

Chief executive's review

The 2007/2008 financial year has been characterised by fundamental changes to the underlying market conditions affecting our economy and the international environment. Nonetheless, I am pleased to report that steadfast commitment to our mission and strategy has again delivered outstanding results for the Altron group and its stakeholders.

Last year, I highlighted sustainable growth as the hallmark of Altron's strategic vision and the tangible indicator of the success of our long-term strategy. It is in these uncertain times that this focus on identified fundamentals bears fruit – offering us the foundation that will see us continuing to prosper during the challenging period we have entered in 2008.

I am proud to report that 2007/2008 revenue and after-tax profit exceeded, for the first time, R20 billion and R1 billion, respectively. More specifically, revenue increased by 25% to R21.4 billion with headline earnings per share increasing by 33% to 375 cents per share. This is an excellent set of results, especially considering the high base set by our 51% headline earnings per share growth last year and confirms the strategic initiatives put in place over the last few years and the sustainability of our business model. During the course of the year we have continued to invest significantly both internally and through acquisitions and this combined with strong operational disciplines has laid the foundation for our future performance.

Altron's overriding goal is to deliver increased value for shareholders over the long term. Going forward we are determined to uphold this reputation of value creation, illustrated over the last 10 years by compound annual growth rates in revenue of 15%, headline earnings per share of 17%, net asset value per share of 13% and dividends of 19%.

As anticipated in last year's report, macroeconomic conditions have changed. We are likely to experience increased pressure on margins from higher input costs and increased competition in the tightening world economy.

We, nevertheless, enter the 2008/2009 financial year with strong order books, particularly at Altech and Powertech, and are poised to further capitalise on the performance of our offshore operations in the emerging markets of Africa, Asia and India.

KEY MARKET CONDITIONS

During the period under review, market sentiment has been negatively impacted by the power outages resulting from the current energy crisis, changes in the leadership of the ruling ANC party and an increase in interest rates and inflation. These local market conditions have been compounded by global market turmoil and the possibility of a US recession.

The Polokwane ANC conference has sent out a ripple of uncertainty regarding the country's political stability and future and, as with any change in leadership, there is concern over how these factors will impact the policies that have a material impact on South African business. However, initial observations positively indicate a continuance of the economic policies that have allowed our country to grow over the past years as well as, encouragingly, an open and transparent channel of communication between government and the business community. The increase in the prime rate over the last two years of 400 basis points from 11% to 15% has been felt most by the financial, retail and residential property sectors. And while inflation linked to a weaker rand and rising fuel costs continues to be cause for concern, the commodities market has been buoyant over the past year, and this has served to soften the impact to a large degree.

In spite of these challenges, Altron looks forward to continued growth from the high base that has been established. As a firmly established player in the power space through our subsidiary Powertech, the company is set to benefit in the medium term from increased demand for its products following the disruption of power supply, and in the longer term from the fact that

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Eskom and the municipalities will be planning to spend significant amounts on power infrastructure way beyond 2010. Infrastructure spend, which has become a national imperative in the lead up to the 2010 Soccer World Cup, is set to increase and the company can expect to derive benefits from this as well.

The telecommunications market is providing opportunities and Altech is well positioned in this regard. Our significant expansion into the African market provides exciting growth prospects. While the information technology market remains competitive locally, there are some exciting consolidation opportunities that Bytes is exploring. Internationally, our strategy of achieving critical mass is bearing fruit which is expected to continue.

FINANCIAL OVERVIEW

The Altron group's results for the year ended 29 February 2008 have shown strong growth with a 33% increase in headline earnings per share off the high base established in the prior year.

Revenue increased by 25% from R17.1 billion in the prior year to R21.4 billion, with operating profit increasing by 27% from R1.5 billion to R1.9 billion, reflecting an increase in the operating margin to 9%. During the period under review, the group invested R479 million in replacement as well as capacity expansion, mainly focused on the more capital intensive power electronics sector.

Despite higher trading volumes and increased raw material prices, the group's investment in working capital was well managed during the year, particularly in respect of the investment in inventory. Cash flow generated from operating entities increased from R399 million in 2007 to R1 799 million in 2008, representing a 4.5 fold increase and this resulted in cash on hand of R2.1 billion (2007: R1.6 billion) at the year end.

Altron's return on equity has improved to 24.7% with our return on net assets and return on capital employed being maintained at 30.3% and

Chief executive's review *continued*

29.7%, respectively. Altron increased its dividend by 32%, providing shareholders with an effective doubling of the dividend over the last two years.

SUBSIDIARY REVIEW

ALTECH

Altech delivered excellent results with headline earnings per share growing 23% to 511 cents, revenue increasing by 22% to R8.2 billion from R6.8 billion in the prior year and operating profit increasing by 17% to R664 million.

Altech Autopage Cellular performed well ahead of expectations, exceeding both profitability and cash flow targets. The company increased its subscriber base by over 115 000 – representing a 14% growth in new connections during the year. Altech Netstar also maintained its leading market share position in the stolen vehicle recovery market, producing excellent trading results despite a slowdown in new car sales, increased interest rates and the introduction of the National Credit Act.

Altech UEC increased revenue by more than 40% as a result of its expanding international business although its operating margin reduced as the product mix has moved more towards lower-end product following the success of the PVR in the prior year as well as the effect of outsourcing of production to meet demand requirements.

Altech NamiTech continues to experience difficult trading conditions with an operating loss being incurred by its South African operations, though this was much reduced from last year. As a result, the goodwill relating to the South African operations has been fully impaired in this financial year. The Altech NamiTech West Africa operations continue to perform strongly with the combined NamiTech operations recording a profit.

Altech's balance sheet remains strong with a net asset value of 2 026 cents per share and cash of R1.6 billion. Return on shareholders' equity for the year was 25.4% and the dividend declared by Altech increased by 20%.

Through Altech, Altron's long-term plan is to become one of the leading data network operators and internet service providers in East and Central Africa. To this end, Altech crowned the year with the acquisition of a controlling interest in three companies within Kenya's Sameer ICT Group for a maximum purchase consideration of US\$75 million, funded entirely from the cash the group had accumulated from operations.

Convergence of IT solutions which allows data, video and voice to be run through internet protocol networks, as well as the growth in the African data and internet markets, is expected to reap significant rewards for Altech in the future.

Altech Netstar Fleet Management Services introduced new technologies and services to commercial fleets and vehicle subscribers. The acquisition of ComTech, a leading operator servicing the commercial transport sector, will strengthen the Altech Netstar Fleet Management Services' business through its complementary product range and customer base. As a result, Altech Netstar Fleet Management Services has effectively doubled in size, with a combined fleet management market share in excess of 20%.

In Altech's multi-media sector the allocation of licences in satellite television broadcast has opened up the market, and the substantial investment in the broadcasting sector is expected to stimulate growth of the pay television market and provide consumers with more choice and diversity of content. Globally, Altech UEC broadened its customer base adding Brazil, Mexico, Dubai and Spain to its high-end market focus during the year.

Altron's view of sustainable growth

Sustainable growth differs from market-related growth because it is driven by a long-term commitment to:

our identified mission and strategy;

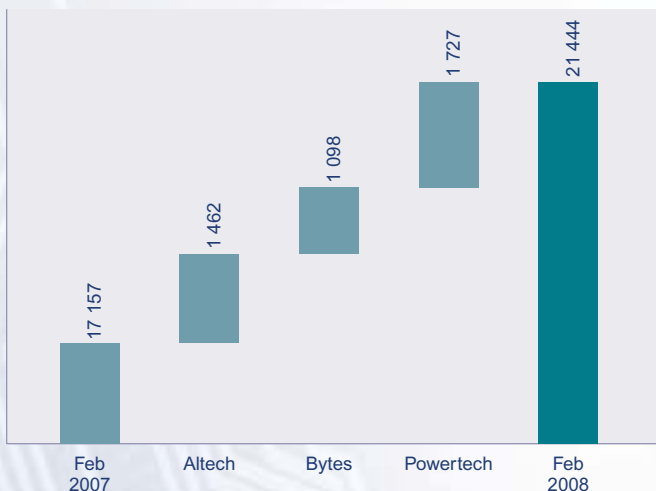
continually improve efficiencies;

grow organically through intelligent technology partnerships;

invest in our people and our businesses;

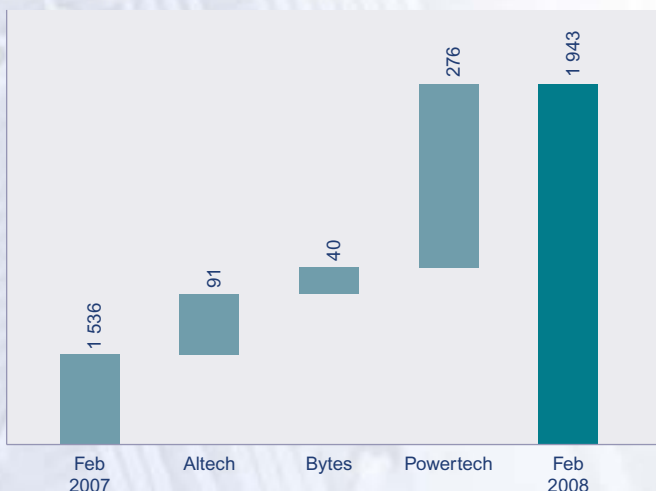
grow by seeking appropriate acquisitions in our chosen sectors; and

sustainable growth is underpinned by values and people and reflected in the care we take with our customers and our commitments – in equal measure.

Revenue bridge* (Rm)

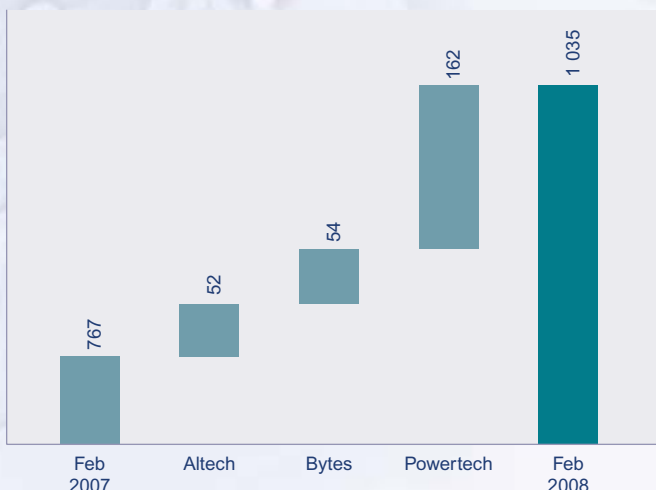
*Excludes corporate and financial services.

The revenue bridge indicates how Altron's revenue growth for the year was based on a strong performance by all three operations – Altech, Bytes and Powertech.

Operating profit bridge* (Rm)

*Excludes corporate and financial services.

Altron's growth in operating profit was largely driven by the improved profitability and growth of the Powertech businesses.

Headline earnings bridge* (Rm)

*Excludes corporate and financial services.

Altron's growth in headline earnings reflects Powertech's strong operating result, a good performance by Altech as well as an additional contribution from Bytes following the acquisition of their minorities.

BYTES

Bytes achieved revenue growth of 27% to R5.2 billion with particularly strong revenue growth of 89% coming from the international operations as a result of organic growth and acquisitions concluded in the past financial year. A substantial contribution came from a large contract with the UK's National Health Service (NHS). South African revenue growth was more modest at around 7% in challenging trading conditions.

Operating profit improved by 12% from R325 million to R365 million and headline earnings improved to R248 million, an increase of 23% compared to the prior year. Normalised operating margin declined from 8.0% to 7.2% mainly due to the increasing contribution of the lower-margin UK businesses to overall revenue. Excluding the NHS contract, the normalised operating margin at Bytes would have been 7.8%. Operating margins within the South African businesses were, on the whole, maintained while the UK business saw a marginal increase in their margins as the higher margin Xerox businesses started to increase their contribution.

Margin pressures are pervasive in the information technology sector due to commoditisation of production by Far East manufacturers, resulting in increased competition. Two of Bytes' South African businesses experienced the adverse effects of exchange rate movements, delayed orders and certain temporary supply issues. However, the Bytes group's international businesses showed excellent growth with increased operating profits and a substantially increased order book. Bytes also acquired a number of smaller niche bolt-on businesses in South Africa and the UK and continues to pursue opportunities to extend its IT portfolio of service offerings.

Chief executive's review *continued*

POWERTECH

Powertech again produced an excellent performance with a 27% increase in revenue to R8.0 billion on the back of a significant increase in power infrastructure spend, the continuing strength of commercial property development and strong demand from the mining industry. Operating profit increased by 43% from R638 million in the prior year to R914 million, while the operating margin improved from 10.1% to 11.4%. This improvement in operating margin is largely due to stronger trading conditions driving volume efficiencies which resulted in good capacity utilisation and effective cost management. Powertech's headline earnings improved by 39% to R577 million compared to R415 million in the prior year.

Aberdare Cables' local operation continues to perform well, growing revenue by 32% and improving its operating margin. This growth was assisted by the inclusion of an additional 11 months of trading from our telecoms joint venture which contributed R451 million for the year under review. Aberdare Cables' international operations exceeded R1 billion in revenue for the first time and produced improved operating margins. Powertech Transformers also benefited from the infrastructure spend, growing revenue in excess of 22%. Revenue in Powertech Batteries grew significantly and its operating margin also improved based on higher volumes. Powertech Industrial experienced a difficult year with import competition negatively impacting operating margins, but the rationalisation plans that were implemented have returned margins to normal levels.

In line with its strategy to create a significant service business to complement its existing marketing and manufacturing businesses, Powertech acquired the IST Group (Pty) Limited in a R504 million deal to offer a complete solution to its customers in chosen markets. The acquisition also enhances Powertech's skills

base and expands Powertech's base of key principals, alliance partners and customers through IST's long-standing association with major South African and international corporations.

While the power supply interruptions have had some negative impact on productivity, it has increased the demand for standby power solutions, and the IST business plays a key role in this area through co-generation projects, demand side management (DSM) and high-end standby power solutions. Similarly, Powertech Batteries and the newly established Powertech Energy Solutions unit have experienced dramatic growth in demand for standby battery, solar energy and other power solutions.

The cable business in South Africa compares favourably with the rest of the world in terms of delivery and capacity. Aberdare Cables' mixed offering of low, medium and high voltage cables has resulted in a broad customer base each with different dynamics. Low-voltage cables are, for instance, supplied through wholesalers with which the group has long-established relationships or directly to customers such as municipalities and Eskom, while medium-voltage cables are supplied to building contractors in a market characterised by cyclical demands and shorter lead times. To meet these demands, Powertech has expanded its capacity and will continue to do so by approximately 25% to 30% over the next three years.

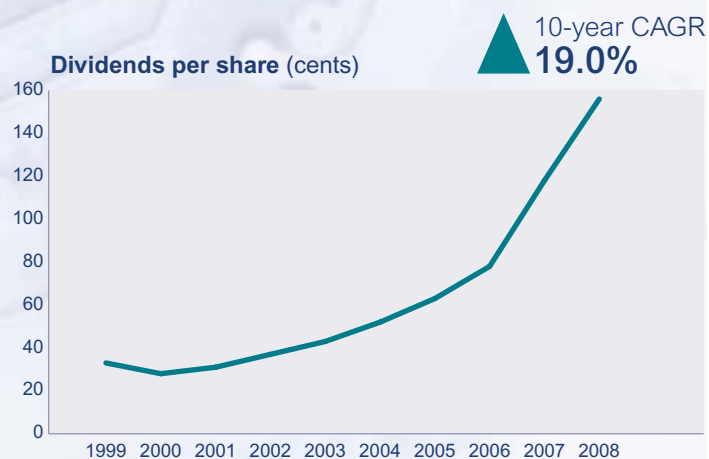
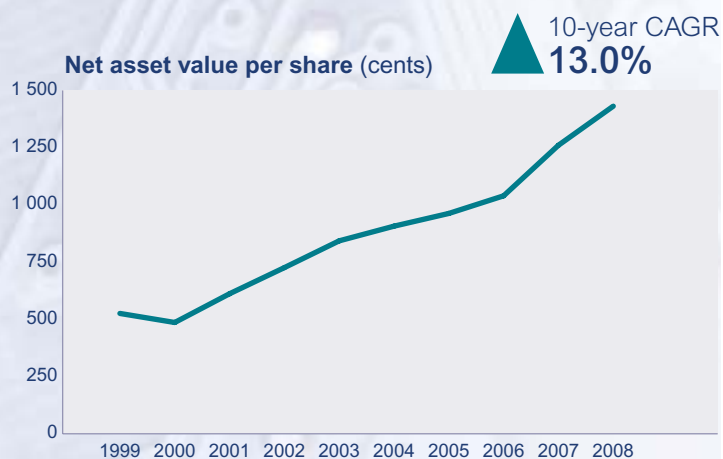
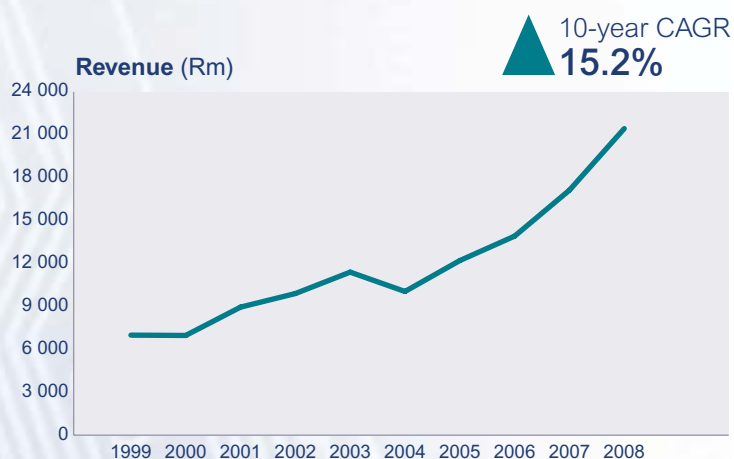
GROWTH DRIVERS

Our most significant growth drivers remain the increase in national infrastructural spend, the convergence of technology, the integration of acquisitions and the launching of new ventures, as well as the expansion of our global footprint.

Increase in infrastructural spend

The southern African and global markets require substantial spend to build new capacity and to maintain existing networks. Powertech has invested prudently to increase capacity and also





to improve efficiencies to best capitalise on this imperative infrastructure requirement. This investment is not limited to the power network, but includes the telecommunications arena as new fixed-line network operators build their initial networks and traditional wireless operators self-provide their own fixed-line fibre systems.

Technology convergence

The concept of technology convergence culminates in the offering to customers of voice, data and wireless media services over multiple distribution channels and devices. In the same way that the convenience and mobility of the cellphone revolutionised telecommunications, so we expect that technology convergence will offer similar growth opportunities. Our strategy has been to move up the value chain in order to provide services at the operator or near operator level.

By definition, technology convergence crosses various operating boundaries, requiring the liberalisation of markets for effective competition and deployment of services. While this has been slow to materialise in South Africa, we have kept to our vision of pursuing opportunities that exploit the convergence arena. Altech has formed a number of alliances and made acquisitions in the more liberalised markets of Central and East Africa, resulting in the formation of the largest IP-based data and telecommunications business in the region. The bridgehead thus established paves the way for exciting growth prospects in these emerging markets.

The African pay television market is set to double in the next five years, while in South Africa, new operators have been licensed for Pay TV. A further development is that the Digital Migration Project, which will convert South Africa's existing analogue system to a digital signal, is gaining momentum and is expected to be completed by 2012, presenting opportunities for Altech UEC.

Chief executive's review *continued*

Integration of acquisitions and launching of new ventures

Altron invested substantially in acquisitions during 2007/2008 and into 2008/2009 through purchasing the Bytes minorities, Swanib Cables in Namibia, Cables de Comunicaciones Zaragoza, IST, ComTech, certain subsidiaries within the Sameer ICT Group and ABB's 50% equity interest in Powertech Transformers. These transactions provide substantial opportunities for growth in our selected markets but require diligence in integration to release maximum benefit. Various start-up ventures in the standby power field also provide opportunities in markets not previously served. Within Bytes, two South African acquisitions which will provide over R400 million in annual revenue, are in the final stages of approval.

Global footprint

Our strategy of niche expansion in selected geographic markets has proved to be successful with 23% of our revenue now being derived from international businesses and exports. This is in line with our medium-term target of 25%. In addition to our acquisitions in the UK, Namibia and East Africa, new offices for existing products have been opened in Nigeria, Kenya, Tanzania, India, Hong Kong and Saudi Arabia demonstrating the Altron group's commitment to globalisation.

SUSTAINABILITY

Sustainability remains a key business driver throughout the group, and once again we include, within this annual report, a comprehensive sustainability report that deals with the most material sustainability challenges facing the Altron group. Among the most significant of these are the skills shortage in the ICT and engineering sector, transformation and

cost containment. (For details on these and other sustainability issues, refer to the sustainability report section on page 40).

Numerous intellectual capital projects across the group are making headway in developing a sustainable skills pipeline that will meet our skills requirements both immediately and in the long term. These include both external partnerships with educational institutions, and internal initiatives such as learnerships, training and capacity building. The newly established Altech Academy and other company training centres of excellence will, for example, provide invaluable training for our telecoms, IT, cable and transformer businesses.

Altron remains as committed as ever to bringing about meaningful transformation to the ICT industry and the business. Our transformation focus is ongoing and the group will be officially relaunching its Transformation Vision 2010 in the form of the updated Transformation Vision 2012 shortly. Vision 2012 will provide the framework for the achievement of transformation targets up to the year 2012.

FUTURE PROSPECTS

Looking to the future, the demand outlook for infrastructure spend continues to be promising, particularly in light of what is required to alleviate the recent electricity supply problems. It is anticipated that Altron will continue to experience solid growth for the forthcoming year as a result of these favourable market conditions. However, this is balanced by gaining a full appreciation of the significant profit base established over recent years and the more volatile macroeconomic and political environment.

All these factors provide a solid foundation for continued strong growth albeit at lower levels than those achieved in the last two years.



Corporate activity

The following significant transactions and developments have taken place during 2007/2008:

The acquisition by Powertech of the electrical engineering operations of the IST group for R504 million, effective 1 September 2007;

The acquisition by Altron of the minority shareholders in Bytes Technology Group Limited for R1.4 billion. Bytes was delisted from the JSE Limited on 15 January 2008;

The acquisition by Altech of ComTech for R53 million, effective 1 January 2008;

The purchase by Altron of an additional 3.7% of Altech for R187 million at an average price of R52.14 per share, thereby increasing its stake in Altech to 62%;

The acquisition by Powertech of local management's 25% equity interest in Cables de Comunicaciones Zaragoza, effective 1 August 2007 for €8 million;

The acquisition by Powertech of Swanib Cables in Namibia for R43 million, effective 1 March 2007.

Post year end:

The acquisition by Altech of 51% of certain subsidiaries of the Sameer ICT Group in Kenya for a maximum consideration of US\$75 million, effective 1 March 2008;

The acquisition by Powertech of the 50% stake it did not own in ABB Powertech Transformers from ABB for R320 million, effective 1 April 2008; and

The disposal by Powertech of Yelland Control to Omron Europe for R65 million, effective 1 April 2008.

ACKNOWLEDGEMENTS

The board would like to express its appreciation to all of its customers, staff, business partners, shareholders and other stakeholders for their contributions and continued support towards the growth of our group as one of the leading ICT and power electronics groups in Africa. I, in turn, would like to thank my executive committee for the excellent contribution and commitment made by them in achieving our goals, the chairman for his ongoing wise counsel and the Altron board for its continuing support and contribution.



Robert Venter

Chief Executive

