

APPLICABLE PRICING SUPPLEMENT



UMGENI WATER

(Established under Proclamation No. 114 of 1974 (Government Gazette No. 4300 of 14 June 1974) and in terms of section 108(2) of the Water Act, 1956 and now deemed to be established in terms of the Water Services Act, 1997 read together with the Public Finance Management Act, 1999);

Issue of ZAR600,000,000 10.70% Senior Unsecured Fixed Rate Notes due 2 March 2021 under its ZAR3,000,000,000 Domestic Medium Term Note Programme

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 25 November 2009, prepared by Umgeni Water in connection with the Umgeni Water ZAR3,000,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the "Programme Memorandum").

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed "Terms and Conditions of the Notes".

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

DESCRIPTION OF THE NOTES

1. Issuer	Umgeni Water
2. Status of Notes	Senior
	Unsecured
3. Form of Notes	Listed Registered Notes
4. Series Number	1
5. Tranche Number	1
6. Aggregate Nominal Amount:	
(a) Series	ZAR600,000,000
(b) Tranche	ZAR600,000,000
7. Interest	Interest-bearing
8. Interest Payment Basis	Fixed Rate
9. Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another	Not applicable
10. Form of Notes	Registered Notes: The Notes in this Tranche are issued in certificated form and lodged in the CSD under a single Global Certificate.
11. Issue Date	2 March 2010

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| 12. Nominal Amount per Note | ZAR1,000,000 |
| 13. Specified Denomination | ZAR |
| 14. Issue Price | 100% |
| 15. Interest Commencement Date | 2 March 2010 |
| 16. Maturity Date | 2 March 2021 |
| 17. Applicable Business Day Convention | Following Business Day |
| 18. Final Redemption Amount | Par |
| 19. Last Date to Register | By 17h00 on 19 February and 22 August in each year until the Maturity Date |
| 20. Books Closed Period(s) | The Register will be closed from 20 February to 2 March and from 23 August to 2 September (all dates inclusive) in each year until the Maturity Date |
| 21. Default Rate | Not applicable |

FIXED RATE NOTES

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| 22. (a) Fixed Rate of Interest | 10.70 % per annum payable semi-annually in arrear |
| (b) Fixed Interest Payment Date(s) | 2 March and 2 September in each year up to and including the Maturity Date |
| (c) Fixed Coupon Amount(s) | Not applicable |
| (d) Initial Broken Amount | Not applicable |
| (e) Final Broken Amount | Not applicable |
| (f) Determination Date(s) | 2 March and 2 September in each year |
| (g) Day Count Fraction | Act/365 |
| (h) Any other terms relating to the particular method of calculating interest | Not applicable |

FLOATING RATE NOTES

Not applicable

ZERO COUPON NOTES

Not applicable

PARTLY PAID NOTES

Not applicable

INSTALMENT NOTES

Not applicable

MIXED RATE NOTES

Not applicable

INDEX-LINKED NOTES

Not applicable

DUAL CURRENCY NOTES

Not applicable

EXCHANGEABLE NOTES

Not applicable

OTHER NOTES

Not applicable

PROVISIONS REGARDING REDEMPTION/MATURITY

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| 23. Issuer's Optional Redemption: | No |
| If yes: | |
| (a) Optional Redemption Date(s) | Not applicable |
| (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) | Not applicable |

- (c) Minimum period of notice (if different from Condition 10.3 (*Redemption at the Option of the Issuer*)) Not applicable
- (d) If redeemable in part: Not applicable
- Minimum Redemption Amount(s) Not applicable
- Higher Redemption Amount(s) Not applicable
- (e) Other terms applicable on Redemption Not applicable
24. Redemption at the Option of the Senior Noteholders: No
- if yes:
- (a) Optional Redemption Date(s) Not applicable
- (b) Optional Redemption Amount(s) Not applicable
- (c) Minimum period of notice (if different from Condition 10.4 (*Redemption at the Option of the Senior Noteholders*)) Not applicable
- (d) If redeemable in part:
- Minimum Redemption Amount(s) Not applicable
- Higher Redemption Amount(s) Not applicable
- (e) Other terms applicable on Redemption Not applicable
- (f) Attach *pro forma* put notice(s) Not applicable
25. Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required). Yes
- If no:
- (a) Amount payable; or Not applicable
- (b) Method of calculation of amount payable Not applicable

GENERAL

26. Financial Exchange JSE Limited
27. Calculation Agent Investec Bank Limited
28. Paying Agent First National Bank, a division of FirstRand Bank Limited
29. Specified office of the Paying Agent First National Bank City
3 First Place, Mezzanine Floor
Corner Simmonds and Jeppe Street
Johannesburg, 2001
30. Transfer Agent Computershare Investor Services (Proprietary) Limited
31. Provisions relating to stabilisation Not applicable
32. Stabilising manager Not applicable
33. Additional selling restrictions Not applicable
34. ISIN No. ZAG000075698

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| 35. Stock Code | UG21 |
| 36. Method of distribution | Bookbuild |
| 37. If syndicated, names of Managers | Investec Bank Limited
IDG Financial Services Investments (Proprietary) Limited |
| 38. If non-syndicated, name of Dealer | Not applicable |
| 39. Governing law (if the laws of South Africa are not applicable) | Not applicable |
| 40. Surrendering of Notes in the case of Notes represented by a Certificate | 10 days after the date on which the Certificate in respect of the Note to be redeemed has been surrendered to the Issuer |
| 41. Use of proceeds | General corporate purposes |
| 42. Pricing Methodology | Not applicable |
| 43. Other provisions | Not applicable |

DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS

44. Paragraph 3(5)(a)
The ultimate borrower is the Issuer.
45. Paragraph 3(5)(b)
The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.
46. Paragraph 3(5)(c)
The auditor of the Issuer is Deloitte & Touche.
47. Paragraph 3(5)(d)
As at the date of this issue:
(i) the Issuer has not issued any commercial paper; and
(ii) the Issuer estimates that it may issue ZAR600,000,000 of commercial paper during the current financial year, ending 30 June 2010.
48. Paragraph 3(5)(e)
All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.
49. Paragraph 3(5)(f)
There has been no material adverse change in the Issuer's financial position since the date of its last audited financial statements.
50. Paragraph 3(5)(g)
The Notes issued will be listed.
51. Paragraph 3(5)(h)
The funds to be raised through the issue of the Notes are to be used by the Issuer for its general corporate purposes.
52. Paragraph 3(5)(i)
The obligations of the Issuer in respect of the Notes are unsecured.

53. Paragraph 3(5)(j)

Deloitte & Touche, the statutory auditors of the Issuer, have confirmed that based on the procedures they have performed nothing has come to their attention to indicate that this issue of Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations.


Responsibility:


The Issuer accepts responsibility for the information contained in this Applicable Pricing Supplement.

Application is hereby made to list this issue of Notes on 2 March 2010.

SIGNED at Pietermaritzburg on this 1st day of March 2010

For and on behalf of
UMGENI WATER


Name: MAZIMKULU MSIWA
Capacity: CHIEF EXECUTIVE
Who warrants his/her authority hereto


Name: NICA GEVERS
Capacity: GENERAL MANAGER FINANCE
Who warrants his/her authority hereto