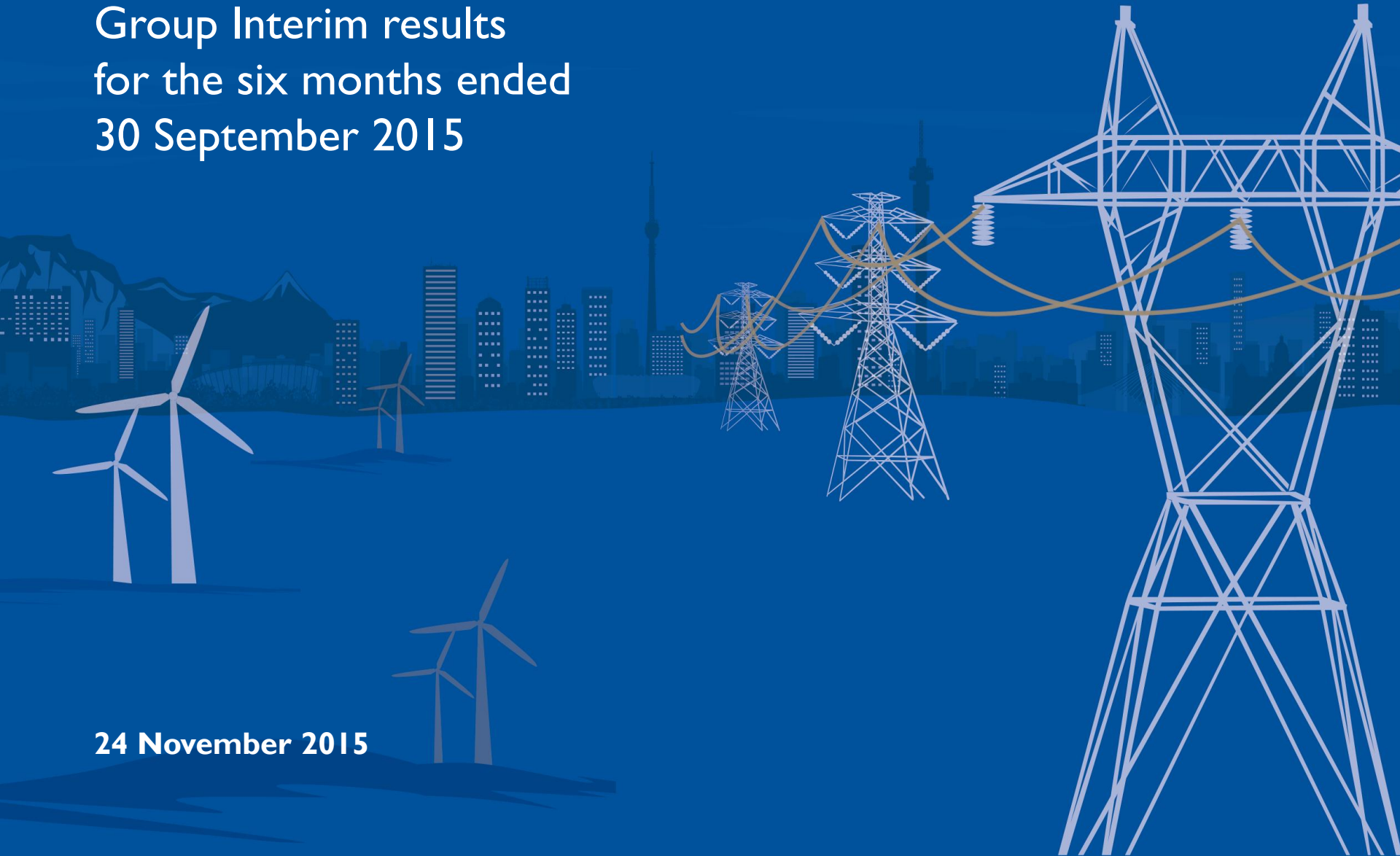




# Group Interim results for the six months ended 30 September 2015

24 November 2015



## Overview of the period



## Financial review

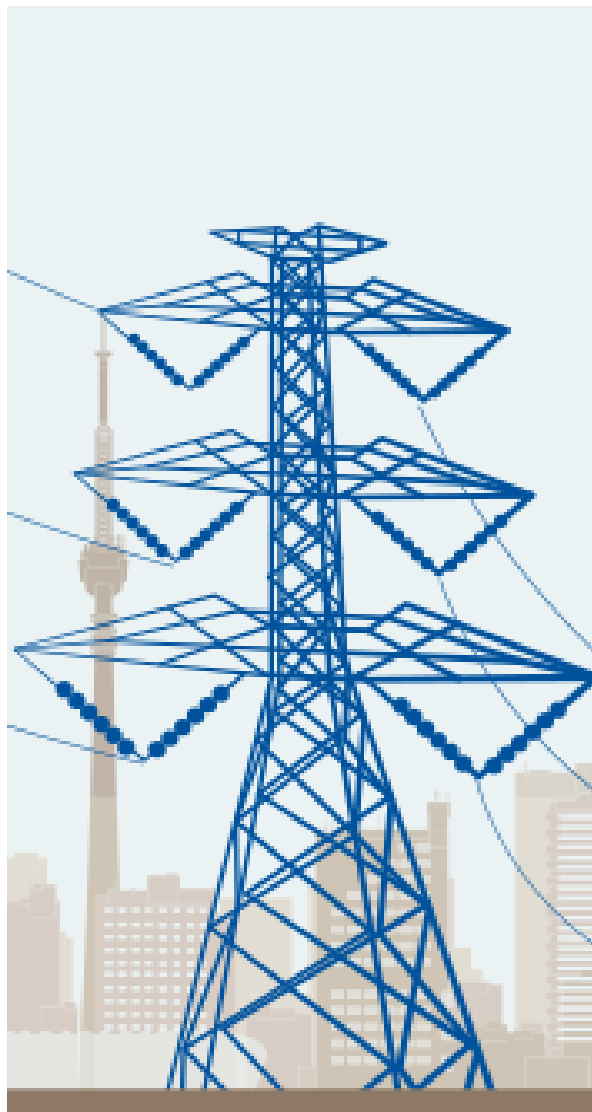


## Operating performance



## Conclusion





- **Net profit** for the period increased by 22% to **R11.3 billion**
- Achieved 9% increase in **EBITDA to R24.9 billion**
- **Cash flow from operations** of R23 billion, a 13% year-on-year increase
- **R46 billion of the R55 billion** funding for the year secured which improved the liquidity position
- Received first tranche of **R10 billion** of government **equity injection**, R13 billion expected by March 2016
- R60 billion Government loan **converted to equity**
- External auditors did not raise **going concern** issues
- Only 2 hours and 20 minutes of load shedding **over the last 107 days**, since 8 August 2015



## Financial review



# Financial recovery continues, on the path to financial sustainability

## Financial performance

Net profit up 22%  
to **R11.3bn**

EBITDA up 9% to  
**R24.9bn**

Revenue up **8%**

Primary energy  
cost up **7.7%**

BPP savings  
**R8.9bn**

Cash from  
operations up 13%  
to **R23bn**

## Key financial ratios

EBITDA margin  
sustained at **28%**

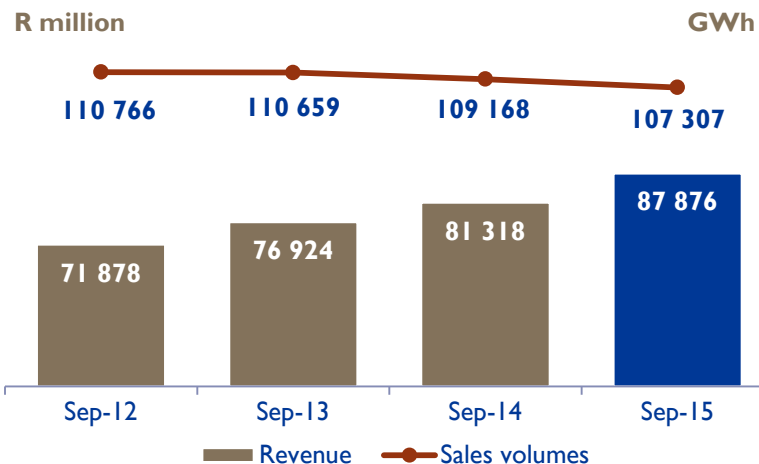
Interest cover  
declined to **1.31**  
from 1.40

Debt/equity  
improved to **1.50**  
from 1.90

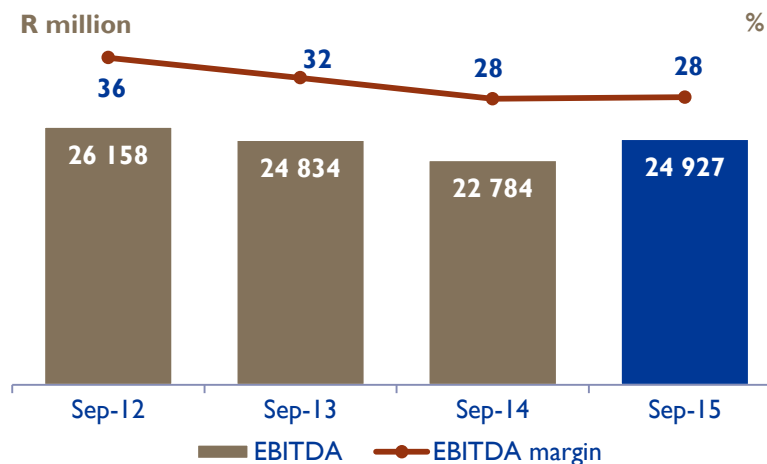
Gearing improved  
to **60%** from 66%



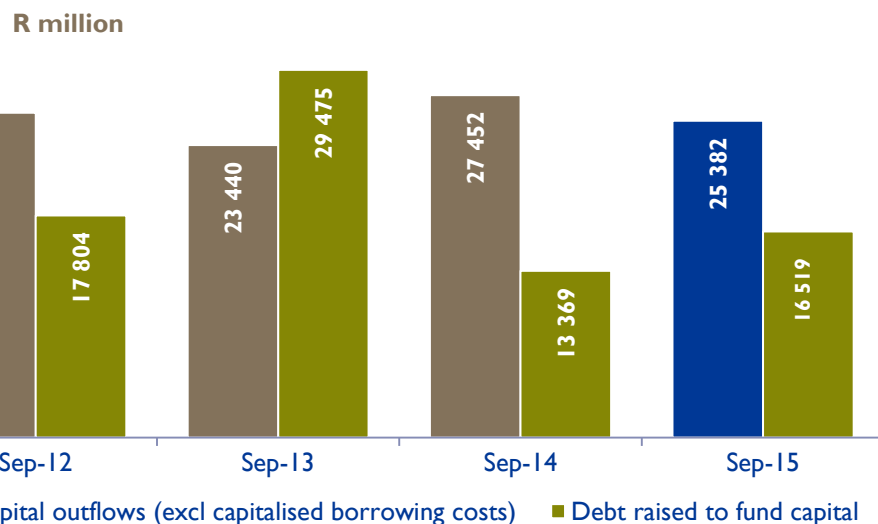
## Electricity volumes and revenue



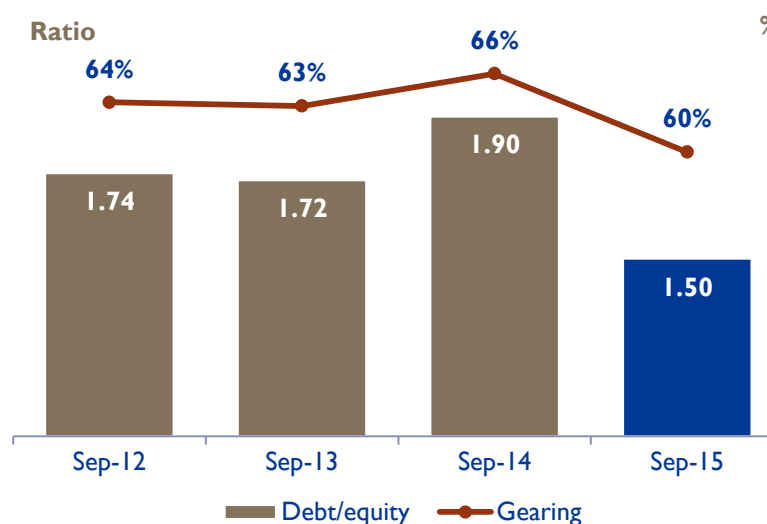
## Operating performance



## Funding our capital expenditure



## Solvency





# Income statement for period ended 30 September 2015

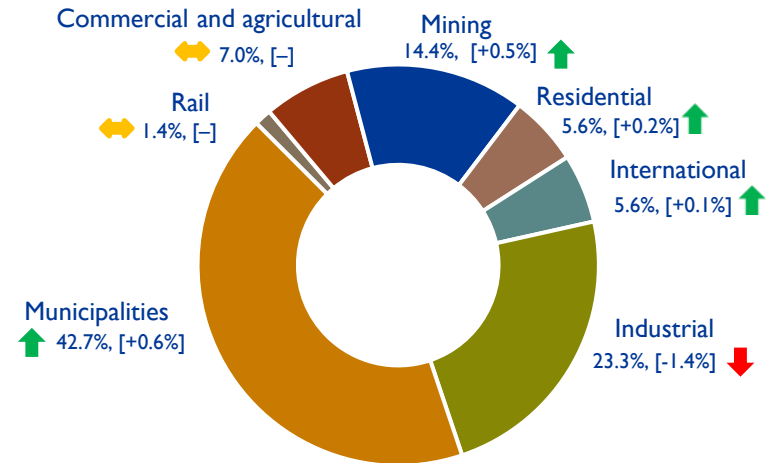
<b>R million</b>	<b>Reviewed period to 30 Sept 2015</b>	<b>Reviewed period to 30 Sept 2014</b>	<b>YoY % change</b>
<b>Revenue</b>	<b>87 876</b>	81 318	8%
Other income	1 369	642	113%
Primary energy	(40 999)	(38 065)	(8%)
Employee benefit expense	(13 806)	(13 176)	(5%)
Depreciation and amortisation	(7 609)	(6 672)	(14%)
Other operating expenses	(8 845)	(8 696)	(2%)
<b>Profit before net fair value gain and net finance cost</b>	<b>17 986</b>	15 351	17%
Net fair value (loss)/gain on financial instruments	(668)	761	
<b>Profit before net finance cost *</b>	<b>17 318</b>	16 112	8%
Net finance cost	(3 498)	(3 149)	(11%)
Share of profit of equity-accounted investees, net of tax	28	33	(15%)
<b>Profit before tax</b>	<b>13 848</b>	12 996	7%
Income tax	(2 539)	(3 675)	31%
<b>Net profit for the period</b>	<b>11 309</b>	9 321	21%
Loss for the period from discontinued operations	–	(34)	
<b>Profit for the period</b>	<b>11 309</b>	9 287	22%
<b>* EBITDA</b>	<b>24 927</b>	22 784	9%



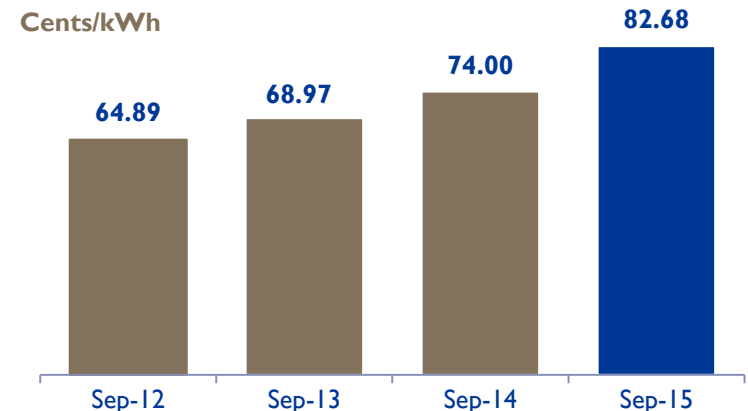
# Sales and revenue

- **Electricity volumes** continue to decline (1.7% below prior year), largely caused by:
  - Sluggish economic growth
  - Warmer winter
  - Depressed commodity prices
  - Load shedding led to sales of 1 108GWh being foregone

## Electricity volumes by customer type<sup>1</sup>



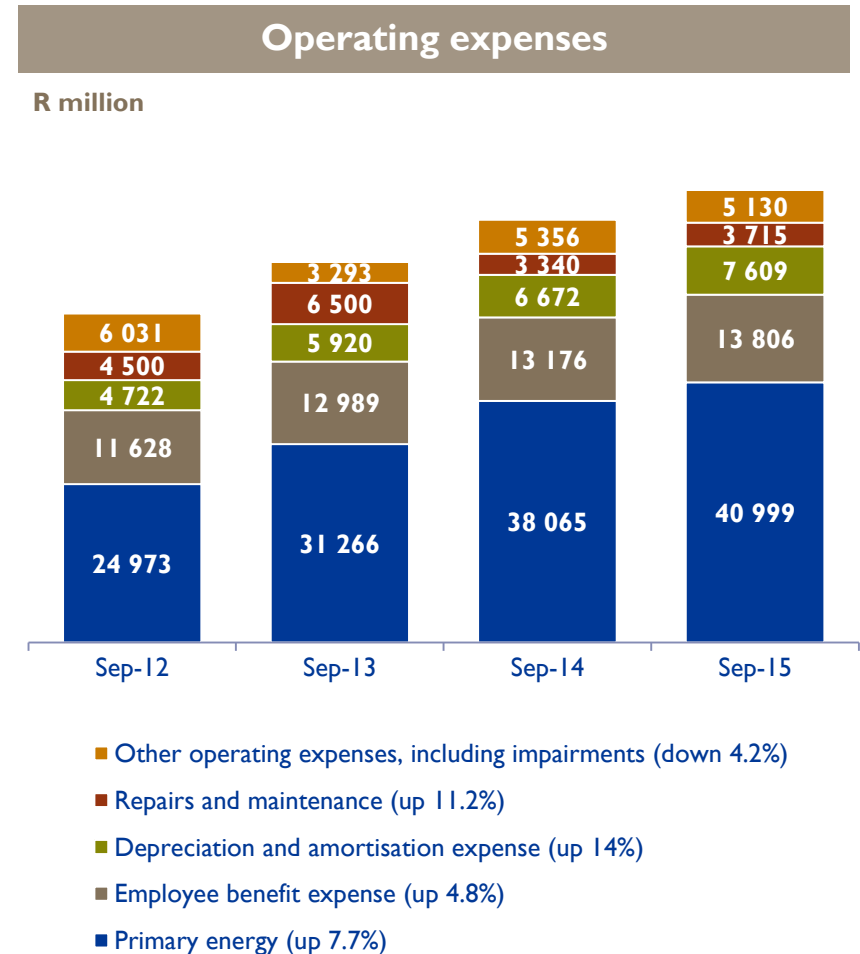
## Electricity revenue



1. Percentages reflect the sales proportions for the current period. Percentages in brackets are for the change from the period to 30 September 2014.



- Overall increase of **7% in operating expenses** compared to the previous period
- **Primary energy expenses** increased by 7.7% year-on-year
- **Employee benefit expenses** increased by only 4.8% for the period
- Maintenance cost increased by 11.2% due to our strategy to perform **more planned maintenance**
- **Other operating expenses** showed a 4.2% decline, due to cost-savings and efficiency initiatives under the **BPP programme**
- **Impairment on arrear debt** normalised to 1.15% of revenue (September 2014: 0.92%)

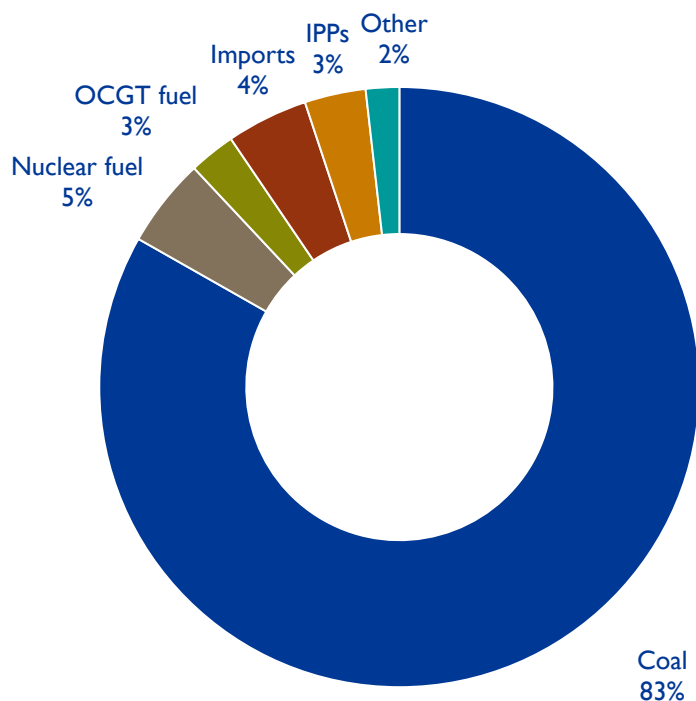




# Primary energy costs

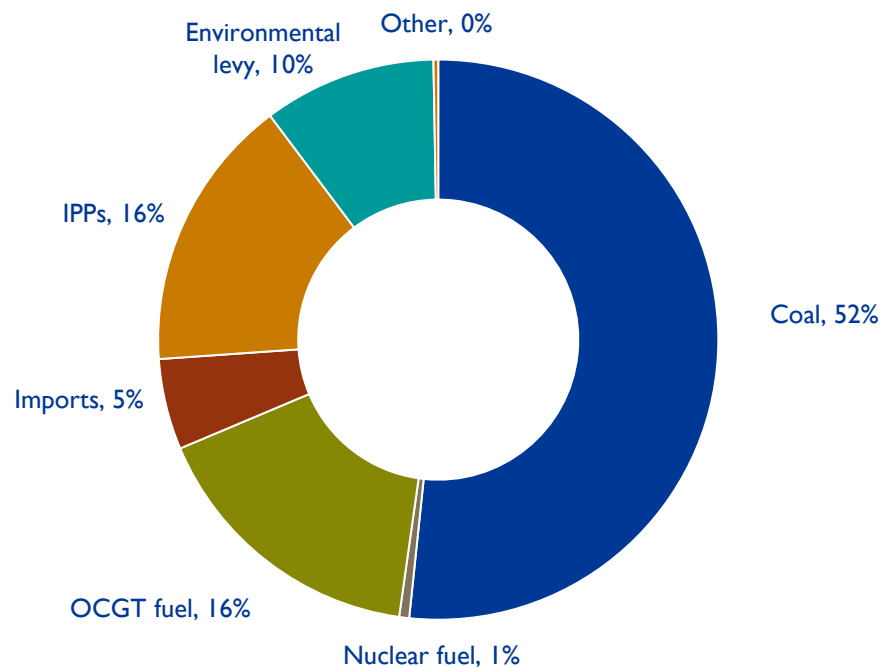
**Primary energy** cost increased by only 7.7% year-on-year

Production source



Primary energy cost breakdown

R million





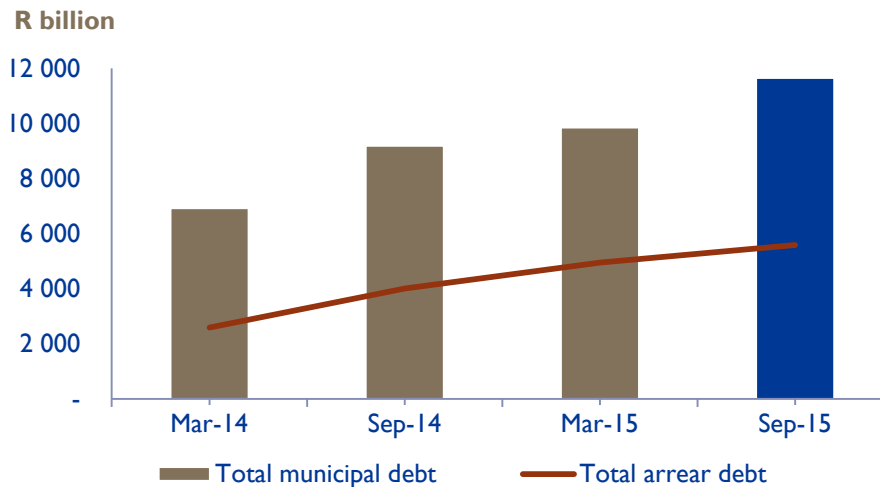
# Financial position

Growth in property, plant and equipment (PPE) funded by debt raised

R million	Reviewed 30 Sept 2015	Reviewed 30 Sept 2014	YoY % change
PPE and intangible assets	486 730	432 375	13%
Liquid assets (including cash and cash equivalents)	24 104	22 609	7%
Working capital	43 753	36 986	18%
Other assets	63 534	42 364	50%
<b>Total assets</b>	<b>618 121</b>	<b>534 334</b>	<b>16%</b>
Equity <sup>I</sup>	175 717	128 412	37%
Debt securities and borrowings	297 449	264 915	12%
Working capital	49 330	44 539	11%
Other liabilities	95 625	96 468	(1%)
<b>Total liabilities</b>	<b>442 404</b>	<b>405 922</b>	<b>9%</b>
<b>Total equity and liabilities</b>	<b>618 121</b>	<b>534 334</b>	<b>16%</b>

I. Balance includes the R10 billion equity injection and conversion of the R60 billion shareholder loan to equity.

## Arrear municipal debt (excluding interest)



- **Payment agreements** signed with 50 defaulting municipalities, including 15 of the top 20
- Approximately 52% of the amount outstanding from municipalities is **within the due date**

## Electricity debtors age analysis, R million

	Total	0-30 days	31-60 days	> 60 days
Large power users, excluding municipalities	8 164	7 795	96	273
Large power users, municipalities	11 660	6 759	2 677	2 224
Small power users	1 669	608	165	896
Soweto	9 761	294	269	9 198
Other customers	1 005	1 002	3	1
<b>Total at 30 September 2015, gross amount</b>	<b>32 260</b>	<b>16 458</b>	<b>3 210</b>	<b>12 592</b>
<b>% of gross amount</b>	<b>100%</b>	<b>58%</b>	<b>4%</b>	<b>38%</b>

<b>R million</b>	<b>Reviewed 30 Sept 2015</b>	<b>Restated Reviewed 30 Sept 2014</b>	<b>YoY % change</b>
Net cash from operating activities	23 040	20 368	13%
Net cash used in investing activities	(26 518)	(26 498)	–
Net cash from/(used in) financing activities	7 430	(625)	1 189%
Movement for the period	3 952	(6 755)	
Cash and cash equivalents at beginning of the period	8 863*	19 676**	(55%)
Foreign currency translation	(5)	17	(129%)
Effect of movements in exchange rates on cash held	36	15	140%
<b>Cash and cash equivalents at the end of the period</b>	<b>12 846</b>	<b>12 953</b>	<b>(1%)</b>
<b>Total liquid assets (including cash and cash equivalents)</b>	<b>24 104</b>	<b>22 609</b>	<b>7%</b>

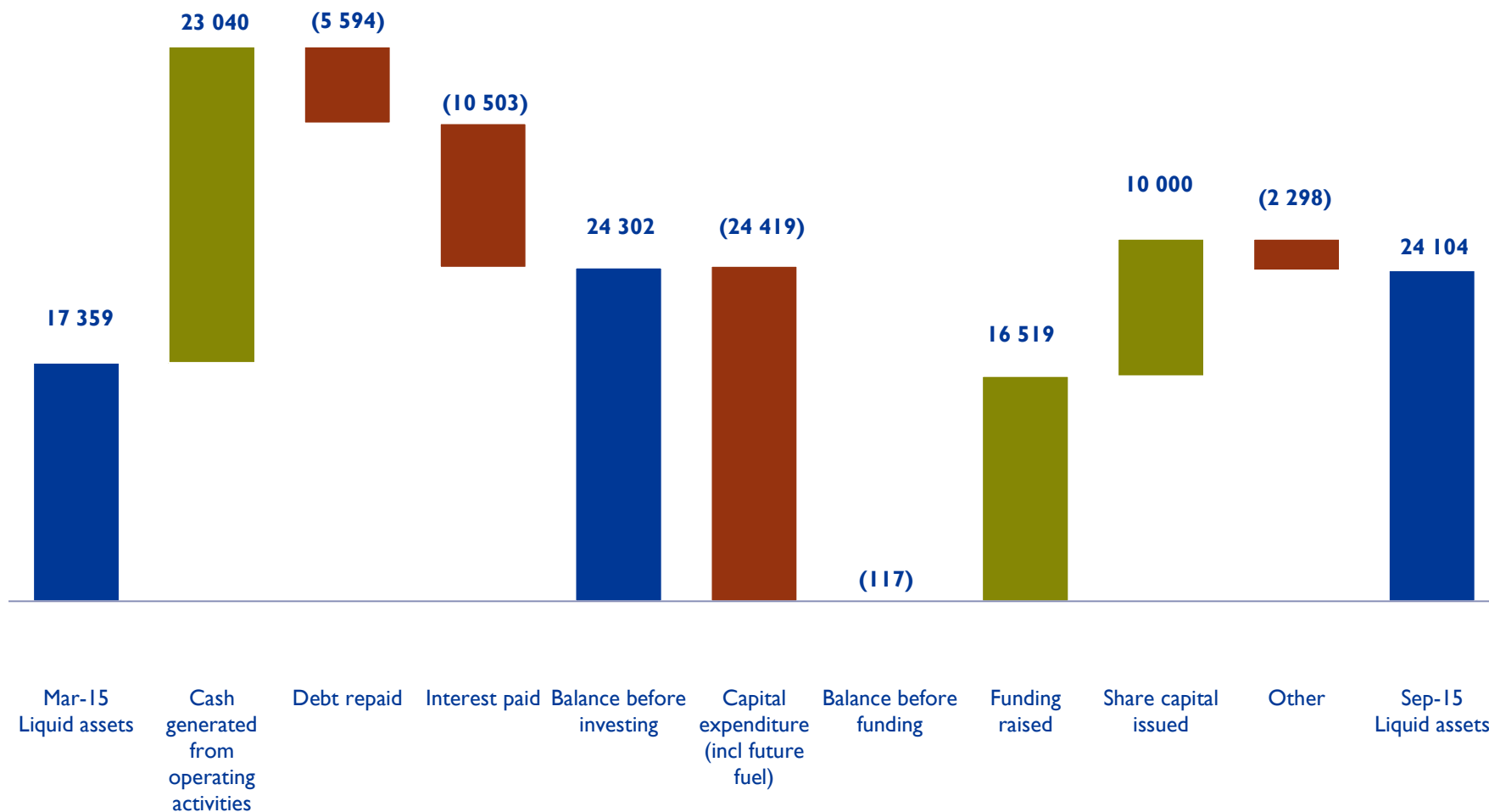
\* As at 31 March 2015

\*\* As at 31 March 2014



# Through adequate funding, we maintained operations and capital commitments

R million





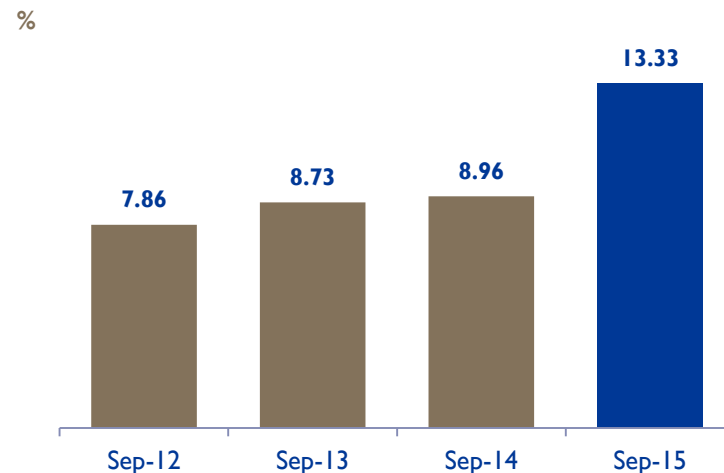
# Operating performance



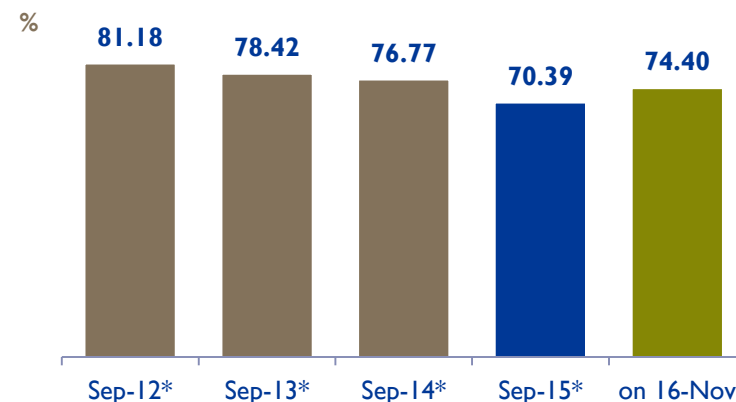
# Generation fleet performance starting to stabilise

- There has been an increase in planned maintenance and Generation implemented the **Tetris maintenance planning tool** supporting the execution of more planned maintenance without load shedding
- **Plant availability** (EAF) has improved to 74.4% as on 16 November 2015 due to the positive impact of planned maintenance
- **Balancing supply and demand** remained a challenge for the first quarter of the financial period. The second quarter showed significant improvement with only 2 hours and 20 minutes of load shedding from 8 August until 30 September 2015
- **System stability** has improved since August 2015
- **Partial load losses** have reduced easing pressure on the constrained power system
- **Plant utilisation** remains high at 84.77%

## Planned maintenance (PCLF)



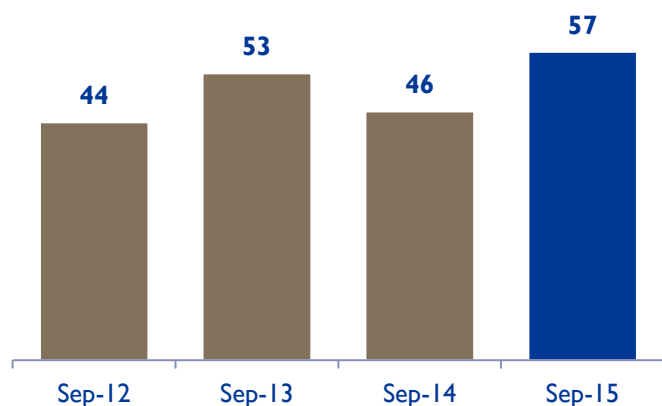
## Plant availability (EAF)



\* = average for the period

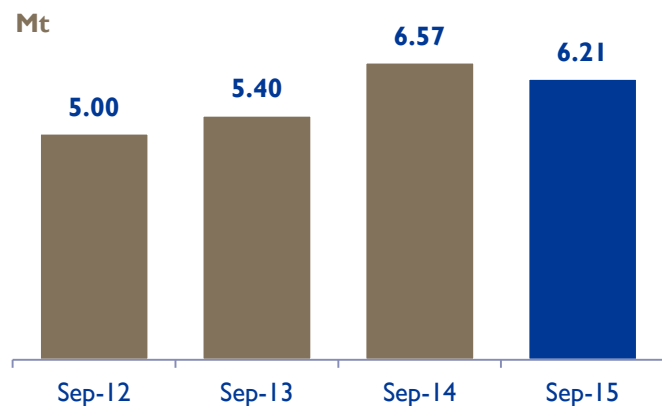


Coal stock days



- A total of 57.27Mt of **coal burnt** during the period
- The interim solution after the collapse of the **main coal silo** at Majuba Power Station has been completed; work has commenced on a permanent solution
- Migration of coal deliveries from **road to rail** slightly below prior year due to tippler problems at Majuba

Road-to-rail migration

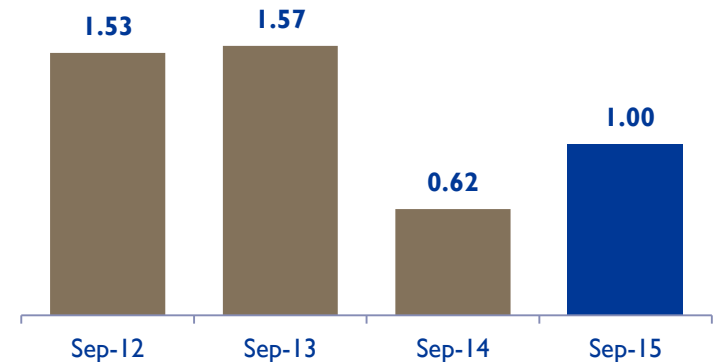




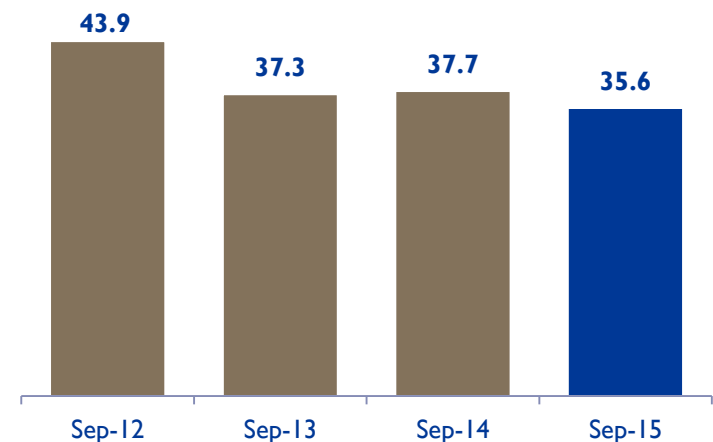
# Network technical performance improves further

- Excellent Transmission performance with **system minutes lost** at 1.00
- **Energy losses** shows improvement to 8.63%
- System **interruption duration** (SAIDI) continues to improve from 37.7 to 35.6 hours per annum
- System **interruption frequency** (SAIFI) continues to improve from 20.5 interruptions to 19.6
- More planned maintenance undertaken, which improves **network reliability**
- Network risks remain, with **ageing assets** and vulnerabilities due to network unfirmness

System minutes lost < 1 minute



Interruption duration (SAIDI)

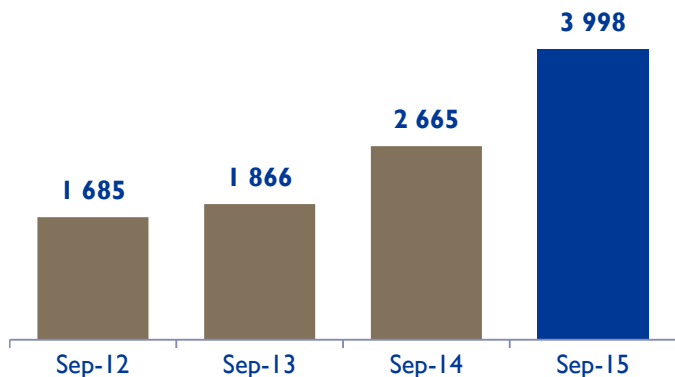




# Supplementary supply adds to generation capacity

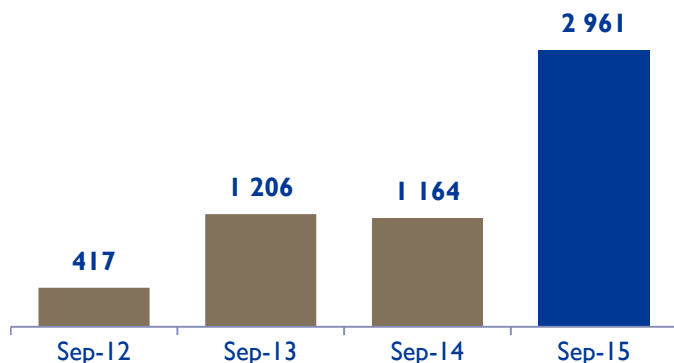
## Energy purchases from IPPs

GWh



## OCGT production

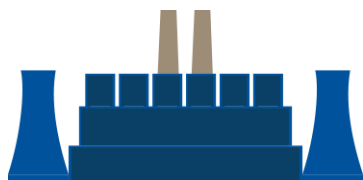
GWh



- 3 267MW of independent power producers (**IPPs**) (2 021MW RE-IPPs and 1 246MW other) connected to the grid at an average **load factor** of 28.5%
- A total of **5 817MW contracted** with IPPs, of which 3 900MW under DoE's **RE-IPP** programme
- **Bid quotes** for window 3.5 and 4.1 bid issued to IPPs
- Dispatchable load of 1 463MW is available under the **demand response** programme, assisting in balancing supply and demand
- Open-cycle gas turbine (**OCGT** - diesel) is still being used to supplement generation capacity
- **Balancing supply and demand** remained a challenge for the first quarter of the financial period. The second quarter showed significant improvement with only 2 hours and 20 minutes of load shedding from 8 August until 30 September 2015

# Progress on the new build programme

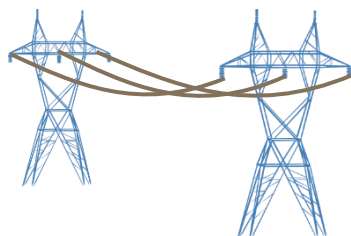
## Megawatts



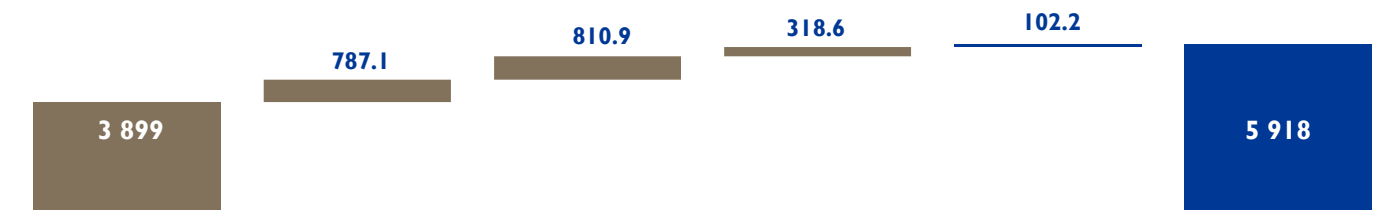
### MW of capacity



## Transmission



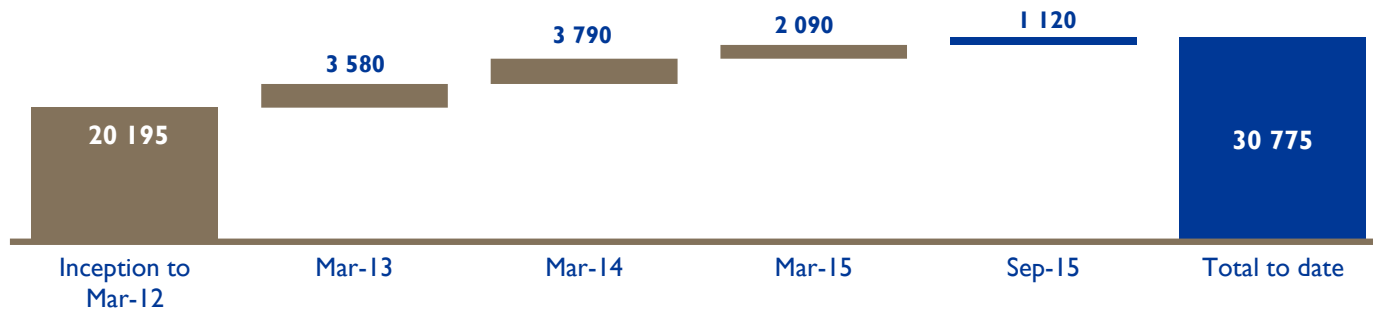
### km lines



## Substations



### MVAs

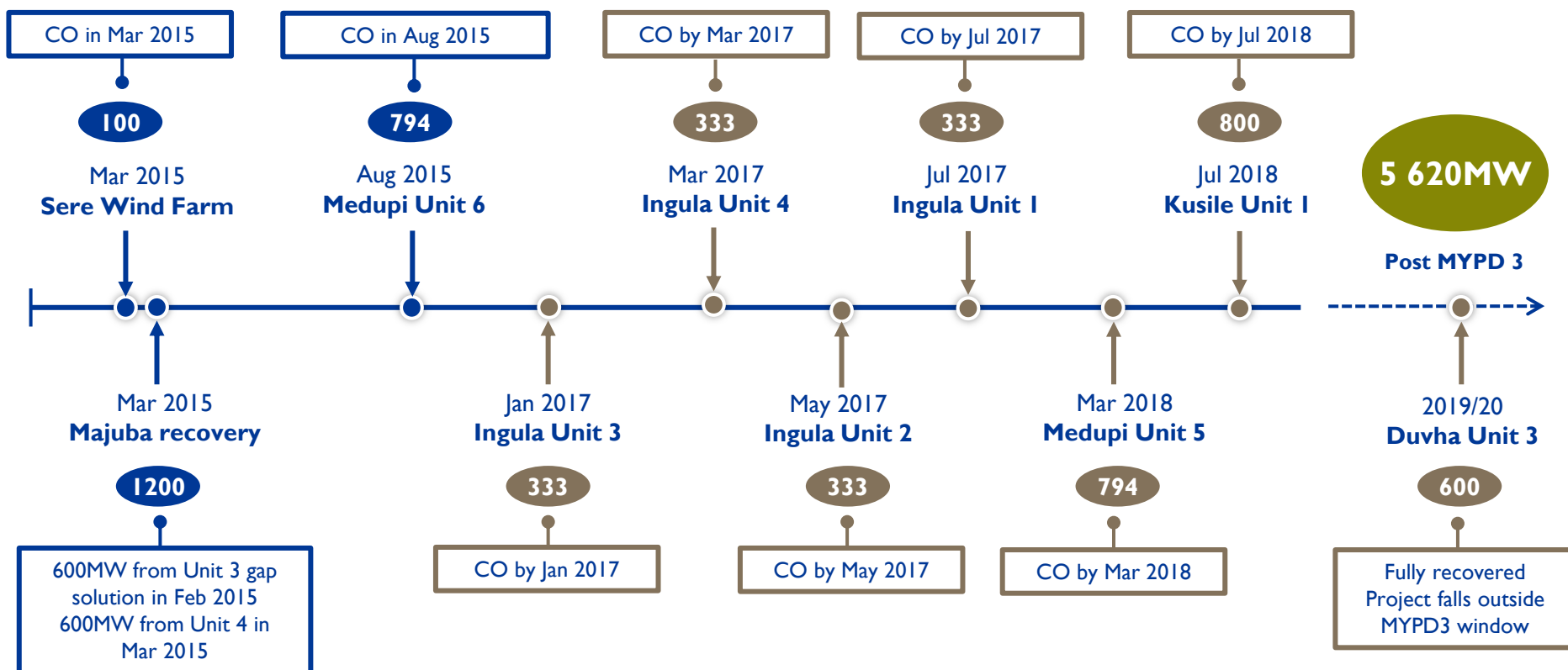




# We remain focused on bringing new capacity online

**P80 dates**

**CO = commercial operation**



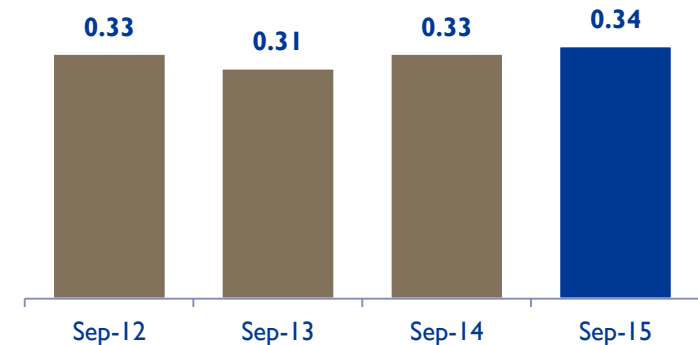


# Environmental compliance is critical to our sustainability

- Relative **particulate emissions** performance has remained stable over the last 4 years
- **Specific water consumption** improved slightly since prior period and year end
- Stations have reported 12 incidents under NEMA Section 30, and operated under the exemption for 5% of the time, highlighting the challenge posed by **Atmospheric Emission Licences**
- Limits on **ashing storage space** may impact security of supply in future; being addressed in technical plans

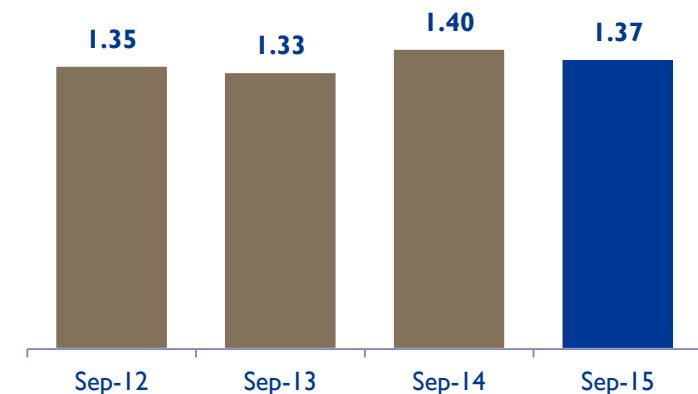
## Relative particulate emissions

kg/MWhSO



## Specific water consumption

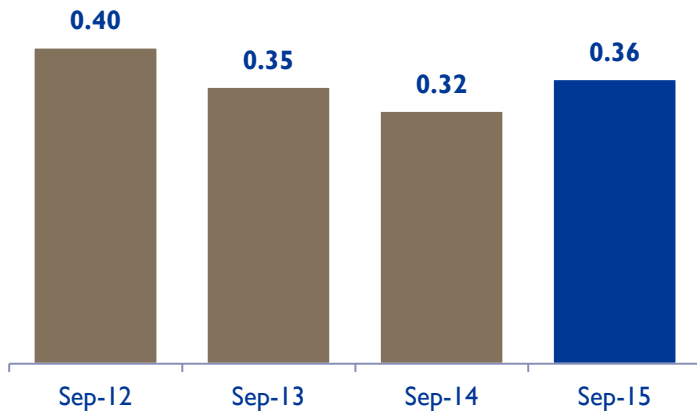
ℓ/kWhSO





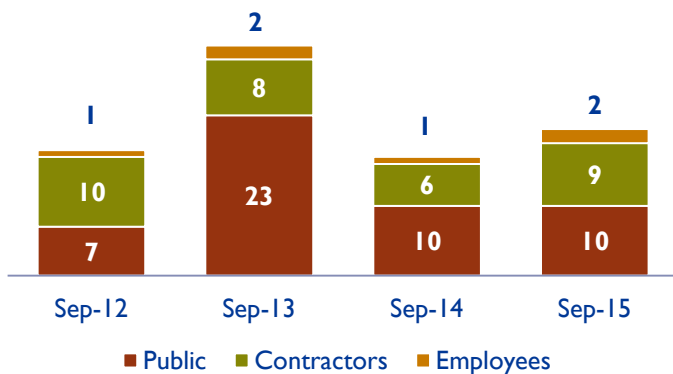
# Safety and security are central to our overall performance

## LTIR performance



- **Lost-time injury rate (LTIR) performance** worsened slightly compared to the prior period
- The number of **fatalities** – employee, contractor and public – have **increased** against the prior period, and remain unacceptably high
- **Public fatalities**, mainly from electrical contact and motor vehicle accidents, remain a key focus area
- Implementation of a strategic response to the **2014 Construction Regulations**, which imposed additional safety compliance responsibilities, is in progress

## Fatalities



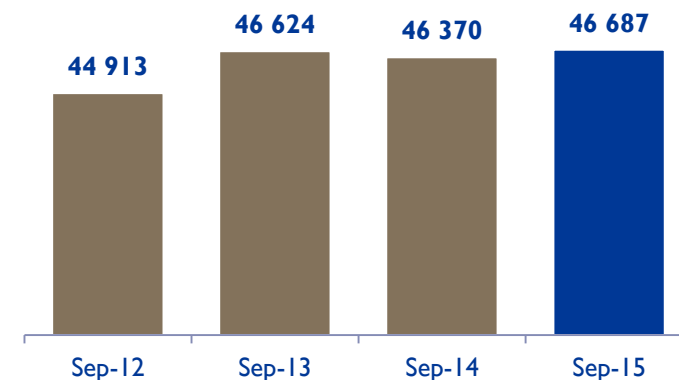


# Internal transformation and skills development

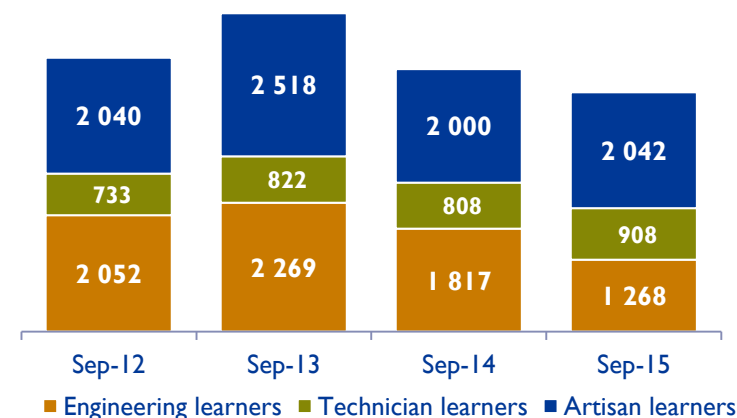
- **783** temporary **employees** were **permanently appointed** in line with the requirements of the Labour Relations Act amendments
- **Racial and gender equity** at senior, middle management and professional levels show **significant progress** over the past five years
- We continue to contribute to **building skills** in South Africa, through our learner pipeline, job creation under the new build programme and other skills development initiatives

## Headcount (including FTCs)

Number



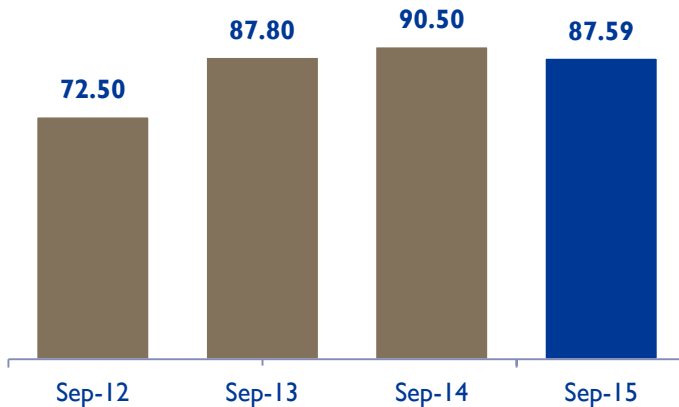
## Number of learners





## B-BBEE compliant spend

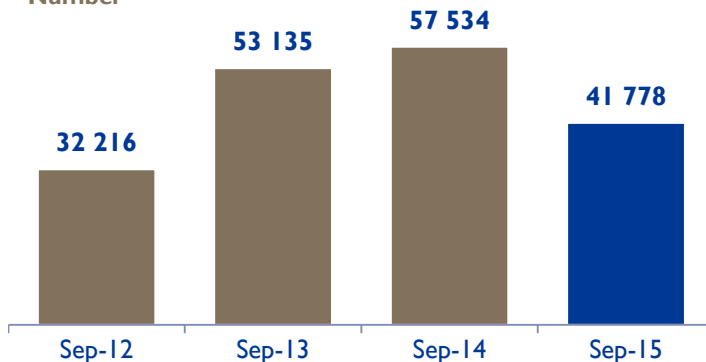
%

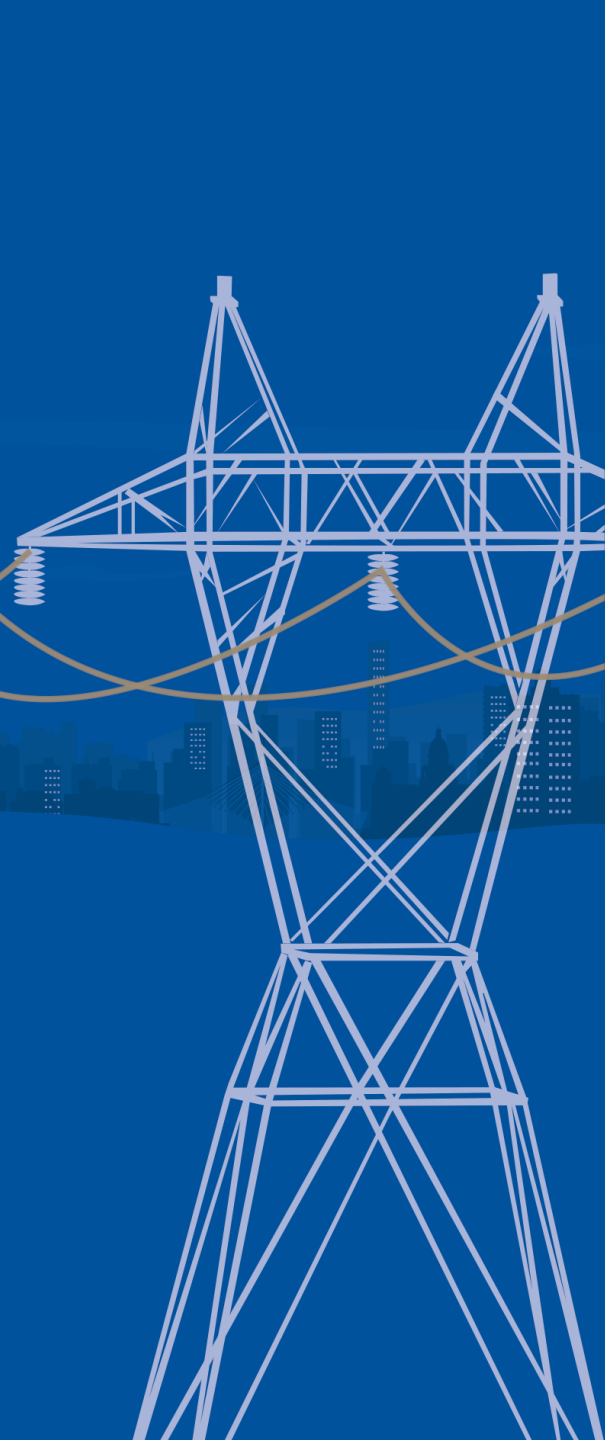


- Good performance against overall **B-BBEE compliant** spend, and maintained solid performance spend on certain categories of suppliers (black-owned and black youth-owned suppliers)
- Eskom Development Foundation committed **R63.1 million** which benefited **49 867 beneficiaries**
- We **electrified** a total of **41 778** households during the period

## Number of electrification connections

Number





# Conclusion

- Eskom is driving **several initiatives** to ensure its turnaround
- **Cost efficiencies** are targeted, particularly through lower coal cost escalation
- Our liquidity position improved, through **funding raised** and the **equity injection** by the shareholder
- We remain focused on **delivering** on our **capital expansion programme**
- We will **continue to supply** the country's electricity and maintain our plant – no load shedding is anticipated



**Thank you**



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