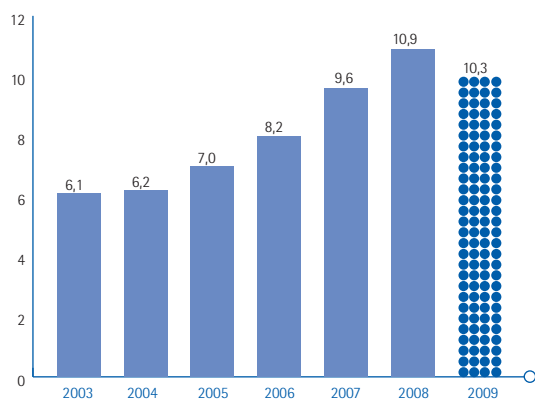




David Rawlinson – Financial Director

Revenue and operating profit decreased for the first time in nine years, with the group's operations unable to counter the effects of the economic downturn. Revenue decreased by 6% to R10,3 billion, while operating profits decreased by 28% to R1,1 billion. The defence operations enjoyed the benefits of export orders which were the highlight of a difficult year.

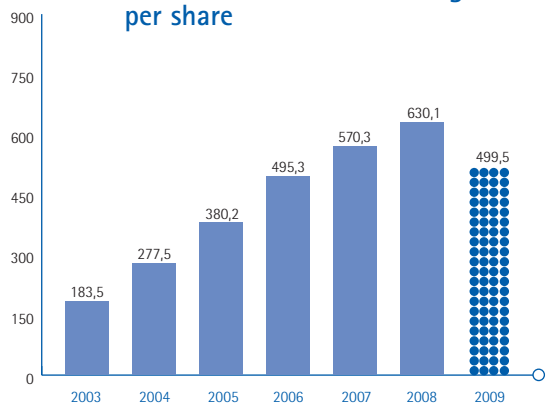
Rbn: Revenue



### Normalised headline earnings

The group has disclosed normalised headline earnings per share for a number of years to provide shareholders and other users of the financial statements with the group's sustainable earnings. These numbers are comparable with prior years.

Cents: Normalised headline earnings per share



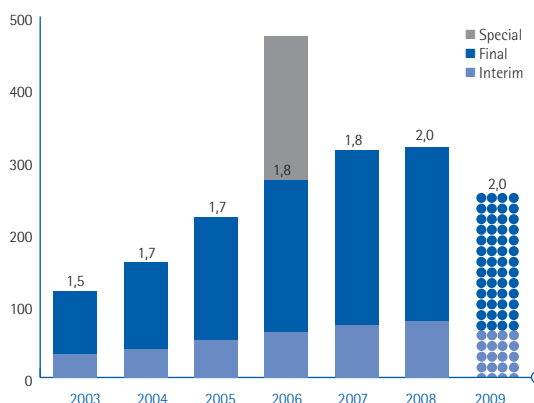
The adjustments are charges of R10 million in 2009 and R39 million in 2008 for the BEE minority shareholder's interest in the group's cable operations. In terms of IFRS, the BEE minority interest may not be recognised while there are amounts owing by the BEE shareholders on the transaction.

The remaining adjustment of R299 million is the non-cash mark-to-market profit on the put option that Reunert has in respect of its investment in NSN.

### Dividends

Reunert has continued with its policy of paying generous dividends with the dividend adjusting in line with the group's earnings. A two-times dividend cover is maintained, based on normalised earnings, to exclude dividends being paid on non-cash accounting income.

Cents: Cash dividend per share and dividend cover

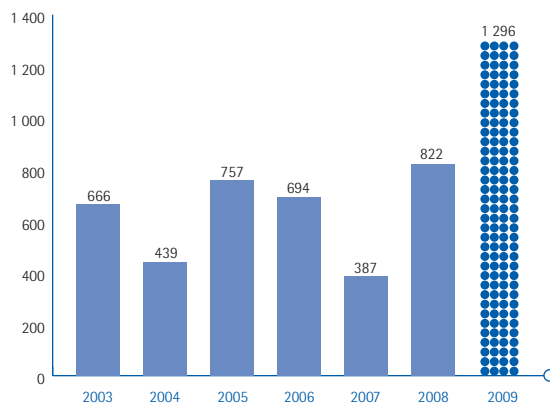


### Cash flow

#### Cash flow excluding dividends and share buy-backs

Reunert's profit is underpinned by strong cash flow. This year, despite the decrease in profit, cash flow has been very pleasing due mainly to the decrease in working capital. During these difficult trading conditions it is pleasing to note the decrease in working capital in line with business activity.

Rm: Cash flow



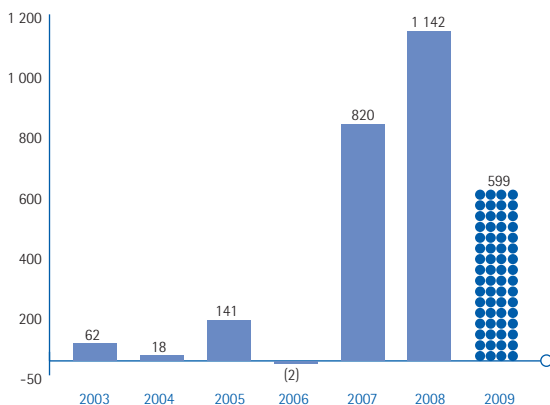


The cash flow for RCCF has been excluded from the cash flow figures as finance is raised on the rental debtors book. Currently the cash accumulated in the group is deposited with RCCF for most of the financial year. This policy results in the group achieving retail interest rates for its cash. The group's exposure to RCCF in the past has been limited, but the global financial crisis has resulted in providers of capital requiring Reunert to underwrite certain of the borrowings.

	2009	2008
RCCF accounts receivable	1 703,3	1 957,0
RCCF long-term borrowings	(699,9)	(699,9)
RCCF short-term borrowings	(1 012,3)	(1 164,4)
Cash	97,6	82,0
Total RCCF borrowings	(1 614,6)	(1 782,3)

The rental book has been reduced this year as the credit markets have contracted.

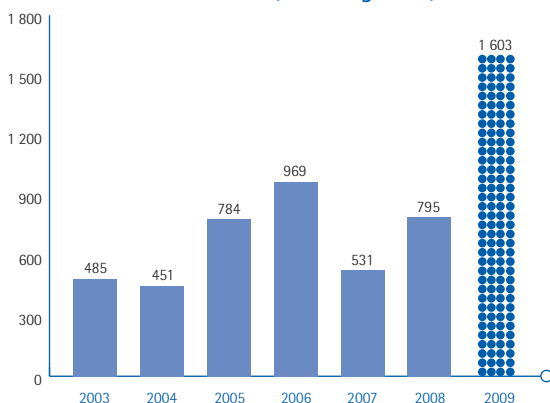
### Rm: Working capital (excluding RCCF)



### Cash accumulation

Cash is being accumulated currently as the board believes that meaningful acquisition targets will arise in these stressed economic times. This will provide the group with additional growth opportunities.

### Rm: Cash on hand (excluding RCCF)



## Risk issues

### Global financial crisis

The challenging economic conditions are expected to continue and conditions remain clouded in the short term. South Africa experienced a delayed effect in the onset of the credit crunch and the slowdown in business activities is forecast to continue longer than was expected.

Consumer buying power has been severely depleted with free cash and credit facilities curtailed. This predominantly affects our CBI-electric division where, despite the rise in performance indices, volumes remain under pressure.

Credit remains more difficult and costly to obtain although the major banks have started to ease lending criteria slightly.

Our Nashua division experienced high levels of bad debts. Improved credit approval policies and focused credit management has brought bad debt levels under control.

### Exchange rates

The strength of the rand measured against the dollar has remained volatile throughout the financial year. The year commenced in October 2008 at an exchange rate of R8,24, the rand weakened to around R11,50 and the best rate at which the rand traded was R7,30, a spread of more than 50%. The closing rate for the year was R7,56.

A strong rand has a negative impact on our businesses with increased competition from European and Far Eastern imports. Furthermore CBI-electric has export sales at 14% of revenue and Reutech at 50% of revenue, which would benefit from a weaker rand. Total exports amounted to R854 million, an increase of 8% from R791 million achieved in 2008. The Nashua group benefited from the stronger currency which enabled a reduction in prices to their franchise channels and the consumer.

This volatility affects all our businesses but also presents opportunities to manage currency risks.

All imports are covered with foreign exchange contracts. Significant exports are covered on an individual basis.

### Commodities

Commodity prices peaked in 2008, with our factories running at full capacity. The collapse of the financial markets internationally led to an abrupt turnaround in 2009, leading to significantly lower demand and shorter and more expensive production runs.

The lack of sustained global demand has lowered commodity prices. With decreased volumes, product prices were affected negatively.

### Infrastructure

The local economy has benefited from increased public infrastructure projects such as the Gautrain and the national freeway improvement initiative. We are cautious of a slowdown

in capital expenditure when these projects end as well as financial constraints and operational challenges at certain municipalities and parastatals.

By carefully managing our relationships with these entities, we will continue to deliver value-added products and services and fulfil our role in the supply chain.

Higher cost of electricity is already affecting input costs and will in future be a significant cost driver. The group's commitment to research and development, together with innovation and discipline, will improve efficiencies in our operations.

## Corporate activity

Reunert acquisitions in the financial year amounted to R69 million.

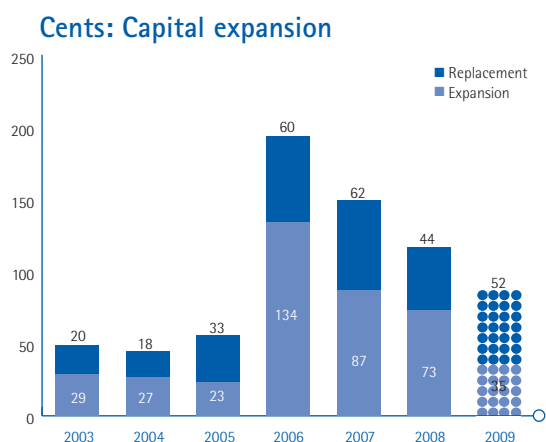
Blue Lake Investments	To expand the LCR business in Nashua Mobile
Nashua Central Franchise	Nashua franchise operating in Central Gauteng

Subsequent to the year end, the 60% in SEC that we did not own was acquired. This business has high market shares in the PABX and call centre markets and management is confident that under Reunert's guidance, this business will flourish and achieve the returns that they are capable of delivering.

## Capex

The following capital expenditure was incurred in respect of property, plant and equipment:

	2009 Rm	2008 Rm
Expansion	34,7	72,8
Replacement	52,4	44,3
	<b>87,1</b>	<b>117,1</b>



## Shareholders' statistics

Reunert shares continued to trade actively on the JSE during the past year. Fund managers and investors have an active interest in the group, mainly due to its exposure to the infrastructure spending through its electrical operations. Some 107,7 million shares were traded in over 71 000 transactions. The total value of shares traded amounted to R4,7 billion resulting in over 47% of the market capitalisation of the company being traded during the year. The majority of shares are held by pension funds, unit trusts and mutual funds. On 25 September 2009 the offshore shareholding was just under 16%.

## NSN

A change of ownership internationally of our associate company NSN resulted in changes to our shareholder agreement in 2007. The income from the investment now arises out of commission on sales which was included in other income and operating profit in 2008 and is now included in revenue and operating profit.

## Business cycle

The South African economy contracted by 1,5% during our financial year, compared to an average growth of 5% for the previous four years. Reunert anticipated this; controlling input costs and reducing working capital employed. Going forward we expect the base to increase marginally from the current low level.

To stimulate growth the South African Reserve Bank has lowered interest rates by five percentage points from a high of 15,5% in 2008 to the current 10,5% in September 2009. Consumer confidence from the FNB/BER index declined to a relatively neutral confidence level at the quarter ending September 2009.

Reunert has large market shares in the markets in which it operates. Growth over the last number of years has mostly been organic with smaller bolt-on acquisitions adding product and services to existing operations.

With the challenging economic environment, opportunities for meeting the group's investment criteria have increased. Sellers will be more realistic in their price expectations. Cash balances are increasing and, excluding RCCF assets and borrowings, the balance sheet is ungeared. Small acquisitions have realised fruits in the current year and the group is in a favourable position to consider a sizeable deal.

Reunert has improved its cost structure and will continue to control these costs and improve working capital in the next financial period.

**David Rawlinson**  
Financial director

Sandton  
17 November 2009