

# REUNERT

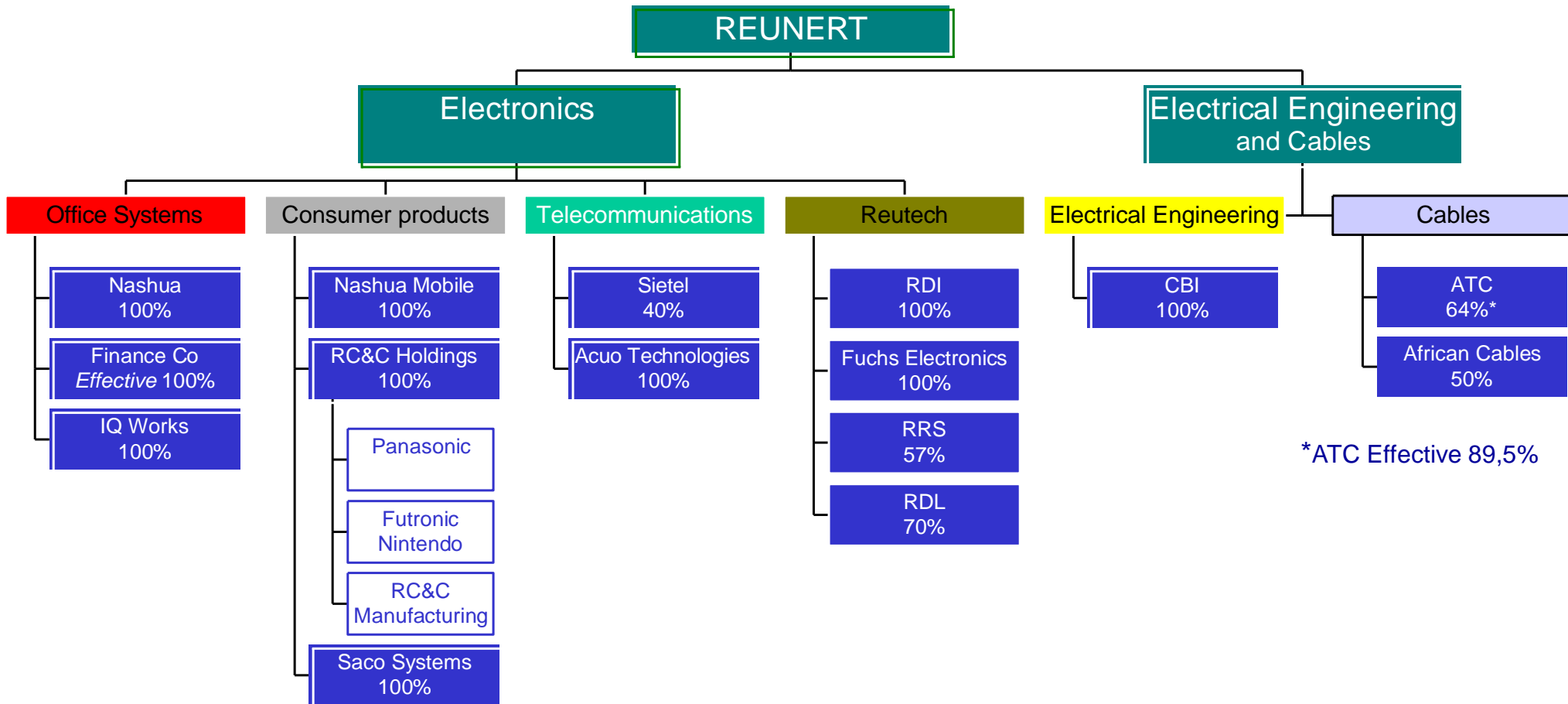
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REUNERT LIMITED

## **Interim Results Presentation**

8 May 2003

# Group structure



\*ATC Effective 89,5%

# Salient Features

six months ended 31 March 2003

• Revenue	R3 047,5m	+23%
• EBITDA	R380,5m	+57%
• EBITDA % of turnover	12,5%	(9,8%)
• Operating profit	R333,3m	+63%
• HEPS	115,4 cents	+14%
• Interim dividend per share	32 cents	+7%

# Salient Features

- Operating margins improved
- Significant decline in income from associates (Sietel)
- Strong contribution from defence
- Impact of volatile exchange rate
  - 43% of turnover is \$-based (excl Sietel)
  - 47% of turnover is \$-based (incl Sietel)
- Continued ATC loss

# Salient Features

- Impact of AC133 (financial instruments)
  - Operating profit reduce by R7,4m
  - Tax charge reduce by R2,7m
  - Earnings to outside shareholders reduce by R1,4m
  - Earnings to ordinary shareholders reduce by R3,3m

# Salient Features

- Acquisitions
  - Bought Marconi's 51% share in ATC R43,3m
    - Discount to NAV of R11m
    - Effective shareholding 89,5%
    - Kgorong to purchase 25,1%
    - Subject to certain conditions
    - Effective Reunert shareholding will then be 64,4%
  - IQ Works
    - Acquired 50% outstanding shareholding from the IQ Business Group

# Growth Drivers

- Improved turnover
- Defence contribution
- Continued operational improvements
  - CBI, Nashua Mobile and African Cables

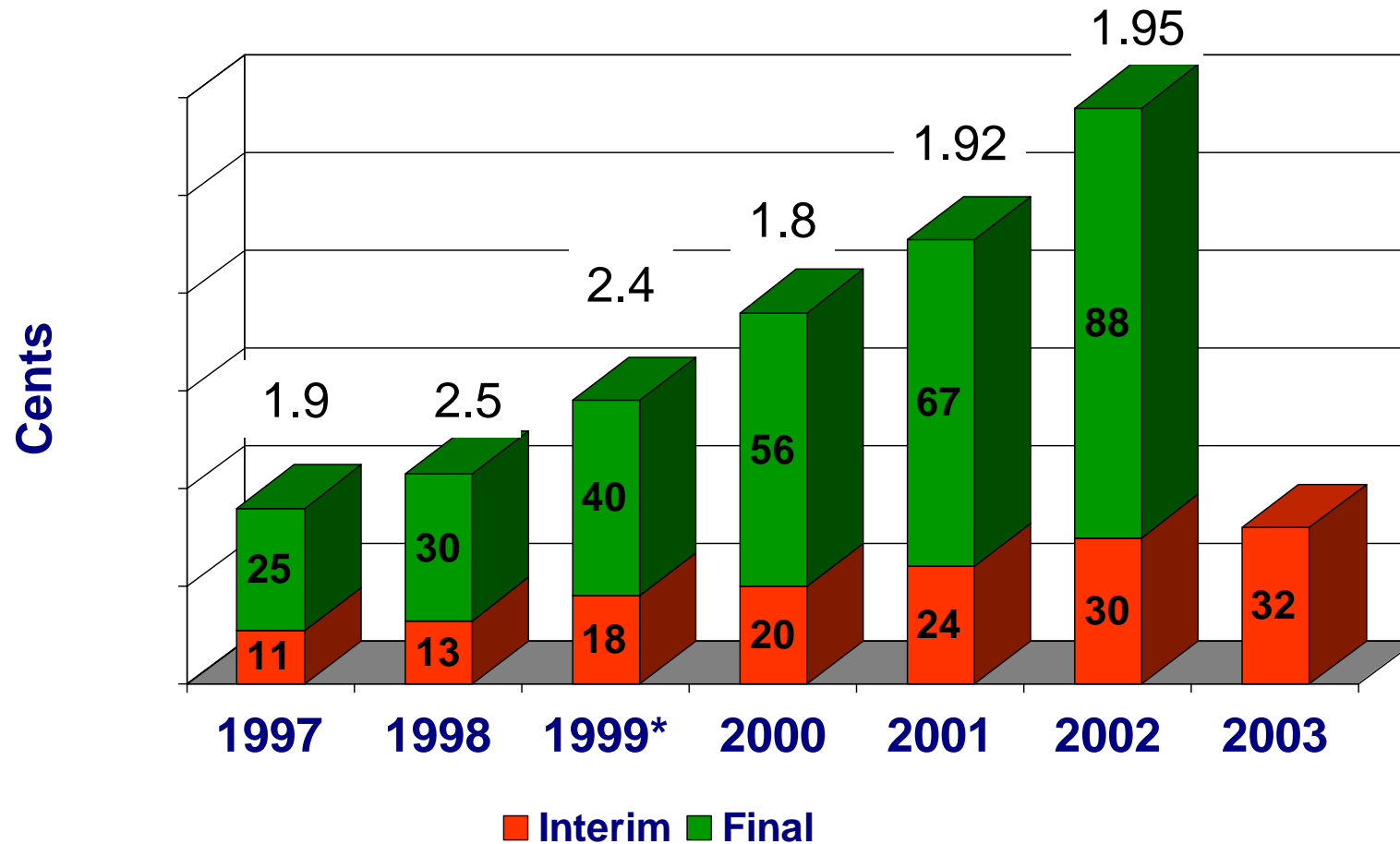
<b>INCOME STATEMENT</b>	<b>Six months ended 31 March (Unaudited)</b>	<b>2003 Rm</b>	<b>2002 Rm</b>	<b>% Change</b>
Revenue		<b>3 047.5</b>	2 469.4	<b>23</b>
EBITDA		<b>380.5</b>	242.9	<b>57</b>
Depreciation and goodwill		<b>47.2</b>	37.8	<b>25</b>
Operating profit		<b>333.3</b>	205.1	<b>63</b>
Net interest and dividend income		<b>21.2</b>	15.5	<b>37</b>
Profit before taxation		<b>354.5</b>	220.6	<b>61</b>
Taxation		<b>124.8</b>	79.2	<b>58</b>
Profit after taxation		<b>229.7</b>	141.4	<b>62</b>
Share of associate companies' profits		<b>( 21.3)</b>	48.3	
Profit after tax including associate companies		<b>208.4</b>	189.7	<b>10</b>
Attr earnings - Minorities		<b>16.4</b>	14.5	<b>13</b>
Attr earnings - RLO shareholders		<b>192.0</b>	175.2	<b>10</b>
Basic EPS (cents)		<b>102.1</b>	93.7	<b>9</b>
Diluted basic EPS (cents)		<b>100.6</b>	92.0	<b>9</b>
HEPS (cents)		<b>115.4</b>	101.2	<b>14</b>
Diluted HEPS (cents)		<b>113.6</b>	99.2	<b>14</b>
Dividend per ordinary share (cents)		<b>32.0</b>	30.0	<b>7</b>
Tax rate excl amort & abnormal items (%)		<b>33.0</b>	33.8	
EBITDA as a % of turnover		<b>12.5</b>	9.8	



<b>BALANCE SHEET</b>	<b>'31 March</b>	<b>2003</b>	<b>2002</b>
Unaudited		Rm	Rm
<b>Non-current assets</b>		<b>1 775.4</b>	<b>1 650.3</b>
Property, plant and equipment		<b>223.3</b>	152.2
Goodwill		<b>331.2</b>	386.0
Investments		<b>80.2</b>	237.9
RC&C Finco accounts receivable		<b>1 114.8</b>	832.9
Deferred taxation assets		<b>25.9</b>	41.3
<b>Current assets</b>		<b>1 811.0</b>	<b>1 378.5</b>
Inventory and contracts in progress		<b>640.2</b>	509.6
Accounts receivable		<b>832.1</b>	673.2
Cash and cash equivalents (net)		<b>338.7</b>	195.7
<b>Total assets</b>		<b>3 586.4</b>	<b>3 028.8</b>
<b>Shareholders' funds</b>		<b>1 215.0</b>	<b>1 023.3</b>
<b>Deferred taxation liability</b>		<b>46.3</b>	<b>49.0</b>
<b>Current liabilities</b>			
RC&C Finco short-term borrowings		<b>1 014.6</b>	734.6
Accounts payable, provisions and taxation		<b>1 310.5</b>	1 221.9
		<b>2 325.1</b>	<b>1 956.5</b>
<b>Total equity and liabilities</b>		<b>3 586.4</b>	<b>3 028.8</b>

<b>CASH FLOW</b>	Six months ended 31 March	<b>2003</b>	<b>2002</b>	<b>FY02</b>
		<b>Rm</b>	<b>Rm</b>	<b>Rm</b>
		(Unaudited)		(Audited)
EBITDA		<b>380.5</b>	242.9	559.7
Increase in net working capital		<b>( 123.0)</b>	( 2.7)	( 366.0)
Increase in RC&C FinCo accounts receivable		<b>( 160.9)</b>	( 87.8)	( 208.8)
Other working capital changes (net)		<b>37.9</b>	85.1	( 157.2)
Cash generated from operations		<b>257.5</b>	240.2	193.7
Net interest and dividends received		<b>21.2</b>	31.9	144.9
Taxation paid		<b>( 121.5)</b>	( 165.4)	( 209.0)
Dividends paid		<b>( 178.5)</b>	( 143.7)	( 201.0)
Net asset additions		<b>( 19.7)</b>	( 12.9)	( 38.2)
Other (net)		<b>2.6</b>	3.9	29.5
Net cash outflow from operations		<b>( 17.1)</b>	( 9.0)	( 8.7)
Other acquisitions		<b>( 80.2)</b>	( 456.8)	( 442.9)
<i>Net decrease in cash and cash equivalents</i>		<b>( 118.6)</b>	( 502.8)	( 523.0)
<i>Add back FinCo</i>		<b>160.9</b>	87.8	208.8
<b>Net cash flow excluding FinCo</b>		<b>42.3</b>	( 415.0)	( 314.2)

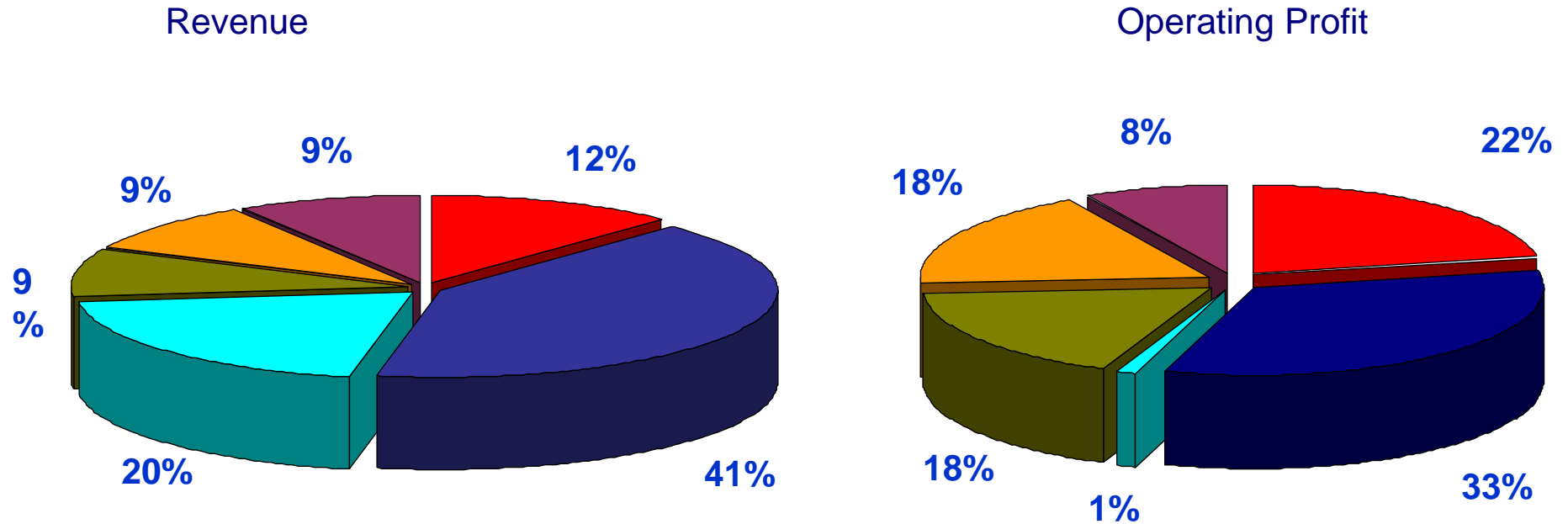
# Dividend and Dividend Cover



\* Excludes Special dividend of 250 cents

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# Segmental analysis



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# Operational review

# Office Systems

**NASHUA** 

- Affected by strengthening rand
- Higher turnover and profit
- Introduced Samsung low-end multi functional printers

## Nashua Finance/RC&C Finance Company

- Growth in finance book
  - From R0,8bn to R1,1bn over past year
  - Discounted rental agreements repayable over variable periods up to 5 years

# Office Systems



- Finalised acquisition of 50% stake held by The IQ Business Group
- Incorporate with Nashua branding
- Product house for Nashua and Nashua Mobile
- Strong drive into financial sector



# Consumer Products and Services



- Merger bedded down
  - Improved credit control, fraud and risk management, customer focus
- Increased profit margin
- 6% growth in contract base
- Churn down to 10,7% (March'02 - 11,2%)
- Arpu's - R584
- Internet billing system well received
- Least cost router court case

# Consumer Products and Services

**BRUNSONIC**

**Futronic**

**Nintendo®**

- RC&C Holdings
- Negative impact
  - Re-valuation of rand (33%)
  - Stock
  - Profit margins squeezed
- Acquired 3rd franchise
  - now directly represented in major business centres
- Futronic and Nintendo – investment period

## SIEMENS

### Siemens Telecommunications

- Dollar-based order book
- Costs fixed in rand
- Hedging mechanisms now in place
- 2<sup>nd</sup> half improved contribution expected

# Telecommunications

## Illustration of the impact of the stronger rand

### 2002

Contract value	US\$100m	R1 200m
Exchange rate	12	
Gross Margin	20%	20%
Gross Profit	US\$20m	R240m
Cost	US\$80m	R960m

### 2003

	US\$100m	R900m
Exchange rate	9	
Cost		R960m

### Debtors

2002	\$100m	R1 200m
2003		R1 000m
Loss		(R200m)

*Numbers bear no resemblance to actuals*

**REUNERT**

# Telecommunications



- Nashua Mobile pre-pay top-up server implemented
  - 2nd phase developments
- Partner with RRS to develop software for SANDF
- Software development and integration market still depressed

# Reutech



- 2003 excellent year
- Reasonable prospects
- Depend on exports
- Difficult to predict timing of orders
- Confident that orders will be secured
  - RDI's software definable radio
  - Fuzes

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- RRS
  - 1<sup>st</sup> tracking radar delivered
    - Profit taking 2<sup>nd</sup> half and FY04
  - Order base secured for next three years
  - Ground based air defence system
    - over R100m software development contract

# Low-voltage electrical engineering



- Domestic market
  - Residential business above expectations
  - Eskom national contract
    - More orders than quota received
  - Mining and industrial business promising
    - Expansions at platinum mines



# Low-voltage electrical engineering



- International
  - Enquiries picking up
  - Motorola order received
  - Hewlett Packard USA
  - International slump hamper export targets
  - Dumping case
- Possible USA acquisition

# Cables



- Sold 25,1% of ATC to Kgorong Investment Holdings
- No recovery in international telecoms market
- Telkom placing virtually no orders
- SNO
- Downgrade breakeven forecast to significant loss for FY03

## **african cables**

- Strong turnover driven by implementation of projects
- Focus on service excellence
- Strengthening of rand increases threat of imports

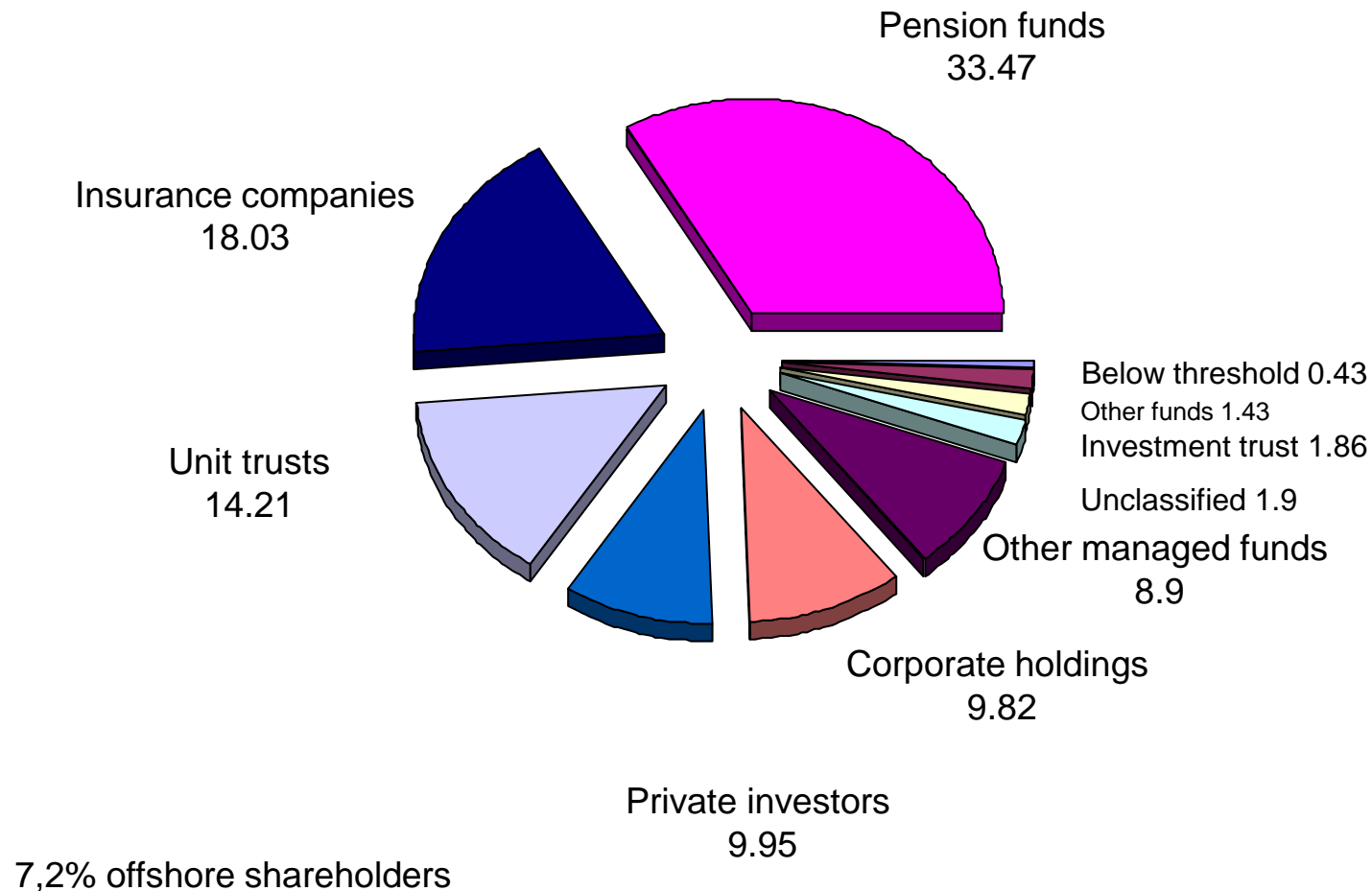
# Going forward

- Acquisitions
  - Local & International
- Turnover growth
- Growth prospects

# Black economic empowerment

- Comprehensive approach taken
- Beneficially black owned shares
  - Between 17,8% and 20,5%
    - » Business Map

# Shareholding



These analyses represent 100% of the register; "BELOW THRESHOLD" represents the proportion of the register not analysed by Cazenove. "UNCLASSIFIED" represents holdings where account designations are insufficient to provide accurate allocations and may therefore cover a number of different holding types.

# Basic Statistics

- Shares in issue 205,8 million
- Shares in treasury 17,2 million
- Ave # of shares HEPS 188,0 million
- Market price last 12 months
  - Highest 2210
  - Lowest 1600

Thank you

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