

Eskom group integrated results for the six months ended 30 September 2016



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3 November 2016

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review

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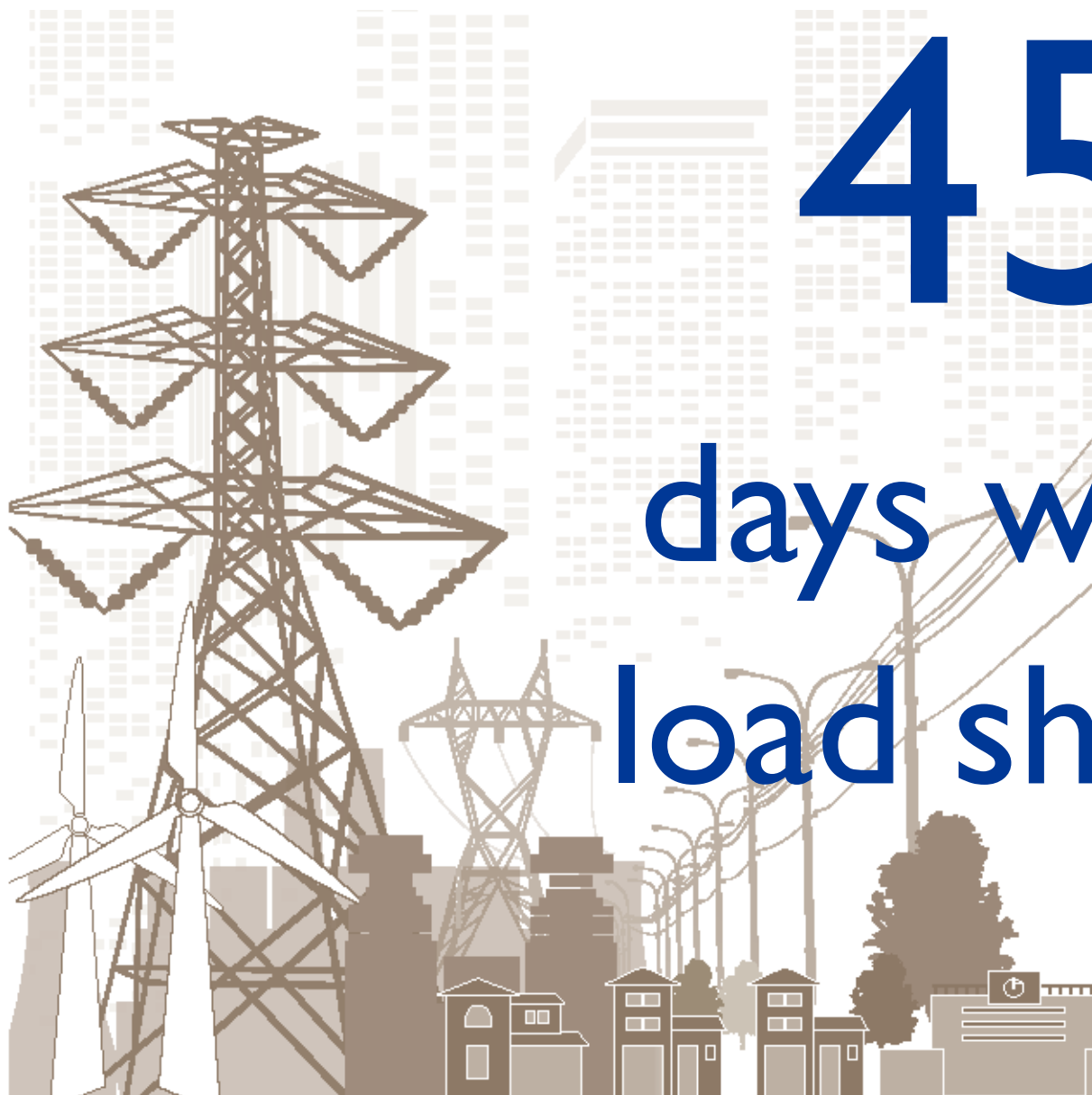
Conclusion

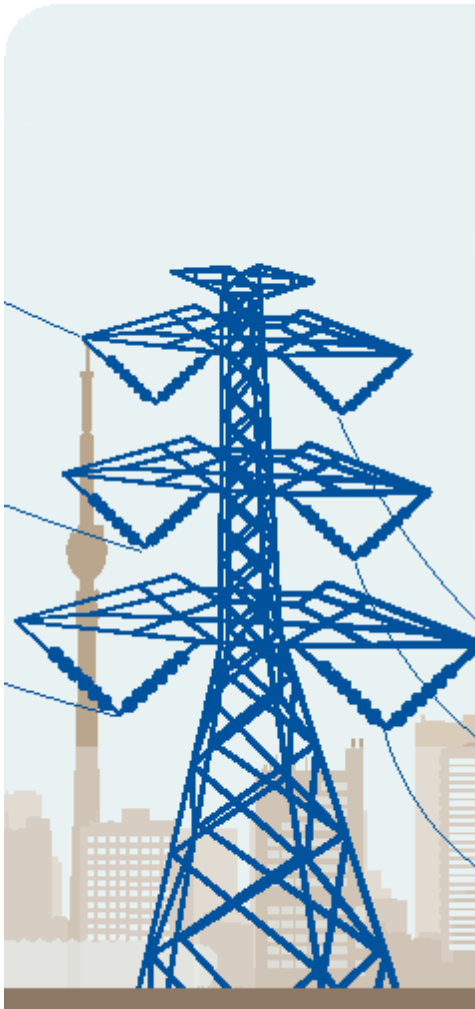


Throughout this presentation, **period end** refers to the 6 months ended 30 September 2016, while **year** refers to the year ended 31 March 2016 and **comparative period or prior year** to the period ended 30 September 2015

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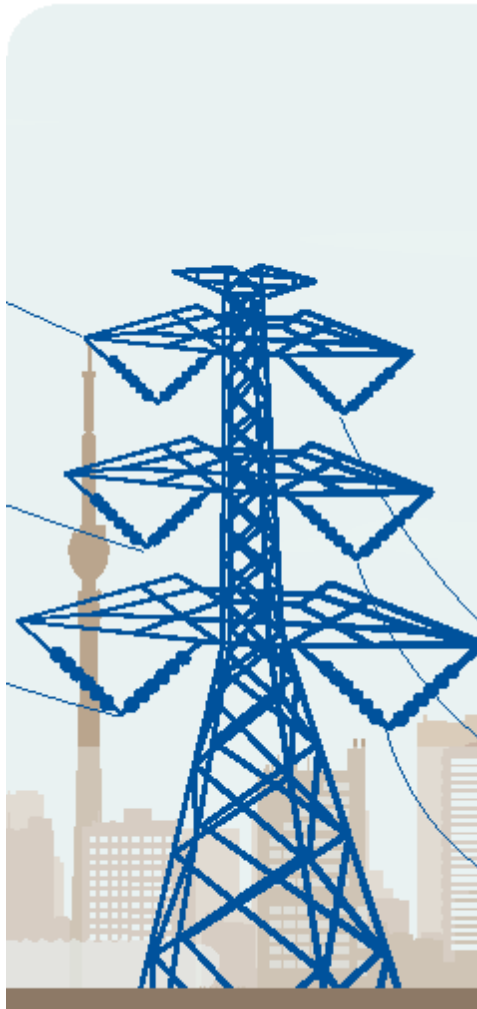
days without
load shedding





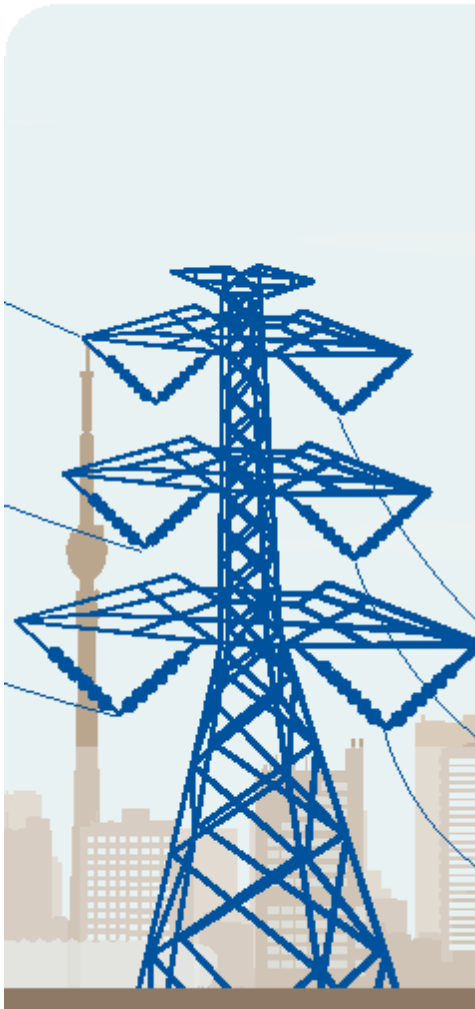
Financial performance

- EBITDA of R31.5 billion, representing an increase of 23% compared to the comparative period
- Cost savings of R8 billion achieved
- Cash generated from operating activities increased by 39% to R31.9 billion compared to the comparative period
- Liquid assets of R43.8 billion at 30 September 2016
- 86% of funding for 2016/17 has been secured
- 28% of funding for 2017/18 has been secured



Operational performance

- Generation plant performance improved with EAF of 78.49%
- Medupi Unit 5 synchronised to the grid on 8 September 2016
- Ingula Units 4, 2 and 1 in commercial operation on 10 June, 22 August and 30 August 2016, adding 999MW peaking capacity
- Ingula Unit 3 was synchronised to the grid on 29 October 2016 after repairs were completed
- 53 km of lines installed and 1 050MVA transformers commissioned for Transmission



Socio-economic performance

- 99 869 additional households were electrified compared to 41 778 households for the comparative period, an increase of 139%
- Procurement from B-BBEE compliant suppliers was 65%
- Local content contracted more than 80%
- R75 million committed to corporate social investment, impacting 120 246 beneficiaries

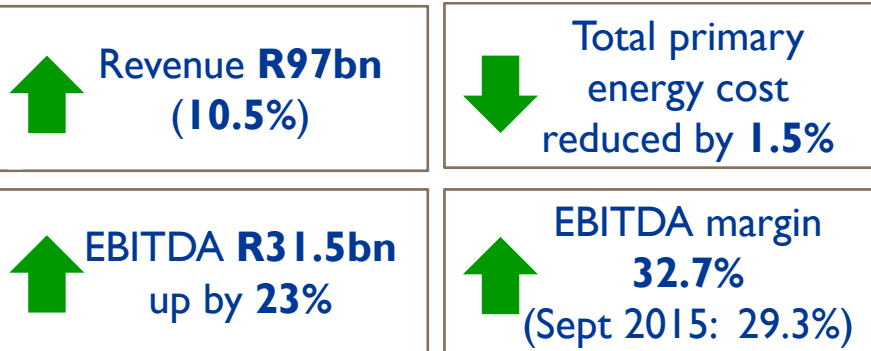
Financial review



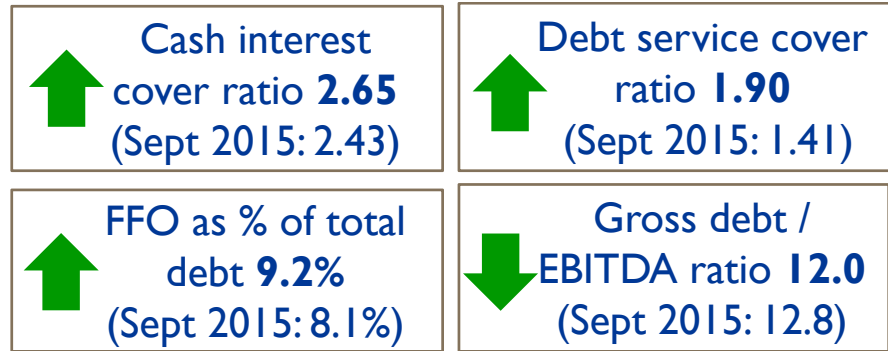
Improved financial performance



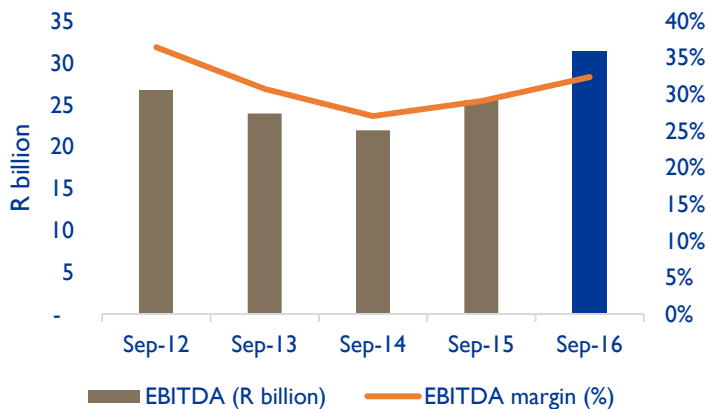
Financial performance



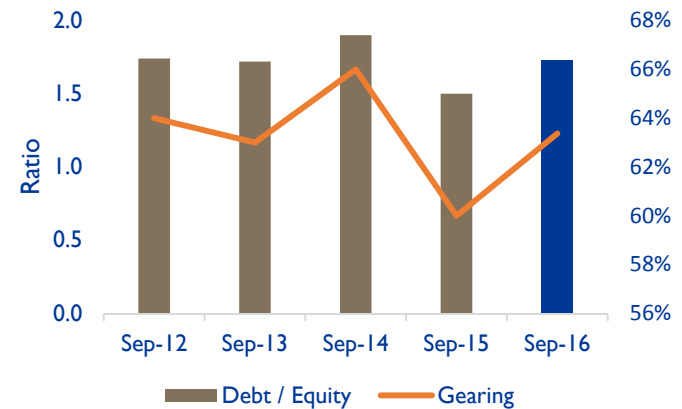
Key financial ratios



Profitability



Solvency



Income statement for 6 months ended 30 September 2016



R million	Sept 2016	Sept 2015	YoY % change
Revenue	97 131	87 876	11
Other income	752	1 369	(45)
Primary energy	(40 380)	(40 999)	2
Net employee benefit expense	(15 758)	(13 806)	(14)
Net impairment loss	(615)	(122)	(404)
Other expenses	(9 635)	(8 723)	(10)
Profit before depreciation and amortisation and net fair value loss (EBITDA)	31 495	25 595	23
Depreciation and amortisation expense	(9 998)	(7 609)	(31)
Net fair value loss on financial instruments and embedded derivatives	(1 875)	3	-
Net finance cost	(6 535)	(3 498)	(87)
Share of profit of equity-accounted investees, net of tax	18	28	(36)
Profit before tax	13 105	14 519	(10)
Income tax	(3 749)	(4 172)	10
Net profit for the period	9 356	10 347	(10)

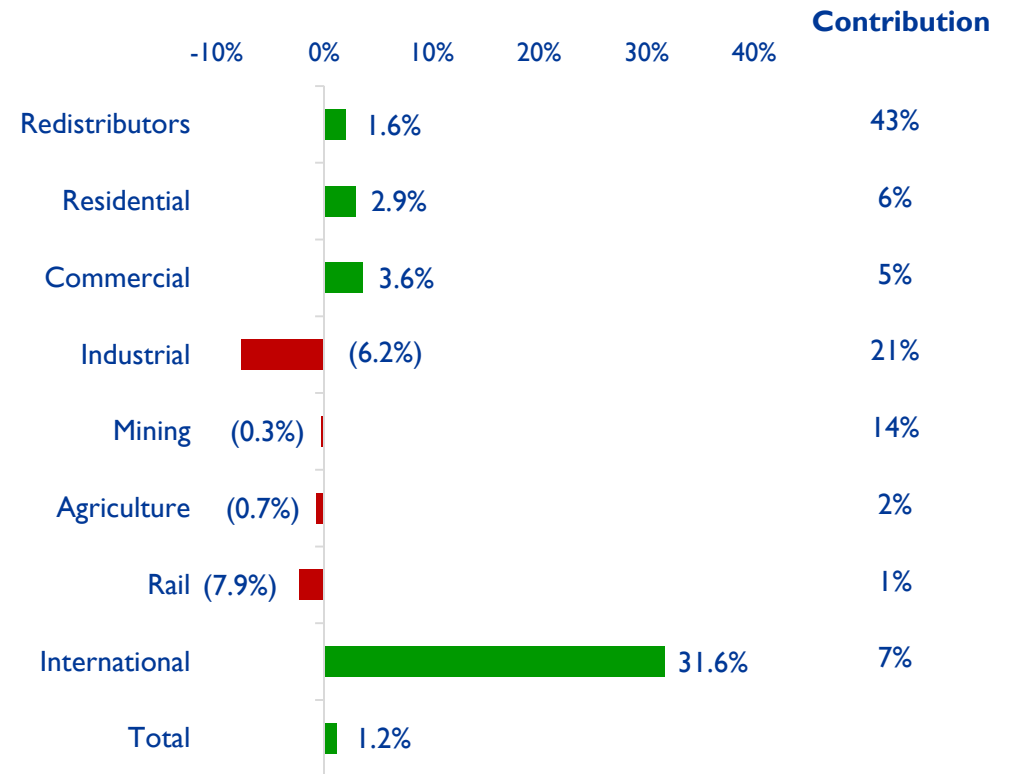
1. Figures refer to the unaudited group's results.
2. Figures for September 2015 were restated.

Overall electricity sales volumes increased by 1.2%



- International sales volume growth of 31.6% due to Eskom having surplus capacity
- Growth in in redistributors (1.6%), commercial (3.6%) and residential (2.9%)
- Decline in sales volumes: rail (7.9%), industrial (6.2%), mining (0.3%), and agriculture (0.7%)
- Overall electricity sales volumes increased by 1.2%

Electricity volumes % growth/(decline) & contribution



Eskom is embarking on a programme to stimulate local demand



Eskom has sufficient reliable and affordable capacity available



- 2000MW - 5000MW of excess capacity in the medium term
- Current EAF of 78.49% versus 71.07% in 2016

Eskom is embracing customer engagement for new connections



- Engaging with key industrial customers to understand requirements
- There are 2200MW of existing projects to be connected in the pipeline that can be expedited for delivery
- Engaging with municipalities and metros to enable their growth
- Driving a country initiative together with Government to assist distressed customers

Stimulating medium term industrial growth



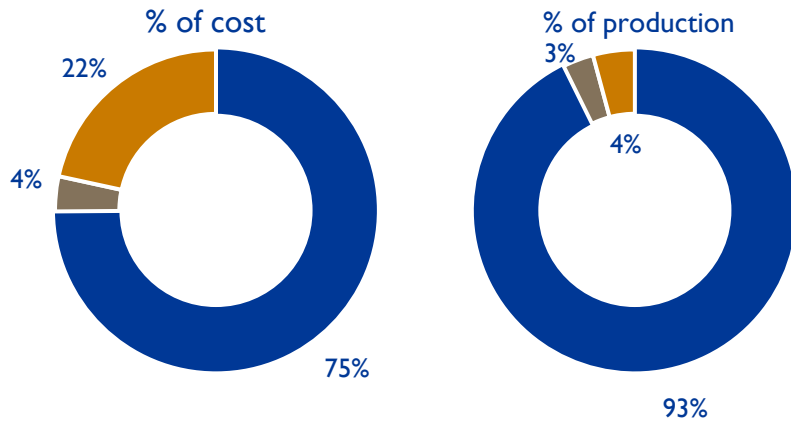
- Targeting growth through specific industries that can have sustainable knock-on economic effects e.g. platinum, ferrochrome etc.

Eskom is open to business, come engage with us

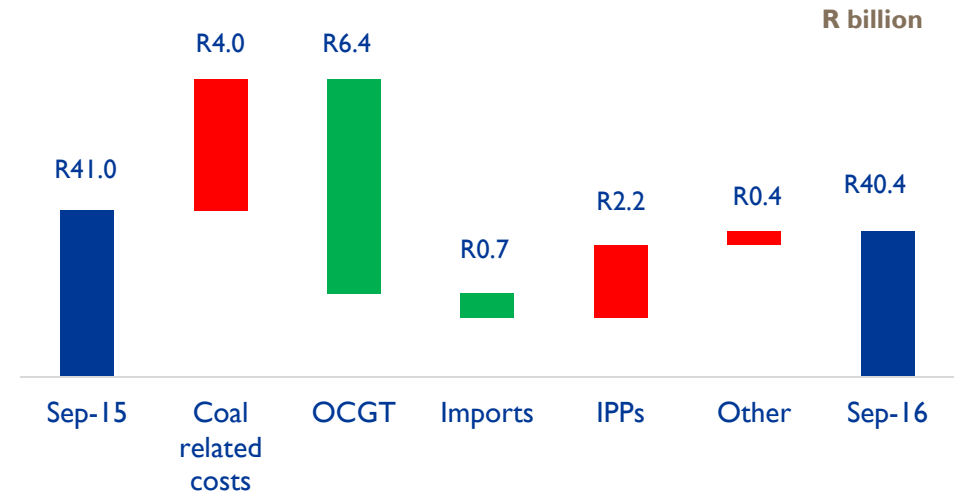
Primary energy costs decreased by 1.5%, compared to an average increase of 18% over the last 5 years



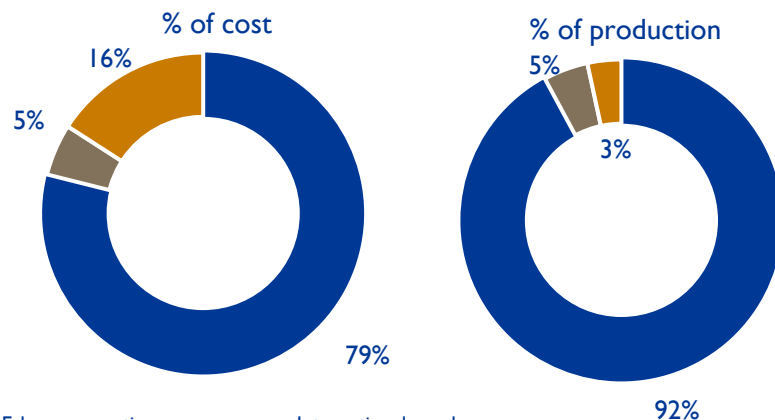
Sept 2016 Primary energy cost analysis



Primary energy cost increase analysis



Sept 2015 Primary energy cost analysis



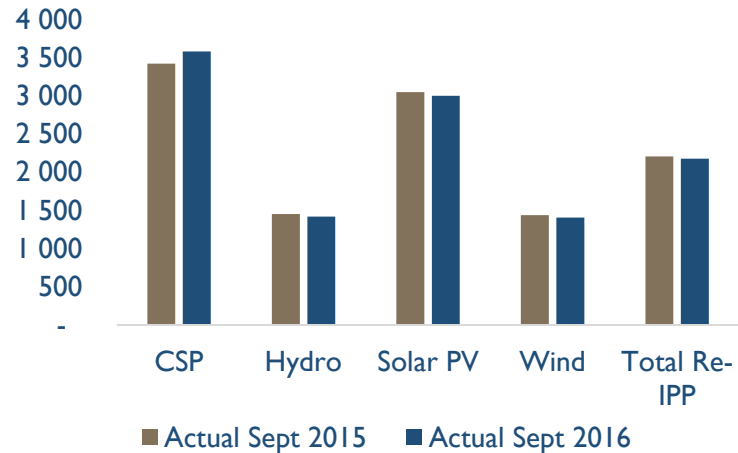
■ Eskom generation ■ International purchases
 ■ Independent power producers

- Primary energy costs decreased by 1.5%, compared to an average increase of 18% the last 5 years
- Reduction in usage of OCGTs resulted in a cost savings of R6.4 billion
- Increase in total IPP costs of 33% with an increase in production of 23%

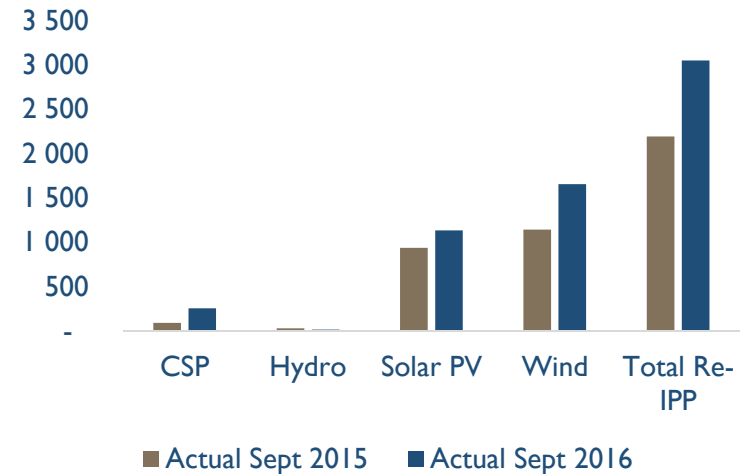
Increase in renewable IPP cost of 37% with an average cost of R2 179/MWh



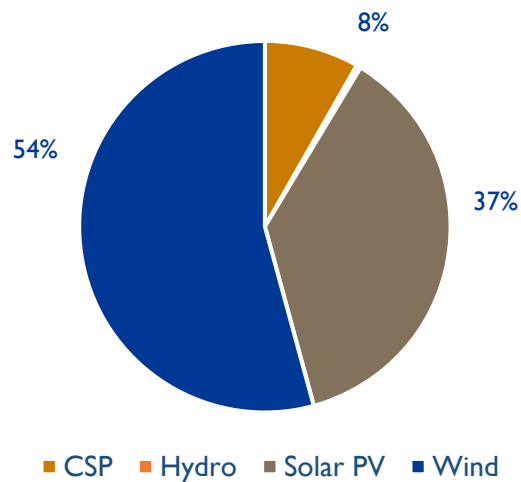
Electricity cost, R/MWh



Production volumes, GWh



Production mix



- Average year-on-year decrease in R/MWh of 1% from R2 208/MWh (September 2015) to R2 179/MWh
- Increase in production volumes of 39%
- Total increase in cost of 37%

Financial position strengthened



R million	30 Sept 2016	30 Sept 2015	YoY % change
PPE and intangible assets	554 555	486 730	14
Working capital	44 119	43 753	1
Liquid assets	43 766	24 104	82
Other assets	46 640	57 145	(18)
Total assets	689 080	611 732	13
Equity	186 581	171 117	9
Debt securities and borrowings	332 920	297 449	(12)
Working capital	49 647	49 330	(1)
Other liabilities	119 932	93 836	(28)
Total equity and liabilities	689 080	611 732	(13)

- Liquid assets increased by 82% to R44 billion

Arrear debt and debtors ageing



- Arrear debt by municipalities, excluding interest, increased from R5.9 billion (September 2015) to R9.2 billion
- Average Soweto collection level reduced from 18% (September 2015) to 14%
- 6 345 post-paid meters were converted to prepaid meters during the period in Soweto
- 12 123 smart meters were installed during the period in Midrand, Soweto and Sandton

Electricity debtors age analysis, R million	Total	Within due date	< 60 days overdue	> 60 days overdue
Large power users, excluding municipalities	7 616	6 937	252	428
Large power users, municipalities (excluding interest)	15 418	6 238	2 360	6 821
Small power users	2 834	1 628	175	1 030
Soweto SPU (excluding interest)	5 163	166	149	4 848
International customers	5	5	-	-
Total at 30 September 2016	31 036	14 974	2 936	13 127
% of total		48%	10%	42%
			Sept 2016	Sept 2015
Average debtors days (all categories)			51	47
Average debtors days (excluding Soweto SPU and municipalities)			21	21

86% of funding for 2016/17 secured



R billion	2016/17	2017/18
Domestic bond private placement	10.2	–
Signed DFIs	30.4	7.4
Signed ECAs	7.1	2.2
Swap restructuring	1.8	2.5
Domestic bonds	1.2	–
Commercial paper	2.4	–
Committed facilities	6.5	6.5
Total funding secured	59.6	18.6
Funding secured, %	86%	28%



Foreign currency	BB+	Ba1	–
Local currency	BB+	Ba1	BBB–
Standalone	ccc+	b3	B–
Outlook	Negative	Review for downgrade	Stable

Concern

Large capex programme



Weak financial profile



Challenging regulatory environment



Rising energy costs

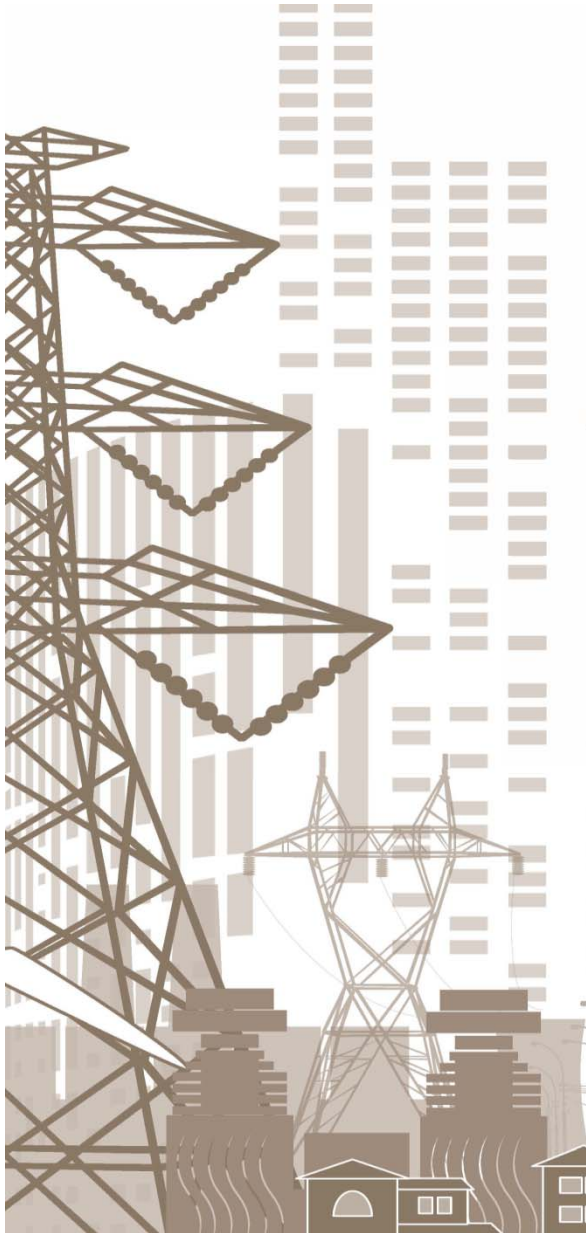


Funding & liquidity risks



Eskom's response

- Delivery of the new build programme ahead of schedule and within costs
- Eskom's financial ratios are already showing signs of significant improvement
- Eskom's financial ratios are expected to improve in future and to move to investment grade within five years
- Current court case ruling impacts on recovery of costs
- NERSA and Eskom has applied for leave to appeal which will be heard during November 2016
- Total primary energy cost reduced by 1.5%
- Liquid assets of R44 billion at 30 September 2016
- 86% of funding for 2016/17 has been secured
- 28% of funding for 2017/18 has been secured



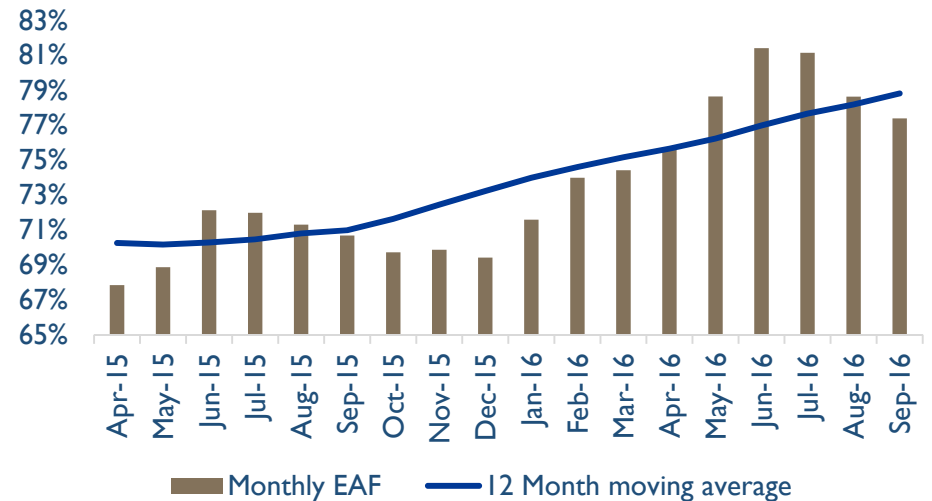
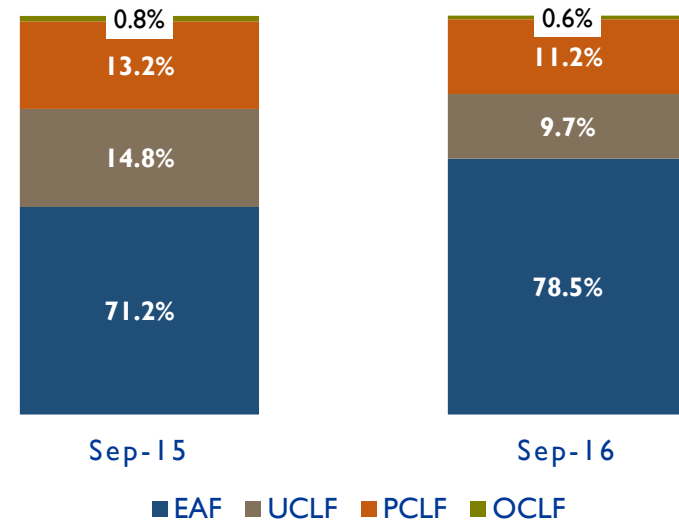
Operating performance

Improved Generation operating performance



- Significant improvement in EAF from 71.2% (September 2015) to 78.49%
- Unplanned breakdowns reduced from 14.8% (September 2015) to 9.73%
- 19GWh production from OCGTs compared to 2 961GWh (September 2015)

Plant availability, %

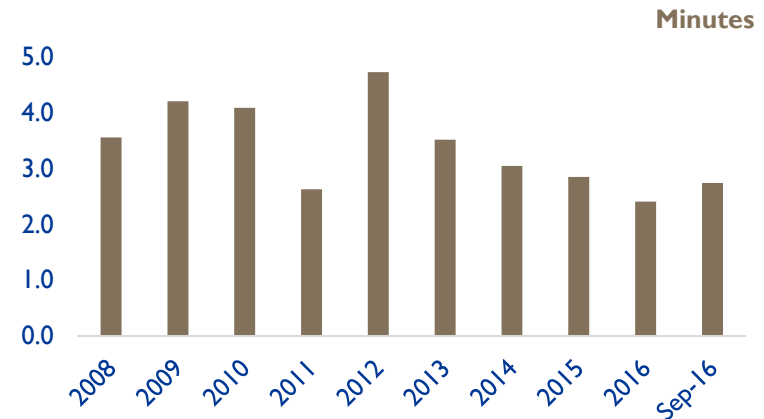


Continued improvement in network performance

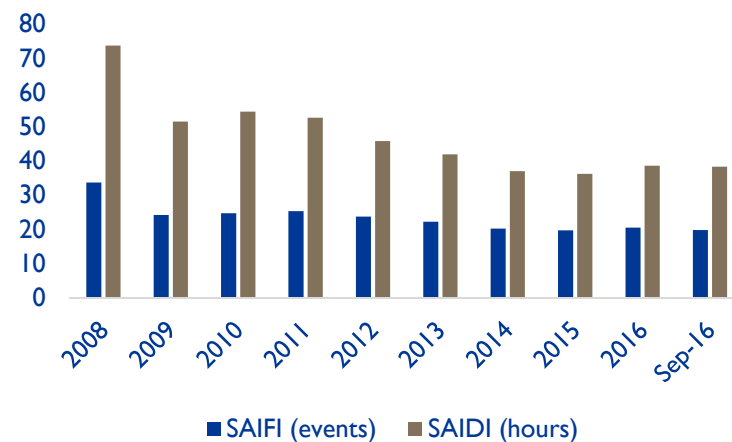


- Transmission system minutes lost <1 of 2.74 (September 2015: 1)
- A few large incidents occurred impacting the Transmission systems minutes lost < 1
- Distribution network performance (SAIFI and SAIDI) within acceptable limits
- Energy losses are under control at 8.6% for total system losses
- Total customer base of 5.8 million with 5.7 million residential customers

System minutes lost for events < 1 minute



SAIFI / SAIDI performance

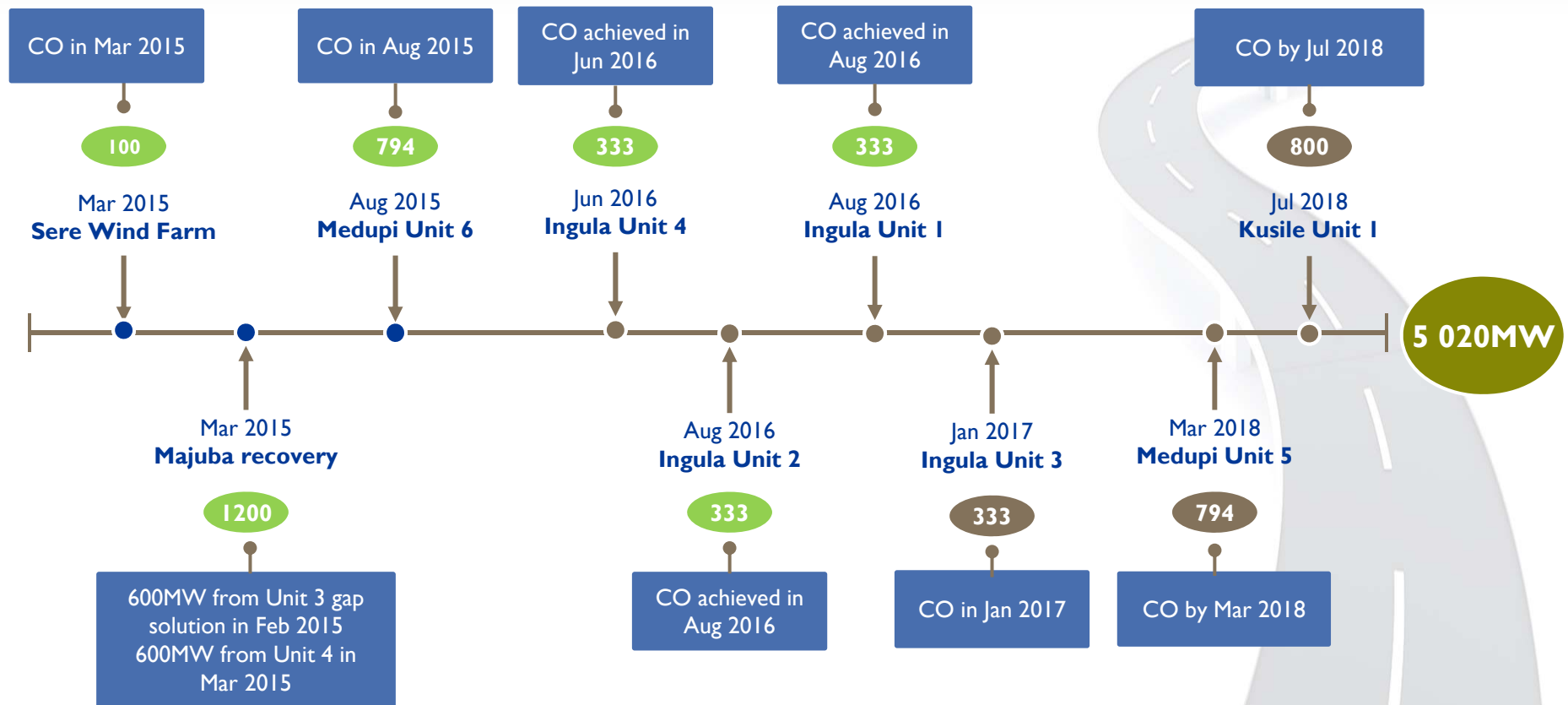


We remain focused on bringing new capacity online



P80 dates

CO = Commercial operation

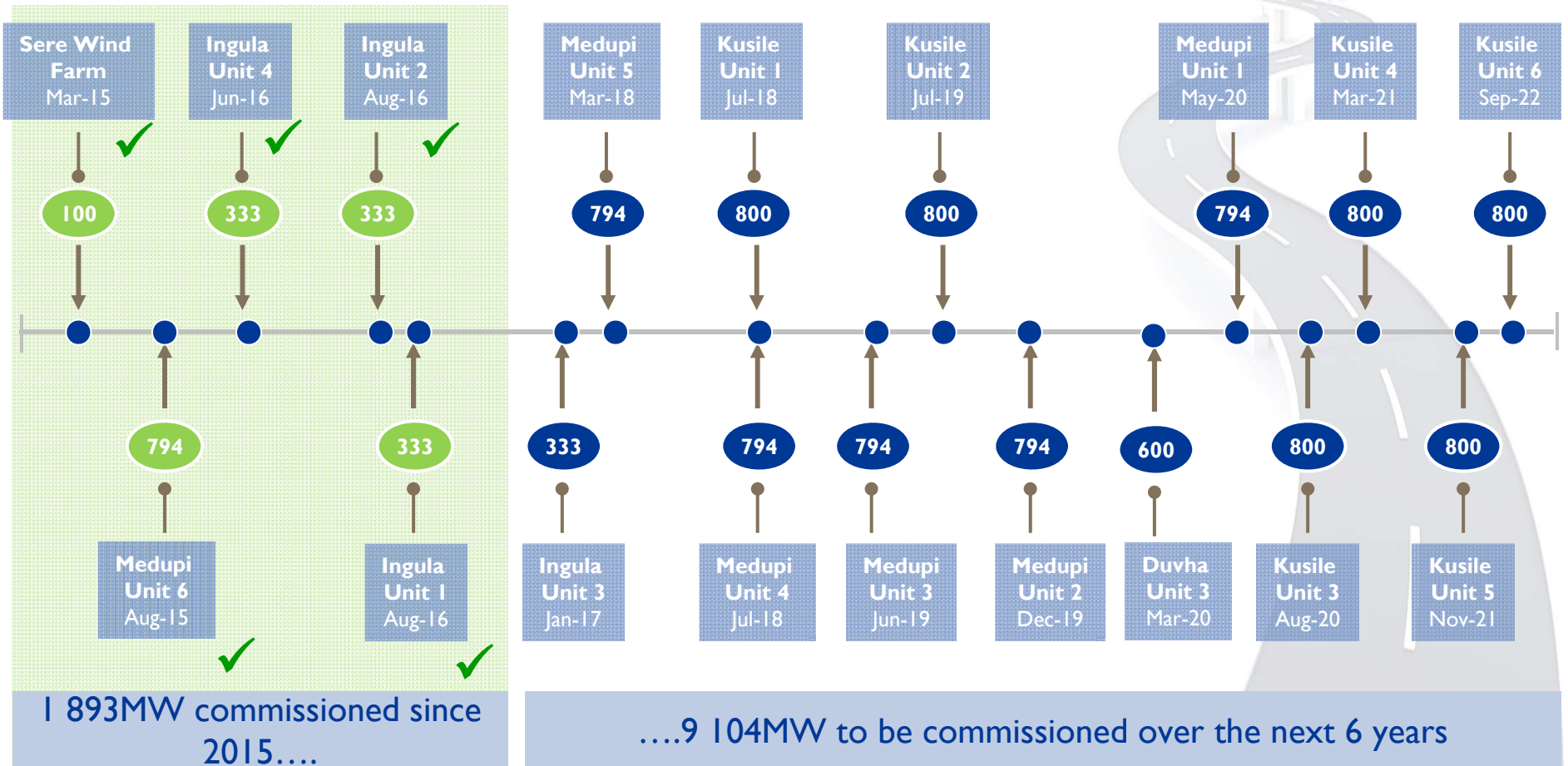


We remain focused on bringing new capacity online



2012 to 2016

2017 to 2022

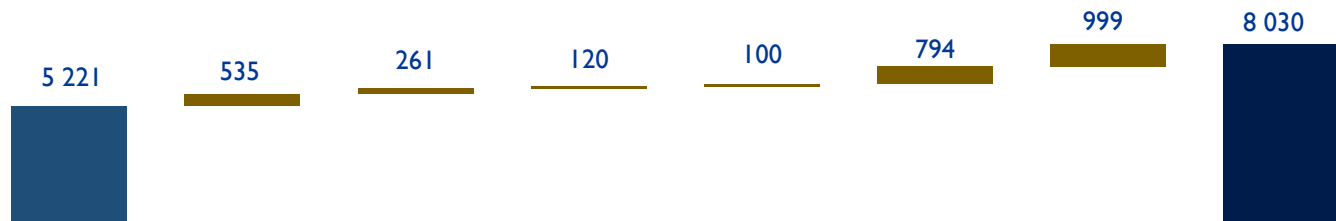
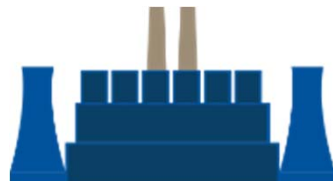


11 002MW

A large amount of construction work has been completed from 2005 to date...

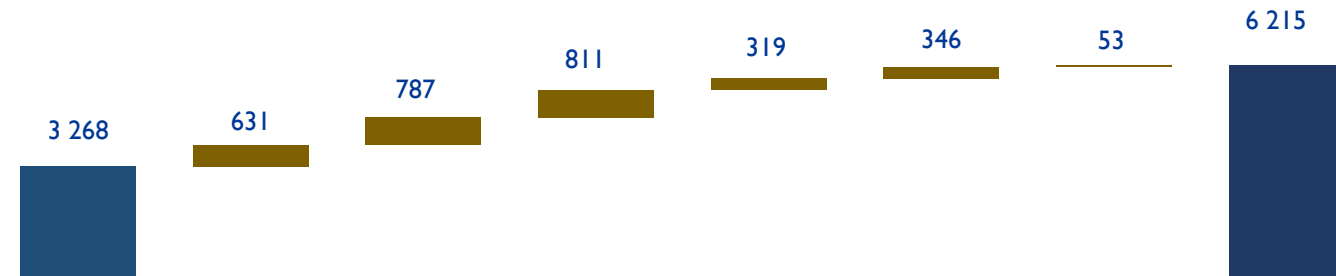
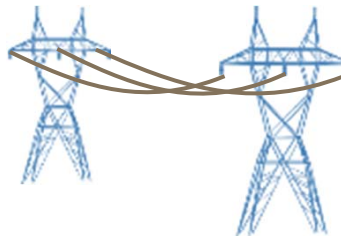
Installed capacity

MW of capacity



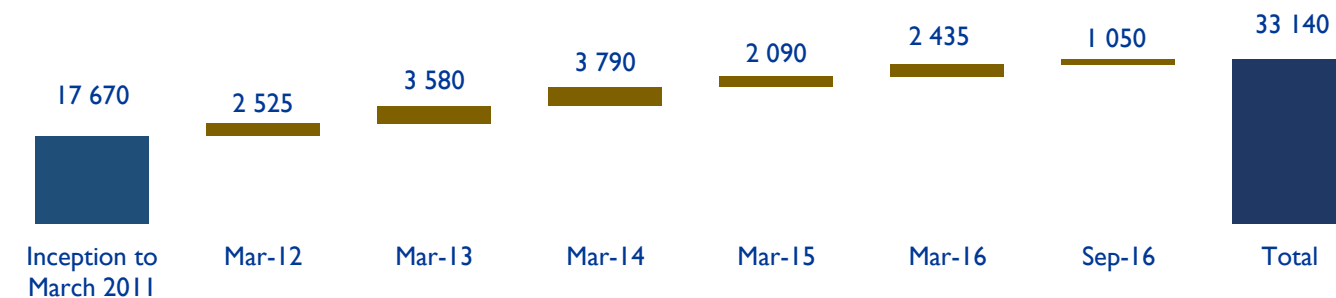
Transmission

km lines



Substations

MVAs



Environment and safety

- LTIR improved from 0.36 (September 2015) to 0.30 (September 2016)
- One employee and four contractor fatalities experienced during the period
- Particulate emissions improved from 0.34kg/MWhSO (September 2015) to 0.29kg/MWhSO (September 2016)
- Water consumption at power stations worsened from 1.37ℓ/kWhSO (September 2015) to 1.43ℓ/kWhSO (September 2016)

Electricity theft

- The Operation Khanyisa campaign resulted in 50 arrests of electricity theft suspects and the opening of 26 cases on the court roll
- Eskom Security Investigations made 144 arrests, and goods to the value of R29 million were recovered during the period to September 2016

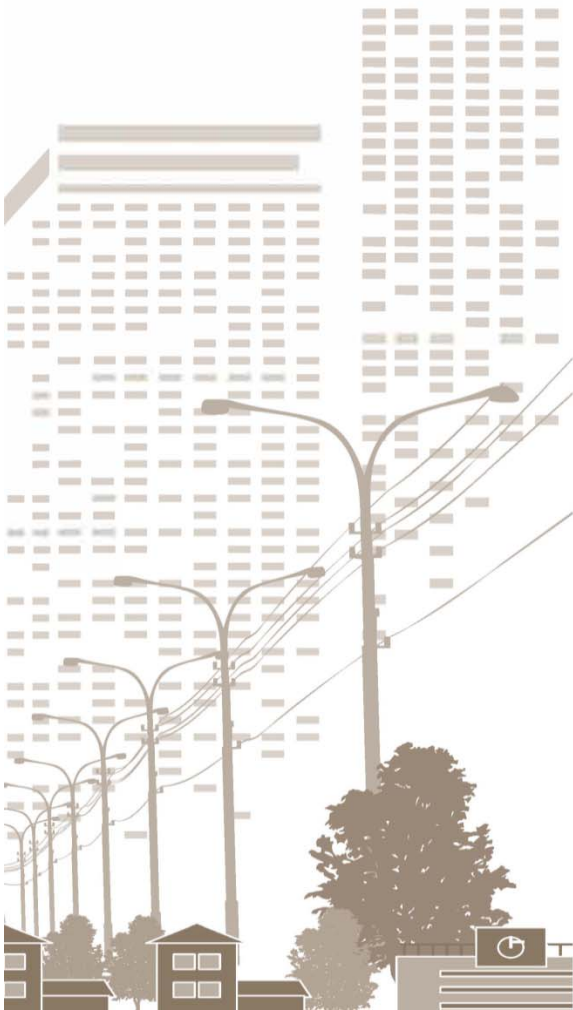
Socio-economic

- Committed corporate social investment spent of R75 million, benefiting 120 246 beneficiaries
- Procurement from B-BBEE compliant suppliers as a percentage of procurement was 65% (September 2015: 88%) – the reduction is due to a large number of qualifying suppliers without valid B-BBEE certificates due to changes in the Codes during the current period
- Local content contracted more than 80%
- Managed to more than double the number of households electrified from 41 778 (September 2015) to 99 869 for the 6 months to 30 September 2016 and almost 5 million since inception

Human resource performance

- 3 569 technical, engineering and artisan learners in the pipeline
- 2.75% of employees are people with disabilities
- Racial equity in senior management of 61.7% and in professional and middle management of 72.7%
- Gender equity in senior management of 28.5% and in professional and middle management of 35.7%

Conclusion



- Eskom's turnaround continues to stabilise the organisation:
 - Improved Generation performance
 - New build programme delivering to plan
 - Financial profitability and liquidity restored
- Excess capacity currently exists and is projected to grow steadily over the next three years
- Eskom calls on customers to increase consumption and to engage with Eskom proactively to take advantage of the excess capacity situation

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