



RAND WATER
INTEGRATED RESULTS
For The
FINANCIAL YEAR ENDED 30TH
JUNE 2017

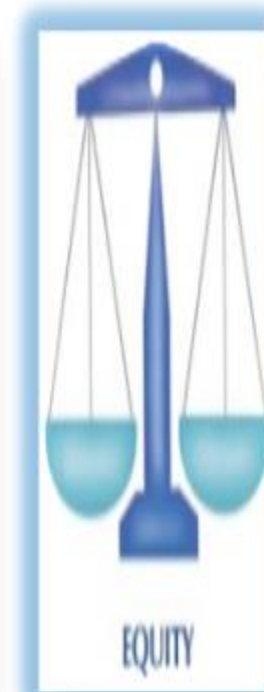
Welcome



Strategic Update



Financial Performance



Looking forward



Vote of Thanks



A large, dynamic splash of water that has formed into a circular shape, resembling a ring or a torus. The water is captured in mid-air, with many small droplets and bubbles visible, giving it a sense of motion and energy. The splash is set against a white background, with a solid blue vertical bar on the left side of the slide.

Strategic Update
Chief Executive:
Percy Sechemane

Nature of business

Rand Water is the largest bulk water utility in Africa and is one of the largest in the world, providing bulk potable water to more than 12 million people in Gauteng, parts of Mpumalanga, the Free State and North West – an area that stretches over 18 000 km². Additional 13 000 km² in the Western Highveld

On 15th April 2013, the Institutional Reform and Realignment process was approved and announced. The important conclusions were

- The number of water boards were reduced from twelve to nine
- Rand Water took over the BBR area of service

Rand Water draws water from its catchments and purifies it for human consumption. The water is then supplied / sold to Municipalities, mines and industries.

Water sources

Since 1974, the Tugela-Vaal scheme has fed water into the Vaal River to supplement its supply. This is done by inter-basin transfer of water from the Tugela River in KwaZulu-Natal.

The Lesotho Highlands Water Project (LHWP) also transfers water to the Vaal Dam. This entire project comprises six dams and three pumping stations. The first phase of the LHWP was completed in 1998 and is designed to meet the demand for water in Gauteng up to the year 2020.

Vision

To be a provider of sustainable, universally competitive water and sanitation solutions for Africa.

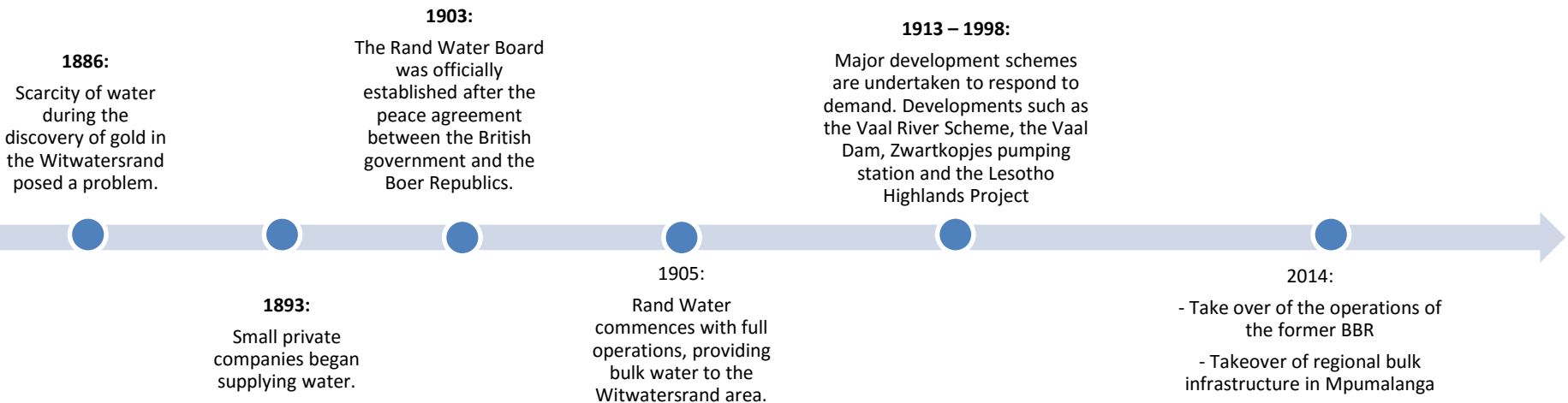
Mission

To deliver and supply world class affordable, reliable, and good quality water and related services to all stakeholders through:

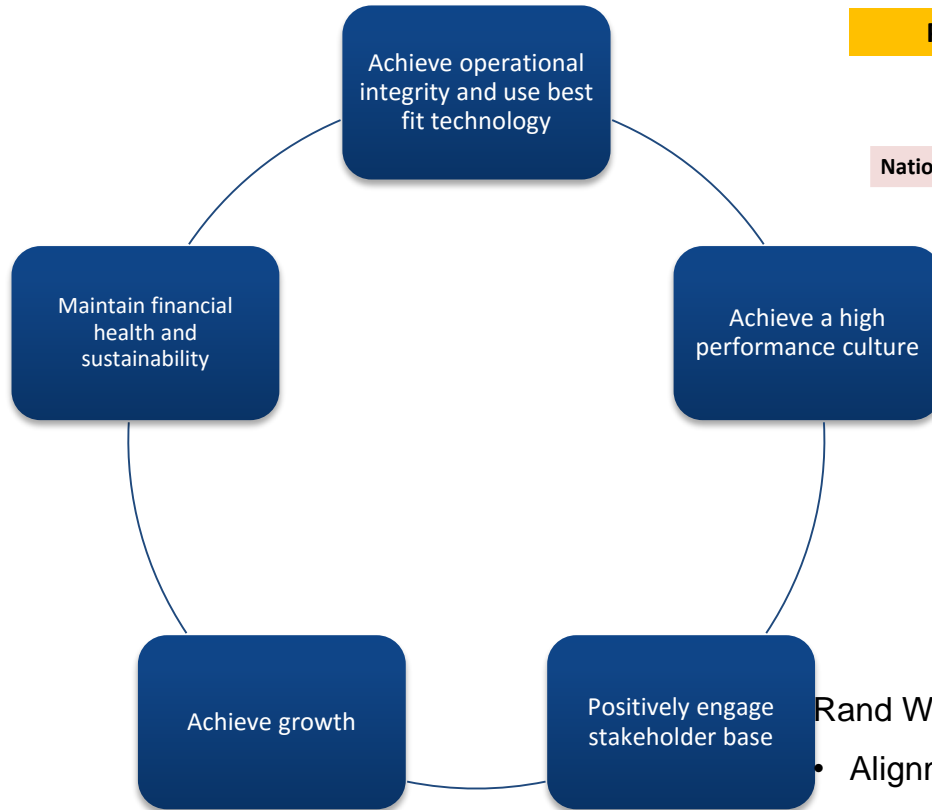
- Safe, efficient transport, sustainable and innovative business practices;
- Empowered employees;
- Mutually beneficial strategic relationships; and
- Legislative compliance and best practice.

Key statistics

- Rand Water is a public utility wholly owned by government (DWS)
- Rand Water has been in existence for 114 yrs
- Bulk Water supplier - 4414 Mℓ/d
- Total Pipeline Length - 3 500 km
- Total Number of Reservoirs - 58



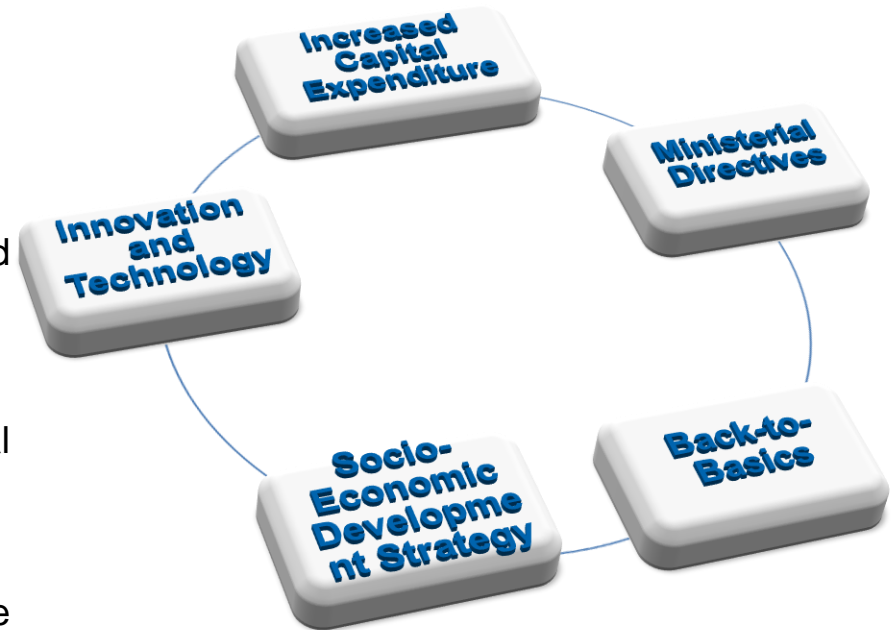
Alignment To National Government Objectives



Rand Water's operating model re-evaluated to incorporate:

- Alignment to **Innovation hub**
- The Innovation policy was approved by Board in February 2016
- Innovation programs will be assisted by newly approved piloting policy
- Partnership with the Dept. of Science & Technology to be at the cutting edge of technological innovation
- The Innovation Hub remains critical in the search for new ideas

- Improved operational reliability and performance continues
- Operating model provides solid foundation
- Balance sheet has sufficient flexibility to fund growth plans
- Capital projects development and execution critical focus area
- Capital expenditure projected to increase over the next 5 years
- Ministerial Directives – Rand Water is actively involved in undertaking a number of Directives, working closely with the Honourable Minister



- Delivering continued & sustained shareholder value
- New auditors of the organization since October 2016 - **Auditor General of South**



QUALITY MANAGEMENT SYSTEMS MAINTAINED CERTIFICATION

Corporate ISO 9001:2000 - OHSAS 18001:2007 - Laboratories ISO 17025 - Corporate ISO 14001:2004



ACHIEVED DIFR OF 0.29 AGAINST A TARGET OF 0.34



RELIABILITY OF SUPPLY

Met peak daily demands and abided to Bulk Water Supply Contracts



OCCUPATIONAL, SAFETY, HEALTH & ENVIRONMENT
Embedded in our project management processes



BLUE DROP CERTIFICATION

**Increased awards during the year & special recognition for helping Municipalities
achieve their Blue Drop Status**



PRODUCT QUALITY

**Product Quality - Consistently maintained the national drinking water standard and
delivery to customers on the SANS 241 Class 1 and 2 specification.**



ATTAINED AN UNQUALIFIED AUDIT OPINION

FINANCIAL CAPITAL

Strong improvement in operating margins and returns in excess of the weighted cost of capital



ATTAINED BBEE of 95% AGAINST TARGET OF 85%

CUSTOMER CENTRIC APPROACH SATISFACTION RATE OF 85%



ACHIEVED 84.4 % OF PERFORMANCE TARGETS AS SET OUT IN THE SHAREHOLDERS COMPACT



JOB CREATION

238 permanent & contract & 6 021 direct/Indirect temporary jobs created

Presidential Outcome 5: SKILLS - A skilled and capable workforce to support an inclusive growth path

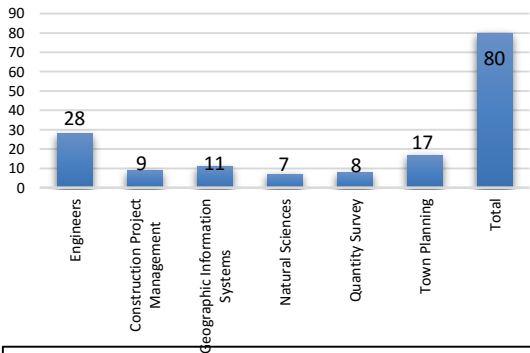
Rand Water Academy Pillars:

Research Platforms | Centre of Excellence | Centre of Competence | International Water Professionals Exchange Hub | WAT/SAN Solutions

Solutions

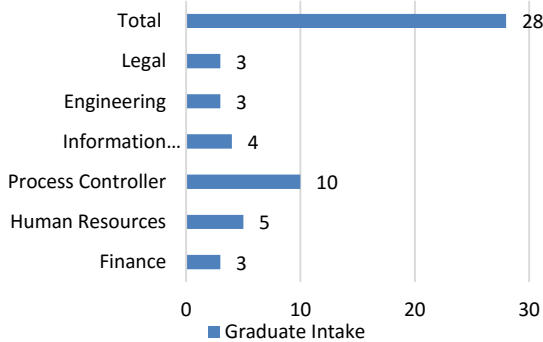
NATIONAL TREASURY GRADUATE INTERNSHIP PROGRAMME

Graduate Intake (NT 2, NT 3 & NT 80)



RURAL DEVELOPMENT GRADUATE INTERNSHIP PROGRAMME

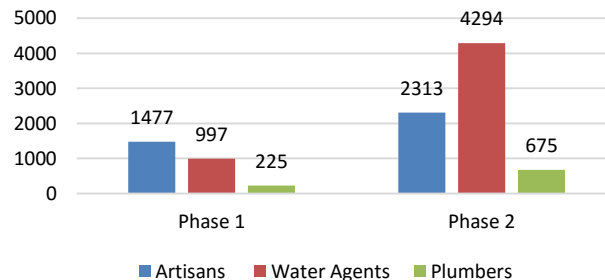
Graduate Intake (RD 1, RD 2 & RD 3)



WAR ON LEAKS PROGRAMME



Current Trainee Headcount



Current Headcount: 9 981 Trainees

Phase 1 = 2699

Phase 2 = 7282

MPUMALANGA SKILLS AUDIT

A skills audit has been completed in the Mpumalanga province as part of the Rand Water's Master Plan in the Extended Area of Operations.

ACADEMY INTERNATIONAL FOOTPRINT



Initiated a project with UNESCO – IHE to implement a FIPAG Academy for Professional Development in Water and Sanitation in Mozambique (Maputo).

ACADEMY LOCAL FOOTPRINT



Water and Sanitation Projects

- Schools Sanitation and Water Supply
- Schools Rainwater Harvesting
- Water Demand Management & Conservation
- Household Sanitation - Bucket Eradication
- Rural Communities Water Supply
- Municipal Capacity Building
- Training on : Operations and Maintenance of Waste Water Treatment Plants

Enterprise Development Projects

- Business Start –Up Project
- Business Incubation Project
- The Business Information and Awareness Raising Project
- Business Partnerships Development

Environment Conservation Projects

- Rehabilitation of Wetlands
- Clearing of Alien Vegetation
- Rural and Urban Landscaping and Greening Initiatives
- Expanded Public Works Programme Land Care

Education and Training Programme

- Back to School Education Support Project
- Early Childhood Development Support
- Adopt-a-Learner Study Support Grant
- The National Curriculum Support and Schools Mobile Libraries
- High School Career Guidance

Health, including HIV, and AIDS projects

- Community Home Based Care
- Community Based Health
- Infrastructure Development Support
- School Based Health Education and Awareness Raising on HIV and AIDS

Performance Snapshot

Triple Bottom line


- **Social:** Continuous Water supply, Sanitation solutions, RWA, RWF & CSR initiatives as well as job creation and capacity building.
- **Environmental:** Blue & Green drop standards achieved, Environmental conservation programs; Water Catchments, Wetland rehabilitation
- **Economic:** YOY increases; Revenue 8%, Gross income 12%, Net income 11%, Cash Reserves of R805m and Capital spent R2.5bn

Presidential Outcomes

- A long and healthy life for all South Africans - Uninterrupted supply of quality water for over 24 hours. System stabilised and energy management initiatives enhanced after the interruptions experienced in September 2014.
- Skilled and capable workforce: Rand Water Academy, Capacity building and Job creation
- Efficient local government system: Rand Water Mpumalanga
- Implementing Agent on behalf of Municipalities or Government Departments

Shareholder Compact

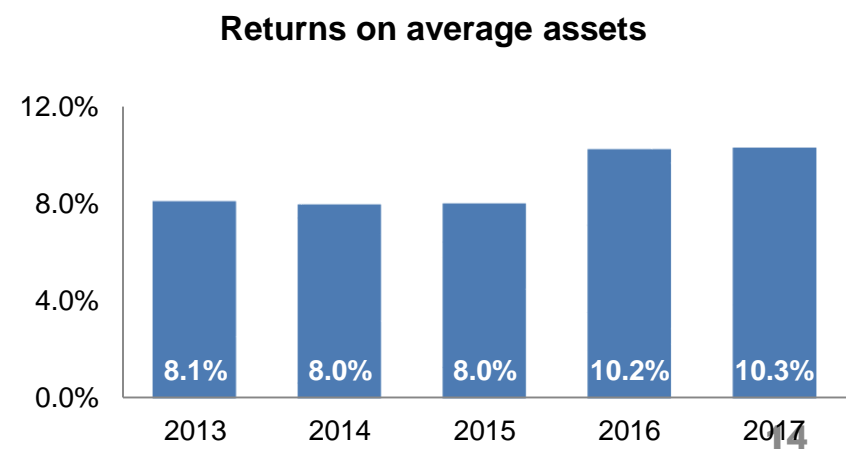
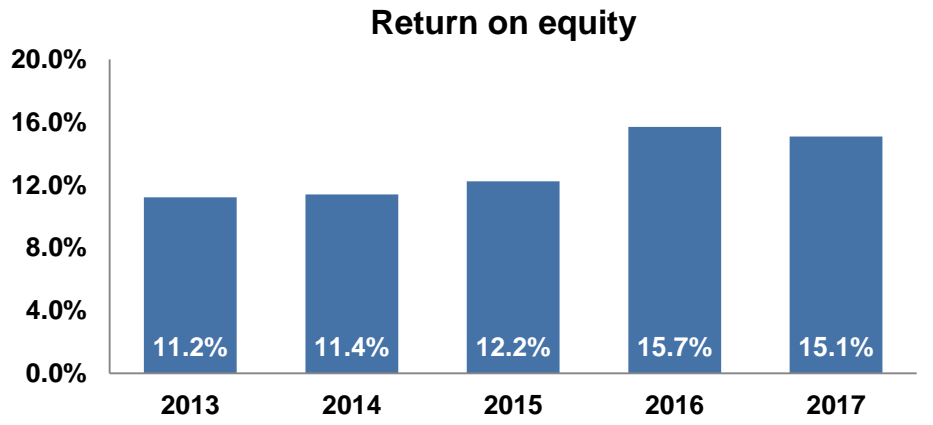
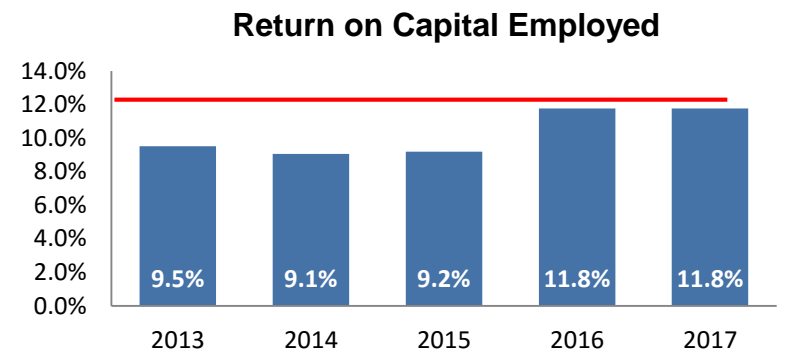
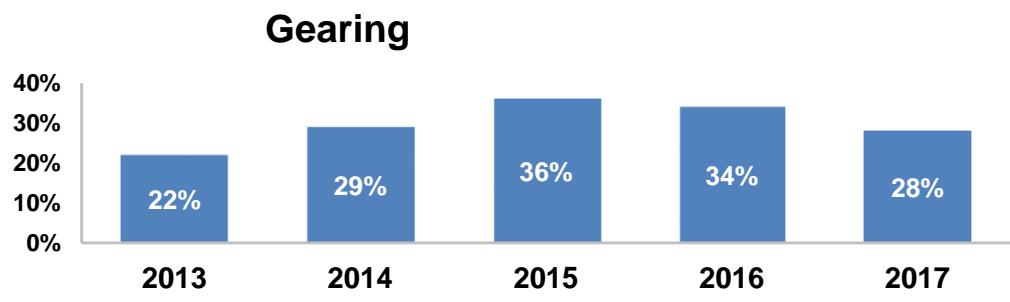
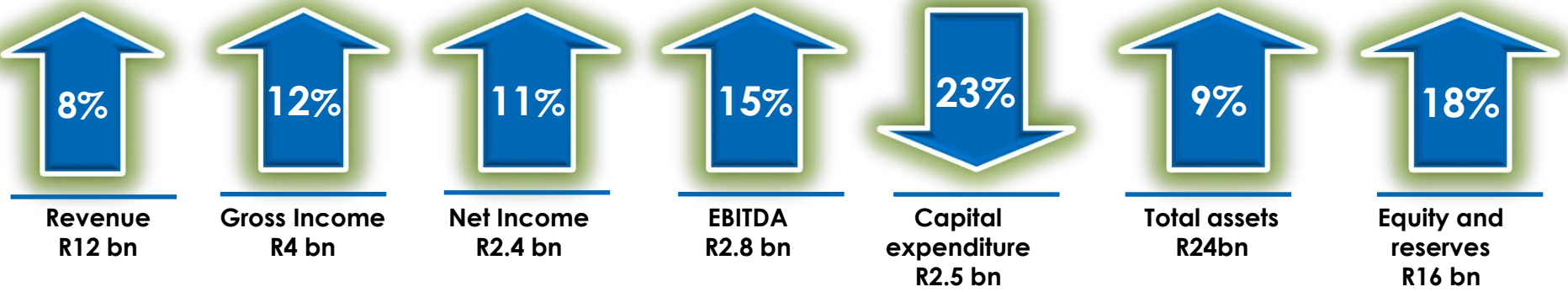
- Institutional Realignment
- Enhanced quality and quantity of water resources; Water demand management and Acid mine drainage
- R2.5 bn spent on ensuring the maintenance and supply availability of our bulk water infrastructure
- Implemented projects amounting to R124m on behalf of National Departments & Local Authorities

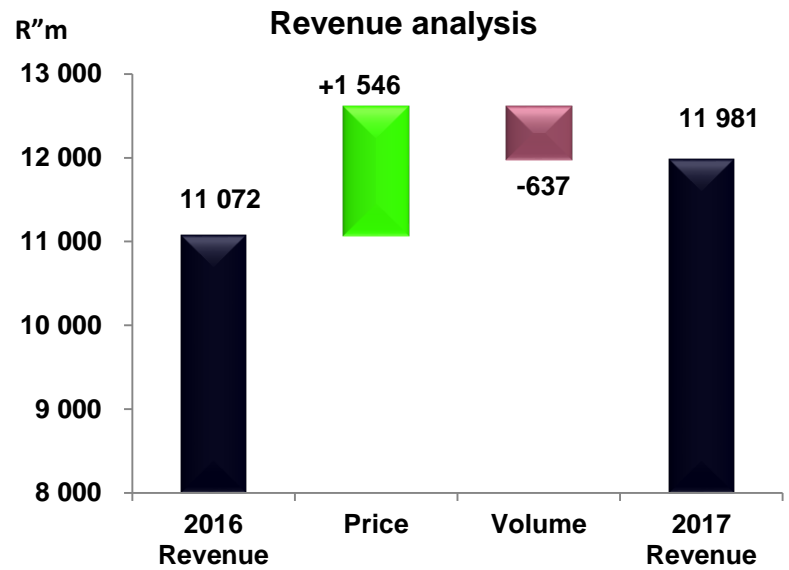
A high-speed photograph of a water splash that has formed into a circular ring. The water is captured in mid-air, showing intricate textures and droplets. The background is white, and the splash is set against a blue vertical bar on the left side of the slide.

Financial Performance
Chief Financial Officer :
Matshidiso Nyembe

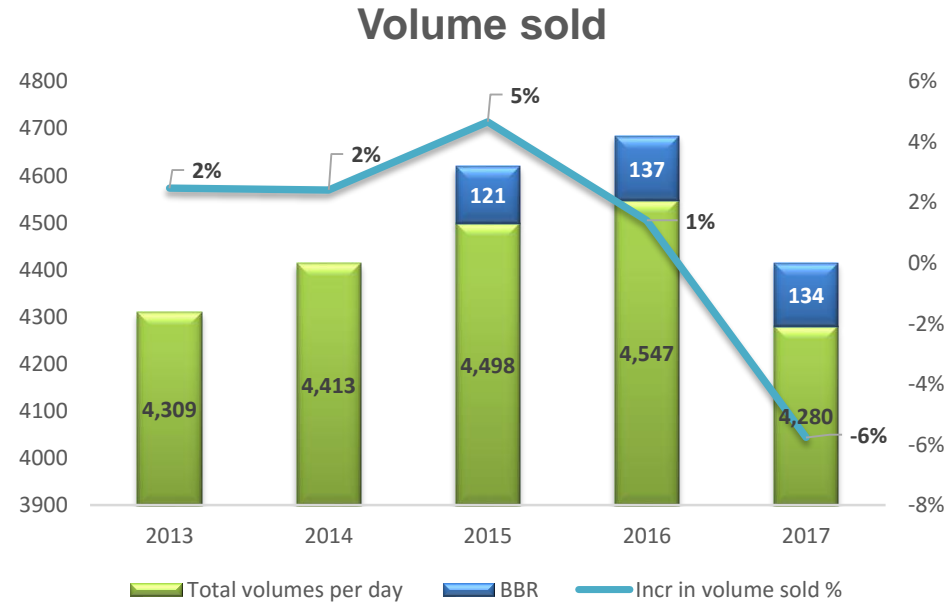
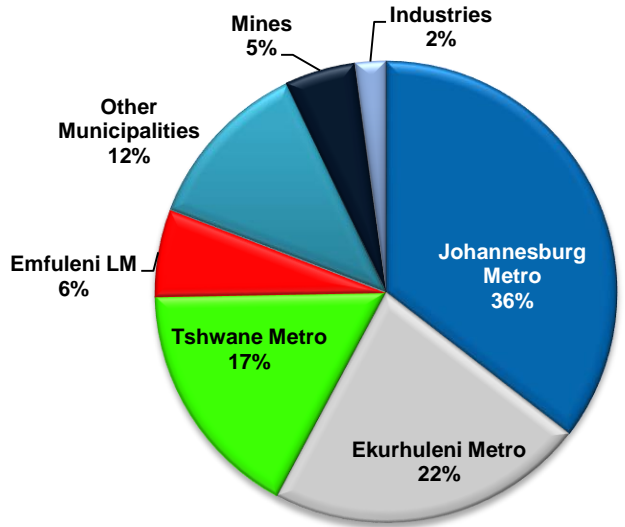
- Change in accounting framework – transition to IFRS from SA GAAP
- Low volume growth resulting from water restrictions implemented during the period
- Income margins and returns maintained and/or improved
- Capital budget flexed to accommodate the reducing volumes
- Stringent capital discipline allowed us to optimise our overall capital expenditure
- Increasing debt defaults by municipalities
- Reduction in implementing agency arrangements in Mpumalanga region
- No external borrowing raised for the period

Financial Performance Overview 2016





- **Supplied** an average of **4414 MI/d**
- Extended area (BBR) supplied **134 MI/d**
- The highest recorded peak daily demand increased to **4728 MI/d**
- Revenue growth driven by tariff increases of **11.9%** and volume decrease of **6%**
- Non revenue water as a percentage of actual sales **4.8%**



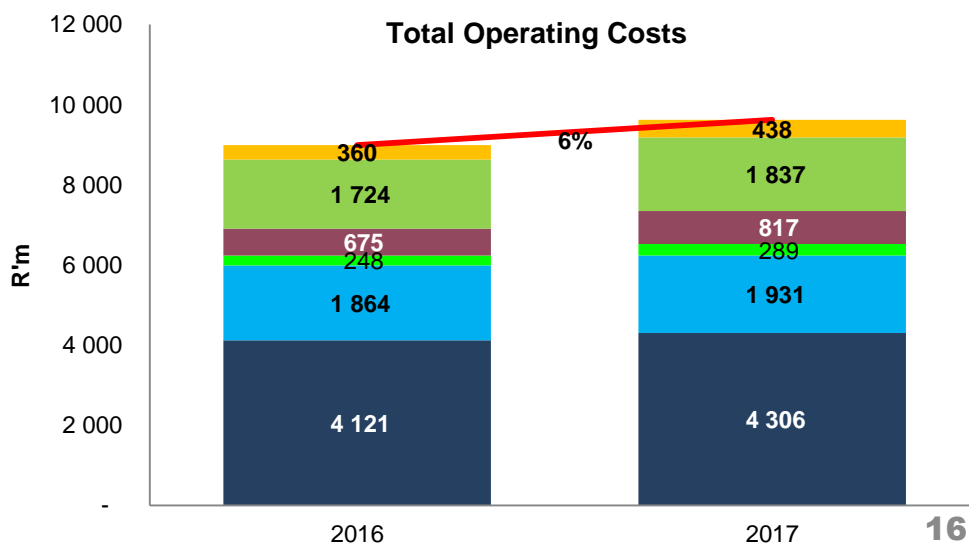
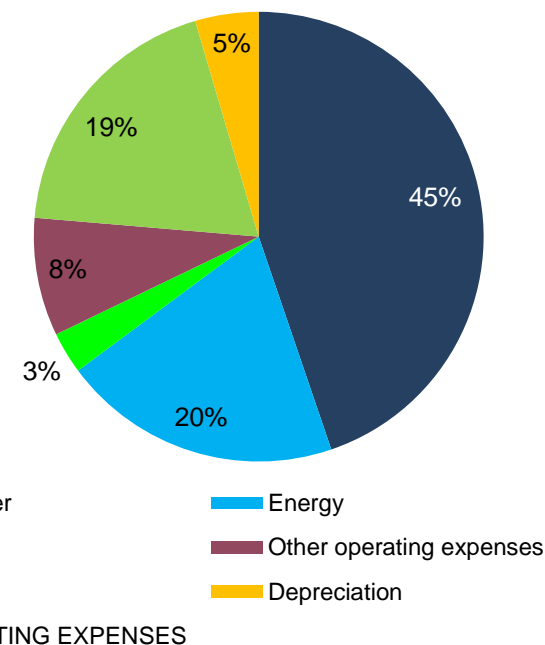
Statement of Financial Performance

for the year ended
30 June

	2017 R'm	Restated 2016 R'm	%Δ
Revenue	11 981	11 072	8%
Net operating expenses	9 181	8 633	6%
EBITDA	2 800	2 439	15%
Depreciation and amortisation	438	360	22%
Income from operations before net finance costs	2 362	2 079	14%
Net investment income	13	52	-75%
Net income	2 375	2 131	11%

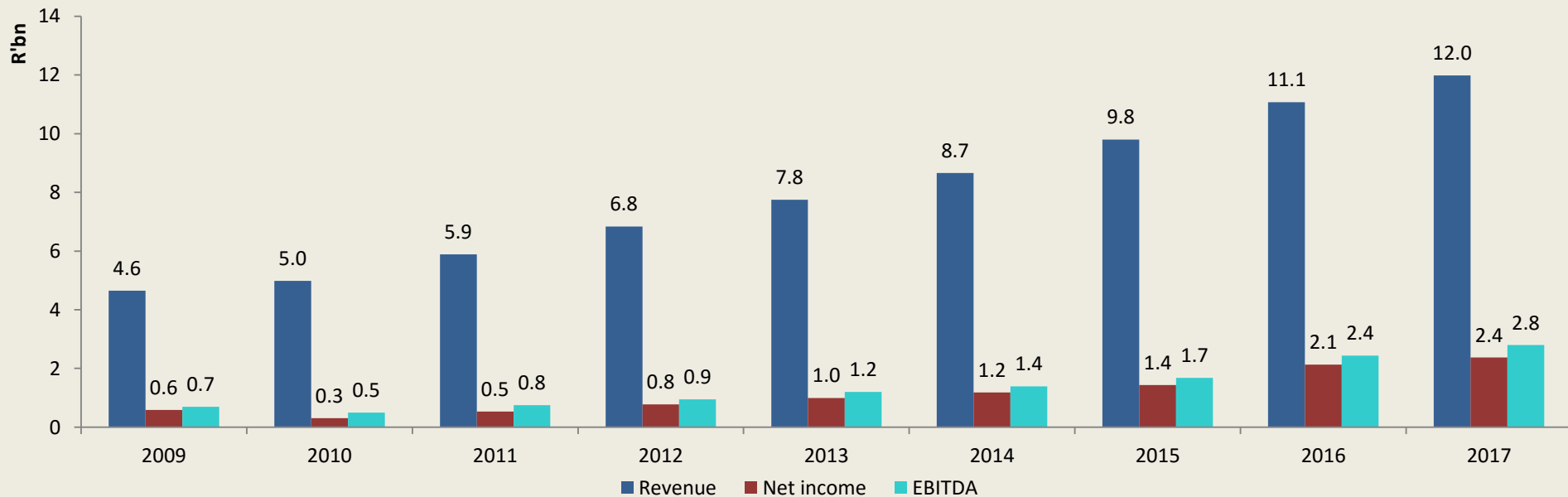
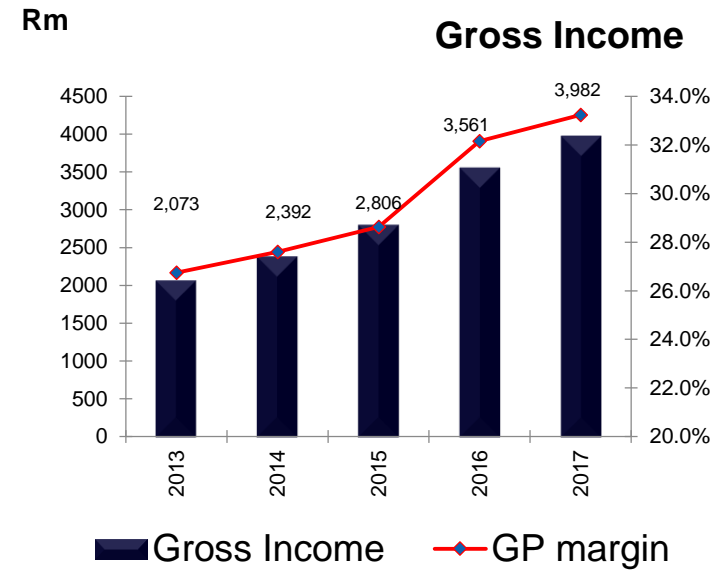
	2017 (R'm)	2016 (R'm)	%Δ
Primary Activities - Gauteng	54	-	100%
Mpumalanga	93	(39)	-338%
Secondary Activities	-	26	-100%
Total Provision for doubtful debts	147	(13)	-1231%

Total Operating Costs

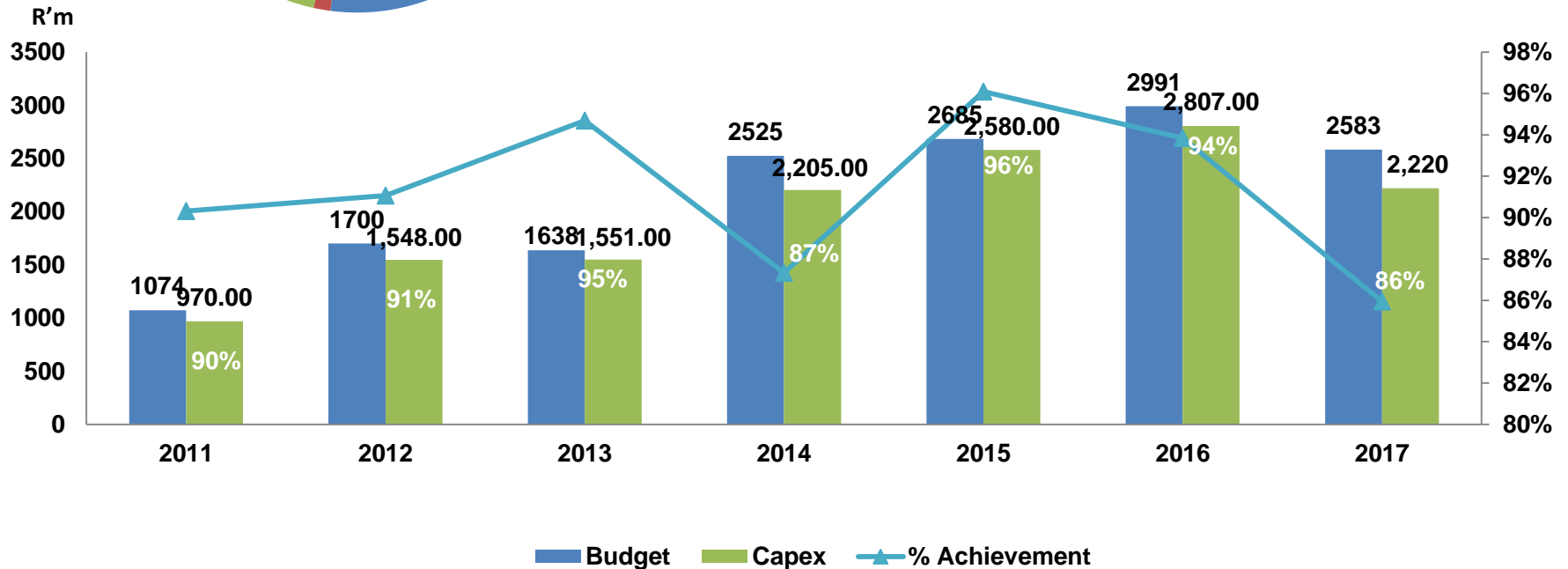
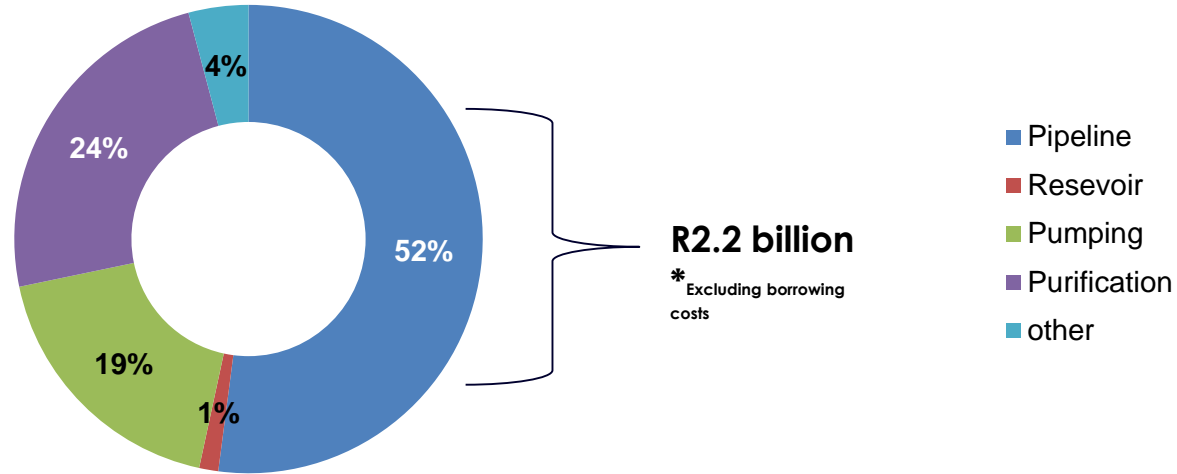


Strong Operational Performance

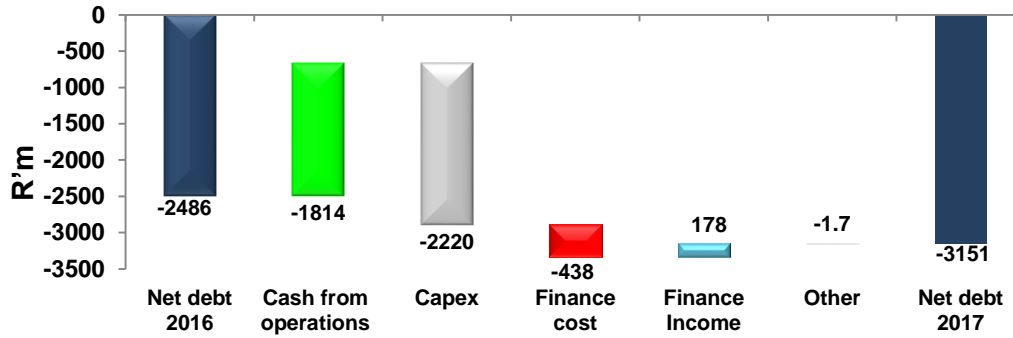
	2017 (R'm)	2016 (R'm)	%Δ
Primary Activities - Gauteng	2 404	2 028	+18.5%
Mpumalanga	(54)	73	-174%
Secondary Activities	25	34	-26%
Total net income	2 375	2 134	+11%
Net income margin (%)	19.8%	19.3%	+0.5%
EBITDA (R'm)	2 800	2 439	+15%
EBITDA margin (%)	23.4%	22%	+1.4%



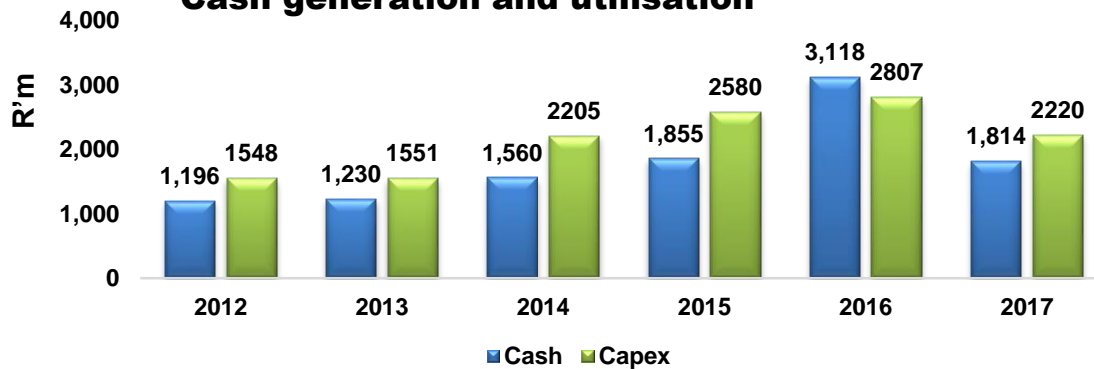
Capital expenditure performance (including BBR, excluding moveable assets)



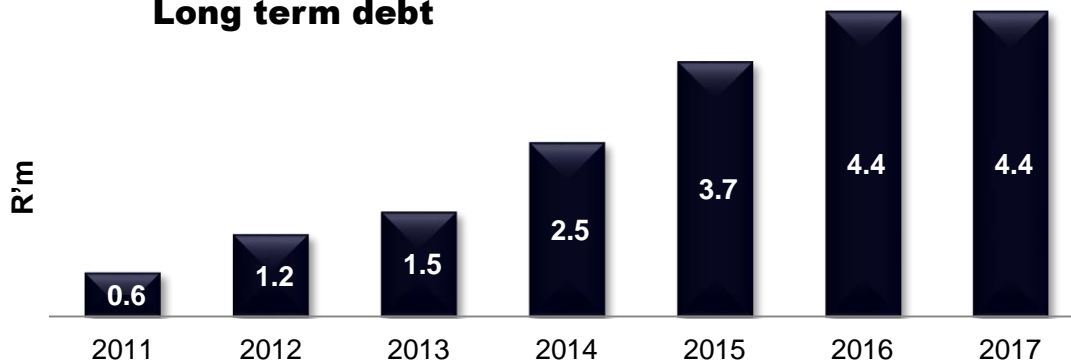
Net debt and cash flow



Cash generation and utilisation

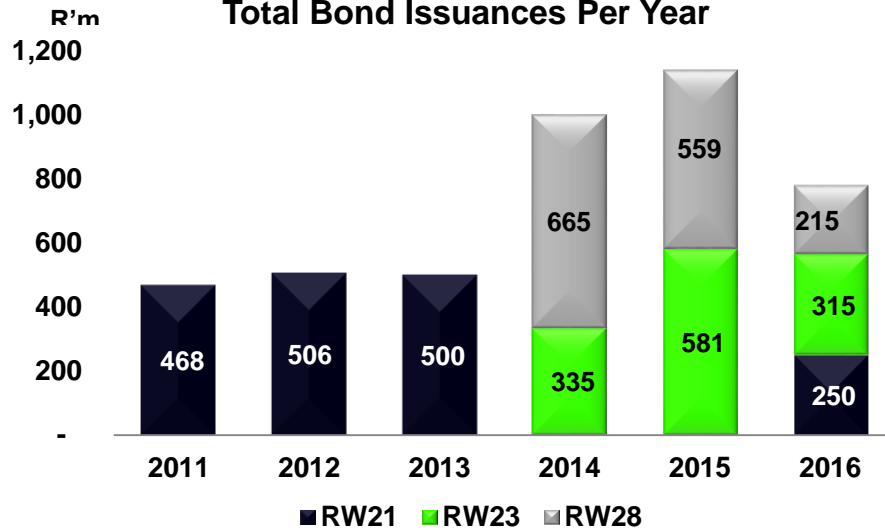


Long term debt

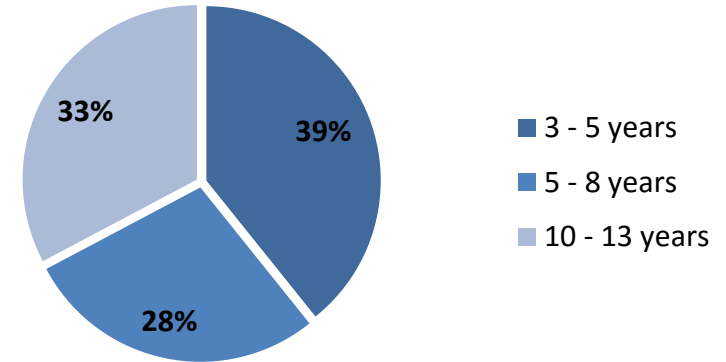


- Net debt position increased by R0.665 billion for the period
- Increase in finance costs by 3.5% to R438m
- Cash interest cover of 5.4 times
- Net cash generated from operations of R1.6 billion a decrease of 37%
- The amount of net cash utilised in investing activities decreased by 24%
- Capex for the current year fully funded by cash generated for the year and cash reserves from previous year which resulted in a decrease to R805 million (2016: R1.47 billion).
- Gearing down to 28% (2016: 34%)

Total Bond Issuances Per Year



Debt maturity

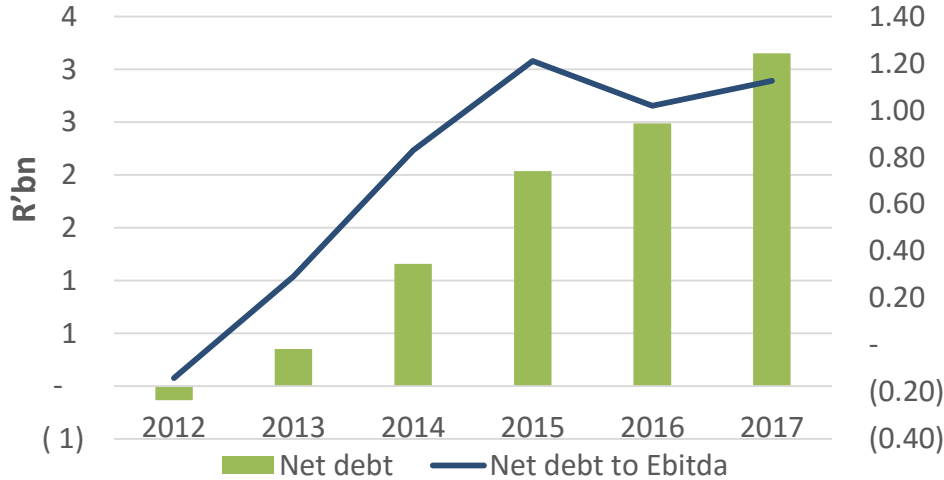


Bond	Nominal R' million	Coupon %	Maturity Yrs
RW21	1,724	9.97	2021
RW23	1,231	9.51	2023
RW28	1,439	10.245	2028
R 4,394			

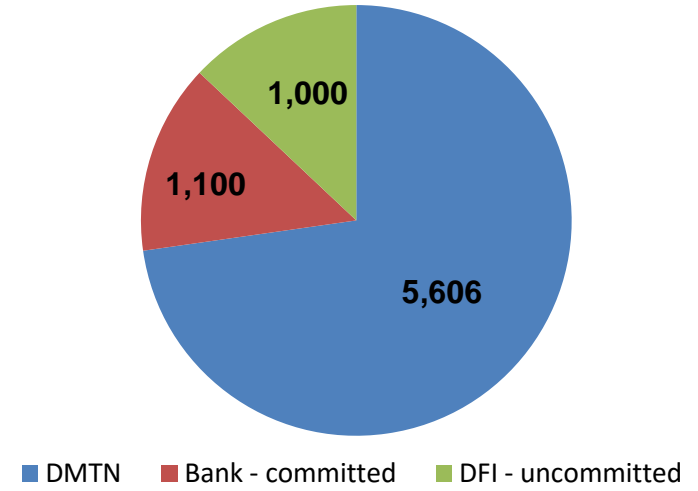
Credit Ratings

Rating	Standard & Poor's	Fitch
Stand Alone Credit Profile	bbb-	AA(zaf)
National Scale Issuer Ratings	Foreign Currency BB+	Short Term F1+ (zaf)
	Local Currency BBB-	Long Term AA+ (zaf) / Stable

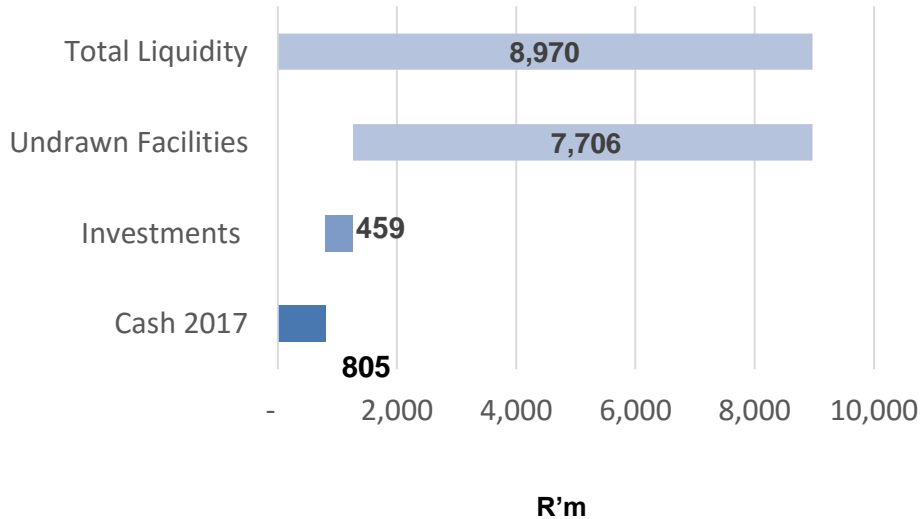
Net Debt to Ebitda



Undrawn Facilities



Liquidity Headroom



- Net debt position increased by R0.665 billion for the period
- Net debt to EBITDA of 1.1 times, well within the 2x levels.
- Sufficient liquidity headroom to cater for future capital requirements

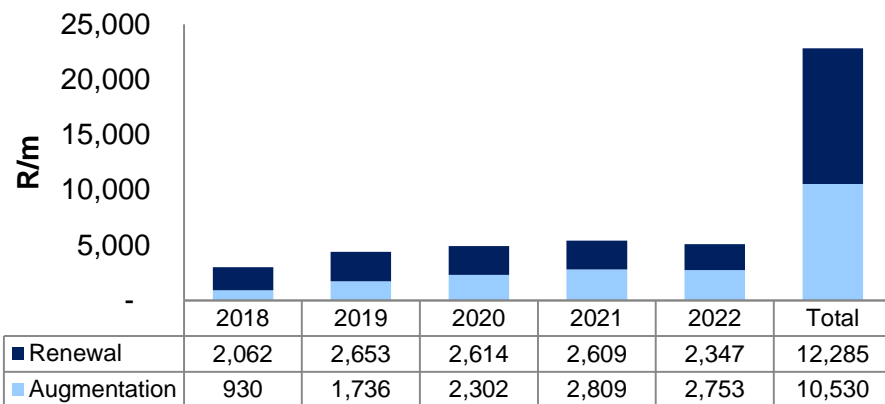
Infrastructure - Projected Peak Day Demands To 2025

Infrastructure - An efficient, competitive and responsive economic infrastructure network

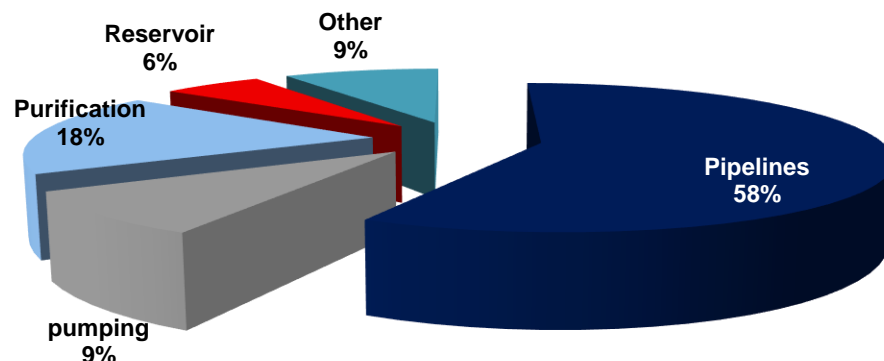
Station	Design capacity (MI/d)	Proposed additional capacity (MI/d)	Proposed year of augmentation (first phase)	Projected peak day demands (MI/d)			
				2020	2025	2030	2035
Primary pumping							
Zuikerbosch	3610	1200	2018/19	4300	4800	5300	5800
Vereeniging	1400	Nil	N/A	1300	1300	1300	1300
Booster pumping							
Eikenhof	1800	Nil	N/A	1470	1610	1750	1880
Zwartkopjes	800	200	TBA	760	780	840	880
Palmiet	1875	600	2019	2000	2190	2380	2570
Mapleton	960	300	2019	990	1080	1180	1270

Infrastructure Plan (2018-2022)

Revised Infrastructure Plan (2018-2022) - R22.8bn



Revised Infrastructure Plan (2018-2022) - R22.8bn

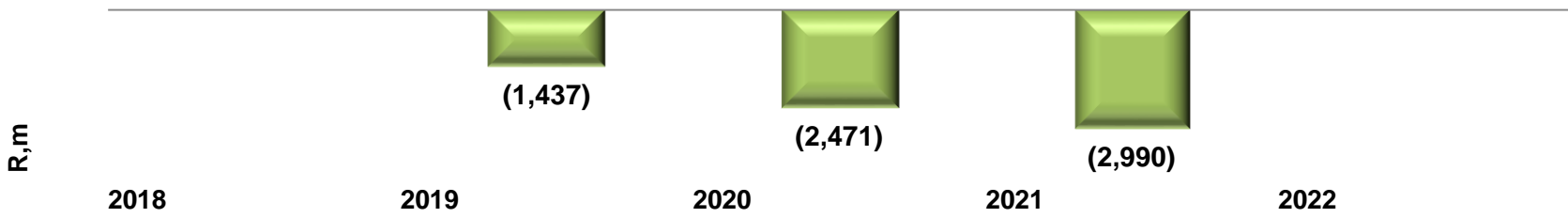


MAJOR PROJECTS WITHIN THE 5-YEAR PERIOD

	Authorised Vote	% Completion	Est Completion date
Primary Supply System			
Station 5 at Zuikerbosch pumping station (Phase 1-600MI/d)	3,792,153,949	35%	2018
B19 Lethabo to Vereeniging raw water pipeline	679,373,223	95%	2018
Palmiet Supply System			
B17 Zuikerbosch to Palmiet Pipeline	1,623,060,281	95%	2018
Engine Room 3b at Palmiet pumping station	388,933,551	90%	2018
O6 Palmiet to Klipfontein pipeline	1,377,479,847	76%	2018
H39 Klipfontein to Brakfontein pipeline	516,688,260	56%	2019
Mapleton Supply System			
B16 Zuikerbosch to Slangafontein pipeline	16,700,000	2%	2021
Mapleton pumping station upgrade	788,304,263	5%	2020
S4 van Dyk's Park to Rynfield pipeline	580,770,400	36%	2020

The average ratio of Augmentation and Renewal to the total program is 58/42 respectively over the total 5 year planning horizon

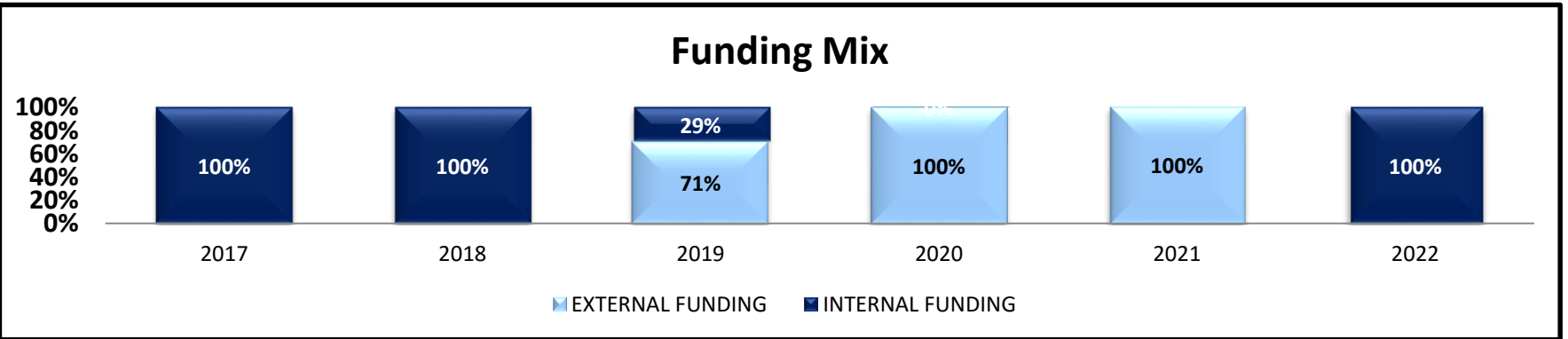
Funding requirement



Existing Debt Profile & Propsed Debt (2018 - 2022)

Source of Debt	2017	2018	2019	2020	2021	2022
	R'000	R'000	R'000	R'000	R'000	R'000
Total Existing Debt Portfolio	4,394	4,394	4,394	4,394	4,394	2,670
Proposed Funding - Debt Capital Market & Loan Financing	-	-	1,437	3,908	6,898	6,898
Project Financing, Development Institution Funding & Other Off Balance Sheet Funding	-	430	1,120	1,887	1,887	1,887
Total New Debt Portfolio	4,394	4,824	6,951	10,189	13,179	11,455

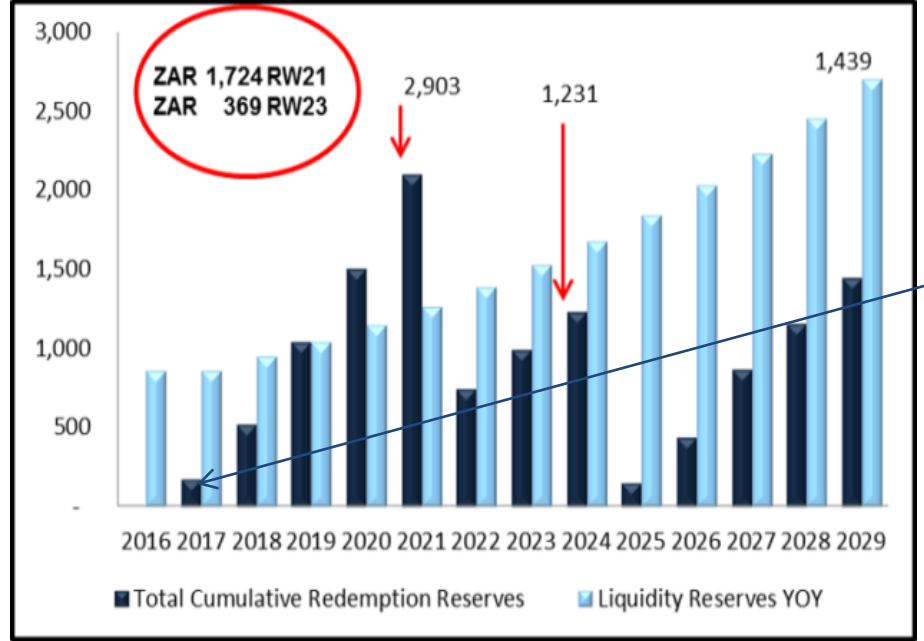
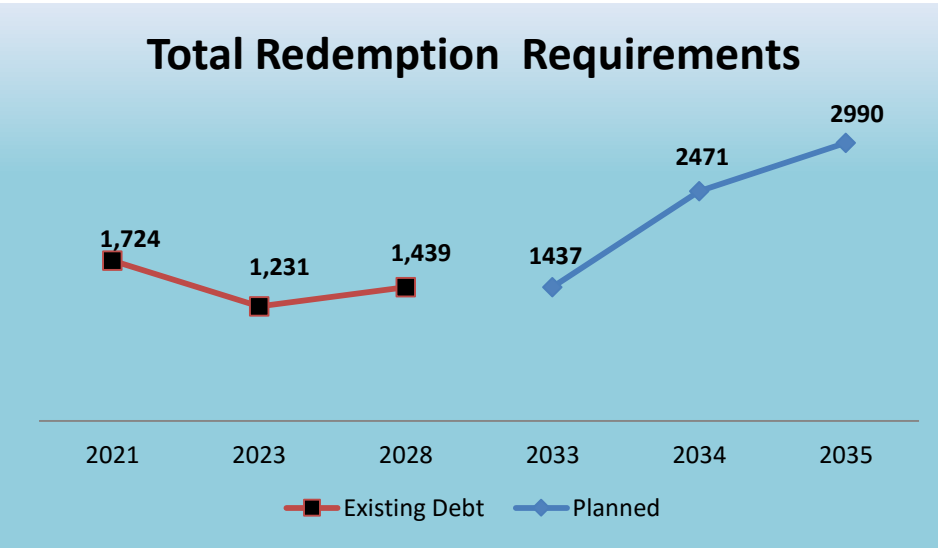
FIVE YEAR INTERNAL AND EXTERNAL FUNDING PROJECTIONS FOR AUGMENTATION ONLY



Redemption Reserve Policy and Requirements



	4 Years to Maturity	3 Years to Maturity	2 Years to Maturity	Year of Maturity
Percentage Per Annum	10%	20%	30%	20%
Cummulative Percentage	10%	30%	60%	10%



R176 million Currently Ring Fenced

- Continue to deliver on stakeholder commitments
- Deliver on major augmentation and renewal projects
- Drive continued operational and capital discipline
- Balance sheet resilience through:
 - Credit metrics and debt ratios maintained within conservative levels
 - Improved working capital generation
- Maintain margins and returns

A large, dynamic splash of water forms a circular shape in the center of the slide. The water is captured in mid-air, with many small droplets and bubbles visible, creating a sense of movement and freshness. The splash is set against a white background, which is partially framed by a solid blue vertical bar on the left side of the slide.

LOOKING FORWARD

Chief Executive:

DKP Sechemane

Rand Water is committed to:

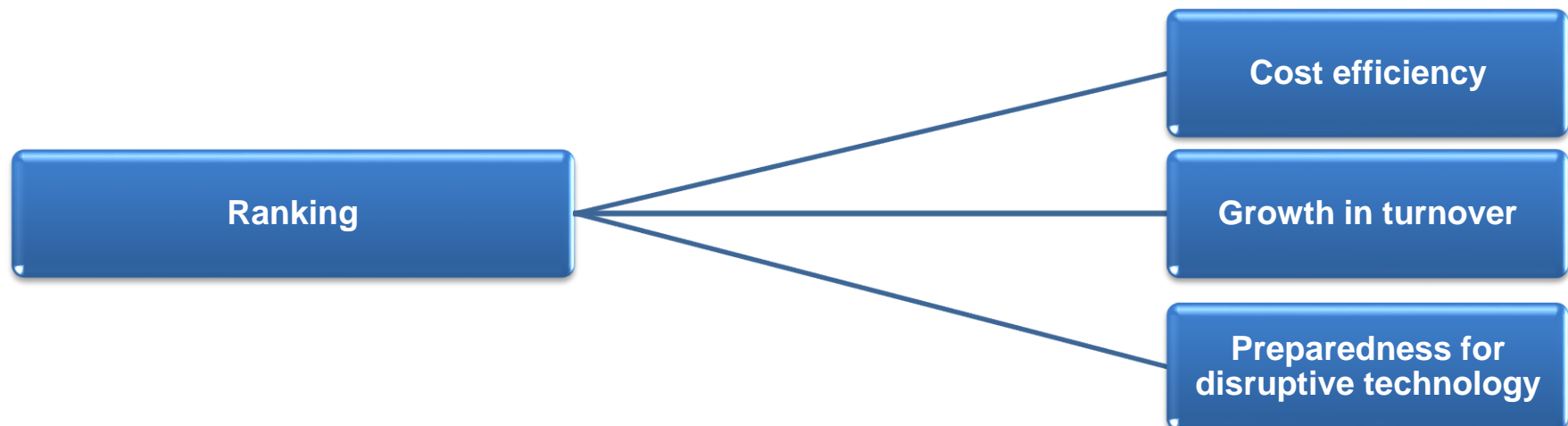
- Rolling out the capital expenditure programme, which remains critical to Rand Water's success;
- Prudent application of the credit management policy to maintain financial health and sustainability;
- Asset transfer and ownership of regional bulk infrastructure in new areas of service remains a critical goal;
- Continue to deliver on stakeholder commitments including Ministerial Directives, such as War on Leaks programme;
- Continuous engagement with stakeholders in alleviating the impact of climate change and erratic rainfall patterns;
- Building a resilient organisation for the future;
- Promote a strong culture of leadership continuity and sustainability within the organisation and the water sector

In line with international examples, Rand Water aims to open an Innovation Hub.

The importance of international collaborations

- Rand Water will remain ahead of the curve and relevant to the water sector through continuous engagements with international partners
- Collaborate with PUB (Singapore), Anglian Water (UK) and Thames Water (UK) on the development of a testing facility for Rand Water:
- Structured visits with allocated teams to visit international utilities

Innovation and Technology Ranking





RAND WATER

Thank you!



SPirit
OF
PARTNERSHIP



INTEGRITY



EQUITY



CARING



EXCELLENCE



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