

## Profile

### Scope of report

The annual report for 1 April 2007 to 31 March 2008 is an integrated sustainability report as Eskom aligns itself with international sustainability best reporting practices, including the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

The report considers economic, environmental, social and technical performance and is also available in an internet version on the Eskom website ([www.eskom.co.za/annreport08](http://www.eskom.co.za/annreport08)). Additional sustainability information is disclosed in the internet report. When this is the case, the availability of extra web-based information is signalled in the printed report.

### Nature of business, major products and services

Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Additional power stations and major power lines are being built to meet rising electricity demand in South Africa. Since the programme started in 2005, additional capacity of 2 582MW has been commissioned. The approved capacity expansion budget is R343 billion (in nominal terms) up to 2013.

Eskom buys electricity from and sells electricity to the countries of the Southern African Development Community (SADC). The future involvement in markets outside South Africa (that is SADC, African countries connected to the South African grid and the rest of Africa) is limited to those projects that have a direct impact on ensuring security of supply for South Africa.

Eskom is regulated under licences granted by the National Energy Regulator of South Africa (Nersa), originally under the Electricity Act (41 of 1987) – to be replaced by licences under the Electricity Regulation Act (4 of 2006) – and by the National Nuclear Regulator in terms of the National Nuclear Regulatory Act (47 of 1999).

The Eskom Enterprises (Pty) Limited group focuses mainly on activities that support its holding company and is also responsible for all non-core businesses. It supports Eskom by providing plant life-cycle support and plant maintenance, including return-to-service work, and supports the build programme for all the line divisions. It is also in the process of disposing of a number of non-core businesses, including its investment in [arivia.com](http://arivia.com). At the end of the past financial year, Eskom Enterprises disposed of Mountain Kingdom Communications (Pty) Limited (MKC), the telecommunications provider in Lesotho.

The core businesses of subsidiaries, Eskom Finance Company (Pty) Limited, Escap Limited and Gallium Insurance Company Limited include the granting of employee home loans and the management and insurance of business risk. R1,95 billion (82%) of the mortgage

## *Eskom aligns itself with international sustainability reporting practices.*



*The turbine hall at Duvha power station near Witbank.*

book of Eskom Finance Company has been securitised, (2007: R1,6 billion representing 68%). The planned disposal of this company is expected to be finalised in the 2009 financial year. Eskom's corporate social investment is channelled principally through the Eskom Development Foundation, a section 21 company.

### Countries in which operations are located

Eskom's head office is in Johannesburg and its operations are focused on South Africa.

The Eskom Enterprises group operates electricity generation concessions in Mali, Zambia and Uganda. Other than South Africa, Eskom Enterprises also has subsidiaries in various African countries, with offices in Uganda, Mali, Zambia and, up until the disposal of MKC, in Lesotho.

### Regional sales breakdown

The majority of sales are in South Africa. Other countries of southern Africa account for a small percentage of sales. (Refer to the financial statements; note 5.)

Nominal capacity: 43 037MW

Powerlines: 366 203km

## Southern Africa grid map



### Key

- Existing grid system
- Possible future grid system
- Future hydroelectric power station
- Future coal-fired power station
- Hydroelectric power station
- Interconnection substation
- Future gas station
- Future pumped storage station
- Coal-fired power station
- Future interconnection substation
- Nuclear power station
- Pumped storage station
- Gas power station
- Renewable energy
- Town

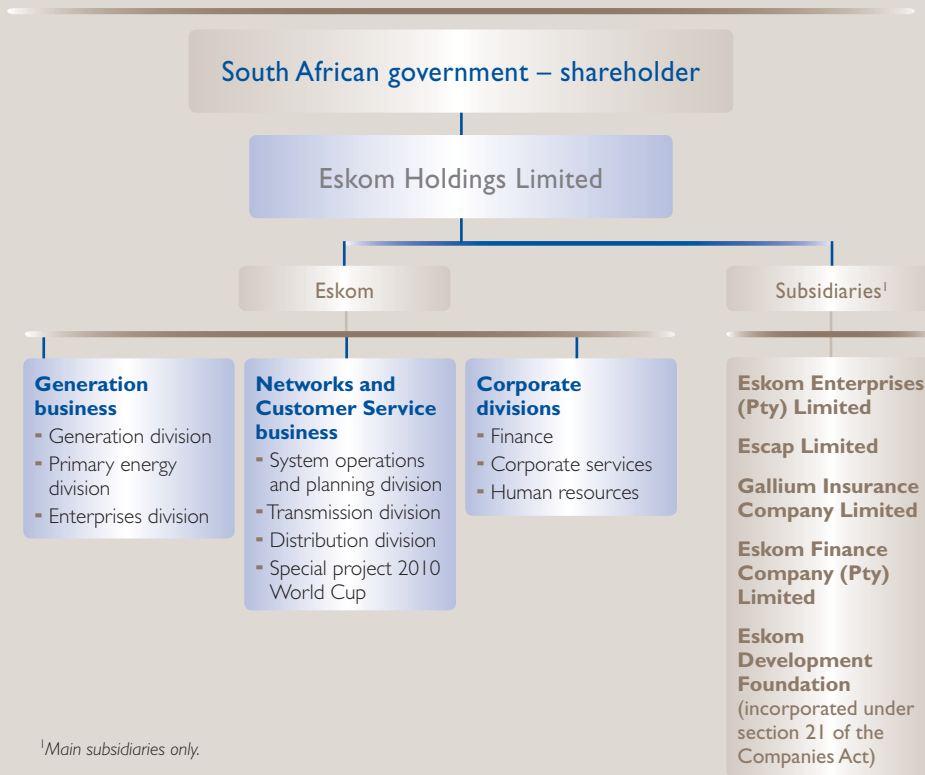
The map indicates the South African power network and some interconnections with neighbouring countries.

## Key facts

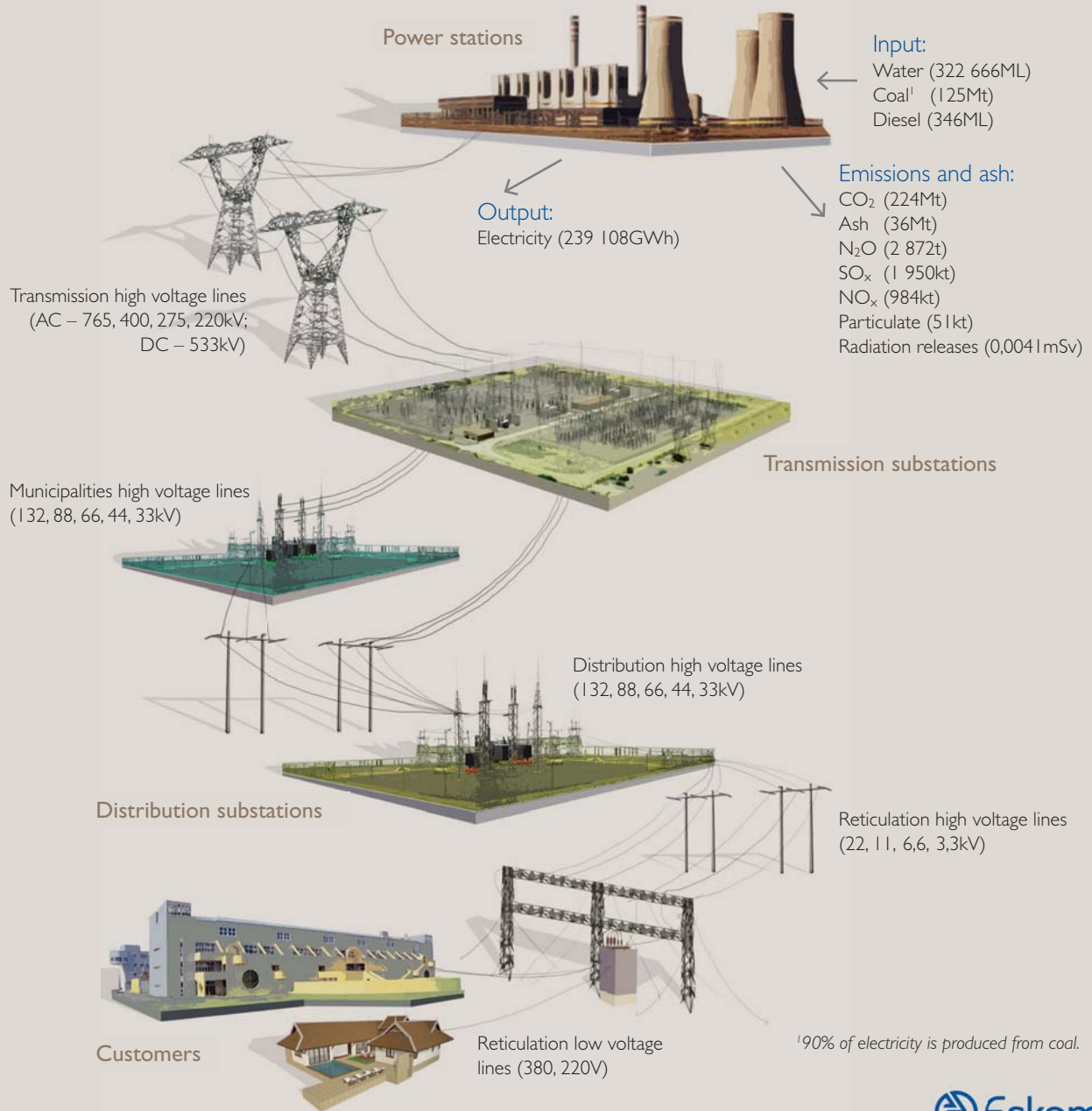
Eskom, South Africa's electricity utility:

- Is one of the **top 13** utilities in the world by generation capacity
- Is among the **top 9** by sales
- Generates approximately **95%** of electricity used in South Africa
- Generates approximately **45%** of electricity used in Africa
- Total assets: **R171 181** million
- Net profit: **R974** million
- Cash flows from operating activities: **R7 655** million
- Capital expenditure: **R24 764** million
- Number of employees: **35 404**
- Training cost: **R784** million
- Electricity customers: **4 152 312**
- Electricity sales: **224 366**GWh
- Nominal capacity: **43 037**MW
- Net maximum capacity: **38 744**MW
- Power lines: **366 203**km (all voltages)
- Carbon dioxide emissions: **224**Mt
- Total water consumption: **322 666**ML

# Organisational structure



# Electricity: from power station to customer



## Executive summary

Meeting escalating electricity demand with a much-diminished reserve margin has proven to be the biggest challenge in the past year. The management of plant performance became increasingly complex as the reserve margin decreased. An adequate reserve margin creates a window for maintenance and allows for unplanned outages. The organisation's ability to sustain high levels of electricity production while ensuring adequate maintenance and sufficient fuel stocks was severely tested.

Reserve margins continued to be eroded and, since September 2007, available generating capacity was not always sufficient to meet the demand for electricity, and load losses were experienced. Power stations were stretched to their limits, resulting in high levels of unplanned maintenance. In addition, abnormally high rainfall caused coal supply problems and coal handling difficulties, which, together with coal stock levels being significantly lower than planned target levels, restricted electricity production. This showed the importance of an adequate reserve margin to provide a buffer for unplanned maintenance and other supply problems.

In response to these events, an Eskom recovery plan has been established with six focus areas to address continuity of supply (see page 49).

The financial performance of the group was severely impacted by the increase in the cost of primary



*Top: Construction of Medupi power station is advancing well.  
Bottom: Insulators in the new 132kV yard at Medupi.*

energy (mainly coal and diesel). The operating profit before the fair value gain/(loss) on embedded derivatives and net finance cost for the group was R3 215 million (2007: R6 452 million) before the impact of the fair value loss on embedded derivatives of R143 million (2007: a profit of R4 305 million). The profit for the year was R974 million (2007: R6 476 million). If the impact of embedded derivatives is excluded, the profit after tax was R1 076 million (2007: R3 419 million).

Over the next five years to March 2013, Eskom will spend R300 billion (R343 billion in nominal terms) on capacity expansion – significantly higher than the R150 billion reported previously for the five years to 2012.

In terms of the revised plan, Eskom will now deliver an additional 16 304MW in generating capacity by 2017. Of this, 4 644MW will come on stream within the next five years, including the completion of the three old coal-fired stations being returned to service, extensions to the two open-cycle gas turbine stations and an upgrade of Arnot power station. The first units of Medupi and Ingula come online in 2012/13.

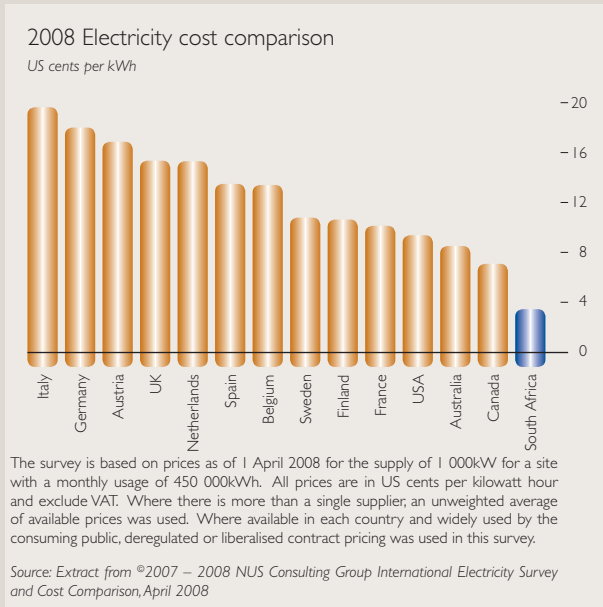
Generation projects will take up 73% of the budget, with transmission investment accounting for another 13%. The rest of the budget will fund improvements to our distribution network.

**Over the next five years to March 2013, Eskom will spend R300 billion (R343 billion in nominal terms) on capacity expansion.**



*The Goukwa open-cycle gas turbine station near Mossel Bay.*

## Executive summary continued



The cooling fans at Matimba power station in Lephalale.

Some of the major transmission projects include a new 400kV transmission line and three new substations to strengthen the supply to the Platinum Basin, which will be completed this year. The new 765kV transmission power line and substations – approximately 1 450km – from Mpumalanga to strengthen the supply to the Western Cape, are scheduled for completion in 2010/11.

Since the capital expansion programme was approved in 2005, an additional 2 582MW of capacity has been commissioned. Ankerlig and Gourikwa power stations were formally opened in October 2007. In October 2007 the R20 billion boiler contract and the R13 billion turbine contract for the Medupi power station were awarded. In December 2007 Eskom awarded contracts worth about R31,5 billion for the building of the Project Bravo coal-fired power station. The return to service of the three mothballed power stations is progressing well. The target date of October 2011 for commercial operation of all 23 units (3 800MW installed capacity) will be achieved.

Eskom completed its second year of the multi-year price determination (MYPD) and faced significant challenges for 2008/9, based on the electricity price increase of 14,2% as approved on 20 December 2007 by the regulator (Nersa). The expansion programme will cost R343 billion over the next five years. There are further cost pressures due to increased primary energy costs, and the need to reduce consumption through demand-side management

and power conservation projects. The impact on Eskom's financial sustainability was reinforced by a credit agency placing the utility on "credit watch". In order to address the financial sustainability of Eskom, an application was submitted to Nersa for a revision to a 60% (53% real) price increase for 2008/9 so that all prudent primary energy and accelerated demand-side management costs could be recovered. Nersa announced on 18 June 2008 an additional increase in the electricity tariff of 13,3% for the year ending March 2009 which resulted in a 27,5% average increase year-on-year. Nersa also ruled that the price increase to "poor" residential customers be limited to 14,2%.

The government, as shareholder, agreed to provide R60 billion of loan finance over a period of five years to assist with the funding of Eskom.

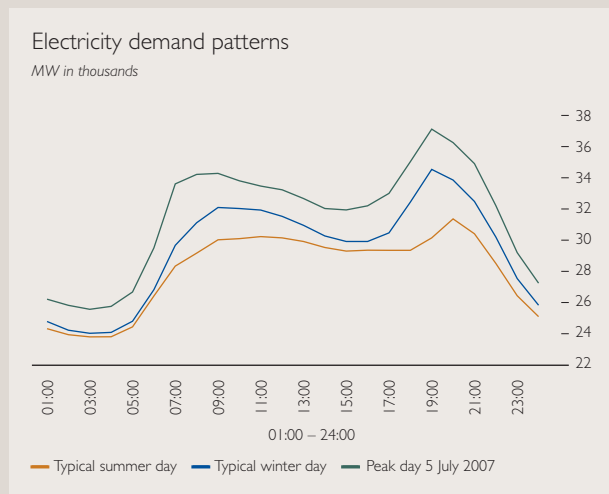
Eskom's climate change strategy contains our commitment to reduce greenhouse gas emissions. We have developed a six-point plan (see page 70) to pro-actively manage the impacts of climate change on our business and people. Although the volume of CO<sub>2</sub> we emit will increase in the short to medium term, we are committed to reviewing our options, with a view to reducing the overall emissions. Lower carbon-emitting technologies, such as clean coal, nuclear and renewables, may play an important role in meeting Eskom's diversification aspirations. To this end, a decision was taken last year to invest in a 100MW wind

**Some of the major transmission projects include a new 400kV transmission line and three new substations which will be completed this year.**



*The control room at Kendal power station.*

## Executive summary continued



A new high-voltage transmission line being built near Bothaville.

facility in the Western Cape. Energy efficiency initiatives both internal to Eskom and through our demand-side management programme will also result in CO<sub>2</sub> emission reductions.

Safety remains a major concern for us as we regrettably have to report the deaths of 17 Eskom employees and 12 contract workers in the past year.

### Highlights

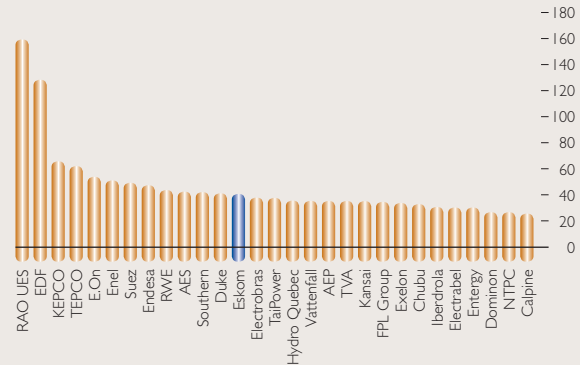
- capital expenditure (including interest capitalised) for the year was R24 764 million, which is in line with the target for the year. This is significantly higher than the R17 707 million spent in 2007
- in February 2008, Eskom announced that an additional 45 million tons of coal would be procured over a two-year period to supply power stations with additional coal for their normal burn, as well as to rebuild the stockpile to the targeted 20-day level. By the year end, contracts for 37 million tons had been concluded
- some 168 538 electrification connections were made in the year, exceeding the target by 8 217
- employment equity, gender and disability targets have been exceeded
- a significant contribution has been made to black economic empowerment by spending R25,45 billion against a target of R18,96 billion, or 67% of discretionary spend
- procurement savings from the strategic sourcing initiative for the financial year were R3,1 billion, against the target of R1,5 billion

### Lowlights

- unplanned outages leading to load shedding caused major disruptions to all sectors of the economy
- altogether 17 Eskom employees and 12 contract workers died during the past year
- Eskom achieved only eight out of 17 targets in the shareholder compact. Financial efficiency and technical performance were impacted by the increase in primary energy costs and poor plant performance
- the net reserve margin has decreased to about 8%, compared to an internationally accepted margin of 15%
- the level of coal stockpiles increased to an average of 13 days at 31 March 2008, still short of the target of 20 days
- sales growth was 2,9% in 2008, a drop from 4,9% in 2007
- the return on assets was severely impacted by the large increase in primary energy costs and high capital expenditure
- primary energy costs (mainly coal and diesel) increased from R13 040 million in 2007 to R18 314 million in 2008 while new sales only amounted to 2,9%
- the amount of electricity debtors over 75 days amounted to R1 978 million (2007: R1 446 million)
- the impairment provision for trade and other receivables increased from R1 533 million in 2007 to R1 877 million
- the debt:equity ratio (including long-term provisions) weakened during the review period to 0,30 for the group
- 2 177 people left the employ of Eskom during the year, attributable to normal attrition including retirements, deaths and resignations. During the same period 4 385 new staff members were recruited, resulting in a net increase of 2 208 in staff numbers

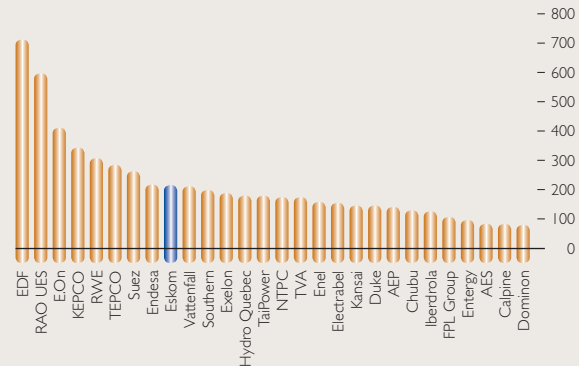
### Comparison to international power companies

Generating capacity of world's top utility companies  
GW



Source: Datamonitor April 2008

Electricity sales of world's top utility companies  
TWh



Source: Datamonitor April 2008

## Executive summary continued



*Top: The smoke stack at Duvha is about 300 metres high.*

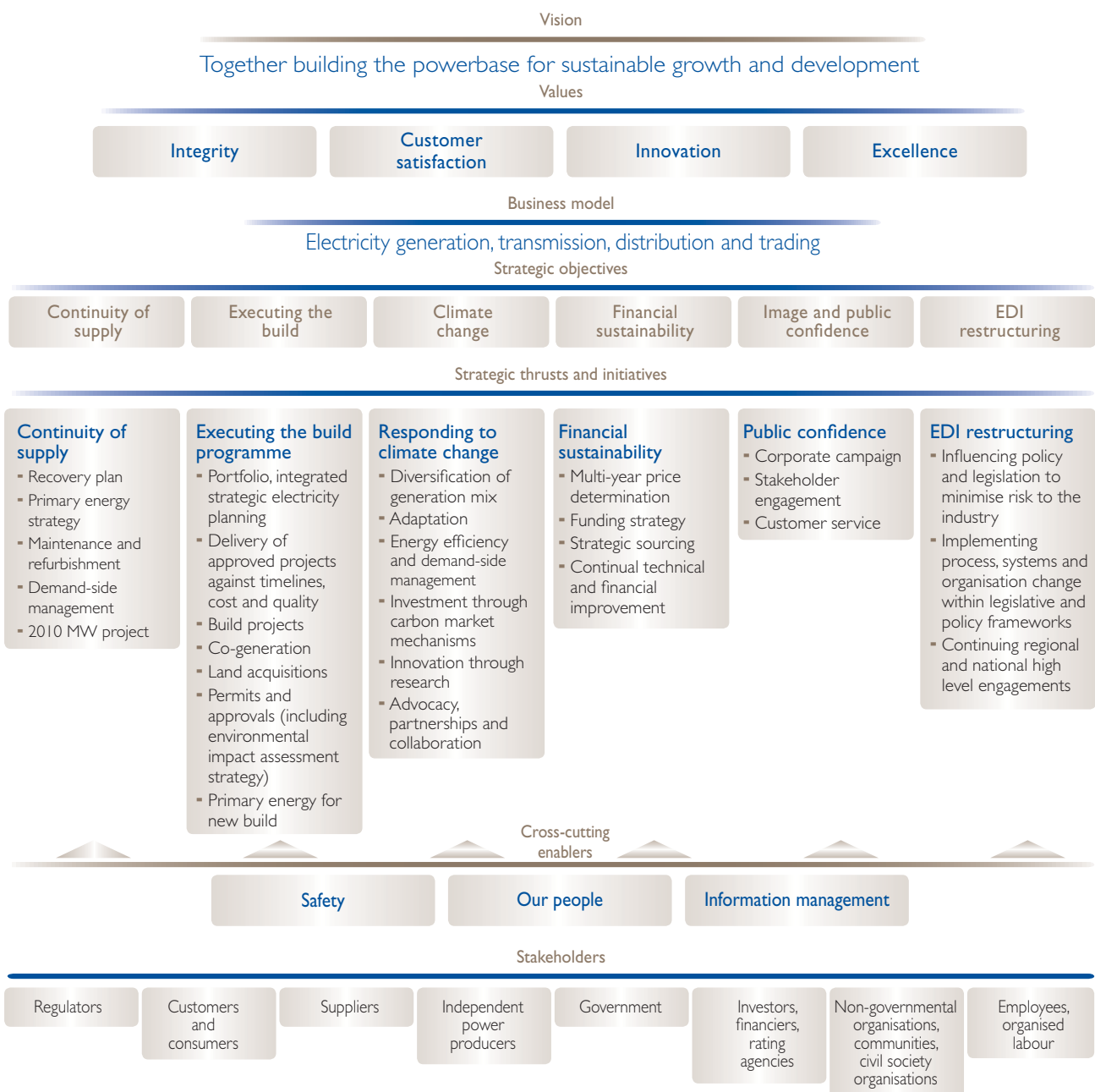
*Bottom: Construction has started on two more units at Gourikwa power station.*

### Application of the GRI principles

Eskom aligns itself with the Global Reporting Initiative (GRI), by applying the GRI principles as follows:

- inclusivity: the results of our stakeholder engagement processes, as set out on page 82 of this report, are used to inform the structure and, more importantly, the issues reported on
- relevance and materiality: the current and future issues addressed in this report have been determined by what our stakeholders have said to us, our business focus areas, priorities and the actively managed risks we face. This is depicted on page 1 covering our vision, values and strategic objectives
- sustainability context: our understanding of sustainable development is set out on page 28 (business and sustainability performance review – as set out in the introductory paragraph). The Eskom sustainability performance index on page 28, together with the performance areas and indicators set out in this report, reflect both the opportunities and constraints we face in executing our sustainable development strategy
- completeness: our intention is to ensure that the material aspects of Eskom's business regarding sustainable development are reflected in terms of actual performance over the last financial year, giving insight into our future direction
- setting the report boundary: the areas of our business included in this report are defined on the flap in Profile (nature of business, major products and services). The extent to which we have reported on these was based on the scale of our sustainability impacts and the degree to which we have control and influence

# Vision, values and strategic objectives



The material issues reported in this annual report are structured around current and future significant aspects that we face. These are determined through our business priorities, risks and issues raised by our stakeholders. This is depicted above.

## Vision, values and strategic objectives *continued*

Eskom demonstrates its commitment to its vision of **“together building the powerbase for sustainable growth and development”** through its core business focus of electricity generation, transmission, energy trading and distribution. It entrenches the values of excellence, innovation, customer satisfaction and integrity across all business operations.

Achieving the vision requires in-depth planning and implementation in a complex environment characterised by economic growth, greater demand for electricity and the increased need for significant infrastructure expansion, as well as competition for scarce materials (coal and equipment), funding, skills and supplier inputs. Challenges are compounded by the rising cost of primary energy and new components, restructuring of the electricity distribution industry, the need to continually improve our environmental performance and the growing involvement of stakeholder groups.

### Six strategic objectives

Eskom has responded to the electricity challenge – the supply and demand imbalance – by identifying six strategic objectives that need to be achieved.

#### → Securing continuity of supply – the recovery plan

A stabilisation and recovery plan is being implemented to respond to the critical electricity demand and supply imbalance. The plan is to balance the demand and supply by getting the country to work together to reduce demand and to optimise the performance of existing generation assets so as to increase the reserve margin.

#### → Successfully executing the build programme

Eskom aims to deliver 4 644MW of new power station capacity by 2012/13. Successful delivery on the capacity expansion programme is at the core of Eskom's vision and constitutes the most sustainable long-term solution to the current electricity challenge.

#### → Responding to climate change

Eskom has implemented a climate change strategy and aims to reduce its relative CO<sub>2</sub> footprint until 2025 and thereafter to continually reduce absolute emissions in support of national and global targets. Key to this is an aspiration of reducing demand through energy efficiency and having lower carbon-emitting technologies, such as clean coal, nuclear and renewables.

#### → Maintaining financial sustainability

Significant capital expenditure on the build programme over the next 20 years will have a marked impact on Eskom's financial position. Continued reliance on efficiency improvements, together with real price increases and shareholder support, will remain essential components of a sustainable solution for Eskom and the industry. A fine balance needs to be maintained between earning an appropriate return on assets to ensure a financially sustainable Eskom and keeping electricity prices as low as possible in the interests of contributing to sustainable economic growth and development in South Africa.

#### → Restoring public confidence

The load shedding events in 2007 and 2008 and the expected capacity shortfalls for the next few years have had a severe impact on the public's confidence in Eskom. As a result, a programme has been initiated to inform the South African public and Eskom employees about the electricity supply and demand challenge and the extent of the situation, while addressing misconceptions.

#### → Successfully implementing EDI restructuring

Cabinet approved the proposal to create six regional electricity distributors (REDs) which will be established as public entities. The priority for the organisation will be the migration of the distribution business into the six REDs and ensuring fair value compensation for transferred assets.

*As a national asset, we cannot overcome the current challenges successfully without strong partnerships.*

### Focus areas

Safety is a priority concern for the organisation.

A focused skills acquisition and retention strategy is addressing the shortage of critical skills.

In response to the electricity challenges, new solutions and communication mechanisms have been implemented. Eskom is deploying world-class IT infrastructure and systems that will enhance efficiency and effectiveness in the new power stations.

The new build programme creates opportunities to maximise the organisation's contribution to government's Accelerated and Shared Growth Initiative for South Africa (Asgisa) programme. Local content is a core requirement when major contracts are awarded.

All strategic objectives are pursued while paying due regard to the environment, stakeholder engagements and short-term priorities.

### Enabling strategies

Various initiatives will be implemented to facilitate our six strategic objectives. Focused research and development will strengthen our technical performance and capacity expansion programme. A stakeholder engagement strategy is building stronger ties with strategic stakeholders and the general public, in an effort to create a national drive towards energy efficiency and to ensure that we are in line with stakeholder requirements.

The theme of this annual report is *"together, rising to the challenge"*. Eskom is currently in the midst of a very challenging period driven by the fact that demand is outstripping the electricity generating capacity. As a national asset, we cannot overcome the current challenges successfully without strong partnerships – the most crucial being a change in the energy consumption behaviour of every person, business and industry in South Africa. Other invaluable partners in this recovery phase include providers of finance, government departments, major industries, mines, suppliers, contractors, customers, municipalities and a strong and motivated Eskom workforce.



KwaZulu-Natal schools receive information packs on energy efficiency.

**R24 764 million**

**Capital expenditure**

2007: R17 707 million

**2,9%**

**Sales growth**

2007: 4,9%

**168 538 connections**

**Electrification**

2007: 152 125 connections

## Group five-year review

	Unit	2008 (12 months)	2007 (12 months)	2006 (12 months)	2005 <sup>1</sup> (15 months)	2003 (12 months)
<b>Funding and resources</b>						
<b>Key financial figures</b>						
Total assets	Rm	171 181	143 312	128 286	110 027	99 499
Total equity	Rm	64 738	58 357	50 371	46 947	42 841
Total equity and liabilities	Rm	171 181	143 312	128 286	110 027	99 499
Electricity revenue – local	Rm	42 000	37 874	34 223	39 842	30 646
Electricity revenue – international	Rm	1 971	1 515	1 290	1 381	972
Group revenue	Rm	44 448	40 068	36 052	43 207	32 948
Net fair value gain on embedded derivatives	Rm	(143)	4 305	1 318	–	–
Net fair value loss on other derivatives	Rm	(684)	(862)	(182)	(99)	(283)
Finance income	Rm	2 933	2 884	2 783	3 936	4 024
Finance cost	Rm	(4 721)	(4 232)	(4 521)	(5 447)	(5 328)
Profit before tax	Rm	1 314	9 450	6 647	7 686	5 276
Income tax expense – current	Rm	(128)	(1 394)	(1 594)	(182)	(118)
Income tax expense – deferred	Rm	333	(1 118)	(528)	(2 131)	(1 741)
Profit for the period	Rm	974	6 476	4 641	5 411	3 417
Cash generated from operations	Rm	7 371	15 666	13 292	15 515	13 535
Net cash from operating activities	Rm	7 655	13 954	12 346	15 302	13 451
Net cash used in investing activities	Rm	(24 322)	(16 908)	(9 003)	(5 345)	(3 311)
Net cash from/(used in) financing activities	Rm	18 018	2 267	(1 368)	(8 873)	(11 915)
<b>Financial ratios</b>						
<i>Earnings protection (profitability indicators)</i>						
Return on total assets	%	3,32	7,83	9,06	12,74	9,97
Return on average equity	%	1,58	11,91	9,54	12,05	8,48
Total operating expenditure/revenue <sup>8</sup>	%	80,59	70,48	67,15	65,26	64,84
Net pre-tax interest coverage	ratio	1,32	3,71	2,82	2,69	2,17
EBITDA interest coverage	ratio	2,81	4,17	4,00	4,16	3,48
Liquidity	ratio	1,42	1,42	1,28	1,57	1,12
Solvency	ratio	1,61	1,69	1,65	1,74	1,76
<i>Cash flow protection (cash flow adequacy indicators)</i>						
Funds from operations/average total debt	%	14,02	29,42	32,05	46,81	43,43
Funds from operations/capex	%	31,47	82,53	37,13	286,29	406,25
Funds from operations/net interest coverage	%	3,04	9,17	6,77	9,70	9,96
<b>Capital structure</b>						
Debt:equity	ratio	0,13	(0,05)	0,01	0,00	0,08
Debt:equity (including long-term provisions)	ratio	0,30	0,14	0,22	0,17	0,29
Interest cover	ratio	1,58	3,03	3,76	5,50	4,30
<b>Credit ratings and outlook</b>						
		<b>Outlook</b>	<b>Rating</b>			
Standard and Poor's						
– Foreign currency	CreditWatch Negative	BBB+	BBB+/Stable	BBB+/Stable	BBB/Stable	BBB/Stable
– Local currency	CreditWatch Negative	A-	A-/Stable	A-/Stable	A-/Stable	A-/Positive
Moody's						
– Foreign currency	Possible Downgrade	A2	A2/Stable	A2/Stable	Baa1/Stable	Baa1/Stable
– Local currency	Possible Downgrade	A1	A1/Stable	A1/Stable	A3/Stable	A3/Stable
FitchRatings						
– Foreign currency	–	–	–	–	–	–
– Local currency	Negative	A	A/Stable	A/Stable	A-/Stable	A-/Stable
<b>Other</b>						
Average selling price of electricity <sup>2</sup>	cents per kWh	19,45 <sup>3</sup>	18,06 <sup>3</sup>	17,01 <sup>3</sup>	16,04 <sup>3</sup>	16,05 <sup>3</sup>
Average total cost of electricity sold	cents per kWh	18,9 <sup>3</sup>	16,09 <sup>3</sup>	14,25 <sup>3</sup>	14,25 <sup>3</sup>	13,61 <sup>3</sup>
Employees	number	35 404	32 674	31 548	31 475	31 972
Value created per employee	R000	454	775	679	808	578
Productivity improvement/(decline) for electricity business	%	(9,00) <sup>3</sup>	1,90 <sup>3</sup>	(2,10) <sup>3</sup>	1,80 <sup>3</sup>	2,50 <sup>3</sup>
Employment equity	%	66,40 <sup>3</sup>	63,00 <sup>3</sup>	60,10 <sup>3</sup>	57,90 <sup>3</sup>	56,30 <sup>3</sup>
Gender equity	%	34,80 <sup>3</sup>	33,30 <sup>3</sup>	31,80 <sup>3</sup>	28,90 <sup>3</sup>	27,80 <sup>3</sup>
People with disabilities	%	3,30 <sup>3</sup>	2,80 <sup>3</sup>	2,50 <sup>3</sup>	2,00 <sup>3</sup>	1,40 <sup>3</sup>
Training cost	Rm	784 <sup>3</sup>	748 <sup>3</sup>	543 <sup>3</sup>	518 <sup>3</sup>	505 <sup>3</sup>
Eskom bursars	Number	5 368 <sup>3</sup>	5 136 <sup>3</sup>	2 163 <sup>3</sup>	1 568 <sup>3</sup>	1 850 <sup>3</sup>

	Unit	2008 (12 months)	2007 (12 months)	2006 (12 months)	2005 <sup>1</sup> (15 months)	2003 (12 months)
<b>Continuity of supply</b>						
Electricity sold – local	GWh	210 458	204 531	195 194	240 951	186 807
Electricity sold – international	GWh	13 908	13 589	13 122	16 008	10 173
Total electricity sold	GWh	224 366	218 120	207 921	256 453	196 980
Coal burnt in power stations	Mt	125,30	119,10	112,10	136,40	104,40
Energy availability factor	%	84,85	87,50	87,40	89,50	87,50
Peak demand on integrated system	MW	36 513	34 529	33 461	34 195	31 928
Peak demand on integrated system including load reductions	MW	37 158	35 441	33 461	34 195	31 928
Unplanned automatic grid separations	trips per unit	2,80	1,76	1,55	1,33	1,78
Demand-side management savings	MW	650,4	169,80	72,30	85,40	0,50
Specific water consumption by power stations <sup>4</sup>	L/kWh	1,32	1,35	1,32	1,27	1,29
Relative particulate emissions	sent out kg/MWh	0,21	0,20	0,21	0,26	0,28
Carbon dioxide emissions <sup>5</sup>	sent out Mt	223,57	208,90	203,70	247,00	190,10
Radiation release	milliSieverts (mSv)	0,0041	0,0034	0,0049	0,0079	0,0123
Lost time incident rate	index	0,34	0,35	0,40	0,45 <sup>6</sup>	0,37
Employee fatalities	number	17	8	10	19	5
Contractor fatalities	number	12	18	13	17	6
Public fatalities	number	42	41	34	40	27 <sup>3</sup>
<b>Capacity expansion</b>						
Generation capacity installed and commissioned	MW	1 061	1 351	170	–	–
Transmission lines installed	km	480	430	237	397	262
Transmission transformer capacity installed	MVA	1 355	1 000	1 090	5 280	–
Distribution lines installed	km	7 319	6 984	5 944	10 892	11 070
Distribution transformer capacity installed	MVA	3 412	2 967	1 866	2 249	2 304
<b>Developmental initiatives</b>						
Black economic empowerment	Rm	25 447	16 557	11 681	10 334 <sup>3</sup>	6 861 <sup>3</sup>
Electrification	number of homes connected	168 538	152 125	135 903	222 314	175 396
Corporate social investment <sup>10</sup>	Rm	69,80	74,70	83,60 <sup>11</sup>	159,80	158,60

**Definitions of ratios**

**Average total cost of electricity sold:** Operating expenditure and net finance cost (including fair value adjustment on financial instruments) divided by external sales.

**Debt:equity including long-term provisions:** net financial liabilities/assets plus non-current portion of retirement benefit obligation, decommissioning and nuclear waste management and closure, pollution and rehabilitation provisions divided by total equity. (Financial liabilities exclude lease, trade and other payables. Financial assets: exclude lease, trade and other receivables).

**Debt:equity:** net financial liabilities/assets divided by total equity.

**EBITDA interest coverage:** net operating income adjusted for interest income and depreciation divided by the financial interest.

**Funds from operations/average total debt:** cash flows from operating activities divided by the average total financial liabilities.

**Funds from operations/capex:** cash flows from operating activities divided by cash used in investment activities adjusted for capitalised interest.

**Funds from operations/net interest coverage:** cash flows from operating activities divided by interest expenditure adjusted for capitalised interest.

**Interest cover:** net operating income divided by net interest income and expenditure including the fair value gain or loss.

**Liquidity:** current assets divided by current liabilities.

**Net pre-tax interest coverage:** net profit before tax adjusted by interest expenditure divided by the finance cost adjusted for capitalised interest.

**Return on average equity:** net profit divided by average equity.

**Return on total assets:** net operating income<sup>7</sup> expressed as a percentage of total assets<sup>8</sup>.

**Solvency:** total assets divided by total liabilities.

**Total operating expenditure/revenue:** total operating expenditure<sup>9</sup> divided by revenue after making an adjustment for depreciation.

**Value created per employee:** value created divided by number of employees as per value added statement.

<sup>1</sup> Represents, unless indicated otherwise, the 15-month period from 1 January 2004 to 31 March 2005.

<sup>2</sup> Average price of electricity sold based on total sales.

<sup>3</sup> Represents Eskom Holdings information only.

<sup>4</sup> Volume of water consumed per unit of generated power sent out, excluding rain and mine water used.

<sup>5</sup> Calculated figures based on coal characteristics and the power station design parameters. Excludes gas turbines and return-to-service power stations.

<sup>6</sup> Calculated for the period 1 April 2004 to 31 March 2005.

<sup>7</sup> Net operating income is revenue less operating expenditure.

<sup>8</sup> Total assets are reduced by financial market assets and interest receivable, since Eskom's funding is managed in a single pool of financial market assets and liabilities.

<sup>9</sup> Total operating expenditure is before net finance cost, fair value (loss)/gain and taxation.

<sup>10</sup> Expenditure by the Eskom Development Foundation only.

<sup>11</sup> Amounts spent on the Eskom public scholarship programme are now reported under skills development.