



Embargoed

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Transnet Limited update on NMPP construction

The New Multi-Product Pipeline (NMPP) currently being constructed by Transnet is a legacy project for the South African economy and the region. Once complete, the state-of-the-art pipeline will ensure the security of supply to the inland market for the next 70 years safely, cost effectively and in an environmentally friendly manner.

Transnet Limited took the media on a tour of its multi-billion rand NMPP project and provided an update on the progress of the construction on Thursday, 7 October 2010.

The company said the update is in line with its commitment to communicate regularly on the progress of the construction to all key stakeholders. Once complete, the asset (NMPP) will be crucial for the security of supply of petroleum products to the inland market, including Gauteng – South Africa's economic heartland.

Over the last few weeks, Transnet has consulted with various stakeholders including the National Energy Regulator of South Africa (NERSA); the Department of Public Enterprises; the Department of Energy; the South African Petroleum Industry Association and the Oil Industry in general in this regard.

The NMPP

NERSA awarded Transnet the license to build the 24 inch trunk-line pipeline including the 16 inch inland network and two terminals in December 2007. The NMPP is to replace the existing and ageing Durban to Johannesburg Pipeline (DJP) which is operated by Transnet Pipelines – a division of Transnet.

The NMPP is the single biggest project in Transnet's R93.4 billion five-year capital investment portfolio. Initially, Transnet intended to build a 16 inch trunk line from Durban to Gauteng, however following consultation with Government as part of the energy security master plan for liquid fuels, the Department of Energy required that the company build a 24 inch pipeline. This was to ensure security of supply to the inland market.

Some of the benefits of the NMPP include the following:

- When fully operational, it will reduce the number of tankers on the road by at least 60%;
- Reduce deterioration of the road network;

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- Reduce road maintenance costs;
- Reduce congestion on the roads;
- Improve Transnet's and South Africa's carbon footprint by reducing carbon emissions from the road transportation of petroleum products; and
- It is the safest, most cost effective and a very efficient mode of moving petroleum products.

Amendment

Speaking to journalists in Durban, the Acting Group Chief Executive of Transnet, Mr. Chris Wells, confirmed that the company had made a formal request to NERSA for an amendment to its construction license to allow for timeline changes. The revised schedule is for the 24 inch NMPP trunk line to be completed in September 2011 and operational by December 2011. The remaining activities (inclusive of the accumulator tanks) are now scheduled to be complete and ready for operation by 31 December 2013.

Transnet had previously indicated that December 2012 was its earliest completion date while August 2013 was the late completion date for all construction activities.

Mr. Wells attributed the expected schedule variations to, in the main, a decision to relocate the construction of the coastal terminals from the old Durban International Airport to Island View in the Port of Durban and some delays in obtaining required statutory approvals. The move to Island View resulted in an 11 km increase in the length of the pipeline affecting the hydraulics and requiring a change of design.

"Such revisions are common in projects of this complexity, uniqueness and size. The NMPP, whose construction is about 33 percent complete, is the largest multi-product pipeline in the world and will have a lifespan of over 70 years," Mr. Wells added.

With regards to the impact of the schedule changes on costs, Transnet said these are being finalized, given the greater accuracy of engineering and design now attainable. The company would make an announcement once that exercise is complete – likely December 2010.

Security of Supply

In addition, Transnet said that preliminary results of an integrity test performed on the DJP indicate that the pipeline will need to be operated at a lower pressure and consequently transport reduced volumes from April 2011. The impact of this will be that more petroleum product will need to be transported from the coast, mainly by rail.

To deal with this challenge, Transnet is developing mitigation plans aimed at, amongst others, extending the scope of the Transnet Freight Rail component of the current Bridging Plan. *Ends*

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