

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 2006

Income statements		Figures in R millions		
	% Change	Six months ended 31.08.06 (Unaudited)	Six months ended 31.08.05 (Unaudited)	Year ended 28.02.06 (Audited)
Revenue	20%	8,339	6,954	13,969
Operating profit before capital items	42%	711	502	1,040
Finance income		66	49	112
Finance expense		(23)	(31)	(53)
Share of profit from associates		2	29	32
Capital items (Note 1)		6	9	(54)
Profit before taxation		762	558	1,077
Taxation		(228)	(170)	(291)
STC		(38)	(31)	(35)
Profit for the period	39%	496	357	751
Attributable to minority interest		143	122	257
Attributable to Altron equity holders	50%	353	235	494
Basic earnings per share (cents)	49%	125	84	176
Diluted basic earnings per share (cents)	38%	110	80	168

Balance sheets

Figures in R millions

	31.08.06 (Unaudited)	31.08.05 (Unaudited)	28.02.06 (Audited)
Assets			
<i>Non-current assets</i>	2,181	2,615	2,114
Property, plant and equipment	912	901	905
Intangible assets	834	1,039	773
Associates and other investments	233	492	228
Rental finance advances	70	89	90
Deferred taxation	132	94	118
<i>Current assets</i>	6,040	4,410	5,423
Inventories	1,681	1,231	1,295
Trade and other receivables	2,772	2,251	1,920
Rental finance advances	71	53	56
Cash and cash equivalents	1,516	875	2,152
Total assets	8,221	7,025	7,537
Equity and liabilities			
<i>Total equity</i>	4,158	3,744	4,034
Equity holders of Altron	3,025	2,733	2,931
Minority interest	1,133	1,011	1,103
<i>Non-current liabilities</i>	366	575	343
Loans	147	322	124
Empowerment funding obligation	173	173	173
Provisions	25	30	25
Deferred taxation	21	50	21
<i>Current liabilities</i>	3,697	2,706	3,160
Loans	53	35	238
Trade and other payables	3,293	2,441	2,680
Provisions	88	73	55
Taxation payable	263	157	187
Total equity and liabilities	8,221	7,025	7,537
Net asset value per share (cents)	1,085	977	1,040

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Statements of changes in equity

Figures in R millions

	Share capital and premium	Treasury shares	Reserves	Retained earnings	Shareholders' equity	Minority interest	Total equity
Balance at 28 February 2005 (audited)	806	(222)	56	2,039	2,679	964	3,643
Issue of share capital	7	-	-	-	7	-	7
Profit for the period	-	-	-	235	235	122	357
Dividends	-	-	-	(176)	(176)	(110)	(286)
Foreign currency translation differences	-	-	1	-	1	-	1
Share based payments	-	-	1	-	1	-	1
Fair value of investments	-	-	(4)	-	(4)	-	(4)
Change in shareholding of subsidiaries	-	-	(10)	-	(10)	35	25
Balance at 31 August 2005 (unaudited)	813	(222)	44	2,098	2,733	1,011	3,744
Issue of share capital	14	-	-	-	14	-	14
Profit for the period	-	-	-	259	259	135	394
Dividends	-	-	-	-	-	4	4
Foreign currency translation differences	-	-	(4)	-	(4)	(1)	(5)
Release of translation surpluses	-	-	(9)	-	(9)	-	(9)
Cash flow hedging reserve	-	-	(3)	-	(3)	(1)	(4)
Share based payments	-	-	1	-	1	-	1
Fair value of investments	-	-	12	-	12	-	12
Change in shareholding of subsidiaries	-	-	(72)	-	(72)	(35)	(107)
Disposal of subsidiary	-	-	-	-	-	(10)	(10)
Balance at 28 February 2006 (audited)	827	(222)	(31)	2,357	2,931	1,103	4,034
Issue of share capital	1	-	-	-	1	-	1
Profit for the period	-	-	-	353	353	143	496
Dividends	-	-	-	(221)	(221)	(125)	(346)
Foreign currency translation differences	-	-	41	-	41	8	49
Cash flow hedging reserve	-	-	2	-	2	2	4
Share based payments	-	-	4	-	4	1	5
Change in shareholding of subsidiaries	-	-	(9)	-	(9)	1	(8)
Acquisition of treasury shares	-	(77)	-	-	(77)	-	(77)
Balance at 31 August 2006 (unaudited)	828	(299)	7	2,489	3,025	1,133	4,158

Cash flow statements		Figures in R millions		
	Six months ended 31.08.06 (Unaudited)	Six months ended 31.08.05 (Unaudited)	Year ended 28.02.06 (Audited)	
Cash flows from operating activities	(212)	(210)	819	
Cash generated by operations	874	611	1,198	
Changes in working capital	(602)	(369)	214	
Net investment income	74	19	39	
Taxation paid	(212)	(185)	(350)	
Cash available from operating activities	134	76	1,101	
Dividends paid, including to minority shareholders	(346)	(286)	(282)	
Cash flows from investing activities	(258)	(269)	(62)	
Cash flows from financing activities	(172)	(166)	(122)	
Net (decrease)/increase in cash and cash equivalents	(642)	(645)	635	
Cash and cash equivalents at the beginning of the period	2,152	1,520	1,520	
Effect of foreign exchange translation on cash balance	6	-	(3)	
Cash and cash equivalents at the end of the period	1,516	875	2,152	

Notes	Figures in R millions		
	Six months ended 31.08.06 (Unaudited)	Six months ended 31.08.05 (Unaudited)	Year ended 28.02.06 (Audited)
Headline earnings per share (cents)	52%	81	189
Diluted headline earnings per share (cents)	43%	76	178

Basis of preparation

The unaudited interim financial results have been prepared in accordance with IAS 34 - Interim Financial reporting.

The accounting policies used in the preparation of these interim results are consistent with those used in the annual financial statements for the year ended 28 February 2006.

1. Capital items

Net gain on disposal of property, plant and equipment	2	4	7
Net gain on disposal and closure of businesses	4	-	68
Impairment losses	-	(3)	(100)
Foreign currency translation reserve realised	-	8	9
Goodwill adjustment on utilisation of at acquisition losses	-	-	(38)
	6	9	(54)

2. Reconciliation between attributable earnings and headline earnings

Attributable to Altron equity holders	353	235	494
Capital items - gross	(6)	(9)	54
Tax effect of above adjustments	1	2	9
Minority interest in adjustments	1	(1)	(28)
Headline earnings	349	227	529

3. Reconciliation between attributable earnings and diluted earnings

Attributable to Altron equity holders	353	235	494
Additional earnings attributable to BEE minorities in subsidiaries	(44)	(11)	(28)
Minority interest in adjustments	8	5	12
Dilution in earnings of subsidiary dilutive options	(4)	(2)	(3)
Diluted earnings	313	227	475

4. Reconciliation between headline earnings and diluted headline earnings

Headline earnings	349	227	529
Additional earnings attributable to BEE minorities in subsidiaries	(44)	(13)	(38)
Minority interest in adjustments	8	5	16
Dilution in earnings of subsidiary dilutive options	(4)	(2)	(3)
Diluted headline earnings	309	217	504

Fully diluted earnings and diluted headline earnings have been calculated in accordance with IAS 33 - Earnings per share on the basis that:

- Kagiso Strategic Investments Pty) Ltd exercised its full option on 22% of the shares in Bytes Technology Group South Africa (Pty) Ltd effective 1 March 2005 adjusted for the dilutive effect of the option price at the BTG SA level.
- The recognition of the deferred sale of 30% interest of the Izingwe Consortium in Aberdare Cables based on the assumption that a portion of the purchase price will be settled in cash of R173 million. The effective option was antidilutive in the prior periods and consequently no dilution was calculated.
- The earnings effect of dilutive options at BTG Limited and Allied Technologies Limited subsidiary level.

5. Acquisitions

During the period the group made certain complimentary acquisitions locally totalling R12 million in addition to acquiring a Xerox dealer in the UK, Xclusive Solutions, for a total consideration, subject to certain "earn-out" targets of GBP4,4 million. In the six months to 31 August 2006 these acquisitions contributed R5,1 million to the consolidated profit before tax.

	Recognised values	Fair value adjustments	Carrying amount
Non-current assets	2	20	22
Current assets	23	-	23
Current liabilities	(16)	-	(16)
Net identifiable assets and liabilities	9	20	29
Goodwill on acquisition			31
Total consideration			60

6. Dividends

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

Segmental analysis

Figures in R millions

	Six months ended 31.08.06 (Unaudited)	%	Six months ended 31.08.05 (Unaudited)	%	Year ended 28.02.06 (Audited)	%
Revenue:						
Telecommunications	2,862	34%	2,681	39%	5,387	39%
Power electronics & multimedia	3,254	39%	2,178	31%	4,402	31%
Information technology	2,260	27%	2,120	30%	4,270	31%
Corporate, financial services and eliminations	(37)	0%	(25)	0%	(90)	(1%)
	8,339	100%	6,954	100%	13,969	100%
Operating profit *						
Telecommunications	265	37%	191	38%	449	43%
Power electronics & multimedia	302	43%	134	27%	276	27%
Information technology	152	21%	185	37%	321	31%
Corporate and financial services	(8)	(1%)	(8)	(2%)	(6)	(1%)
	711	100%	502	100%	1,040	100%

* Operating profit is stated before capital items

Operational contribution			Figures in R millions				
	Six months ended 31.08.06 (Unaudited)	%	Six months ended 31.08.05 (Unaudited)	%	Year ended 28.02.06 (Audited)	%	
Revenue:							
Altech	3,321	40%	2,933	42%	6,041	43%	
BTG	1,963	23%	1,712	25%	3,470	25%	
Powertech	3,046	37%	2,305	33%	4,467	32%	
Corporate and financial services	9	0%	4	0%	(9)	0%	
	8,339	100%	6,954	100%	13,969	100%	
Operating profit *							
Altech	289	41%	250	50%	485	47%	
BTG	157	22%	128	26%	282	27%	
Powertech	272	38%	127	25%	280	27%	
Corporate and financial services	(7)	(1%)	(3)	(1%)	(7)	(1%)	
	711	100%	502	100%	1,040	100%	
Headline earnings:	% held at 31.08.06						
Altech	57.7%	111	32%	102	45%	214	40%
BTG	57.8%	55	16%	39	17%	111	21%
Powertech	100.0%	170	48%	72	32%	170	32%
Corporate and financial services	100.0%	13	4%	14	6%	34	7%
		349	100%	227	100%	529	100%

* Operating profit is stated before capital items

Supplementary information
Figures in R millions

	31.08.06 (Unaudited)	31.08.05 (Unaudited)	28.02.06 (Audited)
Borrowings	373	530	535
- interest bearing	198	355	358
- non interest bearing	2	2	4
- BEE funding obligation	173	173	173
Depreciation	111	98	202
Amortisation	6	2	11
Net foreign exchange gains	55	35	16
Capital expenditure	101	150	315
Contingent liabilities	-	27	27
Capital commitments	82	79	77
Lease commitments	575	468	484
Payable within the next 12 months:	112	108	117
- property	88	81	84
- plant, equipment and vehicles	24	27	33
Payable thereafter:	463	360	367
- property	440	332	348
- plant, equipment and vehicles	23	28	19
Unlisted investments (including Associates)			
- Carrying amount	233	492	228
- Directors' valuation	245	677	237
Weighted average number of shares (millions)	281	279	280
Ordinary shares	94	94	94
Participating preference shares	187	185	186
Diluted average number of shares (millions)	284	284	283
Shares in issue at end of period (millions)	279	280	282
- ordinary shares	94	94	94
- participating preference shares	185	186	188
Ratios			
EBITDA	828	602	1,253
Operating margin	8.5%	7.2%	7.4%
ROCE	31.4%	23.5%	22.8%
ROE	23.5%	16.8%	18.2%
ROA	22.4%	18.0%	20.6%
RONA	35.9%	24.0%	22.9%
Borrowings ratio	9.0%	14.2%	13.3%
Current ratio	1.6:1	1.6:1	1.7:1
Acid test ratio	1.2:1	1.2:1	1.3:1

Highlights

Revenue ↑20%

Operating profit ↑42%

HEPS ↑ 52%

Return on capital employed 31.4%

Message to shareholders

Your directors are pleased to report that the Altron group has posted excellent results for the six month interim period ended 31 August 2006.

Business environment

Conditions in the South African economy remain buoyant and despite recent interest rate increases, business confidence remains positive and consumer demand strong. Government's announced infrastructure spend, aimed at stimulating GDP growth, is creating an environment conducive to demand for group products, particularly within Powertech. Recent exchange rate declines have assisted in alleviating to some degree the threat of import competition, although imports from India, China and Brazil remain competitively priced even with the weaker exchange rates.

The increased demand for power infrastructure products from local government and parastatals has been beneficial to Altron's Powertech businesses in its **Power Electronics and Multi-Media** sector. Current indications are that these conditions will continue over the medium term. This increased spend, combined with good growth levels in the building and construction industry as well as accelerated infrastructure investment for the Soccer World Cup 2010 and the Gautrain project, has created a positive growth environment within the power electronics sector. The international success of Altech UEC Multi-media Technologies' recently launched Personal Video Recorder (PVR) has also enhanced the contribution to the group from this sector.

The landscape of the local **Telecommunications** sector is expected to change significantly as a result of the Electronic Communications Act, the ICASA Amendment Act and the implementation of number portability which is expected during the latter part of this financial year. The establishment of the Second Network

Operator as well as the convergence that is taking place throughout the entire telecommunications spectrum, will provide new business opportunities in this sector. The continued expansion in the mobile arena, particularly in Africa, provides opportunities for our mobile infrastructure focused companies in the Powertech group as well as for the supply of SIM cards and vouchers in the Altech group.

Local spend in the **Information Technology** sector has increased as current levels of company profitability provide funds for IT development. The slower than expected adoption of the Europay/Mastercard/Visa (EMV) standard in the local banking environment has negatively impacted on the demand for secure cards, which should be implemented in the first half of 2007. Internationally, significant progress has been made in building a meaningful operation within this sector through two acquisitions in the UK and the expansion of territorial rights for Xerox and Alcatel products in Africa.

Financial overview

The Altron group's interim results for the six months ended 31 August 2006 have shown exceptional growth with a 52% increase in headline earnings per share.

Revenue increased by 20% from R7.0 billion for the prior period to R8.3 billion, with operating profit increasing by 42% from R502 million to R711 million, which reflects a substantial operating margin improvement to 8.5% from 7.2% in the prior period with Altech, BTG and Powertech all improving operating margins. This margin improvement was primarily led by the performance of the Powertech operations, which have benefited from the increase in infrastructure spend as well as the continued strength of the building and construction industry. This improvement was assisted by operating efficiencies and cost reductions, which have been a focus over the last twelve months, combined with the closure of the Aberdare lossmaking telecoms cable operation in the prior period.. During the period under review, Altron spent R101 million in capacity expansion, mainly focused in the power electronics sector. Taxation, including STC, has decreased marginally from 36.0% to 34.9%.

Altron's annualised return on equity improved to 23.5% with return on net assets and return on capital employed improving to 35.9% and 31.4% respectively. The balance sheet remains strong with cash at R1.5 billion.

Altech delivered a sound set of results for the financial half year ended 31 August 2006, reporting improved headline earnings per share of 197 cents, an increase of 9%. This was driven by better than expected performances from most of its

operating companies including Altech Arrow Altech Distribution, Altech Autopage Cellular, Altech Netstar, the Altech Alcom businesses, Altech UEC Multi-media Technologies and Altech Isis Information Systems. Revenue increased by 13% to R3.3 billion from R2.9 billion in the prior corresponding period, with operating profit up 16% at R289 million.

The continuing low interest rate environment has positively impacted consumer demand which continues to stimulate growth at Altech Autopage Cellular. Increased consumer demand has also manifested itself in high motor vehicle sales benefiting our vehicle tracking business, Altech Netstar.

Altech UEC Multi-media Technologies completed its successful turnaround, increasing revenue by 64% and improving operating margin from break-even to 11% compared to the corresponding period in the prior year. This is primarily as a result of the international success of the PVR product as well as expansion into export markets. Altech NamITech continued to under perform with an operating loss being incurred by its South African operations. This business has repositioned itself through a restructuring programme, the benefits of which should be realised in the second six months of this financial year. NamITech West Africa performed above expectations.

Altech's balance sheet remains strong with a net asset value of 1708 cents per share and cash of R1.3 billion. Altech declared a special dividend of R1.00 per Altech ordinary share payable to shareholders on Monday 6 November 2006. Cash has been utilised in the current period in the funding of working capital as well as the payment of dividends. Return on shareholder's equity is currently 22.7%.

BTG performed above expectations with revenue increasing 15% to R2 billion. Revenue growth was particularly strong from the international operations, helped to some extent by the weakening of the rand, but also by the impact of the newly acquired Xerox business in the UK, Xclusive Solutions which is performing above expectations. Operating profit improved by 23% from R128 million to R157 million when compared to the prior period, with the operating margin improving from 7.5% to 8.0%. This margin improvement was mainly driven through cost efficiencies achieved by the South African operations.

Headline earnings per share improved by 25% to 58 cents per share. BTG moved from a net cash position of R77 million at financial year end to a total net debt of R83 million at 31 August 2006 due to investing activities of R112 million, the payment of a dividend of R75 million, tax payments and an investment in working capital.

Powertech reported an excellent increase in revenue of 32% to R3 billion as a result of the significant increase in power infrastructure spend as well as bullish conditions in the building and construction industry. Operating profit increased by 114% to R272 million from R127 million in the prior corresponding period, largely as a result of these factors combined with the benefits of restructuring exercises. The buoyant trading conditions coupled with management's stringent cost cutting exercises have allowed Powertech to increase operating margins from 5.5% to 8.9%. The improvement in operating margin was partly due to the closure of the telecom cables manufacturing operation last September, which had incurred losses in the comparative period, but is predominantly due to improved trading conditions and cost efficiencies.

Altron's **finance operations** continue to run down following the sale of Fintech (Pty) Limited in the prior financial year and the amortisation of Fintech Receivables 1, Altron's securitised interest in the financing book. Nevertheless, results have continued to exceed expectations as a result of sustained high levels of secondary rental income. The TAR warehouse owned by BTG continues to grow in line with expectations.

Black Economic Empowerment ("BEE")

The Altron Transformation process is progressing well and a revised Altron Transformation Vision 2010 implementation guidelines document is currently being compiled under the direction of the newly appointed Group Executive: Corporate Affairs, Douglas Ramaphosa. The guidelines will be in accordance with the dti BEE Codes of Good Practice which are expected to be finalised during the second half of this financial year and will serve to assist the transformation process at operational level.

Through its anchor partnerships with leading empowerment firms Pamodzi, Kagiso and Izingwe Capital, Altron continues to meet its Transformation Vision 2010 targets on the broader BEE indicators as have been confirmed by the positive ratings received for many of our group companies from rating agency, Empowerdex. Agreement in principle was reached during the period for black economic empowerment parties to acquire an aggregate 30% interest in Altech Netstar's fleet management division. The black empowerment consortium will comprise a private empowerment company and a trust to be formed by Altech that will be for the planned benefit of previously disadvantaged Altech employees.

Motoma's 20% stake in Rentech and 30% stake in Altech Alcom Matomo were acquired by Powertech and Altech respectively. These equity stakes have been reserved for the introduction of new empowerment partners in due course. Motoma also exited their 6% investment in Aberdare Cables of which 3% was effectively re-acquired by Powertech bringing their shareholding to 73%, with Izingwe purchasing the balance.

Corporate activity

During the period under review, the following transactions and developments took place:

- With effect from 1 March 2006 BTG acquired Xclusive Solutions, a leading provider of document and print solutions and Xerox partner in the United Kingdom, for an initial consideration of £3.2 million that could increase to a maximum of £4.4 million depending on future profit performance.
- Altron Finance concluded the repurchase of 3.4 million Altron participating preference shares at a cost of R77 million.
- Altron increased its investment in BTG by purchasing 787,243 shares at a cost of R8.6 million.
- Altech's acquisition of MobiMaster in France has been fully implemented and is unconditional.
- BTG made a number of other acquisitions including:
 - Zenith Systems, an online e-learning software provider, for R7 million;
 - TMS 2000, a telephone management system, for R2.6 million; and
 - Xerox distribution rights for Kenya, for R2 million.
- Subsequent to the half year, BTG acquired Vantage Business Systems in the UK, a Xerox dealer, for an effective amount of £1.5 million.

Outlook

Your directors remain positive about the group's sustained growth during the second half of this financial year. This outlook is based primarily on continuing infrastructural spend and buoyancy in the building and construction industry which have translated into significant orders for the group's Powertech businesses. The benefits of certain supply chain initiatives will further assist improved operational performances. The deregulation and growth opportunities in the local telecoms industry as well as

improved business conditions in the ICT sector are expected to further position the group to achieve growth. Given a stable macro-economic environment, the board anticipates posting strong growth for the full financial year, although possibly not at the same rate as that reported for the first half.

Directorate

On 31 July 2006, Adv Dali Mpofu, a non-executive director of Altron resigned from the board of the company due to other commitments. The board wishes to record its appreciation to Dali for his valuable contribution over the past few years and wishes him well for the future.

On behalf of the board

Dr Bill Venter
Chairman

Robert Venter
Chief Executive

Diane Radley
Chief Financial Officer

10 October 2006