Group interim results for the six months ended 30 September 2023

13 December 2023

The interim financial statements and performance commentary are available at www.eskom.co.za/investors/integrated-results/

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The first six months of FY2024 remained challenging, both operationally and financially

EAF worsened further to
55.30%
(Sep 2022: 58.66%)

Loadshedding on
183 days
(Sep 2022: 102 days), despite extensive OCGT usage

Emissions performance deteriorated to
0.92kg/MWhSO
(Sep 2022: 0.45kg/MWhSO)

Transmission
network reliability
performance declined

Distribution
network
performance remained stable

1 employee fatality
(Sep 2022: 1 employee and 1 contractor)

Lost-time injury rate declined to
0.28
(Sep 2022: 0.26)

Net profit after tax reduced to
R1.6 billion
(Sep 2022: R3.8 billion)

Tariff increase of
18.65%
(Sep 2022: 9.61%)

Gross debt securities and borrowings (incl. subordinated Government loan) of
R442.7 billion
(Mar 2023: R423.9 billion)

Arrear municipal debt escalated further to
R70 billion
(Mar 2023: R58.5 billion)

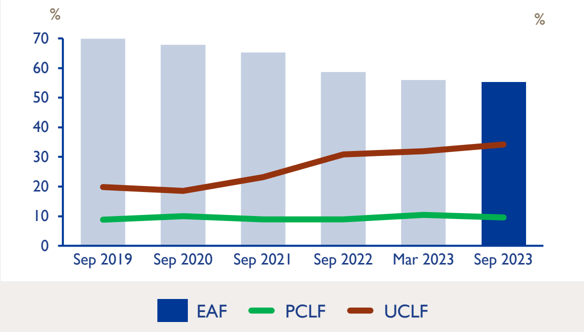
R78 billion
Government debt relief committed for FY2024

Generation performance continued to deteriorate during the period, with networks and new build still delivering variable performance

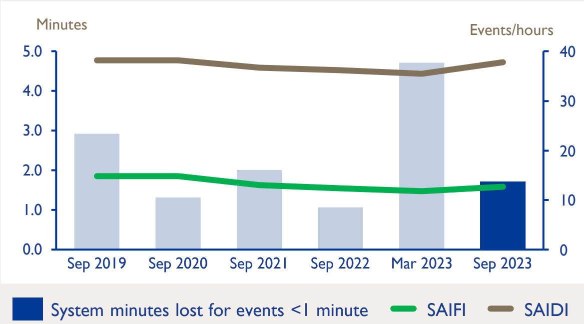
GENERATION PERFORMANCE

- Plant availability deteriorated to 55.30% (Sep 2022: 58.66%), with unplanned load losses rising to 34.18% (Sep 2022: 30.86%) and planned maintenance at 9.53% (Sep 2022: 8.97%)
- Loadshedding up to stage 6 implemented on 183 days (Sep 2022: 102 days) or 3 578 hours equating to an effective 149.1 days (Sep 2022: 1 653 hours or 68.9 days equivalent)
- Gas turbines produced 2.9TWh (Sep 2022: 2.1TWh) at a cost of R18 billion (Sep 2022: R15.8 billion) for Eskom and IPP OCGTs
- Average coal purchase price increased by 10.2% (Sep 2022: 5.5%)
- Three Kusile units returned to service using temporary stacks
- Koeberg Unit 1 undergoing commissioning tests following a long-term outage
- Koeberg Unit 2 outage to replace steam generators commenced on 11 December 2023

Generation performance



Network performance



SAIFI = System average interruption frequency index
SAIDI = System average interruption duration index

NETWORK AND NEW BUILD

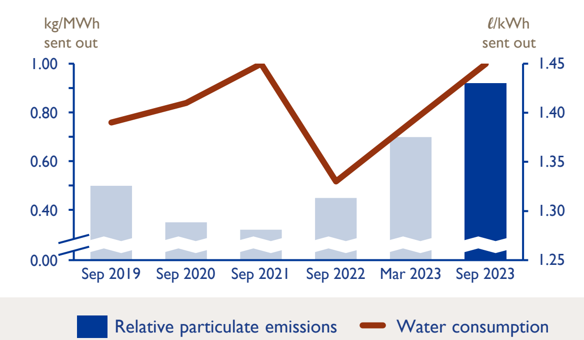
- Transmission system minutes performance declined to 1.71 minutes (Sep 2022: 1.07), with no major incidents (Sep 2022: one)
- Distribution network performance remained stable, with frequency and duration of supply interruptions within target, although distribution energy losses of 9.64% remain high (Sep 2022: 9.56%)
- Other IPP programmes produced 8.9TWh (Sep 2022: 7.7TWh). Overall, IPP programmes delivered about 2.7TWh less than target, contributing to the overall generation capacity shortfall
- Kusile Unit 5 expected to synchronise to the grid during December 2023, with commercial operation six months later
- First phase of the partial correction of major plant defects at Medupi and Kusile to be completed by December 2023

Emissions performance showed significant deterioration, with 27 air quality–related environmental legal contraventions

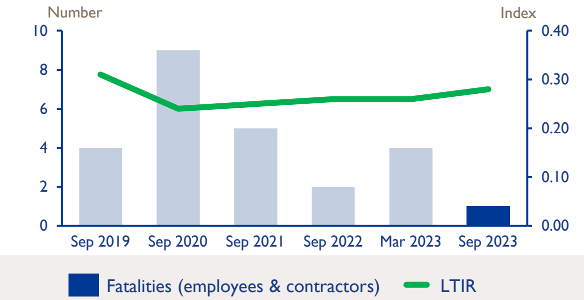
ENVIRONMENTAL PERFORMANCE

- Relative particulate emissions performance deteriorated significantly to 0.92kg/MWh sent out (Sep 2022: 0.45kg/MWhSO). Kendal, Kriel and Matla accounted for almost half of emissions
- Kendal air quality criminal case adjourned to 18 March 2024
- National Environmental Consultative and Advisory Forum's work on MES continues, with extension to August 2024
- Water consumption at power stations deteriorated slightly to 1.45ℓ/kWhSO (Sep 2022: 1.33ℓ/kWhSO) due to operational challenges
- A total of 44 environmental legal contraventions far exceeded tolerance levels (Sep 2022: 40), with 16 related to water, 27 to air quality and one to waste regulations

Environmental performance



Safety performance



PEOPLE AND SOCIETY

- Tragically, one employee fatality was recorded (Sep 2022: one employee and one contractor)
- Group lost-time injury rate worsened slightly to 0.28 (Sep 2022: 0.26)
- Headcount increased slightly to 39 987 (Sep 2022: 39 871), with the intake of 757 Youth Employment Services learners offsetting natural attrition
- Racial and gender equity improved further, with racial equity at professional/middle management level at 84.37% (Sep 2022: 82.67%)
- Disability equity stood at 2.90% (Sep 2022: 2.94%)
- Completed 40 362 electrification connections (Sep 2022: 35 159)
- CSI spend of R41.8 million benefitted 174 669 beneficiaries (Sep 2022: R32.5 million)

Operating performance has a direct impact on financial performance and as a result, financial indicators continue to decline

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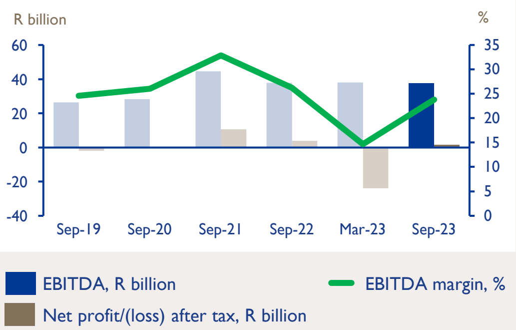
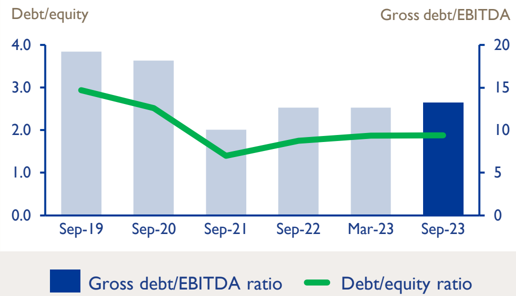
KEY FINANCIAL INDICATORS	Sep 2023		Sep 2022
Revenue, R million	**158 627**	▲	144 841
EBITDA, R million	**37 742**	▼	37 957
EBITDA margin, %	**23.79**	▼	26.21
Operating profit (EBIT), R million	**20 905**	▼	22 156
Net profit after tax, R million	**1 618**	▼	3 839
Pre-tax nominal return on assets, %	**3.08**	▼	3.28
Cash interest cover, ratio	**1.53**	▼	2.14
Debt service cover, ratio	**0.55**	▼	1.53
Gross debt/EBITDA, ratio	**13.20**	▼	12.63
Debt/equity (including long-term provisions), ratio	**1.88**	▼	1.75
Gearing, %	**65**	▼	64
Free funds from operations (FFO) as % of gross debt	**8.02**	▼	8.28

Legend: ▲ Performance improved ▼ Performance declined

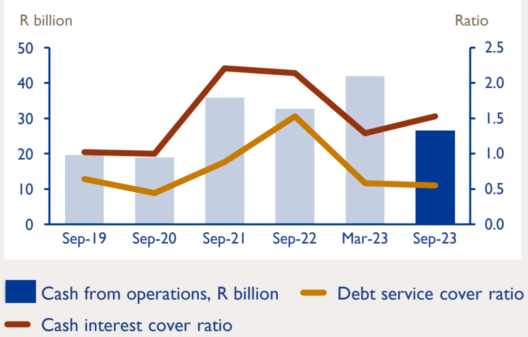
Profitability



Gearing



Solvency



- Favourable revenue growth due to higher tariffs, offset by a decline in sales volumes
- EBITDA and operating cash flows negatively affected as production costs remain high due to supply from more expensive sources, including reliance on OCGTs, despite a decline in sales volumes
- Cash flows remain inadequate to meet debt servicing requirements
- Gross debt/EBITDA worsened due to growth in debt and overall decline in profitability

Profitability was negatively affected by growth in primary energy and finance costs

GROUP INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2023

R million	Sep 2023	Sep 2022	%
Revenue	**158 627**	144 841	10 ▲
Other income	**681**	2 053	
Primary energy	**(85 089)**	(77 261)	10 ▲
Net employee benefit expenses	**(17 352)**	(16 241)	7 ▲
Net impairment loss and write-downs	**(1 873)**	(414)	
Other expenses	**(17 252)**	(15 021)	15 ▲
EBITDA (before net fair value gain)	**37 742**	37 957	1 ▼
Depreciation and amortisation expenses	**(16 837)**	(15 801)	7 ▲
Operating profit (EBIT)	**20 905**	22 156	6 ▼
Net fair value and foreign exchange gains	**974**	582	
Net finance cost	**(19 700)**	(17 476)	13 ▲
Share of profit of equity-accounted investees	**71**	50	
Profit before tax	**2 250**	5 312	58 ▼
Income tax	**(632)**	(1 473)	
Net profit for the period	**1 618**	3 839	58 ▼

Legend: ▲ Income/gain increased ▼ Expense/loss declined ▼ Income/gain declined ▲ Expense/loss increased

- **Revenue**: 18.65% tariff increase, offset by 6% decline in sales
- **Primary energy**: due to higher OCGT spend to alleviate supply constraints at coal-fired stations and higher production from renewable IPPs due to IRP-driven growth. Delays in the Standard Offer Programme, Emergency Generation Programme and Risk Mitigation IPP Procurement Programme (RMIPPPP) further contributed to the reliance on OCGTs, with favourable diesel prices also supporting higher OCGT production. Non-production from Koeberg Unit 1 due to long-term outage had to be replaced by more expensive sources
- **Employee benefit cost**: 7% salary adjustment for all employees, except top management, to support operational stability
- **Other expenses**: R1.7 billion increase in repairs and maintenance, as well as higher plant operating costs due to poor plant performance
- **Net finance cost**: exchange rate and interest rate pressures due to global macro-economic factors, coupled with lower finance costs capitalised as new build units are commissioned

Sales volumes declined by an annual average of 3% over the last five years

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REVENUE

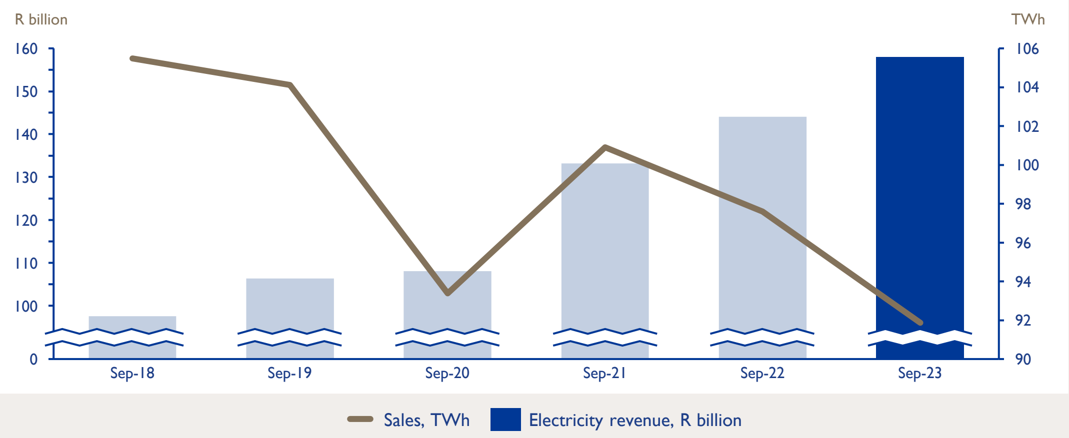
R million	Sep 2023	Sep 2022	%
Local	**158 895**	143 994	10▲
International	**5 267**	5 435	3▼
Gross electricity revenue	**164 162**	149 429	10▲
Net revenue not recognised (IFRS 15)	**(6 259)**	(5 375)	16▲
Net electricity revenue	**157 903**	144 054	10▲
Other revenue	**724**	787	8▼
Total revenue	**158 627**	144 841	10▲

SALES VOLUMES

GWh	Sep 2023	Sep 2022	%
Local	**86 786**	91 909	6▼
International	**5 091**	5 695	11▼
Total sales	**91 877**	97 604	6▼

Legend: ▲ Revenue/sales increased ▼ Revenue/sales declined ▲ Revenue non-recognition increased ▼ Revenue non-recognition declined

Revenue and sales trend



- Average selling price increased (17%▲) to 178.82c/kWh (Sep 2022: 153.23c/kWh)
- 5.7TWh (6%▼) decline in sales volumes due to generation supply constraints, leading to loadshedding and load curtailment, as well as economic factors and embedded self-generation with a decline in sales seen in most sectors
- Despite loadshedding constraints, the mining sector experienced higher electricity demand (3%▲), with favourable commodity prices leading to improved margins and higher production
- International (11%▼), agricultural (9%▼), as well as redistributor and residential customers (8%▼) experienced the largest declines in percentage terms

Despite favourable diesel prices, primary energy costs increased by 10% due to reliance on expensive Eskom and IPP OCGTs to alleviate supply constraints

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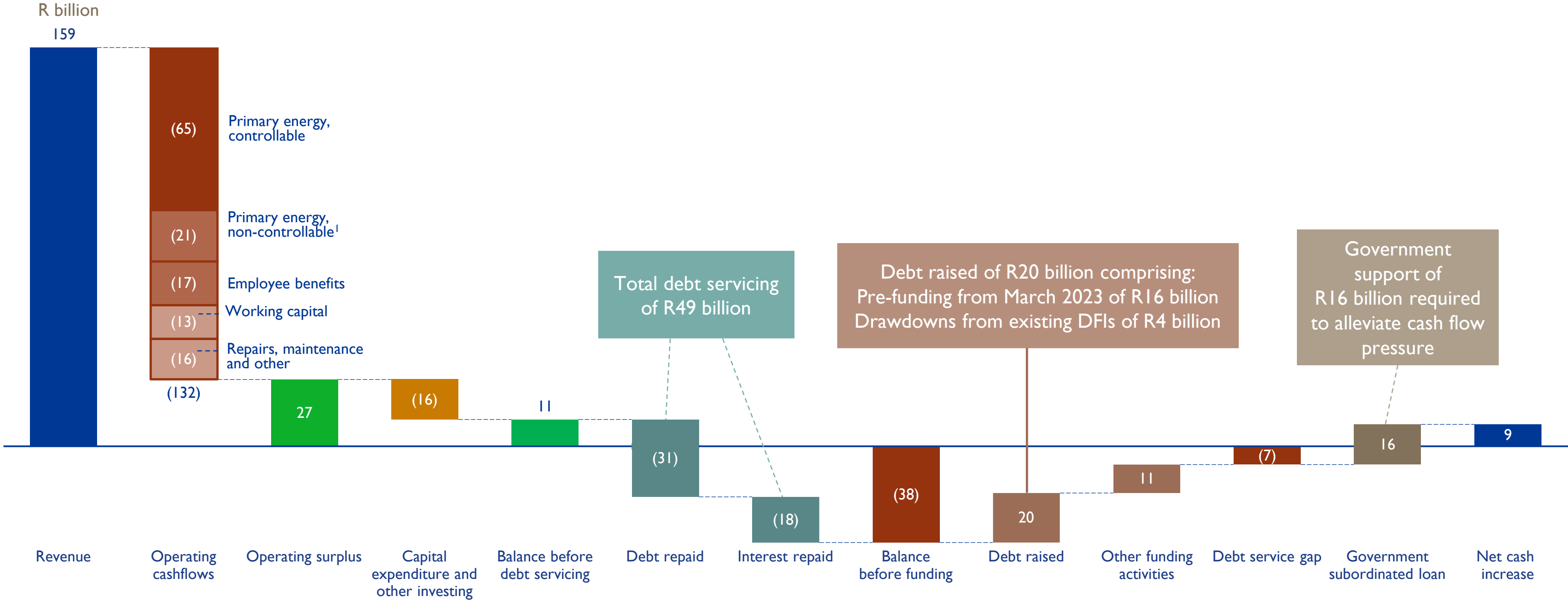
		COST	PRODUCTION	UNIT COST	
BASE-LOAD	COAL & OTHER	R45 306 million (Sep 2022: R42 915 million)	87 724GWh (Sep 2022: 95 395GWh)	R516/MWh (Sep 2022: R450/MWh)	15% ▲
	NUCLEAR	R396 million (Sep 2022: R482 million)	3 918GWh (Sep 2022: 4 445GWh)	R101/MWh (Sep 2022: R108/MWh)	7% ▼
DIESEL	ESKOM OCGTs	R12 459 million (Sep 2022: R11 160 million)	1 980GWh (Sep 2022: 1 609GWh)	R6 269/MWh (Sep 2022: R6 906/MWh)	9% ▼
	IPP OCGTs	R5 545 million (Sep 2022: R4 643 million)	872GWh (Sep 2022: 494GWh)	R6 093/MWh (Sep 2022: R8 428/MWh)	28% ▼
	RENEWABLE IPPs	R16 989 million (Sep 2022: R15 205 million)	8 548GWh (Sep 2022: 7 722GWh)	R1 988/MWh (Sep 2022: R1 969/MWh)	1% ▲
	OTHER IPPs	R413 million (Sep 2022: Nil)	318GWh (Sep 2022: Nil)	R1 300/MWh (Sep 2022: Nil)	n/a
	IMPORTS	R3 981 million (Sep 2022: R2 856 million)	4 649GWh (Sep 2022: 4 394GWh)	R856/MWh (Sep 2022: R650/MWh)	32% ▲
	TOTAL	R85 089 million (Sep 2022: R77 261 million)	108 009GWh (Sep 2022: 114 059GWh)	R788/MWh (Sep 2022: R677/MWh)	16% ▲

Legend: ▼ Unit cost declined ▲ Unit cost increased

- Total energy produced decreased by 6.1TWh (5%▼) due to supply constraints
- Coal plant impacted by frequent breakdowns, requiring fuel oil for unit start-up and combustion support, as well as inflationary cost pressures
- Average coal purchase price increased by 10.2%, linked to mine input costs, which were affected by fuel costs and weakening of the Rand
- Nuclear output down due to long-term outage
- Diesel production sources account for 21% of total cost but only 3% of total production; use of diesel is necessary but unsustainable
- Other IPP programmes include the Standard Offer Programme, where Eskom offers a price to purchase from self-generation customers, and the Emergency Generation Programme, where suppliers offer a price to Eskom. Only 100MW and 60MW capacity operational by 30 Sep 2023
- Delays in these programmes and the RMIPPPP led to higher OCGT usage than planned

Liquidity improved by R8.8 billion since year end, largely due to debt raising and Government support. Operating cash remains insufficient to meet debt servicing needs

CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2023



1. Non-controllable primary energy includes renewable IPP costs and environmental levies
2. Debt raised for the year is reported net of commercial paper in the statement of cash flows
3. Other funding activities is predominantly cash flows from derivatives held for risk management

Growth in debt securities and borrowings due to weakening of the Rand, together with debt raising and Government support

GROUP STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2023

R million	Sep 2023	Sep 2022	%
Property, plant and equipment and intangible assets	**672 946**	670 312	<1 ▲
Working capital – current inventory and receivables	**64 859**	55 003	18 ▲
Liquid assets – cash and cash equivalents and current investments	**32 733**	34 705	6 ▼
Derivatives held for risk management	**26 759**	31 673	16 ▼
Other assets [1]	**53 201**	42 121	26 ▲
Total assets	**850 498**	833 814	2 ▲
Equity [2]	**238 242**	246 920	4 ▼
Debt securities and borrowings	**426 723**	423 638	<1 ▲
Government subordinated loan [2]	**16 000**	–	
Working capital – current payables	**60 891**	55 616	9 ▲
Derivatives held for risk management	**1 659**	1 408	18 ▲
Other liabilities [3]	**106 983**	106 232	1 ▲
Total equity and liabilities	**850 498**	833 814	2 ▲

Legend: ▲ Asset increased ▼ Asset declined ▼ Liability declined ▲ Liability increased

1. Mainly comprises future fuel supplies, deferred tax and non-current inventory and receivables
2. Government support received recognised as a subordinated loan under debt securities and borrowings in the financial statements (Sep 2022: R4 billion recognised as equity)
3. Mainly comprises non-current decommissioning provisions, employee benefit obligations, contract liabilities and lease liabilities

- **Liquidity**: remains constrained due to debt servicing and working capital requirements; Government support assisted with managing liquidity
- **Working capital**: growth in trade receivables, coupled with an increase in inventories (coal stock, maintenance spares and consumables)
- **Derivatives**: declined due to capital cash flows from hedging activities, partially offset by favourable impact of fair value movements, linked to the weakening Rand
- **Debt**: conversely, foreign-denominated borrowings were negatively impacted by weakening of the Rand; debt raised included pre-funding of R16 billion from March 2023. In addition, received R16 billion Government support as a subordinated loan

Current ratio
1.07 ▲ (Sep 2022: 0.99)

Debt/equity ratio
1.88 ▲ (Sep 2022: 1.75)

USD/ZAR exchange rate
R18.83 ▲ (2022: R17.97)

EUR/ZAR exchange rate
R19.92 ▲ (2022: R17.55)

Net finance costs increased by 13% due to growth in debt, higher cost of borrowing and lower capitalisation of interest

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NET FINANCE COST FOR THE PERIOD ENDED 30 SEPTEMBER 2023

R million	Sep 2023	Sep 2022	%
Gross finance cost	**25 544**	22 813	12▲
Finance income	**(2 283)**	(1 471)	55▲
Borrowing costs capitalised to assets	**(3 561)**	(3 866)	8▼
Total	**19 700**	17 476	13▲

Legend: ▲ Income/capitalisation increased ▼ Expense declined ▼ Income/capitalisation declined ▲ Expense increased

Average cost of debt
10.74% ▲ (2022: 10.28%)

Average investment return
7.58% ▲ (2022: 4.45%)

NET DEBT AT 30 SEPTEMBER 2023

R million	Sep 2023	Sep 2022	%
Debt securities and borrowings	**426 723**	423 638	<1▲
Government subordinated loan	**16 000**	–	
Lease liabilities	**7 769**	8 202	5▼
Cash and cash equivalents [1]	**(16 355)**	(16 667)	2▼
Payments made in advance [1]	**(616)**	(797)	23▼
Net derivatives held for risk management [1]	**(24 905)**	(30 113)	17▼
Total	**408 616**	384 263	6▲

Legend: ▲ Asset increased ▼ Liability declined ▼ Asset declined ▲ Liability increased

1. In this table, assets are reflected as negative amounts

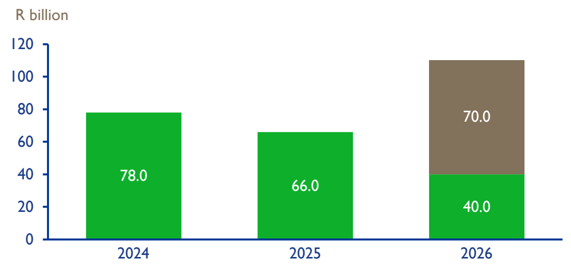
Gross debt securities and borrowings (excluding Government subordinated loan), R million

Opening balance at 30 Sep 2022	**423 638**
Debt raised (net of commercial paper)	28 766
Debt repaid	(33 120)
Other movements [2]	4 645
Closing balance at 31 Mar 2023	**423 929**
Debt raised (net of commercial paper)	19 670
Debt repaid	(30 850)
Other movements [2]	13 974
Closing balance at 30 Sep 2023	**426 723**

2. Mainly fair value movements due to exchange rate volatility as well as accruals, interest and discounting

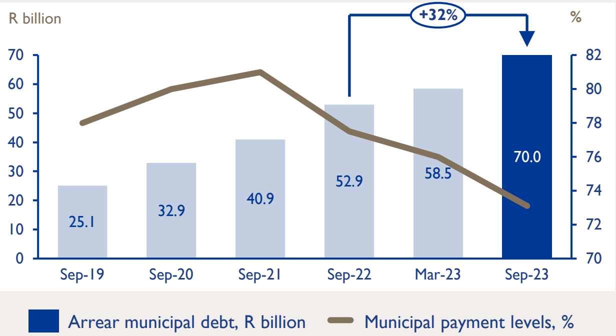
Government's debt relief package and the municipal debt relief programme are critical for improving financial performance

Government debt relief



Cumulative R184 billion support towards debt servicing
Takeover of R70 billion in debt commitments in 2026

Growth in arrear municipal debt



GOVERNMENT DEBT RELIEF

- Of the R78 billion debt relief for 2024, Eskom received R16 billion in August, R20 billion in October and R5 billion in December 2023. No conversions to equity have taken place yet
- The Minister of Finance tabled the Eskom Debt Relief Amendment Bill in November 2023, to allow for interest charges on the subordinated loan at market interest rates
- Moody's and S&P Global upgraded Eskom's credit ratings with a stable outlook in September 2023 and November 2023, on the back of Government's debt relief commitments

MUNICIPAL DEBT RELIEF PROGRAMME

- The municipal debt relief programme is expected to improve payment levels and the settlement of current accounts by municipalities over time. Applications closed on 31 October 2023
- By 30 November 2023, 52 municipalities received approval or conditional approval from National Treasury. These municipalities account for R50.2 billion, or 86%, of the arrear debt balance at 31 March 2023
- A further 20 municipalities, accounting for R6.5 billion, or 11%, have applied and are awaiting approval from National Treasury
- No write-offs have been processed to date as the municipalities must comply with the conditions for 12 months for Eskom to process the first third of the debt write-off
- The overdue amounts have not been recognised as revenue and have been fully provided for, therefore the write-offs will not affect Eskom's profitability

Financial outlook for FY2024 continues to be negatively affected by poor operational performance

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Financial indicator	Actual Sep 2023		Projection Mar 2024
Revenue, R million	**158 627**	▲	298 278
EBITDA, R million	**37 742**	▲	42 178
EBITDA margin, %	**23.79**	▼	14.14
Operating profit (EBIT), R million	**20 905**	▼	7 433
Net profit/(loss) after tax, R million	**1 618**	▼	(23 221)
Cash interest cover, ratio	**1.53**	▼	1.15
Debt service cover, ratio	**0.55**	▼	0.45
Gross debt/EBITDA, ratio	**13.20**	▲	12.05
Debt/equity (including long-term provisions), ratio	**1.88**	▲	1.79
Free funds from operations (FFO) as % of gross debt	**8.02**	▲	9.71

Legend: ▲ Positive trend expected ▼ Negative trend expected

- Financial performance remains hampered by the lack of cost-reflective tariffs, excessive use of OCGTs due to capacity shortages, above-inflationary cost increases, non-payment by some customers and high debt servicing costs
- Historically, financial performance in the first half of the year is better than the second half, with the winter period characterised by higher tariffs and sales volumes, as well as lower maintenance. The summer period sees higher maintenance and higher production from renewable IPPs
- Tariff increase of 18.65% awarded for 2024, although sales volumes expected to decline by 2% to 185.3TWh (2023: 188.4TWh)
- Financial performance expected to remain constrained by poor EAF as well as ongoing delays in the RMIPPPP and other IPP programmes, requiring reliance on expensive OCGTs to augment supply
- Spend on Eskom and IPP OCGTs to be managed within budgeted levels, with any overruns to be funded from internal savings and savings on other IPP programmes. Higher OCGT production supported by favourable diesel prices

The interim financial statements and performance commentary are available at www.eskom.co.za/investors/integrated-results/