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Hitachi Power Africa sets the record straight

Hitachi Power Africa, the main contractor for the boilers on the Medupi and Kusile Projects, has set the record straight around its shareholding and stakeholder partnerships in South Africa.

To date Hitachi Power Africa has paid no dividends to Chancellor House. When dividends are paid to Chancellor House in the future it is likely to be less than R50 million for both contracts over the next eight years. If they in turn declare and pay a dividend to their shareholder, the Chancellor House Trust, any distribution made by the Trust to beneficiaries will go to natural Black persons only - people belonging to specific categories such as youth, women, rural and disabled. This excludes benefits being paid to political parties.

Speaking to journalists today at the company's offices in Sandton Hitachi Power Africa chief executive, Johannes Musel noted that Chancellor House Holdings would not earn billions of Rand as a result of its interest in Hitachi Power Africa. "Contract value, in this case R38.5 billion for both the Medupi and Kusile boiler contracts, does not equal profit".

The company in a consortium with its holding company, Hitachi Power Europe, successfully bid for, and won the Medupi Power Station boiler works contract in October 2007. The Kusile Power Station contract was awarded two months later. An independent audit report by Deloitte & Touche (which is on the public record) found the tender evaluation to have followed due process and the subsequent award of the contracts to be fair.

In terms of the Eskom contracts Hitachi Power Africa is required to be BEE compliant. For this reason HPA had to ensure that the Trust Deed of the Chancellor House's shareholder, the Chancellor House Trust, stipulated beneficiaries who are natural persons.

Musel said, "Our main focus is the successful execution of the projects and the fulfilment of the ASGISA contract obligations. These obligations call for 60% local content, preferential procurement, skills development and investment in South Africa. These contracts will benefit local industry through know-how transfer and skills enhancement in a highly specialised engineering field".

"We are satisfied that our corporate governance structures are sound and we are committed to South Africa and to working with our customer, local partners and stakeholders to contribute to bring the nation the electricity it needs to power growth. If we can achieve this, then the socio-economic benefits to the country will be substantial." Musel said.

Background information

Hitachi Power Africa was established in October 2005 as a private company. Hitachi Power Europe GmbH, the holding company, responsible for the African market within Hitachi global, was interested to enter the local market and to participate in the planned electricity generation expansion programme. The holding company, in anticipation of the new business order in South Africa, recognised the need for local empowerment shareholders and business partners to meet Eskom's capacity planning intentions.

At the end of November 2005, a shareholders agreement between Hitachi Power Europe, Chancellor House Holdings and Makotulo Investments was signed and all shareholders paid for their shares in full.

Work on both projects began immediately and orders placed with local companies for the manufacture of boiler parts and other components have effectively revived the boiler making industry in South Africa. Hitachi Power Africa has, between the two projects, generated 3 000 jobs to date. At peak, an estimated 6 000 jobs would be created. Medupi is scheduled for completion in late 2015 followed by Kusile in 2017.

State of the art technology is being applied at both power stations. Medupi and Kusile will be approximately 20 percent more efficient than existing plants and would therefore result in considerable savings in coal and emissions.

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