Integrated Results Presentation
for the six months ended
30 September 2013

5 December 2013

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Agenda and presenters

Executive summary	**Brian Dames**
Performance on strategic objectives	**Brian Dames and Caroline Henry**
Concluding remarks	**Brian Dames**

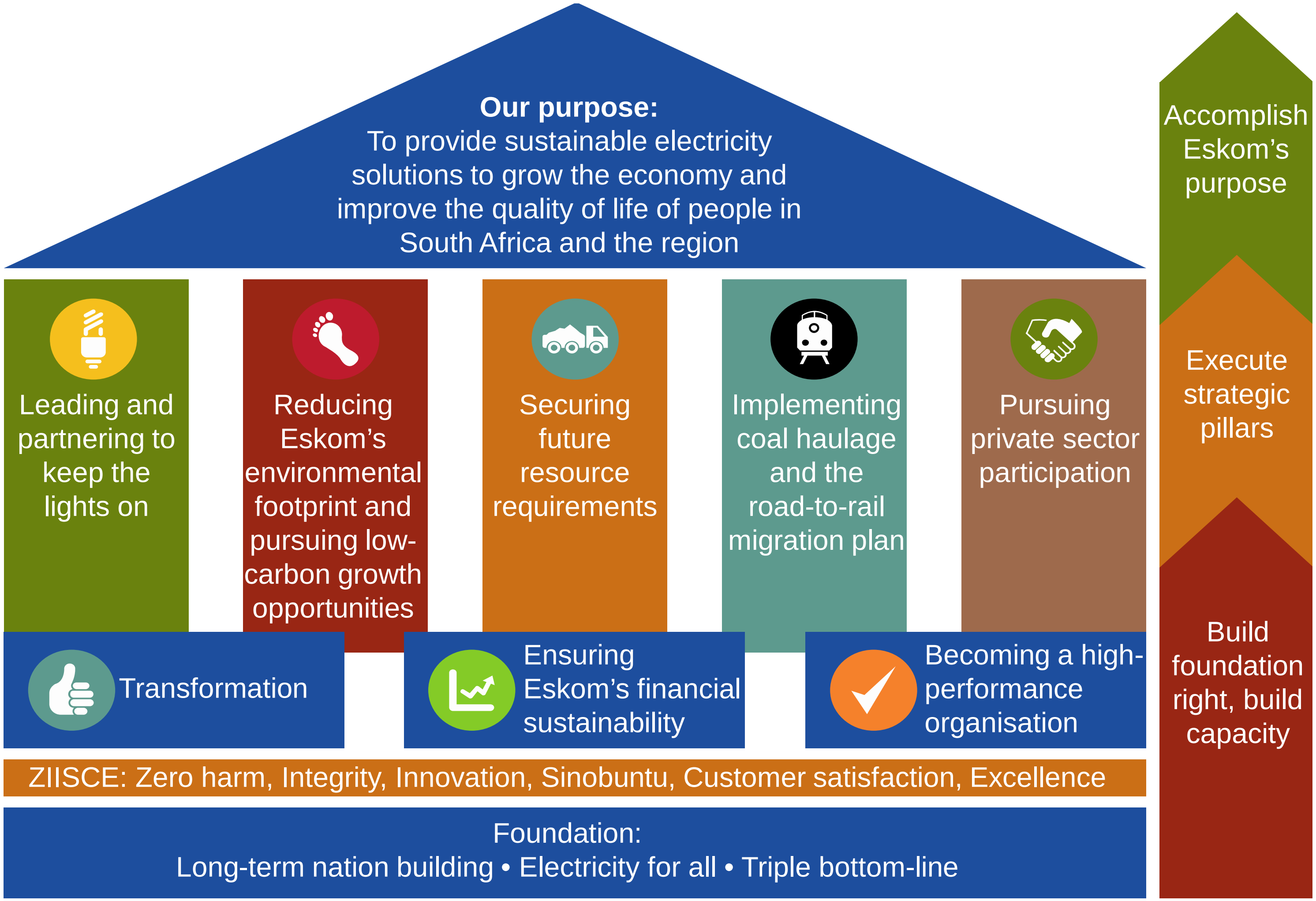
1923–2013

Executive summary and performance on strategic objectives

Brian Dames

Chief executive

Eskom's strategy



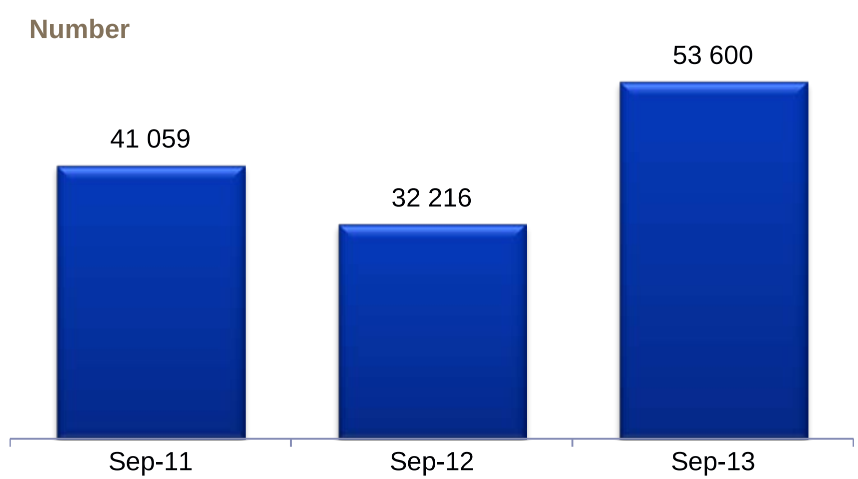
Executive summary

- Safety
  - Sadly, a tragic accident at Ingula caused six fatalities
  - Employee lost time incident rate improved, but safety continues to be a primary focus
- Power system
  - The power system remains constrained and the lights were kept on
  - On 19 November 2013, Eskom declared an emergency in terms of the approved regulatory protocols in order to secure the power system. Eskom lifted the emergency declaration at 22:00 on 21 November 2013
  - The Generation performance is a focus area in line with the 80:10:10 sustainability strategy
  - More maintenance undertaken in winter and summer months
- MYPD 3 determination
  - Eskom's response strategy aims to close the revenue gap with a view to increase productivity and sustainability in the long run
  - Certain strategic trade-offs and initiatives will require a change in the approach to the operating and business model of Eskom
- Capital expansion programme
  - The return to service power station projects have been concluded with the successful commissioning of the final unit at Komati power station
  - Delivery of Medupi Unit 6 remains a key focal point – first synchronisation date is scheduled for the second half of 2014

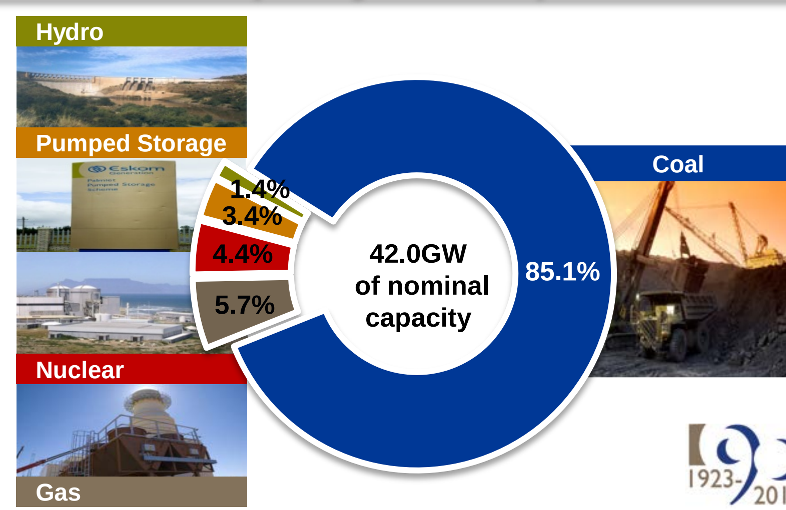
Eskom has the advantages and challenges of all large-scale enterprises

- Strategic 100% state-owned electricity utility, strongly supported by the government
- Top 15 global electricity utility
- Africa's largest electricity utility
- Supplies approximately 95% of South Africa's electricity
- As at 30 September 2013:
  - 46 624 group employees (2012: 44 913)
  - 5.1 million customers (2012: 4.9 million)
  - Net maximum generating capacity of 42.0GW (2012: 41.7GW)
  - Approximately 354 000km of cables and power lines
  - Moody's and S&P stand-alone credit ratings: b1 and b- respectively with a negative outlook
  - 17.1GW of new generation capacity being built, of which 6.1GW already commissioned

Number of electrification connections



Generation capacity – 30 September 2013



Financial summary

Ensuring Eskom's financial sustainability

- Financial highlights[1]
  - Results reflect the impact of the 8% tariff increase and the declining demand for electricity
  - Seasonality of Eskom's business has a significant impact on the half-year results
  - Eskom successfully raised $1 billion through an international bond issuance
  - Progressing with MYPD3 business productivity response

Income statement for the period	**Reviewed half year to 30 Sep 2013**	**Reviewed half year to 30 Sep 2012**	**Reviewed half year to 30 Sep 2011**
Revenue (Rm)	77 815	73 368	63 993
(Contraction)/growth in GWh sales (%)[2]	(0.1)	(2.9)	0.9
Profit for the period after tax (Rm)	12 241	12 629	12 793
Revenue per kWh (cents per kWh)[3]	69.0	64.9	55.3
Operating costs per kWh (cents per kWh)[4]	55.3	47.0	38.2
Capital expenditure (Rm)[5]	23 440	26 020	26 053
As at end of the period:			
Average days coal stock (days)	53	44	41
Gross debt securities issued/borrowings (Rm)	236 780	213 360	178 487
Debt: equity (ratio)	1.7	1.6	1.4

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

Performance against shareholder compact

Key performance areas	Key performance indicator	Unit	*	Target March 2014	Actual Sept 2013	Actual Sept 2012	Actual March 2013
Safety	Employee LTIR	Index		0.36	0.34	0.40[1]	0.40[1]
Being customer centric	Customer service index	Index		88.7	86.9	86.6	86.8
Improving operations	Normal UCLF	%		10.00	11.53	9.98	12.12
	Constrained UCLF[2]	%		*0.00*	*3.45*	*2.49*	*3.41*
	Underlying UCLF[3]	%		*10.00*	*8.08*	*7.49*	*8.71*
	EAF	%		80.00	78.42	81.18	77.65
	SAIDI	Hours		45.0	37.3	43.9	41.9
	Total system minutes <1	Minutes		3.40	1.58	1.53	3.52
Building strong skills	Training spend as % of gross employee benefit costs[4]	%		5.00	7.48	—	—
	Engineers	Number		2 007	2 269	2 052	2 144
	Technicians	Number		780	822	733	835
	Artisans	Number		2 619	2 518	2 040	2 847
	Youth programme	Number		5 000	5 100	5 029	5 701

* Forecasted performance to target at 31 March 2014. **Green** indicates target will be achieved and **red** indicates that the target is at risk and will be aggressively managed to year-end

1. Number revised from 0.39 to 0.40 due to the late reporting of incidents
2. Constrained UCLF – this results from emissions and short term related UCLF. This is apportioned between the planned capability loss factor (PCLF) and the other capability loss factor (OCLF), which is the energy lost because of unplanned shutdowns
3. Underlying UCLF – the difference between normal and constrained UCLF and which is still within Eskom's control
4. Training spend as % of gross employee benefit costs is a new measure, hence no comparative information is currently available

Performance against shareholder compact (continued)

Key performance areas	Key performance indicator	Unit	*	Target March 2014	Actual Sept 2013	Actual Sept 2012	Actual March 2013
Keeping the lights on	Maintenance backlog reduction based on Eskom Technical Governance Committee approval	Number		0	1	n/a	n/a
	IDM demand savings	MW		379	117	220	595
	Internal energy efficiency	GWh		15	0	1	28.9
Delivering capital expansion	Generation capacity installed and commissioned	MW		100	120	20	261
	Transmission lines installed	Km		770	511	428	787
	Transmission capacity installed and commissioned	MVA		3 790	290	2 250	3 580
	Generation new build capacity milestones (Medupi, Kusile and Ingula)	Days deviation		30.00	5.75	(2.32)	43.48

* Forecasted performance to target at 31 March 2014. **Green** indicates target will be achieved and **red** indicates that the target is at risk and will be aggressively managed to year-end

Performance against shareholder compact (continued)

Key performance areas	Key performance indicator	Unit	*	Target March 2014	Actual Sept 2013	Actual Sept 2012	Actual March 2013
Reducing environmental footprint and pursuing low-carbon growth	Relative particulate emissions	kg/MWh	Green	0.36	0.31	0.33	0.35
	Specific water consumption per kWh sent out	L/kWh	Green	1.39	1.33	1.35	1.42
Implementing coal haulage and the road-to-rail migration plan	Coal road-to-rail migration	Mt	Green	11.5	5.4	5.0	10.1
Ensuring financial sustainability	Cost of electricity excluding depreciation	R/MWh	Red	453.40	500.27	428.41	496.35
	Interest cover	Ratio	Red	1.18	2.27	1.27	0.27
	Debt /equity including provisions	Ratio	Red	2.17	1.84	1.74	1.96
	Free funds from operations as % of total debt	%	Red	9.11	8.68	9.15	8.55

* Forecasted performance to target at 31 March 2014. **Green** indicates target will be achieved and **red** indicates that the target is at risk and will be aggressively managed to year-end

Performance against shareholder compact (continued)

Key performance areas	Key performance indicator	Unit	*	Target March 2014	Actual Sept 2013	Actual Sept 2012	Actual March 2013
Maximising socio-economic contribution	Local sourcing in procurement in the new build contracts	%		52.0	62.4	88.6	80.2
	Procurement from B-BBEE compliant	%		75.0	87.6	72.5	86.3
	Procurement from black youth owned	%		1.0	1.0	0.9	1.0
	Employment equity – disability	%		3.0	2.6	2.4	2.6
	Racial equity in senior management, % of black employees	%		61.0	59.5	57.9	58.3
	Gender equity in senior management, % of female	%		30.0	28.6	26.2	28.2
	Racial equity in professionals and middle management, % of black employees	%		71.0	70.5	68.7	69.6
	Gender equity in professionals and middle management, % of female employees	%		36.0	35.5	33.9	34.6

* Forecasted performance to target at 31 March 2014. **Green** indicates target will be achieved and **red** indicates that the target is at risk and will be aggressively managed to year-end

Safety

Becoming a high-performance organisation

Employee and contractor fatalities

Fatalities:	Half year to 30 Sep 2013	Half year to 30 Sep 2012	Year to 31 Mar 2013
Employees	2	1	3
Contractors	8	10	16

Employee LTIR

Employee lost-time incident rate:			
Index (target: 0.36)	0.34	0.40[1]	0.40[1]

Causes of fatalities

Causes of fatalities:	Electrical Contact	Vehicle	Assault	Other
Employees and contractors	2	5	1	2

Ingula incident

On 31 October 2013, a gantry (platform) unexpectedly detached in the Incline High Pressure Shaft 3-4. There were six fatalities and seven sustained injuries. Internal statutory investigations have been conducted with information available at this stage and the Mine Health and Safety Inspectorate is shortly to commence its investigation in terms of section 60 of the Mine Health and Safety Act

1. Number revised from 0.39 to 0.40 due to the late reporting of incidents

Improving operations – Generation

Becoming a high-performance organisation

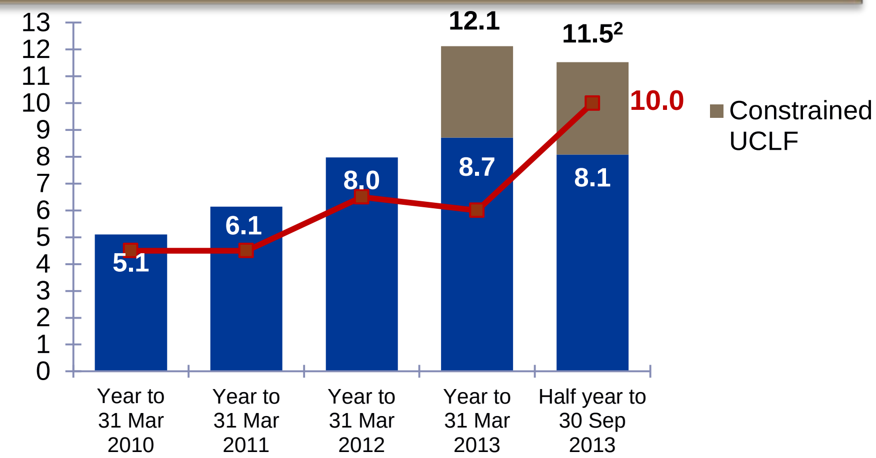
Highlights

- At the end of September 2013 both Koeberg units were online for 160 days simultaneously, surpassing the previous record which was set in 2004
- The Generation Sustainability Strategy and the associated increased opportunity for maintenance has enabled several stations to significantly improve their emissions performance

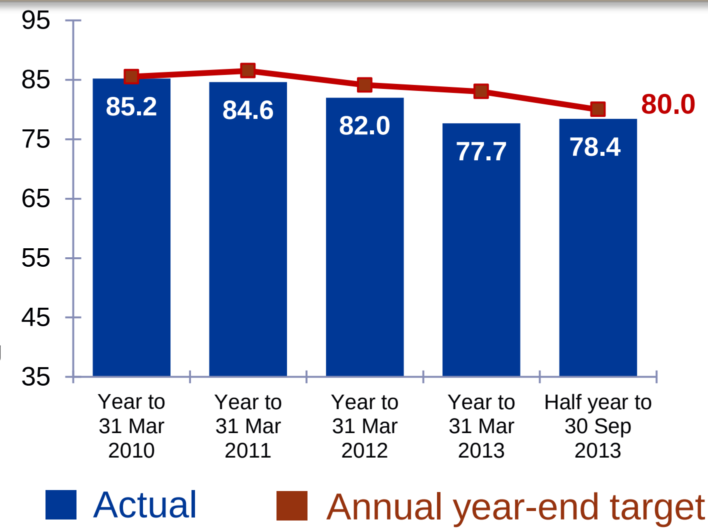
Challenges

- The higher UCLF percentage is an indication of the deteriorating plant health of an ageing power station fleet
- Executing the generation sustainability strategy while keeping the lights on

Unplanned capability loss factor (UCLF[1]) %



Energy availability factor (EAF[3]) %



1. UCLF measures the lost energy due to unplanned production interruptions resulting from equipment failures and other plant conditions
2. The 11.53% normal UCLF consists of constrained UCLF of 3.45% and underlying UCLF OF 8.08% (UCLF under Eskom’s control). Constrained UCLF refers to emissions and short-term related UCLF due to system constraints to meet the “Keep the lights on” objective
3. EAF measures plant availability, plus energy losses not under the control of plant management

Improving operations – Transmission

Becoming a high-performance organisation

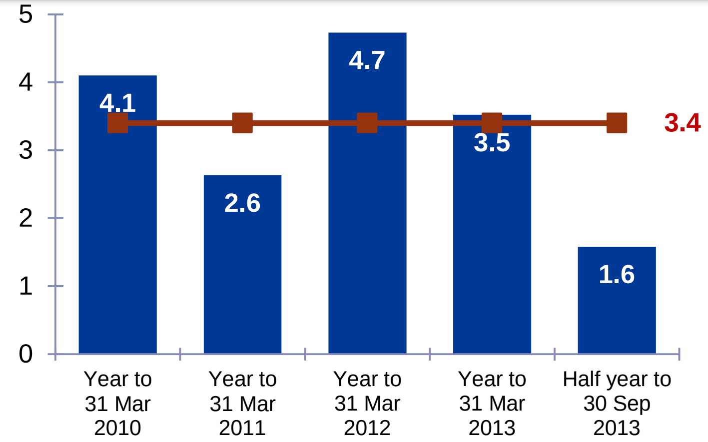
Highlights

- The excellent line fault performance attained during the 2012/13 year has been sustained during the current period

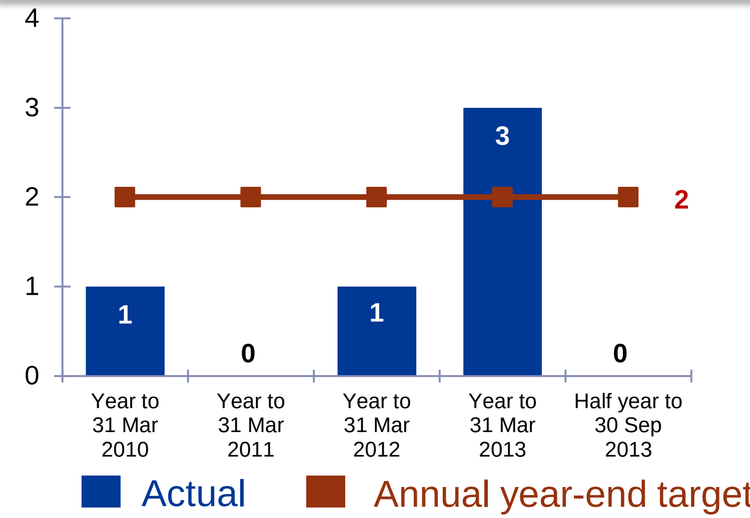
Challenges

- Total number of system minutes lost performance was impacted by a combination of human errors, ageing assets, as well as incidents triggered by customer network faults which exposed transmission system vulnerabilities
- Although no significant criminal incidents have occurred during the period, it remains a risk

System minutes[1] lost < 1 system minute



Number of major incidents



1. System minutes is a measure of the extent of interruptions to customers. One system minute is equivalent to the loss of the entire system for one minute at annual peak

Improving operations – Distribution

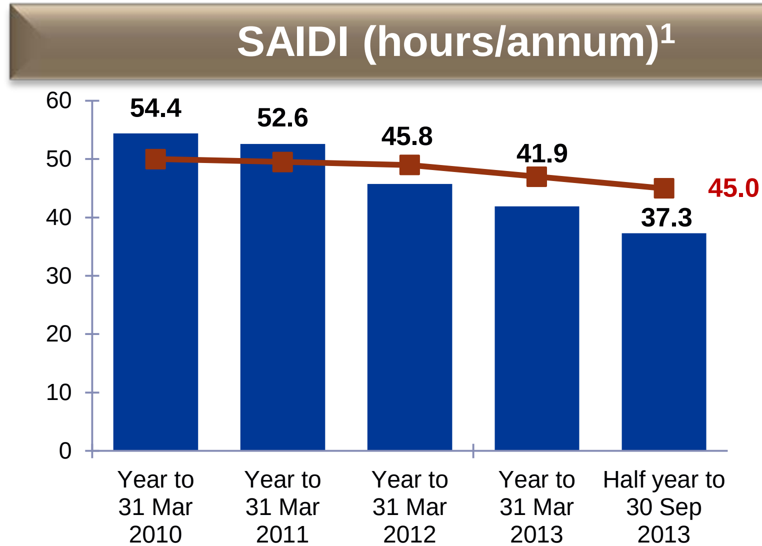
Becoming a high-performance organisation

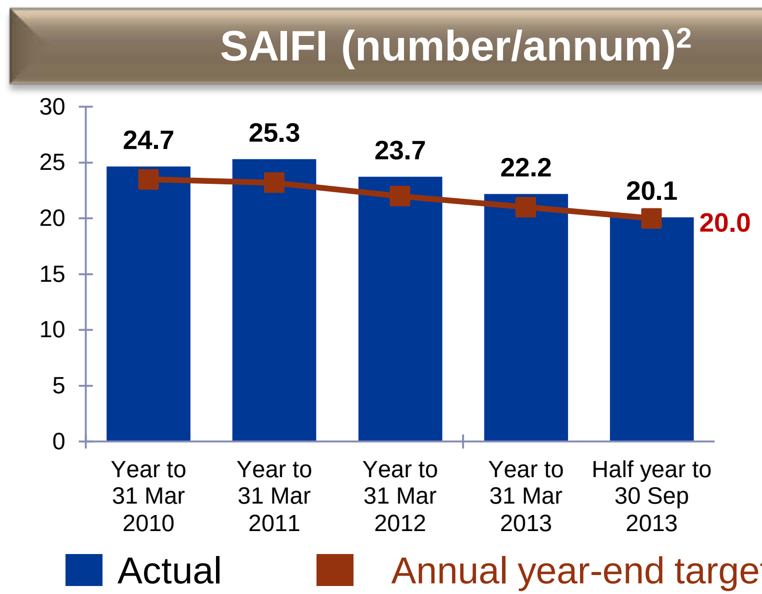
Highlights

- Several safety initiatives have been implemented
- The positive network performance trend is driven by the overall planning, coordination and disciplined execution of Eskom’s network reliability improvement plans and other operational excellence initiatives

Challenges

- Employee and contractor safety performance and lost-time injuries
- Employee security remains a concern in certain areas





1. SAIDI: System average interruption duration index
2. SAIFI: System average interruption frequency index

Being customer centric

Becoming a high-performance organisation

Highlights

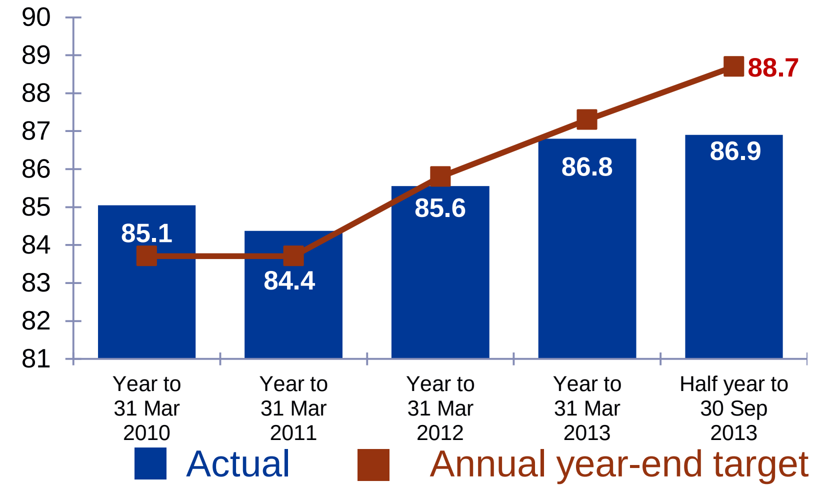
- Partnering with large industrial customers through demand-response programmes to help manage the power system
- The online vending system was successfully enhanced and went live on 22 July 2013

Challenges

- Despite various interventions with municipalities, municipal debt continues to rise with R2.4 billion of municipality debt in arrears at 30 September 2013
- The Soweto arrear debt remains a major concern and the total Soweto debt as at 30 September 2013 was R3.5 billion
- Energy losses performance continues to deteriorate – non-technical losses, particularly theft, has been growing across all sectors in Eskom's customer base

1. Eskom uses a composite index to measure the service delivered to its residential, small and medium customers

Weighted customer service index[1]



Energy losses[2]	Half year to 30 Sep 2013	Half year to 30 Sep 2012	Year to 31 Mar 2013
Distribution	7.2	6.6	7.1
Transmission[3]	2.7	3.0	2.8
Total Eskom	**9.2**	**9.0**	**9.1**

2. Non technical losses are estimated to be between 1.6% and 2.6% for the half year to 30 September 2013
3. Transmission losses are all technical losses

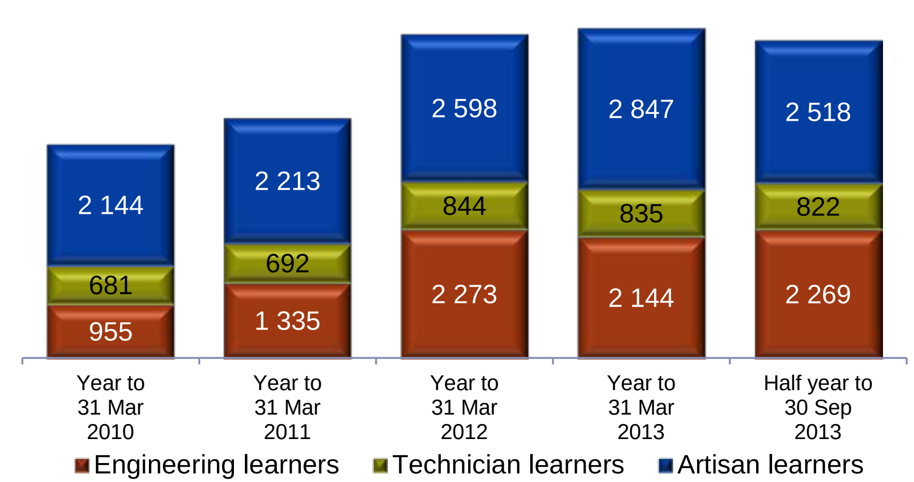
Building strong skills

Becoming a high-performance organisation

Skills

Eskom aims to grow human capital by retaining core, critical and scarce resources, and by effectively developing skills and talent

Eskom's engineering, technician and artisan learners for the country

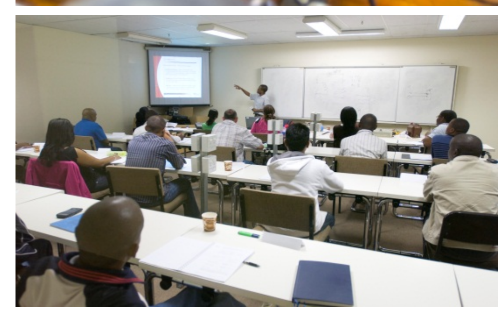


Youth programme

There are a 5 100 learners in the youth programme, 2 510 of which are trained by the suppliers to the capital expansion programme

Training

R1.0 billion spent on training in the half year to 30 September 2013



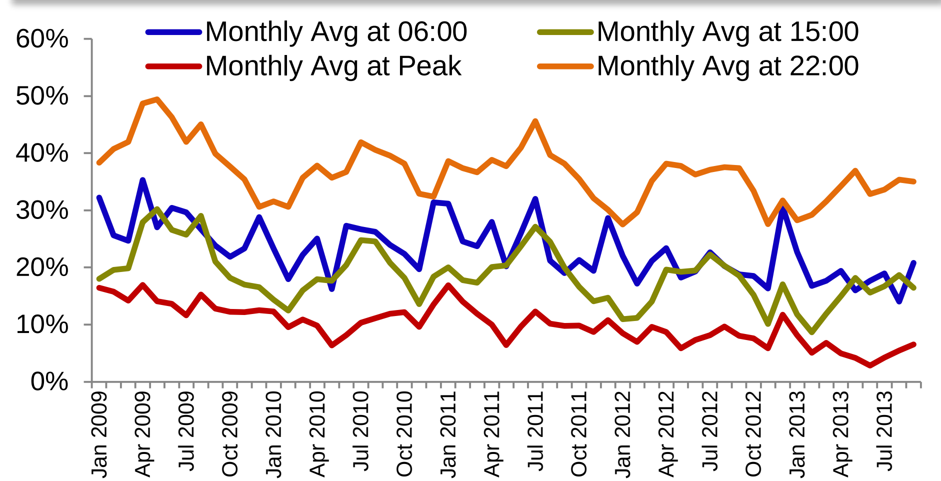
Highlights

- Avoided rotational load-shedding during the six months
- More maintenance was done during this winter than in the three preceding years for the same period in line with the 80:10:10 sustainability strategy
- The energy imports from the Hydro Cahora Bassa scheme have been substantially normalised following the repair of damaged towers caused by the floods in Mozambique in 2012

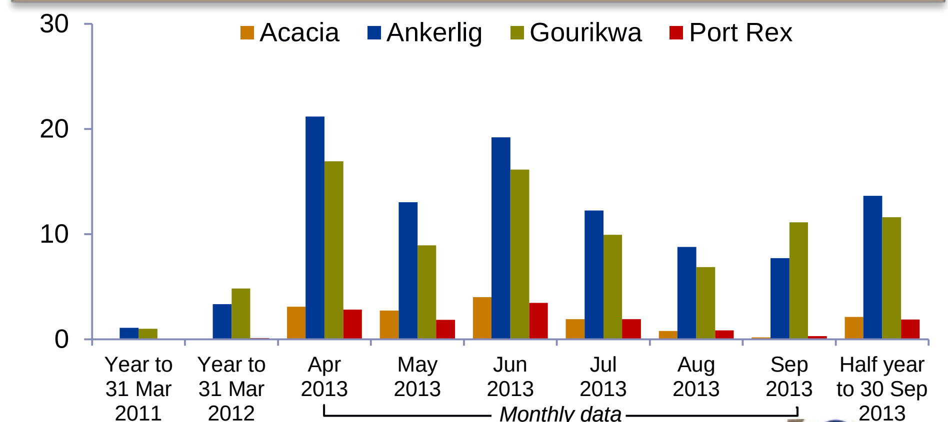
Challenges

- Adequate reserves available throughout the day to meet demand, but minimal reserves available at peak periods
- Increased costs due to the significant reliance placed on the open cycle gas turbine fleet in the current year
- Events within the national diesel fuel industry resulted in a temporary reduction in diesel availability putting pressure on reserves

Average monthly % operating reserves



Open cycle gas turbine (OCGT) load factor %



Integrated Demand Management

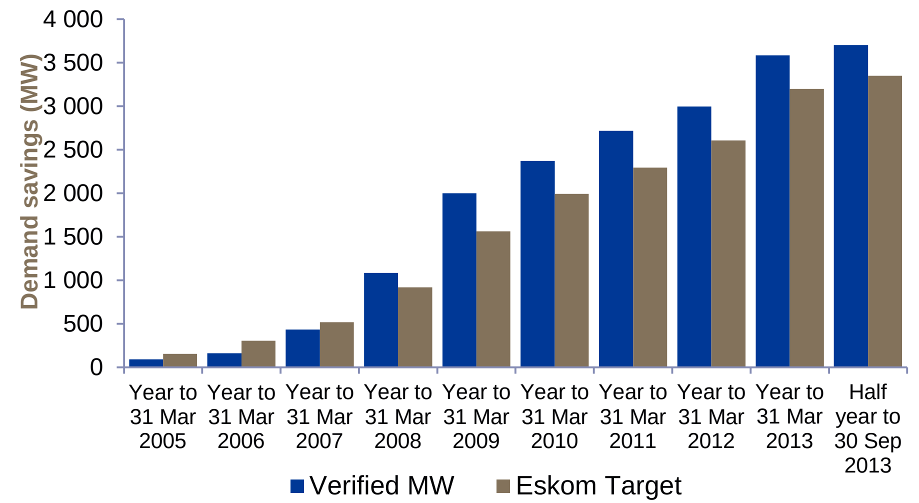
Leading and partnering to keep the lights on

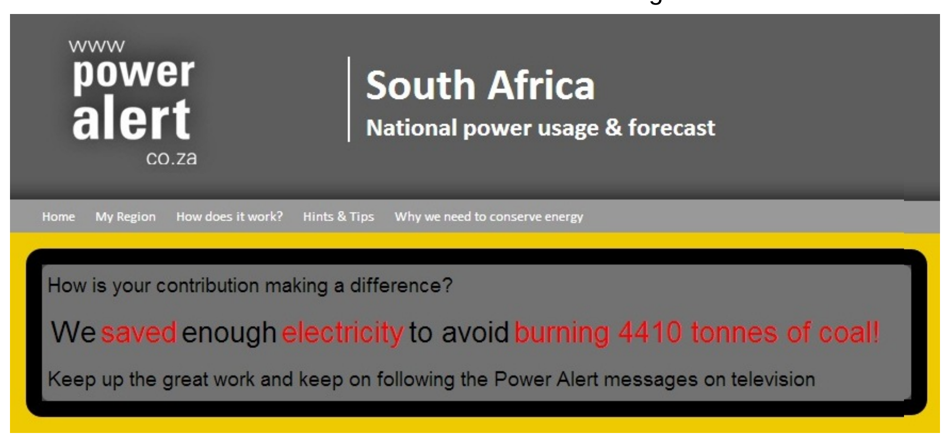
- Achieved total evening peak demand savings of 117MW (2012: 220MW) and annualised energy savings of 306GWh (2012: 813GWh)

- Continued the rollout of the demand response rewards – currently Eskom has the following available to the system operator for its control and evening peak reduction requirements
  - 579MW of supplemental load
  - 394MW of instantaneous load
  - 8MW of standby generation

- The average weekday evening peak impact of the power alert and power bulletin for all colours (green, orange and red) is 238MW, while the average impact for the red flightings in the evening peak on the worst constrained day is 324MW

Cumulative verified demand savings (MW)





Delivering capacity expansion

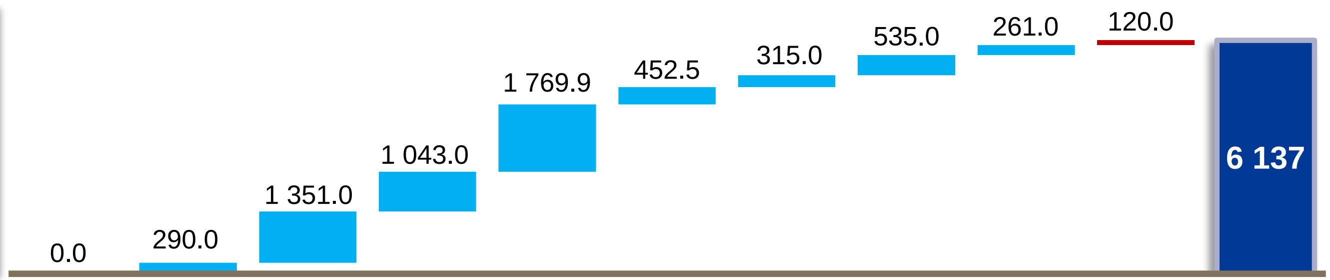
Leading and partnering to keep the lights on

Eskom

To date, a large amount of construction work has been completed, adding ~ 6 137MW of capacity, ~ 5 198km of transmission network and ~ 24 065 of MVAs

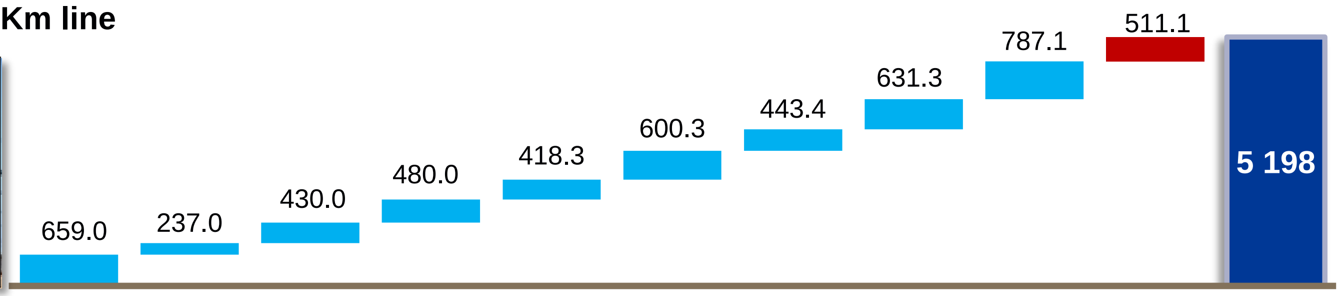
Megawatts

MW of capacity



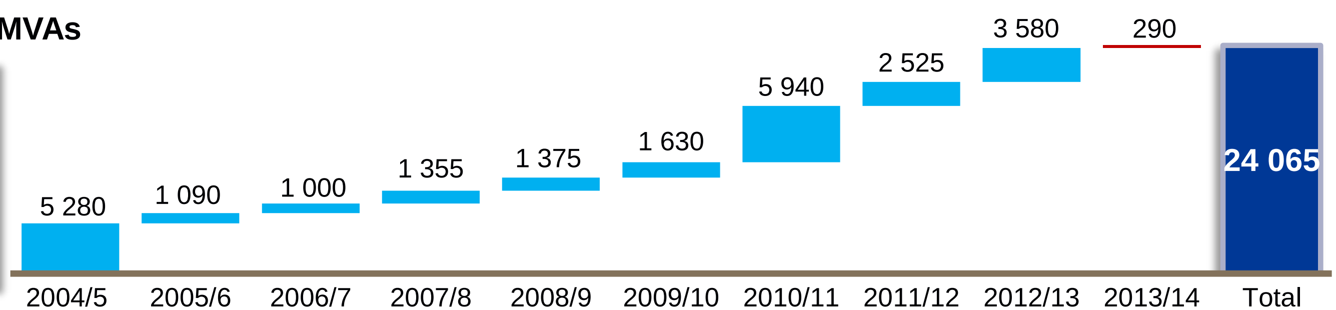
Transmission

Km line



Substations

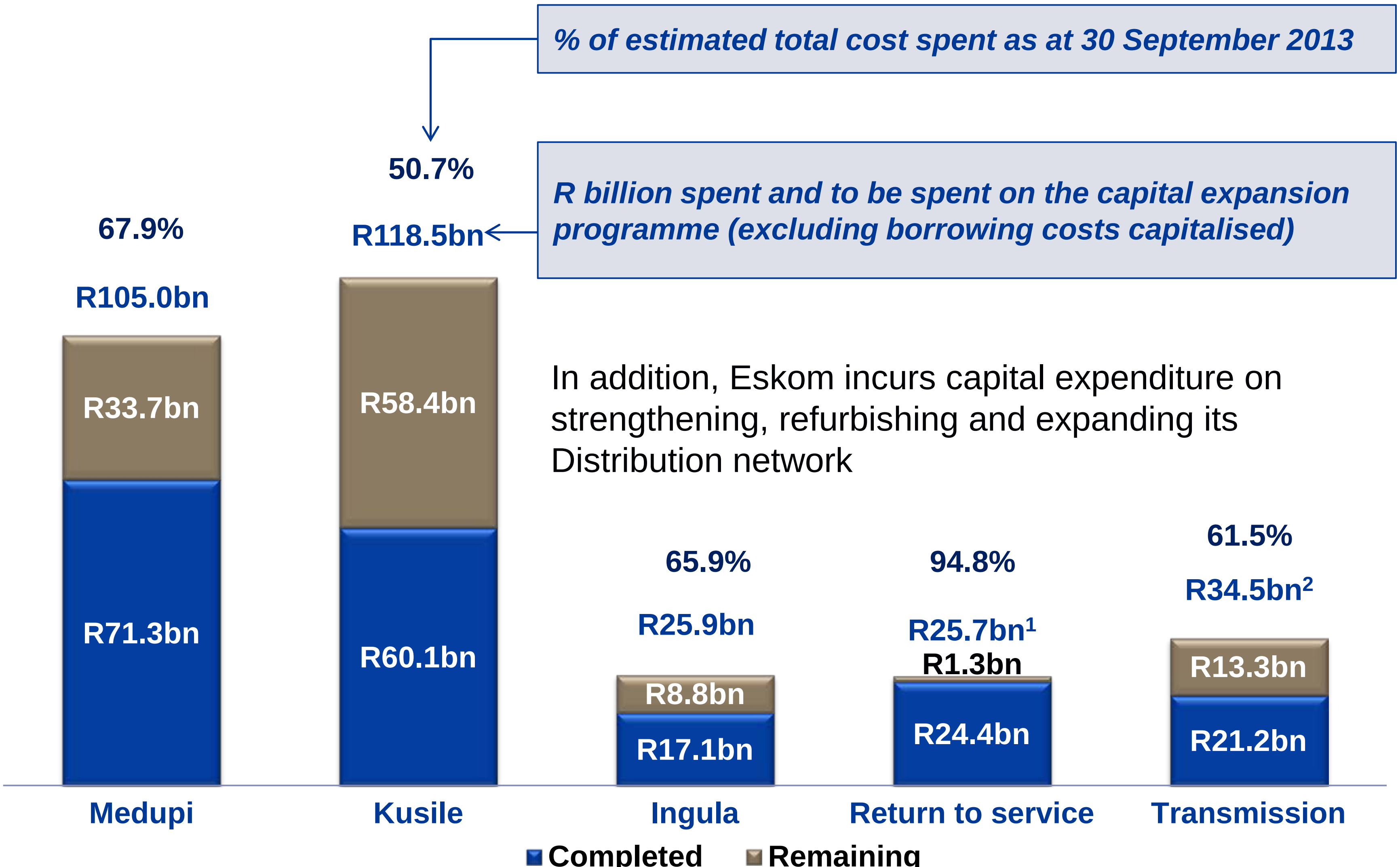
MVAs



1923-2013

Significant progress in build programme – began in 2005 with completion in 2020

Leading and partnering to keep the lights on



In addition, Eskom incurs capital expenditure on strengthening, refurbishing and expanding its Distribution network

1. Includes R0.6 billion for the Camden burner project, which was initiated after 31 March 2013
2. Includes transmission costs for Ingula, Kusile and Medupi

New generation capacity and transmission lines

Leading and partnering to keep the lights on

Return-to-service (RTS)

In development

- None

Under construction

- Komati (1 000 MW)
- Camden (1 520 MW)
- Grootvlei (1 180 MW)

3 700 MW

Base load

In development

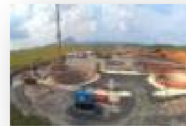
- Nuclear New Build Programme
- Next Coal (Coal 3)
- Biomass
- Majuba Underground Coal Gasification Demo Plant (UCG)
- Primary Energy projects (Road and Rail)

Under construction

- Medupi (4 764 MW)
- Kusile (4 800 MW)

9 564 MW

Peaking and renewable



In development

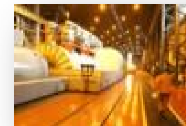
- Pilot Concentrated Solar Power (100 MW)
- Open Cycle Gas Turbine Conversion Project – conversion of Ankerlig and Gourikwa OCGT power plants to a Combined Cycle Gas Turbine (CCGT)
- Photovoltaic (own use)

Under construction

- Ankerlig (1 338.3MW)
- Gourikwa (746 MW)
- Ingula (1 332 MW)
- Sere (100 MW)
- Acacia relocation
- Solar PV installations: MWP, Lethabo, Kendal (1.62 MW)

3 517.92 MW

Mpumalanga refurbishment



In development

- Refurbishment and air quality projects

Under construction

- Arnot capacity increase (300 MW)
- Matla refurbishment
- Kriel refurbishment
- Duvha refurbishment
- Grootvlei Fabric Filter Plant (FFP)
- Kriel Retrofit

300 MW

Transmission

In development

- >60 Grid strengthening projects

Under construction

- 765kV projects
- Central projects
- Northern projects
- Cape projects

9 756 km

Commissioning of new power stations[1]

	First unit	Last unit
Medupi	2014	2017
Kusile	2015	2019
Ingula	2014	2015

- ~ 17.1GW of new capacity (6 137MW installed and commissioned)
- ~ 9 756 km of new transmission network (5 198km installed)
- ~ 42 470 MVA of new transmission strengthening (24 065MVA installed)

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

1. Refers to the first synchronisation date

Environmental performance

Reducing Eskom's environmental footprint and pursuing low carbon growth opportunities

Eskom

Environmental performance

Atmospheric emissions:	Half year to 30 Sep 2013	Half year to 30 Sep 2012	Year to 31 Mar 2013
Relative particulate emissions, kg/MWh	0.31	0.33	0.35
Specific water consumption, L/kWh sent out	1.33	1.35	1.42
Environmental legal contraventions per the operational health dashboard, number	0	1	1

Sere wind farm

The Sere wind farm construction has gained momentum. The first foundations for the wind turbine generators have been poured and the first consignment of equipment has arrived at the Saldanha Port

1923-2013

Coal and water resources

Securing future resource requirements

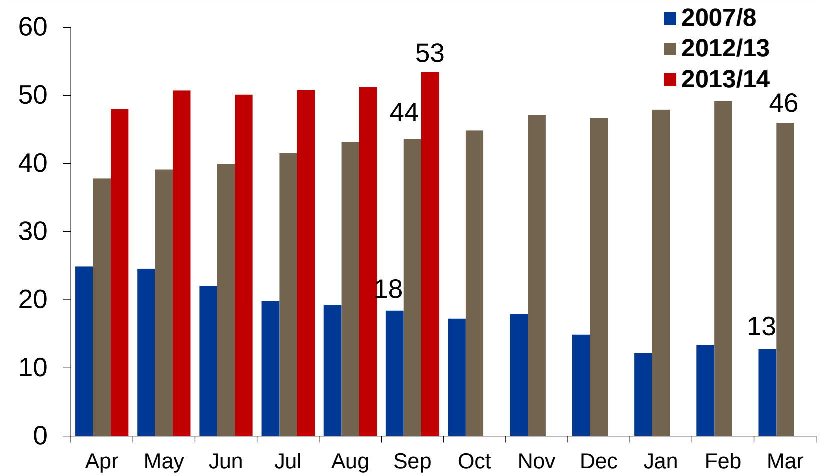
Highlights

- Coal stock days increased to 53 days at the end of September 2013 (September 2012: 44 days)
- Four medium-term contracts were signed for coal supply to the Kusile power station during the commissioning phase
- The Komati Water Scheme Augmentation Project was commissioned and declared operational on 5 June 2013

Challenges

- Despite the overall coal quality being on target, coal-related losses were experienced at Arnot and Tutuka power stations due to inconsistent coal quality and supply
- Production performance of cost-plus mines continue to be a challenge leading to volumes being augmented through more expensive short to medium term coal supply agreements
- Nooitgedacht Dam and the Usutu system are at their lowest water levels in the past three years

Coal stock days



Coal road to rail migration

Implementing coal haulage and the road-to-rail migration plan

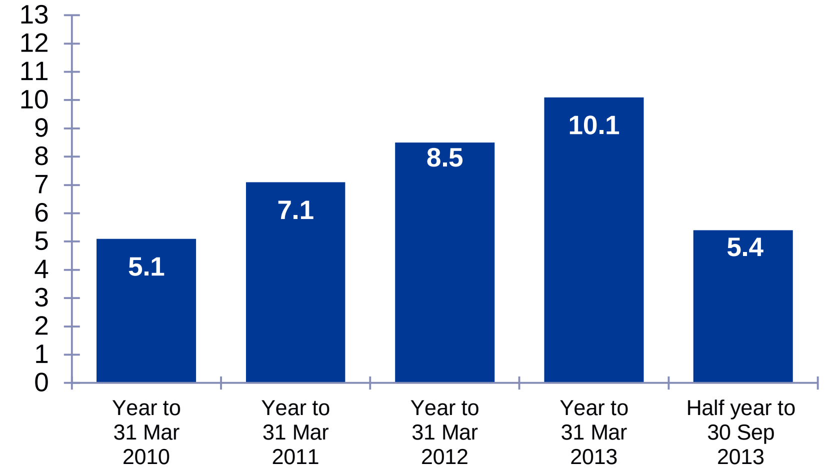
Highlights

- At 30 September 2013, Free Carrier Arrangement coal transporters had achieved 64 days without a fatality, while the delivered coal transporters were at 78 days without a fatality
- A road transportation safety response plan has been developed and Eskom is implementing a safety drive to curb coal road transportation over weekends

Challenges

- Both Eskom and Transnet experienced operational challenges regarding the rail transport of coal
- In June 2013, the rail deliveries were affected by a series of derailments on the Transnet Freight Rail Natcor rail line

Coal road to rail migration (Mt)



Independent power producers (IPPs)

Pursuing private-sector participation

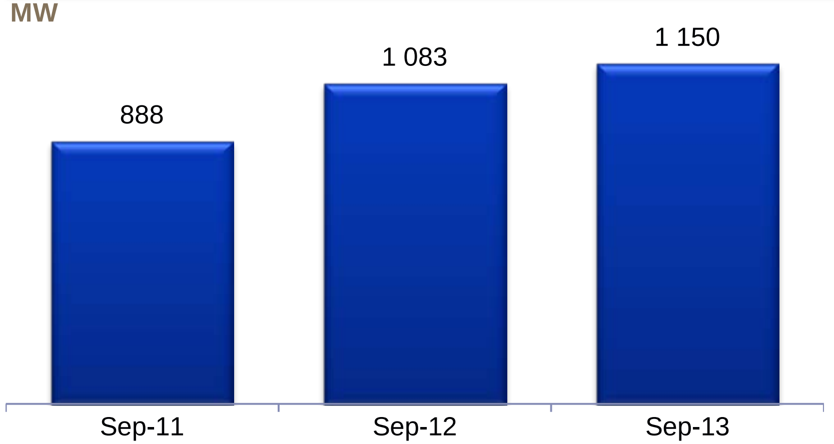
Highlights

- Signed power purchase agreements for 1 041MW capacity with IPPs as part of the second bid submission under the Department of Energy's (DoE) renewable energy IPP procurement programme
- In June 2013, contracts for 1 005MW of the DoE open-cycle gas turbine ("Peakers") programme were signed
- The first project under the renewable energy IPP procurement programme was connected to the grid on 27 September 2013 and commissioning is in progress

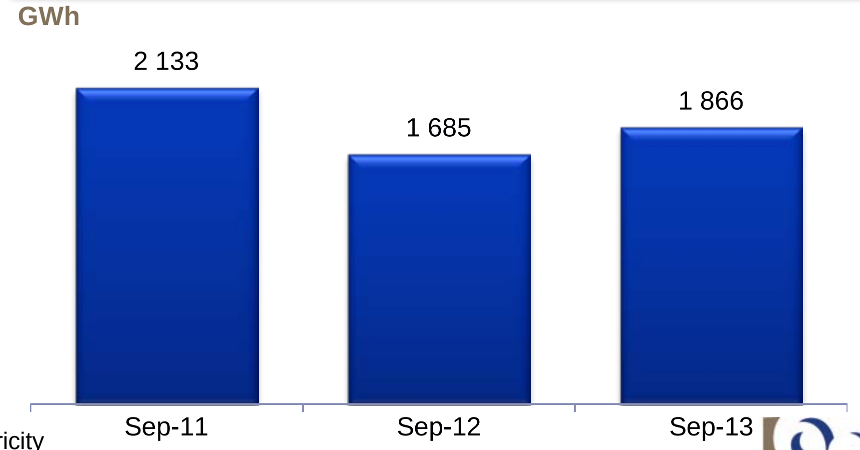
Challenges

- Funding approval has not been obtained to extend existing municipal base load and Short Term Power Purchases (STPPP) IPP contracts which are expiring in December 2013

IPP capacity installed[1,2]



Energy purchased from IPPs



1. Short- to medium-term contracts, municipal generation and wholesale electricity pricing system only
2. Excludes 85MW of contracted capacity not in operation as at 30 September 2013

Maximise socio-economic contribution

Transformation

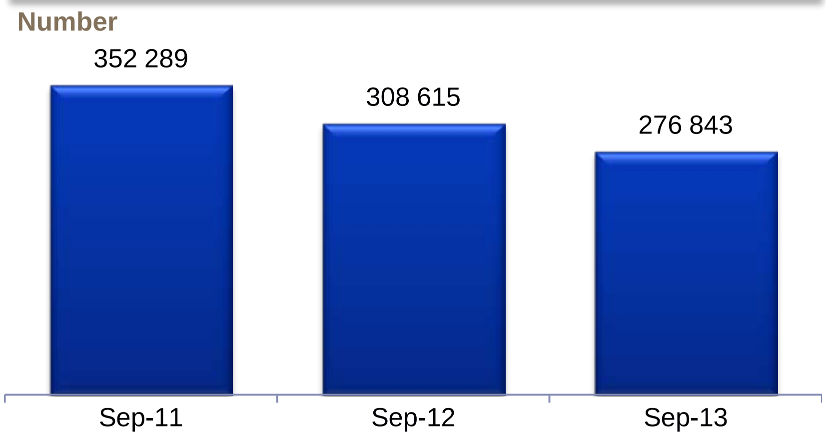
Electrification

A total of **53 600** homes were electrified during the period to September 2013 (September 2012: 32 216) Since inception of the electrification programme in 1991, a total of approximately **4.4 million** homes have been electrified

Corporate social investment

Committed **R81.6** million to corporate social initiatives during the period to September 2013 (September 2012: R69.9 million)

Number of project beneficiaries[1]



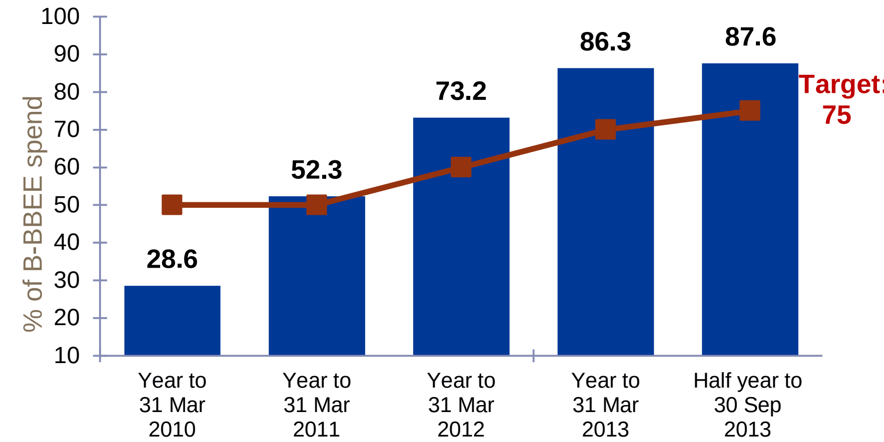
1. Number of project beneficiaries impacted by Eskom's corporate social initiatives per half year

Procurement equity and localisation

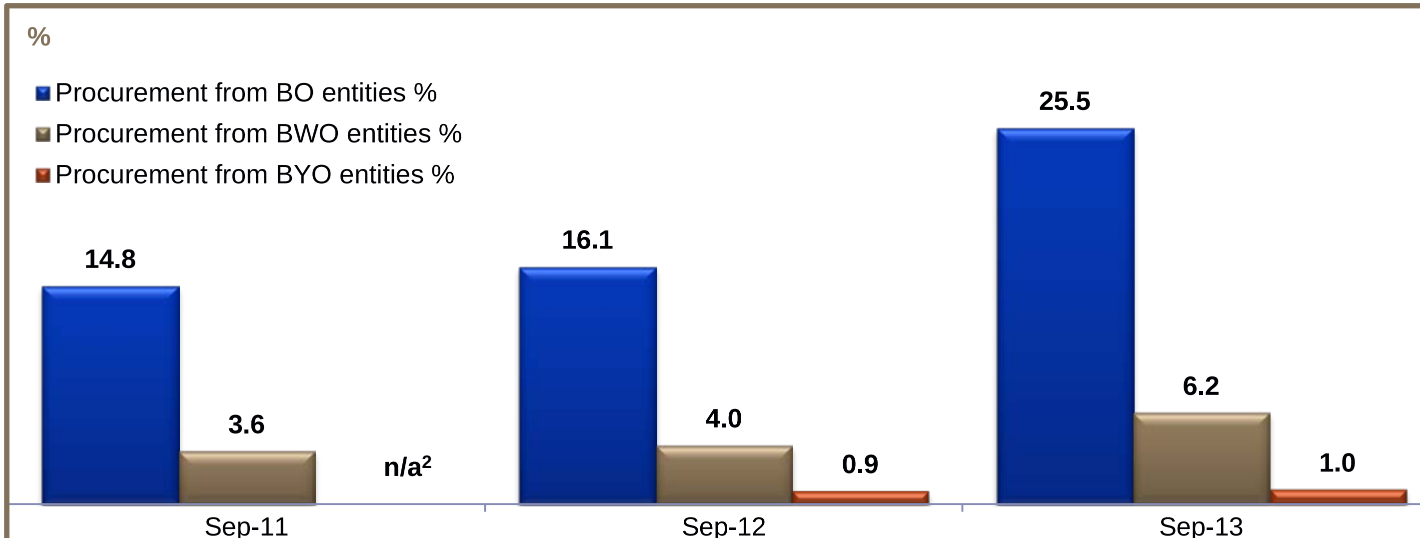
Transformation

Procurement from B-BBEE[1] compliant entities

Total measured procurement spend for the half year was R65.9 billion of which **R57.7 billion** or **87.6%** was attributable to B-BBEE, exceeding the target of 75%



Procurement from black owned (BO), black woman owned (BWO) and black youth owned (BYO) entities



1. Reflects the Eskom company's Broad-Based Black Economic Empowerment (B-BBEE) expenditure
2. Measurement of the procurement from BYO entities only started in 2012

Procurement equity and localisation (continued)

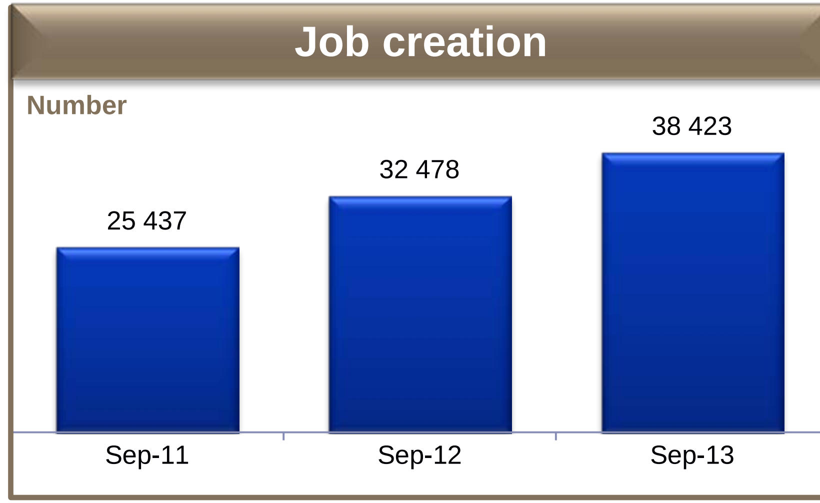
Transformation

Local sourcing

62.4% local content in the new build contracts placed for the financial year (September 2012: 88.6%)

Job creation

Since 2005, **38 423** individuals (September 2012: 32 478) working on new build project sites, of which **18 939** (September 2012: 15 749) are employed from the local districts



Local skills development

Since capital expansion contracts started being awarded, a total of **8 009** (September 2012: 6 397) contractor employees have been trained in various trades

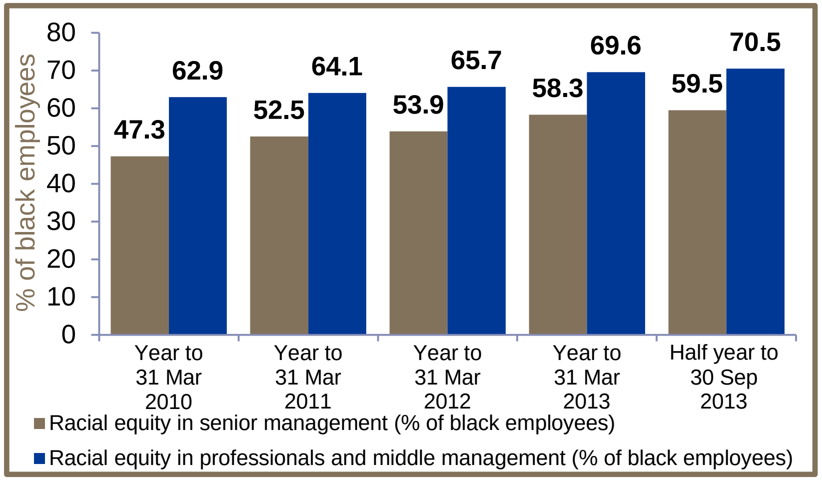
Employment equity

Transformation

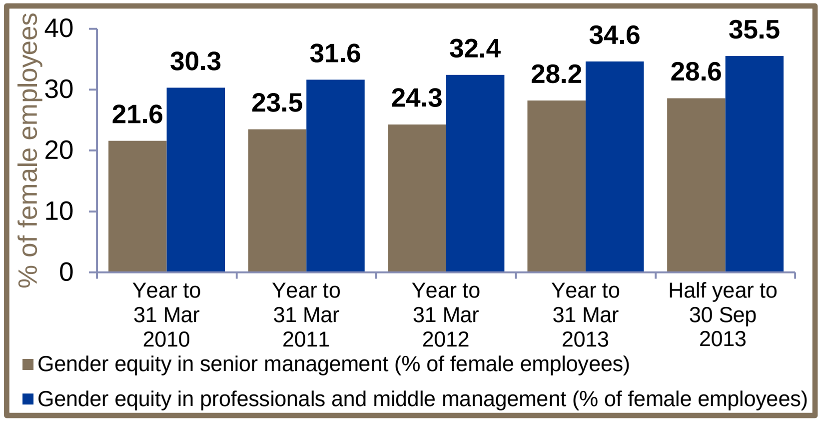
Disability

The Eskom company currently has **1 107** (September 2012: 1 022) employees with recognised disabilities. Although the disability percentage of 2.6% is below the 3% target, it's well above the national norm of 0.7%

Racial equity



Gender equity



Ensuring Eskom’s financial sustainability

Caroline Henry
Acting chief financial officer

Income statement for the six months ended 30 September 2013

Ensuring Eskom's financial sustainability

- Group revenue of R77.8 billion (September 2012: R73.4 billion), an increase of 6.1%
- Revenue growth has been offset by escalating operating expenditures mainly due to an increase in primary energy costs
- Effective tax rate of 28.4% (September 2012: 28.5%)
- Embedded derivative gain is mainly due to changes in the USD:ZAR exchange rate and changes in interest rates
- Finance costs of R6.1 billion were capitalised during the six months to 30 September 2013 (September 2012: R13.9 billion)

Rm	Reviewed half-year to 30 Sep 2013	Reviewed half-year to 30 Sep 2012	Audited year to 31 March 2013
Revenue	77 815	73 368	128 869
Other income	197	516	1 155
Primary energy	(31 266)	(24 973)	(60 748)
Opex (including depreciation and amortisation)	(28 702)	(26 881)	(57 701)
Net fair value loss on financial instruments	(998)	(1 292)	(1 655)
Operating profit before embedded derivatives	**17 046**	**20 738**	**9 920**
Embedded derivative gain / (loss)	1 868	698	(5 942)
Operating profit	**18 914**	**21 436**	**3 978**
Net finance (cost) / income[1]	(1 853)	(3 785)	3 027
Share of profit of equity - accounted investees	26	22	35
Profit before tax	**17 087**	**17 673**	**7 040**
Income tax	(4 846)	(5 044)	(1 857)
Net profit for the period	**12 241**	**12 629**	**5 183**

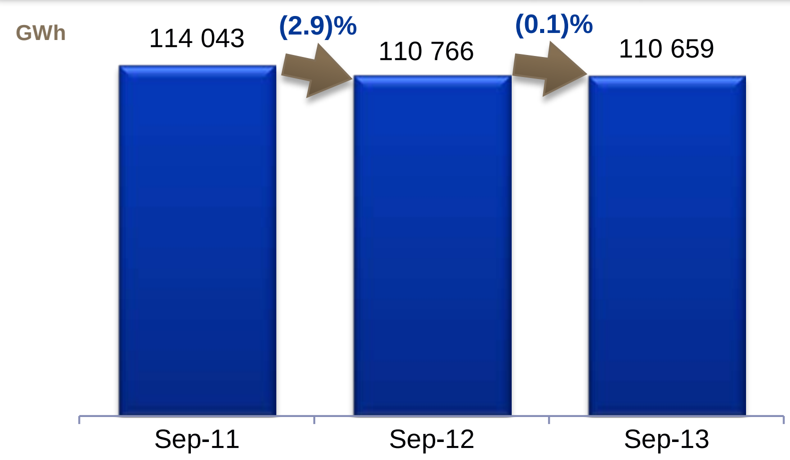
1. There was no remeasurement of the government loan during the six months to 30 September 2013, as there was no change in the electricity tariff price path. In 2012/13 the effect of the re-measurement of the government loan was a R17.3 billion income and R9.6 billion cost for the half-year to 30 September 2012

Sales and revenue

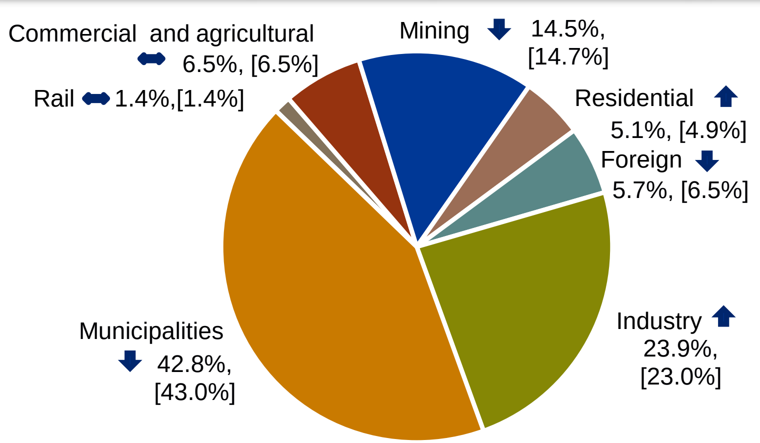
Ensuring Eskom's financial sustainability

- Eskom achieves higher profits in the first six months of the financial year due to higher tariffs and energy demand in winter
- Sales (in GWh) contracted by 0.1% when compared to the same period last year, mainly due to a warmer winter
- A small year-on-year sales growth of 0.6% is expected for the year ending 31 March 2014

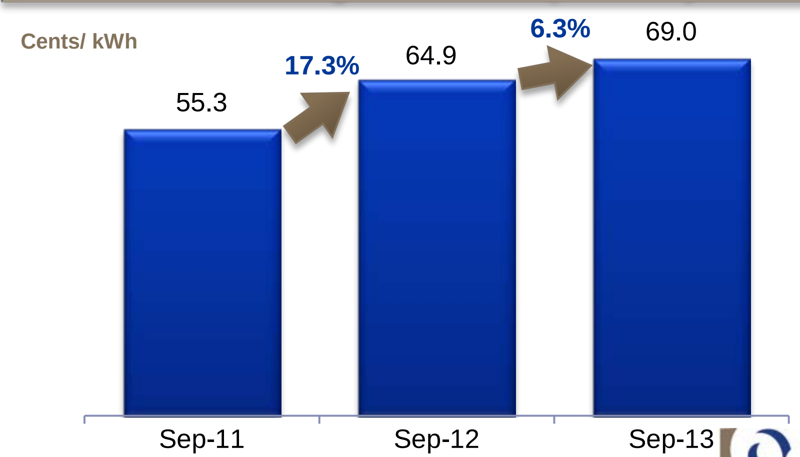
Electricity sales (GWh)



Electricity sales by customer type[1]



Electricity revenue (c/kWh)

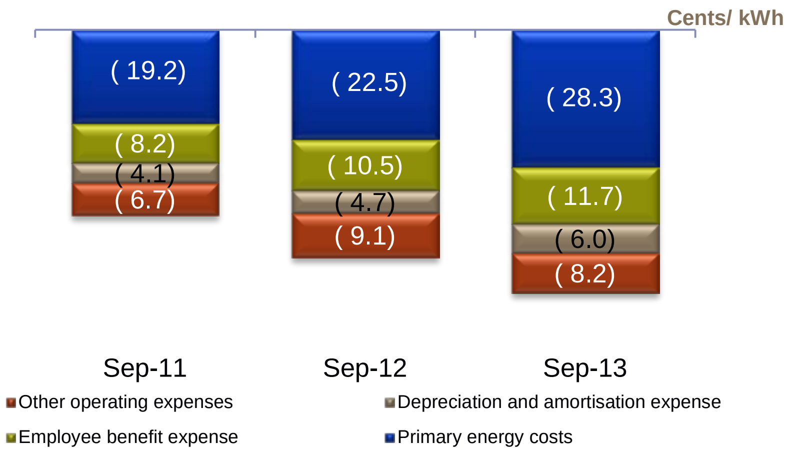


1. Percentages reflected for the sales achieved in the six months to 30 September 2013. Numbers in brackets are those for the six months to 30 September 2012

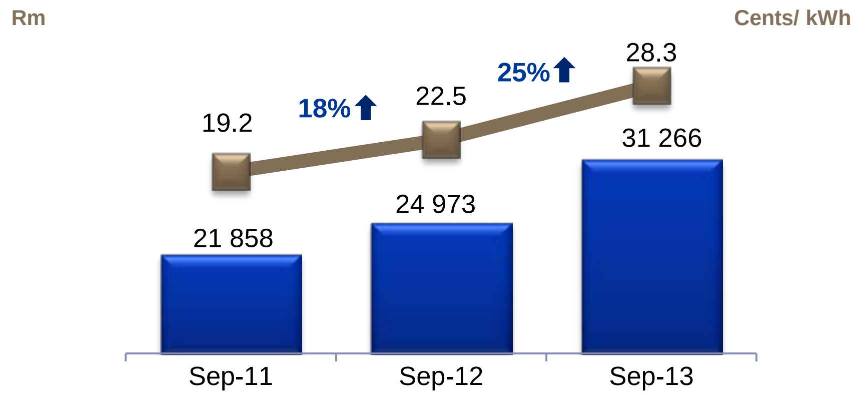
Operating expenses[1]

Ensuring Eskom's financial sustainability

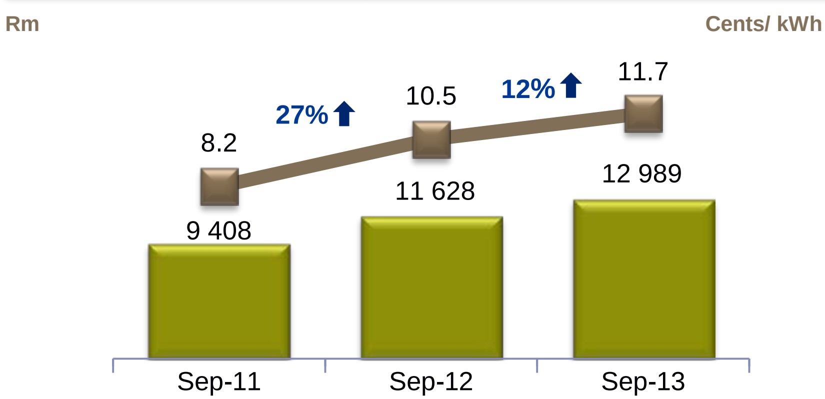
Operating costs



Primary energy costs

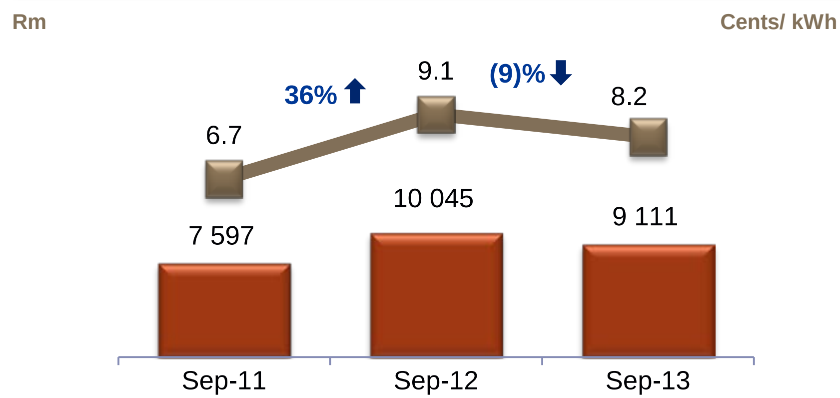


Net employee benefit cost[2]



Headcount: 41 756 44 913 46 624

Other operating expenses[3]



1. Cents/kWh figures are calculated based on total electricity sales numbers and group financials
2. Includes salaries, staff costs, post-retirement medical aid, pension benefits, relocation, training , temporary and contract employee costs etc.
3. Including managerial, technical and other fees, research and development, auditor's remuneration, integrated demand management, and repairs and maintenance costs

Analysis of primary energy costs

Ensuring Eskom's financial sustainability

- Primary energy costs increased by 25.3% from 22.5c/kWh (September 2012) to 28.3c/kWh for the half year to 30 September 2013 mainly due to the following:

OCGT[2] costs increased by R2.3 billion (231%)

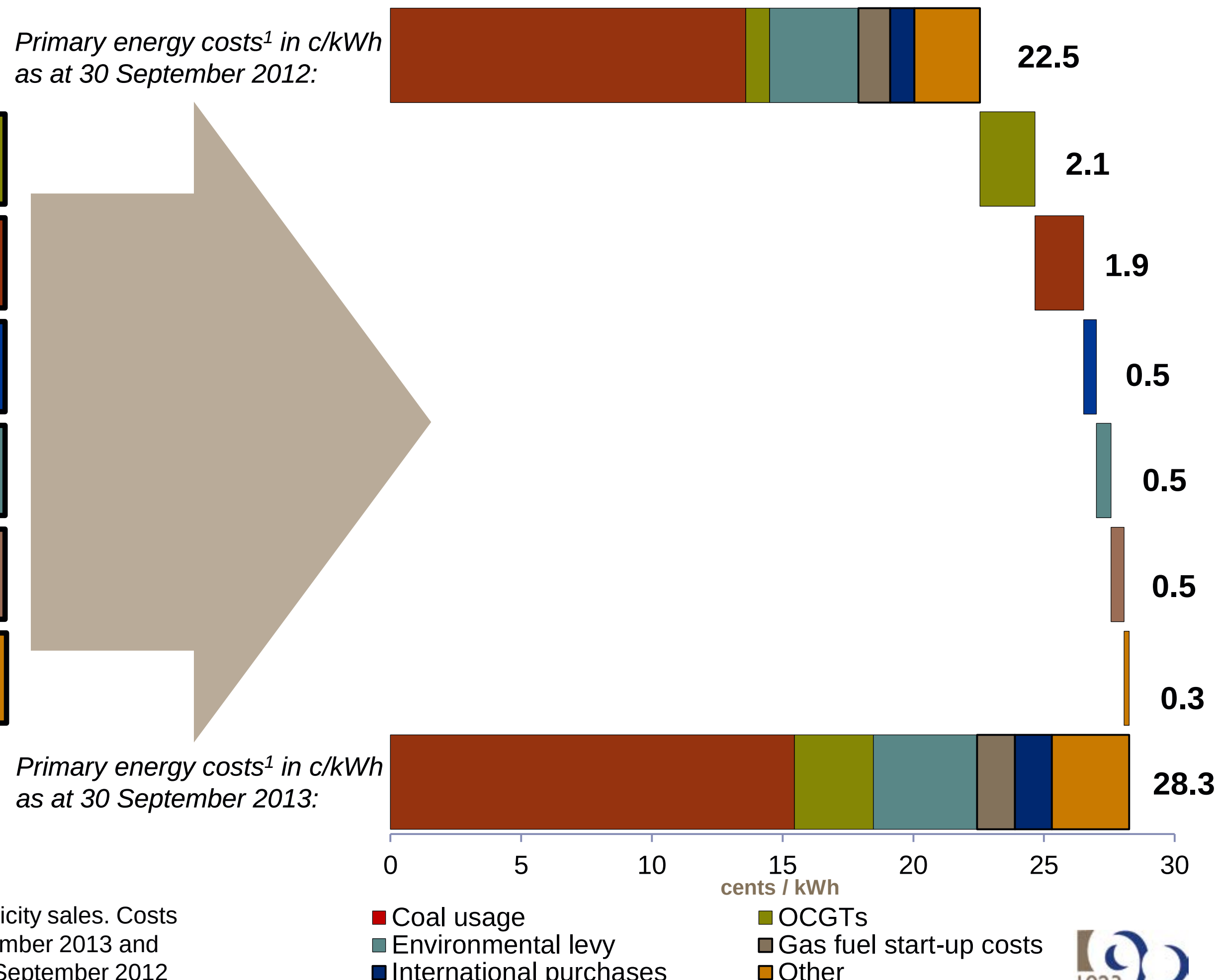
Coal usage costs increased by 13.3%

International purchase costs increased by 53%

Environmental levy

Gas fuel start-up costs increased by 76%

Other items in aggregate



1. Primary energy costs in c/kWh based on electricity sales. Costs on this slide are for the six months to 30 September 2013 and the comparatives are for the six months to 30 September 2012
2. Open cycle gas turbine (OCGT)

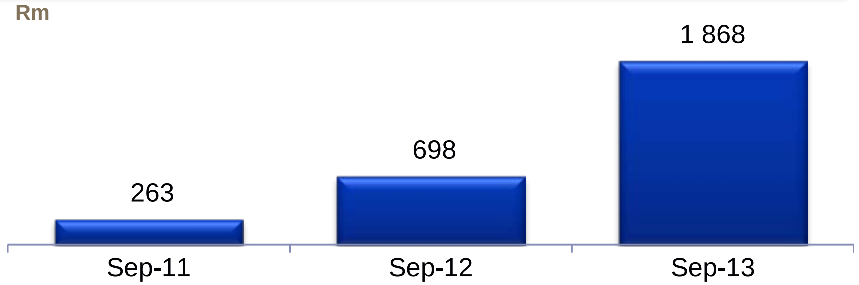
Hedging policy

Ensuring Eskom's financial sustainability

- Commodity derivatives hedging:
  - Hedging in place to mitigate potential losses on embedded derivatives
  - Eskom submitted an application to NERSA to review the last remaining special pricing agreement

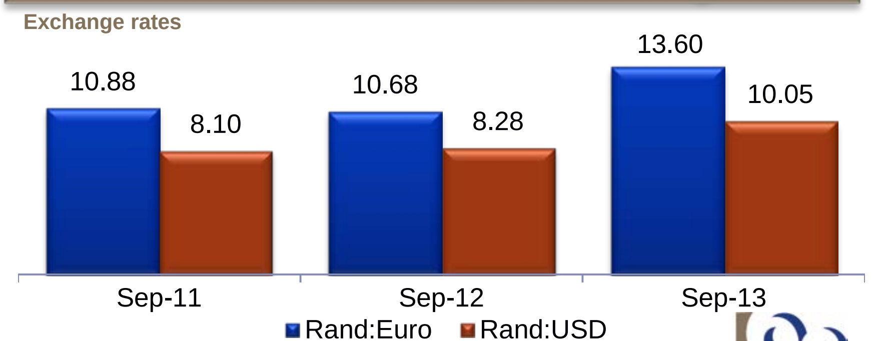
- Foreign currency hedging:
  - All foreign currency exposure over R150 000 is hedged
  - Uses inter alia forward exchange contracts with short maturities and roll-over at maturity as well as cross-currency swaps
  - 78% of total debt at 30 September 2013 has a fixed interest rate component
  - R101.5 billion exposure to foreign currency

Gain on embedded derivatives



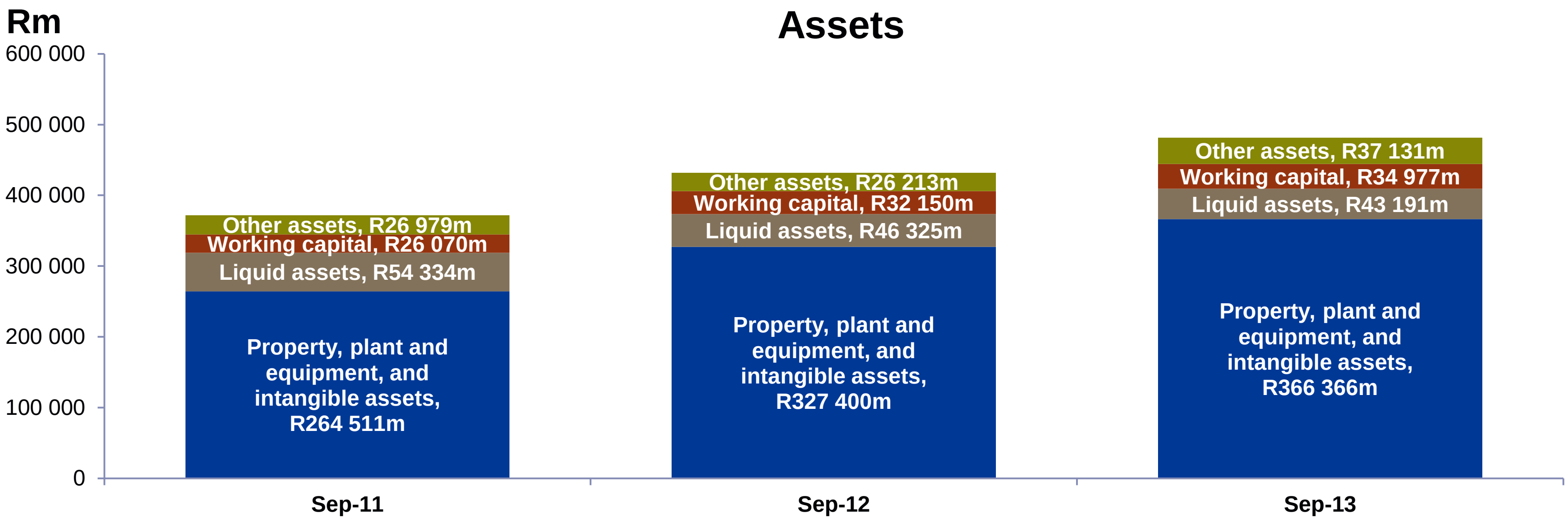
Net fair value loss on financial instruments

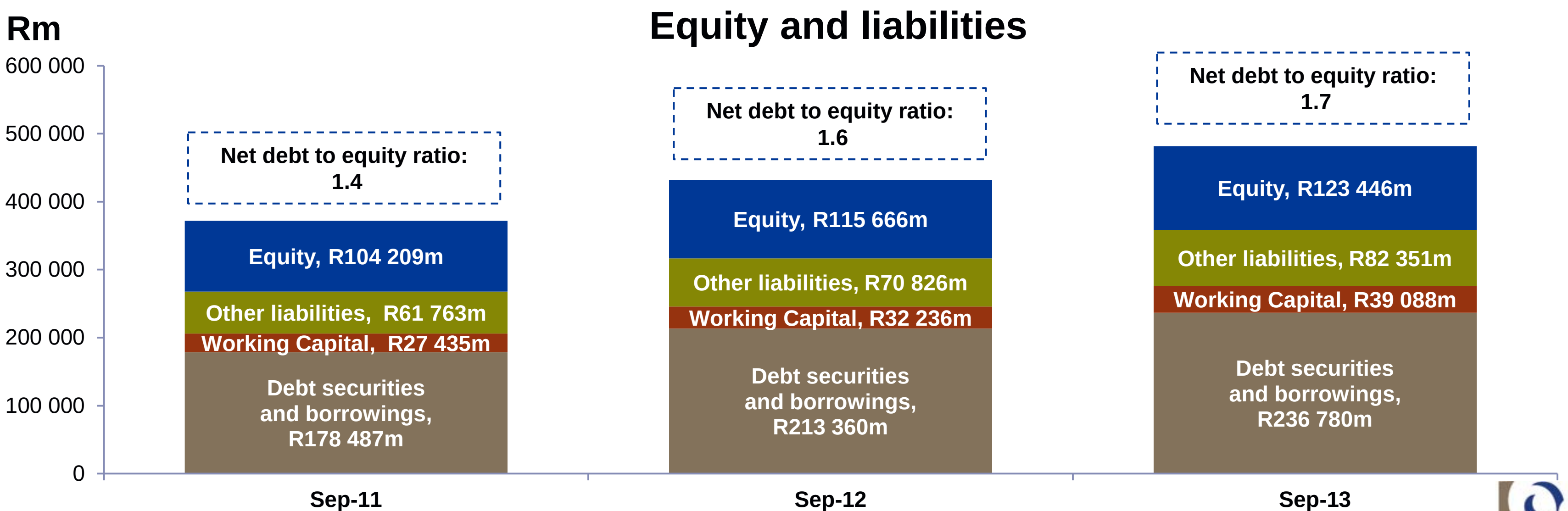
Rand versus Euro and USD exchange rates



Group reviewed financial position – property, plant and equipment growth through debt raised

Ensuring Eskom's financial sustainability

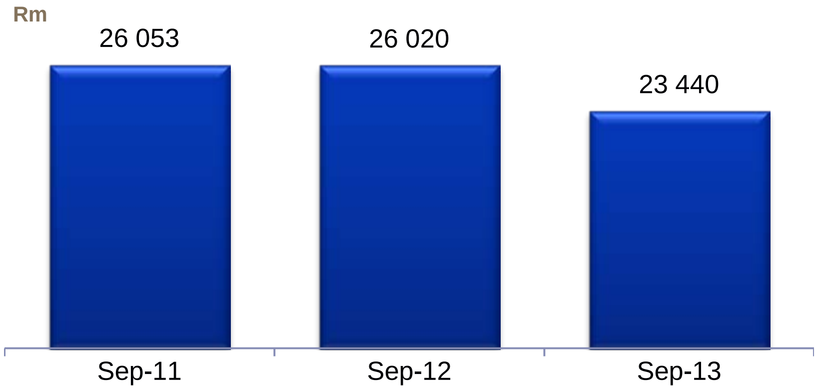




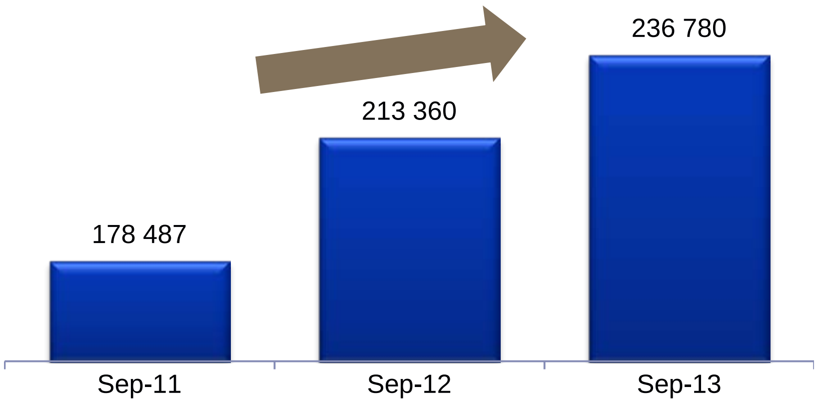
Balance sheet

Ensuring Eskom's financial sustainability

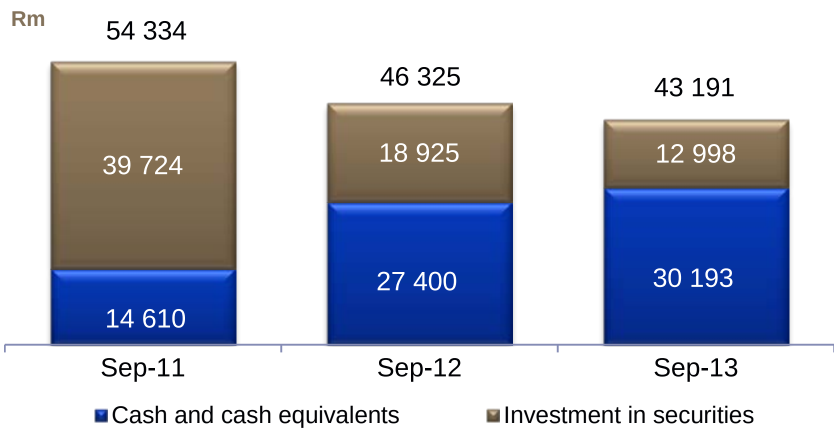
Capital expenditure



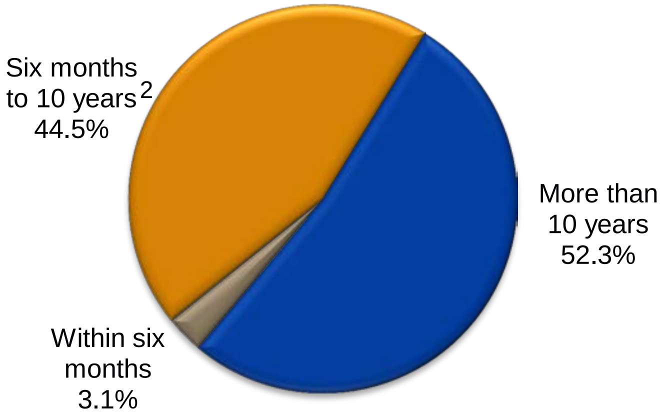
Debt securities and borrowings



Liquid assets at period end



Debt and borrowings maturity profile[1]

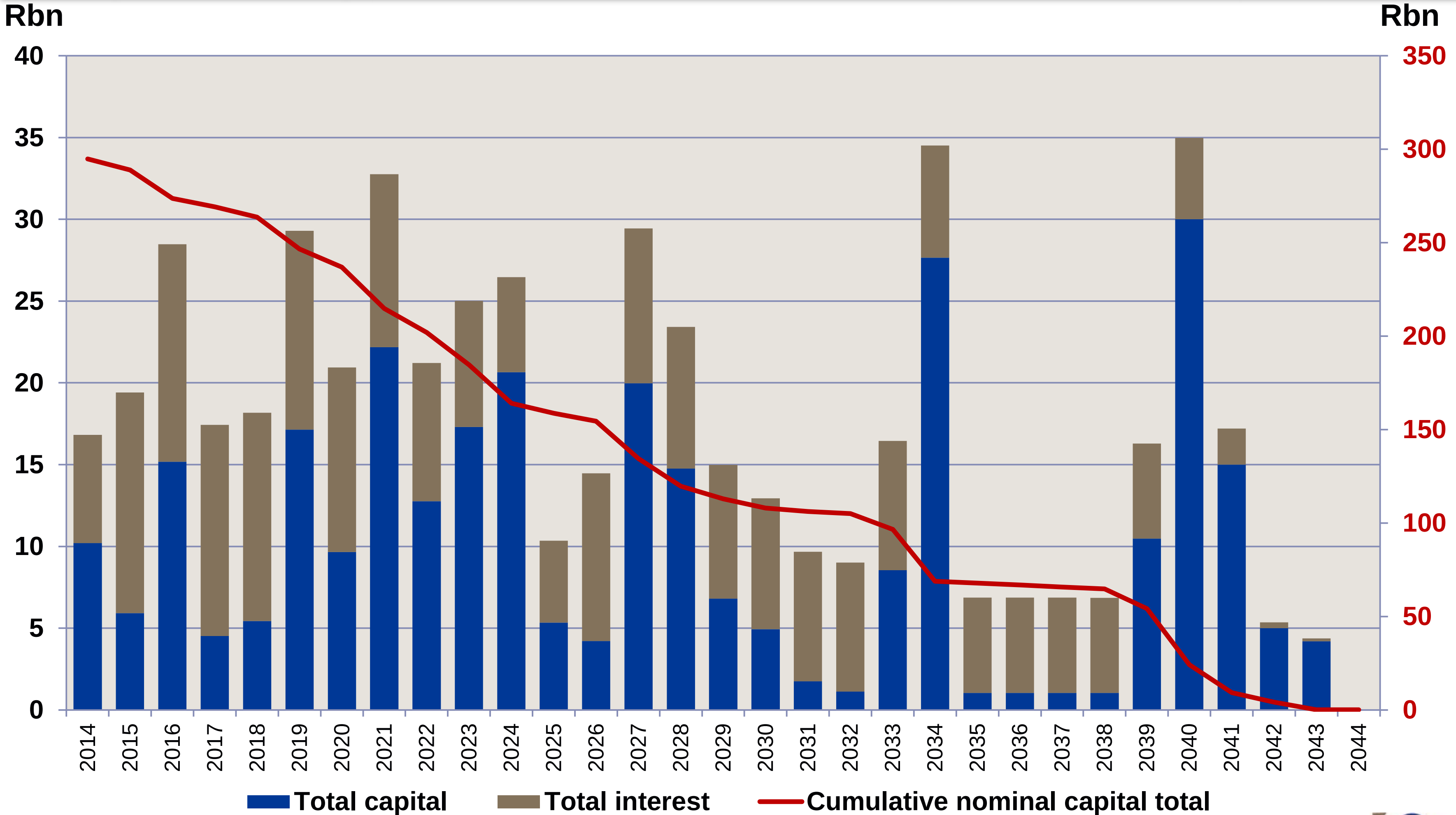


1. Represents the repayment of nominal capital and interest in the strategic and trading portfolio. Data as at 30 September 2013
2. Reflects the 10 financial years starting 1 April 2014 and ending on 31 March 2024

Debt maturity profile

Ensuring Eskom's financial sustainability

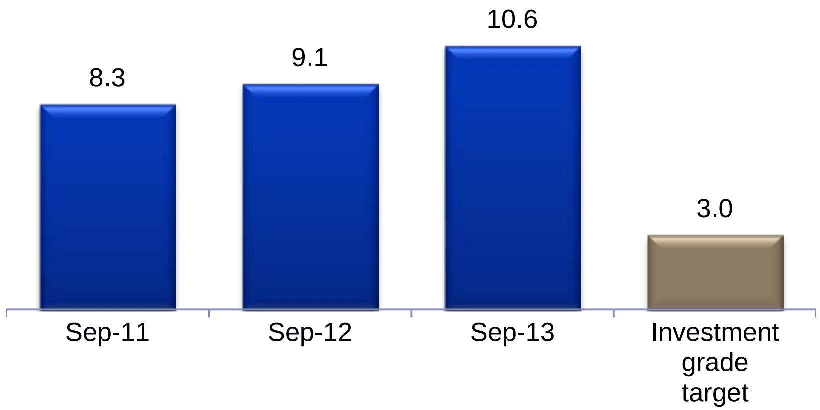
Strategic and trading portfolio nominal and interest cashflows as at 30 September 2013



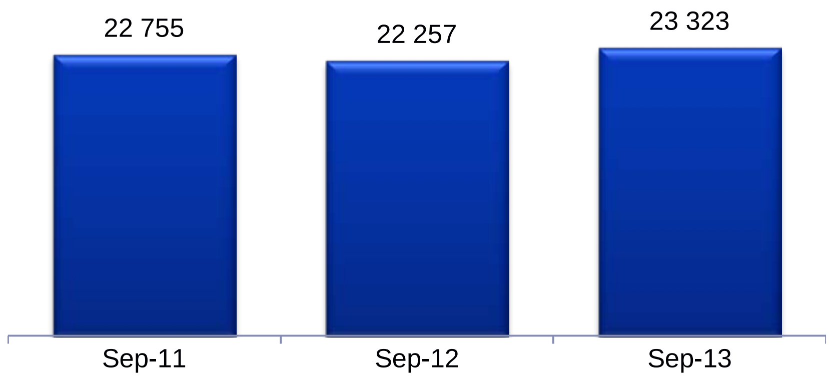
Debt maturity and leverage

Ensuring Eskom's financial sustainability

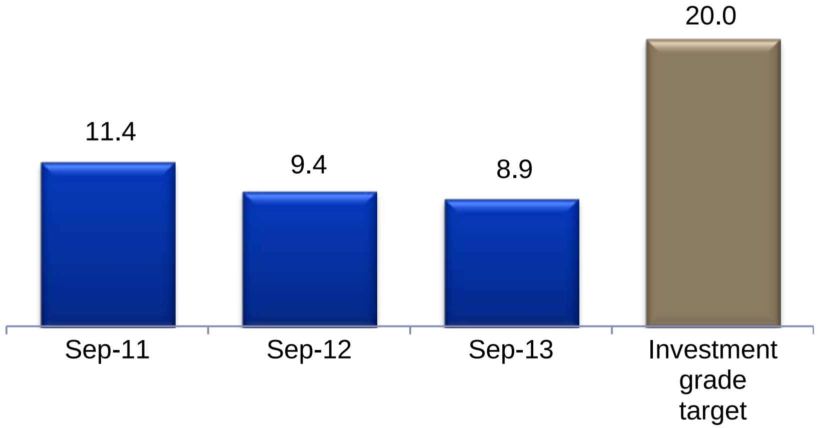
Gross debt / EBITDA ratio



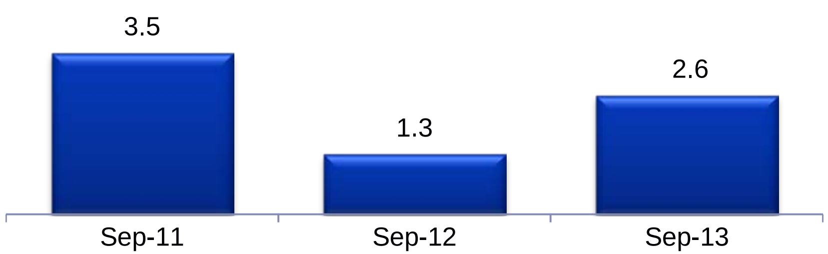
Funds from operations (FFO)



FFO as a % of gross debt

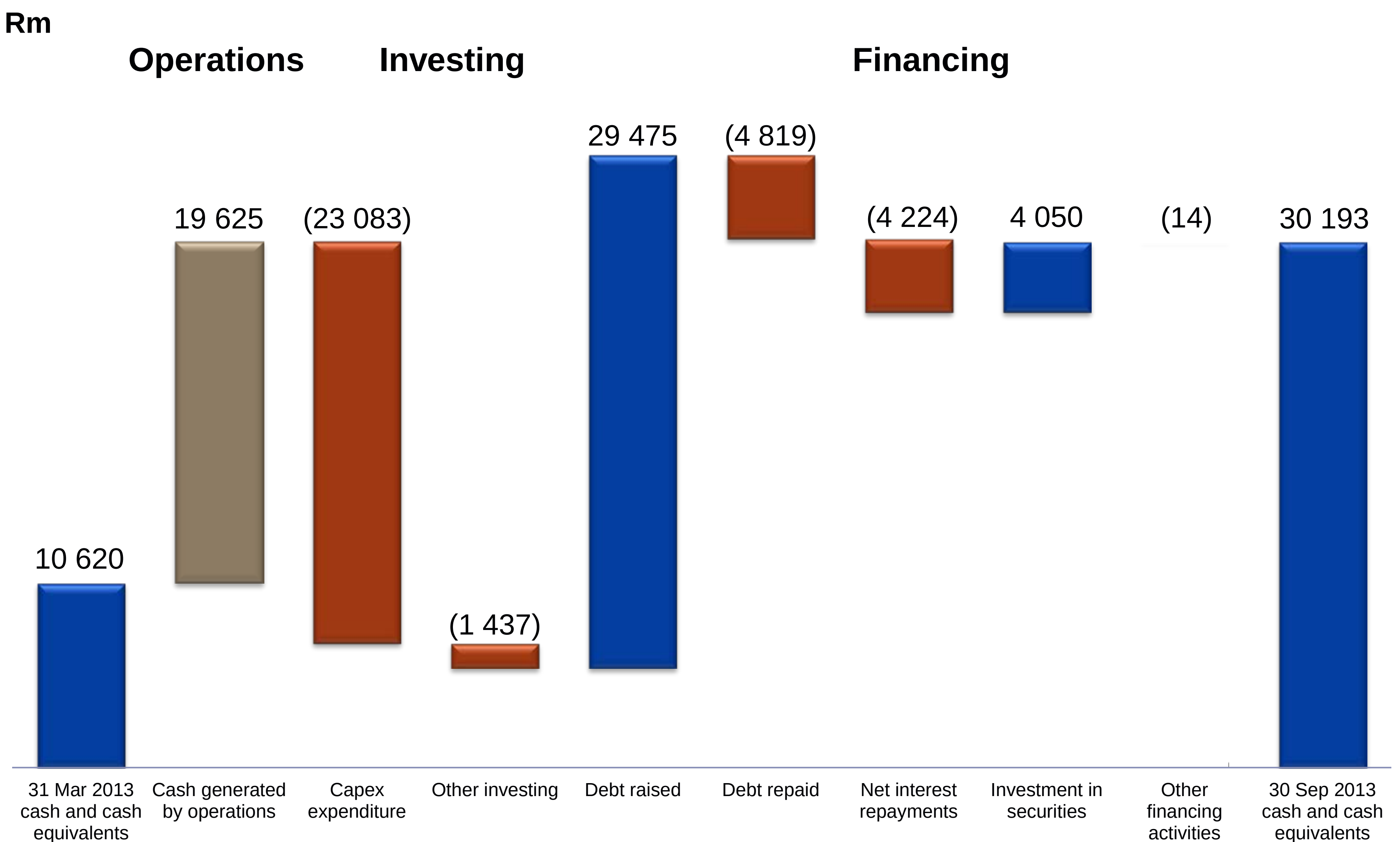


Interest cover ratio



Summary of reviewed cash flows

Ensuring Eskom's financial sustainability



Funding plan – R300 billion from 1 April 2010 to 31 March 2017

Ensuring Eskom's financial sustainability

This plan was based on the assumption of a 16% MYPD 3 increase and will need to be extended

Source of funds	Funding sourced R billion	Currently secured R billion	Draw-downs to date R billion	Amount supported by government R billion
Bonds	90.0	60.9	60.9	38.2
Commercial paper[1]	70.0	70.0	35.0	0.0
Export Credit Agencies	32.9	32.9	20.5	0.0
World Bank	27.8	27.8	10.3	27.8
AfDB	20.9	20.9	14.2	20.9
Development Bank of Southern Africa	15.0	15.0	8.0	0.0
Shareholder Loan	20.0	20.0	20.0	20.0
Other / new sources	23.4	18.4	4.3	4.9
Totals	**300.0**	**265.9**	**173.2**	**105.9**
Percentages		88.6%[2]	65.1%[3]	42.1%[3]

1. Commercial paper is issued for up to one year and then redeemed and re-issued for the same net amount. The commercial paper is thus by definition not fully secured for the full period, however, Eskom's long term observations and past trends support a high level of confidence that Eskom will be able to roll over the redemptions each year. For this reason, the gross value of the commercial paper is shown under the "secured" column in the borrowing programme table above
2. As a percentage of the R300 billion funding sourced
3. As a percentage of the currently secured total

Credit ratings

Ensuring Eskom's financial sustainability

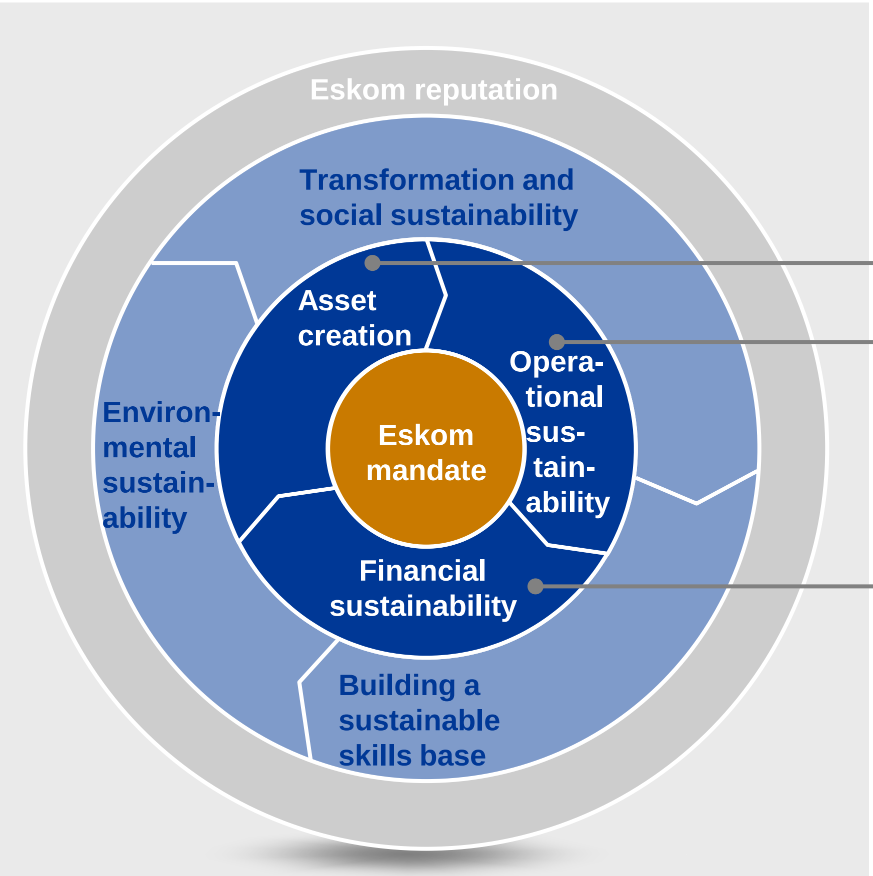
Rating	Standard & Poor's	Moody's	Fitch	
			Local Currency	National Scale
Foreign currency	BBB	Baa3	-	AA+
Local currency	BBB	Baa3	BBB+	F1+
Stand-alone	b-	b1	B	None
Outlook	Negative	Negative	Stable	Stable
Action Date	14 Oct 2013	19 Jul 2013	11 Jan 2013	16 Jan 2013
Affirmation Date	14 Oct 2013	19 Jul 2013	2 Aug 2013	2 Aug 2013

Concluding remarks

Brian Dames
Chief executive

Eskom has defined three strategic agendas

Eskom sustainability framework



Eskom's Integrated Delivery Plan (IDP)

I "New Build Programme"

- Eskom will ensure renewed focus on delivering on capacity expansion projects – on time, within budget, and to the right quality

II "Sustainable Asset Base and Meeting Demand"

- Security of supply remains a key concern calling for an integrated perspective on energy conservation, demand management, and use of OCGTs
- Maintenance regime and refurbishment of network critical

III "Business Productivity Programme"

- The tightened financial environment can only be dealt with through a sustained productivity improvement in all parts of the business – BPP delivers this

Conclusion

- Power system
  - Eskom has kept the lights on through a challenging year
  - The power system will remain tight in summer. Summer is typically maintenance season, but this summer maintenance will increase based on the generation sustainability strategy as most of the maintenance is fixed and cannot be deferred
  - We can all help to keep the lights on by “Living Lightly”

- MYPD 3 determination and the way forward
  - The reduced capital allocation will still deliver the existing capital expansion programme and the revised budget after reductions still aims to deliver on the eight strategic imperatives and Eskom‘s mandate
  - However, within the revised budget, there are certain strategic trade-offs and initiatives that Eskom will have to consider. The trade-offs will require a change in the approach to the operating and business model of Eskom

- Capacity expansion programme
  - Special focus on bringing the first unit of Medupi online

- Transformation
  - Initiatives have been implemented to transform Eskom and improve its operations

Awards and recognition

Most Desired Company to Work For	Sunday Times
Second in Community Upliftment	Sunday Times
Second top company that does the most to look after the environment and natural resources	Sunday Times
Star Award for Operation Khanyisa	Star Awards
Voted Top Engineering Company by engineering students; second best by MBA and Professionals	Mail & Guardian
Winner of the Human Resources team of the year category	Institute of Personnel Management
Best presentation in market cap above R30 billion category	Investment Analysts Society
Nkonki SOC integrated reporting awards winner and ranked “excellent” by Ernst & Young	Nkonki SOC awards & E&Y integrated reporting award
Fourth most popular brand in South Africa	Finweek
Golden Key Award for best practice by a public institution	SA Human Rights Commission
Stars of Africa 2013 Gold Award for Eskom Contractor Academy: incubation category	Stars of Africa 2013
Runner-up in 2013 Water Conservation and Water Demand Management Sector awards (mining/industry/power)	Department of Water Affairs
2013 Boss of the Year - Ayanda Nakedi, Senior General Manager of the Renewables Business Unit	Boss of the Year award
Visionary CIO award - Sal Laher, CIO and Divisional Executive for Group IT division	IT Professionals South Africa
General Counsel of the Year - Willie du Plessis, General Manager (Legal Specialist)	African Legal awards

Thank you