CEF Group Presentation of 2018/19 Annual Reports to the Portfolio Committee on Mineral Resources & Energy

9th October 2019

CEF Group of Companies

Growing Towards Sustainability

Presentation Overview & Purpose

- Provide Committee on Mineral Resources and Energy with an overview of the CEF Group of Companies Annual Report for the 2018/19 financial year. This overview will cover :
  - Financial & Non Financial Performance and
  - Summarised ***individual subsidiary*** performance
  - Initiatives in support of Government's broader strategic objectives and NDP
- Contextualise the Group's performance against a challenging operating environment
- Share the Group's performance against ***predetermined objectives***
- Provide progress being made on our Growth and Sustainability initiatives
- Articulate the way forward and the support required from the Committee

AGENDA

1. CEF Group Audit Outcomes
2. CEF Group of Companies overview
3. Summary of Group Performance
4. Group consolidated performance
5. Subsidiary Performance Overview
6. Group Risks & Future Outlook

CEF (SOC) Ltd

Overview of our operating environment for 2018/19 and its impact on the CEF Group

In pursuit of Security of Energy Supply

Overview of our operating environment 2018/19

The Energy Sector is a dynamic ecosystem that driven by a number of global, local, external and internal forces that shape a number of key strategic and operational decisions that we make on a daily basis. It is these forces that bring about waves of volatility, uncertainty, complexity, and ambiguity in a sector that central to the growth global and local economies albeit it be risky, competitive and capital intensive. During the 2018/19 period we witnessed the following key trends.

Global

- The multi-year global oil surplus eliminated due to reductions in supply from OPEC and non-OPEC.
- The spot price of Brent crude hovered around ***$70/Bbl.***
- Slowdown in North American shale activity together with Saudi Arabia continuing to managing supply.
- Trade war between the US and China; continued
- Uncertainty surrounding Brexit; and
- Potentially slower growth in several of the world's largest economies (China, European Union and US Investments in Gas and gas infrastructure increase
- Major countries announce migration to EV by 2030.
- Technological advancements in the RE space take shape
- Oil Traders continue to make inroads into Africa

Domestic

- South African economy faced significant challenges and underperformed against its emerging market peers.
- Weak economic performance attributed to the electricity supply shortages as Eskom faced operational challenges
- The economy exited its technical recession in the third quarter of 2018 as growth recovered to 2.2%.
- Real GDP over the period economy grew at 0.8% beating estimates.
- The local currency was the fifth worst performing currency against the dollar in 2018 – and other major currencies
- Furthermore, the rand remains sensitive to domestic growth prospects, political developments and policy settings

These industry dynamics continue to challenge our current strategy, business operations and business model

Energy Demands and drivers

- Population and income are the key drivers behind growing demand for energy in the next ***20 years***
- The world's population is projected to increase by around ***1.5 billion people*** to reach nearly ***8.8 billion*** people by ***2035***.
- Over the same period, GDP is expected to more ***than double***; around one-fifth of that increase comes from population growth and four-fifths from improvements in productivity (i.e. GDP per person).
- ***China and India together*** account for almost half of the increase in global GDP, with OECD economies accounting for around a quarter.
- ***Africa accounts for almost half of the increase in the world's population***, such that by 2035 it is projected to have ***30% more people than China and 20% more than India***. Yet Africa accounts for less than ***10% of the increase in both global GDP*** and energy consumption over the Outlook.
- The growth in the world economy means ***more energy is required***; energy consumption increases by ***34% between 2018 and 2035***.
- Virtually all additional energy is consumed in ***fast-growing emerging economies;*** energy demand within the OECD barely grows.
- Growth in Electric vehicles and other energy storage technologies
- ***China's energy demand growth slows*** as its economy rebalances, towards a more sustainable rate. By the final decade of the Outlook, China contributes less than ***30% of global energy growth***, compared with nearly 60% over the past decade.

Key ratios and stats

Operational stats	2019	2018	2017
Petroleum products (litres in billion)-Sales	1.4 billion litres	1.6 billion litres	1 billion litres
Leased out space for crude oil tanks	22%	71%	93%
Coal Sales(Volume in tons)	2.08 MT	1.6 MT	1.4 MT
Salary increase (%)	6.5%	7.5%	7%
Head count	2107	1862	1976
GP Margin	7%	10%	5%
Operating profit/(loss) margin	-6%	-8%	-8%
Net profit/ (loss) margin	-4%	3%	-5%
Return on capital employed	-1%	1%	-2%
Return on equity	-4%	3%	-5%
EBITDA Margin	5%	8%	1%
EBITDA in R'000	625,793	878,730	118,972
Effective tax rate	252%	366%	-114%
Gearing ratio: Debt to equity	65%:35%	59%:41%	60%:40%
Gearing ratio: Interest bearing debt to equity (as per NT guidelines)	7%:93%	6%:94%	6%:94%
Current ratio	2.5	2.9	2.8
Cash generated from operating activities in R'billion	R1.6 billion	R2.5 billion	R1.2 billion
Operating Cashflow ratio	0,17	0,35	0.18
Crude oil price - Average	$70.4	$57.7	$49.9
Crude oil price - Closing	$67.9	$69.0	$52.8
Rand /USD - Average	R13.8	R13.0	R14.1
Rand /USD - Closing	R14.6	R11.8	R13.5

State of the group entities

Struggling

PetroSA:
South Africa

Mature

Strategic Fuel Fund
and
PASA

Start up

Renewable
energy

Growing and Star

IGAS, PetroSA
Ghana and
AEMFC

Market share

Returns

CEF (SOC) Ltd

Summary of Group Performance 2018/19

CASH
Cash increased by 10% R18.9 Billion

EBITDA
EBITDA decreased by 29% to R626 Million

REVENUE
Revenue increased by 13% to R13.2 Billion

CAPITAL INVESTMENTS
Capital investments increased 285% to R1.1 Billion

SHEQ
There were no fatalities for the 2018/19 financial year and a marked improvement on safety as a result of key programs and initiatives for creating a safety culture.

Profitability
The Group reported a net loss of R471 Million

Human Capital
- The CEF Group maintained its commitment to training and developing employees at all levels by investing a total of R19.2 Million on training programmes.
- Of this amount, a total R4.3 Million was allocated to 90 students within the Group in the form of bursaries
- R5.2 million was Talent Pipeline initiatives

Group Held Assets
R38 Billion

Group BEE Spend
R5 Billion Circa

Enterprise Risk Management
The overall ERM maturity was 48% against a target set of 40% for the year.

CSI
CEF Group had a total spend of ***R34.5 Million*** in CSI spend

All the subsidiaries of the Group received unqualified Audit Opinions

Group Head count
- CEF Group had 2107 employees with a gender split of 71% Men and 29% Women; A number of initiatives are under way to fast track the transformation agenda.

Key Board Matters during 2018/19

During the 2018/19 financial year, the CEF Board dealt with a number of key matters that were of strategic importance to the CEF Group. These related to both internal and external elements that were important for stabilizing the Group, building the organizational reputation, capability and the overall long term sustainability of the Group. These can be summarized as follows:

Strategic stock investigation.

- Investigations into the sale of the Strategic stock. These are now finalized and with law enforcement agencies

Leadership & Board Capacitation

- Focus on stabilizing the leadership and board structure to improve decision making. Board appointments imminent

South Sudan Project Development

- Providing clarity into the South Sudan project development and its merits

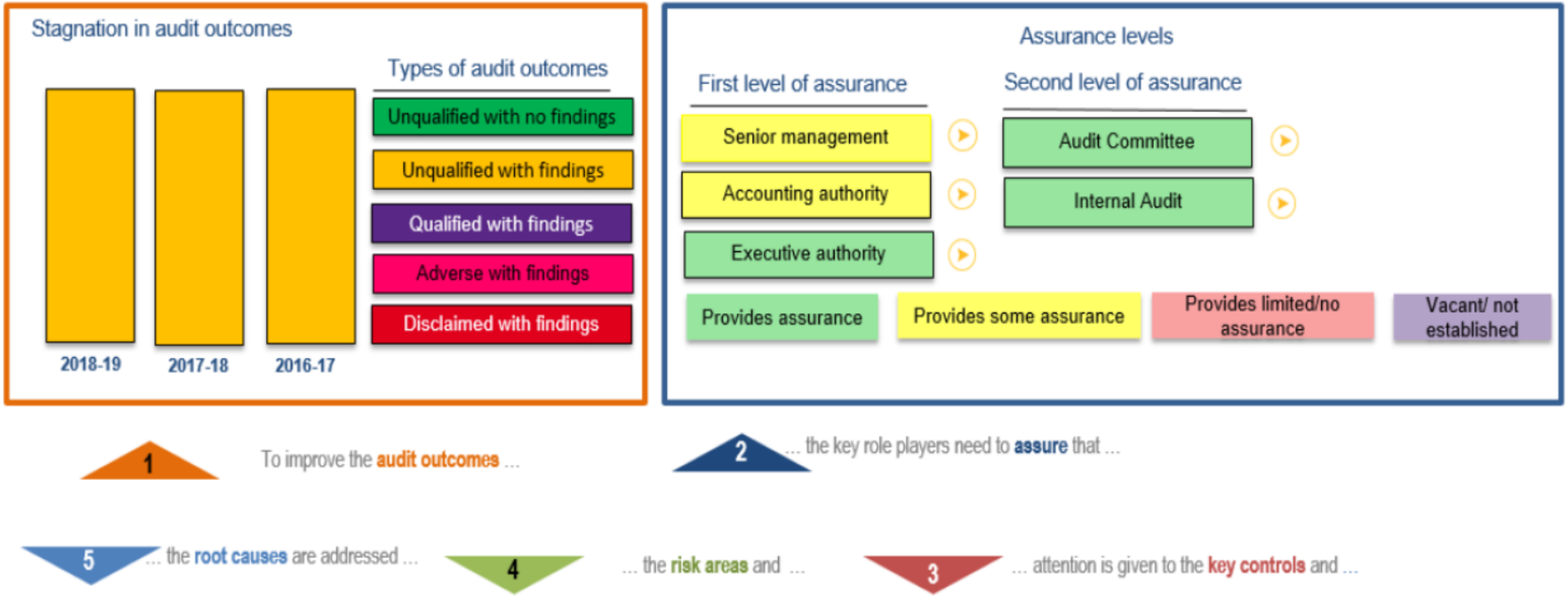
Group sustainability

- Focus on operational improvement of PetroSA and zooming in on areas that could sustain the organization

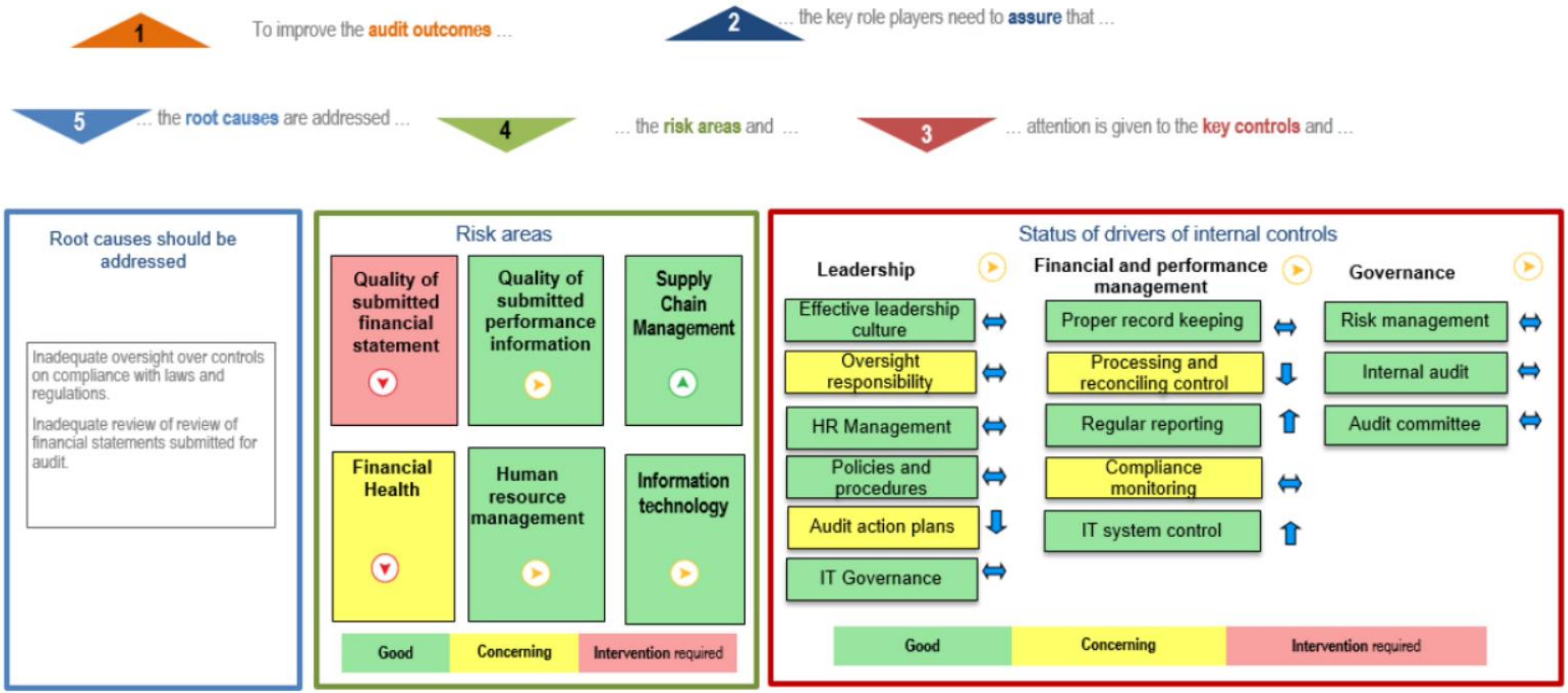
Group Strategy Review and Future Outlook.

- Group strategy review conducted last year but it required more work in light of current sustainability issues. CEF is finalizing new strategy.

CEF Group External Audit outcomes



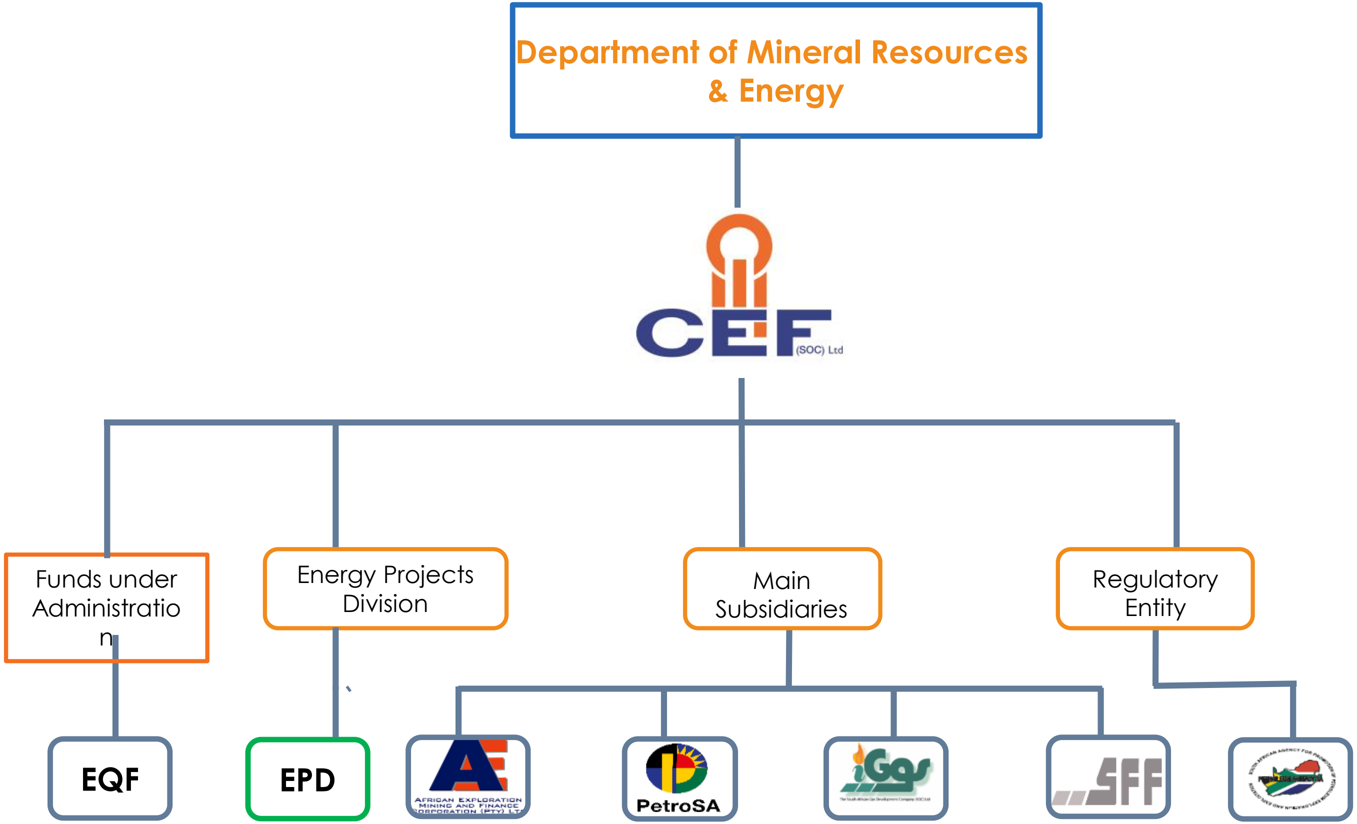
CEF Group External Audit outcomes



Overview of the CEF Group

In pursuit of
Security of
Energy
Supply

CEF Group Commercial Structure

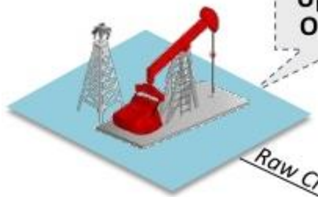


Comments

- CEF and it entities are ***Schedule 2 and 100% owned by CEF***
- ***Commercial Viability*** is our license to operate. Self-sufficiency is measured using ***profitability, liquidity*** and solvency.
- CEF entities operate in the energy sector with ***commercial***, **strategic**, **regulatory** and ***developmental*** roles.
- There are a number of Renewable Energy and Coal associates in which CEF is a minority shareholder.
- Each subsidiary has its own ***Board of Directors***

We have operations in ***Ghana*** and ***Mozambique*** and strategic partnerships in ***Europe GTLF1***

Group Value Chain Overview



Upstream Oil & Gas

PETRO SA – Oil and Gas Exploration & Production
- Ghana & All indigenous oil and gas opportunities
- ***Strategic Partnerships***

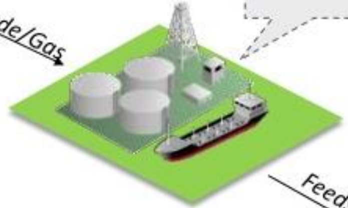
PASA - Promotion, Licensing and Regulating the exploration and production of the country's natural oil and gas resources.

—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

Raw Crude/Gas



Mid Stream

SFF
- Tankage/Strategic Stocks
- Logistics Infrustructure

Petro SA
Project Development

iGas-
Gas and Gas infrastructure

—Transportation
—Processing
—Storage & Distribution

The movement & storage of hydrocarbons using pipeline & ships & value chain maximisation

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 & Future Downstream Acquisitions

★ **AEMFC** – Mining/coal-In support of Power Generation

Energy Projects Division (EPD) – Renewable power projects, biofuels and clean energy projects

CEF

Group Values & Strategic Pillars

B

Respect- We are committed to hold all our stakeholders in high esteem and treat them with honour and understanding

I

Continuous Improvement- We are committed to ensure operational excellence, innovation, agility and quality in our opportunity selection, decision making and service and product delivery.

S

Batho Pele –We are committed to work together to put our people first in ensuring zero harm and commercially viable business that adds value to the people of South Africa

R

Integrity- We are committed to do the right things the right way even if no one is looking inculcating transparency in the conduct of business, communications in the applications of skills and mobilization of resources

C

Stewardship- We are committed to lead in a responsible manner that ensures caring through professionalism, accountability and custodianship that improves value over time.

Group Strategic Pillars

1. *Transformation*
2. *Strategic Partnerships*
3. *Operational Excellence*
4. *Innovation*

Group CSI Initiatives

CEF SOC & IGAS

1. Provided sponsorship towards refurbishment of Pre-School in Soweto
2. Donated over 1000 pairs of shoes to needy learners in impoverished rural areas.
3. Launched a bursary scheme for Grade 11 & 12 and tertiary learners - students

PETROSA

1. Launched the Asla Clinic which is the largest day clinic in the Southern Cape Region.
2. Revamped health facilities in D' Almeida clinic
3. Added new dental Unit at Alma Clinic to improve dental care
4. Launched am Integrated Energy Centre in Qamata supplying Paraffin, Diesel, Petrol & LPG

AEMFC

1. Donated 150 Blankets to Women Empowerment Forum.
2. Donated sanitary packs to girls women in Phola Community
3. Donation of printers, laptops and microwaves to Sibongindawo Primary School
4. Donation of two cars to the Mpumalanga safety & Security

SFF

1. Sponsored the UCT Social Development Department with equipment for storing perishables for their outreach programmes

Group CSI Initiatives in pictures

Making an Impact in the communities that we operate in.

Caring for the most vulnerable & marginalized in our communities

Managing Stakeholder Expectations

- The CEF Group believes that the sustainability of our business is dependent on stakeholder relationships and that sound, structured stakeholder relationships serve to strengthen the resilience of our Company. Stakeholders play a central role in setting up priorities and objectives that shape our strategic trajectory.
- They also support the Group's ability to adapt to the increasing demands and challenges of operating environment driven by the volatility, uncertainty, ambiguity and uncertainty placed on us amid the uncertainty of the current business environment. Central to our corporate and social capital
- During 2018/19, the CEF Group endeavored to engage myriad stakeholders as possible as part of our normal business operations as outlined in our Corporate Plan. The entities were consulted on a number of issues and projects ranging from strategic, operational and governance related matters.

Unions	• Key Labour matters • Discuss policy matters • Business sustainability • Planning • Alignment
Banks	• Group sustainability (PetroSA) • Political exposure concerns • Funding • Growth opportunities
Regulators	• Alignment • Dispute resolution • Planning • Guidance
SOE's	• Collaboration • Resource sharing • Planning • Opportunity discussions

Our Shareholder the DMRE was a critical Stakeholder and Shareholder during the year under review

Local Communities	• Jobs • Safety • Sustainability • Alignment • Development
Law Enforcement Agencies	• Investigations • Information sharing • Follow ups • Feedback
Consulting Groups	• Strategy support • Analysis • Reporting • Solution mapping
Other Energy Players	• Collaboration • Explore opportunities • Growth • Funding

CEF (SOC) Ltd

Performance against predetermined objectives

Measuring what is important. The art of value creation

Performance against objectives

Key Performance Area	Indicator	Score
Commercial Viability	Financial sustainability	
Energy Poverty alleviation and transformation	Strategic Projects	
	Transformation	
Governance	Efficient & Effective decision making	
	Combined assurance	
Operational Excellence	Plant availability	
	Volume	
	SHEQ Index	
Human Capital	High Performance Culture	
Stakeholder Management	Reputation	

Achieved		**Partially Achieved**		**Not Achieved**	

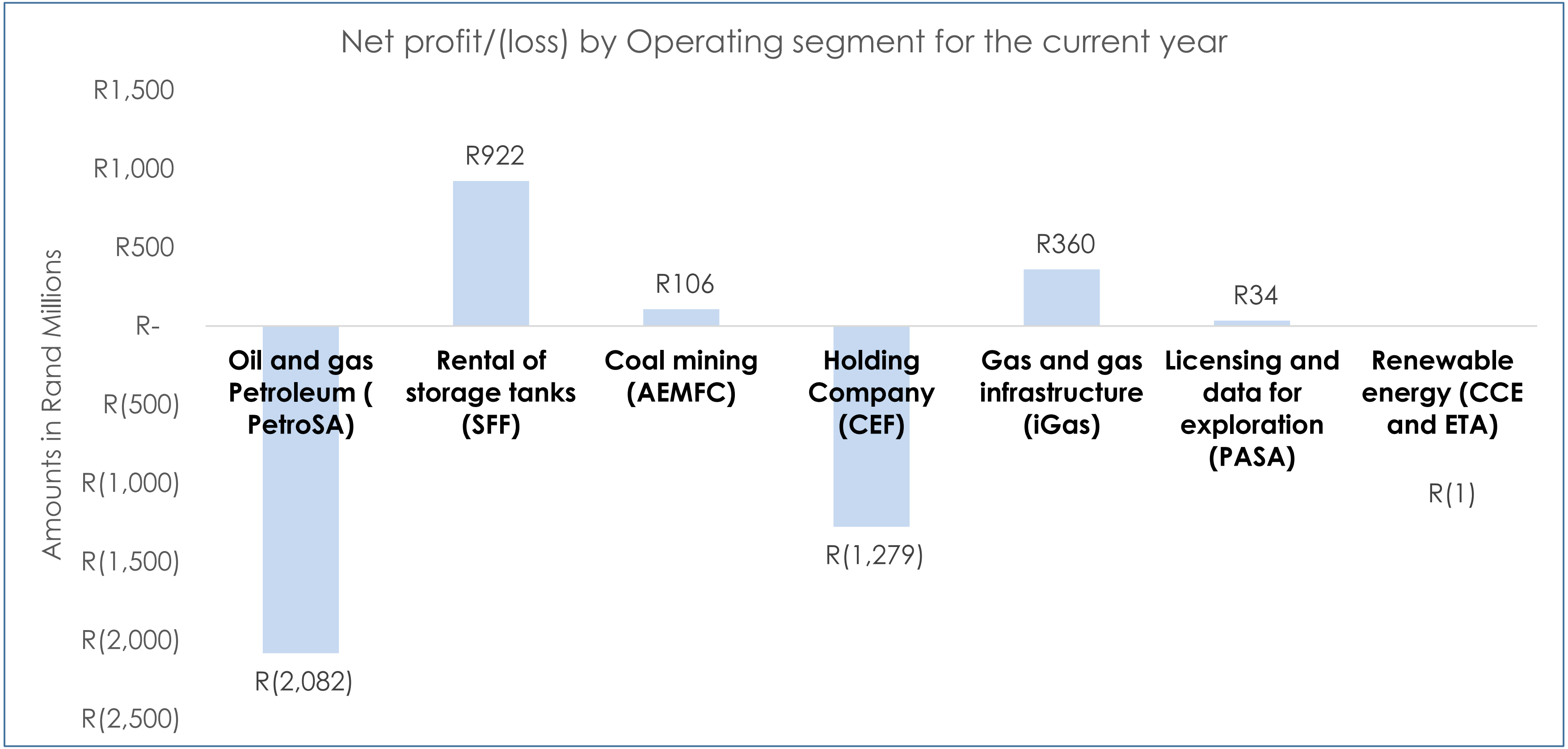
CEF Group Statement of Profit/(loss) for 5 years

Statement of Profit or Loss and Other Comprehensive Income

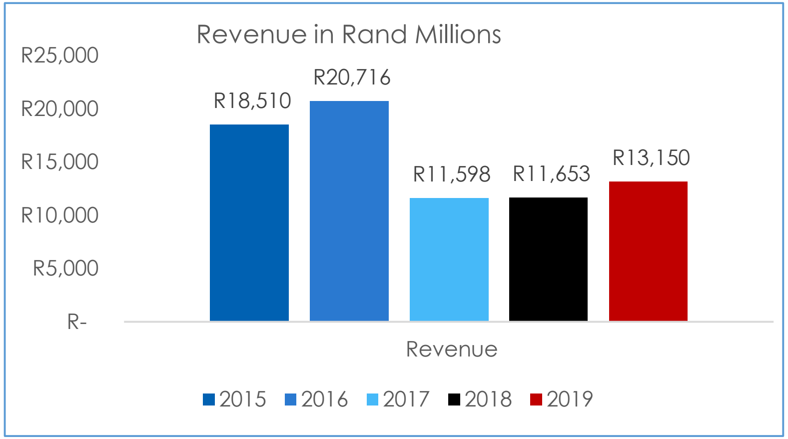
Figures in Rand thousand

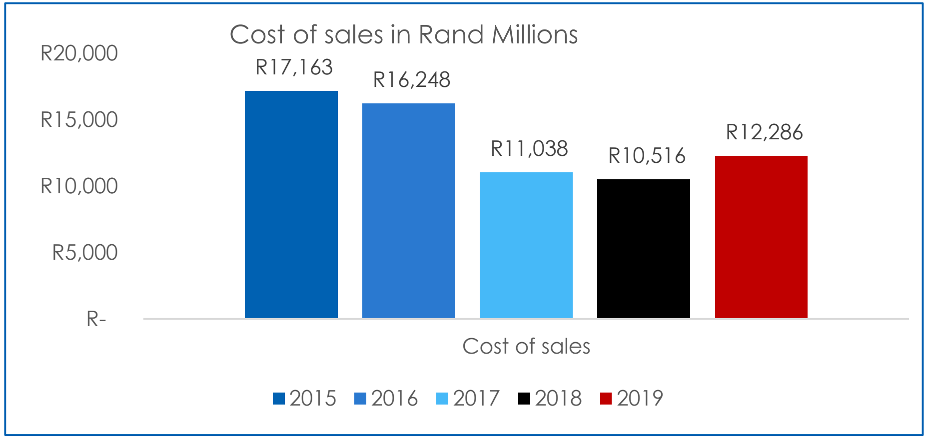
	2015	2016	2017	2018	2019
Revenue	18,510,105	20,716,464	11,598,017	11,652,946	13,150,205
Cost of sales	-17,162,838	-16,248,005	-11,037,774	-10,516,391	-12,285,694
Gross profit	**1,347,267**	**4,468,459**	**560,243**	**1,136,555**	**864,511**
Other income	264,336	662,998	342,084	478,074	1,341,654
Operating expenses	-16,544,759	-5,418,173	-1,862,601	-2,587,845	-2,933,991
Operating profit (loss)	**-14,933,156**	**-286,716**	**-960,274**	**-973,216**	**-727,826**
Investment revenue	732,464	709,132	943,062	1,057,608	1,156,643
Income from equity accounted investments	259,751	305,212	300,280	356,060	415,612
Finance costs	-1,329,724	-553,256	-572,878	-573,637	-535,004
Profit (loss) before taxation	**-15,270,665**	**174,372**	**-289,810**	**-133,185**	**309,425**
Taxation	837,120	-368,329	-331,010	487,053	-780,018
Profit (loss) for the year from continuing operations					
Profit (loss) for the year	**-14,433,545**	**-193,957**	**-620,820**	**353,868**	**-470,593**

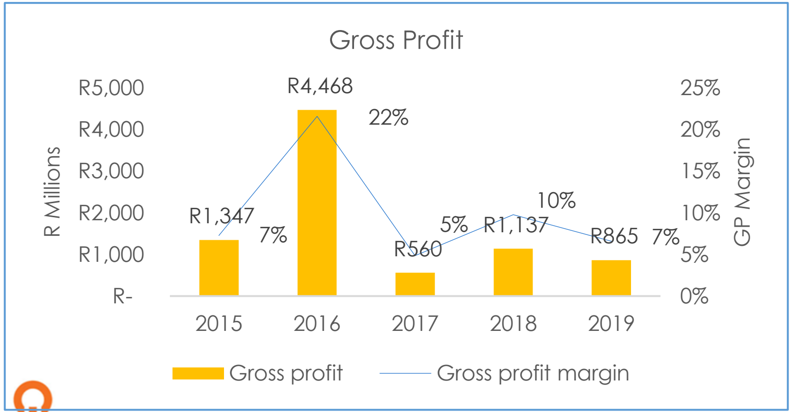
Net profit/(loss) by Operating segment for the current year



CEF Group financial performance over 5 years

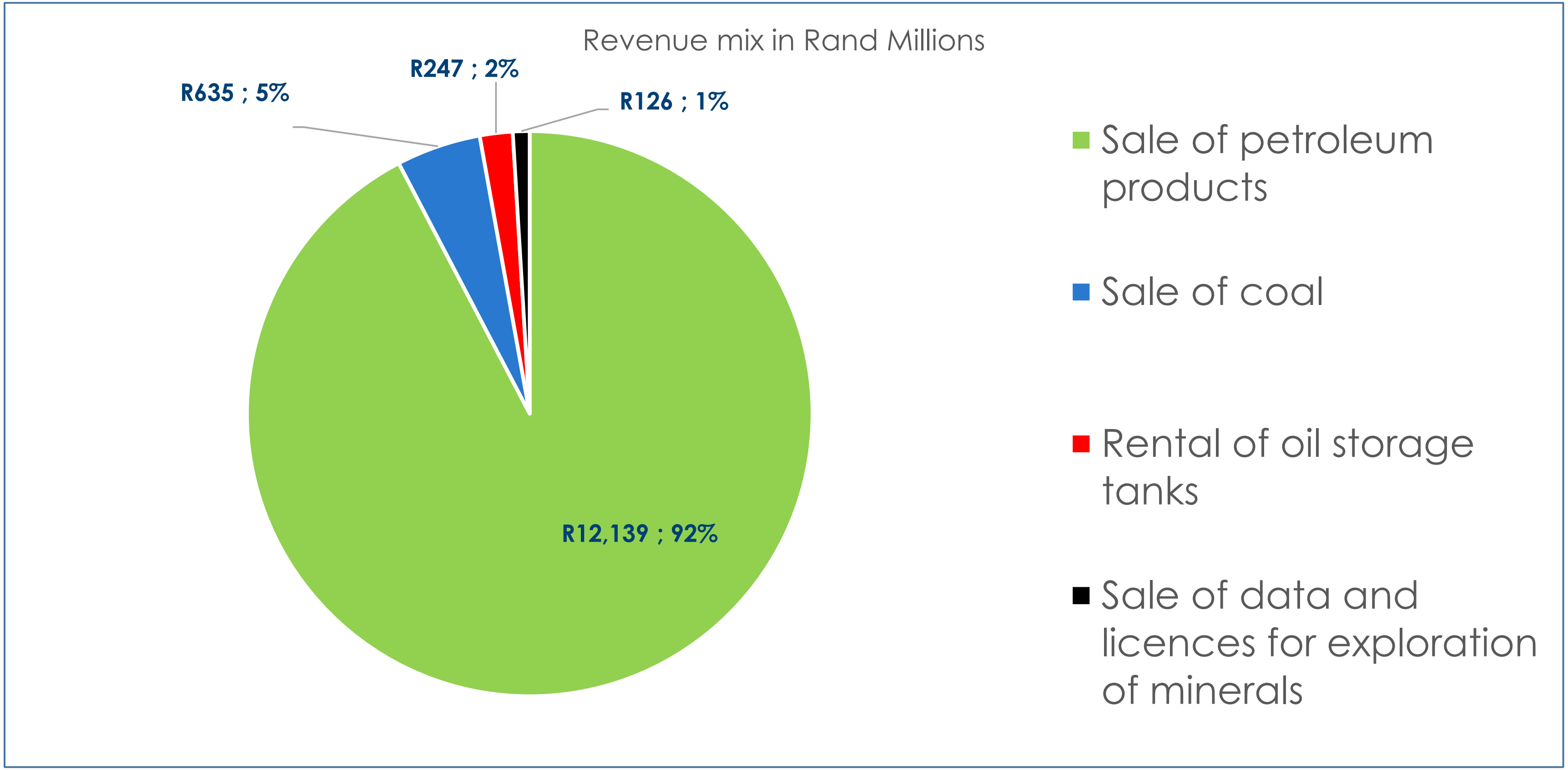




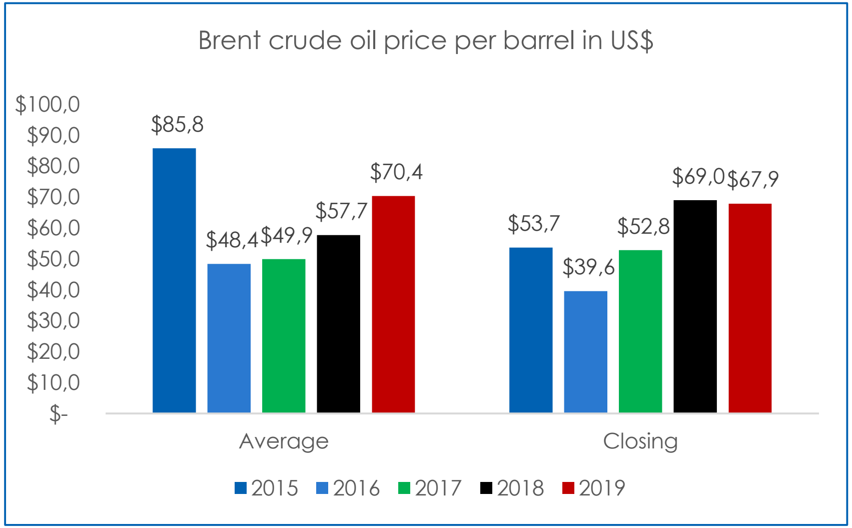


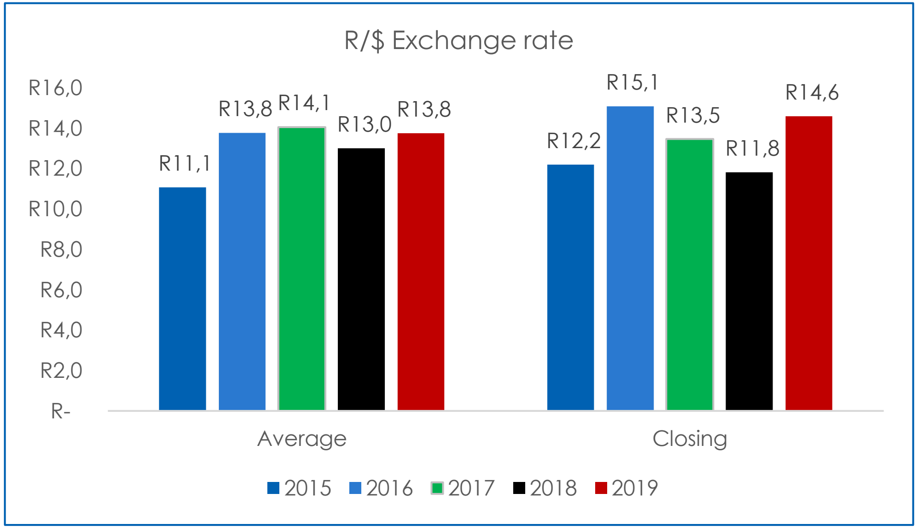
- **Revenue** has been decreasing over the past 5 years, from R18 billion in 2015 to R13 billion in 2019.The decrease is mainly due to the reduction in the gas flow rate and the decline in the oil price.
- **Cost of sales** has been declining over the past 5 years due to the decrease in the sales volumes.
- **Gross profit** has been declining over the past 5 years due to the decrease in the oil price and the decline in indigenous gas production. In 2016 the gross profit was higher due to the sale of the strategic stock.

Revenue mix for the year ended 31 March 2019



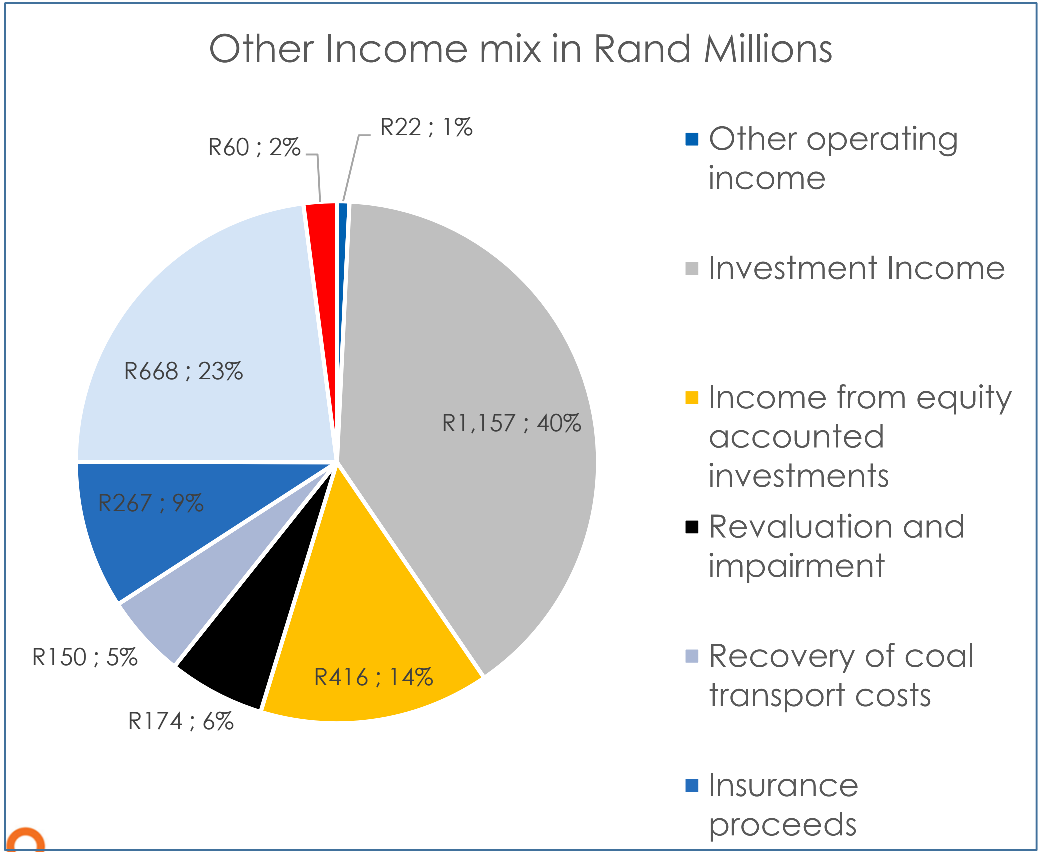
Macro-economic factors over 5 years





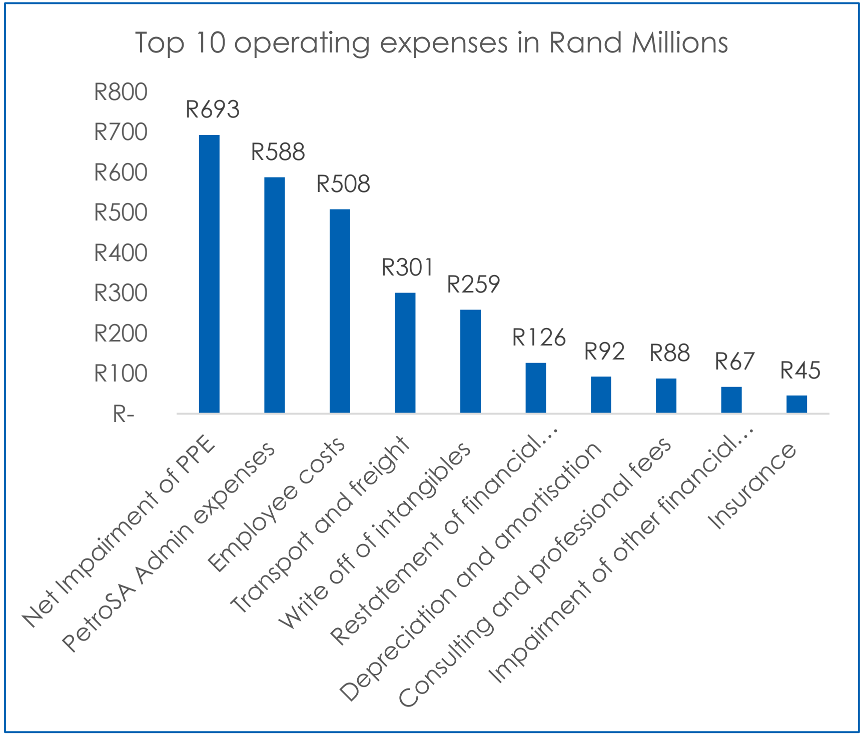
- The **average oil price** has been on a decline from $85.8 to $70.4. The oil price is the main driver of the revenue, when the oil price is high ,PetroSA revenue increases while SFF revenue decreases and vice versa.
- The **average Rand US dollar exchange rate** has been weakening. The R/$ drives revenue and the rehabilitation provision

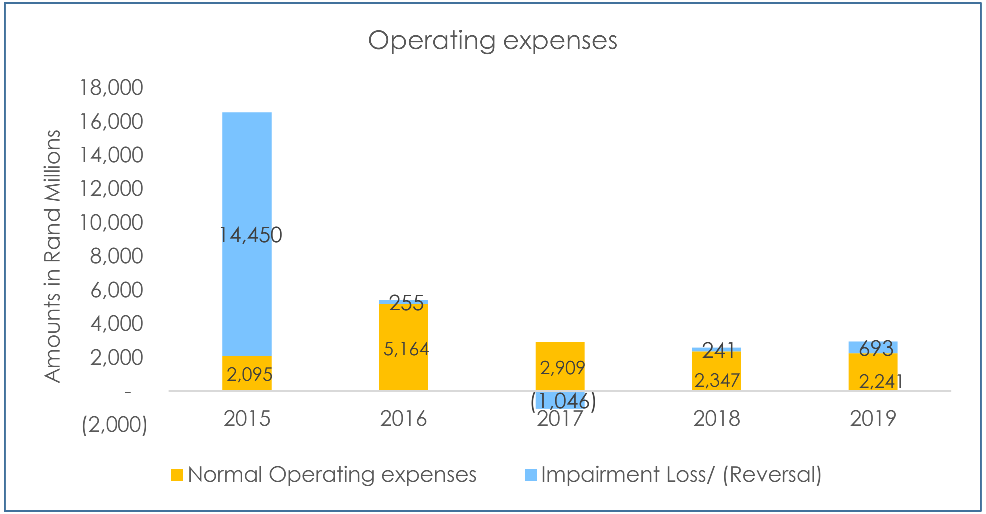
Other Income mix for the year ended 31 March 2019



- **61% of income is recurring** comprising of interest income , income from equity accounted investments, recovery of coal transport and Gantry fees.
- **39% of income is derived from non-recurring** activities, which is attributable to the foreign exchange gains(23%), insurance proceeds and other non-recurring operating income.

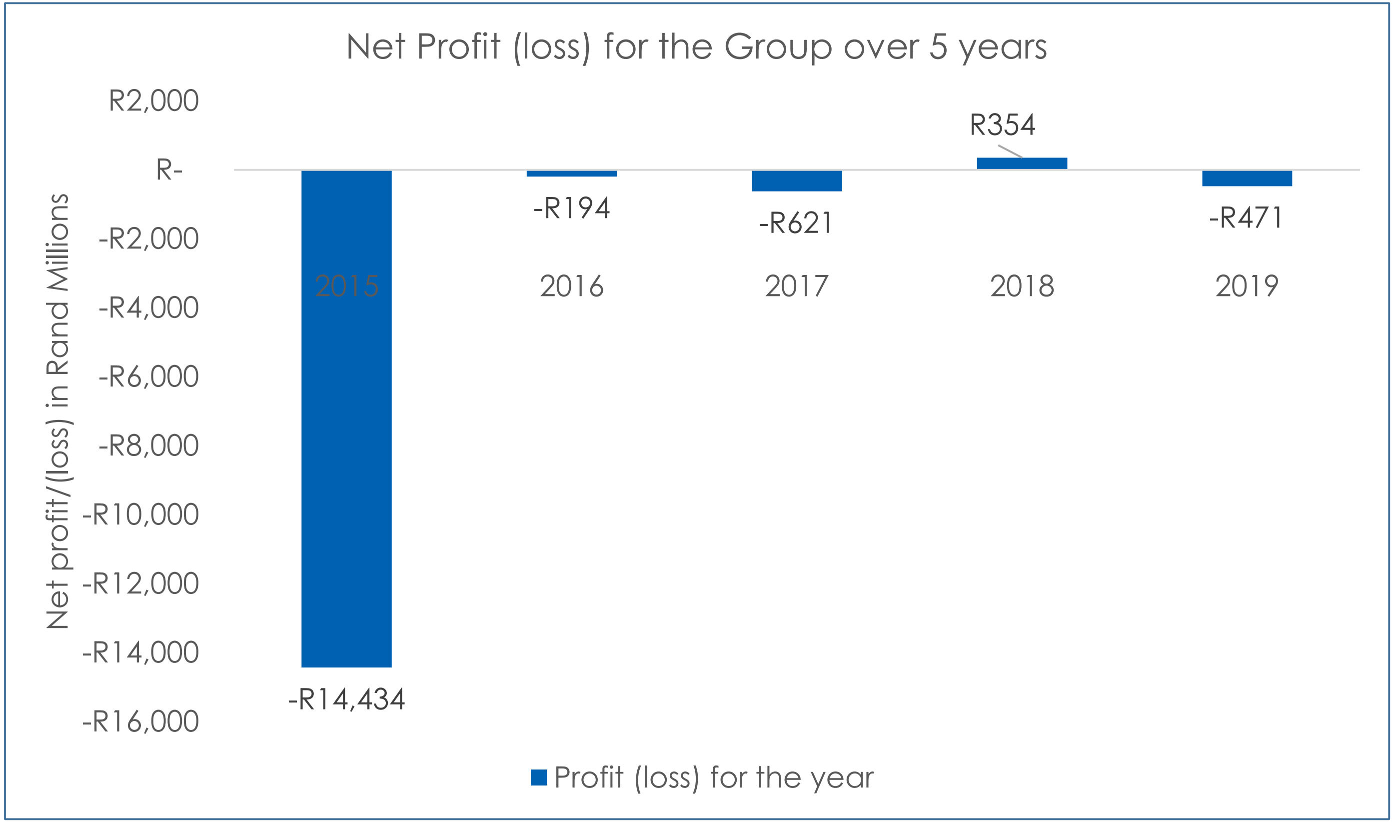
Operating expenditure over 5 years





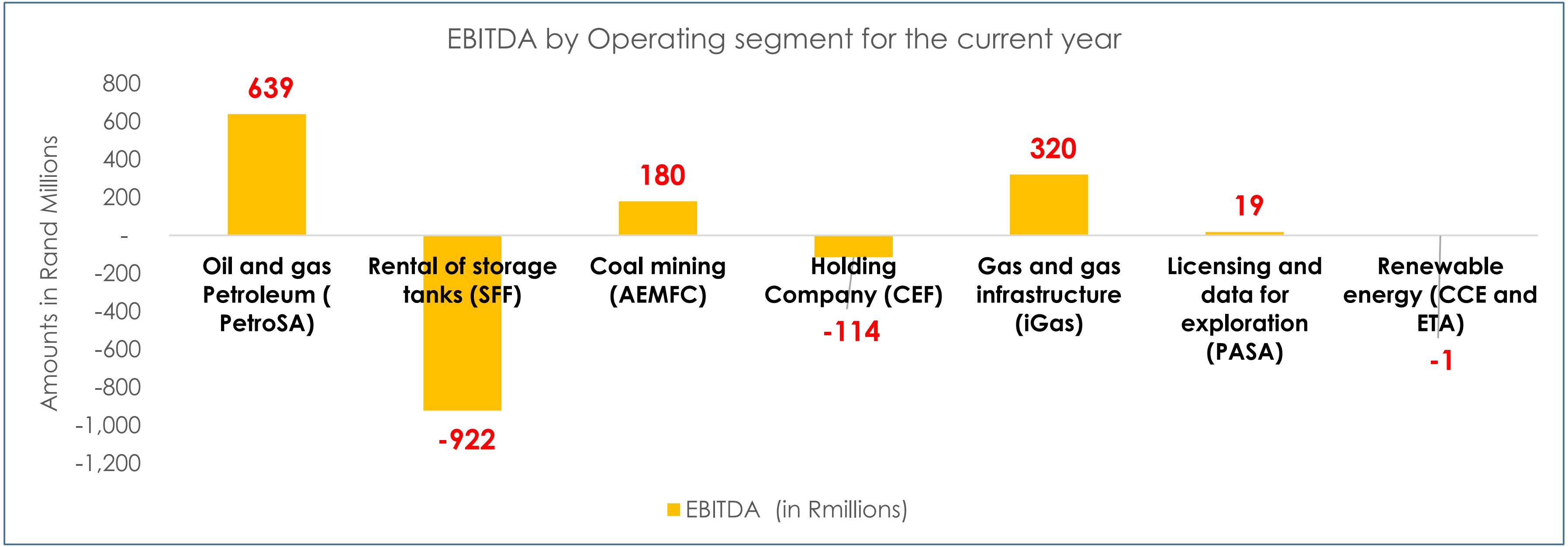
- The total expenses have been decreasing from the peak of R16.5 billion in 2015 to R2.9 billion in 2019.
- Included in the total expenses is the impairment , which in 2015 was R14.5 billion which subsequently averaged at R300 million per annum.
- The normal operating expenses have been on a decline since 2016, the increase in 2016 relates to the profit on the sale of strategic stock which was classified as an expense as the proceeds have to be paid over to the Equalization Fund.

Net Profit (loss) for the Group over 5 years



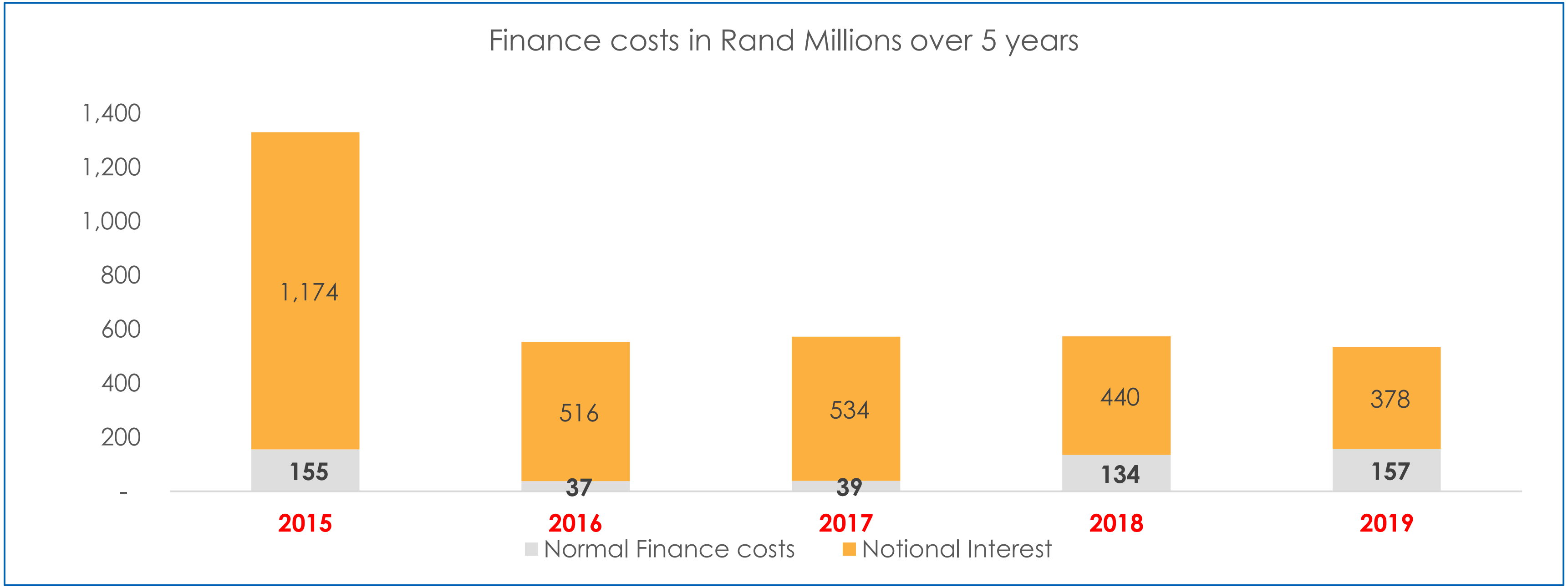
After the Group reported a R14.4 billion loss in the 2014/15 financial year, the Group has been on steady recovery where it is able to generate EBITDA of R626 million

EBITDA by operating segment for the current year



- Of the 7 operating segments 4 are generating positive EBITDA and 3 rely on investment income to fund their operating expenses.

Finance costs over 5 years



- The finance costs is comprised of Notional interest and interest expense related to external borrowings.

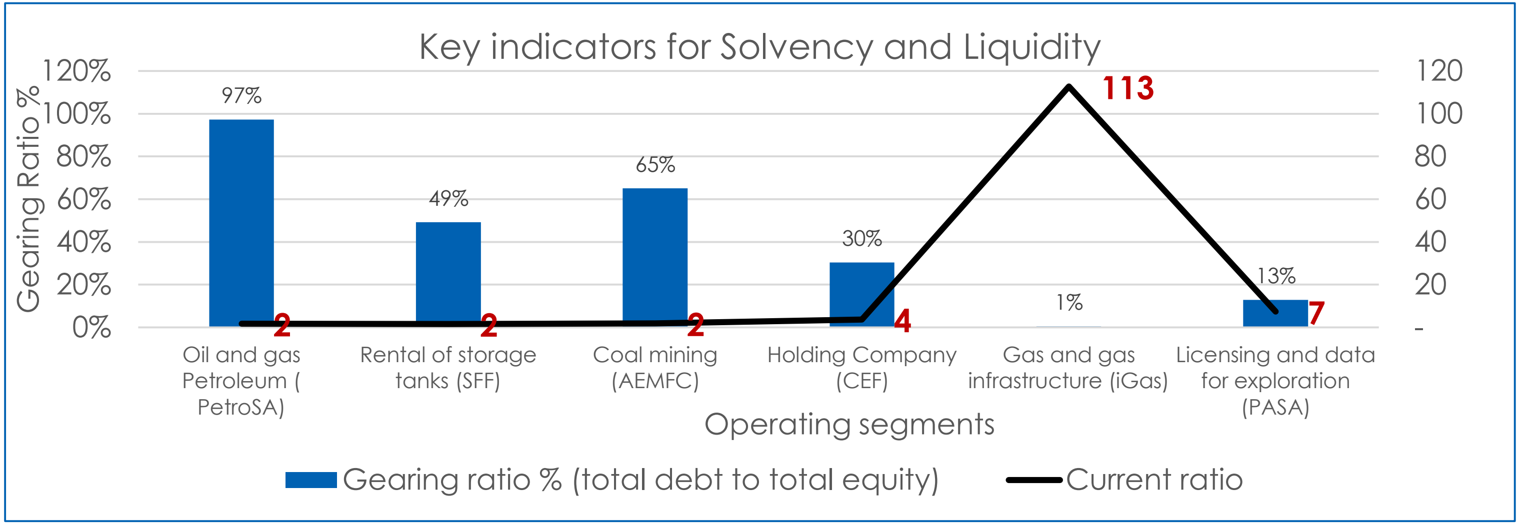
CEF Group Statement of financial position

Capital Allocation	2019 R'000	2018 R'000	2019 %	2018 %
Total assets by class				
Cash	18,924,575	17,186,008	50%	52%
Operating assets	14,602,738	11,178,785	38%	34%
Assets under development	1,439,303	1,623,770	4%	5%
Investments	1,048,689	967,002	3%	3%
Non-operations assets	1,976,680	1,980,659	5%	6%
Total assets	**37,991,985**	**32,936,224**	**100%**	**100%**
Total Funding				
Debt				
Rehabilitation provision	10,687,772	8,799,368	28%	27%
External debt	2,057,659	1,582,754	5%	5%
Current liability	5,705,627	3,957,333	15%	12%
EQF liability	4,058,030	3,317,490	11%	10%
Retirement benefit obligation	160,056	177,033	0%	1%
Non- financial liabilities	2,205,265	1,512,793	6%	5%
Total Debt	**24,874,409**	**19,346,771**	**65%**	**59%**
Equity				
Reserves	863,216	-2,949,346	2%	-9%
Retained income	12,261,076	16,539,979	32%	50%
Non controlling interest	-6,716	-1,180	0%	0%
Total Equity	**13,117,576**	**13,589,453**	**35%**	**41%**
Total Equity and Debt	**37,991,985**	**32,936,224**	**100%**	**100%**

As at 31 March 2019 the Group held assets of R38 billion comprised of the following:

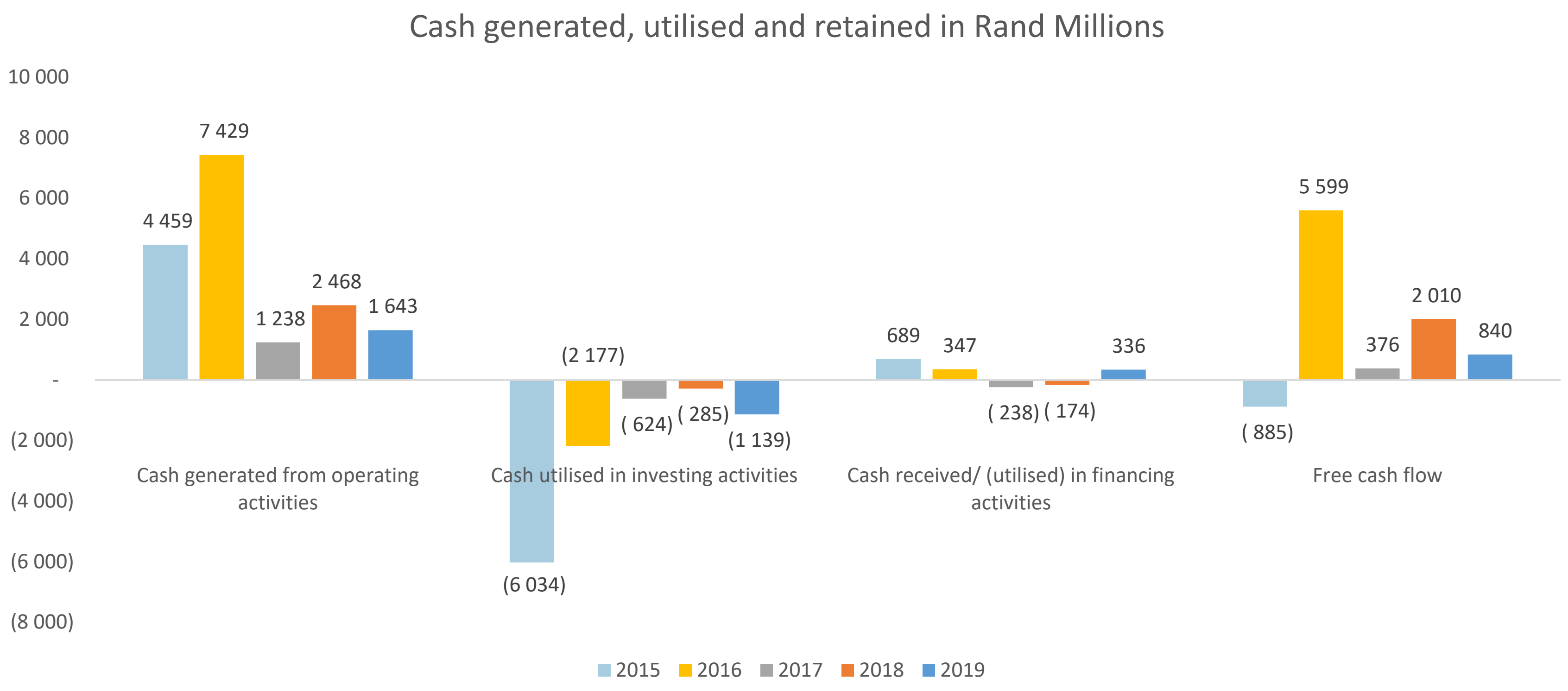
- ***50% of the assets is cash***. Cash is expected to generate a return equivalent to the money market return.
- ***38% of the assets are operating assets*** with the bulk invested in the oil and gas cluster. The oil and gas operating business segment is comprised of PetroSA GTL refinery and trading, Oil blocks in Ghana and crude oil terminals.
- ***3% of the assets are invested in associate companies*** with the bulk invested in the gas infrastructure. The investment in the gas infrastructure is comprised of the shareholding at ROMPCO and is generating a return above the cost of capital.
- ***4% of the assets are comprised exploration costs***, these assets are likely to generate income in the foreseeable future which is longer than 5 years.
- ***The non-operating assets constitute 5% of the total Group assets***. Non-operating assets are comprised of the line fill.
- **As at 31 March 2019 the Group was funded as follows:**
- 35% equity and 65% liabilities
- R15 billion of the liabilities relate to the rehabilitation provision and the EQF liability. These liabilities are not likely to be settled in cash anytime soon due to NEMA financial provision regulation coming into effect in 2024 and EQF liability being dependent on the strategic stock court case.

Solvency and Liquidity as at 31 March 2019 by operating segment



- As at 31 March 2019, the gearing ratio for the Group is 93% equity and 7% interest bearing debt. The gearing ratio is within the ceiling imposed by National Treasury of 60% equity and 40% interest bearing debt.
- The cash interest cover ratio for the Group is 10.5 times. The interest cover ratio is within the target ratio imposed by National Treasury of above 2 times.
- PetroSA South Africa was technically insolvent at 31 March 2019, its liabilities exceeded assets by R1 billion. The precarious financial position is likely to deteriorate further due to the gas flow rate decreasing below the economic limit of 74 MSCF per day.
- The debt capacity of the Group is being negatively impacted by the rehabilitation provision, declining gas reserves and sub-optimal execution of substance and growth projects .

Group cash generation, utilisation and financing over 5 years



Group cash generation, utilisation and financing over 5 years

- The cash for the Group increased by 10% from R17.2 billion in the prior year to R18.9 billion in the current year mainly due to cash flows generated from operations and effects of the exchange rate movement on the opening cash balance.
- The free cash flows for the Group declined by 58% from R2 billion in the prior year to R840 million in the current year due to the significant capital investment of R1.1 billion made in the current year. The investments of R1.1 billion are largely attributable to the expenditure incurred towards the major servicing of the GTL refinery and developments at PetroSA Ghana.
  - **Cash Generated from Operating Activities**

    The net cash from operating activities has decreased from R2.5 billion to R1.6 billion. The decrease in the cash from operating activities is due to the decrease in gross profit. The other items such as finance costs, investment income and tax paid have had negligible impact on the cash from operating activities.
  - **Cash utilised in Investing Activities**

    During the year the Group invested R1.1 billion (2018: R286 million) towards sustenance and growth. The Group invested R724 million towards sustenance of the GTL refinery and Vlakfontein coal mine and R338 million was invested towards exploration activities and development of PetroSA Ghana oil blocks and Vlakfontein mine extensions.
  - **Cash Flows from Financing Activities**

    The capital spending is currently funded through cash generated from operations, retained cash and external interest bearing debt. During the year the Group entered into finance lease for R125 million, the changes in the Reserve based lending facility is due and the finance lease is due to the weakening of the reporting currency.

Key Challenges affecting the CEF Group

Profitability.

The Group profitability is severely challenged because the return on capital employed of -1% is below the cost of capital of 14%. The suboptimal performance is due to the declining gas reserves at PetroSA and slow rollout of sustenance and growth projects.

Strategic Crude Oil.

SFF is currently in a dispute with the oil traders who bought the crude oil in the 2015/16 financial year. The outcome of the case is currently uncertain. The estimated SFF exposure is the proceeds from the transactions, and all storage income received from the buyers for storing these barrels from the date of transfer, including all interest earned and other associated costs.

Funding of the Decommissioning Liability Provision

The decommissioning liability is currently under funded by R7.4 billion. This amount is unlikely to be funded from the cash generated from operations as the Group is unable to generate adequate cash flows to fund the legacy liabilities as well as fund sustenance projects.

Group Risks

Towards a brighter and sustainable future

Group Risks

Risk Category 1. Financial Sustainability		
Risk description: The financial sustainability of the CEF Group is under threat. **Root causes**: The CEF Group derives more than 70% of its revenue from PetroSA, whose gas feedstock is depleting. At the same time, PetroSA has an abandonment liability that needs to be funded. These two factors constrain the CEF Group balance sheet.	**Residual exposure:** Extreme	**Progress on Risk Mitigation Plans:** 1. PetroSA emergency plan is in place to address short term challenges which include feedstock sourcing, refinery optimisation and development of long term solution. 2. The requests for farm outs were submitted to the department to reduce commitments. 3. The shared service model business case was concluded and submitted to the CEF Board 4. Engagements with PASA took place to discuss Wells Closure Certificate processes which will further reduce the current liability cost.

Risk Category 2. Security Of Supply		
Risk description: The CEF Group may not be able to effectively fulfil its mandate of supporting the DoE in ensuring security of energy supply for the country. **Root causes**: PetroSA does not have affordable feedstock to produce a significant portion of the market share of national liquid fuels demand. The rotation of the SFF strategic stock reserves is under legal review.	**Residual exposure:** **High**	**Progress on Risk Mitigation Plans:** 1. As part of the new group strategy prioritization of diversifying new portfolio solutions to be able meet the demand. 2. Increase Condensate processing progressing well. 3. Farm-out strategy approved and submitted to the Minister. 4. Strategic Stock replenishment to be finalized upon Court outcome. 5. Leverage on blending capacity by Blendcor. 6. New Refinery build feasability study has commenced in partnership with Saudi Aramco.

Group Risks

Risk Category 3. Human Capital		
Risk description: The CEF Group may not have adequate skills and experience to implement strategic projects required for the financial sustainability of the Group. **Root causes**: Bad publicity currently being received may create the perception that the CEF Group is not the 'employer of choice'.	**Residual exposure:** High	**Progress on Risk Mitigation Plans:** 1. Prioritization of stabilizing leadership and capacitating leadership roles has commenced. 2. The skills audit to identify capabilities within the CEF Soc during the 2018/19 FY this is to be rolled up to the rest of the group. 3. Talent Sourcing Strategy developed s 4. CEF Group Leadership Competency Framework and Leadership Development Program undertaken with Wits Business School. 5. Strategic workforce plan EVP programs has been developed. 6. The workforce plan will articulate business critical and essential competencies and HC will implement plans to develop and retain those skills.

Risk Category 4. Regulatory and Governance		
Risk description: The CEF Group governance and operating model is cumbersome and impacts on effective and efficient decision making. **Root causes**: Each subsidiary has an autonomous Board of Directors, which requires approvals of key decisions.	Residual exposure: Moderate	1. Review of the governance framework and model is being reviewed and revised in an effort to enhance effectiveness and streamline key decision-making; 2. Board capacitation and strengthen in partnership with the IODSA to empower them; 3. Continuous board evaluations 4. Filling of board vacancies with thee support for DMRE 5. Continuous strengthening of governance structures/forum to improve decision making.

CEF (SOC) Ltd

Group Risks

Risk Category 5. Stakeholder and Reputation Management		
Risk description: Misalignment of the CEF Group Stakeholder and Reputation Management processes. **Root causes:** Each subsidiary has an communication strategy approved by their board, which impacts on response time with the stakeholders.	**Residual exposure:** **Moderate**	1. Development of stakeholder engagement plan and the group brand strategy. 2. Implementation of the group's reputation survey recommendations. 3. Articulation of group strategy to give direction and guidance 4. Alignment with shareholder on key commercial and developmental initiatives.

Risk Category 6. Project Execution		
Risk description: The CEF Group project execution model is not effective, which impacts implementation of strategic process **Root causes:** Each subsidiary has an autonomous Board of Directors, which requires approvals and key decisions.	**Residual exposure:** Moderate	1. Development of group integrated project execution model. 2. Projects are being done in line with company project execution model following a gated stage model. 3. Utilization of the PAMC to select the projects that will be executed.

Group Growth & Sustainability Agenda

Growth towards a brighter and sustainable future

CEF Group Growth Agenda, Exploration and Production

South Africa still relies on imports to meet a significant amount of crude oil needs for refining purposes. An increase in domestic supplies can help reduce dependency on foreign oil and improve the country's trade situation. In fact, South Africa can over time become a top producer in the continent. A focus on developing the exploration and production activity can generate a substantial economic stimulus for South Africa. Being capital intensive and risky, it will however require some form of support from government in terms of legislation and funding as well strategic partnership.

Strategic link to Presidential 7 Point Plan			
	Economic transformation and job creation	*Education, skills and health*	*A better Africa and world*
	Social cohesion and safe communities is another key priority	Building a capable, ethical and developmental State	Spatial integration, human settlements and local government
	Consolidating the social wage through reliable and quality basic services		

Initiative	Support
Defer abandonment through continued E&P in Block 9	Government
Develop E-BK/E-CB and embark on ER61 6 well drilling programme (strategic partnerships)	Business
Rationalize West and South Coast Assets (Conclude farm outs)	Business
Total participation funding	Government
Pursue free carried State participation interest	Government
Development of the T-Project and Vlakfontein Mine extention	Business
Acquisition/Development of Coal and non-Coal assets	Business
Mozam	

Potential Economic & Social Impacts

Economic **:** Improved EBIDA due to reduced purchase of *imported feedstock* as well as ensuring that the Group does not rely on potential support from National Treasury. Diversification of Group Revenues (Potential to improve balance of trade)

Social **:** Creation of Jobs for various support services & revitalizing the economies of both Mossel Bay & Mpumalanga

Other **:** *Continued development of the Oil & Gas Sector and it ability to attract other potential investors into South Africa.*

Strategic Rationale for the interventions
Investments in mining, oil and gas exploration and production generate substantial economic gains, as well as other benefits such as increased energy independence

CEF Group Growth Agenda, Midstream

The South African Midstream industry is the portion of the oil and natural gas industry that is responsible for the processing, storage, and transportation of products such as crude oil, natural gas and natural gas liquids. It is responsible for linking far-spread petroleum producing areas and population centers where consumers are located. Transmission pipeline companies are included in the midstream petroleum industry. Storage facilities for crude oil and refined liquids include bulk terminals, refinery tanks and holding tanks to get material into pipelines, or ready to be shipped on a vessel.

Strategic link to Presidential 7 Point Plan			
	Economic transformation and job creation	*Education, skills and health*	*A better Africa and world*
	Social cohesion and safe communities is another key priority	Building a capable, ethical and developmental State	Spatial integration, human settlements and local government
	Consolidating the social wage through reliable and quality basic services		

Initiative	Support
Tank refurbishment and new tank build	Business
Operations of the Island View (NECOS) Tanks	Business
Gas to power projects & development of a Gas economy	Business & Govt
LNG Terminal and Pipeline network	Government
Coega LNG Infrastructure Developments	Government
Logistics Base Infrastructure Development	Business & Govt
Acquisition of Existing and Development of New Storage facilities	Business
Take over and operation of Single Buoy Marine facilities	Government

Potential Economic & Social Impacts

Economic **:** Security of energy supply for the country and the taking over of key strategic tank positions. The building of an LNG Infrastructure will catapult the development of a Gas Economy as well as jobs

Social **:** Creation of Jobs for various support services whilst ensuring that affordable energy is provided to the South African population

Other **:** *Potential to attract other regional partners to further develop key strategic infrastructure for the benefit of the region.*

Strategic Rational for the interventions

The development and further investment in Midstream is critical for the country's security of energy supply but for the development of the following services: Petroleum Cargo Inspection, Petroleum Refining and Distribution Services, Technical Inspection Services, Tank services

CEF Group Growth Agenda, Downstream

The South African downstream segment traditionally includes refining, distribution and fuel sales, and marketing to retail and commercial customers. However, with growing interconnectedness between refining and chemicals, in terms of feedstock, opportunities for process integration, and evolving end-markets, much is changing. High cost of entry, vertical integration, and established supply chains constitute strong entry challenges for this part of the value chain. This space is dominated by Multinationals and Traders

Strategic link to Presidential 7 Point Plan			
	Economic transformation and job creation	*Education, skills and health*	*A better Africa and world*
	Social cohesion and safe communities is another key priority	Building a capable, ethical and developmental State	Spatial integration, human settlements and local government
	Consolidating the social wage through reliable and quality basic services		

Initiative	Support
Retail and Downstream entry	Business & Govt
Commercial and Industry Base growth	Business
New Refinery Build	Business & Government
IMO	Business
Acquisition of existing Downstream Player	Government
Development of the Gas consumer market base	Business & Government
Regional integration and growth	Government
GTL Refinery affordable feedstock sourcing (G-2G)	Government
Refinery optimization to improve operational efficiency	Business

Potential Economic & Social Impacts

Economic **:** Creation of an abundance of job opportunities and the reduction in the country's reliance of multinationals for the provision of security of energy supply. Proposed projects will also spawn various associated industries.

Social **:** Development of the Downstream sector but more importantly the skills around Petrochemicals and process engineering.

Other **:** Regional integration and the development of other related infrastructure to support the movement of finished products.

Strategic Rational for the interventions

Investments in Downstream will result in the development of the country's petrochemicals sector, regional integration, export opportunities, technical staffing services

CEF Group Growth Agenda, Renewables

The most common renewable power technologies include, solar (photovoltaic, solar thermal), wind, Biogas (e.g., landfill gas/wastewater treatment digester gas), geothermal, biomass, low-impact hydroelectricity and emerging technologies - wave and tidal power. Environmental and economic benefits of using renewable energy include generating energy that produces no greenhouse gas emissions from fossil fuels and reduces some types of air pollution, diversifying energy supply and reducing dependence on imported fuels. Creating economic development and jobs in manufacturing, installation are some of the potential

Strategic link to Presidential 7 Point Plan			
	Economic transformation and job creation	Education, skills and health	A better Africa and world
	Social cohesion and safe communities is another key priority	Building a capable, ethical and developmental State	Spatial integration, human settlements and local government
	Consolidating the social wage through reliable and quality basic services		

Initiative	Support
Battery storage developments	Business & Govt
Development of electric vehicles and charging network.	Business
Clean Coal Technologies	Business & Government
Rare Earth and other resources to support green energy	Business
Acquisition of existing Brownfield RE Projects	Government
Biofuels opportunity	Business & Government
Solar Park Determination	Government

Potential Economic & Social Impacts

Economic : Creation of descent job opportunities and increasing of cleaner energy alternatives to fossil fuels. Increasing our Renewable Energy footprint will also ensure that improve balance of payments on the importation of finished products and feedstock.

Social : Development of the Renewables energy sector in a much more sustainable manner as part of delivering on our mandate of ensuring affordable energy sources for our people.

Other : Skills development and opportunities to develop home grown technological solutions

Strategic Rational for the interventions

Investments in the Renewables sector will reduce dependence of hydrocarbons and spawn the development of other renewable energy industries.

In conclusion

- Despite the various strategic challenges that the Group faces, the CEF Group ***remains a going concern***, meaning that the Group will continue to operate in the foreseeable future.
- Our resolve on being a going concern is premised on the fact that the Group assets exceed our liabilities
- The bulk of our assets are ***comprised of cash*** of R18.9 billion, which is available for use in furthering our mandate.
- Further to our cash balances, the Group has capacity to borrow money to fund key growth projects.
- Key focus will remain on ***stabilising PetroSA*** and driving the Group growth agenda keeping up with changes in our operating environment.
- The group will improve energy security by investing in the ***refinery;*** expanding the ***coal operations***; investing in renewable energy projects and invest in the ***LNG facility***.
- The group will also improve its execution capability by ***filling the vacant positions*** at the executive level and it also invest in the skills development in order to support the growth agenda

THANK YOU!

Subsidiary Performance against predetermined objectives

Drilling down on key operational matters

AEMFC Income Statement as at 31 March 2019

African Exploration Mining and Finance Corporation SOC Ltd

INCOME STATEMENT	2019	2018	Movement	Comments
	R'm	R'm	R'm	
Revenue	635	458	177	
Cost of sales (cash)	(397)	(295)	(102)	
Gross Margin (Cash)	**238**	**163**	**75**	Increased volumes to ESKOM compared to previous year.
Net Other Income/ (Expenses)	(75)	(63)	(12)	
Investment Income	14	12	2	
Finance costs (cash)	(17)	(5)	(12)	Own mining equipment purchased on finance lease
Tax	(38)	(25)	(13)	
Cash Net Profit	**122**	**82**	**40**	
Non-cash items				
Depreciation	(25)	(16)	(9)	
Abandonment provision	0	0	0	
Taxation	10	(1)	9	Increased profits
Profit / Loss before Impairment	**107**	**65**	**42**	
Impairment	(1)	0	(1)	Drilling and mining equipment retired
Profit / Loss for the year	**106**	**65**	**41**	

CEF (SOC) Ltd

Concluding Remarks

African Exploration Mining and Finance Corporation SOC Ltd

Our Status

- AEMFC **continued to grow financially** to provide improved support in securing energy for the country,
- **Unqualified audit opinion** has been sustained since establishment,
- The company continues to be **profitable and the safety record** has been maintained,
- A total of **280 direct permanent jobs** have been created and sustained. Further, **additional jobs** have been created through the engagement of black owned service providers,
- Total assets as at 31 March 2019 have reached R1 billion

Looking Ahead

- Maintain the **safety record**,
- Provide **additional jobs**,
- Improve **Enterprise Development** initiatives
- Further **improve profitability and liquidity**,
- Research **clean coal alternatives** in support of environmentally friendly power generation,
- **Strengthen review and approval processes** to eliminate fruitless and wasteful expenditure and **overall governance** in identified areas.

CEF (SOC) Ltd

PetroSA Income Statement as at 31 March 2019

PetroSA

COMPANY INCOME STATEMENT	31-Mar-19	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15
	R' million	R' million	R' million	R' million	R' million
Revenue	10,531	9,323	9,632	15,063	17,212
Cost of Sales	(10,933)	(9,186)	(10,032)	(13,645)	(16,261)
Gross Margin / (Loss)	**(402)**	**137**	**(400)**	**1,418**	**951**
Other Operating Income	172	276	114	101	94
Other Operating Expenses (incl. impairment)	(2,087)	(808)	(1,548)	(2,042)	(13,851)
Investment Income	478	237	275	265	689
Finance Costs	(339)	(411)	(495)	(496)	(1,298)
Profit/(Loss) before taxation	**(2,178)**	**(569)**	**(2,054)**	**(754)**	**(13,415)**
Taxation	-	-	-	-	-
Profit/(Loss) after taxation	**(2,178)**	**(569)**	**(2,054)**	**(754)**	**(13,415)**
Other comprehensive income/(loss)	13	(20)	(5)	(5)	(1)
Total comprehensive loss for the year	**(2,165)**	**(589)**	**(2,059)**	**(759)**	**(13,416)**

CEF (SOC) Ltd

PetroSA Income Statement as at 31 March 2019

PetroSA

GROUP INCOME STATEMENT	31-Mar-19	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15
	R' million	R' million	R' million	R' million	R' million
Revenue	12,139	10,418	10,357	15,734	18,049
Cost of Sales	(11,870)	(10,212)	(10,832)	(14,192)	(17,005)
Gross Margin / (Loss)	**269**	**206**	**(475)**	**1,542**	**1,044**
Other Operating Income	398	323	245	100	94
Other Operating Expenses (incl. impairment)	(1,943)	(1,329)	(792)	(1,608)	(15,689)
Investment Income	377	382	390	327	409
Finance Costs	(494)	(546)	(533)	(512)	(1,306)
Profit/(Loss) before taxation	**(1,393)**	**(964)**	**(1,165)**	**(151)**	**(15,448)**
Taxation	(689)	572	(234)	(298)	874
Profit/(Loss) after taxation	**(2,082)**	**(392)**	**(1,399)**	**(449)**	**(14,574)**
Other comprehensive income/(loss)	507	(284)	(209)	448	239
Total comprehensive loss for the year	**(1,575)**	**(676)**	**(1,608)**	**(1)**	**(14,335)**

CEF (SOC) Ltd

PetroSA Concluding Remarks

PetroSA

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 striving to create value for the Shareholder.

Looking Ahead

- The period ahead will remain challenging, more concerted effort will however be made to turn around the company.
- Going forward, the situation will require difficult but well-informed decisions to be made;
- Immediate focus will include:
- Finding a sustainable feedstock solution, both gas and imported condensate, leveraging partnerships.
- Continue with cost-saving, asset optimization and revenue enhancement initiatives; without compromising on SHEQ.
- Completing techno-commercial studies for key projects.
- In the interim will explore LNG from Coega as possible feedstock for the GTL Refinery, and to brulpadda as possible long-term feedstock solution

CEF (SOC) Ltd

SFF Income Statement as at 31 March 2019

INCOME STATEMENT	2019	2018	Movement	Comments
	R'm	R'm	R'm	
Revenue	**246**	**634**	**- 388**	Unfavorable market conditions (-61% decline)
Cost of sales	-	-	-	
Gross Margin	**246**	**634**	**- 388**	
Net Other Income	11	6	5	
OPEX	- 450	- 318	- 132	Up Prov for doubtful debts (Commerc. & Strat Stock)
Operating loss	**- 193**	**322**	**- 515**	
Investment income	411	331	80	Interest rates increased on higher cash balances
Finance costs	- 31	- 21	- 10	Notional interest on abandonment liabilities
Fair value adjustments	744	- 401	1 145	Holding $ balances in weakening ZAR environment
Net Profit / Loss	**931**	**231**		

Concluding Remarks

Our Status

- Despite unfavorable market conditions, SFF still finished the financial year with a Net Profit close to a Billion Rand.
- We remain a highly liquid entity with cash reserves of R8.3 Billion (R5.2 billion from Strategic Stock "Sale").
- To assert our ownership rights to the Strategic Stock, we approached the W.C. High Court.

Looking Ahead

- The period ahead remains tough for Tankage Business, with the OPEC production oil cuts.
- Accelerate the Revenue Diversification Program by:
  - ❑ MIDSTREAM
  - ✓ Pursue Finished Product Storage Infrastructure.
  - ✓ Pursue Government to Government Oil barrels trading.
  - ✓ Have an Oil Producing Country storing in Saldanha .
  - ❑ VERTICAL INTEGRATION
  - ✓ Execute the Oil Exploration work program.

PASA Income Statement as at 31 March 2019

INCOME STATEMENT	2019 R'm	2018 R'm	Movement R'm	Comments
Revenue	37.4	42.8	(5.4)	Exploration and data revenue decreases due to legislative uncertainty
Grant Income	88.0	87.1	0.9	
Gross Margin	**125.4**	**129.9**	**(4.5)**	
Net Other Income/ (Expenses)	(107.6)	(107.1)	(0.5)	Stable expenditure profile
Investment Income	20.0	16.2	3.8	
Cash Profit	**37.8**	**39.0**	**(1.2)**	
Non-cash items				
Depreciation	(4.2)	(3.0)	(1.2)	
Profit / Loss for the year	**33.6**	**36.0**	**(2.4)**	

PASA Concluding Remarks

- Contribution to new oil and gas legislation
- Shale gas research (DMRE ring-fenced funding allocation)
- New online application system
- ECSC defence and funding
- Resource evaluation
- Promotion
- Data archiving and management – petroleum data

iGas Statement of Profit/(loss) for 5 years

Profit/(loss) for the year by business segment					
Figures in Rand thousand					
	2015	**2016**	**2017**	**2018**	**2019**
Other operating income	5	127	-	-	68
Other operating expenses	(12,385)	(14,525)	(18,363)	(25,045)	(22,085)
Operating profit (loss)	**(12,380)**	**(14,398)**	**(18,363)**	**(25,045)**	**(22,017)**
Investment Income	138,516	167,802	150,012	390,454	396,996
Finance costs	(4,779)	(1,185)	(14,033)	(6)	(73)
Profit (loss) before taxation	**121,357**	**152,219**	**117,616**	**365,403**	**374,906**
Taxation	(3,500)	(4,626)	(9,441)	(10,619)	(14,799)
Profit (loss) for the year	**117,857**	**147,593**	**108,175**	**354,784**	**360,107**

- iGas's profits have been increasing over the years, mainly due to higher dividends received from Rompco.
- The growth in the investment income from Rompco is due to the increase in the pipeline capacity and reduction in debt.

IGAS Concluding Remarks

Our Status

- iGas is in a healthy financial position mainly due to management's focus on maximising ROMPCO income.
- Opportunities exist in the market for playing a leading role in bulk gas supply to the South African market.

Looking Ahead

- The next two years are crucial for iGas to grow its asset base as ROMPCO income is expected to decline from 2023 due to the upstream gas supply challenges.
- The Coega LNG importation terminal is a flagship investment for the region and will be game changer for gas supply to South Africa. This will require investment in skilled resources and ongoing capacitation of iGas. (The project has potential to create several thousands of meaningful jobs during the construction phase within 3 years)

Equalization Fund

Reducing
Fuel price
volitality

Equalisation Fund Statement of Financial Peformance

Statement of Financial Performance		
Figures in thousand rands	2019	2018
Revenue		
Revenue from exchange transactions		
Interest received - investment	78,712	93,931
Revenue from non-exchange transactions		
Transfer revenue		
Levies	873,317	75,089
Gain on foreign exchange	740,540	-
Total revenue from non-exchange transactions	**1,613,857**	**75,089**
Total revenue	**1,692,569**	**169,020**
Expenditure		
Loss on foreign exchange	-	(326,240)
Levies payments	(948,939)	(70,537)
General Expenses	(4,846)	(3,815)
Total expenditure	**(953,785)**	**(400,592)**
Surplus (deficit) for the year	**738,784**	**(231,572)**

- Equalization Fund made a surplus of R738 million, the surplus is mainly due to the foreign exchange gain of R740 million.

Key Challenges

- The IP Tracer Dye Levy collected is insufficient to pay for the IP Tracer Dye claims. The levy that is imposed is 0.01 cents per litre, however the claims are 0.14 cents per litre. Therefore there is a gap of 0.13 cents per litre.

Equalization Fund – Performance against Pre determined Objectives

Focus Areas	Objectives	Results
Financial Sustainability	Ensuring the Fund is solvent and liquid (10%)	
Operational Excellence	Improving and updating of business processes (5%)	
Fund Administration	Collection of the imposed levies from the Schedule C Oil Companies with reference to the regulations applicable to the levy collection (10%) Payments of claims from the industry with supporting documents as approved by the DoE (10%) Investments of the monies received into interest bearing accounts (10%) Invoicing Oil Companies for late payment of levies received and late submission of audit certificates (5%)	
Petrol Price	Calculate the petrol price daily and monthly for approval and publication by the DoE (25%)	
Governance	EQF receives and unqualified audit opinion (10%) Submission of monthly management report to EXCO and DoE and quarterly report to the CEF BARC and CEF Board for approval (15%)	