

CHIEF EXECUTIVE'S REVIEW

Business environment

Economic confidence in South Africa is at a high level, driven by declining interest rates, a stable inflationary environment and accelerating GDP growth. It is anticipated that these conditions will continue in the forthcoming financial year, resulting in strong trading conditions for our South African-based businesses.

For the year under review, the strong rand environment has impacted on our export competitiveness, but this was more than offset by strong performances in the local and African markets.

Investment in infrastructure and the ongoing strength of the building and construction sectors has continued to be beneficial to the group and, in particular, to Powertech which operates in the **power electronics** sector.

In the **telecoms** sector, opportunities are emerging as a result of the liberalisation of the telecoms market in South Africa. In addition, Altech's recent investments have increased our exposure to the mobile telecoms market, both in South Africa and in the rest of Africa and should provide a foundation for future growth in this sector. The demand for telecom cables into the fixed-line sector is poor and further rationalisation will be required within Powertech to address the significant overcapacity that exists in the South African market.

Conditions in the **information technology** sector are improving with profitable growth opportunities in niche technology areas. Our subsidiaries, Altech and BTG, are currently benefiting from the conversion within the banking industry to the Europay/Mastercard/Visa (EMV) standard through NamITech, Altech Card Solutions and Bytes Specialised Services (previously known as National Data Systems). Consolidation continues within the local IT market with BTG's acquisition of CS Holdings, effective November 2004. The integration of CS Holdings is progressing in line with expectations.

Strong rand conditions continue to impact export opportunities negatively whilst providing positive benefits to net importers within the group such as

Bytes Document Solutions, the distributors and marketers of Xerox products in southern Africa. The lower interest rate environment, which has benefited the local retail sector, has stimulated demand for consumer facing operations within the group such as Autopage Cellular and Netstar in the Altech group.

Doing business in South Africa today, however, involves more than just projecting and planning in terms of the local economic conditions. The essential transformation in terms of our Black Economic Empowerment programmes together with changing regulatory requirements and governmental expectations in this regard also play a fundamental role in the business environment in which we operate. Significant progress has been made by the group in the past year with the announcement of equity transactions in the major operating subsidiaries as well as the launch of the Altron Transformation Vision 2010 – Altron's internal empowerment charter.

Financial overview

Altron has reported pleasing results for the year ended 28 February 2005 – the year in which we are celebrating our group's 40th anniversary. Since my appointment in March 2001, significant progress has been made in reshaping our strategic profile. Initially, our focus was restructure the group by simplifying the number of listed entry points and to streamline our efficiencies in the different markets in which we compete. Focus on our core competency led to some major divestitures such as Voltex (November 2001) and Alcatel Altech Telecoms (June 2002). This past year has seen reinvestment in our core areas through the AEW joint venture (previously known as Econet Wireless Global) and the acquisitions of CS Holdings and NamITech. This strategic focus has resulted in consistent,

HEPS

↑ 17%

Headline earnings per share increased by 17% from 138 cents to 161 cents



“The group’s balance sheet remains strong with cash and cash equivalents at R1.5 billion.”

compound annual growth rates (CAGR) in a number of key parameters over the last five years:

	5 year CAGR
Revenue	↑ 12%
Headline earnings per share	↑ 14%
Net asset value per share	↑ 14%
Dividends	↑ 17%

In the year under review, our group’s revenues increased by 22% to a record level of R12.2 billion compared with R10.0 billion in the prior year. This was driven by strong organic growth as well as the contribution from recent acquisitions including NamITech, AEW and CS Holdings. The effect of these acquisitions, combined with improved operating margins, resulted in operating income increasing by

35% from R718 million to R968 million. Operating margins showed an overall improvement from 7.1% to 7.9%, driven by increasing margins at each of our main operating companies. Headline earnings per share increased by 17% from 138 cents to 161 cents, notwithstanding an increased effective tax rate up from 36% to 40%, resulting primarily from the impact of higher goodwill amortisation and impairment charges as well as STC payments.

The group’s balance sheet remains strong with cash and cash equivalents at R1.5 billion, down from R2 billion at the end of the last year, notwithstanding that in excess of R1.2 billion was invested during the year in related investments. These included Altech’s acquisition of 85% of NamITech, 50% plus one share of AEW and the repurchase by Altech of 7.6% of its issued share capital. In addition, BTG acquired 100% of CS Holdings.

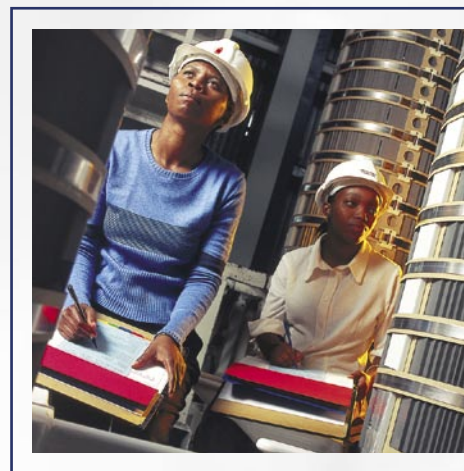
CHIEF EXECUTIVE'S REVIEW - (CONTINUED)

These outflows were partially offset by strong operating cash flows, improved cash flow from working capital management and cash proceeds from BEE equity transactions.

Altech delivered pleasing results for the year ended 28 February 2005. Outstanding performances were achieved by Autopage Cellular, Netstar, NamITech, Isis, Alcom Matomo and Alcom Radio Distributors. The strength of the rand created difficult trading conditions for UEC Multi-Media (UEC) resulting in a profit performance below expectation, notwithstanding increased unit volumes of 8% over the prior year. Altech's revenue increased by 34% to R5.6 billion, with operating income increasing by 48% to R493 million, assisted by the inclusion of NamITech for the first time. Headline earnings per share increased by 12% to 339 cents. The dividend increased by 21% to 174 cents per share.

BTG performed above expectations with revenues increasing 11% to R2.9 billion, of which approximately half the increase was related to the inclusion of CS Holdings for the last four months of the year. Operating income rose by 22% to R226 million from R185 million for the prior year while net financing costs decreased by 40% to R15 million from R25 million. Improved efficiencies enabled the operating profit margin to improve from 7.1% to 7.7%. This resulted in headline earnings per share increasing by 32% to 89.7 cents. BTG declared a dividend per ordinary share of 32 cents, which represents an increase of 45% over that of the previous year.

Powertech reported a healthy increase in revenue of 12% to R3.7 billion, boosted by buoyant local conditions, offset by the impact of the stronger rand on certain of its businesses and the resultant competition from foreign imports. Operating income increased by 18% to R245 million from R207 million the previous year. The operating margin has improved from 6.2% to 6.6% despite substantial price increases in raw materials such as copper, aluminium



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and lead, which were driven by increased global demand.

Fintech experienced a relatively slow start to the past financial year, but during the second six months record levels of new business were written. As a result, new business written for the year of R493 million is up some 55% compared with the previous year's R317 million. The purchase by BTG of the TAR warehouse from Altron, the vehicle in which all new originating business from BTG operations is financed, was concluded early in the new financial year.

OPERATING INCOME

↑ 35%

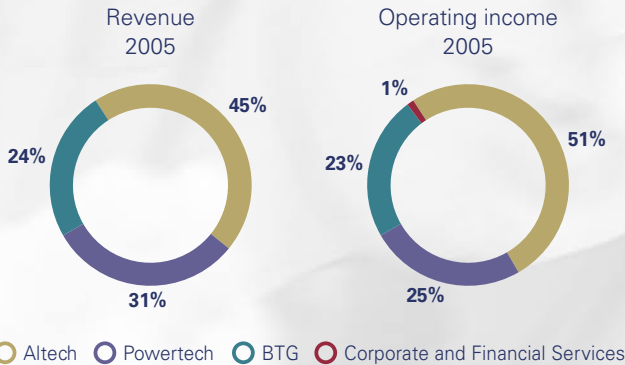
Increase from R718 million to R968 million

7.9%

OPERATING MARGIN

Increased from 7.1% to 7.9%

CONTRIBUTION BY SUB-HOLDING COMPANY



Pamodzi within Altech and Kagiso within BTG. Through these partnerships significant value is added in terms of commercial input and in meeting the various Altron Vision 2010 targets with regard to the broader BEE indicators namely skills development, employment equity, affirmative procurement, enterprise development and corporate social investment.

Activity highlights

- Altech’s acquisition of 50% plus one share from the Econet Group to become a joint controlling partner in AEW, a newly branded company for global mobile and satellite telecommunications networks based primarily in Africa, became effective during December 2004. Altech disbursed US\$70 million in cash relating to its investment in AEW, of which US\$30 million is held in Escrow with the interest thereon accruing to Altech. This cash is earmarked for future investments in the telecoms market, in Africa and elsewhere.
- The successful acquisition and integration of the NamiTech business into Altech has contributed meaningfully to its earnings during the year under review. NamiTech has achieved market leader positions in numerous areas of its business, including subscriber identification modules (SIMs), cellular prepaid vouchers, Europay/MasterCard/Visa (EMV) credit/debit cards and cheque printing.
- Altech, through its secure technology business NamiTech Holdings Limited, has established a 75% held GSM prepaid voucher manufacturing subsidiary, NamiTech West Africa Limited, based in Lagos, Nigeria.
- BTG’s acquisition of CS Holdings for a purchase consideration of R45 million provided critical mass within certain operations and increases BTG’s service offerings and market reach.

Black Economic Empowerment

The launch of the Altron Transformation Vision 2010 document, which is essentially a group internal charter and scorecard, took place towards the end of the year. This reflects Altron’s commitment to preparing its companies for the implementation of the ICT Charter once it has been finalised.

In line with the Altron Transformation Vision 2010 targets, the group has made significant progress with regard to equity deals with Black Economic Empowered broad-based partners at either holding company or operational level throughout the group. These include:

- The sale of 27% of BTG SA to Kagiso;
- The sale of 30% of Aberdare Cables to Izingwe;
- The sale of 28% of NamiTech to Pamodzi;
- The sale of 25.01% of Altech Data to Pamodzi.

With regard to our equity partners we are now focusing on creating “anchor” partners in our three main operating companies, namely Izingwe within Powertech;

CHIEF EXECUTIVE'S REVIEW - (CONTINUED)

- Altech completed an earnings enhancing buy-back of 7.6% of its issued share capital during the first six months of the year.
- BTG's purchase of Altron's interest in the lease financing business relating to products marketed by operations within BTG, became effective on 1 March 2005 for a purchase consideration of R43 million.
- Subsequent to year end, BTG SA acquired a further 60.97% interest in Digital Healthcare Solutions (DHS) from Business Connexion, Netcare and USAP, and BTG sold its 39.1% interest in DHS to BTG SA. Following the acquisition and restructure, BTG SA will hold a 100% interest in DHS.

Key growth drivers for the Altron group

Five main growth drivers have been identified that form the basis of our strategic focus and operational planning. Acquisitions were completed during the year under review in order strategically to address these growth drivers. In addition, our group companies also focused on addressing these strategies through internal reinvestment, especially in terms of capacity expansion and efficiencies within the Powertech group. Significant investment in research and development and in intellectual property within the Altech and BTG businesses also continued.

The growth drivers can be summarised as follows:

1. Public Sector (Eskom/Transnet) infrastructure spend

A combined public sector capex programme totalling R160 billion has been jointly announced by Eskom and Transnet. Estimates are that the demand for electricity will increase substantially by 1 000 MW per annum over the next 15 years requiring substantial investment in the generation, transmission and distribution networks. Similarly, the South African rail network requires major investment to enable significant industrial and mining companies to transport their product efficiently to the market. In his 2004 budget speech, the Minister of Finance, Trevor Manuel, highlighted that it is government's plan to increase the level of infrastructure spend from the current level of 16% of GDP to 25% by 2014.

Through Powertech's comprehensive power offering which spans all three of the segments of power activity – generation, transmission and distribution – it is expected that significantly enhanced opportunities lie ahead for ABB Powertech Transformers, Desta Power Matla, Aberdare Cables and the Industrial Group. Possible acquisitions and further expansion of capacity form part of the future strategic positioning of the Powertech group.

2. Deregulation of the South African telecoms industry

The recently announced deregulation of the South African telecoms industry allows the introduction of competition for Telkom through entities such as Sentech, the second network operator and others. We anticipate an increasing acceleration in the move towards Voice Over Internet Protocol (VOIP) and to more affordable broadband offerings. This presents opportunities for the Altech group in the form of Autopage Cellular which will now be permitted to offer a much broader range of voice and data products. Within BTG, both Bytes Communication Systems and Bytes Systems Integration will benefit through their existing VOIP capabilities.

3. Mobile telecoms market in Africa

The African mobile telecoms market presents numerous opportunities for expansion growth. Over the last five years, this market grew at a rate of 65% – the fastest growth of any region in the world. Off a larger base, this is expected to continue at a rate of approximately 25% as we move towards 2008. Access to mobile communications is expected to increase from a penetration rate of 6% to 13% as the subscriber base grows from 52 million to 125 million.



Key growth drivers



Both NamITech and AEW will benefit directly from this growth, as will Battery Technologies, which has shown significant growth in terms of the delivery of standby power systems to operators beyond the borders of South Africa.

4. Conversion to Europay/Mastercard/Visa (EMV) standard

In a process driven by increasing fraud prevention requirements, the South African banking industry is embarking on a medium-term programme to convert from magnetic stripe to the more secure chip-based credit and debit cards.

Not only does this opportunity require the conversion of magnetic stripe to chip-based cards over the next five years but also the upgrading of all EFTPOS terminals and ATM machines to become EMV compliant. It is calculated that between four million credit cards and 14 million debit cards, respectively, will need to be replaced.

The conversion to the EMV standard within the banking sector provides opportunities for Altech (NamITech and Altech Card Solutions) as well as for BTG through its Bytes Specialised Solutions operation, the suppliers and distributors of NCR ATM products in the South African banking sector.

5. An integrated Information Technology (IT) offering

Since the acquisition of CS Holdings by BTG and NamITech by Altech respectively, the Altron group has, for the first time, positioned itself to offer a fully integrated range of IT products and services. These include software solutions; document management solutions; managed services and desktop support; systems integration and networking support. In addition, our offering includes training and storage solutions, outsourcing services, business communication solutions, secure payment solutions and smart card technologies.

This integrated offering allows significant opportunity to leverage new products and services into our existing customer base.

Looking forward

Based on recent developments in the sectors in which the group operates, we remain confident about the prospects of the group for the forthcoming financial year. The strength of our group's balance sheet positions our businesses favourably to take advantage of further investment opportunities that may arise. The significant restructuring and enhanced operating efficiencies that were implemented during the past year should provide an improved performance from the group's operations in the year ahead.

ROBERT E VENTER – Chief Executive

31 May 2005