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delivering on our commitment *to you* pipelines

CONFIDENTIAL

PRESENTATION TO SANEA WORKSHOP

4 JUNE 2009

"ACTIONS FOR SUSTAINABLE ENERGY": THE NMPP PROJECT

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ORDER OF PRESENTATION

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   1.1 Background and History
   1.2 Demand to meet and security of supply
   1.3 Design – Concept of phased expansion and need for terminals
   1.4 Licence awarded and conditions
   1.5 Its importance from a SA-Inc. Perspective

2. THE CHALLENGES

   2.1 Revised Implementation Plan
   2.2 Lack of alignment with Regulations and Regulator

THE PROJECT: BACKGROUND AND HISTORY

1. Present pipeline between Durban and Gauteng (12" with original capacity of 3,6 billion litres/annum) needs to be replaced. Built in 1965. This Multi product line is called the DJP (Durban Johannesburg Pipeline).

2. Need to increase capacity at same time to meet increased inland demand.

3. Project for new pipeline (New Multi Products Pipeline or NMPP) first initiated in 2004 by Transnet. Design, then was from a business perspective, for a 16" line along same route as DJP.

4. After stock-outs in December 2005 and with growth rates seen in 2006 and 2007 new pipeline needed soonest. Moerane Commission, two Industry task teams and Energy Security Master Plan (ESMP) all focused on the topic during this period.

5. Capacity of DJP enhanced in 2007 to 4,2 billion litres/annum with the use of Drag Reducing Agents (DRA's). Also other initiatives to cope with increased demand (pipe, rail and road)

6. Bridging Plan has kept inland "wet"/supplied.

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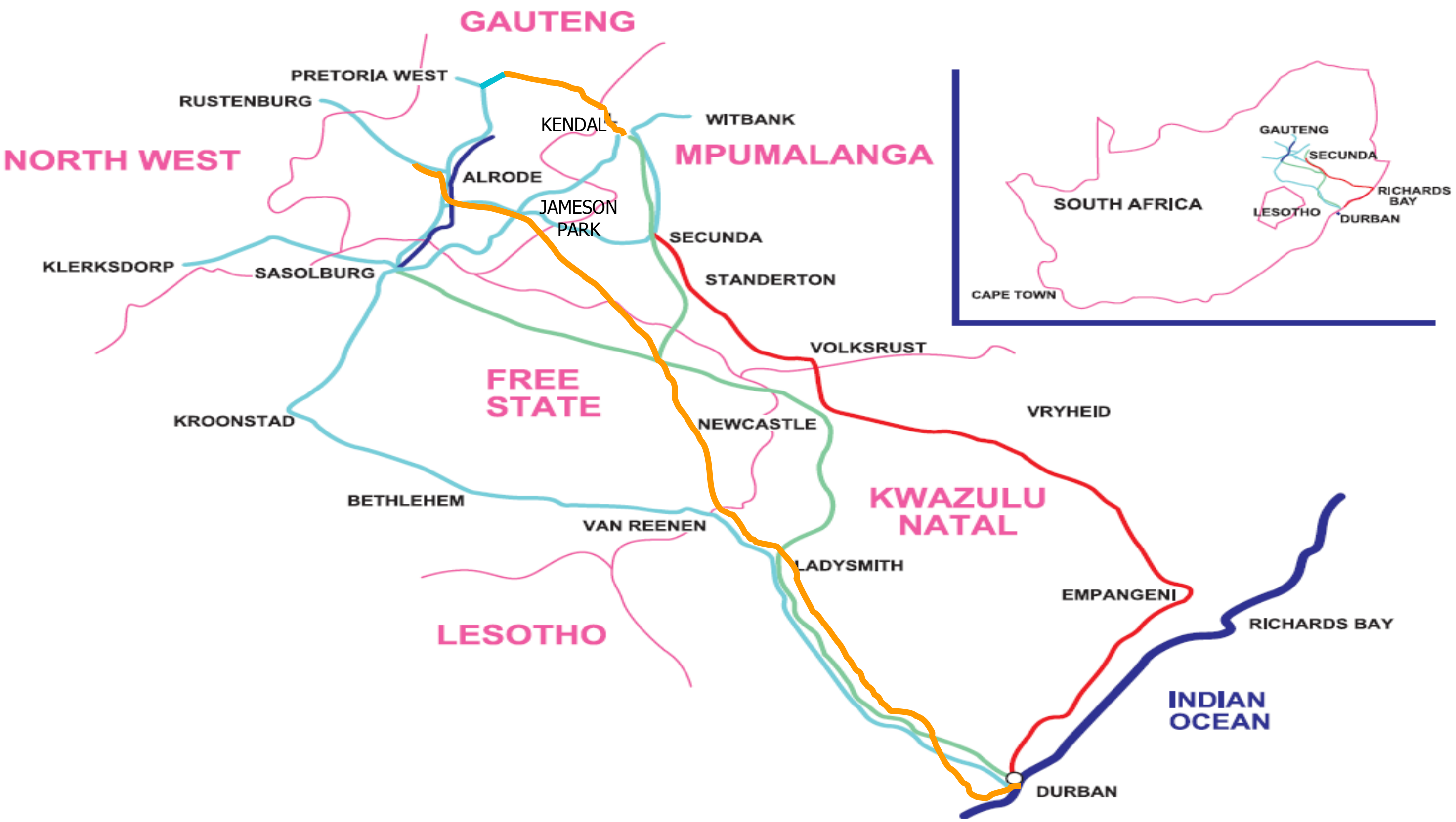
DIAGRAMMATIC LAYOUT OF PRESENT PIPELINES NETWORK AND POSITIONS OF NEW PIPELINES AS PART OF NMPP PROJECT



PIPELINE NETWORK:
DIFFERENT LINES AND APPLICATIONS

REFINED PRODUCTS
CRUDE OIL
GAS
AVTUR
PROPOSED NMPP

PPT-1705-/A

THE PROJECT: DEMAND TO MEET

1. August 2006: The Department of Mineral and Energy (DME) recommended the project to be able to cope with growth in demand of fuel associated with 6% annual GDP growth (ASGISA target) and a planning horizon of 20 years with prime focus on need to ensure security of supply of petroleum products to Gauteng and surrounding areas.

2. Growth in demand of petroleum products tracks GDP with 1% (GDP -1%) in South Africa (longer term).

3. Three scenario's used:

   - 5% for design of pipeline (size) and acquisition of land.
   - 4,2% used for design of facilities like pumpstations and terminals as well as for future planning.
   - 3,6% used for volume calculation purposes and seen as the low growth scenario.

THE PROJECT: DESIGN

1. Phased expansion of the NMPP is fundamental strength of its design.
2. Adding capacity as required has been basic design assumption for future planning.
3. For the 6% and 20 year requirement set by DME to be achieved, imperative to size pipe correctly up front. Phased expansion in future requires right size of pipe up front.
4. Add capacity by adding pumpstations as demand dictates.
5. 24" appropriate size with initial (Phase 1) flow of 1000m^3/h (1 million litres/hour) or 8,7 billion litres/annum (3 pumpstations).
6. Final capacity (Phase 5) flow of 3000m^3/h (3 million litres/hour) or 26,1 billion litres/annum (8 pumpstations).
7. May never go beyond Phase 1 but pipe has capability to go to 3000m^3/h.
8. At flow rate of 1000m^3/h present depot infrastructure of our clients could not cope – need for terminals at entrance and exit to trunkline.
9. Two, smaller, 16" pipelines required in Northern network to facilitate replacement of DJP, also part of the overall NMPP project Phase 1 as presently constructed.

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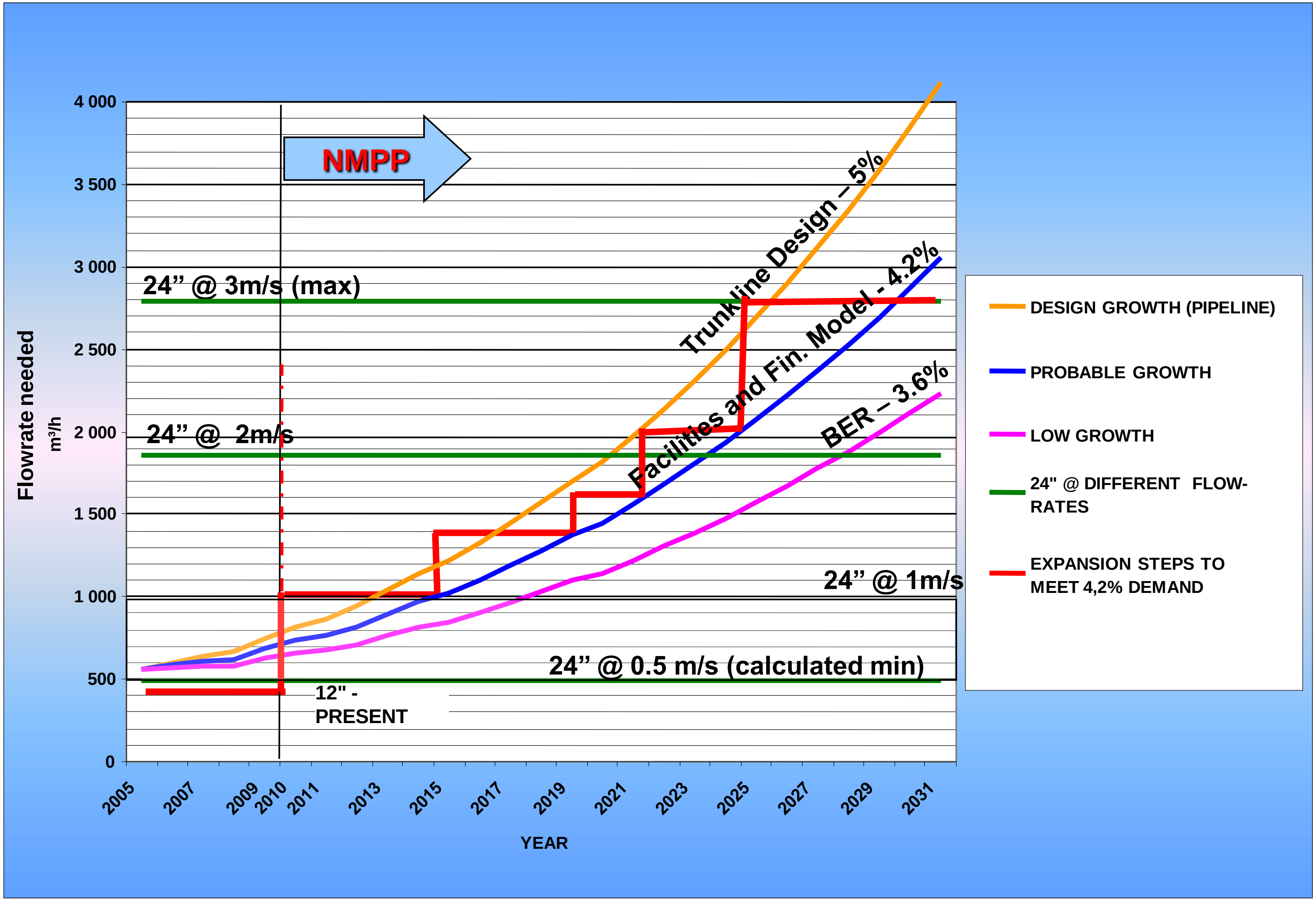
NMPP DESIGN: INITIAL INVESTMENT AND MODULAR EXPANSIONS TO MEET DEMAND OF 4.2% Y-O-Y THEREAFTER (CONCEPT OF PHASED EXPANSION)



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THE PROJECT: LICENSE AWARDED AND CONDITIONS

1. Based on design and other considerations, the Construction License for Phase 1 of the project was awarded to Transnet Pipelines by the National Energy Regulator of South Africa (NERSA) in the period October to December 2007.

2. Award occurred in competition with an application from the iPayipi Consortium.

3. Final award and conditions published: 20 December 2007.

4. Specific Conditions of License:
    - Start of Construction: Before 20 December 2008 (within year after award …. Achieved …)
    - Complete Kendal to Waltloo 16" line: 31 December 2009
    - Commence operation of 24" pipeline: 31 March 2011
    - Complete all licensed activities: 20 December 2011.

THE PROJECT: ITS IMPORTANCE FROM AN SA-INC. PERSPECTIVE

1. ESMP: "…probably the most important investment in the petroleum industry in the next 5 years …."

2. All roleplayers, especially clients of Transnet Pipelines all agree: NMPP has to be completed as soon as possible. Support overwhelming at hearing for granting of Construction License in October 2007.

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THE CHALLENGES: REVISED IMPLEMENTATION PLAN

1. Phase 1 from the on-set had two sub-phases as part of concept of phased expansion
   - Constructing only the 24" trunkline thereby adding capacity to about 700m^3/h.
   - Constructing the two terminals at Durban and Jameson Park giving final Phase 1 capacity of 1000m^3/h.

2. Initially, because of high growth in demand projected, full phase 1 had to be completed as soon as possible to assure security of supply. Target date then set for completion of full Phase 1: End Q3 2010.

3. As a result of lower demand forecast; some current project challenges and the overall need to look at the timing of such huge investments during the present global economic crisis, a revised implementation plan was possible without compromising our security of supply requirements.

4. Revised Plan for completion is also still within realms of license conditions and was presented to NERSA.

5. Our Bridging Plan initiatives are on-going and there have not been stock-outs since December 2005…

6. Transnet concerned with wrong impressions:
   - Project deliberately delayed because of mis-alignment with Regulator on funding of project.
   - Project delayed by more than a year (fears of stock-outs).

7. Transnet still committed to complete the project as per conditions of license and within the security of supply requirements which, yes, has been "saved" by the economic downturn but is a reality. We have had 4 successive quarters of negative growth of 4 top petroleum products in South Africa.

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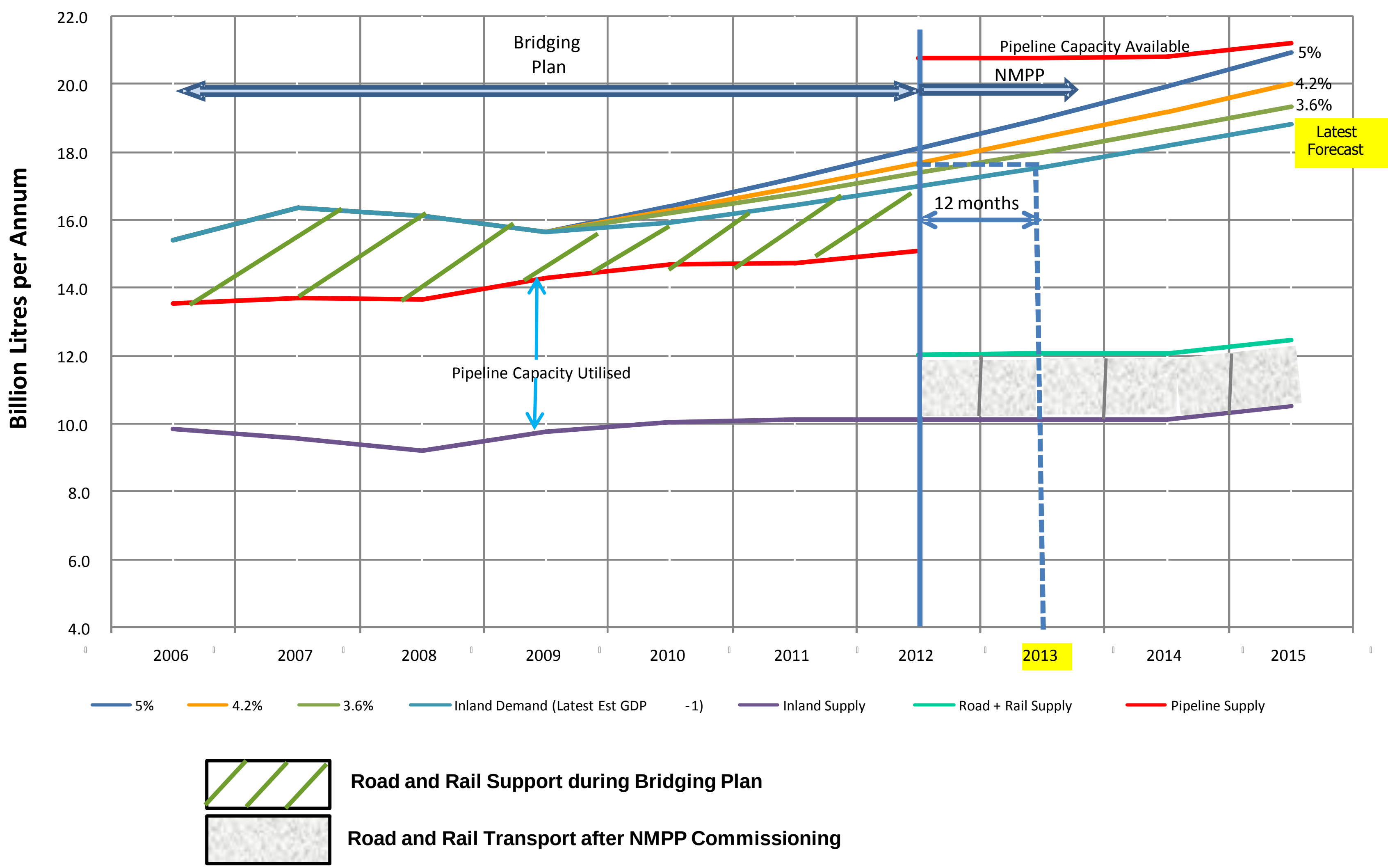
LATEST DEMAND RESULTS AND FORECAST: BASIS FOR REVISED IMPLEMENTATION PLAN AND ROLE OF BRIDGING PLAN



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THE CHALLENGES: LACK OF ALIGNMENT WITH REGULATIONS AND REGULATOR

1. Policies, Regulations and Rules not clear on funding of huge infrastructure investments needed in Energy sector.

2. Different approaches, local and international and also local and local makes planning, financial especially, very difficult and an area of high risk for any investor. SOE's no different from private companies in this context …

3. Transnet's view is that the NMPP is a brownfields project (as opposed to a Petroline Greenfields project).
   - Same service
   - Same customers

4. Investment in NMPP of R12,7 billion will quadruple Transnet Pipeline's asset base and <u>will</u> lead to higher tariffs question is when …. not if ….

5. Challenge of high tariffs during initial phase of low volumes and final tariff-levels when line is at capacity. Finally tariffs will double, that's fact … initial very high tariffs will be temporary.

6. All agree that the NMPP is a must but nobody seems to want to pay for it … sounds much like Eskom …. too low present tariffs to pay for new investment and higher tariffs to be avoided at all cost … something will have to give …

7. Challenge for SOE's : Shareholder's Equity …

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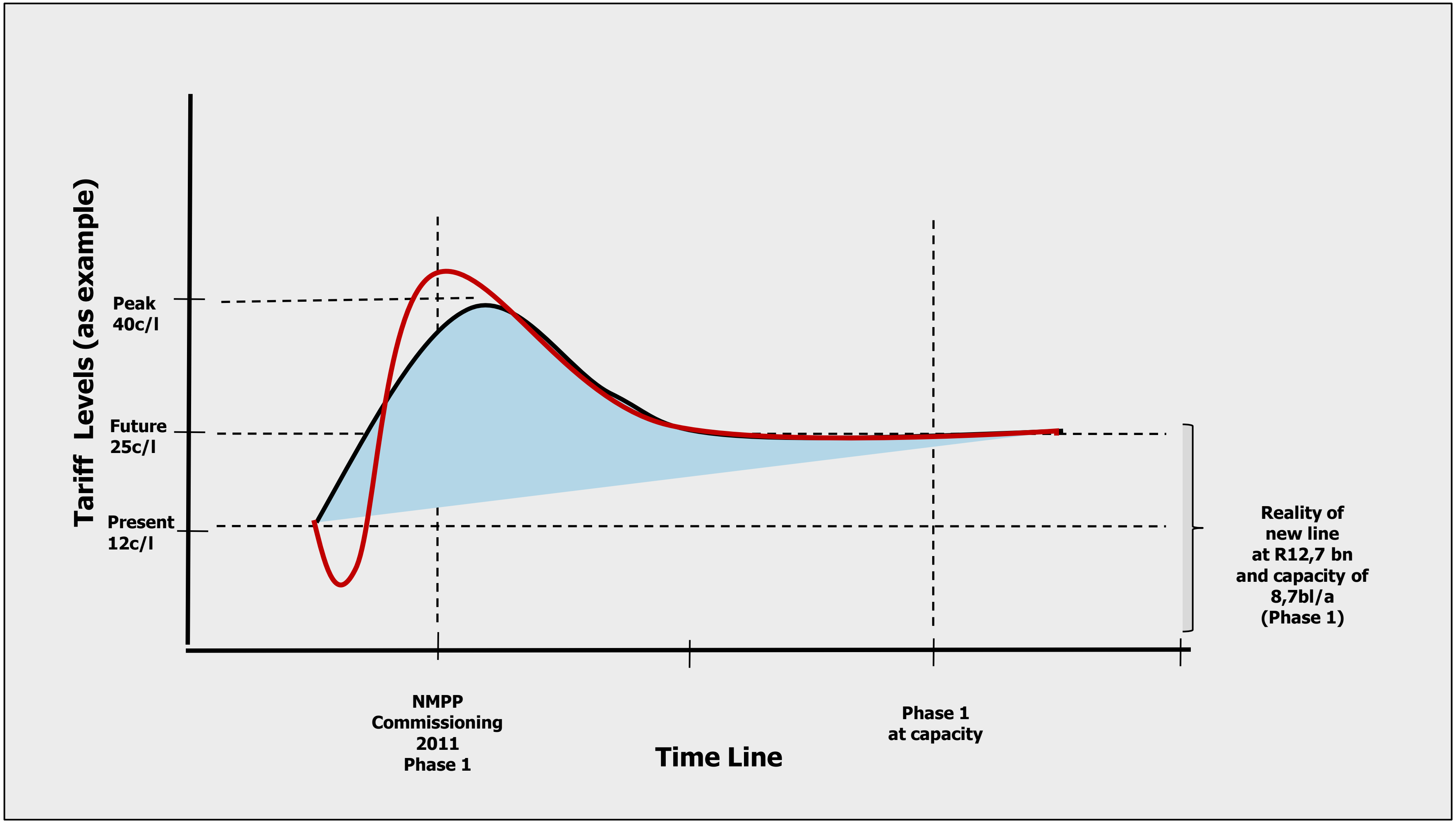
INTRODUCTION AND REALITIES ON TRANSNET PIPELINES (TPL) TARIFFS NOW AND FUTURE



Period of concern: Locational Advantage
Competition (Road and Rail)
Need another way out – levy idea, as example

Latest ruling of Regulator (just lowered the base even further …)

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THE CHALLENGES: LACK OF ALIGNMENT WITH REGULATIONS AND REGULATOR CONTINUED …

8. Transnet's challenges from a funding and rating perspective are huge; latest ruling has just added to this. R 1 billion shortfall in cash in 2009/10 is huge, even for Transnet.

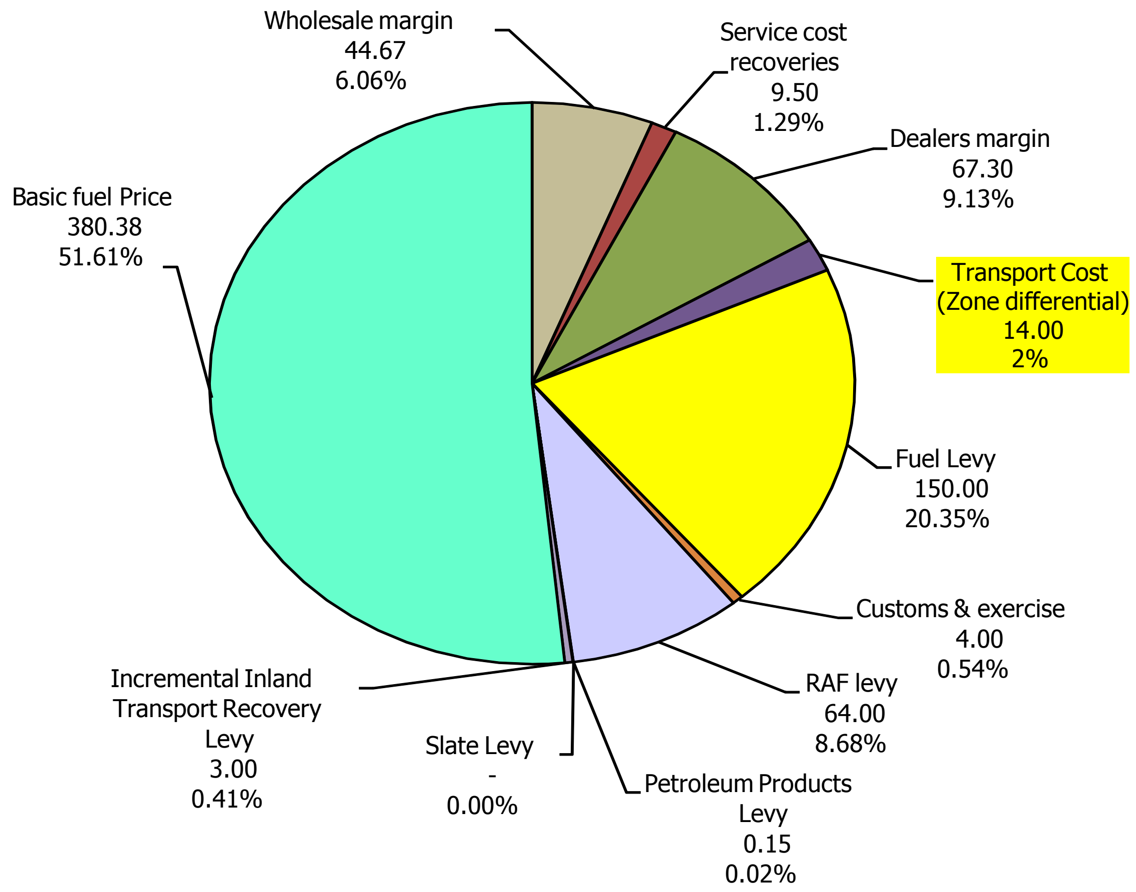
9. We will eventually get it, but we are suffering hardship at present – on top of the economic crisis!

10. Transnet also says: "In accordance with established South African government policy for SOE's , Transnet is expected to finance capital expenditure from internally generated cash resources and borrowings, on the strength of its own balance sheet and without utilising government guarantees."

11. Finally perspective is needed on size of our tariffs in comparison to rest of price make-up of fuel in Gauteng, even with large increases.

12. But: will find a solution with involvement of all the roleplayers; we will have to … its in the national interest…!

SOME PERSPECTIVE ON TRANSNET PIPELINES' TARIFFS :
Petrol price: 93 Octane (ULP) and 93 Octane (LRP)
Gauteng - 737.00 c/l : 03 JUNE 2009



THANK YOU