



PRESS RELEASE

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Tellumat doubles capex budget to exploit expected economic upsurge

Confident that market, economy will support value-enhancing expenditure

Tellumat, the defence, telecoms and manufacturing technology group, has doubled its capital expenditure budget for the 2010 financial year, in a bold vote of confidence in its local and global markets and the economy as a whole.

Rasheed Hargey, Tellumat CEO, says spending on capital equipment will enhance the company's value to its customers and enable it to take advantage of the next market surge.

"The new acquisitions will allow us to provide a better service in certain areas, attain greater efficiency in others, and most importantly to continue delivering services that our customers have come to expect of us."

Bold step

While a bold step on Tellumat's part, in light of the wait-and-see approach of many other companies, Hargey says it is justified by the company's strong business outlook. With a brimming order book for most of its units, it expects sales and profit growth of at least 30% for the period ending in September 2010, he says.

Conceding that circumstances differ for every company and in every market, Hargey nonetheless cautions that the turning point has come. "It is important to assess one's own circumstances, but we believe the time has come to spend again, to take advantage of the next wave of opportunity."

Spending areas

So in which areas of its business does Tellumat see the need and opportunity to ramp up? Hargey says the company's Defence, Electronic Manufacturing, Technology Group (R&D), Laingsdale (precision mechanical manufacturing) and Quality Assurance units were all allocated a percentage of the budget, while a data centre upgrade accounted for the balance.

- *Laingsdale (30% of the budget)* – consistently the most capital-intensive division over the past few years, Laingsdale will receive new assembly machines to increase its capacity and efficiency. Based on the division's business volumes and projections, the investment is amply justified, says Hargey.
- *Defence Cape Town (25%)* – the second-biggest capex allocation went to design and testing tools in the area of radio frequency product development. "This enables us to offer a higher and more efficient level of technical development," says Hargey. He explains that the newer design tools and automated testing equipment will mean diminished time to market.
- *Electronic Manufacturing (18%)* – this unit will further boost its offering with automated X-ray testing equipment. "Customers have an ever-increasing need for more sophisticated testing equipment, as they design to tighter tolerances," says Hargey. "It gives us a more complete service and reduces lead times."
- *Tellumat Technology Group (13%)* – having requested mainly test equipment, TTG's acquisitions are 'project enabling' in that they will increase Tellumat's value in certain projects. TTG is involved in design for the Meerkat radio telescope project (a proof of concept for SA's bid to host the SKA radio telescope), and in redeveloping its inveterate distance measuring equipment, the Tellurometer.
- *IT (8%)* – consisting of a data centre networking and server upgrade, Tellumat is investing in server virtualisation to consolidate its computing footprint for greater efficiency (the same amount of computing power for a quarter of the server footprint), which will bring about cost savings and a reduction in the data centre's environmental impact (energy consumption).



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- QA (6%) – Tellumat’s quality assurance service will also receive an upgrade in the form of an electronically enhanced environmental testing chamber, allowing it to offer a better service both externally and internally.

Fortunate

“We are fortunate in that we’re able to ramp up our value proposition so early into the next economic cycle – even before the upswing,” says Hargey. “Many companies are not investing at present, partly because they’re being cautious about the duration of the recession, and partly because they cannot afford it.”

On both counts, Tellumat is the exception to the rule. “We have not paid off a single person in the last year – in fact, we’ve taken people on,” says Hargey. “And the outlook for our business is very positive indeed. We have absolute confidence in our markets and in the economy in general.”

Ends.

About Tellumat

Tellumat is an innovative, black empowered, South African technology company that has achieved a BBBEE Status Level 4 rating, defined as “Superior Contributor to BEE” in terms of the DTI’s Codes of Good Practice. It consists of three major trading divisions: Communications, Defence and Contract Manufacturing, and three partly owned companies: Sia Solutions (Pty) Ltd, Encee Engineering (Pty) Ltd and SIMpill (Pty) Ltd. Tellumat services three primary market areas, namely wireless voice and data communications, defence communication systems and high precision electronic and mechanical manufacturing. Tellumat is a world-class business focused on innovation, offering our customers dynamic and competitive technology products and services. We focus on understanding our customers’ needs and forming long-term strategic alliances with likeminded enterprises worldwide.

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