

Introduction

I am pleased to report that our group achieved its finest set of results in our 42-year history during the period under review, thus further consolidating Altron's position as the foremost player in South Africa's buoyant ICT and power electronics industries.

Being a Proudly South African company, we remain a deep-rooted product of this country and the African continent as a whole. We have made excellent progress in all areas of our business, building on our stated strategic intent. In particular, we continue to achieve operational and technological excellence, which, combined with our financial and transformation

initiatives, not only positions us well in the local environment, but finds us strategically well placed to significantly expand our interests in the global arena.

Dr Bill Venter
Chairman



Financial results

The increased pace of infrastructural development in both the public and private sectors, coupled with a deregulating telecommunications market and a recovery in information technology spend, were just three of the factors that provided a conducive market for our businesses.

This favourable environment contributed to increasing the group's revenue by a record 23% to R17 billion, and operating profit exceeded R1,5 billion for the first time.

The group's profitability, in particular, benefited substantially from years of well-planned strategy, internal cost reductions, improvement to operating efficiencies and sheer hard work. Combining these factors with good management by our executive and operational teams, enabled us to increase headline earnings by 51%.

While celebrating these excellent results, we at Altron are fully cognisant that our business has undergone a fundamental upward change, and, although current levels of growth will be difficult to repeat, we are confident that we will continue to deliver real growth during the current year.





The economy in anticipation of 2010

The South African economy remains robust and, in line with 2010 projections, is growing at its strongest pace in almost two decades. In addition, this favourable environment is supplemented by the forthcoming Soccer World Cup, the introduction of the Gautrain and the significant infrastructure spend from Telkom's and Eskom's multi-billion rand capital expenditure programmes. While most building and construction projects have been earmarked for 2010, Eskom's spend is expected to go beyond 2025 and we are adding commensurate capacity to take advantage of these opportunities.

The mining industry experienced increased global demand for commodities, off the back of GDFI spend, and the higher prices for gold, platinum and copper facilitated major expansion in the mining sector. This, in turn, helped to drive demand for our power electrical products and systems.

The provisions contained in the recently enacted Electronic Communications Act offer an improved platform for market reform in the telecommunications sector, further empowering ICASA, the telecommunications regulator. This liberalisation is welcomed, but concerns remain around under-resourcing and the ability for this process to be effectively implemented.

Our group remains well positioned to move up the value chain, leveraging off existing capabilities in order to take full advantage of these opportunities.

Highlights

As indicated, the year under review has been rewarding for our group with many outstanding contributions from most of our underlying operations. The prevailing sound economic climate created a favourable business environment for most of our companies which are positioned to take advantage of the opportunities presented.

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A major highlight was the extraordinary performance of Powertech in raising its operating profit by an impressive 128% to R638 million on revenue of over R6 billion, with the main contribution coming from Aberdare Cables and ABB Powertech Transformers due to the increase in infrastructure spend. Altech and Bytes continued to perform well and produced solid results. Our international operations also contributed strongly and will form the backbone of our global expansion strategy going forward.

Broad-based black economic empowerment (BBBEE)

We continued to make significant progress in our transformation programmes, further strengthening our relationships with all of our anchor empowerment partners, Kagiso, Pamodzi and Izingwe. Their continued contribution to our businesses assisted us in meeting our stringent targets and my sincere appreciation goes to them and their management teams for their valued input during the year.

As a group, we are mindful of our responsibility in terms of our BBBEE status as well as our equally important obligations to all our stakeholders to unlock value through BBBEE.

In order to effectively measure the BBBEE performance in our operating companies, our group has developed, and is currently finalising, an electronic group information system which will enable us to consolidate financial and non-financial data for the legislated empowerment scorecard that was introduced by the Department of Trade and Industry earlier this year.

The information system also provides a strategic business intelligence platform for the collection of meaningful, accurate and auditable information for enhanced stakeholder reporting, especially in terms of customers and suppliers. We are confident that the benefits of this comprehensive monitoring process will benefit our group during future reporting periods.

Apart from the strides we have made in BBBEE, we continued to expand our CSI



programme, contributing significantly to the development of the communities in which we operate. Altron firmly believes in the potential of the African continent and in particular that of South Africa.

Outlook

The excellent results produced by the Altron group during the year under review pose several challenges given the resulting high base.

Despite these challenges, encouraging prospects for the following year include, among others, the ongoing favourable macro-economic conditions in South Africa, particularly in the infrastructure sector.

The above factors, coupled with a strong order book and a cashpile of over R1,6 billion for expansion and acquisitions, both locally and overseas, position our group positively for sustainable growth going forward.

In line with the current buoyancy of the South African economy, and the build-up

to 2010, Altron remains firmly optimistic about the future development of our country and looks forward to the years ahead with enthusiasm and confidence.

Having entered my 43rd year with Altron, I continue to be amazed by the performance of this fine and honourable group, and of course our more than 12 000 dedicated and hard-working employees who make such a valuable contribution, year after year.

I sincerely thank them, as well as our loyal customers and suppliers, together with our technology partners, for their ongoing support and belief in our long-term vision to remain the foremost high-technology organisation in sub-Saharan Africa and beyond our borders.

As Chairman of the board, may I express my appreciation to my fellow directors as well as to the office of the chairman for their continuing loyalty and unwavering support. In particular, the Altron executive

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committee under the leadership of Robert Venter, must take much credit for the group’s outstanding success this year, making the period under review one to remember with pride and satisfaction.

As many of you are aware, “familiness” has been an underlying theme at Altron for many years, and in this regard I am pleased that our ambitious succession programme, introduced in 2001, has been effective and rewarding for Altron and will continue to shape our group and its heritage in the years ahead.

I am more than satisfied with the direction which Altron is taking to meet the challenges of the future and, on a more personal note, I continue to be enriched by my own involvement with the group and especially by our people, whose unfailing enthusiasm, hard work and loyalty remain an inspiration to me.



Dr Bill Venter

Chairman

May 2007