

28 Operational review

TELECOMMUNICATIONS

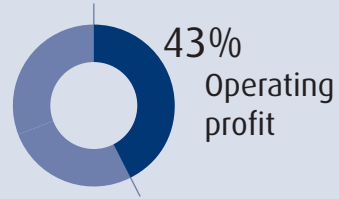
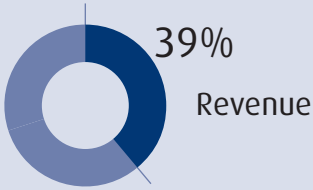


Telecommunications contributed some 39% towards total group revenue by generating R5.4 billion during the year. The contribution from telecommunications to operating profit improved to 43% at R449 million from 37% or R356 million the previous year on the back of the excellent performances from the group's wireless communications businesses. The South African telecommunications sector is rapidly moving towards deregulation through a number of regulatory initiatives, including mobile number

portability (expected in September 2006), the investigation of handset subsidies, the Electronic Communications Act and the award of the second network operator's licence.

Altech Autopage Cellular (Altech Autopage) remains the largest independent cellular service provider in South Africa and has performed well ahead of expectations. The market for cellular services has continued to evolve, resulting in increasing volumes of post-paid and hybrid (post-paid/pre-paid) consumer connections. High-end connections through corporate and fixed cellular enabled Altech Autopage to retain the average revenue per subscriber (ARPU) of last year and increase its subscriber base by more than 67 900 net connections to a total subscriber base that now exceeds 700 000. Notable achievements during the year included the signing of five-year service provider and incentive agreements with both Vodacom and MTN.

Contribution by Telecommunications



Innovation: ALTECH NETSTAR

Altech Netstar's subscriber base has grown to over 362 000 vehicles for SVR services.



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TELECOMMUNICATIONS continued

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Altech Netstar maintained its impressive market position in the stolen vehicle tracking and recovery (SVR) market and exceeded expectations in terms of profit and cash flow. Altech Netstar’s subscriber base has grown to over **362 000** vehicles for SVR services. The Netstar Vigil fleet management system increased subscribers to over 6 400 vehicles. A new low-cost GSM-based product “Cyber Sleuth” has been developed to provide positioning and SVR capabilities for commercial fleets and vehicles. The Altech Netstar Malaysian business is growing steadily with over 32 800 vehicles on the system and the company is planning further expansion into Africa.

Altech Alcom Matomo produced strong results on the back of its R500 million Gauteng South African Police Services’ digital Trunked Radio (TETRA) network contract which included high site installations and prefabrication and equipment testing at the integration facility which had largely offset expected project delays. The contract to replace and manage the City of Cape Town’s public safety TETRA communications network was awarded to Motorola and Altech Alcom Matomo post year end. **Altech Alcom Radio Distributors** exceeded its financial targets for the year and continues to distribute leading Motorola two-way radio products to the southern African market through its network of authorised dealers.



Despite continuing pressure in the telecoms market for cable, both locally and offshore, some improvement was seen during the year, particularly from the operations in Spain. The local Aberdare Telecoms operation has been restructured and the manufacturing plant in Port Elizabeth closed, effective 31 August 2005.

The **Powertech Battery Group** outperformed expectations on the back of improving demand in the telecommunications sector, the implementation of cost-management/reduction initiatives and the successful drive into the sub-Saharan region and Nigeria in particular. **Battery Technologies** secured a significant portion of the Nigerian cellular telecoms market and successfully penetrated, albeit to a lesser extent, other sub-Saharan markets. Despite the world-wide shortage of solar panels, Rentech delivered pleasing results, mainly due to stringent fixed-cost savings.