

Proposed Address
Mr Jabu Mabuza, Eskom Board Chairman
FY2018/19 Annual Results Announcement
30 July 2019

The Honourable Minister of Public Enterprises, Mr Pravin Gordhan

Outgoing Group Chief Executive, Mr Phakamani Hadebe

Members of the Eskom Board

Officials from the DPE

Eskom executives and staff

Members of the media

Esteemed guests

Ladies and gentlemen

Good afternoon

We share our results at an undoubtedly tumultuous time in our history, a time when it is of paramount importance to co-create a country electricity strategy.

Ladies and gentlemen, today Eskom releases results that, while expected, are unfavourable. The organisation disappointingly incurred a net loss after tax of R20,7 billion for the year – a significant increase from the R2,3 billion loss experienced in the previous year coupled with an audit qualification on PFMA compliance.

Customarily, I would give an overview of the performance of the year under review as part of my Chairman's report. However, with this being Phakamani's last results presentation, I will rather ask him later to give a detailed account of the results, which will be a reflection point for his tenure at Eskom. By that, I by no means am suggesting that these unfavourable results are the sum total of his performance, in fact far from it.

Before I do that, I want to make the following brief comments:

The Board is mindful that Eskom's challenges cannot be resolved in isolation; neither can they be solved overnight.

They require a partnership approach between all stakeholders, where difficult choices need to be made with the aim of achieving sustained success.

With that in mind, we remain grateful to our shareholder – the government of South Africa – represented by the Honourable Minister Pravin Gordhan, for its unfailing support during these troubled times. We also welcome the Special Appropriation Bill tabled by the Finance Minister last Tuesday, which will enable the government to allocate further fiscal support to Eskom for the 2019/20 and 2020/21 financial years.

We do, however, acknowledge that we have a significant role to play, specifically on cost containment, and we are committed to continue playing our part where we can.

After our appointment as the Board last year, our initial focus was to root out financial mismanagement, malfeasance, and corruption, which was critical to restore transparent and effective governance and boost investor confidence in Eskom. While we are disappointed that we received a qualified audit opinion and are mindful that there is still work to be done, we have made significant progress in addressing these and other emerging issues in the organisation.

It must be noted that our audit issues relating to compliance with the PFMA will remain with us for a while and until we receive the necessary condonations from the National Treasury. Some remain open because there are ongoing investigations and court processes.

That said, we as a Board are comfortable that we have made strides in curbing these issues, and most of what remains relates to previously identified irregular expenditure, where the contracts are still in place.

Of importance, ladies and gentlemen, is the strategy review that we announced last year to deal with the extensive challenges confronting the organisation and help us turn Eskom around and place it on a path towards achieving financial and operational sustainability. As previously announced, the strategy review culminated in a turnaround plan, which was approved by the Board in November 2018 and which we have since presented to our shareholder.

I want to re-iterate that the Board is committed to drive the implementation of this strategy, which is supported by the following pillars:

- Balance sheet optimisation
- Cost containment
- Revenue growth, supported by appropriate tariffs
- The separation of Eskom's businesses into three independent businesses, which allows for extraction of efficiencies

Although we face serious financial and operational challenges, we as the Board are committed to achieve our turnaround plan through disciplined execution and stewardship.

I have availed myself to steer the ship for the next three months as Phakamani steps down. I do this being mindful of the need for leadership stability in this organisation.

My priority will be to take forward the work that Phakamani has been spear-heading with regard to financial and operational sustainability. Equally, the Board's priority will be finalising the process of finding a permanent Chief Executive to deliver the Eskom of the future.

We are clear that this transitional arrangement cannot be for longer than the stipulated time frame.

Lastly, I want to assure our stakeholders that Eskom remains motivated to move towards a successful future – to deliver on our commercial and developmental mandate and to remain South Africa’s trusted and credible electricity supplier.

Ladies and gentlemen, as we share our results, I would like to thank the Board for their concerted effort in making difficult decisions in the best interests of Eskom and the country. Most importantly, my sincere gratitude goes to all the Eskom Guardians who are committed to keeping the lights on to power our great nation. I personally thank them for taking on their task with diligence amid all the challenges.

Last but not least, please allow me to express a special word of gratitude to the outgoing Group Chief Executive, Phakamani Hadebe, for the excellent work he has done since joining Eskom in January last year and for working with us as the Board in navigating our challenges and crafting a way forward that will see Eskom to sustainability. Phakamani has been instrumental in driving stability at Eskom during a very challenging period in the organisation. Phakamani, thank you especially for your commitment in the last two months – applying the same diligence and care in finalising the results and running the organisation irrespective of your imminent departure.

I speak for the whole Board when I say we are truly appreciative of your posture and the way in which you handled the transition. For that, we say *Siyabonga Bhungane, Mthimkhulu, Ndlebentlezombini!*

I will now ask Phakamani to give an overview of the key issues he would like us to reflect on as he steps down tomorrow.

Thank you.