Eskom Presentation to the Portfolio Committee on Public Enterprises

23 February 2022

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Eskom

Group interim results

for the six months ended 30 September 2021

2 February 2022

The results presentation is available at **www.eskom.co.za/IR2021/interim**

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Key points

Operations recovery

Generation performance
Loadshedding required
427GWh (Sep 2020: 443GWh)

Transmission and distribution network performance stable

Progress on new build programme and correcting new build defects

Particulate emissions
0.32kg/MWhSO
(Sep 2020: 0.35kg/MWhSO)
despite ongoing challenges at Kendal

People and culture

Headcount 42 325
(from a high of 48 628 in 2018)
mainly due to natural attrition & VSPs

Improve the income statement

Net profit after tax 4 178%
R9.2 billion (Sep 2020: R0.2 billion)
Financial results have improved across all key profitability metrics

EBITDA 58%
R44.8 billion (Sep 2020: R28.3 billion)
due to higher revenue and improved cost control

Sales volumes 8%
100 901GWh
(Sep 2020: 93 388GWh)
due to easing of lockdown restrictions

15.06% tariff increase
for the 2022 financial year due to favourable High Court judgments, and RCA and MYPD 4 decisions

Strengthen the balance sheet

Gross debt and borrowings
R392.1 billion 15%
(Sep 2020: R463.7 billion)

Net interest-bearing debt
R360.3 billion 14%
(Sep 2020: R420.6 billion)

Capital repaid	Interest paid
R24.4 billion	**R16.3 billion**

Government support received
R31.7 billion

Looking ahead

Legal separation

Eskom's deliverables are on track, but delays in external decisions and dependencies place Transmission separation by 31 December 2021 at risk

March 2022 outlook

Forecast net loss after tax
R9.1 billion
(Mar 2021: loss of R18.9 billion)
Historically lower revenue (tariffs and volumes), higher maintenance and RE-IPP use in the second half of the year, as well as significant spend expected on OCGTs due to low EAF

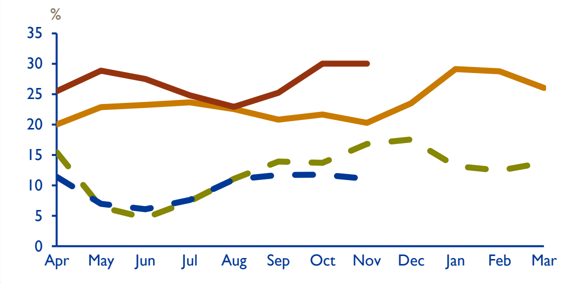
Generating plant and network performance

AdR

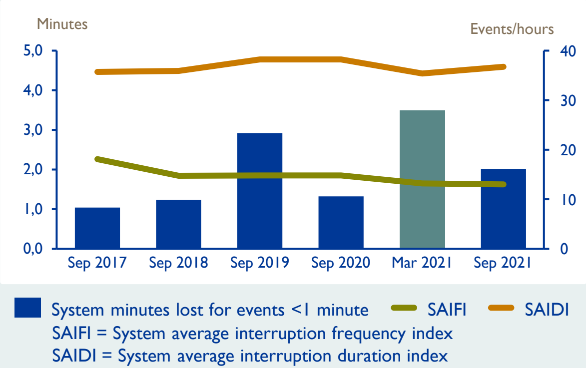
GENERATION PERFORMANCE

- Unplanned load losses increased to 23.14% (Sep 2020: 18.64%), with plant availability declining to 65.27% (Sep 2020: 67.86%)
- Loadshedding implemented on 21 days (Sep 2020: 19 days)
- Gas turbine usage remained high, at a cost of energy (Eskom and IPP-owned OCGTs) of R4.5 billion (Sep 2020: R2.6 billion), with almost 80% being driven by volume increase
- Generation recovery plan and reliability maintenance recovery programme continue
- Major incidents at Medupi Unit 4 on 8 August 2021 (generator explosion), and at Kendal Unit 1 on 11 September 2021 (generator transformer fire)
- Koeberg Unit 1 tripped on 30 August and 24 October 2021, but was safely returned
- Average coal stock reduced to 47 days (Sep 2020: 57 days), well within Grid Code requirements

Generation performance



Network performance



NETWORK AND NEW BUILD

- Transmission system minutes performance deteriorated to 2.01 minutes (Sep 2020: 1.32 minutes), due to one large incident of 0.86 minutes
- Distribution network performance remained stable
- Medupi Unit 1 achieved commercial operation on 31 July 2021
- Boiler modifications completed at all six Medupi units and Kusile Unit 1, and in progress at Kusile Unit 2
- Good progress on Kusile Unit 4, targeting synchronisation by June 2022
- World Bank approved Medupi FGD implementation extension to June 2027; technology selection to be completed
- First Majuba coal train (since the fire in December 2019) successfully offloaded in early October 2021

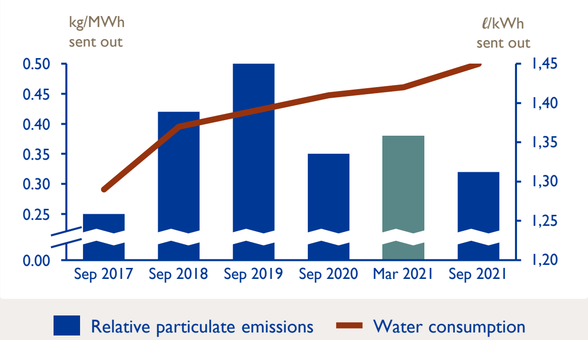
Environmental performance, people and society

AdR

ENVIRONMENTAL PERFORMANCE

- Relative particulate emission performance improved to 0.32kg/MWh sent out (Sep 2020: 0.35kg/MWhSO)
- Poor performance at Matla, Lethabo, Tutuka, Kendal, Hendrina and Grootvlei, mainly due to poor coal quality and poor performing dust handling and SO_3 plant
- Emissions performance at Kendal has improved, but challenges continue
- Kendal pre-trial hearing postponed to January 2022
- Water consumption at power stations deteriorated slightly to 1.45ℓ/kWhSO (Sep 2020: 1.41ℓ/kWhSO)
- A total of 31 environmental legal contravention incidents recorded (Sep 2020: 37), 24 were water-related

Environmental performance



Safety performance

PEOPLE AND SOCIETY

- Headcount continued to decline to 42 325 (Sep 2020: 43 795), primarily due to natural attrition and voluntary separation packages
- Group lost-time injury rate remained stable at 0.25 (Sep 2020: 0.24)
- Sadly, three employee and two contractor fatalities were recorded (Sep 2020: two employees and seven contractors)
- Racial and gender equity continued to improve, with racial equity at professional/ middle management level at 80.87% (Sep 2020: 79.17%)
- Disability equity declined to 2.91% (Sep 2020: 2.97%)
- 38 256 electrification connections completed (Sep 2020: 63 909)
- Achieved preferential procurement spend of 67.65% (Sep 2020: 64.62%)

Progress on legal separation

AdR

ESKOM ACTIVITIES

- Functional separation has been achieved, with support staff relinked to operations ✓
- Divisional boards and separate financial statements in place ✓
- National Transmission Company South Africa SOC Ltd (NTCSA) incorporated as wholly owned subsidiary ✓
- Interim directors in place until permanent directors are appointed ✓
- External due diligence completed ✓
- Measures in place to start trading between NTCSA and the Generation and Distribution Divisions ✓
- Asset transfer agreement, with suspensive conditions, in place as at 17 December 2021.
  PFMA approval received from DPE and National Treasury. ✓
- Transmission license application submitted to NERSA on 24 December 2021 →
- NTCSA is expected to be operational during the 2022 calendar year
- We continue to work on delivering those items under our control

EXTERNAL DEPENDENCIES

- Licences to be granted → NERSA
- Lender consent required
- Amendment of the Electricity Regulation Act, 2006 to support the ultimate industry structure → DMRE

Timelines according to the DPE Roadmap
Transmission to be separated by 31 December 2021
Generation and Distribution to be separated by 31 December 2022

Key financial indicators

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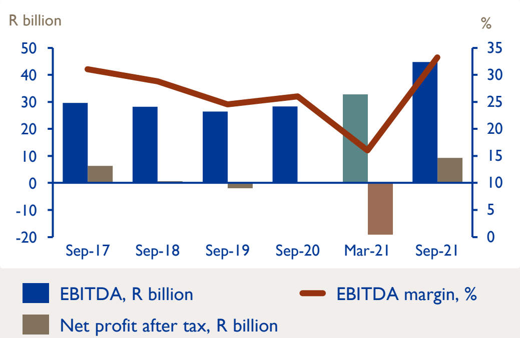
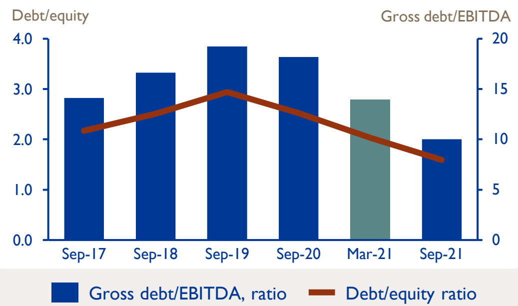
Financial indicator	Unaudited Sep 2021		Restated Sep 2020 [1]
Revenue, R million	**134 982**	↑	108 723
EBITDA, R million	**44 836**	↑	28 336
EBITDA margin, %	**33.22**	↑	26.06
Operating profit (EBIT), R million	**29 253**	↑	14 515
Net profit after tax, R million	**9 241**	↑	216
Pre-tax nominal return on assets, %	**4.88**	↑	2.45
Cash interest cover, ratio	**2.20**	↑	1.00
Debt service cover, ratio	**0.88**	↑	0.44
Net debt/EBITDA, ratio	**9.12**	↑	16.65
Debt/equity (including long-term provisions), ratio	**1.59**	↑	2.52
Gearing, %	**61**	↑	72
Free funds from operations (FFO) as % of gross debt	**10.35**	↑	6.48

↑ Performance improved ↓ Performance declined

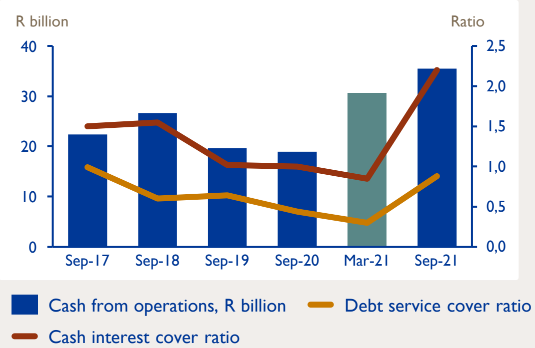
Profitability



Gearing



Solvency



- Financial indicators improved significantly despite navigating a challenging and uncertain operating environment
- Increase in tariffs and recovery of sales volumes contributed to enhanced profitability and improved operating cash flows
- Gearing ratios improved due to Government equity support and enhanced profitability
- Solvency ratios improved due to a recovery in operating cash flows, although cash flows remained inadequate to meet debt servicing requirements on a standalone basis

1. Restatements are disclosed in note 17 of the interim financial statements

Group income statement for the period ended 30 September 2021

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R million	Unaudited Sep 2021	Restated Sep 2020 [1]	%
Revenue	**134 982**	108 723	24▲
Other income	**849**	637	33▲
Primary energy	**(61 766)**	(54 318)	14▲
Net employee benefit expenses	**(16 762)**	(16 415)	2▲
Net impairment (loss)/reversal	**(214)**	102	
Other expenses	**(12 253)**	(10 393)	18▲
EBITDA (before net fair value)	**44 836**	28 336	58▲
Depreciation and amortisation expenses	**(15 583)**	(13 821)	13▲
Operating profit (EBIT)	**29 253**	14 515	102▲
Net fair value and foreign exchange gain on financial instruments and embedded derivatives	**373**	1 091	
Net finance cost	**(16 621)**	(15 354)	8▲
Share of profit of equity-accounted investees	**36**	47	
Profit before tax	**13 041**	299	
Income tax expense	**(3 800)**	(83)	
Net profit for the period	**9 241**	216	4 178▲

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

FINANCIAL COMMENTARY

- **Revenue**: 15.06% tariff increase for 2022, supported by an 8% growth in sales volumes
- **Primary energy cost**: higher production required to meet the recovery in demand, particularly by OCGTs and IPPs, coupled with substantial diesel price increase
- **Employee benefit cost**: higher contract labour and overtime costs; costs controlled through headcount reduction and no managerial salary increases
- **Other expenses**: R1.9 billion increase in repairs and maintenance to address plant performance, coupled with write-offs due to damage at Medupi Unit 4 and Kendal Unit 1
- **Depreciation**: increase due to commissioning of new plant
- **Net finance cost**: less finance costs capitalised as new build units are completed; gross finance costs were contained through an overall reduction in debt

Based on preliminary assessments, **R0.9 billion** written off relating to the explosion at **Medupi Unit 4** and **R86 million** written off relating to the transformer fire at **Kendal Unit 1**

1. Restatements are disclosed in note 17 of the interim financial statements

Sales and revenue

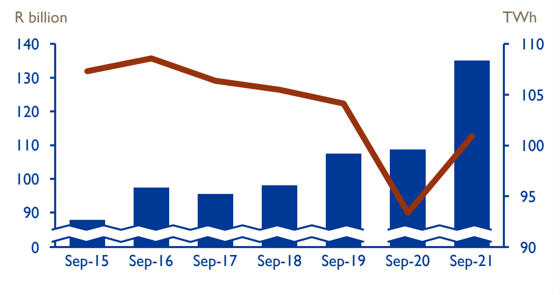
CC

Revenue, R million	Sep 2021	Sep 2020	%
Local	**133 748**	108 923	23▲
International	**6 219**	5 163	20▲
Gross electricity revenue	**139 967**	114 086	23▲
Net revenue not recognised (IFRS 15)	**(5 480)**	(4 639)	18▲
Capitalised	**(404)**	(1 373)	71▼
Net electricity revenue	**134 083**	108 074	24▲
Other revenue	**899**	649	39▲
Total revenue	**134 982**	108 723	24▲

Sales volumes, GWh	2021	2020	%
Local	**94 087**	86 903	8▲
International	**6 814**	6 485	5▲
Total sales	**100 901**	93 388	8▲

▲ Revenue/sales increased ▲ Non-recognition/capitalisation increased
▼ Revenue/sales declined ▼ Non-recognition/capitalisation declined

Sales and revenue



Sales volumes per category, GWh	Sep 2021	Sep 2020	%
Distributors	44 071	41 760	5.5▲
Residential [1]	5 489	5 661	3.0▼
Commercial	5 006	4 737	5.7▲
Industrial	21 610	18 473	17.0▲
Mining	14 316	12 807	11.8▲
Agriculture	2 592	2 549	1.7▲
Rail	1 003	916	9.5▲
International	6 814	6 485	5.1▲
Total	**100 901**	**93 388**	**8.0▲**

1. Prepaid electricity and public lighting are included under the residential category

- Recovery of 7.5TWh (8%▲) in sales volumes due to the phased easing of COVID-19 lockdown restrictions and the return to operations of many sectors of the economy
- Improvement in sales seen across nearly all customer categories, with the industrial (17%▲) and mining (11.8%▲) sectors most positively affected by the recovery of global commodity markets
- While electricity demand has increased when compared to level 5 and level 4 lockdown restrictions in the prior year, sales are not expected to recover to pre-COVID-19 levels for the foreseeable future

Primary energy analysis

		COST	PRODUCTION	UNIT COST	
BASE-LOAD	COAL [1]	R39 929 million (Sep 2020: R36 227 million)	99 658GWh (Sep 2020: 94 047GWh)	R401/MWh (Sep 2020: R385/MWh)	4% ▲
	NUCLEAR	R616 million (Sep 2020: R461 million)	6 205GWh (Sep 2020: 4 374GWh)	R99/MWh (Sep 2020: R105/MWh)	6% ▼
DIESEL	ESKOM OCGTs [2]	R2 464 million (Sep 2020: R1 391 million)	772GWh (Sep 2020: 496GWh)	R3 118/MWh (Sep 2020: R2 722/MWh)	15% ▲
	IPP OCGTs [3]	R2 102 million (Sep 2020: R1 259 million)	463GWh (Sep 2020: 291GWh)	R4 107/MWh (Sep 2020: R3 648/MWh)	13% ▲
	RENEWABLE IPPs	R14 205 million (Sep 2020: R12 456 million)	6 998GWh (Sep 2020: 5 551GWh)	R2 030/MWh (Sep 2020: R2 244/MWh)	10% ▼
	IMPORTS	R2 450 million (Sep 2020: R2 524 million)	4 061GWh (Sep 2020: 4 474GWh)	R603/MWh (Sep 2020: R564/MWh)	7% ▲
	TOTAL	R61 766 million (Sep 2020: R54 318 million)	118 157GWh (Sep 2020: 109 233GWh)	R523/MWh (Sep 2020: R497/MWh)	5% ▲

▼ Unit cost declined ▲ Unit cost increased

- Controllable costs such as coal-fired and nuclear production contained below inflation
- Average coal purchase price is down (0.7%▼), which will help further control future coal generation costs
- Improved availability of nuclear plant led to increased production
- Diesel production sources account for 7.4% of total cost but only 1% of total GWh produced; it is unsustainable to continue to rely on diesel
- Average diesel purchase price increased (21.3%▲) to R14.41/ℓ (Sep 2020: R11.88/ℓ), driving around 20% of diesel cost increase
- Total energy produced (excluding pre-comm production) increased by 8.9TWh (8.2%▲) to meet higher electricity demand
- Total primary energy costs increased (13.7%▲) due to increased use of more expensive OCGT and IPP sources to alleviate supply constraints experienced during the period, and to avoid or minimise loadshedding

1. Excluding Medupi and Kusile pre-commissioning production of 571GWh (Sep 2020: 1 845GWh) for units synchronised to the grid, but not yet commissioned
2. OCGT unit cost is calculated on fuel and start-up cost, and excludes storage and demurrage charges. Storage and demurrage of R58 million (Sep 2020: R41 million) is included in the total cost shown
3. The IPP OCGT unit cost is calculated on fuel cost (variable cost) only, and excludes maintenance and capacity charges. Maintenance of R202 million (Sep 2020: R198 million) is included in the total cost shown

Investment in infrastructure

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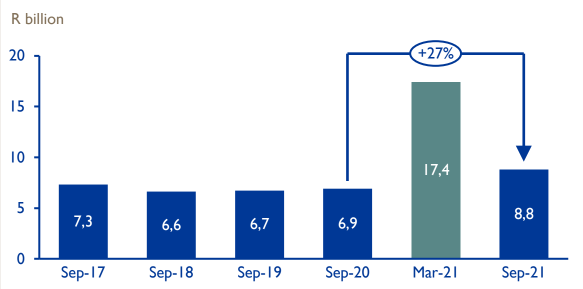
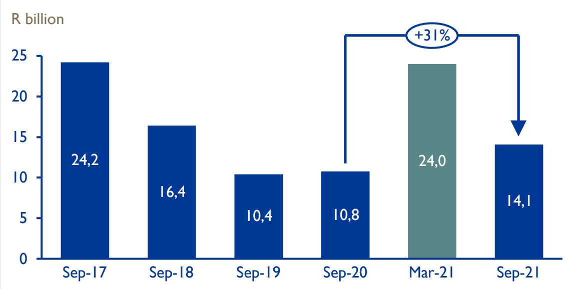
Repairs and maintenance expenditure



Eskom funded capital expenditure



Repairs and maintenance per division, R million	Sep 2021	Sep 2020	%
Generation	6 760	5 133	31.7 ▲
Transmission	301	330	8.8 ▼
Distribution	1 744	1 454	19.9 ▲
Total	**8 805**	**6 917**	**27.3** ▲

- Net repairs and maintenance comprised planned maintenance of R6.7 billion and unplanned maintenance of R2.1 billion (Sep 2020: R5.4 billion and R1.5 billion, respectively)
- Typically, higher repairs and maintenance are carried out in the second half of the year, during the summer months

- Capital maintenance spend, relating to outage and refurbishment projects, increased to R4.1 billion (Sep 2020: R2.9 billion)
- Total capital expenditure has declined since 2017 due to the ramping down of projects as new build units are commissioned
- Liquidity constraints and procurement challenges have resulted in delays in the release of capital funds and procurement of long-lead items, leading to the deferral of projects, thereby exacerbating operational challenges
- Capital savings and enhanced management of the capital portfolio are being implemented to deliver improved capital efficiency

Group statement of financial position at 30 September 2021

R million	Unaudited Sep 2021	Restated Sep 2020 [1]	%
Property, plant and equipment and intangible assets	**667 554**	659 959	1 ▲
Working capital – inventory and current receivables	**73 627**	66 352	11 ▲
Liquid assets – cash and cash equivalents and investments	**36 396**	24 929	46 ▲
Derivatives held for risk management	**14 693**	36 856	60 ▼
Other assets [2]	**19 448**	16 379	19 ▲
Total assets	**811 718**	804 475	1 ▲
Equity [3]	**258 603**	187 036	38 ▲
Debt securities and borrowings	**392 109**	463 703	15 ▼
Working capital – current payables	**53 007**	51 300	3 ▲
Derivatives held for risk management	**3 310**	5 475	40 ▼
Other liabilities [4]	**104 689**	96 961	8 ▲
Total equity and liabilities	**811 718**	804 475	1 ▲

▲ Asset increased ▼ Asset declined
▼ Liability declined ▲ Liability increased

1. Restatements are disclosed in note 17 of the interim financial statements
2. Mainly comprises future fuel and non-current receivables
3. Includes Government support of R31.7 billion received for the period (Sep 2020: R6 billion)
4. Mainly comprises non-current provisions, employee benefit obligations, contract liabilities and lease liabilities

FINANCIAL COMMENTARY

- **Liquidity**: improved largely due to Government support and enhanced profitability, although cash remained constrained due to debt servicing and working capital requirements
- **Working capital**: growth in municipal and metro debt, coupled with an increase in inventories (coal stock, maintenance spares and consumables)
- **Derivatives**: derivatives used in hedging activities declined due to strengthening of the Rand
- **Equity**: share capital of R31.7 billion issued in exchange for Government support, coupled with the profit recorded for the period
- **Debt**: focused reduction, with repayments exceeding debt raised. Foreign-denominated borrowings declined due to the strengthening of the Rand

USD/ZAR exchange rate **R15.10** (Sep 2020: R16.82)

EUR/ZAR exchange rate **R17.48** (Sep 2020: R19.67)

The largest movement was the **reduction of R71.6 billion** in debt securities and borrowings

Net interest-bearing debt and net finance cost overview

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R million	Unaudited Sep 2021	Restated Sep 2020 [1]	%
Debt securities and borrowings	**392 109**	463 703	15 ▼
Net market making liabilities	**2**	20	
Cash and cash equivalents [2]	**(20 411)**	(11 774)	73 ▲
Net derivatives held for risk management [2]	**(11 383)**	(31 381)	64 ▼
Net interest-bearing debt	**360 317**	420 568	14 ▼

▼ Asset declined ▼ Liability declined

R million	Unaudited Sep 2021	Restated Sep 2020 [1]	%
Gross finance cost	**21 777**	23 181	6 ▼
Finance income	**(1 050)**	(1 091)	4 ▼
Borrowing costs capitalised to assets	**(4 106)**	(6 736)	39 ▼
Net finance cost	**16 621**	15 354	8 ▲

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

- Efforts to reduce Eskom's debt burden were possible through Government support, leading to an overall reduction in gross debt of R71.6 billion (15%▼)
- Foreign-denominated borrowings (approximately 40% of portfolio) impacted by the strengthening of the Rand, with derivatives held for risk management similarly impacted by exchange rate movements
- Despite a reduction (6%▼), gross finance costs remain the second largest cost after primary energy

Debt securities and borrowings, R billion (Sep 2020 to Sep 2021) [3]	
Opening balance	463.7
Debt raised (net of commercial paper)	13.2
Debt repaid	(66.3)
Exchange rate and other movements	(18.5)
Closing balance	**392.1**

Average cost of debt
9.85% ▼ (Sep 2020: 9.89%)

Average investment return
3.64% ▼ (Sep 2020: 5.26%)

1. Restatements are disclosed in note 17 of the interim financial statements
2. In this table, assets are reflected as negative amounts

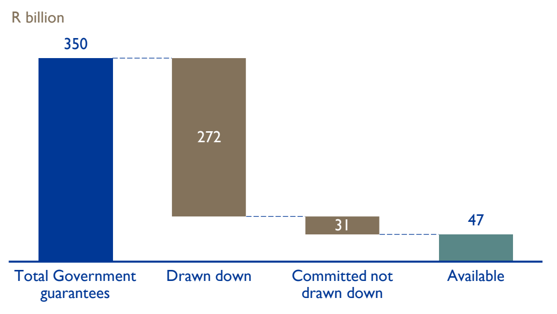
3. Reconciliation based on movements over the past 12 months. Debt raised and debt repaid for the six months to September 2021 amount to R10.5 billion and R24.4 billion respectively

Funding plan progress

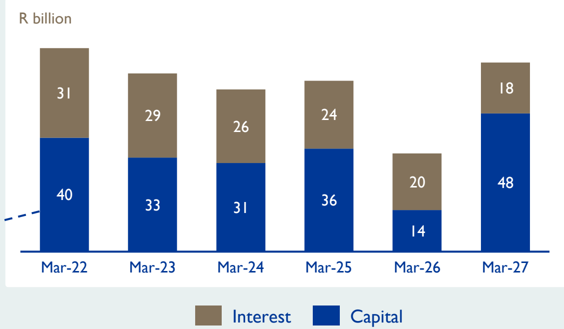
R billion	2022 Funding plan [1]	2022 Committed at Sep 2021	2023 Funding plan [1]	2023 Committed at Sep 2021
DFIs	8.8	8.5	18.4	11.5
ECAs	0.5	0.5	–	–
Domestic bonds and notes	3.1	0.1	6.0	–
Commercial paper	0.5	0.5	–	–
International bond	7.0	–	–	–
Private placement	7.0	7.0	–	–
Syndicated loan	15.0	–	–	–
Total funding [2]	**41.9**	**16.6**	**24.4**	**11.5**
% secured		**40%**		**47%**

Debt servicing costs of **R71 billion for 2022**, reducing to an average of around **R60 billion per year to 2025**

Guarantee utilisation at 30 September 2021



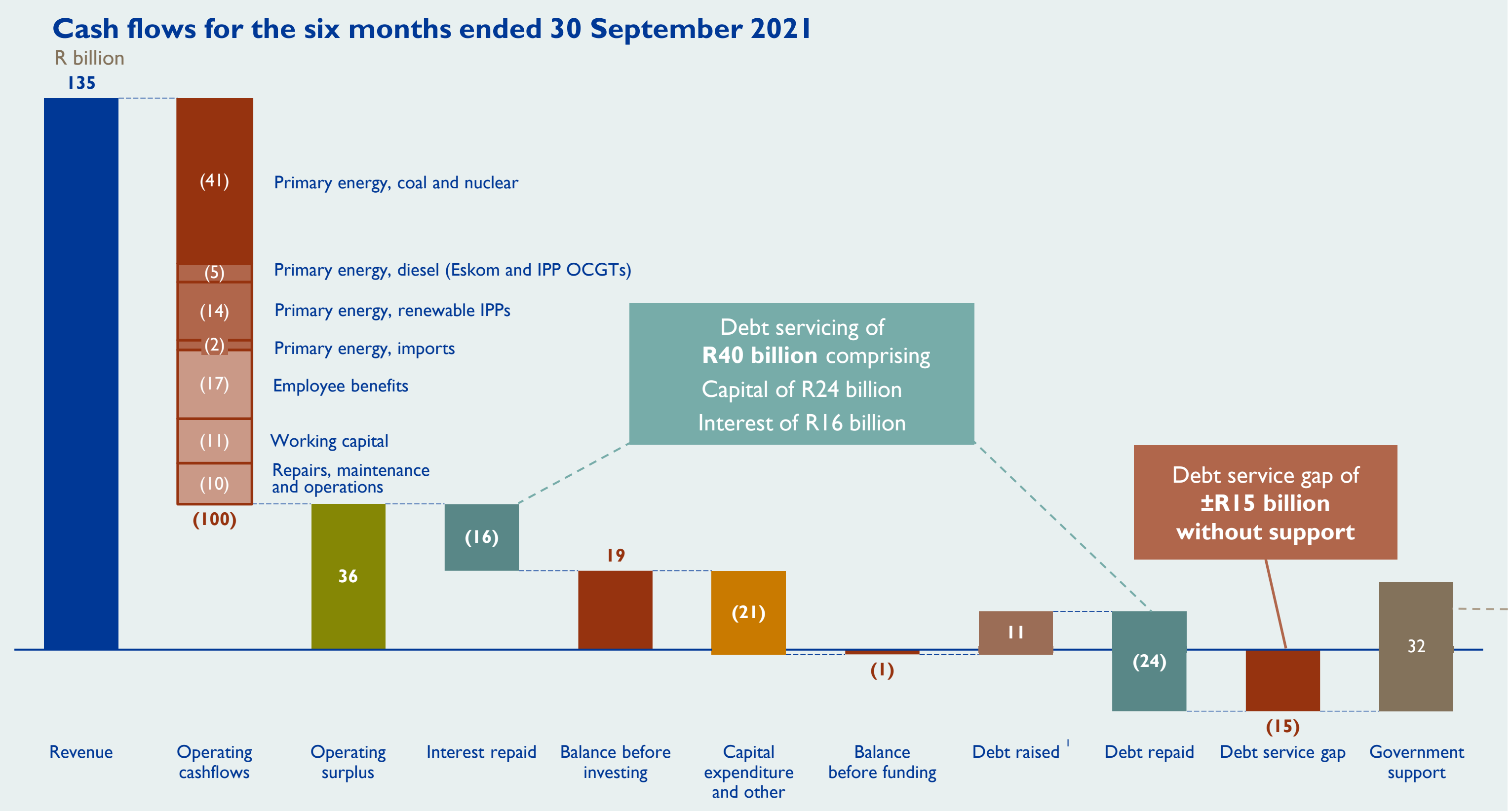
Debt maturity profile at 30 September 2021 [3]



1. Funding sources targeted are subject to change depending on requirements
2. The table above includes gross commercial paper and committed funding, whereas the debt raised figure in the statement of cash flows is net of commercial paper and accounts for amounts drawn down

3. Based on existing debt only, using forward rates and net of swaps

Overview of cash flow movements



KEY TAKEAWAYS

- Net cash increase of R16.4 billion during the period
- Cash from operations remained insufficient to meet debt servicing and some capital investment requirements
- Eskom's capital and tariff structure must be resolved to ensure long-term financial sustainability

Government support of **R31.7 billion** was received to alleviate some of the cash flow pressure

1. Debt raised for the year is reported net of commercial paper in the statement of cash flows

Arrear debt management

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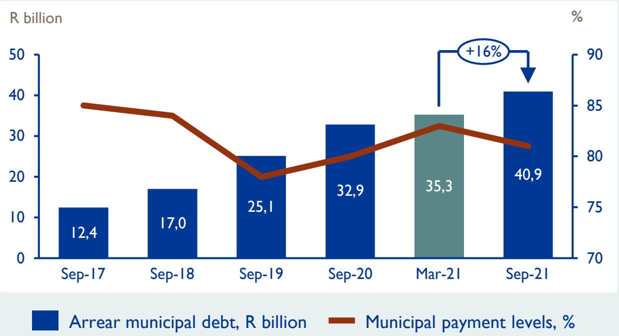
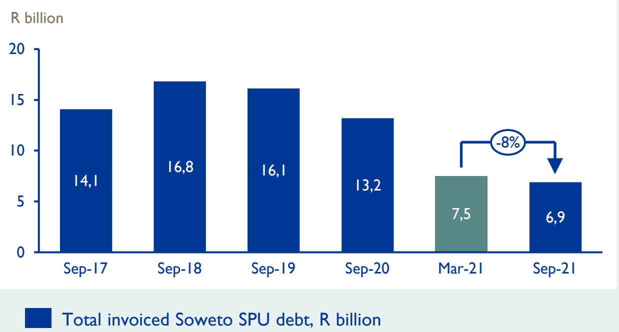
Municipal arrear debt



Soweto small power user (SPU) debt



- Since March 2021, municipal arrear debt grew by R5.6 billion (15.8%▲)
- Payment level of 81% by municipalities, excluding metros (Sep 2020: 80%). Payment level of 50% for top 20 defaulting municipalities (Sep 2020: 49%)
- Eskom is fully participating in the work of the Eskom Political Task Team and its Multidisciplinary Revenue Committee
- A proposal to assist municipalities in crisis is under discussion with stakeholders
- Invoiced Soweto SPU debt (including interest) decreased to R6.9 billion, due to write-off of prescribed debt and "*in duplum*" interest
- Other than municipal and residential arrear debt, only two large customers owe amounts in excess of R100 million, with combined debt of R785 million

Our municipal debt management strategy focuses on

CURRENT ACCOUNT MANAGEMENT

Stop defaulting and enforce payment of current amounts

FUTURE DEBT MANAGEMENT

Reduce and/or eliminate overdue debt

ARREAR DEBT MANAGEMENT

Prevent future defaulting through pre-emptive action

We have engaged with **45 municipalities** on our **active partnering model**, including **all of the top 20** defaulting municipalities

Maluti-A-Phofung, our largest defaulter, did not agree to the terms of the proposed partnering agreement. We have approached the court to resolve this matter

1. Soweto debt prior to 2019 includes prescribed debt and "*in duplum*" components that were not written off at the time

Financial outlook for the remainder of the 2022 financial year

Eskom

CC

Financial indicator	Actual Sep 2021		Projection March 2022
Revenue, R million	134 982		246 253
EBITDA, R million	44 836	↗	53 325
EBITDA margin, %	33.22	↘	21.65
Operating profit (EBIT), R million	29 253	↘	21 779
Net profit/(loss) after tax, R million	9 241	↘	(9 122)
Cash interest cover, ratio	2.20	↘	1.53
Debt service cover, ratio	0.88	↘	0.69
Net debt/EBITDA, ratio	9.12	↗	8.23
Debt/equity (including long-term provisions), ratio	1.59	↘	1.83
Free funds from operations (FFO) as % of gross debt	10.35	↗	12.22

↗ Positive trend forecast ↘ Negative trend forecast

NERSA's decision to reject our MYPD 5 revenue application poses a significant risk to revenue certainty, operations and profitability in future years. We welcome the High Court decision ordering NERSA to process our revenue application and make a revenue decision for the 2023 financial year by 25 February 2022

- Historically, financial performance in the first half of the year is better than the second half as the winter period is characterised by higher tariffs and sales volumes, as well as lower maintenance
- Cost pressures remain in the second half of the year due to summer maintenance requirements and production costs associated with ensuring security of supply
- Lack of generation reliability and low EAF is costing us dearly, with anticipated spend of R16.1 billion on OCGTs contributing significantly to the expected loss
- The lack of cost-reflective tariffs and unsustainable debt burden also contribute to the anticipated loss after tax of R9.1 billion, although this is an improvement from the previous financial year (Mar 2021: loss of R18.9 billion)
- Sales of 197.1TWh (2.8%▲) are expected by year end (Mar 2021: 191.9TWh)
- Gross debt is expected to increase to R416.4 billion by year end (Mar 2021: R401.8 billion) largely due to funding postponed from the prior year

Government support of R21.9 billion and R21 billion committed for 2023 and 2024

Table of Content

Generation performance as of 31 January 2022 reflects the challenges being faced with availability and reliability

PD

587

UAGS Trips vs. 392 for Q4 target for FY22

62.5%

Availability vs. 70% Q4 target for FY22

24.9%

Unplanned load losses vs. 18% Q4 target for FY22

4779 MW

Partial load Losses vs. 3547 MW Q4 target for FY22

10.0%

Planned maintenance vs. 10.5% Q4 target for FY22

R5.19bn*

Open Cycle gas turbines cost vs YTD projected R5,63bn

* Eskom OCGTs only as at 09 Feb 2022

Technical Targets as per SHC

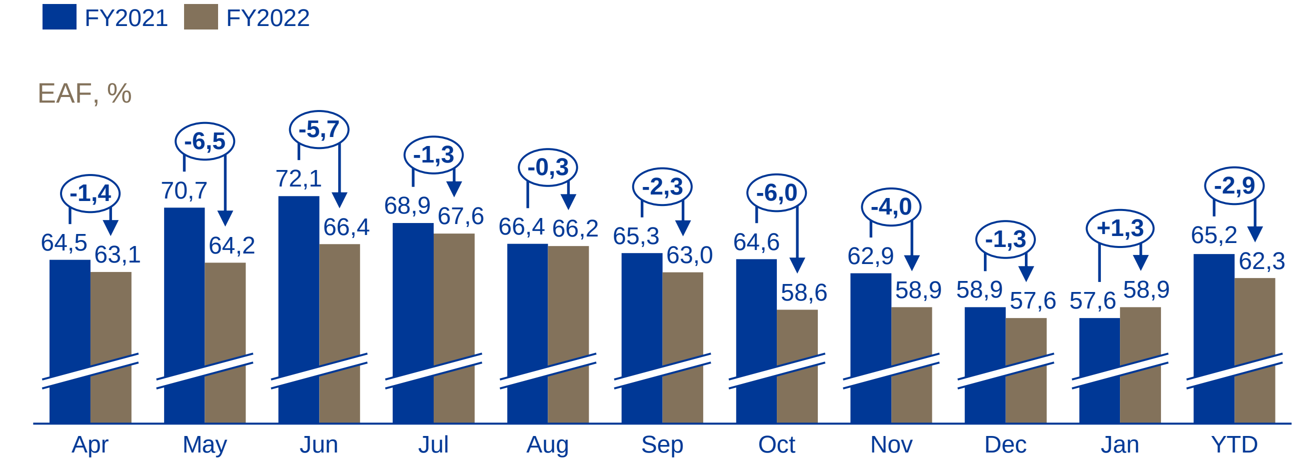
Figures as of end Jan 2022

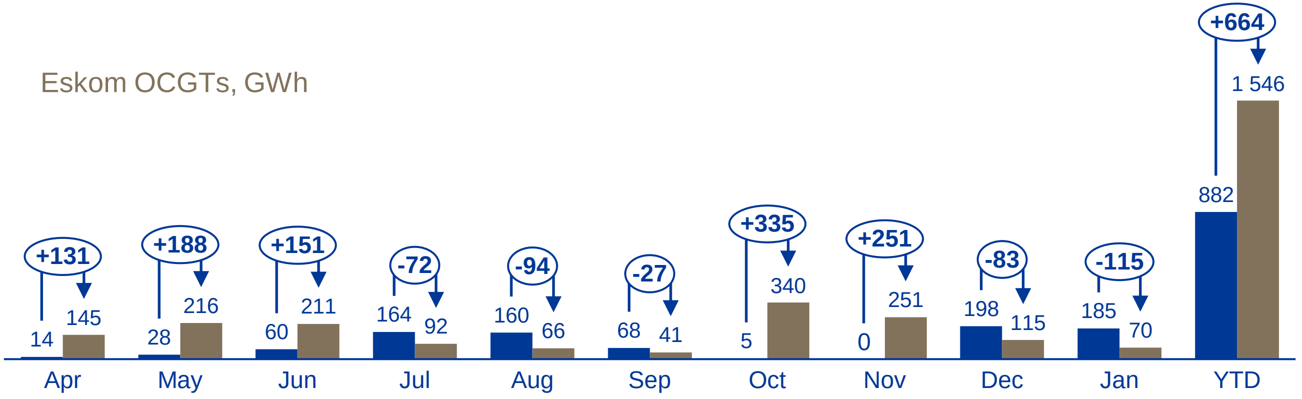
Highlights

PD

- Both Koeberg Nuclear Power Station Units **continue to operate safely**. Unit 2 commenced a refueling and long-term outage in January 2022 during which the reactor vessel head and the three steam generators will also be replaced. Regulator approval has been received.
- 3 New build units achieved commercial status i.e. Kusile 2 (29 October 2020), Kusile 3 (29 March 2021) and Medupi 1 (31 July 2021). Kusile Unit 4 was first synchronised on 23 December 2021 and achieved full load on 11 January 2022.
- Medupi U3 (defect correction pilot unit) running at an average of >94% EAF for ~13 weeks from its inspection outage in November 2021. Defect correction on Medupi Units 1 – 6 & Kusile units 1 - 2 completed. Kusile unit 3 is scheduled for outage, while units 4 - 6 design corrections will be incorporated during the remainder of construction.
- Relative Emissions has shown good improvements year-to-date as a number of emission performance improvement initiatives are implemented, but the performance is not yet at the set target.
- The new Camden ash dam has been made operational in the latter part of November 2021, with no ash-dam related loss of availability since 29 November 2021.
- Rain Readiness plans have generally held up well so far to the heavy and early rains in the summer of FY2022. Areas of improvement for specific stations have been noted for continued improvement
- No station achieved a below-average Insurance Risk Survey rating
- Commissioning of Majuba Rail tippler will have the benefit of reducing coal transport by road. Two trains per day deliver 8 400 tons, the equivalent of 247 road truck loads and will gradually increase to 6 trains per day.

FY2022 January YTD System Performance (Commercial)





PD

System Performance

Commercial System EAF

- Current financial year **Jan 2022 MTD** is **58.9%** which is one percentage point higher **(actual: 57.6%)** when compared to last financial year January actual
- Current financial year **YTD Jan 2022** is **62.3%** which is about three percentage points **(actual: 65.2%)** lower than last financial year YTD figures
- **FY2022 YE EAF** budget is **70%** versus **62.3% YTD**

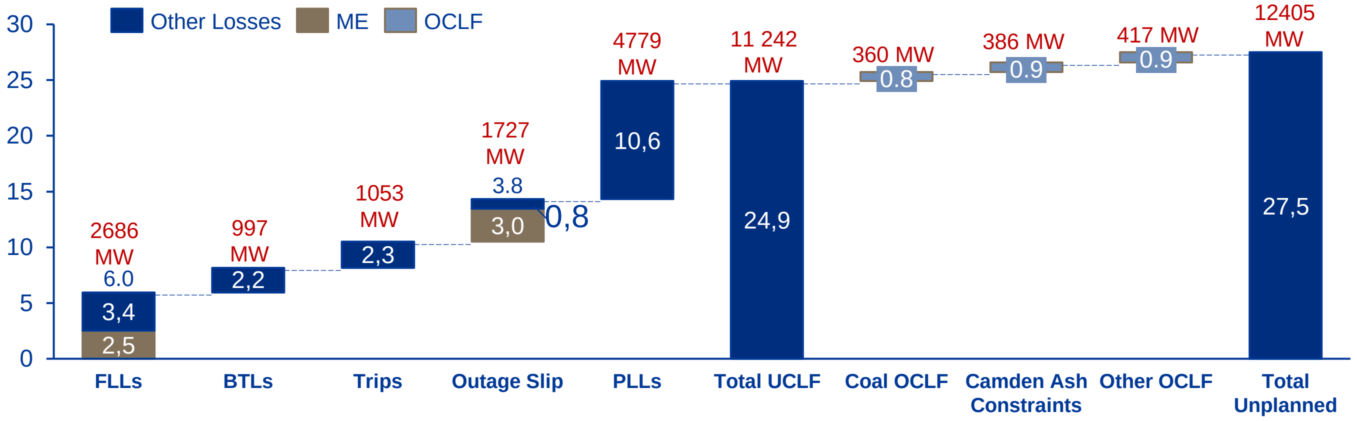
Eskom OCGTs

- **MTD: Jan 2022** is **70 GWh** (3.9% load factor) compared to **185 GWh** actual for Jan 2021.
- **YTD: Jan 2022** is currently at **1546 GWh** compared to **882 GWh YTD actuals** for last financial year.
- **FY2022 YE budget** is **211 GWh** (1% load factor) versus **1546 GWh YTD** (8.7% load factor).

Lower Generation performance is largely driven by high Unplanned Capability Loss Factor (UCLF)

PD

Build-up of Unplanned Losses for FY2022 end January YTD from major contributors



Key insights

- **Plant performance is highly unpredictable** with multiple failures experienced continuously
- Current **Unplanned losses of over 27% is unsustainable for the business resulting in loadshedding** incidents
- Partial Load Losses (PLLs) continues to be the biggest contributor to UCLF for FY2022
- **Resolving the issues sustainably requires extensive maintenance Outages and implementation of refurbishment** projects

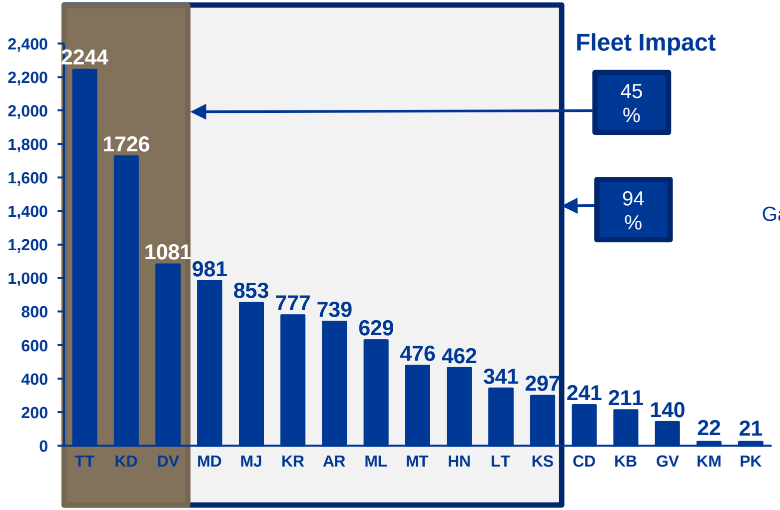
YTD Figures as of end Jan 2022

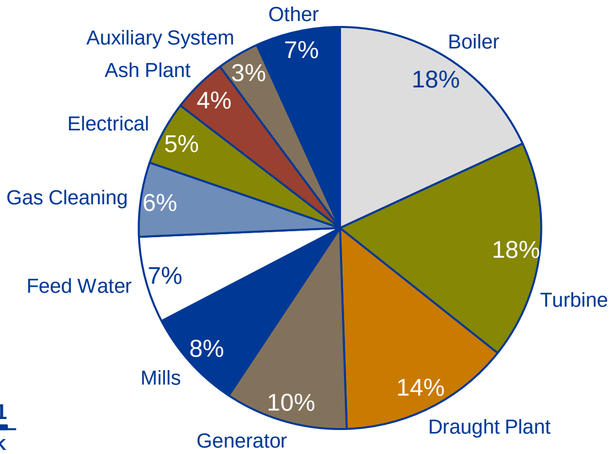
Station and Plant Contribution to Total Unplanned Capability Loss Factor

F2022 Jan YTD – 24.92%

PD

Average MW loss YTD end Jan 2022





Key Insights

- **Tutuka, Kendal and Duvha** contributed about **45%** of the total UCLF YTD.
- **Boiler, Turbine, Draught Plant and Generator** were the main contributors (59**%** contribution) for the period of end January FY2022 YTD.

YTD Figures as of end Jan 2022

Risks that may contribute to loadshedding

PD

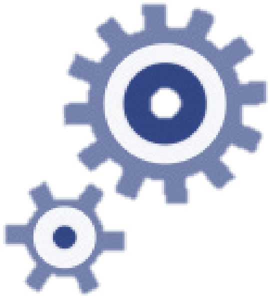
- Incidents that render plant off for prolonged durations
- Multiple concurrent boiler tube failures
- Delays in returning plant to service after a planned outage
- Unavailability of emergency resources & limited funding (due to affordability)
- Unavailability of imported power
- Theft and vandalism
- Adverse weather conditions affecting multiple sites
- Civil unrest
- COVID-19

Key challenges and resolutions

PD

Challenges

- High unplanned losses impacting Energy Availability Factor
- Design defects at the New Build
- Compliance to Emissions limits (16 000 MW @ risk of immediate shutdown)
- Coal Quality
- Loss of capacity from Medupi Unit 4 generator failure
- Impact of Eskom’s Financial position on capital availability for Operational recovery



Resolution – Reliability Maintenance and 9-Point Recovery Plan

9-Point Plan

- Fix new plant
- Fix full load losses and trips
- Fix units on long term forced outage
- Fix partial losses and boiler tube leaks
- Fix outage duration and slips
- Fix human capital
- Prepare for additional OCGT usage
- Reduce emissions
- Coal Management

Progress on addressing the Gx 9 Point Plan areas (1/2)

Eskom

PD

Stable	Promising progress	Remains a challenge

9 Point plan focus areas

	Situation	Key Initiatives	Status

Fix New Build	• Medupi and Kusile power stations have not achieved the desired levels of performance and reliability due to a combination of plant design, operational and maintenance inefficiencies.	• The below systems have been modified
		  • Gas Air Heater
		  • Pulse Jet Fabric Filter Plant
		  • Milling Plant
		• Medupi U3 where technical solutions accepted and to be rolled out to Medupi and Kusile	

Fix Unit Trips	• The Gx YTD trips is 587 vs 415 for the same period last year.	• Critical focus area with monthly meetings are held to provide technical support to stations with high trips • Specialist and senior technical leads have been assigned to support the improvement	
Return units on long term outage	• Kendal Unit 1 experienced failure due to fire at the Generator Transformer • Medupi Unit 4 experienced catastrophic failure due Generator explosion	• Kendal Unit 1 (640MW) returned to service 3 Jan 2022 • Medupi Unit 4 (720MW) recovery in progress, planned return to service August 2024	
Fix Partial losses, boiler tube leaks	• PLLs remains the highest contributor of UCLF - 10.6% of total UCLF • The Boiler Tube Failure (BTF) rate has marginally increased month on month from 2.25 to 2.33	• The success of this initiative is highly dependent on the implementation of RMR • Short term capacity pressure often makes implementation difficult due to the movement of Outages	
Improve outage duration and slips	• Generation is targeting 84 short to long term outages within this financial year to improve plant performance.	• Focus is to improve Outage Readiness and execution effectiveness • Since proper outage planning takes 24 months it may take some time to see significant improvement in performance.	

UCLF – Unplanned capability loss factor; PLL: Partial load loss; RMR – Reliability maintenance recovery

Progress on addressing the Gx 9 Point Plan areas (2/2)

PD

Stable	Promising progress	Remains a challenge

9 Point plan focus areas

Focus area	Situation	Key Initiatives	Status
Fix Human Capital	• Majority of key leadership position across the business have been addressed • Recruitment approved for other critical positions at various power stations and process ongoing • Learner pipelining progressing well as per shareholder targets	• Initiatives in place and progressing well – focus is to manage natural attrition as part of normal operations	Promising progress
Reduce OCGT Usage	• R5,19 Bn YTD costs • OCGTs YTD usage is 1 547 GWh (8.7% Load Factor)	• Average tank levels are currently healthy and being maintained • Managing expenditure within budget remains a key challenge	Stable
Reduce emissions	• 16 000 MW at risk of immediate shutdown pending the Minister decision on Eskom appeal by end April 2022 • Issue of postponement of new emission standards is being addressed with the relevant stakeholders	• Eskom has made progress with implementing emission reduction projects. Delays due to funding constraints remains a risk	Remains a challenge
Improve coal management	• All Power Stations except Arnot are within their Eskom prescribed Levels • Arnot is below the Eskom prescribed minimum level however above the Grid Code requirement. There is sufficient contracted coal for the power station. • Rain readiness has improved as compared to prior years however remains an area of focus	• Work with the mines in improving coal qualities as per station specifications • Sustain the current improvement efforts	Promising progress

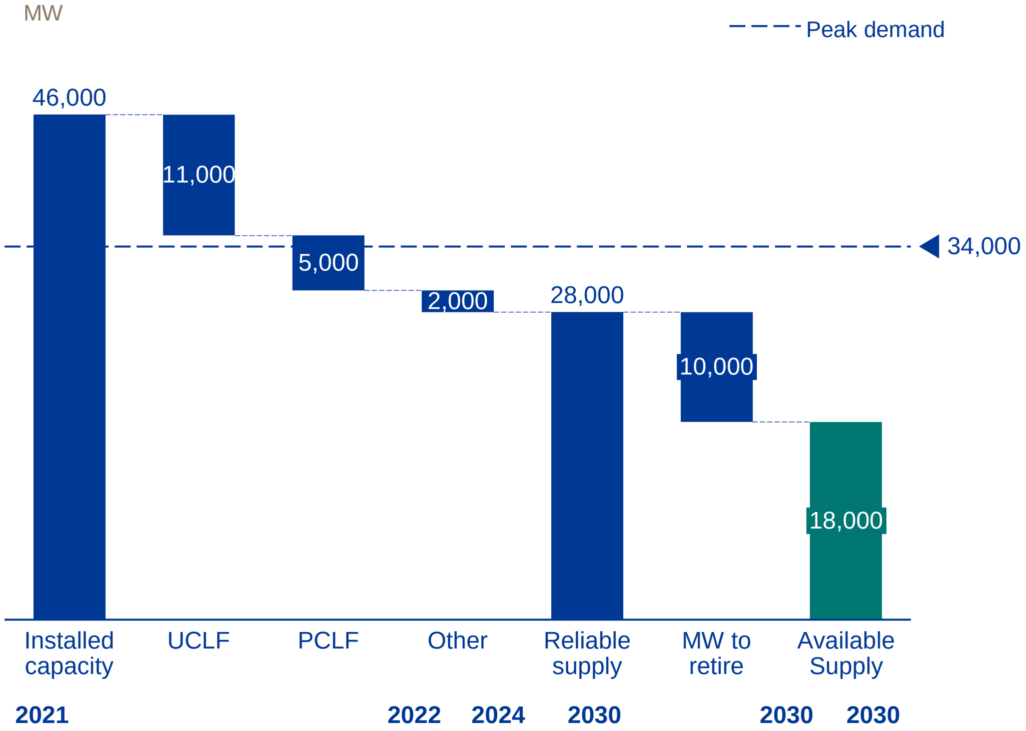
UCLF – Unplanned capability loss factor; PLL: Partial load loss; OCGT – Open cycle gas turbine

South Africa is short of capacity, it will get worse if we do not act now

PD

ILLUSTRATIVE

Capacity conundrum (2021 – 2030)



Insights

- When **demand goes above 28 000 MW**, the risk of load-shedding becomes high
- There is a current **capacity gap** of around **4000 MW.**
- This needs to be addressed for Generation to **execute the required maintenance** while **servicing the energy demand**
- **New generation capacity** must be **brought on line** to replace assets that are due to retire

Eskom

Thank You