

PRESENTATION TO THE PORTFOLIO COMMITTEE ON PUBLIC ENTERPRISES

TRANSNET LIMITED'S ANNUAL REPORT: 2007/2008

26 AUGUST 2008



- **OPENING REVIEW BY CHAIRMAN** **FRED PHASWANA**
- **OVERVIEW OF PERFORMANCE OF TRANSNET** **MARIA RAMOS**
- **REVIEW OF FINANCE PERFORMANCE** **CHRIS WELLS**
- **HUMAN RESOURCES STRATEGY AND PROGRESS** **PRADEEP MAHARAJ**
- **TRANSNET CAPITAL PROJECTS** **MOIRA MOSES**
- **OPERATING DIVISIONS REVIEW** **CHIEF EXECUTIVES**
- **CONCLUSION AND WAY FORWARD** **MARIA RAMOS**

The compact with the Shareholder sets out:

- Transnet's mandate;
- The strategic objectives to be attained by Transnet; and
- The Key Performance Areas and Indicators to measure Transnet's performance during a defined period.

“The mandate for Transnet remains as determined by the company’s founding documents, by prevailing legislation and by the Shareholder Compact”

Transnet’s key role is to assist in lowering the cost of doing business in South Africa and enabling economic growth through providing appropriate ports, rail and pipeline infrastructure and operations in a cost effective and efficient manner and within acceptable benchmark standards.

KEY PERFORMANCE RESULTS 2007/08: COMPACT WITH SHAREHOLDER

	KPI Measure	Target	Actual	Result
Volume and Revenue Growth	Volume increase (weighted)	9.4%	5.0% ¹⁾	✗
	Tariff increase (weighted)	5.1%	9.5% ²⁾	↑
Financial Value Creation	EBITDA Margin (%)	35.1%	43.8%	✓
	Cash interest cover (times)	4.3	7.0	✓
	CFROI ®	4.3%	7.4%	✓
	Gearing (%)	43.9%	29.0%	✓
Infrastructure and Maintenance	Capital Expenditure (Rm)	>90% of Target	15 780	✓
	Total Maintenance (TFR)	>90% of Target	6 601	✓
Human Capital	Training spend	>3.0%	3.4%	✓

1) Mainly due to lower coal and Iron ore volumes exported.

2) The tariff increase represents the combined impact of nominal tariff increases as well as changes in product mixes during the year under review, resulting in an overall increase in gross revenue per unit.

4 KEY AREAS IN COMPACT	DEFINED OUTPUTS
1. Capital and financial efficiency	<ul style="list-style-type: none">- Strong balance sheet- Appropriate gearing- Cost effective funding
2. Operating efficiency and effectiveness	<ul style="list-style-type: none">- Volume growth (especially GFB)- Operating margin improvement- Business re-engineering- Exit non-core businesses- Competitively priced services
3. Infrastructure Investments	<ul style="list-style-type: none">- Correlation between budget and actual capital spending- Implement maintenance plan
4. Development	<ul style="list-style-type: none">- Investment program (ASGISA); logistics cost reduction- Skills development- BEE

- **Satisfactory progress made in implementing Transnet's strategy:**
 - **Significant investment in human and physical capital;**
 - **Strong governance and risk processes;**
 - **Achieved all the financial objectives – strong balance sheet; and**
 - **Now focused on core Businesses – major non-core assets disposed off.**
- **Progressive roll out of capital investment**
- **Platform created for strong growth and service delivery.**

MARIA RAMOS

OVERVIEW OF PERFORMANCE OF TRANSNET LIMITED



INTRODUCTION: MANDATE, VISION AND MISSION

Vision and mission:

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

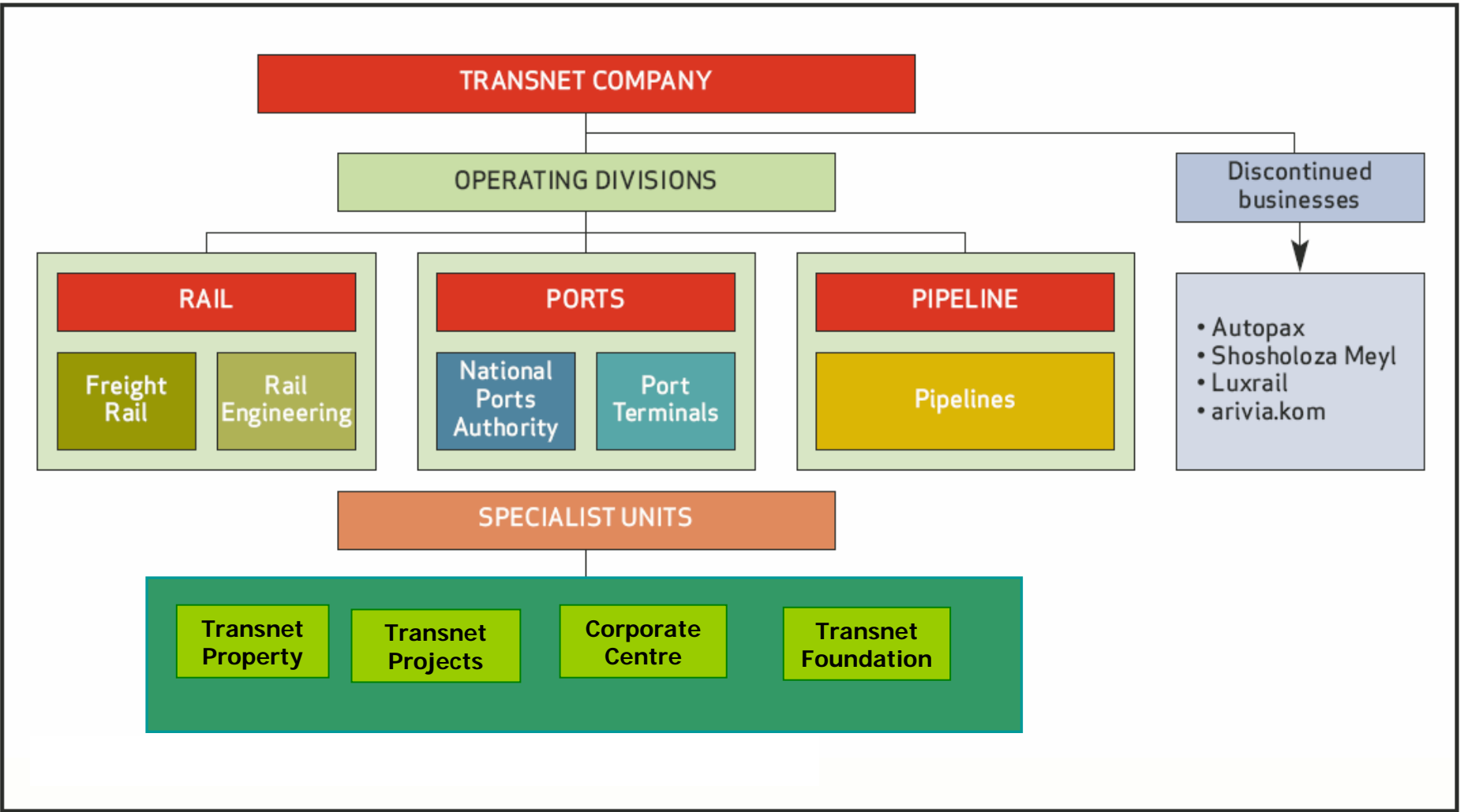
Values:

We would like our customers -

- to prefer us because we are reliable, trustworthy, responsive and safe;

and because:

- our employees are committed, safety conscious, accountable, ethical, disciplined and results orientated.



THE TURNAROUND STRATEGY RESTED ON 4 PILLARS

TRANSNET

Business Re-engineering

- To establish a focused and integrated freight logistics business.
- Productivity and efficiency improvement through re-engineering programme.
- Reorient company towards its customers.
- Restructure and redefine role of Corporate office to lead and support the turnaround.
- Investment plan to address backlog and create capacity.

Strategic Balance Sheet Management

- Dispose of non-core assets to release cash locked up.
- Improve the returns on assets ($>WACC$).
- Optimise cash flow and cash management.
- Strategic asset/liability management to improve gearing.

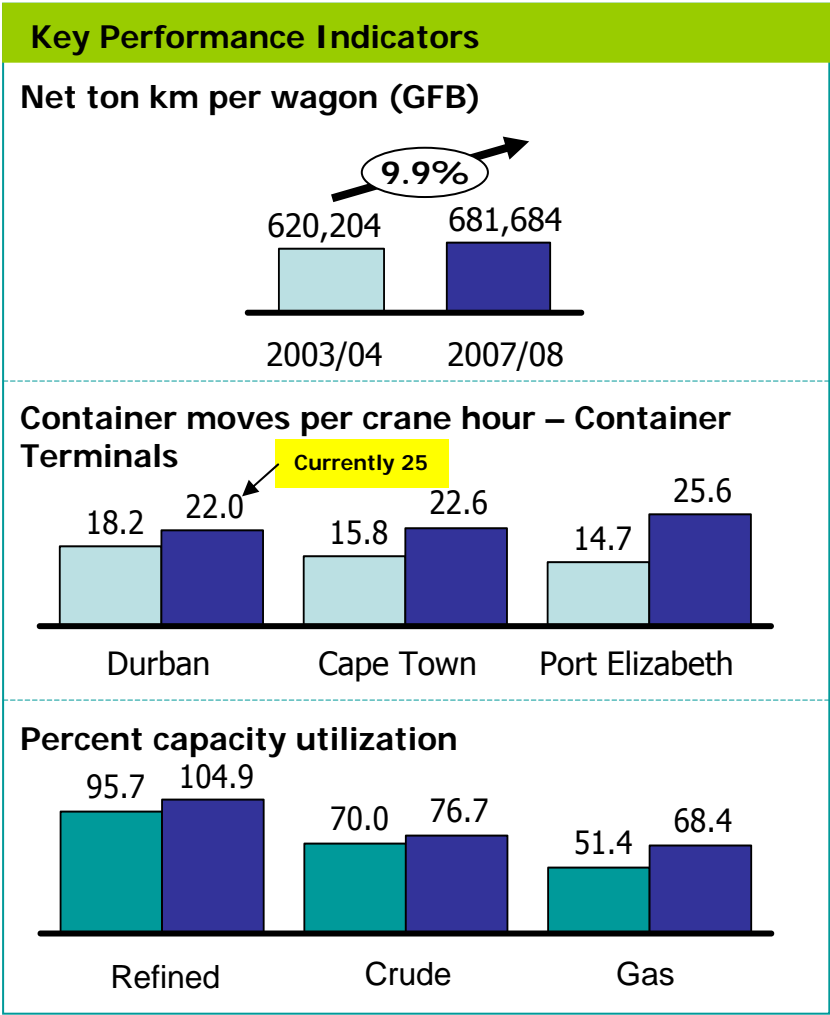
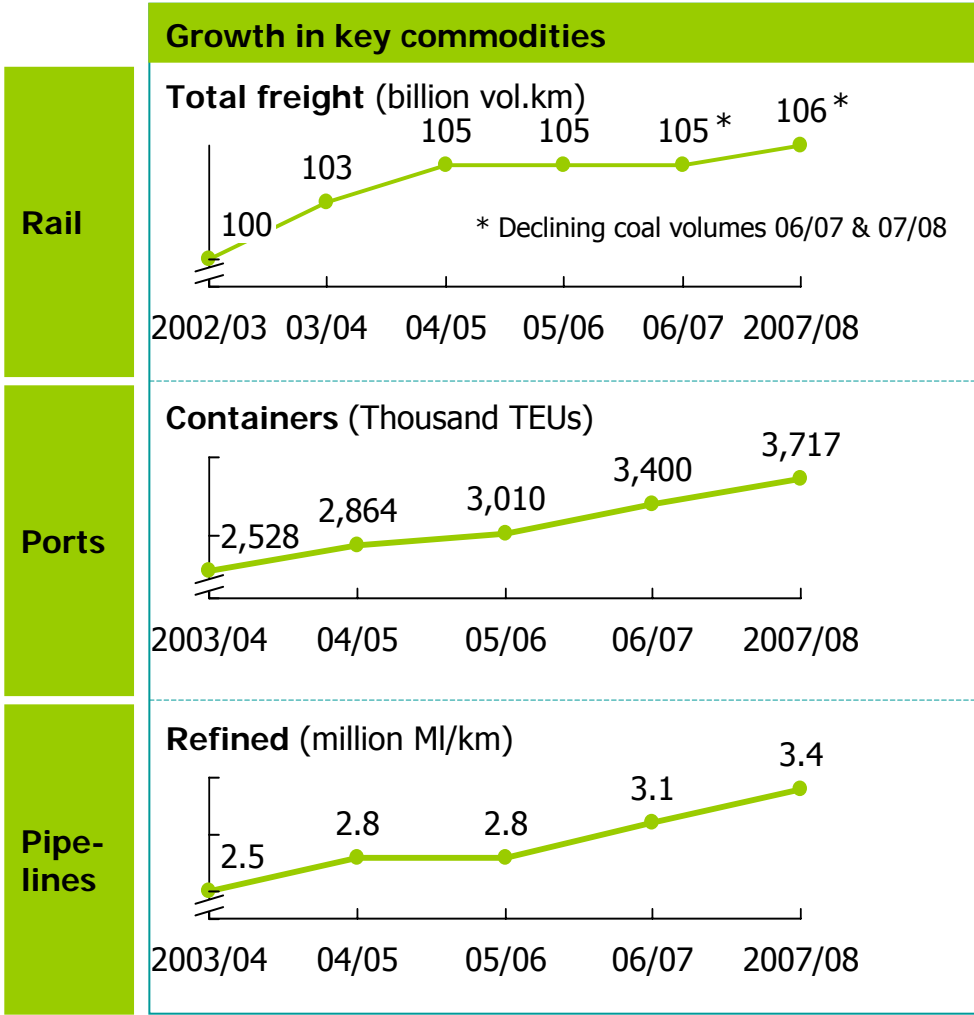
Corporate Governance and Risk Management

- To enhance internal control environment.
- Improved risk management with focus on safety.
- Corporate governance and establish a compact with Shareholder on service delivery.

Human Capital

- Transforming culture and behaviour of staff to support new strategy.
- Identifying and managing critical skills and refocus training.
- Training and to establish accountability at all levels in the company.
- Establish sound union relationships to assist with transformation of company.

PERFORMANCE AGAINST PLAN: SIGNIFICANT OPERATIONAL EFFICIENCIES ACROSS OPERATING DIVISIONS



PERFORMANCE AGAINST THE PLAN: CAPITAL AND FINANCIAL EFFICIENCY

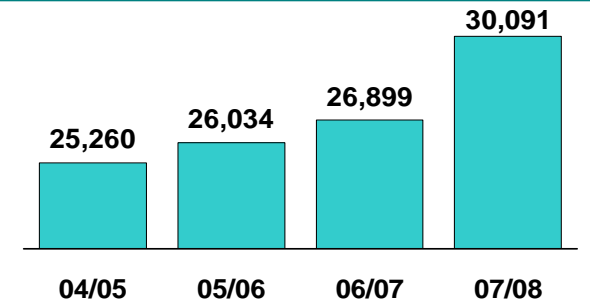
Revenue

Achievement

- Continuous increase in revenue showing results of initiatives to grow the business, with revenue increasing from R 25.3bn in 2004/05 to R30.1bn in 2007/08 (19% increase).

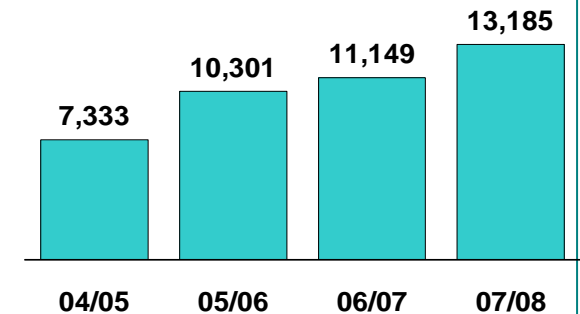
Performance trend

R million



EBITDA

- Improvements through:
 - Operational efficiency improvements, effective cost-cutting initiatives mainly due to Vulindlela projects; and
 - Discontinuing non-core businesses.
- Improvement from R 7.3bn in 2004/05 to R 13.2bn during 2007/08 (80% improvement).



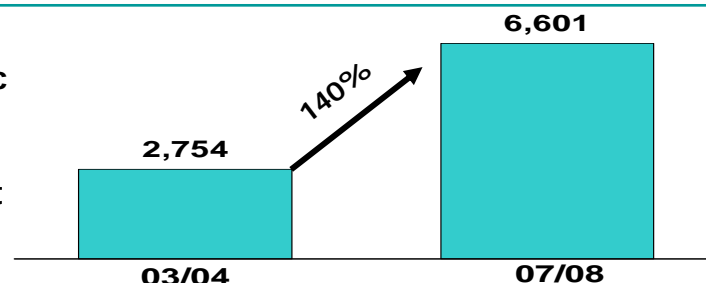
PERFORMANCE AGAINST THE PLAN: CAPITAL AND FINANCIAL EFFICIENCY

Achievements

Performance trends

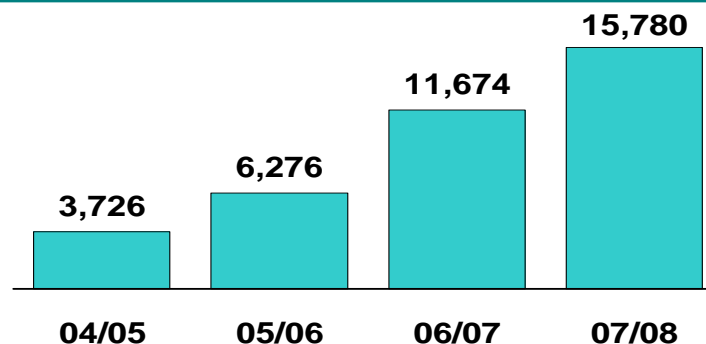
**TFR
Maintenance
R million**

- Transnet is committed to appropriate planned maintenance of assets and specific attention has been placed on locomotives, wagons and infrastructure in TFR.
- TFR adhering to cost effective and efficient maintenance.



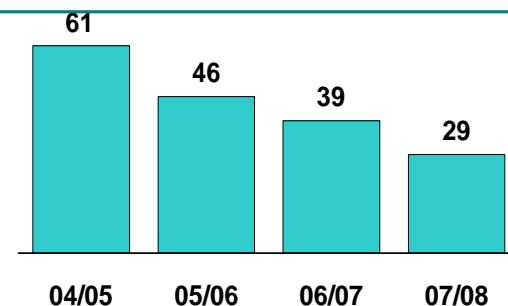
**Capital
expenditure
R million**

- Established Transnet Capital Projects (Specialist Unit) to roll out capital expenditure plan.
- Actual capital expenditure consistently within 90% of target range.
- The historic underinvestment required Transnet to address the maintenance backlog, whilst continuing to invest in capital investment to sustain and expand infrastructure to enable growth.



Gearing (%)

- Balance sheet restructuring and cost effective debt structures yielding positive results with consistent below target gearing from 61% in 2004/05 to 29% in 2007/08 (53% improvement).
- This enables Transnet to fund capital investments more cost effectively and without government guarantees.



MAJOR CAPITAL PROJECTS: SPENDING

31 MARCH 2008

TRANSNET

Total spending R15.8bn in 2007/08

RAIL
R9.9bn

MAJOR PROJECTS	R bn
▪ Maintenance of rolling stock and infrastructure	3.9
▪ Ore line expansion to 47mtpa	1.4
▪ Fleet renewal and modernisation	0.9
▪ Upgrade of 18E Locomotives	0.4
▪ Locomotives for coal line	0.2
▪ 50 Locomotives for GFB	0.3

PORTS
R4.6bn

▪ Durban Harbour Entrance Channel widening and deepening	0.7
▪ Pier 1 resurfacing and equipment and Salisbury Island	0.5
▪ Durban Container Terminal equipment acquisition and re-engineering	0.2
▪ Ngqura port construction and Container Terminal	0.8
▪ Cape Town Container Terminal expansion	0.3
▪ Saldanha IOT	0.5

PIPELINE
R0.9bn

▪ New Multi-Product Pipeline ("NMPP")	0.6
---------------------------------------	-----

Achievements / Progress



Corporate Governance and Risk Management

- Governance structure and committees established and effective.
- Enterprise-Wide Risk Management implemented and rolled-out throughout the organisation.
- Comprehensive safety programmes in place.
- Continuous audits to identify risk areas and mitigating strategies implemented.



Human Capital

- Capacity building and skills mapping.
- Talent management.
- Change management programmes launched.
- Performance management linked to strategic performance objectives ("SPOs") defined and measured.

Corporate Governance and Human Capital operating models established supported by the culture charter programme creates an enabling environment to implement the new Growth Strategy.

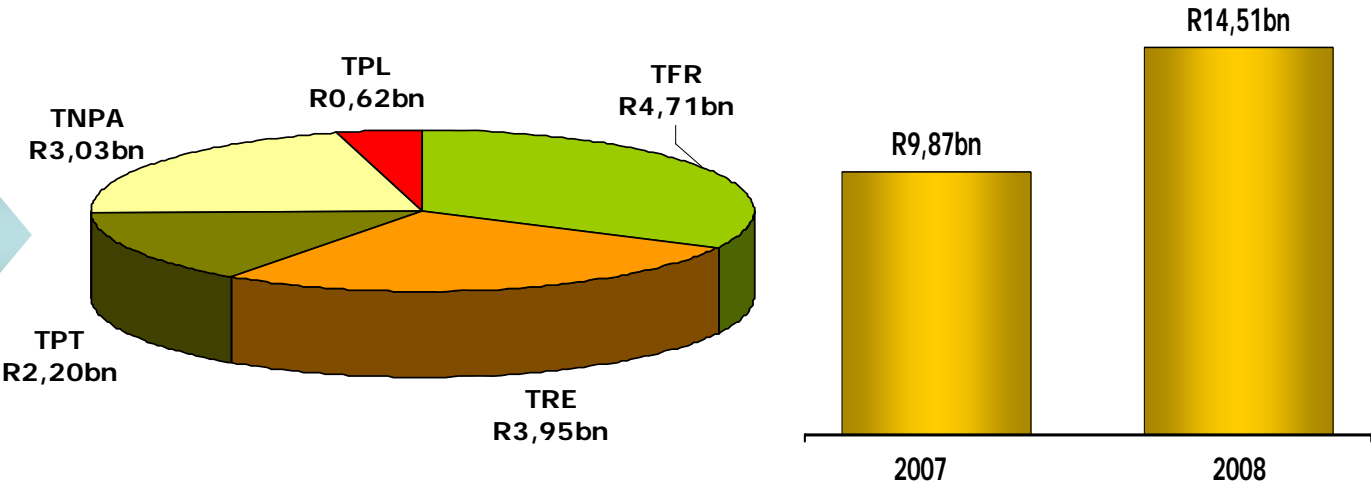
FRAUD
PREVENTION
STRATEGY

Achievements / Progress

- Detail fraud prevention strategy and plan submitted as part of Corporate Plan
- Plan has been progressively rolled out
- Includes “Whistleblower mechanism” through “Tip off Anonymous”

PROCUREMENT
SPEND

CORE DIVISIONS: PROCUREMENT SPEND



SHIFTING FOCUS TO THE NEXT HORIZON – GROWING THE NETWORK BUSINESS

TRANSNET

'Expand competitive advantage'

Four-point turnaround plan

Growth strategy
'Optimise and extend growth'
to fulfil mandate

'Completed the
stabilisation of
the business'

Journey to stabilise and grow

'A difficult beginning'
Huge liabilities and
inefficiencies

- Financial restructuring
- New freight strategy
- Disposal of non-core assets
- Restructure corporate centre
- Create Human Capital strategy
- Risk and governance

- Build infrastructure projects
- Launch Vulindlela to improve efficiencies
- Grow critical capability
- Complete disposals
- Sound governance and risk structures
- Best practice capex

- Build Human Capital
- Effective commercial management for the network business
- Invest in long-term capacity
- Integrated business model
- Improve cross-divisional capital projects and financial planning
- Alignment of business objectives with strategy and measuring outcomes
- Funding strategy

- Develop new customer services
- Strategic growth initiatives
- Progressive implementation of the network business model
- Achieve world-class performance
- Explore regional expansion

2003/04

2007/08

Future

Four-point Turnaround Strategy

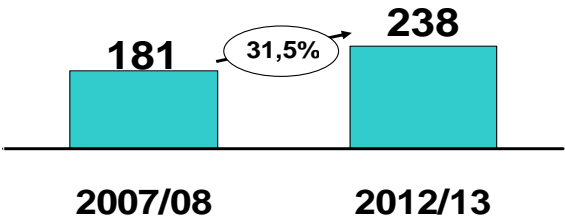
Four-point Growth Strategy

... from turnaround to growth



GROWTH TARGETS HAVE BEEN SET (RAIL, PORTS AND PIPELINES) FOR NEXT 5 YEARS

Freight Rail
(Volume Mt)

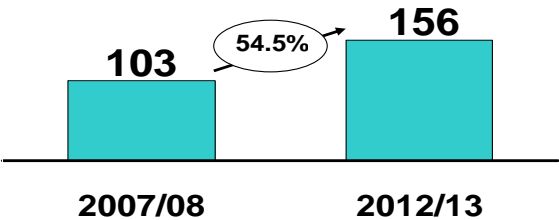


Average growth per year

5.6% Annual growth

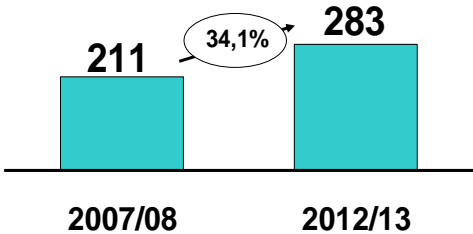
- Ore 7.3%
- Coal 3.6%
- GFB 6.5%

Port
Terminals
(Volume Mt)



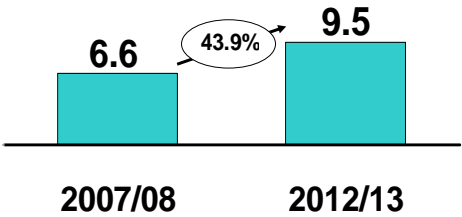
8.6% Annual growth

Transnet
National Port
Authority
(Volume Mt)



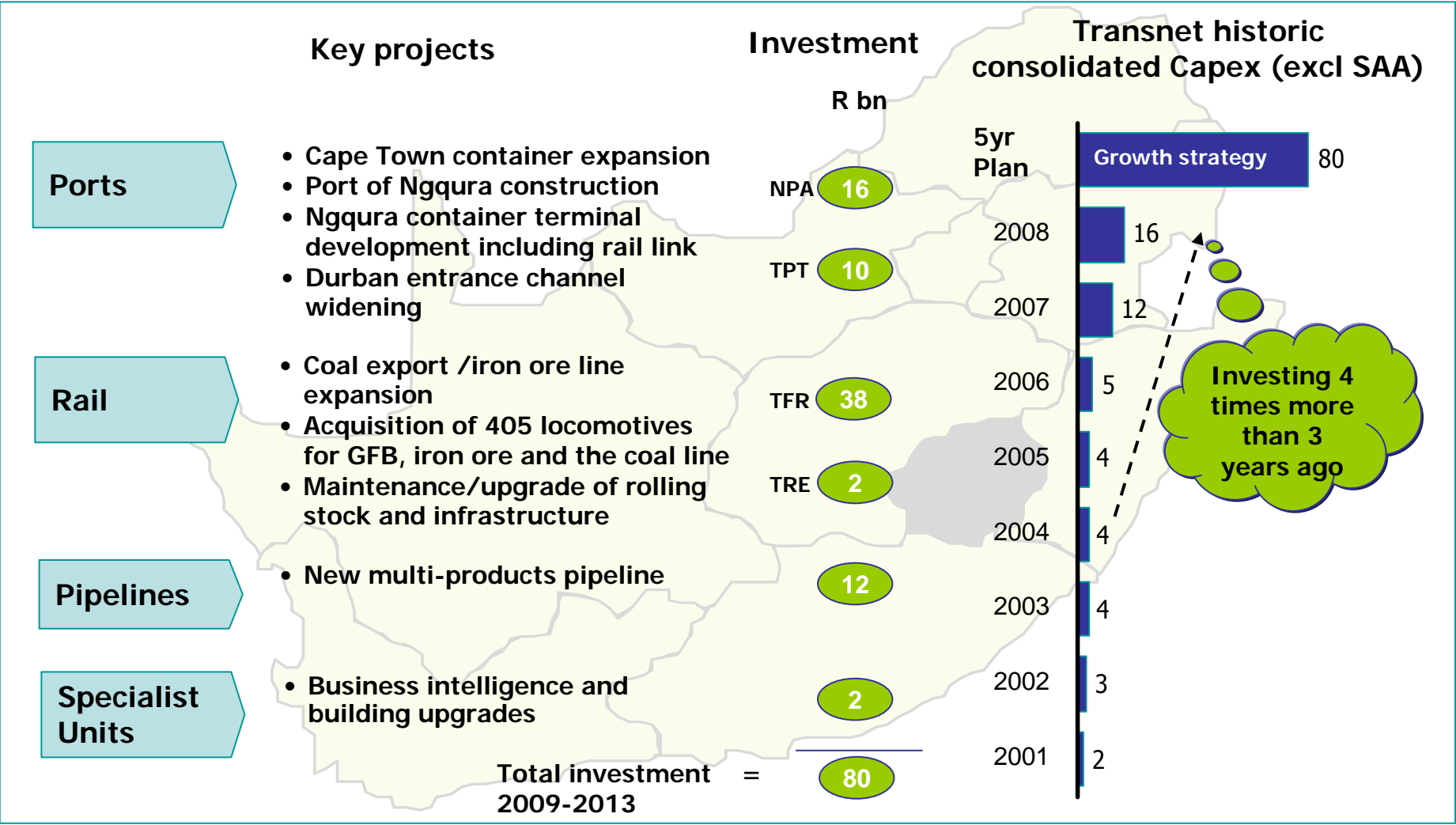
6.0% Annual growth

Pipelines
mMl/km



7.6% Annual growth

SIGNIFICANT INVESTMENT ACROSS ALL DIVISIONS TO REPLACE ASSETS AND CREATE CAPACITY

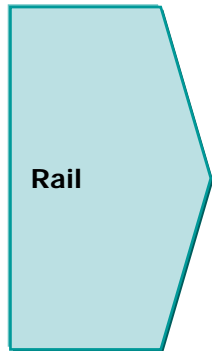


CAPITAL INVESTMENT PLAN COMMITTED FOR THE NEXT 5 YEARS : MAJOR PROJECTS

TRANSNET

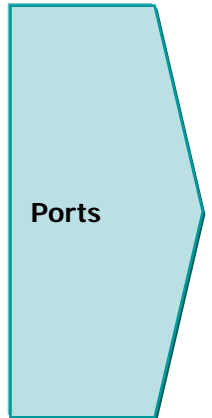
Next 5 years projection
(included in R80.3bn)

Focus of investments over future years



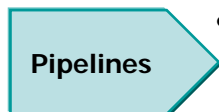
- Increase current capacity in GFB from approximately 80mtpa to 105mtpa.
- Coal line capacity expansion to 78mtpa.
- Iron ore line 3 phase capacity expansion 41mtpa – 47mtpa – 60mtpa.
- General freight lines upgrade and capital maintenance of rolling stock and infrastructure.
- Combined acquisition of 405 locomotives for coal, iron ore and general freight lines to improve reliability of service.

R40.3bn



- Increase container capacity with 3.8 million TEUs per annum (DCT, CTCT and Port of Ngqura).
- Additional bulk and break-bulk capacity – 6mtpa and 4.35mtpa respectively.
- Increase automotive capacity for additional 180 000 units per annum.
- Durban Entrance Channel Widening, ship to shore crane replacements and the reconstruction of Quay walls at Maydon Wharf.
- Saldanha iron ore terminal capacity expansion to 47mtpa.

R26bn



- NMPP to provide sufficient capacity (12 billion litres/a) from 2010.

R12bn

... from turnaround to growth



CHALLENGES IN ROLLING OUT THE 5-YEAR INVESTMENT PLAN OF R80bn

TRANSNET

Regulatory risk

Due to long payback on port and pipeline assets, tariff increases may impact on viability of pipeline and port investments.

Energy Cost

Load-shedding and proposed tariff increases by Eskom will impact on our operations and of our clients.

Environmental Impact Assessment

Environmental impact assessment: delays in obtaining approvals and Records of Decision will impact the timelines of various projects.

Commodity risk

Rising crude and steel prices will impact the cost of capital projects and subsequent returns expected from operating the assets.

Foreign exchange risk

Due to the high import content of the port handling equipment and locomotives, depreciation of the rand against major currencies will increase the cost of equipment to be procured.

Construction sector inflation

The cost increases in this sector alone are more than 20% and will impact the total cost of infrastructure projects. Scarcity of skills in the construction sector could further impact the roll out of infrastructure projects.

Resources

Availability of resources and contractors.

CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS AND TO EXPAND CAPACITY

Total capital investment 2008-2013

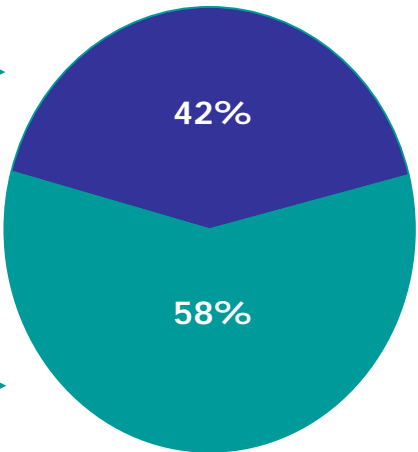
Replacement to sustain existing capacity

R 33bn

Expansion to build capacity for volume growth

R 47bn

R 80bn*

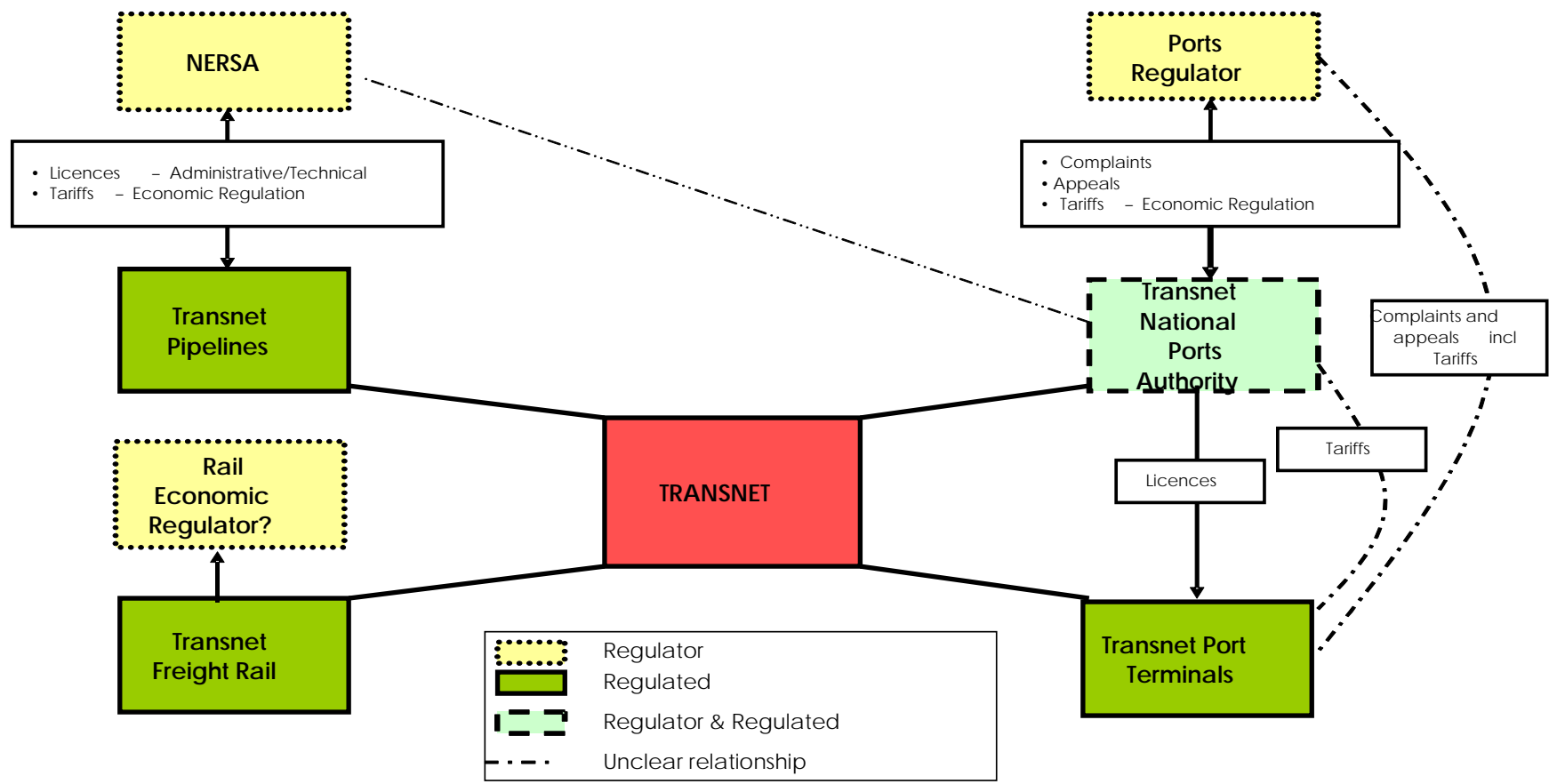


* Excludes borrowing costs

- Focus mainly on capacity creation.
- Most of the projects already in progress/committed.
- Capex approval based on strategic fit, viability and affordability.

- Slow down in international/domestic economic activity.
- Safety.
- Regulation - Allow fair return on revalued assets (including work in progress)
 - National Ports Act.
- Energy - fuel and electricity; pricing and supply.
- Delivery of planned capital projects on time, within budget (resource constraints, EIA approvals, input costs e.g. steel).
- Human Capital: Recruit and retain the necessary skills.
- Debt raising in context of global financial crisis (difficult/expensive).

MITIGATING ACTIONS FORMULATED AND IMPLEMENTED



CHRIS WELLS

REVIEW OF FINANCIAL PERFORMANCE



FINANCIAL RESULTS: 31 MARCH 2008

Consolidated income statement

Revenue

Net operating expenditure

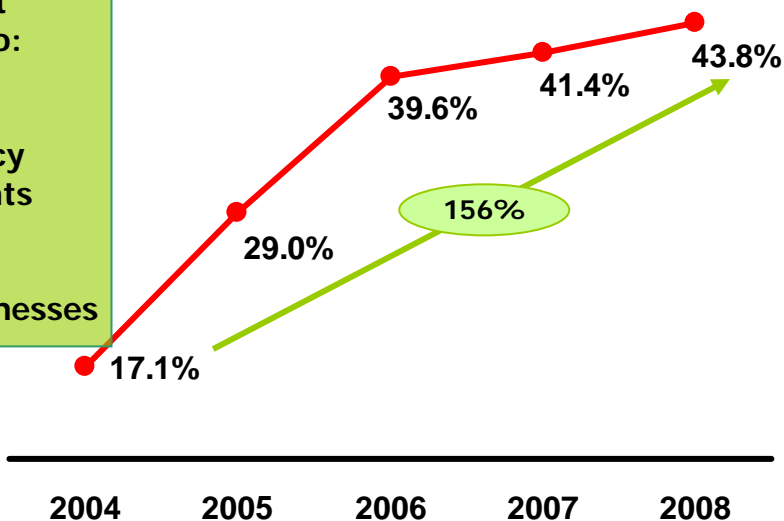
EBITDA

2008	% Δ	2007
R million		R million
30 091	11.9	26 899
(16 906)	7.3	(15 750)
13 185	18.3	11 149

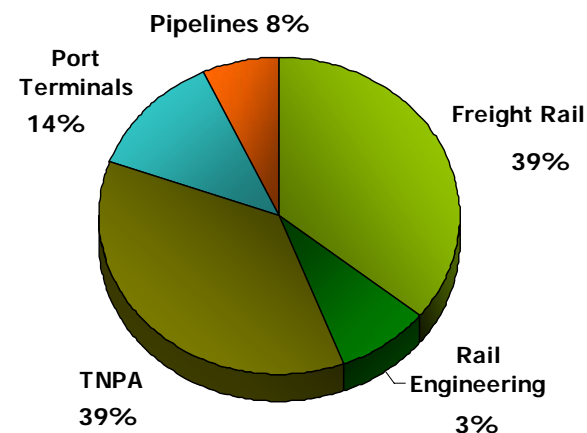
5-year EBITDA Margin improvement mainly due to:

- Productivity and efficiency improvements
- Sale of low margin businesses

EBITDA Margin





% Contribution of EBITDA per division*: 2008



* Excludes Corporate centre and Specialist units

FINANCIAL RESULTS: 31 MARCH 2008

Consolidated income statement	2008	% 	2007
	R million		R million
Revenue	30 091	11.9	26 899
Net operating expenditure	(16 906)	7.3	(15 750)
EBITDA	13 185	18.3	11 149
Depreciation & amortisation	(3 798)	28.8	(2 949)
Impairment of assets, dividends received and fair value adjustments	 1 321		2 266
Profit from operations before net finance costs	10 708		10 466
Net finance costs	(1 947)		(2 325)
Taxation	(2 470)		(1 928)
(Loss)/income from associates	(59)		2
Profit for the year from continuing operations	6 232		6 215
EBITDA margin	44%		41%
Adjusted headline earnings from continuing ops % increase	31%		

FINANCIAL RESULTS: 31 MARCH 2008

Consolidated balance sheet

2008

2007

R million

R million

ASSETS

Non-current assets

PPE		78 114	53 896
Investment property		4 514	3 223
Other		1 449	1 158

Current assets

Inventory, receivable assets and cash		13 275	9 841
Derivative financial assets		412	5 658
Assets classified as held-for-sale		1 131	3 570

TOTAL ASSETS



98 895

77 346

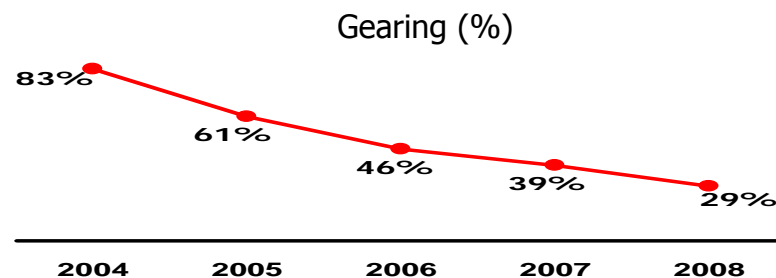
1. Revaluation of Ports and Pipelines plus capital expenditure

2. Fair Value

FINANCIAL RESULTS: 31 MARCH 2008

Consolidated balance sheet	2008	2007
	R million	R million
EQUITY & LIABILITIES		
Capital & Reserves	51 183	37 150
Non-current liabilities	27 862	23 184
Post-retirement benefit obligations	2 181	2 422
Borrowings	16 890	17 535
Deferred taxation liabilities, provisions and derivatives	8 791	3 227
Current liabilities	19 850	17 012
Payables & others	19 174	16 559
Liabilities classified as held-for-sale	676	453
TOTAL EQUITY & LIABILITIES	98 895	77 346

- The 2 DB funds fully funded
 - Actuarial surplus of R 2.8bn and R 1.7bn respectively. Surpluses not recognised by Transnet (Rules do not allow for distribution).
- Ex Gratia bonus payment provided for to supplement pensions to TSDBF members.
- Post retirement benefit obligation for Medical Fund decreased by R 263m to R 1.8bn.

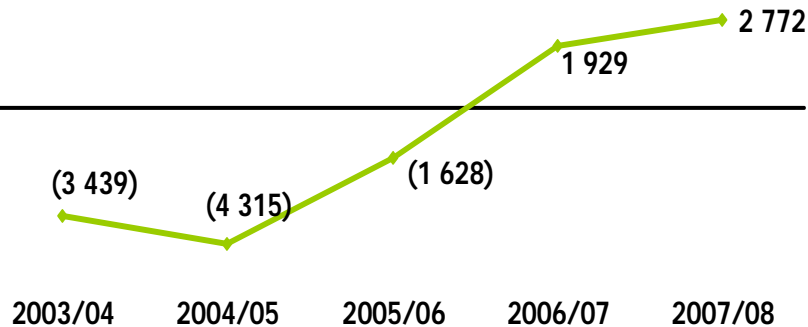


POST RETIREMENT BENEFIT OBLIGATIONS

TRANSNET SECOND DEFINED BENEFIT FUND

- One of the largest pension funds in South Africa with 80 000 pensioner members.
- In 2007 Pensioners received bonuses of between 2.5% to 3.5% in addition to their 2% statutory increase.
- In 2008 pensioners can expect to receive again bonuses in addition to their 2% statutory increase.
- It is Transnet's imperative to ensure that higher bonus percentages are paid to the poorest of the poor.

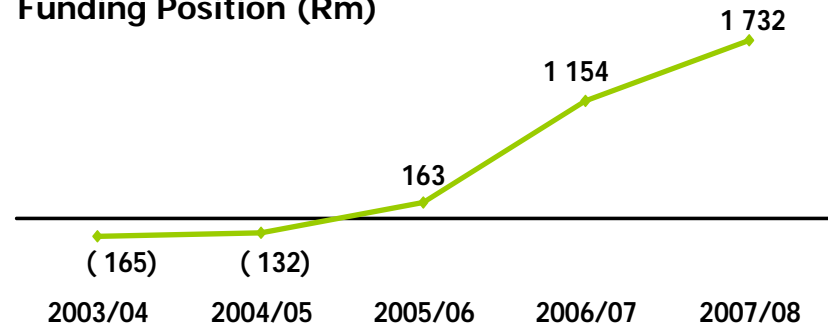
Funding Position (Rm)



TRANSPORT PENSION FUND (TRANSNET sub-fund)

- Fund has both contributing members and pensioners.
- Members profile:
 - Number of members 3 178
 - Average age 52.1 years
 - Average service 28.6 years
 - Average annual pensionable salary R119 083
- Transnet contributes to the fund at a rate of 11.025% of pensionable salaries in respect of all members.
- Pensioners profile:
 - Number of members 5 031
 - Average age 59.5 years
 - Average annual pensionable salary R38 486

Funding Position (Rm)



POST RETIREMENT BENEFIT OBLIGATIONS

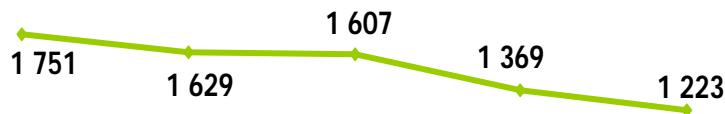
POST RETIREMENT MEDICAL BENEFIT

- The members of this fund include:
 - SATS pensioners (retired employees of former South African Transport Services) and their dependants; and
 - Current and past employees of Transnet who are members of Transnet's in-house medical aid.

SATS pensioners:

- Transnet subsidises R800 per month per member family.
- The contribution for made for the year is R221m.

Benefit liability

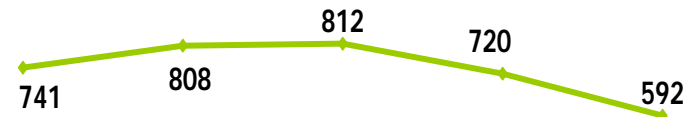


2003/04 2004/05 2005/06 2006/07 2007/08

Transnet employees:

- Transnet subsidises R213 per month per member family.
- The contribution made for the year is R45m.

Benefit liability



2003/04 2004/05 2005/06 2006/07 2007/08

FINANCIAL RESULTS: 31 MARCH 2008

Consolidated cash flow statement


Cash flows from operating activities

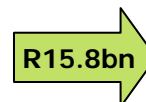
Cash flows from investing activities


Capital expenditure - expansion

Capital expenditure - replacement

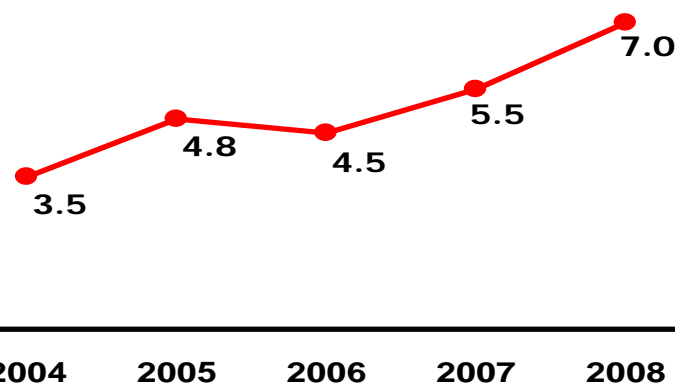
Other investing activities

	2008	% 	2007
	R million		R million
	10 858	22%	8 903
	(8 234)		(10 307)
	(7 051)		(3 498)
	(8 729)		(8 176)
	7 546		1 367

 R15.8bn

 R5.6bn

Cash Interest cover (times)



The capital expenditure programme for the current year amounted to R 15.8bn (2007: R 11.7bn) excluding capitalised borrowing costs.

Includes C-Class preference share redeemed for R 5 622m.

KEY PERFORMANCE RESULTS: COMPACT WITH SHAREHOLDER

	KPI Measure	Target	Actual	Result	
Volume and Revenue Growth	Volume increase (weighted)	9.4%	5.0%	✗	Further details of actual volume and nominal tariff increases are provided during presentation
	- TFR	7.5%	-0.5%**	✗	
	- TRE	50%	64.6%	✓	
	- TNPA	7.5%	4.4%**	✗	
	- TPT	10.3%	11.1%	✓	
	- TPL	10.9%	5.9%	✗	
	Tariff increase (weighted)#	5.1%	9.5%	↑	
	- TFR	5.7%	12.0%	↑	
	- TRE	6.0%	6.4%	↑	
	- TNPA	3.2%	8.7%	↑	
	- TPT	5.4%	6.4%	↑	
	- TPL	5.2%	-2.8%	↓	
Financial Value Creation	EBITDA Margin (%)	35.1%	43.8%	✓	
	Cash interest cover (times)	4.3	7.0	✓	
	CFROI ®	4.3%	7.4%	✓	
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Infrastructure and Maintenance	Capital Expenditure (Rm)	>90% of Target	15 780	✓	
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Human Capital	Training spend	>3.0%	3.4%	✓	

The tariff increase represents the combined impact of nominal tariff increases as well as changes in product mixes during the year under review, resulting in an overall change in gross revenue per unit.

** Mainly due to lower coal product from mines for export

TFR: 2007/08 PERFORMANCE OVERVIEW

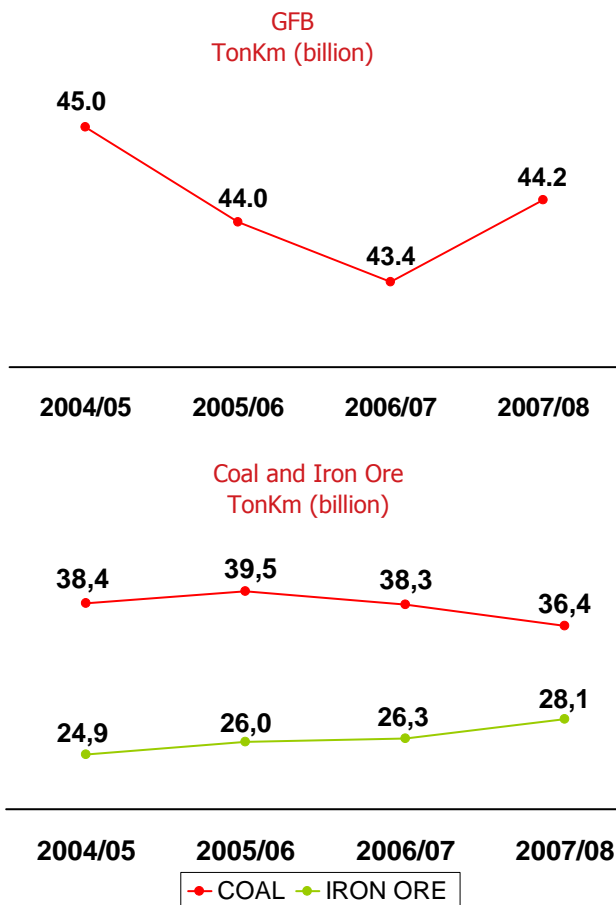
Financial results

Revenue
 ↑ 14% to
R16 598
 million

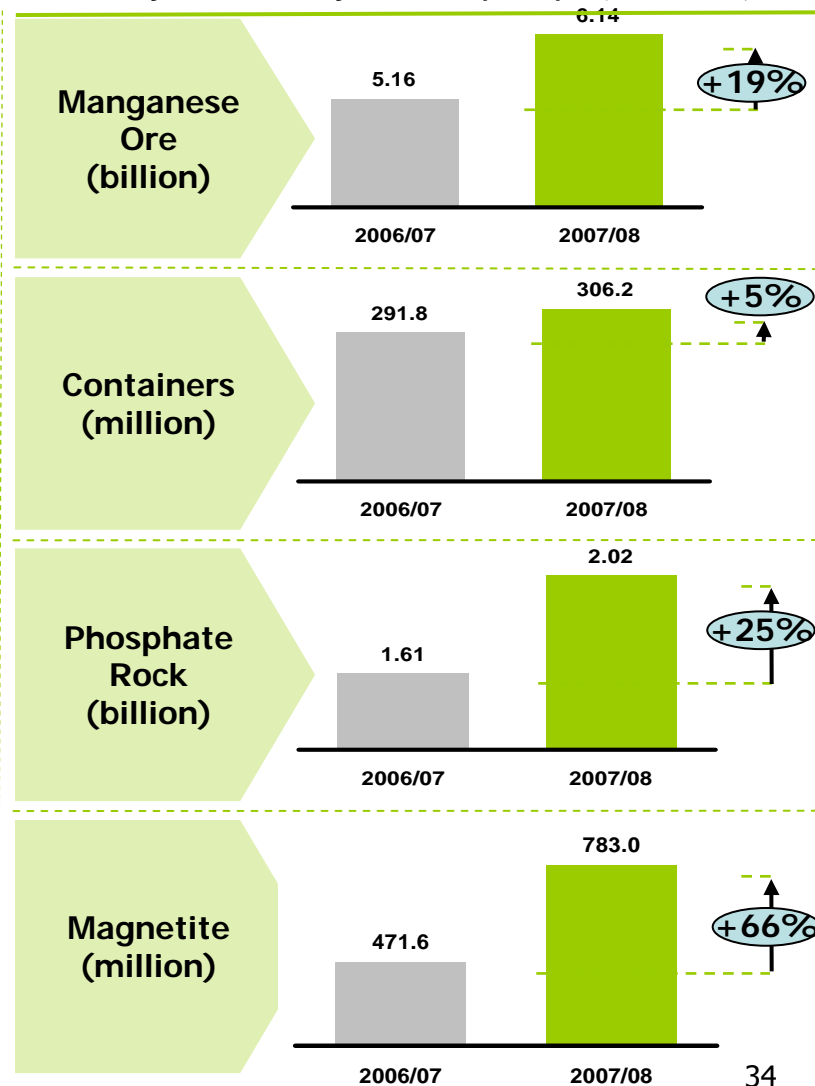
EBITDA
 ↑ 46% to
R5 151
 million

CAPEX
 ↑ 26% to
R9 308
 million

Key Volumes




Other Key Commodity Trends (GFB) (Volume km)



TNPA: 2007/08 PERFORMANCE OVERVIEW

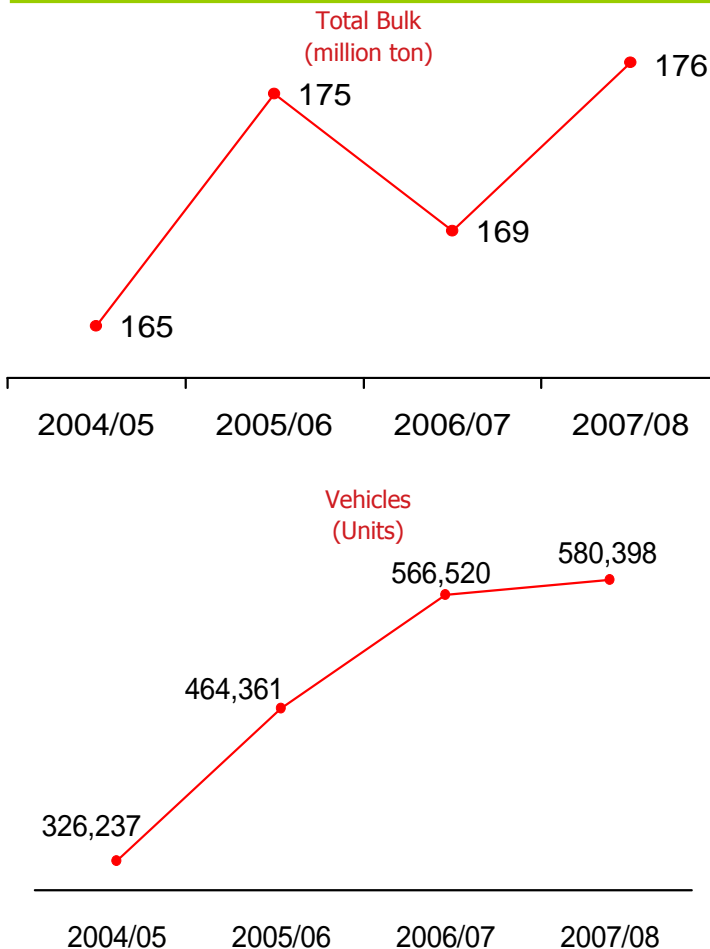
Financial results

Revenue
 12% to
R6 843
 million

EBITDA
 12% to
R5 198
 million

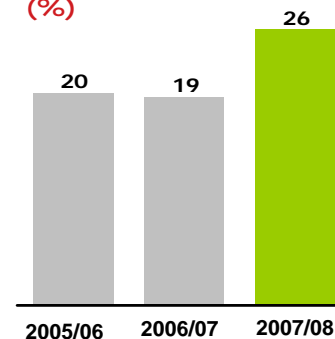
CAPEX
 144% to
R2 506
 million

Key Volumes

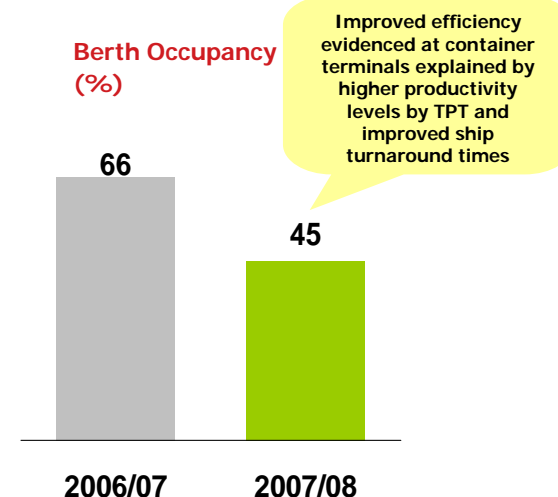


Operational indicators

Tug Utilisation (%)



Berth Occupancy (%)



TNPA continues to perform well, both financially and creating capacity before demand through appropriate infrastructure investments and operational improvements.

TPT: 2007/08 PERFORMANCE OVERVIEW

Financial results

Revenue

↑ 18% to
R4 843
million

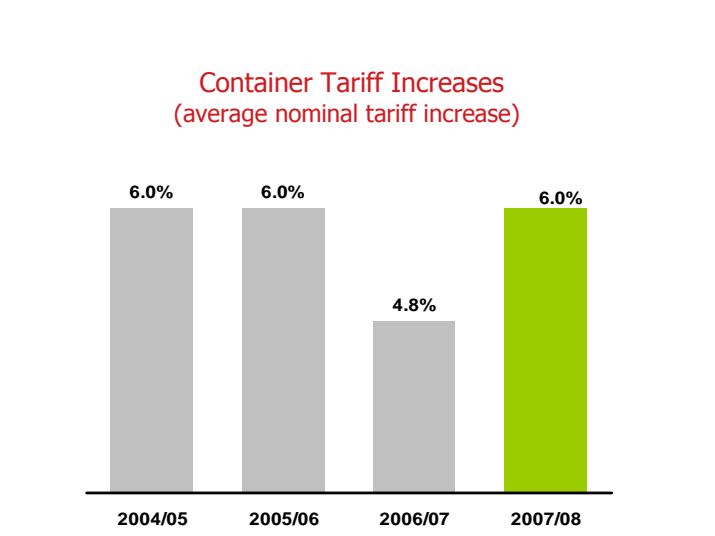
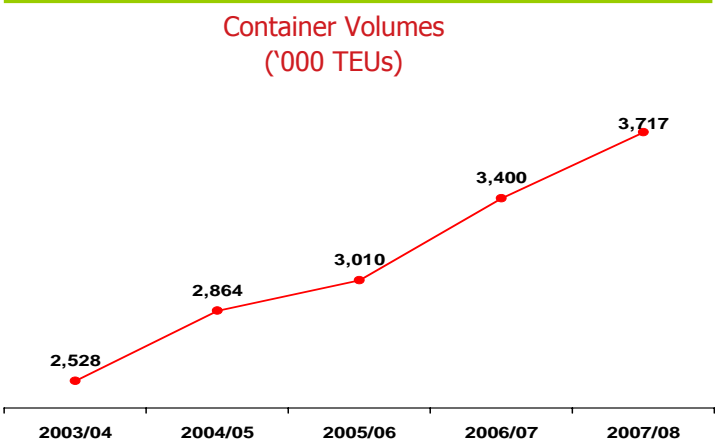
EBITDA

↑ 16% to
R1 810
million

CAPEX

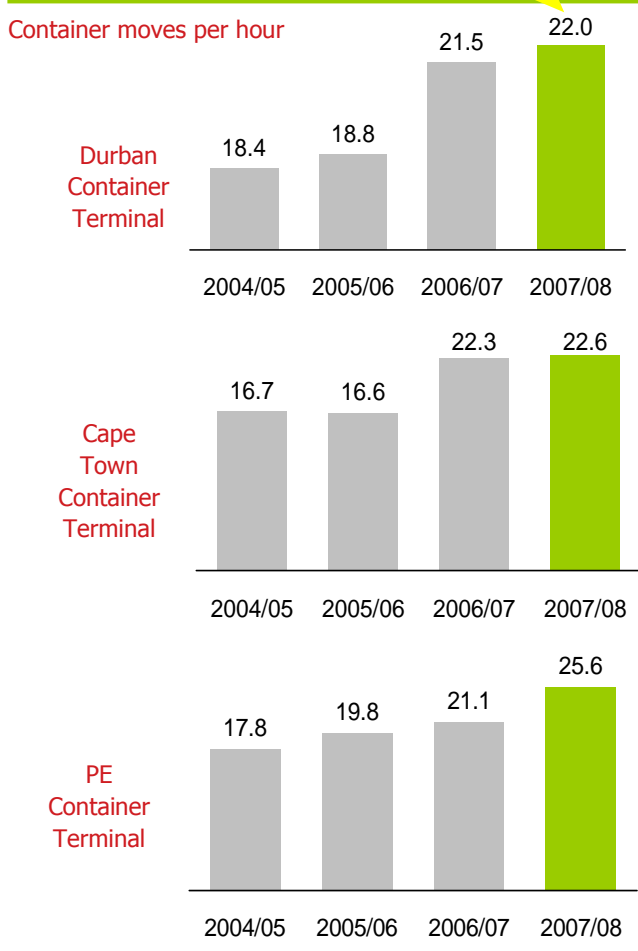
↑ 18% to
R2 082
million

Volumes & Tariffs



Operational indicators

Currently
25



TPT continues to perform well financially and operationally, with growth in the container sector as expected. However, volumes in the bulk and automotive sectors were below expectations (as with TNPA).

TPL: 2007/08 PERFORMANCE OVERVIEW

Financial results

Revenue

↑ 6% to
R1 292
million

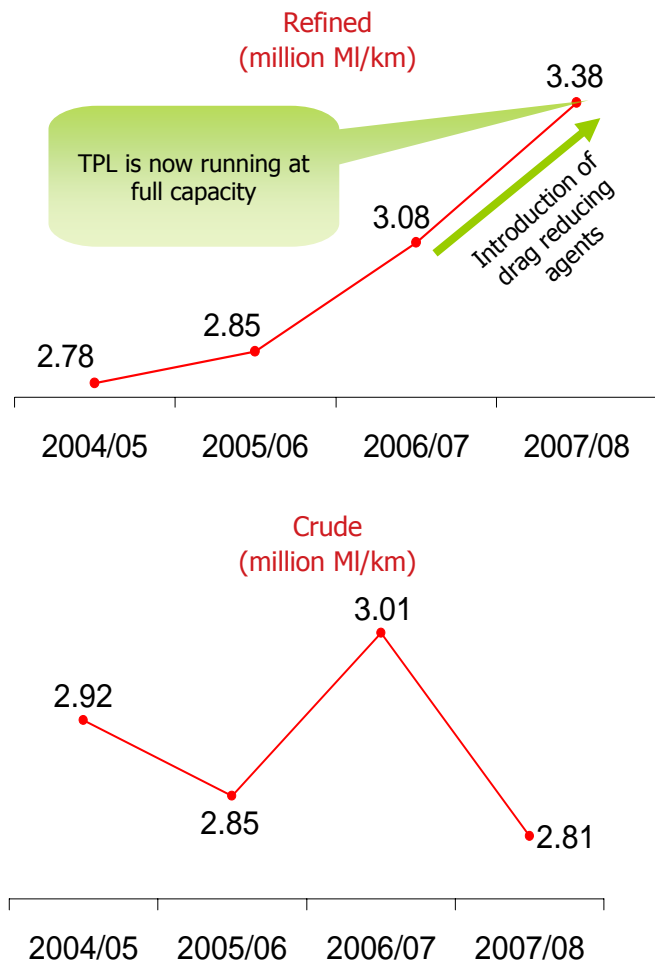
EBITDA

↑ 6% to
R990
million

CAPEX

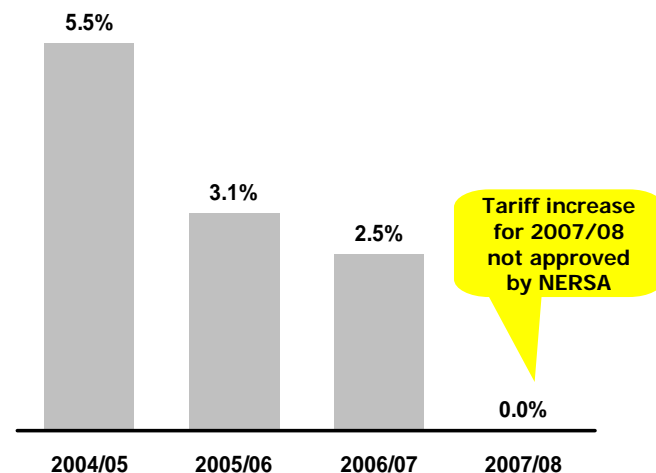
↑ 182% to
R887
million

Key Volumes



Tariffs

Tariff Increases (average nominal tariff increase)



Although the 5.6% tariff increase for 2007/08 was not approved by the Regulator, TPL still managed to achieved a 6% increase in revenue, mainly attributable to a 2.5% increase in volumes, as well as improved operating margins by 1.4% through cost-saving initiatives.

TRE: ROLLING STOCK AVAILABILITY AND RELIABILITY IMPROVEMENTS

Financial results

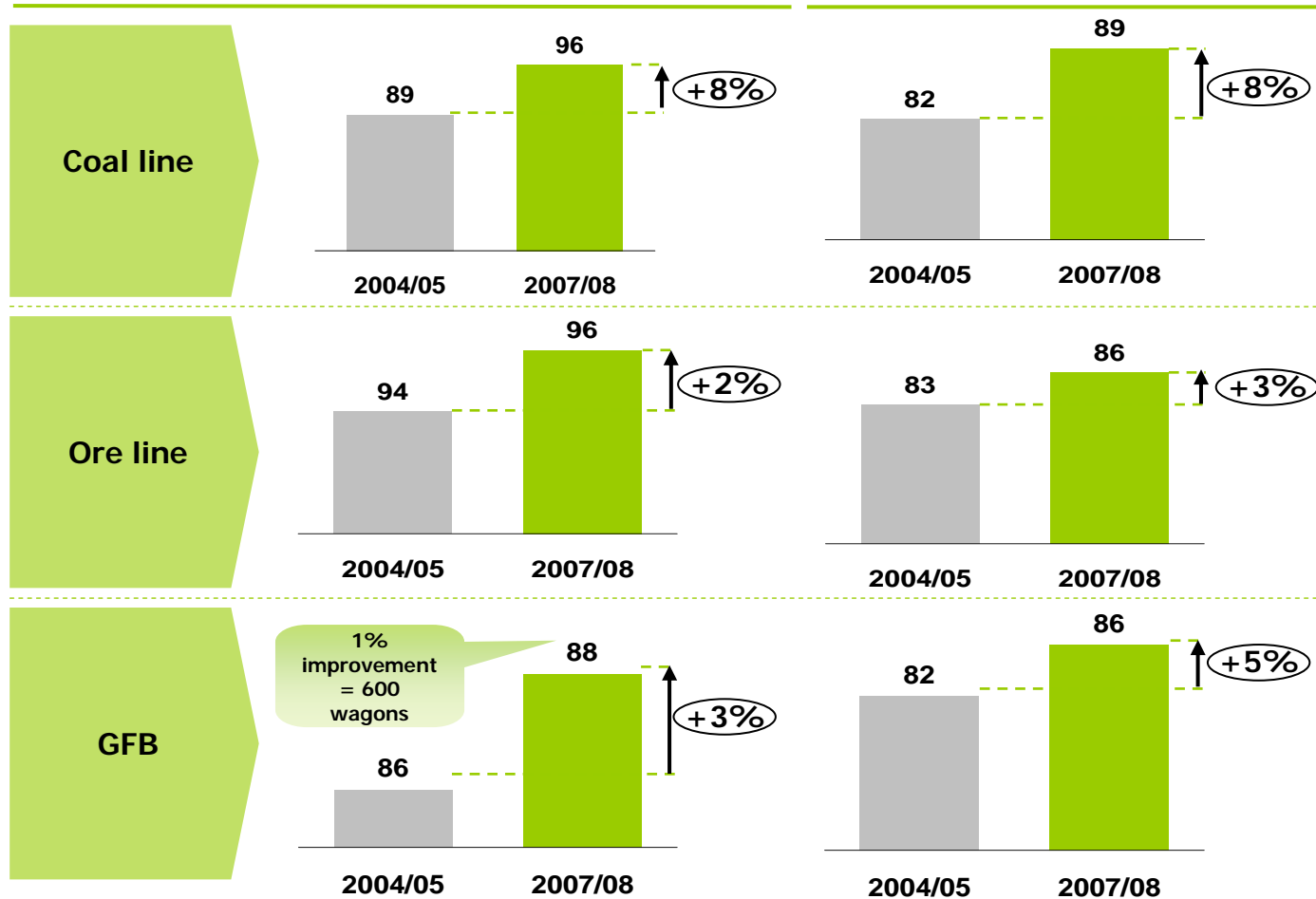
Revenue
↑ 12% to
R8 156
million

EBITDA
↑ 9% to
R1 188
million

CAPEX
↑ 23% to
R764
million

Wagon Availability % of active fleet

Loco Availability % of active fleet

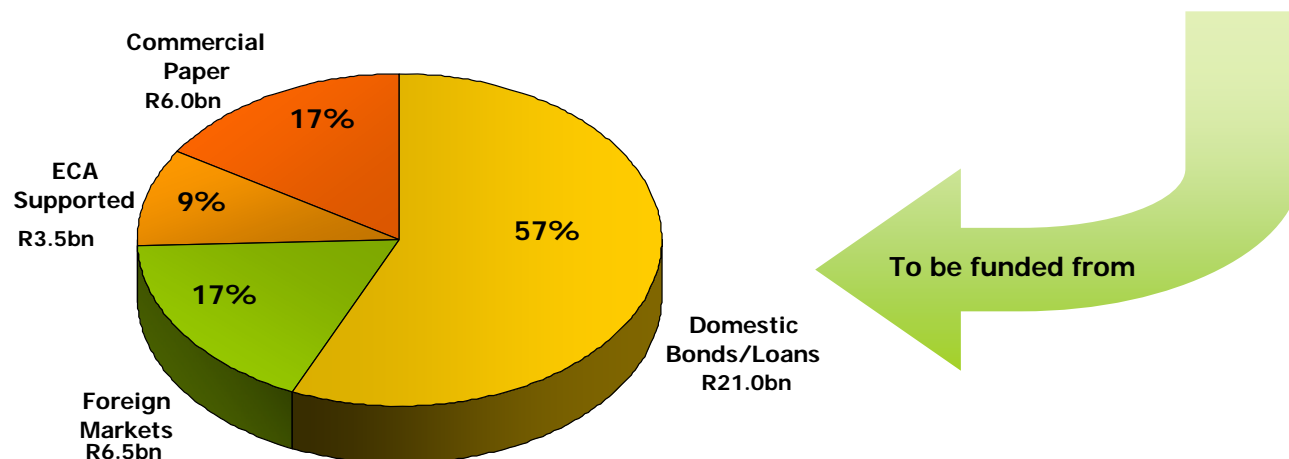


The improvements in wagon and locomotive availability produced by TRE contributed positively in providing a more reliable and efficient rail service to the clients.

FUNDING REQUIREMENTS: NEXT 3 YEARS

<u>Funding Requirements</u>	2008 R million	2009 R million	2010 R million	2011 R million	Next 3 years 2009-2011 R million
Cash flow from operating activities	10 858	8 317	9 067	12 024	29 408
Gross capital expenditure	(15 780)	(19 965)	(23 125)	(18 810)	(61 900)
Other investing activities	7 546	396	247	61	704
Cash surplus/(shortfall)	2 624	(11 252)	(13 811)	(6 725)	(31 788)
Loan raised/(redemptions)	9	(2 508)	(23)	(2 308)	(4 839)
Funding surplus/(requirements)	2 633	(13 760)	(13 834)	(9 033)	(36 627)

Funding Sources



The medium term strategy remains to source the majority of the funding from the domestic market whilst diversifying the portfolio to include commercial paper, ECA supported finance as well as accessing international markets where appropriate.

FUNDING INITIATIVES AND IMPACT OF THE YIELD CURVE

	2008/09 Apr-Aug R million	2007/08 Apr- Mar R million
Port Equipment	24	420
110 Locomotives	205	322
32 Locomotives	92	321
Commercial Paper	2 500	4 730
TN17 Bond	-	2 711
TN27 Bond	-	1 823
TFN11	500	
Total funding raised	3 321	10 328

Transnet credit spreads up – Switch auction

TN17

TN27

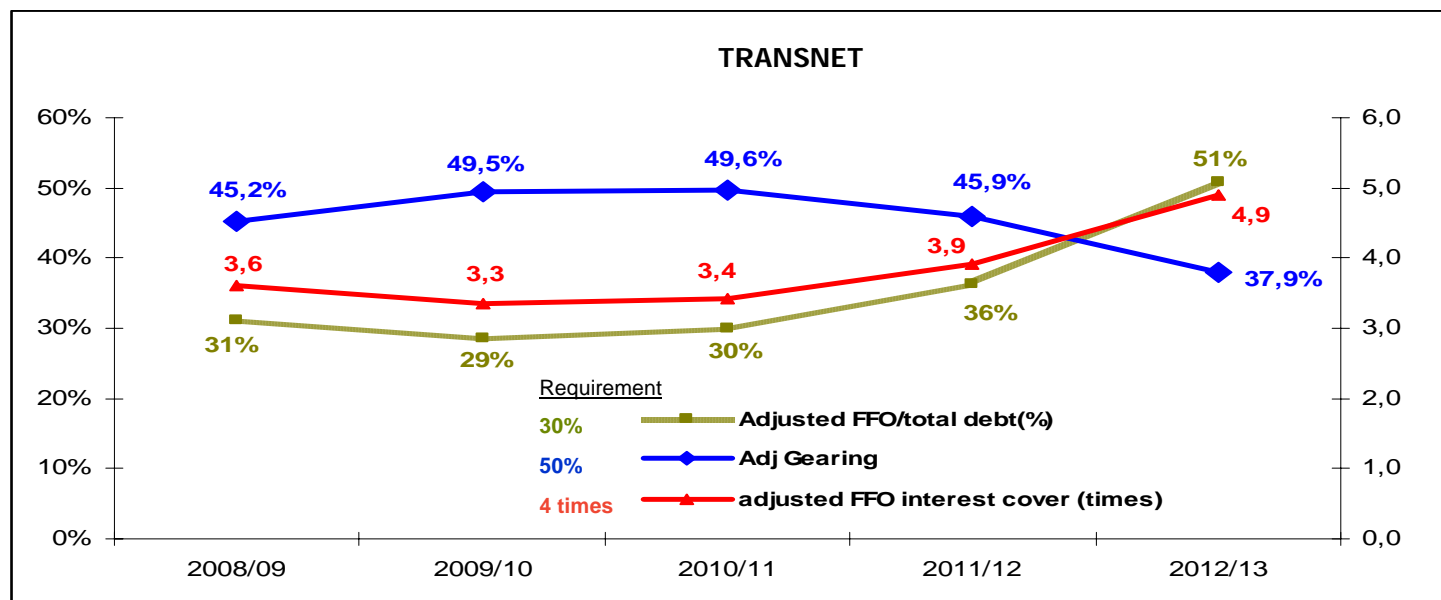
12 March	110	92
19 March	115	100
26 March	118	105

- Underlying Government yield has gone up in the last 6 months.
- This translates into higher funding cost across the curve.
- Before sub-prime Transnet could have easily priced in the range of 70bps over long term Government bonds.

FUTURE INITIATIVES

- Setting up EMTN program with 144A option.
- Issuing Eurobond or Global bond.
- Engaging IFC on possible funding.
- Funding COPEX using DFI funding.
- Possibility of issuing 5-year FRN.
- Issuing a 15, 25 year and or 7-year domestic bond.
- Look at optimum way of funding NMPP.

CREDIT PROFILE METRICS



Ratings metrics are challenging given current uncertainties in financial market

CREDIT RATING	RSA	TRANSNET	
	S&P	S&P	Moody's
Global scale foreign currency	BBB+	BBB+	A2
Global scale local	A+	A (A-)	A2
Stand-alone credit	-	BBB+ (BBB-)	A3 (Baa1)

PRADEEP MAHARAJ

SUMMARY OF HUMAN CAPITAL ACHIEVEMENTS 2007/08



HUMAN RESOURCES KEY INITIATIVES

The key Human Resources initiatives within Transnet are:

- Creating an **organisational culture** that supports the growth strategy;
- Institutionalising **performance management** through an integrated approach toward reward;
- Planning, developing and embedding appropriate **organisational skills**:
 - Strengthening of skills pipelines; and
 - Enhancing labour flexibility through the introduction of career growth models for selected skilled categories of employees e.g. train drivers and artisans.
- Implementing an integrated **talent management** programme that is aligned to our **Employment Equity Strategy**:
 - Ensure business continuity and address long-term critical and scarce skills requirements.

TO SUCCEED, TRANSNET NEEDS TO ENGAGE THE HEARTS AND MINDS OF ITS EMPLOYEES

- ❑ In defining and driving a winning culture we partnered with our unions and engaged and involved our employees in developing a culture charter:
 - we mobilised our workforce and with the **44 000 votes cast, we have developed a culture charter for a winning Transnet.**
 - the Transnet culture charter consolidates and articulates aspirational success factors, identifies desirable behaviours and lays the foundation for building a merged culture.

- ❑ On an annual basis, employees will score the organisation on the charter to assess the gap between the current and desired culture:
 - Existing interventions will be aligned, prioritised and leveraged and, where necessary, additional interventions will be designed to tackle and address priority areas of focus emerging from the scoring process.

THE CULTURE CHARTER FOR A WINNING TRANSNET

We have a safety mindset

We have good communication

We treat each other with dignity and respect

We are empowered to perform in our jobs

We are business focused

We reward and recognise good work

We deliver on our promises

- ❑ Transnet negotiated with the unions and begun implementing **a new competency based development and reward system** for critical grades in the bargaining unit:
 - Career ladders to support competency development, multi-functional utilisation and career growth opportunities; and
 - Remuneration linked to competencies acquired and applied.
- ❑ To support the sustainable growth Transnet has developed a 6 year resource plan that is supported by **a comprehensive “grow your own” strategy**:
 - In the last financial year Transnet has invested considerably in nurturing young talent and strengthening the ‘engineering management and commercial skills pipeline’. These type of initiatives will continue going forward;
 - By awarding 220 engineering bursaries, 320 technician bursaries and recruiting 1200 apprentices into training & development.
 - Adoption of 9 Dinaledi Schools and supporting schools outreach programmes.
 - Introducing its “graduate in training” that addresses placement of commercial graduates into the workplace.
 - This investment in a skills pipeline will allow Transnet to meet the future skills demand -
 - 13 800 skilled individuals over the next 5 years.

DEVELOPING ORGANISATIONAL SKILLS AND CAPACITY IS CRITICAL TO SUSTAINABLE GROWTH

TRANSNET SKILLS REQUIREMENTS PROJECTED OVER A 5 YEAR PERIOD						
Transnet Targets for Skills per annum						
Skills required	2008	2009	2010	2011	2012	Total
Engineer Degree	100	100	100	100	100	500
Technician Diploma	300	300	300	300	300	1 500
Artisan	800	800	800	800	800	4 000
Managers	20	20	20	20	20	100
Specialist *	100	100	100	100	100	500
First-line Management	20	20	20	20	20	100
Operations **	1 610	1 563	1 561	1 412	1000	7 146
Grand Total	2 950	2 903	2 901	2 752	2 340	13 846

* Specialist skills are in the area of Finance, Supply Chain and Logistics, Project Management.

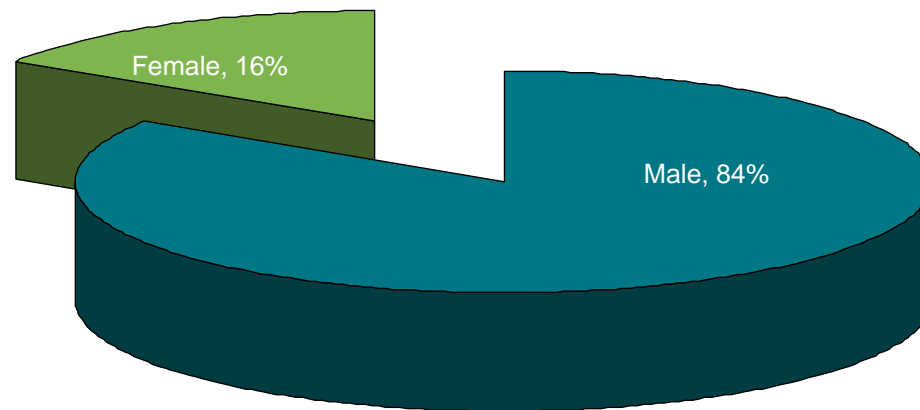
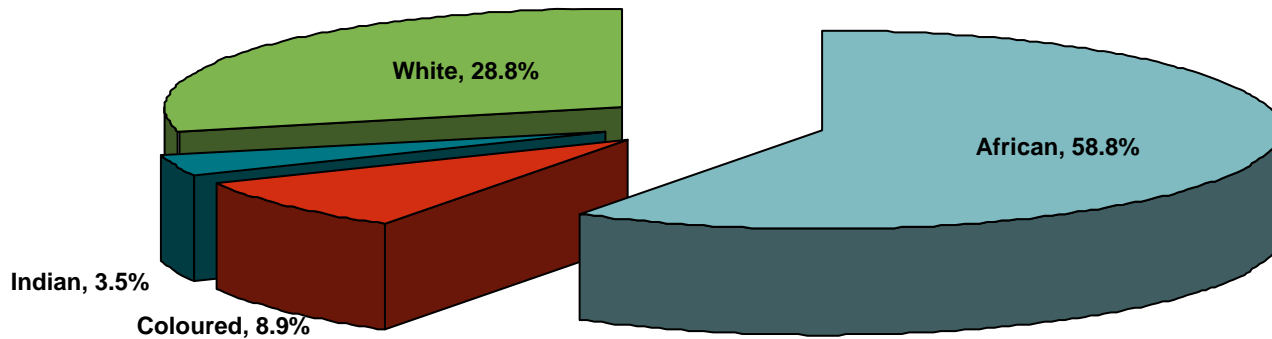
** The operations skills required are in the areas of:-

- Rail operations (Train Drivers, Train control officials, Yard officials, Infrastructure maintenance).
- Cargo co-ordination (Crane operators, Drivers, Cargo co-ordinators).
- Maritime (Marine Pilots, Tugmasters, Marine engineers).
- Rail engineering (Examiners and Repairers, Trade hands, Process Workers).

MANAGING EXISTING TALENT FURTHER SUPPORTS OUR GROWTH STRATEGY

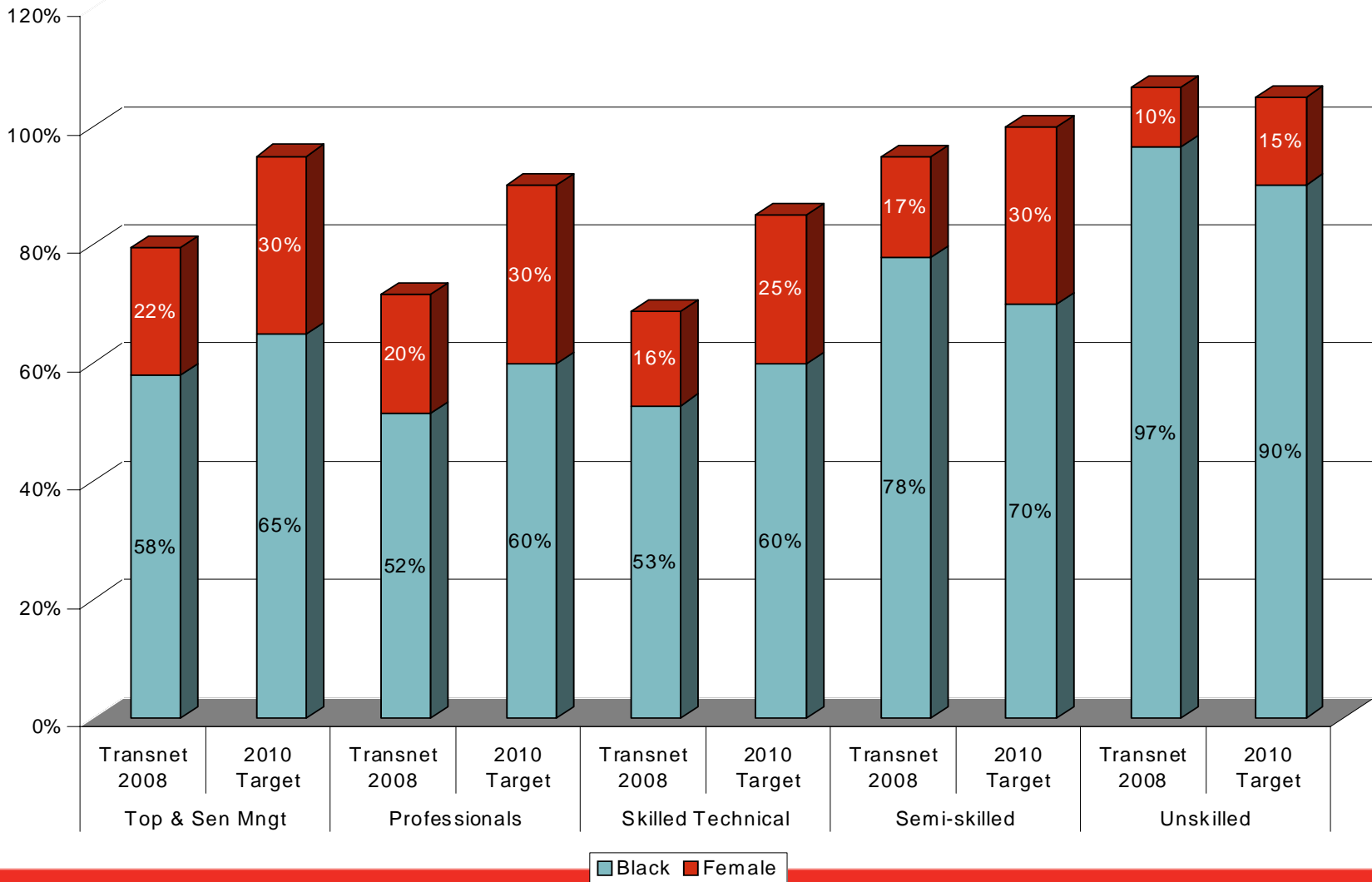
- We are ensuring that the right people, with the right skills, are in the right job at the right time:
 - Implemented stratified succession pools across all management levels;
 - Institutionalised talent fora across all Operating Divisions; and
 - Implemented succession plans for all senior managers across Transnet.
- Critical Initiatives to ensure business continuity and sustainability of talent management:
 - Development of sourcing strategy for mission critical, priority and scarce skills;
 - Assign talent pools to Mentoring and Executive coaching programmes to enhance and accelerate development aligned to strategic objectives; and
 - Define an organisational retention strategy to retain top talent.
- Raising the level of leadership competence and performance excellence:
 - 2 400 managers trained.
 - Introduction of critical initiatives to fast track leadership development.

TRANSNET'S EMPLOYMENT EQUITY PROFILE: MARCH 2008



OUR EMPLOYMENT EQUITY STRATEGY FOCUSES ON ACHIEVING BETTER REPRESENTATION IN EACH OCCUPATIONAL LEVEL

TRANSNET



RECOGNISING AND REWARDING PERFORMANCE IS KEY TO ACHIEVING BUSINESS SUCCESS

TRANSNET



- ❑ We are getting better at driving a performance culture:
 - Performance Management was implemented during 2006 for all **managers** in Transnet and desired behaviour is driven through:
 - aligning individual scorecards with business objectives;
 - integrating the new Transnet values into manager's performance scorecards; and
 - During 09/10 performance management targets will be aligned with Transnet's key performance indicators ("KPI's").
 - A performance based remuneration and reward strategy is being cascaded down to **employees in the bargaining unit**:
 - Individual performance management is being cascaded down to approximately 2500 First Line Managers, Specialists and Technicians; and
 - In line with the culture charter, recognition and reward for this category of bargaining unit employees will be linked to performance.

MOIRA MOSES

TRANSNET CAPITAL PROJECTS

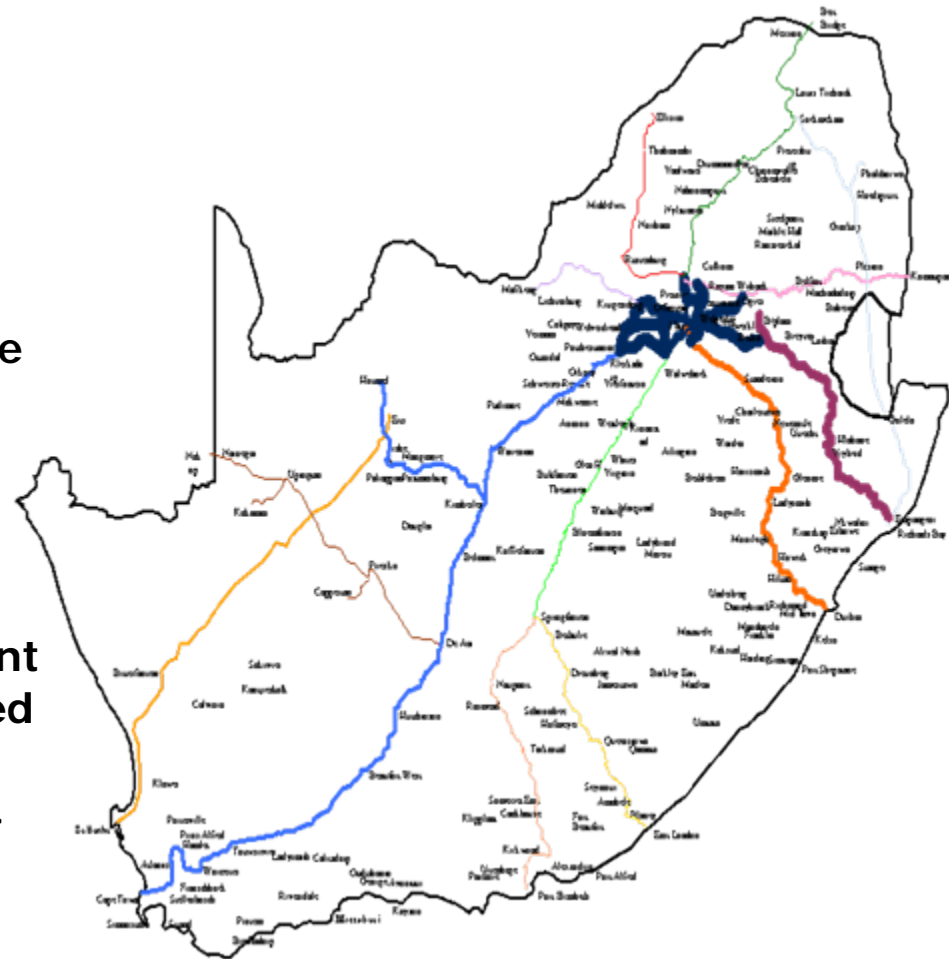


AGENDA

- **National Infrastructure Plan**
- **Mega Projects:**
 - Sishen Saldanha corridor
 - Cape Corridor
 - Natal Gauteng Corridor
 - Richards Bay Gauteng Corridor
 - NMPP
- **Enablers and risk treatment**



- National Infrastructure Plan was presented to DEAT, DoT, DPE, DTI and National Treasury.
- National Infrastructure Plan was completed with the finalisation of the Gauteng Basin Plan and updating of the Ports and Rail Masterplan.
- The National Infrastructure Plan is a living document, updated annually.
- The long-term infrastructure investment plan provides input to enable integrated and appropriate capacity expansion decisions to meet our clients demands.

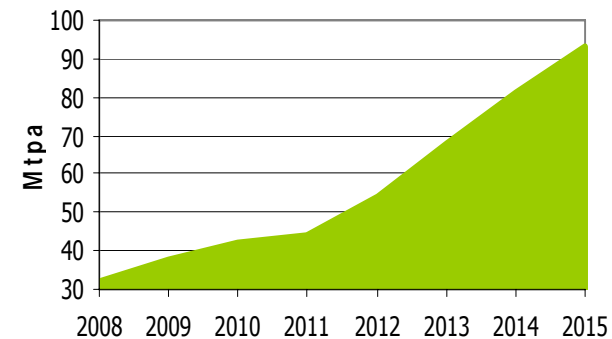


SISHEN SALDANHA CORRIDOR

- 865km long dedicated iron ore line.
- Rail:
 - Additional passing loops being handed over.
 - New longer trains (342 wagons @ 100 tons/wagon) in operation.
 - New signaling system.
 - First 6 of 44 new 15E locomotives expected to enter service during March 2009.
- Port:
 - Additional tipplers, new Stacker/Reclaimer.
 - Major refurbishment of shiploader and conveyors.
- Total value of projects in execution R5.2bn, excluding R1.7bn for locos.
- Agreement signed with Kumba to increase capacity to 60 mtpa.
- Feasibility studies to increase capacity from 60 mtpa to 90 mtpa will be completed end 2008.
- Total budget for 2008/09:
 - Planned: R1380,2m.
 - Actual YTD July: R459.1m.
- Project status end July:

	Planned %	Actual %
• Phase 1A+B Rail	79.2	71.7
• Phase 1A Port	73.3	64.4
• Phase 1B Port	96.3	90.5

Annual Export



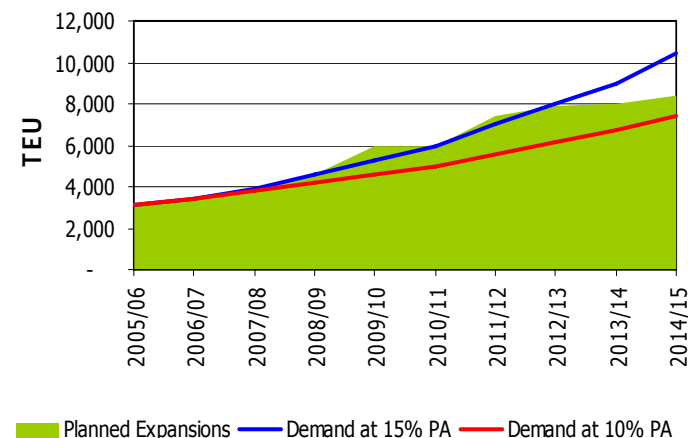
CAPE CORRIDOR: CAPE TOWN CONTAINER TERMINAL

TRANSNET

- Increase capacity from 700 000 to 1.4 million TEU per annum by 2012.
- Scope includes:
 - Deepen Ben Schoeman Berth to -15.5 m and quay refurbishment for Berths 601 to 604. Dredging of 1.23 million m³. Completion date Q2 2011.
 - 8 new Ship-To-Shore cranes, 32 Rubber tyred gantries (Imported).
 - Land side civil work, including rail terminal.
- Total value of projects in execution R4.2bn.
- Main contractor WBHO.
- Total budget for 2008/09:
 - Planned: R1 045.77m.
 - Actual YTD July: R290.93m.
- Project status end July:

	Planned %	Actual %
• Container Terminal	22.3	19.9

Container Capacity



CAPE CORRIDOR: NGQURA CONTAINER TERMINAL

TRANSNET

- First phase will create capacity of 700 000 TEU, operational from February 2009.
- Scope includes:
 - Extending the quay wall to 1 300 m, equip the first. 720 m with landside equipment.
 - Upgrade of link-line from Ngqura to Gauteng.
 - All civil work required for a four berth operation.
 - Total value of projects in execution R8.4bn.
 - 30 hectares of paving for stacking alongside first two berths nearing completion.
- Main contractors Grinaker LTA and Concor-Hochtief.
- Phase 2 will include equipment for all the berths to increase capacity to 2 million TEU.
- Total budget for 2008/09:
 - Planned: R2 395.7m.
 - Actual YTD July: R617.4m.
- Project status end July:

	Planned %	Actual %
• Container Terminal	28.7	29.1



PROJECT	REASON	BUDGET	SPEND YTD (R MILLION)	SPEND FOR 2008/09 (R MILLION)	COMPLETION PLANNED % ACTUAL%	
Durban Harbour Entrance Widening	Increasing the harbour entrance by 110m to 225m, deepening the outer channel to 19m and the inner channel to 16m to accommodate modern ships.	R2.7 billion	R331.5	R1 085.1	46.0	47.0
Durban Point Car Terminal	Increase capacity in the port to 14 000 bays, with an annual throughput of 600 000 units.	R490 million	R19.8	R220.0	79.2	25.0
Pier 1 Container Terminal	Create additional capacity of 720 000 TEU.	R1.96 billion	R107.9	R248.1	100	96.8
Container Terminal Re-engineering	Create additional capacity of 600 000 TEU.	R1.47 billion	R116.9	R737.5	41.2	35.0
Pier 1 Phase 2 (Salisbury Island)	Container terminal to create additional capacity of 800 000 TEU.	To be determined.	NB: Land Sale delayed due to request to re-evaluate land.			
Maydon Wharf Quay Wall Refurbishment	Refurbishment project. Safety requirement.	R1.59 billion	New project.			
Feasibility: Bayhead Container Terminal	Feasibility study completed. Potential to provide additional capacity of 6.0 million TEU.		Study complete, part of eastern container strategy.			
Feasibility: Berth deepening	Deepen container terminal berths to -16 m to cater for larger vessels.		Report due Q4/2009.			

Feasibility Studies:

- Increase Multi Purpose Terminal capacity by extending the 700 Series with 2 additional berths.
- Increase Container Terminal capacity by converting the 600 Series berths (+2.6 million TEU) and by developing the 500 Series (+3.7 million TEU).
- Increase coal line capacity to 81 mpta.
- Total cost of feasibility studies R113.4 million.
- Report due mid August. Planning for an investment decision by year end.

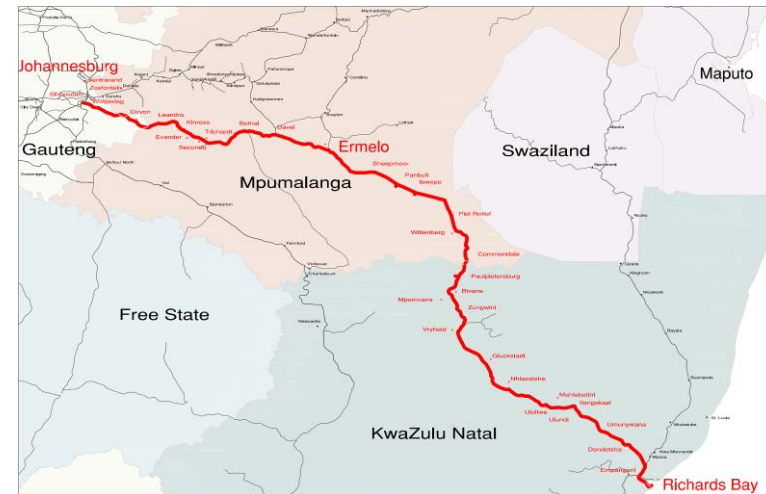


Existing Projects:

- Construction for a new coal terminal berth was completed in 2006.
- Berth 208 (Additional Liquid Berth) awarded to Steffanuti & Bressan, and has commenced.

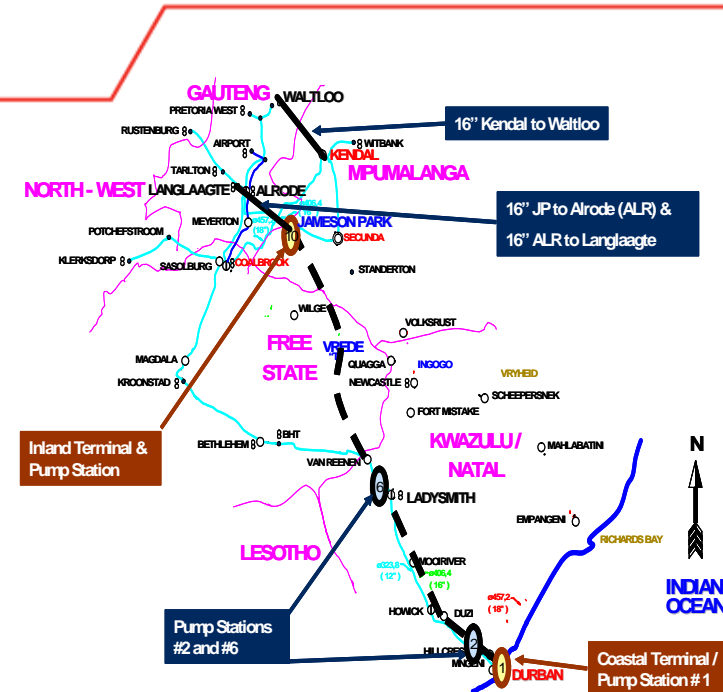
RICHARDS BAY/GAUTENG CORRIDOR COAL LINE

- Transnet is undertaking pre-feasibility and feasibility studies to accommodate 91 mtpa of export coal and 21 mtpa of general freight on the coal line. This includes:
 - Review of the sustainable Capex approved and future Capex investment requirement.
 - Projected increases in container volumes as a result of proposed port developments and capacity requirements.
 - The Project Management of all infrastructure projects currently in execution (expansion and sustainable Capex) by Capital Projects, as well as all future projects approved.
 - Total cost of feasibility studies R350m.
 - Final report due Q1/2009.



NEW MULTI PRODUCT PIPELINE ("NMPP")

- R12 bn project, replacing the current pipeline with a new multi product 24" line. Annual capacity 1000 m³/h in 2010 (current 520m³/hour). Expandable to 3000 m³/h.
- Infrastructure:
 - 547km of 24" pipeline.
 - 170km of 16" pipeline.
 - 4 pump stations (3 along the route, one at the Inland terminals).
 - Coastal Terminal: between 160 000 m³ and 240 000 m³ tanks (depends on site).
 - Inland Terminal: 240 000 m³ tanks.
- Construction of Inland sections to start August 2008, Commissioning of Trunkline in Q3/2009.
- EPCM contractor Arup WorleyParsons JV.
- Siemens provides controlling systems.
- Pipeline construction contractor SpieCapag & Group5.



Strategic risks 2007/2008

Actions taken

- | | | |
|--|---|--|
| <p>1. Unacceptable safety performance and non-adherence to Standard Operating Procedures.</p> | • | <p>Executive Commitment – Permanent Zero Harm Campaign. DIFR improved from 1.94 to 0.63. Operating standards have been updated and aligned with ODs. Influencing behavior and attitude towards safety with site visits, proper root cause analysis, a strengthened safety structure and continuous coaching and mentoring.</p> |
| <p>2. Not obtaining environmental authorisation (positive Record of Decisions {"RODs"}) for proposed projects resulting in delays in projects.</p> | • | <p>Strong working relationship with DEAT has been established, steady progress is being made with the obtaining of RODs. Some concerns exist on the timing of RODs for the NMPP.</p> |
| <p>3. Inappropriate or inadequate human capital.</p> | • | <p>Key skills shortages - electrical engineers, signaling technicians, CAD operators / draughtsmen and construction managers being prioritised and filled.</p> |
| <p>4. Inability to deliver capital projects on time and within budget.</p> | • | <p>Bulk of contracts awarded. EPCM Joint Ventures HMG and Arup Worley Parsons delivering to expectations. Project Lifecycle Management approach implemented. New capital governance and reporting procedures in place. RME refocused on delivering Transnet only projects. Concern regarding construction demand inflation (steel price increases = 67%, cement = 28%, also deterioration of Rand against major currencies – possible impact of R1.7bn).</p> |
| <p>5. Inability of operations to generate anticipated revenue flows for capital investment.</p> | • | <p>Phased approach to projects. Value engineering to contain project cost. Improved collaboration with ODs to improve operation performance e.g. maintenance support, occupation efficiency.</p> |

SIYABONGA GAMA

TRANSNET FREIGHT RAIL



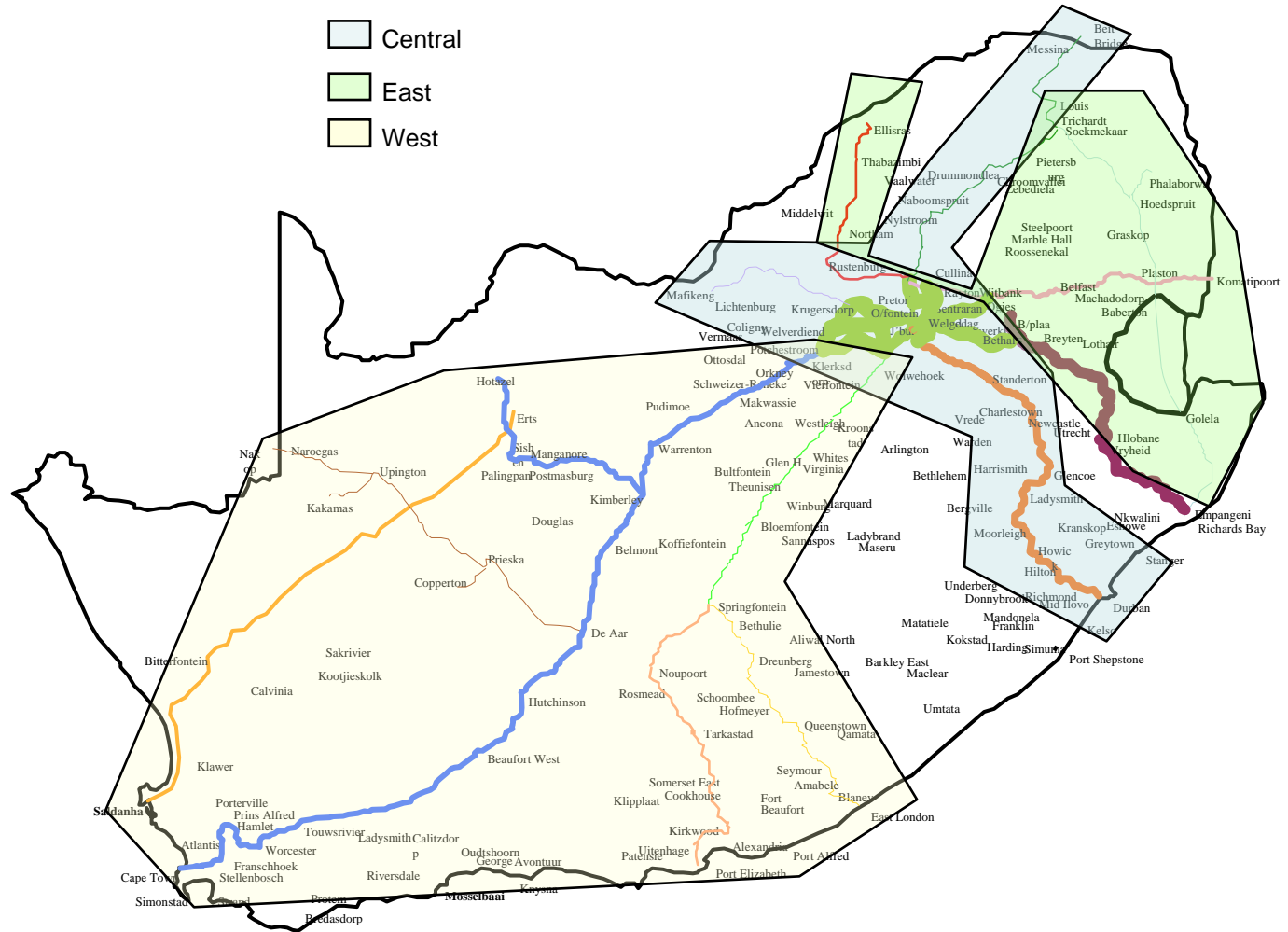
TRANSNET FREIGHT RAIL OPERATES 14 CORRIDORS IN THREE REGIONS

TRANSNET

Northcor
Capecor
Southcor
Natalcor
R. Baycor
N. Westcor
Eastcor (Maputo)
N. Eastcor
Sishen-Saldanha
Sentracor
South East Cor
Westcor
Freestate
Namibia



Central
East
West



... from turnaround to growth



BUSINESS OVERVIEW

Transportation of
Rail Freight**Iron ore**

Sishen to the Port of Saldanha Bay

Coal line

Mpumalanga coal fields to the Port of Richards Bay

General Freight

National main line corridors between economic hubs and ports transporting mining products, manufactured goods, containers and agricultural commodities

Discontinued Operations

Shosholoz Meyl and The Blue Train Passenger Services

People:

- Total = 24 577
- Permanent Employees

Facilities:

- 22 277 km rail network
- 1 500 km heavy haul lines
- Connectivity to all ports

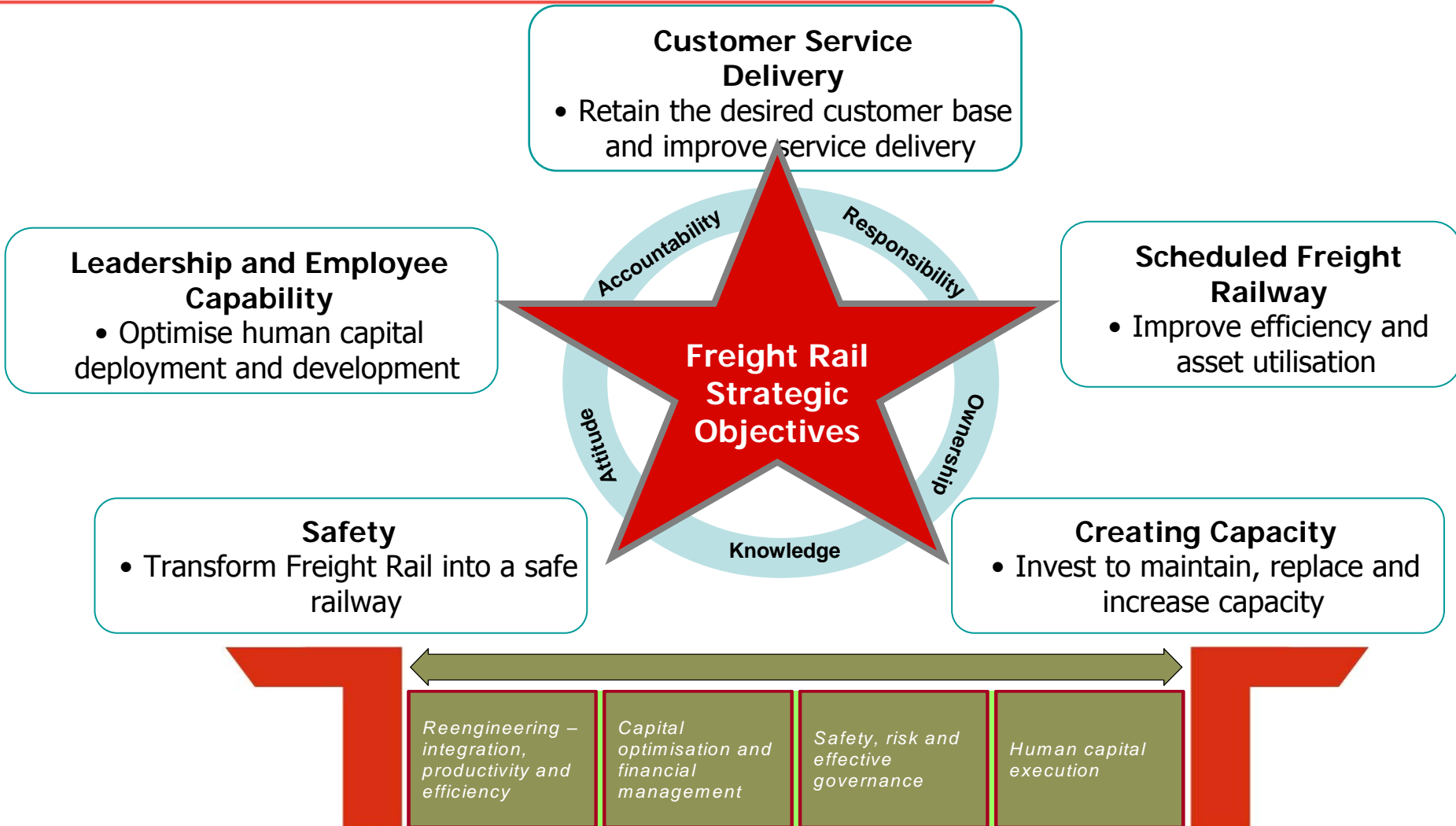
Revenue:

- R 16 598m

EBITDA:

- R 5 109m.

OUR BUSINESS PLAN CONTINUES TO FOCUS ON OUR FIVE KEY STRATEGIC OBJECTIVES, SUPPORTED BY A NUMBER OF FOCUSED INITIATIVES



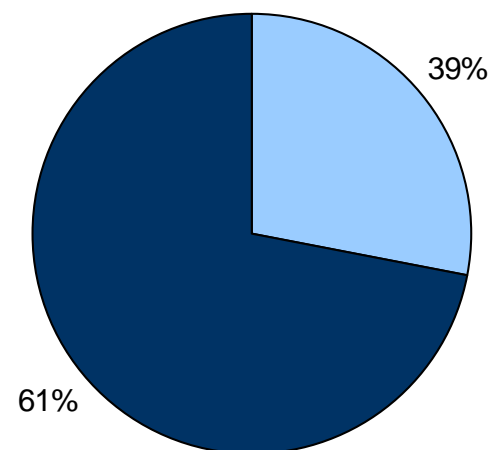
OPERATING PERFORMANCE

Operating division	Revenue (R million)			EBITDA (R million)		
	2007	%▲	2008	2007	%▲	2008
Transnet Freight Rail	14 574	13.9%	16 598	3 522	45%	5 109

14% increase in revenue.

- Total tonnage 179,9 mt (2007:181,3 mt):
 - GFB 84.5mt (2007: 84.3)
 - Iron ore 31.9mt (2007: 30.0)
 - Coal 63.5mt (2007: 67,0)
- Volumes negatively impacted by:
 - Power failures
 - Customers' production constraints
 - Capacity (Locomotives and Wagon Matching)
 - Incidents
- 3,7% increase in operating cost compared to prior year.
- Capital expenditure R 9,3bn.

Transnet Freight Rail's contribution to Group EBITDA 39%



OPERATING PERFORMANCE

Transnet Freight Rail

Maintenance	(R million)		(R million)
	2007	%▲	2008
Total expenditure	5 035	26%	6 343
Maintenance per income statement	1 770	24%	2 189
COPEX*	3 265	27%	4 154



• Rolling stock	2 801
• Infrastructure (Railway track, Overhead Traction Equipment, Signalling Systems)	1 258
• Coaches	36
• Containers	17
• Property maintenance interventions	42

* Capitalised operating expenditure

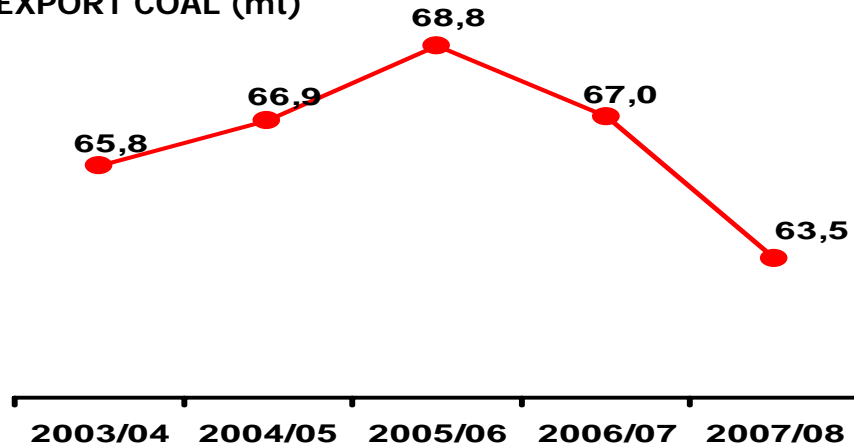
KPI's – TRANSNET FREIGHT RAIL

	2007 Actual	2008 Target	2008 Actual	Performance
Financial				
Revenue (Rmillion)	14 574	16 643	16 598	Not achieved
EBITDA (Rmillion)	3 522	4 104	5 109	Exceeded
Infrastructure				
Capital expenditure (Rmillion)	7 402	7 878	9 308	Exceeded
Efficiency				
Tonnage – iron ore (mt)	30.0	35.0	31.9	Not achieved*
Tonnage – coal (mt)	67.0	72.0	63.5	Not achieved*
Tonnage – general freight (mt)	84.3	85.9	84.5	Not achieved

* See next slide on historical analysis

COAL AND IRON ORE HISTORICAL VOLUMES

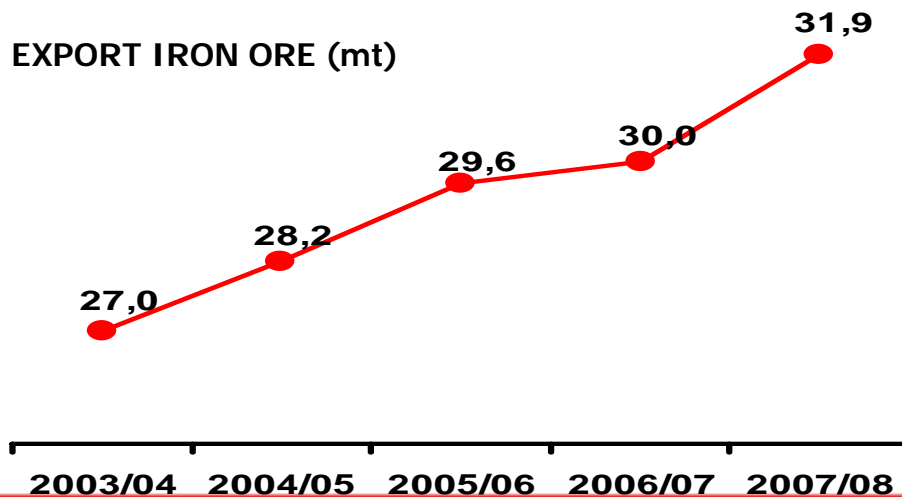
EXPORT COAL (mt)



Export Coal:

Growth planned through Capacity Expansion and Efficiency Improvements. Tonnages negatively impacted by Coal Mine production problems; consolidation of new entrants' production and RBCT expansion of between 81 and 91 million tons in future (pending agreement with industry).

EXPORT IRON ORE (mt)



Export Iron Ore:

Growth through Capacity Expansion and Efficiency Improvements to meet growth in global demand and RBCT expansion of between 47 and potentially 60 – 90 million tons in future (pending agreement with industry).

INITIATIVES TO ENSURE BUSINESS PERFORMANCE IMPROVEMENT

Strategic Objectives	Priorities	High Impact Initiatives
Customer Service Delivery	<ol style="list-style-type: none"> 1. Drive Profitable Volume Growth 2. Improve Service Delivery 	<ul style="list-style-type: none"> • Commercial “ownership” of wagons by Sales and Marketing • Sell traffic for under-utilised wagons • Customer Loading and Offloading Facilities
Scheduled Freight Railway	<ol style="list-style-type: none"> 3. Improve Asset Utilisation Efficiency 4. Manage Costs and Eliminate Waste 	<ul style="list-style-type: none"> • Simplified Operations Philosophy • MultiRail • Order to Execution • Corridor Rollout • Asset ring-fencing • Terminal and Yards Rationalisation
Safety	<ol style="list-style-type: none"> 5. Improve Safety Performance and Risk Management 6. Rail Technologies to support Operations and improve safety 	<ul style="list-style-type: none"> • Safety Culture and 5Ss Programme • Safety Training and Discipline • Safety Management System • Incident Investigations
Creating Capacity	<ol style="list-style-type: none"> 7. Efficient and Cost Effective Rolling Stock Maintenance 8. Optimise Asset Base 	<ul style="list-style-type: none"> • Comprehensive Locomotive and Wagon Fleet Plans • Revised formula and process for TRE Charges • Wagon PPPs • Capital Programme
Leadership and Employee Capability	<ol style="list-style-type: none"> 9. People Management and Productivity Improvement 	<ul style="list-style-type: none"> • First Line Management Development • Train Crew Management • First Class Partnership • Performance Culture

CAPACITY CREATION THROUGH FOCUSED CAPITAL PROGRAMME SUPPORTED BY IMPROVED EFFICIENCIES AND ASSET UTILISATION

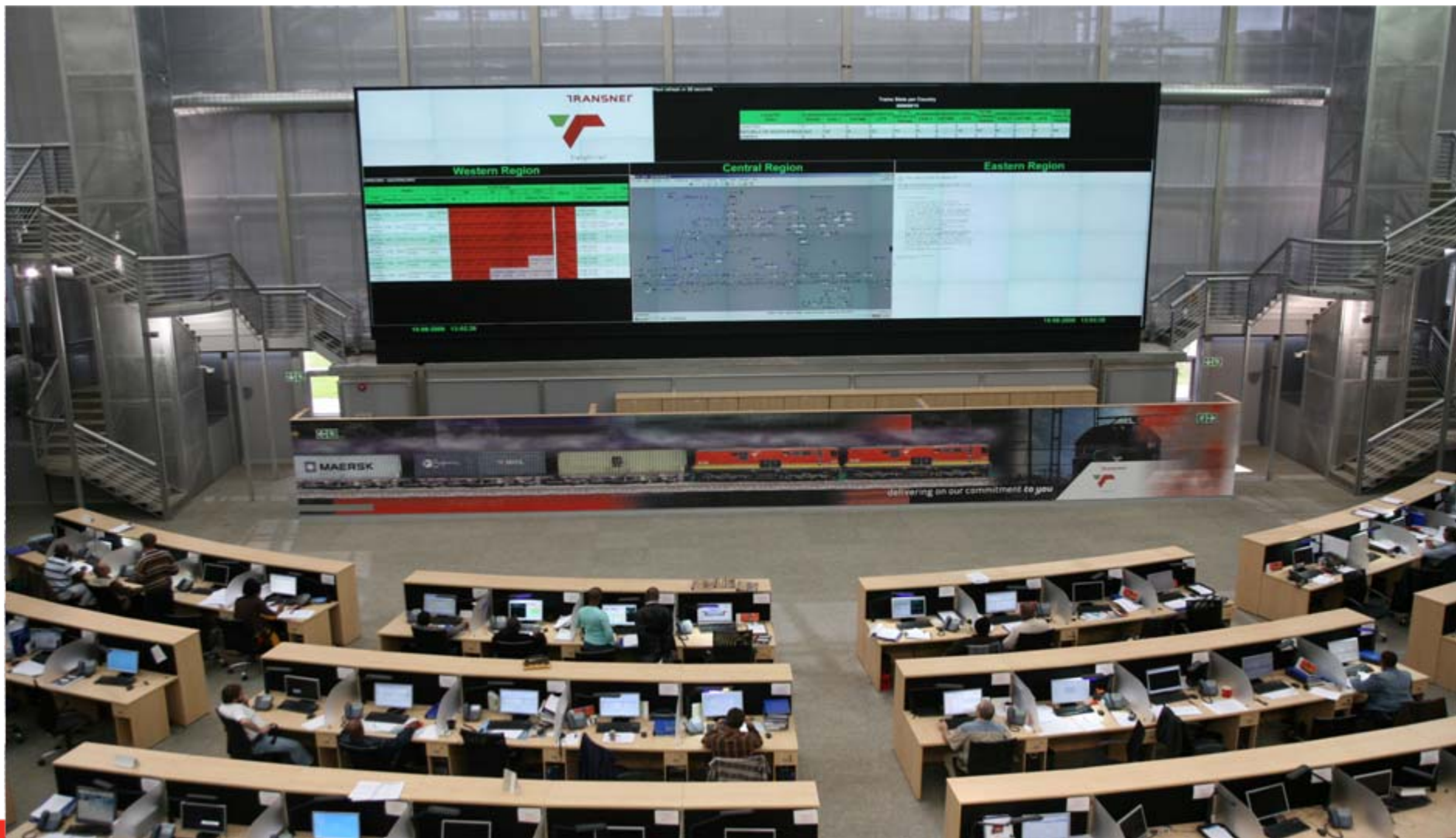
TRANSNET

Purpose	Budget 2008/09	Forecast 2009/10	Forecast 2010/11	Forecast 2011/12	Forecast 2012/13	Five Year Total
Growth	4,243	4,885	3,575	2,066	50	14,819
General Freight	1,997	2,390	2,063	1,382	12	7,845
Coal	1,191	1,678	1,269	344	0	4,482
Iron Ore	1,055	816	243	340	38	2,492
Maintain / Replace	3,837	3,656	3,321	2,807	2,339	15,959
General Freight	3,391	3,225	3,061	2,675	2,279	14,631
Coal	405	401	230	102	30	1,168
Iron Ore	40	30	30	30	30	160
Quality / Efficiency	1,518	1,591	1,448	1,237	1,076	6,870
General Freight	1,545	1,408	1,172	1,076	6,633	1,545
Coal	40	40	65	0	185	40
Iron Ore	6	0	0	0	52	6
Safety and regulatory	112	93	103	70	0	378
Cash Flow Adjustment		-400	-200	400	200	
Borrowing Costs	79	80	80	81	82	402
Total (Rb)	9,789	9,905	8,328	6,661	3,747	38,430

... from turnaround to growth



BUSINESS	LOCOMOTIVES	2008/09	2009/10	2010/11	2011/12	TOTAL
Coal	19E (110 AC/DC)	26	36	36	12	110
Iron Ore	15E		32			32
	15E			6		6
General Freight	50 Like New	50				50
	212		48	120	44	212
Total		76	116	162	56	410

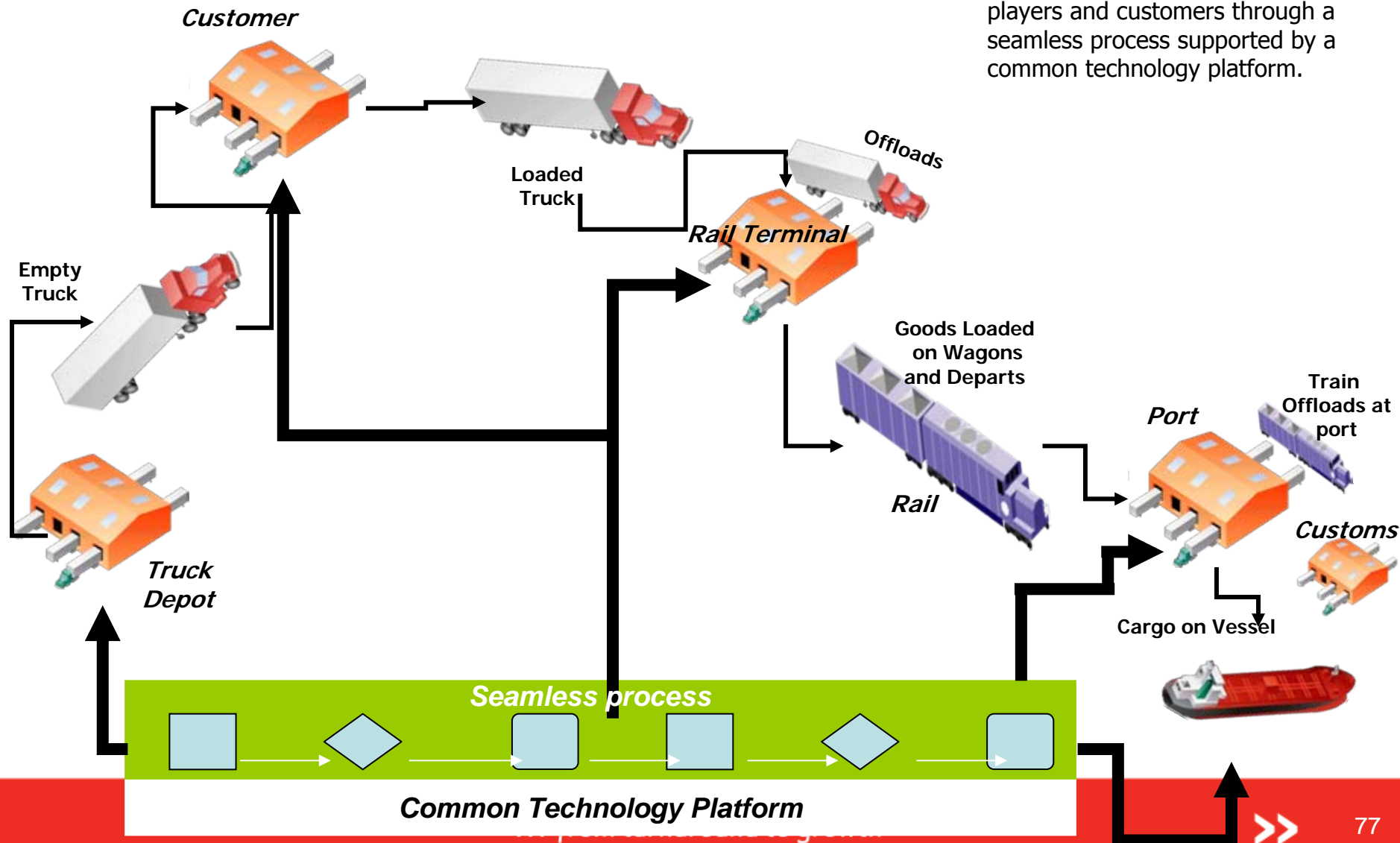




NOC AND SUPPLY CHAIN ACTIVITIES

TRANSNET

A system of integrating logistics players and customers through a seamless process supported by a common technology platform.



Pre-requisites

- Entrench the Scheduled railway operating philosophy.
- Satisfy customer demand and meet customer requirements consistently.
- Ensure safe design and reliable execution of services.
- Create capacity by increasing assets utilisation.

Address those prerequisites by the NOC

Building a schedule

Scheduling

- Develop an operational schedule.

Fleet and crew assignment

- Integrate programmes of work for crews and assets.

Customer handling

- Optimise forecasting detail and implement reaction procedures.

Executing a schedule

Compliance management

- Redefine interfaces between NOC and other units.

Deviation management

- Increase transparency on deviations and install feedback loops.

Collaboration:

- Share real-time data with key customers, suppliers and partners.
- Align Departments within organisations.
- Standardise processes and practices.

Connectivity:

- Standardise applications and platforms.
- Foster many-to-many collaboration.
- Enable trade exchange.

Execution:

- Improve transportation, distribution, inventory, and order management.
- Measure performance results.



Speed:

- Increase responsiveness.
- Improve adaptability.
- Access information in real time.

Visibility:

- Track inventory flow.
- Update order status in real time.
- Manage incidents.

Optimisation:

- Implement new tools and processes.
- Eliminate inefficiencies.
- Leverage cost savings across communities.

RICHARD VALLIHU

TRANSNET RAIL ENGINEERING



BUSINESS OVERVIEW

Product Focused Businesses

Locomotive

- Running Maintenance
- Upgrading
- Refurbishment

Wagons

- Running Maintenance
- Upgrading
- Conversions
- New Build

Coaches

- Running Maintenance Shosholoza Meyl
- Upgrading

Other Rail Rolling Stock

- Refurbishment of rail rolling stock related Components (wheels, traction motors etc)

People:

- Total = 13 486

Facilities:

- 7 Factories
- 150 Depots

Revenue:

- R 8,156m

EBITDA:

- R 1,188m

Customers

Transnet Freight
Rail

African Markets

Freight Rail
Mainline Services

SARCC Metrorail

Main

- Locomotive Business
- Wagon Business
- Wagon Build

- Coach Business

Internal Support

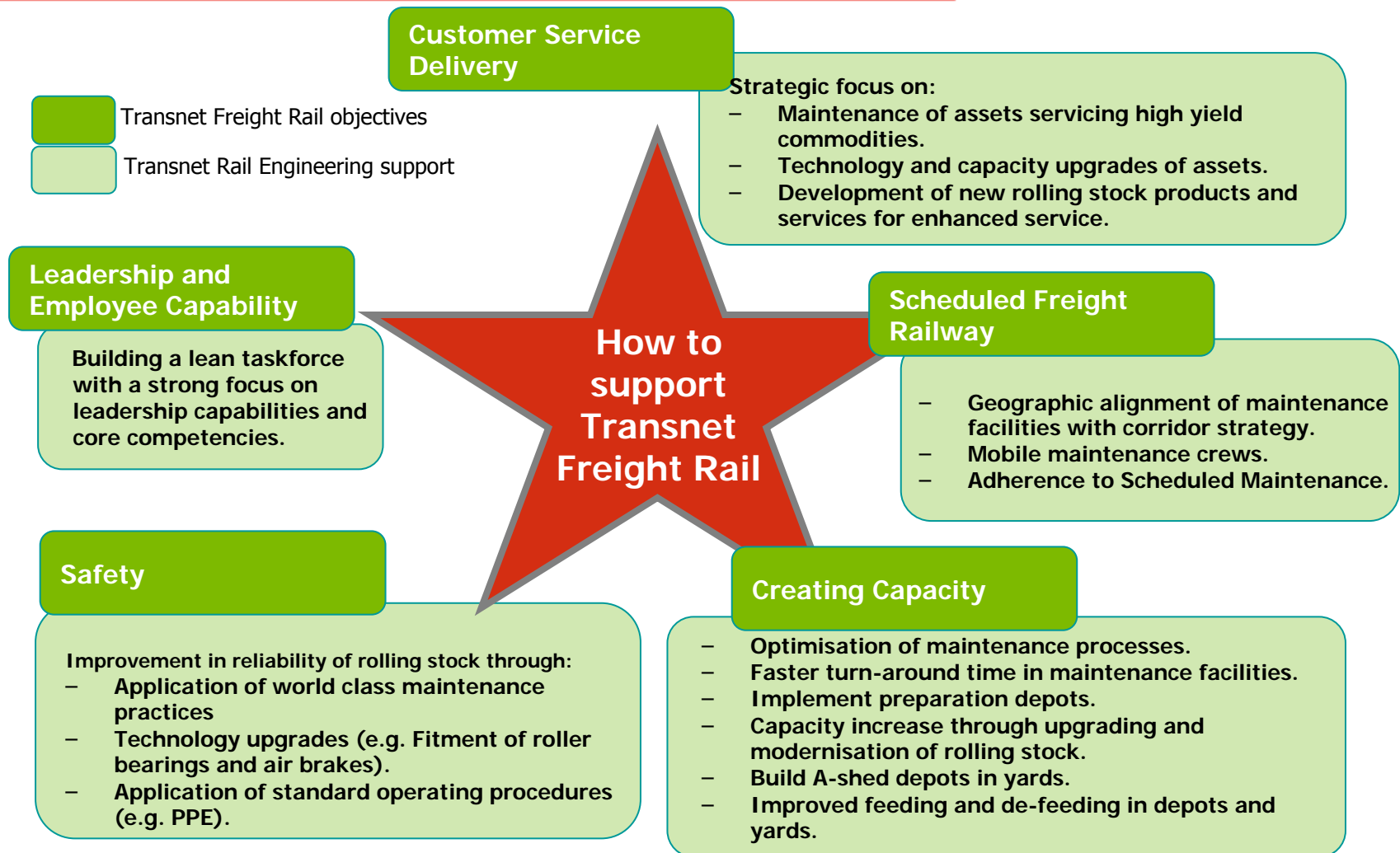
Wheels

Rotating
Machines

Rolling Stock
Equipment

Tarpaulins

TRANSNET RAILWAY ENGINEERING STARTED VARIOUS INITIATIVES TO SUPPORT THE GROWTH STRATEGY FROM TRANSNET FREIGHT RAIL



CORE OPERATING DIVISIONS PERFORMANCE

Operating division	Revenue (R million)			EBITDA (R million)		
	2007	%▲	2008	2007	%▲	2008
Transnet Rail Engineering	7 310	11%	81 56	1 088	9%	1 188

- Revenue increase due to external sales of R 1 057m.
- Locomotive reliability and availability exceeded targets.
- Wagon liftings for 2007/08 was 17 344 against planned 15 802.
- Production of 706 new iron ore and 192 coal wagons.
- Capital expenditure R 764m.

KPI'S – TRANSNET RAIL ENGINEERING

		2008 TARGET	2008 ACTUAL	PERFORMANCE
Financial				
Revenue (Rmillion)		7 566	8 156	Achieved
EBITDA (Rmillion)		919	1 188	Achieved*
Infrastructure				
Capital expenditure (Rmillion)		699	764	Achieved
Efficiency				
Locomotive reliability (faults per million km)	General freight	48	39	Achieved
	Coal	50	49	Achieved
	Iron ore	57	40	Achieved
Locomotive availability (%)	General freight	85	86	Achieved
	Coal	89	89	Achieved
	Iron ore	86	86	Achieved

**Internal profit mainly – focus is primarily on productivity*

Capacity Creation

Investment 5 year plan

- Replacement /expansion of equipment/infrastructure to create capacity:
 - Machinery and equipment (R 1.5bn);
 - Efficiency improvements in all areas of operations; and
 - Upgrading and expansion of buildings/structures for operations (R 1.4bn).

Improved Service Delivery

- Wagon liftings for 2007/08 was 17 344 against planned 15 802.
- Locomotive availability for coal improved from 86% in 2006/07 to 89% currently.
- Improved in all areas.
- 898 new wagons were built during 2007/08.

KHOMOTSO PHIHLELA

TRANSNET NATIONAL PORTS AUTHORITY



BUSINESS OVERVIEW

To enable the safe, efficient and effective economic functioning of the National Ports system

Port infrastructure

Marine services

Property

Aids to navigation

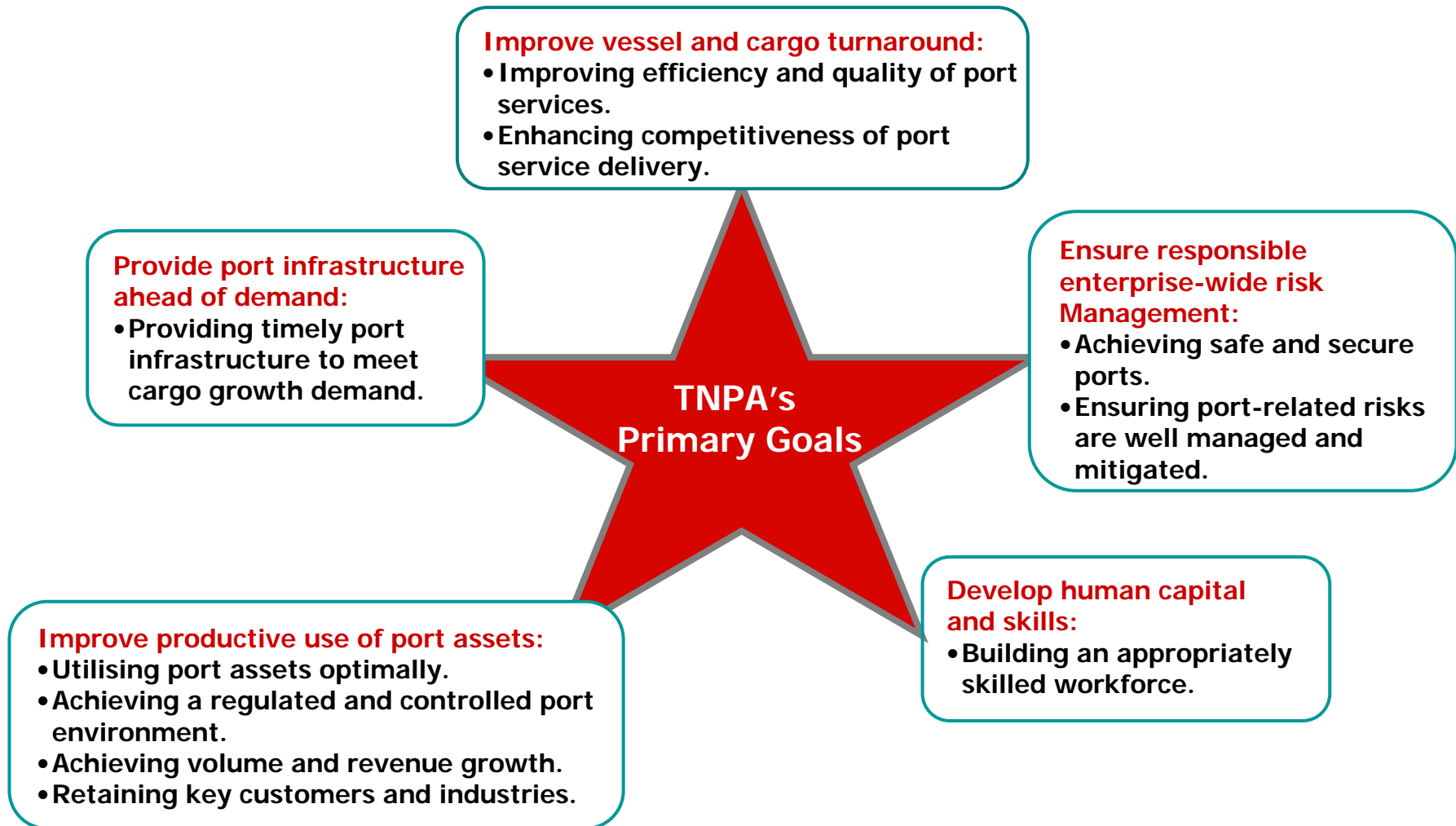
People:
- Total = 3 173

Facilities:
- 7 National Ports
(port of Ngqura will become the 8th)

Revenue:
- R 6 842m

EBITDA:
- R 5 190m

TNPA's STRATEGY IS DRIVEN THROUGH FIVE PRIMARY GOALS



OPERATING PERFORMANCE

Operating division	Revenue (R million)			EBITDA (R million)		
	2007	%▲	2008	2007	%▲	2008
TNPA	6 107	12%	6 842	4 628	12.2%	5 190

12% increase in revenue.

- Volumes

- Containers ('000 TEUs)	3 738.0	(target 3 673.2)
- Break bulk (mt)	10.4	(target 11.6)
- Liquid bulk (mt)	43.9	(target 42.7)
- Dry bulk (mt)	122.0	(target 130.7)
- Automotive ('000 units)	580.4	(target 634.7)

- 5.1% increase in operating expenses compared to prior year and a 4.5% saving when compared to budget

- Capital expenditure R 2 506m (budget R 3 949m)

KPI'S – TRANSNET NATIONAL PORTS AUTHORITY

	2007 ACTUAL	2008 TARGET	2008 ACTUAL	PERFORMANCE
Financial				
Revenue (Rmillion)	6 107	6 754	6 842	Achieved
EBITDA (Rmillion)	4 628	5 125	5 190	Achieved
Infrastructure				
Capital expenditure (Rmillion)	1 029	3 949	2 506	Not achieved
Efficiency				
Berth occupancy	66%	66%	45%	Achieved

FOCUS AREAS IN THE YEAR AHEAD

Improving the efficiency of port services in the following areas:

- **Marine services; and**
- **Dredging.**

Creating a regulated and controlled port environment through the implementation of:

- **The Port Rules;**
- **The Ports Act Guidelines; and**
- **Preparing for economic regulation.**

Optimising capital expenditure for the creation of capacity ahead of demand.

Volume growth that will contribute to revenue growth whilst containing costs.

Creating a safe and secure port environment.

Developing human capital capacity and skills.

TNPA: REGULATORY PRINCIPLES AND TARIFF APPLICATION

- **Regulatory principles:**
 - Comments to the draft directives provided (16 May 2008).
 - No indication of finalisation date of Regulatory Principles.
- **Tariff application 2009/10:**
 - Submitted to Regulator on 1 August 2008 (based on draft principles);
 - Based on smoothing principle of tariff increases and including CWIP; and
 - Required tariff increase in excess of inflation mainly due to increase in asset base and ensuring a return $>$ WACC on asset base.

TAU MORWE

TRANSNET PORT TERMINALS



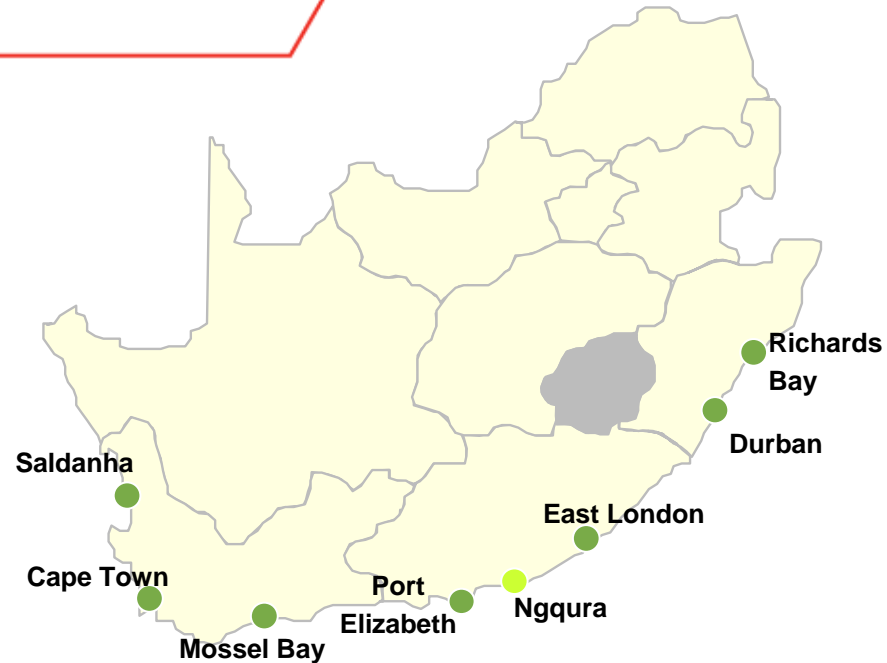
BUSINESS OVERVIEW

Transnet Port Terminals manages 15 cargo terminal operations situated across 6 South African ports.

Revenue R 4.8bn:
Operating Profit R 1.4bn (EBITDA R 1.8bn).
Staff complement of 5 800.

Operations are divided into four cargo sectors:

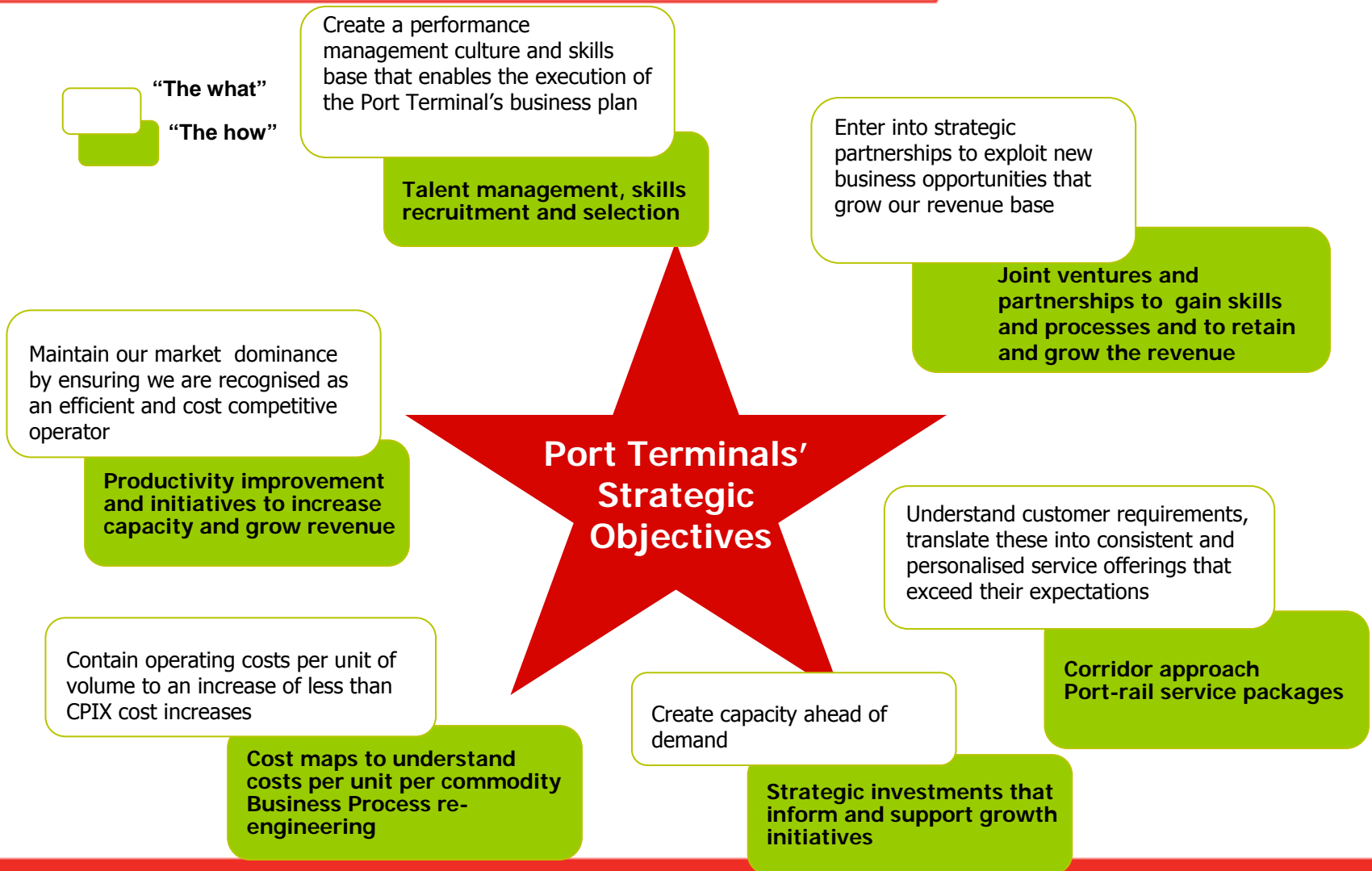
- Containers;
- Dry Bulk;
- Break Bulk; and
- Automotive.



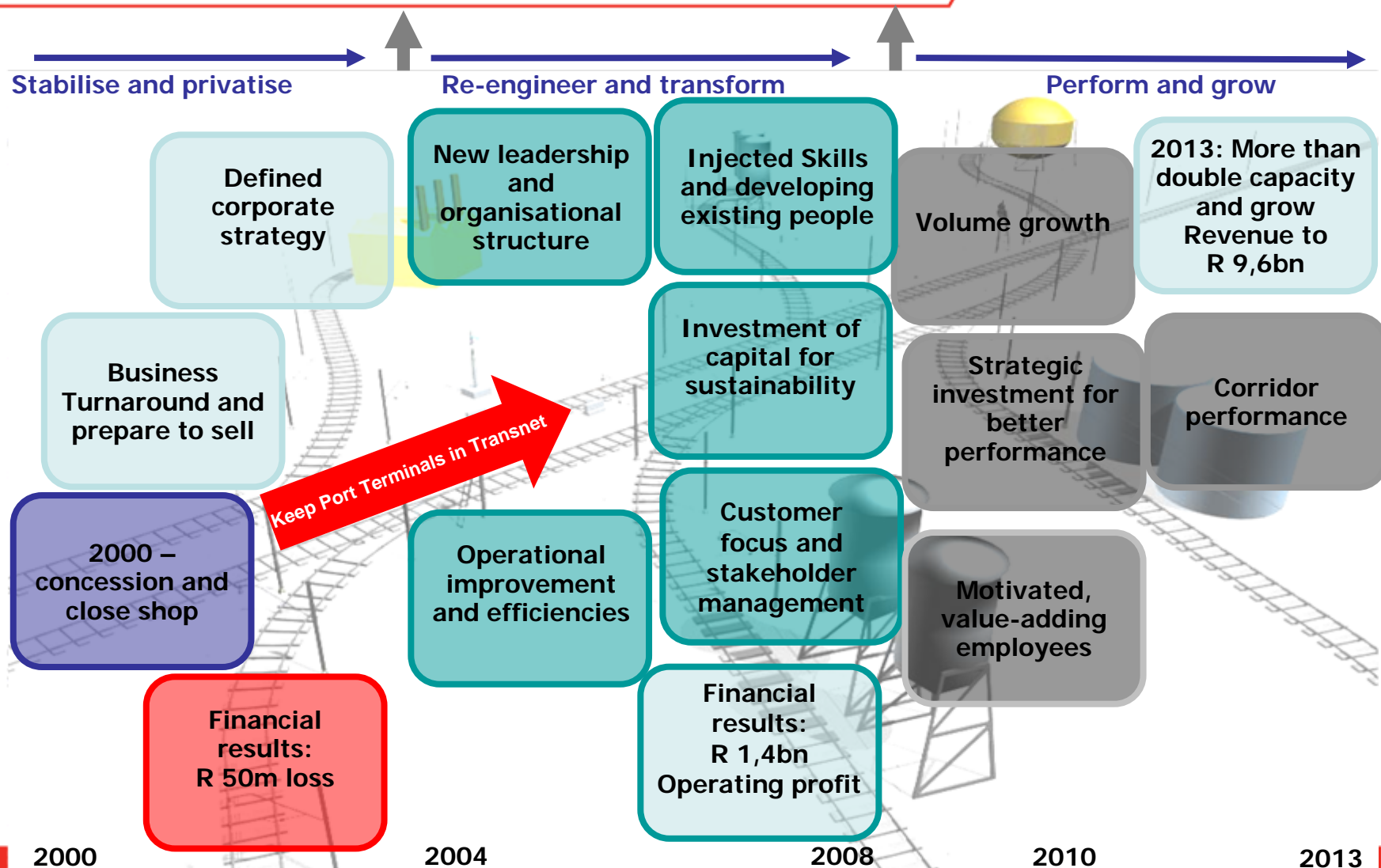
MARKET SHARE

	% MARKET SHARE		
CARGO SECTOR	TRANSNET PORT TERMINALS	PRIVATE SECTOR	MARKET SIZE
Containers	99%	1%	3,9 million TEUs
Automotive	100%	0%	500,000 units
Break-Bulk products	76%	24%	15 million tons
Liquid Bulk	0%	100%	32 million tons
Dry Bulk	36%	64%	132 million tons

STRATEGIC OBJECTIVES



WE HAVE TAKEN SUCCESSFUL ACTIONS TO STABILISE THE BUSINESS AND HAVE STRUCTURED AND SEQUENCED THE PATH TO WORLD CLASS



... from turnaround to growth

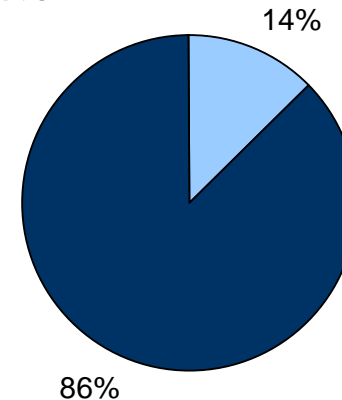


FINANCIAL PERFORMANCE

	Revenue (R million)			EBITDA (R million)		
	2007	%▲	2008	2007	%▲	2008
Transnet Port Terminals	4 098	18%	4 843	1 561	16%	1 810

- Revenue increased by 18% vs 2007.
- Container volumes increased by 9% to 3.7m TEUs.
- Capital expenditure R 2 082m.

Transnet Port Terminals' contribution to Group EBITDA 14%



KPI's – TRANSNET PORT TERMINALS

		2008 TARGET	2008 ACTUAL	PERFORMANCE
Financial				
Revenue (Rmillion)		4 740	4 843	Achieved
EBITDA (Rmillion)		1 844	1 810	Achieved
Infrastructure				
Capital expenditure (Rmillion)		3 136	2 082	Not Achieved
Efficiency				
Moves per crane hour	Durban container terminal	22	22	Achieved
	Cape Town container terminal	20	23	Achieved
Moves per ship hour	Durban container terminal	35	42	Achieved
	Cape town container terminal	33	43	Achieved
Tons loaded per hour	Iron ore terminal	4 900	4 400	Not achieved

Iron ore loading rates were impacted on by production problems at the Sishen mine. Implemented Dual loading in 2008

Capacity creation:

5 year capital investment plan -

- **Ngqura container terminal (R 1.2bn) to create 800 000 teu capacity.**
- **Cape Town container terminal expansion (R 1.2bn) to double existing capacity to 1.4 million TEUs.**
- **Durban Container Terminal re-engineering project (R 0.7bn) to increase capacity from 2.3 million TEU to 2.9 million TEU per annum.**
- **Richards Bay Bulk terminal equipment upgrade (R 0.6bn).**

Improved service delivery:

- **New Pier 1 Container Terminal with an annual capacity of 700 000 TEUs per annum became operational in November 2007 – a month ahead of schedule.**
- **DCT increased moves per “Gross Crane Hour” from 18 moves in March 2007 to 22 moves in March 2008.**
- **DCT achieved target of 6 000 moves per day on several occasions.**
- **Saldanha Bulk Terminal loaded a record 160 204 tons over a 24 hour loading period due to the introduction of dual loading.**
- **Richards Bay MPT commissioned a new mobile crane which achieved loading rates of 250 tons per hour as opposed to the previous norm of 120 tons per hour.**

CHARL MOLLER

TRANSNET PIPELINES



BUSINESS OVERVIEW

- Transnet Pipelines (“Pipelines”) can best be described as an energy transporter.
- It transports a range of petroleum products and gas through 3 000km of strategic underground pipelines traversing five provinces.
- The pipeline network consists of 4 main lines:
 - Multi-product line;
 - Crude oil pipeline;
 - Gas pipeline; and
 - Jet-fuel pipeline (plus a network of pipelines mainly in the Gauteng area).
- Pipelines plays an important role in ensuring the secure supply of petroleum products to an important part of South Africa. The importance of the network from a strategic perspective has been highlighted in the Energy Security Master Plan which Cabinet approved in 2007. The Plan clearly emphasises the importance of the network from a national supply perspective and labels the New Multi-Products Pipeline (“NMPP”) project as the single most important investment in this sector of the economy for the next 3 years.

BUSINESS OVERVIEW (CONTINUED...)

- Transnet Pipelines' currently transports approximately 17bn litres of petroleum products and 14m gigajoules of gas annually.
- Products currently transported by Pipelines include methane rich gas, crude oil, aviation turbine fuel, diesel and various grades of petrol (ULP and LRP).
- Clients consist of major oil companies operating in SA: BP, Chevron, Engen, Sasol Oil, Sasol Gas, Shell and Total but also smaller ones like Vuyo Petroleum.

STRATEGY FOR GROWTH

Transnet Pipelines will grow into a totally new business over the next three years. We are presently in the period of transition as depicted below:



CHARACTERISTICS

1. Cash flush
2. 500 Employees
3. Limited Capacity available
4. Informal Regulation (DME)
5. Volumes transported: 17bl/a
6. Interruptible production process
7. Total Net Assets : R 5,4bn
8. Annual turnover : R 1,2bn

1. Cash Constrained
2. 500 → 650 Employees
3. Capacity constrained: Bridging Plan
4. Developing formal Regulation
5. Volumes transported :Maximum18bl/a
6. Interruptible production process
7. Total Net Assets : Changing
8. Annual turnover : Increasing

1. Cash transition
2. 700 Employees
3. More capacity available than demand
4. Formal Regulation (NERSA)
5. Volumes transported upwards of 22 bl/a
6. Uninterrupted production process (Trunkline and Terminals)
7. Total Net Assets : R 20bn
8. Annual turnover : R 2,4bn

STRATEGIC OBJECTIVES

Our strategic objectives are now focused on moving towards the bigger Transnet Pipelines business beyond 2011 - from a small, constrained division to a bigger and growing division of Transnet Limited



TRANSNET



UPDATE ON PROGRESS WITH BRIDGING PLAN INITIATIVES AND NMPP

TRANSNET

Bridging Plan:

- Capacity in DJP-Line before Bridging Plan : 62 MI/w (Operating design).
- Full implementation of DRA's : November 2007.
- Since February 2008, achieved 82 MI/w on a continuous basis – improvement of 32% on the capacity of a constrained system.
- To date have transported 750 million litres of Diesel in the Crude Line – this is additional volumes into the Gauteng area, with the assistance of the Natreff refinery.
- No stock-outs since December 2005... We intend keeping it that way.
- Role of Transnet Freight Rail now important.

NMPP – Project:

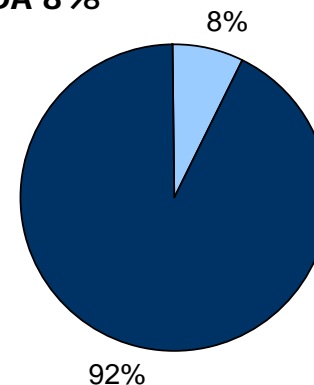
- Approval given by Board to continue with full project.
- On course for completion Q3 2010; will however be able to transport fuel (Diesel) to Gauteng before that date (World Cup Support).
- Main pipeline contract awarded : R 2,8bn to Group 5 and French Partner.
- Steel for 24" line: Orders placed.
- First pipes for 16" line: Produced in South Africa by Impumelelo JV.
- Construction has started on the 16" line Kendal to Tshwane.
- EIA process on track.
- Cash spent in 2007/08: R 600m.

OPERATING PERFORMANCE

	Revenue (R million)			EBITDA (R million)		
	2007	%▲	2008	2007	%▲	2008
Transnet Pipelines	1 218	6%	1 292	931	6%	990

- Although the 5,6% tariff increase for 2007/08 was not approved by the Regulator (NERSA), Transnet Pipelines' still managed to achieved a 6% increase in revenue, mainly attributable to a 2,5% increase in volumes (in a constrained system...), as well as improved operating margin of 1,4% through excellent cost -savings.
- Capital expenditure R 887m (182% up from 2007).
- Capital required for 2009: R 3 150m (mainly for the NMPP).

Transnet Pipelines' contribution to Group EBITDA 8%



KPI's – TRANSNET PIPELINES

	2008 TARGET	2008 ACTUAL	PERFORMANCE
Financial			
Revenue (Rmillion)	1 376	1 292	Not Achieved (Tariffs not approved by Regulator)
EBITDA (Rmillion)	992	990	Achieved
Infrastructure			
Capital expenditure (Rmillion)	810	887	Achieved
Efficiency			
Total operating costs per Ml.km of product conveyed (Rand)	45	42.18	Achieved
Productivity			
Total labour cost per Ml.km of product conveyed per employee (Rand)	10.432	10.431	Achieved
Safety			
DIFR (Disability Injury Frequency Rate)	1,0	0,88	Achieved

- Capacity needed till 2010 driven by Bridging Plan Initiatives to prevent another Eskom situation with stock-outs in the liquid fuels sector:
 - Drag reducing agents in DJP.
 - Diesel (and Petrol) in Crude pipeline ("DIC").
 - Co-operation between Pipelines and Freight Rail.
 - Freight Rail fuel initiatives on NATCOR.
 - De-bottlenecking facilities in Durban Harbour. To enhance imports.
 - Investment (Oil Industry) in Logistics.
 - Monitored, reported and managed by department of Minerals and Energy ("DME").
- Completion of NMPP by Q3 2010:
 - Sufficient capacity until 2015 (Phase 1).
 - Ability to expand capacity as needed beyond 2015 up to 2030 with a year - on - year growth in volumes of 5% (linked to GDP growth of 6% per annum).

TRANSNET PIPELINES

- Transnet applied for 15% increase in tariffs;
 - Based on principles in draft Regulations.
 - Smoothed approach to avoid higher increase in tariffs (+-60%) when pipeline is put in operation.
 - Including CWIP in asset base (TOC).
- NERSA decision on tariffs:
 - Allowed increase of 7.7% over remaining months (August – March '09).
 - Effective increase 4.3% (loss of revenue estimated at R48m).
 - Engaging with NERSA to resolve perceived errors and application inconsistencies.

MARIA RAMOS

CONCLUSION



... from turnaround to growth



Turnaround

- Transnet successfully implemented its turnaround strategy enabling a focus on growing the business.
- Through the operational integration of rail and ports, building a networked logistics capability.
- On track with the roll out of the 5-year investment plan to replace ageing assets and create future capacity ahead of demand.

Growth

- The four-point growth strategy is planned to grow total volumes transported for our customers by 25% over the next 3 years.

Customers

- We are committed to reducing the cost of doing business by providing effective networked logistics services to our customers.

THE END

TRANSNET

THANK YOU