



Your partner in development finance

ANNUAL RESULTS

For the year ended March 2013

Presentation to the Portfolio Committee on Economic Development

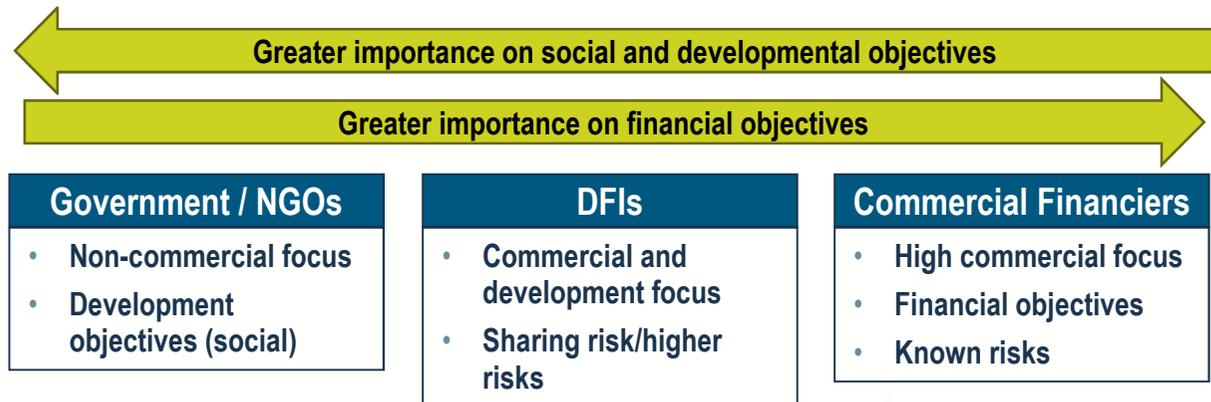
16 October 2013

Towards rapid, sustainable
and inclusive development



- IDC develops industrial capacity in line with government policy objectives
 - National Development Plan, New Growth Path, Industrial Policy Action Plan.
- It does this by developing and funding projects not readily funded by commercial financial institutions.
- This presentation will highlight progress and achievements in key industries.

Positioning of DFIs



IDC Strategy: Leadership in Industrial Development



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Increasing Industrial Development Impact	Ensuring Long-Term Sustainability	
	Financial Capital	Human, Social, Natural and Manufactured Capital
<ul style="list-style-type: none"> • Strengthen sector development objectives and strategies • Align IDC with the sector objectives of NGP and IPAP • Increased project development and implementation • Provide industrial finance to further achievement of sector development objectives • Increase regional industrial integration through the development of value chains • Ensure effective and efficiently operating sefa 	<ul style="list-style-type: none"> • Plan investment return and risk profile to ensure sufficient growth to replace existing cash generators • Structure investments to increase direct equity returns • Manage risk through appropriate investments, pricing and management of the portfolio 	<ul style="list-style-type: none"> • Human resources <ul style="list-style-type: none"> - Ensure appropriately skilled and capacitated human resources • Stakeholders <ul style="list-style-type: none"> - Improve customer service - Build partnerships with other financiers to leverage off different strengths and mandates - Increase engagement with sector players to identify opportunities - Strengthen IDC expertise to shape and influence policy - Build strong communities around projects that IDC fund • Natural environment <ul style="list-style-type: none"> - Reduce IDC's negative environmental impact - Reduce industry's negative environmental impact • Utilisation of resources <ul style="list-style-type: none"> - Improve efficiencies through improved systems and processes

IDC Operations Overview

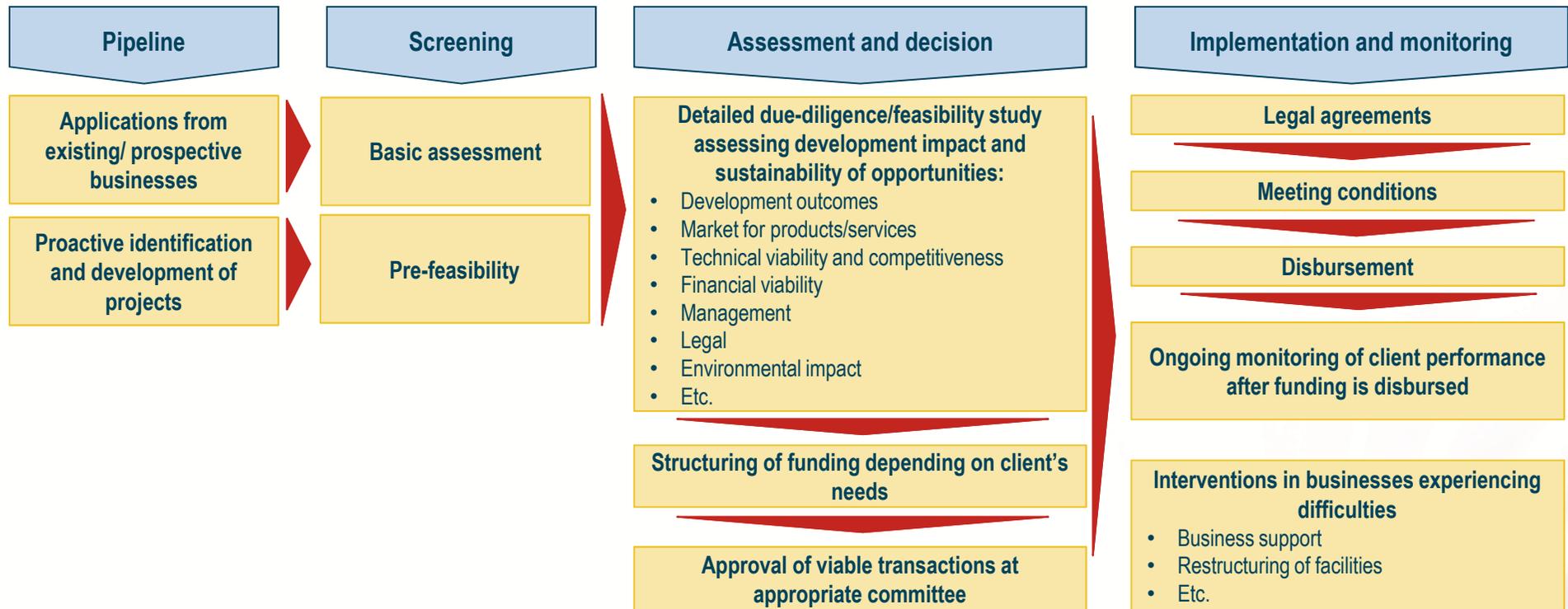


Your partner in development finance

Activities	Customers	Business lifecycle	Sectoral involvement	Funding products	Regional involvement
<ul style="list-style-type: none"> • Provision of development finance • Project development • Research and policy inputs • Fund management • Non-financial forms of business support • Capacity building 	<ul style="list-style-type: none"> • Business • Government • Other DFIs 	<ul style="list-style-type: none"> • Conceptual • Pre-feasibility • Feasibility • Product commercialisation • Establishment • Expansion • Mature 	<ul style="list-style-type: none"> • Manufacturing • Agricultural value-add • Mining and mineral beneficiation • Green industries • Industrial infrastructure • Tourism, cultural industries and other productive services 	<ul style="list-style-type: none"> • General debt • Quasi-equity • Equity • Export/import finance • Short-term trade finance • Bridging finance • Guarantees • Venture capital • Wholesale funding through intermediaries 	<ul style="list-style-type: none"> • South Africa • Rest of Africa • Global imports of South African capital equipment

Due diligence, assessment and monitoring

Thorough assessment of each investment is key to IDC minimising losses



Developing Industrial Capacity – Steel



- IDC's objective in the steel industry is to create a competitive steel industry and to stimulate labour-intensive value-adding downstream industries.
- Our strategy focusses on securing supply of raw materials used for making steel as well as increasing supply in the basic steel industry.
- Although companies in this sector tend to be capital intensive with relatively few jobs being created directly, the future indirect impact on job creation can be massive as downstream industries are unlocked.

Case Study – Masorini Iron Beneficiation (Pty) Ltd (MIB)



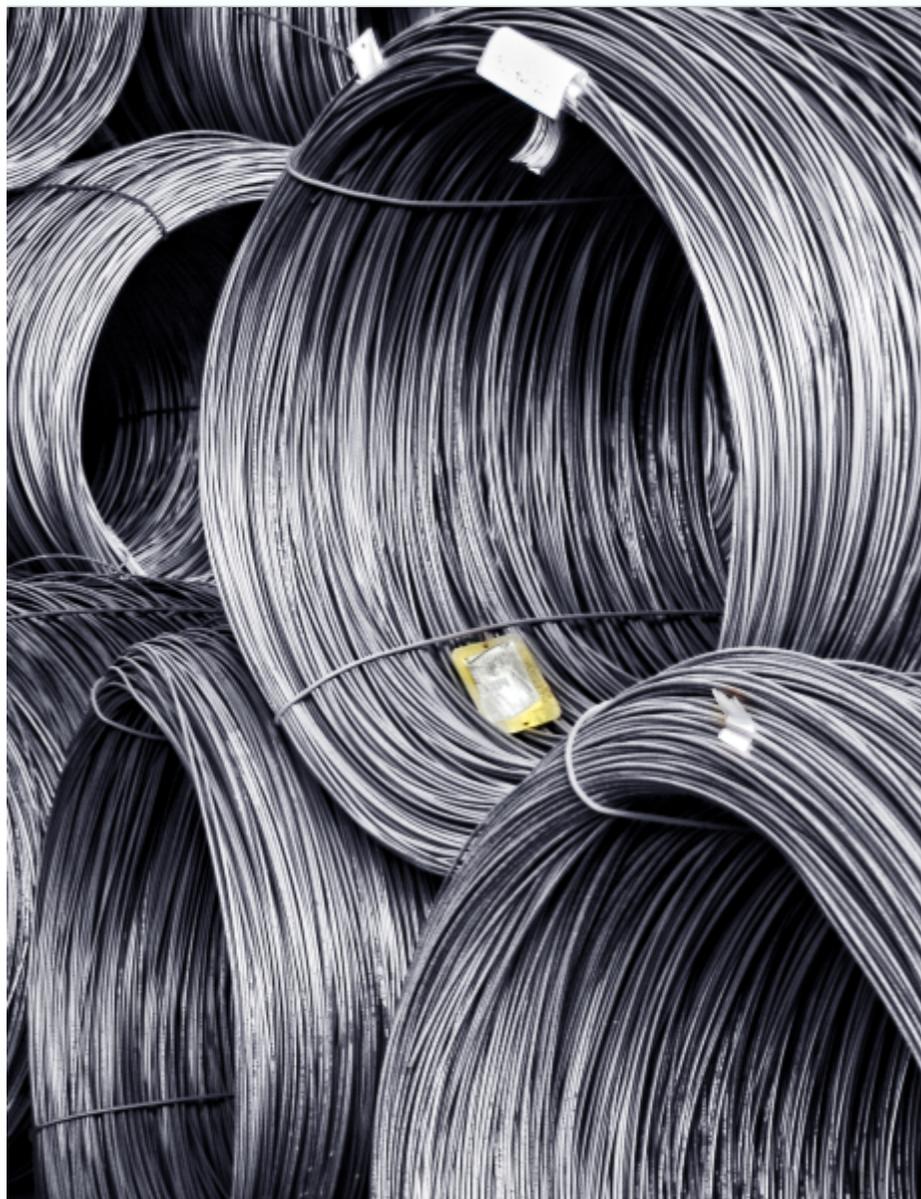
- Iron Mineral Beneficiation Services (Pty) Ltd (IMBS) has partnered with IDC to commercialise their Finesmelt™ technology through Masorini Iron Beneficiation (MIB).
- Using the technology, iron is produced from magnetite. This is a substitute for iron ore in some steel making processes and is also used in the foundry industry.
- IDC has a 33% equity stake in MIB with IMBS owning the rest of the company.
- IDC provided R77 million towards funding the project which will produce 50 000 tons of direct reduced iron per annum at the plant in Phalaborwa.

Case Study – Agni Steels SA (Pty) Ltd (Agni)



- Agni-Steels SA is a greenfield mini-steel mill being built in the Eastern Cape.
- It will produce mild-steel billets from scrap metal.
- It is a partnership between Agni Steels, an Indian company, a local BEE group and IDC.
- The first phase of the project entails the construction of a smelter to produce billets, with future expansions adding capacity for the production of long products for the construction industry.
- IDC's total investment in the project is R137 million.

Case Study – Scaw South Africa (Pty) Ltd (Scaw)



- Scaw employs about 6 800 people, manufacturing grinding media, wire rod products, cast products, and rolled products.
- The company's products are important inputs into the construction, mining, power generation, rail and other sectors.
- IDC acquired Scaw from Anglo-American PLC in 2012 in pursuit of its strategy to intervene in the South African steel industry to ensure competitively priced steel supplies to downstream industries to increase localisation.
- Scaw is well positioned to capture growth in the mining, railway and power generation sectors. It is the only producer of locomotive frames in Southern Africa and one of a few in the world.
- IDC is currently embarking on a process to modernise the company.

Developing Industrial Capacity – Green Industries



- IDC started exploring opportunities for funding in the green economy as early as 2007.
- It has established itself as one of the preferred funders for renewable energy projects as part of government's renewable energy procurement programme, playing a significant part in funding both round 1 and round 2 projects in 2012 and 2013.
- IDC is funding communities to purchase equity in these projects.
- By playing an instrumental role in the support of electricity generation, IDC is contributing significantly to the resolution of the electricity supply constraint in the economy.
- Although renewable energy generation projects are capital intensive, IDC is also promoting the local production of components for the industry with a higher requirement for local content in these projects than bid requirements.
- In addition to renewable energy generation and components, IDC is also active in other areas of the green economy such as energy efficiency, co-generation, bio-waste to energy and waste management.

Case Study – !Khi Solar One



- !Khi Solar One is a 50MW concentrated solar tower power station being constructed 20km south-west of Upington in the Northern Cape.
- It was selected as a preferred bidder under round 1 of the Department of Energy's renewable energy independent power producer programme in December 2011.
- Once completed, it will be one of the largest concentrated solar tower power stations in the world.
- Unlike many other renewable energy generation technologies this plant will be able to store energy and to deliver electricity to the grid during peak times.
- The R3.9 billion project has been under development by Abengoa Solar of Spain and IDC since 2009 with construction starting in 2012.
- IDC's current shareholding in the project is 29%, with the local community having a 20% share.
- The project is creating around 1 000 construction jobs over the 24-month construction period, with 60 fulltime jobs expected during the operation phase.
- IDC is working closely with local communities to assist with development plans for socio-economic projects which will also benefit the region and support rural upliftment.

Case Study – DCD Wind Towers



- IDC is partnering with DCD Dorbyl to build the first wind tower manufacturing facility in the Coega IDZ in the Eastern Cape.
- The project is strategically located to take advantage of the large number of wind farms being constructed in the region and can produce between 110 and 120 towers per year.
- IDC is a shareholder in the project and is investing R92 million.
- The project will create 200 permanent jobs with more temporary jobs created during the construction period.
- The facility is expected to start operating early in 2014.

Case Study – ILB Helios South Africa (Pty) Ltd



- Following joint development, IDC is investing in a project with ILB Spain to set up a plant to manufacture solar PV panels in the East London IDZ.
- As part of the project, manufacturing and part of ILB's research and development activities will be relocated to South Africa.
- The facility will have the capacity to supply PV panels able to generate 85MW of electricity per annum once fully operating.
- IDC is investing R144 million in the project.
- 190 permanent jobs will be created.

Case Study – Bon Accord Recycling Centre (Pty) Ltd



- One of the country's largest waste management services companies approached IDC to set up a semi-automated material recycling facility at a landfill site in Pretoria.
- The facility will be able to process 6 000 tons of waste per month and recover paper, plastics and glass in the process.
- In total, IDC is providing R19 million towards funding the project.

Developing Industrial Capacity – Agro-Processing



- Rural areas are especially hard hit by poverty and unemployment.
- Large areas with agricultural potential remain underdeveloped, partly due to difficulty in accessing markets.
- Agro-processing has large potential to develop the economy in general by adding value to agricultural commodities and can increase the level of black participation in this sector.
- Processing facilities provide rural areas with a more sustainable market for agricultural products and have the benefit of increasing sustainability of primary producers and increasing their job creation potential.

Case Study – Coega Dairy Holdings (Pty) Ltd



- In 2012, IDC facilitated the establishment of the Coega Dairies long-life milk facility in the Eastern Cape’s Coega Industrial Development Zone (IDZ).
- This initiative is unique in the co-ownership of the plant by local dairy farmers (both commercial and smaller scale), workers and local communities.
- In 2013, IDC provided additional funding to assist with the establishment of a mozzarella cheese production facility in the Coega IDZ.
- This transaction will:
 - Create an estimated 269 additional jobs in the dairy and cheese facilities;
 - Benefit farmers directly through their shareholding in value-adding activities;
 - Enhance B-BBEE through the participation of black farmers, workers and communities;
 - Replace cheese imports and boost milk procurement from the Eastern Cape; and
 - Underpin rural development by creating a hub of activities around the dairy value chain.

Case Study – Russellstone Protein (Pty) Ltd



- The project comprises the development of a green-fields soya crushing facility in the Bronkhorstspuit Industrial Area.
- The plant will have a capacity of c.a. 240 000 tons per annum and will convert soya beans into high quality soya oil cake, soya hulls, and crude soya oil for distribution into the animal feed and industrial sectors.
- The project will be the first dedicated oil cake focussed commercial-scale soya crushing facility in South Africa replacing imported soya cake, creating 48 permanent job opportunities, and having a direct and beneficial impact on the local cultivation of soya beans.
- The project will require the dry-land cultivation of ca. 104 000 ha soya, which would also promote disease management and improve soil nutrition if used as part of a rotational crop.
- The indirect employment impact in the agricultural sector is conservatively estimated at over 1 000 jobs.

Developing Industrial Capacity – Film Industry



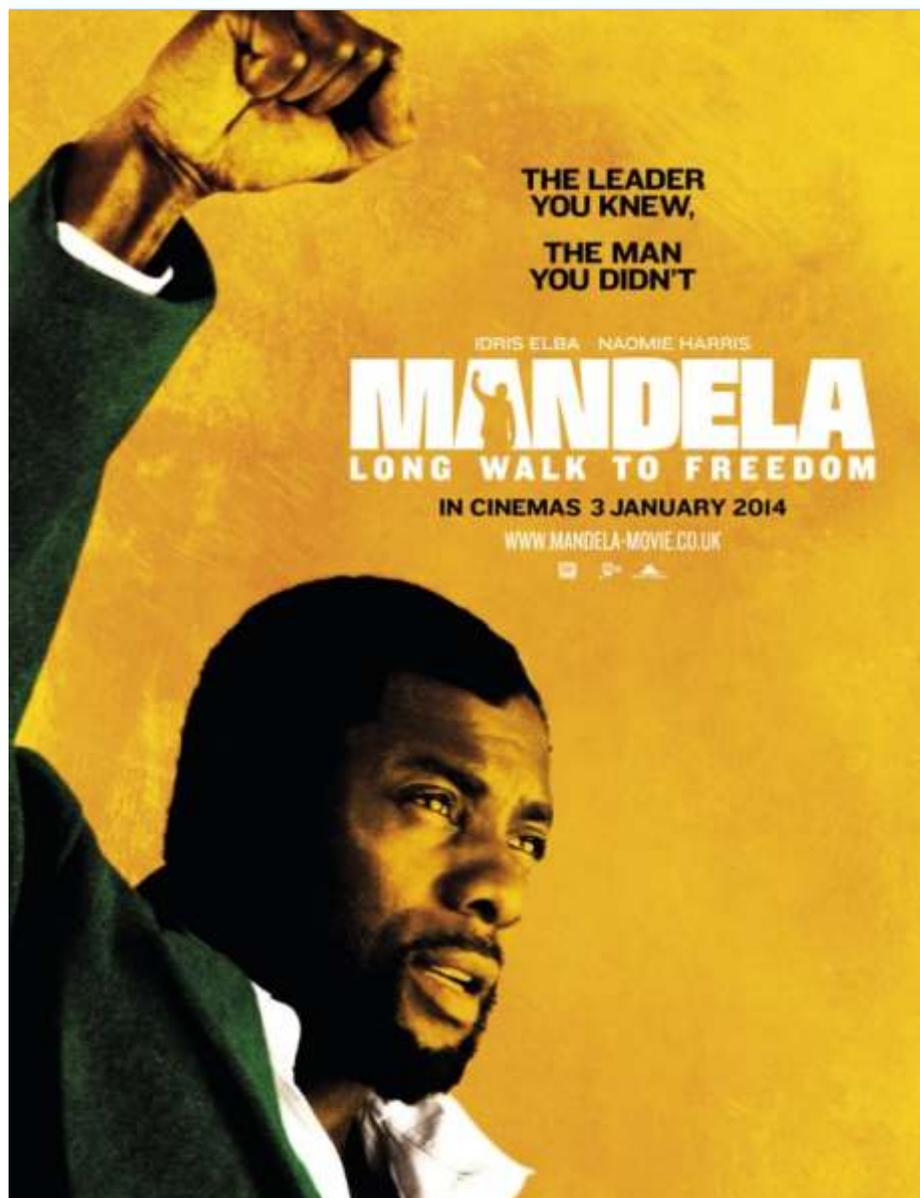
- Apart from the cultural benefits, a vibrant film industry has the potential to sustain a large number of jobs in pre- and post-production, set-building, make-up and other creative industries.
- IDC has been supporting the local film industry since 2000 when a dedicated business unit focussing on this industry was established.
- IDC's strategy in this industry is to develop the complete value chain, including funding for films, production facilities and channels for distribution.

Case Study – Cape Town Film Studios (Pty) Ltd



- IDC originally approved funding for the establishment of the world class Cape Town Film Studios in 2010.
- Since then the studio hosted a number of productions including *Judge Dredd*, *Safe House*, *Chronicle*, and *Mad Max 4* with many accolades from production companies using the facilities.
- In 2012, IDC was approached to fund the construction of a water tank facility and beach reservoir at the studio which would enable it to attract productions requiring ocean scenes.
- On the back of this development, the studio has been able to attract the production of a high-budget pirate themed television series to South Africa. This production on its own is expected to create 513 jobs.

Case Study – Feature Films



- Low-budget local feature films
 - Semi Soet:
 - High local box office (R10m+)
 - Most successful local film on iTunes – downloaded internationally
 - Won many awards
 - Fanie Fourie's Lobola:
 - Critically acclaimed locally and internationally
 - Good local box office performance
 - Attracting diverse audience
 - Achieving foreign sales
 - Vehicle 19:
 - Pre-sales: IDC recouped capital before release
- Animation
 - Adventures in Zambezia:
 - Most successful South African feature film – achieved more than 2 million ticket sales globally
 - Proves South African produced animation feature films can compete globally
- Coming soon
 - Long Walk to Freedom
 - Nelson Mandela's life journey from his childhood to his inauguration as the first democratically elected president of South Africa

Developing Industrial Capacity – Localisation



- The infrastructure build programmes by government and its agencies have the potential to make a large impact on industrial development of the country.
- To support these initiatives, IDC is cooperating with SOCs such as Transnet and Eskom and established a Localisation Unit responsible for identifying opportunities for local manufacturing being unlocked by government's larger infrastructure roll-out programme.
- In addition, IDC is pursuing opportunities based on several other government initiatives aimed at stimulating local industry through procurement such as the designation of products for local procurement under the Preferential Procurement Policy Framework Act and the Tax Recapitalisation Programme.

Case Study – Union Carriage and Wagon (Pty) Ltd



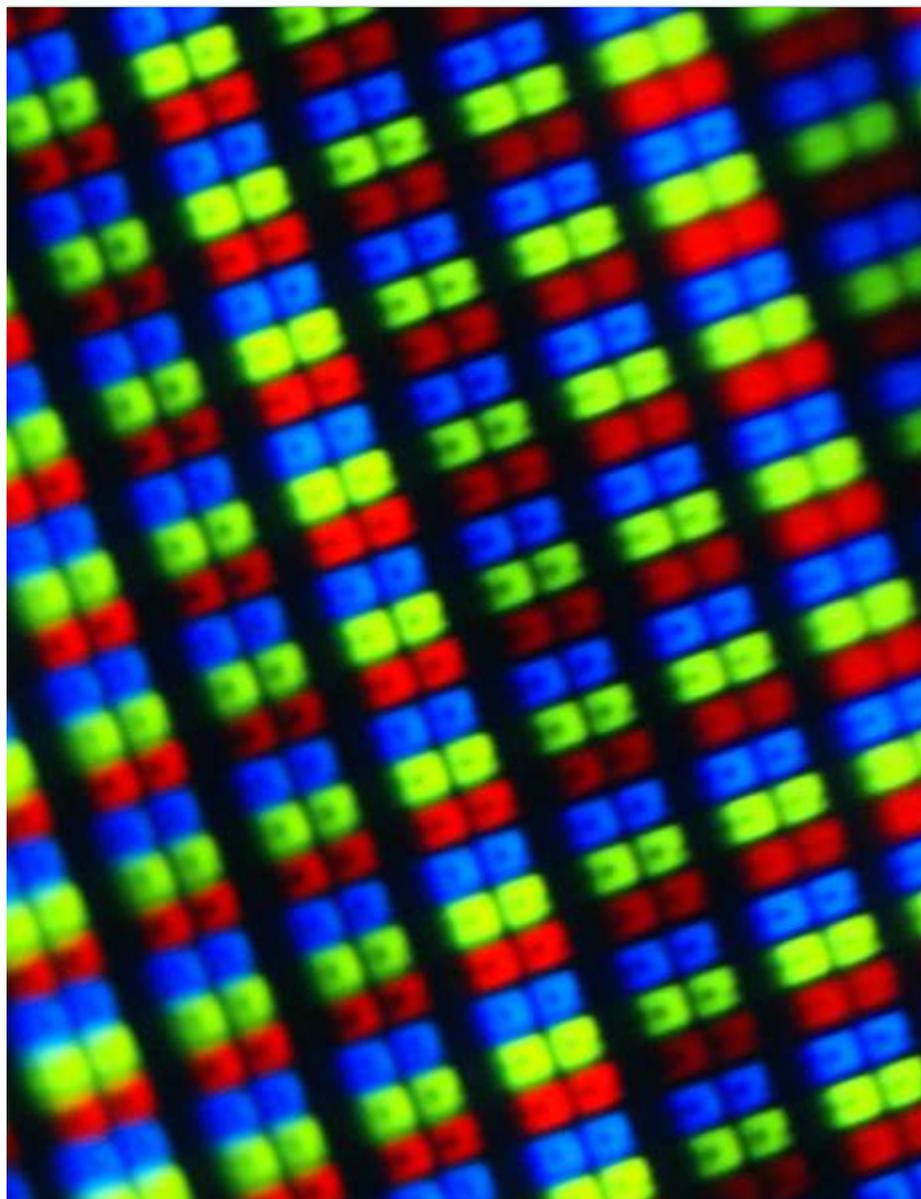
- In 2009, IDC assisted a black female entrepreneur to expand her business refurbishing rail coaches in Touws River in the Western Cape.
- By 2010, the business was ready to expand, with another company being formed in KwaZulu-Natal with IDC's assistance. This time the company would not only refurbish, but also upgrade coaches.
- In 2012 an opportunity arose for the owner of this business and other partners to acquire Union Carriage and Wagon in Gauteng.
- IDC's R210 million funding towards this project will assist the company to position itself to participate in Transnet's rail upgrade programme.

Case Study – ADC Cables



- The local demand for insulated copper cable is set to grow on the back of Eskom's transmission and distribution expansion programme.
- IDC is partnering with ADC Energy to set up a plant to manufacture low to medium voltage insulated copper cable in Germiston, Gauteng.
- The plant will manufacture cables in the 6KV to 33 KV range for use in the utility, building and industrial sector.
- IDC is contributing R169 million to the project which will create 147 jobs.

Developing Industrial Capacity – Other Industries



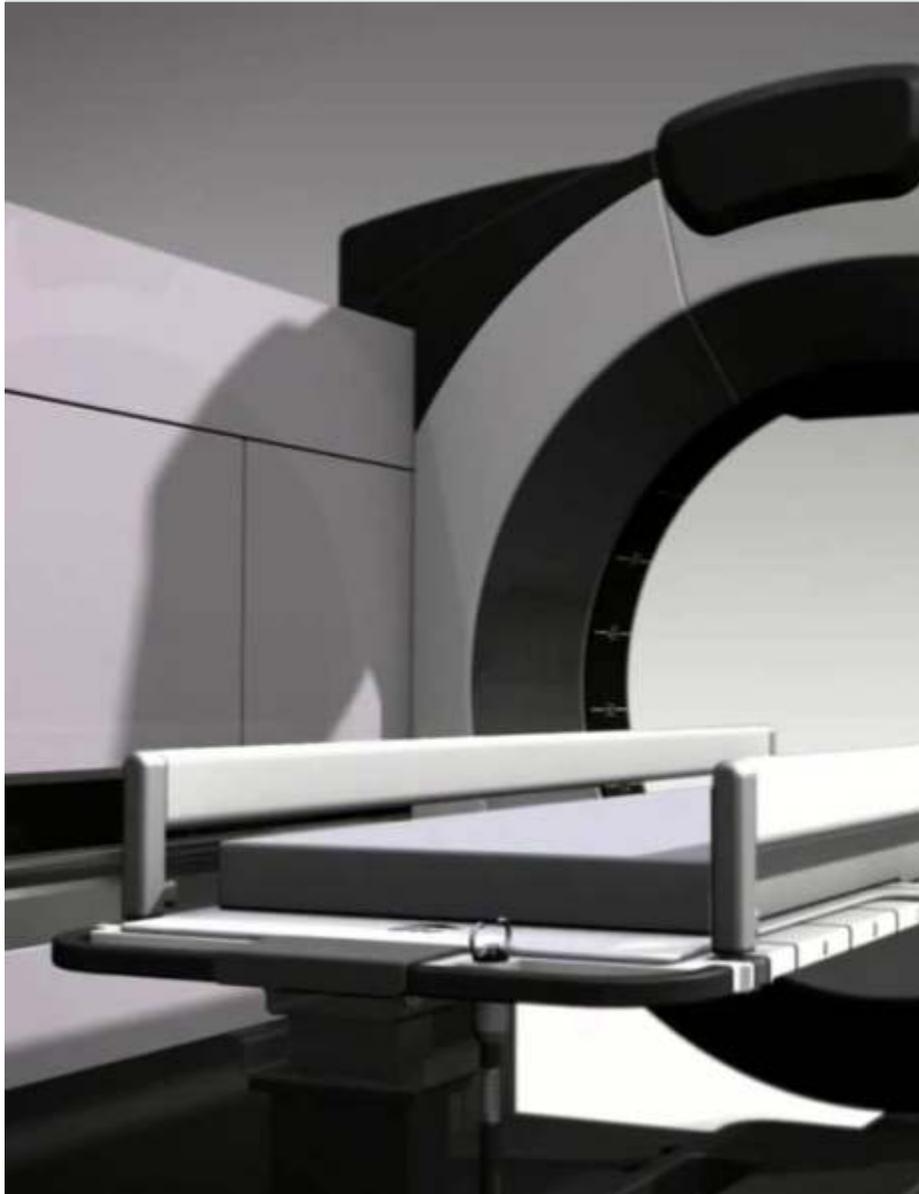
- Apart from the initiatives and projects highlighted above, IDC also continues to play an important role in the development of other industries identified in government policy as fundamental to South Africa's further industrialisation.
- These include:
 - Forestry and wood products;
 - Chemicals;
 - Clothing and textiles;
 - Healthcare;
 - ICT; and
 - Tourism.
- The next few slides highlight some of the projects in these areas.

Case Study – Windtown Lagoon Resort



- The newly built Windtown Lagoon Resort and Spa reflects the IDC's focus to funding community-based projects that have potential to create employment opportunities in remote regions.
- Support of the resort aligns to IDC's strategy to develop currently untapped tourism nodes.
- Windtown Lagoon Resort and Spa, is a 35-room facility in Langebaan, in the Western Cape.
- Climate conditions make this a preferred destination for kite surfing enthusiasts across the globe.
- The kite surfing school at a property adjoining the resort, allows enthusiasts to take up lessons while lodging at the facility.
- The project has created 40 direct jobs, with an additional 20 people employed during the peak November/December holiday season.

Case Study – Lodox Systems (Pty) Ltd



- Lodox Systems (Pty) Ltd is a proudly South African company that created the world's first full-body, low-dose, digital X-ray imaging system.
- The system was originally developed as a security tool in the diamond industry but has been transformed into a product that has since made a huge advance in medical trauma management with the ability to provide full-body low-dosage X-ray images in only 13 seconds.
- The technology is unique and as yet, unmatched globally.
- Now in its 11th year of trading, Lodox has achieved success in eight countries and 40 installations.
- A particular focus on the South African public healthcare sector has ensured that 13 institutions, such as Chris Hani Baragwanath and Charlotte Maxeke hospitals are able to provide a world-class level of trauma care to South Africans.
- Lodox has recently launched its new model – the Xmplar-dr – and has received international exposure by being featured on the TV series Grey's Anatomy.

Case Study – Distinctive Choice 675 CC



- Isithebe (Ilembe District) in KwaZulu-Natal was once a hub of activity within the textiles and clothing industry and was particularly hard hit with the closure and relocation of several factories from the area.
- Distinctive Choice 675 is an early stage cut, make and trim business which is expanding with assistance from IDC from 12 lines to 40 lines resulting in new jobs of just over 1 800 and retention of 700 existing jobs.
- New factory premises have been refurbished and production is underway.
- As at August 2013 the factory had already established around 30 lines and employed over 1 400 people, most of whom are women.

Case Study – Medac (Pty) Ltd

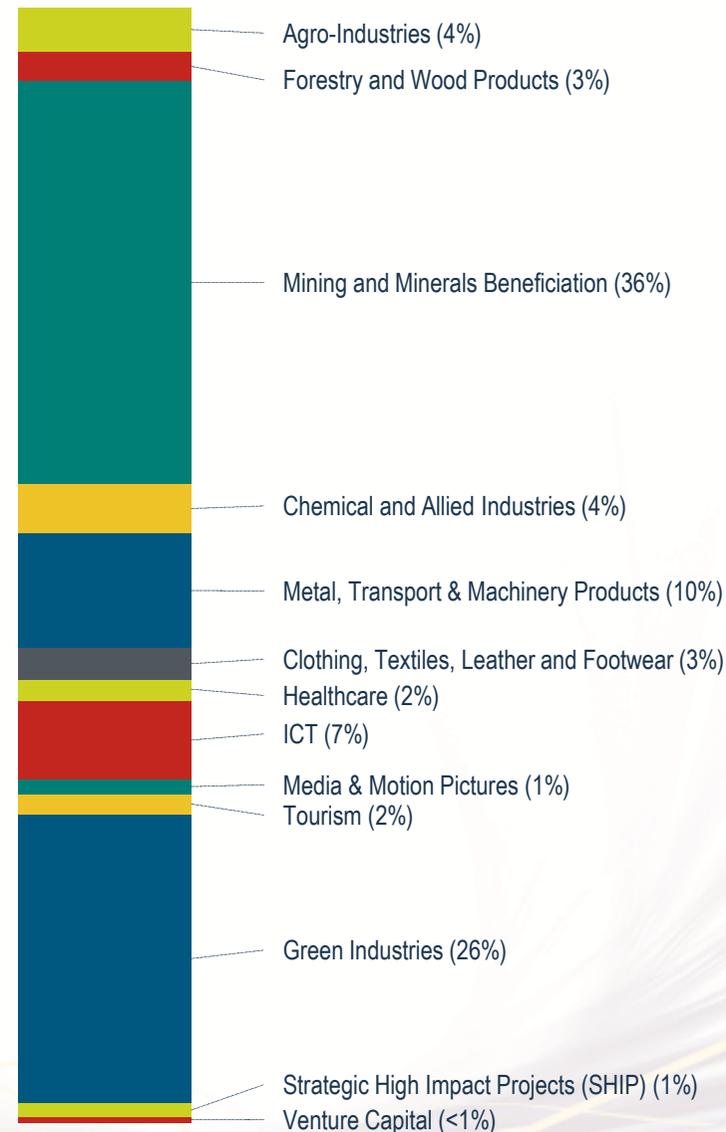


- Medac was established in 1967 and operates from premises in Diep River, Western Cape.
- The company designs, manufactures and markets compression supports, orthopaedic bracing and performance gear to the orthopaedic, sports medicine and recreational athletic market.
- Medac took a strategic decision to locally manufacture some products that it was importing at that time.
- IDC provided R5 million towards funding new equipment required to manufacture this product range, with 30 jobs expected to be created.

Funding for Priority Sectors

- The mining value chain received the largest portion of funding – driven by interventions in the iron and steel industry.
- Renewable energy continued to receive high levels of funding with the award of projects in the 2nd round of the renewable energy procurement programme.
- The agricultural value chain and downstream manufacturing industries received 24% of funding, with the largest portion of manufacturing approvals for downstream metals industries.

Funding Approvals by Business Unit



Maintaining High Levels of Investment

- Maintained high levels of funding approvals, with R13.1 billion compared to R13.5 billion in 2012.
- Implementation of projects approved in previous years gained traction with funding disbursements increasing to a record level of R16.0 billion.

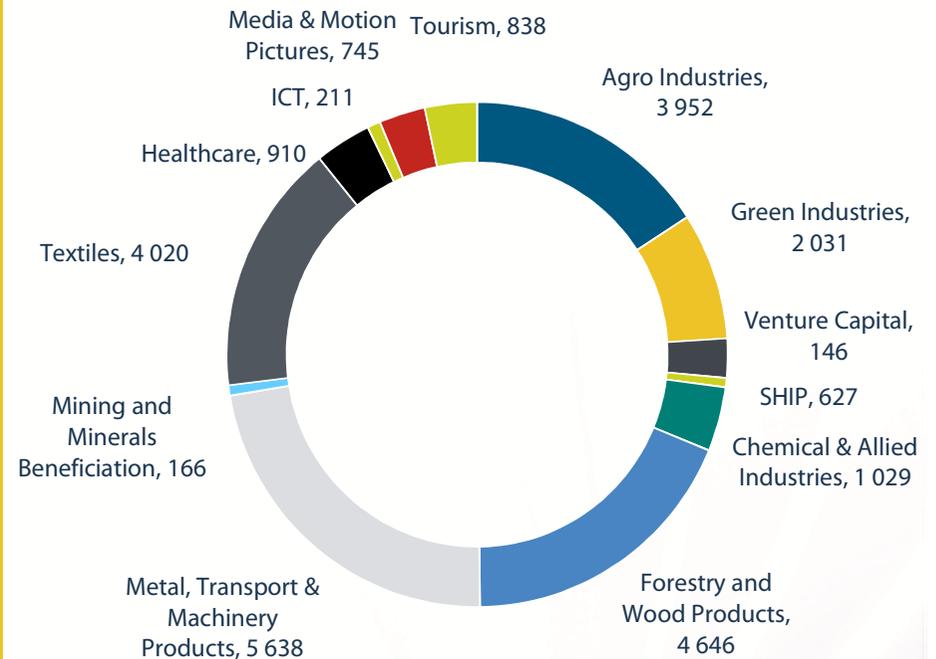
Value of financing approvals and disbursements



Impact on Job Creation

- Over the past 5 years, funding that IDC approved was expected to facilitate the creation of 114 000 jobs, with 37 600 jobs expected to be saved. In addition, about 8 000 informal jobs were expected to be created.
- The total expected impact was more than 160 000.
- Bulk of support over the past year focussed on improving conditions in capital intensive industries to build the base for jobs to be created in downstream industries. This has, however, resulted in a decline in the jobs impact for 2013 compared to previous years.
- More labour intensive sectors such as downstream metals, clothing & textiles and agro-industries also contributed a large number of jobs.

Jobs Expected to be Created and Saved 2013



Regional Development

- Over the past 5 years, 53% of South African approvals were for projects outside Gauteng, Western Cape and KwaZulu-Natal. These other 6 less industrialised provinces contribute 36% to South Africa's GDP.

- Examples of industries supported by province:

Eastern Cape

- Renewable energy generation
- Manufacturing of components for renewable energy
- Assembly of televisions
- Motor vehicles, part and accessories

Free State

- Diamond mining
- Concrete
- High-value agriculture

Gauteng

- Basic metals
- Manufacturing of rolling stock
- Cable manufacturing
- Taxi assembly
- Bus bodies

KwaZulu Natal

- Motor vehicle components
- Tourism
- Chemicals
- Textiles

Limpopo

- Copper mining
- Citrus processing
- Tourism
- Cosmetics

Mpumalanga

- Coal mining
- Sawmilling
- Soy crushing

North West

- Chemicals
- Solar power generation
- Biogas
- Platinum mining
- Sports tourism

Northern Cape

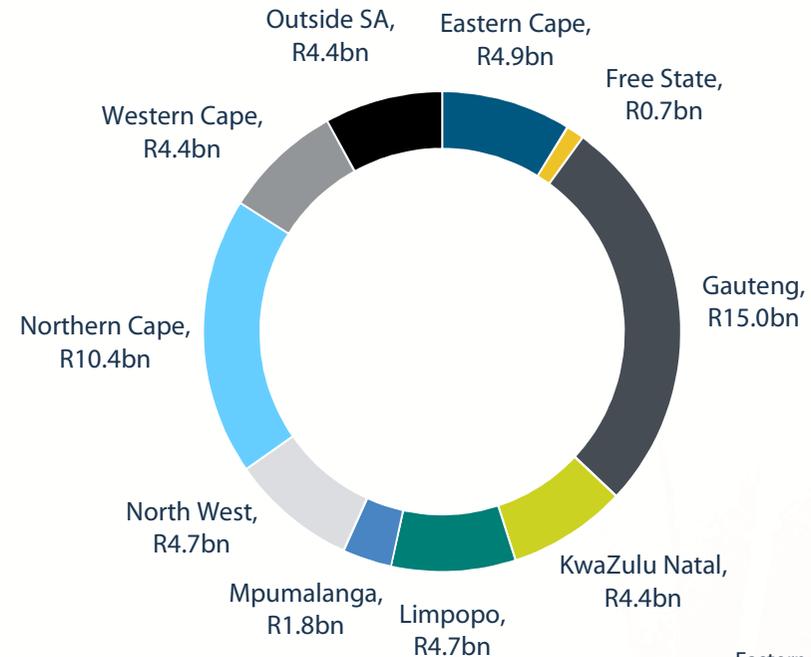
- Solar power generation
- Manganese mining
- Agro-processing

Western Cape

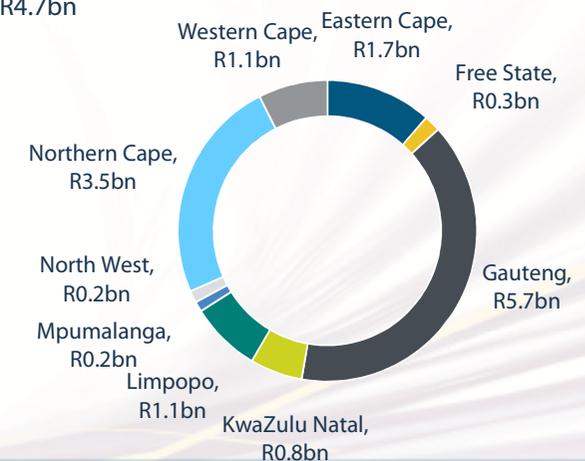
- Wind power generation
- Berries
- Film studios
- Tourism

Value of Funding Approved

2009 to 2013



2013



Investment Elsewhere in Africa

- The IDC aims towards a more proactive approach for investment in the continent aimed at integrating value chains leading to higher levels of South African economic growth and job creation.
- This is to improve the competitiveness of industry in the region as a whole by:
 - Increasing the competitiveness of South African industry over the long term; and
 - Increasing market integration and economic linkages with neighbouring countries.
- IDC is also providing lines of credit for DFIs in the rest of the continent to assist in development of small businesses making use of South African products.
- Investment approvals during the last year included:
 - Cement production in Ethiopia;
 - Gold mining and brickmaking in Zimbabwe;
 - Hotel in Ghana.

Selected Investments in the Rest of Africa



• Whole School Development

- IDC has adopted a holistic approach to CSI in the education sector with its Whole School Development (WSD) programme.
- Twenty schools across the country have been adopted for a period of three to five years.
- A partnership has been formed with the Department of Basic Education and Adopt-a-School Foundation, a non-profit organisation that designed the whole school development model.

• Support for Further Education and Training (FET) colleges

- A new project to support FET Colleges was started with eight colleges being provided with donations for various activities which ranged from renovations of engineering workshop facilities, purchasing of equipment and leadership training.
- This is in support of the government's policy to increase the number of artisans trained in useful vocations.

• Bursary support programme

- IDC supports 270 tertiary students through its bursary programme.
- One of the key achievements during the reporting period, was the implementation of a bursary support programme to complement the external bursary programme.
- The programme supports IDC bursars, most of whom come from underprivileged schools and backgrounds and find it difficult to adjust to the independence of university life.

• Social enterprise

- **African Honey Bee** is a bee keeping micro-social franchise business established to produce honey in Bushbuckridge. There are currently about 100 bee keeping businesses with each of these businesses owning 30 beehives, collectively producing about 90 tonnes of honey annually.
- **Bedford Eagle Hout Cooperative** is a youth cooperative in a small town of Bedford which has a rural community of 2,206 households. The cooperative manufactures high quality handcrafted solid wood furniture, they have qualified carpenters who use templates, cut and plain, glue and clamp the wood pieces before they assemble and finish the article off. Each artisan has his own assistant in training, helping him to complete his items and at the same time develop the required skills.
- **SECOPA** is a manufacturing cluster champion within Soweto Empowerment Zone (SEZ). To date SECOPA has created 9 various businesses and 31 full time jobs. Training has also been provided to over 90 people.

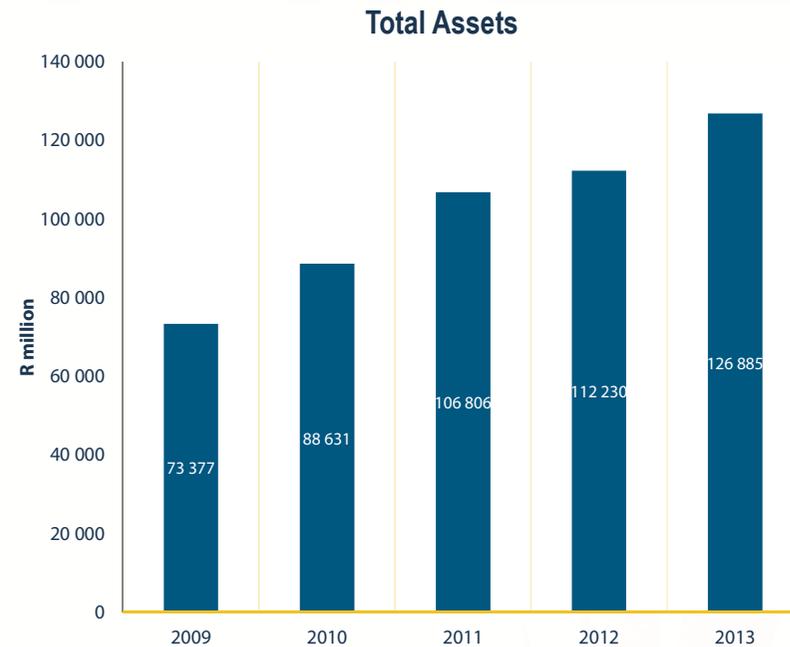
Financial Sustainability



Industrial Development Corporation

Your partner in development finance

- IDC aims to be countercyclical, growing its asset base even during periods of low economic growth.
- Core to IDC's strategy is a focus on assuring the financial sustainability of the Corporation.
- As a Development Finance Institution, IDC takes more risks when considering funding projects.
- This approach results in higher levels of impairments and some projects not being successful.
- IDC continuously learns from these projects.
- It is also imperative that good investments make up for losses incurred in these projects.



Establishment

- **sefa** was established in April 2012 with the merging of Khula, Samaf and IDC small business lending activities.
- It is a fully owned subsidiary of IDC focussing on small business development.
- Its first year of operations was characterised with a focus on implementing the merger, including organisational change management, human capital integration, IT systems and processes and the development of enterprise-wide policies and procedures.
- These processes have laid the foundation for **sefa** to deliver on its key strategic objectives.

Target market

sefa's target market consists of those small businesses not served by the existing formal banking and finance sector within the following categories:

- **Survivalists and microenterprises** –loans of between R500 and R50 000
- **Small enterprises** – loans between R50 000 and R1 000 000
- **Medium enterprises** – loans between R1 000 000 and R5 000 000

Performance overview

- **sefa** has a strong balance sheet with total assets in excess of R2.1 billion and sufficient capital and reserves available for on-lending.
- A loss of R64 million was recorded for the first year not taking into account a government grant of R171 million.
- R440 million was approved – more than double what was achieved by Khula and Samaf combined in the previous financial year.
- More than 28 300 micro, small and medium businesses were assisted through wholesale and direct channels.



- On Point Manufacturing

- The company is involved in manufacturing of steel and fabrication as well as engineering design.
- It was awarded an order to manufacture conveyor belt components for a platinum mine.
- The business operates from Steelpoort in the Sekhukhune district in Limpopo.
- This youth-owned business received R600 000 funding from **sefa**.



- Lee 0108 Trading Enterprise

- Miss Lungile Nkosi operates a slimming clinic in Centurion, Gauteng.
- Female youth owned enterprise
- The clinic provides a non-invasive slimming treatment.
- **sefa** provided R520 000 funding for the business.

