



31 January 2012

Marcia Klein
Editor: Sunday Times Business Times
4 Biermann Avenue
Rosebank
Johannesburg 2196

Dear Marcia,

I would like to take this opportunity to respond to the article by Chris Barron entitled: "*He couldn't take it*" - Sunday Times Business Times 29 January 2012. This article is fraught with inaccuracies and innuendoes. It is quite honestly a gross misrepresentation of the facts.

In the initial Altech media statement I made it clear that Jeffrey Hedberg and I had discussed his decision to leave and that he had indicated that he wanted to pursue his career outside of the Altech Group and I further indicated that the split was an amicable one. I therefore find the following quote from the article very problematic:

An analyst felt Venter's response was "probably a one-finger gesture to Hedberg", prompted by Venter's irritation at his share price falling more than 5% on the day Hedberg's resignation was announced."

I would like to make it clear at the outset that I have the utmost respect for Jeffrey and that we parted amicably. Any inference otherwise is wrong and quite frankly, borders on being defamatory. Furthermore, the 5% decline in the share price was on a day in which the whole market was down and it needs to be stated that the share price subsequently recovered to higher levels when compared to the initial decline over the subsequent 2 days.

I would now like to address the article in its totality as it suggests that there are issues regarding my ability to lead the Altech Group.

I believe it important at the outset to remind you that in the 15 years that I have led the Altech Group it has shown continued and substantial growth and profitability. When I took over as CEO in 1996 the Altech share price was at R4 – the lowest ever in the history of Altech – and we had an annual turnover of R800 million. On my appointment I implemented a number of major changes within the group, not least of which was a clear vision and focus on the sectors in which we wanted to operate. These sectors were Telecommunications, Multi-Media and Information Technology (TMT) and we identified and unlocked synergies and opportunities across those three sectors.

Since that time, Altech has had a clear vision and strategy in terms of its sustainability and profitability and has shown continued growth. In our last financial year we reported annual revenue of R9,6 billion with an operating profit of R787 million and an annuity level of 83%.

Our strong presence across the TMT sectors and hence a 'convergence strategy' is unique to the South African environment. I know of no other corporate that has all three divisions within one group. This presence, together with our strong annuity income, our stringent cost controls and a positive cash position and therefore a very strong Balance Sheet, effectively spreads risk and enables us to take advantage of opportunities as they arise.

One need only look at our share price compared to other comparable companies listed on the JSE to realise that Altech continues to be a strong performer - the current P/E Multiple being approximately 12. If the investment community was really concerned or doubted my leadership, or the Altech Group as a whole, then why is the Altech share price strong and stable at R52? Furthermore, why is the P/E Multiple at a relatively high 12x Multiple?

We have a diverse and strong portfolio of businesses, with traditionally strong ROE and earnings growth. We have shown historically good cash generation and the majority of our income is recurring. The Altech share offers good value in terms of its P/E ratio and P/NAV ratio. Our share price is also supported by an attractive dividend yield that is currently in excess of 6%. Furthermore, the fundamentals and management are in place to deliver on the stated growth objectives of the Altech Group for the future.

This was recently borne out by Altech being selected as the number 1 JSE listed company in the *Financial Mail* Top 100 Companies 2011 survey following an independent assessment by McGregor BFA. This stringent annual independent survey is commissioned by the *Financial Mail* to measure the historical financial performance of South Africa's top companies and provides a picture of the sustainability of an enterprise.

A portion of the overall score (quantitative and qualitative combined) is derived from a 5-year assessment of Internal Rate of Return (IRR) and compound growth in Earnings per Share (EPS). In this way, factors that are within management control, as well as those that are derived more from the market, are incorporated.

Altech was placed number 7 in 2010's ranking but shot up to the top spot last year by virtue of a very high return on equity (RoE), combined with one of the highest qualitative scores of any company in the rankings in 2011. In other words, we had a very balanced scorecard. Pick n Pay featured 2nd in these same rankings.

While East Africa has presented us with various challenges we have implemented a number of turnaround strategies to correct the underperformance of our operations there. New management has been appointed and while there will be a strong focus on resolving the existing operational and financial challenges, there has also been a number of actions to strategically strengthen the positioning of the businesses in the region. Aligned to this, our Data Centre in Nairobi is now operational and this offers good opportunities for the provision of services to companies for whom data hosting and data management is not a core business.

In addition to our operations in Kenya, the Group is gradually building up its network service capability in countries such as Rwanda, Uganda and the DRC with the aim of becoming "a highway of choice" into these countries. It must also be noted that we recently appointed Tim Ellis as the Group Executive: Converged Services, the division under which our East African operations fall.

With more than 20 years of working experience in the Information and Communication Technology (ICT) sector, Tim was formerly with Cisco as the Sales Director for the Public Sector Business within Africa and emerging markets.

During his 11 years at Cisco he managed various roles in Cisco and directed sales teams in the Commercial, Enterprise and Public Sector. Prior to joining Cisco, he worked for a large System Integrator and previous to that he was a partner in a technology start-up company. Tim is an extremely capable executive in whom I have much confidence.

And while on the subject of my management team, I would like to reiterate that I have an extremely strong and capable team, at both head office and at our more than 35 operations (employing in excess of 4 000 employees). While we may have lost Jeffrey Hedberg as Group COO, this post was managed by me for 18 months prior to his appointment, and until such time as we find a suitable replacement, I will continue to manage the COO role in conjunction with my divisional executives. I must add that I regularly solicit feedback from my executive team regarding my management style and the response has always been that I am tough, but fair. There are a number of Executives within the Altech Group who continue to work for and alongside me for extended periods of time – some for 24 years (see below)*. I do not believe this would be the case for a leader who purportedly has a poor and authoritarian / abrasive management style.

Lastly, it is important to note that I report to the Altech Board in terms of the performance of the Altech Group. I do not have carte blanche in terms of how the Altech Group operates and I can assure you that I would not still be CEO of Altech if I was not delivering on my mandate— and that is to show growth, profitability and sustainability.

The current Chairman of the Altech Board, Mr Moss Leoka, contacted me following the appearance of the Chris Barron article to reassure me that I continue to have the full support of the Altech Board and asked me to provide you with the following statement:

Name	Position	Years of Service
P Curie	Director: Corporate Finance	14
J Klein	Group Executive: HR	11
W vd Westhuizen	CSO	12
J Carstens	CFO	24
J Makhafola	Group Executive: Corporate Affairs	2
J Gellatly	Group Executive: IT Division	15
A van Heerden	MD: Altech ISIS	13
D Chaplin	MD: Altech Card Solutions	11
R Louw	MD: Altech Netstar	16
P du Preez	MD: Arrow Altech Distribution	24
W de Nobrega	MD: Altech Technology Concepts	2
M Lynch	Director Operations: Altech UEC	9
I Wilde	Director IT: Altech Autopage Cellular	24
R Warren	MD: Altech UEC Africa	24
A de Wet	Group Financial Manager	24
P Pereira	PA to the CEO	5

Source: Altech Human Resources Department

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"Various statements were made in the Sunday Times – Business Times article by Mr Chris Barron relating to the CEO of Altech and the requirement 'for an outsider at the helm'. It needs to be noted that neither analysts nor the media decide on the tenure of a CEO. Craig Venter reports to the Altech Board and only the Altech Board has the authority to decide on matters of this nature. Under Craig's leadership the Altech share price has risen from R4 to R52. Coupled with this is the fact that Altech is consistently lauded as one of the leading ICT companies in South Africa – as was borne out by the recent Financial Mail award as the top listed JSE company in South Africa. Craig started Altech Autopage Cellular and during his tenure as CEO he has taken the company to the largest independent communications service provider in South Africa and it is now the second largest earnings contributor to the Altech Group. Craig was also responsible for the start-up purchase of the Altech Netstar software for R1,8 million and today that company is the largest earnings contributor in the Altech Group. A CEO does not achieve these results through an ineffective and authoritarian management style. The Altech Board and I remain confident that Craig will continue to positively deliver on his mandate as CEO of Altech – and that is to show growth, profitability and sustainability." Moss Leoka – Altech Board Chairman.

Based on the above, I am sure that you will agree that this is not the track-record of a CEO who does not have a grasp of market conditions or has reached his "sell-by date".

Much of the article by Chris Barron relies on speculation by unnamed sources with little substance when one considers Altech's actual historical performance. I hope that you will be kind enough to grant me the opportunity in your publication to respond and to publish the contents of this response in order to provide your readership and the South African public at large with a factual account of the situation with regard to myself and the Altech Group.

Yours sincerely,


Craig Venter
Altech – Chief Executive Officer