

32 Operational review

POWER ELECTRONICS AND MULTI-MEDIA



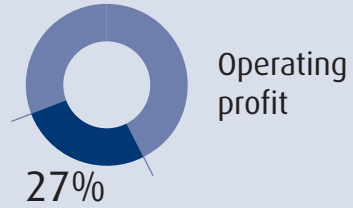
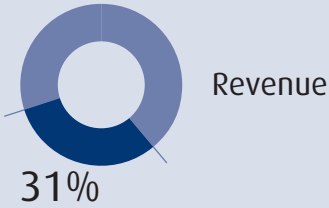
Powertech

Power Electronics

The demand for **Aberdare's** power cables remained high as the ongoing construction boom resulted in a substantial increase in demand for the low-voltage product range. The buoyant infrastructure development also positively impacted demand for the medium-voltage product range. Given the planned expansion programmes of Eskom and Transnet, the anticipated infrastructure spend required for the Soccer World Cup 2010, and the Gautrain project, coupled with various other planned projects, it is expected that future demand for power and energy products will remain high for some time.

ABB Powertech Transformers exceeded expectations as the strong growth for medium and small power transformers in the domestic market continued, mainly due to Eskom's planned increase in spending over the next five years. The first Regional Electricity

Altron's power electronics and multi-media sector contribution to total revenue is R4.4 billion and remained stable in terms of its contribution at 31% or R4.4 billion for the year under review. Of the total group operating profit, this sector contributed 27% or R276 million compared to the 23% or R227 million for the previous year based on increased demand from infrastructural spend and the growth in the building and construction industry.



Innovation: ABERDARE CABLES Power Cables

Demand for Aberdare's power cables remained high due to the ongoing strength in the construction industry resulting in a substantial increase in demand for the low- and medium-voltage product range.



Operational review

POWER ELECTRONICS AND MULTI-MEDIA continued

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Distributor (RED) was established in Cape Town, effective July 2005. The establishment of the remaining five metropolitan municipality REDs are expected during the new financial year and will increase demand for small and medium power transformers as emphasis is expected to be placed on refurbishment of the electricity grid. The sub-Saharan African export market has increased, driven by demand from Nigeria where a large number of projects is being planned and which are expected to be of benefit to ABB Powertech Transformers. In the forthcoming year, quality improvement measures will continue to receive major focus, including the ongoing education and training of employees with regard to best practices, quality objectives and winder recertification. Raw material prices, specifically copper and core steel, remain a concern in light of

increasing demand from the Chinese market, placing some pressure on security of supply.

Desta Power Matla experienced buoyant trading conditions due to the increased demand from Eskom Distribution and municipalities for large distribution transformers (LDT), small distribution transformers (SDT) and miniature substations. The strong rand has, however, slightly lowered demand from the mining sector, which impacted negatively on the demand for medium distribution transformers (MDT), but this was offset by an increase in demand from industrial plants.

The **Powertech Battery Group** performed above expectations and the automotive business, despite intense volume and margin pressure from low-cost imports, managed to produce good results due to careful fixed-cost



management. Dynamic Batteries, the offshore automotive battery-marketing operation, produced a steady performance throughout the year despite poor margins in the UK market. The Willard DC Power operation produced excellent results on the back of strong demand from the mining sector.

The **Industrial Group** showed growth in revenue and improved working capital. Both revenue and profit growth were up due to manufacturing

efficiencies and a focus on margin-improvement, as well as the acquisition of Calidus Von Roll Isola, a processor and supplier of high temperature insulation material to the electric motor manufacturing and repair industry. Crabtree's revenue growth was positively affected by continuing buoyancy in the residential construction industry but adversely impacted by the entry of low-priced imports and a deliberate reduction of unprofitable product sales. In order to provide the Powertech Industrial Group with a competitive strategy in this regard and to assist the smaller businesses in the group with strategic and marketing assistance, the EPC product-development, marketing and sales department is being merged with that of Strike Technologies, whilst Whiteleys was merged with Calidus. The focus

Operational review

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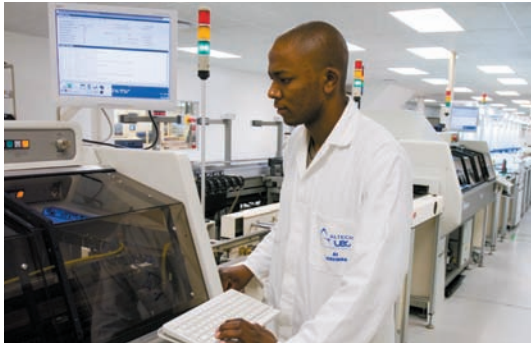
on a go-forward-basis will remain on new product development, strong marketing programmes and complementary acquisitions in order to sustain the group's competitive edge.

Tridonic SA (Pty) Limited experienced extremely difficult trading conditions during the year which lead to the restructuring of the company from a manufacturing facility into a trading operation only. Emphasis will be placed on growing its niche markets of electronic ballasts, building management systems, emergency control gear, dimming products and light emitting diodes.

Multi-media

The acceleration of converging technologies in the multi-media sector continues to provide opportunities for specialist companies such as

Altech UEC Multi-Media a company that develops, manufactures and deploys innovative and advanced set-top-box (STB) products and associated software for the television and entertainment market. The period under review saw the restructuring and turnaround of Altech UEC Multi-Media being completed, resulting in improved results and a full order book going forward. The highly successful launch of the MultiChoice dual-view personal video recorder (PVR) decoder in November 2005 was positively received and is also attractive to offshore customers with orders received from Greece and Dubai. Strong consumer demand for local pay television resulted in record quantities of STB units being sold to MultiChoice South Africa. Sales were also increased into other regions of Africa, including Nigeria, which has shown strong growth over the past two years.



Altech Arrow Altech Distribution (AAD)

reported improved results for the year, driven by increased margins and supported by further growth in revenue from new sales initiatives. AAD's positive trading figures reflect the benefit of past restructuring strategies designed to reduce operating costs, and improve operational procedures that focus on value-added operating segments which offer better opportunities.