

Eskom has a funding shortfall of around R190bn over the next seven years

Key assumptions

- Committed and uncommitted capex for the seven year period of R693bn
- Reasonable tariff scenario of 24,8% in 2010/11, 25,8% in 2011/12, 25,9% in 2012/13. Then 25% in 2013/14 and 2014/15. Thereafter 6% in 2015/16 and 2016/17.

Funding requirement

R bn	YE Mar	2011	2012	2013	2014	2015	2016	2017	Total
Operating cash flow (pre-interest)		16 143	28 912	48 237	73 153	112 291	121 418	130 681	530 835
Loans, Financial assets & Interest payable		-20 519	-27 517	-40 634	-44 768	-42 045	-50 629	-51 819	-277 932
Operating cash flow (post-interest)		-4 376	1 395	7 602	28 386	70 246	70 790	78 862	252 904
Capex									
<i>Capex - Unapproved new capacity</i>		-896	-766	-1 041	-1 797	-17 922	-54 087	-67 921	-144 430
<i>Capex for existing & approved capacity</i>		-86 754	-93 654	-85 202	-66 988	-70 982	-73 867	-71 376	-548 822
Total Capex		-87 650	-94 420	-86 243	-68 785	-88 904	-127 954	-139 297	-693 252
Funding gap		-92 026	-93 025	-78 640	-40 399	-18 659	-57 164	-60 435	-440 348
Committed & Signed									
<i>Government Loan</i>		20 000	0	0	0	0	0	0	20 000
<i>DFI - EIB, World Bank, AFDB</i>		20 545	12 548	6 906	2 676	2 082	0	0	44 757
<i>ECA - COFACE, JBIC & HERMES</i>		13 482	6 222	2 471	1 321	0	0	0	23 496
Total Committed & Signed		54 027	18 770	9 377	3 997	2 082	0	0	88 253
<i>Cum cash surplus / (shortfall) including committed funding</i>		-37 999	-112 253	-181 517	-217 919	-234 496	-291 660	-352 095	-352 095
Signed documentation Local Bonds & CPB's		22 000	22 000	22 000	22 000	25 000	25 000	25 000	163 000
Total Signed documentation in place		22 000	22 000	22 000	22 000	25 000	25 000	25 000	163 000
<i>Cum cash surplus / (shortfall) including committed and secured funding</i>		-15 999	-68 253	-115 517	-129 919	-121 496	-153 660	-189 095	-189 095 billion



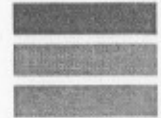
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There are a number of initiatives to close the funding gap



Eskom Funding Requirement

- Eskom's cumulative capital investment programme is forecast at R693 billion (including the R144 billion for projects beyond Kusile).
- This is not fully covered by Eskom's profitability and secured funding. The capital investment Programme is financed through tariffs/revenue, equity and debt.
- Cumulative shortfall, R190 billion over the 7 year period to 2017 (when Kusile is commissioned).

Government and Eskom explored funding options available to Eskom in an attempt to close the funding gap. As a result DPE has applied for:

- The extension of the existing Government guarantees provided to Eskom to a total of approximately R350 billion through the Guarantee Certification Committee (GCC). The guarantees will ensure that Eskom is able to leverage the sovereign's investment grade rating to access the debt markets over the coming years.
- R20 billion equity injection over the next 3 years, through the MTEF process.

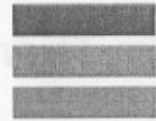


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Transnet's Investment Programme

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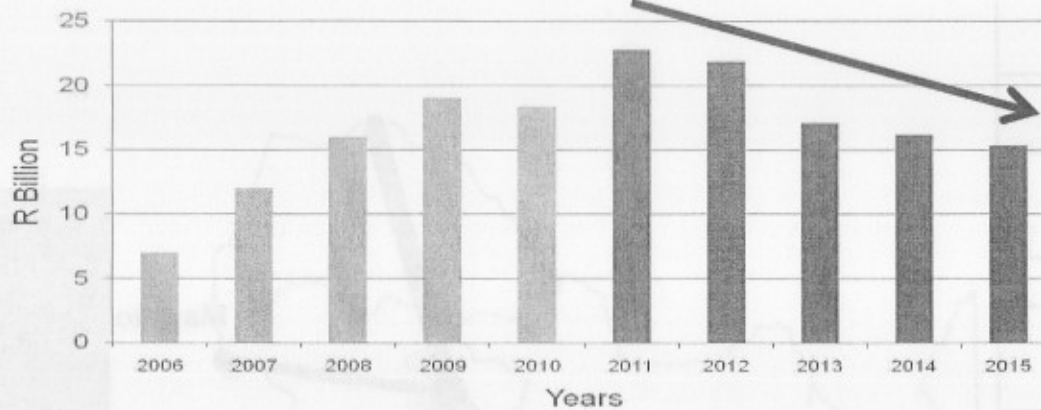
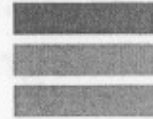
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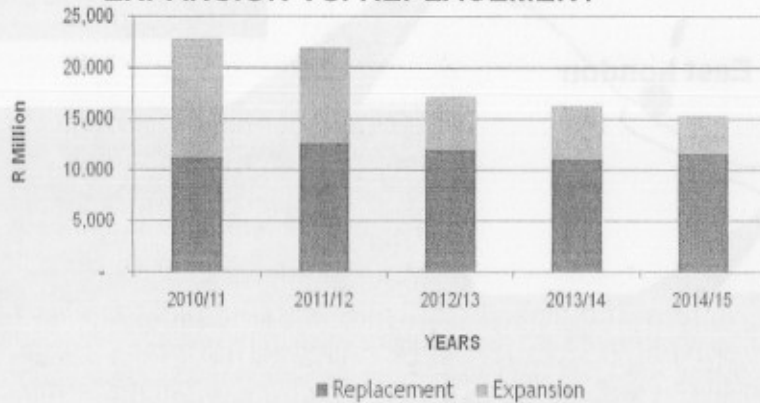
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The rate of Transnet Group capital investment as presently planned is projected to decline

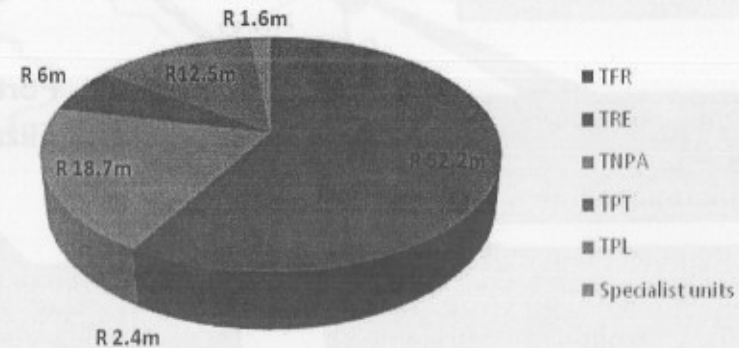


 Historical Capital Expenditure (R72.4bn)
 Five year Capital Expenditure (R93.4bn)

FIVE-YEAR CAPITAL INVESTMENT: EXPANSION VS. REPLACEMENT



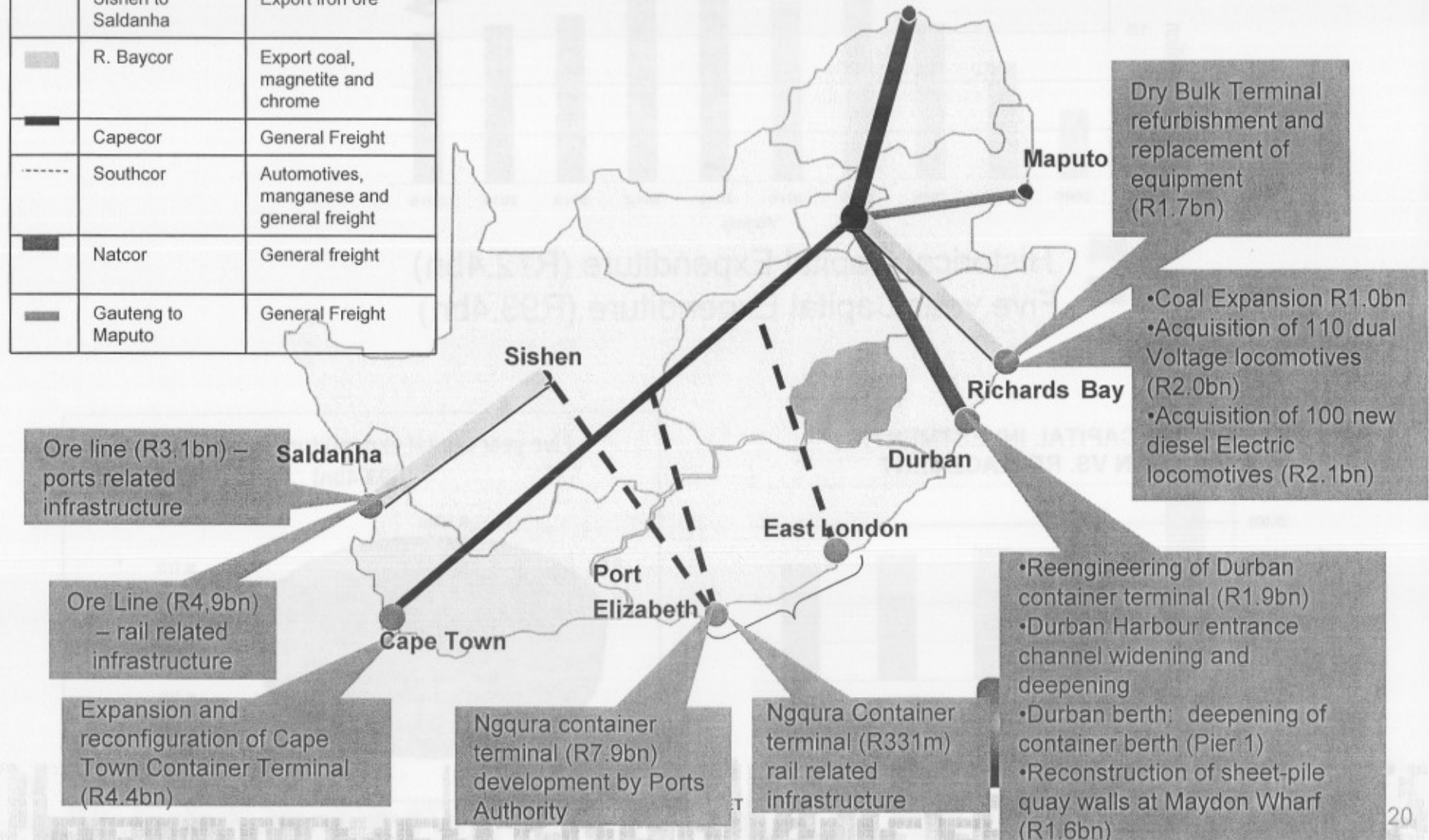
Five year capital expenditure per division (R93.4bn)



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Transnet's five year expenditure of R93.4 billion is part of the long-term integrated Port and Rail Development Plan

	CORRIDOR	PRIMARY COMMODITIES TRANSPORTED
	Sishen to Saldanha	Export iron ore
	R. Baycor	Export coal, magnetite and chrome
	Capecor	General Freight
	Southcor	Automotives, manganese and general freight
	Natcor	General freight
	Gauteng to Maputo	General Freight



Transnet intends to fund its major capital projects primarily through its balance sheet

Major Capital Projects	Total Costs (R m)	Funding secured (Y/N)	Funding Source	Completion Dates
1. Containers				
- Construction of Port of Ngqura	3 492	Y	Debt & Retained Earnings	2010
- Ngqura Container Terminal development	5 290	Y	Debt & Retained Earnings	2011
- Durban Harbour entrance channel widening and deepening	3 360	Y	Debt & Retained Earnings	2010
- Durban Container Terminal reengineering	1 863	Y	Debt & Retained Earnings	2011
- Durban berth: deepening of container berths 101 to 103 (Pier 1)	2 503	N	Debt & Retained Earnings	2011/12
- Cape Town Container Terminal	4 375	Y	Debt & Retained Earnings	2011*
2. Break bulk				
- Reconstruction of sheet pile quay walls at Maydon Wharf – Durban	1 594	Y	Debt & Retained Earnings	2012
3. Dry bulk				
- Dry Bulk Terminal (DBT) refurbishment and replacement of equipment	1 663	Y	Debt & Retained Earnings	



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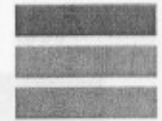
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Transnet has secured three major CSDP transactions from existing projects



EMD:
Spare parts
 Contract Value:
 R550 million

- The current CSDP plan with EMD was finalised in November 2009.
- The EMD CSDP plan aims for (1) TRE to become part of their Global Supply Chain for rebuilt traction motors and diesel engines, (2) to accredit TRE's maintenance facilities for EMD locomotive maintenance and (3) to localise the supply of at least 10% of the value and/or quantity of the parts listed per the Spare Parts Agreement.
- These CSDP goals will be achieved through the transfer of skills and relevant intellectual property required to carry out the activities mentioned.
- EMD is already actively supporting TRE in acquiring new work in Africa..
- Execution of the EMD CSDP plan is well underway

50 "Like new" locomotives

- 50 "Like-new" programme now complete under the equivalent of the CSDP Framework using Transnet Rail Engineering

GE:
100 Loco deal
 Contract Value:
 R2.6 billion

- The contract for the building of the 100 Locomotives was awarded to GE and signed on 17 December 2009.
- GE developed a CSDP plan consisting of 3 main initiatives – training for maintenance development, Lean, Six Sigma and Candidate Engineers; localisation of various components and parts as well as a licence agreement with TRE for the overhaul and modernisation of GE locomotives.
- The signing of the CSDP Plan was concluded on 30 June 2010
- The Licence Agreement would allow for TRE and GE to enter into a technology partnership for locomotive overhauls and modernizations, with GE being the prime contractor and TRE the sub-contractor.

- The GE 100 loco deal is the biggest CSDP transaction to date making Transnet the leader in CSDP execution
- Transnet has begun fleet procurement planning – proposal for fleet requirement going to the Board.
- TRE will be a centre of excellence for locomotive OEMs together with various Tier 2 and 3 suppliers.

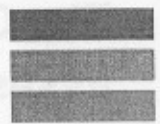


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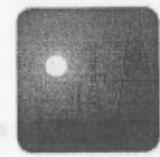
The Capital Structure Model assists to:

- assess and indicate, with a specified level of certainty, the amount of capital required given the investment time horizon and projected capital infrastructure requirements.
- maximize the value to the enterprise by optimally allocating the required capital between equity and debt.
- best select the debt instruments that least encumber the cash-flows and assets of the SOE.

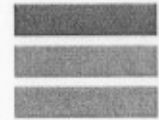
DPE's Capital Structure Model

The model provides a process for making a capital structure decision, via a quantitative approach, to a problem of assessing whether the expected gains under the proposed dividend policy and/or capital structure is sufficient to compensate for the additional risks over the coming years. The process entails:

- Optimal Debt Arrangements Analysis.
- Business Risk and Financial Flexibility Assessment.
- Cost of Capital Assessment.



The Capital Structure Model provides a framework and methodology to assess capital allocation and dividend policy decisions within SOE



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- assess and indicate, with a specified level of certainty, the amount of capital required given the investment time horizon and projected capital infrastructure requirements.
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The model provides processes that will reduce the final capital structure decision, via a quantitative approach, to a problem of assessing whether the expected gains under the proposed dividend policy and/or capital structure is sufficient to compensate for the additional risks over the coming years. The process entails:

- Cost of Capital Assessment.
- Business Risk and Financial Flexibility Assessment.
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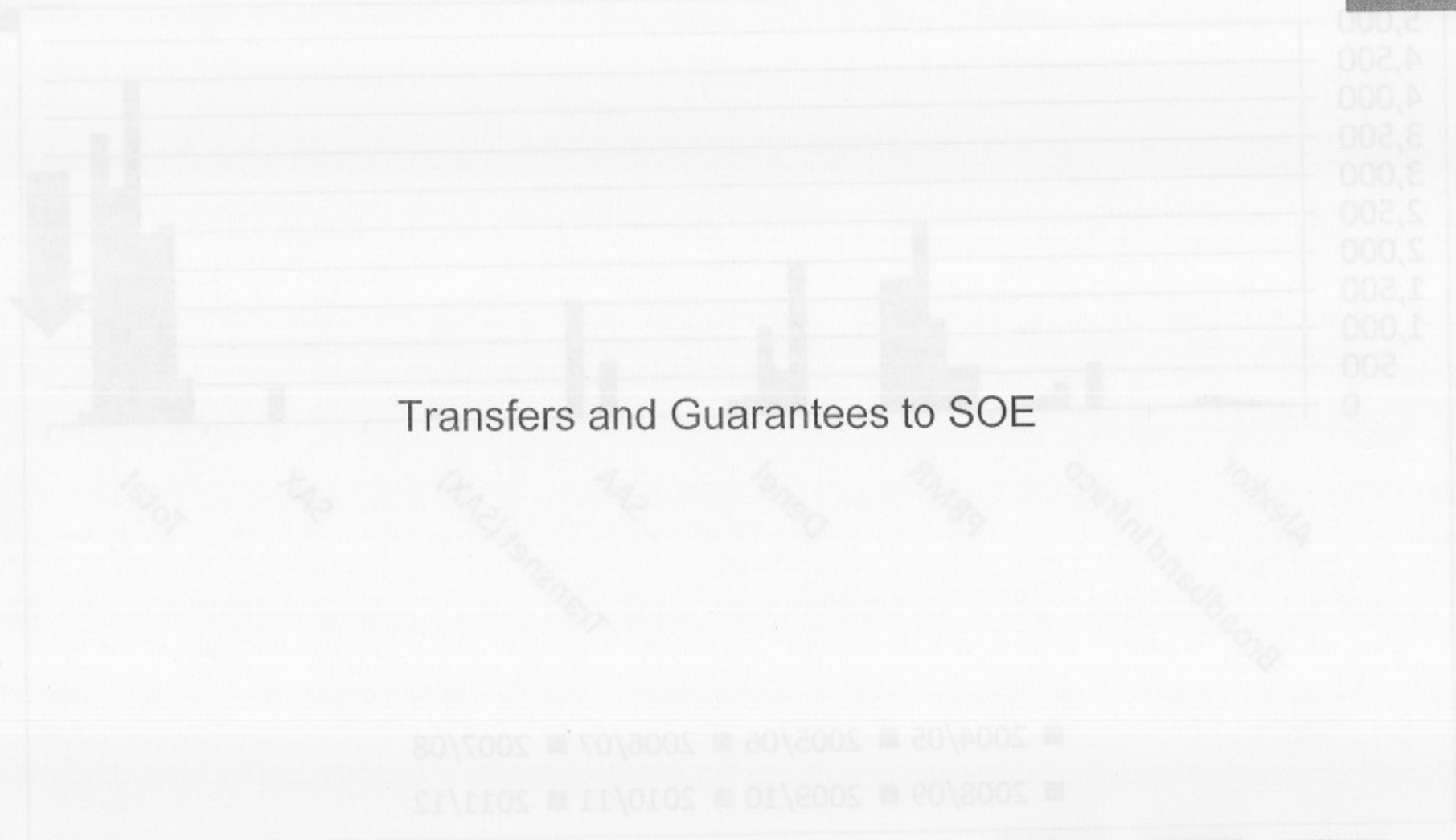
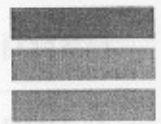
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There has been a marked decrease in transfers to SOE, with no transfers asked for the coming financial year

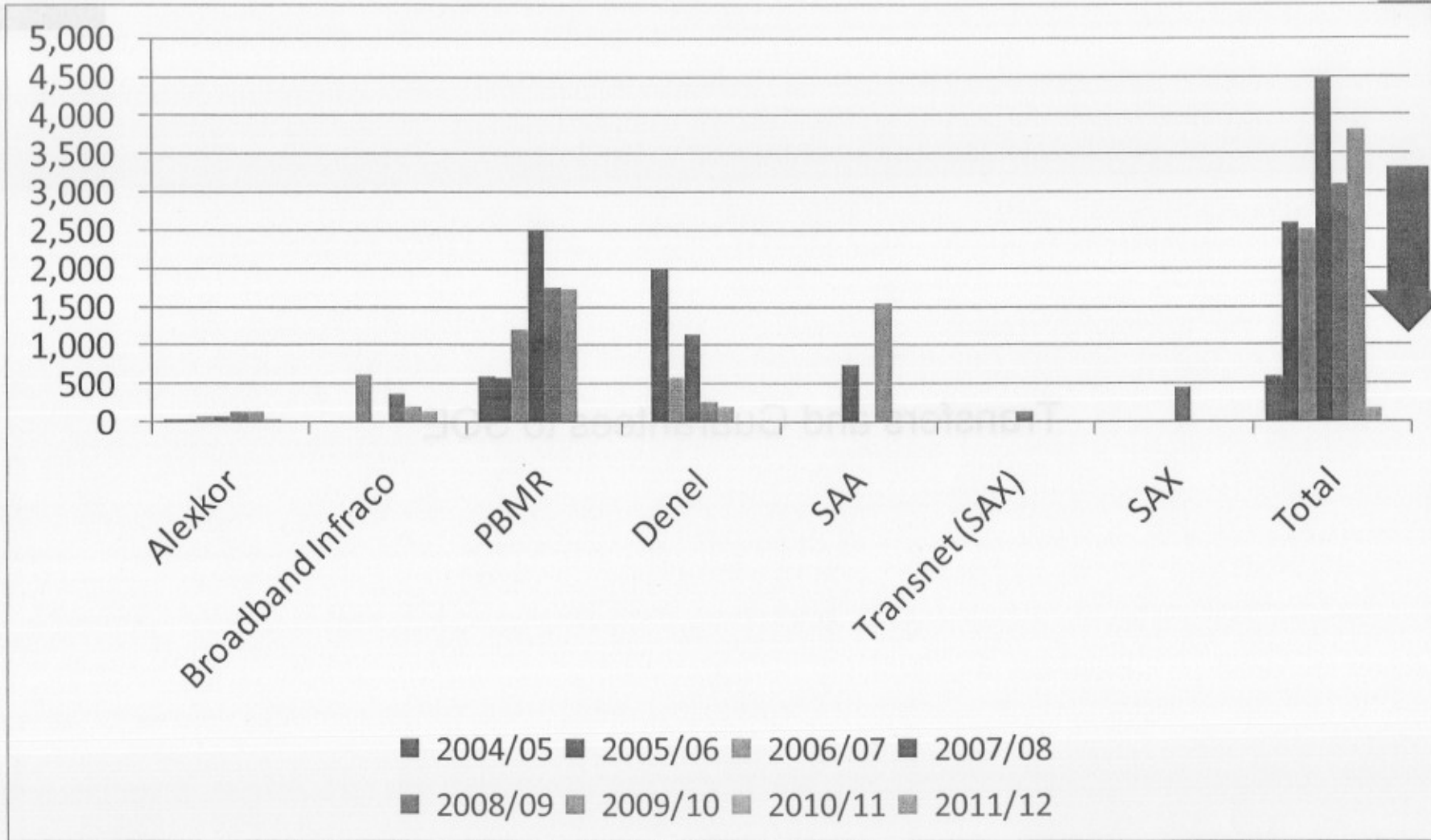


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There has been a marked decrease in transfers to SOE, with no transfers earmarked for the coming financial year



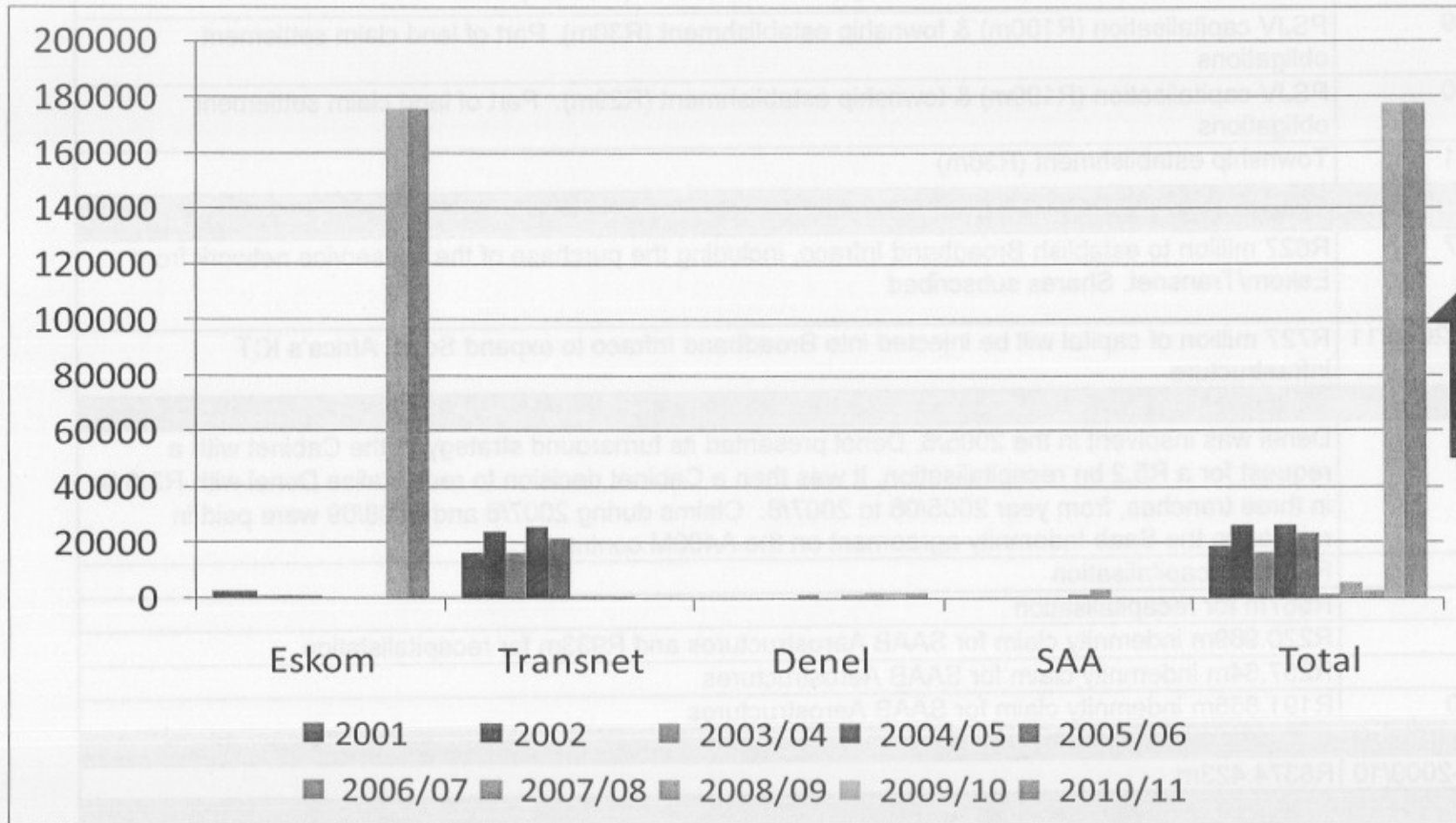
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PBMR has been the largest recipient of transfers

Alexkor	
2006/07	Working capital (R32.9m), township & land claim obligations (R47.3m) & VAT (R1.9m)
2007/08	Working capital (R44.7m), restructuring (R16.1m) & VAT (R11.9m)
2008/09	PSJV capitalisation (R100m) & township establishment (R30m). Part of land claim settlement obligations
2009/10	PSJV capitalisation (R100m) & township establishment (R29m). Part of land claim settlement obligations
2010/11	Township establishment (R36m)
Broadband Infraco	
2006/07	R627 million to establish Broadband Infraco, including the purchase of the full service network from Eskom/Transnet. Shares subscribed
2008/9-2010/11	R727 million of capital will be injected into Broadband Infraco to expand South Africa's ICT infrastructure
Denel	
	Denel was insolvent in the 2005/6. Denel presented its turnaround strategy to the Cabinet with a request for a R5.2 bn recapitalisation. It was then a Cabinet decision to recapitalise Denel with R3.5 bn in three tranches, from year 2005/06 to 2007/8. Claims during 2007/8 and 2008/09 were paid in relation to the Saab Indemnity agreement on the A400M contract
2005/6	R2b for recapitalisation
2006/7	R567m for recapitalisation
2007/8	R220.969m indemnity claim for SAAB Aerostructures and R933m for recapitalisation
2008/9	R257.64m indemnity claim for SAAB Aerostructures
2009/10	R191.866m indemnity claim for SAAB Aerostructures
PBMR	
2004/5-2009/10	R8374.423m
SAA	
2006/7	Labour restructuring (R744m)
2009/10	Grounding of Boeing 747 aircraft (R1 549m)
Transnet (SAX)	
2008/9	Payment to Transnet for SAX purchase (R140m)
SAX	
2008/9	Recapitalisation for aircraft financing (R405m) & working capital (R40m). Shares subscribed

Government guarantees particularly in the case of Eskom has however, been on the increase



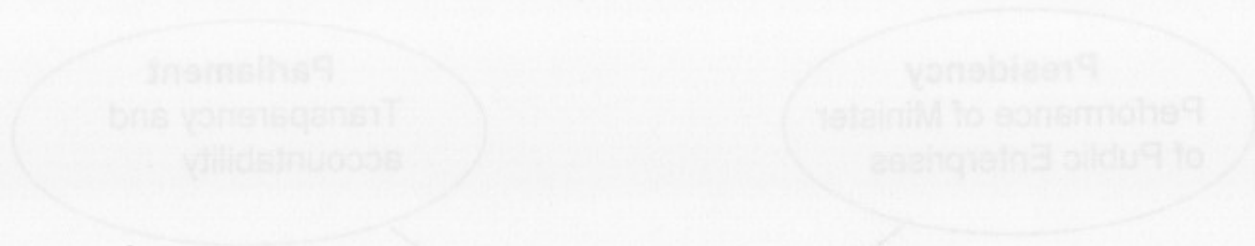
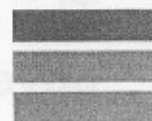
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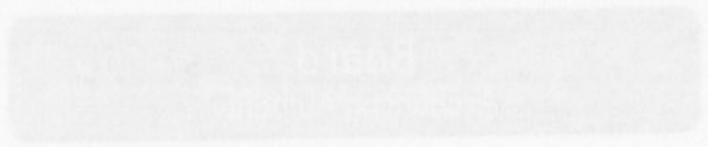
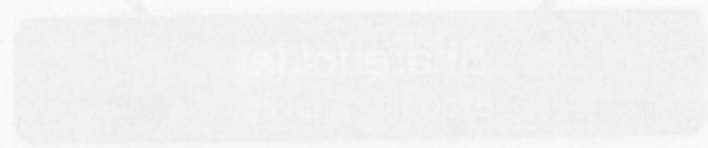
Shareholder has specific powers and responsibilities in the SOE
Performance system



Shareholder Management
Defines powers and responsibilities
for the Board

Effective Shareholder Management

Companies
Act & PFMA
establishes
relationship

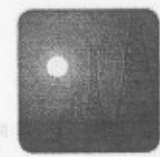


Management Agreement
Board cascades delegations and
performance expectations down to
management



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The shareholder has specific powers and responsibilities in the SOE governance system

