



PetroSA

South Africa's National Oil Company

Annual Results 2009/10

**Presented to
The Portfolio Committee on Energy:
Parliament of RSA**

19 October 2010



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Presentation Outline

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Company Background

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PetroSA's Vision and Mission

Our Vision

“

To be the leading African energy company

”

Our Mission

“

To be the leading provider of hydrocarbons and related quality products, by leveraging our proven technologies and harnessing our human capital for the benefit of our stakeholders

”



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Our Core Business



- Exploration and production of oil and natural gas
- Participation in, and acquisition of local as well as international upstream petroleum ventures;
- Production of synthetic fuels from offshore gas
- Development of domestic refining & liquid fuels logistical infrastructure; and
- Marketing and trading of oil and petrochemicals





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


Annual Performance: Salient Features

2009/10 a challenging year for PetroSA:

- Lower revenues, R8 billion vs. 12 billion in 2008/09, expected due to:
 - lower production volumes from declining gas fields
 - Statutory shutdown
 - Reduced oil prices (\$69 vs. \$84/bbl)
- R356 million in net losses vs. R1.9 billion profit the previous year
- Successful shutdown (completed below budget)
- Mthombo FEED - proposal submitted for Ministerial and Cabinet approval
- Good safety record, no fatalities, 1 environmental incident



Performance Against Objectives

Objective	Key Performance Indicator	Performance Result
People	Employment Equity	Progress made 
Finance	Profitability	Net losses recorded, although expected 
Stakeholder	<ul style="list-style-type: none">•Preferential Procurement•BEE Sales	Good progress made 
Internal Business Processes	<ul style="list-style-type: none">•LNG•F-O field development•Crude refinery•Project Castle	Good progress made 

People



Area	Remarks
Management Control	7 of 23 Board + Female Executives
Employment Equity	78%HDSA, 26% female
Skills Development	>R20M on skills dev; Centre of Excellence; bursaries; leadership development;



Transformation Initiatives

Employment Equity

- Women representation across all levels
- Employment of people with disabilities
- Black people representation at middle-senior management (Professional levels 14-22).

Skills Development

- Lack of critical skills especially in upstream, e.g. reservoir engineers, geophysicists etc

KEY INTERVENTIONS

- Women Leadership in Oil & Energy Certificate Programme
- Talent Evolution – retention and attraction of skills – particular focus on women and people living with disabilities
- Disability and Employment Equity workshops
- Centre of Excellence
- Competitive Supplier Development Programme



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Centre of Excellence in Mosselbay



Instrument workshop

- Established in 2002
- Drives skills programs for **PetroSA** and **the industry**
- Operated in partnership with the M/Bay community
- Provides training for boilermakers, welders, fitters, riggers, instrument mechanics and electricians;
- Accredited with the Chemical Industries Training Authority and has become a Trade Testing Centre
- So far trained more than 642 artisans of which close to 300 have permanent jobs! ~200 trainees currently

Concept can be replicated in Coega!



Welder workshop



Stakeholder



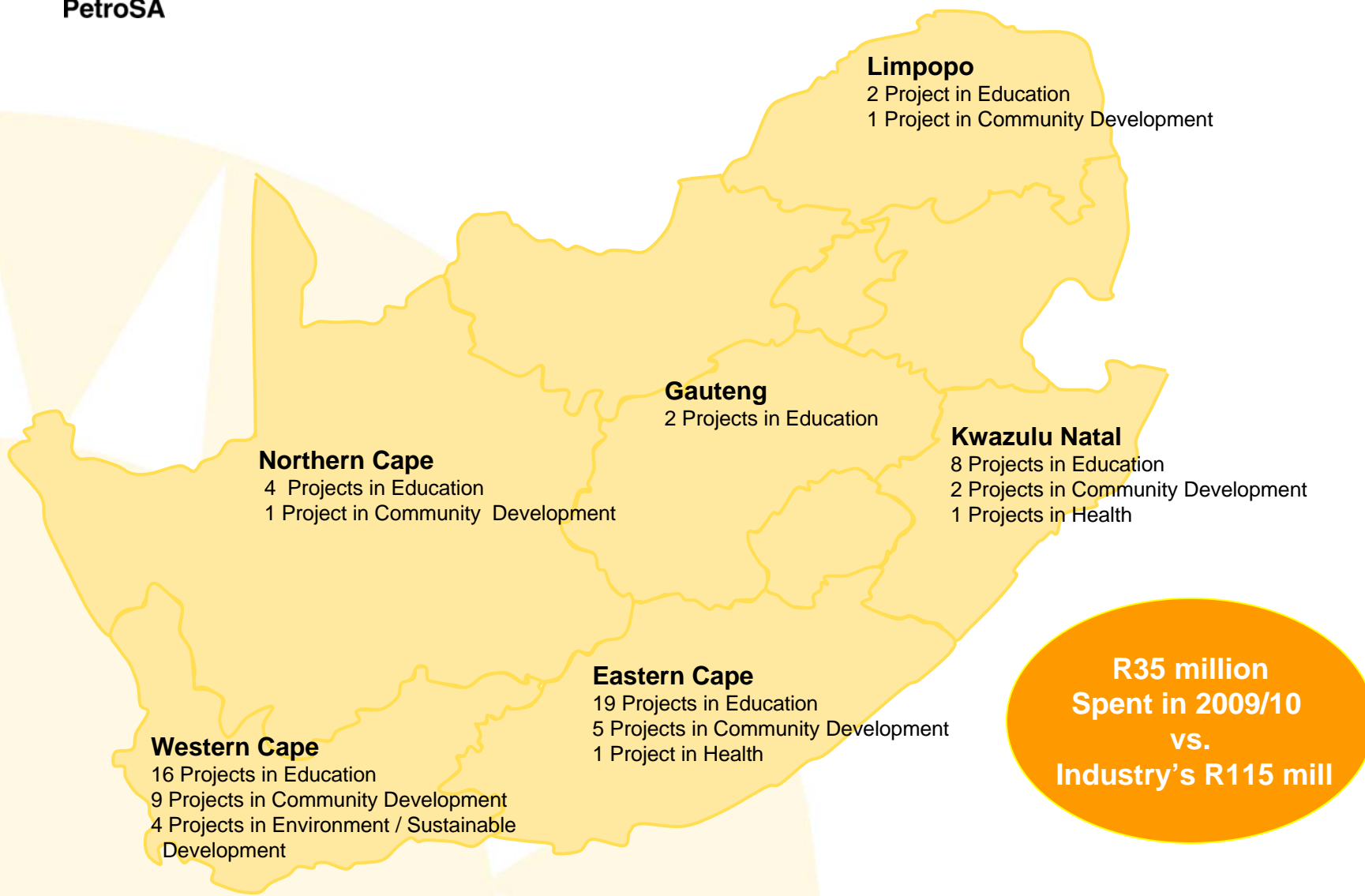
Area	Remarks
Preferential Procurement	R1.26 billion or 49% of total discretionary expenditure (Industry Charter Requirement is 25%)
BEE Sales	Increased 27% from 146 -186 million litres.
CSI	R35 million vs. ~R115 million industry expenditure
Enterprise Development	Expenditure up from R36 million to R69 million



- Rated level 2 BBBEE contributor by Empowerdex, an independent verification



CSI Initiatives: Footprint is national - Initial Focus was on Presidential Poverty Nodes



Enterprise Development: continues to benefit small enterprises.

COMPANY	ACTIVITIES	BEE EQUITY
Sophumelela Painting	Industrial Painting On/Offshore	100%
Siyakhona Scaffolding	Scaffolding On- offshore	100%
Metamorphic Engineering	Fabrication services	100%
T.J & H Fire Services	Fire equipment services	100%

R69 million spent in 2009/10



Internal Business Processes



Area	Remarks
Feedstock Solution	<ul style="list-style-type: none"> •LNG evaluated, but discarded due to high price •F-O field development, progressed to in-principle FID
Shutdown	Expenditure below budget, although longer duration due to weather and extended scope of work
Infrastructure Initiatives	<ul style="list-style-type: none"> • Crude refinery FEED proposal submitted for Cabinet approval • Project Castle: new exploratory discussions with potential partners initiated.
Environmental Incidents	One environmental incident, perlite released to atmosphere, 72 employees exposed, exposure considered minor





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Historical Interventions to Sustain GTL Refinery

F-A Fields

100 km Offshore M-Bay

Prod start : Apr 1992 (Satellites: Jun1997)

Plateau : ~200 MMscf/d maintained until Jun 2000

Need to commission neighbouring gas in **E-M Fields**

E-M Fields

Prod start : Sep 2000

Distance to F-A : 50 km East

Plateau : ~200 MMscf/d maintained until 2006

Then what : Need for **South Coast Gas Development**

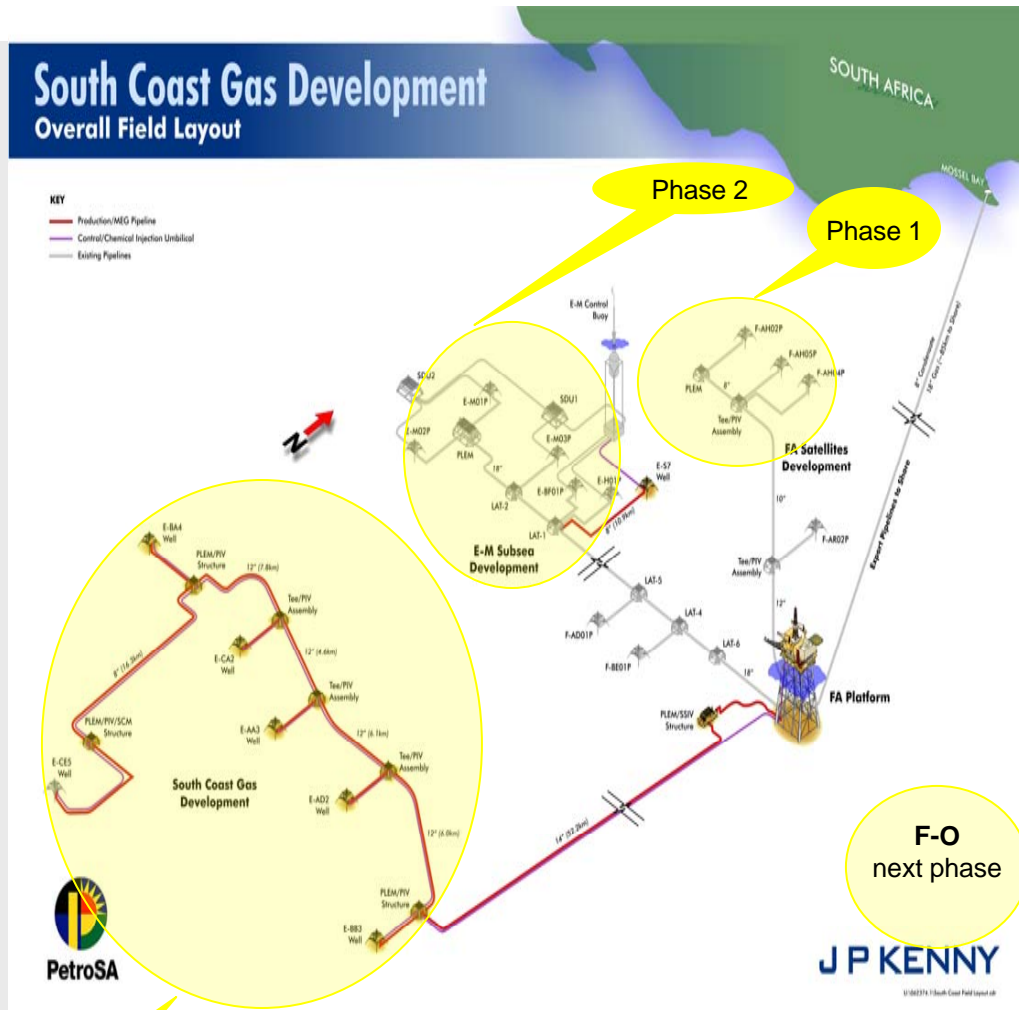
South Coast Gas Development

Commissioned: Sep 2007

Plateau back to ~200 MMscf/d

F-O Field Development: Planned next phase

Target production start date is April 2013



Phase 3

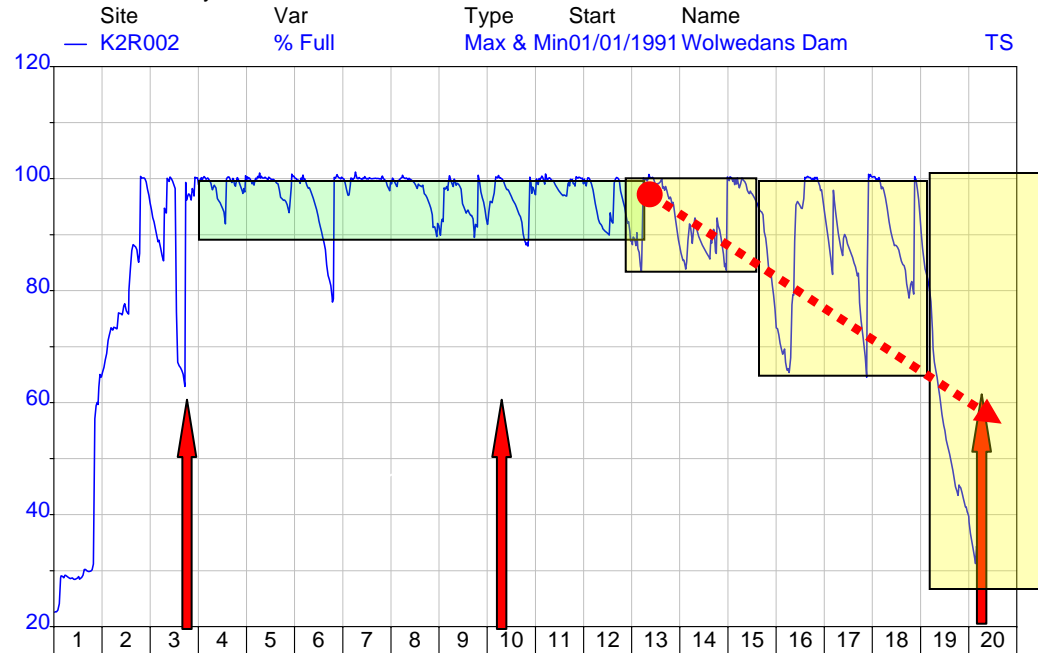
F-O next phase

Drought: A key threat to sustainability

Department of Water Affairs

HYMPLOT V61 Output 10/05/2010

Period 20 Year
Interval 10 Day





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PetroSA is working flat out to address this crisis

- Spent in excess of R100 million on interventions such as:
 - Effluent treatment Plant (supplying 5 million litres of water/day)
 - Desalination Plant (to produce 15 million litres of water/day, 5 million litres to GTL plant and rest to M-Bay municipality)
 - Recycling storm water and effluent water

- Increased awareness company-wide

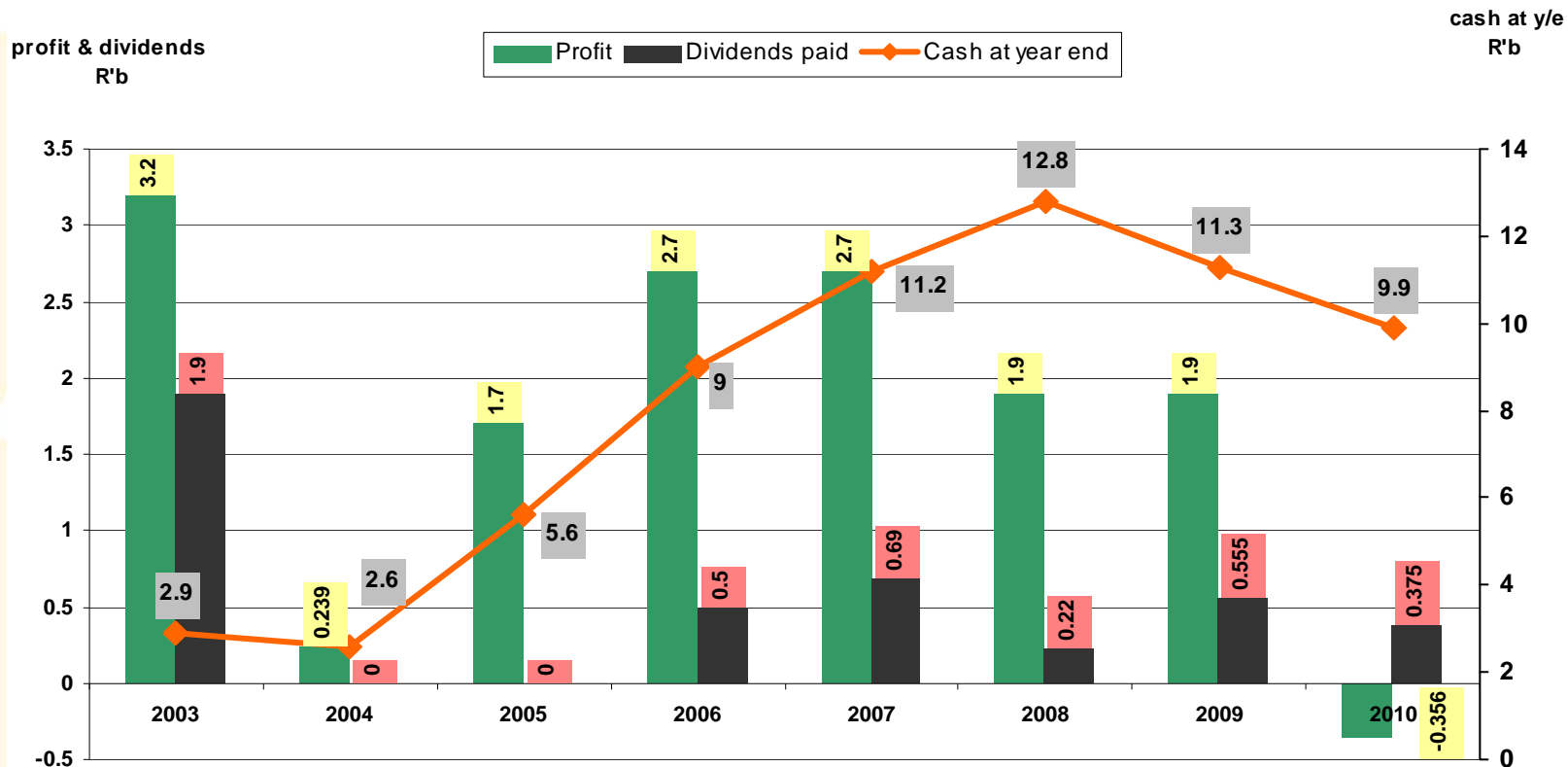


Annual Financial Statements



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Historical Performance



\$ bbl	25.9	27.0	36.6	57.8	64.2	82.3	83.9	68.8
R/\$	9.8	7.2	6.3	6.4	7.0	7.1	8.8	7.9
K m ³	2,718	2,158	3,014	2,497	2,392	2,067	2,057	1,918



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PetroSA Group Results 2009/10

Consolidated Income Statement

	Actual 2009/2010	Actual 2008/2009	% change 2009 vs. 2010
	R'm		
Net Revenue	8,090	12,117	-33%
Cost of Sales	(7,579)	(9,554)	21%
Gross Profit	511	2,563	
Gross Profit %	6%	21%	-15%
Other Operating Income	533	167	>100%
Other Operating Expenses	(2,379)	(2,519)	6%
Profit/(Loss) from Operations	(1,335)	211	
Investment Income	972	1,550	-37%
Finance Costs	(398)	(232)	-72%
Profit before taxation	(761)	1,529	
Taxation	348	(1)	
Profit after taxation	(413)	1,528	>-100%
Profit from discontinued operations	57	437	-87%
Profit for the year	(356)	1,965	-118%

Revenue decrease (R4b)

- Volumes – 7%,
- R/\$ + 8%
- Brent – 18% (\$68 vs. \$84)

Cost of Sales decrease (R2b)

- reduced variable feedstock costs(- R1.3b);
- Commercial (-R.7b)

Other Income (R259m)

- change in provision for Sable abandonment (R135m)

Other operating expenses variance (R250m)

- cost savings

Investment Income (R586m)

- lower cash balances and reduced interest rates.

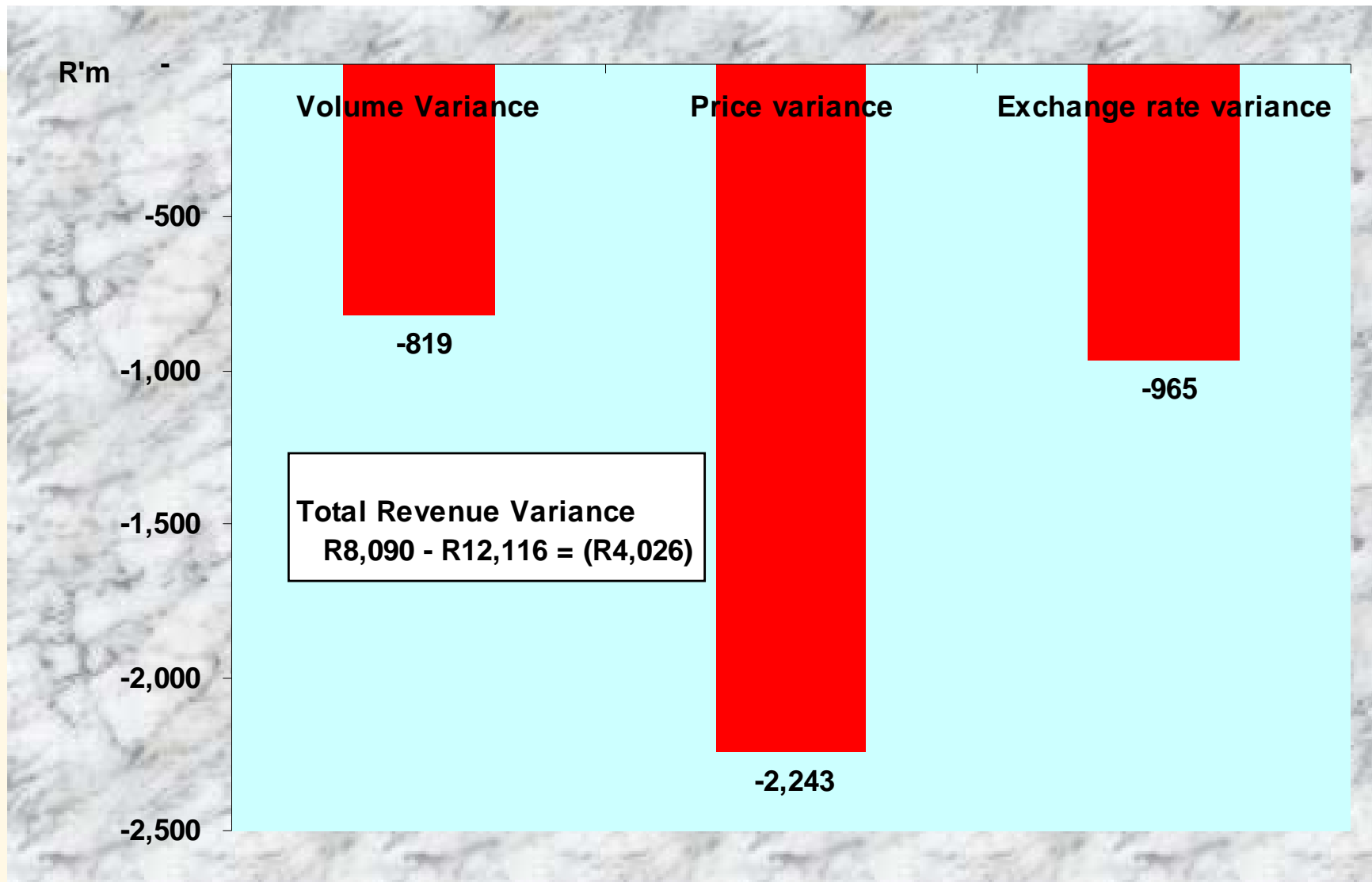
Profit from discontinued operations (R403m)

- lower income from Abana

PetroSA Group Results 2009/10

Revenue Variances – 2009/10 vs. 2008/9

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	March 2009/2010	Prior Year 2008/2009	% change
	R'm		
ASSETS			
Non-current assets	6,947	6,502	7%
- property, plant & equipment	6,658	6,149	
- intangibles	82	83	
- assets pending determination	0	55	
- deferred tax	72	81	
- other financial assets	135	134	
Current assets	16,438	17,199	-4%
- inventories	1,416	1,500	
- current tax receivable	287	0	
- trade and other receivables	3,720	2,333	
- non-current assets held for sale	988	2,052	
- cash and cash equivalents	10,027	11,314	-11%
TOTAL ASSETS	23,385	23,701	-1%
EQUITIES AND LIABILITIES			
Capital and reserves	15,826	16,327	-3%
Non-current liabilities	3,914	3,932	0%
Current liabilities	3,645	3,442	-6%
- loans from shareholders	18	101	
- trade and other payables	2,863	1,635	
- current tax payable	0	82	
- dividend payable	0	375	
- bank overdraft	119	0	
- other	645	1,249	
TOTAL EQUITY AND LIABILITIES	23,385	23,701	-1%

PPE acquired (R1,5b)

- Shutdown costs capitalised – R 309m
- Assets under dev.-R1.2b

Working capital increased(R121m)

- due to decrease in creditors

Other current liabilities decreased (R604m)

- Abana (held for sale)

PetroSA Group Results 2009-2010

Cash Flow

	2009/2010	2008/2009	Change
	R'm	R'm	R'm
Cash from operations	(1,068)	1,083	(2,151)
Interest Received	972	1,550	(578)
Interest paid	(19)	(15)	(4)
Taxation	(11)	(645)	634
Cash flows of discontinued operation	502	(30)	532
Cash before investing activities	376	1,943	(1,567)
Investing Activities			-
PPE acquired	(1,274)	(1,905)	631
Other Investing Activities	(2)	11	(13)
Loans to subsidiaries	-	(132)	132
Cash before financing activities	(900)	(83)	(817)
Financing Activities			-
Loans received	-	-	-
Dividends paid	(375)	(555)	180
Shareholders Loan repaid	(193)	(26)	(167)
Increase/ decrease in cash	(1,468)	(664)	(804)
Effects of exchange rate changes	61	45	16
Opening balance	11,315	11,932	(617)
Closing balance	9,908	11,313	(1,405)

- Cash utilised by operations –R1b
- Net cash movement of the Abana operation



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PetroSA Ratios 2009-2010

	2009/2010	2008/2009	Change
Gearing	19.8%	19.4%	-0.4%
Return on invested capital (ROIC)	-1.6%	8.3%	-9.9%
Return on equity (ROE)	-2.4%	12.0%	-14.4%
Current Ratio	1.76	1.71	0.05
Net operating margin	-4.4%	15.4%	-19.8%
Operating costs to income	27.5%	19.8%	-7.7%
Interest cover	-3.27	2.72	-5.99

1. **Gearing** – impacted by the decrease in equity (2009/10 loss) and reduction in loans; includes long – term obligations e.g. abandonment
2. **ROIC** – operating losses in 2009/10 due to decrease in revenue (33%), mostly volume and exchange rate related;
3. **ROE** – lower due to operating losses for the year;
4. **Current Ratio** – excludes cash;
5. **Net operating margin** – operating loss for the year due to revenue shortfall and write/off of exploration costs;
6. **Operating costs to income** – total income decreased 31% while other operating costs decreased by only 10%
7. **Interest cover** - offset by the operating loss for the year



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Auditor General's Report

- Unqualified opinion
- Fruitless and wasteful expenditure (R15.15 million)
- Irregular expenditure (R0.31 million)
- Repeat audit finding – environmental management system



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Conclusions

Addressed by PetroSA plans

Energy Security Master Plan (ESMP), 2007

- ❖ Indigenous raw materials should contribute to local production of finished petroleum products (F-O field development)
- ❖ Climate change to be considered in energy planning (Clean production from GTL refinery and Mthombo)
- ❖ 30% of all crude consumed in SA should be procured through PetroSA (Mthombo, Logistics infrastructure)
- ❖ Oil Industry to provide substantial commercial strategic stock cover, to prevent future supply crises





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Conclusions

- Government Support Required:
 - To assist the company's efforts to ensure security of supply for the country
(A positive Mthombo FEED decision would facilitate this)
- Funding support to realise ESMP recommendations, e.g. crude refinery project, reserves addition.

Thank You!





Annexure B

