

Chairman and chief executive

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*South Africa is not alone –
there is a shortage of
power globally.*



1. A new 765kV line is built near Bothaville.
2. Eskom staff work around the clock.
3. Gourikwa power station was completed in 2007.

Message from the chairman

Reflecting on the past three years

It is a privilege for me to deliver this annual report, the last under my chairmanship, in the aftermath of one of the most challenging periods of Eskom's history. Allow me to reflect on an exciting journey at the helm of our national electricity utility.

Overview of challenges

From the early days of my tenure, it was clear that Eskom was on an unsustainable path – both from a financial perspective as well as our ability to meet national power demand. This came to a head in the closing months of 2007 and the first quarter of 2008 when the national demand for electricity could not be met by the available generation capacity.

For many years Eskom had been the crown jewel of the South African state-owned enterprises. Several awards and honours were bestowed on the utility, which bears testimony to this fact. In 2001 Eskom won the Financial Times Global Energy Award for the Power Company of the Year. This was in recognition of the organisation's success in "providing the world's lowest-cost electricity while at the same time making superior technology innovations, increasing transmission system reliability and developing economical, efficient and safe methods for combustion of low grade coal". This has been an exceptional achievement.

As a country, we promoted South Africa as an attractive destination for foreign direct investment on the back of low cost and reliable electricity supply. At the turn of the century, Eskom had high excess capacity with the reserve margin at an impressive 25% in 2002.

With all the accolades, it was exceedingly difficult for Eskom to convince anyone that the organisation was on an unsustainable path. The mindset of most South Africans did not reflect the fact that electricity was fast becoming a scarce resource. Within



Valli Moosa Chairman

Eskom has always had a plan, and this plan was fast-tracked from 2004.

Eskom, however, the mood was completely different. There was a sense of urgency and anxiety to act – and act decisively. It was almost as if Eskom had a premonition that there was an electricity crisis looming which had to be averted.

It was this premonition that drove a lot of the decisions of the board in the first year of my tenure – how do we operate within the constraints of the current policy and regulatory environment whilst preparing for an uncertain future? In this regard we started preparing for that future, refocusing Eskom's strategy away from an African-wide, diversified, unbundled business model to one which focused on the core business of power generation, transmission and distribution, with a focus on South Africa's market. In parallel with this process we engaged vigorously with government to establish an enabling environment for the sustainability of the business.

The road to recovery

In October 2004, government took the first bold step and allowed Eskom to lead this current phase of building new electricity generation capacity. While there is consensus that we started late with the programme, this decision of Cabinet was to be welcomed as undoubtedly an important scene setter for the future of the electricity industry. The decision by Eskom to continue with planning while we were prohibited from building new capacity, placed South Africa in a much stronger position to respond.

My experience as the chairman of the Eskom board for the past three years has given me comfort that the utility is well on the road to recovery. Significant progress has been made to address all the key challenges identified. Jacob Maroga was appointed as the chief executive effective on 1 May 2007.



Deputy president, Ms Phumzile Mlambo-Ngcuka, and chief executive Jacob Maroga opened the two new open-cycle gas turbine power stations on 1 October 2007.

He brings with him vast technical and Eskom experience. During the reporting year, further changes were made to the executive committee and the overall organisational structure.

This is not an easy business environment for Eskom's new management team. There are six key challenges that needed urgent attention – keeping the lights burning on the back of inadequate reserve margin; addressing artificially low tariffs; building new generation and transmission capacity to meet the rising demand for electricity; mobilising all South Africans to become more energy efficient; responding to climate change imperatives; and mobilising all three spheres of government.

Message from the chairman continued

New build programme on track

There has been tremendous progress since the 2004 decision of Cabinet. Eskom has spent a total of R53 billion (2005/6: R10,6 billion; 2006/7: R17,7 billion; 2007/8: R24,7 billion) with a forecast spending of R46 billion for the 2008/9 financial year. Six new transmission substations have been completed and 1 026km of transmission lines constructed since 2004. A total of 2 582MW of new power generation capacity is now on line with 1 061MW of this total installed during the 2007/8 financial year. To date, the board has approved projects to the value of R260 billion with 16 304MW of new generation and other capacity committed.

Towards the end of 2005, the board approved an investment to build what is today the first two new power stations conceptualised, built and commissioned by the democratic South Africa – Gourikwa and Ankerlig open-cycle gas turbine stations. The last time Eskom built and commissioned an OCGT plant was in 1976, and so the utility started this project having lost all of its institutional memory in this regard. Construction at both sites started in January 2006, and the construction teams had to deal with one of the biggest floods seen in the Western Cape in a very long time.

The total duration of the project from concept to completion was two years and nine months. The construction time was 17 months, with 13 months between turning the first sod to synchronising the first machine. Both plants were ready to supply power for the winter of 2007. This is world class performance by any measure.

The board investment decision on Medupi power station, a new 4 788MW coal-fired base load power station located in Lephalale, was taken on 5 December 2005. This was 14 months after the Cabinet decision of 2004. In May 2007, the construction of the power station started. Work on the project is on schedule. Construction of the second 4 818MW coal-fired base load power station – “Project Bravo” – began on 1 April 2008, which is 27 months after the Cabinet decision.

The return to service of the three mothballed stations – Camden, Komati, and Grootvlei – has also been proceeding exceedingly well. In March 2005, Unit 6 of Camden power station was successfully synchronised to the national power grid and for the first time in 15 years, it generated and supplied electricity. Six of the eight units at Camden went into commercial operation between then and March 2008, adding some 1 250MW to the system. Later this year, all of the eight units of Camden will be in commercial operation with the entire station being successfully returned to service – something that, to my knowledge, has never been done before.

The first of the six units (Unit 1) at Grootvlei went into commercial operation on 31 March 2008 and added 200MW to the system. Commercial operation for the second unit is planned for later this year, with the last unit of the station planned to be in commercial operation later in 2009. The first unit of Komati power station, on the other hand, is planned for commercial operation during 2009.

My hope is that South Africa as a nation will truly become part of the solution.

This is sterling performance, noting of course that Eskom was on virgin territory with no international comparative experience on the return to service of power stations that have been mothballed for this long.

The regulatory environment

The price of electricity in South Africa is unsustainably low and does not reflect the true cost of producing, transporting and distributing electricity. Between January 1998 and March 2007, the real price of electricity declined by 12%.¹

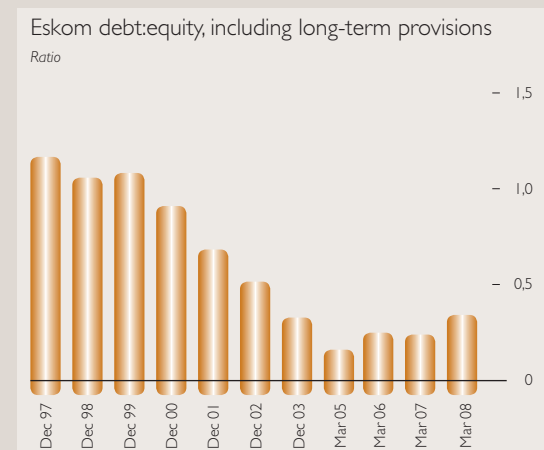
Given the low reserve margin and the pressing need to invest significantly in new electricity generation capacity, South Africa has to move decisively toward economic prices. For several years prior to my appointment to the board, Eskom made this point consistently.

During the past financial year, the debate on the future tariff path took a new turn. For the first time ever, Nedlac hosted a stakeholder summit to deliberate on Eskom's second application for a further tariff increase for 2008/9. Representatives of civil society, organised labour, business and government, worked together and agreed on a common submission to Nersa. It was agreed at the summit that the new price proposals must be done in a manner that protects the poor and ensures that they still have access to affordable electricity.

On 18 June 2008, Nersa announced a decision to increase the average price by 27,5% in 2008/9, including the previous decision of 14,2% in December 2007 ie, an additional increase of 13,3%.



More than 800 people from the Lephalale area have already been employed to work on the Medupi power station project.



¹ When compared with CPIX as an inflation index.

Message from the chairman continued

It is notable from the decision that the regulator indicated that a mechanism will be developed to take into account unforeseen changes in primary energy costs and other costs. Furthermore, the regulator gave a projection of the price path of between 20% and 25% per annum for the next MYPD assuming that the current economic climate continues to prevail and Eskom's capital expenditure remains as currently stated.

This decision by Nersa is of deep significance for it constitutes a paradigm shift and signals a completely new tariff path into the future. The power industry is now on a path to financial sustainability.

I end my term at Eskom satisfied that the building blocks for overcoming the challenges ahead are now in place.

Climate change

Climate change is the biggest environmental problem facing the world.

Eskom has pro-actively finalised and implemented a climate change strategy, notwithstanding the lack of a national target in terms of climate change. Its intention is to reduce its relative CO₂ footprint until 2025 and thereafter continually reduce absolute emissions in support of national and global targets.

Eskom's commitments to climate change will not be done in isolation, but in conjunction with others – for example collaboration with the South African government's long-term mitigation scenario process for identifying scenarios for mitigation of climate change for South Africa and the global policy work of bodies such as the World Business Council for Sustainable Development (WBCSD) and the World Economic Forum (WEF). We also need to bear in mind

that we will have to live with the negative impacts of climate change no matter what action is taken to reduce emissions. As such adaptation to these impacts is an important element in our project design and investment decision making.

Government is preparing legislation around energy efficiency relating to compact fluorescent lamps (CFLs), and enabling power rationing. I don't think there is another place in the world where an energy efficiency campaign is being implemented at the pace at which it is happening in South Africa today.

My one major regret this past year has been the increase in the number of employee and contractor fatalities. I do know that both Eskom staff and our contractors are under tremendous pressure to deliver new build projects and keep the existing plant in good condition, but this is never an excuse for the loss of lives.

Acknowledgements

Let me take this opportunity to pay a special tribute to the people of Eskom – the women and men of Eskom who take to the trenches, ensuring that the lights in South Africa keep burning. During my tenure as chairman of Eskom, I have not received a single report of an Eskom employee who has abandoned his/her post even at the height of the crisis. Such loyalty, dedication and selfless contributions must be commended.

Eskom is led by a top team with a long track record of excellent service to this company and the country in general. I would like to thank each of the people who served in the Eskom leadership team personally: Jacob Maroga, Bongani Nqwababa, Brian Dames, Erica Johnson, Steve Lennon, Mpho Letlape, Mongezi Ntsokolo, Ayanda Noah, Johnny Dladla and Ehud Matya.

I would also like to thank my fellow board members for their counsel over the past three years and wish them well in providing guidance and assurance to 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. I would like to make special mention of our international board members – Brian Count, chairman of Progressive Energy, Lars Joseffson, president and chief executive of Vattenfall, a Swedish power company, and Mustafa Bello, executive secretary and chief executive officer of the Nigerian Investment Promotion Commission – for the international perspective they brought into our deliberation in the board.

Finally, it is my sincere wish that South Africa as a nation will also become an integral part of the solution to the challenges at hand and will work with Eskom. Let us all conserve our vital energy sources – the lifeblood of our economy.

Together, let's build the power base for sustainable growth and development.

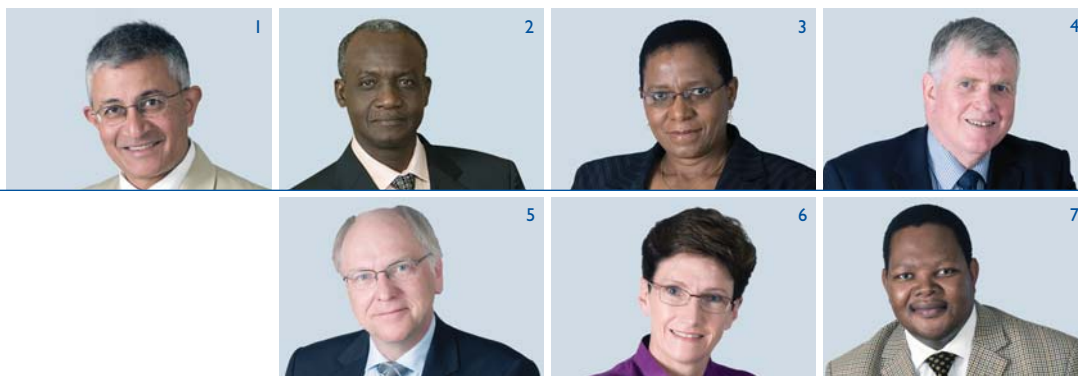


Valli Moosa

Chairman

Board of directors

at 31 March 2008



1 MV (Valli) Moosa (51)

Chairman

BSc (Durban-Westville)

Valli was appointed in August 2005

Executive chairman: Lereko Investments

Non-executive director: Sanlam, Imperial Holdings, Sun International

Member: Auditor-general's advisory board

President: World Conservation Union (IUCN)

5 LG (Lars) Josefsson (57) (Swedish)

Non-executive director

MSc (Applied Physics) (Chalmers, Sweden)

Professor, Cottbus University, Germany

Lars was appointed in July 2002

President and chief executive: Vattenfall

Vice-president: Eurelectric

Senior adviser: German Federal Government on Climate Policy

2 M (Mustafa) Bello (54) (Nigerian)

Non-executive director

BEng (Civil) (Ahmadu Bello, Zaria)

Mustafa was appointed in August 2005

6 WE (Wendy) Lucas-Bull (53)

Non-executive director

BSc (Wits)

Wendy was appointed in July 2002

Director: Dimension Data Holdings plc, Development Bank of Southern Africa, Lafarge Industries South Africa

3 LCZ (Zee) Cele (54)

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, Combined Motor Holdings, Sports For All Franchising

7 PM (Mpho) Makwana (37)

Non-executive director

BAdmin (Hons) (Pretoria), EDP (North Western)

Mpho was appointed in July 2002

Chairman: Epitome Investments

Director: Monitor Group

4 Dr BM (Brian) Count (57) (British)

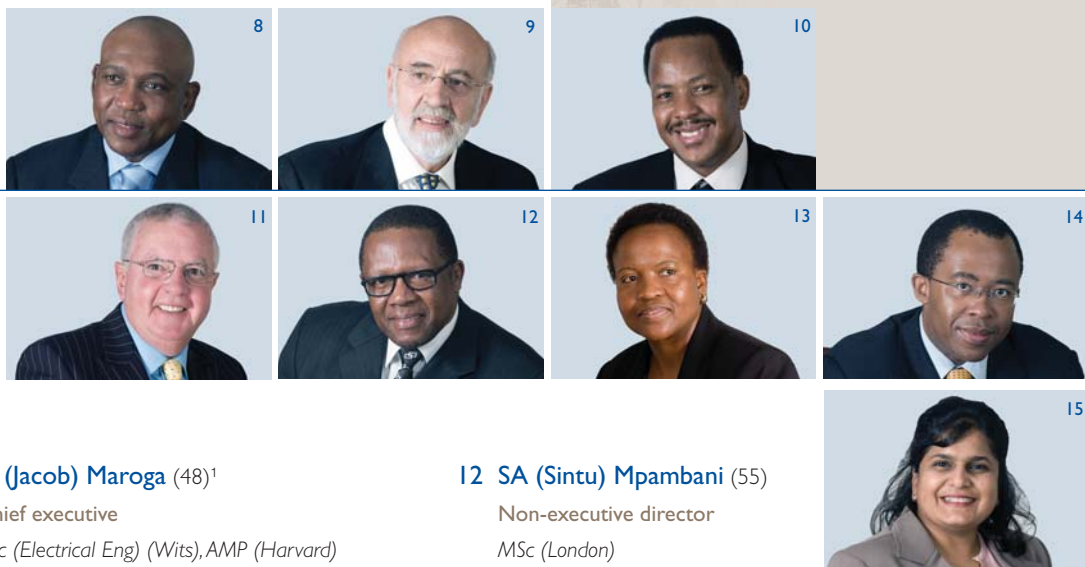
Non-executive director

MA (Mathematics) (Cambridge), PhD (Physics) (Exeter, UK)

Brian was appointed in July 2002

Chairman: Progressive Energy and Ceres Power

¹ Appointed as chief executive from 1 May 2007. Only major directorships included.



8 PJ (Jacob) Maroga (48)¹

Chief executive

BSc (Electrical Eng) (Wits), AMP (Harvard)

Jacob was appointed on 1 May 2007 as chief executive

9 ET (Errol) Marshall (61)

Non-executive director

BCom (Unisa)

Errol was appointed in October 2006

Chairman: NCP Biofuel

Director: Thebe Tourism Group, Nzalo Consulting

10 JRD (Jacob) Modise (41)

Non-executive director

BCom, BAcc, CA(SA), MBA (Wits), AMP (Harvard), AMP (Samford)

Jacob was appointed in July 2002

Director: Batsomi Group, Altron, Blue IQ Investment Holdings, Independent Regulatory Board for Auditors, Electricity Distribution Industry Holdings, Road Accident Fund

Trustee: Nelson Mandela Children's Fund

11 AJ (Allen) Morgan (60)

Non-executive director

BSc, BEng (Electrical) (Stellenbosch)

Allen was appointed in July 2002

Director: Kumba Iron Ore

12 SA (Sintu) Mpambani (55)

Non-executive director

MSc (London)

Sintu was appointed in July 2002

Member: St Bernard's Hospice, Alfred Nzo District Municipality, Untu-Consult

13 U (Uhuru) Nene (47)

Non-executive director

MSc (Structural Eng) (Patrice Lumumba, Moscow)

Uhuru was appointed in August 2005

14 B (Bongani) Nqwababa (42)

Finance director

BAcc (Hons) (Zimbabwe), CA (Zimbabwe), MBA (Manchester and Wales, UK)

Bongani was appointed in September 2004

Chairman: Eskom Finance Company, Escap, South African Revenue Service audit committee

Director: Eskom Enterprises, Rotek Industries, Rosherville Properties, Rosherville Vehicle Services, Roshcon, Old Mutual plc UK

15 V (Versha) Mohanlal Rowjee (36)

Non-executive director

BCom (Wits)

Versha was appointed in July 2002

Director: Disability Empowerment Concerns Investment Holding Company

Trustee: Thabo Mbeki Development Trust for People with Disabilities

Message from the chief executive

Our goal is transparency

Power supply interruptions of the scale seen during the reporting year have been unprecedented in South Africa. Meeting an increasing national demand for electricity with a much-diminished reserve margin has undoubtedly been Eskom's biggest challenge for this past financial year.

The convergence of a diminished reserve margin, increased unplanned generation plant outages as well as coal supply and quality constraints forced Eskom into an undesirable position of having to interrupt the supply of electricity nationally. Between October 2007 and February 2008, emergency load shedding was implemented. In order to avoid a potential overall nationwide blackout, a national electricity emergency was declared on 24 January 2008.

Load shedding activities undertaken during this period – and at any other period – have been a source of distress and discontent to most South Africans, causing major disruption to all sectors of the economy. As the national utility, we have used every available opportunity to explain the underlying reasons, improve how load shedding is managed, and minimise its impact on the nation. While the explanation would have resonated with some, the inconvenience is, however, deeply regretted.

While our current focus is understandably on responding to the demand for electricity we continue to ensure that overall good practices are in place and that we do not take our attention off our triple bottom line. We are determined to make a positive difference through our continued support for the United Nations Global Compact. As a signatory to the compact, the world's largest voluntary corporate responsibility initiative, we commit to show leadership in the compact's 10 principles around labour standards, the environment and anti-corruption.



Jacob Maroga Chief executive

I thank every person who has come on board to find solutions to this national challenge.

Diminishing reserve margin

Since taking office as chief executive on 1 May 2007, my team and I have dedicated a significant amount of leadership time reflecting on the challenges at hand and aligning all the resources of the organisation towards a solution. The fundamental and underlying problem is that the power system has an inadequate reserve margin which is at an all time low of around 8%. This does not compare well to our aspiration of 15%.

Since 1994, the demand for electricity has grown by about 50% on the back of robust economic growth. This welcomed growth has all but exhausted Eskom's surplus electricity generation capacity. To us at Eskom, this has been one indicator that we watched closely and with a sense of trepidation. Monitoring the diminishing reserve margin has been an integral part of Eskom's operations, as it is a proxy for the long-term adequacy of the power system, including the short-term security of supply. In the absence of any investment in new generation capacity, misalignment between the demand and the available supply emerged and therefore

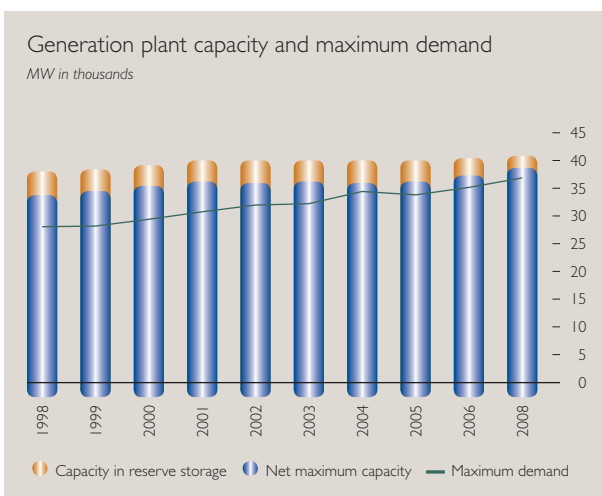


Camden is one of the older power stations being returned to service.

the 2007 crunch was inevitable. The Cabinet decision of 2004 marked an important milestone where Eskom could start investing in new generation capacity.

Increasing Eskom's reserve margin to adequate levels is central to the organisation's ability to ensure that power supply is not impacted by technical events upstream in the supply chain. A healthy reserve margin is necessary to create a window for planned maintenance and a cushion to manage unplanned maintenance. In this way conventional and inevitable technical problems are absorbed within the system and do not degenerate to a national crisis. This margin is further required to optimise the cost of running the power system. With such an inadequate reserve, Eskom has very little choice but to run all the available power stations irrespective of the cost of running them.

Despite the low reserve margin, Eskom has commenced issuing quotations to potential customers who apply for new connections or upgrades above 100kVA. However, the period that it will take before a customer applying for a connection above 100kVA receives energy will depend on the rate at which space is created on the electrical system and the rate at which applications for new capacity are received.



Message from the chief executive continued

The challenge of operating a power system that has a low reserve margin should not be underestimated. It is serious, deep, material and will take a few years to resolve. Our response to this challenge has to be comprehensive, with interventions on both the demand and the supply side.

Recovery

In response to this challenge Eskom, in partnership with the South African government and major stakeholders, has already made significant progress in rolling out the national recovery plan. We successfully stabilised the power system after the extreme events of January and February 2008, coal stockpiles have significantly increased with the target of an average of 20-system days reached, and undertaken the required maintenance in anticipation of the winter peak season.

With the contribution of our key industrial customers and the broader South African public, we are well on track to successfully implement a power conservation programme.

New build programme

Eskom is embarking on a very large infrastructure expansion programme which has a board-approved budget of R343 billion up to 2013 and is expected to grow to more than a trillion rand by 2026. Additional power stations and major power lines are being constructed in line with our plan to deliver an additional 16 304MW in generation capacity by 2017. Ultimately, Eskom will double its capacity to about 80 000MW by 2026.

This massive build programme has been designed such that it adequately responds to the challenge of electricity availability and reliability. It has also been aligned with government's target of 6% GDP growth between 2010 and 2014.

I am pleased to report that the Eskom build programme is on track to deliver the additional infrastructure as planned. We have made excellent progress during the past financial

year, and have indeed achieved what we set out to do in this regard. Ankerlig and Gourikwa power stations – the two new open-cycle gas turbine stations located in the Western Cape – were officially opened. The National Energy Regulator of South Africa (Nersa) granted Eskom the licence to build the first new coal-fired power station in more than 20 years.

Hitachi Power Africa was awarded a R20 billion contract for boilers, and Alstom S&E was awarded a R13 billion contract for turbines for Medupi power station. We also awarded contracts worth some R31,5 billion for the "Bravo Project", a coal-fired power station to be built by 2017 – R18,5 billion to Hitachi Power Africa for boilers and R13 billion to Alstom S&E for turbines.

Work is well underway on the return to service of the three previously mothballed power stations – Camden, Komati, and Grootvlei. The construction of Ingula pumped storage scheme is also progressing well. We are also on track with several of our transmission projects.

For the reporting year, capital expenditure of R24,7 billion was incurred. This was R218 million above the target for the year – a confirmation that the accelerated programme is on track.

I must pay special tribute to the Eskom team for ensuring that this all important programme of building new capacity remains on track notwithstanding all the adversities brought about by an inadequate reserve margin.

Financial sustainability

Eskom's massive capacity expansion programme will take the organisation into a new and exciting, but also very challenging, phase in its history. Funding the programme is one such challenge which will test the organisation's financial sustainability. The financial health of the organisation has come under pressure given the increase in primary energy costs and the need to reduce consumption through demand-side management and power-conservation projects.

The coal stock situation has improved greatly.

The profit for the year for the Eskom group was R974 million (2007: R6 476 million) after taking into account the fair value loss on embedded derivatives of R143 million (2007: fair value gain of R4 305 million).

The profit for the year for the company was R1 333 million (2007: R6 030 million) after taking into account the fair value loss on embedded derivatives of R149 million (2007: fair value gain of R4 131 million).

Primary energy costs (mainly coal and diesel) increased from R13 040 million in 2007 to R18 314 million in 2008, while the growth in sales only amounted to 2,9%. This was mainly due to an increase in coal price and the extended use of the open-cycle gas turbines due to the reduced reserve margin in October 2007 and the early months of 2008.

The higher primary energy cost that Eskom incurred in 2006/7 and 2007/8, together with projections for the 2008/9 financial year prompted the organisation to approach Nersa with the view to re-open tariff discussions. It was clear that Eskom, in the absence of any decisive action, was on a financially unsustainable path. During the financial year, Standard and Poor's (credit rating agency) placed Eskom on "credit watch" with negative implications, reinforcing the need to secure our financial health.

Going forward, Eskom will require significant contributions from all sources of capital namely price increases, funding support from government, and borrowings from both the local and international market.

On 18 June 2008, Nersa announced a decision to increase the average price by 27,5% in 2008/9, including the previous decision of 14,2% in December 2007, ie an additional increase of 13,3%. It is notable from the decision that the regulator



A coal stacker/reclaimer is used for coal handling at the coal stockyard.

indicated that a mechanism would be developed to take into account unforeseen changes in primary energy costs and other costs. Furthermore, the regulator gave a projection of the price path of between 20% and 25% per annum for the next multi-year price determination assuming that the current economic climate continues to prevail and Eskom's capital expenditure remains as currently stated.

This decision by Nersa is of deep significance for it constitutes a paradigm shift and signals a completely new, improved tariff path into the future. The power industry is now on a path to financial sustainability.

The South African government, which is the sole shareholder of Eskom, has announced its intention to support Eskom initially with a R60 billion subordinated loan to be drawn down in tranches in the next five years. Pressure in the global credit markets is an additional challenge for Eskom's funding opportunities. Alternative funding sources are continually being pursued in order to maximise funding options.

Message from the chief executive continued

Internal efficiencies

As part of ensuring the long-term financial sustainability of the organisation, we have put in place a programme to maximise internal efficiencies. Two years ago, we commenced the procurement and supply chain strategic sourcing initiative with the aim of securing the supply of goods and services for the organisation in the most optimal manner. I am pleased to report a R3,1 billion savings achieved this year against a target of R1,5 billion. This brings the total inception-to-date savings to R3,9 billion against the overall savings target of R7,8 billion over the five years to 2011. We are confident that such a target will be achieved.

Skills in Eskom

Attracting and retaining appropriately skilled staff is central to ensuring a reliable and secured electricity system. As we accelerated this massive capacity expansion programme, we have also intensified our efforts to bring more skilled people into the organisation. Core, critical and scarce skills have been identified with particular attention given to these priority areas. We know that major build projects are happening in other parts of the world, and as such Eskom competes for the same skills set. This is why the Eskom resourcing strategy had to be all encompassing addressing, among others, training and development, recruitment, succession management, retention and incentives, and pipelining.

The total staff composition of Eskom has shown a net growth of 2 208 over the reporting year following national and international recruitment campaigns. A programme to attract retired Eskom employees with needed skills is also proving successful.

Eskom remains committed to developing its employee value proposition to ensure it remains an employer of choice.

Safety

As a caring employer, we are committed to providing and maintaining a safe working environment for our employees and

contractors. Despite significant efforts, our occupational, health and safety remains unsatisfactory in that Eskom did not meet its target of zero fatalities for the reporting year.

It is with great sadness that I have to report the deaths of 17 Eskom employees and 12 contract workers in the past year. These fatalities were mainly due to vehicle accidents and electrical contacts. Of the eight Eskom vehicle fatalities seven have sadly been due to third parties. Safety is and will always remain one of the top priorities in our business.

Contribution to society

Corporate social investment (CSI) forms an integral part of the way Eskom does business. Various CSI programmes are executed through Eskom's support to government's rural development programme, its contribution to the Accelerated Shared Growth Initiative for South Africa (Asgisa) and through the development work done by the Eskom Foundation. I am proud to say that we have made meaningful contributions to many communities around our build projects and elsewhere in the country, and we will continue to do so for years to come.

In conclusion

Ensuring the security of supply at a time when the power system has an inadequate reserve margin will remain a key challenge for South Africa, the electricity sector, and Eskom. We accept that the load shedding activities of the magnitude seen in recent times have dented South Africa's confidence in the power system and in Eskom. We have made the commitment to regain public confidence in the system. In this regard, all our work towards re-building trust will be based on open, honest and transparent sharing of information.

For the next five years at least, the South African power system will remain vulnerable given the low reserve margin. Plans are in place, and implementation has been accelerated. We are

Partnership is key to solving the electricity challenge.

confident that the activities we are undertaking today – as Eskom, the energy sector, government, and the country at large – will enhance Eskom's ability to deliver into the future.

Acknowledgements

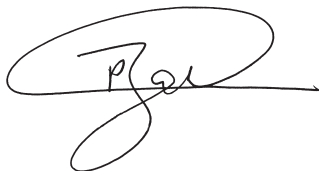
The past year has been a testimony to the old adage "through adversity comes strength". We are heartened by South Africa's response, especially when asked to conserve electricity. We are also grateful to all who have made a contribution to the work of the organisation during the past year.

Our employees have been and remain indispensable to our organisation. I would like to pay a special tribute to all of the men and women of Eskom for their loyalty, dedication and commitment to the task at hand.

A word of appreciation goes to the Ministers of Public Enterprises and Minerals and Energy and their respective departments for their leadership and guidance through this difficult time.

Our appreciation also goes to members of the Portfolio Committee, the National Energy Regulator of South Africa, Nedlac stakeholders, key industrial customers, municipalities, and the broader South African public.

We are confident that together, we will rise to the challenge.



Jacob Maroga
Chief executive



Rural communities are key partners in the build programme in terms of community development.

Executive management committee

at 31 March 2008



The executive top structure has been rationalised and two chief officer positions – Generation business and Networks and Customer Services business – were introduced effective from 6 February 2008.

1 PJ (Jacob) Maroga (48)^{1,2}

Chief executive

BSc (Electrical Eng) (Wits), AMP (Harvard)

2 B (Bongani) Nqwababa (42)²

Finance director

*BAcc (Hons) (Zimbabwe), CA (Zimbabwe),
MBA (Manchester and Wales, UK)*

Chairman: Eskom Finance Company, Escap, South African Revenue Service audit committee

Director: Eskom Enterprises, Rotek Industries, Rosherville Properties, Rosherville Vehicle Services, Roshcon

Non-executive director: Old Mutual plc UK
Provide financial and procurement strategy, policies, assurance and strategic services to the Eskom group

3 BA (Brian) Dames (42)²

Chief officer – Generation business

BSc (Hons) (Western Cape), MBA and Graduate Diploma in Utility Management (Samford, USA)

Chairman: Rotek Industries, Roshcon

Chief executive officer: Eskom Enterprises

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, be the custodian of the non-regulated businesses and offer strategic and commercial lifecycle services to the divisions

4 E (Erica) Johnson (39)³

Chief officer – Networks and Customer Services

BSc (Electrical Eng) (UCT), MSc (Electrical Eng) (UCT), MBA (Wits)

Director: PBMR

Accountable for the Network and Customer Services business of Eskom. Entails the planning, operations and maintenance of a 360 000km transmission and distribution network, and the management of 36GW customer base and a revenue stream of about R40 billion

5 Dr SJ (Steve) Lennon (48)²

Managing director – Corporate Services division

MSc (Phys Metallurgy) PhD (Wits)

*Professional scientist (Pr.Sci.Nat.),
Fellow of the Academy of Engineering,
Fellow of the Royal Society*

Chairman: Board of trustees Fossil Fuel Foundation, National Advisory Council on Innovation

Director: EDI Holdings, Electric Power Research Institute, Eskom Enterprises

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, 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

¹ Appointed as chief executive from 1 May 2007.

² Member of Exco for the whole year.

³ Appointed to Exco from July 2007.



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6 ME (Mpho Emily) Letlape (48)²

Managing director – Human Resources division
BSc (Comp Sci, Psych) (Fort Hare)

Director: Nakatomi Corporation

Board member: Global Health Initiative

Advisory board member: Global Business Coalition on HIV/Aids

Provide human resources strategy, direction, policies and assurance, strategic services including health and wellness, industrial relations, learning, organisational effectiveness and remuneration and benefits. Drive culture change through effective change management and implementation and development of appropriate programmes

7 M (Mongezi) Ntsokolo (47)⁴

Managing director – Transmission division

BSc (Electrical Eng) (Wits), HonsB, (B&A) (Stellenbosch), MBA (Stellenbosch), Fellow of SA Academy of Engineering (FSAAE), AMP (Harvard)

Board member/director: Electricity Distribution Industry Holdings

Ensure reliable and sustainable electricity power supply by operating, maintaining, refurbishing and extending the South African transmission power grid

Provide focused and dedicated customer service

8 JA (Johnny) Dladla (45)⁴

Managing director – Special Project 2010 division

BA (Com) (Hons) (Fort Hare), CM (SA)

AMP (Harvard)

Chairman: O'Brian Marketing

Director: Emerald Trading

Ensuring reliable electricity delivery, Eskom preparedness and mitigation of risks to enable a successful FIFA 2010 World Cup in South Africa

9 A (Ayanda) Noah (41)^{3,4}

Managing director – Distribution division

BSc (Electrical Eng) (UCT), MBA (BSN), EDP (Wits), PrEng, MSAIEE

Director: South African National Energy Association

Leading and directing the wires and retail business throughout South Africa to ensure and assure a well-operated and maintained distribution infrastructure. Also playing an active role in restructuring of the distribution industry

10 EN (Ehud) Matya (44)⁴

Managing director – Special Projects

BSc (Eng) (Wits), AMP (Harvard), PrEng

Retirements and other changes

TS (Thulani) Gcabashe was the chief executive until 30 April 2007.

PD (Duncan) Mbonzana was managing director corporate division until he retired on 31 August 2007.

² Member of Exco for the whole year.

³ Appointed to Exco from July 2007.

⁴ Official of Exco. Member of Exco up to 5 February 2008.