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Transnet Market Demand Strategy

10 April 2012

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Risks and implementation plan

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Market Demand Strategy

- **R300bn** capital investment programme
- Expanding **rail, port and pipeline infrastructure**
- **Increase** in capacity to meet market demand
- Continued **financial stability** and strength
- Significant **productivity and operational efficiency** improvements
- **Shift from road to rail** – reducing the cost of doing business and carbon emissions
- Enabling **economic growth**
- **Job creation**, skills development, **localisation**, empowerment and transformation opportunities

Based on Transnet's solid foundations, it aims to capture identified growth opportunities over the next 7 years

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		Last 7 years (2011/12 LE)	Next 7 years (2018/19)	Total growth
Enablers	Capital investment (Rbn)	118	300	+154%
	Personnel ('000 FTEs)	59	74	+25%
Volume Highlights	TFR Export coal (mt)	68	98	+44%
	TFR Export iron ore (mt)	53	83	+57%
	TFR GFB (mt)	80	170	+113%
	Maritime Containers ('000 TEUs)	4,344	7,646	+76%
Financial Highlights	Revenue (Rbn)	46	128	+178%
	EBITDA (Rbn)	19	68	+258%
	Cashflows from operating activities (Rbn)	16	51	+219%

X% Total growth — 2011/12 Latest estimate

MDS will enable growth in key commodities and will position South Africa globally as…

…a key thermal **coal exporter**

…an increasingly important 4th **largest supplier of iron ore to China**

…the **leading manganese exporter** globally

…the **leading logistics hub** for sub-Saharan Africa

…a **globally recognised benchmark** for container and heavy haul operations

Transnet's capital investment over the next 7 years will be a significant step up…

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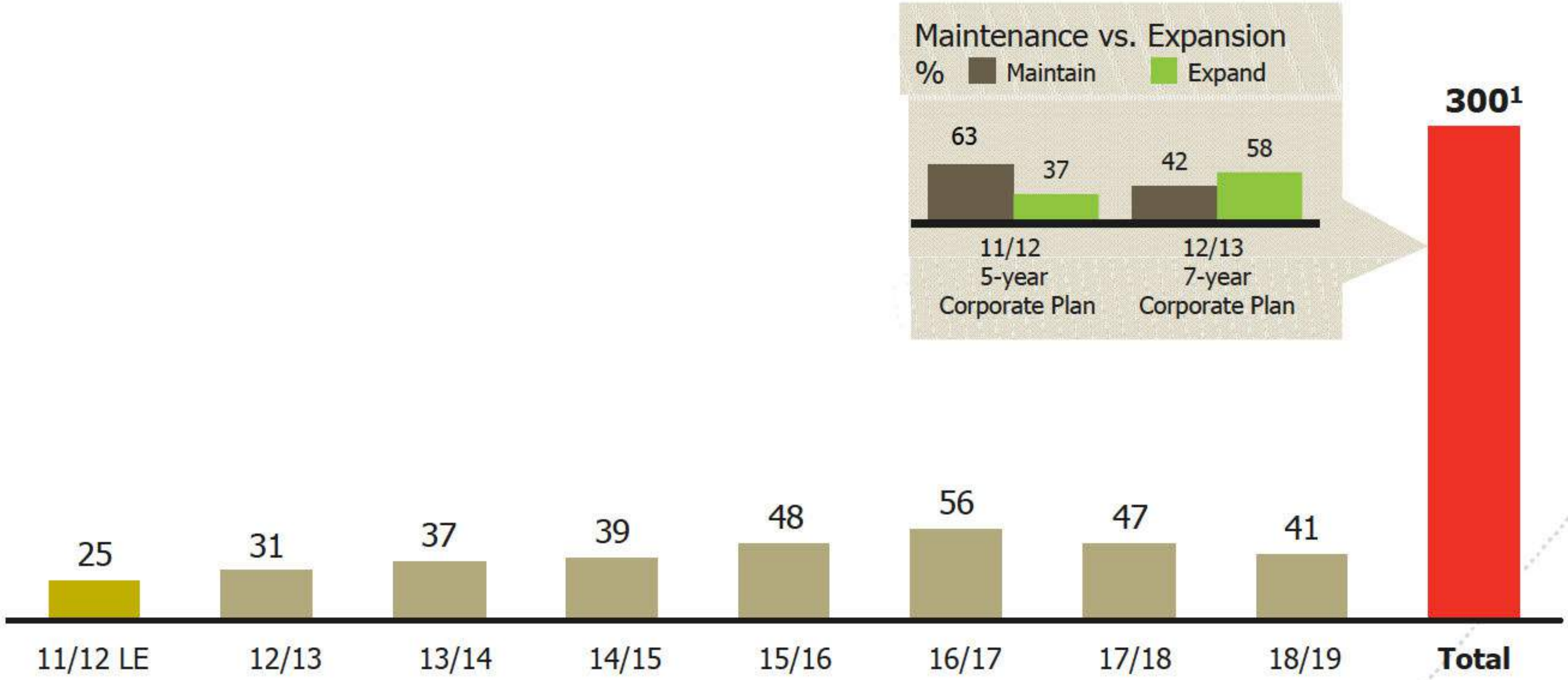
Capital investment
Rbn



[1] Includes PSP initiatives of ~R5bn

The majority of the investments will be in General Freight and Freight Rail

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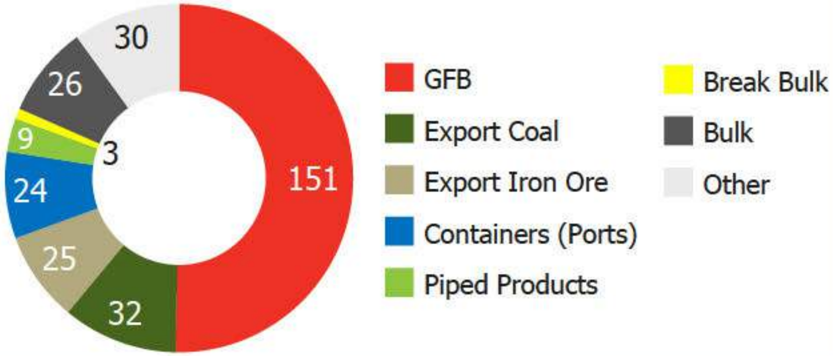
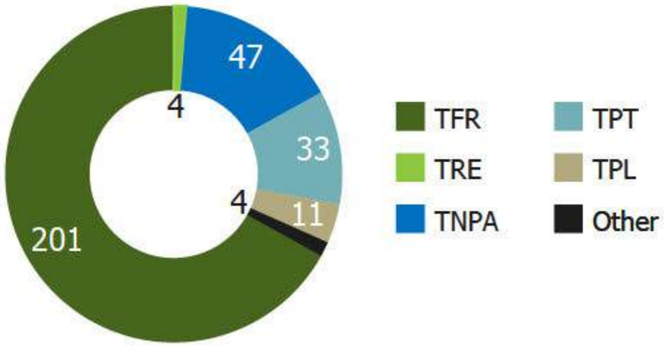
Commodity split (Rbn)



Divisional split (Rbn)



Major programmes

GFB rail capacity growth to meet market demand volumes from 79,7mt to 170,2mt

Increase export coal to 97,5mt – including Waterberg

Increase export iron ore to 82,5mt

Increase export manganese to 12mt

Increase in fleet and improvement to the infrastructure

Completion of the New Multi-Product Pipeline (NMPP)

This will result in additional capacity across all commodities

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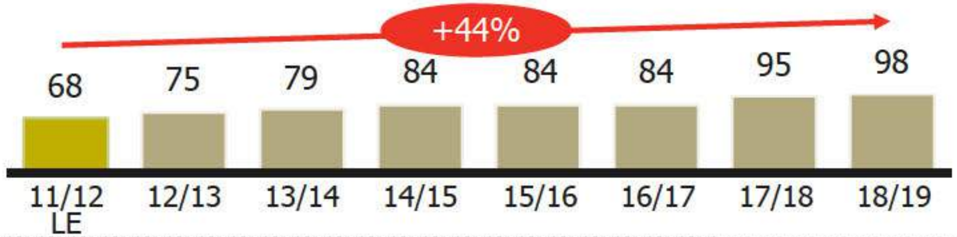
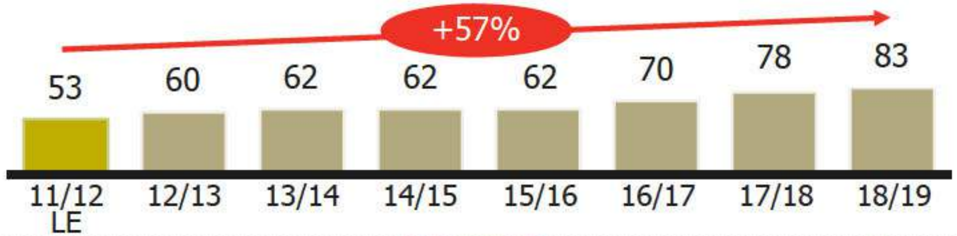
Export coal (mt)



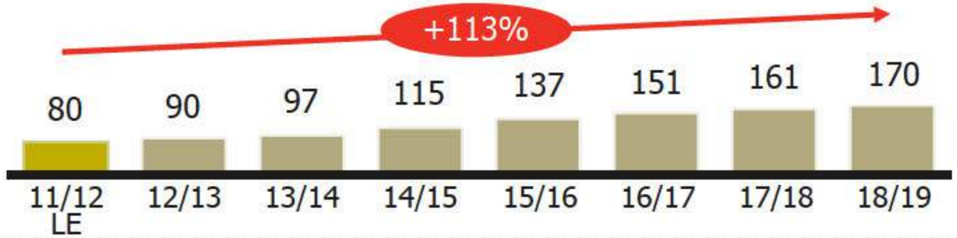
- Capacity expansion between 2015 – 2017
- Rail capacity from 2018 in line with market demand

Export iron ore (mt)



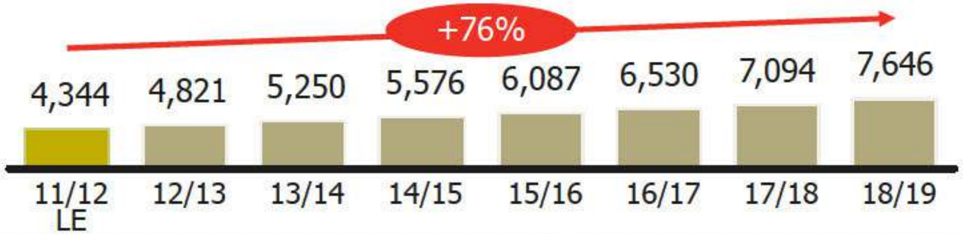
- Port capacity expansion between 2014 – 2016
- Capacity from 2019 in line with market demand

GFB (mt)



- Progressive increase YoY to meet market demand
- Market demand met in 2017

Maritime containers ('000 TEUs)



- Container growth of 76% expected as capacity at ports exceeds demand

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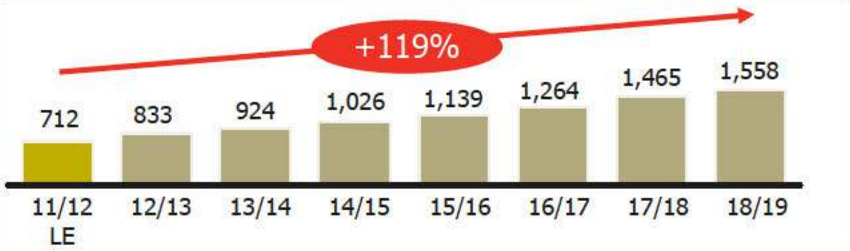
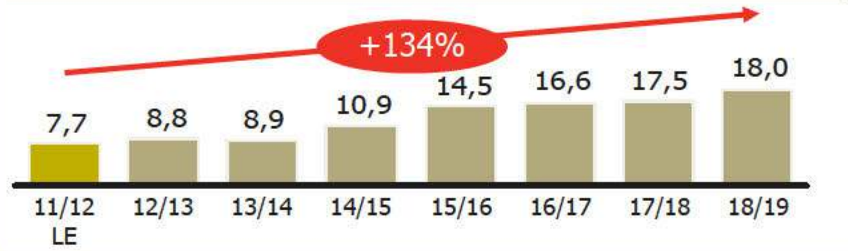
There will be strong growth in General Freight

Containers on rail ('000 TEUs)

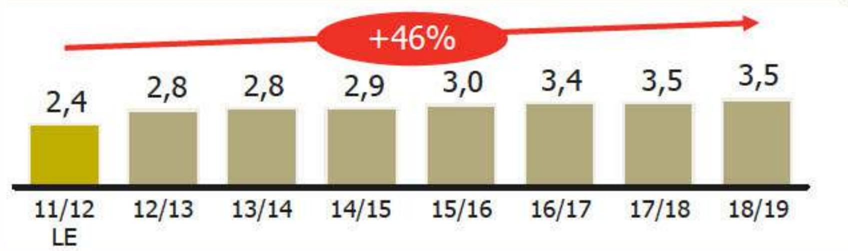


Domestic iron ore (mt)

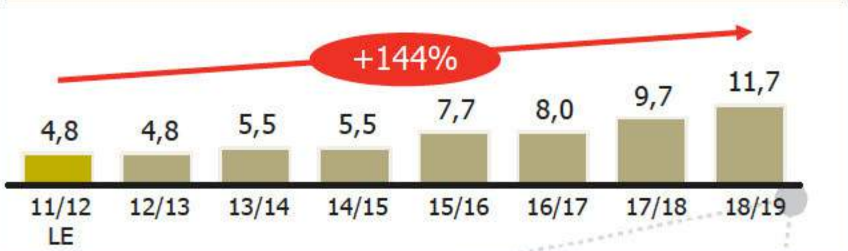


Eskom coal (mt)

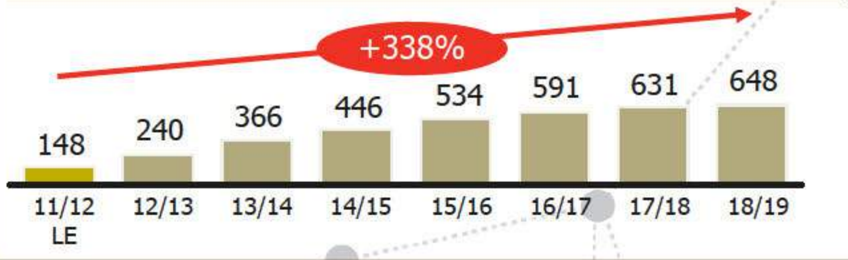
Liquid bulk (mKℓ)



Manganese (mt)

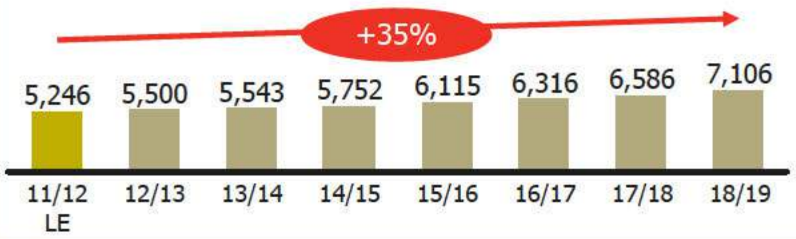


Automotives ('000 units)

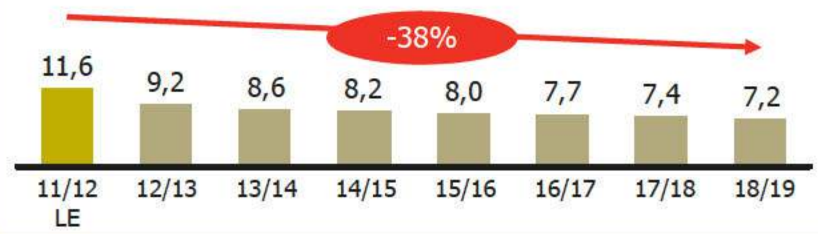


Significant improvement in rail operational performance will be achieved

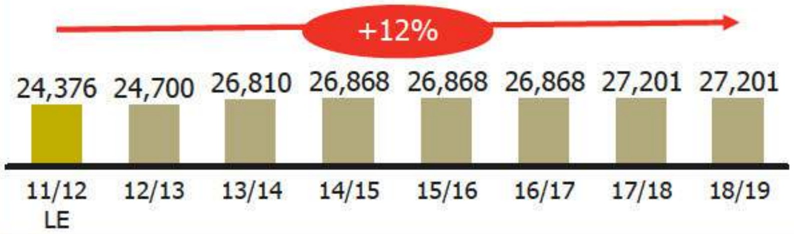
General Freight – Loco efficiency ('000 GTK/loco/month)



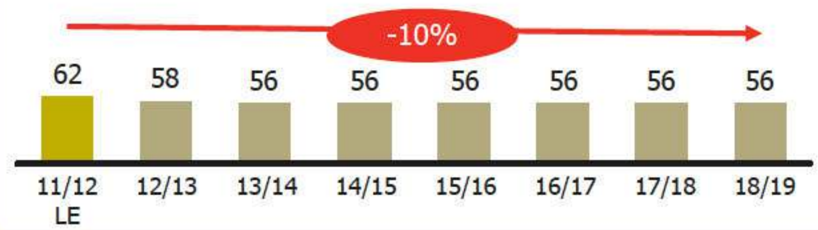
General Freight – Wagon turnaround time (days)



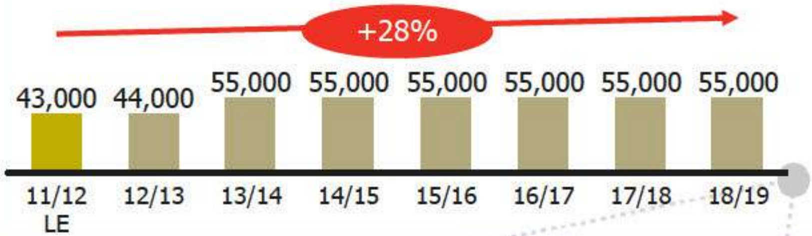
Export coal – Loco efficiency ('000 GTK/loco/month)



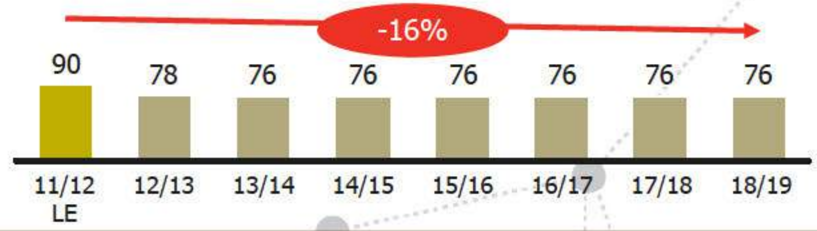
Export coal – Wagon cycle time (hours)



Export iron ore – Loco efficiency ('000 GTK/loco/month)



Export iron ore – Wa on c cle time hours



Productivity improvements and improved asset utilisation is expected at the Ports

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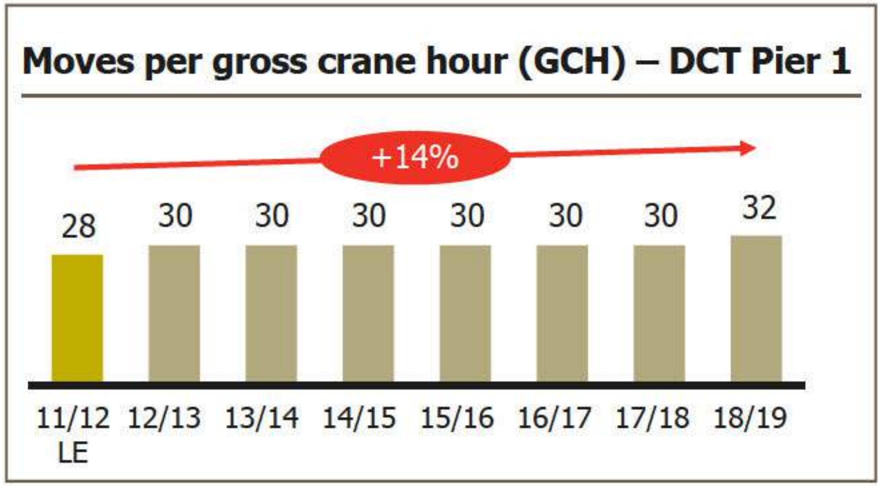

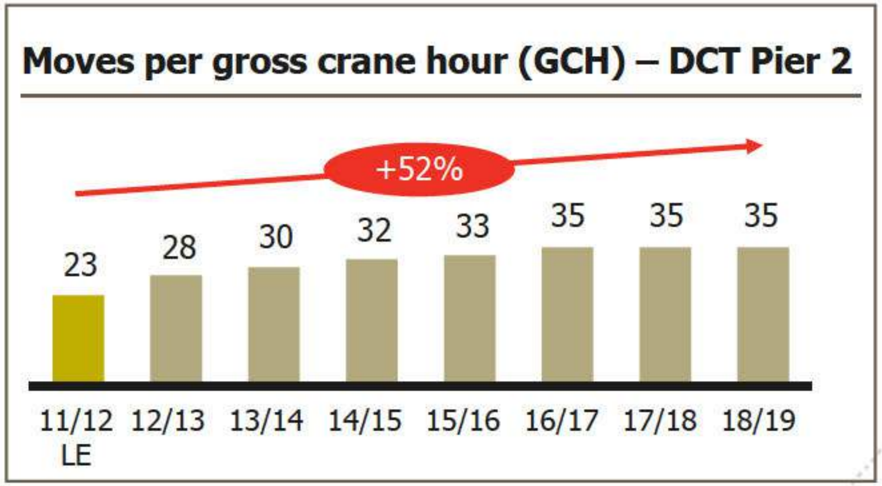

The Market Demand Strategy will build on Transnet's strong financial performance…

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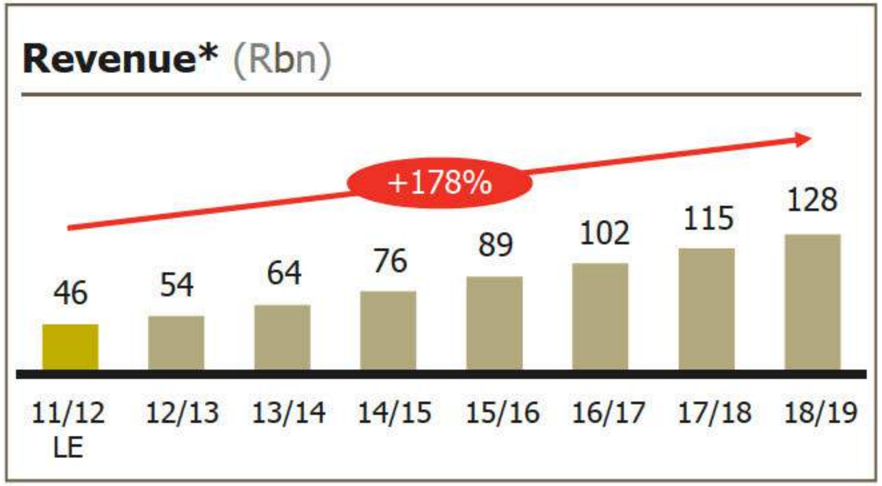
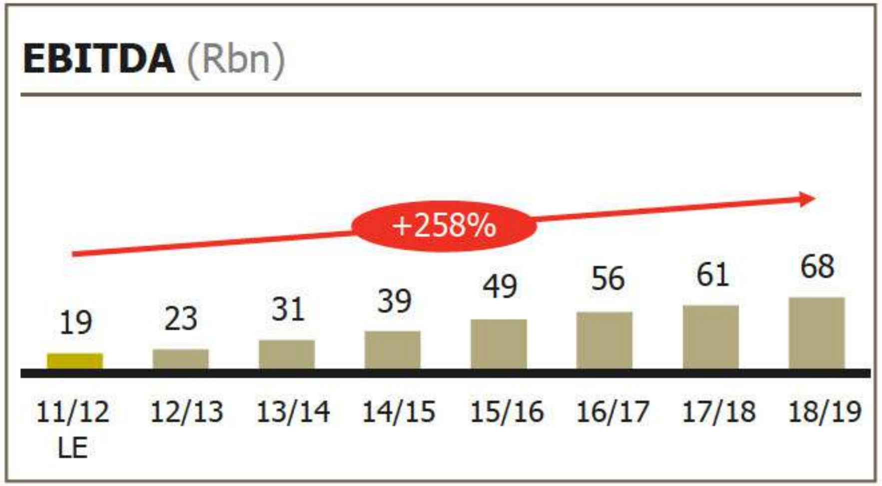
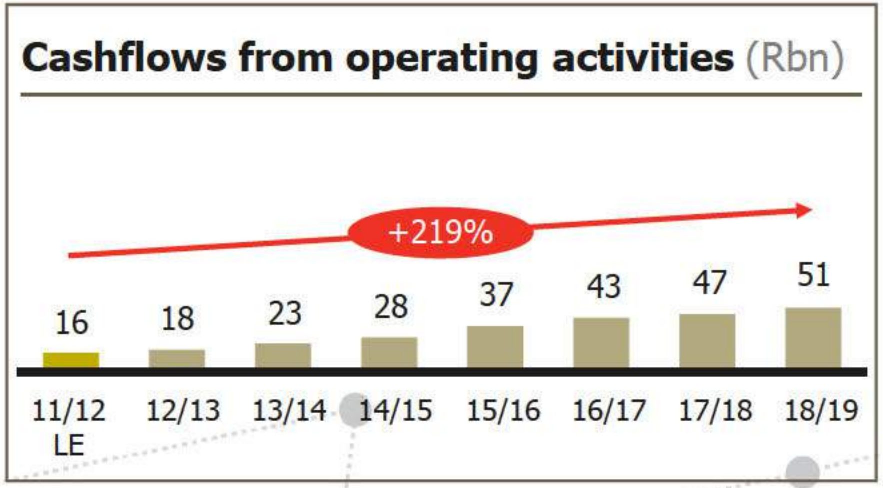




*Tariff increases on average are limited to CPI +2%



Transnet will maintain a solid financial position and credit rating

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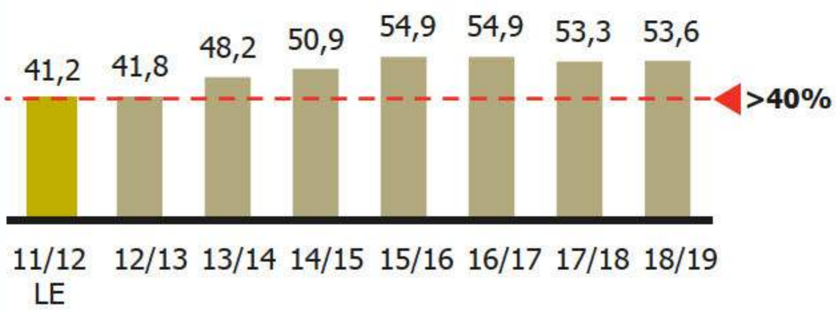
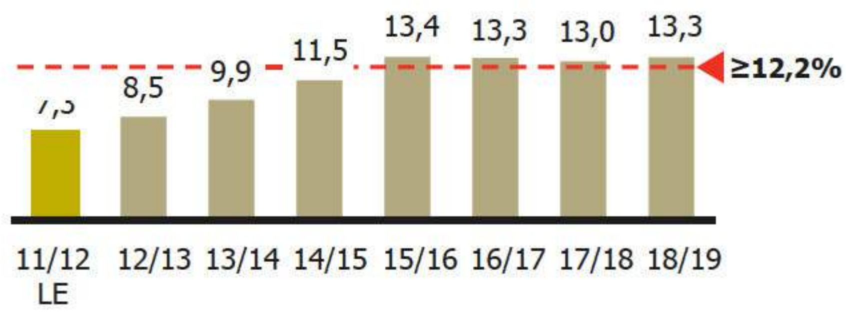
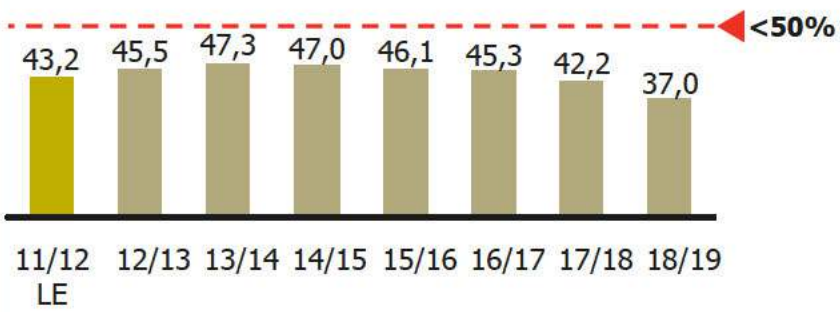
EBITDA margin (%)



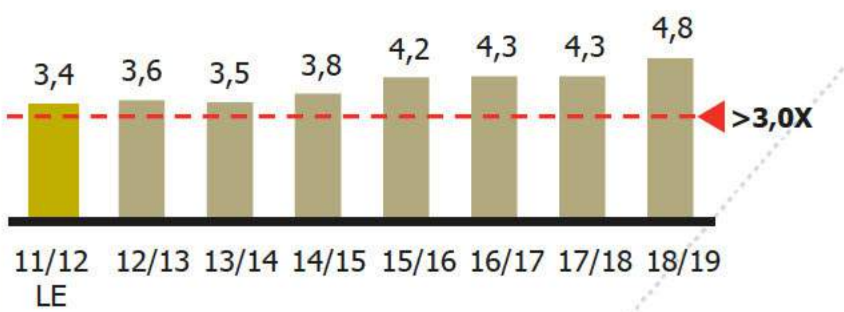
ROTA (%)*



Gearing (%)*



Cash interest cover (times)



* Excludes Ports Regulator Clawback

~70% of capital investment will be funded from operating cashflows – Transnet is confident it can raise the balance externally

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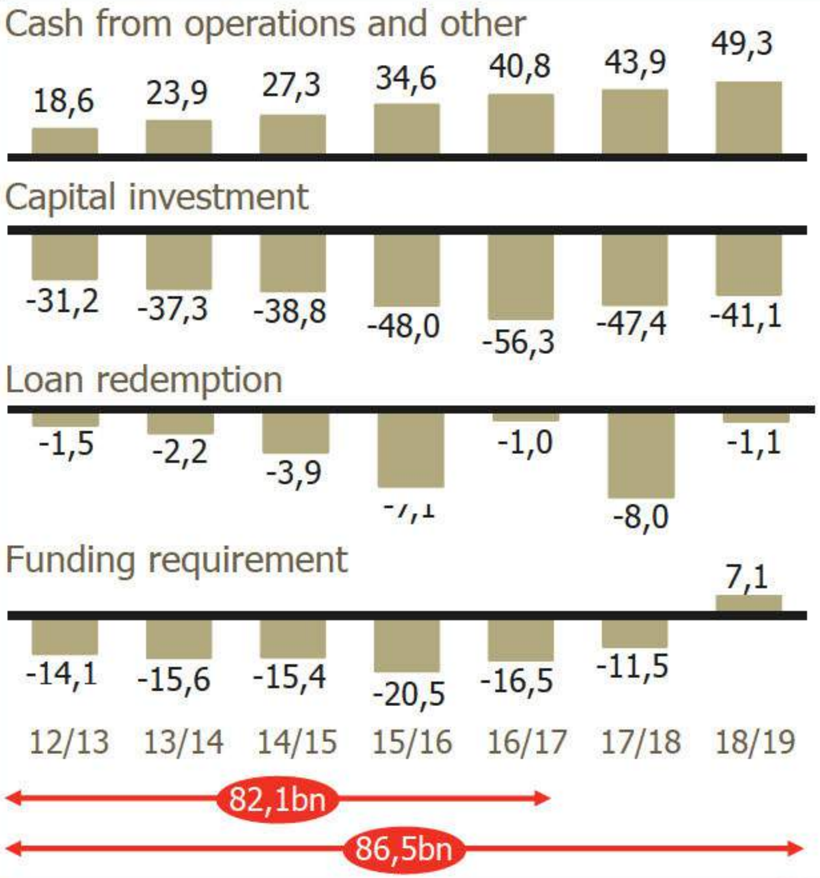
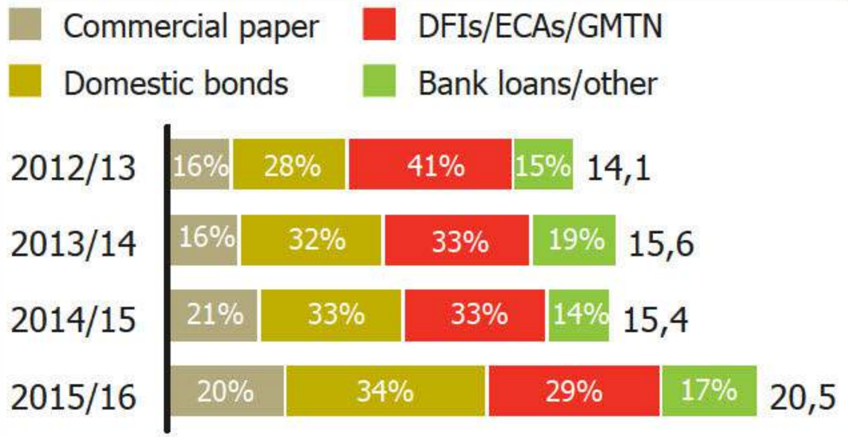
Funding cashflows (Rbn)



Probable sources of funding (Rbn)



Potential further sources of funding

- Second issuance – GMTN
- Private placements
- Further funding with ECAs
- Syndicated loan market
- Asset-backed financing
- Bonds in other markets (e.g. Yen, USD, Sukuk)

MDS is expected to create 588,000 job opportunities at its peak with a large focus on skills and capacity building

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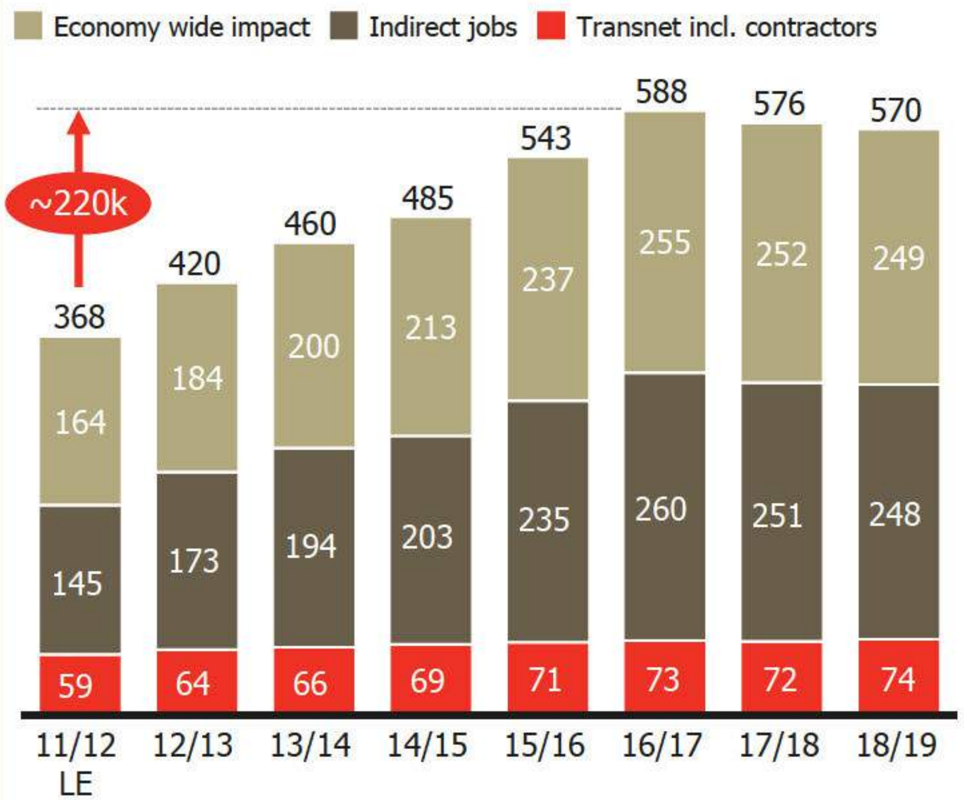
Job creation impact of MDS on South Africa

'000 people



R7,6bn to be spent on training over the next 7 years

Additional **15,000 direct jobs**

Increased intake in **schools of excellence**

- **R4,6bn** spent on **bursaries** and **grants**

- **317 technicians in training** by 2018/19

Step up **recruitment in critical skills** and expand annual intake

- **2,000** apprentices at all times
- Increase **engineering bursar** intake to **543** students in 2018/19

The impact of infrastructure development will be felt nation-wide

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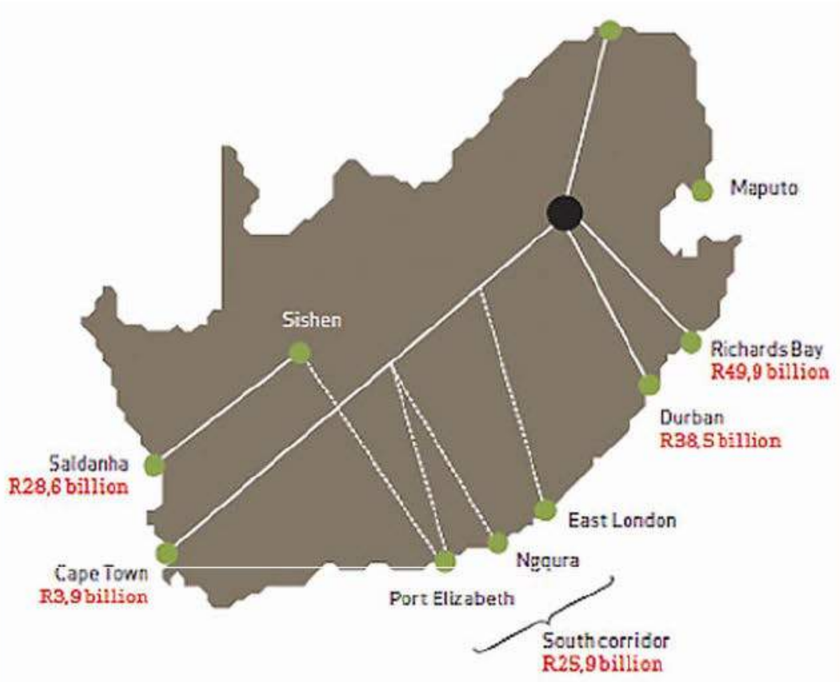
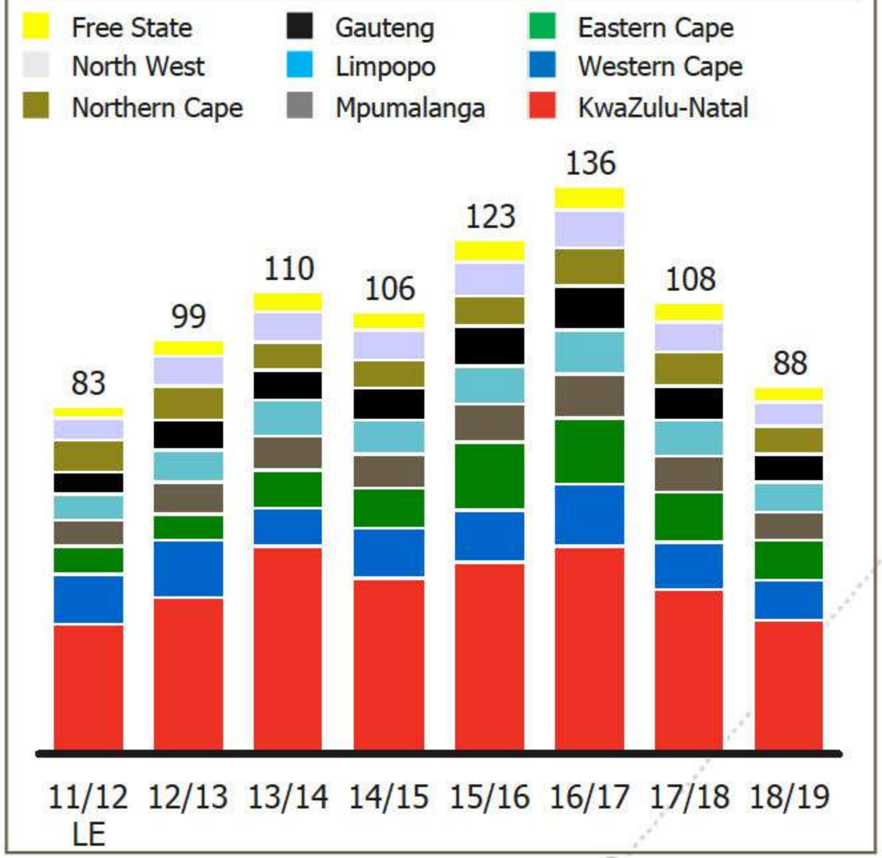
7 year capital investment by region[1]



Provisional contribution to direct and indirect jobs ('000)



[1] National – countrywide investments – R153,3bn

MDS will promote localisation, transformation and empowerment

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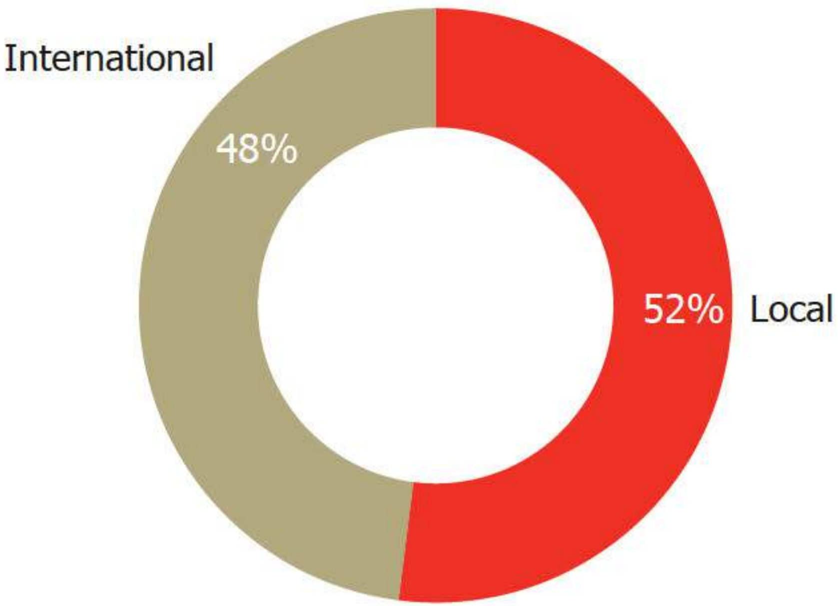
Potential local content commitment for locomotives (%)



Localisation initiatives:

- **R2,9bn** already spent on local content by international suppliers
- International suppliers to **transfer knowled_e and ex, ertise** to up-skill local suppliers
- **On-the-job training and apprenticeships** will be built into international supplier contracts
- Provision of **jobs and procurement opportunities to rural areas** where facilities are located
- Assistance will be provided to small business to foster innovation and create jobs
- **~R4,2bn** expected to be spent over the next 7 years on small business promotion

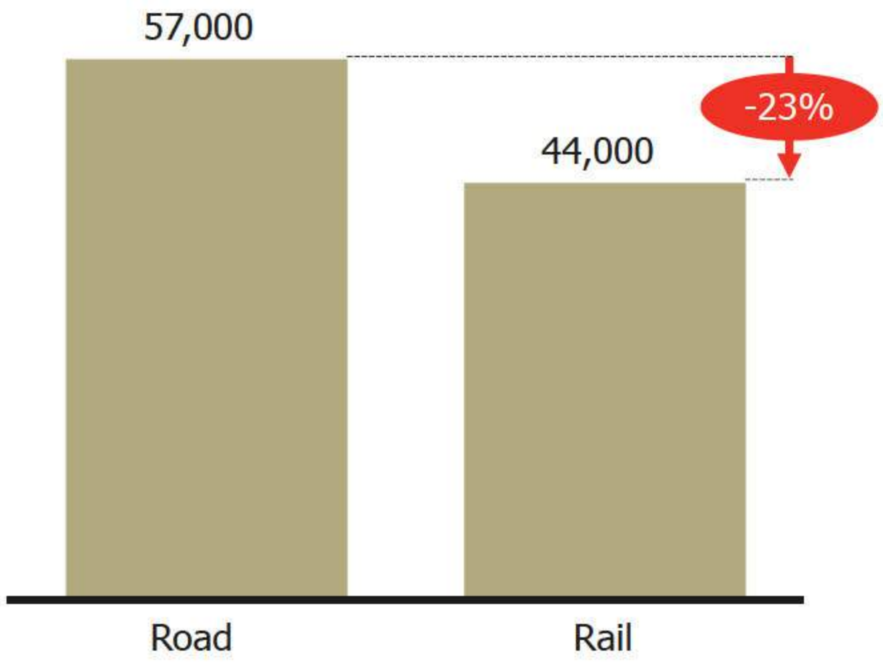
Transformation initiatives:

- Collaboration with **suppliers** to meet Government's **transformation** and **empowerment** objectives

MDS will reduce the cost of doing business by promoting a shift from road to rail

A shift from road to rail…

Total supply chain cost[1]
ZAR/TEU



…will lower the cost of doing business

- **Reduction in logistics costs** due to the lower factor costs of rail (0,5% of GDP)
- Additional reduction from **efficiency improvements** and **coastal transshipments**
- Preliminary **achievements** to lowering the cost of business:
  - Eskom road to rail migration
  - New Multi-Product Pipeline (NMPP)
  - Moving containers on rail

[1] Container with vehicle engines imported from Shanghai to Gauteng

MDS will position South Africa as the integrated hub into sub-Saharan Africa

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South Africa's commitment

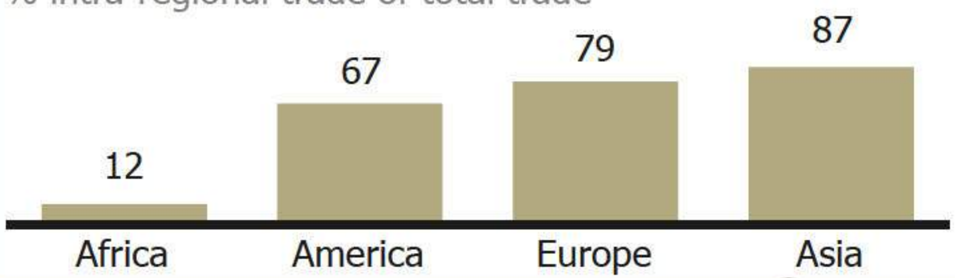
*"As regional leaders, we carry a particular responsibility to serve as champions in **driving industrial and infrastructure development** both at the **regional and continental levels**."*

– **President Jacob Zuma**, June 13, 2011

Regional integration potential

Africa's intra-regional trade is low

% intra-regional trade of total trade



Transnet's Africa strategy initiatives in progress

Rail

- Export of **wagons, locomotives** and **rail maintenance services**
- Develop the **North-South corridor**
- _r_wth _f th_ **Maputo Corridor**
- **Increase** collaboration: Swaziland rail link

Ports

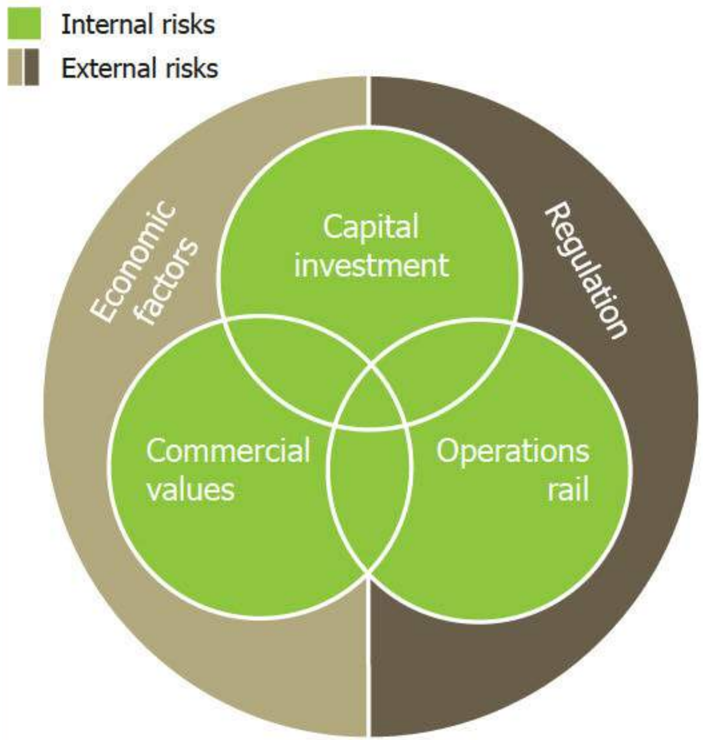
- Promote SA as a **regional trans-shipment hub** (Port of Ngqura)

Pipelines

- Provision of **advisory services** Group
- Position SA as a skills development hub for the rest of Africa

MDS execution risks have been identified and mitigating actions have been developed

MDS faces both internal and external risks



External and internal risks that could potentially impact MDS have been identified and assessed

Mitigating Actions

Step-up capital execution capabilities	▪ Improved capital allocation ▪ Portfolio optimisation ▪ Improved capital execution ▪ Improve procurement process
Increase operational efficiencies	▪ Build operations **centre of excellence** at Rail and Ports ▪ Scheduled rail; revised fleet plan and improved network ▪ Develop **continuous improvement** teams to capture operational efficiencies ▪ Freight Rail restructured into customer focused business units that will drive accountability
Secure volumes and customer satisfaction	▪ Enhance key account management capabilities ▪ Develop **robust tariff methodology** and align with regulators ▪ **Secure volumes** through concluding **Take-or-Pay** contracts with key customers

Success ultimately depends on a broader South African partnership and support – SA citizens will reap benefits

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Transnet

Performance

Government departments

Greater collaboration thereby creating and enabling environment for successful execution of MDS

Regulators

Alignment on tariff methodology and regulatory policy to create regulatory certainty

Investors

Continued support and access to cost effective funding to meet requirements

Suppliers

Partner with Transnet to deliver capital spend and achieve localisation and empowerment objectives

Key customers

Alignment and collaboration on growth and expansion plans and conversion to Take-or-Pay contracts

Employees

Increase in labour productivity to deliver on volume growth and MDS targets

Labour unions

Labour stability to support execution and competitiveness of SA freight logistics system

In conclusion, MDS is not only Transnet's, but also key to South Africa's growth strategy

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The potential for South Africa is massive...

- Contribute to New Growth Path aspirations: expected to create up to **588,000 job opportunities** across the economy
- **Reduce the cost of doing business** (0,5% of GDP)
- Drive **regional integration**
- Localisation programme **supports local products and skills development**

It is financially sound

- Majority of the growth will be **funded internally** from operations
- **Gearing and cash interest cover** will maintain **investment grade credit rating**

We can execute...

- Execution risks will be **mitigated** through robust **implementation plans**
- **In partnership with its stakeholders, Transnet** can successfully realise the growth that MDS will bring to the country

It will improve Transnet's position...

- ...as a **top-tier logistics provider** and SA's employer of choice
- Infrastructure development plans will create **world class freight infrastructure**

Thank You

Questions?

TRANSNET'S OUTLINE OF THE MARKET DEMAND STRATEGY INCLUDING R300 BILLION CAPITAL INVESTMENT

President Jacob Zuma in his State of the Nation Address on 9 February 2012 announced Transnet's planned investment of R300 billion over the next 7 years starting in Financial Year 2013 subsequent to the Transnet Board of Directors approval of the Market Demand Strategy (MDS) in January 2012.

The purpose of this communication is to give you details of this investment, outline the context of this investment as well as to briefly highlight some of the funding sources of the investment plan.

Notwithstanding the successful financial turnaround of the Company and improved investment performance in recent years, the lack of sufficient rail capacity has meant that Transnet has continued to constrain economic growth, particularly in respect of the demand for the transportation of mining products. The shortfall in capacity needed to satisfy demand has had a negative impact on South Africa. The MDS aims to satisfy validated demand through accelerating capital investment over the next seven years and improving reliability and operating efficiencies.

The successful implementation of the MDS will see Transnet's revenue grow from R46 billion in 2011/12 to R128 billion in 2018/19. Rail volumes will grow from approximately 200mt in 2011/12 to 350mt by 2018/19, increasing rail market share of transport revenue from 11% to 15%. The containers through Ports will grow from 4,3 million to 7,6 million Twenty Foot Equivalent Units (TEUs) and petroleum products through Pipelines will increase by 3 089 million to 20 180 million *litres* by 2018/19.

The MDS, like the previous Quantum Leap strategy, is fully aligned with the requirements of the Developmental State and the National Growth Path (NGP) but with an important difference: the significant increase in planned investment means a significant increase in Transnet's impact on job creation, and skills development.

Transnet's planned infrastructure investment of R300 billion over the next 7 years is a bold step for Transnet to fulfill its mandate and support economic growth in South Africa. The MDS on which Transnet's R300 billion capital spend is based will result in a modal shift of freight from road to rail thereby lowering South Africa's carbon emissions, the creation of more jobs in the South African economy, growth in the mineral and mining sectors, increased localisation and Black Economic Empowerment, position South Africa as a regional transshipment hub for Sub-Saharan Africa and deliver on NEPAD's regional integration agenda.

The salient features of the market demand strategy are outlined below:

Year	2012/13 (R m)	2013/14 (R m)	2014/15 (R m)	2015/16 (R m)	2016/17 (R m)	2017/18 (R m)	2018/19 (R m)	Total (R m)
Cash from operations and other	18 499	23 868	27 392	34 565	40 785	43 950	49 256	238 315
Capital investment	(31 183)	(37 320)	(38 815)	(48 026)	(56 299)	(47 424)	(41 060)	(300 127)
Loan redemption	(1 464)	(2 150)	(3 930)	(7 054)	(988)	(8 033)	(1 081)	(24 700)
Funding requirement	(14 148)	(15 602)	(15 353)	(20 515)	(16 502)	(11 507)	7 115	(86 512)
Gearing (%)	46.0%	47.3%	47.0%	46.1%	45.3%	42.2%	37.0%	
Cash interest cover (times)	3.6	3.5	3.8	4.2	4.3	4.3	4.8	
Funding as % of capex	47.7%	44.8%	40.6%	42.7%	29.3%	24.3%	0%	29.3%

The list of planned projects includes:

- The expansion of the coal line from 68mt p.a to 97.5mtpa, given the positive long term prospects and the remaining reserves of the Waterberg in the Limpopo Province.
- Other projects include expansion of the Iron ore export channel from 61mt p.a to 82.5mt p.a,
- Final phase of the NMPP.
- Major rail infrastructure, rolling stock fleet acquisition and upgrades for general freight business is planned which will result in volumes growing from 79.7mt p.a to 170mt p.a over the seven year period.

Transnet only requires to fund R86.5 billion of R300 billion primarily because the volume growth will generate the required cashflow and assist in reducing the funding requirement. The probable sources of funds are debt capital markets – local and international, bank loans, Development Financial Institutions (DFI) and Export Credit Agency (ECA) funding. The probable sources funding for the FY 2012/13 to 2015/16 are noted hereunder:-

Years	2012/13 (R m)	2013/14 (R m)	2014/15 (R m)	2015/16 (R m)
Commercial Paper	2 210	2 900	3 188	4 100
Domestic Bonds	4 000	5 000	5 000	7 000
DFI/ECA/GMTN	5 800	5 100	5 000	6 000
Bank loans/other	2 100	3 000	2 165	3 400
Total	**14 110**	**16 000**	**15 353**	**20 500**

(NB. Although the split is reflected, the actual activity is subject to market conditions, pricing and liquidity which may force us to re-arrange the split).

The above sources of funding have been considered as part of a well established and executed borrowing strategy that includes the following elements:

- Diversified sources of funding;
- Prudent asset and liability management;
- Efficient risk management and
- Cost effectiveness of funding.

Transnet is confident that it will be able to access the debt capital markets to successfully raise the funding in the next seven (7) years. The annual funding in the next 7 years is not excessive and will be raised without the benefit of the government guarantees. Transnet is confident that it will raise the required funding as it has:-

- established a number of funding sources to ensure diversification of funding portfolio;
- successfully executed its borrowing programme in the past;
- created credibility with investors;
- has a robust financial profile;
- a detailed implementation plan and risk management strategy that will mitigate identified risks to the MDS; and
- its financial metrics and financial profile will enable it to maintain its investment grade credit rating.

The funding program will be executed through prudent planning, risk management as well as continuous exploration of new funding markets and strong partnerships.

Transnet will launch in detail the MDS in April 2012 to which you will be invited and this will provide you with a further opportunity to obtain greater details into Transnet revised strategy.

Please note that the details of this communique are for your organisation use only.

Issued on behalf of Transnet SOC Ltd by
Mboniso Sigonyela
GM: Corporate and Public Affairs

011 308 2384
083 463 7701

EXPORT-IMPORT BANK OF THE UNITED STATES 05/30/13
MEMORANDUM TO THE BOARD OF DIRECTORS AP085332XX
Conversion No 1

Division TRANSPORTATION
Country SOUTH AFRICA

Date Application Received 10/19/12
Date Application Complete 10/19/12
No of Days In House 223

Request FINAL COMMITMENT
CONVERSION OF: PC085332XX

Financing Type/Term STANDARD/L-T
Financing Options 1 (SEE FINANCING ATTACHMENT)

Applicant	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
Borrower	SPV/TRANSNET LIMITED,
Guarantor	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
Buyer	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
End-user	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
Exporter	GENERAL ELEC TRANSPORTATION SYS GLOBAL, ERIE PA
Supplier	SEE PARTICIPANT ATTACHMENT
Gteed Lender	BARCLAYS BANK PLC, LONDON E14 4EY UNITED KINGDOM

Project Name NONE
Project Description RAILROAD TRANSPORTATION
Product Description [redacted] GE C30ACI LOCOMOTIVES

US Content	$ [redacted]
Foreign Content	
Net Contract Price	
Cash Payment	
Financed Portion of US Contract Price	
Financed Local Costs	
Capitalized Interest During Construction	
Financed Amt (Excl Exp Fee)	
Exp Fee Level/Risk Increment	
Exp Fee Amt/Rate	
Total Fincd Amt (Incl Exp Fee, If Fincd)	108,025,830
Financed Amt in Foreign Curr/Exchange Rate	1,025,813,274 SOUTH AFRICA RAND/0.1053075
Budget Cost Level	[redacted] JMS
Prog Budget Amt/Ratex	
Initial Eligibility Date	10/19/11

Risk Category PUBLIC NON-SOVEREIGN Rpmt Term 10 YR/0 MO Total Term 10 YR/5 MO
Qualifies For Enviro Exp Pgm NO Small Business- Direct: 0.0% Indirect: 0.0
Estimated Number of Jobs Supported/Created: 600
Key Features ON-LENDING STRUCTURE, CLAIM PAYMENT METHOD, FED REGISTER, ASSET BACKED, FOREIGN CURR GTEE, LOCAL COSTS

Special Conditions SEE APPENDIX B

Recommendation APPROVAL

Loan Officer DAVID FIORE DF

Concur ROBERT A. MORIN RAM
V.P. - TRANSPORTATION DIVISION

Counsel MICHAELA E. RICCHIUTE
KTHM by Kathryn Hoff Patrinos

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS
PARTICIPANT ATTACHMENT

05/30/13
AP085332XX

Supplier	GENERAL ELEC TRANSPORTATION SYS GLOBAL, ERIE PA
Supplier	VARIOUS - UNITED STATES SMALL SUPPLIERS, UNKNOWN DC

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS
FINANCING ATTACHMENT

05/30/13
AP085332XX

FINANCING SUMMARY

Option 1 Component 1 US COST GTEE
Component 2 LOCAL COST GTEE
Exp Fee [redacted] Subsidy [redacted] Total Term 10 YR/5 MO

FINANCING TERMS

Option 1 - Component 1

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (EXCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	10/01/13
Final Disbursement Date	10/31/13
Gtee Availability Date	11/30/13
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	12/31/13

Option 1 - Component 2

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (EXCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	10/01/13
Final Disbursement Date	10/31/13
Gtee Availability Date	11/30/13
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	12/31/13

Export-Import Bank of the United States
Office of the Chief Financial Officer
Program Budget Summary

Program Budget Calculations

AP085332XX (Conversion of PC085332XX) - Transnet SOC Ltd.

Program	Long Term Guarantee
Country	South Africa
Industry	Rail (Other)
# of Repayments	40 (Quarterly)
Interest Rate	8% (estimated fixed interest rate in ZAR)
Payment Style	Straight Line
BCL	(b) (4) [redacted]
Total Amount Financed	$108,025,829.00
Financed Amount (excluding fees)	$108,025,829.00
Exposure Fees:	(b) (4) [redacted]
Base Exposure Fee	
Increases / (Discounts)	
Net Exposure Fee	
Program Budget Calculation:	
Revenue Components:	
NPV of Fees	
NPV of Interest Margin	
NPV of Total Revenue	
Default Components:	
NPV of Default (Loan Loss Reserves)	
Total Program Budget (Reserves Less Revenues)	

Program Budget Disbursement

The chart shows the estimated program budget disbursement for this transaction. Please note that for positive program budget transactions, the entire program budget is obligated at the time of authorization. For negative program budget transaction, the program budget is credited to Ex-Im Bank at the time of disbursement.

Amount Authorized	$108,025,829
FY of Authorization	2013
Program Budget Rate (%)	(b) (4) [redacted]

Disbursement	Product	% Disbursed	Program Budget Positive	Program Budget Negative
Year 1: 2013		0%	$ -	$ (b) (4) [redacted]
Year 2: 2014		100%		$
Year 3: 2015		0%		$
Year 4: 2016		0%		$
Total		100%		$

Note: Reserves are calculated based on historical performance and amounts reflect an aggregate reserve level.

Export-Import Bank of the United States
Fixed Interest Rate Form and OCFO Assessment
29-May-2013

Credit Number:	AP085332XX
Transaction Type:	Long Term Guarantee
Division:	Transportation
Industry:	Rail (Other)
Program Title	Transnet SOC Ltd.
Estimated amount at authorization:	$108,025,829
Loan Officer:	David Fiore
Purpose:	Pending Authorization
Country	South Africa
Fixed Rate Program:	8% (estimated fixed interest rate in ZAR)
Spread above fixed rate:	None
Set fixed rate at:	By Commercial Lender

Justification:

Interest rate set by commercial lending entity.

OCFO Assessment:

TPMD currently risk rates Transnet as a BCL [redacted] (b)(4) with approximately $86 million in outstanding exposure. TPMD concurs with Transportation's proposed risk rating on AP085332XX. We have not had any repayment issues with the borrower; the repayment history is satisfactory.

Sign: ______________________ Date: 5/29/2013
Nathalie Herman
Treasurer

Sign: B. Michele Dixey Date: 5/29/2013
Michele Dixey
Transportation Portfolio MGT.

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Transnet SOC Limited

I. Summary and Recommendation

The Request: Transnet SOC Limited ("Transnet" or the "Company"), of Johannesburg, South Africa, is requesting conversion of PC085332XX to a final commitment (AP085332XX) of a guaranteed loan, to be denominated in South African Rand ("R", or "ZAR") in the amount of approximately $108.0 million, excluding the OECD premium of [redacted] but including financing for local costs (the "Final Commitment"). Barclays will be the Guaranteed Loan Agent/Facility Agent. Nedcorbank ("Nedbank") of Johannesburg, South Africa will be the funding bank.

The Final Commitment will support Transnet's acquisition of [redacted] GE C30ACI locomotive kits (the "Locomotive Kits"). U.S.-manufactured components for the [redacted] Locomotive Kits were shipped from Erie, Pennsylvania to Transnet Rail Engineering ("Transnet Rail Engineering" or "TRE"), one of the five main operating divisions of Transnet, for final assembly at TRE's Koedoespoort facility in Pretoria, South Africa. Transnet is also requesting local cost financing of up to 30% of the U.S. contract price[1] to support work performed in South Africa. All the Locomotive Kits have already been shipped (shipments took place between December 2011 and March 2013). Final assembly by TRE in South Africa has been completed and the Locomotives are in operation. Upon completion of final assembly, each Locomotive Kit shall be referred to as a "Locomotive."

Table 1 - Transaction Summary - AP085332XX- South Africa - Transnet **Items to be Exported / Need for Ex-Im Bank Support**	
Number and Type of Items:	GE locomotive kits
Estimated Delivery Period:	Q4 2011 through Q1 2013
Operator:	Transnet Freight Rail, a division of Transnet SOC Ltd.
Applicable OECD Sector Understanding:	N/A; General OECD Arrangement Terms
Type of Ex-Im Bank Support:	Foreign Currency (South African Rand) denominated Guaranteed Loan
Estimated jobs maintained/generated:	600 jobs
Need for Ex-Im Bank Support:	Fill the financing gap; level the playing field with exporters of competing equipment from other countries (e.g., China)
Financing Terms	
Currency:	ZAR
Authorized Exchange Rate:	To be determined at time of approval by the Board of Directors, Recent rate of ZAR 9.4960 = $1.00 (at May 22, 2013)
Aggregate "net net" Contract Price:	ZAR [redacted]
Advance Rate:	75%
Financed Amount of Contract Price (before premium amount):	ZAR [redacted]
Financed Local Cost (30%):	ZAR [redacted]
Premium: (%)	[redacted]

[1] Per Ex-Im Bank policy, "U.S. Contract Price" is defined as U.S. Content + Eligible Foreign Content (refer to the Engineering and Environment Memorandum in Appendix E).

Premium Amount, **NOT** Financed:	(b) (4) [redacted]
Total Ex-Im Financed Amount (including Local Cost but excluding premium):	ZAR 1,025,813,274 $108,025,830
Financing Structure:	On-Lending Structure: corporate loan to South African SPV; SPV on-lends the funds to Transnet; no sovereign guarantee or comfort letter; supported by a first priority security interest in the fully assembled Locomotives, reduced advance rate (75%); no financing of the exposure fee; repayment term of 10 years
Co-financing:	N/A
Repayment Term:	10 years (40 quarterly repayments)
Amortization Profile:	Equal principal, with interest in arrears (i.e., "straight-line")
Interest Rate Basis:	Fixed interest rate in ZAR to be determined at the time of disbursement (estimated to be 8%)
Cape Town Convention Discount:	N/A
Capital Markets Funding Option:	N/A
Commitment Fee:	Standard Ex-Im Bank Guaranteed Loan commitment fee (b) (4) [redacted] beginning to accrue 60 days after approval of the Final Commitment; payable in USD Estimated Commitment Fee Revenue = approximately (b) (4) [redacted]
Borrower Financial Metrics and Collateral Summary	
Financial Metrics **As of March 31, 2012 (12 months, audited)[2]**	
Revenue	R45.9 billion $ 6.36 billion
Operating Income/Loss	R10.5 billion $ 1.46 billion
Net Income/Loss	R 4.1 billion $ 0.57 billion
EBITDA	R18.9 billion $ 2.62 billion
Total Assets	R178.0 billion $23.4 billion
Total Liabilities	R 98.6 billion $12.9 billion
Shareholder Equity	R 79.4 billion $10.4 billion
Leverage (Total Liabilities/Tangible Net Worth)	1.40x
Debt Service Coverage (times)	0.88x[3]
Collateral Summary	
Dollar Amount of Day 1 Collateral Surplus (Deficit) using estimated value of fully assembled Locomotive ($3 million per fully	+$51.0 million or 1.47x

[2] Audited financial statements for the Fiscal Year ended March 31, 2013 will be presented to the public on June 27, 2013.

[3] Debt Service Coverage is below 1.0x for FYE 2012 because Transnet had a large amount of debt (R14.0 billion or $1.84 billion, consisting of domestic bonds, commercial paper and domestic and foreign loans) coming due during FY 2012. Transnet's debt service coverage ratio for the six months ended September 30, 2012 was 1.70x in part as a result of lower principal repayments and continued strong EBITDA during the interim period.

[redacted]	
Ex-Im Bank Internal Clearances, Notifications and Program Budget	
Budget Cost Level ("BCL")	BCL [redacted]
Program Budget Allocation (%)	[redacted]
Program Budget Amount Generated/Used	[redacted] in program budget generated
NAC Advice/Referral	Not required; obtained on October 27, 2010 (at time of PC approval)
State Dept. Political and Human Rights Clearances	Not required for South Africa
Congressional Notification	Not required, previously satisfied on December 1, 2010 (at the PC stage)
Federal Register Notification	Required; see Section V "Key Features"
Iran Sanctions Certifications	Completed, no issues
Character, Reputation and Transaction Integrity ("CRTI")	Completed, no issues
Pre-Brief Meeting	Presented at Pre-Brief of December 5, 2012; cleared for presentation to the Board of Directors
Economic Impact Analysis	Not required: In accordance with Ex-Im Bank's policies and procedures, a detailed economic impact analysis was not required or conducted for this Final Commitment because the Locomotives will not be used by the foreign buyer/end user in a dedicated manufacturing or mining capacity to produce a specific good (or to generate an airline service). Rather, the Locomotives will be used across Transnet's rail network.

Iran Sanctions: Pursuant to Section 18 *(Prohibition on Financing for Certain Persons Involved in Sanctionable Activities with Respect to Iran)* of the Export-Import Bank Reauthorization Action of 2012 (the "Reauthorization Act"):

(a) Transnet and Barclays have made the certifications required by paragraph (a) *(Prohibition on Financing for Persons That Engaged in Certain Sanctionable Activities)* of Section 18 of the Reauthorization Act. The Special Purpose Company ("SPC"), as borrower, will make such certifications prior to the first disbursement under the transaction documents.

(b) Based on staff's due diligence, staff has determined that for purposes of paragraph (b) *(Prohibition on Financing)* of the Reauthorization Act, there is no controlling sponsor of Transnet or the SPC. Based on staff's due diligence, including representations and information received from Transnet, a review through the CRTI process of the borrower and other companies known to be owned or controlled by Transnet, and comparison with the list of entities sanctioned under section 5(a) of the Iran Sanctions Act, Transnet nor or persons that are owned or controlled by the borrower, is subject to sanctions under section 5(a) of the Iran Sanctions Act.

Recommendation: Based on (i) the satisfactory financial condition of Transnet, (ii) a first priority security interest in the Locomotives, and (iii) Transnet's satisfactory repayment history with respect to the prior Ex-Im Bank supported financing (AP085322XX), and after taking into consideration the comments received pursuant to the Federal Register notice and comment procedures, staff finds reasonable assurance of repayment and recommends approval of the Final Commitment, including local cost financing of up to 30% of the U.S. contract price, subject to NAC advice and the Special Conditions attached as Appendix B.

II. Primary Source of Repayment – Transnet SOC Limited

The primary source of repayment will be Transnet. Transnet is a public company with the Government of the Republic of South Africa (the "GoSA") as its sole shareholder. As the operator and custodian of a major portion of South Africa's transportation infrastructure, Transnet's mandate is to assist in lowering the cost of doing business and to enable economic growth in South Africa.

Summary of Transnet: Transnet was formed in 1989. During the past several years, Transnet has transformed itself from a diversified conglomerate into a focused rail, port, and pipeline operator. Transnet's non-core assets and businesses have been sold, closed or transferred (the most notable of which is South African Airways, the disposal of which was completed in March 2007). Transnet currently has five (5) core operating divisions: Transnet Freight Rail, Transnet Rail Engineering, Transnet National Ports Authority, Transnet Port Terminals, and Transnet Pipelines. For its fiscal year ("FY") 2012, ended March 31, 2012, Transnet had total revenue of R45.9 billion ($6.36 billion), EBITDA of R18.9 billion ($2.62 billion), operating profit of R10.5 billion ($1.46 billion), net income of R4.1 billion ($0.57 billion), total assets of R178.0 billion ($23.3 billion), and capital investments for the year of R21.5 billion ($3.0 billion). Table 2 summarizes Transnet's financial condition for the past five fiscal years.

Unaudited interim financial information for the six-month period ended September 30, 2012 show continued strong performance. Full year FY 2013 (ended March 31, 2013) audited financial statements will be presented to the public on June 27, 2013. Appendix A contains a review of Transnet's operations and financial condition. Staff concludes that Transnet is in satisfactory financial condition, with sufficient cash, profitable operations, low leverage, a strong shareholder and an experienced management team. Debt service cover (expressed as EBITDA/debt service) has at times been less than 1.0x (in particular in FY 2009 and FY 2012), but this is in part a reflection of the timing of the repayment of debt (domestic and international bonds). Transnet has been generating increasing amounts of cash from operations (EBITDA) since FY 2009. In addition, Transnet has access to multiple sources of financing such that it has consistently been able to pay all its creditors, including Ex-Im Bank, with no difficulty. Staff is confident that Transnet will be able to service the Ex-Im Bank guaranteed financing under the Final Commitment.

Table 2 - Transnet Summary Financial Information (USD millions)	FY 2008 31-Mar-08	FY 2009 31-Mar-09	FY 2010 31-Mar-10	FY 2011 31-Mar-11	FY 2012 31-Mar-12
Total Revenue	3,944.9	3,880.6	4,342.2	5,384.9	6,360.8
Operating Profit (Loss)	1,181.5	972.8	1,014.5	1,217.2	1,458.8
Operating Margin (Loss) %	29.9%	25.1%	23.4%	22.6%	22.9%
Net Income (Loss)	845.7	582.7	389.1	583.6	570.8
Net Margin (Loss) %	21.4%	15.0%	9.0%	10.8%	9.0%
Total Current Assets	1,820.6	1,613.9	2,469.6	3,066.9	1,652.2
Total Non-Current Assets	10,599.3	11,040.6	16,543.2	21,535.1	21,642.9
Total Assets	12,419.9	12,654.4	19,012.8	24,602.0	23,295.1
Total Current Liabilities	2,456.3	1,815.1	2,110.7	3,054.7	2,452.2
Total Non-Current Liabilities	3,550.1	4,611.7	8,078.4	10,699.6	10,449.3
Total Liabilities	6,006.3	6,426.8	10,189.1	13,754.3	12,901.5
Total Equity	6,413.6	6,227.6	8,823.8	10,847.8	10,393.7
Total Liabilities + Equity	12,419.9	12,654.4	19,012.8	24,602.0	23,295.1
EBITDA	1,679.4	1,524.9	1,757.0	2,236.6	2,616.6
EBITDA Margin %	42.6%	39.3%	40.5%	41.5%	41.1%
Debt Service Cover Ratio	0.98x	0.56x	0.95x	1.32x	0.88x

III. Ex-Im Bank Experience and Exposure with Transnet

Ex-Im Bank has exposure to Transnet in connection with one prior transaction, AP085322XX, a Rand-denominated guaranteed loan approved in February 2011 to support the export of [redacted] GE locomotive kits (the "2011 Transaction"). The amount disbursed was $119.9 million. Current outstanding exposure on April 30, 2013 was $86.2 million.

IV. Financing Structure

GESAT-Transnet Contract Structure: Appendix D contains a schematic drawing of the contracts to be financed under the Final Commitment.

GE South Africa Technologies ("GESAT") has a contract denominated in ZAR with Transnet SOC Ltd, acting through its operating division, Transnet Freight Rail, pursuant to which GESAT will supply [redacted] GE locomotives to Transnet Freight Rail.

(b) (4)

[redacted]

(b) (4)

[redacted]

The Guaranteed Lender will make one or more disbursements in ZAR. For the purposes of its own accounting records, Ex-Im Bank will convert the ZAR disbursement into USD using the "Authorized Exchange Rate". The Authorized Exchange Rate is the exchange rate in effect on the date that the Board of Directors approves this transaction. Please refer to Section V - "Key Features, Foreign Currency Guarantee" below for additional details.

The "On-Lending" Structure - Background: Beginning in 2006, Transnet initiated a multi-billion dollar capital expenditure program that continues today and is expected to continue through at least FY 2019. As part of its effort to diversify its sources of funding, Transnet, with Barclays as financial advisor, canvassed various export credit agencies about their financing terms. In 2007, Transnet and Barclays requested that Ex-Im Bank allow a claim payment to be made on an "installment-by-installment" basis in order to avoid having the entire remaining balance of the Guaranteed Loan "crystallize" into U.S. dollars in one lump sum.[4] As an entity that deals almost exclusively in Rand, Transnet was concerned that in the unlikely event of a default under the Guaranteed Loan, the entire outstanding balance under the guaranteed loan would crystallize into U.S. dollars at one time, would be due, which would likely exacerbate the crisis that led to the initial default. There was also concern as to how it would account for such a contingent liability in U.S. dollars. Barclays indicated that without the installment-by-installment method, it would have to charge higher fees to cover potential breakage costs in the event of a lump-sum claim payment that could cause Barclays to potentially incur breakage costs. Lastly, Transnet and Barclays were comparing the financing terms and flexibility of various export credit agencies and made it clear that the ability to provide Rand-denominated financing and the ability of an export credit agency to accommodate the installment-by-installment claim payment method would be important factors in deciding where to source equipment and services.

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[4] Payment of a claim in a "lump sum" (i.e., payment of the missed installment as well as the remaining principal balance of the loan) is Ex-Im Bank's standard claim payment method for (i) floating interest rate USD guaranteed loans, (ii) floating interest rate foreign currency denominated loans and (iii) fixed interest rate foreign currency guaranteed loans. At the time of claim payment, foreign currency-denominated guaranteed loans "crystallize" into USD at the spot rate in effect at the time of claim payment. Foreign currency and interest rate breakage costs incurred by the guaranteed lender as a result of receiving a lump-sum claim payment are <u>not</u> covered by the Ex-Im Bank guarantee. Claims under fixed interest rate USD-denominated guaranteed loan are paid by issuing a payment certificate to the guaranteed lender (effectively, the claim is paid on an installment-by-installment basis).

In light of Transnet's large and on-going capital expenditure plan, Ex-Im Bank wanted to ensure that U.S. exporters were not put at a competitive disadvantage.[5] Staff developed a financing structure to accommodate Transnet and Barclays' concerns that allowed Ex-Im Bank to pay a claim to the Guaranteed Lender on an installment-by-installment basis while maintaining all of Ex-Im Bank's remedies against Transnet (the "On-Lending Structure"). The On-Lending Structure has been fully vetted with Ex-Im Bank's U.S. and South African counsel, who concluded that the structure adequately protects Ex-Im Bank. The On-Lending Structure was approved by the Board of Directors in connection with the approval of the 2011 Transaction.

Staff is proposing to replicate the same structure in connection with the current pending transaction.

The "On-Lending" Structure - Mechanics: The On-Lending Structure effectively "bifurcates" the actions that Ex-Im Bank takes vis-à-vis the Guaranteed Lender and the actions that Ex-Im Bank takes vis-à-vis Transnet. The On-Lending Structure enables Ex-Im Bank to pay a claim to the Guaranteed Lender on an installment-by-installment basis (without issuing a Rand-denominated claim payment certificate[6]) and at the same time be able to exercise remedies against Transnet.

Under the On-Lending Structure, a special purpose company (the "SPC") will be created in a tax-neutral jurisdiction acceptable to Ex-Im Bank (in this case, South Africa). The SPC will be owned by a charitable trust. The SPC will not be owned by Transnet. The Guaranteed Lender will make a Rand-denominated, 10-year loan (repayable in 40 quarterly installments) to the SPC to be guaranteed by Ex-Im Bank (the "Guaranteed Loan"). The SPC will on-lend the proceeds of the Guaranteed Loan to Transnet to purchase the locomotive kits from GE (the "On-Loan"). The On-Loan will also be a Rand-denominated, 10-year loan repayable in forty (40) quarterly installments. Transnet will make quarterly loan payments to the SPC under the On-Loan and the SPC will make quarterly loan payments to the Guaranteed Lender under the Guaranteed Loan. Transnet's obligations to make repayments to the SPC under the On-Loan and to guarantee the SPC's obligations to Ex-Im Bank will be secured by a mortgage in favor of the SPC on the Locomotives. The SPC will assign its rights to this mortgage to Ex-Im Bank's security trustee.

A default by Transnet under the On-Loan to the SPC would result in a default by the SPC under the Guaranteed Loan to the Guaranteed Lender. The Guaranteed Lender would make installment-by-installment demands under the Ex-Im Bank Guarantee and Ex-Im Bank would pay the Guaranteed Lender installment-by-installment claim payments in accordance with the original payment schedule of the Guaranteed Loan (each, a "Claim Payment Installment").

Claim Payment Installments paid in Rand by Ex-Im Bank on behalf of the SPC to the Guaranteed Lender would crystallize into U.S. Dollars at the spot rate in effect at the time of such Claim Payment Installment and become a U.S. Dollar-denominated obligation of Transnet to Ex-Im Bank.

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[5] Other export credit agencies were prepared to agree to pay any claims on an installment-by-installment basis.

[6] (b) (4) [redacted]

However, the repayment terms of the Guaranteed Loan between the Guaranteed Lender and the SPC would never change. The Guaranteed Lender would be assured that it would receive Rand-denominated payments under the Guaranteed Loan in accordance with the original payment schedule (such payment coming through the SPC with funds from either Transnet, in the ordinary course of the On-Loan, or from Ex-Im Bank, in the event of a payment default by Transnet under the On-Loan). According to the Guaranteed Lender, without the comfort of knowing that Ex-Im Bank would pay the claim on an installment-by-installment basis, the Guaranteed Lender would modify the terms of its financing to Transnet (i.e., charge a significantly higher fixed interest rate, require collateral, or force Transnet to restrict some amount on its lines of credit) in order to cover the potential breakage costs to the Guaranteed Lender.

As part of the security package, Ex-Im Bank or its security trustee will have a pledge of all the shares of the SPC. Therefore, upon payment of the first or any subsequent Claim Payment Installment to the Guaranteed Lender, Ex-Im Bank could (if necessary) exercise control over the SPC and thereafter have the benefit of all of the SPC's rights, title and interest in the On-Loan between the SPC and Transnet. Upon exercising control of the SPC, Ex-Im Bank would have complete control over (i) setting up a repayment schedule for the U.S. Dollar denominated Claim Payment Installment(s), (ii) restructuring of the balance of the Rand-denominated On-Loan, and (iii) accelerating the balance of the Rand-denominated On-Loan (if necessary) in order to begin liquidation of the collateral or take some other action that required acceleration of the On-Loan. The Guaranteed Lender would not be involved in such actions, as it would not be a party to the On-Loan.

Claim Payment Installments paid by Ex-Im Bank on behalf of the SPC in Rand to the Guaranteed Lender would crystallize to U.S. Dollars at the spot rate in effect at the time of such Claim Payment Installment and become a U.S. Dollar-denominated obligation of Transnet to Ex-Im Bank.

In the unlikely event of an acceleration of the Rand-denominated On-Loan, the On-Loan would not crystallize into U.S. Dollars (as no claim payment would have been made on the remaining balance of the Rand-denominated Guaranteed Loan). Transnet will be obliged to repay Ex-Im Bank for any and all amounts that Ex-Im Bank pays to the Guaranteed Lender under the Guaranteed Loan, as well as costs to enforce, recover, etc.

The On-Lending Structure has been fully vetted with Ex-Im Bank's U.S. and South African counsel, who have concluded that the On-Lending Structure will adequately protect Ex-Im Bank.

Please refer to Appendix B for the Special Condition and to Appendix C for a diagram of the On-Lending Structure.

Security: Ex-Im Bank will be secured by an exclusive first priority security interest in the Locomotives. To the extent possible under South African law, the Final Commitment will be cross-collateralized with the prior, and any future, locomotives that Ex-Im Bank has financed or might finance for Transnet, and the Locomotives financed under this Final Commitment will also secure the prior, and any future, Ex-Im Bank supported financings for Transnet.

V. Key Features

Asset-Backed: The Final Commitment is identified as "asset-backed" because Ex-Im Bank will be secured by a first priority security interest in the Locomotives.

Foreign Currency Guarantee: Disbursements under this Guaranteed Loan will be made in ZAR and converted to USD at the rate in effect on the date that the Board of Directors approves this transaction.[7] The USD amounts on the APS cover page reflect the exchange rate of ZAR 9.4960 = $1.00, which was the exchange rate in effect on May 22, 2013. Assuming that this transaction is approved by the Board of Directors, staff will amend the USD amounts on the APS cover page to reflect the exchange rate in effect on the date of approval by the Board of Directors.

On-Lending Structure: Please refer to the discussion above.

Installment-by-Installment Claim Payment Method: As mentioned above, Ex-Im Bank agreed to make any claim payment in connection with any financing for Transnet on an "installment-by-installment" basis (rather than as a "lump-sum" payment) in order to avoid having the entire remaining balance of the Guaranteed Loan "crystallize" into U.S. dollars at one time. Only the installment for which a claim payment was made would "crystallize" into U.S. dollars. The remaining installment(s) would remain denominated in ZAR until such time that Transnet had defaulted on such remaining installment(s) and Ex-Im Bank had paid a claim on such remaining installment(s). After vetting Transnet and Barclays' request internally and with OMB, prior senior management of Ex-Im Bank agreed with Transnet in September 2007 that Ex-Im Bank would pay any claim on the ZAR-denominated, Ex-Im Bank Guaranteed Loan on an "installment-by-installment" method (but without the issuance of a "Payment Certificate").[8]

Based on the On-Lending Structure described above, staff recommends that the Board of Directors approve installment-by-installment demands and installment-by-installment claim payments under the Ex-Im Bank Guarantee (as opposed to requiring the Guaranteed Lender to make demand for the entire outstanding amount of the Guaranteed Loan and paying the claim in a single "lump-sum" payment) in connection with the pending (and any future) South African Rand-denominated financings for Transnet for the following reasons:

(i) the likelihood of Ex-Im Bank actually having to pay a claim is relatively low given the creditworthiness of Transnet (i.e., Transnet is an investment grade credit in an investment grade

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[7] This is called the "Fixed Rate Method" for converting foreign currency disbursements (in this case, ZAR) to USD for foreign currency guaranteed loans <u>when the exporter's contract is denominated in foreign currency</u> (which is the case with respect to this transaction). The Fixed Rate Method is in contrast to the Floating Rate Method. The Floating Rate Method is used for Boeing's contracts, which are always denominated in U.S. Dollars. For Boeing transactions, the Board of Directors approves the U.S. Dollar amount and then that U.S. Dollar amount is converted into the foreign currency two days (or such other agreed period) prior to delivery of each aircraft <u>at the spot rate in effect two days (or such other agreed period) before each delivery</u>, subject to an overall cap (maximum amount) in the foreign currency.

[8] The "installment-by-installment" claim payment method is normally used only for U.S. dollar-denominated, fixed interest rate guaranteed loans.

country - both the Republic of South Africa and Transnet have "[redacted] ratings from S&P as of October 2012);

(ii) any financial difficulty that Transnet might possibly experience is more likely to be caused by a temporary liquidity crisis (and not by insolvency);

(iii) it is likely that the Government of South Africa, as 100% shareholder of Transnet, would be willing to support Transnet financially during such a temporary liquidity crisis, given Transnet's importance to the economy of South Africa;

(iv) therefore, allowing demands and claim payments to be made under the Ex-Im Bank Guarantee on an installment-by-installment basis would reduce Ex-Im Bank's cash outflow (i.e., a claim payment of only one or two quarterly installments rather than the entire remaining balance outstanding under the Guaranteed Loan) and at the same time enable Transnet time to recover from such temporary liquidity crisis and avoid crystallizing the entire Rand-denominated Guaranteed Loan to U.S. dollars;

(v) staff believes that the installment-by-installment claim payment method is consistent with the fundamental concept behind Ex-Im Bank's foreign currency guarantee program, that is, the amount in U.S. dollars that Ex-Im Bank pays to cover a claim under the guarantee of a foreign currency-denominated loan becomes the amount in U.S. dollars that the borrower is then required to repay Ex-Im Bank (plus interest and expenses);

(vi) after lengthy internal discussion and consultation with other U.S. Government agencies, Ex-Im Bank told Transnet in September 2007 that it would agree to offer the installment-by-installment claim payment method for a Rand-denominated guaranteed loan;

(vii) failure to honor Ex-Im Bank's previous agreement to offer the installment-by-installment claim payment method for a Rand-denominated guaranteed loan would reflect unfavorably on Ex-Im Bank and could reduce the likelihood of future exports from U.S. manufacturers to Transnet;

(viii) failure to offer the installment-by-installment claim payment method for a Rand-denominated guaranteed loan would put U.S. exporters at a competitive disadvantage relative to exporters from other countries whose export credit agencies have committed to pay a claim on an installment-by-installment basis;

(ix) this disadvantage to U.S. exporters would result from the fact that products purchased by Transnet from other countries could be financed either commercially or with the support of that country's export credit agency, whereas products purchased by Transnet from the United States would have to be financed commercially (or by Ex-Im Bank in U.S. dollars, which is less attractive to Transnet);

(ix) Transnet projects spending Rand 300 billion (approximately $40 billion) on a capital expenditure program between FY 2013 and FY 2019, which could potentially result in hundreds of millions of dollars in additional U.S. exports to South Africa (and the thousands of related U.S. manufacturing jobs); and

(ix) South Africa is an important target market for U.S. exports in sub-Saharan Africa and is one of Ex-Im Bank's nine (9) "focus" markets.

Federal Register Notice: Because this Final Commitment exceeds $100 million of guaranteed financing, this Final Commitment is subject to the Federal Register notice and comment procedures. The Federal Register Notice was published on December 18, 2012 and expired on January 14, 2013. Only one comment was received from Mark Sokolow, an attorney in Texas. He questioned why Ex-Im Bank support was needed for this transaction and what steps GE had taken to obtain private financing. The full comment is available to the members of the Board of Directors (see K:\Public Notice Comments\AP085332XX).

Up to 30% Local Cost Financing: Because of the requirements imposed upon GE by the GoSA in order to win the contract sale (and the large potential for follow on sales), GE had to structure the contract such that a significant amount of work would be done in South Africa, by local labor, which in this transaction, is Transnet Rail Engineering. The Engineering and Environment Division has reviewed the contract related to the local cost portion of the transaction and has no objection. The Policy and Planning Division notified the other OECD members on April 24, 2013 that Ex-Im Bank was considering local cost financing in excess of 15%. The 10-day notification period has expired on May 3, 2013 without comment.

VI. Credit Strengths, Weaknesses and Uncertainties, OECD Premium, and Budget Cost Level

Credit Strengths, Weaknesses and Uncertainties: The strengths, weaknesses and uncertainties of the Final Commitment are set forth below:

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

VII. Justification of Ex-Im Bank Support

[redacted]

Transnet is trying to diversify its sources of funding in light of its R300 billion ($40 billion) capital expenditure program over the next seven years. Transnet does have access to various sources of financing (e.g., domestic banks in South Africa, local capital markets, development agencies). However, in light of the large capital expenditures already made between FY 2006 and FY 2012 (R115.7 billion or approximately $15.4 billion) and the projected R300 billion (approximately $40 billion) in additional capital expenditures projected for FY 2013 through FY 2019, Transnet needs to diversify its sources of financing, including financing provided by export credit agencies. To date, several export credit agencies have provided financing for Transnet, including Finnvera in Finland, Astradius in the Netherlands, JBIC in Japan and EDC in Canada.

Staff believes that Ex-Im Bank support for the Guaranteed Loan will demonstrate to Transnet that Ex-Im Bank support is available to support Transnet's acquisition of U.S.-manufactured Locomotives (and other equipment). This financing for Transnet also fulfills Ex-Im Bank's objective to finance more U.S. exports to borrowers in sub-Saharan Africa.

Availability of Long-Term Financing: Ex-Im Bank support for this Final Commitment (and Transnet's knowledge that Ex-Im Bank financing is an option) is also likely to encourage Transnet to continue to purchase U.S.-manufactured locomotives in the future.

Accordingly, the availability of Ex-Im Bank financing for this Final Commitment is likely to provide Transnet with a reasonable expectation that Ex-Im Bank financing is likely to be available in support of future purchases of GE locomotives (and EMD locomotives) and therefore, Transnet will be more likely to place orders for additional GE and EMD locomotives.

Foreign Competition and an On-Going "Level Playing Field": GE's main, non-U.S. competition for the sale of locomotives to Transnet is China and the support that Chinese locomotive manufacturers receive from the Chinese export credit agencies. During a meeting of the "BRICS" (i.e., Brazil, Russia, India, China, and South Africa) hosted by South Africa, China Development Bank signed a $5 billion Memorandum of Understanding with South Africa to help finance upgrades and improvements to South Africa's rail infrastructure. Transnet has issued a large tender (which includes the supply of [redacted] locomotives over five years that both GE and EMD will bid on. Ex-Im Bank support is therefore needed to "level the playing field" for U.S. exporters trying to compete for business in South Africa.

Impact on U.S. Jobs: The Locomotive Kits that were shipped to Transnet were be manufactured by GE at its production facility in Erie, Pennsylvania. It is estimated that this Final Commitment will support 600 jobs.

GE employs approximately [redacted] workers at its Erie plant and approximately [redacted] workers at its Grove City, Pennsylvania plant. In addition to its facilities in Pennsylvania, GE completed a new manufacturing facility in Fort Worth, Texas during the second half of 2012, which is in the testing stage and is expected to begin manufacturing for the U.S. market during 2013. GE is negotiating a new labor contract with its employees in Erie, Pennsylvania. As part of its negotiating strategy, GE announced on April 9 that it is threatening to lay off 20% of the workers in Pennsylvania and move the jobs to Texas, where the non-unionized workers earn significantly less than the unionized workers in Pennsylvania.

VIII. Collateral Analysis

As previously mentioned, Ex-Im Bank will have a first priority security interest in the Locomotives. The future value of the Locomotives is difficult to establish because of (i) they are highly customized, (ii) their use is limited to South Africa, and (iii) there is no extensive re-sale market. Nevertheless, it is beneficial to have the first priority security interest in the Locomotives because (i) the Locomotives will be "core" to Transnet's fleet as they will be among the most modern and efficient Locomotives in Transnet's fleet, and (ii) the security interest in the Locomotives provides leverage in any discussions with Transnet in the event of a default or restructuring.

As discussed above, the unsecured risk rating of Transnet has not been improved as a result of the security in the Locomotives.

IX. Country and Sector Exposure

Appendix G contains a summary of Ex-Im Bank's exposure in South Africa, which as of April 30, 2013, was approximately $1.05 billion, consisting mainly of exposure to Eskom (the power utility), Transnet and Comair.

Table 4 – Summary of Ex-Im Bank Exposure with respect to Locomotives

Railroad	**Country**	**Exposure at 04/30/13 (millions)**
Ferromex	Mexico	57.4
Ferrosur	Mexico	37.4
MRS Logistica	Brazil	51.9
Ferrocarril Transandino	Peru	5.7
Iron Ore Company of Canada (locomotives and rail cars only)	Canada	29.3
Kazakhstan Temir Zholy (KTZ)	Kazakhstan	425.7
Turkish National Railway (TCDD) (sovereign)	Turkey	33.7
Transnet	South Africa	86.2
PTKA	Indonesia	94.3
Total		**$821.6**
Pending Final Commitment Transnet		108.0
Total including pending Transnet transaction		**$929.6**

Ex-Im Bank's exposure with respect to the financing of locomotives was approximately $821.6 million (excluding the pending Final Commitment for Transnet) as of April 30, 2013 (refer to Table 4). This figure does not include the pending final commitment in the amount of $108.0 million for Transnet, which, if approved, would bring Ex-Im Bank's total exposure for locomotives and railcars to approximately $930 million.

IX. Engineering Evaluation

Please refer to Appendix E for the Engineering and Environment evaluation for the Final Commitment.

X. Appendices

Appendix A - Review of Transnet's Operations and Financial Condition and Long-Term Risk Scoring Sheet
Appendix B - Special Conditions AP085332XX
Appendix C - On-Lending Structure
Appendix D - Diagram of GESAT-Transnet Contract Structure
Appendix E - Engineering and Environment Memorandum
Appendix F - South Africa Regulatory Framework, Legal Strengths, Weaknesses and Uncertainties
Appendix G - Country Exposure Summary - South Africa

TRANSNET SOC LIMITED

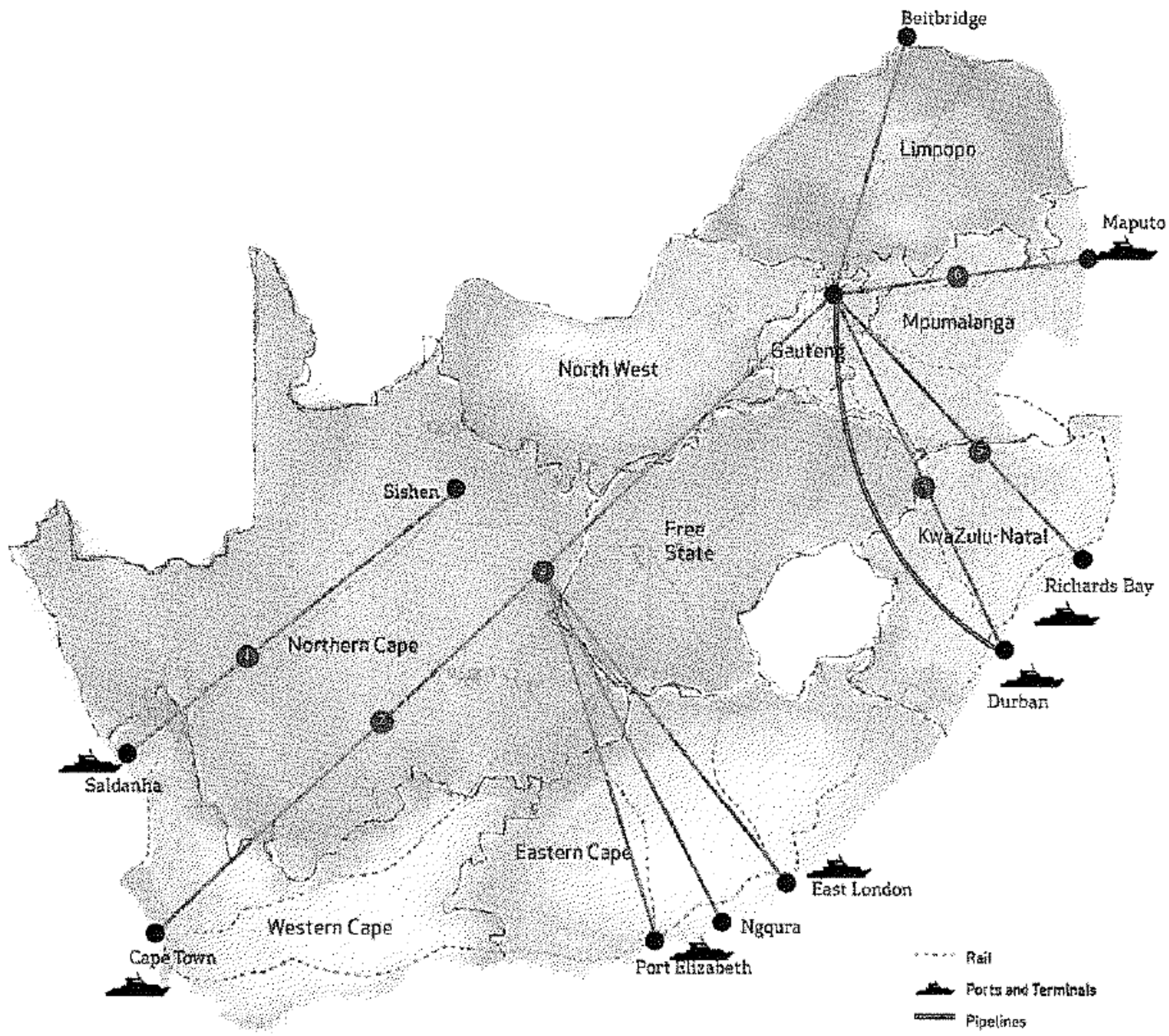
BACKGROUND

Ownership, History and Strategic Plan: Transnet SOC Limited ("Transnet" or the "Company") is a public company with the Government of the Republic of South Africa (the "GoSA") as its sole shareholder. As the operator and custodian of a major portion of South Africa's transportation infrastructure, Transnet's mandate is to assist in lowering the cost of doing business and to enable economic growth in South Africa. Transnet does not receive public subsidies from the GoSA. Transnet's borrowings are based on the strength of its own balance sheet. Transnet is required to earn an appropriate return on assets that will allow it to maintain and expand South Africa's rail, port, and pipeline infrastructure that it owns and operates.

Transnet was formed in 1989 as a result of the transfer of the commercial enterprise of the South African Transport Services to Transnet as South Africa's railway, harbor, road transport aviation and pipeline operator. After sustaining a large loss during FY 2004 (ended March 31, 2004) of South African Rand ("ZAR" or "R") R6.33 billion (approximately $1 billion at then-current exchange rates), Transnet developed a Turnaround Plan in August 2004 to stabilize the business and set the stage for future growth. The Turnaround Plan was to (i) focus on core business units, (ii) divest non-core businesses, (iii) improve operating efficiency, (iv) establish high standards of corporate governance, (v) develop its human resources more effectively, and (vi) transform the corporate culture.

With the successful implementation of the Turnaround Plan underway, Transnet approved the Growth Strategy in August 2007, which was designed to build on the success of the Turnaround Plan. The objectives of the Growth Strategy included (i) improved financial and risk management, (ii) more effective human resources development, and (iii) improved efficiency of operations and safety. The "Quantum Leap" strategy, launched in FY 2010, was designed to accelerate the rate of improvement and achieve sizeable improvements in key performance indicators across all its divisions.

In January 2012, Transnet launched its Market Demand Strategy with a planned investment of R300 billion (approximately $40 billion) over seven years starting with FY 2013 (beginning April 1, 2012). It is anticipated that Transnet will fund approximately 70% of the R 300 billion (i.e., R210 billion or approximately $28 billion) from internally generated funds and approximately 30% (i.e., R90 billion or approximately $12 billion) from debt. The R300 billion to be spent under the Market Demand Strategy is intended to result in (i) a modal shift of freight traffic from road to rail, thereby lowering South Africa's carbon emissions, (ii) job creation in South Africa, (iii) growth of the mineral and mining sectors, (iv) increased localization and Black Economic Empowerment, and (v) successful positioning of South Africa as a regional trans-shipment hub for sub-Saharan Africa, thereby contributing to economic integration with other economies in southern Africa.



During the past several fiscal years, Transnet has transformed itself from a diversified conglomerate into a focused rail, port, and pipeline operator. Transnet's non-core assets and businesses have been sold, closed or transferred (the most notable of which is South African Airways, which was spun off as a separate company). Transnet also disposed of assets related to passenger rail services, telecommunications, pension fund management, fleet management, and housing loans, leaving Transnet with five (5) core operating divisions.

Five (5) Core Operating Divisions of Transnet: Each of Transnet's five (5) core operating divisions (e.g., freight rail, rail engineering, port authority, ports operations, and pipelines) is described below. Transnet's operating divisions are not separate legal entities.

Transnet Freight Rail

Transnet Freight Rail ("Transnet Freight Rail" or "TFR") transports bulk and containerized freight along its approximately 20,500 kilometer rail network, 1,500 kilometers of which comprise heavy haul export lines. During FY 2012 (ended March 31, 2012), Transnet Freight Rail transported approximately 201 million tons ("mt") of freight for export and domestic customers, representing a 10.4% increase compared to FY 2011 and the highest amount of tonnage that TFR has ever transported. Although tonnage transported in FY 2012 fell short of TFR's goal of 206.0 mts, TFR continued its annual increase of freight tons carried.

For the first six months of FY 2013 (ended September 30, 2012), TFR transported a total of 103.3 mt of freight, representing a 7.5% increase compared to 96.1 mt transported during the same period in 2011. In an attempt to grow volume and to improve customer satisfaction, TFR changed its operating model to be more customer oriented while continuing to modernize its operations. For the six-month interim period to September 30, 2012, tonnage carried was up across all product lines (e.g., general freight, iron ore, manganese, chrome, coal, other minerals, automotive, etc.) except agriculture and oil, mainly because some agricultural customers reduced production and some fuel customers shifted transport of oil from rail to pipelines.

Table A-1
Transnet Freight Rail's Revenue by Source

ZAR million	Mar. 31 2008	Mar. 31 2009	Mar. 31 2010	Mar. 31 2011	Mar. 31 2012
Total Revenue	16,598	18,683	20,825	22,607	27,658
General Freight	11,248	11,852	11,903	13,364	15,660
Export Coal	3,264	4,332	5,624	5,632	7,629
Export Iron Ore	1,219	1,740	2,216	2,669	3,440
Other	867	759	1,082	942	929

For the first six months of FY 2013 (through September 30, 2012), TFR had total revenue of R15,770 million, an increase of 19.5% compared to the same period in 2011. It should be noted that TFR's revenue for the first six months of FY 2013 nearly equaled its total revenue for all of FY 2008 (just five years earlier).

Transnet Freight Rail currently operates 2,243 locomotives with an average age of 25 years and approximately 95,000 wagons with an average age of 31 years. The average age of a locomotive in TFR's fleet has decreased from 37 years to 23 years as a result of investing in new locomotives and the retiring older locomotives.

As shown on the map on page A-2, Transnet Freight Rail's business can be divided into three parts:

(i) the <u>Export Coal Line</u> (which runs from Gauteng Province to Richards Bay on the Indian Ocean) - customers on the Export Coal Line include exporters and producers situated in the Mpumalanga coal field to the Port of Richards Bay such as BHP Billiton, Anglo American and Xstrata;

(ii) <u>General Freight business</u> (which encompasses mainly manufacturing, mining, agricultural and containerized products and runs from the coastal ports of Cape Town, Port Elizabeth, Ngqura, East London, Richards Bay, Durban and Maputo (Mozambique) to Johannesburg and Gauteng Province) – customers for General Freight include ArcelorMittal, Eskom, Assmang, Samancor Manganese, Foskor, Afrisam, Sasol, Highveld Steel and Samancor Chrome; and

(iii) the Export Iron Ore Line (which runs from Sishen in the Northern Cape Province to the port of Saldanha on the Atlantic coast) – Kumba and Assmang are the two main customers for the Export Iron Ore Line.

Export coal volume was up during FY 2012 compared to FY 2011. TFR transported 67.7 mt during FY 2012, up 8.8% from 62.2 mt transported during FY 2011. The improvement in export coal volumes reversed a period of stagnating coal volumes that had continued for the preceding five years. Coal business unit volumes continued to increase during the 6-month interim period ended September 30, 2012. For the first six months of FY 2013 (ended September 30, 2012), the tonnage of coal transported increased by 7.8% to 41.6 mt, compared to 38.6 mt for the same period in 2011. The growth in tonnage is attributable to improved operating efficiencies following the deployment of new locomotives and scheduled infrastructure maintenance on the Export Coal Line.

General freight volume increased by 9.9% to 81.0 mt transported during FY 2012, compared to 73.7 mt transported during FY 2011. General freight represents approximately 57% of all revenue generated by Transnet Freight Rail (refer to Table A-1 above). TFR increased the number of "containers on rail" as part of its Growth Strategy to shift general freight from road to rail, reaching a record high of 21.5% of all TEUs ((b) (4) [redacted] transported. TFR's goal is to transport between 25% and 35% of all TEUs by 2019.

Export iron ore volume was up by 13.2% during FY 2012 to 52.3 mts, compared to 46.2 mts during FY 2011. Iron ore volume was up by 11.2% during the first six months of FY 2013. Capital expenditures and substantial improvements to operating efficiency were implemented in collaboration with customers to ramp up volume. TFR operated (b) (4) [redacted]

Transnet Rail Engineering

Transnet Rail Engineering ("Transnet Rail Engineering" or "TRE") provides services ranging from refurbishment, conversion and upgrades, to the manufacturing and assembly of rail-related rolling stock. TRE operates six plants in South Africa – Salt River, Uitenhage, Bloemfontein, Durban, Germiston and Koedoespoort. TRE will perform the final assembly of the GE locomotive kits and has requested up to 30% of the U.S. contract price in local costs financing. Most of TRE's revenue is generated from providing services to Transnet Freight Rail and to the Passenger Rail Agency of South Africa (a separate state-owned company that provides passenger rail service within South Africa that was spun off several years ago).

Transnet National Ports Authority

Transnet National Ports Authority ("Transnet National Ports Authority" or "TPNA") owns and operates the eight (8) national ports of South Africa. The eight (8) ports of South Africa are (from west to east along South Africa's coast) Saldanha, Cape Town and Mossel Bay in the Western Cape Province, Port Elizabeth, Ngqura and East London in the Eastern Cape Province, and Durban and Richard's Bay in Kwazulu-Natal Province. The business is divided into two service segments: (i) the provision of port infrastructure and (ii) maritime services. Port infrastructure consists of five segments: containers, dry bulk, liquid bulk, break-bulk and automotive. Maritime services include dredging, navigation aids, ship repair and marine operations.

Transnet Port Terminals
Transnet Port Terminals ("Transnet Port Terminals" or "TPT") manages 16 cargo terminals situated in seven (7) ports of South Africa. TPT provides cargo handling services for various customers including shipping lines, freight forwarders and cargo owners. Operations are divided into major market segments, including container, bulk, break-bulk and automotive cargo.

Transnet Pipelines
Transnet Pipelines ("Transnet Pipelines" or "TP") transports a range of petroleum products and gas through 3,000 kilometers of underground pipelines through five provinces. Revenue is generated from the transport of crude oil, aviation fuel, refined and synthetic fuel and gas.

Table A-2 below shows several key financial metrics of Transnet as a whole and for each of its five main operating divisions.[1] Transnet Freight Rail represents a significant portion of

Table A-2
Segment Information FY 2012 (at March 31, 2012)
Financial Highlights of Transnet and its Operating Divisions

ZAR million	Transnet Limited TOTAL	Transnet Freight Rail	Transnet Rail Engineering	Transnet National Ports Authority	Transnet Port Terminals	Transnet Pipelines
Total Revenue	45,900	27,658	11,266	8,257	7,055	2,096
EBITDA	18,882	10,541	1,042	5,753	2,211	1,502
Profit before Tax	6,241	3,553	688	3,333	765	1,282
Total Assets	178,005	65,851	8,400	64,313	13,504	24,760
Capital Investments	22,259	14,792	722	1,749	1,472	4,507
No. of Employees	(b) (4) [redacted]					

Transnet's total revenue and EBITDA. Transnet Freight Rail and Transnet National Ports Authority comprise approximately equal percentages of Transnet's total assets. The importance of Transnet Freight Rail within Transnet is also demonstrated by the fact that approximately two-thirds of Transnet's total capital investment expenditure during FY 2012 (of R22,259 million or $2,891 million) was spent on improving Transnet Freight Rail's operations and productivity.

GENERAL RISK FACTORS

1. **Country Risk – South Africa** *(provided by the Country Risk and Economic Analysis Division)*

A. Sovereign Rating: *BCL* (b) (4) [redacted]

[1] The five operating divisions do not equal the figures in the column entitled "Transnet Limited TOTAL" as a result of other segment information, corporate headquarters functions and elimination of inter-divisional transactions.

Current Situation: South Africa is Africa's largest economy. In the wake of the global economic crisis, South Africa's economy grew consistently, but at subdued rates. Growth between 2010 and 2012 was below the country's potential, averaging 2.9% per year. External issues like economic stagnation and retrenchment in the Eurozone, and domestic problems like mining and manufacturing strikes, contributed to slower growth. South Africa has a high unemployment rate (29%), which serves as a drag on the economy as well. But slow growth is growth all the same, and on balance, South Africa has experienced progress in recent years. Portfolio flows have returned since the global downturn and the Rand's decline has been reversed. Countercyclical fiscal and monetary policies helped protect social spending and maintain stability. Further, the smooth transition in 2009 to the new government after South Africa's fourth post-apartheid election, along with the appointment of market-friendly officials to key positions, has reduced political uncertainty.

Despite a generally positive picture, however, South Africa is still characterized by sharp economic dualism. While much of the white population and a growing black middle class benefit from a "first world" economy, large sections of the population still live in poverty. Although the World Bank classifies South Africa as an upper middle income country given per capita GDP rates of approximately $8,000, the nation has a high poverty rate of 23%.

The political environment has shown stability with Jacob Zuma securing re-election as the leader of the African National Congress. Fissures within the African National Congress grew, but it remains very popular having garnered more than 65% of the vote in the most recent national elections.

Trend and Outlook: Low interest rates, an increase in consumer and business confidence, higher commodity prices, and higher real wages have enhanced South Africa's economic prospects. The government is now focusing on removing some of the economy's structural impediments. Its economic program aims to increase real GDP growth and investment, while halving unemployment. Increased investments in capital expenditures in 2012 will likely boost domestic demand and contribute to accelerating the rate of economic growth. Inflation is expected to stay relatively low, in the 5 to 6% range. With interest rates in industrialized countries likely to remain extremely low, South Africa will remain an attractive destination for foreign capital. Supported by South Africa's fundamentals – a low level of external debt, largely Rand-denominated, a sound banking system with limited exposure to exchange rate and interest rate shocks, and a comfortable reserve cushion – growth will be steady but unspectacular, given South Africa's close links to advanced economies, particularly those of the Eurozone. South Africa's ongoing medium-term challenge will be to remove persistent structural impediments to growth, which is necessary to address social disparities. Further, unemployment remains very high. South Africa will also remain vulnerable to changes in investor sentiment due to its heavy dependence on portfolio inflows.

Key elements to watch over the next year include:

1. Periodic labor unrest
2. Progress on infrastructure investment
3. External relations with regional neighbors, especially Zimbabwe

Basic Data 2012:

Size	Slightly less than twice the size of Texas
Population	50.6 million
GDP	$385.3
GDP Per Capita	$7,554
Gini Coefficient	63
Exports/GDP Ratio	31.7%
Debt/Exports Ratio	104%
Debt Service Ratio	4.8%
Literacy	89%
Life Expectancy	73 years at birth
U.S. Exports	$7.55 billion
% Financed by EIB	1.46% (2010-2012)
Amount Financed by EIB	$99.33 million (2010-2012, annual average)
U.S. Imports	$8.66 billion
Current Exposure	$1.05 billion (March 2013)
Doing Business Rank	39 of 185 (2013) and 35 of 183 (2012)
WEF Competitiveness Rank	52 of 144 (2013) and 50 of 142 (2012)

Exchange Rate/ Inflation Comparison:

Year ending 12/31	2010	2011	2012
Inflation (CPI)	3.5%	6.1%	5.4%
Rand/US$	7.32	7.26	8.21
% Change of Rand to Buy US$*	16.7	-1.9	-6.8

Source: IIF.
All figures are annual averages.
*A positive number denotes depreciation of the local currency and vice versa.

B. Non-sovereign/Private Sector Rating: *BCL* [redacted]

Rating Factors	Summary Discussion
Vulnerability to Foreign Exchange Crisis	The greatest threat of a foreign exchange crisis is the current deficit, which is expected to average 5.8% of GDP between 2013 and 2014. With the merchandise trade balance turning negative and the services deficit growing, the need for external financing will increase. The Rand is not expected to lose value as consistent demand for South Africa's export commodities should help buoy the currency.
The Banking System	South Africa has a sound, market-oriented banking system.

	Total banking assets of rated commercial banks approach $400 billion, or about 100% of GDP. The system is dominated by five banks—Standard Bank of South Africa, Absa Bank Limited, Nedbank Limited, FirstRand Bank, and Investec Bank Limited, whose combined assets account for over 90% of total banking assets. The banking system's strengths include strong franchises, strong capital equity ratio, insulation from international exposure, and a well-regulated financial sector with a sound legal infrastructure. Downside risks include high concentration of short-term maturities, credit risk arising from high consumer indebtedness and high unemployment, limited diversification, and government pressure to reduce bank fees, which would hurt profitability. Currently, South Africa lacks a deposit insurance scheme. Discussions to implement a guarantee network have not led to any substantial progress. Resistance from retail banks consistently appears to scuttle efforts to create a deposit insurance scheme.
The Legal System	South Africa has a highly developed legal system with clear commercial laws and few restrictions for foreign investors. It runs efficiently and cases are dealt with in a timely manner. According to the State Department, "South Africa applies its commercial and bankruptcy laws with consistency and has an independent, objective court system for enforcing property and contractual rights." The legal system is based on Roman-Dutch law, and reflects both this and British colonial influence. Commercial laws are similar to English law, and intellectual property rights are well protected. Additionally, the system is regarded as relatively transparent. South Africa ranks 82nd and 84th in contract enforcement and insolvency resolution in the World Bank's 2013 Doing Business Index. Notably, laws are not subject to interpretation by court justices; instead, they must strictly follow the intent of Parliamentary law. South Africa is a member of the New York Convention, but not of the International Center for the Settlement of Investment Disputes.
Foreign Exchange Availability	The principal concerns regarding foreign exchange availability in South Africa is the country's relatively modest exports-to-GDP ratio and controls placed on foreign exchange. A relatively strong rand and competitiveness issues have contributed to

	South Africa's decline in its export sector. Exports-to-GDP are expected to average 32% between 2013 and 2014. South Africa has experienced a worsening trade balance since 2010 with commodity producers doing relatively well, while manufacturing producers have suffered. The difference, in part, reflects structural factors including comparatively weak skills, poor transportation infrastructure, and weak adoption of technology that prevent the manufacturing industry from being more productive. Foreign currency controls limit foreign exchange availability as well. Restrictions on capital transactions for residents were put in place during South Africa's apartheid regime. These restrictions are easing, however, and residents' ability to move capital abroad has expanded. Although controls place a potential burden, they have not, historically, been much of a hindrance. The GoSA is also accumulating a cushion of reserves. Compared to similar countries, its reserve base is relatively small, estimated at 4.3 months of import cover in 2012. The GoSA maintains it is a prudent level given the fact that most of its external debt is denominated in Rand.
Business Climate	South Africa is among the easiest places to do business in Africa, ranking 39th out of 183 countries in the World Bank's Doing Business Index for 2013. Fiscally, the GoSA maintains prudent policies that constrain high inflation and deficit spending. Additionally, the country has a well-developed stock market, which is capitalized at over 200% of GDP. The relatively high literacy rates reflect a degree of human capital unique among sub-Saharan African countries, as does the level of infrastructure. As an upper middle-income country though, South Africa lags behind its counterparts in transportation and power. The road network does not sufficiently service its population, although recent improvements generated from infrastructure projects leading up to the 2010 World Cup have helped. The power sector's inability to provide electricity without brownouts hampers business activity as well. Somewhat inconsistent contract enforcement, labor unrest from high unemployment, and corruption are also hurdles businesses must face.

2. Industry Risk/Competitive Position: *BCL* (b)(4)

As the monopoly owner and operator of the transport infrastructure in South Africa, Transnet does not have competition from other infrastructure providers. At the current time, there is no discussion about allowing other providers of freight rail, port or pipeline to operate on the network owned by Transnet. Volume throughput on Transnet rail network and Transnet's other operations are vulnerable to a decline in usage of the infrastructure network as a result of economic recession or political instability.

Transnet Freight Rail does compete with trucking. Trucking has an advantage over rail transport of freight in urban areas and in rural areas of the country, where the shorter length of average haul (less than 150 kilometers) and the lack of sidings to load and offload traffic onto the rail network place rail transport at a competitive disadvantage. According to Transnet and the most recent available data, Transnet had approximately 21.5% of the market in 2012 in terms of the percentage of TEUs transported. Its objective is to increase that market share to approximately 35% by 2019.

TFR also competes indirectly with other railroads in other countries in that TFR's main customers are large mining conglomerates with operations in other countries. To the extent that TFR's costs and quality of service are not comparable with that provided by railroads located in other countries, such mining conglomerates can decide to source raw materials from other countries rather than from South Africa.

The Industry Risk/Competitive Position rating of BCL (b)(4) [redacted] is supported by the following:

- Transnet's monopoly position as the sole operator of the transportation infrastructure in South Africa;
- The likelihood that Transnet will enjoy its current monopoly position for the foreseeable future;
- The assumption that the regulatory environment will not become overly burdensome; and
- The expectation that Transnet will be able to improve the productivity and efficiency of its operations in order to remain competitive with other countries.

RISK FACTORS SPECIFIC TO THE PRIMARY SOURCE OF REPAYMENT

Transnet provided consolidated financial statements for fiscal years ("FY") ended March 31, 2008, 2009, 2010, 2011 and 2012 prepared in ZAR in accordance with international financial reporting standards ("IFRS"). The financial statements were audited by Deloitte and Touche, who issued an unqualified opinion for all years. Transnet also provided reviewed interim financial information for the six months ended September 30, 2012, as well as detailed information regarding its capital expenditure program, growth strategy, the offering memorandum prepared in connection with its global medium-term note bond offering and several presentations. Transnet's audited financial statements for FY 2013, which ended on March 31, 2013, will be presented to the public on June 27, 2013.

1. Operating Performance: *BCL* (b) (4) [redacted]

Table A-3 Operating Performance ZAR Millions	Mar. 31 2008	Mar. 31 2009	Mar. 31 2010	Mar. 31 2011	Mar. 31 2012	6 mos to Sept. 30 2012
Revenues	30,091	33,592	35,610	37,952	45,900	24,909
Revenue Growth (%)	11.9%	11.6%	6.0%	6.6%	20.9%	11.1%[2]
Operating Profit	9,012	8,421	8,320	8,579	10,527	5,168[3]
Operating Profit Margin (%)	29.9%	25.1%	23.4%	22.6%	22.9%	20.7%
Net Income after Tax	6,451	5,044	3,191	4,113	4,119	1,767[4]
Net Profit Margin	21.4%	15.0%	9.0%	10.8%	9.0%	7.1%

Income Statement Analysis: *BCL* (b) (4) [redacted]

Table A-3 summarizes Transnet's operating performance for the past five years. The Income Statement risk rating of BCL (b) (4) [redacted] is supported by the following:

- Total revenue of R45,900 million (approximately $6.36 billion) during FY 2012, 20.9% higher in Rand terms than total revenue of R37,952 million (approximately $5.38 billion) during FY 2011;
- Steady growth in revenue during the past five years and evidence that the trend is continuing based on results for the first 6 months of FY 2013;
- A 22.3% increase in revenue generated by Transnet Freight Rail (R27,658 million ($3.83 billion) in FY 2012, up from R22,607 million ($3.2 billion) in FY 2011);
- A 10.4% increase in freight ton carried by TFR, reaching a record 201 mts during FY 2012; freight tons carried increased across all product segments except agriculture and oil;
- A gain in market share for containers on rail (instead of on trucks), which reached 21.5% of all TEUs transported in South Africa;
- Improved operating efficiencies arising from the continued implementation of Transnet's capital expenditure plan; and
- Operating profit of greater than 20% during the past five years.

The Income Statement risk rating of BCL (b) (4) [redacted] is constrained by increases in operating costs

[2] This increase is relative to revenue of R 22,438 million for the corresponding 6-month interim period in 2011.

[3] Operating profit of R5,168 million ($650.4 million) for the interim period ended September 30, 2012 is 5.9% lower than the operating profit of R 5,491 million ($739.7 million) for the corresponding period in 2011. This is mainly due to 37.4% higher employee costs (both additional employees and 8.4% higher wages), 24% higher electricity tariffs and 32% higher fuel costs.

[4] Net profit of R1,767 million ($222.3 million) for the interim period ended September 30, 2012 is 23.8% lower than the net profit of R2,318 million ($312.2 million) for the corresponding period in 2011 mainly as a result of higher interest expense.

(personnel expense, depreciation, fuel) and interest expense, but this is to be expected as Transnet increases its operations and continues its investment program.

Efficiency of Asset Utilization: *BCL* (b) (4) [redacted]

Table A-4 below summarizes certain asset categories on Transnet's balance sheet for the past five years. The Efficiency of Asset Utilization risk rating of BCL (b) (4) [redacted] is supported by the following:

- The steady growth in total assets during the past five fiscal years (up 80.3% since FY 2008), reaching R178,005 million (approximately $23.4 billion) at March 31, 2012;
- The R115.7 billion (approximately $15.4 billion, assuming an average exchange rate of R7.5 = $1.00) that has been spent during the past seven years (FY 2006 through FY 2012) pursuant to its capital expenditure program across all five operating divisions is resulting in improved operations and productivity;
- (b) (4), (b) (5) [redacted]
- Significant gains in operational efficiency (as well as re-prioritization of certain projects called for in the Capital Expenditure Program) enabled Transnet to continue its capital expenditure program during the economic slowdown;
- Successful disposal of non-core assets and businesses; and
- The large increase in property, plant and equipment (including investments in locomotives and wagons) reflects the investments that have already been made and the favorable effect that such investments are beginning to have on Transnet's operations.

Table A-4 Efficiency of Asset Utilization ZAR Millions	**Mar. 31 2008**	**Mar. 31 2009**	**Mar. 31 2010**	**Mar. 31 2011**	**Mar. 31 2012**	**6 mos ended Sept. 30 2012**
Total Assets	98,686	118,534	138,885	167,070	178,005	194,783
Total Current Assets	14,466	15,117	18,040	20,827	12,625	19,596
Cash and Cash Equivalents	5,980	5,880	7,918	10,876	1,189	8,166
Accounts Receivable	4,074	5,503	5,859	5,503	5,615	6,359
Inventories	2,319	2,589	2,048	2,257	2,591	3,090
Total Non-Current Assets	84,220	103,417	120,845	146,243	165,380	175,187
Property, Plant and Equipment	78,256	96,459	113,579	137,836	155,953	165,326
Investment Properties	4,515	5,961	6,604	7,368	7,732	7,938
Return on Average Assets (%)	7.33%	4.64%	2.47%	2.69%	2.38%	n/a

As follow up to the Turnaround Plan that was undertaken beginning in 2004, Transnet has continued to improve the quality of the assets that it deploys in its operations. Transnet spun off assets and businesses that were not core to its operations as a logistics provider. At the same time, Transnet embarked upon a multi-year capital expenditure program to increase Transnet's operating efficiency as a logistics provider and reduce the cost of doing business (in terms of both time and money) in South Africa.

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

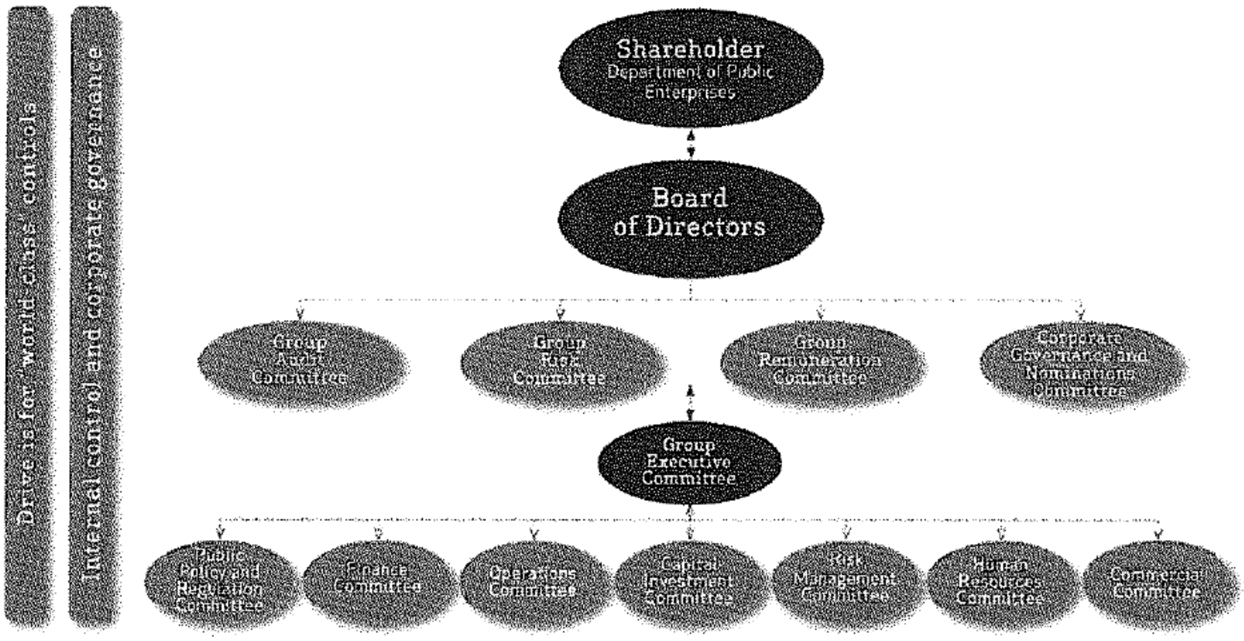
[redacted]

(b) (4), (b) (5)

[redacted]

Turnaround Plan and the Capital Expenditure Program, and its well-developed corporate governance policy.

Transnet's Articles of Association provide that there shall be not fewer than 10 and not more than 18 directors, of whom eight must be non-executive directors free from any business relationship that could affect objectivity. The Board of Directors of Transnet currently consists of 11 directors. The Board of Directors of Transnet has delegated responsibility for running the operations of Transnet to the Group Chief Executive. The Board of Directors of Transnet retains responsibility for (i) amending Transnet's Articles of Association, (ii) approving Transnet's strategy, business plans, annual budgets and borrowing strategy, financial statements and (iii) evaluating the performance of the Group Chief Executive.



Summaries of Transnet's key senior managers are provided below.

Professor Geoffrey Everingham, Acting Chairman of the Board of Directors
Professor Everingham assumed the role of acting Chairman of the Board of Directors in August 2009. Previously, Professor Everingham served as a non-executive member of the Board of Directors from August 2004 until August 2009. He is currently acting as Chairman of the Board of Directors until an announcement relating to a successor if made by the GoSA (the shareholder). Professor Everingham graduated with a Bachelor of Commerce degree from the University of Port Elizabeth, a Bachelor of Commerce Honors degree from the University of Cape Town, and a Master of Arts degree in American Studies from the University of Illinois. Professor Everingham is a qualified chartered accountant and emeritus professor (from 2009) at the University of Cape Town.

Mr. Anoj Singh, Chief Financial Officer
Mr. Singh has been the Chief Financial Officer and an executive member of the Board of Directors since March 2009. He has been with Transnet since 2005, first serving as Transnet's

General Manager for Group Finance. Mr. Singh graduated with a Bachelor of Accounting degree from the University of Kwazulu-Natal. Mr. Singh is a qualified chartered accountant with more than 12 years financial experience.

RATINGS CONCORDANCE AND ADJUSTMENTS

Transnet has received ratings from the three international credit rating agencies: Standard and Poor's ("S&P"), Moody's Investor Service ("Moody's") and Fitch Ratings ("Fitch"). The ratings are summarized in Table A-9.

(b) (4)

[redacted]

[redacted]

CONCLUSION
Based on the foregoing, staff concludes that the overall risk rating for Transnet in connection with the Final Commitment is BCL [redacted]

(b) (4)

[redacted]

Statements of comprehensive income

for the year ended 31 March 2012

Company 2011 R million	Company 2012 R million		Note	Group 2012 R million	Group 2011 R million
3 923	4 090	**Profit for the year**		4 119	4 113
		Other comprehensive income			
–	–	Exchange differences on translation of foreign operations		1	(6)
8 772	2 942	Gains on revaluations		2 899	8 690
65	(61)	(Loss)/gain on cash flow hedges		(61)	65
(204)	(501)	Actuarial loss on post-retirement benefit obligations		(501)	(204)
8 633	2 380			2 338	8 545
(2 360)	(713)	Taxation relating to components of other comprehensive income	8.1	(702)	(2 339)
6 273	1 667	**Other comprehensive income for the year, net of taxation**		1 636	6 206
10 196	5 757	**Total comprehensive income for the year**		5 755	10 319

Income statements

for the year ended 31 March 2012

Company 2011 R million	Company 2012 R million		Notes	Group 2012 R million	Group 2011 R million
		Continuing operations			
37 924	45 866	Revenue	2	45 900	37 952
(22 178)	(26 983)	Net operating expenses excluding depreciation and amortisation	3	(27 018)	(22 189)
15 746	18 883	**Profit from operations before depreciation, amortisation and the items listed below**		18 882	15 763
(7 294)	(8 355)	Depreciation and amortisation	4.1	(8 355)	(7 184)
8 452	10 528	**Profit from operations before the items listed below**	4.2	10 527	8 579
(536)	(367)	Impairment of assets	4.4	(342)	(537)
26	2	Dividends received	4.5	–	–
(155)	31	Post-retirement benefit obligation income/(costs)	4.6	31	(155)
625	(202)	Fair value adjustments	5	(202)	625
		(Loss)/income from associates and joint ventures	13	(6)	58
8 412	9 992	**Profit from operations before net finance costs**		10 008	8 570
(3 441)	(4 254)	Finance costs	6	(4 255)	(3 439)
536	462	Finance income	7	488	561
5 507	6 200	**Profit before taxation**		6 241	5 692
(1 510)	(2 110)	Taxation	8	(2 122)	(1 508)
3 997	4 090	**Profit for the year from continuing operations**		4 119	4 184
		Discontinued operations			
(74)	–	Loss from discontinued operations	1	–	(71)
3 923	4 090	**Profit for the year**		4 119	4 113

Statements of financial position

as at 31 March 2012

Company 2010 R million	Company 2011 R million	Company 2012 R million		Notes	Group 2012 R million	Group 2011 R million	Group 2010 R million
			Assets				
			Non-current assets				
113 689	137 836	155 953	Property, plant and equipment	9	155 953	137 836	113 579
6 604	7 368	7 732	Investment properties	10	7 732	7 368	6 604
421	464	586	Intangible assets	11	586	464	421
246	245	222	Investments in subsidiaries	12			
10	13	12	Investments in associates and joint ventures	13	72	81	21
11	15	467	Derivative financial assets	14	467	15	11
37	11	2	Long-term loans and advances	15	2	11	37
172	468	568	Other investments and long-term financial assets	16	568	468	172
121 190	146 420	165 542			165 380	146 243	120 845
			Current assets				
2 048	2 257	2 591	Inventories	17	2 591	2 257	2 048
5 880	5 501	5 613	Trade and other receivables	18	5 615	5 503	5 859
-	306	214	Current taxation asset		209	303	-
28	30	35	Derivative financial assets	14	35	30	28
1 670	1 566	2 755	Other short-term investments	16	2 755	1 566	1 670
7 632	10 606	898	Cash and cash equivalents	19	1 189	10 876	7 918
17 258	20 266	12 106			12 394	20 535	17 523
267	150	132	Assets classified as held-for-sale	20	231	292	517
17 525	20 416	12 238			12 625	20 827	18 040
138 715	166 836	177 780	**Total assets**		178 005	167 070	138 885
			Equity and liabilities				
			Capital and reserves				
12 661	12 661	12 661	Issued capital	21	12 661	12 661	12 661
50 637	60 833	66 590	Reserves	22	66 760	61 005	50 686
63 298	73 494	79 251	**Attributable to the equity holder**		79 421	73 666	63 347
			Non-current liabilities				
3 451	3 232	3 322	Employee benefits	23	3 322	3 232	3 451
42 732	50 450	52 564	Long-term borrowings	24	52 566	50 452	42 736
366	558	82	Derivative financial liabilities	14	82	558	366
1 054	1 174	1 626	Long-term provisions	25	1 626	1 174	1 054
12 413	15 383	18 029	Deferred taxation liabilities	26	18 050	15 415	12 473
99	1 829	4 200	Other non-current liabilities	16	4 200	1 829	99
60 115	72 626	79 823			79 846	72 660	60 179
			Current liabilities				
9 493	9 705	11 119	Trade payables and accruals*	28	11 151	9 733	9 533
4 698	9 578	5 566	Short-term borrowings	29	5 566	9 578	4 698
157	-	-	Current taxation liability		-	-	171
183	92	62	Derivative financial liabilities	14	62	92	183
694	672	934	Short-term provisions	25	934	672	694
65	660	1 025	Other current liabilities*	16	1 025	660	65
15 290	20 707	18 706			18 738	20 735	15 344
12	9	-	Liabilities directly associated with assets classified as held-for-sale	20	-	9	15
15 302	20 716	18 706			18 738	20 744	15 359
138 715	166 836	177 780	**Total equity and liabilities**		178 005	167 070	138 885

** Short-term deferred income relating to regulated clawbacks has been reallocated from trade payables and accruals to other current liabilities (March 2011: R660 million, March 2010: R65 million for both Company and Group).*

Statements of cash flows

for the year ended 31 March 2012

Company 2011 R million	Company 2012 R million		Notes	Group 2012 R million	Group 2011 R million
13 176	17 887	**Cash flows from operating activities**		17 910	13 159
16 150	20 613	Cash generated from operations	34.1	20 616	16 159
1 315	1 315	Security of supply petroleum levy		1 315	1 315
827	777	Changes in working capital	34.2	781	792
18 292	22 705	**Cash generated from operations after working capital changes**		22 712	18 266
(3 428)	(4 233)	Finance costs	34.3	(4 233)	(3 428)
441	381	Finance income	34.4	407	466
(1 363)	(85)	Taxation paid	34.5	(95)	(1 379)
(268)	(270)	Settlement of post-retirement benefit obligations		(270)	(268)
(498)	(611)	Derivatives raised and settled		(611)	(498)
(22 993)	(24 659)	**Cash flows utilised in investing activities**		(24 661)	(23 018)
(10 263)	(11 465)	***Investment to maintain operations***		(11 467)	(10 288)
(10 101)	(10 331)	Replacements to property, plant and equipment		(10 331)	(10 101)
(21)	(88)	Additions to intangible assets		(88)	(21)
(322)	(36)	Borrowing costs capitalised		(36)	(322)
301	105	Proceeds on the disposal of property, plant and equipment		105	301
8	92	Proceeds on the disposal of investment property		92	8
1	-	Net proceeds on the disposal of subsidiary	34.6	-	1
26	2	Dividend income		-	1
(3)	(1)	Net advances of long-term loans and advances		(1)	(3)
(152)	(1 208)	Increase in other investments		(1 208)	(152)
(12 730)	(13 194)	***Investment to expand operations***		(13 194)	(12 730)
(11 292)	(11 585)	Expansions – property, plant and equipment		(11 585)	(11 292)
(1 438)	(1 609)	Borrowing costs capitalised		(1 609)	(1 438)
12 791	(2 936)	**Cash flows (utilised in)/from financing activities**		(2 936)	12 791
18 418	11 110	Borrowings raised		11 110	18 418
(5 627)	(14 046)	Borrowings repaid		(14 046)	(5 627)
2 974	(9 708)	Net (decrease)/increase in cash and cash equivalents		(9 687)	2 932
7 632	10 606	Cash and cash equivalents at the beginning of the year		10 876	7 944
10 606	898	**Total cash and cash equivalents at the end of the year**	34.7	1 189	10 876

1. A special purpose corporation ("SPC") shall be organized under the laws of a jurisdiction acceptable to Ex-Im Bank. The SPC shall act as the borrower under the Ex-Im Bank Guaranteed Loan (as defined below). The SPC shall on-lend the proceeds from the Guaranteed Loan (the "On-Loan") to Transnet Limited ("Transnet"). The Guaranteed Loan and the On-Loan shall be repaid in forty (40) equal quarterly payments of principal, with interest in arrears (i.e., "straight-line"). Transnet shall make quarterly repayments to the SPC under the On-Loan and the SPC shall make quarterly repayments to the Guaranteed Lender under the Guaranteed Loan. Ex-Im Bank shall guarantee to the Guaranteed Lender certain payment obligations of the SPC under the Guaranteed Loan. Transnet shall guarantee the obligations of the SPC to Ex-Im Bank.

2. The financing for the Locomotives, as defined in Special Condition 3 below, shall consist of a ten-year, South African Rand-denominated, Ex-Im Bank guaranteed loan (the "Guaranteed Loan"). The initial principal amount of the Guaranteed Loan shall be the sum of (i) up to 75% of the net-net price of U.S. goods and services and (ii) up to 30% of the U.S. Contract Price (i.e., the sum of the U.S. content and the eligible foreign content) of certain Local Costs.

3. Transnet's obligations to make repayments to the SPC and to guarantee the SPC's obligations to Ex-Im Bank shall be secured by a first priority security interest and mortgage granted to the SPC on each of up to fifty-three (b) (4) General Electric Model GE C30-ACi diesel-electric locomotives and/or kits (and in all replacements and parts installed therein and all documents related thereto) (collectively, the "Locomotives") that are the subject of the Ex-Im Bank supported financing. In order to secure the SPC's obligations to Ex-Im Bank, the SPC shall assign its rights in the mortgage to Ex-Im Bank or its security trustee. In addition, Transnet shall assign for the benefit of Ex-Im Bank as collateral security all of the right, title and interest in and to all manufacturer warranties with respect to each Locomotive. Each mortgage and assignment shall be registered and perfected in all appropriate jurisdictions in a manner acceptable to Ex-Im Bank.

   To the extent possible, (i) the Guaranteed Loan for the Locomotives shall be secured by (in a manner satisfactory to Ex-Im Bank) any and all past and future Ex-Im Bank supported locomotives for Transnet, and (ii) the Locomotives shall secure (in a manner satisfactory to Ex-Im Bank) all past and future Ex-Im Bank supported financings for Transnet.

   A pledge of all shares (or other ownership interests) of the SPC shall be granted to Ex-Im Bank or its security trustee. The pledge of such shares (or other ownership interests) shall be accompanied by appropriate share transfer certificates (or similar interests) and shall be registered and otherwise perfected (by possession or otherwise) in all appropriate jurisdictions in a manner acceptable to Ex-Im Bank.

4. The Locomotives (including all parts thereof) shall be required to be maintained, inspected, serviced, and repaired in a manner acceptable to Ex-Im Bank. All

maintenance records and other logs shall be maintained in a manner acceptable to Ex-Im Bank.

5. Inspection rights with respect to the Locomotives and the related logs and records shall be granted to Ex-Im Bank and/or its agent or representative, in form and substance satisfactory to Ex-Im Bank. The full cost and expense of such inspections shall be for the account of Transnet.

6. Transnet shall not be entitled to lease or otherwise transfer possession of the Locomotives or any other part thereof to any person without Ex-Im Bank's prior written consent; provided that, certain limited exceptions acceptable to Ex-Im Bank may be permitted and set forth in the documentation.

7. Each Locomotive shall be prohibited from being used for military purposes. In addition, the Locomotives shall be used in a manner that does not violate any law, regulation or policy applicable to Ex-Im Bank financed Locomotives (including, without limitation, restrictions on the lease, sublease and use of U.S. manufactured equipment in countries with respect to which U.S. manufactured equipment cannot be based or operated).

8. Transnet shall maintain insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations, in form and substance satisfactory to Ex-Im Bank.

9. To the extent possible, the transaction shall be structured to avoid withholding, VAT or other taxes which may be imposed by any South African taxing authority on any payments of principal, interest or other amounts payable by Transnet under the transaction documents; provided that any such transaction structure shall be consistent with the other requirements set forth in these Special Conditions. Transnet shall deliver to Ex-Im Bank (i) appropriate evidence of any necessary exemptions, or (ii) an opinion from a South African tax advisor, in form and substance satisfactory to Ex-Im Bank, that no such taxes or other payments are applicable to the contemplated transaction. To the extent necessary, Transnet shall be required to obtain and maintain all necessary exemptions related to all payments made under the transaction documents, and in any event, Transnet shall indemnify Ex-Im Bank and its security trustee for all such taxes.

10. Satisfactory legal opinions from local counsel acceptable to Ex-Im Bank in South Africa, New York and any other relevant jurisdiction shall be required with respect to issues regarding Transnet, Ex-Im Bank's mortgage and security interests, Transnet's ability to access adequate foreign exchange and such other issues as Ex-Im Bank may require. The cost of Ex-Im Bank's outside counsel shall be for the account of Transnet.

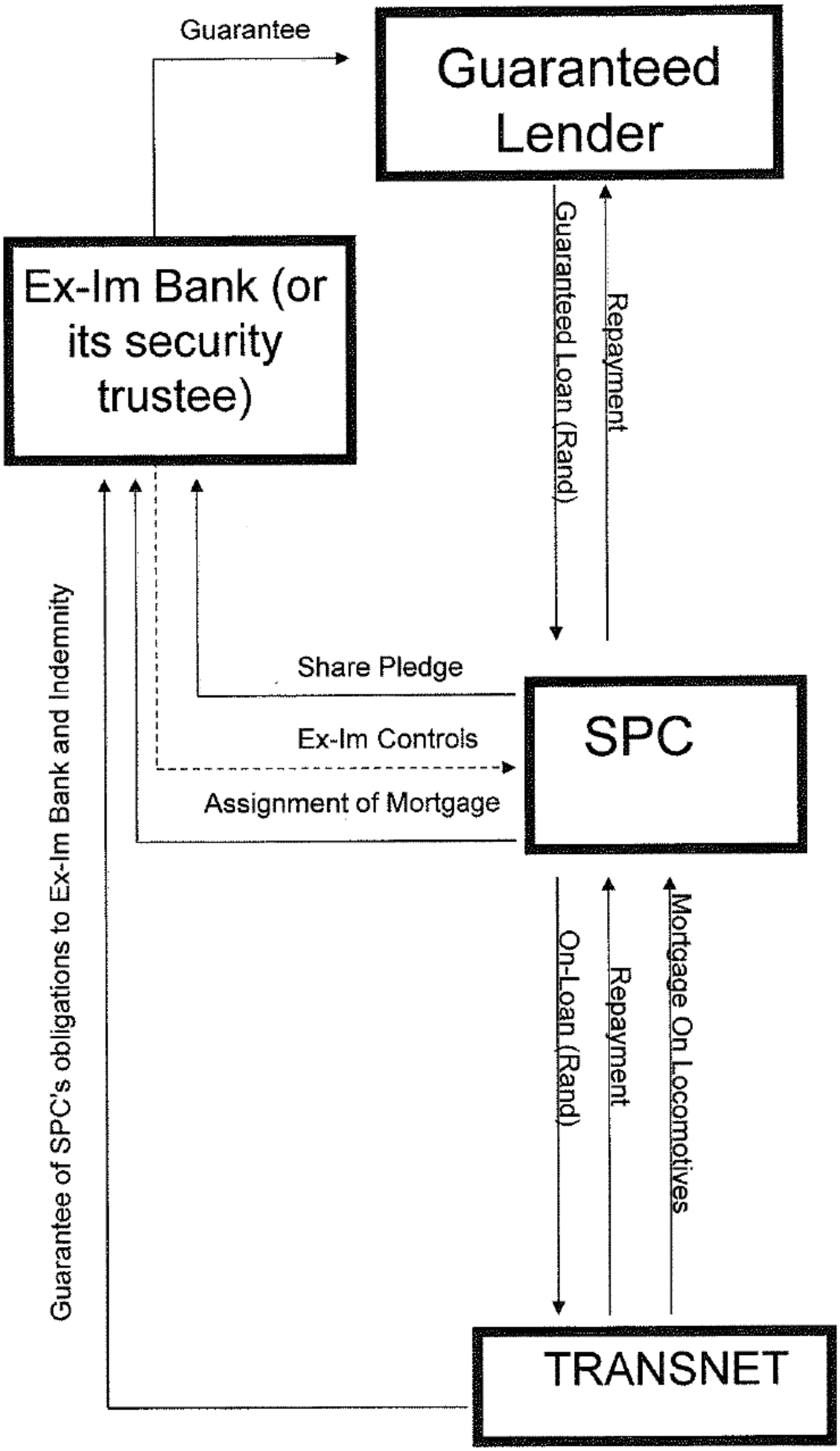
11. The Guaranteed Loan shall be denominated in South African Rand and the note evidencing the Guaranteed Loan shall be denominated in Rand. Both the Ex-Im Bank commitment fee and the Ex-Im Bank exposure fee with respect to the Guaranteed Loan shall be denominated and payable in U.S. Dollars.

12. Subject to Special Condition No. 11, following an event of default in respect of the Guaranteed Loan, (i) the Guaranteed Lender shall submit a claim only with respect to the installment of the Guaranteed Loan that was not paid by Transnet, (ii) Ex-Im Bank shall pay the Guaranteed Lender the claim payment installment in Rand, (iii) the claim payment installment shall convert (or "crystallize") into U.S. dollars at the spot rate of exchange applicable at the time the claim payment was made and shall become a U.S. dollar-denominated reimbursement obligation owing by Transnet to Ex-Im Bank, and (iv) at the time of repayment by Transnet of such claim payment installment, Transnet shall repay Ex-Im Bank either in (a) U.S. Dollars or (b) Rand in an amount equal to the U.S. Dollar repayment amount at the spot rate of exchange rate applicable at the time of repayment by Transnet.

13. On any claim payment installment date, including the date of the initial claim payment installment, Ex-Im Bank shall have the right to control the SPC. Upon exercising control over the SPC, Ex-Im Bank shall from that point forward have the benefit of all the SPC's rights, title and interest in the On-Loan to Transnet.

14. Ex-Im Bank's approval of the Final Commitment is contingent upon a legal representation in the transaction documentation that as at the date of the transaction documentation and as at the date of Ex-Im Bank's approval of the Final Commitment, no "Relevant Person" that is (x) a borrower in the transaction or (y) a "Controlling Sponsor," and no "Relevant Person" that is owned or controlled by the borrower or "Controlling Sponsor," is subject to sanctions under section 5(a) of the "Iran Sanctions Act." Furthermore, Transnet will be notified of this contingency in the Final Commitment Letter.

Appendix C On-Lending Structure



(b) (4)

[redacted]

ENGINEERING EVALUATION

DATE: May 28, 2013
COUNTRY of PROJECT: South Africa **CASE ID:** AP085332XX **ENGINEER:** C. Williams

PURCHASER: Transnet Limited **PROJ SIC:** 4011
PROJ. NAME/DESCRIPTION: *Railway Transportation - Locomotives* **PROJ NAICS:** 482111
PRIMARY EXPORTER: The General Electric Company, Erie PA
PRIMARY SUPPLIER: The General Electric Company, Erie PA
MAJOR PRODUCTS: [redacted] C30-ACi Diesel Locomotives **PROD SIC:** 3743 **PROD NAICS:** 336510

NET CONTRACT PRICE: $[redacted] **ELIGIBLE FOREIGN CONTENT:** $15,442,549
U.S. JOBS SUPPORTED: 600 *(based on calculation methodology agreed to by the TPPC that uses BLS data)*
DELIVERY/PROJECT COMPLETION: Dec 2011 through Mar 2013 **SMALL BUSINESS (Direct):** 0 %
SMALL BUSINESS (Indirect): 0%
LOCAL COST FINANCE AMOUNT: $[redacted] **PROGRESS PAYMENT REQUIRED (Y/N):** N

TECHNICAL RISK RATING: [redacted] **ENGINEERING ISSUES (Y/N):** N
ENVIRONMENTAL CATEGORY: C **ENVIRONMENTAL ISSUES (Y/N):** N
RENEWABLE ENERGY (Y/N): N **ANNUAL CO_2 EMISSIONS: (MM Tonnes/Year):** N/A
BENEFICIAL ENVIRONMENTAL EFFECT (Y/N) + (%): N - 0%

ENGINEERING EVALUATION:

This transaction is the request to convert PC085332XX into a Final Commitment for the remaining payments under the contract between GE South Africa and Transnet Limited of South Africa for [redacted] locomotives. Transnet signed a contract with GE South Africa Technology Limited (GE SAT), GE's local subsidiary, to [redacted] AP085322XX Ex-Im Bank secured mortgages on [redacted] locomotives and this financing will secure mortgages on the remaining [redacted] locomotives under the contract. The net U.S. contract for the conversion is $ [redacted] will cover shipments and locomotive acceptance payments that occurred from December 2011 to March 2013. These payments cover the remaining amounts due on the original set of [redacted] locomotives, which have all reportedly been accepted and put into service by Transnet.

Transnet is the publicly owned transportation company of South Africa established in 1989. It is made up of the following operating divisions: Transnet Freight Rail (the freight rail division), Transnet Rail Engineering (TRE), Transnet National Ports Authority, Transnet Port Terminals, and Transnet Pipelines. Transnet Freight Rail currently operates over 2,000 locomotives, but the average age of its current locomotives is over 25 years. This is having a significant impact on Transnet's operational characteristics. Older locomotives have high maintenance costs and relatively poor reliability. Transnet owns all of the Republic of South Africa's freight rail networks, consisting of 20,953 route kilometers as of March 31, 2009 of which 12,801 route kilometers are part of the core mainline network. Transnet's core mainline network includes a dedicated 565 kilometers export coal line and an 861 kilometers export iron ore line.

GE Erie, PA will supply the U.S. locomotive components to GE SAT for delivery to Transnet Rail Freight. GE SAT is responsible for the delivery of the completed locomotives, but a requirement of the request for proposal by Transnet was that any bidder use Transnet Rail Engineering (TRE) as the local cost supplier for any local assembly or sourcing. This has resulted in TRE assembling approximately [redacted] locomotives in South Africa under a contract with GE SAT for final delivery to Transnet Freight Rail. Transnet has requested 30% local cost coverage to finance the majority of the locally produced equipment and procured services. Transnet Rail Engineering is a division of Transnet Limited and is dedicated to 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, castings auxiliary equipment and services. Transnet Rail Engineering's largest contribution is the trucks or wheel assemblies for the locomotives which it manufactures under a license with AGL Australia, the supplier of the initial ten locomotive trucks.

The eligible foreign content of the locomotive kits supplied by GE is approximately 15% when averaged across all [redacted] locomotives and can be primarily attributed to the traction motors from Mexico and wheel assemblies from Australia. The C30-ACi locomotive is being specifically designed for Transnet and will have limited use outside of South Africa due to the gauge and axle weight. [redacted] which is less than the average U.S. locomotive that has an axle weight of 30 tonnes and a gauge of 56.5". [redacted]

The cost of the locomotives for Transnet appears reasonable and there are no identified technical issues that would affect the financing.

Concur:

James A. Mahoney
Vice President - Engineering & Environment
cc: D. Fiore/Files

Christopher Williams
Engineer

IDENTIFIED U.S. EXPORTERS AND PARTICIPATING SUPPLIERS
AP085332XX – South Africa

IDENTIFIED U.S. EXPORTERS AND SUPPLIERS

Ref.#	Exporter Company	Product	NAICS	Contract Price	Small Business
E1	GE Transportation 2901 East Lake Road Erie, PA 16531	C30ACi Locomotives	336510	[redacted]	N

Background - regulatory framework of the South African railway sector

(b) (4), (b) (5) [redacted]

- The railway sector is the responsibility of a publically owned company, Transnet Limited ("Transnet"). Transnet was incorporated as a public company pursuant to section 2 of the Legal Succession Act. Transnet is accountable to the national government as its sole shareholder. The Department of Public Enterprises is the sponsoring government department for Transnet and is responsible for Transnet's performance, financial viability and performance.

- As such, unlike liberalized rail markets, characterized by a separation of infrastructure ownership and operation, in South Africa, infrastructure ownership and operation, remain respectively the sole responsibility of two government departments, the Department of Transport (in relation to the infrastructure) and the Department of Public Enterprises (the Minister of Public Enterprises is assigned to exercise the rights of the state, as the only member and shareholder of Transnet).

- The national government is therefore the provider of infrastructure, the transport operator and the transport regulator.

Strengths

- (b) (4), (b) (5) [redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4)

[redacted]

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM FOR INDIVIDUAL ACTION

11/24/15
AP088827XX

Division TRANSPORTATION
Country SOUTH AFRICA

Date Amendment Request Received 07/20/15
Date Amendment Request Complete 07/21/15
No of Days In House 12

Request AMENDMENT OF FINAL COMMITMENT

Financing Type/Term STANDARD/L-T
Financing Options 1 (SEE FINANCING ATTACHMENT)

Applicant TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Borrower SPC/TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Guarantor TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Buyer TRANSNET LIMITED, Johannesburg SOUTH AFRICA
End-user TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Exporter GENERAL ELECTRIC TRANSPORTATION, Erie PA
Supplier SEE PARTICIPANT ATTACHMENT
Gteed Lender SEE PARTICIPANT ATTACHMENT
Lcl Cst Pvdr TRANSNET RAIL ENGINEERING, Johannesburg 2001 SOUTH AFRICA

Project Name NONE
Project Description RAILROAD TRANSPORTATION-LOCOMOTIVES
Product Description (b)(4) [redacted] DIESEL LOCOMOTIVES

As Amended

US Content $ (b) (4) [redacted]
Foreign Content
Net Contract Price

Cash Payment
Financed Portion of US Contract Price

Financed Local Costs
Capitalized Interest During Construction

Financed Amt (Excl Exp Fee)
Exp Fee Level/Risk Increment
Exp Fee Amt/Rate
Total Fincd Amt (Incl Exp Fee, If Fincd) 430,157,967
Financed Amt in Foreign Curr/Exchange Rate 5,995,781,295 SOUTH AFRICA RAND/0.0717751

Budget Cost Level No Change
Prog Budget Amt/Ratex No Change

Initial Eligibility Date No Change

Risk Category PUBLIC NON-SOVEREIGN Rpmt Term 13 YR/9 MO Total Term 13 YR/10 MO
Qualifies For Enviro Exp Pgm NO Small Business- Direct: 0.0% Indirect: 0.0
Estimated Number of Jobs Supported/Created: 2500
Key Features ON-LENDING STRUCTURE, CLAIM PAYMENT METHOD, FED REG NOTICE, ASSET BACKED, FOREIGN CURR GTEE, LOCAL COSTS

Special Conditions NO CHANGE FROM ORIGINAL MEMO

Recommendation APPROVAL

Loan Officer DAVID FIORE DF

Approve ROBERT F. ROY RFR
V.P. - TRANSPORTATION DIVISION

Counsel MICHAELA E. RICCHIUTE

Date 11/24/15

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM FOR INDIVIDUAL ACTION
PARTICIPANT ATTACHMENT

11/24/15
AP088827XX

As Approved

Supplier	VARIOUS US COMPANIES, Washington DC
Supplier	GENERAL ELECTRIC TRANSPORTATION, Erie PA
Gteed Lender	BARCLAYS BANK PLC, UNITED KINGDOM
Gteed Lender	(b) (4) [redacted]
Gteed Lender	
Gteed Lender	
Gteed Lender	

As Amended

Supplier	VARIOUS US COMPANIES, Washington DC
Supplier	GENERAL ELECTRIC TRANSPORTATION, Erie PA
Gteed Lender	BARCLAYS BANK PLC, UNITED KINGDOM
Gteed Lender	(b) (4) [redacted]
Gteed Lender	
Gteed Lender	
Gteed Lender	

FINANCING SUMMARY

Option 1 Component 1 US COST GTEE
Component 2 LOCAL COST GTEE
Component 3 US COST GTEE
Component 4 LOCAL COST GTEE
Component 5 US COST GTEE
Component 6 LOCAL COST GTEE
Component 7 US COST GTEE
Component 8 LOCAL COST GTEE
Component 9 US COST GTEE
Component 10 LOCAL COST GTEE
Exp Fee [redacted] Subsidy [redacted] Total Term 13 YR/10 MO

FINANCING TERMS	As Approved	As Amended
Option 1 - Component 1		
Component	US COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	[redacted] (INCL EXP FEE)	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap		
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	[redacted]	No Change
Exposure Fee Rate/Amount		[redacted]
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	11/15/15	No Change
Final Disbursement Date	12/15/15	No Change
Gtee Availability Date	01/15/16	No Change
No./Frequency Of Installments	55/QUARTERLY	No Change
First Principal Payment Date	03/15/16	No Change
Option 1 - Component 2		
Component	LOCAL COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	[redacted] (INCL EXP FEE)	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap		
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	[redacted]	No Change
Exposure Fee Rate/Amount		[redacted]
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	11/15/15	No Change
Final Disbursement Date	12/15/15	No Change
Gtee Availability Date	01/15/16	No Change
No./Frequency Of Installments	55/QUARTERLY	No Change
First Principal Payment Date	03/15/16	No Change

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM FOR INDIVIDUAL ACTION
FINANCING ATTACHMENT

11/24/15
AP088827XX

Option 1 - Component 3

Component	US COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]	[redacted]
Foreign Currency Desc	[redacted]	No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount	[redacted]	(b)(4) [redacted]
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	05/15/16	No Change
Final Disbursement Date	06/15/16	No Change
Gtee Availability Date	07/15/16	No Change
No./Frequency Of Installments	53/QUARTERLY	No Change
First Principal Payment Date	09/15/16	No Change

Option 1 - Component 4

Component	LOCAL COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount	[redacted]	(b)(4) [redacted]
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	05/15/16	No Change
Final Disbursement Date	06/15/16	No Change
Gtee Availability Date	07/15/16	No Change
No./Frequency Of Installments	53/QUARTERLY	No Change
First Principal Payment Date	09/15/16	No Change

Option 1 - Component 5

Component	US COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)	(b)(4) [redacted] INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount	[redacted]	(b)(4) [redacted]
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	11/15/16	No Change
Final Disbursement Date	12/15/16	No Change
Gtee Availability Date	01/15/17	No Change
No./Frequency Of Installments	51/QUARTERLY	No Change
First Principal Payment Date	03/15/17	No Change

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM FOR INDIVIDUAL ACTION
FINANCING ATTACHMENT

11/24/15
AP088827XX

Option 1 - Component 6

Component	LOCAL COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap		
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount		(b)(4) [redacted]
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	11/15/16	No Change
Final Disbursement Date	12/15/16	No Change
Gtee Availability Date	01/15/17	No Change
No./Frequency Of Installments	51/QUARTERLY	No Change
First Principal Payment Date	03/15/17	No Change

Option 1 - Component 7

Component	US COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap		
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount		(b)(4) [redacted]
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	05/15/17	No Change
Final Disbursement Date	06/15/17	No Change
Gtee Availability Date	07/15/17	No Change
No./Frequency Of Installments	49/QUARTERLY	No Change
First Principal Payment Date	09/15/17	No Change

Option 1 - Component 8

Component	LOCAL COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap		
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount		(b)(4) [redacted]
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	05/15/17	No Change
Final Disbursement Date	06/15/17	No Change
Gtee Availability Date	07/15/17	No Change
No./Frequency Of Installments	49/QUARTERLY	No Change
First Principal Payment Date	09/15/17	No Change

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM FOR INDIVIDUAL ACTION
FINANCING ATTACHMENT

11/24/15
AP088827XX

Option 1 - Component 9

Component	US COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap		
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount		(b)(4) [redacted]
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	11/15/17	No Change
Final Disbursement Date	12/15/17	No Change
Gtee Availability Date	01/15/18	No Change
No./Frequency Of Installments	47/QUARTERLY	No Change
First Principal Payment Date	03/15/18	No Change

Option 1 - Component 10

Component	LOCAL COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap		
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount		(b)(4) [redacted]
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	11/15/17	No Change
Final Disbursement Date	12/15/17	No Change
Gtee Availability Date	01/15/18	No Change
No./Frequency Of Installments	47/QUARTERLY	No Change
First Principal Payment Date	03/15/18	No Change

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM FOR INDIVIDUAL ACTION

11/24/15
AP088827XX

Division TRANSPORTATION
Country SOUTH AFRICA

Date Amendment Request Received 07/20/15
Date Amendment Request Complete 07/21/15
No of Days In House 12

Request AMENDMENT OF FINAL COMMITMENT

Financing Type/Term STANDARD/L-T
Financing Options 1 (SEE FINANCING ATTACHMENT)

Applicant TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Borrower SPC/TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Guarantor TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Buyer TRANSNET LIMITED, Johannesburg SOUTH AFRICA
End-user TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Exporter GENERAL ELECTRIC TRANSPORTATION, Erie PA
Supplier SEE PARTICIPANT ATTACHMENT
Gteed Lender SEE PARTICIPANT ATTACHMENT
Lcl Cst Pvdr TRANSNET RAIL ENGINEERING, Johannesburg 2001 SOUTH AFRICA

Project Name NONE
Project Description RAILROAD TRANSPORTATION-LOCOMOTIVES
Product Description (b) [redacted] DIESEL LOCOMOTIVES

		As Approved
US Content	$	(b) (4) [redacted]
Foreign Content		
Net Contract Price		
Cash Payment		
Financed Portion of US Contract Price		
Financed Local Costs		
Capitalized Interest During Construction		
Financed Amt (Excl Exp Fee)		
Exp Fee Level/Risk Increment		
Exp Fee Amt/Rate		
Total Fincd Amt (Incl Exp Fee, If Fincd)		560,930,049
Financed Amt in Foreign Curr/Exchange Rate		5,995,781,296 SOUTH AFRICA RAND/0.0935541
Budget Cost Level		(b)(4) [redacted]
Prog Budget Amt/Ratex		
Initial Eligibility Date		05/16/13

Risk Category PUBLIC NON-SOVEREIGN Rpmt Term 13 YR/9 MO Total Term 13 YR/10 MO
Qualifies For Enviro Exp Pgm NO Small Business- Direct: 0.0% Indirect: 0.0
Estimated Number of Jobs Supported/Created: 2500
Key Features ON-LENDING STRUCTURE, CLAIM PAYMENT METHOD, FED REG NOTICE, ASSET BACKED, FOREIGN CURR GTEE, LOCAL COSTS

Special Conditions NO CHANGE FROM ORIGINAL MEMO

Recommendation APPROVAL

Loan Officer DAVID FIORE DF

Approve ROBERT F. ROY RFR
V.P. - TRANSPORTATION DIVISION

Counsel MICHAELA E. RICCHIUTE

Date 11/24/15

DELEGATED AUTHORITY CHECKLIST
AMENDMENTS / CONVERSIONS TO FINAL COMMITMENT

MEMORANDUM TO THE TREASURER CONTROLLER DATE: November 24, 2015

FROM: Transportation Division

RE: (Country) **South Africa** Transaction No: **AP088827XX**

Final Commitment ☒ Preliminary Commitment ☐

The Transportation Division hereby approves an amendment/conversion to the above-referenced preliminary commitment or final commitment under the Individual Delegated Authority resolution of the Board of Directors dated July 26, 2010. The subject action conforms in all respects to the limits of such delegated authority.

Check List

The subject transaction was originally approved by:

Board ☒ Individual Action ☐

Is the subject amendment/conversion free of all special issues? If "No", provide explanation.
(policy, economic impact, environmental or financial structure)

Yes ☒ No ☐

A. Amendments.

1. Extension of Final Disbursement Date or Guarantee Availability Date

Applicable ☒ Not Applicable ☐

(a) The extension is no more than two (2) years beyond the Final Disbursement Date or Guarantee Availability Date last approved by the Board of Directors

Yes ☒ No ☐

(b) If the current applicable interest rate or Exposure Fee is greater than that originally approved, then the current interest rate or Exposure Fee shall apply to disbursements occurring after the original Final Disbursement Date or Guarantee Availability Date, *unless*:

(i) the extension granted under this section does not exceed six (6) months from the originally approved date; **or**

Yes ☐ No ☐ N/A ☒

(ii) the unutilized balance of the transaction is the lesser of (i) ten percent (10%) of the total authorized amount for the transaction, and (ii) two million five hundred thousand (2,500,000) dollars; **or**

Yes ☐ No ☐ N/A ☒

(iii) a Senior Officer otherwise consents in writing.

Yes ☐ No ☐ N/A ☒

2. **Extension of expiry dates of Preliminary Commitments**

Applicable ☐ Not Applicable ☒

(a) The extension is no more than two (2) years beyond the expiry date last approved by the Board of Directors <u>and the currently applicable interest rate or Exposure Fee (as the case may be) shall apply</u>.

Yes ☐ No ☐

3. **Amendment to Repayment Schedule**

Applicable ☐ Not Applicable ☒

(a) After giving effect to the amendment, no installment is deferred more than two (2) years from the due date last approved by the Board of Directors

Yes ☐ No ☐ **N/A**

(b) if the currently applicable interest rate or Exposure Fee is greater than that originally applicable to the deferred installments, then the currently applicable interest rate or Exposure Fee shall apply to such deferred installments. If "No", written consent of a Senior Officer is required.

Yes ☐ No ☐ **N/A**

4. **Increase in Principal Liability.**

Applicable ☐ Not Applicable ☒

For transactions originally approved or amended by:

(a) Board, the increase (exclusive of Exposure Fee) is less than or equal to ten million dollars ($10,000,000) above the principal liability last approved by the Board of Directors.

Yes ☐ No ☐

(b) Board, (i) the increase (exclusive of Exposure Fee) is greater than ten million dollars ($10,000,000) and is less than or equal to twenty million dollars ($20,000,000) above the principal liability last approved by the Board of Directors, AND (ii) the increase is less than or equal to ten percent (10%) of the maximum liability last approved by the Board of Directors.

Yes ☐ No ☐

(c) individual action, Ex-Im Bank's <u>aggregate</u> principal liability (exclusive of Exposure Fee) for the transaction will be less than or equal to the limit specified for the officer authorizing the increase under Article IV, Section A, clauses (i), (ii), (iii) or (iv), as applicable, of the Individual Delegated Authority Resolution dated July 26, 2010.

Yes ☐ No ☐

5. **<u>Minor Amendments to Previously Approved Transactions</u>**

Applicable ☒ Not Applicable ☐

This transaction was approved on July 31, 2014 and was amended on August 27, 2015 **("Amendment No. 1")**.

To recap, the purpose of Amendment No. 1 was to:

(i) reflect changes to the schedule for shipments of locomotive kits and final acceptance of completed locomotives by Transnet;

(ii) reduce the number of tranches from 6 to 5;

(iii) adjust the dollar amount allocated to each tranche;

(iv) reduce the repayment term for each tranche from 14 years to 13.75 years for Tranche 1, 13.25 years for Tranche 2, 12.75 years for Tranche 3, 12.25 years for Tranche 4 and 11.75 years for Tranche 5;

(v) adjust the expected payment dates based on the revised tranche periods;

(vi) adjust the exposure fee for each tranche from [redacted] for all tranches to [redacted] for Tranche 1, [redacted] for Tranche [redacted] for Tranche [redacted] for Tranche 4 and [redacted] for Tranche 5, to reflect the revised (shorter) repayment term for each tranche;

(vii) extend the final disbursement date on the final tranche (Tranche 5) from November 30, 2017 to December 15, 2017;

(viii) change the BCL from [redacted] to reflect the change in Transnet's unsecured risk rating to be the same as the BCL for sovereign risk in South Africa, which was downgraded effective March 1, 2015.

Amendment No. 1 did not increase the authorized amount (in fact, Amendment No. 1 decreased the authorized amount by $2.5 million due to the reduced exposure fees resulting from the shorter repayment term).

	As Originally Approved	As Amended on 08/27/15	Difference
Total Financed Amount in USD	$563,455,622	$560,930,049	($2,525,573)
Total Financed Amount in Rand	ZAR 6,022,777,124	ZAR 5,995,781,295	(ZAR 26,995,829)

With respect to Amendment No. 1, the Office of the Chief Financial Officer confirmed that, notwithstanding the downgrade of the transaction risk from [redacted] no program budget impact resulted from Amendment No. 1.

With the foregoing as background, the purpose of this new amendment **("Amendment No. 2")** is to update (i) the Authorized Exchange Rate, and (ii) the USD equivalents of the amount of the Rand financing as a result the change in the Authorized Exchange Rate.

Under the policy related foreign currency guarantees where the commercial contract is denominated in a foreign currency (as is the case in this transaction), the Borrower must pay the Ex-Im Bank exposure fee in U.S. dollars. Although not documented in the Policy Handbook, the exchange rate used to calculate the exposure fee has historically been based on the exchange rate at the time of Board approval (the "**Authorized Exchange Rate**").

The Authorized Exchange Rate for this transaction was set at ZAR 10.6890 = $1.00 (or ZAR 1.00 = $0.0935541) at the time of Board approval in July 2014.

Given the 33% depreciation of the Rand against the U.S. dollar since Board approval in July 2014, payment of a U.S. dollar exposure fee based upon the Authorized Exchange Rate of ZAR 10.6890 = $1.00 would effectively result in a 33% increase (in current Rand terms) in the exposure fee paid by Transnet. This would create a significantly higher Rand expense that Transnet would have to report to its shareholder (the Government of South Africa), its auditors, and the Reserve Bank of South Africa.

Accordingly, Transnet has requested that Ex-Im Bank update the exchange rate used to calculate the exposure fee from ZAR 10.6890 = $1.00 to a current ZAR/USD exchange rate in order to avoid paying a 33% increase in the exposure fee (in Rand terms).

On November 23, 2015, the ZAR/USD exchange rate as reported by oanda.com was ZAR 13.9324 = $1.00 (or ZAR 1.00 = $0.071775143 (the "**Updated Authorized Exchange Rate**") (see Attachment 1).

Staff understands that the purpose of the Authorized Exchange Rate was to ensure that the exposure fee amount received by Ex-Im Bank in U.S. dollars is the amount in U.S. dollars appearing on the APS cover page of the original Board approval. The assumption is that Ex-Im Bank should receive in exposure fee, in U.S. dollars, that is commensurate with the exposure in U.S. dollars on the APS cover page at the time of Board approval.

Disbursements in Rand made by the Guaranteed Lender are entered into Ex-Im Bank's accounting system using the Authorized Exchange Rate. It should be noted that at the end of each month, Ex-Im Bank's exposure in U.S. dollars to each foreign currency guarantee transaction is adjusted to reflect current exchange rates.

Therefore, a disbursement by the guaranteed lender in Rand that is entered into Ex-Im Bank's accounting system in U.S. dollars using the Authorized Exchange Rate of ZAR 10.689 = $1.00 would soon thereafter be updated to reflect current exchange rates, which are closer to ZAR 14 to $1.00, thereby reducing a significant amount of U.S. dollar exposure related to this transaction.

Accordingly, staff believes that it is appropriate to update the exchange rate used to calculate the exposure fee amount <u>prior to signing the transaction documentation</u> (rather than use the Authorized Exchange Rate which was set at Board approval which was over 16 months ago) so that (i) Ex-Im Bank's accounting entry in U.S. dollars for this transaction more accurately reflects the exchange rates in effect closer to the time of disbursement and therefore more closely reflects the exchange rate risk associated with the transaction, and (ii) Transnet pays an exposure fee amount in U.S. dollars that reflects current exchange rates (not exchange rates in effect 16 months ago).

In other words, it makes no sense to enter $560 million into Ex-Im Bank's accounting system (and force Transnet to pay the exposure fee in U.S. dollars at the Authorized Exchange Rate of ZAR 10.689 = $1.00) knowing that (i) Transnet's exposure fee as a percent of the Rand-denominated guaranteed loan would effectively increase by 33% if the Authorized Exchange Rate of ZAR 10.689 = $1.00 were used; and (ii) at the end of the month, Ex-Im Bank's exposure amount for the transaction will be reduced by approximately $130 million to approximately $430 million, based on then current exchange rates.

If the exposure fee were charged at the Authorized Exchange Rate of ZAR 10.689 = $1.00, Transnet would have paid an estimated weighted average exposure fee of (b) (4) [redacted] Transnet indicated that it would have a difficult time explaining to its Board of Directors, auditors and the South African Reserve Bank why it was paying the Ex-Im Bank exposure fee in U.S. dollars at a non-current exchange rate. Transnet indicated that once the transaction documentation was signed, it could enter into hedges based on the Updated Authorized Exchange Rate to protect itself against further depreciation of the Rand against the U.S. dollar in connection with its payment of exposure fee to Ex-Im Bank (but could <u>not</u> enter into currency hedges <u>before</u> the transaction documentation was agreed and signed).

Ex-Im Bank will receive the same <u>percentage</u> of exposure fee for each tranche (as set forth by Amendment No.1). The U.S. dollar equivalent of the exposure fee will be lower, but at the same time the U.S. dollar equivalent of the Rand denominated exposure will also be lower. Therefore, Ex-Im Bank is receiving the same percentage fee for the same U.S. dollar level of risk.

Given that (i) it has been 16 months since original Board approval and will likely take an additional month to conclude the documentation for this financing, (ii) the Rand has depreciated by approximately 33% during that period, (iii) disbursements are scheduled to continue until December 2017 during which period the Rand is likely to continue to depreciate, (iv) Transnet would pay approximately $7.14 million more if it were forced to pay the Ex-Im Bank exposure fee using the original Authorized Exchange Rate of ZAR 10.6890 = $1.00, (v) staff believes that Transnet would likely cancel the Ex-Im Bank financing rather than

---

[1] The exposure fee varies by tranche based on the repayment term of each tranche. On APS cover page reflecting the transaction following Amendment No. 1, the weighted average exposure fee calculated by APS was 5.495%. The exposure fee percentages associated with each tranche <u>remain unchanged</u> and are based on the repayment term associated with each tranche (e.g., (b) (4) [redacted] On the APS cover page reflecting the transaction following Amendment No. 2, the weighted average exposure calculated by APS was 5.4460%, a difference of 0.049%. Staff believes that this difference is due to rounding.

pay such an excessive amount based on an exchange rate that is no longer relevant, and (vi) Ex-Im Bank is not adversely affected by agreeing to Transnet's request to change the Authorized Exchange Rate, the Transportation Division believes it is appropriate and reasonable to update the Authorized Exchange Rate to reflect the current ZAR/USD exchange rate.

The financed amount in Rand remains unchanged at ZAR 5,995,781,295. The Updated Authorized Exchange Rate (ZAR 13.9324 = $1.00) was used to recalculate the Rand amounts into U.S. dollar equivalents, as shown in the APS cover page.

The financed amount in U.S. dollars is reduced from $560.9 million (as approved under Amendment No. 1) to $430.2 million (as approved under Amendment No. 2), a decrease in U.S. dollar exposure of approximately $130.8 million.

	As Amended on 08/27/15	As Amended on 11/24/15	Difference
Total Financed Amount in USD	$560,930,049	$430,157,967	($130,772,082)
Total Financed Amount in Rand	ZAR 5,995,781,295	ZAR 5,995,781,295	ZAR (-0-)

All other terms and conditions remain unchanged.

The Transportation Division believes, and the Office of the General Counsel concurs, that amending the Authorized Exchange Rate is within Individual Delegated Authority of the Vice President of the Transportation Division because:

(i) the approved ZAR amount financed (i.e., Ex-Im Bank's liability in ZAR) remains unchanged;

(ii) the Authorized Exchange Rate was not "material" to the Board's original decision to approve the transaction, in contrast to such factors as the creditworthiness of Transnet, the financing structure and security, the repayment history of Transnet, etc. which were material to the Board's decision;

(iii) Amendment No. 2 does not involve an increase in the authorized U.S. dollar amount (i.e., Ex-Im Bank's liability in U.S. dollars) above the amount approved by the Board of Directors in July 2014, in fact, Ex-Im Bank's U.S. dollar authorization decreases by approximately $130.8 million (from $560.9 million to $430.2 million); and

(iv) Amendment No. 2 eliminates Transnet's overpayment of exposure fee at an exchange rate that is no longer relevant.

With respect to commitment fees related to this transaction, staff will ensure that commitments fees accrue and are paid on the U.S. dollar amounts (i) as originally approved by the Board (i.e., on $563,455,622 from September 29, 2014 through August 27, 2015), (ii) as approved pursuant to Amendment No. 1 (i.e., on $560,930,049 from August 28, 2015 through November 24, 2015) and (iii) as approved pursuant to Amendment No. 2 (i.e., on $430,157,967 from November 25, 2015 until the final disbursement date).

The Office of the General Counsel has no objection to the Transportation Division's rationale for amending the Authorized Exchange Rate under Individual Delegated Authority.

The Office of the Chief Financial Officer (i) has no objection to amending the Authorized Exchange Rate and (ii) confirmed that there is no program budget impact resulting from this amendment.

The Operations Division and the Engineering and Environment Division also have no objection to amending the Authorized Exchange Rate.

B. Conversion of Preliminary Commitment

Applicable ☐ Not Applicable ☒

1. Ex-Im Bank's maximum liability (exclusive of Exposure Fee) under the Final Commitment will not exceed $50 million.

Yes ☐ No ☐

2. If the conversion will increase Ex-Im Bank's principal liability beyond that approved in the related Preliminary Commitment, written consent of a Senior Officer has been obtained.

Yes ☐ No ☐

3. The conversion does not involve a material change in the terms of the Preliminary Commitment.

Yes ☐ No ☐

4. If the originally approved Exposure Fee is greater than that currently charged by Ex-Im Bank, the current Exposure Fee shall apply to the Final Commitment.

Approved by:

David R. Fiore	11/24/15	Robert F.X. Roy, Jr.	11/24/15
David R. Fiore Deputy Vice President Transportation Division	Date	Robert F.X. Roy, Jr. Vice President Transportation Division	Date

ENGLISH

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Currency I Have: USD

AMOUNT: I have this much to exchange

1

Currency I Want: South African Rand ZAR

AMOUNT: I want to buy something at this price

13.9324

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DATE: Nov 23, 2015

HELP

Rate Details | Traveler's Cheatsheet

1 ZAR = $0.071775143

USD/ZAR Details

USD/ZAR for the 24-hour period ending **Sunday, Nov 22, 2015** 22:00 UTC @ +/- 0%

Selling 1.00000 **USD** you get 13.9324 **ZAR**
Buying 1.00000 **USD** you pay 13.9824 **ZAR**

Rate Details

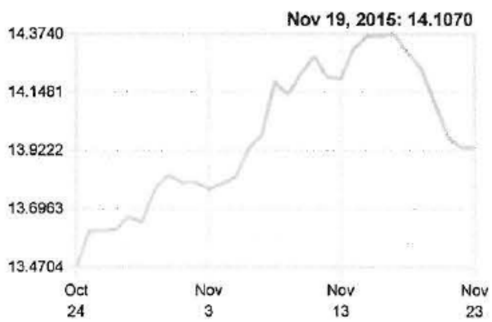
USD/ZAR for the 24-hour period ending **Sunday, Nov 22, 2015** 22:00 UTC

	Bid (Sell 1 USD)	Ask (Buy 1 USD)
MIN	13.9324	13.9824
AVG	13.9324	13.9824
MAX	13.9324	13.9824

These values represent the daily average of the Bid and Ask rates **OANDA** receives from many data sources.

Recent Trends

USD/ZAR average daily bid prices



30 days | 60 days | 90 days

INTERACTIVE GRAPH

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David Fiore

From:	Dorothy Kobe Transnet Corporate JHB <Dorothy.Kobe@transnet.net>
Sent:	Tuesday, November 03, 2015 9:19 AM
To:	David Fiore
Cc:	Phetolo Ramosebudi Transnet Corporate JHB
Subject:	RE: US-EXIM AUTHORISED EXCHANGED RATE

Hi David,

Thank you for your email below.

Changing the rate to that of a week before signing the documents is acceptable. This will enable us to enter into a hedge at that time.

We agree with you that this transaction has not closed as yet and Transnet has no liability at the moment. In reference
(b) (5) [redacted]

Let's bring this issue to finality as soon as possible.

Best regards,
Dorothy Kobe

From: David Fiore [mailto:david.fiore@exim.gov]
Sent: Tuesday, November 3, 2015 3:42 PM
To: Phetolo Ramosebudi Transnet Corporate JHB
Cc: Dorothy Kobe Transnet Corporate JHB
Subject: RE: US-EXIM AUTHORISED EXCHANGED RATE

Dear Dorothy and Phetolo,

Thank you for your message below. I am writing to let you know that we are continuing to review and discuss this matter internally and will respond as soon as possible. I am checking with Ex-Im Bank's accounting and legal
(b) (4) [redacted]

We will be in contact. Kind regards, David

David R. Fiore
Deputy Vice President
Transportation Division
Ex-Im Bank of the United States
Tel: +1 202-565-3551

Cell: +1 202-375-8904

From: Phetolo Ramosebudi Transnet Corporate JHB [mailto:Phetolo.Ramosebudi@transnet.net]
Sent: Friday, October 30, 2015 10:39 AM
To: David Fiore
Cc: Dorothy Kobe Transnet Corporate JHB
Subject: RE: US-EXIM AUTHORISED EXCHANGED RATE

Dear David,

Thank you for taking our call earlier.

(b) (4) [redacted]

We didn't encounter these issues in the last two transactions because the sizes were significantly smaller. Transnet is happy to set the exchange rate for the transaction two days before financial close

We hope the above is in order.

Best regards

TRANSNET

Phetolo Ramosebudi
Group Treasurer
Group Treasury
Transnet SOC Ltd

+27 11 308-2613 (b)(6) [redacted]
+27 11 308-2900 Phetolo.Ramosebudi@transnet.net
www.transnet.net

DELEGATED AUTHORITY CHECKLIST
AMENDMENTS / CONVERSIONS TO FINAL COMMITMENT

MEMORANDUM TO THE TREASURER CONTROLLER DATE: December 6, 2016

FROM: Transportation Division

RE: (Country) **South Africa** Transaction No: **AP088827XX**

Final Commitment ☒ Preliminary Commitment ☐

The Transportation Division hereby approves an amendment/conversion to the above-referenced preliminary commitment or final commitment under the Individual Delegated Authority resolution of the Board of Directors dated July 26, 2010. The subject action conforms in all respects to the limits of such delegated authority.

Check List

The subject transaction was originally approved by:

Board ☒ Individual Action ☐

Is the subject amendment/conversion free of all special issues? If "No", provide explanation. (policy, economic impact, environmental or financial structure)

Yes ☒ No ☐

A. Amendments.

1. Extension of Final Disbursement Date or Guarantee Availability Date

Applicable ☒ Not Applicable ☐

(a) The extension is no more than two (2) years beyond the Final Disbursement Date or Guarantee Availability Date last approved by the Board of Directors

Yes ☒ No ☐ N/A ☐

(b) If the current applicable interest rate or Exposure Fee is greater than that originally approved, then the current interest rate or Exposure Fee shall apply to disbursements occurring after the original Final Disbursement Date or Guarantee Availability Date, *unless*:

(i) the extension granted under this section does not exceed six (6) months from the originally approved date; **or**

Yes ☐ No ☐ N/A ☒

(ii) the unutilized balance of the transaction is the lesser of (i) ten percent (10%) of the total authorized amount for the transaction, and (ii) two million five hundred thousand (2,500,000) dollars; **or**

Yes ☐ No ☐ N/A ☒

(iii) a Senior Officer otherwise consents in writing.

Yes ☐ No ☐ N/A ☒

2. Extension of expiry dates of Preliminary Commitments

Applicable ☐ Not Applicable ☒

(a) The extension is no more than two (2) years beyond the expiry date last approved by the Board of Directors and the currently applicable interest rate or Exposure Fee (as the case may be) shall apply.

Yes ☐ No ☐

3. Amendment to Repayment Schedule

Applicable ☐ Not Applicable ☒

(a) After giving effect to the amendment, no installment is deferred more than two (2) years from the due date last approved by the Board of Directors

Yes ☐ No ☐ N/A ☒

(b) if the currently applicable interest rate or Exposure Fee is greater than that originally applicable to the deferred installments, then the currently applicable interest rate or Exposure Fee shall apply to such deferred installments. If "No", written consent of a Senior Officer is required.

Yes ☐ No ☐ N/A ☒

4. Increase in Principal Liability.

Applicable ☐ Not Applicable ☒

For transactions originally approved or amended by:

(a) Board, the increase (exclusive of Exposure Fee) is less than or equal to ten million dollars ($10,000,000) above the principal liability last approved by the Board of Directors.

Yes ☐ No ☐

(b) Board, (i) the increase (exclusive of Exposure Fee) is greater than ten million dollars ($10,000,000) and is less than or equal to twenty million dollars ($20,000,000) above the principal liability last approved by the Board of Directors, AND (ii) the increase is less than or equal to ten percent (10%) of the maximum liability last approved by the Board of Directors.

Yes ☐ No ☐

(c) individual action, Ex-Im Bank's aggregate principal liability (exclusive of Exposure Fee) for the transaction will be less than or equal to the limit specified for the officer authorizing the increase under Article IV, Section A, clauses (i), (ii), (iii) or (iv), as applicable, of the Individual Delegated Authority Resolution dated July 26, 2010.

Yes ☐ No ☐

5. Minor Amendments to Previously Approved Transactions

Applicable ☒ Not Applicable ☐

This transaction was approved on July 31, 2014 and was amended on August 27, 2015 (**"Amendment No. 1"**), on November 24, 2015 ("**Amendment No. 2**"), on May 31, 2016 (**"Amendment No. 3"**) on July 16, 2016 ("**Amendment No. 4**") and on July 22, 2016 ("**Amendment No. 5**").

The guaranteed lenders and Transnet agreed to fixed amounts for the disbursed amount for each of the 4 tranches in this transaction. These amounts are set forth in the Drawdown Schedule in the Guaranteed Loan Agreement as shown below:

Schedule 1 Drawdown Schedule

Tranche	Agreed Disbursement Date	ZAR Amount
1	June 30, 2016	ZAR 1,439,590,443
2	December 15, 2016	ZAR 1,420,136,519
3	June 15, 2017	ZAR 1,420,136,519
4	December 15, 2017	ZAR 1,420,136,519
Total		ZAR 5,700,000,000

Ex-Im Bank agreed to the Drawdown Schedule above. At the request of Transnet, this amendment (**"Amendment No. 6"**) changes the Final Disbursement Date for Tranche 2 from December 15, 2016, to January 14, 2017, in order to allow Transnet and the guaranteed lenders additional time to complete and process the required disbursement documentation.

All other terms and conditions, as amended, remain unchanged.

B. Conversion of Preliminary Commitment

Applicable ☐ Not Applicable ☒

1. Ex-Im Bank's maximum liability (exclusive of Exposure Fee) under the Final Commitment will not exceed $50 million.

Yes ☐ No ☐

2. If the conversion will increase Ex-Im Bank's principal liability beyond that approved in the related Preliminary Commitment, written consent of a Senior Officer has been obtained.

Yes ☐ No ☐

3. The conversion does not involve a material change in the terms of the Preliminary Commitment.

Yes ☐ No ☐

4. If the originally approved Exposure Fee is greater than that currently charged by Ex-Im Bank, the current Exposure Fee shall apply to the Final Commitment.

Approved by:

David R. Fiore Deputy Vice President Transportation Division	12/6/16 Date	Robert F.X. Roy, Jr. Vice President Transportation Division	12/6/16 Date

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM FOR INDIVIDUAL ACTION

12/02/16
AP088827XX

Division TRANSPORTATION
Country SOUTH AFRICA

Date Amendment Request Received 12/02/16
Date Amendment Request Complete 12/02/16
No of Days In House 0

Request AMENDMENT OF FINAL COMMITMENT

Financing Type/Term STANDARD/L-T
Financing Options 1 (SEE FINANCING ATTACHMENT)

Applicant TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Borrower SPC/TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Guarantor TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Buyer TRANSNET LIMITED, Johannesburg SOUTH AFRICA
End-user TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Exporter GENERAL ELECTRIC TRANSPORTATION, Erie PA
Supplier SEE PARTICIPANT ATTACHMENT
Gteed Lender SEE PARTICIPANT ATTACHMENT
Lcl Cst Pvdr TRANSNET RAIL ENGINEERING, Johannesburg 2001 SOUTH AFRICA

Project Name NONE
Project Description RAILROAD TRANSPORTATION-LOCOMOTIVES
Product Description (b) [redacted] DIESEL LOCOMOTIVES

		As Amended
US Content	$	No Change
Foreign Content		No Change
Net Contract Price		No Change
Cash Payment		No Change
Financed Portion of US Contract Price		No Change
Financed Local Costs		No Change
Capitalized Interest During Construction		No Change
Financed Amt (Excl Exp Fee)		No Change
Exp Fee Level/Risk Increment		No Change
Exp Fee Amt/Rate		No Change
Total Fincd Amt (Incl Exp Fee, If Fincd)		No Change
Financed Amt in Foreign Curr/Exchange Rate		No Change
Budget Cost Level		No Change
Prog Budget Amt/Ratex		No Change
Initial Eligibility Date		No Change

Risk Category PUBLIC NON-SOVEREIGN   Rpmt Term 13 YR/3 MO   Total Term 12 YR/10 MO
Qualifies For Enviro Exp Pgm NO   Small Business- Direct: 0.0%   Indirect: 0.0
Estimated Number of Jobs Supported/Created: 2500
Key Features ON-LENDING STRUCTURE, CLAIM PAYMENT METHOD, FED REG NOTICE,
ASSET BACKED, FOREIGN CURR GTEE, LOCAL COSTS

Special Conditions NO CHANGE FROM ORIGINAL MEMO

Recommendation APPROVAL

Loan Officer DAVID FIORE DF

Approve ROBERT F. ROY RFR
V.P. - TRANSPORTATION DIVISION

Counsel MICHAELA E. RICCHIUTE

Date 12/6/16

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM FOR INDIVIDUAL ACTION

12/02/16
AP088827XX

Division TRANSPORTATION
Country SOUTH AFRICA

Date Amendment Request Received 12/02/16
Date Amendment Request Complete 12/02/16
No of Days In House 0

Request AMENDMENT OF FINAL COMMITMENT

Financing Type/Term STANDARD/L-T
Financing Options 1 (SEE FINANCING ATTACHMENT)

Applicant TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Borrower SPC/TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Guarantor TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Buyer TRANSNET LIMITED, Johannesburg SOUTH AFRICA
End-user TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Exporter GENERAL ELECTRIC TRANSPORTATION, Erie PA
Supplier SEE PARTICIPANT ATTACHMENT
Gteed Lender SEE PARTICIPANT ATTACHMENT
Lcl Cst Pvdr TRANSNET RAIL ENGINEERING, Johannesburg 2001 SOUTH AFRICA

Project Name NONE
Project Description RAILROAD TRANSPORTATION-LOCOMOTIVES
Product Description (b) [redacted] DIESEL LOCOMOTIVES

		As Approved
US Content	$	(b) (4) [redacted]
Foreign Content		
Net Contract Price		
Cash Payment		
Financed Portion of US Contract Price		
Financed Local Costs		
Capitalized Interest During Construction		
Financed Amt (Excl Exp Fee)		
Exp Fee Level/Risk Increment		
Exp Fee Amt/Rate		
Total Fincd Amt (Incl Exp Fee, If Fincd)		365,576,778
Financed Amt in Foreign Curr/Exchange Rate		5,700,000,000 SOUTH AFRICA RAND/15.5918
Budget Cost Level		(b)(4) [redacted]
Prog Budget Amt/Ratex		
Initial Eligibility Date		05/16/13

Risk Category PUBLIC NON-SOVEREIGN Rpmt Term 13 YR/3 MO Total Term 12 YR/10 MO
Qualifies For Enviro Exp Pgm NO Small Business- Direct: 0.0% Indirect: 0.0
Estimated Number of Jobs Supported/Created: 2500
Key Features ON-LENDING STRUCTURE, CLAIM PAYMENT METHOD, FED REG NOTICE,
ASSET BACKED, FOREIGN CURR GTEE, LOCAL COSTS

Special Conditions NO CHANGE FROM ORIGINAL MEMO

Recommendation APPROVAL

Loan Officer DAVID FIORE

Counsel MICHAELA E. RICCHIUTE

RFR
Approve ROBERT F. ROY
V.P. - TRANSPORTATION DIVISION

Date 12/6/16

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM FOR INDIVIDUAL ACTION
PARTICIPANT ATTACHMENT

12/02/16
AP088827XX

As Approved

Supplier	VARIOUS US COMPANIES, Washington DC
Supplier	GENERAL ELECTRIC TRANSPORTATION, Erie PA
Gteed Lender	BARCLAYS BANK PLC, UNITED KINGDOM
Gteed Lender	(b) (4) [redacted]
Gteed Lender	
Gteed Lender	
Gteed Lender	

As Amended

Supplier	VARIOUS US COMPANIES, Washington DC
Supplier	GENERAL ELECTRIC TRANSPORTATION, Erie PA
Gteed Lender	BARCLAYS BANK PLC, UNITED KINGDOM
Gteed Lender	(b) (4) [redacted]
Gteed Lender	
Gteed Lender	
Gteed Lender	

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM FOR INDIVIDUAL ACTION
FINANCING ATTACHMENT

12/02/16
AP088827XX

FINANCING SUMMARY

Option 1 Component 1 US COST GTEE
Component 2 LOCAL COST GTEE
Component 3 US COST GTEE
Component 4 LOCAL COST GTEE
Component 5 US COST GTEE
Component 6 LOCAL COST GTEE
Component 7 US COST GTEE
Component 8 LOCAL COST GTEE
Exp Fee [redacted] Subsidy [redacted] Total Term 12 YR/10 MO

FINANCING TERMS	As Approved	As Amended
Option 1 - Component 1		
Component	US COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	[redacted] (INCL EXP FEE)	No Change
Foreign Currency Amount Cap	[redacted]	No Change
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	[redacted]	No Change
Exposure Fee Rate/Amount	[redacted]	No Change
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	05/31/16	No Change
Final Disbursement Date	08/31/16	No Change
Gtee Availability Date	08/31/16	No Change
No./Frequency Of Installments	53/QUARTERLY	No Change
First Principal Payment Date	09/30/16	No Change
Option 1 - Component 2		
Component	LOCAL COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	[redacted] (INCL EXP FEE)	No Change
Foreign Currency Amount Cap	[redacted]	No Change
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	[redacted]	No Change
Exposure Fee Rate/Amount	[redacted]	No Change
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	05/31/16	No Change
Final Disbursement Date	08/31/16	No Change
Gtee Availability Date	08/31/16	No Change
No./Frequency Of Installments	53/QUARTERLY	No Change
First Principal Payment Date	09/30/16	No Change

Option 1 - Component 3

Component	US COST GTEE	No Change
Gtee Cover	(b)(4) [redacted]	No Change
Gtee Amount	NCL EXP FEE)	No Change
Foreign Currency Amount Cap		No Change
Foreign Currency Desc		No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount		No Change
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	11/15/16	No Change
Final Disbursement Date	12/15/16	01/14/17
Gtee Availability Date	01/15/17	No Change
No./Frequency Of Installments	51/QUARTERLY	No Change
First Principal Payment Date	03/15/17	No Change

Option 1 - Component 4

Component	LOCAL COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)	No Change
Foreign Currency Amount Cap		No Change
Foreign Currency Desc		No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount		No Change
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	11/15/16	No Change
Final Disbursement Date	12/15/16	01/14/17
Gtee Availability Date	01/15/17	No Change
No./Frequency Of Installments	51/QUARTERLY	No Change
First Principal Payment Date	03/15/17	No Change

Option 1 - Component 5

Component	US COST GTEE	No Change
Gtee Cover	(b)(4) [redacted]	No Change
Gtee Amount	NCL EXP FEE)	No Change
Foreign Currency Amount Cap		No Change
Foreign Currency Desc		No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount		No Change
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	05/15/17	No Change
Final Disbursement Date	06/15/17	No Change
Gtee Availability Date	07/15/16	No Change
No./Frequency Of Installments	49/QUARTERLY	No Change
First Principal Payment Date	09/15/17	No Change

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM FOR INDIVIDUAL ACTION
FINANCING ATTACHMENT

12/02/16
AP088827XX

Option 1 - Component 6

Component	LOCAL COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)	No Change
Foreign Currency Amount Cap	[redacted]	No Change
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount	[redacted]	No Change
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	05/15/17	No Change
Final Disbursement Date	06/15/17	No Change
Gtee Availability Date	07/15/17	No Change
No./Frequency Of Installments	49/QUARTERLY	No Change
First Principal Payment Date	09/15/17	No Change

Option 1 - Component 7

Component	US COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] INCL EXP FEE)	No Change
Foreign Currency Amount Cap	[redacted]	No Change
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount	[redacted]	No Change
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	11/15/17	No Change
Final Disbursement Date	12/15/17	No Change
Gtee Availability Date	01/15/18	No Change
No./Frequency Of Installments	47/QUARTERLY	No Change
First Principal Payment Date	03/15/18	No Change

Option 1 - Component 8

Component	LOCAL COST GTEE	No Change
Gtee Cover	COMPREHENSIVE	No Change
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)	No Change
Foreign Currency Amount Cap	[redacted]	No Change
Foreign Currency Desc	SOUTH AFRICA RAND	No Change
Commitment Fee Rate	(b)(4) [redacted]	No Change
Exposure Fee Rate/Amount	[redacted]	No Change
Interest Rate Type	FIXED	No Change
Fixed Rate Basis/Rate	OTHER/ 8.0000%	No Change
Starting Point Event	COMM PROJECT	No Change
Starting Point Date	11/15/17	No Change
Final Disbursement Date	12/15/17	No Change
Gtee Availability Date	01/15/18	No Change
No./Frequency Of Installments	47/QUARTERLY	No Change
First Principal Payment Date	03/15/18	No Change

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS

06/18/14
AP088827XX

Division TRANSPORTATION
Country SOUTH AFRICA

Date Application Received 05/16/14
Date Application Complete 05/16/14
No of Days In House 33

Request FINAL COMMITMENT (NEW)

Financing Type/Term STANDARD/L-T
Financing Options 1 (SEE FINANCING ATTACHMENT)

Applicant	TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Borrower	SPV/TRANSNET LIMITED, N/A SOUTH AFRICA
Guarantor	TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Buyer	TRANSNET LIMITED, Johannesburg SOUTH AFRICA
End-user	TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Exporter	GENERAL ELECTRIC INTERNATIONAL, INC., Erie PA
Supplier	SEE PARTICIPANT ATTACHMENT
Gteed Lender	FINANCIAL INSTITUTION ACCEPTABLE TO EIB, N/A

Project Name NONE
Project Description RAILROAD TRANSPORTATION-LOCOMOTIVES
Product Description [redacted]IESEL LOCOMOTIVES

US Content	$ [redacted]
Foreign Content	
Net Contract Price	
Cash Payment	
Financed Portion of US Contract Price	
Financed Local Costs	
Capitalized Interest During Construction	
Financed Amt (Excl Exp Fee)	
Exp Fee Level/Risk Increment	
Exp Fee Amt/Rate	
Total Fincd Amt (Incl Exp Fee, If Fincd)	523,075,799
Financed Amt in Foreign Curr/Exchange Rate	5,534,298,876 SOUTH AFRICA RAND/0.0945153
Budget Cost Level	[redacted]
Prog Budget Amt/Ratex	
Initial Eligibility Date	

Risk Category PUBLIC NON-SOVEREIGN Rpmt Term 14 YR/0 MO Total Term 17 YR/5 MO
Qualifies For Enviro Exp Pgm NO Small Business- Direct: 0.0% Indirect: 0.0
Estimated Number of Jobs Supported/Created: 2500
Key Features ON-LENDING STRUCTURE, CLAIM PAYMENT METHOD, FED REG NOTICE, ASSET BACKED, FOREIGN CURR GTEE, LOCAL COSTS

Special Conditions SEE APPENDIX B

Recommendation APPROVAL - SUBJECT TO CONGRESSIONAL NOTIFICATION, REFERRED TO NAC

Loan Officer DAVID FIORE
Counsel MICHAELA E. RICCHIUTE

Concur ROBERT F. ROY
V.P. - TRANSPORTATION DIVISION

Supplier	GENERAL ELECTRIC INTERNATIONAL, INC., Erie PA
Supplier	VARIOUS US COMPANIES, Washington DC

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS
FINANCING ATTACHMENT

06/18/14
AP088827XX

FINANCING SUMMARY

Option 1 Component 1 US COST GTEE
Component 2 LOCAL COST GTEE
Component 3 US COST GTEE
Component 4 LOCAL COST GTEE
Component 5 US COST GTEE
Component 6 LOCAL COST GTEE
Component 7 US COST GTEE
Component 8 LOCAL COST GTEE
Component 9 US COST GTEE
Component 10 LOCAL COST GTEE
Component 11 US COST GTEE
Component 12 LOCAL COST GTEE
Exp Fee (b) (4) [redacted] Subsidy (b) (4) [redacted] Total Term 17 YR/5 MO

FINANCING TERMS

Option 1 - Component 1

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	11/30/14
Final Disbursement Date	12/31/14
Gtee Availability Date	01/31/15
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	02/28/15

Option 1 - Component 2

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	11/30/14
Final Disbursement Date	12/30/14
Gtee Availability Date	01/31/15
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	02/28/15

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS
FINANCING ATTACHMENT

06/18/14
AP088827XX

Option 1 - Component 3

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	07/31/15
Final Disbursement Date	08/31/15
Gtee Availability Date	09/30/15
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	10/31/15

Option 1 - Component 4

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	07/31/15
Final Disbursement Date	08/31/15
Gtee Availability Date	09/30/15
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	10/31/15

Option 1 - Component 5

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	04/30/16
Final Disbursement Date	05/31/16
Gtee Availability Date	06/30/16
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	07/31/16

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS
FINANCING ATTACHMENT

06/18/14
AP088827XX

Option 1 - Component 6

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	04/30/16
Final Disbursement Date	05/31/16
Gtee Availability Date	06/30/16
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	07/31/16

Option 1 - Component 7

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	10/31/16
Final Disbursement Date	11/30/16
Gtee Availability Date	12/31/16
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	01/31/17

Option 1 - Component 8

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	10/31/16
Final Disbursement Date	11/30/16
Gtee Availability Date	12/31/16
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	01/31/17

Option 1 - Component 9

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	04/30/17
Final Disbursement Date	05/31/17
Gtee Availability Date	06/30/17
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	07/31/17

Option 1 - Component 10

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	04/30/17
Final Disbursement Date	05/31/17
Gtee Availability Date	06/30/17
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	07/31/17

Option 1 - Component 11

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	10/31/17
Final Disbursement Date	11/30/17
Gtee Availability Date	12/31/17
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	01/31/18

Option 1 - Component 12

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b) (4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b) (4) [redacted]
Exposure Fee Rate/Amount	
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	10/31/17
Final Disbursement Date	11/30/17
Gtee Availability Date	12/31/17
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	01/31/18

Export-Import Bank of the United States
Office of the Chief Financial Officer
Program Budget Calculation Summary

AP088827XX - Transnet SOC Ltd.

Program	Long Term Guarantee
Country	South Africa
Industry	Other
# of Repayments	56 (Quarterly)
Interest Rate	Fixed
Payment Style	Straight Line
BCL	(b) (4) [redacted]
Total Amount Financed	$523,075,799
Financed Amount (excluding fees)	(b) (4) [redacted]
Exposure Fees:	
Base Exposure Fee	
Increases / (Discounts)	
Net Exposure Fee	
Program Budget Calculation:	
Revenue Components:	
NPV of Fees	
NPV of Interest Margin	
NPV of Total Revenue	
Default Components:	
NPV of Default (Loan Loss Reserves)	
Total Program Budget (Reserves Less Revenues)	

Program Budget Disbursement

The chart shows the estimated program budget disbursement for this transaction. Please note that for positive program budget transactions, the entire program budget is obligated at the time of authorization. For negative program budget transaction, the program budget is credited to Ex-Im Bank at the time of disbursement.

Amount Authorized	$523,075,799
FY of Authorization	2014
Program Budget Rate (%)	(b) (4) [redacted]

Disbursement	% Disbursed	Program Budget Positive	Program Budget Negative
Year 1: 2014	0%		$0
Year 2: 2015	26%		(b) (4) [redacted]
Year 3: 2016	14%		
Year 4: 2017	40%		
Year 5: 2018	19%		
Total	**100%**	**0%**	

Note: Reserves are calculated based on historical performance and amounts reflect an aggregate reserve level.

Export-Import Bank of the United States
Interest Rate Setting Form and OCFO Assessment
17-Jun-2014

Credit Number:	AP088827XX
Transaction Type:	Long Term Guarantee
Division:	Transportation
Industry:	Other
Program Title	Transnet SOC Ltd.
Estimated amount at authorization:	$523,075,799
Loan Officer:	FIORE
Purpose:	Pending Authorization
Country	South Africa
Interest Rate Program:	Other (Fixed Interest Rate)
Spread above Rate	8% (Estimated)
Budget Cost Level	(b) (4) [redacted]
Set fixed rate at:	By Commercial Lender

Justification:

Interest rate set by commercial lending entity.

OCFO Assessment:

"TPMD monitors approximately $161.1 million in disbursed and outstanding exposure for Transnet. TPMD supports the BCL (b [redacted] risk rating for the proposed new transaction. Repayments from the borrower have been satisfactory; there have been no repayment issues." - **David Baughan 06/17/14**

Digitally signed by Nathalie Herman
DN: cn=Nathalie Herman, o=Export-Import Bank of the U.S., ou=Vice President- Treasurer, email=Nathalie.Herman@exim.gov, c=US

Sign: ______________________ Date: **6/17/2014**

Nathalie Herman
Treasurer

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Transnet SOC Ltd ("Transnet")

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Transnet SOC Limited

I. Summary and Recommendation

The Request: Transnet SOC Limited ("Transnet" or the "Company"), of Johannesburg, South Africa, is requesting a final commitment (AP088827XX) of a guaranteed loan, to be denominated in the South African Rand ("R", or "ZAR") equivalent of approximately $523.1 million, including the OECD premium of (b) (4) [redacted] and also including financing for local costs (the "Final Commitment"). Transnet is requesting local cost financing of up to 30% of the U.S. contract price[1] to support work performed in South Africa.

The Guaranteed Loan Agent/Facility Agent has not yet been mandated but will likely be selected during the Congressional notification period. Staff believes that the Guaranteed Lender will likely be a large South African financial institution but Transnet is also considering a Rand-denominated capital markets funding.

U.S.-manufactured components for the (below defined) Locomotives ("Locomotive Kits") are shipped from Erie, Pennsylvania to Transnet Rail Engineering ("Transnet Rail Engineering" or "TRE"), one of the five main operating divisions of Transnet, for final assembly at TRE's Koedoespoort facility in Pretoria, South Africa. Upon completion of final assembly, each Locomotive Kit shall be referred to as a "Locomotive."

The Final Commitment will support Transnet's acquisition of a total of (b) (4) [redacted] locomotives as follows:

(i) (b) (4) [redacted] additional GE C30ACi locomotives pursuant to a supplement to the 2011 Locomotive Supply Agreement (b) (4) [redacted]

(ii) (b) (4) [redacted] GE ES40ACi locomotives awarded to GE pursuant to a recent large tender (b) (4) [redacted]

Table 1 - Transaction Summary - AP088827XX- South Africa - Transnet Items to be Exported / Need for Ex-Im Bank Support	
Number and Type of Items:	(b) (4) [redacted] GE C30ACi locomotive kits GE ES40ACi locomotive kits
Estimated Delivery Period:	Q2 2014 through Q4 2017
Operator:	Transnet Freight Rail, a division of Transnet SOC Ltd.
Applicable OECD Sector Understanding:	Rail Sector Understanding and General OECD Arrangement Terms
Type of Ex-Im Bank Support:	Foreign Currency (South African Rand) denominated Guaranteed Loan
Estimated jobs maintained/generated:	2,500 jobs
Need for Ex-Im Bank Support:	Competition with China and the financing support that

[1] Per Ex-Im Bank policy, "U.S. Contract Price" is defined as U.S. Content + Eligible Foreign Content.

	Transnet receives from non-OECD export credit agencies; Fill the financing gap for Transnet's large capital expenditure plan
Financing Terms	
Currency:	South African Rand
Authorized Exchange Rate:	To be determined at time of final action by the Board of Directors, Recent rate of ZAR 10.5803 = $1.00 (at June 9, 2014)
Aggregate "net net" Contract Price:	(b) (4) [redacted]
Advance Rate:	85%
Financed Amount of Contract Price (before premium amount):	(b) (4) [redacted]
Financed Local Cost (30%):	[redacted]
Total Ex-Im Financed Amount (including Local Cost but excluding premium):	[redacted]
Premium: (%)	[redacted]
Premium Amount, Financed:	[redacted]
Total Ex-Im Bank Financed Amount (including premium):	R5,534,298,876 ($523,075,799)
Financing Structure:	On-Lending Structure: corporate loan to South African SPC; SPC on-lends the funds to Transnet; <u>no</u> sovereign guarantee or comfort letter; supported by a first priority security interest in the fully assembled Locomotives
Co-financing:	N/A
Repayment Term:	14 years (56 quarterly repayments)
Amortization Profile:	Equal principal, with interest in arrears (i.e., "straight-line")
Interest Rate Basis:	Fixed interest rate in ZAR to be determined at the time of disbursement (estimated to be between 8% and 10%)
Cape Town Convention Discount:	N/A
Capital Markets Funding Option:	Transnet is considering a Rand-denominated capital markets funding.
Commitment Fee:	Standard Ex-Im Bank Guaranteed Loan commitment fee (b) (4) [redacted] beginning to accrue 60 days after approval of the Final Commitment; payable in USD

Borrower Financial Metrics

Financial Metrics 12 months, audited, as of March 31[2]		
	March 31, 2012	March 31, 2013
Revenue	R45.9 billion ($6.36 billion)	R50.2 billion ($5.51 billion)
Operating Income/Loss	R10.5 billion ($1.46 billion)	R11.8 billion ($1.29 billion)
Net Income/Loss	R 4.1 billion ($0.57 billion)	R 4.3 billion ($0.47 billion)
EBITDA	R18.9 billion ($2.62 billion)	R21.1 billion ($2.31 billion)

[2] Audited financial statements for the Fiscal Year ended March 31, 2014 will be presented to the public in late June or July 2014 and will be summarized in a supplemental memorandum to the Board of Directors during the Congressional notification period.

Total Assets	R178.0 billion ($23.3 billion)	R203.9 billion ($19.29 billion)
Total Liabilities	R98.6 billion ($12.9 billion)	R118.9 billion ($11.25 billion)
Shareholder Equity	R79.4 billion ($10.4 billion)	R85.0 billion ($8.04 billion)
Leverage (Total Liabilities/Tangible Net Worth)	1.24x	1.40x
Debt Service Coverage (times)	0.88x[3]	1.15x
Collateral Summary		
Estimated Loan to Value (estimated Guaranteed Loan Amount of $523.1 million[4] divided by the estimated value of fully assembled Locomotive of $879 million ($3 million per fully assembled Locomotive x 293 Locomotives)	0.60x	
Ex-Im Bank Internal Clearances, Notifications and Program Budget		
Budget Cost Level ("BCL")	BCL (b) (4) [redacted]	
Program Budget Allocation (%)	(b) (4) [redacted]	
Program Budget Amount Generated/Used	(b) (4) [redacted] (program budget generated)	
NAC Advice/Referral	Required	
State Dept. Political and Human Rights Clearances	Not required for South Africa	
Congressional Notification	Required	
Federal Register Notification	Required; published on June 19, 2014; will expire on July 14, 2014	
Iran Sanctions Certifications	Completed, no issues	
Character, Reputation and Transaction Integrity ("CRTI")	Completed, no issues	
Transaction Review Committee	Stage 1 completed June 9, 2014 Stage 2 completed June 11, 2014 Stage 3 completed June 18, 2014, cleared for presentation to the Board of Directors	
Economic Impact Analysis	Not required: In accordance with Ex-Im Bank's policies and procedures, a detailed economic impact analysis was not required or conducted for this Final Commitment because the Locomotives will not be used by the foreign buyer/end user in a dedicated manufacturing or mining capacity to produce a specific good (or to generate an airline service). Rather, the Locomotives will be used across Transnet's rail network.	

[3] Debt Service Coverage is below 1.0x for FYE 2012 because Transnet had a large amount of debt (R14.0 billion or $1.84 billion, consisting of domestic bonds, commercial paper and domestic and foreign loans) that came due during FY 2012, much of which was refinanced.

[4] The total value of the contract, including the portion of local cost not financed by Ex-Im Bank, is estimated to be $982 million.

What is New or Different?: Highlighted in the bullet points below are certain aspects related to this Final Commitment that are updated, new, or different since the most recent review of Transnet by the Board of Directors in June 2013:

- The OECD Participants negotiated a new "Rail Sector Understanding" that came into effect on January 1, 2014. Pursuant to the Rail Sector Understanding, Ex-Im Bank is now able to offer financing terms of up to fourteen (14) years for borrowers in Category II countries (such as South Africa). Previously, the maximum repayment term was limited to ten (10) years. The longer repayment term enables Ex-Im Bank to reduce the differential between the financing terms that Ex-Im Bank can offer and the repayment terms offered by non-OECD countries (such as China).

- As discussed in Section II – "Primary Source of Repayment" below and in Appendix A – "Review of Transnet's Operations and Financial Condition," Transnet continues to be in satisfactory financial condition. Sales, operating profit and EBITDA are up (in Rand terms) during fiscal year ("FY") 2013 (ended March 31, 2013) relative to FY 2012. In dollar terms, the financial metrics appear weaker, but this is due to the depreciation of the Rand against the U.S. Dollar during FY 2013 (from R7.6413 = $1.00 at March 31, 2012 to R10.5688 = $1.00 at March 31, 2013).

- The Rand has depreciated against the U.S. Dollar and currently stands at R10.5803 = $1.00 at June 9, 2014, compared to R9.9470 = $1.00 at June 10, 2013. The depreciation of the Rand against the U.S. Dollar does not adversely affect Transnet's ability to repay the Ex-Im Bank guaranteed loan, as all Ex-Im Bank supported financings for Transnet have been denominated in Rand (as will be the subject Final Commitment).

- (b) (4) [redacted]

- Transnet continues to implement its multi-year capital expenditure plan, pursuant to which Transnet is expected to spend more than R300 billion (approximately $30 billion) between FY 2013 and FY 2019. (b) (4) [redacted] Transnet signed contracts in March 2014 with (b) (4) [redacted] (i) GE 233 diesel locomotives; (b) (4) [redacted]

(b) (4) [redacted] electric locomotives. In terms of units, Chinese suppliers received 55.5% of the orders, while U.S. and Canadian suppliers received only 44.5%.

- If approved, this Final Commitment would be Ex-Im Bank's third financing for Transnet. Exposure to Transnet at May 31, 2014 was $161.1 million. Approval of this Final Commitment would increase exposure to $693.2 million. Repayment experience continues to be satisfactory with respect to the two prior Ex-Im Bank supported financings for Transnet.

Iran Sanctions: Pursuant to Section 18 *(Prohibition on Financing for Certain Persons Involved in Sanctionable Activities with Respect to Iran)* of the Export-Import Bank Reauthorization Action of 2012 (the "Reauthorization Act"):

(a) Transnet has made the certifications required by paragraph (a) *(Prohibition on Financing for Persons That Engaged in Certain Sanctionable Activities)* of Section 18 of the Reauthorization Act. The Special Purpose Company ("SPC"), as borrower, and the Guaranteed Lender, will make such certifications prior to the first disbursement under the transaction documents.

(b) Based on staff's due diligence, staff has determined that for purposes of paragraph (b) *(Prohibition on Financing)* of the Reauthorization Act, there is no controlling sponsor of Transnet or the SPC. Based on staff's due diligence, including representations and information received from Transnet, a review through the CRTI process of other companies known to be owned or controlled by Transnet, and comparison with the list of entities sanctioned under section 5(a) of the Iran Sanctions Act, neither Transnet nor any persons that are owned or controlled by Transnet, is subject to sanctions under section 5(a) of the Iran Sanctions Act.

Recommendation: Based on (i) the continued satisfactory financial condition of Transnet, (ii) a first priority security interest in the Locomotives, and (iii) Transnet's satisfactory repayment history with respect to the prior Ex-Im Bank supported financings (AP085322XX and AP085332XX), staff finds reasonable assurance of repayment and recommends approval of the Final Commitment, including local cost financing of up to 30% of the U.S. contract price, subject to NAC advice, Congressional notification and the Special Conditions attached as Appendix B.

II. Primary Source of Repayment – Transnet SOC Limited

The primary source of repayment will be Transnet. Transnet is a public company with the Government of the Republic of South Africa (the "GoSA") as its sole shareholder. As the operator and custodian of a major portion of South Africa's transportation infrastructure, Transnet's mandate is to assist in lowering the cost of doing business and to enable economic growth in South Africa.

Summary of Transnet: Transnet was formed in 1989. During the past several years, Transnet has transformed itself from a diversified conglomerate into a focused rail, port, and pipeline operator. Transnet's non-core assets and businesses have been sold, closed or transferred (the most notable of which is South African Airways, the disposal of which was completed in March 2007).

Transnet currently has five (5) core operating divisions: Transnet Freight Rail, Transnet Rail Engineering, Transnet National Ports Authority, Transnet Port Terminals, and Transnet Pipelines.

For its fiscal year ("FY") 2013, ended March 31, 2013, Transnet had total revenue of R50.19 billion ($5.51 billion), EBITDA of R21.05 billion ($2.31 billion), operating profit of R11.77 billion ($1.29 billion), net income of R4.34 billion ($477 million), total assets of R203.90 billion ($19.29 billion), and capital investments for the year of R27.5 billion ($3.02 billion). Table 2 summarizes Transnet's financial condition for the past six fiscal years.

Table 2 - Transnet Summary Financial Information (USD millions)	**FY 2008 31-Mar-08**	**FY 2009 31-Mar-09**	**FY 2010 31-Mar-10**	**FY 2011 31-Mar-11**	**FY 2012 31-Mar-12**	**FY 2013 31-Mar-13**
Total Revenue	3,944.9	3,880.6	4,342.2	5,384.9	6,360.8	5,512.8
Operating Profit (Loss)	1,181.5	972.8	1,014.5	1,217.2	1,458.8	1,293.1
Operating Margin (Loss) %	29.9%	25.1%	23.4%	22.6%	22.9%	23.5%
Net Income (Loss)	845.7	582.7	389.1	583.6	570.8	476.7
Net Margin (Loss) %	21.4%	15.0%	9.0%	10.8%	9.0%	8.6%
Total Current Assets	1,820.6	1,613.9	2,469.6	3,066.9	1,652.2	1,316.5
Total Non-Current Assets	10,599.3	11,040.6	16,543.2	21,535.1	21,642.9	17,975.7
Total Assets	12,419.9	12,654.4	19,012.8	24,602.0	23,295.1	19,292.3
Total Current Liabilities	2,456.3	1,815.1	2,110.7	3,054.7	2,452.2	1,930.1
Total Non-Current Liabilities	3,550.1	4,611.7	8,078.4	10,699.6	10,449.3	9,324.0
Total Liabilities	6,006.3	6,426.8	10,189.1	13,754.3	12,901.5	11,254.1
Total Equity	6,413.6	6,227.6	8,823.8	10,847.8	10,393.7	8,038.2
Total Liabilities + Equity	12,419.9	12,654.4	19,012.8	24,602.0	23,295.1	19,292.3
Total Liabilities to Net Worth	0.94	1.03	1.15	1.27	1.24	1.40
EBITDA	1,679.4	1,524.9	1,757.0	2,236.6	2,616.6	2,312.0
EBITDA Margin %	42.6%	39.3%	40.5%	41.5%	41.1%	41.9%
Debt Service Cover Ratio	0.98x	0.56x	0.95x	1.32x	0.88x	1.15x

Reviewed interim financial information for the six-month period ended September 30, 2013 shows continued strong performance. For the six months ended September 30, 2013, Transnet reported:

(i) total revenue of R28,461 million ($2.97 billion), up 14.3% (in ZAR terms) relative to the corresponding six-month period in FY 2012;

(ii) operating profit of R7,197 million ($752 million), up 39% (in ZAR terms) relative to the corresponding six-month period in FY 2012;

(iii) EBITDA of R12,035 million ($1.26 billion), an increase of 19.3% (in ZAR terms) relative to the corresponding six-month period in FY 2012; and

(iv) net profit of R2,853 million ($298 million), an increase of 71.2% (in ZAR terms) relative to the corresponding six-month period in FY 2012.

The strong performance for the first six months of FY 2014 is largely due to increased volume of rail traffic for minerals, as well as automotive and containers, increased port container volumes, and continued cost cutting and efficiency measures. Iron ore and manganese volumes transported were negatively affected by operational issues at key mines and tippler problems at ports. Steel and cement volumes were up due to increased demand from customers. Transport of agricultural goods was steady. Rail transport of automobiles and containers increased by 26% during the period, indicating that freight transport is continuing to shift from road to rail. Transnet's investment strategy, which has continued during the economic volatility of recent years, is having a positive impact on the Company's performance.

Full year FY 2014 (ended March 31, 2014) audited financial statements will be presented to the public later this summer. Appendix A contains a more detailed review of Transnet's operations and financial condition. Staff concludes that Transnet continues to be in satisfactory financial condition, with sufficient cash, profitable operations, low leverage, a strong shareholder and an experienced management team. Debt service cover (expressed as EBITDA/Debt Service) has at times been less than 1.0x (in particular in FY 2009 and FY 2012), but this is in part a reflection of the timing of the repayment of debt (domestic and international bonds). The most recent EBITDA/Debt Service ratio for FY 2013 was greater than 1.0x. Transnet has been generating increasing amounts of cash from operations (EBITDA) in Rand terms since FY 2009. In addition, Transnet has access to multiple sources of financing such that it has consistently been able to pay all its creditors, including Ex-Im Bank, with no difficulty.

Staff is confident that Transnet will be able to service the Ex-Im Bank guaranteed loan under the Final Commitment, as well as continue to service the guaranteed loans in connection with the two prior Ex-Im Bank supported financings.

III. Ex-Im Bank Experience and Exposure with Transnet

Ex-Im Bank has exposure to Transnet in connection with two prior transactions: (i) AP085322XX, a Rand-denominated guaranteed loan approved in February 2011 to support the export of [redacted] GE locomotive kits (the "2011 Transaction"), and (ii) AP085332XX, a Rand denominated guaranteed loan approved in June 2013 to finance the acquisition of [redacted] GE locomotive kits (the "2013 Transaction"). The amount disbursed on both transactions was the Rand equivalent of $227.9 million. Current outstanding exposure on May 31, 2014 was $161.1 million.

IV. Financing Structure

GESAT-Transnet Contract Structure: A schematic drawing of the contracts to be financed under the Final Commitment is shown below. GE South Africa Technologies ("GESAT") has two contracts, each denominated in ZAR, with Transnet SOC Ltd, acting through its operating division,

(b) (4)

[redacted]

The Guaranteed Lender will make one or more disbursements in ZAR. For the purposes of its own accounting records, Ex-Im Bank will convert the ZAR disbursement into USD using the "Authorized Exchange Rate". The Authorized Exchange Rate is the exchange rate in effect close to the date that the Board of Directors approves this Final Commitment. Please refer to Section V - "Key Features, Foreign Currency Guarantee" below for additional details.

The "On-Lending" Structure - Background: Beginning in 2006, Transnet initiated a multi-billion dollar capital expenditure program that continues today and is expected to continue through at least FY 2019. As part of its effort to diversify its sources of funding, Transnet, with Barclays as financial advisor, canvassed various export credit agencies about their financing terms. In 2007, Transnet and Barclays requested that Ex-Im Bank allow a claim payment to be made on an "installment-by-installment" basis in order to avoid having the entire remaining balance of the Guaranteed Loan "crystallize" into U.S. dollars in one lump sum.[5] As an entity that deals almost exclusively in Rand, Transnet was concerned that in the unlikely event of a default under the Guaranteed Loan, the entire outstanding balance under the guaranteed loan would crystallize into U.S. dollars at one time, which would likely exacerbate the crisis that led to the initial default. There was also concern as to how it would account for such a contingent liability in U.S. dollars. Barclays, as the expected guaranteed lender for the initial transaction, indicated that without the installment-by-installment method, it would have to charge higher fees to cover potential breakage costs in the event of a lump-sum claim payment that could cause Barclays to potentially incur breakage costs. Lastly, Transnet and Barclays were comparing the financing terms and flexibility of various export credit agencies and made it clear that the ability to provide Rand-denominated financing and the ability of an export credit agency to accommodate the installment-by-installment claim payment method would be important factors in deciding where to source equipment and services.

In light of Transnet's large and on-going capital expenditure plan, Ex-Im Bank wanted to ensure that U.S. exporters were not put at a competitive disadvantage.[6] Staff developed a financing structure to accommodate Transnet and Barclays' concerns that allowed Ex-Im Bank to pay a claim to the Guaranteed Lender on an installment-by-installment basis while maintaining all of Ex-Im Bank's remedies against Transnet (the "On-Lending Structure"). The On-Lending Structure has been fully vetted with Ex-Im Bank's U.S. and South African counsel, who concluded that the

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[5] Payment of a claim in a "lump sum" (i.e., payment of the missed installment as well as the remaining principal balance of the loan) is Ex-Im Bank's standard claim payment method for (i) floating interest rate USD guaranteed loans, (ii) floating interest rate foreign currency denominated guaranteed loans and (iii) fixed interest rate foreign currency guaranteed loans. At the time of claim payment, foreign currency-denominated guaranteed loans "crystallize" into USD at the spot rate in effect at the time of claim payment. Foreign currency and interest rate breakage costs incurred by the guaranteed lender as a result of receiving a lump-sum claim payment are <u>not</u> covered by the Ex-Im Bank guarantee. Claims under fixed interest rate USD-denominated guaranteed loan are paid by issuing a payment certificate to the guaranteed lender (effectively, the claim is paid on an installment-by-installment basis).

[6] Other export credit agencies were prepared to agree to pay any claims on an installment-by-installment basis.

structure adequately protects Ex-Im Bank. The On-Lending Structure was approved by the Board of Directors in connection with the approval of the 2011 Transaction and the 2013 Transaction.

Staff is proposing to replicate the same structure in connection with the current pending Final Commitment.

The "On-Lending" Structure - Mechanics: The On-Lending Structure effectively "bifurcates" the actions that Ex-Im Bank takes vis-à-vis the Guaranteed Lender and the actions that Ex-Im Bank takes vis-à-vis Transnet. The On-Lending Structure enables Ex-Im Bank to pay a claim to the Guaranteed Lender on an installment-by-installment basis (without issuing a Rand-denominated claim payment certificate)[7] and at the same time be able to exercise remedies against Transnet.

Under the On-Lending Structure, a special purpose company (the "SPC") will be created in a tax-neutral jurisdiction acceptable to Ex-Im Bank (in this case, South Africa). The SPC will be owned by a charitable trust. The SPC will not be owned by Transnet. The Guaranteed Lender will make a Rand-denominated loan (with a repayment term of up to 14 years, repayable in up to 56 quarterly installments) to the SPC to be guaranteed by Ex-Im Bank (the "Guaranteed Loan"). The SPC will on-lend the proceeds of the Guaranteed Loan to Transnet to purchase the locomotive kits from GE (the "On-Loan"). The On-Loan will be a Rand-denominated loan (with a repayment term of up to 14 years, repayable in up to 56 quarterly installments). Transnet will make quarterly loan payments to the SPC under the On-Loan and the SPC will make quarterly loan payments to the Guaranteed Lender under the Guaranteed Loan. Transnet's obligations to make repayments to the SPC under the On-Loan and to guarantee the SPC's obligations to Ex-Im Bank will be secured by a mortgage in favor of the SPC on the Locomotives. The SPC will assign its rights to this mortgage to Ex-Im Bank's security trustee.

A default by Transnet under the On-Loan from the SPC would result in a default by the SPC under the Guaranteed Loan from the Guaranteed Lender. The Guaranteed Lender would make installment-by-installment demands under the Ex-Im Bank Guarantee and Ex-Im Bank would pay the Guaranteed Lender installment-by-installment claim payments in accordance with the original payment schedule of the Guaranteed Loan (each, a "Claim Payment Installment").

Claim Payment Installments paid in Rand by Ex-Im Bank on behalf of the SPC to the Guaranteed Lender would crystallize into U.S. Dollars at the spot rate in effect at the time such Claim Payment Installment is paid and become a U.S. Dollar-denominated obligation of Transnet to Ex-Im Bank.

However, the repayment terms of the Guaranteed Loan between the Guaranteed Lender and the SPC would never change. The Guaranteed Lender would be assured that it would receive Rand-denominated payments under the Guaranteed Loan in accordance with the original payment schedule (such payment coming through the SPC with funds from either Transnet, in the ordinary course of the On-Loan, or from Ex-Im Bank, in the event of a payment default by Transnet under the On-Loan). According to the Guaranteed Lender in prior transactions, without the comfort of

[7] (b) (4) [redacted]

knowing that Ex-Im Bank would pay the claim on an installment-by-installment basis, the Guaranteed Lender would modify the terms of its financing to Transnet (i.e., charge a significantly higher fixed interest rate, require collateral, or force Transnet to restrict some amount on its lines of credit) in order to cover the potential breakage costs to the Guaranteed Lender.

As part of the security package, Ex-Im Bank or its security trustee will have a pledge of all the shares of the SPC. Therefore, upon payment of the first or any subsequent Claim Payment Installment to the Guaranteed Lender, Ex-Im Bank could (if necessary) exercise control over the SPC and thereafter have the benefit of all of the SPC's rights, title and interest in the On-Loan between the SPC and Transnet. Upon exercising control of the SPC, Ex-Im Bank would have complete control over (i) setting up a repayment schedule for the U.S. Dollar denominated Claim Payment Installment(s), (ii) restructuring the balance of the Rand-denominated On-Loan, and (iii) accelerating the balance of the Rand-denominated On-Loan (if necessary) in order to begin liquidation of the collateral or take some other action that required acceleration of the On-Loan. The Guaranteed Lender would not be involved in such actions, as it would not be a party to the On-Loan.

Claim Payment Installments paid by Ex-Im Bank on behalf of the SPC in Rand to the Guaranteed Lender would crystallize to U.S. Dollars at the spot rate in effect at the time of such Claim Payment Installment and become a U.S. Dollar-denominated obligation of Transnet to Ex-Im Bank.

In the unlikely event of an acceleration of the Rand-denominated On-Loan, the On-Loan would not crystallize into U.S. Dollars (as no claim payment would have been made on the remaining balance of the Rand-denominated Guaranteed Loan). Transnet would be obliged to repay Ex-Im Bank for any and all amounts that Ex-Im Bank pays to the Guaranteed Lender under the Guaranteed Loan, as well as costs to enforce, recover, etc.

The On-Lending Structure has been fully vetted with Ex-Im Bank's U.S. and South African counsel, who have concluded that the On-Lending Structure will adequately protect Ex-Im Bank. The On-Lending Structure has been successfully used in two prior Ex-Im Bank supported financings of GE locomotives for Transnet.

Please refer to Appendix B for the Special Condition and to Appendix C for a diagram of the On-Lending Structure.

Security: Ex-Im Bank will be secured by an exclusive first priority security interest in the Locomotives. To the extent possible under South African law, the Final Commitment will be cross-collateralized with the prior, and any future, locomotives that Ex-Im Bank has financed or may finance for Transnet, and the Locomotives financed under this Final Commitment will also secure the prior, and any future, Ex-Im Bank supported financings for Transnet.

V. Key Features

Asset-Backed: The Final Commitment is identified as "asset-backed" because Ex-Im Bank will be secured by a first priority security interest in the Locomotives.

Foreign Currency Guarantee: Disbursements under this Guaranteed Loan will be made in ZAR and converted to USD at the rate in effect close to the date that the Board of Directors approves this transaction.[8] The USD amounts on the APS cover page reflect the exchange rate of ZAR 10.5803 = $1.00, which was the exchange rate in effect on June 9, 2014 (or ZAR 1.00 = $0.0945153). Assuming that the Board of Directors takes favorable action in June and votes to refer this Final Commitment to Congress for the required Congressional Notification period, staff will amend the USD amounts on the APS cover page to reflect the exchange rate in effect immediately prior to presenting the Final Commitment to the Board of Directors for final action in late July 2014.

On-Lending Structure: Please refer to the discussion above.

Installment-by-Installment Claim Payment Method: As mentioned above, Ex-Im Bank agreed to make any claim payment in connection with any financing for Transnet on an "installment-by-installment" basis (rather than as a "lump-sum" payment) in order to avoid having the entire remaining balance of the Guaranteed Loan "crystallize" into U.S. dollars at one time. Only the installment for which a claim payment was made would "crystallize" into U.S. dollars. The remaining installment(s) would remain denominated in ZAR until such time that Transnet had defaulted on such remaining installment(s) and Ex-Im Bank had paid a claim on such remaining installment(s). After vetting Transnet and Barclays' request internally and with OMB, prior senior management of Ex-Im Bank agreed with Transnet in September 2007 that Ex-Im Bank would pay any claim on the ZAR-denominated, Ex-Im Bank Guaranteed Loan on an "installment-by-installment" method (but without the issuance of a "Payment Certificate").[9]

Based on the On-Lending Structure described above, staff recommends that the Board of Directors approve installment-by-installment demands and installment-by-installment claim payments under the Ex-Im Bank Guarantee (as opposed to requiring the Guaranteed Lender to make demand for the entire outstanding amount of the Guaranteed Loan and paying the claim in a single "lump-sum" payment) in connection with this pending South African Rand-denominated financing for Transnet for the following reasons:

(i) the likelihood of Ex-Im Bank actually having to pay a claim is relatively low given the creditworthiness of Transnet (i.e., Transnet is an investment grade credit in an investment grade country, as shown in Table A-9 on page A-19 for a summary of Transnet's and to GoSA's credit ratings);

[8] This is called the "Fixed Rate Method" for converting foreign currency disbursements (in this case, ZAR) to USD for foreign currency guaranteed loans <u>when the exporter's contract is denominated in foreign currency</u> (which is the case with respect to this transaction). The Fixed Rate Method is in contrast to the Floating Rate Method. The Floating Rate Method is used for Boeing's contracts, which are always denominated in U.S. Dollars. For Boeing transactions, the Board of Directors approves the U.S. Dollar amount and then that U.S. Dollar amount is converted into the foreign currency two days (or such other agreed period) prior to delivery of each aircraft <u>at the spot rate in effect two days (or such other agreed period) before each delivery</u>, subject to an overall cap (maximum amount) in the foreign currency.

[9] The "installment-by-installment" claim payment method is normally used only for U.S. dollar-denominated, fixed interest rate guaranteed loans.

(ii) any financial difficulty that Transnet might possibly experience is more likely to be caused by a temporary liquidity crisis (and not by insolvency);

(iii) it is likely that the Government of South Africa, as 100% shareholder of Transnet, would be willing to support Transnet financially during such a temporary liquidity crisis, given Transnet's importance to the economy of South Africa;

(iv) therefore, allowing demands and claim payments to be made under the Ex-Im Bank Guarantee on an installment-by-installment basis would reduce Ex-Im Bank's cash outflow (i.e., a claim payment of only one or two quarterly installments rather than the entire remaining balance outstanding under the Guaranteed Loan) and at the same time enable Transnet time to recover from such temporary liquidity crisis and avoid crystallizing the entire Rand-denominated Guaranteed Loan to U.S. dollars;

(v) staff believes that, in the unlikely event of a default by Transnet, and, following such default by Transnet, the Government of South Africa, as 100% shareholder of Transnet, were unable to support Transnet with additional liquidity, such events would signify that the economy of South Africa was in deep recession (or worse). In such case, the Rand would most likely be depreciating against the U.S. Dollar, and therefore, on an installment-by-installment basis, Ex-Im Bank would need progressively fewer U.S. Dollars to make each claim payment, which would also mean that the crystallized amount in U.S. Dollars would be lower and therefore increase the likelihood that Transnet would be able to repay such lower crystallized U.S. Dollar amounts once the economic crisis were over;

(vi) staff believes that the installment-by-installment claim payment method is consistent with the fundamental concept behind Ex-Im Bank's foreign currency guarantee program, that is, the amount in U.S. dollars that Ex-Im Bank pays to cover a claim under the guarantee of a foreign currency-denominated loan becomes the amount in U.S. dollars that the borrower is then required to repay Ex-Im Bank (plus interest and expenses);

(vii) after lengthy internal discussion and consultation with other U.S. Government agencies, Ex-Im Bank told Transnet in September 2007 that it would agree to offer the installment-by-installment claim payment method for a Rand-denominated guaranteed loan;

(viii) failure to continue to offer the installment-by-installment claim payment method for a Rand-denominated guaranteed loan would reflect unfavorably on Ex-Im Bank and could reduce the likelihood of future exports from U.S. manufacturers to Transnet and would put U.S. exporters at a competitive disadvantage relative to exporters from other countries whose export credit agencies have committed to pay a claim on an installment-by-installment basis;

(ix) this disadvantage to U.S. exporters would result from the fact that products purchased by Transnet from other countries could be financed either commercially or with the support of that country's export credit agency, whereas products purchased by Transnet from the United States would have to be financed commercially (or by Ex-Im Bank in U.S. dollars, which is less attractive to Transnet);

(x) Transnet projects spending Rand 300 billion (approximately $30 billion) on a capital expenditure program between FY 2013 and FY 2019, which could potentially result in hundreds of millions of dollars in additional U.S. exports to South Africa (and the thousands of related U.S. manufacturing jobs); and

(xi) South Africa is an important market for U.S. exports in sub-Saharan Africa as evidenced by the fact that it is one of Ex-Im Bank's nine (9) "focus" markets.

Federal Register Notice: Because this Final Commitment exceeds $100 million of guaranteed financing, this Final Commitment is subject to the Federal Register notice and comment procedures. The Federal Register Notice was published on June 19, 2014 and will expire on July 14, 2014. All comments received, if any, will be summarized in a supplemental memorandum to be distributed following the end of the notice and comment period. Full comments will be made available to the members of the Board of Directors (see K:\Public Notice Comments\AP088827XX).

Up to 30% Local Cost Financing: Because of the requirements imposed upon GE by the GoSA in order to win the contract sale (and the large potential for follow on sales), GE had to structure the contract such that a significant amount of work would be done in South Africa, by local labor, which in this transaction, is Transnet Rail Engineering. The Engineering and Environment Division is reviewing the contract related to the local cost portion of the transaction. The Policy and Planning Division notified the other OECD members on June 13, 2014 that Ex-Im Bank was considering local cost financing in excess of 15%. The 10-day notification period will expire on June 23, 2014. Staff does not expect any comments from other export credit agencies.

VI. Credit Strengths, Weaknesses and Uncertainties, OECD Premium, and Budget Cost Level

Credit Strengths, Weaknesses and Uncertainties: The strengths, weaknesses and uncertainties of the Final Commitment are set forth below:

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

[11] Local currency ratings for Transnet are relevant given that the Guaranteed Loan will be denominated in Rand.

(b) (4), (b) (5)

[redacted]

VII. Justification of Ex-Im Bank Support

Foreign Competition and an On-Going "Level Playing Field": GE's main, non-U.S. competition for the sale of locomotives to Transnet is China and the support that Chinese locomotive manufacturers receive from the Chinese export credit agencies and other Chinese government "policy" banks. During a meeting of the "BRICS" (i.e., Brazil, Russia, India, China, and South Africa) hosted in March 2013 by South Africa, China Development Bank signed a $5 billion Memorandum of Understanding with South Africa to help finance upgrades and improvements to

[12] For an OECD country risk classification of 3 (such as South Africa, which has foreign currency ratings of

(b) (4)

[redacted]

[redacted]

GE won half the order and was awarded a contract for [redacted] Locomotives. The other half of the order (232 locomotives) was awarded to China CNR Corporation Limited ("CNR"), a state-owned manufacturer of locomotives and rolling stock in China. Transnet indicated that China [redacted]

The photograph below, which was published on March 18, 2014 in Business Day Live, a South African business newspaper, shows Transnet Group CEO Brian Molefe celebrating a signing of a contract with CSR Corporation for [redacted] electric locomotives (as evidenced by the champagne glasses in the lower right-hand corner).

[13] Bombardier was awarded a contract for [redacted] electric locomotives. Of the total tender worth approximately [redacted] Transnet awarded the contracts as follows: GE: [redacted] diesel locomotives; [redacted] locomotives. In terms of units, GE and Bombardier received 44.4% while the two Chinese suppliers received 55.6% of the total locomotives purchased.

On the application form, Transnet indicated that the reason Ex-Im Bank support is needed is to diversify its sources of funding for its large, multi-year capital expenditure program. This is the "competition/level the playing field" argument for additionality seen from the vantage point of the buyer. Transnet is procuring goods and services for each of its operating divisions (rail, pipelines, ports, etc.) from manufacturers located all over the world. As one of the largest and most important companies in South Africa, Transnet is able to access commercial financing (commercial bank loans, medium-term bonds, etc.) to supplement its own funds generated from on-going operations. Nevertheless, the capital expenditure plan is very large and has been underway since 2006 and is expected to continue until at least 2019.

U.S. exporters must not be put at a disadvantage vis-à-vis suppliers from other countries (both OECD and non-OECD) whose export credit agencies are willing to provide financing support to Transnet. To date, several export credit agencies have provided financing for Transnet, including Finnvera in Finland, Astradius in the Netherlands, JBIC in Japan and EDC in Canada.

To the extent that Transnet can finance the goods produced by a given manufacturer (for example, GE) with as many sources of financing as possible, (e.g., internal cash resources, commercial loans, bonds, development bank loans, and export credit agency guaranteed loans), Transnet is more likely to purchase products (or purchase more products) from that supplier. Therefore, if Transnet is confident that Ex-Im Bank support is likely to be available to supplement its other sources of financing, Transnet is more likely to be willing to purchase goods and services from manufacturers in the United States.

Staff believes that Ex-Im Bank approval of the Final Commitment will further demonstrate to Transnet that Ex-Im Bank support is available to support Transnet's acquisition of U.S.-manufactured Locomotives (and other equipment). This financing for Transnet also fulfills Ex-Im Bank's objective to finance more U.S. exports to borrowers in sub-Saharan Africa.

Impact on U.S. Jobs: The Locomotive Kits will be manufactured by GE at its production facility in Erie, Pennsylvania. It is estimated that this Final Commitment will support 2,500 jobs. GE employs approximately (b) (4) [redacted] workers at its Erie plant and approximately (b) (4) [redacted] workers at its Grove City, Pennsylvania plant. In addition to its facilities in Pennsylvania, GE completed a new manufacturing facility in Fort Worth, Texas during the second half of 2012, which began manufacturing for the U.S. market during 2013.

VIII. Collateral Analysis

As previously mentioned, Ex-Im Bank will have a first priority security interest in the Locomotives. The future value of the Locomotives is difficult to establish because of (i) they are highly customized, (ii) their use is limited to South Africa, and (iii) there is no extensive re-sale market. Nevertheless, it is beneficial to have the first priority security interest in the Locomotives because (i) the Locomotives will be "core" to Transnet's fleet as they will be among the most modern and efficient Locomotives in Transnet's fleet, and (ii) the security interest in the Locomotives provides leverage in any discussions with Transnet in the event of a default or restructuring.

As discussed above, the unsecured risk rating of Transnet has not been improved as a result of the security in the Locomotives.

IX. Country and Sector Exposure

Appendix G contains a summary of Ex-Im Bank's exposure in South Africa, which as of May 31, 2014, was approximately $1.1 billion, consisting mainly of exposure to Eskom, Transnet and Comair.

Table 4 – Summary of Ex-Im Bank Exposure with respect to Locomotives		
Railroad	**Country**	**Exposure at 05/31/14 (millions)**
Ferromex	Mexico	35.0
Ferrosur	Mexico	31.8
MRS Logistica	Brazil	43.3
Ferrocarril Transandino	Peru	4.1
Iron Ore Company of Canada (locomotives and rail cars only)	Canada	25.6
Kazakhstan Temir Zholy (KTZ)	Kazakhstan	372.6
Turkish National Railway (TCDD) (sovereign)	Turkey	24.0
Transnet	South Africa	161.1
PTKA	Indonesia	94.3
Total		**$791.8**
Pending Final Commitment Transnet		523.1
Total including pending Transnet transaction		**$1,314.9**

Ex-Im Bank's exposure with respect to the financing of locomotives and rail cars was approximately $791.8 million (excluding the pending Final Commitment for Transnet) as of May 31, 2014 (refer to Table 4). This figure does not include the pending final commitment in the amount of $523.1 million for Transnet, which, if approved, would bring Ex-Im Bank's total exposure for locomotives and railcars to approximately $1,314.9 million.

IX. Engineering Evaluation

The Engineering and Environment Division is currently evaluating the GESAT-Transnet transaction. A complete Engineering Memorandum will be attached to the supplemental memo that will be submitted to the Board of Directors prior to the presentation of this Final Commitment to the Board of Directors for final action. A partial information package was submitted along with the application. The package includes two partial contracts covering [redacted] locomotives. The first contract is an addendum to a contract for [redacted] ocomotives. The original [redacted] ocomotives were financed by Ex-Im Bank and the [redacted] Additional Locomotives are Class 43 C30ACi diesel locomotives that are similar to the previous [redacted] locomotives that Ex-Im Bank financed for Transnet in 2011 and 2013. The remaining [redacted] Locomotives are expected to be ES40ACi locomotives, and the final specifications and content information for the [redacted] Locomotives are forthcoming. A complete package will be gathered and evaluated during the 35-day Congressional notification period. Accordingly, the numbers used in the APS cover page are preliminary and subject to further refinement based on the completion of due diligence by the Engineering and Environment Division.

Notwithstanding the fact that the Engineering and Environment Division has not yet concluded its due diligence, the Engineering and Environment Division has no technical or environmental objections to this Final Commitment being referred to Congress for the required notification period for the following reasons:

(i) the Class 43 GE C30ACi diesel locomotives to be financed under this Final Commitment have been reviewed by the Engineering Division in connection with the two prior Ex-Im Bank supported financings for Transnet, while the GE Evolution Series locomotives to be financed under this Final Commitment have been reviewed by the Engineering and Environment Division in connection with other Ex-Im Bank supported locomotive transactions (e.g., KTZ, Ferrosur);

(ii) prior transactions with Transnet have received a technical risk rating of "B Medium" indicating that the transaction poses average technical risk due to the required local supplier development criteria within the contracts;

(iii) the project is classified as an environmental category C – exempt from Environmental Review due to the mobile nature of the equipment and that no sensitive sites are expected to be impacted by the transaction; and

(iv) the Engineering and Environment Division will confirm the contract structure and absence of technical issues prior to the Board's final action.

X. Appendices

Appendix A - Review of Transnet's Operations and Financial Condition and Long-Term Risk Scoring Sheet
Appendix B - Special Conditions AP088827XX
Appendix C - On-Lending Structure
Appendix D - OECD Premium (Exposure Fee) Printout
Appendix E - Engineering and Environment Memorandum
(to be provided prior during the Congressional notification period)
Appendix F - South Africa: Regulatory Framework, Legal Strengths, Weaknesses and Uncertainties
Appendix G - Country Exposure Summary - South Africa

TRANSNET SOC LIMITED

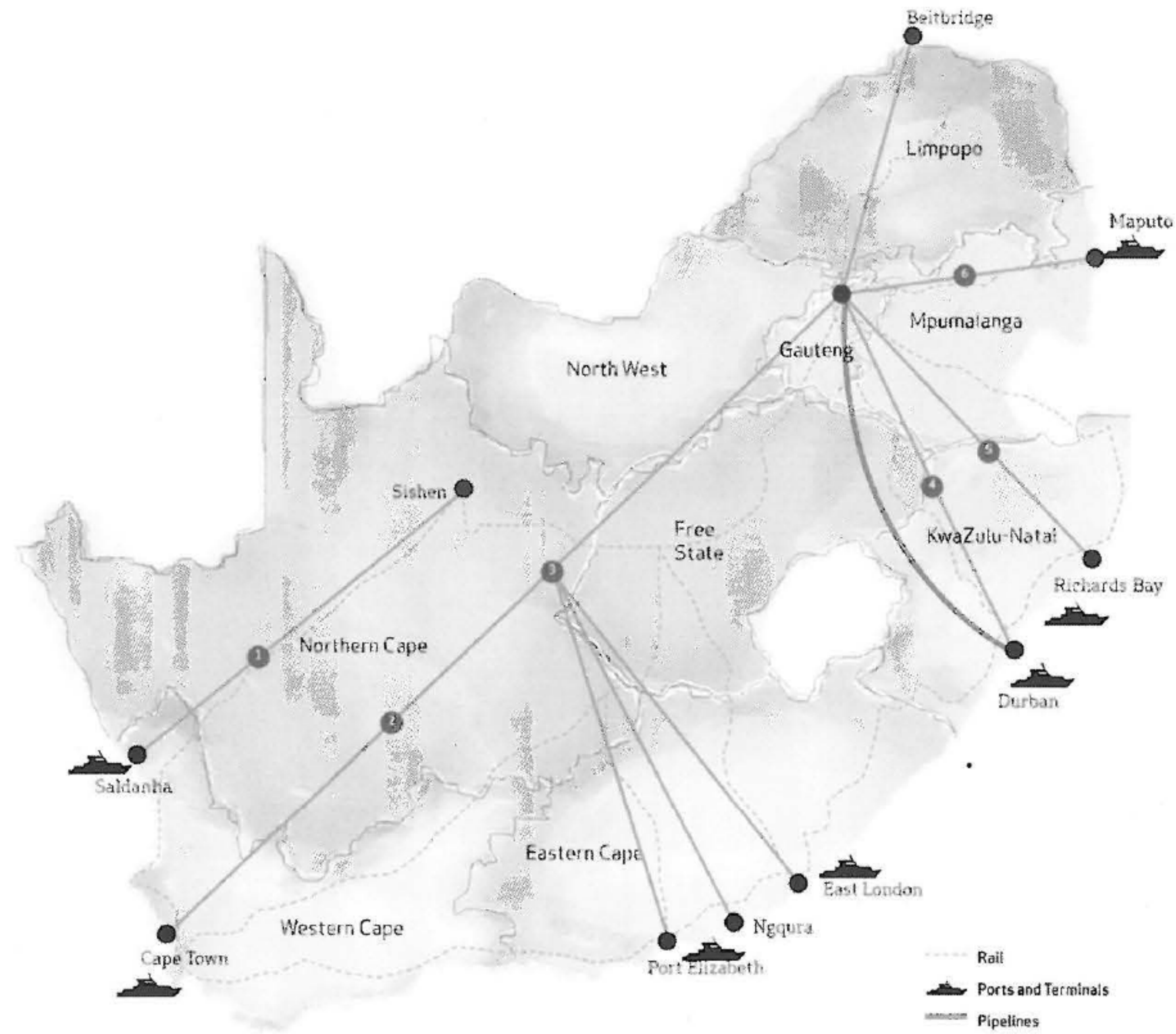
BACKGROUND

Ownership, History and Strategic Plan: Transnet SOC Limited ("Transnet" or the "Company") is a public company with the Government of the Republic of South Africa (the "GoSA") as its sole shareholder. As the operator and custodian of a major portion of South Africa's transportation infrastructure, Transnet's mandate is to assist in lowering the cost of doing business and to enable economic growth in South Africa. Transnet does not receive public subsidies from the GoSA. Transnet's borrowings are based on the strength of its own balance sheet. Transnet is required to earn an appropriate return on assets that will allow it to maintain and expand South Africa's rail, port, and pipeline infrastructure that it owns and operates.

Transnet was formed in 1989 as a result of the transfer of the commercial enterprise of the South African Transport Services to Transnet as South Africa's railway, harbor, road transport, aviation and pipeline operator. After sustaining a large loss during FY 2004 (ended March 31, 2004) of South African Rand ("ZAR" or "R") R6.33 billion (approximately $1 billion at then-current exchange rates), Transnet developed a Turnaround Plan in August 2004 to stabilize the business and set the stage for future growth. The Turnaround Plan was to (i) focus on core business units, (ii) divest non-core businesses, (iii) improve operating efficiency, (iv) establish high standards of corporate governance, (v) develop its human resources more effectively, and (vi) transform the corporate culture.

With the successful implementation of the Turnaround Plan underway, Transnet approved the Growth Strategy in August 2007, which was designed to build on the success of the Turnaround Plan. The objectives of the Growth Strategy included (i) improved financial and risk management, (ii) more effective human resources development, and (iii) improved efficiency of operations and safety. The "Quantum Leap" strategy, launched in FY 2010, was designed to accelerate the rate of improvement and achieve sizeable improvements in key performance indicators across all its divisions.

In January 2012, Transnet launched its Market Demand Strategy with a planned investment of R300 billion (approximately $30 billion) over seven years starting with FY 2013 (beginning April 1, 2012). It is anticipated that Transnet will fund approximately 70% of the R 300 billion (i.e., R210 billion or approximately $21 billion) from internally generated funds and approximately 30% (i.e., R90 billion or approximately $9 billion) from debt. The R300 billion to be spent under the Market Demand Strategy is intended to result in (i) a modal shift of freight traffic from road to rail, thereby lowering South Africa's carbon emissions, (ii) job creation in South Africa, (iii) growth of the mineral and mining sectors, (iv) increased localization and Black Economic Empowerment, and (v) successful positioning of South Africa as a regional trans-shipment hub for sub-Saharan Africa, thereby contributing to economic integration with other economies in southern Africa.



During the past several fiscal years, Transnet has transformed itself from a diversified conglomerate into a focused rail, port, and pipeline operator. Transnet's non-core assets and businesses have been sold, closed or transferred (the most notable of which is South African Airways, which was spun off as a separate company). Transnet also disposed of assets related to passenger rail services, telecommunications, pension fund management, fleet management, and housing loans, leaving Transnet with five (5) core operating divisions.

Five (5) Core Operating Divisions of Transnet: Each of Transnet's five (5) core operating divisions (e.g., freight rail, rail engineering, port authority, ports operations, and pipelines) is described below. Transnet's operating divisions are not separate legal entities.

Transnet Freight Rail
Transnet Freight Rail ("Transnet Freight Rail" or "TFR") transports bulk and containerized freight along its approximately 20,500 kilometer rail network, 1,500 kilometers of which comprise heavy haul export lines. During FY 2013 (ended March 31, 2013), Transnet Freight Rail transported approximately 207.7 million tons ("mt") of freight for export and domestic

customers, representing a 3.3% increase compared to FY 2012 and the highest amount of tonnage that TFR has ever transported.

During FY 2013, in an attempt to grow volume and to improve customer satisfaction, TFR changed its operating model to be more customer oriented while continuing to modernize its operations. During FY 2013, tonnage carried was up across all product lines (e.g., general freight, iron ore, manganese, chrome, coal, other minerals, automotive, etc.) except steel and cement and agriculture and bulk, mainly due to reduced production in these sectors.

Table A-1
Transnet Freight Rail's Revenue by Source

ZAR million	Mar. 31 2009	Mar. 31 2010	Mar. 31 2011	Mar. 31 2012	Mar. 31 2013
Total Revenue	18,683	20,825	22,607	27,658	31,797
General Freight	11,852	11,903	13,364	15,660	17,125
Export Coal	4,332	5,624	5,632	7,629	8,610
Export Iron Ore	1,740	2,216	2,669	3,440	4,181
Other	759	1,082	942	929	1,881

For FY 2013 (ended March 31, 2013), TFR had total revenue of R31,797 million, an increase of 15.0% compared to FY 2012. TFR's revenue growth is reflected by that fact that TFR's revenue for FY 2013 nearly equaled Transnet's total revenue (i.e., across all five operating divisions) for FY 2009 (just five years earlier).

As of March 31, 2013, Transnet Freight Rail operated 2,255 locomotives with an average age of approximately 25 years and 71,036 wagons with an average age of approximately 31 years. The average age of a locomotive in TFR's fleet has decreased from 37 years to 25 years as a result of investing in new locomotives and the retiring of older locomotives.

As shown on the map on page A-2, Transnet Freight Rail's business can be divided into three parts:

(i) the Export Coal Line (which runs from Gauteng Province to Richards Bay on the Indian Ocean) - customers on the Export Coal Line include exporters and producers situated in the Mpumalanga coal field to the Port of Richards Bay such as BHP Billiton, Anglo American and Xstrata;

(ii) General Freight business (which encompasses mainly manufacturing, mining, agricultural and containerized products and runs from the coastal ports of Cape Town, Port Elizabeth, Ngqura, East London, Richards Bay, Durban and Maputo (Mozambique) to Johannesburg and Gauteng Province) – customers for General Freight include ArcelorMittal, Eskom, Assmang, Samancor Manganese, Foskor, Afrisam, Sasol, Highveld Steel and Samancor Chrome; and

(iii) the Export Iron Ore Line (which runs from Sishen in the Northern Cape Province to the port of Saldanha on the Atlantic coast) – Kumba and Assmang are the two main customers for the Export Iron Ore Line.

Export coal volume was up during FY 2013 compared to FY 2012. TFR transported 69.2 mt during FY 2013, up 2.2% from 67.7 mt transported during FY 2012. The improvement in export coal volumes reversed a period of stagnating coal volumes that had continued for the preceding five years. Transnet forecasts show projected increases in the volume of export coal to be carried through 2020, with a compound average growth rate ("CAGR") of 4.0% between FY 2014 and FY 2020.

General freight volume increased by 2.0% to 82.6 mt transported during FY 2013, compared to 81.0 mt transported during FY 2012. General freight represents approximately 53.9% of all revenue generated by Transnet Freight Rail (refer to Table A-1 above). TFR increased the number of "containers on rail" as part of its Growth Strategy to shift general freight from road to rail,

Export iron ore volume was up by 6.9% during FY 2013 to 55.9 mts, compared to 52.3 mts during FY 2012. Capital expenditures and substantial improvements to operating efficiency were implemented in collaboration with customers to ramp up volume. (b) (4) [redacted]

Transnet Rail Engineering

Transnet Rail Engineering ("Transnet Rail Engineering" or "TRE") provides services ranging from refurbishment, conversion and upgrades, to the manufacturing and assembly of rail-related rolling stock. TRE operates six plants in South Africa – Salt River, Uitenhage, Bloemfontein, Durban, Germiston and Koedoespoort. TRE will perform the final assembly of the GE locomotive kits and has requested up to 30% of the U.S. contract price in local costs financing. Most of TRE's revenue is generated from providing services to Transnet Freight Rail and to the Passenger Rail Agency of South Africa (a separate state-owned company that provides passenger rail service within South Africa that was spun off several years ago).

Transnet National Ports Authority

Transnet National Ports Authority ("Transnet National Ports Authority" or "TPNA") owns and operates the eight (8) national ports of South Africa. The eight (8) ports of South Africa are (from west to east along South Africa's coast) Saldanha, Cape Town and Mossel Bay in the Western Cape Province, Port Elizabeth, Ngqura and East London in the Eastern Cape Province, and Durban and Richard's Bay in Kwazulu-Natal Province. The business is divided into two service segments: (i) the provision of port infrastructure and (ii) maritime services. Port infrastructure consists of five segments: containers, dry bulk, liquid bulk, break-bulk and automotive. Maritime services include dredging, navigation aids, ship repair and marine operations.

Transnet Port Terminals

Transnet Port Terminals ("Transnet Port Terminals" or "TPT") manages 16 cargo terminals situated in seven (7) ports of South Africa. TPT provides cargo handling services for various customers including shipping lines, freight forwarders and cargo owners. Operations are divided into major market segments, including container, bulk, break-bulk and automotive cargo.

Transnet Pipelines
Transnet Pipelines ("Transnet Pipelines" or "TP") transports a range of petroleum products and gas through 3,000 kilometers of underground pipelines through five provinces. Revenue is generated from the transport of crude oil, aviation fuel, refined and synthetic fuel and gas.

Table A-2 below shows several key financial metrics of Transnet as a whole and for each of its five main operating divisions.[1] Transnet Freight Rail represents a significant portion of

Table A-2
Segment Information FY 2013 (at March 31, 2013)
Financial Highlights of Transnet and its Operating Divisions

ZAR million	Transnet Limited TOTAL	Transnet Freight Rail	Transnet Rail Engineering	Transnet National Ports Authority	Transnet Port Terminals	Transnet Pipelines
Total Revenue	50,194	31,797	13,063	8,328	7,424	2,829
EBITDA	21,051	12,962	1,474	5,586	1,996	2,164
Profit before Tax	6,320	5,070	1,022	2,705	218	1,273
Total Assets	203,896	70,844	9,820	63,681	16,249	19,458
Capital Investments	27,471	18,277	1,315	1,698	2,208	2,799
No. of Employees	(b) (4) [redacted]					

Transnet's total revenue and EBITDA. Transnet Freight Rail and Transnet National Ports Authority comprise approximately equal percentages of Transnet's total assets. The importance of Transnet Freight Rail within Transnet is also demonstrated by the fact that approximately two-thirds of Transnet's total capital investment expenditure during FY 2013 (of R27.5 billion) was spent on improving Transnet Freight Rail's operations and productivity.

GENERAL RISK FACTORS

1. **Country Risk – South Africa** *(provided by the Country Risk and Economic Analysis Division)*

A. Sovereign Rating: *BCL* (b) (4) [redacted]

Current Situation South Africa has the second largest and most sophisticated economy in sub-Saharan Africa. However, remnants of the apartheid era remain leaving the country divided with one segment that compares favorably to an advanced economy and another that reflects a developing market. In 2013, GDP advanced 2.0%, which was below the relatively steady 20-year trend of approximately 3.3% real GDP growth. The modest increase in GDP, which lagged peers, is a cause for concern given that South Africa's economy faces (i) a significant infrastructure deficit compared to more mature markets, (ii) high rates of unemployment and poverty, (iii) relatively low educational attainment, and (iv) severe income inequality. Moreover,

[1] The five operating divisions do not equal the figures in the column entitled "Transnet Limited TOTAL" as a result of other segment information, corporate headquarters functions and elimination of inter-divisional transactions.

South Africa has only been able to realize small improvements in GDP despite running fiscal and current account deficits since 2009 following the global financial crisis. Policy makers claim they will follow the framework set out by the National Development Plan ("NDP") to target spending on structural reforms, but failure to implement changes in the past and political divisions on the issue have left reform far from guaranteed.

Despite these weaknesses in South Africa's economy, the county also boasts considerable strengths. For instance, South Africa has a deep and highly sophisticated financial sector. Banks are sound, and credit is much more widely available than in the majority of sub-Saharan African markets. Additionally, South Africa is endowed with considerable natural resource wealth with large deposits of platinum, iron ore, coal, and gold. Its strong banking system and mineral wealth, combined with its relatively stable political environment, have enabled it to attract considerable foreign direct investment. In 2012, South Africa lagged only Mozambique, which is undergoing a resource discovery boom, and Nigeria, sub-Saharan Africa's largest oil producer, in direct investment inflows.

The African National Congress ("ANC"), the party of Nelson Mandela, has monopolized the political realm for a generation, and though divisions are growing, the party has not lost its dominant position. In the May 2014 national election, the ANC solidified its hold on politics and secured another election. The president, Jacob Zuma, has battled criticism for his ineffectiveness and indecision; however, he has not compromised his standing and remains the ANC's leader and South Africa's president.

Trend and Outlook: The medium term economic outlook is relatively favorable, however, a contraction in global capital flows will continue to dampen investment and exacerbate external vulnerabilities in the short run. GDP growth should advance in the range of 2.0% to 3.0% guided by adherence to the NDP. Unemployment will remain high at roughly 26.0% and inflation should moderate to roughly 5.5%.

Strikes in the mining sector will weigh on the economy in the short-run impairing GDP growth and foreign exchange earnings, but over the medium term the mining sector is expected to rebound and may even make productivity gains as companies begin to replace manual labor with mechanization.

Public policy is not likely to change appreciably in the wake of the election. President Zuma and the ANC are expected to continue to pursue reforms to tackle structural rigidities and follow a moderate agenda.

Key elements to watch over the next year include:

1. Strikes and/or unrest arising from poor employment conditions particularly in mining, unemployment, and inequality
2. Capital flow fluctuations
3. Performance of the Rand
4. Taming deficits

Basic Data 2013:

Size	Slightly less than twice the size of Texas
Population	50.5 million
GDP	$336 billion
GDP Per Capita	$6,768
Gini Coefficient	63.1
Exports/GDP Ratio	27.8%
Debt/Exports Ratio	119.9%
Debt Service Ratio	6.6%
Literacy	93%
Life Expectancy	55 years at birth
U.S. Exports	$7.3 billion
% Financed by EIB	3.49% (2011 - 2013)
Amount Financed by EIB	$257.1 million (2011 - 2013, annual average)
U.S. Imports	$8.5 billion
Current Exposure	$1.1 billion (May 2014)
Doing Business Rank	41 (2014) of 189 and 41 (2013) of 189
WEF Competitiveness Rank	53 (2014) of 148 and 52 (2013) of 144

Exchange Rate/ Inflation comparison

Year ending 12/31	2011	2012	2013
Inflation (CPI)	5.0%	5.6%	5.8%
Rand/US$	7.26	8.21	9.67
% Change in amount of Rand needed to buy USD*	-0.8	13.1	17.8

Source: IIF.
All figures are annual averages.
*A positive number denotes depreciation of the local currency against the U.S. Dollar and a negative number denotes appreciation of the local currency against the U.S. Dollar.

B. Non-sovereign/Private Sector Rating: *BCL* (b) (4) [redacted]

Rating Factor	Summary Discussion
Vulnerability to Foreign Exchange Crisis	The greatest threat of a foreign exchange crisis arises from the current account deficit, which is expected to average 5.8% of GDP between 2013 and 2014. With the merchandise trade balance turning negative and the services deficit growing, the need for external financing will increase. The Rand is not expected to depreciate greatly as consistent demand for South Africa's export commodities should help buoy the currency.
The Banking System	South Africa has a sound, market-oriented banking system. Total banking assets of rated commercial banks approach $400 billion, or about 100% of GDP. The system is dominated by five banks—Standard Bank of South Africa, Absa Bank Limited, Nedbank Limited, FirstRand Bank, and Investec Bank

	Limited, whose combined assets account for over 90% of total banking assets. The banking system's strengths include strong franchises, strong capital equity ratio, insulation from international exposure, and a well-regulated financial sector with a sound legal infrastructure. Downside risks include high concentration of short-term maturities, credit risk arising from high consumer indebtedness and high unemployment, limited diversification, and government pressure to reduce bank fees, which would hurt profitability. Currently, South Africa lacks a deposit insurance scheme. Discussions to implement a guarantee network have not led to any substantial progress. Pushback from retail banks consistently appears to scuttle efforts to create a deposit insurance scheme.
The Legal System	South Africa has a highly developed legal system with clear commercial laws and few restrictions for foreign investors. It runs efficiently and cases are dealt with in a timely manner. According to the State Department, "South Africa applies its commercial and bankruptcy laws with consistency and has an independent, objective court system for enforcing property and contractual rights." The legal system is based on Roman-Dutch law, and reflects both this and British colonial influence. Commercial laws are similar to English law, and intellectual property rights are well-protected. Additionally, the system is regarded as relatively transparent. South Africa ranks 82nd and 84th in contract enforcement and insolvency resolution in the World Bank's 2013 Doing Business Index. Notably, laws are not subject to interpretation by court justices; instead, they must strictly follow the intent of Parliamentary law. South Africa is a member of the New York Convention, but not of the International Center for the Settlement of Investment Disputes (ICSID).
Foreign Exchange Availability	The principal concerns regarding foreign exchange availability in South Africa is the country's relatively modest exports-to-GDP ratio and controls placed on foreign exchange. A relatively strong Rand and competitiveness issues have contributed to South Africa's decline in its export sector. Exports-to-GDP are expected to average 32% between 2013 and 2014. South Africa has experienced a worsening trade balance since 2010 with commodity producers doing relatively well, while manufacturing producers have suffered. The difference, in part, reflects structural factors including comparatively weak skills, poor transportation infrastructure, and weak adoption of technology that prevent the manufacturing industry from being more productive. Foreign currency controls limit foreign exchange

	availability as well. Restrictions on capital transactions for residents were put in place during South Africa's apartheid regime. These restrictions are easing, however, and residents' ability to move capital abroad has expanded. Although controls place a potential burden, they have not, historically, been much of a hindrance. The Government of South Africa ("GoSA") is also accumulating a cushion of reserves. Compared to similar countries, its reserve base is relatively small, estimated at 4.3 months of import cover in 2012. The GoSA maintains it is a prudent level given the fact that the lion's share of external debt is denominated in Rand.
Business Climate	South Africa is among the easiest places to do business in Africa, ranking 39th out of 183 countries in the World Bank's Doing Business Index for 2013. Fiscally, the GoSA maintains prudent policies that constrain high inflation and deficit spending. Additionally, the country has a well-developed stock market, which is capitalized at over 200% of GDP. The relatively high literacy rates reflect a degree of human capital unique among sub-Saharan African countries, as does the level of infrastructure. As an upper middle-income country though, South Africa lags behind its counterparts in transportation and power. The road network does not sufficiently service its population, although recent improvements generated from infrastructure projects leading up to the 2010 World Cup have helped. The power sector's inability to provide electricity without brownouts hampers business activity as well. Somewhat inconsistent contract enforcement, labor unrest from high unemployment, and corruption are also hurdles businesses must face.

2. Industry Risk/Competitive Position: *BCL* (b) (4) [redacted]

As the monopoly owner and operator of the transport infrastructure in South Africa, Transnet does not have competition from other infrastructure providers. At the current time, there is no discussion about allowing other users of freight rail, ports or pipelines to operate on or use the network owned by Transnet. Volume throughput on Transnet's rail network and Transnet's other operations are vulnerable to a decline in usage of the infrastructure network as a result of economic recession or political instability.

Transnet Freight Rail does compete with trucking. Trucking has an advantage over rail transport of freight in urban areas and in rural areas of the country, where the shorter length of average haul (less than 150 kilometers) and the lack of sidings to load and offload traffic onto the rail network place rail transport at a competitive disadvantage. According to Transnet and the most recent available data, Transnet had approximately 21.5% of the market in 2012 in terms of the percentage of TEUs transported. Its objective is to increase that market share to approximately 35% by 2019.

TFR also competes indirectly with other railroads in other countries in that TFR's main customers are large mining conglomerates with operations in other countries. To the extent that TFR's costs and quality of service are not comparable with that provided by railroads located in other countries, such mining conglomerates can decide to source raw materials from other countries rather than from South Africa.

The Industry Risk/Competitive Position rating of BCL [redacted] is supported by the following:

- Transnet's monopoly position as the sole operator of the transportation infrastructure in South Africa;
- The likelihood that Transnet will enjoy its current monopoly position for the foreseeable future;
- The assumption that the regulatory environment will not become overly burdensome; and
- The expectation that Transnet will be able to improve the productivity and efficiency of its operations in order to remain competitive with other countries.

RISK FACTORS SPECIFIC TO THE PRIMARY SOURCE OF REPAYMENT

Transnet provided consolidated financial statements for fiscal years ("FY") ended March 31, 2009, 2010, 2011, 2012, and 2013 prepared in ZAR in accordance with international financial reporting standards ("IFRS"). The financial statements for FY 2009 through FY 2012 were audited by Deloitte and Touche, and the financial statements for FY 2013 were audited by SizweNtsalubaGobodo Inc. (a South African auditing firm). An unqualified opinion was provided for each year's financial statements. Transnet also provided reviewed interim financial information for the six months ended September 30, 2013, as well as detailed information regarding its capital expenditure program, growth strategy, and several presentations.

1. Operating Performance: *BCL* [redacted]

Table A-3 Operating Performance ZAR Millions	**Mar. 31 2009**	**Mar. 31 2010**	**Mar. 31 2011**	**Mar. 31 2012**	**Mar. 31 2013**	**6 mos to Sept. 30 2013**
Revenues	33,592	35,610	37,952	45,900	50,194	28,461
Revenue Growth (%)	11.6%	6.0%	6.6%	20.9%	9.4%	14.3%[2]
Operating Profit	8,421	8,320	8,579	10,527	11,774	7,197[3]
Operating Profit Margin (%)	25.1%	23.4%	22.6%	22.9%	23.5%	26.3%

[2] This increase is relative to revenue of R 24,909 million for the corresponding 6-month interim period in 2012.

[3] Operating profit of R7,197 million ($752.6 million) for the interim period ended September 30, 2013 was 39.3% higher than the operating profit of R5,168 million ($650.3 million) for the corresponding period in 2012. This is mainly due to increased revenue across the various operating divisions of Transnet and lower depreciation and amortization costs.

Table A-3 Operating Performance ZAR Millions	**Mar. 31 2009**	**Mar. 31 2010**	**Mar. 31 2011**	**Mar. 31 2012**	**Mar. 31 2013**	**6 mos to Sept. 30 2013**
Net Income after Tax	5,044	3,191	4,113	4,119	4,340	2,853[4]
Net Profit Margin	15.0%	9.0%	10.8%	9.0%	8.6%	10.0%

Income Statement Analysis: *BCL* [redacted]

Table A-3 summarizes Transnet's operating performance for the past five years. The Income Statement risk rating of BCL [redacted] is supported by the following:

- Total revenue of R50,194 million (approximately $5.91 billion) during FY 2013, 9.4% higher in Rand terms than total revenue of R45,900 million (approximately $6.36 billion) during FY 2012;
- Steady growth in revenue during the past five years and evidence that the trend is continuing based on results for the first 6 months of FY 2014;
- A 14.96% increase (in Rand terms) in revenue generated by Transnet Freight Rail (R31,797 million ($3.74 billion) in FY 2013, up from R27,658 million ($3.83 billion) in FY 2012);
- A 3.3% increase in freight ton carried by TFR, reaching a record 207.7 mts during FY 2013; freight tons carried increased across all product segments except agriculture steel, and cement;
- Strong market share for containers on rail (instead of on trucks), which was approximately 21.5% of all TEUs transported in South Africa during FY 2012;
- Improved operating efficiencies arising from the continued implementation of Transnet's capital expenditure plan; and
- Operating profit margin of greater than 20% during the past five years.

The Income Statement risk rating of BCL [redacted] is constrained by increases in operating costs (personnel expense, depreciation, fuel) and interest expense, but this is to be expected as Transnet increases its operations and continues its investment program.

Efficiency of Asset Utilization: *BCL* [redacted]

Table A-4 below summarizes certain asset categories on Transnet's balance sheet for the past five years. The Efficiency of Asset Utilization risk rating of BCL [redacted] is supported by the following:

- The steady growth in total assets during the past five fiscal years (up 72.01% since FY 2009), reaching R203,896 million (approximately $19.29 billion) at March 31, 2013;
- The R124.8 billion (approximately $14.7 billion, assuming an average exchange rate of R8.5 = $1.00) that has been spent during the past six years (FY 2008 through FY 2013)

[4] Net profit of R2,853 million (approximately $298.4 million) for the interim period ended September 30, 2013 is 71.2 higher than the net profit of R1,666 million (approximately $209.6 million) for the corresponding period in 2012 mainly as a result of increased revenue.

pursuant to its capital expenditure program across all five operating divisions is resulting in improved operations and productivity;

- (b) (4), (b) (5) [redacted]
- Significant gains in operational efficiency (as well as re-prioritization of certain projects called for in the Capital Expenditure Program) enabled Transnet to continue its capital expenditure program during the economic slowdown;
- Successful disposal of non-core assets and businesses; and
- The large increase in property, plant and equipment (including investments in locomotives and wagons) reflects the investments that have already been made and the favorable effect that such investments are having on Transnet's operations.

Table A-4 Efficiency of Asset Utilization ZAR Millions	**Mar. 31 2009**	**Mar. 31 2010**	**Mar. 31 2011**	**Mar. 31 2012**	**Mar. 31 2013**	**6 mos ended Sept. 30 2013**
Total Assets	118,534	138,885	167,070	178,005	203,896	218,337
Total Current Assets	15,117	18,040	20,827	12,625	13,914	17,455
Cash and Cash Equivalents	5,880	7,918	10,876	1,189	2,598	5,618
Accounts Receivable	5,503	5,859	5,503	5,615	6,248	7,172
Inventories	2,589	2,048	2,257	2,591	3,400	3,885
Total Non-Current Assets	103,417	120,845	146,243	165,380	189,982	200,882
Property, Plant and Equipment	96,459	113,579	137,836	155,953	176,921	185,676
Investment Properties	5,961	6,604	7,368	7,732	7,938	8,425
Return on Average Assets (%)	4.64%	2.47%	2.69%	2.38%	2.13%	n/a

As follow up to the Turnaround Plan that was undertaken beginning in 2004, Transnet has continued to improve the quality of the assets that it deploys in its operations. Transnet spun off assets and businesses that were not core to its operations as a logistics provider. At the same time, Transnet embarked upon a multi-year capital expenditure program to increase Transnet's operating efficiency as a logistics provider and reduce the cost of doing business (in terms of both time and money) in South Africa.

(b) (4), (b) (5) [redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

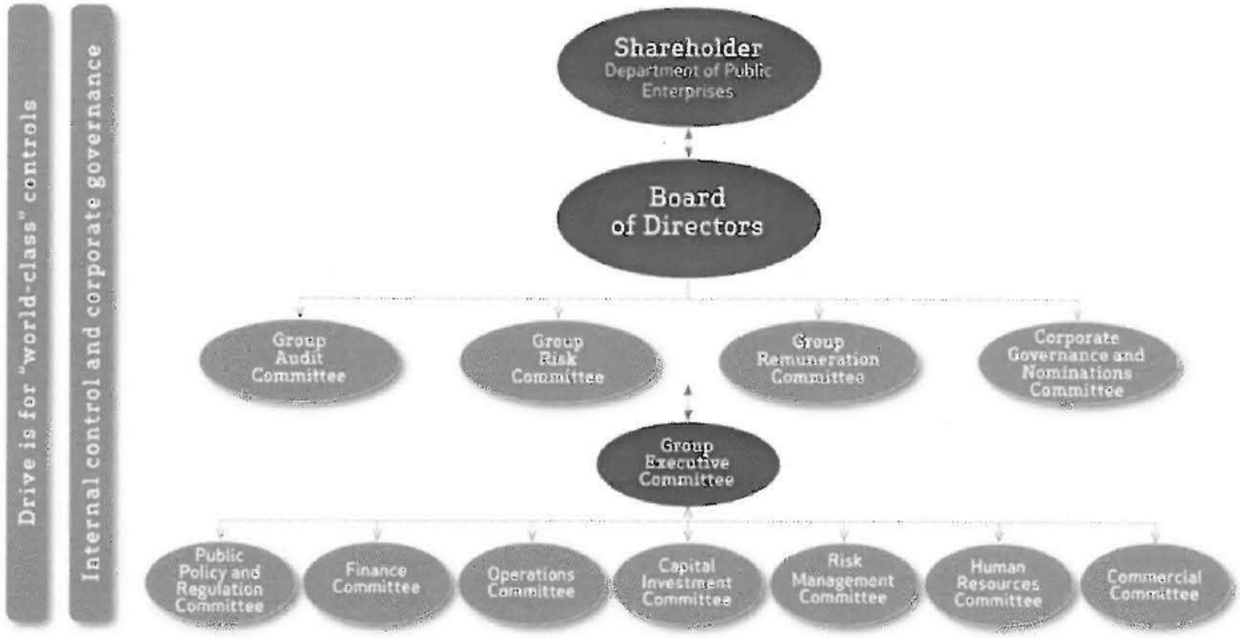
(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

Transnet's Articles of Association provide that there shall be not fewer than 10 and not more than 18 directors, of whom eight must be non-executive directors free from any business relationship that could affect objectivity. The Board of Directors of Transnet currently consists of 11 directors. The Board of Directors of Transnet has delegated responsibility for running the operations of Transnet to the Group Chief Executive. The Board of Directors of Transnet retains responsibility for (i) amending Transnet's Articles of Association, (ii) approving Transnet's strategy, business plans, annual budgets and borrowing strategy, financial statements and (iii) evaluating the performance of the Group Chief Executive.



Summaries of Transnet's key senior managers are provided below.

<u>Brian Molefe, Group Chief Executive Officer</u>
Brian Molefe was appointed Group CEO of Transnet in 2011. From 2003 to 2011, Mr. Molefe served as CEO and CIO of the Public Investment Corporation ("PIC"), wholly-owned by the South African government and responsible for investing funds on behalf of public sector entities. Before joining PIC, Mr. Molefe held various positions at the South African National Treasury from 1997-2001, before being appointed Deputy Director General for Asset and Liability Management, a position he held until 2003. Early in his career, Mr. Molefe worked at several banks, including the South African Reserve Bank, First National Bank, and the Development Bank of South Africa. Mr. Molefe received a Bachelor's Degree in Commerce and a Master's Degree in Business Leadership from the University of South Africa, as well as a post graduate diploma in Economics from the University of London.

<u>Mr. Anoj Singh, Chief Financial Officer</u>
Mr. Singh has been the Chief Financial Officer and an executive member of the Board of Directors since March 2009. He has been with Transnet since 2005, first serving as Transnet's General Manager for Group Finance. Mr. Singh graduated with a Bachelor of Accounting degree from the University of Kwazulu-Natal. Mr. Singh is a qualified chartered accountant with more than 12 years financial experience.

RATINGS CONCORDANCE AND ADJUSTMENTS

Transnet has received ratings from the three international credit rating agencies: Standard and Poor's ("S&P"), Moody's Investor Service ("Moody's") and Fitch Ratings ("Fitch"). The ratings are summarized in Table A-9.

(b) (4)

[redacted]

(b) (4), (b) (5)

[redacted]

CONCLUSION

Based on the foregoing, staff concludes that the overall risk rating for Transnet in connection with the Final Commitment is BCL (b) (4) [redacted].

(b) (4)

[redacted]

Income statements
for the year ended 31 March 2013

Company 2012 R million	Company 2013 R million		Notes	Group 2013 R million	Group 2012 R million
45 866	50 156	Revenue	1	50 194	45 900
(26 983)	(29 213)	Net operating expenses excluding depreciation, derecognition and amortisation	2	(29 143)	(27 018)
18 883	20 943	**Profit from operations before depreciation, derecognition, amortisation and items listed below**		21 051	18 882
(8 355)	(9 277)	Depreciation, derecognition and amortisation	3	(9 277)	(8 355)
10 528	11 666	**Profit from operations before the items listed below**	4.1	11 774	10 527
(367)	(551)	Impairment of assets	4.2	(588)	(342)
2	1	Dividends received	4.3	-	-
31	28	Post-retirement benefit obligation income	4.4	28	31
(202)	222	Fair value adjustments	5	222	(202)
		Income/(loss) from associates and joint ventures	13	24	(6)
9 992	11 366	**Profit from operations before net finance costs**		11 460	10 008
(4 254)	(5 545)	Finance costs	6	(5 545)	(4 255)
462	385	Finance income	7	405	488
6 200	6 206	**Profit before taxation**		6 320	6 241
(2 110)	(1 970)	Taxation	8	(1 980)	(2 122)
4 090	4 236	Profit for the year		4 340	4 119

Statements of comprehensive income
for the year ended 31 March 2013

Company				Group	
2012 R million	2013 R million		Notes	2013 R million	2012 R million
4 090	4 236	**Profit for the year**		4 340	4 119
		Other comprehensive income			
–	–	Exchange differences on translation of foreign operations		(25)	1
2 942	1 772	Gains on revaluations		1 680	2 899
(61)	329	Gain/(loss) on cash flow hedges		329	(61)
(501)	(307)	Actuarial loss on post-retirement benefit obligations		(307)	(501)
2 380	1 794			1 677	2 338
(713)	(506)	Taxation relating to components of other comprehensive income	8.1	(484)	(702)
1 667	1 288	**Other comprehensive income for the year, net of taxation**		1 193	1 636
5 757	5 524	**Total comprehensive income for the year**		5 533	5 755

Statements of financial position
as at 31 March 2013

Company 2012 R million	Company 2013 R million		Notes	Group 2013 R million	Group 2012 R million
		Assets			
165 542	190 107	Non-current assets		189 982	165 380
155 953	176 921	Property, plant and equipment	9	176 921	155 953
7 732	7 938	Investment properties	10	7 938	7 732
586	534	Intangible assets	11	534	586
222	208	Investments in subsidiaries	12		
12	10	Investments in associates and joint ventures	13	93	72
467	3 821	Derivative financial assets	14	3 821	467
2	4	Long-term loans and advances	15	4	2
568	671	Other investments and long-term financial assets	16	671	568
12 106	13 294	Current assets		13 639	12 394
2 591	3 400	Inventories	17	3 400	2 591
5 613	6 243	Trade and other receivables	18	6 248	5 615
214	-	Current taxation asset		-	209
35	34	Derivative financial assets	14	34	35
2 755	1 359	Other short-term investments	16	1 359	2 755
898	2 258	Cash and cash equivalents	19	2 598	1 189
132	275	Assets classified as held-for-sale	20	275	231
12 238	13 569			13 914	12 625
177 780	203 676	**Total assets**		203 896	178 005
		Equity and liabilities			
79 251	84 775	Capital and reserves		84 954	79 421
12 661	12 661	Issued capital	21	12 661	12 661
66 590	72 114	Reserves	22	72 293	66 760
78 923	98 541	Non-current liabilities		98 543	78 946
3 322	3 117	Employee benefits	23	3 117	3 322
52 564	66 768	Long-term borrowings	24	66 770	52 566
82	62	Derivative financial liabilities	14	62	82
1 626	1 902	Long-term provisions	25	1 902	1 626
18 029	20 471	Deferred taxation liabilities	26	20 471	18 050
3 300	6 221	Other non-current liabilities*	16	6 221	3 300
19 606	20 360	Current liabilities		20 399	19 638
11 119	11 849	Trade payables and accruals	28	11 884	11 151
5 566	6 318	Short-term borrowings	29	6 318	5 566
-	52	Current taxation liability		56	-
62	23	Derivative financial liabilities	14	23	62
934	991	Short-term provisions	25	991	934
1 925	1 127	Other current liabilities*	16	1 127	1 925
177 780	203 676	**Total equity and liabilities**		203 896	178 005

* R900 million for the provision of excessive tariff increase margin credit raised in the 2012 financial year has been re-allocated from long-term to short-term for both Company and Group, as at 31 March 2012.

Statement of cash flows
for the year ended 31 March 2013

Company 2012 R million	Company 2013 R million		Notes	Group 2013 R million	Group 2012 R million
17 887	16 726	**Cash flows from operating activities**		16 776	17 910
20 613	22 559	Cash generated from operations	34.1	22 599	20 616
1 315	1 315	Security of supply petroleum levy		1 315	1 315
777	(1 273)	Changes in working capital	34.2	(1 273)	781
22 705	22 601	**Cash generated from operations after working capital changes**		22 641	22 712
(4 233)	(5 328)	Finance costs	34.3	(5 328)	(4 233)
381	302	Finance income	34.4	322	407
(85)	232	Taxation refunded/paid	34.5	222	(95)
(270)	(253)	Settlement of post-retirement benefit obligations		(253)	(270)
(611)	(828)	Derivatives raised and settled		(828)	(611)
(24 659)	(27 240)	**Cash flows utilised in investing activities**		(27 241)	(24 661)
(11 465)	(16 246)	***Investment to maintain operations***		(16 247)	(11 467)
(10 331)	(16 238)	Replacements to property, plant and equipment		(16 238)	(10 331)
(88)	(108)	Additions to intangible assets		(108)	(88)
(36)	(92)	Borrowing costs capitalised		(92)	(36)
105	12	Proceeds on the disposal of property, plant and equipment		12	105
92	2	Proceeds on the disposal of investment property		2	92
2	1	Dividend income		-	-
(1)	1	Net receipts/(advances) of long-term loans and advances		1	(1)
(1 208)	176	Net decrease/(increase) in other investments		176	(1 208)
(13 194)	(10 994)	***Investment to expand operations***		(10 994)	(13 194)
(11 585)	(10 033)	Expansions – property, plant and equipment		(10 033)	(11 585)
(1 609)	(961)	Borrowing costs capitalised		(961)	(1 609)
(2 936)	11 874	**Cash flows from/(utilised in) financing activities**		11 874	(2 936)
11 110	19 800	Borrowings raised		19 800	11 110
(14 046)	(7 926)	Borrowings repaid		(7 926)	(14 046)
(9 708)	1 360	Net increase/(decrease) in cash and cash equivalents		1 409	(9 687)
10 606	898	Cash and cash equivalents at the beginning of the year		1 189	10 876
898	2 258	**Total cash and cash equivalents at the end of the year**	34.6	2 598	1 189

1. A special purpose corporation ("SPC") shall be organized under the laws of a jurisdiction acceptable to Ex-Im Bank. The SPC shall act as the borrower under the Ex-Im Bank Guaranteed Loan (as defined below). The SPC shall on-lend the proceeds from the Guaranteed Loan (the "On-Loan") to Transnet SOC Limited ("Transnet"). The Guaranteed Loan and the On-Loan shall be repaid in up to fifty-six (56) equal quarterly payments of principal, with interest in arrears (i.e., "straight-line"). Transnet shall make quarterly repayments to the SPC under the On-Loan and the SPC shall make quarterly repayments to the Guaranteed Lender under the Guaranteed Loan. Ex-Im Bank shall guarantee to the Guaranteed Lender certain payment obligations of the SPC under the Guaranteed Loan. Transnet shall guarantee the obligations of the SPC to Ex-Im Bank.

2. The financing for the Locomotives, as defined in Special Condition 3 below, shall consist of a South African Rand-denominated, Ex-Im Bank guaranteed loan (the "Guaranteed Loan") with a repayment term of up to fourteen (14) years payable in up to fifty-six (56) quarterly payments. The initial principal amount of the Guaranteed Loan shall be the sum of (i) up to 85% of the net-net price of U.S. goods and services, (ii) up to 30% of the U.S. Contract Price of any Local Costs, acceptable to Ex-Im Bank (i.e., the sum of the U.S. content and the eligible foreign content), and (iii) 100% of the exposure fee.

3. Transnet's obligations to make repayments to the SPC and to guarantee the SPC's obligations to Ex-Im Bank shall be secured by a first priority security interest and notarial bond granted by Transnet to the SPC on each of up to two hundred ninety-three [redacted] General Electric Model C30-ACi or ES40ACi diesel locomotives (and in all replacements and parts installed therein and all documents related thereto) (collectively, the "Locomotives") that are the subject of the Ex-Im Bank supported financing. In order to secure the SPC's obligations to Ex-Im Bank, the SPC shall cede its rights in the notarial bond to Ex-Im Bank or its security trustee. Each notarial bond and any assignment/cession shall be registered and perfected (where possible under applicable laws) in all appropriate jurisdictions in a manner acceptable to Ex-Im Bank.

   To the extent possible, (i) the Guaranteed Loan for the Locomotives shall be secured by (in a manner satisfactory to Ex-Im Bank) any and all past and future Ex-Im Bank supported locomotives for Transnet, and (ii) the Locomotives shall secure (in a manner satisfactory to Ex-Im Bank) all past and future Ex-Im Bank supported financings for Transnet.

   A pledge of all shares (or other ownership interests) of the SPC shall be granted to Ex-Im Bank or its security trustee. The pledge of such shares (or other ownership interests) shall be accompanied by appropriate share transfer certificates (or similar interests) and shall be registered and otherwise perfected (by possession or otherwise) in all appropriate jurisdictions in a manner acceptable to Ex-Im Bank.

4. The Locomotives (including all parts thereof) shall be required to be maintained, inspected, serviced, and repaired in a manner acceptable to Ex-Im Bank. All maintenance records and other logs shall be maintained in a manner acceptable to Ex-Im Bank.

5. Inspection rights with respect to the Locomotives and the related logs and records shall be granted to Ex-Im Bank and/or its agent or representative, in form and substance satisfactory to Ex-Im Bank. The full cost and expense of such inspections shall be for the account of Transnet.

6. Transnet shall not be entitled to lease or otherwise transfer possession of the Locomotives or any other part thereof to any person without Ex-Im Bank's prior written consent; provided that, certain limited exceptions acceptable to Ex-Im Bank may be permitted and set forth in the documentation.

7. Each Locomotive shall be prohibited from being used for military purposes. In addition, the Locomotives shall be used in a manner that does not violate any law, regulation or policy applicable to Ex-Im Bank financed Locomotives (including, without limitation, restrictions on the lease, sublease and use of U.S. manufactured equipment in countries with respect to which U.S. manufactured equipment cannot be based or operated).

8. Transnet shall maintain insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations, in form and substance satisfactory to Ex-Im Bank.

9. To the extent possible, the transaction shall be structured to avoid withholding, VAT or other taxes which may be imposed by any South African taxing authority on any payments of principal, interest or other amounts payable by Transnet under the transaction documents; provided that any such transaction structure shall be consistent with the other requirements set forth in these Special Conditions. Transnet shall deliver to Ex-Im Bank (i) appropriate evidence of any necessary exemptions, or (ii) an opinion from a South African tax advisor, in form and substance satisfactory to Ex-Im Bank, that no such taxes or other payments are applicable to the contemplated transaction. To the extent necessary, Transnet shall be required to obtain and maintain all necessary exemptions related to all payments made under the transaction documents, and in any event, Transnet shall indemnify Ex-Im Bank and its security trustee for all such taxes.

10. Satisfactory legal opinions from local counsel acceptable to Ex-Im Bank in South Africa, New York and any other relevant jurisdiction shall be required with respect to issues regarding Transnet, Ex-Im Bank's mortgage and security interests, Transnet's ability to access adequate foreign exchange and such other issues as Ex-Im Bank may require. The cost of Ex-Im Bank's outside counsel shall be for the account of Transnet.

11. The Guaranteed Loan shall be denominated in South African Rand and the note evidencing the Guaranteed Loan shall be denominated in Rand. Both the Ex-Im Bank commitment fee and the Ex-Im Bank exposure fee with respect to the Guaranteed Loan shall be denominated and payable in U.S. Dollars.

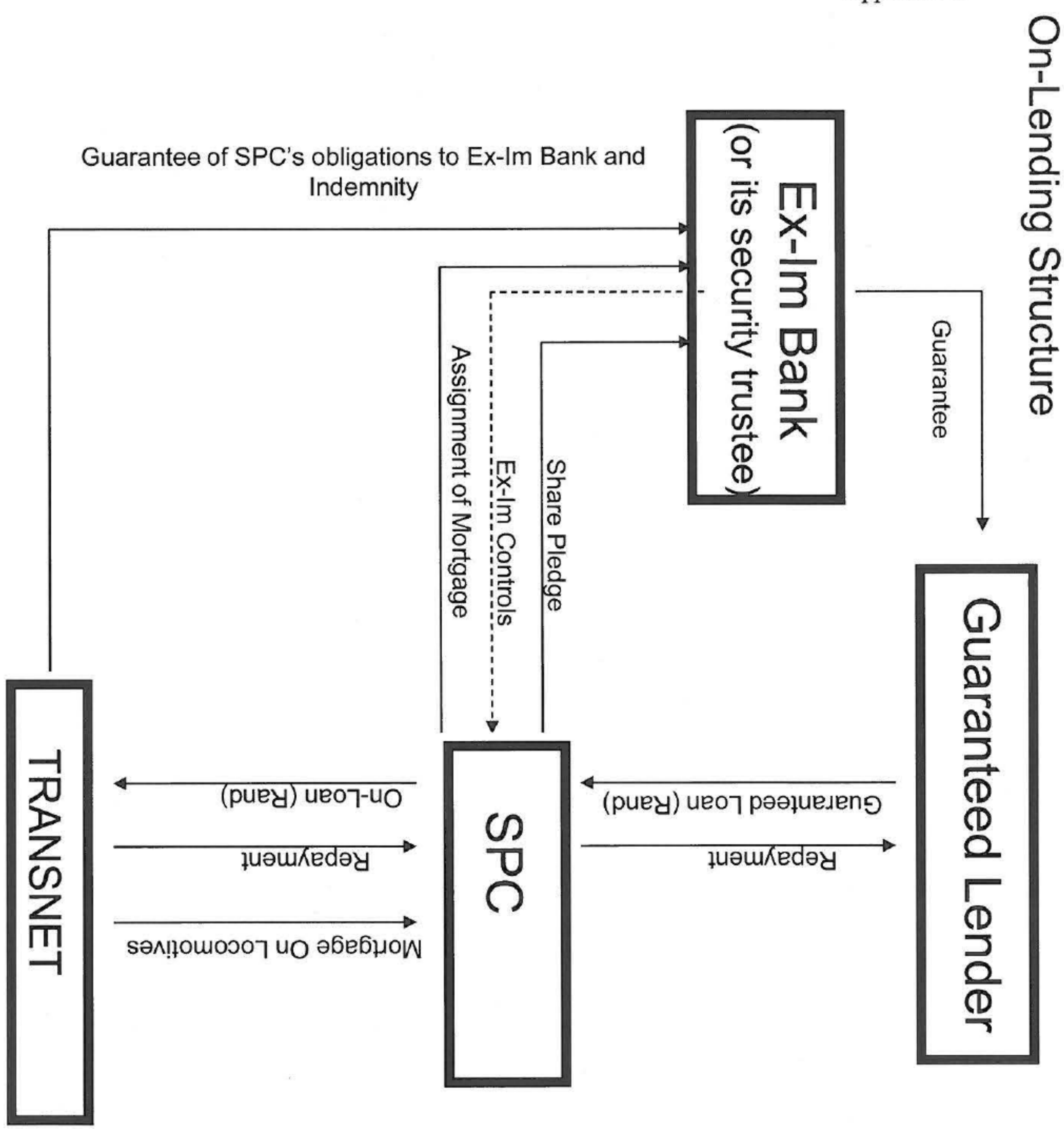
12. Following an event of default in respect of the Guaranteed Loan, (i) the Guaranteed Lender shall submit a claim only with respect to the installment of the Guaranteed Loan that was not paid by Transnet, (ii) Ex-Im Bank shall pay the Guaranteed Lender the claim payment installment in Rand, (iii) the claim payment installment shall convert (or "crystallize") into U.S. dollars at the spot rate of exchange applicable at the time the claim payment was made and shall become a U.S. dollar-denominated reimbursement obligation owing by Transnet to Ex-Im Bank, and (iv) at the time of repayment by Transnet of such claim payment installment, Transnet shall repay Ex-Im Bank either in (a) U.S. Dollars or (b) Rand in an amount equal to the U.S. Dollar repayment amount at the spot rate of exchange rate applicable at the time of repayment by Transnet.

13. On any claim payment installment date, including the date of the initial claim payment installment, Ex-Im Bank shall have the right to control the SPC. Upon exercising control over the SPC, Ex-Im Bank shall from that point forward have the benefit of all the SPC's rights, title and interest in the On-Loan to Transnet.

14. Ex-Im Bank's approval of the Final Commitment is contingent upon a legal representation in the transaction documentation that as at the date of the transaction documentation and as at the date of Ex-Im Bank's approval of the Final Commitment, no "Relevant Person" that is (x) a borrower[1] in the transaction or (y) a "Controlling Sponsor," and no "Relevant Person" that is owned or controlled by the borrower or "Controlling Sponsor," is subject to sanctions under section 5(a) of the "Iran Sanctions Act." Furthermore, Transnet will be notified of this contingency in the Final Commitment Letter.

15. To the extent the Guaranteed Loan is funded in the capital markets, the transaction documentation shall contain such additional documents, in form and substance satisfactory to Ex-Im Bank, as Ex-Im Bank may require.

[1] *In both this Special Condition and the representation included in the transaction documentation, "borrower" is used to refer to the recipient of the Ex-Im Bank supported credit and will include both (i) any "Controlling Sponsor" of the SPC as the borrower or if there is no such "Controlling Sponsor", the SPC, and (ii) Transnet SOC Limited as a "Controlling Sponsor."*


On-Lending Structure
Ex-Im Bank
(or its security trustee)
Guarantee
Guaranteed Lender
Guarantee of SPC's obligations to Ex-Im Bank and
Indemnity
Share Pledge
Ex-Im Controls
Assignment of Mortgage
SPC
Guaranteed Loan (Rand)
Repayment
TRANSNET
On-Loan (Rand)
Repayment
Mortgage On Locomotives

(b) (4)

[redacted]

Appendix E

Engineering Memorandum

(to be provided during the Congressional Notification Period)

Background - regulatory framework of the South African railway sector

- (b) (4), (b) (5) [redacted]
- [redacted]
- The freight railway sector is the responsibility of a publically owned company, Transnet SOC Limited ("Transnet"). Transnet was incorporated as a public company pursuant to section 2 of the Legal Succession to the South African Transport Services Act. Transnet is accountable to the national government as its sole shareholder. The Department of Public Enterprises is the sponsoring government department for Transnet and is responsible for Transnet's performance and financial viability.
- Unlike liberalized rail markets which are characterized by a separation of infrastructure ownership and operation, in South Africa infrastructure ownership and operation remain the sole responsibility of two government departments, the Department of Transport (in relation to the infrastructure) and the Department of Public Enterprises (in relation to operation), respectively. The Minister of Public Enterprises is assigned to exercise the rights of the state, as the only member and shareholder of Transnet.
- The national government is therefore (i) the provider of infrastructure, (ii) the transport operator and (iii) the transport regulator.

Strengths

- (b) (4), (b) (5) [redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4)

[redacted]

EXPORT-IMPORT BANK OF THE UNITED STATES 07/23/14
MEMORANDUM TO THE BOARD OF DIRECTORS AP088827XX

Division TRANSPORTATION
Country SOUTH AFRICA

Date Application Received 05/16/14
Date Application Complete 05/16/14
No of Days In House 68

Request FINAL COMMITMENT (NEW)

Financing Type/Term STANDARD/L-T
Financing Options 1 (SEE FINANCING ATTACHMENT)

Applicant	TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Borrower	SPV/TRANSNET LIMITED, N/A SOUTH AFRICA
Guarantor	TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Buyer	TRANSNET LIMITED, Johannesburg SOUTH AFRICA
End-user	TRANSNET LIMITED, Johannesburg SOUTH AFRICA
Exporter	GE TRANSPORTATION, Erie PA
Supplier	SEE PARTICIPANT ATTACHMENT
Gteed Lender	FINANCIAL INSTITUTION ACCEPTABLE TO EIB, N/A

Project Name NONE
Project Description RAILROAD TRANSPORTATION-LOCOMOTIVES
Product Description (b) [redacted] DIESEL LOCOMOTIVES

US Content	$ (b) (4) [redacted]
Foreign Content	
Net Contract Price	
Cash Payment	
Financed Portion of US Contract Price	
Financed Local Costs	
Capitalized Interest During Construction	
Financed Amt (Excl Exp Fee)	
Exp Fee Level/Risk Increment	
Exp Fee Amt/Rate	
Total Fincd Amt (Incl Exp Fee, If Fincd)	563,455,622
Financed Amt in Foreign Curr/Exchange Rate	6,022,777,124 SOUTH AFRICA RAND/0.0935541
Budget Cost Level	(b) (4) [redacted] NH
Prog Budget Amt/Ratex	
Initial Eligibility Date	05/16/13

Risk Category PUBLIC NON-SOVEREIGN Rpmt Term 14 YR/0 MO Total Term 17 YR/3 MO
Qualifies For Enviro Exp Pgm NO Small Business- Direct: 0.0% Indirect: 0.0
Estimated Number of Jobs Supported/Created: 2500
Key Features ON-LENDING STRUCTURE, CLAIM PAYMENT METHOD, FED REG NOTICE, ASSET BACKED, FOREIGN CURR GTEE, LOCAL COSTS

Special Conditions SEE APPENDIX B

Recommendation APPROVAL - SUBJECT TO CONGRESSIONAL NOTIFICATION, REFERRED TO NAC

Loan Officer DAVID FIORE
Concur ROBERT F. ROY RFR
V.P. - TRANSPORTATION DIVISION

Counsel MICHAELA E. RICCHIUTE
for

Supplier	VARIOUS US COMPANIES, Washington DC
Supplier	GE TRANSPORTATION, Erie PA

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS
FINANCING ATTACHMENT

07/23/14
AP088827XX

FINANCING SUMMARY

Option 1	Component 1	US COST GTEE
	Component 2	LOCAL COST GTEE
	Component 3	US COST GTEE
	Component 4	LOCAL COST GTEE
	Component 5	US COST GTEE
	Component 6	LOCAL COST GTEE
	Component 7	US COST GTEE
	Component 8	LOCAL COST GTEE
	Component 9	US COST GTEE
	Component 10	LOCAL COST GTEE
	Component 11	US COST GTEE
	Component 12	LOCAL COST GTEE

Exp Fee [redacted] Subsidy [redacted] Total Term 17 YR/3 MO

FINANCING TERMS

Option 1 - Component 1

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	11/30/14
Final Disbursement Date	12/31/14
Gtee Availability Date	01/31/15
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	02/28/15

Option 1 - Component 2

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	11/30/14
Final Disbursement Date	12/30/14
Gtee Availability Date	01/31/15
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	02/28/15

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS
FINANCING ATTACHMENT

07/23/14
AP088827XX

Option 1 - Component 3

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	(b)(4) [redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b)(4) [redacted]
Exposure Fee Rate/Amount	(b)(4) [redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	07/31/15
Final Disbursement Date	08/31/15
Gtee Availability Date	09/30/15
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	10/31/15

Option 1 - Component 4

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	(b)(4) [redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b)(4) [redacted]
Exposure Fee Rate/Amount	(b)(4) [redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	07/31/15
Final Disbursement Date	08/31/15
Gtee Availability Date	09/30/15
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	10/31/15

Option 1 - Component 5

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	(b)(4) [redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b)(4) [redacted]
Exposure Fee Rate/Amount	(b)(4) [redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	04/30/16
Final Disbursement Date	05/31/16
Gtee Availability Date	06/30/16
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	07/31/16

Option 1 - Component 6

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	(b)(4) [redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b)(4) [redacted]
Exposure Fee Rate/Amount	(b)(4) [redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	04/30/16
Final Disbursement Date	05/31/16
Gtee Availability Date	06/30/16
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	07/31/16

Option 1 - Component 7

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	(b)(4) [redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b)(4) [redacted]
Exposure Fee Rate/Amount	(b)(4) [redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	10/31/16
Final Disbursement Date	11/30/16
Gtee Availability Date	12/31/16
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	01/31/17

Option 1 - Component 8

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	(b)(4) [redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b)(4) [redacted]
Exposure Fee Rate/Amount	(b)(4) [redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	10/31/16
Final Disbursement Date	11/30/16
Gtee Availability Date	12/31/16
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	01/31/17

Option 1 - Component 9

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	(b)(4) [redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b)(4) [redacted]
Exposure Fee Rate/Amount	(b)(4) [redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	04/30/17
Final Disbursement Date	05/31/17
Gtee Availability Date	06/30/17
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	07/31/17

Option 1 - Component 10

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	(b)(4) [redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b)(4) [redacted]
Exposure Fee Rate/Amount	(b)(4) [redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	04/30/17
Final Disbursement Date	05/31/17
Gtee Availability Date	06/30/17
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	07/31/17

Option 1 - Component 11

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	(b)(4) [redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b)(4) [redacted]
Exposure Fee Rate/Amount	(b)(4) [redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	10/31/17
Final Disbursement Date	11/30/17
Gtee Availability Date	12/31/17
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	01/31/18

Option 1 - Component 12

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	(b)(4) [redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	(b)(4) [redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	(b)(4) [redacted]
Exposure Fee Rate/Amount	(b)(4) [redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/ 8.0000%
Starting Point Event	COMM PROJECT
Starting Point Date	10/31/17
Final Disbursement Date	11/30/17
Gtee Availability Date	12/31/17
No./Frequency Of Installments	56/QUARTERLY
First Principal Payment Date	01/31/18

Export-Import Bank of the United States
Office of the Chief Financial Officer
Program Budget Calculation Summary

AP088827XX - Transnet SOC Ltd.	
Program	Long Term Guarantee
Country	South Africa
Industry	Other
# of Repayments	56 (Quarterly)
Interest Rate	Fixed
Payment Style	Straight Line
BCL	(b) (4) [redacted]
Total Amount Financed	$563,455,622
Financed Amount (excluding fees)	(b) (4) [redacted]
Exposure Fees:	
Base Exposure Fee	
Increases / (Discounts)	
Net Exposure Fee	
Program Budget Calculation:	
Revenue Components:	
NPV of Fees	
NPV of Interest Margin	
NPV of Total Revenue	
Default Components:	
NPV of Default (Loan Loss Reserves)	
Total Program Budget (Reserves Less Revenues)	

Program Budget Disbursement

The chart shows the estimated program budget disbursement for this transaction. Please note that for positive program budget transactions, the entire program budget is obligated at the time of authorization. For negative program budget transaction, the program budget is credited to Ex-Im Bank at the time of disbursement.

Amount Authorized	$563,455,622
FY of Authorization	2014
Program Budget Rate (%)	(b)(4) [redacted]

		Program Budget	
Disbursement	% Disbursed	Positive	Negative
Year 1: 2014	0%		(b) (4) [redacted]
Year 2: 2015	26%		
Year 3: 2016	14%		
Year 4: 2017	40%		
Year 5: 2018	19%		
Total	**100%**	**0%**	

Note: Reserves are calculated based on historical performance and amounts reflect an aggregate reserve level.

Export-Import Bank of the United States
Interest Rate Setting Form and OCFO Assessment
22-Jul-2014

Credit Number:	AP088827XX
Transaction Type:	Long Term Guarantee
Division:	Transportation
Industry:	Other
Program Title	Transnet SOC Ltd.
Estimated amount at authorization:	$563,455,622
Loan Officer:	FIORE
Purpose:	Pending Authorization
Country	South Africa
Interest Rate Program:	Other (Fixed Interest Rate)
Spread above Rate	8% (Estimated)
Budget Cost Level	(b) (4) [redacted]
Set fixed rate at:	By Commercial Lender

Justification:

Interest rate set by commercial lending entity.

OCFO Assessment:

"TPMD monitors approximately $161.1 million in disbursed and outstanding exposure for Transnet. TPMD supports the BCL[redacted] risk rating for the proposed new transaction. Repayments from the borrower have been satisfactory; there have been no repayment issues." - **David Baughan 06/17/14**

Digitally signed by Nathalie Herman
DN: cn=Nathalie Herman, o=Export Import Bank of the U.S., ou=Vice President, Treasurer,
email=Nathalie.Herman@exim.gov, c=US
Date: 2014.[illegible]23 [illegible]51:36 [illegible]

Sign: ____________ **Date:** 7/22/2014

Nathalie Herman
Treasurer

Transnet SOC Limited
Supplemental Memorandum

Background: Transnet SOC Limited ("Transnet" or the "Company"), of Johannesburg, South Africa, is requesting a final commitment (the "Final Commitment") of a guaranteed loan, to be denominated in the South African Rand ("R", or "ZAR") in the Rand equivalent of approximately \$563.5 million[1] to support its acquisition of [redacted] GE locomotives (the "Locomotives"). Transnet's financing request includes financing of (i) 83.68% of the cost of the Locomotives, (ii) the OECD premium of [redacted] and (iii) local costs of up to 30% of the U.S. contract price[2] to support work performed in South Africa.

The Memorandum to the Board of Directors dated June 18, 2014 (the "Original Board Memo") was based on the most recent information available at that time. The Final Commitment was presented to the Board of Directors at the meeting on June 26, 2014, at which time the Board of Directors voted to refer this transaction to Congress for the required 35-day notification period. The Congressional Notification period expired on July 30, 2014 without comment.

During the Congressional Notification period, staff prepared this supplemental memorandum (the "Supplemental Memo") to update the Board of Directors on several issues, including (i) the Engineering evaluation of the transaction, which has resulted in an increased amount of financing (as explained below), (ii) the financial condition of Transnet, based on audited financial statements for the fiscal year ended March 31, 2014, which were received after the Original Board Memo was prepared, (iii) an update on the status of selection of the guaranteed lender, and (iv) a summary of Federal Register Notice comments received.

Engineering Evaluation: The Engineering and Environment Division completed its evaluation of the Final Commitment and concluded that the cost of the Locomotives appears reasonable and there are no identified technical issues, other than foreign content, that would affect the financing. The Engineering and Environment Division identified foreign content as a technical issue simply to highlight the fact that foreign content exceeds 15% of the U.S. contract price and therefore the amount of Ex-Im Bank support has been reduced accordingly. The Engineering Evaluation is attached as Appendix E.

Changes to the Financed Amount: As indicated in the Original Board Memo, the figures on the APS cover pages of the Original Board Memo were preliminary and subject to further refinement. Table 1 below sets forth the requested financed amounts as per the Original Board Memo and the revised figures per the Supplemental Memo, based on the review of the supply contracts by the Engineering and Environment Division and additional information provided by GE. Largely due to the fact that the GE contracts included more U.S. costs than originally estimated, the amount of the requested financing has increased from \$523.1 million to \$563.5 million (an increase of approximately \$40.4 million). A higher U.S. net contract price also results in a higher dollar

[1] This amount is approximately \$40.4 million higher than originally presented to the Board of Directors on June 26, 2014, as explained on pages 1 and 2.

[2] Per Ex-Im Bank policy, "U.S. Contract Price" is defined as U.S. Content + Eligible Foreign Content.

amount of local cost financing [redacted]), as the amount of local cost financing is a percentage of the U.S. net contract price.

Table 1	Original Board Memo	Supplemental Memo
Transnet SOC Limited	Original Estimate	Revised Final Amount
AP088827XX - Financed Amounts	24-Jun-14	31-Jul-14
	(b) (4) [redacted]	[redacted]
US Content	[redacted]	[redacted]
Eligible Foreign Content	[redacted]	[redacted]
Net Contract Price	[redacted]	[redacted]
Cash Payment	[redacted]	[redacted]
Financed Amount	[redacted]	[redacted]
Plus Local Cost Financing Request (30%)	[redacted]	[redacted]
Financed Amount (excluding exp. fee)	[redacted]	[redacted]
Exposure Fee (financed)	[redacted]	[redacted]
Total Financed Amount (with exp. fee)	[redacted]	[redacted]
Authorized Exchange Rate $1.00 = Rand	[redacted]	[redacted]
Amount Financed in Rand at the Authorized Exchange Rate:	5,534,298,876	6,022,777,124

Updated Authorized Exchange Rate: As indicated in the Original Board Memo, staff has updated the "Authorized Exchange Rate" from

(i) ZAR 10.5803 = $1.00, which was the exchange rate on June 9, 2014 (or ZAR 1.00 = $0.0945153) and used in the Original Board Memo, to

(ii) ZAR 10.6890 = $1.00 (or ZAR 1.00 = $0.0935541), which was the exchange rate on July 16, 2014 and used in this Supplemental Memo.

The Authorized Exchange Rate will be used for converting foreign currency disbursements (in this case, ZAR) to USD when each tranche is initially disbursed. The Authorized Exchange Rate will also be used to convert the exposure fee amounts (calculated as a percentage of each Rand disbursement) into USD in connection with each disbursement.

Using the Authorized Exchange Rate of $1.00 = ZAR 10.689, the expected total amount financed in Rand is ZAR 6,022,777,124, up from 5,534,298,876, an increase of approximately ZAR 488 million (approximately $45 million). Most of this increase is due to the increase in the total financed amount rather than due to the slight weakening of the Rand relative to the USD during the past month.

Update – Audited Financial Statements as of March 31, 2014: During the Congressional Notification period, Transnet released its audited financial statements for the fiscal year ("FY") 2014, ended March 31, 2014. The FY 2014 financial statements indicate continued revenue growth and profitability, as well as continued positive cash flow. Table 2 on page 4 summarizes Transnet's financial condition for the past seven fiscal years.

For FY 2014, Transnet had total revenue of R56,606 million ($5.71 billion), up 12.8% (in Rand terms) from R50,194 million ($5.95 billion) in FY 2013. The increase in revenue resulted from an increase in the volume of shipments of certain minerals, automobiles and intermodal containers, all of which offset a decline in coal shipments caused by a month-long strike on the export coal line. Iron ore and manganese volumes transported were negatively affected by operational issues at key mines and tippler problems at ports. Steel and cement volumes were up due to increased demand from customers. Transport of agricultural goods was steady. Rail transport of automobiles and containers increased during FY 2014, indicating that freight transport is continuing to shift from road to rail.

EBITDA of R23,639 million ($2.39 billion) during FY 2014 was up 12.2% (in Rand terms) compared to R21,051 million ($2.50 billion) during FY 2013. The decrease in EBITDA in USD terms is due to the depreciation of the Rand against the USD during FY 2014 and confirms the benefit to Transnet of borrowing in Rand for this Ex-Im Bank supported financing. EBITDA margin remained constant at 41.8% in FY 2014 (compared to 41.9% in FY 2013), indicating that Transnet is generating cash in proportion to its growth in revenue.

Operating profit of R12,903 million ($1.30 billion) in FY 2014 was up 9.6% (in Rand terms) relative to operating profit of R11,774 ($1.39 billion) in FY 2013. The growth in operating profit was slightly less than the growth in revenue due to increased personnel expenses (as a result of a two-year wage settlement for non-managerial staff) and increased electricity and fuel costs during FY 2014.

Net income of R5,171 million ($522.3 million) in FY 2014 was up 19.1% (in Rand terms) relative to net profit of R4,340 million ($514.4 million) in FY 2013.

Total assets at March 31, 2014 stood at R240,073 million ($22.72 billion), up 17.7% (in Rand terms) from R203,896 million ($22.08 billion) at March 31, 2013. The increase in total assets was the result of additional capital goods acquired during FY 2014. The increase in total assets during FY 2014 was supported by an increase in total liabilities to R142,960 million ($13.52 billion), up 20.1% (in Rand terms) from R118,942 million ($12.88 billion) at March 31, 2013. Total equity increased to R97,113 million ($9.19 billion) at March 31, 2014, up 14.3% (in Rand terms) from R84,954 million ($9.20 billion) at March 31, 2013. The increase in total equity was due to profitable operations and no payment of dividends during FY 2014.

Leverage increased slightly from 1.40x at March 31, 2013 to 1.47x at March 31, 2014, but this is to be expected as a result of the continued investment program during FY 2014, which Transnet has partially financed with additional debt.

During FY 2014, Transnet had capital expenditures of R31,800 million (approximately $3.21 billion). Transnet raised R22,400 million (approximately $2.26 billion) through a combination of domestic bond issuances, medium-term notes, commercial paper issuances, and loans from export credit agencies and multilateral development banks. Transnet repaid borrowings of R7,987 million (approximately $806.7 million) during FY 2014. Transnet's capital investment strategy, which has continued during the economic volatility of recent years, is having a positive impact on Transnet's performance.

Debt service cover (expressed as EBITDA/Debt Service) was less than 1.0x in FY 2008, FY 2009 and FY 2012, but this was in part due to the repayment of certain debt (domestic and international bonds) that was subsequently refinanced. The most recent EBITDA/Debt Service ratios for FY 2013 and FY 2014 were 1.33x and 1.39x, respectively, reflecting stronger cash flow from operations. The stronger cash flow is the result of improved revenue and operating efficiencies resulting from the capital expenditure plan. The EBITDA margin has remained consistently above 40% since FY 2010, suggesting that Transnet is generating cash from operations to service debt in proportion to its growing revenue. The fact that the debt service cover ratio is improving suggests that (i) the investments being made with the debt being raised are resulting in improved operations and (ii) the investments are generating more than enough cash to meet debt obligations as they come due.

Table 2 - Transnet Summary Financial Information (USD millions)	**FY 2008 31-Mar-08**	**FY 2009 31-Mar-09**	**FY 2010 31-Mar-10**	**FY 2011 31-Mar-11**	**FY 2012 31-Mar-12**	**FY 2013 31-Mar-13**	**FY 2014 31-Mar-14**
Total Revenue	3,944.9	3,880.6	4,342.2	5,384.9	6,360.8	5,949.2	5,717.3
Operating Profit (Loss)	1,181.5	972.8	1,014.5	1,217.2	1,458.8	1,395.5	1,303.2
Operating Margin (Loss) %	29.9%	25.1%	23.4%	22.6%	22.9%	23.5%	22.8%
Net Income (Loss)	845.7	582.7	389.1	583.6	570.8	514.4	522.3
Net Margin (Loss) %	21.4%	15.0%	9.0%	10.8%	9.0%	8.6%	9.1%
Total Current Assets	1,820.6	1,613.9	2,469.6	3,066.9	1,652.2	1,507.0	1,420.3
Total Non-Current Assets	10,599.3	11,040.6	16,543.2	21,535.1	21,642.9	20,576.4	21,294.9
Total Assets	12,419.9	12,654.4	19,012.8	24,602.0	23,295.1	22,083.4	22,715.3
Total Current Liabilities	2,456.3	1,815.1	2,110.7	3,054.7	2,452.2	2,209.4	2,387.9
Total Non-Current Liabilities	3,550.1	4,611.7	8,078.4	10,699.6	10,449.3	10,672.9	11,138.7
Total Liabilities	6,006.3	6,426.8	10,189.1	13,754.3	12,901.5	12,882.3	13,526.6
Total Equity	6,413.6	6,227.6	8,823.8	10,847.8	10,393.7	9,201.1	9,188.6
Total Liabilities + Equity	12,419.9	12,654.4	19,012.8	24,602.0	23,295.1	22,083.4	22,715.3
Total Liabilities to Net Worth	0.94	1.03	1.15	1.27	1.24	1.40	1.47
EBITDA	1,679.4	1,524.9	1,757.0	2,236.6	2,616.6	2,495.0	2,387.6
EBITDA Margin %	42.6%	39.3%	40.5%	41.5%	41.1%	41.9%	41.8%
Debt Service Cover Ratio	0.98x	0.56x	0.95x	1.32x	0.88x	1.33x	1.39x
Exchange Rate End of Period	7.9458	9.3670	7.3048	6.7909	7.6413	9.2330	10.5688
Exchange Rate Average	7.6279	8.6564	8.2009	7.0479	7.2161	8.4372	9.9009

Appendix A contains a more detailed review of Transnet's operations and financial condition. The analysis and corporate risk rating summary have been updated to include the recently released FY

2014 audited financial statements. Staff concludes that Transnet continues to be in satisfactory financial condition, with sufficient cash flow, profitable operations, low leverage, strong shareholder support and an experienced management team. Staff continues to be confident that Transnet will be able to service the Ex-Im Bank guaranteed loan under the pending Final Commitment, as well as continue to service the guaranteed loans in connection with the two prior Ex-Im Bank supported financings.

(b) (4), (b) (5)

[redacted]

Federal Register Notice and Comment Period: The Federal Register Notice was published on June 19, 2014 and expired on July 14, 2014. No comments were received.

Selection of the Guaranteed Lender: On July 10, 2014, Transnet issued an (b) (4) [redacted] Many of the banks to which the RFP was sent are well-known to Ex-Im Bank. The financing is expected to be a Rand-denominated loan, bearing interest at a fixed rate. The interest rates on the two prior Ex-Im Bank supported financings for Transnet were (b)(4) [redacted]

[3] The Transportation Division and the Transportation Portfolio Management Division agree on a BCL [redacted] rating for Transnet.

respectively, (each of which was for a ten-year repayment term). Staff expects that the fixed interest rate for this Final Commitment will also be in this range, or slightly higher given the longer repayment term. Transnet will provide staff with the term sheet of the mandated commercial bank once it is signed. Staff will inform the members of the Board of Directors of the name of the mandated commercial bank as soon as Transnet makes a decision. Transnet is also considering a Rand-denominated capital markets funding.

OECD Notification for providing up to 30% Local Cost Financing: The Policy and Planning Division notified the other OECD members on June 13, 2014 that Ex-Im Bank was considering local cost financing in excess of 15%. The 10-day notification period expired on June 23, 2014. No comments were received from any of the other export credit agencies.

Recommendation: Based on (i) the continued satisfactory financial condition of Transnet as confirmed by the audited financial statements for the fiscal year ended March 31, 2014, (ii) a first priority security interest in the Locomotives and cross-collateralization with the prior, and any future, locomotives financed for Transnet, and (iii) Transnet's satisfactory repayment history with respect to the prior Ex-Im Bank supported financings (AP085322XX and AP085332XX), staff continues to find reasonable assurance of repayment and recommends approval of the Final Commitment, including local cost financing of up to 30% of the U.S. contract price, subject to the Special Conditions that were attached to the Original Board Memo as Appendix B.

Appendix A: Updated Review of Transnet's Operations and Financial Condition and Updated Long-Term Risk Scoring Sheet for AP088827XX
Appendix E: Engineering Evaluation

TRANSNET SOC LIMITED

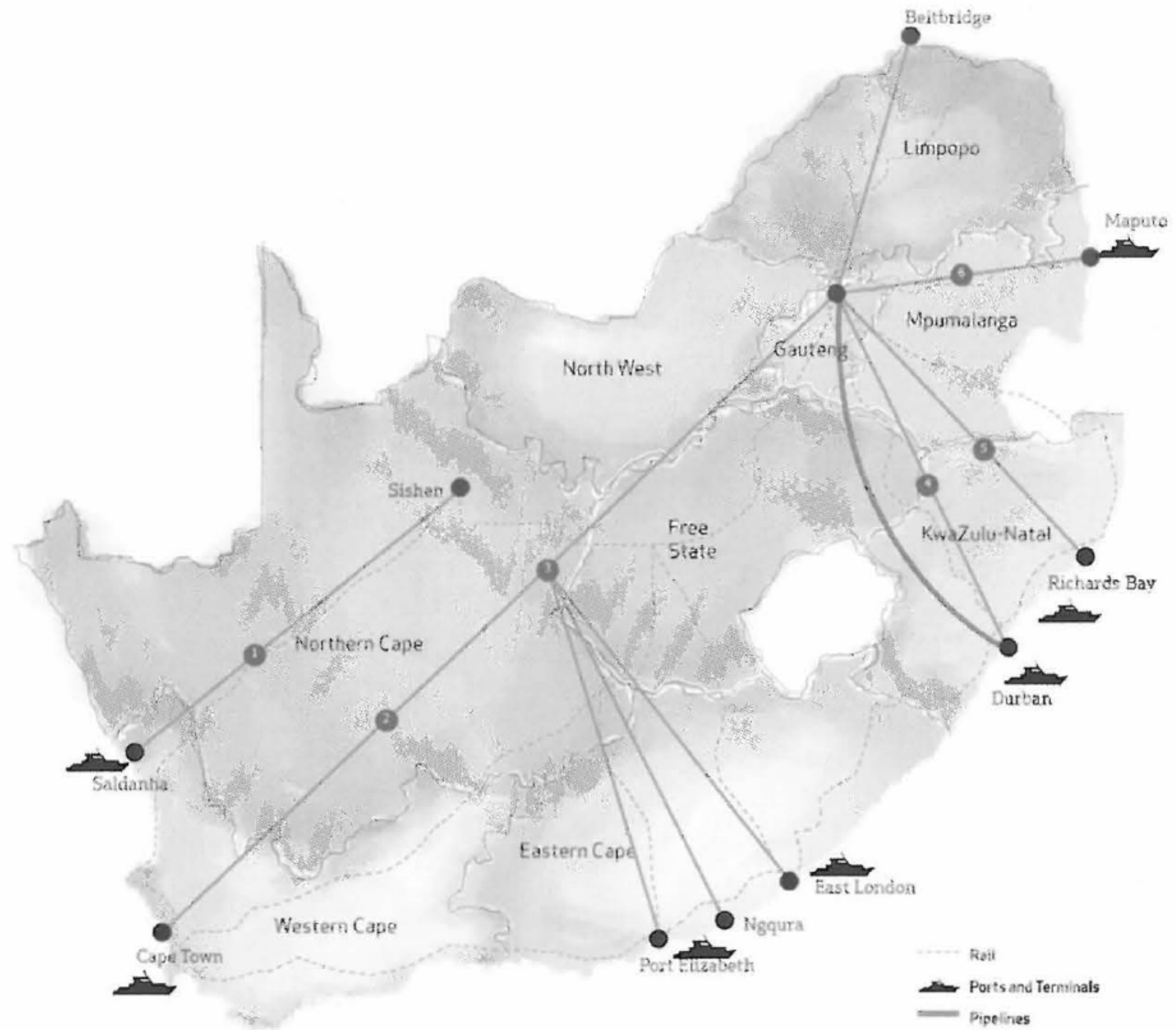
BACKGROUND

Ownership, History and Strategic Plan: Transnet SOC Limited ("Transnet" or the "Company") is a public company with the Government of the Republic of South Africa (the "GoSA") as its sole shareholder. As the operator and custodian of a major portion of South Africa's transportation infrastructure, Transnet's mandate is to assist in lowering the cost of doing business and to enable economic growth in South Africa. Transnet does not receive public subsidies from the GoSA. Transnet's borrowings are based on the strength of its own balance sheet. Transnet is required to earn an appropriate return on assets that will allow it to maintain and expand South Africa's rail, port, and pipeline infrastructure that it owns and operates.

Transnet was formed in 1989 as a result of the transfer of the commercial enterprise of the South African Transport Services to Transnet as South Africa's railway, harbor, road transport, aviation and pipeline operator. After sustaining a large loss during FY 2004 (ended March 31, 2004) of South African Rand ("ZAR" or "R") R6.33 billion (approximately $1 billion at then-current exchange rates), Transnet developed a Turnaround Plan in August 2004 to stabilize the business and set the stage for future growth. The Turnaround Plan was to (i) focus on core business units, (ii) divest non-core businesses, (iii) improve operating efficiency, (iv) establish high standards of corporate governance, (v) develop its human resources more effectively, and (vi) transform the corporate culture.

With the successful implementation of the Turnaround Plan underway, Transnet approved the Growth Strategy in August 2007, which was designed to build on the success of the Turnaround Plan. The objectives of the Growth Strategy included (i) improved financial and risk management, (ii) more effective human resources development, and (iii) improved efficiency of operations and safety. The "Quantum Leap" strategy, launched in FY 2010, was designed to accelerate the rate of improvement and achieve sizeable improvements in key performance indicators across all its divisions.

In January 2012, Transnet launched its Market Demand Strategy with a planned investment of R300 billion (approximately $30 billion) over seven years starting with FY 2013 (beginning April 1, 2012). It is anticipated that Transnet will fund approximately 70% of the R 300 billion (i.e., R210 billion or approximately $21 billion) from internally generated funds and approximately 30% (i.e., R90 billion or approximately $9 billion) from debt. The R300 billion to be spent under the Market Demand Strategy is intended to result in (i) a modal shift of freight traffic from road to rail, thereby lowering South Africa's carbon emissions, (ii) job creation in South Africa, (iii) growth of the mineral and mining sectors, (iv) increased localization and Black Economic Empowerment, and (v) successful positioning of South Africa as a regional trans-shipment hub for sub-Saharan Africa, thereby contributing to economic integration with other economies in southern Africa.



During the past several fiscal years, Transnet has transformed itself from a diversified conglomerate into a focused rail, port, and pipeline operator. Transnet's non-core assets and businesses have been sold, closed or transferred (the most notable of which is South African Airways, which was spun off as a separate company). Transnet also disposed of assets related to passenger rail services, telecommunications, pension fund management, fleet management, and housing loans, leaving Transnet with five (5) core operating divisions.

Five (5) Core Operating Divisions of Transnet: Each of Transnet's five (5) core operating divisions (e.g., freight rail, rail engineering, port authority, ports operations, and pipelines) is described below. Transnet's operating divisions are not separate legal entities.

Transnet Freight Rail
Transnet Freight Rail ("Transnet Freight Rail" or "TFR") transports bulk and containerized freight along its approximately 20,500 kilometer rail network, 1,500 kilometers of which comprise heavy haul export lines. During FY 2014 (ended March 31, 2014), Transnet Freight Rail transported approximately 210.4 million tons ("mt") of freight for export and domestic

customers, representing a 1.3% increase compared to FY 2013 and the highest amount of tonnage that TFR has ever transported. During FY 2013, Transnet Freight Rail transported approximately 207.7 mt of freight for export and domestic customers, representing a 3.3% increase compared to FY 2012.

During FY 2014 general freight tonnage carried was up 6.5% compared to FY 2013 mainly due to the increase in the container /automotive business; mineral, mining and chrome business and steel and cement business. Export coal volumes decreased by -1.4% compared to FY 2013 due mainly to the global economic decline which affected price, power disruptions at Richards Bay Coal Terminal and industrial strikes. Export iron ore volumes decreased by -2.8% compared to FY 2013 due to the negative global economic impact on key customer volumes and Kumba Iron Ore production problems which resulted in customer cancellations.

ZAR million	Mar. 31 2010	Mar. 31 2011	Mar. 31 2012	Mar. 31 2013	Mar. 31 2014
Total Revenue	20,825	22,607	27,658	31,797	34,411
General Freight	11,903	13,364	15,660	17,125	19,619
Export Coal	5,624	5,632	7,629	8,610	8,909
Export Iron Ore	2,216	2,669	3,440	4,181	4,961
Other	1,082	942	929	1,881	922

During FY 2014, TFR had total revenue of R34,411 million ($3.48 billion), an increase of 8.2% compared to FY 2013. For FY 2013, TFR had total revenue of R31,797 million, an increase of 15.0% compared to FY 2012. TFR contributed 50% of total Transnet revenues during FY 2014 and its revenue growth is reflected by that fact that TFR's revenue for FY 2014 nearly equaled Transnet's total revenue (i.e., across all five operating divisions) for FY 2010 (just five years earlier).

As of March 31, 2013, Transnet Freight Rail operated 2,255 locomotives with an average age of approximately 25 years and 71,036 wagons with an average age of approximately 31 years. The average age of a locomotive in TFR's fleet has decreased from 37 years to 25 years as a result of investing in new locomotives and the retiring of older locomotives. TFR plans to expand the rail business to include 3,300 locomotives and 85,000 wagons and will build an additional 700 kilometres of rail network over the next five years.

As shown on the map on page A-2, Transnet Freight Rail's business can be divided into three parts:

(i) the Export Coal Line (which runs from Gauteng Province to Richards Bay on the Indian Ocean) - customers on the Export Coal Line include exporters and producers situated in the Mpumalanga coal field to the Port of Richards Bay such as BHP Billiton, Anglo American and Xstrata;

(ii) General Freight business (which encompasses mainly manufacturing, mining, agricultural and containerized products and runs from the coastal ports of Cape Town, Port Elizabeth, Ngqura, East London, Richards Bay, Durban and Maputo (Mozambique) to Johannesburg and Gauteng Province) – customers for General Freight include ArcelorMittal, Eskom, Assmang, Samancor Manganese, Foskor, Afrisam, Sasol, Highveld Steel and Samancor Chrome; and

(iii) the Export Iron Ore Line (which runs from Sishen in the Northern Cape Province to the port of Saldanha on the Atlantic coast) – Kumba and Assmang are the two main customers for the Export Iron Ore Line.

Export coal volume was down during FY 2014 compared to FY 2013. TFR transported 68.2 mt during FY 2014, down -1.4% compared to 69.2 mt transported during FY 2013. TFR transported 69.2 mt during FY 2013, up 2.2% from 67.7 mt transported during FY 2012. The improvement in export coal volumes reversed a period of stagnating coal volumes that had continued for the preceding five years. Transnet forecasts show projected increases in the volume of export coal to be carried through 2020, with a compound average growth rate ("CAGR") of 4.0% between FY 2014 and FY 2020.

General freight volume increased by 6.4% to 87.9 mt transported during FY 2014, compared to 82.6 mt transported during FY 2013. General freight volume increased by 2.0% to 82.6 mt transported during FY 2013, compared to 81.0 mt transported during FY 2012. General freight represents approximately 53.9% of all revenue generated by Transnet Freight Rail (refer to Table A-1 above). TFR increased the number of "containers on rail" as part of its growth strategy to shift general freight from road to rail,

Export iron ore volume was down by -2.8% during FY 2014 to 54.2 mt compared to 55.9 mt during FY 2013. Export iron ore volume was up by 6.9% during FY 2013 to 55.9 mt, compared to 52.3 mt during FY 2012. Capital expenditures and substantial improvements to operating efficiency were implemented in collaboration with customers to ramp up volume. (b) (4) [redacted]

Transnet Rail Engineering

Transnet Rail Engineering ("Transnet Rail Engineering" or "TRE") provides services ranging from refurbishment, conversion and upgrades, to the manufacturing and assembly of rail-related rolling stock. TRE operates six plants in South Africa – Salt River, Uitenhage, Bloemfontein, Durban, Germiston and Koedoespoort. TRE will perform the final assembly of the GE locomotive kits and has requested up to 30% of the U.S. contract price in local costs financing. Most of TRE's revenue is generated from providing services to Transnet Freight Rail and to the Passenger Rail Agency of South Africa (a separate state-owned company that provides passenger rail service within South Africa that was spun off several years ago).

Transnet National Ports Authority

Transnet National Ports Authority ("Transnet National Ports Authority" or "TPNA") owns and operates the eight (8) national ports of South Africa. The eight (8) ports of South Africa are (from west to east along South Africa's coast) Saldanha, Cape Town and Mossel Bay in the Western Cape Province, Port Elizabeth, Ngqura and East London in the Eastern Cape Province, and Durban and Richard's Bay in Kwazulu-Natal Province. The business is divided into two service segments: (i) the provision of port infrastructure and (ii) maritime services. Port infrastructure consists of five segments: containers, dry bulk, liquid bulk, break-bulk and automotive. Maritime services include dredging, navigation aids, ship repair and marine operations.

Transnet Port Terminals

Transnet Port Terminals ("Transnet Port Terminals" or "TPT") manages 16 cargo terminals situated in seven (7) ports of South Africa. TPT provides cargo handling services for various customers including shipping lines, freight forwarders and cargo owners. Operations are divided into major market segments, including container, bulk, break-bulk and automotive cargo.

Transnet Pipelines

Transnet Pipelines ("Transnet Pipelines" or "TP") transports a range of petroleum products and gas through 3,000 kilometers of underground pipelines through five provinces. Revenue is generated from the transport of crude oil, aviation fuel, refined and synthetic fuel and gas.

Table A-2
Segment Information FY 2014 (at March 31, 2014)
Financial Highlights of Transnet and its Operating Divisions

ZAR million	Transnet Limited TOTAL	Transnet Freight Rail	Transnet Rail Engineering	Transnet National Ports Authority	Transnet Port Terminals	Transnet Pipelines
Total Revenue	56,606	34,411	13,353	9,917	8,535	3,114
EBITDA	23,639	14,424	886	6.680	2,459	2,328
Profit before Tax	7,135	169	250	4,251	234	1,649
Total Assets	240,073	82,452	10,134	70,068	17,070	19,860
Capital Investments	31,766	25,115	975	1,188	1,651	3,377
No. of Employees	(b) (4) [redacted]					

Table A-2 above shows several key financial metrics of Transnet as a whole and for each of its five main operating divisions for fiscal years ended March 31, 2014.[1] Transnet Freight Rail represents a significant portion of Transnet's total revenue and EBITDA.

Transnet Freight Rail and Transnet National Ports Authority comprise approximately equal percentages of Transnet's total assets. The importance of Transnet Freight Rail within Transnet is also demonstrated by the fact that approximately 77% of Transnet's total capital investment expenditure during FY 2014 (of R31.8 billion) was spent on improving Transnet Freight Rail's operations and productivity.

GENERAL RISK FACTORS

1. Country Risk – South Africa *(provided by the Country Risk and Economic Analysis Division)*

[1] The five operating divisions do not equal the figures in the column entitled "Transnet Limited TOTAL" as a result of other segment information, corporate headquarters functions and elimination of inter-divisional transactions.

A. Sovereign Rating: *BCL* [redacted] (b)(4)

Current Situation: South Africa has the second largest and most sophisticated economy in sub-Saharan Africa. However, remnants of the apartheid era remain leaving the country divided with one segment that compares favorably to an advanced economy and another that reflects a developing market. In 2013, GDP advanced 2.0%, which was below the relatively steady 20-year trend of approximately 3.3% real GDP growth. The modest increase in GDP, which lagged peers, is a cause for concern given that South Africa's economy faces (i) a significant infrastructure deficit compared to more mature markets, (ii) high rates of unemployment and poverty, (iii) relatively low educational attainment, and (iv) severe income inequality. Moreover, South Africa has only been able to realize small improvements in GDP despite running fiscal and current account deficits since 2009 following the global financial crisis. Policy makers claim they will follow the framework set out by the National Development Plan ("NDP") to target spending on structural reforms, but failure to implement changes in the past and political divisions on the issue have left reform far from guaranteed.

Despite these weaknesses in South Africa's economy, the county also boasts considerable strengths. For instance, South Africa has a deep and highly sophisticated financial sector. Banks are sound, and credit is much more widely available than in the majority of sub-Saharan African markets. Additionally, South Africa is endowed with considerable natural resource wealth with large deposits of platinum, iron ore, coal, and gold. Its strong banking system and mineral wealth, combined with its relatively stable political environment, have enabled it to attract considerable foreign direct investment. In 2012, South Africa lagged only Mozambique, which is undergoing a resource discovery boom, and Nigeria, sub-Saharan Africa's largest oil producer, in direct investment inflows.

The African National Congress ("ANC"), the party of Nelson Mandela, has monopolized the political realm for a generation, and though divisions are growing, the party has not lost its dominant position. In the May 2014 national election, the ANC solidified its hold on politics and secured another election. The president, Jacob Zuma, has battled criticism for his ineffectiveness and indecision; however, he has not compromised his standing and remains the ANC's leader and South Africa's president.

Trend and Outlook: The medium term economic outlook is relatively favorable, however, a contraction in global capital flows will continue to dampen investment and exacerbate external vulnerabilities in the short run. GDP growth should advance in the range of 2.0% to 3.0% guided by adherence to the NDP. Unemployment will remain high at roughly 26.0% and inflation should moderate to roughly 5.5%.

Strikes in the mining sector will weigh on the economy in the short-run impairing GDP growth and foreign exchange earnings, but over the medium term the mining sector is expected to rebound and may even make productivity gains as companies begin to replace manual labor with mechanization.

Public policy is not likely to change appreciably in the wake of the election. President Zuma and the ANC are expected to continue to pursue reforms to tackle structural rigidities and follow a moderate agenda.

Key elements to watch over the next year include:
1. Strikes and/or unrest arising from poor employment conditions particularly in mining, unemployment, and inequality
2. Capital flow fluctuations
3. Performance of the Rand
4. Taming deficits

Basic Data 2013:

Size	Slightly less than twice the size of Texas
Population	50.5 million
GDP	$336 billion
GDP Per Capita	$6,768
Gini Coefficient	63.1
Exports/GDP Ratio	27.8%
Debt/Exports Ratio	119.9%
Debt Service Ratio	6.6%
Literacy	93%
Life Expectancy	55 years at birth
U.S. Exports	$7.3 billion
% Financed by EIB	3.49% (2011 - 2013)
Amount Financed by EIB	$257.1 million (2011 - 2013, annual average)
U.S. Imports	$8.5 billion
Current Exposure	$1.1 billion (May 2014)
Doing Business Rank	41 (2014) of 189 and 41 (2013) of 189
WEF Competitiveness Rank	53 (2014) of 148 and 52 (2013) of 144

Exchange Rate/ Inflation comparison

Year ending 12/31	2011	2012	2013	2014
Inflation (CPI)	5.0%	5.6%	5.8%	6.8%
Rand/US$	7.26	8.21	9.67	10.69
% Change in amount of Rand needed to buy USD*	-0.8	13.1	17.8	10.58

Source: IIF.
All figures are annual averages.
*A positive number denotes depreciation of the local currency against the U.S. Dollar and a negative number denotes appreciation of the local currency against the U.S. Dollar.

B. Non-sovereign/Private Sector Rating: *BCL* (b) (4) [redacted]

Rating Factor	Summary Discussion
Vulnerability to Foreign Exchange Crisis	The greatest threat of a foreign exchange crisis arises from the current account deficit, which is expected to average 5.8% of GDP between 2013 and 2014. With the merchandise trade balance turning negative and the services deficit growing, the need for external financing will increase. The Rand is not expected to depreciate greatly as consistent demand for South Africa's export commodities should help buoy the currency.
The Banking System	South Africa has a sound, market-oriented banking system. Total banking assets of rated commercial banks approach $400 billion, or about 100% of GDP. The system is dominated by five banks—Standard Bank of South Africa, Absa Bank Limited, Nedbank Limited, FirstRand Bank, and Investec Bank Limited, whose combined assets account for over 90% of total banking assets. The banking system's strengths include strong franchises, strong capital equity ratio, insulation from international exposure, and a well-regulated financial sector with a sound legal infrastructure. Downside risks include high concentration of short-term maturities, credit risk arising from high consumer indebtedness and high unemployment, limited diversification, and government pressure to reduce bank fees, which would hurt profitability. Currently, South Africa lacks a deposit insurance scheme. Discussions to implement a guarantee network have not led to any substantial progress. Pushback from retail banks consistently appears to scuttle efforts to create a deposit insurance scheme.
The Legal System	South Africa has a highly developed legal system with clear commercial laws and few restrictions for foreign investors. It runs efficiently and cases are dealt with in a timely manner. According to the State Department, "South Africa applies its commercial and bankruptcy laws with consistency and has an independent, objective court system for enforcing property and contractual rights." The legal system is based on Roman-Dutch law, and reflects both this and British colonial influence. Commercial laws are similar to English law, and intellectual property rights are well-protected. Additionally, the system is regarded as relatively transparent. South Africa ranks 82nd and 84th in contract enforcement and insolvency resolution in the World Bank's 2013 Doing Business Index. Notably, laws are not subject to interpretation by court justices; instead, they must strictly follow the intent of Parliamentary law. South Africa is a member of the New York Convention, but not of the International Center for the Settlement of Investment Disputes (ICSID).

Foreign Exchange Availability	The principal concerns regarding foreign exchange availability in South Africa is the country's relatively modest exports-to-GDP ratio and controls placed on foreign exchange. A relatively strong Rand and competitiveness issues have contributed to South Africa's decline in its export sector. Exports-to-GDP are expected to average 32% between 2013 and 2014. South Africa has experienced a worsening trade balance since 2010 with commodity producers doing relatively well, while manufacturing producers have suffered. The difference, in part, reflects structural factors including comparatively weak skills, poor transportation infrastructure, and weak adoption of technology that prevent the manufacturing industry from being more productive. Foreign currency controls limit foreign exchange availability as well. Restrictions on capital transactions for residents were put in place during South Africa's apartheid regime. These restrictions are easing, however, and residents' ability to move capital abroad has expanded. Although controls place a potential burden, they have not, historically, been much of a hindrance. The Government of South Africa ("GoSA") is also accumulating a cushion of reserves. Compared to similar countries, its reserve base is relatively small, estimated at 4.3 months of import cover in 2012. The GoSA maintains it is a prudent level given the fact that the lion's share of external debt is denominated in Rand.
Business Climate	South Africa is among the easiest places to do business in Africa, ranking 39th out of 183 countries in the World Bank's Doing Business Index for 2013. Fiscally, the GoSA maintains prudent policies that constrain high inflation and deficit spending. Additionally, the country has a well-developed stock market, which is capitalized at over 200% of GDP. The relatively high literacy rates reflect a degree of human capital unique among sub-Saharan African countries, as does the level of infrastructure. As an upper middle-income country though, South Africa lags behind its counterparts in transportation and power. The road network does not sufficiently service its population, although recent improvements generated from infrastructure projects leading up to the 2010 World Cup have helped. The power sector's inability to provide electricity without brownouts hampers business activity as well. Somewhat inconsistent contract enforcement, labor unrest from high unemployment, and corruption are also hurdles businesses must face.

2. Industry Risk/Competitive Position: *BCL* (b) (4) [redacted]

As the monopoly owner and operator of the transport infrastructure in South Africa, Transnet does not have competition from other infrastructure providers. At the current time, there is no discussion about allowing other users of freight rail, ports or pipelines to operate on or use the network owned by Transnet. Volume throughput on Transnet's rail network and Transnet's other operations are vulnerable to a decline in usage of the infrastructure network as a result of economic recession or political instability.

Transnet Freight Rail does compete with trucking. Trucking has an advantage over rail transport of freight in urban areas and in rural areas of the country, where the shorter length of average haul (less than 150 kilometers) and the lack of sidings to load and offload traffic onto the rail network place rail transport at a competitive disadvantage. According to Transnet and the most recent available data, Transnet had approximately 21.5% of the market in 2012 in terms of the percentage of TEUs transported. Its objective is to increase that market share to approximately 35% by 2019.

TFR also competes indirectly with other railroads in other countries in that TFR's main customers are large mining conglomerates with operations in other countries. To the extent that TFR's costs and quality of service are not comparable with that provided by railroads located in other countries, such mining conglomerates can decide to source raw materials from other countries rather than from South Africa.

The Industry Risk/Competitive Position rating of BCL [redacted] is supported by the following:

- Transnet's monopoly position as the sole operator of the transportation infrastructure in South Africa;
- The likelihood that Transnet will enjoy its current monopoly position for the foreseeable future;
- The assumption that the regulatory environment will not become overly burdensome; and
- The expectation that Transnet will be able to improve the productivity and efficiency of its operations in order to remain competitive with other countries.

RISK FACTORS SPECIFIC TO THE PRIMARY SOURCE OF REPAYMENT

Transnet provided consolidated financial statements for fiscal years ("FY") ended March 31, 2010, 2011, 2012, 2013 and 2014 prepared in ZAR in accordance with international financial reporting standards ("IFRS"). The financial statements for FY 2010 through FY 2012 were audited by Deloitte and Touche, and the financial statements for FY 2013 and FY 2014 were audited by SizweNtsalubaGobodo Inc. (a South African auditing firm). An unqualified opinion was provided for each year's financial statements. Transnet also provided detailed information regarding its capital expenditure program, growth strategy, and several presentations.

1. Operating Performance: *BCL* [redacted]

Table A-3 Operating Performance ZAR Millions	Mar. 31 2010	Mar. 31 2011	Mar. 31 2012	Mar. 31 2013	Mar. 31 2014
Revenues	35,610	37,952	45,900	50,194	56,606
Revenue Growth (%)	6.0%	6.6%	20.9%	9.4%	12.8%
Operating Profit	8,320	8,579	10,527	11,774	12,903
Operating Profit Margin (%)	23.4%	22.6%	22.9%	23.5%	22.8%
Net Income after Tax	3,191	4,113	4,119	4,340	5,171
Net Profit Margin	9.0%	10.8%	9.0%	8.6%	9.14%

Income Statement Analysis: *BCL* [redacted]

Table A-3 summarizes Transnet's operating performance for the past five years. The Income Statement risk rating of BCL [redacted] is supported by the following:

- Total revenue of R56,606 million (approximately $5.71 billion) during FY 2014, 12.8% higher in Rand terms than total revenue of R50,194 million during FY 2013;
- Steady growth in revenue during the past five years and evidence that the trend is continuing based on results for FY 2014;
- An 8.2% increase (in Rand terms) in revenue generated by Transnet Freight Rail of R34,411 million ($3.48 billion) in FY 2014 up from R31,797 million in FY 2013;
- A 1.3% increase in freight ton to 210.42 mt carried by TFR in FY 2014, exceeding the record 207.7 mt carried during FY 2013; freight tons carried increased across all product segments except agriculture steel, and cement;
- Growing market share for containers on rail (instead of on trucks);
- Improved operating efficiencies arising from the continued implementation of Transnet's capital expenditure plan; and
- Operating profit margin of greater than 20% during the past five years.

The Income Statement risk rating of BCL [redacted] is constrained by increases in operating costs (personnel expense, depreciation, electricity and fuel) and interest expense, but these increased expenses were offset by continued cost cutting and efficiency improvements.

Efficiency of Asset Utilization: *BCL* [redacted]

Table A-4 below summarizes certain asset categories on Transnet's balance sheet for the past five years. The Efficiency of Asset Utilization risk rating of BCL [redacted] is supported by the following:

- The steady growth in total assets during the past five fiscal years (up 58% since FY 2010), reaching R240,073 million ($22.72 billion) at March 31, 2014;
- The R103.1 billion (approximately $12.1 billion, assuming an average exchange rate of R8.5 = $1.00) that has been spent during the past five years (FY 2010 through FY 2014)

pursuant to its capital expenditure program across all five operating divisions is resulting in improved operations and productivity;

- (b) (4), (b) (5) [redacted]
- Significant gains in operational efficiency (as well as re-prioritization of certain projects called for in the Capital Expenditure Program) enabled Transnet to continue its capital expenditure program during the economic slowdown;
- Successful disposal of non-core assets and businesses; and
- The large increase in property, plant and equipment (including investments in locomotives and wagons) reflects the investments that have already been made and the favorable effect that such investments are having on Transnet's operations.

Table A-4 Efficiency of Asset Utilization ZAR Millions	**Mar. 31 2010**	**Mar. 31 2011**	**Mar. 31 2012**	**Mar. 31 2013**	**Mar. 31 2014**
Total Assets	138,885	167,070	178,005	203,896	240,073
Total Current Assets	18,040	20,827	12,625	13,914	15,011
Cash and Cash Equivalents	7,918	10,876	1,189	2,598	3,633
Accounts Receivable	5,859	5,503	5,615	6,248	7,774
Inventories	2,048	2,257	2,591	3,400	3,241
Total Non-Current Assets	120,845	146,243	165,380	189,982	225,062
Property, Plant and Equipment	113,579	137,836	155,953	176,921	207,322
Investment Properties	6,604	7,368	7,732	7,938	8,572
Return on Average Assets (%)	2.47%	2.69%	2.38%	2.13%	2.15%

As follow up to the Turnaround Plan that was undertaken beginning in 2004, Transnet has continued to improve the quality of the assets that it deploys in its operations. Transnet spun off assets and businesses that were not core to its operations as a logistics provider. At the same time, Transnet embarked upon a multi-year capital expenditure program to increase Transnet's operating efficiency as a logistics provider and reduce the cost of doing business (in terms of both time and money) in South Africa.

(b) (4), (b) (5) [redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

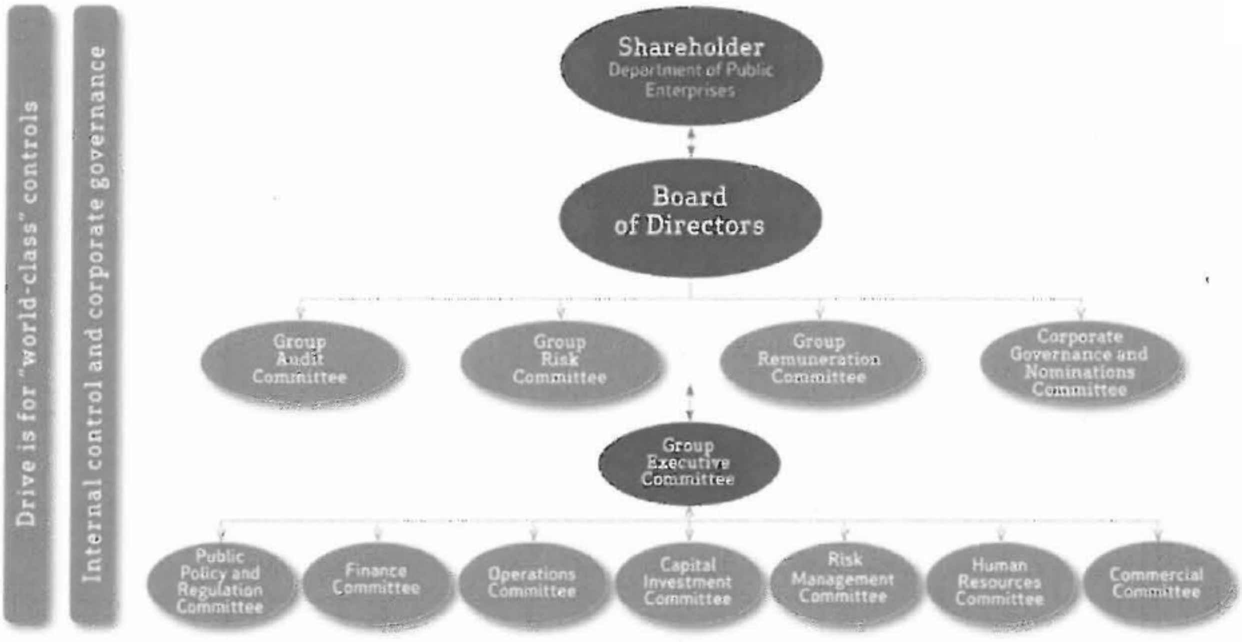
(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

Transnet's Articles of Association provide that there shall be not fewer than 10 and not more than 18 directors, of whom eight must be non-executive directors free from any business relationship that could affect objectivity. The Board of Directors of Transnet currently consists of 11 directors. The Board of Directors of Transnet has delegated responsibility for running the operations of Transnet to the Group Chief Executive. The Board of Directors of Transnet retains responsibility for (i) amending Transnet's Articles of Association, (ii) approving Transnet's strategy, business plans, annual budgets and borrowing strategy, financial statements and (iii) evaluating the performance of the Group Chief Executive.



Summaries of Transnet's key senior managers are provided below.

Brian Molefe, Group Chief Executive Officer
Brian Molefe was appointed Group CEO of Transnet in 2011. From 2003 to 2011, Mr. Molefe served as CEO and CIO of the Public Investment Corporation ("PIC"), wholly-owned by the South African government and responsible for investing funds on behalf of public sector entities. Before joining PIC, Mr. Molefe held various positions at the South African National Treasury from 1997-2001, before being appointed Deputy Director General for Asset and Liability Management, a position he held until 2003. Early in his career, Mr. Molefe worked at several banks, including the South African Reserve Bank, First National Bank, and the Development Bank of South Africa. Mr. Molefe received a Bachelor's Degree in Commerce and a Master's Degree in Business Leadership from the University of South Africa, as well as a post graduate diploma in Economics from the University of London.

Mr. Anoj Singh, Chief Financial Officer
Mr. Singh has been the Chief Financial Officer and an executive member of the Board of Directors since March 2009. He has been with Transnet since 2005, first serving as Transnet's General Manager for Group Finance. Mr. Singh graduated with a Bachelor of Accounting degree from the University of Kwazulu-Natal. Mr. Singh is a qualified chartered accountant with more than 12 years financial experience.

RATINGS CONCORDANCE AND ADJUSTMENTS

Transnet has received ratings from the three international credit rating agencies: Standard and Poor's ("S&P"), Moody's Investor Service ("Moody's") and Fitch Ratings ("Fitch"). The ratings are summarized in Table A-9.

(b)(4)

[redacted]

(b) (4)
[redacted]

CONCLUSION
Based on the foregoing, staff concludes that the overall risk rating for Transnet in connection with the Final Commitment is BCL (b) (4) [redacted]

(b)(4)

[redacted]

INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Company 2013 Restated R million	Company 2014 R million		Notes	Group 2014 R million	Group 2013 Restated R million
50 156	**56 570**	Revenue	1	**56 606**	50 194
(29 213)	**(32 952)**	Net operating expenses excluding depreciation, derecognition and amortisation	2	**(32 967)**	(29 143)
20 943	**23 618**	**Profit from operations before depreciation, derecognition, amortisation and items listed below**		**23 639**	21 051
(9 277)	**(10 736)**	Depreciation, derecognition and amortisation	3	**(10 736)**	(9 277)
11 666	**12 882**	**Profit from operations before the items listed below**	4.1	**12 903**	11 774
(551)	**(110)**	Impairment of assets	4.2	**(107)**	(588)
1	**37**	Dividends received	4.3		
(251)	**(388)**	Post-retirement benefit obligation expense	4.4	**(388)**	(251)
222	**264**	Fair value adjustments	5	**264**	222
		Income from associates and joint ventures	13	**14**	24
11 087	**12 685**	**Profit from operations before net finance costs**		**12 686**	11 181
(5 545)	**(5 911)**	Finance costs	6	**(5 917)**	(5 545)
385	**346**	Finance income	7	**366**	405
5 927	**7 120**	**Profit before taxation**		**7 135**	6 041
(1 892)	**(1 953)**	Taxation	8	**(1 964)**	(1 902)
4 035	**5 167**	**Profit for the year**		**5 171**	4 139

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

Company 2013 Restated R million	Company 2014 R million		Notes	Group 2014 R million	Group 2013 Restated R million
4 035	**5 167**	**Profit for the year**		**5 171**	4 139
		Other comprehensive income			
1 252	**6 118**	Net items that will not be reclassified subsequently to profit or loss		**6 118**	1 182
1 744	**8 507**	Items that will not be reclassified subsequently to profit or loss		**8 507**	1 652
1 772	**8 269**	- Gains on revaluations		**8 269**	1 680
(28)	**238**	- Actuarial gains/(losses) on post-retirement benefit obligations		**238**	(28)
(492)	**(2 389)**	Taxation relating to components that will not be reclassified subsequently to profit or loss	8.1	**(2 389)**	(470)
237	**865**	Net items that may be reclassified subsequently to profit or loss		**870**	212
329	**1 195**	Items that may be reclassified subsequently to profit or loss		**1 200**	304
-	**-**	- Exchange differences on translation of foreign operations		**5**	(25)
329	**1 195**	- Gains on cash flow hedges		**1 195**	329
(92)	**(330)**	Taxation relating to components that may be reclassified subsequently to profit or loss	8.1	**(330)**	(92)
1 489	**6 983**	**Other comprehensive income for the year, net of taxation**		**6 988**	1 394
5 524	**12 150**	**Total comprehensive income for the year**		**12 159**	5 533

DISCLOSURE OF COMPONENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

Company 2013 Restated R million	Company 2014 R million		Notes	Group 2014 R million	Group 2013 Restated R million
		Items that will not be reclassified subsequently to profit or loss			
1 272	**5 951**	**Net gains on revaluation reserve**		5 951	1 202
1 772	**8 269**	Gains on revaluations		**8 269**	1 680
423	**467**	- Gain on revaluation of pipeline networks	22	**467**	423
1 325	**7 783**	- Gain on revaluation of port facilities	22	**7 783**	1 325
(93)	**26**	- Decommissioning restoration liability adjustment	22	**26**	(93)
9	**27**	- Net gain on revaluation of land, buildings and structures	22	**27**	9
16	**(34)**	- (Loss)/gain on revaluation of other investments	22	**(34)**	16
92	**-**	- Transfer in on liquidation of subsidiary		**-**	-
(500)	**(2 318)**	Taxation effect of revalued items	8.1	**(2 318)**	(478)
(20)	**167**	**Net actuarial gains/(losses) on post-retirement benefit obligations**		167	(20)
(28)	**238**	Actuarial gains/(losses) on post-retirement benefit obligations	22	**238**	(28)
9	**20**	- Actuarial gain on the Transport Pension Fund: Transnet Sub-fund	32.1.2	**20**	9
(1)	**-**	- Actuarial loss on the Transnet Second Defined Benefit Fund	32.1.3	**-**	(1)
(8)	**10**	- Actuarial gain/(loss) on the Transnet Top Management Pension	32.1.4	**10**	(8)
(62)	**21**	- Actuarial gain/(loss) on the Transnet Workmen's Compensation Act Pensioners	32.1.4	**21**	(62)
(41)	**65**	- Actuarial gain/(loss) on the Transnet SATS Pensioners medical benefits	32.2.1	**65**	(41)
75	**122**	- Actuarial gain on the Transnet employees medical benefits	32.2.2	**122**	75
8	**(71)**	Taxation effect of net actuarial (gains)/losses	8.1	**(71)**	8
		Items that may be reclassified subsequently to profit or loss			
237	**865**	**Net gain on cash flow hedging reserve**		865	237
329	**1 195**	- Gains on cash flow hedges	22	1 195	329
(92)	**(330)**	- Taxation effect of cash flow hedge gains	8.1	(330)	(92)
-	**-**	**Net movement on foreign currency translation reserve**	22	5	(25)
1 489	**6 983**	**Other comprehensive income for the year**		**6 988**	1 394

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2014

Company 2013 R million	Company 2014 R million		Notes	Group 2014 R million	Group 2013 R million
		ASSETS			
		Non-current assets			
176 921	**207 322**	Property, plant and equipment	9	**207 322**	176 921
7 938	**8 572**	Investment properties	10	**8 572**	7 938
534	**972**	Intangible assets	11	**972**	534
208	**3**	Investments in subsidiaries	12		
10	**9**	Investments in associates and joint ventures	13	**105**	93
3 821	**7 346**	Derivative financial assets	14	**7 346**	3 821
4	**29**	Long-term loans and advances	15	**29**	4
671	**716**	Other investments and long-term financial assets	16	**716**	671
190 107	**224 969**			**225 062**	189 982
		Current assets			
3 400	**3 241**	Inventories	17	**3 241**	3 400
6 243	**7 769**	Trade and other receivables	18	**7 774**	6 248
34	**58**	Derivative financial assets	14	**58**	34
1 359	**67**	Other short-term investments	16	**67**	1 359
2 258	**3 508**	Cash and cash equivalents	19	**3 633**	2 598
13 294	**14 643**			**14 773**	13 639
275	**238**	Assets classified as held-for-sale	20	**238**	275
13 569	**14 881**			**15 011**	13 914
203 676	**239 850**	**Total assets**		**240 073**	203 896
		EQUITY AND LIABILITIES			
		Capital and reserves			
12 661	**12 661**	Issued capital	21	**12 661**	12 661
72 114	**84 264**	Reserves	22	**84 452**	72 293
84 775	**96 925**	Attributable to the equity holder		**97 113**	84 954
		Non-current liabilities			
3 117	**2 968**	Employee benefits	23	**2 968**	3 117
66 768	**82 993**	Long-term borrowings	24	**82 995**	66 770
62	**46**	Derivative financial liabilities	14	**46**	62
1 902	**1 890**	Long-term provisions	25	**1 890**	1 902
20 471	**25 209**	Deferred taxation liabilities	26	**25 209**	20 471
6 221	**4 615**	Other non-current liabilities	16	**4 615**	6 221
98 541	**117 721**			**117 723**	98 543
		Current liabilities			
11 849	**14 329**	Trade payables and accruals	28	**14 357**	11 884
6 318	**7 449**	Short-term borrowings	29	**7 449**	6 318
52	**12**	Current taxation liability		**17**	56
23	**37**	Derivative financial liabilities	14	**37**	23
991	**816**	Short-term provisions	25	**816**	991
1 127	**2 561**	Other current liabilities	16	**2 561**	1 127
20 360	**25 204**			**25 237**	20 399
203 676	**239 850**	**Total equity and liabilities**		**240 073**	203 896

	Issued capital R million	Revaluation reserve R million	Foreign currency translation reserve R million	Actuarial gains and losses R million	Cash flow hedging reserve R million	Other R million	Retained earnings R million	Total R million
Company								
Opening balances as at 1 April 2012	12 661	30 488	-	1 985	(76)	250	33 943	79 251
Restated total comprehensive income/(loss) for the year (net of taxation)	-	1 272	-	(20)	237	-	4 035	5 524
Total comprehensive income/(loss) for the year as previously reported	-	1 272	-	(221)	237	-	4 236	5 524
Change in accounting policy (net of taxation)	-	-	-	201	-	-	(201)	-
Restated balances at 31 March 2013	12 661	31 760	-	1 965	161	250	37 978	84 775
Profit for the year	-	-	-	-	-	-	**5 167**	**5 167**
Other comprehensive income for the year	-	**5 951**	-	**167**	**865**	-	-	**6 983**
Balances at 31 March 2014	**12 661**	**37 711**	-	**2 132**	**1 026**	**250**	**43 145**	**96 925**
Group								
Opening balances as at 1 April 2012	12 661	30 558	20	1 985	(76)	249	34 024	79 421
Restated total comprehensive income/(loss) for the year (net of taxation)	-	1 202	(25)	(20)	237	-	4 139	5 533
Total comprehensive income/(loss) for the year as previously reported	-	1 202	(25)	(221)	237	-	4 340	5 533
Change in accounting policy (net of taxation)	-	-	-	201	-	-	(201)	-
Restated balances at 31 March 2013	12 661	31 760	(5)	1 965	161	249	38 163	84 954
Profit for the year	-	-	-	-	-	-	**5 171**	**5 171**
Other comprehensive income for the year	-	**5 951**	**5**	**167**	**865**	-	-	**6 988**
Balances at 31 March 2014	**12 661**	**37 711**	-	**2 132**	**1 026**	**249**	**43 334**	**97 113**

Company 2013 R million	Company 2014 R million		Notes	Group 2014 R million	Group 2013 R million
16 726	**18 695**	**Cash flows from operating activities**		**18 709**	16 776
22 559	**24 032**	Cash generated from operations	34.1	**24 043**	22 599
1 315	-	Security of supply petroleum levy		-	1 315
(1 273)	**1 235**	Changes in working capital	34.2	**1 228**	(1 273)
22 601	**25 267**	**Cash generated from operations after working capital changes**		**25 271**	22 641
(5 328)	**(5 870)**	Finance costs	34.3	**(5 870)**	(5 328)
302	**301**	Finance income	34.4	**321**	322
232	**26**	Taxation refunded	34.5	**16**	222
(253)	**(238)**	Settlement of post-retirement benefit obligations		**(238)**	(253)
(828)	**(791)**	Derivatives settled and raised		**(791)**	(828)
(27 240)	**(31 838)**	**Cash flows utilised in investing activities**		**(32 067)**	(27 241)
(16 246)	**(17 364)**	***Investment to maintain operations***		**(17 593)**	(16 247)
(16 238)	**(18 480)**	Replacements to property, plant and equipment		**(18 480)**	(16 238)
(108)	**(500)**	Additions to intangible assets		**(500)**	(108)
(92)	**(100)**	Borrowing costs capitalised		**(100)**	(92)
12	**189**	Proceeds on the disposal of property, plant and equipment		**189**	12
2	**1**	Proceeds on the disposal of investment property		**1**	2
-	**192**	Net proceeds on the return of capital from subsidiary		-	-
1	**37**	Dividend income		-	-
1	**5**	Net receipts of long-term loans and advances		**5**	1
176	**1 292**	Net decrease in other investments		**1 292**	176
(10 994)	**(14 474)**	***Investment to expand operations***		**(14 474)**	(10 994)
(10 033)	**(13 286)**	Expansions – property, plant and equipment		**(13 286)**	(10 033)
(961)	**(1 188)**	Borrowing costs capitalised		**(1 188)**	(961)
11 874	**14 393**	**Cash flows from financing activities**		**14 393**	11 874
19 800	**22 380**	Borrowings raised		**22 380**	19 800
(7 926)	**(7 987)**	Borrowings repaid		**(7 987)**	(7 926)
1 360	**1 250**	Net increase in cash and cash equivalents		**1 035**	1 409
898	**2 258**	Cash and cash equivalents at the beginning of the year		**2 598**	1 189
2 258	**3 508**	**Total cash and cash equivalents at the end of the year**	34.6	**3 633**	2 598

ENGINEERING EVALUATION

DATE: July 11, 2014
COUNTRY of PROJECT: South Africa **CASE ID:** AP088827XX **ENGINEER:** C. Williams

PURCHASER: Transnet Limited **PROJ SIC:** 4011
PROJ. NAME/DESCRIPTION: *Railway Transportation - Locomotives* **PROJ NAICS:** 482111
PRIMARY EXPORTER: The General Electric Company, Erie PA
PRIMARY SUPPLIER: The General Electric Company, Erie PA
MAJOR PRODUCTS: (b) [redacted] GE C30-ACi Diesel Locomotives **PROD SIC:** 3743 **PROD NAICS:** 336510
& (b) [redacted] GE ES40ACi Diesel Locomotives
NET CONTRACT PRICE: (b) (4) [redacted] **ELIGIBLE FOREIGN CONTENT:** $76,324,834
U.S. JOBS SUPPORTED: 2,800 *(based on calculation methodology agreed to by the TPPC that uses BLS data)*
DELIVERY/PROJECT COMPLETION: Sep 2014 through Dec 2017 **SMALL BUSINESS (Direct):** 0 %
SMALL BUSINESS (Indirect): 0%
LOCAL COST FINANCE AMOUNT: (b) (4) [redacted] **PROGRESS PAYMENT REQUIRED (Y/N):** N

TECHNICAL RISK RATING: (b) (4) [redacted] **ENGINEERING ISSUES (Y/N):** Y- foreign content over 15%
ENVIRONMENTAL CATEGORY: C **ENVIRONMENTAL ISSUES (Y/N):** N
RENEWABLE ENERGY (Y/N): N **ANNUAL CO_2 EMISSIONS: (MM Tonnes/Year):** N/A
BENEFICIAL ENVIRONMENTAL EFFECT (Y/N) + (%): N - 0%

ENGINEERING EVALUATION:

This transaction is a request for a Final Commitment for the purchase of (b) [redacted] Locomotives from GE South Africa by Transnet Limited of South Africa (Transnet). Transnet signed an addendum to its original contract (b) (4), (b) (5) [redacted]

Transnet is the publicly owned transportation company of South Africa established in 1989. It is made up of the following operating divisions: Transnet Freight Rail (the freight rail division), Transnet Engineering (TE), Transnet National Ports Authority, Transnet Port Terminals, and Transnet Pipelines. Transnet Freight Rail owns 905 diesel locomotives used predominantly on general freight business lines. The average age of Transnet Freight Rail's diesel locomotive fleet is 34 years. The diesel fleet consists of 412 GE type locomotives as well as 458 EMD type locomotives. In addition to the above, Transnet Freight Rail has 35 dual mode (3kV overhead or 780kW diesel) locomotives which are used on electrified as well as non-electrified lines. In diesel mode these locomotives are powered by a Caterpillar 3508 diesel engine. The age of TFR's locomotives is having a significant impact on Transnet's operational characteristics. Older locomotives have high maintenance costs and relatively poor reliability. Transnet currently plans to replace half of its fleet by 2018 with new locomotives from GE and China. Transnet owns all of the Republic of South Africa's freight rail networks, consisting of 20,953 route kilometers as of March 31, 2009, of which 12,801 route kilometers comprise the core mainline network. Reportedly, of the remaining lines outside of the core network 1,250 kilometers carry no traffic, 5,750 kilometers carry low traffic, and 3,110 kilometers only carry light traffic. Transnet's core mainline network includes a dedicated 565 kilometers export coal line and an 861 kilometers export iron ore line. These last two dedicated lines show the shift of rail in South Africa from passenger transport to freight as the highway system continues to be developed.

GE Erie, PA will supply the U.S. locomotive components to GE SAT for delivery to Transnet Rail Freight. GE SAT is responsible for the delivery of the completed locomotives, but similarly to the previous transactions Transnet required that any bidder use TE as the local cost supplier for assembly and sourcing of South African components. The bid also required a minimum of 53% local content. This has resulted in TE assembling the (b) (4) [redacted] C30ACi locomotives, and approximately 227 of the 233 ES40ACi locomotives in South Africa under a contract with GE SAT. The first five ES40ACi locomotives will be delivered fully assembled from the U.S. Transnet has requested 30% local cost coverage to finance the majority of the locally produced equipment and services. Transnet Engineering is a division of Transnet Limited and is dedicated to 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, castings auxiliary equipment and services. TE's largest contribution on the ES40ACi is the manufacture of the platform, the bogie (under license from UGL in Australia), assembling and testing the traction motor, and assembling and testing the complete locomotive. In addition to those services which it performed for the C30ACi in the previous Ex-Im Bank financed transaction, TE will manufacture and finish the auxiliary and control cabins along with assembling and testing the alternator.

The eligible foreign content of the locomotive kits supplied by GE is approximately 16.3% when averaged across all 293 locomotives. The exact foreign components have not been identified since GE is still in the process of evaluating and selecting its final suppliers. Both locomotives are advanced diesel powered locomotives with AC traction motors. The primary technical difference between the C30 and the ES40 locomotive model is a 27% increase in horsepower with a 3% better fuel consumption and improved emissions. The increased horsepower and decreased emissions requirements were part of the request for bid released by Transnet that required the switch from the C30 locomotive to the ES40ACi. The two locomotives have the same tractive force rating, but the additional horsepower of the ES40 locomotive will allow for higher speed transit with the same load. These locomotives are being specifically designed for Transnet and will have limited use outside of South Africa due to the gauge and axle weight. (b) (4), (b) (5) [redacted]

The cost of the locomotives for Transnet appears reasonable and there are no identified technical issues, other than foreign content, that would affect the financing.

Concur:

James A. Mahoney
Vice President - Engineering & Environment
cc: D. Fiore/Files

Christopher Williams
Engineer

IDENTIFIED U.S. EXPORTERS AND PARTICIPATING SUPPLIERS
AP088827XX – South Africa

IDENTIFIED U.S. EXPORTERS AND SUPPLIERS

Ref.#	Exporter Company	Product	NAICS/ SIC	Contract Price	Small Business
E1 /S1	GE Transportation 2901 East Lake Road Erie, PA 16531	C30ACi Locomotives & ES40ACi Locomotives	336510/ 3743	(b)(4) [redacted]	N

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS

10/20/10
AP085322XX

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Division	TRANSPORTATION	Date Application Received	06/04/10
Country	SOUTH AFRICA	Date Application Complete	06/04/10
Request	FINAL COMMITMENT (NEW)	Financing Type/Term	STANDARD/L-T
		Financing Options	1 (SEE FINANCING ATTACHMENT)

Applicant	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
Borrower	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
Guarantor	NONE
Buyer	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
End-user	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
Exporter	GE TRANSPORTATION SYSTEMS GLOBAL, ERIE PA
Supplier	SEE PARTICIPANT ATTACHMENT
Gteed Lender	BARCLAYS BANK PLC, LONDON E14 4EY UNITED KINGDOM

Project Name NONE
Project Description RAILROAD TRANSPORTATION
Product Description (b)(4) [redacted] C30ACI LOCOMOTIVES

US Content	$ (b) (4) [redacted]
Foreign Content	
Net Contract Price	
Cash Payment	
Financed Portion of US Contract Price	
Financed Local Costs	
Capitalized Interest During Construction	
Financed Amt (Excl Exp Fee)	
Exp Fee Level/Risk Increment	
Exp Fee Amt/Rate	
Total Fincd Amt (Incl Exp Fee, If Fincd)	125,820,447
Financed Amt in Foreign Curr/Exchange Rate	1,113,726,816 SOUTH AFRICA RAND/0.1111111
Budget Cost Level	(b) (4) [redacted] SDL
Prog Budget Amt/Ratex	
Initial Eligibility Date	06/04/09

Risk Category PUBLIC NON-SOVEREIGN	Rpmt Term 10 YR/0 MO	Total Term 10 YR/11 MO	
Qualifies For Enviro Exp Pgm NO	Small Business- Direct:	0.0% Indirect:	10.0%
	Jobs- Created:	0.00 Supported:	0.00

Key Features CLAIM PAYMENT METHOD, LOCAL CURRENCY DISCOUNT, ASSET BACKED, FOREIGN CURR GTEE, LOCAL COSTS

Special Conditions SEE APPENDIX E

Recommendation APPROVAL - SUBJECT TO CONGRESSIONAL NOTIFICATION, REFERRED TO NAC

Loan Officer DAVID FIORE DF

Counsel MICHAELA E. RICCHIUTE MER

Concur ROBERT A. MORIN
V.P.-TRANSPORTATION DIVISION
RAM

Supplier	GE TRANSPORTATION SYSTEMS GLOBAL, ERIE PA
Supplier	VARIOUS - UNITED STATES SMALL SUPPLIERS, UNKNOWN DC

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS
FINANCING ATTACHMENT

10/20/10
AP085322XX

FINANCING SUMMARY

Option 1 Component 1 US COST GTEE
Component 2 LOCAL COST GTEE
Component 3 US COST GTEE
Component 4 LOCAL COST GTEE
Component 5 US COST GTEE
Component 6 LOCAL COST GTEE
Component 7 US COST GTEE
Component 8 LOCAL COST GTEE
Exp Fee [redacted] Subsidy [redacted] Total Term 10 YR/11 MO

FINANCING TERMS

Option 1 - Component 1

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/10.0000%
Starting Point Event	MEAN SHIPMENT
Starting Point Date	12/15/10
Final Disbursement Date	01/15/11
Gtee Availability Date	02/15/11
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	03/15/11

Option 1 - Component 2

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/10.0000%
Starting Point Event	MEAN SHIPMENT
Starting Point Date	12/15/10
Final Disbursement Date	01/15/11
Gtee Availability Date	02/15/11
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	03/15/11

Option 1 - Component 3

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/10.0000%
Starting Point Event	MEAN SHIPMENT
Starting Point Date	03/15/11
Final Disbursement Date	04/15/11
Gtee Availability Date	05/15/11
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	06/15/11

Option 1 - Component 4

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/10.0000%
Starting Point Event	MEAN SHIPMENT
Starting Point Date	03/15/11
Final Disbursement Date	04/15/11
Gtee Availability Date	05/15/11
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	06/15/11

Option 1 - Component 5

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/10.0000%
Starting Point Event	MEAN SHIPMENT
Starting Point Date	06/15/11
Final Disbursement Date	07/15/11
Gtee Availability Date	08/15/11
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	09/15/11

Option 1 - Component 6

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/10.0000%
Starting Point Event	MEAN SHIPMENT
Starting Point Date	06/15/11
Final Disbursement Date	07/15/11
Gtee Availability Date	08/15/11
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	09/15/11

Option 1 - Component 7

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/10.0000%
Starting Point Event	MEAN SHIPMENT
Starting Point Date	09/15/11
Final Disbursement Date	10/15/11
Gtee Availability Date	11/15/11
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	12/15/11

Option 1 - Component 8

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/10.0000%
Starting Point Event	MEAN SHIPMENT
Starting Point Date	09/15/11
Final Disbursement Date	10/15/11
Gtee Availability Date	11/15/11
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	12/15/11

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS

10/20/10
PC085332XX

Division	TRANSPORTATION	Date Application Received	06/04/10
Country	SOUTH AFRICA	Date Application Complete	06/04/10
Request	PRELIMINARY COMMITMENT	Financing Type/Term	STANDARD/L-T
		Financing Options	1 (SEE FINANCING ATTACHMENT)

Applicant	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
Borrower	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
Guarantor	NONE
Buyer	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
End-user	TRANSNET LIMITED, JOHANNESBURG 2001 SOUTH AFRICA
Exporter	GE TRANSPORTATION SYSTEMS GLOBAL, ERIE PA
Supplier	SEE PARTICIPANT ATTACHMENT
Gteed Lender	BARCLAYS BANK PLC, LONDON E14 4EY UNITED KINGDOM

Project Name NONE
Project Description RAILROAD TRANSPORTATION
Product Description (b) (4) [redacted] C30ACI LOCOMOTIVES

US Content	$ (b) (4) [redacted]
Foreign Content	
Net Contract Price	
Cash Payment	
Financed Portion of US Contract Price	
Financed Local Costs	
Capitalized Interest During Construction	
Financed Amt (Excl Exp Fee)	
Exp Fee Level/Risk Increment	
Exp Fee Amt/Rate	
Total Fincd Amt (Incl Exp Fee, If Fincd)	206,977,895
Financed Amt in Foreign Curr/Exchange Rate	1,832,109,390 SOUTH AFRICA RAND/0.1111111
Budget Cost Level	(b)(4) [redacted]
Prog Budget Amt/Ratex	
PC Expiry Date	05/14/11
Initial Eligibility Date	06/04/09

Risk Category PUBLIC NON-SOVEREIGN   Rpmt Term 10 YR/0 MO   Total Term 11 YR/2 MO
Qualifies For Enviro Exp Pgm NO   Small Business- Direct: 0.0% Indirect: TBD
Jobs- Created: 0.00 Supported: 0.00
Key Features CLAIM PAYMENT METHOD, LOCAL CURRENCY DISCOUNT, ASSET BACKED, FOREIGN CURR GTEE, LOCAL COSTS

Special Conditions SEE APPENDIX E

Recommendation APPROVAL - SUBJECT TO CONGRESSIONAL NOTIFICATION, REFERRED TO NAC

Loan Officer DAVID FIORE   Concur ROBERT A. MORIN
V.P.-TRANSPORTATION DIVISION

Counsel MICHAELA E. RICCHIUTE

Supplier	GE TRANSPORTATION SYSTEMS GLOBAL, ERIE PA
Supplier	VARIOUS - UNITED STATES SMALL SUPPLIERS, UNKNOWN DC

EXPORT-IMPORT BANK OF THE UNITED STATES
MEMORANDUM TO THE BOARD OF DIRECTORS
FINANCING ATTACHMENT

10/20/10
PC085332XX

FINANCING SUMMARY

Option 1 Component 1 US COST GTEE
Component 2 LOCAL COST GTEE
Exp Fee [redacted] Subsidy [redacted] Total Term 11 YR/2 MO

FINANCING TERMS

Option 1 - Component 1

Component	US COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/10.0000%
Starting Point Event	MEAN SHIPMENT
Starting Point Date	12/15/11
Final Disbursement Date	01/15/12
Gtee Availability Date	02/15/12
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	03/15/12

Option 1 - Component 2

Component	LOCAL COST GTEE
Gtee Cover	COMPREHENSIVE
Gtee Amount	[redacted] (INCL EXP FEE)
Foreign Currency Amount Cap	[redacted]
Foreign Currency Desc	SOUTH AFRICA RAND
Commitment Fee Rate	[redacted]
Exposure Fee Rate/Amount	[redacted]
Interest Rate Type	FIXED
Fixed Rate Basis/Rate	OTHER/10.0000%
Starting Point Event	MEAN SHIPMENT
Starting Point Date	12/15/11
Final Disbursement Date	01/15/12
Gtee Availability Date	02/15/12
No./Frequency Of Installments	40/QUARTERLY
First Principal Payment Date	03/15/12

Transnet Limited

I. Summary and Conclusion

The Requests: In connection with its multi-year capital expenditure program, Transnet Limited ("Transnet" or the "Company"), of Johannesburg, South Africa, is requesting a total of $332.8 million in Ex-Im Bank support as set forth in the two requests described below:

Final Commitment AP085322XX
Transnet is requesting a final commitment for a guarantee of a loan, to be denominated in South African Rand ("R", or "ZAR") in the amount of approximately [redacted], including the Ex-Im Bank exposure fee of [redacted] (the "Final Commitment"). The Final Commitment will support Transnet's acquisition of [redacted]ully-assembled GE locomotives and [redacted] locomotive kits (the "Final Commitment Locomotives"). [redacted] fully-assembled Final Commitment Locomotives will be shipped from GE's factory in Erie, Pennsylvania. U.S.-manufactured components for [redacted] Final Commitment Locomotives will be shipped from Erie, Pennsylvania to Transnet Rail Engineering ("Transnet Rail Engineering" or "TRE"), one of the five main operating divisions of Transnet, for final assembly at one of TRE's facilities in South Africa. Transnet is also requesting local cost financing of up to 30% of the U.S. contract price[1] to support work performed in South Africa. Shipment of the [redacted] fully-assembled Final Commitment Locomotives and the [redacted] locomotive kits will begin during the 4th quarter of 2010 and continue through the end of the 3rd quarter of 2011 (a total of 12 months).

Preliminary Commitment PC085332XX
Transnet is also requesting a preliminary commitment, to be denominated in ZAR in the amount of approximately [redacted], including the Ex-Im Bank exposure fee of [redacted], (the "Preliminary Commitment", or "PC"). The PC will support Transnet's acquisition of [redacted] dditional locomotive kits for final assembly in South Africa (the "PC Locomotives" and together with the Final Commitment Locomotives, the "Locomotives"). The PC also includes local cost financing of up to 30% of the U.S. contract price to support work performed in South Africa. Shipments of the locomotive kits for the PC Locomotives are expected to take place starting in the 4th quarter of 2011 and continue through the 1st quarter of 2013.

CRTI Due Diligence: The Character, Reputational and Transaction Integrity ("CRTI") due diligence was carried out on Transnet, its subsidiaries and shareholders and no adverse information was discovered.

Prohibited Energy Producer/Refiner: Staff took the following steps to determine whether any of the relevant transaction participants is a "Prohibited Energy Producer/Refiner". Ex-Im Bank received a completed questionnaire from Transnet Limited. Transnet certified to Ex-Im Bank that it (i) does not produce, refine, or sell petroleum, refined petroleum products, oil, or natural gas, and (ii) is not a direct or indirect subsidiary of another company that produces, refines, or sells petroleum, refined products, oil, or natural gas. Based on staff's due diligence, including a review

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[1] Per Ex-Im Bank policy, "U.S. Contract Price" is defined as U.S. Content + Eligible Foreign Content (refer to the Engineering and Environment Memorandum in Appendix D).

of the questionnaire responses from Transnet, as well as responses to follow-up questions regarding Transnet's pipeline and freight rail businesses interactions with Iran or Iranian entities, staff has determined that none of the relevant parties to the transaction is an energy producer/refiner, and as such, the transaction has not been referred to the Departments of State and Treasury for further vetting to determine if any of the parties is a "Prohibited Energy Producer/Refiner".

Pursuant to Ex-Im Bank policy, the Special Conditions (included in Appendix E), will require that the applicant be notified in the Final Commitment Letter and in the Preliminary Commitment Letter that Ex-Im Bank's authorization of the Final Commitment (and any conversion of the PC to a final commitment) is contingent upon a legal representation in the transaction documentation that as at the date of Ex-Im Bank's authorization of the Final Commitment (or, as at the date of any such conversion of the PC to a final commitment) none of the relevant parties involved in the transaction is, or is controlled by, a "Prohibited Energy Producer/Refiner".

Recommendation: Staff finds reasonable assurance of repayment and recommends approval of the Final Commitment and the PC, including local cost financing of up to 30% of the U.S. contract price, subject to NAC advice and Congressional notification, based on (i) the satisfactory financial condition of Transnet and (ii) a first priority security interest in the Locomotives (please refer to Section IV- "Financing Structure" for additional details).

II. Primary Source of Repayment – Transnet Limited

The primary source of repayment will be Transnet. Transnet is a public company with the Government of the Republic of South Africa (the "GoSA") as its sole shareholder. As the operator and custodian of a major portion of South Africa's transportation infrastructure, Transnet's mandate is to assist in lowering the cost of doing business and to enable economic growth in South Africa.

Transnet was formed in 1989. During the past several fiscal years, Transnet has transformed itself from a diversified conglomerate into a focused rail, port, and pipeline operator. Transnet's non-core assets and businesses have been sold, closed or transferred (the most notable of which is South African Airways, the disposal of which was completed in March 2007). Transnet currently has five (5) core operating divisions: Transnet Freight Rail, Transnet Rail Engineering, Transnet National Ports Authority, Transnet Port Terminals, and Transnet Pipelines. For its fiscal year ("FY") 2010, ended March 31, 2010, Transnet had total revenue of R35.6 billion ($4.85 billion), EBITDA of R14.4 billion ($1.96 billion), profit before tax of R4.9 billion ($669 million), total assets of R138.9 billion ($18.9 billion), and capital investments for the year of R18.4 billion ($2.5 billion).

Appendix A contains a review of Transnet's operations and financial condition. Staff concludes that Transnet is in satisfactory financial condition, with sufficient cash, profitable operations, low leverage, a strong shareholder and an experienced management team. Staff believes that Transnet should be able to service the Ex-Im Bank supported financing for the Final Commitment and the PC.

III. Ex-Im Bank Experience and Exposure with Transnet

Ex-Im Bank has no prior experience with Transnet and therefore this is a new customer for Ex-Im Bank. Ex-Im Bank has been in discussions with Transnet for the past four years about potential financing of Transnet's acquisition of U.S.-manufactured locomotives (and other U.S.-manufactured products) in connection with Transnet's multi-year capital expenditure program.

IV. Financing Structure

Financing Structure: The Final Commitment will be documented using the Ex-Im Bank standard form of guaranteed loan Credit Agreement (the "Guaranteed Loan"). Transnet will be the borrower under the Guaranteed Loan, the buyer under the Purchase Contract and end-user of the Locomotives. The Guaranteed Loan will be denominated in ZAR and is expected to bear interest at a fixed rate equivalent, based on the Johannesburg Interbank Agreed Rate ("JIBAR") plus a margin to be negotiated between Transnet and local South African banks. The interest rate of 10.0% indicated on the APS cover page for the Final Commitment is an estimated interest rate. Staff expects to know the final negotiated interest rate by the end of the Congressional notification period. The Guaranteed Loan will have a repayment term of ten (10) years, consisting of forty (40) quarterly payments of equal principal (i.e., "straight-line"), with interest in arrears.

The Guaranteed Lender will be Barclays Bank.[2] Transnet is continuing to negotiate with several local banks, including Barclay's South African subsidiary, (b) (4) [redacted]

Security: Ex-Im Bank will be secured by an exclusive first priority security interest in the Locomotives. To the extent possible under South African law, the Final Commitment will be cross-collateralized with any future locomotives that Ex-Im Bank might finance for Transnet, and the Locomotives financed under this Final Commitment will also secure any future Ex-Im Bank supported financings for Transnet.

V. Key Features

Asset-Backed: The Final Commitment and the PC are identified as "asset-backed" because, as stated above, Ex-Im Bank will be secured by a first priority security interest in the Locomotives. As discussed below, <u>no</u> improvement to the unsecured credit risk of Transnet is recommended as a result of the security for the reasons described in Section VI – "Exposure Fee, Transaction Summary, Budget Cost Level and Program Budget Allocation".

Foreign Currency Guarantee: The U.S. dollar figures used in the Engineering and Environment Division's memorandum were provided by GE based on a fixed Rand-U.S. dollar exchange rate of ZAR 8.2989 = $1.00, as provided for in GE's contract with Transnet. All payments made by

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[2] Technically, Barclays Bank will be the Guaranteed Loan Agent on behalf of one or more South African funding banks. Ex-Im Bank's guarantee will run to Barclays Bank, who as agent, would ensure that each funding bank received its share of the claim payment. For the purposes of this memorandum, the term "Guaranteed Lender" will refer to Barclays Bank, the local South African funding banks or both.

Transnet to GE will be denominated in Rand and all disbursements by the Guaranteed Lender will be denominated in Rand.

However, all accounting entries made by Ex-Im Bank for such Rand disbursements under this Final Commitment will be booked in U.S. dollars using the Rand-U.S. dollar exchange rate in effect at the time of such disbursement under the Guaranteed Loan.

Over the past several years, the Rand has fluctuated between ZAR 6.3235 and ZAR 9.7349 to $1.00. The exchange rate was ZAR 6.8967 on October 14, 2010.

In order to ensure that the U.S. dollar amount approved for this Final Commitment and PC was high enough to accommodate any strengthening of the Rand against the U.S. dollar, staff assumed a Rand-U.S. dollar exchange rate of ZAR 6.0 = $1.00.

Accordingly, the U.S. dollar figures on the APS cover pages for the Final Commitment and the PC are based on a Rand-U.S. dollar exchange rate of ZAR 6.0 = $1.00.

Up to 30% Local Cost Financing: Because of the requirements imposed upon GE by the GoSA in order to win the contract sale (and the large potential for follow on sales), GE had to structure the contract such that a significant amount of work would be done in South Africa, by local labor, which in this transaction, is Transnet Rail Engineering. The Engineering and Environment Division has reviewed the contract related to the local cost portion of the transaction and has no objection. The Policy and Planning Division notified the other OECD members on September 21, 2010 that Ex-Im Bank was considering local cost financing in excess of 15%. The 10-day notification period has expired on October 1, 2010 without comment.

Claim Payment Method: Several years ago, Barclays and Transnet requested that Ex-Im Bank agree to pay any claim payment in connection with any financing for Transnet on an "installment-by-installment" basis (rather than as a "lump-sum" payment) in order to avoid having the entire remaining balance of the Guaranteed Loan "crystallize" into U.S. dollars at one time. Only the installment for which a claim payment was made would "crystallize" into U.S. dollars. The remaining installment(s) would remain denominated in ZAR until such time that Transnet had defaulted on such remaining installment(s) and Ex-Im Bank had paid a claim on such remaining installment(s). After vetting Transnet and Barclays' request internally and with OMB, prior senior management of Ex-Im Bank agreed with Transnet in September 2007 that Ex-Im Bank would pay any claim on the ZAR-denominated, Ex-Im Bank Guaranteed Loan on an "installment-by-installment" method.[3]

The decision made in September 2007 is currently under review internally and therefore staff makes no recommendation to the Board of Directors at this time. Assuming the Final Commitment and the PC are referred to Congress for the required notification period, staff will continue to discuss the

[3] The "installment-by-installment" claim payment method is normally used only for fixed interest rate, U.S. dollar-denominated guaranteed loans.

claim payment method internally during the Congressional notification period and make a recommendation to the Board of Directors at the time the transactions are presented for final action.

Local Currency Discount to the Exposure Fee: The OECD Arrangement permits an export credit agency to provide a discount [redacted] of the exposure fee for local currency-denominated transactions that "crystallize" into hard currency upon a claim payment. Barclays and Transnet requested that Ex-Im Bank provide such a discount in connection with any Rand-denominated financings for Transnet. In September 2007, Ex-Im Bank informed Barclays and Transnet that Ex-Im Bank "would consider matching, on a case-by-case and transaction specific basis, the financing terms provided by such other export credit agency, provided that Transnet (and/or Barclays) provides Ex-Im Bank with evidence of such other export credit agency's offer."

Other export credit agencies have already provided, or have indicated their willingness to provide, Rand-denominated financing for Transnet that includes a discount to the exposure fee as permitted under the OECD Arrangement. Finnvera in Finland provided a 20% discount to Transnet in connection with the financing of industrial cranes in 2009. Last year EDC in Canada indicated its willingness to provide up to a [redacted] to the minimum exposure fee in connection with Transnet's acquisition of EMD locomotives (EDC ultimately did not finance any EMD locomotives for Transnet because the tender was cancelled and re-issued).

The decision to recommend a local currency discount to the exposure fee in connection with the Final Commitment and the PC is currently under review internally and therefore staff makes no recommendation to the Board of Directors at this time. Assuming the Final Commitment and the PC are referred to Congress for the required notification period, staff will continue to discuss the local currency discount internally during the Congressional notification period and make a recommendation to the Board of Directors at the time the transactions are presented for final action. The exposure fee and program budget calculations on the APS cover pages reflect the full exposure fee of [redacted]

VI. Exposure Fee, Transaction Summary, Budget Cost Level and Program Budget Allocation

OECD Fee Level: The exposure fee of [redacted] was determined using the Ex-Im Bank Exposure Fee Calculator and assuming (i) OECD Fee Level [redacted] (South Africa), (ii) a 10-year repayment term, (iii) a draw-down period of three (3) months (as repayment of the Guaranteed Loan will be in tranches, based on serial 3-month disbursement periods), (iv) zero risk increments, and (v) the exposure fee financed as drawn. Please refer to Appendix B for the exposure fee printout.

Transaction Summary: The strengths, weaknesses and uncertainties of the Final Commitment and the PC are set forth below:

Strengths

- Satisfactory financial condition of Transnet (profitable operations, positive cash flow, and low leverage)
- 100% owned by the GoSA

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5) [redacted]

Program Budget Allocation: With respect to the Final Commitment, the Office of the Chief Financial Officer has estimated that a Guaranteed Loan for a borrower with a BCL [redacted] disbursed in FY 2011 (and therefore using FY 2011 default curve assumptions), an exposure fee of (b)(4) [redacted] and a 10-year repayment term, would result in program budget cost of (b)(4) [redacted] (or approximately (b)(4) [redacted]), as shown in Table 1.

Table 1 **Final Commitment** **AP085322** **Transnet Limited**		
	Amount Authorized	(b) (4) [redacted]
	FY of Authorization	[redacted]
	Program Budget Rate (%)	[redacted]

		Program Budget	
Disbursement	% Disbursed	Positive	Negative
Year 1: 2011	100%	$ (b) (4) [redacted]	
Year 2: 2012	0%		
Total	100%	$	

With respect to the PC, the Office of the Chief Financial Officer has estimated that a Guaranteed Loan for a borrower with a BCL [redacted], using FY 2011 default curve assumptions (even though the financing would not be disbursed until 2011 or 2012), an exposure fee of (b)(4) [redacted] and a 10-year repayment term, would result in program budget cost of (b)(4) [redacted] (or approximately (b)(4) [redacted]), as shown in Table 2.

Table 2	Amount Authorized	(b) (4) [redacted]
Preliminary Commitment		
PC085332	FY of Authorization	[redacted]
Transnet Limited		
	Program Budget Rate (%)	[redacted]

		Program Budget	
Disbursement	% Disbursed	Positive	Negative
Year 1: 2011	0.00%	$ (b) (4) [redacted]	
Year 2: 2012	66.67%		
Year 3: 2013	33.33%		
Total	100.00%	$	

VII. Justification for Ex-Im Bank Support

Transnet is trying to diversify its sources of funding in light of its R93.3 billion ($12.7 billion) capital expenditure program over the next 5 years. Transnet does have access to various sources of financing (e.g., domestic banks in South Africa, local capital markets, development agencies). (b) (4), (b) (5) [redacted] To date, several export credit agencies have provided financing for Transnet, including Finnvera in Finland, Astradius in the Netherlands, SACE in Italy and JBIC in Japan.

Staff believes that Ex-Im Bank support for the Guaranteed Loan will demonstrate to Transnet, a new Ex-Im Bank borrower, that Ex-Im Bank support is available to support Transnet's acquisition of U.S.-manufactured Locomotives (and other equipment). This financing for Transnet also fulfills Ex-Im Bank's objective to finance more U.S. exports to borrowers in sub-Saharan Africa.

VIII. Country and Sector Exposure

Appendix C contains a summary of political and economic country conditions in South Africa as of September 2010, provided by the Country Risk and Economic Analysis Division.

Appendix C also contains a summary of Ex-Im Bank's exposure in South Africa, which was $62.9 million as of September 30, 2010, of which $52.7 million was exposure to SAFAIR Finance Lease Limited and South African Airways.

IX. Engineering Evaluation

The Engineering and Environment Division has no technical objections. Please refer to Appendix D for the Engineering and Environment evaluation for the Final Commitment and the PC.

X. Appendices

Appendix A - Review of Transnet's Operations and Financial Condition; Risk Rating Summary
Appendix B - Exposure Fee Calculator; Exposure Fee Advice Table
Appendix C - Country Update; Exposure Summary
Appendix D - Engineering and Environmental Memorandum
Appendix E - Special Conditions AP085322 and PC085332
Appendix F - South Africa: Regulatory Framework, Legal Strengths, Weaknesses and Uncertainties

TRANSNET LIMITED

BACKGROUND

Ownership, History and Strategic Plan: Transnet Limited ("Transnet" or the "Company") is a public company with the Government of the Republic of South Africa (the "GoSA") as its sole shareholder. As the operator and custodian of a major portion of South Africa's transportation infrastructure, Transnet's mandate is to assist in lowering the cost of doing business and to enable economic growth in South Africa. Transnet does not receive public subsidies from the GoSA. Transnet's borrowings are based on the strength of its own balance sheet. Transnet is required to earn an appropriate return on assets that will allow it to maintain and expand South Africa's rail, port, and pipeline infrastructure that it owns and operates.

Transnet was formed in 1989 as a result of the transfer of the commercial enterprise of the South African Transport Services to Transnet as South Africa's railway, harbor, road transport aviation and pipeline operator. After sustaining a large loss during FY 2004 (ended March 31, 2004) of South African Rand ("ZAR" or "R") R6.33 billion (approximately $1 billion at then-current exchange rates), Transnet developed a Turnaround Plan in August 2004 to stabilize the business and set the stage for future growth. The Turnaround Plan was to (i) focus on core business units, (ii) divest non-core businesses, (iii) improve operating efficiency, (iv) establish high standards of corporate governance, (v) develop its human resources more effectively, and (vi) transform the corporate culture.

With the successful implementation of the Turnaround Plan underway, Transnet approved the Growth Strategy in August 2007 that was designed to build on the success of the Turnaround Plan. The objectives of the Growth Strategy include (i) improved financial and risk management, (ii) more effective human resources development, and (iii) improved efficiency of operations and safety.

During the past several fiscal years, Transnet has transformed itself from a diversified conglomerate into a focused rail, port, and pipeline operator. Transnet's non-core assets and businesses have been sold, closed or transferred (the most notable of which is South African Airways, which was spun off as a separate company). Transnet also disposed of assets related to passenger rail services, telecommunications, pension fund management, fleet management, and housing loans, leaving Transnet with five (5) core operating divisions.

Core Operating Divisions of Transnet: Each of Transnet's five (5) core operating divisions (e.g., freight rail, rail engineering, port authority, ports operations, and pipelines) is described below. Transnet's operating divisions are not separate legal entities.

<u>Transnet Freight Rail</u>
Transnet Freight Rail ("Transnet Freight Rail" or "TFR") transports bulk and containerized freight along its approximately 20,500 kilometer rail network, 1,500 kilometers of which comprise heavy haul export lines. During FY 2010 (ended March 31, 2010), Transnet Freight Rail transported approximately 179 million tons of freight for export and domestic customers. Transnet Freight Rail currently operates more than 2,000 locomotives with an average age of 28

years and more than 64,000 wagons. The age of TFR's locomotive fleet is adversely affecting operational efficiency and resulting in increased maintenance and fuel costs.

As shown in the map on page A-15, Transnet Freight Rail's business can be divided into three parts:

(i) the Export Coal Line (which runs from Gauteng Province to Richards Bay on the Indian Ocean) - customers on the Export Coal Line include exporters and producers situated in the Mpumalanga coal field to the Port of Richards Bay such as BHP Billiton, Anglo American and Xstrata;

(ii) the General Freight business (which encompasses mainly manufacturing, mining, agricultural and containerized products and runs from the coastal ports (Cape Town, Port Elizabeth, Ngqura, East London, Richards Bay, Durban and Maputo (Mozambique) to Johannesburg and Gauteng Province) – customers for General Freight include ArcelorMittal, Eskom, Assmang, Samancor Manganese, Foskor, Afrisam, Sasol, Highveld Steel and Samancor Chrome, and

(iii) the Export Iron Ore Line (which runs from Sishen in the Northern Cape Province to the port of Saldanha on the Atlantic coast) Kumba and Assmang are the two main customers for the Export Iron Ore Line.

Export coal volume was down 0.2% for FY 2010, compared to FY 2009. TFR transported 61.8 million tons (mt) during FY 2010, slightly less than 61.9 mt transported during FY 2009. The marginally lower export coal volume was due to interruptions from the commissioning of the Richards Bay Coal Terminal expansion as well as other operational and infrastructure disruptions on the export coal line as a result of an increase in cable theft. Because of their copper content, cables are stolen and sold on the black market. The improving economic climate (and resulting higher volume of coal transported), as well as increased operational efficiency, improved TFR's performance during the last three months of FY 2010 (January 1, 2010 to March 31, 2010).

Table A-1
Transnet Freight Rail's Revenue by Source

ZAR million	Mar. 31 2008	Mar. 31 2009	Mar. 31 2010
Total Revenue	16,598	18,683	20,825
General Freight	11,248	11,852	11,903
Export Coal	3,264	4,332	5,624
Export Iron Ore	1,219	1,740	2,216
Other	867	759	1,082

General freight volume has a more severe downturn of 8.0% during FY 2010, compared to FY 2009, as a result of the economic recession. General freight represents approximately half of all revenue generated by Transnet Freight Rail (refer to Table A-1 below). Increased throughput of several general freight sectors (e.g., manganese, chrome, steel, containers) during the second half of FY 2010 reduced the severity of the drop in volume during FY 2010. TFR increased the number of "containers on rail" as part of its Growth Strategy to shift general freight from road to rail. TFR improved efficiency by running more trains on time and avoiding cancellation of trains, which resulted in more containers being delivered at the ports on time. Unfortunately, cable theft incidents resulted in the theft of 230 kilometers of cable. The direct replacement cost to Transnet Freight Rail was approximately R42 million (approximately $5.7 million) but the knock-on effect of such theft (in terms of train cancellations, poor service, reduced productivity) is estimated to be many millions more.

Export iron ore volume was up by 21.5% during FY 2010, compared to FY 2009. Capital expenditures and substantial operational efficiency improvements were implemented in collaboration with customers to ramp up volume. Transnet Freight Rail operated longer trains (up to 342 wagons) which was made possible by positioning the locomotives throughout the train (at the front and after each 114 wagons) rather than positioning all of the locomotives at the front of the train.

Transnet Rail Engineering
Transnet Rail Engineering ("Transnet Rail Engineering" or "TRE") provides services ranging from refurbishment, conversion and upgrades, to the manufacturing and assembly of rail-related rolling stock. TRE operates six plants in South Africa – Salt River, Uitenhage, Bloemfonteing, Durban, Germiston and Koedoespoort. TRE will perform the final assembly of the GE locomotive kits and has requested up to 30% of the U.S. contract price in local costs financing. Most of TRE's revenue is generated from providing services to Transnet Freight Rail and to the Passenger Rail Agency of South Africa (a separate state-owned company that provides passenger rail service within South Africa).

Transnet National Ports Authority
Transnet National Ports Authority ("Transnet National Ports Authority" or "TPNA") owns and operates the eight (8) national ports of South Africa. The eight (8) ports of South Africa are (from west to east along South Africa's coast) Saldanha, Cape Town and Mossel Bay in the Western Cape Province, Port Elizabeth, Ngqura and East London in the Eastern Cape Province, and Durban and Richard's Bay in Kwazulu-Natal Province. The business is divided into two service segments: (i) the provision of port infrastructure and (ii) maritime services. Port infrastructure consists of five segments: containers, dry bulk, liquid bulk, break-bulk and automotive. Maritime services include dredging, navigation aids, ship repair and marine operations.

Transnet Port Terminals
Transnet Port Terminals ("Transnet Port Terminals" or "TPT") manages 16 cargo terminals situated in seven (7) ports of South Africa. TPT provides cargo handling services for various customers including shipping lines, freight forwarders and cargo owners. Operations are divided into major market segments, including container, bulk, break-bulk and automotive cargo.

Transnet Pipelines
Transnet Pipelines ("Transnet Pipelines" or "TP") transports a range of petroleum products and gas through 3,000 kilometers of underground pipelines through five provinces. Revenue is generated from the transport of crude oil, aviation fuel, refined and synthetic fuel and gas.

Table A-2 below shows several key financial data of Transnet as a whole as well as each of its five main operating divisions.[1] Transnet Freight Rail represents 58.4% of Transnet's total

Table A-2
Segment Information
Financial Highlights of Transnet and its Operating Divisions

ZAR million	Transnet Limited TOTAL	Transnet Freight Rail	Transnet Rail Engineering	Transnet National Ports Authority	Transnet Port Terminals	Transnet Pipelines
Total Revenue	35,610	20,825	8,215	7,461	5,156	1,171
EBITDA	14,409	7,394	670	5,573	1,621	703
Profit before Tax	4,913	1,916	121	3,494	313	127
Total Assets	138,885	46,827	6,286	51,110	12,830	12,301
Capital Investments	18,441	9,726	376	3,231	2,368	3,067
No. of Employees	[redacted]					

revenue but only 39.0% of total profit before tax. Transnet Freight Rail represented 33.7% of Transnet's total assets. The importance of Transnet Freight Rail within Transnet is also demonstrated by the fact that 52.7% of Transnet's capital investment expenditure during FY 2010 was spent on improving Transnet Freight Rail's operations and productivity. Transnet National Ports Authority is the most profitable of Transnet's operating divisions and generated 71.1% of Transnet's total profit before tax with 36.8% of Transnet's total assets.

GENERAL RISK FACTORS

1. Country Risk – South Africa

A. Sovereign Rating: *BCL* [redacted]
B. Non-sovereign/Private Sector Rating: *BCL* [redacted]

The Country Risk and Economic Analysis Division ("CREA") provided a summary of its review of economic and political conditions in South Africa (refer to Appendix C).

2. Industry Risk/Competitive Position: *BCL* [redacted]

As the monopoly owner and operator of the transport infrastructure in South Africa, Transnet does not have competition from other infrastructure providers. At the current time, there is no discussion about allowing other providers of freight rail, port or pipeline to operate on the network owned by Transnet. Volume throughput on Transnet rail network and Transnet's other operations are vulnerable to a decline in usage of the infrastructure network as a result of economic recession or political instability.

Transnet Freight Rail does compete with trucking. Trucking has an advantage over rail transport

[1] The five operating divisions do not equal the figures in the column entitled "Transnet Limited TOTAL" as a result of other segment information, corporate headquarters functions and elimination of inter-divisional transactions.

of freight in urban areas and in rural areas of the country, where the shorter length of average haul (less than 150 kilometers) and the lack of sidings to load and offload traffic onto the rail network place rail transport at a competitive disadvantage. According to Transnet and the most recent available data, Transnet had approximately 13% of the market in 2007 in terms of the percentage of total metric tons carried but that market share increased to approximately 35% when measured in ton-kilometers (in which the length of haul is taken into consideration).

TFR also competes indirectly with other railroads in other countries in that TFR's main customers are large mining conglomerates with operations in other countries. To the extent that TFR's costs and quality of service are not comparable with that provided by railroads located in other countries, such mining conglomerates can decide to source raw materials from other countries rather than from South Africa.

The Industry Risk/Competitive Position rating of BCL (b) (4) [redacted]s based on the following:

- Transnet's monopoly position as the sole operator of the transportation infrastructure in South Africa;
- The likelihood that Transnet will enjoy its current monopoly position for the foreseeable future;
- The assumption that the regulatory environment will not become overly burdensome; and
- The expectation that Transnet will be able to improve the productivity and efficiency of its operations in order to remain competitive with other countries.

RISK FACTORS SPECIFIC TO THE PRIMARY SOURCE OF REPAYMENT

Transnet provided consolidated financial statements for fiscal years ("FY") ended March 31, 2007, 2008, 2009, and 2010, prepared in ZAR in accordance with international financial reporting standards ("IFRS"). The financial statements were audited by Deloitte and Touche, who issued an unqualified opinion for all years. Transnet also provided additional detailed information regarding its capital expenditure program, growth strategy, the offering memorandum prepared in connection with its global medium-term note bond offering and several presentations.

1. Operating Performance: *BCL* (b) (4) [redacted]

Table A-3 Operating Performance ZAR Millions	**Mar. 31 2006**	**Mar. 31 2007**	**Mar. 31 2008**	**Mar. 31 2009**	**Mar. 31 2010**
Revenues	26,034	26,899	30,091	33,592	35,610
Revenue Growth (%)	N/A	3.3%	11.9%	11.6%	6.0%
Operating Profit	8,210	7,715	9,012	8,421	8,320
Operating Profit Margin (%)	31.5%	28.7%	29.9%	25.1%	23.4%
Net Income after Tax	4,828	5,736	6,451	5,044	3,191
Net Profit Margin	18.5%	21.3%	21.4%	15.0%	9.0%

Income Statement Analysis: *BCL* [redacted]

Table A-3 summarizes Transnet's operating performance for the past five years. The Income Statement risk rating of BCL [redacted]s based on the following:

- Total revenue of R35,610 million (approximately $4.85 billion) during FY 2010, 6% higher in Rand terms than total revenue of R33,592 million ($3.54 billion) during FY 2009;
- An 11.5% increase in revenue generated by Transnet Freight Rail (R20,825 million in FY 2010, up from R18,683 million in FY 2009);
- A 21.5% increase in volumes on the Export Iron Ore Line;
- Increased revenue from the Export Iron Ore Line which offset declines in Transnet Freight Rail's volume for general freight, other commodities and containers caused by the economic downturn;
- A 5.7% gain in market share for containers on rail (instead of on trucks);
- Steady growth in revenue during the past five years;
- Improved operating efficiencies arising from the continued implementation of Transnet's capital expenditure plan;
- Operating profit of greater than 20% during the past five years;
- Elimination of approximately R1.9 billion (approximately $260 million) in costs, and notwithstanding the high increases in input costs such as electricity and fuel.

Efficiency of Asset Utilization: *BCL* [redacted]

Table A-4 below summarizes certain asset categories on Transnet's balance sheet for the past five years. The Efficiency of Asset Utilization risk rating of BCL [redacted]s based on the following:

- The steady growth in total assets during the past three fiscal years (up 77.3% since FY 2006);
- The need for large investments in all five operating divisions to improve efficient utilization of assets;
- The R71.8 billion (approximately $9.6 billion assuming an average exchange rate of R7.5 = $1.00) that has already spent during the past five years (FY 2006 through FY 2010) on capital expenditure program across all five operating divisions is resulting in improved asset utilization and productivity;
- [redacted]
- Significant gains in operational efficiency and efficient asset utilization (as well as re-prioritization of certain projects called for in the Capital Expenditure Program) enabled Transnet to continue its capital expenditure program during FY 2010 despite the economic slowdown;
- Successful disposal of non-core assets and businesses; and
- The large increase in property, plant and equipment (including investments in locomotives and wagons) reflects the investments that have already been made.

Table A-4 Efficiency of Asset Utilization ZAR Millions	**Mar. 31 2006**	**Mar. 31 2007**	**Mar. 31 2008**	**Mar. 31 2009**	**Mar. 31 2010**
Total Assets	78,346	77,346	98,686	118,534	138,885
Total Current Assets	28,202	19,069	14,466	15,117	18,040
Cash and Cash Equivalents	1,400	3,847	5,980	5,880	7,918
Accounts Receivable	4,149	3,992	4,074	5,503	5,859
Inventories	1,396	1,798	2,319	2,589	2,048
Total Non-Current Assets	50,144	58,277	84,220	103,417	120,845
Property, Plant and Equipment	45,181	53,896	78,256	96,459	113,579
Investment Properties	2,369	3,223	4,515	5,961	6,604
Return on Average Assets (%)	12.1	12.0	11.2	9.0	7.7

As follow up to the Turnaround Plan that was undertaken beginning in 2004, Transnet has continued to improve the quality of the assets that it deploys in its operations. Transnet spun off assets and businesses that were not core to its operations as a logistics provider. At the same time, Transnet embarked upon a multi-year capital expenditure program to increase Transnet's operating efficiency as a logistics provider and reduce the cost of doing business (in terms of [redacted] (b) (4), (b) (5)

(b) (4), (b) (5)

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

Transnet's Articles of Association provide that there shall be not fewer than 10 and not more than 18 directors, of whom eight must be non-executive directors free from any business relationship that could affect objectivity. The Board of Directors of Transnet currently consists of 11 directors. The Board of Directors of Transnet has delegated responsibility for running the operations of Transnet to the Group Chief Executive. The Board of Directors of Transnet retains responsibility for (i) amending Transnet's Articles of Association, (ii) approving Transnet's strategy, business plans, annual budgets and borrowing strategy, financial statements and (iii) evaluating the performance of the Group Chief Executive.

Summaries of Transnet's key senior managers are provided below.

Professor Geoffrey Everingham, Acting Chairman of the Board of Directors
Professor Everingham assumed the role of acting Chairman of the Board of Directors in August 2009. Previously, Professor Everingham served as a non-executive member of the Board of Directors from August 2004 until August 2009. He is currently acting as Chairman of the Board of Directors until an announcement relating to a successor if made by the GoSA (the shareholder). Professor Everingham graduated with a Bachelor of Commerce degree from the University of Port Elizabeth, a Bachelor of Commerce Honours degree from the University of Cape Town, and a Master of Arts degree in American Studies from the University of Illinois. Professor Everingham is a qualified chartered accountant and emeritus professor (from 2009) at the University of Cape Town.

Mr. Christopher Wells, Acting Group Chief Executive Officer
Mr. Wells assumed the role of acting Group Chief Executive Officer in March 2009. He had previously served as Chief Financial Officer from January 2005 until March 2009. He has served as an executive member of the Board of Directors since January 2005. He is currently

acting as Group Chief Executive Officer until an announcement relating to a successor is made by the GoSA (the shareholder). Mr. Wells graduated from the University of Cape Town and has more than 15 years of management experience. Prior to joining Transnet, Mr. Wells worked for Rainbow Chicken Limited, McCarthy Limited and Deloitte & Touche.

Mr. Anoj Singh, Chief Financial Officer
Mr. Singh has been the Chief Financial Officer and an executive member of the Board of Directors since March 2009. He has been with Transnet since 2005, first serving a Transnet's General Manager for Group Finance. Mr. Singh graduated with a Bachelor of Accounting degree from the University of Kwazulu-Natal. Mr. Singh is a qualified chartered accountant with more than 12 years financial experience.

RATINGS CONCORDANCE AND ADJUSTMENTS

Transnet has received ratings from the three international credit rating agencies: Standard and Poor's ("S&P"), Moody's Investor Service and Fitch Ratings. The ratings are summarized in Table A-9.

(b) (4)

[redacted]

(b) (4), (b) (5)

[redacted]

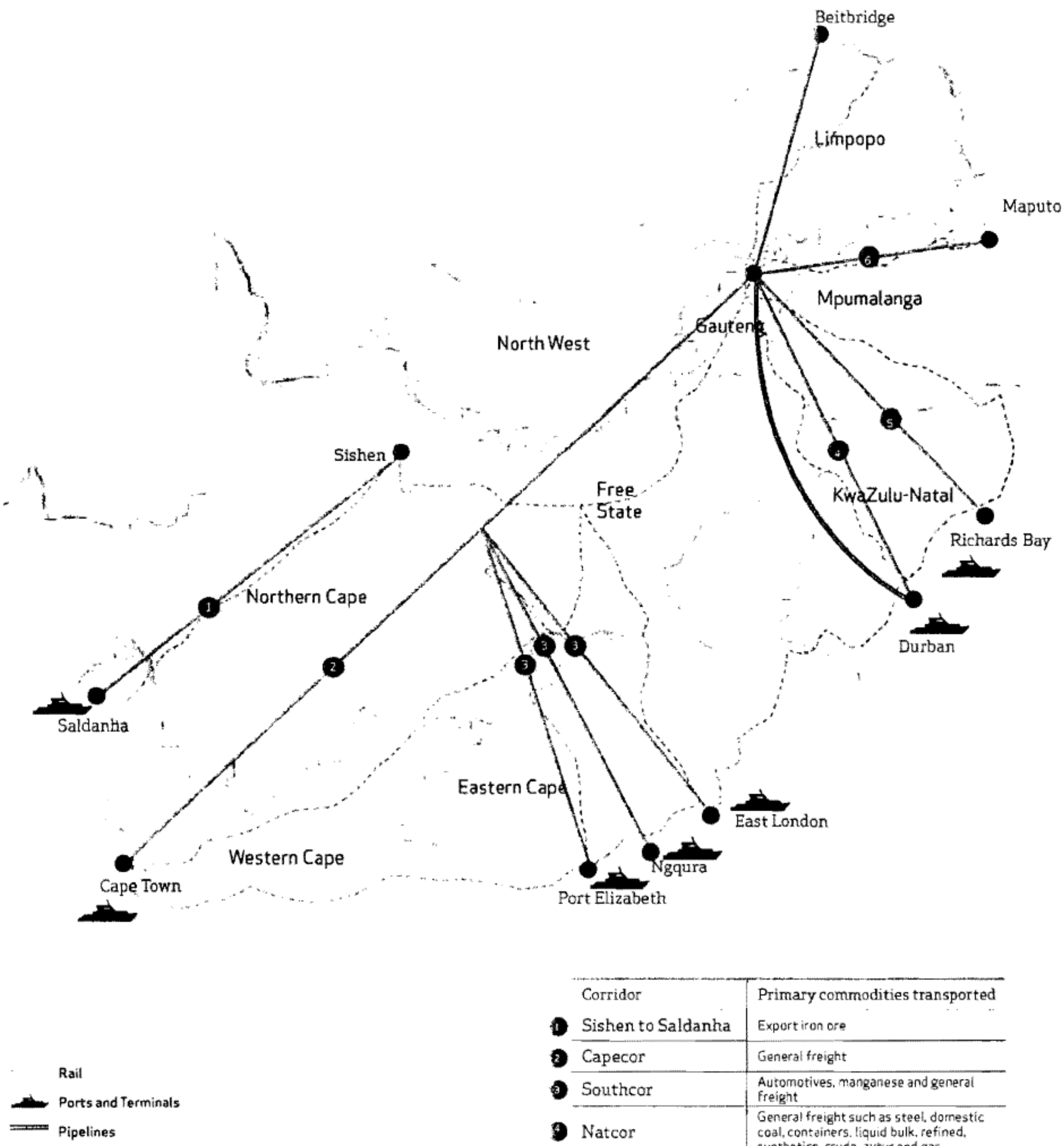
CONCLUSION
Based on the foregoing, staff concludes that the overall risk rating for Transnet in connection with the Final Commitment and the PC is BCL (b) (4) [redacted]

Attached to this Appendix A are several pages from a presentation prepared by Transnet dated as of March 31, 2010. The presentation summarizes key operational and financial highlights of FY 2010 and includes additional information regarding Transnet's capital expenditure program over the next five years.

(b)(4)

[redacted]

Transnet's reach



	Corridor	Primary commodities transported
1	Sishen to Saldanha	Export iron ore
2	Capecor	General freight
3	Southcor	Automotives, manganese and general freight
4	Natcor	General freight such as steel, domestic coal, containers, liquid bulk, refined, synthetics, crude, avtur and gas
5	R. Baycor	Export coal, magnetite and chrome
6	Maputo Corridor	General freight

Organisational structure

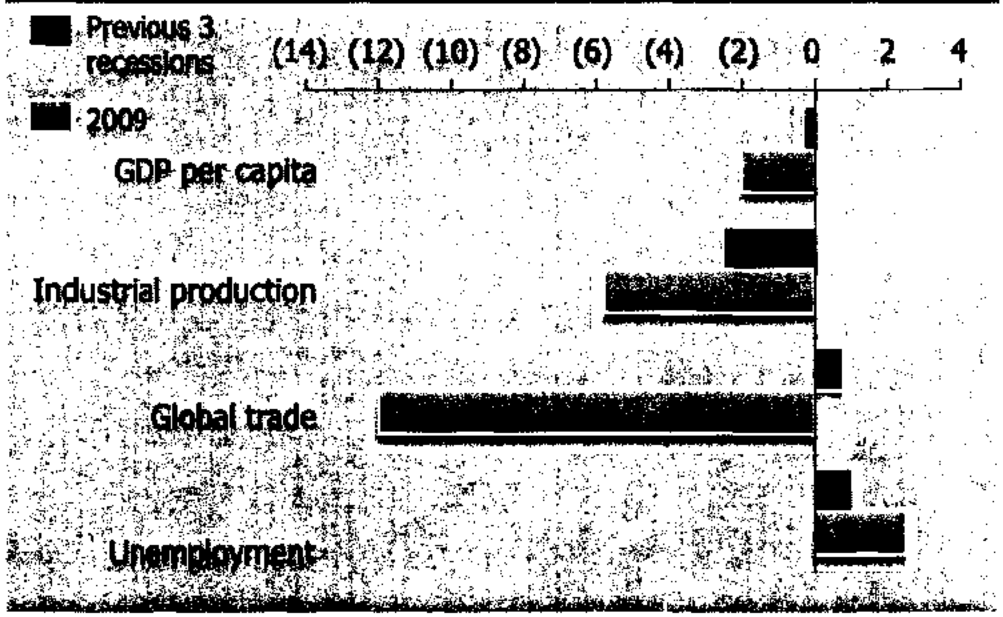
TRANSNET

Rail		Ports		Pipelines	Specialist Units
Freight Rail (TFR)	**Rail Engineering (TRE)**	**National Ports Authority (TNPA)**	**Port Terminals (TPT)**	**Pipelines (TPL)**	
• 20 953km of railway track • 179 million tons of freight • General freight and 2 heavy haul export lines • Revenue R20.8bn • Assets R46.8bn • (b) (4) [redacted] employees	• Support to TFR for rolling stock maintenance • Revenue R8.2bn • Assets R6.3bn • (b) (4) [redacted] employees	• 8 Commercial ports – Ngqura became operational during October 2009 • Revenue R7.5bn • Assets R51.1bn • (b) (4) [redacted] employees	• 16 Cargo terminal operations across SA ports • Revenue R5.2bn • Assets R12.8bn • (b) (4) [redacted] employees	• 17 billion litres of petroleum products and gas through 3000km pipelines, mainly to Gauteng • Revenue R1.2bn • Assets R12.3bn • (b) (4) [redacted] employees	• **Transnet Capital Projects** • **Transnet Property** • **Transnet Foundation**

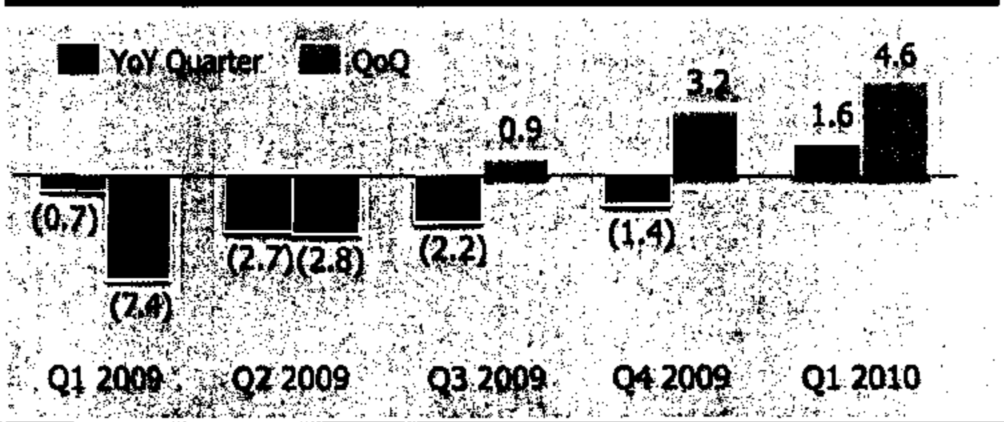
Impact of economic recession

- World-wide recession impacted negatively on all areas of business:
  - Global economic activity contracted by 1.8% during 2009;
  - Annual South African GDP growth of negative 1.8% vs 3.7% in 2008.
- During 2nd half of 2008/09, Transnet volumes declined significantly:
  - General freight declined by 20%;
  - Maritime containers declined by 15%.
- Capital markets under pressure:
  - Increase in liquidity risk;
  - Increase in cost of raising capital in the international and domestic markets;
  - Funding constraints in markets.
- SA GDP growth in last 2 quarters (QoQ) showing positive signs of recovery.

Recession's effects were devastating in 2009 (% y/y)



South African GDP Growth* (%)



* Source: StatSA - annualised percentage change in seasonally adjusted real GDP

Financial overview: 31 March 2010

Summary of Financial Performance

Financial	Actual 2010	% Change on 2009
Revenue	R35.6 billion	⬆ 6.0
Net operating expenses	R21.2 billion	⬆ 4.0
EBITDA	R14.4 billion	⬆ 9.2
Cash generated from operations after working capital changes	R17.6 billion	⬆ 61.9
Capital expenditure*	R18.4 billion	⬇ 4.4

A-18

Key financial ratios	Actual 2010	Actual 2009
EBITDA margin	40.5%	39.3%
Gearing	38.5%	36.2%
Cash interest cover	4.5 times	4.0 times
Return on average total assets (excl. CWIP)	7.7%	9.0%

* Excluding capitalised borrowing costs, includes capitalised finance leases and capitalised decommissioning liabilities.

Financial overview: 31 March 2010

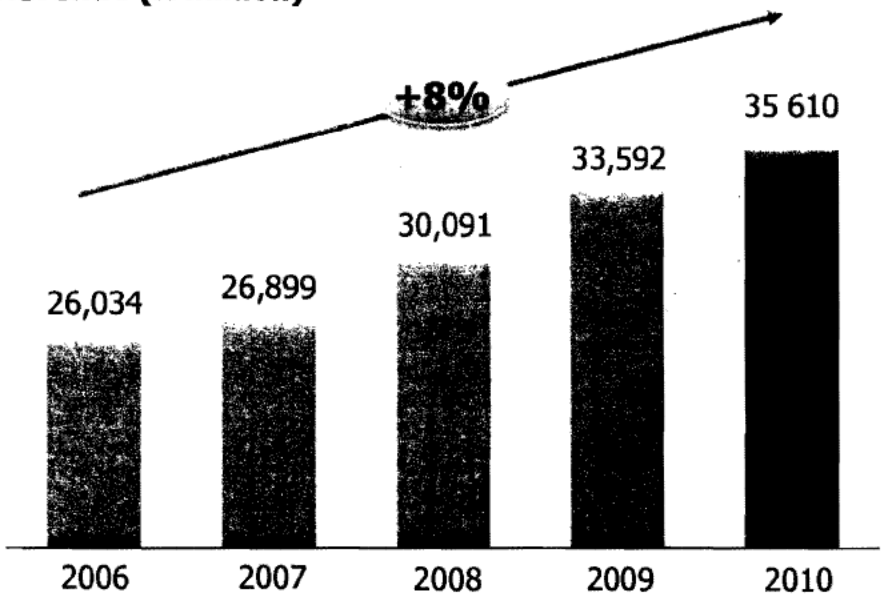
4-Year CAGR

Income statement	2010 R million	%▲	2009 R million
Revenue	**35 610**	6.0	33 592

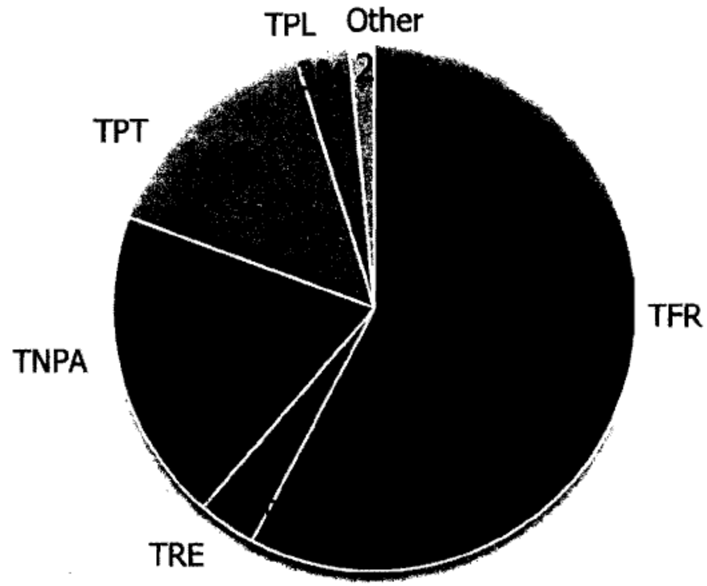
Group revenue increased by 6.0% during the year despite volumes being negatively impacted by the recession:
- GFB volume decreased by 8%;
- Iron ore export volumes up 21.5%;
- Export coal volumes remained constant, however coal tariffs increased in line with contractual arrangements;
- Maritime container volumes decreased 4.5%, but significantly better than global deterioration; and
- Pipelines volumes up 3.1%, but tariff reduced by 10.4% due to NERSA rejecting the TPL tariff application

A-19

Revenue (R million)



% Contribution by Operating Division to external revenue



Financial overview: 31 March 2010

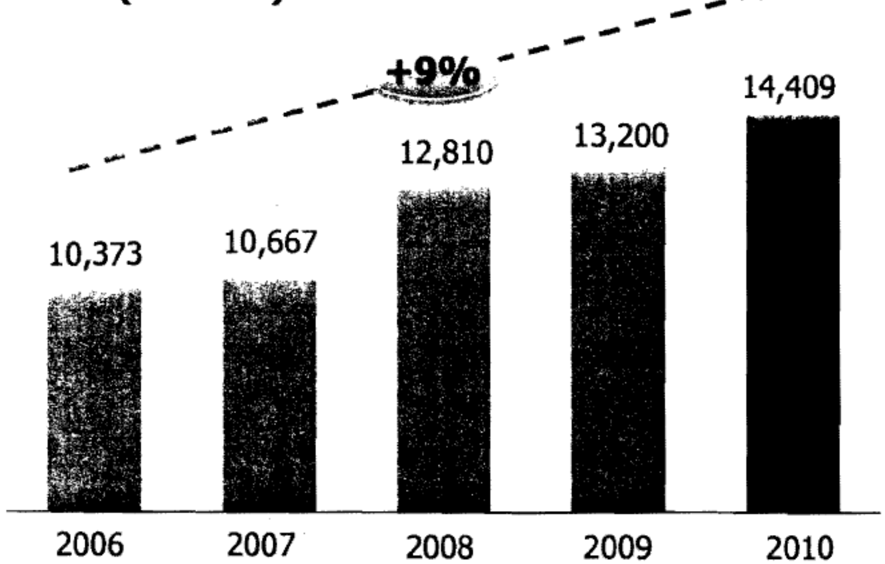
4-Year CAGR

Income statement	2010 R million	%▲	2009 R million
Revenue	35 610	6.0	33 592
Net operating expenses	(21 201)	4.0	(20 392)
EBITDA	**14 409**	**9.2**	**13 200**

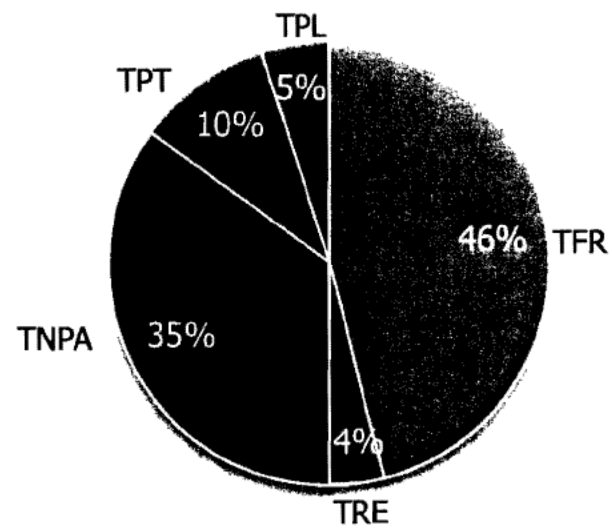
- EBITDA increased by 9.2% compared to prior year, resulting in an improvement in the EBITDA margin to 40.5% (2009: 39.3%).
- Net operating expenses as percentage of revenue = 59.5% (2009: 60.7%).

EBITDA (R million)

A-20



% contribution per Operating Division to EBITDA



4 Capital and financial efficiency – Funding activities

Strategy to diversify sources of funds both locally and internationally:

DMTN (Local bonds and commercial paper)	ECA (Exports Credit Agency)
GMTN (International Bonds)	DFI (Development Funding Institutions)

Funding Activities during 2009/10:

- Major loans include AFD, Finnvera, Atradius, JBIC, AFLAC (DFIs and ECA's);
- Continuation of funds raised from Commercial Paper Programme and Transnet Bonds through the DMTN;
- Establishment of US$2 billion Global Medium Term Note (GMTN):
  - Successful road show in the USA, UK and Germany.
  - Uncertainty in European capital markets and Greece refinancing resulting in widening spreads.
  - Decision to wait for more settled markets before drawdown.

Transnet Long-term Foreign Currency

A3

STANDARD & POOR'S (b) (4) [redacted]

An amount of R20 billion (including pre-funding) has been raised well in advance of requirement during the year

A-21

Funding raised during the year

- Despite challenging financial markets, Transnet successfully raised its funding requirements of R20 billion during the year in line with the funding strategy.
  - Key features of the funding strategy are to:
    - Mitigate market risk;
    - Reduce the weighted average cost of debt;
    - Diversify the investor base and sources of funding;
    - Continue with the "pre-funding" strategy;
- A3/BBB+ standalone credit rating of Transnet provides the confidence for investors to invest in the Company.
- Borrowings have been raised without Government guarantees.

A-22

Sources of funding- 31 March	R million
Commercial paper	4,268
Domestic Bonds	9,964
ECA- Finnvera	680
AFLAC	1,254
JBIC	1,918
Other domestic loans*	1,612
Total	**19,696**

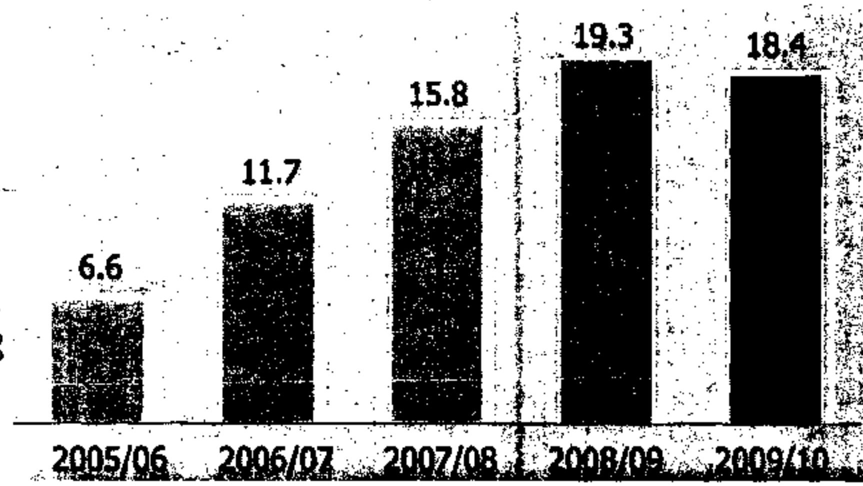
* Raised from various institutions

Transnet Bonds	Mark-Market (R million)	Yield (%)	Remaining tenure
TN011	901	16.5	1 month
TN18	6,072	10.75	4 years
TN17	6,672	9.25	7 years
TN20	2,169	10.50	10 years
TN23	3,328	10.80	13 years
TN27	5,405	8.90	17 years
Total	**24,547**		

4 Capital investment

Transnet Group Historical Capital Investment (R billion)

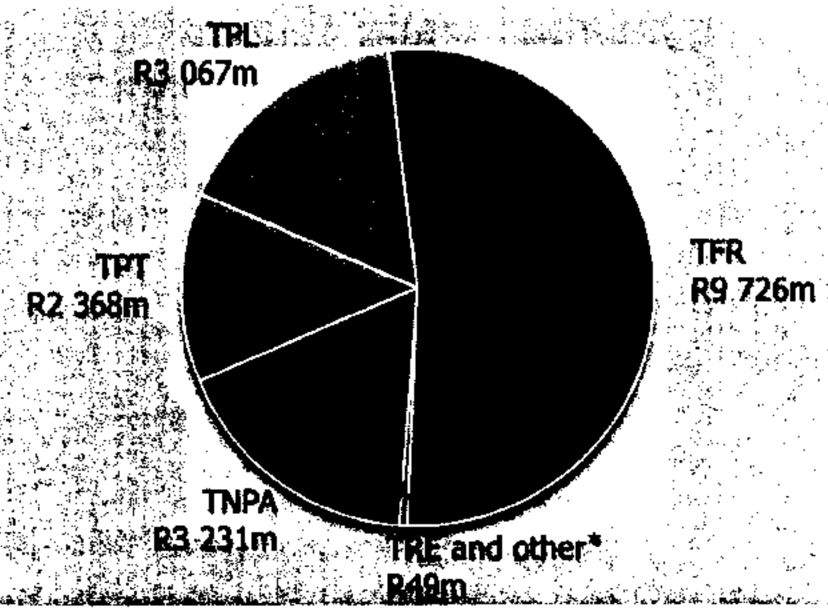
A-23



Total investment of R72bn during past 5 years, funded on the strength of Transnet's financial position

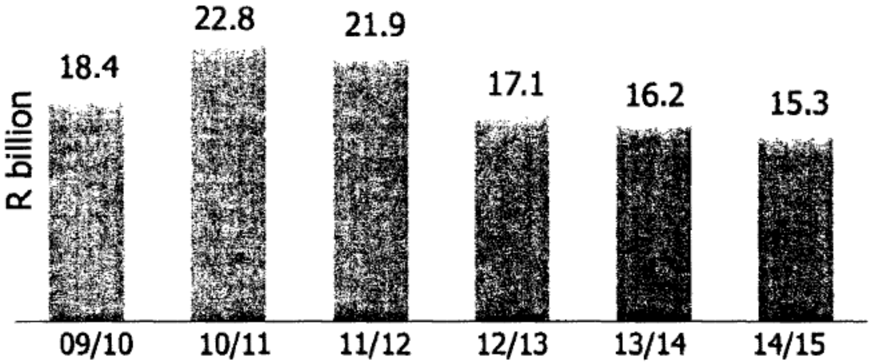
Capital investment by Operating Division (R18.4 billion)

- Planned investment of R21.9bn for the year as part of the 5-year capital investment plan.
- Re-prioritising and rescheduling of cash flows due to economic recession resulted in R18.4bn spending for the year.
  - Did not compromise capacity creation or customer commitments.
- Spent a total of R6.9 billion on rail maintenance which is in excess of prior year.

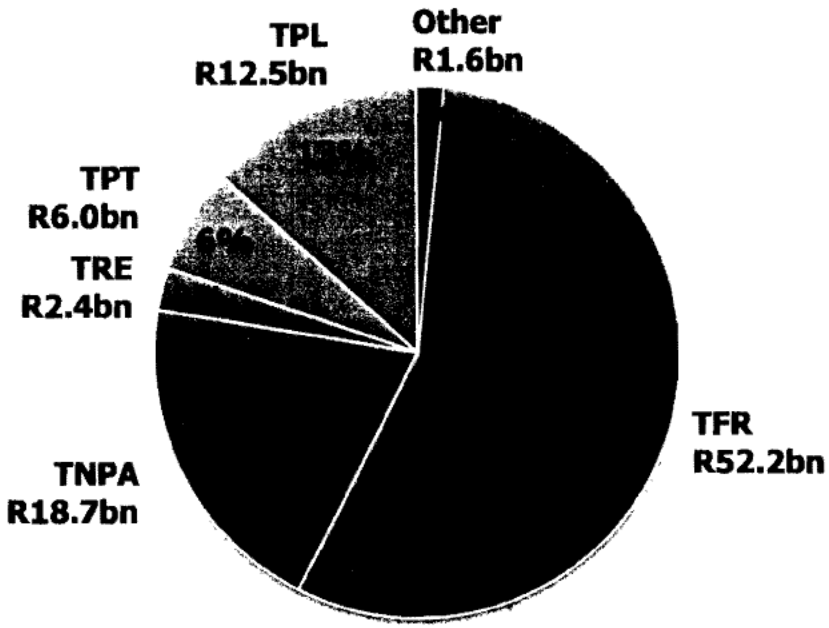


5-Year Corporate Plan: Capital investment

5-Year Capital Spending (R93.4bn)



Capital Investment by Operating Division
Total: R93.4bn



- Transnet has established a National Infrastructure Plan - a 30-year capacity creation plan. Wide stakeholder engagement and acceptance.
- Latest investment plan supporting quantum leap increase in planned volumes/service delivery over the 5 years

Reasons for increase from previous 5-year plan of R80.5 billion to R93.4 billion

- Change in scope/ ETC's of projects to address the following:
  - Increase in volumes compared to previous 5-year plan
    - Rail: Additional 32% volumes
    - Port Business: Additional 20% volumes
  - Cost increases associated with scope changes, inflation, reengineering and input-price adjustments.
- Additional projects (not fully reflected/included in previous 5-year plan)

5-year Capital Investment Plan: Replacement and expansion

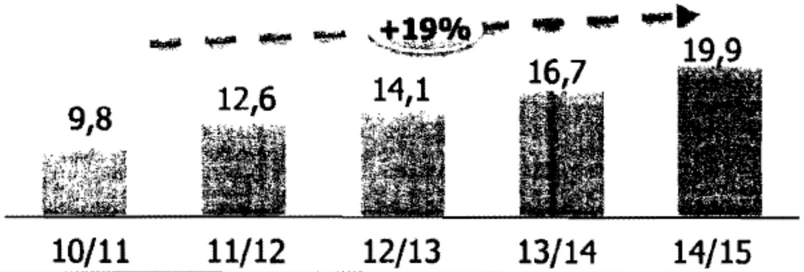
Equipment	Existing fleet	New/Additional (over the next 5 years)	Comments
Locomotives	1 978	554 (2015) 15% new	Address capacity increase in Coal (110), Ore (44) and GFB (150).
Wagons	72 643	7 231 (2015) 10% new	Address capacity increases in Coal, iron ore and GFB.
Cranes	95	19 (2015) 20% new	Container handling cranes at PECT and CTCT. Capacity at other terminals to be extracted through improvement in efficiency (GCM/h).

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

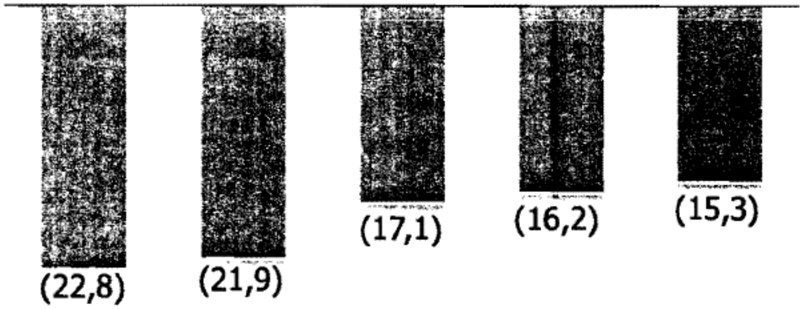
5-Year funding requirement

4-Year CAGR

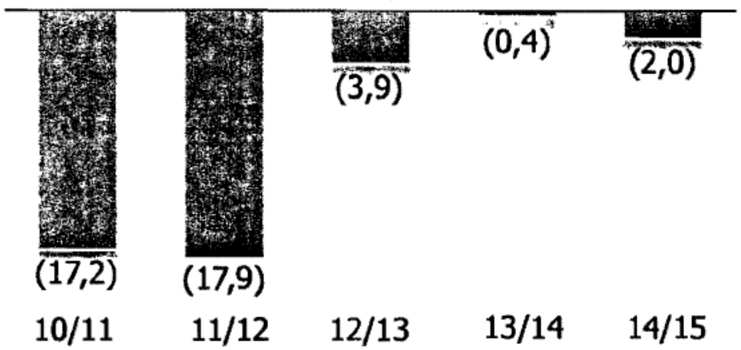
Cash from operations (R billion)



Capital investment (R billion)



Funding requirements after loan redemptions (R billion)



Funding Challenges

- Regulatory tariff regime and legislative environment
- Increasing borrowing requirements from other state-owned enterprises and National Government

Funding Plan Strategy

- Maintain the liquidity of Transnet through pre-funding
- Diversify investor base and sources of funding
- Minimize market risk (interest rate and foreign exchange)
- Explore PSP opportunities

Key features of Funding plan

- Transnet to borrow R41.1 billion over next 5 years for the capex programme and redemption of existing loans
- Cash from operations over next 5 years: R73.1 billion

Probable Source of funding 2010/11	R million
Commercial paper	2 200
Domestic Bonds	5 000
DFI	2 000
Bank Loans	2 500
International bonds	5 500
Total	**17 200**

A-26

SHARE

Ex-Im Bank Long-Term Exposure Fee Calculator

This is a nonbinding fee calculation provided for your convenience.
Actual fees for long-term transactions will be determined by Ex-Im Bank upon approval of a completed application.

Related links

Long-Term Exposure Fee Advice

Exposure Fee Advice Tables

Long-Term Instructions for Exposure Fee Advice Tables

Long-Term Exposure Fee Help

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[redacted]

The on-line calculators are designed using JavaScript. If you are experiencing problems using the Exposure Fee Calculator, please check to see that:

1. JavaScript is enabled in your Internet browser preferences;
2. You are using either Microsoft Internet Explorer 6.0+ or Netscape 7.0+ or Firefox 1.0+ or Safari 1.2+ (you may download these versions from their respective web sites);

You may need to contact your network administrator for assistance in configuring your browser. We also offer the fee calculator in an Long-Term Excel Spreadsheet Fee Calculator Format. When using the Excel version, please keep in mind that Ex-Im Bank will be making periodic changes and improvements to the fee calculator and that this page is the primary source for the latest information.

The links below are for your convenience and to help you get to the respective browser software download areas. Because these sites continually update their pages, we cannot guarantee that the links we direct you to will remain in the same location on their sites and some navigation may be required on your part to locate the software you need for using the Ex-Im Bank's Internet fee calculator.

Internet Explorer | Netscape | Firefox | Safari

(b) (4)

[redacted]

Current Situation: In recent years South Africa had begun to benefit from the economic reforms enacted throughout the last decade. The government's rigorous adherence to a program of fiscal restraint, tight monetary policy, and liberalization of the economy was supported by a relatively low external debt burden and a stable political environment. GDP growth averaged 5% over the period 2004-07, while capital inflows rose, allowing the government to substantially increase foreign exchange reserves. After years of declining fiscal deficits the budget balance moved to surplus; public debt declined, and inflation dropped to low single digits. In the first half of 2008 economic activity began to weaken from the combined effects of power shortages and monetary tightening. Driven by the global downturn, the economy contracted in the final quarter of 2008 with growth slowing to 3.1% for the year. The economy was pushed into recession in 2009 as the global financial crisis triggered capital outflows, lowered prices for major export commodities, and precipitated a sharp decline in demand. As the global markets have stabilized, portfolio flows have returned and the rand's decline has been reversed. The smooth transition in 2009 to the new government after South Africa's fourth post-apartheid election, along with the appointment of market-friendly officials to key positions, has reduced political uncertainty.

Despite a generally positive picture, however, South Africa is still characterized by sharp economic dualism. While much of the white population and a growing black middle class benefit from a "first world" economy, large sections of the population still live in poverty. Moreover, the growth that has occurred has not substantially reduced the high rate of unemployment (24%). This poor performance of growth and employment has resulted from several factors, notably from the lack of domestic and foreign investment, a deficient infrastructure, and the shortage of skilled workers.

Outlook: Accordingly, the government is now focusing on removing these remaining structural impediments. Its economic program aims to increase real GDP growth and investment, while halving unemployment. However, economic conditions are still relatively weak. Growth will be modest this year, reaching 2.6% despite the anticipated boost from the 2010 FIFA World Cup. The balance of payments position continues to improve and inflation has returned to single digits. A surge in portfolio equity inflows has also helped strengthen the rand. Supported by South Africa's fundamentals – a low level of external debt, largely rand-denominated, a sound banking system with limited exposure to exchange and interest rate shocks, and a comfortable reserve cushion - recovery will be steady but unspectacular. Growth is projected to rise only to 3.6% by 2011, as unemployment and high levels of debt will continue to hamper consumer demand. South Africa's ongoing medium-term challenge will be to remove continuing structural impediments to growth, which is necessary to address social disparities. Further, unemployment remains very high and employment generation has not been strong enough to significantly diminish the numbers of jobless South Africans. South Africa will also remain vulnerable to changes in investor sentiment due to its heavy dependence on portfolio inflows.

Key elements to watch over the next year include:
1. Progress on addressing infrastructure constraints.
2. Changes in the economic policy stance.
3. Potential for disruption to business activity by periodic labor unrest.

Basic Data 2009:

Size	Slightly less than twice the size of Texas
Population	49.5 million
GDP	$275 billion
GDP Per Capita	$5,552
Exports/GDP Ratio	31.45%
Debt/Exports Ratio	89.4%
Debt Service Ratio	11.1%
Literacy	86%
Life Expectancy	49.5 years at birth
U.S. Exports	$4.46 billion
% Financed by EIB	0.003% (2007 - 2009)
Amount Financed by EIB	$174,924 (2007 - 2009, annual average)
U.S. Imports	$5.87 billion
Current Exposure	$62.9 million (as of September 30, 2010)
Doing Business Rank	34 (2010) and 32 (2009) of 183

Cheryl Moriarty
x3740

(b) (4)

[redacted]

Appendix D

ENGINEERING EVALUATION

DATE: September 30, 2010
ENGINEER: C. Williams

COUNTRY: South Africa
CASE ID: AP085322XX & PC085332XX

PURCHASER: Transnet Limited
PROJECT SIC: 4011
PROJECT DESCRIPTION: Railway Transportation - Locomotives
PROJECT NAICS: 482111

PRIMARY EXPORTER: The General Electric Company
ADDITIONAL EXPORTERS (Y/N): Y
CITY; STATE: Erie, PA
PRODUCT SIC: 3743
MAJOR PRODUCTS: (b) (4) [redacted] GE C30-ACi Diesel Locomotives
PRODUCT NAICS: 336510

NET CONTRACT PRICE AP085322XX: (b) (4) [redacted]
ELIGIBLE FOREIGN CONTENT: 25% est.

NET CONTRACT PRICE PC085332XX: (b) (4) [redacted]
ELIGIBLE FOREIGN CONTENT: 25% est.

AP DELIVERY: October 2010 through September 2011
PC DELIVERY: October 2011 through March 2013
DIRECT SMALL BUSINESS %: 0%
PROGRESS PAYMENTS (Y/N): N
INDIRECT SMALL BUSINESS %: 10%
ENGINEERING ISSUES (Y/N): N
LOCAL COST: Y (30%)
ENVIRONMENTAL CATEGORY (A, B or C): "C"- Categorically Excluded

ENGINEERING EVALUATION:

This transaction involves the acquisition of (b) (4) [redacted] GE locomotives by Transnet Limited of South Africa. Transnet [redacted] (b) (4)

Transnet is the publicly owned transportation company of South Africa established in 1989. Transnet has recently completed a restructuring as part of its 5 year plan. The new Transnet is made up of the following operating divisions: Transnet Freight Rail (formerly Spoornet – the freight rail division), Transnet Rail Engineering (TRE) (formerly Transwerk - the rolling stock maintenance business), Transnet National Ports Authority (formerly the NPA - fulfils the landlord function for South Africa's port system), Transnet Port Terminals (formerly SAPO - managing port and cargo terminal operations in the nation's leading ports), and Transnet Pipelines (formerly Petronet - the fuel and gas pipeline business, pumps and manages the storage of petroleum and gas products through its network of high-pressure, long distance pipelines). Transnet Freight Rail currently operates over 2000 locomotives, but the average age of the current locomotives is 28 years. This is having a large impact on Transnet's operational characteristics. Older locomotives have high maintenance costs and relatively poor reliability. Transnet owns all of the Republic of South Africa's freight rail networks, consisting of 20,953 route kilometers as of 31 March 2009, of which 12,801 route kilometers are part of the core mainline network. Transnet's core mainline network includes a dedicated 565 kilometers export coal line and an 861 kilometers export iron ore line.

The two transactions can be broken down as follows:

AP085322XX			**PC085332XX**		
Qty.	**Items**	**Net Cost**	**Qty.**	**Items**	**Net Cost**
(b) (4) [redacted]	C30ACi Locomotives	(b) (4) [redacted]	(b) (4) [redacted]	C30ACi Locomotives	(b) (4) [redacted]
	Spare parts				
	Total			**Total**	

GE Erie, PA will supply the U.S. equipment to GE SAT for delivery to Transnet Rail Freight. The initial 10 locomotives will be delivered complete to Transnet, while GE will supply kits for the remaining 90 locomotives. GE's sourcing methodology has some initial parts coming to the U.S. for certification and testing, but subsequent shipments of foreign parts will ship directly from those foreign suppliers to South Africa and thus be excluded from Ex-Im financing. GE SAT is responsible for the delivery of the completed locomotives, but a requirement of the request for proposal by Transnet was that any bidder use Transnet Rail Engineering (TRE) as the local cost supplier for any local assembly or sourcing. This has resulted in TRE assembling approximately 90 of the locomotives in South Africa under a contract with GE SAT for final delivery to Transnet Freight Rail. Transnet has requested 30% local cost coverage to finance the majority of these locally produced equipment and locally performed services. GE SAT negotiated the pricing for all of the TRE services prior to submitting its proposal. Transnet Rail Engineering is a division of Transnet Limited and is dedicated to 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, castings auxiliary equipment and services. The present plan also includes Transnet Rail Engineering manufacturing the trucks or wheel assemblies for the final locomotives. TRE and GE have been negotiating TRE's scope since the time of contract signing. TRE currently lacks some of the required capabilities, but GE is working closely with TRE to develop all of the skills and manufacturing methods necessary for completion.

The eligible foreign content of the locomotives is approximately 25% and can be primarily attributed to the traction motors from Mexico and the bogies or trucks from Australia. The C30-ACi locomotive is being specifically designed for South Africa and will have limited use outside of South Africa due to the gauge and axle weight. (b) (4), (b) (5) [redacted]

The cost of the locomotives for Transnet appears reasonable and there are no identified technical issues.

Concur:

James A. Mahoney
Vice President - Engineering & Environment
cc: D. Fiore/Files

Christopher Williams
Engineer

IDENTIFIED U.S. EXPORTERS AND PARTICIPATING SUPPLIERS
AP085322XX – South Africa

IDENTIFIED U.S. EXPORTERS

Ref.#	Exporter Company		Product	NAICS	Contract Price	# Employees	(Billions) Annual Sales	Small Business
E1	GE Transportation 2901 East Lake Road Erie, PA 16531	(b [redacted]	C30ACi Locomotives	336510	(b)(4) [redacted]	(b) (4), (b) (5) [redacted]	$13.2	N

IDENTIFIED U.S. PARTICIPATING SUPPLIERS

Ref.#	Supplier Company		Product	NAICS	Contract Price	# Employees	(Billions) Annual Sales	Small Business
S1	GE Transportation 2901 East Lake Road Erie, PA 16531	(b [redacted]	C30ACi Locomotives	336510	(b)(4) [redacted]	(b) (4), (b) (5) [redacted]	$13.2	N
S1	Various small business		Aircraft parts	336510	(b)(4) [redacted]	--	--	Y

IDENTIFIED U.S. EXPORTERS AND PARTICIPATING SUPPLIERS
PC085332XX – South Africa

IDENTIFIED U.S. EXPORTERS

Ref.#	Exporter Company		Product	NAICS	Contract Price	# Employees	(Billions) Annual Sales	Small Business
E1	GE Transportation 2901 East Lake Road Erie, PA 16531	[redacted]	C30ACi Locomotives	336510	[redacted]	[redacted]	$13.2	N

IDENTIFIED U.S. PARTICIPATING SUPPLIERS

Ref.#	Supplier Company		Product	NAICS	Contract Price	# Employees	(Billions) Annual Sales	Small Business
S1	GE Transportation 2901 East Lake Road Erie, PA 16531	[redacted]	C30ACi Locomotives	336510	[redacted]	[redacted]	$13.2	N
S1	Various small business		Locomotive parts	336510	[redacted]	--	--	Y

1. Transnet Limited ("Transnet") shall grant for the benefit of Ex-Im Bank a first priority security interest and mortgage on each of up to (b) (4) [redacted] General Electric Model GE C30-ACi diesel-electric locomotives and/or kits (and in all replacements and parts installed therein and all documents related thereto) (collectively, the "Locomotives") that are the subject of the Ex-Im Bank supported financing. In addition, Transnet shall assign for the benefit of Ex-Im Bank as collateral security all of the right, title and interest in and to all manufacturer warranties with respect to each Locomotive. Each mortgage and assignment shall be registered and perfected in all appropriate jurisdictions in a manner acceptable to Ex-Im Bank.

   To the extent possible, (i) the Ex-Im Bank guaranteed loan for the Locomotives shall be secured by (in a manner satisfactory to Ex-Im Bank) any and all future Ex-Im Bank supported locomotives for Transnet, and (ii) the Locomotives shall secure (in a manner satisfactory to Ex-Im Bank) all Ex-Im Bank supported financings for Transnet.

2. The initial principal amount of the guaranteed loan shall be the sum of (i) up to 85% of the net net price of U.S. goods and services, (ii) up to 30% of the U.S. Contract Price (i.e., the sum of the U.S. content and the eligible foreign content) in financing for Local Costs, and (iii) 100% of the Ex-Im Bank exposure fee related to (i) and (ii) above.

3. The Locomotives (including all parts thereof) shall be required to be maintained, inspected, serviced, and repaired in a manner acceptable to Ex-Im Bank. All maintenance records and other logs shall be maintained in a manner acceptable to Ex-Im Bank.

4. Inspection rights with respect to the Locomotives and the related logs and records shall be granted to Ex-Im Bank and/or its agent or representative, in form and substance satisfactory to Ex-Im Bank. The full cost and expense of such inspections shall be for the account of Transnet.

5. Transnet shall not be entitled to lease or otherwise transfer possession of the Locomotives or any other part thereof to any person without Ex-Im Bank's prior written consent; provided that, certain limited exceptions acceptable to Ex-Im Bank may be permitted and set forth in the documentation.

6. Each Locomotive shall be prohibited from being used for military purposes. In addition, the Locomotives shall be used in a manner that does not violate any law, regulation or policy applicable to Ex-Im Bank financed Locomotives (including, without limitation, restrictions on the lease, sublease and use of U.S. manufactured equipment in countries with respect to which U.S. manufactured equipment cannot be based or operated).

7. Transnet shall maintain insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations, in form and substance satisfactory to Ex-Im Bank.

8. To the extent possible, the transaction shall be structured to avoid withholding, VAT or other taxes which may be imposed by any South African taxing authority on any payments of principal, interest or other amounts payable by Transnet under the transaction documents; provided that any such transaction structure shall be consistent with the other requirements set forth in these Special Conditions. Transnet shall deliver to Ex-Im Bank (i) appropriate evidence of any necessary exemptions, or (ii) an opinion from a South African tax advisor, in form and substance satisfactory to Ex-Im Bank, that no such taxes or other payments are applicable to the contemplated transaction. To the extent necessary, Transnet shall be required to obtain and maintain all necessary exemptions related to all payments made under the transaction documents, and in any event, Transnet shall indemnify the Ex-Im Bank and its security trustee for all such taxes.

9. Satisfactory legal opinions from local counsel acceptable to Ex-Im Bank in South Africa, New York and any other relevant jurisdiction shall be required with respect to issues regarding Transnet, Ex-Im Bank's mortgage and security interests, Transnet's ability to access adequate foreign exchange and such other issues as Ex-Im Bank may require. The cost of Ex-Im Bank's outside counsel shall be for the account of Transnet.

10. The Ex-Im Bank guaranteed loan for the Locomotives shall be denominated in South African Rand ("Rand") and the note evidencing the Ex-Im Bank guaranteed loan shall be denominated in Rand. Both the Ex-Im Bank commitment fee and the Ex-Im Bank exposure fee with respect to such Ex-Im Bank guaranteed loan shall be paid in U.S. Dollars.

11. Ex-Im Bank authorization of AP085322XX shall be contingent upon the legal documentation including a representation that, as of the date of approval, Transnet is not, and is not controlled by, a Prohibited Energy Producer/Refiner. Furthermore, Ex-Im Bank's Final Commitment Letter shall advise Transnet of this contingency.

12. As a condition precedent to any conversion of PC085332XX, in whole or in part, to a final commitment, on the terms set forth herein, Transnet shall: (i) provide Ex-Im Bank with updated financial information and such other information that Ex-Im Bank shall require to perform its credit analysis, (ii) be subject to such other terms and conditions as Ex-Im Bank may determine at the time of request for conversion of PC085332XX to a final commitment. In addition, Ex-Im Bank's authorization of any such conversion of PC085332XX to a final commitment shall be contingent upon the legal documentation including a representation that, as of the date of approval, Transnet is not, and is not controlled by, a Prohibited Energy Producer/Refiner. Furthermore, Ex-Im Bank's Preliminary Commitment Letter shall advise Transnet of this contingency.

Background - regulatory framework of the South African railway sector

(b) (4), (b) (5)

[redacted]

- The railway sector is the responsibility of a publically owned company, Transnet Limited ("Transnet"). Transnet was incorporated as a public company pursuant to section 2 of the Legal Succession Act. Transnet is accountable to the national government as its sole shareholder. The Department of Public Enterprises is the sponsoring government department for Transnet and is responsible for Transnet's performance, financial viability and performance.

- As such, unlike liberalized rail markets, characterized by a separation of infrastructure ownership and operation, in South Africa, infrastructure ownership and operation, remain respectively the sole responsibility of two government departments, the Department of Transport (in relation to the infrastructure) and the Department of Public Enterprises (the Minister of Public Enterprises is assigned to exercise the rights of the state, as the only member and shareholder of Transnet).

- The national government is therefore the provider of infrastructure, the transport operator and the transport regulator.

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

(b) (4), (b) (5)

[redacted]

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OMB 3048-0013
Expires 7-31-2013

Export-Import Bank of the United States

APPLICATION FOR LONG-TERM LOAN OR GUARANTEE

This application is to be used for direct loan and guarantee transactions with financed amounts over $10 million (excluding financed premium), typically with tenors over seven years. It is also to be used for certain Ex-Im Bank products and programs regardless of transaction size or tenor including: Large Aircraft, Limited Recourse and Structured Financing, and Tied Aid. (To request a Credit Guarantee Facility, please complete the Medium-Term application.)

Additional information on how to apply for Ex-Im Bank long-term loans and guarantees can be found at Ex-Im Bank's web site **http://www.exim.gov/tools/how_to_apply.cfm**

Send this completed application to Ex-Im Bank, 811 Vermont Avenue, NW, Washington, DC 20571. Ex-Im Bank will also accept e-mailed PDF and faxed applications. Please note that applications must be PDF scans of original applications and all required application attachments. (Fax number 202.565.3380, e-mail **exim.applications@exim.gov**). Hard copies of required supporting documentation may still be required for limited recourse and structured financing requests.

APPLICATION FORM

1. COMMITMENT OR FINANCING TYPE REQUESTED

A. Product
- ☑ Comprehensive Guarantee
- ☐ Political Risk Guarantee
- ☐ Direct Loan
- ☐ Preliminary Commitment - See Preliminary Commitment Fact Sheet for eligibility criteria. A justification for a Preliminary Commitment is to be attached. (http://www.exim.gov/tools/how_to_apply.cfm#prelim)

B Conversion of a Preliminary Commitment or a Letter of Interest
☐ No ☑ Yes. The Ex-Im Bank reference number is: PC 085332XX

C. Resubmission ☐ Check if this is a resubmission of an application that was previously deemed incomplete or was withdrawn for other reasons. The Ex-Im Bank reference number is:

2. PARTICIPANTS:

Applicant name: Transnet SOC LTD	Duns #: N/A
Contact person: Ms. Disebo Moephuli	Phone #: +27 11 308 2600
Position title: Group Treasurer	Fax #: +27 11 308 2699
Street address: 43rd Floor, Carlton Centre, 150 Commissioner Street	E-mail: disebo.moephuli@transnet.net
City: Johannesburg State/Province: Gauteng	Nine-digit zip code:
Country: South Africa	Taxpayer ID #: N/A

Number of employees: [redacted] Permanent and Temporary)

Applicant's role in the transaction: ☐ exporter ☑ buyer/ borrower ☐ lender (if lender is applicant, lenders mandate must be attached)

Primary contact point for Ex-Im Bank inquiries on this transaction: ☐ exporter ☑ lender ☐ borrower

Exporter. The exporter is the U.S. entity that contracts with the buyer for the sale of the U.S. goods and services.

☐ Check if the exporter is the applicant. Otherwise, complete the information below for each exporter, including ancillary service providers.

Exporter name:	Duns #:	
Contact person:	Phone #:	
Position title:		Fax #:
Street address:		E-mail:
City:	State/Province:	Nine digit zip code:
Taxpayer ID #:		
Number of employees:		

Supplier. The supplier is the U.S. company that manufactures the goods and/or performs the services to be exported.

☑ Check if the supplier is also the exporter. Otherwise, complete the information below for each supplier, including ancillary service providers.

Supplier name: General Electric	Duns #:	
Contact person:	Phone #:	
Position title:		Fax #:
Street address:		E-mail:
City:	State/Province:	Nine digit zip code:
Taxpayer ID #:		
Number of employees:		

Borrower. The borrower is the entity that agrees to repay the loan.

☑ Check if the borrower is the applicant. If not, complete the information below.

Borrower name:		Duns #:
Contact person:		Phone #:
Position title:		Fax #:
Street address:		E-mail:
City:	State/Province:	Postal code:
Taxpayer ID #:		
Country:		

Guarantor: The guarantor is the person or entity that agrees to repay the credit if the borrower does not. Complete the information below for each guarantor if a guarantor is offered or required.

Guarantor name: Duns #:
Contact person: Phone #:
Position title: Fax #:
Street address: E-mail:
City: State/Province: Postal code:
Country

Buyer. The buyer is the entity that contracts with the exporter for the purchase of the U.S. goods and services. Check if the buyer is also the ☐ borrower or ☐ guarantor. Otherwise, complete the information below.

Buyer name: Duns #:
Contact person: Phone #:
Position title: Fax #:
Street address: E-mail:
City: State/Province: Postal code:
Country:

End-user. The end-user is the foreign entity that uses the U.S. goods and services. Check if end-user is also the ☐ borrower or ☐ guarantor or ☐ buyer. Otherwise, complete the information below.

End-user name: Duns #:
Contact person: Phone #:
Position title: Fax #:
Street address: E-mail:
City: State/Province: Postal code:
Country:

Lender. The lender is the company that extends the Ex-Im Bank guaranteed or insured loan to the Borrower. Check if the lender is the ☐ applicant. Otherwise, complete the information below.

Lender name: Barclays Capital Duns #: N/A MGA# N/A
Contact person: Stuart Thornton-Smith Phone #: +44 (0)20 313 45034
Position title: Assistant Vice President Fax #: +44 (0)20 777 31840
Street address: 5 The North Colonnade E-mail: Stuart.Thornton-Smith@barclays.com
City: London State/Province: N/A Nine digit zip code: E14 4BB
Country: United Kingdom

3. DETAILS OF COVERAGE REQUESTED

A.. Special Features Requested

Check the boxes for the coverage that apply to the transaction. View the fact sheets describing the coverage on Ex-Im Bank's web site as noted below. Complete and attach the requested forms.

☐ Large Aircraft *Attachment A required*	☐ Project Finance *Attachment F required*	☑ Structured Finance *Attachment G required*
☑ Foreign Currency Guarantee (specify currency) ZAR (RAND) **http://www.exim.gov/products/guarantee/foreign_curr.cfm**	☑ Local Cost Support **http://www.exim.gov/products/policies/local_cost.cfm**	☐ Co-Financing with Foreign Export Credit Agency *Attachment H required* **(last two pages this document)**
☐ Used Equipment *Attachment E required* **http://www.exim.gov/products/policies/used_equip.cfm**	☐ Nuclear **http://www.exim.gov/products/policies/nuclear/envnucp.cfm** Nuclear-screening document must be submitted with application	☐ Environmental Exports Program **http://www.exim.gov/products/special/environment.cfm**
☐ Ancillary Service Fees **http://www.exim.gov/products/ebd-m-13.cfm**	☐ 4-month interest rate hold (Direct loans only)	☑ Capitalization of Interest During Construction
☐ Tied Aid Program *Attachment C required*	☐ Finance Lease Structure **http://www.exim.gov/products/insurance/leasing.cfm**	☐ Military/Security/Police **http://www.exim.gov/products/policies/military.cfm**
☐ Engineering Multiplier Program **http://www.exim.gov/pub/pdf/ebd-m-03.pdf**	☐ Other ______________	☐ Other ______________

4. TRANSACTION DESCRIPTION

a) Describe Goods and Services. Include make, model, manufacturer/supplier, SIC codes or NAICS (if known) of goods and services, number of units, values, and estimated U.S. and foreign content. This section does not need to be completed if the exporter attached a Content Report.

> Tranche 2 of the GE-Transnet Contract for the purchase of the balance of [redacted] Diesel Locomotives for the total contract value of c. [redacted]

b) Describe the purpose of the transaction. Include answers to the following: Will the goods be used to create or expand production capacity for an exportable product? Are the goods and services destined for an identifiable project? If so, provide information on the total estimated project cost in US dollars. Also provide information as to other sources of financing for the project, including working capital.

> The purchase of the [redacted] Locomotives is part of Transnet's 7 year Capital Expenditure Programme pursuant to its Market Demand Strategy whereby Transnet is expected to invest [redacted] in capital expenditure. The [redacted] Locomotives are part of the upgrade and expansion of Transnet's Locomotive Fleet Plan.

c) Indicate whether an application for support of this export contract or a related project has been filed with the Agency for International Development, Maritime Administration, Overseas Private Investment Corporation, Trade Development Agency or a multilateral financing agency. If so, include a brief description of the additional support.

No.

5. REQUESTED FINANCING AMOUNTS AND STRUCTURE

Ex-Im Bank support is based on the value of the eligible goods and services in the exporter's supply contract(s) or purchase order(s). The total level of support will be the lesser of: 85% of the value of all eligible goods and services; or 100% of the U.S. content included in all eligible goods and services in the exporter's supply contracts. In addition, Ex-Im Bank may also finance certain local costs, ancillary services as approved, and the exposure fee/premium. Fill out the chart below to determine estimated eligible amounts.

		Definition	US$
A	Supply Contracts or Purchase Orders	The aggregate price of all goods and services in all the supply contract(s) or purchase order(s), including local costs, ancillary services, and excluded goods and services. Break out ancillary services in Aii.	Ai Aii (b) (4) [redacted]
B	Excluded Goods and Services	The aggregate price of all goods and services that are not eligible for or are excluded from Ex-Im Bank support (e.g. goods not shipped from the U.S. and excluded ancillary services). Local costs should not be included in this line.	0.00
C	Total Local Costs	The aggregate price of all goods manufactured in the end-user's country and all services provided by residents of the purchaser's country. Ex-Im Bank may be able to finance these amounts up to 15% of D below.	(b) (4) [redacted]
D	Net Contract Price	A minus B minus C	(b) (4) [redacted]
E	Eligible Foreign content	The aggregate cost of any goods produced or manufactured outside the U.S, or services provided by third country personnel or foreign freight costs and foreign insurance included in the net contract price (line D), (e.g. foreign items shipped from the US)	371,607,089.58
F	U.S. Content	D minus E	1,114,821,268.73
G	Cash Payment	This amount must be the greater of E or 15% of D	(b) (4) [redacted]
H	Local Cost Financing Requested	This can be no more than 15% of D	(b) (4) [redacted]
I	**Financed Amount Requested** (Excluding Exposure Fee)	D minus G plus H	(b) (4) [redacted]

A. Exposure Fee. Check one box.

☐ Ex-Im Bank to finance the fee, which will be paid as the credit is drawn down.

☐ Ex-Im Bank to finance the fee, which will be paid up front.

☐ Ex-Im Bank will not finance the fee, and it will be paid as the credit is drawn down.

☑ Ex-Im Bank will not finance the fee, and it will be paid up front.

B. Transaction Structure.

i. Principal Repayment Term. 10 (years). Unless otherwise requested, equal installments of principal will be repaid semi-annually beginning six months after the starting point.

ii Starting Point. The starting point is generally the event that marks the fulfillment of the exporter's contractual responsibility. See Ex-Im Bank's fact sheets on starting points and reach-back policies at **www.exim.gov**. (Check one box.)

☐ Shipment (single shipment)

☐ Final Shipment (multiple shipments)

☐ Mean Shipment (multiple shipments)

☐ Other

☐ Services Completion.

☐ Completion of Installation. Specify date: ______

☑ Project Completion. Specify date: Upon Delivery & Acceptance

iii Shipment Period. Shipments will be completed and/or services will be performed from:
[2012] (month/year) to [2013] (month/year) excluding any acceptance, retention, or warranty period.

iv. Interest rate.
The interest rate to be charged on the guaranteed loan is: [c. 130bps-165bps+3 month JIBAR]

6. REASON FOR REQUESTING EX-IM BANK SUPPORT.

Ex-Im Bank will finance the export of U.S. goods and services if it can be demonstrated that Ex-Im Bank support is necessary for the transaction to proceed. Check one of the boxes below describing why support is necessary.

☐ The exporter is aware that foreign companies are competing, or are expected to compete for the sale. Provide company name, country, and (if known/applicable) the supporting export credit agency.

☐ The exporter is aware that foreign companies manufacture comparable goods and services that are sold in the buyer's market with export credit agency support available. Provide company name, country, and (if known/applicable) the supporting export credit agency.

☑ There is limited availability of private financing (from either external or domestic sources). Indicate how financing is constrained by checking the appropriate box.

☐ No availability of economically viable interest rates on terms over one to two years.
☐ Financial institution lending capacity limits reached for either borrower and/or country.
☑ Other (please describe)

Transnet's R300.1bn capital expenditure programme requires diversification of its sources of funding such as ECA's.

7. CREDIT INFORMATION

The credit information outlined in the following is attached.

☐ Large Aircraft *(Attachment A)*
☑ Long-Term and Structured Transactions (*Attachment G)*
☐ Limited Recourse Project Finance *(Attachment F)*

8. OTHER INFORMATION AND CERTIFICATIONS

A. General Information - Provide the following:

☐ Credit Agency report(s) on the exporter(s). If exporter has a credit rating of BBB or better, this is not required.
☐ Annex A to the Master Guarantee Agreement (Guarantees only) at www.exim.gov/tools/appsforms/documents/MTMGAAnnexes.pdf
☐ Lender's mandate letter (required when applicant is a financial institution).
☐ Environmental Screening (attachment B).

B. Supply Contracts Between the Exporter and Buyer.

☐ Sales contract(s), pro forma invoice(s), or purchase order(s) are attached.
☐ No contract is attached. (Project Finance and Preliminary Commitments only)

C. Commitment Fee Agreement.

A commitment fee accrues starting 60 days after the authorization of a final commitment and is payable semiannually in arrears on a schedule determined at the time of authorization. The commitment fee is 1/8 of 1% per annum on the un-disbursed and un-cancelled balance of a guaranteed loan or 1/2 of 1% per annum for a direct loan. Choose one of the options below regarding the payment of the commitment fee:

☑ The applicant is the borrower, and by signing the application, is irrevocably committing to pay the commitment fee.

☐ The applicant is the guaranteed lender, and is (check one):

☐ signing the application which irrevocably commits it to pay the fee, or

☐ signing the application and enclosing with it an Ex-Im Bank standard form fee letter from the borrower (at www.exim.gov/tools/appsforms/documents/MTMGAAnnexes.pdf). This letter irrevocably commits the borrower to pay the fee.

☐ The applicant is the exporter, and is signing the application and enclosing with it an Ex-Im Bank standard form fee letter from the ☐ borrower or ☐ guaranteed lender (at www.exim.gov/tools/appsforms/documents/MTMGAAnnexes.pdf). This letter irrevocably commits the borrower or guaranteed lender to pay the fee.

D. Content Report

Ex-Im Bank does not require the Content Report at the time of application. Processing of, and the decision on, the application will not be delayed or affected by the submission or absence of the report. A Cause Report EBD-M-55 is requested at the end of each calendar year to describe the nature and reason for the inclusion of any good and services with 50% or more foreign content in the good or service.

E. Anti-Lobbying Disclosure Form

Please refer to the Anti-Lobbying Declaration/Disclosure forms (see Attachment D in this document) and include a signed copy of the appropriate form(s) with your application.

F. Certifications

The applicant certifies that the facts stated and the representations made in this application and any attachments to this application are true, to the best of the applicant's knowledge and belief after due diligence, that the applicant has not omitted any material facts. The applicant certifies that neither it, nor its principals, have with in the past three years been a) debarred, suspended, declared ineligible from participating in, or voluntarily excluded from participation in, a covered transaction, b) formally proposed for debarment, with a final determination still pending, (c) indicted, convicted or had a civil judgment rendered against it for any of the offenses listed in the Regulations, (d) delinquent on any substantial debts owed to the U.S. Government or its agencies or instrumentalities as of the date of execution of this application; or (e) the applicant has received a written statement of exception from Ex-Im Bank attached to this certification, permitting participation in this Covered Transaction despite an inability to make certifications a) through d) in this paragraph. We further certify that we have not and will not knowingly enter into any agreements in connection with the Goods and Services with any individual or entity that has been debarred, suspended, declared ineligible from participating in, or voluntarily excluded from participation in a Covered Transaction. All capitalization terms not defined herein shall have the meanings set forth in (1) the Export-Import Bank's Non-procurement Debarment and Suspension regulations, 2 C.F.R. Part 3513, adopting by reference, the OMB Guidelines to Agencies on Government wide Debarment and Suspension (Non-procurement), 2 C.F.R. Part 180; and (2) the Debarment, Suspension, and Ineligibility provisions of the Federal Acquisition Regulation, 48, C.F.R. Subpart 9.4. The applicant is not listed on any of the publicly available debarment lists of the following international financial institutions: World Bank Group, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development and the Inter-American Development Bank.

In addition, the applicant certifies that neither the applicant nor anyone acting on its behalf, such as agents, has engaged,or will engage, in any activity in connection with this transaction that is a violation of the Foreign Corrupt Practices Act of 1977, 15 U.S.C. 78dd-1 et seq. (which provides for civil and criminal penalties against companies and individuals who directly or indirectly make or facilitate corrupt payments to foreign officials to obtain or keep business). Further, the applicant has not engaged, and will not engage, in any activity in connection with this transaction that is a violation of the Arms Export Control Act, 22 U.S.C. 2751 et seq., the International Emergency Economic Powers Act, 50 U.S.C. 1701 et seq., or the Export Administration Act of 1979, 50 U.S.C. 2401 et seq. The applicant has not been found by a court of the United States to be in violation of any of these statutes within the preceding 12 months, and to the best of its knowledge, the performance by the parties to this transaction of their respective obligations does not violate any other applicable law.

The applicant certifies that neither the applicant nor anyone acting on its behalf in connection with this transaction is currently under charge or has been, within the past 5 years, convicted in any court or subject to national administrative measures of any country for bribery of foreign public officials.

The applicant certifies that the representations made and the facts stated in this application and its attachments are true, to the best of its knowledge and belief, and it has not misrepresented or omitted any material facts. It further understands that these certifications are subject to the penalties for fraud against the U.S. Government (18 USC 1001, et. seq.).

9. NOTICES

The applicant is hereby notified that information requested by this application is done so under authority of the Export-Import Bank Act of 1945, as amended (12 USC 635 et. seq.); provision of this information is mandatory and failure to provide the requested information may result in Ex-Im Bank being unable to determine eligibility for support. If any of the information provided in this application changes in any material way or if any of the certifications made herein become untrue, the applicant must promptly inform Ex-Im Bank of such changes.

The information provided will be reviewed to determine the participants' ability to perform and pay under the transaction referenced in this application. Ex-Im Bank may not require the information and applicants are not required to provide information requested in this application unless a currently valid OMB control number is displayed on this form (see upper right of each page).

Paperwork Reduction Act Statement: We estimate that it will take you about 2 hours to complete this form. This includes the time it will take to read the instructions, gather the necessary facts and fill out the form. However, you are not required to provide information requested unless a valid OMB control number is displayed on the form. If you have comments or suggestions regarding the above estimate or ways to simplify this form, forward correspondence to Ex-Im Bank and the Office of Management and Budget, Paperwork Reduction Project, Washington, D.C. 20503.

Applicant (company) name: Transnet SOC Ltd

Name and tittle of authorized officer: Ms. Disebo Moephuli

Signature of authorized officer: Moephuli

Date: 17 SEPTEMBER 2012.

Long-Term Loan or Guarantee Application

OMB No. 3048-0013
Expires 7-31-2013

ATTACHMENT A: Large Aircraft Transactions

1. **Financing Type Requested.** Three financing options are available for new large aircraft transactions under the Large Aircraft Sector Understanding (LASU), contained in the OECD Arrangement. All three options may be requested for a PC. Only one option may be chosen for an AP. Check below the option(s) you are requesting. For ***used*** large aircraft transactions, complete No. 3 of the *Long-Term Loan or Guarantee Application.*

☐ **Option 1:** An Ex-Im Bank guarantee for up to 85% of the contract price.

☐ **Option 2:** An Ex-Im Bank guarantee for 42.5% of the contract price coupled with an Ex-Im Bank direct loan at the applicable LASU interest rate for 42.5% of the contract price. The Ex-Im Bank direct loan is repaid during the later maturities.

☐ **Option 3:** An Ex-Im Bank guarantee for 22.5% of the contract price coupled with an Ex-Im Bank direct loan at the applicable LASU interest rate for 62.5% of the contract price. The Ex-Im Bank guaranteed loan and direct loan are repaid on a pari-passu basis.

2. **Spare Parts Financing.** Indicate if any spare parts or spare engines are included in the export sale and provide the requested information on these items.

3. **Credit Information.** The information requested in this section is generally required for all applications. If the transaction is secured with a sovereign guarantee, all or part of the detailed operational information requested in items E, F, and G below may not be necessary. Likewise, if the airline is a repeat customer of Ex-Im Bank, much of the historical financial and operating information may already have been provided to Ex-Im Bank, and additional information could be limited to updating the existing information. In either situation, please contact the Transportation Division to discuss the possibility of limiting the amount of information required by Ex-Im Bank. If any of the information listed in this section is not obtainable, Ex-Im Bank can discuss other options for credit analysis with the applicant.

   a. Airline history and ownership, and background data on senior management/directors.

   b. Contract price of aircraft, net of all credit memoranda and other discounts extended by the suppliers of the airframe, engines, and other components.

   c. Amount of buyer furnished equipment (BFE) included in the contract price, description of BFE, and location where BFE will be installed.

   d. Reason for purchase (replacement or expansion of fleet), proposed routes, and suitability of aircraft model in terms of fleet make-up and intended routes.

   e. Description of each business segment of airline operations (passenger, freight, maintenance, catering, and other related businesses), and the portion of revenue and operating profit attributable to each segment.

   f. Identification of major geographic markets and description of competitive position, market share, and strategy regarding competition, yield management, and cost control in each market. Include the airline's marketing plan and details of affiliations and partnerships with other carriers.

   g. The operating statistics listed below or similar statistics containing the same general information for the most recent three years and, if available, up to five years. Provide the listed statistics for domestic and international operations, as well as for each geographic region or route type and each business segment.

ASKs (Available Seat Kilometers)	Load Factors
ATKs (Available Ton Kilometers)	Yield (passenger and cargo)
RPKs (Revenue Passenger Kilometers)	Aircraft Utilization Rate
RTKs (Revenue Ton Kilometers)	Number of Employees
Operating Expenses per Available Seat Kilometers	

   h. Present and projected route structure, including basis for selecting new or expanded routes.

   i. Audited balance sheet, income, and cash flow statements and annual reports for the three most recent fiscal years, and interim statements for the most recent period, if applicable. Annual statements must be prepared in accordance with internationally accepted accounting principles and audited in accordance with international standards.

   j. Projected balance sheet, income, and cash flow statements for a five-year period, accompanied by supporting assumptions.

   k. Moody's or Standard & Poors ratings, if available.

PRELIMINARY/FINAL COMMITMENT APPLICATION
ATTACHMENT A: Large Aircraft Transactions

l. Lender's detailed term sheet of proposed financing structure *(not required for Preliminary Commitments)*. Include relevant information on the special purpose vehicle (SPV) for lease structures, including the domicile and proposed ownership of the SPV. If a tax lease structure is contemplated, include a description and flow chart of the proposed tax lease structure.

4. **Security Requirements.** Ex-Im Bank will determine whether the security for a specific large aircraft transaction will be a sovereign guarantee, a lien on the aircraft, or both. For large aircraft transactions in which the security includes the aircraft, Ex-Im Bank will require that a valid and enforceable lien be placed on the aircraft to be financed. The information listed below concerning registration and mortgages is required if Ex-Im Bank has no prior experience with asset-based structures in the airline's country or if the laws pertaining to registration and mortgages have been amended. Please contact the Transportation Division to determine if such experience exists. Supplemental information on these issues may be required during the processing of the application and Ex-Im Bank may ask the applicant to pay for outside counsel or consultants selected by Ex-Im Bank to research particular issues. Include with the application any additional information that may facilitate Ex-Im Bank's determination of security.

a. Aircraft Registration

- Is the country of registration a party to the Chicago Convention of 1944 on International Civil Aviation?
- Are there statutes or regulations in the country dealing with the registration of aircraft? If so, provide an English translation of such statutes or regulations.
- Is there an aircraft registry? If so, describe how it operates.
- What specific steps (including any provisions that must be contained in the relevant documents) must be taken to register and deregister an aircraft?

b. Aircraft Mortgages

- Is the country of registration a party to the Convention of 1948 on International Recognition of Rights in Aircraft (the "Geneva Convention")?
- Describe the statutes or regulations in the country dealing with mortgages of aircraft.
- Can a valid and perfected first priority mortgage on the aircraft and engines be created for the benefit of Ex-Im Bank?
- What claims may have a "super" priority over a mortgagee or lessor of an aircraft?
- Following a default, can an aircraft be repossessed without judicial interference?
- Can a judgment be awarded in U.S. dollars and, if so, are any special approvals necessary?
- Will a foreign judgment or a judgment by an arbitrator be recognized in the airline's country?

If you have questions about this attachment, please contact the Transportation Division (Telephone: 202-565-3550 or Fax: 202-565-3558).

LONG-TERM LOAN OR GUARANTEE APPLICATION

OMB No. 3048-0013
Expires 7-31-2013

ATTACHMENT B: Environmental Screening Document

***Must* Accompany All Applications For Long-Term Financial Support**

The information provided on this form is used to environmentally categorize the application and thereby determine the information needed (if any) for Ex-Im Bank to evaluate the environmental effects of the transaction, a process that is crucial to the appropriate and timely review of your application. Please check the boxes that apply.

Are the products or services covered in your application destined for an identified project?

☐ **No**, explain ______

☑ **Yes**, a) identify the project Transnet's 7 year R300.1 billion Capital Expenditure Programme

b) provide a brief description, including output, capacity, size, etc.

Transnet has embarked on a 7yr Market Demand Strategy and envisages spending R300.1bn in capital expenditure over the 7yr period. This Strategy will focus on redirection and re-engineering the business through improved efficiency and effectiveness. The Capital Expenditure Programme aims to improve & expand the rail, port and pipeline infrastructure to achieve this objective.

c) indicate whether new project, rehabilitation or expansion Rehabilitation and Expansion

Project Location

Is the project located in or near an environmentally sensitive site or area? (Check all applicable):

☐ Tropical Forest
☐ Nationally Designated Wetlands or Seashore / Protected Wildlands / Nationally Designated Refuges
☐ National Parks
☐ Coral Reefs or Mangrove Swamps
☐ Habitat of Endangered Species
☐ Location affecting indigenous or tribal populations
☐ Location having Historical / Archaeological Significance
☐ Large Scale Resettlement? (Potential Number of People Affected: ______)
☐ Properties on the World Heritage List

Project Sector Or Industry

Check classification(s) describing the project for which the exports are destined:

☐ Large infrastrucure:
- ☐ Airport
- ☐ Ports/harbors
- ☐ Pipelines
- ☐ Highways
- ☐ Other large infrastructure

☐ Agro-industries – large scale
☐ Forestry
☐ Mining & Mineral Processing Plant
☐ Oil & gas field development

☐ Hydropower Plant / Water Reservoir
☐ Thermal power plant
- ☐ over 140 MWe
- ☐ under 140 MWe

☐ Nuclear power plant
☐ Geothermal Power

☐ Waste management

☐ Iron & Steel Plant
☐ Smelter
☐ Pulp & Paper Plant
☐ Petroleum Refinery or Petrochemical Plant
☐ Chemical / Pharmaceutical
☐ Natural Gas Liquefaction Plants
☐ Industrial plants – large scale

☑ Transportation (Aircraft, Locomotives, Boats)
☐ Telecommunications or Satellites

☐ Air traffic control or navigational aids
☐ Railway signaling

☐ Hospitals and medical equipment

☐ Pre-project services, feasibility/environmental study
☐ Consulting services

☐ Other, specify: ______

Name of Applicant Transnet SOC Ltd **Date** 3 October 2012

For inquiries and information please contact the Engineering & Environment Division at (202)565-3570.

Revised 1/07

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LONG-TERM LOAN OR GUARANTEE APPLICATION

ATTACHMENT C: Tied Aid Capital Projects Fund

1. ☐ Check if you are requesting appropriate Ex-Im Bank support to preclude or counter foreign tied aid offers.

2. ☐ Check if one or more foreign governments are offering, or planning to offer, unusually long repayment periods, unusually low interest rates, and/or mixed grant-credit financing for ***the specific contract for which Ex-Im Bank support is sought***. Attach available documentary evidence of a foreign tied aid credit offer. If such evidence is not available, specify your reasons for suspecting foreign tied aid.

3. ☐ Check if you authorize Ex-Im Bank to ask the OECD Secretariat to issue a confidential "no aid" comm. on line request to OECD member governments. Acceptance of this request would preclude future foreign and U.S. aid financing for the project.

4. ☐ Check if you believe that loss of this contract will jeopardize follow-on sales opportunities for similar sales in the same market. Provide the type and estimated value of potential follow-on sales.

5. Provide the following information, if known, for each foreign government's tied aid offers.

	Foreign Offer #1	Foreign Offer #2
Donor government		
Foreign exporters supported		
Total offer amount		
Currency of offer		
Credit portion amount		
Credit portion interest rate		
Credit portion grace period		
Credit portion repayment period		
Grant portion, if any		

If you have questions about this attachment, please contact the Business Development Division (Telephone: 202-565-3946 or Fax: 202-565-3931).

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Expires 7-31-2013

Long-Term Loan or Guarantee Application

ATTACHMENT D: Anti-lobbying Declaration/Disclosure

This attachment applies only to applications for final commitments.

1. Anti-Lobbying Law.

Under a U.S. law (31 U.S.C. 1352), recipients of U.S. government loans, grants, contracts, and cooperative agreements are prohibited from spending Federally appropriated funds to influence certain U.S. government employees, including Ex-Im Bank employees, in connection with the awarding of those Federal awards.

Recipients of Federal loans, grants, guarantees, insurance, contracts and cooperative agreements may spend non-Federally appropriated funds for such lobbying purposes; however, they are required to report such lobbying expenditures.

The law applies to Ex-Im Bank loan, guarantee and insurance transactions. Declaration and Disclosure Forms are to be filed by applicants and recipients and certain exporters and suppliers, as defined below.

2. Compliance Procedures. 2a. Who Must File.

All applicants for final commitments from Ex-Im Bank must file a Declaration regardless of whether non-Federally appropriated funds have been spent for lobbying purposes. If non-Federally appropriated funds have been spent, a Disclosure Form must also be filed. Applicants include borrowers and lenders who are applicants for final commitments for medium-term and long-term direct loans and guarantees.

The Declaration and/or Disclosure Forms must be received by Ex-Im Bank from the applicant before Ex-Im Bank will consider the application for a final commitment.

All recipients under Ex-Im Bank programs, who are not the applicant for a final commitment, must file a Declaration and, if they have spent funds for lobbying purposes, a Disclosure Form. Recipients include borrowers who receive Ex-Im Bank direct loans and lenders who receive Ex-Im Bank guarantees.

The Declaration and/or Disclosure Forms must be received by Ex-Im Bank from the recipients before Ex-Im Bank will enter into a loan or guarantee agreement.

All suppliers who have entered into a contract in excess of $100,000 with the recipient of an Ex-Im Bank direct loan or grant must file a Declaration and, if funds have been spent for lobbying purposes, a Disclosure Form.

Such suppliers must file the Declaration and/or Disclosure Forms upon being awarded the supply contract.

2b. Exemptions.

The law has been interpreted so that it does not apply to foreign governments, their instrumentalities or their wholly-owned companies. Therefore, these entities are exempt from filing both the Declaration and Disclosure Forms.

The law's disclosure requirements do not apply to loan or guarantee transactions where the U.S. Government-financed portion is $150,000 or less.

2c. How To File.

Complete the appropriate Declaration Form on the following page. If you are required to file a Disclosure Form, it will be provided by Ex-Im Bank upon request. Any person who fails to file the required forms shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

OMB No. 3048-0013
Expires 7-31-2013

Long-Term Loan or Guarantee Application

ATTACHMENT D: Anti-lobbying Declaration/Disclosure

3. Certification for Contracts, Grants, Loans and Cooperative Agreements.

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying", in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

Applicant/Recipient Company: Transnet SOC Ltd
Signature: DMoephuli
Name: Ms Disebo Moephuli Title: Group Treasurer

OMB No. 3048-0013
Expires 7-31-2013

Long-Term Loan or Guarantee Application

ATTACHMENT D: Anti-lobbying Declaration/Disclosure

4. Statement for Loan Guarantees and Loan Insurance.

The undersigned certifies, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of a Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying", in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

Applicant/Recipient Company Transnet SOC Ltd

Signature Moephuli

Name Title Ms Disebo Moephuli - Group Treasurer

Long-Term Loan or Guarantee Application
Attachment E: Used Equipment

Equipment that has been previously owned or placed into service is generally eligible for support under Ex-Im Bank's loan, guarantee and insurance programs, provided certain criteria are met. To be eligible for Ex-Im Bank support, used equipment, including equipment that has been refurbished in the U.S., must meet the following **eligibility criteria:**

1. To be considered U.S. content, the used equipment must be of original U.S. manufacture, AND, if previously exported, must have been in use in the U.S. for at least one year prior to export.

2. The U.S. costs associated with the refurbishment of the equipment are eligible for Ex-Im Bank support, provided they meet Ex-Im Bank's foreign content policy parameters. Ex-Im Bank can support the lesser of 85 percent of the U.S. Contract Price of the item or 100% of the actual U.S. content of the item provided that (a) the item is shipped from the U.S. and (b) the foreign content of the item does not exceed 50 percent of the item's total production cost.

3. If the used equipment is of either original foreign manufacture or original U.S. manufacture, previously exported and has **not been in use in the U.S. for at least one year prior** to its proposed export, then Ex-Im Bank will treat it as **foreign content** and the following applies:

   a. if the equipment is to be refurbished, the used equipment procurement cost is considered eligible foreign content provided that this cost is less than 50 percent of the total procurement and refurbishment cost.

   b. if the foreign content of the used equipment exceeds 50 percent of the cost associated with the procurement and refurbishment of the equipment, then only the U.S. refurbishment portion will be considered eligible for Ex-Im Bank support.

4. Previously exported goods that benefitted from Ex-Im Bank financing in the past will be considered eligible for Ex-Im Bank support provided that the original financing has been **paid in full and** that the equipment has been **in use in the U.S. for at least one year.**

5. The **repayment term** that Ex-Im Bank offers for used and refurbished equipment will be consistent with Ex-Im Bank's international agreements for repayment terms based on contract value. Ex-Im Bank, at its sole discretion, will determine the remaining useful life of such equipment.

   a. If the remaining **useful life** of the equipment is **at least half** the useful life of equivalent **new equipment**, then Ex-Im Bank may support a repayment term equal to that offered new equipment.

   b. If the remaining **useful life** of the equipment is **less than half** the useful life of equivalent **new equipment**, then Ex-Im Bank may support a repayment term **equal to the useful life** remaining.

   c. If the sale **includes** items some of which may have a **useful life of at least half** that of equivalent new equipment and **some** of which may have a **useful life of less than half** that of equivalent new equipment, a **weighted average** of the useful lives of all the items will be calculated to determine the payment term of the entire sale.

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LONG-TERM LOAN OR GUARANTEE APPLICATION
ATTACHMENT E: USED EQUIPMENT

Used Equipment Questionnaire

Applicant: ______________________
Buyer: ______________________
Policy number (*for insurance program*): ______________________.

Complete a separate questionnaire for each item of used equipment.

1. Product information

Name and description of used equipment: ______________________
Equipment History
a) year manufactured: ____________ b) hour meter reading: ______________________
c) mileage: ____________ d) where is equipment located: ______________________
e) how long has the equipment been there?: ____________
Is the product under warranty? ☐ Yes ☐ No
Term: ____________ Description: ______________________
Has the equipment been rebuilt/reconditioned? ☐ Yes ☐ No
By whom? ____________ Location: ____________ Date: ____________
Does this equipment have an independent mechanical certification, evaluation, or assessment? ☐ Yes ☐ No

2. Export/Import History

Was the equipment previously exported? ☐ Yes ☐ No
Did Ex-Im Bank provide support? ☐ Yes ☐ No If yes, details: ______________________

Was the equipment imported to the U.S. ? ☐ Yes ☐ No

3. Prices and Costs

Contract price: $____________ Foreign content included in the contract price: $____________
U.S. supplier's purchase price: $____________ Purchase Date: ____________
Cost of rebuilding/reconditioning: $____________ Cost of spare parts included: $____________
Description of rebuilding and/or spare parts: ______________________

4. Used Aircraft Only.

Have all airworthiness directives been completed? ☐ Yes ☐ No
If no, describe the regulation or directive permits required for continued operation of the aircraft: ____________
____

Number of cycle hours remaining on the airframe and engines: ______________________
Months remaining before next maintenance "C" and "D" checks: ______________________
Names of each previous owner and lessee with the corresponding acquisition dates: ______________________

Signature: ______________________ Date: ____________
Name: ______________________ Title: ______________________

If you have any questions, please call Ex-Im Bank's Engineering Division on 202.565.3570 or Business Development Group on 202.565.3946

LONG-TERM LOAN OR GUARANTEE APPLICATION
ATTACHMENT F: Project and Structured Finance

OMB No. 3048-0013
Expires 7-31-2013

I. Project Finance.

The term "project finance" refers to the financing of projects that are dependent on the project cash flows for repayment as defined by the contractual relationships within each project. These projects do not rely on the typical export credit agency security package which has recourse to a foreign government, financial institution or established corporation to meet a reasonable assurance of repayment criterion. By their very nature, projects rely on a large number of integrated contractual arrangements for successful completion.

1. Ex-Im Bank Project Finance.

- **Maximum Support Possible.** Where appropriate, Ex-Im Bank will offer the maximum support allowed within the rules of the OECD Arrangement, to include:
  a) *Financing of interest accrued during construction related to the Ex-Im Bank financing.*
  b) *Allowance of up to 15% foreign content in the U.S. package.*
  c) *Maximum repayment term allowed under the OECD guidelines.*
- **No Size Limitation.** There are no minimum or maximum size limitations.
- **Flexible Coverage.** Any combination of either direct loans or guarantees for commercial bank loans with political risk only or comprehensive coverage are available for a given project.
- **Flexible Equity Arrangements.** There are no predetermined equity requirements. Ex-Im Bank will review and determine the appropriate equity structure on a case-by-case basis. The equity sponsor's ownership position cannot be transferred without Ex-Im Bank's consent.
- **Ex-Im Bank Exposure Fee Commensurate with Risk.** Exposure fees will vary depending on the risk assessment of the project and the type of coverage requested during construction and post completion. The exposure fee can be paid up-front or with each disbursement and can be financed.
- Environmental Considerations. Ex-Im Bank's environmental procedures will apply.
- **Rapid Case Processing.** With the help of outside financial consultants, Ex-Im Bank will give a preliminary indication of support, called a Preliminary Project Letter (PPL), within 45 days from the date evaluation begins by the outside consultant. Should the project be sufficiently developed, the sponsor may proceed directly to a final commitment from the PPL, as determined by the Project Finance Division.
- **Financial Consultants.** Ex-Im Bank has advisers on specific project finance cases. Please contact the Structured Finance Group.

2. Application Process.

- **Submission.** The project finance applica-tion must include: 1) the standard *Ex-Im Bank LT Application*, and 2) five copies of the materials listed in this attachment. These materials should be marked "Project Finance Application" and submitted to Ex-Im Bank.
- **Preliminary Review.** Ex-Im Bank will review the submitted material within five to ten business days of the date that the application is received by the Structured Finance Division. This review will determine if the application includes the information required to proceed with an evaluation.
- **Incomplete Applications.** If the application presented is determined to be incomplete by the Structured Finance Division, the applicant will be contacted with an explanation of the application's deficiencies. If the application is not determined to be suit-able for limited recourse project financing but could still be considered for another form of Ex-Im Bank financing, it will be forwarded to the appropriate division and the applicant will be notified.
- **Choice of Financial Consultant.** A financial consultant will be selected by Ex-Im Bank to evaluate the application. Determination of the specific financial consultant will depend on several factors including geographic and sector expertise, and ability to meet project deadlines.
- **Evaluation Fee.** Before the financial consultant begins review, the applicant will be required to pay an evaluation fee.
- **Other Fees.** For most projects, Ex-Im Bank will require, either in conjunction with other lenders or for its own use, the advice of independent outside legal counsel, independent engineers, and insurance advisers. In addition, there may be other fees associated with conducting proper due diligence. Payment for these and any other fees will be the responsibility of the project sponsors or the applicant.
- **Preliminary Project Letter.** Assuming the evaluation process is satisfactory, the Structured Finance Division will issue a PPL. The PPL indicates that Ex-Im Bank is prepared to move forward on a financing offer and the corresponding general terms and conditions. These terms and conditions will be based upon the information available at the time of application. The evaluation and issuance of the PPL will be completed within 45 days of commencement of the evaluation.
- **Evaluation Post-PPL.** After issuance of the PPL, Ex-Im Bank will work with the applicant to secure a final commitment. On a case-by-case basis, Ex-Im Bank may continue to utilize the financial consultant.

3. Project Criteria and Application Information Requirements.

a. General Project. (5 copies)

Definition

- Ideally the project should have long-term con-tracts from creditworthy entities for the purchase of the project's output and the purchase of the project's major project inputs such as fuel, raw materials, and operations and maintenance. Such con-tracts should extend beyond the term of the requested Ex-Im Bank financing. Where such contracts do not exist, additional equity and/or other credit support is expected.
- The project should contain an appropriate allocation of risk to the parties best suited to manage those risks. Sensitivity analysis should result in a sufficient debt service coverage ratio to ensure uninterrupted debt servicing for the term of the debt.
- Total project cost should be comparable to projects of similar type and size for a particular market.
- Product unit pricing and costs should reflect market-based pricing.
- Devaluation risk needs to be substantially mitigated through revenues denominated in hard currencies, revenue adjustment formulas based on changing currency relationships, or other structural mechanisms.

Information required

1. Summary of all aspects of the project, as contained in an independently prepared feasibility study and/or a detailed infor-mation memorandum, prepared by a qualified party. The study or memorandum should include the project description, location, legal status, ownership, and the background and status of key elements of the project structure, such as agreements, licenses, local partner participation, and financing.
2. Draft agreements for key elements of the project, including supply and offtake agreements.
3. A breakdown of anticipated project costs through commissioning, including interest during construction and working capital requirements, by major cost category and country of origin.
4. A summary of the anticipated project financing plan and security package, including: the proposed source, amount, currency and terms of the debt and equity investments; the sources of finance in the event of project cost overruns; and description of escrow accounts. Information on the terms, security requirements, and status of financing commitments of other lenders to the project, if applicable, should be provided.
5. Projected annual financial statements covering the period from project develop-ment through final maturity of the proposed Ex-Im Bank financing, to include balance sheet, profit and loss, source and application of funds statements, and debt service ratios. Projections should include a sensitivity analysis for not only the expected scenario but pessimistic and optimistic cases as well. This information should also be electronically provided with the project's financial model. The structure of the financial model should be in a format that is user friendly. Ex-Im Bank must be able to review and adjust the assumptions in the model.
6. Assumptions for the financial projections, including but not limited to the basis for sales volume and prices; operating and administrative costs; depreciation, a mortization and tax rates; and local government policy on price regulation.
7. Market information, to include: ten years of historical price and volume data; present and projected capacity of industry; product demand forecast with assumptions; description of competition and projected market share of the project as compared to the shares of the competi-tion; identity and location of customers; and marketing and distribution strategy.
8. A description of the principal risks and benefits of the project to the sponsors, lenders, and host government.
9. A description of the types of insurance coverage to be purchased for both the pre- and post-completion phases of the project.

b. Participants. (5 Copies)

Definition

- Project sponsors, offtake purchasers, contractors, operators, and suppliers must be able to demonstrate the technical managerial and financial capabilities to perform their respective obligations within the project.

Information Required

1. Sponsors must provide a brief history description of their operations, a description of their relevant experience in similar projects, and three years of audited financial statements, in English.
2. If the sponsors are part of a joint venture or consortium, information on all participants should be provided. A shareholders' agreement should also be provided.
3. Offtake purchasers and suppliers should provide a history and description of operations, at least three years of audited financial statements, in English, and a description of how the project fits in their long-term strategic plan.
4. Contractors and operators must provide resumes of experience with similar projects and recent historical financial information.

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ATTACHMENT F: Project and Structured Finance

c. Technical. (3 Copies)

- Project technology must be proven and reliable, and licensing arrangements must be contractually secured for a period extending beyond the term of the Ex-Im Bank financing.
- A technical feasibility study or sufficiently detailed engineering information needs to be provided to demonstrate technical feasibility of the project.

Information Required

1. Technical description and a process flow diagram for each project facility.
2. Detailed estimate of operating costs.
3. Arrangement for supply of raw materials and utilities.
4. Draft turnkey construction contract and description of sources of possible cost increases and delays during construction, including detailed description of liquidated damage provisions and performance bond requirements.
5. Project implementation schedule, showing target dates for achieving essential project milestones.
6. A site-specific environmental assessment, highlighting concerns, requirements and solutions. The information to be provided should demonstrate compliance with Ex-Im Bank's environmental guidelines.

d. Host Country Legal/Regulatory Framework and Government Role. (5 Copies)
Definition

- Host government commitment to proceeding with the project needs to be demonstrated.
- Legal and regulatory analysis needs to demonstrate that the country conditions and the project structure are sufficient to support long-term debt exposure for the project through enforceable contractual relationships.
- Ex-Im Bank's relationship with the host government will be addressed on a case-by-case basis.

Information Required

1. A description of the host government's role in the project, and progress made toward obtaining essential government commitments, including authorizations from appropriate government entities to proceed with the project.
2. A definition of the control, if any, that the government will have in the management and operation of the project, and status of any assurances that the government will not interfere in the project's operation. If the government is also a project sponsor, these issues will be of particular importance.
3. Evidence of the government's current and historical commitment and policies for availability and convertibility of foreign currency.
4. Status and strategy for obtaining government undertakings to support any government parties involved in the project, to the extent that such undertakings are needed to provide adequate credit support for such entities.

II. Structured Finance.

"Structured" transactions will have an established corporation as a borrower but may rely upon sources of collateral or security in addition to the corporation's balance sheet. The information required for structured finance applications is the same as that requested in "Attachment G" plus any additional data describing the proposed structure and security package.

If you have questions about this attachment, please contact the Structured Finance Division (Telephone: 202-565-3690 or Fax: 202-565-3695).

LONG-TERM LOAN OR GUARANTEE APPLICATION

ATTACHMENT G: Credit Information

This attachment applies to all Long-Term Loan or Guarantee Applications, except for Large Aircraft and Project Finance Transactions. Provide the General Information and Supplemental Financial Information requested below (as applicable) on the borrower and, if any, guarantor. If any items are not available, provide an explanation. Following Ex-Im Bank's initial review of the application, an Ex-Im Bank Credit Officer may request additional credit information.

In the event that the borrower lacks sufficient credit strength in terms of asset size, operating history or cash flows to provide a reasonable assurance of repayment, an Ex-Im Bank Credit Officer will contact you to discuss whether "Structured Finance" credit enhancements are appropriate. Such enhancements may include one or more of the following:

- Special purpose accounts, including offshore payment accounts, escrow or reserve accounts, or other accounts that would be subject to Ex-Im Bank's control.
- Covenants and default provisions such as financial ratio or debt service coverage requirements that would, if violated, prevent payment of dividends to the company owners.
- Insurance requirements that might be more strict than those typically applicable under corporate insurance policies.
- Letters of credit or other sources of funds that would be pledged by the sponsor to Ex-Im Bank through a bank or other third party.

GENERAL INFORMATION

1. **Company description and ownership**. Provide a concise description of company origin, legal status, facilities, business activities (and any major changes during the last three years), and primary market(s). Describe the principal customer base (e.g., manufacturers, wholesalers) and provide the percentage of domestic versus export sales and the amount of sales to each major export market. Provide the name and address of each owner of at least 10% of company shares and his/her ownership percent.

2. **Related party information**. Provide the names and description of subsidiaries, affiliates and commonly owned companies. Indicate which, if any, of these related parties account for more than 25% of the borrower's sales or purchases during the last fiscal year.

3. **References**.

   a. Bank references. Provide a creditor bank reference prepared within six months of the application date. A bank reference is not required for sovereign or political risk transactions. Report should include bank name, address, length of relationship, amount, currency, terms of secured and unsecured credit and repayment experience.

   b. Credit Report: Provide a credit report (such as D and B) prepared within six months of the application date. Not required for sovereign or financial institution transactions.

4. **Financial Statements**. Provide independently audited balance sheets, income statements and cash flow statements, in English, for the last three fiscal years. Include the auditor's notes to the financial statements. If the most recent fiscal year ended more than nine months prior to the application date, provide interim statements. When interim statements are provided, also provide interim statements for the same period of the previous year (for comparative purposes). If there are substantial related party transactions as described in #2, the financial statements must adequately disclose the consolidated financial condition of the borrower/guarantor and the named related parties. Financial statements are not required for sovereign or political risk transactions.

5. **Financial projections**. Provide projected annual income statement, balance sheet and cash flow forecasts for the period of the Ex-Im Bank financing, accompanied by supporting assumptions. Projections are not required if the borrower or guarantor is a financial institution, or for sovereign or political risk transactions.

LONG-TERM LOAN OR GUARANTEE APPLICATION

ATTACHMENT G: Credit Information

6. **Market indications.** Provide debt ratings assigned by Standard and Poor's, Moody's, Fitch-IBCA and Duff & Phelps, as well as other international and local rating agencies. Include the debt rating reports issued by the rating agency, and if applicable, the prospectus for debt or equity offered during the two years prior to the application date.

7. **Credit Agreement Information.** Provide a summary of the covenants, events of default, security interest and inter-creditor arrangements for existing creditors of the borrower or other entity considered to be the primary source of repayment.

SUPPLEMENTAL FINANCIAL INFORMATION

This information is required for comprehensive-cover transactions where the primary source of repayment is not a financial institution or a sovereign entity. Provide the information requested below on the borrower or guarantor that is designated as the primary source of repayment in accordance with the following guidance:

- if the requested information is provided in the notes to the financial statements, refer to the notes and indicate the note number.
- if the requested information is provided in a credit write-up that is enclosed, refer to the write-up and indicate the page number.
- unless otherwise indicated, provide information for each fiscal year for which financial statements are submitted.
- Items regarding changes in amounts or percentages refer to changes measured in U.S. dollars.
- a "change" means any change, either an increase or a decrease.

Operating Performance

1. Describe the expected operational and financial impact of the goods and/or services being purchased.
2. If any customer accounted for more than 25% of sales revenue in the last fiscal year, provide the customer's name, industry, percentage of revenue, length of relationship, sales terms, and whether or not the customer is a related or commonly owned entity.
3. If sales revenue changed by more than 15%, provide reasons.
4. Provide the level of production (in units) for principal product lines for each fiscal year and, if the production level changed by more than 15%, provide reasons.
5. For each component of cost of goods sold for the last fiscal year, provide the component type, amount, origin (domestic or foreign), and range of terms offered by suppliers.
6. If cost of goods sold as a percentage of sales revenue changed by more than 5%, provide reasons.
7. If any non-operating expense (other than interest or income taxes) represented more than 20% of operating profit, describe the expense.
8. If an operating loss or a net loss was incurred, provide reasons.

Balance Sheet

9. If total investments were more than 15% of total assets at the end of the last fiscal year, provide for each investment the type, amount, currency, security issuer, and/or company owned.
10. If there has been a change of more than 20% in receivables days-on-hand, provide the reasons and the range of terms granted for trade receivables.
11. If aggregate related company receivables, commonly owned company receivables, and non-trade related receivables exceeded 15% of total assets, provide the amount and purpose of each category of receivables.
12. If inventory was more than 20% of total assets at the end of the last fiscal year and/or inventory days-on-hand increased more than 20%, provide reasons.
13. If payables days-on-hand increased more than 20%, provide reasons and the terms granted by each supplier that represented more than 20% of payables.
14. If capital expenditures anticipated during the next 2 fiscal years exceed 15% of net fixed assets at the end of the last fiscal year, provide the amount, purpose, and financing plans for the capital expenditures.

LONG-TERM LOAN OR GUARANTEE APPLICATION

ATTACHMENT G: Credit Information

15. Provide the source, amount, currency, terms, and security/guarantees for credit lines available from financial institutions and credits owed to financial institutions.

16. Provide the aggregate amount of principal maturities due to all creditors in each of the next five fiscal years.

17. Provide the source, amount, and dates of equity cash infusions in each of the last three fiscal years and anticipated during the next fiscal year.

18. If any asset, liability, or equity account represented more than 15% of total assets and has not been previously described, provide the amount and a description of the account.

Off Balance Sheet Items

19. If the aggregate amount of contingent/off balance sheet items was more than 10% of total assets at the end of the last fiscal year, provide a description of the items.

Interim Statements

20. Explain any material changes in the interim financial statements relative to the statements for the last fiscal year.

Subsequent Events

21. Provide details of events subsequent to the end of the last fiscal year that could have a material effect on the creditworthiness of the company, and plans to deal with any material adverse changes.