ANNUAL RESULTS 2025

For the year ending 31 March

Industrial Development Corporation

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AGENDA

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OPENING AND WELCOME REMARKS

Chairperson, Ms Busisiwe Mabuza

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IDC'S ANNUAL PERFORMANCE COMMENTARY

Acting Minister of Trade, Industry and Commerce, Mr Enoch Godongwana

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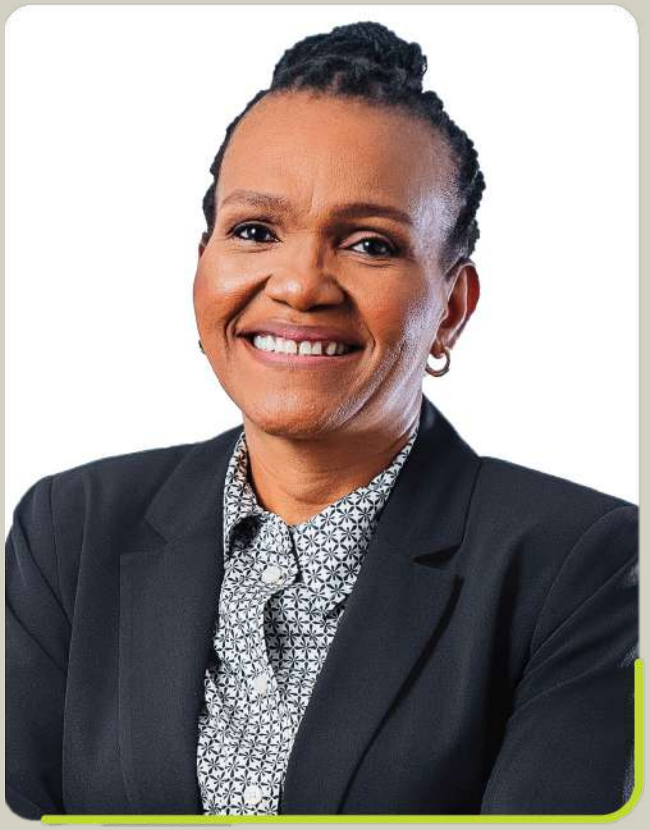

OPERATIONAL PERFORMANCE REVIEW

CEO, Ms Mmakgoshi Lekhethe

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Strategy overview

The IDC aims

To drive an ambitious programme of inclusive and sustainable employment creating industrialisation in South Africa and the region

...to achieve the following development outcomes

- INDUSTRIALISATION
- JOBS
- A GREENER ECONOMY
- EXPORTS
- INVESTMENT
- EMPOWERMENT
- SPATIAL EQUITY

...with its core activities built on its competitive advantages

1. Developing and supporting pioneering projects
2. Providing customised finance and investment solutions
3. Partnering with others to extend the IDC's reach, capital and impact
4. Non-financial support to entrepreneurs and selected state programmes

...targeting the real economy

- **Upstream** Agriculture, mining, industrial
- **Industrial** Manufacturing
- **Industrial enablers** Energy, water infrastructure, logistics, ESRG/decarbonisation, digitalisation, tradeable services
- **Emerging value chains** Green hydrogen, new energy vehicles, energy storage, natural gas

...supported by improving organisational capabilities

- Financial sustainability
- Risk management
- Portfolio value creation
- Our people
- Other organisational capabilities

Alignment: *Strategy aligns with NDP, SDGs, AfCFTA, and national masterplans.*

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Operating environment

Operating and trading conditions remained difficult in the financial year 2024/25, with heightened uncertainty in the global environment and in South Africa. This affected the IDC's business partners' performance and investment decisions, and in turn, our performance.

The South African economy expanded marginally over the 12 months to March 2025 – **real GDP grew by 0.4%, year-on-year**, following a 0.5% rise in the preceding year.

Sub-optimal levels of fixed investment continued - **total fixed investment spending declined by 3.9% year-on-year;** with the investment-to-GDP ratio at 14.5%, staying below the envisaged 30% ratio as per the NDP.

- ✓ **The private sector** remained hesitant to commit substantial capital for new and/or expansionary projects, with capital outlays **contracting by 4.6% in 2024/25**, after a modest 1.1% increase in the previous year.
- ✓ Financial and other constraints continued to limit public sector capex**, with investment spending by public corporations and general government declining by 4.8% and 0.2% respectively**, thus impacting various supplier industries.

A prolonged period of **weak economic growth has reduced the economy's labour absorption capacity**, resulting in insufficient employment opportunities, which has adverse implications for unemployment (32.9% Q1 2025).

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Operating environment

Structural and cyclical positive signs emerged during the reporting year incl. suspension of electricity supply disruptions (loadshedding), relatively improved port operations, favourable weather conditions, lower inflation and declining interest. However, the performance of the key sectors within which IDC's clients operate remained weak.

A **contraction of 1.2% in the manufacturing sector GDP** in the year to March 2025

- ✓ This reflected ongoing challenges in the sector, incl. weak domestic demand, rising input costs and increased import competition. Some of IDC's business partners are facing distress.

The SA **mining sector also declined by 1.0% year-on-year in FY2024/25** in the face of a difficult global economic environment.

- ✓ Subdued commodity prices and weaker growth prospects in the last quarter of 2024/25 resulted in a decline in mining output, with most subsectors recording substantial contractions.
- ✓ The subdued commodity prices impacted profitability and thus dividends in key equity holdings.

Despite some recovery in the 2nd half of the reporting period, the impact of disease outbreaks caused a **significant decline in agricultural GDP**, which contracted by 5.8% for the full FY2024/25.

Uncertainty regarding **US tariffs** and perfectionist policies and disruption of global supply chains; decline in **commodity prices** impacting mining and manufacturing; geopolitical risks affected export markets and investor confidence

OPERATIONAL PERFORMANCE REVIEW

Performance overview

22.5%
IDC funding approved
R13.4 billion
(2023/24: R17.3 billion)

19.3%
Total funding committed to transformation
R26.6 billion
(2023/24: R22.3 billion)

2.5%
IDC funding disbursed
R16.3 billion
(2023/24: R15.9 billion)

74.5%
Net Profit (Company)
R1.8 billion
(2023/24: R7 billion)

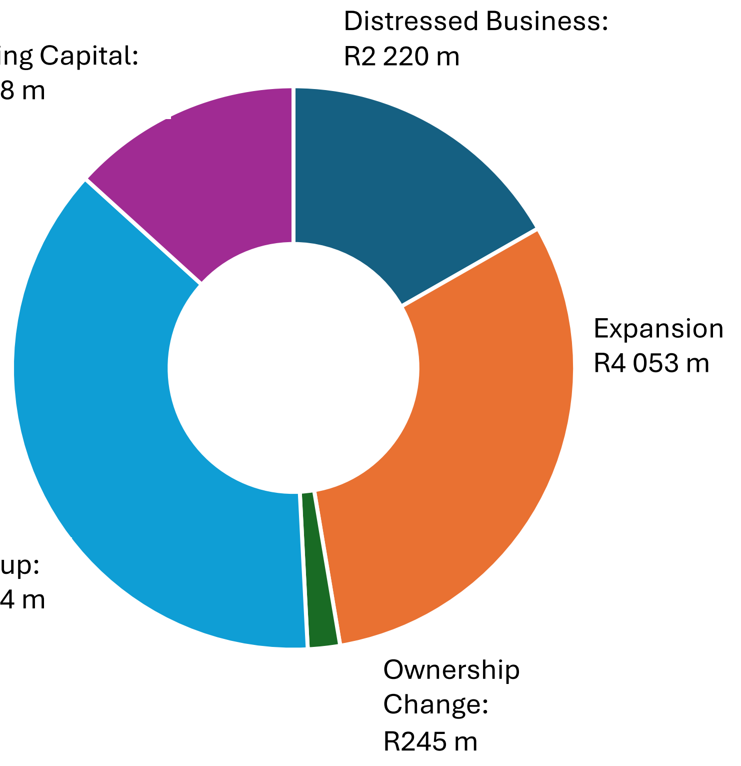
7.7%
Total assets (Company)
R144.3 billion
(2023/24: R156.3 billion)

11.7%
Jobs to be created and saved through committed funds
15 732
(2023/24: 17 826)

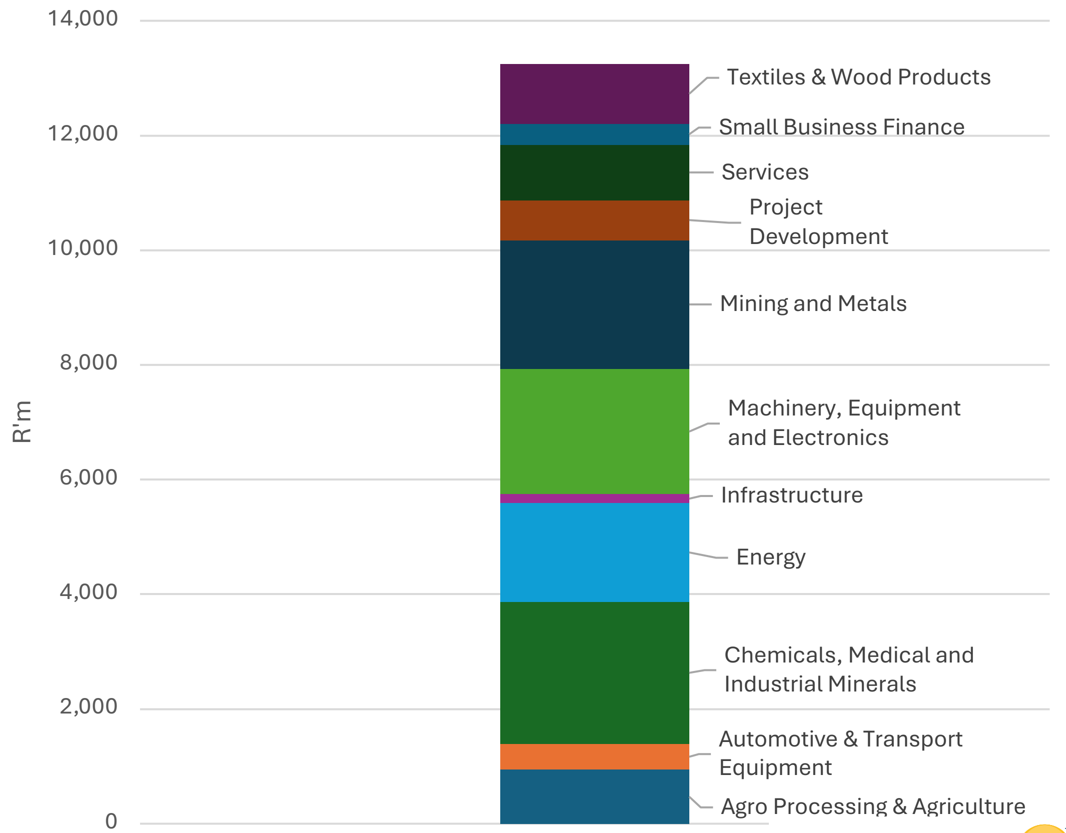
Distribution of IDC funding

Distribution of funds primarily supported increasing industrial development capacity

Most new funding approved was allocated towards new capacity



New funding approved by business unit



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Sectoral performance indicators

- Agriculture funding disbursed: R6.1 billion supporting sustainable farming and agro-processing
- Mining disbursements at R1.8 billion focusing on junior miners and beneficiation of critical minerals
- Manufacturing funding disbursed R6.3 billion across the sector and created and saved 5 758 jobs
- Chemicals & Pharmaceuticals prioritised for localisation and innovation projects
- Support for green economy with funding towards green hydrogen and increase in renewable energy capacity by 1 123 MW.

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Transformation and socioeconomic funding

Transformation funding up 20% to R26.6 billion

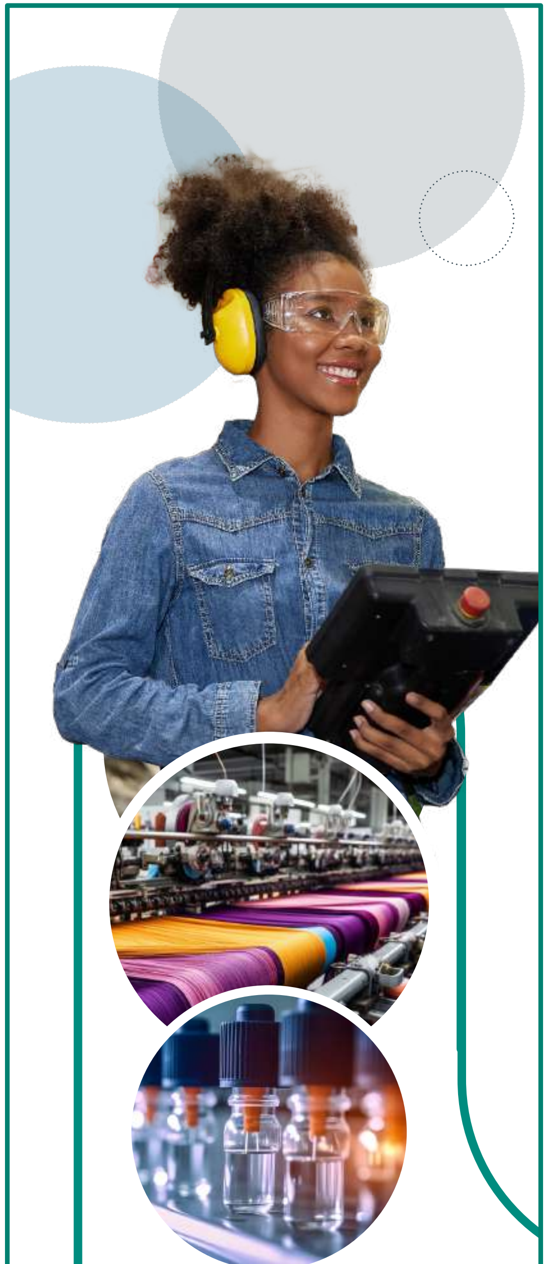
Black industrialists funding more than doubled to R23.4 billion

Youth entrepreneur funding of R1.7 billion

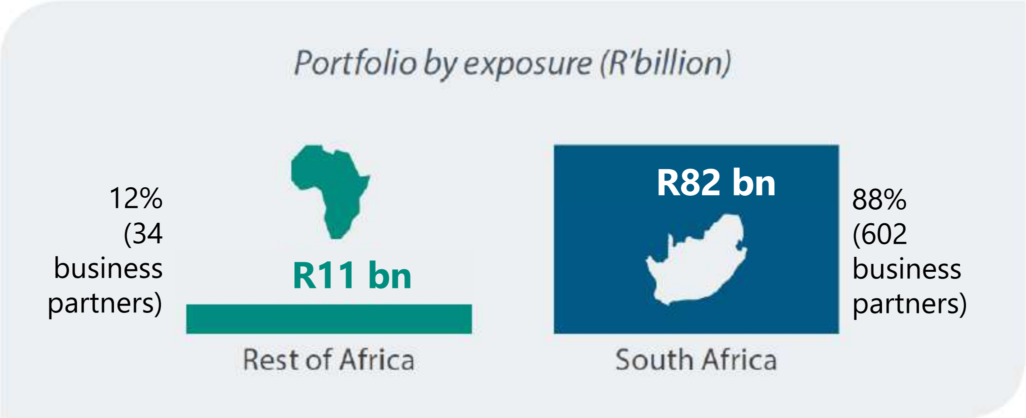
Corporate Social Investment: R40.6 million benefitting 23 000+ beneficiaries

Partnership programmes of R2.9 billion, supporting the creation of over 12 360 jobs

R5.6 billion funding for women-empowered businesses

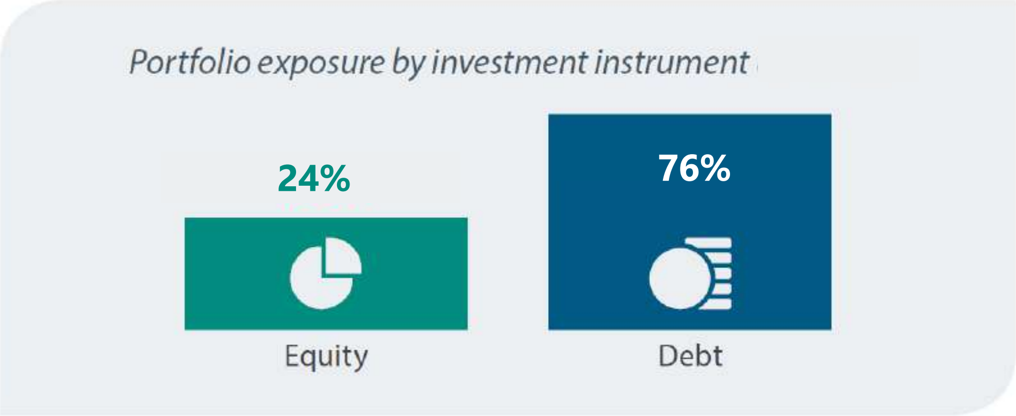


Our portfolio



R93 bn
is the portfolio under management, by exposure, as at 31 March 2025, spread across **636 clients**

R82 bn
or **88%** of this portfolio is distributed across all provinces of South Africa and **12% (R11 billion)** across the continent



IDC's portfolio is composed of 76% debt and 24% equity, reflecting a strategic use of risk-bearing capital to support growth sectors. Over 94% of investments are aligned with industrial policy priorities—focused on manufacturing, mining, energy, agro-industry, and infrastructure.

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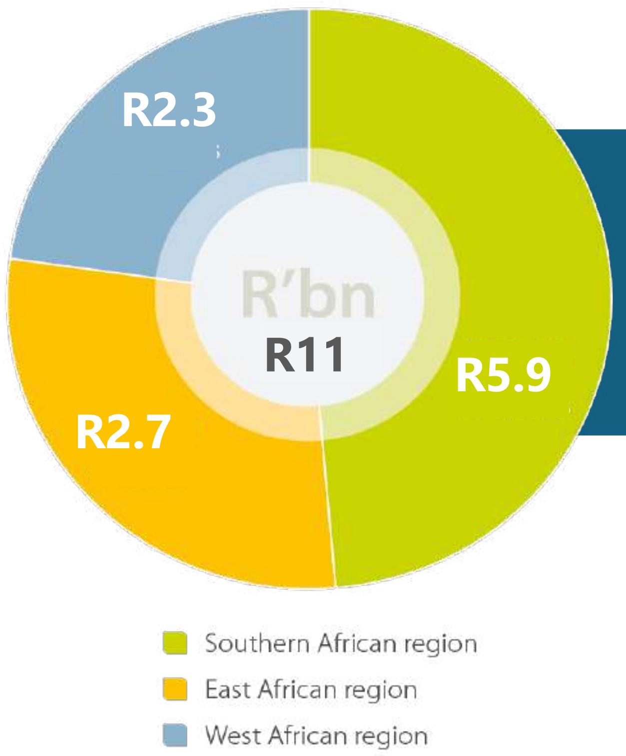
Portfolio across the continent

Across the continent, the IDC portfolio is spread across three economic regions:



IDC continues to invest across the continent in support of the AfCFTA

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Looking ahead

The IDC remains committed to:

- Achieving its **developmental impact** mandate while remaining financially sustainable
- Driving **jobs-rich industrialisation** and deepening regional value chains
- **Supporting** transformation outcomes and inclusive growth
- Enhancing operational agility and **client experience**

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FINANCIAL PERFORMANCE REVIEW

CFO, Mr Isaac Malevu

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Financial sustainability – in support of our development mandate

The FY2025 narrative is underpinned by tough economic environment and muted commodity prices

LOW EARNINGS

- Operational challenges experienced by our Investments Companies
- Weak earnings from our Subsidiary and Associate companies
- Increase in interest income on the back of growing loan book

HIGH IMPAIRMENTS

- Fair value decline at the back of weak commodity prices
- Strategic intervention to preserve manufacturing capacity
- Increase in distressed business Partners

ADEQUATE CAPITAL

- Gearing within sustainability levels at 33%
- Adequate cash buffers and liquidity
- Non-performing loans adequately covered at 56%.

Financial results highlights

Group

Revenue
R21.7bn
(2024: R23.4bn)**
7.6%

Total assets
R134.5bn
(2024: R154.6 bn)**
13.0%

Profit after tax
R329m
(2024: R7.5bn)**
95.6%

Reserves
R94.1bn
(2024: R107.0bn)**
12.0%

Borrowings
R31.1 bn
(2024: R28.5bn)
8.9%

Company

Revenue
R11.7bn
(2024: R13.2bn)**
11.3%

***Gearing**
33.4%
(2024: 29.2%)

Profit after tax
R1.8bn
(2024: R7.0bn)**
74.5%

***Impairments ratio**
30.6%
(2024: 36.3%)

***Cost to income ratio**
30.8%
(2024: 22.6%)

***IFRS NPL ratio**
41.7%
(2024: 44.8%)

** Mini-group, which consists of IDC company and three wholly-owned subsidiaries.*
*** FY2023/24 has been restated. Refer to Note 36 of the annual financial statements.*

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Financial results highlights

Decline in profits impacted by reduced revenue, increase in impairments and associate income.

GROUP				COMPANY		
Change	2025	2024		2025	2024	Change
(8%)	**21 666**	**23 448**	**Revenue**	**11 733**	**13 236**	**(11%)**
9%	7 451	6 855	Interest income	7 430	7 007	6%
(27%)	3 095	4 266	Dividend income	4 002	5 838	(31%)
(10%)	11 120	12 328	Non-interest income	301	391	(23%)
30%	(4 095)	(3 141)	Finance charges	(3 359)	(3 054)	10%
(4%)	(13 842)	(14 419)	Operating expenses	(3 071)	(2 679)	15%
48%	702	474	Other income	734	(240)	(>100%)
(30%)	**4 431**	**6 362**	**Profit before impairments**	**6 037**	**7 263**	**(17%)**
50%	**(3 899)**	**(2 602)**	**Impairments**	**(3 811)**	**(119)**	**>100%**
>100%	(3 171)	(1 008)	Expected credit (losses)/gains on financial assets	(3 303)	1 475	(>100%)
(54%)	(728)	(1 594)	Financial assets written off	(508)	(1 594)	(68%)
(>100%)	(363)	100	Taxation	(432)	(108)	>100%
(96%)	**169**	**3 860**	**Profit after impairments and taxation**	**1 794**	**7 036**	**(75%)**
(100%)	6	2 553	Income from associates	–	–	–
(86%)	154	1 078	Profit from discontinued operations	–	–	–
(96%)	**329**	**7 491**	**Profit for the year**	**1 794**	**7 036**	**(75%)**

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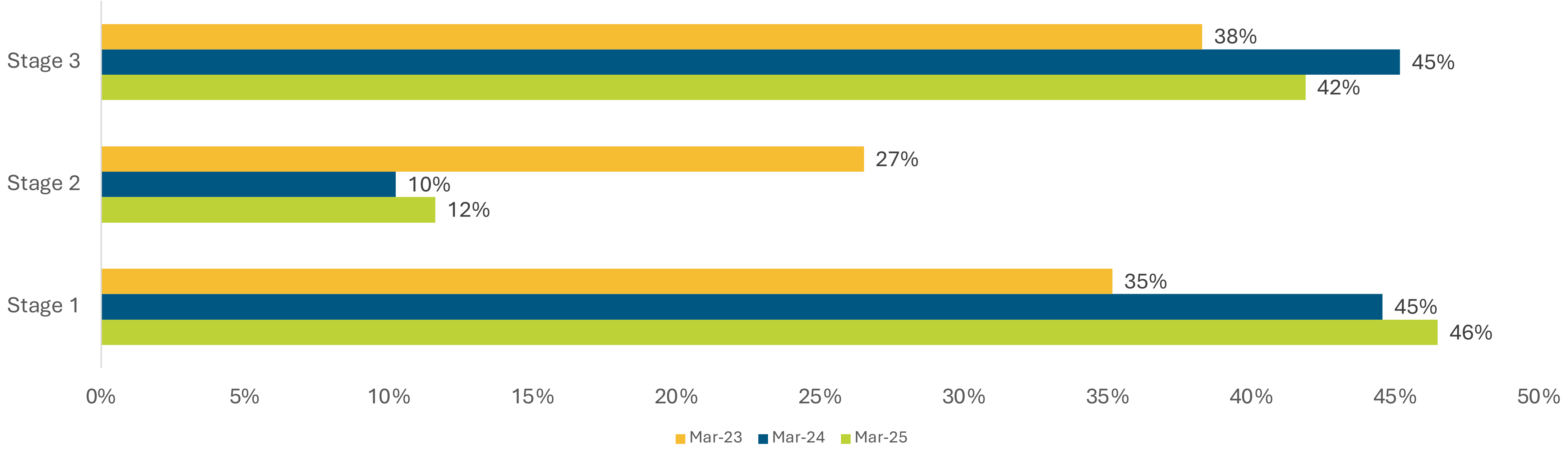
Total loans and advances exposure and stage migration

Origination of an improved loan book quality



- Decreased Stage 3 loans provisions partially offset by an increase in Stage 1 and Stage 2 loans.
- Slow progress in “sticky” NPLs continues to be driven by lengthy legal processes.
- Improving restructure and collection processes to reduce migration into stage 3 and NPLs.

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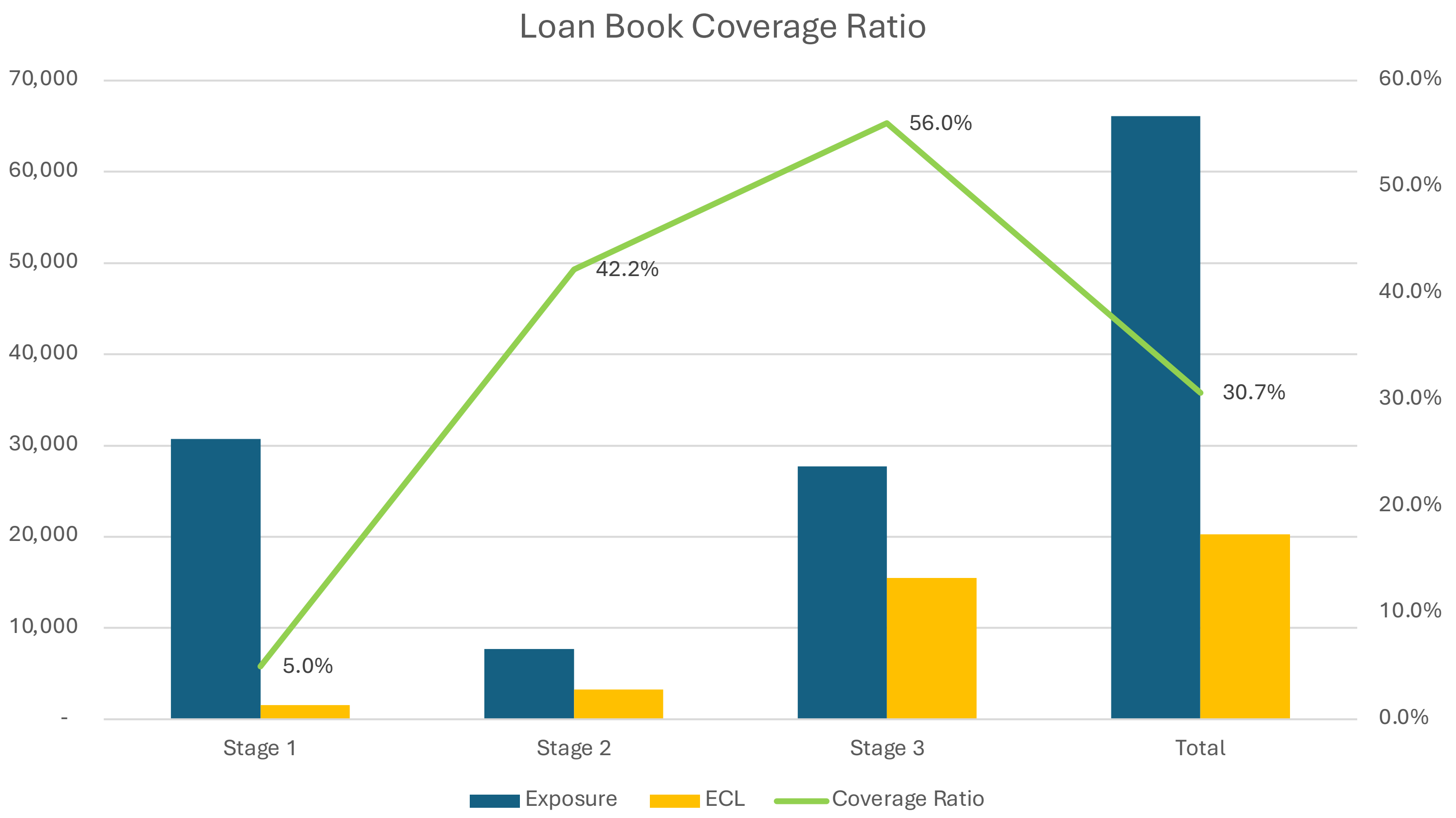
Total loans and advances coverage



- Adequate expected credit losses (ECL) coverage.
- Stage 3 non-performing book’s coverage ratio is 56%.

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Top 5 non-performing loans (R'm)

Business partner	Industry	Location	Exposure*	% Contribution	Tenure	Comments
Business Partner 1	Mining and metals	South Africa	9 502	34%	15 years +	Ongoing Litigation
Business partner 2	Mining and metals	South Africa	1 728	6%	1 to 3 years	Strategic intervention in steel sector
Business partner 3	Mining and metals	South Africa	1 694	6%	5 to 10 years	Strategic intervention in steel sector
Business partner 4	Agro-processing and agriculture	Tanzania	1 235	4%	10 to 15 years	Currency convertability and transfer risk
Business partner 5	Tourism & services	Uganda	1 024	4%	15 years +	Currently being exited
Total top 5			**15 183**	**54%**		
Total NPL			**28 292**	**100%**		

**includes interest arrears*

- Top 5 NPLs account for 54% of the NPL population.
- Excluding the top 5 Business Partners, the IFRS NPL ratio of 41.7% would reduce by 24.9%.

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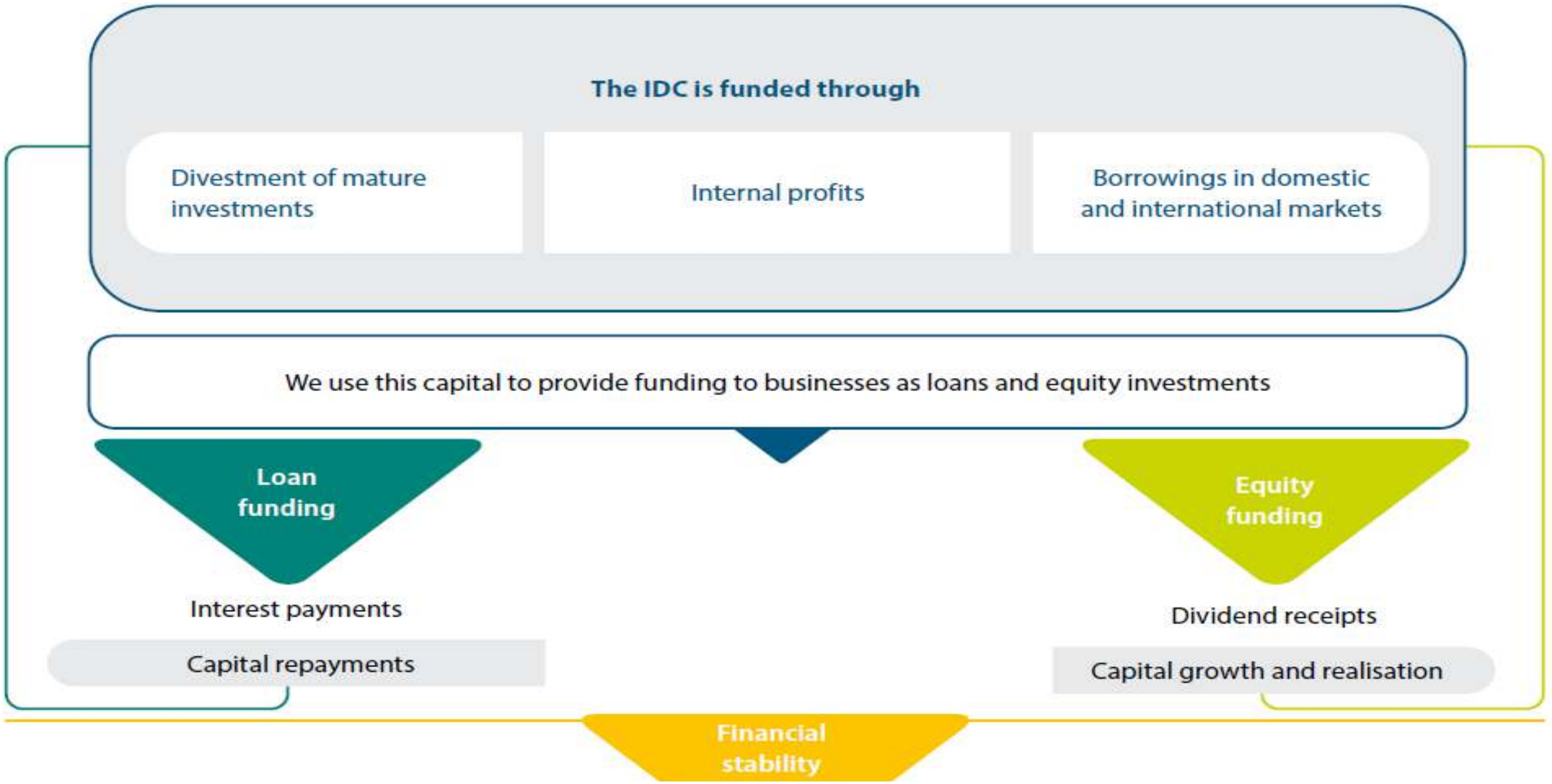
IDC funding model

Funding model enabling sustainable business financing, driving inclusive industrial development



The funding is used to repay borrowings, cover our operational costs and grow our balance sheet to reinvest in future transactions

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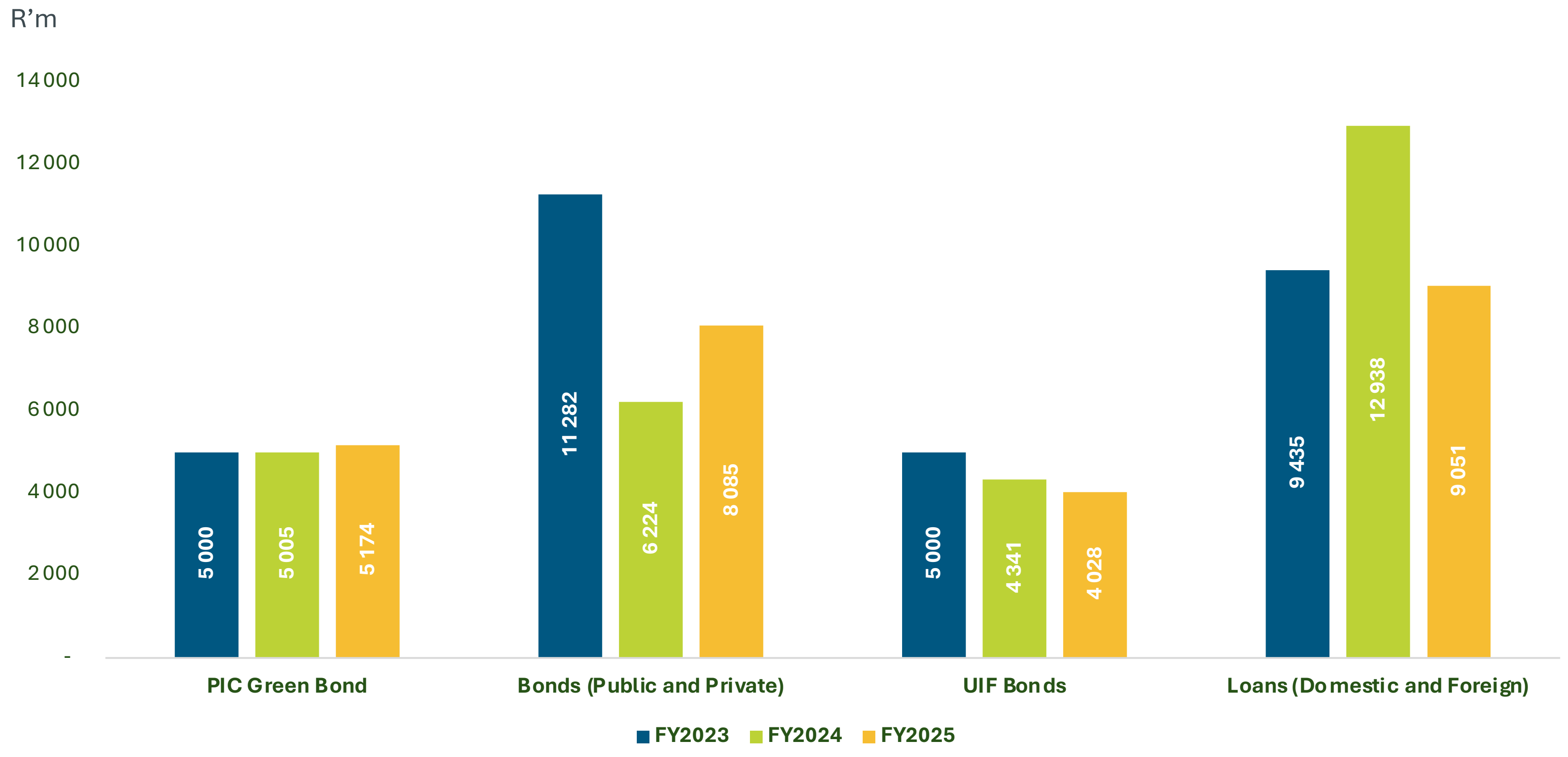
Diverse sources of Funding

Our Debt Funding Mix enables concessionary funding and blended financing



- A strong return to the bond market after a four-year absence.
- Funding mix reflects a balanced approach, with strategic currency matching.

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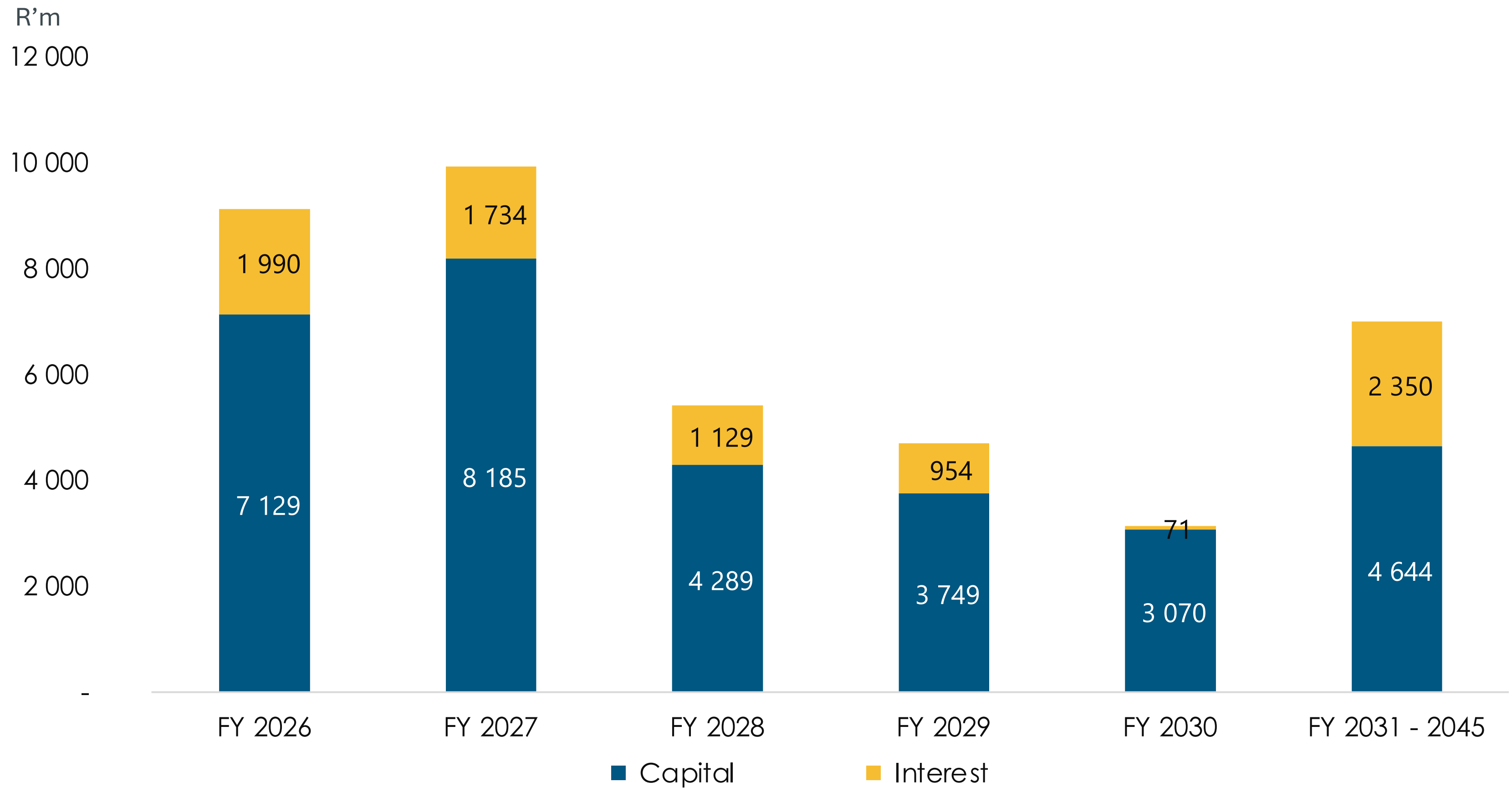
Managing debt maturities



Early redemption of the FY2027 debt by switching into an amortising Sustainability Bond

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GOVERNANCE PRACTICES

Commitment to good corporate governance practices

Audit Opinion

- The IDC group received an **unmodified audit opinion** for FY2025. This is consistent with FY2024, reflecting continued financial discipline.

IFRS Compliance

- Annual Financial Statements are **prepared in accordance with International Financial Reporting Standards** (IFRS).

- The IDC continue to **comply and align with the JSE Debt Listing requirements** for disclosure and transparency.

Irregular expenditure remains a focus area across the Group

- None of the irregular expenditure reported was a result of fraud, corruption or criminal conduct.
- IDC Group reported R4.5 bn (FY2024: R5.9bn) of irregular expenditure mainly **driven by Foskor**.
- Foskor continue to align its procurement policies and procedures with the Public Finance Management Act (PFMA) and Preferential Procurement Policy Framework Act (PPPFA).

Conclusion

TAILWINDS

- Increase in value of our **disbursements** resulting in increase in Loans and advances.
- **Interest income** improvement from a growing loan book.
- Oversubscribed inaugural **sustainability bond** (R2bn raised)

HEADWINDS

- **Impairments** remained elevated, reduction efforts by management continue.
- **Sluggish GDP growth** in South Africa limiting investment opportunities and industry activity.
- Lower **global demand and softer commodity prices** affecting returns from significant investments.
- **Interest rates and inflation risk** impacting borrowing costs.

QUESTIONS & ANSWERS

19 Fredman Drive
Sandown 2196

PO Box 784055
Sandton 2146

Telephone +27 (11) 269 3000
Fax: +27 (11) 269 3116

Email: callcentre@idc.co.za
Email: service@idc.co.za

Call centre contact number: 0860 693 888

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