Reunert interim results

For the six months ended 31 March 2008
14 May 2008

Group structure

Products & Services

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CBi-electric	Nashua	Reutech	NSN Investment
Circuit breakers Automation Motor Control Wiring accessories Transformers Energy cables Telecom cables Data/instrumentation cables	Copiers Printers Consumables Asset Finance Presentation systems Consumer electronics Air conditioning Fast moving consumer goods Broadcast systems Voice & data comm systems Internet services Least cost router services	Radio comms Electronic Fuzes Air weapons Radars Mining surveilance Logistic support Maintenance	Mobile & fixed wire telecommunications systems

Operating environment

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- High inflation
- Increasing interest rates
- Slowing consumer spend
- Sub-prime crisis
- Energy crisis
- High demand from Eskom & Utilities
- General market
- Volatile South African rand
  - Ranging between 6.70 and 8.20 to US$
  - A spread of 22%

Financial highlights

	March 08	% change
Revenue	R5 bn	9%
Normalised headline earnings per share	277,5 cents	7%
Interim cash dividend per share	78 cents	7%
Operating profit (NSN in)	R729 m	20%
Operating profit (NSN out)	R643 m	6%
Other income	R90 m	
of which R86 million is NSN		
Cash at end of period	R294 m	
EBITDA as % of revenue (inc NSN)	15,1%	9%
EBITDA as % or revenue (excl NSN)	13,4%	6%

Income statement: highlights

R million	2008	2007	% change
Revenue	**5 085**	4 654	9
Earnings before interest, tax, depreciation, amortisation and other income	**679**	617	10
Other income (R86m NSN commission)	**90**	26	240
EBITDA	**769**	643	20
Operating profit	**729**	608	20
Interest & dividends	**31**	27	13
Abnormal items	**2**	(572)	
Taxation	**248**	201	23
Profit/(loss) after taxation	**513**	(139)	
Associates	**16**	64	(76)
Headline earnings/(loss)	**526**	(117)	
Headline earnings/(loss) per share (cents)	**296**	(67)	
Normalised headline earnings per share (cents)	**278**	258	7
Tax rate excluding abnormal items (%)	**33**	34	

Balance sheet: highlights

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R million	Note	**2008**	2007
Total non-current assets	1	**2 411**	1 163
Finance company accounts receivable		**-**	1 600
Current assets		**3 207**	2 285
Inventory & contracts	2	**962**	787
Accounts receivable	3	**1 951**	1 425
Cash		**294**	73
Total assets		**5 618**	5 048
Shareholders equity	4	**3 126**	1 871
Minority interest		**16**	31
Non-current liabilities	5	**489**	262
Current liabilities		**1 987**	2 884
Accounts payable		**1 823**	1 670
Short-term borrowings	6	**164**	16
RC&C Finco borrowings		**-**	1 198
Total equity and liabilities		**5 618**	5 048

Balance sheet: notes

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1. Increase due to:
   - Quince Investments (R298m)
   - NSN Investment (R616m)
   - Debtors with Recourse (R319m)
2. Increase in stock at Energy Cables of R135m
3. Accrual of:
   - NSN Commission (R86m)
   - Debtors with Recourse (R164m)
   - Energy Cables Debtors (R135m)
   - Nashua Office Debtors (R35m)
4. Profit net of dividends (R690m); and
   Fair value of NSN investment (R552m)
5. Long-term portion of Recourse Debtors (R219m)
6. Short-term portion of Recourse Debtors (R164m)

Cash flow information

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R million	2008	2007
EBITDA	**769**	643
Operating activities		
Increase in net working capital	**(292)**	(411)
Finco accounts receivable	**-**	(197)
Increase in other working capital	**(292)**	(214)
Cash generated from operations	**477**	232
Net interest and dividend income	**31**	27
Tax paid	**(231)**	(340)
Dividends paid	**(430)**	(750)
Other	**6**	3
Operating activities	**(148)**	(828)
Investing activities	**(129)**	(78)
Financing activities	**88**	11
Actual net cash flow	**(189)**	(895)
Movement in total Finco borrowings	**-**	215
Net cash flow adjusted for total Finco borrowings	**(189)**	(680)

Capital expenditure

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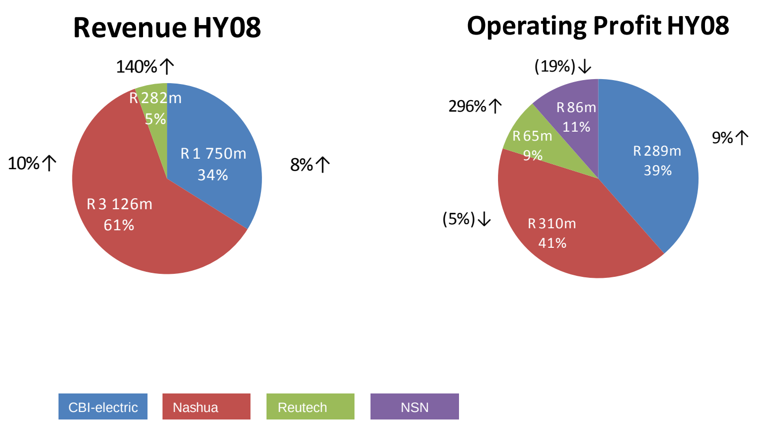
R million	HY08	FY07	FY06
Expansion	36	79	134
Replacement	30	70	60
Total	66	149	194

- Mostly in CBI-electric
- Aimed at increasing efficiencies
- Expanding product range

Segmental analysis



Segmental contribution to growth

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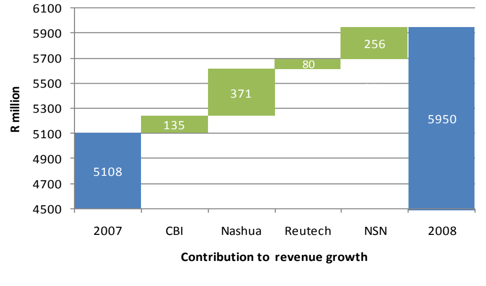

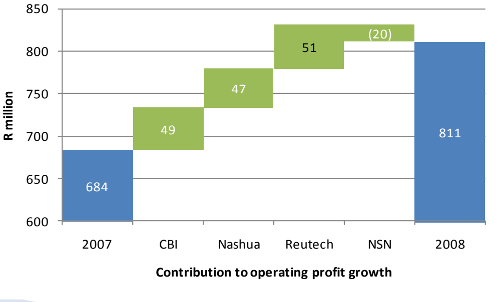

CBI-electric division

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R million	HY08	FY07	HY07	FY06	HY06	FY05
Revenue	1 750	3 219#	1 615	2 574	1 149	1 987
Operating profit	289	519*	231*	552	223	333
Profit margin	17%	16%	14%	22%	19%	22%

#Excludes extraordinary revenue of R96m
**Excludes surplus of R35m on sale of non-current assets to the ATC/Aberdare joint venture*

31 March 2008	% Change in Revenue	% Change in Operating profit
Low-voltage	7%	30%
Energy cables	29%	15%
Telecom cables	(44%)	5%
Average*	8%	25%

** Excludes extraordinary items*

Low voltage

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- Transformers
  - Orders received R9 million
- Acquisition of Moeller Electric
  - Effective 1 April
  - Will add approximately 10% to revenue
- Re-location of assembly plants
  - Closed down 3 factories in Qwa-Qwa
  - New operations in Lesotho
  - Cost impact of R20 million absorbed in this period
- Australia
  - New general manager appointed in January
  - Encouraging signs

Energy cables

- Growth in both revenue and operating profit could have been better
- Construction/Commissioning close to being completed
- Continuing labour unrest
  - Resolved in February
- ACSR
  - Fully commissioned and rolling
  - Awaiting orders from Eskom

Telecom cables

- Proportionally consolidated
- 50% contribution compared to previous period
  - R494 million
- Erratic orders from Telkom for copper cable
- Good growth in fibre and data communication cables
- Significant orders received from MTN & Neotel
- Telkom copper cable tender still to be allocated
- Aberdare fibre plant moved to Brits
  - Doubled Brits capacity
- Healthy demand for instrumentation cables
  - Middle East
  - UTP Cat6 cable line added
- Telkom dependence slowly diluted
  - Telkom cable sales: 38% of total sales

Nashua division

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R million	HY08	FY07	HY07	FY06	HY06	FY05
Revenue	3 126	5 816	2 837	5 344	2 632	4 725
Operating profit	310	627*	277*	689	297	582
Profit margin	**10%**	**11%**	**10%**	**13%**	**11%**	**12%**

** Excludes extraordinary item of R48 million for finance book*

31 March	% change in Revenue	% Change in Operating Profit
Office systems	11%	5%
Mobile	16%	17%
Electronics	7%	69%
Finance (100%)	41%	24%
Average	**10%**	**12%**

Quince transaction

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- Sub-prime crisis and subsequent funding issues resulted in JV with PSG Group to be undone
- Competition commission approval is imminent
- Model proven to be successful
- Quince Asset Rental duplicate Nashua Finance model to non-Nashua customers
- QAR in 1st year achieved 23% of Nashua Finance revenues

Office systems

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- Good growth in revenue
- Rapid weakening of the rand in early stages affected margins negatively
- Majority owned franchises contributed close to 50% of sales
  - Tshwane, Port Elizabeth, West Rand, Kopano
- Sales expected to slow down

Nashua Mobile

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	March 08	March 07	Growth % past year
Contract connections for year	60 543	74 578	(19%)
3G/HSDPA connections	13 962	11 114	26%
Total contract connections	74 505	85 692	(13%)
Closing contract base	671 579*	640 361	5
ARPU (average for period)	456	446	2.2
Churn %	12%	9%	28%
Net bad debts as % of turnover	1.26%	0.73%	
Number of retail outlets	147	108	

- *Bulk deactivation of 55 245 “on billers”
- Expect a further 50 000 lines to be deactivated in 2nd half
- Bad debts and churn are correlated

Reutech

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R million	HY08	FY07	HY07	FY06	HY06	FY05
Revenue	282	491	202	317	126	300
Operating profit	65	109	16	30	4	4
Profit margin	23%	22%	8%	10%	3%	1%

- The benefit of volume

31 March	% change in Revenue	% Change in Operating profit
Fuzes	141%	2 324%
Communications	67%	209%
Radar Systems	(7%)	–
Logistics	(2%)	5%
Average	40%	306%

Reutech

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- Strategic designation
  - RDI Communications
- Export orders
- Mining surveillance systems
  - Radar
  - Laser
- Set top box development for Nashua Electronics
  - 1st Production October 2008

Nokia Siemens Networks

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- Relationship reviewed
- Global management approach
- Revenue driven agreement
- Commissions in stead of dividends
- Exit mechanism agreed
  - December 2010

NSN operational review

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- Maintaining its position
- Vodacom, Telkom and now Neotel

Prospects

- South African economy and sentiment
  - decline in consumer demand
  - higher inflation
  - Eskom power outages
  - interest rate increases
  - hike in fuel prices
- The sub-prime crisis
  - Is it over?
  - Will it hit SA
  - Cost of funding
- Export prospects improved
  - continued high commodity prices
  - weaker rand have improved export prospects
- Infrastructure spend
  - Government
  - Parastatals

For the full year we should achieve real earnings growth

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