

The slide features a central dark blue square containing the 'Hudaco' logo in white italicized font. Below the logo, the text 'Audited group results' is written in a bold white sans-serif font, followed by 'for the year ended 30 November 2014' in a smaller white sans-serif font. The background is light gray with a horizontal white band. Several dark blue squares of varying sizes are positioned around the central blue square, creating a layered, geometric effect.

Hudaco

Audited group results

for the year ended 30 November 2014

OVERVIEW

- The year turned out to be very eventful
 - Economic conditions didn't turn out the way we expected
 - The length and violence of the strikes took us by surprise
 - On 1st July we appointed a new CEO
 - Acquisitions continued to grow our portfolio of businesses and reduce the group's dependence on mining
 - Tax challenge resolved at the end of the year - lifts the cloud
- Hudaco weathered the storm well
- Dividend maintained notwithstanding the tax settlement
- Well managed leadership transition



BUSINESS HIGHLIGHTS AND SHAREHOLDER INFORMATION

AGENDA

- A hindsight view - January 2014
- Business highlights 2014
- Shareholder information
- Business model
- Operating segments and acquisitions update
- Financial review and tax settlement
- Outlook

A HINDSIGHT VIEW - JANUARY 2014

- There is going to be a five month strike in the Platinum industry
- There will be a violent NUMSA strike and we will have to completely close five of our businesses for the month of July
- The country will run out of electricity during the course of the year
- There will be rating agency downgrade for South Africa
- The Rand will weaken, with volatility
- Tough trading conditions will drive gross margin down (decline of 1%)
- The tax dispute (R1.4bn) will continue to hang over our heads

HIGHLIGHTS OF THE YEAR

- 2013 acquisitions (Dosco Group and SBS) performed above expectation
- FHS and Rutherford performed well (but BI disappointed)
- Acquisition of the Partquip Group
- Sales up 14%
- Sales into Africa grew 39%
- Stock up only 0.5% (excl acquisitions) despite average 13% decline in the Rand
- CEPS ending flat after being 13,5% behind with four months to go
- Successful conclusion of the SARS challenge

RESULTS SUMMARY

Turnover	↑	14% to R 4.5bn
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Operating profit	↑	5% to R 494m
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Comparable earnings per share	↑	up 0.3% to 986 cps
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Headline earnings	↓	99% to R 2m
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HEPS	↓	99% to 6 cps
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Dividends per share	→	unchanged at 465 cps
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Net borrowings	↑	R209m to R413m
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MARKET INFORMATION

Market capitalisation at year end	R 3.0bn @ R96
Market capitalisation after tax settlement (28 Jan)	R 3.6bn @ R113.50
Free Float	100%, no control
P:E ratio @ R110 (ceps)	11.2x
Dividend yield @ R110	4.2%
Annual Trade (to Nov)	2010 R 822m
	2011 R 757m
	2012 R 1 062m
	2013 R 1 496m
	2014 R 1 354m

MAJOR SHAREHOLDERS/FUND MANAGERS

■ Old Mutual	22%
■ Govt Employees Pension Fund	10%
■ Prudential	10%
■ Foord	9%
■ Sanlam Investment Management	5%
■ Argon	3%
■ Bateleur	3%
■ Investec	3%
	<hr/>
	65%

Possibly some double counting



THE HUDACO BUSINESS MODEL

THE HUDACO BUSINESS MODEL

- Hudaco's main business is the importation and distribution of branded industrial and electronic consumable products generally used in the repair and maintenance of machines
- The concept of “value added distribution” is core to our business model
- Agency agreements generally restrict our activities to Africa south of the equator
- Over the last 5 years Hudaco has gained confidence (and skills) in niche local manufacture – eg. pulleys, electrical plugs & sockets and more recently gear pumps
- These products can be sold internationally

FEATURES OF VALUE ADDED DISTRIBUTION

Value add is:

- Instant availability
- Application advice
- Technical specification
- Training
- Credit provision

Technically skilled sales & support staff:

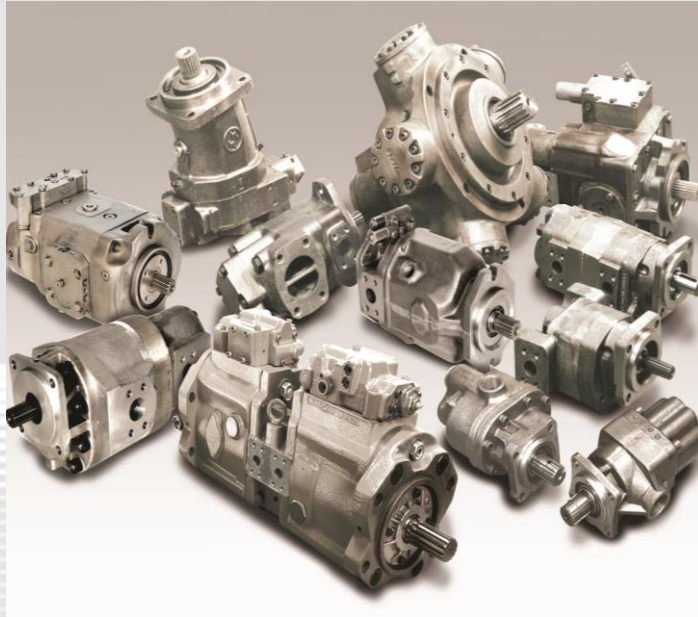
- in focused business units
- with technical product knowledge
- who build and retain customer and supplier loyalty

Inventory R1 141m in 30 warehouses:

- 4 to 6 month supplier lead times
- 700 international suppliers
- over 200 000 line items

Receivables R856m:

- 22 000 active customers
- low value transactions
- rarely sell on tender or contract
- decentralised credit management
- generally low concentration of risk



OPERATING SEGMENTS AND ACQUISITIONS UPDATE

OPERATING SEGMENTS

- Largest segment imports and distributes branded engineering consumables generally used in the repair and maintenance of machines
- About one third of our business is distribution of consumer-related products generally sold to installers

OPERATING SEGMENTS

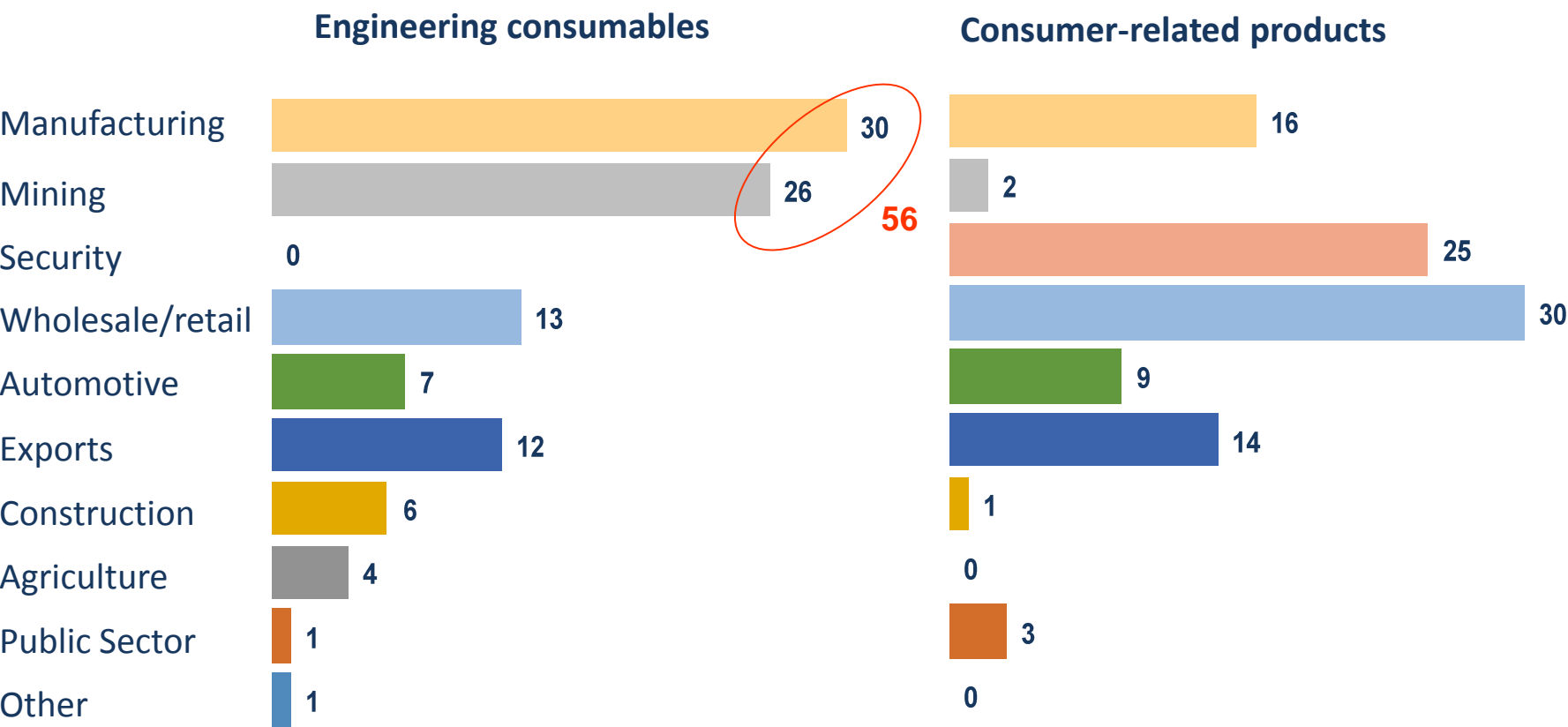
Engineering consumables

- Bearings
- Power transmission products: mechanical and electrical
- Diesel engines and spares

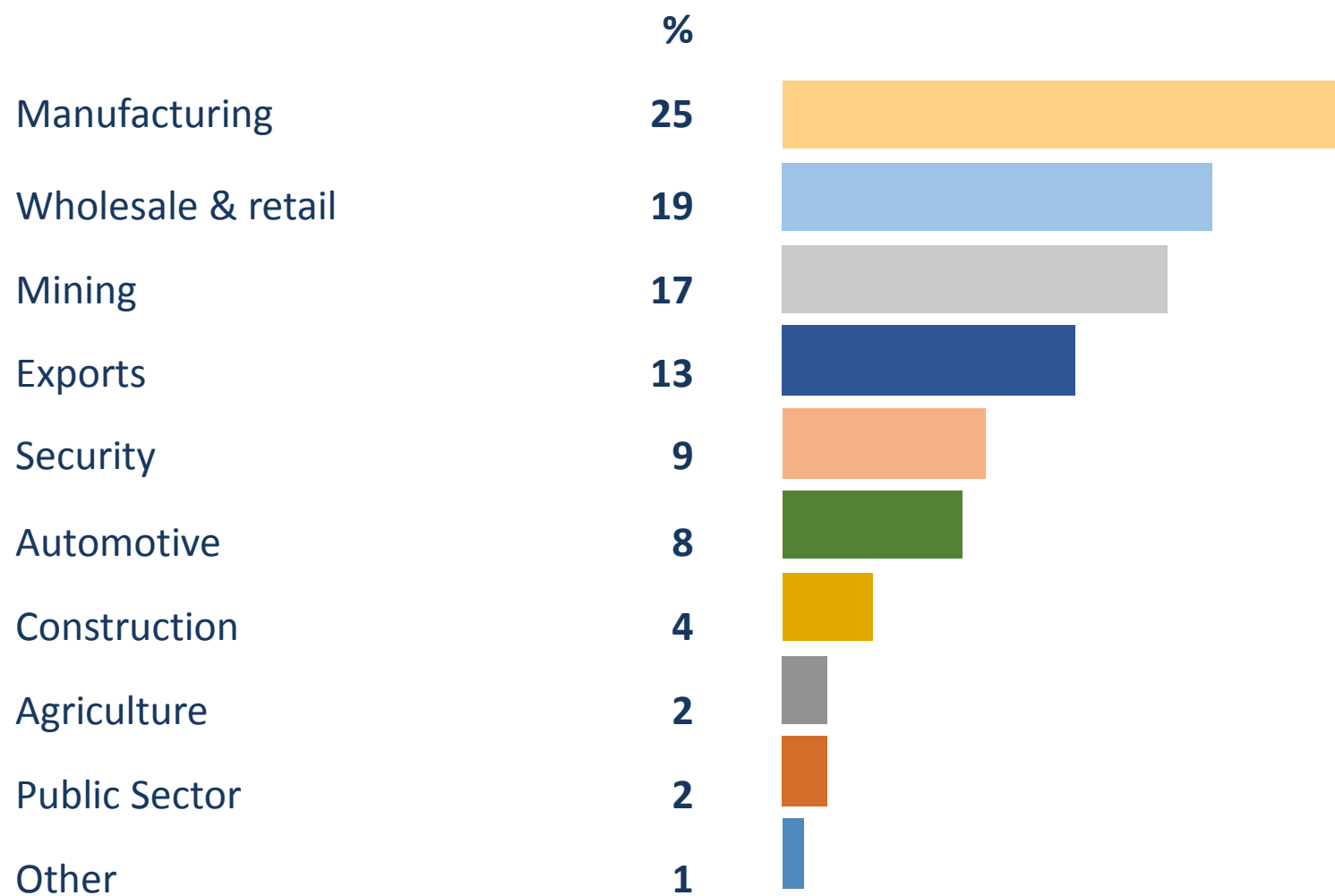
Consumer-related products

- Power tools
- Security equipment
- Professional communication equipment
- Automotive aftermarket products
- Batteries

2014 SEGMENT SALES BY MARKET SECTOR

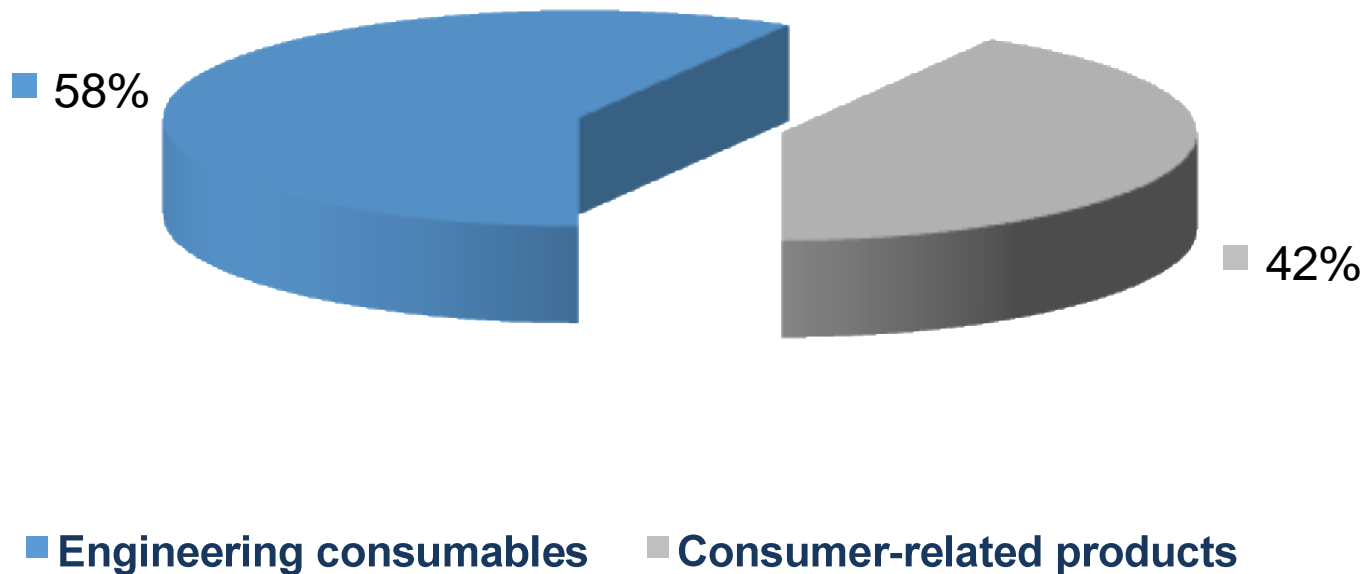


2014 SALES BY MARKET SECTOR



SEGMENT CONTRIBUTIONS

Contribution to 2014 operating profit (before shared services and head office)



ENGINEERING CONSUMABLES

Principal Businesses



Principal Brands



Used for:

- Repairs
- Maintenance
- Expansion
- Resale
- Underground mining
- Gen sets

Competitors:

- BMG
- SKF
- Altron/Altech
- Siemens
- Hytec
- Zest
- Caterpillar
- Cummins

Main markets:

- Manufacturing
- Mining



Big customers:

- Sandvik
- Toyota
- Dana Spicer
- Eqstra group
- Illovo Sugar
- Aveng
- VME Engineering
- Cash sales

CONSUMER-RELATED PROCUTS

Principal Businesses



Principal Brands



Used for:

- Woodworking
- Grinding
- Renovations
- Boating
- Intruder detection
- Access control
- Video monitoring
- Communication
- Motor vehicles

Competitors:

- Bosch
- Hitachi
- Metabo
- Yamaha
- ADI
- Inhep
- Regal
- Luk
- Motorola

Main markets:

- Building finishing
- Building additions
- Leisure
- Residential and commercial security
- Armed response providers
- Automotive aftermarket
- Military and police



Big customers:

- Massbuild
- Makro
- Eaton Electric
- ADT
- Alert
- SANDF
- Midas
- Avicom

2013 and 2014 ACQUISITIONS

Dosco, GPM & Joseph Grieveson (R154m)

- Manufacturer and distributor of specialised castings & own brand gear pumps
- Customers: sugar mills, mines & general industry. Large export component

JOSEPH GRIEVESON
EST 1915
SUPPLIERS OF FERROUS AND NON-FERROUS CASTINGS



Specialised Battery Systems (R75m)

- Distributor of maintenance free batteries
- Used in stand-by & solar applications



**SPECIALISED
BATTERY SYSTEMS**

Three-D Agencies (R30m)

- Distributor of electrical accessories
- Bolt-on to Powermite



2015 ACQUISITIONS

Partquip Group

- Wholesale distributor of:
 - automotive spares and accessories
 - wheels
 - Ironman 4X4 accessories (50% held by Ironman 4X4 in Australia)
- Price R450m (net)



PARTQUIP
QUALITY GUARANTEED AUTO PARTS



- 
- STEERING & SUSPENSION
 - MOUNTINGS & BUSHES
 - BEARINGS & KITS
 - THRUST BEARINGS
 - OIL SEALS
 - HYDRAULIC REPAIR KITS
 - COMPLETE CYLINDERS
 - BRAKE HOSE
 - FUEL & HEATER HOSE
 - RADIATOR HOSE
 - CV & SR BOOTS
 - CV JOINTS
 - CABLES
 - HUBS
- GSP**
- Fersa®**



IRONMAN



A-LINE

A large advertisement for A-line WHEELS. The background is a dark, stormy sky over a body of water. In the foreground, there are several alloy wheels. A large, multi-spoke silver wheel is the central focus, with a smaller, similar wheel to its left. Below these, there are four smaller wheels in different finishes: silver, gold, and black. The text 'team A-LINE' is written in a stylized font at the top left. The A-line WHEELS logo is in the bottom left. The text 'm spec wheels' is repeated three times in a gradient at the bottom left. The website 'www.a-linewheels.co.za' is at the bottom center. Contact information for JHB, KZN, and CTN is at the bottom right.

team
A-LINE

A-line
WHEELS

m spec wheels
m spec wheels
m spec wheels

www.a-linewheels.co.za

FOR YOUR NEAREST DEALER CALL: JHB - 011 434 7777 KZN - 031 563 7766/7847 CTN - 021 531 1304/618

2015 ACQUISITIONS



Berntel

- Importer and distributor of pneumatic and process components
- Bolt-on to Ernest Lowe
- Estimated price R15m
- 2 year earn-out



SEGMENT RESULTS – ENGINEERING CONSUMABLES

	Rm	Turnover			Op Margin		Operating Profit		
		2014	% ch	2013	2014	2013	2014	% ch	2013
Ongoing operations		2 423	-	2 412	10.2%	11.9%	248	(13)	286
New businesses		344		66	15.7%	9.1%	54		6
Segment total		2 767	12	2 478	10.9%	11.8%	302	3	292

- DDP – sales up despite negative mining growth and strikes
- Bearings International, mechanical and electrical power transmission disappointed – mines are big customers
- Dosco Group had a very good year, export sales grew 26% in US\$
- FHS - filter sales maintained 2013 strong performance

SEGMENT RESULTS – CONSUMER-RELATED PRODUCTS

	Rm	Turnover			Op Margin		Operating Profit		
		2014	% ch	2013	2014	2013	2014	% ch	2013
Ongoing operations		1 536	7	1 440	12.3%	13.5%	189	(3)	194
New businesses		182		30	14.3%	16.7%	26		5
Segment total		1 718	17	1 470	12.5%	13.5%	215	8	199

- Rutherford – strong performance from power tools, marine down
- SBS – battery sales capitalising on power crisis
- Elvey – security equipment sales and profits up. Moved to Elvey Technopark
- Abes – automotive parts sales up. Heavy duty clutch line on stream October
- Global – communication equipment sales & profits down, lack of military orders

SEGMENT RESULTS 2014

	Rm	Turnover			Op Margin		Operating Profit		
		2014	% ch	2013	2014	2013	2014	% ch	2013
Engineering consumables		2 767	12	2 478	10.9%	11.8%	302	3	292
Consumer-related products		1 718	17	1 470	12.5%	13.5%	215	8	199
Head office, shared services & eliminations		(5)		(6)			(23)		(22)
Total Group		4 480	14	3 942	11.0%	11.9%	494	5	469



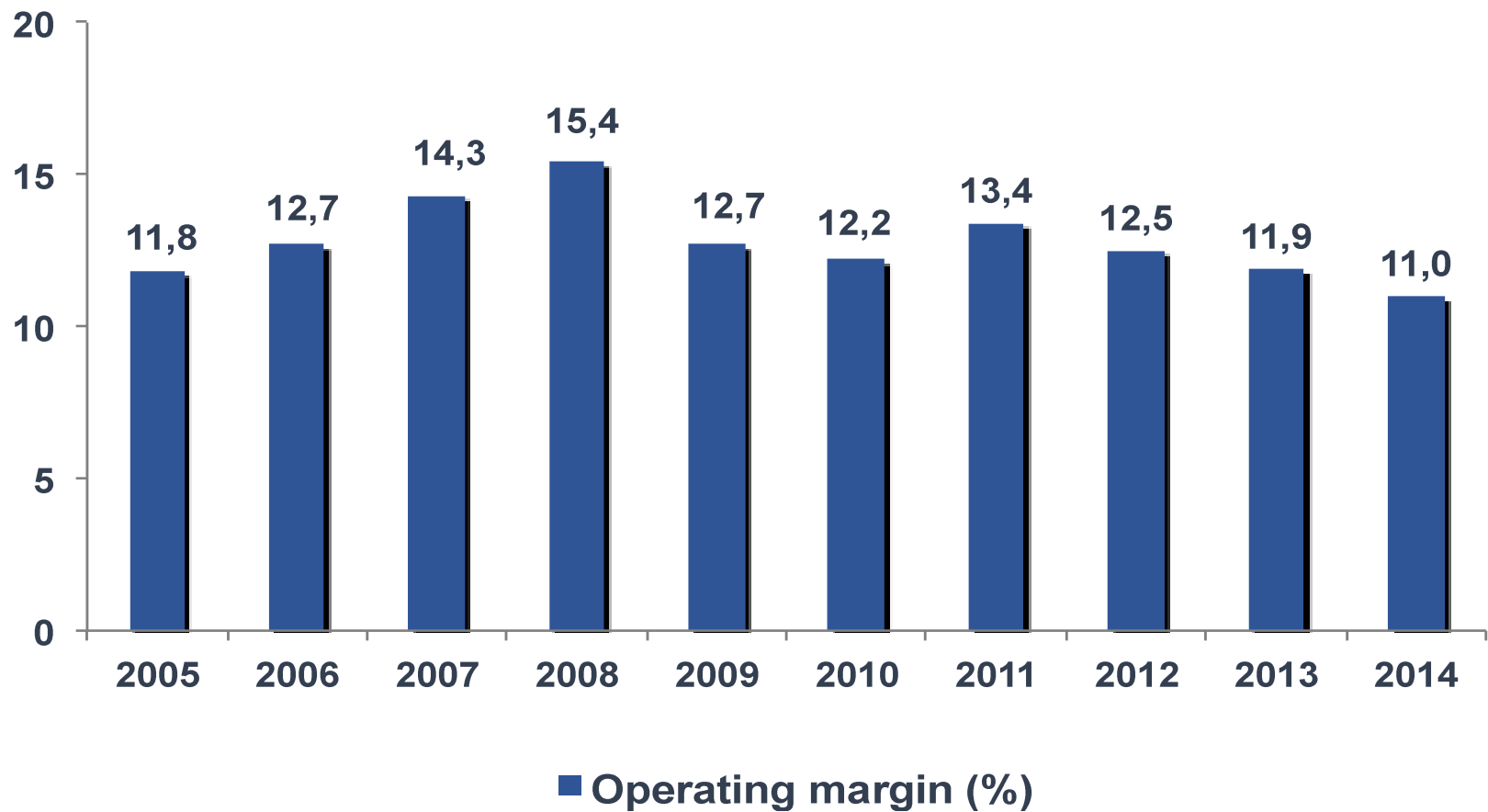
FINANCIAL REVIEW AND TAX SETTLEMENT

PROFIT FOR THE YEAR

	Rm	2014	% Ch	2013
Turnover		4 480	14	3 942
- Ongoing operations		3 954	3	3 846
- New businesses		526		96
Gross profit		1 635	11	1 479
Operating expenses		1 141	13	1 010
Operating profit		494	5	469
- Ongoing operations		414	(9)	458
- New businesses		80		11

Margin (%)			
Turnover	100.0		100.0
Gross profit	36.5		37.5
Operating expenses	25.5		25.6
Operating profit	11.0		11.9

10 YEAR OPERATING MARGIN PERFORMANCE



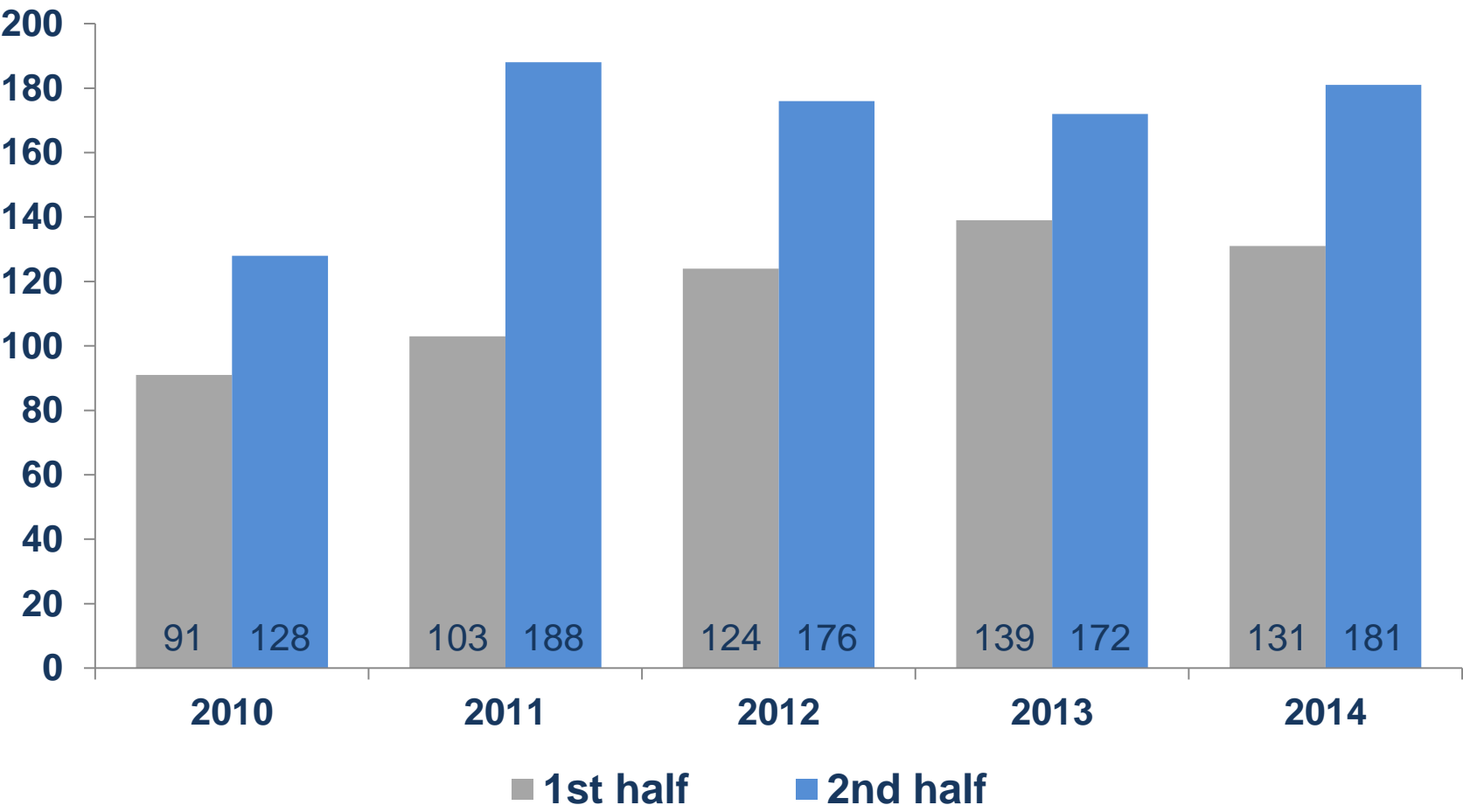
PROFIT FOR THE YEAR

	Rm	2014	% Ch	2013
Operating profit		494	5	469
Fair value adj to amounts due to vendors		3		(23)
Net interest on funding		(37)		(8)
Interest paid to vendors (imputed)		(2)		(5)
BEE financing arrangements				(8)
Profit before taxation		458	8	425
Taxation (Rate 2014:28% 2013:28%)		128		120
Profit before tax settlement		330	8	305
Settlement of tax dispute		312		
Profit for the year		18		305
Non-controlling interest		15		11
Attributable earnings		3	(99)	294

COMPARABLE EARNINGS FOR THE YEAR

	Rm	2014	% Ch	2013
Operating profit		494	5	469
Net interest on funding		(37)		(8)
Interest paid to vendors (imputed)		(2)		(5)
Profit before taxation		455	-	456
Taxation (Rate 2014:28% 2013:28%)		(128)		(131)
Profit after taxation		327	-	325
Non-controlling interest		(15)		(14)
Comparable earnings		312	-	311

COMPARABLE EARNINGS BY HALF YEAR



EARNINGS PER SHARE AND DIVIDENDS

	2014	2013
Earnings per share		
Comparable eps	986c	983c
Basic eps	8c	930c
Headline eps	6c	928c

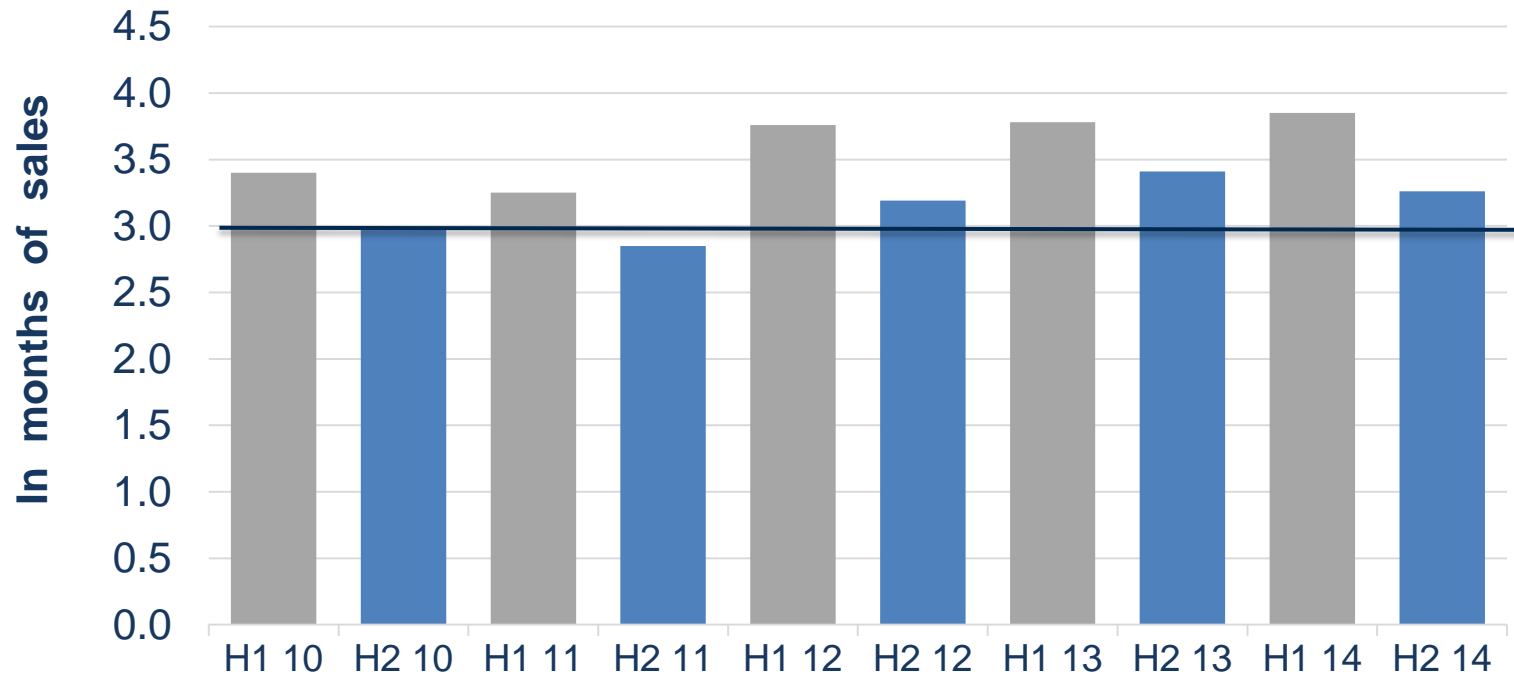
Dividends per share		
Interim	155c	155c
Final	310c	310c
Total	465c	465c

Dividend policy: annual dividends = approximately 40% of ceps

CASH FLOW – FOR THE YEAR

	Rm	Nov 14		Nov 13
Cash from trading		525		513
Increase in working capital		(44)		(138)
Cash from operating activities		481		375
Net finance costs		(38)		(16)
Tax paid		(222)		(169)
Cash flow from operations		221		190
Dividends paid		(148)		(164)
Invested in new businesses and property, plant and equipment		(282)		(213)
Net movement		(209)		(187)
Opening (borrowings) cash		(204)		(17)
Closing borrowings		(413)		(204)

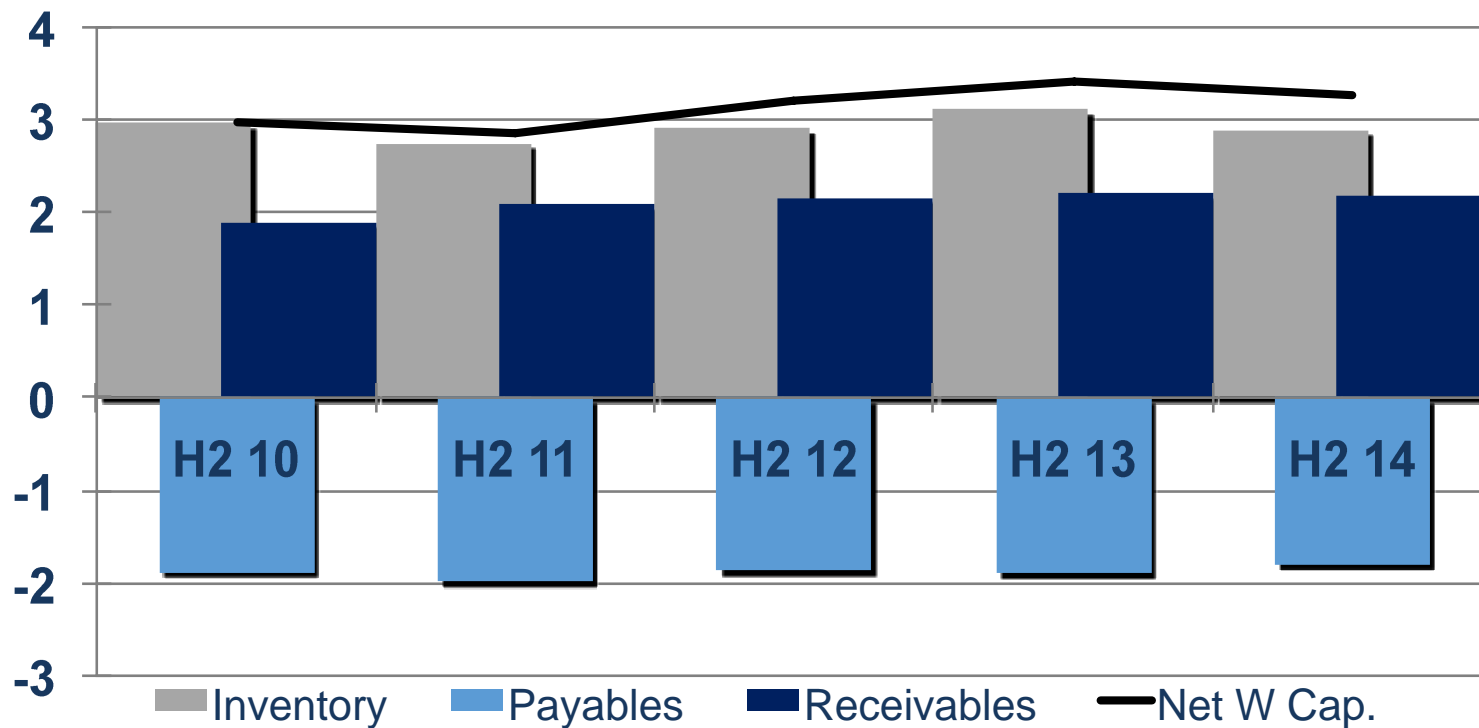
WORKING CAPITAL



One month of sales: H2 2014 = R 395m; H2 2013 = R 355m

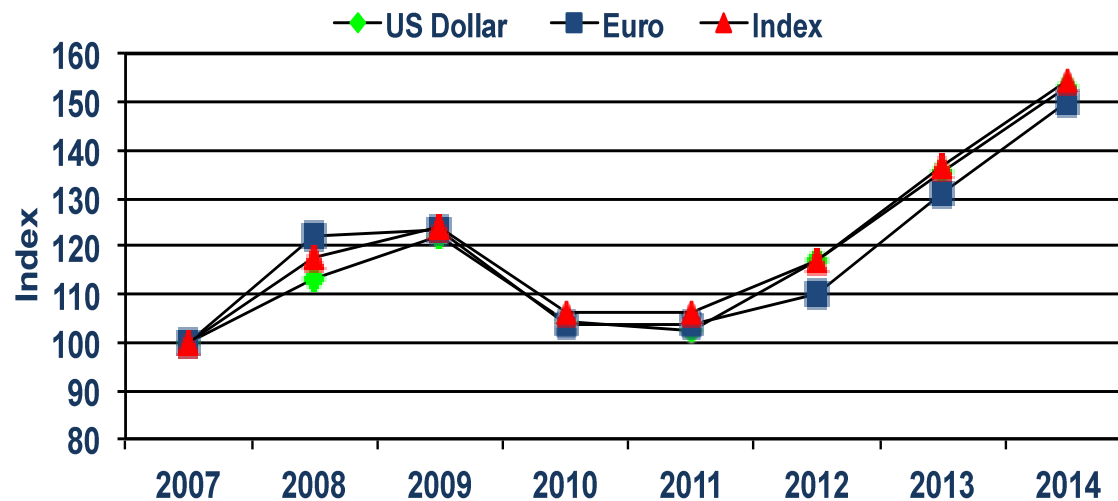
- Working capital traditionally peaks end of H1 to cope with anticipated increased seasonal demand in H2
- Sales are generally split 45/55 between H1 and H2 (2014: 47/53) but strike activity is disrupting this pattern

WORKING CAPITAL – ELEMENTS IN MONTHS SALES



One month of sales in
H2 14= R395m H2 13= R355m

EXCHANGE RATE ENVIROMENT



■ Import currencies: USD* 48% Euro 40% Yen 9% GBP 3%

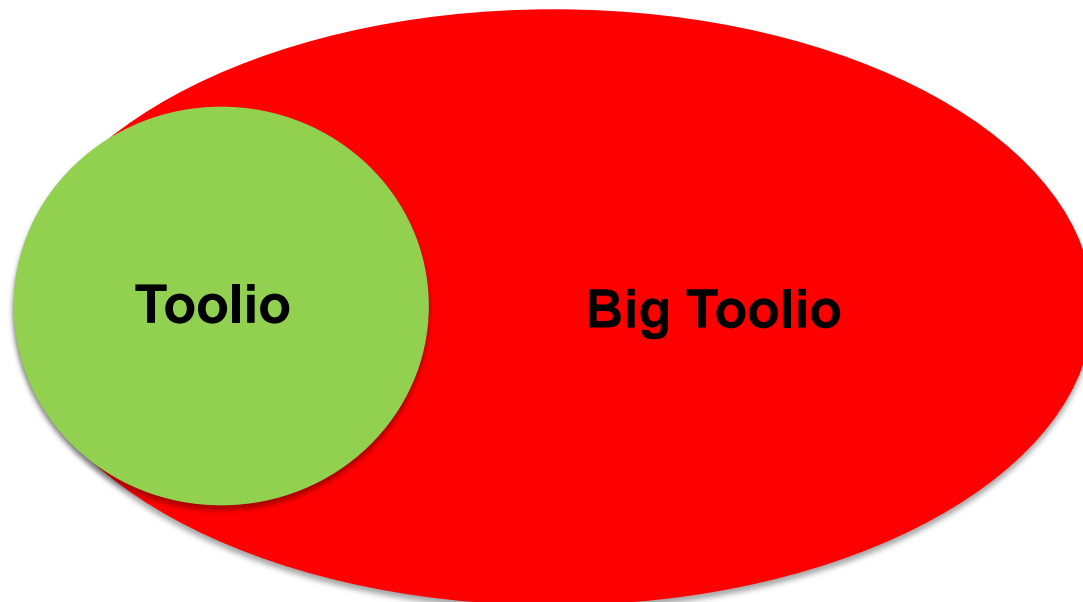
* Imports from China, Korea etc are priced in USD

- We import directly 60% of group cost of sales
- On average these cost 13% more in 2014 than 2013
- We do not take a house view on exchange rates
- We hedge all liabilities and 20% - 30% of orders
- Demand generally not price sensitive in short term.

Ave rate	2007	2008	2009	2010	2011	2012	2013	2014		
								H1	H2	Year
USD (48%)	7.1	8.0	8.6	7.4	7.2	8.2	9.5	10.65	10.86	10.75
Euro (40%)	9.6	11.8	11.9	9.9	9.9	10.6	12.6	14.62	14.19	14.41
Index (100%)	94	112	118	100	100	111	129	146	145	146

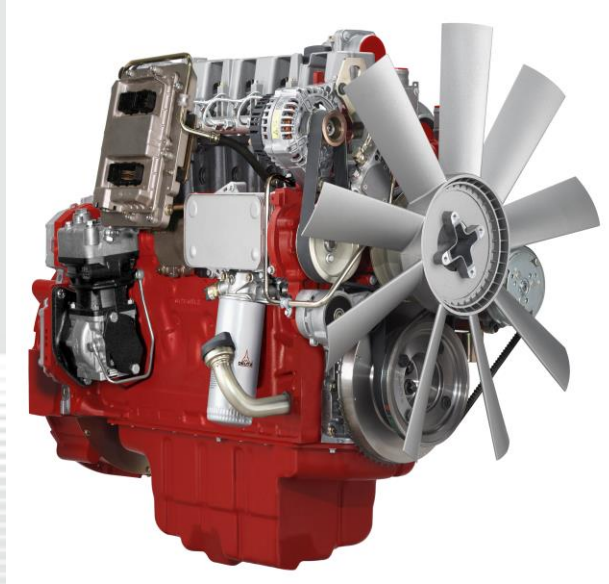
TAX SETTLEMENT

- Comprehensive SENS announcement
- Existence of Big Toolio added significant risks
- Worst case scenario was R1.4bn
- Settled for R312m
- Approximates fair value of the benefit to Hudaco under the structure
- BEE shareholders and credentials remain in place



SUMMARY

- Tax challenge is behind us
- Businesses generate strong cash flows
- Working capital (inventories) coming in line
- Continue to invest successfully in new businesses
- Bank facilities are available
- Capacity remains for smaller acquisitions



OUTLOOK

OUTLOOK - REMINDERS

- Hudaco sales are predominantly driven by GDP activity
- GDFI adds capacity for future GDP activity
- Exposure to South African mining and manufacturing down to 42%
- Rand exchange rate has a big impact on pricing and profitability

OUTLOOK 2015

- Factors impacting positively on 2015
 - Should have fewer strikes – ongoing businesses will benefit
 - Benefit from weaker Rand
 - Continued growth in export sales
 - Partquip acquisition to add 117cps in 2015
 - Benefit from turnaround in Bearings International
- Acquisitions are strengthening and diversifying our earnings
- Management team is experienced and focused
- Businesses well positioned for improvement in market conditions

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