

SOUTH AFRICAN BUSINESS ENVIRONMENT



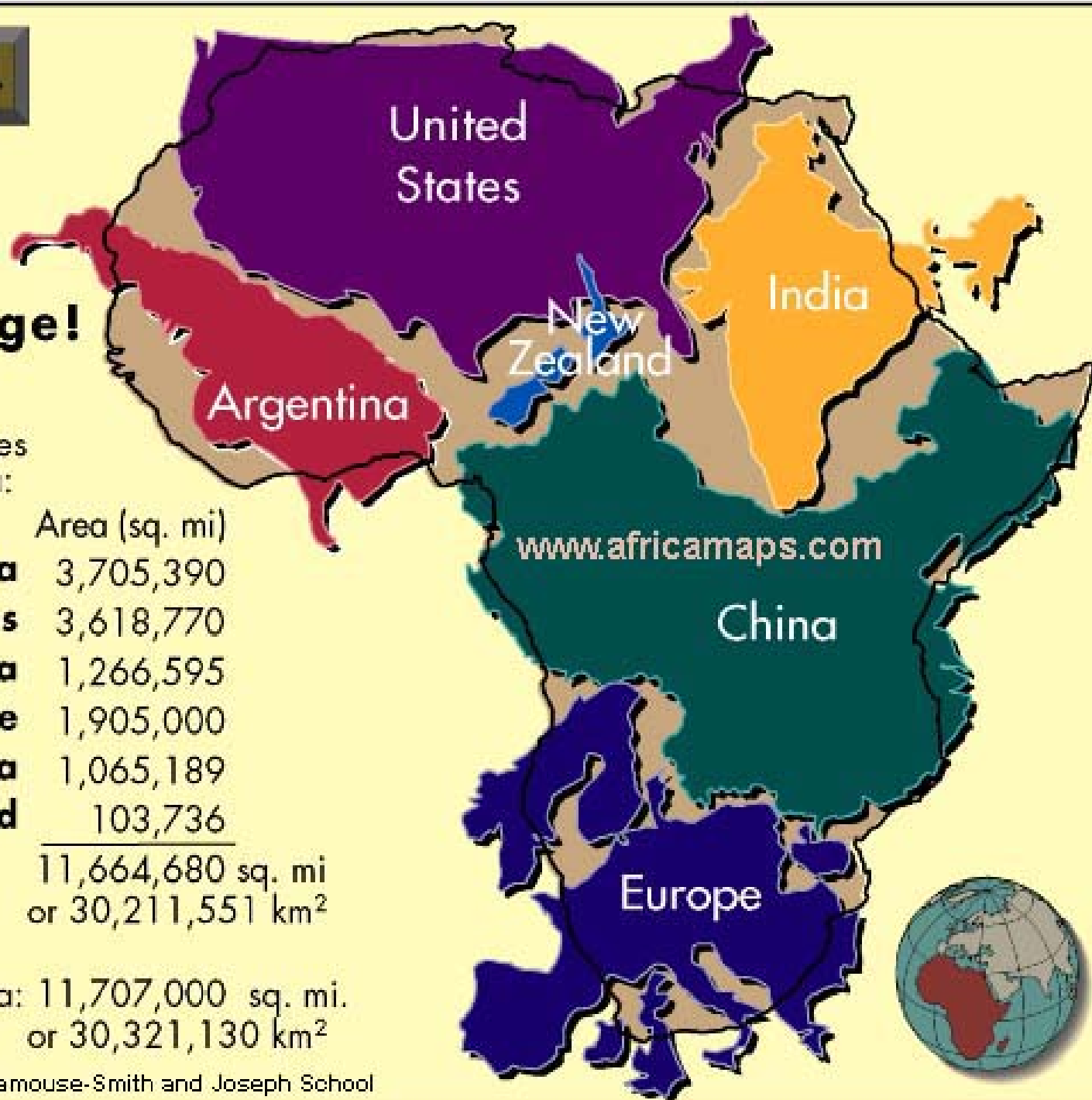
To the next map...

Africa is Huge!

The following countries could fit within Africa:

| | Area (sq. mi) |
|----------------------|--|
| China | 3,705,390 |
| United States | 3,618,770 |
| India | 1,266,595 |
| Europe | 1,905,000 |
| Argentina | 1,065,189 |
| New Zealand | 103,736 |
| | <hr/> |
| | 11,664,680 sq. mi or 30,211,551 km ² |

Africa's area: 11,707,000 sq. mi.
or 30,321,130 km²



AFRICA TODAY

\$1.6 trillion

- Africa's collective GDP in 2008, roughly equal to Brazil's or Russia's

\$860 Billion

- Africa's combined consumer spending

316 million

- The number of new mobile phone subscribers signed up in Africa since 2000

60%

- Africa's share of the world's total amount of uncultivated arable land

52

- The number of African Cities with more than 1 million people

20

- The number of African companies with revenues of at least \$3 billion

AFRICA TOMORROW

\$2.6 trillion

- Africa's collective GDP in 2020

\$1.4 trillion

- Africa's combined consumer spending 2020

1.1 billion

- The number of Africans of working age in 2040

128 million

- The number of African households with discretionary income in 2020

50%

- The portion of Africans living in cities in 2030

Investing in Africa: an improving environment

The operating environment is improving visibly and rapidly ...

- 54 countries, 35 democracies (compared to only 8 in 1991)
- Many countries have improved their business environment:
 - restored macro-economic stability
 - greater predictability & increased reliability of policy & regulatory framework
 - increased transparency and improved decision-making
 - privatisation initiatives
 - reduced corruption
 - investment protection & promotion
 - intra and inter-regional initiatives
- High returns on investment



CONSIDER THE FOLLOWING HEADLINES



KFC Savors Potential in Africa.

Yum Brands unit Plans to Double Number of Outlets on Continent, Where Middle Class Is Growing

A white rectangular logo with a black border containing the text "THE WALL STREET JOURNAL." in black serif font.

**Bloomberg
Businessweek**



Africa: Coke's Last Frontier

'The presence and the significance of our business in Africa is far greater than India and China even today. The relevance is much bigger.'

Wal-Mart Sets African Offer.

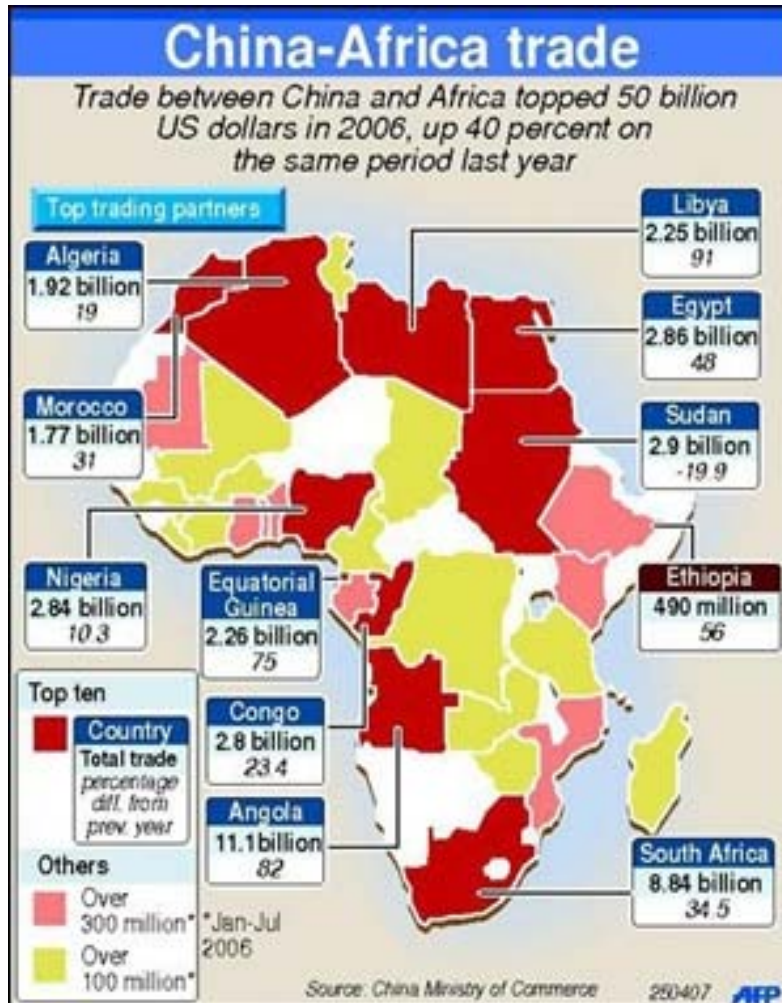
Retailer Agrees to Buy 51% of Massmart for \$2.32 Billion to Tap Growing Market

A white rectangular logo with a black border containing the text "THE WALL STREET JOURNAL." in black serif font.

Walmart 

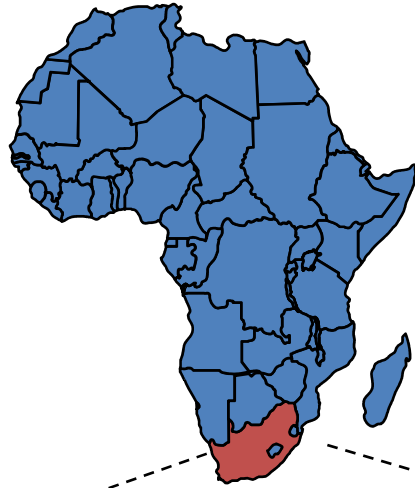


The race is on.....



CHINA (2006)
 INVESTED \$50 BILLION
 Bilateral trade \$ 100 billion +

Gateway into Africa



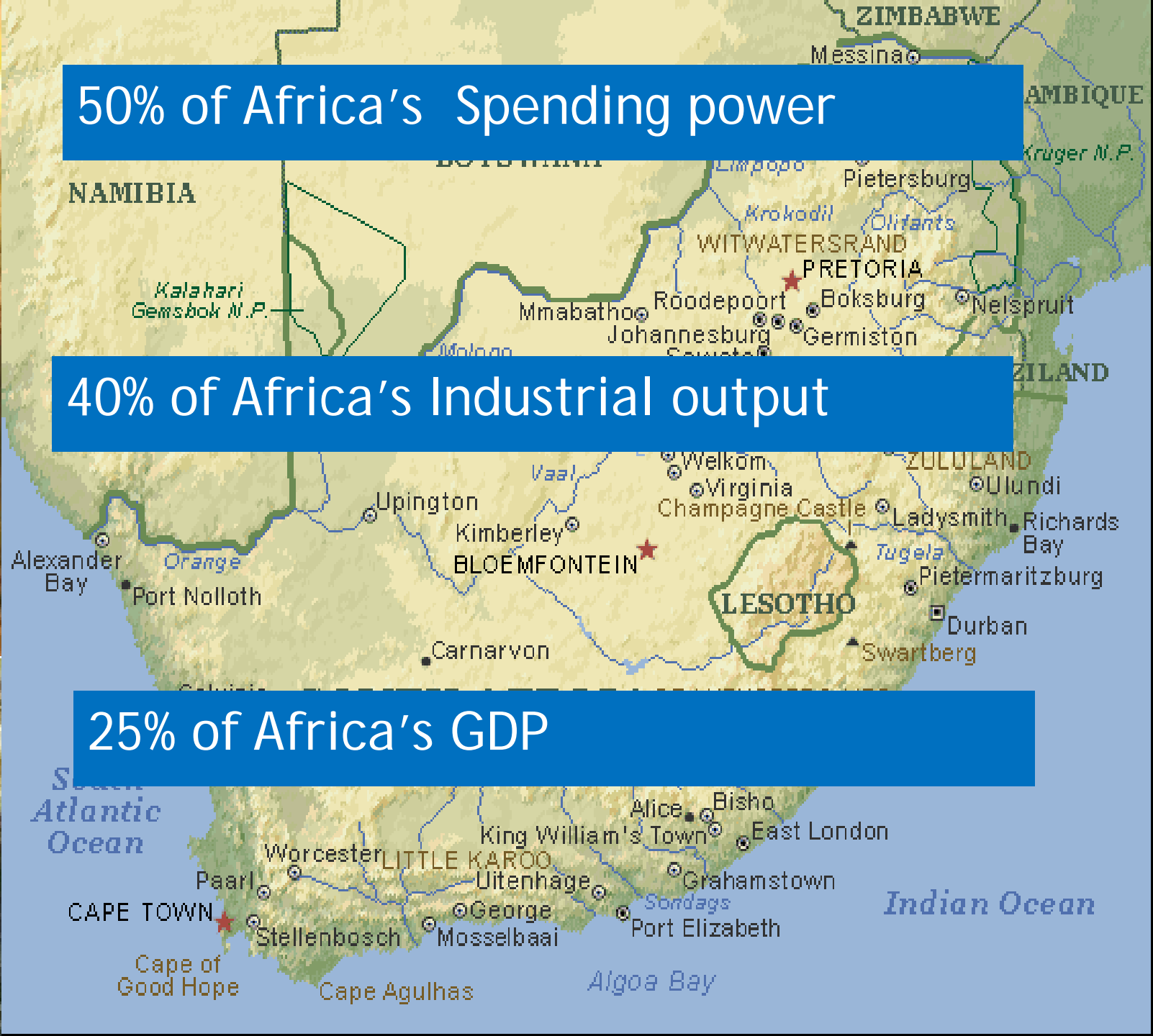
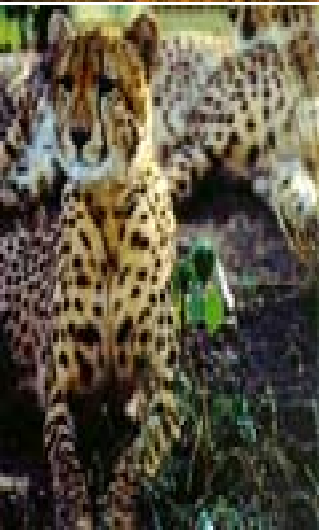
- Area 1,219, 090 km²
- Population 48,7m (estimate)
- Currency R1 = 100 cents
- Time GMT + 2 hrs
- Head of the State: President Jacob Zuma
- 11 Official languages with English the business language
- Total GDP: 2008 R2 284bn (US\$ 277bn)
- GDP 2008 per capita: R 46 507 (US\$ 5 637)
- Real GDP Growth: 3,7% (2008)
- Inflation (CPIX): 11,5 % (annual 2008) average)
- Main Exports; minerals & mineral products, precious metals & metal products, chemical & food products, automotives & components.
- Main trading partners: Germany, USA, China, Japan & the UK.



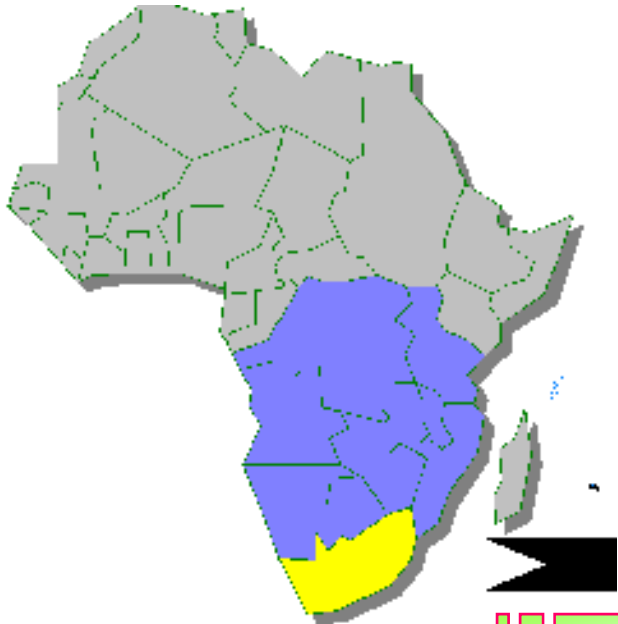
50% of Africa's Spending power

40% of Africa's Industrial output

25% of Africa's GDP



SADC and South Africa



- SADC FTA signed in August 2008 – market of 200 million consumers
- Future FTA with COMESA & EAC with a market of 700 million consumers
- EU Free Trade agreement
- AGOA agreement USA
- Future FTA : Brazil; India; China



PROXIMITY TO MARKETS BY SEA



- **Liverpool – 25 days**
- **New York – 20 days**
- **Buenos Aires – 11 days**
- **Jeddah – 20 days**
- **India – 10 days**
- **Singapore – 12 days**
- **Hong Kong – 25 days**



South African Economy

| | 1994 | 2004 | 2009 |
|---|---------------------|----------------------|---------------------|
| GDP (billions) | R 482 US\$ 60 | R 1 374 US\$ 171 | R 2 423 US\$ 294 |
| Merchandise exports (billions) | R 69, 8 US\$ 8.7 | R 281,8 US\$ 35.2 | R503,6 US\$ 59,6 |
| GDP Growth | 3,2% | 4,6% | - 1,8 % (3.3%) |

- South Africa positioned as a **manufacturing centre of excellence**
- Diversified Industrial sectors
- **Open** economy
- Sound business case for investment and profit
- **Gateway to Africa** and markets of more than **200 Million consumers**
- Africa is the next big story after China and India





GDP of SA cities and Sub-Saharan countries

| | | GDP (\$bn) | Population (m) |
|----|--------------|------------|----------------|
| 1 | Nigeria | 55.3 | 129 |
| 2 | Johannesburg | 30 | 3.5 |
| 3 | Sudan | 18.7 | 36 |
| 4 | Cape Town | 18.5 | 3 |
| 5 | eThekweni | 16.5 | 3.2 |
| 6 | Kenya | 16.1 | 33 |
| 7 | Tshwane/Pta | 15.2 | 2 |
| 8 | Angola | 14.4 | 15 |
| 9 | Ivory Coast | 13.6 | 18 |
| 10 | Cameroon | 13.0 | 16 |
| 11 | Ekurhuleni | 11.7 | 2.2 |

South Africa's leading trade partners (2009)

| Export Country | Rand (millions) |
|-------------------|-----------------|
| 1. China | 48,656.1 |
| 2. United States | 41,027.0 |
| 3. Japan | 33,937.0 |
| 4. Germany | 32,317.8 |
| 5. United Kingdom | 25,106.2 |
| 6. Switzerland | 21,272.7 |
| 7. Netherlands | 18,389.7 |
| 8. India | 17,873.3 |

| Import Country | Rand (millions) |
|-------------------|-----------------|
| 1. China | 69,950.0 |
| 2. Germany | 61,888.1 |
| 3. United States | 40,691.2 |
| 4. Saudi Arabia | 26,650.9 |
| 5. Japan | 26,245.5 |
| 6. Iran | 22,109.7 |
| 7. United Kingdom | 21,393.5 |
| 8. France | 16,579.3 |



South Africa- global perspective

- South Africa is **one of the most sophisticated and promising emerging markets**, offering a unique combination of highly developed first world economic infrastructure with a vibrant emerging market economy.
- South Africa is **one of the world's 26** industrialized nations.
- The country is also regarded as the **gateway to Africa**.
- South Africa has the **largest economy on the African continent**, accounting for approximately **25%** of the continent's GDP.
- According to the World Bank, South Africa ranked **34th out of 183** in the world for the **ease of doing business** in 2010.
- The JSE Securities Exchange is Africa's largest and most developed Securities Exchange and **one of the world's top 20 exchanges**.





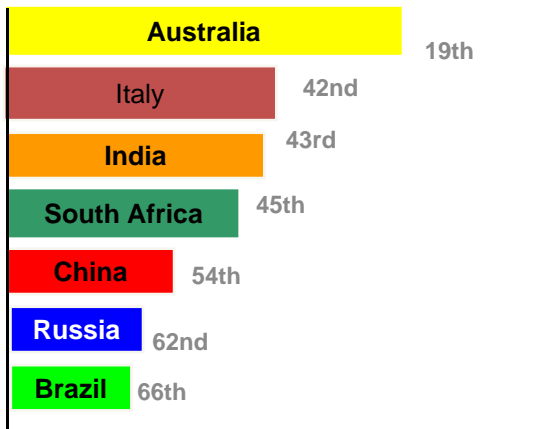
South Africa has a favourable tax regime

| | Corporate Income Tax | Individual Income Tax | VAT |
|--------------|----------------------|-----------------------|--------|
| Brazil | 34% | 7.5 -27.5% | 17-25% |
| Russia | 20% | 13% | 18% |
| India | 30-40% | 10-30% | 12.5% |
| China | 25% | 5-45% | 17% |
| South Africa | 28% | 0-40% | 14% |

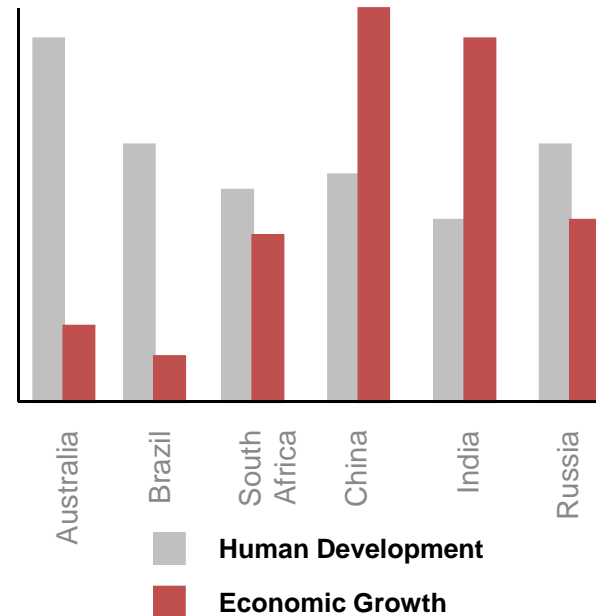


South Africa in context

Global Competitiveness



Economic Growth & Human Development



South Africa combines the growth and dynamism of an emerging market with the stability and transparency of the developed world.

South Africa holds

- 80% of global manganese reserves,
- 72% of chrome,
- 88% of platinum-group metals (PGMs),
- 40% of gold and 27% of vanadium.
- world's top producer of minerals such as gold, platinum, rhodium, chrome, manganese and vanadium.

What we really need

- Foundries
- Casting
- Jewellery
- Machine tools
- Rolling stock
- Construction Equipment
- Instrumentation



South African - Opportunities for Minority Companies

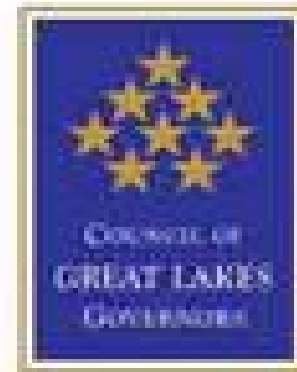
- Joint Venture PARTNERSHIPS
- Technology PARTNERSHIPS
- Licensing agreements
- Franchising opportunities
- Distributorships
- Contract manufacturing
- Government Tenders
- Supply Opportunities



SUPPORT FOR USA BUSINESSES



EXPORT-IMPORT BANK
of the UNITED STATES





accenture
High performance. Delivered.



Abbott



Manpower

Lilly

WAL*MART



ConAgra Foods



MOTOROLA



NAVISTAR



Cargill



HYATT

3M


citi





Black Economic Empowerment

- BEE is a growth strategy targeting inequality in South Africa
- The contribution of Multinational Corporations is recognised through Equity Equivalents
- Small enterprises are given concessions with respect to BEE



Direct
Empowerment

**Ownership of
productive assets**

**Management at senior
levels**

**Human resource
development**



Indirect
Empowerment

**Preferential
procurement**

**Enterprise
development**

**Corporate social
investment**

Investment Opportunities

| Sector | Sub-sector |
|--|--|
| Agro-processing | Fisheries and aquaculture i.e. freshwater aquaculture & mariculture Food processing in the milling and baking industries Beverages viz. fruit juices and the local beneficiation, packaging and export of indigenous teas High value natural fibres viz., organic cotton & downstream mohair production High value organic food for the local and export market Biofuels production viz. biodiesel & bioethanol |
| Automotives & Components | Engine parts/components, vehicle interiors, electronic drive train components, body parts, catalytic converters, aluminum forgings & castings, diesel particulate filters and leather products |
| Chemicals and plastic fabrication | Beneficiation of polypropylene used in automotive components & building and construction industries, packaging materials Medical (drips & syringes), manufacture of active pharmaceutical ingredient (APIs) for key anti-retrovirals (ARVs) Manufacture of reagents for AIDS/HIV diagnostics Production of vaccines and biological medicines |



Investment Opportunities

| Sector | Sub-sector |
|--|--|
| Business Process Outsourcing & IT Enabled Services | <ul style="list-style-type: none">•Call Centres•Back /office Processing•Shared Corporate Services•Enterprise solutions e.g. fleet management and asset management•Legal process outsourcing |
| Electro Technical | <ul style="list-style-type: none">•Software & mobile applications•Smart metering•Embedded software•Radio frequency identification•Process control , measurement & instrumentation•Security & monitoring solutions•Financial software |
| Clothing, Textiles, Leather and Footwear | <ul style="list-style-type: none">•Manufacturing of Industrial Textiles using Polyester•Production of other natural fibre textiles such as flax•Wool and mohair production – downstream opportunities for yarns, knitwear and fabric. |



Investment Opportunities

| Sector | Sub-sector |
|--|--|
| Metal fabrication, capital and transport equipment | <ul style="list-style-type: none">•Downstream processing and value adding of iron, steel, aluminium, stainless steel ferroalloys and the platinum group of metals (PGM)• Conversion processes of metal products i.e. metal fabrication, pipe & tube, foundry products, wire and jewellery•Manufacturing and assembly of mining, agricultural and construction equipment•Utilities i.e. reticulation plants and pipe lines.•Machine tools and tooling (auto, packaging, mining and aerospace industries)•Electrical motors•Services in the engineering, construction sectors•Rolling stock i.e. locomotives, wagons and coaches•Production of permanent ways i.e. railway lines, signalling equipment, electrification, bridges and stations•Harbour construction and equipment•Ship- and oil platform building and maintenance |



Investment Opportunities

| Sector | Sub-sector |
|-----------|---|
| Tourism | <ul style="list-style-type: none">•Accommodation - hotels, boutique hotels, lodges & resorts•Urban integrated tourism/ entertainment precincts•Adventure, - eco-, sport-, conference - and cultural tourism.•Infrastructure development.•Leisure complexes & world class golf courses.•Harbour & waterfront developments.•Transfrontier conservation areas.•Tourism transport - aviation, rail, cruise liners etc•Green building and green technologies for tourism•Attractions and activity - based tourism•Museums and heritage•Cultural, music, arts festivals and events |
| Aerospace | <ul style="list-style-type: none">•Aviation related services, including maintenance, repair and overhaul (MRO)•Rotary and fixed wing components.•Aviation training services•Specialised manufacturing of avionics, including health usage monitoring systems•Aerostructure components, specifically composites and sheet metal (aluminium and titanium)•Small and micro-satellite capability including sensor platforms•Satellite related services (including tracking and control and applications development)•Specialised design expertise, systems level as well as first tier level.•Unmanned Aerial Vehicles (UAVs) |



Investment Opportunities

| | |
|---|---|
| <p>Power generation and distribution</p> | <p>Independent power generation, energy infrastructure & alternative energy</p> |
| <p>Renewable energy and energy saving industries</p> | <p>Solar water heating, evacuated tube plants, concentrated solar heating, wind and biomass energy production</p> |
| <p>Advanced Manufacturing</p> | <p>Advanced materials manufacturing viz. Nano-materials</p> <ul style="list-style-type: none"> •High performance materials based on natural resources (advanced bio-composites) •Composites (intelligent textiles used in medical, building and construction industries) •Continuous fibre reinforced thermoform composites <p>Digital TV and Set Top Boxes due to migration to full digital television as analogue will be switched-off by November 2011.</p> <p>Nuclear Build Programme i.e. joint ventures, consortiums and the establishment of new companies to grow South Africa's nuclear manufacturing capability and nuclear supply industry to supply into the nuclear build programme</p> <p>Electricity Demand Side Management Solutions to improve efficiency usage.</p> |



Investment Opportunities

Creative and Design Industry

Film and Media

Film studios, treaty film co-production ventures, distribution infrastructure, servicing of foreign productions.

Production of film and documentaries, commercials, stills photography and multi-media

Design

Jewellery manufacturing and design

Fashion design



Incentives

| Incentive | Benefit | Main Conditions |
|---|---|--|
| The Enterprise Investment Program (EIP) | The EIP (manufacturing) is a cash grant for locally based manufacturers who wish to establish a new production facility, expand an existing facility or upgrade an existing facility in the clothing and textiles sectors | the EIP will be used to stimulate investment within manufacturing and tourism, it will also be used to deliver on some of the IPAP's key performance areas, as well as priority sectors. |
| Foreign Investment Grant | To compensate qualifying foreign investors for the cost of moving qualifying new machinery and equipment from abroad to SA. | Foreign investors only |
| Industrial Development Zone | Exemption from VAT when sourcing goods and services from South African customs territory and duty-free imports of raw materials and inputs for export | Prospective IDZ operator companies must apply for permits to develop and operate an IDZ |



Incentives

| Incentive | Benefit | Main Conditions |
|---|--|--|
| Critical Infrastructure Fund | Infrastructure projects intended to service IDZ, shall qualify for a grant of 30% of the qualifying infrastructure development cost | The minimum qualifying infrastructure development cost is R15m |
| The Location Film & Television production Incentive | To encourage and attract large budget films and television productions that will contribute towards SA economic development and international profile and increase foreign direct investment | Foreign owned qualifying productions |



Incentives

| Incentive | Benefit | Main Conditions |
|---------------------------------------|--|--|
| BPO & O Investment Incentive | The BPO&O Investment Incentive comprises an Investment Grant and a Training Support Grant towards costs of company-specific training. The incentive is offered to local and foreign investors | Local and foreign investors establishing projects that aim primarily to serve offshore clients |
| Competitiveness Improvement Programme | Grants are to be used for the following interventions: World-class manufacturing principles. Training Labour relations and employee wellness programmes Product related Supply chain integration Industrial engineering Competitiveness improvement Bottom line business processes | Clothing and Textile companies and clusters |



Incentives

| Incentive | Benefit | Main Conditions |
|------------------------------------|---|---|
| Production Incentive (PI) | Aims to help the industry upgrade its processes, products and people. | Clothing manufacturers Textiles manufacturers Cut, Make and Trim (CMT) operators Footwear manufacturers Leather goods manufacturers and Leather processors (specifically for leather goods and footwear industries). |
| Automotive Investment Scheme (AIS) | A taxable cash grant of 20 percent of the value of qualifying investment in productive assets | Motor vehicle assemblers/manufactures. Motor component manufacturers |



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