

# Reunert Presents

AUDITED RESULTS FOR THE YEAR ENDED  
30 SEPTEMBER 2006



## Salient Features

- **Strong improvement in top line growth**
- **Continued improvement in EBITDA as % of revenue**
- **Return of excess cash**
  - Final dividend per share = 210 cents per share
  - Total dividend distribution this year = R4.73
    - Interim 63 cents per share
    - Special 200 cents per share
    - Final dividend 210 cents per share
- **Proposed empowerment transaction**

**↗ 17%**

**REVENUE**

**↗ 16,2%**

**EBITDA as % OF  
REVENUE**

**↗ 28%**

**HEADLINE EARNINGS  
PER SHARE**

**↗ 24 %**

**FINAL DIVIDEND PER  
SHARE**

## CONDENSED INCOME STATEMENT

R Millions	R million 2006	R million 2005	Change %
Revenue	8 236	7 012	17
EBITDA	1 336	967	38
Depreciation	( 63)	( 50)	(27)
Operating Profit	1 273	917	39
Interest & Dividends	65	50	30
Profit after Taxation	839	645	30
Share of Associates profit	95	79	20
Minority interests	( 11)	( 11)	
Profit attributable to RLO shareholders	923	713	29
Basic earnings per share (cents)	527,0	411,4	28
Headline EPS (cents)	524,6	408,4	28
Normalised Headline EPS (cents)	495,3	394,1	26
HEPS excl STC on special dividend (cents)	549,6		
Ord Dividends per share (cents)	273,0	222,0	23
Tax rate excl abnormal items & STC on special dividend	34,2	33,8	1
EBITDA %	16,2	13,8	17

**CONDENSED BALANCE SHEET**

As at 30 September

R million  
2006  
(Reviewed)R million  
2005  
(Restated)**EMPLOYMENT OF CAPITAL**

Fixed Assets	467	336
Goodwill	327	329
Investments	149	116
RC&C Finance Debtors (gross)	1 404	1 028
Current Assets	2 274	1 566
Stock	809	561
Accounts Receivable	1 111	797
Other Debit Balances	354	208
Gross Assets	4 621	3 375
Net Current Liabilities	(2 459)	(1 511)
Net operating Assets	2 162	1 864

**CAPITAL EMPLOYED**

Shareholders' Funds	(1 719)	(1 605)
Deferred Tax (net)	( 83)	( 44)
Long-term borrowings (incl. short-term portion)	( 130)	( 131)
Net Cash	958	783
RC&C Finance Borrowings	(1 188)	( 867)
	(2 162)	(1 864)

## CONDENSED CASH FLOW STATEMENT

(Reviewed) (Restated)

R million

R million

For year ended 30 September

2006

2005

EBITDA	1 336	967
Working Capital change	( 376)	( 500)
-Finco receivables		
-Other	( 253)	( 101)
Net interest & dividends received	121	119
Taxation Paid	( 347)	( 365)
Dividends Paid	( 464)	( 308)
<b>CASH GENERATED/(UTILISED) BY OPERATIONS</b>	<b>17</b>	<b>( 188)</b>
Capital Expenditure	( 194)	( 60)
Long-term borrowings (repaid)/raised	( 1)	129
Other Movements	32	68
Actual Net Cash Flow	( 146)	( 51)
Movement in Total Finco borrowings	387	553
<b>Net Cash Flow adjusted for Total Finco borrowings</b>	<b>241</b>	<b>502</b>

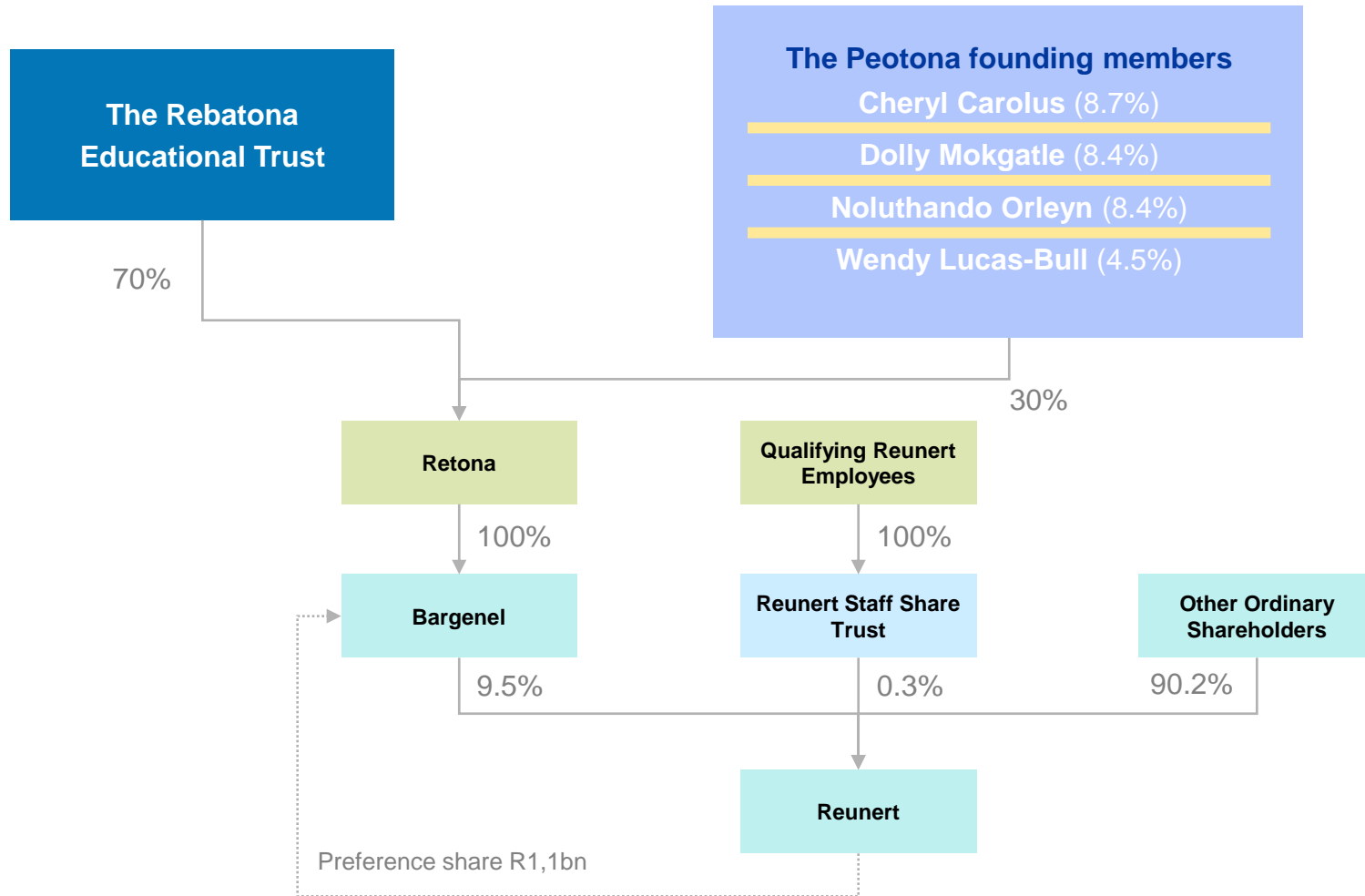
	2006	2005	2004	2003	2002
Operating margin(%)	15,5	13,1	11,2	10,0	9,3
ROE (%)	56,7	53,5	49,3	31,0	44,1
Dividend cover (Times)	1,8	1,8	1,7	1,5	1,9
Dividends per share (cents)	273,0	222,0	160,0	120,0	118,0
Special dividend per share (cents)	200,0				

Dividend cover calculated on Normalised HEPS

## **BEE deal**

**Partners** are an **essential** part of our strategy

## The Structure





## The Objectives

- **To benefit a broad base of previously disadvantaged people**
- **Full economic and voting rights transferred from Day ONE**
- **BEE partners of standing, able to add value to Reunert**
  - Locked in as Reunert shareholders for at least 11 year period
- **Transparent, upfront economic cost with limited subsequent dilution to shareholders**
  - Approximately 3,1% of Reunert's market capitalisation on 15 November 2006
  - Price is based on VWAP per Reunert share less 10% discount

# The Education Trust

- **Rebatona Educational Trust**
  - Broad-based BEE trust
  - Will own effective 6,65% of Reunert shares in issue
- **Beneficiaries**
  - Black youth & black entrepreneurs
- **To provide further education & training**
  - English, mathematics, science & accountancy
  - Groundwork for tertiary education
  - Providing skills development to assist students to succeed in business
- **Broadening concept of Reunert College**
  - More than 550 students since 1993
  - Some 400 have received bursaries for tertiary education
- **BEE Committee**
  - Will identify beneficiaries on an annual basis

# The Partners

Cheryl  
Ann  
Carolus  
(8.7%)

- **In-depth knowledge of government policy**
  - **African National Congress's overall policy coordinator in 1994**
  - **South African High Commissioner to London**
  - **Former CEO of SA Tourism**
- 

Dolly  
Doreen  
Mokgatle  
(8.4%)

- **Former CEO of Spoornet**
  - **Chairperson of Women Investment Portfolio Holdings Limited (Wiphold)**
  - **Managing director of Transmission, Eskom Holdings Limited**
- 

Noluthan  
do Dorian  
Orleyn  
(8.4%)

- **National director of the Commission for Conciliation, Mediation and Arbitration**
  - **Extensive experience in Human Rights and Labour Law**
- 

Wendy  
Elizabeth  
Lucas-  
Bull  
(4.5%)

- **Former CEO of FirstRand Bank Limited's retail business**
- **International partner of Andersen Consulting – 14 years**
- **Founding chairperson of Business Against Crime**

## The Employees

- **Reunert Share Trust**
- **Approx 6 000 Reunert employees**
  - South African citizen
  - Not benefiting from other Reunert share incentive schemes
- **100 Reunert shares each**
  - Receive full economic benefit from date of issue
  - Shares subject to 5 year holding period

## Cost of the transaction

- **Disposal value = R66,81**
  - (volume weighted average price between 1 & 16 August 2006)
  - Less 10% discount
- **18,5 million shares**
  - R1,2 billion less 10% = R1,1 billion
- **Educational Trust**
- **Employees**
  - ±R 46 million
  - Share price of R77,50 as at 15 Nov 2006
- **Economic cost to Reunert shareholders**
  - ±R471million
  - 3,1% of Reunert's market cap on 15 November 2006
- **Taxation**
  - Employees will pay capital gains tax
  - Company get a tax relief on cost (±R13 million)

## Timeline

- **Detailed transaction announcement released**
  - 20 November
- **Circular to be distributed to shareholders together with 2006 annual report**
  - Mid December
- **Shareholder approval obtained @ AGM**
  - 6 February 2007

# Operational Review

Creating **space** for our businesses to **grow**

# Quince Capital

- **New finance company**
  - Quince Capital
  - Subject to certain suspensive conditions
- **Reunert & PSG Group**
  - Reunert 49,9%
  - PSG 39,9%
  - Michiel le Roux 7,9%
  - Individuals 2,3%
- **Reunert will contribute RC&C Finance (Nashua Finance)**
  - R125 million equity
  - R250 million goodwill
- **PSG + individuals will contribute R375 million cash**
- **Quince Capital will focus on**
  - Asset backed finance
  - Bridging finance
  - Scrip finance
  - other



## Electrical Engineering

**↗ 30%**

**REVENUE**

**2006: R2,57 billion**

**2005: R1,98 billion**

**↗ 66%**

**OPERATING PROFIT**

**2006: R552 million**

**2005: R333 million**

**Your partner in infrastructure development**

# Energy Cables

- **Capital expenditure**
  - R47 million spent in FY06
  - Rod casting
  - R40 million in 2007
- **Cafca, Zimbabwe**
  - Capacity will be sold in South Africa
  - New management
  - Reserve Bank approvals outstanding
- **Prospects**
  - Platinum
  - Gautrain
  - Utilities & municipalities

## Impact of sharp increase in copper price

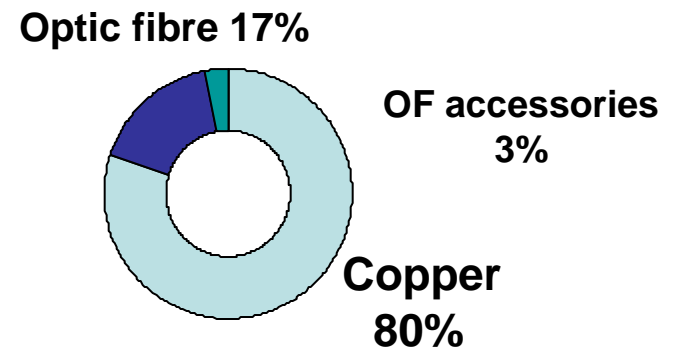
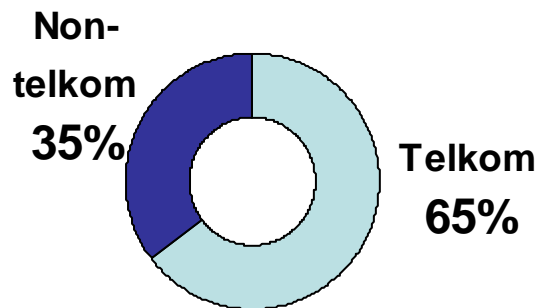
Assumption	Base 100	
	Cu @ R20,668/ton 2005 Av	Cu @ R37,347/ton 2006 Av
Cu content	40	72,28
Other material	20	20
Labour &OH	30	30
Profit	10	13.58
Profit %	10%	10%
Selling price	100	135.80

This is a best case

# Telecom cables

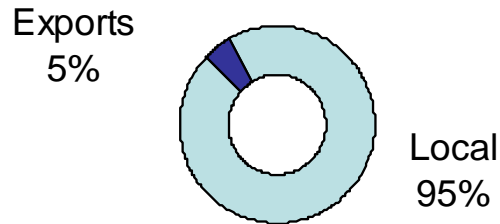
- **Significant increase in revenue**
- **Aberdare closed down**
  - Increased Telkom market share
  - Agreement reached with Aberdare to acquire its telecom businesses' assets
  - 50% share in JV between ATC & Aberdare
  - Subject to Competition Commission approval

## Cable sales



# Telecom cables

## Exports vs Local



Capacity utilisation			
	2006	2005	2004
Copper	78%	39%	41%
OF Cable	30%	7%	4%

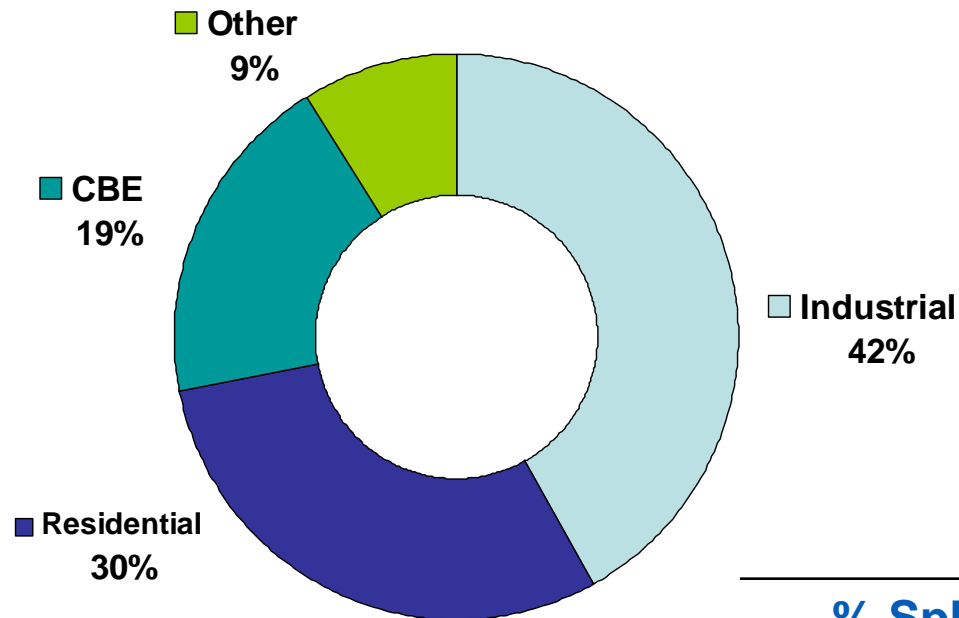
- **Future growth optic fibre cable**
- **Export potential**
  - Nigeria
  - Possible plant
- **Telkom**
  - New generation network
- **Non-telkom**
  - Gautrain
  - Power stations
  - Railway system
- **Neotel (SNO) & Infracom**

# Low voltage

- **Expanding manufacturing capacity**
  - Increased demand from Europe
  - South Africa
  - Capex:
    - 2006: R48 million
    - 2007: R44 million
- **Lesotho**
  - Two plants in full production
  - Satisfied with progress
- **Exports**
  - 21% growth year-on-year
  - 27% of total sales are outside SA
  - CBE products 63% growth
    - Mostly Europe
- **Australia**

## Low voltage

Sales per revenue stream

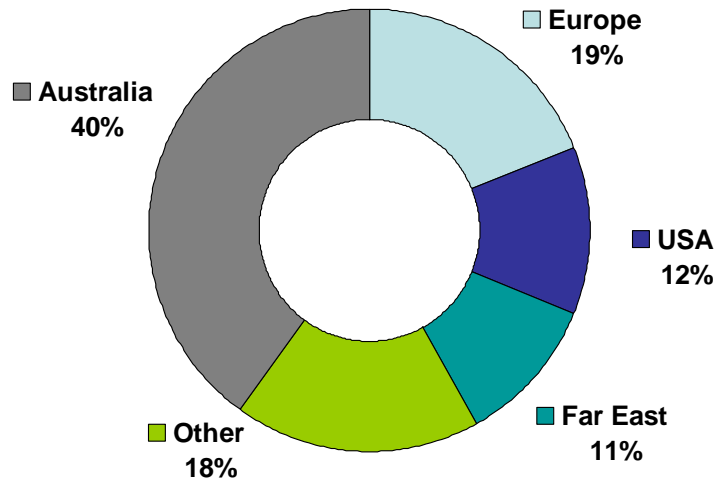


% Split between own and other

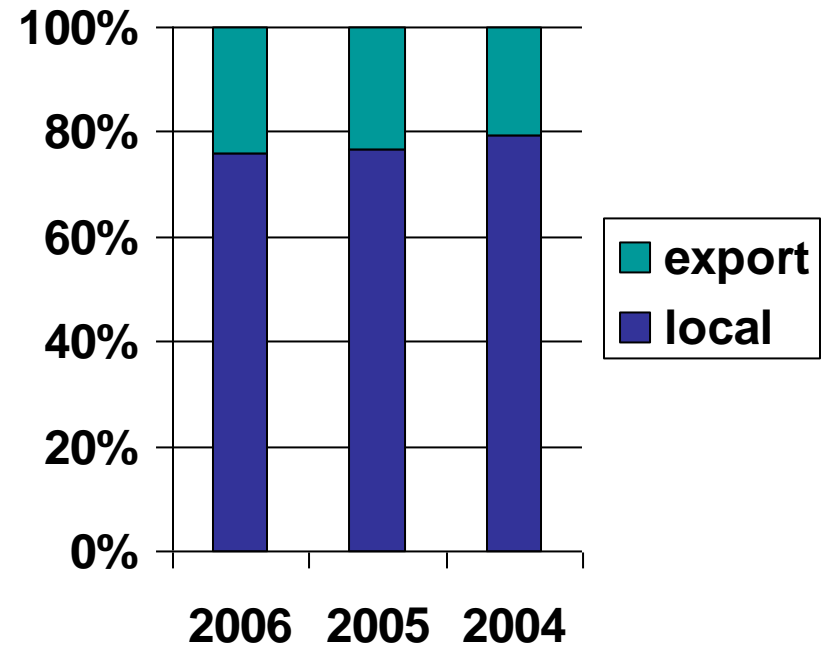
	2006	2005	2004
Wiring accessories	3%	2%	0%
Own manufactured	84%	86%	85%
Mitsubishi	13%	12%	15%

## Low voltage

Export Sales



Split exports vs local sales





**↗ 15%**

**REVENUE**

**2006: R7 billion**

**2005: R6 billion**

**↗ 20%**

**OPERATING PROFIT**

**2006: R862 million**

**2005: R717 million**

## Electronics

### % contribution

### Revenue

### Operating Profit

% contribution	Revenue		Operating Profit	
Office Systems	13%	R1,2 billion	22%	R314 million
Consumer Products & Services	43%	R4,1 billion	27%	R375 million
Telecommunications	14%	R1,2 billion	10%	R143 million
Reutech	3%	R0,3 billion	2%	R 30 million
<b>Total Electronics contribution</b>	<b>73%</b>		<b>61%</b>	

# Nashua

- **Streamlining existing businesses**
  - Acuo Technologies absorbed in Nashua
  - Nashua Broadband transferred to Nashua Mobile
- **Dynatrack**
  - Incorporated into Nashua, now part of Acuo
  - Software product
  - Provides customer with printing & copying cost management system
  - Established product with customer base
  - Opportunity to develop derivatives
  - ± 8 people

# Nashua

- **Increase total document volume**
  - High volume printers & copiers
  - Multi-functional units grew over 20%
  - Colour printers – now 2<sup>nd</sup> largest in industry
- **Strong performance from Nashua Kopano**
- **Operating margins decreased slightly**
  - Implementation strategic sales division
  - Won several large tenders
  - Marketing expenditure on colour printers
- **Annuity income**
- **Rentals**
  - Nashua Finance
- **Increased finance book from R1 billion to R1,4 billion**

# Nashua Mobile

- Move towards one stop service provider
  - **Mobile, fixed line, voice over internet protocol & data services**
- Expanded into retail market
  - **Now 115 retail outlets countrywide**

	Sep 06	Sep 05	% growth
Contract connections for year	194 832	94 034	↗107%
3G/HSDPA connections	11 095	2 095	
Total connections	205 927	96 129	↗114%
Closing contract base	576 820	415 982	↗ 39%
ARPU (average for period)	R485	R521	↘ 7%
Churn	10,51%	10,61%	

## Nashua Mobile

- **Black Dot**
  - Incorporated into Nashua Mobile
  - An ISP, website host & developer
  - Complements the strategy on Nashua Broadband
  - Exploit convergences of telecoms IT & VOIP
  - ± 35 people
- **Mobile number portability**
  - Implemented 10 November
  - Will monitor closely

## RC&C Holdings

- **Volatility of currency market**
- **Business Systems**
  - Grown strongly past year
  - Now contributes 30% of revenue & 70% of operating profit
  - Improve market share in office systems, telecommunication, presentation systems and closed circuit television
- **Pansolutions**
  - Wholly owned franchise
  - Operating Johannesburg, Cape Town, Durban & Pretoria
  - Black empowered after selling 26% to key individuals
  - Will acquire Osec to enhance BEE tender business

## RC&C Holdings

- **Consumer electronics**
  - Price deflation
  - Chinese manufacturers driving prices down
  - Operating margins squeezed
  - However, increase volumes
- **Futronic & Akai**
  - Refrigeration, air conditioning & cooking appliances
  - Expect continued growth in these market segments
- **Soccer World Cup 2010**
  - Special unit created
  - Panasonic products & systems
    - LED screens & data streaming systems

- **Improved profitability from R3,7 million to R30 million**
  - Restructuring previous year
  - Improvement in sales
  - Fuchs Electronics disappointed
  - RRS, RDL Technologies & RDI Communications profitable
- **Disposal process was started**
  - Various offers received



# Siemens Telecommunications

- **Strong revenue growth ↗ 29%**
- **Operating profit ↗ 8%**
- **Telkom**
  - New generation network
  - Broadband equipment
  - System care contract
- **Vodacom**
  - Launched 3G & HDSPA
  - Planning to launch 3G in Tanzania
- **Cell C**
  - Supplied HLRI, Operational systems support and next generation messaging
- **MTN**
  - Supply contract in Swaziland

## **Siemens-Nokia deal**

- **50-50 joint venture Siemens Networks & Nokia**
- **Effective 1 January 2007**
- **Nokia & Siemens telecommunications infrastructure businesses will be merged**
- **Housed under Nokia Siemens Networks**
- **Enterprise business carved out**
  - Stand alone
  - ±R400 million of sales
  - Challenging environment

Generally the business climate is expected to be favourable and most of the group's businesses are likely to continue producing real growth in earnings. The consumer business may experience slower demand in a higher interest rate environment.

Overall the group should achieve real earnings growth before the one off charge arising from the BEE transaction.

These results are based on  
International Financial Reporting Standards (IFRS)