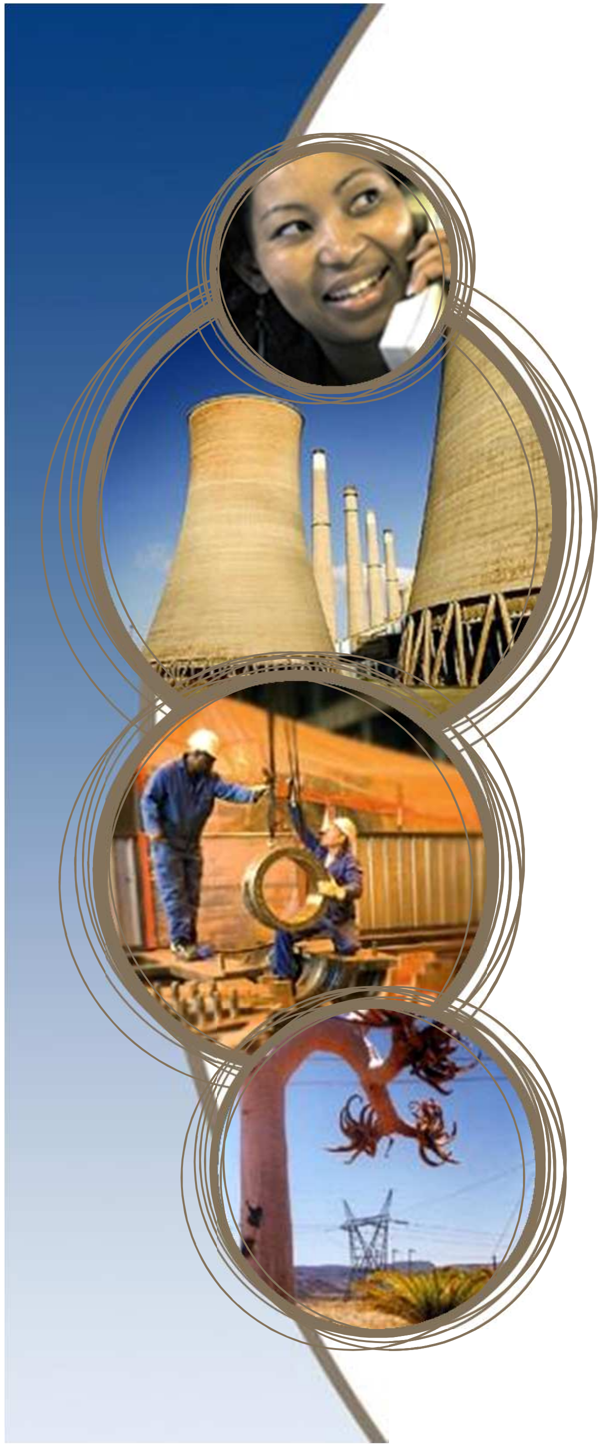

# Eskom Audited Annual Results Presentation for the year ended 31 March 2011

October 2011

Eskom, Megawatt Park

# Disclaimer

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Forward-looking statements are not intended to be a guarantee of future results, but instead constitute Eskom's current expectations based on reasonable assumptions. Forecasted financial information is based on certain material assumptions. These assumptions include, but are not limited to continued normal levels of operating performance and electricity demand in the Distribution and Transmission divisions and operational performance in the Generation and Primary Energy divisions consistent with historical levels, and incremental capacity additions through our Group Capital division at investment levels and rates of return consistent with prior experience, as well as achievements of planned productivity improvements throughout our business activities.

Actual results could differ materially from those projected in our forward-looking statements due to risks, uncertainties and other factors. Eskom neither intends to nor assumes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In preparation of this document we used certain publicly available data. While the sources we used are generally regarded as reliable we did not verify their content. Eskom does not accept any responsibility for using any such information.

# Today's agenda

1. Overview
2. Eskom's triple bottom line
3. Results of operations
4. Financial position
5. Cash flows including funding
6. Operating highlights and challenges
7. Outlook

Brian Dames

Chief Executive

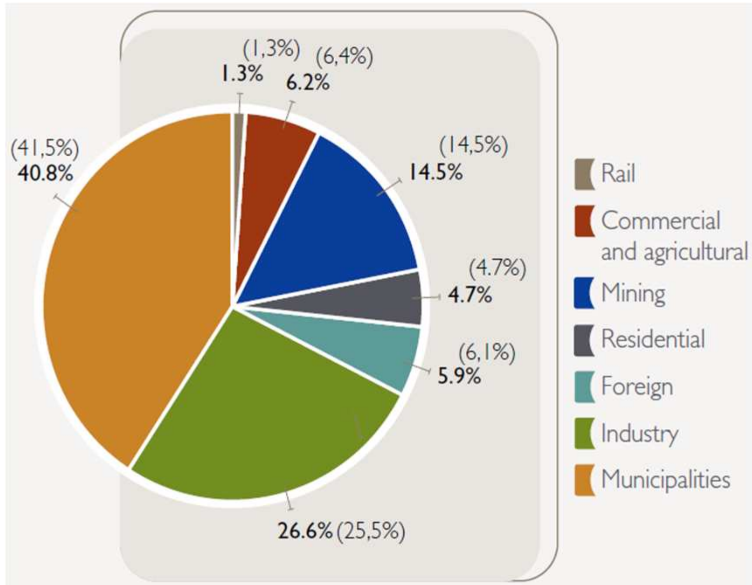
# Overview

- No load shedding since April 2008, despite an extremely tightly balanced energy system
- We initiated the 49M campaign to educate South Africans about the importance of saving electricity and to help create a culture of energy efficiency
- Eskom kept the lights on during the last year when South Africa hosted a successful 2010 FIFA World Cup$^{TM}$
- Safety remains a major concern and will be of primary focus going forward
- Posted a second consecutive year of strong financial performances – these financial surpluses will be reinvested in the business, helping to fund the capacity expansion programme
- With government's guarantees and explicit support, Eskom has put a funding plan in place for the next seven years from 1 April 2010
- First year in the electricity market for Independent Power Producers
- Milestone reached of 4 million households electrified since inception of the electrification programme
- Eskom build programme is on track
- R41.9bn spent on Broad-based Black Economic Empowerment

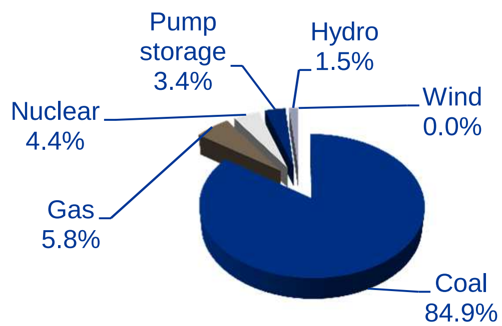
# Eskom at a glance

- Strategic 100% state-owned electricity utility, strongly supported by the government
- Supplies approximately 95% of South Africa's electricity and more than 40% of Africa's electricity
- 41 778 employees as at 31 March 2011
- Serves 2 857 industrial, 1 110 mining, 49 090 commercial, 84 393 agricultural and more than 4.5 million residential customers
- 27 (including 1 nuclear) operational power stations with a net maximum capacity of 41 194MW as at 31 March 2011
- Total electricity sales of 224 446GWh and gross electricity revenues of R90.38bn for the year ended 31 March 2011 (R69.83bn for the year ended 31 March 2010)
- Infrastructure includes 395 419km of power lines and cables (all voltages) as at 31 March 2011
- Committed to build 17.1GW new generation capacity expected by 31 March 2018. This includes 5.2GW already commissioned as at 31 March 2011
- Baa2 (Stable)/ BBB+ (Stable) rating by Moody's and S&P

**Eskom electricity sales by customer for the year ended 31 March 2011 (31 March 2010)**




**Eskom's net capacity mix – 31 March 2011**




In support of

# Partnering for sustainable growth

Eskom

| | |
|---|---|
| **Securing energy supply** | • **No load shedding** since April 2008<br>• Reserve margin at **14.9%**<br>• **Successful 2010** FIFA World Cup™<br>• Strategic plans developed to secure supply over the next three years |
| **Driving generating capacity** | • **R55.5 billion** capital expenditure (including capitalised interest)<br>• **Medupi**: First unit expected late **2012:** we are doing a detailed assessment of the schedule ensuring that contractors meet timelines as the schedule is at risk<br>• **Kusile**: Recommenced full construction. First unit comes on stream late **2014**<br>• Commissioned **315MW** of additional capacity, **443km** of high-voltage transmission lines and **5 940MVA** of new transformer capacity |
| **Improving financial health** | • Surplus of **R8.4 billion** (2010: R3.6 billion)<br>  ◦ **100%** to be **reinvested** in the business<br>• Tariffs move towards cost-reflective levels<br>• Funding plan well advanced and more than **70%** of sources of funds secured<br>• One of the last two remaining commodity-linked power agreements re-negotiated with negotiations on the remaining one continuing |
| **Safety** | • **6** employee, **18** contractor and **43** public fatalities<br>• The actual lost-time incident rate (LTIR) performance was **0.47** per 200 000 man-hours worked against a target of **0.31** for 2011<br>• The **safety** of our people remains fundamental to our business |

# Partnering for sustainable growth

| | |
|---|---|
| **Regulatory changes** | • Cabinet approved the **Integrated Resource Plan (IRP) 2010**, which outlines South Africa's power supply requirements until 2030<br>• The plan for restructuring the electricity distribution industry in South Africa was formally **revoked** by Cabinet<br>• An independent system operator will be established as a mechanism to support the introduction of **independent power producers (IPPs)**<br>• A **ring-fenced buyer office** has been established within Eskom to operate as the interim single buyer of electricity from independent power producers<br>• **Environmental levy increased** by 0.5 cents/kWh to 2.5 cents/kWh with effect from 1 April 2011. This has no effect on the electricity tariff |
| **New growth path** | • **79%** local content in new build contracts placed in current year<br>• Learner pipeline of **5 283** learners and bursars<br>• More than **R41.9** billion sourced from B-BBEE compliant companies<br>• The focus now is to target B-BBEE spend at all levels not just major projects |
| **A supportive shareholder** | • Financial support provided by government to deliver the capacity expansion programme:<br>  ◦ **R60 billion** subordinated shareholder loan (fully drawn)<br>  ◦ **R350 billion** guarantees (R174 billion extension; R106 billion committed) |

# Eskom's triple bottom line

***If we all save as much as we can, we'll all have as much as we need***

# Our business model balances three aspects

**Socio-economic aspects**, e.g.
- Skills development beyond own need
- Implementation of electrification

**Commercial aspects**, e.g.
- Being customer-centric
- Ensuring financial sustainability
- Adding value to shareholder

**Purpose:**
**To provide sustainable electricity solutions to grow the economy and improve the quality of life of the people in South Africa and in the region**

**Environmental aspects**, e.g.
- Meeting national emissions legislation
- Supporting government's climate change response strategy

**Eskom plays a central role to support the New Growth Path**

# Triple bottom line: socio-economic

- Eskom is a major driver of the South African economy – estimated that approximately 3% of the country’s GDP can be attributed to Eskom
- Eskom enables all South Africans to take part in the development of the country
  - B-BBEE attributable spend amounted to 52.36% (2010: 28.6%) or R41.9 billion (2010: R20.8 billion)
  - Significant job creation as a direct result of the build projects
  - Over 50% local content for major projects
  - The new build programme sources over 50% of the workers from local communities
  - A large share of the Medupi, Kusile and Ingula spend will be benefitting local construction companies
  - Many skills are being developed as local content requirements kick-start whole new industries in South Africa
- Eskom leads by example in corporate governance, contributes to the country's leading position in anti-corruption performance within Africa and supports the realisation of South African development goals set out by the government

# Triple bottom line: socio-economic

- Eskom is supporting the government's objective of advancing electrification
  - Since the inception of the electrification programme in 1991, a total of 4 050 968 homes, more than 11 000 schools and close to 400 clinics have been electrified
- Training and development has always been a major focus in Eskom – to the extent that outside organisations make use of Eskom’s training facilities
  - Investment in training for the year was R998 million (2010: R758 million)
  - Eskom’s learner pipeline consists of 5 283 (2010: 5 255) learners. This includes 4 240 (2010: 3 780) engineering/technical learners
- Eskom Development Foundation invested R62m in corporate social initiatives during 2010/11 which impacted 254 organisations with some 303 983 project beneficiaries during the year

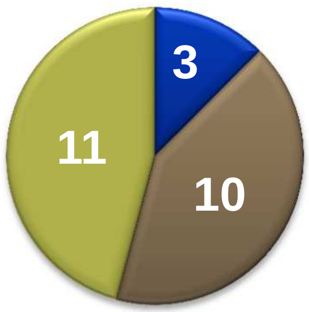
# Triple bottom line: environmental

- Water
  - Water use performance stabilised. Water used as part of the process to generate electricity increased slightly from 1.34 to 1.35 litres/kWh
  - Net raw water consumption increased
- Atmospheric emissions
  - Installed gaseous emission monitoring systems
  - Carbon dioxide ($CO_2$) emissions increased from 224.7 Mt in 2010 to 230.3 Mt in 2011
  - Sulphur dioxide ($SO_2$) emissions reduced from 1 856 kt in 2010 to 1 810 kt in 2011
  - Nitrogen oxide ($NO_x$) emissions increased from 959 kt in 2010 to 977 kt in 2011
  - Relative particulate emissions performance improved from 0.39 kg/MWh in 2010 to 0.33 kg/MWh sent out. Although performance has improved, it is still not achieving the target of 0.26 kg/MWh
- Entered into a strategic water research partnership with the Water Research Commission (WRC)
- Finalising funding for the first large wind and solar plants for Eskom

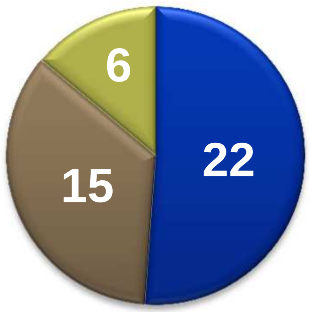
# Triple bottom line: safety

## Causes of fatalities
**1 April – 31 March 2011**

### Employees and contractors




### Public




| Fatalities | Year to March 2011 | Year to March 2010 | Year to March 2009 |
|---|---|---|---|
| Employees | 6 | 2 | 6 |
| Contractors | 18 | 15[1] | 21 |
| Public | 43 | 41 | 28 |

| Lost-time incident rate: | Year to March 2011 | Year to March 2010 | Year to March 2009 |
|---|---|---|---|
| Index (target:0.31) | 0.47 | 0.54 | 0.50 |

1 Restated due to the late notification of a fatality by a contractor

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I'm part of the 49M initiative! www.49Million.co.za REMEMBER YOUR POWER 49M

# Triple bottom line: financial highlights

| R million | 31 March 2011 Audited | 31 March 2010 Audited | 31 March 2009 Audited |
|---|---|---|---|
| **Income statement for the year** | | | |
| Revenue | **91 447** | 71 130 | 54 177 |
| Growth/(reduction) in GWh sales, % | **2.7** | 1.7 | (4.2) |
| Profit for the year after tax | **8 356** | 3 620 | (9 668) |
| Return on average total assets, % | **2.91** | 1.63 | (5.29) |
| Revenue per kWh, cents per kWh (1) | **40.3** | 31.9 | 24.7 |
| Operating costs per kWh, cents per kWh (2) | **32.8** | 28.2 | 25.9 |
| Capital expenditure | **55 457** | 57 003 | 47 099 |
| **As at end of year** | | | |
| Average days coal stock, days | **41** | 37 | 41 |
| Debt securities issued/borrowings | **160 310** | 105 973 | 74 184 |
| Debt: equity | **1.62** | 1.62 | 1.22 |



(1) Includes environmental levy
(2) Includes depreciation and amortisation costs

# Shareholder compact for year ended 31 March 2011

| Performance area | Company level performance indicator | 2009 Actual | 2010 Actual | 2011 Actual | 2011 Target | 2011 Goal achieved |
|---|---|---|---|---|---|---|
| **Provision of electricity** | Generation capacity (MW) | 1 770 | 452 | 315 | 625 | |
| | Transmission lines (km's) | 418 | 600 | 443 | 446 | |
| | Transmission MVA installed | 1 255 | 1 630 | 5 940 | 3 565 | |
| **Reliability of supply** | National load shedding | 641.5mins | None | None | None | |
| | DSM energy efficiency (annualised GWh) | n/a | n/a | 1 339 | 994 | |
| **Business sustainability** | Cost / kWh [(1)] (cents/kWh) | 23.7 | 25.5 | 29.6 | 32.7 | |
| | Internal energy efficiency (annualised GWh) | n/a | n/a | 26.2 | 24.0 | |
| | Water usage (L/kWh sent out) | 1.35 | 1.34 | 1.35 | 1.35 | |
| | Debt: equity (not greater than) | 1.32 | 1.69 | 1.67 | 2.5 | |
| | Interest cover (not less than) | (4.72) | 0.72 | 1.48 | 1.0 | |
| **Skills development, procurement** | % Local content in new build projects (contracts placed) | n/a | 73.9% | 79.7% | 50.0% | |
| | Eskom trainees | 5 907 | 5 255 | 5 283 | 4 500 | |
| | Engineering trainees | 3 535 | 3 780 | 4 240 | 3 500 | |
| | Non-Eskom learners | n/a | 236 | 550 | 450 | |

1.Cost excludes depreciation, fair value, forward exchange cost, embedded derivatives and other income

# Executive remuneration

- Eskom links executive management remuneration to the performance of the organisation and an individual's contribution
- Eskom strives to employ and retain talented executives
- International and local benchmarks are considered to ensure executive packages are in line with the median in the market. In comparison to similar entities, Eskom's executive compensation is towards the lower end of the norm
- Basic salaries are augmented by short- and long-term bonuses
  - Short-term incentives reward the achievement of individual predetermined performance objectives and targets as set by the chief executive in performance contracts
  - Long-term incentives are designed to attract, retain and reward the Exco members for meeting the organisational objectives as set by the shareholder over a three year period
  - Bonuses are only awarded if the qualifiers are met: no load shedding and cost saving targets met
  - Bonuses are based on both company and division specific priorities (KPA and KPI's) which link directly to the Shareholder Compact and Corporate Plan
  - Bonuses are not linked to Eskom's financial performance or profit
- Housing loan scheme – allow Exco members access to housing loans at a variable rate (currently 7.25%) offered by the Eskom Finance Company (Pty) Ltd. The loans are granted on arms length terms and are repayable over a maximum period of either 20 or 30 years depending on the applicant's age

# Executive remuneration – 2011 financial year

- Eskom filled many vacancies on its Exco over the past 21 months
- The 109.2% increase in Exco pay and 34.9% overall increase in executive remuneration in 2011 can be attributed to filling these vacancies
- Four executives listed in the table only joined Eskom during the 2011 financial year, or towards the end of the 2010 financial year
- On a like for like basis, executive pay packages increased by 6.59%

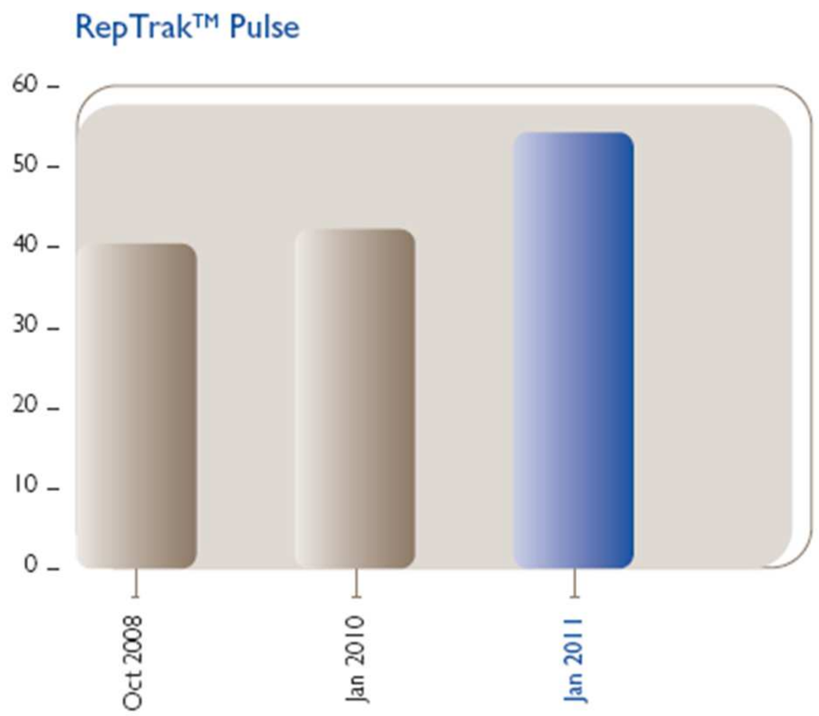
| | Financial year 2010 | | Financial year 2011 | | |
|---|---|---|---|---|---|
| | Total R ('000) | Number of months in service | Total R ('000) | Number of months in service | Year on year % change |
| **Executive Directors** | | | | | |
| BA Dames (1) | 5 690 | 12 | 5 741 | 12 | 0.9% |
| PJ Maroga (2) | 4 767 | 7 | 0 | 0 | -100.0% |
| PS O'Flaherty (3) | 1 114 | 3 | 4 986 | 12 | 347.6% |
| **Non executive directors** | 6 434 | | 6 997 | | 8.8% |
| | **18 005** | | **17 724** | | **-1.6%** |
| **Exco members other than executive directors** | | | | | |
| BE Bulunga (4) | 501 | 2 | 3 040 | 12 | 506.8% |
| CAK Choeu (5) | 0 | 0 | 2 488 | 10 | n/a |
| EL Johnson | 4 615 | 12 | 4 838 | 12 | 4.8% |
| SJ Lennon | 3 707 | 12 | 3 938 | 12 | 6.2% |
| DL Marokane (6) | 0 | 0 | 4 155 | 12 | n/a |
| | **8 823** | | **18 459** | | **109.2%** |
| **Totals:** | **26 828** | | **36 183** | | **34.9%** |

**Notes relating to the table above:**

1) BA Dames appointed as chief executive in June 2010
2) PJ Maroga resigned in October 2009
3) Eskom's finance director, PS O'Flaherty, joined Eskom in January 2010. His remuneration for the full 12 months of the 2011 financial year was R5.0 million, compared to R1.1 million for three months of the 2010 financial year
4) Divisional executive for Human Resources, BE Bulunga, joined Eskom in February 2010. His remuneration for the full 12 months of the 2011 financial year was R3.0 million, compared to R0.5 million for two months of the 2010 financial year
5) Divisional executive for Corporate Affairs, CAK Choeu, joined Eskom in June 2010
6) DL Marokane joined the executive committee in September 2010 when he was promoted to Chief Commercial Officer

# Eskom's reputation

- Each year we measure our reputation by using the globally recognized RepTrak score as measured through the Reputation Institute's RepTrak process
- We noted a steady improvement in our reputation




Our current RepTrak Pulse is 54.4 points - up 12.1 points from last year and 13.9 points from 2008/9

In support of

# Results of operations

*Remember, we're all connected*

# Income statement for the year ended 31 Mar 2011

- Electricity sales of 224 446 GWh, an increase of 2.7% when compared to the 218 591 GWh reported in the 2010 financial year
- Group revenue of R91.4 billion (31 March 2010: R71.1 billion), an increase of 28.6%
- Revenue growth driven primarily by 24.8% tariff increase granted by NERSA effective from 1 April 2010
- Effective tax rate of 27.9% (2010: 34.8%)
- Net profit increased from R3.6 billion to R8.4 billion

| ZAR m | Audited Year ended 31 March 2011 | Audited Year ended 31 March 2010 | Audited Year ended 31 March 2009 |
|---|---|---|---|
| Revenue | 91 447 | 71 130 | 54 177 |
| Other income | 587 | 552 | 610 |
| Primary energy | (35 795) | (29 100) | (24 884) |
| Opex (including depreciation & amortisation) | (36 772) | (31 719) | (29 626) |
| Net fair value loss on financial instruments | (3 691) | (5 943) | (2 392) |
| **Operating profit before embedded derivatives** | **15 776** | **4 920** | **(2 115)** |
| Embedded derivative (loss) / gain | (1 261) | 2 284 | (9 514) |
| **Operating profit** | **14 515** | **7 204** | **(11 629)** |
| Net finance costs | (2 866) | (1 234) | (1 167) |
| Share of profit of equity - accounted investees | 24 | 14 | 37 |
| **Profit before tax** | **11 673** | **5 984** | **(12 759)** |
| Income tax | (3 261) | (2 080) | 3 786 |
| Loss from discontinued operations | ( 56) | ( 284) | ( 695) |
| **Net profit for the year** | **8 356** | **3 620** | **(9 668)** |

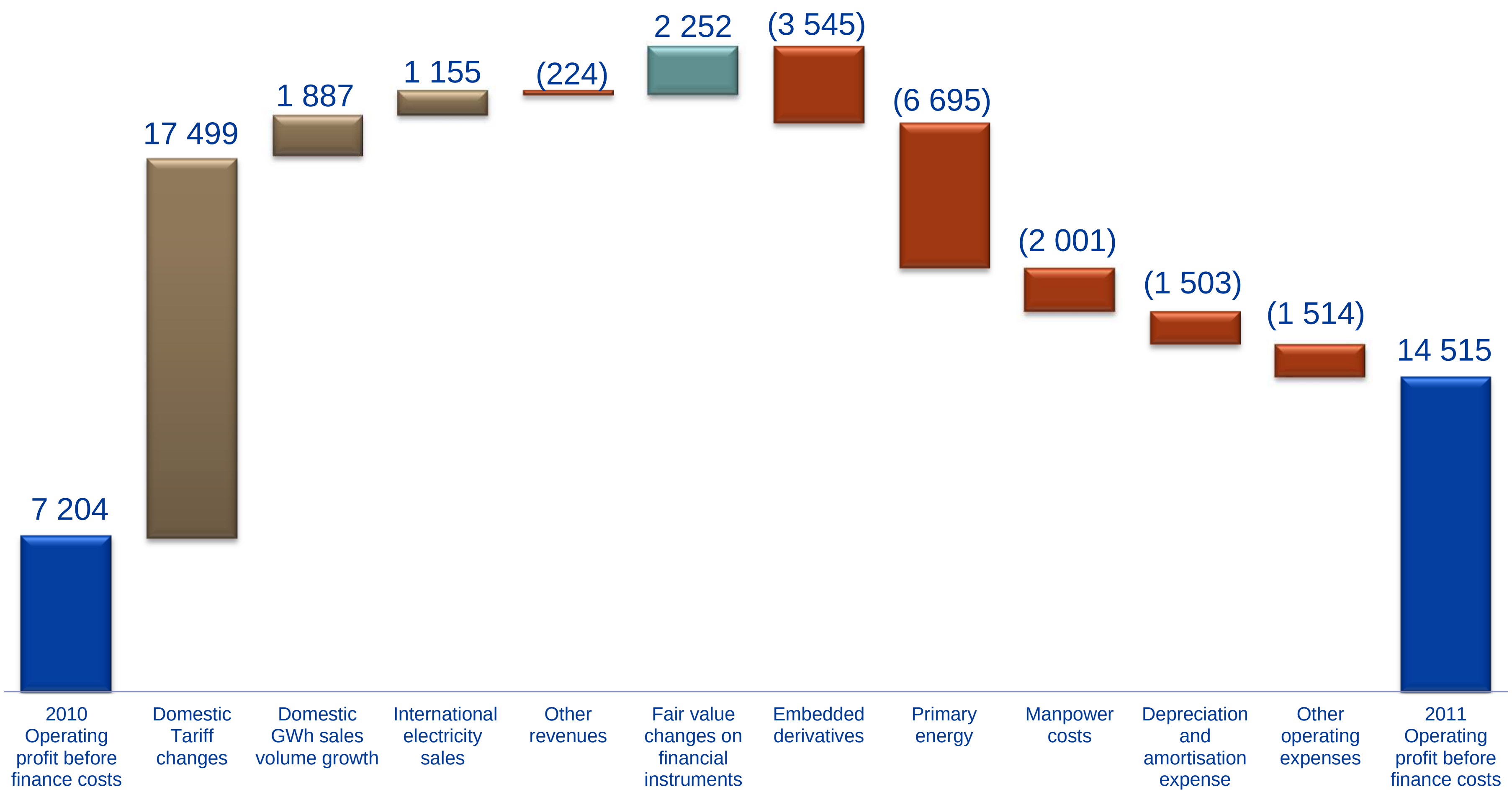
# Key performance ratios

| | Unit | Year ended 31 March 2011 | Year ended 31 March 2010 | Year ended 31 March 2009 |
|---|---|---|---|---|
| EBITDA | R m | 21 734 | 12 920 | (6 711) |
| Funds from operations (FFO) | R m | 17 019 | 2 356 | 13 865 |
| Gross debt/ EBITDA | ratio | 8.19 | 9.50 | (13.00) |
| FFO/ gross debt | % | 9.56 | 1.92 | 15.89 |
| Debt service cover ratio | ratio | 1.97 | 2.53 | 0.75 |
| Return on average total assets | % | 2.91 | 1.63 | (5.29) |
| Return on average equity | % | 10.61 | 5.58 | (16.02) |
| Working capital ratio | ratio | 0.87 | 0.91 | 0.78 |
| Revenue per kWh (electricity sales)(1) | cents per kWh | 40.3 | 31.9 | 24.7 |
| Costs per kWh (electricity business)(1) | cents per kWh | 32.8 | 28.2 | 25.9 |
| Bad debt as percentage of revenue | % | 0.75 | 0.83 | 1.54 |
| Average debtor days: Distribution | days | 22.2 | 22.0 | 20.8 |
| Average debtor days: Transmission | days | 16.0 | 16.1 | 18.1 |
| Average days of coal stock | days | 41 | 37 | 41 |

*(1) Including environmental levy*

# Net operating profit

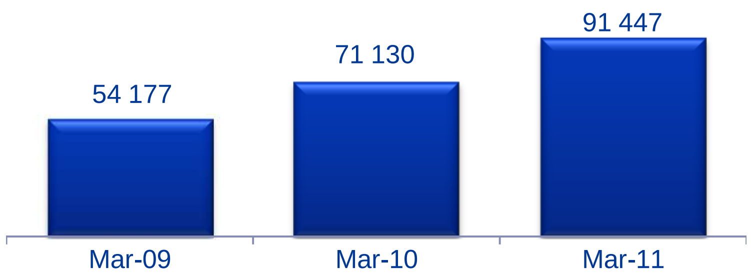
**R million**



# Return to profitability

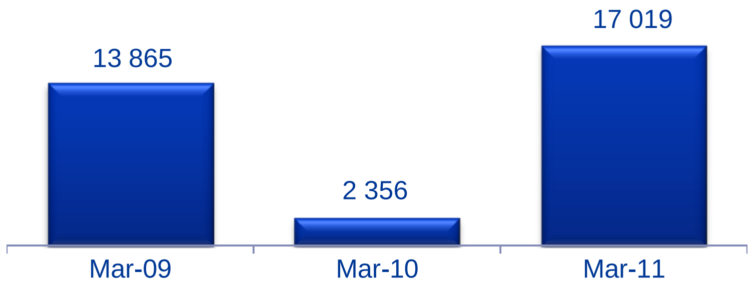
## Total revenue

ZAR m



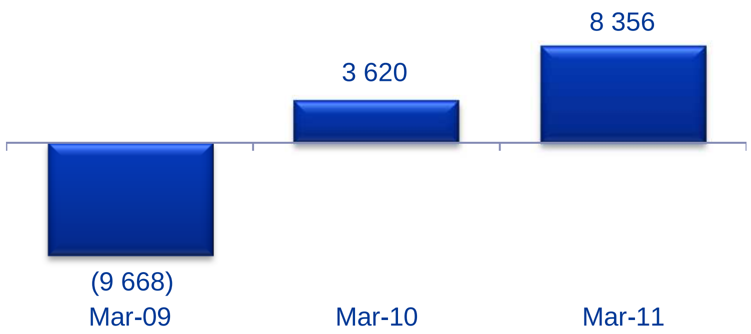

## Free funds from operations (FFO)

ZAR m




## Net profit

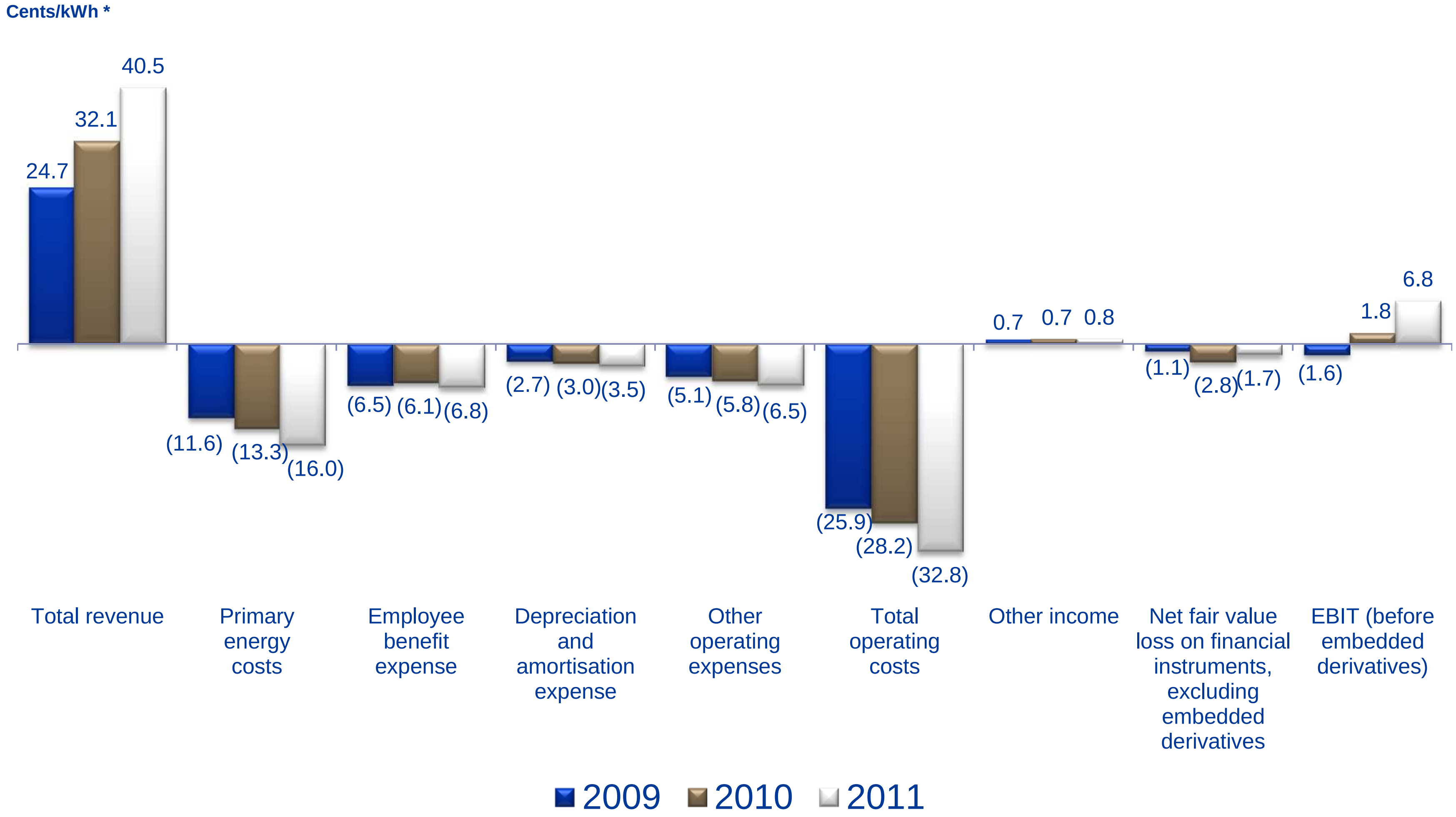
ZAR m




- Revenue growth is primarily driven by an increase in tariffs
- Electricity sales are subject to seasonal fluctuations and are higher in the first two quarters of Eskom's reporting cycle
- Large power user prices higher in winter compared to summer prices
- Eskom has held a moratorium on dividend payments since 2008 due to its capacity expansion programme

# EBIT before embedded derivatives

**Company EBIT (before embedded derivatives)**



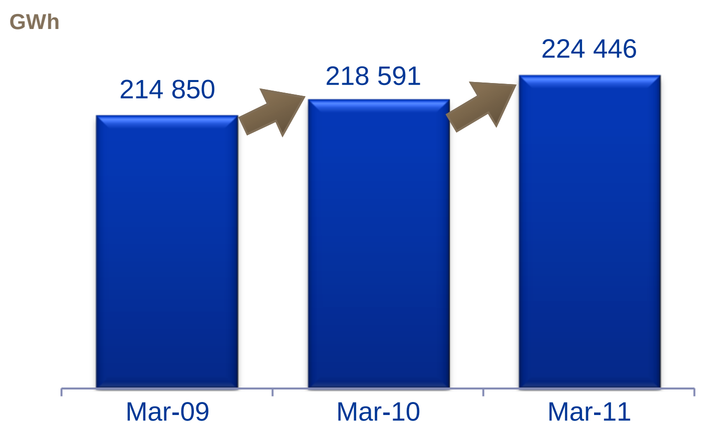



* Numbers represent the Eskom Company results
Note: Total revenue includes non-electricity revenues

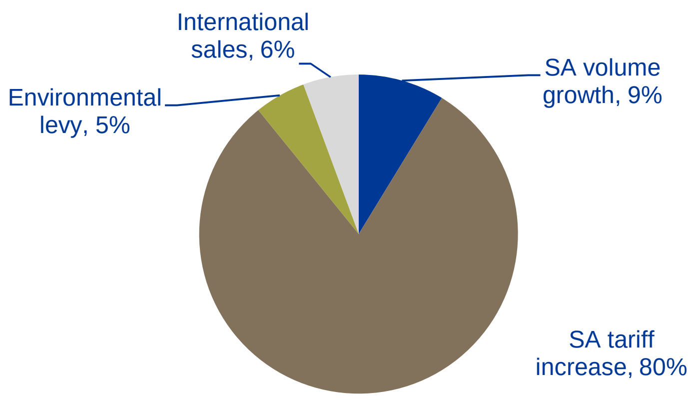
# Revenue growth driven by tariff increase

- 2.7% increase in GWh sales mainly due to improved economic conditions:
  - Industrial customer GWh sales increased by 6.8%
- Sales growth hampered by a slower than anticipated recovery, the downscaling of certain mines and lower demand from certain smelters
- 26.0% increase in electricity revenue per kWh, predominantly due to the 24.8% tariff increase granted by NERSA effective from 1 April 2010
- Industrial customer prices increased by 27.0% whereas prices to residential customers only increased by 3.9% due to the inclining block tariff
- International sales remained static but prices increased by 38.9%

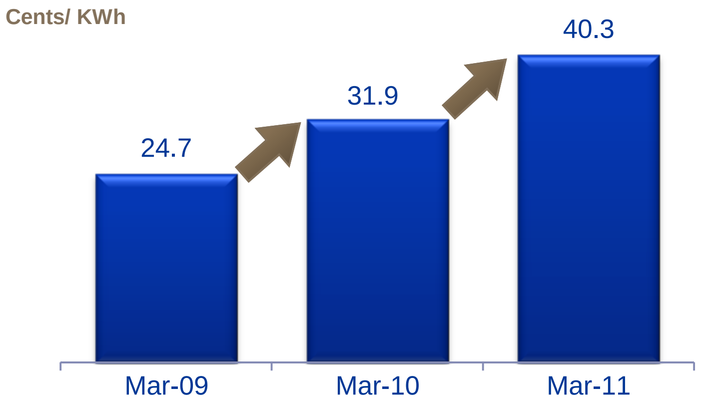
## Electricity sales (GWh)




## Revenue growth components

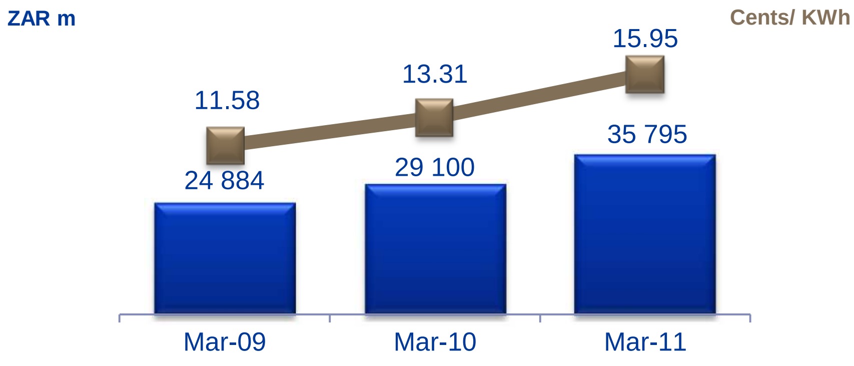



## Electricity revenue (c/kWh)

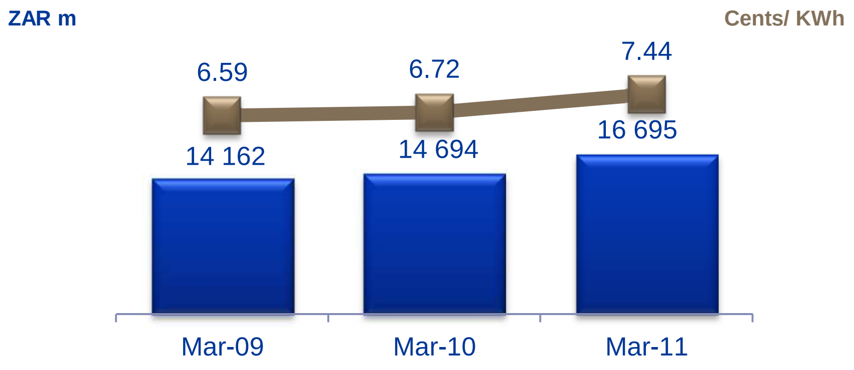


# Operating expenses[1]

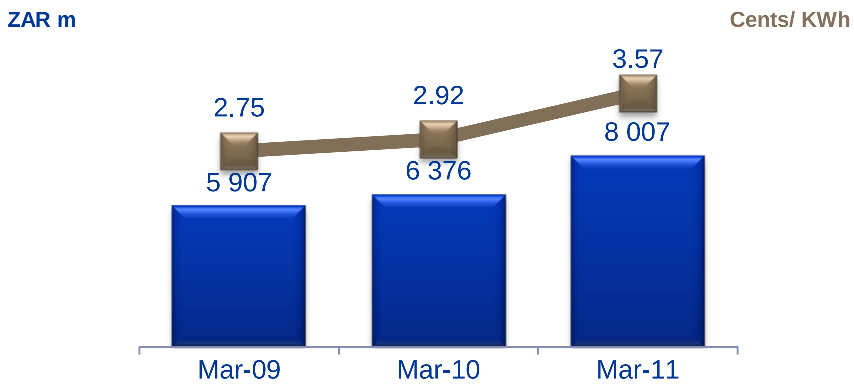
## Primary Energy Costs



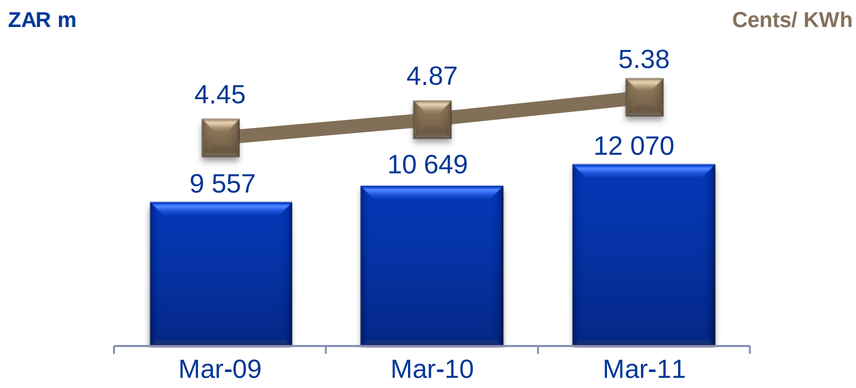

## Employee Benefit Expenses




## Depreciation & Amortization Expenses[2]



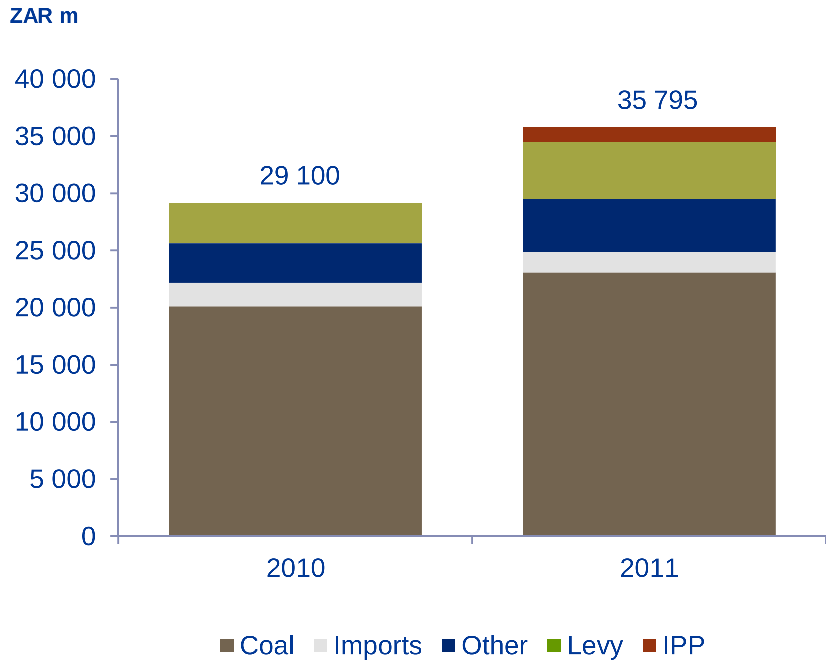

## Other Operating Expenses[3]




*(1) Cents/KWh figures are calculated based on Total Electricity Sales numbers*
*(2) Including Net Impairment Loss*
*(3) Including managerial, technical and other fees, R&D, operating lease expense, auditor's remuneration, repairs and maintenance*

# Analysis of primary energy costs

## Primary Energy Costs




## Coal burnt

| | 2010 | 2011 | % Change |
|---|---|---|---|
| Coal burnt (Mt) | 122.7 | 124.7 | 1.6% |

Primary energy cost increased by 19.8% from 13.31 c/kWh for the previous year to 15.95 c/kWh for the current year.

The 2.64 c/kWh increase is made up of the following:

- the increased cost of coal burnt (12.8% per ton) contributed 1.09 c/kWh
- the environmental levy increase (only in effect for nine months in the prior year) contributed 0.62 c/kWh
- the cost of using IPPs (R1.3 billion) contributed 0.57 c/kWh
- the increases in the cost of coal handling, coal-fired start-ups, gas-fired start-ups and nuclear fuel costs made up the remainder of the increase of 0.36 c/kWh

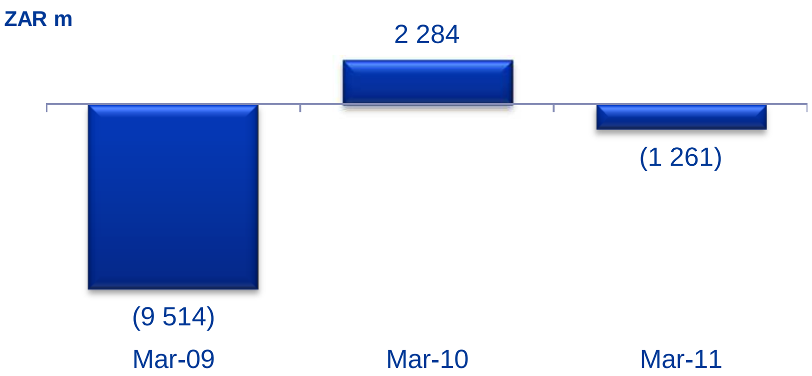
# Hedging policy

**Primary Energy Hedging:**
- Eskom does not formally hedge against increases in coal prices
- Coal purchased as follows:
  - 47% cost plus contracts
  - 24% fixed price or indexed contracts
  - 29% short/medium - term contracts
- Limited correlation with International Coal Prices
- Approximately 80% of the cumulative coal supply until 2020 is contracted

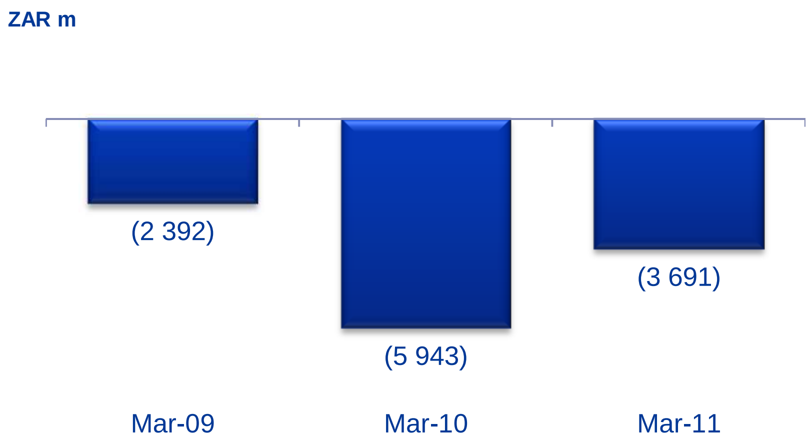
**Commodity Derivatives Hedging:**
- Hedging in place to mitigate potential losses on the embedded derivatives since 1998
- Renegotiating the last remaining commodity-linked power agreement

**Foreign Currency Hedging:**
- Eskom's policy is to hedge all foreign currency exposure over ZAR50 000 once commitment has been made
- Uses inter-alia forward exchange contracts with short maturities and roll over at maturity as well as cross currency and interest rate swaps
  - Note that 90% of our total debt as at 31 March 2011 has a fixed interest rate component

**Embedded Derivatives (Loss) / Gain**




**Net Fair Value Loss on Financial Instruments**



# Financial position

***If you're not using it, switch it off***

# Statement of financial position

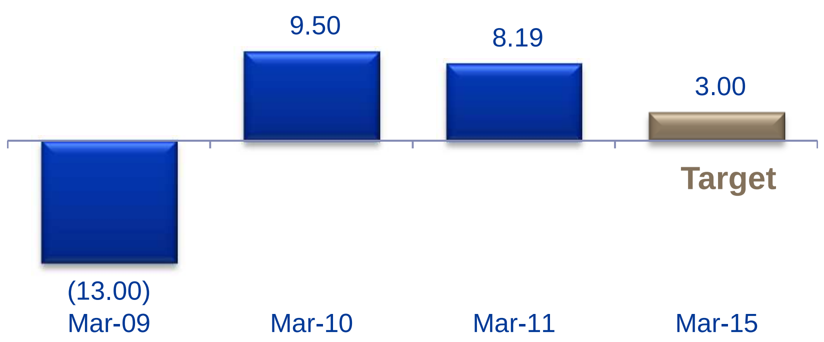
| R million | 31 March 2011 Audited | 31 March 2010 Audited | 31 March 2009 Audited |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | **265 183** | **203 162** | **154 160** |
| Property, plant and equipment | 236 724 | 187 905 | 138 642 |
| Future fuel supplies | 4 089 | 3 768 | 3 510 |
| Investment in securities | 13 259 | 1 923 | 3 558 |
| Payments made in advance | 2 396 | 2 856 | 5 081 |
| Other | 8 715 | 6 710 | 3 369 |
| **Current assets** | **62 258** | **42 953** | **41 106** |
| Inventories | 8 904 | 7 378 | 6 581 |
| Trade and other receivables | 10 953 | 9 391 | 8 191 |
| Investment in securities | 24 546 | 2 148 | 4 360 |
| Other | 5 768 | 8 495 | 3 592 |
| Cash and cash equivalents | 12 087 | 15 541 | 18 382 |
| **Non-current assets held for sale** | **704** | **20** | **4 036** |
| **Total assets** | **328 145** | **246 135** | **199 302** |

# Statement of financial position

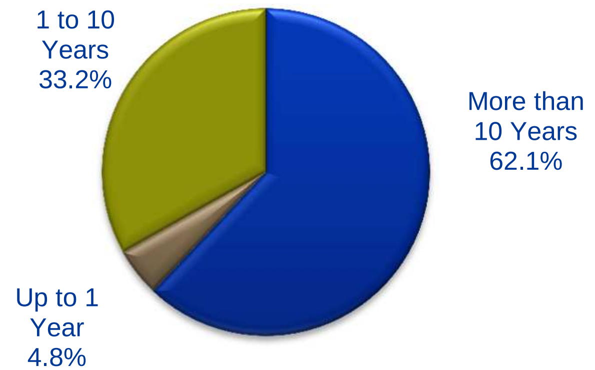
| R million | 31 March 2011 Audited | 31 March 2010 Audited | 31 March 2009 Audited |
|---|---|---|---|
| **Equity** | **87 259** | **70 222** | **59 578** |
| **Non-current liabilities** | **196 270** | **132 700** | **95 349** |
| Debt securities issued | 84 396 | 59 322 | **44 253** |
| Borrowings | 63 380 | 34 628 | **12 796** |
| Derivatives held for risk management | 4 576 | 3 626 | **786** |
| Embedded derivatives | 5 357 | 4 583 | **8 219** |
| Provisions | 11 203 | 8 494 | **8 883** |
| Other | 27 358 | 22 047 | **20 412** |
| **Current liabilities** | **43 756** | **43 213** | **42 362** |
| Trade and other payables | 18 876 | 16 331 | **16 701** |
| Borrowings | 9 654 | 9 143 | **13 811** |
| Derivatives held for risk management | 1 404 | 4 644 | **2 626** |
| Embedded derivatives | 516 | 139 | **43** |
| Other | 13 306 | 12 956 | **9 181** |
| **Non-current liabilities held for sale** | **860** | **-** | **2 013** |
| **Total equity and liabilities** | **328 145** | **246 135** | **199 302** |

# Debt maturity and leverage

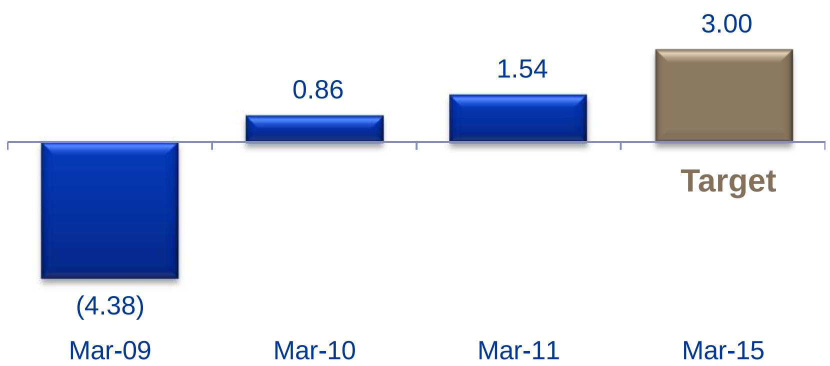
## Gross Debt/ EBITDA ratio



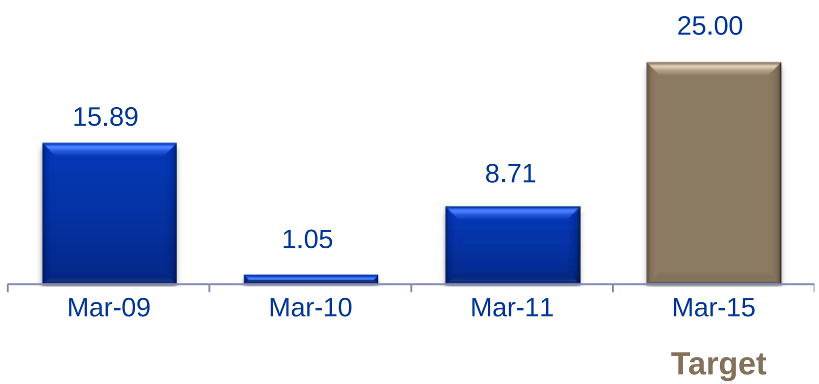

## Debt Securities & Borrowings Maturity Profile[1]




## Interest Cover ratio

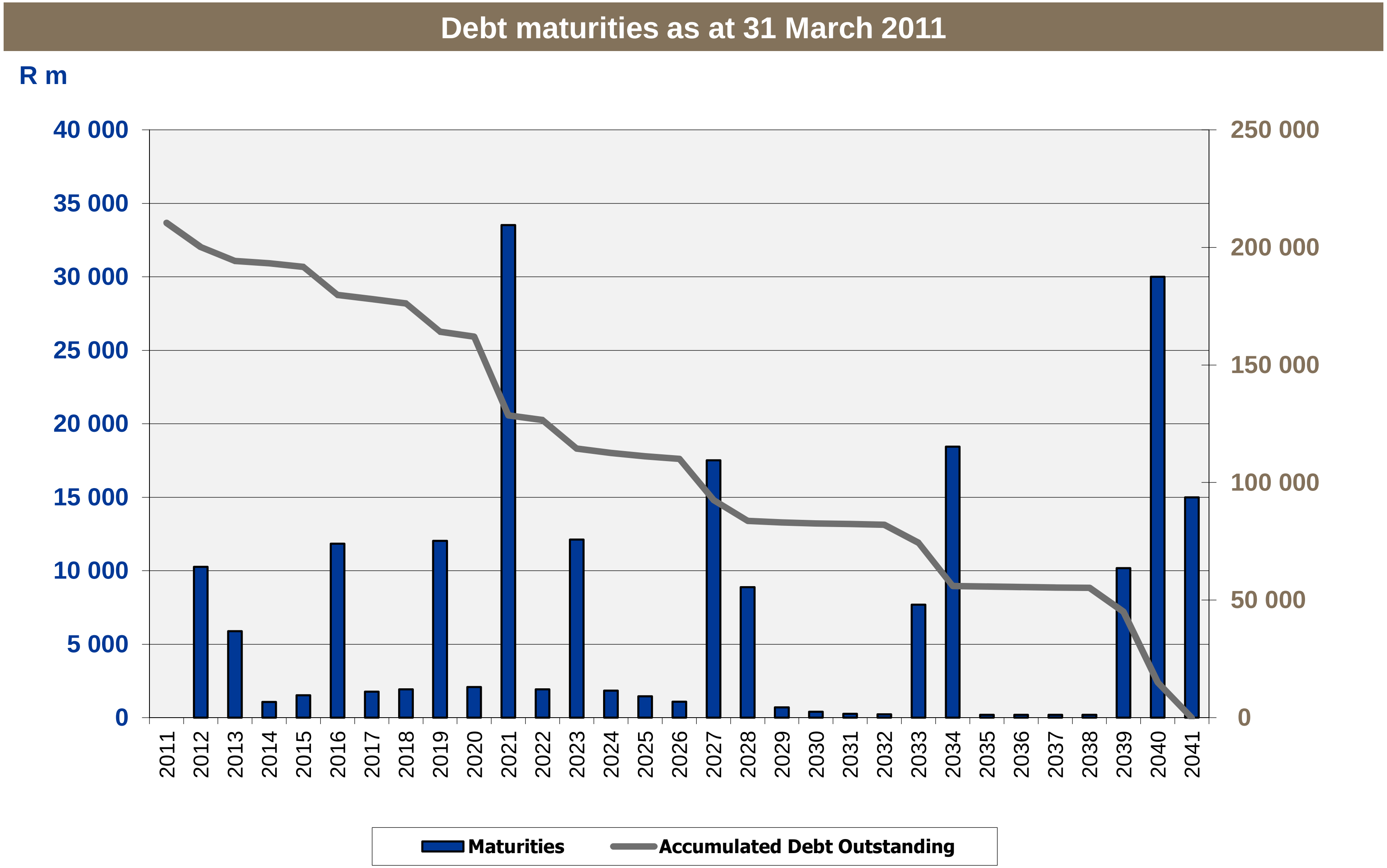



## FFO as a % of Gross Debt




*(1) As at 31 March 2011*

# Total debt maturity profile



# Eskom capacity expansion programme

Eskom

### Return-to-service (RTS)

- Komati (1 000 MW)
- Camden (1 520 MW)
- Grootvlei (1 200 MW)

**3 720 MW**

### New coal

- Medupi (4 764 MW)
- Kusile (4 800 MW)

**9 564 MW**

### Peaking & renewables

- Ankerlig (1 338.3MW)
- Gourikwa (746 MW)
- Ingula (1 352 MW)
- Sere (100 MW)

**3 536.3 MW**

### Mpumalanga refurbishment

- Arnot capacity increase (300 MW)
- Matla refurbishment
- Kriel refurbishment
- Duvha refurbishment

**300 MW**

### Transmission

- 765kV projects
- Central projects
- Northern projects
- Cape projects

**~ 4 700 km**

## Commissions of new stations

| | First Unit | Last Unit |
|---|---|---|
| Medupi | 2012 | 2015 |
| Kusile | 2014 | 2018 |
| Ingula | 2014 | 2014 |

- ~ 17 120MW of new capacity (5 222MW installed and commissioned )
- ~ 4 700km of required transmission network (3 268km installed)

***Medupi is the first coal-generating plant in Africa to use supercritical power generation technology***

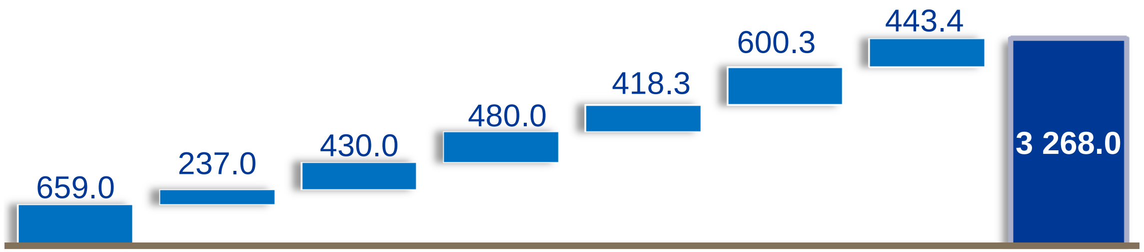
# Build progress to date

Eskom

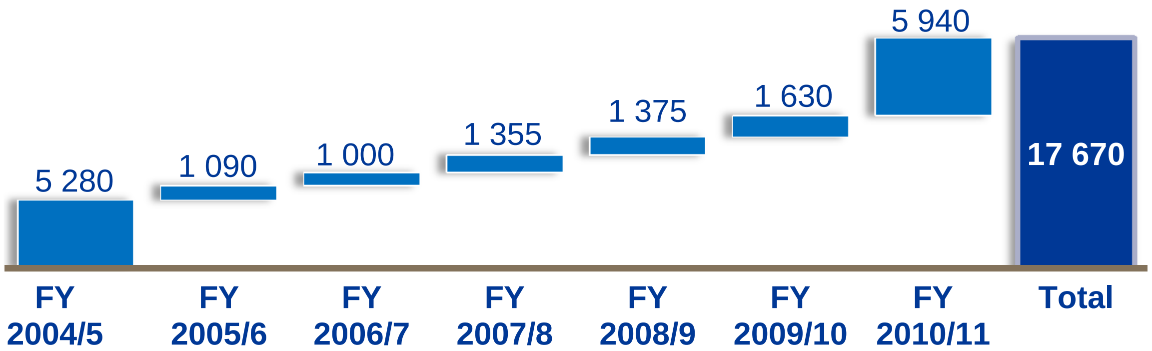
**To date, a large amount of construction work has been completed, adding ~5 221.8 MW, ~3 268 km of transmission network, and ~17 670 MVA of sub-station transformers**

**Megawatts** **MW of capacity**


**Transmission** **Km line**

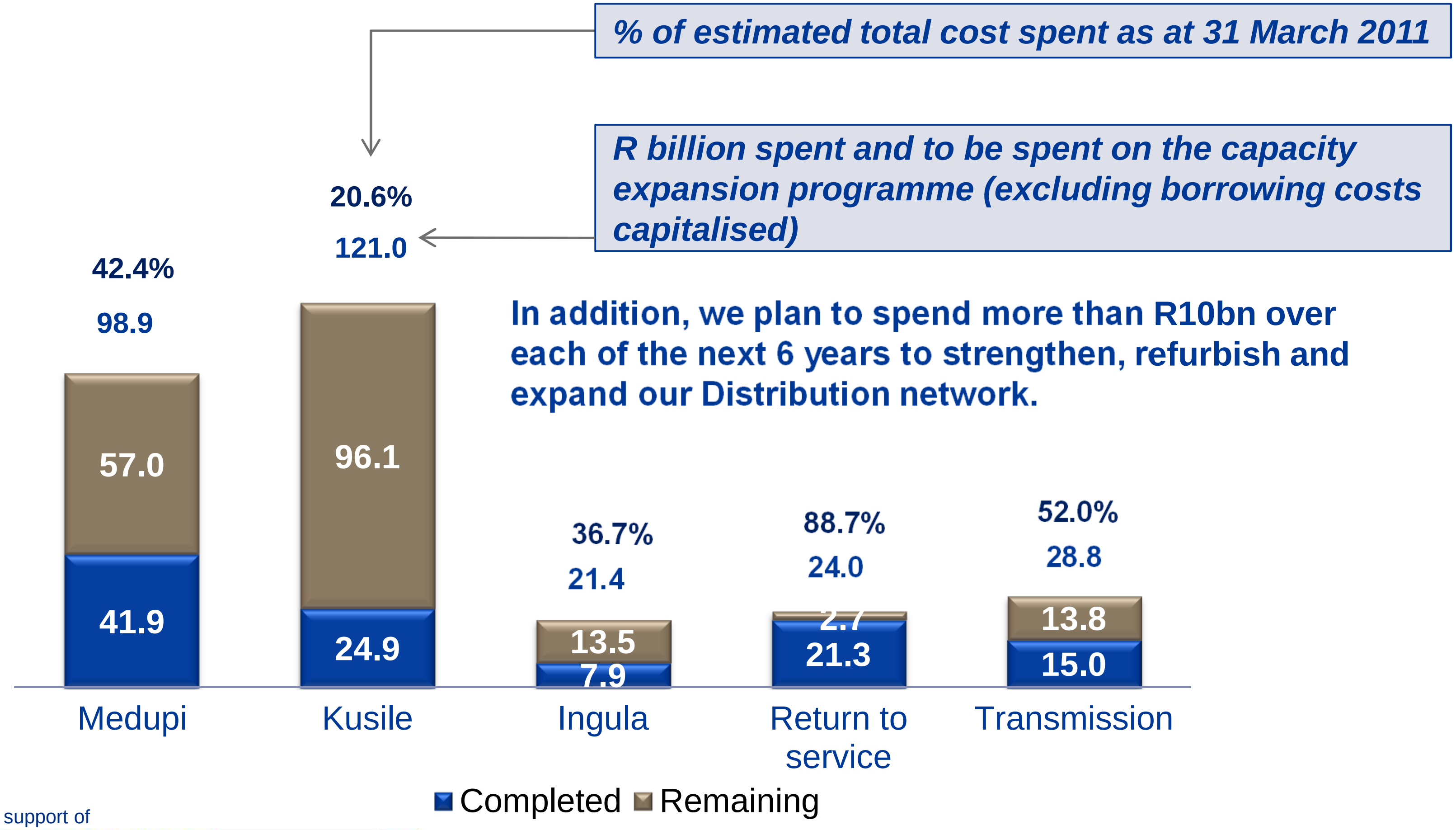



**Substations** **MVAs**



# Significant progress in build programme – began in 2005 with completion in 2017/18

- The first Medupi unit is expected in late 2012; we are doing a detailed assessment of the schedule ensuring that contractors meet timelines as the schedule is at risk
- We are focusing systematically on supplier performance, so we can pick up and mitigate any risk factors early on; also understanding impact of labour situation on the project




**In addition, we plan to spend more than R10bn over each of the next 6 years to strengthen, refurbish and expand our Distribution network.**

# Current planned capacity expansion plan

| Project | 11/12 FY | 12/13 FY | 13/14 FY | 14/15 FY | 15/16 FY | 16/17 FY | 17/18 FY | 18/19 FY | Total |
|---|---|---|---|---|---|---|---|---|---|
| Grootvlei (return to service) | 200 | | | | | | | | 200 |
| Komati (return to service) | 225 | 400 | | | | | | | 625 |
| Arnot capacity upgrade (coal fired) | 30 | | | | | | | | 30 |
| Medupi (coal fired) | | 794 | 1 588 | 1 588 | 794 | | | | 4 764 |
| Kusile (coal fired) | | | | 800 | 800 | 800 | 800 | 1 600 | 4 800 |
| Ingula (pumped storage) | | | 338 | 1 014 | | | | | 1 352 |
| Sere wind farm (renewable) | | | 100 | | | | | | 100 |
| **TOTAL** | **455** | **1 194** | **2 026** | **3 402** | **1 594** | **800** | **800** | **1 600** | **11 871** |


Medupi


Kusile - Unit 1 Turbine Pedestal


Central Grids


Ingula - Bramhoek dam

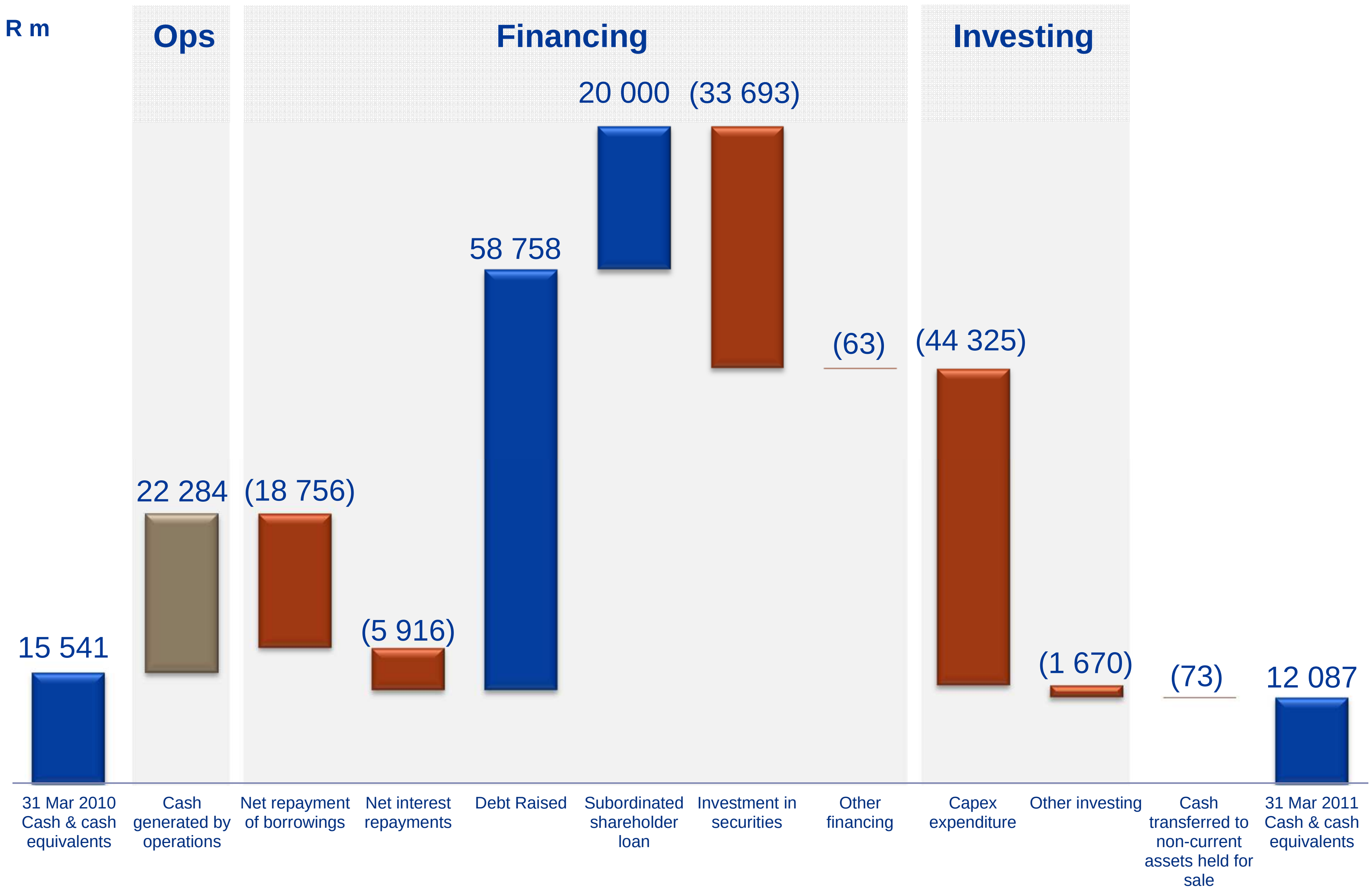
# Cash flows including funding

***Let natural light into your home – it's free***

# Group cash flow statement

| | 2011 Audited Rm | 2010 Audited Rm | 2009 Audited Rm |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 28 275 | 15 999 | 5 155 |
| Net cash flows from financial trading assets | 2 925 | (4 908) | 1 616 |
| Net cash flows from financial trading liabilities | (1 456) | 3 040 | (2 330) |
| Other operating activities | (7 460) | (5 013) | 7 323 |
| **Net cash from operating activities** | **22 284** | **9 118** | **11 764** |
| **Cash flows from investing activities** | | | |
| Acquisitions of intangibles, property, plant and equipment | (44 325) | (44 882) | (43 632) |
| Other investing activities | (1 670) | (2 642) | 687 |
| **Net cash used in investing activities** | **(45 995)** | **(47 524)** | **(42 945)** |
| **Cash flows from financing activities** | | | |
| Debt raised | 78 758 | 60 107 | 53 959 |
| Debt repaid | (18 756) | (20 351) | (23 492) |
| (Increase)/ decrease in investment in securities | (33 693) | 3 924 | 7 366 |
| Net interest repayments | (5 916) | (4 065) | (752) |
| Other financing activities | (63) | (4 115) | 1 790 |
| **Net cash from financing activities** | **20 330** | **35 500** | **38 871** |
| **Net (decrease)/ increase in cash and cash equivalents** | **(3 381)** | **(2 906)** | **7 690** |
| Cash and cash equivalents at beginning of the year | 15 541 | 18 382 | 10 893 |
| Cash and cash equivalents at beginning of the year transferred (to)/ from non-current assets held-for-sale | (73) | 65 | (201) |
| **Cash and cash equivalents at the end of the year** | **12 087** | **15 541** | **18 382** |

# Summary of cash flows



# From funding gap to funding plan – R300 billion funding plan to 2017

| Source of funds | Funding sourced Rbn | Currently secured Rbn | Draw-downs to date Rbn | Amount supported by Government Rbn |
|---|---|---|---|---|
| Bonds | 90.0 | 26.7 | 26.7 | 15.0 |
| Commercial paper | 70.0 | 70.0 | 10.0 | 0.0 |
| Export Credit Agency backed | 32.9 | 32.9 | 7.5 | 0.0 |
| World Bank loan | 26.1 | 26.1 | 2.6 | 26.1 |
| AFDB loan | 21.0 | 21.0 | 3.9 | 21.0 |
| DBSA loan | 15.0 | 15.0 | 1.0 | 0.0 |
| Shareholder<br>- Loan | 20.0 | 20.0 | 20.0 | 20.0 |
| Other sources | 25.0 | 0.0 | 0.0 | 0.0 |
| **Totals** | **300.0** | **211.7** | **71.7** | **82.1** |
| Percentages | | 70.6% | 33.9%(1) | 38.8%(1) |

(1) As a percentage of the currently secured total

***Switch from traditional light bulbs to CFLs or LEDs***

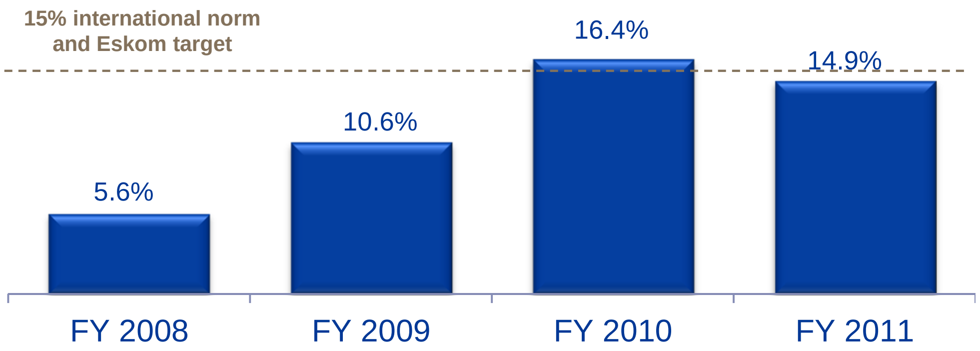
# Generation Business

- Operates Eskom's power stations
- 27 power stations: 13 coal, 4 gas / liquid fuel turbines, 6 hydro electric, 2 pumped storage, 1 nuclear and 1 wind
- Total net capacity of 41 194MW as at 31 March 2011
  - Approximately 85% of net capacity is coal-fired
- Koeberg nuclear power station
  - 1 830MW net capacity
  - 12.1TWh electricity produced from nuclear in year ended 31 March 2011
- Approximately 17 120MW of new capacity plans committed and expected by 2018 (this includes 5 222MW already commissioned since 2005)
- Reserve margin of 14.9% for FY 2011, up from 5.6% for FY 2008 but below Eskom's target of 15%

**Key figures**

| | Financial Year 2011 | Financial Year 2010 | Financial Year 2009 |
|---|---|---|---|
| Net Capacity (MW) | 41 194 | 40 870 | 40 506 |
| Capacity from Coal (MW) | 34 952 | 34 658 | 34 294 |
| *Coal Share in Total Capacity* | *84.9%* | *84.8%* | *84.7%* |
| Capacity from Nuclear (MW) | 1 830 | 1 800 | 1 800 |
| *Nuclear Share in Total Capacity* | *4.4%* | *4.4%* | *4.4%* |
| Total Output (TWh) | 237 | 233 | 229 |
| Production from Coal (TWh) | 220 | 216 | 212 |
| *Coal Share in Total Output* | *92.8%* | *92.7%* | *92.6%* |
| Production from Nuclear (TWh) | 12.1 | 12.8 | 13.0 |
| *Nuclear Share in Total Output* | 5.1% | 5.5% | 5.7% |

**Reserve margins**

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# Generation Business – operational performance

## Highlights

- No load shedding in the past financial year
- Successfully powered the 2010 FIFA Soccer World Cup™ over the winter period when the highest ever peak in demand was recorded
- Water utilisation across the fleet of power stations is within target
- The Integrated Generation Control Centre (IGCC) was successfully commissioned to centrally monitor the performance of all power stations

# Generation Business – operational performance

## Challenges

- The return to service of Duvha Unit 4 turbine and generator which was extensively damaged in February 2011 - estimated recovery period is greater than 12 months
- Constrained power system as we balance the need for planned maintenance on ageing plant with the demand of a growing economy
- Particulate emissions performance is unfavourable and requires focussed attention
- Coal-related energy losses have increased substantially since 2008, contributing to the reduction in the availability of some coal-fired plant to meet demand
- Improved performance of Koeberg nuclear power station curtailed by two significant forced outages immediately following a refuelling outage
- Original equipment suppliers' impact on power plant performance

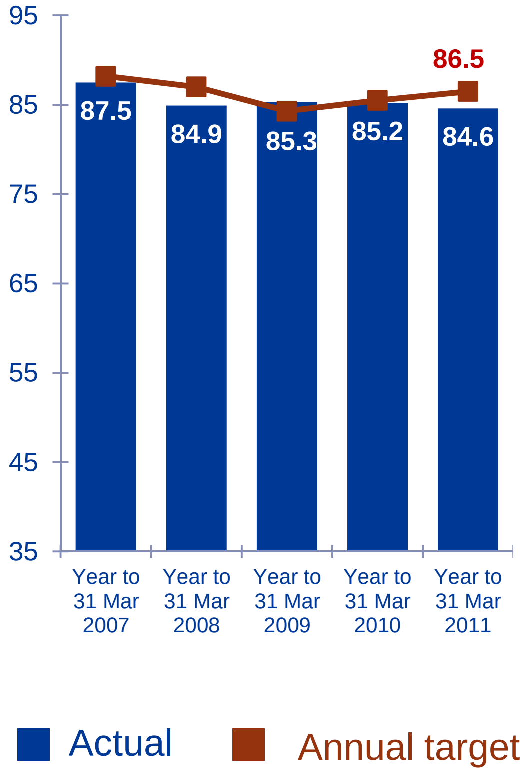
# Generation Business – technical performance

| Measure | Description | Actual Year-end March 2011 | Actual Year-end March 2010 | Actual Year-end March 2009 |
|---|---|---|---|---|
| Unit capability factor (UCF) | UCF measures the plant availability and indicates how well the plant is operated and maintained. | 85.9% | 85.9% | 86.1% |
| Energy availability factor (EAF) | EAF measures plant availability (UCF above), plus energy losses not under the control of plant management | 84.6% | 85.2% | 85.3% |
| Unplanned capability loss factor (UCLF) | UCLF measures the lost energy due to unplanned production interruptions resulting from equipment failures and other plant conditions. | 6.1% | 5.1% | 4.4% |
| Generation Load Factor (GLF) | GLF indicates the extent to which the generation fleet was loaded on average over the year to produce the energy demanded. | 66.4% | 66.2% | 67.0% |
| Planned capability loss factor (PCLF) | PCLF - planned energy loss is energy not produced during the period because of planned shutdowns or load reductions due to causes under plant management control. | 8.0% | 9.0% | 9.5% |
| Unplanned automatic grid separations / 7000 hours (UAGS/7000) | UAGS/7000 indicates the amount of unplanned unit trips per 7000 operating hours | 3.6 | 2.8 | 2.9 |
| Reserve margin (including imports) | Difference between net system capability and the system's maximum load requirements (peak load or peak demand) as a percentage of the peak demand | 14.9% | 16.4% | 10.6% |

# Generation Business – technical performance

## Generation

### Energy availability factor (EAF) %




- EAF indicates the energy availability on the grid, taking into account the planned, unplanned, and other capability losses due to elements beyond management control
- The actual EAF for 2011 was 84.6% which is below the target of 86.5%. This was affected by the total unplanned unavailability of 7.4% at YE against a target of 5.5% (UCLF and OCLF). The planned unavailability target of 8% was met
- The poor performing power stations are in their mid-life and require more maintenance. With the low reserve margin less time is available to carry out essential maintenance. The quality of coal has deteriorated over the past few years and has greatly affected the performance of some stations. This situation directly contributed to the high particulate emissions
- The generation recovery process in 2008/9 resulted in improved availability and reliability of those plant areas that were given priority then. However subsequently, other plant areas like coal handling, milling plant, air heaters and flue gas cleaning plant (affecting particulate emissions) have shown a significant deterioration in performance mainly due to poor coal quality
- Despite these challenges, we have managed to avoid load shedding since April 2008
- Eskom requires an aspirational PCLF (maintenance ratio) of 10%, but the tightness of the system meant that we could achieve a ratio of only 8%. There is a growing maintenance backlog that will require plant shutdowns, and this must be addressed over the coming year.

# Primary Energy – operational performance

## Coal
- Largest primary energy source in South Africa
- Average coal stock of 41.4 days as at 31 March 2011; Burnt 124.7 million tonnes of coal in the year ending 31 March 2011 (2010: 122.7 million tonnes)
- Coal purchased as follows:
  - 47% cost plus contracts
  - 24% fixed price or indexed contracts
  - 29% short/medium - term contracts
- Limited correlation with International Coal Prices
- Approximately 80% of the cumulative coal supply until 2020 is contracted

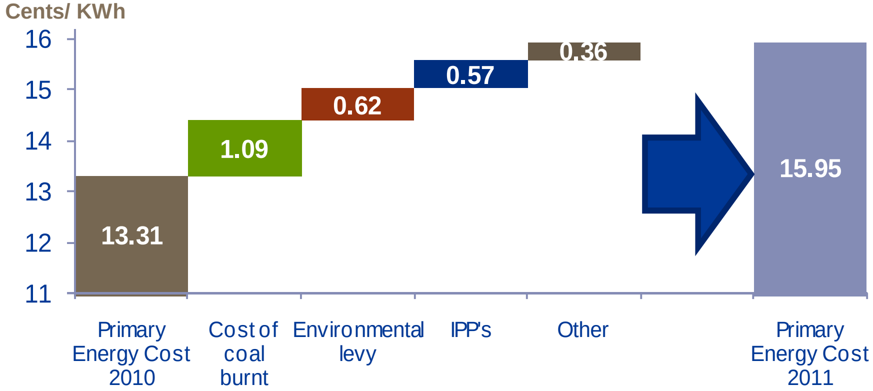
## Water
- 327 252 million litres of water used in year ended 31 March 2011
- Relative water consumption to generate electricity increased from 1.34 l/kWh sent out as at 31 March 2010 to 1.35 l/kWh sent out as at 31 March 2011

## Nuclear
- Sourced mainly on international market
- Uses on average ~ 30 tonnes of enriched uranium (equivalent to ~270 tons natural uranium) fabricated into ~ 70 fuel elements per year
- Government authorizes all nuclear fuel contracts and importation of nuclear fuel in accordance with the Nuclear Energy Act

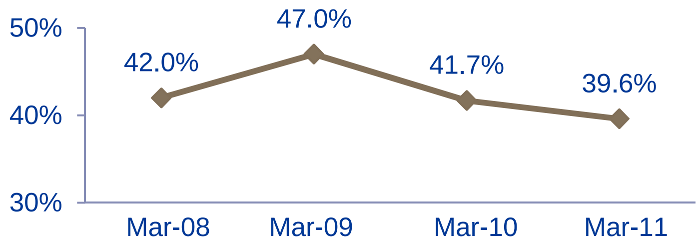
## Gas / Liquid Fuel
- Sourced locally with regulated price
- No take or pay obligations in place except for tank rental obligations
- Eskom does not hedge against diesel price fluctuations due to the uncertainty around the timing and quantity of usage

In support of

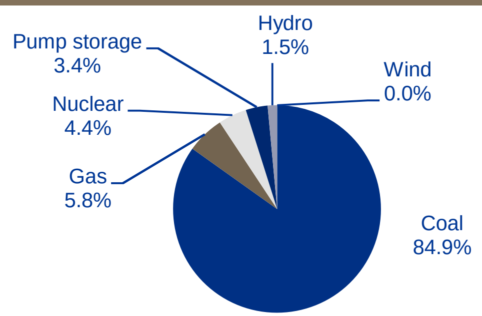
**Factors influencing Primary Energy Costs (c/KWh) (1)**




**Primary Energy Costs as % of Electricity Revenues**




**Eskom's Net Capacity Mix – 31 March 2011**




(1) *Cents/KWh figures are calculated based on Total Electricity Sales numbers*

# Primary Energy – operational performance

## Highlights

- For the year ended 31 March 2011 coal cost maintained below budget
- Dam levels are higher than expected, resulting in lower pumping costs
- In partnership with Transnet:
  - Implemented the Camden containerised rail solution
  - Improved the rail performance for coal supplies to Majuba power station from 5.6Mt in 2010 to 6.9Mt in 2011
- Some successes in the roads repair program:
  - Havenga Street in Ermelo (R47.7 million)
  - The pothole repair program started (with approximately 50% expenditure against the approved R106.5 million)
- Signed a number of medium-term coal supply agreements (to 2019) to ensure continuity of supply
- Komati water scheme and Mokolo – Crocodile water augmentation project agreements signed

# Primary Energy – operational performance

## Challenges

- Delays in spending on the road repair programme
- Poor performance of some mines has resulted in the purchasing of more coal from the short/medium-term market, resulting in higher coal and transport costs
- Reducing defunct mine liability
- Road fatalities among both the public and coal transporters despite a number of safety initiatives
- Supply risk exposure to disruptions in mining operations due to legal non-compliance

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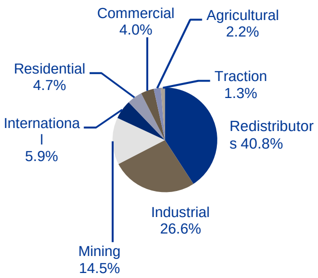
# Customer Network Business

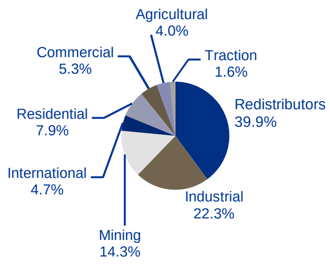
- Total electricity sales of 224 446GWh and more than 4.65 million customers (including transmission customers) as at 31 March 2011
- Directly provides electricity to 45% of all end users in South Africa
- Two main types of customers:
  - Redistributors: Mainly municipalities that sell electricity to residential customers.
  - Direct customers: Industrial, commercial, mining, agricultural and residential consumers
- Key Sales and Customer Service unit deals with customers using ≥100GWh of energy per year
  - At 31 March 2011, KSACS had approximately 139 customers accounting for 34.9% of total revenues
- Some customers have supply contracts indexed to commodity prices
- A member of Southern African Power Pool ("SAPP")

## Key figures – 31 March 2011

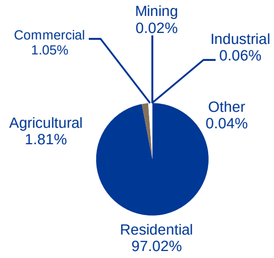
**2011 Sales Split**
**Total: 224 446GWh**




**2011 Gross Electricity Revenue Split**
**Total: ZAR90.375m**




**Customers**
**Total: 4.65 million**




## Energy Losses

| | Budget / Target | 2011 | 2010 | 2009 |
|---|---|---|---|---|
| Distribution losses | <= 6.00% | 5.68% | 5.87% | 5.46% |
| Distribution Technical losses | - | 3.98% | 4.11% | 3.82% |
| Distribution Non-technical losses | - | 1.70% | 1.76% | 1.64% |
| Transmission losses | <= 3.40% | 3.27% | 3.27% | 3.08% |
| **Total Eskom losses** | **<= 8.75%** | **8.25%** | **8.45%** | **7.94%** |

# Customer Network Business – operational performance

## Highlights

- Successful partnership with local authorities to ensure incident-free electricity supply for the 2010 FIFA Soccer World Cup™
- Launch of Operation Khanyisa as part of the Energy Losses Management Programme
- Schools connections (special projects) higher than target
- Total energy losses of 8.25% lower than target of 8.75%
- The system minutes lost < 1 performance of 2.63 system minutes is exceptional against the target of 3.4
- No major incidents recorded on the Transmission grid during 2010/11, a performance last achieved in 2004/05
- Demand-side management savings of 354MW against a target of 301MW

# Customer Network Business – operational performance

## Challenges

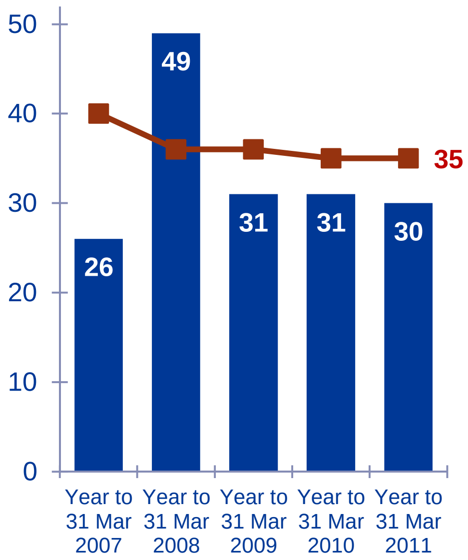
- High levels of theft of equipment and electricity is affecting plant performance and increasing cost
- Sadly three Distribution employees and ten contract workers passed away
- Sales growth lower than budget and projection
- Municipal debt payments – improved, R123 million overdue as at 31 March 2011

- Non-payment by large and residential customers, including a large customer liquidation case; and some contractual payment disputes experiencing lengthy resolution delays
- Employee security is becoming a concern
- Collisions and electrocutions of birds on distribution power lines
- Not meeting the target of 158 430 overall electrification connections in 2010/11 (149 914 made)

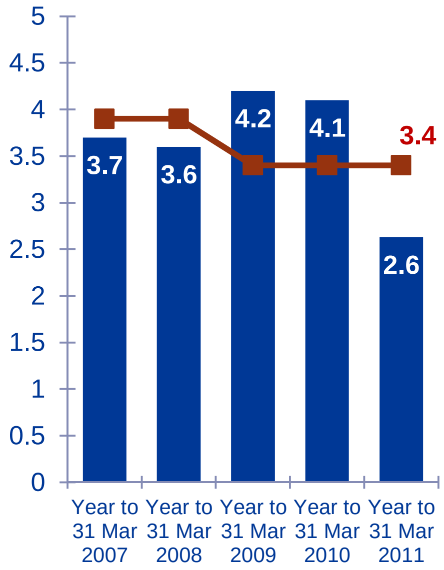
# Customer Network Business – Transmission technical performance

## Transmission

### Number of Supply Interruptions




### Severity of Interruptions (System minutes lost ≤ 1)




Actual    Annual target

The system minutes lost < 1 of 2.63 system minutes was exceptional when compared to the target of 3.4 and the historical performance. It is also a substantial improvement on the 4.09 recorded for the previous financial year.

The number of Transmission supply interruptions target was achieved and the measure showed a modest improvement year on year.

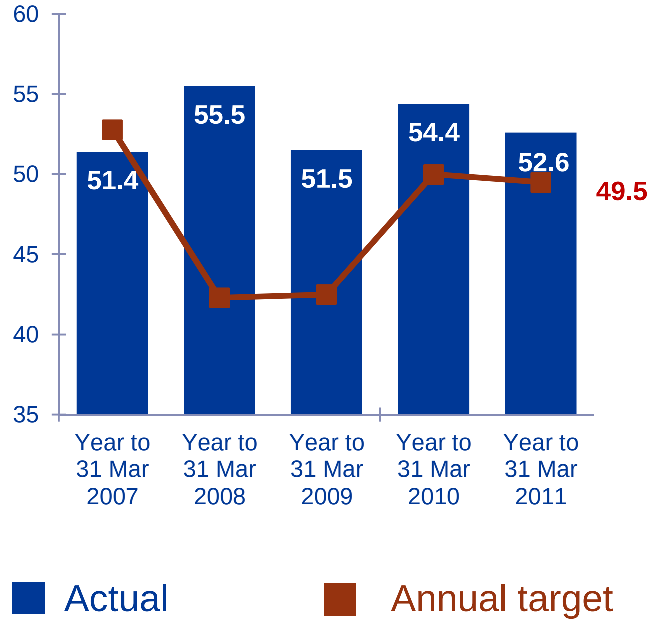
No major incidents were recorded on the Transmission network during the year, which is a significant achievement based on historical performance.

# Customer Network Business – Distribution technical performance

- Average customer interruption duration of 53 hours per year
- SAIDI performance showed a marginal improvement, while SAIFI performance deteriorated slightly
- Network-related constraints, the impact of increased theft and vandalism on resources and adverse weather conditions have affected performance

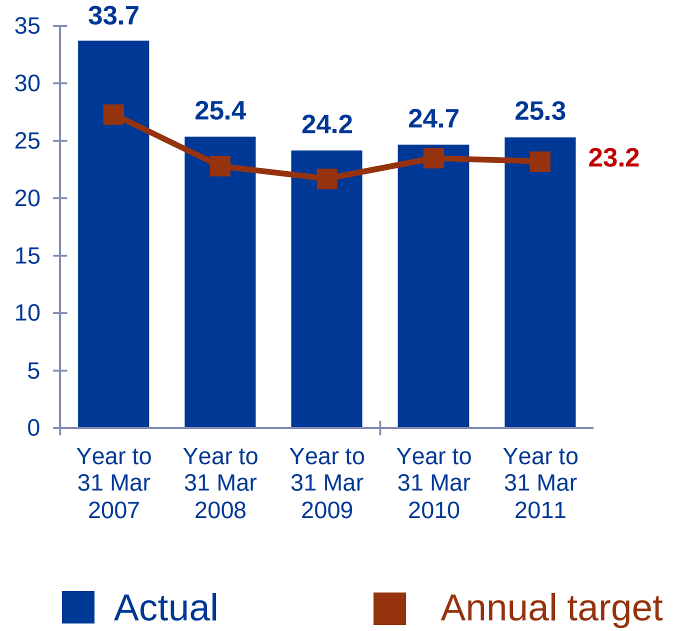
**SAIDI (Hours/annum)**

System average interruption duration index




**SAIFI (number/annum)**

System average interruption frequency index

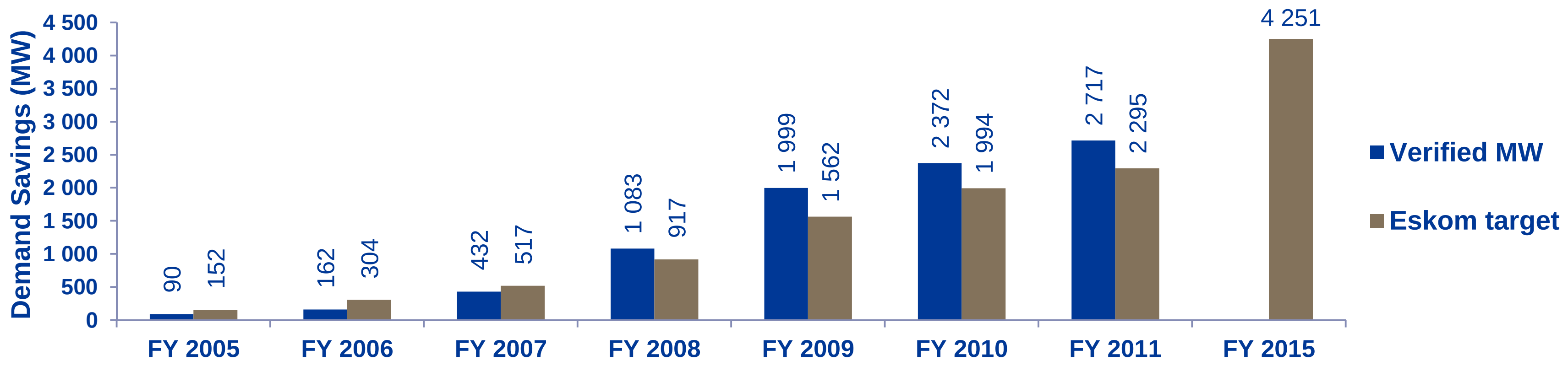


# Customer Network Business – Integrated Demand Management performance

Evening peak demand savings of 354MW achieved against a target of 301MW in the financial year to 31 March 2011

| Programme category | Savings achieved (MW)[1] | Expenditure incurred (R million) |
|---|---|---|
| Residential lighting | 199.1 | 47 |
| Water heating load management | 31.7 | 25 |
| Compressed air systems | 41.9 | 98 |
| Industrial process optimisation | 73.1 | 70 |
| Commercial and industrial lighting and air-conditioning | 2.1 | 40 |
| Solar water heating | 5.9 | 225 |
| Heat pumps | 0.3 | 40 |
| **Total** | **354.1** | **545** |

## Verified cumulative demand savings (MW) against the accumulated Eskom target per year [2]




(1) Includes 345MW verified for NERSA and Department of Energy funded projects & 9MW for a project implemented through the DSM advisory service policy. The 9MW saving is expected to be verified by NERSA and the Department of Energy in the coming year.
(2) Verified for NERSA and Department of Energy funded projects.

In support of

# Outlook

***Watch out for Power Alert and switch off appliances you don't need***

# We took action to address the challenges we identified at the beginning of the year

| What we said | What we did |
| --- | --- |
| Demand would be back at 2007 levels and would increase by 2% in 2011 | Demand is up 1.4% compared to 2010 |
| We would improve coal handling and coal quality to reduce load losses | Coal-related production losses were reduced by 26% for the first 5 months of the year compared to 2010; coal stockpiles being rebuilt after coal industry strike. |
| We targeted to improve generation output by 1%-2% over three years | Although the plant availability improved over the last four months, year to date deteriorated compared to the previous year from 91.9% to 90.6%. The Duvha unit 4 incident contributed to this deteriorating performance. A sustainable availability improvement requires execution of more planned maintenance: every opportunity for maintenance is utilised |
| We would sign up about 400 MW of co-generation and own generation by April | 891MW contracted of which 376 MW from IPP's and about 515 MW of municipal generation |
| We needed to undertake significant maintenance during summer | Critical maintenance has been prioritised , with lower than expected winter demand enabling some maintenance to be done during winter |
| We would execute the demand side programme | Reduced demand by 113 GWh during the first quarter |
| We would communicate with our stakeholders on the state of the system | Extensive programme of engagement with stakeholders |

# Keeping the lights on

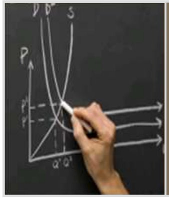
- We implemented our plans, on the supply and demand sides, to address the challenges and manage a tight system
- We kept the lights on during winter this year
- Demand saving important to create space for maintenance
- Summer will continue to be tight
- If all South Africans, individuals, companies and government save 10% of their energy use of 2010, we will have enough to ensure a secure power system and grow the economy : 10% saved = 3700 MW = one new power station = ~23 million tonnes less $CO_2$
- We are resolved to keep the lights on but Eskom cannot do it alone: we need partnerships with our stakeholders

# Our focus is on:

| Value chain | Industry value driver |
| --- | --- |
| Generation | Availability & reliability<br>Portfolio management<br>Efficiency of operations<br>Capacity<br>Environment |
| Transmission & Distribution | Capacity<br>Efficiency of operations<br>Availability & reliability<br>Regulatory management |
| Customer Service | Customer segmentation<br>Sales channels<br>Customer satisfaction<br>Efficiency / Costs to serve<br>Reputation |
| Efficiency | Cost reduction<br>Value maximisation<br>Procurement<br>Back to Basics |

# Eskom fully supports government's priorities

| Government's priorities | Eskom's contribution |
| --- | --- |



**Improving education**

- **Provide apprenticeship training to 10 000** young people by 2015
- **Train 5 000 young people p.a.** by 2015
- **R998 million investment in training and 300 000 days of training** in 2010/11
- **Partner with universities** to develop engineering skills

**Improving healthcare**

- **Enhance employee health and wellness practices** - being more proactive
- **Provide effective psycho-social support**
- **Roll out key HIV/AIDS initiatives**

**Creating decent work**

- Provide **employment opportunities for 100 000** in Eskom's cloud by 2015
- Secure **50% of local content** for our build program and helping to build local industries

**Fighting crime and corruption**

- Review and introduce **anti-fraud and anti-corruption initiatives**
- **Major projects – proactive involvement** by Eskom' Assurance & Forensic Department

**Rural develop-ment and land reform**

- **Electrify rural areas** as part of the government's electrification program
- Reached the **4 million** electrifications mark since inception

In support of

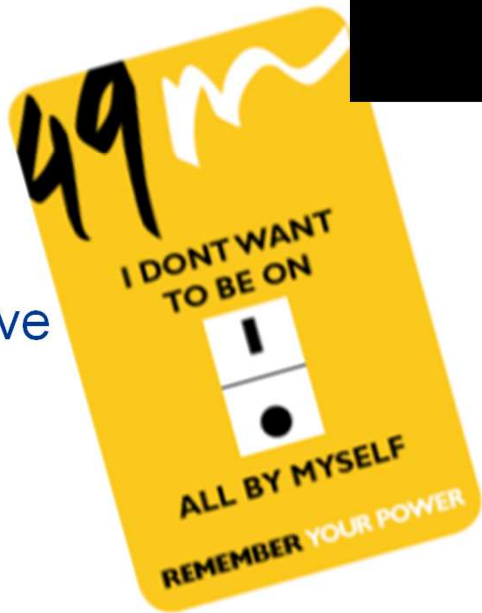
I'm part of the 49M initiative! www.49Million.co.za REMEMBER YOUR POWER 49M

# Please partner with us

- Embrace energy saving as a national culture, joining the global journey towards a sustainable future

- 49M campaign aims to create a culture of energy efficiency in SA

- Remember the three Ps: save **p**ower, save your **p**ocket and save our **p**lanet .
  If you're not using it, switch it off!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# Thank you