

Chairman's statement

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Introduction

Having successfully celebrated its 40th anniversary during the period under review, our group achieved significant progress in its financial and transformation performances, as well as sustained growth in virtually all of our underlying operations.

Revenue increased by 14% to a record R14 billion, while operating profit exceeded the R1 billion mark for the first time, further consolidating our position as a foremost player in our chosen markets.

The economy

The South African economy remains buoyant and, during the period under review, was characterised by the continued strength of the rand, lower inflation levels, stable domestic interest rates and sharply higher equity markets. In particular, the commitment to accelerated infrastructure spending has once again reinforced government's intention to ensure sustainable

GDP growth. I am happy to report that the sound economic climate has created a favourable business environment for our companies.

Inadequacies are, however, beginning to show in certain governmental planning and spending programmes and it is hoped that Eskom will start to dramatically increase capacity to meet the government's GDP growth commitments as we move towards 2010.

In the meantime, the long-awaited decision to move ahead with the Gautrain project as well as the construction of several sports arenas and related building programmes for Soccer World Cup 2010 augur well for many companies in our group.

Despite the numerous challenges which the group faced during the year, particularly competitive imports from the East and escalating commodity prices, our balanced portfolio of operations has enabled us to show strong resilience to these and other market-related pressures. Another major strength lies in our



Dr Bill Venter (Chairman and founder)
31 May 2006



traditional ability to adapt more readily than our competitors to the ever continuing changes in the global business environment.

I believe we have largely weathered the exchange rate fluctuations, which, on the positive side, has afforded us the opportunity to invest further in capital equipment and thus improve the overall competitiveness of our group.

Vision 2010

We continued to make significant progress in our Vision 2010 transformation programme with our internal broad-based black economic empowerment scorecard providing the benchmark against which we measured our company's progress.

This scorecard incorporates targets with specific time frames which the group has set itself in terms of equity ownership, management and board representation, preferential procurement, skills development and corporate social investment.

Our main objective is to focus our organisation on creating greater value by meeting the expectations of our stakeholders and we are achieving this through the efficient utilisation of our capital, our people and our innovative technologies.

The draft Codes of Good Practice on Broad-Based Black Economic Empowerment (BBBEE), published in December 2005 by the Department of Trade and Industry, provides more certainty as to how the BBBEE scorecards will be measured in future. It is clear, however, that the significant administrative and cost implications of these codes on companies, in their present format, will have to be addressed as a matter of urgency. We stand ready with the rest of the private sector to assist the dti in their efforts

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to provide the most appropriate and relevant tools for accelerating the country's transformation process.

Certainly, our Vision 2010 commitment has been widely recognised as both exciting and innovative, and has placed us in the forefront of the local industry as far as BBBEE is concerned.

In this regard, our anchor partnerships with our leading empowerment companies, Pamodzi, Kagiso and Izingwe, have added significant value in helping us to achieve our targets and my appreciation goes to them for their much valued contribution.

Likewise, I have pleasure in thanking the Altron transformation committee for the excellent progress which is being achieved by our various operations throughout the group. In this regard, they have provided comprehensive comment on our extensive progress in the Sustainability Report.

It behoves me to welcome former senior ABSA and Anglo American Executive, Douglas Ramaphosa, to our group. Douglas has been appointed Altron Group Executive for Corporate Affairs and will sit on our various boards and executive committees.

One of his main tasks will be to continue the work of our Vision 2010 programme, largely initiated by Advocate Dali Mpofu, who has left Altron to take up the position of Chief Executive Officer of the SABC, but who remains a non-executive director of Altron.

Financial performance

Our financial performance this past year has been most satisfying with healthy profitability being driven by better-than-expected performances from most of our operations. As pleasing as our results are, we remain humble and far from satisfied, although I personally believe we are now well on our way to becoming a truly first class, cost-effective, customer-driven group.



Share price

The market has continued to recognise Altron's reputation as an industry leader and confidence in the group was clearly reflected in the continued upward trend in our share price – increasing by more than 90% in the 12 months to April 2006.

Corporate governance

The Altron board remains cognisant of the Listings' Requirements of the JSE Limited, with our companies continuing to observe sound corporate governance principles, such as independence, transparency and accountability.

The group benchmarks itself against the recommendations of King II by constantly reviewing and improving its governance standards, full details of which are included elsewhere in this annual report.

Highlights

During the year a highlight was the extensive celebration of our 40th anniversary, with several events being held to mark this special year in the group's history. Particularly memorable was an address made to the group's senior management by Nobel Peace Prize Winner and Bishop Emeritus, Desmond Tutu, last July when he congratulated Altron on its significant contribution to the development of the local high-technology industry and to the transformation of South Africa as a whole.

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We do, of course, value our history highly because it has given us both the reach and capability of our future, and this momentum continues. Our market capitalisation, for instance, has now exceeded the R8 billion mark, while firm assurance in our future has, once again been demonstrated by Vodacom and MTN who have each concluded service provider and incentive agreements with Altech Autopage Cellular.

Outlook

Altron remains both enthusiastic and optimistic about the future growth of South Africa and looks forward to the years ahead with confidence.

We have entered our new financial year well positioned to take full advantage of the commitment to infrastructural spending as well as other exciting opportunities which have arisen in sub-Saharan Africa. These include increased investment in the sub-

continent's power generation, transmission and distribution capacity, its extensive IT and telecommunications networks and continued growth in the building and construction industries. And, who better to tackle these immense challenges than our group?

As I enter my 42nd year with Altron, I continue to be impressed by the performance of a fine and honourable group and, of course, our 11 000 committed and highly dedicated people. I heartily thank them, our loyal customers and our many partners and suppliers world-wide for their continued confidence and ongoing commitment as we continue to meet our goals for the current year. I am also grateful for the wise counsel of our non-executive directors, who, in their own right, are talented leaders or directors of other large South African corporations and service groups. I would like to take this opportunity of welcoming the new board members who



to us, will help Altron to remain a winning company and underpin our performance going forward.

joined the Altron board during the year, namely Mark Lamberti and Norbert Claussen.

In particular, I applaud the outstanding leadership abilities of our Chief Executive, Robert Venter, and the commendable achievements of his executive team for continuing to shape our group and its heritage, and for making the past year one to remember with pride and satisfaction.

Their outstanding management skills, coupled with their ongoing focus on costs and efficiencies, as well as the pursuit of opportunities available