2010 Annual Results

Portfolio Committee
On Public Enterprises

7 Sept 2010

Today's agenda and presenters

1. Overview and financial performance	Mpho Makwana
2. Results of operations	Paul O'Flaherty
3. Liquidity and capital resources	Paul O'Flaherty
4. Funding gap	Paul O'Flaherty
5. Operating highlights and challenges	Brian Dames
6. Strategic Initiatives	Brian Dames
7. Outlook	Mpho Makwana

Overview and financial performance

Mpho Makwana
Chairman

On the path to recovery

- Return to profitability
- We are keeping the lights on...
- While making significant investments in a brighter future
- A clear recovery strategy in place with a realistic timeline
  - First results are encouraging, but the next few years pose tough challenges
- In a long term industry, our timetable, efficiency targets and renewable energy commitments are ambitious
- Board and Executive team fully in place
- Successful World Cup 2010

On the path to recovery

Eskom

Securing energy supply	• **No load shedding** since end-April 2008 • Reserve margin at **16,4%** • **Ready to power 2010** FIFA World Cup™

Driving generating capacity	• **452MW** of additional capacity commissioned
	• **600km** of high-voltage transmission lines added
	• **12 300MW** of additional capacity by 2017
	• Significant funding secured to finance the capacity expansion program:
	  – **R21 billion** loan from the African Development Bank (Medupi)
	  – **R19 billion** COFACE & HERMES covered ECA facilities (Medupi & Kusile)
	  – **R28 billion** loan from the World Bank (Medupi and renewable energy)

Improving financial health	• Return to profitability: **net profit of R3,6 billion** (2009: loss of R9,7 billion) • Renegotiated commodity-linked power agreement with key customer • Funding solution well advanced with shareholder support
Strategic focus	• New leadership thrust, Eskom board, management and shareholder aligned around the turnaround plan

A supportive shareholder	• Strong Government support to provide financial resources needed to deliver on the build program:
	  – **R60 billion** subordinated shareholder loan (R40 billion advanced)
	  – **R176 billion** South Africa government guarantee (R117 billion committed)

Shareholder compact

Performance area	Company level performance indicator	2009 /2010 Actual	2009 /2010 Target	Goal achieved
Provision of electricity	Generation capacity	452MW	420MW	✓
	Transmission lines	600km	428km	✓
	Transmission MVA	1 630MVA	1 365MVA	✓
Reliability of supply	Load shedding	None	None	✓
	Internal energy efficiency (1)	46,7GWh	15%	✓
	New capacity capital expenditure	R33 713m	R50 454m	×
Business sustainability	Cost / kWh (2)	R0,25	R0,27	✓
	Debt: equity	1,68	1,75	✓
	Interest cover	0,45	0,23	✓
Skills development, procurement	Local content	73,9%	50,0%	✓
	Eskom trainees	5 255	4 500	✓
	Engineering trainees	3 780	3 500	✓
	Non-Eskom learners	236	450	×

1.Target to be set at end of August 2010 at 15% of base case
2. Cost excludes depreciation, fair value, forward exchange cost, embedded derivatives and other income

We are a significant contributor to the SA economy

- **We provide power to all of South Africa**
  - Power is like oxygen to the economy
  - This is our core focus
- **The current operations have a substantial macro-economic footprint**
  - We support other industries
  - We create jobs in the total value chain
- **Assist quality of life through transformation and support of B-BBEE**
- **Commitment to good governance**
- **The capital expansion programme is a major economic stimulus**
  - Ensuring adequate power for the future
  - Driving economic growth in South Africa and sub-Saharan Africa
  - Since 1991 we have electrified 3 901 054 homes. In 2009/10 we electrified 149 901 against 145 615 target

Wealth distribution

R million	2010	2009
Employees	17 390	15 135
Debt providers	11 085	7 755
Taxes	2 080	(3 786)
Communities	59	88
Reinvested	1 112	(8 186)
Wealth created	**31 726**	**11 006**

…creating new industries in South Africa

New fabrication and training facilities established

- Brand **new** fabrication facility built in Nigel **11,000m2** boiler pressure part

  - Boiler Membrane Wall Workshop
  - Two new CNC Benders commissioned
  - New welding training centre
  - CNC header drilling machine

- **Training facilities** in Gauteng
- **1400** artisans, **60** engineers, **36** operators, **24** maintenance workers

90% of major orders placed on Mechanical equipment

Equipment	Local content
Air Cooled Condenser (ACC)	>90%
Major pumps	>55%
Heaters	>45%
LP outer casing Unit 6	100%
Feedwater tank	>80%
Heaters Drain recovery pumps	>20%




Results of operations

Paul O’Flaherty
Finance Director

Key financial performance indicators

R million	2010	2009	Change in %
Revenue	71 209	54 177	31
Other income	557	610	(9)
Primary energy	(29 100)	(24 884)	17
Opex (including depreciation & amortisation)	(31 916)	(29 626)	8
Net fair value loss on financial instruments	(5 945)	(2 392)	149
Embedded derivative gain/(loss)	2 284	(9 514)	(124)
Operating profit /(loss)	**7 089**	**(11 629)**	**(161)**
Net finance costs	(1 237)	(1 167)	6
Income tax	(2 080)	3 786	(155)
Profit/(loss) for the year	**3 620**	**(9 668)**	**(137)**
EBITDA	10 531	2 803	275

Note: Reconciling items to profit for the year amount to R152 million: (a) R14 million share of profit of equity accounted investees, (net of tax) (b) R166 million loss for the year from discontinued operations

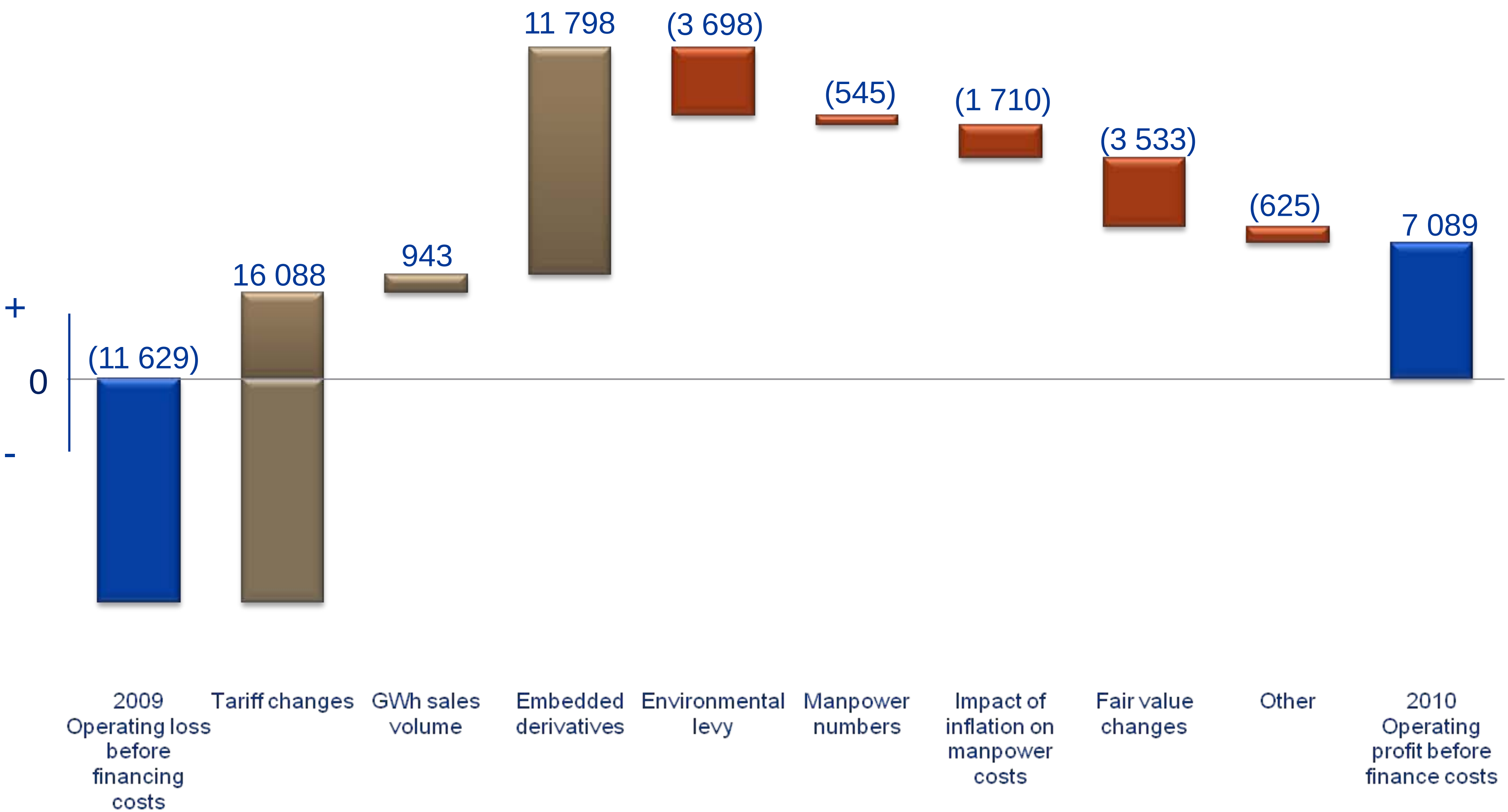
Key performance ratios

		2010	2009
Current ratio[1]	ratio	0,99	1,02
Debt: equity including long-term provisions	ratio	1,55	1,22
Interest cover	ratio	0,57	(0,80)
Free funds from operations (FFO)	Rm	10 531	2 803
Return on total assets	%	2,2	(1,2)
Return on average equity	%	5,6	(16,0)
Revenue per kWh (total electricity sales)	cents per kWh	31,9	24,7
Operating costs per kWh [2] (electricity business)	cents per kWh	28,2	25,9
Bad debt as % of revenue	%	0,82	1,54
Average days debtors	days	22	21
Average days coal stock	days	37	41

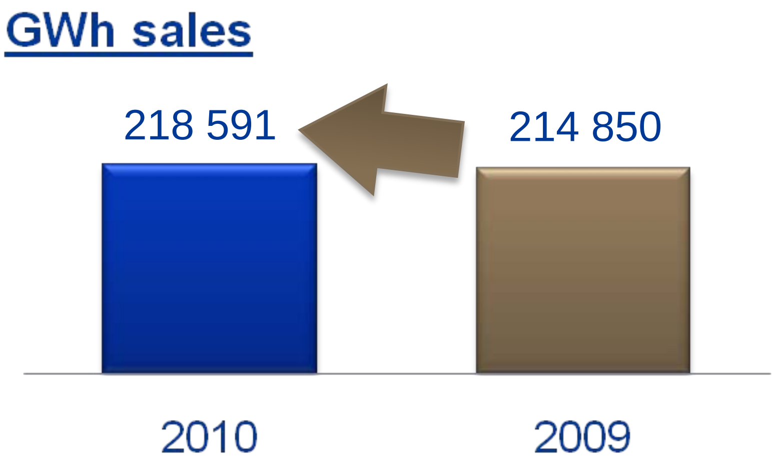
(1) Current ratio is calculated as: current assets / current liabilities
(2) Operating costs including depreciation and amortisation

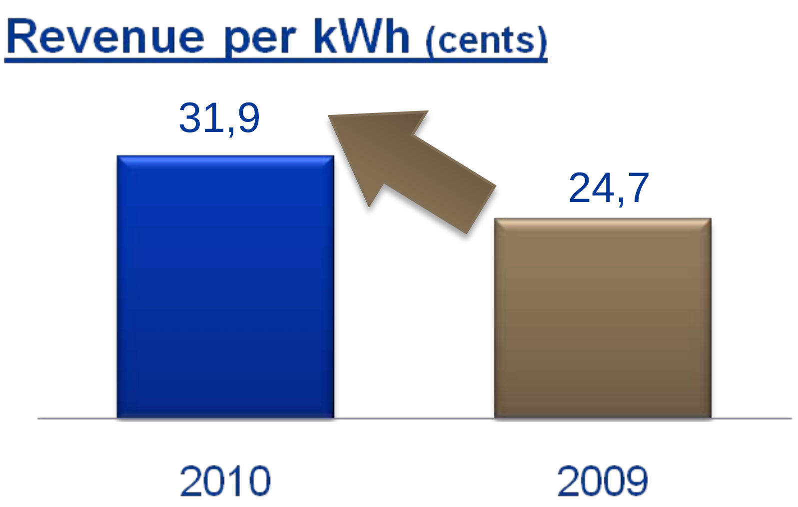
Net operating income

R million



Revenue growth driven by tariff increase



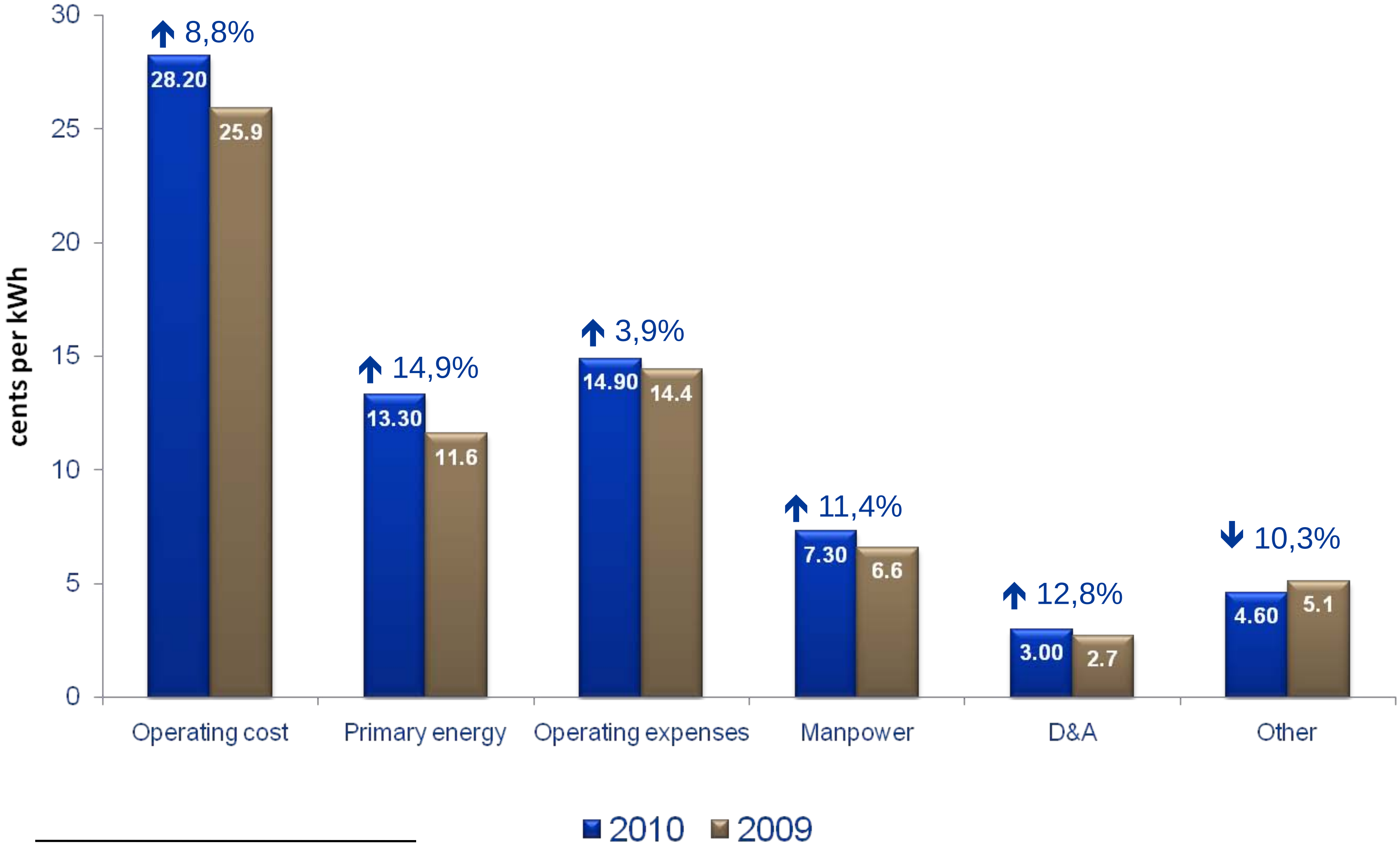


Electricity business

- **1,7%** ↑ in GWh sales
- Improving economic growth
- Return to 2007 volumes

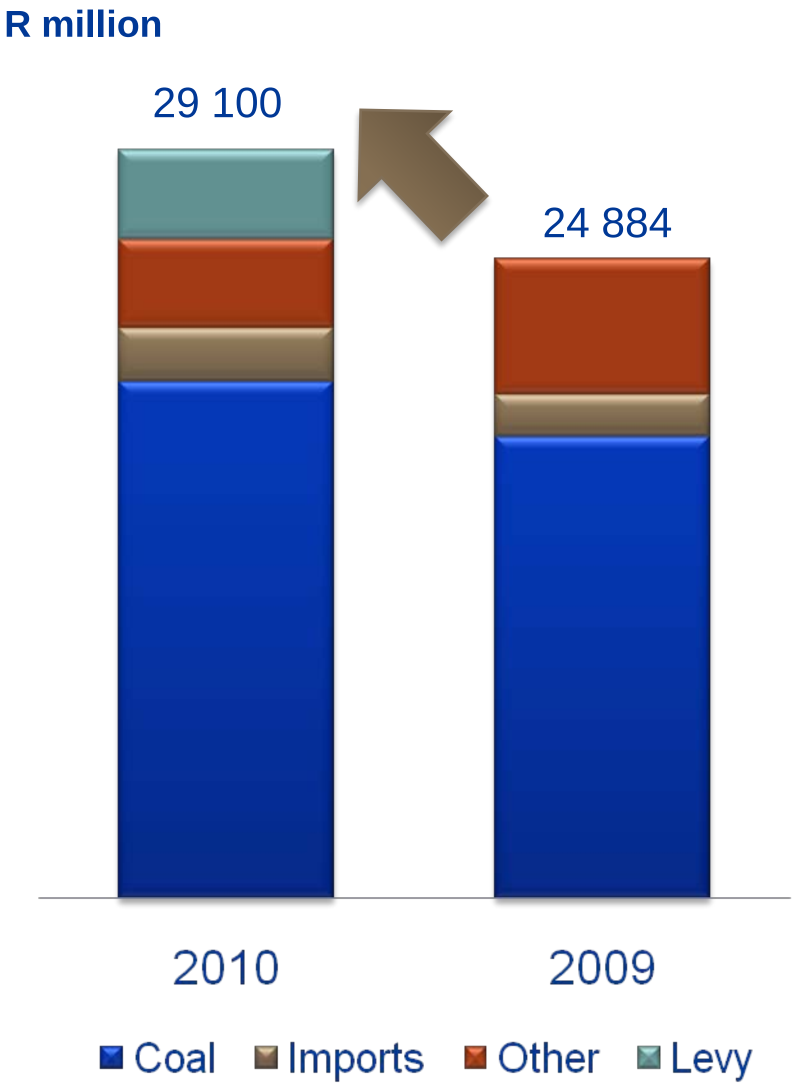
- **29,5%** ↑ in average revenue per kWh
- **31,3%** ↑ in tariff granted by NERSA in June 2009 (interim tariff)

Operating costs per kWh (cents) (1)



(1) Electricity business

Primary energy cost efficiencies



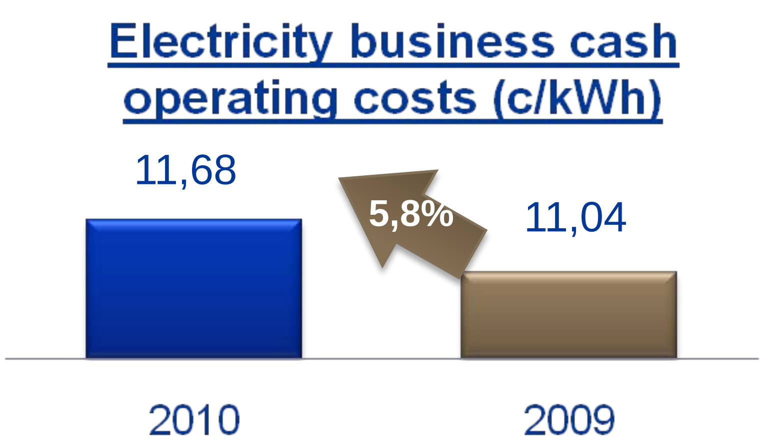
- **16,9%** ↑ in primary energy
    - **2,1%** ↑ excluding environmental levy
- **2c/**kWh environmental levy implemented July 2009 - **R3,7** billion impact
- Primary energy to revenue ↓ from **47%** to **41,7%**
    - **36,4%** excluding environmental levy
- Implementation of long-term coal strategy
- Short/medium-term coal supplies secured at lower prices
- Less use of OCGTs (diesel)

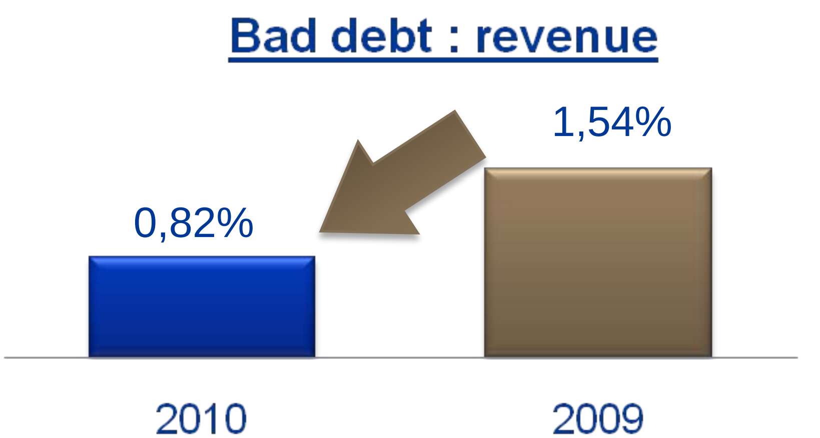
	2010	**2009**	**Change in %**
Coal burnt (Mt)	122,70	121,16	1,2%

Cash opex increase in line with inflation

R Million	2010	2009	Change in %
Employees	17 390	15 135	15
Other	8 148	8 584	(5)
Cash Opex	**25 538**	**23 719**	**7**
Non Cash	6 378	5 907	8
Total Opex	**31 916**	**29 626**	**8**

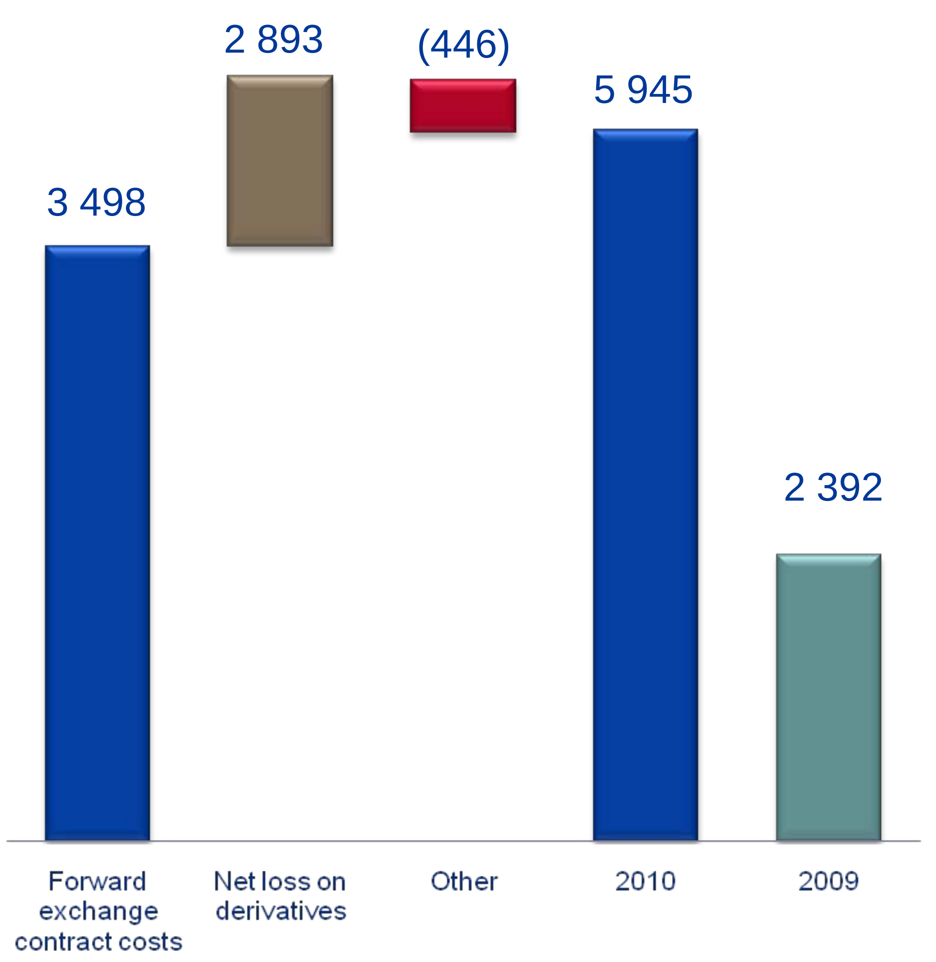
- Increase in cash operating costs in line with inflation
- ↑ in employees by **1 365** to **39 222**
- Bad debt resolutions with large customers
- Increase in depreciation due to higher capacity expenditure





Net fair value loss on financial instruments

R million

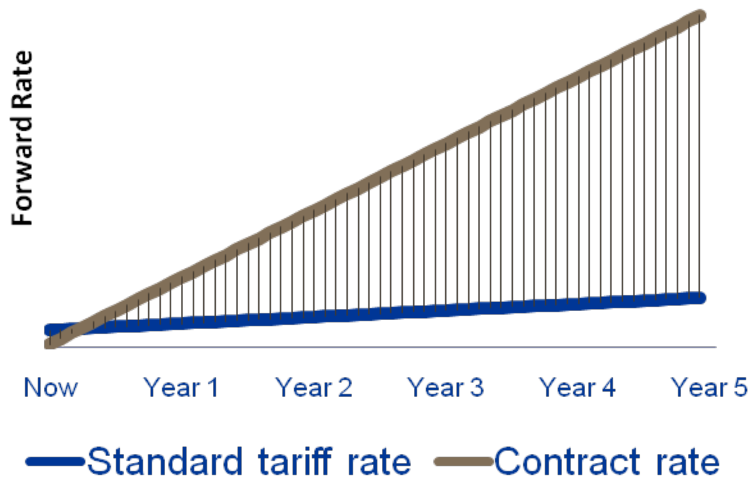


- **R3,6 billion ↑** in fair value losses
- **R1,0 billion ↑** in forward cover costs due to higher capex

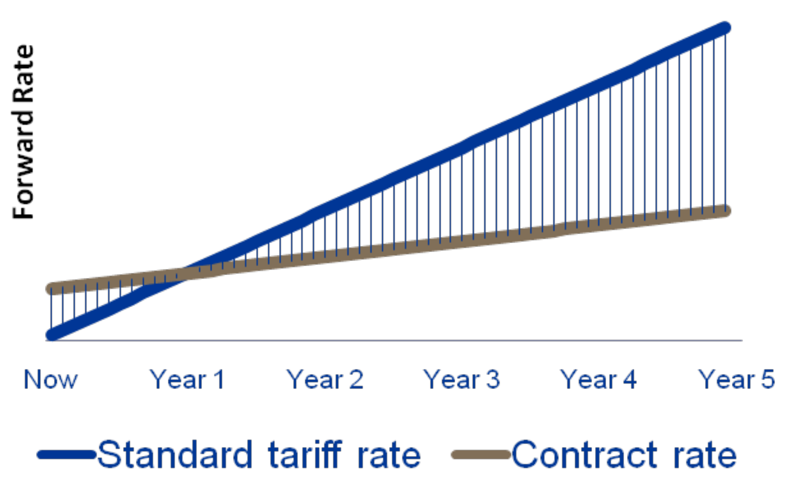
Embedded derivatives explained

- Embedded derivatives are the present value of the expected gain (asset) or loss (liability) as a result of SPA rates being different to tariff rates
- Net annual movement in embedded derivatives is recorded in the income statement
- Calculation of an embedded derivative relates to a measurement of opportunity profit / loss on revenue and is not compared to cost of production

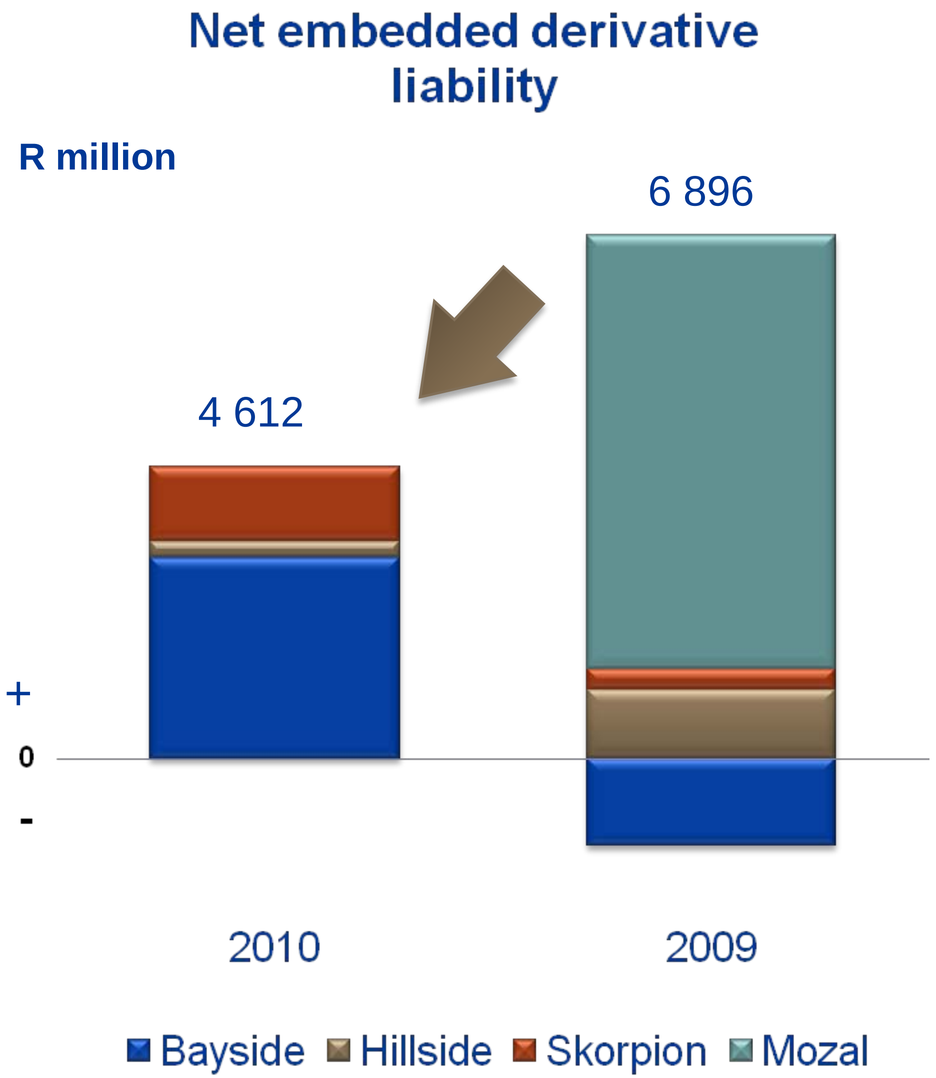
Asset = Contract rate > Tariff rate



Liability = Tariff rate > Contract rate



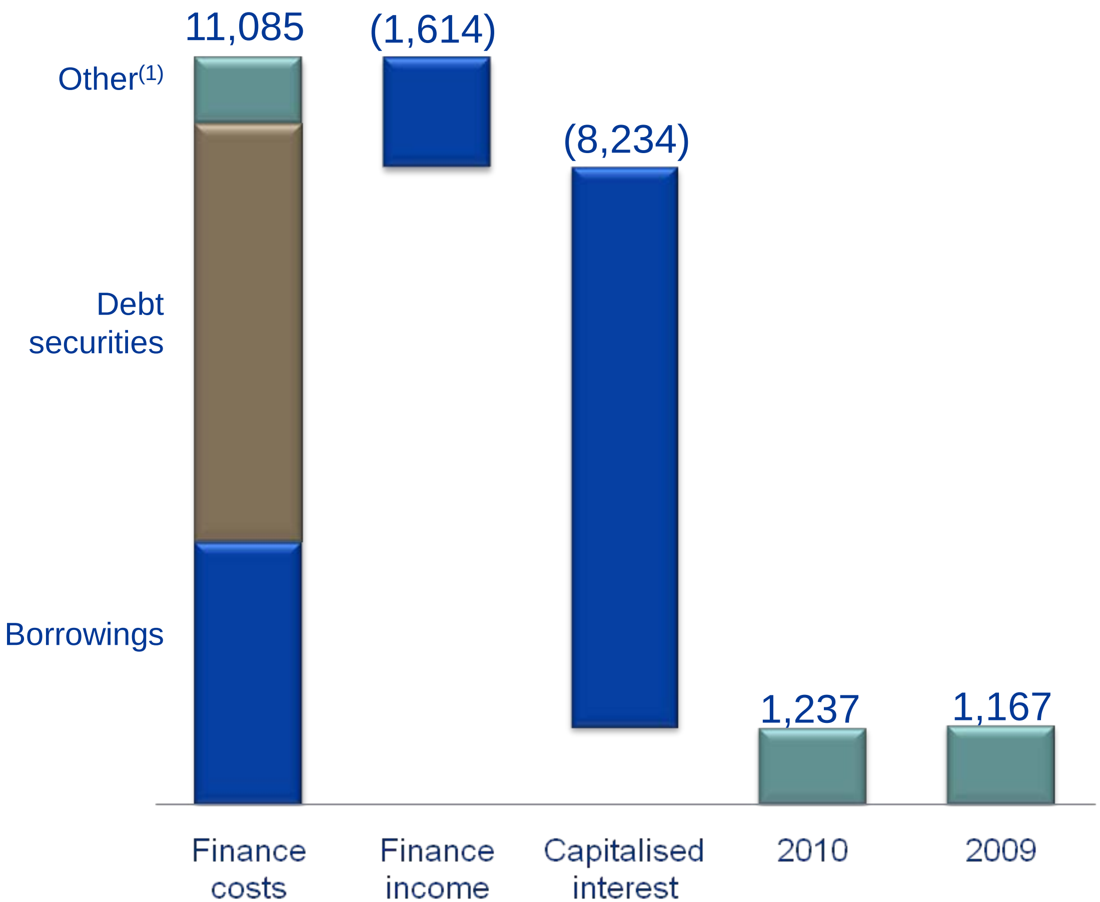
Reducing embedded derivative exposure



- Significant progress made in reducing exposure to embedded derivatives
- **R2,3 billion** ↓ in net liability reflected as fair value gain
- Negotiations expected to be concluded in the next year

Net finance costs

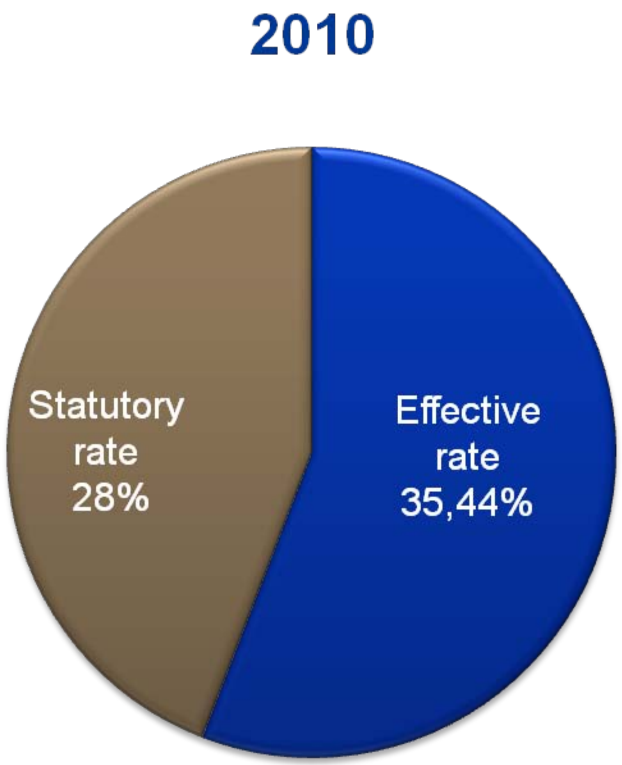
R million

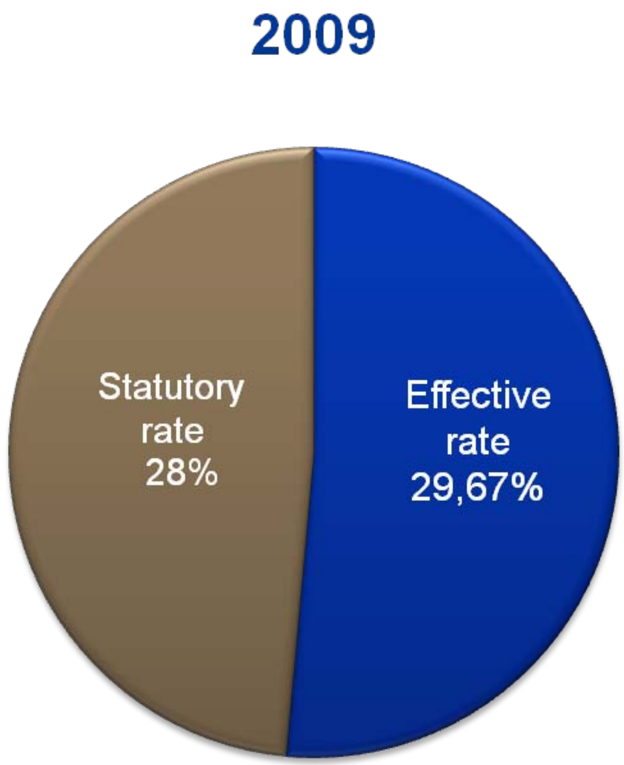


(1) Other comprises unwinding of interest and change in discount rates

- **R4,8 billion** ↑ in capitalised borrowing costs
- Increased capex
- Higher portion of capex funded by borrowings
- Finance costs include **R4,5 billion** due to re-measurement of subordinated shareholder loan
- Average cost of funding ↑ from **10,2%** to **12,4%**

Effective tax rate





Liquidity and capital resources

Paul O'Flaherty
Finance Director

Statement of financial position

R Million	2010	2009
Assets		
Non-current assets	**203 182**	**158 196**
Property, plant and equipment	187 905	138 642
Future fuel supplies	3 768	3 510
Investment in securities	2 392	3 558
Payments made in advance	2 856	5 081
Embedded derivatives	-	1 135
Other	6 261	6 270
Current assets	**42 953**	**41 106**
Inventories	7 378	6 581
Trade and other receivables	9 391	8 191
Cash and cash equivalents	15 541	18 392
Embedded derivatives	110	231
Other	10 533	7 721
Total Assets	**246 135**	**199 302**

	2010	2009
Equity	**70 222**	**59 578**
Non-current liabilities	**132 700**	**97 362**
Debt securities issued	59 322	44 253
Borrowings	34 628	12 796
Embedded derivatives	4 583	8 219
Provisions	8 494	8 883
Other	25 673	23 211
Current liabilities	**43 213**	**42 362**
Trade and other payables	16 331	16 701
Borrowings	9 143	13 811
Derivatives held for risk management	4 644	2 626
Embedded derivatives	139	43
Other	12 955	9 181
Total equity and liabilities	**246 135**	**199 302**

Statement of cash flow

R million	2010	2009
Cash generated from operating activities	11 646	11 764
Cash used in investing activities	(48 934)	(42 945)
Net cash from financing activities	34 383	38 871
Net increase / (decrease) in cash and cash equivalents	**(2 906)**	**7 690**
Cash and cash equivalents at the beginning of the period	18 447	10 893
Cash/cash equivalent from/(to) non-current asset for sale	65	(201)
Cash and cash equivalents at the end of the period	**15 541**	**18 382**

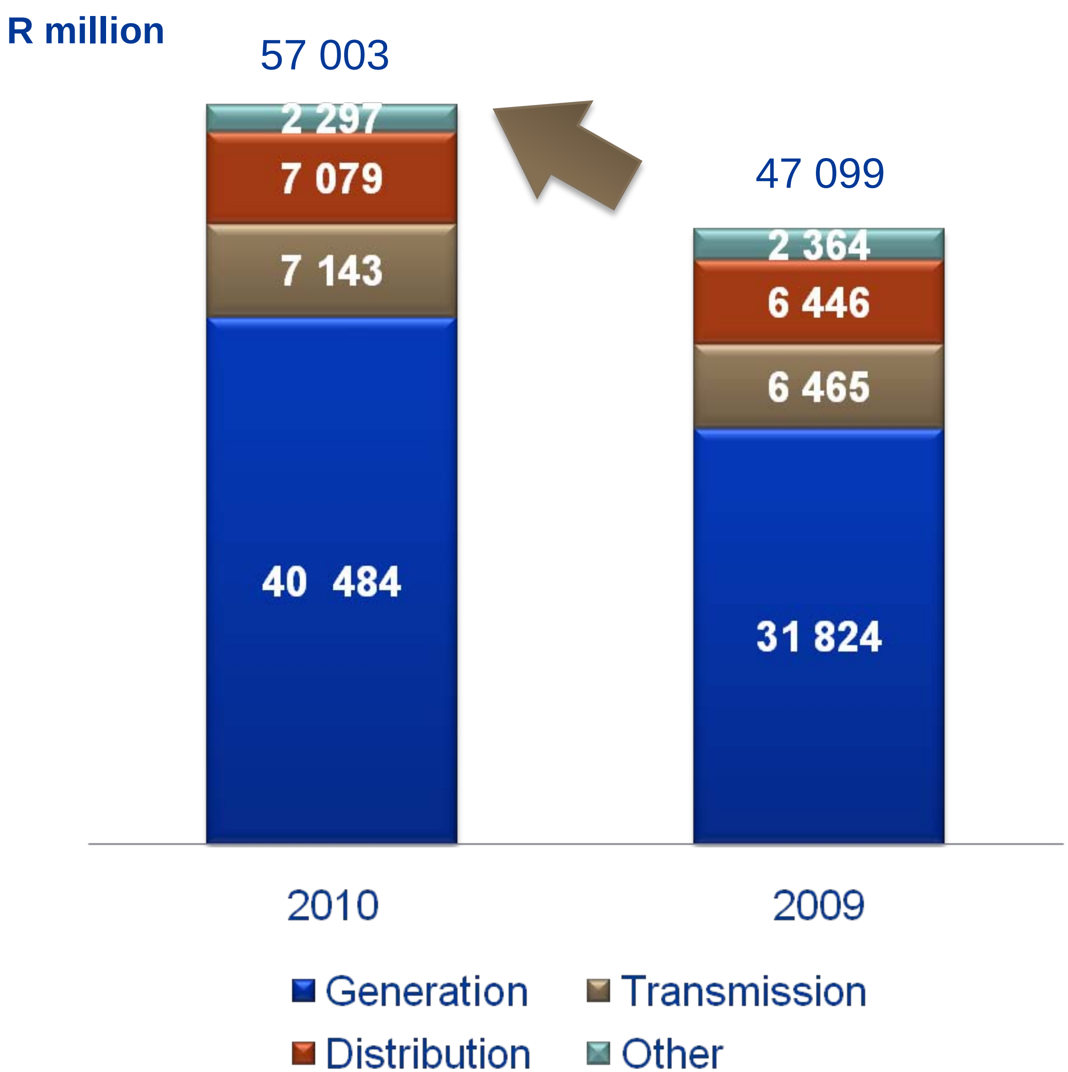
Free funds from operations	10 531	2 803
Debt service cover ratio	0,86	(0,55)

Working capital

	2010		2009	
	R million	Days	R million	Days
Inventories	7 378	37	6 581	41
Trade and other receivables	9 391	22	8 191	21
Trade and other payables	(16 331)		(16 701)	
Net working capital	**438**		**(1 929)**	

- Decline in coal days stock due to underperforming coal mines and unusually heavy rainfall
- 37 days relate only to coal stock
- Investment in working capital includes construction accounts payable

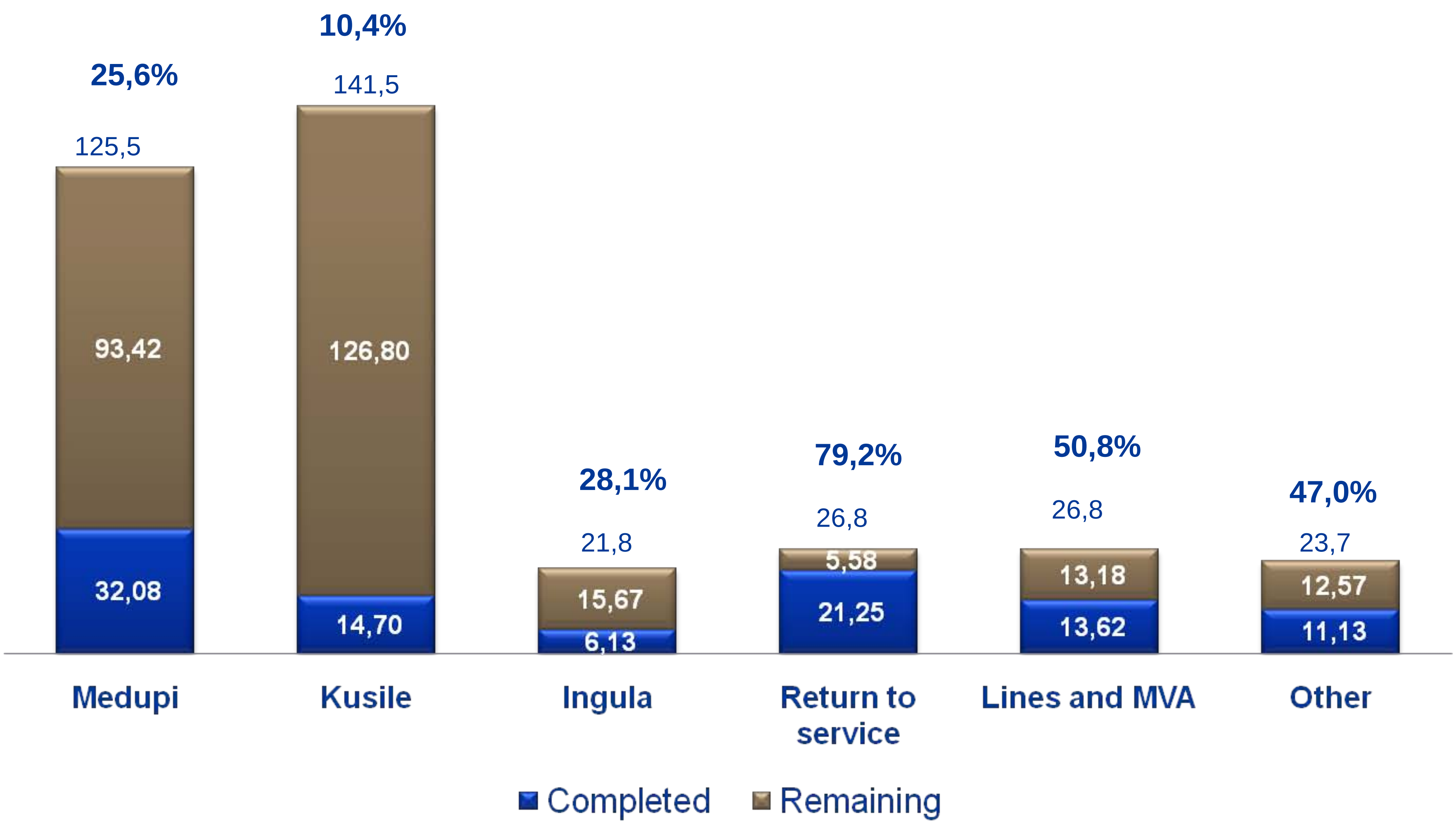
Capital expenditure



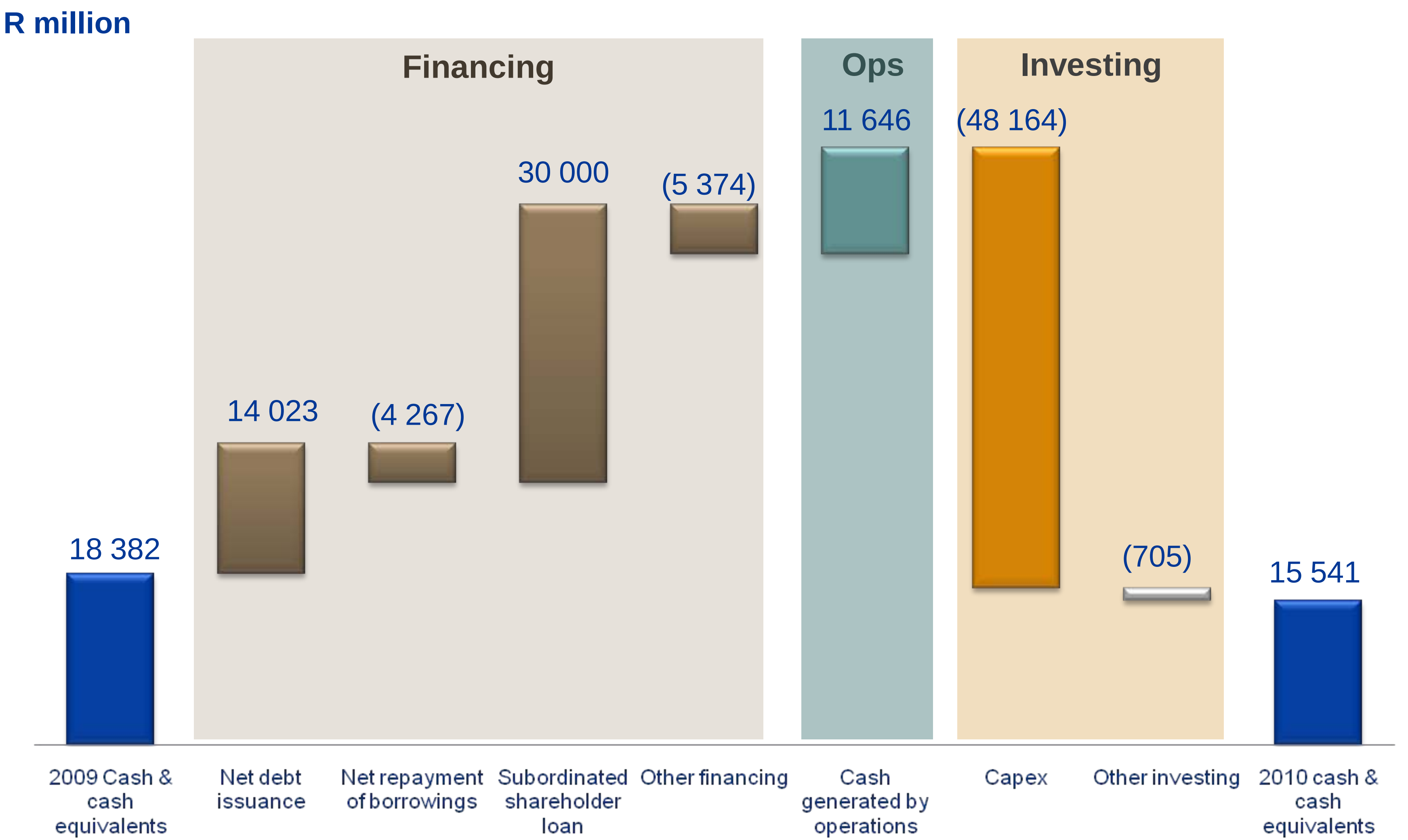
- ↑ of **48%** driven by capacity expansion program
- Additional capacity of **452MW** added. Target exceeded by **32,5**MW
- **600km** of new transmission lines. Target exceeded by **172km**
- **1 630MVA** new transformers. Target exceeded by **265MVA**

Significant progress in build programme

R billion and % completion



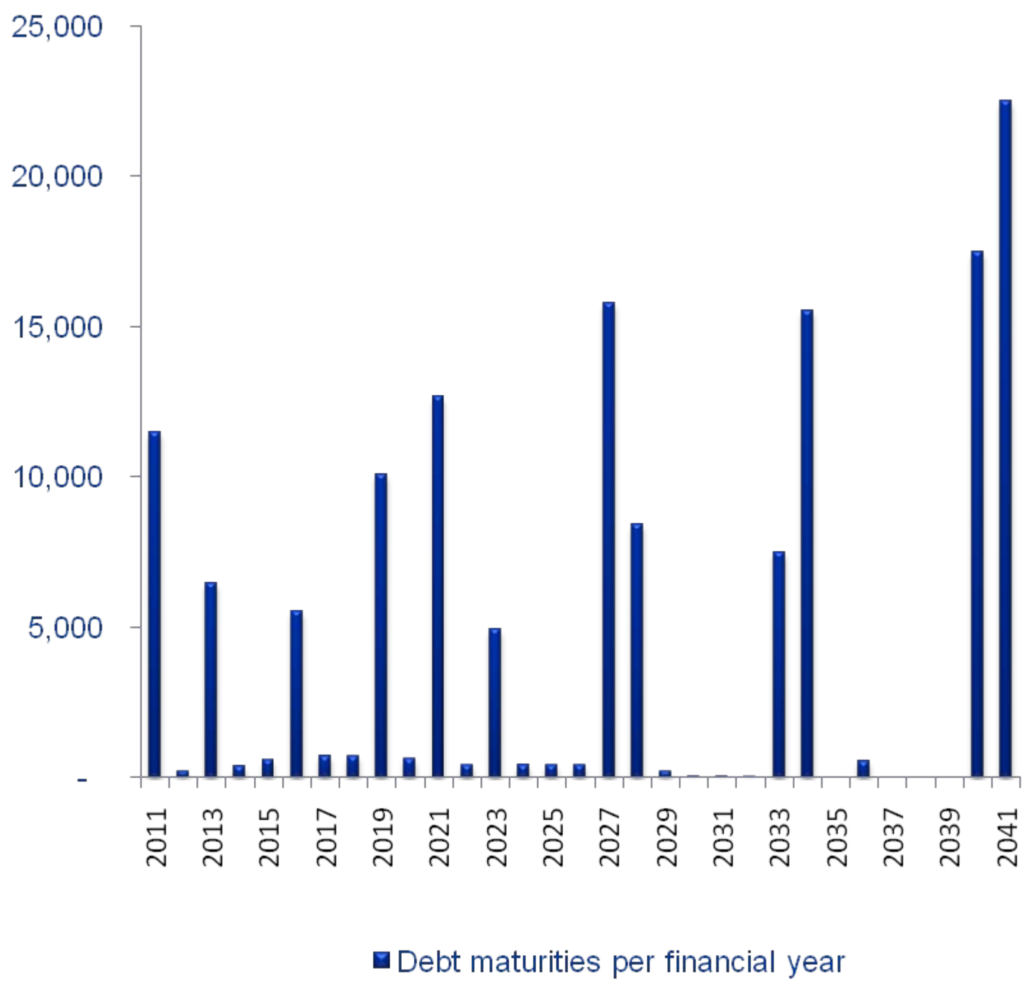
Capex funded primarily by borrowings



Debt maturities and sources of liquidity

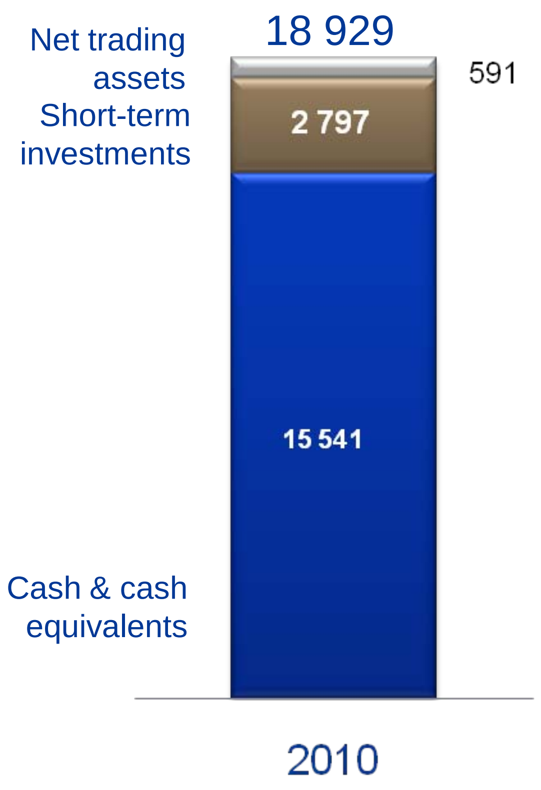
Debt maturities

R million



Strong sources of liquidity

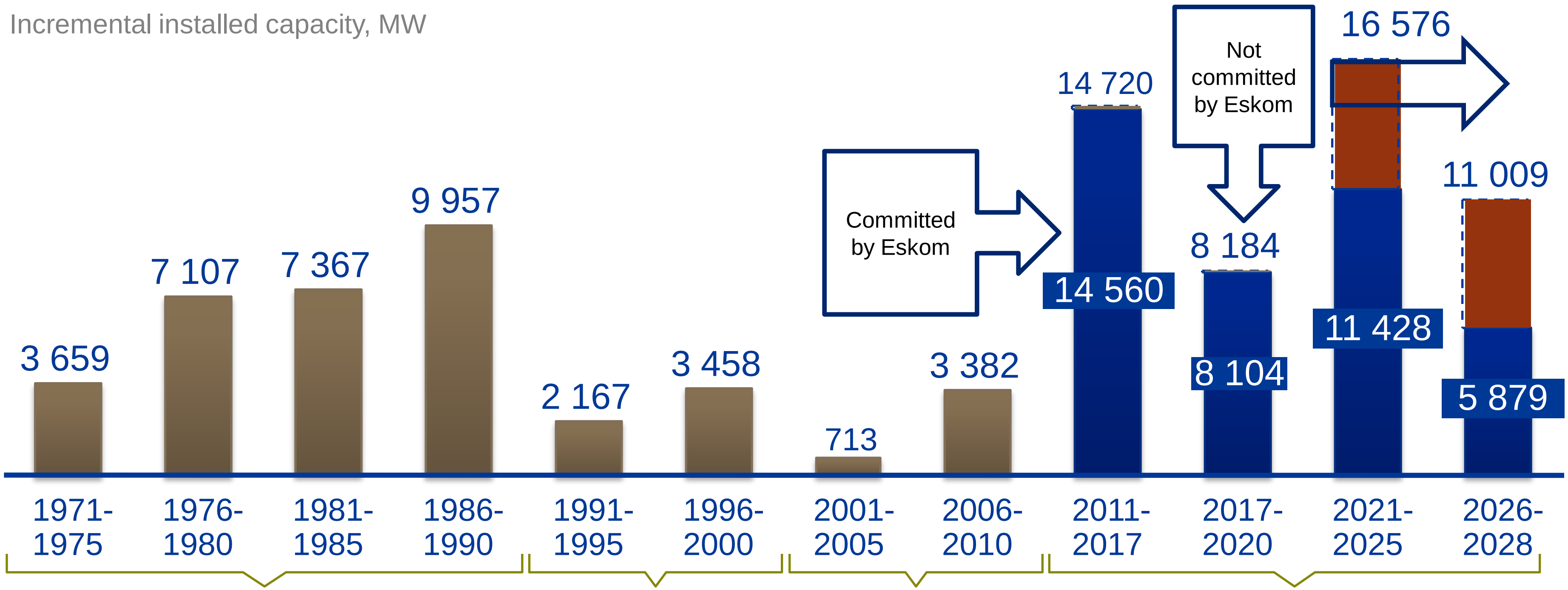
R million



Funding Gap

Paul O’Flaherty
Finance Director

South Africa needs to create 50GW[1] of new electricity capacity by 2028, requiring a faster build rate than ever before



- Huge Eskom-driven investment, with clear objective to provide abundant cheap power

- Excess capacity - more than 10GW mothballed

- Under-investment, despite warnings of looming crisis
- IPPs did not deliver as intended
- Significant capacity returned to service through de-mothballing

- Future capacity needs require a massive build programme
  - Huge funding and skills requirements
  - Complex context involving multiple objectives, technologies and stakeholders

Actual installed[2]
Planned net increment (incl. DSM)
Planned to replace decommissioning

1 Including 10GW needed to replace decommissioned capacity, and 5GW of DSM (embedded in planned)
2 Historical figures do not include capacity to replace decommissioning

Eskom forecasts borrowing of an additional R190 billion to finance the build program to 2017 (R115 billion to 2013)

Key assumptions

- Committed and uncommitted capex for the seven year period of R693bn
- Reasonable tariff scenario of 24,8% in 2010/11, 25,8% in 2011/12, 25,9% in 2012/13. Then 25% in 2013/14 and 2014/15. Thereafter 6% in 2015/16 and 2016/17.

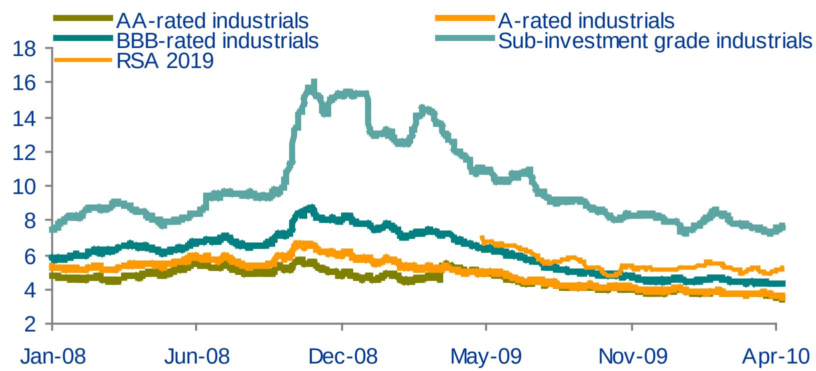
Funding requirement

R bn	YE Mar	2011	2012	2013	2014	2015	2016	2017	Total
Operating cash flow (pre-interest)		16,143	28,912	48,237	73,153	112,291	121,418	130,681	530,835
Loans, Financial assets & Interest payable		-20,519	-27,517	-40,634	-44,768	-42,045	-50,629	-51,819	-277,932
Operating cash flow (post-interest)		-4,376	1,395	7,602	28,386	70,246	70,790	78,862	252,904
Capex									
	Capex - Unapproved new capacity	-896	-766	-1,041	-1,797	-17,922	-54,087	-67,921	-144,430
	Capex for existing & approved capacity	-86,754	-93,654	-85,202	-66,988	-70,982	-73,867	-71,376	-548,822
	Total Capex	**-87,650**	**-94,420**	**-86,243**	**-68,785**	**-88,904**	**-127,954**	**-139,297**	**-693,252**
Funding gap		**-92,026**	**-93,025**	**-78,640**	**-40,399**	**-18,659**	**-57,164**	**-60,435**	**-440,348**
Committed & Signed									
	Government Loan	20,000	0	0	0	0	0	0	20,000
	DFI - EIB, World Bank, AFDB	20,545	12,548	6,906	2,676	2,082	0	0	44,757
	ECA - COFACE , JBIC & HERMES	13,482	6,222	2,471	1,321	0	0	0	23,496
	Total Committed & Signed	**54,027**	**18,770**	**9,377**	**3,997**	**2,082**	**0**	**0**	**88,253**
Cum cash surplus / (shortfall) including committed funding		*-37,999*	*-112,253*	*-181,517*	*-217,919*	*-234,496*	*-291,660*	*-352,095*	*-352,095*
Signed documentation Local Bonds & CPB's		22,000	22,000	22,000	22,000	25,000	25,000	25,000	163,000
	Total Signed documentation in place	**22,000**	**22,000**	**22,000**	**22,000**	**25,000**	**25,000**	**25,000**	**163,000**
Cum cash surplus / (shortfall) including committed and secured funding		***-15,999***	***-68,253***	***-115,517***	***-129,919***	***-121,496***	***-153,660***	***-189,095***	***-189,095***

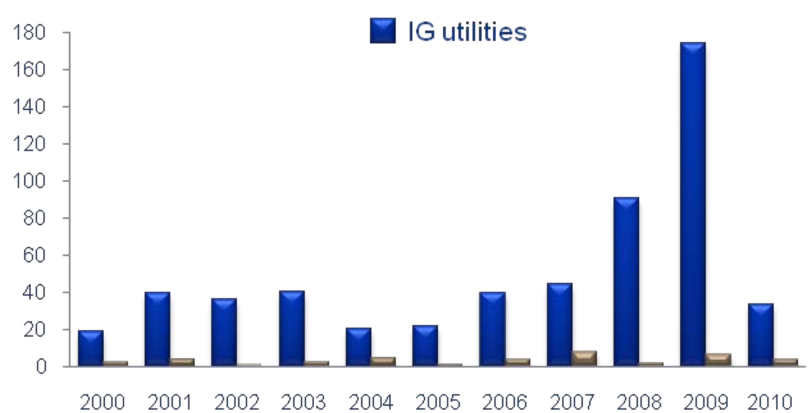
The funding requirement would rise significantly should a lower tariff scenario eventuate, increasing from R190bn to R412bn

Unless corrected, Eskom's current rating is at risk of downgrade, jeopardising Eskom's ability to finance

Yield performance of industrial issuers (Yield on EUR 7–10 year bonds %)

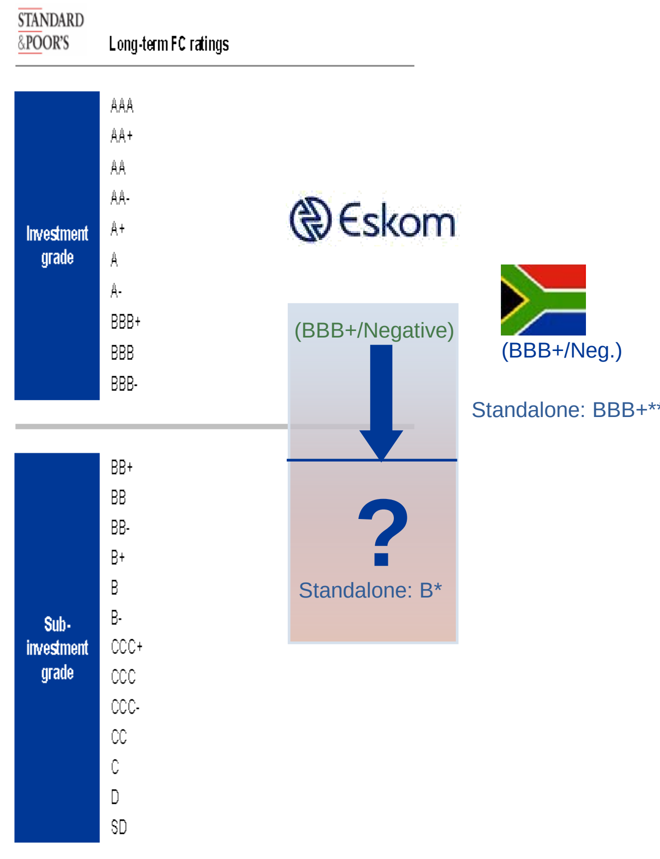


Bond issuance volumes of investment grade (IG) utilities vs. sub-investment grade utilities–US$ bn equivalent



Source: J.P. Morgan

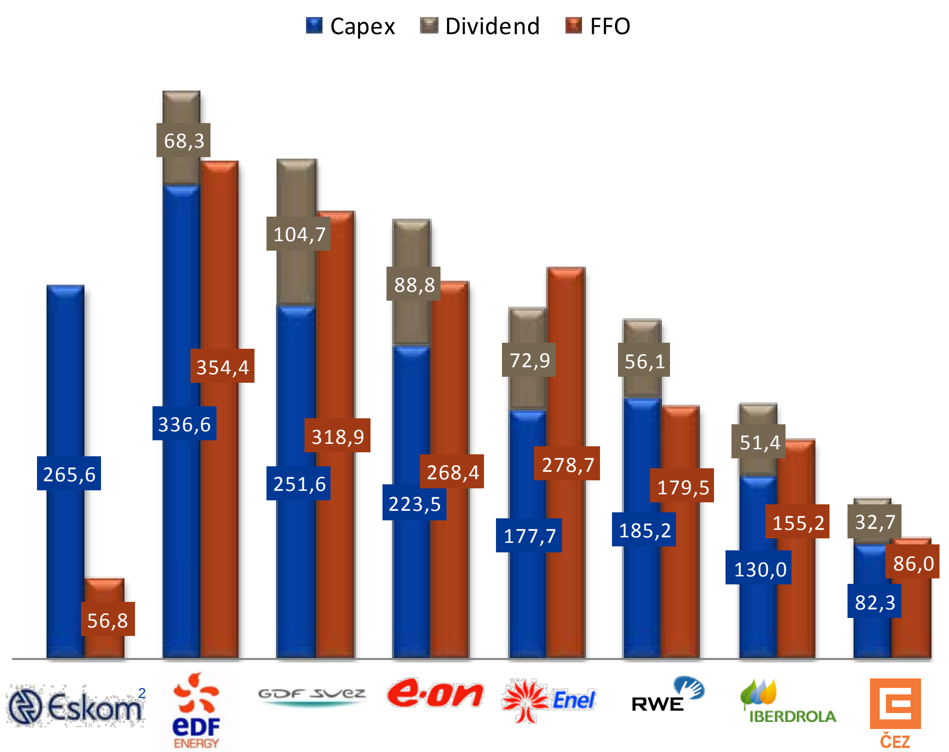
At present, without Government support, Eskom has a sub-investment grade ratings profile



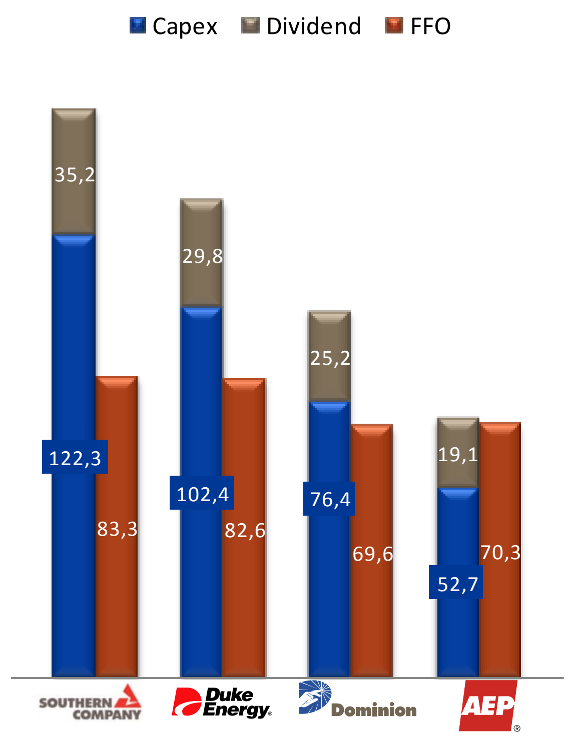
Many utilities have capex programs comparable to Eskom

Cumulative sources and uses of funds for the next 3 years[1] (2010E–2013E)

European peers (R bn)



US peers (R bn)



Source: FactSet as of April 14, 2010, company information. FFO = Funds from Operations, defined as cash from operations before changes in working capital
[1] Includes cumulative sources and uses of funds for the 2010-2013 period; [2] For Eskom, the FFO and capex have been calculated using the Committed Capex Case scenario. This has been calculated as a cumulative of Mar-11 to Mar-13. The FX rate used: €/R of 9.35136, $/R 7.64468

Given large funding needs, utilities typically target credit ratings of "BBB" or better

Ratings

Europe

Name	S&P Rating	Moody's rating
EdF	A+/Stable	Aa3/Stable
GDF Suez	A/Positive	Aa3/Negative
E.ON	A/Stable	A2/Stable
RWE	A/Negative	A2/Negative
Vattenfall AB	A/Negative	A2/Stable
Enel	A-/Stable	A2/Negative
CEZ	A-/Stable	A2/Stable
DONG energy	A-/Stable	Baa1/Stable
Iberdrola	A-/Stable	A3/Stable
EnBW	A-/Negative	A2/Stable
Israel Eelctric	BBB/Negative	Baa2/Stable

US

Name	S&P Rating	Moody's rating
Southern Company	A/Stable	A3/Negative
Duke Energy	A-/Positive	Baa2/Stable
Dominion	A-/Stable	Baa2/Stable
Mid American	BBB+/Stable	Baa1/Stable
American Electric	BBB/Stable	Baa2/Stable
Exelon Corp	BBB/Stable	Baa1/Stable
Public Service	BBB/Stable	Baa1/Stale
Entergy Corp	BBB/Stable	Baa3/Stable
FirstEnergy	BBB-/Stable	Baa3/Stable
Constellation	BBB-/Stable	Baa3/Stale

Other countries

Name	S&P Rating	Moody's rating
South Africa[1]	BBB+/Negative	Baa2/Stable
Russia[2]	BB+/Stable	Baa3/Watch Neg
Brazil[3]	BB/Stable	Ba1/Negative
India[4]	BBB-/Stable	Baa3/Stable

Proxy: [1] Eskom; [2] RusHydro; [3] CEMIG; [4] NTPC

Key credit metrics

	2010	2009	Appropriate Level
Adj FFO : Adj Total Debt	5,8%	8,7%	15% - 20%
Adj Net Debt : Adj EBITDA	4,3x	14,5x	<3,5x
Adj FFO Interest Coverage	1,3x	2,1x	>2,5x
Standard & Poor's			
Local currency	A- (Negative)	A- (Negative)	BBB+
Foreign currency	BBB+ (Negative)	BBB+ (Negative)	
Moody's			
Local currency	Baa2 Negative)	Baa2 (Negative)	Baa2
Foreign currency	Baa2 (Negative)	Baa2 (Negative)	
Fitch			
National long term	AAA (Stable)	AAA (Stable)	AA+
National short term	F1+ (Stable)	F1+ (Stable)	

Operating Highlights and Challenges

Brian Dames
Chief Executive

Operating highlights and challenges

Corporate Services

Human Resources

Generation Business

Customer Network Business

Contribution to Society

Operating highlights and challenges

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Human Resources

Generation Business

Customer Network Business

Contribution to Society

Operational performance – Corporate Services

Highlights

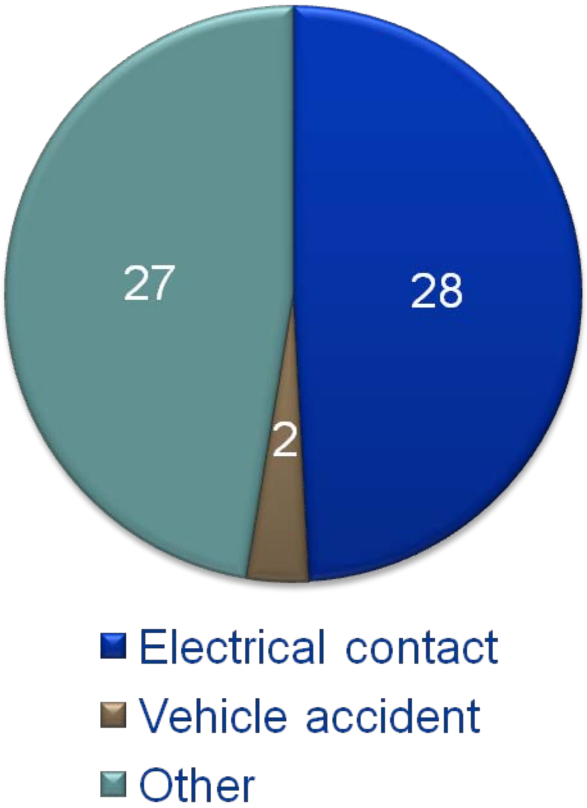
- Implementation of an integrated risk management system
- Integration of climate change considerations in the business
- Underground coal gasification
- Focus on research and innovation such as research project co-firing at Majuba power station
- Utility load manager (ULM) piloted successfully
- Safety improved and cardinal rules rolled out
- Inclusion of solar and wind in the South African Clean Technology Fund application

Challenges

- Suffered fatalities
- Safety measure of LTIR not at targeted level
- Conductor and lattice theft increasing

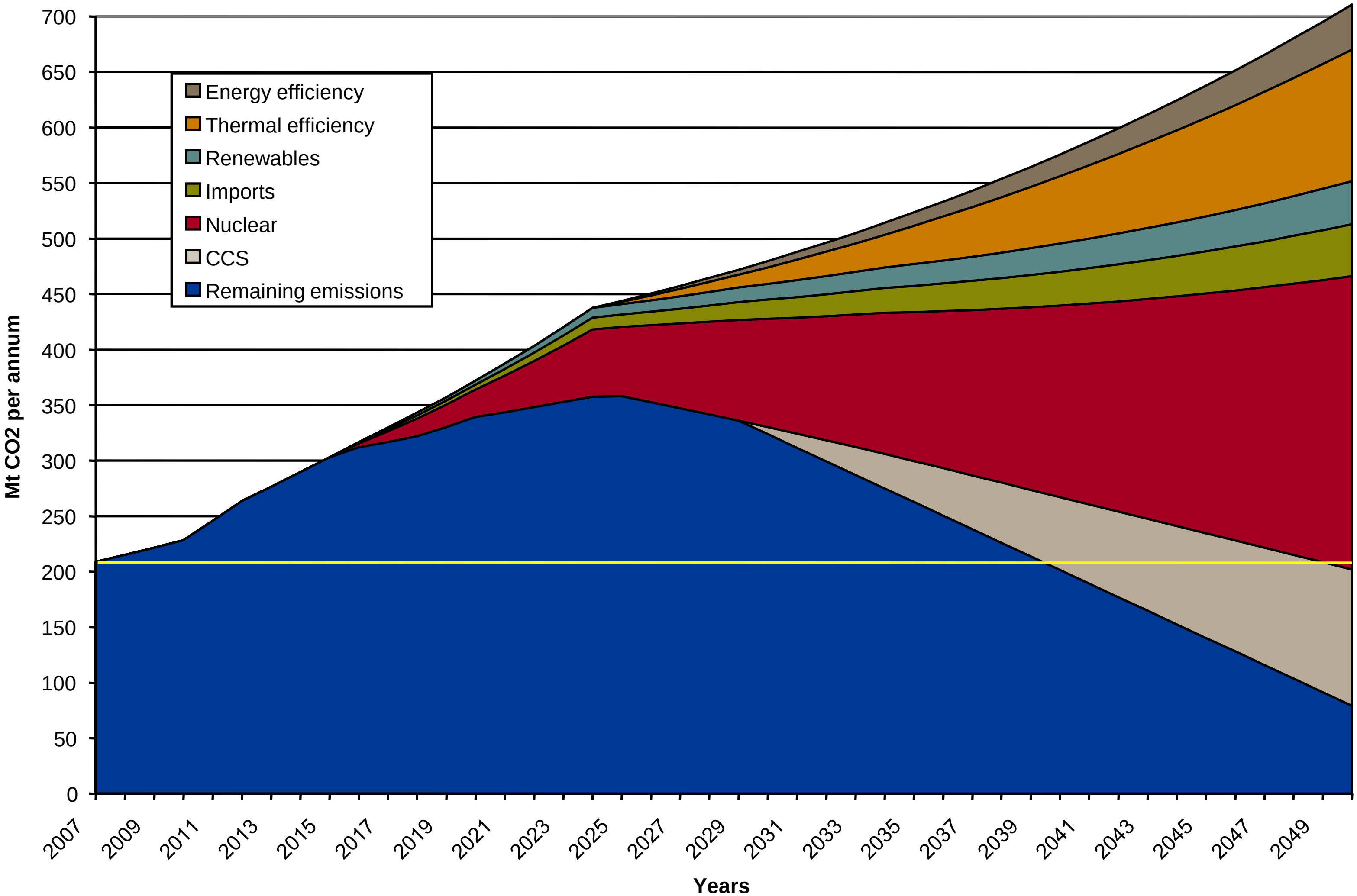
Safety performance

Causes of 2010 fatalities



Fatalities	2010	2009
Employees	2	6
Contractors	14	21
Public (members)	41	28
Total	**57**	**55**

Reducing our CO_2 emissions



Climate change: Scenario based on a low carbon future

SOURCE: Eskom 2008 Annual Report

Operating highlights and challenges

Corporate Services

Human Resources

Generation Business

Customer Network Business

Contribution to Society

Operational performance – Human Resources

Highlights

- Magnet survey: engineering learners voted Eskom Employer of choice in two consecutive years
- Sustained the skills base and tripled the skills pipeline over the last 5 years
- Training costs: R758 million
- Eskom Academy of Learning established
- 5 255 learners in the pipeline, of which 3 780 are studying in the engineering and technical fields

Challenges

- Increasing concern about staff security
- Staffing of build projects
- Skills retention for the future

Operating highlights and challenges

Corporate Services

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Contribution to Society

Operational performance – Generation Business

Highlights

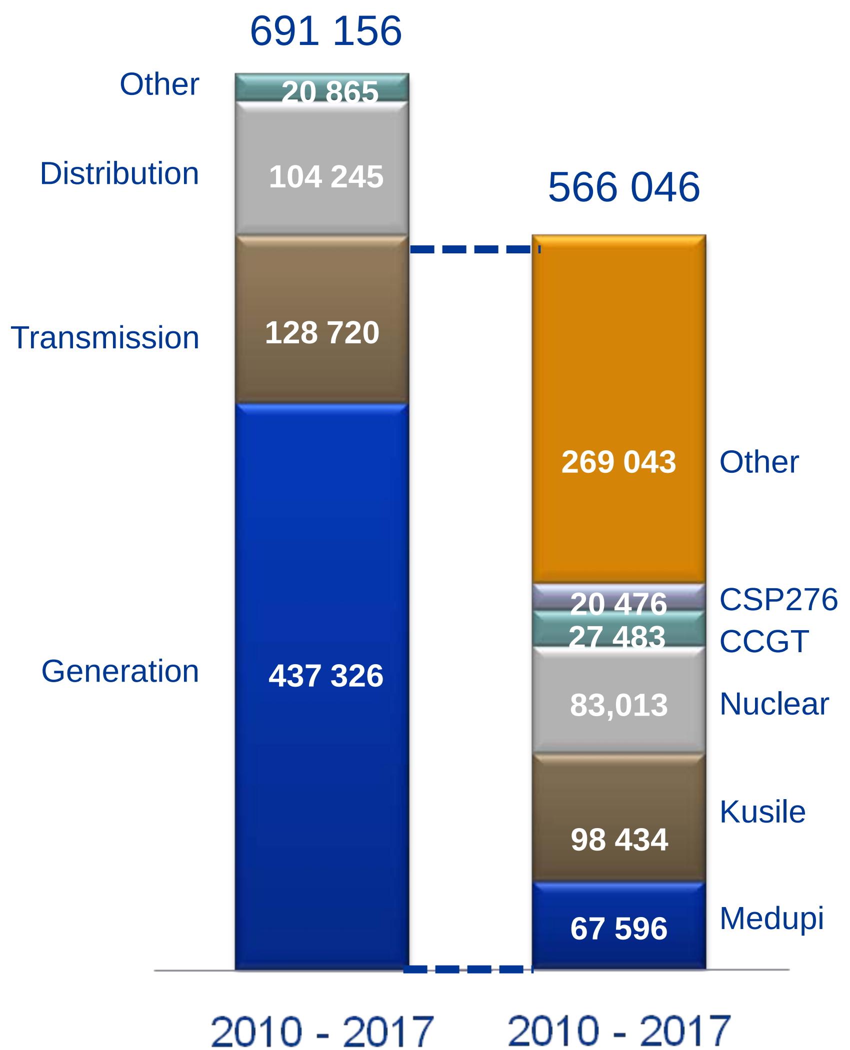
- Long-term coal supply strategy developed and negotiations for new coal supply agreements successfully completed
- Koeberg celebrated 25 years of safe operation
- Exceeded capacity expansion targets
    - 452MW installed and commissioned
    - 600 km high-voltage transmission lines built
    - 1 630MVA installed
- Maintained reliability and availability of stations
- Progress on Medupi, Kusile and Ingula
- Safety performance improvement on capacity expansion construction sites
- Eskom supports the introduction of independent power producers and will facilitate their introduction
- Eskom has reached agreement with independent power producers (IPPs) introducing approximately 400MW to the South African system

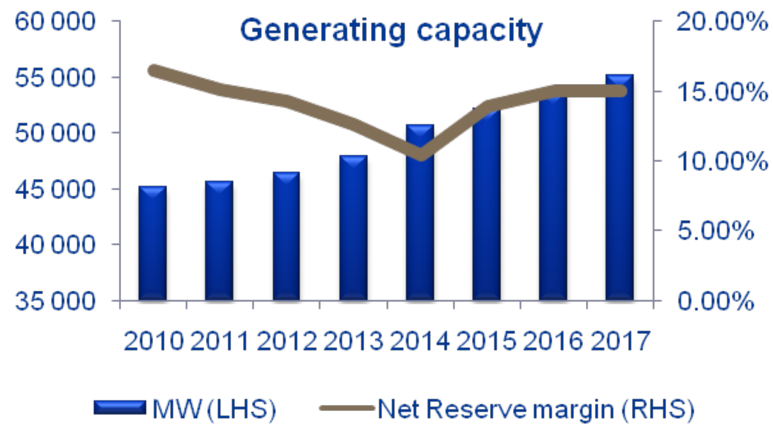
Operational performance – Generation Business

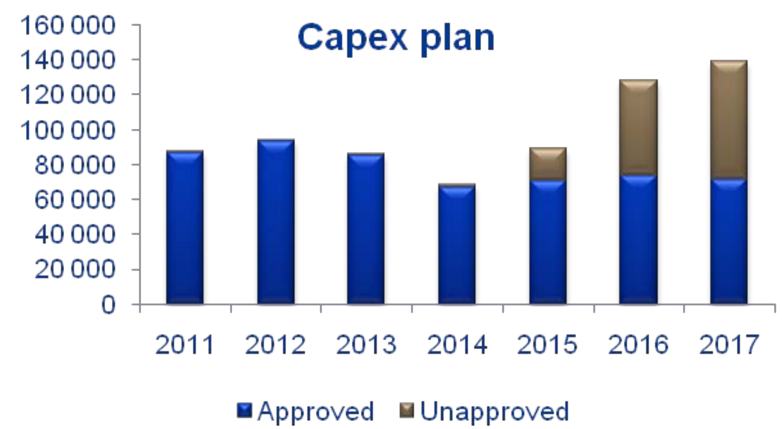
Challenges

- Coal
  - Under-supply by coal companies
  - Poor quality of coal supplied impacting station performance and output
- Increase in particulate emissions
- Increase in unit trips
- Under-spent on capacity expenditure due to funding constraints
- Safety improvements, but remains a challenge

Driving generating capacity







Operating highlights and challenges

Corporate Services

Human Resources

Generation Business

Customer Network Business

Contribution to Society

Operational performance – Customer Network Business

Highlights

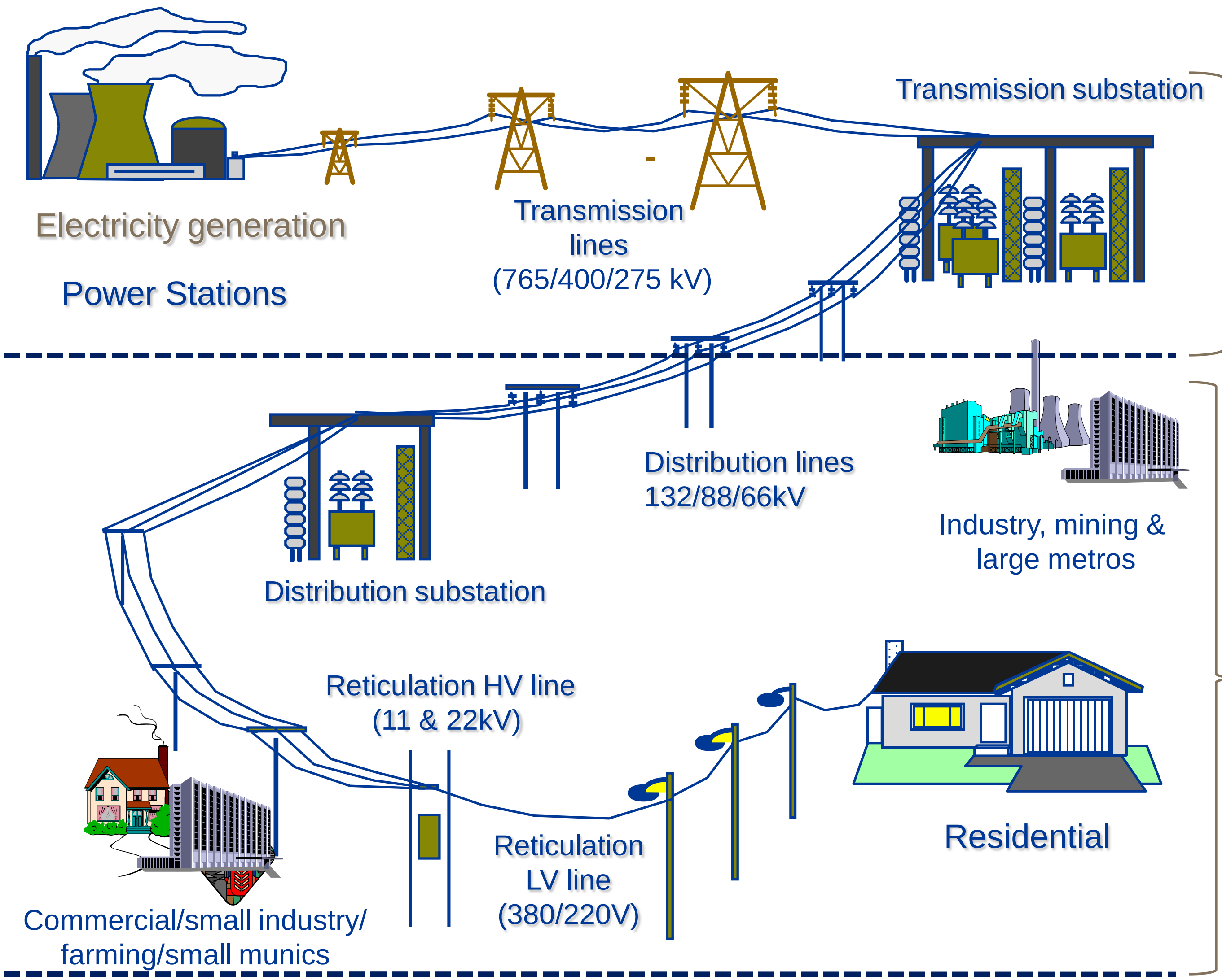
- Eskom is ready for the 2010 FIFA World Cup™ - support from customers and the Southern African Power Pool (SAPP)
- Electrification connections of 149 901 (Target: 145 615)
- Better than target performance on Transmission interruptions
- Completion of detailed capital investment plan
- Success with renegotiation of negotiated pricing agreements
- Apollo substation upgraded to world-class standard
- Enhanced emergency preparedness protocols
- Acceleration of solar water heating programme
- Demand-side management savings of 372MW

Operational performance – Customer Network Business

Challenges

- Unacceptably high levels of equipment and electricity theft
- An increase in late payments by large and small power users
- An increase in the Distribution System Average Interruption Duration Index
- Slow progress with implementation of Power Conservation Programme

Customer Network Business value chain and key indicators

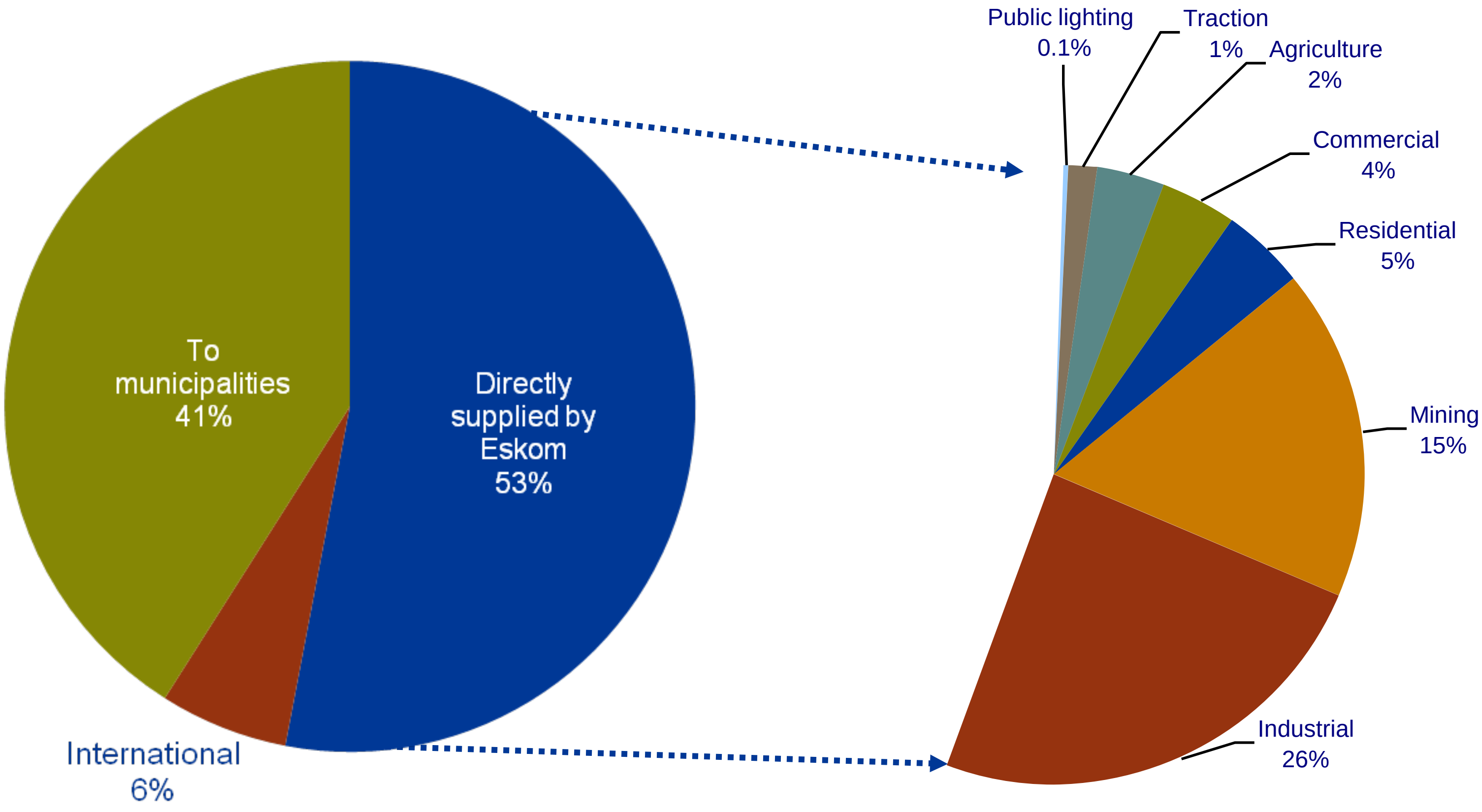


Transmission:
- Interruptions: 31
- System minutes < 1: 4,09
- System minutes >= 1: 5,247
- Key care: 100,28

Distribution:
- SAIDI: 54,41
- SAIFI: 24,65
- ELM: 95,49
- DSLI: 12,3
- RSLI: 2,43
- Customer services index: 85,05

The system operator is responsible for availability of the power system

Electricity consumption percentage sales in kWh by consumers served



Of the total Eskom electricity sales, residential consumers represent 5% of the total sales

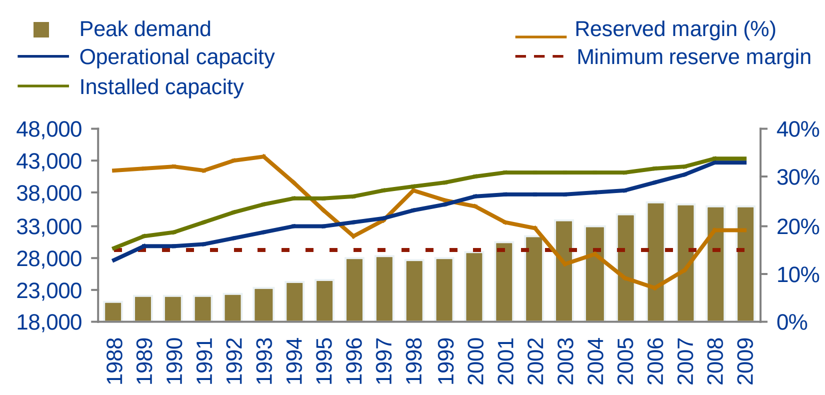
South Africa remains low cost producer

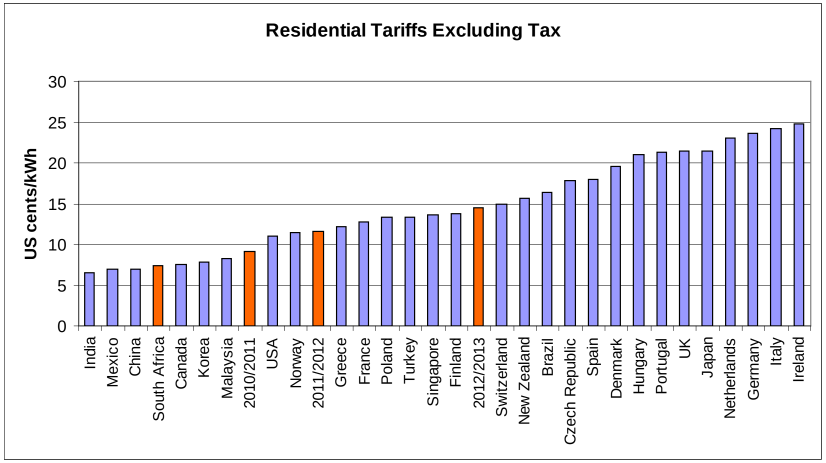
Factors leading to tariff increases

- Strong economic growth caused electricity demand to outstrip supply
- Underinvestment in capacity resulted in low reserve margins
- Low reserve margins increased operating costs
- Tariffs were insufficient to build up reserves to fund necessary capital expansion
- The projected growth of the South African economy demands a secure supply of electricity

Committed to low cost energy

- NERSA recognises it must set a cost-reflective tariff path that will support the capex program and the introduction of IPPs
- NERSA approved tariff increases to support country and Eskom objectives
  - 2010/2011 – 24,8%
  - 2011/2012 – 25,8%
  - 2012/2013 – 25,9%
- At the end of the MYPD2 period Eskom will remain a low cost energy producer





Operating highlights and challenges

Corporate Services

Human Resources

Generation Business

Systems Operation and Planning

Contribution to Society

Contribution to society

Highlights

- Eskom Development Foundation impacted 196 beneficiary organisations with some 590 440 project beneficiaries for the year
- Total of 43 grants for R47,4 million towards economic and social development projects, national programmes and flagship projects
- 153 donations for R8,4 million for philanthropic and welfare organisations.
- Total grant making to R55,8 million for this reporting year

- Across all major builds projects, the local content exceeds 50%
- B-BBEE(1) spend: 28,64% attributable spend
- Our main contractors have subcontracted from the inception of the build programme some R62 billion locally

(1) *Broad-based Black Economic Empowerment*

Strategic Initiatives

Brian Dames
Chief Executive

Eskom priorities

Eskom

SA Inc.

R190bn challenge

Security of supply – options for SA (IRP)
Sustainable industry - input to Vision 2025
Economic, social, environmental
Industry structure (EDI and ISO)

2010 FIFA World Cup™	Cost Efficiencies Back2Basics Corporate review	NERSA response and IMC liaison	Reputation management	Maintain business as usual core strategy Generation Business Customer Network Business

EXCO to act as Steering Committee → Board and Shareholder

Outlook

Mpho Makwana
Chairman

On the path to recovery

Securing energy supply	• Widening our reserve margin
Driving generating capacity	• Unprecedented build programme • Securing the future economic development of South Africa • Funding gap of R190 billion over 7 years
Reducing carbon emissions	• Intense focus on reducing carbon emissions • Roll-out of renewable projects, energy efficiency and nuclear
Improving productivity and efficiency	• Sensitive to impact of tariffs • Efficiency improvements already underway • Targets set for further improvements to operating efficiencies
Ensuring a safe environment	• Safety is a non-negotiable priority

Working with government in the Inter-ministerial Committee for Energy
The Integrated Resource Plan 2 will spell out in clear detail the energy mix that the country will implement in the next 20 years

Outlook for the current financial year

- Significant capacity constraints from the latter part of 2010 to 2013
  - Requires continued focus on demand-side management and power conservation
- Solutions for funding gap well advanced
- Continued partnership and integrated effort required to achieve success
- Government spearheading the investment plan through the IRP2 process
- Focus on reducing electricity theft
  - Proposed changes to Electricity Act
  - Launched Operation Khanyisa – campaign to change behaviour and report illegal connections

Thank You