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Company registration number: 2002/015527/06

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Bongiwe Mbomvu (Company secretary)
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Johannesburg
2000

On the path to recovery

Integrated Report 2010

1970 – 1990
Two hydro stations were commissioned for peak load. The decision was taken to build Koeberg, the first nuclear station in Africa. Gas turbine, coal and pumped storage stations were commissioned. Escom was renamed to Eskom in 1987 and an Electricity Council replaced the Commission.

1990 – 2010
Electrification started on a massive scale and the real price of electricity was reduced to stimulate economic growth. In 2001 Eskom received the Global Power Company of the Year Award. Eskom was converted to a company in 2002. Surplus electricity ran out and power shortages became apparent in 2007.
1923 – 1929
The Electricity Supply Commission (Escom) was established. Dr Hendrik van der Bijl was the first Chairman. Witbank, Colenso and Salt River Power Stations were commissioned.

1930 – 1950
New goldfields on the Witwatersrand and the rise in gold price boosted electricity demand. Vaal and Klip power stations were built and the distribution network was extended.

1950 – 1970
Soaring growth in the Vaal Triangle and Witwatersrand, Eskom’s capacity doubled by extending existing stations and building new ones. R376 million was spent on new plant. Capacity increased by 130%.

1970 – 2010
Electrification started on a massive scale and the real price of electricity was reduced to stimulate economic growth. In 2001 Eskom received the Global Power Company of the Year Award. Eskom was converted to a company in 2002. Surplus electricity ran out and power shortages became apparent in 2007.

1990 – 2010
The Electricity Supply Commission and the Commission for Electricity were replaced by the Electricity Council in 2007. Eskom was also a signatory to the Global Compact in the same year. A power agreement was signed with South Africa’s neighbours in 2007.
Profile

Scope of operations

The present report is for the year ended 31 March 2010. It refers to an organization named Eskom. It is apparent that Eskom comprises various operational entities, with its head office located in South Africa. The activities of the organization are spread across South Africa and the rest of the African continent.

Eskom, as a state-owned enterprise, has a greater role to play in the country’s economic development and climate change mitigation. This is evident in the organization’s commitment to providing electricity to all South Africans, as well as its efforts to support the country’s growth and development.

Role in South Africa

Eskom is a major contributor to the country’s economy. It is responsible for generating, transmitting, and distributing electricity to various sectors, including industrial, mining, commercial, agricultural, and residential. Eskom also supports South Africa’s economic growth and development by providing electricity to the country’s industries.

Scope of report

The report considers financial, economic, environmental, social, and corporate governance aspects of Eskom’s operations. It provides a comprehensive overview of the organization’s performance, achievements, and challenges.

Abbreviations and acronyms

- ABC: Additional business capacity
- CHP: Combined heat and power
- EFC: Eskom Finance Company
- ESC: Eskom Social Collapse
- ESCAP: Eskom Social and Economic Programme
- EDF: Eskom Development Foundation
- EPG: Eskom Procurement Group
- ESD: Eskom Sustainability and Development
- EWF: Eskom Water Fund
- I並將: Integrated resource plan
- IP: Integrated project
- IEC: Independent Electricity regulator of South Africa
- IER: Independent energy regulator of South Africa
- IERG: Independent energy regulator of South Africa
- IRR: Integrated resource plan
- IUP: Integrated urban plan
- KPI: Key performance indicator
- LCOE: Levelised cost of electricity
- MYPD: Multi-year price determination
Apollo substation in Gauteng is the main interconnection to Cahora Bassa in Mozambique.
Key facts

RA – Reasonable assurance provided by the independent assurance provider (refer page 169)
LA – Limited assurance provided by the independent assurance provider (refer page 169)

Electricity sales

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</tr>
</thead>
<tbody>
<tr>
<td>Sales within South Africa (GWh)</td>
<td>205 364</td>
<td>202 202</td>
<td>210 458</td>
<td>204 531</td>
<td>194 799</td>
</tr>
<tr>
<td>International sales (GWh)</td>
<td>13 227</td>
<td>12 648</td>
<td>13 908</td>
<td>13 589</td>
<td>13 122</td>
</tr>
<tr>
<td>Total sales (GWh)</td>
<td>218 591</td>
<td>214 850</td>
<td>224 366</td>
<td>218 120</td>
<td>207 921</td>
</tr>
<tr>
<td>Growth in GWh sales (%)</td>
<td>1,7</td>
<td>(4,2)</td>
<td>2,9</td>
<td>4,9</td>
<td>(18,9)</td>
</tr>
<tr>
<td>Revenue within South Africa (Rm)</td>
<td>66 970</td>
<td>50 766</td>
<td>41 585</td>
<td>37 874</td>
<td>34 071</td>
</tr>
<tr>
<td>International revenue (Rm)</td>
<td>2 972</td>
<td>2 334</td>
<td>1 971</td>
<td>1 515</td>
<td>1 290</td>
</tr>
<tr>
<td>Total revenue (Rm)</td>
<td>69 942</td>
<td>53 100</td>
<td>43 556</td>
<td>39 389</td>
<td>35 361</td>
</tr>
<tr>
<td>Growth in revenue (%)</td>
<td>31,7</td>
<td>21,9</td>
<td>10,6</td>
<td>11,4</td>
<td>(14,2)</td>
</tr>
<tr>
<td>Customers (number)</td>
<td>4 463 301</td>
<td>4 361 007</td>
<td>4 316 312</td>
<td>3 963 164</td>
<td>3 758 506</td>
</tr>
<tr>
<td>Peak demand (MW)</td>
<td>35 850</td>
<td>35 959</td>
<td>36 513</td>
<td>34 807</td>
<td>33 461</td>
</tr>
</tbody>
</table>

Electricity production by own stations

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</thead>
<tbody>
<tr>
<td>Coal-fired (GWh)</td>
<td>215 940</td>
<td>211 941</td>
<td>222 908</td>
<td>215 211</td>
<td>206 606</td>
</tr>
<tr>
<td>Hydro-electric (GWh)</td>
<td>1 274</td>
<td>1 082</td>
<td>751</td>
<td>2 443</td>
<td>1 141</td>
</tr>
<tr>
<td>Pumped storage (GWh)</td>
<td>2 742</td>
<td>2 772</td>
<td>2 979</td>
<td>2 947</td>
<td>2 867</td>
</tr>
<tr>
<td>Gas turbine (GWh)</td>
<td>49</td>
<td>143</td>
<td>1 153</td>
<td>62</td>
<td>78</td>
</tr>
<tr>
<td>Nuclear (GWh)</td>
<td>12 806</td>
<td>13 004</td>
<td>11 317</td>
<td>11 780</td>
<td>11 293</td>
</tr>
<tr>
<td>Wind energy (GWh)³</td>
<td>31,7</td>
<td>21,9</td>
<td>10,6</td>
<td>11,4</td>
<td>(14,2)</td>
</tr>
<tr>
<td>Total production (GWh)</td>
<td>232 812</td>
<td>228 944</td>
<td>239 109</td>
<td>232 445</td>
<td>221 988</td>
</tr>
</tbody>
</table>

Power station net maximum capacity (own)

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</tr>
</thead>
<tbody>
<tr>
<td>Coal-fired (MW)</td>
<td>34 658</td>
<td>34 294</td>
<td>33 566</td>
<td>33 036</td>
<td>32 256</td>
</tr>
<tr>
<td>Hydro-electric (MW)</td>
<td>600</td>
<td>600</td>
<td>600</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>Pumped storage (MW)</td>
<td>1 400</td>
<td>1 400</td>
<td>1 400</td>
<td>1 400</td>
<td>1 400</td>
</tr>
<tr>
<td>Gas turbine (MW)</td>
<td>2 409</td>
<td>2 409</td>
<td>1 378</td>
<td>925</td>
<td>342</td>
</tr>
<tr>
<td>Nuclear (MW)</td>
<td>1 800</td>
<td>1 800</td>
<td>1 800</td>
<td>1 800</td>
<td>1 800</td>
</tr>
<tr>
<td>Wind energy (MW)²</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Total production (MW)</td>
<td>40 870</td>
<td>40 506</td>
<td>38 747</td>
<td>37 764</td>
<td>36 401</td>
</tr>
</tbody>
</table>

1. Actual sales growth or revenue growth when compared to the 12 months from 1 April 2004 to 31 March 2005.
2. Total revenue including the EDI and environmental levies.
4. Foreign imports exclude wheeling of electricity.
Transmission and distribution equipment

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Transmission lines (km)</td>
<td>28 482</td>
<td>28 243</td>
<td>28 164</td>
<td>27 619</td>
<td>27 406</td>
</tr>
<tr>
<td>Distribution lines (km)</td>
<td>46 018</td>
<td>45 302</td>
<td>44 680</td>
<td>44 044</td>
<td>43 330</td>
</tr>
<tr>
<td>Reticulation lines (km)</td>
<td>305 151</td>
<td>297 783</td>
<td>293 424</td>
<td>288 040</td>
<td>282 361</td>
</tr>
<tr>
<td>Underground cables (km)</td>
<td>10 687</td>
<td>10 379</td>
<td>9 921</td>
<td>8 622</td>
<td>8 031</td>
</tr>
<tr>
<td>Transformer capacity (MVA)</td>
<td>123 990</td>
<td>122 860</td>
<td>122 180</td>
<td>120 745</td>
<td>118 445</td>
</tr>
</tbody>
</table>

Capacity expansion

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Generation capacity installed and commissioned (MW)</td>
<td>452 RA</td>
<td>1 770 RA</td>
<td>1 061</td>
<td>1 351</td>
<td>170</td>
</tr>
<tr>
<td>Transmission lines installed (km)</td>
<td>600 RA</td>
<td>418 RA</td>
<td>246</td>
<td>430</td>
<td>237</td>
</tr>
<tr>
<td>Transmission transformer capacity installed (MVA)</td>
<td>1 630 RA</td>
<td>1 255 RA</td>
<td>1 295</td>
<td>1 000</td>
<td>1 090</td>
</tr>
<tr>
<td>Distribution lines installed (km)</td>
<td>8 392</td>
<td>5 439</td>
<td>7 319</td>
<td>6 984</td>
<td>5 944</td>
</tr>
<tr>
<td>Distribution transformer capacity installed (MVA)</td>
<td>3 036</td>
<td>2 776</td>
<td>3 412</td>
<td>2 967</td>
<td>1 866</td>
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</table>

Environmental information

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Coal burnt in power stations (Mt)</td>
<td>122.7</td>
<td>121.2</td>
<td>125.3</td>
<td>119.1</td>
<td>112.1</td>
</tr>
<tr>
<td>Specific water consumption by power stations (ℓ/kWh sent out)</td>
<td>1.34 RA</td>
<td>1.35 RA</td>
<td>1.32</td>
<td>1.35</td>
<td>1.32</td>
</tr>
<tr>
<td>Net raw water consumption (Mt)</td>
<td>316 202</td>
<td>323 190</td>
<td>322 666</td>
<td>313 064</td>
<td>291 516</td>
</tr>
<tr>
<td>Relative particulate emissions (kg/MWh sent out)</td>
<td>0.39 RA</td>
<td>0.27 RA</td>
<td>0.21</td>
<td>0.20</td>
<td>0.21</td>
</tr>
<tr>
<td>Carbon dioxide emissions (CO2) (Mt)</td>
<td>224.7 RA</td>
<td>221.7 RA</td>
<td>223.6</td>
<td>208.9</td>
<td>203.7</td>
</tr>
<tr>
<td>Radiation release (mSv)</td>
<td>0.0040</td>
<td>0.0045</td>
<td>0.0047</td>
<td>0.0034</td>
<td>0.0049</td>
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Safety information

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</thead>
<tbody>
<tr>
<td>Employee fatalities</td>
<td>2 RA</td>
<td>6 RA</td>
<td>17</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Contractor fatalities</td>
<td>14 RA</td>
<td>21 RA</td>
<td>12</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>Lost-time incident rate</td>
<td>0.54 RA</td>
<td>0.50 RA</td>
<td>0.46</td>
<td>0.35</td>
<td>0.40</td>
</tr>
<tr>
<td>Public fatalities</td>
<td>41</td>
<td>28</td>
<td>42</td>
<td>41</td>
<td>34</td>
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Developmental initiatives

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</thead>
<tbody>
<tr>
<td>B-BBEE attributable spend (Rm)</td>
<td>20,8(^{\text{AA}})</td>
<td>46,3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>B-BBEE attributable spend (%)(^{1})</td>
<td>28,65</td>
<td>63,17</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>BEE spend</td>
<td>–</td>
<td>35,209</td>
<td>25,447</td>
<td>16,557</td>
</tr>
<tr>
<td>Electrification, homes connected</td>
<td>149,901</td>
<td>112,965</td>
<td>168,538</td>
<td>152,125</td>
</tr>
<tr>
<td>Corporate social investment (Rm)</td>
<td>58,7(^{\text{AA}})</td>
<td>79,5(^{\text{AA}})</td>
<td>69,8</td>
<td>74,7</td>
</tr>
<tr>
<td>Jobs created through capital expansion projects cumulative(^2)</td>
<td>15,707</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Eskom trainees/bursars (pipeline)</td>
<td>5,253(^{\text{AA}})</td>
<td>5,907</td>
<td>5,368</td>
<td>5,136</td>
</tr>
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</table>

Group financial performance

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</thead>
<tbody>
<tr>
<td>EBIT (before profit/loss on embedded derivatives) (Rm)</td>
<td>4,805</td>
<td>(2,115)</td>
<td>3,215</td>
<td>6,452</td>
</tr>
<tr>
<td>Net profit for the year (Rm)</td>
<td>3,620</td>
<td>(9,668)</td>
<td>(168)</td>
<td>7,220</td>
</tr>
<tr>
<td>Total assets (Rm)</td>
<td>246,135</td>
<td>199,302</td>
<td>166,170</td>
<td>139,838</td>
</tr>
<tr>
<td>Total equity (Rm)</td>
<td>70,222</td>
<td>59,578</td>
<td>61,129</td>
<td>55,890</td>
</tr>
<tr>
<td>Net cash from operating activities (Rm)</td>
<td>11,646</td>
<td>11,764</td>
<td>(1,912)</td>
<td>13,954</td>
</tr>
<tr>
<td>Net cash used in investing activities (Rm)</td>
<td>(48,934)</td>
<td>(42,945)</td>
<td>(22,930)</td>
<td>(16,908)</td>
</tr>
<tr>
<td>Net cash from financing activities (Rm)</td>
<td>34,382</td>
<td>38,871</td>
<td>26,193</td>
<td>2,267</td>
</tr>
<tr>
<td>Funds from operations (FFO) (Rm)</td>
<td>10,531</td>
<td>2,803</td>
<td>7,499</td>
<td>11,161</td>
</tr>
<tr>
<td>Electricity revenue/kWh (total) (cents)</td>
<td>31,9</td>
<td>24,7</td>
<td>19,9</td>
<td>18,0</td>
</tr>
<tr>
<td>Electricity operating costs per kWh (including depreciation and amortisation) (cents)</td>
<td>28,2</td>
<td>25,9</td>
<td>18,6</td>
<td>15,7</td>
</tr>
<tr>
<td>Interest cover</td>
<td>0,57(^{\text{AA}})</td>
<td>(0,80)</td>
<td>2,50</td>
<td>9,11</td>
</tr>
<tr>
<td>Debt/equity ratio</td>
<td>1,55(^{\text{AA}})</td>
<td>1,22</td>
<td>0,40</td>
<td>(0,21)</td>
</tr>
<tr>
<td>Debt service cover ratio</td>
<td>0,86</td>
<td>(0,55)</td>
<td>(0,17)</td>
<td>0,44</td>
</tr>
</tbody>
</table>

Employees

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<tr>
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</thead>
<tbody>
<tr>
<td>Employees (number)</td>
<td>39,222</td>
<td>37,857</td>
<td>35,404</td>
<td>32,674</td>
</tr>
<tr>
<td>Training cost (Rm)</td>
<td>758</td>
<td>823</td>
<td>784</td>
<td>748</td>
</tr>
</tbody>
</table>

1. Net measured prior to 2009.
2. Non-skilled, semi-skilled and skilled jobs, of which some are very short term (such as site clearance). Prior to 2008, this programme was in the preparation phase.
**Electricity**: from power station to customer

**Input:**
- Coal: 122.7 Mt
- Water: 316.202 Mt
- Liquid fuels (diesel and kerosene): 16.1 Mℓ

**Output:**
- Total electricity produced by Eskom stations: 232 812 GWh
- Total electricity sold: 218 591 GWh
- Carbon dioxide: 224.7 Mt
- Nitrogen oxide: 959 kt
- Nitrous oxide: 2 825 t
- Sulphur dioxide: 1 856 kt
- Particulate emissions: 88.27 kt
- Ash produced: 36.01 Mt
- Radiation releases: 0.0040 mSv

**Transmission high-voltage lines**
(AC – 765, 400, 275, 220 kV; DC – 533 kV)

**Transmission substations**

**Municipalities high-voltage lines**
(132, 88, 66, 44, 33 kV)

**Distribution high-voltage lines**
(132, 88, 66, 44, 33 kV)

**Distribution substations**

**Reticulation high-voltage lines**
(22, 11, 6.6, 3.3 kV)

The voltage levels of electricity are further transformed to meet distribution requirements.

**Reticulation low-voltage lines**
(380, 220 V)

1.88% of electricity sold is produced from coal.
The map indicates the South African power network and some interconnections with neighbouring countries.
Organisational structure

Eskom Holdings Limited

Business areas

Generation Business divisions
- Generation
- Primary Energy
- Nuclear
- Generation Business Engineering
- Enterprises

Customer Network Business divisions
- System Operations and Planning
- Transmission
- Distribution

Corporate divisions
- Finance
- Human Resources
- Corporate Services
- Regulatory and Legal

Primary subsidiaries

Eskom Enterprises (Pty) Limited
- Rotek Industries (Pty) Limited
- Roshcon (Pty) Limited
- Eskom Energie
- Manantalie SA
- Eskom Uganda Limited

Escap Limited

Eskom Finance Company (Pty) Limited

Eskom Development Foundation (section 21 company)
**Vision**
Together building the powerbase for sustainable growth and development

**Values**
Excellence, innovation, customer satisfaction and integrity

## Strategic objectives

<table>
<thead>
<tr>
<th>Ensuring reliable supply of electricity to all South Africans</th>
<th>Ensuring adequate future electricity supply for South Africa</th>
<th>Supporting the developmental objectives of South Africa</th>
<th>Ensuring business sustainability of Eskom</th>
</tr>
</thead>
</table>

## Strategic thrusts and initiatives

- **Electricity is the essential component of all economic activity, and for realising national socioeconomic objectives. Eskom must therefore ensure that it operates its system in such a way that it provides reliable supply of electricity to the country at appropriate costs ie, migrate to cost-reflective tariffs in line with the electricity pricing policy (EPP).**

- **South Africa needs to build 40 000MW of new generation capacity by 2025, of which 12 476MW, is already under construction (mainly Medupi, Kusile, return-to-service stations and Ingula). Of these, 4 906MW have already been commissioned. Eskom will also facilitate the implementation of independent power producers (IPPs) within the industry while taking every care to ensure that associated risks are managed.**

- **Eskom will continue to support the electricity supply and value chain of the economy by driving affirmative procurement and creating new jobs and industries through the capacity expansion programme which will be measured through progress made on the competitive supplier development plan (CSDP).**

- **Eskom will work towards sustainability in the short, medium and long term, which means embracing all areas of sustainability. This implies the necessary balance and trade-offs that will have to be made between the various sustainability criteria, eg, financial health versus the additional costs incurred for climate change mitigation, with the consequent impact on performance in these areas.**

---

**Cross-cutting enablers**

<table>
<thead>
<tr>
<th>Safety</th>
<th>Environmental management</th>
<th>Quality</th>
<th>Technology management</th>
</tr>
</thead>
</table>
**Eskom priorities**

**2010 FIFA World Cup™:** Significant work has been undertaken to ensure that Eskom plays its part in this global event.

**Back to basics project:** Integration and prioritisation of the many financial and human resource initiatives. This includes the standardisation of transaction processing, reporting, policies and procedures, controls and associated training across the business. This will ultimately result in a SAP upgrade and provide improved, quicker management information.

**Corporate review:** This project will analyse corporate divisional functions, benchmark then against similar institutions and identify activities for rationalisation within existing operations. Potential duplications will be identified. This project aims to create the urgency for rationalisation and improve the effectiveness and efficiency of corporate functions.

**Reputation management:** Stem the flow of negative media coverage in the short term and recover and turn around Eskom image and reputation in the long term, while at the same time, gearing Eskom’s corporate communication strategy.

**Generation Business:** Add new capacity, manage existing plant, strive for cost efficiencies, focus on operational excellence and safety.

**Customer Network Business:** Integrate demand management across Eskom, improve revenue management, sign power purchase agreements, and facilitate the national integrated resource plan.

**Participation in subcommittee of Inter-Ministerial Committee (IMC) on Energy:** A number of regulatory and policy issues need to be addressed now to position the electricity industry for success into the future. Government has established the Inter-Ministerial Committee on Energy to address the key challenges and to facilitate progress towards an optimal regulatory and policy environment – one that is credible, predictable, legitimate and transparent. Eskom needs to provide input and support into this important process.
Sustainability reporting in Eskom

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Sustainability

What sustainability means to us
Our long-term drive for sustainable development is inherent in the long-term nature of our business. While we are responding to the demand for electricity by building new capacity, ensuring financial stability and driving energy efficiency, we understand that the long-term nature of our business has an impact on environmental sustainability into the future. Therefore, we continue to strive for a balance between the different legs of sustainability. Bearing this in mind, our long-term planning processes take into account a lower carbon future for South Africa, while ensuring that we uphold our definition of sustainability – providing affordable energy and related services through the integration and consideration of economic development, environmental quality and social equity into business practices in order to continually improve performance and underpin development. Eskom integrates sustainability criteria into its decision-making process in order to ensure that this aspiration for sustainable development is continuously achieved.

An important part of our sustainability drive is increasing consumer awareness of the implications of electricity generation – the resources consumed, the cost, and the impacts on the environment – as well as the benefits of using electricity. Sustainable development requires that every person in South Africa starts thinking about energy – how we generate it, what we pay for it, how we use it and how sustainable it is. Collectively we can make national decisions to ensure a sustainable electricity system for South Africa.

Sustainability governance
The directors of Eskom regard corporate governance as vitally important to the success of the business and are unreservedly committed to applying the principles necessary to ensure that good governance is practised, and that the company remains a sustainable and viable business of global stature. The board sustainability committee deals with integrated sustainability issues and approves or recommends policies, strategies and guidelines, particularly related to safety, health, environment, quality and nuclear issues.

The executive management sustainability and safety subcommittee guides Eskom’s strategy on sustainability including environmental management, development issues and occupational health and safety matters. Sustainability strategies are reviewed by this committee for consideration by the sustainability committee of the board.

Sustainability performance index
Our internally developed sustainability performance index has now been in place for five years and provides a view of our long-term sustainability status. This is achieved through the use of economic (including financial), environmental, social and technical indicators for our operations.

The index has 20 indicators and each indicator is allocated a relative weighting and further modified with regard to the relative contribution of each of the four areas of economic, environmental, technical and social aspects. The overall performance is considered sustainable if the score is equal to or greater than three on a five-point scale.

Our overall performance was 2.5 (2009: 2.5) with sector scores as follows:

After five years of measurement, we have seen an initial three years of decline and a subsequent stabilisation of sustainability performance during the last two reporting periods. The performance was the result of improvements in the areas of staff commitment, electrification connections, HIV/Aids strategy and return to profitability. Areas contributing to the score being low, are staff and contractor fatalities, our reserve margin, productivity, equity and B-BBEE spend.

The index will be re-looked at during the next financial year based on a revised sustainability strategy.
The application of the GRI principles

We make use of the Global Reporting Initiative (GRI) guideline as a reporting framework for this report and have declared a GRI B+LA application level. We aim for an A+ application level in the future using the GRI Electric Utility Sector Supplement.

In terms of providing assurance around the sustainability issues in this report, our assurance provider was requested to provide assurance for certain non-financial/sustainability measures against the International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Information and the AA1000AS (2008) Assurance Standard – Requirements for independent assurance on disclosed information regarding non-financial/sustainability and sustainability performance. This report is presented on page 169.

Our understanding of sustainable development in our specific context is set out on page 12. The Eskom sustainability performance index on page 12, together with the performance areas and indicators in this report, reflect the opportunities and constraints we face in executing our sustainable development strategy.

This report has been structured around the different areas of our business, namely: Finance, Corporate Services, Human Resources, Regulatory and Legal Framework, Generation Business, Customer Network Business and subsidiaries. Each of these areas has reported on their business performance around the material issues, highlights, lowlights and forward-looking strategies and commitments, where relevant.

In Eskom’s previous annual report there were certain shortcomings relating to our stakeholder engagement process and the way in which stakeholders influence our reporting of material issues. The diagram on page 15 depicts the internal governance structure used during this reporting period to co-ordinate the integrated report process. This also sets out the process for determining material issues to be reported on in this report. Stakeholders’ issues and concerns are integrated into the process through our stakeholder engagement working group. See section on the next page for more information on stakeholder engagement for the annual report. The sustainability reporting process allows for a “bottom-up” and “top-down” approach in determining the material issues for reporting.

The following AA1000APS principles have been applied in the compilation of this integrated sustainability report:

- **Inclusivity**: the results of our stakeholder engagement processes, as set out in sections on stakeholder engagement, regulatory framework and Eskom reputation on pages 14, 17 and 87 of the profile are used to inform the structure and, more importantly, the issues reported on. This is in addition to our internal process of business planning, setting of objectives and performance targets as well as integrated risk management. We acknowledge that our existing process around stakeholder engagement is not optimised through a centrally co-ordinated approach. This is reflected in the corporate risk register relating to “broad reputation damage caused by inconsistent and uncontrollable communication” – see page 18.

- **Materiality**: the main areas covered in this report in terms of both current and future issues are based on what our stakeholders have communicated to us. In addition, our business focus areas and priorities have influenced the material issues reported on as shown on page 16 covering our vision, values and strategic objectives. This has been strengthened through a group-wide integrated risk management process. This is disclosed in the risk profiles of the divisional sections within this report. The process of identifying material issues to be reported on is depicted in the diagram on page 15.

- **Responsiveness**: our intention is to ensure that we have provided the information our stakeholders have requested relating to sustainable development. This has been indicated by way of cross-references within the table on page 16. Eskom aims to improve the reporting on the issues most material to our stakeholders by responding to their specific needs (through the integrated report process as well as our other stakeholder engagement mechanisms) and provide them with sufficient details.

LA – Limited assurance provided by the independent assurance provider (refer page 169).
Stakeholder engagement

Understanding our stakeholders
We define stakeholders as a person, group, or organisation that has a direct stake in our business because they can affect or be affected by our activities, objectives and policies. In this sense, among our key stakeholders are our shareholder, civil society, the public, and land owners affected by our operations, customers, Eskom (board of directors and employees), lending institutions and investors, government, regulators, industry, suppliers, media, organised business, organised labour, parliamentary portfolio committees and select committees and regulators.

How we engage with our stakeholders
At Eskom we view the participation of internal and external stakeholders as an essential part of our decision-making process. Our stakeholder engagement practices are based on the AA1000 Stakeholder Engagement Standard (SES) principles of materiality, completeness and responsiveness. The process is influenced by our commitment as a signatory to the United Nations Global Compact and alignment with King III.

We had a range of stakeholder engagements within the business driven by different portfolios, divisions and functional areas throughout the year. The material issues reported on in this integrated report are based on these engagements.

Our internal Guardian programme (refer to page 17 for more details) was designed and used as a tool to facilitate continual internal dialogues with employees to empower them to be ambassadors for Eskom. Added to this was customer feedback through focus groups, forums, committees and other methods. Input was also gathered through stakeholder dialogues, reports from lending institutions and investors, the shareholder, non-governmental organisations, suppliers, media and industry.

Stakeholders and materiality issues
To identify the key material issues to be reported on, we first compiled information on economic, environmental, governance and social issues that were relevant to Eskom’s business and stakeholders. To this end, we reviewed numerous sources, including:
- Eskom shareholder compact
- shareholder resolutions and other feedback received through ongoing dialogue with shareholders
- Eskom corporate plans, objectives and strategies and performance risks
- policies and initiatives related to our business
- employee surveys and other inputs from employees
- customer feedback obtained through focus groups, forums, committees and other methods
- input gathered through stakeholder dialogues
- input from investors and investor groups committed to sustainable investing
- partners, non-governmental organisations, suppliers and other stakeholders
- media coverage
- industry benchmarking
- the Global Reporting Initiative (GRI), the UN Global Compact principles

Engagements with key internal stakeholders from across all our portfolios, divisions and functional areas of the business were held to identify and prioritise material issues for Eskom. The principal purpose of the engagements was to establish stakeholders’ and the organisation’s material concerns that Eskom should report on. The material issues were defined through a number of activities in Eskom:
- feedback from the executive management
- engagement with employees
- internal and independent reviews of Eskom’s 2009 Annual Report
- engagement with external stakeholders
- queries, reviews and assessments from investors and rating agencies
- trend-spotting of issues of relevance to Eskom’s business
- review of media coverage of Eskom and public agenda issues

The table on page 16 provides a summary (full table available on internet) of material issues from the stakeholders that were identified and prioritised for the purposes of the integrated report. We recognise the importance of issues that may not be within our mandate but influence the operations of Eskom. In these areas, we believe that we can, however, influence how progress is made in addressing these issues, particularly through public policy and regulation through engagement with those that have the mandate – see the Regulatory and Legal Framework section on page 86.

Method for selecting materiality issues
Materiality is determining the relevance and significance of an issue to Eskom and our stakeholders. An issue or concern is considered material if it influences or is likely to influence the decisions, actions and behaviour of stakeholders and/or Eskom. Accountability’s five-part materiality test was used to help to define the materiality of issues. Issues were ranked as being of high, medium, or low materiality in the following:
- the impact on Eskom’s ability to achieve its business strategy
- level of concern to external stakeholders and
- the degree to which Eskom can control and influence the issue
Using information obtained from stakeholder engagements

We have obtained valuable insight from engagements with our stakeholders and this information has the potential to bring about a significant shift in the way we do business. Some stakeholder concerns raised can be addressed fairly easily while others have the potential to bring about significant process changes within the organisation.

The fundamental issue at present is therefore to prioritise resolution or incorporation of stakeholder interests of an immediate nature, while making a sincere attempt to respond to stakeholder concerns that require longer-term interventions. To build trust, Eskom will continue to create platforms for meaningful input and discussion with the broadest spectrum of stakeholders, and to provide meaningful feedback to stakeholders on the substance and progress made regarding the issues tabled at these engagements.

Eskom recognises the diverse range of material issues from our stakeholders. However, it was critical to address specific material issues they have raised during this reporting period. These have been addressed through management responses in the form of questions and answers in those divisional sections mandated to respond to those material issues. Further insight into those material issues is addressed in the divisional sections.

Looking forward

Eskom will continue to improve on the effectiveness of our existing stakeholder engagement practices through alignment with the AA1000 Stakeholder Engagement Standard.
## Stakeholder engagement continued

### Key stakeholders and their material issues

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### Engagement methods

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Eskom’s challenge to satisfy the demand for electricity still remains. This has taken place within the context of poor financial performance and leadership challenges. Environmental lobby groups have also focused worldwide attention on Eskom’s coal-based capacity expansion programme. These factors, among others, affect the overall corporate reputation negatively, which makes it difficult for Eskom to operate and source the required funding.

A number of reputation studies were conducted in partnership with the Reputation Institute to determine the key drivers of Eskom’s reputation among employees, stakeholders and the general public. The insights gained from these studies have been used to inform communication strategies and plans aimed at creating breathing space for Eskom in the short term, building credibility in the medium term and repositioning the organisation into the future.

An integrated communication campaign has been implemented to educate residential customers about energy efficiency, public safety and the benefits of the capacity expansion programme. This is supported by media relations and messaging; as well as branding and public relations interventions.

An extensive energy efficiency campaign has been implemented to not only build awareness of saving electricity but also to change the energy consumption behaviour of South Africans. In partnership with a number of suppliers, new product offerings were also introduced to the market such as energy-efficient showerheads, solar water heating, energy-efficient motors, to name a few.

Eskom’s public safety campaign continues to create awareness in the market on the safe use of electricity. The campaign culminates in an annual electricity awareness safety week in August.

Energy losses remain a major concern for the business and a targeted social marketing campaign was launched in September 2009. This campaign focuses on non-technical losses such as theft, non-payment and tampering with electricity installations.

Reputation management has been elevated to be among the key strategic imperatives of the business. A cross-functional team has been established to ensure an integrated approach to reputation management. This consists of members of the executive committee, as well as specialists from key functions such as reputation management, corporate strategy and planning, risk management, human resources, finance, legal and audit departments. This has since culminated in a successful rollout of the Guardian programme – an internal brand ambassador campaign, and the MYPD 2 stakeholder engagement roadshows across the country. The results of these initiatives are leadership visibility, openness and transparency; and an exciting journey towards restoring public confidence in Eskom.

Under the auspices of a major reputation restoration campaign for Eskom, which has been approved for implementation, Eskom will focus on enhancing our culture, educating employees on their role in supporting the South Africa Incorporated brand, delivering a successful 2010 FIFA World Cup™ intensifying stakeholder engagement on key issues that impact on the corporate reputation, pro-active media engagement and mobilising the nation towards power conservation.

**Internal programme**

The Guardian programme, introduced towards the end of 2009, is focused on empowering employees to be ambassadors for Eskom. Central to this objective is instilling pride and passion in the Eskom brand and helping employees at all levels to work as teams, dedicated to safeguarding the assets that are vital to the nation’s electricity.

Launched by the Acting Chairman Mpho Makwana, the Guardian programme is being introduced to all Eskom regions and power stations in a phased manner. The campaign relies extensively on the use of elements such as roadshows, industrial theatre, roadmaps, websites and audio-visual material to gain the support of employees. The interactive campaign will continue throughout 2010 and into 2011 to ensure that the Guardian programme becomes an integral part of the lives of all employees.

Staff who embody the values of the Guardian programme through their interactions with colleagues and their dedication to their roles within the company will be used to reinforce the programme with their peers and families.
Integrated risk management

Eskom values the importance and benefits of having an integrated risk management (IRM) programme and applies best practices as set out in ISO 31000, King III and the Department of Public Enterprises’ risk management framework.

Eskom has established one framework for the management of all risks across the whole organisation, achieving an appropriate balance between realising opportunities for gains while minimising adverse impacts. IRM is an integral part of good management practice and an essential element of good corporate governance.

Eskom’s approach to IRM looks at risk as exposure to the consequences of uncertainty, or potential deviations from what is planned or expected and is applied to the management of both potential gains and potential losses.

Eskom management is integrating risk management into Eskom’s management culture. This means that IRM will be embedded in everything the organisation does – aligning strategy, processes, people, technology and knowledge. This will enable:

• the Board and senior managers to confidently make informed decisions about risk and risk treatment
• the pursuit of strategic growth opportunities and projects with greater speed, robustness and confidence to the benefit of Eskom and its customers and shareholder
• daily business decisions at the operating level within the context of Eskom’s capacity to bear risk and the types it prefers
• the organisation to manage the risks to the value of non-tangible assets – customers, partners, intellectual and knowledge capital, brand, processes and systems – just as fully as physical and financial assets

As a result, there will be greater certainty around achieving Eskom’s strategic objectives.

Integrated risk profile

The Board acknowledges its overall accountability to ensure an effective results-driven, IRM process. Exco has implemented a risk control system to enable management to respond appropriately to significant risks that could impact negatively or positively on business objectives.

Risk reviews are conducted continually with input from divisional and functional areas. Risks identified are ranked by divisions and subsidiaries, reviewed, and then assessed by Exco, the Board risk management committee, and the board to determine the priority risks and those risks that may require business continuity plans. The risk profile is finalised only after executive accountability has been assigned for each of the risks, backed by continuous monitoring of the effectiveness of controls and progress against agreed treatment plans.

Eskom Holdings strategic risks

The current Eskom Holdings high priority risks and initiatives to address them are listed below:

Financial sustainability

• The impact of funding shortfalls which could affect plant availability and capacity expansion could lead to load shedding, delayed commissioning of new plant and further damage to Eskom’s reputation.
• Increase in bad debts given the impact of the MYPD 2 increases and the impact on the funding shortfall.
• Increased economic growth (above forecast) and the financial impact of having to run the more expensive gas turbine stations.

To address all of the above, a detailed and robust funding plan has been formulated and is being implemented (see further detail in Finance division report).

Brand and reputation

• Brand and reputation damage that may be caused by inconsistent and uncontrolled communication about Eskom both internally and externally. This could spiral into stakeholder activism and give rise to security threats.

Eskom is currently running internal roadshows and external communication programmes. A review is underway to ensure integrated reporting across Eskom and that there is consistency in all communication with the external environment.

Generation and networks

• Overloaded networks leading to Eskom not being able to meet the nation’s electricity demand, and thus not achieving regulated service standards. The impact of this can be rolling blackouts and increased safety related threats.

- Risks
- Solutions
Eskom has embarked on several initiatives to reduce the demand for electricity such as energy efficiency demand-side management (EEDSM). This has been executed simultaneously with asset management and refurbishment programmes that will allow our existing infrastructure to accommodate the current demand.

Capacity expansion
- Large-scale overruns on capital projects and overruns on key milestone dates due to uncertainties associated with planning, design, integration and executability of long-term expansion plans.
- Eskom is continually assessing and improving its controls over design planning and execution of capital projects.

Regulation and legislation
- Environmental legislation affecting existing and future plant and investment decisions.
- Eskom is engaging all relevant regulatory bodies and factoring possible changes into all planning initiatives.

Skills
- Recruitment and retention of skills impacting Eskom’s current and future needs with regard to day-to-day operations, maintenance and capacity expansion activities.
- Eskom is reviewing its processes to streamline and optimise various human resource related functions.

Climate change
- Agreements related to international climate change negotiations could lead to onerous obligations for the Republic of South Africa and Eskom.
- Climate change has long been an integral part of Eskom’s business. We remain committed to the principles and aspirations of our climate change strategy, developed in 2005 and our six-point plan on climate change. During this year we will be revising our climate change strategy taking into account changing international and national circumstances.

Business continuity management
Business continuity management (BCM) entails risks that may threaten the continuity of business should they occur. All divisions and subsidiaries develop, implement, maintain and review appropriate business continuity plans for their businesses.

Emerging risks
Trends in the local and international domain that might affect Eskom’s strategic business context and which will be continually monitored and assessed:
- Widening global governance gaps as a result of international government decisions taken regarding climate change, international financial policy, etc.
- Global market recovery and South African financial and growth recovery resulting in increased demand for electricity.
- Energy inefficiency in South Africa due to the perceived high cost of energy-saving technology and poor/wasteful behaviour derived from a long period of low cost electricity.
- Protecting the poor from burdensome increases of electricity prices while aiming to have electricity tariffs that reflect the economic cost of electricity production.
- Increasing cost of transporting coal, uncertain long-term supply of coal and deteriorating quality of coal.
- Decreasing availability and quality of water.
- Security threats against Eskom’s people and assets, energy theft and vandalism of energy infrastructure.
- Increased non-payment as a way of public protest against the price of electricity.
- Data fraud/loss due to the hacking of networks.
- Introduction of carbon taxes which may have a negative effect on Eskom’s financial position.

For detail on Eskom’s six-point climate change strategy go to www.eskom.co.za/annreport10/001.html

- Risks
- Solutions
On the path to recovery

Leadership overview

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Dear Stakeholders
It is a privilege to have been asked to serve Eskom and South Africa as Acting Chairman of this important utility. I wish to thank the Board of Directors and the shareholder, the Honourable Ms Barbara Hogan (MP), for the confidence she placed in me. The biggest challenge was to execute this mandate with deep humility, ensuring that such confidence is not misplaced. I am reporting on the 2010 annual results as Acting Chairman following the resignation of both the Chairman of the Board, Bobby Godsell, in November 2009 and the Chief Executive, Jacob Maroga in October 2009. I was tasked to focus on recovery and, more importantly, to heal the people of Eskom following these unsettling leadership challenges.
Tumultuous as the end of their tenure has been, as we move on and turn over a new leaf in a new chapter in the history of Eskom, I wish to thank them on behalf of the Eskom family for the contribution they made to our journey as a state-owned enterprise.

Last year, when Eskom recorded a loss, we committed to return Eskom back to financial health and ensure that it will remain a going concern. I’m pleased to report back on that promise and that we are posting a profit. We have now removed the majority of the embedded derivatives from our balance sheet. The vacancies in our executive management committee, a worry last year for both the board and the entire community of stakeholders, have all been filled. We will soon announce the name of the new chief executive.

We believe that we are slowly returning to the status we’ve always had: a great place to work, a great place to invest for financiers, a great customer for some of the world’s leading technology suppliers and a great source of pride for all South Africans. We are pleased to report back at this point on the progress we’ve made over the past 12 months, and what still needs to be done.

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Last year we defined our objective as regaining the trust from our local and regional markets and customers, the global financial markets, our regulator and government stakeholders. While this is a work in progress, I believe we’re well on our way to recovery.

Our past
Since 1923, Eskom has been an integral part of South Africa: Eskom’s story is South Africa’s story in so many ways. Eskom matters, and it matters to all of us:

- our 40 870MW net maximum installed capacity makes us one of the world’s top utilities, when measured in terms of generation capacity
- we generate 95% of all electricity consumed in South Africa, indeed, that’s 45% of all electricity consumed in Africa
- we serve more than four million customers, across southern Africa, every day
- our infrastructure includes 390 000km of power lines: end-to-end, that’s almost 10 times around the globe
- we employ 39 222 people in the group to serve the nation who are driven by our central asset – which I believe is our value system

That’s what makes our recent history so painful, while it makes our long history a source of pride. We are, I believe, on the way to recovering that proud status: a partner and enabler in southern Africa’s development. I believe that the 2010 FIFA World Cup™ will be one of the steps along that road for us. However, I fully appreciate that we will have to earn the trust of our stakeholders again.

We have enough reason to believe that we’ll overcome the recent challenges – our list of recent achievements stands proud for all to see:

- In 1994, 30% of all South Africans had access to electricity. That now stands at 70%, with an addition of 149 901 connections this year. We have extended electricity to tens of millions of people since 1994, with 3 901 054 homes electrified since the inception of the electrification programme in 1991.
- Eskom has been recognised by the Department of Public Works for creating tens of thousands of jobs under the expanded public works programme.
- We run a massive skills development programme, training thousands of people every year, as well as run schools initiatives such as the Eskom energy and sustainability programme – a long-standing partnership between Eskom and the Wildlife and Environment Society of South Africa (WESSA) – and the Eskom Expo for Young Scientists.
- From the late 1980s until the mid 1990s we allowed the price of electricity to reduce – too much, as it happens – but in the process, we released in excess of R40 billion to customers between 1988 and 1999, in a time when the economy needed this kind of support.
- During that time and, we believe, partly as a result of our efforts, South Africa won the confidence of investors and foreign businesses. Our reputation as a world-class utility, confirmed in 2001 when Eskom was chosen as the Global Power Company of the Year served us, and served South Africa, during tough times.
- We spend billions of rand in South Africa every year, supporting local business and industry. Our procurement processes have been instrumental in the establishment of numerous local businesses and the empowerment of thousands of previously disadvantaged South Africans.

Our assets and challenges
We managed to do that with the people that make the Eskom family. They are South Africans from all walks of life, and without their special dedication, South Africa would be the poorer. Service tenures of 30 or 40 years are not uncommon. They are truly representative
of our nation, comprising a skills base arguably unmatched anywhere else in South Africa. With the changes we have seen in our racial and gender mix since 1994, we now tap the entire skills pool of South Africa.

They are also the reason I believe we will overcome our current, and future challenges, significant as these are:

- While the deliberate under-pricing in the early nineties, referred to above, needed to stimulate the South African economy and investments as it was coming out of the apartheid era at the time, it is now clear that it was extended too far, and too long, and that this needs to be recovered.

- After more than 80 years of delivering the lifeblood of our economy, we have let the country down through supply shortages and other operational issues.

- Our capacity expansion programme is enormous: the three projects currently underway are among the biggest in the world, with a single project such as Medupi power station being bigger than all the 2010 FIFA World Cup investments and Gautrain combined.

- We are partnering with the South African government in working through the challenges of developing a sustainable supply of electricity, increasing the energy efficiency of the South African economy, while facing the requirements of climate change obligations, for instance through large-scale solar and wind power projects.

- We have to continue our commitment to numerous programmes that invest in social development. These include projects run under the auspices of the Eskom Development Foundation, and focus on the empowerment of women and children in rural communities.

I believe we are currently staring down the challenges ahead of us, which I see as supply challenges, associated funding challenges, managing the large capital investment programme, and regaining the trust of our customers and other stakeholders. The reason I believe we will emerge from this challenging phase of our history stronger and with pride is unambiguous – because of the special people we have, and the special organisation I have the privilege of stewarding, and the extraordinary support we have experienced from all our stakeholders.

We will continue to leverage our investments to the benefit of the South African economy – our capacity expansion programme has already created tens of thousands of jobs locally and has catalysed several new industries which will add value to the economy for years to come – and all this through a major recession. It is noteworthy that Eskom’s projects have been major anchors as the economy weathered the storm of recession.

As a massive business, with the kind of projects we undertake, and under the kind of pressure we operate, we have to continue to live our values, and be guided by a clear sense of ethics in all our endeavours. We believe it is essential that the integrity of our people, processes and practices are beyond reproach. As founding signatories to the United Nation’s Global Compact (which includes an anti-corruption clause) and the World Economic Forum’s Partnership Against Corruption Initiative, we are proud of our long record of integrity in this regard.

Our procurement practices are world class – as is evidenced by the outcomes of numerous third-party reviews which are undertaken in parallel with every major order we place. This includes the controversial placement of the Medupi and Kusile boiler contract with Hitachi South Africa. The process relating to this contract has been exhaustively reviewed for any improper conduct and emerged intact. The outcomes of the third-party review report of this process have already been made public.

Road to recovery

Our recent history, though, is one of several significant crises, such as the Western Cape crisis of 2006, the nationwide load shedding of 2007 and 2008, the financial crisis of 2009 and most recently the leadership crisis of 2009.

We have let our customers down – and we have in the process disappointed and angered South Africa and ourselves. But even in these crises there is a silver lining. Earlier in this letter, I praised the people of Eskom and I shall close in the same vein – it is this huge team that has pulled us through these crises. In particular the recovery from the load shedding in the first quarter of 2008 – and the subsequent absence of load shedding – has been nothing short of commendable.

At the same time we must recognise that the crises are far from gone. We will be running out of capacity in the near future (as early as 2011 onwards) and there is therefore a need to urgently proceed with the current Eskom capacity expansion programme. This includes the Medupi, Kusile and Ingula projects and to return the mothballed power stations to service, and introduce independent power producers in terms of the medium-term power purchase programme.
Eskom and South Africa still have to face emission reduction targets, water shortages, massive funding requirements and many more challenges – all of this while recovering from the recession and investing in new infrastructure at a rate unprecedented in our country’s history.

I believe that there is a need for a national dialogue on our energy future, while we focus on the completion of Kusile in 2017. This involves making choices as a country regarding the capacity needs for the future, the capacity mix, who will build the required capacity, what it will cost and how it will be funded. There has been a call for greater engagement and broader dialogue – we wholeheartedly welcome this in line with our own call for a national compact on electricity supply. Eskom welcomes an open and transparent engagement with stakeholders.

**Sustainability**

Eskom is a leader in sustainability reporting – focusing transparently on reporting our financial, technical, environmental and social impact performance. We include full disclosure of our compact with our shareholder as well as against the norms of the Global Reporting Initiative (GRI) and strive to continually improve our performance in this regard.

Eskom is also a trend setter in this regard – as reflected in the deep respect we show for our value of innovation. In 1990 we were applying the principles of managing our business in terms of the triple bottom line – committed to maximise the economic, environmental and social returns of our business.

We acknowledge that 2010 is declared by the United Nations as the international year of biodiversity and continue to work with our partners and stakeholders to control our impacts on ecosystems and seek opportunities to contribute to the South African biodiversity strategy.

**Acknowledgements**

I have already made special mention of the women and men of Eskom who managed to prevent further load shedding over the past year.

I would also like to thank my fellow board members for their counsel and am glad that we can continue to rely on their guidance and assurance for this important national asset. They have spent an enormous amount of additional time in special board meetings this year, to address the various challenges and I thank them for their invaluable time.

We bid farewell to Mr Allen Morgan who resigned as a non-executive director in March 2010 after serving on the board for nine years. Ms Sonia Sebotsa, an external committee member, resigned in February 2010. I thank them for their tangible contribution to the organisation in terms of strategic guidance.

A word of welcome to our new board members, Dr BL Fanaroff and Dr B Mehlomakulu. I would like to make special mention of Mr Paul O’Flaherty who was appointed as the Finance Director in January 2010. He has in this short space of time already left an indelible mark on the Eskom business.

A special word of thanks to Ms Barbara Hogan, Minister of Public Enterprises and Mr Enoch Godongwana, Deputy Minister, for their active interest in and support of Eskom. I must also acknowledge the guidance and strategic direction from Ms Dipuo Peters, Minister of Energy. I would also like to thank Ms Vytjie Mentor and Ms Elisabeth Thabethe, chairpersons of the portfolio committees on public enterprises and energy respectively, as well as Ms Priscilla Themba, chairperson of the select committee on Labour and Public Enterprises for their continued support.

We may make more mistakes in future – but I hope you share my belief that, while the threats and challenges are still out there, the base that makes Eskom special is also still there. Together with the special partnerships we have throughout the South African society we can build on the hard lessons we have learnt in recent years and only go from strength to strength from here on.

Mpho Makwana  
Acting Chairman
Board of directors

1. **Mr PM (Mpho) Makwana** (39)
   - Acting Chairman with executive powers
   - BAdmin (Hons) (Pretoria), EDP (North Western)
   - Mpho was appointed in July 2002
   - **Director**: Epitome Investments
   - **Trustee**: Lovelife Trust

2. **Ms LCZ (Zee) Cele** (57)
   - Non-executive director
   - BCom (Fort Hare), PostGrad Dip Tax, MAcc (Natal) Executive Leadership Development Programme (Cambridge, USA)
   - Zee was appointed in August 2005
   - **Director**: Hulamin Ltd, Combined Motor Holdings, Sports For All Franchising (Pty) Ltd, Three Cities Investments (Pty) Ltd

3. **Mr SD (Daniel) Dube** (60)
   - Non-executive director
   - Diploma in Management from the University of Leicester
   - Daniel was appointed in July 2008.
   - **Chairman**: Self-help and Resource Exchange

4. **Mr LG (Lars) Josefsson** (59) (Swedish)
   - Non-executive director
   - MSc (Applied Physics) (Chalmers, Sweden)
   - Professor, Cottbus University, Germany
   - Lars was appointed in July 2002
   - **Director**: Robert Bosch Industrie-Treuhand KG, Robert Bosch GmbH, Dynea Oy

5. **Mr HB (Hee-Beom) Lee** (61) (Korean)
   - Non-executive director
   - BA in Electronics Engineering, Seoul National University, Graduate School of Public Administration, Seoul National University, MBA (summa cum laude), George Washington University, Ph.D in Business Management, Kyunghee University, Honorary Doctorate Degree in Public Administration, Hoseo University
   - Hee-Beom was appointed in July 2008.
   - **Director**: National Academy of Engineering of Korea, Korean Air, STX Energy Group

6. **Ms WE (Wendy) Lucas-Bull** (56)
   - Non-executive director
   - BSc (Wits)
   - Wendy was appointed in July 2002
   - **Director**: Peotona Group Holdings (Pty) Ltd, Dimension Data Holdings PLC, Development Bank of Southern Africa, Nedbank Group Limited, Anglo Platinum Limited
7. **Mr J (John) Mirenge (44) (Rwandan)**  
Non-executive director  
Bachelor of Law (LLB) from the Makerere University,  
Kampala and a Post-graduate Diploma in Legal Practice (Law Development Centre, Kampala)  
John was appointed in July 2008  
**Director:** Crystal Ventures Ltd, Rwandair Express, RECO/ RWASCO (Rwanda)

8. **Mr JRD (Jacob) Modise (43)**  
Non-executive director  
BCom, BAcc, CA(SA), MBA (Wits), AMP(Harvard), AMP (Samford)  
Jacob was appointed in July 2002  
**Major directorships:** Altron, Batsomi Group, Blue IQ  
Investment Holdings, Electricity Distribution Industry Holdings, Road Accident Fund

9. **Mr AJ (Allen) Morgan (62)**  
Non-executive director  
BSc, BEng (Electrical) (Stellenbosch)  
Allen was appointed in July 2002 and resigned on 31 March 2010  
**Director:** Kumba Iron Ore Ltd, Lomold (Pty) Ltd, Lomotek Polymers (Pty) Ltd, Proplas (Pty) Ltd, South African Sustainability Development Company (Pty) Ltd, Bio Therm Energy (Pty) Ltd

10. **Mr PS (Paul) O’Flaherty (47)**  
Executive director responsible for finance  
BCom, BAcc, CA (SA)  
Paul was appointed in January 2010  
**Director:** Escap (Pty) Ltd

11. **Ms U (Uhuru) Zikalala (50)**  
Non-executive director  
MSc (Structural Eng) (Patrice Lumumba, Moscow)  
Uhuru was appointed in August 2005  
**Director:** Blue Flame Properties, Ulwazi-Bosch Skills Academy

**Changes in board composition:**
- Resignation of Jacob Maroga as Chief Executive on 28 October 2009
- Resignation of Bobby Godsell as Chairman on 8 November 2009
- Appointment of Mpho Makwana as Acting Chairman, with executive powers on 12 November 2009
- Appointment of Paul O’Flaherty as Finance Director in January 2010
- Resignation of Allen Morgan on 31 March 2010
Executive management committee

1. **Mr PM (Mpho) Makwana (39)**
   Acting Chairman with executive powers
   B Admin (Hons) (Pretoria), EDP (North Western)
   **Director:** Epitome Investments
   **Trustee:** Lovelife Trust

2. **BE (Bhabhalazi) Bulunga (54)**
   Managing director – Human Resources division
   BA (Social Science) (Swaziland)
   Providing human resources strategy, direction, policies and assurance, strategic services including health and wellness, industrial relations, learning, organisational effectiveness and remuneration and benefits. Driving culture change through effective change management and implementation and development of appropriate programmes

3. **BA (Brian) Dames (44)**
   Chief officer – Generation business
   BSc (Hons) (Western Cape)
   MBA and Graduate Diploma in Utility Management (Samford, USA)
   **Director:** Rotek Industries (Pty) Limited, Roshcon (Pty) Limited, Eskom Enterprises (Pty) Limited
   Operating and maintenance of generation assets throughout the plant lifecycle, nuclear operations and strategic primary energy sourcing. Designing, building and refurbishing electricity assets, leading project development for the Eskom group, being the custodian of the non-regulated businesses and offering strategic and commercial lifecycle services to the divisions.
4. **E (Erica) Johnson** (41)
   - Chief officer – Customer network business
   - BSc (Electrical Eng) (Cape Town), MSc (Electrical Eng) (Cape Town), MBA (Witwatersrand)
   - Director: Eskom Enterprises (Pty) Limited
   - Accountable for the Network and Customer Services Business in Eskom. This entails the planning, operations and maintenance of the Transmission and Distribution network, the management of the customer base, long-term electricity capacity planning and the revenue stream.

5. **Dr SJ (Steve) Lennon** (51)
   - Managing director – Corporate services division
   - MSc (Phys Metallurgy) and PhD (Witwatersrand)
   - Professional scientist (Pr. Sci. Nat.)
   - Fellow of the Academy of Engineering
   - Fellow of the Royal Society
   - Chairman: National Advisory Council on Innovation
   - Director: National Advisory Council on Innovation, Electric Power Research Institute, Eskom Enterprises (Pty) Limited
   - Supporting growth, innovation and sustainability of Eskom group by influencing strategic direction and risk management, ensuring safety, assurance, strategy execution, an optimal portfolio of assets, regulatory compliance, and effective group-wide governance, and providing strategic services in the area of information management, environment, security insurance and research, demonstration and development to the benefit of the business as a whole.

Changes in Exco composition:
- Resignation of Jacob Maroga as Chief Executive on 28 October 2009
- Appointment of Mpho Makwana as Acting Chairman with executive powers
- Appointment of Paul O’Flaherty as Finance Director
- Appointment of Bhabhalazi Bulunga as Managing Director for Human Resources in February 2010

6. **Mr PS (Paul) O’Flaherty** (47)
   - Finance director, BCom, BAcc, CA (SA)
   - Paul was appointed in January 2010
   - Director: Eskom Holdings Limited, Escap Limited
   - Providing financial procurement strategy, policies, assurance and strategic services to the Eskom group.
Executive performance overview

Economic conditions
The slowdown in economic performance in the past year led to low consumer spending, further slowing down growth and putting the brakes on demand for credit. Spending on retail and wholesale trade sales plummeted to record lows, with the motor vehicle industry experiencing one of its worst years in decades. Government consumption expenditure remained resilient, supported by state-owned enterprises infrastructure programmes including Eskom’s capacity expansion programme.

Despite the huge investment drive by state-owned enterprises, real gross fixed domestic investment decelerated sharply in the 2009 calendar year by 2.3% from a strong 11.7% in 2008. It is worth mentioning that Eskom’s huge investment drive played a role in keeping fixed domestic investment in positive territory. Although headline inflation averaged 7.1% (above the 6% target) in the 2009 calendar year, indications are that consumer prices may decelerate further in 2010 as a result of the stronger currency and general weak price pressures. This should steer consumer prices lower and even to average below 6% in 2010.

Demand for electricity is already on the increase from a negative 4.2% reduction in 2009 to a positive 1.7% growth in 2010 in line with improving economic conditions.

Business overview
During the past year Eskom started laying the foundation for its recovery in terms of its people, plant, finances, and reputation. Eskom achieved some notable improvements, the most significant being the group’s return to profitability. Our promise was to return the group to financial health and ensure that it remains a sustainable going concern. As part of this, we have been able to remove a large portion of the embedded derivatives from our balance sheet and are also well advanced in finding solutions for our funding gap. The vacancies in our executive committee, a worry last year for both the Board and the entire community of stakeholders, have all been filled, except for the permanent Chief Executive position and the Managing Director in the Enterprises Division.

The National Energy Regulator of South Africa (NERSA), after lengthy deliberations including unprecedented stakeholder engagement announced on 24 February 2010, price increases over the next three years of 24.8% (FY11), 25.8% (FY12) and 25.9% (FY13). This ruling is encouraging as it is a positive move along the path to ensure that electricity tariffs are cost reflective in the medium term. It has, however, exacerbated the funding challenges we face as we had requested a 35% annual tariff increase over the next three years.

We are working hard to ensure that Eskom once more becomes a reliable supplier of electricity, a great place to work, a great place to invest for financiers, a great customer for some of the world’s leading technology suppliers and a great source of pride for all South Africans.

This recovery would not have been possible without the direct continued support of the Government of South Africa who have provided us bridging financial support in terms of a R60 billion (R40 billion drawn down to date) and a R176 billion guarantee for borrowings (R117 billion drawn down to date). Our medium-term goal is to become independently financially stable and the bridging finance provided to us has set us up favourably to achieve this goal.

Highlights
• Return to profitability.
• Capacity expansion achievements – Ambitious agreed targets for Eskom capacity expansion programme were exceeded. These achievements include: 452MW installed and commissioned, 600km transmission lines built and 1 630MVA installed. Two units at Grootvlei power station were commissioned and we upgraded three units at Arnot power station. The Tabor-Spencer high-voltage line was commissioned. Since 2005 we have completed 4 905.5MW generating capacity, 2 825.4km transmission lines and 1 730MVA transmission capacity.
• No load shedding has taken place since end April 2008.
• Limited usage of the expensive open cycle gas turbine stations.
• Re-negotiation of aluminium contracts to eliminate embedded derivative components are at an advanced stage.
• Electrification connections of 149 901 against a target of 145 615 were achieved.
• Eskom ready for the FIFA 2010 World Cup™.
• World Bank (R28 billion) and African Development Bank (R21 billion) loans granted with drawdowns to commence in the next financial year.
• A 17-year coal supply agreement for Majuba power station was signed.
• Very low staff turnover; highlighting our staff commitment and resilience.
• Solutions to our funding gap well advanced.
Challenges

- Slower path to desired tariff level.
- Increasing concern about staff security.
- Increasing losses of equipment and electricity through theft affecting plant performance and increasing general cost levels.
- Concerns over safety despite the reduced level of fatalities recorded among employees and contractors.
- Eskom-tied mines are not meeting the budgeted coal deliveries and the impact of excessive rain led to the coal stock days reducing to 37 days (target: 42 days).
- Increase in particulate emissions due to poor coal quality.

Despite these challenges, we have managed to avoid load shedding since the end of April 2008.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Description</th>
<th>Target</th>
<th>Actual 2010</th>
<th>Actual 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit capability factor (UCF)</td>
<td>UCF measures the plant availability and indicates how well the plant is operated and maintained</td>
<td>86,50%</td>
<td>85,86%</td>
<td>86,07%</td>
</tr>
<tr>
<td>Energy availability factor (EAF)</td>
<td>EAF measures plant availability (UCF above), plus energy losses not under the control of plant management (external) and internal non-engineering constraints</td>
<td>85,50%</td>
<td>85,21%</td>
<td>85,32%</td>
</tr>
<tr>
<td>Unplanned capability loss factor (UCLF)</td>
<td>UCLF measures the lost energy due to unplanned production interruptions resulting from equipment failures and other plant conditions</td>
<td>4,50%</td>
<td>5,10%&lt;sup&gt;AA&lt;/sup&gt;</td>
<td>4,38%&lt;sup&gt;AA&lt;/sup&gt;</td>
</tr>
<tr>
<td>Generation load factor (GLF)</td>
<td>GLF indicates the extent to which the generation fleet was loaded on average over the year to produce the energy demanded</td>
<td>66,60%</td>
<td>66,20%</td>
<td>67,02%</td>
</tr>
<tr>
<td>Planned capability loss factor (PCLF)</td>
<td>PCLF-planned energy loss is energy that was not produced during the period because of planned shutdowns or load reductions due to causes under plant management control</td>
<td>9,00%</td>
<td>9,04%</td>
<td>9,54%</td>
</tr>
<tr>
<td>Reserve margin</td>
<td>Difference between net system capability and the system’s maximum load requirements (peak load or peak demand) as a percentage of the peak demand</td>
<td>15,00%</td>
<td>16,40%</td>
<td>10,60%</td>
</tr>
</tbody>
</table>

RA – Reasonable assurance provided by the independent assurance provider (refer page 169).

Technical performance

Some of the power stations are achieving world-class technical performance, but the older stations are under pressure. The increased electricity demand and the low reserve margin over the last number of years have resulted in less time available to do essential maintenance on the power stations. Many of the power stations are in their mid-life and require more maintenance. Given the high load factors and continued challenges with coal quality, we have seen an increase in particulate emissions and unplanned unit trips.

The continuous growth in demand for electricity prior to early 2008, and the resurgence in the electricity demand growth towards the end of 2009 and beginning 2010, combined with limited increased electricity generation capacity, has resulted in a significant increase in the production required from existing power stations.

The generation recovery process in 2008/09 resulted in improved availability and reliability of those plant areas given priority. However, other plant areas like coal handling and particulate emissions systems have deteriorated as a result of the demanding operating regime of the coal-fired power stations and variation in coal qualities.

The low reserve margin in the South African electricity supply system has, since 2006, resulted in shorter windows of opportunity to perform essential maintenance on our power stations, as well as less opportunity to schedule the major refurbishments required by the older power stations. The decrease in electricity demand which resulted in a lower load factor experience in 2008 and 2009 in comparison to previous years provided more opportunity for maintenance, resulting in higher PCLF in 2009 and 2010 compared to 2008 and the target.
SAIDI and SAIFI performance have deteriorated from the previous year. Business plan targets have also not been achieved because of the slower than anticipated benefit realisation for the Distribution network performance improvement initiatives, resource constraints, impact of conductor/equipment theft on resources and network performance and adverse weather conditions during the financial year. There has been an increased focus during the year on planned maintenance work.

Technical performance benchmarks indicate that Transmission is within the top quartile in terms of performance, but Distribution needs to improve their performance. Distribution requires different investment priorities based on mixed urban and rural customer profiles. Unacceptably high levels of theft of equipment and electricity are affecting plant performance and increasing cost.

Safety performance

Although there has been a reduction in the number of employee and contractor fatalities for the past year as compared to 2009, we remain focused on improving safety. Fatalities are unacceptable. Sadly and regretfully we lost:

- two employees, due to motor vehicle accidents, compared to six in 2009.
- 14 contractors compared to 21 in 2009. Six of the fatalities were attributable to vehicle accidents, three to gunshots, three to being struck by falling objects, one to an electrical contact incident and one passed away due to a fall from height.
- 41 members of the public in 2010 (compared to 28 in 2009), with vehicle accidents and electrical contacts remaining the major causes. An intense public safety campaign is underway to address this.

In addition our lost-time incident rate (LTIR) worsened to 0.54 per 200 000 manhours worked from 0.50 in 2009 and well above our target of 0.31. We are disappointed that we did not meet our target and reaffirm that the safety of our people remains fundamental to our business, and we will not rest until we have achieved our safety goals through collective responsibility, commitment and ongoing focus.

Eskom is working with suppliers, customers and contractors to integrate safety, health and environmental issues into their operations. Contractors working under our supervision or on our premises are expected to comply with Eskom’s safety, health and environment (SHE) policy, and support the zero tolerance approach to safety management.

Environmental performance

Due to the nature and extent of our operations, we impact the environment in terms of our use of resources, the processes required to generate electricity and the physical footprint we have on the land.

Eskom’s water usage has stabilised to some extent. The volume of water used as part of the process to generate electricity improved slightly from 1.35L/kWh in 2009 to 1.34L/kWh in 2010.

There has been a deterioration in our particulate emissions performance from our coal-fired power stations from 0.27kg/MWh to 0.39kg/MWh sent out linked to continued poor coal quality and reduced opportunity for maintenance in prior years due to the lower reserve margins.
Eskom obtained environmental authorisations for a number of key Transmission and Distribution projects, including a waste licence for the Medupi power station for its surface ash facility.

**Capacity expansion programme**

Although the funding constraints delayed the awarding of certain contracts related to the Medupi and Kusile projects, overall, the capacity expansion programme has shown remarkable progress. The significant number of commissioned projects is evidence of the progress that has been made from inception in 2005 to date:

- Some 4,905.5 MW of generating capacity has been installed.
- 2,825.4 km of high-voltage (400kV and 765kV) transmission lines have been constructed.
- 11,730 MVA transmission capacity has been commissioned through the construction and refurbishment of substations.

<table>
<thead>
<tr>
<th>(Excluding borrowing cost capitalised)</th>
<th>Target 2010</th>
<th>Actual 2010</th>
<th>Actual 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation capital expenditure, Rm</td>
<td>43,566</td>
<td>29,467 RA</td>
<td>25,984</td>
</tr>
<tr>
<td>Transmission capital expenditure, Rm</td>
<td>6,888</td>
<td>4,246 RA</td>
<td>4,451</td>
</tr>
<tr>
<td>Generation capacity installed, MW</td>
<td>420</td>
<td>452 RA</td>
<td>1,770 RA</td>
</tr>
<tr>
<td>Transmission lines installed, kilometres</td>
<td>428</td>
<td>600 RA</td>
<td>418 RA</td>
</tr>
<tr>
<td>Transformers installed, MVA</td>
<td>1,365</td>
<td>1,630 RA</td>
<td>1,255 RA</td>
</tr>
</tbody>
</table>

**2010 FIFA World Cup™ readiness**

The successful delivery of a reliable, uninterrupted flow of electricity for the 2010 FIFA World Cup™ has been a major focus for the last three years. A dedicated team has driven Eskom’s internal preparations and co-ordinated the broad-based collaborative efforts and partnerships required for an event of this magnitude.

With regards to the Generation Business, preparations for the World Cup have been ongoing throughout the 2010 financial year and included the identification of potential risks to the ability of the power stations to produce electricity and the mitigation actions and timelines to address these risks. Criteria were developed against which the readiness is assessed and have been used by Generation Business leadership during on-site reviews and engagements with the power station and (where applicable) mine management teams.

The Transmission division identified ten project platforms to ensure that the entire electricity supply chain from power station to stadium operates effectively and that all risks are identified and managed.

During the month of the world cup the Distribution division will secure bulk supplies to the municipalities and key world cup installations. A joint Eskom and municipal 2010 regional task team has been established to manage key electrical supply points and substations as well as to ensure effective communication. The Southern African Power Pool has pledged support to supply additional megawatts if required.

**Climate change**

Mitigating Eskom’s contribution to climate change has long been an integral part of our business. Our climate change strategy, developed in 2005 and our six-point plan on climate change prove our commitment. The six-point plan was detailed over the last two years in our annual reports and we remain committed to the principles and aspirations highlighted therein. Over the last year, we have been driving the climate agenda further through planning, research, pricing studies and training sessions both internally and with our key industrial customers.

The future of renewable energy in South Africa received a major boost, with the inclusion of concentrating solar power (CSP) and wind in the South African Clean Technology Fund application to the World Bank.

Internal energy efficiency targets have been developed for each division for the next three years in order to achieve a saving of 1 billion kWh by 2012 and have been included in relevant compacts. Non-essential consumption savings of 9.6 GWh in the year ended March 2010 and 46.7 GWh since the project started in 2003, have been achieved.

The savings from the demand-side management (DSM) programme was 372 MW, against a target of 432 MW. This has increased the cumulative saving to 2,372 MW since the inception of DSM in 2003. For the 2010 financial year 3,455 rebate claims were processed and settled for qualifying solar water heating systems. Over 4.6 million compact fluorescent lamps were installed in residential houses, realising savings of 237 MW for the 2010 financial year.

**Future prospects**

Our short- to medium-term focus going forward is to ensure the ongoing security of supply of electricity to all our customers and to ensure that we remain financially sustainable by addressing the significant funding gap.

Operationally we are focused on the successful delivery of the 2010 FIFA World Cup™, significant cost reductions through efficiencies without sacrificing critical expenditure, ongoing interaction with and
Executive performance overview continued

support for the Inter-Ministerial Committee on Energy, restoring our reputation as a world-class utility and ensuring that in our ongoing operational business we continue to improve and perform at the highest level.

At the same time we must remain aware of the risks facing the business. Volatility in electricity demand, which is heavily dependent on economic growth, coupled with a reserve margin which we anticipate declining in the medium term, means that operating conditions will be difficult for the foreseeable future. In addition, the uncertainty in the recovery of the global economy means that funding activities could be impacted.

Eskom remains confident that its path to recovery will lay the foundation for a brighter future.

Performance against the shareholder compact

This is an overview of business performance against the shareholder compact key performance indicators. Refer to page 298 for more detailed information on the shareholder compact.

<table>
<thead>
<tr>
<th>Key performance indicator</th>
<th>Target</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation capacity installed (Megawatts)</td>
<td>420</td>
<td>452*</td>
<td>1 779*</td>
<td>1 061</td>
</tr>
<tr>
<td>Transmission lines installed (kilometres of line)</td>
<td>428</td>
<td>600*</td>
<td>418*</td>
<td>246</td>
</tr>
<tr>
<td>Transmission MVA installed</td>
<td>1 365</td>
<td>1 630*</td>
<td>1 255*</td>
<td>1 295</td>
</tr>
<tr>
<td>National load shedding (Generation induced) or unserved energy (system minutes)²</td>
<td>None</td>
<td>641.5</td>
<td>953.6</td>
<td></td>
</tr>
<tr>
<td>Internal energy efficiency</td>
<td></td>
<td>46,7*</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Capacity expansion programme budget (R million)</td>
<td>50 454</td>
<td>33 713</td>
<td>30 435</td>
<td>13 398</td>
</tr>
<tr>
<td>Generation capital expenditure</td>
<td>43 566</td>
<td>29 467*</td>
<td>25 984</td>
<td>11 004</td>
</tr>
<tr>
<td>Transmission capital expenditure</td>
<td>6 888</td>
<td>4 246*</td>
<td>4 451</td>
<td>2 394</td>
</tr>
<tr>
<td>Cost of electricity (rand/megawatt-hour before embedded derivatives)</td>
<td>267,71</td>
<td>255,09*</td>
<td>240,82</td>
<td>197,80</td>
</tr>
<tr>
<td>Debt/equity ratio</td>
<td>1,75</td>
<td>1,68*</td>
<td>1,22</td>
<td>0,40</td>
</tr>
<tr>
<td>Interest cover</td>
<td>0,23</td>
<td>0,45*</td>
<td>(1,50)</td>
<td>(0,65)</td>
</tr>
<tr>
<td>Percentage of local content in capacity expansion contracts placed during the year</td>
<td>50,0%</td>
<td>73,9%*</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**Skills development:**

| Eskom trainees/bursars (learner pipeline)                      | 4 500  | 5 255* | 5 907 | 5 368 |
| Number of engineering trainees/apprentices                    | 3 500  | 3 780* | 3 535 | 4 563 |
| Additional number of non-Eskom learners on Eskom-sponsored learning | 450*   | 236*   | n/a   | n/a   |

RA – Reasonable assurance provided by the independent assurance provider (refer page 169).
LA – Limited assurance provided by the independent assurance provider (refer page 169).

1. This compact measures the performance of the electricity business (Eskom company).
2. National load shedding was avoided with the help of customers who reduced their consumption throughout the year as well as customers who provided contractual demand reduction during periods when the system was constrained. Load shedding is recorded when all manual load shedding or curtailment instructed by the National System Operator in response to a national supply-demand constraint – (i) where this is caused by a generation or import constraint, (ii) including where such shedding/curtailment is not strictly rotational – i.e., if a load shedding event lasts less than two hours, such load shedding will be reported.
3. The target is aligned to that of the Power Generation Sector as per the National Energy Efficiency Strategy for South Africa (2005 and 2008). The percentage savings will be determined once the Eskom baseline is completed.
4. Inception to date saving with some projects initiated prior to 2009 (the year-to-date saving was 9,6GWhLA).
5. Target is 10% of internal learners.
Reasons for targets not being met

Internal energy efficiency

Metering and monitoring is still outstanding at some key facilities, hence not all potential savings are yet being reported. Metered information is also required for the development of the Eskom baseline. The targeted savings (percentage savings) will be determined once the Eskom baseline is completed.

Generation and Transmission capital expenditure

As a result of funding constraints, the capital expenditure was delayed on a number of projects, which would otherwise have been on target.

Additional number of non-Eskom learners on Eskom-sponsored learning

The definition of non-Eskom learners only included the Dr Straszacker and Van der Bijl Eskom sponsored scholarships. The University and University of Technology – Merit Bursars also sponsored by Eskom, were unintentionally omitted from the definition, but included in the target. Hence the number reported being below target.

For the new year, the definition for this measure will be amended to include all Eskom sponsored scholarships and bursaries for non-Eskom learners:

- Dr Straszacker scholarship
- Van der Bijl scholarship
- Merit University bursary
- Merit University of Technology bursary
- Any non-Eskom learnerships and/or apprenticeships over and above the Eskom business requirements, sponsored by Eskom.
The financial statements for the year ended 31 March 2010 presented by the management are not only the result of a solid management team but also the outstanding performance of our workforce. Our cost control measures for the year ended 31 March 2010 included the rationalisation of our workforce, and we saved over R2 billion by the end of the year. These savings will be passed on to our customers in the form of lower electricity rates.

Eskom is proud to have won a number of awards, including the prestigious SA Business Excellence Award for the third consecutive year. The award recognises the company’s commitment to excellence, innovation, and corporate social responsibility. It is a testament to the hard work and dedication of our employees.

Eskom’s ongoing efforts to improve its financial performance have been recognised by various rating agencies, which have upgraded the company’s credit rating to investment grade. This is a significant achievement for Eskom and a positive signal to the market.

Eskom has made significant progress in its efforts to reduce its carbon footprint and mitigate climate change. The company has committed to reducing its greenhouse gas emissions by 2050, and it has already taken steps to implement this goal.

Finally, Eskom would like to thank our customers for their support and understanding during this period. Our customers are the lifeblood of our business, and we are committed to providing them with reliable and affordable electricity.

We look forward to continuing our progress and achieving even greater results in the years to come.

Eskom
Notes to the condensed financial information

Basis of preparation
The condensed financial report has been prepared using accounting policies compliant with International Financial Reporting Standards (IFRS) and is based on the principles in IAS 14 Interim Financial Reporting. The accounting policies and methods of calculation used are consistent with those applied in the preparation of the annual financial statements for the year ended 31 March 2010. Where the group has adopted a new or revised accounting standard or interpretation, the following note provides an overview of the impact of the specific standard or interpretation on the financial statements for the year ended 31 March 2010.

The following new and revised standards and interpretations, which impacted disclosures in the financial statements were implemented during the year:

- IFRS 9 Financial Instruments
- IFRS 16 Leases
- IAS 34 Presentation of interim financial information

In addition, the results of Eskom Enterprises (Pty) Limited are now shown as a separate segment with the implementation of IFRS 8 Operating Segments. Inter-segment allocations for the financial year between the Generation, Transmission, and Distribution segments are based on cost recovery plus a return on safety. The 2009 inter-segment allocations were based on the principles per NMPA’s price determination in 2009. In addition, unbonded amounts as reported in the 2009 financial period have now been allocated to the respective segments.

The group has also implemented IFRS 13 ‘Fair value of assets from which it is prospectively effective on or after 1 July 2010. The group has previously (up to 30 June 2009) credited the contribution paid in advance by customers relating to the construction of distribution and transmission assets to profit or loss on a straight-line basis over the expected useful lives of the related assets as these assets were carried in commercial operation. From 1 July 2010, the contribution paid in advance are credited to profit and loss within other revenue when the customer is connected to the electricity network. The amount (R4 million) as of 1 July 2009 was credited to profit and loss as of the period from 1 July 2010 to 31 March 2010.

Borrowings
The group negotiated a subscribed loan of R46 billion (2009: R49 billion) from the shareholder. The total draw down for the year was R58 billion (2009: R59 billion). Eskom is obliged to pay interest on the loan when Eskom is solvent and the debt leverage conditions per the agreement are satisfied. The interest on the subscribed loan is non-cumulative. The cumulative draw down of R58 billion (2009: R49 billion) has been recognised in the statement of changes in equity and R52 billion (2009: R41 billion) in borrowings.

Changes in the composition of Eskom Holdings Limited and the Eskom Group
The investment in Avangos (Pty) Ltd was disposed of during the financial year.

Issued share capital
There was no change in the issued share capital during the financial year.

Material events after the reporting date
There were no material events after the reporting date that may have an impact on the group’s financial position at 31 March 2010.

Impairment of assets
The net amount of impairment for all group assets decreased from a net impairment of R99 million in 2009 to R92 million in 2010.

Declaration of dividend
No dividend (2009: nil) was proposed to the shareholder having taken into account the resource impact of the group’s expansion programmes.

Auditor’s review report
The condensed consolidated statement of financial position as at 31 March 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended were reviewed by KPMG Inc and SowetoValeOrd. Their unreported review report is available for inspection at the registered office of the company.

Approval by directors
Signed on behalf of the board of directors as 28 May 2010.

PM Mahalenke
Acting Chairman/Chief Executive
28 May 2010

PS O’Flaherty
Finance Director

Company secretarial
Eskom Holdings Limited
Registration number 2001/013243/06
Head Office
有不同的地址

Eskom Holdings Limited
Registration number 2002/001572/06
Registered in South Africa
1923
Electricity Supply Commission established

1923 – 1929
1930 – 1950
1950 – 1970

The Electricity Supply Commission (Escom) was established. Dr Hendrik van der Bijl was the first Chairman. Witbank, Colenso and Salt River Power Stations were commissioned.

New goldfields on the Witwatersrand and the rise in gold price boosted electricity demand. Vaal and Klip power stations were built and the distribution network was extended.

Soaring growth in the Vaal Triangle and Witwatersrand, Eskom's capacity doubled by extending existing stations and building new ones. R376 million was spent on new plant. Capacity increased by 130%.

1970 – 1990

Two hydro stations were commissioned for peak load. The decision was taken to build Koeberg, the first nuclear station in Africa. Gas turbine, coal and pumped storage stations were commissioned. Escom was renamed to Eskom in 1987 and an Electricity Council replaced the Commission.

1990 – 2010

Electrification started on a massive scale and the real price of electricity was reduced to stimulate economic growth. In 2001 Eskom received the Global Power Company of the Year Award. Eskom was converted to a company in 2002. Surplus electricity ran out and power shortages became apparent in 2007.