Allied Electronics Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number 1947/024583/06)

Abridged consolidated interim financial results for the six months ended 31 August 2004

Income statement

Figures in R million

	% Change	**Six months ended 31 08 04 (Unaudited)**	Six months ended 31 08 03 (Unaudited)	Year ended 29 02 04 (Audited)
Revenue	18%	**5,959**	5,064	10,045
Operating income	35%	**443**	329	718
Investment income		**51**	83	145
Finance costs		**(17)**	(15)	(26)
Income from associates		**6**	4	9
Income before goodwill amortisation and capital items	20%	**483**	401	846
Goodwill amortised and impaired		**(177)**	(68)	(134)
Capital items (Note 1)		**9**	38	34
Income before taxation		**315**	371	746
Taxation		**(178)**	(126)	(255)
Income after taxation		**137**	245	491
Attributable to outside shareholders		**(48)**	(78)	(151)
Attributable earnings		**89**	167	340
Basic earnings per share (cents)	-48%	**32**	61	125
Headline earnings per share (cents)	10%	**69**	63	138
Weighted average number of shares in issue (millions)				
- ordinary shares		**94**	94	94
- participating preference shares		**181**	178	179

Notes to financial statements

Figures in R million

	Six months ended 31 08 04 (Unaudited)	Six months ended 31 08 03 (Unaudited)	Year ended 29 02 04 (Audited)

Notes:

1. Capital items			
Net gain on disposal of interests in subsidiaries	**8**	4	43
Net gain on disposal of investments	**-**	33	-
Impairment losses	**-**	-	(10)
Net gain on disposal of property, plant and equipment	**1**	1	1
	9	38	34

2. Reconciliation between earnings and headline earnings			
Attributable earnings	**89**	167	340
Goodwill amortised and impaired	**177**	68	134
Share of associates' capital items and goodwill	**1**	-	1
Capital items - gross	**(9)**	(38)	(34)
	258	197	441
Tax effect of above adjustments	**-**	1	(1)
Outside shareholders' interest	**(67)**	(27)	(63)
Headline earnings	**191**	171	377

3. Accounting policies

The unaudited interim financial results have been prepared in accordance with South African statements of Generally Accepted Accounting Practice. The accounting policies used in the preparation of the unaudited interim financial results are consistent with those used in the annual financial statements for the year ended 29 February 2004, except for the following:

- *The adoption of AC 501- Accounting for Secondary Tax on Companies (STC).*

In terms of the statement a deferred tax asset should be recognised on the unused STC credits when it is probable that such unused STC credits will be utilised in the future.

The comparative amounts have been appropriately restated. The effect of this change is as follows:

	Six months ended 31 08 04	*Year ended* 29 02 04	*Six months ended* 31 08 03	*Year ended* 29 02 03
Effect on deferred taxation	(3)	(3)	(4)	17
Outside shareholders interest		1	1	(1)
Net effect	(3)	(2)	(3)	16
Opening distributable reserves as previously stated		1,762	1,550	1,514
Net change		14	13	16
Opening distributable reserves restated		1,776	1,563	1,530
Increase/(decrease) in EPS and HEPS (cps)	(1.1)	(0.8)	(1.1)	5.9

4. 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.

5. It is group policy for a dividend to be declared after the end of the financial year.

Balance sheet

Figures in R million

	31 08 04 (Unaudited)	31 08 03 (Unaudited)	29 02 04 (Audited)
Non-current assets	**1,808**	1,663	1,618
Property, plant & equipment	**802**	628	678
Goodwill	**674**	514	455
Rental finance advances	**128**	216	189
Associates and other investment	**110**	200	183
Deferred taxation	**94**	105	113
Current assets	**4,397**	4,411	4,451
Inventories	**1,165**	1,005	905
Accounts receivable	**1,822**	1,769	1,542
Net cash and cash equivalents	**1,410**	1,637	2,004
Total assets	**6,205**	6,074	6,069
Equity and liabilities			
Ordinary shareholders' interest	**2,337**	2,313	2,489
Share capital, premium and reserves	**2,575**	2,551	2,727
Own shares acquired	**(238)**	(238)	(238)
Outside shareholders' interest	**1,056**	1,038	1,082
Borrowings	**530**	502	524
Deferred taxation	**30**	20	31
Current liabilities	**2,252**	2,201	1,943
Accounts payable	**2,113**	2,025	1,827
Taxation payable	**139**	176	116
Total equity and liabilities	**6,205**	6,074	6,069
Net asset value per share (cents)	848	845	907
Shares in issue at end of period (millions)			
- ordinary shares	**94**	94	94
- participating preference shares	**182**	180	180

Statement of changes in equity

Figures in R million

	Share capital and premium	Non-distributable and other reserves	Distributable reserves	**Total**
Balance at 28 February 2003 (audited)	770	221	1,514	**2,505**
Change in accounting policy (note 3)			16	**16**
Balance at 28 February 2003 (restated)	770	221	1,530	**2,521**
Opening AC 133 fair value adjustment			(17)	**(17)**
Attributable earnings			167	**167**
Dividends			(117)	**(117)**
Foreign currency translation differences		(17)		**(17)**
Issue of share capital	14			**14**
Balance at 31 August 2003 (unaudited and resta	784	204	1,563	**2,551**
Attributable earnings			173	**173**
Dividends			-	**-**
Foreign currency translation differences		(1)		**(1)**
Cash flow hedging reserve		(1)		**(1)**
Issue of share capital	5			**5**
Transfer between reserves		(40)	40	**-**
Balance at 29 February 2004 (audited and resta	789	162	1,776	**2,727**
Attributable earnings			89	**89**
Dividends			(143)	**(143)**
Foreign currency translation differences		(29)		**(29)**
Cash flow hedging reserve		2		**2**
Issue of share capital	7			**7**
Transfer between reserves		(22)	22	**-**
Net premium arising on change of holdings in subsidiaries		(78)		**(78)**
Balance at 31 August 2004 (unaudited)	796	35	1,744	2,575

Cash flow statement

Figures in R million

	Six months ended 31 08 04 (Unaudited)	Six months ended 31 08 03 (Unaudited)	Year ended 29 02 04 (Audited)
Operating activities	**49**	337	795
Cash generated by operations	**523**	368	795
Net investment income	**34**	64	106
Changes in working capital	**(154)**	194	387
Taxation paid	**(136)**	(96)	(295)
Cash available from operating activities	**267**	530	993
Dividends paid, including to outside shareholders	**(218)**	(193)	(198)
Investing activities	**(657)**	(196)	(327)
Financing activities	**16**	35	68
Net funds (utilised)/generated	**(592)**	176	536
Cash and cash equivalents - beginning of period	**2,004**	1,510	1,510
Translation of foreign cash	**(2)**	(11)	(4)
Effect on cash of adopting proportionate consolidation	**-**	(38)	(38)
Cash and cash equivalents - end of period	**1,410**	1,637	2,004

Segmental analysis

Figures in R million

	Six months ended 31 08 04 (Unaudited)	%	Six months ended 31 08 03 (Unaudited)	%	Year ended 29 02 04 (Audited)	%
Revenue:						
Telecommunications	**2,169**	**36%**	1,782	35%	3,756	38%
Power Electronics & Multim	**1,965**	**33%**	1,825	36%	3,604	36%
Information technology	**1,876**	**32%**	1,443	29%	2,848	28%
Corporate and financial serv	**(51)**	**-1%**	14	0%	(163)	-2%
	5,959	**100%**	5,064	100%	10,045	100%
Operating income:						
Telecommunications	**156**	**35.0%**	99	30.0%	253	35.0%
Power Electronics & Multim	**109**	**25.0%**	151	46.0%	229	32.0%
Information technology	**185**	**42.0%**	86	26.0%	216	30.0%
Corporate and financial serv	**(7)**	**-2.0%**	(7)	-2.0%	20	3.0%
	443	**100%**	329	100%	718	100%

Operational contribution

Figures in R million

		Six months ended 31 08 04 (Unaudited)	%	Six months ended 31 08 03 (Unaudited)	%	Year ended 29 02 04 (Audited)	%
Revenue:							
Altech		**2,653**	**44%**	1,961	39%	4,143	41%
Powertech		**1,888**	**32%**	1,763	35%	3,333	33%
BTG		**1,418**	**24%**	1,323	26%	2,607	26%
Corporate and financial services		**-**	**0%**	17	0%	(38)	0%
		5,959	**100%**	5,064	100%	10,045	100%
Operating income:							
Altech		**249**	**56%**	159	48%	333	46%
Powertech		**102**	**23%**	100	31%	206	29%
BTG		**97**	**22%**	77	23%	185	26%
Corporate and financial services		**(5)**	**-1%**	(7)	-2%	(6)	-1%
		443	**100%**	329	100%	718	100%
Headline earnings:	**% held at 31 08 04**						
Altech	**57.6%**	**96**	**50%**	81	47%	170	45%
Powertech	**100.0%**	**55**	**29%**	71	42%	144	38%
BTG	**54.6%**	**31**	**16%**	21	12%	56	15%
Corporate and financial services		**9**	**5%**	(2)	-1%	7	2%
		191	**100%**	171	100%	377	100%

Supplementary information

Figures in R million

	Six months ended 31 08 04 (Unaudited)	Six months ended 31 08 03 (Unaudited)	Year ended 29 02 04 (Audited)
Borrowings	**530**	502	524
- Long-term	**419**	218	277
- Short-term	**111**	284	247
Capital commitments	**34**	49	80
Capital expenditure	**137**	63	221
Contingent liabilities	**27**	-	27
Depreciation	**91**	63	129
Net foreign exchange losses	**7**	10	3
Lease commitments	**270**	243	292
Unlisted investments			
- Carrying amount	**110**	200	183
- directors' valuation	**187**	200	287

Allied Electronics Corporation Limited

(Incorporated in the Republic of South Africa)
(Registration number 1947/024583/06)
(Share code: ATN) (ISIN: ZAE000029658)
(Share code: ATNP) (ISIN: ZAE000029669)

Consolidated interim results for the six months ended 31 August 2004.

Message to our shareholders

- Revenue 18% ↑
- Operating income 35% ↑
- HEPS 10% ↑
- Successful integration of acquisitions

"Notwithstanding challenging conditions in some of its market sectors, the group recorded satisfactory results with substantial growth in revenue, operating income and headline earnings per share." – Robert Venter, Chief Executive

Operating Environment

Within the **Telecoms** arena**,** the group is well-positioned to take advantage of opportunities arising as a result of the recently announced liberalisation of the market in South Africa and, in particular, those sectors pertaining to opportunities now available related to voice-over-internet-protocol (VOIP). Our group's increasing exposure to the mobile telecoms market, both in South Africa and the rest of Africa, provides a good platform for future expansion in one of the world's fastest growing markets.

In the **Power Electronics and Multi-Media** sector, the medium-term outlook for power electronics remains positive on the back of increased infrastructural spend by Eskom and local municipalities, as well as the robust property development market. The multi-media sector is experiencing a world-wide increase in demand for higher-end and more complex products such as the personal video recorder (PVR) and high definition digital television products, which is stimulating new business as well as the replacement of existing products.

Although conditions in the **Information Technology** sector remain challenging, profitable growth areas exist. This is particularly applicable in the card related business, where the group is currently benefiting from opportunities in terms of the conversion to the Europay Mastercard Visa (EMV) standard. The IT industry in the United Kingdom remains a concern, but is expected to improve further over the next 12 months. As predicted last year, results in the United Kingdom have shown a marked improvement in the period under review when compared to the comparable prior period, albeit at a slower rate than expected. IT sales in the South African industry, on the other hand, reflected increased activity in both the corporate and parastatal sectors during the last six months.

Financial overview

The Altron group recorded satisfactory results for the half year ended 31 August 2004. Revenue increased by 18% from R5 billion to R6 billion based on strong organic growth as well as the contribution from Altech's recently acquired NamITech business. Operating income showed an increase of 35% from R329 million to R443 million resulting from operating margins which improved from 6.5% to 7.4% and the inclusion of the NamITech acquisition. The group's tax rate was higher at 38% than the prior period (33%) due to STC charges on the higher level of dividends paid. Headline earnings per share increased by 10% from 63 cents to 69 cents. Based on the slower than anticipated recovery in the UK market it was considered prudent to impair goodwill related to BTG's acquisition of Plato by an amount of R100 million, consequently attributable earnings after the goodwill amortisation and impairment declined by 47%.

The group's balance sheet remains strong with cash and cash equivalents at R1.4 billion down from R2 billion at the last year end. This was primarily as a result of the acquisition of NamITech and the Altech share buy back which was partially offset by strong operating cash flows and cash proceeds from the BEE equity transactions. Working capital remained satisfactory with overall net working capital days improving from 24 days to 22 days.

Altech's operations delivered strong financial results, with some excellent individual company performances, resulting in a 10% growth in headline earnings per share. Revenue and operating income increased by 35% and 57% to R2.7 billion and R249 million, respectively.

BTG's operating income improved by 26% to R97 million which, coupled with a reduction of 27% in finance costs to R8 million, enabled BTG to post headline earnings per share of 37 cents, an improvement of 48% over the corresponding prior period.

Altron's wholly-owned subsidiary, **Powertech**, posted satisfactory results despite the continued downturn in the telecoms infrastructural sector which was more than offset by strong performance in the power electronics sector. Revenue increased by 7% and headline earnings of R55 million was achieved after accounting for an additional STC charge of R8.8 million (which partially reversed at the Altron level) as a consequence of accounting changes. The headline earnings were also impacted by the reduced contribution at the 70% level for Aberdare Cables following the conclusion of the empowerment transaction with the Izingwe Consortium. On an adjusted basis, headline earnings per share were up by 8%.

Financial services, through the **Fintech** operations, reported similar results when compared to the prior period.

Acquisitions and Corporate Finance activities

- The successful integration of the NamITech business into Altech during the interim period has contributed significantly to earnings. Altech has also concluded two further black economic empowerment (BEE) transactions, namely the disposal of 28% of NamITech and 25.01% of Altech Data both to Pamodzi Investment Holdings.

- Altech also entered into a binding heads of agreement to establish a jointly-controlled South African telecommunications investment holding company, incorporating certain of the operations of the Econet Wireless Group. The Econet transaction, which is awaiting South African Reserve Bank approval, as well as the Government of Papua New Guinea (PNG) cabinet approval for the acquisition by Econet of the announced majority interest in Telikom PNG. This transaction, at current exchange rates, will involve an outlay by Altech of approximately R460 million. This will be funded from existing cash resources. The deal signifies Altech's entry into the international cellular telecommunications network operator market and provides significant growth opportunities.

- BTG has announced its intention to acquire the entire issued share capital of CS Holdings. This transaction is subject to the approval of the Competition authorities and final acceptance of the offer by CS Holdings shareholders. It is anticipated that the transaction will be completed by the end of October. BTG is satisfied that the business of CS Holdings is sustainable under normal operating conditions and anticipates that the acquisition will, in due course, generate significant benefits for BTG.

- Altech effected a buy-back of 7.6% of its issued share capital during the six month period at a cost of R257 million. This is earnings enhancing for Altech. As a result, Altron's effective ownership in Altech has increased to 57.6%.

- As previously announced, BTG completed the sale of 27% of Bytes SA to Kagiso, effective 1 March 2004.

- In line with its BEE equity objectives, Powertech disposed of 30% of its shareholding in Aberdare Cables to the Izingwe Consortium on 1 March 2004.

Business activities

Telecommunications

Altron's telecommunications interests represented 35% of total group operating income at R156 million for the half year under review compared to 30% or R99 million for the same period in the previous year. Revenue contribution was R2.2 billion which represents 36% of the group's total revenue compared to 35% for the comparable period last year.

Autopage Cellular performed well ahead of expectations, increasing its subscriber base by more than 30 000 subscribers to a total exceeding 615 000. High-end connections through corporate least-cost routing and commercial payphone operators assisted in increasing ARPU levels. Overall churn percentage was just over 10% on an annualised basis. Negotiations with Sentech have been concluded to distribute the "My Wireless" broadband service through Autopage Cellular and this offers exciting opportunities.

Netstar maintained its leading share of the market with profit growth ahead of expectations. The strong growth in Netstar's subscriber base continued during the reporting period and the company now offers recovery services in respect of 320 000 vehicles.

Alcom Matomo has performed well for the half year, with business generated by the award in February 2004 of the R500 million SAPS Gauteng Digital Trunked Radio Network. Additional tenders have been submitted for similar communications systems during the period.

Business conditions in the telecommunication cable industry remain difficult. Increased demand has, however, been experienced in respect of copper telecommunications cable both in the local market, and international markets. The growing requirements for industrial and instrumentation cable for the petrochemical and process industries in South Africa, and the rest of Africa and the Middle East offer growth potential. The fibre optic cable business, however, remains depressed locally and projects in the rest of Africa are offering unattractive margins.

Battery Technologies experienced fairly buoyant conditions during the period under review, reporting satisfactory results.

Power Electronics and Multi-Media

Altron’s power electronics and multi-media sector has contributed R109 million or 25% to the group’s total operating income compared to the 46% or R151 million for the previous period. The revenue contribution from this sector was 33% or R2.0 billion for the period under review compared to 36% or R1.8 billion for the prior period.

During the first three months of the year, Aberdare Cables was impacted by copper shortages, resulting in a loss of production and delivery delays. However, demand for both medium and low voltage cables remains strong as a result of increased infrastructural spend and buoyant conditions in the building and construction industry.

ABB Powertech Transformers experienced improved conditions in the local market for large power transformers during the current period. Eskom’s recent requirement for a large number of transmission transformers increased the company’s order intake providing good factory loadings for the next 12 months. Exports, however, remained static due to the impact of the strong rand on the company’s global competitiveness.

With regard to distribution transformers, Desta Power Matla experienced a slow start to the year, but orders from Eskom and other major customers increased during the period under review. The Powertech Battery Group produced satisfactory results with Autotech delivering a good performance and maintaining its market share despite increased competition in the local market. Willard DC Power faced low demand in the mining sector, which was offset by the strong demand for products in the OE material-handling sector. The UK-based operation, Dynamic Battery Services, produced an excellent performance.

The building industry has remained buoyant, enabling Crabtree Electrical Accessories to show a 20% growth in revenue. However, margins are under pressure due to the increasing competitive environment.

In the Multi-Media sector, UEC Technologies (UEC) posted an increased revenue performance for the first six months. UEC's introduction of five new high-end products last year, significantly enhanced its product mix and has resulted in the average price per product improving by 24% in US dollar terms and 4% in SA rand terms. The new product mix has also resulted in new customer and territory gains which include Brazil, Mexico, Israel, Cyprus and India. Arrow Altech Distribution, through tight cost controls and good working capital management remains profitable despite the strong rand and low dollar based electronic component prices.

Information Technology

Information technology (IT) contributed 42% to total operating income or R185 million for the half year under review compared to 26% or R86 million in the previous period. It also contributed 32% or R1.9 billion to Altron's total revenue, compared to 29% or R1.4 billion for the comparable reporting period last year. This performance was underpinned by the inclusion of NamITech for the first time and a good operating performance from BTG.

Factors materially affecting the performance of BTG relate to the inclusion of the remaining 50% shareholding in the Xerox operation for the full six months period (3 months in the prior period) and a turnaround in the results reported by Bytes UK and Plato. In the light of the slow upturn in the IT markets and the relatively strong rand which continues to depress revenue levels, the 8% improvement in revenue generated by BTG is satisfactory.

NamITech performed above expectations and its Mobile Solutions division continued to be the pre-eminent supplier of SIM cards and prepaid vouchers to mobile networks in Africa. Through its Banking Solutions division chip-card contracts for transition to the Europay Mastercard Visa (EMV) standard have been signed with several South African banks. As part of its Pan African focus, NamITech is in the process of setting up a pre-paid voucher facility in Nigeria after being awarded a licence to manufacture vouchers in that country by the Nigerian Communications Commission. The Nigerian prepaid market is substantial and offers significant growth opportunities in all of NamITech's products and solutions. Altech Card Solutions continues to perform to expectations. ISIS Information Systems has been successfully restructured and has delivered pleasing results for the period. The company has now positioned itself as one of the country's leading system integrators and suppliers of software solutions to the telecoms operator sector.

Corporate and Financial Services

The office automation leasing market improved over the previous comparable period, as a result of lower interest rates, with new capital financed 47% higher. Fintech Receivables 1, the asset-based financing securitisation vehicle, performed in line with its rating performance parameters.

The net debt position at the Altron corporate level was eliminated in the six month period through the utilisation of cash received from Powertech which resulted in lower interest charges for the period.

Outlook

Given that the strong market conditions continue in the mobile sector of the African telecoms market and coupled with a healthy order book, Altech is expected to show real growth in the second period of the year. Trading results at BTG are expected to improve for the full year, albeit at a rate lower than that recorded at the half year as a result of an improved performance in the UK and continued growth in the local IT businesses. Within Powertech, the telecoms sector remains challenging but ongoing increases in infrastructural spend coupled with buoyant conditions in the building and construction sector should result in a consistent performance.

In light of the above, the group's performance is expected to reflect increased earnings for the 12 month period ending February 2005.

On behalf of the board

Dr Bill Venter	Robert Venter	Diane Radley
Chairman	*Chief Executive*	*Chief Financial Officer*

11 October 2004