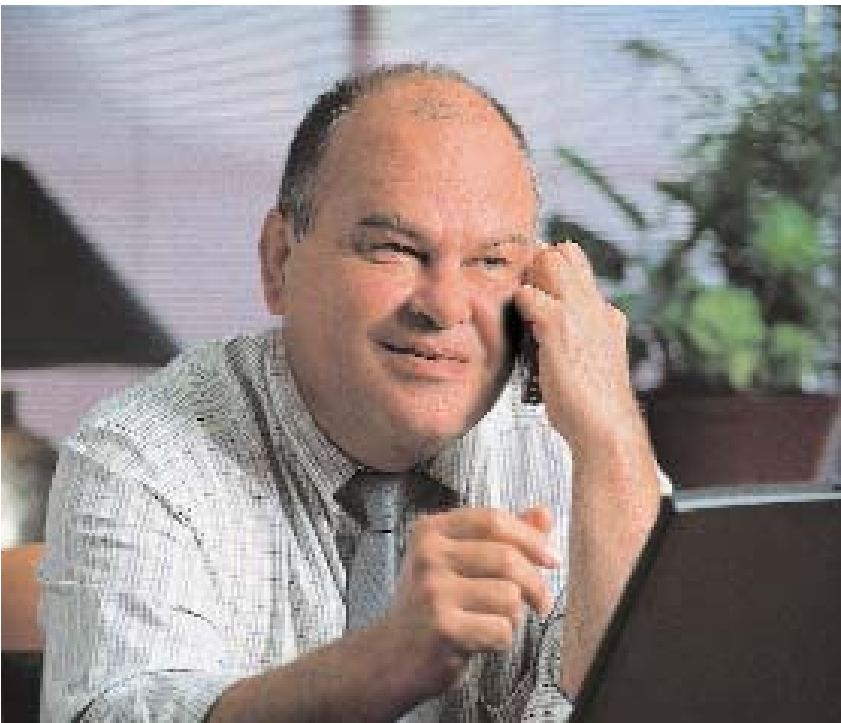


Chief executive's report



Gerrit Pretorius – chief executive

“Considerable progress was achieved in implementing our long-term strategy to grow all existing businesses and to focus specifically on our core activities in the Nashua grouping and in Circuit Breaker Industries.”

Reunert's results for the 2001 financial year were in line with expectations, despite our various businesses producing mixed results. Certain operations performed notably well, while others experienced tough times.

More important, however, has been the considerable progress achieved in implementing our long-term strategy to grow all existing businesses and to focus specifically on our core activities in the Nashua grouping and in Circuit Breaker Industries (CBI).

BUILDING THE NASHUA BRAND

The group's cellular telephony service provider, Nashua Mobile, came of age during the year under review and established itself as the leading independent contract service provider to corporate South Africa. Management is commended for the way in which different cultures were blended into a single, strong cohesive force.

Systems were upgraded to offer customers from both founding companies, Nashua Cellular and NedTel, the best possible service. Market share grew by more than 15%, thereby vindicating our approach of focusing on the upper end of the contract market. New products were added to clearly differentiate Nashua Mobile from its competitors. Product innovation will continue to drive the company forward.

The 37,3% equity held by Nedcor in Nashua Mobile was acquired by Reunert in a deal which valued the company at R630 million. This

transaction is effective from 1 December 2001. The elimination of a significant minority interest is of strategic importance to the group since the cellular telephony business is closely aligned with that of Nashua. The acquisition is earnings enhancing.

Nashua office automation had a notably strong year with earnings growing by 50%. Ongoing investment in the brand, coupled to excellent products and service, justify Nashua's premium rating.

Nashua's acquisition in March 2001 of Royce Imaging Industries, the manufacturer of consumables used in the office environment, was successful. Strong management, competitive products and access to the Nashua customer base and distribution system augur well for the future. The full benefit of the Royce Imaging acquisition will start to materialise in the 2002 financial year.

In RC&C Finance Company, which provides financial services to Nashua and Panasonic customers, deal flow improved and the value of the rental book increased. Bad debts remain within acceptable levels. Investments were made in software systems enabling credit vetting to occur effectively in real time, thus improving turnaround time. Enhanced levels of service resulting from these investments are expected to ensure growth in the future.

The group is consolidating the finance company for the first time with the effect being clearly visible on Reunert's balance sheet. Long-

term facilities are in place with major financial institutions to enable us to finance the book. Our current cash position is such that only a portion of the facilities was used during the year. Interest-rate swap contracts are in place to protect the finance company against adverse movements in interest rates.

Panasonic improved its overall performance once more and increased operating income by 28%. Emphasis is now being focused on positioning business systems products for sustainable growth. Several direct business customer outlets have either been acquired or opened to facilitate Panasonic's growth. The benefits of these initiatives are expected to start materialising in the 2002 financial year.

ACQUISITIONS INCREASE PRODUCT RANGE

CBI achieved excellent progress in broadening its product offering by acquiring the businesses of Mitsubishi South Africa and L&T Surge. CBI is well positioned for ongoing growth and remains a core asset. Its strong base in the local market provides it with a solid foundation from which to launch its international expansion programme.

CBI's exports grew by more than 48% and account for about 17% of total company sales. We are confident that this trend will continue. Investments into both product and market development will be increased. Penetration of the North American market remains a priority, despite the recent downturn in demand. Our products are frequently specified for new designs, thereby positioning us well for any

Chief executive's report

upturn in the world economy. New applications are being encouraged and promotional efforts are being accelerated.

TELECOMMUNICATIONS

Siemens Telecommunications (Sietel) had an excellent year. Of particular significance was the selection of Sietel to supply the entire Cell C network infrastructure. The Cell C contract was valued at US\$221 million, now more than R1,8 billion. Recently, Eskom Enterprises announced Sietel to be the technology partner for the rollout of a national fibre optic backbone for the second fixed-line telecommunications network operator.

Sietel's position as the leading network supplier in southern Africa is undisputed. Order books are at a high level and are expected to increase.

Much of the business of this company is based on a huge installed base, providing a high level of annuity income that underpins the earnings. As with all high bases, achieving better levels of growth are the future challenge.

We increased our stake in Sietel from 27,5% to 49% by acquiring Marconi's 21,5% share at a cost of R279,5 million, effective 23 November 2001. Simultaneously we granted Siemens Limited a call on 9% of the 49% for a 180 day period. If exercised our interest will reduce to 40%.

DEFENCE

Reutech, the group's electronic defence businesses, had a difficult year. Sales declined by 5% and operating profits dropped by 44% due to a higher than anticipated decline in customer orders.

Prospects, however, remain good. We are confident that the order books will be restored to acceptable levels. Timing may be such that an improvement in the performance of Reutech will only be seen in the 2003 financial year. Despite this temporary setback, we continue to invest in core technologies.

In its chosen fields of activity, Reutech offers the most comprehensive range of products compared with similar companies elsewhere in the world. With exports accounting for about 50% of sales, the rand's continuing weakness ensures that Reutech's potential earnings capacity remains attractive.

CABLES

ATC, the telecommunications cable manufacturer, experienced difficult conditions. It did not benefit from the international shortage of fibre to the extent expected previously. Annual production capacity is being increased from 350 000 fibre kilometres to one million fibre kilometres. This increase will come on stream during 2002. The timing, however, coincides with a slump in international demand.

The slump is expected to be temporary and ATC will be well positioned to benefit from the expected upturn in demand forecast for 2003. Local demand amounts to approximately 10% of future capacity and therefore future growth opportunities lie in marketing and supplying fibre beyond South Africa.

African Cables had an excellent year in what was generally a tough climate for electrical cables. Sales grew by 38% to R406 million, while an operating margin of more than

9% was achieved. The successful integration of Rosslyn Cables contributed to this improvement. The company is expected to improve further during the 2002 financial year.

Cafca, the Zimbabwean cable operation acquired by African Cables in the previous financial year, performed extremely well. Unfortunately, current dividends can only be remitted at the penalising parallel exchange rate. An ongoing shortage of foreign currency in Zimbabwe exerts a severe damper on future growth prospects. Further investments in working capital and plant will be self-funded by the Zimbabwean operation.

EXPORTS

Total export revenue, including the exports of associate companies, increased by 9% to R614 million. Revenue, excluding associate companies, from non-defence exports increased by 38% to R190 million; while defence exports dropped by 26%.

Focused investments in market development and product promotion will continue. It is our belief that much of Reunert's future growth must stem from potentially lucrative export markets, because of an already saturated local market share.

RESEARCH AND DEVELOPMENT

The group invested R104,5 million in research and development during the year. We believe that the ownership of intellectual property is essential for any business to be sustainable in a global marketplace. Our ability to control our own destiny is evident from our success in exporting to many countries around the world.

MANAGEMENT INCENTIVES

For the first time, the group's management has been incentivised on economic value-added performance criteria. Three-year targets were set at the beginning of the 2001 financial year to encourage long-term decision-making. I believe the group will benefit greatly in the future from empowering and compensating management based on agreed and quantifiable objectives aligned with our strategic road map.

SHARE BUYBACKS

The share buyback programme resulted in 17,2 million shares being bought at an average price of R13,67 a share. This represents 8,4% of Reunert's share capital. The share buyback contributed positively to the improvement in headline earnings per share.

CONCLUSION

I would like to thank my fellow directors and everyone who contributed to the group's success during the year.

I am confident that we will continue to produce real growth in the 2002 financial year, even if this growth might be lower than that achieved during the year under review.



Gerrit Pretorius

Chief Executive

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19 November 2001