Group annual results for the year ended 31 March 2023

31 October 2023

The results presentation is available at www.eskom.co.za/investors/integrated-results/

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The year in review

EAF worsened further to
56.03%
(2022: 62.02%)

Loadshedding
280 days
(2022: 65 days), despite extensive OCGT usage

Significant deterioration in
emissions performance

Poor Transmission
network reliability performance

New build
Kusile Unit 4 commissioned

4 employee and contractor fatalities
(2022: 6)

Lost-time injury rate declined to
0.26
(2022: 0.24)

Headcount reduced by
820
(2022: 2 328)

523
youth employment services learners appointed

Net loss after tax worsened to
R23.9 billion
(2022: R11.9 billion)

Tariff increase of
9.61%
(2022: 15.06%)

Committed funding secured
R59.9 billion
(2022: R35.8 billion)

Arrear municipal debt escalated to
R58.5 billion
(2022: R44.8 billion)

R254 billion
Government debt relief announced

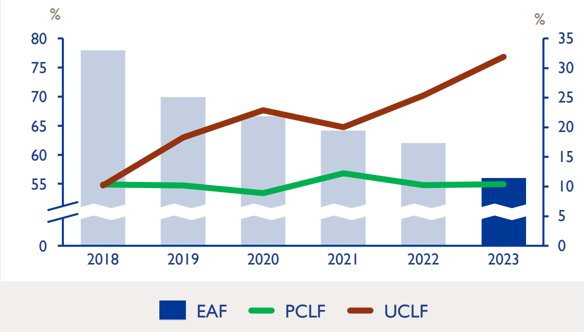
Significant leadership changes, including
a new Board

Generation performance continued to deteriorate, while networks and new build delivered variable performance

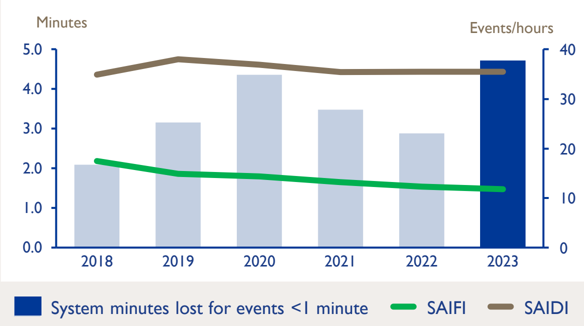
GENERATION PERFORMANCE

- Plant availability deteriorated to 56.03% (2022: 62.02%), with unplanned load losses rising to 31.92% (2022: 25.35%) and planned maintenance at 10.39% (2022: 10.23%)
- Load had to be curtailed by an estimated 13 476GWh (2022: 1 605GWh), with loadshedding on 280 days (2022: 65 days)
- Gas turbines produced 4 116GWh (2022: 2 725GWh) at a cost of R29.7 billion (2022: R14.7 billion) for Eskom and IPP OCGTs
- Generation recovery plan focusing on six priority stations to improve performance
- Flue stack collapse at Kusile took three units out of service for almost a year, making around 2 400MW unavailable; two units back in service by October 2023
- Koeberg Unit 1 long-term outage nearing completion, to be followed by Unit 2 outage

Generation performance



Network performance



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

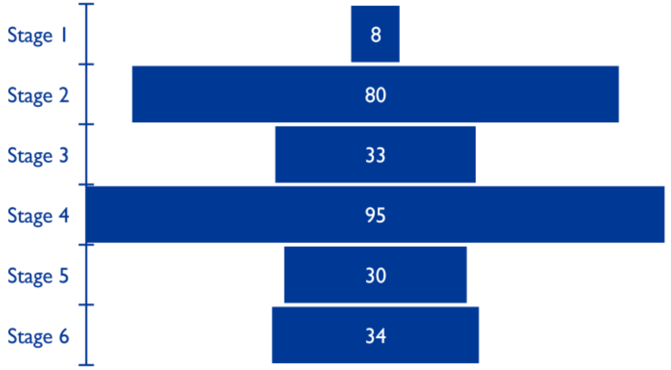
NETWORK AND NEW BUILD

- Transmission system minutes performance deteriorated to 4.71 minutes (2022: 2.88 minutes), with one major incident (2022: two)
- Distribution network performance remained resilient, with frequency and duration of supply interruptions well within target, although energy losses remain too high
- Renewable IPPs produced 16 859GWh (2022: 15 073GWh). Overall, IPP programmes delivered about 5 100GWh less than target, contributing to the generation capacity shortfall
- Kusile Unit 4 achieved commercial operation on 31 May 2022
- Kusile Unit 5 progress delayed by a year due to a gas air heater fire in September 2022; synchronisation expected by November 2023
- Installation of 326.1km transmission lines to strengthen the grid far exceeded target (2022: 180.5km)

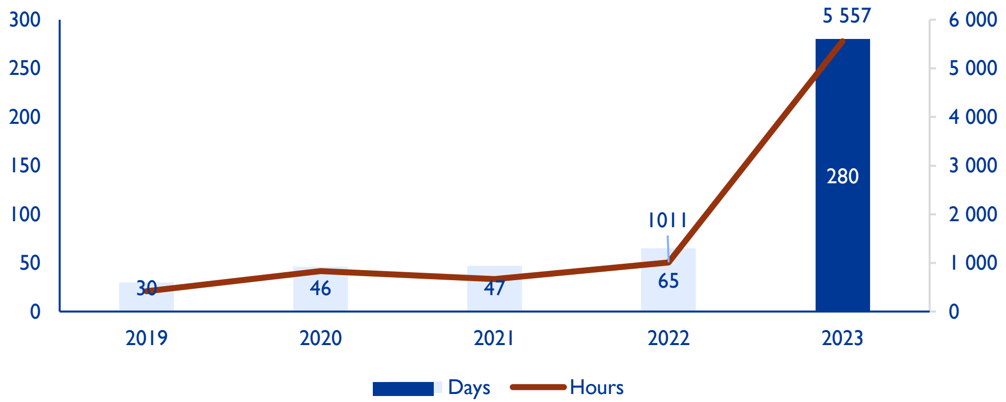
Loadshedding had to be implemented on 280 days during the past year due to generation supply constraints and shortfall from IPP programmes

- Eskom's generating plant availability reached the lowest levels ever, due to unprecedented levels of unplanned unavailability
- A factor that contributed to the supply constraints is the fact that IPP capacity – both renewable and other programmes, such as DMRE's Risk Mitigation IPP Procurement Programme – has not come online as expected under the IRP 2019, with an energy shortfall of more than 5 100GWh for the year, requiring increased levels of loadshedding and "overproduction" by Eskom and IPP-owned OCGTs of around 2 000GWh for the year
- Loadshedding is implemented to maintain the supply/demand balance, and to ensure sufficient reserve capacity to respond to significant unplanned breakdowns or disruptions to supply, in order to protect the power system
- Additional dispatchable capacity of 4 000MW–6 000MW is required immediately, to support the stability of the power system, create space for maintenance and reduce the need for loadshedding

Days loadshedding per stage



Loadshedding per year, showing total days and hours

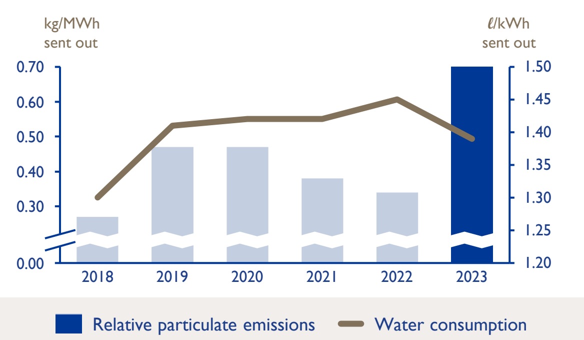


Ongoing challenges at Kendal negatively affected emissions performance, although water performance showed improvement

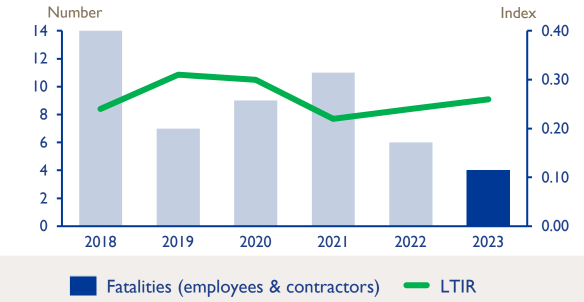
ENVIRONMENTAL PERFORMANCE

- Relative particulate emissions performance deteriorated significantly to 0.70kg/MWh sent out (2022: 0.34kg/MWhSO). Kendal accounted for 40% of emissions, due to challenges with dust handling and SO_3 plant
- CO_2 emissions declined by 9.5% YOY due to EAF decline, below 200Mt for the first time since 2004, peaking at ~233Mt in 2014
- The work of the National Environmental Consultative and Advisory Forum to review MES decisions and make recommendations continues, with extension to August 2024
- Water consumption at power stations improved to 1.39ℓ/kWhSO (2022: 1.45ℓ/kWhSO)
- With 105 incidents, environmental legal contraventions far exceeded internal tolerance levels (2022: 65), with 58 related to water and 44 to air quality regulations

Environmental performance



Safety performance



PEOPLE AND SOCIETY

- Tragically, one employee and three contractor fatalities were recorded (2022: four employees and two contractors)
- Group lost-time injury rate worsened slightly to 0.26 (2022: 0.24)
- Headcount continued to decline to 39 601 (2022: 40 421), due to natural attrition
- Recruited 1 885 external employees, particularly core and critical skills in Generation, and appointed 523 YES learners
- Racial and gender equity improved, with racial equity at professional/middle management level at 83.59% (2022: 81.68%)
- Completed 102 590 electrification connections (2022: 97 947)
- CSI spend of R63 million benefitted 438 094 beneficiaries (2022: R75.1 million)

Eskom has once again received a qualified opinion relating to disclosure of PFMA information, due to completeness and accuracy of records

CHANGES TO PFMA DISCLOSURE REQUIREMENTS

National Treasury issued Instruction Note 4 of 2022/23 in January 2023, requiring certain PFMA information previously disclosed in the annual financial statements to be disclosed in the integrated report instead

Annual financial statements (note 51)
Only discloses amounts incurred in the current and comparative years

Integrated report
Discloses detailed information and notes for the current and comparative years

AUDIT OPINION

- Qualified audit opinion received, based on completeness and accuracy of PFMA information disclosed – similar to prior year qualification as issues not adequately addressed
- Working to enhance systems, controls, resources, policies and procedures as well as reporting structures to address this significant focus area. Enhancements are not yet effective as there are still areas that require significant improvement

Irregular expenditure, R million	**FY2022**
Opening balance	59 177
Prior period restatements	17 321
Incurred	10 402
Condoned	(527)
Closing balance	86 373
	FY2023
Opening balance	86 373
Incurred	5 030
New incidents [1]	2 565
Historic incidents [2]	2 465
Condoned, removed or recovered	(252)
Closing balance	**91 151**

1. 80% is comprised of an isolated incident relating to the non-application of the requirements of the National Industrial Participation Programme (NIPP)
2. Relates to existing multi-year contracts that will continue to attract irregular expenditure until condoned or expired

Fruitless and wasteful expenditure, R million	**FY2022**
Opening balance	4 968
Prior period restatement	1 691
Incurred	3
Closing balance	**6 662**
	FY2023
Opening balance	6 662
Incurred	105
Recovered	(2)
Closing balance	**6 765**

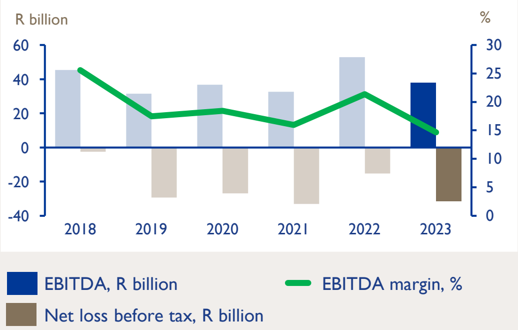
Material losses through criminal conduct, R million	**FY2023**
Theft of conductors, cabling and network-related equipment, malicious damage to property and attempted theft	344
Estimated non-technical losses	5 607
Fraud and corruption	81
Total	**6 032**

Financial indicators declined due to a challenging operating environment, plagued by generation capacity shortages

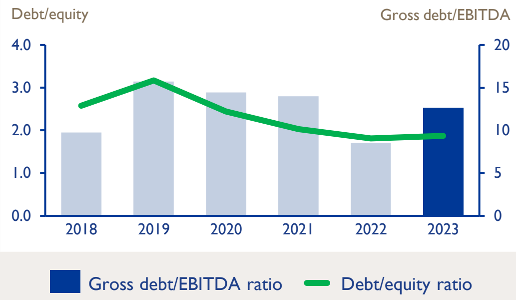
KEY FINANCIAL INDICATORS	2023		2022
Revenue, R million	**259 543**	▲	247 594
EBITDA, R million	**38 045**	▼	52 954
EBITDA margin, %	**14.66**	▼	21.39
Operating profit (EBIT), R million	**5 560**	▼	20 888
Net loss after tax, R million	**(23 939)**	▼	(11 930)
Pre-tax nominal return on assets, %	**0.83**	▼	3.12
Cash interest cover, ratio	**1.29**	▼	1.69
Debt service cover, ratio	**0.58**	▼	0.76
Gross debt/EBITDA, ratio	**12.64**	▼	8.54
Debt/equity (including long-term provisions), ratio	**1.87**	▼	1.81
Gearing, %	**65**	▼	64
Free funds from operations (FFO) as % of gross debt	**9.12**	▼	14.11

Legend: ▲ Performance improved ▼ Performance declined

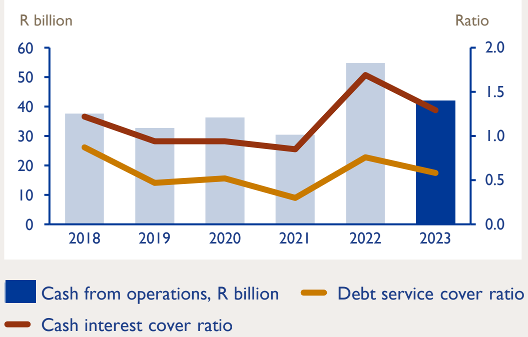
Profitability



Gearing



Solvency



- EBITDA and operating cash flows negatively affected by primary energy cost pressures due to poor plant performance
- Favourable revenue growth due to higher tariffs, offset by a decline in sales volumes
- Cash flows remain inadequate to meet debt servicing requirements
- Gross debt/EBITDA worsened due to the overall decline in profitability, despite Government support received

The net loss position has worsened, despite growth in revenue – profitability continues to be negatively affected by escalating primary energy and finance costs

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GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

R million	2023	2022	%
Revenue	**259 543**	247 594	5 ▲
Other income	**2 742**	1 494	
Primary energy	**(154 942)**	(132 933)	17 ▲
Net employee benefit expenses	**(32 321)**	(32 985)	2 ▲
Net impairment loss and write-downs	**(2 182)**	(1 436)	
Other expenses	**(34 795)**	(28 780)	21 ▲
EBITDA (before net fair value loss)	**38 045**	52 954	28 ▼
Depreciation and amortisation expenses	**(32 485)**	(32 066)	1 ▲
Operating profit (EBIT)	**5 560**	20 888	73 ▼
Net fair value and foreign exchange loss	**(285)**	(3 126)	91 ▼
Net finance cost	**(37 015)**	(33 063)	12 ▲
Share of profit of equity-accounted investees	**93**	52	
Loss before tax	**(31 647)**	(15 249)	108 ▲
Income tax credit	**7 708**	3 319	
Net loss for the year	**(23 939)**	(11 930)	101 ▲

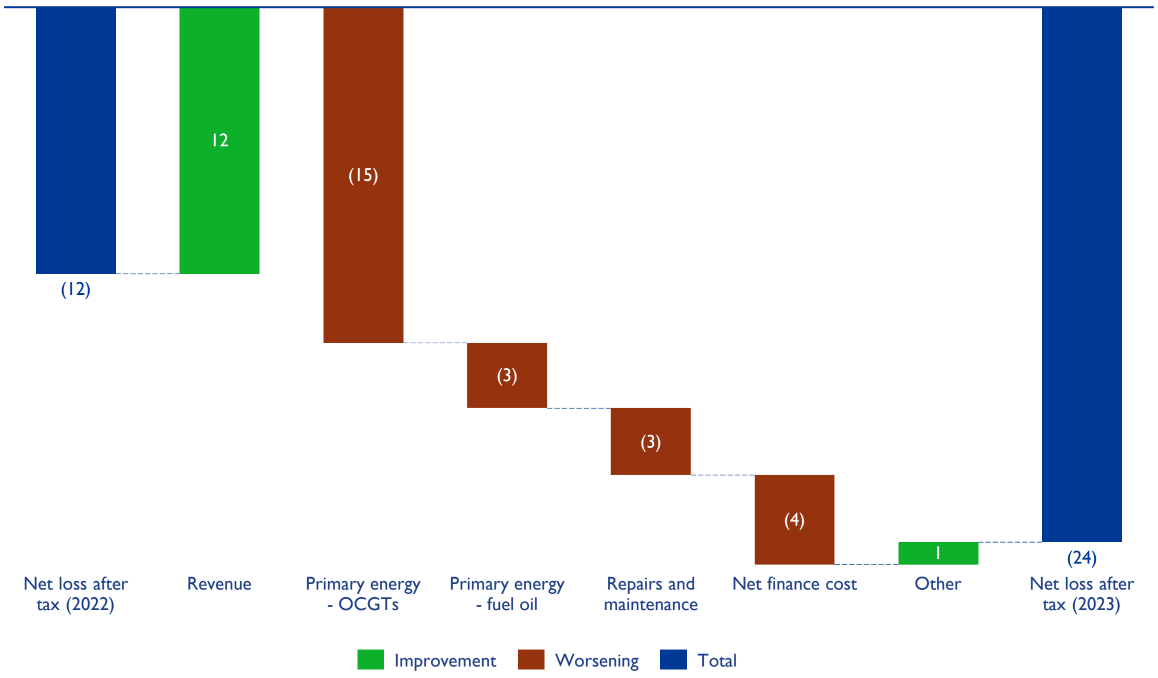
Legend: ▲ Income/gain increased ▼ Income/gain declined ▼ Expense/loss declined ▲ Expense/loss increased

- **Revenue**: 9.61% tariff increase, offset by 5% decline in sales
- **Primary energy**: higher OCGT spend to alleviate Eskom and IPP supply constraints, and higher fuel oil use due to more frequent plant breakdowns; exacerbated by fuel price pressures and combustion support at coal-fired stations
- **Employee benefit cost**: costs controlled through headcount reduction; 7% cost-of-living adjustment for all employees, except top management, to support operational stability
- **Other expenses**: R3 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 to projects due to commissioning of new build units

A few key items were responsible for the worsening loss position

MOVEMENT IN NET LOSS FOR THE YEAR ENDED 31 MARCH 2023

R billion



Generation supply constraints, arising from both poor Eskom plant performance and delays in commissioning new IPP capacity, had the most significant impact on financial performance

This impact was twofold:

1. Increasing reliance on expensive OCGTs to supplement supply
2. Negatively affecting sales volumes through loadshedding and load curtailment

Sales volumes declined by an annual average of 2.5% over the last five years

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REVENUE

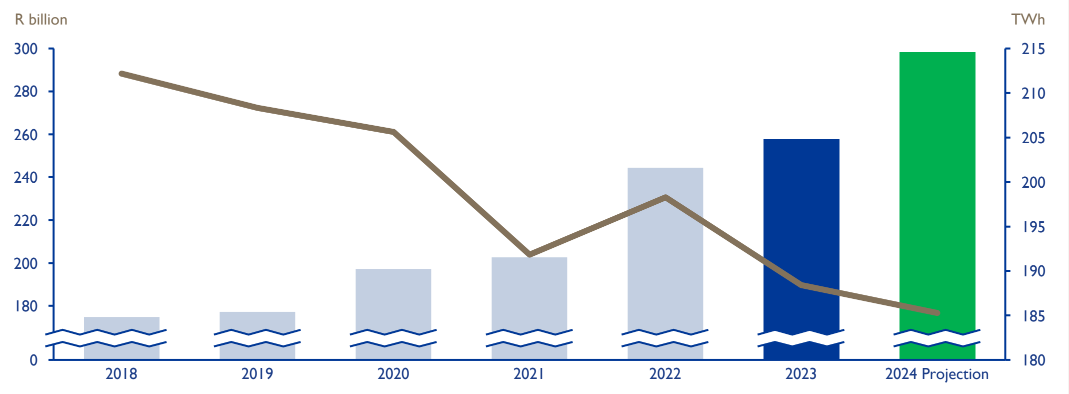
R million	2023	2022	%
Local	**255 349**	240 683	6▲
International	**10 699**	11 450	7▼
Gross electricity revenue	**266 048**	252 133	6▲
Net revenue not recognised (IFRS 15)	**(8 211)**	(7 672)	7▲
Net electricity revenue	**257 837**	244 461	5▲
Other revenue	**1 706**	3 133	46▼
Total revenue	**259 543**	247 594	5▲

SALES VOLUMES

GWh	2023	2022	%
Local	**176 964**	184 983	4▼
International	**11 437**	13 298	14▼
Total sales	**188 401**	198 281	5▼

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

Revenue and sales trend



- Average selling price increased (11%▲) to 141.38c/kWh (2022: 127.32c/kWh)
- 9.9TWh (5%▼) decline in sales volumes due to Eskom and IPP generation supply constraints, leading to loadshedding and load curtailment
- Decline in sales seen across every sector, with the rail (22%▼), international (14%▼), residential (13%▼) and agricultural (11%▼) customers most affected
- Industrial (1%▼) and mining (1%▼) sectors not as badly affected due to favourable commodity prices, leading to improved profit margins and higher production

Primary energy costs increased by 17% due to reliance on more expensive Eskom and IPP OCGTs to alleviate supply constraints

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		COST	PRODUCTION	UNIT COST	
BASE-LOAD	COAL AND OTHER [1]	R84 212 million (2022: R81 089 million)	178 486GWh (2022: 191 507GWh)	R472/MWh (2022: R423/MWh)	11% ▲
BASE-LOAD	NUCLEAR	R1 034 million (2022: R1 228 million)	9 803GWh (2022: 12 355GWh)	R106/MWh (2022: R99/MWh)	6% ▲
DIESEL	ESKOM OCGTs [2]	R21 460 million (2022: R10 097 million)	3 018GWh (2022: 1 826GWh)	R7 077/MWh (2022: R4 743/MWh)	49% ▲
DIESEL	IPP OCGTs [3]	R8 287 million (2022: R4 649 million)	1 098GWh (2022: 899GWh)	R7 278/MWh (2022: R4 574/MWh)	59% ▲
	RENEWABLE IPPs	R33 479 million (2022: R30 554 million)	16 859GWh (2022: 15 073GWh)	R1 986/MWh (2022: R2 027/MWh)	2% ▼
	IMPORTS	R6 471 million (2022: R5 316 million)	8 654GWh (2022: 8 500GWh)	R748/MWh (2022: R625/MWh)	20% ▲
	TOTAL	R154 942 million (2022: R132 933 million)	217 918GWh (2022: 230 161GWh)	R711/MWh (2022: R578/MWh)	23% ▲

Legend: ▼ Unit cost declined ▲ Unit cost increased

- Total energy produced decreased by 12.2TWh (5%▼) due to supply constraints
- Coal plant impacted by frequent breakdowns, requiring higher use of diesel and fuel oil for unit start-up procedures and combustion support
- Average coal purchase price increased by 9.2%, linked to mine input costs, which were affected by higher fuel costs and weakening of the Rand
- Nuclear output affected by long-term outages and overall production cost increased due to nuclear fuel cost escalations and other inflationary pressures
- Diesel production sources account for 19% of total cost but only 2% of total production; use of diesel is necessary but unsustainable
- Average diesel price increased from around R18/ℓ in April 2022 to R23/ℓ by March 2023

1. Includes Eskom coal-fired, pumped storage, hydro and wind production. From 1 April 2022, pre-commissioning costs are no longer capitalised and instead recognised in primary energy cost. The unit cost includes pre-commissioning production of 813GWh (2022: 1 369GWh).
2. OCGT unit cost is calculated on fuel and start-up cost, and excludes storage and demurrage charges. Storage and demurrage of R104 million (2022: R108 million) is included in the total cost shown. Diesel costs are disclosed as gross of diesel levy refunds as a result of the inability to recover these amounts from SARS.
3. The IPP OCGT unit cost is calculated on fuel cost (variable cost) only, and excludes maintenance and capacity charges. Maintenance and capacity charges of R294 million (2022: R535 million) are included in the total cost shown

Cash and cash equivalents declined by R8.4 billion – cash from operations remains insufficient to meet debt servicing and some capital investment requirements

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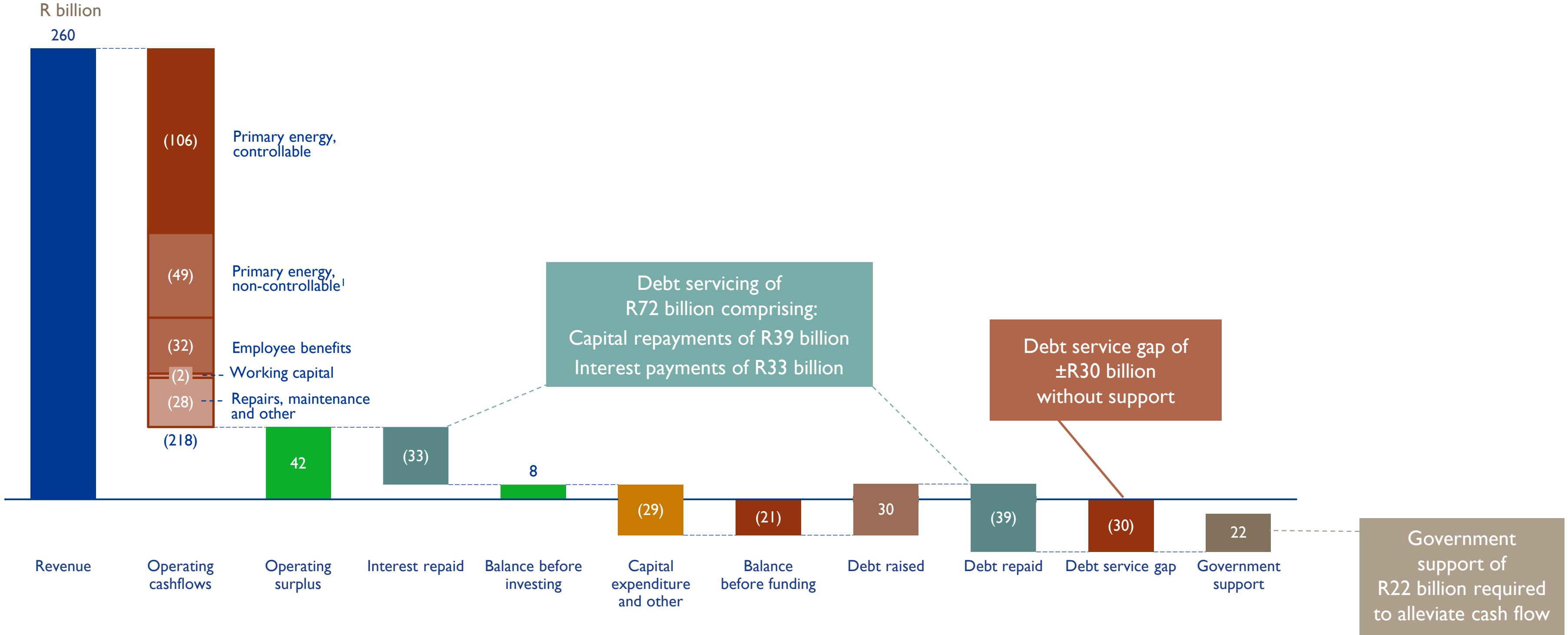
CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023



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

Debt securities and derivatives were affected by the weakening of the Rand – gearing ratios have declined due to higher loss

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GROUP STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2023

R million	2023	2022	%
Property, plant and equipment and intangible assets	**672 768**	671 082	<1 ▲
Working capital – current inventory and receivables	**51 819**	49 036	6 ▲
Liquid assets – cash and cash equivalents and investments	**23 145**	33 203	30 ▼
Derivatives held for risk management	**26 992**	8 509	217 ▲
Other assets [1]	**53 163**	41 498	28 ▲
Total assets	**827 887**	803 328	3 ▲
Equity [2]	**236 087**	237 057	<1 ▼
Debt securities and borrowings	**423 929**	396 294	7 ▲
Working capital – current payables	**58 064**	54 534	6 ▲
Derivatives held for risk management	**2 029**	9 978	80 ▼
Other liabilities [3]	**107 778**	105 465	2 ▲
Total equity and liabilities	**827 887**	803 328	3 ▲

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

1. Mainly comprises future fuel supplies, deferred tax and non-current inventory and receivables
2. Includes Government support of R21.9 billion received for the year (2022: R31.7 billion)
3. Mainly comprises non-current decommissioning provisions, employee benefit obligations, contract liabilities and lease liabilities

- **Liquidity**: cash remains constrained due to debt servicing and working capital requirements; Government support assisted with managing liquidity
- **Derivatives**: derivatives used in hedging activities favourably impacted by fair value movements, linked to the weakening Rand
- **Equity**: share capital of R21.9 billion issued relating to Government support, reduced by the loss
- **Debt**: foreign-denominated borrowings grew due to the weakening the Rand; repayments exceeded debt raised for the year

Current ratio
0.89 ▼ (2022: 0.90)

Debt/equity ratio
1.87 ▲ (2022: 1.81)

USD/ZAR exchange rate
R17.72 ▲ (2022: R14.59)

EUR/ZAR exchange rate
R19.30 ▲ (2022: R16.19)

Net finance costs increased by 12% due to higher average cost of borrowing and growth in the debt balance, as well as lower capitalisation of interest

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NET FINANCE COST FOR THE YEAR ENDED 31 MARCH 2023

R million	2023	2022	%
Gross finance cost	**47 839**	43 611	10▲
Finance income	**(3 365)**	(2 364)	42▲
Borrowing costs capitalised to assets	**(7 459)**	(8 184)	9▼
Total	**37 015**	33 063	12▲

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

NET DEBT AT 31 MARCH 2023

R million	2023	2022	%
Debt securities and borrowings	**423 929**	396 294	7▲
Lease liabilities	**8 126**	8 603	6▼
Net market making liabilities	**–**	2	
Cash and cash equivalents [1]	**(7 516)**	(15 885)	53▼
Payments made in advance [1]	**(692)**	(778)	11▼
Net derivatives held for risk management [1]	**(25 014)**	903	2 870▲
Total	**398 833**	389 139	2▲

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

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

Average cost of debt
10.48% ▲ (2022: 10.28%)

Average investment return
6.08% ▲ (2022: 4.45%)

- Net finance costs remain the second largest cost after primary energy. A higher average cost of borrowings was recorded due to global inflation and interest rate pressures
- Foreign-denominated borrowings were negatively impacted by weakening of the Rand; derivatives used to hedge exchange rate volatility impacted favourably

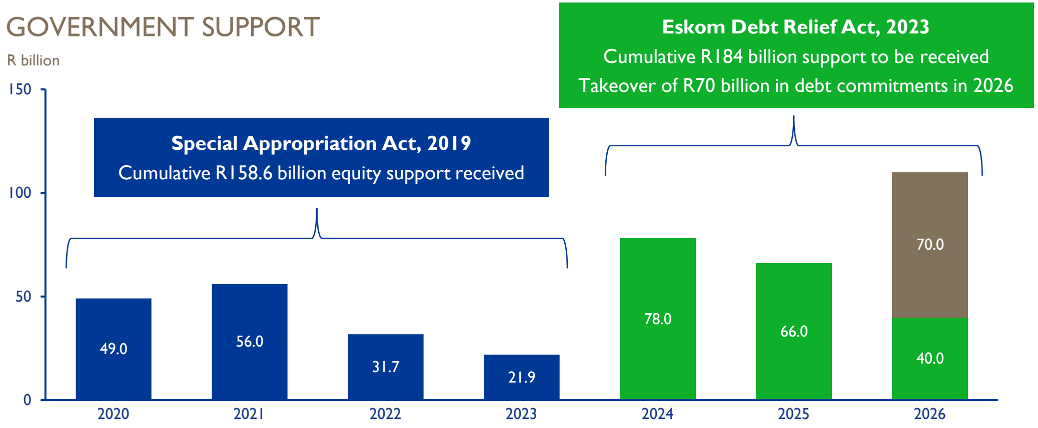
Debt securities and borrowings, R billion	2023
Opening balance	396
Debt raised (net of commercial paper)	30
Debt repaid	(39)
Other movements [2]	37
Closing balance	**424**

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

Government's debt relief solution will significantly aid in addressing Eskom's debt and interest payments

- The Eskom Debt Relief Act, 2023 was promulgated in July 2023 to provide relief of R254 billion towards Eskom's debt servicing costs
- The conditions attached to the Act provide strict restrictions:
  - ➢ Capital expenditure limited to transmission and distribution. Generation only allowed to address MES, FGD, maintenance and completion of existing projects. Greenfield generation projects only allowed with approval of the Minister of Finance
  - ➢ New borrowings prohibited during the debt relief period, only existing drawdowns, unless approved by the Minister of Finance
- Our gross debt securities and borrowings balance is expected to reduce by around 40% over the next five years, to <R270 billion
- Received R16 billion in August and R20 billion in October 2023. Remaining R42 billion to be received over the next five months

GOVERNMENT SUPPORT



ESKOM DEBT RELIEF PROCESS

National Treasury provides subordinated loan → National Treasury assesses compliance with conditions →

- ✓ Eskom compliant: Eskom issues share capital to settle loan (converted to equity)
- ✗ Eskom not compliant: Eskom to repay the loan to the National Revenue Fund (remains debt)

Timing: Based on Eskom's liquidity needs | Quarterly

Arrear municipal debt has continued to escalate to unsustainably high levels, to R58.5 billion at year end

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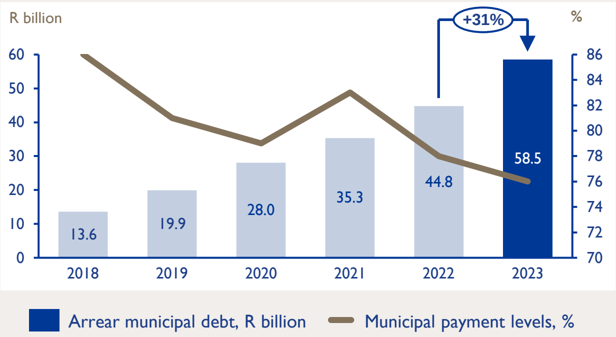
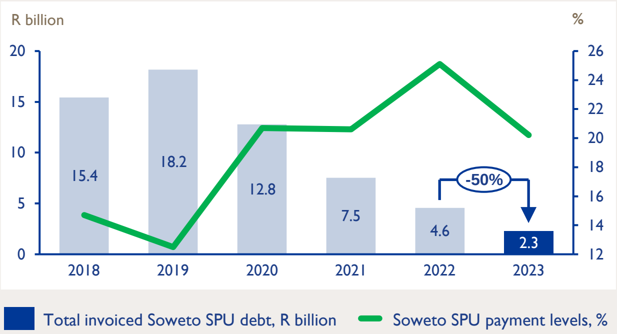
Invoiced arrear municipal debt



Soweto small power user (SPU) debt



- Arrear municipal debt (including interest) increased by a further R13.7 billion (31%▲)
- Payment level of 76% by municipalities, excluding metros (2022: 78%). Payment level of 45% for top 20 defaulting municipalities (2022: 46%)
- Invoiced Soweto SPU debt (including interest) decreased to R2.3 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 – Transnet (R503 million) and EDM (R574 million)
- 28 municipalities received approval for the municipal debt relief programme so far
- The arrear debt balance of these municipalities amounted to R26.7 billion at year end, or 46% of the total municipal arrear debt balance
- Expected cash flow benefit to Eskom as defaulting municipalities on the programme must settle their current accounts for debt to be written off

LOOKING FORWARD

National Treasury has implemented a municipal debt relief programme from 1 June 2023

Every municipality with arrear debt may apply to National Treasury for relief of its outstanding balance at 31 March 2023, subject to conditions

The conditions aim to restore a set of minimum financial management best practices in municipalities

After 12 months of compliance with the conditions, Eskom, in consultation with National Treasury, writes off 1/3 of the arrear debt balance at March 2023. The programme runs for three years in total

Generation Division remains the biggest contributor to Eskom's loss

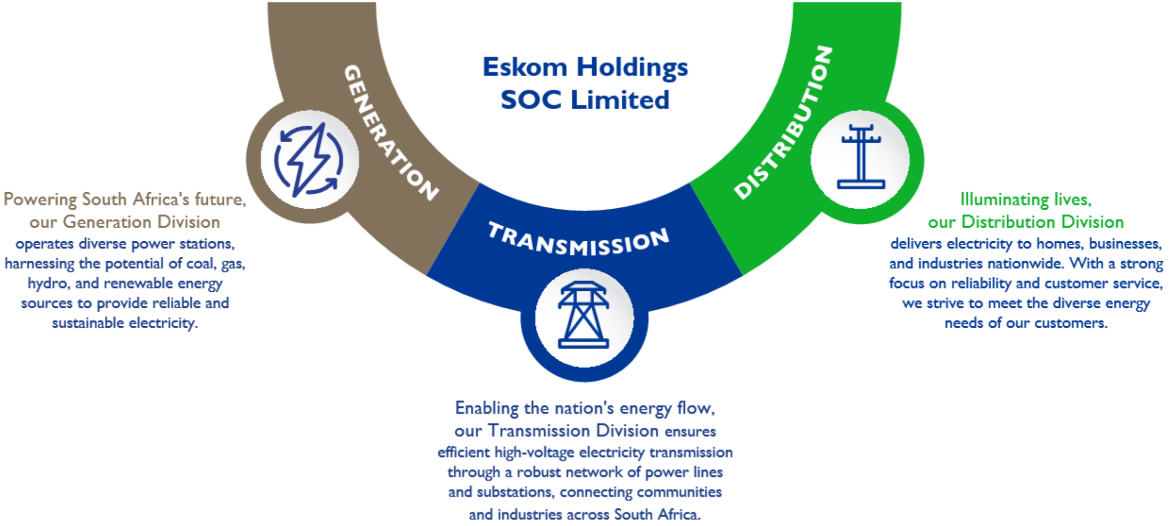
Segment information for the three operating divisions is presented below. The "Other" column includes information for corporate and support functions, as well as subsidiary information and intergroup eliminations. Note that only selected line items are presented

R million	Generation	Transmission	Distribution	Other	Eskom group
INCOME STATEMENT					
Total revenue	168 015	59 037	32 550	(59)	259 543
Primary energy	(106 706)	(48 224)	(12)	–	(154 942)
Employee benefit expense	(11 792)	(2 721)	(11 626)	(6 182)	(32 321)
Other expenses	(29 083)	(2 502)	(10 213)	7 003	(34 795)
Profit before depreciation and amortisation expense and fair value adjustments (EBITDA)	**22 605**	**5 409**	**10 542**	**(511)**	**38 045**
Depreciation and amortisation expense	(25 275)	(2 274)	(4 472)	(464)	(32 485)
(Loss)/profit before net finance cost	**(3 197)**	**3 397**	**6 065**	**(990)**	**5 275**
Net finance cost	(31 329)	(4 433)	(2 511)	1 258	(37 015)
(Loss)/profit before tax	**(34 526)**	**(1 036)**	**3 554**	**361**	**(31 647)**
BALANCE SHEET					
Total assets	551 992	81 373	121 620	72 902	827 887
Total liabilities [1]	85 639	21 306	52 747	432 108	591 800
Additions to property, plant and equipment and intangible assets	23 469	3 203	5 253	534	32 459

1. Debt securities and borrowings held by the Treasury Department of Eskom Holdings SOC Ltd are reported in "Other" and have not been allocated to Generation, Transmission and Distribution

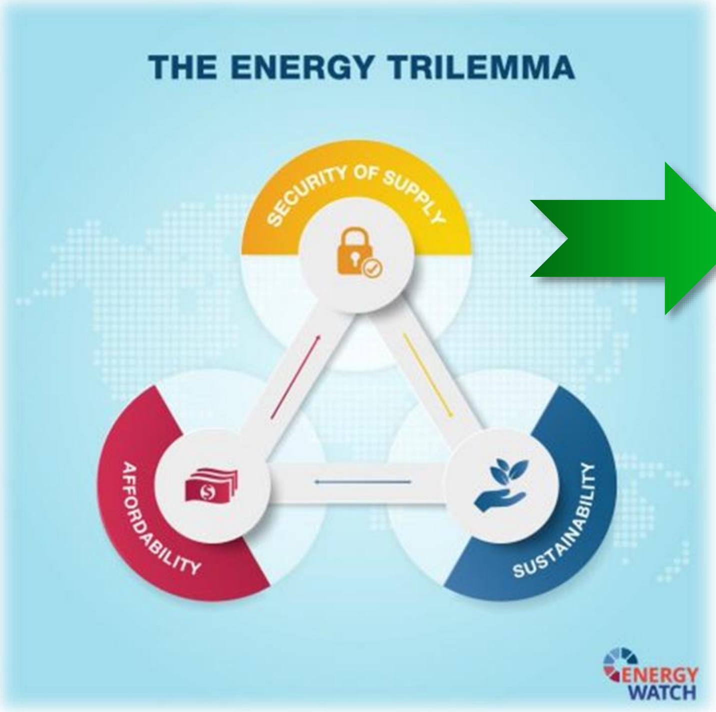
Legal separation process continues, although external risks and dependencies continue to delay progress

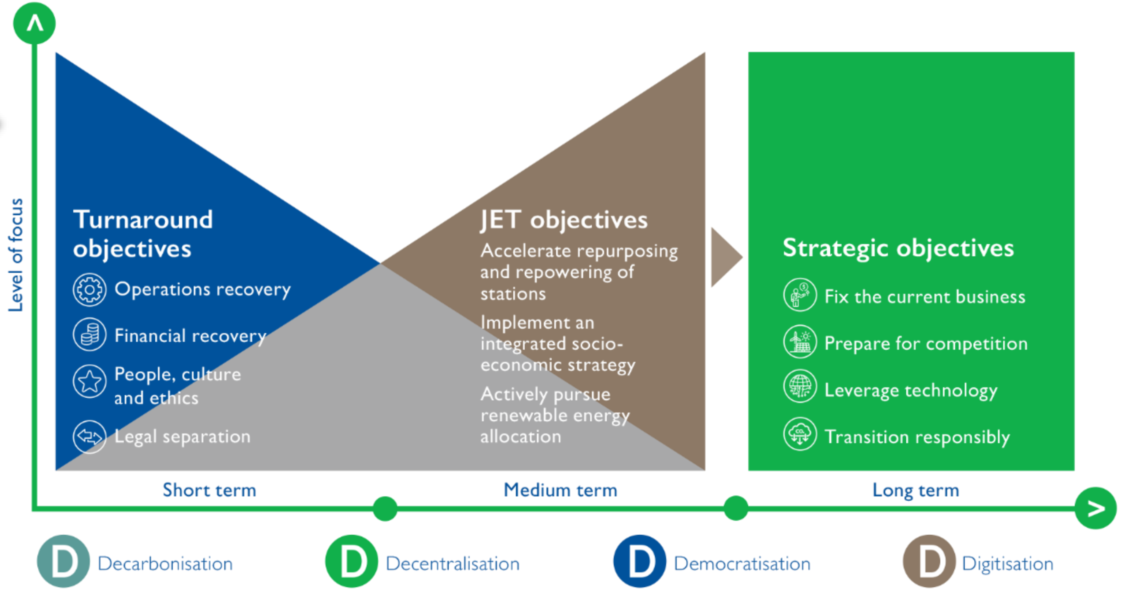
- NTCSA did not achieve operationalisation and did not start trading as planned due to several external dependencies:
  - Acquiring licences from NERSA – three licences awarded, but not issued
  - Obtaining lender consent – completed, consent expected in November 2023
  - NTCSA being designated as buyer of power from IPPs by DMRE
  - Conclusion of various governance requirements with a key issue being the appointment of independent directors for NTCSA by DPE
- Distribution operationalisation not achieved as planned:
  - NEDCSA established
  - Second PFMA application recently approved
  - Dependent on licences issued to NTCSA
- Generation unbundling is dependent on establishing and operationalising a new holding company



Functional separation	Transmission separation	Distribution separation	Generation separation
✓ Completed for all three divisions	At advanced stage	In progress	Early stages

Our strategy is not binary – we need to turn the business around and future-proof Eskom, in response to the energy trilemma





Financial outlook for 2024 continues to be negatively affected by poor operational performance

Eskom

Financial indicator	Actual March 2023		Projection March 2024
Revenue, R million	**259 543**	▲	298 278
EBITDA, R million	**38 045**	▲	42 178
EBITDA margin, %	**14.66**	▼	14.14
Operating profit (EBIT), R million	**5 560**	▲	7 433
Net loss after tax, R million	**(23 939)**	▲	(23 221)
Cash interest cover, ratio	**1.29**	▼	1.15
Debt service cover, ratio	**0.58**	▼	0.45
Gross debt/EBITDA, ratio	**12.64**	▲	12.05
Debt/equity (including long-term provisions), ratio	**1.87**	▲	1.79
Free funds from operations (FFO) as % of gross debt	**9.12**	▲	9.71

Legend: ▲ Positive trend expected ▼ Negative trend expected

- Tariff increase of 18.65% awarded for 2024, although sales volumes expected to decline 2%▼ to 185.3TWh (2023: 188.4TWh)
- Financial performance expected to continue to be constrained by poor EAF <60% (2023: 56.03%) as well as delays in the Risk Mitigation IPP Procurement Programme (RMIPPPP) and other IPP programmes, leading to reliance on expensive OCGTs to augment supply
- Spend on Eskom and IPP OCGTs to be managed within budgeted levels of R28.5 billion. Savings on other IPP programmes will be reallocated to the OCGTs if needed. Higher OCGT production can be allowed due to favourable diesel prices
- Biggest financial challenges remain the lack of cost-reflective tariffs, excessive use of OCGTs due to capacity shortages, inflationary cost increases, non-payment from customers and Eskom's debt burden

We will be focusing on a number of areas over the next 12 to 18 months to turn Eskom around for the benefit of the country

- Continue operational recovery through Generation recovery plan
  - Focus on improving performance at six priority stations (Duvha, Kendal, Kusile, Majuba, Matla and Tutuka), and sustaining performance at well-performing stations (Medupi, Lethabo and Peaking) in pursuit of increasing EAF to 65% by March 2024 and reducing the frequency/severity of loadshedding
- Investment in networks to be prioritised to support capacity expansion
- Debt relief will go a long way towards improving financial sustainability and liquidity. Compliance with the debt relief conditions is critical to facilitate conversion to equity
- Inculcate high-performance ethical culture to ensure delivery on responsibilities, which is key to success. Guardians have shown what can be achieved if everyone works together, although we need support from Government and private sector in some areas
- Leadership stability to be improved, through appointment of permanent GCE and filling other executive vacancies
- Control environment has to be strengthened, together with addressing crime, fraud and corruption, with support required from law enforcement
- Continue with legal separation process
- Ultimately, we need to stabilise Eskom and turn it around for the benefit of the country

The results presentation is available at www.eskom.co.za/investors/integrated-results/