



Interim results

For the six months ended
31 May 2012

Agenda

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

- Trading conditions erratic
- Rand strengthened after year end but weakened again in May – for an importing business this means higher prices if maintained
- Global political and economic landscape keeps prospects uncertain

Results summary

Turnover	↑ 13% to R 1 593m
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Operating profit	↑ 21% to R 181m
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Headline earnings	↑ 18% to R 140m
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HEPS	↑ 17% to 441 cps
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Dividends per share	↑ 19% to 155 cps
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Net cash	↓ borrowings R17m
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Operating background to the results

- Trading conditions were good at beginning of period but slowed down from April
- Sales to platinum mines well down
- Like for like volume sales up only slightly
- Acquisitions in 2011 and 2012 add R25m to operating profit
- Bearings International and Bosworth back to normal
- Expenses to sales 1.3% better at 27%
- Operating profit to sales improves to 11.3%



Segment information



- 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

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

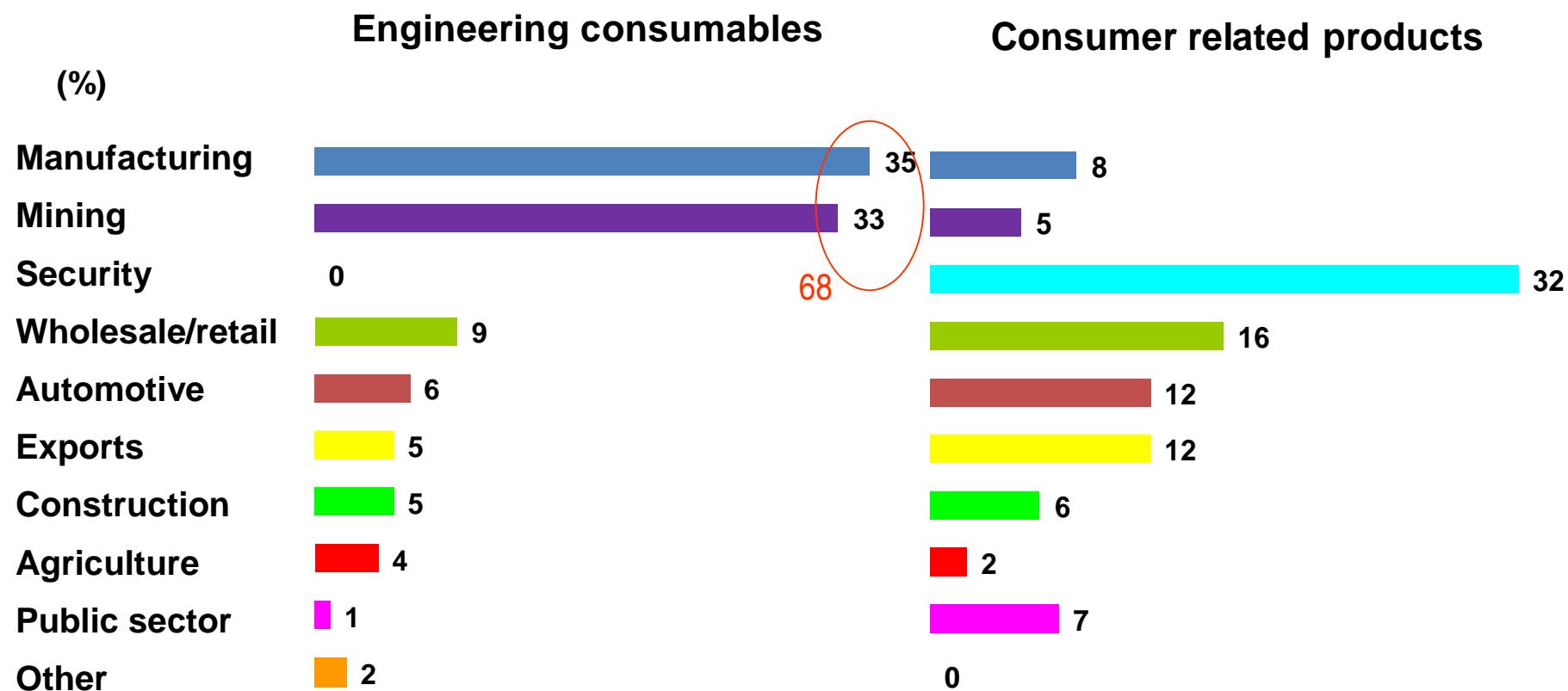
Acquisitions 2011 and 2012

- 2012
 - Engineering consumables
 - Keymak

- 2011
 - Consumer related products
 - Global Communications
 - Pentagon Distribution

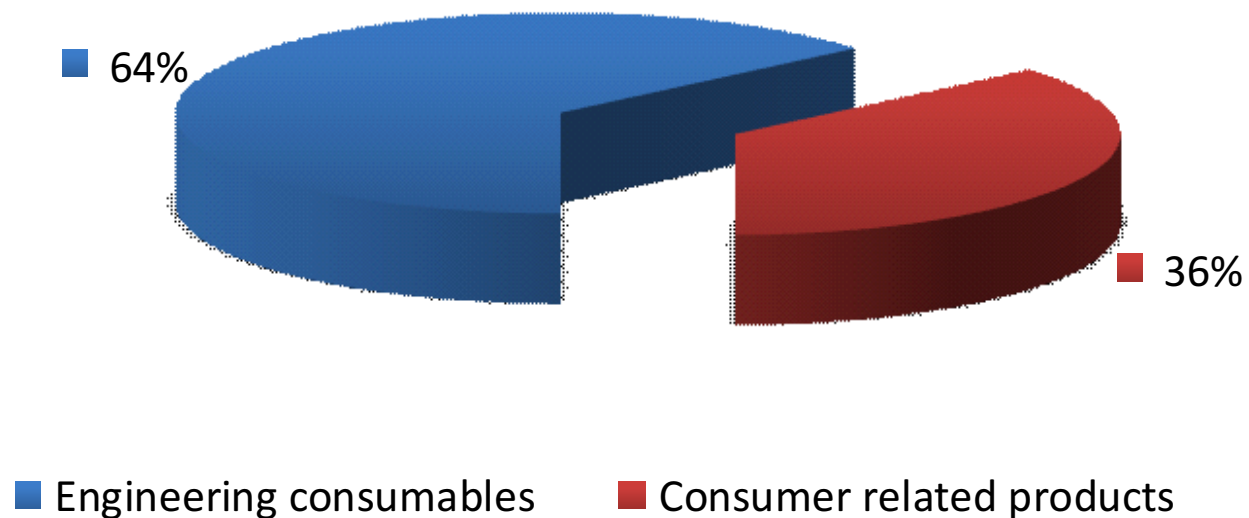
- Manufacturer of PVC flexible hose
- Fits well with Astore's distribution network
- Main market is mining sector
- Effective date 1 May 2012
- Initial payment R52m
- 3 year earn-out
- Maximum price R112m

2011 segment sales by market sector



Segment contributions

Contribution to Operating Profit (before shared services and head office)



Segment results

Rm	Turnover			Op Margin(%)		Operating Profit		
	2012	% ch	2011	2012	2011	2012	% ch	2011
Engineering consumables	1 064	9%	977	11.5%	10.0%	122	24%	98
Consumer related products	533	23%	432	12.9%	15.0%	69	6%	65
Head office, shared services & eliminations	-4		-3			-10		-14
Total Group	1 593	13%	1 406	11.3%	10.6%	181	21%	149

Profit for H1

	<i>Rm</i>	2012	% Ch	2011
Turnover		1 593	13	1 406
- Ongoing businesses		1 424	8	1 314
- Acquisitions in 2011 and 2012		169		92
Gross profit		613	12	549
Operating expenses		(432)	8	(400)
Operating profit		181	21	149
- Ongoing businesses		156	17	133
- Acquisitions in 2011 and 2012		25		16

Margin (%)			
Turnover		100.0	100.0
Gross profit		38.5	39.0
Operating expenses		27.1	28.4
Operating profit		11.3	10.6



Financial statements: Income, financial position and cash flow



Profit for the year

<i>Rm</i>	2012	% Ch	2011
Operating profit	181	21%	149
Net interest on working capital	(2)		3
Interest paid to vendors (imputed)	(5)		(7)
Interest paid on sub. debentures	(117)		(116)
Preference dividend received	101		100
Profit before taxation	158	22%	129
Taxation (Rate '12:10% '11:7%)	(16)		(9)
Profit after taxation	142	18%	120
Non-controlling interest	(2)		(1)
Attributable and headline earnings	140	18%	119

Earnings per share and dividends

	2012	% Ch	2011
Earnings per share			
Basic EPS	441c	17%	377c
Headline earnings per share	441c	17%	377c

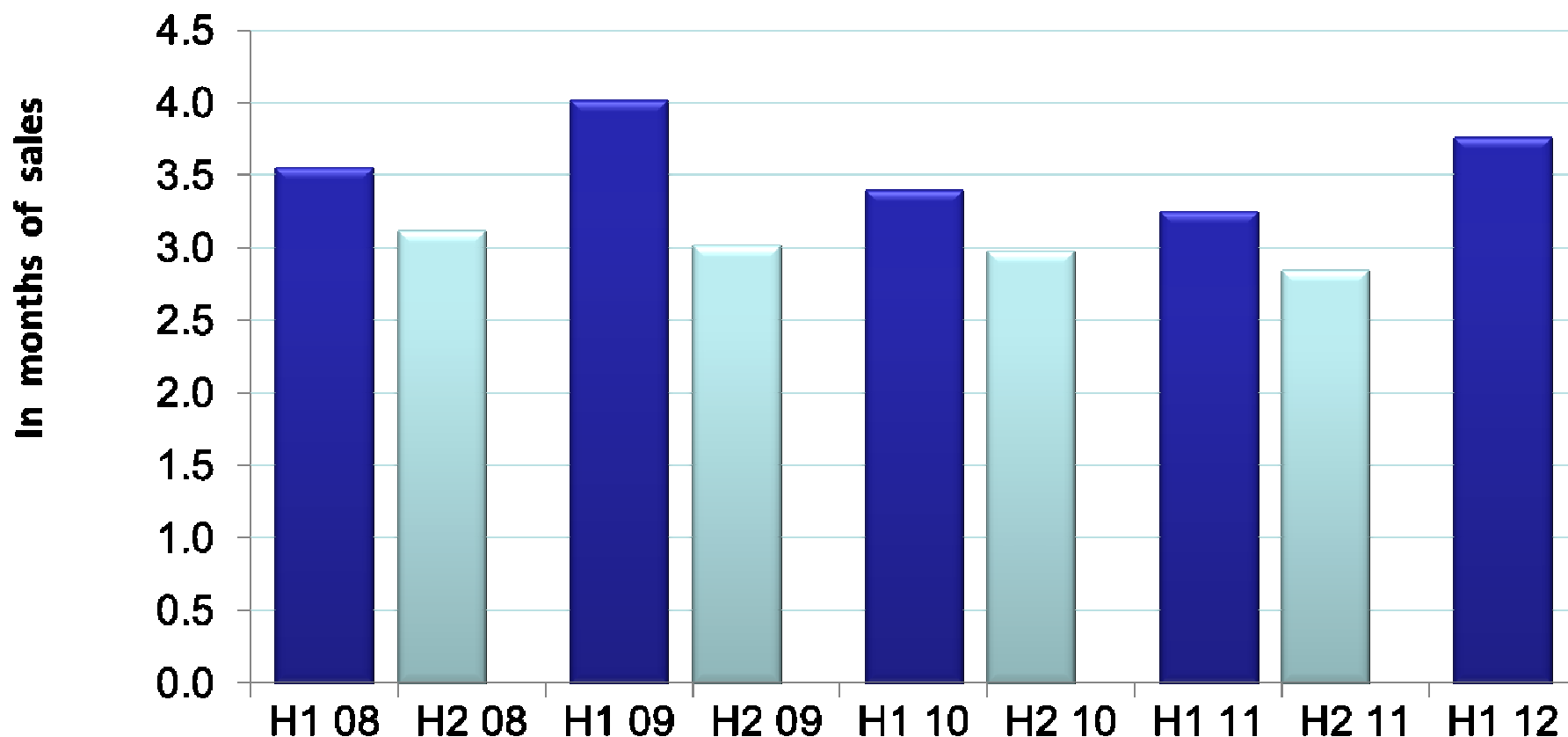
Dividends per share			
Interim	155c	19%	130c
Final			310c
Total			440c

Dividend policy: annual dividends = approximately 40% of heps

Statement of financial position

<i>Rm</i>	May 12	Oper	Div	Acq	Nov 11
Working capital	1 012	163		6	843
Property plant equipment	183	1			182
Goodwill and intangibles	631	(6)		72	565
Tax	7	9		(5)	3
Net operating assets	1 833	167		73	1 593
Cash	(17)	(20)	(114)	(49)	166
Investment in pref shares	2 181				2 181
Net assets	3 997	147	(114)	24	3 940
Equity	1 558	147	(114)		1 525
Subordinated debenture	2 181				2 181
Due to vendors	258			24	234
Total capital employed	3 997	147	(114)	24	3 940

Working capital



One month of sales: H1 2012 = R 269m; H1 2011 = R 241m
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 (2011 45:55)

Cash flow – for the six months

	<i>Rm</i>	May 12		May 11
Cash from trading		203		171
(Increase) decrease in working capital		(162)		(79)
Cash from operating activities		41		92
Net finance costs		(23)		(13)
Tax paid		(25)		(20)
Cash flow from operations		(7)		59
Dividends paid		(114)		(90)
Invested in new businesses and property, plant and equipment		(62)		(132)
Shares issued				2
Net movement		(183)		(161)
Opening cash		166		262
Closing (borrowings) cash		(17)		101

Taxation Laws Amendment Act

- Preference dividends to become taxable from October 2012
- Still awaiting revised legislation
- Potential exposure R5m-R56m per annum
- Expect impact to be well below the maximum
- Considering whether current preference share investment remains the most appropriate investment for Hudaco



Outlook and conclusion



Outlook - reminders

- 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

Engineering consumables

- Paucity of investment in mining industry likely to lead to long-term low (or no) growth economy
- Shortage of electricity and rail capacity in South Africa still constrains mining expansion but improvements now within sight
- Investment in coal mines for new power stations to ramp up
- Manufacturing activity follows mining activity, particularly in the space in which Hudaco plays
- Construction activity to remain muted but power station building continues and there are promises of a resumption of public works programme

Consumer related products

- Industrial power tool sales remain strong
- Analogue to digital migration continues
- Buying down in the automotive parts aftermarket but a return to quality suppliers is inevitable
- Security equipment market remains muted and price driven

Business outlook for 2012+

- Getting organic earnings growth from the local economy will be difficult so look to:
 - growth in neighbouring countries
 - acquisitions - balance sheet investment capacity about R500m
- The group's financial position is strong and we are confident about future earnings prospects

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