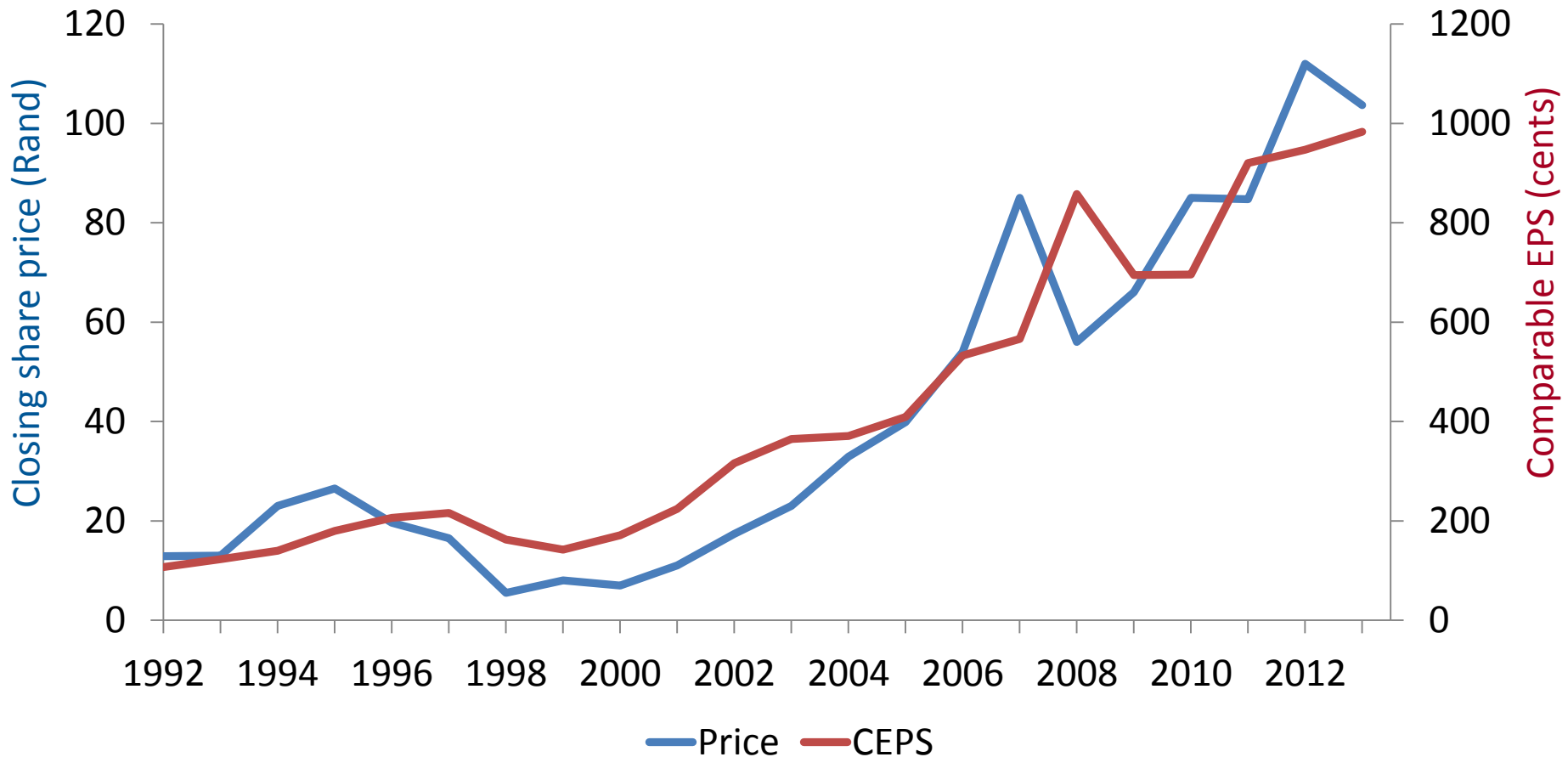




Interim results

For the six months to 31 May 2014

Hudaco closing share price vs CEPS



Agenda

- General business environment
- Results summary and operating segments
- Financial review and taxation
- Outlook

General business environment



General business environment

- In RSA there is little good news around
- Socio/economic tensions continue to play themselves out
- Economy weakening in response to strikes, ratings downgrades, lack of infrastructure (electricity) & policy vacillation
- Rustenburg platinum belt strikes have battered mining & manufacturing sectors
- But that's not all....strike season starts in July
- However, global economies continue to strengthen – will eventually feed into commodity prices
- Platinum belt will slowly get back to normal now the strike is over

Hudaco results

Short term

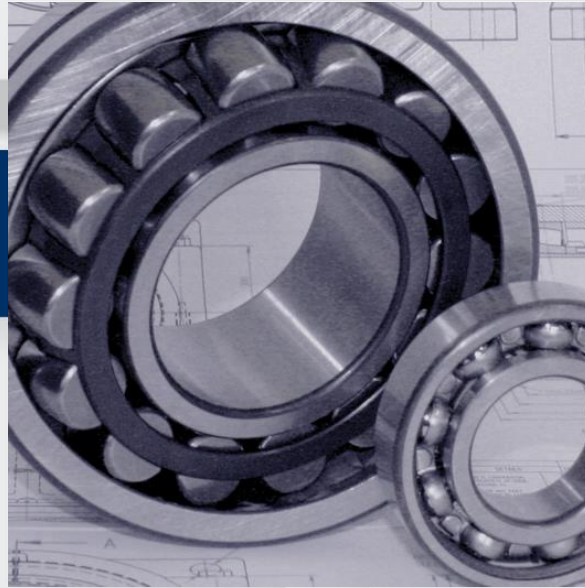
- Mining and manufacturing sectors account for 50% of Hudaco's sales
- So Hudaco has nowhere to hide
- Performance from existing businesses was disappointing but resilient in one of the most challenging trading environments we have experienced
- Acquisitions are performing to expectations
- Exports into Africa grew 33% in H1 (after 50% growth last year)

Hudaco results

Long term

- Hudaco is a GDP linked business – gives earnings stability
- Business model – distribution of spare parts/consumables with value added component - has stood the test of time
- Financial characteristics
 - High margin and high IRR
 - Cash generative
- Well judged acquisitions have made the difference to Hudaco's results in the face of low economic growth in mining & manufacturing over the past 10 years
- Sound, experienced management team
- Hudaco is a great business. I have seen few like it. It will continue to do well.

Results summary and operating segments



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

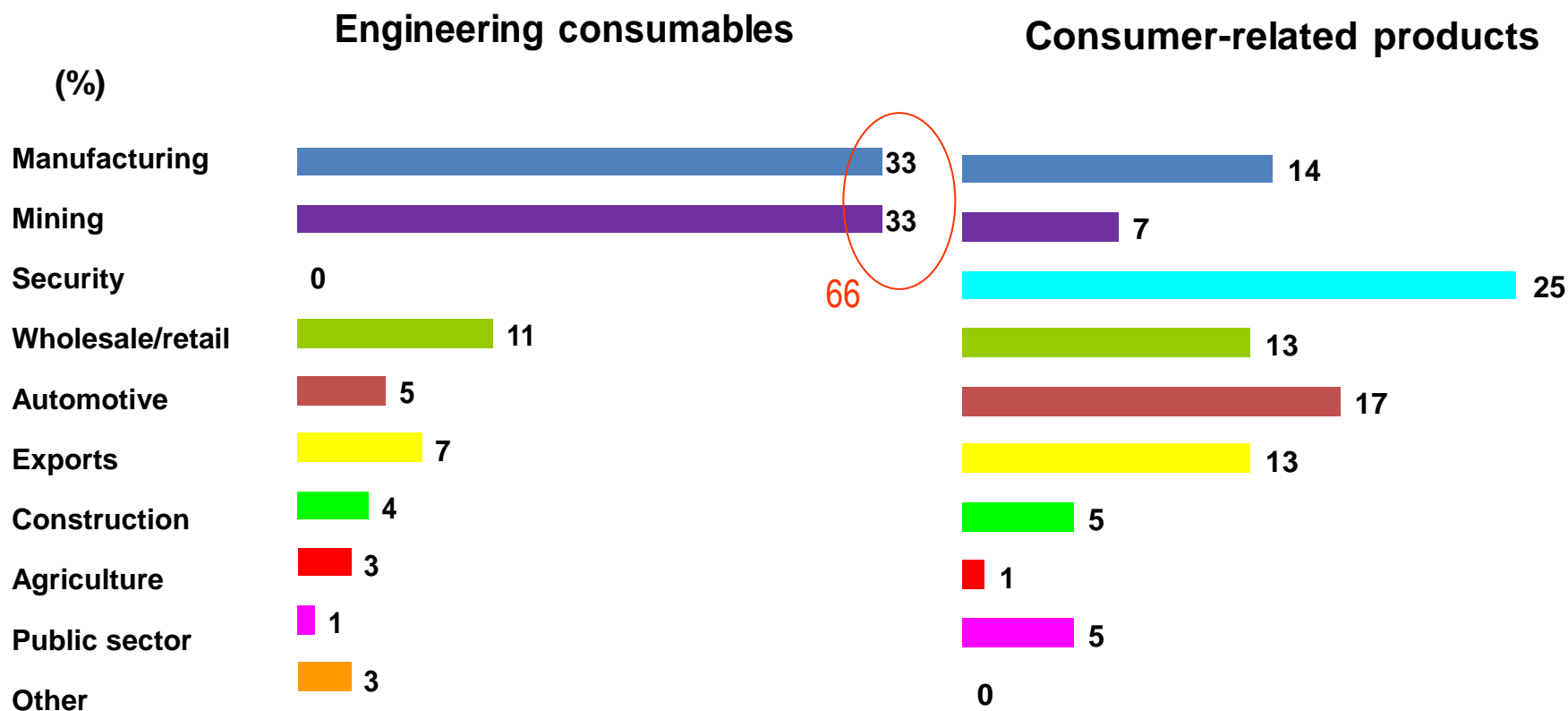
Results summary

Turnover	↑	16% to R2 111 m
Operating profit	↑	3% to R200 m
Headline earnings	↑	2% to R144 m
Comparable earnings per share	↓	5% to 416 cps
HEPS	↑	2% to 456 cps
Dividends per share	→	maintained at 155 cps
Net borrowings	↑	to R564 m

Operating segments

- Largest segment imports and distributes branded **engineering consumables** generally used in the repair and maintenance of machines
 - Bearings
 - Power transmission products
 - Diesel engines and spares
- About 40% of our business is distribution of **consumer-related products** generally sold to installers
 - Power tools
 - Security equipment
 - Automotive aftermarket products
 - Professional communication equipment
- Concept of “value added distribution” is core to our business model

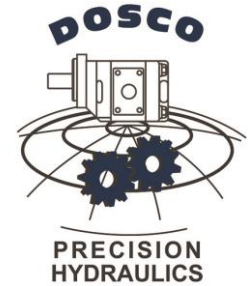
2013 segment sales by market sector



Recent acquisitions

Dosco, GPM & Joseph Grievesson – R154m

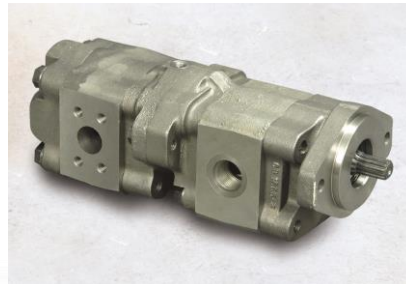
- Manufacturer and distributor of specialised castings & own brand gear pumps
- Customers: sugar mills, mines & general industry. Large export component



JOSEPH GRIEVESON

EST 1915

SUPPLIERS OF FERROUS AND NON-FERROUS CASTINGS



Recent acquisitions

SBS Batteries – R40m

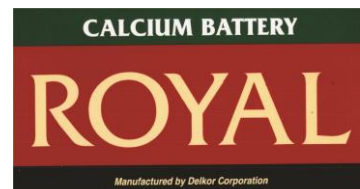
- Distributor of maintenance free batteries
- Used in stand-by & solar applications



**SPECIALISED
BATTERY SYSTEMS**



SBS SOLAR



**BATTERY
CS3**

Segment results – Engineering consumables

	Rm	2014	% Ch	2013
Turnover		1 293	14	1 133
- Ongoing businesses		1 132	1	1 120
- Acquisitions in 2013 and 2014		161		13
Operating profit		124	4	119
- Ongoing businesses		99	(16)	118
- Acquisitions in 2013 and 2014		25		1
Operating profit margin		9.6%		10.5%
- Ongoing businesses		8.7%		10.5%
- Acquisitions in 2013 and 2014		15.5%		7.7%

Segment results – Consumer related products

	Rm	2014	% Ch	2013
Turnover		819	20	684
- Ongoing businesses		728	6	684
- Acquisitions in 2013 and 2014		91		
Operating profit		86	1	85
- Ongoing businesses		72	(15)	85
- Acquisitions in 2013 and 2014		14		
Operating profit margin		10.5%		12.4%
- Ongoing businesses		9.9%		12.4%
- Acquisitions in 2013 and 2014		15.4%		

Segment results

	Turnover			Op Margin(%)		Operating Profit		
	2014	% ch	2013	2014	2013	2014	% ch	2013
Rm								
Engineering consumables	1 293	14%	1 133	9.6%	10.5%	124	4%	119
Consumer - related products	819	20%	684	10.5%	12.4%	86	1%	85
Head office, shared services & eliminations	-1		-4			-10		-9
Total Group	2 111	16%	1 813	9.5%	10.8%	200	3%	195

Profit for the period

	Rm	2014	% Ch	2013
Turnover		2 111	16	1 813
- Ongoing businesses		1 859	3	1 800
- Acquisitions in 2013 and 2014		252		13
Gross profit		753	13	665
Operating expenses		(553)	18	(470)
Operating profit		200	3	195
- Ongoing businesses		161	(17)	194
- Acquisitions in 2013 and 2014		39		1

Margin (%)			
Turnover	100.0		100.0
Gross profit	35.7		36.7
Operating expenses	26.2		25.9
Operating profit	9.5		10.8

Financial review and taxation



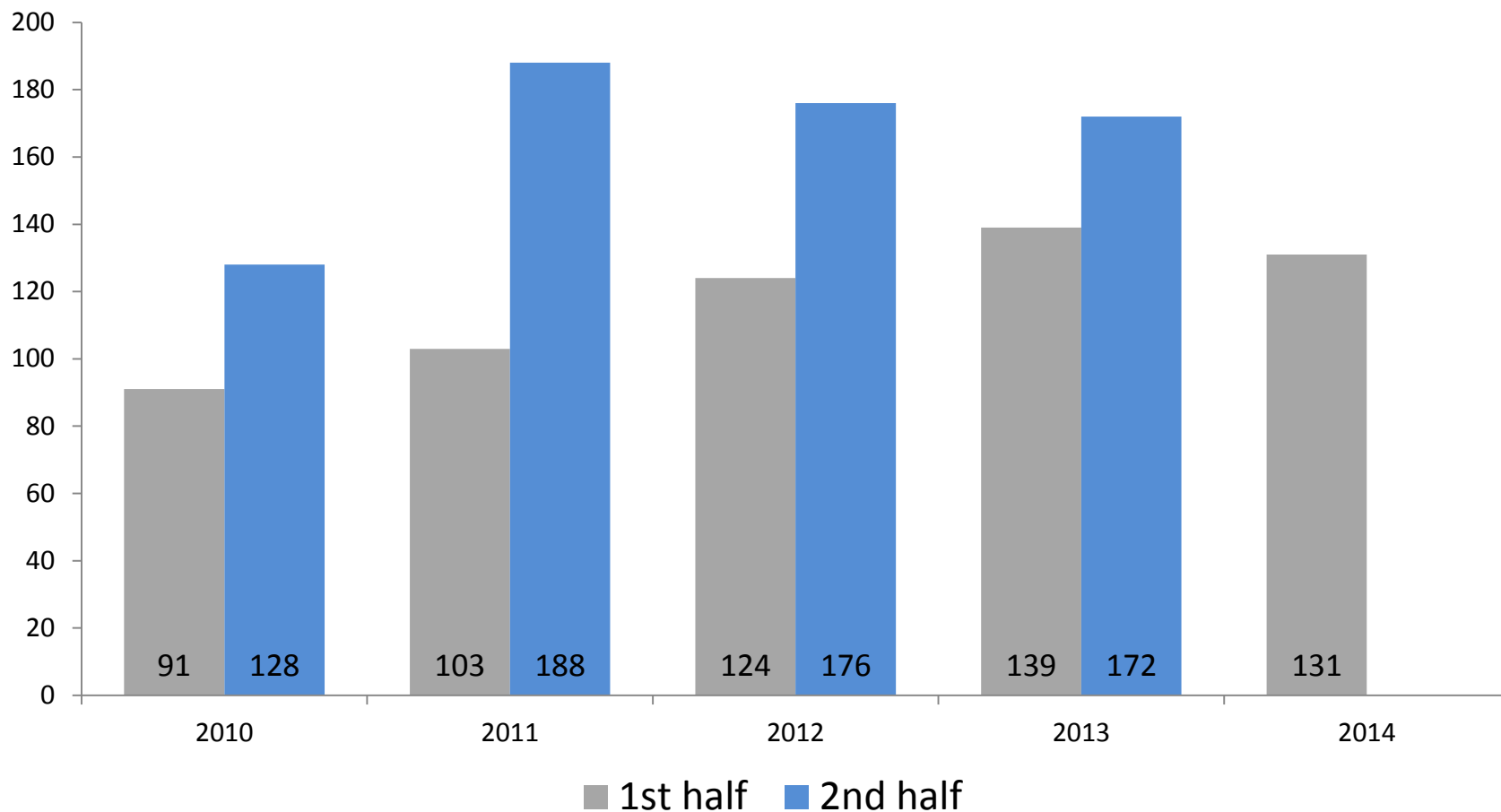
Profit for the period

	Rm	2014	% Ch	2013
Operating profit		200	3%	195
FV adjustment to vendor liability		15		
Net operating interest paid		(17)		(6)
Interest paid on sub. debentures				(58)
Preference dividend received				50
Profit before taxation		198	9%	181
Taxation (Rate 2014:26% 2013:21%)		(51)		(38)
Profit after taxation		147	3%	143
Non-controlling interest		(3)		(1)
Attributable and headline earnings		144	2%	142

Comparable earnings for the period

Rm	2014	% Ch	2013
Operating profit	200	3%	195
FV adjustment to vendor liability	-		-
Net operating interest paid	(17)		(6)
Interest paid on sub. debentures	-		-
Preference dividend received	-		-
Profit before taxation	183	-3%	189
Taxation (Rate 2014:28% 2013:26%)	(51)		(49)
Profit after taxation	132	-5%	140
Non-controlling interest	(1)		(1)
Attributable and headline earnings	131	-5%	139

Comparable earnings by half year



Earnings per share and dividends

	2014	% Ch	2013
Earnings per share			
Basic earnings per share	456c	1.8%	448c
Headline earnings per share	456c	1.8%	448c
Comparable earnings per share	416c	-5%	440c

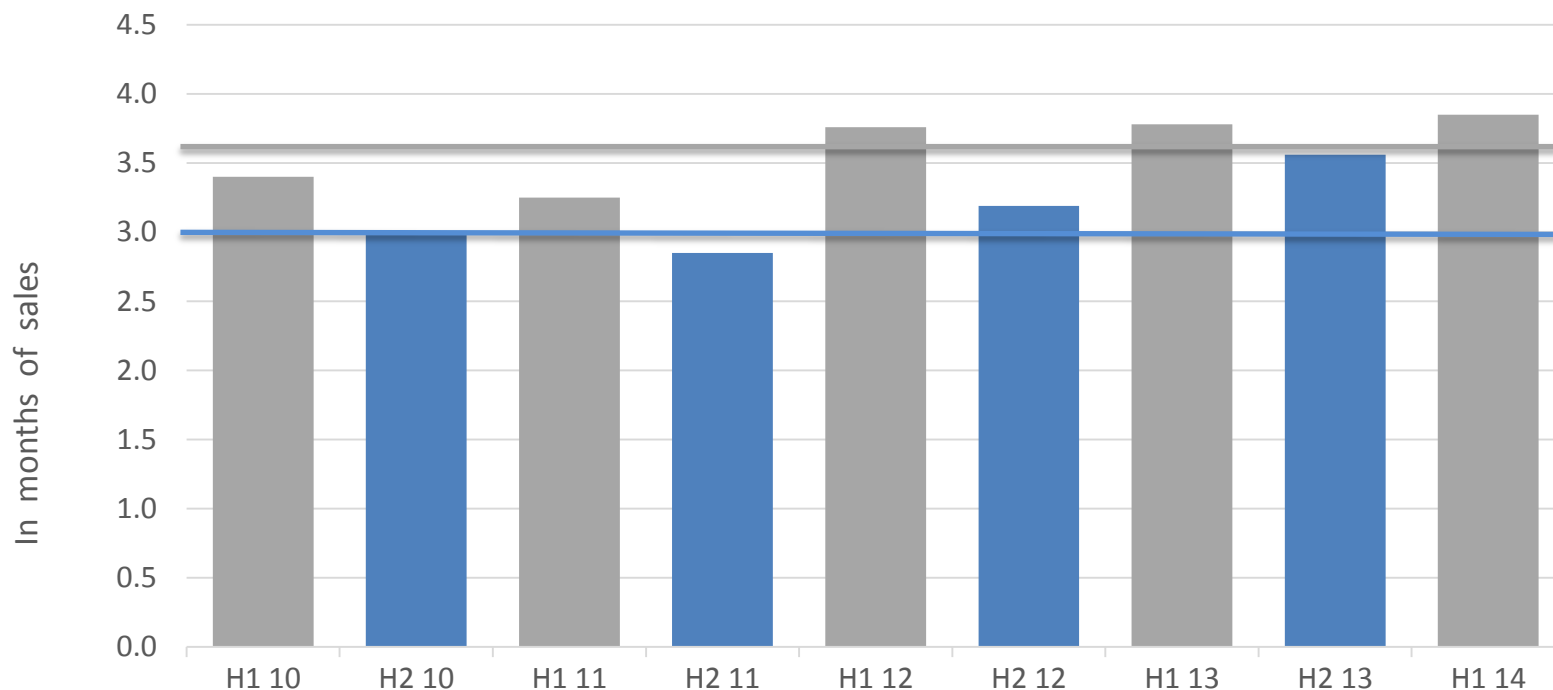
Dividends per share			
Interim	155c	-	155c
Final			310c
Total			465c

Dividend policy: annual dividends = approximately 40% of ceps

Statement of financial position

	Rm	May 14	Oper	Div	Vendors	Acq	Nov 13
Working capital		1 355	117			27	1 211
Property, plant equipment		240	8			18	214
Goodwill and intangibles		777	(10)			129	658
Tax		17	25			(15)	7
Net operating assets		2 389	140	-	-	159	2 090
Tax paid in advance		80	40				40
Net assets		2 469	180	-	-	159	2 130
Equity		1 883	137	(100)	11		1 835
Bank		564	43	100	60	157	204
Due to vendors		22			(71)	2	91
Total capital employed		2 469	180	-	-	159	2 130

Working capital



One month of sales: H1 2014 = R 352m; H1 2013 = R 340m

- 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 (2013: 46:54 if acquisitions in for full year)

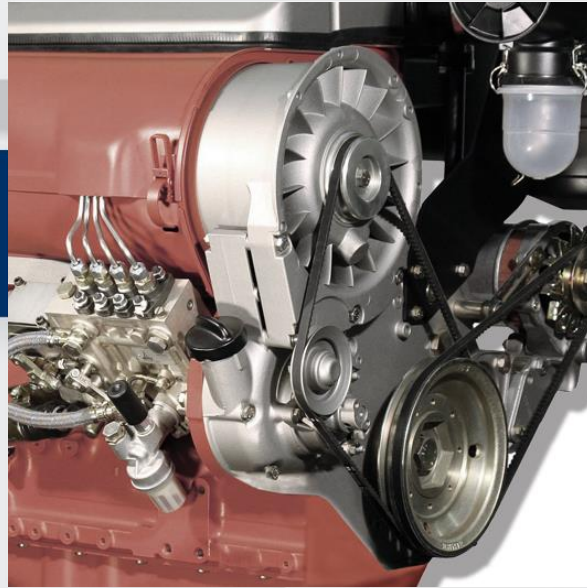
Cash flow – for the six months

	Rm	May 14		May 13
Cash from trading		231		221
Increase in working capital		(118)		(114)
Cash from operating activities		113		107
Net finance costs		(15)		(11)
Tax paid		(116)		(5)
Cash flow from operations		(18)		91
Dividends paid		(100)		(108)
Invested in new businesses and property, plant and equipment		(242)		(114)
Net movement		(360)		(131)
Opening borrowings		(204)		(17)
Closing borrowings		(564)		(148)

Tax challenge

- SARS have uncovered complex arrangements connected to our 2007 structure and allege Hudaco was party to them
- Hudaco had no knowledge or suspicion of these and is confident of refuting the assessments
- As expected, our objections have been rejected but penalties reduced to 150% for technical reasons
- Next step is appeal to Tax Court
- Contingent liability R1.4bn, without double counting and brought up to date
- “Pay now, argue later” – agreed to pay R20m per quarter until legal process concluded
- Estimate 2 to 3 years

Outlook



Outlook - Engineering consumables

- RSA mining and manufacturing sectors are very important to this segment
- What impact the Rustenburg mining strikes will have on other mines and sectors? Unlikely to be benign
- Back to work is good news but steady state production only envisaged by October 2014
- Impact on this year's results unavoidable
- NUMSA strike starts in July
- Growing own brands in world markets a priority

Outlook – Consumer-related products

- Consumer spending slowing
- Volume sales remain steady but growth is elusive
- Heavy duty clutch assembly starts in H2
- Sales of communication equipment down in H1 but project orders expected in H2

General outlook

- 2014 earnings will be affected by strikes but will be resilient as they were in H1
- Acquisitions are strengthening and diversifying the earnings base
- Sales into Africa are growing strongly
- Exports of own brands receiving high priority
- Experienced management team, clear on areas of focus

Disclaimer

The preceding presentation contains forward looking statements about the Hudaco Group's operations and financial position. They are prepared in good faith and are based on Hudaco's best estimates and information at the time of preparing the presentation. They are nonetheless subject to significant uncertainties and contingencies many of which are understandably beyond Hudaco's control. Unanticipated events will occur and actual future events may differ materially from current expectations for many reasons including new business opportunities, as well as many other internal and external factors. Any of these factors may materially affect Hudaco's future business activities and financial results. None of the forward looking statements has been reported on by Hudaco's auditors.

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