

JOINT MEDIA RELEASE FROM ESKOM AND HITACHI POWER AFRICA

**It's all systems go for the start of boiler construction at
Medupi Power Station**

Saturday, 16 January 2010 - Today, Eskom and Hitachi Power are celebrating the setting of the first boiler column at the Medupi Power Station in Lephalale, Limpopo, a milestone that marks the commencement of boiler construction work at the new power station.

Says Hitachi Power Africa CEO, Johannes Musel, "The setting of the first boiler column is symbolic in that it represents the commencement of the erection of the boilers for the power station. This is the culmination of more than two years of groundwork wherein the design of the boiler plant in line with the customer's specification had been performed and pressure parts, steel work and other components were manufactured and fabricated in various locations in Gauteng and Limpopo. Imported components were simultaneously being procured from different countries offshore. Everything is now in place and all of these components will come together to create the boilers during construction.

The main cranes have been assembled, the structural steel for the boiler supporting structure has been delivered to site and the next step is to erect the boiler supporting structure over the next two months. Thereafter the construction of the actual boiler will commence," Musel explains.

.../1

Hitachi Power Africa (Pty) Ltd

Reg. No. 2005/009154/07

Building 10
Country Club Estate
21 Woodlands Drive
Woodmead
Sandton

Postal address:
P.O. Box 73
Woodlands
2080
South Africa

Contact:
Phone: +27 11 260 4300
Fax: +27 11 656 3609

Directors:
K-D Rennert ** (Chairman)
J. Musel*** (CEO)
R.A. Duff (CFO)
S.H. Chaba
T. Higashihara*
Dr. T.R. Mokoena

Alternates:

S.D. Peiser
S. Ohe*
M. Netsianda
*Japanese **German ***Austrian

According to Brian Dames, Eskom's Chief Officer for Generation Business the construction of Medupi will have a major impact on the economy of South Africa and the people of Limpopo will enjoy positive spin-offs from the project in terms of jobs, skills development and infrastructure.

"Eskom is very excited about reaching this milestone which confirms our commitment to bring in power that will sustain our country for years to come."

Dames noted that the construction of Medupi Power Station is a mammoth project. "It is the largest project, in terms of virtually any yardstick one might wish to choose, ever undertaken in South Africa and in the 86 years of Eskom's existence".

"Never before has Eskom had a single project underway on which so much and so many is dependant. The absolute importance of bringing this project to successful completion and on time just cannot be emphasised enough. Together with Hitachi Power and the other contractors we are constructing infrastructure which will be a positive legacy for our children and their children for generations to come".

Eskom awarded Hitachi Power the contract to design, manufacture, supply, erect and commission 6 x 800MW Utility Steam Generators for Medupi Power Station in October 2007. When commissioned, the steam generators will be the most modern in South Africa with a plant operating efficiency increase of approximately 14% (from \pm 37% points to 40% points) as compared to Eskom's existing power plant fleet average efficiency. The efficiency improvement results in a considerable saving in terms of coal consumption and therefore operating cost as well as proportionate reduction of emissions. While efficiency is primarily increased by utilising higher steam parameters (temperature and pressure) emissions are further reduced by applying latest state of the art combustion technology.

“The supercritical design of the boilers is a first for Eskom, and with the higher efficiency will result in better utilisation of natural resources, for example, water and coal, and will have improved environmental performance. Medupi will utilise direct dry-cooling, making it the biggest dry-cooled power station in the world,” Dames adds.

A specific condition of the contracts for the boiler island, valued at approximately R20bn, for Medupi Power Station is the implementation of government’s Accelerated Shared Growth Initiative for South Africa (ASGISA).

ASGISA sets out South Africa’s growth and job creation strategy. Central to the ASGISA obligations is the requirement to maximise local content and to boost the local boiler manufacturing industry, to procure goods and services from Black Empowering Enterprises, Black Women Owned companies and Small and Medium Enterprises and to train and qualify 700 artisans in various trades.

These obligations will be fulfilled over the duration of the contracts. However, significant strides have already been made towards fulfilling them. As at 31 December 2009, 90% of the onshore scope had been ordered, plans are in place to meet ASGISA targets in respect of BWO and SME entities and importantly, to boost not only spend but also the capacity of local businesses in Lephalale and the greater Waterberg region.

Musel adds, “In terms of Skills Development and as a demonstration of our commitment to the development of the community of Lephalale, R23 million has been invested towards the establishment of a 6 000m² training centre, adjacent to the Lephalale FET College, for the training of apprentices in terms of the Accelerated Artisan Training Programme (AATP).”

To date, more than 300 apprentices are already in training with 60% of this number coming from the Limpopo province. In addition to this and in an effort to enhance product quality and productivity, 30 specialists in the various fields of engineering are in the country to transfer manufacturing and erection knowledge in the interests of sustainability and competitiveness.

According to Musel, the main highlight over the past two years has been the setting up of a broad based value added supply chain that will contribute to the overall sustained success of Eskom's build programme. In an investment totalling more than R900 million, the capacity of the local boiler manufacturing and construction industry has been re-established in line with international standards. The investments include:

- Some 35 000 m² of pressure part manufacturing facilities.
- Upgrading of structural steel and MV motor manufacturing facilities.
- Establishment of a ducting and coal bunker workshop at Medupi Site.
- Significant investments have also been made in large crawler and tower cranes and erection equipment which will be available for use in South Africa for future projects over the next three decades.

Some 3000 jobs have already been created as a result of the Hitachi Power Boiler Works Project.

ends



Media Contacts:

Hitachi Power Africa (Pty) Ltd

Pamella Radebe

Tel: 011- 260 4388

083 277 8766

p_radebe@hitachi-power.co.za

Eskom Media Desk

011-8003378

0828057278

