# Integrated Results Presentation for the year ended 31 March 2012

# Disclaimer

This presentation does not constitute or form part of and should not be construed as, an offer to sell, or the solicitation or invitation of any offer to buy or subscribe for or underwrite or otherwise acquire, securities of Eskom Holdings SOC Limited ("Eskom"), any holding company or any of its subsidiaries in any jurisdiction or any other person, nor an inducement to enter into any investment activity. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This presentation does not constitute a recommendation regarding any securities of Eskom or any other person.

Certain statements in this presentation regarding Eskom's business operations may constitute "forward looking statements." All statements other than statements of historical fact included in this presentation, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of Eskom are forward looking statements.

Forward-looking statements are not intended to be a guarantee of future results, but instead constitute Eskom's current expectations based on reasonable assumptions. Forecasted financial information is based on certain material assumptions. These assumptions include, but are not limited to continued normal levels of operating performance and electricity demand in the Distribution and Transmission divisions and operational performance in the Generation and Primary Energy divisions consistent with historical levels, and incremental capacity additions through the Group Capital division at investment levels and rates of return consistent with prior experience, as well as achievements of planned productivity improvements throughout the business activities.

Actual results could differ materially from those projected in any forward-looking statements due to risks, uncertainties and other factors. Eskom neither intends to nor assumes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In preparation of this document certain publicly available data was used. While the sources used are generally regarded as reliable the content has not been verified. Eskom does not accept any responsibility for using any such information.

# Agenda and presenters

| | |
|---|---|
| Executive summary | Brian Dames |
| Audited financial results | Paul O'Flaherty |
| Construction | Paul O'Flaherty |
| Operations | Brian Dames |
| Concluding remarks | Brian Dames |

# Executive summary

Brian Dames
Chief Executive

*Remember your power*

In support of

REMEMBER YOUR POWER 49

# Executive summary

- No load shedding since April 2008, despite an extremely tightly balanced energy system
- Safety remains a major concern and continues to be of primary focus
- Three years of good financial performances – financial surpluses will be reinvested in the business, helping to fund the capital expansion programme and to service debt
- As at 31 March 2012, secured 77.6% of the funding required for the capital expansion programme
- NERSA approved Eskom's revised tariff increase for the final year of MYPD 2, beginning 1 April 2012, to an average increase of 16% (NERSA had previously approved an increase of 25.9% for 2012/13)
- R72.1bn spent on Broad-based Black Economic Empowerment
- Improved the efficiency of operations – completed the first phase of the Back2Basics programme which rolled out a single-instance SAP system on schedule and within budget

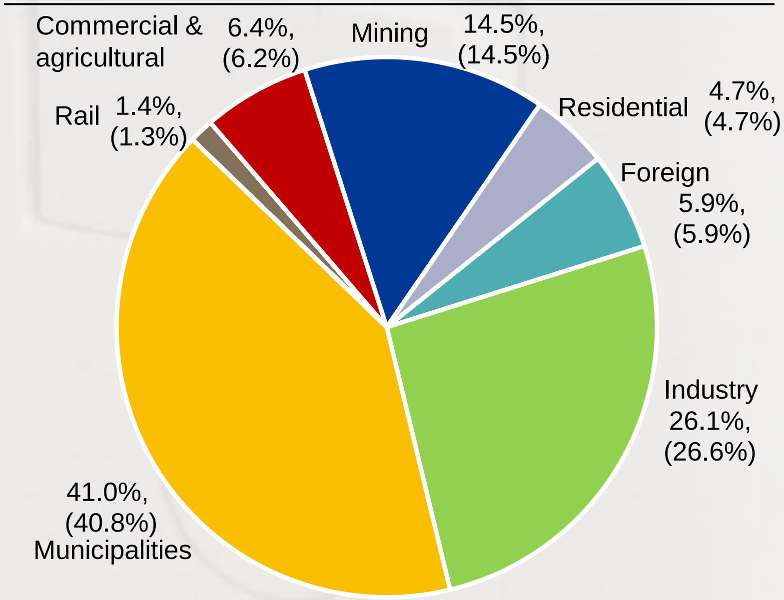
# Executive summary

- Significant progress in the capital expansion programme:
  - Installed 535MW of additional generation capacity, 631km of high-voltage transmission lines and 2 525MVA of new transformer capacity during the year to 31 March 2012
  - Commissioned three Komati power station units, Grootvlei power station unit 5 and increased capacity at Camden unit 6 – this leaves only 3 units at Komati to complete the return to service power stations
  - Since the inception of the capital expansion programme installed 5 756MW of additional generation capacity, 3 899km of high-voltage transmission lines and 20 195MVA of new transformer capacity
  - Hydrostatic pressure test for Medupi Unit 6 planned for June 2012
- Total learner complement of 11 953 learners; 5 715 are engineering, technical and artisan learners, 5 159 are in the youth programme as well as a further 1 079 learners
- In partnership with the Government hosted a highly successful Conference of the Parties (COP17), which took place in Durban in November and December 2011

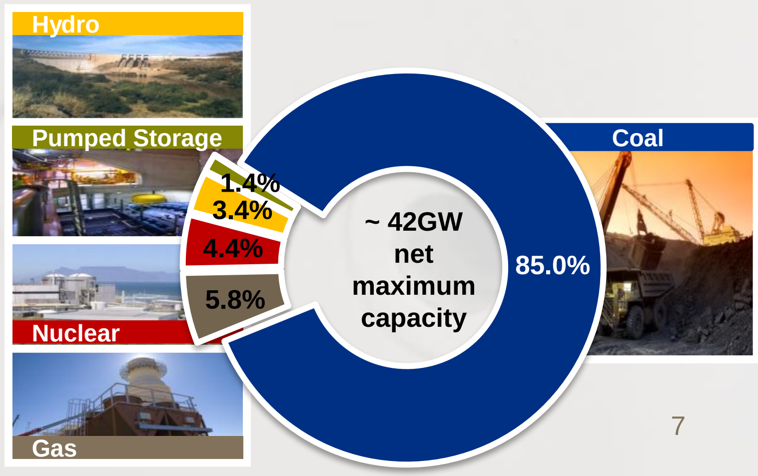
# Eskom at a glance

- Strategic 100% state-owned electricity utility, strongly supported by the government
- Supplies approximately 95% of South Africa's electricity and more than 40% of Africa's electricity
- For the year ended 31 March 2012:
  – Electricity sales of 224 785GWh (2011: 224 446GWh) and electricity revenues of R113.0bn (2011: R90.38bn)
- As at 31 March 2012:
  – 43 473 (2011: 41 778) employees
  – 4.9 million (2011: 4.7 million) customers
  – Net maximum generating capacity of 41 647MW (2011: 41 194MW)
  – 399 750km (2011: 395 419km) of power lines and cables
  – Moody's and S&P ratings: Baa2 and BBB+ with a negative outlook (2011 outlook: stable)
- 17.1GW of new generation capacity by 31 March 2018, of which 5.8GW already commissioned

**Eskom electricity sales by customer for the year ended 31 March 2012 (31 March 2011)**

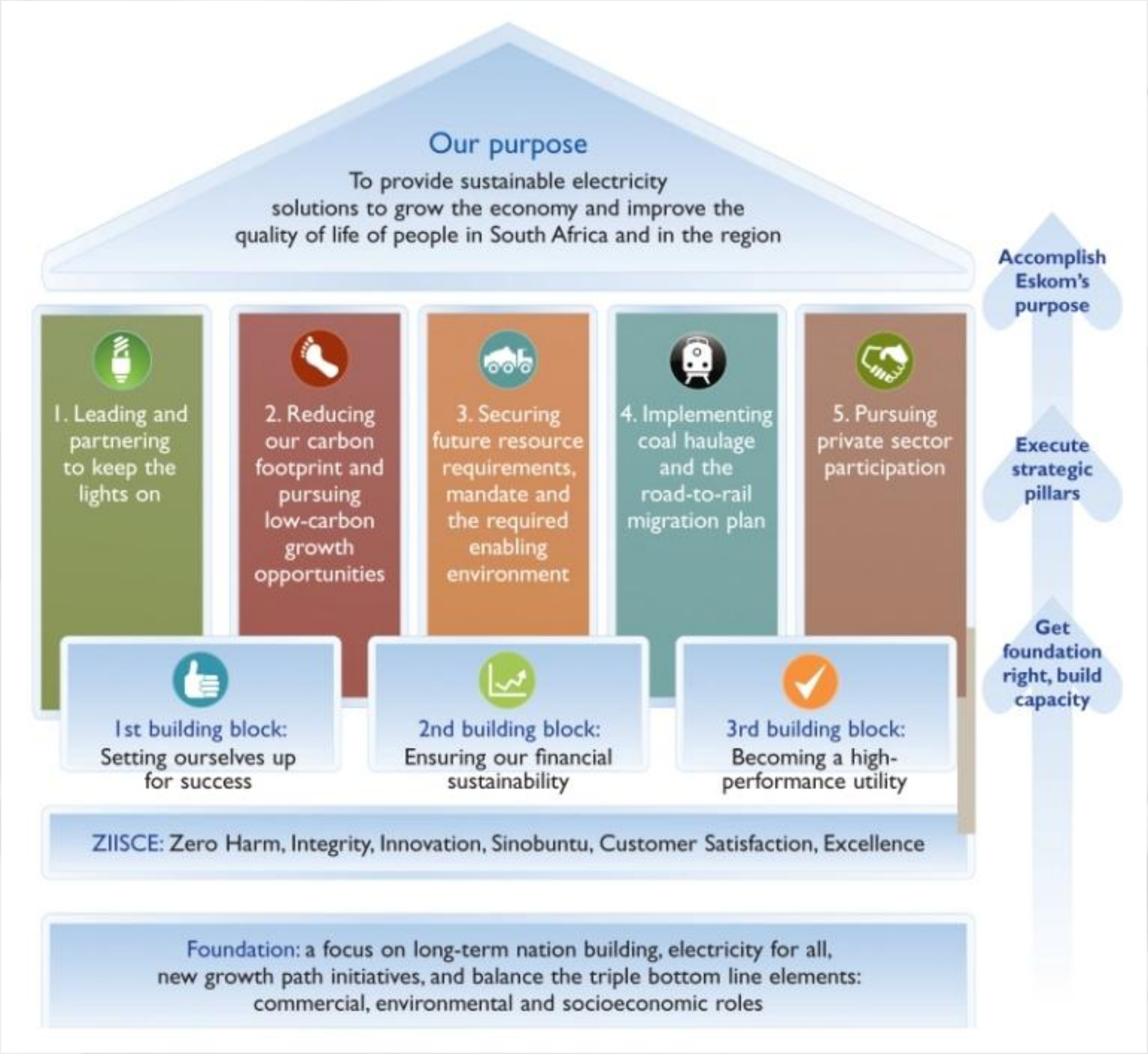



**Eskom's net capacity mix – 31 March 2012**



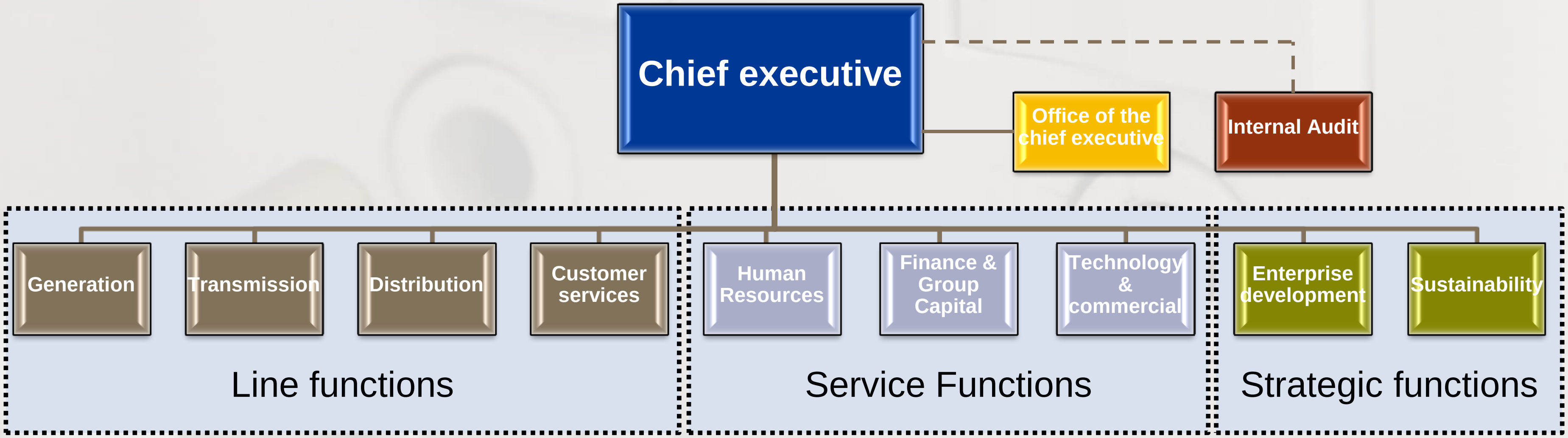

In support of

# Eskom's strategic pillars support our purpose



# Corporate structure

- New organisational structure created to support our new strategy and purpose
- New executive management committee established to support the Chief Executive and ensure that the strategic imperatives are executed




- Line functions to focus on operations and on creating value
- Service functions to safeguard assets, provide expertise on day-to-day standardised services and leverage synergies in the organisation
- Strategic functions aim to bring about step changes in performance and provide broader strategic support to the group

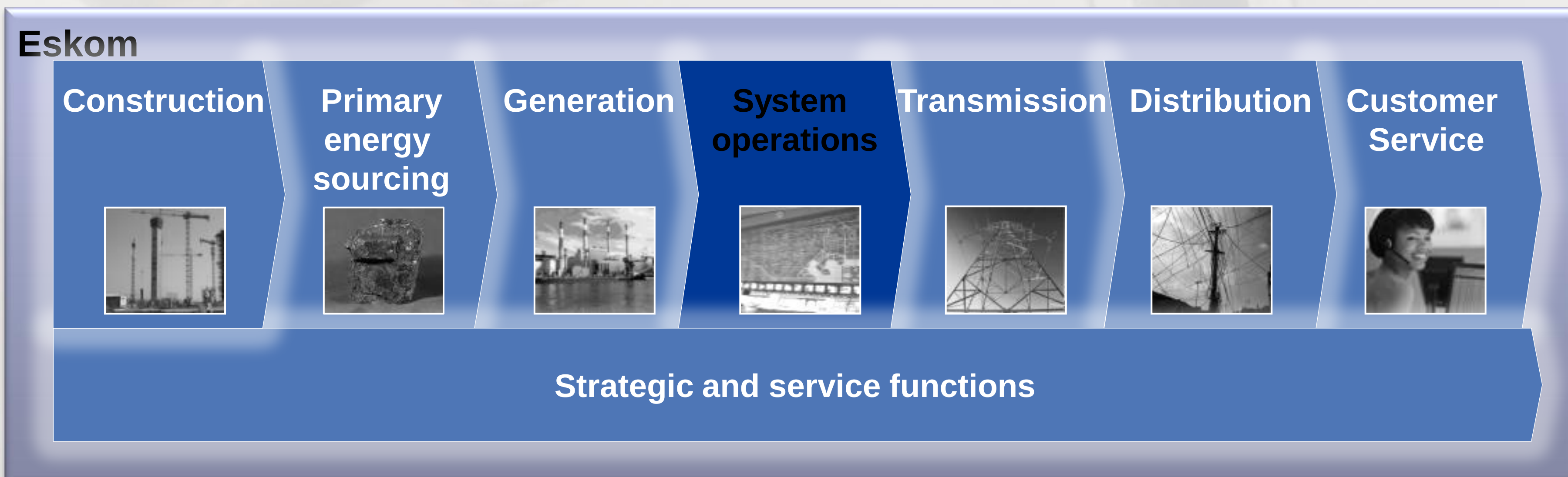
In support of REMEMBER YOUR POWER 49M

# The structure of SA's electricity industry is changing

**Change in the industry value chain:**

- The ISMO Bill was tabled in Parliament on 13 May 2011
- A phased approach to be taken
- The System and Market Operator division was instituted on 1 October 2011


- Eskom expects to phase in the subsidiary structure during 2012/13
- It is envisaged that the subsidiary be transformed into a separate state owned company



# Performance against shareholder compact

| Performance area | Company level performance indicator | 2011/2012 Target | | March 2012 Actual | March 2011 Actual | March 2010 Actual |
|---|---|---|---|---|---|---|
| Ensuring adequate future electricity | Generation capacity installed (MW) | 385 | ✓ | 535 | 315 | 452 |
| | Transmission lines installed (km) | 606 | ✓ | 631 | 443 | 600 |
| | Transmission capacity installed (MVA) | 500 | ✓ | 2 525 | 5 940 | 1 630 |
| Ensuring reliable electricity supply | Management of the national supply/ demand constraints | No load shedding | ✓ | None | None | None |
| | DSM energy efficiency (GWh) | 1 051 | ✓ | 1 422 | 1 339 | n/a |
| Business sustainability | Internal energy efficiency (annualised GWh) | 25.5 | ✓ | 45.0 | 26.2 | n/a |
| | Water usage (L/kWh sent out) | ≤1.35 | ✓ | 1.34 | 1.35 | 1.34 |
| | Cost of electricity (rand/MWh) | 387.0 | ✓ | 374.2 | 296.4 | 255.1 |
| | Debt: equity | ≤2.6 | ✓ | 1.7 | 1.7 | 1.7 |
| | Interest cover | ≥1.0 | ✓ | 3.3 | 1.4 | 0.8 |
| Supporting the developmental objectives of South Africa | % local content in new build contracts placed | 52.0 | ✓ | 77.2 | 79.7 | 73.9 |
| | Total learners in the system - engineers | 1 800 | ✓ | 2 273 | 1 335 | 955 |
| | Total learners in the system - technicians | 700 | ✓ | 844 | 692 | 681 |
| | Total learners in the system - artisans | 2 350 | ✓ | 2 598 | 2 213 | 2 144 |
| Pursuing private sector participation | Setup a ring-fenced Systems and Market Operator (SMO) Division within Eskom | Completed by year end | ✓ | Done | n/a | n/a |

# Eskom's integrated reporting journey

Benchmarked (2010 annual report) against the Dow Jones Sustainability Index (DJSI) and the Johannesburg Stock Exchange (JSE) Socially Responsible Investment (SRI) index

**According to the JSE feedback on the 2010 report, Eskom "*achieved a performance level that not only complies with the minimum requirements for inclusion in the index, but which is also very <u>close to the best performer</u> level in the category for companies with a high environmental impact*"**

**2012**
Integrated report aligned with IIRC and IRC of SA discussion papers
**B+ GRI declaration**


PILOT PROGRAMME


**2011**
Integrated Annual Results with **B+ GRI declaration**

GRI REPORT
3rd PARTY CHECKED

**2002**
First Integrated Annual Report (including Financial and Sustainability information)


**2008**
Integrated Annual Results **with first B+ GRI declaration**

**1994**
First Environmental Report for Eskom

In support of
REMEMBER YOUR POWER

# Triple bottom line: socio-economic

| Supplier development & localisation | |
|---|---|

**Supplier development & localisation**

- Eskom is a major driver of the South African economy – approximately 3% of the country's GDP can be attributed to Eskom
- B-BBEE attributable spend amounted to **R72.1** billion or **73.2%** of attributable spend for the year (2011: R41.9 billion or 52.3%)
- Job creation – **28 616** (2011: 21 477) individuals working on new build project sites, since 2005 of which **13 954** are employed from the local districts
- **77.2%** local content in the new build contracts placed for the financial year
- Since inception of the respective new build projects, the total local content committed by the Eskom supplier network amounted to **R75.2** billion or **62.6%** of the total contract values awarded in the new build projects
- Since the inception of the build programme, **5 915** individuals have completed their skills development training and **2 342** are currently in training

**Electrification**

- A total of **155 213** (2011: 149 914) homes were electrified during the financial year
- Since inception of the electrification programme in 1991, a total of **4 206 181** (2011: 4 050 968) homes have been electrified

# Triple bottom line: socio-economic

| | |
|---|---|
| **Employment equity** | • The Eskom company disability percentage is **2.49%** of the total workforce<br>• Racial equity[1] in senior management is **53.9%** and in professionals and middle management **65.7%**<br>• Gender equity[2] in senior management is **24.3%** and in professionals and middle management **32.4%** |
| **Training and development** | • Over **130 000** people employed in the Eskom cloud and over **500 000** people supported by Eskom<br>• Over **60 000** jobs in non-mining related industries suppliers<br>• Eskom's learner pipeline includes **2 273** engineering, **844** technical, **2 598** artisan and **1 079** other learners<br>• A further **5 159** learners in the youth programme<br>• Investment in training for the year was **R1.4** billion (2011: R1.0 billion) |
| **Corporate governance** | • Eskom's 2011 Integrated Report was awarded 2nd place in the Ernst and Young, Sustainability Reporting Awards<br>• Eskom is a member of the International Integrated Report Committee's pilot programme, which continues our drive and commitment of open, transparent and relevant communication to all our stakeholders |
| **Eskom Development Foundation** | • Invested **R87.9** million in corporate social initiatives during the year which impacted **256** organisations with some **531 762** project beneficiaries during the period |

(1) Percentage of black employees
(2) Percentage of female employees

# Triple bottom line: safety

**Employee and contractor fatalities and LTIR**

| **Fatalities:** | **Year to 31 March 2012** | **Year to 31 March 2011** | **Year to 31 March 2010** |
|---|---|---|---|
| Employees | 13 | 7 [(1)] | 2 |
| Contractors | 12 | 18 | 15 |
| **Employee lost-time incident rate:** | | | |
| Index (target: 0.40) | 0.41 | 0.47 | 0.54 |

**Causes of fatalities**

| **Causes of fatalities[(2)]:** | **Electrical Contact** | **Vehicle** | **Other** |
|---|---|---|---|
| Employees and contractors | 5 | 9 | 11 |

**Action taken**

**Action taken:**

- Incorporation of safety into performance management system
- Safety training and monitoring for staff
- Launch of Zero harm campaign
- Peer reviews of risk control interventions conducted at selected sites
- Regular work stoppages to discuss and embed safety issues
- Management took robust action on repeat incidents
- Boot camps were held to focus on specific safety issues



(1) Amended after issuing the annual report due to a lost time injury reported in January deteriorated to a fatality in July 2011
(2) Covers the period 1 Apr 2011 – 31 Mar 2012

# Triple bottom line: environmental

Eskom

## Environmental performance

| Atmospheric emissions: | Change | Year to 31 March 2012 | Year to 31 March 2011 | Year to 31 March 2010 |
|---|---|---|---|---|
| Carbon dioxide ($CO_2$) (Mt) | ↑ | 231.9 | 230.3 | 224.7 |
| Sulphur dioxide ($SO_2$) (kt) | ↑ | 1 849 | 1 810 | 1 856 |
| Nitrogen oxide (NOx) (kt) | ■ | 977 | 977 | 959 |
| Nitrous oxide ($N_2O$) (t) | ↑ | 2 967 | 2 906 | 2 825 |
| Relative particulate emissions (kg/MWh sent out) | ↓ | 0.31 | 0.33 | 0.39 |
| Specific water consumption (l/kWh sent out) | ↓ | 1.34 | 1.35 | 1.34 |
| Number of legal contraventions: | ↓ | 50 | 63 | 55 |

## Solar panel installations

Installed solar panels at Kendal and Lethabo power stations to supplement auxiliary power consumption at these stations – the start of a programme that will be rolled out across our fleet of coal-fired stations

## Management systems

ISO 14001 certification achieved at 9 coal fired power stations, Koeberg nuclear plant, Peaking Business Unit, Generation Head Office, Medupi, Kusile, Ingula, Power Delivery Projects and Group Capital Head Office
The execution of the ISO 9001 implementation plan is underway, with good progress made on certification

# Triple bottom line: financial highlights[1]

| Income statement for the period | Audited year to 31 March 2012 | Audited year to 31 March 2011 | Audited year to 31 March 2010 |
|---|---|---|---|
| Revenue (Rm) | 114 760 | 91 447 | 71 130 |
| Growth in GWh sales (%)[2] | 0.2 | 2.7 | 1.7 |
| Profit for the period after tax (Rm) | 13 248 | 8 356 | 3 620 |
| Return on average total assets (%) | 3.7 | 2.9 | 1.6 |
| Revenue per kWh (cents per kWh)[3] | 50.3 | 40.3 | 31.9 |
| Operating costs per kWh (cents per kWh)[4] | 41.3 | 32.8 | 28.2 |
| Capital expenditure (Rbn)[5] | 58 815 | 47 932 | 43 663 |
| **As at end of the period:** | | | |
| Average days coal stock (days) | 39 | 41 | 37 |
| Gross debt securities issued/borrowings (Rm) | 182 567 | 160 310 | 105 973 |
| Debt: equity (ratio) | 1.6 | 1.6 | 1.6 |

Funding plan well advanced and more than **77%** of sources of funds secured
Credit ratings remained unchanged but the outlook turned negative

(1) Group numbers unless otherwise specified
(2) Compared to the same period last year
(3) Company numbers and includes environmental levy
(4) Company numbers and includes depreciation and amortisation costs
(5) Excluding interest capitalised

# Audited financial results

## Paul O'Flaherty
Finance Director

***Remember, we're all connected***

In support of

REMEMBER YOUR POWER 49M

# Income statement for the year ended 31 March 2012

Eskom

- 224 785GWh electricity sales for the year ended 31 March 2012, an increase of 0.2% on the 224 446GWh reported for the year ended 31 March 2011
- Group revenue of R114.8 billion (31 March 2011: R91.4 billion), an increase of 25.5%
- Effective tax rate of 28.0% (31 March 2011: 27.9%)
- Net profit increased from R8.4 billion as at 31 March 2011 to R13.2 billion as at 31 March 2012

| Rm | NERSA target to 31 March 2012(1) | Audited year to 31 March 2012 | Reviewed half-year to 30 Sept 2011 | Audited year to 31 March 2011 | Audited year to 31 March 2010(2) |
|---|---|---|---|---|---|
| Revenue | 116 152 | 114 760 | 63 882 | 91 447 | 71 130 |
| Other income | 2 791 | 699 | 395 | 587 | 552 |
| Primary energy | (47 399) | (46 314) | (21 858) | (35 795) | (29 100) |
| Opex (incl. depreciation and amortisation) | (47 683) | (44 762) | (21 534) | (36 772) | (31 719) |
| Net fair value loss on financial instruments | (815) | (2 388) | (1 126) | (1 816) | (4 239) |
| **Operating profit before embedded derivatives** | **23 046** | **21 995** | **19 759** | **17 651** | **6 624** |
| Embedded derivative gain / (loss) | 0 | 334 | 263 | (1 261) | 2 284 |
| **Operating profit** | **23 046** | **22 329** | **20 022** | **16 390** | **8 908** |
| Net finance costs | (5 965) | (3 963) | (2 106) | (4 741) | (2 938) |
| Share of profit of equity - accounted investees | 0 | 41 | 16 | 24 | 14 |
| **Profit before tax** | **17 081** | **18 407** | **17 932** | **11 673** | **5 984** |
| Income tax | (4 783) | (5 156) | (5 129) | (3 261) | (2 080) |
| Loss from discontinued operations | 0 | (3) | 7 | (56) | (284) |
| **Net profit for the period** | **12 298** | **13 248** | **12 810** | **8 356** | **3 620** |

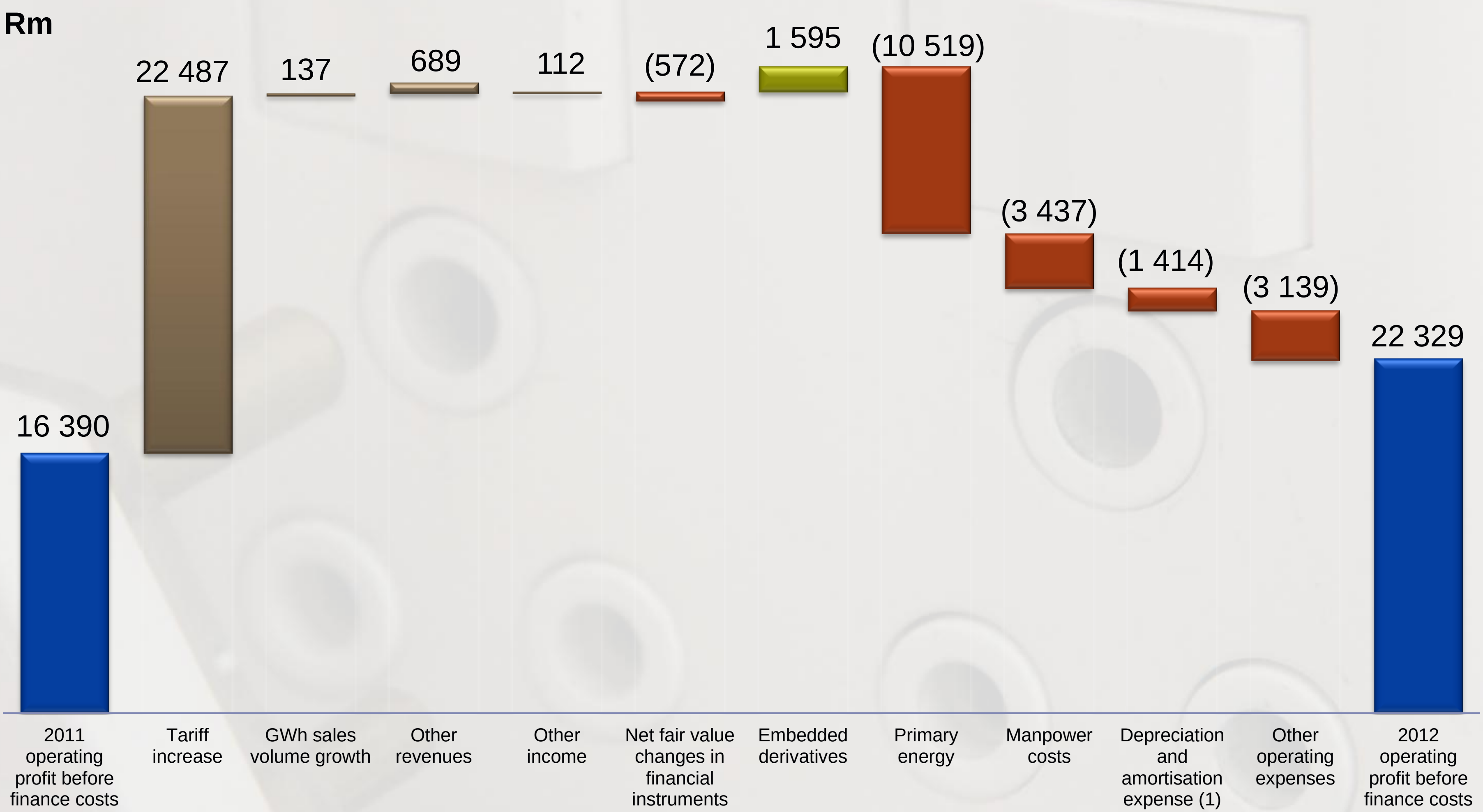
(1) NERSA target for 2012 is at an Eskom company level
(2) Restated

# Key performance ratios

| | Unit | Audited year to 31 March 2012 | Audited year to 31 March 2011 | Audited year to 31 March 2010 |
|---|---|---|---|---|
| EBITDA | Rm | 31 130 | 23 609 | 14 624 |
| Funds from operations (FFO) | Rm | 30 483 | 16 953 | 2 356 |
| Gross debt/ EBITDA | ratio | 6.5 | 7.5 | 8.4 |
| FFO/ gross debt | % | 15.2 | 9.5 | 1.9 |
| Return on average total assets (1) | % | 3.7 | 2.9 | 1.6 |
| Return on average equity (1) | % | 13.9 | 10.7 | 5.6 |
| Working capital ratio | ratio | 0.8 | 0.9 | 0.9 |
| Revenue per kWh (electricity sales) | cents per kWh | 50.3 | 40.3 | 31.9 |
| Costs per kWh (electricity business) | cents per kWh | 41.3 | 32.8 | 28.2 |
| Bad debt as percentage of revenue | % | 0.5 | 0.8 | 0.8 |
| *Average debtor days:* | | | | |
| Customer service large power users | days | 21.8 | 18.9 | 18.9 |
| Customer service small power users (2) | days | 42.9 | 45.1 | 40.5 |
| Key industrial and international customers (3) | days | 14.4 | 15.5 | 15.4 |

(1) Historic
(2) Excluding Soweto debt
(3) Excluding disputes

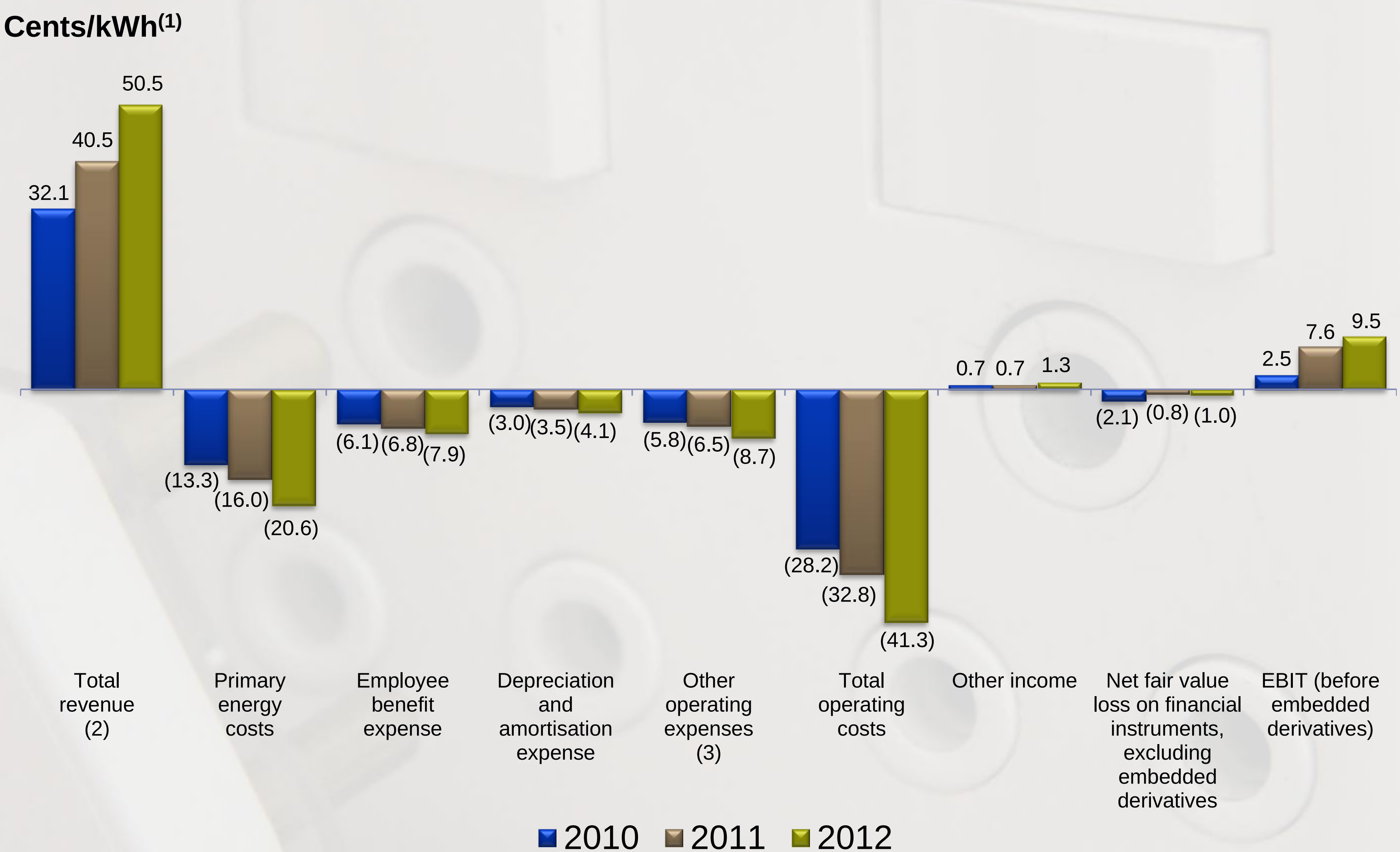
# Earnings before interest and tax (EBIT)




(1) Includes net impairment losses

In support of REMEMBER YOUR POWER 49M

# EBIT before embedded derivatives

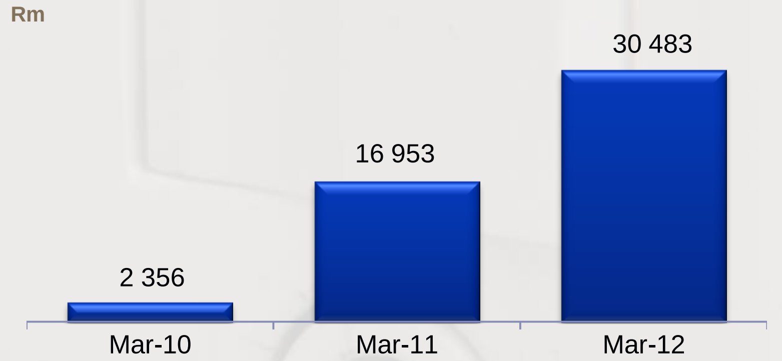



(1) Numbers represent the annual Eskom Company results
(2) Total revenue includes non-electricity revenues
(3) Other operating costs include repairs and maintenance costs of 4.0 c/kWh for 2012 (2011: 3.3 c/kWh and 2010: 2.3 c/kWh)

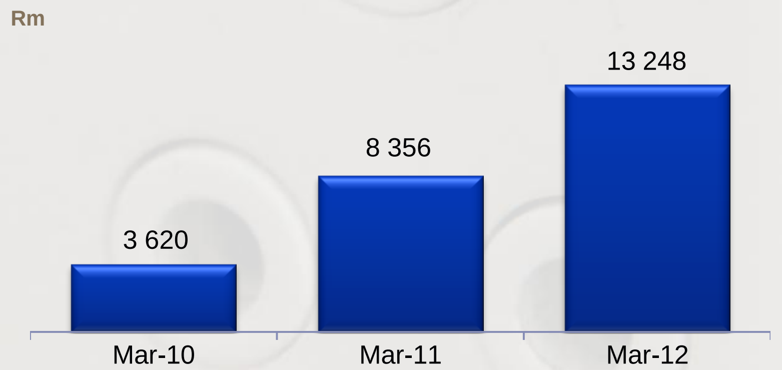
# Improving profitability

- Improving profitability mainly as a result of revenue growth which is primarily driven by an increase in tariffs
- Revenue growth has been offset by escalating operating expenditures mainly due to an increase in primary energy costs
- Gross finance costs continue to rise as additional borrowings are raised to finance the capital expansion programme
- Net surplus of R13.2 billion for the year to be reinvested in the business
- Eskom has held a moratorium on dividend payments since 2008 due to its capital expansion programme

**Free funds from operations (FFO) (1)**




**Net profit (1)**



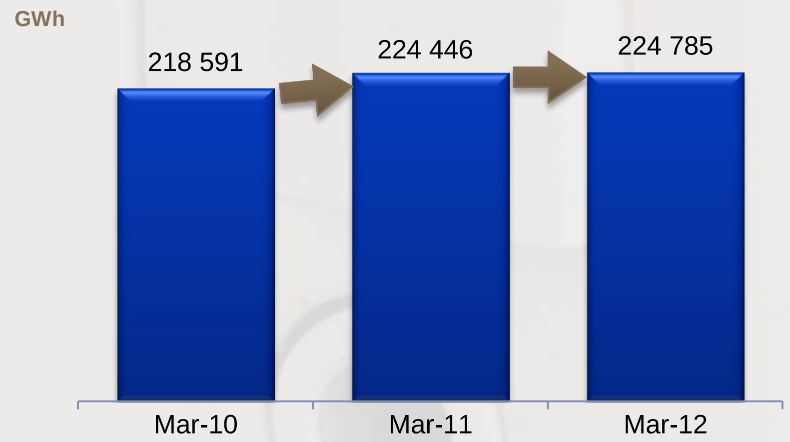

(1) For the years ending 31 March 2010, 31 March 2011 and 31 March 2012

In support of

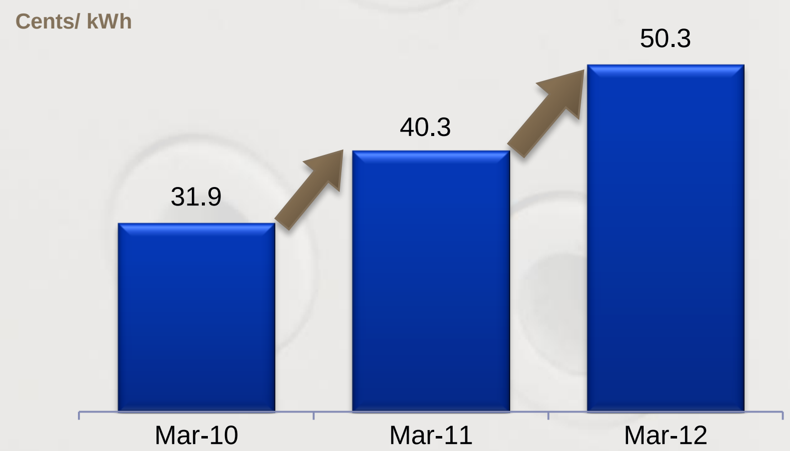
# Sales and revenue growth

- 224 785GWh sales for the year:
  - represents a 0.2% increase compared to last year; and
  - below the budgeted sales of 227 073GWh (budgeted growth of 1.2%)
- Sales growth (in GWh) affected by:
  - Industrial action in the metal and gold industries
  - Winter demand from large power users was significantly below expectations
  - While the last winter's cold snaps were severe, they were relatively brief
  - Demand patterns also reflect weaker than expected economic activity
- Revenue per kWh increased by 24.8% primarily as a result of the 25.8% tariff increase granted by NERSA

**Electricity sales (GWh)**

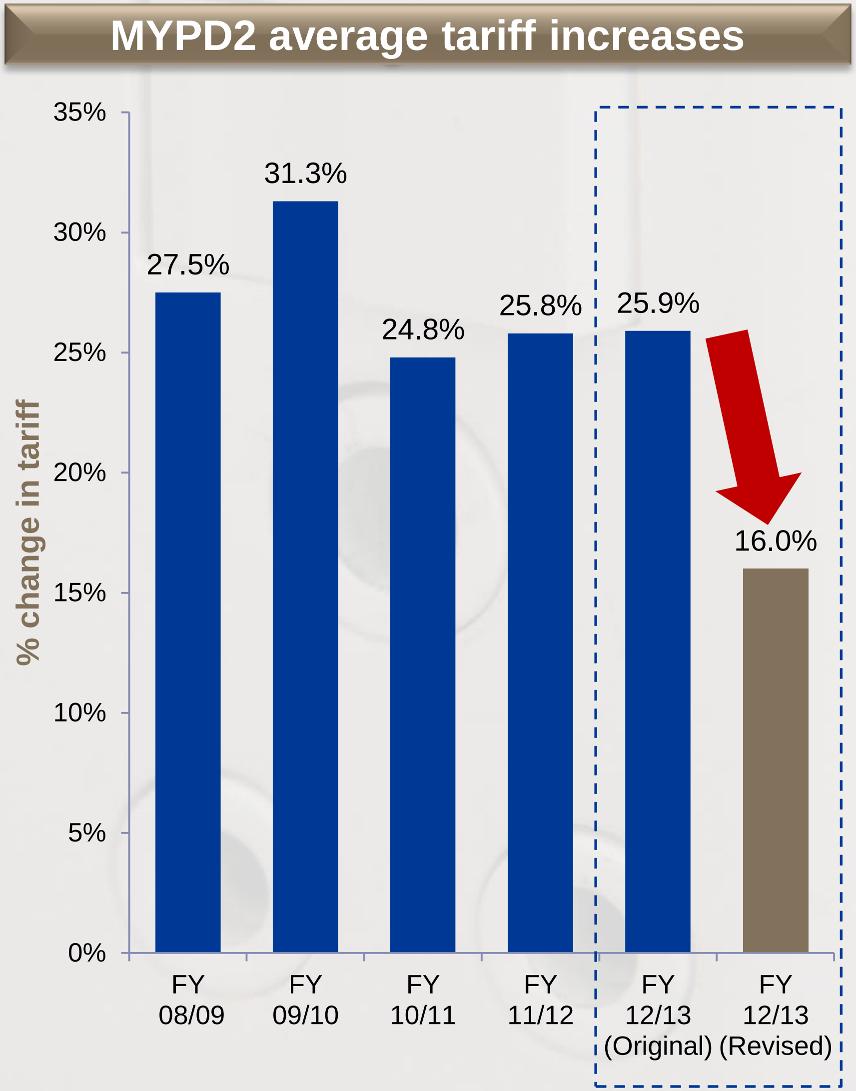



**Electricity revenue (c/kWh)**



# MYPD2 - NERSA approved a lower tariff increase

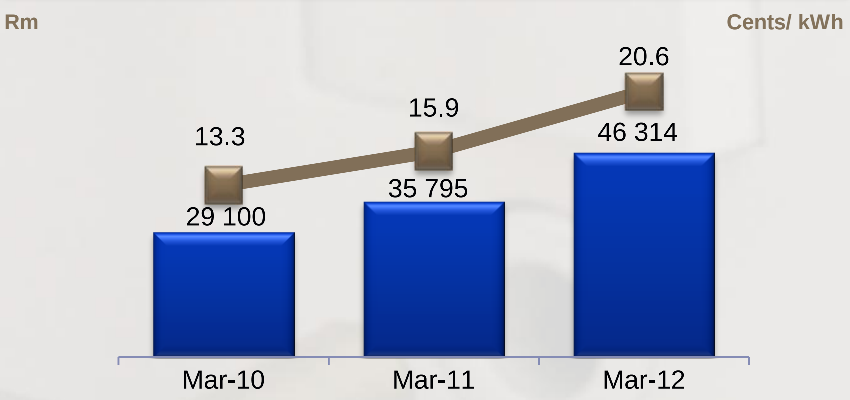
- NERSA approved Eskom's revised tariff increase for the final year of MYPD 2, beginning 1 April 2012, to an average increase of **16%** (NERSA had previously approved an increase of 25.9% for 2012/2013)
- The revised tariff strives to achieve a balance between the interests of the South African economy, our customers, credit providers and shareholder
- Revised tariff based on the acceptance of key principles:
  - Not to compromise Eskom's financial viability
  - Continued commitment to migrate to cost reflective tariffs
  - Price path certainty within extended time frame



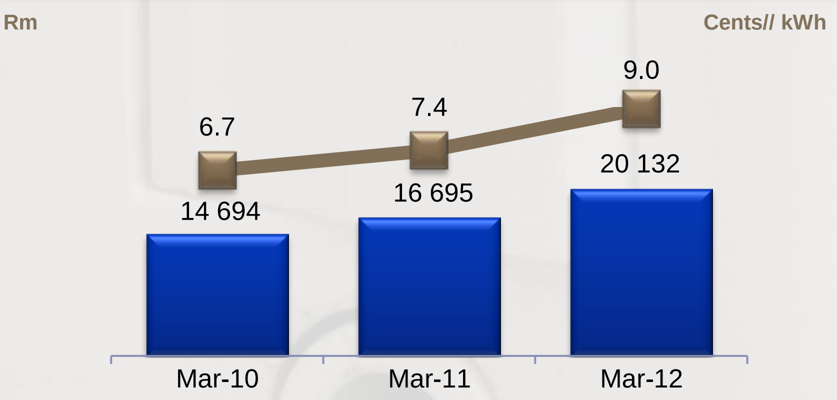

In support of

# Operating expenses[1]

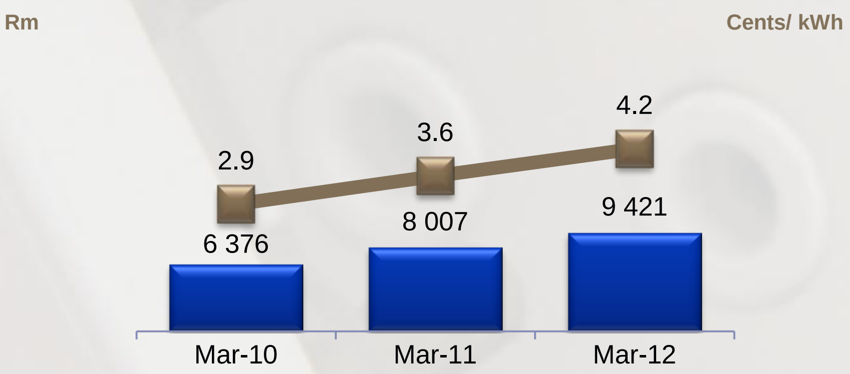
## Primary Energy Costs



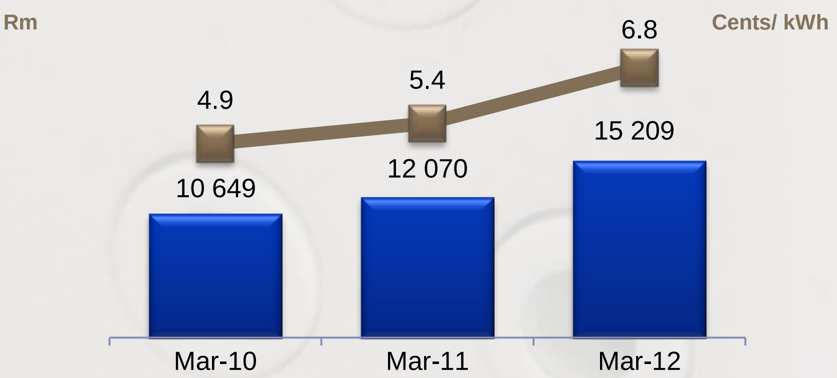

## Employee Benefit Expenses




## Depreciation & Amortisation Expenses[2]




## Other Operating Expenses[3]




(1) Cents/KWh figures are calculated based on total electricity sales numbers
(2) Including net impairment loss
(3) Including managerial, technical and other fees, R&D, operating lease expense, auditor's remuneration, repairs and maintenance

In support of

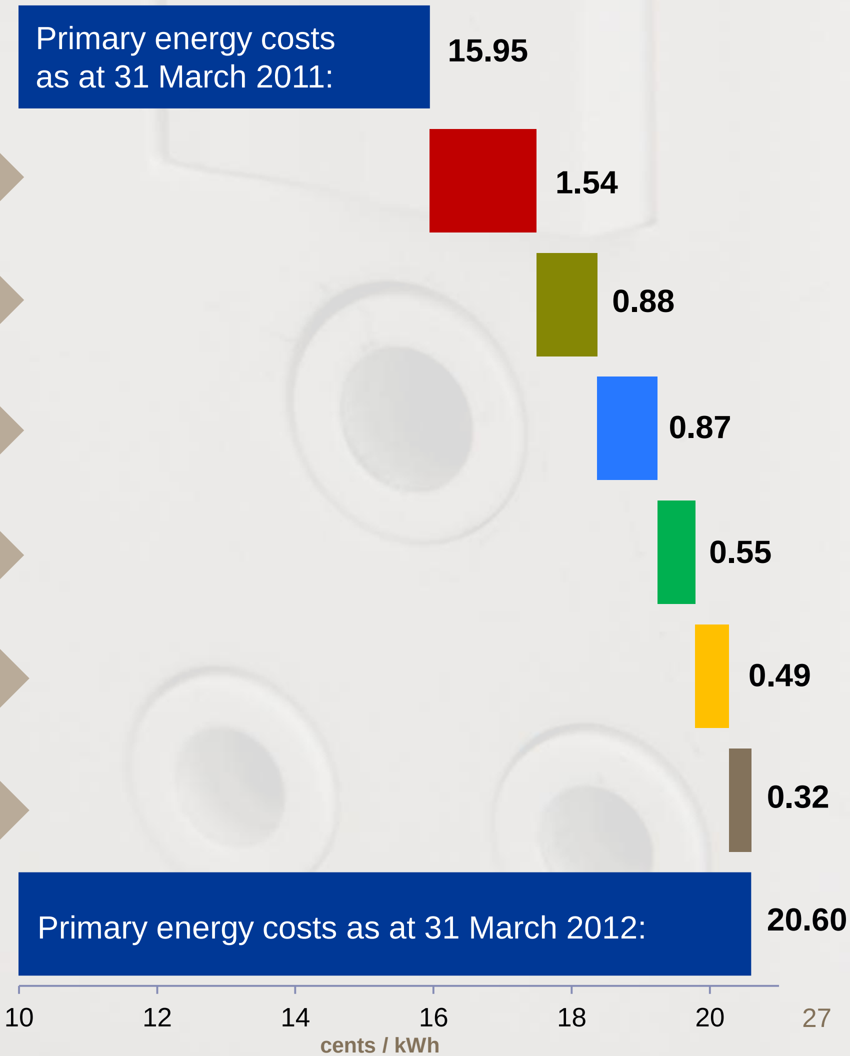
# Analysis of primary energy costs

- Primary energy costs increased by 29.2% from 15.9c/kWh (31 March 2011) to 20.6c/kWh for the year to 31 March 2012

| | |
|---|---|
| **Cost of coal burnt up 17.7% per ton** | 33% of the increase |
| **Cost of using IPPs up 154% to R3.3bn** | 19% of the increase |
| **DMP[3] & co-generation costs increased by 923%[4]** | 19% of the increase |
| **Environmental levy increase of 0.5c/kWh** | 12% of the increase |
| **OCGT[2] costs increased 281% to R1.5bn** | 10% of the increase |

Other items in aggregate contributed 7% of the increase

**Primary Energy Costs (c/kWh) [1]**

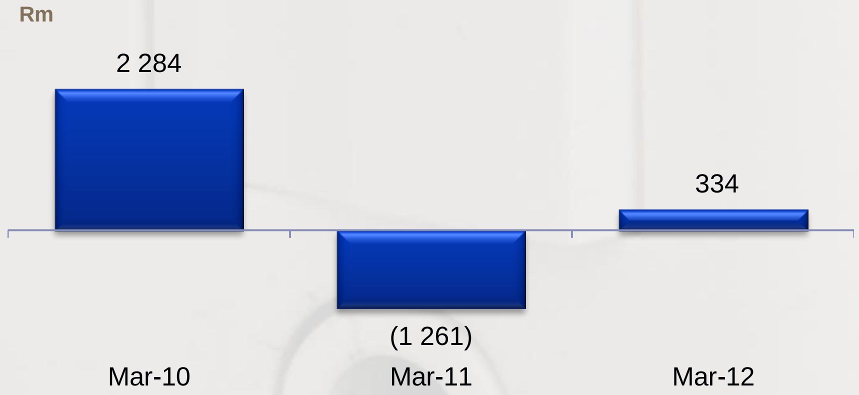



(1) Primary energy costs in c/kWh based on electricity sales
(2) Open cycle gas turbine (OCGT)
(3) Demand market participation (DMP), including power buybacks
(4) Costs increased from R0.2 billion last year to R2.2 billion this year

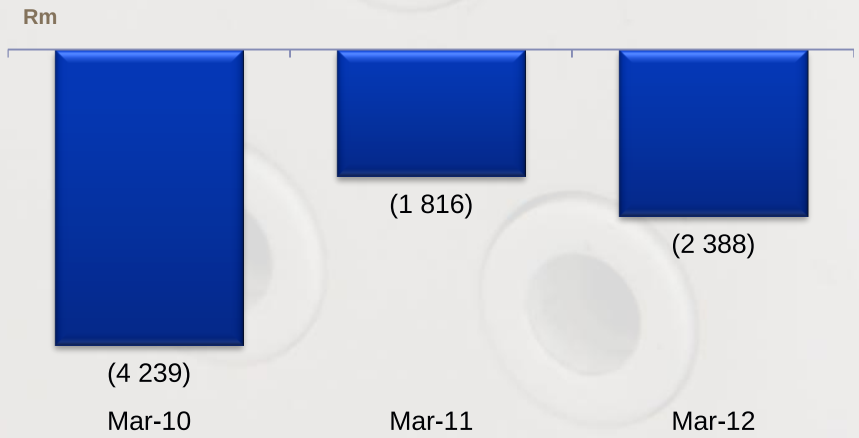
# Hedging policy

- Primary energy hedging:
  - No formal hedging against increases in coal prices
  - Limited correlation with International Coal Prices
- Commodity derivatives hedging:
  - Hedging in place to mitigate potential losses on embedded derivatives
  - Discussions continue with relevant parties to find a solution on the remaining special pricing agreements
- Foreign currency hedging:
  - All foreign currency exposure over R50 000 is hedged
  - Uses inter-alia forward exchange contracts with short maturities and roll-over at maturity as well as cross-currency swaps
  - 87% of total debt as at 31 March 2012 has a fixed interest rate component
  - R69.4 billion of derivatives held for risk management as at 31 March 2012 (2011: R58.7 billion)

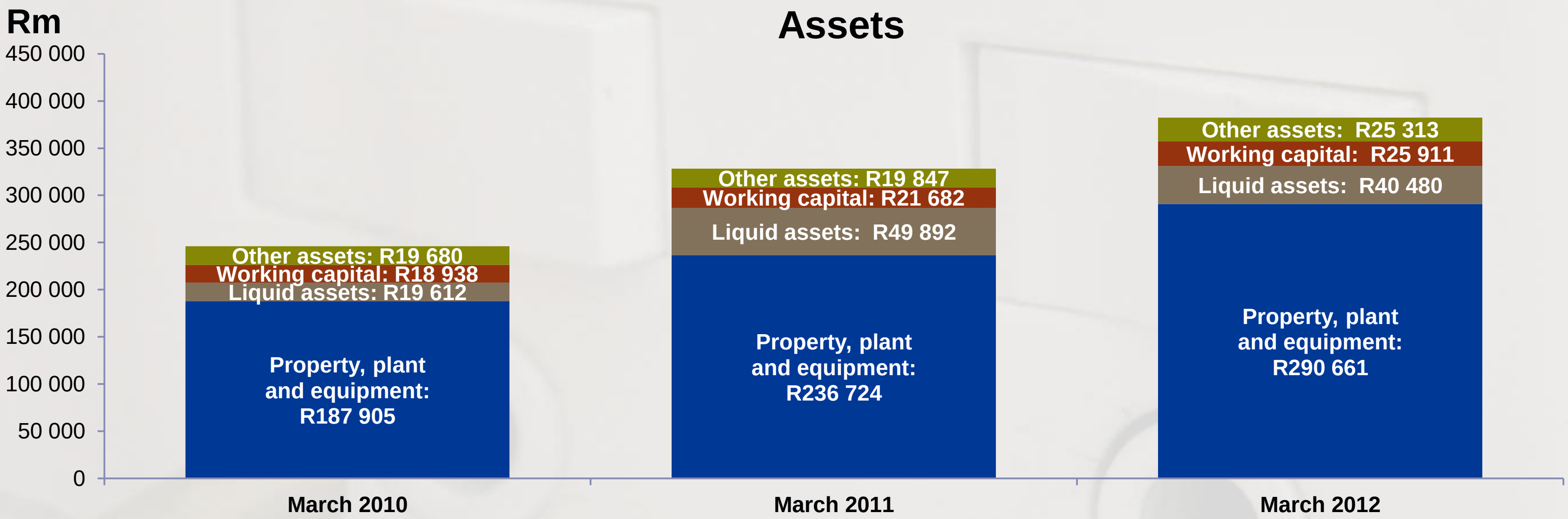
**Embedded Derivatives (Loss) / Gain**

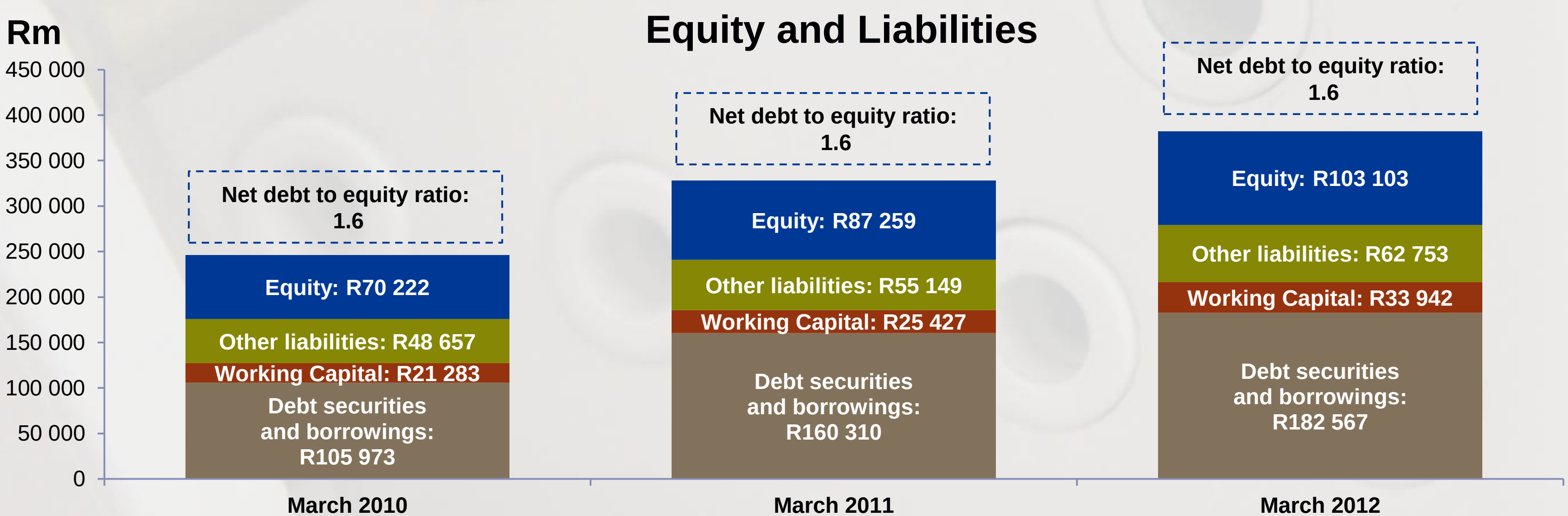



**Net Fair Value Loss on Financial Instruments**



# Group audited financial position – growth in property, plant and equipment through debt raised



# Revaluation of assets – proforma if aligned to regulatory asset base

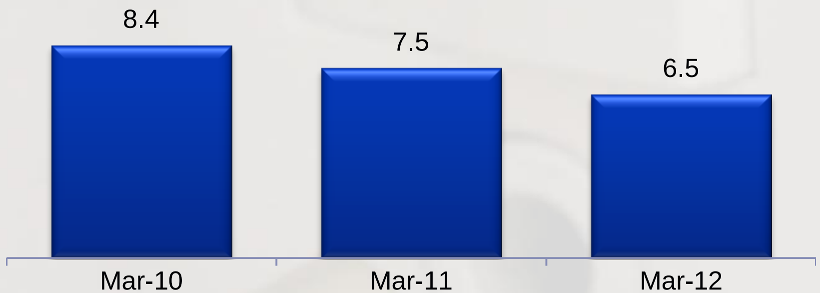
| Rm | Historical cost: For the year to 31 March 2011 | After revaluation: For the year to 31 March 2011 | Historical cost: For the year to 31 March 2012 | After revaluation: For the year to 31 March 2012 |
|---|---|---|---|---|
| **Total profit/ (loss) for the year** | | | | |
| Historical profit/ (loss) for the period | 8 356 | 8 356 | 13 248 | 13 248 |
| Adjustments: Depreciation and amortisation expense | - | (16 898) | - | (14 368) |
| Net impairment loss and other operating expenses | - | (27) | - | (250) |
| Net finance cost | - | (8 589) | - | (4 999) |
| Income tax | - | 7 144 | - | 5 493 |
| **Adjusted profit after revaluation for the year** | **8 356** | **(10 014)** | **13 248** | **(876)** |
| **Equity (cumulative impact)** | | | | |
| Historical closing equity balance | - | 87 259 | - | 103 103 |
| Adjustments: Additional comprehensive loss for the year | - | (35 117) | - | (49 241) |
| Revaluation of property, plant and equipment | - | 332 482 | - | 277 703 |
| Deferred tax on equity adjustments | - | (93 095) | - | (77 757) |
| **Adjusted closing Equity balance** | | **291 529** | | **253 808** |
| **Statement of financial position** | | | | |
| **Property, plant and equipment** | **236 724** | **520 432** | **290 661** | **499 973** |
| **Ratios** | | | | |
| Electricity operating costs - cents per kWh (Company) | 32.8 | 40.3 | 41.3 | 47.8 |
| Interest cover ratio(Group) | 1.5 | (0.2) | 3.3 | 0.7 |
| Return on assets % (Group) | 2.9% | (1.7)% | 3.7% | (0.1)% |
| Debt: equity ratio (Group) | 1.6 | 0.5 | 1.6 | 0.7 |

In support of

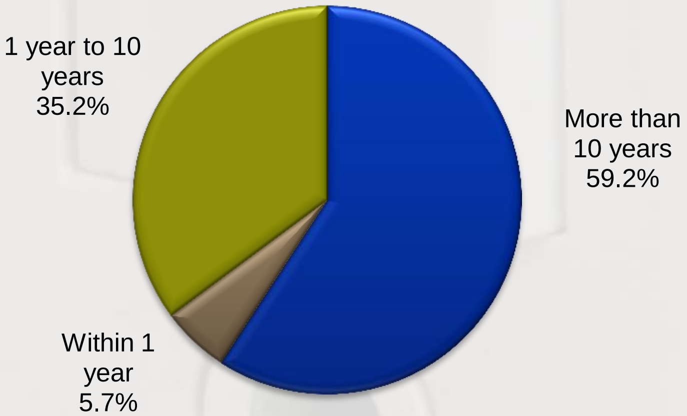
REMEMBER YOUR POWER 49M

# Debt maturity and leverage

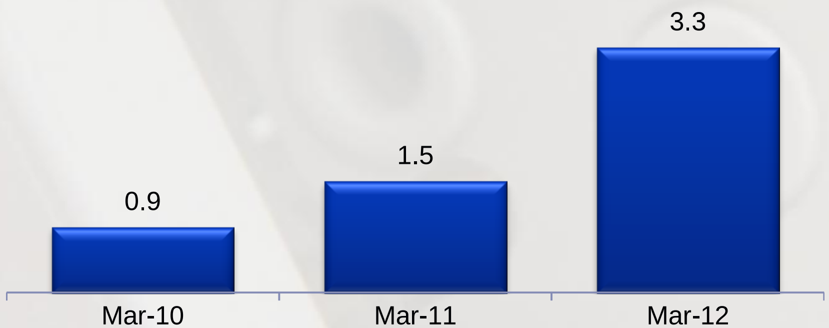
## Gross Debt/EBITDA ratio



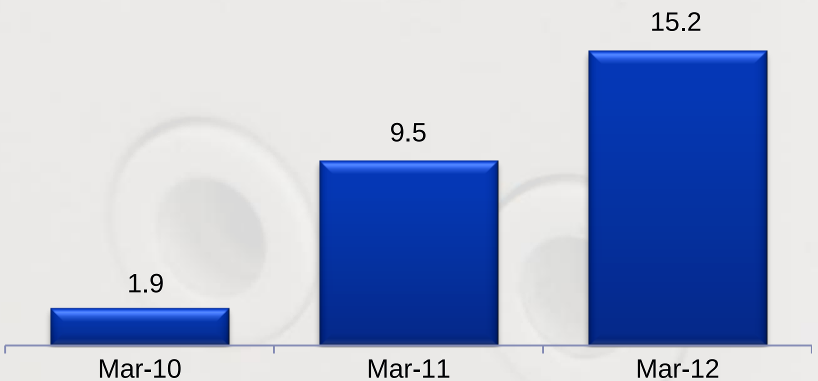

## Debt & Borrowings Maturity Profile[1]




## Interest Cover ratio




## FFO as a % of Gross Debt

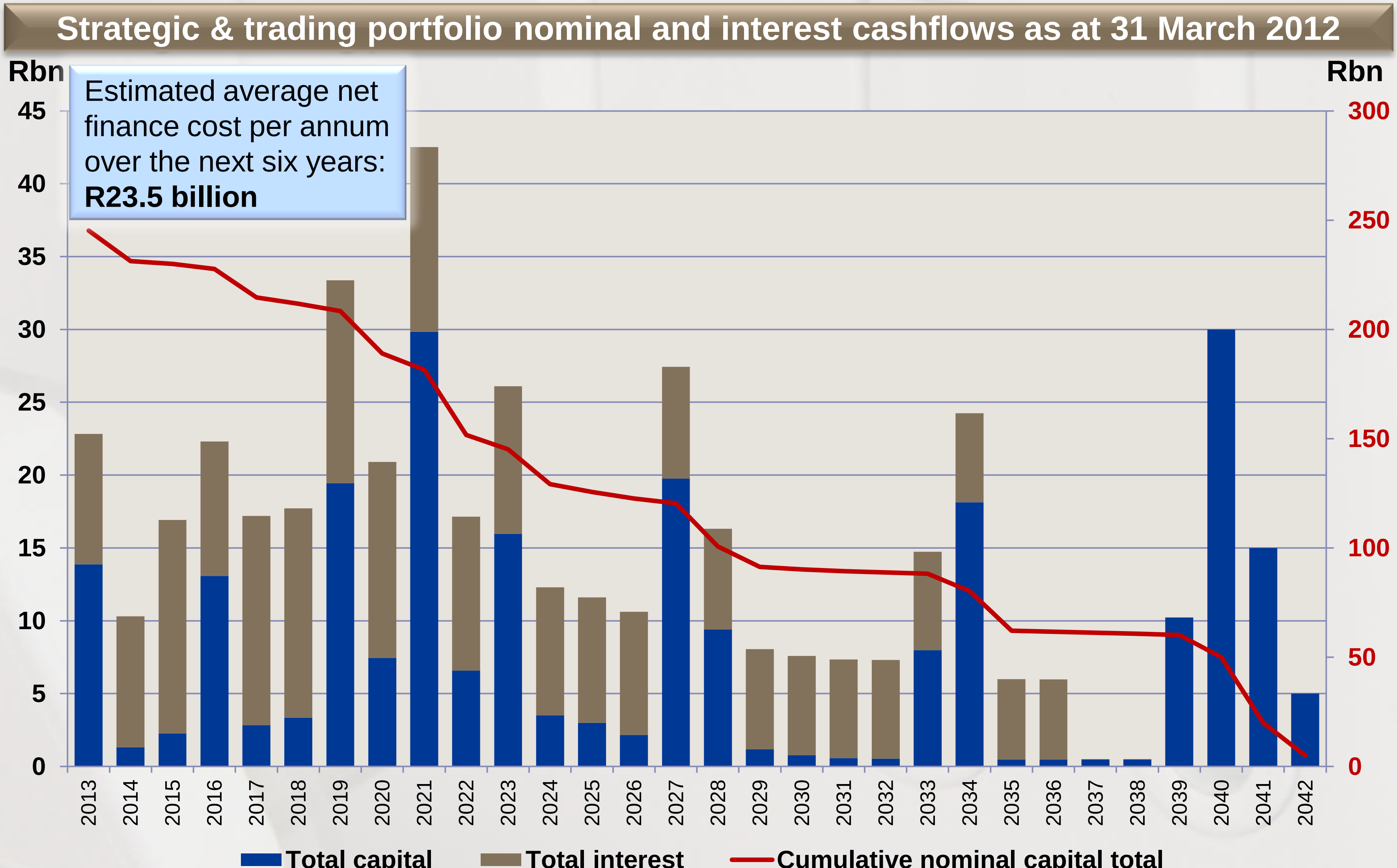



In support of

(1) Represents the repayment of nominal capital in the strategic and trading portfolio. Data as at 31 March 2012.

# Debt maturity profile

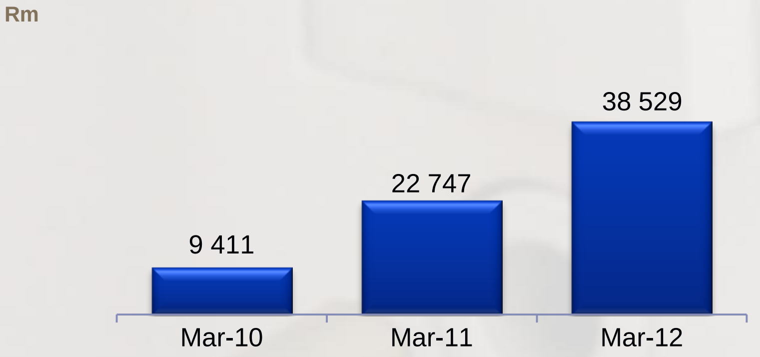
Eskom



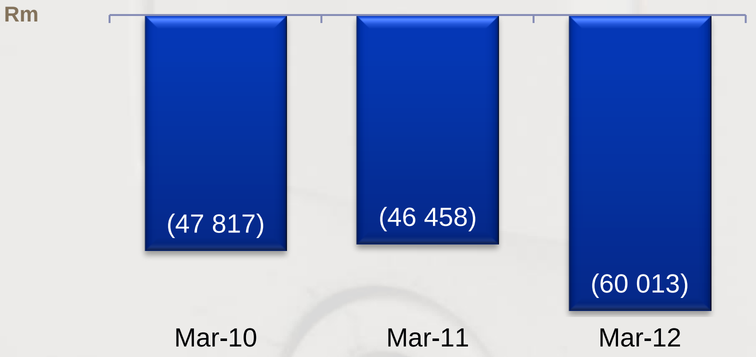

In support of

# Group audited cash flows[(1)]

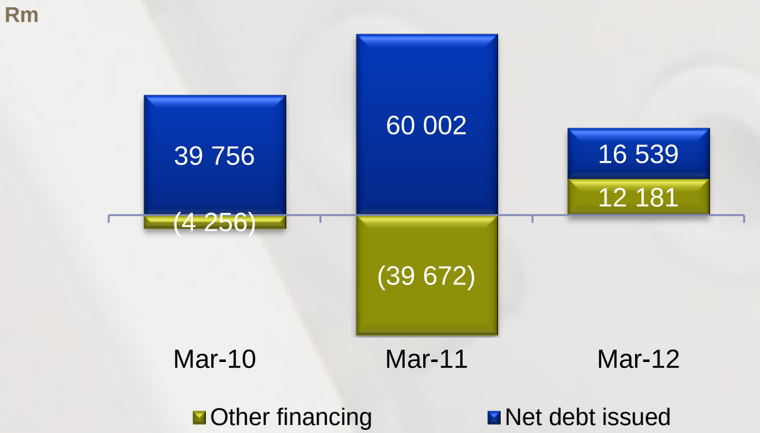
## Cash flows from operating activities



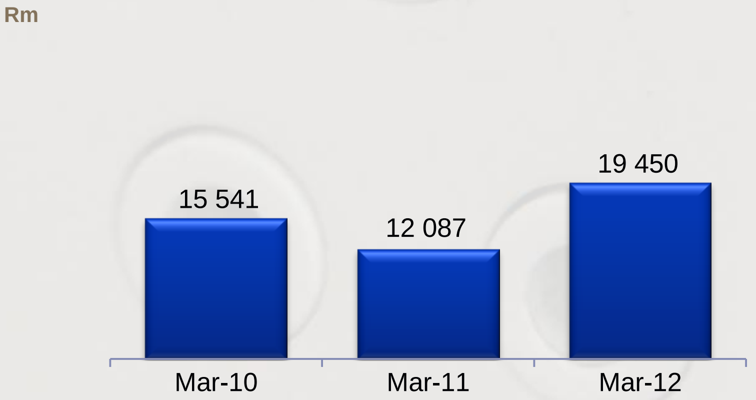

## Cash flows utilised in investing activities




## Cash flows from financing activities



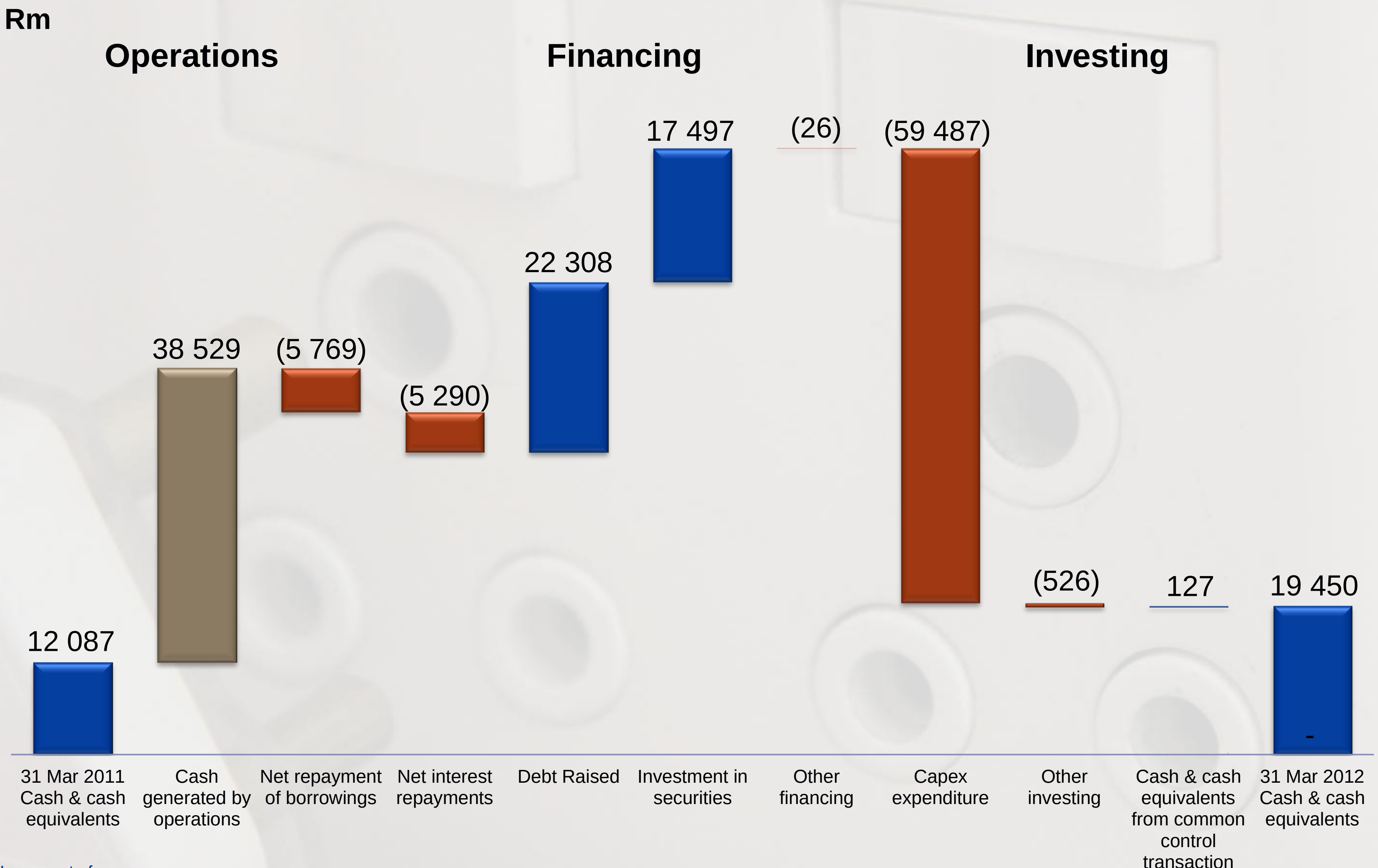

## Cash and cash equivalents at period end




In support of REMEMBER YOUR POWER 49M

(1) Cash flows from operating and investing activities for 2010 have been restated. R127m cash and cash equivalents resulting from common control transaction adjusted in 2011/12 cash flow statement

# Summary of audited cash flows



# Funding plan – R300 billion from 1 April 2010 to 2017

| Source of funds | Funding sourced Rbn | Currently secured Rbn | Draw-downs to date Rbn | Amount supported by Government Rbn |
|---|---|---|---|---|
| Bonds | 90.0 | 32.9 | 32.9 | 20.4 |
| Commercial paper | 70.0 | 70.0 | 20.0 | 0.0 |
| Export Credit Agency backed | 32.9 | 32.9 | 15.6 | 0.0 |
| World Bank loan | 27.8 | 27.8 | 5.6 | 27.8 |
| AFDB loan | 20.9 | 20.9 | 5.9 | 20.9 |
| DBSA loan | 15.0 | 15.0 | 3.0 | 0.0 |
| Shareholder loan | 20.0 | 20.0 | 20.0 | 20.0 |
| Other sources | 23.4 | 13.2 | 0.8 | 4.9 |
| **Totals** | **300.0** | **232.7** | **103.8** | **94.0** |
| | | | | |
| Percentages | | 77.6%(1) | 44.6%(2) | 40.4%(2) |

(1) As a percentage of the R300bn funding sourced
(2) As a percentage of the currently secured total

In support of REMEMBER YOUR POWER

# Credit ratings as at 31 March 2012

| Entity | Rating Status | Moody's | S&P | Fitch |
|---|---|---|---|---|
| Eskom Holdings SOC Ltd | Foreign Currency | Baa2 | BBB+ | - |
| | Local Currency | Baa2 | BBB+ | A |
| | ZAR Long-term | - | AA | AAA |
| | ZAR Short-term | - | A1 | F1+ |
| | Outlook | Negative (1) | Negative (2) | Stable/Negative(3) |
| Stand-Alone Ratings | | Ba3 | B | None |
| RSA Govt. | Foreign Currency | A3 | BBB+ | BBB+ |
| | Local Currency | A3 | A+ | A |
| | ZAR Long-term | - | AAA | AAA |
| | ZAR Short-term | - | A1 | F1+ |
| | Outlook | Negative (1) | Negative (2) | Negative (3) |

(1) During November 2011 Moody's lowered its outlook on Eskom's and South Africa's sovereign credit rating to negative from stable
(2) During March 2012, S&P lowered its outlook on Eskom's and South Africa's sovereign credit rating to negative from stable
(3) During January 2012 Fitch lowered its outlook on Eskom's local currency rating as well as South Africa's sovereign credit rating to negative from stable. Eskom's ZAR long- and short-term rating statuses remained 'stable'

# Construction

## Paul O'Flaherty
Finance Director

***Switch from traditional light bulbs to CFLs or LEDs***

# New generation capacity and transmission networks 2005–2018

| | Return-to-service (RTS) | Base load | Peaking & renewables | Mpumalanga refurbishment | Transmission |
|---|---|---|---|---|---|
| |  |  |  |  |  |
| **In development** | • None | • Nuclear–site development and front end planning<br>• Biomass<br>• Primary Energy projects (Road & Rail) | • Sere (100MW)<br>• Pilot Concentrated Solar Power (100MW)<br>• Photovoltaic (Own use*) | • Refurbishment and air quality projects | • 60 Grid strengthening projects |
| **Under Construction/ complete** | • Komati (1 000MW)<br>• Camden (1 520MW)<br>• Grootvlei (1 180MW) | • Medupi (4 764MW)<br>• Kusile (4 800MW) | • Ankerlig (1 338.3MW)<br>• Gourikwa (746MW)<br>• Ingula (1 332MW)<br>• Solar PV installations at MWP (0.4MW) | • Arnot capacity increase (300MW)<br>• Matla refurbishment<br>• Kriel refurbishment<br>• Duvha refurbishment | • 765kV projects<br>• Central projects<br>• Northern projects<br>• Cape projects |
| | • **3 700MW** | • **9 564MW** | • **3 518MW (1)** | • **300MW** | • **~ 4 700km** |

**Commissions of new stations**

| | First Unit | Last Unit |
|---|---|---|
| **Medupi** | 2013 | 2017 |
| **Kusile** | 2014 | 2018 |
| **Ingula** | 2014 | 2014 |

- **~ 17 082MW of new capacity (5 756MW installed and commissioned)**
- **~ 4 700km of required transmission network (3 899.3km installed)**
- **20 600MVA planned (20 195MVA installed)**

Note:
* Solar PV Plants at Lethabo (0.575MW) & Kendal (0.620MW) are in operation phase

**Medupi is the first coal-generating plant in Africa to use supercritical power generation technology**



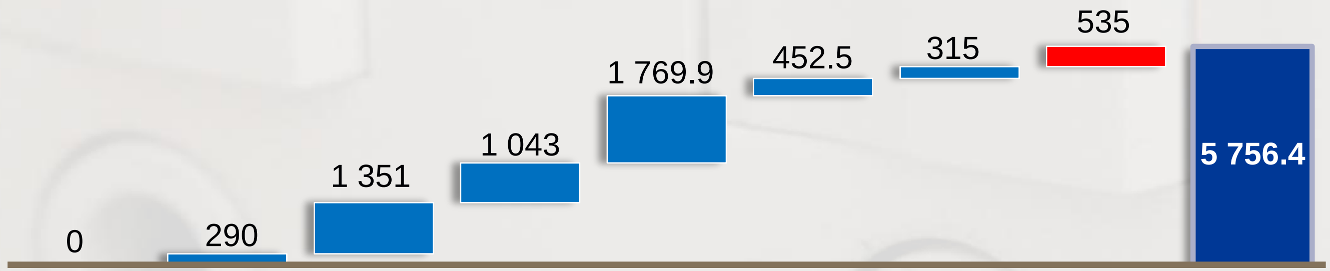
(1) Includes 1.62 MW for Solar PV (MWP, Lethabo & Kendal) Source: Eskom Group Capital Division (Construction Management)

# Build progress to date

**To date, a large amount of construction work has been completed, adding ~ 5 756MW of capacity, ~ 3 899km of transmission network and ~ 20 195 of MVAs**

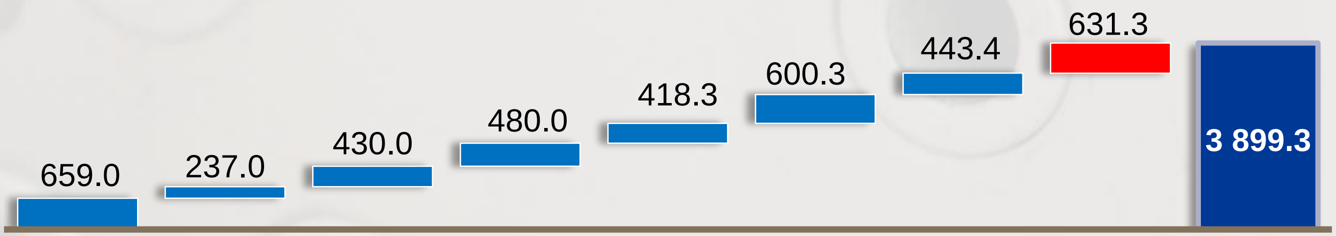
**Megawatts**

**MW of capacity**



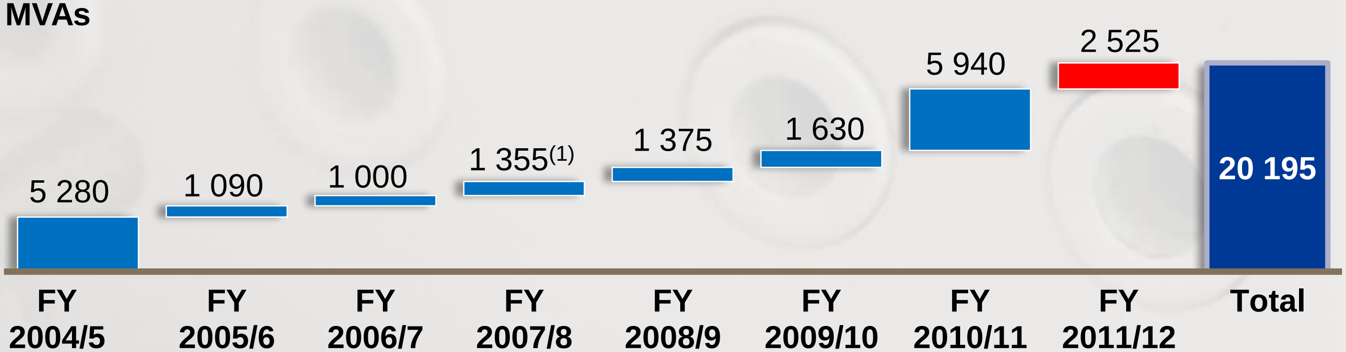

**Transmission**

**Km line**




**Substations**

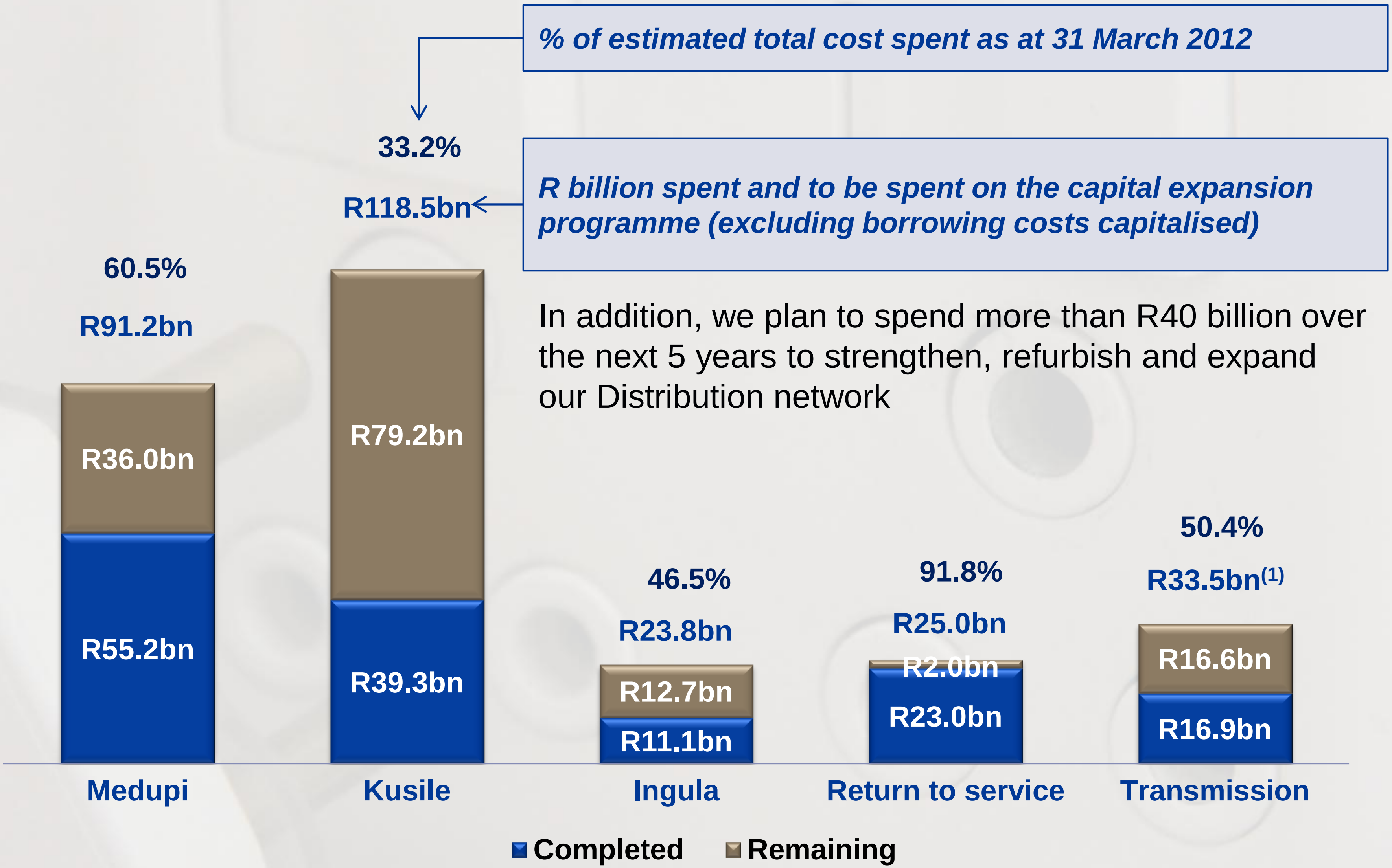
**MVAs**






(1) MVA – 2007/08 (1 355 MVA) includes Transmission contribution as well as Group Capital (1 295 MVA)

# Significant progress in build programme – began in 2005 with completion in 2018




In addition, we plan to spend more than R40 billion over the next 5 years to strengthen, refurbish and expand our Distribution network

In support of

(1) Includes transmission costs for Ingula, Kusile and Medupi

# Current planned capital expansion plan

| Project | Year to 31 March 2013 | Year to 31 March 2014 | Year to 31 March 2015 | Year to 31 March 2016 | Year to 31 March 2017 | Year to 31 March 2018 | Year to 31 March 2019 | Total |
|---|---|---|---|---|---|---|---|---|
| Grootvlei (return to service) | 30 | | | | | | | **30** |
| Komati (return to service) | 200 | | | | | | | **200** |
| Camden (return to service) | 30 | | | | | | | **30** |
| Medupi (coal fired) | | 794 | 794 | 1 588 | 794 | 794 | | **4 764** |
| Kusile (coal fired) | | | 800 | 800 | 800 | 800 | 1 600 | **4 800** |
| Ingula (pumped storage) | | | 1 332 | | | | | **1 332** |
| Sere wind farm (renewable) | | 100 | | | | | | **100** |
| **Total (MW)** | **260** | **894** | **2 926** | **2 388** | **1 594** | **1 594** | **1 600** | **11 256** |

**In addition, Eskom has commenced the development of a 100MW CSP plant**




# Operations

## Brian Dames
Chief Executive

***If you're not using it, switch it off***

In support of

REMEMBER YOUR POWER 49M

# Primary Energy – operational performance

- Highlights:
  - Coal by rail to Majuba and Camden increased by 1.4 million tons to 8.5 million tons for the year
  - Establishment of the rail line and inland coal terminals in Mpumalanga resulted in greater flexibility
  - Conclusion of a memorandum of understanding with a mining coal supplier, Sekoko Resources (Pty) Ltd in the Waterberg
  - Construction of Komati Water Scheme on track for completion at the end of 2012 and the Department of Water Affairs began construction of Mokolo and Crocodile water augmentation project
  - The Primary energy division has achieved ISO 9001 certification as at the end of March 2012 and are working towards ISO 14001 in the coming financial year

# Primary Energy – operational performance

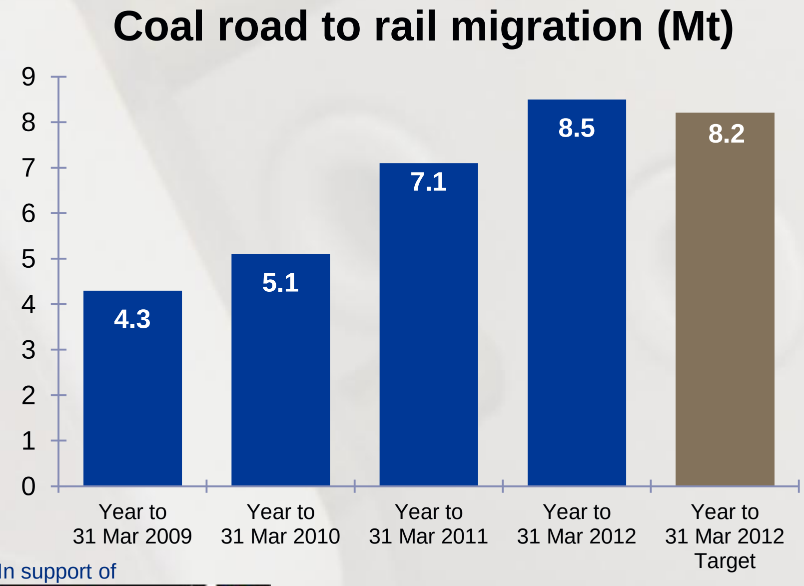
- Challenges:
  - Road fatalities involving the public and coal transporters continue despite safety initiatives
  - Maintaining coal stock levels at acceptable levels
  - Purchasing more expensive coal due to the poor volume performance of cost-plus mines[(1)]
  - Achieving contractual performance on all coal supply agreements as coal quality is poor
  - Road construction progress was affected by unreliable bitumen supply and delays in water-use licences


In support of

(1) Cost-plus mines have contractual arrangements through which Eskom pays all capital and operating costs to mine the coal, plus an annuity return to the mining house

# Primary Energy – road to rail migration plan

- The strategy focuses on mode selection and infrastructure and short term truck reductions
- Since 2009, the implementation of the strategy has resulted in the following successes:
  - An innovative containerised rail solution has been implemented in Camden
  - Tutuka coal terminal will receive its first coal in July 2012
  - Rail deliveries have increased steadily




# Generation – operational performance

- Highlights:
  - Coal-related energy losses decreased compared to the previous year
  - Received praise from the World Association of Nuclear Operators for Eskom’s proactive approach in assessing Koeberg’s state of readiness in response to the Fukushima review guidelines
  - The number of unplanned unit trips which is an indication of reliability has improved to 3.19 (2011: 3.62)
  - Installed gaseous-emission monitoring systems on one unit of each coal-fired power station

# Generation – operational performance

- Challenges:
  - Balancing the conflicting needs of shutting down power plants to perform maintenance with generating electricity to meet demand
  - Unplanned outages on Koeberg unit 2, the long-term shutdown of Duvha unit 4 and unplanned outages at coal-fired power stations severely affected key performance indicators
  - Coal-related energy losses at Matla, Tutuka, Duvha and Arnot power stations remain a concern and may increase if mines continue to deviate from coal-quality specifications
  - The tight system, poor coal and under-performing plant resulted in a high number of exemptions against emissions standards



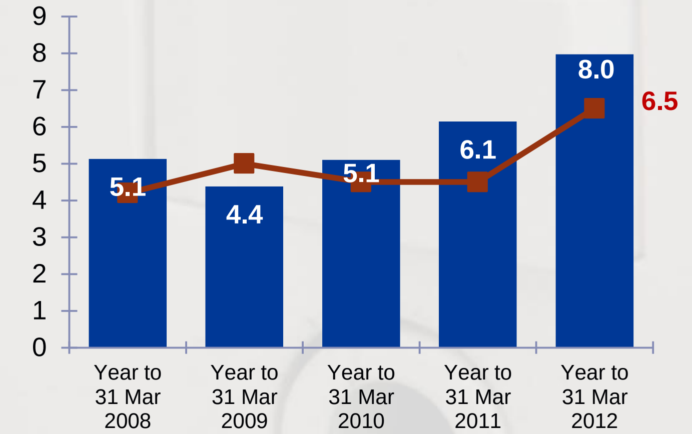
Slide required with graph and comments on performance

# Generation – technical performance

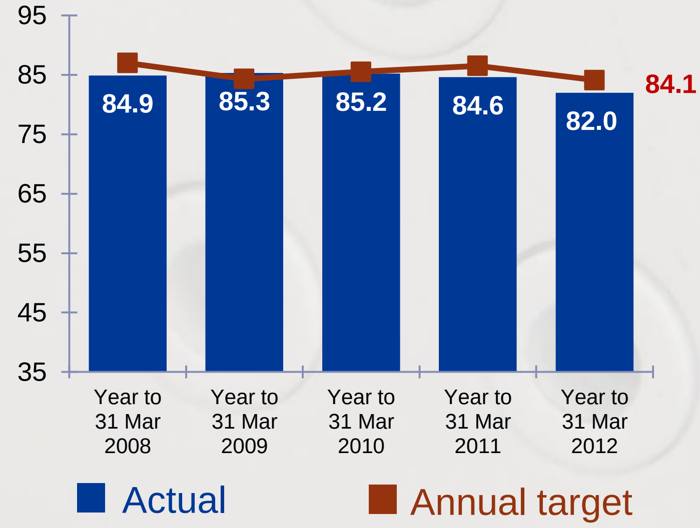
Eskom

- EAF performance deteriorated in 2012 compared to the previous year
- The damage to Duvha unit 4 power station, contributed more than 1% to the UCLF
- Boiler tube failures remain the significant contributor to total unplanned capacity losses
- Coal quality improved. It is important to note though that the effects of the previous batches of poor quality coal continue to effect the performance of some of the units as the damage that was caused will take some time to fix
- There has been an improvement in the reliability of Eskom's plant fleet although Koeberg's performance was negatively impacted by a forced outage to repair a hydrogen leak related to the generator stator coolant system

**Unplanned capability loss factor (UCLF[1]) %**




**Energy availability factor (EAF[2]) %**




(1) **EAF** measures plant availability, plus energy losses not under the control of plant management
(2) **UCLF** measures the lost energy due to unplanned production interruptions resulting from equipment failures and other plant conditions

# Generation - preventative maintenance

- A typical coal-fired generating unit requires certain necessary routine maintenance to ensure that it accedes in its technical performance requirements, is safe to operate and does not violate any environmental laws


| Activity | Cycle time (years) | Duration (days) |
|---|---|---|
| General Overhaul (GO) | 6 - 12 | 40 - 60 |
| Interim Repairs (IR) | 2 - 3 | 14 - 35 |
| Mini – General Overhaul (MGO) | 6 | 28 |
| Boiler Inspection (BI) | 1 – 1.5 | 7 - 14 |
| Statutory inspection and test (ST) | 6 | 35 |
| Main steam pipe work | | 120 |


In support of

# Transmission – operational performance

- Highlights:
  - Substantially improved the availability of transmission assets
  - Improved number of line faults per 100km performance
  - Only one major incident[1] was recorded, less than the maximum of two as specified in the key performance indicators
  - Identified future trading opportunities in the Southern African region to assist in alleviating potential shortfalls in the medium-term electricity supply

- Challenges:
  - Transmission interruption performance deteriorated during 2011/2012:
    - The ‘number of system minutes lost ≤ 1’ was 4.7 against a target: of ≤ 3.4
    - The ‘number of interruptions’ recorded was 48 against a target of ≤ 35
  - High levels of conductor, equipment and electricity theft are affecting plant performance and increasing cost
  - The number of protected bird mortalities due to collisions with power lines

In support of

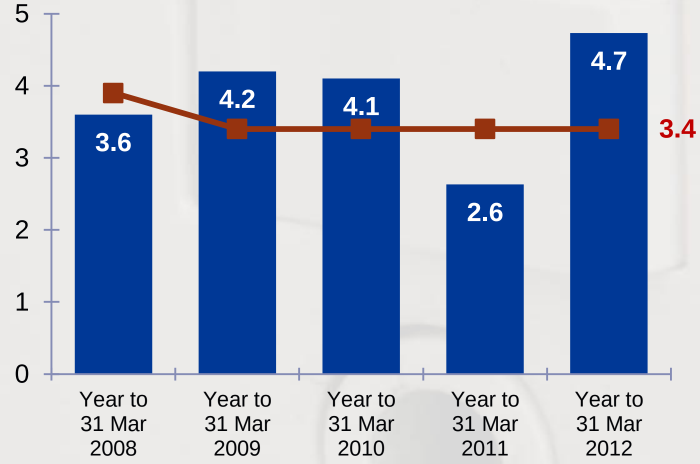
REMEMBER YOUR POWER 49M

(1) **Major incident:** This is an interruption with a severity ≥ 1 system minute

# Transmission – technical performance

- Both the number of interruptions and the system minutes [(1)] lost ≤ 1 performance deteriorated during the year
- This was primarily due to risks associated with the execution of increased expansion and refurbishment projects at operational sites
- One major incident was recorded on the Transmission network during the year (target: ≤ 2)

**Severity of interruptions (System minutes lost ≤ 1)**




**Number of major incidents**


**(1) System minutes:** Is a measure of the severity of interruptions to customers. One system minute is equivalent to the loss of the entire system for one minute at annual peak

In support of REMEMBER YOUR POWER 49M

# Independent power producers

- Eskom is committed to facilitating the entry of Independent Power Producers (IPPs) and acknowledges the role that IPPs must play in the South African electricity market
- To date Eskom has contracted 1 008MW of installed capacity from IPPs
- The amount paid for this capacity amounted to R3 250 million in 2011/12 (2010/11: R1 264 million) at an average cost of 0.77R/kWh
- Eskom has actively supported the Department of Energy in finalising its request for proposal documents and power purchase agreements for the renewable energy IPP programme. The request for proposal document calls for 3 725MW of renewable energy technologies to be in commercial operation between mid-2014 and the end of 2016
  - 28 preferred bidders announced for the first submission with a combined 1 416MW contribution
  - 19 preferred bidders announced for the second round of submissions with a combined 1 275MW contribution

| Cumulative IPP installed capacity (MW) | Target 2012 | Actual 2012 | Actual 2011 | Actual 2010 |
|---|---|---|---|---|
| Medium term power purchase programme | | 373 | 373 | - |
| Municipal base load generation | | 515 | 515 | - |
| Short term energy purchases | | 120 | - | - |
| **Total** | **1 500** | **1 008** | **888** | **0** |
| IPP power purchased (GWh) | **n/a** | **4 107** | **1 833** | **0** |

# Distribution – operational performance

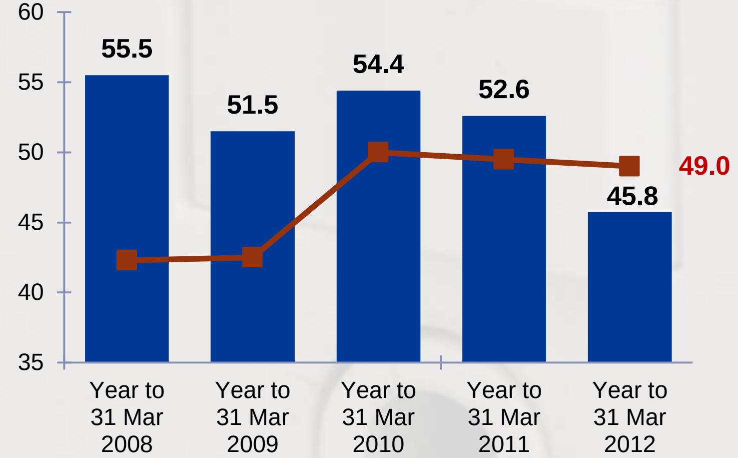
- Highlights:
  - Significant improvement of the system average interruption duration index (SAIDI) performance and marginal improvement of the system average interruption frequency index (SAIFI) performance during the year
  - Electrification connections during the year were 155 213 versus a target of 125 377

- Challenges:
  - Safety performance is a serious concern especially employee and contractor fatalities
  - High levels of theft of equipment and electricity including illegal connections affects plant performance and increases costs
  - Collisions and electrocutions of birds on distribution power lines
  - Acquisition of land and servitudes for electricity infrastructure

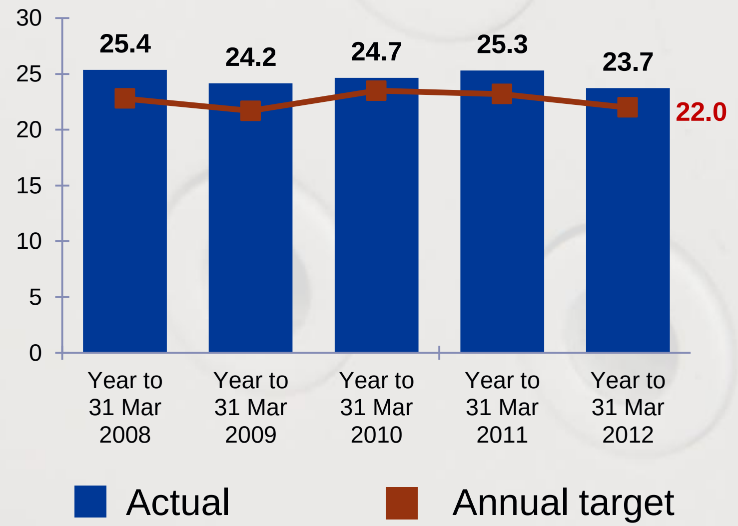
# Distribution – technical performance

- SAIDI performance improved to 45.8 hours per annum against a target of 49.0 hours per annum
- The improved SAIDI performance is attributed to the benefits of the reliability improvement investments, which include the focussed attention to and improved management of outages
- SAIFI performance improved to 23.7 interruptions per annum, although the target of 22.0 interruptions per annum was not achieved

**SAIDI (hours/annum)[1]**




**SAIFI (number/annum)[2]**




(1) **SAIDI:** System average interruption duration index

(2) **SAIFI:** System average interruption frequency index

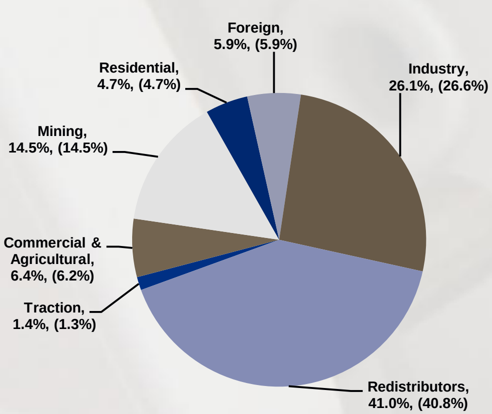
In support of

# Customer services

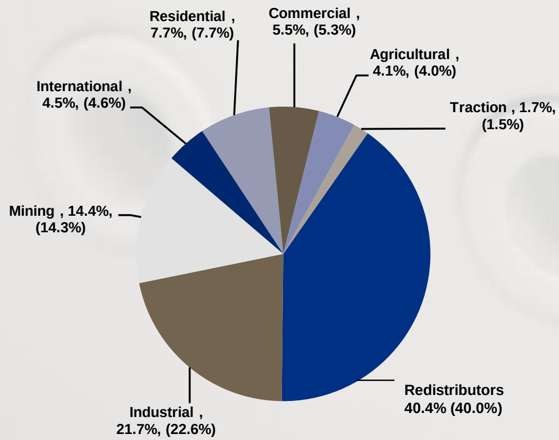
- Directly provides electricity to about 45% of all end users in South Africa
- Two main types of customers:
  - Redistributors: Mainly municipalities that sell electricity to end customers.
  - Direct customers: Industrial, commercial, mining, agricultural and residential consumers
- Eskom top Mining and Industrial customers (previously KSACS) deals with customers using ≥100GWh of energy per year. At 31 March 2012, KSACS had approximately 146 customers accounting for 34% of total Eskom electricity revenues
- One customer has a supply contract indexed to commodity prices
- A member of Southern African Power Pool ("SAPP")

## Key figures for the year to 31 March 2012

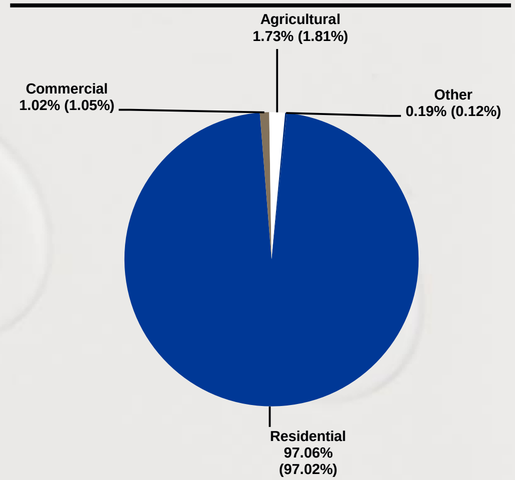
**Sales Split**
**Total: 224 785GWh (224 446GWh)[1]**




**Gross Electricity Revenue Split**
**Total: R112 999m (R90 375m)[1]**




**Number of customers**
**Total: 4.9 million (4.7 million)[1]**

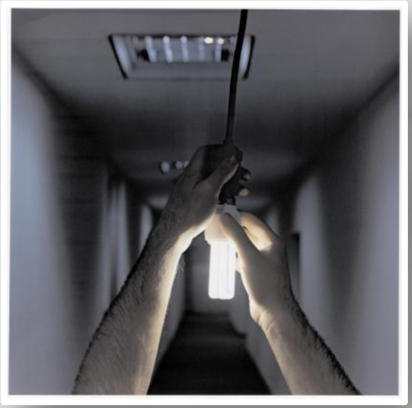



In support of

(1) Numbers in brackets refer to the year to 31 March 2011

# Customer services – operational performance

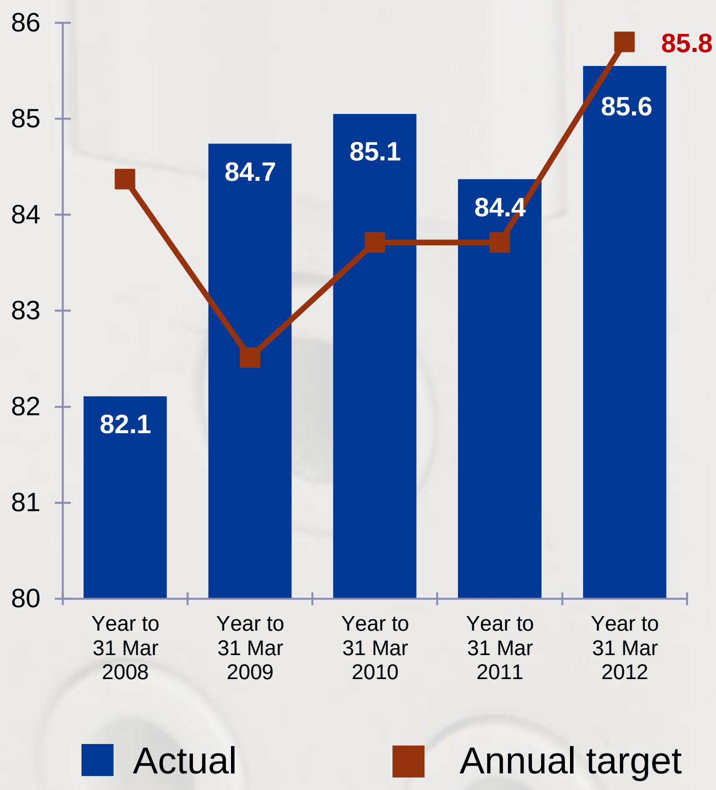
- Highlights:
  - Secured a number of electricity buy-back deals amounting to 817MW
  - Successfully encouraged customers to reduce electricity load on short notice when required
  - Media advert “Power Alert” continued to drive savings in critical times. During the year average demand savings of 261MW was attained during “red” periods. The overall savings of Power Alert translate to 50.6GWh of energy savings
  - Accelerated the solar water-heating rebate programme. In the current year 158 175 units were verified
  - Rolled out 49M, a marketing campaign aimed at promoting long-term behavioural change in favour of energy savings
  - Introduced alternative incentive programmes for managing demand



# Customer services – operational performance

- Challenges:
  - Ensuring customers are updated on their quality of supply as well as planned outage plans
  - High electricity price increases negatively affect the profitability and financial sustainability of Eskom's customers and their ability to pay their electricity bills
  - Management of Soweto outstanding debt
  - Ensuring that tariffs are cost reflective taking into account size, locality and time of use by customers as well as addressing cross subsidisation issues
  - Roll-out of the Energy Conservation Scheme – ensuring that all affected customers understand the process and are comfortable with the reference consumption

**Weighted customer service index(1)**



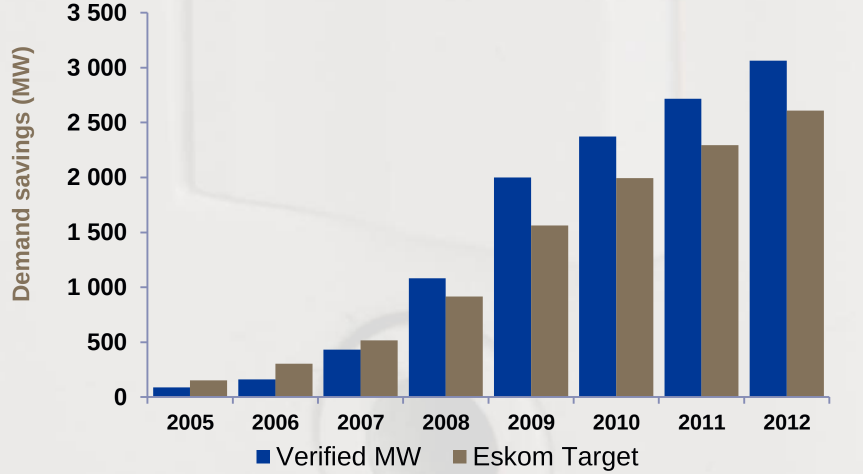

(1) Eskom uses a composite index to measure the service delivered to its residential, small and medium customers. The index combines the results of two external customer service perception surveys and four internal customer service process measures.

In support of REMEMBER YOUR POWER 49M

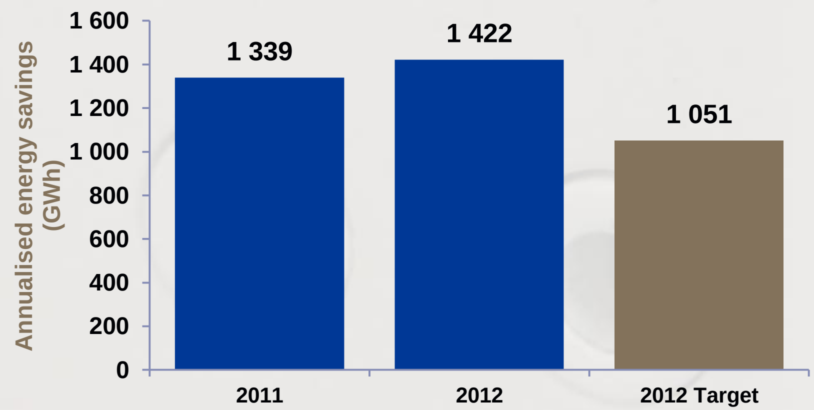
# Integrated Demand Management

- The accumulated verified demand savings for the combined financial years 2005 to 2012, is 2 997MW (this is equivalent to five units worth of output of a typical power station[(1)])
- The total evening peak demand savings achieved of 365MW against a target of 313MW (2011: 354MW)
  - The CFL roll-out programme contributed 215MW to verified savings
- The annualised energy savings for this financial year are 1 422GWh against the target of 1 051GWh
- Eskom's aim is to improve the energy efficiency of its facilities (over plants and buildings) through the undertaking of energy audits and efficiency programmes focusing on lighting, heating, ventilation and air-conditioning (HVAC):
  - For the year internal energy demand savings of 1.4MW and energy savings of 45GWh were achieved

## Cumulative verified demand savings (MW)




## Energy Savings (GWh)




(1) A single power station unit contributes about 600MW to national electricity supply

# Energy losses and theft

- Energy losses reflect the difference between the quantity of energy sent out from the power stations and the quantity sold to the various customers at the end of the value chain

| Energy losses | Target % 2012 | Actual % 2012 | Actual % 2011 | Actual % 2010 |
|---|---|---|---|---|
| Distribution loss | ≤6.07 | 6.32 | 5.68 | 5.87 |
| Transmission loss | ≤3.40 | 3.08 | 3.27 | 3.27 |
| **Total Eskom loss** | **≤8.75** | **8.65** | **8.25** | **8.45** |

- Eskom loses an estimated R1.2 billion annually due to energy theft and related activities
- High levels of theft of copper and pylon persist, which are affecting plant performance and increasing costs
- Operation Khanyisa, a public-awareness campaign about legal power usage, is now in full operation and South Africans have heeded the call to report electricity theft and illegal electricity sales


In support of

(1) 12 month moving average
(2) Transmission losses are all technical losses

# Concluding remarks

Brian Dames
Chief Executive

***Watch out for Power Alert and switch off appliances you don't need***

# Priorities for next year

- Safety
- Keeping the lights on
  - Ensuring security of supply in partnership with South Africans
  - Ensuring demand side savings by both our customers and our own facilities
- Ensure financial sustainability
  - MYPD3 application and country choices
- Deliver on the build programme
  - Special focus on the commissioning of the first unit of Medupi
- Improve operations by focusing on the continuation of the:
  - Next phase of the implementation of the Back to Basics programme (Processes, Systems and Tools) and
  - Implementation of the Generation (Reducing our unplanned capability load factor (UCLF) and ensuring the reliability of our power stations), Distribution and Customer Centricity Excellence Programmes
- South African Energy
  - Separate unit formed to investigate regional power opportunities

# Conclusion

- In 2013 Eskom will be celebrating our 90th anniversary. For nine decades, Eskom has been adding quality to the lives of South Africans and enabling the country's economic growth
- Eskom's progress equates to that of South Africa's advancement. In this regard, Eskom's success is crucial
- Embrace energy saving as a national culture, joining the global journey towards a sustainable future


# Thank you

**Websites and email contacts**

| | |
|---|---|
| Eskom website: | www.eskom.co.za |
| Eskom email: | contact@eskom.co.za |
| Investor relations: | investor.relations@eskom.co.za |
| Eskom media desk: | mediadesk@eskom.co.za |
| Eskom environmental: | envhelp@eskom.co.za |
| Eskom annual report: | www.eskom.co.za/IR2012/ |
| Eskom Development Foundation: | www.eskom.co.za/csi |