

## UNAUDITED INTERIM GROUP RESULTS

FOR THE SIX MONTHS ENDED 31 MAY 2008

- Sales up 24% to R1,2 billion
- Operating Profit up 36% to R158 million
- Normalised headline earnings per share up 57% to 400 cents
- Dividends rebalanced - interim dividend increased 100% to 130 cents per share

Hudaco is a South African group engaged in the business of importing and distributing industrial consumable products. Its customers are predominately in the southern African manufacturing, mining, construction, automotive and security industries.

### Results

The group has delivered excellent first half results. Sales of R1,2 billion for the half year are up 24% on 2007. Two acquisitions, Astore Africa a distributor of specialised pipes and fittings, and Ambro Sales, a distributor of special solid and hollow round steel which together cost R152 million contributed R75 million or 8% to this increase. The balance of 16% was achieved mainly in the Bearings and Transmission and diesel engine businesses. Operating profit increased 36% to R158 million.

The Bearings and Transmission division has become the main beneficiary of the surge in spending on mining and infrastructure projects. Full advantage was taken of the prevailing buoyant trading conditions and an outstanding first half result was achieved. Total sales including the two acquisitions were up 34% to R763 million. Operating profit increased 50% to R92 million.

Trading conditions in the Powered Products division were mixed with sales increasing 16% and operating profit 29%. The diesel engine business had an excellent first half, with continued strong demand for engines for underground mining and power generation applications. On the other hand, volume sales of industrial power tools were flat.

In the Security Equipment division sales increased 2% and operating profit declined 13%. This disappointing result was due to the scaling down of the UK business. The South African business increased sales and held profitability as it completed a three-year nationwide branch rollout.

The complete restructure and refinancing of the group in August 2007 when new BEE shareholders were introduced has resulted in significant changes to the balance sheet and consequently to finance costs and the rate of taxation this year. These changes were spelt out in detail in the 2007 annual report. Net finance costs of R17,4 million compare with last year's income of R6,4 million whilst the tax charge has decreased from R41 million to R12 million.

Headline earnings per share of 366 cents are up 43% on last year. Normalised headline earnings per share, which excludes a fair value adjustment of R10 million which has been raised to recognise costs to be incurred in closing or rationalising a number of branch outlets, are 400 cents, up 57% on last year.

The interim dividend has been increased by 100% to 130 cents (last year 65 cents). This follows a decision to both rebalance the interim and final dividends and to change the group policy to now pay annual dividends equal to approximately 40% (previously 33%) of normalised headline earnings.



**Stephen Connelly**  
Group chief executive

The group balance sheet remains healthy. Working capital (inventories, accounts receivable less accounts payable) at R727 million is R218 million or 43% above 2007 financial year end levels. Of this increase, R86 million or 17% is from acquisitions which means the group is slightly overstocked but should be back in line by year-end. Net cash declined R367 million since the end of the 2007 financial year is mainly due to R132 million spent on acquisitions and R165 million on dividends including the special dividend of R100 million paid in December last year, resulting in R50 million short-term borrowing

### Prospects

Growth prospects in the medium term remain good. Infrastructural spending looks set to continue and perhaps accelerate. High commodity prices and electricity demand continues to support ongoing investment in mining projects. Thus, economic growth driven by investment spending looks set to continue for the foreseeable future. Prospects for making acquisitions at more reasonable prices than the recent past also look brighter. Growth in the consumer side of the economy is weak and could weaken further but Hudaco's exposure to this segment of the economy is relatively limited.

Normalised earnings per share for the full year will not grow at the same pace as the 57% of the first half mainly because the initial earning enhancement feature of the group's BEE transaction was largely already in last year's second half results. Nevertheless earnings for the full 2008 financial year are expected to be well ahead of last year.

### Dividend

Notice is hereby given that interim dividend No. 43 of 130 cents per share has been declared in respect of the six months ended 31 May 2008.

The last day to trade in order to participate in the dividend ("cum" the dividend), will be Friday, 8 August 2008. The shares will commence trading "ex" the dividend from the commencement of business on Monday, 11 August 2008 and the record date will be Friday, 15 August 2008. The dividend will be paid on Monday, 18 August 2008. Share certificates may not be dematerialised between Monday, 11 August 2008 and Friday, 15 August 2008 both days inclusive.

For and on behalf of the Board

**RT Vice** (Chairman)

**SJ Connelly** (Chief executive)

26 June 2008

## Income statement

|   | Six months ended |          |             | Year ended   |
|---|------------------|----------|-------------|--------------|
| R million   | 31 May 2008      | % change | 31 May 2007 | 30 Nov 2007* |
| <b>Turnover</b>   | <b>1 230,0</b>   | 24       | 992,6       | 2 226,9      |
| – continuing operations   | <b>1 155,4</b>   | 16       | 992,6       | 2 226,9      |
| – operations acquired in 2008   | <b>74,6</b>      |          |             |              |
| Cost of sales   | <b>761,5</b>     |          | 628,4       | 1 382,6      |
| <b>Gross profit</b>   | <b>468,5</b>     |          | 364,2       | 844,3        |
| Operating expenses  | <b>311,0</b>     |          | 248,8       | 526,3        |
| <b>Operating profit</b>   | <b>157,5</b>     | 36       | 115,4       | 318,0        |
| – continuing operations   | <b>150,1</b>     | 30       | 115,4       | 318,0        |
| – operations acquired in 2008   | <b>7,4</b>       |          |             |              |
| Impairment of assets in businesses for sale                                       | <b>10,0</b>      |          |             |              |
| Cost to introduce BEE shareholders  |                  |          |             | 43,9         |
| <b>Profit before dividends received, interest received and finance costs</b>      | <b>147,5</b>     |          | 115,4       | 274,1        |
| Dividends received on preference shares   | <b>100,2</b>     |          |             | 66,6         |
| Interest received   |                  |          | 6,4         | 15,4         |
| Finance costs   | <b>(117,6)</b>   |          |             | (80,7)       |
| <b>Profit before taxation</b>   | <b>130,1</b>     |          | 121,8       | 275,4        |
| Taxation  | <b>12,3</b>      |          | 40,9        | 86,5         |
| <b>Profit for the period</b>  | <b>117,8</b>     | 46       | 80,9        | 188,9        |
| Attributable to shareholders of the group   | <b>112,9</b>     | 47       | 76,7        | 182,8        |
| Attributable to minorities (see supplementary information)                        | <b>4,9</b>       |          | 4,2         | 6,1          |
|   | <b>117,8</b>     |          | 80,9        | 188,9        |
| <b>Normalised headline earnings per share (cents)</b>                             | <b>400</b>       | 57       | 255         | 750          |
| <b>Headline earnings per share (cents)</b>  | <b>366</b>       | 43       | 255         | 604          |
| <b>Basic earnings per share (cents)</b>   | <b>367</b>       | 44       | 255         | 606          |
| Diluted normalised headline earnings per share (cents)                            | <b>390</b>       |          | 249         | 726          |
| Diluted headline earnings per share (cents)                                       | <b>357</b>       |          | 249         | 585          |
| Diluted basic earnings per share (cents)  | <b>358</b>       |          | 249         | 586          |
| <b>Reconciliation to normalised headline earnings</b>                             |                  |          |             |              |
| Profit attributable to shareholders of the group                                  | <b>112,9</b>     |          | 76,7        | 182,8        |
| Adjusted to eliminate the effect of the following items in attributable earnings: |                  |          |             |              |
| – Surplus on disposal of plant and equipment after taxation                       | <b>(0,3)</b>     |          |             | (0,4)        |
| <b>Headline earnings</b>  | <b>112,6</b>     | 47       | 76,7        | 182,4        |
| Adjusted to eliminate the effect of the following items in headline earnings:     |                  |          |             |              |
| Impairment of assets in businesses for sale                                       | <b>10,0</b>      |          |             |              |
| Other   | <b>1,0</b>       |          |             |              |
| Cost to introduce BEE shareholders  |                  |          |             | 43,9         |
| Debt raising fees   |                  |          |             | 3,3          |
| STC on special dividend   |                  |          |             | 4,6          |
| Taxation effect of adjustments  | <b>(0,3)</b>     |          |             | (1,0)        |
| Minority effect of adjustments  | <b>(0,1)</b>     |          |             | (6,9)        |
| <b>Normalised headline earnings</b>   | <b>123,2</b>     | 61       | 76,7        | 226,3        |
| <b>Normal dividends</b>   |                  |          |             |              |
| – Per share (cents)   | <b>130</b>       | 100      | 65          | 260          |
| – Amount (Rm)   | <b>40,1</b>      |          | 19,7        | 79,6         |
| <b>Special dividend</b>   |                  |          |             |              |
| – Per share (cents)   |                  |          |             | 330          |
| – Amount (Rm)   |                  |          |             | 101,5        |
| <b>Shares in issue</b>  | <b>30 853</b>    |          | 30 250      | 30 754       |
| – Total (000)   | <b>33 361</b>    |          | 32 758      | 33 262       |
| – Held by subsidiary company (000)  | <b>(2 508)</b>   |          | (2 508)     | (2 508)      |
| <b>Weighted average shares in issue</b>   |                  |          |             |              |
| – Basic (000)   | <b>30 774</b>    |          | 30 047      | 30 178       |
| – Diluted (000)   | <b>31 580</b>    |          | 30 834      | 31 182       |

\* Audited

## Balance sheet

|                                      | 31 May 2008    | 31 May 2007 | 30 Nov 2007* |
|--------------------------------------|----------------|-------------|--------------|
| R million                            |                |             |              |
| <b>ASSETS</b>                        |                |             |              |
| <b>Non-current assets</b>            | <b>2 432,1</b> | 127,6       | 2 332,8      |
| Property, plant and equipment        | <b>85,6</b>    | 69,5        | 73,7         |
| Investment in preference shares      | <b>2 181,0</b> |             | 2 181,0      |
| Deferred taxation – net              |                | 0,9         | 1,5          |
| Goodwill and other intangible assets | <b>165,5</b>   | 57,2        | 76,6         |
| <b>Current assets</b>                | <b>1 149,1</b> | 1 029,2     | 1 260,1      |
| Inventories                          | <b>745,4</b>   | 517,3       | 544,1        |
| Accounts receivable                  | <b>403,7</b>   | 318,4       | 398,7        |
| Bank deposits and balances           |                | 193,5       | 317,3        |
| <b>TOTAL ASSETS</b>                  | <b>3 581,2</b> | 1 156,8     | 3 592,9      |
| <b>EQUITY AND LIABILITIES</b>        |                |             |              |
| <b>Equity</b>                        | <b>893,3</b>   | 797,2       | 835,4        |
| Shareholders' equity                 | <b>863,1</b>   | 771,8       | 806,8        |
| Minority interest                    | <b>30,2</b>    | 25,4        | 28,6         |
| <b>Non-current liabilities</b>       | <b>2 204,3</b> |             | 2 181,0      |
| Subordinated debenture               | <b>2 181,0</b> |             | 2 181,0      |
| Deferred taxation – net              | <b>5,3</b>     |             |              |
| Due to vendors – interest bearing    | <b>18,0</b>    |             |              |
| <b>Current liabilities</b>           | <b>483,6</b>   | 359,6       | 576,5        |
| Accounts payable                     | <b>421,7</b>   | 340,7       | 434,4        |
| Shareholders for special dividend    |                |             | 101,5        |
| Due to vendors – interest bearing    | <b>12,0</b>    | 6,6         | 10,5         |
| Bank overdraft and call funds        | <b>49,7</b>    |             |              |
| Taxation                             | <b>0,2</b>     | 12,3        | 30,1         |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>3 581,2</b> | 1 156,8     | 3 592,9      |

## Cash flow statement

|  | Six months ended |             | Year ended   |
|--|------------------|-------------|--------------|
| R million                                  | 31 May 2008      | 31 May 2007 | 30 Nov 2007* |
| Cash generated from trading                | <b>159,1</b>     | 123,6       | 334,6        |
| Applied to working capital                 | <b>(160,9)</b>   | (68,3)      | (71,2)       |
| Cash (applied) to operating activities     | <b>(1,8)</b>     | 55,3        | 263,4        |
| Preference dividends and interest received | <b>100,2</b>     |             | 82,0         |
| Net interest (paid) received               | <b>(117,6)</b>   | 6,4         | (80,1)       |
| Taxation paid                              | <b>(43,2)</b>    | (52,7)      | (81,1)       |
| Cash (applied) to operations               | <b>(62,4)</b>    | 9,0         | 184,2        |
| Dividends paid                             | <b>(164,6)</b>   | (42,0)      | (67,3)       |
| <b>NET CASH APPLIED</b>                    | <b>(227,0)</b>   | (33,0)      | 116,9        |
| Investment in new operations – net         | <b>(131,8)</b>   | (8,0)       | (35,4)       |
| Investment in plant and equipment – net    | <b>(10,6)</b>    | (8,6)       | (17,0)       |
| Investment in preference shares            |                  |             | (2 181,0)    |
| <b>NET CASH INVESTED</b>                   | <b>(142,4)</b>   | (16,6)      | (2 233,4)    |
| <b>Cash utilised</b>                       | <b>(369,4)</b>   | (49,6)      | (2 116,5)    |
| Issue of shares                            | <b>2,4</b>       | 4,7         | 14,4         |
| Issue of subordinated debenture            |                  |             | 2 181,0      |
| <b>DECREASE IN NET CASH</b>                | <b>(367,0)</b>   | (44,9)      | 78,9         |

## Statement of changes in equity

|   | Six months ended |              | Year ended   |
|---|------------------|--------------|--------------|
|   | 31 May           | 31 May       | 30 Nov       |
| R million                                       | 2008             | 2007         | 2007*        |
| <b>Equity at beginning of the period</b>        | <b>835,4</b>     | <b>749,9</b> | <b>749,9</b> |
| Attributable profit for the period              | 117,8            | 80,9         | 188,9        |
| Increase in equity compensation reserve         | 2,4              | 2,2          | 4,7          |
| Movement on fair value of cash flow hedges      | (2,0)            | 1,3          | 0,2          |
| Gain on translation of foreign entities         | 0,6              | 0,5          | 2,5          |
| Arising on the introduction of BEE shareholders |                  |              | 43,9         |
| Minority interest acquired                      |                  | (0,3)        | (0,3)        |
| Shares issued                                   | 2,4              | 4,7          | 14,4         |
| Dividends                                       | (63,3)           | (42,0)       | (168,8)      |
| – to shareholders of the group                  | (60,0)           | (42,0)       | (163,5)      |
| – to minorities                                 | (3,3)            |              | (5,3)        |
| <b>Equity at the end of the period</b>          | <b>893,3</b>     | <b>797,2</b> | <b>835,4</b> |

## Supplementary information

These results were prepared in terms of IAS34, applying accounting policies that conform with International Financial Reporting Standards (IFRS) and are consistent with those applied in the previous financial year.

|  | 31 May | 31 May | 30 Nov |
|--|--------|--------|--------|
|  | 2008   | 2007   | 2007*  |
| Average net operating assets (Rm)      | 837,5  | 584,7  | 612,2  |
| Operating profit margin (%)            | 12,8   | 11,6   | 14,3   |
| Average NOA turn (times – annualised)  | 2,9    | 3,4    | 3,6    |
| Return on average NOA (% – annualised) | 37,6   | 39,5   | 51,9   |
| Net asset value per share (cents)      | 2 797  | 2 551  | 2 623  |

|   |            |            |            |
|---|------------|------------|------------|
| <b>Profit after tax attributable to minorities (Rm)</b> | <b>4,9</b> | <b>4,2</b> | <b>6,1</b> |
| – Share of normalised earnings                          | 4,9        | 4,2        | 13,0       |
| – Share of cost to introduce BEE shareholders           |            |            | (6,9)      |

|   |      |  |      |
|---|------|--|------|
| <b>Capital expenditure</b>                  |      |  |      |
| – Spent during the period (Rm)              | 12,3 |  | 20,6 |
| – Budgeted for second half of the year (Rm) | 28,5 |  |      |

### Operating profit has been determined after taking into account the following charges:

|  |     |     |      |
|--|-----|-----|------|
| – Depreciation   | 6,2 | 6,0 | 12,1 |
| – Amortisation of intangible assets acquired in acquisitions | 2,4 |     |      |

### Commitments and contingencies

|   |       |  |      |
|---|-------|--|------|
| – Operating lease on property (Rm)  | 100,1 |  | 75,9 |
| – Break fee on debenture (Rm)   | 35,7  |  | 49,6 |
| – A contingent liability still exists in respect of the ongoing dispute on whether an employer contribution holiday in one of the group's defined contribution retirement funds, was authorised by its rules. |       |  |      |

### Acquisitions

The group acquired 100% of the businesses of Astore Africa Group and Ambro Sales on 1 February 2008 and 1 March 2008 respectively, for an aggregate purchase consideration of R152 million. Property plant and equipment of R7 million, working capital (inventories, accounts receivable and trade accounts payable) of R60 million, goodwill and other intangible assets (brand name and customer relations) of R92 million, and deferred tax liabilities of R7 million were recognised at date of acquisition. These values approximate the fair value as determined under IFRS 3.

The initial accounting for the acquisition of Ambro Sales has been determined provisionally as the valuation of intangible assets has not yet been completed.

The acquisitions had no impact on the reported attributable earnings of the group for the period and if both these acquisitions had been effective on 1 December 2007 the turnover and attributable earnings of the group would have been approximately R1 264 million and R111 million respectively.

## Segment analysis

### Turnover

|  | 30 May         | %         | 31 May       | 30 Nov         |
|--|----------------|-----------|--------------|----------------|
| R million                                | 2008           | Change    | 2007         | 2007*          |
| Bearings and Power Transmission products | 763,0          | 34        | 569,5        | 1 272,5        |
| Powered products                         | 291,4          | 16        | 250,7        | 589,1          |
| Security equipment                       | 176,0          | 2         | 172,6        | 365,4          |
| Internal/head office                     | (0,4)          |           | (0,2)        | (0,1)          |
| <b>Total group</b>                       | <b>1 230,0</b> | <b>24</b> | <b>992,6</b> | <b>2 226,9</b> |

### Operating profit

|  | 30 May       | %         | 31 May       | 30 Nov       |
|--|--------------|-----------|--------------|--------------|
| R million                                | 2008         | Change    | 2007         | 2007*        |
| Bearings and Power Transmission products | 91,6         | 50        | 61,2         | 173,3        |
| Powered products                         | 58,6         | 29        | 45,5         | 124,0        |
| Security equipment                       | 16,4         | (13)      | 18,9         | 44,0         |
| Internal/head office                     | (9,1)        |           | (10,2)       | (23,3)       |
| <b>Total group</b>                       | <b>157,5</b> | <b>36</b> | <b>115,4</b> | <b>318,0</b> |

### Average net operating assets

|  | 30 May       | 31 May       | 30 Nov       |
|--|--------------|--------------|--------------|
| R million                                | 2008         | 2007         | 2007*        |
| Bearings and Power Transmission products | 620,6        | 425,9        | 445,9        |
| Powered products                         | 123,6        | 95,7         | 100,3        |
| Security equipment                       | 84,1         | 79,0         | 79,6         |
| Internal/head office                     | 9,2          | (15,9)       | (13,6)       |
| <b>Total group</b>                       | <b>837,5</b> | <b>584,7</b> | <b>612,2</b> |

\* Audited

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## Bearings and Power Transmission products

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Distributor of oil and hydraulic seals, clutch kits and automotive ignition leads.



Distributor of special solid and hollow round steel.



Distributor of specialised pipes and fittings.



Distributor of bearings, seals and transmission products.



Distributor of power transmission and conveyor belting products and industrial hose.



Manufacturer of conveyor drive pulleys, forgings and rollings.



Manufacturer and distributor of hydraulic and pneumatic equipment.



Distributor of geared motors, frequency inverters and electric motors.



Distributor of electrical cabling, plugs, sockets, electric feeder systems and crane materials.



Distributor of controllers, monitors and regulators of the speed of standard AC motors.

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## Powered products

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**DEUTZ DIESELPOWER** Distributor of Deutz diesel engines and provider of aftermarket services.



Distributor of power tools, outboard motors, survey equipment and rivets.

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## Security equipment

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Distributor of intruder detection, closed-circuit television, access control and fibre-optic equipment.

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### Transfer secretaries

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### Directors

RT Vice# (Chairman) SJ Connelly (Chief Executive) PL Campbell# (Chairman)  
GE Gardiner JB Gibbon# YKN Molefi\* PM Poole

#Independent non-executive \*Non-executive

### Group secretary

MMM Nkumanda