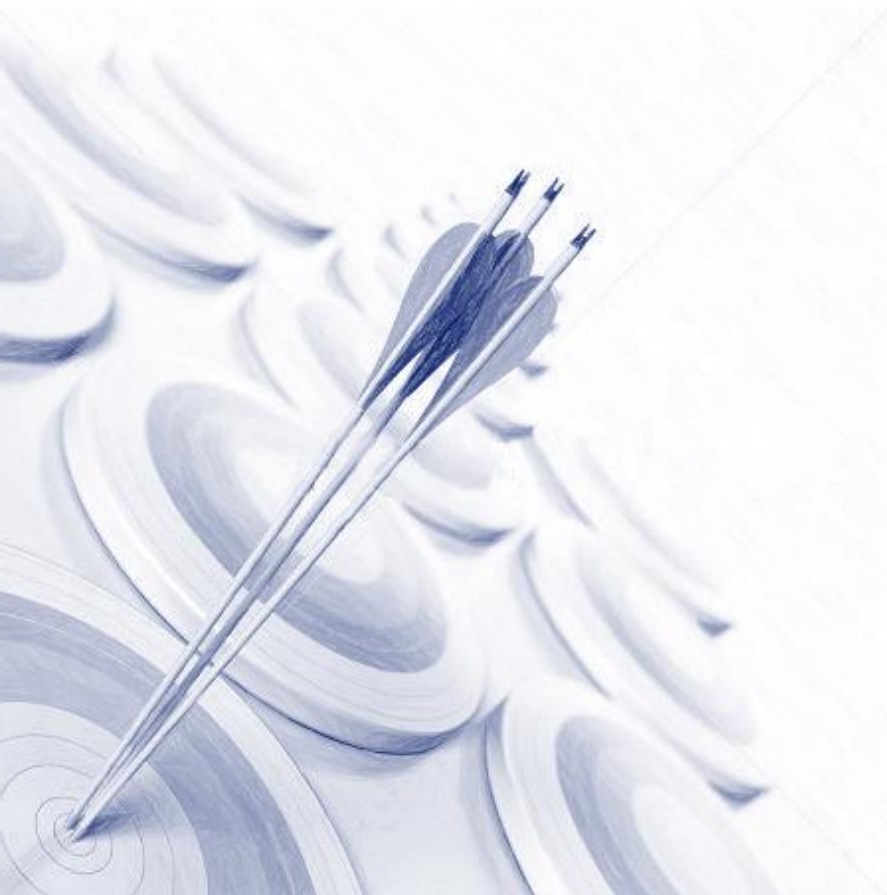


Investor Presentation

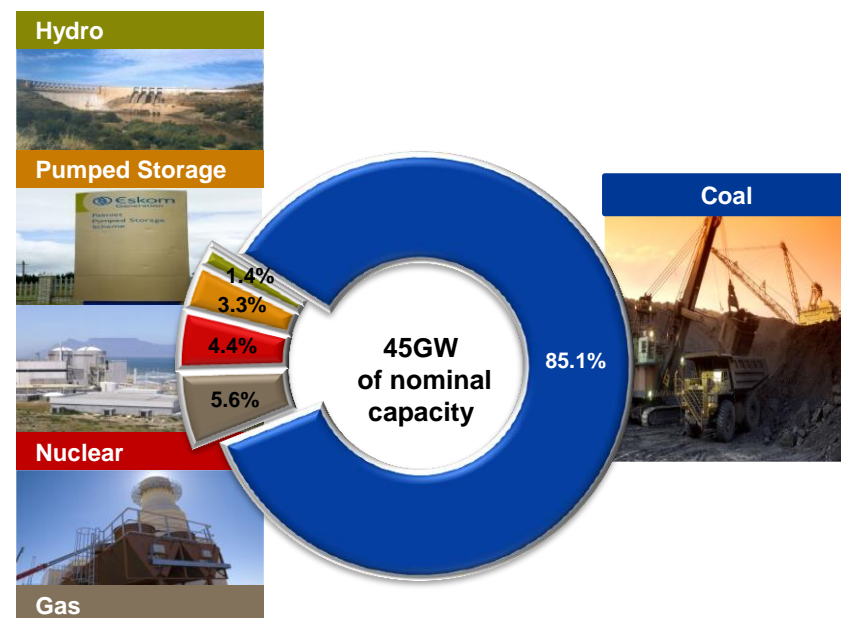




- **Eskom at a glance**
- Financial review
- Operational review
- Design-to-Cost
- RCA – High Court Decision
- Funding overview
- Progress on the new build programme

- 27 operational coal power stations with generating capacity of 45GW as 31 March 2016
- 2 operational nuclear reactors (Koeberg) with a generating capacity 0.18GW
- 10.9GW of new generation capacity (Medupi, Kusile and Ingula) being built, completion expected by FY2022, of which 1.2GW is already commissioned
- As at 31 March 2016 :
 - FY2016 Capex spend of R57.4 billion
 - 5 688 640 customers (31 March 2015: 5 477 602)
 - 47 978 employees, inclusive of fixed-term contractors, in the group (31 March 2015: 46 490)
 - Sizeable assets of R661 billion

Eskom Generation Capacity – 31 March 2016



Credit Ratings

Eskom

Moody's: Ba1 / Negative
S&P : BB+ / Negative

Eskom Stand Alone

Moody's : b3
S&P : ccc+

31 March 2016 Topline Figures

Revenue

R163.4bn
(10.6% increase)

EBITDA

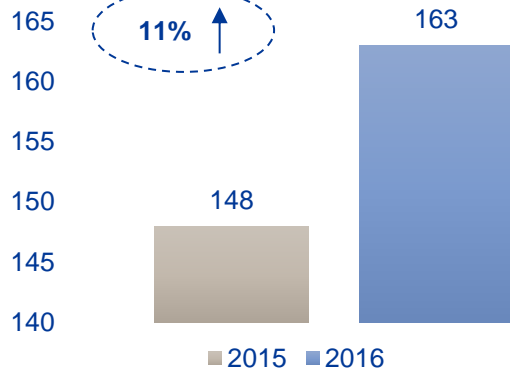
R32.0bn
(37.4% increase)

Net Profit

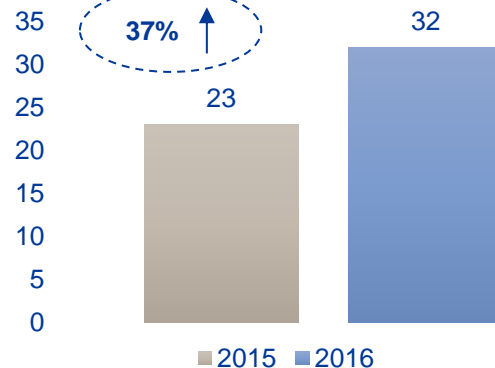
R4.6bn
(>100%)

Improved financial performance

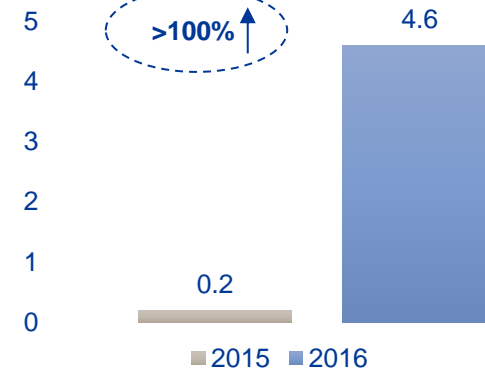
Revenue (R'bn) 2015/2016



EBITDA (R'bn) 2015/2016



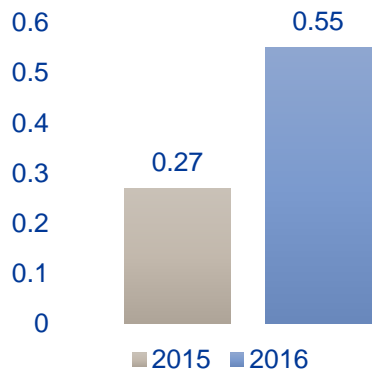
Profit (R'bn) 2015/2016



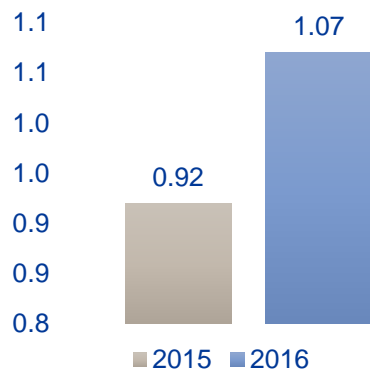
BPP savings: R17.5 billion (target R13.4 billion)

Key financial ratios 2015/2016

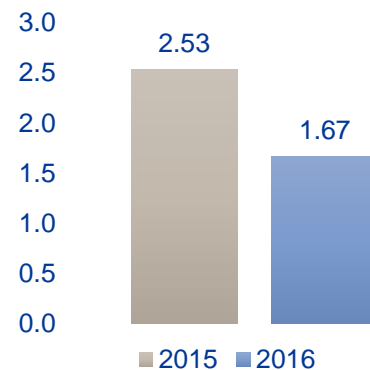
Interest cover ratio



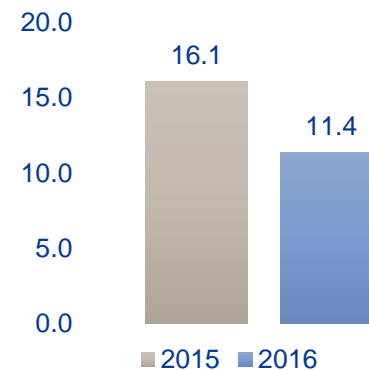
Debt service cover ratio



Debt / equity



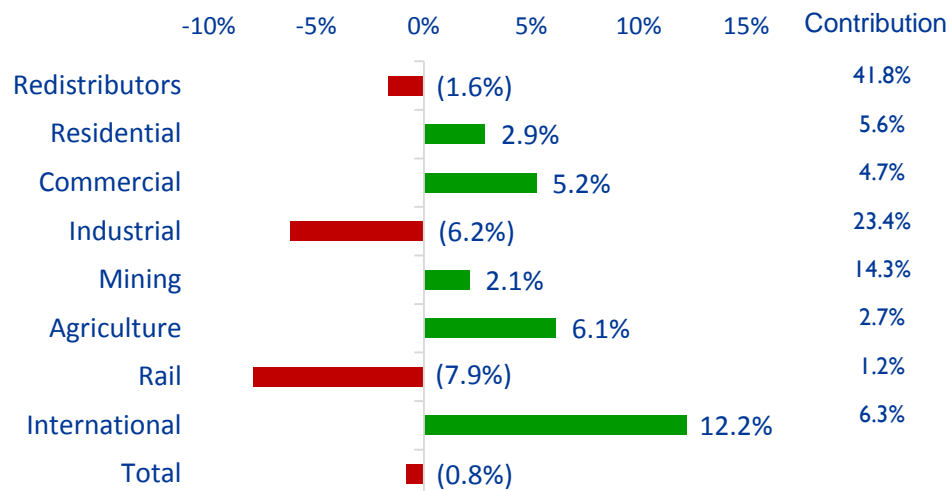
Gross debt / EBITDA



Overall electricity sales volumes

- **International sales volume** growth of 12.2% due Eskom having surplus capacity
- Increase in **commercial** (5.2%), **agriculture** (6.1%), **mining** (2.1%) and **residential** (2.9%) sales volumes
- Decline in **municipalities** (1.6%), **rail** (7.9%) and **industrial** (6.2%) sales volumes
- Overall electricity sales volumes **declined by 0.8%**

Electricity volumes % growth/(decline) & contribution

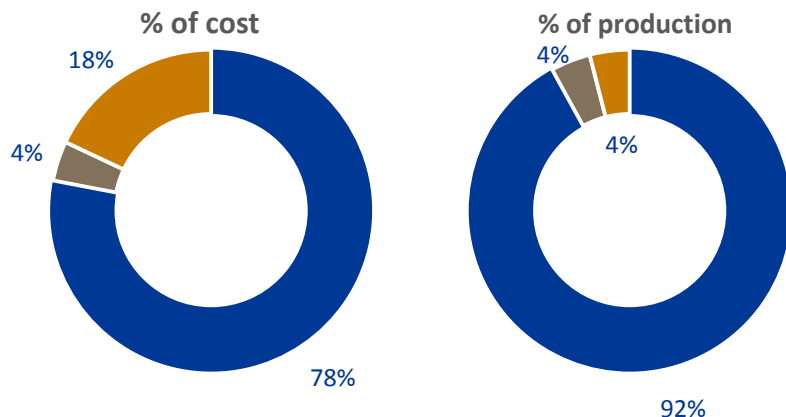


Electricity debtors age analysis (R'm)

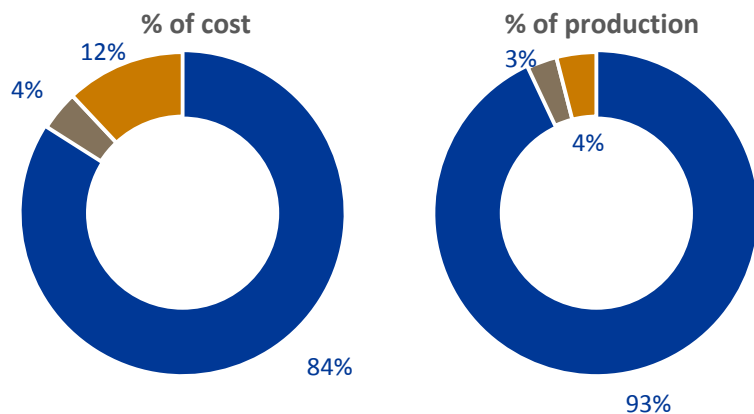
| | Total | Within due date | < 60 days overdue | > 60 days overdue |
|--|---------------|-----------------|-------------------|-------------------|
| Large power users, excluding municipalities | 6 913 | 6 250 | 246 | 417 |
| Large power users, municipalities (including interest) | 11 325 | 5 320 | 932 | 5 073 |
| Small power users | 2 576 | 1 465 | 178 | 933 |
| Soweto (excluding interest) | 4 746 | 189 | 179 | 4 378 |
| Other customers | 1 534 | 846 | 680 | 8 |
| Total at 31 March 2016 | 27 094 | 14 070 | 2 215 | 10 809 |
| <i>% of total</i> | 100% | 52% | 8% | 40% |

Primary energy costs analysed – 2% YoY increase only

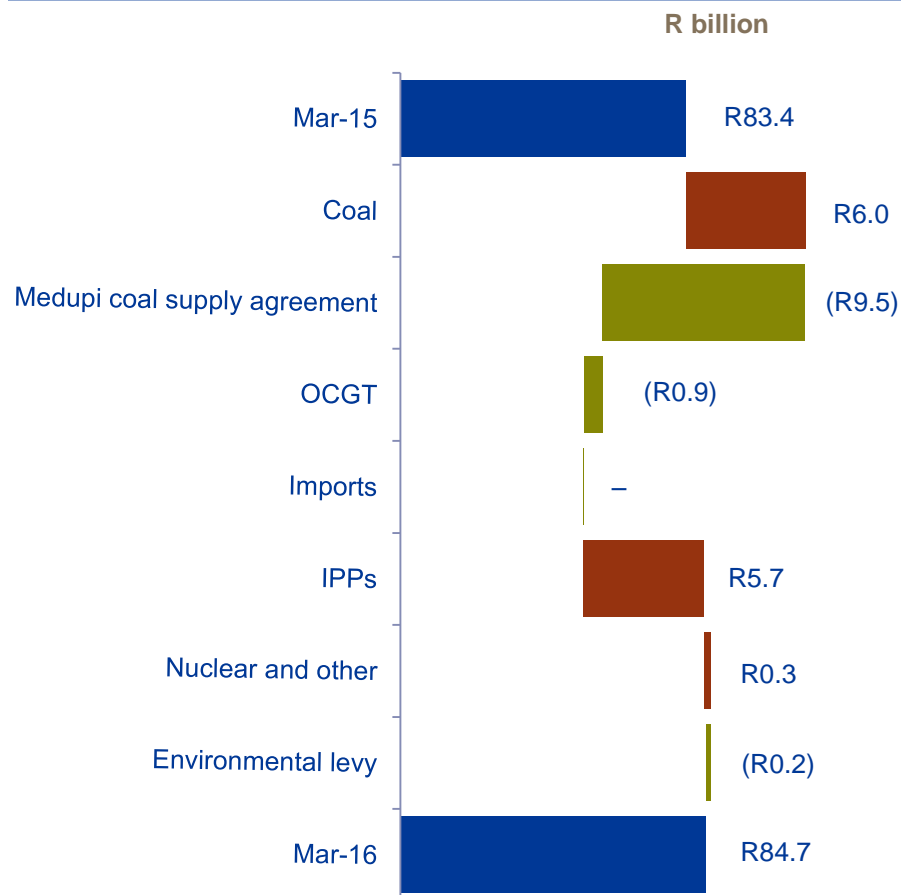
2015/16 Primary energy cost analysis



2014/15 Primary energy cost analysis



Year-on-year analysis



- There has been **no load shedding** for more than year
- Generation has achieved **EAF of 78.3 %** for month of August vs a **Q2 target of 75 %**
- **Ingula 2 commercial operation** on 22 August 2016
- Relative particulate emissions of **0.29 kg/MWhSO** vs target of **0.35 kg/MWhSO** for August 2016
- Generation continues to strive for zero harm. Current performance is **0.16 employee LTIR** rate year-to-date vs a **target of 0.3**
- **No Eskom diesel was used for the month of August.** Last time it was used was in June 2016 for commissioning activities after dual fuel conversion
- **Koeberg Unit 1** has **been online for 456 days** as at 31 August 2016, exceeding its previous record
- In August 2016, **Matimba Power Station** achieved **1000 LTI free days** and **Tutuka Power Station** achieved **one million LTI free contractor man-hours**

Medupi

- Unit 5 achieved all seven of the principal milestones for 2016. Commercial operation of Unit 5 is planned within the first half of 2018, based on the P80 schedule.
- Unfortunately a fatality was recorded on 5 July 2016, when a worker fell from the 63m level on Unit 3 to ground level. The incident is under investigation

Kusile

- Kusile Power Station continues to achieve set milestones on the path for Unit 1 commercial operation in the second half of 2018, based on the P80 schedule
- The new control and instrumentation (C&I) contractor, mobilised in 2015, has delivered the engineering and manufacturing of equipment within tight schedules, to ensure integration with other packages

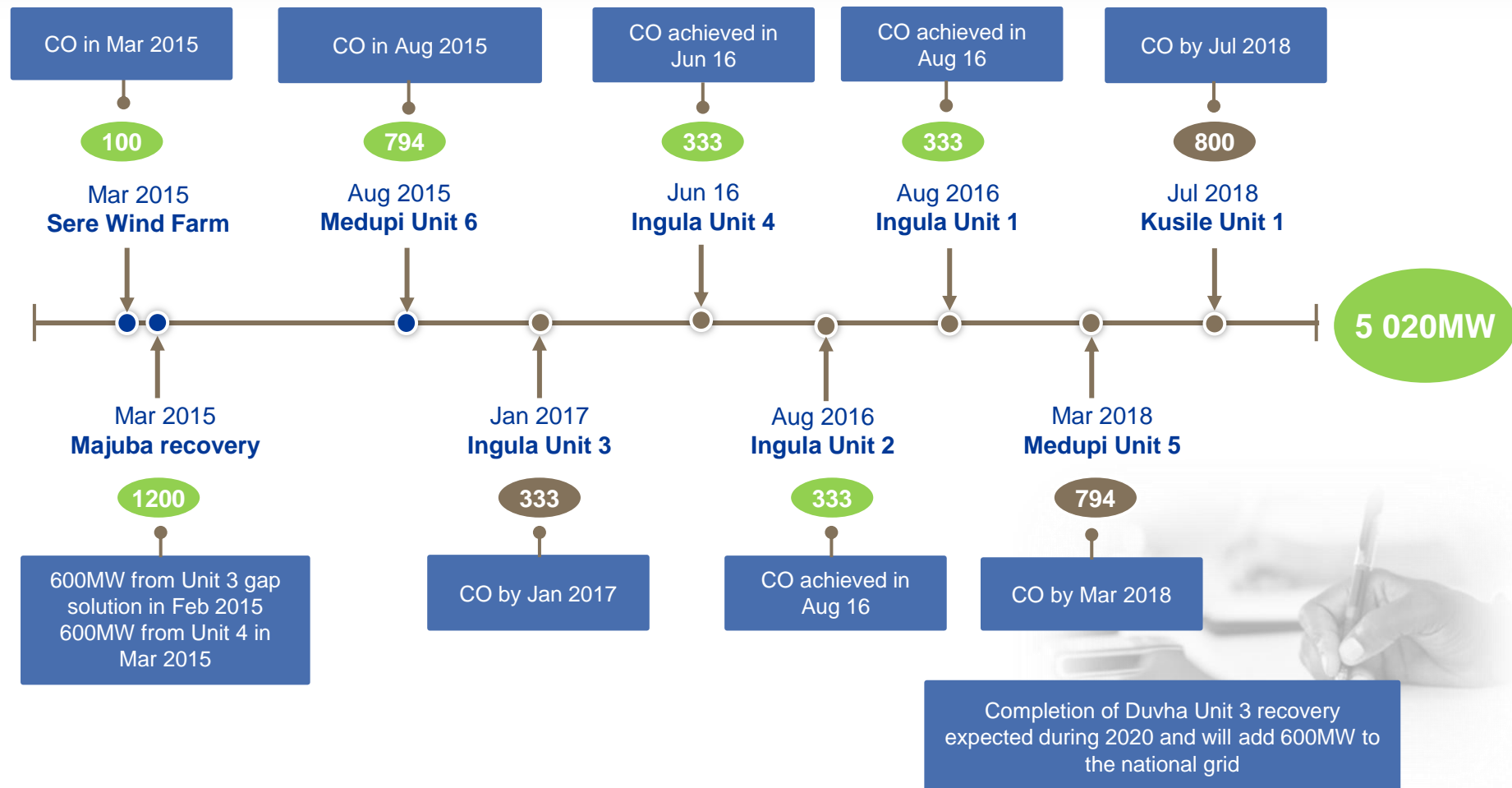
Ingula

- Units 2 and 1 were synchronised on 21 May and 16 June 2016 respectively, ahead of the P80 schedule. Unit 4 was commissioned on 10 June 2016, adding 333MW to the national grid
- Ingula Unit 3 was synchronised on 3 March 2016. However, during the commissioning and optimisation of the unit by the contractor, an unfortunate incident occurred on 6 April 2016, when the unit faulted and was damaged. Repairs on the unit are progressing well; the unit is on track for commercial operation as planned by the end of the financial year

We remain focused on bringing new capacity online

P80 dates

CO = Commercial Operation



Update on Tegeta

- Prepayment **queries have been addressed** however **additional information** has been **requested**, which **Eskom** is busy **compiling**, on all **coal quality tests** done from 10 June 2014 to 31 March 2015

National Treasury Review of Contracts

- National Treasury has issues a number of procurement guidelines where **SOC's are required to provide information and obtain approval prior to placing contracts** and for **deviation** from existing contracts

RCA Court Case Ruling

- There are a **number of instances** where the **judge in our view clearly erred**.
- With respect, the **judgment is poorly reasoned** and **open to a number of attacks on appeal** which is being **carefully considered by Eskom's legal team** on appeal.

Futuregrowth

- **Awaiting FGA feedback** wrt to NDA and the associated questions they would like to have addressed, following engagements on 1 & 15 September 2016

The decision of the High Court has been considered to:

- Determine what options are available to Eskom
- Determine the impact on Eskom liquidity and contingency plans to address the potential liquidity gap

**Nersa
awarded
Eskom for
RCA 2013/14
R11bn,
9.4%**

1. Implement court decision

RCA 2013/14 – cash at risk R11bn

- Decision is set aside, and remitted to NERSA
- NERSA reviews decision and either upholds R11bn decision or decides to lower RCA amount or make zero
- Any adjustment to revenue will be adjusted in 2017/18 price increases – no impact on liquidity for 2016/17

RCA 2014/15 and RCA 2015/16 – cash at risk +- R20bn x2

- Both RCAs will face same arguments for appeal
- Decision is all future RCAs – the court order is dated 16 August 2016
- Does the order apply retrospectively or going forward
- Eskom can request condonation for the quarterly reports
- NERSA would need to provide reasons for approving condonation and then process the applications

2. Appeal decision

RCA 2013/14 , RCA 2014/15 and RCA 2015/16

- NERSA appeals decision , supported with an Eskom appeal
- Effectively suspends the decision on 16 August 2016
- Eskom and NERSA continue with RCA implementation
- Awaits the appeal decision, which will take not less than 6 months
- Stakeholders will challenge process of the other two RCA's on the same weakness as the 2013/14 RCA

Eskom's response

- Eskom has submitted quarterly reports since September 2015 and will submit the outstanding quarterly reports for MPYD3 by 24 August
- Support NERSA in their appeal process
- Devised liquidity response plan for the worst case scenario to provide additional liquidity of R50bn
- Submit MYPD4 by 1 April 2017 to mitigate and possibility recover any amounts not recovered via RCA process.

Strategic Objectives

- Increase the energy availability factor ("EAF") from 70% to 80% by FY20/21
- Deliver the New Build programme (Ingula March 2017 / Medupi May 2020 / Kusile by September 2022)
- Drive cost containment effort (primary energy, manpower and other external spend)
- Ensure regulatory and legal compliance
- Deliver on the South African Government's strategic objectives (transformation, IPPs and other key initiatives targets)
- Continually improve performance in the short term
- Ensure revenue certainty through regulatory mechanism (RCA) and preparation for the tariff period starting 1 April 2018 (MYPD4)
- Stretch the balance sheet in the short term, while establishing long term stability

Key Drivers

Revenues

- Submit early MYPD4 by applying for a 3-year determination and a further 2-year indication
- Target price increase of c. 10–13% p.a. over last two years of MYPD3 and 13–19% during first three years of MYPD4

Opex

- Optimise manpower costs through headcount reductions
- Reduce external spend on major commodities by at least 10%
- Ensure primary energy cost escalation is no higher than 8–12% for own production

Capex

| | |
|---|---------------|
| Future Fuel (coal and nuclear) | R12.3bn |
| Transmission (strengthening and refurbishments) | R27.6bn |
| Distribution (IPP connections, refurbishments, electrification) | R36.0bn |
| Generation (outage, technical plans) | R64.9bn |
| GCD new build programme completion | R155.6bn |
| Total capex spend FY17-FY21 | R339bn |

Design-to-Cost forecast to deliver strong EBITDA growth of 27% p.a. until FY21, driven by strong cost containment efforts

Income statement

R bn, FY16 - FY26

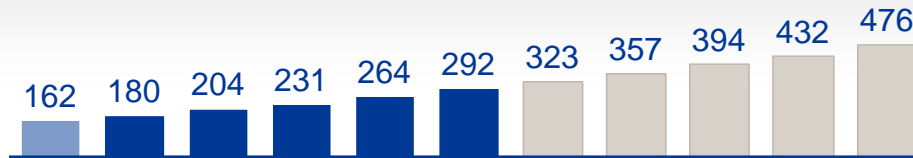
CAGR

FY16-21

FY21-26



Revenue



12,6%

10,2%

Primary energy expense



9,8%

7,1%

Operating Cost



8,1%

6,7%

EBITDA



27,4%

17,4%

Net Profit After Tax



24,7%

81,5%

FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23 FY24 FY25 FY26

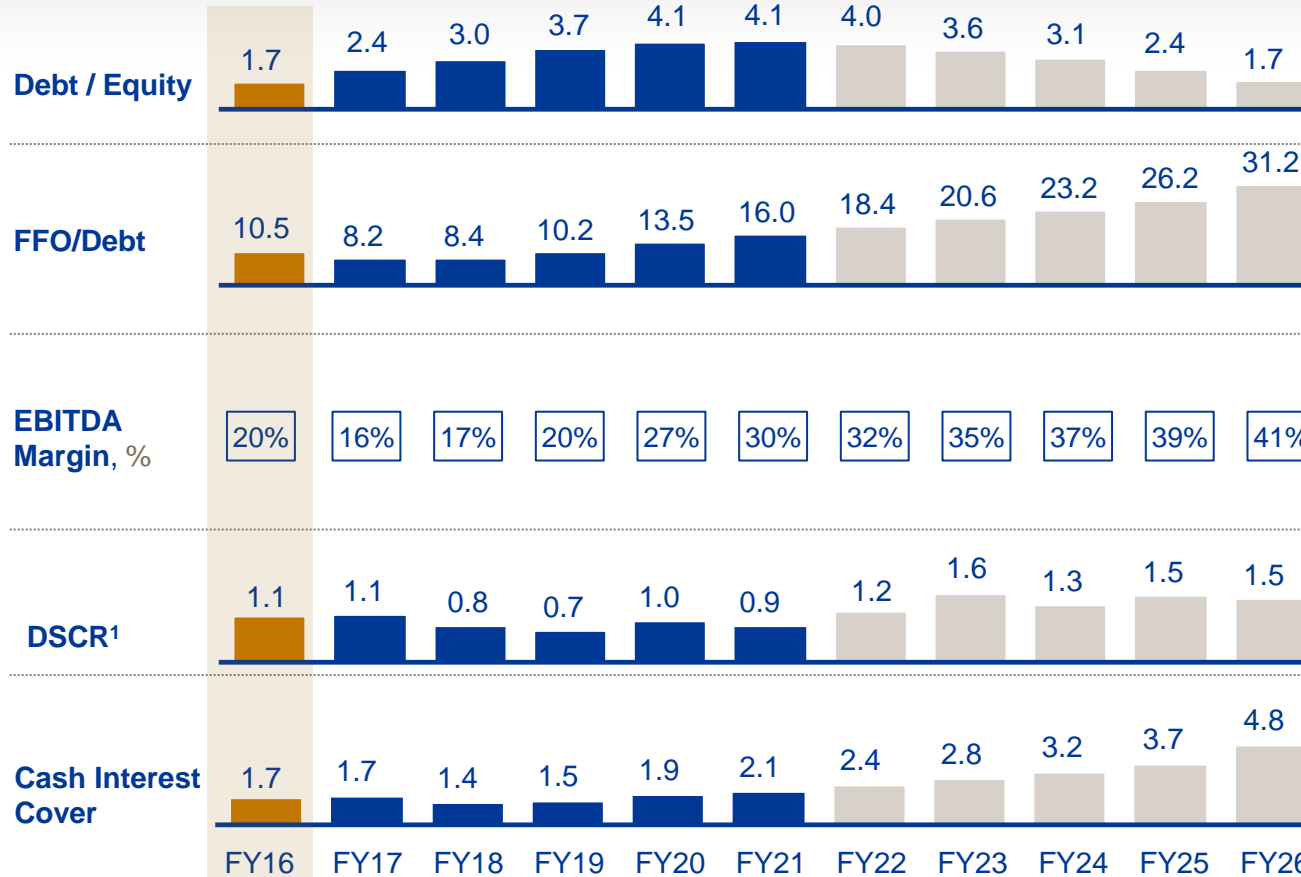
Key drivers

- Successful outcome of RCAs
- Delivery of maintenance within budget, an additional R1,8 bn p.a.
- Impact from Primary Energy, Manpower and Commercial savings programme

Plan will deliver improvement in financial ratios over the 10-year period

Key Ratios

%, 2016 – 2026, R bn

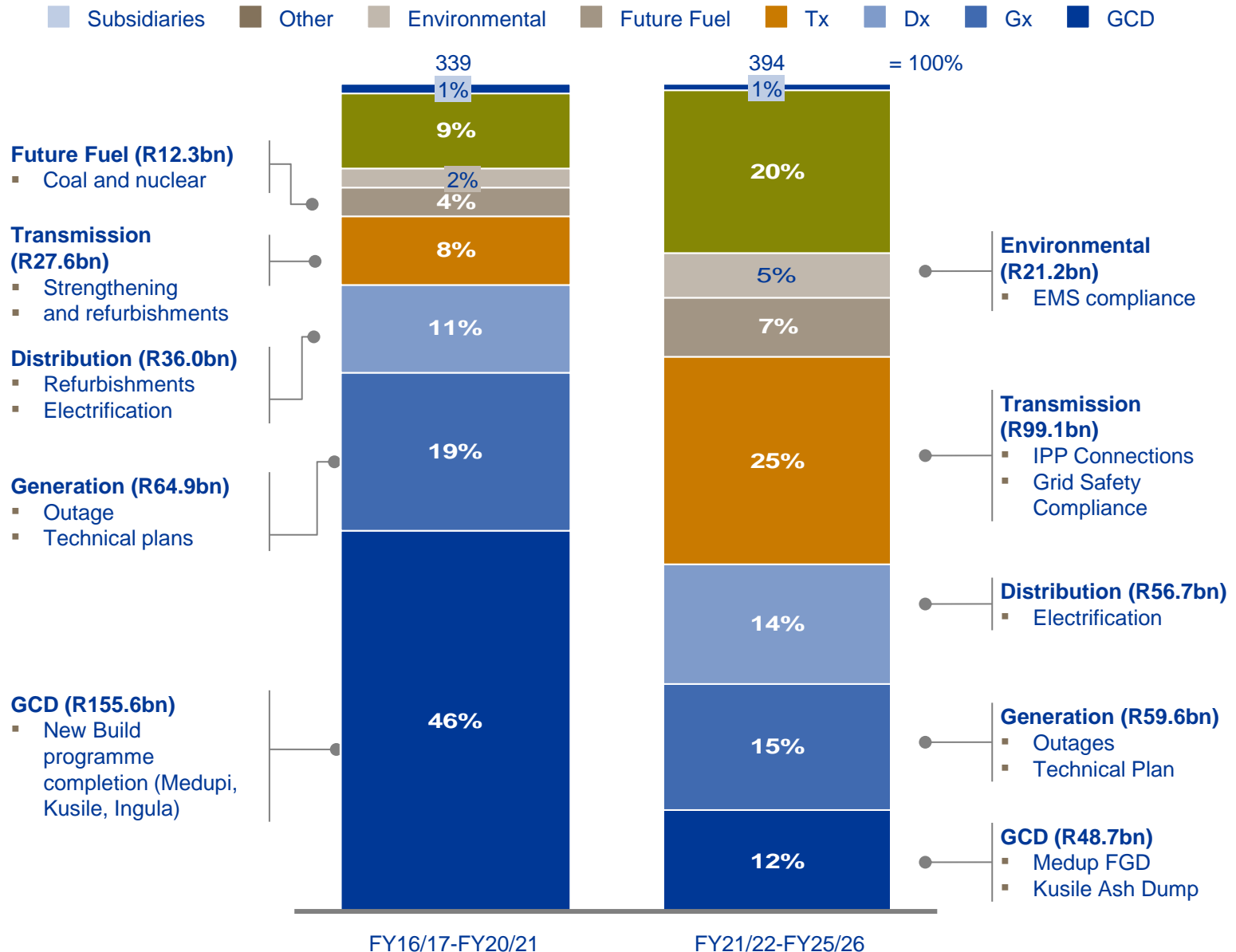


- Key to delivering the forecast ratios is ensuring CAPEX over the period is phased:
 - Eskom can sustain CAPEX of R339 bn in the first 5 years and R394 bn in the last 5 years

¹Debt Service Coverage Ratio

Group capital expenditure per division

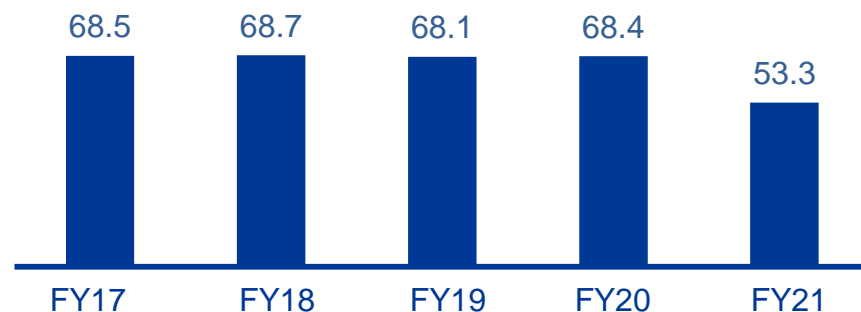
R Billion, Percentage of Spend, FY16/17-FY25/26



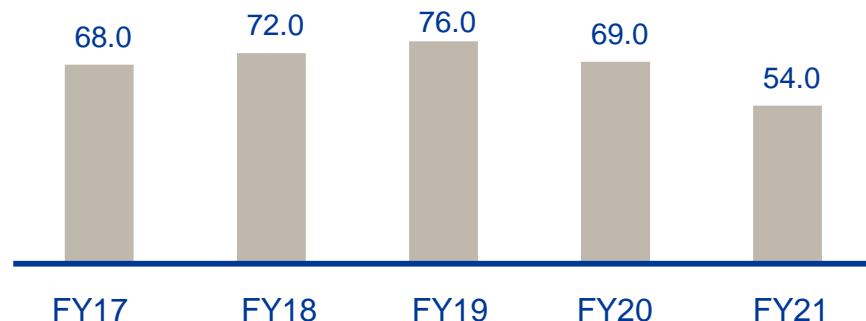
Funding and capital plan to deliver the Design-to-Cost over the next 5 years

R bn

Funding
required



Capex



Key principles

- Increases in costs above inflation require business case
- Alternative funding models for new capacity and business
- Overall CAPEX has been defined to deliver target year end cash-flow and support improvement of key ratios

- Delivering the plan will **require R327bn of funding** over the next 5 years and **capital spend will total R339bn** over the next 5 years
- Eskom **funding levels are considered healthy**, based on expected long term cash improvement

Eskom's funding plan – FY2016/17-2020/21



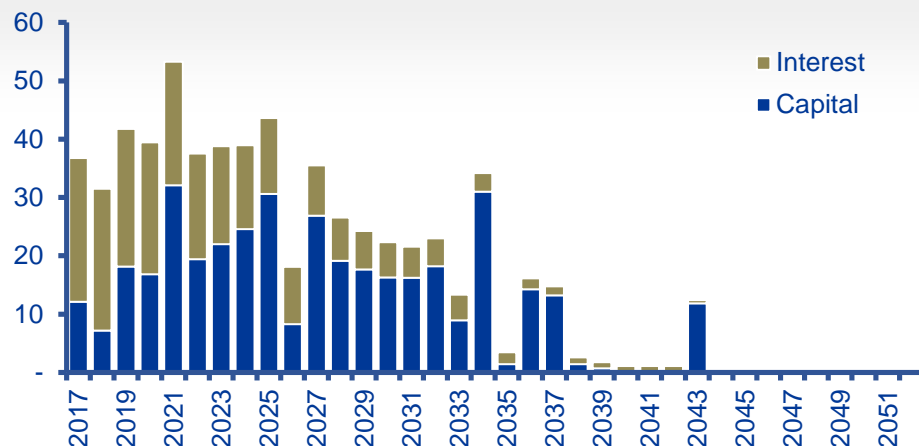
To date Eskom has secured 75% of the required funding for FY2016/17

| | FY16/17 | FY17/18 | FY18/19 | FY19/20 | FY20/21 | Total |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Committed and Signed | | | | | | |
| DFI Financing | 29 216 | 11 418 | 14 930 | 7 103 | 0 | 62 667 |
| ECA Financing | 7 307 | 2 265 | 5 161 | 1 847 | 0 | 16 580 |
| Structured Products | 1 750 | 2 214 | 2 930 | 3 472 | 3 312 | 13 678 |
| CPBS | 2 000 | 0 | 0 | 0 | 0 | 2 000 |
| Domestic Bonds | 11 388 | 0 | 0 | 0 | 0 | 11 388 |
| Total: Committed and Signed | 51 661 | 15 897 | 23 021 | 12 422 | 3 312 | 106 313 |
| | 75% | 23% | 34% | 18% | 6% | 32% |
| Signed Documentation | | | | | | |
| Domestic Bonds | 5 773 | 8 000 | 8 000 | 8 500 | 10 000 | 40 273 |
| International Bonds GMTN | 0 | 5 500 | 7 000 | 12 000 | 0 | 24 500 |
| CPBs | 4 000 | 6 000 | 7 500 | 8 500 | 10000 | 36 000 |
| Total Signed | 9 773 | 19 500 | 22 500 | 29 000 | 20 000 | 100 773 |
| | 14% | 28% | 33% | 42% | 38% | 31% |
| Currently under Negotiation | | | | | | |
| DFI Financing | 6 000 | 30 020 | 20 000 | 25 500 | 0 | 81 520 |
| ECA Financing | 1 373 | 3 263 | 2 613 | 1 428 | 0 | 8 677 |
| Structured Products | 0 | 0 | 0 | 0 | 30000 | 30 000 |
| Total Under Negotiation | 7 373 | 33 283 | 22 613 | 26 928 | 30 000 | 120 197 |
| | 11% | 48% | 33% | 39% | 56% | 37% |
| Total | 68 808 | 68 680 | 68 134 | 68 350 | 53 312 | 327 284 |

Funding plan considers current debt maturity profile and level of Government Guarantee utilisation

Strategic and Trading Portfolio

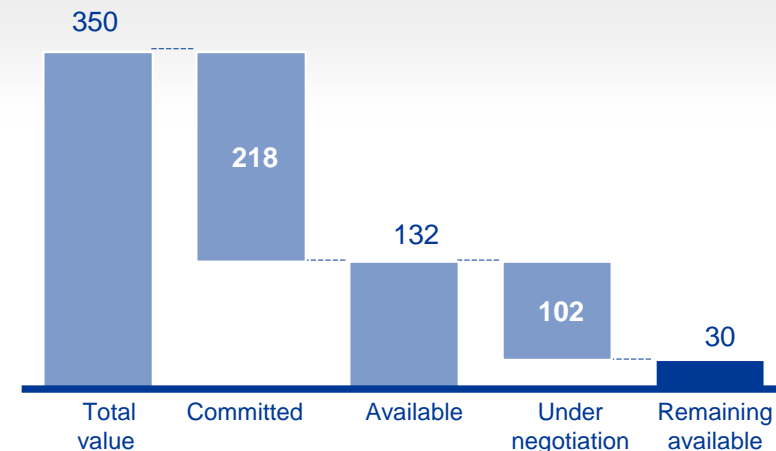
Nominal and Interest Cashflows (including Swaps) as at 31 March 2016



- Eskom's **current debt maturity profile** of the R315 bn total debt extends **to 2043** with frequent maturities occurring in 2017 through to 2043
- Maturities consist of the various local and international funding sources
- In line with the Borrowing Programme, **longer term funding is required** to support the near term debt maturities and alleviate debt repayment pressure

Eskom Government Guarantee Utilisation

R bn as at 31 March 2016



- Currently **committed guarantees include the R150bn** DMTN programme, and **R67,5bn committed** to existing DFIs
- Amount approved for guarantee utilisation includes **transactions under negotiation** that require Guarantees to secure the funding
- Eskom will **continue to leverage** its available government guarantees to maximise funding options

End