

Review of operations

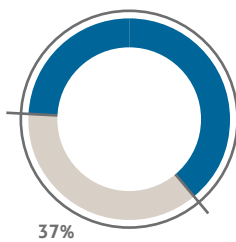


Altech

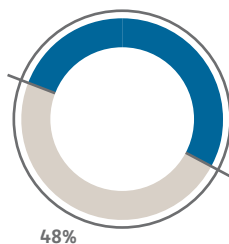
Altech delivered a strong set of results for the financial year ended 28 February 2009, with adjusted headline earnings per share growing by 15% to 592 cents per share. Revenue increased by 11% to R9.2 billion from R8.2 billion in the prior year. Operating profit improved by 32% to R874 million with a significantly improved operating margin of 9.5%. Net asset value per share increased by 15% from 2 026 cents to 2 328 cents while return on shareholders' equity remained strong at 24%. A dividend of 323 cents per share was declared, representing an increase of 12%.

Annuity income increased to 79% of the total revenue in 2009 and foreign and export revenue increased by 56% from R1 billion in 2008 to R1.6 billion. Altech concluded the year with a strong balance sheet reflecting net cash of R911 million, notwithstanding substantial acquisition and investing activity totalling in excess of R1 billion.

Contribution to Altron revenue



Contribution to Altron EBITDA



79%

annuity income contribution to revenue

56%

increase in export and foreign revenue



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Telecommunications

Wireless Communications

Altech Autopage Cellular was awarded licences to own and develop its own telecommunications network. The company recorded strong growth of 195 945 gross connections for the period, increasing its subscriber base for post- and prepaid connections to pass the landmark 1 million subscriber level compared to 917 000 subscribers in the prior period. The prepaid subscriber base continues to grow steadily, up 17% on previous year levels.

Sales of electronic prepaid vouchers continued to grow, particularly through Absa channels, point-of-sale terminals and our own franchised outlets. Sales of mobile data services through add-on bundles and cellular data connections are providing an increasingly important revenue stream for the company. The broadband and data subscriber base has reached 74 000 (from 41 000 in the previous year) and is rising steadily.

In August, Altech Autopage Cellular signed a channel partnership agreement with Neotel, South Africa's new telecommunications network, to provide a nationwide retail distribution point for Neotel's entire product range through 150 franchise stores, allowing customers to purchase 'off the shelf' fixed-line, voice and data products.

Subsequent to year-end, Altech acquired the established internet service provider (ISP) and IT company, **Technology Concepts**. Despite operating in a competitive market, almost two thirds of Technology Concepts' business is based on annuity income. This acquisition is expected to lead to significant synergies.

Despite the substantial decrease in motor vehicle sales during the year, exacerbated by high interest rates and the impact of new credit legislation, **Altech Netstar**, South Africa's largest vehicle tracking company and leader in stolen vehicle recovery (SVR), proved its resilience and continued to deliver strong results. The company now manages a subscriber base in excess of 473 000 vehicles in the Altech Netstar Group, with the value of protected vehicles exceeding R6 billion.

New regional offices were established in East London, Newcastle and Richards Bay, and satellite offices set up in Welkom, Kimberley and George, further enhancing **Altech Netstar's** national presence. In a joint venture with ITIS Holdings plc of the United Kingdom, **Altech Netstar Traffic** is nearing the completion of the testing phase, and has already been awarded the first stage of the Johannesburg Road Agency's traffic project. This initiative enables Altech Netstar Traffic to provide a range of traffic



Review of operations continued



information services to subscribers using advanced technology and systems developed and provided by ITIS internationally. **Altech Netstar Fleet Solutions** has recorded outstanding results. Following several notable contract awards against more established competitors, its subscriber base has increased to over 52 000, almost double the level of the prior year.

Altech Alcom Matomo provides a number of radio and telemetry products and solutions for various customers. The company again recorded a solid performance, reflecting good management of multiple-year contracts and an expanded network of clients in South Africa and further afield.

The R540 million project for the South African Police Service (SAPS) in Gauteng is effectively completed. The company is now implementing a range of projects for police services in neighbouring countries and significantly upgrading the City of Cape Town's communications network, and fulfilling orders for the national power utility and certain municipalities.

Unfortunately, the company was unsuccessful in its bid for the SAPS Eastern Cape tender, but remains committed to the upcoming SAPS KwaZulu-Natal tender.

Altech Alcom Radio Distributors recorded a commendable performance and was again named as Motorola's top distributor for Europe, Middle East and Africa.

Broadband sales continued to rise, reflecting steady demand for these robust internet protocol-based digital radio links for digital networks. The introduction of the digital radio range, augmented by proprietary application software for efficient personal and vehicle tracking, is presenting numerous opportunities for further growth.

Converged Services and Connectivity

The acquisition of 51% of the Sameer Group's ICT assets has been a significant success, rapidly forging a group of interconnected telecommunications companies, **Altech Stream East Africa**, into a group-managed portfolio that is on track to meet expectations.

Kenya Data Networks (KDN) produced solid results for the period, mostly attributable to strong growth in the East African ICT sector and further developments in the KDN fibre network. This growth is expected to continue, supported by KDN's strengthened position as the infrastructure provider of choice in Kenya after winning the total network rollout of the new GSM entrant and other significant contracts. The company has opened a subsidiary, Africa Digital Networks Limited, based in the Democratic Republic of Congo.

The landing of the undersea data cable, Seacom, remains on track for July 2009 and is set to both grow the overall ICT sector in East Africa and enhance KDN's ability to distribute data capacity to the entire East African community. KDN will be an 11% shareholder in the Kenyan government TEAMS undersea fibre cable project. This will provide additional landing points as well as redundancy.

It has been a year of consolidation and rationalisation for **Swift Global (Kenya)** across products and services. The company's technical platforms have been integrated into the KDN structure where it will provide last-mile connectivity and value-added services to ICT markets in Kenya.

Infocom is the leading internet service provider brand in Uganda and is recognised as a technologically strong services entity. In addition, it holds very attractive telecommunications infrastructure and service licensing rights within Uganda. Infocom is well positioned to generate strong revenue and income from distributing the pending undersea data cable capacity to Uganda, and also provides the vital link between KDN and Altech Stream Rwanda.

Altech Stream Rwanda is a start-up broadband network and internet service provider (ISP), which was granted the necessary internet and gateway licences in June 2007. By year-end, the business had completed the rollout of an outdoor WiFi network for consumers and a WiMax network for corporate customers, both covering most of Kigali, the capital city. The company is well positioned to achieve market leadership in Rwanda through the distribution of undersea bandwidth capacity and interconnect facilities.

Multi-media and Electronics

At **Altech UEC** the benefits of sustained investment in developing advanced technologies and products were reflected in decoder production doubling to nearly two million units. Exports to India and Australia are growing strongly.

Building on the success of the dual-view PVR launched in the prior period, which rapidly saw more than 640 000 sold around the globe, Altech UEC will launch the high-definition PVR during 2009. In addition to increasing South African sales, the company has received orders for high-definition PVRs to the Middle East.

Continuing this sterling record of innovation, Altech UEC completed development of MediaGate, which allows the user to download a movie from a kiosk onto a flash drive, and then play it at home through a low-cost Internet Protocol (IP) set-top box. Ahead of the proposed South African Digital Migration programme, Altech UEC has developed a terrestrial set-top box and is participating in trials for both the SABC and pay-TV operators.

Arrow Altech Distribution's response to difficult economic conditions and consistent performance from all the company's technology groups resulted in a solid operational performance for the year. Opportunities in energy and demand-side management are being explored, with strong upside potential in the short to medium term.

Technology (information technology)

Altech Isis performed satisfactorily for the review period, strengthening its customer base for its ground-breaking real-time converged customer care and billing product. To meet market demand, the company has increased its systems integration capability, entrenching its position as a reputable supplier of turnkey business support systems in South Africa and Africa.

Altech Isis France has improved its trading performance for the period under review. The company is actively exploiting synergies within the Altech group, and addressing opportunities in other geographic territories.

Altech NamITech West Africa located in Lagos, Nigeria, manufactures prepaid cellular vouchers for all five major telecommunications operators in the country and is currently producing over 75 million prepaid vouchers per month. Several sizeable contracts were secured in 2008.

The company was successful in lobbying to have a 5% of turnover excise duty proposed by the Nigerian government removed, effective from January 2009. In 2009, the company will expand its product lines by adding the capability to supply initialised and personalised chip card products to both telecommunications operators and financial institutions.

Continuing the trend of recent years, **Altech Card Solutions** delivered excellent results for the period. Point-of-sale and PIN pad solutions for leading financial institutions are progressing on schedule, and additional orders have already been received for the next two financial years. Growth in the electronic security division has exceeded all expectations for the year.