



Trevor Munday – Chairman



Gerrit Pretorius – Chief executive

We are pleased to report that after a most challenging year our long-standing philosophy of managing the business conservatively yielded benefits and Reunert ended the year in a strong position. Our balance sheet and related ratios are sound, which is an enviable position to be in, considering the very difficult circumstances of the past financial year.

The results achieved across the different operating divisions were varied.

REUTECH

Reutech, our defence business, had a bumper year. Its revenue grew by 40% which led to operating profit increasing by 55%. Reutech contributed R212 million to group operating profit with higher exports being a notable contributor to its success. The anticipated award of certain key long-term local orders will, over the next three to five years, lead to a more balanced distribution between its local and export business.

Prospects for our defence division are good. All exports were repeat business and in many instances, we have supplied the same product to the same customer for more than five years; which is a good situation. However, predicting the timing of when orders will be placed is difficult. It is thus quite possible that the new year may not be as strong as 2009.

NASHUA

The Nashua group has shown surprising resilience despite its exposure to pressures experienced by consumers. Revenue was marginally lower at R6 365 million and operating profit declined by 27% to R481 million.

In the current tough environment, office automation sales were only 1% down. Given the strengthening of the rand, which in turn led to a lowering of prices to the end customer, it was a pleasing achievement. Careful cost management limited the decline in operating profit to 12%.

Further to our strategy of owning a controlling interest in large franchises and so getting closer to the end user, Nashua Central was purchased on 1 July 2009 and enhanced group performance. Nashua Central is the fifth franchise owned by the group and most sales are now moved through channels that are majority owned by us. We will continue to increase our ownership of the channel in partnership with the existing franchisees. As competitive pressures increase further our position will be strengthened.

At Nashua, market share is imperative. The brand has once again demonstrated its value as we have clawed back market share previously lost. Favourable currency movements and access to more and better products served us well.

For Nashua Electronics, it was a year of repositioning. After more than 40 years in the business we finally exited the consumer electronics business. It was not an easy decision to withdraw but we believe it was the right one. The associated charges, which amounted to about R60 million, impacted on profitability. However, on a positive note, cash in excess of R70 million was released by reducing the inventory and receivables in line with this strategic change.



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The new Nashua Electronics will be a much smaller and leaner business. With estimated annual sales of R400 million, it will be focused on office systems and should be capable of achieving a 10% operating margin. More importantly, we believe that, in the medium term, we will have a business with a clear area of competency and will grow market share. Nashua Electronics will change from a general shop to a specialised vendor.

Nashua Mobile reached levels of performance close to its previous peak. As a service provider to all the networks, it currently serves over 720 000 customers countrywide with a network of 155 outlets. The year yielded strong sales numbers of 160 000 new contracts, resulting in the contract base increasing by 8,8% overall. A reduction in airtime spend per customer due to current economic conditions has been experienced by all cell providers. While revenue grew by 6%, operating profit declined by 9%.

Metrics, such as number of customers connected, may no longer be appropriate to judge the achievement of businesses in the cellular mobile field in South Africa. Rather, retaining good

customers is the key to success in this highly competitive industry. We are investing to achieve just that. Nashua Mobile has set up a state-of-the-art call centre in Bloemfontein and overall client services handles more than 120 000 calls per month. Motivation and training of staff is essential and instant gratification is our aim. Our fleet of Nashua Mobile scooters is a familiar sight along our highways, which demonstrates our commitment to reach our customers faster despite the congestion on our roads.

Much is said about interconnect rates and the cost of communications in South Africa which are likely to be reduced significantly and quickly. The extent to which revenues will be negatively affected remains to be seen. Lower rates may stimulate increased traffic which may compensate, or even increase revenues.

The future of least-cost routing is equally debated. In a normal competitive situation, call rates will differ and customers should pursue the least expensive connection. Hopefully, our country will progress towards that level of sophistication.

RCCF, which supplies asset-backed finance to our customers, did not escape the hardship that has been experienced globally by financial institutions. Bad and doubtful debts exceeded the level of prior years by about R62 million, which significantly reduced profitability in the past year. Fortunately, a year ago, we decided to revise rates to reflect higher risk and to reduce the size of the book in an orderly way. Both decisions have turned out to be prudent.

We have decided to issue short-term commercial paper for a modest initial amount to add another source of funding. Once our credibility in the market has been established, we will issue longer-term paper with a view to deriving all our required future

Nashua Mobile	2009	2008	% change
Contract connections for year	136 362	132 210	3,1
3G/HSDPA connections	23 198	28 782	(19,4)
Total connections	159 560	160 992	(0,9)
Closing company base	722 638	663 787	8,8
ARPU	488	472	3,4
Churn %	13,6	12,8	(6,2)
Net bad debts % turnover	1,24	1,34	7,5
Number of retail outlets	155	152	2

funding in this way. Indications are that the worst is behind us and that prospects are encouraging in the year ahead.

Subsequent to year-end, the enterprise business of SEC was acquired, augmenting our offering to corporate South Africa. With annual sales of around R450 million, this business has a big share of the market with the same customer base as the Nashua channel. Although profitability has been a problem with this business, we are confident that management will achieve results in line with what we expect of companies in the group.

CBI-ELECTRIC

The electrical engineering division CBI-electric had a completely different year compared to the previous year. It went from boom to bust in literally 60 days, starting in August 2008. Volumes declined by between 40% and 60% and credit is due to the operational management who responded quickly and decisively in limiting the damage.

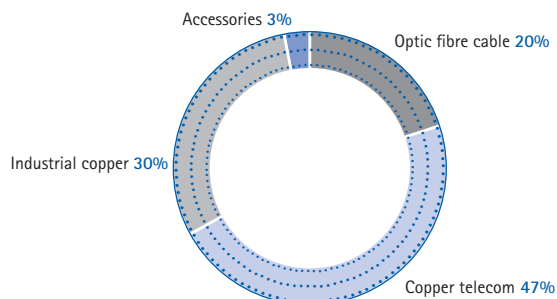
Revenues declined by 25% to R2 952 million. To compound the issue, the copper price was extremely volatile and losses amounted to R52 million. Overall operating profit reduced by 42% to R393 million.

A notable exception to the above was our joint venture in the manufacturing of telecommunications cables. Revenue increased by 3% and operating profit by 18%, based on the relatively strong demand for copper telecommunications cables. Fibre optic cable sales were subdued. The steady, but sure, substitution of copper in the local loop with wireless access will, in time, erode the copper business. Fibre, in contrast, is in healthy demand, but subject to severe pricing pressures. Other opportunities are being explored in order to add value to the cables that we supply and thus maintain growth. Current delays in the roll-out of long-haul fibre routes might impact on the 2010 results.

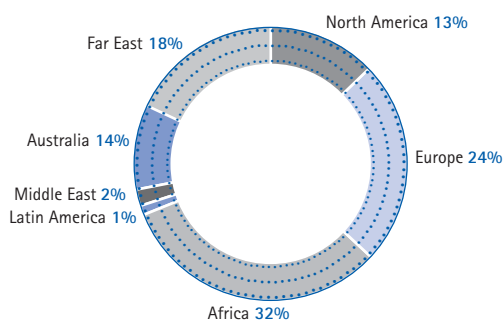
In the low-voltage business, the market for residential and commercial property circuit breakers declined by 36%, while the strong rand exerted pressure on prices. Industrial and mining breakers suffered from the cancellation or deferment of capital projects by industry and the mining houses. Profitability of exports reduced significantly as a result of the exchange rate. To the extent possible, steps have been taken to improve profitability, positioning the company for growth should demand increase and/or the rand weaken.

The energy cable business experienced a similar drastic decline in demand while being subject to an extremely volatile copper price in rand terms. Our capability to manufacture, install and commission high-voltage cables has stood us in good stead. A second line has been commissioned to manufacture high-voltage cable. Timely training has ensured that we have sufficient

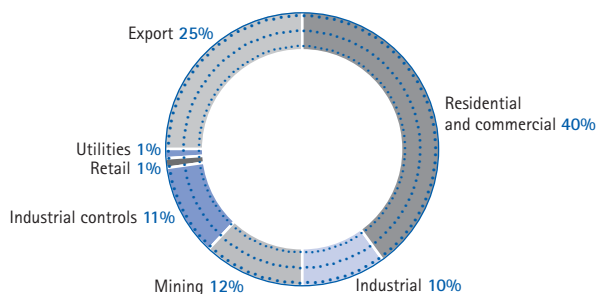
Telecom Cables: Market mix as % revenue



Low-voltage: Export sales by region



Low-voltage: Product mix %



resources to meet all installation requirements. Medium- and low-voltage cables are in low demand and likely to remain so for the time being. Again, profitability next year should be significantly better at current volumes.

Our capital investment programme is being maintained to ensure that we have the capacity to respond to increased demand if necessary. New product lines are being added to our cable, low- and medium-voltage operations.

The new venture into medium voltage has grown three-fold during the past year. We have supplied 16 power transformers and have delivered the first of our innovative medium-voltage switchgear panels. A few years ago, we were not active in those areas. Today, we have a business with good products, an ever-growing base of blue-chip customers and the potential to develop the business into a sizeable income-generating unit.

Prospects

Looking forward, it is our view that the economy has stabilised, although we do not expect any meaningful recovery in the short term. Actions taken to adjust to the lower volumes of the past year should have a positive impact on earnings.

Governance, sustainability and social responsibility

In line with requirements of the King III code on corporate governance an executive remuneration policy, as well as a report by the audit and risk committee, is included.

Our social investment initiative with the Reunert College provided more than 80 black matriculants the opportunity to gain a high-level matric in Mathematics, Science, Accounting and English, thus paving the way for them to pursue a tertiary qualification. Since inception, we have assisted close to 800 students of whom about 450 have entered university. Our training philosophy is that there are no shortcuts and that what we offer must have a lasting effect. There is no substitute for a first-class education and experience. We endeavour to provide both.

We are conscious of the environment and the need to protect it. Our operations are clean and environmentally friendly to the fullest extent possible. We have an initiative that is evaluating alternative sources of energy.

Appreciation and closing

Mr Martin Shaw retired as chairman in May of this year. After three years of exemplary leadership and many more as a member of our board, he has reached the mandatory retirement age and will leave us in February 2010. We would like to thank him for his dedication and friendship and wish him well. We are pleased to welcome Ms Kholeka Mzondeki and Mr Rynhardt van Rooyen as independent non-executive directors to the board as from 1 November 2009. They will both serve as members of the audit and risk committee.

We say a big thank you to the members of our board and all our employees. It was not an easy year. Your experience and commitment was a source of inspiration. To our customers, both in South Africa and overseas, we collectively express our appreciation for your support and assure you of our ongoing endeavours to meet your requirements.



Trevor Munday
Chairman



Gerrit Pretorius
Chief executive

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17 November 2009