



2016

YEAR END RESULTS
PRESENTATION

Year End Results

ROBBIE VENTER / CHIEF EXECUTIVE
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AGENDA

1. Overview & Financial Summary Robbie Venter - CE
2. Financial Results Alex Smith - CFO
3. Operations and Way Forward Robbie Venter - CE

STRATEGY STATEMENT

- Decision has been taken to focus the Group on core IT and Telecoms businesses.
- Reduce exposure to manufacturing through divestment of Altech UEC and Altron Power.
- Results presented in core / non-core format to give greater insight into Group going forward.
- Core business has proven growth record and strong cash generation.
- Core business has high ROCE and capital lite structure.
- Leaner central cost structure for smaller core businesses.
- Asset sales will return group to conservative balance sheet structure with dividend policy likely to be consistent with the past.
- Continued transition of Altron from an investment holding company to an operational holding company.

RESULTS OVERVIEW

Core

- A solid result from the continuing operations.
- Strong performance from the IT division at revenue and EBITDA level.
- Good performance from Bytes UK, BSTS and BPS, with BUS down on prior year.
- Within Telecoms division, good performance from ARH, while both Altech Netstar and BSI below expectations.

Non-core

- Poor result from non-core Altron Power operations with significant losses recorded.
- Weak results from Powertech Transformers and Aberdare due to reduced Eskom spend and challenges in manufacturing sector.
- Substantial losses in Altech Multimedia on significantly lower demand and right-sizing process.
- Powertech Batteries Group performed according to expectations.
- Sale of Aberdare Group announced with proceeds expected prior to August 2016. Competition Commission approval received.
- Conclusion of Altech Autopage sale. Bulk of proceeds received with remainder expected in June 2016.
- Various divestment processes underway for the remaining non-core operations.

FINANCIAL HIGHLIGHTS

Continuing (Core) Operations	Rm	FY16	FY15	% Change
Revenue		14 357	12 014	20
EBITDA		888	993	(11)
EBITDA Margin (%)		6.2	8.3	
Profit after tax		360	496	(27)

Discontinued (Non-core) Operations	Rm	FY16	FY15	% Change
Revenue		12 235	15 609	(22)
EBITDA		(512)	390	
EBITDA Margin (%)		(4.2)	2.5	
(Loss) after tax		(1460)	(556)	

PROGRESS ON STRATEGY IMPLEMENTATION

- Altech Autopage disposal concluded with initial proceeds received. After costs and balance sheet unwind, should release approximately R800 million.
- Aberdare disposal awaiting fulfilment of final conditions precedent. On completion should generate net proceeds of approximately R900 million.
- Sale of PTSI office premises in Menlyn for R107 million, awaiting transfer.
- Sale of various smaller Powertech operations concluded:
 - Dynamic Batteries R31 million.
 - Alcon Marepha R19 million.
 - Powertech Africa R20 million.
- Head office consolidation expected to generate approximately R100 million of savings – headcount reduced by 40%.
- Cost reduction exercises completed in Altech Multimedia and Powertech Transformers.
- Expanded implementation of shared services.
- Various divestiture processes underway for remainder of non-core manufacturing businesses.

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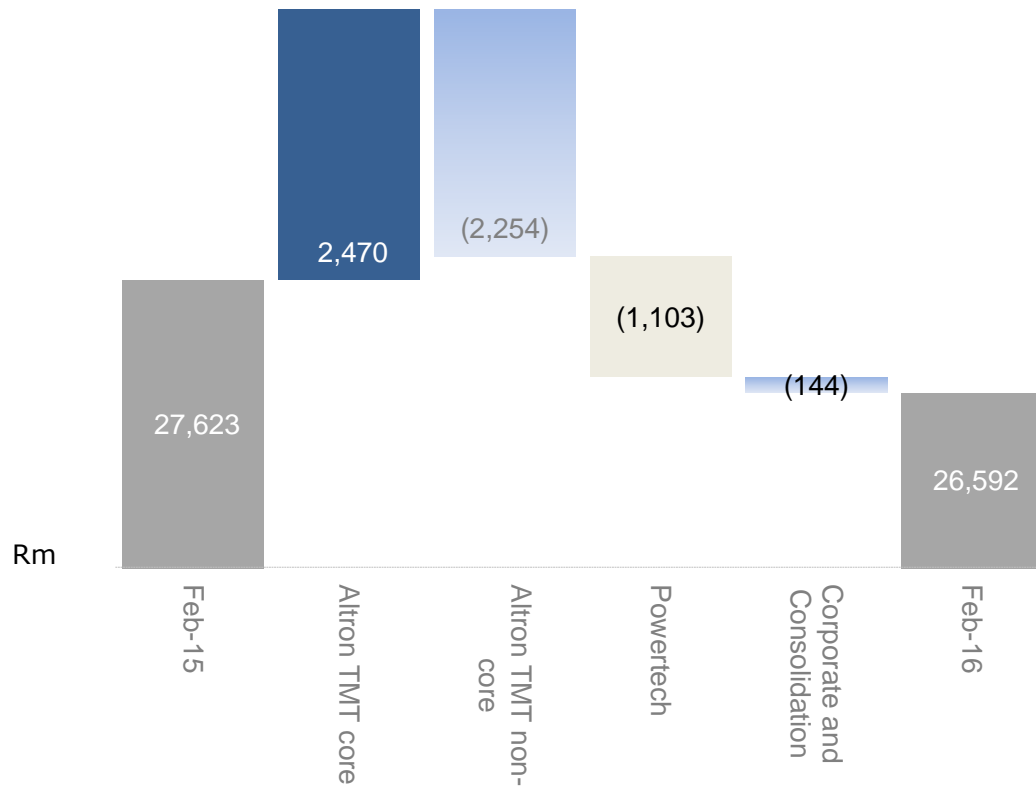
Financial Results

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GROUP INCOME STATEMENTS – TOTAL OPERATIONS

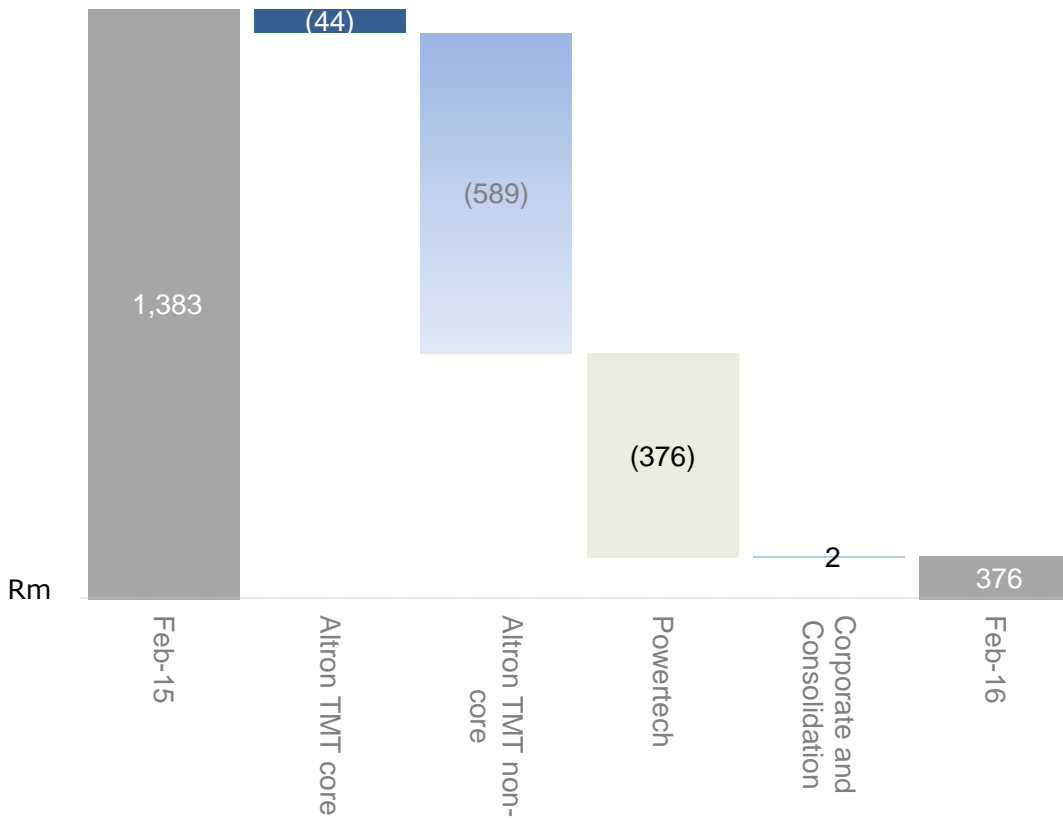
Rm	FY16	FY15	% Change
Revenue	26 592	27 623	(4)
Operating profit before capital items	(74)	827	(109)
EBITDA	376	1 383	(73)
EBITDA Margin (%)	1.4	5.0	
Net finance expenses	(492)	(398)	
Capital items	(508)	(400)	
Foreign exchange profits / (losses)	41	(64)	
Taxation	(44)	(104)	
HEPS – total operations (cents)	(145)	94	

MOVEMENT IN GROUP REVENUE



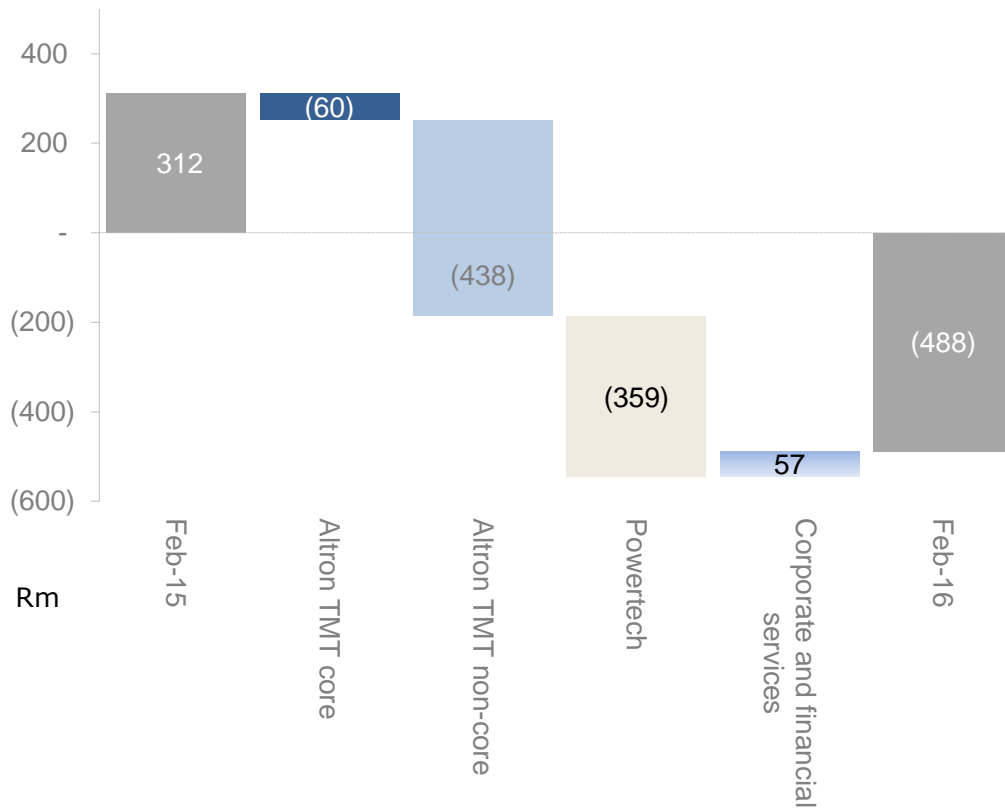
- Overall revenue decline caused by deteriorating performance of the non-core operations.
- Revenue from continuing operations has seen a pleasing increase, although much of this came from the international operations, with the SA operations affected by low growth levels in the local economy and intense competition.
- Non-core operations in TMT affected by announcement of sale of Altech Autopage and weak demand at Altech Multimedia.
- Powertech revenue affected by lack of demand from the formal sector, predominantly Eskom.

MOVEMENT IN GROUP EBITDA



- Marked decline in EBITDA caused by the non-core operations.
- Decline in the core operations as a result of performance of Altech Netstar, which saw increased subscriber acquisition costs, and BSI which suffered from delays in investment by clients in their SA operations.
- Non-core TMT businesses incurred significant losses due to substantial once-off costs in the Altech Multimedia business and the protracted disposal process in respect of Altech Autopage.
- Altron Power operations suffered from a further deterioration in demand levels and margin pressure with much of the decline from the cables operations.

MOVEMENT IN GROUP HEADLINE EARNINGS

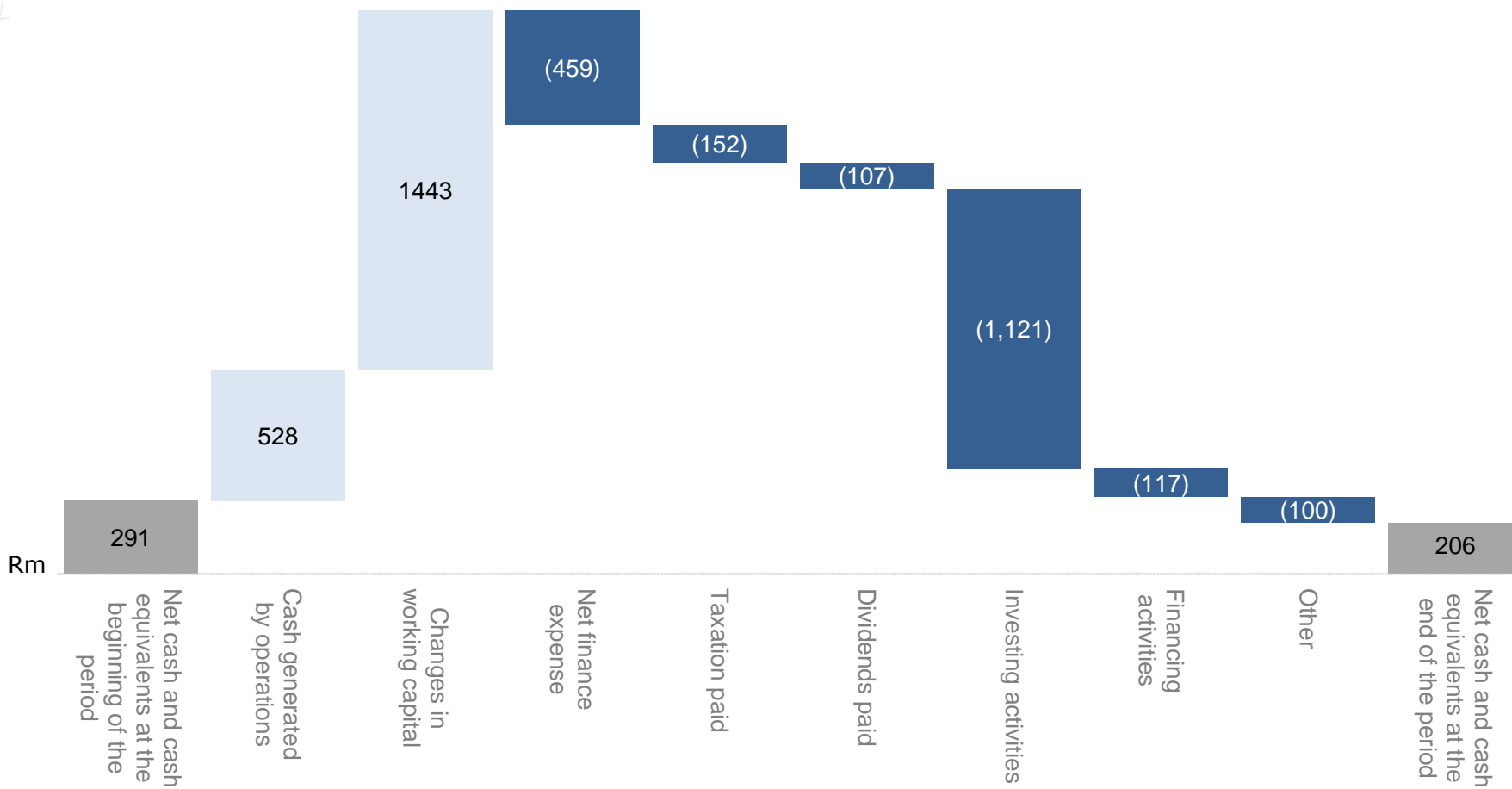


- Overall decline in headline earnings driven by performance of the non-core businesses incurring significant losses, higher interest costs and no tax relief on those losses.
- Core businesses declined marginally due to the declines at Altech Netstar and BSI, partially offset by the good performance out of the IT (Bytes) operations.
- Deterioration in non-core operations follows the decline in EBITDA.
- Removal of loss-making businesses through disposals over the next 12 months will reverse the trend of declining headline earnings.

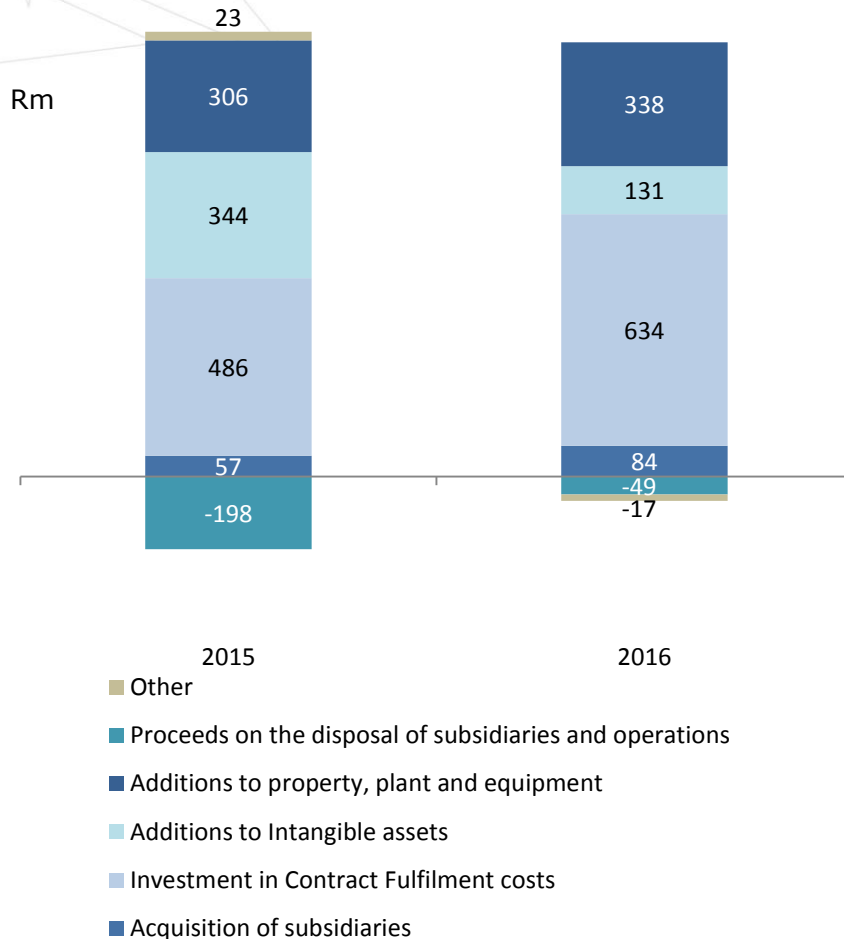
SUMMARISED BALANCE SHEET

Rm	FY16	FY15
Total non-current assets	2 804	4 496
Current assets	10 152	9 345
Cash balances	1 491	1 341
Total assets	14 447	15 182
Shareholder's equity	2 847	3 639
Non-controlling interests	(111)	123
Non-current liabilities	2 714	3 260
Current liabilities	8 997	8 160
Total equity and liabilities	14 447	15 182

CASH FLOWS

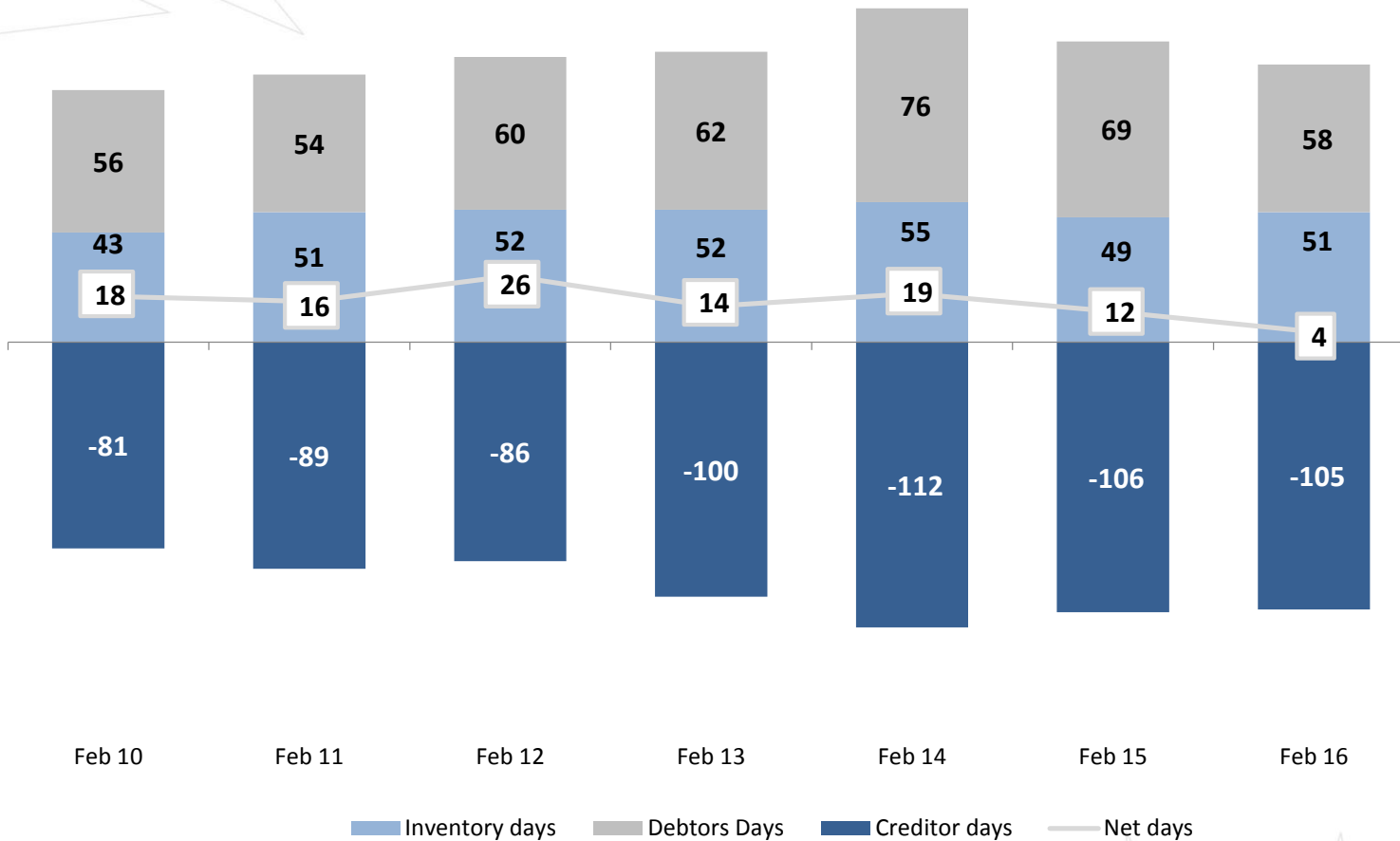


INVESTING ACTIVITIES



- Investment in property, plant and equipment limited to maintaining the capital base.
- Substantial reduction in investments into intangible assets reflects the closure of the Altech Node business and much lower activity levels at Altech Multimedia.
- Significant increase in investment into contract fulfilment costs reflects cost of maintaining the Autopage subscriber base (R388 million) ahead of the disposal of the business. Altech Netstar also saw increased investment as their penetration of the fleet market increases.
- This will be an area of continued focus to reduce investing activities until gearing of the balance sheet is reduced to more acceptable levels.

WORKING CAPITAL



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Operations

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ALTRON TMT FINANCIAL SUMMARY

Continuing (Core) Operations	Rm	FY16	FY15	% Change
Revenue		14 679	12 209	20
EBITDA		1 056	1 100	
EBITDA Margin (%)		7.2	9.0	
Headline Earnings		637	697	

Discontinued (Non-core) Operations	Rm	FY16	FY15	% Change
Revenue		5 049	7 303	(31)
EBITDA		(331)	258	
EBITDA Margin (%)		(6.6)	3.5	
Headline Earnings		(507)	(69)	

TELECOMS DIVISIONAL REVIEW

Continuing (Core) Operations	FY16 Revenue Rm	% change on prior year	FY16 EBITDA Rm	% change on prior year	Comments
Altech Netstar Group	1 161	4	252	(19)	Increased cost of acquiring subscribers (in commission and cost of funding units). SVR side of the business contracted due to increased churn as consumers came under pressure. Fleet management continues to see favourable growth. Now represents some 35% of the business.
Altech Radio Holdings	953	31	75	14	Performed well. Successful implementation of GBN project - on schedule with scope being enhanced in the process.
Bytes Systems Integration	1 497	(11)	65	(51)	Reduction in EBITDA from weaker local business and a reduction in gross margins, particularly in the hardware business. A cost reduction process has been initiated. Focus on converting a healthy pipeline.
Other	1 169	7 406	(19)	21	
Total	4 780	36	373	(23)	
Discontinued (Non-core) Operations					
Altech Autopage	4 019	(27)	(184)	(206)	Experienced an extremely difficult last six months as it protected its subscriber bases ahead of the disposal to the networks in the face of on-going delays.
Total	4 019	(27)	(184)	(206)	

MULTI-MEDIA DIVISIONAL REVIEW

	FY16 Revenue Rm	% change on prior year	FY16 EBITDA Rm	% change on prior year	Comments
Continuing (Core) Operations					
Arrow Altech Distribution	419	13	26	13	Successfully increased its market penetration, which has also reduced its dependency on inter-group business.
Total	419	13	26	13	
Discontinued (Non-core) Operations					
Altech Multimedia	1 030	(43)	(147)	(275)	Severely impacted as a result of significant inventory obsolescence provision, delays in roll-out of DTT and costs related to downsizing operations.
Total	1 030	(43)	(147)	(275)	

IT DIVISIONAL REVIEW

	FY16 Revenue Rm	% change on prior year	FY16 EBITDA Rm	% change on prior year	Comments
Bytes Technology Group UK Software	3 554	34	132	25	Produced excellent results. Growing profits and margins in Pound terms. Further helped by currency translation effect of 15%.
Bytes Document Solutions	2 117	(4)	84	(27)	Performed to expectations with its revenue and EBITDA decline affected by the sale of the LaserCom business in the prior period and margin pressures from the depreciation of the Rand.
Bytes Managed Solutions	1 528	1	135	(1)	Performed to expectations despite a reduction in revenue and EBITDA, due to technology refresh that occurred in the prior period. The business was affected by foreign exchange losses and the disposal of the retail ATM business in August 2014.
Bytes Secure Transaction Solutions	837	20	192	22	Continues to perform exceptionally well. The top performer was Altech NuPay which achieved strong revenue and profit growth, with good performance from other divisions.
Bytes Universal Systems	703	(18)	73	(32)	Experienced a decline in performance due to large public sector contract ending.
Bytes People Solutions	421	111	41	50	Produced excellent results, achieving critical mass in the call centre business following acquisition of Inter-Active Technologies.
Other	320	61	13	139	
Total	9 480	14	670	9	



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ALTRON POWER FINANCIAL SUMMARY (DISCONTINUED)

	Rm	FY16	FY15	% Change
Revenue		7 185	8 288	(13)
EBITDA		(156)	220	
EBITDA Margin (%)		(2.2)	2.7	
Headline Earnings		(350)	1	

POWER DIVISIONAL REVIEW

Discontinued (Non-core) Operations	FY16 Revenue Rm	% change on prior year	FY16 EBITDA Rm	% change on prior year	Comments
Powertech Cables	4 370	(12)	(3)	(101)	Weak demand in both the informal and formal sectors and margin pressure arising from lack of volume. The international operations had a good year, benefitting from increased infrastructure spend, particularly in Spain.
Powertech Transformers	957	(28)	(146)	(121)	Continued absence of orders from Eskom for large power transformers. Distribution transformers also had a difficult year, but has seen a recent improvement in order flow from renewable projects and export markets.
Powertech Batteries	984	4	74	(3)	Performed satisfactorily given that margins were under pressure due to an increasing Rand lead price as well as on-going competition from imports.
Powertech Systems Integration	770	(6)	(5)	(267)	Performance disappointing due to reliance on capital projects. Aggressive expansion into Africa required.
Other	104	(53)	(76)	NM	Powertech Quadpro has seen low order intake this year with intense competition in both its local and targeted African markets.
Total	7 185	(13)	(156)	(171)	

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The Way Forward

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GOING FORWARD

- Focus on and complete non-core disposals:
 - Complete Aberdare sale by half year.
 - Prioritise disposal of Powertech Transformers and Altech UEC.
 - Utilise proceeds to reduce debt.
- Ensure appropriate focus is maintained on core operations:
 - Stabilise SVR and continue growth in fleet management services.
 - Build on own IP businesses (BSI, BUS and BSTS).
 - Leverage scale and competitive position of IT division.
- Continue transition of Altron from a financial holding company to an operating company.
- Continue transition of Altron from a family managed business to an independently managed company.

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QUESTIONS

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Appendix

GLOSSARY

- TMT:** Technology, Multi-media and Information technology
- GBN:** Gauteng Broadband Network
- HEPS:** Headline Earnings per Share
- Rm:** South African Rand (Million)
- DTT:** Digital terrestrial television
- ARPU:** Average revenue per user
- EBITDA:** Earnings before interest, tax, depreciation and amortization
- ROCE:** Return on capital employed
- SVR:** Stolen vehicle recovery

GLOSSARY CONT.

- AAD:** Arrow Altech Distribution
- ARH:** Altech Radio Holdings
- BDS:** Bytes Document Solutions
- BMS:** Bytes Managed Solutions
- BPS:** Bytes People Solutions
- BSI:** Bytes Systems Integration
- BSTS:** Bytes Secure Transaction Solutions
- BUS:** Bytes Universal Systems
- PTSI:** Powertech Systems Integration

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