
APPLICABLE PRICING SUPPLEMENT



DENEL SOC LTD

(Incorporated in the Republic of South Africa with limited liability under registration number 1992/001337/30)

Issue of ZAR52,000,000 Senior Unsecured Zero Coupon Notes due 5 May 2017

Under its ZAR3,000,000,000 Domestic Medium Term Note Programme

Irrevocably and unconditionally guaranteed by the Government of the Republic of South Africa

This Applicable Pricing Supplement must be read in conjunction with the amended and restated Programme Memorandum, dated 18 September 2012, prepared by Denel SOC Ltd in connection with the Denel SOC Ltd ZAR3,000,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the **Programme Memorandum**).

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed "*Terms and Conditions of the Notes*".

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

PARTIES

| | | |
|----|-------------------|--|
| 1. | Issuer | Denel SOC Ltd |
| 2. | Guarantor | The Government of the Republic of South Africa |
| 3. | Dealer | Nedbank Limited, acting through its Corporate and Investment Banking division; |
| 4. | Debt Sponsor | Nedbank Limited, acting through its Corporate and Investment Banking division; |
| 5. | Paying Agent | FirstRand Bank Limited, acting through its Rand Merchant Bank Division |
| | Specified Address | 1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196, South Africa |
| 6. | Calculation Agent | FirstRand Bank Limited, acting through its Rand Merchant Bank Division |
| | Specified Address | 1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196, South Africa |
| 7. | Transfer Agent | FirstRand Bank Limited, acting through its Rand Merchant Bank Division |
| | Specified Address | 1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196, South Africa |

PROVISIONS RELATING TO THE NOTES

| | | |
|-----|---|---|
| 8. | Status of Notes | Senior Unsecured |
| 9. | Form of Notes | Listed |
| 10. | Series Number | 66 |
| 11. | Tranche Number | 1 |
| 12. | Aggregate Nominal Amount: | |
| | (a) Series | ZAR52,000,000 |
| | (b) Tranche | ZAR52,000,000 |
| 13. | Interest | Interest-bearing |
| 14. | Interest / Payment Basis | Zero Coupon Notes |
| 15. | Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another | N/A |
| 16. | Form of Notes | The Notes in this Tranche are issued in uncertificated form and held by the CSD |
| 17. | Issue Date | 6 February 2017 |
| 18. | Nominal Amount | ZAR1,000,000 |
| 19. | Specified Denomination | ZAR1,000,000 |
| 20. | Specified Currency | ZAR |
| 21. | Issue Price | 98.142551% |
| 22. | Interest Commencement Date | 6 February 2017 |
| 23. | Maturity Date | 5 May 2017 |
| 24. | Applicable Business Day Convention | Modified Following Business Day |
| 25. | Final Redemption Amount | 100% of the Nominal Amount |
| 26. | Last Day to Register | by 17:00 on 24 April 2017 |
| 27. | Books Closed Period(s) | The Register will be closed from 25 April 2017 to the Maturity Date |
| 28. | Default Rate | N/A |

ZERO COUPON NOTES

| | | |
|-----|--|------------------|
| 29. | (a) Implied Yield | 7.8500% |
| | (b) Reference Price | ZAR51,034,126.72 |
| | (c) Any other formula or basis for determining amount(s) payable | N/A |

FLOATING RATE NOTES

N/A

FIXED RATE NOTES

N/A

PROVISIONS REGARDING REDEMPTION/MATURITY

| | | |
|-----|---|-----|
| 30. | Redemption at the Option of the Issuer: | No |
| 31. | Redemption at the Option of the Senior Noteholders: | No |
| 32. | Redemption in the event of a Change | Yes |

of Control at the election of Noteholders pursuant to Condition 10.5 (*Redemption in the event of a Change of Control*) or any other terms applicable to a Change of Control

- | | | |
|-----|---|-----|
| 33. | Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required). | Yes |
|-----|---|-----|

GENERAL

- | | | |
|-----|--|--|
| 34. | Financial Exchange | Interest Rate Market of the JSE |
| 35. | Additional selling restrictions | N/A |
| 36. | ISIN No. | ZAG000142019 |
| 37. | Stock Code | DENG66 |
| 38. | Stabilising manager | N/A |
| 39. | Provisions relating to stabilisation | N/A |
| 40. | Method of distribution | Private Placement |
| 41. | Credit Rating assigned to the Issuer | Long Term: AAA(zaf)/Stable Short Term: F1+(zaf) |
| 42. | Applicable Rating Agency | By Fitch Southern Africa Proprietary Limited dated 31 March 2016, to be reviewed annually Pursuant to the Financial Services Board's press release dated 4 September 2015, a subsequent Credit Rating will be obtained from another Rating Agency in due course, details of which will be made available on SENS. |
| 43. | Governing law (if the laws of South Africa are not applicable) | N/A |
| 44. | Other provisions | |

Guarantee

In accordance with the terms of the Guarantee attached hereto as Annexure 1 (the **Guarantee**), the Guarantor irrevocably and unconditionally guarantees to the Noteholders of these Notes the due and punctual payment by the Issuer of all amounts owing by the Issuer in respect of the Notes issued pursuant to this Applicable Pricing Supplement.

- (a) The Guarantor is required to make any payment under the Guarantee by no later than 3 (three) Business Days after receipt of a written demand under and in terms of the Guarantee and the Terms and Conditions. All payments under the Guarantee will *pro tanto* discharge the Issuer of its corresponding obligations to the Noteholders under the Notes.
- (b) The Guarantee will be deposited with, and held by, the Paying Agent until the later of:

- (i) the date on which the Programme is terminated by the Issuer; and
- (ii) the date on which all the obligations of the Issuer and the Guarantor under or in respect of the Notes have been discharged in full.

each Noteholder of these Notes shall be entitled to require the Paying Agent to produce the original of the Guarantee on request and further shall be entitled to require the Paying Agent, which shall be obliged, to provide a copy of the Guarantee to that Noteholder on request. In holding the Guarantee, the Paying Agent does not act in any fiduciary or similar capacity for the Noteholders and it has not accepted any liability, duty or responsibility to Noteholders in this regard.

Issuer's Undertaking

For so long as the Notes issued pursuant to this Applicable Pricing Supplement remain Outstanding, the Issuer undertakes not to issue further guaranteed Notes exceeding the guaranteed amount in the Guarantee.

DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS IN RELATION TO THIS ISSUE OF NOTES

45. Paragraph 3(5)(a)

The "*ultimate borrower*" (as defined in the Commercial Paper Regulations) is the Issuer.

46. Paragraph 3(5)(b)

The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.

47. Paragraph 3(5)(c)

The auditor of the Issuer is SizweNtsalubaGobodo Incorporated.

48. Paragraph 3(5)(d)

As at the date of this issue:

- (i) the Issuer has issued ZAR2,487,000,000 Commercial Paper (as defined in the Commercial Paper Regulations), including this issue and the DENG65 Notes to be issued on the same day; and
- (ii) the Issuer estimates that it may issue ZAR303,000,000 of Commercial Paper during the current financial year, ending 31 March 2017.

49. Paragraph 3(5)(e)

All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the

Programme Memorandum and this Applicable Pricing Supplement.

50. Paragraph 3(5)(f)

There has been no material adverse change in the Issuer's financial position since the date of its last audited financial statements.

51. Paragraph 3(5)(g)

The Notes issued will be listed.

52. Paragraph 3(5)(h)

The funds to be raised through the issue of the Notes are to be used by the Issuer for its general corporate purposes.

53. Paragraph 3(5)(i)

The obligations of the Issuer in respect of the Notes are unsecured, but have been guaranteed by the Government of the Republic of South Africa.

54. Paragraph 3(5)(j)

SizweNtsalubaGobodo Incorporated, the statutory auditors of the Issuer, have confirmed that this issue of Notes issued under the Programme will comply in all respects with the relevant provisions of the Commercial Paper Regulations.

Responsibility:

The Issuer accepts full responsibility for the information contained in this Applicable Pricing Supplement and the Programme Memorandum. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Applicable Pricing Supplement and the Programme Memorandum is in accordance with the facts and does not omit anything which would make any statement false or misleading and all reasonable enquiries to ascertain such facts have been made. This Applicable Pricing Supplement and the Programme Memorandum contains all information required by law and the debt listings requirements of the JSE.

As at the date of this Applicable Pricing Supplement, the Issuer confirms that the authorised programme amount of ZAR3,000,000,000 has not been exceeded

Application is hereby made to list this issue of Notes on 6 February 2017.

SIGNED at IRENE on this 3RD day of February 2017.



Name: M. N. KGOMO
Capacity: DIRECTOR
Who warrants his authority hereto



Name: N. S. P. M. NTSANG
Capacity: DIRECTOR
Who warrants his authority hereto

GUARANTEE