

Power Electronics and Multi-media

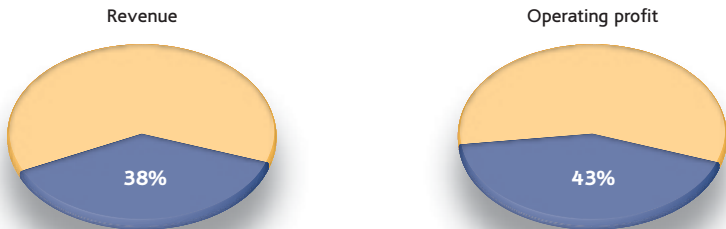
Altron's **power electronics and multi-media** sector significantly increased its contribution to group results during the year, generating R6.5 billion or 38% of the group's total revenue and R651 million or 43% of group operating profit. The performance of the power electronics sector reflected higher demand for products and services based on increased infrastructure spend and a buoyant building and construction industry. Altech UEC Multi-media Technologies experienced a significant turnaround and also performed above expectations. Following the increase in Eskom's capital expenditure budget from R97 billion to R150 billion for upgrading generating capacity as well as transmission and distribution networks, group companies have submitted a number of tenders for cables and transformers as well as for other projects in this sector.

Power Electronics

Aberdare Cables delivered exceptional results for the year with a strong profit performance from its power cable operations and significantly improved results from its offshore cable operations, Alcobré and Cables de Comunicaciones, on the Iberian Peninsula. Aberdare Cables remains well positioned to capitalise on major projects and to increase market share in the building and construction sector. Although cash was absorbed into working capital during the period, (a decline in copper prices at the commencement of 2007 resulted in an unusually high stockholding with a concomitant impact on cash), this position has been reversed in the first few months of the new financial year. Swanib Cables, the largest cable and electrical distributor in Namibia, was acquired after year end (effective 1 March 2007).

Market conditions for **ABB Powertech Transformers** remained robust with order

Contribution by Power Electronics and Multi-media





Powertech



intake increasing by 37% for this company and 46% for **Desta Power Matla**, providing a good base for the transformer group in the new financial year. With increasing growth in production output, revenue and operating profit rose more than 40% compared to the previous year. Results from Desta Power Matla were commendable given the price pressures from international players, specifically on power and large distribution transformers. Substantial increases in raw material prices such as core steel, mild steel, copper and transformer oil affected input costs and prices to customers, while the shortage of some materials created additional challenges. Management’s focus for the next financial year will be on increasing capacity through higher productivity, reducing working capital and securing raw materials and appropriate skills.

The Powertech Battery Group recorded satisfactory results with the automotive sector contributing significantly to overall performance. The industrial battery business recorded volume gains on the back of increased international demand for resources in the mining sector. The installation of state-of-the-art industrial battery production equipment improved

output and further enhanced levels of quality. The UK-based Dynamic Battery Services performed better than expected and the imminent introduction of new product ranges in this market is expected to further enhance performance.

The Industrial Group faced difficult market conditions, with increasing import competition leading to margin erosion at Crabtree, which affected the overall performance of the group. Yelland Control, Strike Technologies and Powertech Calidus reported satisfactory performances and are starting the new financial year with strong order books. Crabtree is expected to maintain its position, particularly in the socket and switches business, as favourable conditions in the building and construction industry continue.

Tridonic.Atco continues to struggle with the technology shift from magnetic to electronic ballasts and the volatility of the demand-side management project.

Multi-media

Altech UEC Multi-Media Technologies (Altech UEC), the developer and manufacturer of advanced set-top box products and associated software, produced



excellent results for the year following initiatives to reduce operating costs and improve margins. Sales of the pioneering dual-view personal video recorder (PVR) contributed to substantially higher volumes, generating orders from MultiChoice and pay-TV operators in Israel, Brazil, Mexico and Dubai. Altech Global Decoder Logistics, the after-sales service business with support and logistics operations in Australia and South Africa, also performed well. Delivery started on the three-year agreement with Australian operator, Austar, for the initial supply of 100 000 decoders. In India, Altech UEC is well positioned to capitalise on the growing deployment of satellite television services and secured an order for 250 000 decoders for delivery mid-2007.

Altech Arrow Altech Distribution

reported record results for the year with unit sales up 48%, retaining its share of a R1 billion market in sub-Saharan Africa through value-added services. A strong order book mirrors increased customer activity across all markets – from prepaid utility meters to domestic and automotive security systems, vehicle tracking and fleet management products and electronic contract manufacturing services.

SUSTAINABLE GROWTH THROUGH VALUE CHAIN OPTIMISATION

In support of the Altron group's mission to be a leader in its chosen markets through service and cost efficiency, Powertech has initiated a project to optimise the management of its value chain and reduce associated costs by 15%. The project will also further enhance customer service and differentiate Powertech from its competitors.

The first milestone in the process was the centralisation of 51 distribution centres spread over six provinces into a state-of-the-art facility in Gauteng. This massive central distribution centre, which opened in November 2006, gives customers one point of service, optimises logistical systems and is already reducing distribution costs.

A sophisticated warehouse management system was implemented in May 2007. Fully integrated with SAP, the system is enhancing product distribution efficiency and customer service and will shortly be complemented by an inventory management system.

In addition to reducing value-chain costs, Powertech



expects to reduce working capital requirements and achieve improved economies of scale in contract negotiations, including material handling equipment, IT hardware and transport.