Portfolio Committee On Public Enterprises

Eskom Turnaround Progress

Presentation by Anoj SINGH, Group Chief Financial Officer

| 9 March 2016

CONFIDENTIAL

Eskom Turnaround Objectives

- Executive Summary
- Generation Turnaround
- Autumn and Winter Outlook
- New build programme update
- Financial update

Executive Summary

- Chairman, Group Chief Executive, Chief Financial Officer and EXCO appointments;
- **Tetris maintenance planning tool** supporting the execution of more planned maintenance without load shedding - over **six months** without load shedding
- Adding **794 MW of Medupi Unit 6** capacity;
- Delivery of **EBITDA** (Earnings before Interest, tax, depreciation and amortization) **of R26.5 billion** – an increase of R~600 million versus FY2014/15 results;
- **R11 billion of the RCA** (Regulatory Clearing Account) application approved.

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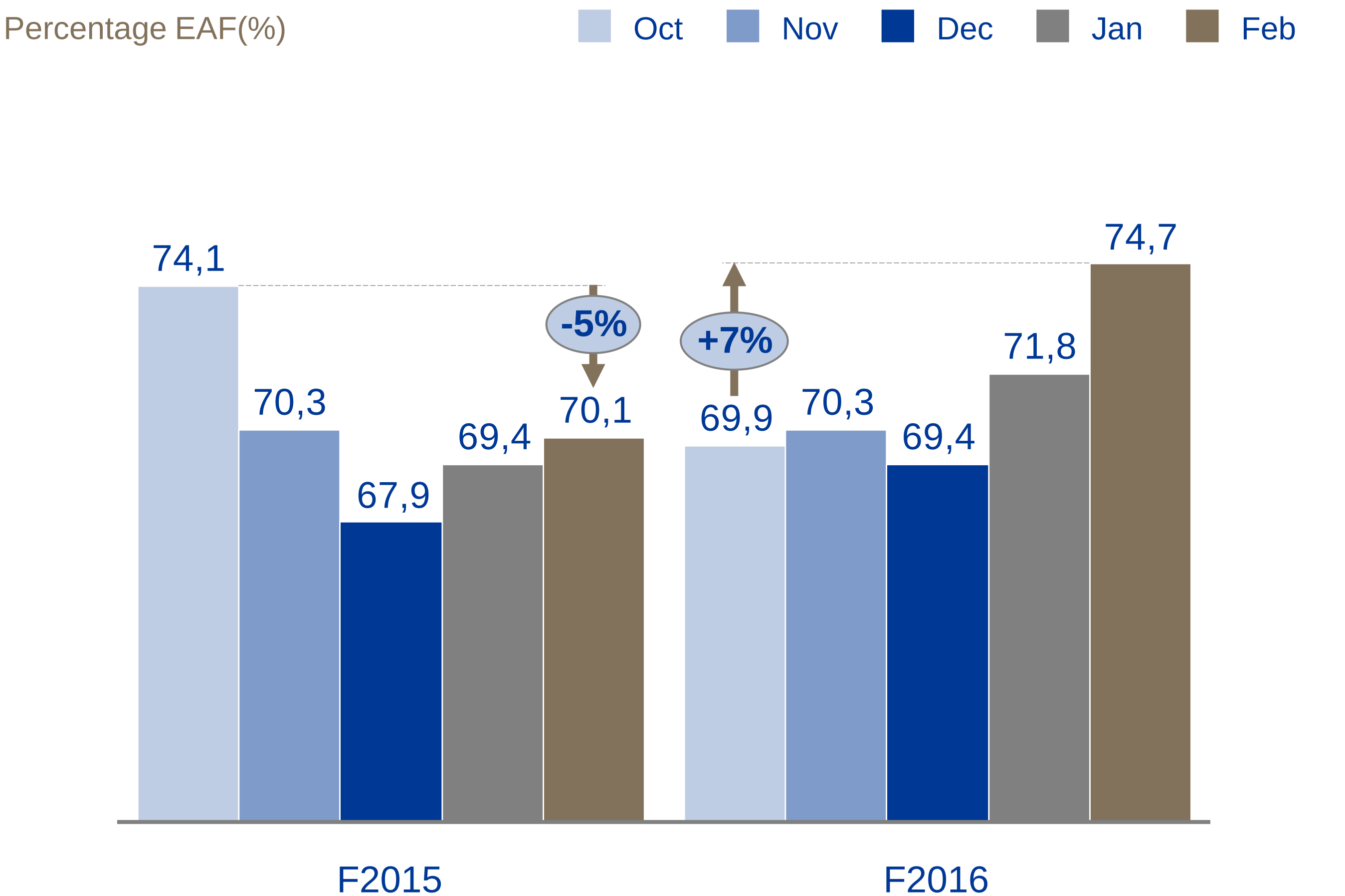
Generation has made significant performance strides

4,2 %	***Planned maintenance*** *improved from 9.3 % (Dec 2014) to 13.5% at (Dec 2015);*
2,1 %	***Unplanned breakdowns*** *improved from 17.7% Quarter 3 last year to 15.6% Quarter 3 this year;*
53 %	***Open Cycle Gas usage declined*** *from Oct 2015 to Dec 2015*
1.65 GW	***Partial Load Loss savings*** *in December 2015 vs. the previous 3 month*
26 incidents	***Major and significant incidents dropped*** *from* ***36*** *in 2013 to 10 in 2015*
145 days	***Days with only one incident*** *of load shedding*

All data relates to December 2015

Plant availability increased by 7% between Oct 2015– Jan 2016

Energy Availability Factor (**EAF) / Plant availability**

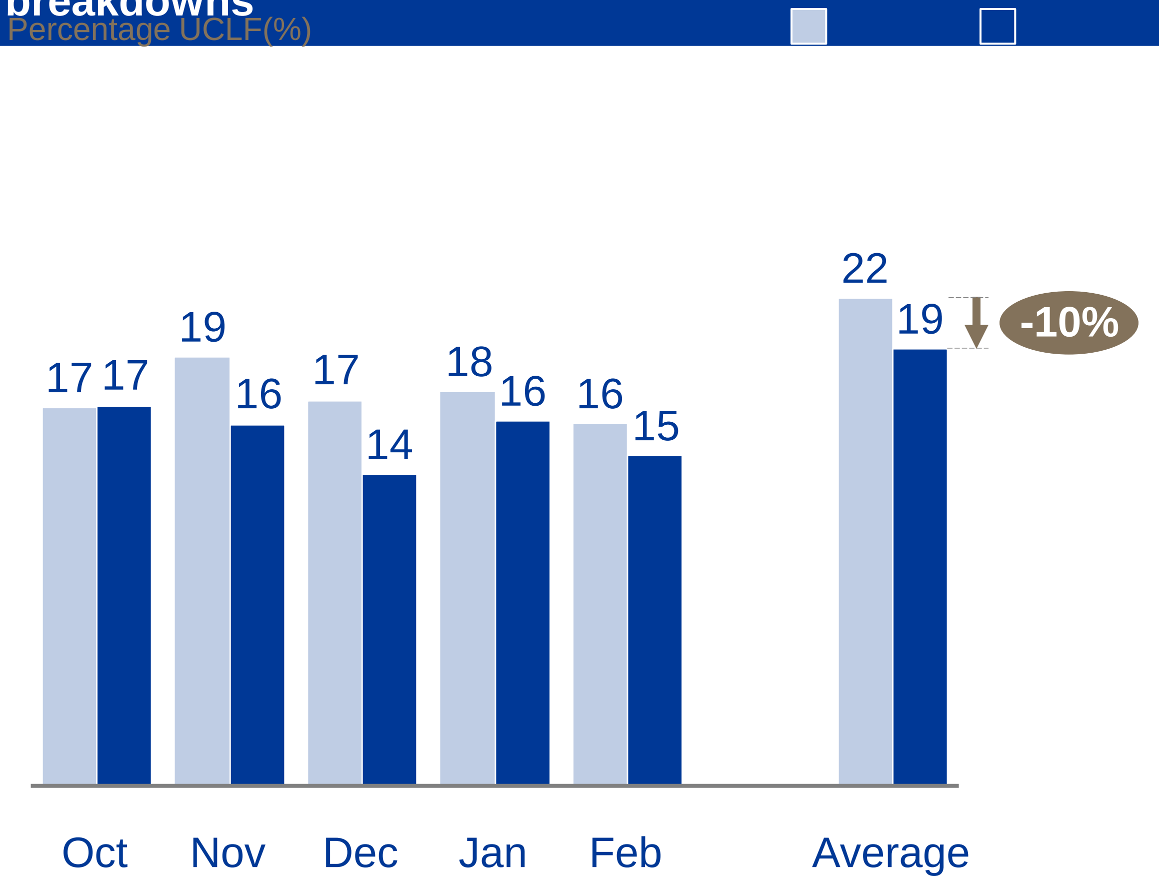


Insights

- **Plant availability increased by 7% between Oct – Feb 2016**, an impressive improvement from the 5% decrease in the same period the previous year
- This is the highest plant availability since April 2015.
- More effective maintenance has resulted in an improvement in plant availability

… and unplanned breakdowns decreased by 10% from Oct 2015- Feb 2016[1]

Unplanned Capability Loss Factor (**UCLF) / Unplanned breakdowns**



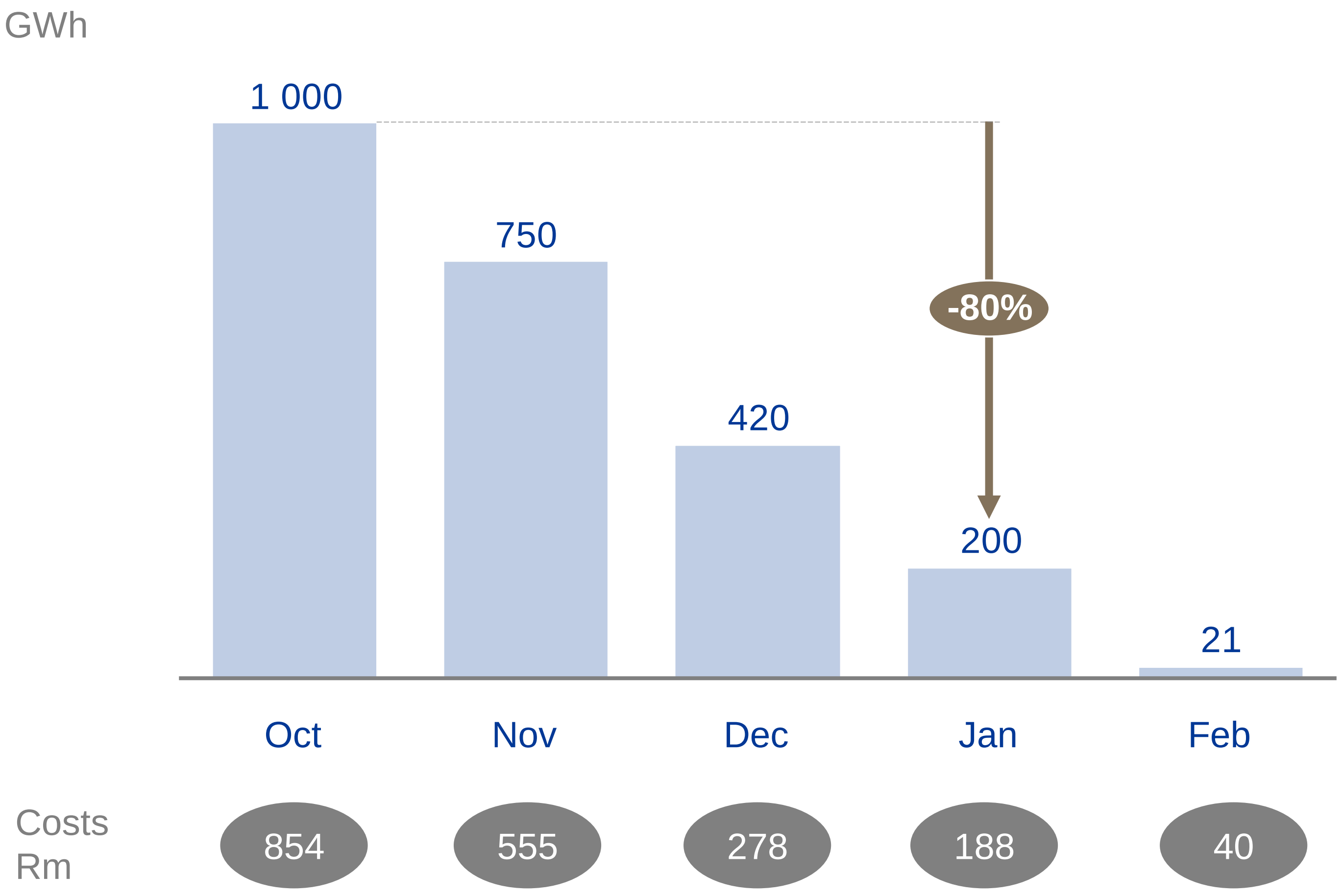
Improvements over last 4 months

- **Unplanned breakdowns decreased by 10%** on average from November 2015 to February 2016 compared to the previous year
- The reduction in unplanned breakdowns contributed to improvements of availability whilst reducing open cycle gas usage

1 – as at 23 February 2016

…which has resulted in a 80% decrease in Open Cycle Gas usage and a decrease in diesel costs

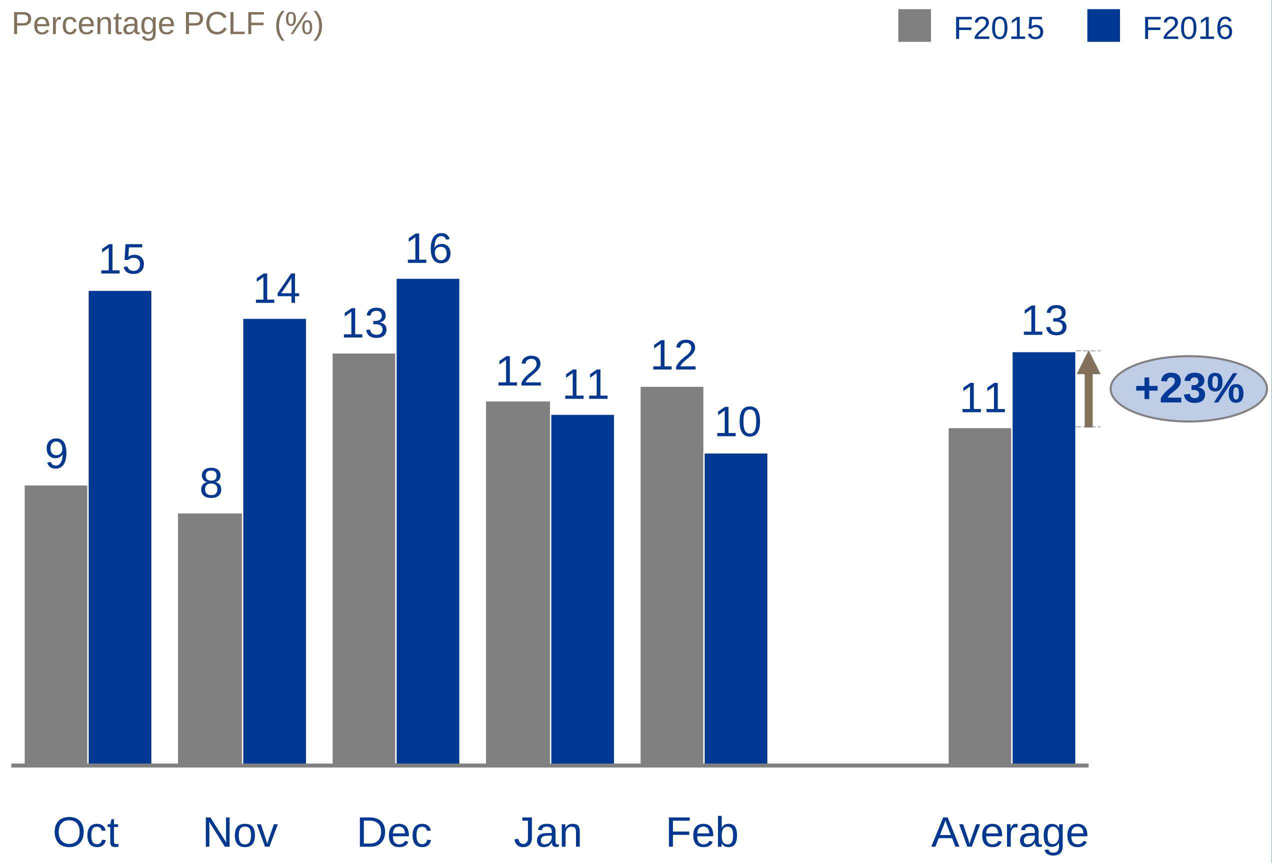
Open Cycle Gas Turbine (OCGT) Usage



- **OCGT usage has decreased by 80%** between October 2015 and January 2016
- February spend on OCGTs is R360m under forecasted,
- Generation will strive to limit OCGT usage to a maximum Load Factor of 6%

Planned Maintenance has increased by 23%

Planned Capability Loss Factor (**UCLF) / Planned Maintenance**



Insights

- Eskom achieved no load shedding, despite an **increase in planned maintenance of 23%** on average when compared to the same period in the previous year
- In December 2015 the planned maintenance reached a high of 15.59%, which is 9000MW of planned maintenance

Period: Oct 2015- Feb 2016 compared to same period in F2015

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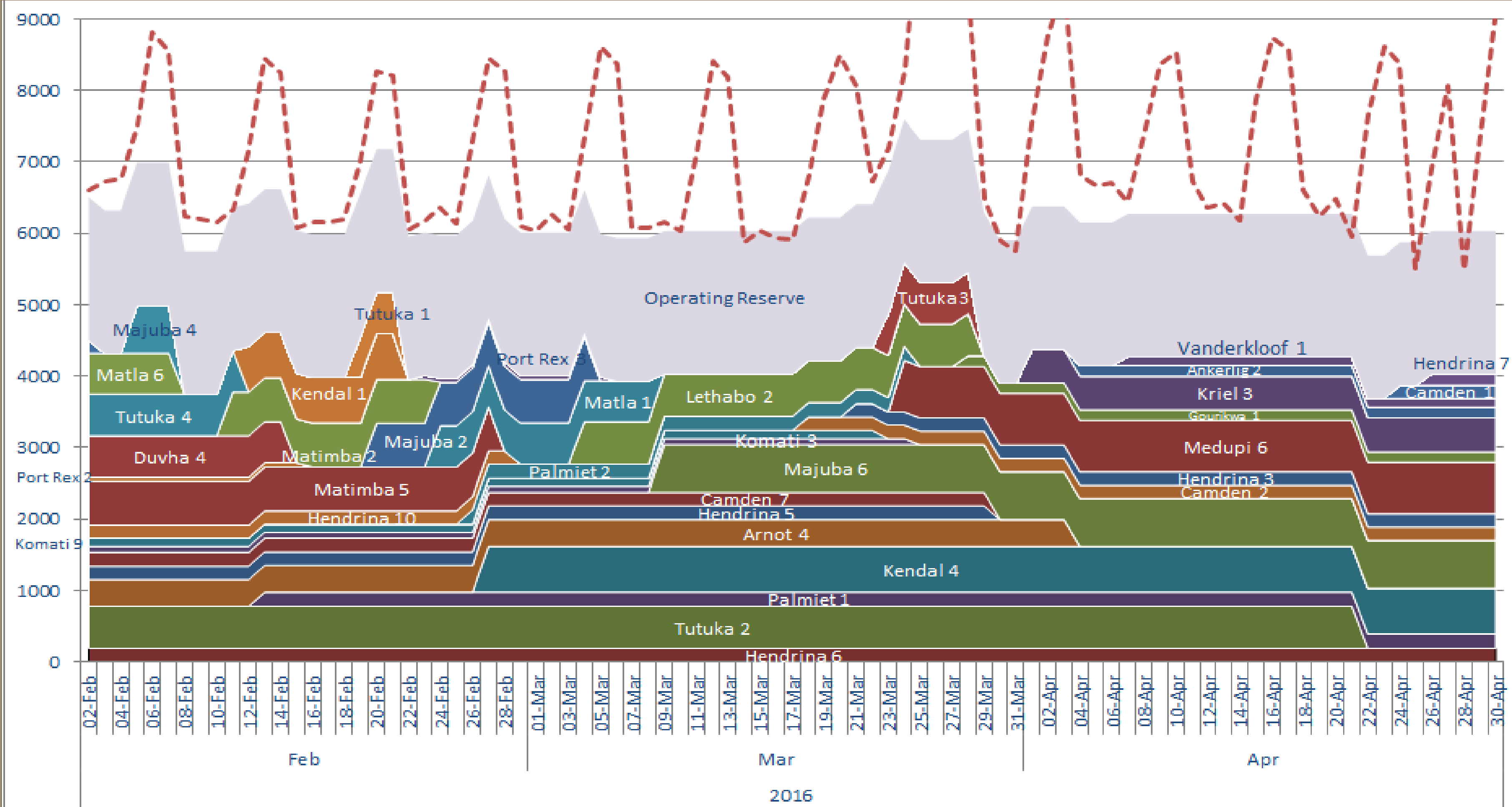
Autumn and Winter Outlook

- Our prognosis for the **rest of summer** going into winter is that there will be **no load shedding;**
- We will continue with a rigorous program of **planned maintenance without implementing load shedding** while also minimising usage of open cycle gas turbines;
- Eskom is targeting to have no more than 11.5 GW in summer and 8.5 GW in winter out due to **planned maintenance and unplanned breakdowns**;
- **Renewable energy** will continue to contribute up to **1 600MW (at peak)** of electricity generated during the day from solar and wind including Eskom's Sere wind farm;
- All **available levers** will be used to **avoid load shedding** including electricity generated by Independent Power Producers, Open Cycle Gas Turbines and Demand Response.

1 Tetris maintenance plan - Planned Maintenance – January 2016 to April 2016

Available Capacity = Installed Capacity - Peak Demand - UCLF

Eskom is targeting a maintenance budget of 11.5 GW for Summer months



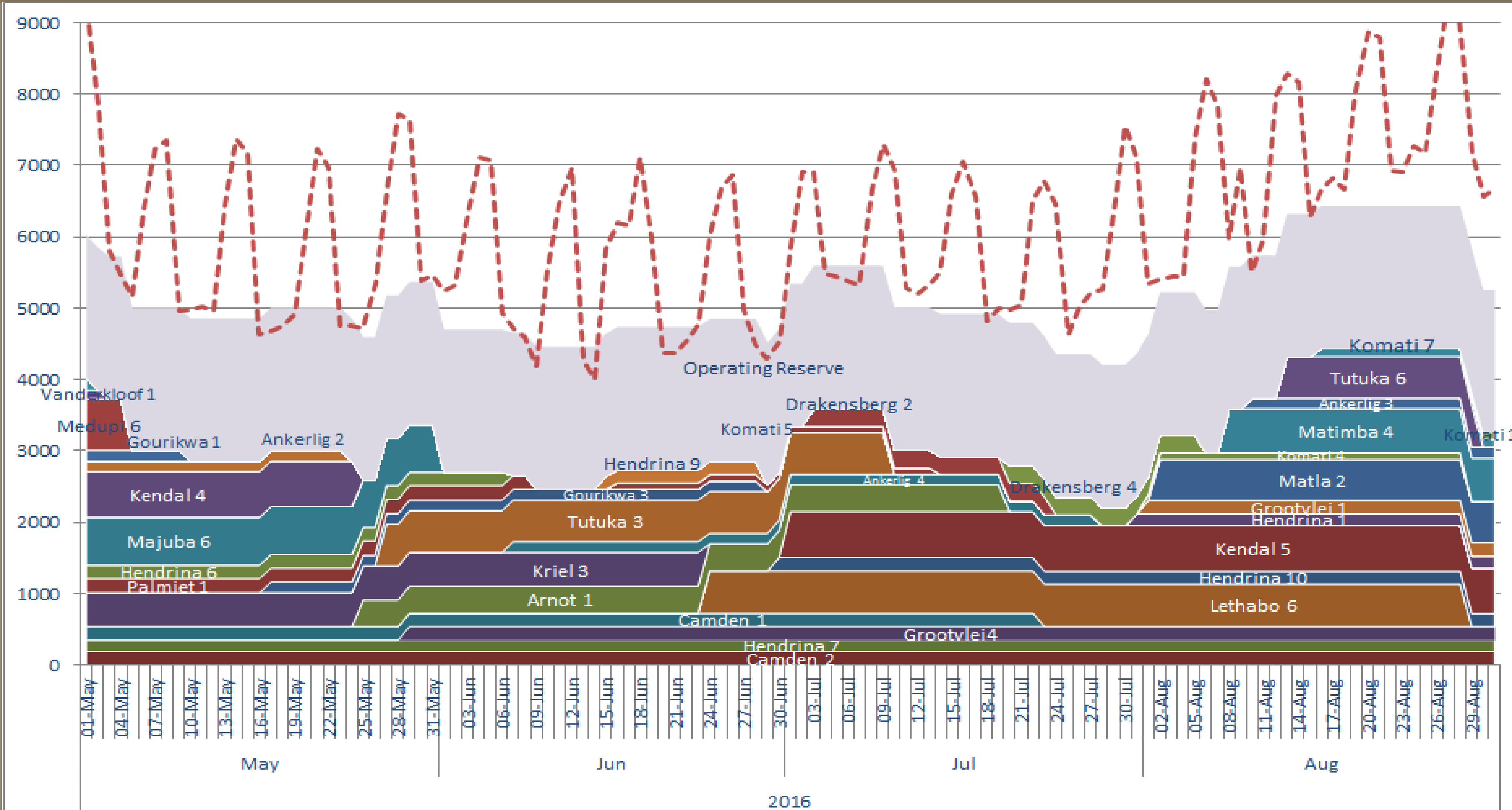
The plan allows for available capacity to cater for operating reserves and planned maintenance

2 Tetris maintenance plan - Planned Maintenance – May to August 2016

Eskom

Available Capacity = Installed Capacity - Peak Demand - UCLF

Eskom is targeting a maintenance budget of 8.5 GW for Winter months



The plan allows for available capacity to cater for operating reserves and planned maintenance

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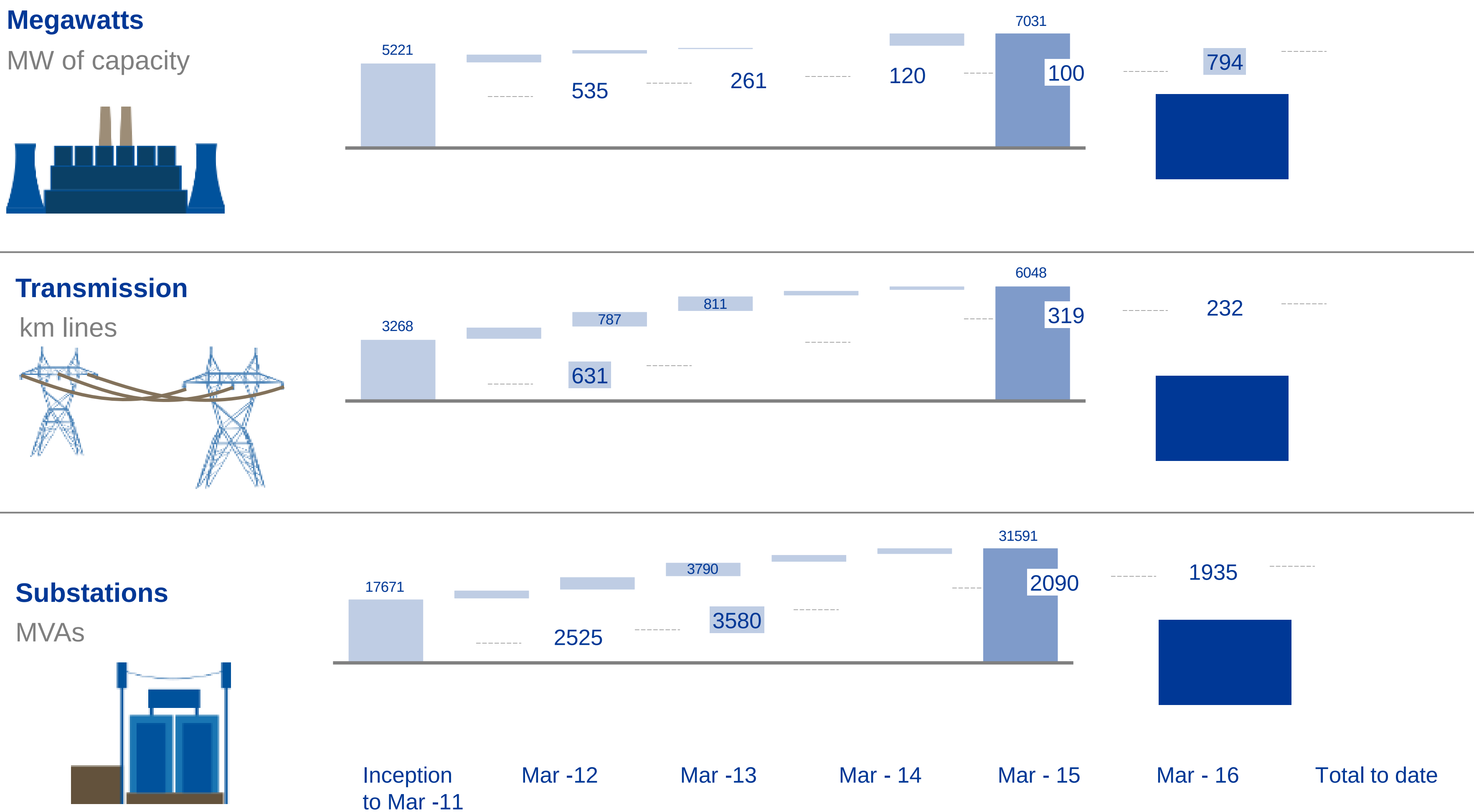
New build progress update - We remain focused on bringing new capacity online

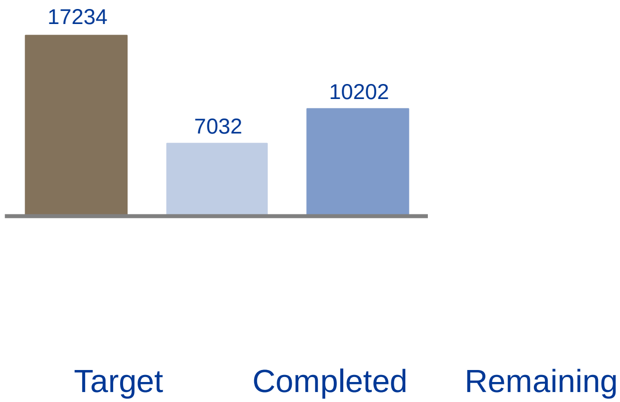


- **To date, the construction work that has been completed has added ~ 7 031MW of capacity, ~ 6048 km of transmission network and ~ 31 590 of MVAs**

A large amount of construction work has been completed from 2005 to date…

Megawatts

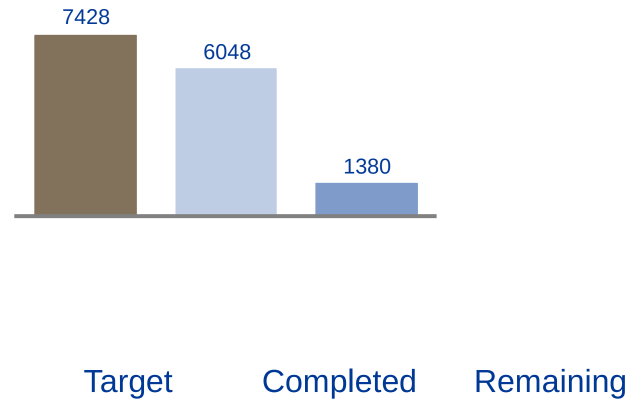
MWs Commissioned



FY 2016 – FY 2023 (Medupi, Kusile, Ingula, CSP)

Transmission

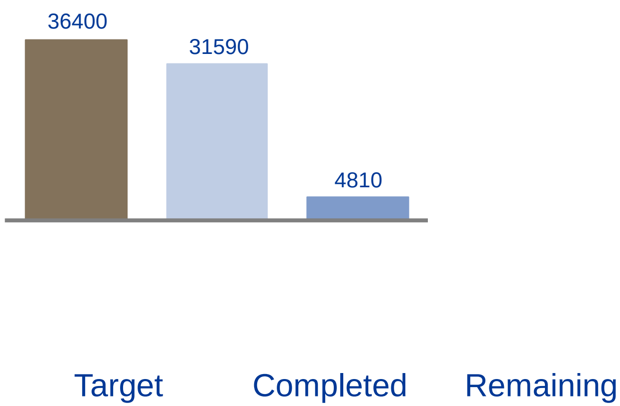
Km Lines built



FY 2017 – FY 2018

Substations

MVAs Commissioned



FY 2017 – FY 2018

Despite funding challenges, development is continuing for nuclear and gas new build.

The New Build Programme and Recovery Projects will contribute 5 620 MW to the network over the MYPD3 window

P80 dates
CO = commercial operation

CO in Mar 2015
100
Mar 2015
Sere Wind Farm

CO in Aug 2015
794
Aug 2015
Medupi Unit 6

CO by Mar 2017
333
Mar 2017
Ingula Unit 4

CO by Jul 2017
333
Jul 2017
Ingula Unit 1

CO by Jul 2018
800
Jul 2018
Kusile Unit 1

5 620MW

Post MYPD 3

Mar 2015
Majuba recovery
1200
600MW from Unit 3 gap solution in Feb 2015
600MW from Unit 4 in Mar 2015

Jan 2017
Ingula Unit 3
333
CO by Jan 2017

May 2017
Ingula Unit 2
333
CO by May 2017

Mar 2018
Medupi Unit 5
794
CO by Mar 2018

2019/20
Duvha Unit 3
600
Fully recovered
Project falls outside MYPD3 window

Work is underway to accelerate the Ingula schedule to achieve 1st power of all four units in

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Financial update as at 30 September 2015

Financial performance

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

EBITDA up 9% to **R24.9bn**

Revenue up **8%**

Primary energy cost up **7.7%**

Business Productivity (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%

EBITDA = Earnings before Interest, Tax, Depreciation and Amortization

R84.8 bn of the funding is 95 -100% signed and committed for FY16 and FY17

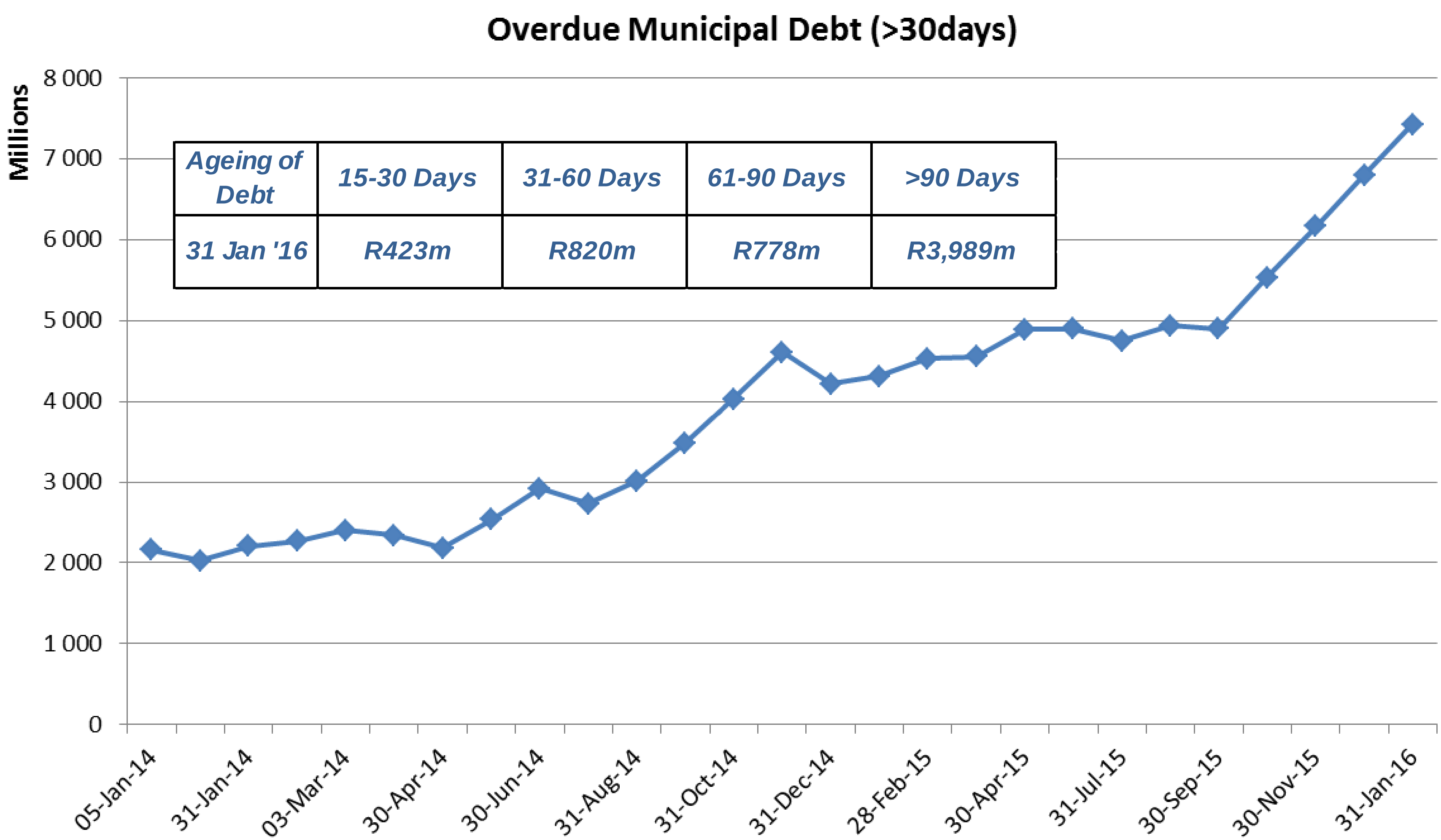
Potential source of funding | Committed

AS AT 23 FEBRUARY 2016

FY16 &17 funding plan [1](R billion)	2015/16 Potential	2015/16 Committed	2016/17 Potential	2016/17 Committed	Combined (FY16 and FY17) Potential	Combined (FY16 and FY17) Committed	Probability[1]
New domestic private placement	10	10	10	10	20	20	100%
Government equity	23	23	0	0	23	23	100%
Swap restructuring	6.2	6.2	0	0	6.2	6.2	100%
Signed DFI[2]	14.2	14.2	9.6	9.6	23.8	23.8	95%
Signed ECAs[3]	4.7	4.7	7.1	7.1	11.8	11.8	95%
Total	58.1	58.1	26.7	26.7	84.8	84.8	
MIGA loan[4]	7.5	7.5	0.0	0.0	7.5	7.5	90%
Other / new[5]	0	0	8.8	1.8	8.8	1.8	75%
CDB ST/ LT Facilities[6]	0.0	0.0	41,5	0,0	41,5	0,0	50%
Domestic bonds	8.0	7.8	9	0	17.0	7.8	50%
Commercial paper/short term[7]	5.7	5.5	10	0	15.7	5.5	50%
Total	79.3	78.9	96.0	28.5	175.3	107.4	

1. Excludes short term funding issued and maturing in 2015/16, probabilities are indicative, 2 Adjusted due to project delays based on latest Group Capital model, 3 Adjusted due to project delays based on latest Group Capital model, 4. Miga loan expected value increased from R5.5bn to R7.5bn due to fx adjustment, 5 AFD loan of EUR150m (R2.2bn) signed in Nov 15, moved to committed DFI's, balance moved to 2016/17, 6 China Development Bank Loan Facilities, 7 Reduced due to decreased investor appetite

Overdue Municipal Debt Trend



Ageing of Debt	15-30 Days	31-60 Days	61-90 Days	>90 Days
31 Jan '16	R423m	R820m	R778m	R3,989m

Eskom is in the process of engaging various municipalities in an attempt to reduce municipal debt

- Out of the **281 municipalities**, **100 municipalities** owe Eskom in excess of R500k.
- Total Municipal overdue Debt at end of Jan 2016 was **R6 billion.**
- **56 Payment Arrangements are in place**; **11 municipalities** are fully honoring their payment arrangements, while 45 municipalities are not honoring their arrangements.
- The **PAJA process** has been officially initiated for **45 municipalities** with publications in the media.
- **Partial disconnections** were actioned **in Eastern Cape** (4 munics) and **Northern Cape** (5 munics).

PAJA = Promotion of Administrative Justice Act 3 of 2000

Overdue debt exceeding R500k

						Current debt, Rm	Overview overdue debt, Rm as at end January		
Provide	**Number of main contributing municipalities**	**Number of payment arrangements in place**	**Number of payment arrangements honoured**	**Number of payment arrangements partially honoured**	**Number of payment arrangements not honoured**	**31 January 2016**	**31 March 2015**	**31 January 2016**	**Variance**
Free State	11	8	0	0	8	R93	R1912,50	R2 722,30	R810
Mpumalanga	11	8	1	4	3	R183,4	R1 476,7	R1 461,10	-R16
North West	13	11	1	2	8	R95,8	R666,9	R6 539	-R13
Northern Cape	22	12	1	7	4	R58,5	R241,10	R371,5	R131
Eastern Cape	13	6	2	0	4	R33,7	R213,1	R198,9	-R14
Limpopo	8	4	0	0	4	R67,1	R149,7	R304,6	R155
Gauteng	12	3	3	0	0	R495,5	R167,5	R139,6	-R28
Kwa Zulu Natal	7	1	1	0	0	R18,9	R49,9	R86,3	R36
Western Cape	3	3	2	1	0	R18,4	R21,4	R62,1	R41
Total	100	56	11	14	31	R1 065	R4 898,6	R66 000,30	R1 102

The way forward…

- Eskom will **deliver on its turnaround plan**
- **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…

Overview of Top 20 Overdue Municipal Customers

Top 20 municipal defaults 08-Feb-16

Top 20 municipal defaults		R 'M OVERDUE DEBT				Credit Management Process				Municipal Eskom Procedure			
PROVINCE	COMMON_ENTITY_NAME	MAR_2015	JAN_2016	INCREASE SINCE MAR_2015	INCREASE MONTH ON MONTH	*Payment Arrangement in place*	*PAR honoured*	*PAR partially honoured*	*PAR not honoured*	Notice of Intent	Public Notification	Public Notification Review	Disconnection authorised
FREE STATE	*MALUTI A PHOFUNG MUNICIPALITY*	667 557 575	1 069 897 998	402 340 423	75 612 037	✓			✓	Pending litigation			
FREE STATE	*MATJHABENG MUNICIPALITY*	603 591 724	760 364 456	156 772 732	21 917 806	✓			✓	Pending litigation			
MPUMALANGA	EMALAHLENI LOCAL MUNICIPALITY	581 404 955	529 667 831	-51 737 124	-4 583 770	✓	✓	✓		✓	✓	Started	
FREE STATE	NGWATHE LOCAL MUNICIPALITY	321 581 375	457 362 064	135 780 690	-4 859 247	✗				✓			
MPUMALANGA	THABA CHWEU LOCAL MUNICIPALITY	244 519 491	295 381 423	50 861 931	12 491 974	✓			✓	✓	✓		
MPUMALANGA	LEKWA LOCAL MUNICIPALITY	213 991 287	205 836 953	-8 154 334	-758 716	✓	✓	✓		✓	✓		
MPUMALANGA	GOVAN MBEKI MUNICIPALITY	206 185 681	189 570 557	-16 615 124	24 178 819	✓		✓		✓	✓		
NORTH WEST	DITSOBOTLA LOCAL MUNICIPALITY (incl	93 546 572	144 019 048	50 472 476	-665	✓	✓	✓		✓	✓		
NORTH WEST	NALEDI LOCAL MUNICIPALITY	117 199 967	143 186 721	25 986 754	17 013 185	✓			✓	✓	✓		
LIMPOPO	THABAZIMBI LOCAL MUNICIPALITY	103 701 193	135 523 307	31 822 114	5 262 457	✓			✓	✓			
FREE STATE	NALA LOCAL MUNICIPALITY	78 896 720	120 454 688	41 557 967	6 454 177	✓			✓	✓	✓		
NORTH WEST	CITY OF MATLOSANA LOCAL MUNICIPAL	195 892 665	114 575 369	-81 317 297	-7 901 720	✓	✓						
MPUMALANGA	MSUKALIGWA LOCAL MUNICIPALITY	90 950 688	85 158 165	-5 792 523	-1 512 907	✓	✓						
FREE STATE	NKETOANA LOCAL MUNICIPALITY	55 538 533	79 044 515	23 505 982	4 806 570	✓	✓						
KWAZULU NATAL	ULUNDI LOCAL MUNICIPALITY	48 027 152	75 876 416	27 849 264	12 492 963	✓			✓	✓	✓		
FREE STATE	DIHLABENG MUNICIPALITY	56 637 086	68 216 861	11 579 775	4 998 078	✓		Arrangement in governance process					
FREE STATE	MANTSOPA LOCAL MUNICIPALITY	38 456 144	61 875 424	23 419 280	3 551 921	✓			✓	✓	✓		
NORTHERN CAPE	LEKWA - TEEMANE	47 733 010	56 564 114	8 831 104	56 564 114	✓			✓	✓	✓	✓	✓
LIMPOPO	MUSINA LOCAL MUNICIPALITY	9 860 421	56 657 048	46 796 626	6 660 287	✓			✓	✓			
GAUTENG	RANDFONTEIN LOCAL MUNICIPALITY	81 709 672	55 721 957	-25 987 715	6 178 605	✓	✓						