



IDC

Industrial Development Corporation

Your partner in development finance

IDC's facilitation of Foskor's BEE Transaction

8 July 2009

Agenda

Speaker

- **Lumkile Mondi**

- IDC's longstanding commitment to economic transformation in South Africa
- IDC's transformation objectives achieved for Foskor
- Transaction structure and sustainability

- **Alfred Pitse**

- Background on Foskor and its current BEE initiatives
- Compelling attributes of our BEE Partners
- Employee, management and community empowerment

- **Peter-Paul Ngwenya**

- Overview of Foskor's dynamic broad-based consortium partners

- **Lumkile Mondi**

- Successfully delivering on our transformation objectives
- Q & A

Furthering development and transformation – facilitating Foskor’s contribution to South Africa

Chief Economist of the IDC – Lumkile Mondi

IDC's longstanding commitment to economic transformation in South Africa

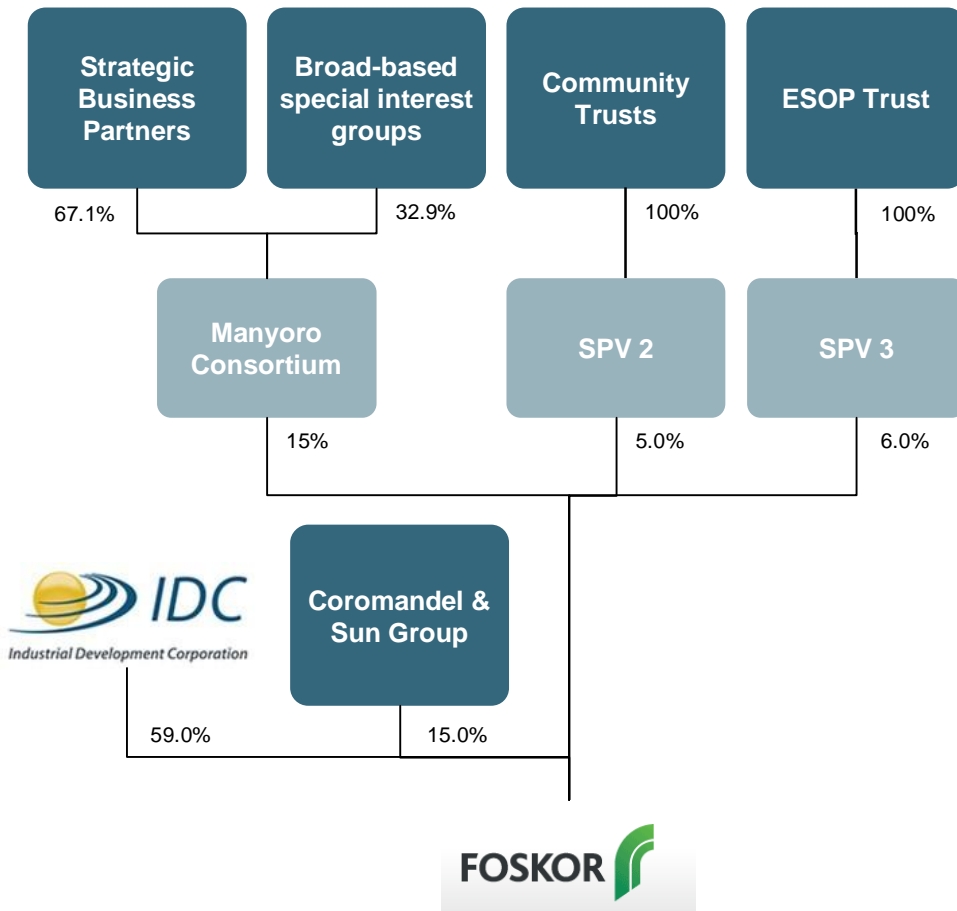
- The IDC sees BBBEE as a strategic development imperative in supporting industrial and entrepreneurial development
- In 2008/09, the IDC approved ca R6bn for black empowered enterprise funding
- The IDC has been fundamental in driving BEE and have supported government in implementing empowerment strategies by engaging in the formulation of key legislation such as the:
 - Preferential Procurement Act
 - Skills Development Act
 - Promotion of Equality and Prevention of Unfair Discrimination Act
 - Employment Equity Act
 - Competition Act

IDC's transformation objectives achieved for Foskor

- Facilitation of broad-based black economic empowerment and increasing economic participation
- Meet the requirements of the MPRDA (2002), Codes of Good Practice for the SA Minerals Industry (2009) and the DTI Codes of Good Practice (2007)
- Substantial economic and social difference to a broad beneficiary base including new entrants
- Ensure active and meaningful participation in Foskor, including:
 - Strategic Business Partners
 - Broad-based special interest groups including women and people with disabilities
 - Employees
 - Communities in the immediate vicinity of Foskor's operations

Underpinned by meaningful and sustainable contribution to transformation

Transaction structure



- IDC sells 26% of the shares in Foskor to BEE
- Competitive bidding process held so that all South Africans could participate
- Significant participation by broad-based groups, women and people with disabilities
- Dynamic consortium in Manyoro with active participation in Foskor
- Substantial employee and management empowerment
- Relevant communities have been considerably empowered
- IDC to provide a fully vendor financed funding package
- Minimum dividend flows in priority of debt accrues to BEE from inception

Empowering a far-reaching beneficiary base

Attributes

- Meaningful equity participation
- Immediate benefits through minimum dividend flows to beneficiaries from inception, in priority of debt service
- Minimal or no entry cost
- Discount to acquisition price
- Funding terms consistent with IDC's developmental mandate

Beneficiaries

- Over a million beneficiaries in aggregate in Manyoro Consortium including:
 - Beneficiaries with disabilities
 - Union members
 - Non profit organisations
 - Education focused groups
 - Significant women participation
- ± 2,000 employees
- Communities around operations empowering regional and impoverished areas in Richards Bay and Phalaborwa

Sustainable pricing and funding structure

- If Foskor pursues an IPO in 2009, then the acquisition price of the shares will be the Foskor IPO listing price
- If Foskor is not listed in 2009, an independent valuation will be undertaken to price the transaction
- IDC to provide the BEE Consortium 100% of the funding required to acquire the Foskor shares
 - Manyoro Consortium to provide a portion of equity contribution
 - No additional recourse to Manyoro Consortium
 - No equity contribution from ESOP and Community Trusts
- IDC has substantially facilitated the transaction to ensure a sustainable funding structure
 - IDC has committed to a discount to acquisition price
 - Funding terms also designed to be in line with IDC's developmental mandate
- Minimum dividend flows to be distributed each year from inception to all beneficiaries, in priority of debt service, to the extent there are dividends declared by Foskor

Landmark empowerment transaction in the fertiliser sector

CEO of Foskor – Alfred Pitse

Background on Foskor

- Established in 1951 and has since grown from a single phosphate mining operation to South Africa's largest producer of phosphate and phosphoric acid
- Two major operations
 - Mining and beneficiation of phosphate rock in Phalaborwa
 - Producer of phosphoric acid and phosphate based fertilizers in Richards Bay
- Close to 2,000 employees for mining and production operations
- Revenue of R9.5 billion for year ending 31 March 2009
- International strategic partner, Coromandel, listed in India, with a 14% shareholding in Foskor
- IDC owns 85% of the shares in Foskor with the balance owned by Coromandel (14%) and Sun International India (1%)

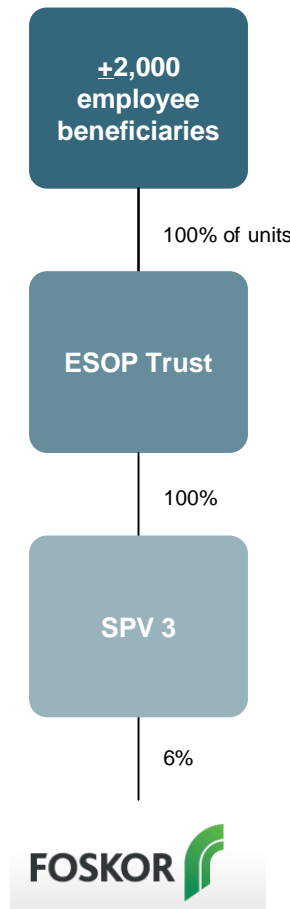
Transformation at Foskor has always been a strategic imperative

BEE element	Initiatives
<ul style="list-style-type: none"> • Procurement 	<ul style="list-style-type: none"> • BBBEE spending of 44% in 2009 financial year • Targeting above 50% for 2010 onwards
<ul style="list-style-type: none"> • Human resources development 	<ul style="list-style-type: none"> • 114 learners in Adult Basic Education and Training currently • Career development plans, supervisory development and learnership programmes
<ul style="list-style-type: none"> • Mine community and rural development 	<ul style="list-style-type: none"> • Consulted municipalities and traditional authorities • Social and labour plan funds to be spent in 2009/10 once new order mining license issued
<ul style="list-style-type: none"> • Housing and living conditions 	<ul style="list-style-type: none"> • 240 dwelling units in Namakgale in Phalaborwa
<ul style="list-style-type: none"> • Employment equity 	<ul style="list-style-type: none"> • 83% black employees and 7% black female employees • 57% black management and 12% black female management

Proud to be associated with the Manyoro Consortium who provide compelling attributes

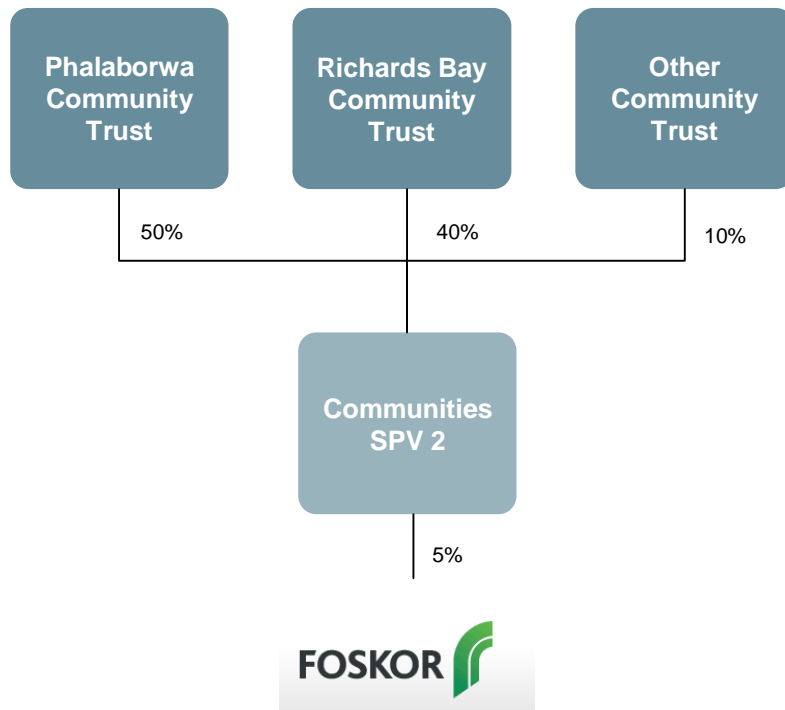
- ✓ Diverse consortium including several new entrants
- ✓ Solid transformation track records
- ✓ Strategic value add and expertise
- ✓ Depth of broad-based ownership, well in excess of a million beneficiaries
- ✓ More than 30% women participation
- ✓ 60% of the equity has been allocated to broad-based beneficiaries
- ✓ Meaningful participation by people with disabilities

A compelling ESOP proposition



- All ±2,000 employees on Foskor payroll empowered from inception
- Provision to be made for new joiners in the ESOP scheme
- IDC to provide employees 100% of the funding
 - No recourse to employees
 - Significant facilitation from IDC
 - Funding terms in line with IDC’s developmental mandate
- Minimum dividend flows to be distributed in priority of debt service to employees each year to the extent dividends are declared
- Units to vest in 3 equal tranches from years 3 to 5
- Liquidity on exit to be facilitated by Foskor

A socially uplifting Community Trust



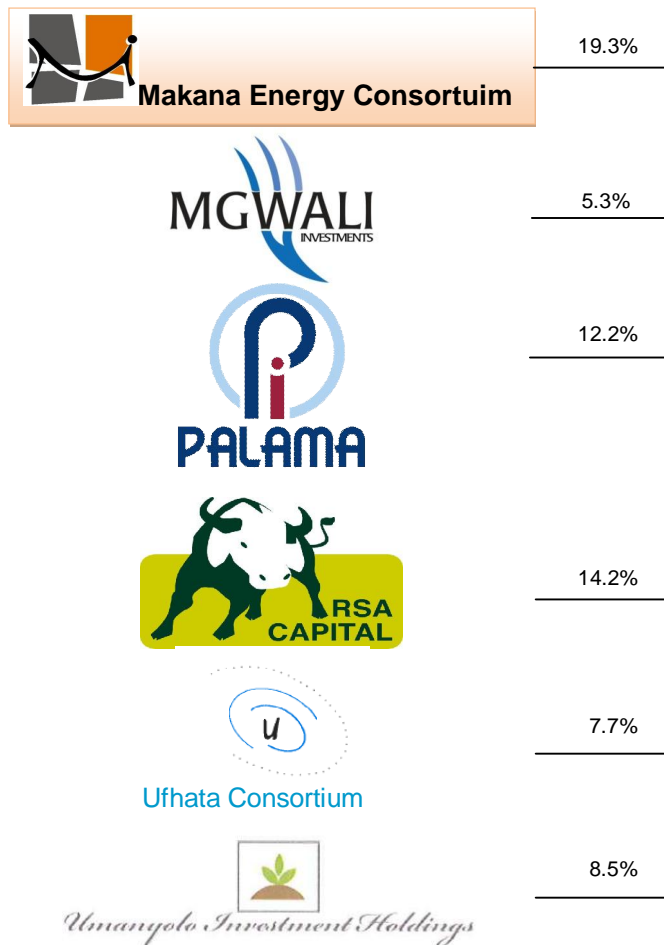
- Trust for the benefit of all people residing in the uMhlathuze Municipality (Richards Bay), Ba-Phalaborwa Municipality and other communities who will be identified in due course
 - Benefits are in addition to Foskor CSI initiatives
- Each Trust will have its own Board of Trustees and project evaluation and approval processes
- IDC to provide 100% of the funding
 - No recourse to Community Trusts
 - Significant facilitation from IDC
 - Funding terms in line with IDC’s developmental mandate
- Minimum dividend flows to be distributed in priority of debt service to Community Trusts each year, to the extent dividends are declared

A dynamic, active and broad-based consortium

Chairman of Manyoro Consortium – Peter-Paul Ngwenya

Ownership structure of the Manyoro Consortium

Strategic Business Partners



67.1%

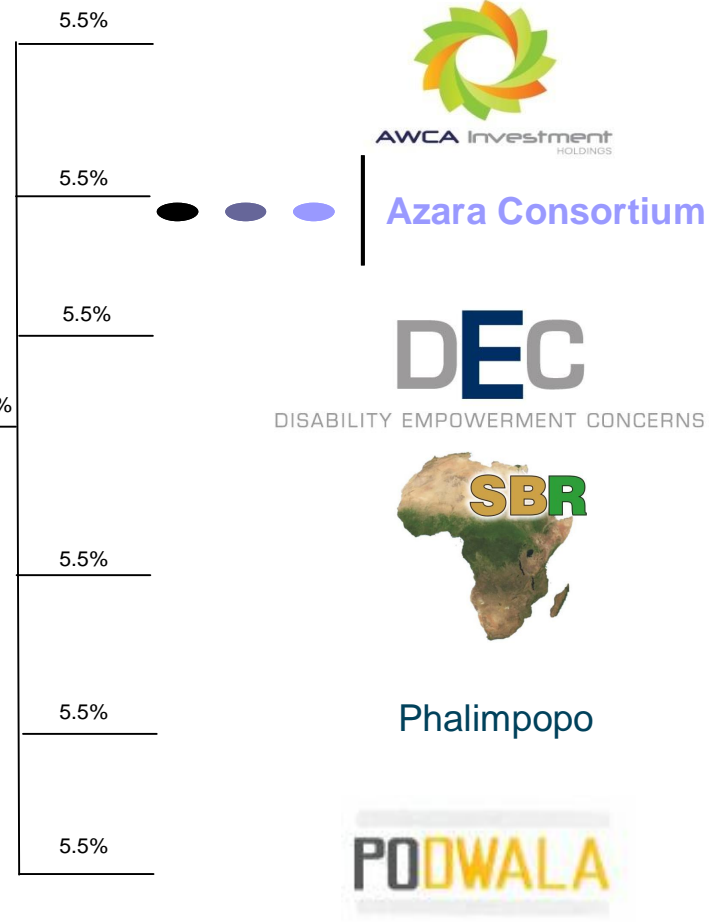
Manyoro Consortium

32.9%

15%

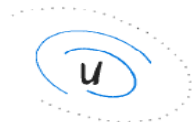
FOSKOR

Broad-based special interest groups



Strategic Business Partners

Consortium



Ufhata Consortium



Umangolo Investment Holdings



Key Person

- Peter-Paul Ngwenya

- Maurice Magugumela

- Jerry Vilakazi

- Manana Nhlanhla

- Abel Kganane

- Sonja Sebotsa

Key value add

- Operational experience

- Over a million union member beneficiaries

- Networks in fertiliser sector in Africa

- Significant women equity participation

- Over a million beneficiaries

- Industry knowledge and business skills

- Entrepreneurial achievements

- Significant women participation

- Industry knowledge

- Significant management experience

- Women consortium of entrepreneurs and professionals

- Broad-based initiatives on education and agriculture

Broad-based special interest groups

Consortium



AWCA Investment
HOLDINGS



DISABILITY EMPOWERMENT CONCERNS



Phalimpopo



Key Person

- Karabo Nondumo

- Lebohang Litha

- Versha Rowjee

- Ronica Govender

- Muzi Kuzwayo

- Ven Sibanda

Key value add

- Female Black CAs and women entrepreneurs
- Education fund for disadvantaged black learners

- Women owned and managed
- Significant broad-based equity allocation

- Over a million beneficiaries with disabilities
- 100% broad-based equity allocation

- 100% women owned and managed
- Management experience and business acumen

- Phalaborwa beneficiaries
- Small to medium business groups

- Significant women and broad-based participation
- Several non profit organisations

In Conclusion

Chief Economist of the IDC – Lumkile Mondli

Successfully delivering on our transformation objectives

- ✓ **Empowering a diverse consortium including several new entrants**
- ✓ **Broad beneficiary base touching lives in excess of a million people**
- ✓ **Socially uplifting local community participation**
- ✓ **Meaningful empowerment of women and beneficiaries with disabilities**
- ✓ **Substantial participation for all \pm 2,000 Foskor employees**
- ✓ **Active empowerment partner involvement including BEE Board representation**
- ✓ **Immediate dividend flows to beneficiaries from inception**
- ✓ **Robust fully funded structure in place**
- ✓ **Economically and socially viable and sustainable transaction**

Advancing our commitment to sustainable BBBEE

Q&A