



TRANSNET

delivering on our commitments

REQUEST FOR EXPRESSION OF INTEREST

Introduction

Transnet Limited ("Transnet"), the diversified organisation whose sole shareholder is the Government of South Africa, is seeking expressions of interest for the disposal of The Blue Train luxury tourist train service. Transnet's strategic objective is to ensure that it plays a significant role in the South African economy. To achieve this, it is restructuring to focus on the provision of freight rail, pipeline and port services to the bulk and manufacturing sectors of the economy. Consequently, Transnet has identified certain businesses within its portfolio, including The Blue Train, that it considers to be non-core and has earmarked them for disposal.

Transnet has therefore resolved that an alternative owner should be sought to develop and grow the business of The Blue Train, to capitalise on the strength of The Blue Train brand and to continue to showcase South Africa locally and internationally as a tourist destination.

The Blue Train

The Blue Train, which is operated by Spoornet, the freight rail division of Transnet, has a long and prestigious history. It was launched in 1946 and is regarded as being part of the cultural heritage of South Africa. It is a world renowned, five star hotel on wheels that traverses the evocative South African landscape. It operates within the luxury hospitality, leisure, tourism and travel market, offering a combination of unsurpassed luxury travel, fine cuisine, personalised service, sophisticated and superior technology, and routes offering breathtaking views of the South African landscape. The "once in a lifetime" experience associated with The Blue Train has enabled it to build a strong and internationally recognisable brand over the years.

Guests on board The Blue Train enjoy:

- five-star accommodation (en-suite facilities, all inclusive price, laundry, etc);
- on-board dining complemented by bone china, crystal glassware and an excellent selection of South African wines sourced from boutique vineyards;
- personalised butler service;
- exceptional views of the South African landscape and scenery; and
- technological advances such as Driver's Eye View camera, unique coupling, air-cushion suspension system, TV monitors in the suites, automated entertainment system and GPS.

The Blue Train has received a variety of accolades, including being awarded the Diners Club International Best Wine List of the Year Award as recently as in 2005.

Expressions of Interest

Transnet is now inviting investors that may be interested in acquiring The Blue Train business to participate in a competitive public bidding process, by expressing their interest to Standard Bank of South Africa Limited ("Standard Bank"), its transaction advisor (see "Closing Date" below for contact details), following which they will be furnished with an expression of interest ("EOI") pack incorporating high level information on The Blue Train, a list of questions for potential investors to answer and a non-disclosure agreement ("NDA") that all potential investors will need to sign in order to progress in the disposal process. The EOI pack can also be downloaded from the following website: www.transnet.net/bluetrain.aspx

Potential investors will be required to answer the questions contained in the EOI pack and make a pre-qualification submission to Standard Bank. Parties who satisfy the pre-qualification criteria and then enter into a NDA, will receive the Information Memorandum ("IM") on The Blue Train, affording such parties the opportunity to submit non-binding bids.

Upon receipt of non-binding bids, a shortlist of preferred bidders will be selected based upon the merit of the bids submitted as assessed against evaluation criteria, details of which will be included in the IM.

The shortlist of preferred bidders will be given access to an electronic data room in order to undertake a due diligence exercise prior to finalising and submitting binding bids, after which the successful bidder will be selected.

Bid criteria

Qualification for the collection of the IM, and thus the subsequent submission of a non-binding bid, will be primarily assessed on the following key criteria:

- ability to obtain and maintain an operating licence, or plans to acquire such ability, a requirement to operating The Blue Train;
- demonstrate ability to fund the transaction, or access to such funding, as well as to ongoing operational funding; and
- inclusion, or plans for the inclusion, of a Black Economic Empowerment ("BEE") partner/shareholder at a minimum shareholding level of at least 12% of shares issued. Potential acquirors of The Blue Train will only be considered for inclusion in the disposal process, and thus only eligible to acquire The Blue Train, if BEE shareholder/s hold/s, or will hold, at least a 12% share of the acquiring entity/consortium. This applies to all potential acquirors. The BEE shareholding/partnership need not be formally in place at the closing date (see below) for registration of interest or non-binding bid stage although it will be a necessity at the effective date of the transaction. Please note that all potential acquirors will however be evaluated on the Codes of Good Practice which require a 25% + 1 share target level in order to score full points in that category.

BEE is a strategy aimed at substantially increasing black participation at all levels of the South African economy, and seeks to redress the imbalances of the past by transferring ownership, management and control of South Africa's financial and economic resources to the majority of its citizens. It also aims to ensure broader and meaningful participation in the economy by black people.

The EOI pack includes a list of parties and entities that are disqualified from participating in the disposal process.

Closing date

Interested bidders will be required to submit pre-qualification information by 12h00 on 25 May 2007 to:

Attention: Bryan Antolik
The Standard Bank of South Africa
Corporate and Investment Banking
Standard Bank Centre
No 3 Simmonds street
Johannesburg
2001, South Africa

P O Box 613
Marshalltown
2107, South Africa

Contact: Bryan Antolik
Telephone: +27 (0)11 631 6142
E-mail: bryan.antolik@standardbank.co.za

Amendments to the dates and other salient features of the disposal process, if any, will be published in the press.

Governance

KPMG was appointed by Transnet as an independent advisor to the disposal process. KPMG will report to Transnet on whether the process met the disposal objectives regarding transparency, good governance and consistency as identified by Transnet.

Summary

The disposal of the Blue Train represents a unique opportunity for an acquirer to own and operate a part of South African history and a brand name that is recognised throughout the world as synonymous with luxury and elegance. The Blue Train is an ideal tourism asset that will enable the acquirer to capitalise on Southern Africa's extensive tourist attractions.

Communication

EOI submissions and any enquiries may only be addressed to the above mentioned address. Signed NDA's need not be submitted by 25 May 2007 although this will be a prerequisite to collection of the IM.

No one may contact Transnet staff regarding this disposal. Bidders who do so risk being disqualified.

Transaction advisors



Lead legal advisors



Independent advisors



Joint legal advisors

