

A decorative graphic on the left side of the slide consists of three overlapping circles. The top circle shows a close-up of solar panels. The middle circle shows a large industrial facility with several tall, white cooling towers and a body of water in the foreground. The bottom circle shows a worker in a safety harness and hard hat working on a high-voltage electrical transmission tower.

## Update on the implementation of Eskom's turnaround plan

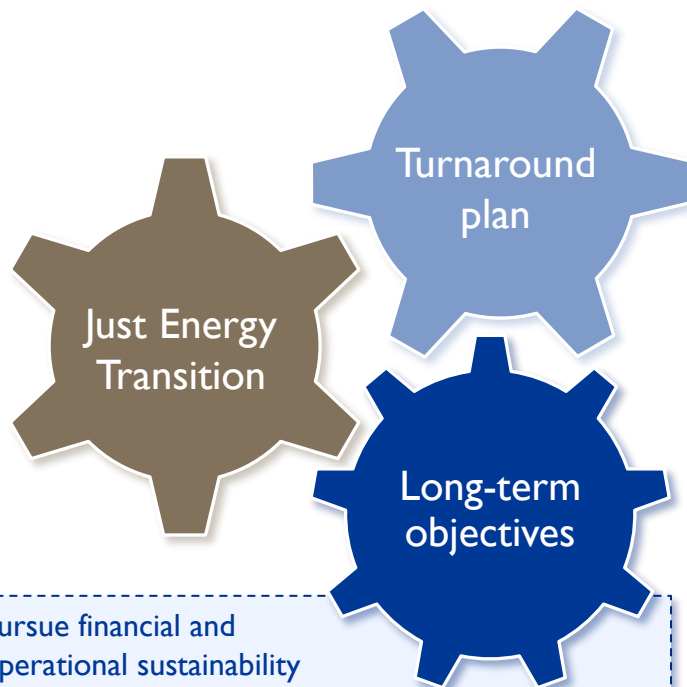
15 December 2021

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## Eskom's turnaround plan



- Pursue financial and operational sustainability
- Facilitate a future competitive energy industry
- Modernise the power system
- Strive for net zero emissions by 2050

### Turnaround objectives

- **Operations recovery**  
Improve the current operations to ensure a reliable supply of electricity
- **Business separation** *Focus of this session*  
Unbundle Eskom to emphasise transparency, agility and operational excellence
- **Improve the income statement**  
Reduce costs and optimise revenue to support Eskom's financial recovery
- **Strengthen the balance sheet**  
Return Eskom to financial sustainability through addressing the current unsustainable debt level
- **People and culture**  
Support performance through motivational leadership, mentoring and coaching

## Overview of Eskom's unbundling

### What is the rationale for Eskom's unbundling?

“Eskom's operating business model is outdated and based on the era of excess electricity supply and captive customers...




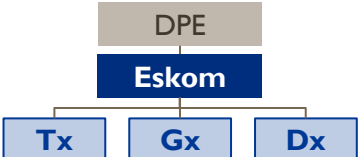
“Unbundling” into separate subsidiaries under Eskom Holdings will allow management focus, improve efficiency, create greater transparency around performance, provide greater protection against corruption and rent-seeking, and will give capital providers more visibility of the component parts, resulting in more investment comfort.

*Roadmap for Eskom in a Reformed Electricity Supply Industry (the Roadmap) – Department of Public Enterprises, October 2019*

### Why start with the legal separation of the Transmission Division?

- In line with DPE's Roadmap, the Transmission company (NTCSA<sup>1</sup>) will be a **keystone to Eskom and electricity market reform** in South Africa, playing the **roles of system operator** (management of supply and demand balances) and **market operator**
- NTCSA is well prepared for legal separation, thanks to:
  - Stable operational performance; and
  - A targeted business risk profile associated with transmission activities supporting its legal separation

# High-level roadmap

Steps	Structure	Deliverables	Timeline
Vertical integration		Situation before the start of the implementation of Eskom's turnaround plan	
Functional separation		<ol style="list-style-type: none"> <li>1. Divisionalisation and appointment of divisional boards and heads</li> <li>2. Completion of the functional separation into three divisions</li> </ol>	<p>March 2020</p> <p>March 2021</p>
Legal separation	 	<ol style="list-style-type: none"> <li>1. Completion of the legal separation of Transmission as a wholly owned subsidiary<sup>1</sup></li> <li>2. Completion of the legal separation of Generation and Distribution as wholly owned subsidiaries<sup>1</sup></li> </ol>	<p>In the course of 2022</p> <p>Targeted in 2022</p>

1. Subject to regulatory approval and relevant legal and commercial consents

## Where do we stand?

### Key milestones

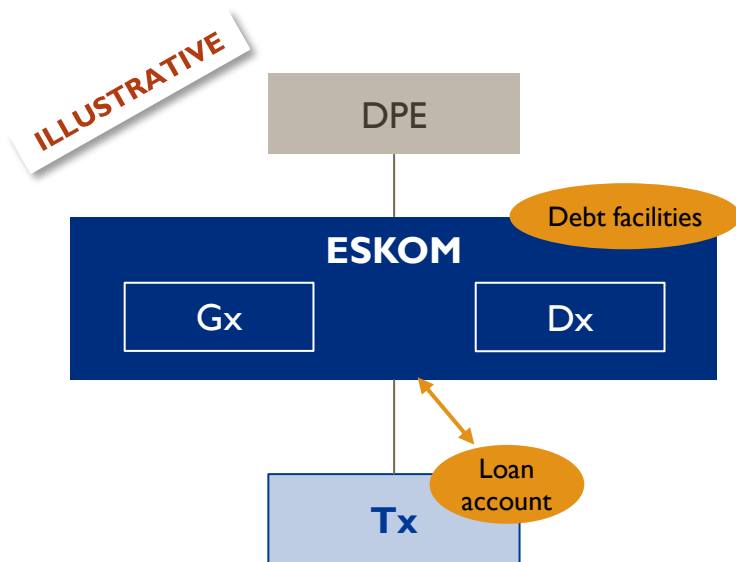
- |  |   |
|--|---|
| ✓ Review of the DoA principles guiding the legal separation and presentation to all divisional boards  | <i>Completed</i>                                    |
| ✓ Submission of the second PFMA application to National Treasury and DPE   | <i>Completed</i>                                    |
| ✓ National Transmission Company South Africa SOC Ltd registered with CIPC  | <i>Completed</i>                                    |
| ➤ Consultations with organised labour on human resources migration   | <i>In progress</i>                                  |
| ➤ Launch of engagement process with Eskom's creditors  | <i>In progress</i>                                  |
| ➤ <b>Signature of a legally binding asset transfer agreement subject to (i) suspensive conditions, including</b><br>a) obtaining applicable creditors' consent<br>b) obtaining the relevant licences from NERSA<br>c) signing an intercompany loan agreement | <i>On track – to be signed by end-December 2021</i> |

## NTCSA legally binding asset transfer agreement (1/2)

1. The **transmission business of Eskom will be transferred** as a going concern to NTCSA, a wholly owned subsidiary of Eskom. The transfer will include **all transmission assets, liabilities, contracts and employees**
2. The transaction **will be signed before 31 December 2021**, with an effective date of 1 January 2022
3. The transaction will result in a **legally binding asset transfer agreement subject to the fulfilment of certain suspensive conditions**
4. In the **interim period**, until the fulfilment of the suspensive conditions, the **transmission business will continue to be operated by Eskom as a separate discreet division**
5. Upon **fulfilment of the suspensive conditions**, NTCSA will be operationalised as a **separate wholly owned subsidiary**

## NTCSA legally binding asset transfer agreement (2/2)

### Planned legal organisation of debt under the unbundling of NTCSA<sup>1</sup>



- **Debt facilities to remain on Eskom's balance sheet**
- Eskom believes that the unbundling of the transmission business to NTCSA will not negatively affect Eskom's existing debt facilities

↔ On-lending agreements

## Concluding remarks

- In line with DPE's Roadmap, **Eskom intends to sign before 31 December 2021 a legally binding asset transfer agreement** related to the Transmission Division subject to suspensive conditions, **including relevant creditors' consent**
- Eskom will seek to engage in discussions with its creditors as follows:
  - With creditors from whom consent is required; and
  - With creditors from whom consent is not required for the transfer of the Transmission Division, in order to keep them informed of the latest developments and gather their feedback on future unbundling steps as contemplated by DPE's Roadmap
- In engaging with its creditors and other stakeholders, Eskom will abide by the following principles:

**1 Transparency and clear communication**

**2 Good faith efforts for a collaborative process**

**3 Fair treatment across creditors** (without disclosure of price sensitive information)

## Next steps and contact information

If creditors are interested in obtaining more information and engaging in discussions with Eskom, please contact the company, its financial (Lazard) and legal advisors (White & Case LLP and ENSAfrica), at the following email address: [InvestorRelations@eskom.co.za](mailto:InvestorRelations@eskom.co.za)

This presentation and the recording are available on the website of Eskom Holdings SOC Ltd at <https://www.eskom.co.za/investors/investor-presentations/> and [Replay Eskom Global Investor Call](#)

Eskom is mindful of the exceptional circumstances surrounding this process due to the COVID-19 crisis. In this regard, interactions with creditors and other stakeholders are expected to take place for the time being based on video and conference calls.