



**Proposed Speech
Mr Jabu Mabuza, Eskom Board Chairman,
2017/18 Interim Results Announcement**

30 January 2018

Interim Group Chief Executive, Phakamani Hadebe

Members of the Eskom Board

Eskom Executives and staff

Organised labour

Business Leaders

Investors and lenders

Distinguished guests

Ladies and gentlemen

Good morning

My watch suggests that it has only been ten days since my fellow Board members and I took office. Yet, surprisingly, it feels more like a hundred days.

Our focus and discussions in this time have centred around three key and inter-related issues:

- Finding neat solutions to the liquidity issues we face;
- Addressing governance-related matters as a matter of urgency;
- Releasing Eskom's interim results on a going concern basis before the end of January



These challenges required quick and decisive action. Although these cannot entirely be solved overnight, we believe that the steps already taken are a first step to, amongst other things, inculcate a renewed culture of good governance and entrenching financial and business discipline as a foundation to restoring the credibility and integrity of this institution.

Ladies and gentlemen, as the Board, we strongly believe that what underpins the stabilisation of Eskom is fulfilling our duty to improve trust and restore investor confidence in order to access financial markets and to re-establish the credibility of this strategic organisation, which will be celebrating its 95th anniversary in March.

The issuing of the interim results today is one of many more necessary steps in the journey of its renewal.

The decision by Moody's to downgrade the company's rating on Friday is understandable, but stands as a beacon of motivation to double our efforts in our united purpose to ensure financial sustainability. We are mindful that this will not be easy, but – as a collective – we have the skills, the strength, and the courage to turn things around. Our mandate is non-negotiable: we need to root out financial mismanagement, malfeasance and maladministration as a critical foundation to restoring transparent and effective governance. We also need to entrench financial and business discipline in order to rebuild confidence in this great institution.

A critical part of restoring governance is defining a framework within which we as a Board can operate alongside our shareholder – the Department of Public Enterprises.

To this end, and in the best interests of both entities, we have discussed and agreed on a framework that clearly sets out roles, responsibilities, and clear deliverables of the Board and the shareholder – where the duties of the Board start and where the duties of the Ministry and the Department end.



We have also taken the time to define our expectations with the Executives – where our duties as a Board stop and where those of the Executive start. The Board firmly believes that getting this operating framework right is critical to ensuring that we always have the right people, at the right place, doing the right things.

Since our appointment, the Board has already had two meetings. At our first Board meeting, we each committed ourselves to the difficult task at hand. We are mindful that we were appointed as a matter of urgency to take difficult decisions in the best interests of the company and the nation. In this regard, we have seen the departure of several executives. In addition, we have invested the time we have had since taking office in speaking to bankers, lenders, and investors to explore several options for helping to fund our cash flow needs. The government, business, customers, and investors have great and justifiable expectations. It is in this spirit that we take action to reaffirm the nation's trust. We will continuously work closely with the National Energy Regulator of South Africa (NERSA) to find a solution to the future price path in the interest of the country.

In an earlier address, Deputy President Cyril Ramaphosa is known to have called Eskom "... a jewel of our democracy". These are not just words, but depict a sobering reality. Eskom is a complex business, incorporating the three critical divisions of Generation, Transmission, and Distribution. It plays a pivotal role in the economy, contributing about 3% towards GDP. It is more than just power stations and power lines. Its performance is also measured by the overall value added to the lives of South Africans. Our developmental responsibilities range from building and maintaining power plants and networks, to electrification and supplying households, schools, and factories with electricity, to supporting local industries and stimulating skills development and job creation. Eskom is also about creating a base on which South Africa can grow, helping to transform the lives of a large percentage of the population who live in poverty. The success of Eskom is the success of the country; and this jewel has to be safeguarded.



At this time, allow me to thank the 47 000 employees who continue to work hard and remain dedicated to keeping the lights on despite the reputational onslaught that faces the company. I salute you for your resilience and for displaying a professional outlook in the face of adversity. To the executives who took pen to paper, thank you for displaying the courage to openly denounce corruption.

The Board has complete faith in the newly appointed Interim Group Chief Executive. Mr Phakamani Hadebe has a wealth of experience, and we have faith in his ability to face these difficult challenges head-on.

Today, Phakamani and the Acting CFO, Mr Calib Cassim, will share the interim results with you. While all financial indicators have declined, the business has sustained excellent operational performance, including successfully increasing capacity through its new-build capacity expansion programme and connecting new homes through its electrification programme. Good progress has been made in solving the (audit) qualification issued in the past financial year ending 31 March 2017, and I am confident that the qualification will be cleared by year-end. The auditors view our liquidity status in a serious light.

Indeed, we have a mammoth task at hand, but one which we intend to face with great courage and enthusiasm.

Ladies and gentlemen, it is said that obstacles that are in one's way are not meant to stop one. They are designed to point the way to a new route, new possibilities, and new doorways.

I believe that, through a display of inspirational and ethical leadership, and through a collaborative and diligent approach by the Board, the Executive Committee, and the 47 000 Eskom employees who are proud of, committed to living in, and serving, South Africa, Eskom remains motivated to move towards a successful future – to deliver on our mandate and to remain South Africa's trusted and credible electricity supplier.



I also believe that part of any credible solution to stabilise Eskom centres around transparent and effective governance starting with the Board, supported by a competent and strong management team to formulate and execute on a strategy that supports the Board's mandate.

I want to reiterate that I strongly believe that with the right governance structures at Board and executive management level, the priority is entrenching financial and business discipline as a foundation to restoring the credibility and integrity of the utility with financial markets. These are some of the key principles that are critical to stabilise, reform and ultimately set Eskom up for sustained success.

I thank you.