South Ocean HOLDINGS

Audited abridged results announcement

for the year ended 31 December 2012

HIGHLIGHTS

Turnover increased by

11,5% to R1 406,3 million

Earnings per share decreased by

358,0% to a loss of 75,6 cents

Headline earnings increased by

18,6% to 36,3 cents

Tangible net asset value per share increased by

13,7% to 324,2 cents

Commentary

Introduction

South Ocean Holdings is pleased to announce its condensed consolidated results for the year ended 31 December 2012.

South Ocean Holdings is an investment holding company, comprising four operating subsidiaries, namely: South Ocean Electric Wire Company Proprietary Limited ("SOEW'), a manufacturer of low voltage electrical cables; Radiant Group Proprietary Limited ("Radiant"), an importer and distributor of light fittings, lamps and electrical accessories; a property holding company, Anchor Park Investments 48 Proprietary Limited ("Anchor Park"); and SOH Calibre International Limited ("SOH" Calibre), a buying house, based in Hong Kong, which buys on behalf of the Group companies.

The Group made capital investments at SOEW during the year to improve efficiencies and increase capacity towards the end of the year which will only come on stream in the second quarter of 2013. The revenue at the electrical cable subsidiary increased compared to the prior year, resulting in gross margins increasing mainly as a result of an increase in production, and a marginal increase in the Rand Copper Price ("RCP"). Radiant's results were negatively affected by competitive market conditions, the changes in consumer buying trends and the national transport strike which delayed both the receipt and despatch of inventory compared to the same period in the prior year.

SOH Calibre's objectives are to continue the procurement of quality imported products as well as increasing the level of communication between suppliers and Radiant. SOH calibre also strives to grow the diversification of the product range.

Financial overview

Earnings

Group revenue for the year to 31 December 2012 increased by 11,5% (2011: 10,8%) to R1 406 million (2011: R1 261 million). The Group's gross profit increased by 0,9% (2011: 5,5% decrease) to R226,8 million (2011: R224,7 million) and operating profit decreased by 220,3% (2011: 14,5% increase) to a loss of R91,1 million (2011: R75,7 million profit) compared to the prior year.

Group profit before tax decreased by 262,0% (2011: 15,3%) to a loss of R105,3 million (2011: R65,0 million profit) compared to the prior year. The basic earnings per share decreased by 358,0% (2011: 12,8% increase) to a loss of 75,6 cents (2011: 29,3 cents profit) compared to the prior year with the headline earnings per share increasing by 18,6% (2011: 8,4% decrease) to 36,3 cents (2011: 30,6 cents) compared to the prior year. Headline earnings increased by 18,5% (2011: 8,6% decrease) to R56,7 million (2011: R47,8 million) compared to the prior year.

The main reason for the decrease in earnings is an impairment charge amounting to R175,0 million against the goodwill which arose through the acquisition of Radiant Group Proprietary Limited ("Radiant") in 2007. This charge was necessitated by a decrease in the earnings of Radiant Group during the year and the further disruption to business because of the national transport sector strike in September 2012. Steps have already been taken by management to improve the profitability of this segment which will materialise during the 2013 financial year. The earnings per share before accounting for the impairment charge of R175,0 million would have been 36.3 cents representing an increase of 23,9% compared to prior year.

The continued efforts by management to control costs have again resulted in lower operational costs compared to the prior year.

Cash flow and working capital management

The cash utilisation of R71,3 million (2011: R39,5 million generation) was mainly as a result of an increased investment in working capital, which was financed from short-term borrowings. Inventory levels increased due to inventory received late as a result of the national transport strike. This was also a contributing factor which led to a decline in sales of Radiant for October and November 2012 when compared to the same period last year. The increase in trade receivables is due to an increase in revenue during the last month of the year as a consequence of the strike. Creditors reduced by R45,1 million (2011: R62,1 million increase).

The Group invested R32,7 million (2011: R62,3 million) in capital expenditure which was mainly financed by long-term borrowings during the year and utilised R46,3 million (2011: R53,7 million) to repay its long-term interest-bearing borrowings.

The Group's net cash utilised during the period of R136,2 million (2011: R21,3 million) reduced the cash balance as at the beginning of the year from R13,8 million to an overdraft balance of R122,2 million.

Segment results

Electrical cables manufacturers – SOEW

Revenue increased by 17,9% (2011: 15,4%) to R1 058,3 million (2011: R897,3 million). This was mainly attributable to an increase in production volumes and marginal increase in the average Rand Copper Price.

Operational expenses increased during the year mainly due to the increase in production.

Capital investment was made to improve efficiencies and to increase capacity at the Group's Alrode facility during the year under review. Additional working capital was required to finance the increase in inventory and trade receivables relating to the increase in volumes, which was funded from normal credit facilities.

Lighting and electrical accessories – Radiant

Revenue decreased from R363,7 million in 2011 to R354,3 million. The national transport strike was one of the contributing factors that negatively affected revenues resulting in a decrease of 2,6% (2011: 0,7% increase) when compared to the prior year. Operational costs decreased by 4,1% compared to the prior year. Lower margins were due to supplier price increases and the volatile exchange rate, which was partially absorbed by the Company. There has been a noticeable change in consumer spending trends and overall resilience in market conditions.

Cash on hand decreased from R9,8 million at the end of December 2011 to an overdraft position of R20,9 million as at the end of December 2012. The funds were utilised to finance working capital.

Property investments – Anchor Park

Anchor Park's revenue is derived from Group companies, as it leases its properties to fellow subsidiaries. The reduction in interest cost is due to the reduction in the loan balances. During the year a further R5,3 million (2011: R19,2 million) capital investment was made.

Seasonality

The Group's earnings are affected by seasonality as earnings for the second half of the year are historically higher than the first six months. Management expects the traditional seasonality trend to continue in future.

Prospects

Based on the trading history and exogenous market factors going forward, the 2013 year's results are expected to show an improvement, and the Group continues to strive for increased market share and expansion of its product range.

The Group remains committed to ensuring earnings enhancement, whilst improving the return on equity on a sustainable basis by diversifying its revenue streams and promoting internal efficiencies. Management's focus on cost control and improving working capital management will continue.

The Group has for the first time entered the tender market and has submitted a number of tenders which will increase revenues if successful.

Any forward-looking information included in this announcement has not been reviewed and reported on by the Group's independent auditors.

On behalf of the board

EG Dube
Chairman

PJM Ferreira
Chief Executive Officer

27 February 2013

Corporate information

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(Registration number 2007/002381/06)
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JP Bekker* (Chief Financial Officer)
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M Chong#
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