

The slide features a central dark blue square containing the 'Hudaco' logo in white italicized font. Below the logo, the text 'Unaudited interim results' is written in a bold white sans-serif font, followed by 'for the six months ended 31 May 2015' in a smaller white sans-serif font. The background is light gray with a horizontal white band. Several dark blue squares of various sizes are positioned around the central blue square, creating a layered, geometric effect.

Hudaco

Unaudited interim results

for the six months ended 31 May 2015

OVERVIEW

- Comparable earnings 32% up
- Results commendable under tough economic conditions
- Portfolio of existing businesses weathering economic conditions well
- Acquisition strategy continues to pay off and we continue to reduce dependence on the mining and manufacturing sectors

OVERVIEW continued

- 1 year since successful transition to new CEO
- Experienced management team focused on the job at hand
- Cash flow is strong and the group is in good shape
- Dividend increased 16% to 180 cents

AGENDA

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



GENERAL BUSINESS ENVIRONMENT

GENERAL BUSINESS ENVIRONMENT

- South Africa's weakening economy continues to be plagued by depressed business confidence due to ongoing power outages, policy uncertainty, stifling bureaucracy, low commodity prices, and volatility and inflexible labour markets
- The effect of this is being felt particularly in the mining and manufacturing sectors
- Consumer spending however is holding up reasonably well

HUDACO RESULTS – H1 2015

- Unsurprisingly engineering consumables segment struggled
- Mining dependent businesses impacted most severely
- Mining and manufacturing sectors accounted for 30% of Hudaco's sales in H1 2015 – down from 50% five years ago
- Bearings International turn-around on track but market is soft
- However power generation businesses performed very well
- Acquisition strategy has been to favour diversification by buying businesses exposed to consumer spending

HUDACO RESULTS – H1 2015

- Consumer-related segment performed well
- Partquip performing to expectations
- Security business underperformed - mainly projects
- Communication equipment contract secured and delivered in first half
- Exports into Africa growing steadily
- Good cash flow in the first half notwithstanding traditional stocking up for the busier second half



RESULTS SUMMARY AND OPERATING SEGMENTS

RESULTS SUMMARY

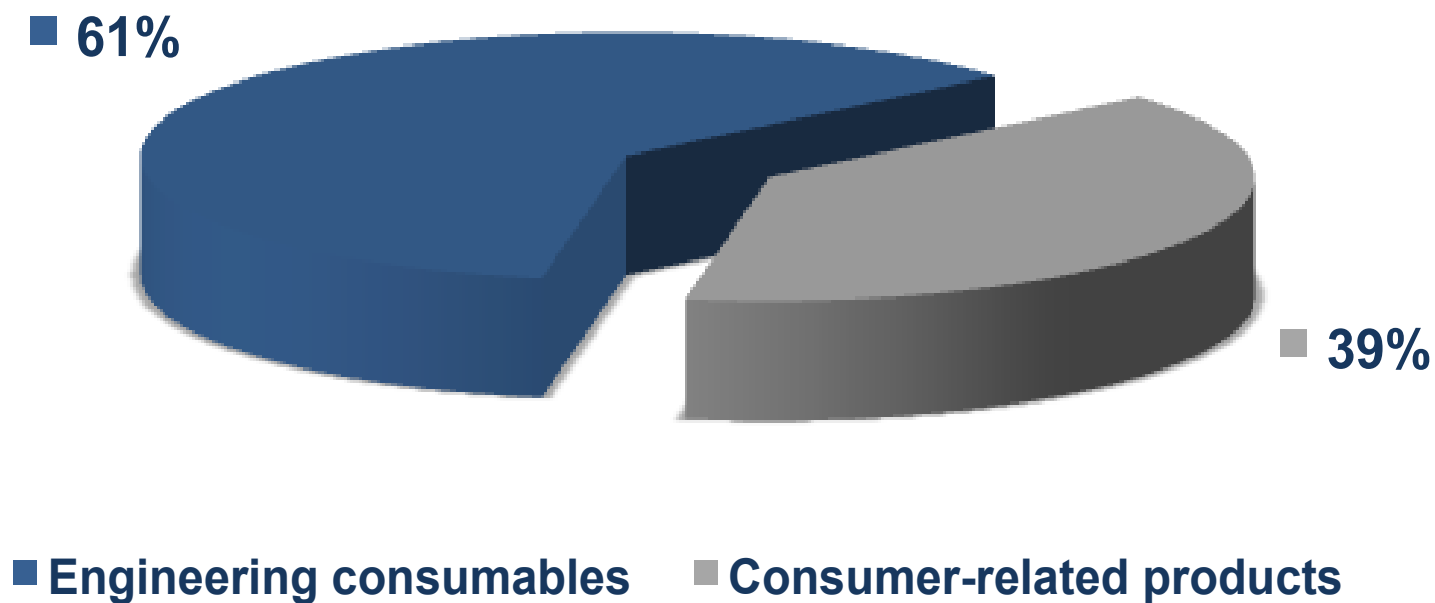
Turnover	↑	21% to R2,5bn
Operating profit	↑	46% to R292m
Operating margin	↑	up 2% to 11,5%
Comparable earnings per share	↑	up 32% to 548cps
Headline earnings per share	↑	20% to 548cps
Cash flow from operations	↑	up 190% to R328m
Dividends per share	↑	16% to 180cps
Net borrowings	↑	R552m to R965m

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 machinery
- The concept of “value-added distribution” is core to our business model
- Agency agreements generally restrict our activities to Africa south of the equator
- Financial characteristics
 - High operating margin and high returns
 - Cash generative
 - Low capex requirement

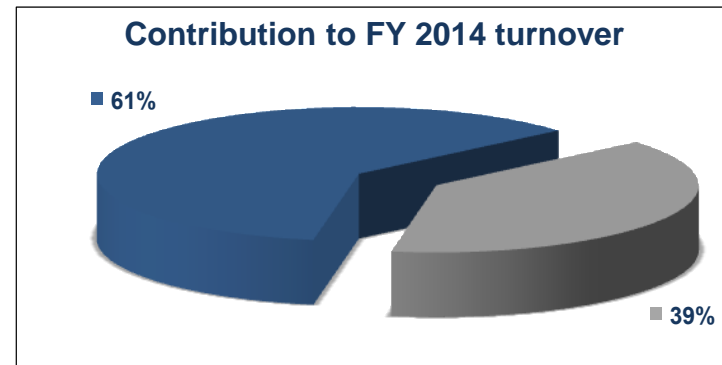
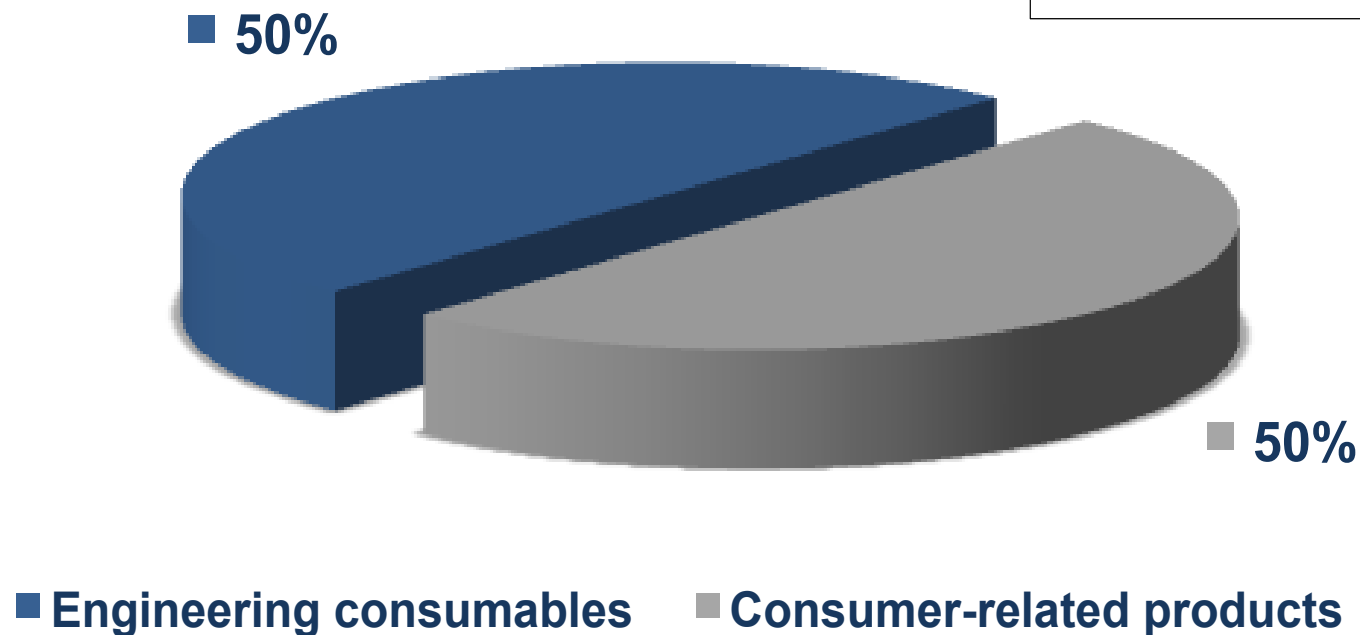
SEGMENT CONTRIBUTIONS

Contribution to FY 2014 turnover



SEGMENT CONTRIBUTIONS – SIGNIFICANT SHIFT

Contribution to 2015 H1 turnover



OPERATING SEGMENTS

Consumer-related products

This segment of our business is distribution of consumer-related products generally sold to installers

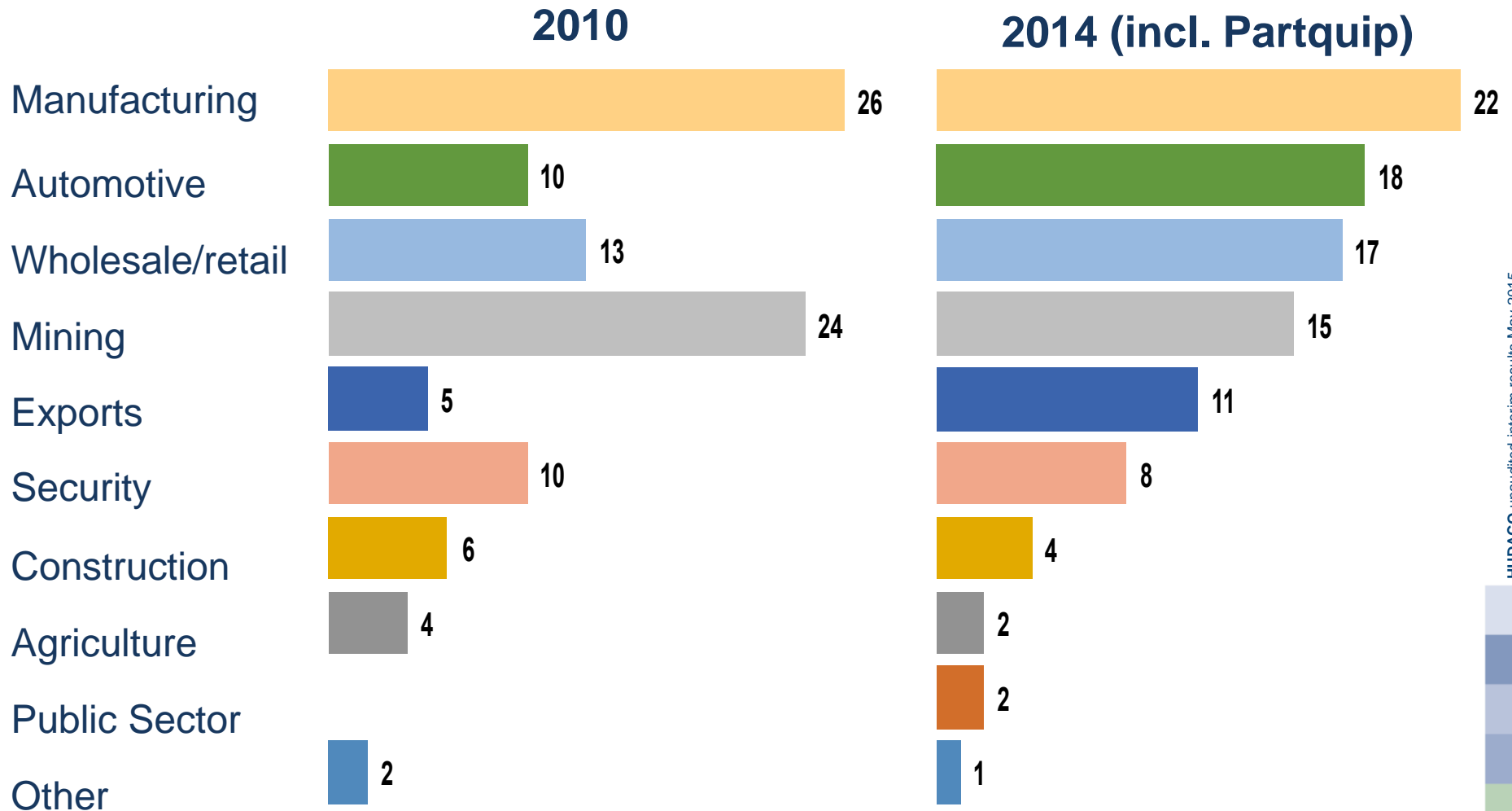
- Automotive aftermarket products
- Power tools
- Batteries
- Security equipment
- Professional communication equipment

Engineering consumables

This segment imports and distributes branded engineering consumables generally used in the repair and maintenance of machinery

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

SALES BY MARKET SECTOR - DIVERSIFIED



Partquip Group

- Distributor of:
 - automotive spares and accessories
 - wheels
 - Ironman 4X4 accessories (50% held by Ironman 4X4 in Australia)
- Price R440m (net)





- **Bearings**
- **Control Cables**
- **CV Joints & Boots**
- **Hoses**
- **Hydraulics**
- **Ignition Coils**
- **Mountings**
- **Seals**
- **Suspension**
- **V-Belt Tensioners**



**Automotive replacement parts available
at any retail spares outlet near you**

A-LINE

An advertisement for A-line WHEELS. The background features a large, multi-spoke alloy wheel with a central hubcap that says 'team A-LINE'. The wheel is set against a dramatic sky and ocean scene. In the foreground, four smaller alloy wheels of different designs and colors (silver, gold, and black) are displayed. The text 'team A-LINE' is written in a large, stylized font across the top left. The A-line WHEELS logo is in the bottom left. At the bottom, there is a website URL and contact information for dealers in JHB, KZN, and CTN.

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 - 011 634 7777 KZN - 031 563 7766/7847 CTN - 021 531 1304/6/8

IRONMAN 4 X 4



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 – CONSUMER-RELATED PRODUCTS SHINES

	Rm	Turnover			Op Margin		Operating Profit		
		2015	% ch	2014	2015	2014	2015	% ch	2014
Ongoing operations		973	19	819	14.5%	10.5%	141	64	86
New businesses		312			17.0%		53		
Segment total		1 285	57	819	15.1%	10.5%	194	126	86

- Rutherford – power tool sales held steady
- Deltec/SBS – battery businesses capitalising on power crisis
- Elvey – security equipment sales down. Mainly project business
- Partquip performing to expectations
- Global – communication equipment sales up (contracts in H1)

SEGMENT RESULTS – ENGINEERING CONSUMABLES RESILIENT

	Turnover				Op Margin			Operating Profit		
Rm	2015	% ch	2014		2015	2014		2015	% ch	2014
Ongoing operations	1 259	(3)	1 293		9.4%	9.6%		118	(5)	124
New businesses	6				33.3%			2		
Segment total	1 265	(2)	1 293		9.5%	9.6%		120	(3)	124

- DDP – Generator sales up
- BI, mechanical and electrical power transmission battled in a tough environment
- FHS - filter sales held up well in a very tough environment

SEGMENT RESULTS 2015 – OPERATING PROFIT UP

	Turnover			Op Margin		Operating Profit		
Rm	2015	% ch	2014	2015	2014	2015	% ch	2014
Consumer-related products	1 285	57	819	15.1%	10.5%	194	126	86
Engineering consumables	1 265	(2)	1 293	9.5%	9.6%	120	(3)	124
Head office, shared services & eliminations	(1)		(1)			(22)		(10)
Total Group	2 549	21	2 111	11.5%	9.5%	292	46	200

STRONG GROWTH IN PROFIT FOR THE SIX MONTHS

	Rm	2015	% Ch	2014
Turnover		2 549	21	2 111
- Ongoing operations		2 231	6	2 111
- New businesses		318		
Gross profit		924	23	753
Operating expenses		632	14	553
Operating profit		292	46	200
- Ongoing operations		237	19	200
- New businesses		55		

Margin (%)			
Turnover	100.0		100.0
Gross profit	36.2		35.7
Operating expenses	24.7		26.2
Operating profit	11.5		9.5



FINANCIAL REVIEW

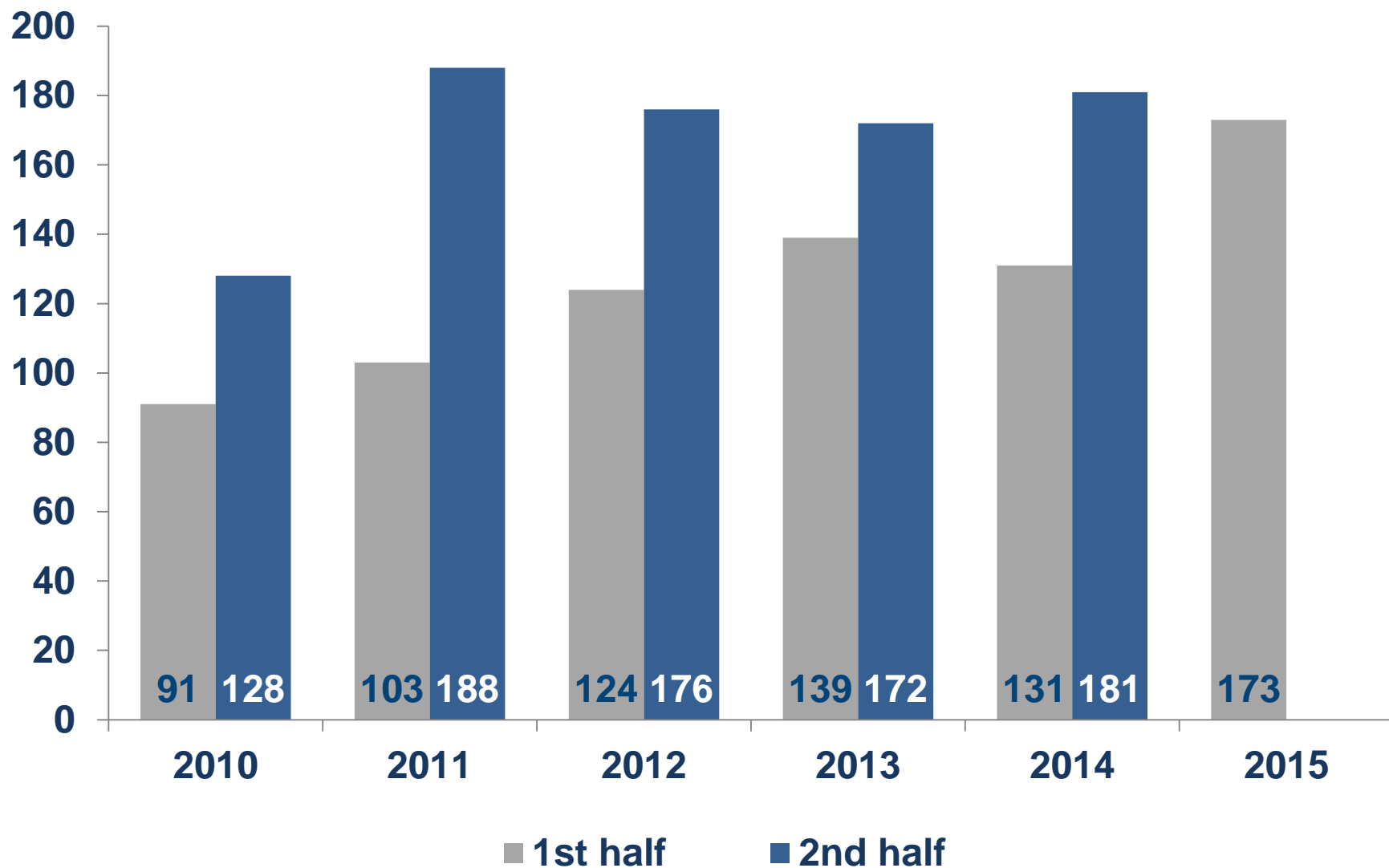
PROFIT FOR THE SIX MONTHS

	Rm	2015	% Ch	2014
Operating profit		292	46	200
Fair value adj to amounts due to vendors				15
Net interest on funding		(38)		(15)
Interest paid to vendors (imputed)		(1)		(2)
Profit before taxation		253	28	198
Taxation (Rate 2015:28% 2014:26%)		71		51
Profit after taxation		182	24	147
Share of income from joint venture		1		
Profit for the period		183	24	147
Non-controlling interest		10		3
Attributable earnings		173	20	144

COMPARABLE EARNINGS FOR THE SIX MONTHS UP 32%

	Rm	2015	% Ch	2014
Operating profit		292	46	200
Net interest on funding		(38)		(15)
Interest paid to vendors (imputed)		(1)		(2)
Profit before taxation		253	38	183
Taxation (Rate 2015:28% 2014:28%)		(71)		(51)
Profit after taxation		182	38	132
Share of income from joint venture		1		
Non-controlling interest		(10)		(1)
Comparable earnings		173	32	131

COMPARABLE EARNINGS BY HALF YEAR



EARNINGS AND INCREASED DIVIDENDS PER SHARE

	2015	2014
Earnings per share		
Comparable	548c	416c
Basic	548c	456c
Headline	548c	456c

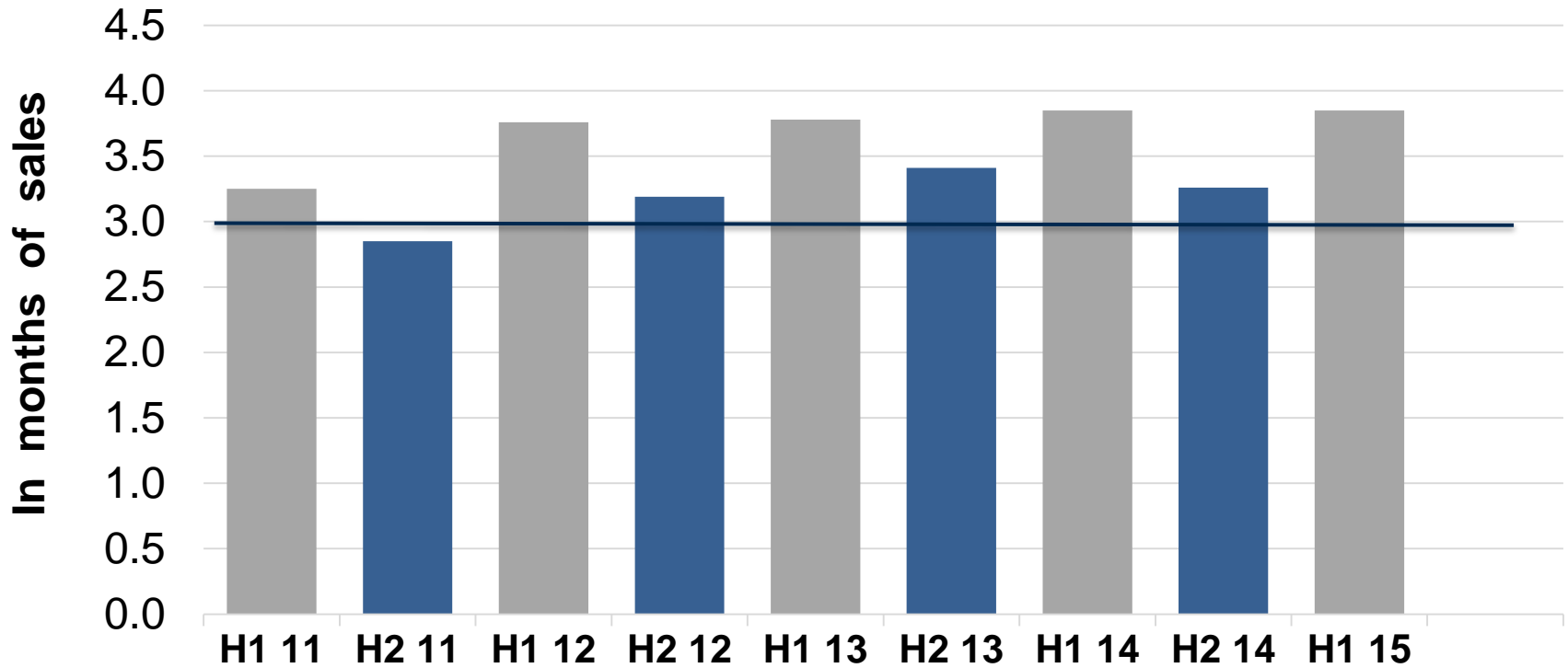
Dividends per share		
Interim	180c	155c
Final		310c
Total		465c

Dividend policy: annual dividends = approximately 2,5x covered

STATEMENT OF FINANCIAL POSITION IS HEALTHY

	Rm	May 15	May 14	Nov 14
Working capital		1 429	1 355	1 286
Property, plant equipment		264	240	257
Goodwill and intangibles		1 075	777	766
Investment in joint venture		2		
Tax in advance			80	
Tax normal			17	7
Net assets		2 770	2 469	2 316
Equity		1 774	1 883	1 682
Bank borrowings		965	564	413
Taxation		10		192
Due to vendors		21	22	29
Total equity & liabilities		2 770	2 469	2 316

WORKING CAPITAL AT RIGHT LEVEL

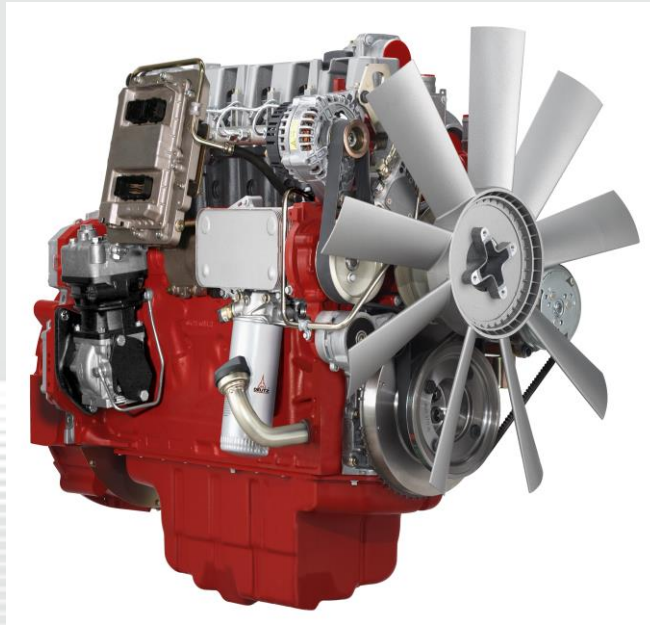


One month of sales: H1 2015 = R 425m; H1 2014 = R 352m

- Working capital traditionally peaks end of H1 to cope with anticipated increased seasonal demand in H2
- Sales were generally split 45/55 between H1 and H2 (2014: 47/53) but strike activity has disrupted this pattern
- Partquip and timing of communication contract may narrow the split

CASH FLOW USED FOR ACQUISITIONS AND TAX SETTLEMENT

	Rm	2015		2014
Cash from trading		331		231
Increase in working capital		(3)		(118)
Cash from operating activities		328		113
Net finance costs		(38)		(15)
Tax paid (including settlement)		(265)		(116)
Cash flow from operations		25		(18)
Dividends paid		(98)		(100)
Invested in new businesses and property, plant and equipment		(479)		(242)
Net movement		(552)		(360)
Opening borrowings		(413)		(204)
Closing borrowings		(965)		(564)



OUTLOOK

OUTLOOK REMINDERS

- Hudaco sales are predominantly GDP driven
- GDFI adds capacity for future GDP activity
- Exposure to mining and manufacturing in the first half down to 30%
- Rand exchange rate has a big impact on pricing and profitability

OUTLOOK BY SEGMENT

Consumer-related products

- Battery sales very good
- Partquip expected to continue to perform well
- Industrial power tool sales remain strong

Engineering consumables

- Mining and manufacturing represent 54% of this segment's sales
- Generator sales (DDP) very good
- Shortage of electricity, policy uncertainty and labour issues constrain investment in mining and manufacturing

CHALLENGING OUTLOOK FOR H2 2015

- Consumer-related products segment to continue to perform well - Partquip to add to earnings in the second half
- Engineering consumables segment should have a stronger second half
- Exports growing steadily
- Cash flow normally strong in the H2
- Further bolt-on acquisitions being considered but will not impact 2015 results

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