Allied Electronics Corporation Limited

(Incorporated in the Republic of South Africa)
(Registration number 1947/024583/06)

Unaudited consolidated interim financial results for the six months ended 31 August 2000

- Turnover up 14%
- Operating income up 8%
- Headline earnings per share up 11%
- Strong balance sheet
- Offshore revenue of R532 million

Income Statement

Figures in R000

	% Change	**Six months ended 31.8.2000**	Six months ended 31.8.1999	Year ended 28.2.2000
Revenue	**13.8**	**3 993 386**	3 510 481	6 971 569
Operating income	**7.6**	**302 785**	281 486	540 204
Dividend Income		**2 853**	18 637	41 179
Net interest income		**33 347**	56 418	81 434
Income from associates		**9 209**	8 131	12 988
Exceptional items (Note 1)		**77 256**	(2 956)	10 751
Income before taxation		**425 450**	361 716	686 556
Taxation		**82 093**	103 707	188 818
Income after taxation		**343 357**	258 009	497 738
Attributable to outside shareholders		**(134 934)**	(140 282)	(243 050)
Attributable earnings		**208 423**	117 727	254 688
Basic earnings per share (cents)		**72.4**	41.0	88.6
Headline earnings per share (cents)	**10.6**	**45.8**	41.4	84.9
Dividend per share (cents)		**-**	-	28.0
Weighted average number of shares in issue (000)				
- ordinary shares		**96 974**	96 861	96 878
- participating preference shares		**191 069**	190 476	190 563

Notes:

1. *Exceptional items*			
Losses incurred on discontinuance of operations	**(1 463)**	**(2 956)**	(7 211)
Net surplus on disposal of investment	**82 718**	-	17 962
Impairment losses	**(2 601)**	-	-
Restructuring costs	**(1 398)**	-	-
	77 256	**(2 956)**	**10 751**

2. *Reconciliation between earnings and headline earnings*			
Attributable earnings	**208 423**	117 727	254 688
Amortisation of goodwill	**5 005**	-	-
Loss on change of holding in associate	**648**	-	-
Exceptional items - gross	**(77 256)**	2 956	(10 751)
	136 820	120 683	243 937

Tax effect of above adjustments	**(419)**	(887)	(2 163)
Outside shareholders' interest	**(4 428)**	(750)	2 323
Headline earnings	**131 973**	119 046	244 097

3. The group changed its accounting policies for land and buildings and goodwill. Previous revaluations of land and buildings of R35,8 million were reversed and an additional R0,8 million (Feb 2000: R1,5 million) of depreciation provided. The accounting policies and methods of computation followed in this report are consistent with statements of Generally Accepted Accounting Practice.

4. It is group policy for the annual dividends to be declared after the end of the financial year.

5. Diluted earnings per share and diluted headline earnings per share are not materially different from basic earnings per share and headline earnings per share respectively.

Balance Sheet

Figures in R000

	Six months ended 31.8.2000 (unaudited)	Six months ended 31.8.1999 (unaudited)	Year ended 28.2.2000 (audited)
Assets			
Non-current assets	**1 763 477**	1 855 952	1 752 017
Fixed assets	**568 490**	576 276	566 359
Goodwill	**114 261**	-	-
Advances to rental finance customers	**731 911**	528 075	623 980
Investments and loans	**299 736**	733 574	521 726
Deferred taxation	**49 079**	18 027	39 952
Current assets	**3 830 927**	3 452 179	3 197 384
Inventories	**1 180 343**	1 210 097	1 120 323
Accounts receivable	**1 642 020**	1 350 074	1 234 369
Net cash and cash equivalents	**1 008 564**	892 008	842 692
Total assets	**5 594 404**	5 308 131	4 949 401
Equity and liabilities			
Ordinary shareholders' interest	**1 632 132**	1 571 723	1 412 442
Outside shareholders' interest	**1 423 691**	1 453 492	1 321 815
Non-current liabilities	**582 087**	350 845	384 900
Deferred taxation	**39 997**	29 194	53 348
Current liabilities	**1 916 497**	1 902 877	1 776 896
Total equity and liabilities	**5 594 404**	5 308 131	4 949 401
Net asset value per share (cents)	**566.0**	546.9	490.6
Shares in issue at end of period (000)			
- ordinary shares	**96 979**	96 874	96 973
- participating preference shares	**191 392**	190 536	190 926

Statement of changes in equity

Figures in R000

	Six months ended	Six months ended	Year ended

	31.8.2000 (unaudited)	31.8.1999 (unaudited)	28.2.2000 (audited)
Balance at start of period	**1 412 442**	1 510 439	1 510 439
Changes in accounting policies	**-**	(17 045)	(17 045)
	1 412 442	1 493 394	1 493 394
New share issues movement	**2 251**	1 028	3 023
Reduction in equity as result of subsidiary company acquiring its own shares	**5 236**	-	-
Attributable earnings	**208 423**	117 727	254 688
Dividends	**-**	-	(80 664)
Net gains and losses not recognised in the income statement	**3 780**	(40 426)	(257 999)
Revaluation of property and investments	**(11 817)**	-	26 986
Foreign currency translation	**22 141**	(7 688)	3 387
Goodwill on acquisition	**-**	(24 683	(281 338)
Other movements	**(6 544)**	(8 055)	(7 034)
Balance at end of period	**1 632 132**	1 571 723	1 412 442

Cash flow statement

Figures in R000

	Six months ended 31.8.2000 (unaudited)	Six months ended 31.8.1999 (unaudited)	Year ended 28.2.2000 (audited)
Operating activities	**154 212**	11 043	115 963
Cash generated by operations	**406 878**	328 202	615 071
Investment income	**36 200**	75 055	120 373
Changes in working capital	**(68 162)**	(88 305)	(50 336)
Finance costs	**(46 210)**	(63 745)	(328 928)
Taxation paid			
Cash available from operating activities	**328 706**	251 207	356 180
Dividends paid, including to outside shareholders	**(174 494)**	(240 164)	(240 217)
Investing activities	**(188 834)**	(379 928)	(623 638)
Financing activities	**78 595**	112 759	202 233
Cash acquired in acquisitions	**121 899**	1 925	1 925
Net funds (utilised) / generated	**165 872**	(254 201)	(303 517)

Operational contribution

Figures in R000

Headline earnings:	**% held 31.8.2000**	**Six months ended 31.8.2000**	**%**	Six months ended 31.8.199	%	Year ended 28.2.2000	%
Altech		**51 573**	**39.1**	35 959	30.2	86 002	35.2
Powertech		**33 283**	**25.2**	35 492	29.8	72 458	29.7
Fintech		**25 588**	**19.4**	31 741	26.7	65 134	26.7
Altron Corporate		**21 528**	**16.3**	15 854	13.3	20 503	8.4
		131 972	**100.0**	119 046	100.0	244 097	100.0

Revenue:

Altech	**1 745 318**	**43.7**	1 497 450	42.7	3 058 586	43.9
Powertech	**1 522 956**	**38.1**	1 264 724	36.0	2 451 019	35.2
Fintech	**712 908**	**17.9**	748 307	21.3	1 461 593	21.0
Altron Corporate	**12 204**	**0.3**	-	0.0	371	0.0
	3 993 386	**100.0**	3 510 481	100.0	6 971 569	100.0

Supplementary information

Figures in R000

	Six months ended 31.8.2000 (unaudited)	Six months ended 31.8.199 (unaudited)	Six months ended 28.2.2000 (audited)
Amortisation	**5 005**	-	-
- goodwill	**5 005**	-	-
- intangible assists	**-**	-	-
Borrowings	**441 924**	353 757	441 988
- interest bearing	**415 707**	327 532	416 238
- non-interest bearing	**26 217**	26 225	25 750
Capital commitments	**30 807**	10 699	32 988
Capital expenditure	**58 955**	73 020	129 724
Contingent liabilities	**24 408**	45 410	4 221
Depreciation	**69 495**	60 071	123 772
Impairment losses	**2 601**	-	-
Lease commitments	**212 244**	219 342	217 139
Listed investments			
- carrying amount	**153 787**	264 034	146 776
- market valuation	**124 390**	226 880	170 743
Unlisted investments			
- carrying amount	**145 949**	466 230	370 514
- directors' valuation	**145 949**	466 230	370 514

Message to our shareholders

Financial overview

As indicated at year-end, the first six months of the year were anticipated to be difficult. However, notwithstanding difficult trading conditions experienced by certain operating companies within the group, your directors are pleased to report satisfactory results for the half-year ended 31 August 2000.

Turnover improved by 14% from R3,5 billion to R4 billion while operating income rose by 8% from R281 million to R303 million. Attributable earnings increased by 77% from R117,7 million to R208,4 million with basic earnings per share at 72,4 cents. Headline earnings per share rose by a credible 11% from 41,4 cents to 45,8 cents.

The balance sheet continues to remain strong with cash and cash equivalents at R1 billion. Offshore cash holdings of R245 million have been consolidated into the group balance sheet as a result of the unbundling of the offshore assets which had previously been equity accounted. Net asset value per share increased from 546,9 cents to 566,0 cents.

Business activities

Altech

Altech recorded excellent results for the period under review and reported headline earnings per share of 91,9 cents from 64,1 cents, an increase of 43,3%. Altech's strategies of capitilising on the worldwide convergence of the technologies of telecommunications, multimedia and information technology ("TMT") sectors, has paid dividends.

Alcatel Altech Telecoms ("AAT") achieved satisfactory results for the first six months despite the slow down in the general telecommunication market. AAT has been selected as a supplier to Vodacom for its Wireless Application Protocol ("WAP") platform which provides significant opportunities for the success of the newly established Network Application Division. Telkom has placed an initial order for the latest generation of ADSL ("Asynchronous Digital Subscriber Line"). This technology is considered to be one of the fastest growing sectors of the telecoms market.

Autopage Cellular delivered a strong performance and together with Mobile Direct and Supercall Cellular, Autopage Cellular has positioned itself as the leading independent cellular service provider in South Africa. The group s cellular subscriber base is now some 400 000 subscribers, many of whom are corporates.

Arrow Altech Distribution, the group's electronic components distribution arm, reported a good performance. The restructuring of certain divisions coupled with the disposal of the Test & Measurement division, has resulted in the company achieving a much greater degree of focus and a return to profitability. The Intel franchise holds promise for the future.

UEC Technologies ("UEC"), Altech s multimedia subsidiary, performed exceptionally well during the period under review and exceeded its budgeted operating profit handsomely despite worldwide component availability problems. It enters the second half of the current year with an excellent order book in excess of R300 million. 55% of UEC's turnover is already offshore related.

Altech Smart Card Technologies ("ASCT") successfully leveraged off its market position to engage in several local smart card solution problems, particularly in the identification, biometrics, health, e-ticketing and leisure markets.

Isis, a leading IT solutions company, continues to deliver value added software solutions to its clients and the novel iCAP system developed for Vodacom, is a state-of-the-art solution to the problem of providing a seamless view of a subscriber, while coping with the reality of a number of disparate legacy systems.

Altech is confident that it will continue to show significant growth for the remainder of the year. Altech will continue to pursue its globalisation strategy by actively evaluating strategic acquisitions and exports.

Powertech

Powertech produced better than expected results with headline earnings per share declining by only 8% to 20,7 cents per share. This was mainly as a result of difficult market conditions together with pressure on margins and reduced interest income.

The downturn in the local market for fibre optic cable lead to highly successful export drive resulting in Powertech being qualified as a supplier to telecom operators in Europe, United Kingdom and Africa. Significant orders have already been secured from blue chip customers including Corning, British Telecom, Cable & Wireless, and others. The benefit of this will be evident in the second half of the year. **Lambda Cables**, the country's largest data cable group produced excellent results. The power systems group headed by **Willard Batteries** performed well especially in the solar systems and telecom supply markets.

ABB Powertech Transformers recorded another exceptional half-year with its factory fully loaded for the remainder of the year of which a large percentage of the orders on hand are for export to the USA/Mexico and the UK. The **Power Cable and Electric Accessories** businesses continued to experience difficult local market conditions and while turnover was in line with the previous half-year, margins were eroded somewhat. The metallic telecoms cable activities is expected to benefit by the roll-out of ADSL technology.

Just after the period under review, Powertech acquired a majority stake in **Cables de Communicaciones** in Zaragoza, Spain's leading metallic telecommunication and data cable group. This company, with an annual turnover in excess of R400 million and 340 employees, is an important supplier to Spanish telecommunications providers and has a strong export presence in Europe and South America. The acquisition well positions Powertech to serve fast growing telecommunication market world-wide.

During the period under review Powertech repurchased 2,9% of its issued shares at a cost of R23 million.

Fintech

Fintech's results were regrettably below expectations mainly as a result of the reduction in turnover and operating income recorded by Fintech's Information Technology and Communications division which resulted in Fintech reporting a decline in headline earnings per share of 19,8% from 39,9 cents to 32,0 cents. However, notwithstanding the difficult conditions experienced by this division, the Financial Services division, through **Technologies Acceptances**, again improved its market share and achieved an impressive growth in capital financed of 39% while its operating income improved by 11%. A continuing high rate of growth of capital financed is expected to continue for the remainder of the year. The Document Management division, through **Xerox South Africa**, recorded excellent results with revenues, margins and operating profit up by some 21%. This growth is attributable to improvements in all operating units including document processing products, outsourcing and services coupled to increased market share and strict expense controls.

As expected the Information Technology and Communication division was impacted by the continued rationalisation within the branch network of retail banks, traditionally the largest customer of this division.

While solid performances are expected from both the Document Management and Financial divisions, Fintech is not expecting a rapid turnaround from its Information Technology and Communications division. As a result, the level of last year's earnings may not be maintained for the full year.

USKO

The 19,7% direct equity stake in USKO did not impact group earnings during the period under review. Subsequent to the current reporting date and as a result of Fintech underwriting the recent USKO rights offer, Fintech acquired a 34,9% stake in USKO, which has resulted in the group interest in USKO increasing from 19,7% to 54,6%. The Altron Group shareholding in USKO is being reviewed as part of the group restructuring initiative and it is anticipated that Altron will consolidate the second six months' earnings of USKO to 28 February 2001.

A strategic review of USKO's activities has been undertaken with corrective action implemented. A considerable amount of restructuring effort has been devoted to this group and good progress has been made especially with the Medeswitch group and USKO's offshore operations. Shareholders are advised to refer to the USKO interim results announcement which is scheduled to be published in the Press on Friday 13 October 2000.

Group Restructuring

On Friday 7 July 2000, Altron announced the commencement of a process, which will culminate in a restructured group. The restructure, together with certain management changes, will achieve business focus within the operations, reduce the entry points for investors and unlock shareholder value. To date, certain non-core assets have been disposed of, the Autopage Group has been delisted and the listed pyramid holding company, Ventron Corporation Limited unbundled following the purchase of Anglo American's 29% shareholding by the Venter family led consortium.

Outlook

Ongoing emphasis will be placed on the restructuring the group's operations especially with regard to core activities, efficiency improvement and stricter focus. Corrective action has been taken with underperforming assets and every endeavour is being made to exploit and improve market share, globalisation and margins. Clearly we will reduce our dependency on local markets and our foreign earned revenue which reached R532 million for the period. Furthermore, it is expected that our exports will reach R1 billion by year end.

Market conditions in the domestic economy are expected to remain difficult but the group is well positioned to benefit from its increased export drive and globalisation activities. We expect earnings growth for the full year.

On behalf of the board

Dr Bill Venter	Gavin Rochussen
Chairman	*Group Financial Director*
12 October 2000	