

Chairman's statement



Dr Bill Venter Chairman



Introduction

The past year has arguably been among the toughest we have endured in several decades with our results being adversely impacted by the challenging economic environment and the parlous state of global financial markets.

The global downturn created by the international credit crisis resulted in the collapse of many stock markets and has had a severe impact on commodity prices. International recessionary conditions have since become prevalent in many developed and developing countries worldwide.

Regrettably, our energy cables business in Powertech – one of the largest operations in Altron – has been particularly affected by the significant slowdown in the building and construction industry and the sudden fall in copper prices during the second half of the year. This led to a significant drop in the operating profit at Powertech, which in turn impacted the whole group.

The expectation is, however, that government's focus on infrastructure spend to create economic growth and jobs, will hopefully create an environment conducive to demand for Powertech's diverse range of products and services.

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up new opportunities for Altech. In particular, our investment by Altech in the Sameer ICT Group in East Africa is performing well and offering exciting opportunities. Altech is also seeking investment opportunities in several international undersea cable projects that will service the East Coast of Africa and will substantially reduce the cost of international connectivity of businesses in this region.

Local financial institutions have come under pressure due to the combined effect of the international financial crisis and higher bad debt charges. As a result, margins on supplier business into this sector are under pressure and there is a tendency to delay and even cancel projects which has impacted the Bytes group to some extent.

Our diversified portfolio of products and services has been a key factor in sustaining our performance during these difficult times. Even so, we have moved into the new financial year cautiously, while maintaining the financial flexibility to adapt quickly and make effective capital deployment decisions should the need for expansion or essential acquisitions arise.

Results

Our results closely reflected those outlined by the board in our trading statement issued in February. Despite challenging market conditions, we were pleased to record an increase in revenue to R24.8 billion, representing a 16% increase over the previous year. Unfortunately, as a result of various factors discussed and primarily the performance of Powertech, our adjusted diluted headline earnings per share declined by 18%.

Altron's view of sustainable growth

Sustainable growth is driven by a long-term commitment to:

- » our identified mission and strategy;
- » continually improve efficiencies;
- » growing organically through its partnerships;
- » invest in our people and our businesses;
- » grow by seeking appropriate acquisitions in our chosen sectors.

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



Looking ahead to the next six months, we believe it is certainly going to be difficult, necessitating that we keep a tight rein on our debtors, manage our working capital more cleverly, watch our expenses and ensure that we are highly efficient in all areas of our business.

In this regard we have continued to make essential investments in the technology and infrastructure arena that will enhance our ability to keep on diversifying our group in our chosen areas of activity and assist us in providing improved returns and above-average growth over the long term.

Sustainability

Altron has always subscribed to the credo of delivering maximum value to our shareholders, but certainly not at any cost to the business, the community or the environment. It is for this reason that we pride ourselves on our sustainability track record over the years as is evidenced by our triple-bottom line reporting set out in this report.

I am especially delighted that Altron has recently become the first listed company in South Africa to be independently accredited vis-à-vis its corporate governance structures and practices. Altron received a gold class rating and as such has improved on its silver award of the previous year.

This once again reinforces my view that we must never lose sight of our vision which has stood us in such great stead for the past 44 years. We remain committed to our core principles, culture and values that drive our business each day.

Transformation

Transformation remains one of the key focus areas for our group and, in this regard, significant progress has been achieved by our various group companies during the year. I am pleased to report that Altron's rating in the *Financial Mail/Empowerdex* Top Empowerment Companies Survey for 2009 indicated that we have indeed made significant progress in our broad-based black economic empowerment (B-BBEE) drive, and these issues are dealt with in more depth in our sustainability report.

Overall, the group's strategy towards transformation is to strive to achieve the targets set out in our Transformation Vision 2012 document. We believe that transforming our group companies is not simply a matter of complying with legislation, but forms part of our long-established strategic philosophy in assuring our group's future sustainability.

Altron continues to place increased focus on its B-BBEE board representation and, since February 2008, has appointed Barbara Masekela, the former SA ambassador to France and the US, as well as business-woman, Dawn Mokhobo, to its board. Gauteng entrepreneurs, Zakhele Sithole and Moses Sindane, were, in turn, appointed to the Altech board. I am pleased to welcome them all to the Altron family and am delighted to note their significant contribution to our decision-making processes.

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Our people

The development of our people remains a key priority, especially given the severity of the global skills shortage in both the IT and engineering fields. Consequently, we are paying particular attention towards ensuring that we attract and retain the best skills in the industry.

During the year, Altron undertook a comprehensive review of all of its skills development training initiatives. This resulted in the launch of a leadership development programme offered to the Altron Young Presidents' Club to ensure that executive training at this senior management level is aligned with the longer-term strategic skills requirements of the group. In partnership with the Altech Academy, Altron now offers Altron YPC members a two-year leadership development programme, culminating in a master's degree in the Management of Technology and Innovation.

The Altech Academy, which enjoyed its inaugural year during 2008 with 98 students, plays a critical role in meeting skills pipeline requirements for Altech as well as the group. Bytes Peoples Solutions also continues to make a valuable contribution to skills development in the Bytes group and has had particular success with its black learner programme.

Our stakeholders

Altron's customers, suppliers, business partners, as well as our other stakeholders, remain the mainstay of our business and are central to the sustainability of many of our operations.

The environment

Altron values the importance of environmental sustainability as an important part of triple bottom line corporate responsibility. In quantifying how our business impacts the environment, we are guided by a number of independently commissioned audits, international standards, the JSE SRI Index and the requirements of the Global Reporting Initiative's G3 framework.

Outlook

It is not clear when the current, difficult economic situation will improve, but it seems likely that conditions will continue at least over the medium term as both market and consumer confidence is expected to remain weak. Uncertainty remains in the local economy in light of the post-election socio-political situation and future economic policies of our new government. However, initial indications in this regard appear positive.

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Chairman's statement continued



Naturally, there is a measure of deep anxiety about where the world of business is headed, and this is understandable and appropriate. However, we are confident that our group is well positioned to meet the tough challenges ahead. In fact, one of our key strengths is to timeously recognise and participate in major transitions in the fast-changing world of technology, especially in the ICT sector. We intend to adapt quickly and efficiently to benefit our bottom line and future prospects.

Exciting developments are taking place in many of the sectors in which we operate and we will leverage off these opportunities to grow our group. Tough times inspire companies to take a closer look at themselves and our group is certainly no exception. We are already assessing our entire portfolio to see where services can be shared and knowledge pooled.

Our executive team, under the capable leadership of our chief executive, Robbie Venter, is pursuing every avenue to consolidate our businesses, control expenses, focus on cash flow and working capital management, concentrate on niche markets, work smarter and improve productivity. Robbie and his team are to be thanked for their astute and professional leadership of the group in these difficult times. I firmly believe that when the economy rebounds, we will be well prepared to capitalise on our financial strength, our market leadership and the competence of the Altron people with their passion to serve as well as their commitment to innovation.

Acknowledgements

On behalf of the board, I wish to express my deep and sincere appreciation to all of our customers, employees, business partners and other stakeholders for their ongoing support during a very difficult period in our history and for their continued belief in the future sustainability of the group and its strong underlying businesses.

I would also like to take this opportunity of thanking members of the board for their wise counsel during these very difficult times. They have brought significant strategic

and commercial experience to our group. In this regard, it gives me great pleasure to also welcome Norman Adami as an independent non-executive director to our board.

A public announcement was made during the year advising that I have decided to step down as full-time chairman of Altron and become non-executive chairman. I will, however, continue to serve as non-executive director and/or non-executive chairman on various boards within the group and will remain a member of our nomination and remuneration committees.

It behoves me to recognise over 30 years of dedicated service by our senior executive director in the office of the chairman, Dr Harold Serebro, who has played a meaningful role in building the Altron group into the leadership position that it holds today. He has held directorships in Altron, Altech and Powertech and his expertise in global markets has built the Altron group purchasing and export councils into the pre-eminent role they currently hold, yielding revenue in excess of R2 billion from 76 countries worldwide. On behalf of the shareholders, directors and staff of the Altron group, we wish him well on his retirement later this year and greatly appreciate his undertaking to assist the group, whenever it may be necessary in the future.

As founder of this group in 1965, it has always been an honour and a privilege to be an integral member of our talented, passionate and dedicated team of people at Altron. Despite the difficult economic scenario in which we find ourselves, I remain excited and enthusiastic about what the future holds for this fine group.

Dr Bill Venter – Chairman

May 2009

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