



Group audited condensed financial results for the year ended 31 March 2016

Highlights

Revenue increased by **10.5%** to R163.4 billion

EBITDA increase of **37.4%** to R32 billion

Cash flow from operating activities increased by **36.4%** to R37.2 billion

Successful execution of the funding plan – increase of **123%** in **liquid assets** to R38.7 billion

Medupi Unit 6 in commercial operation since 23 August 2015, adding capacity of **720MW**

Ingula Units 3 and 4 synchronised during March 2016

Almost 11 months of **no load shedding** to July 2016

Business overview

During the year, Eskom managed to stabilise the business with improved operational and financial performance. With almost 11 months of no load shedding, Eskom will no longer be a constraint to South Africa's growth by delivering excess electricity capacity. Our plan to 2020/21 aims to re-establish Eskom as a catalyst for growth by delivering excess electricity capacity. We recognise the need for fundamental operational change if we are to provide an affordable, sustainable electricity supply to all South Africans.

Financial performance

Revenue amounted to R163.4 billion (March 2015: R147.7 billion), an increase of 10.5%, due to the NERSA-approved price increase in 2015, offset by a marginal reduction in sales volumes. Electricity sales of 214 487GWh were 0.8% lower than the previous year.

Primary energy costs of R84.7 billion (March 2015: R83.4 billion) increased marginally by an average of 1.6%, compared to an average increase of 18.8% over the last five years, reversing a significantly negative trend. Own generation costs of R57.6 billion include R8.7 billion (March 2015: R9.5 billion) which was spent on diesel for the open-cycle gas turbines (OCGTs) to generate 3 936GWh (March 2015: 3 709GWh). Independent power producers (IPPs) generated 9 033GWh (March 2015: 6 022GWh) at a cost of R15.1 billion (March 2015: R9.5 billion). Eskom spent R8.1 billion and R3.7 billion (March 2015: R8.4 billion and R3.7 billion) on the environmental levy and international electricity purchases respectively.

Business productivity cash savings of R17.5 billion, against a target of R13.4 billion (March 2015: R8.7 billion) have been achieved during the year.

The group EBITDA of R32 billion has increased significantly (March 2015: R23.3 billion). The EBITDA margin improved to 19.77% (March 2015: 15.90%). This is largely due to revenue growth as a result of the 12.69% standard tariff increase allowed, and containing cost increases.

The group achieved a net profit after tax of R4.6 billion (March 2015: R0.2 billion, restated) for the year ended 31 March 2016.

The group's net cash inflow from operating activities was R37.2 billion for the year (March 2015: R27.3 billion). Cash flows used in investing activities were R58.6 billion for the year (March 2015: R56.4 billion). Medupi Power Station's Unit 6 (720MW) has been in commercial operation since August 2015. Units 3 and 4 of Ingula Power Station were synchronised on 3 and 25 March 2016 respectively. The construction of Medupi Unit 5 has achieved various milestones in support of commercial operation by the first half of 2018, while Kusile continues to achieve set milestones, on the path to commercial operation of Unit 1 by the second half of 2018.

The group's liquidity position has improved significantly, with liquid assets increasing by 123% from R17.4 billion a year ago, to R38.7 billion at 31 March 2016.

Economic regulation

NERSA allowed Eskom additional revenue of R11.2 billion for the 2016/17 financial year in respect of the Regulatory Clearing Account (RCA) application for 2013/14. Eskom will apply for RCA adjustments for the 2014/15 and 2015/16 financial years through the MYPD methodology.

Eskom will submit an MYPD 4 application by 1 April 2017 at the earliest.

Operating performance

Plant availability improved from a monthly average of 67.84% in April 2015 to 74.21% in March 2016. As a result, the reliance on OCGTs reduced considerably, with the OCGT load factor well below 6% during the last quarter of the year.

Following the success of our maintenance plan (with gross maintenance expenditure constituting 27% of operating expenses), we have delivered on our focus areas for the past year, with no load shedding since 8 August 2015, other than 2 hours and 20 minutes on 14 September 2015. Coal stock stood at 58 days at 31 March 2016 (March 2015: 51 days). A total of 13.6Mt coal was transported by rail (March 2015: 12.6Mt).

At 31 March 2016, IPP capacity of 3 392MW was available to the system (March 2015: 2 606MW). Renewable IPPs achieved an average load factor of 30.7% during the year (March 2015: 30.9%). Furthermore, we purchased 9 033GWh from IPPs (March 2015: 6 022GWh), at an average cost of 171c/kWh.

Transmission achieved a best ever reported performance of 2.41 minutes for system minutes lost <1. Although the system average interruption frequency index of 20.5 events (March 2015: 19.7) and system average interruption duration index of 38.6 hours (March 2015: 36.2) performed better than target, Distribution network performance shows a declining trend.

Despite our commitment to safety, we sadly experienced four employee and 13 contractor fatalities during the year (March 2015: three employees and seven contractors).

Empowerment and CSI

Procurement from B-BBEE compliant suppliers achieved 81.7% of total measured procurement spend which included spend with black-owned suppliers of 33.6%. At 31 March 2016, 61.1% of senior management were black, while 28.1% of senior management were female. Eskom committed R103.6 million to corporate social investment during the year (March 2015: R115.5 million), impacting 302 736 beneficiaries (March 2015: 323 882). Eskom electrified 158 016 households during the year (March 2015: 159 853).

Governance

Dr Baldwin Ngubane was appointed as Chairman of the Board on 1 October 2015. Mr Brian Molefe was appointed as Group Chief Executive and Mr Anoj Singh as Group Chief Financial Officer with effect from 25 September 2015, both being executive directors. Ms Mariam Cassim and Mr Giovanni Leonardi were appointed as non-executive directors on 25 May 2015. Subsequent to year end, Mr Romeo Kumalo and Ms Mariam Cassim resigned as non-executive directors.

Outlook

We will continue with a rigorous programme of planned maintenance without implementing load shedding, while also minimising the use of OCGTs, completing the new build programme, energising our workforce, as well as implementing key safety improvements, operational efficiencies and cost containment measures. This will enable Eskom to build the confidence of its stakeholders through short-term performance and sets Eskom on the journey to excess capacity.

Condensed group annual financial information

Condensed income statement

for the year ended 31 March 2016

	March 2016 Rm	Restated March 2015 Rm	Movement %
Continuing operations			
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	(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	-
Income tax	(2 488)	(37)	-
Profit for the year from continuing operations	4 617	242	-
Discontinued operations			
Loss for the year from discontinued operations	-	(42)	-
Profit for the year	4 617	200	-

Group annual financial statements

The group annual financial statements have been prepared under the supervision of the Group Chief Financial Officer, Mr Anoj Singh CA(SA), and audited by the group's independent auditors, SizweNtsalubaGobodo Inc. The audited annual financial statements of the group, together with the unmodified audit opinion, are available for inspection at Eskom's registered office and on www.eskom.co.za/IR2016.

The group annual financial statements were approved by the Board of Directors on 31 May 2016. There were no significant events after the reporting date which impact these results.

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Condensed group statement of financial position

at 31 March 2016

	March 2016 Rm	Restated March 2015 Rm	Movement %
Assets			
Property, plant and equipment and intangibles	521 174	458 881	14
Cash and cash equivalents and investment in securities	38 680	17 359	123
Working capital	43 615	35 488	23
Other assets	57 216	46 217	24
Total assets	660 685	557 945	18
Equity	180 563	117 164	54
Liabilities			
Debt securities and borrowings	322 658	297 434	8
Working capital	52 360	44 063	19
Other liabilities	105 104	99 284	6
Total liabilities	480 122	440 781	9
Total equity and liabilities	660 685	557 945	19

Condensed group statement of cash flows

for the year ended 31 March 2016

	March 2016 Rm	Restated March 2015 Rm	Movement %
Net cash from operating activities	37 242	27 311	36
Net cash used in investing activities	(58 590)	(56 386)	4
Net cash from financing activities	40 927	17 954	128
Cash and cash equivalents at the beginning of the year	8 863	19 676	(55)
Foreign currency translation	21	24	13
Effect of movements in exchange rates on cash held	75	284	(74)
Cash and cash equivalents transferred to non-current assets held-for-sale	(84)	-	-
Cash and cash equivalents at the end of the year	28 454	8 863	221

Disclaimer

This announcement does not constitute an offer to sell or an invitation of any offer to buy securities of Eskom Holdings SOC Ltd (Eskom) or any of its subsidiaries in any jurisdiction. Certain statements in this announcement regarding Eskom's business operations and financial position may constitute forward-looking statements which are not intended to be a guarantee of future results but instead constitute Eskom's current expectations based on reasonable assumptions. Actual results could differ materially from those projected in our forward-looking statements due to risks, uncertainties and other factors.