

Integrated results

for the year ended 31 March 2016

5 July 2016

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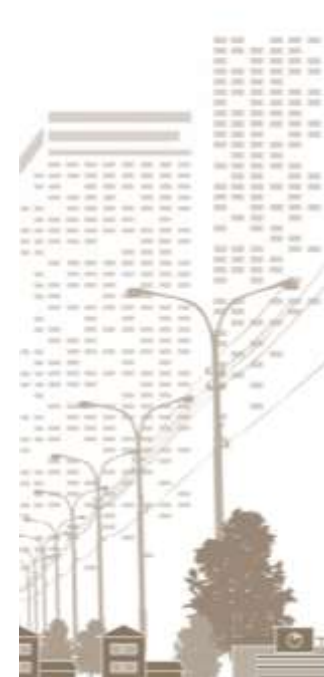
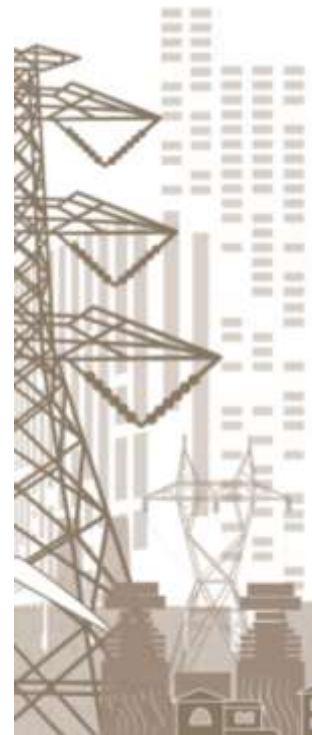


**Overview of
the year**

**Financial
review**

**Operating
performance**

Conclusion

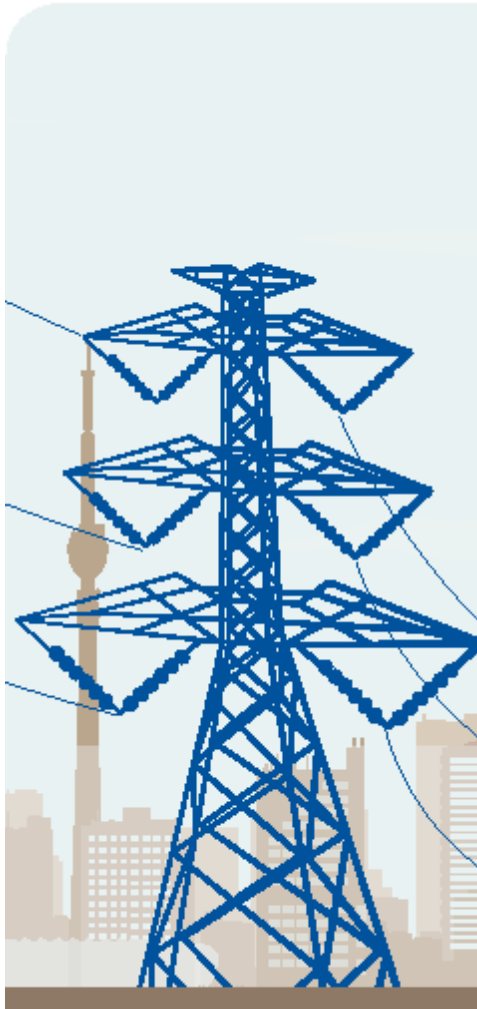


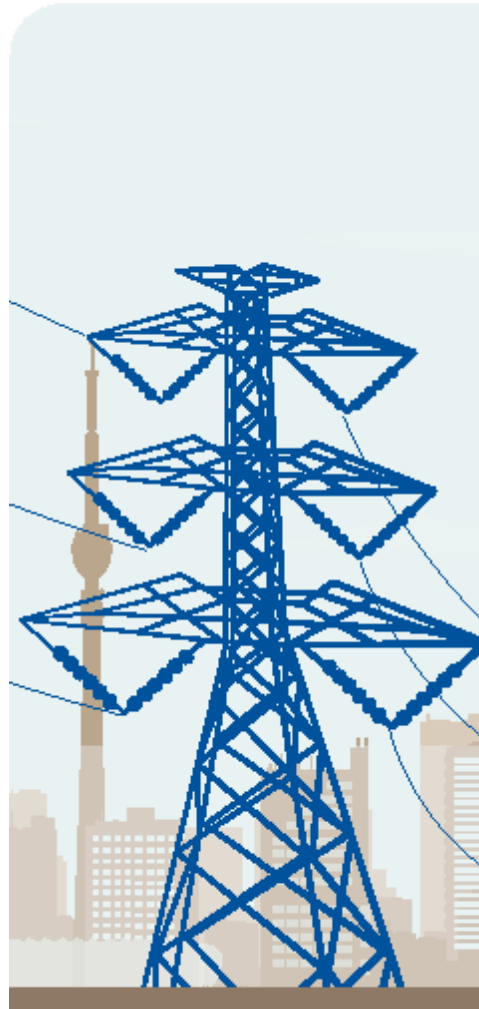
Throughout this presentation, **year end** refers to 31 March 2016, while **period or year** refers to the year ended 31 March 2016 and **comparative period or prior year** to the year ended 31 March 2015

Overview of the year

Financial performance

- **EBITDA of R32 billion**, representing an increase of 37.4%
- **Cost savings of R17.5 billion** achieved against a target of R13.4 billion, including reduced OCGT usage
- Received **R23 billion equity** from shareholder
- Cash generated from **operating activities** increased by 36.4% to **R37.2 billion**
- **Liquid assets of R38.7 billion** at 31 March 2016, an increase of 123%
- **57% of funding for 2016/17** has been secured



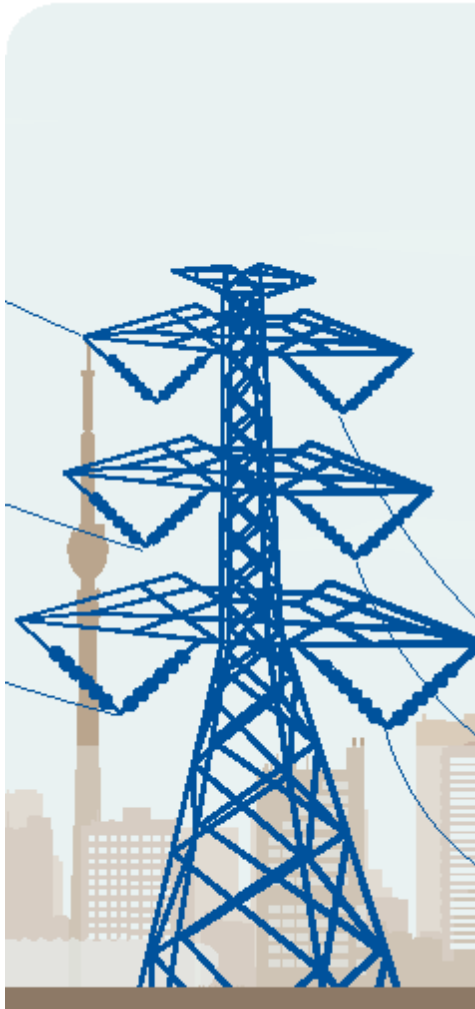


Operational performance

- **No load shedding** for almost 11 months to July 2016
- **Generation plant performance** improved in the second half of the year, with the EAF of 78% for quarter 1 of 2016/17
- **Medupi Unit 6** in commercial operation on 23 August 2015, adding 720 MW generation capacity
- **Ingula Unit 4** in commercial operation on 10 June 2016, adding 333MW peaking capacity
- **Ingula Units 3, 4, 2 and 1** synchronised to the grid on 3 March, 25 March, 21 May and 16 June 2016 respectively
- Excellent Transmission **network performance**
- **345.8km** of lines installed and **2 435MVA** transformers commissioned for Transmission

Socio-economic performance

- **158 016** additional households were electrified
- Procurement from **B-BBEE compliant suppliers** was 82%, exceeding the target of 80%
- Procurement from **black women-owned suppliers** was 19%, exceeding the target of 12%



An illustration on the left side of the slide depicts a vertical stack of power transmission towers with sagging power lines. At the bottom of this stack, two wind turbines are shown. The background consists of a grid of small squares, suggesting a cityscape or a technical grid.

Financial review

Improved financial performance

Financial performance

Revenue **R163bn**
(10.6%) ↑

EBITDA **R32bn**
(37.4%) ↑

Net profit **R4.6bn**
(2014/15: R0.2bn)

BPP savings
R17.5bn
(target R13.4bn)

Key financial ratios

Interest cover ratio
0.55 ↑
(2014/15: 0.27)

Debt service cover
ratio **1.07** ↑
(2014/15: 0.92)

Debt / equity
1.67 ↓
(2014/15: 2.53)

Gross debt / ↑
EBITDA ratio **11.4**
(2014/15: 16.1)

- **Increased EBITDA** due to:
 - Increased revenue
 - Cost containment
- **Improved liquidity** position, as a result of:
 - Equity injection of R23 billion
 - Cash generated from operating activities of R37.2 billion (2014/15: R27.3 billion)

Income statement for year ended 31 March 2016



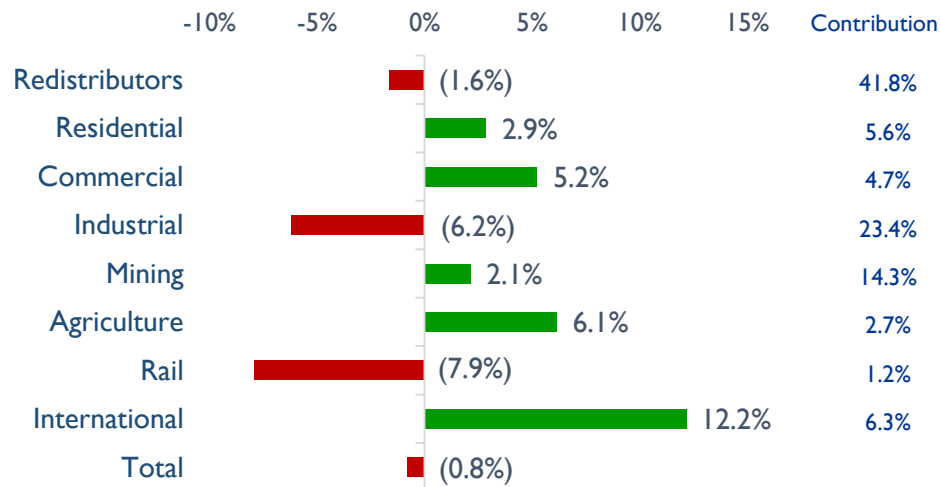
R million	2016	2015	YoY % change
Revenue	163 395	147 691	11
Other income	2 390	4 444	(46)
Primary energy	(84 728)	(83 425)	(2)
Net employee benefit expense	(29 257)	(25 912)	(13)
Net impairment loss	(1 170)	(3 766)	69
Other expenses	(18 663)	(15 771)	(18)
Profit before depreciation and amortisation and net fair value loss (EBITDA)	31 967	23 261	37
Depreciation and amortisation expense	(16 531)	(14 115)	(17)
Net fair value loss on financial instruments and embedded derivatives	(455)	(2 807)	84
Net finance cost	(7 919)	(6 109)	(30)
Share of profit of equity-accounted investees, net of tax	43	49	(12)
Profit before tax	7 105	279	>100
Income tax	(2 488)	(37)	(>100)
Net profit for the year	4 617	242	>100
Loss for the period from discontinued operations	-	(42)	~
Profit for the year	4 617	200	>100

1. Figures refer to the group's results, which have been audited by the independent auditors, SizweNtsalubaGobodo Inc.
2. Figures for 2014/15 were restated.

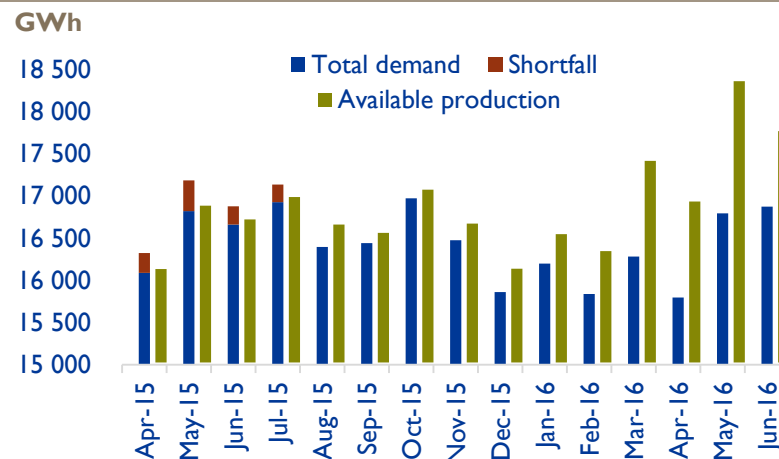
Overall electricity sales volumes

- **International sales volume** growth of 12.2% due Eskom having surplus capacity
- Increase in **commercial** (5.2%), **agriculture** (6.1%), **mining** (2.1%) and **residential** (2.9%) sales volumes
- Decline in **municipalities** (1.6%), **rail** (7.9%) and **industrial** (6.2%) sales volumes
- Overall electricity sales volumes **declined by 0.8%**

Electricity volumes % growth/(decline) & contribution

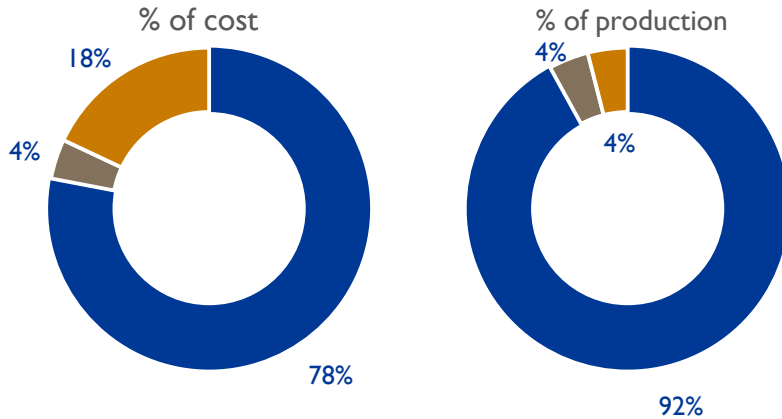


Coal production vs demand

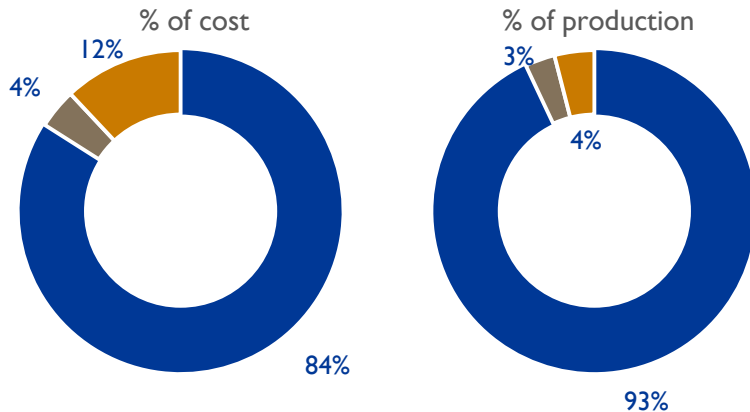


Primary energy costs analysed – 2% YoY increase only

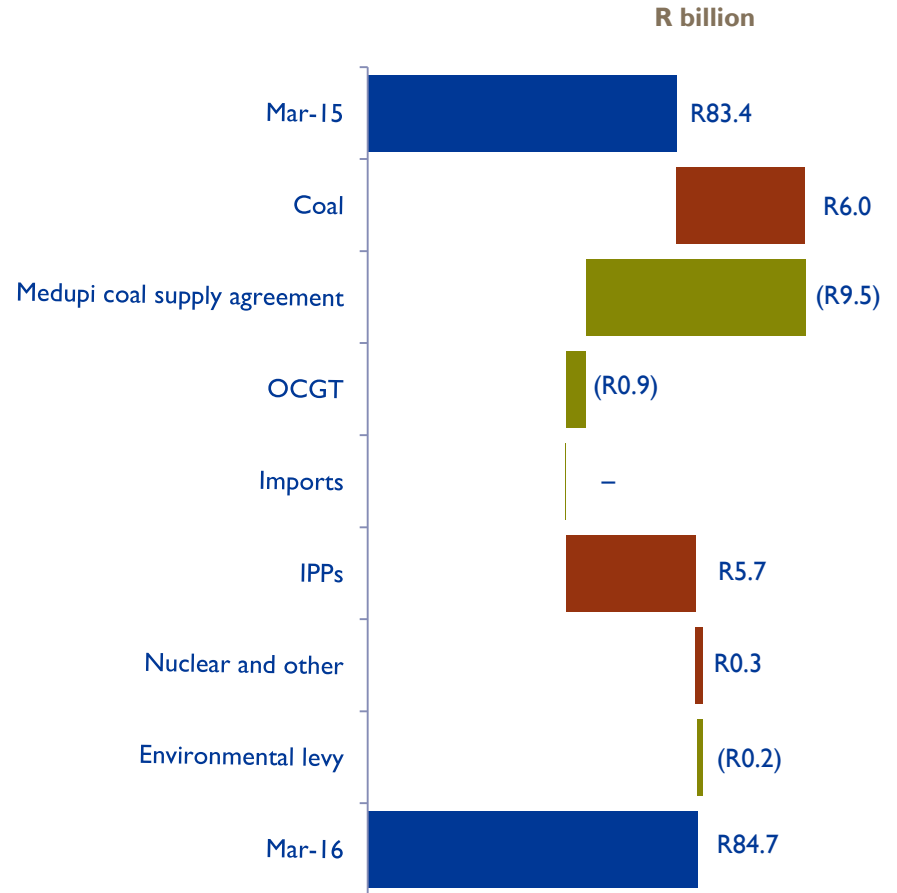
2015/16 Primary energy cost analysis



2014/15 Primary energy cost analysis



Year-on-year analysis



■ Eskom generation ■ International purchases
 ■ Independent power producers

Financial position strengthened

R million	31 March 2016	31 March 2015 ¹	YoY % change
PPE and intangible assets	521 174	458 881	14
Working capital	43 615	35 488	23
Liquid assets	38 680	17 359	123
Other assets	57 216	46 217	12
Total assets	660 685	557 945	17
Equity	180 563	117 164	48
Debt securities and borrowings	322 658	297 434	8
Working capital	52 360	44 063	19
Other liabilities	105 104	99 284	6
Total equity and liabilities	660 685	557 945	17

- **Equity improved** with R23 billion equity by shareholder and conversion of R60 billion subordinated loan
- **Liquid assets increased** by 123% to R38.7 billion

1. Figures for 2014/15 were restated.

- **Payment agreements** have been signed with 60 municipalities, including 19 of the top 20
- **Arrear debt** by municipalities, including interest, increased from R5 billion to R6 billion
- Average **Soweto collection level** improved from 16% to 18%
- 17 527 **post-paid meters** were **converted** to pre-paid meters in Soweto
- 5 992 **smart meters** were installed in Midrand and Sandton, and will be converted to prepaid meters

Electricity debtors age analysis, R million	Total	Within due date	< 60 days overdue	> 60 days overdue
Large power users, excluding municipalities	6 913	6 250	246	417
Large power users, municipalities (including interest)	11 325	5 320	932	5 073
Small power users	2 576	1 465	178	933
Soweto (excluding interest)	4 746	189	179	4 378
Other customers	1 534	846	680	8
Total at 31 March 2016	27 094	14 070	2 215	10 809
% of total	100%	52%	8%	40%
			2016	2015
Average debtors days (all categories)			30.35	32.29

57% of funding for 2016/17 secured

R billion	2015/16	2016/17
Domestic bond private placement	10.0	10.0
Signed DFIs	10.9	19.8
Signed ECAs	4.7	7.1
Swap restructuring	6.2	1.8
Government equity	23.0	–
MIGA loan	7.6	–
Sub-total funding secured	62.4	38.7
Structured products	–	3.2
New DFIs	–	13.6
Domestic bonds	8.2	7.0
Commercial paper	6.3	6.0
Total funding	76.9	68.5



ccc+



b3



B-

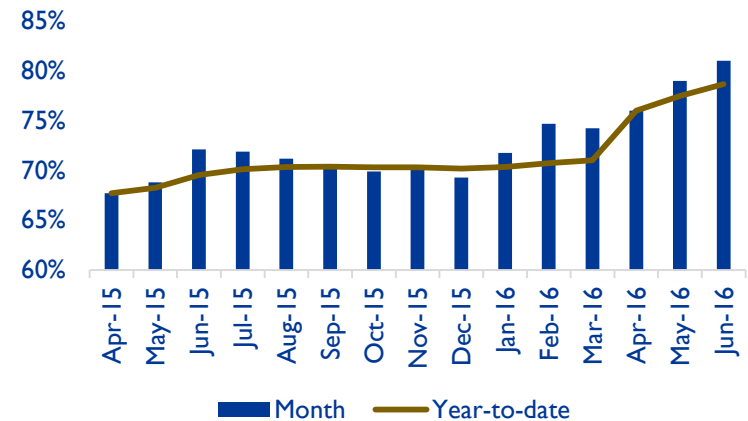


Operating performance

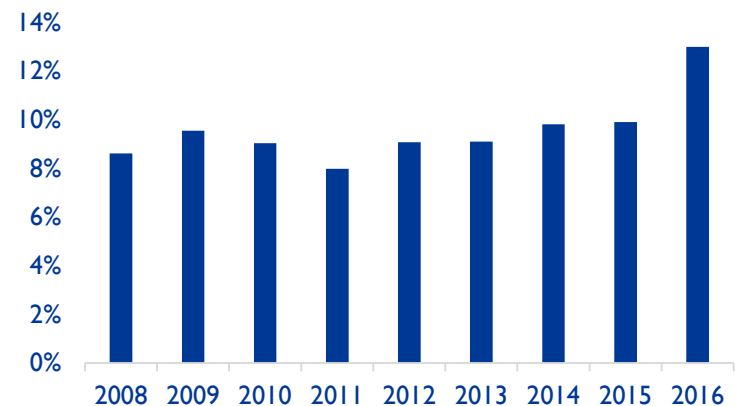
Improved Generation operating performance

- **EAF improved** in the last quarter of 2015/16
- Significant improvement in **EAF of 78.6%** for the first quarter of **2016/17**
- **Unplanned breakdowns** reduced from 15.2% in 2014/15 to 14.9% in 2015/16, with **planned maintenance** increasing from 9.9% in 2014/15 to 13.0% in 2015/16
- **Reduced reliance on OCGTs**, with the load factor in the last quarter well below 6%
- A total of 13.6Mt **coal transported by rail**, which is 1Mt more than 2014/15
- Since inception, a total of 3 392MW of **IPPs connected** to the grid, with 2 145MW of renewables
- As a result of the above, **no load shedding** for almost 11 months to July 2016

Monthly plant availability (EAF)

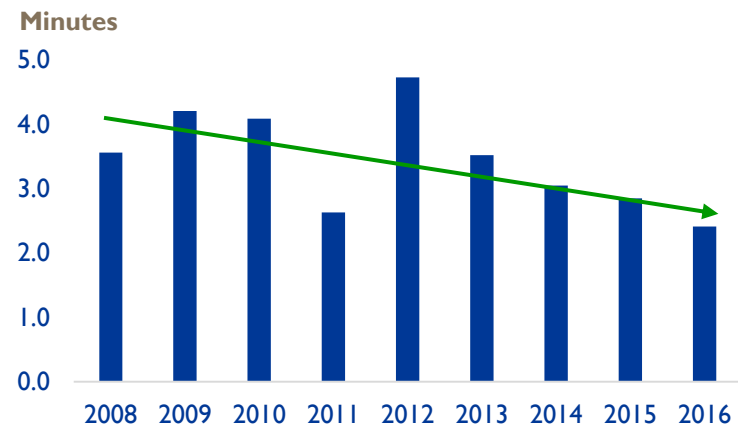


Planned maintenance, %

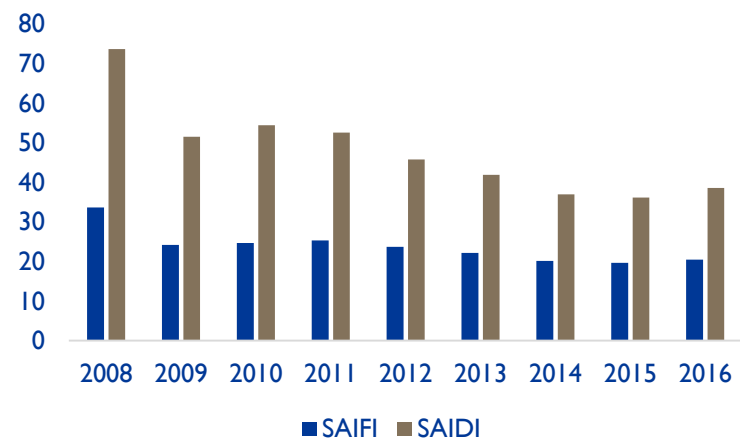


- **Transmission** achieved a best ever reported **performance** for system minutes lost <1 of 2.41 (2014/15: 2.85)
- Only 1 **major incident** occurred
- **Distribution network performance** (SAIFI and SAIDI) within acceptable limits
- **Demand savings** of 215MW achieved
- One **environmental contravention** occurred

System minutes lost for events < 1 minute

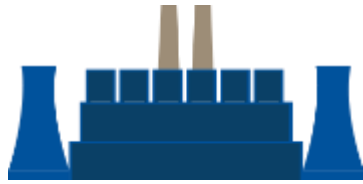


SAIFI / SAIDI performance

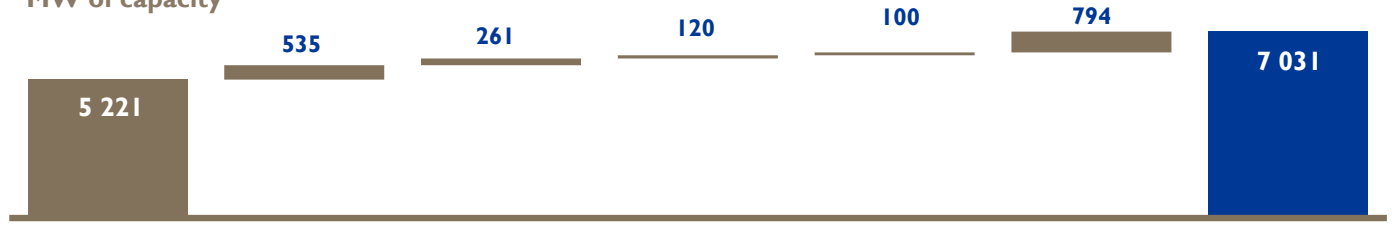


We remain focused on bringing new capacity online

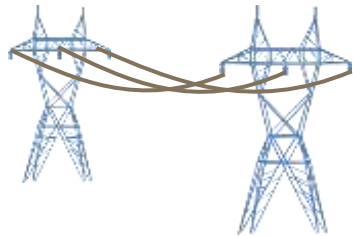
Megawatts



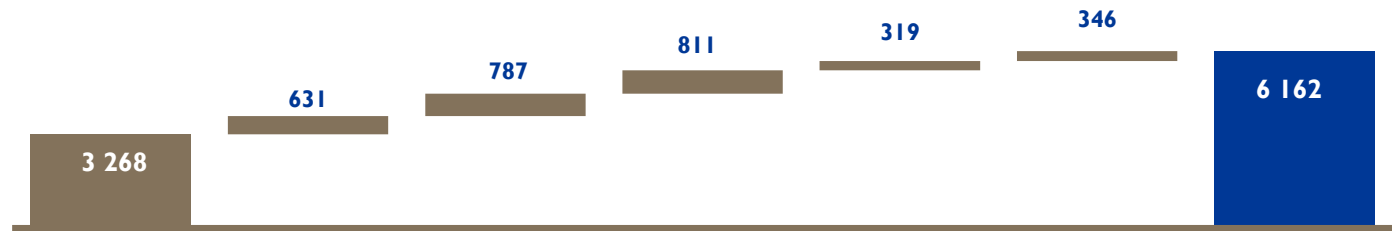
MW of capacity



Transmission



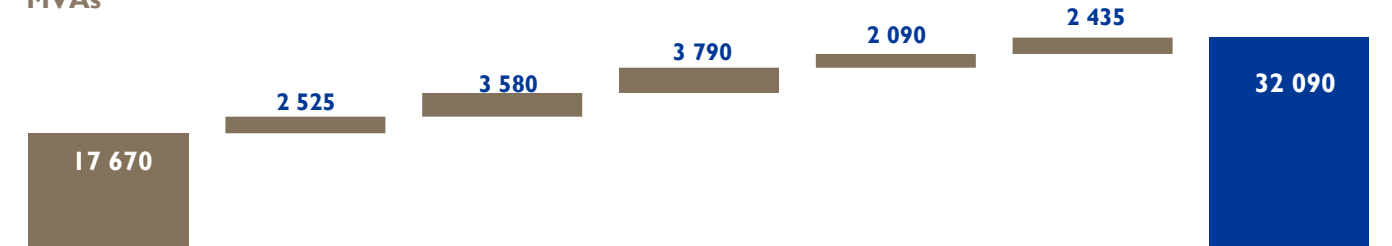
km lines



Substations



MVAs



Inception to Mar-11 Mar-12 Mar-13 Mar-14 Mar-15 Mar-16 Total to date

- **Medupi Unit 6** in commercial operation on 23 August 2015, adding 720 MW to South Africa's electricity grid. The unit achieved **EAF of 97.8%** for June 2016
- **Medupi Unit 5** is on track for commercial operation in the first half of 2018
- **Ingula Unit 4** in commercial operation on 10 June 2016, adding 333 MW to peaking capacity. In respect of the other units, one unit expected to be operational during the 2016/17 financial year and two units during the 2017/18 financial year, based on the approved schedule
- All the **Ingula units synchronised** to the national grid ahead of schedule, on 3 March (Unit 3), 25 March (Unit 4), 21 May (Unit 2) and 16 June 2016 (Unit 1)
- **Kusile Power Station** continues to achieve set milestones on the path for **Unit 1** commercial operation in the second half of 2018
- **Conversion** of the Gourikwa and Ankerlig **OCGTs** to dual fuel expected to be completed in 2017
- **Transmission lines** (346km) installed and **substation capacity** (2 435MVA) commissioned to support network strengthening, new Generation capacity and IPPs

Environment and safety

- **LTIR** improved from 0.36 in 2014/15 to 0.29 in 2015/16
- Employee and contractor **fatalities** increased: 4 employees (2014/15: 3) and 13 contractors (2014/15: 7)
- **Relative particulate emissions** improved slightly to 0.36kg/MWh sent out (2014/15: 0.37)
- **Specific water consumption** increased to 1.44ℓ/kWh (2014/15: 1.38)

Equipment theft

- **Crime decreased** by 28% in value compared to the prior year
- **High-value crime** was targeted and success was achieved with 229 arrests

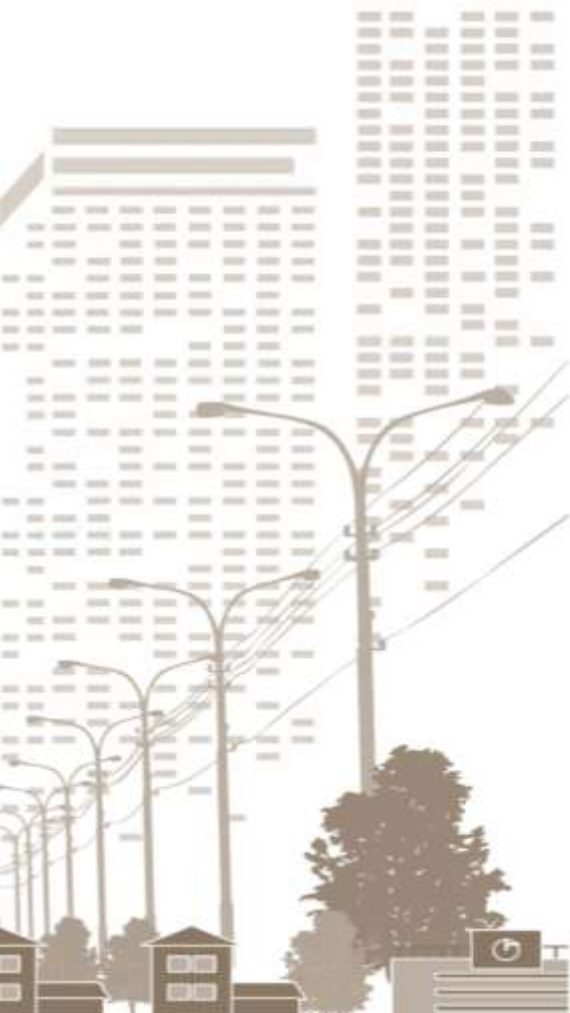
Socio-economic

- Committed **corporate social investment** spent of R103.6 million (2014/15: R115.5 million) for the year, exceeding budget with 5.1%, benefitting **302 736 beneficiaries** (2014/15: 323 882)
- Procurement from **B-BBEE compliant suppliers** as a percentage of procurement was 81.7%, exceeding the target of 80%
- Procurement from **black women-owned (BWO)** suppliers as a percentage of procurement was 19.3%, exceeding the target of 12%
- Total of **158 016 households** (2014/15: 159 853) were **electrified** during the year, with almost 90% of all households electrified

Human resource performance

- **Staff complement** increased to 47 978 (2014/15: 46 490) mainly due to employment of 1 370 learner artisans to strengthen pipeline
- 2.73% of employees are people with **disabilities**
- **Racial equity in senior management** of 61.1% and in **professional and middle management** of 71.7%
- **Gender equity in senior management** of 28.1% and in **professional and middle management** of 35.1%
- The **Eskom Women Advancement Programme** will accelerate the development of female employees in the professional and middle management levels, to create a pipeline for senior management vacancies

Conclusion



- Eskom is on a **firm financial and operational footing**:
 - Improved financial performance with healthy liquidity position
 - Generation performance has been stabilised, with continued improvement expected
 - No load shedding is anticipated
 - New build programme on target to meet delivery dates

Eskom is well placed to deliver on our journey towards excess capacity

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from the Apple and Android app stores



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