



TRANSNET BUYS 32 MORE LOCOMOTIVES FROM MITSUI

March 2 2011

Transnet Limited has signed an agreement for the supply of an additional 32 new 15E locomotives with Venus Railway Solutions, a subsidiary of Japan's Mitsui & Co Limited and local BEE investors. The new locomotives will be used on Transnet Freight Rail's iron ore line which runs between the mines in Sishen and the port in Saldanha. The agreement is in line with Transnet's target of achieving 61 million tons per annum on the ore line.

To date, TFR has admitted into service 28 15E locomotives and 40 19E locomotives built by Mitsui. The company (Mitsui) will build the locomotives at Union Carriage and Wagon (UCW) – a Johannesburg based engineering company. Some components will be supplied by other local entities. This is part of Transnet's efforts to localise its capital investment programme in order to promote industrial development and job creation. It is an initiative that also supports government's New Growth Path. Transnet participates in the government-inspired Competitive Supplier Development Programme (CSDP). To this end, the CSDP obligations of this contract are in excess of 40% of the total value of the contract. The agreement will also ensure the continuity of over 730 existing jobs.

In addition to the local manufacture of the locomotives, the CSDP aspects of the agreement with Mitsui, include investigating the possibility of South African suppliers joining Mitsui's global supply chain, stringent skills transfer and development targets. These include training of engineers, students, apprentices and operating a welding school to produce nearly 700 welders. The majority of beneficiaries of these programmes will be historically disadvantaged individuals.

Commenting on the latest developments, Transnet group chief executive Mr. Brian Molefe says: "This is a very exciting transaction for us. In addition to the obvious benefits of our locomotive fleet renewal programme, we are particularly excited and thrilled at being able to leverage on the localisation of our capital investment programme, to protect, develop and create local employment opportunities and transfer technology into South Africa."

Transnet's comprehensive fleet renewal programme is intended to improve efficiency, productivity, reliability and safety of the company's locomotive fleet.

"As we progressively implement Transnet's fleet renewal strategy to augment our fleet throughout the business, we expect service levels to our customers, including safety, to improve significantly," Mr Molefe adds.

Transnet has pioneered the CSDP initiative since its inception and is committed to expanding it to all elements of its capital investment programme, where foreign spend comprises a significant portion. This includes the acquisition of port handling equipment. In 2009, Transnet concluded an agreement to buy 100 locomotives from General Electric to be used primarily on Transnet Freight Rail's general freight business (GFB). In terms of the GE transaction, 90 of those will be produced at Transnet Rail Engineering's facilities in Pretoria. This will result in significant localisation benefits for the South African Supply chain.

Transnet is committed to spending over R110 billion on its investment programme over the next five years. This is in addition to the R73 billion already spent over the last five years on expanding capacity and improving infrastructure in port, rail and pipeline assets. This spending is on the strength of Transnet's balance sheet and is without explicit government guarantees. The rail freight division accounts for roughly half of the programme.

Production of the 32 locomotives will commence in December 2011 with the first unit ready for delivery by May 2012 and the last rolling out of the factory floor by August 2013.

-Ends-

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Notes to editors: -

- Transnet is exempted from the national industrial participation programme (NIPP) and is committed to CSDP which is a DPE initiative
- CSDP is aimed at leveraging SOE expenditure to optimize the development of national supplier industries and where possible, to build export capabilities (lowering the dependency on imports and forex exposure
- TFR's fleet renewal update:
 - 100 Diesel from GE (under construction at TRE)
 - 44 x 15E Electric Locomotive from Mitsui (under construction at UCW): 28 accepted
 - 110 x 19E Electric Locomotive from Mitsui (under construction at UCW): 40 accepted
 - 50 Like-new from EMD- already delivered and in service since December 2009

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