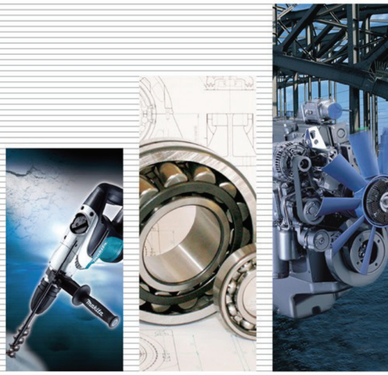

Value-added distribution–our core competency

Interim results

For the six months ended 31 May 2011

Hudaco

Agenda

Hudaco

- Introduction
- Results summary
- Segment information
- Financial statements
- Outlook and conclusion

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General business environment

Hudaco

- Trading conditions still tough – country is not able to take advantage of attractive commodity prices
- Rand 6% stronger than last year – for an importing business this means lower prices
- In management's presentation you will hear how:
  - Cash has been deployed successfully into new businesses
  - But two existing businesses have disappointed in H1
- Some uncertainties ahead
  - Nationalisation debate
  - Far reaching tax changes

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Value-added distribution–our core competency

Results summary

Hudaco

Results summary

Hudaco

Turnover	↑	26% to R 1 406m
Operating profit	↑	24% to R 149m
Headline earnings	↑	11% to R 119m
HEPS	↑	11% to 377 cps
Dividends per share	↑	13% to 130 cps
Cash balance	↓	to R101m

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Operating background to the results

Hudaco

- Trading conditions remain difficult
- Volume sales flat overall but mixed
- Acquisitions add R48m to operating profit
- Two existing businesses well down on last year – both expected to pick up in H2
- Prices down about 6% (our basket) on H1 2010
- Gross margins down 1% - new businesses
- Expenses to sales 1% better at 28%
- Operating profit to sales unchanged at 11%
- Return on equity - 18%

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Value-added distribution–our core competency

Segment information

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
- Concept of **"value added distribution"** is core to our business model

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Operating segments

Hudaco

- Engineering consumables
  - Bearings
  - Power transmission products
  - Diesel engines and spares
- Consumer related products
  - Power tools
  - Security equipment
  - Automotive aftermarket products
  - Professional communication equipment

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Acquisitions

Hudaco

- Engineering consumables
  - Filter and Hose Solutions (FHS)
  - Midrand Special Steels
- Consumer related products
  - Global Communications
  - Pentagon Distribution
- Total cost R565m, paid to date R262m
- R303m payable over next 2.5 years

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Filter and Hose Solutions

Hudaco

- Distribution of filters for earth-moving equipment and industrial hose
- Brands: Donaldson, Malcorp
- IFRS acquisition date – September 2010
- 2010 turnover - R229m
- Expected price – R306m
- Earn out period – 3 years
- Stand alone business

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Global Communications

Hudaco

- Distributor of professional mobile radio communication equipment and radio systems integrator
- Brands: Kenwood, JVC
- IFRS acquisition date – February 2011
- 2010 turnover – R185m
- Expected price – R176m
- Earn out period – 2-3 years
- Stand alone business

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Pentagon Distribution

Hudaco

- Distribution of electronic security products, specialising in video IP
- Brands: Bosch, Arecont, Dell
- IFRS acquisition date – March 2011
- 2010 turnover – R57m
- Expected price – R59m
- Earn-out period – 3 years
- "Bolt-on" to Elvey

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Midrand Special Steels

Hudaco

- Distribution of special round and hexagonal steel
- IFRS acquisition date – December 2010
- Expected price – R24m
- Earn out period – 3 years
- "Bolt-on" to Ambro

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Underperformers in H1

Hudaco

- Bearings International
  Distributor of bearings and power transmission products
  Moved to new central warehouse in Q2
  Resulted in unplanned lost sales and lower gross margins
  Improvement evident in June month

- Bosworth
  Drive pulley manufacturer
  Delays in obtaining customer sign-offs led to low sales
  Back to normal in H2

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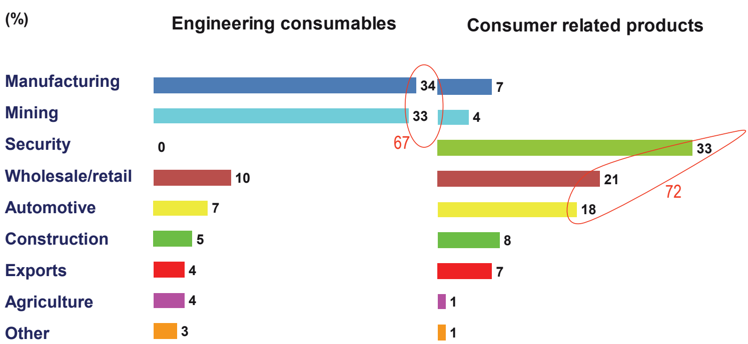
2010 segment sales by market sector

Hudaco



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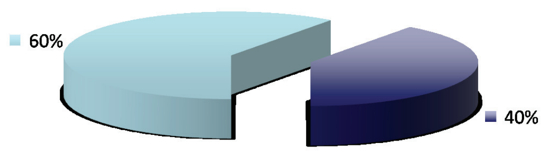
Segment contributions

Hudaco

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



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Segment results

Hudaco

Rm	Turnover 2011	Turnover % ch	Turnover 2010	Op Margin(%) 2011	Op Margin(%) 2010	Operating Profit 2011	Operating Profit % ch	Operating Profit 2010
Engineering consumables	977	24%	785	10.0%	10.3%	98	21%	81
Consumer related products	432	29%	335	15.0%	14.3%	65	35%	48
Head office, shared services & eliminations	-3		-4			-14		-9
Total Group	1 406	26%	1 116	10.6%	10.7%	149	24%	120

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Profit for H1

Hudaco

Rm	2011	% Ch	2010
Turnover	**1 406**	26	**1 116**
- Existing businesses	1 166	4	1 116
- New businesses	240		
Gross profit	**549**	23	**447**
Operating expenses	**(400)**	22	**(327)**
Operating profit	**149**	24	**120**
- Existing businesses	101	-16	120
- New businesses	48		

Margin (%)			
Turnover	**100.0**		**100.0**
Gross profit	**39.0**		**40.0**
Operating expenses	**28.4**		**29.3**
Operating profit	**10.6**		**10.7**

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Value-added distribution–our core competency

Financial statements:
Income, financial position and cash flow

Hudaco

Profit for H1

Hudaco

Rm	2011	% Ch	2010
Operating profit	**149**	24%	**120**
Net interest on working capital	**3**		**9**
Interest paid to vendors (imputed)	**(7)**		
Interest paid on sub. debentures	**(116)**		**(115)**
Preference dividend received	**100**		**99**
Profit before taxation	**129**	14%	**113**
Taxation (Rate '11:7% '10:6%)	**(9)**		**(7)**
Profit after taxation	**120**	13%	**106**
Non-controlling interest	**(1)**		**1**
Attributable and headline earnings	**119**	11%	**107**

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Earnings per share and dividends

Hudaco

	2011	% Ch	2010
Earnings per share			
Basic EPS	**377c**	11%	**341c**
Headline earnings per share	**377c**	11%	**341c**

Dividends per share			
Interim	**130c**	13%	**115c**
Final			**235c**
Total			**350c**

Dividend policy: annual dividends = approximately 40% of heps

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Statement of financial position

Hudaco

Rm	May 11	Oper	Div	Acq	Nov 10
Working capital	**786**	84		36	**666**
Property plant equipment	**173**	32		10	**131**
Goodwill and intangibles	**570**	(6)		211	**365**
Tax	**17**	11		(11)	**17**
Net operating assets	**1 546**	121		246	**1 179**
Cash	**101**		(74)	(87)	**262**
Investment in pref shares	**2 181**				**2 181**
Net assets	**3 828**	121	(74)	159	**3 622**
Equity	**1 354**	121	(74)	(7)	**1 314**
Subordinated debenture	**2 181**				**2 181**
Due to vendors	**293**			166	**127**
Total capital employed	**3 828**	121	(74)	159	**3 622**

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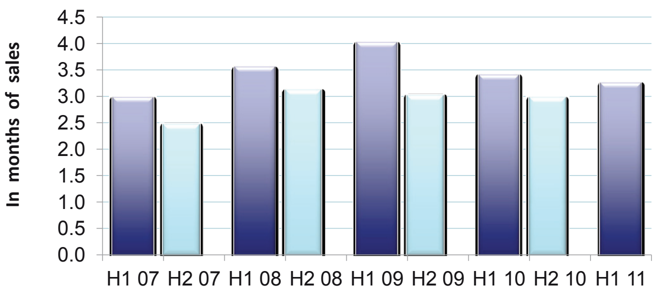
Working capital – back to normal levels

Hudaco



One month of sales: H1 2011 = R 241m; H1 2010 = R 186m
(assumes all acquisitions in for full 6 months)

- 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 (2010 45:55)
- Target working at capital at end H2 - range of 2.4 to 2.7 months of sales

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Cash flow – for the six months

Hudaco

Rm	May 11		May 10
Cash from trading	171		134
(Increase) decrease in working capital	(79)		2
Cash from operating activities	92		136
Net finance costs	(13)		(7)
Tax paid	(20)		(24)
Cash flow from operations	59		105
Dividends paid	(90)		(79)
Invested in new businesses and property, plant and equipment	(132)		(6)
Shares issued	2		8
Net movement	(161)		28
Opening cash	262		335
Closing cash	101		363

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Taxation Laws Amendment Bill

Hudaco

- Before parliament for comment
- Preference dividends taxable if:
  - Redeemable within 10 years – Hudaco's a little longer

  or
  - Third party backed – yes: through puts and calls
- Market expects unintended consequences will force SARS to modify
- Hudaco has right to call for gross-up
  - Various possible outcomes
  - Could trigger unwind
  - No penalty payable

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Value-added distribution–our core competency

Outlook & conclusion

Hudaco

Reminders

Hudaco

- Hudaco sales are predominantly driven by GDP activity
- GDFI adds cream (and adds capacity for future GDP activity)
- Rand exchange rate has a big impact on pricing
- Hudaco has immediate balance sheet investment capacity of about R400m

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Key markets - outlook

Hudaco

Engineering consumables

- Signs that mining investment in neighbouring countries is picking up in response to higher commodity prices
- But shortage of electricity and rail capacity in South Africa constrains expansion
- Manufacturing activity follows mining activity, particularly in the space in which Hudaco plays
- Construction activity to remain muted in 2011 but power station building and public works programme point to a better 2012

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Key markets - outlook

Hudaco

Consumer related products

- Industrial power tool market remains strong – Makita gaining market share
- Automotive parts aftermarket expected to grow following increases in new and used car sales
- Security equipment market to remain under pressure waiting a pick up in employment levels and spending on new (and upgrades to) houses & light industrial buildings

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Business outlook in short term

Hudaco

- Weak economic recovery to continue
- Will only gain momentum across a broad front once employment picks up and the mines are able expand
- Underperforming businesses confident of recovery in H2
- Internal funding still available for acquisitions
- We are confident about EPS growth in FY 2011

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Contact details

Hudaco

Stephen Connelly
Group Chief Executive
+27 (11) 657 5001
sjc@hudaco.co.za

Clifford Amoils
Group Financial Director
+27 (11) 657 5002
camoils@hudaco.co.za

www.hudaco.co.za

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Notes