Integrated results

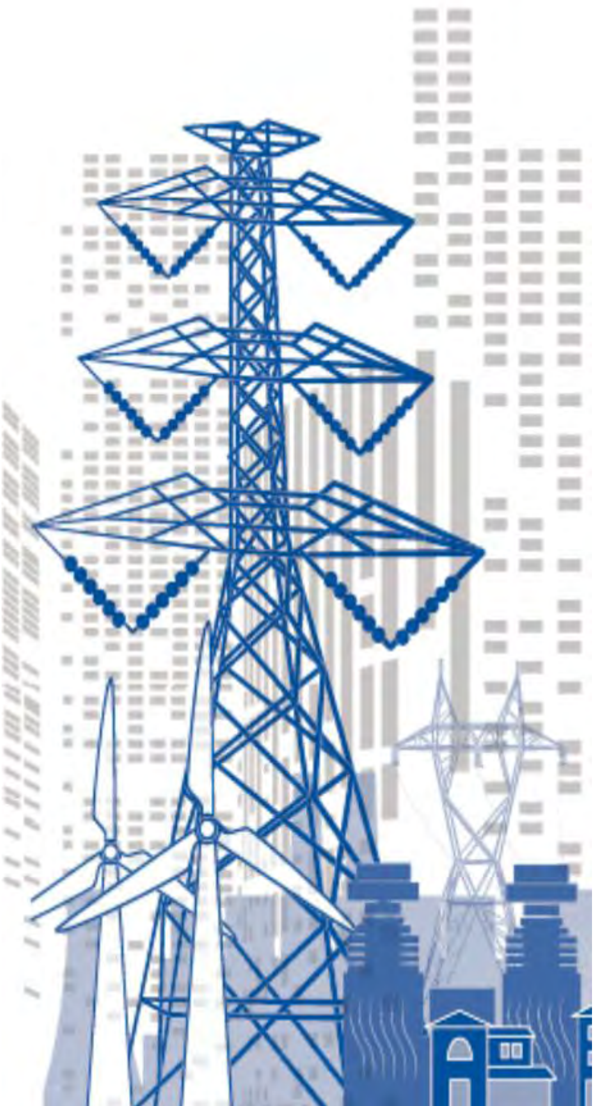
for the year ended 31 March 2017

Eskom

11 July 2017

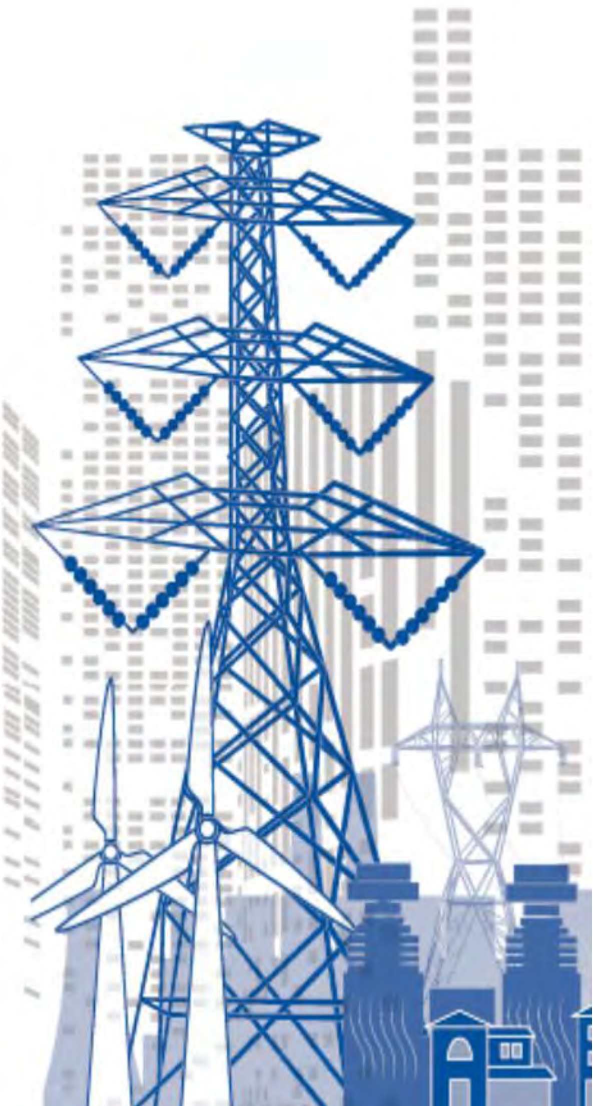
This presentation is available at
www.eskom.co.za/IR2017

Contents



Overview of the year

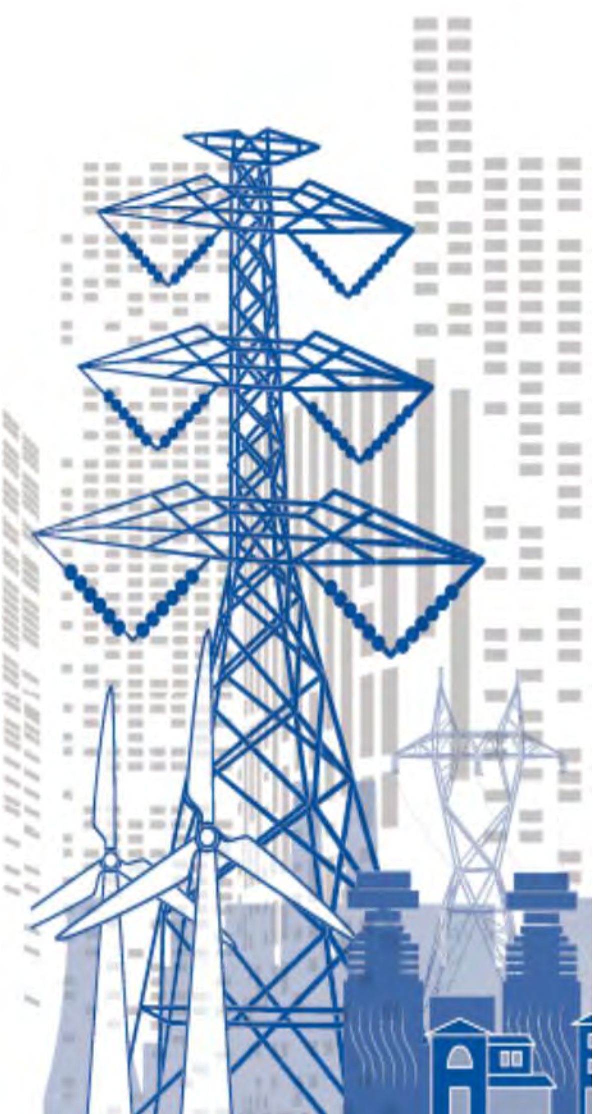
Key highlights for the year



Financial performance

- **EBITDA** of **R38 billion**, representing an increase of 14.4%
- **Revenue** increased by 7.9% to R177 billion
- **Own generation** cost **decreased by 8.5%** to R60 billion, with total primary energy costs down by 2.3%
- **Cash generated** from **operating activities** increased by 23.1% to **R46 billion**
- **Cost savings** of **R20 billion** achieved against a target of R17 billion
- **53% of funding for 2018** financial year has been secured

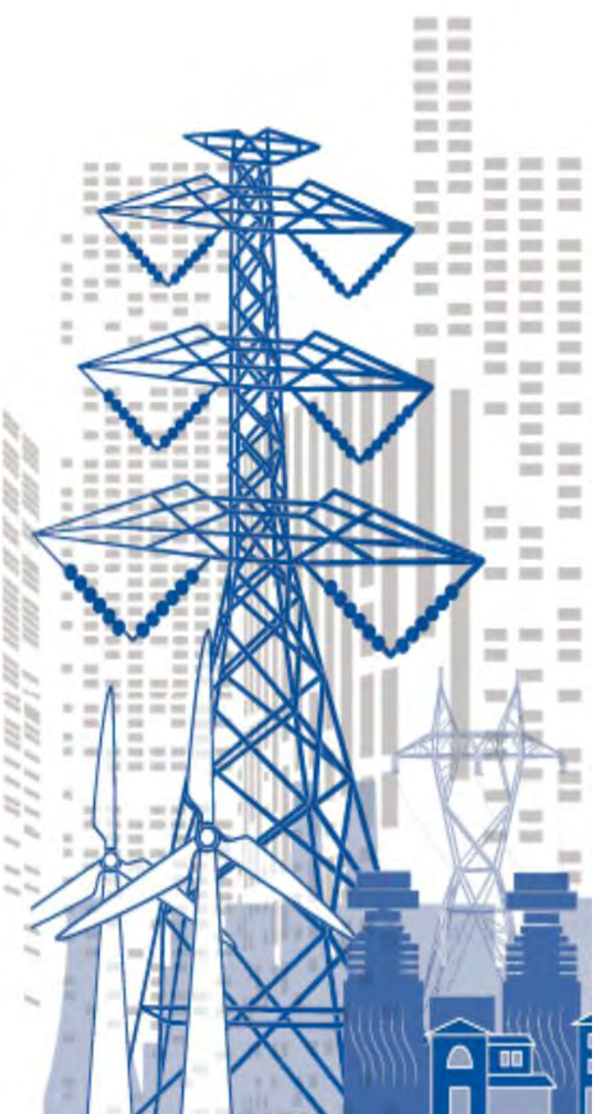
Key highlights for the year (continued)



Operational performance

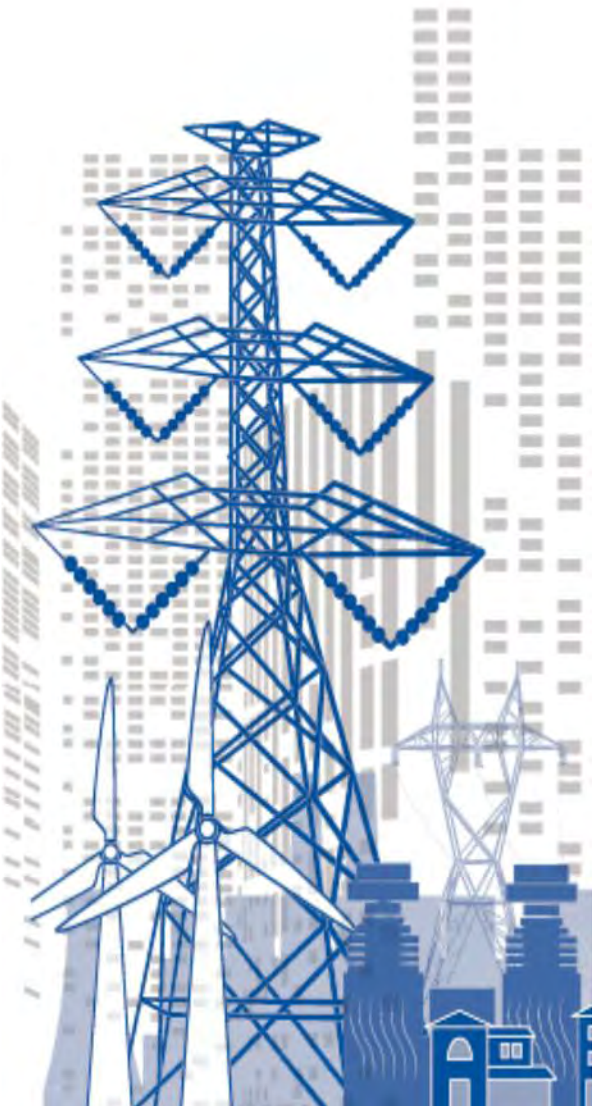
- **Generation plant performance** improved significantly from 71.1% to 77.3%
- **Medupi Unit 5** synchronised, achieving commercial operation on 3 April 2017 (794MW installed capacity)
- **Medupi Unit 4** synchronised on 31 May 2017
- **Kusile Unit 1** synchronised to the grid on 26 December 2016; achieved full load (800 MW) during March 2017
- **All Ingula Units** in commercial operation, adding 1 332MW installed capacity
- **585.4km** (2016: 345.8km) lines constructed and **2 300MVA** (2016: 2 435MVA) transformers commissioned
- **765kV network** to Western Cape completed

Key highlights for the year (continued)



Socio-economic performance

- **207 189** (2016: 158 016) households were electrified
- Procurement from **B-BBEE compliant suppliers** was 98% (2016: 82%)
- Spend with **black owned suppliers** increased from 34% to 41%
- **Local content contracted** from the new build programme was 86%
- Procurement from **black women-owned suppliers** was 15%, exceeding the target of 12%
- **Employment of female employees** in senior management positions increased from 28% to 37%



Financial performance

Improved financial performance

Financial performance

Revenue **R177bn** ⬆ 7.9%

EBITDA **R38bn** ⬆ 14.4%

Cash from operations **R46bn** ⬆ 23%

Own primary energy cost reduced by **R5.6 billion**

Key financial ratios

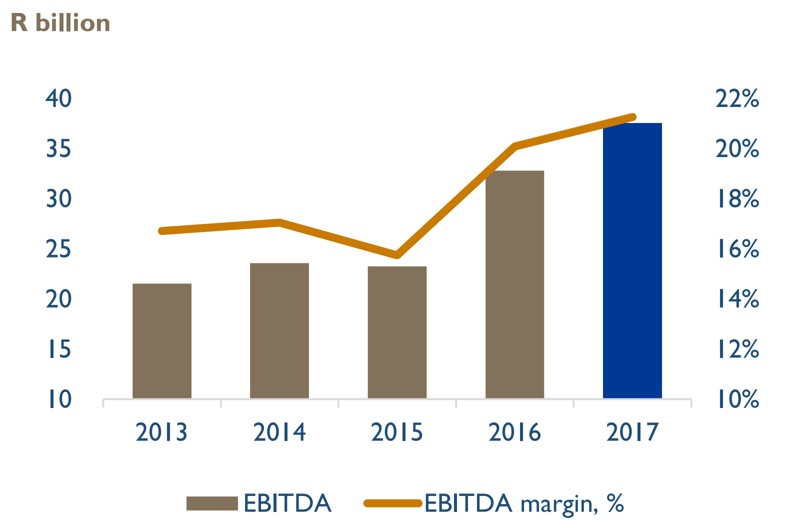
Cash interest cover ratio **1.82** (2016: 1.83)

Debt service cover ratio **1.37** (2016: 1.14) ⬆

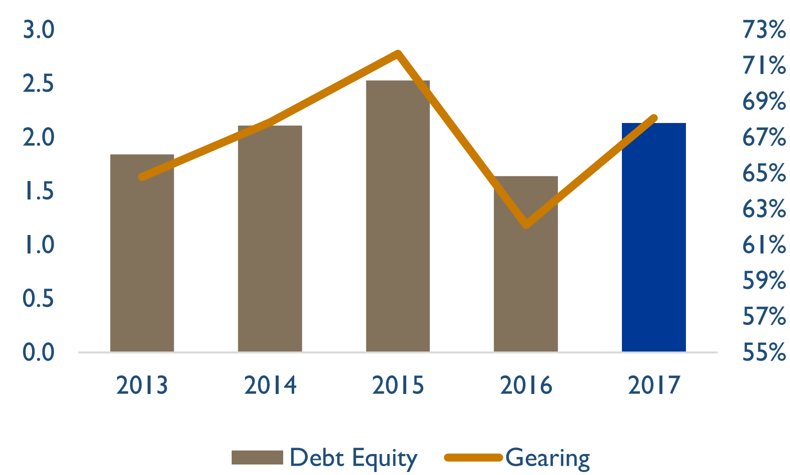
FFO as % of gross debt* **5.2%** ⬆ (2016: 5%)

Gross debt/EBITDA ratio **10.8** ⬆ (2016: 11)

Profitability



Solvency



* After interest paid

Income statement for year ended 31 March 2017

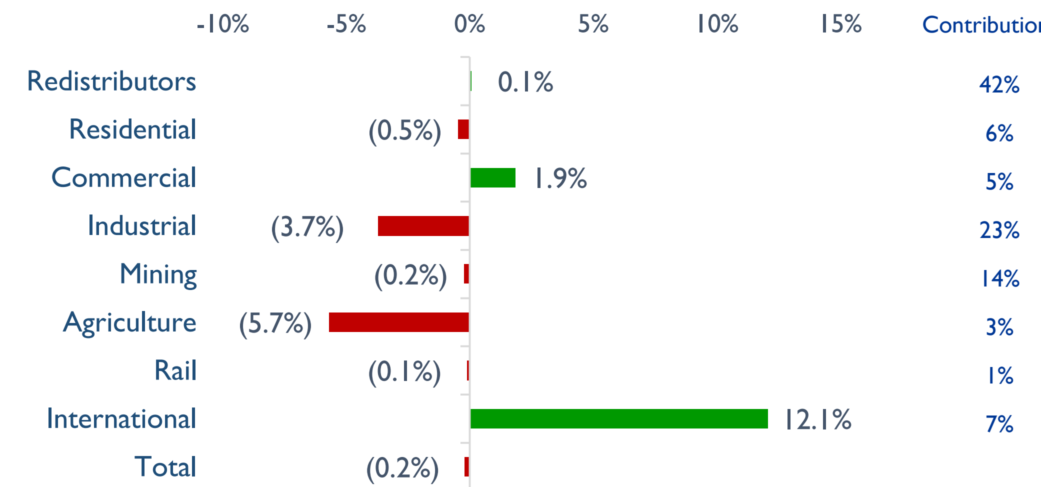
R billion	2017	2016	YoY % change
Revenue	**177**	164	8
Other income	**2**	2	(32)
Primary energy	**(83)**	(85)	2
Net employee benefit expense	**(33)**	(29)	(13)
Net impairment loss	**(2)**	(1)	(43)
Other expenses	**(24)**	(19)	(26)
Profit before depreciation and amortisation and net fair value loss (EBITDA)	**38**	33	14
Depreciation and amortisation expense	**(20)**	(17)	(22)
Net fair value loss on financial instruments and embedded derivatives	**(2)**	(1)	(280)
Net finance cost	**(14)**	(8)	(82)
Profit before tax	**1**	8	(85)
Income tax	**–**	(3)	90
Net profit for the year	**1**	5	(83)

1. Figures refer to the group's results, which have been audited by the independent auditors, SizweNtsalubaGobodo Inc.
2. Figures for 2016 were restated.

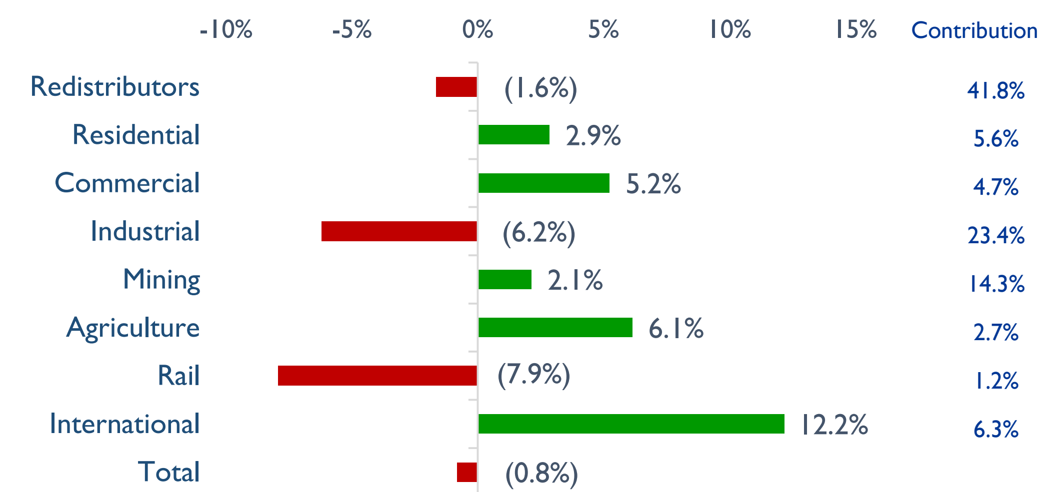
Overall electricity sales volumes

- **International sales volume** growth of 12.1% due Eskom having surplus capacity
- Increase in **commercial** 1.9%
- Decline in **industrial** 3.7%, and agriculture 5.7%
- Overall electricity sales volumes **declined by 0.2%,** with local sales declining by 1%

Electricity volumes % growth/(decline) & contribution: 2017

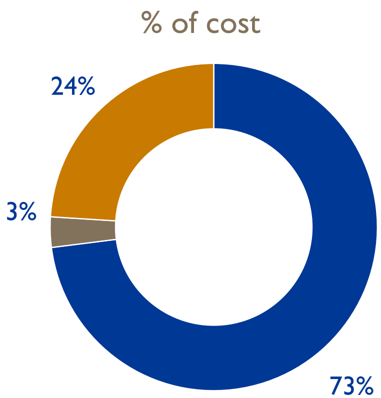


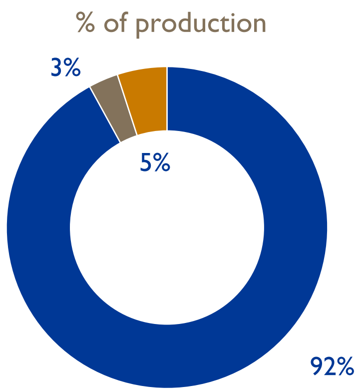
Electricity volumes % growth/(decline) & contribution: 2016



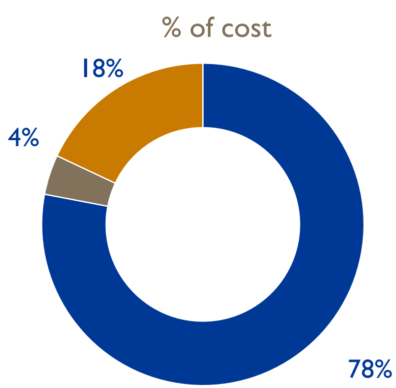
Primary energy costs analysed: 2.3% decrease from 2016

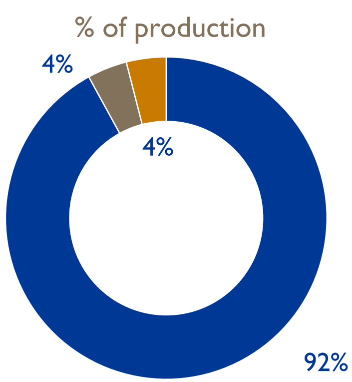
2017 Primary energy cost analysis





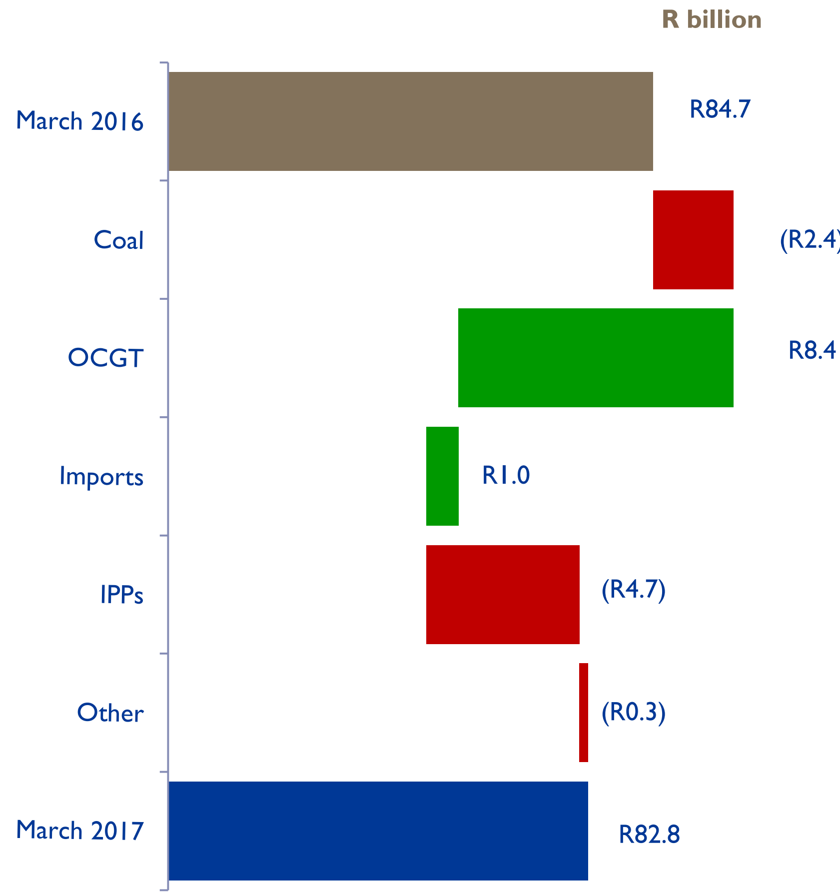
2016 Primary energy cost analysis





■ Eskom generation
■ International purchases
■ Independent power producers

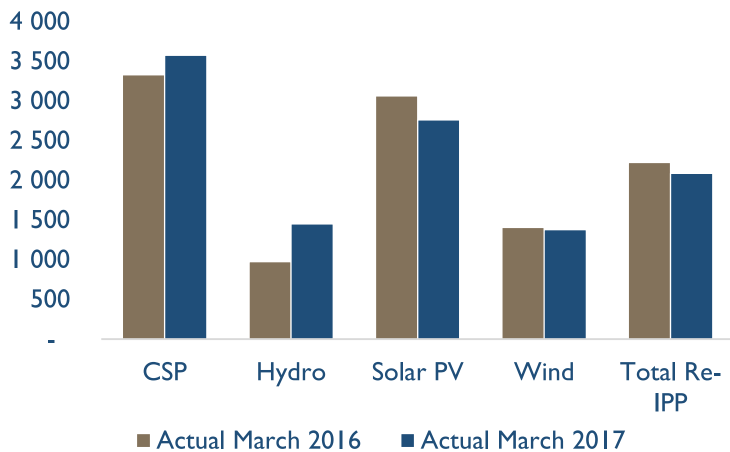
Year-on-year analysis



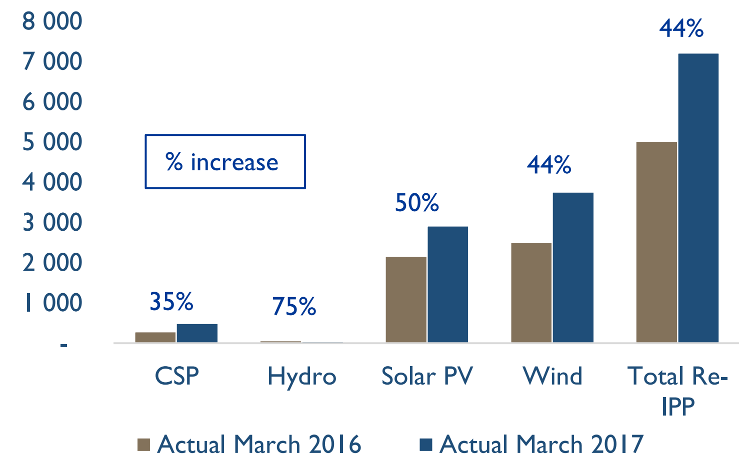
Own generation costs decreased by 8.5% from R66 billion to R60 billion

Increase of 35% in renewable IPP cost, at an average cost of R2 090/MWh

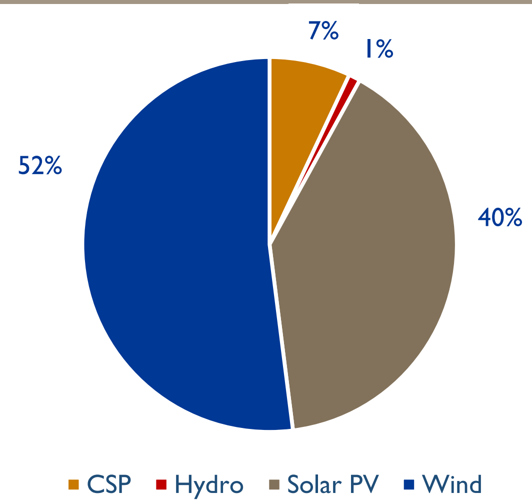
Electricity cost, R/MWh



Production volumes, GWh



Production mix



- Average year-on-year decrease in unit cost of 6%, from R2 230/MWh in 2016 to R2 090/MWh
- IPP production volumes increased by 44%
- Total increase in cost of 37%

Financial position strengthened

R million	31 March 2017	31 March 2016 [1]	YoY % change
PPE and intangible assets	**592 848**	523 659	13
Working capital	**43 954**	43 615	1
Liquid assets	**32 503**	38 680	(16)
Other assets	**40 704**	57 216	(29)
Total assets	**710 009**	663 170	7
Equity	**175 942**	182 352	(4)
Debt securities and borrowings	**355 300**	322 658	10
Working capital	**51 860**	52 360	1
Other liabilities	**126 907**	105 800	20
Total equity and liabilities	**710 009**	663 170	7

1. Figures for 2016 were restated.

Arrear debt and debtors ageing

- **Arrear debt** by municipalities, including interest, increased from R6 billion to R9.4 billion
- **Payment arrangements** (PA) were signed with 60 municipalities, with 20 fully honouring the PA and 11 partially
- During the year **15 494 split meters** were installed in Soweto and Kagiso with **13 255 converted to prepaid**
- **14 105 smart meters** were installed in Midrand and Sandton; will be converted to prepaid meters

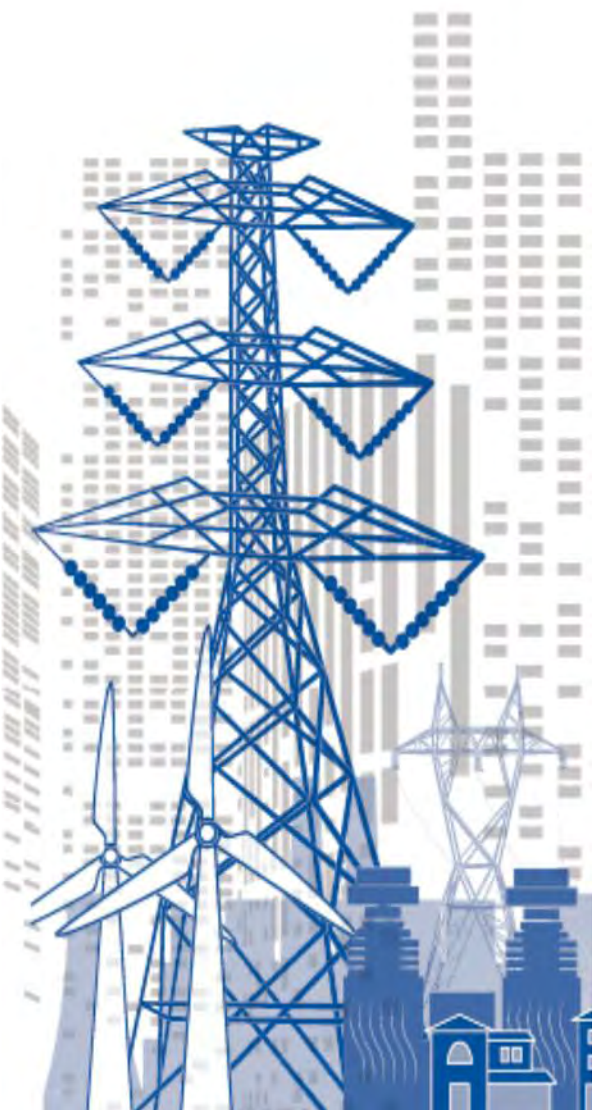
Electricity debtors age analysis, R million	**Total**	**Within due date**	**Overdue**	**% Overdue**
Large power users, excluding municipalities (including interest)	**7 616**	7 001	614	8
Large power users, municipalities (including interest)	**15 258**	5 852	9 406	62
Small power users (including interest)	**2 481**	1 521	960	39
Soweto (excluding interest)	**5 314**	55	5 259	99
Other customers (including interest)	**1 704**	994	710	42
Total at 31 March 2017	**32 374**	15 424	16 950	

	2017	**2016**
Average debtors days (all categories)	**57.31**	50.05
% increase	**14.5%**	

53% of funding for 2018 financial year secured

	2017	2018	
R billion	**Committed**	**Target**	**Committed**
Domestic bond private placement	10.2	–	–
Signed DFIs	30.0	27.4	27.4
Signed ECAs	5.2	2.2	2.2
Swap restructuring	3.3	2.5	2.5
Subtotal funding secured	**48.7**	**32.1**	**32.1**
New DFIs	–	12.1	–
Domestic bonds	1.7	8.0	–
Commercial paper	7.0	7.5	–
New ECAs	–	5.0	–
International bonds	–	7.0	–
Funding secured	**57.4**	**71.7**	**32.1**
% secured			45%
Available facilities	6.3	6.3	6.3
Total available funding	**63.7**	**78.0**	**38.4**
% available			**53%**

STANDARD & POOR'S RATINGS SERVICES McGRAW HILL FINANCIAL **ccc+** **b3** FitchRatings **B-**

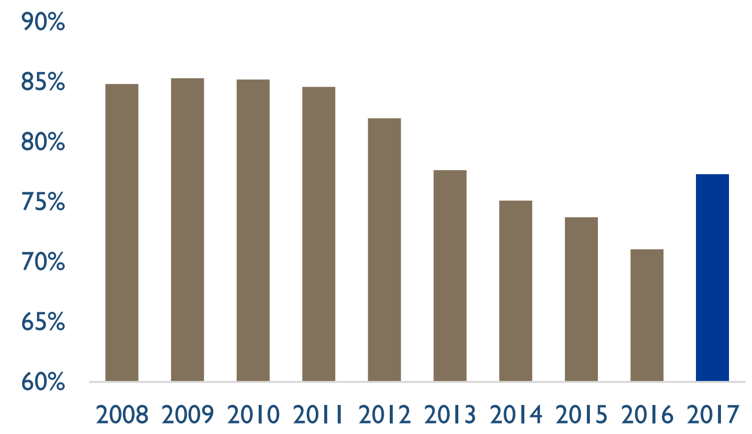


Operating performance

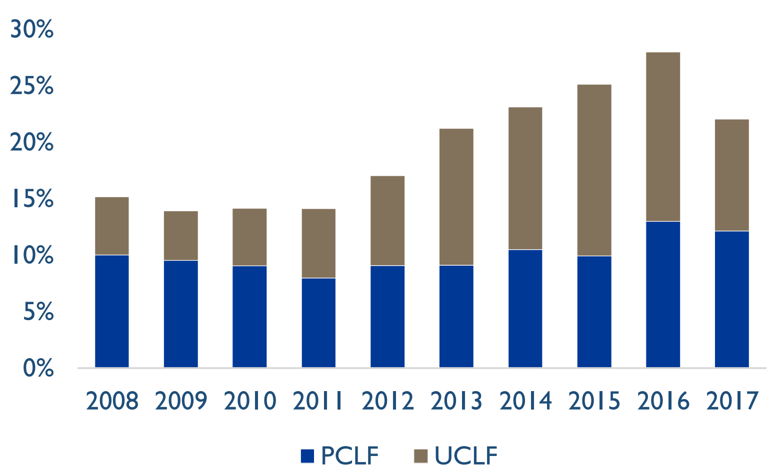
Improved Generation operating performance

- **EAF improved** to 77.3% from 71.1% the previous year, exceeding target of 72%
- **Unplanned breakdowns** reduced from 14.9% in 2016 to 9.9% in 2017
- Both Koeberg units set performance records
- **Reduced reliance on OCGTs**, with total of R340 million spent on OCGTs compared to R8.7 billion in 2016
- A total of 13.2Mt **coal transported by rail**, in line with previous year
- Since inception, a total of 5 027MW of **IPPs connected** to the grid, with 3 110MW of renewables

Annual plant availability (EAF)



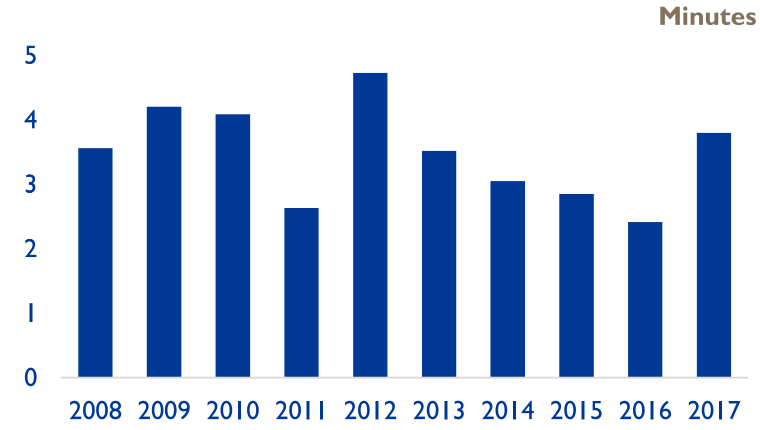
Annual PCLF and UCLF, %



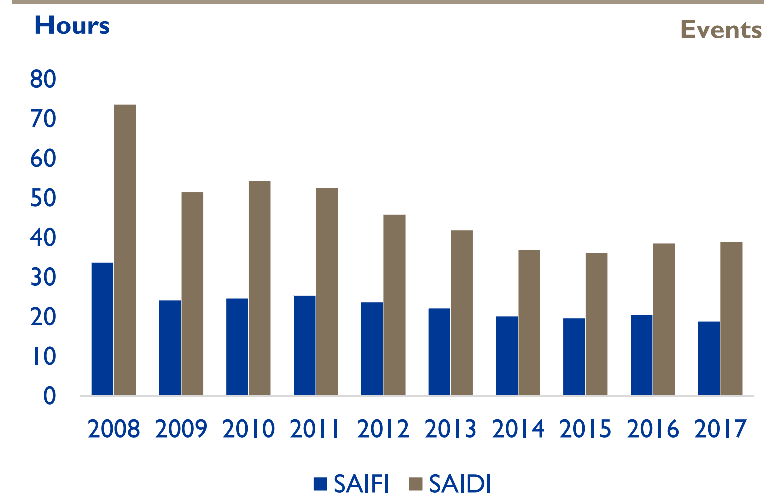
Continued improvement in network performance

- **Transmission performance** for system minutes lost <1 of 3.8 (2016: 2.41), against target of 3.8
- No **major incidents** occurred during the year
- **Distribution network performance** (SAIFI and SAIDI) remain within acceptable limits
- **SAIFI** achieved 18.9 events per year (2016: 20.5) against a target of 20
- **SAIDI** achieved 38.9 hours (2016: 38.6) against a target of 39

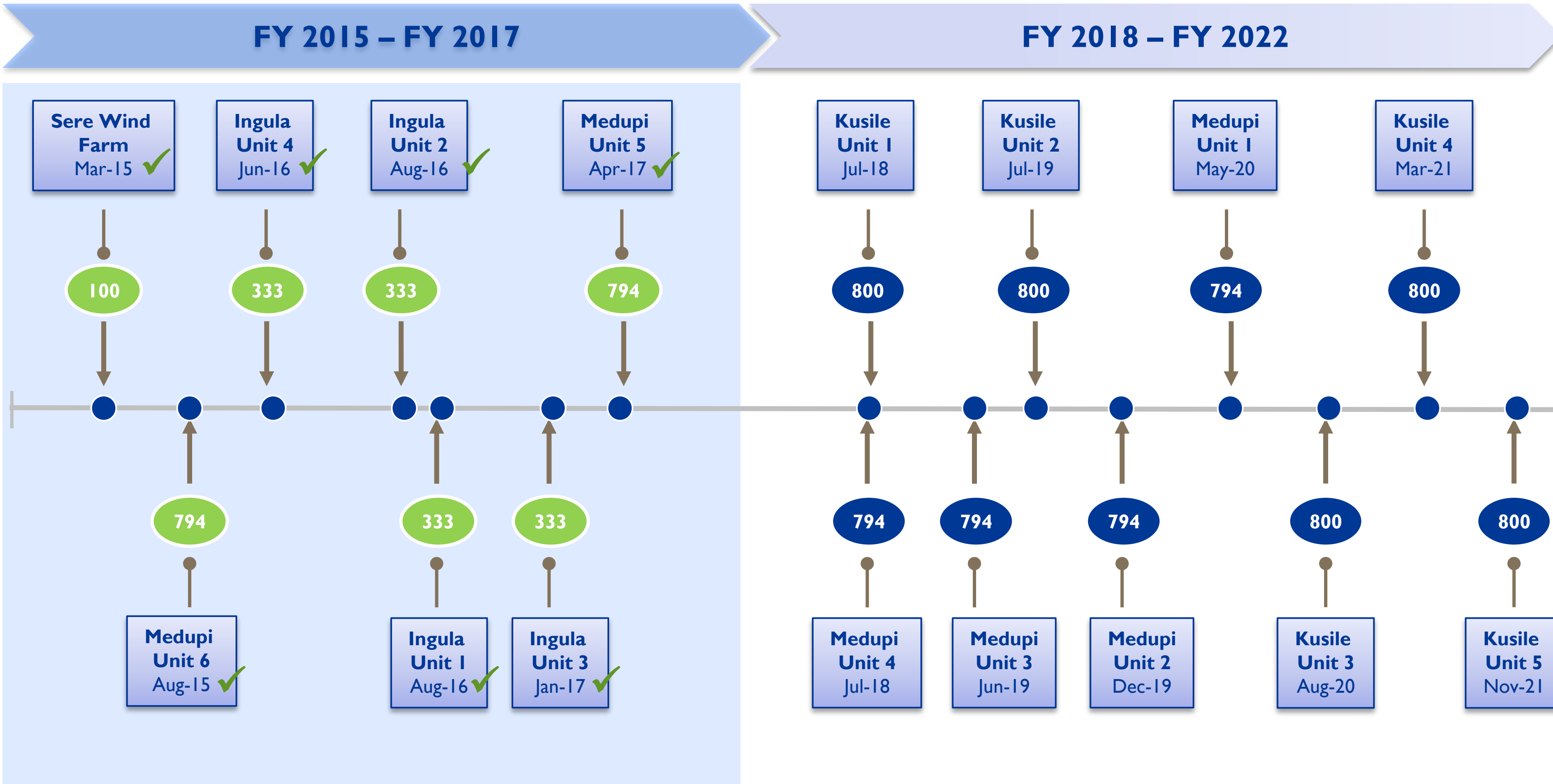
System minutes lost for events < 1 minute



SAIFI / SAIDI performance



Overview of new capacity being brought online



3 020 MW commissioned since 2015 & 9 157 MW commissioned since 2005 ….

…7 970 MW to be commissioned over the next 5 years

10 990 MW

Future dates referred to the planned date for commercial operation

Other key operational performance

Environment and safety

- **LTIR** excluding occupational diseases worsened marginally from 0.27 in 2016 to 0.28 in 2017, but was within target of 0.30
- Employee and contractor **fatalities** reduced: 4 employees (2016: 4) and 6 contractors (2016: 13)
- **Relative particulate emissions** improved to 0.30kg/MWh sent out (2016: 0.36)
- **Specific water consumption** reduced to 1.42ℓ/kWh (2016: 1.44)

Equipment theft

- **High-value crime** was targeted; success was achieved with 235 arrests
- Progress was made in the arrest of syndicates targeting network infrastructure

Other key operational performance (continued)

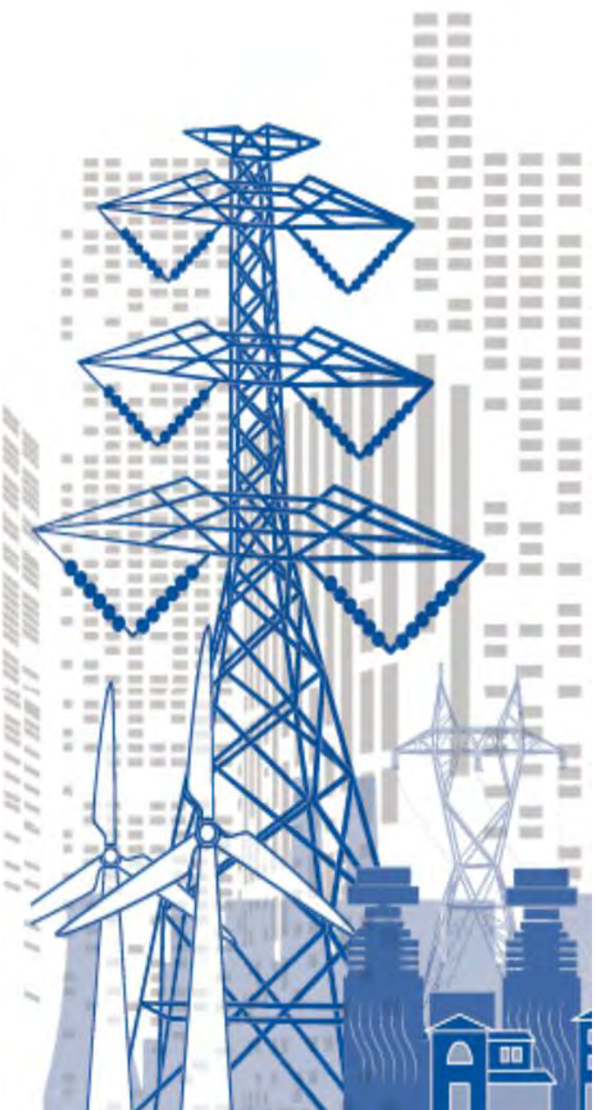
Socio-economic

- Committed **corporate social investment** (CSI) spend up by 117% to **R225 million** (2016: R104 million) for the year
- In total, **841 845 beneficiaries** (2016: 302 736) benefited from the CSI programme, up by 178%
- Procurement from **B-BBEE compliant suppliers** as a percentage of procurement was 98.3% (2016: 81.7%)
- Achieved **local content** contracted of 73.4% compared to 75.2% the previous year
- Total of **207 189 households** (2016: 158 016) were **electrified** during the year, an increase of 31% compared to 2016

Other key operational performance (continued)

Human resources performance

- 2.9% of employees are people with **disabilities**
- **Racial equity in senior management** of 65.8% and in **professional and middle management** of 73.5%
- **Good progress** made with **gender equity in senior management** of 36.6% (2016: 28.1%) and in **professional and middle management** of 36% (2016: 35.1%)



Conclusion

Conclusion

- Eskom's **turnaround** has yielded positive results:
  - Continued improvement in **Generation performance**
  - **New build programme** delivering to plan
  - **Financial profitability and liquidity** restored
- **Surplus capacity** currently exists and is projected to grow steadily over the next three years
- We call on customers to **increase consumption** and to engage with us proactively to take advantage of the surplus capacity situation

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