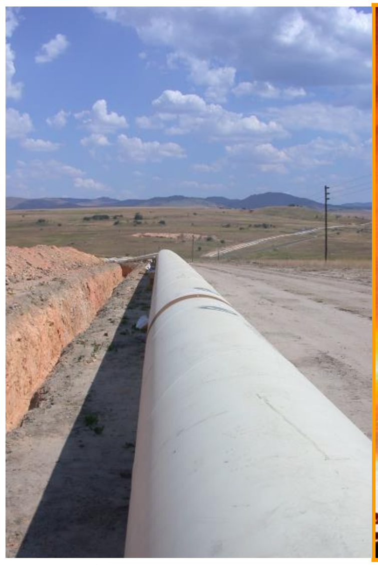
The CEF Group of Companies





Integrated Annual Report presentation to the Portfolio Committee on Energy
8 November 2016

Strengthening the Group for long term sustainability

Presentation Overview

Overview of CEF, its mandate, vision and mission

The **Mandate** **of CEF is derived** from the CEF Act (No 38 of 1977). The mandate is in essence to contribute to the security of energy supply for the country.	**The** **Vision** **of CEF is to be** a leading integrated energy company that provides national sustainable energy solutions for South Africa. This way CEF contributes to national energy security.	The **Mission** of CEF is to grow our footprint in the energy sector, to be the catalyst for economic growth and energy poverty alleviation through security of supply, and access to acceptable (affordable) energy in Africa	The ***Key Drivers*** are: 1. ***Developmental Objectives*** 2. ***Commercial Viability*** 3. ***Governance*** 4. ***Collaborative Operating Environment*** ***This is the Basis of the Group Score Card***	**Role of CEF**: Search for appropriate energy solutions to meet the future energy needs of South Africa, the SADC and the Sub-Saharan African region, including oil, gas, and renewable energy sources

Reason for being

- Contribute to ***security of energy supply*** & be a ***strategic partner*** to the Department of Energy
- Provide comfort to the state on energy ***sector goals*** support
- Reduce the country's over dependency on Multinationals
- Align with ***government's broad objectives*** (NDP) and act as a vehicle for government policy implementation

- CEF (SOC) Ltd ("CEF") is the ***holding company*** for a number of subsidiaries, which, when taken together, constitute the CEF Group
- These subsidiaries also operate in the energy sector with ***commercial***, ***strategic, regulatory*** and **developmental** roles
- The CEF Group employs about ***2100 people***
- Group Asset Value of : ***R35 Billion***

STABILISE GROW LEAD

CEF (SOC) Ltd

CEF Group operates across the value chain

Upstream Oil & Gas

PETROSA
Exploration & Production
- PetroSA Ghana
- All indigenous oil and gas opportunities

PASA
Promotion, Licensing and Regulating the exploration and production of the country's natural oil and gas resources and data storage thereof

Raw Crude/Gas

- Exploration
- Field Development
- Production Operations

Acquisition of exploration rights and search for hydrocarbons below earth's surface

Developments of oil fields and extraction of hydrocarbons from reserves

Mid Stream

SFF
- Tankage/Strategic Stocks
- Logistics Infrustructur

PETROSA
Project Development, Feedstock processing

Energy Projects Division
Renewables
Alternative Energy

iGas
Gas and Gas infrastructure

- Transportation
- Processing
- Storage & Distribution

The movement and storage of hydrocarbons using pipeline, ships, value chain maximisation & Renewables initiatives

Feedstock

Downstream

Petro SA
GTL Refinery Operations

- Manufacturing
- Refining & Petro-Chemicals
- Wholesale & Marketing

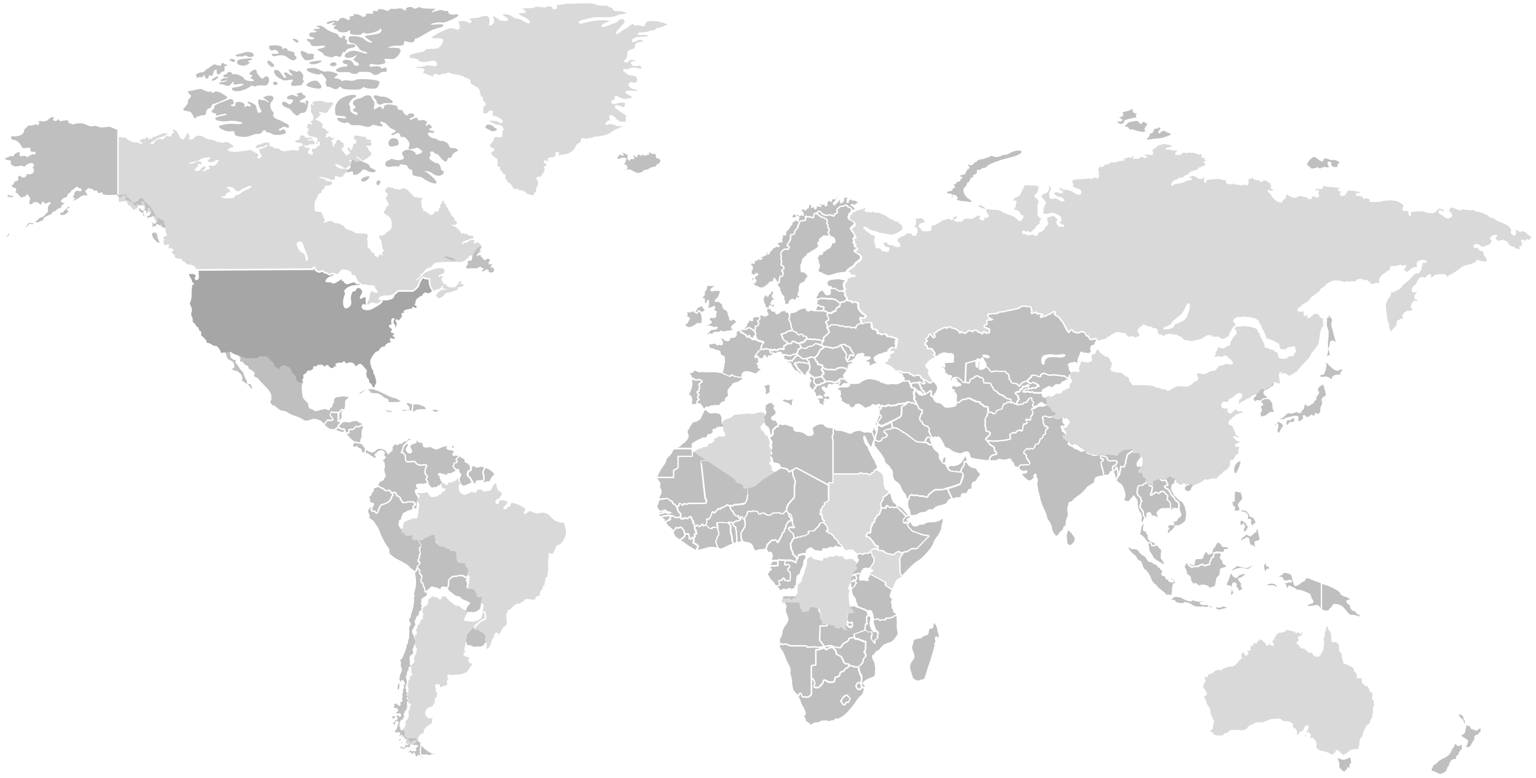
The refining, processesing and blending of hydrocarbons to make fuels & chemical products

PetroSA :
Marketing and supply of finished products to end users to fuel economic activity

AEMFC – Mining coal in support of Power Generation & other mining activities

Overview of the Oil & Gas Industry for the year under review

- During 2015 and 2016, the world saw sustained low oil prices as a result of supply and demand key drivers. This was driven by weak global economic growth mainly from China and developing economies.
- Due to its complexity, high risks, long lead times and capital intensity any impact on the Oil and Gas sector will have knock on effects on other supporting industries.



Upstream

- ***Slow recovery and low oil prices*** has affected the global upstream (exploration and production)
- ***Over 1000 rigs*** remaining idle
- Over ***$200 billion slashed*** from E&P spending in 2015
- Major ***job cuts*** of at least ***351 000 world-wide***

Midstream

- Increased ***demand for crude storage*** facilities by ***Traders***
- The Sub Sahara region has seen a number of ***Traders making significant inroads*** for ***more presence*** across the value chain and Multinationals re-evaluate their spending strategies

Downstream

- ***Undergoing rapid changes*** amidst recent global market fluctuations.
- Industry moving towards ***stabilisation in the near term future***. Global refinery margins have improved significantly

Impact on countries that rely on Oil Imports

- In Africa Balance Accounts impact to ***Nigeria***, ***Angola*** and ***Mozambique***

CEF Group Consolidated Performance

Highlights

- ***Unqualified audit opinion*** issued by the Auditor-General
- ***R16.2 Billion Cash*** Balance
- ***R4.5 billion B-BBEE*** spend & ***R52.4 million*** spend on CSI projects
- ***R600 million*** investment commitment into Renewable Projects
- Positive growth in the ***PetroSA Ghana*** Investment
- Progress made on the ***Continental Shelf Claim***
- Long term contractual Eskom ***Coal agreements***
- ***Construction of the 1st site of the 17MW landfill gas to power project***
- iGas/Rompco progress with ***Loop Line 2*** in Mozambique project execution, to transport 7.8 million GJ/year more gas into the country by January 2017
- ***Tank Rentals*** Revenue growth of over 400% in the past 3 years.
- Strengthening CEF Head office and bringing the required core capabilities in key roles to improve oversight.
- Incorporation of ***Enterprise Risk Management initiatives &*** Progress on integrating ***Group HR Strategy***
- Positive Socio Economic contributions

Group contribution towards NDP Objectives

- ***R3.6 m*** in ***SME Loans*** through our robust internal processes
- ***65 New jobs*** and 274 sustained
- The ***employment of local youth*** – their first job for many, and especially women. (Business start-up kit)
- The support of local business mainly in the transport and construction sectors – change rooms, roads, staff transport
- Upgrade of ***Phola township municipal and social infrastructure*** – roads, schools, old age homes, creches and parks
- Built new quality homes for ***25 families with water and electricity***
- Bursaries and Internship opportunities
- Support youth in business – mine services and sponsorship
- Sponsorship of schools – IT equipment, school shoes and clothing (***Siyathokoza, Thuthuka and Hlanguphala Primary Schools)***

Group Performance Summary

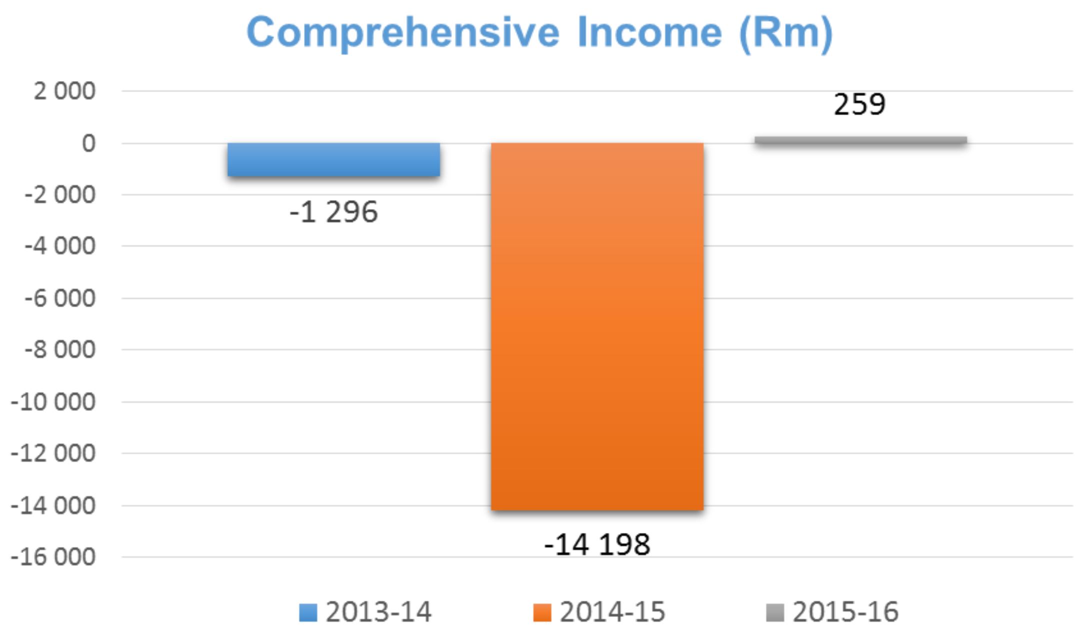
KPA	Indicators	Results
Financial Sustainability	• Return on Capital Employed • Operating cash flow / sales • Depreciation / Capex ratio (Excluding Investments)	**Achieved** **Achieved** **Achieved**
Contribute to security of energy supply	• Total indigenous GTL production at PetroSA • Strategic stock volumes held by SFF • Coal sales by African Exploration • Investment in two renewable energy projects, each with an investment value greater than R50m • Signed agreements for the construction of a gas transmission pipeline	**Not Achieved** **Not Achieved** **Achieved** **Achieved** **Achieved**
Governance	• Unqualified final audit	**Achieved**
Development	• Employment Equity Targets for race, women, youth, and people with disability • Discretionary spend on BEE Companies	**Partially Achieved** **Achieved**
Operating Environment	• Number of fatalities caused by operations • Disabling injury frequency rate • Number of reportable environmental incidents	**Not Achieved** **Achieved** **Achieved**

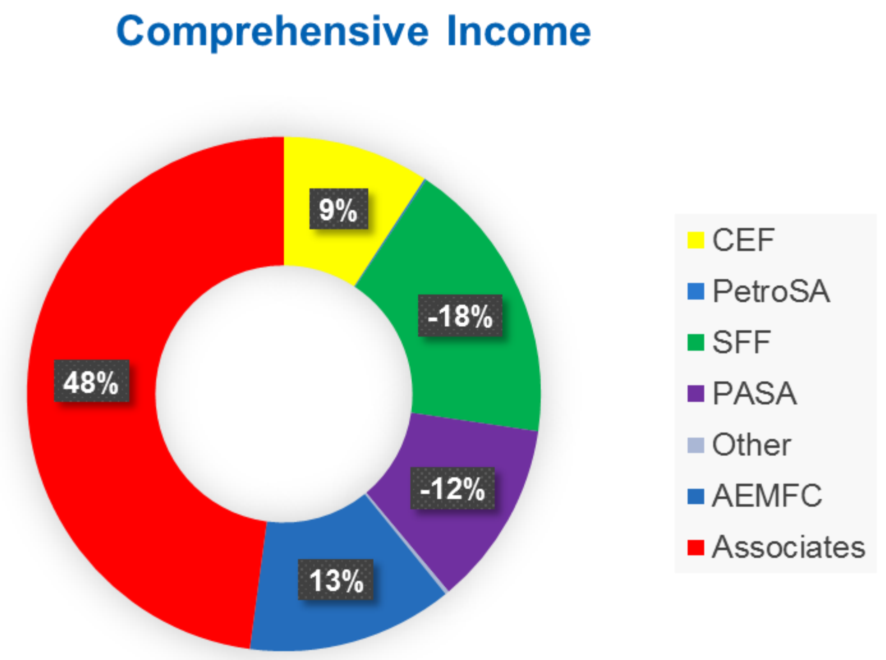
Business performance by the numbers

Comprehensive Income generated	Normalised Profit After Tax	Cash from Operation	Proceeds from Rotation of Strategic Stock
R259 Million	R2.8 billion	R7.4 billion	R3.9 billion

Solvency	Cash Balance	Increase in Group Assets	Project Investment
R15.1 billion	R16.2 billion	R4.1 billion	R2.2 billion

Group financial analysis

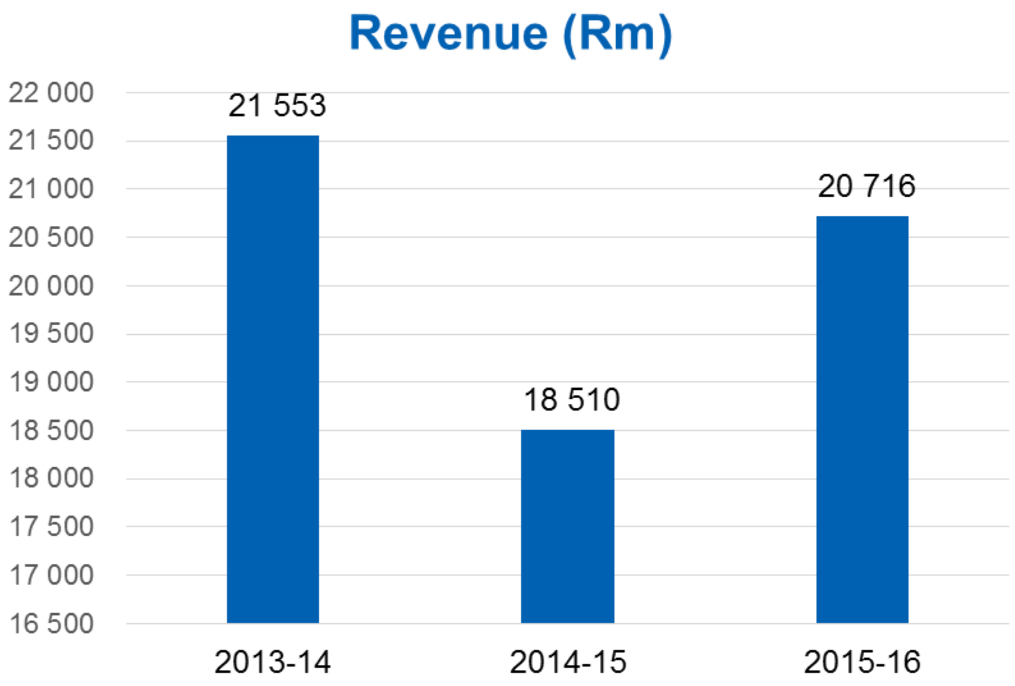


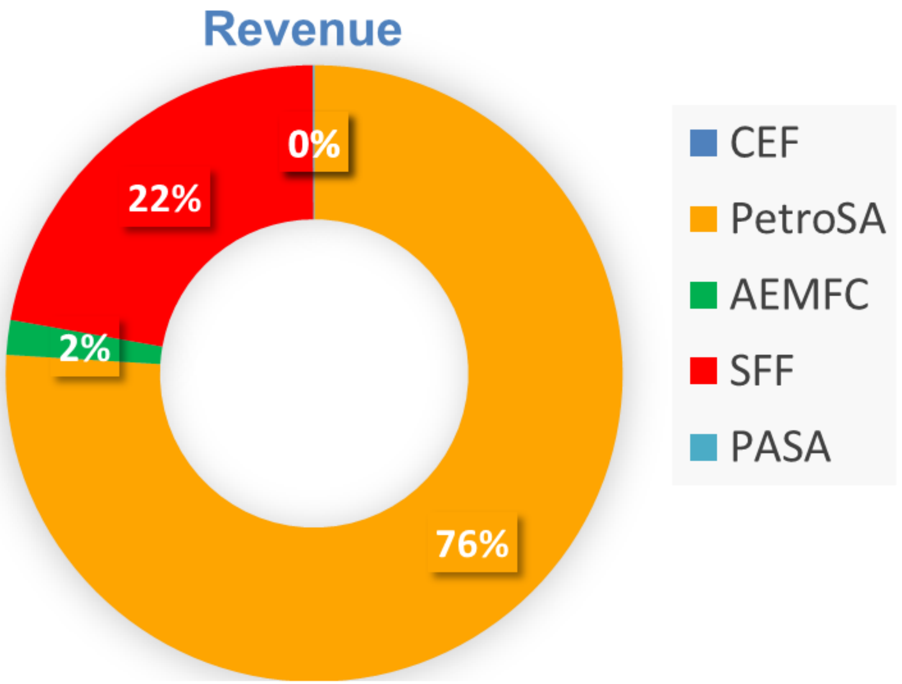


- During the 2015/16 financial year, the CEF Group reported a ***net comprehensive income of R259 million*** versus a loss of R14.2 billion for 2014/15 financial year
- The increase in net comprehensive income of R14.4 billion is due to an ***increase in revenue of R2.2 billion***, ***decrease in costs*** of R11.4 billion and an ***increase in income from associates of R45 million***.

- The group generated a ***comprehensive income of R259 million.*** The comprehensive income is made up of income from associates (Rompco) of **R305 million, R82 million profit from AE, R54 million profit from CEF** and combined losses from SFF, PASA and PetroSA of R189 million.
- Despite the comprehensive loss of R764 000, ***PetroSA generated R2.5 billion cash*** from operations.

Financial Analysis – Business Unit Financial Performance





- The Group generated a revenue of **R20.7 billion during 2015/16 financial year.**
- The group revenue increased from **R18.5 billion to R20.7 billion.**
- The increase in revenue is due to rotation of strategic stock, increase in tank rental income and coal sales.
- Proceeds from stock rotation is R3.9 billion
- Tank rental increased **from R170 million to R576Million**
- Coal sales increased from **R235 million to R376 million**

- The Group generated ***revenue of R20.7 billion during the 2015/16 financial***. 76% of revenue is derived from PetroSA which generated a revenue of *R15.7 billion.*
- 22% of the group revenue was generated by SFF, which generated a revenue of ***R4.5 billion. The R4.5 billion revenue is comprised of R3.9 billion from stock rotation and tank rental income of R576 million***
- ***AEMFC*** generated R376 million

Financial Analysis: Balance Sheet (Assets)

Assets

- The group has assets of R35.5 billion, which are made up of non-current assets of R14.8 billion and current assets of R20.7 billion.
- 45.5% of the group assets is cash.

Current- Non Assets

- The group has non-current assets of R14.8 billion.
- The group non-current assets is comprised of Production Assets of R10 billion, intangible assets of R1.9 billion and financial assets of R1.3 billion.
- The Group non-current assets decreased by R 306 million.
- The Production Assets were impaired by R255 million during the year.
- The decrease in non current assets is due to rotation of strategic stock and the write down of line fill, from R1 billion to R716 million.

Current Assets

- The group has current assets of R20.7 billion.
- The current assets are made of cash balances of R16 billion, inventory of R2 billion and trade receivables of R2.1 billion.
- The Group current assets increased by R4.4 billion.
- The increase in current assets is due to increase in cash, which came from the rotation of strategic stock.
- The group liquidity ratio is 3.4:1. Our current assets can settle our short term debt three times.

Financial Analysis – Balance Sheet –Liabilities & Equity

Liabilities

- The Group has liabilities of R20.4 billion.
- The Liabilities are made up of non current liabilities of R14.3 billion and current liabilities of R6 billion

Equity

- The Group has equity of R15.1 billion.
- The normalized return on equity is 19.6%.
- The group is solvent because its assets exceed liabilities by R15.1 billion.

Non-Current Liabilities

- The group has non current liabilities of R14.3 billion.
- The non-current liabilities are made of decommissioning provision of R11 billion, RBL of R1.2 billion, deferred tax of R1.4 billion and other liabilities of R137 million.
- The Group's non-current liabilities increased by R2.2 billion.
- The increase in non current liabilities is due to increase in Decommissioning provision, deferred tax and Loans.
- Decommissioning liability increased by R1.4 billion, deferred tax liability by R408 million and loans by R335 million.

Current Liabilities

- The group has current liabilities of R6.billion.
- The current liabilities are made up of trade and other payables of R5.5 billion, overdraft facility of R417 million and other small debts.
- The Current liabilities increased by R1.6 billion. The increase is mainly due to transfer of income from SFF to EQF as required by CEF Act.

Group Audit Opinion

- ***Financial opinion***
  - Unqualified with emphasis of matter relating to Significant uncertainties (PetroSA Ghana's tax and PetroSA restructuring), restatement of corresponding figures, material impairments and funding of abandonment provision.
  - Additional matters were also reported about a review of SFF's contracts.
- ***Predetermined objectives***
  - No material findings, however material amendments were made to the performance report.
- ***Compliance matters***
  - Material amendments were made to the AFS (expenditure, current liabilities and disclosure).
  - Irregular, fruitless and wasteful expenditures were not prevented.
- ***Internal control deficiencies***
  - Financial and performance management – Material amendments to commitments disclosure, current assets, current liabilities and expenditure.

Key Audit Findings

Findings	Management Intervention in 2016/17
• Investments in subsidiaries were impaired by R49, 4 million. Loans to subsidiaries and associates were impaired by R81,7 million and R24,4 million respectively. • SFF R60.4 million for 300 000 bbls of crude oil loan to service provider.	• Dilution from 81.5% Shareholding to a minority shareholding in CCE. • Recovered surface rights, which were transferred to AEMFC and cash, in respect of the R24.4 million loan from associates • Legal review underway
• The unauthorised, irregular, fruitless and wasteful expenditure of R82,6 million at a group level was as a result of the Preferential Procurement Framework Act (PPPFA) not followed for Diesel purchased for export sale at SFF to the value of R80 million.	• Appropriate action will be taken to recover any losses and address areas where weakness in the system has been identified at SFF.

Key Audit Findings (Continued)

Findings	Management Intervention in 2016/17
• Funding of abandonment provision: PetroSA has an obligation to fully fund the provision for rehabilitation of its operations valued at R10.7 billion. NEMA requires this rehabilitation liability to be fully funded within 12 months from year end.	• The holding company (CEF SOC Limited) has committed to assist PetroSA, through various support and oversight mechanisms. In addition, PetroSA is working closely with the regulator to ensure PetroSA discharges its responsibilities as required under National Environment Management Act (NEMA). Other stakeholders involved include the Departments of Treasury, Mineral and Resources and Environmental Affairs.
• The National Treasury was not informed of the rotation transaction of 10 million barrels of strategic crude oil reserves as required in terms of section 54 (2)(d) of the PFMA.	• All stock rotation contracts are under the legal review.

Significant Uncertainties

PetroSA had notified employees in terms of section 189 of the Labour Relations Act 66 of 1995 of possible headcount reduction based on operational requirements, on 24 February 2015. It is not possible, at this time, to measure reliably the mandatory obligations arising from this notice, nor is it practicable to estimate their magnitude or possible timing of payment. Therefore, no amounts have been provided for these obligations as at 31 March 2016.

PetroSA Ghana's place of effective management changed to South Africa in 2012 and the company became a tax resident in RSA. The tax legislation does not expressly deal with the tax treatment of the opening balances. Clarification has been sought from SARS for which we await a response.

In summary

CEF Group is a going concern and this assertion is based on the following:

- The group generated a net ***comprehensive income*** of ***R259 million***.
- The ***normalised profit*** after tax is ***R2.8 billion***.
- The Group generated ***R7.4 billion cash*** from operations.
- The group is ***solvent***. Its ***assets exceed liabilities*** by R15 billion.
- The group has ***cash balance of R16.2 billion.***
- R2 billion of the cash has been aside to fund the decommissioning/rehabilitation provision.

Equalisation Fund Audit Opinion

- ***Financial Opinion***
  - Unqualified.
- ***Predetermined Objectives***
  - None as legal status is not resolved.
- ***Compliance Matters***
  - Material amendments were made to the AFS (revenue, expenditure and payables).
  - Internal Control Deficiencies
- ***Leadership – Material corrections***
- ***Financial and performance management – Material amendments AFS***

Equalisation Fund Financial Position at 31 March 2016

BALANCE SHEET	2016	2015	Movement	Comment
	R'm	R'm	R'm	
Receivables from exchange transactions	8	8	-	
Receivables from non-exchange transactions	2,207	78	2,129	
Cash & cash equivalents	1,153	1,035	118	
TOTAL ASSETS	**3,368**	**1,121**	**2,247**	
Retained income	3,296	1,099	2,197	
Receivables from exchange transactions	11	-	11	
Receivables from non-exchange transactions	61	22	39	
TOTAL EQUITY & LIABILITIES	**3,368**	**1,121**	**2,247**	

Subsidiary Performance Overview

PetroSA Income Statement as at 31 March 2016

INCOME STATEMENT	2016 R'm	2015 R'm	Movement	Comment
Revenue	15,734	18,048	(2,315)	Reduction in revenue due to the lower crude price ($47 vs. $85)
Cost of Sales	(12,338)	(14,699)	2,361	Reduction in feedstock costs due to lower crude price
Gross Margin / (Loss)	3,396	**3,350**	**46**	
Other Operating Income	100	94	6	
Other Operating Expenses	(1,354)	(1,239)	(115)	
Investment Income	327	409	(82)	Cash balances lower than previous year
Finance Costs (cash)	(3)	(152)	149	Included is notional interest on abandonment (amortisation of deferred asset), lower because of previous year Impairment
Tax	(5)	(9)	4	
Cash profit	2,461	**2,453**	**8**	
Non-cash items				
Depreciation	(1,854)	(2,306)	452	
Finance costs - Abandonment	(484)	(1,154)	670	
Finance costs - Discounting	(25)	-	(25)	
Taxation	(293)	883	(1,176)	
Profit/(Loss) before Impairment	(195)	**(124)**	**(71)**	
Impairment	(254)	(14,450)	14,196	Lower in 2016 because of huge charge in 2015
Profit/(Loss) after taxation	(449)	**(14,574)**	**14,125**	

PetroSA Key Audit findings – Audit Opinion

Key Finding Areas	Management Intervention in 2016/17
Material adjustments to financial statements submitted for auditing. The financial statements submitted for auditing were not prepared in accordance with IFRS, due to material misstatements being identified after its submission pertaining to the voluntary severance package.	All material adjustments which arose subsequent to 31 May 2016, as a result of the audit process or management's review, have been included in the current AFS.
Overstatement of provision for voluntary severance package. The overstatement of the restructuring provision as at 31 March 2016 is as follows: • Amount recognised initially: R19. 9 million • Less amount paid per extended VSP (Jun'16): R19.4 million • Total overstatement as at 31 March 2016: R176.5 million	Management has processed the adjustment of R176 million.

PetroSA Key Audit findings – Audit Opinion (continued)

Key Finding Areas	Management Intervention in 2016/17
KPI not approved by Department of Energy. It was noted that the key performance measures and indicators included in the shareholder's compact have not yet been agreed upon by the Department of Energy as required by Treasury Regulation 29.2.2.	Adequate steps should be taken to ensure the timely approval of the Shareholders Compact with the Department of Energy.
Deductibility of “capital expenditure incurred” before PetroSA Ghana became tax resident in South Africa. PetroSA Ghana’s place of effective management changed to South Africa on 14 September 2012 and the company became a tax resident. South African Income Tax legislation does not expressly deal with the tax treatment of the opening balances of capital expenditure on property, plant and equipment (PPE) (and intangible assets) prior to becoming a tax resident.	Management has been unsuccessful in obtaining SARS ruling. Based on the tax assessment for 2012, if no tax deduction is allowed for capital expenditure the dispute resolution process will be followed to resolve the deductibility of capital expenditure prior to commencing to be tax resident.

Concluding Remarks

Our Status

- **Despite the diminished reserves outlook, PetroSA remains a going concern.**
- **As such, we will continue to deliver on our mandate, as the national oil company, by operating as a commercial entity and creating value for the Shareholder.**

Looking Ahead

- **The period ahead will remain challenging, underpinned by a slow global economic recovery.**
- **Going forward, the situation will require difficult but well-informed decisions to be made.**
- **Immediate focus will include:**
  - Executing on our turnaround plan for the business.
  - Continue with cost-saving, asset optimisation and revenue enhancement initiatives; without compromising on SHEQ.
  - Completing techno-commercial studies for key projects.
- **Delivering on our projects is without a doubt a non-negotiable. Our focus will be on sound project execution.**
- **Continuing to develop a solid foundation for PetroSA to be a National Oil Company**

SFF Income Statement as at 31 March 2016

INCOME STATEMENT	2016	2015	Movement	Comments
	R'm	R'm	R'm	
Revenue	4 587	193	4 394	Rotation (R3.9 billion), Normal business (R597 million)
Cost of sales	-1 855	-	-1 855	Crude Oil Stock rotate cost of acquisition
Gross Margin	2 732	193	2 539	
Net Other Income	38	17	21	Foreign exch gains (R28 million) & Property rental (R7 million)
OPEX	-835	-480	-354	US Dollar cash Restatem.(R294 million), Prov for bad debts (R121 million), NMPP (R169 million), Liability for crude delivery (R69 million)
Transfer to EQF	-2 151	-	-2 151	CEF Act Section 3(A) Provision
Operating loss	-215	-270	55	
Investment income	132	109	24	Interest rates increased on higher cash balances
Finance costs	-33	-18	-16	Notional interest on abandonment liabilities
Net Profit / Loss	-116	-180		

SFF Key Audit findings

Key Finding Areas	Corrective Measures
Procurement process not followed on diesel purchased	A policy on Irregular, Fruitless and Wasteful Expenditure will be submitted for approval to the Accounting Authority (Board) to ensure that consequences on non adherence to Procurement process are meted out.
Non Adherence to PPPFA	A policy on Irregular, Fruitless and Wasteful Expenditure will be submitted for approval to the Accounting Authority (Board) to ensure that consequences on non adherence to Procurement process are meted out.
Shareholders Compact not timeously signed	A procedure of submitting Corporate Plan for approval will be enhanced by accompanying the Corporate Plan with the Shareholders Compact when submitting to both the company Board and the Holding Company Board.
Disposal of Major asset without informing National Treasury	Ministerial contract review will inform a corrective action to be implemented.

AEMFC Income Statement as at 31 March 2016

INCOME STATEMENT	2016	2015	Movement	Comments
	R'm	R'm	R'm	
Revenue	376	235	141	
Cost of sales (cash)	(196)	(131)	(65)	
Gross Margin	**180**	**104**	**76**	Increased volumes to ESKOM and transport recovery increased margin
Net Other Income/ (Expenses)	(61)	(73)	12	Royalty rights with Glencore expired in 2015
Investment Income	7	5	2	
Finance costs(cash)	(1)	0	(1)	
Tax	(7)	(15)	8	2015 income tax included elements of 2013 and 2014 profits
Cash Profit	**118**	**21**	**97**	
Non-cash items				
Depreciation	(14)	(16)	2	
Abandonment provision	0	0	0	
Taxation	(20)	9	(29)	Increased profits and capital allowances fully utilised
Profit / Loss before Impairment	**84**	**14**	**70**	
Impairment	(1)	0	(1)	
Profit / Loss for the year	**82**	**14**	**69**	

AEMFC Key Audit findings

Key Finding Areas	Management Intervention in 2016/17
Incorrect classification of property, plant and equipment as non current assets held for sale.	Audit adjustments processed

iGas Income Statement as at 31 March 2016

INCOME STATEMENT	2016	2015	Movement	Comments
	R'm	R'm	R'm	
Revenue				No revenue generated as iGas is a shareholder in an operating company.
Cost of sales (cash)				No cost of sales as no revenue was generated.
Gross Margin				N/A
Net Other Income/ (Expenses)	(15)	(13)	(2)	Net movement is due to increase in research/development costs.
Investment Income	168	139	29	Increase due to increase in dividends from an operating company and interest income from bank.
Finance costs(cash)	(1)	(6)	(5)	Decrease due to interest bearing loan repaid during the year.
Tax	(5)	(2)	(3)	Due to increase in investment income received.
Cash Profit	**147**	**118**	**29**	
Non-cash items				
Depreciation	-	-	-	
Abandonment provision	-	-	-	
Taxation	-	-	-	
Profit / Loss before Impairment	**147**	**118**	**29**	
Impairment	-	-	-	
Profit / Loss for the year	**147**	**118**	**29**	

PASA Income Statement as at 31 March 2016

INCOME STATEMENT	2016	2015	Movement	Comments
	R'm	R'm	R'm	
Revenue	14.7	28.7	(14.0)	Lower interest in data / investment
Cost of sales (cash)	-	-	-	
Gross Margin	**14.7**	**28.7**	**(14.0)**	
Net Other Income/ (Expenses)	(106.1)	(85.6)	(18.0)	
Investment Income	17.3	19.4	(2.1)	Lower cash balances
Finance costs(cash)	-	-	-	
Tax	-	-	-	
Cash Profit	**(71.6)**	**(37.5)**	**(34.1)**	
Non-cash items				
Depreciation	(2.5)	(2.5)	-	
Abandonment provision	-	-	-	
Taxation	-	-	-	
Profit / Loss before Impairment	**(74.1)**	**(40.0)**	**(34.1)**	
Impairment	-	-	-	
Profit / Loss for the year	**(74.1)**	**(40.0)**	**(34.1)**	Increase use of reserves to fund operations

PASA has no key audit findings as it received a clean audit report from the Auditor General

Renewables Energy Projects –A division of CEF

CSP projects :

- The 100 MW ACWA Redstone Project (in which CEF is a 15% shareholder) awaits the signing of the Power Purchase Agreement by Eskom in order to progress to financial close.
- Ministerial approvals for the 150 MW Solis & 150MW KGS projects which were submitted in Bid Window 4.5 of the RE IPP Procurement Programme have been received. The 2 Projects are awaiting adjudication by the DoE.

The Solar Park

- The Solar Park determination was revised wherein ***CEF and Eskom*** will now be minority shareholders.
- Project awaits the selection of a strategic partner by DoE.

The gas to power programmes

The Ministerial determination for the 600 MW gas to power programme provides for the participation of SOCs as minority shareholders. The SOCs will also have a role on the 3,126MW Gas IPP procurement being undertaken by the IPP Office.

- CEF is engaging its shareholder on the role of CEF and its subsidiaries on the abovementioned programmes

Energy Project Division Key Strategic Focus Areas for 2016/17 and beyond

01

Solar Park Participation

Once the role of CEF has been defined, CEF will participate in this initiative to produce solar power and support local industrialisation of RE technologies.

02

Renewable Energy Industry Partnerships

Strategic partnership with key partners for sharing of financial, human capital and best practice resources to further entrench CEF as a leader in the Renewable space.

Target partners include Eskom, DBSA, IDC, PIC and private sector.

03

Diversifying Our Project Portfolio

Advance the development of liquid fuels projects, distributed RE power generation

Aware of Group challenges we have developed a Group Strategic Response for dealing with our challenges in holistic manner

Strategic Challenges

As a Group that operates right across the value chain we are faced with a number of strategic challenges both internal and external that have an impact on our business operations and influence our overall strategy execution.

- Access to ***feedstock*** for the GTL Refinery
- Funding the ***rehabilitation*** provision
- As a result of volume drop and ***low oil prices*** cash balances at PetroSA are declining
- High turnover and vacancies in key positions
- Oil and Gas industry long lead times and ***operational risk***
- Poor project execution
- Lapses in governance (currently under review)

Group Strategic Response & Way Forward

As we continue to strengthen the Group for long term sustainability our priorities will entail the following:

- We have a ***plan for turning the CEF Group*** around and thus contribute meaningfully to the broader ***NDP Objectives*** in line with ***Vision 2025.***
- Solidifying PetroSA and addressing issues of ***feedstock*** and thus create a firm foundation for a commercially viable ***NOC***. The ***strategic framework*** for the NOC is already in progress.
- Working with other government entities we are confident of finding a solution for PetroSA's ***abandonment liability***
- ***Committed and capable leadership*** is essential to driving business performance and we will bring about the desired stability through key appointments rights across the Group and develop staff to improve project execution
- We will deal decisively with issues of ***governance*** and lapses in ***controls*** and restore ***stakeholder confidence.***
- Over the next couple of years we will be investing substantially to grow the Group and strengthen our ***balance sheet*** and grow our business through ***strategic partnerships*** that foster ***long term sustainability***
- ***Operational excellence*** and ***Strategic Partnership*** will be at the core of our strategy supported by a robust ***Enterprise Risk Management*** philosophy.
- As we Hive Off entities such as PASA and AE, ***diversifying our revenue streams*** will become paramount
- Strategic Stakeholder Management will be a key focus for creating ***sustainable symbiotic*** relationships

Thank You