

Operational review – Powertech

Powertech has shown significant growth over the past two years and is now operating off a significantly higher base than it was three years ago. This growth has been predominantly due to the increased infrastructure spend, the continuing strength of commercial property development and strong demand from the mining industry. Norbert Claussen, chief executive officer of Powertech, said that it was the group's strategy to create a significant service business to complement its existing marketing and manufacturing businesses, and consequently the group has acquired the electrical and mechanical engineering businesses of the IST Group (Pty) Limited for R504 million, effective 1 September 2007.

Powertech System Integrators

Powertech purchased the **IST Group (Pty) Limited** (excluding its defence and nuclear divisions) during the year under review. The five IST divisions acquired were Energy, Otokon, Data, Telecom and Industrial, and in the six-month period for which it was included in the Powertech numbers, the operation met expectations.

Powertech IST Energy experienced a strong year particularly as a result of the current energy crisis, as well as the expansion of the business from tele-control and protection systems to turnkey substations and turbine control systems. **Powertech IST Otokon** opportunities in energy metering and demand-side management were predominantly based on Eskom's usage reduction programmes where its main customers include the large energy users in the mining and industrial sectors. It is expected that Powertech IST Otokon's role in the co-generation projects at large power users will begin translating into opportunities in the year ahead. **Powertech IST Data** is active in providing operational software solutions to utilities and industry, including asset management, geographic information and workforce management software systems. The growth in the infrastructure asset base is expected to offer new prospects to the division.

Powertech

Powertech IST Telecom is active in access network turnkey solutions and the power back-up systems market, and is also starting to show success in growing its value-added telecommunications services. Ongoing focus on servicing the network roll-outs by the telecoms industry in South Africa and sub-Saharan Africa offers new opportunities. **Powertech IST Industrial** successfully realigned its business into the air and water pollution control environment over the past number of years. These include large projects with companies such as Highveld Steel and Lafarge and, together with the environmental protection trends and requirements, is expected to position itself in terms of offering new solutions in power generation and large industries. The business also won its first large contract in Africa for refurbishment of electrostatic precipitator installations in Mali. **TIS** experienced a much-improved performance for the period under review showing growth on both its top and bottom line. The acute skills shortages, position this division well to offer its engineering and installation services into the electrical and the telecommunications networks for the years ahead.

Powertech Cables

Aberdare Cables once again delivered exceptional results for the year with the strongest contribution from its local power cables operation. The offshore cable operations in the Iberian Peninsula, **Alcobre** and **Cables de Comunicaciones Zaragoza**, delivered particularly satisfactory results, while newly acquired **Swanib Cables**, the largest cables and electrical distributor in Namibia, made a very positive contribution in its debut year to Aberdare Cables' earnings. The joint-venture operation between Aberdare Cables and CBI-electric, **CBI-electric Aberdare ATC Telecoms Cables** delivered a profitable performance in its first full year contributing to Powertech Cables' results. **Aberdare Intelec** in Mozambique also delivered a good performance for the year.



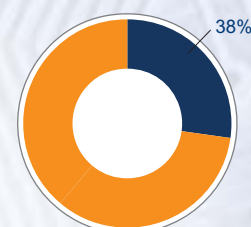
Seara Macheli-Mkhabela, Powertech group executive: corporate affairs.

Altron shareholding: 100%

Revenue	R8.0bn	↑27%
Operating profit	R914m	↑43%
Operating margin	10.1%	→11.4%
HEPS	R577m	↑39%
Cash	R336m	
ROE	21.3%	→25.4%

Powertech contribution to Altron

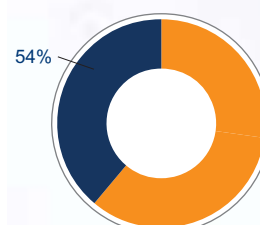
Revenue Feb 2008



Operating profit Feb 2008



Headline earnings Feb 2008





Elizabeth Defillo, Powertech group company secretary and Ronnie Krüger, Powertech group executive: supply chain management.

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The demand for electrical cable remained strong throughout the year and Aberdare Cables' local manufacturing and distribution facilities were able to effectively capitalise on major projects and gained an increased level of market share in the building and construction market due to its service capabilities and capacity. It is expected that these market conditions will remain favourable in the commercial and industrial building sector, although the National Credit Act and recent hikes in interest rates are expected to place a dampener on the residential housing market.

Material and metal prices, particularly copper, continued to rise during the year impacting on the value of inventories and associated stockholding costs, although a strong focus on inventory management offset the impact by year end. The operations have continued to invest in capacity in their manufacturing facilities and these investments have, to date, matched the rising demand. Further investments in capacity will be made over the next number of years.

Powertech Transformers

Powertech Transformers' good performance reflected a 23% increase in revenue with particularly good performance from the distribution transformer operation, **Desta Power Matla**. Due to the growth in revenue, as well as some operational challenges, working capital has increased during the year. It is anticipated, however, that by maintaining and improving on-time delivery and increasing capacity through enhanced productivity and the securing of raw materials, working capital will be reduced going forward.

Main picture

From left: Harry Coetzee, Aberdare Cables' chief executive officer, Hannes Visagie, chief executive officer: Powertech System Integrators and Norbert Claussen, Powertech chief executive officer.



Operational review – Powertech *continued*

The strong order books of both Powertech Transformers and Desta Power Matla over the past year indicate that the demand for power infrastructure is expected to continue over the medium term. The strong demand is, however, attracting outside competition, resulting in increased competition particularly in the distribution transformer market. Input costs due to substantial increases in raw material prices, such as core steel, mild steel, copper and transformer oil, continue to impact prices offered to customers. These same factors, combined with worldwide short supply and high demand, create challenges in ensuring availability of materials to manufacture transformers.

Powertech Batteries

Powertech Batteries recorded good growth compared to the prior year within its **Automotive** and **Industrial businesses** (incorporating the Willard and Sabat brands), and succeeded in gaining additional market share in the replacement market. The good results achieved in its UK operation further enhanced the automotive division's performance. The Industrial business's results were supported by strong demand from the mining and the materials handling sectors. This is expected to continue in the new financial year. **Battery Technologies'** performance remained steady despite limited business from Nigeria impacting its growth performance. This was partially offset with prospects from its East African operation, which was established during the second half of the year. This operation remains strong and it is expected to deliver a positive contribution going forward. In addition, as a result of the power crisis in the first quarter of 2008, some prospects for its domestic UPS systems have exceeded expectations and are also expected to have a favourable effect on the business.

Rentech felt the effects of reduced demand in the telecoms industry due to a change in technology, initiated by the operation, from rigid to flexible solar panels, that curbs the theft rate of the rigid panels. The power outages caused

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by Eskom's load-shedding activities in the first quarter of 2008 presented exciting opportunities for Rentech. These opportunities, which include the solar powering of traffic lights, standby power solutions and solar hot water systems, are expected to lift demand for autonomous power systems.

Powertech Industrial

Crabtree Electrical Accessories SA,

Powertech Industrial's largest business, managed to maintain its market share by focusing on the reduction of manufacturing costs resulting in low-cost strategic production units. These actions resulted in once-off restructuring expenses which suppressed its profits during the year but are expected to yield significant savings going forward. The company continued to develop new products and entered the standby power market supplying domestic diesel generator systems.

Powertech Calidus experienced extremely difficult conditions and was under pressure during the year under review, although the corrective action taken in terms of certain management changes resulted in a turnaround in the second half of the year. Further management intervention is, however, required to allow the operation to achieve its full potential.

Yelland Control delivered a solid performance and achieved growth of over 20% in all key areas for the year under review. It was subsequently sold to its principal Omron in a transaction that became effective on 1 April 2008.

Strike Technologies enjoyed an exceptionally good year, growing its revenue by 27% compared to the prior year. The company completed the launch of its new electricity meter and continued the development of new earth-leakage relays which will be launched in the new financial year. A new service division, **Powertech Energy Solutions**, an initiative to provide turnkey energy management services to medium and large enterprises, was established in partnership with a British firm, PS².



Vusi Sidinile, managing director: Desta Power Matla.



Tshepo Molope, managing director: Battery Technologies.



Herb Chikwanda, chief executive officer, Powertech IST.



Leon Viljoen, chief executive officer: Powertech Transformers, Kevin Burger, chief executive officer: Powertech Batteries and Pierre Nothard, chief executive officer: Powertech Industrial.



Regula Niehus, Powertech communications manager, Peter Riley, Powertech group executive and Neil Kayton, Powertech chief financial officer.

Tridonic.Atco SA experienced and operated in an extremely competitive market for the year under review, with limited opportunity for growth. However, it had a stable year, marginally improving its performance. Due to the size of its contribution this had a minimal impact on the Powertech results.



“It is Powertech’s strategy to build a significant service business to complement its current offering.”