



The following commentary provides an overview of the Eskom group's financial and operational performance for the six months ended 30 September 2025, as well as progress on other key matters. It follows the integrated report for the year ended 31 March 2025, which was released on 30 September 2025. Developments after the end of the period to 28 November 2025, being the date of approval by the Board, have been discussed where relevant.

The financial results have not been audited or reviewed by the external auditors.

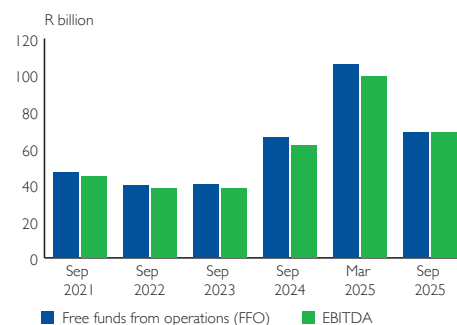
This commentary accompanies the consolidated interim group financial statements, which are available at [www.eskom.co.za/investors/integrated-results/](http://www.eskom.co.za/investors/integrated-results/)

## PERFORMANCE HIGHLIGHTS

- Profit after tax of R24.3 billion (September 2024: R17.8 billion)
- Lost-time injury rate improved significantly to 0.17 (September 2024: 0.29), but regrettably, Eskom recorded one employee and two contractor fatalities during the period (September 2024: one employee and one contractor fatality)
- 62.41% generation plant availability stable (September 2024: 62.94%)
- Only four days loadshedding implemented during the period (26 hours in total and 36GWh estimated lost due to loadshedding), with no loadshedding since 15 May 2025
- Achieved commercial operation of Kusile Unit 6 (799MW installed capacity)
- Medupi Unit 4 returned to service after extended repairs (720MW nominal capacity)
- Transmission network reliability stable, with system minutes lost <1 of 2.32 minutes (September 2024: 2.39)
- 146.3km of additional transmission lines installed and 1 500MVA transformers commissioned (September 2024: 75.8km and 200MVA)
- 28 756 new electrification connections (September 2024: 48 417) and 131 790 smart meters installed (September 2024: 48 417)

## FINANCIAL PERFORMANCE FINANCIAL RESULTS FOR THE PERIOD

The Eskom group recorded an improvement in financial performance compared to the prior year: EBITDA grew by 11% to R68.5 billion (September 2024: R61.7 billion), profit before tax increased by 41% to R32.5 billion (September 2024: R23 billion), while profit after tax increased by 37% to R24.3 billion (September 2024: R17.8 billion).



Revenue grew by 4% to R191.3 billion (September 2024: R183.7 billion), driven by a 12.74% regulatory standard tariff increase from 1 April 2025. While not fully addressing the inadequacy of tariffs, the higher tariff for the year is assisting to migrate the tariff path to more appropriate levels, positively impacting our financial sustainability. The higher tariff will also lessen the burden on the taxpayer by reducing the need for debt relief support from Government once Eskom is financially sustainable on a standalone basis.

The tariff increase was counteracted by a 3% reduction in sales volumes to 92.8TWh (September 2024: 95.7TWh). Local sales declined by 3% to 86TWh (September 2024: 89.2TWh), while international sales increased by 4% to 6.8TWh (September 2024: 6.5TWh).

Local sales volumes were most affected by ferrochrome customers in the industrial sector, which experienced unplanned plant breakdowns or halted production and took smelters offline for maintenance due to poor market conditions. The increase in embedded self-generation – mainly through rooftop solar installations across many sectors – continues to drive a decline in sales volumes. We estimate that more than 7.3GW of behind-the-meter rooftop solar capacity has been installed in South Africa.

Demand from international customers increased as drought conditions reduced power available to the region from other sources, and Eskom's stable generation performance assisted in meeting the higher demand. Consumption on a non-firm basis by Eswatini, Lesotho and Zambia increased year-on-year. Firm power supply agreements for additional capacity were concluded with Botswana and Namibia from 1 April 2025, whereas supply to Zimbabwe has been terminated due to non-payment. Botswana has recently concluded a payment arrangement with the National Transmission Company South Africa SOC Ltd (NTCSA) following challenges in settling its account.

Sales volumes remain suppressed due to the continued impact of theft through illegal connections, meter tampering and the use of illegal electricity tokens on prepaid meters. These losses, which are recognised as non-technical losses, continue to have a detrimental impact on sales volumes and revenue, despite improving due to targeted interventions over the past year. The volume lost is estimated at 7.9TWh (around 8% of sales volumes) for the period (September 2024: 8.7TWh), which equates to an estimated R17.5 billion in lost revenue using the average electricity price (September 2024: R17.7 billion).

Regrettably, the non-payment of municipal and metro accounts continues to constrain our finances, despite interventions under the municipal debt relief programme. R9.5 billion (around 5% of revenue) could not be recognised as revenue in accordance with IFRS® Accounting Standards, due to the high risk of non-collectability from customers (September 2024: R7.9 billion).

Primary energy costs declined by 1% to R78.4 billion (September 2024: R79.3 billion), with lower spend on international purchases due to supply constraints at Hidroelétrica de Cahora Bassa in Mozambique given regional drought conditions, and marginally lower spend on independent power producers (IPPs). These factors were offset by higher coal usage costs due to inflationary contractual increases as well as more extensive use of open-cycle gas turbines (OCGTs) year-on-year to support the power system owing to higher planned maintenance and slightly higher generation plant unavailability.

Spend on Eskom-owned and IPP OCGTs combined increased by 6% to R6.5 billion to produce 1TWh (September 2024: R6.1 billion to produce 0.9TWh). This includes fuel costs, storage and demurrage charges, as well as maintenance costs in the case of IPP OCGTs, but excludes the impact of fuel levy rebates for comparability. Under our record-keeping arrangement with the South African Revenue Service (SARS), R1 billion in fuel levy rebates has been recorded for the period (September 2024: nil).

Employee benefit costs increased by 6% to R21.6 billion (September 2024: R20.4 billion). Headcount increased by 3% year-on-year due to the appointment of core and critical skills in Generation and Eskom Rotek Industries. Further contributing to the year-on-year increase were remuneration adjustments of 7% on average granted to bargaining unit and managerial level employees, coupled with higher overtime costs, particularly in Generation. Furthermore, income differential adjustments were implemented at the end of FY2025, and production bonuses were awarded to eligible employees based on achievement of power station or business unit operational performance targets during the period.

Repairs and maintenance expenditure increased by 8% to R16.1 billion (September 2024: R14.8 billion) mainly due to Generation conducting extensive unplanned maintenance to address several plant performance challenges, in addition to planned maintenance under the Generation Recovery Plan.

Net finance costs reduced by 14% to R15.3 billion for the period (September 2024: R17.8 billion) due to lower interest rates and lower levels of debt securities and borrowings. The average cost of debt has decreased to 9.92% (September 2024: 10.92%) following trends in global interest rates. Gross debt securities and borrowings (excluding the shareholder loan) declined to R362.7 billion (March 2025: R372.7 billion) due to the strengthening of the Rand, which had a positive impact on the carrying value of foreign-denominated borrowings.

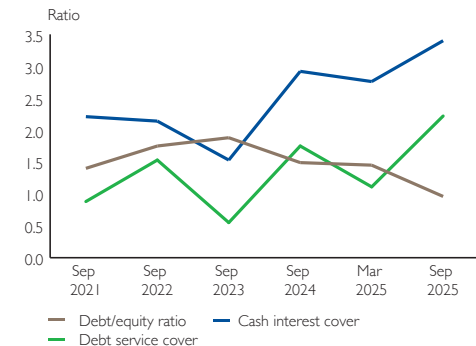
Cash and cash equivalents have remained stable at R63.9 billion at 30 September 2025 (March 2025: R63.8 billion). Sufficient liquidity is vital to service debt obligations, execute our capital expenditure programme and set aside funding for long-term decommissioning provisions.

Most of the group's financial ratios have improved, with further improvement in debt service cover anticipated by year end. The EBITDA margin has also improved to 35.83% (September 2024: 33.56%) on the back of higher tariffs, coupled with cost pressures easing following improved operational performance.

### DEBT RELIEF AND FUNDING

Debt servicing outflows of interest and capital amounted to R22.8 billion for the period (September 2024: R27.3 billion). Drawdowns from development finance institutions (DFIs) amounted to R0.3 billion during the period (September 2024: R5.5 billion).

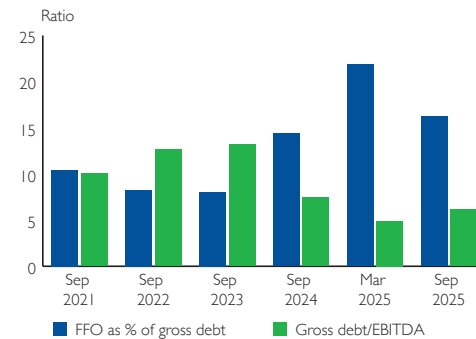
Given our improved financial performance and liquidity position, no debt relief support was required to meet these obligations during the period under review (September 2024: R8 billion). Although initially treated as an interest-bearing subordinated shareholder loan, all debt relief amounts received to the end of FY2025 (including the R56 billion shown as a shareholder loan at 31 March 2025) have been



approved for conversion to equity by the Minister of Finance, based on compliance with the strategic conditions attached thereto. The related shares have also been issued.

Under the amendment to the debt relief package early in FY2026, a total of R80 billion in support is expected to be received in the fourth quarter of FY2026. The amount will be used for FY2026 debt servicing and to settle the ES26 domestic bond which matures in early April 2026. Thereafter, a final amount of R10 billion is due in FY2029, to assist with the redemption of the EL28 domestic bond in May 2028. We also expect to draw down R4.2 billion from existing DFIs and export credit agencies (ECAs) in FY2026, based on the execution of projects linked to these facilities.

The debt servicing profile, based on existing debt at 30 September 2025 and excluding incremental borrowings, remains high over both the short and long term. Debt repayments and interest payments of around R191.2 billion and R103.4 billion respectively are due until the end of FY2030. The balance of the debt relief from Government will assist us in meeting these obligations. Following that, we still have sizeable redemption obligations which will have to be serviced using cash from operations and incremental borrowings.



## OPERATIONAL PERFORMANCE

### PEOPLE AND SAFETY

We remain committed to strengthening occupational health and safety practices in line with our core value of Zero Harm. The lost-time injury rate of 0.17 has shown significant improvement (September 2024: 0.29). Sadly, Eskom recorded one employee and two contractor fatalities during the period (September 2024: one employee and one contractor). Our heartfelt condolences go to the affected families, friends and colleagues. The loss of any life in Eskom's service is unacceptable and must be prevented. Every fatality is investigated to identify the root causes and implement corrective actions and prevent a recurrence.

Group headcount increased to 42 547 employees at the end of the period (September 2024: 41 459). The increase is primarily due to the appointment of core and critical skills in Generation and Eskom Rotek Industries.

Racial equity at senior management level improved significantly to 82.57% (September 2024: 80%), while racial equity at professional and management level also increased to 87.60% (September 2024: 86.09%). Gender equity at senior management level increased marginally to 42.36% (September 2024: 42.29%) and improved to 43.83% at professional and middle management level (September 2024: 42.57%). Nevertheless, gender representation at technical and leadership levels remains a concern. Disability equity at group level has improved to 3.21% (September 2024: 2.96%), exceeding the national target of 2%. Targeted interventions are being executed to accelerate transformation across all occupational levels and promote inclusive workplace practices that support both retention and cohesion.

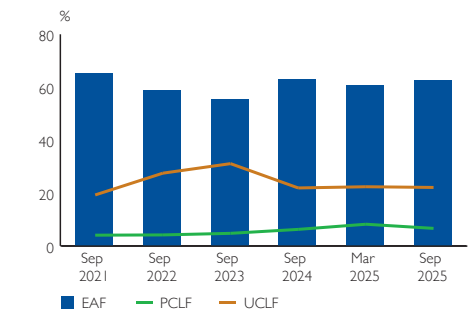
### SYSTEM AND GENERATION PERFORMANCE

Stage 2 loadshedding was required over evening peak on four days in April and May 2025 (September 2024: none) for 26 hours in total, with an estimated 36GWh lost due to loadshedding. Since then, we have achieved 187 consecutive days without loadshedding by 28 November 2025. During the period, average unplanned unavailability of around 12 200MW was lower than the base-case assumption of 13 000MW for the Winter Outlook (September 2024: around 12 100MW). Although Eskom and IPP OCGTs had to

be utilised to support the power system and mitigate against the risk of loadshedding, OCGT use was limited mostly to morning and evening peaks.

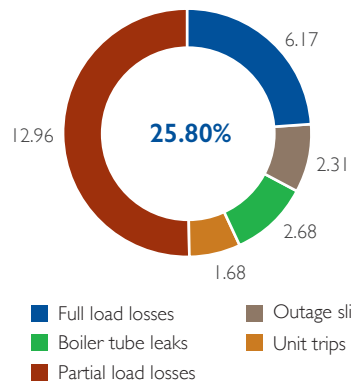
Driven by the 2.9TWh reduction in sales volumes discussed earlier, Eskom generation also had to be cut back to 95.7TWh (September 2024: 97.2TWh). Power imports decreased to 1.8TWh (September 2024: 4.4TWh) due to lower production from Cahora Bassa because of the drought in the region as well as faults and outages reducing output. IPP production declined to 9TWh (September 2024: 9.2TWh), primarily due to curtailment of renewable energy which comes at a cost given the take-or-pay nature of IPP contracts. The curtailment is necessitated when renewable energy is oversupplied during instances of lower demand, either at night, when wind energy is at its highest or during the daytime, when behind-the-meter solar PV generation reduces demand and solar IPP generation has to be curtailed. Encouragingly, overall energy losses reduced to 13.2TWh (September 2024: 14.4TWh) due to our interventions aimed at reducing non-technical energy losses (electricity theft).

Generation plant availability (EAF) for the period was 62.41% (September 2024: 62.94%) and did not meet the half-year shareholder compact target of 65%. The slight year-on-year decrease in EAF is due to an increase in both planned maintenance (PCLF) to 11.29% (September 2024: 10.93%) as part of the Generation Recovery Plan, and unplanned losses (UCLF) to 25.80% (September 2024: 25.62%). Other losses outside of management control remained low at 0.50% (September 2024: 0.51%). Coal-fired stations recorded an average energy utilisation factor (EUF) of 85.96% for the period (September 2024: 89.71%), with EUF over 85% at all 14 coal-fired stations.



The return of Medupi Unit 4 to service a month later than expected contributed to the higher UCLF during the period. Extended inoperability at Matla Unit 6 and Arnot Unit 2 further contributed to the higher UCLF. Other factors contributing to the higher UCLF include higher average partial load losses during the period, together with deteriorating performance on outage slips and post-philosophy outage performance. Unit trips and boiler tube failures decreased slightly year-on-year.

#### Contribution to UCLF, %



Kusile Unit 6 was successfully synchronised to the grid in March 2025, and achieved commercial operation on 29 September 2025, adding 799MW of installed base-load capacity to the grid (and 720MW nominal capacity). The Kusile project remains on schedule for completion early in FY2028.

Medupi Unit 4 was out of service since August 2021 due to a generator explosion. The unit was returned to operation on 6 July 2025 using a second-hand stator, reinstating 720MW of nominal base-load capacity to the grid. This successful return strengthens Eskom's base-load capacity and supports national energy security, in line with our operational stability objectives.

At 30 September 2025, only one station had coal stock below its individual minimum stockholding level (September 2024: one station). Furthermore, all power stations remained above the stock levels required by NERSA's Grid code. This is attributable to successful implementation of targeted recovery plans. Normalised coal stock of 47 days (excluding coal stock at Medupi) also improved as a result (September 2024: 42 days). Load losses outside of management control related to coal quality contributed 0.41% OCLF during the period (September 2024: 0.34%), with most losses still recorded at Matla.

Koeberg Unit 1 was taken offline for a planned refuelling outage on 17 February 2025, which was 10 days later than the initial plan to accommodate high electricity demand. The unit's return to service date was delayed due to rework and unanticipated defects. The unit was synchronised to the grid on 29 October 2025 after refuelling and replacement of the steam generators, thereby boosting Eskom's base-load capacity and improving EAF performance.

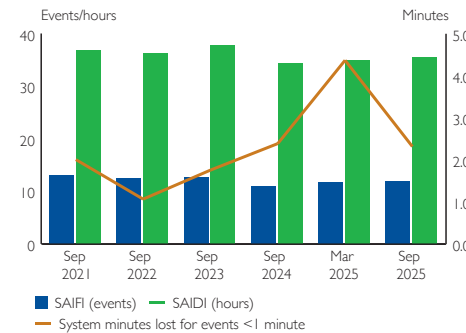
Koeberg Unit 2 continues to operate at full load since being synchronised to the grid on 11 March 2025 following a reactor trip. On 6 November 2025, the National Nuclear Regulator (NNR) approved a 20-year licence extension for Unit 2, allowing it to continue operating until 2045 and strengthening South Africa's future energy security. This milestone follows Koeberg's rigorous long-term operation programme, which included safety assessments, engineering upgrades and system modernisation to ensure that Koeberg continues to meet the highest international nuclear standards while meeting regional energy needs. The next outage on Unit 2 is expected to commence by March 2026.

As part of the NNR's licence requirements, we have set aside funds to ensure that sufficient financial resources will be available to fund Koeberg's decommissioning costs once it reaches the end of its useful life. To date, we have set aside R2.8 billion (including interest) in this regard (September 2024: R2.5 billion).

## NETWORK PERFORMANCE

Transmission system minutes performance at 2.32 minutes lost remained stable (September 2024: 2.39), despite two major incidents being recorded during the period (September 2024: two).

Transmission lines installed of 146.3km (September 2024: 75.8km) and transformer capacity installed and commissioned of 1 500MVA (September 2024: 200MVA) both increased year-on-year to meet the ambitious goals under the Transmission Development Plan (TDP). The focus remains on accelerating project development and execution, to deliver 1 987km of high-voltage transmission lines and 13 910MVA transmission transformer capacity to connect capacity of around 17 000MW by the end of FY2032.



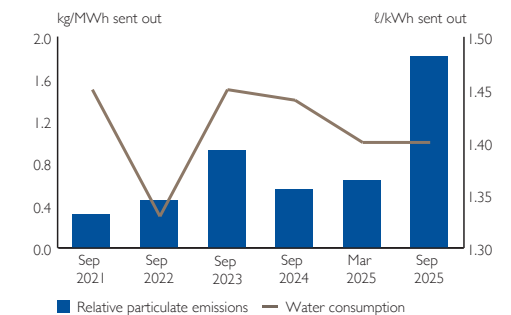
Distribution network performance deteriorated slightly year-on-year, with system average interruption frequency (SAIFI) deteriorating to 11.9 events during the period (September 2024: 11 events) and system average interruption duration worsening to 35.4 hours (September 2024: 34.3 hours). Distribution energy losses at 10.08% – due to illegal connections, meter tampering as well as illegal vending – has shown marked improvement due to targeted interventions (September 2024: 10.42%), although losses continue to have a significant financial and operational impact.

Despite the stabilisation of the power system, local load reduction measures remain necessary in certain of Eskom's areas of supply during periods of peak demand to ensure public safety and to safeguard our distribution network against equipment failure due to overloading caused by illegal connections. We are taking active steps to eliminate load reduction by March 2027 through the deployment of smart meters enabling advanced online monitoring and management of demand at customer level. This will be coupled with the rollout of distributed energy resources such as microgrids to bolster supply in remote and high-demand areas. These initiatives will benefit approximately 1.69 million customers in Gauteng, Limpopo, Mpumalanga and KwaZulu-Natal.

## ENVIRONMENTAL PERFORMANCE

Relative particulate emission performance of 1.81kg/MWh sent out has deteriorated significantly since the previous year (September 2024: 0.55kg/MWh sent out), driven by underperformance at Kendal, Matimba, Lethabo and Kriel. The main causes were poor electrostatic precipitator performance, SO<sub>3</sub> plant failures as well as challenges with dust handling and ash plant.

To improve emission performance, stations will continue to drive implementation of the remaining Minimum Emission Standard (MES) retrofit projects. Additionally, stations have identified key actions to improve emission performance, particularly the optimisation of completed emission upgrades, the recovery of the dust handling plant, and management of the complete ashing cycle, with key aspects being tracked under the Generation Recovery Plan.



Water performance has improved slightly to 1.40ℓ/kWh sent out (September 2024: 1.44ℓ/kWh sent out). Nine water-related legal contravention incidents have been registered during the reporting period due to non-compliance with the National Water Act, 1998 (September 2024: 11).

Focused monitoring of the effective implementation of water management action plans, both at power station level and by the Generation Environmental Compliance Steering Committee, have resulted in a slight improvement in water performance. Power stations remain focused on fixing leaks during opportunity maintenance and outages, as well as by dredging dams, preventing excessive ash and oil entering the dams, and ensuring availability of pumps to recover water from the dams for reuse.

### SOCIETAL IMPACT

Procurement spend with B-BBEE compliant suppliers remains high at 90.67% (September 2024: 92.06%), with procurement equity improving across all designated groups compared to the prior year. Despite this, spend with certain categories of suppliers remains below targeted levels. We await publication of the National Treasury's accompanying regulations for the Public Procurement Act, 2024, which will act as enabler to effectively drive transformation objectives.

We completed 28 756 connections using grant funding under Government's electrification programme (September 2024: 48 417). We also committed corporate social investment spend of R62.96 million during the period, assisting 32 249 beneficiaries (September 2024: R55.70 million to 327 888 beneficiaries).

### OTHER KEY DEVELOPMENTS BOARD AND EXECUTIVE CHANGES

The Minister of Electricity and Energy, Eskom's shareholder representative, extended the three-year term of the independent non-executive directors of the Eskom Board by two months to 30 November 2025 to allow sufficient time for the appointment of the incoming Board.

On 16 October 2025, Cabinet gave approval for the Minister to appoint seven candidates to the Eskom Board, with four current Board members being approved for reappointment. Mr Mteto Nyati will remain in his role as Chairman of the Board, with his three-year term concluding at the end of October 2026. Furthermore, Mr Dan Marokane (Group Chief Executive) and Mr Calib Cassim (Group Chief Financial Officer) will remain as executive directors.

The following candidates will join the Eskom Board:

- Dr Andrew Barendse
- Dr Kgaugelo Chiloane
- Ms Sharmila Govind
- Dr Dimakatso Matshoga
- Mr Tshokolo Nchocho
- Dr Vuyo Peach
- Ms Bajabulile Tshabalala

The following Board members have been reappointed to ensure continuity:

- Mr Lwazi Goqwana
- Mr Clive le Roux
- Dr Tsakani Mthombeni
- Dr Busisiwe Vilakazi

The following Board members will step down when their term concludes on 30 November 2025:

- Ms Fathima Gany
- Ms Ayanda Mafuleka
- Mr Leslie Mkhabela
- Mr Bheki Ntshalintshali
- Ms Tryphosa Ramano
- Dr Claudelle von Eck

Ms Bajabulile Tshabalala will take over as lead independent director from Mr Leslie Mkhabela.



After 23 years' service, Mr Calib Cassim has indicated that he will be retiring from his role as CFO and he intends exiting the organisation in October 2026 when he reaches the age of 55. The period before his scheduled departure will afford Eskom an opportunity to appoint a replacement and ensure a smooth transition. He will step down as executive director once a new CFO has been appointed.

Mr Segomoco Scheppers, former Group Executive: Transmission, served as the interim CEO of NTCSA since the subsidiary commenced trading from 1 July 2024. His secondment to NTCSA concluded on 31 July 2025 and he will retire in December 2025.

Mr Monde Bala, Group Executive: Distribution, was seconded to the role of interim CEO of NTCSA from 1 August 2025. He was subsequently appointed as CEO of NTCSA effective 1 October 2025. Following this change, Ms Agnes Mlambo was appointed as acting Group Executive: Distribution from 1 August 2025.

### TRANSFORMING ESKOM AND THE ELECTRICITY SUPPLY INDUSTRY UNBUNDLING ESKOM

Eskom's Evolution Unbundling Programme is facilitating the legal separation of Eskom into three distinct entities, aligned to Government's Roadmap for Eskom in a Reformed Electricity Supply Industry (Roadmap) issued in October 2019. To date, the functional separation of all three business units has been successfully completed. With NTCSA having achieved legal separation and commenced trading in July 2024, the next step is to legally separate the distribution and generation businesses.

The progression of the programme has revealed several insights impacting its status and future direction. These include learnings from NTCSA's legal separation, the promulgation of the Electricity Regulation Amendment Act (ERAA) and clarity from the shareholder on the preferred legislative route for the establishment of a new holdings

company (NewCo). Other factors influencing the way forward include publication of the draft market code, ongoing engagements on the electricity distribution industry reforms and the further escalation in municipal arrear debt.

In response, Eskom undertook a review of its unbundling strategy, with Board approval in July 2025. The Minister of Electricity and Energy provided in-principle approval of the refined strategy in September 2025, subject to the shareholder's formal governance process.

The Board-approved final structure for an unbundled Eskom will comprise a new holding company (by October 2029) with four subsidiaries (in addition to existing subsidiaries): GenerationCo, NTCSA, the National Electricity Distribution Company of South Africa (NEDCSA) and Eskom Green.

Provided that Distribution can attain financial sustainability by January 2030, NEDCSA will be able to separate by 1 April 2030.

Additionally, a new and independent transmission system operator (TSO) will be established outside the Eskom group to carry out the functions of the TSO as set out in the ERAA. These are:

- *Transmitter:* Develop and execute the Transmission Development Plan, maintain and operate the transmission grid, and provide non-discriminatory access to that grid to all market participants
- *System Operator:* Operate the integrated power system and balance supply and demand in real time
- *Market Operator:* Establish and manage a transparent, non-discriminatory electricity trading platform in compliance with market codes and rules issued by NERSA, to ensure competitive trading between generators, traders and customers
- *Central Purchasing Agency:* Act as buyer of electricity from generators, including Eskom (through GenerationCo and Eskom Green) and IPPs, and facilitate power purchase agreements
- *Other duties:* Support ancillary services such as frequency control and voltage regulation to maintain system reliability

Our Integrated Unbundling Plan, which reflects these developments and considers relevant stakeholder inputs, will guide our activities and interactions with stakeholders, including lenders, organised labour and market participants.

As reported previously, Eskom and African Bank concluded all agreements relating to the sale of the loan book of Eskom Finance Company (EFC) and its interests in Nqaba Finance, with a commencement date of 31 March 2025, with the associated assets and liabilities classified as held-for-sale in the group's financial statements. The required PFMA approvals have been secured, and the Competition Tribunal approved the transaction on 30 September 2025. The final effective date of the transaction depends on Prudential Authority approval, which is awaited.

#### INVESTMENTS IN SUPPORT OF INDUSTRY REFORM

Eskom welcomes the finalisation of the Integrated Resource Plan (IRP) 2025, which establishes a balanced framework for energy security, affordability, environmental responsibility and economic inclusion. The IRP 2025 sets out a clear investment pathway and highlights the need for regulatory certainty to attract private capital. Eskom is committed to supporting the plan through continued operational improvements, investment in transmission infrastructure and maintaining reliable base-load generation. Eskom will undertake a detailed review of the IRP 2025 and will publish a formal response and updated strategic plan in due course.

NTCSA has identified two priority programmes to accelerate the delivery of transmission infrastructure to facilitate grid-connection of new generation capacity, primarily from renewables. These programmes entail the development of 19 projects for additional transformers in existing substations, which will unlock 12 485MW of new generation in the next five years, and 22 expedited projects that will unlock 22 386MW of grid connection capacity by FY2034.

Furthermore, the Department of Electricity and Energy (DEE) and National Treasury are leading Phase 1 of the Independent Transmission Project (ITP) Programme to explore alternate funding models that can be considered to encourage private sector participation in the acceleration of transmission infrastructure investments. To date, the request for qualification was released to the market on 30 July 2025, with 17 bids received. DEE's IPP Office is busy with the evaluation to determine the number of qualified bidders, with selected bidders expected to be announced by no later than 15 December 2025. Preparation of the request for proposal is underway to enable release to the pre-qualified bidders by the



end of FY2026. Beyond that, evaluation of tenders is expected late in FY2027, with construction start anticipated in FY2028.

#### EVOLUTION OF A COMPETITIVE ELECTRICITY MARKET

A key requirement of the Electricity Regulation Amendment Act, 2024 is the implementation of a competitive wholesale electricity market. The Market Operator has been established within NTCSA. A market operator licence application was approved by NTCSA's governance structures and submitted to NERSA in July 2025 with additional information NERSA had requested. Following public hearings in September 2025, NERSA awarded the market operator licence to NTCSA on 27 November 2025, marking an important step toward establishing a fair, competitive electricity market in South Africa.

A draft market code was developed and published for stakeholder comment. The Market Operator conducted 10 workshops during 2024 to engage with industry stakeholders on the market code (including government departments, Eskom, municipalities, consumers, IPPs and traders), with further consultation during August and September 2025.

The draft market code incorporates comments received from stakeholders and feedback from a legal due diligence. With the Market Operator now licensed, NTCSA will finalise the market code to establish a clear and stable rules framework for the operation of the future electricity market. The market code will be submitted to NERSA for consideration and approval after NERSA publishes the licence conditions and reason for decision.

The South African Wholesale Electricity Market (SAWEM) School has been operating since July 2025. Six training events have been successfully concluded, with a further eight events planned before the end of FY2026. These events are crucial to prepare role-players and market participants for the launch of the whole electricity market, originally expected to commence on 1 April 2026. Given the many risks and dependencies – including NERSA's award of the market operator licence and approval of the market code, together with finalisation of a wholesale tariff – it is expected that the wholesale market could be fully operational by October 2026. In the interim, an internal market is expected to be up and running by April 2026. It will involve Eskom Generation, Distribution and NTCSA, with trading results fully visible and transparent on the market platform.

The lack of a transparent, rules-based market providing a fair platform for competition poses a risk of Eskom losing a disproportionate share of paying customers to private generators and creates uncertainty for investors. This would increase the burden on the remaining customers, including those most vulnerable, and would exert further pressure on Eskom's sales, thereby jeopardising financial sustainability. To mitigate this risk, it is essential to intensify discussions on electricity market reforms and the future of the broader distribution industry. Eskom is proactively involved in shaping these market rules through the process led by NERSA.

#### ADDRESSING ARREAR MUNICIPAL DEBT

Non-payment of municipal debt continues to pose a systemic risk to the electricity industry and Eskom's financial sustainability. This stems from poor municipal financial management practices, including unsatisfactory revenue collection and inadequate credit control. Excessive electricity and water losses due to a lack of maintenance exacerbate the challenges faced by municipalities.

Despite 71 municipalities participating in the municipal debt relief programme, municipal arrear debt has increased to R105 billion by 30 September 2025 (September 2024: R90.1 billion). Over 85% of those municipalities are not meeting the requirement to settle their current accounts on time, with compliant municipalities accounting for only around 1% of the R58.5 billion arrear debt balance at 31 March 2023 ring-fenced for possible write-off.

In August 2025, National Treasury confirmed amendments to the debt relief conditions allowing municipalities to qualify for write-offs if they catch up on overdue payments after a 12-month cycle. Consequently, five municipalities that were facing termination from the programme now qualify for the first one-third debt write-off based on the amended conditions. To date, National Treasury has instructed Eskom to write-off one-third of the ring-fenced debt for 24 municipalities (totalling R4.2 billion) based on their compliance with the debt relief conditions for the first 12-month cycle.

We believe that more stringent measures are required to address the persistent municipal arrear debt challenge, which continues to undermine Government's efforts to fully resolve the national energy crisis and reform the electricity industry.

We have proposed alternate solutions for National Treasury to implement for defaulting municipalities. These include:

- Concluding distribution agency agreements (DAAs) where Eskom will act as agent to enhance electricity reticulation and distribution of electricity in municipal areas of supply and revenue collection by municipalities
- Obtaining an exemption to the Municipal Finance Management Act, 2003 (MFMA) which will allow municipal customers to pay Eskom directly
- Establishing prepaid or credit-limited electricity supply agreements between Eskom and defaulting municipalities
- Implementing interventions either to withhold equitable share payments to defaulting municipalities until they meet their obligations or to pay a portion of the equitable share directly to Eskom

The Minister of Finance announced in the Medium-Term Budget Policy Statement (MTBPS) on 12 November 2025 that defaulting municipalities will transition to DAAs as an interim measure, to stabilise municipal cash flows and improve municipal service delivery and financial discipline. Cabinet has supported the implementation of DAAs for defaulting municipalities. Under these agreements, Eskom will operate municipal electricity services temporarily and for a defined period, assist with collections from customers, and support initiatives to reduce energy losses and set appropriate tariffs. Measures will also be implemented to assist municipalities to raise revenue, including the rollout of smart meters.

National Treasury has indicated that this interim measure does not rule out stronger interventions where failures persist. Concurrently, National Treasury will undertake longer-term structural reforms in the local government fiscal framework.

If not addressed as a matter of urgency, escalating municipal arrear debt jeopardises Eskom's legal separation and could require an extension of the timelines for the legal separation of NEDCSA. At worst, it may result in continued reliance on financial support from Government beyond the debt relief period. We are encouraged by Government's response to our proposals, including the implementation of National Treasury's municipal reform programmes to stabilise municipal and metro service delivery, improve asset care and ring-fence related revenue.



We are also engaging at various intergovernmental platforms to address the sustainability challenges affecting municipalities and drive reform across the distribution industry.

#### ADDRESSING THE ELECTRICITY TARIFF PATH

The establishment of a predictable and reliable long-term tariff path and suitable tariff structures that balance customer affordability with Eskom's financial sustainability is another key priority to ensure the sustainability of the electricity industry. The Electricity Pricing Policy requires NERSA to publish a minimum 10-year price forecast to support market certainty and facilitate long-term planning. The absence of a tariff outlook beyond the three years of NERSA's latest multi-year price determination decision (MYPD 6) presents a significant risk to both Eskom and its customers, hindering financial planning over the longer term. With the support of the Minister of Electricity and Energy, we will engage with NERSA and other stakeholders on establishing a predictable long-term tariff outlook.

In June 2025, Eskom submitted a review application to the High Court to challenge NERSA's MYPD 6 decision, based on data input errors made by NERSA, incorrect application of the MYPD methodology and

non-compliance with a previous court order on the valuation of the regulatory asset base. In August 2025, NERSA agreed to a R54 billion settlement relating to our court review application, to be endorsed by a court order, initially scheduled for hearing on the unopposed roll of the High Court. The settlement would grant Eskom additional allowable revenue of R12 billion for FY2027 and R23 billion for FY2028, resulting in estimated standard tariff increases of 8.76% for FY2027 and 8.83% for FY2028. The recovery of the remaining R19 billion would still be determined by NERSA but was only expected from FY2029.

However, the not-for-profit civil rights organisation AfriForum filed an affidavit contesting aspects of the proposed settlement and was since joined by the Minerals Council South Africa; the matter could not proceed on the unopposed roll. Should the court not deliver a judgment in time to enable tabling of municipal tariffs by 15 March 2026 as required by the MFMA, the implementation of the additional revenue may need to be deferred to FY2028, which could have a knock-on effect on containing future tariff increases to single digits.

## MINIMUM EMISSION STANDARDS EXEMPTIONS

On 31 March 2025, the Minister of Forestry, Fisheries and the Environment (DFFE) granted Minimum Emission Standards (MES) exemptions for eight stations operating beyond 2030, namely Matla, Duvha, Tutuka, Kendal, Lethabo, Majuba, Matimba and Medupi. Eskom's engagement with DFFE to challenge aspects of the decision was unsuccessful. Consequently, Eskom submitted a High Court review application in September 2025 to review and set aside specific conditions of the decision, particularly the five-year exemption limit for six stations which hinders future planning by Eskom and our customers. The Centre for Environmental Rights has also initiated a separate review on the basis that the Minister's decision was unconstitutional, with Eskom being a respondent in the matter. Hearings on both applications are expected only in the 2026 calendar year.

In relation to the power stations that are to be decommissioned by 2030 – Hendrina, Grootvlei, Arnot, Camden and Kriel – our request for suspension of the MES limits was granted. The decision allows these stations to continue operating at emission levels achievable using the already installed emission reduction technologies.

While the court process unfolds, we are committed to complying with all exemption conditions, making progress on both general and station-specific requirements, despite tight timelines and delays in some areas.

## SUSTAINING THE MOMENTUM

Eskom's financial performance in the first half of the year tends to be better than the second half, with the winter period typically characterised by higher tariffs and sales volumes than the summer period. In addition, to ensure adequate supply to sustain the increased demand in winter; less maintenance is performed in winter than in summer. Given this seasonality, we face financial pressure in the second half of the financial year.

Eskom's long-term profitability and sufficient liquidity levels remain dependent on an adequate long-term tariff path that balances Eskom's financial sustainability with customer affordability; curbing the growth in municipal arrear debt; containing controllable cost increases to appropriate levels; reducing finance costs by deleveraging the balance sheet; and addressing the impact of crime, fraud and corruption. This cannot be

achieved without the continued focus on improving plant performance to enable reliable electricity supply to customers while limiting OCGT use.

Eskom remains committed to consistently reducing the need for loadshedding by improving our own generation reliability through the recently launched Generation Operational Reliability and Sustainability Plan which builds on existing plans to integrate people, plant and process interventions, supported by international utility partnerships and enhanced governance structures. To this end, the unplanned unavailability provision for the scenarios under the Summer Outlook (covering the period from 1 September 2025 to 31 March 2026) shows no loadshedding up to levels of unplanned unavailability of 15 000MW, supporting our aspiration of achieving 66% EAF by the end of FY2026.

The progress Eskom is making with its turnaround plan gives potential investors more reasons to invest in South Africa and, in turn, create jobs and prosperity. The concrete and ongoing delivery of the turnaround plan has boosted business confidence, with credit rating agencies and banks stating that Eskom's performance recovery is a key contributor towards positive sentiments regarding South Africa's prospects of achieving an average of 1.8% GDP growth over the medium term. As noted in the MTBPS, South Africa's growth prospects depend on a sustained operational recovery at Eskom and ongoing reforms to restructure the sector and overcome distribution constraints.

Based on the latest estimate, the profit after tax for FY2026 is expected to be at a level similar to the prior year (March 2025: R16 billion), together with a projected improvement in Eskom's cash position. This demonstrates that our results for FY2025 were not a once-off achievement and that our progress in turning around operational and financial performance, supported by Government and stakeholder collaboration, is positioning Eskom for a sustainable future.

Significant progress has been made in addressing external audit findings, with around 91% of findings raised since FY2021 being reported by management as closed. Around three-quarters of the remaining open findings relate to FY2024, owing to the late finalisation of the FY2024 audit which allowed insufficient time to address the issues raised before

commencement of the FY2025 audit. Ongoing focus on stability, reform and robust governance remains essential to secure recent gains, address residual challenges and advance Eskom's resilience and sustainability agenda. We continue to strive toward an unqualified audit opinion and publishing our annual results within legislated timeframes to rebuild stakeholder confidence in governance and financial reporting systems.

On 14 November 2025, South Africa received its first credit rating upgrade in two decades, with S&P acknowledging South Africa's improving growth and fiscal trajectory, alongside the impact of Eskom's improved performance and anticipated reduction in reliance on Government support. On 24 November 2025, S&P also upgraded Eskom's foreign and local currency long-term credit ratings from B to B+ with a stable outlook. Even though our creditworthiness will continue to benefit from Government's support over the remainder of the debt relief period, we aim to reach investment grade status on a standalone basis (without further Government support or guarantees) in the longer term to strengthen Eskom's investment case.

Stabilising our financial position and holding the necessary cash balances is essential for providing the financial headroom for strategic planning and execution. This will facilitate investment in generation plant and network maintenance, emission reduction projects, and network expansion to improve grid reliability and increase grid connection capacity. These investments are critical to support sustainable operational performance, enable the energy transition and ensure security of supply as we continue to build Eskom's future investment case as a resilient and forward-looking utility with a skilled and experienced workforce that meets the evolving needs of our stakeholders.

The delivery against our strategy demonstrates that Eskom is sustainable and investable. We are well-positioned to attract capital to support South Africa's infrastructure development, thereby playing a leading role in shaping the competitive and resilient electricity supply industry of the future.

We remain grateful for the efforts of all our stakeholders to advance progress on our strategic initiatives to recover performance and prepare Eskom for the future, including the outgoing Eskom Board,

the Minister of Electricity and Energy, NECOM and Government, for the collaborative effort in addressing the country's electricity challenges. With the support of the incoming Board, we will continue to focus on recovering generation performance to levels expected by our shareholder and the country; rolling out new distribution products; aggressively driving our renewable energy business; strengthening governance, internal controls and consequence management; all while combatting crime, fraud and corruption. In addition, we need to future proof the organisation to enable energy security, growth and long-term sustainability for the benefit of South Africa and sub-Saharan Africa.

## FORWARD-LOOKING STATEMENTS

Certain statements in this commentary regarding Eskom's business operations may constitute forward-looking statements. These include all statements other than statements of historical fact, including those regarding the financial position, business strategy, management plans and objectives for future operations.

Forward-looking statements constitute current expectations based on reasonable assumptions, data or methods that may be imprecise and/or incorrect and that may be incapable of being realised. As such, they are not intended to be a guarantee of future results. Actual results could differ materially from those projected in any forward-looking statements due to various events, risks, uncertainties and other factors. Eskom neither intends nor assumes any obligation to update or revise any forward-looking statements contained in this commentary, whether as a result of new information, future events or otherwise.