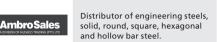
Hudaco

Unaudited interim results oths ended 31 May 2015



Distributor of bearings, chain, **Bearings** International seals, geared motors, electric motors, transmission products and alternators.

Distributor of Deutz diesel engines and Deutz spare parts **DEUTZ DIESELPOWER** and the provision of service support.









components.

Importer and distributor

of pneumatic and process

Manufacturer of conveyor drive

pulleys, forgings and rollings.

Supply and repair of hydraulic

gear pumps and motors.

pneumatic equipment.

kits and accessories.

hydraulic gear pumps.

non-ferrous castings.

and hollow bar steel.

Manufacture and assembly of

Manufacturer of ferrous and

Distributor of engineering steels,

solid, round, square, hexagonal

Distributor of electrical cabling,

Distributor of electrical cable





Ernest Lowe





JOSEPH GRIEVESON









. •••







accessories.

CONSUMER-RELATED PRODUCTS







Comparable Operating profit earnings per share Turnover up 21% to R2,5 billion up 46% to R292 million up 32% to 548 cps **Headline earnings** Interim dividend per share

increased up 190% to R328 million up 20% to 548 cps 16% to 180 cps

Hudaco Industries is a South African group whose principal activity is the distribution of high quality branded industrial and electronic products mainly in the southern African region. Hudaco businesses serve markets that fall into two primary categories: The bearings, power transmission and diesel engine businesses supply engineering consumables mainly to mining and manufacturing customers whilst the automotive aftermarket, power tool, security and communication equipment businesses supply products into markets with a bias towards consumer spending. Adding value by offering instant availability, advice and training etc is an integral part of Hudaco's business model

Results The group has delivered commendable first half results under difficult econo

circumstances. The group's acquisition strategy over the past few years to reduce dependence on the South African mining and manufacturing sectors and increase exposure to other sectors is paying off. The South African mining and manufacturing markets now account for only 30% of sales – down from 50% five years ago

Group sales at R2,5 billion are up 21% on last year with over two thirds of the increase coming from acquisitions made in the last year. Sales from ongoing operations grew 6% overall. Volume sales of engineering consumables are down but of consumer-related products they are well up. Operating profit increased 46% to R292 million with an operating margin to sales of 11,5% - well up on last year's 9,5%.

Comparable earnings per share (CEPS) of 548 cents are up 32% on last year whilst headline and basic earnings per share (also 548 cents) are up 20% on last year. The interim dividend has been increased by 16% to 180 cents per share. Our dividend policy, to be covered about 2.5 times by CEPS annually, remains unchanged

The financial position is sound. Bank borrowings normally peak at the half year as we stock up for what is usually a busier second half. Notwithstanding this, and the substantial outflows in the first half including R98 million for the final dividend, R440 million (net) for the Partguip acquisition and R192 million for the tax settlement, net borrowings increased only R552 million since November 2014, to R965 million. This is still well within our self-imposed conservative guidelines and our available banking facilities. Unless we make further acquisitions, our usual strong second half cash generation should reduce borrowings further by year end.

Engineering consumables segment

The South African mining and manufacturing markets account for two thirds of the activity of this segment. These markets are weak as rising administered input costs, increased regulatory demands, weak international demand for mining commodities coupled with low prices, strikes and power outages weigh heavily on these sectors. In the first half of 2015 Hudaco's sales to the South African mining sector contracted 10% while to the manufacturing sector they increased 1% – this off an already depressed 2014 due to the prolonged strike in the platinum mines. However, there were good performances from businesses supplying alternative energy solutions (for example diesel engines for power generation applications) and exports continued to grow. Segment sales of R1 265 million are down 2% on last year. Operating profit was down 3% at R120 million.

Consumer-related products segment

This segment's contribution to group sales has benefitted from acquisition activity over the past few years and in this half it accounted for 50% of group sales, compared with 39% last year. Fortunately consumer spending is holding up reasonably well and most businesses in the segment performed well. Sales of power tools held steady in the first half whilst sales of communication equipment were boosted by a large contract of the type that would typically have been secured in the second half of the year in the past and which did not materialise at all in 2014. Partquip, acquired with effect from 1 December 2014. has settled in well and is performing to expectations. Our security business was the only underperformer in this segment with lower sales in the projects side of the husiness

Segment sales were up 57% to R1 285 million of which 38% was from acquisitions. Operating profit increased 126% to R194 million

South Africa seems to be de-industrialising at an alarming rate with the mining industry also shrinking rapidly. Notwithstanding the substantial shift in Hudaco's exposure away from these markets over the past few years, they remain important sectors for Hudaco and their fortunes still have a significant mpact on Hudaco's trading results. Businesses exposed to these markets will have to grind it out until economic conditions improve.

equipment and batteries), which now account for a much larger portion of our business are performing well and increased emphasis will continue to be placed on growing this segment

Hudaco's business model, which is principally the sale of replacement parts with a high value added component; and its financial characteristics - high margin and strong cash flows with a limited requirement for investment in fixed assets; allow us to continue to deliver resilient results in this difficult economic environment. Full year 2015 earnings are expected to be well up on 2014 but, given that the first half includes a large cor nunication equipment contract that will not be repeated in the second half, we will be hard pressed to match the level of increase achieved in these interim results.

Declaration of interim dividend number 57

nterim dividend number 57 of 180 cents per share is declared payable on Monday, 17 August 2015 to ordinary shareholders recorded in the register at the close of business on Friday, 14 August 2015

The timetable for the payment of the dividend is as fol	lows:
Last day to trade cum dividend	Thursday, 6 August 2015
Trading ex dividend commences	Friday, 7 August 2015
Record date	Friday, 14 August 2015
Payment date	Monday 17 August 2015

Share certificates may not be dematerialised or rematerialised between Friday, 7 August 2015 and Friday, 14 August 2015, both days inclusive. The certificated register will be closed for this period

In terms of the Listings Requirements of the JSE Limited regarding Dividends Tax, the following additional information is disclosed:

- the dividend has been declared out of income reserves;
- the dividend withholding tax rate is 15%;
- the net local dividend amount is 153 cents per share for shareholders liable to pay Dividends Tax and 180 cents per share for shareholders exempt from Dividends Tax; Hudaco Industries Limited has 34 153 531 shares in issue (which includes 2 507 828 treasury
- shares); and
- Hudaco Industries Limited's income tax reference number is 9400/159/71/2

Directorate

Results presentation Hudaco will host presentations on the financial results in Johannesburg and Cape Town on Friday,





R million	31 May 2015	31 May 2014	30 Nov* 2014
ASSETS Non-current assets	1 341	1 102	1 024
Property, plant and equipment nvestment in joint venture Goodwill ntangible assets	264 2 996 79	240 731 46	257 730 36
Faxation Deferred taxation		80 5	1
Current assets	2 240	1 910	2 045
nventories Trade and other receivables Taxation 3ank deposits and balances	1 356 834 3 47	1 221 675 12 2	1 141 856 6 42
TOTAL ASSETS	3 581	3 012	3 069
EQUITY AND LIABILITIES Equity	1 774	1 883	1 682
nterest of shareholders of the group Non-controlling interest	1 731 43	1 863 20	1 649 33
Non-current liabilities	805	301	209
Amounts due to bankers Amounts due to vendors of businesses acquired Deferred taxation	792 13	300 1	197 12
Current liabilities	1 002	828	1 178
Trade and other payables Bank overdraft Amounts due to vendors of businesses acquired Taxation	761 220 21	541 266 21	711 258 17 192
FOTAL EQUITY AND LIABILITIES	3 581	3 012	3 069

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six		Six		
	months		months	Year	
	ended		ended	ended	
R million	31 May 2015	% change	31 May 2014	30 Nov* 2014	
		-			
Turnover	2 549	21	2 111	4 480	
 Ongoing operations Operations acquired in 2015 	2 231 318	Ь	2 111	4 480	
Cost of sales	1 625		1 358	2 845	
Gross profit	924	23	753	1 635	
Operating expenses	632	25	553	1 141	
Operating profit	292	46	200	494	
- Ongoing operations	237	19	200	494	
– Operations acquired in 2015	55				
Adjustment to fair value of amounts due to vendors of businesses acquired			15	3	
Profit before interest	292		215	497	
Finance costs	39		17	39	
Profit before taxation	253	28	198	458	
Taxation excluding tax settlement	71		51	128	
Profit before tax settlement Settlement of tax dispute	182		147	330 312	
Profit after taxation Income from joint venture	182 1	24	147	18	
Profit for the period	183		147	18	
Other comprehensive income					
Movement on fair value of cash flow hedges	1		(2)	(1)	
			(4)	(17	
Total comprehensive income for the period	184		145	17	
Profit attributable to:					
- Shareholders of the group	173		144	3	
 Non-controlling shareholders 	10			15	
	183		147	18	
Total comprehensive income attributable to:					
– Shareholders of the group	174		142	2	
 Non-controlling shareholders 	10		3	15	
	184		145	17	
Earnings per share (cents)					
– Basic	548	20	456	8	
– Headline	548	20	456	6	
– Comparable Diluted earnings per share (cents)	548	32	416	986	
– Basic	537	20	448	8	
– Headline	537	20	448	6	
– Comparable	537	32	408	984	
Calculation of headline earnings					
Profit attributable to shareholders of the group	173		144	3	
Adjusted for:	175		1 = + = +	2	
Profit on disposal of property, plant and equipment				(1)	
Headline earnings	173		144	2	
Calculation of comparable earnings Headline earnings	173		144	2	
Adjusted for:	173		144	Z	
Settlement of tax dispute				312	
Adjustment to fair value of					
amounts due to vendors of businesses acquired			(15)	(3)	



R million	Six months ended 31 May 2015	Six months ended 31 May 2014	Year ended 30 Nov* 2014
Cash generated from trading	331	231	525
Increase in working capital	(3)	(118)	(44)
Cash generated from operations	328	113	481
Settlement of tax dispute	(192)	(40)	(80)
Taxation paid	(73)	(76)	(142)
Net cash from operating activities	63	(3)	259
Net investment in new operations	(466)	(217)	(224)
Net investment in property, plant and equipment	(13)	(25)	(58)
Net cash from investing activities	(479)	(242)	(282)
Increase in non-current amounts due to bankers	595	300	197
Finance costs paid	(38)	(15)	(38)
Dividends paid	(98)	(100)	(148)
Net cash from financing activities	459	185	11
Decrease (increase) in net short-term borrowings	43	(60)	(12)
Net short-term borrowings at beginning of period	(216)	(204)	(204)
Net short-term borrowings at end of period	(173)	(264)	(216)

GROUP STATEMENT OF CHANGES IN EQUITY

R million	Share capital and premium	Non- distribut- able reserves	Retained income	Interest of share- holders of the group	Non- control- ling interest	Equity
Balance at 1 December 2014 Comprehensive income for the period	55	66	1 547 174	1 668 174	33 10	1 701 184
Movement in equity compensation reserve Dividends		6	(98)	6	10	6 (98)
Balance at 31 May 2015 Less: Shares held by subsidiary company	55	72	1 623 (19)	1 750 (19)	43	1 793 (19)
Net balance at 31 May 2015	55	72	1 604	1 731	43	1 774
Balance at 1 December 2013 Comprehensive income for	55	70	1 710	1 835	19	1 854
the period Movement in equity compensation reserve Dividends		3	(98)	142 3 (98)	3	145 3 (100)
Balance at 31 May 2014 Less: Shares held by subsidiary company	55	73	1 754 (19)	1 882 (19)	20	1 902 (19)
Net balance at 31 May 2014	55	73	1 735	1 863	20	1 883
Balance at 1 December 2013 Comprehensive income for	55	70	1 710	1 835	19	1 854
the period Movement in equity			2	2	15	17
compensation reserve Dividends		(4)	(18) (147)	(22) (147)	(1)	(22) (148)
Balance at 30 November 2014 Less: Shares held by subsidiary	55	66	1 547	1 668	33	1 701
company			(19)	(19)		(19)
Net balance at 30 November 2014*	55	66	1 528	1 649	33	1 682

SUPPLEMENTARY INFORMATION

312

465

31 646

34 154 (2 508)

31 646

31 691

The consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and in the manner required by the Companies Act of South Africa. The principal accounting policies set out in the group's 2014 integrated report have been consistently applied throughout the period ended 31 May 2015. These results have been compiled under the supervision of the financial director CV Applied CA(SA). under the supervision of the financial director, CV Amoils CA(SA).

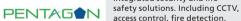
	31 May 2015	31 May 2014	30 Nov* 2014
Average net operating assets (NOA) (Rm)	2 615	2 357	2 383
Operating profit margin (%)	11.5	9.5	11.0
Average NOA turn (times)	1.9	1.8	1.9
Return on average NOA (%)	22.3	17.0	20.7
Average net tangible operating assets (NTOA) (Rm)	1 577	1 594	1 616
PBITA margin (%)	12.0	10.0	11.5
Average NTOA turn (times)	3.2	2.6	2.8
Return on average NTOA (%)	38.9	26.5	31.8
Net asset value per share (cents)	5 472	5 887	5 210
Return on average equity (%)	21.2	15.8	1.0
Comparable return on average equity (%)	21.2	14.3	17.9
Operating profit has been determined after taking into account the following charges (Rm):			
– Depreciation	19	17	33
– Amortisation	15	11	20
Capital expenditure (Rm)			
 Incurred during the period 	15	27	64
 Authorised but not yet contracted for 	27	32	56
Commitments (Rm)			
 Operating lease commitments on properties 	232	195	237
Acquisition of businesses On 1 December 2014, the group acquired 100% of the s consideration of R550 million and 100% of the business is based on future profits and is estimated to be R15 mill	of Berntel. The to		

26 June 2015 and Monday, 29 June 2015, respectively. Anyone wishing to attend should contact lanine Yon at 011 657 500

As reported on SENS, Mr Paul Baloyi resigned as a director on 19 March 2015 due to a conflict of

nterest and Ms Nyami Mandindi was appointed to the board with effect from 1 June 2015





access control, fire detection, public address and perimeter detection products.

Value added distributor of

integrated security and life

Distributor of automotive clutch

and hydraulic seals.

Importer and distributor

of automotive spares and

Distributor of maintenance free

kits and ignition leads, rotary oil



Distributor of professional mobile radio communication equipment and radio systems integrator.

accessories.

batteries.









The slides which form part of the presentation will be available on the company's website from . Tuesday, 30 June 2015.

For and on behalf of the board

RT Vice	GR Dunford
Independent non-executive chairman	Chief executive

25 June 2015 Nedbank

These results are available on the internet: www.hudaco.co.za

COMPANY INFORMATION

Hudaco Industries Limited Incorporated in the Republic of South Africa Registration number: 1985/004617/06 JSE share code: HDC ISIN code: ZAE000003273

Transfer secretaries Computershare Investor Services Proprietary Limited PO Box 61051 Marshalltown, 2107

Registered office Directors 1st Floor, Building 9 RT Vice (Chairman)* Greenstone Hill Office Park GR Dunford (Chief executive) Emerald Boulevard CV Amoils (Financial director) Greenstone Hill, Edenvale SJ Connelly* Tel +27 11 657 5000 N Mandindi* SG Morris* Email: info@hudaco.co.za D Naidoo*

* Non-executive Group secretary R Wolmarans

Comparable earnings 173 131 Dividends – Per share (cents) 16 155 180 Amount (Rm) 57 31 646 49 31 646 Shares in issue 34 154 (2 508) - Total (000) 34 154 – Held by subsidiary (000) (2 508) Weighted average shares in issue 31 646 31 646 - Basic (000) - Diluted (000) 32 133 32 267

nt of R12 million, investr ioint venture of R1 mil intangible assets of R58 million, inventories of R132 million, trade and other receivables of R114 million cash of R108 million, deferred taxation liabilities of R16 million, trade and other payables of R107 million and taxation of R3 million were recognised on date of acquisition. These values approximate the fair value as determined under IFRS 3.

Turnover of R318 million and profit after tax of R30 million were included in the group results since the acquisition date, which was the beginning of the reporting period.

SEGMENT INFORMATION

Non-controlling interest

	Turnover				Operating profit				Average net operating assets			
- R million	Six months ended 31 May 2015	% change	Six months ended 31 May 2014	Year ended 30 Nov* 2014	Six months ended 31 May 2015	% change	Six months ended 31 May 2014	Year ended 30 Nov* 2014	Six months ended 31 May 2015	% change	Six months ended 31 May 2014	Year ended 30 Nov* 2014
Engineering consumables	1 265	(2)	1 293	2 767	120	(3)	124	302	1 625	4	1 566	1 605
– Ongoing operations – Operations acquired in 2015	1 259 6	(3)	1 293	2 767	118 2	(5)	124	302	1 611 14	3	1 566	1 605
Consumer-related products	1 285	57	819	1 718	194	126	86	215	1 087	64	662	673
 Ongoing operations Operations acquired in 2015 	973 312	19	819	1 718	141 53	64	86	215	631 456	(5)	662	673
Total operating segments Head office, shared services and eliminations	2 550 (1)	21	2 112 (1)	4 485 (5)	314 (22)	50	210 (10)	517 (23)	2 712 (97)	22	2 228 129	2 278 105
Total group	2 549	21	2 111	4 480	292	46	200	494	2 615	11	2 357	2 383

"Value-added distribution – our core competency"

www.hudaco.co.za