

UNAUDITED INTERIM GROUP RESULTS

FOR THE SIX MONTHS ENDED 31 MAY 2009



Stephen Connolly Chief executive

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

Results

The group has delivered reasonable first half results under the prevailing economic circumstances. Sales of R1.176 billion for the half year are down 4% on 2008 whilst operating profit decreased 16% to R132 million.

The scale and speed of the downturn this first half was more severe than expected with the group experiencing average volume sales declines of about 25%. Most of this decline was offset in the first quarter by year on year price increases, but the stronger Rand began to negate this offsetting effect in the second quarter. April, with the many public holidays, was a particularly poor month for sales.

All businesses in the group have been affected to a greater or lesser degree by the decline in demand. The Bearings and Transmission division, previously the main beneficiary of the surge in spending on mining and infrastructure projects, increased sales by 1% to R770 million but operating profit declined 10% to R83 million. Bearings International and Bosworth held up better than expected but all other business experienced sharp falls in demand.

Trading conditions in the Powered Products division were also difficult, with sales decreasing 7% to R272 million and operating profit 20% to R47 million. Volume sales of power tools were down 30% and demand from the mining industry for diesel engine parts and service also declined sharply, particularly in the second quarter.

The Security Equipment division was hit harder than our other businesses - sales declined 12% to R134 million. However, action taken late last year to cut the expense base held the decline in operating profit to 14%.

Normalised headline earnings per share this half of 343 cents are down 14% on last year. In acknowledgement of the current difficult trading conditions, the interim dividend has been reduced by 12% to 115 cents (last year - 130 cents).

The group balance sheet is strong with R60 million net cash on hand, notwithstanding an overstocked position. Although orders on suppliers were scaled back in October last year, the extent of the fall in demand was not foreseen and measures taken were insufficient to keep stockholding balanced to sales. As a result stock levels at the half year are too high by about R80 million. Due to long lead times from suppliers, most of the reduction required to bring stockholding back into line will only be achieved in the second half of the year.

The group's balance sheet positions it well to take advantage of acquisition opportunities in the months ahead.

- Half year sales down 4%
- Normalised headline earnings per share down 14% to 343 cents
- Interim dividend reduced 12% to 115 cents per share
- Cash from operating activities R162 million

Prospects

Demand for Hudaco's fairly diversified range of products appears to have stabilised (albeit at lower levels than last year) since February this year. The month of April, as already mentioned however, was a notable exception. The possibility of a further downturn in demand is still real although its likelihood recedes as time passes.

Volume sales could recover somewhat in the second half as spending on South Africa's infrastructure continues and there is a limit to how much our customers can continue to strip non-operational equipment for spare parts. The strong Rand may however act as an offsetting force. It is highly unlikely that sales will recover sufficiently to enable the group to match last year's earnings performance.

In the medium term we remain confident, that once the current economic crisis has passed, demand fundamentals will support a resumption in economic growth. The timing of such recovery is an open question.

Directorate

Peter Campbell, an independent non-executive director, retired on 26 March 2009.

As already reported in March 2009, the company's group financial director, Peter Poole will retire on 6 July 2009. Clifford Amoils, who will succeed him as group financial director, will join the group on 1 July 2009.

The board records its thanks to both for their considerable and lasting contribution they made to Hudaco during their many years service. We wish them well in their retirement.

Declaration of interim dividend no 45

Interim dividend number 45 of 115 cents per share for the six months ended 31 May 2009 is declared payable on Monday 17 August 2009 to ordinary shareholders recorded in the register at the close of business on Friday 14 August 2009. The timetable for the payment of the dividend is as follows:

Last day to trade cum dividend	Thursday 6 August 2009
Trading ex dividend commences	Friday 7 August 2009
Record date	Friday 14 August 2009
Payment date	Monday 17 August 2009

Share certificates may not be dematerialised or rematerialised between Friday 7 August 2009 and Friday 14 August 2009, both days inclusive. The certificated register will be closed for this period.

For and on behalf of the Board

RT Vice Chairman
25 June 2009

SJ Connolly Chief executive

Income statement

R million	Six months ended			Year ended
	31 May 2009	% change	31 May 2008	30 Nov 2008*
Turnover	1 176	-4	1 230	2 766
Cost of sales	726		761	1 684
Gross profit	450		469	1 082
Operating expenses	318		311	655
Operating profit	132	-16	158	427
Surplus (loss) on sale of business	1		(10)	(2)
Profit before dividends received, interest received and finance costs	133		148	425
Dividends received on preference shares	100		100	200
Interest received	1		4	12
Finance costs	(120)		(122)	(252)
Profit before taxation	114		130	385
Taxation	6		12	55
Profit after taxation	108	-8	118	330
Attributable to shareholders of the group	107	-5	113	307
Attributable to minorities	1		5	23
	108		118	330
Normalised headline earnings per share (cents)	343	-14	400	995
Headline earnings per share (cents)	346	-6	366	964
Basic earnings per share (cents)	346	-6	367	995
Diluted normalised headline earnings per share (cents)	333		390	970
Diluted headline earnings per share (cents)	338		357	940
Diluted earnings per share (cents)	336		358	970

Reconciliation to normalised headline earnings

Profit attributable to shareholders of the group	107		113	307
Adjusted to eliminate the effect of the following items in attributable earnings:				
– Surplus on disposal of property, plant and equipment after taxation				(1)
– Foreign currency translation reserve realised				(9)
Headline earnings	107	-5	113	297
Adjusted to eliminate the effect of the following items in headline earnings:				
– (Surplus) loss on sale of business	(1)		10	10
– Other			1	
– Taxation and minority effect of adjustments			(1)	
Normalised headline earnings	106	-14	123	307

Dividends

– Per share (cents)	115	-12	130	400
– Amount (Rm)	36		40	124

Shares in issue

	30 966		30 853	30 923
– Total (000)	33 474		33 361	33 431
– Held by subsidiary company (000)	(2 508)		(2 508)	(2 508)

Weighted average shares in issue

– Basic (000)	30 935		30 774	30 836
– Diluted (000)	31 734		31 580	31 632

Balance sheet

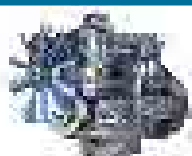
R million	31 May 2009	31 May 2008	30 Nov 2008*
ASSETS			
Non-current assets	2 430	2 432	2 429
Property, plant and equipment	93	86	92
Investments in preference shares	2 181	2 181	2 181
Goodwill	131	140	131
Intangible assets	25	25	25
Current assets	1 207	1 149	1 422
Inventories	758	745	780
Accounts receivable	340	404	507
Taxation	5		
Bank deposits and balances	104		135
TOTAL ASSETS	3 637	3 581	3 851
EQUITY AND LIABILITIES			
Equity	1 078	893	1 055
Shareholders' equity	1 042	863	1 015
Minority interest	36	30	40
Non-current liabilities	2 186	2 204	2204
Subordinated debenture	2 181	2 181	2 181
Deferred taxation	5	5	5
Due to vendors - interest bearing		18	18
Current liabilities	373	484	592
Accounts payable	310	422	488
Amounts due to bankers	44	50	66
Due to vendors – interest bearing	19	12	5
Taxation			33
TOTAL EQUITY AND LIABILITIES	3 637	3 581	3 851

Cash flow statement

R million	Six months ended 31 May 2009	31 May 2008	Year ended 30 Nov 2008*
Cash generated from trading	143	159	450
Generated by working capital	19	(161)	(235)
Cash generated from operating activities	162	(2)	215
Preference dividends and interest received	100	100	212
Finance costs	(119)	(118)	(249)
Taxation paid	(44)	(43)	(56)
Cash flow from operations	99	(63)	122
Special dividend paid		(102)	(102)
Dividends paid	(97)	(62)	(112)
NET CASH GENERATED	2	(227)	(92)
Investment in new operations – net	(4)	(132)	(140)
Investment in property, plant and equipment – net	(8)	(10)	(20)
NET CASH INVESTED	(12)	(142)	(160)
Cash utilised	(10)	(369)	(252)
Issue of shares	1	2	4
DECREASE IN NET CASH	(9)	(367)	(248)

*Audited

Hudaco



Statement of changes in equity

	Six months ended		Year ended
R million	31 May 2009	31 May 2008	30 Nov 2008*
Equity at the beginning of the period	1 055	835	835
Attributable profit for the period	108	118	330
Increase in equity compensation reserve	4	2	6
Movement on fair value of cash flow hedges	(1)	(2)	(2)
Gain on translation of foreign entities		1	2
Foreign currency translation reserve realised			(8)
Shares issued	1	2	4
Dividends	(89)	(63)	(112)
Equity at the end of the period	1 078	893	1 055

Supplementary information

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

	31 May 2009	31 May 2008	30 Nov 2008*
Average net operating assets (Rm)	1 058	838	923
Operating profit margin (%)	11,2	12,8	15,4
Average NOA turn (times - annualised)	2,2	2,9	3,0
Return on average NOA (%) - annualised)	25,0	37,6	46,2
Net asset value per share (cents)	3 365	2 797	3 282

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

- Depreciation	8	6	15
- Amortisation of intangible assets	1	2	3

Capital expenditure

- Spent during the period (Rm)	10	12	25
- Budgeted for second half of the year (Rm)	21	29	

Commitments and contingencies

- Operating lease commitments - property (Rm)	104	100	99
- A contingent liability still exists in respect of an ongoing dispute on whether an employer contribution holiday in one of the group's defined contribution retirement funds, was authorised by its rules.			

Net cash comprises (Rm)	60	(50)	69
- Bank deposits and balances	104		135
- Amounts due to bankers	(44)	(50)	(66)

Transfer secretaries

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E-mail info@hudaco.co.za

Segment analysis

	Turnover			
R million	31 May 2009	% change	31 May 2008	30 Nov 2008*
Bearings and Power Transmission Products	770	1	763	1 727
Powered Products	272	-7	291	673
Security Equipment	134	-24	176	367
-Ongoing operations	134	-12	152	343
-Operation discontinued in 2008			24	24
Internal/head office				(1)
Total group	1 176	-4	1 230	2 766

Segment analysis

	Operating profit			
R million	31 May 2009		31 May 2008	30 Nov 2008*
Bearings and Power Transmission Products	83	-10	92	251
Powered Products	47	-20	59	145
Security Equipment	19	19	16	49
-Ongoing operations	19	-14	22	55
-Operations discontinued in 2008			(6)	(6)
Internal/head office	(17)		(9)	(18)
Total group	132	-16	158	427

Segment analysis

	Average net operating assets			
R million	31 May 2009		31 May 2008	30 Nov 2008*
Bearings and Power Transmission Products	806		621	696
Powered Products	165		124	138
Security Equipment	79		84	80
-Ongoing operations	79		71	67
-Operations discontinued in 2008			13	13
Internal/head office	8		9	9
Total group	1 058		838	923

*Audited

Directors

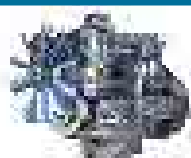
RT Vice# (Chairman) SJ Connelly (Chief executive)
GE Gardiner (Alt GR Dunford) JB Gibbon# YKN Molefi#
CWN Molepe# SG Morris# PM Poole
Independent non-executive

Group secretary

R Wolmarans

www.hudaco.co.za

Hudaco



Bearings and Power Transmission Products



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



Distributor of special solid and hollow round steel.



Distributor of specialised plastic pipes and fittings.



Distributor of bearings, seals and transmission products.



Distributor of power transmission and conveyor belting products and industrial hose as well as fluid measurement control products.



Manufacturer of conveyor drive pulleys, forgings and rollings.



Manufacturer and distributor of hydraulic and pneumatic equipment.



Distributor of geared and electric motors and frequency inverters.



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



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

Powered Products



Distributor of Deutz diesel engines and provider of aftermarket services.



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

Security Equipment



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

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