by the Issuer for the relevant issue; and
- (b) Partly-Paid Notes and Index-Linked Notes, the Conversion Rate shall be applied to the Nominal Amount regardless of the amount paid up on such Notes.

From time to time the Issuer may wish to increase the Programme Amount. Subject to the Applicable Procedures, all applicable laws and the Programme Agreement (as defined in the section headed “*Subscription and Sale*”), the Issuer may, without the consent of Noteholders, increase the Programme Amount by delivering a notice thereof to the Noteholders in accordance with Condition 18 (*Notices*) of the Terms and Conditions, and to the Arranger and the Dealer(s), the JSE and the CSD. Upon such notice being given to the Noteholders and the conditions set out in the Programme Agreement to the exercise of this right having been met, all references in this Programme Memorandum (and each agreement, deed or document relating to the Programme and/or this Programme Memorandum) to the Programme Amount will be, and will be deemed to be, references to the increased Programme Amount set out in such notice.

As at the Programme Date, the Issuer and the Programme are rated. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to the Programme and/or the Issuer and/or a Tranche of Notes, as the case may be, as well as the Rating Agency or Rating Agencies which assigned such Rating or Ratings. A Rating is not a recommendation to subscribe for, buy, sell or hold any Notes. A Rating of the Programme and/or a Rating of a Tranche of Notes may be subject to revision, suspension or withdrawal at any time by the Rating Agency.

This Programme Memorandum will only apply to Notes issued under the Programme on or after the Programme Date.

A summary of the Programme and the Terms and Conditions appears below.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Programme Memorandum and, in relation to the Terms and Conditions of any particular Tranche of Notes, the Applicable Pricing Supplement. Words and expressions defined in the Terms and Conditions shall have the same meanings in this summary.

PARTIES

Issuer	Transnet SOC Ltd (registration number: 1990/000900/06), a state-owned company with limited liability duly incorporated in accordance with the company laws of South Africa.
Arranger	The Issuer, and any additional Arranger(s) appointed by the Issuer from time to time.
Dealers	<p>The Issuer;</p> <p>Absa Capital, a division of Absa Bank Limited (registration number: 1986/004794/06);</p> <p>Deutsche Bank AG, Johannesburg Branch (registration number: 1998/003298/10);</p> <p>Investec Bank Limited (registration number: 1969/004763);</p> <p>Nedbank Capital, a division of Nedbank Limited (registration number: 1951/000009/06);</p> <p>Rand Merchant Bank, a division of FirstRand Bank Limited (registration number: 1929/001225/06); and</p> <p>The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division (registration number: 1962/000738/06),</p> <p>and any additional Dealers appointed under the Programme by the Issuer from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer's right to terminate the appointment of such Dealer.</p>
JSE Debt Sponsor	The Issuer, or such other entity appointed by the Issuer from time to time.
Transfer Agent	The Issuer or such other entity appointed by the Issuer as Transfer Agent, in which event that other entity will act as Transfer Agent, as specified in the Applicable Pricing Supplement.
Paying Agent	SBSA, or such other entity appointed by the Issuer as Paying Agent, in which event that other entity will act as Paying Agent, as specified in the Applicable Pricing Supplement.
Calculation Agent	The Issuer, or such other entity appointed by the Issuer as Calculation Agent, in which event that other entity will act as Calculation Agent, as specified in the Applicable Pricing Supplement.
CSD	Strate Limited (registration number: 1998/022242/06), registered as a central securities depository in terms of the Securities Services Act or such additional, alternative or successor central securities depository as may be agreed between the Issuer and the Relevant Dealer(s).

JSE	The JSE Limited (registration number: 2005/022939/06), a licensed financial exchange in terms of the Securities Services Act or any exchange which operates as a successor exchange to the JSE.
GENERAL	
Blocked Rand	Blocked Rand may be used to subscribe for, or purchase, Notes, subject to the Exchange Control Regulations.
Clearing and Settlement	Each Tranche of Notes which is held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. The CSD acts as the approved electronic clearing house, and carries on the role of matching, clearing and facilitation of settlement of all transactions carried out on the JSE. Each Tranche of Notes which is held in the CSD will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD (see the section of this Programme Memorandum headed " <i>Settlement, Clearing and Transfer of Notes</i> ").
Cross-Default	The terms of the Senior Notes will contain a cross-default provision relating to indebtedness for money borrowed by the Issuer or any Material Subsidiary having an aggregate outstanding amount which equals or exceeds 0,5% (zero comma five percent) of the total assets of the Issuer as set out in the Issuer's most recent published audited financial statements, from time to time (or its equivalent in any other currency or currencies), or any guarantee of or indemnity in respect of any such indebtedness as further described in Condition 16.1.4.
Denomination	Notes will be issued in such denominations as may be agreed by the Issuer and the Relevant Dealer(s) and as indicated in the Applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank or regulator or any laws or regulations applicable to the Notes. Notes will not be offered for subscription to any single addressee for an amount of less than ZAR1,000,000 as contemplated in section 96(1)(b) as read with section 96(2)(a) of the Companies Act.
Description of Programme	Transnet SOC Ltd ZAR55,000,000,000 Domestic Medium Term Note and Commercial Paper Programme.
Distribution	Notes may be distributed by way of private placement, auction, bookbuild or any other means permitted under South African law, and in each case on a syndicated or non-syndicated basis as may be determined by the Issuer and the Relevant Dealer(s) and reflected in the Applicable Pricing Supplement.
Form of Notes	Each Tranche of Notes which is listed on the Interest Rate Market of the JSE and each Tranche of unlisted Notes will be issued in uncertificated form and will be held in the CSD. The holder of a Beneficial Interest may exchange such Beneficial Interest for Notes in certificated form represented by an Individual Certificate (see the section of this Programme Memorandum headed " <i>Form of the Notes</i> ").

Governing Law	The Notes will be governed by and construed in accordance with the laws of South Africa in force from time to time.				
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked, and the method of calculating interest may vary between the Issue Date and the Maturity Date.				
Interest Period(s)/Interest Payment Date(s)	The Interest Rate, Interest Payment Date(s) and Interest Period(s), if any, applicable to a Tranche of Notes will be specified in the Applicable Pricing Supplement.				
Issue and Transfer Taxes	As at the Programme Date, no securities transfer tax or any similar tax is payable in respect of the issue, transfer or redemption of the Notes (see the section of this Programme Memorandum headed “ <i>South African Taxation</i> ”). Any future transfer duties and/or taxes that may be introduced in respect of (or may be applicable to) the transfer of Notes will be for the account of Noteholders.				
Issue Price	Notes may be issued on a fully paid or a partly paid basis and at their Nominal Amount or at a discount or premium to their Nominal Amount as specified in the Applicable Pricing Supplement.				
Listing	This Programme has been approved by the JSE. Notes issued under the Programme may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer and the Dealer(s), subject to all applicable laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange(s).				
Maturities of Notes	Such maturity(ies) as specified in the Applicable Pricing Supplement. The Notes are not subject to any minimum or maximum maturity.				
Negative Pledge	Senior Notes will have the benefit of a negative pledge as described in Condition 7 (<i>Negative Pledge</i>) of the Terms and Conditions or as otherwise set out in the Applicable Pricing Supplement.				
Notes	Notes may comprise: <table border="0" style="margin-left: 20px;"> <tr> <td style="vertical-align: top;">Fixed Rate Notes</td> <td>Fixed Rate interest will be payable in arrears on such date or dates as may be agreed between the Issuer and the Relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Relevant Dealer(s).</td> </tr> <tr> <td style="vertical-align: top;">Floating Rate Notes</td> <td>Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap</td> </tr> </table>	Fixed Rate Notes	Fixed Rate interest will be payable in arrears on such date or dates as may be agreed between the Issuer and the Relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Relevant Dealer(s).	Floating Rate Notes	Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap
Fixed Rate Notes	Fixed Rate interest will be payable in arrears on such date or dates as may be agreed between the Issuer and the Relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Relevant Dealer(s).				
Floating Rate Notes	Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap				

transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service; or (iii) on such other basis as may be agreed between the Issuer and the Relevant Dealer(s) , as indicated in the Applicable Pricing Supplement.

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the Relevant Dealer(s) for each issue of Floating Rate Notes, as indicated in the Applicable Pricing Supplement.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both, as indicated in the Applicable Pricing Supplement.

The Interest Period for Floating Rate Notes may be 1 (one), 2 (two), 3 (three), 6 (six) or 12 (twelve) months or such other period as the Issuer and the Relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

Zero Coupon Notes

Zero Coupon Notes will be issued at their Nominal Amount or at a discount to it and will not bear interest (except in the case of late payment as specified).

Index-Linked Notes

Payments (whether in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes and whether at maturity or otherwise) will be calculated by reference to such index and/or formula as the Issuer and the Relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

Dual Currency Notes

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the Relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

Mixed Rate Notes

Mixed Rate Notes will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Notes or Dual Currency Notes, each as specified in the Applicable Pricing

Supplement.

Instalment Notes	The Applicable Pricing Supplement will set out the dates on which, and the amounts in which, Instalment Notes may be redeemed.
Partly Paid Notes	The Issue Price will be payable in two or more instalments as set out in the Applicable Pricing Supplement.
Exchangeable Notes	Exchangeable Notes may be redeemed by the Issuer in cash or by the delivery of securities, as specified in the Applicable Pricing Supplement.
Other Notes	Terms applicable to any other type of Notes that are approved by the JSE, or its successor, or such other or further exchange or exchanges as may be selected by the Issuer in relation to an issue of listed Notes, or as agreed between the Issuer and the Relevant Dealer(s) in respect of unlisted Notes, will be set out in the Applicable Pricing Supplement.

Noteholders

The holders of Notes who are recorded as the registered Noteholders of those Notes in the Register. The CSD's Nominee will be named in the Register as the registered Noteholder of each Tranche of Notes which is held in the CSD. Each holder of Notes which is represented by an Individual Certificate will be named in the Register as the registered Noteholder of such Notes.

Rating

As at the Programme Date the Issuer and the Programme are rated. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to the Issuer and/or the Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency or Rating Agencies which assigned such Rating(s).

A Rating is not a recommendation to subscribe for, buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the Rating Agency. Any adverse change in the Rating of the Issuer and/or the Programme and/or a Tranche of Notes, as the case may be, could adversely affect the trading price of all or any of the Notes.

Redemption

The Applicable Pricing Supplement will specify the basis for calculating the redemption amounts payable and will set out the dates on which, and the amounts in which, a Tranche of Notes redeemable in two or more instalments may be redeemed.

A tranche of Notes will, subject to the Applicable Pricing Supplement, be redeemed on the Maturity Date as set out in Condition 10.1 (*Redemption at Maturity*).

If so specified in the Applicable Pricing Supplement, the Issuer may redeem the Notes of any Tranche at any time prior to the Maturity Date for tax reasons, as set out in

Condition 10.2 (*Redemption for Tax Reasons*).

If “*Redemption at the Option of the Issuer*” is specified as applicable in the Applicable Pricing Supplement or pursuant to Condition 10.3 (*Redemption at the Option of the Issuer*), the Issuer may (having given not less than 15 (fifteen) nor more than 30 (thirty) days’ irrevocable notice (or such other period of notice as may be specified in the Applicable Pricing Supplement) to the Noteholders in accordance with Condition 18 (*Notices*)) redeem the Tranche of Notes on the Optional Redemption Date(s).

If “*Redemption at the Option of the Senior Noteholders*” is specified as applicable in the Applicable Pricing Supplement, the Noteholders of any Tranche of Notes may (having given not less than 30 (thirty) days’ notice (or such other period of notice as may be specified in the Applicable Pricing Supplement) require the Issuer to redeem Notes on any Optional Redemption Date in the manner specified in Condition 10.4 (*Redemption at the Option of the Senior Noteholders*) and the Applicable Pricing Supplement.

If “*Redemption in the event of a Change of Control*” is specified as being applicable in the Applicable Pricing Supplement and (a) a Change of Control occurs at any time while any Note remains outstanding; and (b) within the Change of Control Period, a Negative Rating Event in respect of that Change of Control occurs, (a “Change of Control Event”) and the Noteholders resolve by way of an Extraordinary Resolution to have their Notes redeemed by the Issuer, then each Noteholder in that class of Noteholders shall have the option to require the Issuer to redeem each Note in that Tranche of Notes held by that Noteholder at its Early Redemption Amount together with accrued interest (if any) within 30 (thirty) days after the delivery by that Noteholder of a Change of Control Redemption Notice (as defined in Condition 10.5 (*Redemption in the event of a Change of Control*)).

If “*Redemption in the event of a Change of Principal Business*” is specified as being applicable in the Applicable Pricing Supplement and at any time while any Note remains Outstanding a Change of Principal Business occurs as provided for in Condition 10.6 (*Redemption in the event of a Change of Principal Business*), then the relevant Noteholders shall have the option to require the Issuer to redeem each Note in that Tranche of Notes held by that Noteholder at its Early Redemption Amount together with accrued interest (if any) within 15 (fifteen) days after the delivery by that Noteholder of a Change of Principal Business Redemption Notice (as defined in Condition 10.6 (*Redemption in the event of a Change of Principal Business*)).

Selling Restrictions

The distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and any offering or sale of or subscription for a Tranche of Notes may be restricted by law in certain jurisdictions, and is restricted by law in the United States of America, the United Kingdom, the European Economic Area and South Africa (see the section of this Programme Memorandum headed “*Subscription and Sale*”). Any other or additional restrictions which are applicable to the placing of a Tranche of Notes will be set

out in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum and/or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions.

Size of the Programme

As at the Programme Date, the Programme Amount is ZAR55,000,000,000. This Programme Memorandum will only apply to Notes issued under the Programme (including Notes issued under the Programme pursuant to the Previous Programme Memorandum) in an aggregate outstanding Nominal Amount which does not exceed the Programme Amount. The Issuer may increase the Programme Amount in the manner set out in the section of this Programme Memorandum headed “*General Description of the Programme*”.

Specified Currency

South African Rand or, subject to all applicable laws and, in the case of Notes listed on the Interest Rate Market of the JSE and the listings requirements of the JSE, such other currency as is specified in the Applicable Pricing Supplement.

Status of Senior Notes

The Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (subject to Condition 5 (*Status of Senior Notes*)) and save for certain debts required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding or as otherwise set out in the Applicable Pricing Supplement.

Status and Characteristics relating to Subordinated Notes

The Subordinated Notes constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and rank at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer.

Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound up or is subject to business rescue proceedings, then and in any such event the claims of the persons entitled to be paid amounts due in respect of the Subordinated Notes shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness of the Issuer, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the persons entitled to be paid amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, liquidation, winding-up or business rescue proceedings (other than Subordinated Indebtedness) has been paid or discharged in full.

Stabilisation

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer, if any, that is specified in the Applicable Pricing Supplement as the Stabilising Manager (or any person acting for the Stabilising Manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted

by the debt listings requirements of the JSE and approved by the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

Taxation

A summary of the applicable tax legislation in respect of the Notes, as at the Programme Date, is set out in the section of this Programme Memorandum headed "*South African Taxation*". The summary does not constitute tax advice. Potential investors in the Notes should, before making an investment in the Notes, consult their own professional advisers as to the potential tax consequences of, and their tax positions in respect of, an investment in the Notes.

Use of Proceeds

The Issuer will use the issue proceeds of the Notes for its general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement.

Withholding Taxes

As at the Programme Date, all payments of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any taxes levied in South Africa. In the event that any such withholding tax or such other deduction is required by applicable law, then the Issuer will, subject to certain exceptions as provided in Condition 11 (*Taxation*), pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction.

FORM OF THE NOTES

Capitalised terms used in this section headed “Form of the Notes” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Notes issued in certificated form

All certificated Notes will be represented by a single Individual Certificate in registered form. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

Title to Notes represented by Individual Certificates will pass upon registration of transfer in accordance with Condition 14.2 (*Transfer of Notes represented by Individual Certificates*) of the Terms and Conditions.

The Issuer shall regard the Register as the conclusive record of title to the Notes represented by Individual Certificates.

Payments of all amounts due and payable in respect of Notes represented by Individual Certificates will be made in accordance with Condition 9 (*Payments*) of the Terms and Conditions to the person reflected as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register, and the payment obligations of the Issuer will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid.

Notes issued in uncertificated form

A Tranche of Notes which is listed on the Interest Rate Market of the JSE may, subject to applicable laws and Applicable Procedures, be issued in uncertificated form in terms of section 37 of the Securities Services Act.

Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Notes issued in uncertificated form will be held by the CSD, and the CSD's Nominee will be named in the Register as the registered Noteholder of that Tranche of Notes.

Beneficial Interests in Notes held in the CSD

A Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may also be lodged in the CSD. While a Tranche of Notes is in the CSD, the CSD's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche.

The CSD will hold each Tranche of Notes subject to the Securities Services Act and the Applicable Procedures. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.

The CSD maintains central securities accounts only for Participants. As at the Programme Date, the Participants are Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.

The Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants. Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme, (Clearstream Luxembourg) (“**Clearstream**”) may hold Notes through their Participant.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular outstanding Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the outstanding Nominal Amount of such Notes standing to the account of any person shall be *prima facie* proof of such Beneficial Interest. The CSD's Nominee (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that outstanding Nominal Amount of such Notes for all purposes.

Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the security accounts maintained by such Participants for such clients. Beneficial Interests may be transferred only in accordance with the Applicable Procedures. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

The holder of a Beneficial Interest will only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions.

PRO FORMA APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Applicable Pricing Supplement that will be completed for each Tranche of Notes issued under the Programme:

**TRANSNET SOC LTD**

*(Incorporated in the Republic of South Africa with limited liability
under registration number: 1990/000900/06)*

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**Under its ZAR55,000,000,000 Domestic Medium Term Note and Commercial Paper Programme**

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 25 October 2011, prepared by Transnet SOC Ltd in connection with the Transnet SOC Ltd ZAR55,000,000,000 Domestic Medium Term Note and Commercial Paper Programme, as amended and/or supplemented from time to time (the “**Programme Memorandum**”).

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed “*Terms and Conditions of the Notes*”.

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

PARTIES

1.	Issuer	Transnet SOC Ltd
2.	Dealers	[]
3.	Managers	[]
4.	Paying Agent	[]
	Specified Address	[]
5.	Calculation Agent	[]
	Specified Address	[]
6.	Transfer Agent	[]
	Specified Address	[]

PROVISIONS RELATING TO THE NOTES

7.	Status of Notes	[Senior/Subordinated] [Secured/Unsecured]
8.	Form of Notes	[Listed/Unlisted] Registered Notes

9. Series Number []
10. Tranche Number []
11. Aggregate Nominal Amount: []
12. Interest [Interest-bearing/Non-interest-bearing]
13. Interest Payment Basis [[Fixed Rate/Floating Rate/Zero Coupon/Index-Linked/Dual Currency/Partly Paid /Instalment] Notes/other]
14. Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another [Insert details including date for conversion]
15. Form of Notes Registered Notes: The Notes in this Tranche are issued in uncertificated form and held by the CSD.
16. Issue Date []
17. Nominal Amount per Note []
18. Specified Denomination []
19. Specified Currency []
20. Issue Price []
21. Interest Commencement Date []
22. Maturity Date []
23. Applicable Business Day Convention [Floating Rate Business Day / Following Business Day / Modified Following Business Day / Preceding Business Day / other convention – insert details]
24. Final Redemption Amount []
25. Last Day to Register []
26. Books Closed Period(s) The Register will be closed from [...] to [...] and from [...] to [...] (all dates inclusive) in each year until the Maturity Date
27. Default Rate []

FIXED RATE NOTES

28. (a) Fixed Rate of Interest [] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
- (b) Fixed Interest Payment Date(s) [] in each year up to and including the Maturity Date/other
- (c) Fixed Coupon Amount(s) [] per [] in Nominal Amount
- (d) Initial Broken Amount []
- (e) Final Broken Amount []
- (f) Determination Date(s) [] in each year
- (g) Day Count Fraction []
- (h) Any other terms relating to the particular method of calculating interest []

FLOATING RATE NOTES

29. (a) Floating Interest Payment Date(s) []

- (b) Interest Period(s) []
- (c) Definition of Business Day (if different from that set out in Condition 1) (*Interpretation*) []
- (d) Minimum Rate of Interest [] per cent per annum
- (e) Maximum Rate of Interest [] per cent per annum
- (f) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) []
30. Manner in which the Rate of Interest is to be determined [ISDA Determination / Screen Rate Determination/other – insert details]
31. Margin [(...) basis points to be added to/subtracted from the relevant ISDA Rate / Reference Rate]
32. If ISDA Determination:
- (a) Floating Rate []
- (b) Floating Rate Option []
- (c) Designated Maturity []
- (d) Reset Date(s) []
- (e) ISDA Definitions to apply []
33. If Screen Determination:
- (a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated) []
- (b) Interest Rate Determination Date(s) []
- (c) Relevant Screen Page and Reference Code []
34. If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Rate of Interest/Margin/Fallback provisions []
35. Calculation Agent responsible for calculating amount of principal and interest []
- ZERO COUPON NOTES**
36. (a) Implied Yield []
- (b) Reference Price Percent [NACA] [NACM] [NACQ] [NACS] [other method of compounding]
- (c) Any other formula or basis for determining amount(s) payable []

PARTLY PAID NOTES

37. (a) Amount of each payment comprising the Issue Price []
- (b) Dates upon which each payment is to be made by Noteholder []
- (c) Consequences (if any) of failure to make any such payment by Noteholder []
- (d) Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments [] per cent per annum

INSTALMENT NOTES

38. Instalment Dates []
39. Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes) []

MIXED RATE NOTES

40. Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for:
- (a) Fixed Rate Notes []
- (b) Floating Rate Notes []
- (c) Index-Linked Notes []
- (d) Dual Currency Notes []
- (e) Other Notes []
41. The interest rate and other pertinent details are set out under the headings relating to the applicable forms of Notes

INDEX-LINKED NOTES

42. (a) Type of Index-Linked Notes [Indexed Interest Notes / Indexed Redemption Amount Notes]
- (b) Index/Formula by reference to which Interest Rate / Interest Amount is to be determined []
- (c) Manner in which the Interest Rate / Interest Amount is to be determined []
- (d) Interest Period(s) []
- (e) Interest Payment Date(s) []
- (f) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable []
- (g) Definition of Business Day (if different from that set out in []

Condition 1 (*Interpretation*))

- (h) Minimum Rate of Interest [] per cent per annum
(i) Maximum Rate of Interest [] per cent per annum
(j) Other terms relating to the []
method of calculating interest
(e.g.: Day Count Fraction,
rounding up provision)

DUAL CURRENCY NOTES

43. (a) Type of Dual Currency Notes [Dual Currency Interest/Dual Currency Redemption Amount] Notes
(b) Rate of Exchange/method of calculating Rate of Exchange []
(c) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable []
(d) Person at whose option Specified Currency(ies) is/are payable []

EXCHANGEABLE NOTES

44. (a) Mandatory Exchange applicable? [Yes/No]
(b) Noteholders' Exchange Right applicable? [Yes/No]
(c) Exchange Securities []
(d) Manner of determining Exchange Price []
(e) Exchange Period []
(f) Other []

OTHER NOTES

45. If the Notes are not Partly Paid Notes, Instalment Notes, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes, Index-linked Notes, Dual Currency Notes or Exchangeable Notes or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional Terms and Conditions relating to such Notes. []

PROVISIONS REGARDING REDEMPTION/MATURITY

46. Redemption at the Option of the Issuer: [Yes/No]
If yes:
(a) Optional Redemption Date(s) []
(b) Optional Redemption Amount(s) and method, if any, of []

	calculation of such amount(s)	
(c)	Minimum period of notice (if different from Condition 10.3 <i>(Redemption at the Option of the Issuer)</i>)	[]
(d)	If redeemable in part:	[]
	Minimum Redemption Amount(s)	[]
	Higher Redemption Amount(s)	[]
(e)	Other terms applicable on Redemption	
47.	Redemption at the Option of the Senior Noteholders:	[Yes/No]
	if yes:	
(a)	Optional Redemption Date(s)	[]
(b)	Optional Redemption Amount(s)	[]
(c)	Minimum period of notice (if different from Condition 10.4 <i>(Redemption at the Option of the Senior Noteholders)</i>)	[]
(d)	If redeemable in part:	
	Minimum Redemption Amount(s)	[]
	Higher Redemption Amount(s)	[]
(e)	Other terms applicable on Redemption	[]
(f)	Attach <i>pro forma</i> put notice(s)	
48.	Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required).	[Yes/No]
	If no:	
(a)	Amount payable; or	[]
(b)	Method of calculation of amount payable	[]
49.	Redemption in the event of a Change of Control	[Yes/No]
50.	Redemption in the event of a Change of Principal Business	[Yes/No]
GENERAL		
51.	Financial Exchange	[]
52.	Additional selling restrictions	[]
53.	ISIN No.	[]
54.	Stock Code	[]
55.	Stabilising manager	[]
56.	Provisions relating to stabilisation	[]

57. The notice period required for exchanging uncertificated Notes for Individual Certificates []
58. Method of distribution []
59. Credit Rating assigned to the [Issuer]/ [Programme]/[Notes] [] [*issue date and renewal date of rating to be specified*]
60. Applicable Rating Agency []
61. Governing law (if the laws of South Africa are not applicable) []
62. Surrendering of Notes in the case of Notes represented by an Individual Certificate [] days after the date on which the Individual Certificate in respect of the Note to be redeemed has been surrendered to the Issuer
63. Other provisions []

DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS

64. Paragraph 3(5)(a)
The “*ultimate borrower*” (as defined in the Commercial Paper Regulations) is the [Issuer].
65. Paragraph 3(5)(b)
The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.
66. Paragraph 3(5)(c)
The auditor of the Issuer is [Insert].
67. Paragraph 3(5)(d)
As at the date of this issue:
 - (i) the Issuer has issued [ZAR●,000,000,000] Commercial Paper (as defined in the Commercial Paper Regulations) (which amount includes Notes issued under the Previous Programme Memorandum); and
 - (ii) the Issuer estimates that it may issue [ZAR●,000,000,000] of Commercial Paper during the current financial year, ending [date].
68. Paragraph 3(5)(e)
All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.
69. Paragraph 3(5)(f)
There has been no material adverse change in the Issuer’s financial position since the date of its last audited financial statements.
70. Paragraph 3(5)(g)
The Notes issued will be [listed/unlisted].
71. Paragraph 3(5)(h)
The funds to be raised through the issue of the Notes are to be used by the Issuer for its [general corporate purposes/funding of its business operations/other].
72. Paragraph 3(5)(i)
The obligations of the Issuer in respect of the Notes are unsecured.

73. Paragraph 3(5)(j)

[Insert], the statutory auditors of the Issuer, have confirmed **[their review did not reveal anything which indicates / nothing has come to their attention to indicate]** that this issue of Notes issued under the Programme does not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

Responsibility:

The Issuer accepts full responsibility for the accuracy of the information contained in this Applicable Pricing Supplement. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Applicable Pricing Supplement is in accordance with the facts and does not omit anything which would make any statement false or misleading and all reasonable enquiries to ascertain such facts have been made. This Applicable Pricing Supplement contains all information required by law and the debt listings requirements of the JSE.

Application **[is hereby]/[will not be]** made to list this issue of Notes **[on ● ●●●●]**.

SIGNED at _____ on this _____ day of _____ 20●●

For and on behalf of
TRANSNET SOC LTD

Name:
Capacity: Director
Who warrants his/her authority hereto

Name:
Capacity: Director
Who warrants his/her authority hereto

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each Note. A Tranche of Notes will be issued on, and subject to, the below Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

Before the Issuer issues any Tranche of listed Notes, the Issuer shall complete, sign and deliver to the JSE or such other or further Financial Exchange(s) and the CSD a pricing supplement based on the *pro forma* Applicable Pricing Supplement included in the Programme Memorandum setting out details of such Notes. The Issuer may determine that particular Notes will not be listed on the Interest Rate Market of the JSE or such other Financial Exchanges and, in that case, no Applicable Pricing Supplement will be delivered to JSE or such other or further Financial Exchange(s).

If there is any conflict or inconsistency between provisions set out in the Applicable Pricing Supplement and the provisions set out in these Terms and Conditions of the Notes, then the provisions in the Applicable Pricing Supplement shall prevail.

Words and expressions used in the Applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated. Any reference to legislation or a statute shall be to such legislation or statute as amended, varied or re-enacted from time to time.

1. INTERPRETATION

In these Terms and Conditions, unless inconsistent with the context or separately defined in the Applicable Pricing Supplement, the following expressions shall have the following meanings:

“Absa Capital”	Absa Capital, a division of Absa Bank Limited (registration number: 1986/004794/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa;
“Applicable Pricing Supplement”	in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to that Tranche of Notes, setting out the additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the <i>pro forma</i> pricing supplement which is set out in the section of the Programme Memorandum headed “ <i>Pro Forma Applicable Pricing Supplement</i> ”;
“Applicable Procedures”	the rules and operating procedures for the time being of the CSD, the Participants and the listings requirements of the JSE and/or any other Financial Exchange;
“Banks Act”	the Banks Act, 1990;
“Beneficial Interest”	in relation to a Tranche of Notes which is held in the CSD, the beneficial interest as co-owner of an undivided share of all of the Notes in that Tranche, as contemplated in section 41(1) of the Securities Services Act, the nominal value of which beneficial interest, in relation to any number of Notes in that Tranche, is determined by reference to the proportion that the aggregate outstanding Nominal Amount of such number of Notes bears to the aggregate outstanding Nominal Amount of all of the Notes in that Tranche, as provided in section 41(3) of the Securities Services Act;
“BESA Guarantee Fund Trust”	the guarantee fund trust established and operated by the Bond Exchange of South Africa Limited (“ BESA ”), prior to its merger with the JSE on 22 June 2009 and, as at the Programme Date, operated by the JSE as a separate guarantee fund, in terms of sections 9(1)(e) and 18(2)(x) of the Securities Services Act or any successor fund;

“Books Closed Period”	in relation to a Tranche of Notes, the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfer of the Notes will not be registered, or such shorter period as the Issuer may decide in order to determine those Noteholders entitled to receive interest;
“Business Day”	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) on which commercial banks settle ZAR payments in Johannesburg, save further that if the Applicable Pricing Supplement so provides, “ <i>Business Day</i> ” shall include a Saturday;
“Calculation Agent”	the Issuer, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;
“Class of Noteholders”	the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;
“Commercial Paper Regulations”	the commercial paper regulations of 14 December 1994 issued pursuant to paragraph (cc) of the definition of “the business of a bank” in the Banks Act, set out in Government Notice 2172 and published in Government Gazette 16167 of 14 December 1994;
“Companies Act”	the Companies Act, 2008;
“CSD”	Strate Limited (registration number: 1998/022242/06), or its nominee, licensed as a central securities depository in terms of the Securities Services Act or any successor depository, or any additional or alternate depository approved by the Issuer;
“CSD’s Nominee”	a Wholly Owned Subsidiary of the CSD approved by the Registrar of Securities Services in terms of the Securities Services Act, and any reference to “ <i>CSD’s Nominee</i> ” shall, whenever the context permits, be deemed to include any successor nominee operating in terms of the Securities Services Act;
“Day Count Fraction”	<p>in relation to a Tranche of Notes (where applicable) and the calculation of an amount for any period of time (the “Calculation Period”), the day count fraction specified as such in the Terms and Conditions or the Applicable Pricing Supplement and:</p> <p>(a) if “Actual/365”, “Act/365”, “Actual/Actual” or “Act/Act” is so specified, means the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of the Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);</p> <p>(b) if “Actual/Actual (ICMA)” is so specified, means:</p> <ol style="list-style-type: none"> 1. where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and 2. where the calculation Period is longer than one Regular Period, the sum of: <ol style="list-style-type: none"> a. the actual number of days in such Calculation Period falling in the Regular Period in which it

- begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
- b. the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (c) if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (d) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (e) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (f) if “**30/360**”, “**360/360**” or “**Bond Basis**” is so specified, means the number of days in the Calculation period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (g) if “**30E/360**” or “**Eurobond Basis**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31, in which case **D₂** will be 30;

- (h) if “**30E/360 (ISDA)**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30;

“Dealers”	the Issuer, Absa Capital, Deutsche Bank, Investec Bank, Nedbank Capital, RMB and SBSA, and any other entity appointed as Dealer by the Issuer, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of any such Dealer, as indicated in the Applicable Pricing Supplement;
“Default Rate”	in relation to a Tranche of Notes, the default rate specified as such in the Applicable Pricing Supplement;
“Determination Date”	in relation to a Tranche of Fixed Rate Notes, the date specified as such in the Applicable Pricing Supplement;
“Determination Period”	in relation to a Tranche of Notes, the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);
“Deutsche Bank”	Deutsche Bank AG, Johannesburg Branch (registration number: 1998/003298/10), a company incorporated in Germany and registered as a foreign bank under the Banks Act;
“Dual Currency Notes”	Notes which pay interest in a base currency and the principal in a non-base currency or <i>vice versa</i> , as indicated in the Applicable Pricing Supplement;
“Early Redemption Amount”	in relation to a Tranche of Notes, the amount, as set out in Condition 10.7 (<i>Early Redemption Amounts</i>), at which the Notes will be redeemed by the Issuer, pursuant to the provisions of Conditions 10.2 (<i>Redemption for Tax Reasons</i>), 10.3 (<i>Redemption at the Option of the Issuer</i>), 10.4 (<i>Redemption at the Option of the Senior Noteholders</i>) 10.5 (<i>Redemption in the event of a Change of Control</i>) and 10.6 (<i>Redemption in the event of a Change of Principal Business</i>) and/or Condition 16 (<i>Events of Default</i>);
“Encumbrances”	any mortgage, pledge, hypothecation, assignment, cession <i>in securitatem debiti</i> , deposit by way of security or any other agreement or arrangement (whether conditional or not and whether relating to existing or to future assets), having the effect of providing a security interest to a creditor or any agreement or arrangement to give any form of a secured claim to a creditor but excluding statutory preferences and any security interest arising by operation of law;
“Event of Default”	in relation to a Series of Notes, any of the events described in Condition 16 (<i>Events of Default</i>);
“Exchangeable Notes”	Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, promulgated pursuant to the Currency and Exchanges Act, 1933;
“Exchange Period”	in relation to a Tranche of Notes, in respect of Exchangeable Notes to which the Noteholders’ Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
“Exchange Price”	in relation to a Tranche of Exchangeable Notes, the amount determined in accordance with the manner described in the

	Applicable Pricing Supplement, according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;
“Exchange Securities”	in relation to a Tranche of Exchangeable Notes, the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of the Exchangeable Notes to the value of the Exchange Price;
“Extendible Note”	any Note with a maturity of not more than 18 (eighteen) months, which entitles the Issuer to extend the Redemption Date to a pre-determined future date, as indicated in the Applicable Pricing Supplement;
“Extraordinary Resolution”	a resolution passed at a meeting (duly convened) of the Noteholders or a Class of Noteholders, as the case may be, by a majority consisting of not less than 66.67% (sixty-six point sixty-seven per cent) of the persons voting at such meeting upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 66.67% (sixty-six point sixty-seven percent) of the votes given on such poll;
“Final Broken Amount”	in relation to a Tranche of Notes, the final broken amount specified as such in the Applicable Pricing Supplement;
“Final Redemption Amount”	in relation to a Tranche of Notes, the amount of principal specified in the Applicable Pricing Supplement payable in respect of such Tranche of Notes upon the Maturity Date;
“Financial Exchange”	the JSE and/or such other or additional financial exchange(s) as may be determined by the Issuer and the Relevant Dealer(s), subject to applicable laws, and upon which the Notes are listed as specified in the Applicable Pricing Supplement;
“Fixed Coupon Amount”	in relation to a Tranche of Fixed Rate Notes (where applicable), the amount specified as such in the Applicable Pricing Supplement;
“Fixed Interest Payment Date”	in relation to a Tranche of Fixed Rate Notes, the date specified as such in the Applicable Pricing Supplement;
“Fixed Interest Period”	in relation to a Tranche of Fixed Rate Notes, the period from (and including) a Fixed Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or as otherwise set out in the Applicable Pricing Supplement;
“Fixed Rate Notes”	Notes which will bear interest at the Fixed Rate of Interest, as indicated in the Applicable Pricing Supplement;
“Fixed Rate of Interest”	in relation to a Tranche of Notes, the fixed rate of interest specified as such in the Applicable Pricing Supplement;
“Floating Rate Notes”	Notes which will bear interest at a Floating Rate Interest as indicated in the Applicable Pricing Supplement and more fully described in Condition 8.2 (<i>Floating Rate Notes and Indexed Interest Notes</i>);
“Floating Rate”	in relation to a Tranche of Notes, the floating rate of interest specified as such in the Applicable Pricing Supplement;
“Higher Redemption Amount”	in relation to a Tranche of Notes, the higher redemption amount specified as such in the Applicable Pricing Supplement;
“IFRS”	the International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented

	or re-issued from time to time);
“Implied Yield”	in relation to a Tranche of Zero Coupon Notes, the yield accruing on the Issue Price of such Notes, as specified in the Applicable Pricing Supplement;
“Income Tax Act”	Income Tax Act, 1962;
“Indebtedness”	in respect of the Transnet Group, any indebtedness in respect of monies borrowed from any third party lender and (without double counting) guarantees (other than those given in the ordinary course of business) given, whether present or future, actual or contingent, excluding any intra group indebtedness due to any Subsidiary or holding company within the Transnet Group;
“Indexed Interest Notes”	Notes in respect of which the Interest Amount is calculated by reference to an index and/or a formula as indicated in the Applicable Pricing Supplement;
“Index-Linked Notes”	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable and as indicated in the Applicable Pricing Supplement;
“Indexed Redemption Amount Notes”	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula as may be indicated in the Applicable Pricing Supplement;
“Individual Certificate”	a Note in the definitive registered form of a single certificate and being a certificate exchanged for Beneficial Interest in accordance with Condition 12 (<i>Exchange of Beneficial Interests and Replacement of Individual Certificates</i>) and any further certificate issued in consequence of a transfer thereof;
“Initial Broken Amount”	in relation to a Tranche of Notes, the initial broken amount specified as such in the Applicable Pricing Supplement;
“Instalment Amount”	in relation to a Tranche of Instalment Notes, the amount expressed (in the Applicable Pricing Supplement) as a percentage of the Nominal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;
“Instalment Notes”	Notes issued on the same date but redeemed in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as indicated in the Applicable Pricing Supplement;
“Instalment Dates”	in relation to a Tranche of Instalment Notes, the dates specified as such in the Applicable Pricing Supplement;
“Interest Amount”	in relation to a Tranche of Notes, the amount of interest payable in respect of each Nominal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed Notes, as determined by the Calculation Agent in accordance with Condition 8 (<i>Interest</i>);
“Interest Commencement Date”	in relation to a Tranche of Notes (where applicable) the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;
“Interest Determination Date”	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
“Interest Payment Date”	in relation to a Tranche of Notes, the Interest Payment Date(s) specified in the Applicable Pricing Supplement or, if no express Interest Payment Date(s) is/are specified in the Applicable Pricing Supplement, the last day of the Interest Period commencing on the preceding Interest Payment Date, or, in the case of the first Interest Payment Date, commencing on the Interest Commencement Date;

“Interest Period”	in relation to a Tranche of Notes, each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;
“Interest Rate” and “Rate of Interest”	in relation to a Tranche of Notes, the rate or rates of interest applicable to Notes other than Zero Coupon Notes as indicated in the Applicable Pricing Supplement;
“Interest Rate Market of the JSE”	the separate platform or sub-market of the JSE designated as the “ <i>Interest Rate Market</i> ” or such other platform or sub-market designated by the JSE from time to time and on which notes (and other debt securities) may be listed;
“Investec Bank”	Investec Bank Limited (registration number: 1969/004763/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa;
“ISDA”	the International Swaps and Derivatives Association Inc.;
“ISDA Definitions”	the 2006 ISDA Definitions published by ISDA (as amended, supplemented, revised or republished from time to time) as specified in the Applicable Pricing Supplement;
“Issue Date”	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
“Issue Price”	in relation to a Tranche of Notes, the price specified as such in the Applicable Pricing Supplement;
“Issuer”	Transnet SOC Ltd (registration number: 1990/000900/06), a state-owned company with limited liability duly incorporated in accordance with the company laws of South Africa;
“JSE”	the JSE Limited (registration number: 2005/022939/06), a licensed financial exchange in terms of the Securities Services Act or any exchange which operates as a successor exchange to the JSE;
“Last Day to Register”	with respect to a particular Tranche of Notes (as specified in the Applicable Pricing Supplement), the last date or dates preceding a Payment Day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in the Register for that particular Tranche of Notes and whereafter the Register is closed for further transfers or entries until the Payment Day;
“Mandatory Exchange”	in relation to a Tranche of Notes, the mandatory exchange specified as such in the Applicable Pricing Supplement;
“Margin”	in relation to a Tranche of Notes (where applicable), the margin specified as such in the Applicable Pricing Supplement;
“Material Indebtedness”	any Indebtedness amounting in aggregate to an amount which equals or exceeds 0,5% (zero comma five percent) of the total assets of the Issuer as set out in the Issuer’s most recent published audited financial statements from time to time (or its equivalent in other currencies), at the time of the occurrence of an Event of Default;
“Material Subsidiary”	a Subsidiary of the Issuer which represents more than 15% (fifteen percent) of the total consolidated assets of the Issuer as published in the Issuer’s most recent consolidated audited financial statements or accounts for more than 15% (fifteen percent) of the Issuer’s total consolidated attributable income before tax as reflected in the Issuer’s most recent consolidated audited annual financial statements;

“Maturity Date”	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
“Minimum Redemption Amount”	in relation to a Tranche of Notes, the minimum redemption amount specified as such in the Applicable Pricing Supplement;
“Mixed Rate Notes”	Notes which will bear interest over respective periods at differing Interest Rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Index-Linked Notes, each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 8.4 (<i>Mixed Rate Notes</i>);
“NACA”	nominal annual compounded annually;
“NACM”	nominal annual compounded monthly;
“NACQ”	nominal annual compounded quarterly;
“NACS”	nominal annual compounded semi-annually;
“Nedbank Capital”	Nedbank Capital, a division of Nedbank Limited (registration number: 1951/000009/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa;
“Nominal Amount”	in relation to any Note, the total amount, excluding interest and any adjustments on account of any formula, owing by the Issuer under the Note;
“Noteholders”	the registered holders of the Notes as recorded in the Register;
“Noteholders’ Exchange Right”	in relation to Exchangeable Notes, if indicated as applicable in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities in lieu of cash from the Issuer upon redemption of such Notes;
“Notes”	senior or subordinated notes issued or to be issued by the Issuer under the Programme, pursuant to this Programme Memorandum;
“Outstanding”	in relation to the Notes, all the Notes issued under the Programme (including all Notes issued under the Programme pursuant to the Previous Programme Memorandum) other than: <ul style="list-style-type: none"> (a) those which have been redeemed in full; (b) those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption moneys wherefore (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment against presentation of Individual Certificates (if any); (c) those which have been purchased and cancelled as provided in Condition 10 (<i>Redemption and Purchase</i>); (d) those which have become prescribed under Condition 15 (<i>Prescription</i>); (e) those represented by mutilated or defaced Individual Certificates which have been surrendered in exchange for replacement Individual Certificates pursuant to Condition 12 (<i>Exchange of Beneficial Interests and Replacement of Individual Certificates</i>); (f) (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Individual Certificates

alleged to have been lost, stolen or destroyed and in respect of which replacement Individual Certificates have been issued pursuant to Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*),

provided that for each of the following purposes:

- (i) the right to attend and vote at any meeting of the Noteholders; and
- (ii) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 19 (*Amendment of these Conditions*) and 20 (*Meetings of Noteholders*),

all Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled shall (unless and until ceasing to be so held) be deemed not to be Outstanding;

“Optional Redemption Amount”	in relation to a Tranche of Notes, the optional redemption amount specified as such in the Applicable Pricing Supplement;
“Participant”	a person accepted by the CSD as a participant in terms of section 34 of the Securities Services Act;
“Partly Paid Notes”	Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments as indicated in the Applicable Pricing Supplement;
“Paying Agent”	The Standard Bank of South Africa Limited, acting through its Corporate and Investment division, unless the Issuer elects to appoint another entity as Paying Agent, in which event that other entity shall act as a Paying Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;
“Payment Day”	any day which is a Business Day and upon which a payment is due by the Issuer in respect of the Notes;
“Permitted Encumbrance”	<ul style="list-style-type: none">(a) any Encumbrance existing as at the date hereof; or(b) any Encumbrance with regard to receivables of the Issuer or a Material Subsidiary or which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the Indebtedness is limited to the value of such receivable; or(c) any Encumbrance with respect to inter-company Indebtedness incurred between the Issuer and its Subsidiaries; or(d) any Encumbrance created over any asset owned, acquired, developed or constructed, being an Encumbrance created for the sole purpose of financing or refinancing that asset, provided that the Indebtedness so secured shall not exceed the bona fide market value of such asset or the cost of that acquisition, development or construction (including all interest and other finance charges, adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value or cost both apply, the higher of the two; or(e) any Encumbrance over deposit accounts securing a loan equal to the amounts standing to the credit of such deposit accounts, including any cash management system; or

- (f) any Encumbrance created in the ordinary course of business, which includes construction guarantees, over stock-in-trade, inventories, accounts receivable or deposit accounts; or
- (g) any Encumbrance subsisting over any asset of any Subsidiary of the Issuer prior to the date of such entity becoming a Subsidiary of the Issuer and not created in contemplation of such entity becoming a Subsidiary of the Issuer and any substitute Encumbrance created over that asset (but in any such case the amount of the Indebtedness secured by such Encumbrance, may not be increased, save in the ordinary course of business as set out in sub-clauses (a) to (f) above;

“Previous Programme Memorandum”	the programme memorandum dated 6 September 2007 issued by the Issuer in relation to the Programme;
“Programme”	the Transnet SOC Ltd ZAR55,000,000,000 Domestic Medium Term Note and Commercial Paper Programme under which the Issuer may from time to time issue Notes;
“Programme Amount”	the maximum aggregate outstanding Nominal Amount of all of the Notes that may be issued under the Programme at any one point in time (including the Notes issued under the Programme pursuant to the Previous Programme Memorandum), being ZAR55,000,000,000 or such increased amount as is determined by the Issuer from time to time, subject to the Applicable Procedures, applicable laws and the Programme Agreement, as set out in the section of this Programme Memorandum headed “ <i>General Description of the Programme</i> ”;
“Programme Date”	the date of this Programme Memorandum being 25 October 2011;
“Rating”	in relation to the Programme and/or the Issuer and/or a Tranche of Notes (where applicable), the rating of the Programme and/or the Issuer and/or the Tranche of Notes granted by the Rating Agency, specified in the Applicable Pricing Supplement;
“Redemption Date”	in relation to a Tranche of Notes, the date upon which the Notes are redeemed by the Issuer, whether by way of redemption at maturity in terms of Condition 10.1 (<i>Redemption at Maturity</i>) or redemption for tax reasons in terms of Condition 10.2 (<i>Redemption for Tax Reasons</i>), as the case may be;
“Reference Banks”	four leading banks in the South African inter-bank market selected by the Calculation Agent;
“Reference Rate”	in relation to a Tranche of Notes (where applicable), the rate specified as such in the Applicable Pricing Supplement;
“Reference Price”	in relation to a Tranche of Notes (where applicable), the price specified as such in the Applicable Pricing Supplement;
“Register”	the register of Noteholders maintained by the Transfer Agent in terms of Condition 13 (<i>Register</i>), including any Uncertificated Securities Register, as the case may be;
“Relevant Date”	in relation to a Tranche of Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the CSD in accordance with these Terms and Conditions, it means the first date on which (i) the full amount of such monies have been received by the CSD, (ii) such monies are available for payment to the holders of Beneficial Interests and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;

“Relevant Screen Page”	in relation to a Tranche of Notes (where applicable), the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;
“Representative”	a person duly authorised to act on behalf of a Noteholder, the Transfer Agent and the Paying Agent, as the case may be, who may be regarded by the Issuer (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such Representative, in the absence of express notice to the contrary from such Noteholder, the Transfer Agent and the Paying Agent;
“RMB”	Rand Merchant Bank, a division of FirstRand Bank Limited (1929/001225/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa;
“SBSA”	The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division (registration number: 1962/000738/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa;
“Securities Services Act”	the Securities Services Act, 2004;
“Senior Noteholders”	the Noteholders of Senior Notes;
“Senior Notes”	Notes issued with the status and characteristics set out in Condition 5 (<i>Status of Senior Notes</i>), as indicated in the Applicable Pricing Supplement;
“Series”	a Tranche of Notes together with any further Tranche or Tranches of Notes which are: <ul style="list-style-type: none"> (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
“Settlement Agent”	a Participant, approved by the JSE in terms of the debt listings requirements of the JSE to perform electronic settlement of both funds and scrip on behalf of market participants;
“Specified Currency”	in relation to each Note in a Tranche of Notes, subject to all applicable laws, the currency specified in the Applicable Pricing Supplement;
“Specified Denomination”	in relation to each Note in a Tranche of Notes, the amount specified as such in the Applicable Pricing Supplement;
“South Africa”	the Republic of South Africa;
“Subordinated Indebtedness”	in the event of the dissolution of the Issuer or if the Issuer is wound up or placed in liquidation or is subject to business rescue proceedings, any indebtedness of the Issuer, including any guarantee by the Issuer, under which the right of payment of the person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all unsubordinated creditors of the Issuer;

“Subordinated Notes”	Notes issued with the status and characteristics set out in Condition 6 (<i>Status and Characteristics of Subordinated Notes</i>), as indicated in the Applicable Pricing Supplement;
“Subsidiary”	a subsidiary company as defined in section 3(1)(a) of the Companies Act;
“Sub-unit”	with respect to any currency, the lowest amount of such currency that is available as legal tender in the country of such currency;
“Terms and Conditions”	the terms and conditions incorporated in this section headed “ <i>Terms and Conditions of the Notes</i> ” and in accordance with which the Notes will be issued;
“Tranche”	in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
“Transfer Agent”	The Issuer, unless the Issuer elects to appoint another entity as a Transfer Agent in which event that other entity shall act as a Transfer Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;
“Transfer Form”	the written form for the transfer of a Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
“Transnet Group”	the Issuer and each of its Subsidiaries from time to time;
“Uncertificated Securities Register”	an Uncertificated Securities Register as contemplated in section 1 of the Companies Act;
“Wholly Owned Subsidiary”	a wholly owned subsidiary as defined in section 3(1)(b) of the Companies Act;
“ZAR”	the lawful currency of South Africa, being South African Rand, or any successor currency;
“ZAR-JIBAR-SAFEX”	the mid-market rate for deposits in ZAR for a period of the Designated Maturity (as indicated in the Applicable Pricing Supplement) that appears on the Reuters Screen SAFEX Page as at 11h00, Johannesburg time on the relevant date; and
“Zero Coupon Notes”	Notes which will be offered and sold at a discount to their Nominal Amount or at par and will not bear interest other than in the case of late payment, as indicated in the Applicable Pricing Supplement.

2. ISSUE

- 2.1. The Issuer may, at any time and from time to time (without the consent of any Noteholder), issue one or more Tranche(s) of Notes pursuant to the Programme, provided that the aggregate Outstanding Nominal Amount of all of the Notes issued under the Programme from time to time (including all Notes issued under the Programme pursuant to the Previous Programme Memorandum) does not exceed the Programme Amount.
- 2.2. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Applicable Pricing Supplement relating to that Tranche of Notes.
- 2.3. Each Note, may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note, a Dual Currency Note, a Mixed Rate Note or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and specified in the relevant Applicable Pricing Supplement.
- 2.4. All payments in relation to the Notes will be made in the Specified Currency. Each Note will be issued in the Specified Denomination.
- 2.5. The Terms and Conditions of a Tranche of Notes are incorporated by reference into the Individual Certificate(s) (if any) representing the Notes in that Tranche. The Applicable Pricing Supplement relating to a Tranche of Notes issued in certificated form will be attached to the Individual Certificate(s) representing the Notes in that Tranche.

3. FORM AND DENOMINATION

3.1. General

3.1.1. A Tranche of Notes may be issued in the form of listed or unlisted registered Notes, as specified in the Applicable Pricing Supplement.

3.1.2. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or further Financial Exchange(s) as may be determined by the Issuer and/or the Dealer(s), subject to any applicable laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and if so, the Financial Exchange on which such Tranche of Notes will be listed.

3.2. Registered Notes

A Tranche of Notes will be issued in certificated form or in uncertificated form, as contemplated in Condition 3.2.1 (*Notes issued in certificated form*) and Condition 3.2.2 (*Notes issued in uncertificated form*), as specified in the Applicable Pricing Supplement. Each Tranche of Notes which is listed on the Interest Rate Market of the JSE in uncertificated form will be held in the CSD, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*). A Tranche of unlisted Notes may also be held in the CSD, as contemplated in Condition 3.2.3 (*Beneficial Interests in Notes held in the CSD*).

3.2.1. **Notes issued in certificated form**

Notes issued in certificated form will be represented by Individual Certificates.

3.2.2. **Notes issued in uncertificated form**

A Tranche of Notes which is listed on the Interest Rate Market of the JSE may, subject to applicable laws and Applicable Procedures, be issued in uncertificated form in terms of section 37 of the Securities Services Act. Notes issued in uncertificated form will be held in the CSD. Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Note which is represented by an Individual Certificate may be replaced by uncertificated securities in terms of section 37 of the Securities Services Act.

3.2.3. **Beneficial Interests in Notes held in the CSD**

- (i) A Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.
- (ii) The CSD will hold Notes subject to the Securities Services Act and the Applicable Procedures.
- (iii) All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.
- (iv) A holder of a Beneficial Interest shall only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*).

3.2.4. **Recourse to the BESA Guarantee Fund Trust**

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the BESA Guarantee Fund Trust. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the BESA Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE.

4. TITLE

4.1. Notes issued in certificated form

4.1.1. Each holder of Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Notes.

- 4.1.2. Title to Notes will pass upon registration of transfer in the Register in accordance with Condition 14.2 (*Transfer of Notes represented by Individual Certificates*).
- 4.1.3. The Issuer, the Transfer Agent and the Paying Agent shall recognise a Noteholder as the sole and absolute owner of the Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.
- 4.2. **Notes issued in uncertificated form**
- The CSD's Nominee will be named in the Register as the registered holder of each Tranche of Notes which is issued in uncertificated form.
- 4.3. **Beneficial Interests in Notes held in the CSD**
- 4.3.1. While a Tranche of Notes is held in the CSD, the CSD's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche.
- 4.3.2. Beneficial Interests which are held by Participants will be held directly through the CSD, and the CSD will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the CSD for such Participants.
- 4.3.3. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants.
- 4.3.4. In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the aggregate Nominal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The CSD's Nominee (as the registered holder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.
- 4.3.5. Beneficial Interests in Notes may be transferred only in accordance with the Applicable Procedures. Such transfers will not be recorded in the Register and the CSD's Nominee will continue to be reflected in the Register as the registered holder of such Notes, notwithstanding such transfers.
- 4.3.6. Any reference in the Terms and Conditions to the relevant Participant shall, in respect of a Beneficial Interest, be a reference to the Participant appointed to act as such by the holder of such Beneficial Interest.

5. STATUS OF SENIOR NOTES

Senior Notes are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

6. STATUS AND CHARACTERISTICS OF SUBORDINATED NOTES

- 6.1. Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer, save for those which have been accorded preferential rights by law.
- 6.2. Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up or commences business rescue proceedings, the claims of the persons entitled to payment of amounts due in respect of the Subordinated Notes, shall be

subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the persons entitled to payment of amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, insolvency, winding-up or business rescue (other than Subordinated Indebtedness) has been paid or discharged in full.

7. NEGATIVE PLEDGE

- 7.1. For so long as any Tranche of the Senior Notes remains Outstanding, the Issuer undertakes that it shall not and shall procure that no other Material Subsidiaries, create or permit the creation of any Encumbrances other than Permitted Encumbrances over any of their present or future business undertakings, assets or revenues to secure any present or future Indebtedness (save for those that have been accorded a preference by law) without at the same time securing all Senior Notes equally and rateably with such Indebtedness or providing such other security or arrangement as may be approved by Extraordinary Resolution of the Senior Noteholders, unless the provision of any such security is waived by an Extraordinary Resolution of the Senior Noteholders.
- 7.2. The Issuer shall be entitled, but not obliged, to form, or procure the formation of, a trust or special purpose company (or more than one), or appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit or on behalf of such Noteholders.

8. INTEREST

8.1. Fixed Rate Notes

- 8.1.1. Each Fixed Rate Note bears interest on its outstanding Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement at the rate(s) per annum equal to the Fixed Rate of Interest so specified, payable in arrears on the Fixed Interest Payment Dates in each year up to and including the Maturity Date.
- 8.1.2. The first payment of interest will be made on the Fixed Interest Payment Date immediately following the Interest Commencement Date.
- 8.1.3. Except as provided in the Applicable Pricing Supplement, the amount of interest payable per Note on each Fixed Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount, provided that:
- 8.1.3.1. if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal the Initial Broken Amount specified in the Applicable Pricing Supplement; and
- 8.1.3.2. if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount.
- 8.1.4. If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, as specified in the Applicable Pricing Supplement, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

8.2. Floating Rate Notes and Indexed Interest Notes

Interest Payment Dates

Each Floating Rate Note and Indexed Interest Note bears interest on its outstanding Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement, and such interest will be payable in arrears on the Interest Payment Date(s) in each year specified in the Applicable Pricing Supplement. Such interest will be payable in respect of each Interest Period.

Rate of Interest

The Rate of Interest payable from time to time in respect of the Floating Rate Notes and Indexed Interest Notes will be determined in the manner specified in the Applicable Pricing Supplement.

Minimum and/or Maximum Rate of Interest

If the Applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the Applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Determination of Rate of Interest and Calculation of Interest Amount

The Calculation Agent, in the case of Floating Rate Notes and Indexed Interest Notes will at, or as soon as is practicable after, each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the Interest Amount payable in respect of each Floating Rate Note and Indexed Interest Note in respect of each Specified Denomination for the relevant Interest Period, and the Calculation Agent shall notify the Issuer of the Rate of Interest for the relevant Interest Period as soon as is practicable after calculating the same. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half a Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Interest Determination, Screen Rate Determination including Fallback Provisions

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph, “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under an interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the most recent ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the Applicable Pricing Supplement;
- (b) the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
- (c) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on ZAR-JIBAR-SAFEX, the first day of that Interest Period; or (ii) in any other case, as specified in the Applicable Pricing Supplement.

For the purposes of the above sub-paragraph “**Floating Rate**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions specified in the Applicable Pricing Supplement.

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject to the provisions below, be either:

- (a) if the Relevant Screen Page is available,
 - (i) the offered quotation (if only one quotation appears on the screen page); or
 - (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11h00 (or as otherwise specified in the Applicable Pricing Supplement) (Johannesburg time) on the Interest Determination Date in question plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; or

- (b) if the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11h00 (Johannesburg time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; or
- (c) if the Rate of Interest cannot be determined by applying the provisions of (a) and (b) above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks offered, at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate to prime banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Rate of Interest for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, by the Reference Banks plus or minus (as appropriate) the Margin (if any). If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than ZAR-JIBAR-SAFEX, the Rate of Interest in respect of such Notes will be determined as provided in the Applicable Pricing Supplement.

Notification of Rate of Interest and Interest Amount

The Issuer will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the JSE and the CSD and/or every other relevant exchange or authority as soon as possible after their determination but in any event no later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the JSE, the CSD and/or

every other relevant exchange or authority and to the Noteholders in accordance with Condition 18 (*Notices*).

Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this subparagraph 8.2, by the Calculation Agent shall (in the absence of wilful deceit, bad faith or manifest error or proven error) be binding on the Issuer and all Noteholders and in the absence as aforesaid no liability to the Issuer or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

8.3. Dual Currency Notes

In the case of Dual Currency Notes, the Interest Rate or Interest Amount payable shall be determined in the manner specified in the Applicable Pricing Supplement.

8.4. Mixed Rate Notes

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on the form of interest-bearing Note (be it a Fixed Rate Note, Floating Rate Note, Index-Linked Note or Dual Currency Note) specified for each respective period, each as specified in the Applicable Pricing Supplement. During each such applicable period, the Interest Rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Index-Linked Notes or Dual Currency Notes, as the case may be.

8.5. Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate specified in the Applicable Pricing Supplement until the date on which all amounts due in respect of such Note have been paid, or, in respect of uncertificated Notes, the date on which the full amount of the money payable has been received by the CSD and/or the Participants and notice to that effect has been given to Noteholders in accordance with Condition 18 (*Notices*).

8.6. Business Day Convention

If any Interest Payment Date (or other date), which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention, falls on a day that is not a Business Day, then, if the Business Day Convention specified is:

- (a) the “**Floating Rate Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months, or other period specified as the Interest Period in the Applicable Pricing Supplement, after the preceding applicable Interest Payment Date (or other date) has occurred; or
- (b) the “**Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (c) the “**Modified Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or
- (d) the “**Preceding Business Day Convention**”, such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

9. PAYMENTS

9.1. General

Payments of principal and/or interest on an Individual Certificate shall be made to the registered holder of such Note, as set forth in the Register on the close of business on the Last Day to Register (as specified in the Applicable Pricing Supplement). In addition to the above, in the case of a final redemption payment, the holder of the Individual Certificate shall be required, on or before the Last Day to Register prior to the Maturity Date, to surrender such Individual Certificate at the offices of the Transfer Agent.

Payments of principal and/or interest in respect of uncertificated Notes shall be made to the CSD and/or the Participants, as shown in the Register on the Last Day to Register, and the Issuer will be discharged of its payment obligations by proper payment to the CSD and/or the Participants, in respect of each amount so paid. Each of the persons shown in the records of the CSD and the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes.

9.2. Method of Payment

Payments will be made in the Specified Currency by credit or transfer, by means of electronic settlement, to the Noteholder.

Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque marked "*not transferable*" (or by such number of cheques as may be required in accordance with applicable banking law and practice to make payment of any such amounts). Such payments by cheque shall be sent by post to the address of the Noteholder as set forth in the Register or, in the case of joint Noteholders, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note.

Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer, nor the Paying Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 9.2.

In the case of joint Noteholders, payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

9.3. Payment Day

If the date for payment of any amount in respect of any Note is not a Business Day, subject to the applicable Business Day Convention, the holder thereof shall not be entitled to payment until the next following Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

9.4. **Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- 9.4.1. any additional amounts which may be payable with respect to principal under Condition 11 (*Taxation*);
- 9.4.2. the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;
- 9.4.3. the Optional Redemption Amount(s) (if any), as specified in the Applicable Pricing Supplement, of the Notes;
- 9.4.4. in relation to Instalment Notes, the Instalment Amounts;
- 9.4.5. in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 10.7.3); and
- 9.4.6. any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11 (*Taxation*).

10. **REDEMPTION AND PURCHASE**

10.1. **Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer in the Specified Currency at its Final Redemption Amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement on the Maturity Date.

The Issuer shall be entitled to extend the Redemption Date of all or part of the Nominal Amount Outstanding of Extendible Notes. If such option is exercised by the Issuer in respect of part of the Nominal Amounts Outstanding of such Extendible Notes, then the Issuer shall redeem such portion of Notes not so extended at the Partial Redemption Amount and subject to any further extension, the redemption of the balance, being the Nominal Amount Outstanding will be extended to a date specified in the Applicable Pricing supplement or otherwise notified to Noteholders. For the avoidance of doubt, the Issuer is not obligated to treat all Noteholders of Extendible Notes in the same manner.

10.2. **Redemption for Tax Reasons**

Notes may be redeemed at the option of the Issuer at any time (in the case of Notes other than Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes having an Interest Rate then determined on a floating or indexed basis) or on any Interest Payment Date (in the case of Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes), on giving not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders prior to such redemption, in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable), if the Issuer, immediately prior to the giving of such notice, is of the reasonable opinion that:

- 10.2.1. as a result of any change in, or amendment to, the laws or regulations of South Africa or any political sub-division of, or any authority in, or of, South Africa having power to tax, or any change or amendment which becomes effective after the relevant Issue Date, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 11 (*Taxation*); and
- 10.2.2. the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Notes may be redeemed by the Issuer in accordance with this Condition 10.2 in whole or in part. Redemption in part may be effected by the Issuer:

- 10.2.2.1. notwithstanding that such partial redemption may not entirely avoid such obligation to pay additional amounts as provided for or referred to in Condition 11 (*Taxation*); and
- 10.2.2.2. *mutatis mutandis* in the manner described in Condition 10.3 (*Redemption at the Option of the Issuer*), provided that the references to the giving of notice therein and to the Minimum Redemption Amount and the Higher Redemption Amount (both as specified in the Applicable Pricing Supplement) therein shall be disregarded for such purposes.

Notes redeemed for tax reasons pursuant to this Condition 10.2 will be redeemed at their Early Redemption Amount referred to in Condition 10.4 (*Redemption at the Option of the Senior Noteholders*), together (if appropriate) with interest accrued from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption or as specified in the Applicable Pricing Supplement. Before the publication of any notice of redemption pursuant to this Condition 10.2, the Issuer shall deliver to the Transfer Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

10.3. **Redemption at the Option of the Issuer**

If the Issuer is specified in the Applicable Pricing Supplement as having an option to redeem, the Issuer may, having given:

- (a) not less than 15 (fifteen) nor more than 30 (thirty) days' irrevocable notice to the Noteholders in accordance with Condition 18 (*Notices*); and
- (b) not less than 7 (seven) days before giving the aforementioned notice, notice to the Transfer Agent,

(both of which notices shall be irrevocable), redeem all or some of the Notes (to which such Applicable Pricing Supplement relates) then Outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Applicable Pricing Supplement, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

Any such redemption must be of a Nominal Amount equal to the Minimum Redemption Amount or the Higher Redemption Amount, both as indicated in the Applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by Individual Certificates, and in accordance with the Applicable Procedures in the case of Redeemed Notes which are uncertificated, and in each case not more than 30 (thirty) days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**").

In the case of Redeemed Notes represented by Individual Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 18 (*Notices*) not less than 15 (fifteen) days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemed Notes represented by Individual Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemed Notes as the aggregate Nominal Amount of Individual Certificates outstanding bears to the aggregate Nominal Amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned Nominal Amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate Nominal Amount of Redeemed Notes which are uncertificated shall be equal to the balance of the Redeemed Notes. No exchange of the relevant uncertificated Notes will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph, and irrevocable notice to that effect of not less than 15 (fifteen) nor more than 30 (thirty) days shall be given by the Issuer to the Noteholders in accordance with Condition 18 (*Notices*).

Noteholders of Redeemed Notes shall surrender the Individual Certificates, if any, representing the Notes in accordance with the provisions of the notice given to them by the Issuer as contemplated above. Where only a portion of the Notes represented by such Individual Certificates are redeemed, the Transfer Agent shall deliver new Individual Certificates to such Noteholders, as the case may be, in respect of the balance of the Notes.

10.4. **Redemption at the Option of the Senior Noteholders**

If Senior Noteholders are specified in the Applicable Pricing Supplement as having an option to request the redemption of Senior Notes, such Senior Noteholders may exercise such option in respect of such Senior Notes by delivering to the Transfer Agent, in accordance with Condition 18 (*Notices*), a duly executed notice ("**Put Notice**"), at least 15 (fifteen) days but not more than 30 (thirty) days, prior to the Optional Redemption Date.

For redemption in part, the redemption amount specified in such Put Notice in respect of any such Senior Note must be of a principal amount equal to or greater than the Minimum Redemption Amount or equal to or less than the Higher Redemption Amount, each as indicated in the Applicable Pricing Supplement.

The redemption by the Senior Noteholders of uncertificated Senior Notes shall take place in accordance with the Applicable Procedures.

The Issuer shall proceed to redeem the Senior Notes in respect of which such option has been exercised in accordance with the terms of the Applicable Pricing Supplement, at the Optional Redemption Amount and on the Optional Redemption Date, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

In the event that the redeeming Senior Noteholder is the holder of an Individual Certificate, then such Senior Noteholder shall deliver the Individual Certificate (attached to the Put Notice) to the Transfer Agent for cancellation. A holder of an Individual Certificate shall, in that holder's Put Notice, specify a bank account into which the redemption payment amount is to be paid.

The delivery of Put Notices shall be required to take place during normal office hours to the Issuer and Transfer Agent. Put Notices shall be available for inspection at the specified offices of the Transfer Agent.

Any Put Notice given by a holder of any Senior Note pursuant to this paragraph shall be irrevocable except where after giving the notice but prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such Senior Noteholder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Senior Note forthwith due and payable pursuant to Condition 16 (*Events of Default*).

The Issuer shall have no liability to remedy any defects in any Put Notice or bring any such defects to the attention of any Noteholder.

10.5. **Redemption in the event of a Change of Control**

The provisions of this Condition 10.5 (*Redemption in the event of a Change of Control*) shall apply if specified as being applicable in the Applicable Pricing Supplement.

10.5.1. A "**Change of Control Event**" shall occur if at any time while any Note remains Outstanding:

- (i) a Change of Control occurs; and
- (ii) within the Change of Control Period a Negative Rating Event in respect of that Change of Control occurs.

10.5.2. Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give a notice to the Noteholders in accordance with Condition 18 (*Notices*) (a "**Change of Control Notice**") (a) specifying the nature of the Change of Control Event and the circumstances giving rise to it and the right of those Noteholders to exercise an option, by way of Extraordinary Resolution, to require early redemption of the Notes and (b) convening a meeting of each Class of Noteholders within 30 (thirty)

days of the date on which the Issuer delivers the Change of Control Notice to the Noteholders.

10.5.3. If at any time while any Note remains Outstanding, upon the occurrence of a Change of Control Event, the Issuer shall, and only if the Noteholders have:

- (i) in terms of Condition 18 (*Notices*) convened a meeting of Noteholders within 30 (thirty) days of the date on which the Issuer delivered the Change of Control Notice to the Noteholders; and
- (ii) resolved in terms of Condition 20 (*Meetings of Noteholders*) by way of Extraordinary Resolution requiring the redemption of the Notes of that Class of Noteholders in these circumstances,

redeem all Notes held by that Class of Noteholders at its Early Redemption Amount together with accrued interest (if any) within 15 (fifteen) days of having received a written notice from that Class of Noteholders to redeem such Note.

10.5.4. Such option shall be exercisable by a Noteholder by the delivery of a written notice (a "**Change of Control Redemption Notice**") to the Issuer at its registered office within 45 (forty-five) days after the occurrence of a Change of Control Event, unless prior to the delivery by that Noteholder of its Change of Control Redemption Notice the Issuer gives notice to redeem the Notes.

10.5.5. For the purposes of this Condition 10.5:

- (i) "**Acting in Concert**" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition of shares in the Issuer by any of them, either directly or indirectly, to obtain or consolidate Control of the Issuer;
- (ii) a "**Change of Control**" will occur if at any time the Government of the Republic of South Africa ceases to own, directly or indirectly, more than 50% (fifty per cent) of the issued share capital of the Issuer or ceases to control, directly or indirectly, the Issuer, save for any such change of control as will not lead to a Negative Rating Event or as is otherwise approved by an Extraordinary Resolution of the Noteholders. For the purpose of this Condition 10.5, the Government of the Republic of South Africa will be deemed to "*Control*" the Issuer if (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) it has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of the Issuer or otherwise controls, or has the power to control, the affairs and policies of the Issuer. "**Control**" shall be construed accordingly.
- (iii) "**Change of Control Period**" means, in relation to a Change of Control of the Issuer, the period commencing on the Date of Announcement and ending on the 45th (forty-fifth) day following the Date of Announcement;
- (iv) "**Date of Announcement**" means the date the Change of Control is announced by the Issuer;
- (v) "**Investment Grade Rating**" means a national scale rating of "*Baa3.za*" by Moody's or "*BBB-za*" by S&P, or its equivalent for the time being, or better;
- (vi) "**Negative Rating Event**" means the Issuer and/or the Programme and/or a Tranche of Notes, as the case may be, failing to maintain an Investment Grade Rating on a global rating from a Rating Agency; and
- (vii) "**Rating Agency**" means each of Standard & Poor's Rating Services ("**S&P**"), Moody's Investors Services Limited ("**Moody's**") or their successors or any other rating agency of equivalent international standing specified from time to time by the Issuer in the Applicable Pricing Supplement and/or notified to the Noteholders pursuant to Condition 18 (*Notices*).

10.6. **Redemption in the event of a Change of Principal Business**

The provisions of this Condition 10.6 (*Redemption in the event of a Change of Principal Business*) shall apply if the Noteholders are specified in the Applicable Pricing Supplement as having an option to request the redemption of Notes in the event of a Change of Principal Business.

- 10.6.1. A “**Change of Principal Business**” shall occur if at any time while any Note remains Outstanding:
- (i) the Issuer ceases to carry on any of the Principal Businesses; or
 - (ii) the Issuer enters into any agreement which has the effect of disposing of the whole or a substantial part of any of the Principal Businesses, save:
 - (a) where such Change of Principal Business will not result in a Negative Rating Event; or
 - (b) as otherwise approved by an Extraordinary Resolution of the Noteholders; or
 - (c) for any cessation of business arising as a result of Government Intervention.
- 10.6.2. Promptly upon the Issuer becoming aware of a Change of Principal Business, the Issuer shall give notice to the Noteholders in accordance with Condition 18 (*Notices*) (the “**Change of Principal Business Redemption Notification**”) (a) specifying the nature of the Change of Principal Business and the circumstances giving rise to it and the right of those Noteholders to exercise the option pursuant to Condition 10.6.3, by way of Extraordinary Resolution, to require early redemption of the Notes and (b) convening a meeting of each Class of Noteholders within 30 (thirty) days of the date on which the Issuer delivers the Change of Principal Business Redemption Notification to the Noteholders.
- 10.6.3. Such option shall be exercisable by the relevant Noteholders by the delivery of a written notice (a “**Change of Principal Business Redemption Notice**”) to the Issuer at its registered office within 30 (thirty) days after the receipt by the Noteholders of the Change of Principal Business Redemption Notification, unless prior to the delivery by that Noteholder of its Change of Principal Business Redemption Notice the Issuer gives notice to redeem the Notes.
- 10.6.4. Subject to Condition 10.6.3, the Issuer shall redeem all Notes held by the relevant Noteholders at its Early Redemption Amount together with accrued interest (if any) within 15 (fifteen) days of having received a Change of Principal Business Redemption Notice from the relevant Noteholders to redeem such Notes.
- 10.6.5. For the purposes of this Condition 10.6:
- (i) “**Government Intervention**” means any administrative, executive or legislative act, whether of a commercial or political nature, of the Government of the Republic of South Africa or any administrative authority, department, political subdivision or taxing authority thereof or therein;
 - (ii) “**Investment Grade Rating**” means a national scale rating of “*Baa3.za*” by Moody’s or “*BBB-za*” by S&P, or its equivalent for the time being, or better;
 - (iii) “**Negative Rating Event**” means the Issuer failing to maintain an Investment Grade Rating assigned to the Issuer, the Programme or the Notes (as the case may be) on a global rating from a Rating Agency;
 - (iv) “**Principal Business**” means any of the five principal divisions carried on by the Issuer at the Programme Date, being: Transnet Freight Rail, Transnet Rail Engineering, Transnet National Ports Authority, Transnet Port Terminals or Transnet Pipelines;

- (v) “**Rating Agency**” means each of Standard & Poor’s Rating Services (“**S&P**”), Moody’s Investors Services Limited (“**Moody’s**”) or their successors or any other rating agency of equivalent international standing specified from time to time by the Issuer in the Applicable Pricing Supplement and/or notified to the Noteholders pursuant to Condition 18 (*Notices*).

10.7. **Early Redemption Amounts**

For the purpose of Conditions 10.2 (*Redemption for Tax Reasons*), 10.3 (*Redemption at the Option of the Issuer*), 10.4 (*Redemption at the Option of Senior Noteholders*), 10.5 (*Redemption in the event of a Change of Control*), 10.6 (*Redemption in the event of a Change of Principal Business*) and/or Condition 16 (*Events of Default*), the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- 10.7.1. in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- 10.7.2. in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their Nominal Amount; or
- 10.7.3. in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of: (i) the Reference Price; and (ii) the product of the Implied Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable, or such other amount as is provided in the Applicable Pricing Supplement.

Where such calculation is to be made for a period which is not a whole number of years, it shall be calculated on the basis of actual days elapsed divided by 365 (three hundred and sixty five), or such other calculation basis as may be specified in the Applicable Pricing Supplement.

10.8. **Instalment Notes**

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption in accordance with Conditions 10.2 (*Redemption for Tax Reasons*), 10.5 (*Redemption in the event of a Change of Control*) and 10.6 (*Redemption in the event of a Change of Principal Business*) or Condition 16 (*Events of Default*), the Early Redemption Amount will be determined pursuant to Condition 10.7 (*Early Redemption Amounts*).

10.9. **Partly Paid Notes**

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 10 (*Redemption and Purchase*) and the Applicable Pricing Supplement. In the case of early redemption in accordance with Conditions 10.2 (*Redemption for Tax Reasons*), 10.5 (*Redemption in the event of a Change of Control*) and 10.6 (*Redemption in the event of a Change of Principal Business*) or Condition 16 (*Events of Default*), the Early Redemption Amount will be determined pursuant to Condition 10.7 (*Early Redemption Amounts*).

10.10. **Exchangeable Notes**

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in the manner indicated in the Applicable Pricing Supplement. Exchangeable Notes in respect of which Mandatory Exchange is indicated in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholder’s Exchange Right (if applicable), will be redeemed by the Issuer delivering to each Noteholder as many of the Exchange Securities as are required in accordance with the Exchange Price. The delivery by the Issuer of the Exchange Securities in the manner set out in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of such Notes.

10.11. **Purchases**

The Issuer or any of its Subsidiaries may at any time purchase Notes at any price in the open market or otherwise. Such Notes may, subject to applicable law, be held, resold, or, at the option of the Issuer, surrendered to the Transfer Agent for cancellation.

10.12. **Cancellation**

All Notes which have been redeemed will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Issuer and cannot be re-issued or resold. Where only a portion of Notes represented by an Individual Certificate are cancelled, the Transfer Agent shall deliver an Individual Certificate to such Noteholder in respect of the balance of the Notes.

10.13. **Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 10 (*Redemption and Purchase*) or upon its becoming due and repayable as provided in Condition 16 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 10.7.3 as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of: (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (ii) 5 (five) days after the date on which the full amount of the moneys payable has been received by the CSD, and notice to that effect has been given to the Noteholder in accordance with Condition 18 (*Notices*).

10.14. **Applicable Procedures**

The redemption and partial redemption of Beneficial Interests shall take place in accordance with the Applicable Procedures and the Securities Services Act.

11. **TAXATION**

All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note:

- 11.1. held by or on behalf of a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- 11.2. held by or on behalf of a Noteholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority; or
- 11.3. where such withholding tax or deduction is in respect of withholding tax levied on interest payments in terms of the Income Tax Act; or
- 11.4. where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the taxable income (as defined in section 1 of the Income Tax Act) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of any Noteholder; or
- 11.5. where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Individual Certificate in accordance with the Terms and Conditions) the relevant Individual Certificate is surrendered and/or presented more than 30 (thirty) days after the Relevant Date, except to the extent that the Noteholder thereof would

have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or

- 11.6. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
- 11.7. where the Noteholder is entitled to claim a tax reduction, credit or similar benefit in respect of such withholding or deduction in terms of the Noteholder's domestic tax laws or applicable double tax treaty, and such tax reduction, credit or similar benefit is actually granted to the Noteholder.

Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions or under any undertakings given in addition to, or in substitution for, these Terms and Conditions.

12. EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF INDIVIDUAL CERTIFICATES

12.1. Exchange of Beneficial Interests

- 12.1.1. The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to section 44 of the Securities Services Act, by written notice to the holder's nominated Participant (or, if such holder is a Participant, the CSD), request that such Beneficial Interest be exchanged for Notes in definitive form represented by an Individual Certificate (the "Exchange Notice"). The Exchange Notice shall specify (i) the name, address and bank account details of the holder of the Beneficial Interest and (ii) the day on which such Beneficial Interest is to be exchanged for an Individual Certificate; provided that such day shall be a Business Day and shall fall not less than 30 (thirty) days after the day on which such Exchange Notice is given.
- 12.1.2. The holder's nominated Participant will, following receipt of the Exchange Notice, through the CSD, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 (fourteen) days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 (fourteen) day period, to the holder of the Beneficial Interest at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding, and the delivery to one of those joint holders shall be delivery to all of them.
- 12.1.3. In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:
 - 12.1.3.1. the CSD's Nominee will, surrender (through the CSD system) such uncertificated Notes to the Transfer Agent at its Specified Office; and
 - 12.1.3.2. the Transfer Agent will obtain the release of such uncertificated Notes from the CSD in accordance with the Applicable Procedures.
- 12.1.4. An Individual Certificate shall, in relation to a Beneficial Interest in any number of Notes issued in uncertificated form of a particular aggregate Nominal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Nominal Amount, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Nominal Amount is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, such Individual Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

12.2. Replacement

If any Individual Certificate is worn out, mutilated, defaced, stolen, destroyed or lost it may be replaced at the specified office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer and the Transfer Agent may reasonably require. Worn out, mutilated

or defaced Individual Certificates must be surrendered at the Specified Office of the Transfer Agent before replacements will be issued.

12.3. Death and sequestration or liquidation of Noteholder

Any person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this Condition 12.3, or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the Applicable Procedures, this Condition 12.3 and Condition 14.2 (*Transfer of Notes represented by Individual Certificates*), may transfer such Notes. The Issuer and (if applicable) the CSD and the relevant Participant shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or until such time such Notes are duly transferred.

12.4. Costs

The costs and expenses of the printing, issue and delivery of each Individual Certificate and all taxes and governmental charges that may be imposed in relation to such Individual Certificate and/or the printing, issue and delivery of such Individual Certificate shall be borne by the holder of the Notes represented by that Individual Certificate. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer. The costs and expenses of the delivery of Individual Certificates and all taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.

13. REGISTER

13.1. The Register of Noteholders:

13.1.1. shall be kept at the Specified Office of the Transfer Agent or such other person as may be appointed for the time being by the Issuer to maintain the Register;

13.1.2. shall contain the names, addresses and bank account numbers of the registered Noteholders;

13.1.3. shall show the total Nominal Amount of the Notes held by Noteholders;

13.1.4. shall show the dates upon which each of the Noteholders was registered as such;

13.1.5. shall show the serial numbers of the Individual Certificates and the dates of issue thereof;

13.1.6. shall be open for inspection at all reasonable times during business hours on Business Days by any Noteholder or any person authorised in writing by a Noteholder; and

13.1.7. shall be closed during the Books Closed Period.

13.2. The Transfer Agent shall alter the Register in respect of any change of name, address or account number of any of the Noteholders of which it is notified.

13.3. Except as provided for in these Terms and Conditions or as required by law, in respect of Notes, the Issuer will only recognise a Noteholder as the owner of the Notes registered in that Noteholder's name as per the Register.

13.4. Except as provided for in these Terms and Conditions or as required by law, the Issuer shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Individual Certificate may be subject.

14. TRANSFER OF NOTES

14.1. Transfer of Beneficial Interests in Notes held in the CSD

14.1.1. Beneficial Interests may be transferred only in accordance with the Applicable Procedures through the CSD.

- 14.1.2. Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the securities accounts maintained by the Participants for their clients, in accordance with the Applicable Procedures.
- 14.1.3. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the CSD for the Participants, in accordance with the Applicable Procedures.
- 14.1.4. Transfers of Beneficial Interests in Notes will not be recorded in the Register and the CSD's Nominee will continue to be reflected in the Register as the Noteholder of such Notes notwithstanding such transfers.
- 14.2. **Transfer of Notes represented by Individual Certificates**
- 14.2.1. In order for any transfer of Notes represented by an Individual Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:
- 14.2.1.1. the transfer of such Notes must be embodied in a Transfer Form;
- 14.2.1.2. the Transfer Form must be signed by the registered Noteholder of such Notes and the transferee, or any Representatives of that registered Noteholder or transferee; and
- 14.2.1.3. the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the Individual Certificate representing such Notes for cancellation.
- 14.2.2. Notes represented by an Individual Certificate may only be transferred, in whole or in part, in amounts of not less than the Specified Denomination (or any multiple thereof).
- 14.2.3. Subject to this Condition 14.2, the Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable laws and/or Applicable Procedures), record the transfer of Notes represented by an Individual Certificate (or the relevant portion of such Notes) in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Individual Certificate in respect of the Notes transferred reflecting the outstanding Nominal Amount of the Notes transferred.
- 14.2.4. Where a Noteholder has transferred a portion only of Notes represented by an Individual Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request, at the risk of such Noteholder, a new Individual Certificate representing the balance of the Notes held by such Noteholder.
- 14.2.5. The transferor of any Notes represented by an Individual Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 14.2.6. Before any transfer of Notes represented by an Individual Certificate is registered in the Register, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.
- 14.2.7. No transfer of any Notes represented by an Individual Certificate will be registered whilst the Register is closed as contemplated in Condition 13 (*Register*).
- 14.2.8. If a transfer of any Notes represented by an Individual Certificate is registered in the Register, the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.
- 14.2.9. If a transfer is registered then the transfer form and cancelled Individual Certificate will be retained by the Transfer Agent.
- 14.2.10. In the event of a partial redemption of Notes under Condition 10.3 (*Redemption at the Option of the Issuer*), the Transfer Agent shall not be required in terms of Condition 10.3 (*Redemption at the Option of the Issuer*), to register the transfer of any Notes during the period beginning on the tenth day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive).

15. PRESCRIPTION

The Notes will become void unless presented for payment of principal within a period of three years after their redemption date.

16. EVENTS OF DEFAULT

16.1. Senior Notes

If, for any particular Series of Notes, any one or more of the following events (“**Events of Default**”) shall have occurred and be continuing:

- 16.1.1. the Issuer fails to pay any principal or interest due under the Senior Notes on its due date for payment thereof and any such failure continues for a period of 5 (five) Business Days, after receiving written notice from any of the Senior Noteholders demanding such payment; or
- 16.1.2. the Issuer or any other Material Subsidiaries fails to remedy a breach of Condition 7 (*Negative Pledge*) within 21 (twenty one) Business Days of receiving written notice from the Senior Noteholders demanding such remedy; or
- 16.1.3. the Issuer fails to perform or observe any of its other material obligations or undertakings (not specifically covered elsewhere in this clause 16.1) under or in respect of any of the Senior Notes and such failure continues for a period of 30 (thirty) calendar days after receipt by the Issuer of a notice from the Senior Noteholders (in accordance with Condition 18 (*Notices*)) in respect of such failure specifying the failure and requesting the Issuer to remedy same; or
- 16.1.4. the Issuer, or any Material Subsidiaries, as the case may be, defaults in the payment of the principal or interest, or any obligations in respect of Material Indebtedness of, or assumed or guaranteed by the Issuer or any Material Subsidiaries, as the case may be, when and as the same shall become due and payable and where notice has been given to the Issuer, or any Material Subsidiaries, as the case may be, of the default and if such default shall have continued for more than the notice period (if any) applicable thereto and the time for payment of such interest or principal or other obligation has not been effectively extended or if any such obligations of, or assumed or guaranteed by, the Issuer, or any Material Subsidiaries, as the case may be, shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of any event of default thereunder; or
- 16.1.5. any action, condition or thing, including obtaining any consent, licence approval or authorisation now or in future necessary to enable the Issuer to comply with its respective obligations under the Notes, is not fulfilled or in place or any such consent, licence, approval or authorisation shall be revoked, modified, withdrawn or withheld or shall cease to be in full force and effect, resulting in the Issuer being unable to perform any of its respective payment or other obligations in terms of the Notes and the Issuer fails to take reasonable steps to remedy such circumstances within 7 (seven) Business Days of receiving written notice from the Noteholders demanding such remedy; or
- 16.1.6. an order by any court of competent jurisdiction or authority for the liquidation, winding-up, dissolution, judicial management or placement under supervision and commencement of business rescue proceedings of the Issuer, or any Material Subsidiaries, as the case may be, is made whether provisionally (and not dismissed or withdrawn within 30 (thirty) days thereof) or finally, or the Issuer, or any Material Subsidiaries, as the case may be, is placed under voluntary liquidation or curatorship or a meeting is convened to consider the passing of a resolution, or a resolution is passed, to authorise the implementation of any business rescue proceedings in respect of the Issuer or any Material Subsidiaries, provided that no liquidation, curatorship, winding-up, dissolution, judicial management or business rescue proceedings shall constitute an Event of Default if (i) the liquidation, winding-up, dissolution, judicial management or business rescue proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the Transnet Group with any third party; or (ii) the liquidation, winding-up, dissolution, judicial management or business rescue proceedings is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganization or other similar arrangement, the terms of which were approved by an

- Extraordinary Resolution of Noteholders before the date of the liquidation, winding-up, dissolution, judicial management or business rescue proceedings; or
- 16.1.7. the Issuer, or any Material Subsidiaries, as the case may be, initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up, business rescue or insolvency or other similar laws or compromises or attempts to compromise, with its creditors generally (or any significant class of creditors) or any meeting of creditors is convened by the Issuer, or any Material Subsidiaries, as the case may be, to consider a proposal for an arrangement or compromise with its creditors generally (or any significant class of its creditors), save for any such initiation, consent, attempt or convening of a meeting which relates to the Issuer or any of its Material Subsidiaries and is for the purposes of an internal reconstruction or reorganisation within the Transnet Group; or
- 16.1.8. if a person validly attaches in execution the whole or a material part of the undertaking or assets of the Issuer or any Material Subsidiary, as the case may be, or an execution or attachment or other process is validly levied, enforced upon, sued out or put in force against the whole or a material part of the undertaking or assets of any of them in both instances following a judgement against the Issuer or any Material Subsidiary, as the case may be, by a court of competent jurisdiction and such is not discharged within 30 (thirty) days; or
- 16.1.9. any other Event of Default provided for such Series, as specified in the Applicable Pricing Supplement,

then any Senior Noteholder may, by written notice to the Issuer at the registered office of the Issuer, effective upon the date of receipt thereof by the Issuer, declare the Senior Notes held by the Senior Noteholder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 10.4 (*Redemption at the Option of Senior Noteholders*)), together with accrued interest (if any) to the date of repayment, or as specified in the Applicable Pricing Supplement, provided that no such action may be taken by a holder of Senior Notes if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of South Africa or to comply with any order of a court of competent jurisdiction.

For the purposes of Condition 16.1.4, any Indebtedness which is in a currency other than South African Rand shall be converted into South African Rand at the spot rate for the sale of South African Rand against the purchase of the relevant currency quoted by any leading bank of South Africa selected on the date of such Event of Default.

16.2. **Subordinated Notes**

If the Issuer defaults in relation to Subordinated Notes in the payment of any amount payable in respect of such Notes, and such default continues for a period of 7 (seven) Business Days after receiving written notice from any of the holders of Subordinated Notes, or if an Event of Default as contemplated in Condition 16.1.6 occurs, any holder of a Subordinated Note may, subject as provided below, at its discretion and without notice, institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under such Subordinated Notes, provided that the Issuer shall not be obliged, save in the case of liquidation, winding-up or business rescue proceedings, to pay any sum or sums sooner than the same would otherwise have been payable by it.

In the event of the liquidation, winding-up or business rescue, whether finally or provisionally, of the Issuer, otherwise than for the purposes of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up, bankruptcy, or business rescue proceedings then any holder of Subordinated Notes issued by the Issuer may by written notice to the Issuer at its registered office, require that its Subordinated Notes are immediately due and repayable at their Early Redemption Amount together with the accrued interest to the date of payment, save that the Noteholders of Subordinated Notes may only receive payment once all the other creditors of the Issuer have been paid in full.

16.3. Notification of Event of Default

If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders in accordance with Condition 18 (*Notices*), the Dealers and the JSE in writing.

17. CALCULATION AGENT, TRANSFER AGENT AND PAYING AGENT

Any third party appointed by the Issuer as Calculation Agent, Transfer Agent, Paying Agent or otherwise shall act solely as the agents of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders. The Issuer is entitled to vary or terminate the appointment of such agents and/or appoint additional or other agents and/or approve any change in the specified office through which any agent acts.

18. NOTICES

- 18.1. Notices to Noteholders shall be valid if mailed to their registered addresses appearing in the Register. Any such notice shall be deemed to have been given on the seventh day after the day on which it is mailed.
- 18.2. In the event of there being any Individual Certificates in issue, such notices shall be published, not earlier than four days after the date of posting of such notice in terms of this clause:
 - 18.2.1. in an English language daily newspaper of general circulation in South Africa; and
 - 18.2.2. for so long as the Notes are listed on the Financial Exchange, a daily newspaper of general circulation in the city in which the Financial Exchange is situated, and any such notices shall be deemed to have been given on the date of first publication.
- 18.3. Notwithstanding the provisions of Condition 18.1, for so long as all of the Notes in a Tranche are held in their entirety in the CSD, they may be substituted for the notice contemplated in Condition 18.1 by the delivery of the relevant notice to the CSD's Nominee (as the registered holder of such Notes), the Participants and the Financial Exchange for communication by them to the holders of Beneficial Interests in such Notes in accordance with the Applicable Procedures. Each such notice will be deemed to have been received by the holders of Beneficial Interests on the day of delivery of such notice to the CSD's Nominee.
- 18.4. Any notice to the Issuer shall be deemed to have been received by the Issuer, if delivered to the registered office of the Issuer, on the date of delivery, and if sent by registered mail, on the seventh day after the day on which it is sent. The Issuer may change its registered office upon prior written notice to Noteholders specifying such new registered office.
- 18.5. For so long as any of the Notes are uncertificated, notice may be given by any holder of an uncertificated Note to the Issuer via the relevant Settlement Agent in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Participants may approve for this purpose.

19. AMENDMENT OF THESE CONDITIONS

- 19.1. These Terms and Conditions set out all the rights and obligations relating to the Notes and, subject to the further provisions of this Condition 19, no addition, variation or consensual cancellation of these Terms and Conditions shall be of any force or effect unless reduced to writing and signed by or on behalf of the Issuer, and the Noteholders.
- 19.2. No modification of these Terms and Conditions may be effected without the written agreement of the Issuer. The Issuer may effect, without the consent of the relevant Class of Noteholders, any modification of the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is established, provided that the JSE or such other Financial Exchange, as the case may be, shall be notified. Any such modification shall be binding on the relevant Class of Noteholders and any such modification shall be communicated to the relevant Class of Noteholders in accordance with Condition 18 (*Notices*) as soon as is practicable thereafter. Any modification of these Terms and Conditions which may have a direct effect on compliance with the debt listings requirements

of the JSE or such other Financial Exchange, as the case may be, will require the approval of the JSE or such other Financial Exchange, as the case may be.

- 19.3. The Issuer may, with the prior sanction of an Extraordinary Resolution of Noteholders or with the prior written consent of Noteholders holding not less than 75% (seventy-five per cent) in Nominal Amount of the Notes Outstanding from time to time, amend these Terms and Conditions, provided that no such amendment shall be of any force or effect unless notice of the intention to make such amendment shall have been given to all Noteholders in terms of Condition 18 (*Notices*).

20. MEETINGS OF NOTEHOLDERS

- 20.1. The Issuer may at any time convene a meeting of all Noteholders or holders of any Series of Notes upon at least 21 (twenty one) calendar days' prior written notice to such Noteholders. This notice is required to be given in terms of Condition 18 (*Notices*). Such notice shall specify the date, place and time of the meeting to be held, which place shall be in South Africa.
- 20.2. Every director or duly appointed representative of the Issuer may attend and speak at a meeting of Noteholders, but shall not be entitled to vote, other than as a proxy or Representative of a Noteholder.
- 20.3. Noteholders holding not less than 25% (twenty-five per cent) in Nominal Amount of the outstanding Notes shall be able to request the Issuer to convene a meeting of Noteholders. Should the Issuer fail to requisition such a meeting within 10 (ten) days of such a request being received by the Issuer, the Noteholders requesting such a meeting may convene such meeting.
- 20.4. A Noteholder may by an instrument in writing (a "**form of proxy**") signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person (a "**proxy**") to act on his or its behalf in connection with any meeting or proposed meeting of the Noteholders.
- 20.5. Any Noteholder which is a corporation may by resolution of its directors or other governing body authorise any person to act as its representative (a "**representative**") in connection with any meeting or proposed meeting of the Noteholders.
- 20.6. Any proxy or representative appointed shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of the Noteholder specified in the appointment, to be the holder of the Notes to which the appointment relates and the holder of the Notes shall be deemed for such purposes not to be the holder.
- 20.7. The chairperson of the meeting shall be appointed by the Issuer. The procedures to be followed at the meeting shall be as determined by the chairperson subject to the remaining provisions of this Condition 20. Should the Noteholder requisition a meeting, and the Issuer fail to call such a meeting within 10 (ten) days of the requisition, then the chairperson of the meeting held at the instance of the Noteholders shall be selected by a majority of Noteholders present in person, by representative or by proxy.
- 20.8. At any such meeting one or more Noteholders present in person, by representative or by proxy, holding in aggregate not less than one third of the Nominal Amount of Notes for the time being Outstanding shall form a quorum for the transaction of business. On a poll, each Noteholder present in person or by proxy at the meeting shall have the number of votes equal to the number of Notes, by denomination, held by the Noteholder.

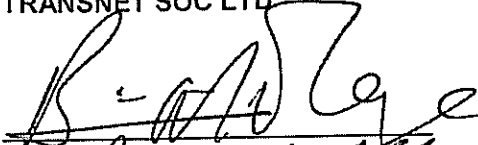
21. FURTHER ISSUES


The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price and the Issue Date, so that the further Notes shall be consolidated to form a single Series with the Outstanding Notes.

22. GOVERNING LAW

These Terms and Conditions, and all rights and obligations to the Notes, are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

For and on behalf of
TRANSNET SOC LTD


Name: Brian MOLEFE.
Capacity: Director
Who warrants his/her authority hereto


Name: Anoj Singh
Capacity: Director
Who warrants his/her authority hereto

USE OF PROCEEDS

Capitalised terms used in this section headed "Use of Proceeds" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

For purposes of the Commercial Paper Regulations it is recorded that the "*Ultimate Borrower*", as defined in the Commercial Paper Regulations, of the net proceeds from each Tranche of Notes will be the Issuer, unless otherwise indicated in the Applicable Pricing Supplement.

The proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement.

DESCRIPTION OF THE ISSUER

Capitalised terms used in this section headed “Description of the Issuer” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

1. Transnet Overview

Transnet SOC Ltd (“**Transnet**”) is a state-owned company and was incorporated by the Government of the Republic of South Africa (the “**Government**”) under the Companies Act on 1 April, 1990, pursuant to the Legal Succession to the South African Transport Services Act, 1989 (the “**Legal Succession Act**”) with the Government as its sole shareholder (the “**Shareholder**”). Transnet was formed in 1990 as a result of the transfer of the commercial enterprise of the South African Transport Services to Transnet as the country’s railway, harbour, road transport, aviation and pipeline operator.

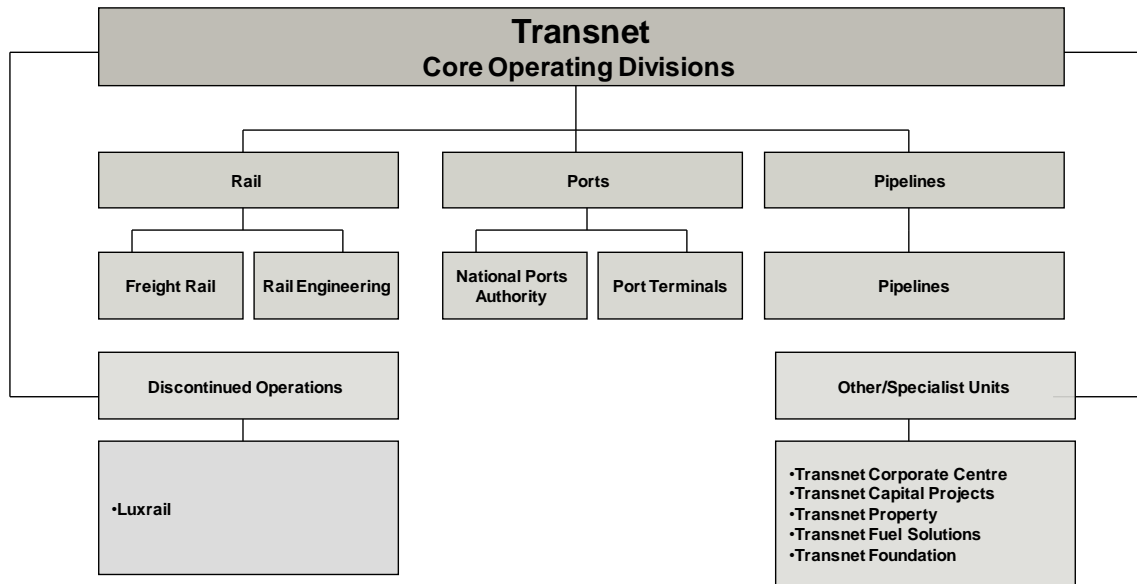
Transnet is the operator, owner and custodian of a major portion of South Africa’s transport infrastructure and is responsible for ensuring that a significant part of the country’s bulk freight transportation system operates according to world-class standards and as an integral part of the overall economy.

Transnet is a focused freight transport company with a goal of delivering integrated, efficient, safe, reliable and cost-effective services. Transnet’s key mandate and strategic objectives, as defined by its Shareholder Compact (the “**Shareholder Compact**”) with the Department of Public Enterprises (the “**Shareholder Representative**”), is to assist in lowering the cost of doing business, enabling economic growth in South Africa and ensuring security of supply through providing appropriate port, rail and pipeline infrastructure in a cost effective manner, within acceptable benchmarks. Transnet seeks to promote economic growth in South Africa by increasing its market share, improving productivity and profitability and by providing appropriate capacity to its customers ahead of demand, within affordability limits. Transnet’s mandate is intrinsically aligned with the New Growth Path (“**NGP**”) and the Statement of Strategic Intent (“**SSI**”) issued by the Minister of Public Enterprises.

Transnet is funded through reserves and borrowings and does not receive cash subsidies from the Government. Transnet’s borrowings are based on the strength of its own balance sheet. Transnet raises its funding without Government guarantees and the Notes under the Programme are not guaranteed by the Government. As a result, Transnet is required to earn an appropriate return on its assets that will allow for the maintenance and expansion of the rail, port and pipeline infrastructure that it owns and operates, while maintaining a strong balance sheet.

Substantially all of Transnet’s revenues are generated in South Africa. Over the past six financial years, Transnet has transformed from a diversified conglomerate into a focused rail, port and pipeline operator. Transnet has accomplished this through the sale, closure or transfer of non-core assets and businesses, which have been treated as discontinued operations for accounting purposes in terms of applicable International Financial Reporting Standards (“**IFRS**”). Transnet’s continuing operations are grouped into five divisions according to major transport modes, with central support services unified under one brand. For operational IFRS reporting purposes, Transnet is organised into the following five core business divisions: Freight Rail (“**Transnet Freight Rail**”), Rail Engineering (“**Transnet Rail Engineering**”), the National Ports Authority (“**Transnet National Ports Authority**”), Port Terminals (“**Transnet Port Terminals**”) and Pipelines (“**Transnet Pipelines**”). The “Other” segment includes Transnet Property, Transnet Fuel Solutions, Transnet Capital Projects, Transnet Corporate Centre, and Transnet Foundation.

Detailed below is a diagrammatic illustration of the Transnet's organisational structure:



Transnet Freight Rail is focused on transporting bulk and containerised freight and provides the railway infrastructure for the transport of goods in South Africa including lines, yards and goods sheds as well as rolling stock, depots and storage. Transnet Freight Rail is focused on three key segments: General Freight (which encompasses mainly manufacturing, mining, agricultural and containerised products, coal and iron ore for domestic use in South Africa), Export Coal and Export Iron Ore.

Transnet Rail Engineering consists of eight product-focused business units that provide services ranging from refurbishment, conversion and upgrades, to the manufacturing and assembly of rail-related rolling stock. Most of Transnet Rail Engineering's sales are generated from sales to Transnet Freight Rail and the Passenger Rail Agency of South Africa ("PRASA") (a separate state owned entity and accordingly a related party under IFRS).

Transnet National Ports Authority is responsible for the safe, efficient and effective economic functioning of the national ports system of South Africa, which Transnet National Ports Authority manages, controls and administers. Transnet National Ports Authority provides and manages port infrastructure and maritime services at all eight commercial ports in South Africa, across five market segments comprising: containers, dry bulk, liquid bulk, break-bulk and automotive. Transnet National Ports Authority operates within a ports regulatory environment that is regulated by, amongst other pieces of legislation, the National Ports Act, 2005 which requires Transnet National Ports Authority to have its tariffs approved annually by the Ports Regulator (see "Investor Considerations" below).

Transnet Port Terminals manages 16 cargo terminals situated across seven South African ports. It provides cargo handling services to wide spectrum of customers, mainly comprising shipping lines, freight forwarders and cargo owners. Its operations are divided into four major market sectors, namely containers, bulk, break-bulk and automotive.

Transnet Pipelines transports a range of petroleum and gas products through approximately 3,000 km of underground gas and petroleum pipeline infrastructure traversing five provinces in South Africa, with the strategic objective of ensuring security of supply of petroleum products to the inland market. Transnet Pipelines' petroleum pipeline tariffs are set by the National Energy Regulator of South Africa ("NERSA") pursuant to the Petroleum Pipelines Act. NERSA is empowered, under the Petroleum Pipelines Act, to license petroleum pipelines and storage facilities and to set and approve tariffs as a condition of license (see the section of this Programme Memorandum headed "Investor Considerations" below).

2. Transnet's "Quantum Leap" Strategy

In the Financial Year 2004, the Transnet Group recorded a consolidated loss of R6,332 million under South African generally accepted accounting principles. In August 2004, Transnet adopted a Turnaround Plan which focused on stabilising the business and creating a platform for growth. The Turnaround Plan intended to transform Transnet from a diversified conglomerate into a focused freight, transport and logistics provider. Transnet made substantial progress since 2004 in achieving the goals of the Turnaround Plan and positioned itself for the next phase of its development. Accordingly, in August 2007, Transnet adopted a new growth strategy (the "**Growth Strategy**"). The Growth Strategy built on the progress made under the Turnaround Plan accelerating profitable and sustainable volume growth, improving service delivery to clients and enhancing long-term financial performance.

Given the high correlation between volumes transported by the Company and global economic activity, particularly in the commodity and container sectors, the achievement of the targeted growth in volumes as envisaged in the Growth Strategy was adversely impacted by the onset of the global economic crisis during the third quarter of 2008. Although steady gains had been achieved in operational performance in the recent past, the Board was not content with minor incremental improvements and aspired to reach significantly higher performance levels in the short to medium term. To exemplify this ambitious vision, the Board initiated a strategic shift from the Growth Strategy to the "*Quantum Leap*" strategy. This shift constitutes a number of focus areas and initiatives to be implemented in the medium-term, and will enhance Transnet's ability to deliver on its mandate and position the Company to support the long-term competitiveness of the South African economy.

The primary focus of the Quantum Leap strategy is to achieve a significant growth in revenue and volumes; improvement in customer service by enhancing operational efficiencies; ensuring reliability of services, improved productivity and optimum safety and environmental compliance; and achieving further cost reductions. The Quantum Leap aims to change the trajectory of performance improvements to a significantly higher level by enhancing operational efficiencies across the Company resulting in an improvement in the reliability and predictability of services while maintaining the financial sustainability for the Company.

During the 2010/2011 financial year the Quantum Leap initiatives delivered meaningful improvements in the port and pipeline operations, including volume growth and productivity improvements that together with cost reduction initiatives, contributed to improved profitability. While these notable improvements were realised during the 2010/2011 financial year, the ambitious targets set were not fully achieved. This was attributable to a number of challenges over the year such as the nationwide strike that impacted Transnet's operations resulting in derailments and safety incidents, and uncertainty surrounding the leadership of the organisation, which negatively impacted the ability to implement necessary changes in the business processes and accountability. The Quantum Leap strategy is designed specifically to address these challenges and places emphasis on achieving quantum leap improvements in operating efficiency, productivity, reliability, safety, environmental compliance and restructuring Transnet Freight Rail into business segments. The successful implementation of the strategy will result in increased volumes transported, improved service delivery and better utilisation of existing assets.

The Quantum Leap strategy has been further refined and aligned to incorporate the requirements of the NGP and SSI adopted by Government, thereby ensuring that Transnet's operational goals are directly aligned with key sustainability challenges in South Africa. The Quantum Leap strategy is informed by the policy context of the developmental state and the NGP, and acknowledges the critical role of state-owned companies as drivers of the developmental state.

In setting the Company's strategic direction, the Board specifically identified the following key focus areas in order to achieve the Quantum Leap Strategy:

- Harnessing volume growth opportunities;
- Achieving substantial improvement in customer service;

- Increasing productivity and operating efficiencies;
- Implementing effective cost-control and reducing the cost base;
- Continuous improvement in safety and environmental compliance;
- Ensuring financial stability by maintaining the gearing and cash interest cover ratios within the limits detailed in the Shareholder Compact pre-agreed with the Shareholder Representative;
- Improving asset utilisation to achieve appropriate returns.

In addition to the above focus areas, the Company will focus further on the following key strategic objectives:

- Implement a high performance rail corridor backbone for the country that will alleviate the modal imbalance and provide the capacity to meet long-term demand for freight in the economy;
- Operate the ports in a complementary manner to make the port system more efficient and increase maritime connectivity, thus reducing ocean freight rates;
- Formulate and implement integrated service strategies for key customers to realise the synergies of the port, rail, pipeline system and the integrated network;
- Enhance the connectivity of the South African freight system with the regional freight system;
- Use its capital investment programme as a lever for industrial capacity building and the creation of a strong domestic supplier base;
- Maximise job creation, contribution to skills development and economic transformation arising from Transnet's operations and investments;
- Find innovative means for the private sector involvement to enhance Transnet's service offering and improve the competitiveness of the freight logistics system; and Reducing Transnet's carbon footprint and increasing its commitment to achieving a "green economy".

Capital Expenditure

Transnet remains committed to providing responsive infrastructure that creates capacity ahead of demand and that satisfies the demands of a growing economy as reflected in the Transnet Infrastructure Plan ("**TIP**") against the backdrop of affordability, value creation and obtaining a fair return on investment. Consequently the rolling five-year plan has been increased by 18% from R93,4 billion to R110,6 billion (excluding capitalised borrowing costs of R5,9 billion) to meet the required volume demand and to support the growth initiatives embarked on. Approximately 37% (R41,4 billion) of the five year capital investment programme is allocated to identified growth/expansion projects. Approximately 63% (R69.2 billion) is planned to be invested in maintaining the revenue streams of the business (see "*Capital Expenditure Programme*" below).

Private Sector Participation

Transnet's five year R110,6 billion capital expenditure programme to increase the capacity and efficiency of the freight system is not sufficient to meet the needs of customers and the economy over the long term. Private sector participation is therefore critical in bridging this investment gap and ensuring that freight transport capacity leads rather than constraints economic growth. The Transnet board of directors (the "**Board of Directors**") approved a framework in 2009 for the involvement of the private sector in the development of ports, rail and pipeline infrastructure and for expanding freight operating capacity in South Africa in the years ahead. The Private Sector Participation Framework ("**PSP Framework**") stems from the recognition that Transnet will not be able to fund, from its own balance sheet, all the investments in port, rail and pipelines that are needed for South Africa's required economic growth and to improve the country's international competitiveness.

The general principle behind Transnet's PSP Framework is that greater private sector involvement must contribute to achieving a world-class freight logistics platform for South Africa, as quickly and cost-effectively as possible. The PSP Framework therefore identifies a number of specific areas where private parties will be given increasing opportunities in port and rail operations; where private finance can be leveraged for higher levels of critical investment; and where joint ventures between Transnet and private parties make sense to optimise South Africa's competitiveness.

PSP models will, therefore, be pursued in the following instances:

- When the required investments are core to Transnet's strategy, but the quantum of investment would be unaffordable for Transnet alone to fund;
- Where specialised assets can be owned by private parties and operated by Transnet; and
- When business opportunities within ports, rail and pipelines are non-core to Transnet's network strategy.

The following projects have been identified as private sector participation opportunities:

- Exploring the coal opportunity at the Waterberg region for the domestic and export market. The coal volume in this region is estimated between 80mt and 135mt;
- Increase export coal channel capacity beyond 81mt;
- Increase iron ore channel to beyond 61mt;
- Development of the former Durban International Airport site for as a dug-out port; and
- Acquisition of additional rolling stock to support the general freight business volume increase in excess of 110mt.

Branch Line Concessions

In April 2009, the Transnet Board of Directors approved an implementation plan to concession the 7 300 kilometers of classified branch lines (both closed and active branch lines) to private operators. This plan was completed following approval in 2008 from the Minister of Public Enterprises, in terms of the Public Finance Management Act, 1999, for Transnet to involve the private sector in branch line operations.

One of the primary objectives of branch lines concessioning is to encourage greater use of rail in the agriculture, timber and tourism industries in support of Government's rural development strategy and job creation.

During the 2010/2011 financial year, Transnet issued a non-binding Request for Intent to determine the extent and type of interest that exists in the private sector for operating its branch lines network. Transnet received encouraging Expressions of Interest from private operators. Where after Transnet concluded feasibility studies on concession models for the grain clusters of branch lines. Transnet has phased the rollout of the branch line concessioning programme, and will commence the competitive process to award branch lines concession rights in 2012. The Minister of Public Enterprises has mandated Transnet to conclude at least three concession agreements in the year ahead.

Human Capital Strategy

In light of the significant shortage of skilled workers, the difficulty in attracting and retaining talented management, engineers and other employees, coupled with Transnet's large, widely dispersed and aging workforce, Transnet plans to continue to devote significant resources to the training and development of existing and new employees, the establishment and implementation of career development programmes as part of the talent management process and the development of future leaders through succession planning initiatives.

In line with Transnet's commitment to the NGP, Transnet is focusing its skills development efforts to the training of artisans, engineers and engineering technicians. Transnet plans to increase the number of trained artisans by 500 in 2012. The operations will also require

additional staff mainly in areas such as train drivers, yard officials, lifting equipment operators, marine pilots and marine engineers.

Talent management and succession planning has also been adopted for all levels of management. To strengthen the internal executive and senior management skills pipeline, Transnet has implemented a robust programme that seeks to raise the level of executive leadership, by integrating individual assessments, individual development plans, performance and executive education initiatives.

As part of the Human Capital Strategy and the NGP Transnet currently plans, to increase direct jobs by 2562 and to create 333,331 indirect jobs in the supplier industries in the year ahead. Transnet also seeks to strengthen and embed its corporate culture and values (focused on safety, effective communication, respect and dignity, empowerment to perform jobs, business focus, recognising and rewarding good work, and delivering on promises) with employees through internal branding campaigns and other initiatives.

Funding Plan and Strategy

Transnet has a robust, structured and well articulated funding strategy. Transnet's main focus is to raise funding ahead of demand cost effectively, diversify its funding sources both in the domestic and international markets, whilst minimizing market, foreign exchange, interest rate and liquidity risk. The objective of the funding plan is to ensure that Transnet has adequate liquidity to meet all its operational and capital investment funding requirements.

Given the recent increasingly volatile and uncertain credit markets, the Company developed and implemented a pre-funding strategy in 2009 whereby Transnet will always 'pre-fund' or maintain a funding buffer of R3 billion to mitigate the possible impact of the global liquidity risks caused by the recent economic crisis.

The capital expenditure requirement of R110,6 billion for the next five financial years will require the raising of substantial amounts of additional funding/borrowings. The funding requirements for the next five years amount to R33,4 billion with approximately R27,9 billion required between 2011/12 and 2012/13. As at 31 March 2011, Transnet had cash on hand of R10,9 billion as a result of Transnet's pre-funding strategy, resulting in a net funding requirement for the 2012 financial year of R12,9 billion.

Management envisages capital expenditure to be financed by cash from operations, together with domestic and international issues of commercial paper and bonds, bank loans, export credit agency-backed finance and funding from Development Finance Institutions. Commercial paper and committed lines will be used to fund working capital requirements and bonds and other long term funding will be used for capital projects or general funding. However, the choice of the funding instrument to fund any capital investment project will be subject to a thorough cost and risk assessment, including smoothing the maturity profile to avoid undue market risk, refinancing risk, liquidity risk and other risks.

Transnet will consider project finance, PSP's and leasing in order to mitigate any constraints the increased capital expenditure and the funding thereof may have on Transnet's balance sheet. Further, the Company will implement strategies that will reduce the cost of carry of the positive cash balances such as investment solutions, prepayments and restructuring of its existing debt.

3. Capital Investment Programme

Under the Capital Investment Programme (also referred herein as the "**Capital Expenditure Programme**") Transnet estimates that it will invest at least R110,6 billion in capital expenditure over the next five Financial Years (for the period 2012-2016) (excluding capitalised borrowing costs of R5,9 billion), of which R72,9 billion is estimated will be made in the next three financial years beginning in Financial Year 2012 (excluding capitalised borrowing costs). Transnet currently estimates that of the R110,6 billion, R41,4 billion (37%) will be allocated to growth/expansion projects and R69.2 billion (63%) is planned to be invested in maintaining the revenue streams of the business..

Approximately 59% of the R110,6 billion, is expected to be invested in projects relating to Transnet Freight Rail and Transnet Rail Engineering, 25% in Transnet Port Terminals and Transnet National Ports Authority, 16% in Transnet Pipelines and Specialist Units.

Transnet's primary focus in relation to the Capital Investment Programme during the Financial Year 2012 is to further augment the Quantum Leap Strategy by improving customer service by enhancing operational efficiencies, reliability of services, productivity, safety, environmental compliance and cost reductions.

The Capital Investment Programme is reviewed annually and interrogated through a robust process to ensure alignment to the TIP requirements and the strategic objectives of the Company as reflected in the Shareholder Compact. The principal objective the TIP is to provide Transnet with a 30 year framework for the planning and development of its port, rail and pipeline infrastructure, to ensure that adequate infrastructure capacity is created ahead of demand.

Further, the investment plan is developed and based on the premise of the following inputs:

- The TIP: providing future requirements and projects to deliver capacity in future years;
- Major expansion projects already in progress within the various sectors including the Ngqura Container Terminal, Cape Town Container Terminal, Durban Container Terminal, Export Coal Line and Export Iron Ore Line expansions, as well as the New Multi-Product Pipeline ("NMPP");
- Divisional specific investment requirements pertaining mainly to the replacement/maintenance of assets and minor expansions in operations;
- The affordability levels of the Company and the financial viability of projects.

Major Capital Projects

This section outlines the anticipated major capital projects in the Capital Investment Programme and the estimated total cost and planned spending for these projects over the next five financial years per division. The majority of investments are for infrastructure assets such as the pipelines, rail tracks, container facilities and rolling stock.

The relevant capital cash estimates relating to years 2012 to 2016 depicted below are based on the annual budgeting process which was finalised on 28 February 2011, subsequent events (e.g. cash flow re-phasing, reallocation between projects, business segments/divisions etc.) have not been taken into account.

Freight Rail

The five-year investment plan for each business segment in Freight Rail is depicted below:

	Target (R m)	Projections (R m)				Total five years (R m)
	2012	2013	2014	2015	2016	
General Freight business	7,657	7,668	9,160	7,620	6,904	39,009
Export Coal Line	3,554	3,208	2,722	2,638	2,376	14,498
Export Iron Ore line	3,482	2,645	1,418	1,306	1,345	10,196
Total	14,693	13,521	13,301	11,564	10,624	63,703

The investment in the two export lines is primarily to increase capacity to meet customer demands. The coal line capacity will be increased to 81mt in 2014. Capacity on the iron ore line is planned to increase from 47mt to 61mt over the next three years. The planned investment in the General Freight business is necessary to progress with the strategy to improve the predictability and reliability of the service.

Rail Engineering

The five-year investment plan for Rail Engineering is depicted below and it is mainly to replace equipment required for the maintenance of rolling stock to agreed performance levels as well as additional equipment to improve service delivery.

	Target (R m)	Projections (R m)				Total five years (R m)
	2012	2013	2014	2015	2016	
Total	445	364	290	250	230	1,579

National Ports Authority

The planned investment in each of the major commodity sectors in National Port Authority is set out below.

	Target (R m)	Projections (R m)				Total five years (R m)
	2012	2013	2014	2015	2016	
Containers	1,092	840	3,338	3,012	2,739	11,021
Dry bulk	56	7	5	-	50	118
Liquid bulk	335	449	433	344	280	1,841
Break bulk	90	378	617	410	49	1,544
Automotive	-	-	-	34	169	203
non-commodity specific investments	871	1,607	2,639	1,357	2,032	8,506
Total	2,444	3,281	7,032	5,257	5,319	23,233

Port Terminals

Port Terminals' major investment categories are set out below.

	Target (R m)	Projections (R m)				Total five years (R m)
	2012	2013	2014	2015	2016	
Containers	963	627	645	617	850	3,702
Bulk	577	248	20	13	13	871
Break bulk	79	14	24	40	36	193
Other	66	71	52	41	34	265
Total	1,686	960	741	711	933	5,031

Pipelines

The major investment at Pipelines is the NMPP which will increase capacity and replace the existing Durban to Johannesburg Pipeline. The five-year investment plan is presented below.

	Target (R m)	Projections (R m)				Total five years (R m)
	2012	2013	2014	2015	2016	
Total	6,113	3,827	2,894	656	1,561	15,051

Major Projects

Iron Ore Line Expansion – all phases up to 61mt (including locomotives)

The Iron Ore Line is the main export channel for iron ore from the mines in the Northern Cape to the Port of Saldanha. Plans are in place to increase capacity of this line to 61mt. Capacity created to date is approximately 61mt on the rail channel and 52mt at the port.

The acquisition of 44 and 32 Class 15E locomotives will facilitate the increase in iron ore capacity to 61mt. Of the 44 Class 15E Ore Line locomotives 34 locomotives have been delivered to date. 31 have been accepted into operations with 3 locomotives undergoing acceptance testing. The remaining locomotives are planned for delivery in 2012. Delivery of the first locomotive in respect of the 32 Class 15E Ore Line locomotives is expected in July 2012. 25 locomotives are planned to be delivered in 2012 and 7 locomotives are planned for delivery in 2014. During the 2010/2011 financial year R3,0 billion was invested on Iron Ore expansion projects and locomotives acquisitions, with future investment expected to be R4,1 billion over the next five years.

Cape Town Container Terminal

The expansion of Cape Town Container Terminal aims at increasing capacity ultimately to 1,4 million twenty foot equivalent units ("TEUs") to address growth in demand for containers in the Western Cape region. The first reconfigured terminal area for refrigerated containers has been completed. 440 metres of the 1130m long quay wall has been deepened to -15,5 metres chart datum. Certain sections of the reconfigured stacking area have been completed. The contract for the acquisition of 32 rubber tyred gantry cranes has been completed and the equipment has been commissioned to service (28 at the Cape Town

Container Terminal and 4 at the Durban Container Terminal Pier 1). Six of the eight ship-to-shore cranes are in operation.

Capital invested in the Cape Town Container Terminal in 2011 amounted to R741 million and R2,7 billion since the expansion was undertaken. Planned investment over the next five years in Cape Town Container Terminal is R2,4 billion.

Ngqura Container Terminal

The Ngqura Container Terminal is a new facility located at the Port of Ngqura and provides additional container handling capacity to the ports system in South Africa. The terminal has handled 410 000 TEUs for the financial year ended 31 March 2011 and has a capacity of 750 000 TEUs. The option to dredge the full two berths was approved in 2010 and the contractor commenced work in February 2011. Ngqura Container Terminal is behind schedule and the first phase of the project is planned for completion by February 2012. The dredging of the full two berths will result in capacity of the terminal increasing to 800 000 TEUs.

Investment in the Ngqura Container Terminal including the rail component amounted to R461 million in 2011 and future investment in the terminal over the next five years is planned to be approximately R1,5 billion.

Reengineering of Durban Container Terminal

The Durban Container Terminal is located at the Port of Durban and is one of the busiest container facilities in Africa. The project to reengineer the terminal through reconfiguration and equipment replacement will result in 920 000 TEUs of additional capacity.

An amount of R268 million was invested during 2011 and R247 million is planned to be spent over the next three years.

Coal Line Expansion to 81mt

The Coal Line is the main export channel for coal and starts from the mines in Mpumalanga and ends at the Port of Richards Bay. Plans are in place to increase capacity to 81mt and together with sustaining capital investment is estimated to be R37 billion over the next 10 years. The acquisition of 110 Class 19E Dual Voltage locomotives will facilitate the planned expansion of the Coal Line to 81mt. The locomotives in combination with wagons and upgraded infrastructure are expected to result in the increased throughput of export coal on the Richards Bay corridor. Of the 110 Class 19E Dual Voltage locomotives, 58 locomotives have been delivered to date (44 in 2011 and 14 in 2010). 48 locomotives have been accepted into operations. The remaining 52 locomotives are planned for delivery at four per month over the next 13 months.

Investment over the next five years is planned to be approximately R6,2 billion for the expansions and new locomotives.

New Multi-Product Pipeline

This is a strategic investment to secure the supply of petroleum products to the inland market over the long term. The pipeline will replace the Durban–Johannesburg pipeline which is running at full capacity and nearing the end of its design life. Some of the benefits of the NMPP include (when fully operational) an increase in capacity from 4,4 billion litres to 8,4 billion litres resulting in a significant reduction in the number of tankers on the road, and a cost-effective and efficient mode of moving petroleum products in an environmentally friendly manner. The cost of the NMPP has increased from R15,5 billion to R23,4 billion. This is due to increases in the cost of accumulation facilities, pump-stations and project management. The increase is related to additional scope, schedule changes and higher than initially budgeted for costs. The Company is confident that the revised schedule and costs will not be exceeded. Due to the strategic nature of the project, the Company has established the NMPP Governance Steering Committee to oversee the project to conclusion with specific focus on risk mitigation pertaining to commissioning, governance, engineering, construction and design, financial, legal and regulatory aspects. The NMPP construction is progressing according to plan and on track for completion by December 2013.

Acquisition of 100 Class 43 new diesel electric mainline locomotives

Acquisition of locomotives is planned for the General Freight business and will assist in improving availability and reliability of the General Freight business fleet and to increase capacity to 110mt over the next five years. 2 locomotives were delivered in January 2011 and are undergoing acceptance testing. 8 more locomotive sets were shipped from the USA in April 2011. The remaining 90 locomotives will be assembled at Rail Engineering's plant in Koedoespoort. 33 locomotives are planned to be delivered in 2012 and 65 are planned for delivery in 2013.

An amount of R334 million was invested in 2011 and R771 million since the project commenced. R1,8 billion is planned to be invested in this project over the next three years.

4. Financial Overview

Transnet Group Financial Overview

Transnet Group Performance highlights during the 2010/2011 financial year

- The Group reported total revenue of R38,0 billion, an increase of 6,6% from the prior year;
- EBITDA for the Group for 2011 increased by 9,4% to R15,8 billion (2010: R 14,4 billion). This is primarily due to the marginal increase in operating expenses by 4,7% to R22,2 billion due to cost saving initiatives;
- Operating Profit increased by only 3,1% to R8,6 billion in 2011, as a result of the increase in depreciation and amortisation charges due to the Capital Investment Programme;
- Profit before tax for the year amounted to R5,7 billion, a 15,9% increase from 2010 mainly due to:
 - Fair Value gains of R625 million compared to a R18 million loss in 2010;
 - A 13,9% decrease in post – retirement benefit obligation costs to R155 million (2010: R180 million);
 - Impairment of assets decreasing by 31,0% to R537 million from R778 million in 2010; and

The net finance costs increased by 18,1% as a result of increase in borrowings to fund the Capital Investment Programme. Despite the challenging economic environment, Transnet managed to exceed most of its targets as set out in the 2010/2011 Shareholder Compact, while continuing to establish a strong platform for future growth. Transnet proceeded to roll out its five-year Capital Investment Programme and more than R21,5 billion in capital investment was made during the year, bringing the total investment over the past five years to R86,8 billion. This in itself stimulated the South African economy and created jobs in the construction and related support services sectors. According to results of a soon-to-be published study commissioned by the DPE, Transnet's investment programme has the potential of creating more than 550,000 jobs and bolstering the GDP considerably. This performance was made possible by the successful turnaround of the Company which had laid the foundation for the current Quantum Leap strategy.

Revenue for the year increased by 6,6% to R38,0 billion (2010: R35,6 billion), despite the negative impact of the industrial strike in May 2010. As a result of the strike, derailments and operational issues resulted in revenue being 3,8% below target.

Revenue was positively impacted by higher volumes as a result of the resurgence after the economic downturn. Specifically, revenue was impacted positively by a modest increase in General Freight business volumes of 2,2% to 73,7mt compared to the prior year (2010:72,1mt). The disappointing performance of the export coal line, which began in 2005, showed marginal improvement, with volumes increasing by 0,6% to 62,2mt, however not meeting the 65mt target, due mainly to operational challenges at Transnet Freight Rail. The export iron ore line increased volumes to 46,2mt in line with customer commitments and due to an improvement in efficiencies, despite the loss of 3,1mt due to derailments, capacity constraints at the mines which negatively impacted volume growth and the industrial strike action. This represents a 3,4% improvement on prior year's performance or a cumulative

increase of 63,8% since 2005. Port revenues were positively affected due to container volumes increasing by 11,4% at Transnet Port Terminals and 12,5% at Transnet National Ports Authority respectively, compared to the prior year.

To maintain financial stability in the uncertain economic environment, the Company had to be agile and proactive in its response, with the business reinforcing the critical importance of operational efficiencies and optimum cash flow management. A robust cost-cutting campaign was implemented at the onset of the economic crisis 2 years ago, which resulted in cost savings of approximately R2,1 billion in costs, compared to planned expenditure, notwithstanding high increases in input costs such as electricity (25,4%), fuel (3,2%) and personnel costs (4,7%). Consequently, net operating costs increased by only 4,7% to R22,2 billion (2010: R21,2 billion) reflecting significant gains in operational efficiency.

Earnings before interest, taxation, depreciation and amortisation (“**EBITDA**”) increased by 9,4% to R15,8 billion (2010: R14,4 billion) resulting in a marginal improvement in the EBITDA margin to 41,5% (2010: 40,5%). Depreciation and amortisation of assets for the year increased by 18,0% to R7,2 billion (2010: R6,1 billion). This increase was attributable to the acceleration of the Capital Investment Programme, the significant ramp-up in capital investments over the last five years amounting to approximately R86,8 billion and the depreciation of revalued port facilities and pipeline networks by R31,9 billion over the past five years. This trend is expected to continue in line with the execution of the Capital Investment Programme over the next five years. The significant increases in depreciation charges which exceed the rate of EBITDA growth from the respective assets are to be expected after a period of intensive capital investment. This is because infrastructure investments typically provide capacity for several years into the future and only when this capacity is progressively used, do appropriate profits materialise. As a result, profit from operations after depreciation, de-recognition and amortisation increased by only 3,1% to R8,6 billion, from R8,3 billion in the prior year.

In line with the Company’s expectations, finance costs increased by 14,1% to R3,4 billion (2010: R3,0 billion) as a result of implementing the borrowing programme to fund the increase in capital expenditure. Capitalised borrowing costs amounted to R1,8 billion (2010: R1,5 billion) and is expected to continue to increase with the execution of the Capital Investment Programme. Finance income amounted to R561 million during the year. This is attributable to the increase in cash balances that formed part of the Group’s pre-funding strategy in response to the increased liquidity risk in global markets.

The taxation charge for the financial year was R1,5 billion (2010: R1,8 billion), comprising a current taxation charge of R 905 million (2010: R42 million) and deferred taxation charge of R603 million (2010: R1,7 billion). The effective taxation rate for the Group is 26.8% (2010: 36,8%), which is slightly below the corporate taxation rate of 28%.

Net profit for the year from continuing operations amounted to R4,2 billion (2010: R 3,2 billion), an increase of 32,8% compared to the prior year.

High level financial overview for the years ended 31 March 2009 to 31 March 2011

	Year ended 31 March 2009 R'million	Year ended 31 March 2010 R'million	Year ended 31 March 2011 R'million
Consolidated Salient Features			
Revenue – continuing operations	33 592	35 610	37 952
EBITDA – continuing operations	13 200	14 409	15 763
Operating profit – continuing operations	8 421	8 320	8 579

Net profit for the year – continuing operations	5 226	3 150	4 184
Total assets	118 534	138 885	167 070
Total debt	61 258	75 538	93 404
Capital and reserves (including minorities)	57 276	63 347	73 666
Cash flows from operating activities	7 400	12 092	13 159
Capital expenditure (excluding intangibles)	19 286	18 441	21 504
EBITDA margin – continuing operations (%)	39,3	40,5	41,5
Cash interest cover (times)	3,7	4,1	3,9
Gearing (%)	37,7	39,8	41,1

Transnet Freight Rail Business Overview

Transnet Freight Rail (“**Freight Rail**”) is Transnet’s largest division, contributing 58.8% to the Group’s external revenue. Freight Rail is focused on transporting bulk and containerised freight along its approximately 20 500 kilometre rail network, of which 1 500 kilometres comprises heavy haul export lines. Freight Rail provides the railway infrastructure for the transport of goods in South Africa including lines, yards and goods sheds as well as rolling stock, depots and storage. Freight Rail is focused on three key segments: General Freight (which encompasses mainly manufacturing, mining, agricultural and containerised products, coal and iron ore for domestic use in South Africa), Export Coal and Export Iron Ore. During the 2011 Financial Year, Freight Rail transported approximately 182,1 mt of freight for export and domestic customers.

Freight Rail supports the transport needs of most of the growing sectors of the economy and allocates capacity to prioritised commodities, thereby contributing to national objectives. Strategic advantage lies in the movement of heavy haul and bulk commodities over long distances, where flow densities provide economies of scale and lower unit costs. The Export Coal business focuses on conveying coal from the Mpumalanga coalfields to the Port of Richards Bay. The Export Iron Ore business operates the heavy haul line from mines in the Sishen area to the Port of Saldanha Bay. The General Freight operation comprises the transportation of freight on national main line corridors between economic hubs and ports. Intermodal traffic, forming part of the General Freight business, and operating as the Container and Automotive business, extends between main industrial hubs and ports or continue cross-border.

Performance highlights during the 2010/2011 financial year

- Revenue increased by 8,6% to R22,6 billion (2010: R20,8 billion) compared to the prior year. The increase in revenue is attributable to an increase in General Freight volumes of 2,2% to 73,7mt (2010: 72,1mt) during the year, and an effective ‘yield and mix’ management programme despite a protracted strike as well as operational issues such as cable theft and rolling stock related faults;
- Export iron ore volumes increased by 3,4% to 46,2mt (2010: 44,7mt), mainly due to an improvement in efficiencies, despite the impact of three major derailments during the year, as well as capacity constraints at the mines which also negatively impacted volume growth;

- Export coal volumes increased by 0,6% to 62,2mt (2010: 61,8mt). This marginal improvement is mainly due to the impact of three major derailments, tippler constraints at Richards Bay Coal Terminal, adverse weather conditions during the third quarter of the year as well as a loss of 3,1mt due to the extended period the line was shut down, due to delayed maintenance, as a result of the strike. Export coal tariffs were increased in line with contractual commitments with customers to achieve a fair return on invested capital;
- A cost reduction programme initiated during the year yielded positive results. Net operating expenses increased by 7,7% to R14,5 billion compared to the prior year, despite a 16,5% increase in maintenance costs and electricity tariff increases of 25%. This resulted in an EBITDA of R8,1 billion (2010: R7,4 billion) an increase of 10,1% compared to the prior year;
- Whilst progress has been made to identify the root causes of the operational issues, a key focus area will be to address the operational inefficiencies that negatively impacted volume growth over the year. Accordingly, Freight Rail will focus on priority commodities and safety initiatives in the coming financial year;
- Freight Rail's capital investment spend of R12,5 billion (excluding capitalised borrowing costs) (2010: R9,7 billion), focused on increasing capacity, maintaining and replacing infrastructure and rolling stock to meet customer demand for freight carriage more efficiently. This spend is made up of sustaining capital of R8,2 billion and expansion capital of R4,3 billion.

Transnet Rail Engineering Business Overview

Transnet Rail Engineering ("**Rail Engineering**") consists of eight product focused businesses which provide services ranging from in-service maintenance, repair, upgrade, conversion and manufacture of freight wagons, mainline and suburban coaches, diesel and electric locomotives as well as wheels, rotating machines, rolling stock equipment, casting, auxiliary equipment and services. Whilst this division is largely focused on supporting Freight Rail, it also supplies domestic and export railway markets. This position has been achieved through the leveraging of core competencies and strategically positioned factories and maintenance facilities alongside the key transport corridors comprising of six plants situated at Salt River, Uitenhage, Bloemfontein, Durban, Germiston and Koedoespoort and 132 maintenance sites nationally.

Performance highlights during the 2010/2011 financial year

- Rail Engineering's total revenue (internal and external) increased by 13,5% from R8,2 billion in the prior year to R9,3 billion;
- Internal revenue increased by 24,9% to R8,7 billion (2010: R6,9 billion) compared to the prior year. The increase is due to increased maintenance demand from Freight Rail to support volume growth. All availability and reliability targets for rolling stock, apart from the Locomotive Coal Line, have been met or exceeded, which impacted positively on service delivery of Freight Rail;
- Rail Engineering's external revenue decreased by 48,4% to R661 million (2010: R1,3 billion) mainly due to the lower number of PRASA coach upgrades performed;
- Operating expenses increased by 8,3% to R8,2 billion (2010: R7,6 billion) against a backdrop of an increase in activity resulting in a net operating cost saving of 5,2%. This saving was achieved through the implementation of numerous cost reduction and service-optimisation initiatives, particularly from procurement savings initiatives and Lean Six Sigma projects;
- As a result of the increased internal sales and stringent cost control, EBITDA increased by 71,8% to R1,2 billion (2010: R670 million) compared to the prior year.

Transnet National Ports Authority Business Overview

Transnet National Ports Authority (“**National Ports Authority**”) is responsible for the safe, efficient and effective economic functioning of the national ports system, which it manages in a landlord capacity. The National Ports Authority is also a provider of port infrastructure and marine services at all commercial ports in South Africa.

National Ports Authority operates within the port industry, providing its services to its target market comprising port users, which include terminal operators, shipping lines, ship agents, cargo owners and the clearing and forwarding industry. It owns and manages the eight ports within South Africa namely: Saldanha Bay, Cape Town, Mossel Bay, East London, Port Elizabeth, Durban, Richards Bay and Port of Ngqura (see the diagrammatic illustration of the respective ports below). The business is divided into two service segments: the provision of port infrastructure and maritime services including dredging, navigation aids, ship repair and marine operations. Port infrastructure and maritime services are provided in five market segments: containers, dry bulk, liquid bulk, break-bulk and automotive. The major commodities handled at the ports are coal, iron ore, containers, automotives, steel, fruit, ferrochrome, petroleum products and manganese.



Performance highlights during the 2010/2011 financial year

- Revenue increased by 8,0% to R8,1 billion (2010: R7,5 billion). This growth in revenue is attributable to an average tariff increase of 4,42% and a growth of 12,5% in container volumes, 8,3% in iron ore volumes, 36,2% in manganese exports and 54,0% in automotive volumes, offset by volume incentives offered to the automotive industry as well as the revenue claw-back instituted by the Ports Regulator during the tariff determination process (see the section of this Programme Memorandum headed “*Investor Considerations*” below, specifically “*Transnet is exposed to risks associated with the economic regulation of its business- Transnet National Ports Authority*”);
- Operating costs increased by 16,3% to R2,2 billion compared to the prior year (2010: R1,9 billion) mainly due to increases in, energy costs, and repairs and maintenance costs. Cost increases are in line with the strategic focus on operational efficiencies and improved maintenance across the ports;
- EBITDA has consequently increased by 5,3% to R5,9 billion (2010: R5,6 billion) for the year.

Transnet Port Terminals Business Overview

Transnet Port Terminals (“**Port Terminals**”) manages 16 cargo terminal operations situated across seven South African ports. It provides cargo handling services for the container, bulk, automotive and break-bulk sectors and a wide spectrum of customers including shipping lines, freight forwarders and cargo owners.

Port Terminals' operations are structured in the following major business segments:

- *Containers*: Durban Container Terminal; Durban Pier 1 Container Terminal; Port Elizabeth Container Terminal; Ngqura Container Terminal; and Cape Town Container Terminal;
- *Bulk (iron ore, manganese, other bulk)*: Saldanha Iron Ore Terminal; Port Elizabeth Manganese Terminal; Richards Bay Dry Bulk Terminal; Richards Bay Multi-Purpose Terminals; Durban – Agriport; and East London Bulk Terminal;
- *Break-bulk and Automotive*: Durban Maydon Wharf Terminal; Durban Car and Point Multi-Purpose Terminals; East London Car and Combi Terminals; Port Elizabeth Car and Multi-Purpose Terminals; Cape Town Multi-Purpose Terminal; and Saldanha Multi-Purpose Terminal (mainly steel products).

Performance highlights during the 2010/2011 financial year

- Revenue increased by 23,2% to R6,4 billion (2010: R5,2 billion) despite the strike having severely disrupted operations at all ports, with the biggest impact being at Durban's Container Terminals. The global economic recovery and the 2010 FIFA Soccer World Cup positively impacted container volumes, which increased by 11,4% to 4 016 564 TEUs (2010: 3 604 098 TEUs). Bulk volumes increased by 8,9% to 67,5mt (2010: 62,0mt); break-bulk volumes increased by 21,2% to 10,3mt (2010: 8,5mt); and automotive volumes increased by 52,8% to 617 588 units (2010: 404 187 units);
- The Quantum Leap initiatives to improve the moves per gross crane hour ("**GCH**") at the Durban Container Terminal Pier 1 and Pier 2, both of which have been below benchmark levels for years, has resulted in substantial improvements, to 26 and 23 GCH, respectively, and averaged an impressive 29,5 and 24,5 GCH since December 2010. Iron ore loading rates, have increased by 9,7% to 6 959 tons/per hour, assisted by dual and staggered loading at the Saldanha Bulk Terminal;
- Operating expenditure increased by 17,8% to R4,2 billion (2010: R3,5 billion) due mainly to an increase in personnel costs, energy costs, and material costs as a result of increased activity levels;
- Consequently, EBITDA increased by 35,0% to R2,2 billion (2010: R1,6 billion).

Transnet Pipelines Business Overview

Transnet Pipelines ("**Pipelines**") transports a range of petroleum products (including crude oil, aviation turbine fuel, diesel and various grades of petrol) and gas through 3 000 kilometres of underground pipelines traversing five provinces (KwaZulu-Natal, Free State, Gauteng, North West and Mpumalanga), thereby ensuring the security of supply of petroleum products to the inland market. .

Pipelines' network consists of four main lines, including the refined product network, the crude oil pipeline, the gas pipeline and the Avtur pipeline. Pipelines also has 13 intake and delivery depots and a storage facility in the form of a tank farm with a capacity of approximately 30 million litres which is primarily used for the distribution of petroleum into Botswana.

Pipelines is gearing itself for the commissioning of the NMPP (24-inch trunk line) which is scheduled for January 2012 and final completion of the entire project is expected by December 2013. The NMPP will replace ageing assets and increase Pipelines' current capacity and refined petroleum product transportation market share. The NMPP is anticipated to consist of 550 kilometres of 24 inch pipeline between Durban and Jameson Park in Gauteng and 170 kilometres of 16 inch pipeline for the inland network. Pipeline's current pipelines range from six inches to 20 inches in diameter. Through the NMPP, Pipelines aims to decrease the volume of road traffic and improve security of petroleum product supply to the inland market.

Performance highlights during the 2010/2011 financial year

- Transnet Pipelines continued to fulfil its strategic role in the economy by ensuring security of fuel supply to the inland market. This is evidenced by meeting the increased demand and logistical challenges resulting from the 2010 FIFA Soccer World Cup which led to a growth of petroleum volumes of 1,5% in the current year due to the optimal use of the constrained system. Revenue for the year decreased by 3,6% to R1,13 billion (2010: R1,17 billion) due to an increase in the revenue claw-back provision by NERSA from R115 million to R264 million;
- Net operating expenses have decreased by 7,7% compared to the prior year. This was mainly due to the reversal of an energy cost provision of R91 million, Excluding the reversal of the energy cost provision, operating costs increased by 11,8%. This increase was mainly attributable to maintenance on the ageing pipeline network, and an increase in provisions for environmental clean-up, product loss and re-refining costs;
- Pipeline's EBITDA, after the revenue claw-back provision, decreased marginally by 0,9% to R697 million (2010: R703 million). EBITDA before the revenue claw-back increased to R962 million, 13% increase compared to prior year (2010: R851 million).

5. Management

Board of Directors

Transnet's Articles of Association provide that there shall be not less than ten and not more than eighteen directors of whom at least eight must be non-executive directors and two must be executive directors. On 13 December 2010, the Shareholder Representative appointed twelve new non-executive directors to the Board of Directors. Three non-executive directors from the previous Board of Directors were retained for continuity purposes. Subsequently, the Shareholder Representative appointed two new Non-Executive Directors to the Board on 24 June 2011. Transnet's directors are elected on a three-year term, renewable annually at the Annual General Meeting.

The Board of Directors has delegated the responsibility for running the operations of Transnet to the Group Chief Executive. The Board of Directors has reserved responsibility for the following matters: recommending amendments to the Articles of Association of Transnet to its Shareholder; approving Transnet's strategy, business plans, annual budgets and borrowing strategy; approving the annual financial statements and interim reports; and evaluating the performance of the Group Chief Executive.

The Board of Directors is currently comprised of eighteen directors, of whom sixteen are non-executive directors, including the Chairman. There are currently no vacant seats. Sixteen of these directors believe that they are independent non-executive directors free from any business relationship that could hamper their objectivity or independent judgement on the business of Transnet.

The following table sets forth the eighteen members of the Transnet Board of Directors at the date of this Programme Memorandum.

Name	Year of Birth	Current Position	Member of Board Since
Mr. Mafika Mkwanazi.....	1954	Non- Executive Chairman	2010
Mr. Brian Molefe.....	1966	Executive Director and Group Chief Executive	2011
Mr. Anoj Singh.....	1973	Executive Director and Acting Chief Financial Officer	2009

Mr. Peter M. Malungani	1958	Non-Executive Director	2010
Mr. Israel B. Skosana	1953	Non-Executive Director	2010
Ms. Nazmeera Moola	1977	Non-Executive Director	2010
Mr. Michele A. Fanucchi.....	1964	Non-Executive Director	2010
Ms. Doris L.J. Tshepe	1973	Non-Executive Director	2010
Mr. Donald B. Mkhwanazi	1953	Non-Executive Director	2010
Ms. Tembakazi Mnyaka	1967	Non-Executive Director	2010
Ms. Ellen Tshabalala	1958	Non-Executive Director	2010
Mr. Iqbal M. Sharma	1967	Non-Executive Director	2010
Mr. Harry D. Gazendam	1954	Non-Executive Director	2010
Ms. Nolwazi B.P.Gcaba.....	1970	Non-Executive Director	2004
Ms. Nunu R. Ntshingila.....	1963	Non-Executive Director	2006
Mr. Peter M. Moyo	1962	Non-Executive Director	2008
Mr. Nishikant Choubey.....	1948	Non-Executive Director	2011
Ms Yasmina Forbes	1957	Non-Executive Director	2011

The previous Group Chief Executive, Ms. Maria Ramos resigned effective 28 February 2009 and her position was temporarily filled by the Chief Financial Officer, Mr. Christopher Wells commencing 6 March 2009. On 1 November 2010, Mr. Wells resigned effective 31 March 2011. On 13 December 2010, a new Chairman, Mr. Mafika Mkwanazi, was appointed. The Board delegated the powers, duties and authority of the Group Chief Executive to Mr. Mkwanazi with effect from 16 December 2010 until the new Group Chief Executive was appointed by the Shareholder's representative. As required by the current Articles of Association and pursuant to the recruitment and selection process conducted by the Board, and in accordance with the guidelines issued by the Minister of Public Enterprises, the Minister appointed Mr. Brian Molefe as the Group Chief Executive of the Company on 17 February 2011. Mr Mkwanazi continued with delegated powers until 2 March 2011. Mr. Molefe was delegated with executive powers on 3 March 2011. Mr Wells, remained with the Company until 31 March 2011, to assist Mr. Mkwanazi in an advisory capacity and to facilitate the handover to Mr. Molefe.

The business address of each director is 47th Floor, Carlton Centre, 150 Commissioner Street, Johannesburg 2001, South Africa.

Company Secretary

The following table sets forth certain information on the Transnet Group Company Secretary as at the Programme Date.

Name	Year of Birth	Current Position	Company Secretary Since
Ms. Ayanda Ceba	1976	Company Secretary	2009

The business address of the Transnet Group Company Secretary is 47th Floor, Carlton Centre, 150 Commissioner Street, Johannesburg 2001, South Africa.

Executive Management

The following table sets forth certain information on the members of Transnet's senior management as at the Programme Date.

Name	Year of Birth	Current Position	Year Joined Transnet
Mr. Brian Molefe.....	1966	Group Chief Executive	2011
Mr. Anoj Singh.....	1973	Acting Chief Financial Officer	2003
Mr. Khomotso C.Phihlela.....	1961	Group Executive: Commercial	2003
Mr. Charl A. Möller.....	1951	Chief Executive Officer: Transnet Pipelines	1975
Mr. Tau Morwe.....	1956	Chief Executive Officer: Transnet National Ports Authority	1997
Mr. Richard Vallihu.....	1964	Chief Executive Officer: Transnet Rail Engineering	1995
Mr. Karl-Bart X. T. Socikwa.....	1969	Chief Executive Officer: Transnet Port Terminals	1995
Ms. Moira Moses.....	1965	Group Executive: Transnet Capital Projects	2005
Ms. Virginia C. Dunjwa.....	1965	Chief Risk Officer	1998
Mr. Mark Gregg-Macdonald.....	1960	Group Executive: Planning and Monitoring	2001
Mr. Siyabonga I. Gama.....	1967	Chief Executive Officer: Transnet Freight Rail	1994
Ms Zola Stephen.....	1974	Group Executive: Corporate Services	1999
Mr. Roderick Wolfenden.....	1971	Chief Audit Executive (Ernst & Young)	2010

The business address for each member of senior management is Carlton Centre, 150 Commissioner Street, Johannesburg 2001, South Africa.

6. Corporate Governance

Transnet is committed to the highest standards of corporate governance, including those advocated in the King Report on Governance for South Africa, 2009 ("**King III**"), which became effective 1 March 2010. The Company already has mature processes which are in full compliance with the requirements of King III insofar as is feasible for a state-owned company ("**SOC**") with a single Shareholder and which is subject to the principles of the Public Finance Management Act, 1999 ("**PMFA**") where it prevails over the Companies Act, 2008 (as amended).

Through effective corporate governance the Company sets objectives, develops plans for achieving them and establishes procedures for monitoring performance. Furthermore, Transnet's policy framework specifies ethical practices and provides for the protection of stakeholder interests. Effective corporate governance requires ongoing commitment. The Company, therefore, attempts to apply the letter and spirit of sound corporate governance to all corporate decisions and actively drives the associated ethos of high ethical standards to all levels of the organisation.

The Company has, as its sole Shareholder, the Government, with the Shareholder Representative being the Minister of Public Enterprises. As a public entity, it is subject to the provisions of the PFMA.

The PFMA and the Companies Act requires the Board to act with fidelity, honesty, integrity and in the best interests of the Company in managing its financial affairs.

In compliance with the requirements of the PFMA, the Board concludes an annual Shareholder's Compact with the Shareholder Representative. The Shareholder's Compact contains Shareholder expectations in the form of predetermined objectives and key performance information, and ensures that the Board and the Shareholder Representative are aligned in their understanding and acceptance of strategic objectives. Progress on performance is regularly reviewed by the Board and reported to the Shareholder Representative quarterly. This continuous engagement with the Shareholder Representative ensures strategic alignment and serves as an early warning mechanism.

During the year, Transnet Internal Audit performed a corporate governance review to assess the maturity of corporate governance practices against Transnet's governance framework for the Group, including applicable provisions of the PFMA.

Transnet Internal Audit concluded that Transnet's governance position is 'advanced', meaning that the governance maturity and effectiveness is at a level where activities are consistently applied and well understood by management and employees across the organisation. The areas that were rated as "Advanced" are, amongst others:

- Determining the direction of the organisation in the response to the mandate and taking into consideration risks facing the organisation and the risk appetite;
- Ensuring effective meetings take place to facilitate appropriate decision-making; and
- Monitoring the implementation of the organisational strategy and ensuring that corrective action is taken when appropriate.

However, there is marginal room for enhancement to introduce leading practices in certain key areas. The Company continues to strive towards a governance maturity level that will position Transnet as a leading organisation in the domain of corporate governance.

Other areas identified by Transnet Internal Audit as requiring further improvement have already been addressed. These included (but were not limited to) filling vacancies at Board level, increasing focus on compliance, refining the manner in which the Board discharges its responsibility by establishing a governance framework, as well as establishing a Social and Ethics Committee of the Board.

Transnet is an 'early adopter' of leading practice in establishing a formal compliance function and framework. This is evidenced by the Company's Board approving the Group Compliance Policy in November 2006. As is the case with all Company policies, the Compliance Policy is reviewed bi-annually and updated when necessary. The Policy forms the foundation for the Transnet Compliance Framework.

The Company considers non-compliance with legislative requirements as a key risk to the business as it not only exposes the organisation to fines and civil claims, but can also lead to loss of operational authorisations and reputational harm.

To mitigate this risk Transnet has established a compliance function which identifies, assesses and monitors critical controls associated with legislation, statutory licences, codes and standards applicable to the Company. Compliance issues are reviewed both centrally at the Group's Corporate Centre and de-centrally within its operating divisions.

The Board Audit Committee is charged with reviewing the Group's Compliance Plan, which details procedures for identifying regulatory risks and monitoring compliance with applicable laws, rules and standards.

Further, consistent with King II and corporate governance best practice, the Board established Committees to assist it in discharging its responsibilities. Each Committee has a mandate outlining the authority delegated to it by the Board. With the introduction of the King III Guidelines, the Board and its Committees had to review their mandates to ensure that the newly introduced responsibilities and obligations are adequately addressed.

The Board has established the following Committees to assist it in carrying out its role and responsibilities:

Board Committees

Board Audit Committee: The Board Audit Committee mandate includes the review and approval of the Group Audit Plan with internal and external audit functions.

Board Risk Committee: The Board has delegated the responsibility for providing assurance on the integrity, quality and reliability of the Group's risk management to the Board Risk Committee.

Remuneration and Human Resources Committee: The Remuneration and Human Resources Committee considers and approves policy frameworks and best practice standards in respect of remuneration and human resources in the Group.

Corporate Governance and Nominations Committee: The Corporate Governance and Nominations Committee set the criteria for the nomination of Directors to the Board, Board Committees, the Transnet Second Defined Benefit Fund Board of Trustees and subsidiary Boards and ensures that succession planning policies are implemented in respect of Non-Executive Directors and members of the Group Executive Committee.

Board Social and Ethics Committee: The Board Social and Ethics Committee advises the Board in areas of responsible corporate citizenship and the Company's ethical relationship to society. The Committee manages the Company's legal and moral obligations within its economic, social and natural environment, and guides the objectives and standards of the Company's conduct and activities. The function of the Committee is to monitor the Company's activities, specifically with regard to matters relating to human, social and natural capital. The Committee aims to ensure that the Company's procurement policies and standards are aligned with applicable regulatory requirements, and have due regard for the social and ethical standards and objectives of the Company.

Board Acquisitions and Disposals Committee: The Board Acquisitions and Disposals Committee provides oversight in significant acquisitions and disposals, and guides the Company in promoting supplier development and fostering possible private sector partnerships.

Group Executive Committees

Public Policy and Regulation Committee: The Public Policy and Regulation Committee ensures that the Group proactively manages public policy and economic regulation risk impacting the Group.

Finance Committee: The Finance Committee reviews overall governance procedures, monitors all financial risks, monitors all shared service, procurement, supply chain and ICT associated risks and ensures appropriate financial management frameworks, policies, procedures and reporting are adopted throughout the Group.

Risk Management Committee: The Risk Management Committee ensures the quality, integrity and reliability of the Group's risk management.

Human Resources Committee: The Human Resources Committee ensures good governance in respect of remuneration policies and practices (with the concurrence of the Remuneration Committee) and identifies and manages human capital risks.

Capital Investment Committee: The Capital Investment Committee ensures the resources that the Group invests for the creation of capital assets are strategically managed and that such investments comply with applicable risk management processes. The Capital Investment Committee also makes efforts to ensure that targeted returns are achieved.

Business Information Management Committee: The Business Information Management Committee is established to integrate information communication and technology (ICT) into the business.

NMPP Governance Steering Committee: The NMPP Governance Steering Committee is established to oversee the NMPP project to conclusion, and with specific focus on risk mitigation pertaining to reputational, commissioning, governance, engineering, construction and design, financial, legal and regulatory aspects.

7. Statement of Compliance

The Transnet Board of Directors are of the opinion that, Transnet is substantially compliant, in all material respects with the principles of the King III Report for the 2010/2011 financial year.

Transnet continues to be committed to the highest standards of corporate governance, including those advocated in the King III Report. The Company already has advanced corporate governance processes which are substantially in compliance with the requirements of King III.

The Transnet compliance maturity model was used as a basis to assess the organisation's maturity of implementation of its compliance framework and to identify areas requiring attention. In addition, the maturity self-assessment indicated a 'desired state' which has subsequently been adopted in leading governance arrangements. With attention having been given to the effective implementation of the PFMA over the previous years, the assessment revealed substantial compliance with many of the King III principles and that 'leading' maturity had been attained, when assessed against the requirements of the PFMA.

Action plans have been developed to address those areas requiring attention. Amongst these plans, is formalising IT governance structures thereby addressing IT risks and compliance with related IT business processes including IT licenses. To this effect, the Chief Information Officer has been invited as an attendee at the Board Risk and Audit Committees as from November 2010 and March 2011, respectively. This would ensure that IT risks are adequately addressed, and it further ensures sound accountability. Further, IT governance will be included as a standing item on the agenda of the Board for update purposes on coverage of IT controls, compliance with IT laws, IT expenditure, IT projects and information security etc. It should be noted, however, that the different aspects of IT governance responsibility would be delegated to the Board Audit and the Board Risk Committees.

Further, a formal stakeholder engagement policy is currently being revised. The stakeholder engagement policy will allow for, amongst others:

- Identification of stakeholders, including a database to capture stakeholder details;
- Identification and recording of stakeholder issues within the database;
- Roles and responsibilities for addressing and responding to stakeholder issues; and
- The internal processes that are required to be observed before engagement with external stakeholders.

8. Code of Ethics

The Company promotes a culture of principled and ethical behaviour in all aspects of the business. Values are entrenched through an approved and published Code of Ethics ("**Code**") which guides employee behaviour in all internal and external stakeholder relations. The Code is reviewed annually and commits the Company's Directors and employees to the highest standards of ethical behaviour. All management employment contracts make reference to this Code. Transnet's service providers, suppliers and trade partners are also subject to the Code of Ethics.

In instances where an employee breaches the Code, the necessary disciplinary action is instituted in terms of the Company's Disciplinary Code and Procedure.

9. **Transnet's Culture Charter**

The Culture Charter ("**Charter**") developed in 2008, after a year-long process of employee mobilisation and engagement, sets out those behaviours that all Transnet employees are required to uphold and commit to in order for Transnet to be a winning organisation and to realise its growth objectives. As the Company gears itself towards delivering on the Government's New Growth Path strategy, it is more important than ever to mobilise and align its workforce around the Charter and to encourage employees to embrace the principles of productivity, efficiency, customer service and safety mindset.

The Company has continued to experience challenges in its safety performance and continues to implement the Safety Culture Programme to entrench a culture of safety by promoting a safety mindset and focusing on reducing the number of unsafe acts in the work environment. The aim of this programme is to build a compact amongst all employees around "Golden Safety Actions" that would set the benchmark for safe behaviours.

10. **Enterprise Risk Management**

During 2007, Transnet introduced the Enterprise Risk Management Framework (the "**Framework**") and Strategy for the management of all types of risks across the business. Whilst the Framework is now established, there is a continuous strive to consolidate and embed risk management activity in the Group.

The emergence of generally accepted corporate governance principles has seen risk management focus increasingly on Transnet's strategic objectives. Rather than merely striving for inherent efficiencies and operational performance, Enterprise Risk Management (ERM) has now emerged as a function that has the ability to shape the strategic direction of the organisation.

The Framework has been reviewed and updated to align with the Company's strategic focus areas going forward - Quantum Leap strategy. Further, to achieve best practice levels, the requirements of the guidelines of the King Report on Corporate Governance in South Africa, 2009 (King III) have been incorporated into the Framework.

The overall Framework remains premised on international best practice. The ISO 31000:2009 Risk Management Standard was launched during 2009 and has been taken into consideration during the review of the Framework. This further affirms the direction and maturity of ERM in Transnet.

Whilst progress has been made, risk management processes currently remain integrated into some procedures only and are generally not embedded in the Company's day-to-day business activities – a challenge being dealt with going forward. The integration of risk management into all key business processes has therefore emerged as a critical success factor for ERM.

All employees are responsible for the management of risk in accordance with the Enterprise Risk Management Standards. This responsibility includes ensuring that the necessary controls are in place and effective at all times. Control assurance focuses on improving the Company's ability to manage risk effectively. The ultimate level of risk control will be balanced against Transnet's continued advancement of enterprise development and innovation. Assurance of good corporate governance will be achieved through the regular measurement, reporting and communication of risk management performance, which will include progress against risk management plans and advances in risk management maturity.

11. **Fraud Risk Management Plan**

As required by regulation 29.1.1 of the Treasury Regulations prescribed under the PFMA, Transnet developed a Fraud Risk Management Plan, effective from the 2008/09 financial year, to manage the fraud risk exposure.

Ongoing awareness around the Tip-Offs Anonymous Hotline forms an integral part of Transnet's anti-fraud and anti-corruption efforts contained within its Fraud Risk Management

Plan. The relationship between the Tip-Offs Anonymous Hotline and Fraud Risk Management initiatives is symbiotic, in that fraud risk management initiatives can directly influence or be influenced by the Tip-Offs Anonymous Hotline. Fraud Working Group Committees are convened in the Operating Divisions, chaired largely by the Chief Executives to ensure the rolling out of the Fraud Management Plan and dealing with matters reported through the hotline.

The initiatives under the Fraud Risk Management Plan for the 2011/12 financial year will minimize the negative impact of fraud, corruption and or other economic crimes, thus ensuring that the business will achieve enhances sustainable, organizational performance.

12. Conflicts of Interest

The Companies Act has codified the fiduciary duties of directors and regulates use of position, privileges or confidential information for personal gain or improperly benefiting another person.

In instances where a member of the Board has any direct or indirect personal or private business interest, that member must be recused from the proceedings when the matter is considered unless the Board decides that the member's interest in the matter is trivial or irrelevant.

Formal registers for Declarations of Interest and Related Party Disclosures by the Board are maintained by the Group Company Secretary. In addition, the Company requires all employees to sign Confidentiality and Declaration of Interest forms when adjudicating on procurement contracts.

INVESTOR CONSIDERATIONS

The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Programme Memorandum to reach their own views prior to making any investment decision.

References below to the “Terms and Conditions”, in relation to Notes, shall mean the “Terms and Conditions of the Notes” set out under the section of this Programme Memorandum headed “Terms and Conditions of the Notes”. Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in the Terms and Conditions, except to the extent that they are separately defined in this section or it is clearly inappropriate from the context.

Risks relating to the Transnet Group’s Business

The enterprise-wide risks currently facing Transnet include:

Transnet may not be able to maintain or increase its volumes or its revenues

Transnet’s ability to achieve and maintain future growth depends on a number of factors, including its ability to maintain or increase both the volume of goods transported through its network and its revenue. Transnet’s revenue is determined principally by the volume of goods transported and its tariffs. Transnet’s ability to maintain or increase its volumes of goods transported has been and is expected to continue to be adversely affected by global financial and economic developments.

Transnet’s volumes and revenue also depend upon its ability to maintain, expand and develop relationships with its customers, suppliers, contractors, lenders and other third parties and expand its operating capacity in a timely and reasonable manner. Revenue growth will also depend upon Transnet’s ability to renew, win or negotiate favourable terms on future contracts with key clients, such as iron ore and coal producers. Many of the factors that affect Transnet’s revenue are beyond Transnet’s control, and Transnet is unable to provide any assurances that it will maintain its recent rate of revenue growth in the future.

Transnet is exposed to funding risk as a result of its significant capital expenditure plans and the need to repay or refinance outstanding indebtedness

Transnet’s businesses require a substantial amount of capital and other long-term expenditures, including those relating to the replacement and refurbishment of locomotives and rolling stock, the construction of the NMPP, the construction of container terminal facilities, the expansion of existing ports, container terminal facilities, railway lines and other infrastructure projects and the maintenance of Transnet’s existing infrastructure. As a result, Transnet is dependent on access to domestic and international capital markets and lenders in order to meet its funding needs. Transnet plans to spend approximately R110,6 billion on its capital expenditure for the next five financial years (commencing with Financial Year 2012 excluding capitalized borrowing costs of R5,9 billion) under its Capital Investment Programme and approximately R19,3 billion of short- and long-term debt maturing in the next five financial years (commencing with Financial Year 2012) which will need to be repaid or refinanced. Over the next five Financial Years, Transnet plans to raise R33,4 billion, of which R27,9 billion will be raised between 2011/12 and 2012/13 from domestic and international capital markets and other funding sources. As at 31 March 2011, Transnet had cash on hand of R10,9 billion as a result of Transnet’s pre-funding strategy,

resulting in a net funding requirement for the 2012 financial year of R12,9 billion (including capitalized borrowing costs of R2,2 billion and loan redemptions of R8,6 million).

In the past, Transnet has financed its capital expenditure through a variety of funding sources, including retained earnings, third party indebtedness and leasing transactions. In the future, Transnet expects to utilise a combination of these sources, along with Export Credit Agency backed finance, Development Finance Institution financing, bank loans, project finance and international and domestic capital markets transactions, to meet its financing requirements (see “*Funding Plan*” above). Transnet does not receive or rely upon subsidies or funding from the Government, and there can be no assurance that the Government would contribute capital or other funds to Transnet in the future. As a result of the global financial crisis, widening of credit spreads and yields on South African and other government debt and increased domestic and international competition for funding (including competition from South African and other state-owned companies), Transnet expects that funding may be more scarce and expensive than in the past, and although Transnet believes it will be able to fund its needs appropriately, there is no guarantee that Transnet will be able to secure funding to meet its needs in a timely basis or on commercially reasonable terms, if at all.

Transnet faces a number of risks relating to its ability to deliver its capital projects on time and within budget

Capital expansion and construction projects, including those currently in Transnet’s Capital Investment Programme, typically require substantial capital expenditure throughout the development phase, and may take months or years before they become operational, during which time Transnet is subject to a number of construction, financing, operating and other risks, many of which are beyond its control, including but not limited to:

- shortages or unavailability of materials, equipment and skilled and unskilled labour;
- increases in capital costs (including materials, engineering and construction costs) and/or operating costs (including costs of staff, services, utilities and supplies), including as a result of foreign exchange rate movements;
- adverse weather conditions and natural disasters;
- changes in demand for Transnet’s services;
- labour disputes and disputes with contractors and sub-contractors;
- inadequate infrastructure, including as a result of failure by third parties to provide utilities and transportation links that are necessary or desirable for the successful completion of a project;
- inadequate engineering, poor project management, or inadequate capacity;
- failure to complete projects according to specification;
- environmental regulations, including the need to perform feasibility studies and conduct remediation activities;
- accidents;
- political, social and economic conditions;
- changes in laws, rules, regulations and governmental priorities; and
- an inability to obtain and maintain project development permission or requisite governmental licenses, permits or approvals.

Transnet manages some of these risks by entering into Engineering, Procurement and Construction Management contracts, which provide Transnet with access to specialised skills in its capital projects delivery. Furthermore, Transnet is also subject to the risk that in an adverse financial environment it may be unable to obtain necessary financing on commercially reasonable terms or on terms as favourable as those budgeted, if at all.

If one or more of these risks materialises, it could negatively affect Transnet’s ability to complete its current or future projects on schedule, if at all, or within the estimated budget, and may

prevent Transnet from achieving the projected revenues, internal rates of return or capacity expected from such projects. Failure to complete the capital projects according to currently estimated timetables and budgets could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects.

Transnet is subject to risks associated with the impaired performance of its equipment and infrastructure due to their age and required maintenance

Transnet's business and operations depend upon the performance of its equipment and other working assets, such as its locomotives, wagons and other infrastructure. Transnet's success also depends on the successful operations of its infrastructure, including its network of ports, rails and freight lines. As its equipment and infrastructure age, their performance or effectiveness become impaired, often leading to decreased productivity as well as delays and costly maintenance. In recent years Transnet has incurred substantial costs and devoted significant time and resources to replacing outdated equipment. Any decrease in asset performance could negatively impact Transnet's business.

In recent years, Transnet has improved its maintenance programmes and has budgeted substantial amounts for infrastructure maintenance under its Capital Investment Programme. In the event that Transnet does not replace, maintain or repair its infrastructure in a timely manner it will face decreased asset performance as well as increased maintenance costs, delays and lost revenue due to unscheduled stoppages and derailments. Asset impairment and inadequate maintenance may reduce Transnet's competitive position and could have an adverse impact on Transnet's business, results of operations, financial condition and prospects.

Transnet is exposed to risks associated with the economic regulation of its business

The tariffs charged by Transnet Pipelines ("TPL") and Transnet National Ports Authority ("TNPA") for their services and facilities are subject to annual approval by the National Energy Regulator of South Africa ("NERSA") and the Ports Regulator (the "Ports Regulator"), respectively. In determining proposals for both tariffs, Transnet uses a revenue requirement model which has been accepted by NERSA for Financial Years 2009, 2010, 2011 and 2012 and has been accepted by the Ports Regulator in relation to the tariff applicable for the Financial Years 2011 and 2012. The intended effect of the model is to permit TPL and TNPA to earn an appropriate return on investment and recover all its costs. The uncertainty in respect of the setting of petroleum pipeline tariffs has been reduced as NERSA has refined its tariff methodology, allowing for more certain and predictable tariffs. However, in respect of TNPA's tariffs, significant regulatory uncertainty still exists as the Ports Regulator has not yet approved a tariff methodology.

In addition, the Department of Transport may institute tariff controls or approvals in the future through the establishment of a rail economic regulator.

Transnet Pipelines

Corporatisation and Levy

On 20 December 2007, Transnet was granted a licence pursuant to Section 16 of the Petroleum Pipelines Act to augment and replace parts of Transnet's existing petroleum pipeline network. This project is called the New Multi-Product Pipeline (the "NMPP") and was initiated in response to the Government's request to increase pipeline capacity in an effort to secure fuel supply in the central region of South Africa. As a result, the "security of supply" portion of the construction expenditure was to be funded by the Government. Accordingly, the South African Minister of Finance announced in his budget speech for the Financial Year 2010 that the Government has imposed a levy on consumers of 7,5 cents per litre on both diesel and petrol to help fund the construction of the NMPP. The levy is being paid by the Government to Transnet over a three-year period at R1,5 billion per annum, payable quarterly as R 375 million per quarter. Levy payments commenced in September 2010, with Transnet receiving total levy payments of R1,5 billion, representing payments in respect of the 2011 financial year.

Furthermore, in connection with the award of the security of supply levy, Transnet signed a grant funding agreement with the Government (through the Department of Energy) dated 22 June 2010. Clause 6.1.5 of this agreement requires that Transnet provide the Department of Energy

with quarterly reports relating to Transnet's progress in corporatising Transnet Pipelines, in accordance with a letter from the Minister of Public Enterprises to Transnet.

According to the current corporatisation proposal, Transnet will still continue to hold 100% of the future shares of Transnet Pipelines after the anticipated corporatisation and will consolidate Transnet Pipelines' financial results with its own. The purpose of the corporatisation of Transnet Pipelines is not to privatise Transnet Pipelines but to ensure the ring-fencing of the proceeds of the levy, and thereby ensure that the levy is applied for its intended purpose. Whether Transnet will proceed with the corporatisation, however, is still subject to Board approval.

Tariff Applications

In accordance with the Petroleum Pipelines Act, 2003 (the "**Petroleum Pipelines Act**"), NERSA is mandated to set petroleum pipeline tariffs and approve storage tariffs.

On 1 October 2010, Transnet submitted its 2012 petroleum pipeline tariff application to NERSA requesting a base revenue increase of 69 per cent plus an allowance to maintain Transnet's cash interest cover ratio at 3 times. Prior to its final decision on Transnet's 2012 petroleum pipeline tariffs, NERSA amended the applicable tariff methodology, including correcting the manner in which the cost of equity was calculated. As a result of the increase in the cost of equity, new assets commencing operation and therefore being included in the regulatory asset base and allowing an F-factor, NERSA approved a revenue increase of 59,99% in TPL revenue for its petroleum pipeline system for 2012.

On 29 July 2011, TPL submitted its petroleum pipeline tariff application for Financial Year 2013 to NERSA, requesting a basic revenue increase of 27 per cent. The application also included a request for an F-factor to enable TPL to achieve a cash interest cover of three times. It is expected that the application will be published shortly for stakeholder comment.

Pursuant to the Gas Act, 2001 (the "**Gas Act**"), Transnet must also submit its gas transmission tariffs to NERSA so that NERSA can "monitor and approve, and if necessary, regulate" Transnet's tariffs. In its decision to approve Transnet's 2010 gas transmission tariffs, NERSA required Transnet to re-negotiate certain clauses of Transnet's agreement with Sasol Gas Limited (the "GTA"). On 25 November 2010, Transnet applied to NERSA to approve its gas 2011 transmission tariffs, as reflected in the GTA as follows: 0-12MGJ: R7,90/GJ; >12MGJ – 18m GJ: R4,53/GJ; >18m GJ: R3,99/GJ. These tariffs were approved on 15 August 2011, and NERSA requested Transnet to provide it with progress regarding the outcome of the renegotiation process with Sasol Gas Limited by 31 October 2011.

Transnet National Ports Authority Tariffs

Sections 30 and 72 of the National Ports Act, 2005 (the "**National Ports Act**") require that TNPA submit annual tariff proposals to the Ports Regulator for approval and that, prior to any substantial alteration of a tariff, TNPA consult with the National Ports Consultative Committee, created by section 82 of the National Ports Act.

In line with the timeframes set out in the Port Directives for tariff submissions, TNPA submitted its tariff application for Financial Year 2011 to the Ports Regulator on 5 September 2009, proposing a 10,26 per cent. increase per annum, over three years, or a 19,13 per cent. increase in one year. On 19 January 2010, the Ports Regulator issued its decision to approve a 4,42 per cent. increase in TNPA's tariffs for Financial Year 2010. On 18 March 2010, the Ports Regulator published the reasoning for its decision which included reservations about Transnet's revenue requirement approach but did not specify an alternative. Following a review of this reasoning, Transnet has written to the Ports Regulator and communicated its objections to the manner in which the Ports Regulator calculated the tariff. Transnet also proposed that Transnet develop a tariff methodology to be considered by the Port Regulator when determining tariffs in the future. On 16 July 2010, Transnet submitted a discussion paper proposing the methodology to the Ports Regulator. Transnet submitted an updated discussion paper on 16 May 2011. Commitment from the Ports Regulator has been received that this proposal will be taken through a public process in due course.

On 31 July 2010, TNPA submitted its tariff application to the Ports Regulator for the Financial Year 2012, requesting an 11.91 per cent. increase in tariffs. In revenue terms this is an increase of 16 per cent., using projected 2011 revenue as a base, rather than the allowable revenue of R 6,020 million set by the Ports Regulator. The Ports Regulator held public hearings to consider the

calendar year 2012 TNPA tariff application. In its Record of Decision, the Ports Regulator calculated a revenue requirement of R6,523 million which it translated into a tariff increase of 4,49 per cent., based on spreading the claw-back of the "over recovery" of 2011 revenue over 2012 and 2013.

On 29 July 2011, TNPA submitted its tariff application to the Ports Regulator for the Financial Year 2013, requesting an 18,06 per cent. increase in tariffs. The Ports Regulator has published the application and is holding a series of stakeholder workshops in four major cities over the period 26 to 29 September 2011 on the application.

No assurance can be given that tariff proposals by TPL or TNPA will be approved by their respective regulators. Failure to receive approval for proposed tariff increases in the amounts and at the times proposed could materially adversely affect Transnet's business, results of operations, financial condition and prospects.

Transnet risks losing substantial assets to the Government should the National Environmental Management: Integrated Coastal Management Act, 2008 be fully enacted, in its current form

The main objective of the South African National Environmental Management: Integrated Coastal Management Act, 2008 (the "ICM"), is to provide for the coordinated and integrated management of the coastal zone by the Government in order to preserve, protect, extend and enhance South African coastal public property. The ICM seeks to achieve this objective by requiring that the ownership of all assets located in the coastal property zone be transferred to the Government, to be held in trust on behalf of all South Africans. Initially, it was unclear whether the ICM would apply to Transnet's approximately R 31 billion of port assets (book value at that time) that lie within the coastal property zone. Transnet appealed to the Department of Environmental Affairs to amend the ICM, or alternatively, to exclude Transnet from the application of the ICM, before it came into effect. Transnet subsequently obtained a letter from the Minister Environmental Affairs that acknowledges that the ICM creates unintended consequences for Transnet and that a decision had therefore been taken to delay the commencement of those sections of the ICM which place Transnet at risk. The Minister Environmental Affairs proposed further that proposals would be made on how to resolve the matter for the long term in order to try and ensure that Transnet's assets and operations within the ports are secure, and that Transnet is able to properly fulfil its port authority functions.

When the ICM came into operation on 1 December 2009, certain sections that could have otherwise required Transnet to transfer port assets to the Government were therefore specifically excluded from coming into operation. The purpose of excluding those sections was to provide both Transnet and the Government with the opportunity to address those sections of the ICM that would impact Transnet's port assets, specifically any transfers into state ownership.

As at 31 March 2011, Transnet's port infrastructure assets affected by the ICM are valued at R43,3bn. Transnet is in ongoing engagements with the Department of Environmental Affairs and the Department of Public Enterprises to ensure that the necessary draft amendments to the ICM remove the risk of ports assets being transferred out of Transnet. Once draft amendments have been formulated and taken through public consultation by the Department of Environment Affairs, Transnet expects that they will be proposed by the Minister of Environmental Affairs to the South African Parliament in calendar year 2012. Should the aforementioned sections of the ICM come into operation without amendments to the ICM protecting Transnet's assets, then it could have a material adverse affect on Transnet's business, results of operations, financial condition and prospects

The potential corporatisation of Transnet National Ports Authority poses risks to Transnet

The National Ports Act provides for the corporatisation of Transnet National Ports Authority. On 17 June 2008, the Government informed Transnet in writing that neither it nor the relevant Ministers (the Minister of Transport and the Minister of Public Enterprises) intended to initiate the corporatisation process, however, as at the Programme Date, the Government is still considering the matter at a policy level. If Transnet National Ports Authority is corporatised, it could have a material adverse impact on Transnet, both financially and strategically, and could trigger a default under one or more of Transnet's financing agreements including, but not limited to, Transnet's Domestic Medium Term Note Programme and Global Medium Term Note Programme and the Notes issued thereunder.

Transnet may be required to incur significant costs in order to comply with environmental laws and regulations

Transnet's operations are subject to extensive international, national and local laws and regulations governing, among other things, the loading, unloading and storage of hazardous materials and the protection of the environment, which laws and regulations change from time to time and are generally becoming more restrictive. The cost of compliance with environmental laws and regulations has been significant and is expected to continue to be significant, and Transnet may be liable for damages should an environmental violation occur. While Transnet has begun to implement the ISO 14001 environmental management systems in its operating divisions in order to institutionalise international best practices and develop a standardised approach to environmental safety, Transnet has experienced instances of non-compliance with environmental laws. Although Transnet believes that to date its non-compliance with environmental laws has not had a material adverse impact on it, no assurance can be given that the costs of complying with environmental laws, the imposition of civil or criminal liability for violations of environmental laws and/or liability for damages arising under environmental lawsuits or proceedings would not have a material adverse effect on Transnet's business, results of operations, financial condition and prospects. Furthermore, while Transnet maintains insurance coverage for environmental accidents, there is no guarantee that its insurance will be adequate to cover the possible costs of environmental matters, including the costs of litigation (including damages, fines and penalties) and remediation.

Licenses necessary for Transnet's businesses may expire, be revoked or not be renewed

Transnet conducts its operations pursuant to licenses granted to it by a number of government agencies. There can be no assurance, however, that Transnet's licenses will be renewed, that they will be extended or that they will not be revoked.

Pursuant to the National Ports Act, Transnet is deemed to hold all licenses required to operate the terminals and facilities in each of its ports, with the exception of those in the Port of Ngqura. Section 65(5) of the National Ports Act provides that: "*Transnet is, in respect of port services or port facilities provided or operated by the South African Port Operations Division of Transnet (National Ports Authority)... immediately prior to the commencement of this chapter, deemed to be the holder of a licence to provide port services or to operate port facilities, but must apply for such a licence within six months of the date determined by the Shareholding Minister by notice in the Gazette.*" (As of the date of this Programme Memorandum, the Shareholding Minister has not determined the date contemplated in this section.) However, because the container terminal at the Port of Ngqura (the "Container Terminal") was not yet operational at the commencement of the National Ports Act, Transnet Port Terminals does not have a deemed license to operate the Port of Ngqura. Transnet built and equipped the Port of Ngqura in accordance with the mandate given to Transnet in the Port of Ngqura Establishment Act, 1998 (the "**Port of Ngqura Establishment Act**"). Section 57(1) of the National Ports Act provides that: "*Unless an agreement contemplated in section 56 has been concluded, no person other than the Authority (Transnet National Ports Authority) may provide a port service or operate a port facility otherwise than in terms of a licence issued under this section.*" In order to ensure that the built Container Terminal assets were deployed to use, Transnet entered into an interim agreement with Transnet Port Terminals, effective from 1 October 2009, that authorises Transnet Port Terminals, on an interim basis, to operate the Container Terminal until such time that a licence issued for the Port of Ngqura. Transnet believes that this interim agreement is consistent with the requirements of the National Ports Act and with the Public Finance Management Act, 1999 (Act No. 1 of 1999) ("**PFMA**").

A loss of any of Transnet's material licenses, a finding that Transnet's licenses do not cover all of its current or proposed operations or a finding that Transnet National Ports Authority's agreement with Transnet Port Terminals does not authorize Transnet Port Terminals to finance and construct the Container Terminal could have a material adverse effect on Transnet's business, financial condition and results of operation.

Transnet's customer concentration and dependence on a few large industrial companies and their suppliers expose Transnet to risks

Transnet's ten largest customers in terms of revenue for Financial Year 2011 generated approximately 47 per cent. of its revenue. Transnet's volumes and revenues in its Freight Rail

division are primarily dependent on Transnet's relationships with a core group of customers, most of whom operate in the mining sector. Over the previous three Financial Years, Transnet's customer concentration has remained significant. In Financial Years 2011, 2010 and 2009, Transnet's twelve most significant customers comprised 42 per cent., 48 per cent. and 46 per cent., respectively of Transnet's Financial Year-end trade receivables carrying amount. In Financial Year 2011, Anglo American, Arcelor Mittal, BHP Billiton, Assmang, Sasol and Xstrata generated 10,4 per cent., 6,8 per cent., 5,8 per cent., 4,4 per cent., 3,7 per cent. and 3,7 per cent. respectively, of Transnet's total revenue. Transnet's ten largest general freight customers generated greater half of the revenue for the General Freight business in Financial Year 2011. Transnet's dependency upon core clients exposes it to risks associated with a slowdown or downturn in a particular sector and the risk that such a slowdown or downturn in the economy at large will similarly affect most of its core customers at the same time.

Transnet's business is exposed to the adverse effects of operational risks

Transnet's businesses, like all similar businesses, are subject to operational risks including but not limited to the following, which could result in losses, delays and business interruption, and could adversely impact Transnet's ability to provide services to its customers or ensure the timely delivery of customer cargo:

- inadequate or failed internal systems and processes, including those for identifying, managing and controlling risks and those related to information technology;
- inadequate documentation or failure to document or authorise transactions properly;
- human error of employees or third-party contractors or fraud, including corruption;
- equipment failures due to, among other things, the age of Transnet's infrastructure, demand in excess of capacity or inadequate maintenance;
- failure to comply with regulatory requirements;
- theft of copper cable and other infrastructure;
- natural disasters or the failure of external systems and controls outside of Transnet's control, including those of its suppliers and counterparties; and
- other operational risks specific to the transportation industry, including land disaster, mechanical failure, collisions, loss of life, injury, property losses to fixed assets, decreases or disturbances in commodity production, cargo loss or damage.

Although Transnet has implemented risk controls and mitigation programmes, and substantial resources are devoted to developing efficient and effective procedures and to staff training, it is not possible to be certain that such procedures will be effective in identifying, managing and controlling each of the operational risks faced by Transnet.

Transnet maintains insurance that it believes is consistent with industry practice within South Africa against the accident-related risks involved in the conduct of its business. However, this insurance may not be sufficient to cover, in whole or in part, damages to Transnet or others and this insurance may not continue to be available on similar terms or at commercially reasonable rates. In addition, the severity or frequency of events may result in losses or expose Transnet to liabilities in excess of its insurance cover. Transnet does not fully insure against certain risks. Should an incident occur in relation to which Transnet has no insurance cover or inadequate insurance cover, it may be financially liable for related losses. Losses or third party claims for damages could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects.

If any of these risks materialise, it could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects.

Transnet is subject to risks associated with a unionised workforce and may be adversely affected by changes in labour laws

A significant feature of Transnet's workforce is a high level of unionization. Union recognition is governed by a collective agreement. This agreement provides the framework for engagement,

consultation and negotiation with Transnet's two recognized unions, the members of which accounts for 85% of all non management employees. In the past Transnet's relationship with its unions was poorly managed. Over the past six years, Transnet has, through its recognition agreement redefined its relationship with the unions and moved away from the historic culture of co-determination. Whilst the introduction of progressive, good practice labour relations policies and practices has assisted in improving relationships with formally recognized unions, the recent Transnet strike provides a further opportunity to review negotiation structures and strategies to improve union engagement and promote mutually satisfactory labour relations.

Union recognition and wage agreements are negotiated annually. There is a risk that strikes or other types of conflict may occur at Transnet's operations.

Transnet is also subject to South African labour laws that provide for mandatory compensation to employees in the event of termination of employment for operational reasons and administrative and reporting requirements in respect of employment equity compliance. Non-compliance with labour law could result in large monetary penalties. Changes to existing regulations or the introduction of new regulations or licensing requirements may adversely affect Transnet's business.

Transnet is exposed to risks and costs related to health and safety

Transnet's operations are subject to health and safety laws and regulations designed to improve and to protect the safety and health of employees and the public. Although Transnet believes it complies in all material respects with national and international safety regulations, in Financial Year 2011 there were fatalities and injuries at some of Transnet's operations. Safety incidents may lead to business interruptions, loss of assets, harm to employees and the public, damage to the environment and adverse publicity resulting in damage to Transnet's reputation. The costs of complying with health and safety laws and regulations, and the imposition of civil or criminal liability for violations and/or liability for damages arising under personal injury or other legal actions could have a material adverse effect on Transnet's business, results of operations, financial condition and prospects. In addition, if these laws and regulations were to change and if material expenditure were then required in order to comply with such new laws and regulations, this could adversely affect Transnet's business, results of operations, financial condition and prospects.

Transnet is dependent upon key personnel, skilled and highly-skilled employees

Transnet's continued success is dependent, in part, on the ongoing services of its senior officers and employees, many of whom have significant experience within Transnet and may be difficult to replace, and in part on its ability to attract and retain top quality management and key staff (see "*Human Capital Strategy*" above).

During Financial Year 2009, Transnet's Group Chief Executive, Ms Ramos, resigned effective 28 February 2009 and her position was temporarily filled by the former Chief Financial Officer, Mr. Wells. Transnet's Chief Operating Officer also resigned effective 31 March 2009. On 1 November 2010, Mr. Wells resigned from the Company with effect from 31 March 2011. Transnet's Chairman also retired from the Board on 11 August 2009 and his position was temporarily filled by Professor Everingham. On 13 December 2010, a new Chairman, Mr. Mafika Mkwanzazi, was appointed. On 15 December 2010, the Board of Directors delegated the powers, duties and authority of the Group Chief Executive to the Chairman of the Board with effect from 16 December 2010, until the new Group Chief Executive, Mr. Brian Molefe was appointed by the Shareholder Representative. As required by the current Articles of Association and pursuant to the recruitment and selection process conducted by the Board, and in accordance with the guidelines issued by the Minister of Public Enterprises, the Minister appointed Mr. Molefe as the Group Chief Executive of the Company on 17 February 2011. Mr Mkwanzazi continued until 2 March 2011. Mr. Molefe was delegated with executive powers on 3 March 2011. Mr Wells, remained with the Company until 31 March 2011, to assist Mr. Mkwanzazi in an advisory capacity and to facilitate the handover to Mr. Molefe.

Transnet's success is also dependent upon skilled employees and, in common with similar businesses in South Africa, Transnet has experienced shortages of such employees in the past and expects it will do so in the future. The loss of senior officers, experts and skilled employees or the inability to recruit and retain skilled employees could negatively impact Transnet's ability to

successfully implement its Quantum Leap Strategy, which could in turn have a material adverse effect on Transnet's business, results of operations, financial condition and prospects.

HIV/AIDS poses risks to Transnet in terms of lost productivity and increased costs

Statistics South Africa has estimated that by the middle of 2010, 5,24 million or 10,5 per cent. of the South African population was living with HIV. The potential impact of HIV/AIDS on Transnet's operations and financial condition will be determined by a variety of factors, including the cost and effectiveness of the HIV/AIDS programme deployed by Transnet for the benefit of its employees, the incidence of HIV infection amongst Transnet's employees, the progressive impact of HIV/AIDS on infected employees' health and productivity and the medical and other costs associated with infection. Based on numbers compiled for use in Transnet's pension fund report, Transnet estimates that approximately 10 per cent. of its workforce may be infected by HIV, although Transnet can give no assurances as to the accuracy of this percentage. While it is not possible to determine with certainty Transnet's costs of managing HIV/AIDS or the impact that HIV/AIDS may have on Transnet in general, the incidence of HIV/AIDS amongst Transnet's workforce could adversely impact its business, results of operations, financial condition and prospects.

The Financial Risks Currently Facing Transnet

Transnet operates with a centralised Treasury, which performs a supporting role to its divisions and subsidiaries. The Treasury has the responsibility for the management of treasury and financial risks that Transnet is exposed to in pursuit of its business. Policy guidelines and limits to manage the financial risks and funding activities of Transnet are clearly defined in a Board approved Financial Risk Management Framework ("**FRM Framework**"). The objectives of the FRM Framework is to ensure that the financial, operational and strategic risks applicable to the funding, trading and investment activities are identified, monitored and appropriately managed in the context of the FRM Framework, the PFMA and other legislation and regulation.

The major financial risks the Transnet Group are exposed to are:

- Currency risk;
- Interest rate risk;
- Liquidity risk;
- Commodity risk.

Risk Mitigating Strategies:

The risks identified by Transnet Group are monitored and evaluated by the various governance structures of the Group. Operational and financial risk exposures are analysed and reported on a regular basis to the Risk Management Committee (see "*Corporate Governance*" above). The Board through its committees ensures that the appropriate risk management strategies are implemented that successfully mitigate the risk exposures.

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the government of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Because uncertificated Notes are held by or on behalf of the CSD, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme which are listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange and/or immobilised in the CSD may, subject to applicable laws and the Applicable Procedures, be issued in uncertificated form. Unlisted Notes may also be lodged and immobilised in the CSD in uncertificated form. Notes held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in Notes issued in uncertificated form, which are held in the CSD (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.

Payments of principal and/or interest in respect of uncertificated Notes will be made to the CSD and/or the Participants and the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the CSD and/or the Participants for distribution to their account holders. A holder of a Beneficial Interest in uncertificated Notes, whether listed or unlisted, must rely on the procedures of the CSD to receive payments under the relevant Notes. Each investor shown in the records of the CSD and/or the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes. The Issuer has no

responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.

Holders of Beneficial Interests in uncertificated Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

Credit Rating

Tranches of Notes issued under the Programme, the Issuer and/or the Programme may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

Risks related to the structure of the particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-Linked and Dual Currency Notes

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Note to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”) or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Modification and waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The Notes are governed by, and will be construed in accordance with, South African law in effect as at the Programme Date. No assurance can be given as to the impact of any possible judicial decision or change to South African law or administrative practice in South Africa after the Programme Date.

REGULATION

Capitalised terms used in this section headed “Regulation” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Set out below is a summary of material information concerning the regulation of Transnet’s business. This description does not purport to be a complete description of all applicable laws and regulations and should not be read as such.

Transnet is a state-owned company whose sole shareholder is the Government of South Africa. As a public entity, Transnet is governed by many laws and regulations. This section discusses certain material laws and regulations that govern the everyday activities of Transnet and requires that Transnet be issued with certain operating licences.

Legislation Affecting Public Entities

Three significant laws applicable to Transnet are the Legal Succession to the South African Transport Services Act, 1989 (the “**Legal Succession Act**”), the PFMA and the Companies Act, 1973. Transnet is established under the terms of the Legal Succession Act as a company that is owned by the Government, and its financial affairs are governed by the PFMA. The object of the PFMA is to secure transparency, accountability, and sound management of the revenue, expenditure, assets and liabilities of the institutions to which it applies. Section 66(3)(a) of the PFMA allows Transnet, as a Schedule 2 public entity, to borrow money, issue a guarantee, indemnity or security, or enter into any other transaction that binds Transnet to future financial commitments. However, Transnet may not delegate such a power without the prior written approval of the Minister.

Section 56(1)(a) of the PFMA allows Transnet’s accounting authority to delegate any of its functions to its Group Chief Executive, and other officers of the company, including the authority to sign certain documents on behalf of Transnet. The accounting authority for Transnet is its Board of Directors.

Companies Act

Transnet is subject to the applicable provisions of the Companies Act, 2008 (which has replaced the Companies Act, 1973) Transnet is subject to the applicable provisions of the Companies Act, 2008 (as amended from time to time) (the “**New Companies Act**” or the “**Act**”) which replaced the Companies Act, 1973. The New Companies Act came into effect on 1 May 2011. In terms of the New Companies Act Transnet is defined as a State-Owned Company and as such its memorandum of incorporation is deemed to have been amended to change its name to end with the expression SOC Ltd from the effective date. Transnet is subject to the enhanced accountability and transparency provisions of the New Companies Act, it may, however, apply to the Minister of Trade and Industry to be totally, partially or conditionally exempted from one or more provisions of the New Companies Act on the grounds that those provisions overlap or duplicate an applicable regulatory scheme established in terms of any other national legislation.

Since the promulgation of the New Companies Act, Transnet has utilised the window of opportunity prior to the Act’s commencement to assess its level of compliance and where necessary develop controls for compliance with the Act, and has reviewed its structures and governance arrangements with a view to ensuring alignment with the Act.

Occupational Safety and Environmental Regulation

Transnet and its operating divisions are subject to a number of safety and environmental regulations. These include the Occupational Health and Safety Act, 1993 (“**OHSA**”), the National Environmental Management Act, 1998 (“**NEMA**”), the National Railway Safety Regulator Act, 2002 (the “**National Railway Safety Act**”) and the Hazardous Substances Act, 1973 (the “**Hazardous Substances Act**”) (see “*Investor Considerations - Transnet may be required to incur significant costs in order to comply with environmental laws and regulations*” above).

Transnet’s operating divisions employ tens of thousands of employees. Some activities carried out by these operating divisions expose employees to various health and safety risks. As a result, Transnet is required to comply with various regulations that are aimed at protecting the

health and safety of its employees while at work against hazards to their health and safety arising out of or in connection with their activities at work. Under the OHSA, Transnet is required to have health and safety representatives in the workplace. The National Railway Safety Act requires railway operators to implement and maintain adequately resourced and documented safety measures that are consistent with the South African Standard for Railway Safety Management.

Under the terms of the Hazardous Substances Act, Transnet is required to obtain a license to use certain hazardous substances in its operations. A license is also required for Transnet to keep or install certain groups of hazardous substances in any premises of Transnet.

The Hazardous Substances Act categorises hazardous substances into different groups. Under the terms of NEMA, Transnet is required to submit environmental assessment reports for carrying on certain activities that affect the environment. NEMA provides for co-operative environmental governance by establishing principles for decision-making on matters affecting the environment.

Employment Legislation

Transnet, as an employer, is required to comply with the Labour Relations Act, 1995 (the “**LRA**”), the Basic Conditions of Employment Act, 1997 (the “**BCEA**”) and the Employment Equity Act, 1998 (the “**EEA**”). The LRA aims to advance economic development, social justice, labour peace and the democratisation of the workplace. The LRA further aims to give effect to and regulates the fundamental rights (including the right to food, water and social security) conferred by section 27 of the Constitution of the Republic of South Africa, 1996. Transnet is expected to comply with the requirements of affirmative action in employing all levels of employees. Furthermore, Transnet is required to comply with the basic conditions of employment as determined in the BCEA. As a Government owned company, Transnet is also required to fully comply with the Broad-Based Black Economic Empowerment Act (“**BBBEE Act**”) and the codes issued thereunder. Part of ensuring that Transnet complies with BBBEE Act it aims to promote economic transformation in its activities in order to enable meaningful participation of black people in the economy as required by the BBBEE Act. (See “*Risk Factors – Transnet is subject to risks associated with a unionised workforce and may be adversely affected by changes in labour laws*”).

Transnet Pipelines

Transnet Pipelines operates under the regulatory framework of the Petroleum Pipelines Act, the Gas Act and the National Energy Regulator Act, 2004 (the “**National Energy Regulator Act**”). The aim of the Petroleum Pipelines Act is to establish a national regulatory framework for petroleum pipelines; to establish a Petroleum Pipelines Regulatory Authority as the custodian and enforcer of the national regulatory framework and to provide for matters that are ancillary thereto. The Gas Act aims to promote the orderly development of a piped gas industry, establish a national regulatory framework; establish a National Gas Regulator as custodian and enforcer of the national regulatory framework and provide for matters that are ancillary thereto. The National Energy Regulator Act endeavours to establish a single regulator to regulate the electricity, piped gas and petroleum pipeline industries and to provide for matters that are ancillary thereto. More specifically, section 3 of the National Energy Regulator Act provides for the establishment of NERSA. Under section 4 of the National Energy Regulator Act, NERSA is mandated, inter alia, to undertake the functions of the Petroleum Pipelines Regulatory Authority and the Gas Regulator, set out in section 4 of the Petroleum Pipelines Act and the Gas Act, respectively. In achieving its mandate, NERSA assumes the role of custodian and enforcer of the national regulatory framework in the petroleum pipelines and piped-gas industries.

Under the Petroleum Pipelines Act, Transnet Pipelines is required to obtain licenses for construction and operation of petroleum pipelines, loading facilities and storage facilities, which licenses are issued by NERSA. A license issued under the Petroleum Pipelines Act is valid for a period of 25 years and may be renewed.

Transnet has been granted a petroleum pipeline operating license as well as a construction license for the NMPP. In November 2009, NERSA granted Transnet a license for its gas transmission pipeline.

Transnet submitted an application to amend its petroleum pipeline operating licence to NERSA to include in its operating licence, the completed 16-inch pipelines which became operation in the first half of the 2011 calendar year. NERSA has considered this application and amended the petroleum pipeline operating licence. Two further petroleum pipeline licence amendment applications were submitted to NERSA and are being considered. These are an amendment to the operating licence to include the 24 inch trunkline and accumulation facilities and a licence to construct a new 12-inch link pipeline aimed at connecting the old 18 inch mothballed crude oil pipeline at Island View to the new 24 inch trunkline from Durban to Jameson Park. The latter forms part of the interim NMPP Coastal Terminal by-pass arrangement and will be converted to carry refined products from the existing Transnet Pipelines' refined products Durban pump station. On 26 November 2010, Transnet's Board of Directors approved a revised schedule for the completion of the NMPP and also revised the total cost estimate of the project from R 15,4 billion to R 23,4 billion.

National Ports Act

The National Ports Act, 2005 provides for the administration of certain ports by the Transnet National Ports Authority (the "**National Ports Authority**"). In this regard, the Act treats the National Ports Authority, as a separate entity with specific powers. The main function of the National Ports Authority is to own, manage, control and administer ports to ensure their efficient and economic functioning. The activities of the National Ports Authority are monitored by the Ports Regulator to ensure that the National Ports Authority performs its functions in accordance with the Act.

There are current deliberations between Transnet and the Department of Public Enterprises on proposed amendments to some provisions of the Act, particularly the removal of the sections that require corporatisation of the National Ports Authority as well as the sections that contemplate a separate board for the National Ports Authority.

National Key Points Act

Under the terms of the National Key Points Act, 1980, the Minister of Police may at any time declare any place or area a National Key Point if, in the opinion of the Minister of Police, such place or area is so important that its loss, damage, disruption or immobilisation may prejudice the country or whenever he considers it necessary or expedient for the safety of South Africa or in the public interest. On receipt of a notice of such declaration by the Minister of Police, the owner of the National Key Point concerned shall after consultation with the Minister of Police, at his own expense take steps to the satisfaction of the Minister of Police in respect of the security of the said National Key Point. Transnet is required to comply with a notice from the Minister of Police in relation to certain operations of Transnet Pipelines, as they have been declared National Key Points. Transnet would in future, also be required to comply with any additional Minister of Police notices should any of its other operations be declared National Key Points.

SETTLEMENT, CLEARING AND TRANSFER OF NOTES

Capitalised terms used in this section headed “Settlement, Clearing and Transfer of Notes” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Notes listed on the Interest Rate Market of the JSE and/or held in the CSD

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE in uncertificated form will be held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.

Clearing systems

Each Tranche of Notes listed on the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the rules and operating procedures for the time being of the JSE and the CSD through the electronic settlement system of the CSD. Such Notes will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD.

The CSD has, as the operator of an electronic clearing system, been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Subject as aforesaid each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions, and will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the CSD. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and/or the Dealer(s).

Participants

The CSD maintains accounts only for Participants. As at the Programme Date, the Participants which are approved by the JSE, in terms of the debt listings requirements of the JSE, as Settlement Agents to perform electronic settlement of funds and scrip are Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear, as operator of the Euroclear System, and Clearstream will settle off-shore transfers in the Notes through their Participants.

Settlement and clearing

Participants will be responsible for the settlement of scrip and payment transfers through the CSD, the JSE and the South African Reserve Bank.

While a Tranche of Notes is held in the CSD, the CSD's Nominee, a Wholly Owned Subsidiary of the CSD approved by the Registrar of Securities Services in terms of the Securities Services Act, and any reference to “CSD's Nominee” shall, whenever the context permits, be deemed to include any successor nominee operating in terms of the Securities Services Act, will be named in the Register as the sole Noteholder of the Notes in that Tranche. All amounts to be paid and all rights to be exercised in respect of Notes held in the CSD will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the Nominal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The CSD's Nominee (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or held in uncertificated form will be made to the CSD's Nominee, as the registered Noteholder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the CSD or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the CSD or the relevant Participant, as the case may be, for such person's share of each payment so made by (or on behalf of) the Issuer to, or for the order of, the CSD's Nominee, as the registered Noteholder of such Notes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or held in uncertificated form will be recorded by the CSD's Nominee, as the registered Noteholder of such Notes, distinguishing between interest and principal, and such record of payments by the CSD's Nominee, as the registered Noteholder of such Notes, shall be *prima facie* proof of such payments.

Transfers and exchanges

Title to Beneficial Interest held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Title to Beneficial Interests held by Participants directly through the CSD will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD for such Participants. Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 14.2 (*Transfer of Notes represented by Individual Certificates*).

Records of payments, trust and voting

Neither the Issuer nor the Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. Neither the Issuer nor the Paying Agent nor the Transfer Agent will be bound to record any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

BESA Guarantee Fund Trust

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the BESA Guarantee Fund Trust. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of the Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the BESA Guarantee Fund Trust.

Notes listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Financial Exchange. The settlement and redemption procedures for a Tranche of Notes which is listed on any Financial Exchange (other than or in addition to the Interest Rate Market of the JSE) will be specified in the Applicable Pricing Supplement.

SUBSCRIPTION AND SALE

Capitalised terms used in this section headed "Subscription and Sale" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Dealers have in terms of the amended and restated programme agreement dated 25 October 2011, as may be amended, supplemented or restated from time to time (the "**Programme Agreement**"), agreed with the Issuer a basis upon which they may from time to time agree to subscribe for Notes or procure the subscription of the Notes.

Selling restrictions

South Africa

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not solicit any offers for subscription for or sale of the Notes in that Tranche, and will itself not sell the Notes in that Tranche of Notes, in South Africa, in contravention of the Companies Act, the Banks Act, the Exchange Control Regulations and/or any other applicable laws and regulations of South Africa in force from time to time.

United States

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) the Notes in that Tranche have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act;
- (b) it has not offered, sold or delivered any Notes in that Tranche and will not offer, sell or deliver any Notes in that Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 (forty) days after completion of the distribution, as determined and certified by the Dealer or, in the case of an issue of such Notes on a syndicated basis, the relevant Lead Manager, of all Notes of the Series of which that Tranche of Notes is a part, within the United States or to, or for the account or benefit of, U.S. persons;
- (c) it will send to each dealer to which it sells any Notes in that Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons; and
- (d) it, its affiliates and any persons acting on its or any of its affiliates behalf have not engaged and will not engage in any directed selling efforts in the United States (as defined in Regulation S under the Securities Act) with respect to the Notes in that Tranche and it, its affiliates and any persons acting on its or any of its affiliates' behalf have complied and will comply with the offering restrictions requirements of Regulation S.

Until 40 (forty) days after the commencement of the offering of a Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the Securities Act.

European Economic Area

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of any of such Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of any of such Notes to the public in that Relevant Member State:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive and/or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive and ending on the date which is 12 (twelve) months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 (two hundred and fifty) employees during the last financial year; (2) a total balance sheet of more than €43 000 000 and (3) an annual turnover of more than €50 000 000 as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “*offer of Notes to the public*” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “*Prospectus Directive*” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) in relation to any of the Notes in that Tranche which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any of such Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act, 2000 (the “**FSMA**”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any of the Notes in that Tranche in circumstances in which section 21(1) of the FSMA does not apply to the Issuer;
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any of the Notes in that Tranche in, from or otherwise involving the United Kingdom.

General

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to agree that:

- (a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales;
- (b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

Neither the Issuer nor any of the Dealer represent that Notes may at any time lawfully be subscribed for or sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to any exemption available thereunder or assumes any responsibility for facilitating such subscription or sale.

SOUTH AFRICAN TAXATION

Capitalised terms used in this section headed “South African Taxation” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The comments below are intended as a general guide to the relevant tax laws of South Africa as at the Programme Date. The contents of this section headed “South African Taxation” do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

Securities Transfer Tax

The issue, transfer and redemption of the Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007 (the “STT Act”) because the Notes do not constitute “securities” as defined in the STT Act. Any future transfer duties and/or taxes that may be introduced in respect of (or applicable to) the transfer of Notes will be for the account of holders of the Notes.

Value-Added Tax

No value-added tax (“VAT”) is payable on the issue or transfer of the Notes. The issue, sale or transfer of the Notes constitute “financial services” as defined in section 2 of the Value-Added Tax Act, 1991 (the “VAT Act”). In terms of section 2 of the VAT Act, the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security as well as the buying and selling of derivatives constitute a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act.

However, commissions, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes that constitute “debt securities” as defined in section 2(1)(iii) of the VAT Act will be subject to VAT at the standard rate (currently 14 per cent), except where the recipient is a non-resident as contemplated below.

Services (including exempt financial services) rendered to non-residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(l) of the VAT Act.

Income Tax

Under current taxation law effective in South Africa, a “resident” (as defined in section 1 of the Tax Act, 1962 (the “Income Tax Act”) is subject to income tax on his/her world-wide income. Accordingly, all holders of Notes who are residents of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any income (including income in the form of interest) earned in respect of the Notes.

Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to applicable double taxation treaties). Interest income is deemed to be derived from a South African source if it is derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of “interest bearing arrangement”. The place of utilisation or application of funds will, unless the contrary is proved, be deemed, in the case of a juristic person, to be that juristic person’s place of effective management. As at the Programme Date the Issuer has its place of effective management in South Africa. Accordingly, if the funds raised from the issuance of any Tranche of Notes are applied by the Issuer in South Africa, the interest earned by a Noteholder will be deemed to be from a South African source and subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the SA Income Tax Act (see below).

Under section 24J of the Income Tax Act, any discount or premium to the nominal amount of a Tranche of Notes is treated as part of the interest income on the Notes. Interest income which accrues (or is deemed to accrue) to the holder of Notes is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day-to-day basis until that holder disposes of the Notes or until maturity unless an election has been made by the holder (if the holder is entitled under Section 24J of the Income Tax Act to make such election) to treat its Notes as trading stock on a mark to market basis. This day-to-day basis accrual is determined by calculating the yield to maturity and applying it

to the capital involved for the relevant tax period. In practice the premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Income Tax Act.

Under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a holder who, or which, is not a resident of South Africa during any year of assessment is exempt from income tax, unless that person:

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 (one hundred and eighty-three) days in aggregate during that year of assessment; or
- (b) at any time during that year of assessment carried on business through a permanent establishment in South Africa.

If a holder does not qualify for the exemption under Section 10(1)(h) of the Income Tax Act, exemption from, or reduction of any income tax liability may be available under an applicable double taxation treaty.

Certain entities may be exempt from income tax. Prospective subscribers for or purchasers of Notes are advised to consult their own professional advisors as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act.

Capital Gains Tax

Capital gains and losses on the disposal of Notes by residents of South Africa are subject to capital gains tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest), be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person through which a trade is carried on in South Africa during the relevant year of assessment.

Purchasers are advised to consult their own professional advisors as to whether a disposal of Notes will result in a liability to capital gains tax.

Withholding Tax

Under current taxation law in South Africa, all payments made under the Notes to resident and non-resident Noteholders will generally be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa.

However, the Taxation Laws Amendment Act, 2010 introduces a withholding tax on interest. The withholding tax legislation will apply in respect of interest received or accrued on or after 1 January 2013 and imposes a withholding tax of 10 (ten) per cent of the amount of any interest received by or accruing to any foreign person that is not a controlled foreign company. For the purposes of the withholding tax, a "*foreign person*" is defined as any person that is not a resident. Accordingly, to the extent that any interest is paid to holders who are South African tax residents, the withholding tax will not apply.

In terms of the legislation, interest received by or accrued to a foreign person during any year of assessment in respect of any listed debt instrument will be exempt from the withholding tax on interest. In terms of the legislation, a "*listed debt instrument*" is a debt instrument that is listed on a recognised exchange as defined in the Income Tax Act. A "*debt instrument*" is defined as any loan, advance, debt, bond, debenture, bill, promissory note, banker's acceptance, negotiable certificate of deposit or similar instrument. Also exempt from the withholding tax on interest is any interest in respect of a debt owed by a foreign person unless the foreign person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during a year of assessment or who at any time during a year of assessment carried on business in South Africa through a permanent establishment. Accordingly, to the extent that the holder and Issuer of Notes in respect of which interest is paid, are not South African tax residents, the withholding tax will not apply in respect of the Notes.

Definition of Interest

The references to “*interest*” above mean “*interest*” as understood in South African tax law. The statements above do not take account of any different definitions of “*interest*” or “*principal*” which may prevail under any other law or which may be created by the Terms and Conditions or any related documentation.

SOUTH AFRICAN EXCHANGE CONTROL

Capitalised terms used in this section headed “South African Exchange Control” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The information below is a summary and intended as a general guide to the position under the Exchange Control Regulations as at the Programme Date. The Exchange Control Regulations are subject to change at any time without notice. The contents of this section headed “South African Exchange Control” do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

Non-South African resident Noteholders and emigrants from the Common Monetary Area

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the Applicable Terms and Conditions may be subject to the Exchange Control Regulations.

Blocked Rand

Blocked Rand may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rand may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

Emigrants from the Common Monetary Area

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed “*emigrant*”. Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant’s blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an “*emigrant*” account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder’s Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed “*non-resident*”. In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD, the securities account maintained for such Noteholder by the relevant Participant will be designated as a “*non-resident*” account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident’s nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed “*non-resident*” or the relevant securities account has been designated as a “*non-resident*” account, as the case may be.

For purposes of this section, “**Common Monetary Area**” means South Africa, Lesotho, Namibia, and Swaziland.

GENERAL INFORMATION

Capitalised terms used in this section headed "General Information" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa as at the Programme Date have been given for the establishment of the Programme and the issue of Notes and for the Issuer to undertake and perform its obligations under the Programme Memorandum and the Notes.

Listing

The Programme Memorandum was approved by the JSE on 25 October 2011. Notes to be issued under the Programme will be listed on the Interest Rate Market of the JSE or any other Financial Exchange. Unlisted Notes may also be issued under the Programme Memorandum.

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the documents incorporated under the section headed "*Documents Incorporated by Reference*" will, when published, be available at the registered office of the Issuer as set out at the end of this Programme Memorandum. The audited annual financial statements and the half-year financial results of the Issuer are also available on the Issuer's website, www.transnet.net. In addition, this Programme Memorandum as amended and/or restated and/or supplemented from time to time and all Applicable Pricing Supplements will be available on the Issuer's website and the JSE's website, www.jse.co.za.

Material Change

Save as disclosed in this Programme Memorandum, there has been no material change in the financial or trading position of the Issuer since the date of the Issuer's latest audited financial statements.

Litigation

Save as disclosed herein, the Issuer has not been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had a material effect on the financial position of the Issuer.

Auditors

Deloitte & Touche have acted as the auditors of the financial statements of the Issuer for the financial years ended 31 March 2009, 2010 and 2011 and, in respect of those years, have issued unqualified audit reports.

ISSUER

Transnet SOC Ltd

(registration number: 1990/000900/06)
Address: Room 4305, 43rd Floor
Carlton Centre
150 Commissioner Street
Johannesburg, 2001
South Africa
Postal Address: PO Box 72501
Parkview, 2122
South Africa
Contact: The Group Treasurer

ARRANGER

Transnet SOC Ltd

(registration number: 1990/000900/06)
Address: Room 4305, 43rd Floor
Carlton Centre
150 Commissioner Street
Johannesburg, 2001
South Africa
Postal Address: PO Box 72501
Parkview, 2122
South Africa
Contact: The Group Treasurer

DEALERS

Transnet SOC Ltd

(registration number: 1990/000900/06)
Address: Room 4305, 43rd Floor
Carlton Centre
150 Commissioner Street
Johannesburg, 2001
South Africa
Postal Address: PO Box 72501
Parkview, 2122
South Africa
Contact: The Group Treasurer

Absa Capital,

a division of Absa Bank Limited
(registration number: 1986/004794/06)
Address: 15 Alice Lane
Sandton, 2146
South Africa
Postal Address: Private Bag X10056
Sandton, 2146
South Africa
Contact: Ms Prasanna Nana

Deutsche Bank AG, Johannesburg Branch

(registration number: 1998/003298/10)
Address: 3 Exchange Square
87 Maude Street
Sandton, 2196
South Africa
Private Bag X9933
Sandton, 2146
South Africa
Contact: Mr Lelo Rantloane

Investec Bank Limited

(registration number: 1969/004763)
Address: 100 Grayston Drive
Sandown
Sandton, 2196
South Africa
Postal Address: PO Box 785700
Sandton, 2146
South Africa
Contact: Ms Leigh Cunningham-Scott

Nedbank Capital,
a division of Nedbank Limited
(registration number: 1951/000009/06)
Address: 135 Rivonia Road
Sandown
Sandton, 2196
South Africa
Postal Address:
PO Box 1144
Johannesburg, 2000
South Africa
Contact: Mr Samson Xulu

Rand Merchant Bank,
a division of FirstRand Bank Limited
(registration number: 2000/001225/06)
Address: 1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton, 2146
South Africa
Postal Address: PO Box 786273
Sandton, 2146
South Africa
Contact: Ms Ayanda Sisulu-Dunstan

The Standard Bank of South Africa Limited,
acting through its Corporate and Investment Banking division
(registration number: 1962/000738/06)
Address: 3 Simmonds Street
Johannesburg, 2001
South Africa
Postal Address: PO Box 61344
Marshalltown, 2107
South Africa
Contact: Mr Andrew Costa

TRANSFER AGENT AND CALCULATION AGENT

Transnet SOC Ltd
(registration number: 1990/000900/06)
Address: Room 4305, 43rd Floor
Carlton Centre
150 Commissioner Street
Johannesburg, 2001
South Africa
Postal Address: PO Box 72501
Parkview, 2122
South Africa
Contact: The Group Treasurer

PAYING AGENT
The Standard Bank of South Africa Limited,
acting through its Corporate and Investment Banking division
(Registration Number 1962/000738/06)
Address: 3 Simmonds Street
Johannesburg, 2001
South Africa
Postal Address: PO Box 61344
Marshalltown, 2107
South Africa
Contact: Mr Andrew Costa

JSE DEBT SPONSOR

Transnet SOC Ltd

(registration number: 1990/000900/06)

Address: Room 4305, 43rd Floor

Carlton Centre

150 Commissioner Street

Johannesburg, 2001

South Africa

Postal Address: PO Box 72501

Parkview, 2122

South Africa

Contact: The Group Treasurer

LEGAL ADVISERS TO THE ISSUER, ARRANGER AND DEALERS

Bowman Gilfillan Incorporated

(registration number: 1998/021409/21)

Address: 165 West Street

Sandown

Sandton, 2196

South Africa

Postal Address: PO Box 785812

Sandton, 2146

South Africa

Contact: Mr Casper van Heerden

AUDITORS TO THE ISSUER

Deloitte & Touche

Address: Deloitte Place

The Woodlands

20 Woodlands Drive

Woodmead, 2199

Johannesburg

South Africa

Postal Address: Private Bag X 6, Gallo Manor

Johannesburg, 2052

South Africa

Contact: Mr Mgcinisihlalo Jordan

A handwritten signature in black ink, consisting of a large, stylized initial 'F' or 'F' followed by a series of loops and a long, sweeping tail.