MEDIA RELEASE

Oceana shows resilience in difficult conditions

Demand and pricing for products strong, supply challenging

- Good operating performance despite supply-side constraints and extraneous events
- Cash well controlled and debt at satisfactory levels
- Dividend cover reverts to pre-Covid-19 levels

Strong demand across product lines and favourable pricing enabled the Oceana Group to deliver a good operating performance for the 2021 financial year.

The Group delivered delayed provisional annual results today (9 March 2022) and expects to publish audited financial statements on 25 March 2022.

The delays resulted after a whistle blower brought a series of allegations to the Board's attention. The Board acted immediately and commissioned an independent forensic investigation to probe the claims and decided to delay the publication of results to allow time for a thorough investigation. None of the matters investigated is likely to result in a financial loss to the Company, and the investigation did not identify any evidence of fraud or criminal conduct.

A further investigation was required to probe the dating of signatures for a $4,2 million insurance claim and whether the claim should be recognised in the 2021or 2022 financial year. This caused additional delays in the release of the results.

Interim CEO, Neville Brink, a 30-year fishing industry veteran, says during the past financial year the Group has demonstrated agility and resilience despite the ongoing impact on supply from Covid-19 and extraordinary events, including civil unrest and severe weather.

"The key challenge has been supply, and not the demand for our products."

Supply issues resulted in lower canned fish, fishmeal and fish oil sales volumes.

Lower occupancy levels in the commercial cold storage segment and a stronger exchange rate on export and US-dollar-translated revenue also affected Group revenue, which decreased by 8.1% to R7 633 million.

This was partly offset by favourable pricing across most products.

A number of extraneous events affected the Group's performance:

- Main-engine damage resulting in the Desert Diamond, the horse mackerel mid-water trawl vessel, being out of operation for 49 days.
- Unrest in KwaZulu-Natal affected product availability for the rest of the year, with R86-million worth of inventory lost. The R20 million balance of the R108 million insurance claim (including loss of profits) has been recognised as a

contingent asset at year end and has only been recorded in income during the 2022 financial year.

- Hurricane Ida which affected US operations. The R63 million business interruption insurance claim was received in October and has been recognised as a contingent asset at year end and has only been recorded in income in the 2022 financial year.
- Covid-19-related costs incurred to ensure safe operating environments.
- Global container shortages and port challenges impacted canned fish and cold storage operations.

These factors, partially offset by a stronger rand and tight cost control, resulted in a decrease in operating profit of 14.3% to R1 185 million. If the contingent asset insurance claims of R83 million - all relating to insured losses incurred during the year were recognised before year end - the decrease would have been limited to 8.3%.

Headline earnings declined by 11.2% from R734 million to R652 million with headline earnings per share down by 12.5% from 628.4 cent per share to 550 cents per share. Had the insurance claims been recognised, the decrease would have been limited to 4.7%.

Management continued its defensive approach towards cash flow, with tight cost-controls in place and overall cash balances of R934 million. The Group's net debt levels reduced by 5% to R2 127 million.

During the preparation of results certain reclassifications were identified requiring the restatement of some previously reported figures. These restatements have no effect on the Group's current year or prior year earnings. The impact on the Group's net asset value is a net reduction of R34 million. The change in accounting for Westbank did not have any impact on the Group's headline earnings per share (HEPS) or net asset value (NAV) in the current or prior years.

Canned fish and fishmeal (Africa) – Sales volumes in South Africa declined by 5%, partially offset by an 11% increase in the SADC and rest of Africa based on improved demand. Operating margins improved due to a 5% price increase.

Fishmeal and fish oil (USA) - Operating profit declined 44% as result of lower catch rates and lower production volumes. The decline in revenue and operating profit was exacerbated by an 11% strengthening of the rand.

Horse mackerel, hake, lobster and squid - Horse mackerel, hake, lobster and squid delivered an 9% growth in operating profit, driven by strong demand for fresh fish. Demand and pricing decreased during the first half of the year, but normalised in the second.

Commercial cold storage and logistics (CCS) - CCS performed well. Careful cost management and increased revenue per pallet offset supply chain disruptions and global container shortages.

Prospects

The Group expects that the basic headline earnings per share (HEPS) and basic earnings per share (EPS) for H1 FY22 will be more than 20% lower than the reported HEPS and EPS for the previously reported interim period ended 31 March 2021 (H1FY21)

The company is unable to provide shareholders with a trading range due to the impact of the inherent uncertainty of fish-catch rates for the remaining three weeks of the interim period.

The reduction in earnings from the prior year is mainly due to lower opening fishmeal and fish oil inventory and exceptionally low canned fish inventory levels resulting from last year's civil unrest in KwaZulu-Natal and ongoing global supply chain constraints. The company has also experienced low horse mackerel and squid catches due to La Niña weather conditions.

Local and global market demand and pricing remain strong across all operating segments, which will drive performance in the second half of the year (ending 30 September 2022), traditionally the stronger half. Uncertainty about the effect of the Ukraine war on oil prices could, however, increase operational cost pressures.

Fishing Rights Application Process (FRAP)

CEO, Brink, says that Oceana has been successful in all its applications for the 2021/22 Fishing Rights Application Process (FRAP) and was allocated 15-year rights until 2037. The allocations were materially in line with previous allocations and an additional application for tuna pole line rights was awarded.

"It has been a difficult year, but it has been a pleasing performance under the circumstances. Demand for our products is good, we've secured our fishing rights, our strategy remains sound and an experienced Board oversees the Group. I'm looking forward to drawing on my experience to captain Oceana on the next leg of its voyage," says Brink.

Oceana Chairman, Mustaq Brey, said that while the delay in publishing results had been regrettable, but necessary given the circumstances, excellent progress had been made to get through a difficult and unprecedented period, culminating in the publication of the provisional results.

"Today marks the end of a painful chapter in our 104-year history. The work completed to publish results has positioned Oceana to now focus on driving performance and delivering value for all stakeholders."

Oceana's full results can be found here: https://oceana.co.za/investors/financial-results/

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