

# South Ocean Holdings Limited Financial Results year ended 31 December 2008

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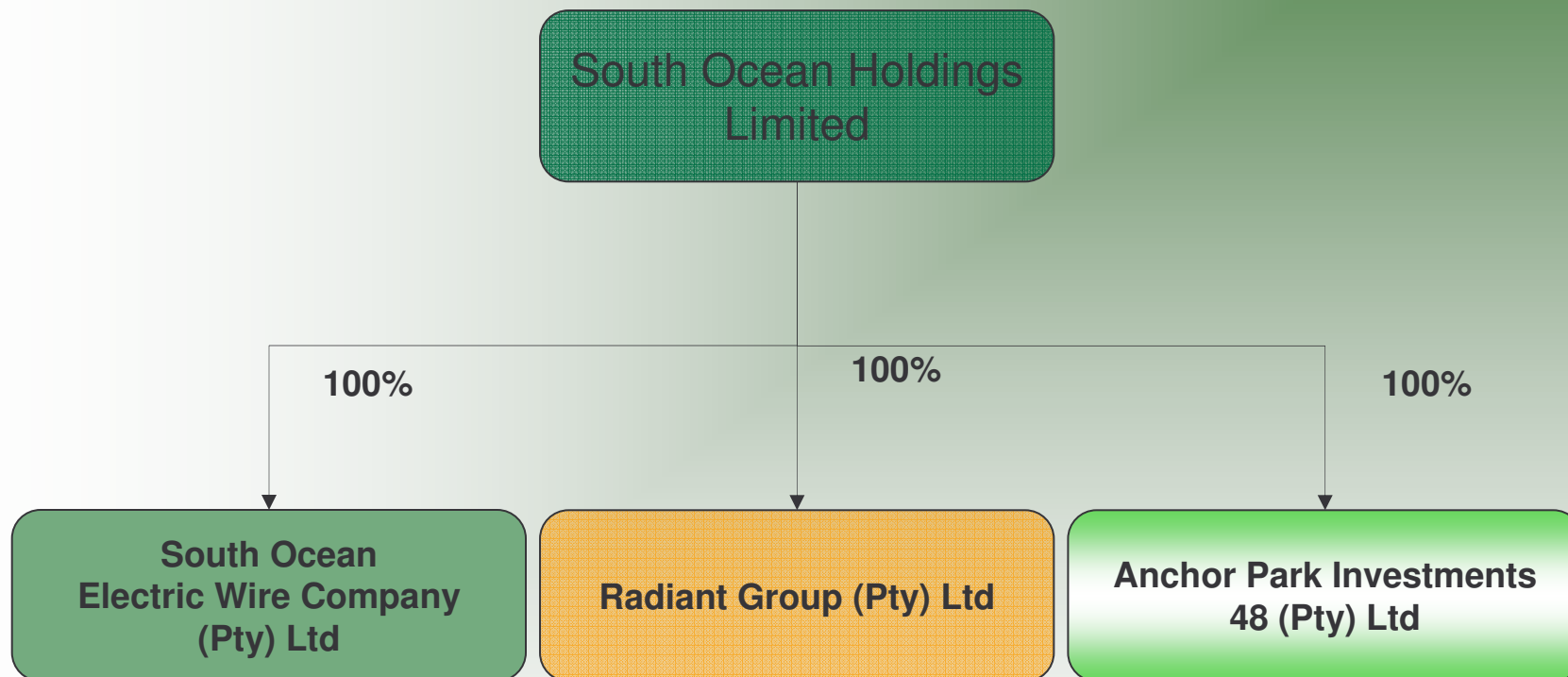
**Edward Pan**  
**Chief Executive Officer**



**JP (Koos) Bekker**  
**Financial Director**



# Group at a glance



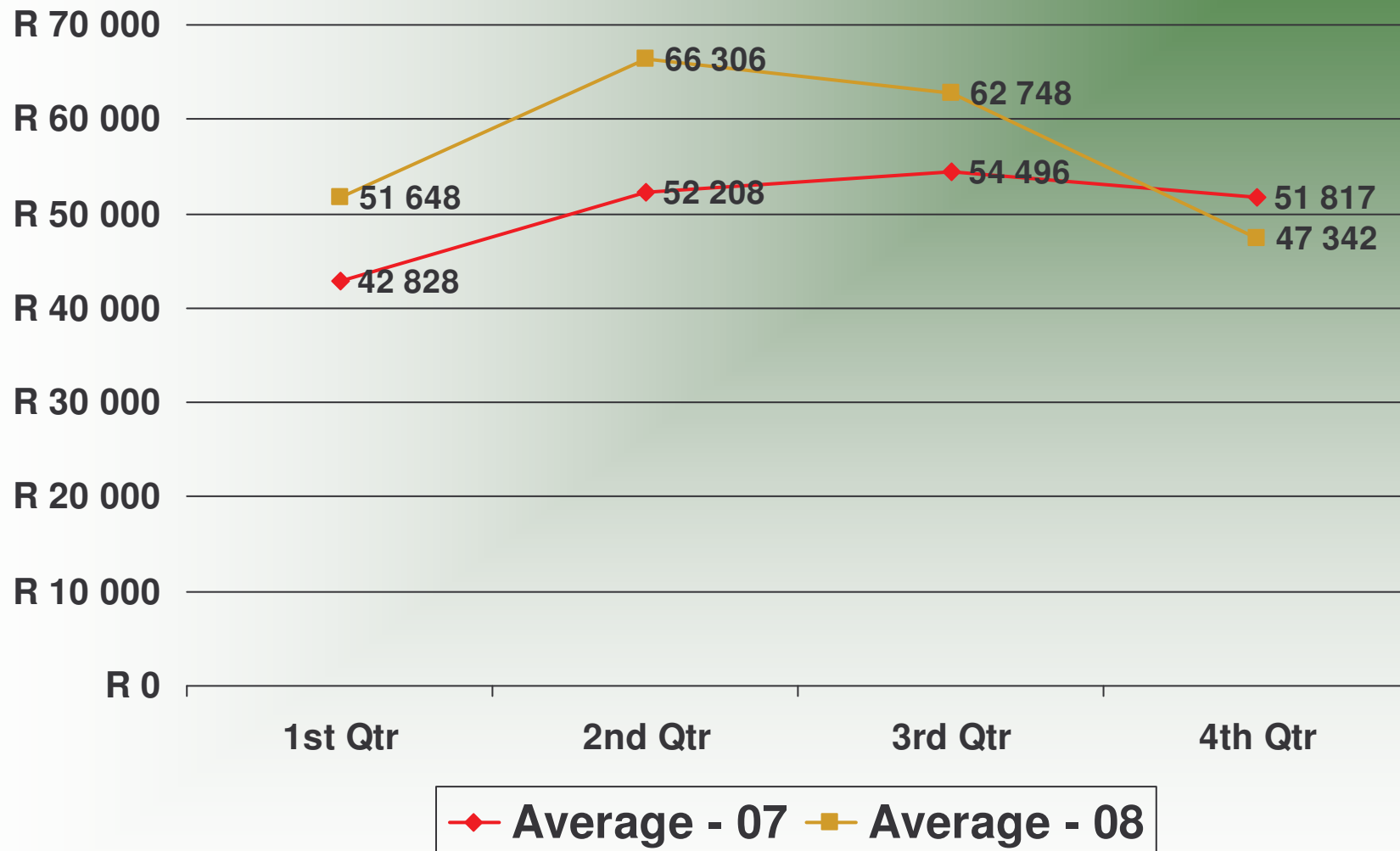
# Investment case

- Tightly managed businesses
- Credible management team
  - Cumulative management experience > 70 years
- Two strong operational businesses
  - Strong brands
  - Solid track record
  - Radiant key player in their industry
- Relationship with Hong Tai
- Strong established relationships with key suppliers

# Operating environment

- Volatile copper market
  - Decline started in August
  - 1<sup>st</sup> half 2008: June 08 - RCP R63 900
  - 2<sup>nd</sup> half 2008: December 08 - RCP R37 610
- Selling price pressures in the 4<sup>th</sup> quarter
- Challenging market conditions
  - Onset global financial and economic crisis
  - High interest rate
  - High fuel prices
  - High inflation
  - Slow down in building construction, infrastructure and housing markets
  - Weakening Rand / Dollar exchange rate

# Rand Copper Price



# Group overview

- Year of two very different halves
  - Strong first half – record sales in July
  - Very weak second half due to market conditions
  - Traditional seasonality of business affected
- Machine breakdowns, labour disputes impacted production during 1<sup>st</sup> half of the year
- Revenue increased by 33.3%
  - Radiant included for full year
  - Revenue increased in both businesses
- Financial leverage created from Radiant acquisition
- Investment in Capex
  - Positioned group for growth
  - Help drive efficiencies
  - Introduction of Radiant new computer system

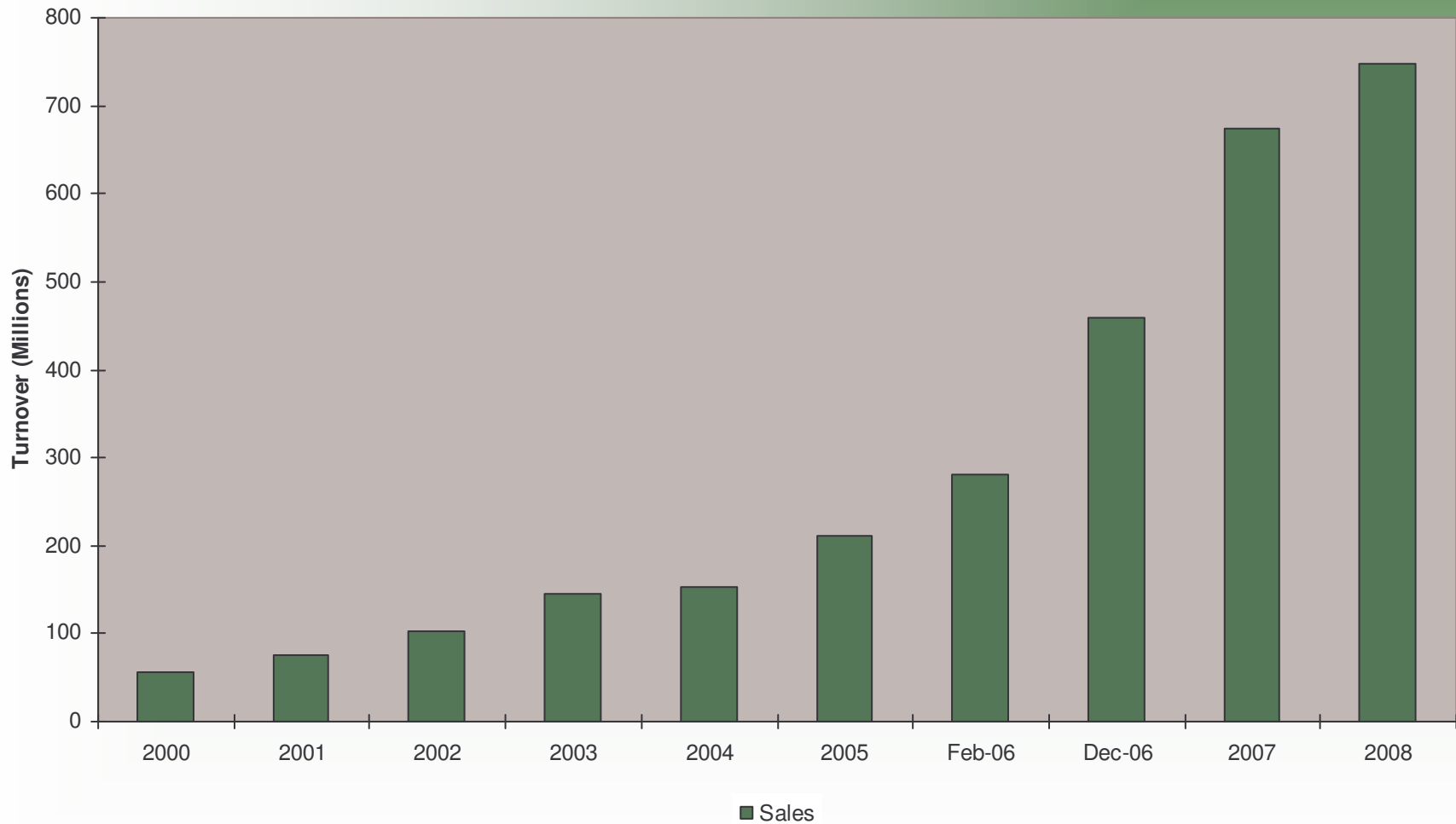
# Financial overview Group

# Financial overview

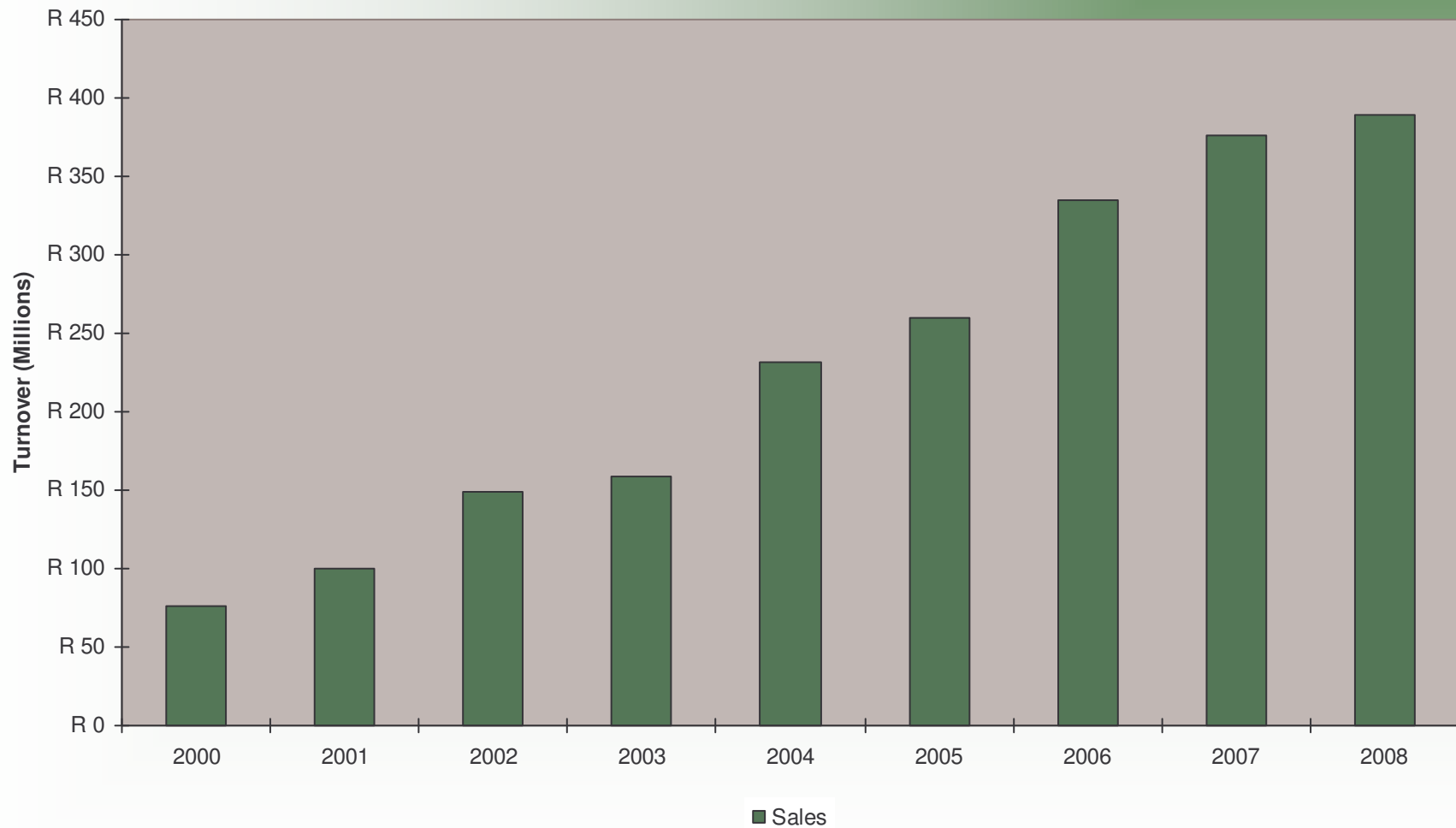
			2008	2007
Net revenues	↑	33.3%	<b>R1 136.6m</b>	R852.6m
Operating profit	↓	28.4%	<b>R132.7m</b>	R185.4m
NPAT	↓	51.4%	<b>R61.1m</b>	R125.8m
Operating profit margin before impairment (%)	↓	30.4%	<b>15.1%</b>	21.7%
HEPS (cents)	↓	32.0%	<b>65.7c</b>	96.6c
Net asset value per share (cents)	↑	2.9%	<b>420.8</b>	408.8



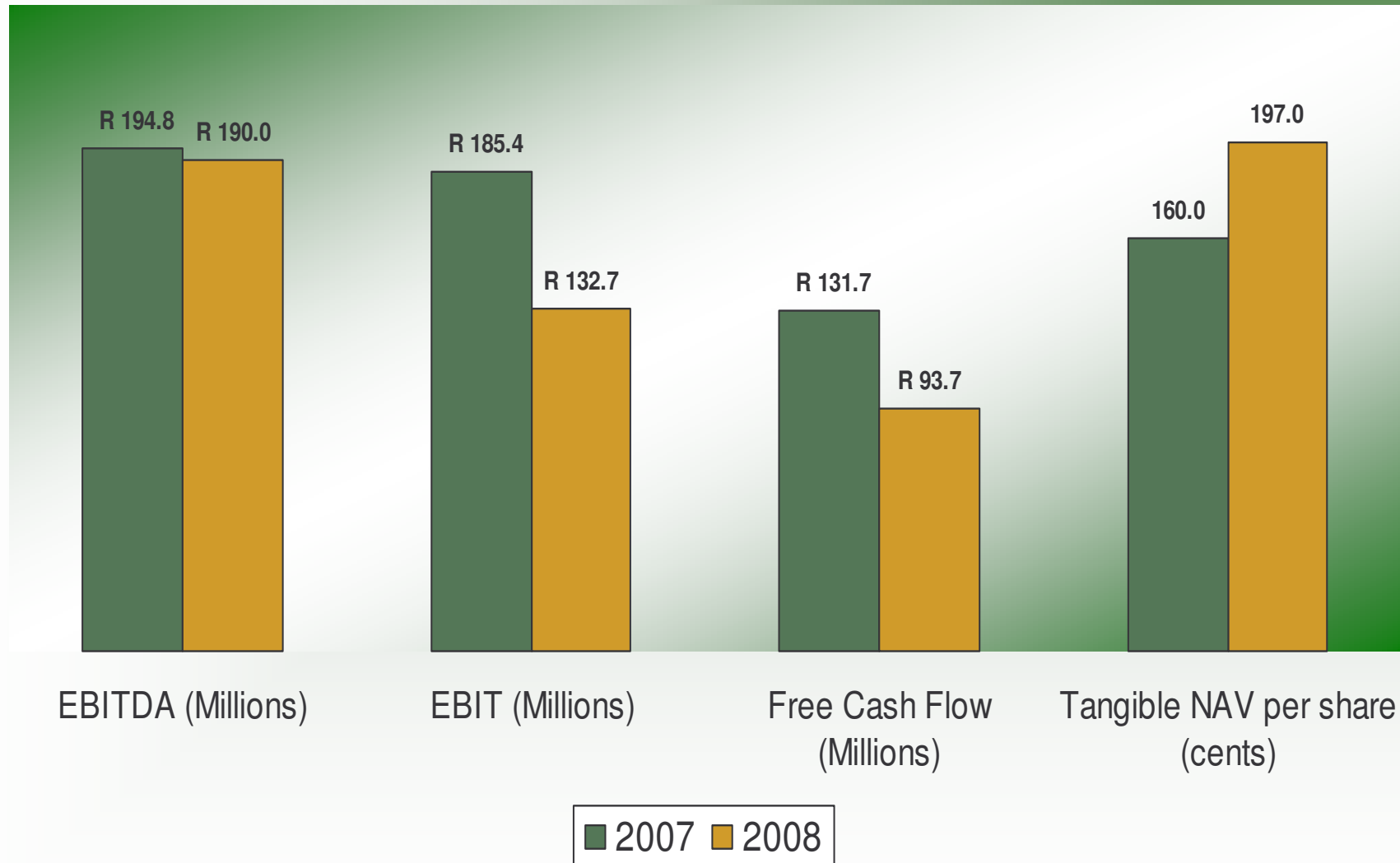
# SOEW historical performance



# Radiant historical performance



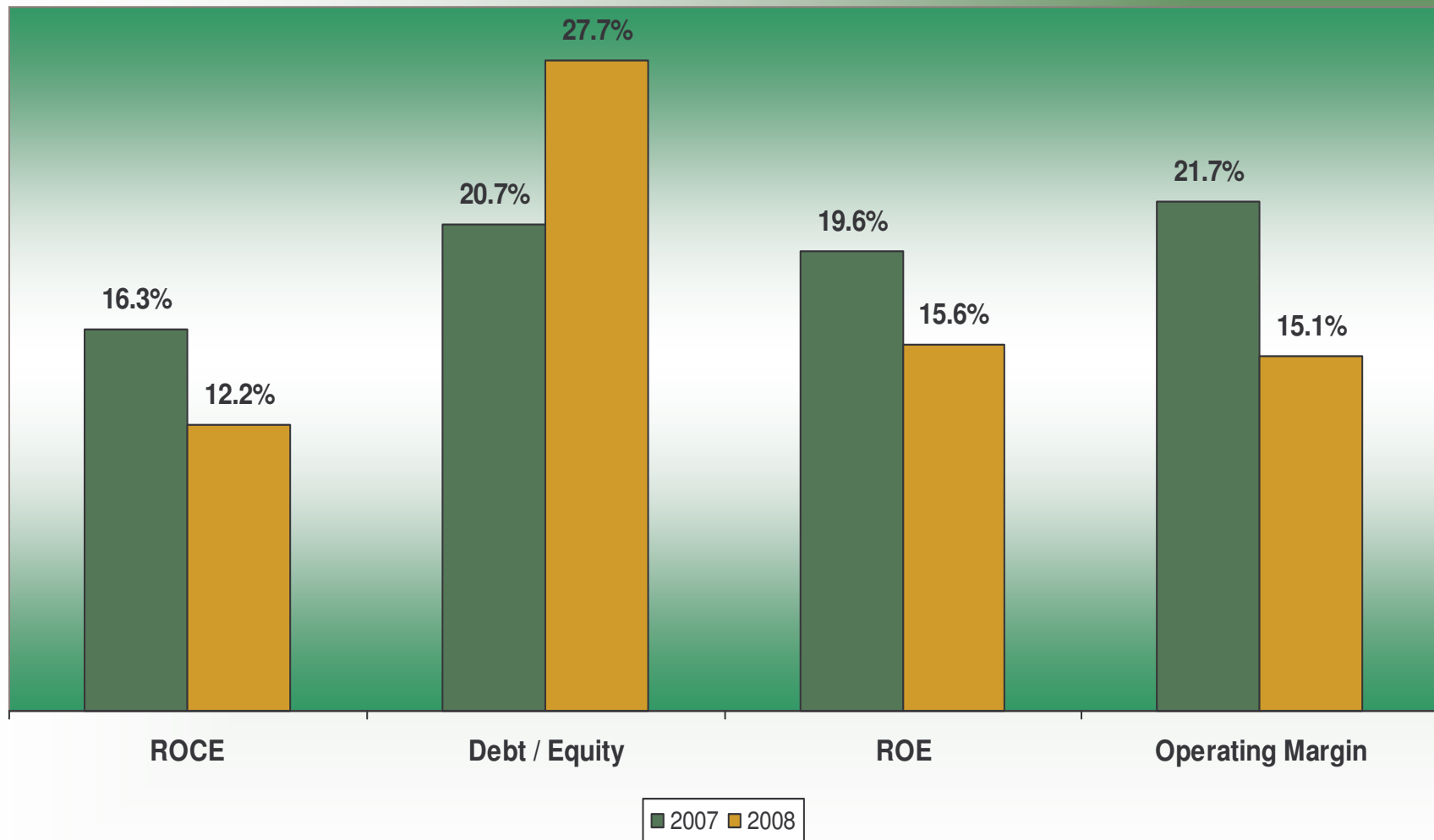
# Key financial indicators



# Consolidated balance sheet

	2008	2007
	R'm	R'm
<b>Cash resources</b>	<b>24.2</b>	45.4
<b>Accounts receivable</b>	<b>175.3</b>	136.3
<b>Interest free loans receivable</b>	-	1.4
<b>Inventories</b>	<b>189.8</b>	177.9
<b>Property, plant and equipment</b>	<b>248.2</b>	187.0
<b>Intangible assets</b>	<b>349.8</b>	388.9
<b>Total assets</b>	<b>987.3</b>	936.9
<b>Trade and other payables</b>	<b>86.1</b>	76.8
<b>Interest bearing borrowings</b>	<b>176.2</b>	177.5
<b>Income taxation payables</b>	<b>7.0</b>	13.4
<b>Banks overdraft</b>	<b>30.4</b>	0.1
<b>Deferred taxation</b>	<b>29.5</b>	29.8
<b>Total liabilities</b>	<b>329.2</b>	297.7
<b>Capital and reserves</b>	<b>658.1</b>	639.2

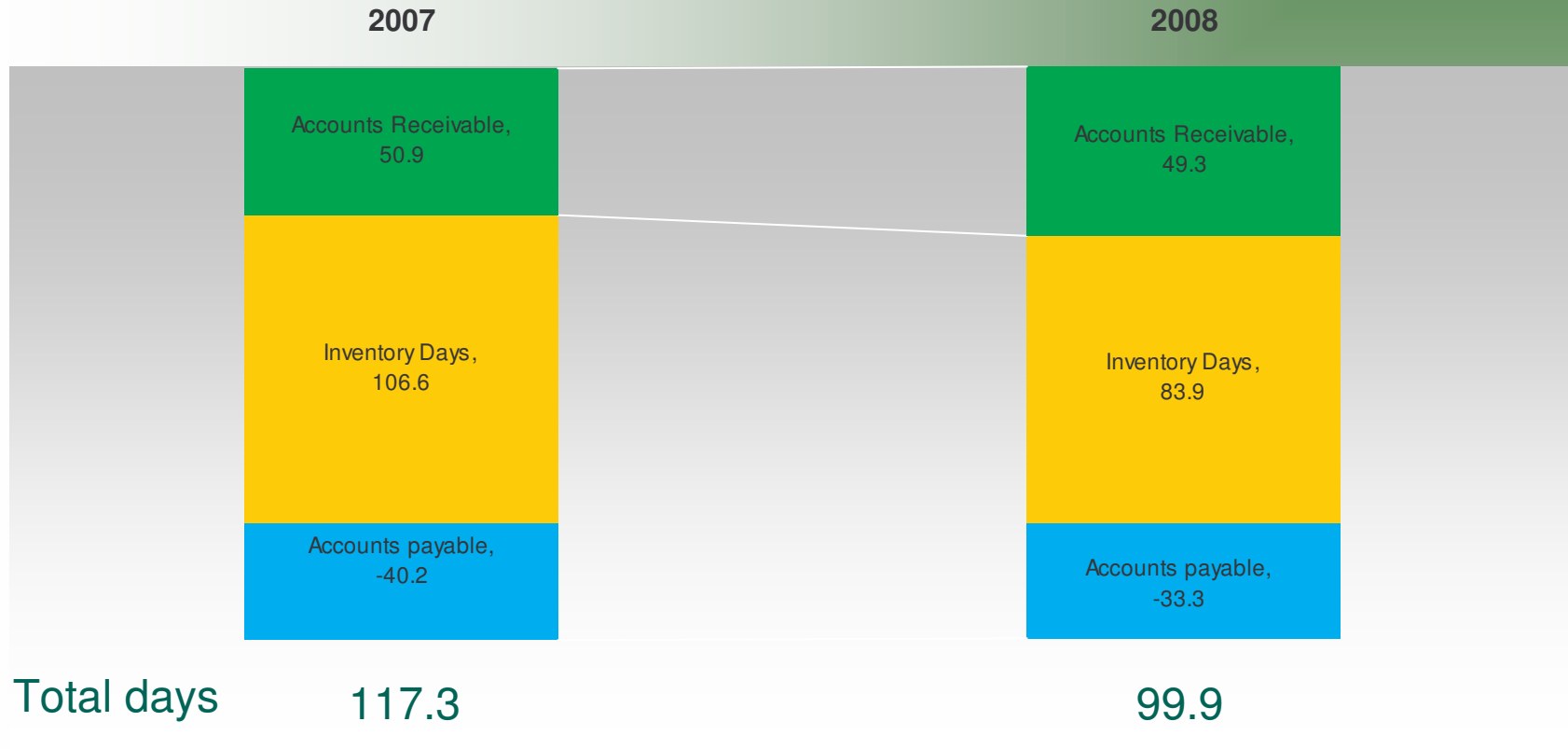
# Ratios



# Cash flow statement

	2008	2007
<b>EBITDA (Adjusted for impairment)</b>	<b>R190.0m</b>	<b>R194.8m</b>
<b>Working capital changes</b>	<b>(R43.0m)</b>	<b>R3.4m</b>
<b>Taxation</b>	<b>(R53.3m)</b>	<b>(R66.5m)</b>
<b>Free cash flow before capex</b>	<b>R93.7m</b>	<b>R131.7m</b>
<b>Capex</b>	<b>(R76.9m)</b>	<b>(R35.0m)</b>
<b>Cash generated from business</b>	<b>R191.1m</b>	<b>R195.3</b>

# Investment in working capital (days)



# Consolidated cash flow

	2008	2007
	Rm	Rm
<b>Cash Generated /(Utilized) in Operations</b>	<b>191.1</b>	<b>193.6</b>
□ Working capital changes	(43.0)	3.4
□ Net finance expense	(25.5)	(4.9)
□ Taxation Paid	(53.3)	(66.5)
□ Dividends paid	(42.2)	(65.9)
<b>Cash generated from operations</b>	<b>27.1</b>	<b>59.7</b>
□ Capital expenditure	(76.8)	(35.0)
□ Property, plant & equipment disposed off	0.1	0.5
□ Acquisitions	(1.6)	(264.6)
□ Receipt from loans	0.4	0.2
<b>Net cash generated before the share issue</b>	<b>(50.8)</b>	<b>(239.2)</b>
□ Proceeds from share issue	-	226.4
□ Interest bearing borrowings raised	(0.7)	117.4
<b>Net increase / (decrease) in Cash</b>	<b>(51.5)</b>	<b>104.6</b>
<b>Cash at the beginning</b>	<b>45.3</b>	<b>(59.3)</b>
<b>Cash at the end</b>	<b>(6.2)</b>	<b>45.3</b>



# Segmental analysis

	Radiant	SOEW	Other	Group
Net revenues	R388.6m	R748.0m	-	R1 136.6m
Operating profit	R70.4m	R89.4m	(R27.1m)	R132.7m
NPAT	R44.4m	R63.2m	(R46.5m)	R61.1m
Operating profit margin before impairment (%)	18.1%	11.9%	(14.9%)	15.1%
EPS (cents)	28.4c	40.4c	(29.7c)	39.1c

# Capex invested

SOEW: Phase 2		
Details	Progress	Benefits
Plant and machinery	Machinery operational in April 2008	15% capacity increase New jobs created
Radiant		
Details	Progress	Benefits
ERP system installation Warehouse, showroom and offices in Cape Town Showroom in Johannesburg Warehouse in Johannesburg	Completed May 2008 Cape Town building completed Johannesburg showroom completed Johannesburg Warehouse completion expected in H1 2009	Increased efficiency in inventory management Increased capacity Upgraded systems Diversified product ranges



# Financial overview SOEW

# Financial highlights

			2008	2007
Net revenues	↑	11.1%	R748.0m	R673.4m
Gross profit %	↓	33.2%	16.2%	24.2%
Operating profit	↓	32.7%	R89.4m	R133.0m
NPAT	↓	32.5%	R63.2m	R93.6m
Operating profit margin (%)	↓	39.1%	11.9%	19.7%
Net financing (costs)/income	↓		(R2.0m)	R0.7m



# Balance sheet

	2008	2007
	Rm	Rm
<b>Assets</b>		
□ Cash resources	3.1	30.0
□ Trade and other receivables	115.2	74.0
□ Owing by group companies	20.6	-
□ Inventories	61.1	84.4
□ Property plant and equipment	62.9	58.3
<b>Total assets</b>	<b>262.9</b>	<b>246.7</b>
<b>Liabilities</b>		
□ Trade & other payable	14.3	27.9
□ Interest bearing borrowings	15.7	18.8
□ Owing to group companies	1.6	10.4
□ Current tax liabilities	2.6	3.1
□ Bank overdraft	11.1	0.1
□ Deferred taxation	8.3	8.4
<b>Total liabilities</b>	<b>53.6</b>	<b>68.7</b>
<b>Capital and reserves</b>	<b>209.3</b>	<b>178.0</b>

# Cash flow

	2008	2007
	Rm	Rm
<b>Cash generated in operations</b>	<b>98.0</b>	139.3
□ Working capital changes	(32.6)	12.4
□ Net finance (expense)/Income	(2.0)	0.7
□ Taxation paid	(24.8)	(37.3)
□ Dividends paid	(31.8)	(61.6)
<b>Cash generated from operations</b>	<b>6.8</b>	53.5
□ Capital expenditure	(12.2)	(21.9)
□ Property disposed off	-	40.4
<b>Net cash (used)/generated before financing activities</b>	<b>(5.4)</b>	72.0
□ Loans (repaid)/raised	(3.1)	8.6
□ Movement in group loans	(29.5)	8.6
<b>Net (decrease)/increase in cash resources</b>	<b>(38.0)</b>	89.2
<b>Cash at the beginning</b>	<b>29.9</b>	(59.3)
<b>Cash at the end</b>	<b>(8.1)</b>	29.9

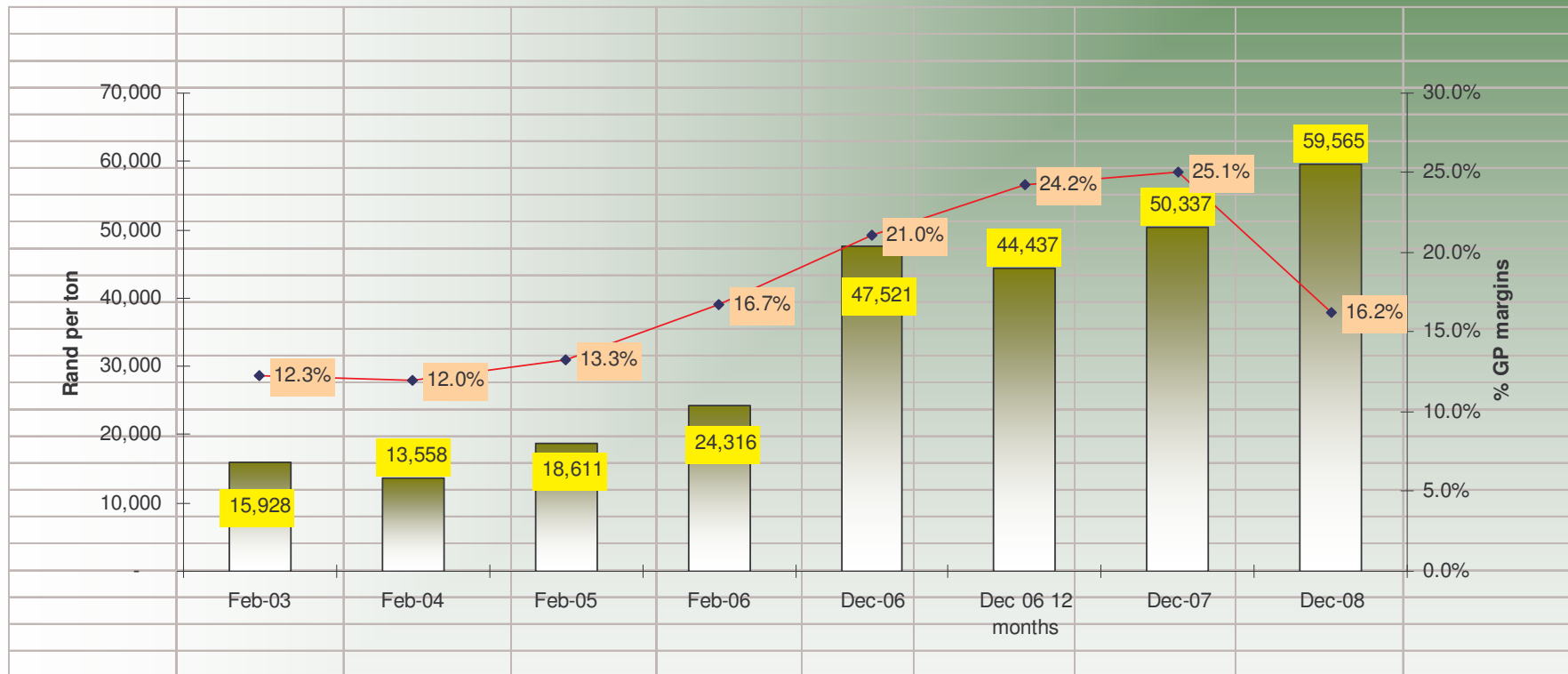


# Productivity

	Dec 2008	Dec 2007
<b>Revenue</b>	<b>R748.0m</b>	<b>R673.4m</b>
<b>% growth</b>	<b>11.1%</b>	<b>65.5%</b>
<b>Capacity utilization</b>	<b>86.4%</b>	<b>93%</b>
<b>Volume analysis (tonnes)</b>	<b>13 901</b>	<b>13 510</b>
<b>% volume growth</b>	<b>2.9%</b>	<b>4.5%</b>

# Copper market

Gross profit margins of South Ocean vs Average Copper prices





# Financial overview Radiant

# Financial highlights

			Dec 2008	Dec 2007
Net revenues	↑	3.2%	R388.6m	R376.4m
Gross profit %	↑	2.1%	47.6%	46.6%
Operating profit	↓	12.9%	R70.4m	R80.8m
NPAT	↓	11.0%	R44.4m	R49.9m
Operating profit margin (%)	↓	8.3%	18.1%	21.5%
Net financing costs	↑		R7.3m	R3.7m

# Balance sheet

	2008	2007
	Rm	Rm
<b>Assets</b>		
□ Cash resources	20.9	14.3
□ Accounts receivable	55.1	62.1
□ Amounts owing by group companies	85.2	24.5
□ Inventories	128.7	93.5
□ Property plant and equipment	15.0	11.1
□ Intangible assets	28.9	23.1
<b>Total assets</b>	<b>333.8</b>	<b>228.6</b>
<b>Liabilities</b>		
□ Trade and other payable	73.0	43.4
□ Interest bearing borrowings	62.0	41.2
□ Amount owing to group companies	7.5	-
□ Income taxes payable	4.4	10.3
□ Bank overdraft	19.2	-
<b>Total liabilities</b>	<b>166.1</b>	<b>94.9</b>
<b>Capital and reserves</b>	<b>167.7</b>	<b>133.7</b>

# Cash flow

	2008	2007
	Rm	Rm
<b>Cash generated in operations</b>	<b>73.6</b>	<b>74.3</b>
□ Working capital changes	2.5	
□ Net finance Income (expense)	(6.9)	(2.1)
□ Taxation paid	(24.3)	(29.2)
□ Dividends paid	(10.5)	(89.2)
<b>Cash generated from operations</b>	<b>34.4</b>	<b>(46.2)</b>
□ Capital expenditure	(14.1)	(5.9)
□ Property disposed off	0.1	90.1
<b>Net cash generated before the share issue</b>	<b>20.4</b>	<b>38.0</b>
□ Capital reduction	-	(3.7)
□ Interest bearing borrowings raised	21.4	(14.9)
□ Movement in group loans	(54.4)	(23.4)
<b>Net increase / (decrease) in cash</b>	<b>(12.6)</b>	<b>(4.0)</b>
<b>Cash at the beginning</b>	<b>14.3</b>	<b>18.3</b>
<b>Cash at the end</b>	<b>1.7</b>	<b>14.3</b>

# Prospects

# Group outlook

- Overall market visibility remains uncertain
- Difficult conditions in both businesses continue until economic stability returns
- Group remains convinced of industry growth potential - hotels, soccer stadiums & airports
- Building solid foundation for growth
  - Expansion programme almost complete
  - Effective management of working capital and costs
  - Driving efficiencies
- Expand SOEW export market potential
- Diversify product range – across Radiant and SOEW
- Introduce tendering department – SOEW

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# Questions ?