



Umgeni Water 2016/17 Annual report

27 February 2018

Provide bulk water and sanitation services
to improve quality of life and enhance
sustainable economic development

Chief Executive's Report



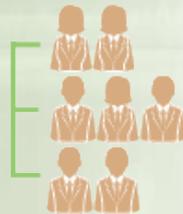
Once again, excellent drinking water quality was provided to customers and communities, meeting the relevant SANS 241 standard at all seventeen (17) treatment works."

**THAMI HLONGWA CA(SA)
ACTING CHIEF EXECUTIVE**

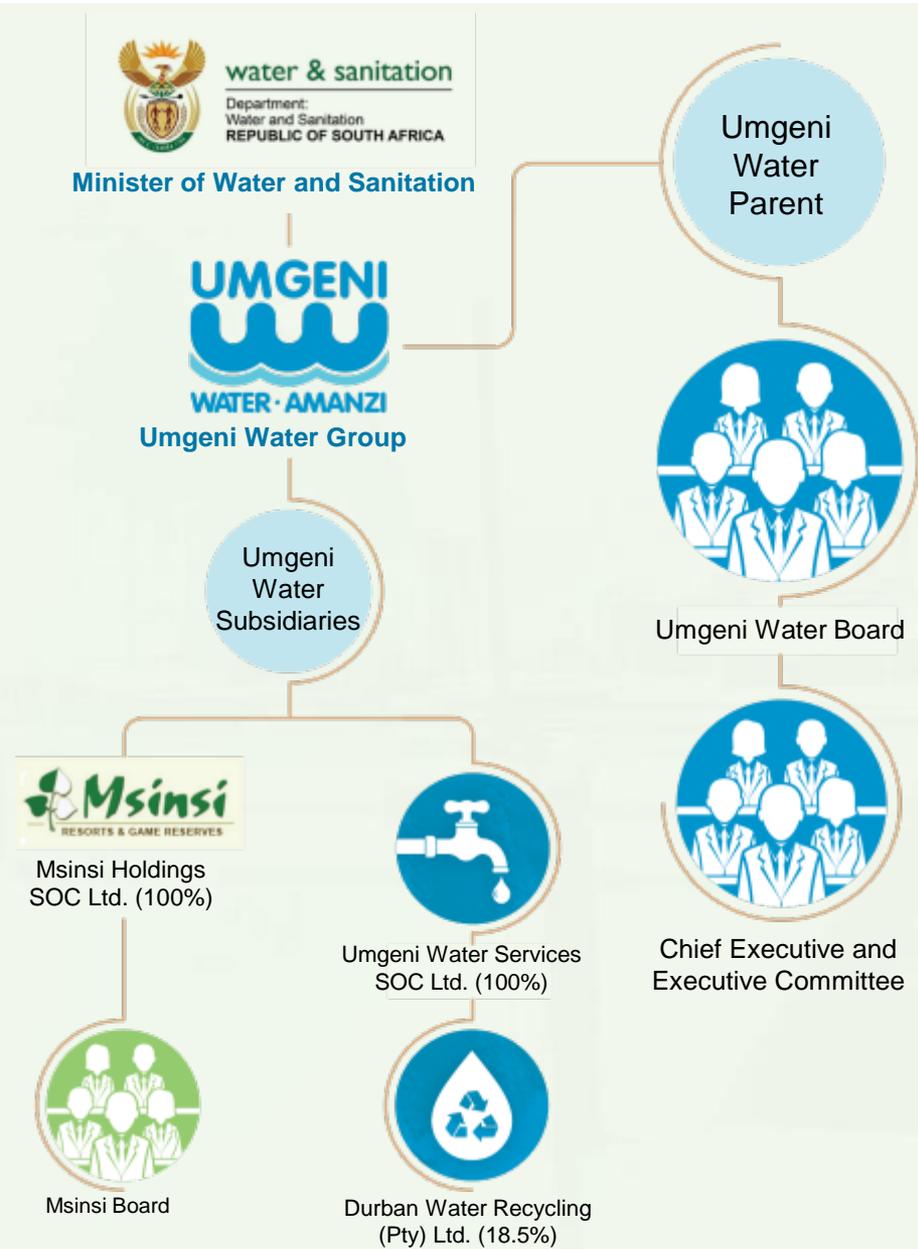
Structure of Umgeni Water

1 150

UMGENI
WATER

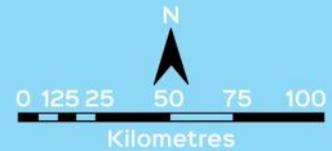


Group employees





Umgeni Water Operational Area



Indian Ocean

Umgeni Water Strategy

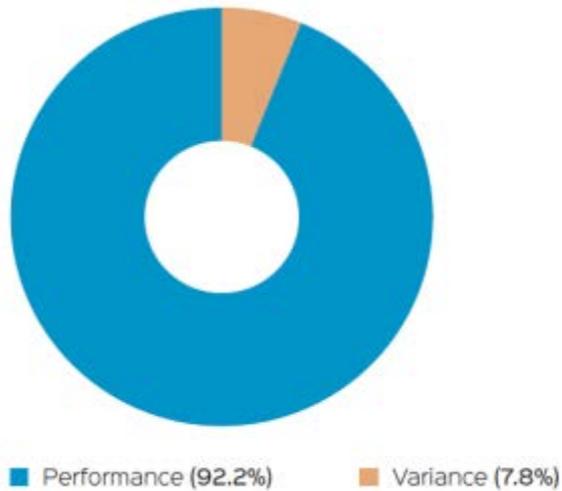
Umgeni Water's strategy comprises four (4) goals and ten (10) long-term sustainability outcomes.

The strategy map succinctly illustrates the manner in which sustainable value is created through integrating nine (9) strategic objectives through four (4) balanced scorecard perspectives in support of the mission and mandate.



Performance 2016/2017

Overall Performance



Five-Year Performance



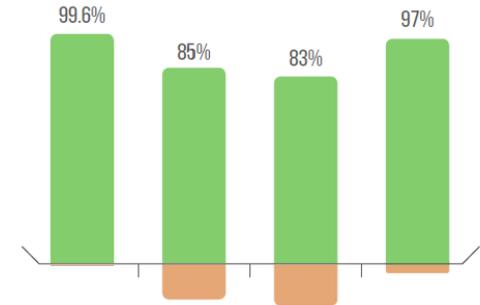
Performance 2016/2017

Strategic Objectives



| | SO 1 | SO 2 | SO 3 | SO 4 | SO 5 | SO 6 | SO 7 | SO 8 | SO 9 |
|----------|--------|-------|--------|--------|--------|--------|-------|-------|--------|
| Achieved | 100.0% | 99.6% | 100.0% | 82.7% | 75.0% | 82.8% | 91.3% | 97.7% | 100.0% |
| Variance | 0.0% | -0.4% | 0.0% | -17.3% | -25.0% | -17.2% | -8.7% | -2.3% | 0.0% |

Strategic Goals



| | Goal 1 | Goal 2 | Goal 3 | Goal 4 |
|-------------|--------|--------|--------|--------|
| Performance | 99.6% | 85% | 83% | 97% |
| Variance | -0.4% | -15% | -17% | -3% |

Long Term Goals



Strategic Goal 1: Develop strategic partnerships, increase support to customers, improve visibility and be a regional leader in the provision of bulk water and sanitation services. **(99.8% performance)**

Strategic Goal 2: Expand and improve funding collaborations whilst managing key cost drivers. **(85% performance)**

Strategic Goal 3: Remove system constraints and blockages through innovative thinking and improve efficiency of all inputs. **(83% performance)**

Strategic Goal 4: Strengthen and develop quality human resources, infrastructure capacity and water resources sustainability to support growth. **(97% performance)**

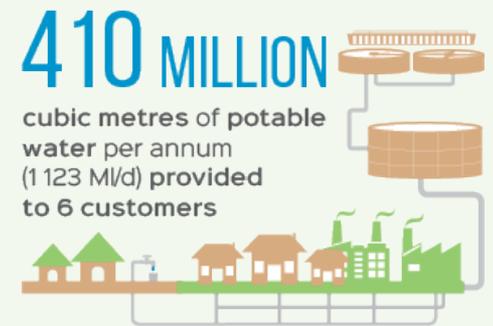
Product Quality (Water and Wastewater)



Once again excellent drinking water quality was provided to customers and communities, meeting the relevant SANS 241 standard at all seventeen (17) treatment works.

Wastewater quality discharges met the target standards set for eight (8) of the nine (9) treatment works. The Darvill Wastewater Treatment Works capacity upgrade project was significantly advanced during this reporting period and will be completed in 2018, leading to improvements in the quality of treated wastewater.

Investment in maintenance of water and wastewater treatment assets totalled R190 million in the past year. Maintenance investment has been consistent over the past five years, with 7.6% of revenue or 2.45% of Property, Plant and Equipment spent in the past year, thereby continuing to assure that no major assets pose a risk to Umgeni Water.



Customer Satisfaction

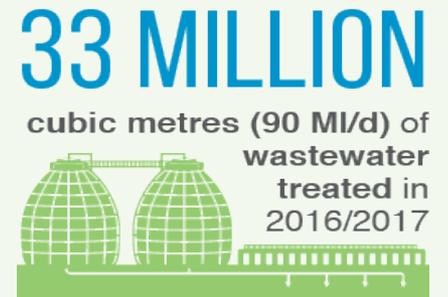


This financial year under review coincided with a prolonged drought period that required curtailment in supply volumes to customers and in turn end users.

Bulk potable water treated and supplied totalled 410 million cubic metres (1123 MI/d) for the year, a 6% decrease from the prior year (436 million cubic metres in 2016), attributable to the water supply restrictions imposed.

Bulk wastewater treated increased by 7%, from 31 to 33 million cubic metres per annum (90 MI/d).

Constructive meetings were held with major customers regarding performance against existing bulk supply agreements, water assurance levels for growth and development, infrastructure refurbishments, new schemes development and future tariffs



Stakeholder Understanding and Support



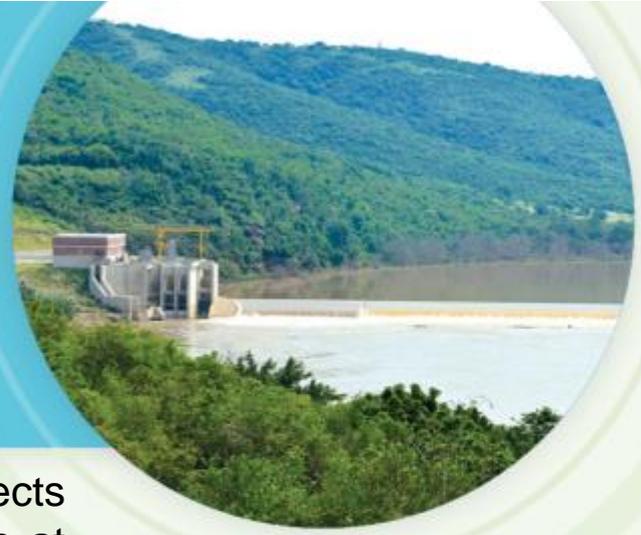
All stakeholder engagement plans were successfully met in the year and straddled the full spectrum of stakeholders.

Umgeni Water remains closely aligned to the agenda of government and engaged with the Minister and Department of Water and Sanitation, amongst others, on multiple occasions in the year for policy development, strategy alignment and statutory reporting purposes.

Facilitation of drought-related joint operating committee sessions incorporating municipalities, the Department of Water and Sanitation and the Department of Cooperative Governance and Traditional Affairs (CoGTA) continued during this period. Initiatives implemented through these engagements resulted in more judicious water management and savings measures that extended the duration of available supplies and successfully mitigated the risk of total system failure.

**R857
MILLION** 
spent on maintenance
over the past five years

Infrastructure Stability



During this reporting period sixteen (16) strategic projects targeting five (5) water service authority customers were at various stages of planning, design and construction.

These comprised nine (9) bulk water supply scheme projects, three (3) pipeline projects, three (3) wastewater treatment works projects and one (1) water treatment works project.

Spend performance for the year was R1.16 billion. Of this, R503 million (43%) went towards projects for rural development.

Overall, 72% of target water infrastructure project milestones were met for these strategic projects. Details of target customers and infrastructure projects during the reporting period follow

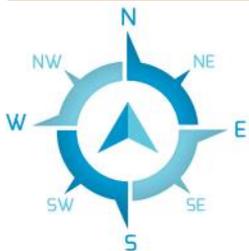


72%
of target water
infrastructure project
milestones were met

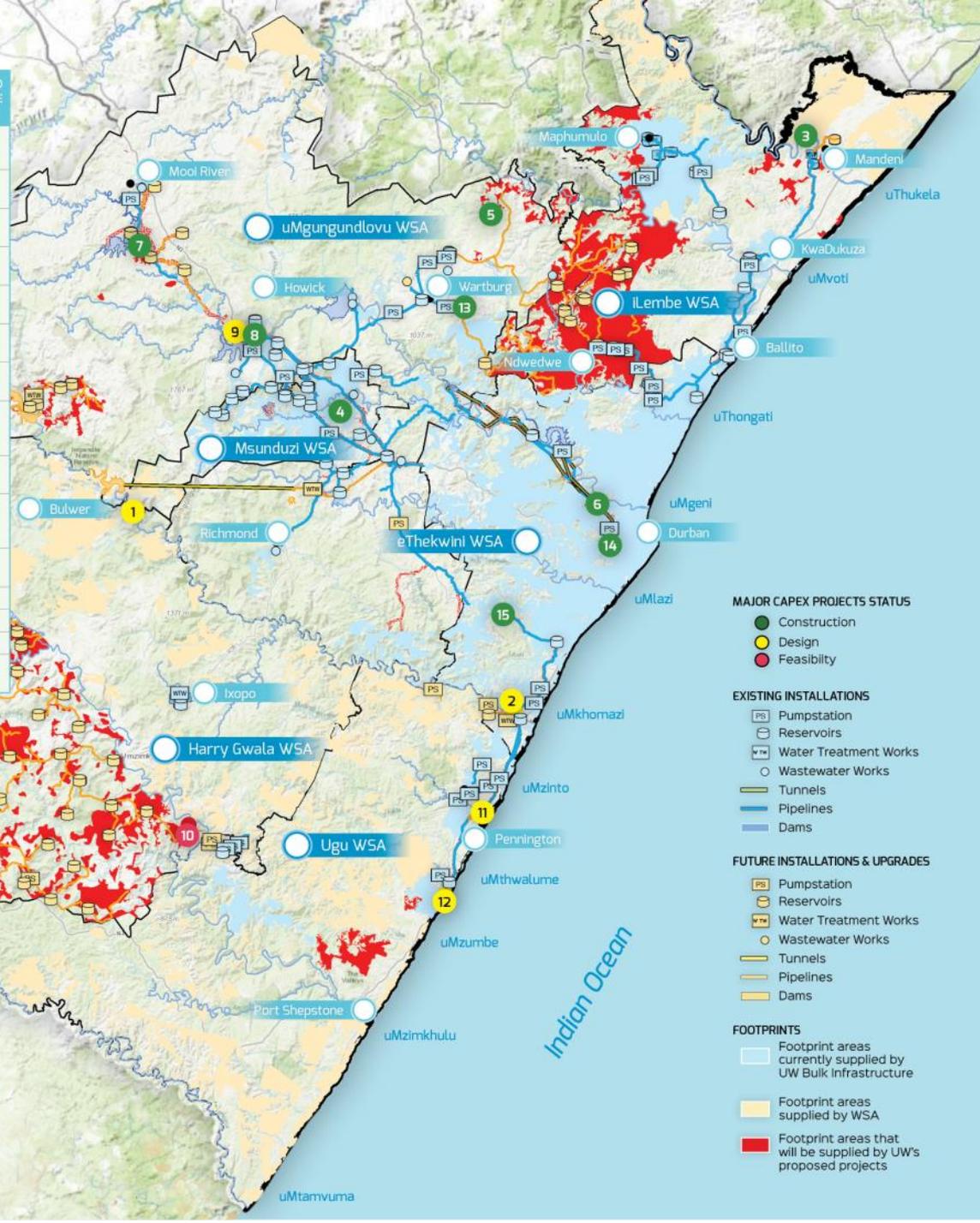
| | PROJECT NAME | OBJECTIVE | MAJOR CUSTOMER | TOTAL PROJECT (Rm) | IMPLEMENTED AS AT 30 JUNE 2017 (Rm) |
|----|--|-------------------|---|--------------------|-------------------------------------|
| 1 | Mkhomazi Bulk Water Supply | Augmentation | eThekweni MM uMgungundlovu DM | 5 679 | 7 |
| 2 | Lower uMkhomazi Bulk Water Supply Scheme | Rural Development | eThekweni MM, Ugu DM | 2 894 | 7 |
| 3 | Lower Thukela BWSS Phase 1 | Rural Development | iLembe DM | 1 546 | 1 525 |
| 4 | Darvill Wastewater Treatment Works Upgrade | Upgrade | Msunduzi LM | 961 | 839 |
| 5 | uMshwathi Bulk Water Supply Scheme (Wartburg Phases 1 - 3) | Rural Development | uMgungundlovu DM, iLembe DM | 896 | 802 |
| 6 | Durban Heights WTW - Various Projects | Upgrade | eThekweni MM | 841 | 219 |
| 7 | Greater Mpfana Bulk Water Supply Scheme Phase 1 | Rural Development | uMgungundlovu DM | 795 | 276 |
| 8 | Midmar WTW Upgrade (250-375Ml/d) - New Raw Water Pipeline and Pump Station | Augmentation | uMgungundlovu DM, eThekweni MM and Msunduzi LM | 468 | 308 |
| 9 | Mpophomeni Wastewater Treatment Works | Expansion | uMgungundlovu DM | 381 | 13 |
| 10 | Mhlabatshane Sub-Regional Scheme Phase 2 - Mzimkhulu River Abstraction | Rural Development | Ugu DM | 291 | 7 |
| 11 | South Coast Phase 2b Kelso to Umdoni | Expansion | Ugu DM | 239 | 2 |
| 12 | Elysium Desalination Plant | Augmentation | Ugu DM | 232 | 1 |
| 13 | Wartburg to Bruyns Hill Pipeline | Augmentation | uMgungundlovu DM | 136 | 45 |
| 14 | Wiggins WTW - Various Projects | Upgrade | eThekweni MM | 122 | 41 |
| 15 | Nungwane Raw Water Aqueduct (450dia x 18km) | Rehabilitation | Ugu DM and eThekweni DM | 113 | 35 |

R1 163 MILLION

total CAPEX Spend (Parent), of which R503 million went towards projects for rural development



Umgeni Water Infrastructure Map



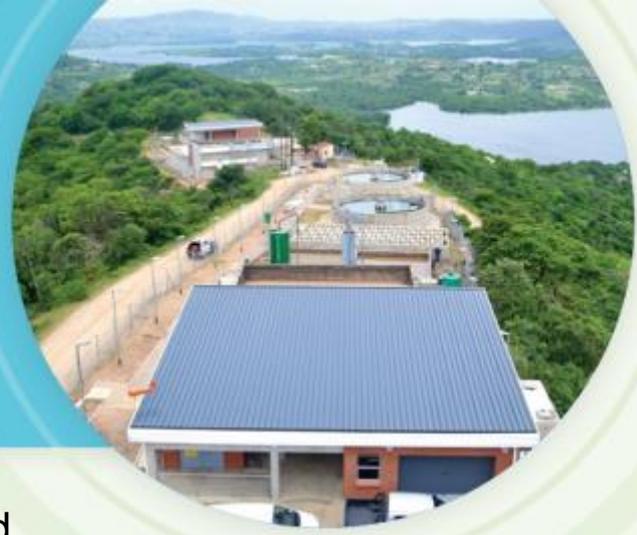
- MAJOR CAPEX PROJECTS STATUS**
- Construction
 - Design
 - Feasibility

- EXISTING INSTALLATIONS**
- PS Pumpstation
 - R Reservoirs
 - WTW Water Treatment Works
 - W Wastewater Works
 - Tunnels
 - Pipelines
 - Dams

- FUTURE INSTALLATIONS & UPGRADES**
- PS Pumpstation
 - R Reservoirs
 - WTW Water Treatment Works
 - W Wastewater Works
 - Tunnels
 - Pipelines
 - Dams

- FOOTPRINTS**
- Footprint areas currently supplied by UW Bulk Infrastructure
 - Footprint areas supplied by WSA
 - Footprint areas that will be supplied by UW's proposed projects

Community and Environmental Sustainability



Umgeni Water facilitates participation of targeted enterprises in the economy, leveraging off its capital expenditure and other programmes. The Contract Participation Goal target of $\geq 35\%$ for construction contracts and professional services was well met in the reporting year. Benefits of economic transformation are realised over several years with the total award to targeted enterprise reaching R2.2 billion since the initiative started in 2013.

A total of 1258 temporary Capex Programme jobs was created in the year (1514 in 2016) with R27.7 million paid in wages to local labour (R39.7 million in 2016), benefiting local communities.

1 258 
**CAPEX JOBS
CREATED** 
and **R27.7m in wages
paid to local labour**

Operational Optimisation



Water efficiencies are ensured in the bulk business through careful water balancing per system. Water loss was maintained well below the entity's target level of 5%, with a total of 2.29% recorded for the year (3.85% in 2016).

Energy is a crucial resource for water and wastewater treatment processes and several initiatives are underway to manage the usage. Optimal pumping and other strategies remain inherent parts of the business psychology from planning, design and construction through to operation. Total electricity usage for the reporting year was 128 million KWh.

Electricity usage contributes to 99% of the entity's carbon footprint.

Various initiatives to optimise the use of water treatment chemicals were implemented in the year.

Operational Resiliency



The entity's strategic risks are well aligned to its strategy. Of a total of ten (10) strategic risks, one (1) strategic risk is rated as a High risk, namely short-term water resources availability caused by continued low water levels in dams.

This risk has been mitigated in the short-term through emergency water transfer schemes and implementation of water restrictions that are scheduled to continue for another twelve-month period for the Mgeni System. Water resources and infrastructure developments will continue to advance as planned over the medium to long-term, in order to ensure long-term supply sustainability for the region.

Umgeni Water continues to maintain the quality of its laboratories at a level that ensures they provide a world-class service 365 days a year.

Innovation, research and development projects are undertaken in partnership with academia, notably through the Umgeni Water–University of KwaZulu-Natal Chair of Water Resource Management and through active participation in Water Research Commission projects.

Water Resources Adequacy



Umgeni Water continues to balance supply availability with growth in demands and update its Infrastructure Master Plan on an on-going basis. Collaboration with the Department of Water and Sanitation remains essential to ensure there is integration of national and regional water resource development priorities.

Progress was made with the following water resource infrastructure developments in the year:

- uMkhomazi (Smithfield) Dam (DWS and UW), which has progressed to detailed feasibility stage (construction by 2028),
- Lower Thukela Project (UW), for which construction is complete and the new supply system planned to be brought online in 2017/2018,
- iMvutshane Dam (UW), which finally impounded, thereby assuring supply to Maphumulo,
- Hazelmere Dam raising (DWS), which is in construction (completion in 2018), and
- Lower uMkhomazi (Ngwadini) Dam, for which the detailed design is planned for completion in 2018/2019.

Leadership and Employee Development



Skills development remains a key focus, as this enables employees to excel in their individual capacity and deliver on the entity's strategy.

Umgeni Water partnered with the University of KwaZulu-Natal to develop and implement a Senior Management Development Programme (SMDP) - attended by twenty (20) Senior Managers

Umgeni Water's graduate trainee programme is aligned to guidelines provided by professional registration bodies and NDP, during the year:-

41 graduates enrolled in engineering, science and other required professional fields, 31 in-service trainees receiving experiential training; 12 bursary students; 58) apprentices with training in mechanical; electrical engineering and instrumentation; Umgeni Water Young Professionals with 174 members; 67 of the entity's employees are on an Assisted Education Programme;

In partnership with National Treasury, forty-three (43) graduates were developed over the five-year period and all have submitted final engineering reports to the Engineering Council of South Africa for certification

Financial Viability



Despite the drought, Umgeni Water maintained positive results in the year due to continued sound financial management.

The earned surplus for the year will be invested in support of the entity's future five-year R6.1billion (not escalated) capital investment programme and used in debt reduction. As at 30 June 2017, a significant portion of capital investments were already committed.

The entity has maintained its reputation as a financially viable entity, creating significant value for customers and shareholders. The strength of the balance sheet and access to other strategic financial resources remain vital for expanding services in KwaZulu-Natal.

FINANCIAL VIABILITY

Umgeni Water maintained positive results in the year due to continued sound financial management:

Revenue (Group)
generated was



IN 2017

Surplus for the year
(Group) was



IN 2017

Balance sheet
reserves were



IN 2017

Financial Performance 2016/2017



MARSHA PHILIPS CA(SA)
ACTING GENERAL MANAGER: FINANCE

FINANCIAL PERFORMANCE 2016/2017

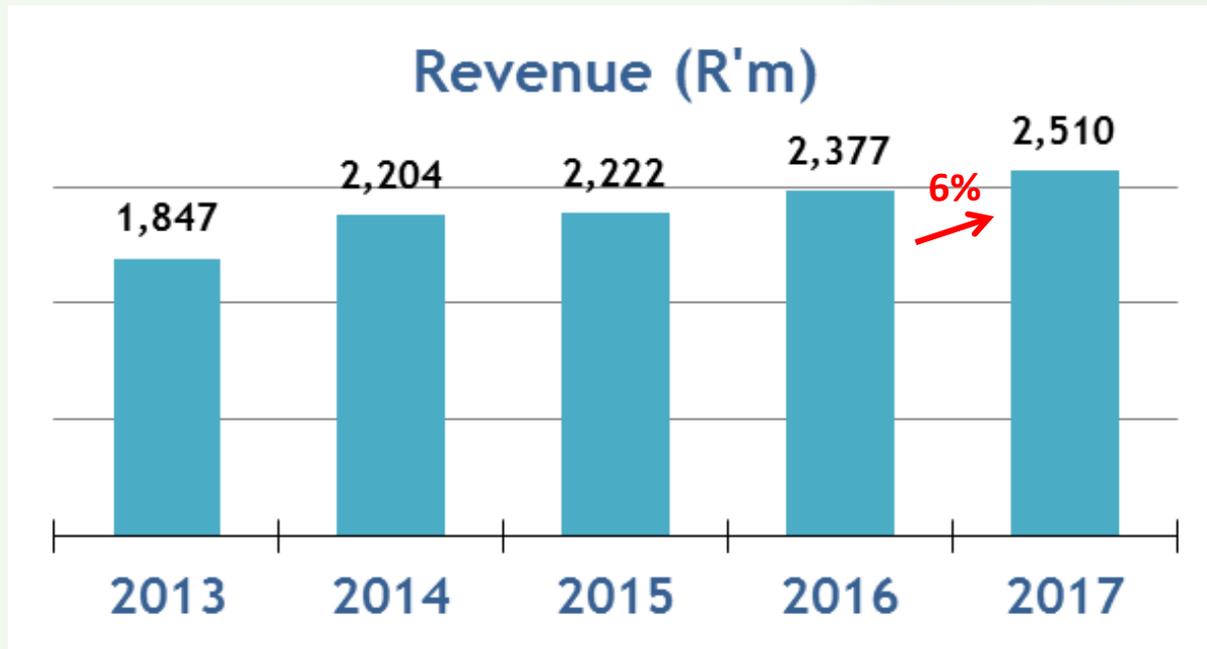
CONTENTS

- Operating performance
- Financial performance
- Analysis of cashflows



OPERATING PERFORMANCE

Revenue increased by R133m, 6%



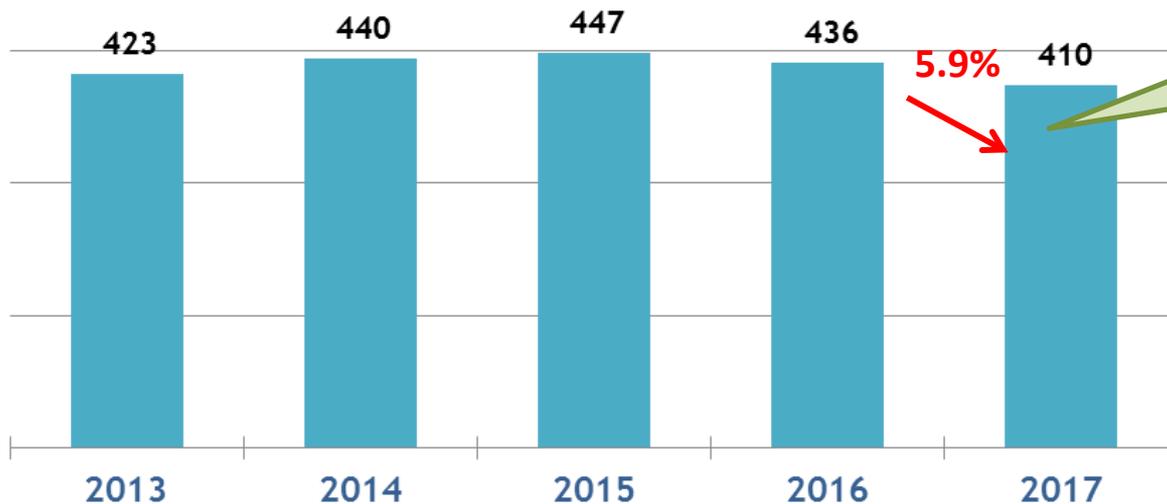
Bulk water revenue ↑3%: 9% bulk water tariff increase combined with a 5.9% reduction in sales volumes.

Waste water revenue ↑25%: New contracts to manage waste water treatment works on behalf of customers in operation for full year.

Section 30 revenue ↑38%: uMshwathi secondary bulk project began in Q4 2016.

Revenue increased by R133m, 6% cont...

Water sold (Kl'm)



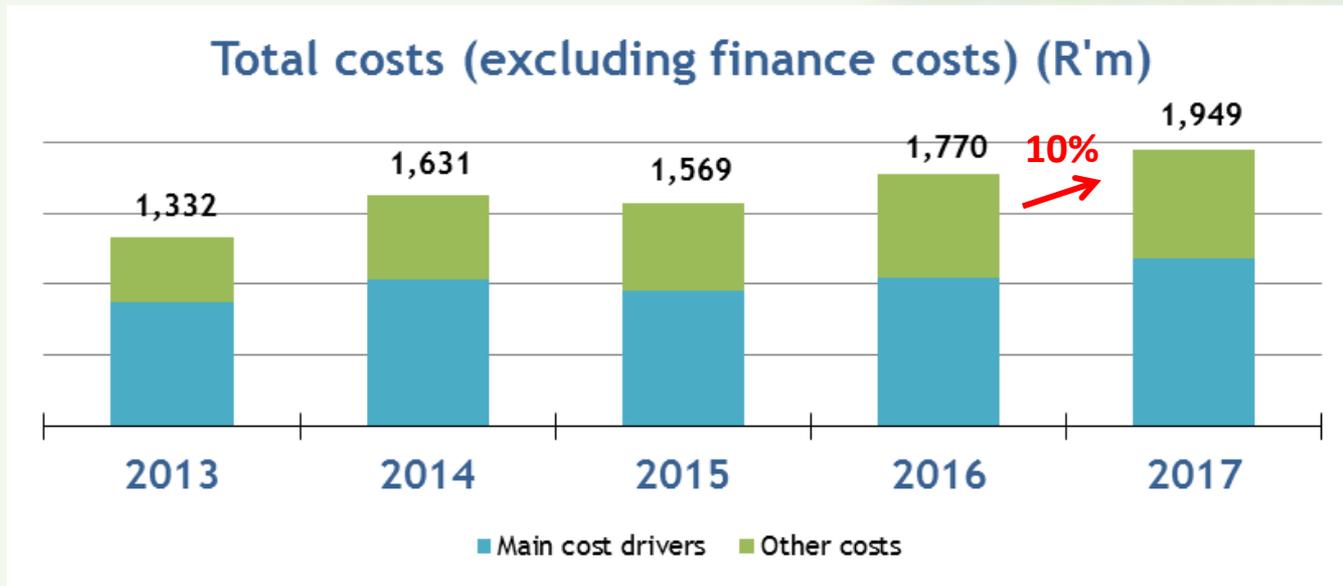
Significant reduction in sales volumes down to just above 2009 levels

Restrictions continued in the main Mgeni system which supplies 90% of potable bulk water .

Volume by customer and % change

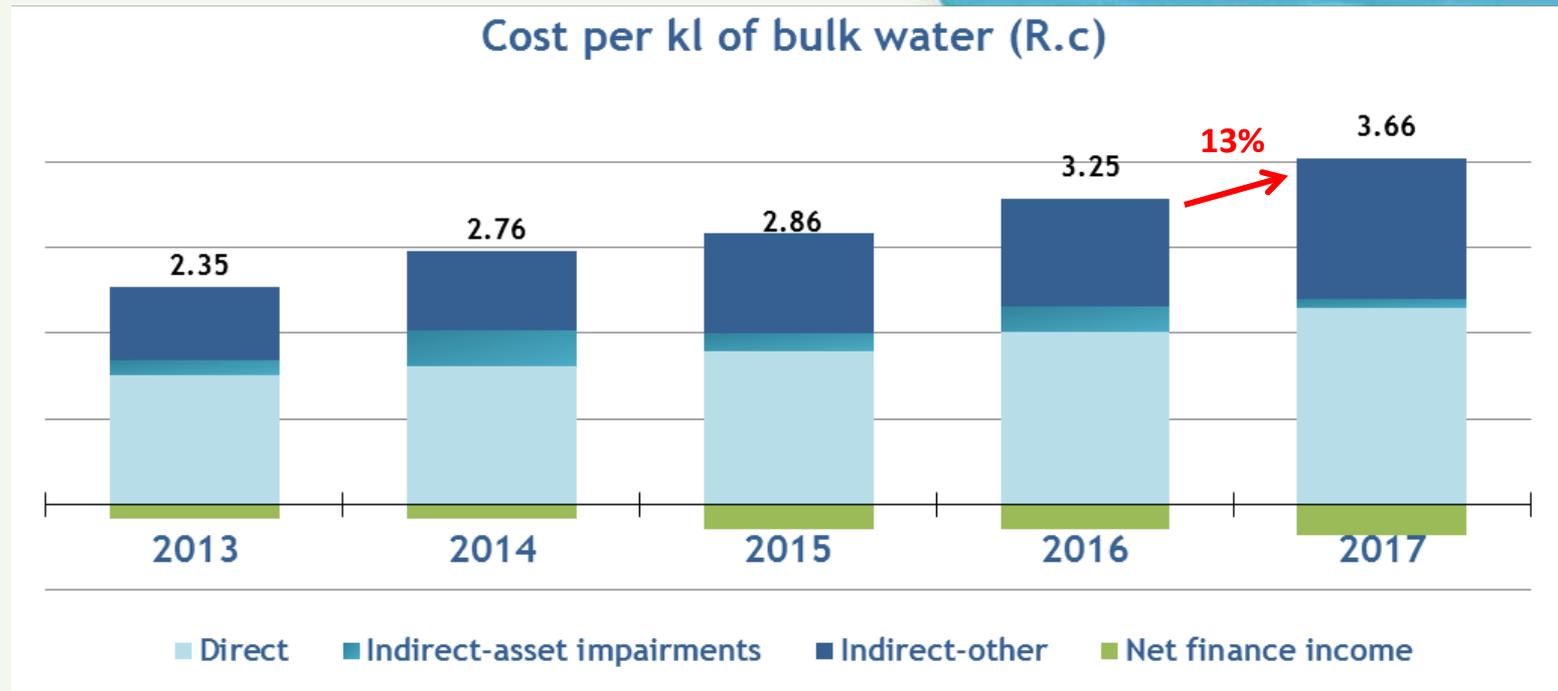
| | 2016 | | 2017 | |
|-----------------|----------------|---------------|----------------|---------------|
| | Kl'000 | % | Kl'000 | % |
| Ethekwini | 320,151 | (3.4%) | 299,045 | (6.6%) |
| Other customers | 115,575 | 0.3% | 110,843 | (4.1%) |
| Total | 435,726 | (2.4%) | 409,887 | (5.9%) |

Total costs increased by 10%



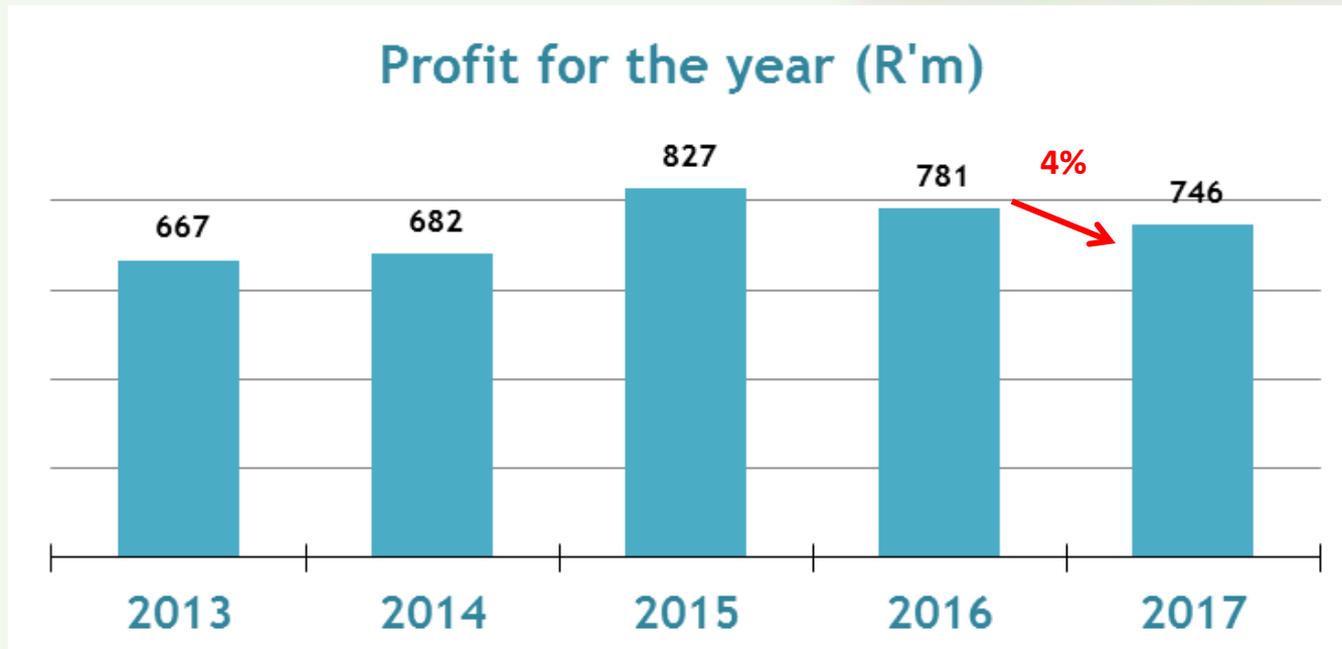
The main cost drivers included in cost of sales were 13% higher year on year as operating conditions required additional pumping and treatment processes during the drought, whilst other operating and admin costs increased by 4% .

Bulk water cost per kl increased by 13%



The increase is directly related to the increases in the main cost drivers included in cost of sales combined with the 5.9% decline in sales volumes.

Profit for the year down by R35m, 4%



The reduction is due to the significant declines in sales volumes for the year, coupled with higher direct operating costs.

Statements of Profit and Loss

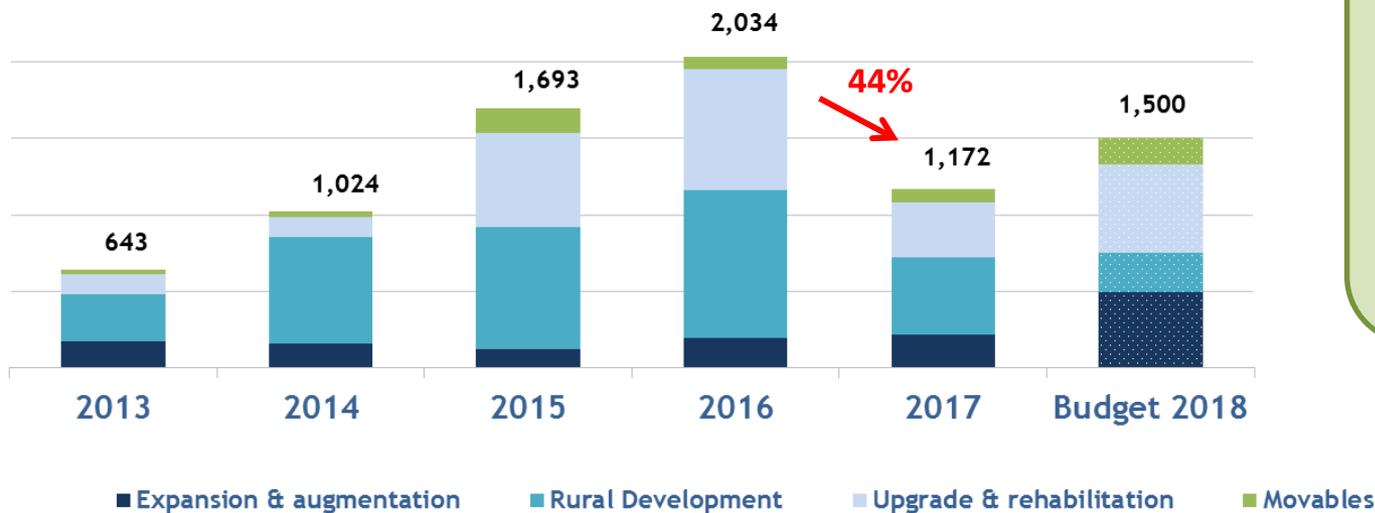
| | 2017 | 2016 | Movement |
|----------------------------------|--------------|--------------|--|
| | R'm | R'm | R'm |
| Revenue | 2,510 | 2,377 |  133 |
| Cost of sales | (1,179) | (1,041) |  (138) |
| Gross profit | 1,331 | 1,336 |  (5) |
| <i>GP%</i> | <i>53%</i> | <i>56%</i> |  -3% |
| Other income | 32 | 37 | (5) |
| Other operating & admin expenses | (770) | (729) |  (41) |
| Profit from operations | 593 | 644 |  (51) |
| Net finance income | 148 | 132 |  16 |
| Interest income | 149 | 133 | 16 |
| Finance costs | (1) | (1) | - |
| Share of profit from associate | 5 | 4 | 1 |
| Profit before tax | 746 | 781 |  (35) |



FINANCIAL PERFORMANCE

Property plant & equipment increased by R731m, 10%

Capital expenditure - Group (R'm)



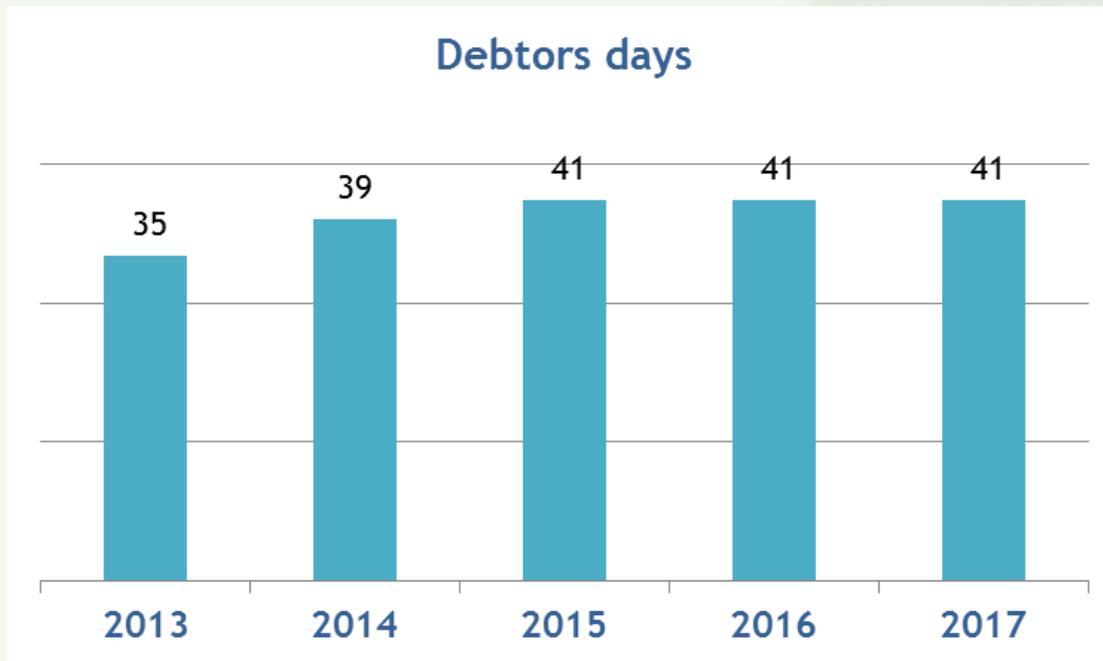
CAPEX
underspent to
preserve cash
flows during the
drought period

Spend on development projects totalled R503m (2016: R967m), upgrades R358m (2016: R788m).

Impairment to CWIP development projects were R39m (2016: R38m),

Impairments on commissioned assets totalled R3m (2016: R95m)

Debtors Days remain stable



Debtors days remain stable at 41 days and any customer credit risks are managed via strict credit control and reporting in terms of Section 41 of the MFMA with National Treasury.

Amounts owing by municipalities

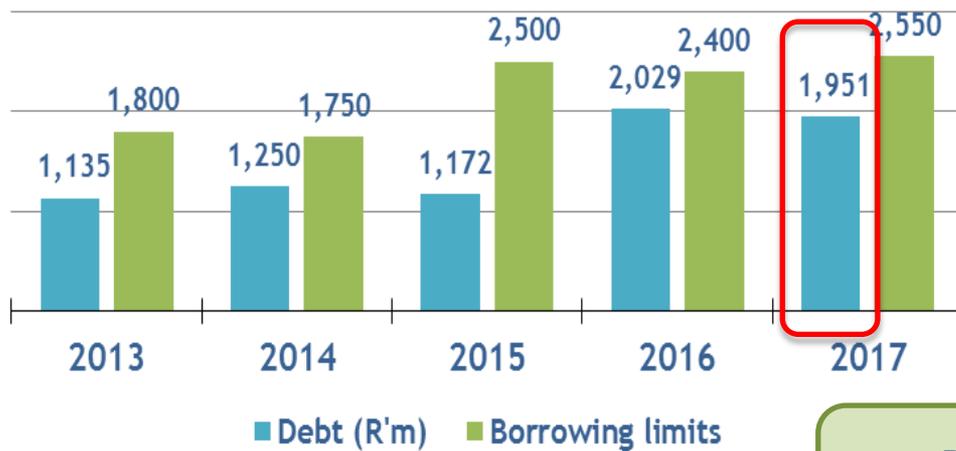
| Customer | Amount due | Provision | Total 2017 | Total 2016 |
|---|----------------|-----------------|----------------|----------------|
| | R'000 | R'000 | R'000 | R'000 |
| eThekwini Metropolitan Municipality | 195,695 | - | 195,695 | 151,676 |
| Ilembe District Municipality | 51,169 | (26,380) | 24,789 | 12,772 |
| Msunduzi Local Municipality | 42,215 | - | 42,215 | 35,722 |
| Ugu District Municipality | 10,098 | - | 10,098 | 6,146 |
| uMgungundlovu District Municipality | 12,271 | - | 12,271 | 9,929 |
| Harry Gwala District Municipality | 6,297 | (2,040) | 4,257 | 1,366 |
| Siza Water | 19,102 | (12,231) | 6,871 | 5,249 |
| Other bulk customers | 267 | (92) | 175 | 185 |
| Trade receivables - primary activities | 337,114 | (40,743) | 296,371 | 223,045 |

Statement of Financial Position - Assets

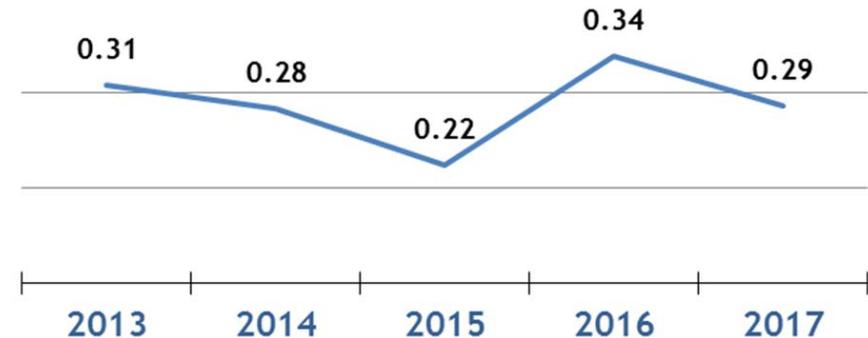
| | 2017 | 2016 | Movement | |
|-------------------------------------|---------------|--------------|-------------|------------------|
| | R'm | R'm | R'm | |
| ASSETS | | | | |
| Non-current assets | 8,152 | 7,452 | 700 | |
| Property, plant & equipment | 7,774 | 7,043 | 731 | ↑ |
| Intangible assets | 133 | 96 | 37 | |
| Biological Assets | 4 | 5 | (1) | |
| Loans - subsidiaries and associates | 6 | 6 | - | |
| Investments - financial instruments | 230 | 295 | (65) | ↓ R118m |
| Other financial assets | 5 | 7 | (2) | |
| Current assets | 2,071 | 2,106 | (35) | |
| Investments | 1,567 | 1,620 | (53) | ↓ |
| Inventories | 16 | 15 | 1 | |
| Trade and other receivables | 428 | 399 | 29 | ↑ |
| Interest receivable | 35 | 28 | 7 | |
| Bank | 25 | 44 | (19) | |
| TOTAL ASSETS | 10,223 | 9,558 | 665 | ↑ 7% improvement |

Reduction in gross borrowings & improved gearing ratio

Debt & borrowing limits (R'm)



Debt: Equity (ratio)



Debt: Equity
Loan covenant: < 70%

Interest cover: 2.86
Loan covenant: > 2.5

R78m loans were repaid during the year due to scheduled repayment of loans, no new debt issued in 2017.

Financial Loan covenants fully complied with.

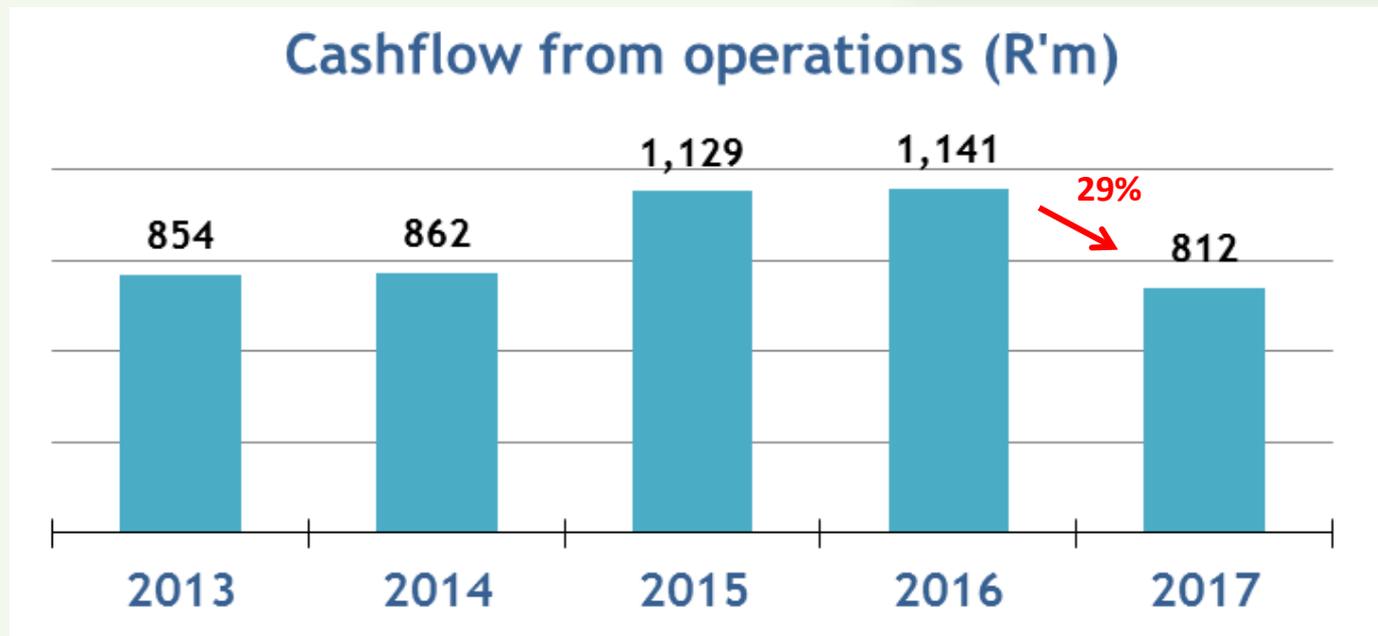
Statement of Financial Position – Equity and Liabilities

| | 2017 | 2016 | Movement | |
|-------------------------------------|---------------|--------------|--------------|--|
| | R'm | R'm | R'm | |
| EQUITY AND LIABILITIES | | | | |
| Capital and reserves | 6,824 | 5,984 | 840 | <div style="border: 1px solid black; border-radius: 10px; padding: 5px; display: inline-block;">5yr capex programme R6.1bn</div> |
| Umgeni water capital | 443 | 443 | - | |
| OCI Reserve | (11) | (105) | 94 | |
| Accumulated profit | 6,392 | 5,646 | 746 | |
| Non-current liabilities | 2,523 | 2,571 | (48) | <div style="display: flex; align-items: center;"> <div style="font-size: 3em; margin-right: 10px;">}</div> <div style="text-align: center;"> <div style="font-size: 2em; margin-bottom: 5px;">↓</div> <div style="font-weight: bold; font-size: 1.2em;">R79m</div> </div> </div> |
| Long-term debt | 1,872 | 1,951 | (79) | |
| Other non-current liabilities | 43 | 3 | 40 | |
| Provisions | 39 | 25 | 14 | |
| Post-retirement benefit obligations | 569 | 592 | (23) | |
| Current liabilities | 876 | 1,003 | (127) | <div style="display: flex; align-items: center;"> <div style="font-size: 3em; margin-right: 10px;">}</div> <div style="text-align: center;"> <div style="font-size: 2em; margin-bottom: 5px;">↓</div> </div> </div> |
| Short-term debt | 79 | 79 | - | |
| Provisions | 114 | 89 | 25 | |
| Accounts payable | 626 | 776 | (150) | |
| Interest payable | 57 | 59 | (2) | |
| TOTAL EQUITY AND LIABILITIES | 10,223 | 9,558 | 665 | |



ANALYSIS OF CASH FLOWS

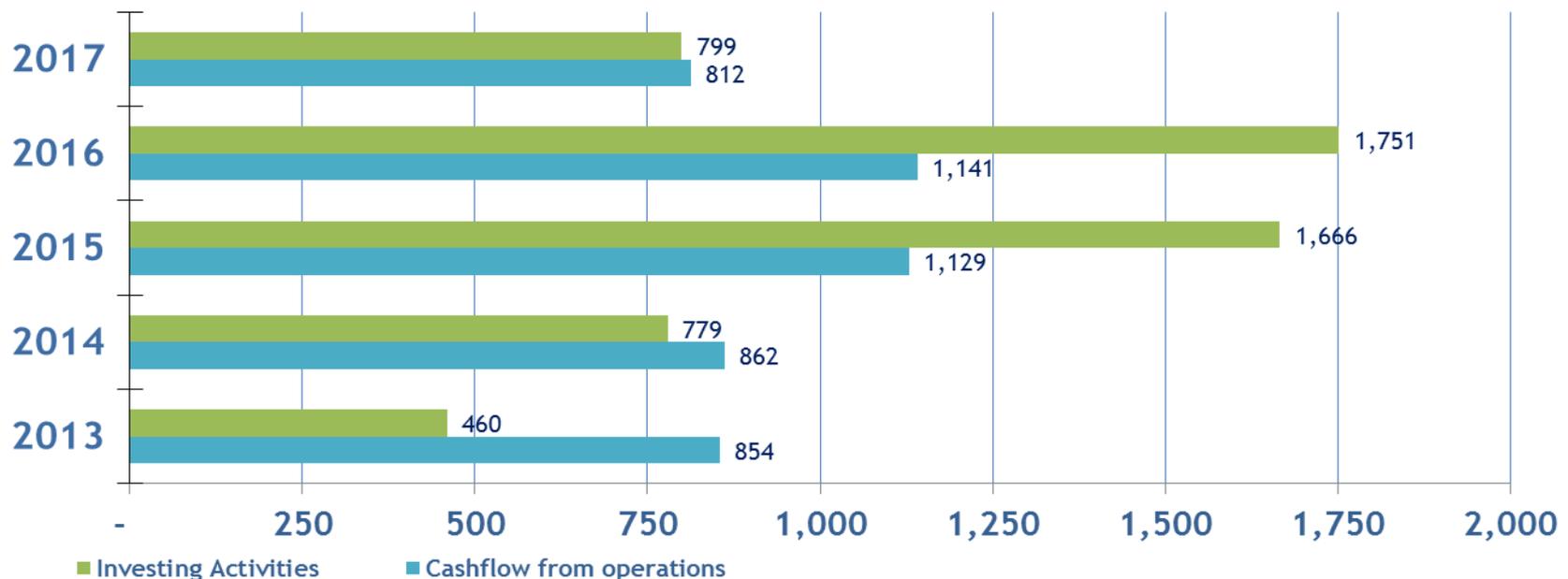
Cashflow from operations, reduced by R329m, 29%



Lower operating profits as a result of the drought combined with increased working capital requirements have contributed to the decline. However sufficient cash generated to meet operating requirements.

Cashflow from operations vs cash used in investing activities

Cash flows from operations vs cash used in investing activities (R'm)



Operating cash generated was not sufficient to fund investing activities requirements after the scheduled repayment of debt. This was supplemented by grant funding and utilisation of investments to fund the capital expenditure requirements



2019 PROPOSED TARIFF INCREASE

Application of Pricing policy

Parameters (as per S34 of WSA)

The cash flow model was modelled on the following parameters in line with S34 of the Water Services Act:

- loans are repaid over a period of less than 20 years;
- assets, must at all times exceed liabilities;
- current assets must at all times exceed current liabilities,
- a facility must be available to raise funds to meet short-term obligations;
- the water board should in all years make a positive accounting surplus;
- the water board should in all years have a positive operating cash flow after interest charges;
- National Treasury imposed borrowing limits must not be exceeded.
- Other financial covenants must be adhered to.

A uniformed tariff increase to be applied to all customers. One combined cash flow model is used for both bulk water and bulk wastewater section 29 activities

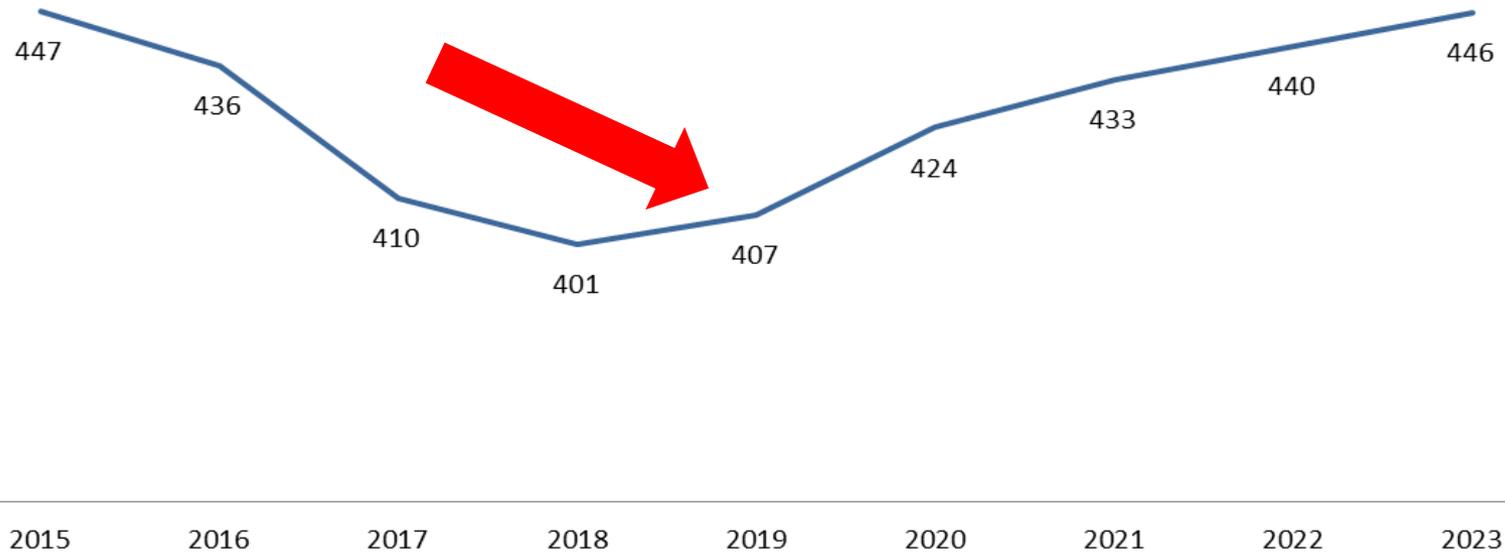
Current operating environment

- **Operating profit margins at risk** negative volume growth in 2017 and 2018. This could impact on the interest cover ratio (debt covenant)
- **Higher operating cost base** – increasing trend in terms of main cost drivers above CPI.
- **Operating cashflows at a risk** of being below the required R800m to support a five year capex programme of R9.7bn and a borrowing programme of R1bn.
- **Capex underspend** (deliberate and/or process related delays) could bring some reprieve to ability to meet covenants in the short term but long term loss of revenue and higher contract price adjustments could result in financial loss to the entity and higher funding requirements.
- **Funding requirements highly dependent on grant funding** for the capex projects. Non-receipt could result in higher borrowing requirements and higher net finance costs.

Five year bulk water sales volumes

Sales Volumes kl'm

Negative growth of 2.2% in 2018 & 1.5% incr y-o-y in 2019



Level of sales volumes = pre 2010 levels.

Total five year Infrastructure programme

| CAPEX CATEGORY | Tariff 2019 | |
|--|------------------|--------------|
| | R'000 | |
| Augmentation | 3 166 447 | 32.6% |
| Expansion | 334 014 | 3.4% |
| Upgrade | 2 511 240 | 25.8% |
| Rehabilitation | 1 056 852 | 10.9% |
| Development Projects | 2 236 869 | 23.0% |
| Equipment & Vehicles | 78 295 | 0.8% |
| Information Communication & Technology | 306 516 | 3.2% |
| Laboratory & Process Services | 25 813 | 0.3% |
| | 9 716 045 | |

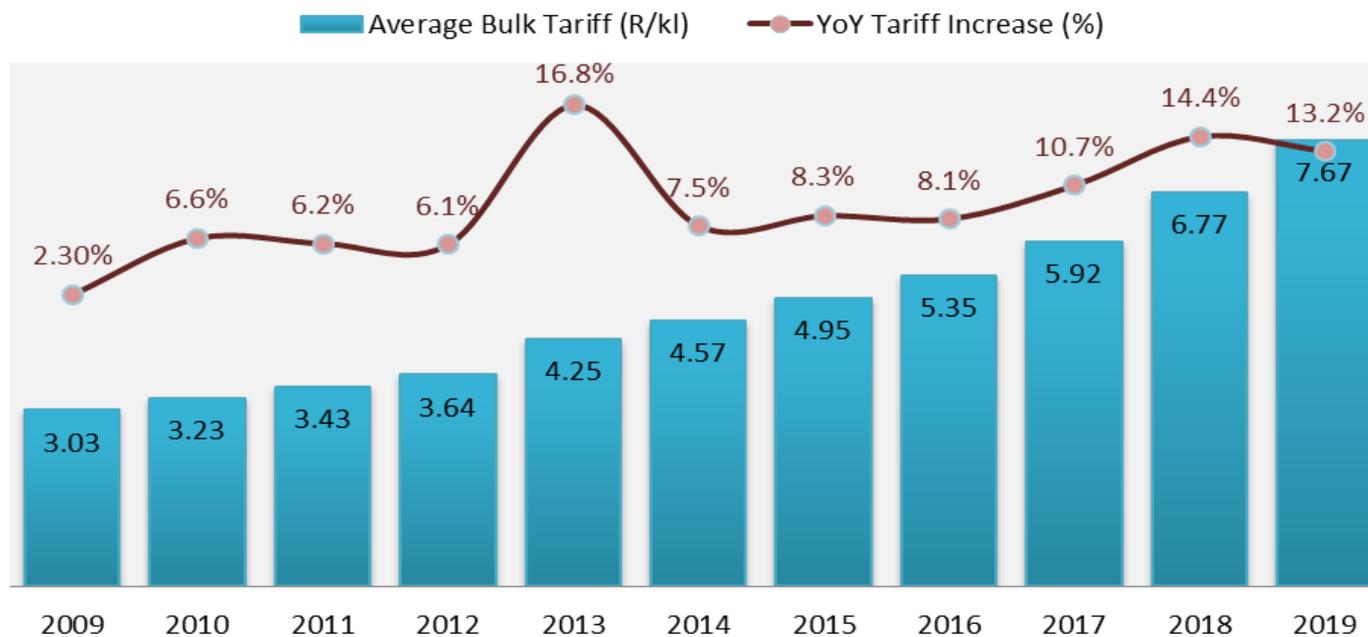
Key infrastructure projects 2018 - 2023

| Project Description | Recipient WSAs | Project Cost (R'm) | Project Phase |
|-------------------------------------|--|--------------------|---------------|
| uMkhomazi Water Project Phase 1 | eThekwini / uMgungundlovu/ Msunduzi/ Ugu/ iLembe | 6 179 | Feas/Design |
| Lower uMkhomazi BWSS | Ugu / eThekwini | 2 894 | Design |
| Greater Mpofana BWSS Phase 1 | uMgungundlovu | 795 | Construction |
| Mpophomeni WWW | uMgungundlovu | 349 | Tender/Cons |
| Vulindlela Upgrade | Msunduzi | 331 | Design |
| Mpofana WWW Upgrade | uMgungundlovu | 330 | Feasibility |
| South Coast Phase 2b Pipeline | Ugu | 239 | Tender/Cons |
| Elysium Desalination | Ugu | 231 | Feas/Design |
| Maphumulo BWSS Phase 3 | iLembe | 337 | Design |
| uMshwathi Regional Pipeline Phase 4 | iLembe | 678 | Design |

Umgeni Water Tariff History

**Umgeni Water
Proposed 2019**

R 7.67 / kl



| Fiscal Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------|-------|------|------|------|-------|------|------|------|-------|-------|-------|
| Average Bulk Tariff (R/kl) | 3.03 | 3.23 | 3.43 | 3.64 | 4.25 | 4.57 | 4.95 | 5.35 | 5.92 | 6.77 | 7.67 |
| YoY Tariff Increase (%) | 2.30% | 6.6% | 6.2% | 6.1% | 16.8% | 7.5% | 8.3% | 8.1% | 10.7% | 14.4% | 13.2% |

Impact of the proposed increase on loan covenants

Interest cover (times)

— 2019 tariff & CP



Interest cover
Loan covenant: > 2.5

Debt: Equity
Loan covenant: < 70%

Debt Equity (times)

— 2019 tariff & CP



OUTLOOK

- Momentum towards regional preparedness is expected to increase in coming period.
- Proposed Kwazulu- Natal Water Board merger is on the horizon – and entails absorption of Mhlathuze Water (MW) by Umgeni Water. Umgeni Water will inherit staff, assets and liabilities of MW and retain its form and identity to later rebrand as the KwaZulu-Natal Water Board. More details will follow due diligence study.
- The process for the appointment of a new Board of Umgeni Water is significantly advanced.
- Umgeni Water is as a credible sector leader - has a bedrock of expertise and experience - in a climate where water issues are centre stage in South Africa now more than ever before.
- The outlook for the entity is positive – where challenges can be turned into new opportunities.
- Umgeni Water will leverage its position of strength and good performance track record - to deliver solutions to all of KZN and, as needed, beyond its borders



THANK YOU