

## REPUBLIC OF SOUTH AFRICA YEN (SAMURAI) BONDS 3RD SERIES

### ¥60bn 2.0% Bonds Due 18 July 2007

Republic of South Africa today launched its 3rd Series Bond, a ¥60bn, 6 year issue due 18 July 2007

Issue details are:

Issue:	Republic of South Africa
Issue Size:	¥60bn
Maturity:	18 July 2007
Coupon:	2.0% s.a.
Issue Price:	100%
Reoffer Yield:	2.00% s.a.

Joint Bookrunners:	Daiwa Securities SMBC Co Ltd The Nomura Securities Co Ltd
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The transaction was originally mandated on an indicative price of 2.25 – 2.35 %, but this was reduced to 2.0% -2.25% following a significant tightening of the domestic South African market and positive initial feedback to the issue from target investors. Positive sentiment to the issue, a highly successful roadshow in Tokyo ,and the awarding of a positive outlook on the BBB rating from R&I,enabled South Africa to price its issue at the tightest end of this range.

Size was originally targetted at ¥30bn, but a series of very successful investor meetings in Japan resulted in demand approaching 3 times this amount and in consequence the deal was doubled in size, to ¥60bn,to accommodate investors who were committed to South Africa.

The issue was priced to yield 2.0% s.a. at reoffer, equivalent to ¥L+141 or JGB+ 149. This is equivalent to Bunds + 198 bps and compares favourably with the spread on South Africa's only other public transaction this year, the E 500m 7 % bonds due 2008.

Despite the aggressive pricing, the deal was sold to a wide range of investors. The joint bookrunners reported that approx. 40% of orders came from retail accounts and 60% from institutional accounts in Japan,the rest of Asia and Europe. Institutional accounts included government related institutions, life insurance companies, regional banks and corporates. Many accounts were first time buyers of the South African credit. The 6 year maturity was chosen to fit South Africa's debt maturity profile and to achieve optimum funding levels in Japan by appealing to both retail and institutional accounts.

South Africa has long been a popular borrower in Japan since the debut Samurai issue, a ¥30bn 5 year issue in 1995. Since that issue, its credit story has continued to improve .As well as the positive outlook from R&I, South Africa's Moody's rating of Baa3 is also on positive watch, and its S&P rating was upgraded to investment grade in 2000 and is stable.

A very senior team from South Africa headed by Maria Ramos - Director General National Treasury, James Cross - Senior Deputy Governor, Reserve Bank of South Africa and Brian Molefe - Deputy Director General, National Treasury visited Japan this week to tell this excellent credit story, as reflected in the credit rating upgrades mentioned above. The presentations to investors focused on South Africa's success in achieving a macro economic balance of steady growth alongside falling interest rates, declining inflation and current account progression from deficit to surplus. Rising foreign direct investment and accelerated privatisation coupled with structural reform point to a successful micro economic environment also. In addition, South Africa's low and declining debt ratios, small external debt and rising revenue levels were seen as major positive points, both on an absolute basis and relative to South Africa's peer group. Finally emphasis was laid on the stable and transparent political situation, the well supervised banking sector and the sophisticated infrastructure in South Africa.

Commenting on the issue, Maria Ramos - Director General, National Treasury said " The response of Japanese investors,reflected in both the demand and the spread,is a vote of confidence in the South

African economy and the policies that we have pursued over the last 6 years. The deal is very competitively priced and demand was robust. This deal completes South Africa's foreign currency borrowing for the current fiscal year. We are very happy with the deal"

Brian Molefe – Deputy Director General - added " There is definitely an increasing appreciation and admiration of our story from the international financial markets. This is very good for South Africa"

A spokesman for the joint bookrunners said:

"We are both very pleased with this issue, the result which is a highly competitive funding benchmark for South Africa in Japan. The issue exceeded all expectations in terms both of the cost achieved and the final size of the deal. This is in large part due to the recognition by investors of the excellent and improving credit story behind the issue. It also reflects the South African team's professionalism, thoroughness and hard work in preparing for the deal and taking the time to visit Japan and talk to investors face to face. Momentum for the deal built up steadily through the week, to such an extent that the issue was nearly 3 times oversubscribed from the original target issue size. This was an exemplary issue, with timing, coupon, maturity and credit profile meeting investor preferences perfectly, at a time when the season of shareholders meetings in Japan meant a very quiet domestic issuance calendar".

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