

Letter to shareholders



Derek Cooper – chairman

Dear Shareholder

It is pleasing to report that Reunert has had a good year increasing headline earnings per share by 25% to 176 cents per share and the dividend payout by 20% to 91 cents. Reunert's strategy of focusing on its core businesses, with the objective of maximising returns to shareholders, has proved successful.

Growth in Circuit Breaker Industries (CBI) and Nashua was particularly strong. Acquisitions enabled CBI to considerably broaden its product range. In the field of low-voltage electrical engineering, this company is now the undisputed leader in South Africa. Exports remain a high priority and, although good progress was achieved during the year, further improvements will be planned in the years ahead.

The acquisition of all the franchisee interests in Nashua Cellular and the subsequent merger with NedTel Cellular has proved to be highly successful. The expanded business has gained the necessary critical mass to become the biggest independent corporate contract service provider in South Africa's cellular telephony industry. In order to exploit the strong Nashua brand, Nashua NedTel Communications has been renamed Nashua Mobile and is well positioned to benefit from the recent introduction of Cell C, the third cellular telephony network operator.

Nashua itself continues to focus on the office automation business systems market and this has resulted in strong gains in both margin and market share. The ability to leverage off strong brands and a common customer base positions these two independent, but synergistic, businesses, for continuing strong growth.

Our telecommunications interests have enjoyed a particularly good year. Siemens Telecommunications (Sietel) was awarded the contract for the supply to Cell C of its entire infrastructure. Penetration into the markets

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of a number of African countries continues, further entrenching the dominance of Sietel throughout the continent.

Eskom Enterprises recently announced that Siemens would be its technology partner in the rollout of its national fibre optic communication backbone for South Africa’s second fixed-line telecommunications network.

With its stated objective of becoming less dependent on defence, the group has continued transforming itself into a leading South African electronics and low-voltage electrical engineering enterprise. Defence technology and services currently contribute only 8% of profit before interest and taxation, and this trend is expected to continue in future.

Training and development of all staff remains a high priority. The Reunert College continues to provide a bridging year between school and university for historically disadvantaged students, with its curriculum focusing on mathematics, science, English and accounting. Since 1993, this bridging initiative has enabled almost 500 students to undertake tertiary education courses that may otherwise not have been available to them. This strong commitment to developing South Africa’s human capital is vital to the future socio-economic development of both the group and the country.

Reunert is fully committed to the empowerment of historically disadvantaged groups in order for them to participate successfully in

South Africa’s mainstream economy. To this end a further 20% of Reunert Defence Logistics was sold to Kgorong Investment Holdings. Kgorong now owns 30% of the equity in this successful company.

We remain committed to upholding the principles of good corporate governance. The non-executive directors are each uniquely qualified to contribute to Reunert’s growth and governance. Mr Martin Shaw recently joined the board and I welcome him. The board now has more non-executive directors than executive directors. Apart from the audit and remuneration committees, which consist entirely of non-executive directors, greater emphasis is being placed on risk management within the group.

Should the world economy fail to recover quickly from its current deep recession, South Africa is likely to be negatively affected. Signs of recession are already apparent and this could inhibit growth in the local economy.

I am, however, confident that Reunert, with its strong cash resources, is well positioned to take advantage of any growth opportunities that may present themselves. Growth in earnings is expected to continue, although at a lower level than was achieved in the last two financial years.

Our continued success is in no small way dependent on our dedicated staff and management team. I have little doubt that they will, under the outstanding leadership of

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Gerrit Pretorius, continue to meet the demands of our shareholders as well as they did during 2001. On your behalf I thank them.

I also thank my fellow directors for their support and contribution to the success of the group during the year under review. I remain confident about the future of both Reunert and South Africa and look forward to another year of continuing growth and business optimisation.

Yours sincerely



Derek Cooper
Chairman
Sandton
19 November 2001

PS: I am delighted to inform you that it has just come to my attention that Reunert has acquired all the shares held by Nedcor in Nashua Mobile in a deal which valued the company at R630 million.

Reunert now owns 95% of this company with the remainder held by Metropolitan Life. The transaction is earnings enhancing.