



# Contracts

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## 5.1 PROCEDURE

The South African Football Association (SAFA) has duly signed the Organising Association Agreement for the 2010 FIFA World Cup™ with no conditions or amendments.

Furthermore, the accompanying standard contracts for the hotels and stadiums have been signed by SAFA and the relevant contractual partners without conditions or amendments.

## 5.2 ORGANISING ASSOCIATION AGREEMENT

It is understood that the Organising Association Agreement regulates a series of material items regarding the organisation and hosting of the 2010 FIFA World Cup™, as detailed on Pages 24 and 25 of the List of Requirements. SAFA confirms it shall be held responsible for all of the duties incumbent upon them by virtue of the Organising Association Agreement.

## 5.3 HOTEL AGREEMENTS

SAFA has entered into standard Hotel Agreements with hotels for sufficient rooms in all venues in order to meet FIFA's requirements, both in terms of quality and standard. These contracts are provided in Annex C of this Bid Document.

## 5.4 STADIUM CONTRACTS

SAFA has entered into contracts with the prospective stadiums, and guarantees all of the FIFA World Cup™ stadiums and official training grounds shall be made available to FIFA free of any and all advertising, including advertising boards, and without any contracts regarding concessions. These stadium contracts are provided in the Annex D of this Bid Document.

## 5.5 LEGAL OPINION

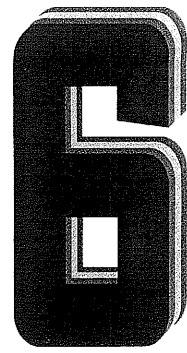
Upon FIFA's request, SAFA shall provide FIFA with a legal opinion of a recognised legal expert, confirming that the contracts specified in this section, as well as the government declaration and government guarantees specified in Section 4, are valid, binding and enforceable in all respects.

## 5.6 UNCONDITIONAL BIDS

SAFA undertakes that neither the declaration of interest in hosting the 2010 FIFA World Cup™, nor the Bid, nor the Organising Association Agreement, nor the hotel agreements or stadium contracts have been amended or made subject to any conditions.

# Commercialisation

- 6.1 BROADCAST RIGHTS
- 6.2 MARKETING RIGHTS
- 6.3 INTELLECTUAL PROPERTY RIGHTS
- 6.4 PROTECTION OF MARKETING, MEDIA AND OTHER INTELLECTUAL PROPERTY RIGHTS
- 6.5 USE OF VIK AND COMMERCIAL AFFILIATES PRODUCTS



## Commercialisation

### Commercialisation Opportunity South Africa

Commercialisation will be the main revenue engine for the 2010 FIFA World Cup™. Official partners and local suppliers are a critical source of funding and commercialisation of the event and South Africa is well positioned to attract official partners and local suppliers to ensure the financial success of the 2010 FIFA World Cup™.



Large fan base and passion for sport



Ability to drive merchandising revenue



Legislation and dedicated staff to protect Media, Marketing, Intellectual Property Rights



Commitment and qualified resources to work with FIFA to attract official partners & local suppliers



Proven ability to drive sponsorship revenues



Thriving economy



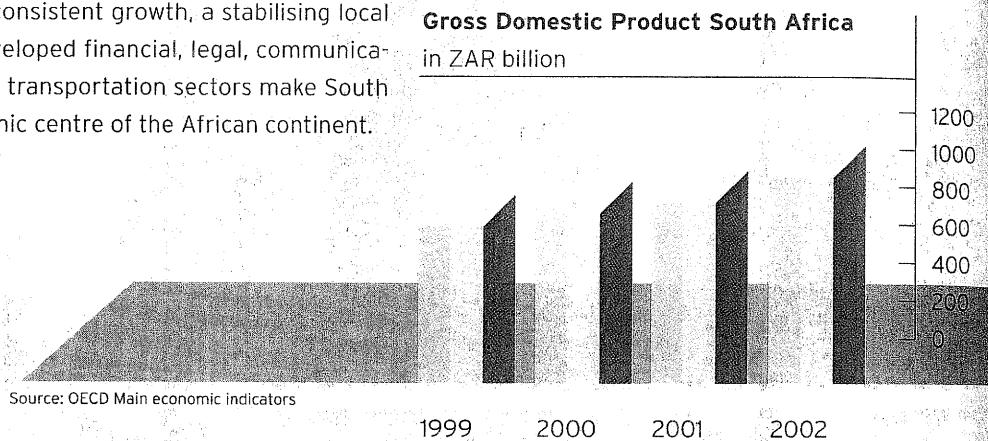
Significant potential interest of official partners and local suppliers



Growing sponsorship spend in South Africa

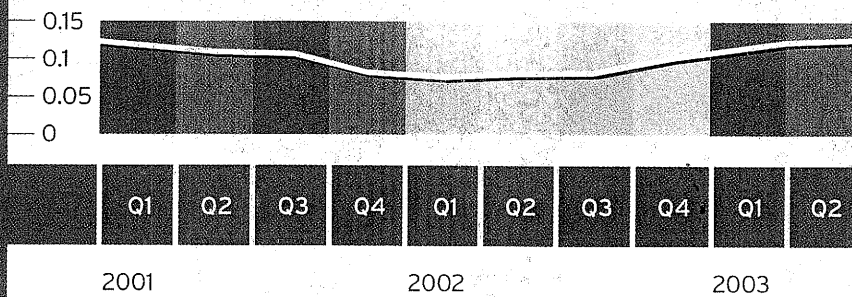
As an economically sound location, South Africa has proven its ability to attract sponsors as well as foreign visitors. The improving conditions of the regulatory as well as the general business environment are the main drivers for foreign investment, and it is widely recognised that consistent growth, a stabilising local currency and developed financial, legal, communications, energy and transportation sectors make South Africa the economic centre of the African continent.

**Gross Domestic Product South Africa**  
in ZAR billion



Source: OECD Main economic indicators

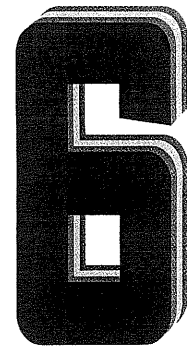
**Exchange rates – monthly averages**  
USD/ZAR



Source: OECD Main economic indicators

South Africa is clearly advanced in its financial development and attractiveness for foreign investors, making it a high-potential investment for FIFA's official partners, whilst also offering sufficient market capitalisation to drive local support.





## Commercialisation

### Sponsorship

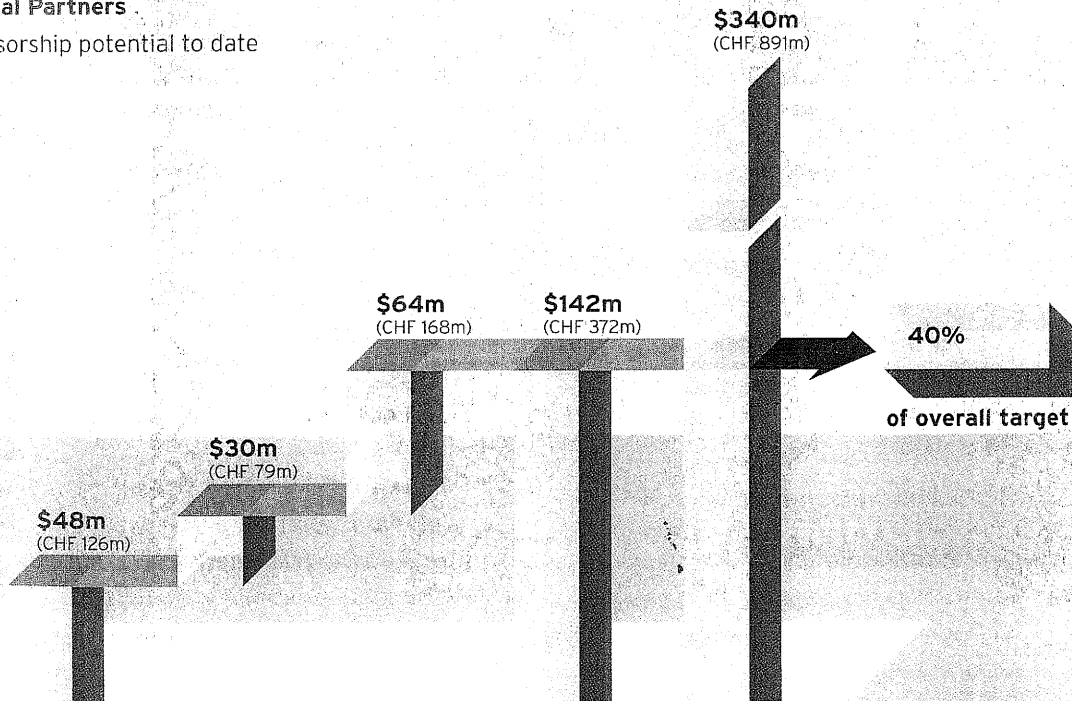
Sponsorship is one of the main revenue contributors to FIFA, generally comprising approximately 21% of the overall gross revenues of a FIFA World Cup™, and the prospects are excellent that South Africa will prove to be an attractive host nation for sponsors. South African football has an established relationship with several official FIFA partners who have already expressed strong interest in supporting the 2010 FIFA World Cup™ hosted in South Africa.

### FIFA Official Partners

While the event itself and its ability to reach the targeted audience are crucial factors that drive partner decisions, it is worth noting that many of FIFA's official partners have already made a long-term commitment to South Africa, from where, in many cases, they have built their business platform for the African continent.

### FIFA Official Partners

SAFA sponsorship potential to date



Adidas  
Coca-Cola  
Philips

MasterCard  
McDonald's  
Yahoo

Anglo American  
BMW  
SABMiller  
Vodacom

Represented by  
15 FIFA Official  
Partners in 2002  
FIFA World Cup™

Identified Potential Sponsors

For example, Adidas, Coca-Cola, MasterCard, McDonald's and Philips are all strongly engaged in the South African market, and have been active in South African sport sponsorship. Furthermore, Philips and Adidas are official suppliers to the SA 2010 Bid Campaign and Coca-Cola as well as Adidas are official sponsors of SAFA.



- ◆ Five million credit cards and 18 million ATM cards in South Africa.
- ◆ Merchant base of 22,000.
- ◆ 8 million debit and credit MasterCard cards in South Africa.



- ◆ Supports SA 2010 Bid campaign:  
"We are delighted to help out with the bid campaign and show our desire to help South Africa in this important event."  
(Ian Murdoch, Chairman - Philips South Africa)
- ◆ Has a long term (over 100 years) commitment to South Africa.



- ◆ South Africa has been one of the most successful markets in the history of McDonald's international expansion.
- ◆ 103 restaurants/25 franchisees currently in operation in South Africa.
- ◆ Further R750-million will be invested in South Africa over the next three to five years.



- ◆ South Africa is Coca-Cola's largest market and its flagship in Africa.
- ◆ Double-digit volume growth expected over the next three years in South Africa.
- ◆ South Africa is Coca-Cola's 10th largest contributor to global earnings.
- ◆ It is the largest private sector employer in Africa.
- ◆ High community engagement and responsibility in African development (HIV/Education Programs, Coca-Cola Africa Foundation).
- ◆ South Africa's most admired company.



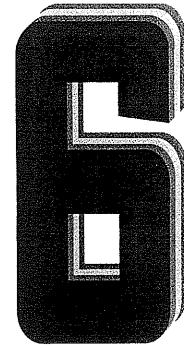
- ◆ Official sponsor of SAFA.
- ◆ Supports SA 2010 Bid campaign.
- ◆ Sponsors the national team, Bafana Bafana.
- ◆ Estimated annual South African sponsorship spend of R10-20M.
- ◆ Brand has one of the highest associations with football in South Africa.

In addition to the current FIFA Official Partners, Sifa has contacts at a variety of major global companies, in various categories, with a real commitment to establish a presence in South Africa, and a general willingness to become involved in major international events. These companies have already expressed their interest in a FIFA Official Partner position for the 2010 FIFA World Cup™.



= Official Supporter SA2010/SAFA





## Commercialisation

### TELECOMMUNICATION

#### Vodafone

- ◆ 30% stake in Vodacom, handling about 30% of the total telephone traffic in South Africa and the fastest growing network in Africa.
- ◆ Vodacom is one of the most admired companies in South Africa.
- ◆ Official Sponsor of the ICC Cricket World Cup 2003 hosted in South Africa.
- ◆ Expressed interest in global support for a World Cup tournament in South Africa.

#### Motorola

- ◆ Billions of rands worth of business in Africa.
- ◆ Runs its African operations from South Africa.
- ◆ Is dedicated to drive connectivity to enhance economic success.
- ◆ Strong network with local GSM operators.
- ◆ High responsibility to develop local skill base.

### CONSUMER PRODUCTS

#### SABMiller

- ◆ Second largest beer brewing company in the world.
- ◆ 98% share of the South African beer market.
- ◆ Castle Lager, the main brand, is highly associated with football in South Africa.
- ◆ Official Sponsor Rugby World Cup 1995.
- ◆ Expressed interest in global support.

#### BMW

- ◆ South Africa is the second largest manufacturing location outside Germany.
- ◆ Supports SA 2010 Bid campaign.
- ◆ Very active in the South African community.
- ◆ Expressed interest in global support for a World Cup tournament in South Africa.

### FINANCIAL SERVICES

#### Citibank

- ◆ Citibank wants to use South Africa as a springboard for its African businesses.
- ◆ South Africa is a priority country, aims for market leadership.

### ELECTRONIC APPLIANCES

#### Hp Compaq

- ◆ HP Compaq has grown into one of the most powerful IT services and solutions companies on the Africa continent.
- ◆ Head Office for Africa located in South Africa.
- ◆ Highly committed to the South African community.
- ◆ Active in South African sport sponsorship.

#### Microsoft

- ◆ Has a long term commitment to South Africa: "We want to build and empower the country of which we are all proud to be a part."
- ◆ Microsoft has chosen a South African company as the first Xbox incubator.

### MINING

#### Anglo American

- ◆ World's second largest mining and natural resource company.
- ◆ Supports SA 2010 Bid campaign.
- ◆ Leading company in South Africa.
- ◆ Expressed interest in global support for a World Cup tournament in South Africa.

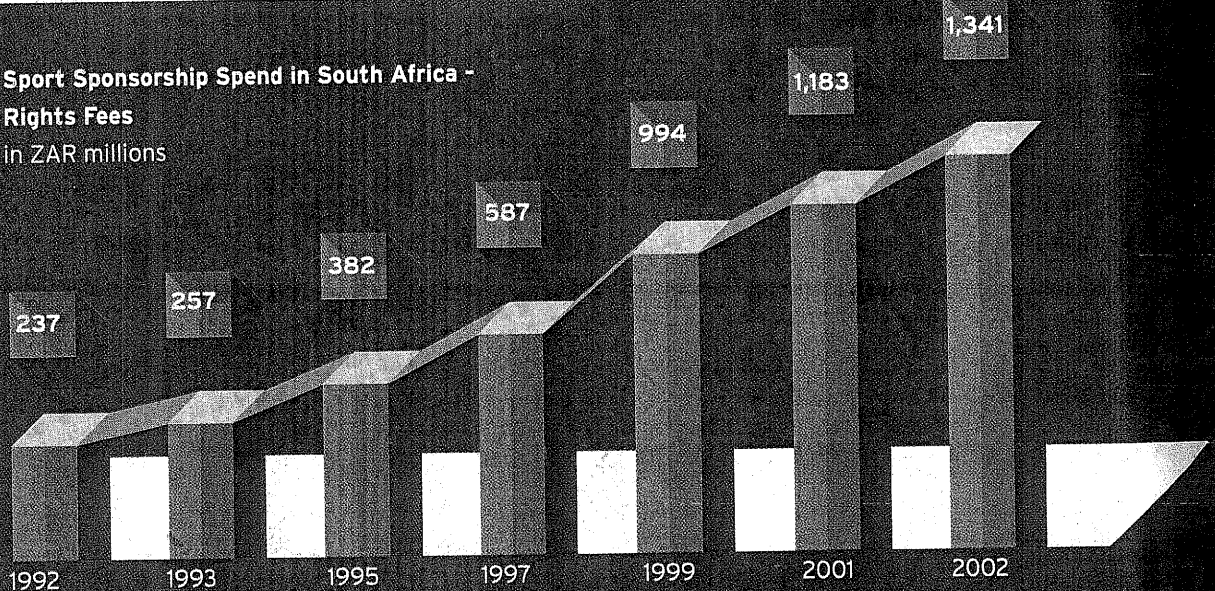


### Attraction of Local Suppliers

Local suppliers will also rise to the challenge. The South African Sport Sponsorship market, worth R1.34b in reguts fees (USD155m) in 2002, is thriving. With a compound annual growth rate (CAGR) of 19% over the last ten years, it is growing more rapidly than the global sponsorship market with a CAGR of 12%.

### Sport Sponsorship Spend in South Africa - Rights Fees

in ZAR millions

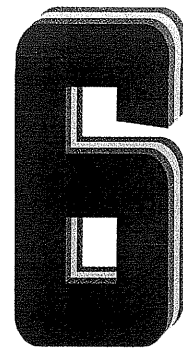


SAFA will generate the local sponsorship revenue needed to support LOC activities. SAFA estimates that approximately \$17.5m (CHF 46m) will have to be raised locally on an annual basis over four years, representing only 11% of the local sport sponsorship market in South Africa today.

SAFA's strategy will be to engage six local suppliers to support the 2010 FIFA World Cup™. South Africa offers a pool of many local companies that are active in local sport sponsoring and that have spent more than the targeted \$2.9m (CHF 7.6m) per local supplier per year in 2002 without having the reach and the leverage of a mega-event such as the FIFA World Cup™.

10-year average growth (CAGR)  
South Africa: 19%  
Global: 12%

Source: BMI-Sport, adjusted for inflation



## Commercialisation

South Africa has already demonstrated its ability to attract sponsors by securing funding for just over a year to support the SA 2010 Bid, raising \$26m (CHF 68m) to date. Clearly South African football is on target to meet its goal of securing \$17.5m local sponsorship per year.

### Supporters

Anglo American  
First National Bank  
SABMiller  
South African Government  
Telkom  
Transnet  
Vodacom

### Industry

Mining  
Financial services  
Brewing  
Government  
Telecommunications  
Transport  
Telecommunications

### Description

World's second largest mining and natural resource company  
Second most admired company in the South African financial service sector  
World's second largest global beer brewing company  
Democratic and unified Government  
Second most admired company in South Africa  
Africa's leading transport group  
Africa's leading cellular network operator

### Media Partners

Supersport  
SABC

### Industry

Satellite TV  
Terrestrial TV & Radio

### Description

Premium sports channel in Africa 'Channel of Champions'  
South Africa's national public service broadcaster

### Suppliers

Avis  
Adidas  
BMW  
Daily Sun  
Momentum  
Phillips  
South African Airways  
Southern Sun  
XPS  
SA Post Office

### Industry

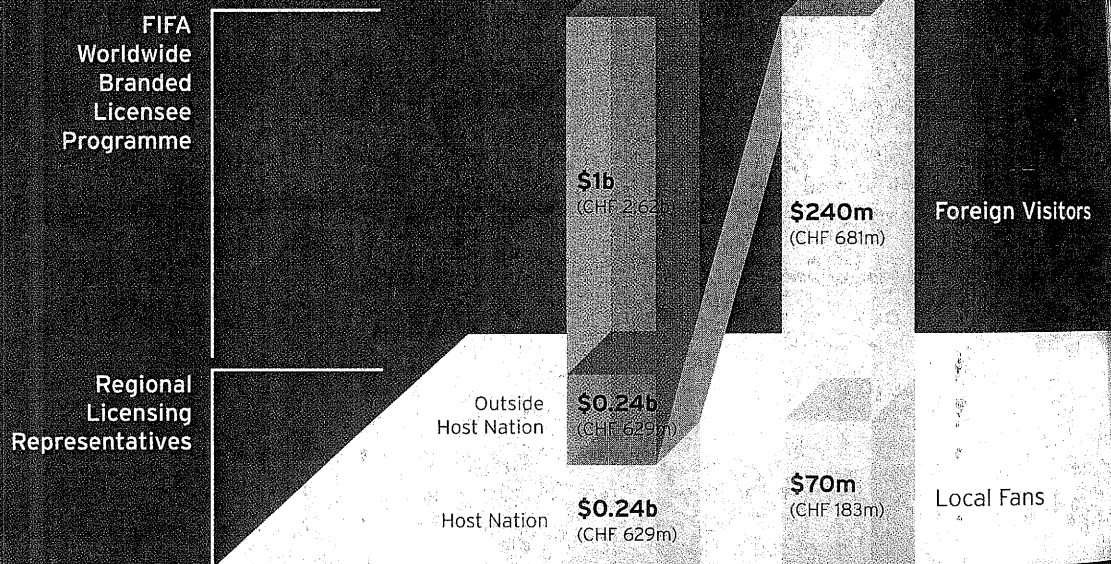
Car rental  
Sport equipment  
Automobile  
Media  
Insurance  
Consumer electronics  
Airline  
Hotels  
Carrier service  
Postal services

### Description

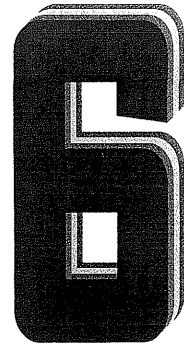
World's second largest general car rental business  
World's leading football brand  
One of Europe's top automakers with a leading brand image  
A leading daily newspaper in South Africa  
Part of the FirstRand Group, one of South Africa's largest financial institutions  
Europe's largest electronics company  
Africa's leading airline and major Player in the global Village  
Resorts are recognised as being among the best in the world and largest hotel group in Africa  
One of the largest express freight companies in South Africa  
Leading provider of postal and related services in Africa



### Merchandising Revenues



Source: FIFA Marketing AG



### Merchandising

Merchandise revenues play a vital role in the commercialisation of the FIFA World Cup™, driving not only additional licensing revenues for global and local licensees, but also fuelling the global excitement around the games for football fans around the world.

Gross worldwide merchandising sales are generated by FIFA's Worldwide Branded Licensee Programme and by Regional Licensing Representatives. FIFA's Worldwide Branded Licensee Programme will be fully managed by FIFA and the current six worldwide licensees, including the Internet channel fifaworldcup.com, and generates the majority of licensed merchandising sales (approximately two thirds).

Regional Licensing Representatives generate approximately one third of the overall revenue.

South Africa is confident of its capacity to drive local merchandising revenues to a level that match former FIFA World Cup™ events.

Foreign visitors are one of the main sources of local merchandise revenues, and it is anticipated that the number of visitors to a 2010 tournament in South Africa will approximately match those expected to attend the 2006 event in Germany.

South Africa, with its unique wildlife and scenery has become the fastest growing tourism destination in the world and is easily accessible for European and African travellers. In addition, the purchasing power of tourists attending a FIFA World Cup™ in South Africa will be on par with sales from tourists at prior FIFA World Cup events.

Merchandising revenues generated by local South African fans will drive the balance of the sales. The large local fan base of 12 million will sustain such sales.

Overall, SAFA estimates that local merchandise revenues for the 2010 FIFA World Cup™ will be equal to or higher than previous events.

In addition, SAFA will, subject to FIFA approval, implement a four-step programme including the development of a licensing roadmap, the determination and protection of properties, the selection of suitable manufacturers and the monitoring of the market to ensure optimal leverage of the merchandise opportunity.

Timing of merchandising activities is critical, as prior events have demonstrated. SAFA will carefully create an achievable roadmap for the launch of the 2010 FIFA World Cup™ licensed merchandise. Rigorous merchandising programme management will ensure that all activities are launched and the defined milestones are achieved on time.

### **SAFA commercialisation structure and organisation**

To ensure financial success, SAFA will work with FIFA to drive official partner sponsorship as well as local supplier revenue throughout the life cycle of the event. SAFA is committed not only to support FIFA in the initial signing of partners and suppliers but also to support sponsors in the implementation phase to maximise benefits for all participants.

In addition, SAFA understands that sponsors' priorities include identifying the unique needs of sports consumer segments, and measuring and achieving a sufficient return on investment on sponsorship spend. SAFA will work with FIFA and the sponsors to achieve these goals.

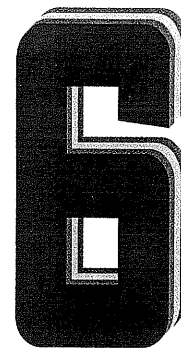
#### **6.1 BROADCAST RIGHTS**

SAFA recognises FIFA as the sole owner of all media rights to the 2010 FIFA World Cup™, and undertakes to cooperate with the television and radio partners, and support them as much as possible. SAFA will comply with all FIFA infrastructure and technical requirements, as described in the 2010 FIFA Technical Annex.

SAFA recognises that FIFA shall, directly or via the FIFA broadcast partner, arrange the technical requirements necessary to broadcast every match nationally and internationally and will assume responsibility for the production and transmission of the international signal (sound and picture for the video signals and audio signals for sound) and for providing the necessary technical equipment.

#### **6.2 MARKETING RIGHTS**

SAFA recognises FIFA as the sole owner of all the marketing rights for the 2010 FIFA World Cup™ and that FIFA is entitled, at its sole and absolute discretion to determine how such rights are exploited. All of the marketing activities for the 2010 FIFA World Cup™ will be determined by FIFA. In the event that FIFA appoints a FIFA Marketing Partner, SAFA will full cooperate with the assigned partner and will assist as much as possible.



### 6.3 INTELLECTUAL PROPERTY RIGHTS

SAFA acknowledges FIFA as the sole owner of all the intellectual property rights including the marks relating to FIFA and the 2010 FIFA World Cup™ and that FIFA may at its sole discretion, determine how these rights are exploited and protected, if necessary by concluding exclusive worldwide licenses to exploit and safeguard these rights.

SAFA will support and fully cooperate with FIFA's commercial affiliates. SAFA understands that it is entitled to use the official marks (including but not limited to the use of the official designation 2010 FIFA World Cup (country)™), the official emblem and the official mascot(s) specifically developed for the 2010 FIFA World Cup™, and the 'country name' 2010 (or its translation), in accordance with the Organising Association Agreement and after having received FIFA's prior written approval.

### 6.4 PROTECTION OF MARKETING MEDIA AND OTHER INTELLECTUAL PROPERTY RIGHTS

SAFA will provide FIFA, and at its direction, FIFA's Marketing and Broadcast Partners, with all assistance required to protect the marketing, media, and other intellectual property rights of the 2010 FIFA World Cup™. Such assistance shall include but not be limited to the appointment of dedicated staff to assist FIFA in protecting its commercial affiliates and broadcaster right holders against ambush marketing.

South Africa has an excellent track record in supporting sponsors of major events, and ensuring their rights are effectively protected.

SAFA will provide dedicated resources to protect FIFA's marketing and broadcast partners marketing, media and other intellectual property rights for the 2010 FIFA World Cup™ and will work with FIFA to con-

tract legal resources in South Africa and around the globe so that legal action may be taken if impropriety is discovered.

SAFA will ensure resources are deployed around the globe and at all event locations to monitor ambush activities and will work with FIFA to monitor sales of unofficial products, through the recruitment of national police, customs, patent offices, etc.

In cooperation with FIFA, guidelines will be submitted to the media addressing the proper use of event marks. In addition, South Africa's rights protection capacity includes nine types of legislation to protect marketing companies' and TV broadcasters' marketing, media and intellectual property rights. Recently passed amendments to the Trade Practices Act and Merchandise Marks Act deal with ambush marketing and make it illegal for parties to associate themselves with an event when they have not paid for such rights.

### 6.5 USE OF VIK AND COMMERCIAL AFFILIATE PRODUCTS

SAFA will be obligated to use Value In Kind (VIK) products provided by the commercial affiliate, to the exclusion of all competitors' products. SAFA will ensure that wherever possible, it will use commercial affiliate products and ensure that all products in a commercial affiliate product category, other than commercial affiliate products, are unbranded.