South Ocean HOLDINGS

Group condensed consolidated interim financial results announcement

for the six months ended 30 June 2012

Highlights

Revenue increased by

5,5% to R652,8 million

Headline earnings per share increased by

8,3% to 11,7 cents

Earnings per share increased by

8,3% to 11,7 cents

Net asset value per share increased by

2,3% to 512,5 cents

Commentary

Introduction

South Ocean Holdings is pleased to announce its condensed consolidated results for the six months ended 30 June 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, 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 procurement agency on behalf of the Group, based in Hong Kong.

Notwithstanding the global financial market volatility affecting the local market, the Group's operating margin was in line with the prior period's margin at 4,9% (2011: 4,9%).

Market uncertainty which resulted in the fluctuation of the currency and volatility of commodity prices during the period contributed to the subdued results.

Financial overview

Earnings

Group revenue for the six-month period to 30 June 2012 increased by 5,5% (2011: 12,5%) to R652,8 million (2011: R618,6 million). The Group's gross profit increased by 4,4% to R110,9 million (2011: R106,3 million) and operating profit also increased by 6,4% to R32,2 million (2011: R30,2 million) compared to the prior period.

Group profit before tax improved by 5,1% to R26,0 million (2011: R24,8 million) compared to the prior period. Earnings and headline earnings per share have, as a result, improved compared to the prior period. The basic earnings per share increased by 8,3% to 11,7 cents (2011: 10,8 cents) with the headline earnings per share increasing by 8,3% to 11,7 cents (2011: 10,8 cents) compared to the prior period. Headline earnings increased by 8,3% to R18,3 million (2011: R16,9 million).

Cash flow and working capital management

Investment in working capital contributed to cash utilised in operations of R71,8 million (2011: R117,0 million) during the period. Working capital increased primarily due to an increase in accounts receivable, as a result of an increase in revenue. Certain significant customers paid late and this contributed to the negative cash flow for the Group. Inventory levels increased due to higher copper prices, an increase in cable stock levels compared to year-end, which is traditionally lower, as well as an increase in light fittings, lamps and electrical accessories inventory to improve stock availability.

The Group invested R14,0 million (2011: R40,0 million) in capital expenditure which was mainly financed by long-term borrowings during this period and utilised R23,2 million (2011: R30,6 million) to repay its long-term interest-bearing borrowings.

The Group's net cash utilised during the period of R99,3 million (2011: R147,6 million) resulted in the net overdraft improving from R112,9 million reported at 30 June 2011 to R85,4 million at the end of the current period.

Segment results

Electrical cables – SOEW

SOEW's revenue increased by 10,4% to R494,4 million (2011: R447,9 million). This was mainly attributable to the diversification of product range.

Current economic conditions necessitate that the focus at SOEW remains on streamlining production processes and improving operational efficiencies in order to contain costs. Progress is being made by increasing the product range and expanding sales to include the tender market.

The new plant is now operational, resulting in additional working capital requirements for inventory and an increase in the debtors' book, which is financed by utilising normal credit facilities.

Lighting and electrical accessories – Radiant Group

Radiant Group reported revenue of R158,4 million (2011: R170,7 million), 7,2% lower compared to the same period in the prior year. The margins have continued to be under pressure, due to the depressed market conditions and changes in customer spending patterns. Costs containment was successful, resulting in cost increases well below inflation. This was achieved through a number of management interventions resulting in a minimal increase of 1,7% compared to the same period last year.

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 expense is due to the decrease in loan balances. During this period capital investment was made at Radiant Group to relocate the factory assembly facility closer to the bulk warehouse to improve control and save future transport costs.

Seasonality

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

Prospects

The market for the next six months is likely to be even more challenging and it is anticipated that the results will be dependent on taking advantage of Government's infrastructure spending programmes to increase revenue.

The Group has increased the manufacturing capacity of its electrical cable plant, enabling it to grow the business organically. Growth in the lighting segment is expected to be driven by focusing on more economical, energy-saving lighting solutions for corporate and industrial clients looking to reduce their electricity consumption as well as more economical light fittings and LED lamps, in line with current consumer spending trends. Radiant Group has also added a new corporate gifts division to increase its product range and expand into new markets. The Group will continue focusing on diversifying its product range and expanding its client base, including Government tenders.

The above information, including any projections, included in this announcement has not been reviewed or reported on by South Ocean Holdings' independent external auditors.

On behalf of the Board

Ethan Dube
Chairman

Paul Ferreira
Chief Executive Officer

1 August 2012

Corporate information

(Registration number 2007/002381/06)
Incorporated in the Republic of South Africa
("South Ocean Holdings", "the Group" or "the Company")
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EHT Pan*@ (Deputy Vice Chairman)
PJM Ferreira* (Chief Executive Officer)
JP Bekker* (Chief Financial Officer)
M Chong#
HL Li√Q
WP Li√Q†
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