TRANSNET

pipelines

TRANSNET PIPELINES 2025

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CHIEF EXECUTIVE'S **OVERVIEW**

> "The 2025 financial year was one filled with many significant achievements despite being one of our most challenging years."

Financially, our Revenue and EBITDA exceeded the targets for the year, as a result of the positive impact of the Natref settlement agreements. But beneath that headline, our employees worked hard to reduce costs, streamline operations and deliver value wherever possible. We saved significantly across key areas without compromising on operational measures, which speaks to the growing financial discipline across the business. Our capital performance, though slower than planned, sets the stage for a renewed focus this year. Delays and carry-overs from last year must now become opportunities to accelerate.

We transported just over 13 billion litres of fuel, which was below our target, and this was largely due to market constraints and operational disruptions, like the Natref fire incident and export challenges. Yet, even in the face of these headwinds, we demonstrated remarkable resilience. We delivered on our commitments to our customers with an efficiency rate of 99% ordered vs delivered volumes and 88% on-time delivery performance. That's a testament to the effort and accountability each of our employees brings to work every day.

We made great strides in securing our pipeline infrastructure, with a 73% reduction in fuel theft incidents. It's the result of targeted interventions, strong partnership with both our service provider and law enforcement agencies, and a growing culture of vigilance, that led to this achievement. Every drop lost to crime is a cost to the business, a risk to the environment, and a threat to the safety of our employees and the community along our pipeline network.

HIGHLIGHTS

- Achieved a 73% year-on-year reduction in fuel theft incidents
- Revenue improved by 22% to R8.2 billion
- EBITDA increased to R8.8 billion

The 2025 financial year also saw Transnet Pipelines, together with our private sector partner, sign a landmark Terminal Operator Agreement with the Transnet National Ports Authority for the construction of an LNG import terminal in Richards Bay, Zululand Energy Terminal. We also began the process of repurposing the Lilly Pipeline for future natural gas transmission. These developments lay the foundation for a more diversified and resilient energy logistics portfolio and underpins the key role that Transnet will play in enabling the energy transition to cleaner energy in South Africa.

We are entering the next financial year with clear priorities, which include the growing volumes, repurposing of the Lilly pipeline, re-energising our terminal development projects and unlocking value from our infrastructure.

Sibongiseni Khathi
Chief Executive

We made great strides in securing our pipeline infrastructure, with a 73% reduction in fuel theft incidents. It's the result of targeted interventions, strong partnership with both our service provider and law enforcement agencies, and a growing culture of vigilance, that led to this achievement.

BUSINESS **OVERVIEW**

Transnet Pipelines (Pipelines) is Southern Africa's largest multi-product pipeline operator, managing a 3 114km high-pressure petroleum and gas network for over 55 years.

Its core mandate is to ensure a reliable petroleum supply for the inland market and a gas supply for KwaZulu-Natal using environmentally responsible methods, while maximising efficiency. Pipelines is strategically positioned to enable regional intermodal integration from pipelines to rail and road transport. Pipelines is regulated by the National Energy Regulator of South Africa (Nersa).

Pipelines provides customers a world-class, cost-efficient, fully integrated supply chain service for hydrocarbon products. It transports crude oil, refined petroleum products (two grades of unleaded petrol: ULP 93 and ULP 95, and two grades of diesel: D50 and D10), aviation turbine fuel (avtur/jet fuel), and methane-rich gas through an underground network of high-pressure pipelines. This network connects the Port of Durban and inland refineries to distribution depots across South Africa's industrial heartland and KwaZulu-Natal.

The network spans five provinces (KwaZulu-Natal, Free State, Mpumalanga, Gauteng and North West) and includes a strategic inland accumulation facility in Jameson Park, Gauteng (TM2) with a capacity of 180 million litres, which facilitates security of supply to the inland economic hub and surrounding areas. It also features a 29 million litre tank farm in Tarlton for storage and distribution via rail and road. A seamless pipeline service offering to customers is currently in operation to OR Tambo International Airport to ensure jet fuel security of supply from the coast and inland storage points.

Pipelines currently transports:

- More than 80% of all refined products required for the inland market.
- More than 70% of all jet fuel required at OR Tambo International Airport.
- 100% of crude requirements for the Natref refinery.
- More than 500 million cubic metres per annum of methane-rich gas to KwaZulu-Natal from Secunda.
- 100% of Tarlton Storage and Handling Terminal volumes, of which 60% is distributed over-border.

Pipelines' key strategic objectives align with the Transnet Liquid Fuels Master Plan to enable:

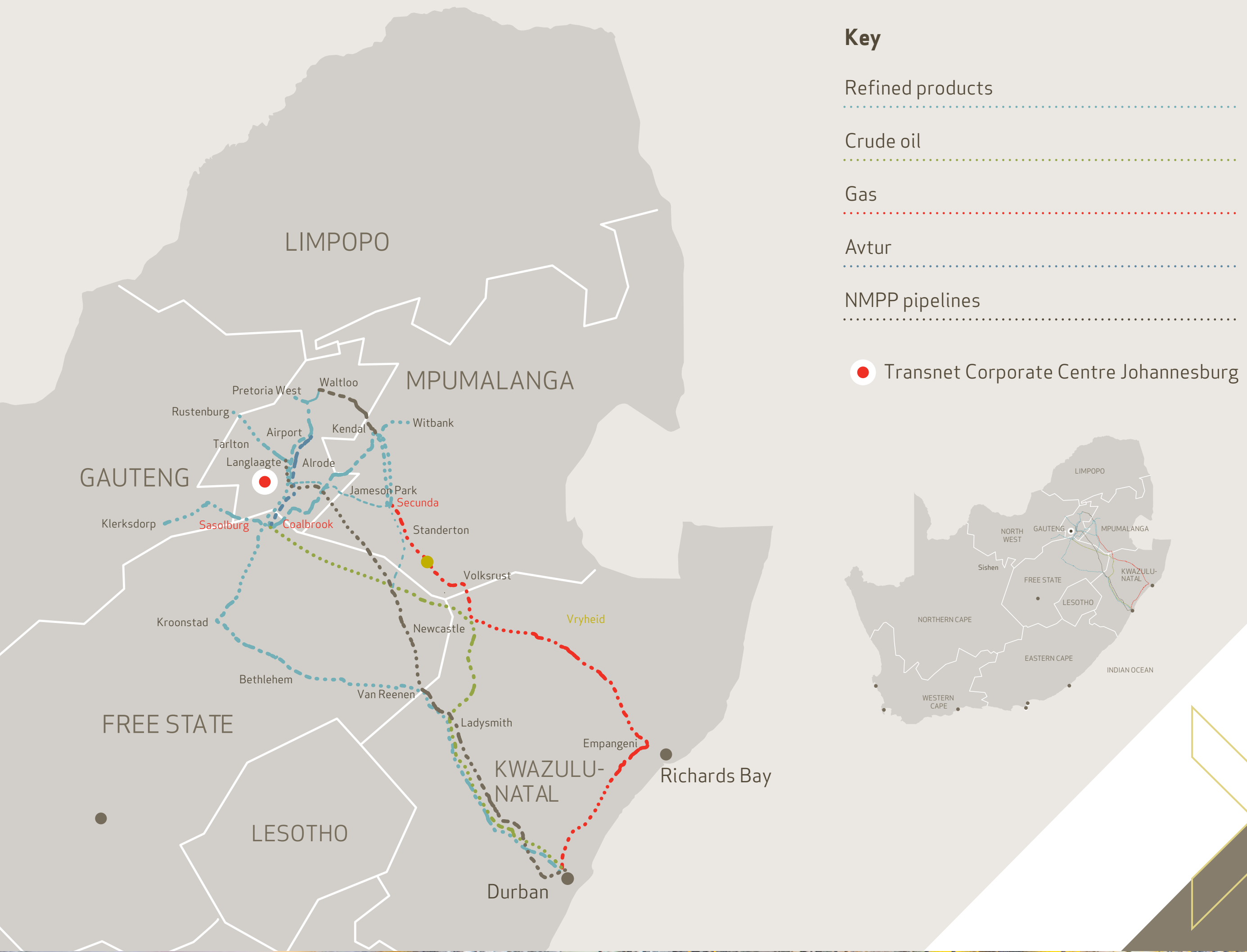
- The increase in fuel imports, due to changes in the local refining landscape, will be enabled and facilitated by the construction of the coastal terminal development, which consists of an accumulation facility and a fuel import terminal, as well as existing capacity on the 24-inch Multi-product Pipeline (MPP).
- New market participants in line with the Liquid Fuels Charter expectations, which emphasises the promotion of Broad-based Black Economic Empowerment (B-BBEE) and overall sector transformation.
- Clean fuels as envisaged by the Department of Petroleum and Mineral Resources, which necessitates increased import terminal capacity due to the inability of local refineries to produce clean fuels in the medium to long term.

Pipelines is ideally positioned as an enabler in delivering the Transnet Natural Gas Network Strategy which is aligned to the country's energy demand in conjunction with other relevant State-owned companies and stakeholders. This will be achieved by utilising existing infrastructure (the Lilly Pipeline) as a base to grow the natural gas supply chain logistics network by collaborating with the private sector and other State-owned companies. The key objective is to develop, finance, construct, operate and maintain LNG midstream infrastructure to enable the import of LNG. Pipelines has partnered with Vopak to build and operate an LNG terminal in the Port of Richards Bay.

A summary of our capital inputs and outputs for the year is as follows:

INPUTS	Core business activities	OUTCOMES
Financial Capital		
Capital investment: R297 million **Total assets:** R15.7 billion		**Revenue:** R8.2 billion (▲22%) **Operating expenses:** -R609 billion (▲109%) **EBITDA:** R8.8 billion (▲>100%) **Return on invested capital:** 22% ▲
Manufactured Capital		
3 114km high-pressure pipeline network **Accumulation facility:** Jameson Park (180 million litres) **Storage facility:** Tarlton (29 million litres) **Infrastructure projects:** LNG terminal (Richards Bay), Coastal Terminal (Durban), repurposing of Lilly Pipeline	1 Transportation of Hydrocarbon Products: Crude oil Refined petroleum products (ULP 93, ULP 95, D50, D10) Aviation turbine fuel (avtur/jet fuel) Methane-rich gas	**13.4 billion litres** of petroleum transported **563 million m³** of gas delivered **99%** delivery efficiency **88%** on-time delivery **73% reduction** in fuel theft incidents
Human and Intellectual Capital		
Workforce: 661 permanent employees **Training spend:** 4.9% of personnel cost **Project Management Office** (PMO) for capital execution **Digital solutions** for customer efficiency **Plans** for a Centre of Excellence for pipeline training		**Enhanced** skills and safety culture (LTIFR: 0.82) **Employment equity:** 94.9% Black employees, 41.5% female **Improved** employee engagement (absenteeism: 2.2%) **Stable workforce** (turnover: 6.1%) **Improved** project planning and execution **Innovation** in service delivery and infrastructure use
Social and Relationship Capital		
Partnerships with law enforcement, private sector (e.g., Vopak) **Community engagement** and transformation initiatives **PSP** (Private Sector Participation) initiatives	2 Storage of refined petroleum products	**Enhanced** infrastructure security **Empowerment** of historically disadvantaged individuals **Strategic** collaborations for LNG and terminal development
Natural Capital		
Environmental compliance and rehabilitation efforts		**240** environmental incidents managed since 2018/19 **26** sites under rehabilitation, three needing full restoration **Compliance** with NEMA and other environmental regulations

WHERE WE **OPERATE**



REGULATORY **ENVIRONMENT**

Pipelines is regulated by Nersa in its piped gas, petroleum pipeline and storage businesses. Nersa sets tariffs for petroleum pipelines and approves storage and gas tariffs on a rate-of-return methodology. Nersa oversees Pipelines' operations, including issuing operating licences per the Petroleum Pipelines Act, No 60 of 2003 and the Gas Act, No 48 of 2001.

This regulatory requirement facilitates oversight and ensures that pipelines are constructed and maintained to high safety and environmental standards, protecting communities and ecosystems along the pipeline servitude and associated infrastructure.

Pipelines operates and maintains its piped gas and petroleum pipeline business under the following licences, specifically for the operation of a:

- Petroleum pipeline system.
- Petroleum storage system.
- Gas transmission system.
- The construction of the New Multi-Product Pipeline.

Principle 13 of the King IV Report on Corporate Governance for South Africa, 2016™ mandates that the governing body of Pipelines should oversee compliance with applicable laws and adopt rules, codes and standards to ensure the organisation acts ethically and remains a responsible corporate citizen.

As evidenced by numerous legislative requirements, safety, health and environmental issues are critical from a regulatory perspective. Compliance with enforcement directives from various Government departments and regulatory agencies, such as the Departments of Labour, Mineral Resources and Energy, Forestry, Fisheries and the Environment, Health, the Competition Commission, and the Railway Safety Regulator, is essential. Transnet annually renews the permit to operate the rail siding in Tarlton for cross-border deliveries.

OVERVIEW OF KEY PERFORMANCE **INDICATORS**

Specific key performance indicators (KPIs) have been identified to keep Pipelines on track with its objectives. The following table represents these KPIs, targets and performance in each area.

Key performance area and indicator	Unit of measure	2024 Actual	2025 Target	2025 Actual	2026 Target
Financial sustainability					
Revenue	R million	6 701	6 793	**8 156**	7 511
EBITDA	R million	7	4 532	**8 765**	4 590
Return on invested capital	%	(4)	10	**30%**	13%
EBITDA margin	%	0	67	**107%**	61%
Operating profit margin	%	(19)	49	**93%**	45%
Capacity creation and maintenance					
Capital investment	R million	119	973	**283**	493
Actual vs planned maintenance	%	94	90	**92**	90
Production interruptions	hours	551	380	**369**	375
Operational excellence					
Volume and revenue growth					
Total petroleum	Ml	**15 191**	**16 000**	**13 372**	**14 810**
Refined	Ml	9505	10350	**8 619**	8 760
Crude	Ml	4567	4510	**3 538**	4 910
Avtur	Ml	1118	1140	**1 216**	1 140
Gas	million m³	546	552	**563**	563
Storage	Ml	165	294	**87**	234
Capacity utilisation (actual usage:capacity)					
MPP	Ml/week	97:148	104:148	**105:148**	87:148
Crude	Ml/week	88:134	86:134	**80:134**	94:134
Avtur	Ml/week	18:24	17:24	**16:24**	17:24
Gas (actual usage: capacity)	million m³/month	45:57	46:57	**47:57**	43:57
Operating cost per Ml.km (a)	R/Ml.km	282	300	**382**	290
Service delivery					
Ordered vs delivered volume	%	95	95	**99**	95
Planned vs actual delivery time	%	88	91	**88**	91

Key performance area and indicator	Unit of measure	2024 Actual	2025 Target	2025 Actual	2026 Target
ESG performance					
Employment (human capital)					
Training spend	% of personnel cost	2,7	2,5	**4,9**	2,2
Employee turnover	%	9,1	5,0	**6,1**	5,5
Employment equity	% of Black employees	94,1	92,0	**94,9**	92
Absenteeism index	%	2,0	2,5	**2,2**	2,5
Employee headcount (total)	number	690	709	**710**	747
Female employees	% of headcount	40,3	33,0	**41,5**	34
People with disabilities	% of headcount	2,5	3,0	**2,3**	4
Risk, safety and health					
LTIFR	rate	1,40	0,75	**0,82**	0,75

OPERATIONAL PERFORMANCE **REVIEW**

VOLUMES

Total petroleum volumes transported in 2025 decreased by 12% to 13,4 billion litres (from 15,1 billion litres in 2024).

Refined fuels (petrol and diesel) reduced by 9,3% to 8,6 billion litres in 2025 (from 9,5 billion litres in 2024) due to a number of challenges experienced during the year. This included decreased market demand driven by the current economic environment of depressed growth, reduced levels of loadshedding as the country's electricity supply stabilised from the end of March 2024 and an increase in the number of fuel efficient and new electric vehicles entering the market, as well as a reduction in export volumes.

Crude volumes declined by 22,5% to 3,5 billion litres in 2025 due to challenges experienced at the Natref refinery, which reduced crude volumes delivered to the refinery by 1 billion litres. These issues included a fire incident in January 2025, which resulted in a complete shutdown of the refinery for approximately six weeks, an extended maintenance shutdown earlier in the year and other production challenges.

Avtur volumes performed well, increasing 9% to 1,2 billion litres in 2025, driven by the continued recovery of the travel market and an increase in coastal volumes in the pipeline compared to rail.

Storage volume declined by 47% to 87 million litres, mainly due to the halting of exports from the Tarlton Storage and Handling Facility due to both changes in legislation in Botswana and customer SARS Customs and Excise compliance matters.

Gas volumes increased by 3% to 563 million m^3 in 2025 (from 546 million m^3 in 2024) as a result of increased demand.

CAPACITY UTILISATION

The MPP capacity utilisation of 105:148 Ml per week was 8% higher year-on-year due to the higher proportion of imported volume that was required during both the planned maintenance shutdown and fire incident at the Natref refinery. These challenges also resulted in crude line capacity utilisation of 80:134 Ml per week and the avtur line capacity utilisation of 16:24 Ml per week, which is below their respective 2025 targets.

SERVICE DELIVERY

Pipelines improved the efficiency rate of ordered versus delivered volumes to 99% in 2025, up from 95% achieved in 2024.

The planned versus actual delivery times were maintained at 88%, although this is below the budget of 91%, mainly due to quality challenges and production interruptions.

Pipelines' operational cost per megalitre kilometre (Ml.km) of R382 per Ml.km is above the target due to the lower volumes transported in 2025.

FINANCIAL PERFORMANCE **REVIEW**

Key metrics		Year ended 31 March 2025 R million	Year ended 31 March 2024 R million	% change
Revenue		**8 156**	6 701	22
– Refined		**4 129**	3 739	10
– Aviation fuel		**337**	191	76
– Crude		**2 184**	2 578	(15)
– Gas		**181**	157	15
– Handling		**11**	25	(56)
– Other		**(54)**	6	(1071)
– Levy and Natref		**1 370**	5	24 874
Operating expenses		**(609)**	6 694	(109)
– Energy costs		**376**	383	(2)
– Maintenance		**144**	126	14
– Materials		**15**	14	7
– Personnel costs		**563**	536	5
– Other costs		**(1 707)**	5 635	(130)
Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)		**8 765**	**7**	132 332
Depreciation, derecognition and amortisation		**1 180**	1 252	(6)
Profit from operations before items listed below		**7 585**	(1 245)	(709)
Impairments and fair value adjustments		**25**	51	(51)
Net finance costs		**(204)**	26	(894)
Profit before taxation		**7 764**	**(1 322)**	(687)
Total assets (excluding CWIP)		**38 243**	37 420	2
Profitability measures				
EBITDA margin*	%	**107**	–	107
Operating margin**	%	**93**	(19)	112
Return on average total assets (excluding CWIP)***	%	**20,1**	(3)	(706)
Asset turnover (excluding CWIP)****	times	**0,22**	0,18	22
Capital investments^		**283,3**	**119**	138
Employees				
Number of employees (permanent)	number	**661**	640	3
Revenue per employee		**12**	10	11

* *EBITDA expressed as a percentage of revenue.*

** *Profit from operations before impairment of assets, fair value adjustments, net finance costs and taxation expressed as a percentage of revenue.*

*** *Profit from operations before impairment of assets, fair value adjustments, net finance costs and taxation expressed as a percentage of average total assets excluding capital work in progress.*

**** *Revenue divided by average total assets excluding capital work in progress.*

^ *Actual capital expenditure (replacement + expansion) excluding borrowing costs and including capitalised finance leases.*

Revenue increased by 22% to R8.2 billion in 2025 (up from R6,7 billion), primarily due the recognition of revenue from prior years that were in dispute and not recognised as per the International Financial Reporting Standards. The disputes with the customers have been resolved and approximately R1,3 billion of revenue has been recognised in the current year.

Further, higher volumes transported from the coast and the higher-than-budgeted allowable revenue granted by Nersa has also contributed to an increase in revenue.

Net operating expenses decreased by 109% to (R0,6 billion) in 2025 (a reduction from R6,7 billion in 2024). The cost reduction is mainly attributable to the settlement of litigation claims with the two parties relating to a prior contract, which has resulted in the reversal of provisions raised in prior years.

As a result, EBITDA increased from R7 million in 2024 to R8,8 billion in 2025.

Revenue per employee increased to R13.3 million in 2025.

Capital expenditure for the division rose to R283 million in 2025 (up from R119 million in 2024), though it remained significantly below the R973 million budget. The lower spending is primarily due to delays in scheduled project activities, leading to underspending across multiple projects.

OUTLOOK

- Achieve the 2026 volume targets by focusing on volume growth initiatives and improve capacity utilisation and service delivery.
- Continue to implement the security strategy, including preventative security initiatives, to ensure safe operations and minimise the impact of fuel theft on operational and financial performance.
- Pipelines anticipates to achieve a revenue of R7,5 billion and EBITDA of R4,6 billion in 2026.
- Pipelines has planned capital expenditure of R493 million in 2026. The focus for the 2026 financial year is to ensure schedules are managed and project execution risks mitigated to achieve timely capital spend.
- The key projects planned to sustain and create capacity include:
  - Develop the Coastal Terminal (TM1) in Durban for product accumulation and an import terminal to enable the security of fuel supply for existing and new entrants in the petroleum sector. The project to construct the accumulation facility is expected to commence in 2026.
  - Ensure security of jet fuel supply to OR Tambo International Airport by constructing a pipeline from Jameson Park to the airport.
  - Construction of an LNG import terminal with a private sector partner in the Port of Richards Bay to support the country's transition towards cleaner fuels.
  - Repurposing the Lilly Pipeline from the transportation of MRG to transport re-gassified Liquid Natural Gas (rLNG).

We made great strides in securing our pipeline infrastructure, with a 73% reduction in fuel theft incidents. It's the result of targeted interventions, strong partnership with both our service provider and law enforcement agencies, and a growing culture of vigilance, that led to this achievement.

KEY RISKS AND MITIGATING **ACTIVITIES**

Top risks	Mitigating activities
1 Deterioated and aged firefighting equipment leading to an inability to adequately respond to fire emergencies	• Project to upgrade Pipelines' fire systems to replace the existing deteriorated and aged equipment in progress. • Project to acquire emergency response fire equipment and response vehicles to enable Pipelines to adequately respond to fire emergencies in progress. • Continuously engaged key stakeholders (both internal and external) to establish partnerships to respond to fire incidents. • Ensured emergency drills were being conducted to ensure all key role players are familiar with their responsibilities.
2 Inability to sustain and grow volumes as a result of internal and external market factors, leading to loss of volume and revenue	• Developing mechanisms for new players to access the pipeline network to improve capacity utilisation. • The project to develop the coastal terminal to facilitate access to the pipeline network for new entrants and historically disadvantaged individuals is in progress. • Optimising the utilisation of the Tarlton Storage and Handling Facility to facilitate regional integration thereby enabling security of fuel supply to neighbouring countries. • Development of Pipelines' energy transition strategy to adapt to changes in future demand is in progress.
3 Failure to deliver capital projects on time and within budget and quality requirements, resulting in missed business opportunities and cost escalations	• Appointment of critical Project Management Office resources to enable the timely execution of capital projects. • Capacitated a planning section within the Project Management Office to create schedules and monitor progress.
4 Non-compliance with statutory training requirements, which impacts compliance with legislation and affects employee morale	• Implemented service level agreements to support the monitoring of training execution against training requests. • Trained relevant stakeholders on the procurement performance management processes to ensure relevant training programmes are procured timeously. • Developed a statutory training roadmap to ensure full compliance. • Implementing a roadmap to facilitate the process of ensuring registration with professional bodies. • Ensuring that position competency profiles are maintained to enable adequate planning for training requirements.
5 Theft of product from Pipelines' infrastructure resulting in loss of volume and environmental pollution due to product spillages	• Executed robust and predictive security deployment strategies with tactical ground and air support (drones) teams to prevent breaches on the pipeline and reduce product theft. • Actively managed supplier performance in line with the strategy to ensure Pipelines' security service providers are protecting the pipeline network. • Implemented a holistic security programme consisting of different projects to address product theft. • Developed integrated deployment strategies with relevant stakeholders and informers to ensure security teams are deployed optimally to protect the pipeline network.

ESG PERFORMANCE

HUMAN CAPITAL MANAGEMENT

4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
3 GOOD HEALTH AND WELL-BEING

Employment and transformation

Pipelines made significant strides in employment equity and workforce transformation. The Company surpassed its staffing target, reaching a permanent employee headcount of 710 against a target of 709. Reflecting its commitment to diversity, 94,9% of the workforce was Black, exceeding the 92% target. Female representation also increased notably, with women making up 41,5% of the workforce. This is well above the 33% target.

While the representation of people with disabilities reached 2,3%, it fell short of the 3% target. Employee turnover stood at 6,1%, above the desired 5%. This is an indication of a relatively stable workforce. The reported absenteeism rate is 2,2%, better than the 2,5% target and indicating strong employee engagement and wellbeing.

Skills development

Investment in employee development saw a marked improvement, with training expenditure rising to 4,9% of payroll, up from 2,7% the previous year. This underscores Pipelines' dedication to upskilling its workforce and fostering a culture of continuous learning.

Health and safety

Safety remained a top priority throughout the year. While the Lost Time Injury Frequency Rate (LTIFR) of 0,82 exceeded the target of 0,75, there was a significant reduction in the number of injuries reported in 2025. To strengthen the safety culture, several initiatives were rolled out, including the implementation of a comprehensive 10-Point Safety Plan. Pipelines also emphasised clear communication of safety values and expectations, encouraged active the participation of employees in safety efforts and promoted visible leadership across all levels of the organisation.

SECURITY

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Security

Pipelines achieved a year-on-year reduction of 73% in fuel theft incidents. This was achieved through ongoing stakeholder engagements to curb the number of incidents and implement long-term, holistic and sustainable solutions. Various security interventions were implemented with law enforcement agencies to reduce the number of criminal incidents affecting the business.

ENVIRONMENTAL STEWARDSHIP

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
15 LIFE ON LAND

Environmental stewardship

Pipelines is committed to environmental responsibility, prioritising the closure and rehabilitation of high-risk sites. While some environmental incidents from the 2020 financial year continue to have lingering effects, their frequency has significantly declined. In compliance with Section 30 of the National Environmental Management Act (No. 107 of 1998), Pipelines has taken all reasonable measures to contain and mitigate these incidents, aiming to protect both human health and the environment.

Since 2019, a total of 240 environmental incidents have been recorded. Of the total sites affected, only 26 still require some level of rehabilitation, with just three needing full restoration. This reflects the meaningful progress Pipelines has made in advancing its environmental recovery efforts.

ACRONYMS

DJP	Durban to Johannesburg Pipeline
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
LNG	Liquefied Natural Gas
LTIFR	Lost Time Injury Frequency Rate
MPP	Multi-Product Pipeline
NMPP	New Multi-Product Pipeline
Natref	National Petroleum Refiners of South Africa
Nersa	National Energy Regulator of South Africa

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