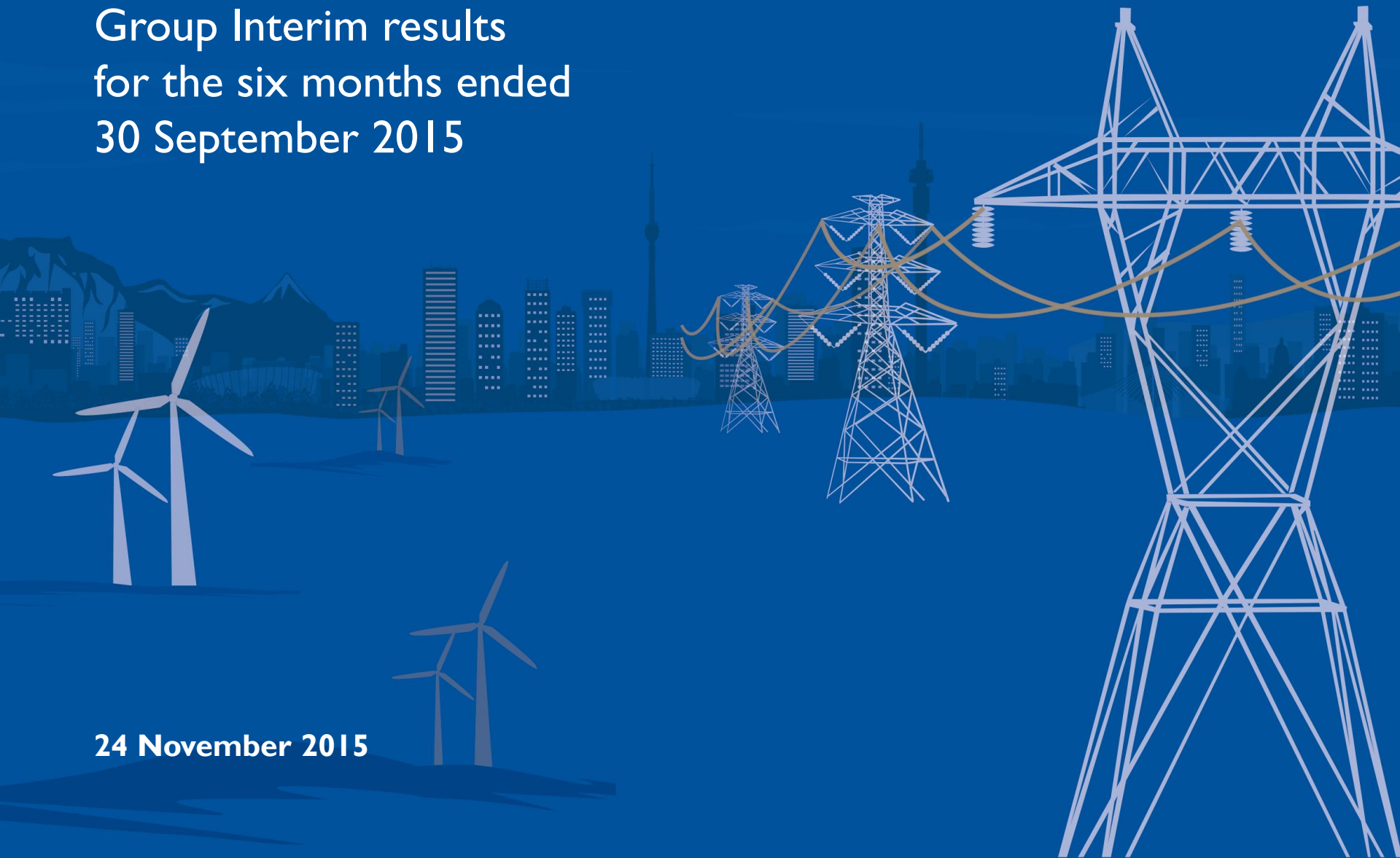




Group Interim results for the six months ended 30 September 2015

24 November 2015



Overview of the period



Financial review

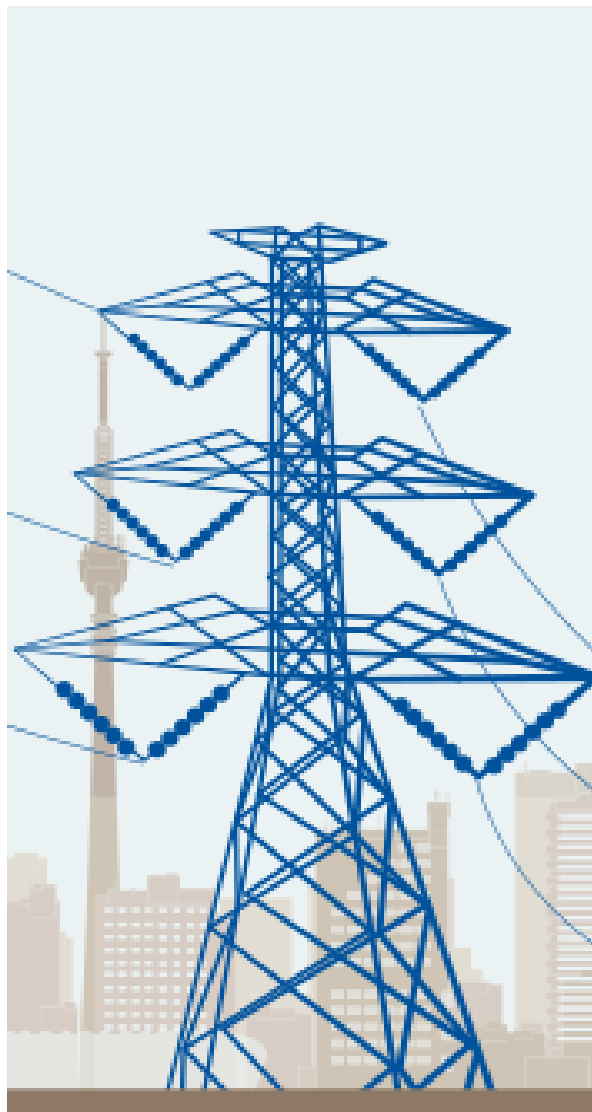


Operating performance



Conclusion





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



Financial review



Financial recovery continues, on the path to financial sustainability

Financial performance

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

EBITDA up 9% to
R24.9bn

Revenue up **8%**

Primary energy
cost up **7.7%**

BPP savings
R8.9bn

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

Key financial ratios

EBITDA margin
sustained at **28%**

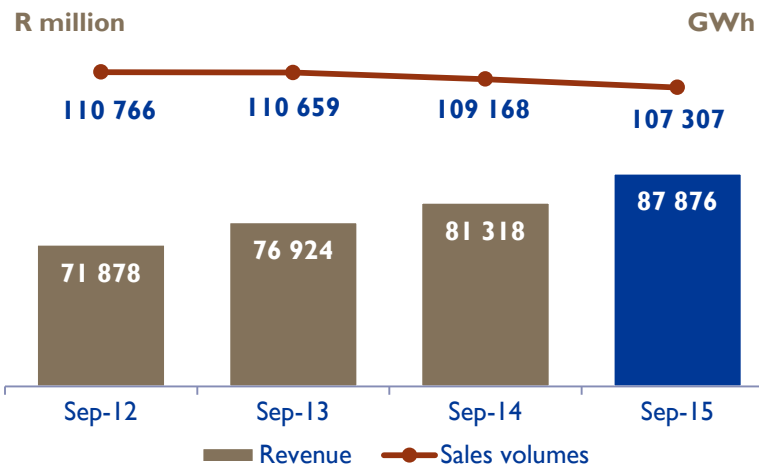
Interest cover
declined to **1.31**
from 1.40

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

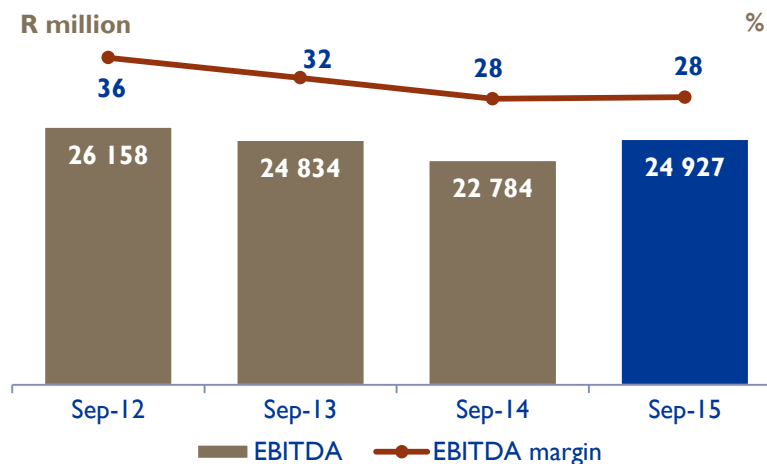
Gearing improved
to **60%** from 66%



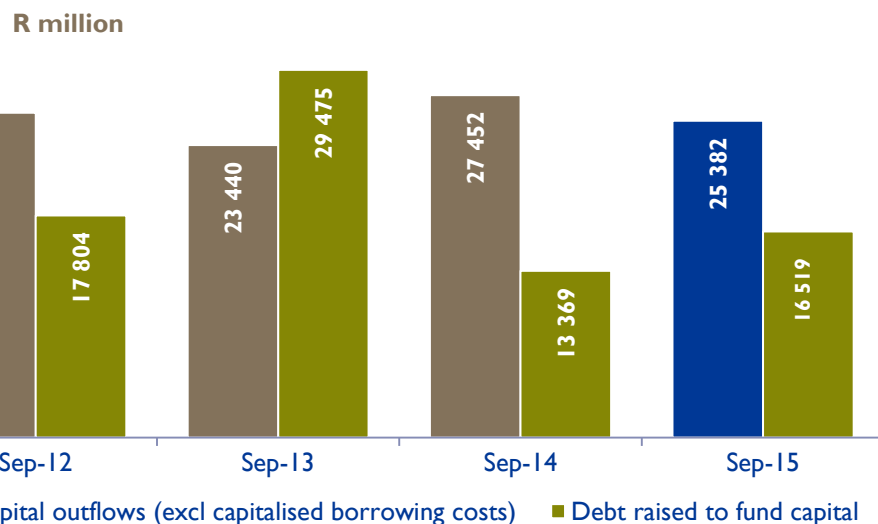
Electricity volumes and revenue



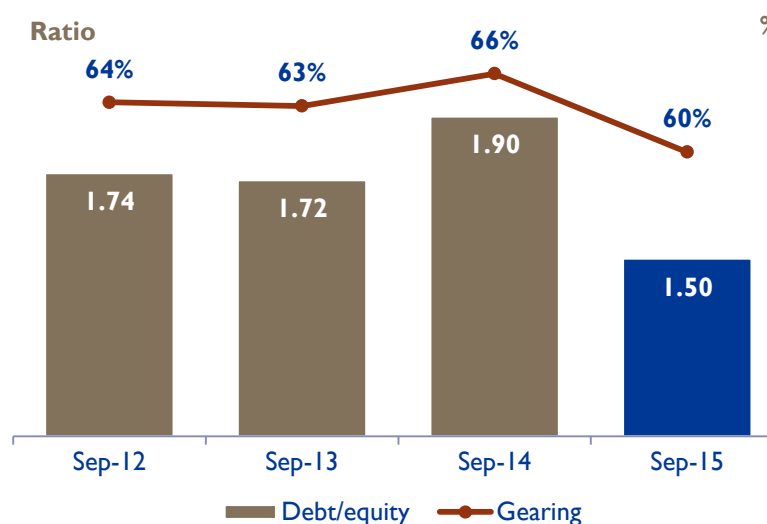
Operating performance



Funding our capital expenditure



Solvency





Income statement for period ended 30 September 2015

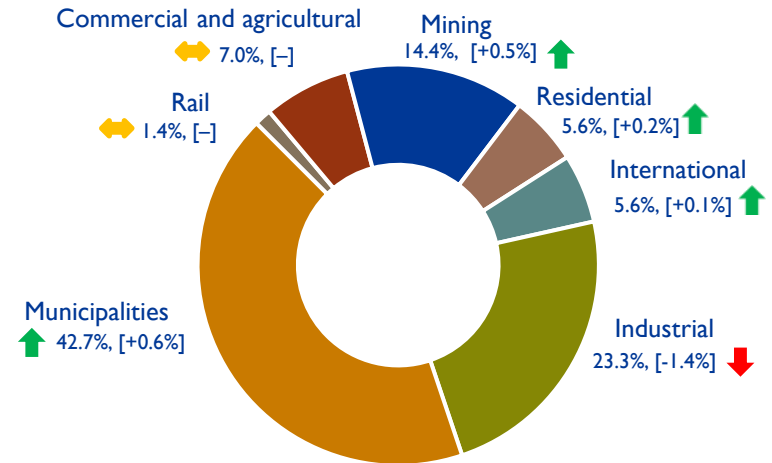
R million	Reviewed period to 30 Sept 2015	Reviewed period to 30 Sept 2014	YoY % change
Revenue	87 876	81 318	8%
Other income	1 369	642	113%
Primary energy	(40 999)	(38 065)	(8%)
Employee benefit expense	(13 806)	(13 176)	(5%)
Depreciation and amortisation	(7 609)	(6 672)	(14%)
Other operating expenses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



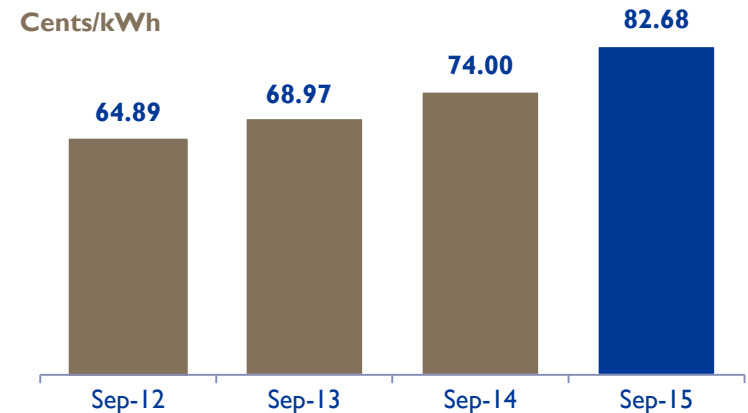
Sales and revenue

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

Electricity volumes by customer type¹

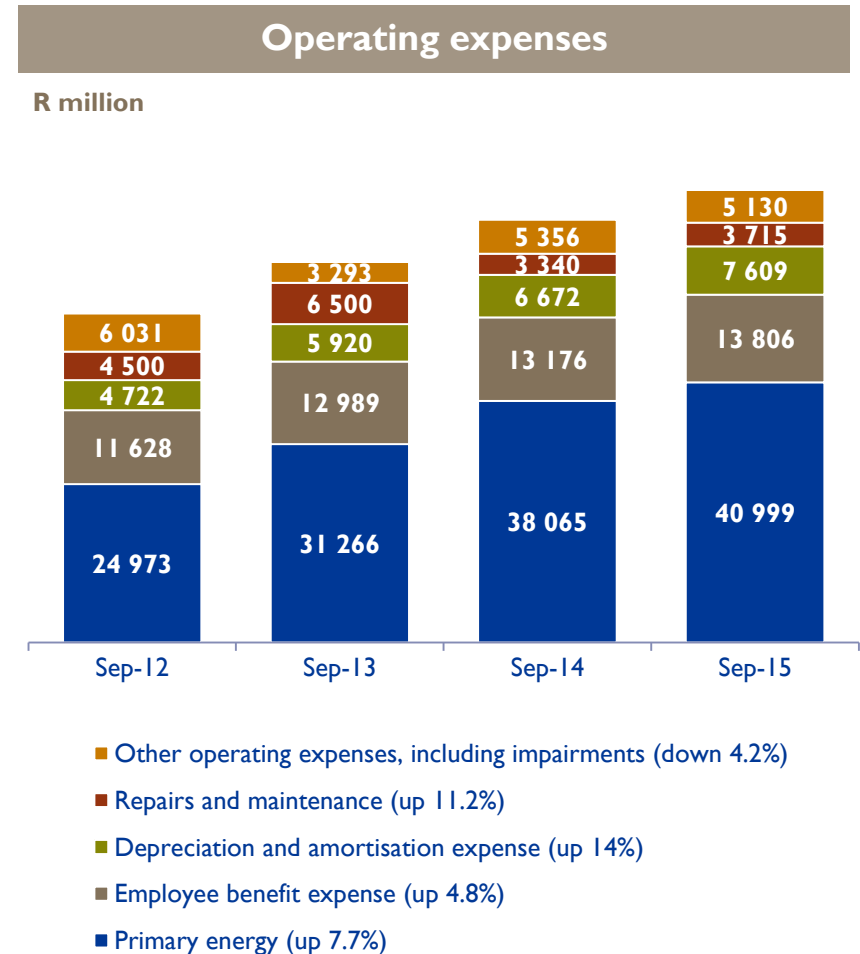


Electricity revenue



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

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

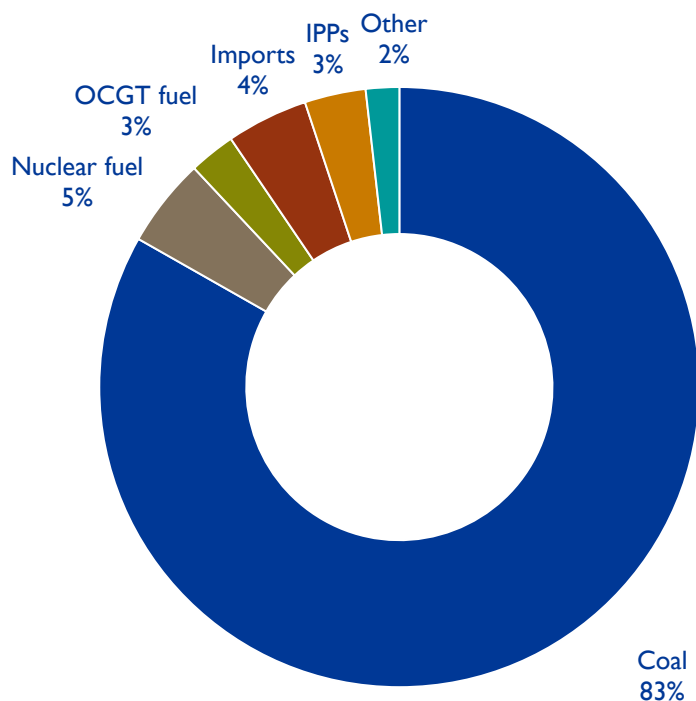




Primary energy costs

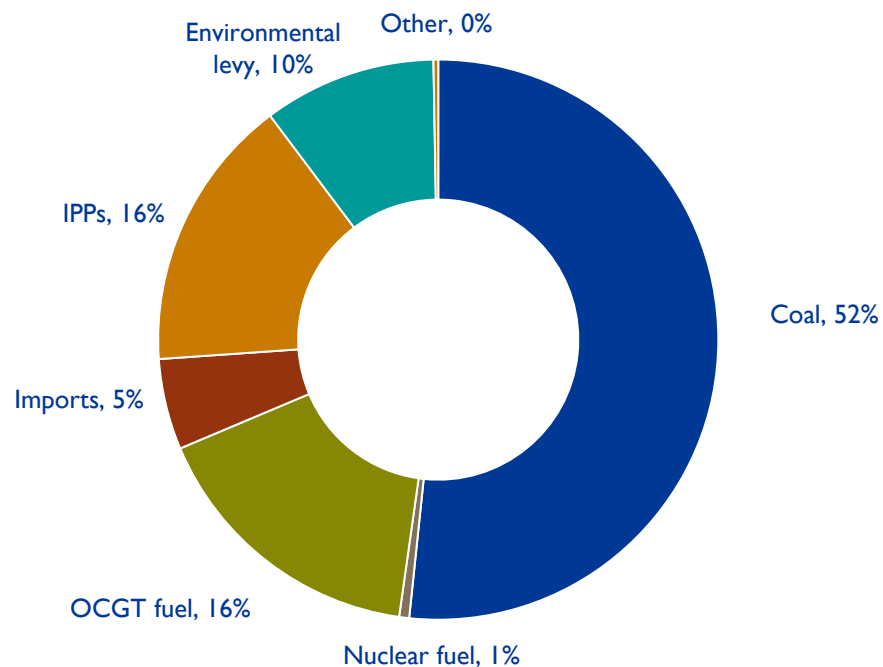
Primary energy cost increased by only 7.7% year-on-year

Production source



Primary energy cost breakdown

R million





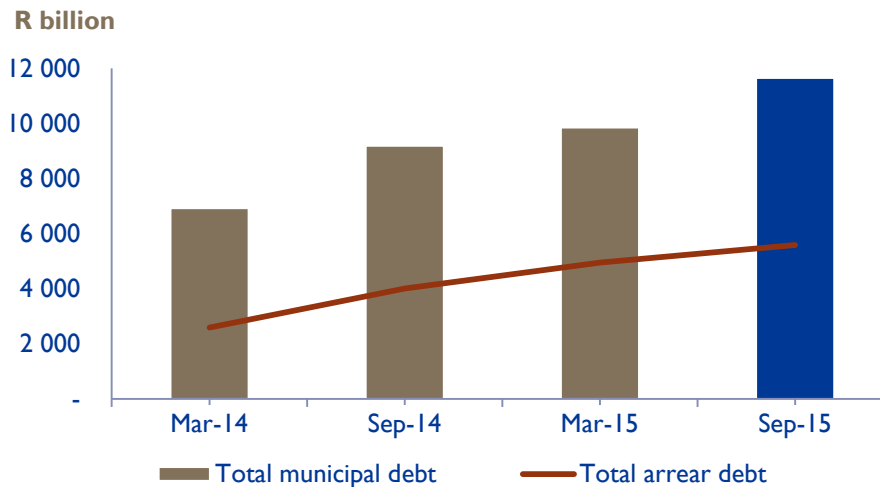
Financial position

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

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

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

Arrear municipal debt (excluding interest)



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

Electricity debtors age analysis, R million

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

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

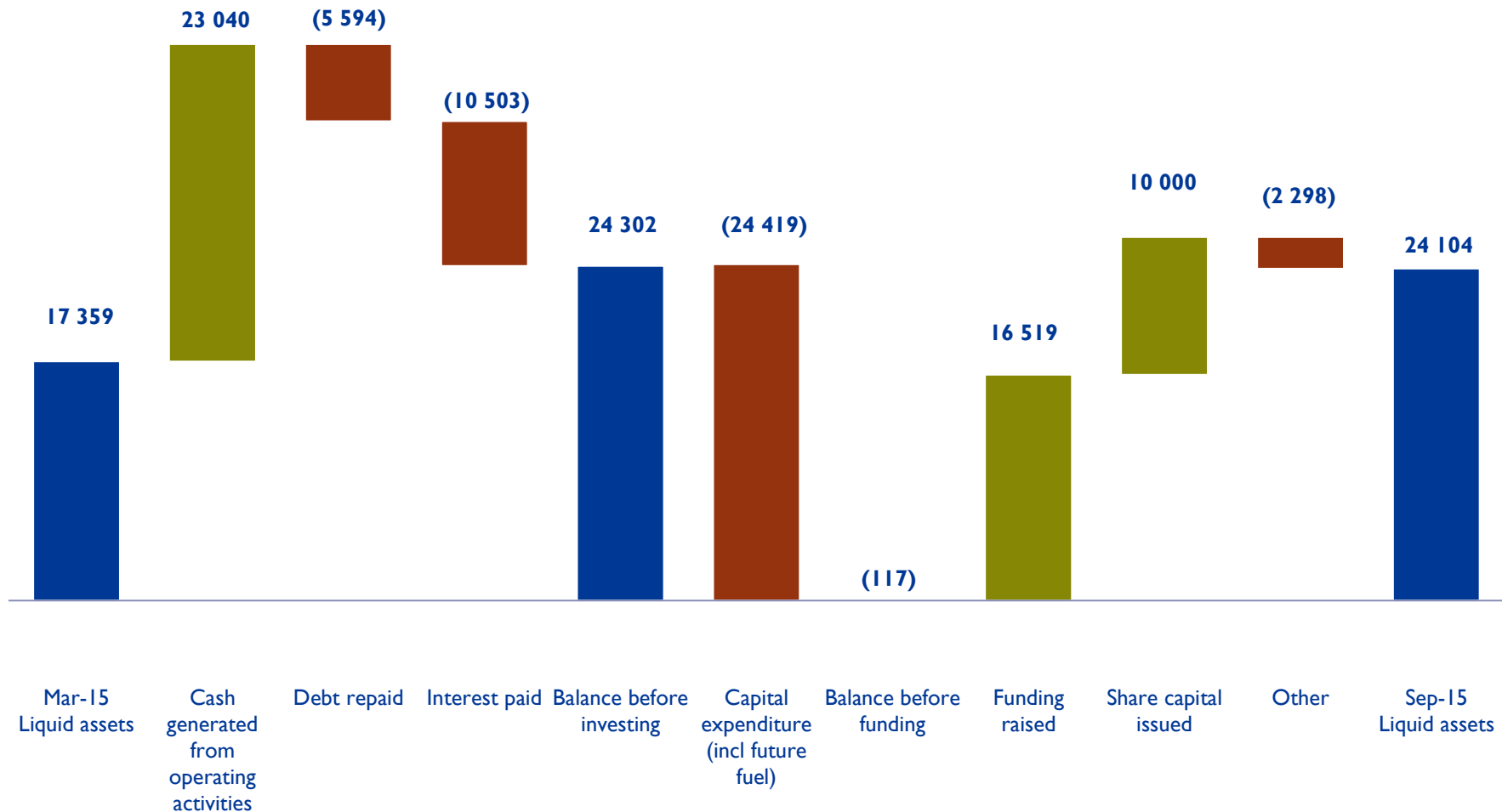
* As at 31 March 2015

** As at 31 March 2014



Through adequate funding, we maintained operations and capital commitments

R million





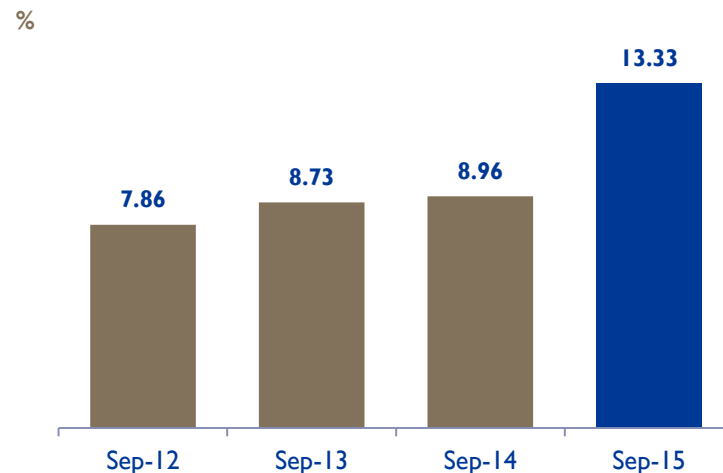
Operating performance



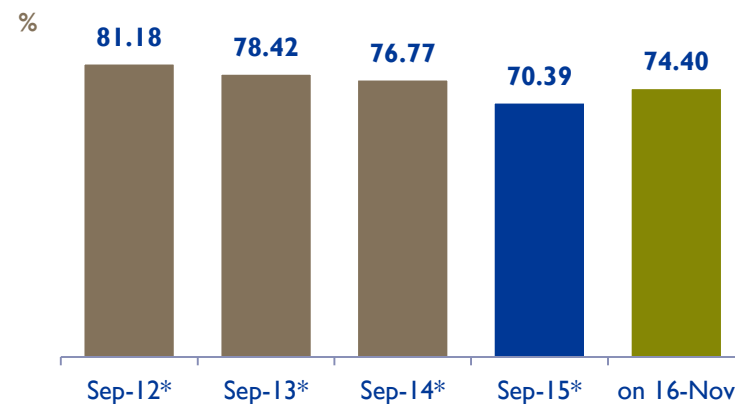
Generation fleet performance starting to stabilise

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

Planned maintenance (PCLF)

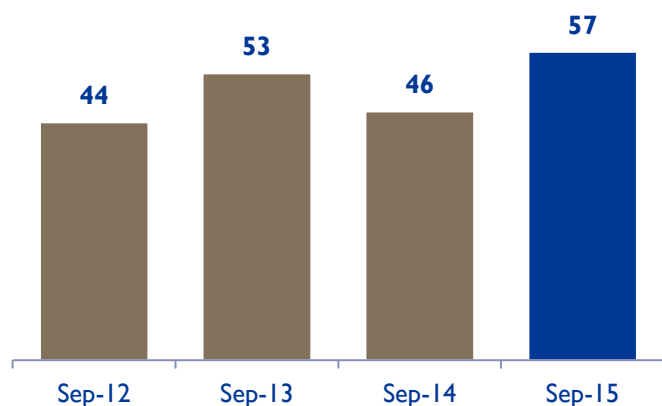


Plant availability (EAF)



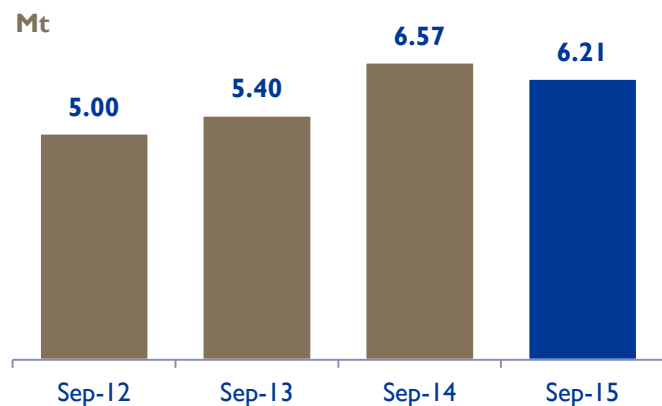
* = average for the period

Coal stock days



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

Road-to-rail migration

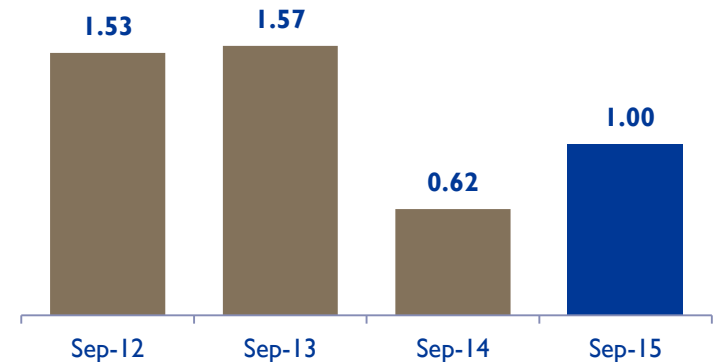




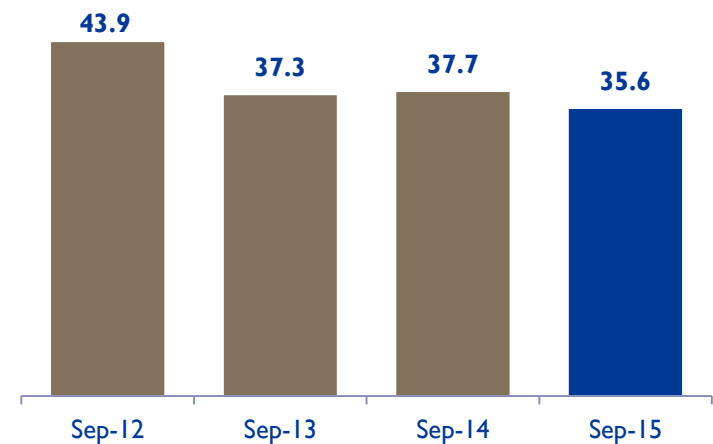
Network technical performance improves further

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

System minutes lost < 1 minute



Interruption duration (SAIDI)

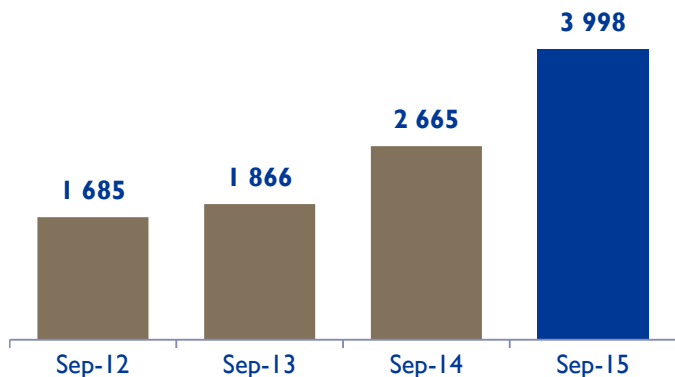




Supplementary supply adds to generation capacity

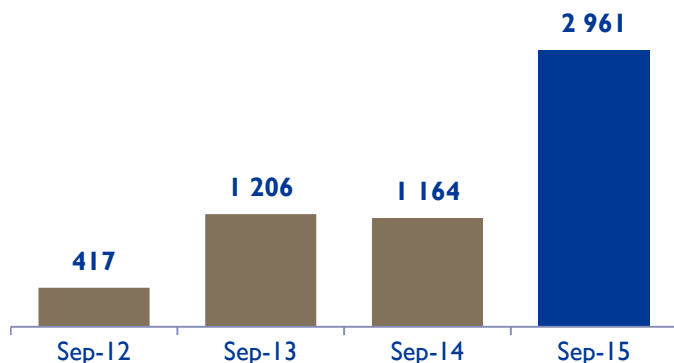
Energy purchases from IPPs

GWh



OCGT production

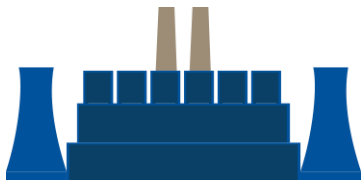
GWh



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

Progress on the new build programme

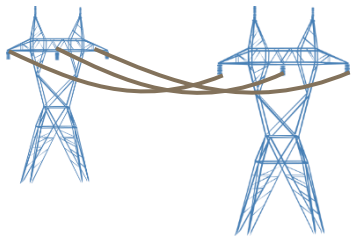
Megawatts



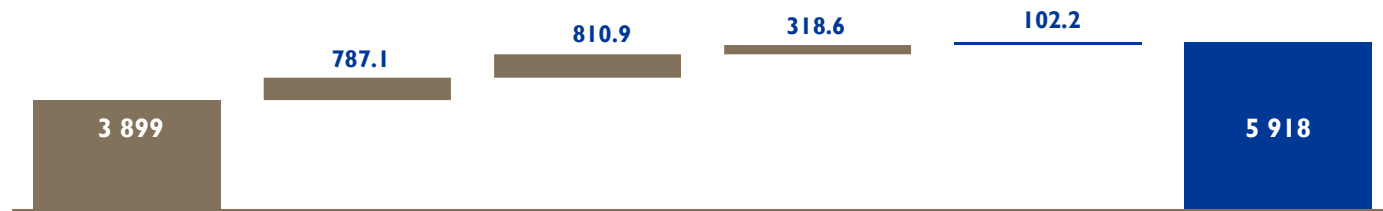
MW of capacity



Transmission



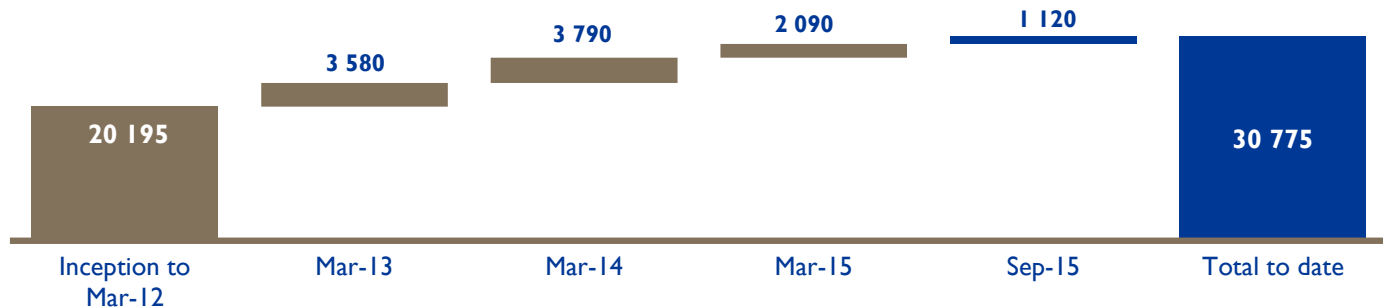
km lines



Substations



MVAs

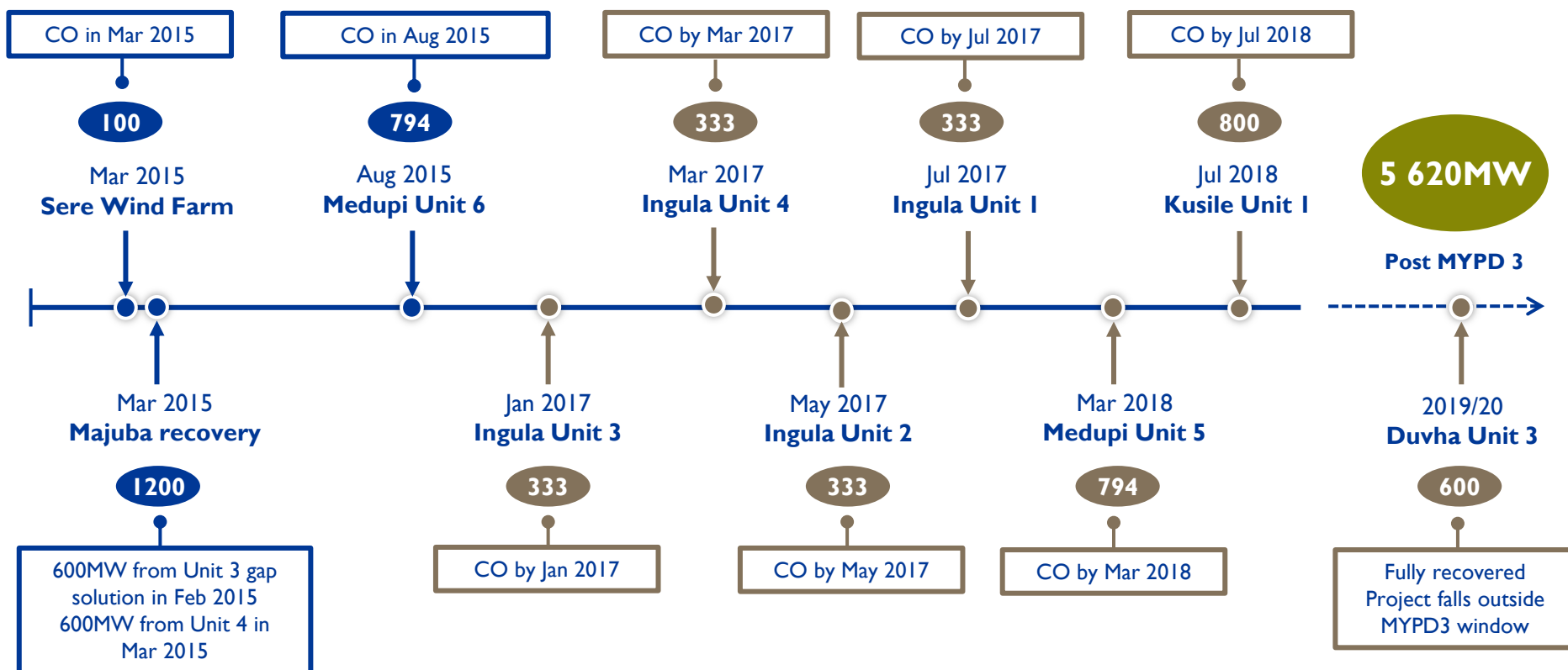




We remain focused on bringing new capacity online

P80 dates

CO = commercial operation



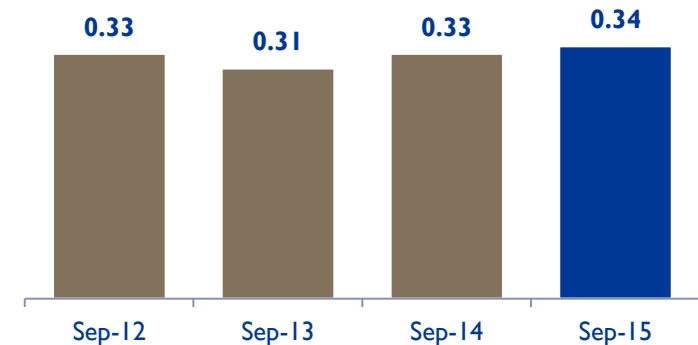


Environmental compliance is critical to our sustainability

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

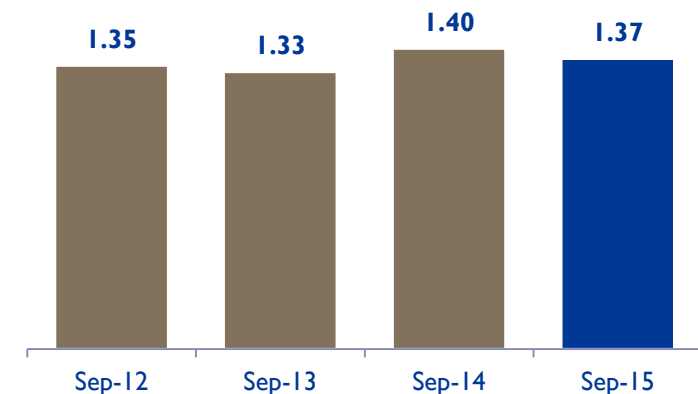
Relative particulate emissions

kg/MWhSO



Specific water consumption

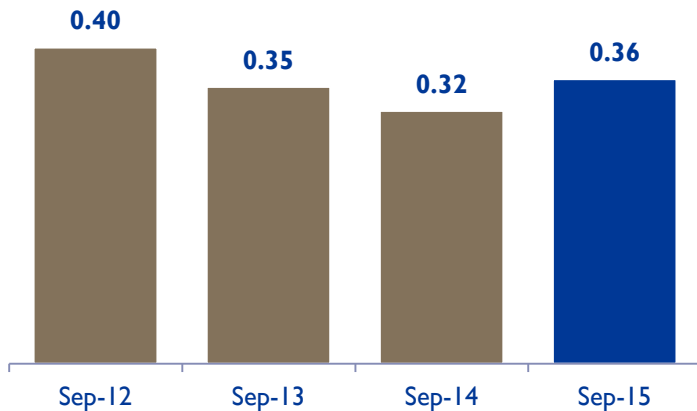
ℓ/kWhSO





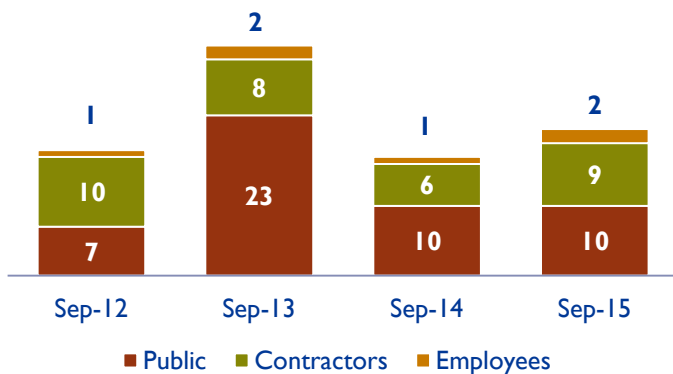
Safety and security are central to our overall performance

LTIR performance



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

Fatalities



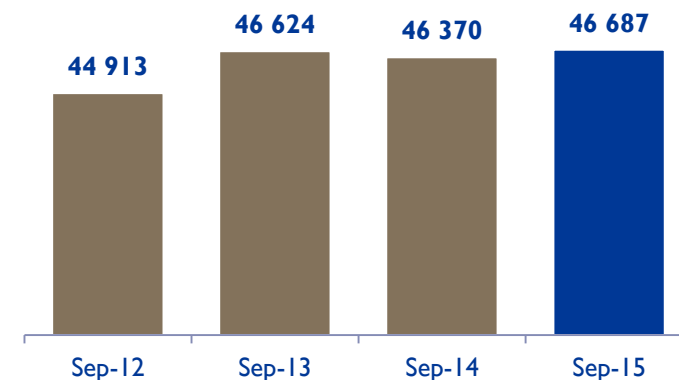


Internal transformation and skills development

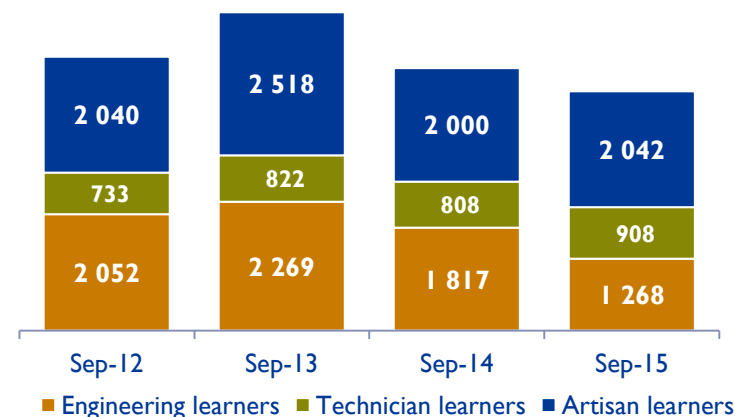
- **783** temporary **employees** were **permanently appointed** in line with the requirements of the Labour Relations Act amendments
- **Racial and gender equity** at senior, middle management and professional levels show **significant progress** over the past five years
- We continue to contribute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

Headcount (including FTCs)

Number

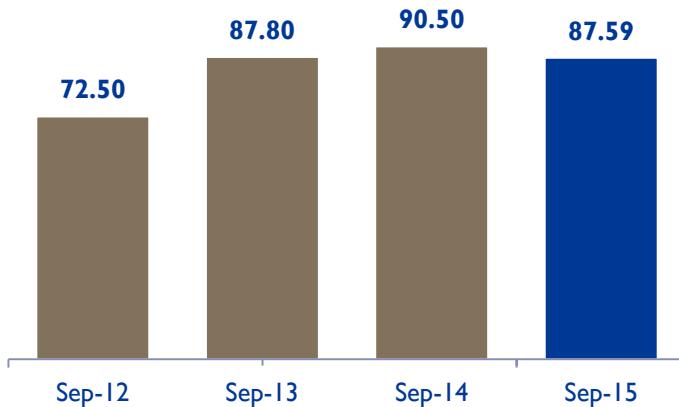


Number of learners



B-BBEE compliant spend

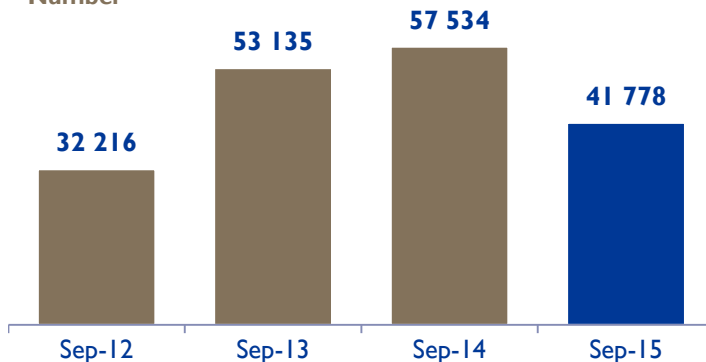
%

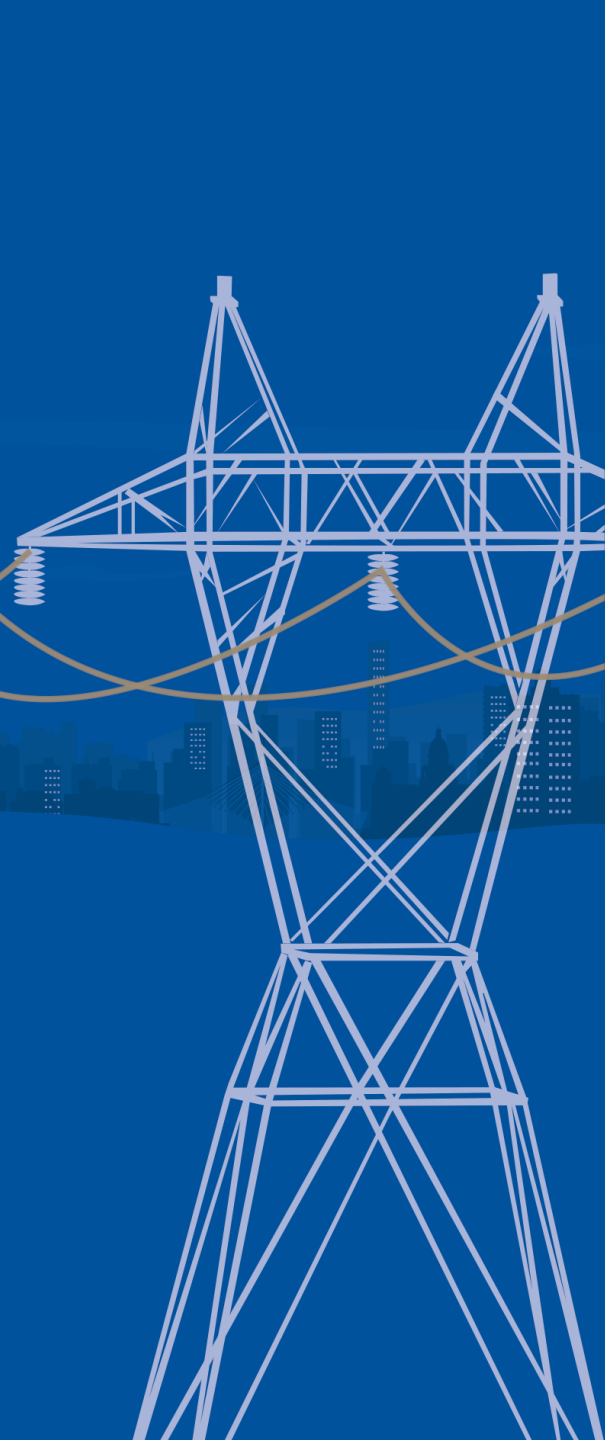


- Good performance against overall **B-BBEE compliant** spend, and maintained solid performance spend on certain categories of suppliers (black-owned and black youth-owned suppliers)
- Eskom Development Foundation committed **R63.1 million** which benefited **49 867 beneficiaries**
- We **electrified**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

Number of electrification connections

Number





Conclusion

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



Thank you



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