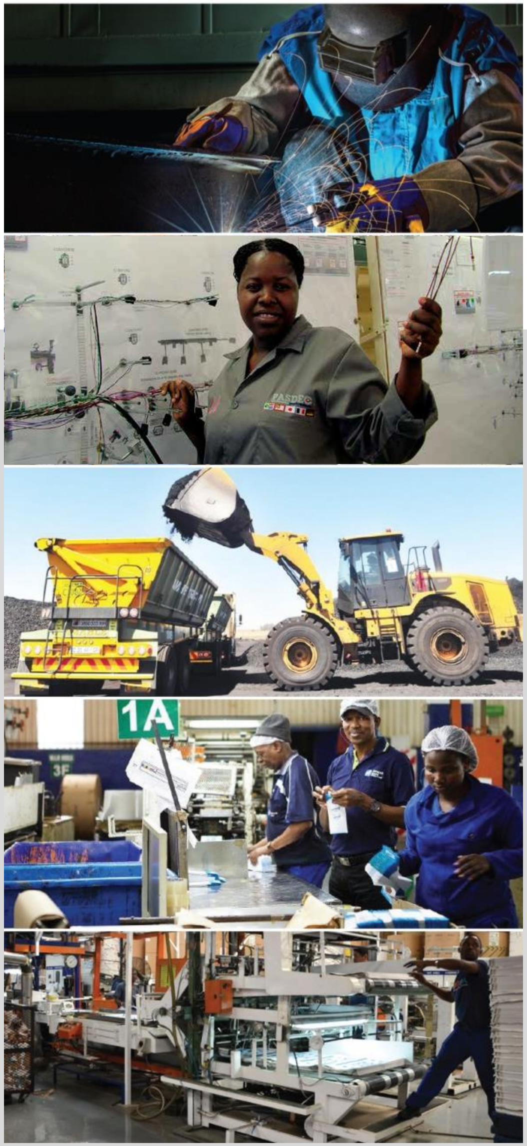


Industrial Development Corporation

Your partner in development finance

IDC Annual Results for the year ended 31 March 2016

Presentation to the Portfolio Committee on Economic Development

13 October 2016

Introduction

A challenging year for global and South African economy but IDC remains committed to driving industrial development and contributing to the revival of the manufacturing sector.

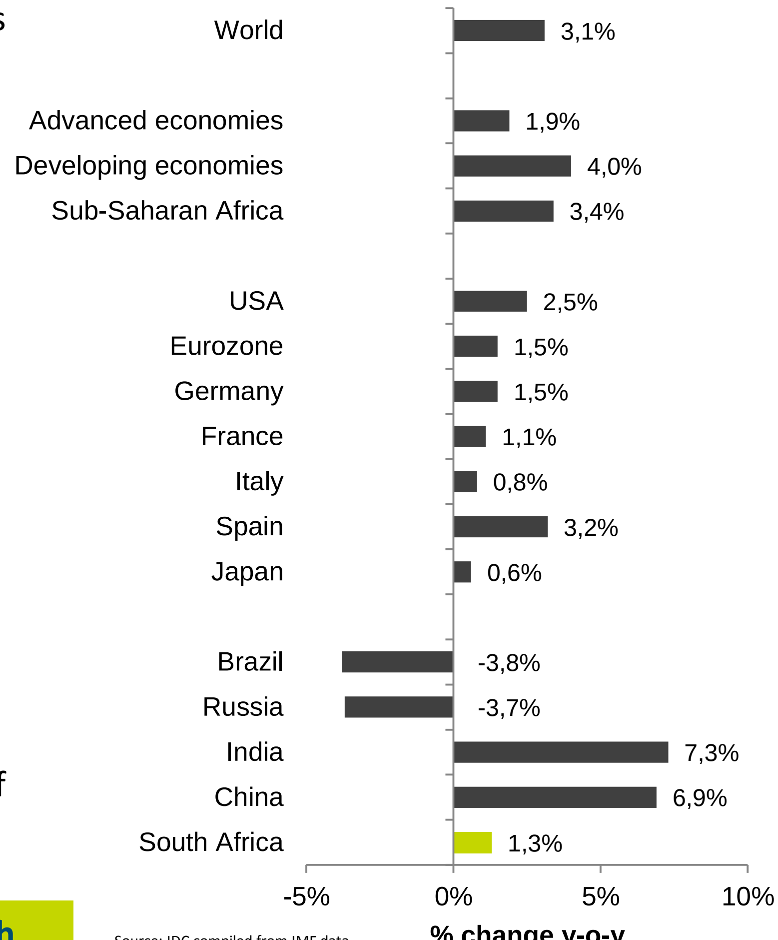
- The global economy continued to face headwinds and struggled to attain a higher growth momentum – with key markets for South African exports such as China, recording lower demand for commodity products and Europe for manufactured and processed goods.
- Locally, difficult operating conditions weighed on the economy's performance. These include the effects of the drought, accompanied by an increase in the number of clients in financial distress requiring additional funding, restructuring of their facilities and other support.
- Notwithstanding the challenging conditions, the IDC implemented its new proactive industrial development strategy, primarily focused on the development of key value chains in the economy.
- We continued to play a critical counter-cyclical role by providing funding to companies affected by the downturn in the economy, retaining production capacity and saving jobs in the process.

We have been operating in a difficult economic environment

- The global economy faced numerous headwinds in 2015 including macroeconomic uncertainties, lower commodity prices, currency and equity market volatility, slower growth in China, deflation risks and uncertainty about US monetary policy tightening.
- Subdued global economic growth was recorded in calendar year 2015 (slowest rate in post-crisis period).
- Sub-Saharan Africa was one of the most affected regions – largely due to adverse developments in commodity markets.
- Brazil and Russia faced deep recessions in 2015 and their economies are likely to contract further in 2016.
- China's economy continued on a decelerating growth path to its lowest expansion rate since 1990.
- The possible sovereignty downgrade and the escalating cost of funding and diminishing investor and financier appetite;
- Increasing number of clients in distress (R7.8 billion of funding approvals last FY for distressed funding), impairments (R3.6 billion last year) and balance sheet erosion;
- Sporadic recovery in some sectors and exchange rate supportive of export growth but sustainability of such recoveries remains a concern.

Global growth prospects are set to remain unsatisfactory in 2016, with the World Economic Climate Indicator pointing to downside risks across various regions and countries.

Real GDP growth by region - 2015

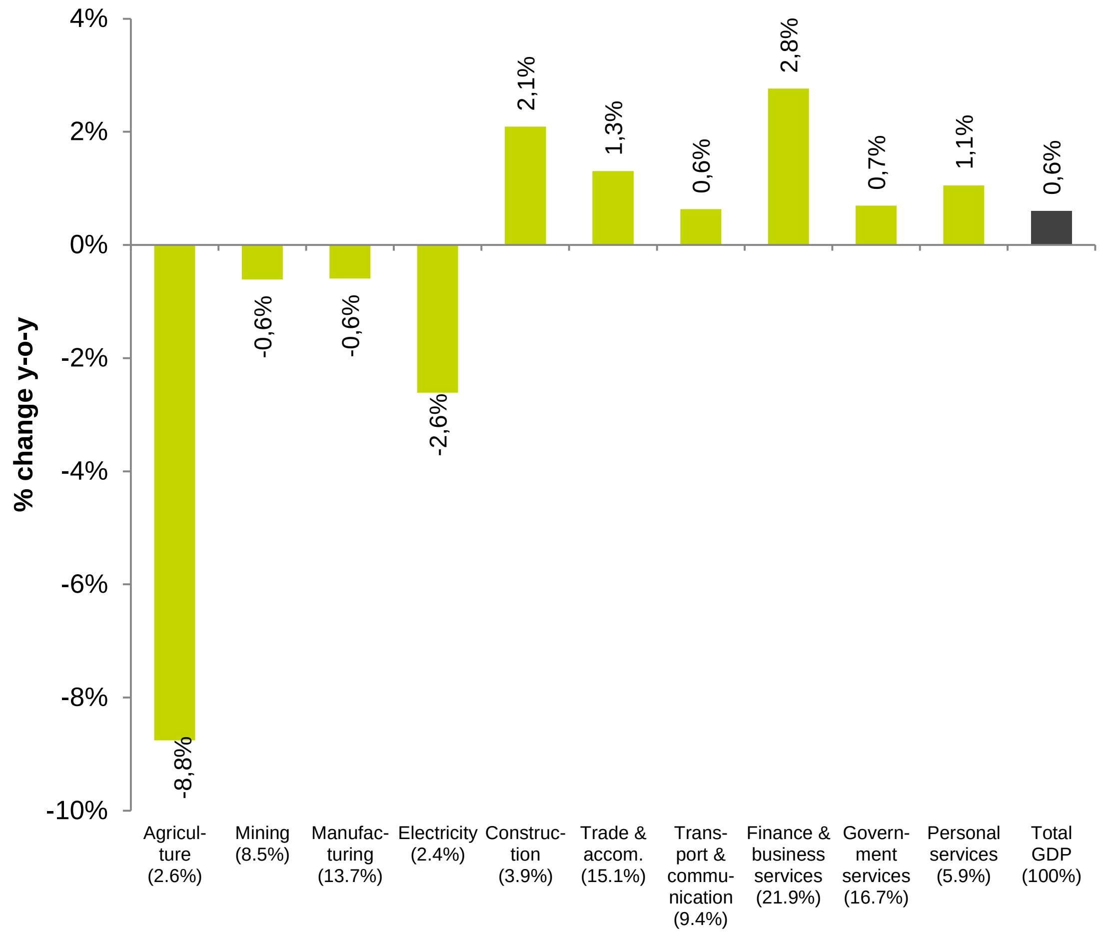


Source: IDC compiled from IMF data

South African economic growth sharply lower

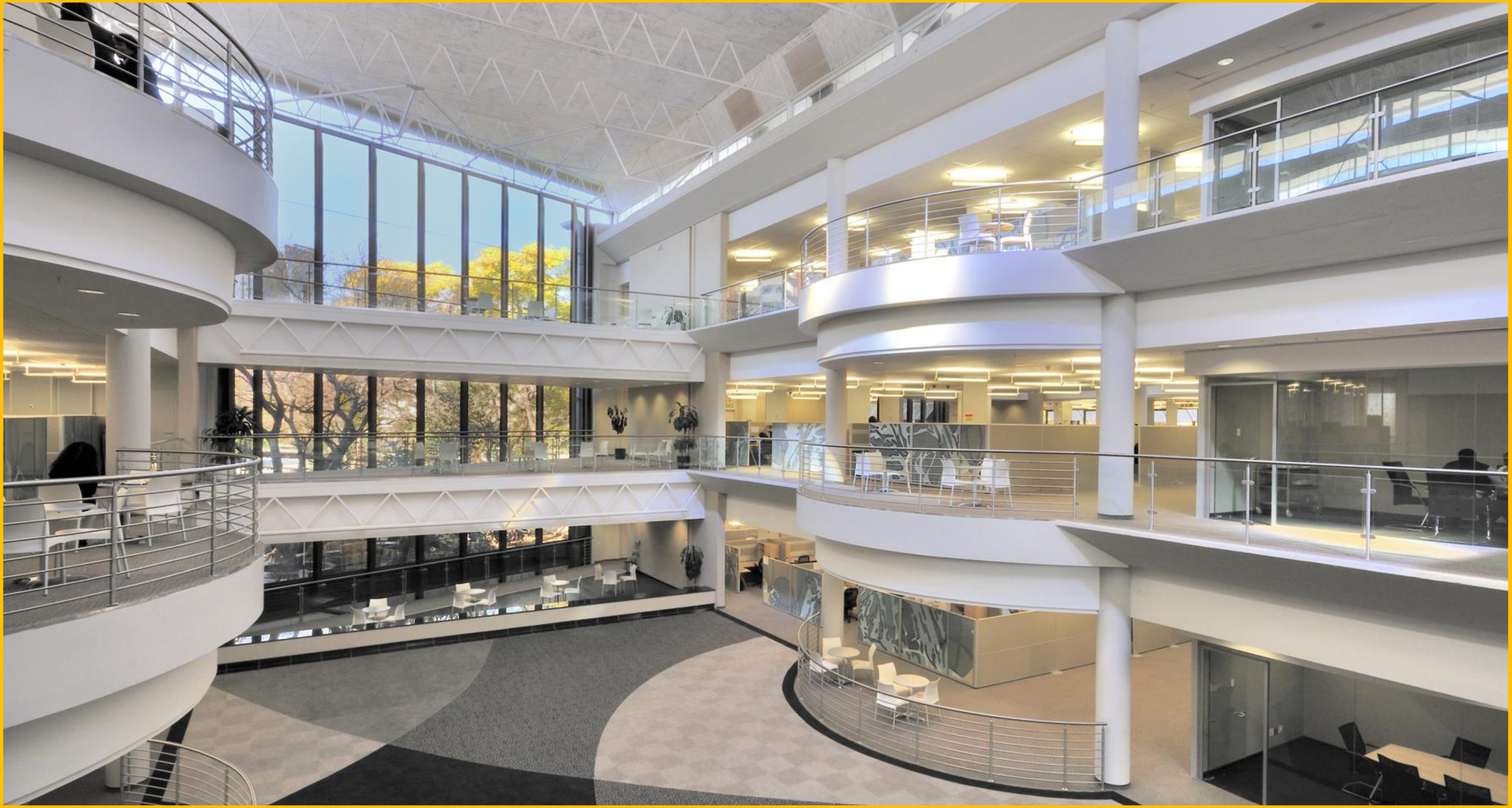
- SA economy's growth decelerated over the past 4 years to its lowest rate (0.6% over the 2016 FY period) since the 2009 recession.
- The weakness is sectorally widespread (see chart).
- Drought conditions impacted severely on agricultural output in the 2015/16 financial year.
- Manufacturing activity is still constrained by weak demand conditions, among other factors.
- The sharp drop in mining output in the final quarter of the financial year led to a modest contraction in mining GDP for the year as a whole.
- Tighter fiscal conditions due to a revenue squeeze have been reflected in slower growth in spending on general government services.

Real GDP growth according to main sector – 2016 FY

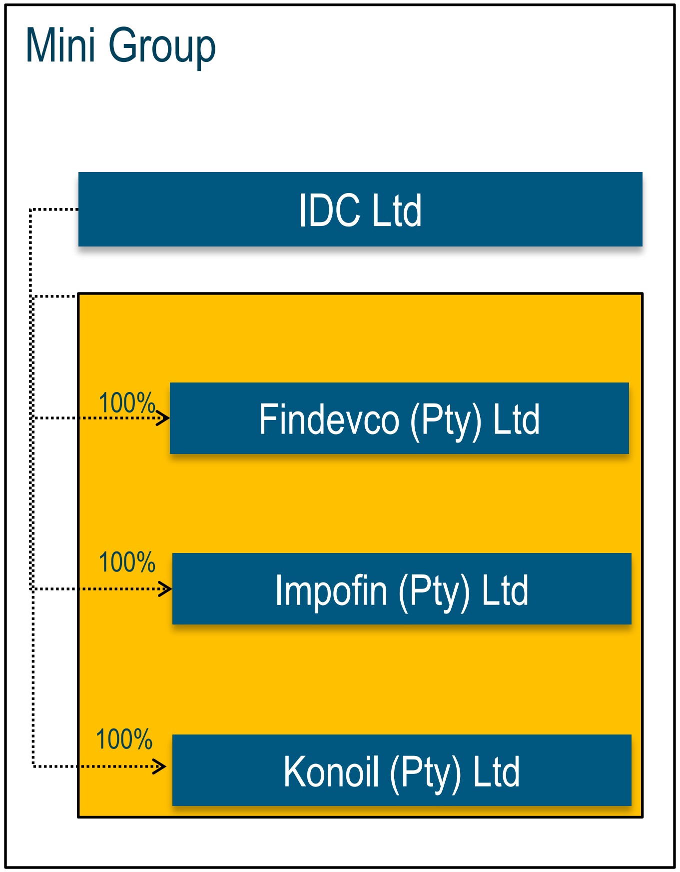


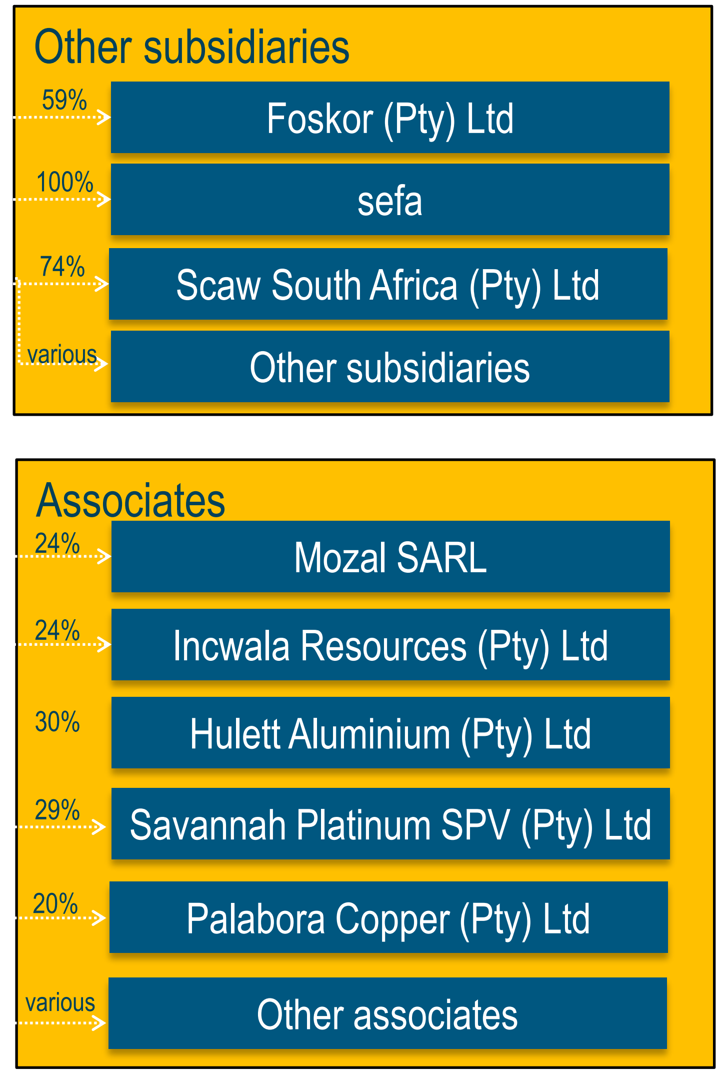
Source: IDC compiled from Stats SA data

IDC FINANCIAL PERFORMANCE



Operational structure





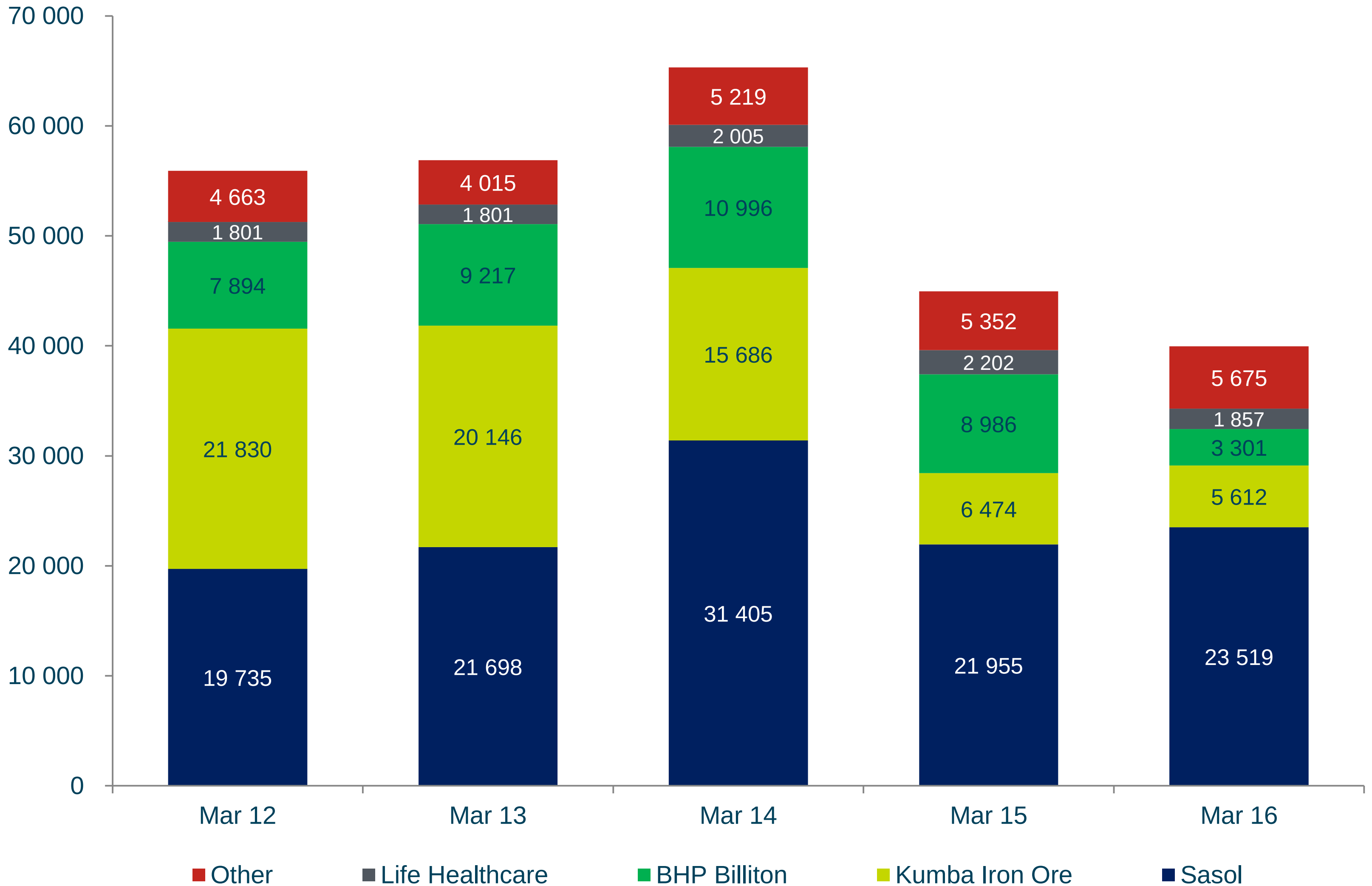
- *Mini Group – The IDC and its financing subsidiaries.*
- *Subsidiaries – Entities controlled by IDC, shareholding of more than 50%.*
- *Associates – The group has significant influence but no control, shareholding is between 20% and 50%.*
- *Legally the IDC owns 59% of Foskor, but for accounting purposes an effective 85% of Foskor is consolidated.*

Five year financial overview (ZAR' Million)

Details	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Statement of financial position					
Cash and cash equivalents	6 865	8 257	7 877	9 009	7 825
Loans and advances	23 928	22 412	20 818	18 666	15 978
Investments	71 586	73 114	92 337	84 116	80 231
Other assets	18 969	18 506	17 561	15 094	8 196
Total assets	**121 348**	**122 289**	**138 593**	**126 885**	**112 230**
Capital and reserves	84 717	89 797	106 769	96 766	91 862
Non-controlling interest	102	125	215	174	331
Other liabilities	36 529	32 367	31 609	29 945	20 037
Total equity and liabilities	**121 348**	**122 289**	**138 593**	**126 885**	**112 230**
Statement of comprehensive income					
Operating profit	(494)	1 011	2 513	2 447	3 412
Income from equity accounted investments	557	656	(310)	(466)	(2)
Profit before taxation	**63**	**1 667**	**2 203**	**1 981**	**3 410**
Taxation	**160**	**(14)**	**(560)**	**(3)**	**(107)**
Profit for the year	**223**	**1 653**	**1 643**	**1 978**	**3 303**

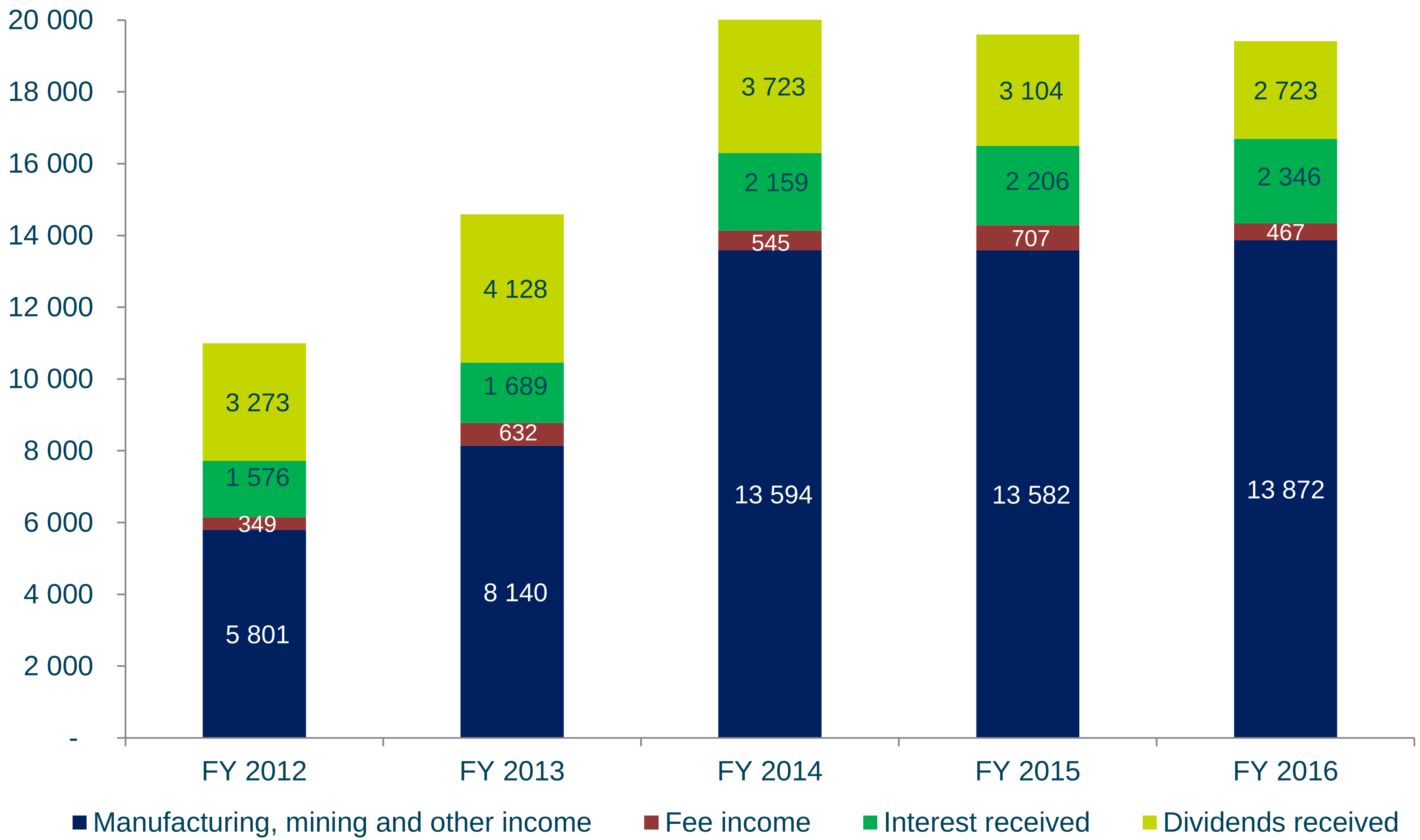
- Strong liquidity position
- Policy of 3 months cash buffer remains
- Growth in loans & advances indicating IDC's impact in the economy
- Investment revaluation was impacted by adverse market conditions

Listed investments (ZAR' million)



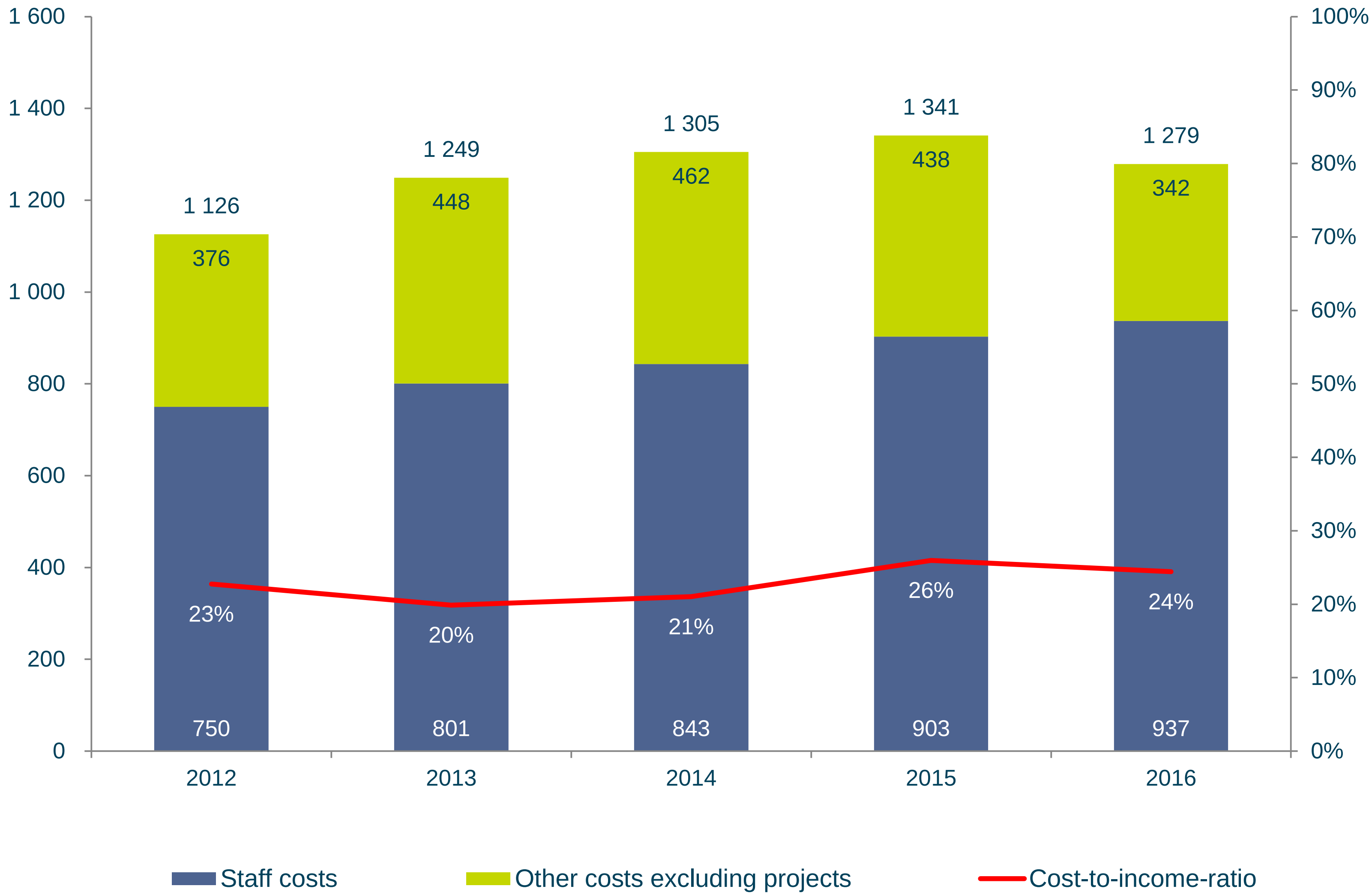
Note: Information is based on Mini-Group

Revenue (ZAR’ million)



Note: Information is based on Group

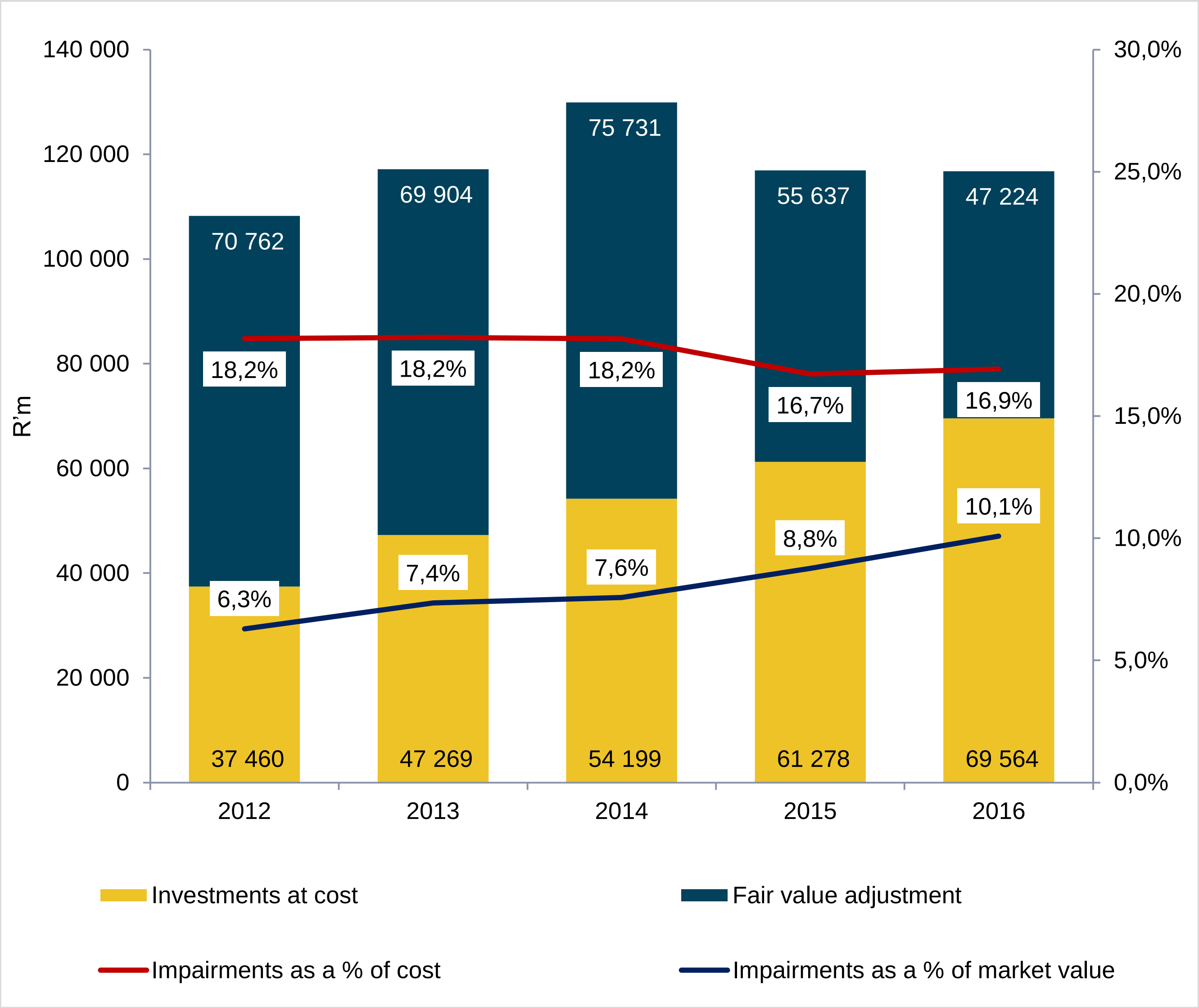
Operating cost



Note: Information is based on Mini-Group

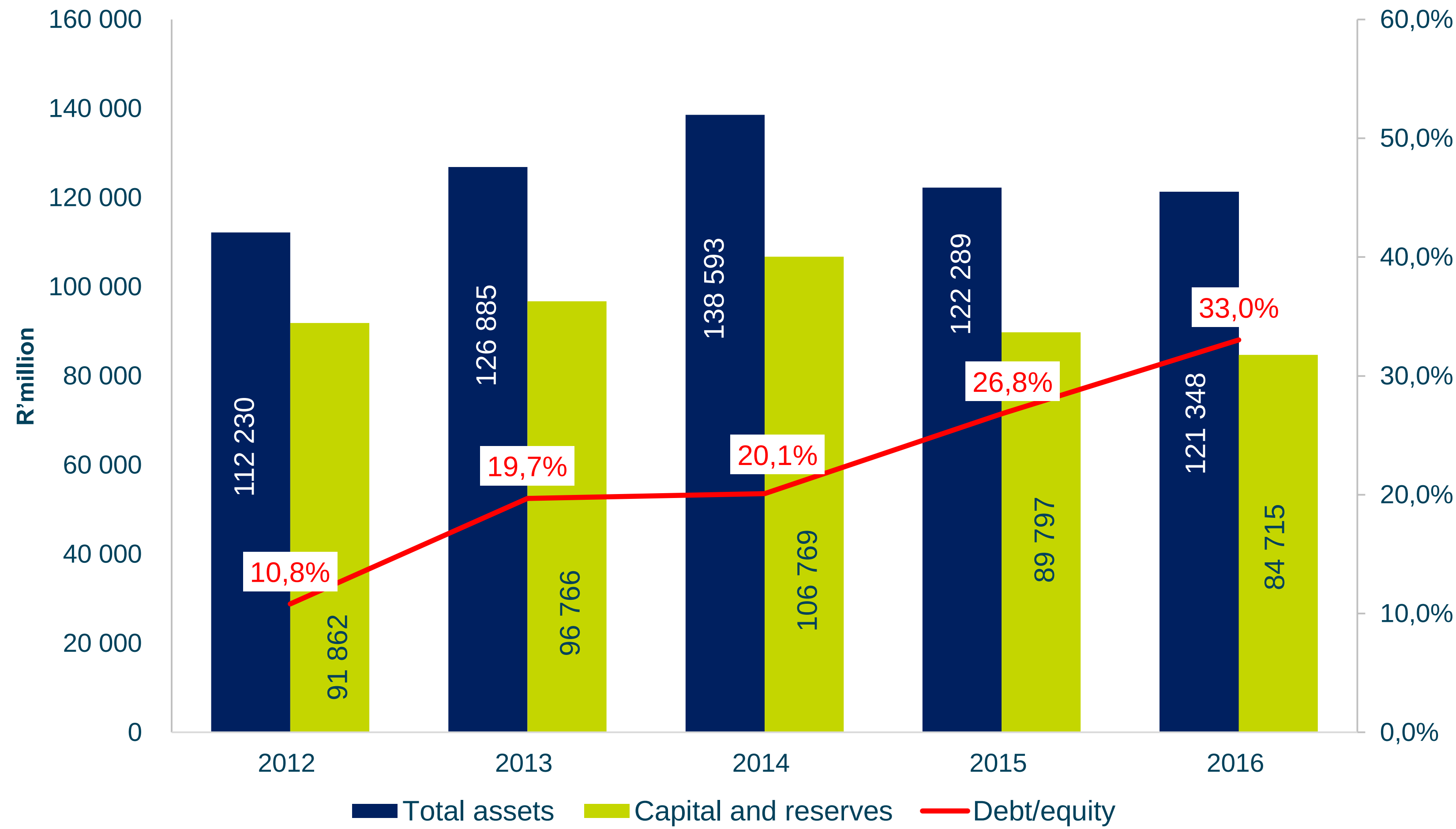
Impairments as a % of Total Financing

IDC Mini Group



- The increasing impairment levels are aligned with our risk appetite and role as a Development Finance Institution and reflects our renewed focus on funding early-stage projects and start-up operations.
- The impairment charge to the income statement of R3.6 billion for the year ended 31 March 2016 was double the figure for 2015.
- The impairment ratio as a percentage of the book at cost (value at the time of the transaction) increased from 16.7% to 16.9% in 2016.
- The impairment ratio as a percentage of IDC's book at market value (the current value) increased more significantly from 8.8% to 10.1%. This is mainly due to the decrease in the market value of the book, together with the increased impairment charge for 2016.

Total Assets, Capital, Reserves and Gearing



- IDC Act prescribes a gearing limit of 100%.
- IDC approved threshold of 60% based on risk tolerance.
- Gearing is well within the prescribed limits and tolerance.

Note: Information is based on Group

Credit ratings

National Rating	Rating	Date
Long-Term	AA+(zaf)	27 Sept 2015
Short-Term	F1+(zaf)	27 Sept 2015
Rating Outlook	**Stable**	

Fitch links IDC's credit to that of the Sovereign according to its Public Sector Entity rating criteria. Currently, IDC's National Long-term credit rating and National Short-term credit rating is affirmed to be stable.

International Rating	Rating	Date
Foreign Currency Long-Term	Baa2	May 2016
Rating Outlook	**Negative**	

Note: Moody's is reviewing IDC for downgrade as per press release of 14 Septembers 2016.

Moody's Investor Services provides a credit rating to the IDC in accordance to their methodologies applied to Government related entities. The methodology assures continuation of Government ownership and control. The IDC credit rating is on par with the sovereign rating and is constrained by the sovereign rating as per the methodology.

IDC OPERATIONAL PERFORMANCE

IDC needs to be at the centre of developing SA's most important industries

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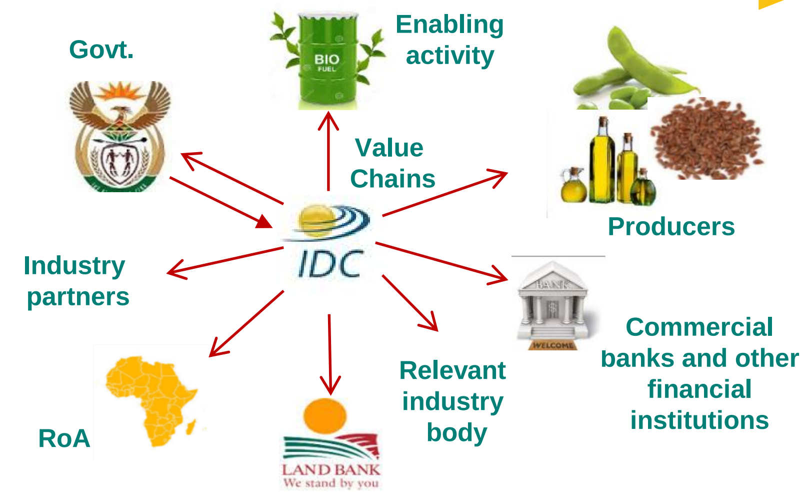
Respond to activity
Drive activity

Reactive industry funder → **Proactive industry developer**

Recall: Project Evolve envisaged IDC being at the centre of identified priority sectors.



- **Now, we want to take greater leadership, forging strategic partnerships** for developing the most important parts of the productive economy

- **We have to focus on and commit to driving a selection of industrial sectors at a level we have not always operated at before**
- **We have to make real choices about which sectors to select for this intensive leadership activity**, and then adapt the way we engage with these sectors to achieve this higher impact
- We also have to decide **how to actively engage with other sectors of the economy** to drive outcomes

Recall: Project Evolve's Differentiation Approach

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	VALUE CHAINS	NEW INDUSTRIES	SPECIAL HIGH IMPACT SECTORS	HIGH IMPACT SECTORS	INDUSTRIAL INFRASTRUCTURE
DEFINITION	Existing sectors with the largest opportunities within the economy and a high propensity for jobs-rich industrial development in the short and medium term. These are connected chains of industries where the IDC will take leadership for industrial capacity development. • Metals, metal products, machinery and equipment, transport equipment and mining • Chemicals, plastics and pharmaceuticals • Agro-processing and agriculture	Sectors which are determined by forward-looking trends and innovation, and could develop into significant opportunities for SA	Sectors that do not meet the criteria for value chains. However their particular place of importance within the South African economy, and the current role played by the IDC, suggests that the Corporation should continue to play a strategic role in these industries: • Media and motion pictures • Clothing, textiles, footwear and leather products	Sectors within the IDC mandate that offer a high volume of opportunities, contribute to the IDC development goals, but where the IDC does not foresee a proactive role	Infrastructure that unlocks industrial development: • Electricity • Water • Telecommunications • Logistics

Recall: Project Evolve's Differentiation Approach

Industrial Development Corporation
Your partner in development finance

	VALUE CHAINS	NEW INDUSTRIES	SPECIAL HIGH IMPACT SECTORS	HIGH IMPACT SECTORS	INDUSTRIAL INFRASTRUCTURE
APPROACH	Proactive industry development by: • Developing and implementing strategies to achieve industry development goals that in turn guide strategies for industries • Playing a proactive role to identify and develop opportunities in support of strategies • Reactively fund applications from entrepreneurs falling within the value chains • Taking advantage of economic linkages between sectors • Playing an active role in influencing policies to enhance development of the industries • Driving achievement of development outcomes	• New industries are nascent industries or technologies that the IDC will nurture to become sizeable, relevant industries of the future • The IDC will do regular reviews to identify new potential stars and those which should graduate or exit • The IDC will be involved in early-stage sector and technology development as well as enabling environments • There is expected to be a range of activities at various stages of development and levels of risk • Drive achievement of development outcomes	• Identified by exception • May require sector strategies and specialist skills • Drive achievement of development outcomes	• Fund a high volume of applications offering high-impact return on effort • Create jobs and deliver against the IDC's other developmental outcomes in sectors outside the value chains • Limited sector skills • Drive achievement of development outcomes	Unlock industrial development outcome through or by: • Playing a coordination role to ensure that requisite infrastructure is funded and developed by other funders • Supporting private sector or PPP industrial infrastructure where it is necessary • Investing selectively in strategic, economy-wide, large-scale interventions

Progress of the Evolve Differentiation Approach

17 months on: Significant Work in Entrenching Evolve

- Value Chain strategies are being implemented with some notable successes (e.g. BAIC investment, Klydon Gas, etc.);
- IDC is proactively engaging stakeholders, working with government on enabling environments;
  - Steel Task Team, Mining Phakisa, Gas Industrialisation Strategy, IPP Gas to Power procurement task team, IPAP review, etc.
  - Leveraging off national industrial and transformation policies (e.g. Black Industrialist Programme, Designation programme, etc.);
  - Proactively coordinating with other SoEs for localisation and supplier development opportunities through PICC;
- Integrating & focusing on transformation agenda has resulted in a substantial increase in women and youth entrepreneurs, black industrialists and localisation outputs in the last financial year;
- We are also paying attention to our responsiveness (turnaround time), subsidiary and investee companies performance; organisational climate and continuous change management to further entrench Project Evolve.

Approvals are on track, jobs are lagging

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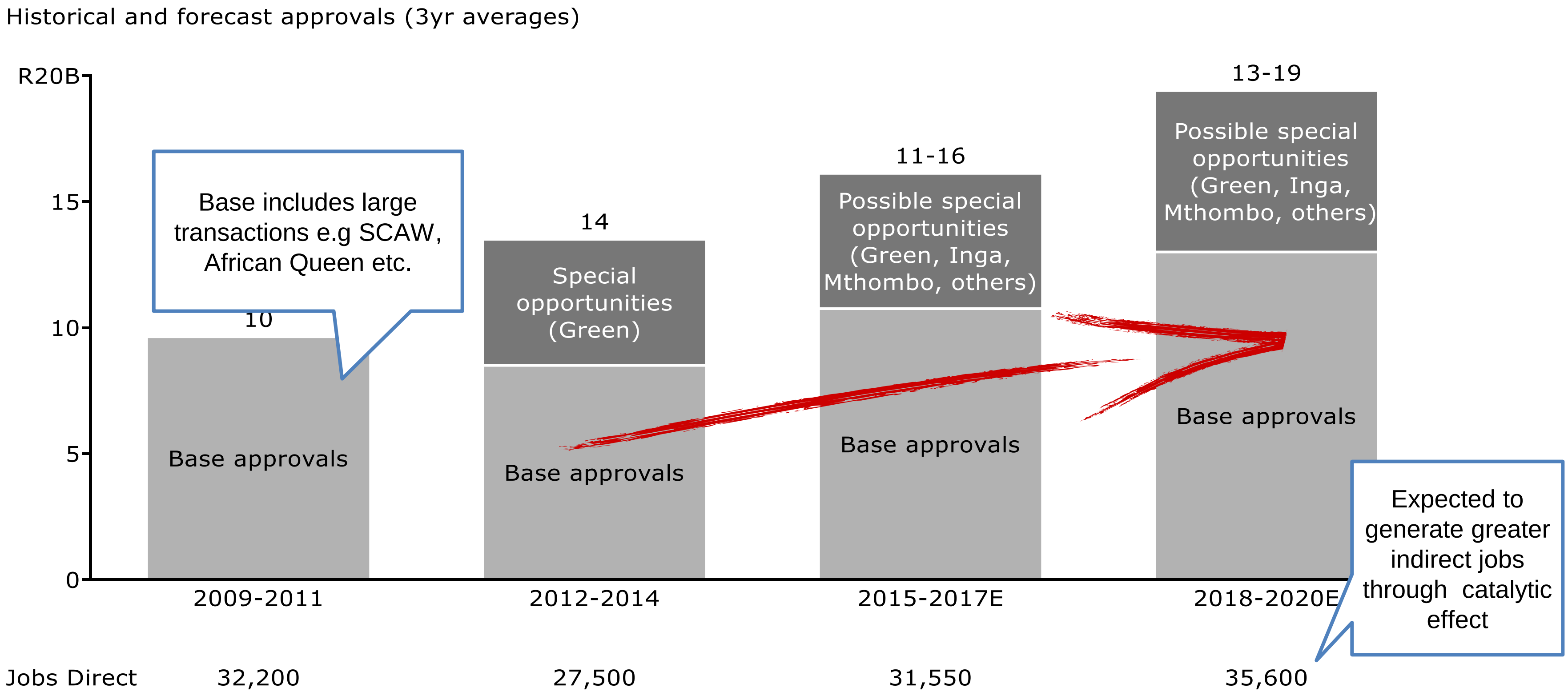

	17 Month Actual	24 Month Base	24 Month Target
Approvals (R' mill)	18 949	22 588	28 947
Jobs	21 055	30 862	41 998
Funding Black Industrialists (R'mill)	4 142	3 799	6 198
Funding for Women empowerment (R'mill)	1 500	1 150	1 370
Funding for Youth-empowerment (R'mill)	1 090	1 150	1 370

Progress of the Evolve Differentiation Approach

	VALUE CHAINS	NEW INDUSTRIES	SPECIAL HIGH IMPACT SECTORS	HIGH IMPACT SECTORS	INDUSTRIAL INFRASTRUCTURE
Strategy dev. progress	• Implementation of sector strategies • Steady development of meaningful projects • Stakeholder mobilisation	• Development of industry roadmaps and prioritisation of potential new industries • Initiation of process to establish enabling environments in prioritised industries and identification of partners	• Consolidation of past activities including management of existing challenges	• Sector focus • Marketing of IDC products • High development impact	• Stakeholder engagement to develop opportunities in identified infrastructure • Project assessment
Main challenge	• Economic conditions and weak commodity prices impacting on the viability of projects	• Managing expectations related to the time required to establish new industries and skills	• Low levels of deal flow in film industry • Clothing industry still perceived as uncompetitive in certain quarters	• Most applications for funding requires handholding by IDC	• Delays in the implementation of government infrastructure plans
Opportunities	• Deepening industry development strategies	• Continue to develop prioritised industries • Key focus: commercial implementations of Aerodynamic Separation Process (Klydon Gas)	• Continued focus on increasing competitiveness in niche areas (e.g. fast fashion) of the clothing industry to create jobs	• More proactive marketing to boost applications and target industries that can develop black industrialists, women and youth	• Continued engagement with stakeholders to clear regulatory hurdles • Linking up with value chain projects

PERFORMANCE HIGHLIGHTS

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R14.5bn

Approved in 180 transactions

R11.4bn

Total funding disbursed

15 272

Jobs expected to be created and saved

R4.9bn

Approved for black-empowered companies

R8.9bn

Approved for manufacturing

R1.2bn

Approved for businesses with women ownership of more than 25%

R2.9bn

Approved for black-industrialists

R970m

Approved for businesses with youth ownership of more than 25%

IDC has maintained its high level of activity

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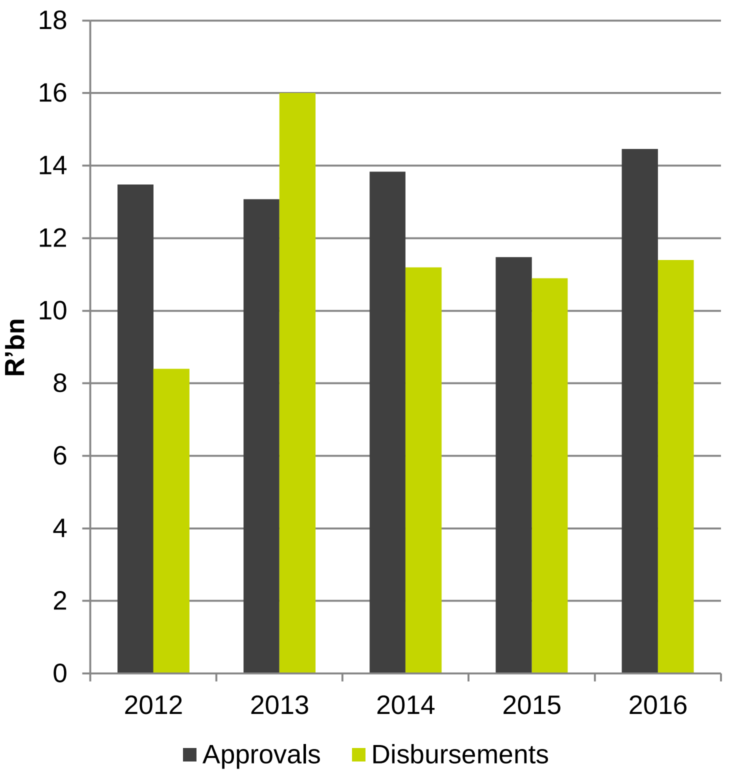
IDC has increased funding approvals, playing its counter cyclical role in the economy.

- Net approvals increased 26% year on year to a record level of R14.5 billion in 2015/16.
- Disbursements increased by 4.6% year on year to R11.4 billion.
- For the last 5 years ending 2016, disbursements totalled R57.8 billion, compared to R26.0 billion in the preceding 5 year period ending 2011.

Funding activity in 2015/16



Subsidiary Management

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- The performance of IDC's largest subsidiaries is poor as they are showing negative profits for the current financial year. There are various initiatives to improve the situation.

- At Foskor, the asset replacement programme is currently being implemented and satisfactory progress has been made to date.
- The recapitalisation of Foskor is to assist the company gain operational efficiencies and return to profitability. The lower than expected global prices for phosphoric acid and granular fertiliser are expected to have a material impact on Foskor's performance against budgets. A review of Foskor plans is therefore underway to evaluate possible responses.

- At SCAW, besides the key initiative to find Strategic Equity Partners, there are several initiatives that the company is working on, including:
  - Improving efficiency through process reviews and closing loss making operations;
  - Restructuring the company balance sheet;
  - Strategic sourcing initiative, the company is in advanced negotiations to source raw material from Masorini Iron Beneficiation which is expected to improve efficiency;
  - Right sizing of the workforce; and
  - Repositioning the company to enhance exports to the African continent.

- Initiatives at sefa include efforts aimed at increasing collection rates that will contribute to impairment reduction, lowering operational costs and improvement of revenue streams; and a complete review of sefa's operating model, especially its business channels.

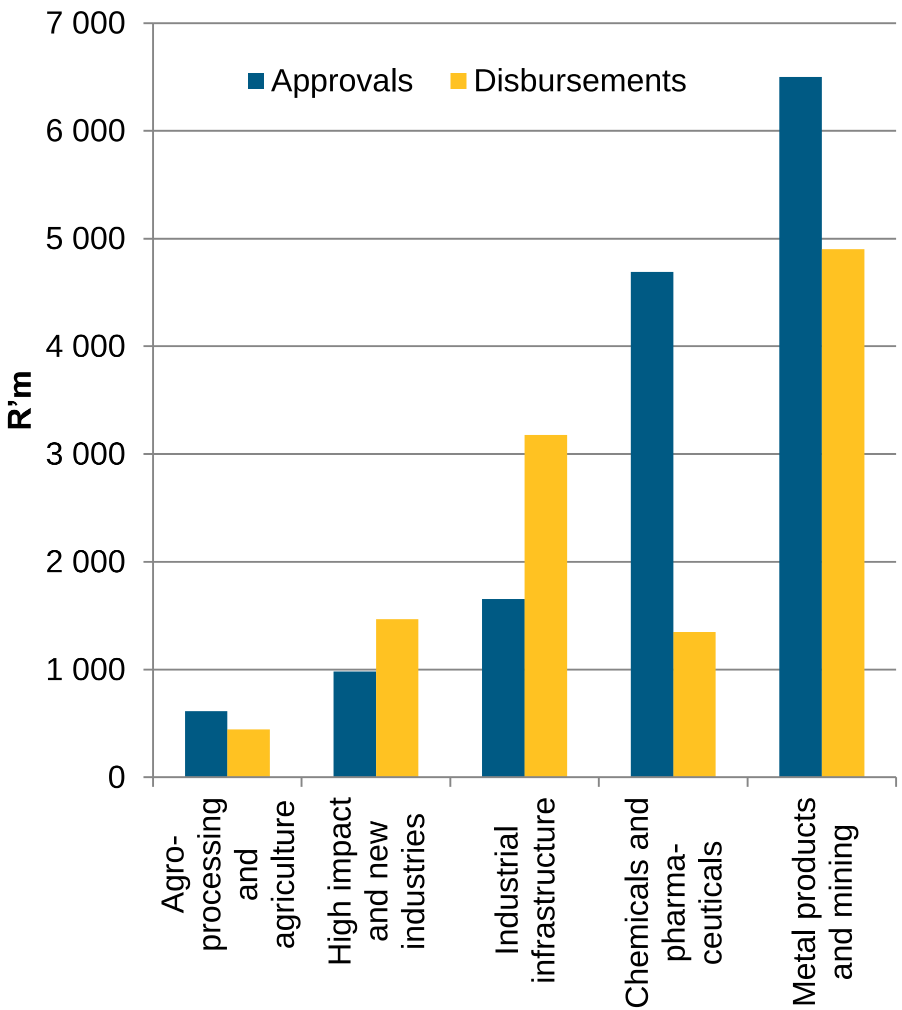
- Further than that, IDC performs regular deep dives and quarterly business reviews for all major exposures and develops plans to react accordingly.

IDC activity is aimed at productive sectors of the economy and their supporting infrastructure

The focus of our strategy is the jobs-rich manufacturing value chains of the economy namely the mining and metals value chain, pharmaceuticals and chemicals value chain and agriculture and agro processing value chain.

- Of the R14.5 billion approved, 45% was approved for businesses in the manufacturing of metal products and mining.
- 32% was approved for businesses in the chemicals and pharmaceutical space, while 6% was approved for businesses operating in agro-processing and agriculture.
- The remaining R2.4 billion was approved for Industrial infrastructure projects and other manufacturing sectors and tourism.
- The drought impacted negatively on conditions for new investment in the agriculture and agro-processing sector and as such, IDC approvals in this sector was low. To help alleviate the situation, IDC partnered with Land Bank to establish a drought relief scheme.

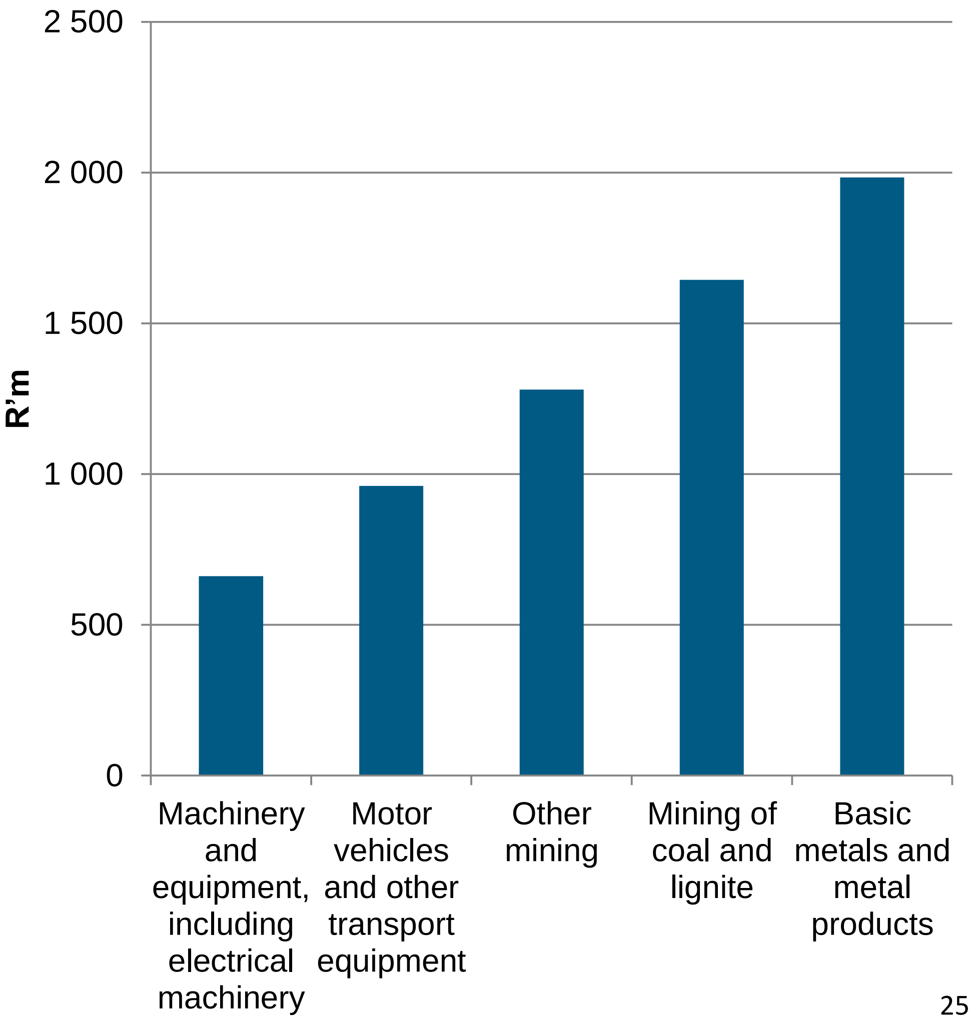
Funding approvals and disbursements per priority sector (R'million)



Increased funding into the Metal Products and Mining value chain

- The metal products and mining industries contributed 11.5% towards South Africa's GDP in 2014, with employment accounting for 9.3% of all formal non-agricultural employment in Q4 2015/16.
- The importance of this value chain in South Africa's economy is one of the main reasons why it was selected as an area for IDC to focus its proactive industry development efforts and attracted the largest portion of funding approvals.
- Our ultimate objective is to drive globally and domestically competitive mining, metals industry and downstream manufacturing specifically in automotive, machinery and equipment, fabricated metals and other downstream metal products.
- Disbursements into these sectors has increased by 35% for 2015/16.

Approvals for sub-sectors in Metal Products and Mining for 2015/16



Investing for expansion into other markets

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CASE STUDY

Bell Equipment

Richards Bay, KwaZulu - Natal

R550 million was approved in support of Bell Equipment to bolster their efforts to export to North American markets.

At the height of the economic recession in 2008, IDC approved funding to finance Bell's working capital requirements at a time when commercial banks were reducing or calling back credit line facilities.

This has been instrumental in assisting Bell to weather the storm and turn the company around.

IDC continued support for the company over the last eight years, with R550 million approved in the latest round of funding to assist the company export its products to North American markets.

Investing for the expansion of capacity and jobs

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CASE STUDY

Palabora Copper

Phalaborwa, Limpopo

R600 million was approved to modernisation of production facilities and in turn sustain an expected 1 000 jobs.

The IDC funding is aimed at rehabilitating and retrofitting the company's smelter complex, ensuring that existing copper rod production in the country is maintained, and thereby assisting in halting the de-industrialisation of the economy.

Retrofitting the smelter with new technology will not only sustain the company's operations, but will also enable the company to meet industry-accepted emission standards.

An important outcome of the IDC investment is the saving of 1 000 jobs, including those of contractor workers, and with the sustaining of operations in the company's manufacturing plants. Additionally, the facility will continue to contribute to the social and economic stability of the local community in which it operates.

Investing in localisation

CASE STUDY

MM Engineering Services

Coega, Eastern Cape

R170 million approved to localise production of gas cylinders by a black woman industrialist.

With the closure of a major gas cylinder manufacturing plant in 1990, South Africa lost its last industrial scale LPG manufacturing capacity. IDC had been conducting studies to ascertain the technical and commercial feasibility of re-establishment of a plant locally.

Funding for the project was approved late in 2015. Partners in the projects are Repkon – a Turkish manufacturer of gas and other cylinders, Ms. M Bogatsu – a black entrepreneur who originally approached IDC with the concept for the project, and IDC. Workers will also own a part of the company. The project should start operating later this year.

Investing to improve global competitiveness of the Chemicals and Pharmaceuticals value chain

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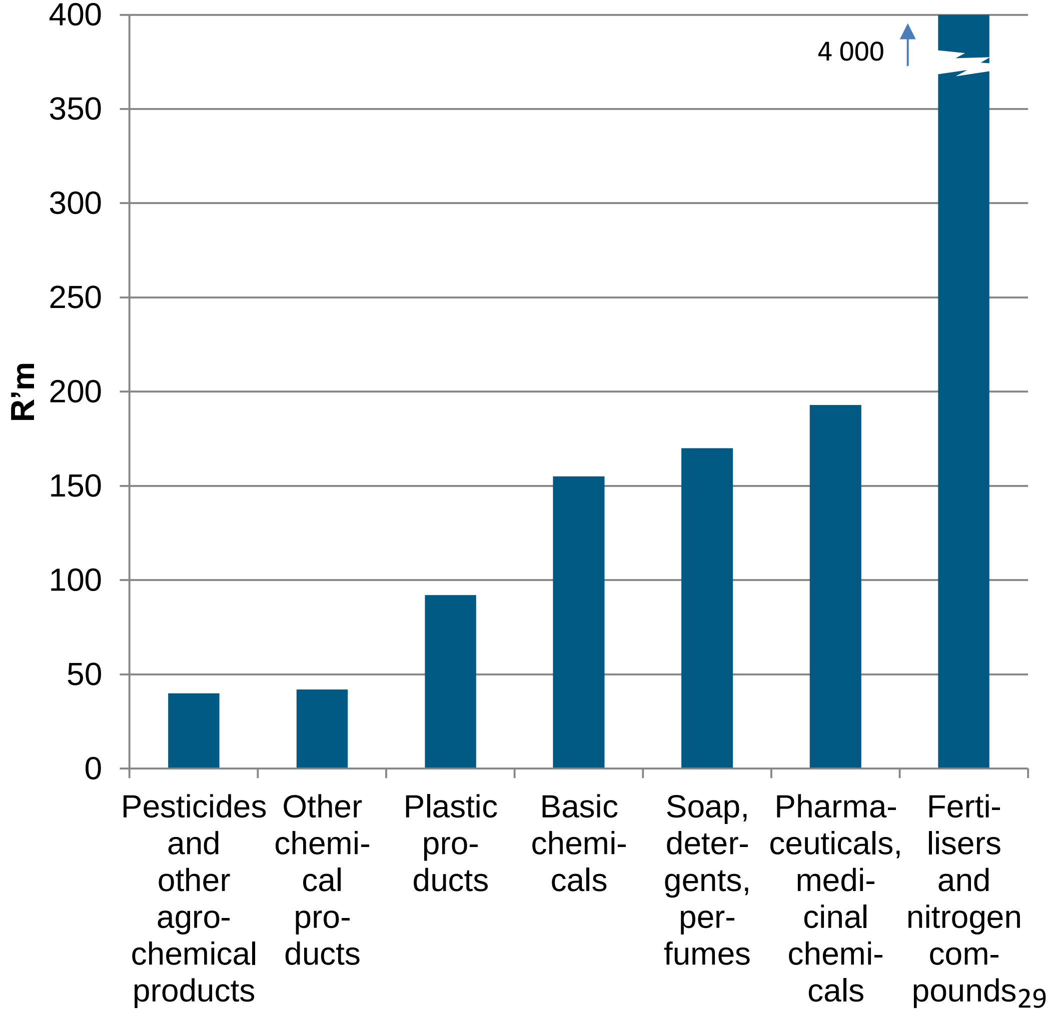
- The petroleum, chemicals, pharmaceuticals and downstream plastics industries contributed 3.2% to the South African economy in 2014 and employed just over 140 000 people in the final quarter of 2015.

- IDC aims to improve the global competitiveness of these sectors, with basic chemicals industries playing an important role in the development of other downstream manufacturing industries.

- Funding approvals advanced in this sector was R4.7 billion, 85% which was to maintain and upgrade existing capacity at Foskor.

Approvals for sub-sectors in Chemicals and Pharmaceuticals for 2015/16



Investing in the fourth industrial revolution

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CASE STUDY

Molybdos

Pretoria, Gauteng

R175 million approved to invest into advanced medicine.

The IDC partnered with technology supplier Klydon (Pty) Ltd and Maono Molybdos (Pty) Ltd to establish a highly advanced molybdenum isotope separation plant, currently under construction.

The molybdenum isotope product will be used to produce a technetium radiotracer for medical imaging, which is mostly used for cardiovascular applications, and to detect cancer and infection. Technetium scanning is used for more than 80% of all nuclear medical imaging world-wide. This technology will solve numerous problems being encountered by the existing nuclear reactor-based route to produce radiotracers.

Nuclear medicine is undeveloped in the developing world, largely because of the high cost and unavailability of radiopharmaceuticals, and this initiative is ideally placed to address these challenges.

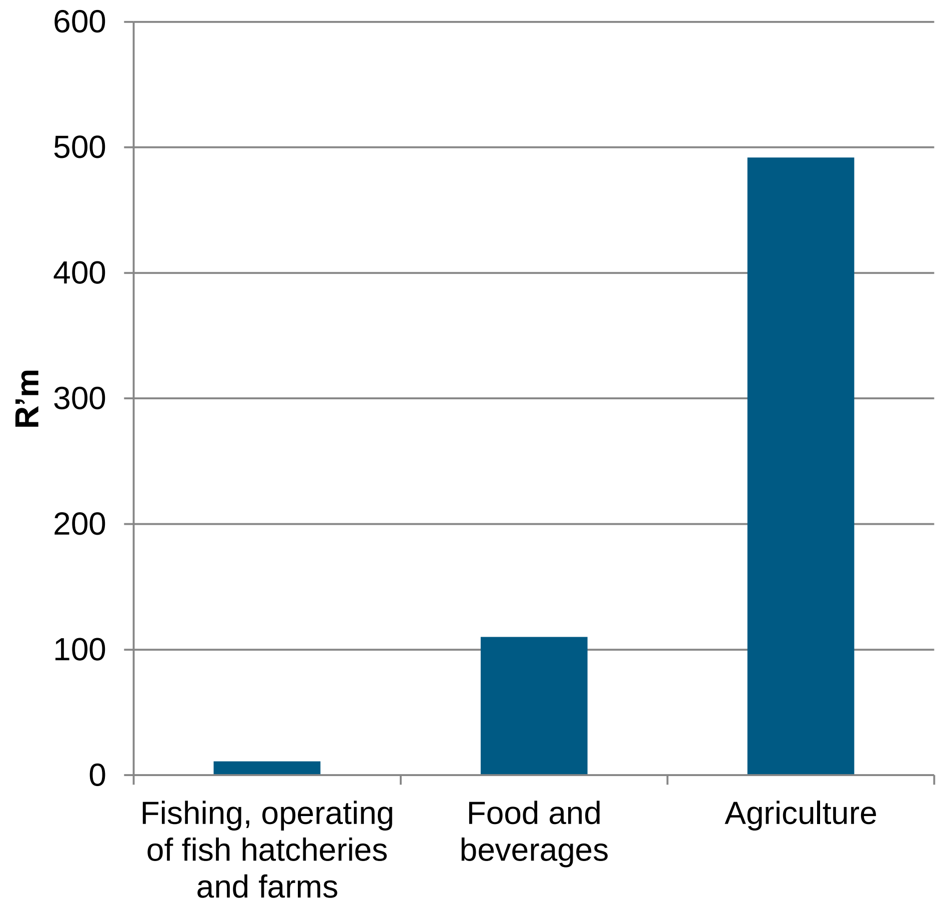
Agro-processing and Agriculture remains one of the largest employers in the country

- Having faced the worst drought in more than a century, the agricultural sector saw output declining by 8.4% in 2015, the largest annual fall in agricultural production since 1995, coupled with a 1.5% decline in the output in food and beverages sector.

- To counter the effects of this challenging environment, the IDC approved nineteen transactions totalling R614 million, including R250 million to the Land and Agricultural Development Bank of South Africa.

- Another objective of the IDC is to increase production in horticulture and leverage the job-intensity characteristic of this industry. We achieve this through transactions such as one supporting the expansion of soft citrus (mandarin) farming operations by 556 hectares near Ashton in the Western Cape.

Approvals for sub-sectors in Agro-Processing and Agriculture for 2015/16



Investing for growth

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CASE STUDY

Indigo Fruit Farming

Robertson, Western Cape

R150 million invested to increase capacity by 56%.

Indigo is part of a group of companies that today boast vertically integrated and diversified interests that include fruit farming and resale, packaging and exporting. Indigo, at 57% of the planted Nadorcott mandarins hectares, is the single largest grower in South Africa and supplies Woolworths with ca. 70% of all its annual Nadorcott purchases. Indigo also exports through the brand ClemenGold.

The Company, with funding support from the IDC, will expand its soft citrus farming operations from 708ha to 1264ha. The expansion will focus on increasing the production of the Nadorcott mandarin and similar varieties, rebalancing and diversifying the geographic profile.

Investing for expansion into other markets

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CASE STUDY

Ethekwini Cheese

Durban, KwaZulu - Natal

R20 million was approved to establish a processed cheese factory with a significant shareholding by a young black woman.

Ethekwini Cheese is setting up a processed cheese factory in Durban that will manufacture substitute and modified cheese. 30% of the business is owned by Ntombizwoda Cheryl Cagi, a young black woman that worked in the industry for a number of years.

The transaction will create 94 jobs and will introduce more a more affordable product at a time when food prices are increasing.

We continue to fund industrial infrastructure projects, with current focus on energy

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IDC's activities in the infrastructure sector are aimed at those projects that enable IDC's investments in our priority sectors. But also in the industries that more broadly unlock the country's industrial development potential.

R178 million was approved for REIPPPP 5MW Photovoltaic PV solar installations. A further R257 million was disbursed to a waste heat recovery plant in Kimberley to co-generate 6MW of electricity and set to replace 30% of the manufacturing plant's energy requirements.

R3 million apiece was approved for a 105kW combined heat power plant and an anaerobic digester to harvest methane gas from manure. An anaerobic digester uses microorganisms to break down biodegradable material to release biogas.

IDC also approved an additional R6.1 billion for IPP related projects, which are awaiting decision and are therefore excluded from the total 2015/16 approval amount of R14.5 billion.

Energising the future with youth

CASE STUDY

Pele Green Energy Redstone CSP

Postmasburg, Northern Cape

R360 million approved that will enable a group of young black entrepreneurs to participate in the renewable energy space

Redstone Solar Thermal Power Company is participating in the Department of Energy's (DoE's) Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) and is building a 100 MW concentrated solar power (CSP) project.

Pele Green Energy is a 100% black youth owned energy development company. The company approached IDC to participate in the project.

IDC approved R360 million for Pele to buy into the project. IDC's funding will further facilitate developing Pele, who are currently involved in the renewable energy space and have future aspirations to be project developers and ultimately independent power producers.

Energising a clean future

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CASE STUDY

Garob Wind Farms

Copperton, Northern Cape

R187 million approved to invest in renewable energy, that also benefits communities.

The IDC approved R187 million as an initial outlay forming part of the R2.6 billion wind project. The project is part of the expanded fourth round of the REIPPPP. The 5 500 ha Garob site will accommodate 46 wind turbines with an overall maximum export capacity of 140 MW. Commissioning of the wind farm will start in the first quarter of 2018, and expected to enter commercial operation in the second quarter of that year.

Khana Garob, a black owned and controlled company has a 30% equity investment in this project. The local communities in the vicinity of the Wind Farm are expected to benefit from the project in multiple ways including, enterprise development and employment and procurement opportunities.

Infrastructure to enhance cultural industries

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CASE STUDY

Sky Rink Studios
Johannesburg, Gauteng

R180 million approved to establish a black-owned television studio.

Sky Rink Studios is constructing television production studios at the top of the Carlton Centre parkade, which used to house the Carlton Centre Ice Rink.

Demand for local content for television from broadcasters has increased significantly over the past couple of years. This increase in demand has not necessarily generated investment in new studio facilities.

Black individuals will own 51% of the company. IDC is providing R180 million for the establishment of the studio.

We fund other manufacturing sectors and tourism, for quick turn-around opportunities

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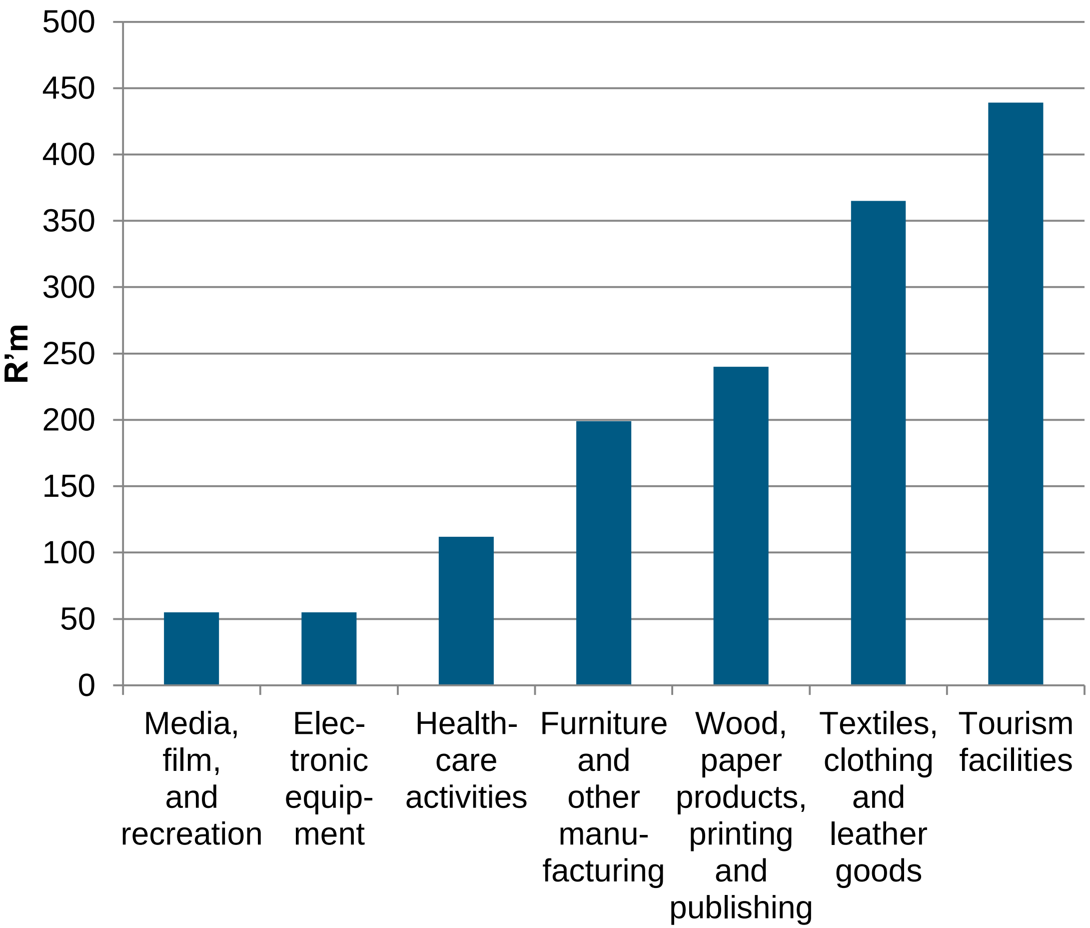
- IDC's activities in tourism, ICT, heavy and light manufacturing are reactive. IDC's aim is primarily to fund projects developed and packaged by entrepreneurs with little involvement in their development.

- For Clothing and Textiles, Media and Motion Picture industries, IDC plays an important role in in supporting these sectors with strategic initiatives that will assist to strengthen their sustainability.

Disbursements for sub-sectors in other manufacturing and tourism for 2015/16



We continue supporting existing clients and focusing on efficient processing of applications

The focus for the clothing and textiles industries, during the year under review, was to continue supporting existing clients, provide funding to new applicants and participate in industrywide cluster activities and initiatives.

Approved funding of R554 million went to 31 companies with almost half going into the weaving subsector and to some companies in the Cut, Make and Trim (CMT) environment.

Pure CMT businesses received 33% of the total funding approved with the balance going into the footwear, spinning and dyeing sub-sectors.

Other manufacturing industries also play an important role in the development of the country. These include sawmilling and wood products, the manufacture of pulp, paper and cardboard, rubber products, glass and glass products, ceramics, cement, concrete and other cement products, stone cutting and shaping, and the recycling of all non-metallic goods.

Funding to the value of R545 million was provided to new and existing business partners during the year, with R413 million disbursed.

Of this, R32 million went to a paper product manufacturer, and a further expansionary funding for a previously funded paper mill that exceeded expectations on both turnover and net profit

There were also two buy-outs to support black industrialists, a R141 million transaction in the paper and packaging sector and R150 million for a company manufacturing reinforced concrete railway sleepers.

The Tourism sector has high job-creation potential

- The tough economic conditions have forced the corporate market to reduce their travel budgets, which has had an adverse affect on jobs.

- However, the depreciation of the rand bodes well for the sector as it makes South Africa cheaper for foreign tourists and, thus, an attractive destination.

- Five transactions with a value of R222 million were approved to support the tourism industry, with 223 jobs created. A private game reserve experiencing capacity limitations in attempting to host larger conferences at their facilities received funding with R17 million approved for an additional 24 rooms which are set to alleviate this constraint.

- Expansionary funding to the value of R62 million, for a hotel dating back to 1958, will be used to completely overhaul the rooms and conference facilities.

- In supporting the need for local tourist attractions, we approved R1.3 million for the development of a toboggan track near Sabie, Mpumalanga.

Creation and preservation of jobs remains a priority

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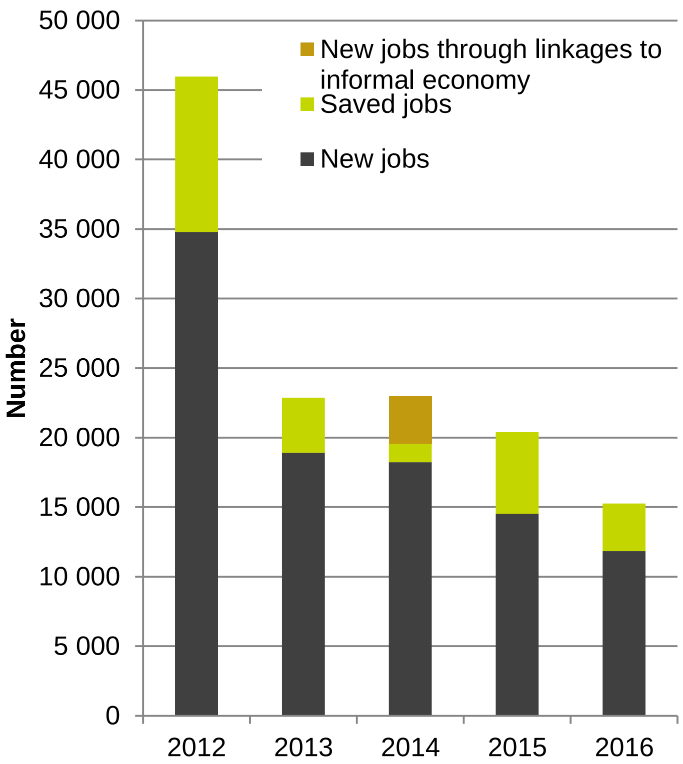
- At 26.6%, unemployment in South Africa remains a challenge to the country.
- 15 272 jobs expected to be created and saved for funding approvals during the year.
- R2.2 billion went to 98 SME transactions in the year under review – this excludes sefa's impact on SME development.
- R970 million was approved for 19 businesses with youth shareholding of more than 25% - addressing youth entrepreneurship.
- More recent years saw IDC investing in larger more capital intensive projects that did not necessarily create large numbers of direct jobs.

Impact on direct jobs



*In 2012 IDC approved funding for the expansion of a large platinum mine and for a distressed furniture manufacturer. Together these two transactions contributed 16 400 jobs to the figures for that year.

Investing for expansion that creates jobs

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CASE STUDY

Exxaro Resources

Lephalale, Limpopo

R800 million was approved to assist Exxaro to increase capacity of its coal mines to supply increased electricity generation capacity.

Exxaro is one of the largest majority black-owned South African diversified resources groups. It was created in 2006 following the unbundling of non iron-ore assets from Kumba Iron Ore.

IDC played an instrumental role in the establishment of Exxaro and also assisted with empowerment funding during the original establishment.

Exxaro is the preferred supplier of coal to Eskom's Medupi Power Station and will be developing new mines to supply this and other power stations. IDC has participated in funding for these mines which will ensure security of supply to Eskom's power stations and create close to 3 000 jobs in this black-owned company.

The IDC assists Black Businesses and Black Industrialists

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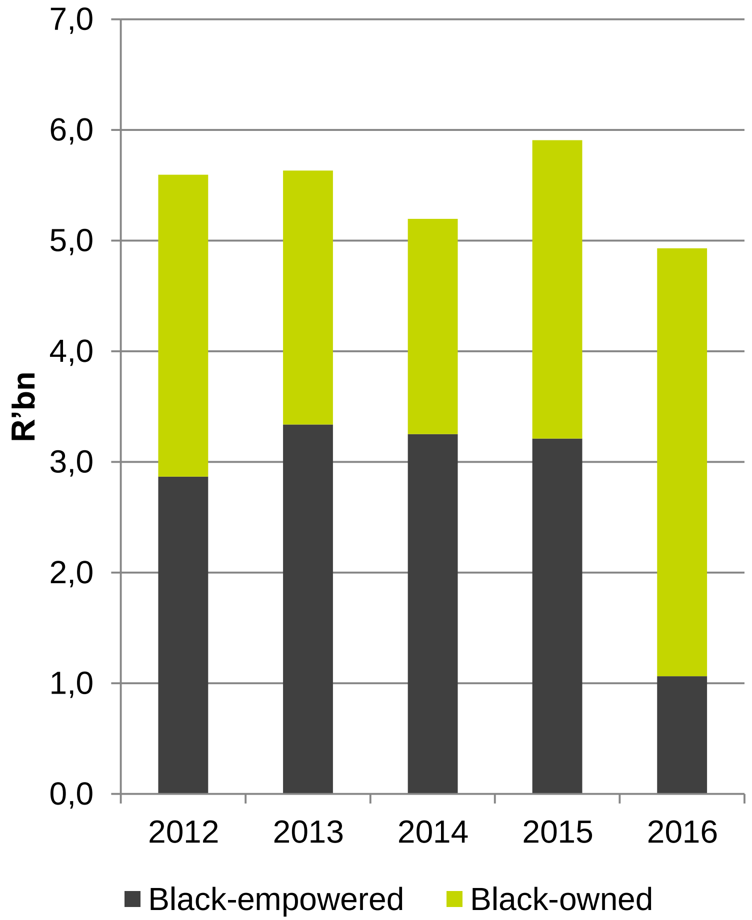
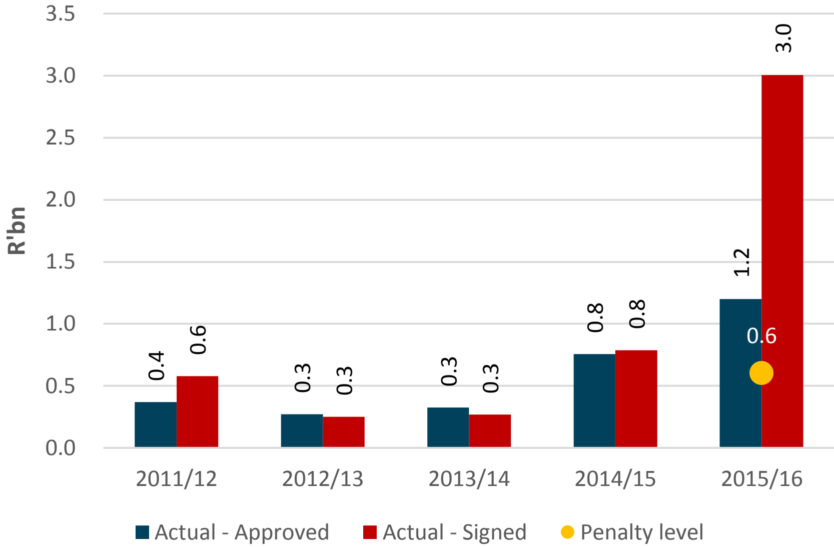
- IDC is the development finance institution with the largest BEE book nationally.
- During the reporting period, we approved 76 transactions valued at R4.9 billion for black-empowered businesses.
- This includes supporting 54 Black Industrialists with funding of R2.9 billion.
- The Black Industrialists programme is intended to promote the participation of black entrepreneurs in key sectors of the economy.
- IDC contributed to the determination of **the dti**'s policy for black industrialists.

Funding to black-empowered businesses



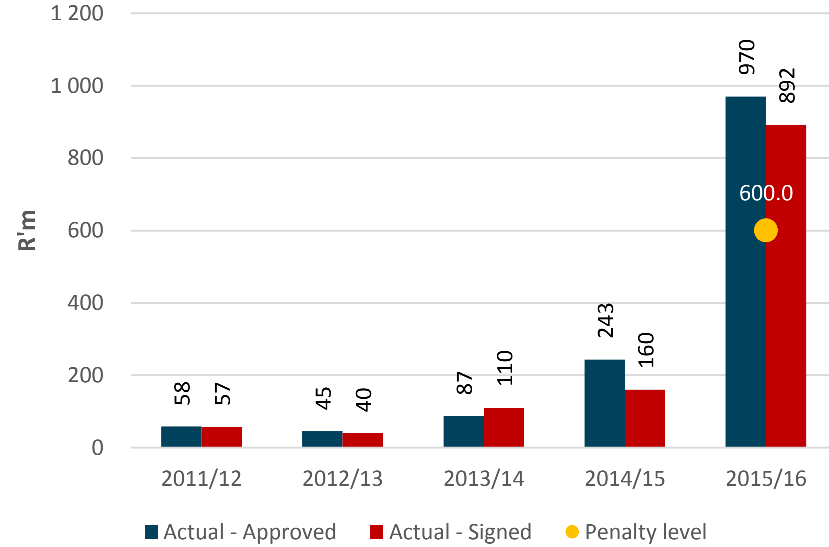
Significant increase in funding for women & youth owned businesses

Funding to women-entrepreneurs



Note: Target introduced in 2015/16.

Funding to youth-entrepreneurs



Note: Performance measured against deals signed

- Funding for women- and youth-entrepreneurs showed significant increase over the last two years – with the last year showing an increase in general levels as IDC pursued integration of transformation into transaction although also assisted by some large transactions.

- R1.2 billion in 35 transactions approved for women empowered businesses - 10 transactions pertained to the textiles, clothing and leather goods sector, and R421 million to producers of transport equipment.

- Since the signing of the Youth Employment Accord, the IDC has provided funding to youth enterprises totalling R1.2 billion – there has also been a concerted effort in improving our non-financial business support, systems, processes and products to facilitate youth enterprise development.

Investing in transformation

CASE STUDY

K9 Petfoods

Cape Town, Western Cape

R31 million approved to advance Black Woman Industrialist Business.

Established in 1996, the company produces frozen pet food from leased premises in Killarney Gardens, Cape Town. As part of its growth plans, the company has since secured an exclusive contract to manufacture wet pet food in the form of chunks in gravy, for Woolworths and other retailers.

Given the IDC's objectives in facilitating import replacement, the project would support Government's initiatives in the replacement of pet food currently imported by Woolworths. It creates an opportunity to facilitate innovative technology in that K9's re-sealable tub packaging (designed for Woolworths) will have first-mover advantage in the local pet food market.

Apart from the IDC, both Woolworths and the dti's Black Industrialist scheme will, provide funding (loan and grant funding respectively) towards the establishment of the plant in mitigating financial risk.

The IDC remains committed to ensuring the successful implementation of this project which will ultimately benefit the surrounding communities as well as provide significant development impact in terms of creating at least 25 new jobs.

Investing for transformation

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CASE STUDY

Nyamezela Metering

Roodepoort, Gauteng

R49 million approved to promote women and black owned businesses in electronics manufacturing.

Nyamezela Metering was established in 2012, to manufacture and distribute smart prepaid electricity meters. The company has recently been awarded a contract by Eskom to manufacture and deliver a large number of meters over a period of three years.

The company is part of the 100% black woman owned Nyamezela group of companies that was established by Ms Matsotso Vuso.

IDC is providing funding facilitating this black industrialist to purchase equipment, provide working capital as well as for guarantees to Eskom. This partnership will see the upgrading of the business's manufacturing facility and ensure localisation of supply.

Investing for transformation

CASE STUDY

Sacks Packaging

Durban, KwaZulu Natal

R141 million approved to advance partnership between established businesses and emerging businesses.

In 2015, the IDC supported Sacks Packaging in acquiring 100% of Nampak Sacks – a division of Nampak Products Limited (Nampak), a JSE listed company, and as part of the sale agreement Nampak sold their paper sack division as a going concern to a black entrepreneur.

In addition to providing funding for the deal, the IDC not only facilitated the change of the previously internationally-held ownership to a locally-based black consortium – a transaction which also helped to save 238 jobs – but also approved funding to allow Sacks Packaging to purchase a previously leased property critical to the company's operational requirements. The IDC also provided a guarantee facility that will be used by this business partner to meet growing demand.

Through this transaction, the IDC and Nampak have demonstrated their commitment to the development of black industrialists and the transformation of the paper packaging sector.

Investing with youth

CASE STUDY

Appen Lift Trading (3B Powder Coaters)

Alberton, Gauteng

R15 million approved to assist a young black industrialist.

3B Powder Coaters is a new business that was started in 2015 after the owners identified a gap in the local market to provide speciality powder coating.

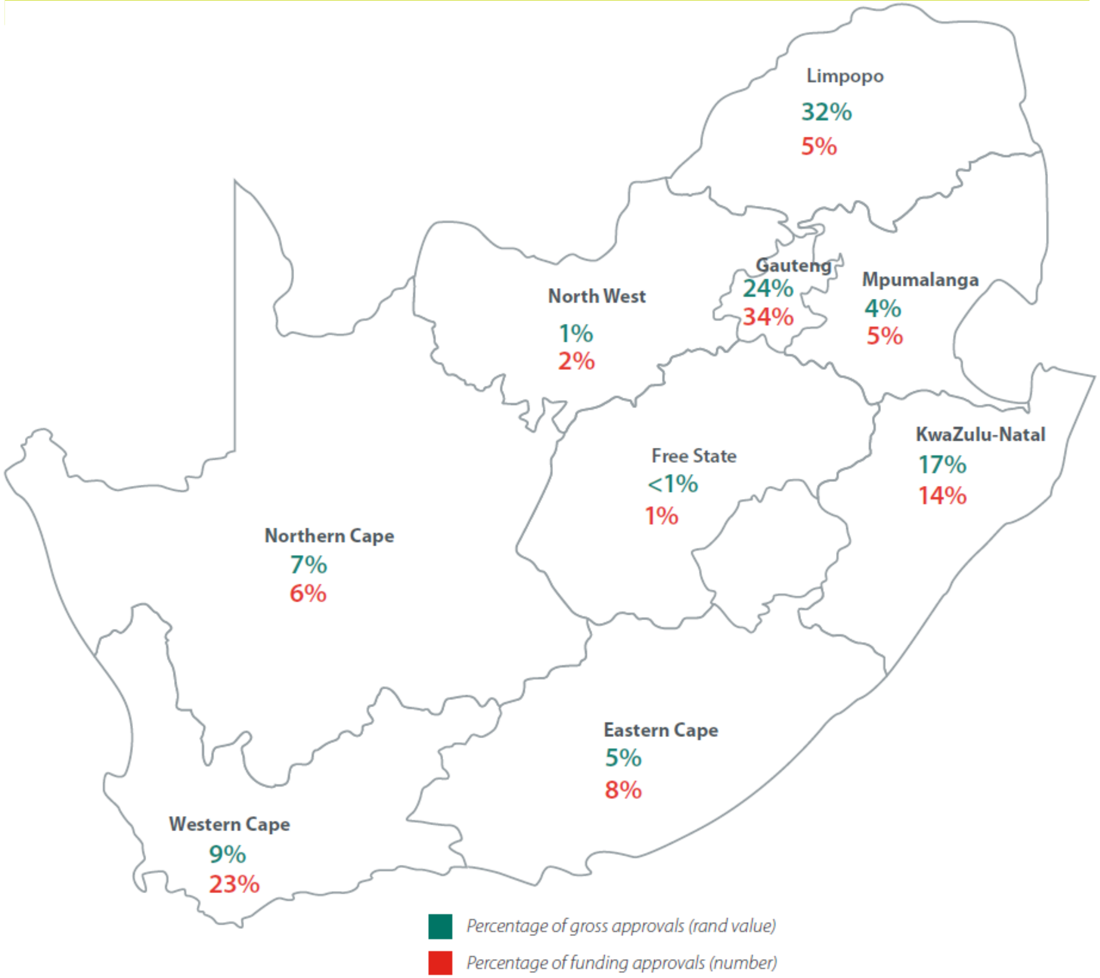
The facility, being set up by Arshaad Mohamed, a young black entrepreneur, will cater for the aluminium and steel industries.

IDC is contributing R15 million of this Alrode based business that will create 52 direct jobs.

Regional equity a key strategy focus for IDC

- A number of interventions have been designed to facilitate development in less developed rural areas.
- 50% of approvals in South African went to transactions in the less industrialised provinces, compared to last year's 46%.
- Limpopo was the largest beneficiary of the less industrialised provinces, compared to last year's figures, with 32% proportion of approvals.
- The Eastern Cape received the most number of deals of the less industrialised provinces with 8% of the transactions.

Provincial distribution of funding approvals



Investing across the country

CASE STUDY

CRH Africa Automotive

Port Elizabeth, Western Cape

R74 million approved for manufacture of components and supply of services to the automotive industry.

IDC approved new funding totalling R74 million, part of it for CRH to purchase of new plant and equipment, that will see the company supply vehicle components to VWSA.

CRH is a local tier 2 components supplier within the automotive industry, currently servicing several of the large vehicle manufacturers, including BWM, Ford, Nissan via tier 1 component suppliers such as Lear, Johnson Controls Group, Tenneco and others. The VWSA new contract is a new 8-year agreement to assist VWSA with their commitment of producing 110 000 Polo's per annum from their Port Elizabeth facility, commencing in June 2017.

The awarded contract is for the supply of front cushion frames; rear panel backrest frames and front backrest frame. VWSA are on a localisation drive and require suppliers to be closer to their operations and hence CRH taking over and expanding a plant in Port Elizabeth. 227 new and saved jobs will result from this funding.

Rural, community and enterprise development key to IDC

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- IDC funding for activities in rural areas has totalled R31 billion for the past 20 years, with an estimated 104 357 cumulative jobs either saved or created.
- Four social enterprises – a youth-owned waste collection and recycling business and three small farmer development enterprises – were funded to the value of R15 million.
- Our Spatial Intervention Fund, aims to address the socio-economic and developmental needs of targeted, largely marginalised, areas through public, private and community partnerships.

CASE STUDY

GreenABLE

Pinetown, KwaZulu Natal

GreenABLE, an IDC-supported non-profit organisation, is a facility that provides sustainable business opportunities for people living with disabilities.

GreenABLE has been in operation since 1 June 2011. It hosts a recycling solution for the dismantling, cleaning and sorting of empty printer cartridges and redundant printers into their recyclable components. In the process, the organisation facilitates employment, skills development and workplace integration opportunities for previously disadvantaged persons living with disabilities, of whom 89% are women and 63%, youth. Participation in these income-generating projects is enabled through incubation facilities.

The IDC provided grant funding of R2.9 million for the purchase of equipment and vehicles.

Through our CSI, we support improvement of socio-economic conditions of disadvantaged communities

- Education and training are at the core of the IDC's CSI programme. Support in this area is aligned to government's priorities as outlined in Chapter 9 of the National Development Plan.
- A total of R39 million was spent in support of 26 initiatives.
- The IDC's external bursary programme supports talented students from previously disadvantaged backgrounds. In the 2015 academic year 223 students were supported.

CASE STUDY

Nkonkwana Primary School

Ligwa, Eastern Cape

Nkonkwana Junior Secondary School just outside Willowvale in the Eastern Cape is fully fitted with eight classrooms, an administration block for teachers and school administrators, reliable water and sanitation facilities, full kitchen and a playfield for the learners to enjoy.

The school is also being used for adult education for the community through Kha ri Gude, a programme to teach adults how to read and write. The IDC officially handed over the multi-million rand school on 19 August 2015. The construction of the school started in July 2014, converting it from three dilapidated classrooms, to a school with appropriate infrastructure and facilities.

Committed to regional integration

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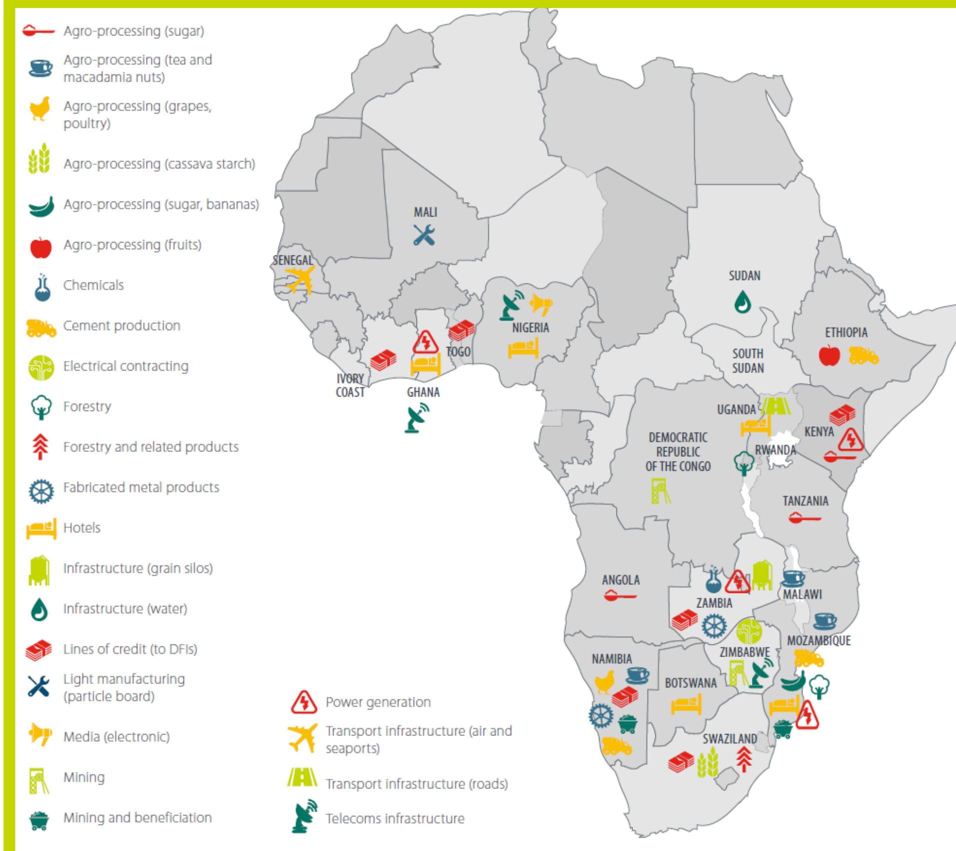
- Our footprint in the continent covers 23 countries outside of South Africa.
- R255 million was approved for funding in the Rest of Africa in 2015/16, down from R 1.7 billion in the previous year.
- R1.3 billion was disbursed from previous approvals.

IDC Activity in the Rest of Africa



Investing in the Rest of Africa

CASE STUDY

ZM&P (BVI) Holdings

Lusaka, Zambia

US$4.5 million to facilitate for local businesses to operate in other African countries as well as facilitating sale of goods manufactured in South Africa.

ZM&P (B.V.I.) Holdings, has rights to erect a copper beneficiation plant in Lusaka, Zambia. IDC was approached to fund a portion of the plant that will produce copper cathode.

Copper cathode is a raw material input to the production of continuous cast copper rod for the wire and cable industry.

The transaction will facilitate for the completion of a Processing Plant in Lusaka Zambia, which will initially produce of 140 tonnes per month (tpm) of Copper Cathode. This will increase beneficiation of copper in Zambia and the project will create 115 permanent new jobs.

Funding to distressed companies

- During the year, new funding assistance of R7.8 billion was approved to assist companies in distress as a result of cyclical factors which included depressed market and adverse climatic conditions.
- In addition, restructurings of existing facilities amounting to R2.9 billion were effected.
- This intervention will ensure that an estimated 9 480 jobs are saved and that industrial capacity is preserved.
- The major sectors benefitting from this intervention are mining, agro-industries and manufacturing.
- IDC approved R250 million new funding for Land Bank that will be on-lent to assist with drought relief.

CASE STUDY — Land Bank drought intervention

South Africa has been experiencing the worst drought in decades. The drought has had a dire impact, and has led to devastating effects on the human condition of communities, households and individuals alike. The impact of this natural disaster is felt on both a humanitarian and economic level.

In the past, IDC has worked closely with the Land Bank on interventions in the agricultural sector when the country was affected by natural disasters like droughts of floods.

Given the severity of the current drought, Land Bank approached IDC to provide a wholesale loan facility to assist farmers (both existing and potential new Land Bank clients) impacted by the drought.

In conclusion

- The link between a thriving manufacturing sector and economic growth is a direct and significant one that has received significant attention in recent economic policy documents. This underscores the relevance of Project Evolve and its impact that saw 61% of approvals for 2016 going to the manufacturing sector.

- We will continue to focus on our development outcomes, in particular, jobs-rich industrialisation, black industrialists, women and youth entrepreneurs.

- To maximise our impact we are committed to increasingly leverage funding and crowding in financing partners.

- We believe the IDC balance sheet is still strong and impairments should not result in us being risk averse. The increase in impairment levels is aligned with our risk appetite and role in supporting high-risk sectors (early-stage projects & start-up operations), and our commitment to play a counter-cyclical role in the economy.

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Thank you

Evolve alignment with recent key research/policy documents

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SA Govt. 9-point plan

Revitalising agric value chain	•Value chains
Adding value to mineral wealth	•Value chains
Implement higher impact IPAP	•Cross-organisational priority
SMMEs, Coops and township enterp.	•Cross-organisational priority
Operation Phakisas	•Value chains
Encourage private sector investment	•Cross-organisational priority
Resolving energy challenge	•Industrial infrastructure
Moderating workplace conflict	

Lions on the Move: Africa Growth (McKinsey)

Mobilise domestic resources	•Cross-organisational priority
Aggressively diversify economies	•New inds & manufacturing
Accelerate infrastructure dev.	•Industrial infrastructure
Deepen regional integration	•Cross-organisational priority
Create tomorrow's talent	
Healthy urbanisation	

World Economic Forum: Global and Africa

Drivers of future manufacturing

Global value chains	•Value chains
Servicfication	
Industrial policy	•Cross-organisational priority
Manufacturing regionalisation	•Cross-organisational priority
Cross domain skills	
Additive manufacturing	•New industries
Circular economy and remanufacturing	
Cyber physical production	
Advanced data analytics	

Pillars influencing manufacturing capabilities

Skills, Infrastructure, Innovation, Capital, Markets, Value Chains, Environment, Policy and Society	•Cross-organisational priority

SA's Big 5 Bold Priorities For Inclusive Growth (McKinsey)

Advanced manufacturing	•Value chains; New industries
Natural gas	•Value chains; New industries
Service exports	
Infrastructure	•Industrial infrastructure
Agricultural value chain	•Value chains

Evolve alignment with IPAP 2016

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Transversal interventions

Public procurement	•Cross-organisational priority
Industrial financing	•Cross-organisational priority
Developmental trade policy	
Innovation and technology	•New Industries
SEZs and regional industrial clusters	•Cross-organisational priority
Regional integration	•Cross-organisational priority

Sectoral interventions

Clothing, textiles, leather and footwear	•Special high impact
Automotives metal fabrication, capital and rail transport equipment	•Value chains
Agro-processing	•Value chains
Forestry, timber, paper, pulp and furniture	•Value chains; High impact
Plastics, pharmaceuticals, chemicals and cosmetics	•Value chains
Business process services	
Leveraging South Africa’s mineral resource endowment	•Value chains
Gas industrialisation	•Value chains; New industries
Primary minerals beneficiation and construction	•Value chains; High impact
Green industries	•Industrial infrastructure; Value chains; New industries
Ship/boatbuilding and associated services industry	•Value chains
Advanced materials	•Value chains; New industries
Aerospace and defence	•Value chains
Electro-technical industry	•High impact
Water metering systems	•High impact
IT equipment	•High impact