

Operational review – Altech



Operating at the intersection of telecommunications, multi-media and technology, the Altech group has further established itself as a service provider with cutting-edge technology and a solid reputation for reliable delivery and service during the year under review. Chief executive officer of Altech, Craig Venter, remarked that it is the group's objective to further achieve strategic positions in its chosen markets globally, while focusing on the development and ownership of intellectual property rights and the provision of value-added products, services and solutions.

Altech's growth drivers during the period under review included the leveraging of local market positions, growing annuity revenue, building an Internet Protocol (IP) delivery system and products as a foundation for expansion into Africa, and exploiting demand in India. Altech expanded its businesses in closely related areas such as digital TETRA wireless networks at Altech Alcom Matomo, digital TV at Altech UEC, its extensive wireless network technology for vehicle tracking at Altech Netstar and voice and data network service provision at Altech Autopage Cellular.

Telecommunications

Altech Autopage Cellular, the largest independent cellular services provider in South Africa, increased its number of new connections by over 14% in 2007, and continued its steady growth – it is expected to exceed its interim target of 1 million subscribers in the next financial year. The average revenue per user (ARPU) has also improved compared with the previous financial year.

Sales of mobile data services through add-on data bundles and cellular data connections provided a growing stream of revenue for the company. The broadband and data subscriber base now stands at over 41 000 subscribers.

Altech Autopage Cellular's existing channels to market – which comprise 150 franchise stores, the corporate sales force (supported by

branches in Durban, Cape Town, Port Elizabeth and Bloemfontein) and premium service provider Altech Supercall – have been supplemented by third-party call centres and distributors for data products.

Mobile Number Portability continues to generate a steady migration of "port customers" for the company. This removal of a long-standing barrier to open competition for subscribers in the cellular market has resulted in a net gain of 4 172 subscribers for Altech Autopage Cellular.

The trading environment for **Altech Netstar** has been good despite the slowdown in new car sales, following increased interest rates and the application of the National Credit Act. The company maintained its leading market share position as being South Africa's largest vehicle tracking company in the Stolen Vehicle Recovery market.

The **Altech Netstar Fleet Management** division experienced a remarkable growth of 70% in the commercial fleets and vehicles subscriber market due to the introduction of new technology solutions, which when combined with the newly acquired ComTech business, will see Altech Netstar Fleet Management emerge as a significant player with in excess of 20% market share at double its current size. It is further expected that smart technology and high-end products will augur well for the prospects of this business going forward. Recognition for Altech's commitment to excellence that has kept the company at the forefront of the market came at year end when Altech Netstar was awarded the highest accolade of the Technology Top 100 Awards, namely the 2007 Minister's Award for Overall Excellence.

Altech Stream successfully commissioned its trial Wimax network in Gauteng during the year under review and it is expected that the Wimax 802 standard will become the dominant wireless IP delivery technology to exploit opportunities presented by media convergence over broadband delivery systems. While liberalisation in the South African market is proceeding at a



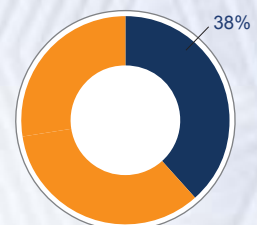
Reana Wolmarans, Altech group company secretary.

Altron shareholding: 62%

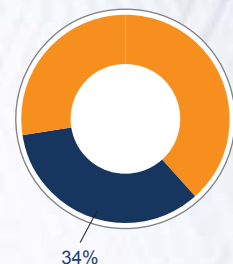
Revenue	R8.2bn	↑22%
Operating profit	R664m	↑16%
Operating margin	8.4%	→8.1%
HEPS	511c	↑23%
Cash	R1.6bn	
ROE	22.3%	→25.4%

Altech's contribution to Altron

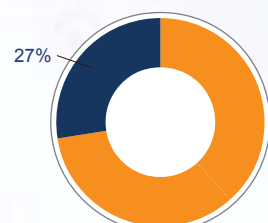
Revenue Feb 2008



Operating profit Feb 2008



Headline earnings Feb 2008





Wessie van der Westhuizen,
Altech chief strategic officer.

“Focus remains on
the development
of human capital.”

slow pace, opportunities in the rest of Africa are opening up and Altech has moved quickly to capitalise on these, gaining bridgeheads in key African markets. In June 2007, Altech Stream Rwanda was awarded internet and gateway licences, as well as a frequency spectrum in the Wimax bands. Already, the company is installing a network in Kigali, Rwanda, that will begin distributing IP-based services over broadband in the 2008 financial year.

In line with Altech's strategy to move up the telecoms value chain and expand its geographic presence in Africa, controlling interests were acquired in certain subsidiaries of the Sameer ICT Group in Kenya (Sameer) for a consideration of US\$75 million. This acquisition, which positions Altech as the largest data operator in Central and East Africa, sees Altech acquiring a 51% controlling interest in Kenya Data Networks Limited, Swift Global (Kenya) Limited and Infocom Limited. The business comes with cutting-edge IP data network infrastructure in the region, as well as operating licences for Kenya, Tanzania and Uganda.

Altech Alcom Matomo enhanced its performance with the completion of the R540 million contract for the SAPS Gauteng TETRA Radio System. During the year under review the company also exported radio systems into Africa, implemented significant telemetry system sales and supplied specialised telecommunications equipment to South African network operators. With its significant engineering and project management experience, this company is well placed to exploit further opportunities for the provision of similar systems throughout southern Africa and for the 2010 Soccer World Cup infrastructure projects.

Main picture

From left: Dr John Carstens, Altech chief financial officer, Craig Venter, Altech chief executive officer and Peter Curle, Altech executive director: corporate finance.



Operational review – **Altech** *continued*



Altech Alcom Radio Distributors, a leading distributor of Motorola two-way radio products in southern Africa via a network of authorised dealers, recorded satisfactory results and achieved significant sales of the Motorola Canopy broadband range of products which provide robust network IP-based digital radio links for digital networks.

Multi-media and Electronics

In foreign markets, and India in particular, **Altech UEC**, manufacturer and service provider of set-top-box decoders and associated software, recorded good results for the year, proving that sustained investment in the development of advanced set-top-box products and associated software is bearing fruit, even as consumer spending comes under pressure. Altech UEC is well positioned in India to capitalise on a market that is expected to surpass the entire African market within one year. Altech UEC has concluded contractual agreements with two of the major broadcasting networks in India. These are being serviced from subcontracted manufacturing facilities in South East Asia. It is expected that the Digital Migration Project, which will convert South Africa's existing analogue system to digital, will offer further opportunities for Altech UEC as it is scheduled for completion by 2012.

Arrow Altech Distribution has enjoyed solid growth during the year under review with several new product suppliers being added, allowing the offering of new products into new markets.

Information Technology

In Nigeria, the growth of **Altech NamiTech West Africa**, provider of GSM and CDMA cellular SIM cards, prepaid vouchers, and non-secure and secure cards for retail and banking, including EMV smart cards and magstripe cards, has proceeded at an astounding pace over the prior year. From starting out as a new entrant only three years ago, the company has become Africa's leading provider of prepaid vouchers

with sales of these vouchers in Nigeria growing from less than 10 million per month in 2006 to over 100 million per month by the end of 2007. Product enhancements, including cellular SIM cards and banking cards, are expected to add further value to the company's offerings in the financial and the telecommunication sectors. The South African operation has concluded its rationalisation programme, which consolidated all manufacturing activities into one facility. This has resulted in significant cost reductions, operational efficiencies and improved economies of scale.

Altech ISIS, a supplier of turnkey business support systems in South Africa and Africa, has fully integrated MobiMaster (renamed Altech ISIS France), which was acquired in 2006, into the group's systems during the financial year and product integration is progressing as planned. Existing customers have been retained and new orders have been received. In addition, the team in France is investigating a number of opportunities in the Middle East.

At **Altech Card Solutions**, substantial growth was experienced in card personalisation solutions and in its switching division. During the year under review it was awarded the Thales eSecurity distributorship for the supply of cryptographic solutions to the banking and government sectors and significant orders were received for EFTPOS terminals from the financial sector.



Johan Klein, Altech group executive: human resources and industrial relations and Natascha Jansen van Vuuren, human resources assistant.



Anton de Wet, Altech group financial manager and Tebalo Langa, Altech group assistant company secretary.



Johan Gellatly, Altech group executive: information technology.



Andy Baker, Altech chief operating officer.



Graham Passmoor, Altech group executive: wireless communications.



Steve Sidley, Altech chief technology officer.



“It is Altech’s objective to further achieve strategic positions in its chosen markets globally.”