

## Group overview

- Comparable earnings per share up 9.6%
- Turnover up 4.4%
- Gross margin maintained
- Operating profit margin increased to 12.5%
- Net borrowings down to R508 million
- Energy and forklift battery businesses continued to face difficulties

## 2025 Highlights

- Two excellent acquisitions – Isotec and FloSolve
- R13 million distribution to our black employees through BEE trusts
- Dividends up 9.3% to 1 120 cents per share
- Operating expenses reduced 3.9%, excluding acquisitions
- Comparable earnings in H2 were 11.8% up on H2 2024
- Strong performances from automotive and diesel engine businesses
- Expansion of executive committee

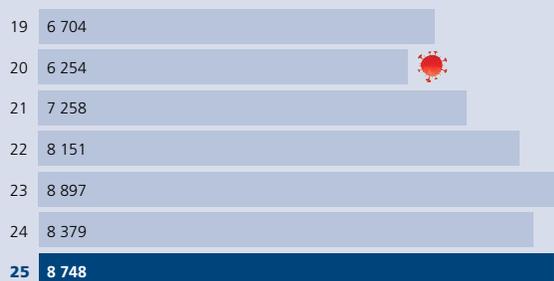
## Challenges in 2025

- South Africa's economy continues to stagnate
- Difficulties faced by our energy and forklift battery businesses
- Sustained pressure on the consumer market
- Uncertainty in the relationship with the USA
- Slow progress by Government in boosting infrastructure spend
- Exchange rate volatility

## Results in brief

| 30 November                           | 2025         | 2024  |
|---------------------------------------|--------------|-------|
| Turnover (Rm)                         | <b>8 748</b> | 8 379 |
| Operating profit (Rm)                 | <b>1 097</b> | 1 007 |
| Comparable earnings (Rm)              | <b>626</b>   | 571   |
| Headline earnings (Rm)                | <b>661</b>   | 571   |
| Attributable earnings (Rm)            | <b>575</b>   | 506   |
| Comparable earnings per share (cents) | <b>2 205</b> | 2 012 |
| Headline earnings per share (cents)   | <b>2 327</b> | 2 012 |
| Dividends per share (cents)           | <b>1 120</b> | 1 025 |

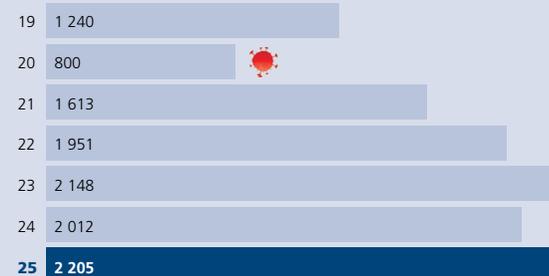
### TURNOVER (RM)



### OPERATING PROFIT (RM)



### COMPARABLE EARNINGS PER SHARE (CENTS)



### DIVIDENDS PER SHARE (CENTS)



Covid-19

## About this report

*Hudaco is committed to conducting its business ethically and responsibly with a view to creating value in the long-term interest of society. Our integrated annual report (IAR) is aimed at providers of capital as well as a diverse range of other stakeholders.*

### Scope and boundary

This IAR covers the period 1 December 2024 to 30 November 2025. The group's financial year ends on 30 November, and unless otherwise indicated or described, the information included in this report refers to the years ended 30 November 2025 and 30 November 2024. The previous IAR covered the period 1 December 2023 to 30 November 2024. The IAR deals with all of Hudaco's operations, which are overwhelmingly in South Africa, and to a small extent in Zambia, the USA and the UK.

The entities reported on include Hudaco Industries Limited and its subsidiaries. Their businesses are described on page 8 of this IAR.

The group financial information is prepared according to IFRS® Accounting Standards. Material non-financial information is also included. This report aims to present a concise and balanced perspective of Hudaco's strategy, performance, governance and prospects.

### Basis of preparation

This IAR is prepared in terms of the JSE Requirements for integrated reporting and the King IV Report on Corporate Governance for South Africa (King IV). It also meets all the other legal requirements to which the company must adhere (such as the Companies Act).

This IAR is used as a vehicle to communicate Hudaco's evolving business model and the quality of the decisions that have led to the financial results. Based on Hudaco's leadership engagement, governance processes and formal and informal stakeholder engagement initiatives, particularly with investors, the board is satisfied that all material matters have been disclosed in this report.

Our revenue, profits, social and environmental impact and benefits accrue from our many businesses that do not report independently in the public domain. In this report, we try to strike a balance between adequate composite reporting at a group level and communicating sufficient, but not excessive, detail of the underlying operations. This report is an attempt to demonstrate the integration of the operational, financial and sustainability (environmental, social and governance) issues relating to the key drivers of the business. In the report, we explain how the executives of Hudaco have considered these issues while developing the business strategy.

In compiling this integrated report, the following were taken into consideration:

- the Hudaco mission;
- Hudaco's strategic objectives to achieve the mission;
- the Hudaco business model;
- input received from the stakeholder engagement process;
- legislation and guidelines;
- King IV;
- JSE Limited (JSE) Requirements;
- performance and developments during the year; and
- matters the board believes are of relevance to stakeholders.

Frameworks used in compiling the separate elements of the IAR include:

| Report element   | Guidelines   | Reference                   |
|--|--|-----------------------------|
| Corporate governance   | The JSE Requirements and King IV   | Pages 87 to 98              |
| Black economic empowerment status report                             | Codes of Good Practice, issued by the Department of Trade, Industry and Competition (DTIC)   | Page 46                     |
| Environmental, social and governance report and human capital report | Various relevant guidelines including those contained in the global reporting initiative (GRI) G3 indicators   | Pages 48 to 55 and 56 to 67 |
| Remuneration report  | King IV  | Pages 68 to 86              |
| Annual financial statements  | IFRS Accounting Standards, Financial Reporting Guides issued by the South African Institute of Chartered Accountants, the South African Companies Act and the JSE Requirements | Pages 101 to 143            |

### Assurance

No external assurance has formally been sought, other than from the external auditors, Deloitte & Touche, on the annual financial statements.

### Board approval

Assisted by the audit and risk management committee, the board accepts ultimate responsibility for the integrity and completeness of this IAR. It is the directors' opinion that this report presents a fair and balanced view of the group's integrated performance.

The annual financial statements have been approved by the board and Deloitte & Touche have signed an unqualified audit opinion thereon.

### Forward-looking statements

This report may contain forward-looking statements concerning Hudaco's future performance and prospects. While these statements represent the board's judgements and future expectations, several factors may cause actual results to differ materially from these expectations.

### Hard copy and report feedback

A hard copy of this integrated report will be produced on request from the group secretary at [hudaco@acorim.co.za](mailto:hudaco@acorim.co.za) or the company at +27 11 657 5000. Any questions regarding this report or its contents should be channelled through the group secretary. Feedback on this report is welcomed and similarly can be provided directly to the group secretary.

## The six capitals – our transformative impact

*Each capital plays a role in our business model. However, the emphasis we place on each is influenced by our core function of importing and distributing high-quality branded automotive, industrial and electronic consumable products, our business model and our chosen strategy. Our decisions and trade-offs influence the efficiency of our operations and their impact on the six capitals.*



### Financial capital

Our financial inputs comprise a solid equity position and long-term financial stability.

#### Impact

- Profit shared with ordinary shareholders (R298 million in dividends);
- Contributed to societal growth by buying goods and services (R5.9 billion), paying taxes (R504 million) and employment (R1.5 billion);
- Market capitalisation of R5.3 billion as at 30 November 2025; and
- Provision of credit to customers of R1.4 billion as at 30 November 2025.



### Human capital

Effective leadership, an ethical culture and Hudaco employees' competencies, skills and diversity and our decentralised management style are critical to our success.

#### Impact

- Provide 3 707 jobs with improved diversity, with 26% of senior managers being black and 31% being women;
- R23 million spent on direct training for ongoing skills and development;
- Granted 26 bursaries to permanent employees; and
- Black employees own 15% of the main operating company.



### Intellectual capital

Product knowledge, sourcing knowledge, market knowledge, sales and marketing, brands and intellectual property and value-add capabilities.

#### Impact

- Continued availability of product and services;
- Product identification, specification and supply;
- Advice on usage or installation;
- Provision of solutions in complex applications; and
- Customer training.



### Manufactured capital

Infrastructure (including tools, technology, machines and buildings) used in the production of services and the delivery of products to customers.

#### Impact

- Property, plant and equipment of R419 million;
- Source products from more than 800 international suppliers scattered across the industrialised world; and
- Carry more than 230 000 line items – inventory holding is Hudaco's most important asset as our key competitive advantage is the ability to provide product on demand.



### Natural capital

Land, energy sources, paper and water. Hudaco is committed to progressively reducing our environmental impact over time and assisting others to do so too.

#### Impact

- Continued to support the sustainable energy sector, lower energy usage and other climate-related solutions;
- Own a business that designs and supplies sustainable energy solutions; and
- Own a business that designs and supplies fire detection, containment and suppression solutions.



### Social and relationship capital

Stakeholder and supplier relationships along with socio-economic development and skills development.

#### Impact

- R4.7 million spent on education and skills development of family members of employees;
- Loans and contributions of R13 million to small and medium enterprises; and
- Build and maintain stakeholder relationships.

# History

## 1890s

### Formation

In 1891, just five years after the discovery of gold on the Witwatersrand, J Hubert Davies started an industrial equipment supply business in Johannesburg. By the turn of the century, the business was a major player in the distribution of mechanical and electrical industrial products. In 1917, it was converted into a private company, which facilitated the introduction of senior managers as shareholders and directors.

## 1930s

### First JSE listing

In September 1938, Hubert Davies and Company Limited listed on the Johannesburg Stock Exchange. It remained listed in that format for almost four decades.

## 1970s

### Expansion and decentralisation

In the 1970s, Hubert Davies expanded its product offering and branch network to extend across southern Africa. To provide more focused customer service and achieve improved market penetration, a strategic decision was made to specialise by product and activity. Consequently, a management philosophy of decentralising decision-making and responsibility was introduced. This philosophy is still in place today, through Hudaco's decentralised business model. It delisted from the JSE in 1977, when became a wholly owned subsidiary of Blue Circle Limited. The United Kingdom-based industrial group had already acquired a substantial interest in the company three years earlier.

## 1980s

### Second JSE listing

In line with the specialisation trend among businesses at that time, in 1981 Hudaco Industries was established as an autonomous company, owning the group's distribution businesses. In May 1984, with banks as partners, management acquired control of Hudaco Industries from Blue Circle, in what was then the largest ever South African private equity leveraged buyout. On 14 November 1985, Hudaco Industries Limited was listed on the Johannesburg Stock Exchange at a subscription price of R1.50 per share, with a market capitalisation of R29 million. Several large acquisitions followed, including listed companies Frencorp, Valard and Elsec.

## Today

### A quality diversified industrial distributor

Today, with a proud history of over 130 years since J Hubert Davies saw the long-term business potential of the initial gold rush, the group remains true to its roots. The group now employs 3 707 people and has a market capitalisation of about R5.3 billion. With the contraction of mining and manufacturing in South Africa in recent years, Hudaco's diversification strategy has served it well and 41% of its profits are now derived from sectors where activity is more closely aligned to levels of consumer spending. The acquisition in 2022 of the iconic South African gas and outdoor product brand CADAC further enhanced this portfolio, while in 2025 Isotec was acquired as a significant addition to the group's electrical transmission offering. Hudaco's shareholders include many blue-chip players in the South African investment industry and black employees now have an equity interest in the main operating subsidiary.

## 2010s

### Diversification to reduce dependence on mining and manufacturing

This decade saw Hudaco make several significant acquisitions, including Filter and Hose Solutions, Global Communications, the Dosco group, MiRO and Partquip. The latter serves the automotive aftermarket and is the group's largest single business. Many smaller businesses have also been acquired. This acquisition strategy included a strong initiative to diversify the revenue base, thereby reducing dependence on the group's traditional core markets of mining and manufacturing, which experienced very difficult trading conditions at the time and in which growth was elusive for an extended period.

This boosted contributions from the automotive, data networking, security and sustainable energy sectors.

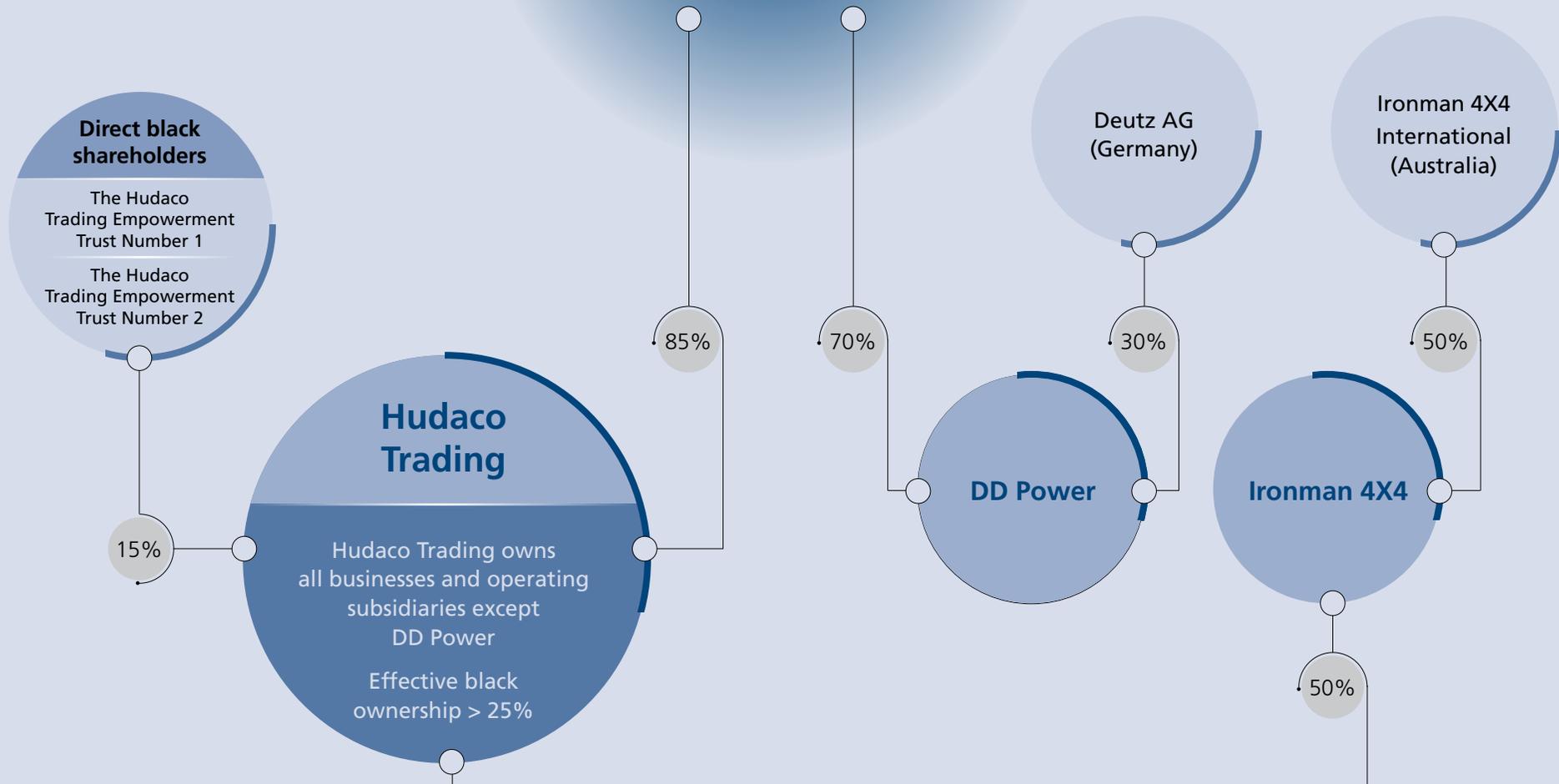
## 2000s

### B-BBEE shareholding and growth

In 2007, the group sold 15% of all but one of its operating businesses to black, previously disadvantaged shareholders as part of a B-BBEE initiative. This 15% is now owned for the benefit of Hudaco's black employees. The 2000s also saw the group's annual turnover increase to R4 billion.

## Abridged group structure

# Hudaco Industries



## Group at a glance

### Consumer-related products

| Principal activities  | Businesses   |
|---|--|
| <b>Automotive aftermarket products</b><br>The distribution of clutch kits, automotive ignition leads, oil and hydraulic seals, wheels, brake and clutch hydraulics, mountings, bushes, hydraulic repair kits, cylinders, hose, CV joints, wheel hubs, suspension components and 4X4 vehicle components to the automotive and industrial aftermarket.  | <b>Abes Technoseal, Partquip, A-Line Wheels and Ironman 4X4</b><br>Distribute a select range of automotive spares and accessories.   |
| <b>Batteries and sustainable energy</b><br>The distribution of maintenance-free lead acid, stand-by and solar batteries, providing solar power and storage solutions for the commercial, industrial and residential markets, and the supply of batteries, high-frequency chargers and related battery management equipment to the traction battery market as well as the design, assembly and management of battery bays for warehouses and distribution centres. | <b>Deltac Energy Solutions, Specialised Battery Systems and Eternity Technologies</b><br>Distribute maintenance-free automotive, stand-by and solar batteries, inverters, PV modules and batteries for forklifts and provide residential, commercial and industrial storage and full on-site facilities management for forklift battery bays in large warehouses and distribution centres. |
| <b>Power tools and fasteners</b><br>The distribution of power tools, marine engines, survey instrumentation and fasteners.  | <b>Rutherford and Boltworld</b><br>Distribute Makita power tools, Mercury marine engines and a comprehensive range of fasteners.   |
| <b>Data networking equipment</b><br>The distribution of IP convergence technologies including wireless networking, VoIP and physical security solutions.  | <b>MiRO</b><br>Distribute Ubiquiti, Mikrotik, Cambium, Grandstream, TP-Link and other data networking equipment and solutions.   |
| <b>Security and security-related communications solutions</b><br>The distribution of intrusion detection, surveillance and access control equipment and seamless integration of systems over IP in combination with building management systems, as well as the provision of two-way radios and satellite communications.   | <b>Elvey Security Technologies, Pentagon and Global Communications</b><br>The following key brands form part of a broader product portfolio: Texecom, DSC, Optex, Ajax, Impro, Milestone, Bosch, Tiandy, Kenwood and Sepura.   |
| <b>Gas and outdoor products</b><br>The distribution of cooking, heating and outdoor products.   | <b>CADAC</b><br>Distribute CADAC cooking, heating and outdoor products.  |

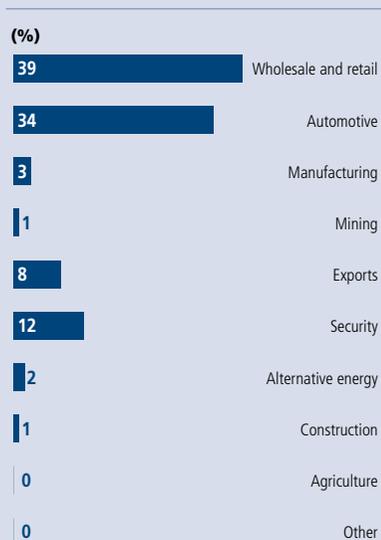
### Engineering consumables

| Principal activities  | Businesses  |
|---|---|
| <b>Diesel engines and spares</b><br>The distribution of Deutz diesel engines and spare parts and Rolls-Royce Power Systems diesel engines (Mercedes and Detroit) and spare parts and the provision of service support for these products.   | <b>Deutz Dieselpower</b><br>Represents Deutz AG – one of the world's leading independent manufacturers of diesel engines.   |
| <b>Bearings, belting and power transmission</b><br>The distribution of bearings, chains, belting, industrial hose, seals, electric motors, geared motors, and transmission products.  | <b>Bearings International, Brewtech Engineering and Belting Supply Services</b><br>There are over 50 branches across South Africa. The main bearing brands distributed are FAG from Germany and KOYO from Japan while other products include Rexnord conveyor solutions, Habasit belting and a range of geared motors.  |
| <b>Filtration and fluid transfer</b><br>The distribution of filtration solutions, kits and accessories to mining, process and manufacturing markets as well as products and services for total fluid management applications.   | <b>Filter and Hose Solutions and FloSolve</b><br>Distributor of Donaldson, Pall, Filtrec and Mann + Hummel high-quality filtration products and solutions for a broad range of applications. Distributor of specialised equipment for the handling of fluids associated with the servicing and refuelling of plant and machinery, including Wiggins and Graco fluid handling systems. |
| <b>Fire detection, containment and suppression</b><br>The distribution of fire detection, containment and suppression products and solutions.   | <b>Brigit Fire</b><br>Offers "One Source Total Fire Protection" that includes fire detection, fire containment protection and fire suppression systems with leading international and self-developed products singularly focused on fire security and safety disciplines, specifically required for commercial and industrial applications.   |
| <b>Hydraulics and pneumatics</b><br>The distribution and manufacture of hydraulic and pneumatic products, including gear pumps, service and repairs and design of systems as well as the distribution of drivetrains.   | <b>Ernest Lowe, HERS, Dosco and GPM</b><br>Supply Norgren and JELPC products as well as full service to required degree of precision and design of hydraulic systems, manufacture and distribute locally and internationally GPM gear pumps and distribute Kessler drivetrains.   |
| <b>Thermoplastic pipes, fittings and equipment</b><br>The distribution of thermoplastic pipes, fittings and plastic welding equipment and manufacture of dragline hose and plastic welding rods.  | <b>Astore Keymak and Plasti-Weld</b><br>Distributes Agru thermoplastic pipes and fittings, plastic welding equipment, manufactures Keymak dragline hose and plastic welding rods.   |
| <b>Specialised steel</b><br>The sale, cutting and hardening of round, hexagonal and hollow steel bar and key steel, bending steel for dished ends and manufacture of conveyor drive pulleys and idlers as well as ferrous and non-ferrous castings.   | <b>Ambro Steel, Sanderson Special Steels, Bosworth, Joseph Grieveson and The Dished End Company</b><br>Provide full service to customers including supply, cutting to size and heat treatment and the manufacture of dished and flanged ends, Bosworth conveyor drive pulleys and idlers as well as bespoke castings in a jobbing foundry.  |
| <b>Electrical power transmission</b><br>Manufacture and distribution of thermal and electrical insulation materials primarily used in the manufacture and repair of transformers and electrical motors. The distribution of variable speed drives, electric motors, electrical cabling, plugs, sockets and related products to the manufacturing, mining and agricultural aftermarkets. | <b>Isotec, Powermite, Three-D Agencies and Varispeed</b><br>Manufacture and distribute thermal and electrical insulation materials under the Isotec brand. Distribute Yaskawa variable speed drives, sophisticated cabling and accessories and electrical plugs, sockets and connectors.  |

### Consumer-related products

| Key drivers                                | R million                            | 2025         | 2024  |
|--|--------------------------------------|--------------|-------|
| ○ Consumer spending                        | <b>Turnover</b>                      | <b>3 804</b> | 3 881 |
| ○ Building activity                        | <b>Operating profit</b>              | <b>477</b>   | 474   |
| ○ Employment levels                        | <b>Average net operating assets</b>  | <b>2 147</b> | 2 397 |
| ○ Vehicle sales                            | <b>Number of permanent employees</b> | <b>1 471</b> | 1 545 |
| ○ Analogue to digital migration            |                                      |              |       |
| ○ Broadband, Wi-Fi and VoIP expansion      |                                      |              |       |
| ○ Adoption of sustainable energy solutions |                                      |              |       |

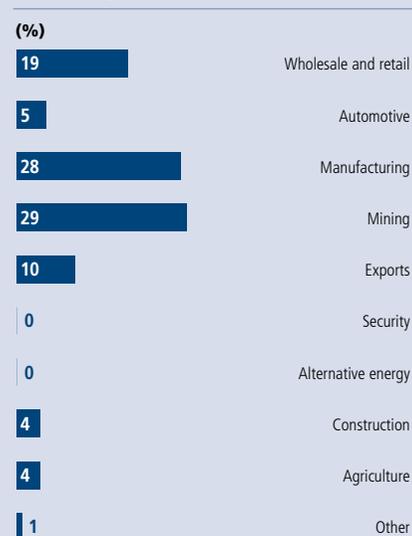
### Sales by market sector – 2025



### Engineering consumables

| Key drivers                    | R million                            | 2025         | 2024  |
|--------------------------------|--------------------------------------|--------------|-------|
| ○ GDP growth                   | <b>Turnover</b>                      | <b>4 970</b> | 4 513 |
| ○ Mining activity              | <b>Operating profit</b>              | <b>696</b>   | 625   |
| ○ Mining investment            | <b>Average net operating assets</b>  | <b>2 889</b> | 2 580 |
| ○ Mining mechanisation         | <b>Number of permanent employees</b> | <b>2 213</b> | 2 014 |
| ○ Manufacturing activity       |                                      |              |       |
| ○ Electricity usage management |                                      |              |       |

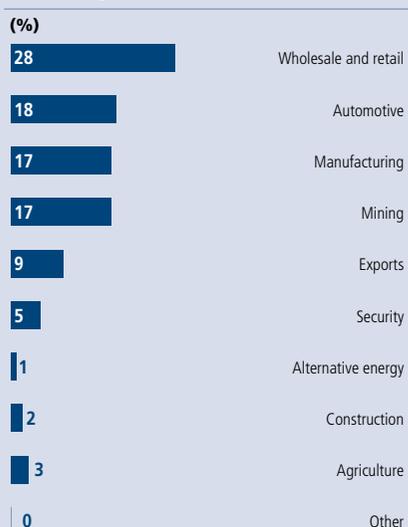
### Sales by market sector – 2025



### Group

| Key drivers      | R million                            | 2025         | 2024  |
|------------------|--------------------------------------|--------------|-------|
| ○ Exchange rates | <b>Turnover</b>                      | <b>8 748</b> | 8 379 |
| ○ Acquisitions   | <b>Operating profit</b>              | <b>1 097</b> | 1 007 |
|                  | <b>Average net operating assets</b>  | <b>5 043</b> | 5 013 |
|                  | <b>Number of permanent employees</b> | <b>3 707</b> | 3 582 |

### Sales by market sector – 2025



## Seven-year review

| R million                                    | 2025         | 2024    | 2023    | 2022    | 2021    | 2020   | 2019    |
|--|--------------|---------|---------|---------|---------|--------|---------|
| <b>GROUP STATEMENT OF INCOME</b>             |              |         |         |         |         |        |         |
| Turnover                                     | 8 748        | 8 379   | 8 897   | 8 151   | 7 258   | 6 254  | 6 704   |
| <b>Profit before interest and tax</b>        | <b>1 022</b> | 918     | 1 064   | 1 018   | 836     | 245    | 731     |
| Net finance costs                            | 128          | 153     | 150     | 87      | 68      | 104    | 103     |
| <b>Profit before taxation</b>                | <b>894</b>   | 765     | 914     | 931     | 768     | 141    | 628     |
| Taxation                                     | 254          | 219     | 245     | 256     | 219     | 133    | 160     |
| <b>Profit after taxation</b>                 | <b>640</b>   | 546     | 669     | 675     | 549     | 8      | 468     |
| Income from joint venture                    |              |         |         |         |         | 1      | 3       |
| <b>Profit for the year</b>                   | <b>640</b>   | 546     | 669     | 675     | 549     | 9      | 471     |
| Non-controlling interest                     | 65           | 40      | 58      | 79      | 50      | (27)   | 42      |
| <b>Attributable earnings</b>                 | <b>575</b>   | 506     | 611     | 596     | 499     | 36     | 429     |
| Shares in issue (000)<br>(weighted average)  | 28 388       | 28 388  | 28 519  | 29 702  | 30 357  | 31 527 | 31 646  |
| Earnings per share (cents)                   |              |         |         |         |         |        |         |
| – comparable                                 | 2 205        | 2 012   | 2 148   | 1 951   | 1 613   | 800    | 1 240   |
| – headline                                   | 2 327        | 2 012   | 2 148   | 2 007   | 1 641   | 1 050  | 1 355   |
| – basic                                      | 2 023        | 1 782   | 2 142   | 2 007   | 1 643   | 113    | 1 355   |
| Dividends per share (cents)                  | 1 120        | 1 025   | 1 025   | 925     | 760     | 410    | 600     |
| <b>GROUP STATEMENT OF FINANCIAL POSITION</b> |              |         |         |         |         |        |         |
| Property, plant and equipment                | 419          | 377     | 363     | 309     | 285     | 265    | 274     |
| Right-of-use assets                          | 407          | 361     | 406     | 382     | 422     | 414    |         |
| Investment in joint venture                  |              |         |         |         |         |        | 12      |
| Goodwill                                     | 1 180        | 1 226   | 1 285   | 1 182   | 1 170   | 1 170  | 1 512   |
| Intangible assets                            | 264          | 146     | 132     | 39      | 26      | 33     | 51      |
| Deferred taxation – net                      | (30)         | 8       | 35      | 81      | 74      | 40     | 38      |
| Inventories                                  | 2 638        | 2 461   | 2 693   | 2 355   | 2 004   | 1 598  | 1 720   |
| Trade and other receivables                  | 1 449        | 1 329   | 1 490   | 1 366   | 1 245   | 1 196  | 1 269   |
| Trade and other payables                     | (1 311)      | (1 175) | (1 279) | (1 322) | (1 272) | (936)  | (968)   |
| Taxation – net                               | (24)         | (19)    | (25)    | (53)    | (32)    | (13)   | 8       |
| <b>Net operating assets</b>                  | <b>4 992</b> | 4 714   | 5 100   | 4 339   | 3 922   | 3 767  | 3 916   |
| Lease liabilities                            | (477)        | (428)   | (470)   | (440)   | (477)   | (455)  |         |
| Net borrowings                               | (508)        | (589)   | (1 013) | (621)   | (469)   | (643)  | (1 008) |
| <b>Employment of capital</b>                 | <b>4 007</b> | 3 697   | 3 617   | 3 278   | 2 976   | 2 669  | 2 908   |
| Equity holders of the parent                 | 3 661        | 3 410   | 3 285   | 3 096   | 2 863   | 2 593  | 2 742   |
| Non-controlling interest                     | 239          | 201     | 196     | 158     | 113     | 76     | 101     |
| Equity                                       | 3 900        | 3 611   | 3 481   | 3 254   | 2 976   | 2 669  | 2 843   |
| Amounts due to vendors on acquisitions       | 107          | 86      | 136     | 24      |         |        | 65      |
| <b>Total capital employed</b>                | <b>4 007</b> | 3 697   | 3 617   | 3 278   | 2 976   | 2 669  | 2 908   |

| R million  | 2025         | 2024    | 2023  | 2022  | 2021  | 2020  | 2019  |
|--|--------------|---------|-------|-------|-------|-------|-------|
| <b>GROUP STATEMENT OF CASH FLOWS</b>                           |              |         |       |       |       |       |       |
| Cash generated from trading                                    | 1 336        | 1 241   | 1 294 | 1 249 | 1 026 | 726   | 794   |
| Decrease (increase) in working capital                         | 34           | 297     | (392) | (356) | (116) | 182   | 59    |
| Cash generated from operations                                 | 1 370        | 1 538   | 902   | 893   | 910   | 908   | 853   |
| Other income – proceeds of damages claim                       |              |         |       |       |       | 35    |       |
| Taxation paid  | (249)        | (205)   | (260) | (244) | (220) | (113) | (196) |
| <b>Net cash from operating activities</b>                      | <b>1 121</b> | 1 333   | 642   | 649   | 690   | 830   | 657   |
| Investment in new operations                                   | (325)        | (112)   | (171) | (81)  | 9     | (6)   | (114) |
| Investment in property, plant, equipment and intangible assets | (80)         | (76)    | (104) | (76)  | (67)  | (39)  | (74)  |
| <b>Net cash from investing activities</b>                      | <b>(405)</b> | (188)   | (275) | (157) | (58)  | (45)  | (188) |
| Share-based payments   | (58)         | (125)   | (101) | (36)  | (16)  | (3)   | (22)  |
| (Decrease) increase in long-term borrowings                    | (100)        | (400)   | 400   | 120   | (150) | (138) | (96)  |
| Repurchase of shares   |              |         | (112) | (133) | (69)  | (82)  |       |
| Finance costs paid   | (128)        | (153)   | (150) | (87)  | (68)  | (103) | (103) |
| Repayment of lease liabilities                                 | (121)        | (112)   | (106) | (114) | (94)  | (92)  |       |
| Dividends paid   | (328)        | (324)   | (290) | (276) | (213) | (139) | (189) |
| <b>Net cash from financing activities</b>                      | <b>(735)</b> | (1 114) | (359) | (526) | (610) | (557) | (410) |
| <b>Increase (decrease) in bank balances</b>                    | <b>(19)</b>  | 31      | 8     | (34)  | 22    | 228   | 59    |



# Mission

*Hudaco has been an important part of the South African business landscape for over 130 years. Our mission is to develop and manage a sustainable business for the long-term benefit of all stakeholders, in both current and future generations.*

## Achieving Hudaco's mission



### Shareholders

We aim to produce superior returns for our **shareholders** by managing our business and by taking advantage of acquisitive and organic growth opportunities.

#### Measurement of success\*

The **primary** measures are **financial** and are detailed in the financial review on pages 27 to 31.



### Customers

We safeguard our strong market shares by offering quality products and have them readily available to our **customers**.

#### Measurement of success\*

**Growth** in market share, measured where information is available and using customer **satisfaction** reviews.



### Suppliers

We establish enduring partnerships with our **suppliers**, combining their leading world brands and our distribution strengths in southern Africa.

#### Measurement of success\*

**Retention** of significant brands, principal relationship reviews, **attracting** new leading brands, **benchmarking** the market position of a brand in South Africa with its market position internationally.



### People

We ensure that a significant part of Hudaco's strength – its **people** – thrive in a decentralised, dynamic, challenging and equitable business environment.

#### Measurement of success\*

Retention and promotion record; **reward** commensurate with performance; **success** on educational programmes; health and safety record; employee satisfaction survey results; **support** for wellness initiatives.



### Communities

We aim to achieve our objectives in a manner governed by the highest standards of ethical conduct, sensitive to the needs of the **communities** in which our businesses operate.

#### Measurement of success\*

**Success** of students on our BEE **bursary programme**, support for and success of our socio-economic development and skills development initiatives, including absorption where relevant.



### Transformation

We are committed to playing a part in the **transformation** of South Africa's society and economy to help redress the inequities of the past.

#### Measurement of success\*

**Employment equity:** appointment and promotion of more black people to senior positions; proportion and success of black people on our educational programmes; **black economic empowerment:** empowering previously disadvantaged South African employees to have an equity interest in the Hudaco group.



### Environment

We are conscious of our responsibilities for safety and the **environment**.

#### Measurement of success\*

Health and safety record and progress on goals as set out in the **environmental, social** and **governance report** and **human capital report**.

\* We measure success through financial and non-financial assessments.

## Business model

**Hudaco's core activity** is the importation and distribution of high-quality, branded industrial, **automotive** and **electronic** consumable products.

### What we sell and where we sell it

Our businesses and the products they sell fall into the following categories:

#### Consumer-related products

*Supplied to markets with a bias towards consumer spending and generally sold to installers*

- Automotive aftermarket products
- Batteries and sustainable energy products
- Data networking equipment
- Power tools and fasteners
- Security and communication equipment
- Gas and outdoor products

#### Engineering consumables

*Products generally used in the maintenance of machines and sold mainly to mining and manufacturing customers*

- Bearings, belting and power transmission
- Diesel engines and spares
- Electrical power transmission products
- Filtration and fluid transfer
- Fire detection, containment and suppression
- Hydraulics and pneumatics
- Specialised steel
- Thermoplastic pipes, fittings and equipment

We look for products with which we can add value through the distribution chain, stockholding, product availability and providing technical support. Typically, these would be technical specification, advice on usage or installation and customer training. The extent of value add is determined by whether the customer's purchasing decision could be influenced by the addition of a technical support function.

We focus on offering maintenance spares for critical customer equipment. Purchasing decisions for these items are made easily and quickly without onerous tender procedures.

Products are distributed throughout southern Africa by our approximately 35 businesses.

We supply some 30 000 active customers from over 130 branches in South Africa.

In other African countries, we generally supply customers directly from South Africa or through local distributors.

### What makes us successful in the market

Key elements of our success include:

#### Adding value for our customers

Our objective is to offer customers more than just a product in a box.

We seek to sell products where value can be added, for example in some of the following ways:

- availability;
- product identification, specification and supply;
- advice on usage or installation;
- customer training; and
- provision of credit to customers.

#### Our decentralised management philosophy

Decentralising the management structure facilitates these attributes:

- faster decision-making;
- superior customer service;
- empowered employees; and
- high standards and disciplines.

Our value-add offering is in demand by our customers. We strive to maintain our technical skills base through loyal and motivated employees and to train new staff through training offered internationally by our suppliers and our own in-house training programmes.

## How we achieve growth

### Organic growth

Our first priority is to take advantage of organic growth opportunities within the markets we serve. This can be achieved by a combination of:

- taking market share from competitors;
- adding products to the basket offered;
- expanding the geographies within which we operate; and
- creating additional market demand for our existing product offering.

### Acquisition strategy

After funding organic growth and paying dividends to shareholders, Hudaco's high cash-generating characteristics mean that resources are still available to fund the acquisition of new businesses. We use acquisitions of successful (and usually privately held) businesses to provide an additional platform for future growth. In our acquisition efforts, we seek to acquire agencies for products where customers either already require these characteristics or, by introducing them, we think we can increase customer loyalty to the brand.

We believe that there are many private business owners in South Africa who are aware of Hudaco, like our management style and consider our buyout formula attractive. When the time is right, we hope they will approach us directly with a view to possibly selling their businesses to us.

Our board has agreed on a strategy to pursue acquisitions with the aim of:

- ideally closing one major acquisition of at least R300 million turnover every two years;
- continuing to acquire smaller businesses provided they can be bolted-on to existing businesses;
- concluding a major, R1 billion plus acquisition, although we recognise that these are rare at a suitable price for Hudaco and we have not been able to find such an opportunity thus far; and
- avoiding dependency on any one market sector by diversifying our portfolio of businesses.

Where practicable, Hudaco seeks to:

- purchase the business, not the company;
- purchase thriving (not distressed) businesses with depth in management;
- enter into service agreements with management;
- include earn-out arrangements in the final price; and
- purchase for cash, unless the acquisition is large enough to warrant issuing shares.

### Target criteria

Our acquisition target criteria are businesses that mostly are/have:

- customers which require value-added distribution;
- an identifiable competitive advantage, eg strong brand/s;
- already profitable and earning good returns;
- in growth markets;
- distribution rights for products that are not currently offered by any business within the group;
- strong general and financial management and robust controls;
- a presence in non-capital, industrial, automotive or electronic products;
- selling to markets in southern Africa; and
- preferably headquartered in Gauteng.

### Why our acquisition strategy has been successful

The quality of the personal relationships between Hudaco and the seller of the business is one of the most important factors for a successful acquisition. We don't impose joint purchasing or tendering, preferring to preserve the route to market of each business by allowing significant autonomy. Managing directors of businesses that come into the group may be invited to play a wider role within the group once they have completed their three-year earn-out and they have proved to us and themselves that they are comfortable in a corporate environment. We benefit greatly from the presence of the sellers of successful businesses on our team, as they often bring with them experience and ideas worth sharing across the broader group.

Our decentralised structure helps to ensure that the businesses that we buy remain intact, ie the brand, the staff and the reputation. We only intervene when performance requires it or where extracting synergy was a significant factor in motivating the acquisition.

## Sourcing the products we sell

We seek out and secure exclusive distribution rights from leading international manufacturers with a global brand presence and a commitment to maintaining market leadership, particularly through technical innovation.

We source products from more than 800 international suppliers scattered across the industrialised world. We also manufacture certain niche products.

We carry more than 230 000 line items in stock. Demand is relatively inelastic, with low line-item sales predictability, whilst supplier lead times can range from three months to well over a year, in extreme cases. Inventory holding is therefore one of our most important assets, as our key competitive advantage is the ability to offer availability on demand.

### Aspects important to our principals/suppliers

Our businesses distribute top-quality branded products and have represented their major principals for many years. The following factors strengthen our ability to retain existing distribution rights:

- Market share is key. If our local market share is in line with that which our principal enjoys internationally, distribution rights are unlikely to be disturbed.
- The local southern African market is small in world terms, making entering it directly not worthwhile.
- South Africa is heavily regulated with unique laws (for example B-BBEE) not well understood by the international community. Further, the regulatory and compliance landscape is not stable – new BEE and labour requirements are a regular occurrence. This tends to dissuade suppliers from entering the market directly.
- The level of corruption and/or perceived corruption in South Africa. Overseas suppliers perceive that rights to conduct business are increasingly subject to government patronage and that awarding government business is sometimes accompanied by demands for payoffs. For legal and reputational risk reasons, international corporations avoid doing business in such environments themselves. Nevertheless, Hudaco does not, and will not, participate in corrupt activities.
- Long-term relationships (frequently on a personal level) and a well-established distribution footprint – both of which are hard to replicate.
- Our suppliers rely on our understanding of the specific challenges of doing business in Africa, particularly the political and regulatory risks and the limitations which the size of these economies pose, so they appoint us to represent their brands in markets that they would not ordinarily have been able to access. Crucially, we must adapt continually to the dynamics of doing business in Africa.

# Joint report of the chairman and chief executive



## 2025 Overview

- Comparable earnings per share (ceps) up 9.6%
- Headline earnings per share up 15.7%
- Dividends increased 9.3% to 1 120 cents per share
- Cash generated from operations of R1 369 million
- Successfully acquired and bedded down Isotec and FloSolve
- 55% of the increase in ceps was from businesses other than acquisitions
- Ceps in H2 increased 11.8% on H2 2024
- Battery businesses underperforming – goodwill written off

Annual turnover in 2025 increased by 4.4% to R8.7 billion, with operating profit rising by 8.9% to R1.1 billion. The group operating profit margin increased from 12.0% to 12.5%. After a number of years of disappointing results from our battery and alternative energy businesses, occasioned mainly by structural changes in their markets, we concluded that it would take longer than we had previously believed to restore performance to the level it should be. Accordingly, their goodwill has been impaired in full, to the extent of R104 million.

Headline earnings per share increased by 15.7%, and comparable earnings per share increased by 9.6%. Return on equity was 17% overall and 19.5% if the impairment of goodwill in the battery businesses is excluded. IFRS does not allow recognition of increases in the value of goodwill or the reinstatement of previously impaired goodwill – only decreases may be recognised. The cash-generative nature of Hudaco's businesses was again evident this year, with cash generated from operations an excellent R1.4 billion.

**Stephen Connelly**  
*Non-executive chairman*

We achieved an increase in comparable earnings per share of 11.8% in the second half of the year, following 6.1% at mid-year, giving us an increase of 9.6% for the full year. Businesses other than acquisitions contributed to just over half of this increase, with the rest coming from the strategic acquisitions. We kept our focus on strong management of gross profit margin, tight control of expenses and inventory, and supporting ratios.

We are delighted with the acquisitions of both Isotec and FloSolve and they have settled into the group well. Their results are included for seven and six months, respectively, this year, so their full impact will only be realised in 2026. Isotec was acquired on 1 May 2025, following remarkable growth in the two preceding years. The purchase price will be determined by the average profit after tax for the three years after acquisition. Based on current trading, it is clear that the sustainable level of profitability, although lower than initially determined, remains meaningfully accretive, and we still see Isotec as a significant contributor to the group in the future. Our initial estimate of the ultimate purchase price disclosed and accounted for in our 2025 interim results has been revised accordingly. Significant effort is being devoted to raising the sophistication of the operating systems and the management structure to the level required for a business of this size within the Hudaco group.

The final dividend has been increased to 770 cents, bringing the total dividend for 2025 to 1 120 cents per share. This is up 9.3% on 2024 and represents 50.8% of comparable earnings, which aligns well with our long-term dividend policy of having total dividends covered approximately twice by comparable earnings.

## Financial position

Net bank borrowings at year-end were R508 million, down R81 million from R589 million in 2024, after paying R325 million to vendors for acquisitions. Importantly, operating profits covered interest payments 12.8 times, which compares favourably with our internal benchmark of at least five times. We have significant additional bank borrowing facilities, so there is still capacity for good acquisitions. At R2.6 billion, inventories decreased by a marginal R13 million, excluding acquisitions.

## Consumer-related products

The consumer-related products segment consists of 12 businesses. This year, it contributed 43% of Hudaco's sales and 41% of operating profit. Last year, this segment contributed 46% of group sales and 43% of operating profit.



**Graham Dunford**  
*Chief executive and executive committee chairman*

## Joint report of the chairman and chief executive *continued*

The segment's turnover decreased by 2% to R3.8 billion, but operating profit increased by 0.6% to R477 million.

In this segment, we saw strong performances from our automotive businesses, while the data networking and Cadac businesses delivered much-improved results. The battery and alternative energy businesses continued to struggle. The operating profit margin improved from 12.2% to 12.5%.

### Engineering consumables

The 21 engineering consumables businesses contributed 57% of group sales and 59% of operating profit. In 2024, this segment contributed 54% of group sales and 57% of operating profit.

The segment's turnover increased by 10.1% to R5 billion, and operating profit increased by 11.2% to R696 million.

This increase was mainly due to the acquisitions, which added R400 million in turnover and R58 million in operating profit. Both Isotec and FloSolve have integrated seamlessly into Hudaco, while Brigit Fire and Plasti-Weld, the previous acquisitions, continued to perform well. In this segment, sales to the mining and manufacturing sectors increased, mainly due to the acquisitions. We had strong performances from our diesel engine and electrical businesses. The operating profit margin increased slightly from 13.9% to 14%.

### Strategic focus

Our strategic focus remains on "distributing strong international branded products requiring added value, including instant availability and technical input". Our modus operandi is to carefully manage the relationship between turnover, margins, inventories and costs. This results in businesses serving our traditional main markets, mining and manufacturing, generating profits in cash as these markets, have been in decline for many years as the country has achieved very little or no GDP growth. We use this cash to pay generous dividends, invest the balance in our higher-growth businesses, make accretive acquisitions to diversify and strengthen our overall offering, or buy back shares if the price is right. We believe this is a sensible capital allocation strategy. Acquisitions are evaluated primarily on cash flow – similar to the methodology used to calculate expected returns from internal growth initiatives. In essence, in an economy devoid of growth, we believe that using cash from our cash-generating businesses to acquire additional businesses and then managing those acquisitions as we do existing businesses, is akin to internally generated growth.

### Prospects

We have begun the new year with cautious optimism, as we normally do, believing that the prospects for SA Inc. are somewhat more promising.

Our businesses are well placed to benefit immediately from an uptick in economic activity, which appears a reasonable expectation in 2026. Having said this, we recognise that the geopolitical situation is fraught with uncertainty, and that, regrettably, the South African government consistently falls short each year, offering populist rhetoric with minimal tangible action to attract investment and reduce unemployment. It is common cause that there remains an urgent need for decisive measures to expedite the implementation of structural, growth-oriented reforms to which the country has already committed, through Operation Vulindlela, which focuses on electricity, water, transport and digital communications.

The South African economy ended 2025 in a stronger position than a year ago, and the economic outlook for 2026 is showing signs of gradual improvement, particularly in our mining industry, as gold, platinum and copper prices surge. Other factors that should have a positive effect on our economy and Hudaco in the year ahead include: inflation near the 3% target; interest rates already well down and expected to decline further; the recent sovereign credit rating upgrade; the removal of South Africa from the "grey list"; higher commodity prices, which are likely to drive mining expenditure,

particularly for maintenance; and the fact that our 2025 acquisitions will be included in the results for a full year. The strengthening of the Rand against the US Dollar can be expected to put selling prices under pressure but should also ease pressure on consumers, which will hopefully boost our consumer-related products businesses.

### Appreciation

The group's consistent delivery, despite the economy having been stagnant for so long, is credited to the dedication, commitment, and experience of its staff and management teams. Excellence is evident across all levels, and their contributions are highly valued and appreciated. We also thank our loyal suppliers, customers, and stakeholders for their crucial roles in our shared success.

We appreciate our experienced board members for their valuable guidance and leadership. The collaboration between non-executive and executive directors has consistently been productive, effective and aligned with the company's best interests.

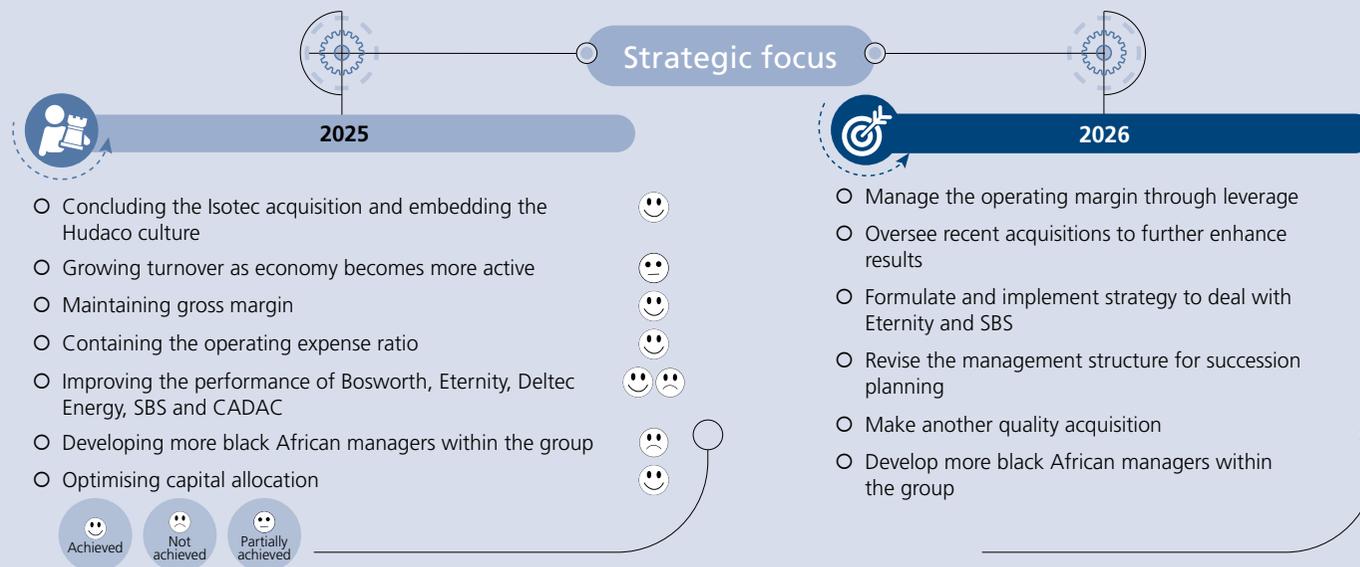


**SJ Connelly**  
Chairman

24 February 2026



**GR Dunford**  
Chief executive



## Stakeholder engagement

In terms of the requirements of sustainability reporting standards, we ask stakeholders what material information they require to maintain a mutually successful and sustainable business relationship. Stakeholders to whom we are accountable and for whom we create value are: investors, shareholders, principals/suppliers, employees, customers and communities in the vicinity of our premises. In this report, we aim to provide each with information on what matters to them, as identified in the table below.

We have rated the following stakeholders as the most significant (in no particular order) based on the likelihood that they will access and use this report, our ability to provide information that will be useful to them and their level of interaction with the group:

- Shareholders and investors, current and future, private and institutional;
- Employees: the 3 707 people in Hudaco's 33 businesses;
- Principals/suppliers; and
- Bankers.

The table below details the issues considered by stakeholders to be important to them. These were determined through our stakeholder engagement process, which included discussions with members from each of the stakeholder groups, either directly or through executives of our businesses. The investment community is invited to suggest further disclosure where they identify a need for specific

information, as are bankers during annual review meetings and regular update discussions. The major topics of interest this year for most categories of stakeholders were: the impact on demand of the increase in commodity prices; whether reported improvements at the ports have eased pressure on product availability and working capital requirements; the market for alternative energy products; capital allocation; and acquisition prospects. One investor expressed a desire for additional disclosure of certain aspects related to director remuneration and this request has, in the main, been accommodated in the remuneration section of this integrated report. The relevance of the various sections of this report to the different classes of stakeholders is set out on the inside front cover.

| Stakeholders  | Why they matter to us | Why we matter to them  | What matters to them   | How we communicate with them  |
|---|-----------------------|--|--|---|
| <b>Private shareholders and institutional investors</b> | Shareholders          | Derive dividend income from trading performance and capital appreciation from the market value of Hudaco shares. | <ul style="list-style-type: none"> <li>○ Compliance, governance</li> <li>○ Share price, dividend policy, return on investment, profitability</li> <li>○ Capital allocation</li> <li>○ Management competence</li> <li>○ Depth of management and succession planning</li> <li>○ Growth strategy</li> <li>○ Business model</li> <li>○ Acquisitions – deal flow and success</li> <li>○ Executive remuneration</li> <li>○ Risks</li> <li>○ ESG reporting</li> </ul> | <ul style="list-style-type: none"> <li>○ Integrated and interim reports</li> <li>○ Informal discussions</li> <li>○ Results presentations</li> <li>○ Facilitated discussions</li> <li>○ Hudaco website</li> <li>○ Annual general meeting</li> <li>○ Analyst reports</li> <li>○ Press interviews</li> <li>○ SENS announcements</li> </ul> |
| <b>Bankers</b>  | Financiers            | Take credit risk on and derive interest and fee income from Hudaco.  | <ul style="list-style-type: none"> <li>○ Statements of financial position, comprehensive income and cash flows</li> <li>○ Key risks</li> <li>○ Succession planning</li> <li>○ Environmental impact</li> </ul>  | <ul style="list-style-type: none"> <li>○ Integrated and interim reports</li> <li>○ Results presentations</li> <li>○ Annual credit review meetings</li> <li>○ Capital raising and other discussions</li> <li>○ Covenant reports</li> <li>○ SENS announcements</li> </ul>   |

| Stakeholders  | Why they matter to us         | Why we matter to them  | What matters to them   | How we communicate with them  |
|---|-------------------------------|--|--|---|
| <b>Intermediary customers and end-users of products</b> | Customers and end-users       | Hudaco supplies them with quality products at reasonable prices and technical support to sustain their operations.   | <ul style="list-style-type: none"> <li>○ BEE credentials</li> <li>○ Brand</li> <li>○ Product availability</li> <li>○ Product quality</li> <li>○ Technical support</li> <li>○ Service turnaround</li> <li>○ Pricing</li> <li>○ Reputation</li> </ul>  | <ul style="list-style-type: none"> <li>○ Personal contact</li> <li>○ Product marketing</li> <li>○ Service levels</li> <li>○ BEE scorecards</li> <li>○ Business unit websites</li> <li>○ ISO accreditation</li> <li>○ Customer communications</li> </ul> |
| <b>Management of businesses</b>                         | Management, potential vendors | <p>Rely on Hudaco for their livelihood and meeting career aspirations as well as for investment-related returns through the share appreciation bonus and share matching schemes.</p> <p>Covered by group life and disability assurance.</p> <p>Make use of corporate wellness initiatives to maintain a focus on executive health.</p> | <ul style="list-style-type: none"> <li>○ Hudaco brand, association with quality products, endorsement in market through association</li> <li>○ Treasury function, insurance, company secretarial functions, internal audit</li> <li>○ Synergies within the group</li> <li>○ Management and resource support from centre for growth</li> <li>○ Group structure, relevance of Hudaco group issues to operations</li> <li>○ Critical mass pricing advantage</li> <li>○ Business model</li> <li>○ Leadership succession planning, careers, knowledge management systems</li> <li>○ Functional relationships with group management</li> <li>○ Cash position during earn-out process</li> <li>○ Remuneration</li> <li>○ Wellness and health programmes</li> <li>○ Group life and disability cover</li> </ul> | <ul style="list-style-type: none"> <li>○ Retirement fund reports and information</li> <li>○ Wellness days and reports</li> <li>○ CFO meetings</li> <li>○ Risk management meetings</li> </ul>  |
| <b>Owners of privately owned businesses</b>             | Potential vendors             | Hudaco provides a potential exit strategy or a means of realising the value in their businesses and building a career within the group.  | <ul style="list-style-type: none"> <li>○ Acquisition and earn-out process</li> <li>○ Exit opportunities</li> <li>○ BEE credentials</li> <li>○ Finance and support for growth opportunities</li> </ul>  | <ul style="list-style-type: none"> <li>○ Integrated report</li> <li>○ BEE scorecards</li> <li>○ Personal contact</li> <li>○ Business brokers</li> </ul>   |

| Stakeholders      | Why they matter to us   | Why we matter to them  | What matters to them   | How we communicate with them  |
|-------------------|---|--|--|---|
| <b>Principals</b> | Suppliers   | Rely on Hudaco for a route to market without them having to establish a presence in SA, a relatively small market which has significant regulatory complexities.   | <ul style="list-style-type: none"> <li>○ Market shares</li> <li>○ Sales forecasts</li> <li>○ Stock-holding and ordering processes</li> <li>○ Distribution strengths</li> <li>○ Customer penetration</li> <li>○ Cultural barriers in dealing with local customers</li> <li>○ Creditworthiness</li> </ul>  | <ul style="list-style-type: none"> <li>○ Personal contact</li> <li>○ Video conferencing</li> <li>○ Integrated report</li> <li>○ Business unit websites</li> <li>○ ISO accreditation</li> </ul>  |
| <b>Employees</b>  | Staff   | <p>Rely on Hudaco for their livelihood (during employment and after retirement) and personal development to meet career aspirations.</p> <p>Covered by group life and disability insurance.</p> <p>Make use of corporate wellness initiatives.</p> <p>Most receive subsidy on medical aid contributions.</p> <p>Black employees with over three years' service have an equity interest.</p> <p>Black employees and their close families may be eligible for bursaries from the BEE bursary scheme.</p> | <ul style="list-style-type: none"> <li>○ Career development</li> <li>○ Leadership succession planning</li> <li>○ Remuneration</li> <li>○ Skills retention and development</li> <li>○ B-BBEE</li> <li>○ Health and safety</li> <li>○ Wellness and health programmes</li> <li>○ Medical aid</li> <li>○ Post-retirement funding</li> <li>○ Group life and disability cover</li> <li>○ BEE ownership trusts</li> <li>○ BEE bursary scheme</li> </ul> | <ul style="list-style-type: none"> <li>○ Integrated report</li> <li>○ Policy documentation</li> <li>○ Personal contact</li> <li>○ Video conferencing</li> <li>○ Retirement fund reports and information</li> <li>○ Wellness days and reports</li> <li>○ Health and safety reports</li> <li>○ Trustee elections for BEE ownership trusts</li> <li>○ BEE bursary scheme communications</li> </ul> |
| <b>Government</b> | Tax collector, transformation regulator, education and training authority | Rely on Hudaco to collect and remit indirect taxes, to pay direct taxes, to progress transformation and to provide education and training programmes.  | <ul style="list-style-type: none"> <li>○ VAT</li> <li>○ PAYE</li> <li>○ Income tax</li> <li>○ Customs duty</li> <li>○ Dividends tax</li> <li>○ BEE</li> <li>○ Learnerships and apprenticeships</li> </ul>  | <ul style="list-style-type: none"> <li>○ Statutory returns</li> <li>○ Integrated reports</li> <li>○ Results presentations</li> <li>○ Correspondence</li> <li>○ B-BBEE certification</li> <li>○ Employment equity reports</li> <li>○ Workplace skills plans and reports</li> </ul>   |

## Risks and mitigation

### Key risks

In the table below, we highlight the key risks faced by the group, in order of perceived priority, and how these risks are mitigated:

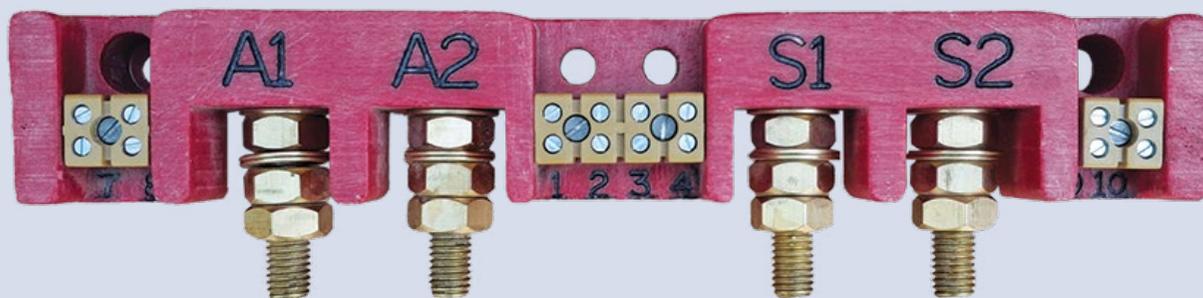
| Risk  | Explanation   | Potential exposure  | Mitigation   | Residual risk assessment/probability   | Associated opportunity   |
|---|---|---|--|--|--|
| <b>Loss of a major brand</b>                                | <p>While the portfolio of brands is diverse, there are two major brands the loss of which could have a significant effect on the results of the group.</p> <p>These brands, each of which contributes 5% to 12% of group operating profit, would be hard to replace. The portfolio also includes several other important brands.</p>  | Up to R135 million in operating profit per annum per brand.                 | <p>Maintaining strong relationships with principals and serving them well in the South African market. This is monitored by the audit and risk management committee.</p> <p>The relationships with the major brands are managed by the group chief executive.</p> <p>Acquisitions increase the number of suppliers and dilute exposure to any one brand. The element we cannot mitigate is the risk that a major principal ceases to exist, eg through international corporate activity.</p> | <p>Highly unlikely.</p> <p>This risk follows from the strategy of representing quality major international brands.</p>   | There would not be an opportunity associated with the loss of one of the group's two major brands. The loss of a lesser brand may present an opportunity to bring into the portfolio a brand that has something more to offer. |
| <b>Disruptions in the supply chain</b>                      | Inefficiencies at local ports, which result in offloading delays and a scarcity of ships coming to South Africa because of waiting times, and the degradation of the rail infrastructure have the potential to impede Hudaco's access to adequate inventory. The disruptions to shipping routes caused by global conflicts also have an impact.   | Up to R200 million in operating profit per annum if not adequately managed. | <p>Businesses increasing inventory levels and maintaining close relationships with principals to make them aware as early as possible of requirements.</p> <p>Using first-rate, agile shipping and logistics companies to expedite receipt of goods.</p>   | <p>Likely.</p> <p>The problems at local ports and rail services persist in causing major disruptions to the international supply chain, albeit not to the same extent as in prior years. Also, global conflicts have impacted shipping routes, thereby impacting working capital requirements.</p>           | Supply chain disruption has affected competitors too. Hudaco's strong financial position enables it to maintain significant stock levels to meet customer needs and maintain margins where competitors have no stock.          |
| <b>Inadequate supply of electricity and diesel or water</b> | The lack of electricity is a constraint on GDP, a significant driver for Hudaco. The mining industry, in particular, tends to be affected when electricity is in short supply. Hudaco's sales tend to decrease when its customers are unable to operate due to electricity constraints. A prolonged lack of electricity could cause a shortage of diesel, which would exacerbate the situation. Inadequate supply of water would also affect economic activity. | Unable to quantify.   | Acquiring businesses that serve the water infrastructure market and sectors less dependent on electricity supply. Geographic diversification.  | <p>Likely, notwithstanding recent suspension of loadshedding.</p> <p>The degradation of water infrastructure has been significant and Eskom's fleet of power stations is old.</p> <p>This risk is integral to our strategy of supplying to industries that happen to have high electricity requirements.</p> | Potential to sell products to restore and maintain water infrastructure, as well as batteries, inverters, solar and gas products and generators to industry and the consumer market.   |

| Risk  | Explanation  | Potential exposure  | Mitigation  | Residual risk assessment/ probability  | Associated opportunity  |
|---|--|---|---|--|---|
| <b>Foreign exchange rate risk – significant strengthening of the Rand</b> | If the Rand strengthens, the purchase prices of our products drop and selling prices must be reduced to remain competitive. This reduces gross profit and since our expenses are Rand-based, they do not decline. Net operating profit decreases.  | Without management intervention, for each 10% by which the Rand strengthens, operating profit could decrease by R240 million per annum. | Management of quantities and lead times helps to delay the impact.<br><br>Management intervention to increase gross margins.<br><br>Development of export opportunities for locally manufactured products such as gear pumps.<br><br>The primary risk cannot be mitigated.  | Variable depending on extent. This risk is integral to our strategy of holding inventory to provide customers with ready availability of imported goods with long lead times.            | A sustained weakening of the Rand by more than the inflation rate without significant volatility would result in gross profits rising faster than expenses, increasing the operating profit margin.   |
| <b>Ineffective insurance</b>  | The risk that there is a major loss (eg through fire) and that the insurance claim is not met because the policy was defective or the insurer fails.   | R410 million.   | Insuring through reputable long-established underwriters and engaging high-quality insurance brokers as advisors.   | Unlikely.  | No associated opportunity.  |
| <b>Not meeting BEE requirements</b>                                       | Although Hudaco has put in place an appropriate BEE shareholding structure and targets on the DTIC scorecard have been achieved, this is against a backdrop of ever-changing requirements.<br><br>Certain industries (eg mining) have their own charters with different requirements and certain entities set criteria more stringent than the applicable charter. Sales may be lost through not having adequate BEE credentials.<br><br>Sector-specific Employment Equity quotas represent an additional challenge. | Unable to quantify.   | The group transformation and human resources executive monitors legislation and charter requirements to keep our businesses abreast of new requirements. She helps to ensure the necessary certifications have been obtained by the group or each business, as appropriate.<br><br>Aspects such as ownership requirements are monitored at board level. | Highly unlikely on B-BBEE but even chance on some elements of EE quotas.<br><br>This strategic risk is part of doing business in South Africa and is always front of mind in operations. | We have been able to grow the group through acquisitions because we offer strong BEE credentials to vendors. Also, as competitors are faced with the same BEE challenges, we attract business from those that fall short of requirements. On the revised DTIC scorecard, we have over 30% black ownership and the overall rating is Level 3, which provides a customer with 110% procurement recognition. |
| <b>Poor acquisition</b>   | Acquired business performs well below expectations or exposes the group to significant unexpected risks.   | R200 million.   | Approving acquisitions based on thorough due diligence reviews conducted by professionally qualified advisers and our own experienced acquisitions team and including earn-out and clawback provisions in acquisition agreements. Preparing adequately for post earn-out vendor exits, where relevant.  | Highly unlikely.<br><br>This risk is introduced by the strategy to grow the group by acquisition.  | Quality acquisitions add significant value to the group.  |

| Risk  | Explanation  | Potential exposure  | Mitigation   | Residual risk assessment/probability  | Associated opportunity   |
|---|--|---|--|---|--|
| <b>Reputational risk</b>  | The risk is that the group or an individual business may suffer damage to its reputation in the event of a product or corporate governance failure or through association with a supplier whose reputation becomes tainted.  | R60 million.  | A strong corporate governance framework and code of ethics as well as specific assurances to ensure compliance with competition legislation.<br><br>Sourcing major brands from high-quality principals and seeking assurance, including through factory visits, in respect of the ethical practices and product quality of second and third-tier suppliers.  | Highly unlikely.<br><br>The decentralised structure increases the risk relative to a centralised model but should also serve to contain any potential damage. | Hudaco's governance and ethics should put it at an advantage relative to competitors that face the same risks.<br><br>While reputational issues are undesirable and absolutely to be avoided, the appropriate response, managed well, can have the effect of enhancing a reputation.   |
| <b>Sustained labour unrest in the mining or manufacturing sectors</b> | Of group turnover, currently 17% is sold directly to the mining industry and 17% into manufacturing, much of which is to service the mining industry.  | R65 million in operating profit.                                      | The group has a diverse customer base both within and outside of mining. It is unlikely that all types of mining will be affected.   | Less than even chance.  | This provides an incentive to further diversify the customer base through extending our range of products and customer geographies.  |
| <b>Local manufacturer more competitive</b>                            | Although for most of our key agencies there is little prospect of a local manufacturer being able to produce a product of similar quality at a competitive price, there are some where this could be a threat when the Rand and the economy are weak.  | R30 million in operating profit.                                      | Carrying a second-tier range, which many of our businesses do, and finding other sources of supply reduce the potential impact.  | Highly unlikely for major brands but more risk on lesser product lines.   | Second-tier brands have been successful for the group.<br><br>We distribute some excellent local products and could get distribution rights for emerging quality local brands.   |
| <b>Litigation risk</b>  | The group is involved in litigation from time to time. In such instances, there is a risk of loss if Hudaco is the defendant and of costs if Hudaco is the plaintiff.  | R15 million.  | Use of high-quality legal teams and careful management of cases, including through thorough preparation.   | Highly unlikely.  | Depending on the circumstance, legal action could provide the opportunity to recover assets, preserve reputation or defend a threat to assets.   |
| <b>Natural disaster, epidemic or war at supplier(s) or customer</b>   | A natural disaster, epidemic or war could cripple a factory of a major supplier(s) (or of a component supplier to our supplier) or the operations of a major customer.<br><br>We have seen through Covid-19 that the risk of a pandemic, by definition on a much greater scale, also exists. | R25 million in operating profit.<br><br>For a pandemic, R500 million. | We carry up to six months' stock which gives time to react to such an event.<br><br>Major suppliers generally operate from several factories in different cities and/or countries. The loss of a factory could be disruptive to the supply of certain products but production would quickly be moved to other factories. The group has a widespread supplier and customer base and is not overly reliant on any single one.<br><br>Insurance is held against certain supply interruptions. | Highly unlikely.<br><br>Nevertheless, the risk did materialise in 2020 as a pandemic, with devastating effect the world over.                                 | Natural disasters, epidemics or wars in other parts of the world do not represent opportunities to the group, except to the extent that those competitors whose suppliers do not have the same level of geographic diversification as ours may be affected more heavily.<br><br>A natural disaster locally may create demand for some of the products we sell. |

| Risk  | Explanation   | Potential exposure  | Mitigation   | Residual risk assessment/probability  | Associated opportunity   |
|---|---|---|--|---|--|
| <b>Credit risk</b>  | Although credit risk is well spread and larger debtors are usually blue chip, government sometimes awards large contracts to new BEE entities, on which we occasionally must take credit risk.  | R20 million.  | In such cases, we manage the delivery process as closely as possible and strive to find other ways to minimise this risk.<br><br>Normal credit risk is managed through having low concentration of credit risk and through disciplined control procedures.   | Unlikely to be abnormal.<br><br>This risk, beyond the normal, is a consequence of BEE procurement.  | Supplying normal credit to customers is one of the value-adding features of our business model.<br><br>If intermediary relationships are managed carefully, there are significant opportunities in supplying the requirements of government. |
| <b>Increase in interest rates</b>   | Where necessary, borrowings are used to finance working capital and acquisitions, which introduces the risk that finance costs will go up if market interest rates increase.  | R18 million per annum if interest rates increase by 2% per annum. | Effective management of working capital to minimise exposure. Other forms of raising funds for acquisitions can be considered.   | Likely but not in the short term as rates are currently reducing.   | Higher interest rates could have the effect of reducing prices of businesses for sale. A decrease in interest rates will give rise to an equivalent reduction in finance costs.  |
| <b>Adverse effect of loss of key executives in businesses or at group level</b> | When members of the executive team retire or leave, the risk is that transition could have a significant adverse effect on the group. Sometimes businesses are sold to us as an exit strategy for the owners.<br><br>Succession planning and integration into the group are therefore vital for sustainability of the business. | Unable to quantify.   | The group has a formal succession policy. Succession plans, emergency and planned, are considered annually by the nomination committee.<br><br>Members of the group executive team have developed in-depth knowledge of each business. Ideally, replacements for executives who retire have the opportunity to spend several months working under the guidance of their predecessors and experienced people are appointed to the executive committee when required. Earn-out periods keep vendors in acquired businesses to facilitate transition. | Highly unlikely.<br><br>The risk is always prevalent but arises specifically through the strategy of growing the group by acquiring entrepreneurial businesses. | Retirement of members of the executive team creates visible opportunities to which the next level of management can aspire. This provides them with an incentive to prove their value through superior performance.                          |
| <b>Shortage of people with appropriate technical skills</b>                     | There is a significant shortage in the country of people with the appropriate level of technical skills and industry expertise so it is difficult to find replacements for those who emigrate, retire or resign. These skills are important for the value-added component of our business model.                                | Unable to quantify.   | Apprenticeship and graduate development programmes in the required technical disciplines go some way to providing a pipeline of suitably trained personnel.<br><br>Being perceived as an employer of choice in the respective industry segments assists in attracting high-quality employees.  | Likely.   | Success in building an excellent team should enhance the customer experience and therefore customer loyalty. This can provide a competitive advantage.   |

| Risk  | Explanation  | Potential exposure  | Mitigation  | Residual risk assessment/probability                       | Associated opportunity   |
|---|--|---|---|--|--|
| <b>Loss through cyber attack</b>                      | The threat of a cyber attack on the IT systems of a business has become ubiquitous and it is a challenge to remain ahead of malefactors in this arena.   | Unable to quantify.   | IT governance is an important aspect for all businesses in the group. They take appropriate measures to prevent penetration of their systems and to facilitate business recovery in the event of a breach. The effectiveness of cyber security systems is tested regularly.<br><br>The decentralised structure of the group ensures that any breach that does occur is contained to the specific business and does not expose the entire group. | Unlikely.  | There would not be an opportunity associated with a cyber attack.  |
| <b>Disruption due to artificial intelligence (AI)</b> | Artificial intelligence is changing so much in the world that it has the potential to impact the way business is conducted by our customers, our competitors and our own businesses. It is also likely to affect demand for the products we sell and create demand for new products in our markets. Important ethical issues arise from the use of AI. | Unable to quantify.   | Some of our businesses have already introduced AI tools to enhance efficiency and an understanding of the needs of their customers. While each of our businesses has different characteristics, best practice is shared across the group so that the businesses can benefit as appropriate, without each having to start from the beginning.  | Highly likely for some businesses, less likely for others. | Astute adoption of AI can give our businesses an advantage over competitors and can create opportunities for growth in new markets and through new product categories.   |
| <b>Geopolitical risk</b>                              | Dynamics in global politics have affected economic conditions around the world and South Africa's political alignment with the BRICS block has attracted responses from key trading partners, notably the USA, which has imposed heavy tariffs on imports from South Africa.   | Unable to quantify but includes R90 million sales from direct exports to USA. | There is little that the group can do to mitigate the impact of high USA tariffs on goods supplied by its businesses, specifically Gear Pump Manufacturing, and its customers. Similarly, shunning of trade by major trading partners in response to South Africa's alignment with the likes of Russia and China is beyond our control.   | Likely.  | Astute management of international relations by the government could create opportunities for South African businesses to win international business away from other countries that may be out of favour with major economies. |



## Board of directors

### Non-executive directors

#### Stephen Connelly (74)

ACMA

Non-executive chairman of the board and the nomination committee and member of the remuneration committee

In 1982, Stephen was a founding partner of Valard Limited and was appointed managing director in 1987. Valard was acquired by Hudaco in 1992.

That year Stephen was appointed Hudaco's chief executive and served in that capacity for 22 years until his retirement in 2014. He continued to serve on the board in a non-executive capacity and was appointed chairman in April 2018. He is also independent non-executive chairman of Sturrock & Robson, a privately owned international group of engineering businesses with its head office in Europe.

Stephen joined the board in 1992.



#### Mark Thompson (73)

BCom, BAcc, CA (SA), LLB

Lead independent non-executive director, chairman of the remuneration committee, member of the audit and risk committee and of the nomination committee

Mark served, *inter alia*, as chief financial officer of Sappi and group treasurer of Anglo American and was a member of the Rand Merchant Bank audit committee and its corporate and investment banking credit committee and a member of the board and chairman of the audit, risk and compliance committee of First Rand Insurance Services Company. He currently holds non-executive positions with Sasfin Bank and Sasfin Holdings (member of the board and the audit committee, chairman of the group risk and capital management committee and the credit and large exposures committee), PPC (member of the board, investment and strategy committee and chairman of the audit, risk and compliance committee), and Thelo Rolling Stock Leasing (member of the board).

Mark joined the board in 2017.



#### Bukelwa Bulo (48)

BBusSC Hons, PG Dip Accounting, CA (SA), PLD (Harvard)

Independent non-executive director, chairman of the audit and risk management committee and member of the remuneration committee and the social and ethics committee

Bukelwa has extensive experience in private equity with exposure to a wide spectrum of sectors, including industrial services and retail. She has expertise in investment and divestment evaluation, deal structuring, and strategic and stakeholder management. She is a co-founder of Jade Capital Partners, an investment holding company focused primarily on the property, industrial, construction and building materials sectors.

She serves on the boards of Araxi Limited (formerly known as Capital Appreciation Limited) and various unlisted companies.

Bukelwa joined the board in 2023.



#### Tlaleng Moabi (49)

MSc Engineering (Transport)(Leeds), BSc Engineering (Electrical), B Engineering (Management of Technology)

Independent non-executive director, chairman of the social and ethics committee and member of the audit and risk management committee and the nomination committee

Tlaleng is an entrepreneur with over 25 years' experience, spanning engineering and project management on large infrastructure projects such as the Gautrain and projects under the Renewable Energy Independent Procurement Programme. As an entrepreneur, she has founded and led several ventures including Nishati Infrastructure, established in 2016, which focuses on renewable energy, water, ICT, and agriculture. Prior to that, she had co-founded Enzani Technologies in 2005, an electrical engineering construction firm.

Tlaleng is currently an independent non-executive director of Outsurance Group Limited, where she is chairperson of its social and ethics committee and a member of its audit, risk and compliance committee.

She joined the board in July 2025.



## Executive directors

### Graham Dunford (61)

*NDip: Mechanical Engineering*

Chief executive and executive committee chairman

Graham joined Hudaco in 2001 when it purchased Bauer Geared Motors, where he was the managing director. He became CEO: Electrical power transmission in 2005, CEO: Power transmission in 2009 and CEO: Bearings and power transmission in 2010.

He joined the board in 2009 as an alternate director and became a full board member in 2010.

He was appointed group chief executive in 2014.

*37 years' service*



1

### Clifford Amoils (65)

*BCom, BAcc (cum laude), CA (SA)*

Group financial director and member of the executive committee

Clifford was a partner at Grant Thornton (which has since merged into BDO) for 21 years and headed its audit division. He was a member of its National Council and served on Grant Thornton International's audit advisory committee. He was a member of the Financial Reporting Investigation Panel of the JSE from 2008 to 2018.

He joined the board in 2009.

*17 years' service*



2

### Ernie Smith (56)

*BTech: Industrial Engineering*

Executive director, member of the executive committee and the social and ethics committee

Ernie joined Hudaco as a portfolio executive in 2018. He has extensive commercial and operations management experience in the engineering field, having started his career at Anglo American as an industrial engineer, served as operations director for

Whirlpool Appliances, vice president at Schneider Electric (both in Europe and South Africa) and divisional managing director at Aveng.

He joined the board as an alternate director in 2023 and became a full board member on 1 February 2024.

*8 years' service*



3

## Executive committee

1 The executive committee is chaired by the chief executive, Graham Dunford, and meets quarterly, prior to the board meeting. Its principal terms of reference are to advise the chief executive on the formulation of operating policy, the implementation of group strategy and the management of group risks.



### Esther Nkosi (61)

BA, Masters in Human Resources Management, Senior Leadership Development Programme

Group executive: Transformation and human resources

19 years' service

4



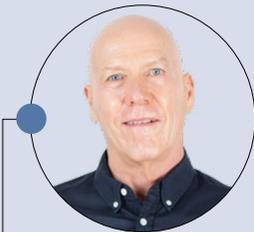
### Maurice Pringle (53)

NHDip: Mechanical Engineering

Managing director: Deutz Dieselpower

27 years' service

8

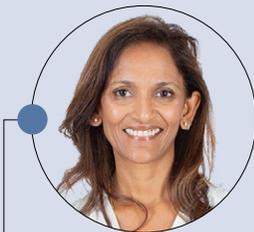


### Barry Fieldgate (65)

Portfolio executive: Abes Technoseal, Deltec Energy Solutions, Deutz Dieselpower, Filter and Hose Solutions, MIRO, Ambro Steel, Sanderson Special Steels and The Dished End Company

18 years' service

5



### Reena Magan (44)

BCom Information Systems; HDipAcc; CA(SA)

Portfolio executive: Filter and Hose Solutions and Deltec Energy Solutions

12 years' service

9



### Chris Pillay (52)

BA Hons (cum laude), MBA

Portfolio executive: Rutherford, Boltworld and CADAC

5 years' service

6



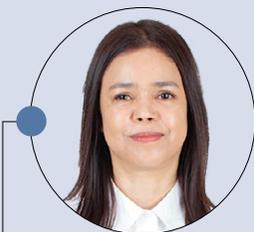
### Jaco Moolman (55)

BSc; B Business Management and Administration (Hons)

Portfolio executive: Elvey Security Technologies, Pentagon, Global Communications and Brigit Fire

5 years' service

10



### Lavern Jacobs (55)

BSocSc: Industrial and organisational psychology, MBA

Portfolio executive: Partquip and A-Line Wheels

31 years' service

7

The executive directors on page 25 are also members of the executive committee.

1

2

3

## CONSUMER-RELATED PRODUCTS

### Automotive aftermarket

- 5 Abes Technoseal
- 7 Partquip
- 7 A-Line Wheels
- 3 Ironman 4X4

### Security and communication

- 10 Elvey Security Technologies
- 10 Pentagon
- 10 Global Communications

### Gas and outdoor products

- 6 CADAC

### Power tools and fasteners

- 6 Rutherford
- 6 Boltworld

### Data networking

- 5 MIRO

### Batteries and sustainable energy

- 3 9 Deltec Energy Solutions
- 5 Eternity Technologies
- 3 Specialised Battery Systems

## ENGINEERING CONSUMABLES

### Bearings, belting and power transmission

- 3 Bearings International
- 3 Belting Supply Services
- 3 Brewtech Engineering

### Diesel engines and spares

- 5 8 DD Power
- 5 8 Deutz Dieselpower

### Filtration and fluid transfer

- 5 9 Filter and Hose Solutions
- 5 FloSolve

### Fire detection, containment and suppression

- 10 Brigit Fire

### Thermoplastic pipes, fittings and equipment

- 3 Astore Keymak
- 3 Plasti-Weld

### Specialised steel

- 5 Ambro Steel
- 3 Bosworth
- 3 Joseph Grieveson
- 5 Sanderson Special Steels
- 5 The Dished End Company

### Electrical power transmission

- 3 Isotec
- 3 Powermite
- 3 Three-D Agencies
- 3 Varispeed

### Hydraulics and pneumatics

- 3 Dosco Precision Hydraulics
- 3 Ernest Lowe
- 3 Gear Pump Manufacturing
- 3 HERS

## GROUP SERVICES

### Finance

- 2 Accounting
- 2 Finance
- 2 Risk
- 2 Tax
- 2 Treasury
- 2 Group secretarial

### Human resources

- 2 4 Human resources
- 2 4 Transformation
- 3 Occupational health and safety

### Environment

- 3 Environmental management

# Financial review

*“The key financial characteristics of the group are high returns on net operating assets and strong cash flows. These are used to fund additional working capital as our businesses grow, pay market-related dividends and invest in new businesses when opportunities arise.”*



**Clifford Amoils**  
Group financial director

## Measurement of financial performance

Our overriding financial objective is to increase value for shareholders, which we strive to achieve through long-term growth in earnings accompanied by strong cash generation and astute allocation of capital. Our internal operating measures and incentive programmes are geared towards this goal. We measure our financial performance based on comparable earnings (non-IFRS measure) because we believe it is

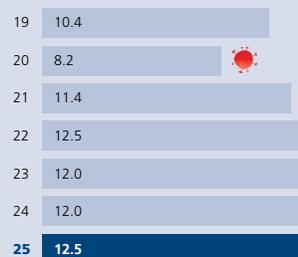
more representative than other measures of the ongoing results of the group. At Hudaco comparable earnings are calculated by adjusting for unusual items of income or expenditure not reflective of the normal trading for the year, including profits and/or losses that arose because, based on results to reporting date, the latest estimate of the earn-out payments to be made to vendors of businesses acquired in recent years were different from the previous estimate. IFRS 3 requires that, where a business is acquired with a contingent purchase consideration, changes

to the estimated purchase price be recognised in profit for the year. The accounting is counter-intuitive because a loss arises when the acquired business performs better than expected and a profit arises where it underperforms expectations. The only adjustment in 2025 was to remove a gain on vendor liabilities that had increased basic and headline earnings per share by 122 cents per share. There were no adjustments between headline and comparable earnings per share in 2024.

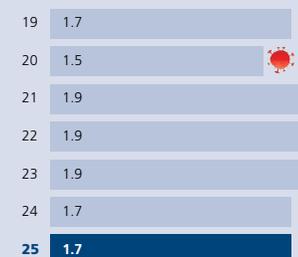
### OPERATING PROFIT (RM)



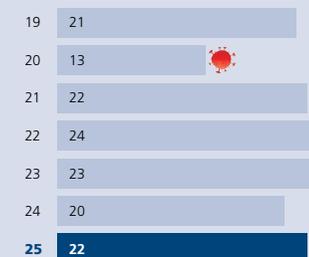
### OPERATING PROFIT MARGIN (%) OPERATING PROFIT/TURNOVER



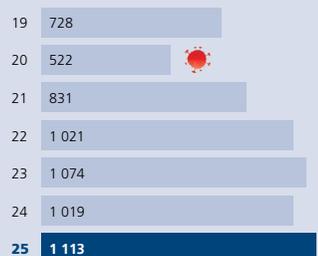
### NOA\* (TIMES) TURNOVER/AVERAGE NOA



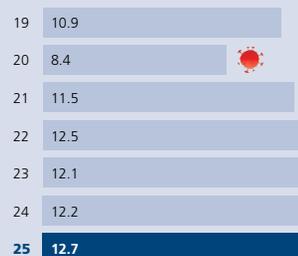
### RETURN ON NOA\* (%) OPERATING PROFIT/AVERAGE NOA



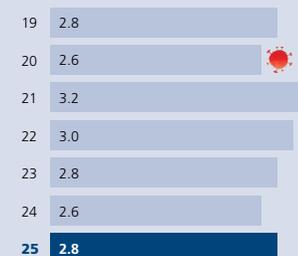
### PBITA\*\* (RM)



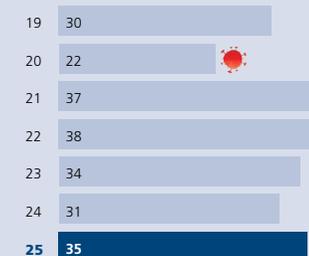
### PBITA MARGIN (%) PBITA\*\*/ TURNOVER



### NTOA\*\*\* TURN (TIMES) TURNOVER/AVERAGE NTOA



### RETURN ON NTOA\*\*\* (%) PBITA\*\*/AVERAGE NTOA



\* Net operating assets

\*\* Operating profit before amortisation of intangible assets acquired as part of a business combination

\*\*\* Net tangible operating assets

We measure our financial performance as follows:

- We target real growth in comparable earnings per share over the medium and long-term. Comparable eps for 2025 is 2 205 cents, compared to 2 012 cents in 2024, an increase of 9.6%. We consider this a very pleasing result achieved in the context of economic stagnation resulting from, *inter alia*, geopolitical turmoil, governmental malaise on the local front and a ruling party that seems hell-bent on antagonising the USA, one of its largest export markets.
- Hudaco's compound growth in comparable eps over the past five years has been 22.5% from 800 cents in 2020 but that is off a low base resulting from the Covid-19 pandemic. A fairer reflection of performance is to start with the pre-Covid year of 2019 (1240 cents) and measure over six years, with compound growth in comparable eps being 10.1%. This has been achieved notwithstanding the difficulties in growing earnings with the turmoil for so much of period in our core markets – mining and manufacturing in South Africa.
- Return on capital employed is considered in the context of the weighted average cost of capital, particularly in striving to increase and not diminish the intrinsic value of the group.
- Return on equity is an important measure at group level. We target to achieve ROE of a minimum of 17% but strive to reach 23%. The ROE for 2025 was 19.5% if the goodwill impairment is excluded and 17.0% if it is included. When considering inclusion of goodwill impairment in the calculation of ROE, one must bear in mind that it is not a balanced assessment because IFRS does not allow the recognition of increases in goodwill or reinstatement of impaired goodwill. We recognise that, with equity increasing by income retained, in years when earnings don't grow by at least as much as the increase in equity, axiomatically ROE will decline.
- A measure of intrinsic value created for shareholders is determined by applying a standard point-in-time capitalisation multiple valuation methodology, as used by professional investment advisers. The increase in the value of the equity between the beginning and end of the year is determined and cash returned to shareholders during the year is added in order to simulate the total shareholder return over the period. Since 2021, the target has been to add value of R20 per share each year, which totals R100 per share over the five years. Against this target, the group has added intrinsic shareholder value of R150 per share.

- The main operating performance measure used by the businesses in the group is RONTA – the return (PBITA) on average net tangible operating assets (NTOA) employed during the year. NTOA is total assets (excluding investments, goodwill, intangibles, right-of-use assets and cash), less current liabilities (excluding interest-bearing debt and lease liabilities). Each business is measured against its own benchmark – its objective being to maximise its RONTA by managing the balance between the operating profit margin (%) and net operating asset turn (times). The lower the operating profit margin, the higher the net operating asset turn must be to achieve an acceptable return.

We achieved an operating profit margin of 12.5% for 2025, a meaningful increase on the 12.0% achieved in 2024. A NTOA turn of approximately three and a half times is usual and requires management to achieve the right balance between the elements of working capital, ie inventory, receivables and supplier credit. In 2025 the NTOA turn was about 2.8 times, which is an improvement on 2024 but still reflects the fact that we have to maintain goods in transit levels higher than normal because some shipping lines have cut routes to South Africa and efficiency at our ports has been so inconsistent.

We have set an internal target of RONTA of no less than 30% for the group as a whole. In 2025 and 2024, RONTA was very respectable at 35% and 31%, respectively.

### Impairment of goodwill

Assessing goodwill for potential impairment always requires a high degree of judgement in projecting the future cash flows of a business. We normally do this annually at financial year-end unless factors have arisen that warrant assessment during the year. The assessment at 30 November 2025 indicated that all the goodwill at our battery and energy businesses, totalling R104 million, had been impaired as these businesses have been performing poorly and the prospects of recovery to their former levels of profitability seem remote at this juncture. The impairment comprised R81 million at Eternity Technologies, our traction battery business, where we impaired R77 million in 2024 and have seen market conditions deteriorate since then, R15 million at Specialised Battery Systems and R8 million at Deltec Energy Solutions. The independent auditors highlighted the sensitivity of the inputs to the valuation, and thus potential impairment of the Eternity cash

generating unit's goodwill, as a key audit matter in their audit reports in 2022, 2023 and 2024.

### Capital allocation including share repurchases and acquisitions

An important function at group level is the allocation of capital. Hudaco's overriding strategy is to use available resources to invest in growing existing businesses and acquiring new businesses that then become part of the group's core, generating profits and cash for many years into the future and taking advantage of synergies that make sense within our decentralised business model. This approach of building for the long term is different from the private equity model, in which the leverage and exit strategy are fundamental to success. Accordingly, first prize is to continue applying cash generated and moderate borrowings to acquire successful businesses at a multiple of around five to six times profit after tax, which is particularly value accretive when Hudaco shares are trading at multiples of around 10 times earnings, as they sometimes do. Nevertheless, on a regular basis and each time we consider an acquisition, we assess the other capital allocation options available to us, including repaying borrowings and buying back shares.

Suitable acquisitions had proved elusive for some time so buying back shares had been an attractive option, given the share price at the time. Between 2020 and 2023, the company utilised available cash resources to repurchase and cancel 3 257 551 shares in the open market at a total cost of R396 million and an average of R121.49 per share. This represented 11.5% of the shares outstanding at the commencement of the repurchase programme. No shares were repurchased in the 2024 or 2025 financial years. On the acquisition front, two businesses were acquired this year. In May 2025 Isotec was acquired with the price dependent on a three-year earnout arrangement. The estimated price is R311 million, with an initial payment of R250 million and a maximum consideration of R709 million. Since publishing our interim results, we have had an opportunity to conduct a more comprehensive assessment of the prospects of the business over the earn-out period, resulting in a reduction in our estimate of the ultimate purchase consideration from that published with the interim results. In June 2025 FloSolve was acquired with the price dependent on a three-year earn-out arrangement. The estimated price is R95 million, with an initial payment of R45 million and a maximum consideration of R125 million.

The two-year earn-out period for the Brigit Fire acquisition came to an end during 2025. Although the business has grown substantially since we acquired it, our estimate at 30 November 2024 of the ultimate purchase price proved a little optimistic and the final payment was lower than expected at 30 November 2024. Accordingly, there is a gain on the fair value adjustment of the vendor liability of R41 million in the statement of comprehensive income. This gain, net of the minority interest therein, is removed from comparable earnings.

## Dividends

Hudaco's long-term dividend policy is to pay interim and final cash dividends to shareholders totalling about 50% of comparable earnings, resulting in dividends being covered by earnings approximately twice. This year, the dividends per share total 1 120 cents and are made up of an interim dividend of 350 cents and a final dividend of 770 cents. This amounts to R318 million and represents 50.8% of comparable earnings for the year. Dividends in 2024 totalled 1 025 cents per share, of which 700 cents was a final dividend, representing a total of 50.9% of comparable earnings.

## Cash flow

Hudaco businesses are cash generative. General economic stagnation can inhibit the generation of cash from certain businesses but that is transient and not endemic to the business model. Other of our businesses usually compensate for this with very strong cash flows.

Net cash flow from operating activities of R1 119 million (2024: R1 334 million), including a release of R33 million (2024: R298 million) from working capital and paying R249 million in taxation, was very strong and, as always, demonstrates the cash-generative nature of Hudaco's businesses. R328 million was paid out as dividends, finance costs excluding on the lease liabilities for premises were R85 million (down from R115 million in 2024), R81 million was spent on property, plant, equipment and software and R163 million, including finance costs, was paid to landlords for the right to use premises. Share-based payment obligations of R58 million (2024: R125 million) were settled, R325 million was spent on acquisitions and long-term borrowings were repaid to the extent of R100 million. The net short-term cash position moved down R19 million, from positive bank balances of R161 million to R142 million.

The release of R33 million from working capital on top a release of R298 million in the previous year is despite the fact that our businesses carry additional inventory to mitigate the inefficiencies at South African ports, which have improved in pockets but not consistently so.

## Borrowings

Hudaco's borrowings have arisen from the acquisition strategy to achieve growth in the face of a moribund economy but the gearing deliberately remains conservative. At 30 November 2025, net bank borrowings amounted to R508 million, down a R81 million from R589 million in 2024. This is after paying R325 million to vendors for acquisitions. The R500 million long-term general banking facility with Rand Merchant Bank is at an interest rate in the range 1.85% to 2.05% below Prime, depending on the tenor of the tranche concerned. The interest rate on the R500 million revolving credit facility with Absa is JIBAR plus 1.44% and on the R500 million revolving credit facility with Nedbank, it is JIBAR plus 1.55%. At year-end, JIBAR was 6.658%. On all three facilities, Hudaco has full flexibility to make repayments and to redraw funds, subject to basic credit assessments at certain levels, but the banks may not call up the funds for at least 367 days. At year-end, facilities of R933 million were committed by the banks but not utilised. The tenor of the renewable Absa facility is three years and the Nedbank facility is a five-year arrangement. The introduction of ZARONIA and the phasing out of JIBAR as a benchmark interest rate will necessitate concomitant modifications to the Absa and Nedbank agreements.

Hudaco has the capacity to take on more senior debt and our acquisition strategy may create the opportunity to do this in future, so we consider it prudent to have facilities available. Perhaps more important than managing gearing is an objective to ensure that interest on senior debt is covered at least five times by operating profit. We also aim to operate with EBITDA being at least 50% of net senior debt. Our covenants with the banks are less onerous, being four times interest cover and EBITDA 40% of net senior debt. During the year, the covenants on the RMB facility were amended to align with those of the other banks, whereas previously they had been slightly different.

## IFRS 16: Leases

In terms of IFRS 16: Leases, there is a right-of-use asset for premises of R402 million and a lease liability of R473 million on the statement of financial position. The statement of comprehensive income contains a depreciation charge of R125 million and finance costs of R42 million. Rent actually paid to landlords amounted to R163 million.

## Taxation

The group's effective rate of taxation this year is 28.4% but this is distorted by the impairment of goodwill and the fair value adjustment on vendor liabilities. Ignoring these items, the rate was 26.2%. Except for our BEE learnership programme and non-deductible expenditure in the listed company such as directors' fees and listing costs, there are no factors that would normally result in the rate varying much from the standard rate of 27%.

The gross contribution to government in South Africa, comprising direct and indirect taxation, amounted to R1 billion (2024: R990 million) for the year ended 30 November 2025. The composition of this figure is set out in the value-added statement on page 32.



## Financial risk management

The significant financial risks in the group have been identified and are considered at each board, executive committee, operational risk committee and audit and risk management committee meeting. These are described on pages 19 to 23. The impact of each risk is quantified and its probability is assessed. Measures are put in place to manage the risk, after which the residual risk is assessed. A risk tolerance line helps to ensure that any risks potentially greater than an acceptable level are identified early and avoided or mitigated. The group's risk appetite and risk tolerance statements are considered by the operational risk management committee, executive committee and audit and risk committee. The ways in which the group manages foreign currency risk, interest rate risk, credit risk and liquidity risk are fully set out in note 24 to the financial statements.

Each business, or cluster of businesses with shared services, has its own financial team in place which operates substantially independently but to group-prescribed standards and policies. The size and strength of the team depend on the size and complexity of the business or cluster. Smaller businesses are provided with appropriate support from within a cluster.

## Fraud

In keeping with many other players in the South African economy, we experience ever increasing fraudulent activity and we are victim to both internally and externally perpetrated frauds from time to time. Notwithstanding the strong procedures we have in place, slip-ups across the group are inevitable. These frauds have generally taken the form of identity theft, collusive internal activities and theft. There have also been many attempts to defraud other parties by perpetrators purporting to represent Hudaco. Whenever any of our businesses become aware of an attempt at fraud, the relevant information and defensive measures are shared across the group to heighten awareness. Fortunately, our procedures and staff awareness have assisted in containing the impact to a level that is not significant. Regrettably, we have not been able to rely on much assistance from the criminal justice system but we continue to apply our zero tolerance policy. Where appropriate, we engage professional investigators to help drive a matter through the system on our behalf, although even then it is an uphill battle to get the authorities to proceed as is required of them.

## Group services

Services currently handled at head office, and provided free of charge to operating businesses, are tax, company secretarial, treasury (including foreign exchange and hedging), insurance, certain elements of the B-BBEE scorecard, benchmarking and negotiation of leases for premises, employee benefits, group risk (including internal audit and IT governance), QHSE management, human resources support and the use of behavioural assessment software to assist in recruitment and management of personnel. Buying foreign exchange through head office is easier and cheaper for a business than dealing directly with a bank. Businesses enjoy lower bank charges, rates of interest and insurance premiums as well as better risk benefits for employees by being part of the Hudaco group.

## Insurance

The group's insurance programme is extensive and is managed on a group basis but with each business making its own declarations of assets and risks to be covered. Over the past few years, the requirements of underwriters have become increasingly onerous and expensive, while they continuously seem to reduce the risk they are prepared to accept. Important drivers of these trends include the degradation of municipal infrastructure in South Africa, such as the fact that public fire response services have effectively ceased to exist, resulting in many businesses now having to install their own sprinkler systems and water tanks; and the burden that major loss events around the world, such as large-scale fires and floods, have placed on underwriters. Hudaco finds itself in a position where it is essentially too big for the local insurance market but too small for the international market to be a viable alternative. Guided by our insurance brokers, we continue to negotiate all aspects of the insurance programme to achieve the best outcome we can, including a degree of self-cover through large aggregate excesses. It was pleasing that the renewal for the 2025/2026 insurance year proceeded more smoothly and with lower cost increases than has been the case for several years. We have seen a marked increase in the cost of motor vehicle claims over the past few years, with the deterioration in the state of our road network being a major contributory factor.

## Impact of changes in foreign exchange rates

As Hudaco is predominantly an importer, prices charged are linked to the Rand exchange rate. While Hudaco's sales line is affected by exchange rate movements, the group's expense line is affected by the local rate of inflation. This imbalance represents a real risk that sales could fall in response to a strengthening Rand whilst expenses, driven by local inflation, continue to rise. The result would be a margin squeeze.

We estimate that a 10% strengthening of the Rand could, without management intervention, result in a R250 million fall in operating profit over a full financial year. Similarly, sustained weakness in the Rand creates the opportunity for higher operating margins but currency volatility can either negate or postpone any favourable impact on earnings.

We continue to see significant volatility of the Rand, with the US Dollar costing R18.04 at the beginning of the year and R17.16, 4.9% stronger at the end but with extremes of R17.02 and R19.69 during the year, a 16% swing. Over two years, the Rand strengthened 8.4%.

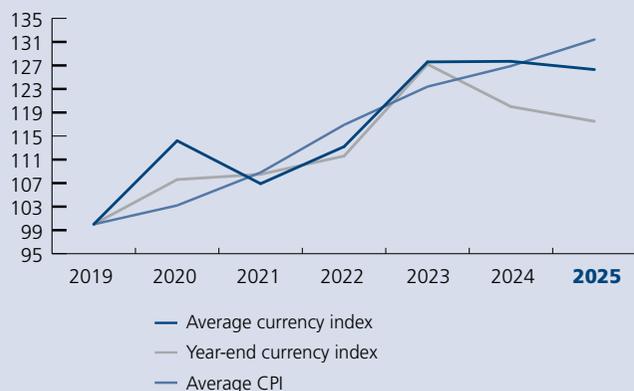
Over time, one would expect the Rand to weaken by the inflation differential between South Africa and its trading partners, allowing us to pass on imported inflation to our customers at roughly the same rate as the local inflation rate. As we are only too well aware, the Rand is volatile and does not follow the inflation rate differential in the short term. As an importer of our particular portfolio of products, we find ourselves exposed primarily to the Rand-Dollar and Rand-Euro exchange rates. Many of our suppliers manufacture from plants positioned all over the globe and are therefore able to hedge themselves against currency exposures by shifting production capacity over time between currency regions but this does not help with short-term fluctuations between currencies, least of all the Rand.

The volatility in the currency makes pricing a challenge and margins are usually kept under pressure, particularly in the weak economic environment to which we have become accustomed. The graph on the next page shows how the weighted exchange index for the basket of currencies that Hudaco purchases has moved relative to the consumer price index (CPI). Our basket of currencies, on average, cost 1.1% less in 2025 as in 2024 but there were fluctuations of about 16% between highs and lows during the year.

We enter into forward exchange contracts to meet future payment obligations in accordance with our hedging policies. Management of our foreign currency exposure is based on the principle of avoiding speculation and employing a hedging strategy designed to achieve high hedge effectiveness. All foreign currency liabilities are hedged directly by the time ownership of the asset passes to Hudaco. In addition, about 40% (2024:35%) of orders on suppliers are also hedged directly to guard against spikes in exchange rates. An important driver of the extent to which orders are hedged is the opportunity to change selling prices between the dates of placing the order on the supplier and delivery to the customer. In the context of Rand volatility instead of a gradually depreciating currency, there is a risk of being locked in at weak exchange rates at times when the Rand strengthens so we seek to manage exposure before a liability crystallises.

Response times to exchange rate fluctuations through pricing changes, both up and down, have traditionally been fairly quick (about three weeks to a month) but there is a built-in cushion in our five-month stockholding so prices on all products may not change at the same time.

**Historical movement in foreign exchange rates for Hudaco’s basket of currencies**



**IT systems**

In line with our decentralised business model, the management team at each business or cluster of businesses is free to select whichever IT platform it considers most appropriate for the business concerned. There is no centralised IT platform and standardisation is not imposed, except within shared services clusters, but businesses are encouraged to take a lead from those most satisfied with their reporting systems. Irrespective of the IT platform used, appropriate IT governance and risk management standards are not negotiable. Generally, little modification is required to off-the-shelf software.

The IT governance committee provides input where appropriate and maintains an oversight role regarding control and best practice. Generally, the businesses that adopted a cluster shared services approach in recent years selected Syspro as their preferred IT platform. For more information on how IT is governed in the group, refer to the corporate governance report, specifically page 96.

**B-BBEE trusts**

The two B-BBEE trusts that own 15% of the group’s main operating subsidiary, Hudaco Trading Proprietary Limited, have all black South African employees of Hudaco Trading who have more than three years’ service as their beneficiaries. In February 2026, the trustees of those trusts resolved to distribute approximately R13.6 million (2025: R12 million) to qualifying black employees, with about 1 790 (2025: 1 723) employees each receiving R7 600 (2025: R7 000).

**Secondary listing on A2X**

Hudaco shares have a secondary listing on the A2X exchange. The objectives are to facilitate a reduction in transaction costs for those investors wishing to use the alternative trading platform and to increase the liquidity of Hudaco shares. Volumes traded on this platform remain insignificant. With approximately 99% of shares traded still going through the JSE.

