

**Announcement: Moody's issues annual credit report on City of Ekurhuleni**

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Global Credit Research - 02 Jul 2012

Johannesburg, July 02, 2012 -- In its annual report on the City of Ekurhuleni, Moody's Investors Service says that Ekurhuleni's Aa2.za/Prime-1.za national scale issuer and debt ratings (negative outlook) are underpinned by the city's adequate financial position, including moderate debt, and its large economic base.

"Operating margins benefited from restored revenue growth, combined with continued fiscal discipline. Going forward, we expect that continued focus on revenue collections and tight control over expenditure dynamics will allow Ekurhuleni to consolidate positive financial results, which will help to restore a comfortable liquidity position and to sustain moderate increases in debt levels," says Kenneth Morare, Moody's lead analyst for Ekurhuleni.

Moody's notes that Ekurhuleni's liquidity profile picked up considerably to 0.9x in FYE2011, signalling a reversal in the cash reduction trend observed in the past four years. Nevertheless, Ekurhuleni's cash position still remains far from the peaks recorded in pre-crisis. Going forward, we expect the city's liquidity position to continue strengthening on the back of gradually improving revenue collection and continued fiscal discipline.

Including the recent ZAR800 million bond issuance, Ekurhuleni's direct debt stock is estimated to amount to ZAR4.6 billion (US\$548 million) for FYE2012. Albeit growing in absolute terms, debt-to-revenue ratios remains moderate at 23% (2011) and 21% (2012 forecasts) and Moody's views the projected future increase in debt levels as manageable in the near-term. Guaranteed debt of the water company ERWAT (rated A1.za) result in modest increases on the city's debt metrics.

Ekurhuleni is one of South Africa's largest economic hubs, with total revenue of ZAR17.3 billion (US\$2 billion) for FYE2011. The city has a population of 2.8 million, accounting for 28% of the Gauteng province's and 5.6% of South Africa's total population.

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