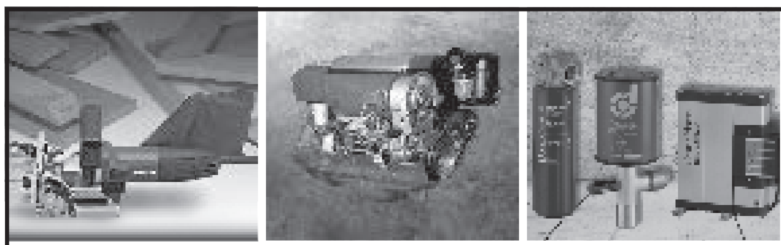

AUDITED PRELIMINARY REPORT

for the year ended 30 November 2012

Hudaco

Mining strikes adversely impact **H2 results**

Sales **up 10%** to **R3,5 billion**

Headline earnings per share **up 5%** to **R10,71**

Ordinary dividends declared **up 6%** to **R4,65** per share

ENGINEERING CONSUMABLES

AmbroSales – Distributor of special solid and hollow round steel.

Astore – Distributor of specialised thermoplastic pipes, fittings and Keymak PVC hose.

Bearings International – Distributor of bearings, chain, seals, geared motors, electric motors, transmission products and alternators.

Belting Supply Services – Distributor of conveyor belting, industrial hose, fluid sealing and process control products.

Bosworth – Manufacturer of conveyor drive pulleys, forgings and rollings.

Deutz Diesel Power – Distributor of Deutz diesel engines and Deutz spare parts and the provision of service support.

Eriez Lowe / Fluid – Manufacturer of hydraulic and pneumatic equipment.

FHS – Supplier of filtration solutions, kits and accessories.

Powermite – Distributor of electrical cabling, plugs, sockets, electric feeder systems and crane materials.

VARISPEED – Distributor of controllers, monitors and regulators of the speed of standard AC motors.

CONSUMER RELATED PRODUCTS

ABES – Distributor of automotive clutch kits and ignition leads, rotary oil and hydraulic seals.

Deltec – Distributor of maintenance free batteries.

ELVEY Security Technologies – Distributor of intruder detection, access control and related CCTV equipment.

global communications – Distributor of professional mobile radio communication equipment and radio systems integrator.

PENTAGON – Distributor of CCTV equipment, including system design, integration into access control, intruder, fire detection systems and Video over IP.

Rutherford – Distributor of Makita power tools, Mercury marine engines and survey instrumentation.

Results

Hudaco is a South African group that imports and distributes branded industrial consumable products. Its main product offering includes bearings, filters, power transmission equipment, power tools and communication, automotive and security equipment. Its customer base is mainly within the southern African manufacturing, mining, construction, automotive aftermarket and security and communication industries. Adding value to the product sold by offering prompt availability, technical support and training is a key part of Hudaco's business model.

Hudaco has delivered a reasonable set of results this year considering that the trading environment in the final quarter, which is normally our most profitable, proved very difficult. Demand for our product offering was reasonably strong until September 2012 when the mining strikes closed the platinum mines for the rest of the year and closed some gold and coal mines for shorter periods. The group made three acquisitions this year. Acquisitions made in the previous years continued to perform well. This year the group decided to increase its efforts to penetrate markets in neighbouring countries as it became clear that their strong growth is probably going to be sustained. Although the Rand exchange rate on average was weaker than 2011, volatility made price increases hard to achieve and sustain.

The ***Engineering Consumables*** segment is the largest contributor of profits for the Hudaco group delivering 62% of operating profit this year. Sales, at R2,3 billion, were 4% up, while operating profits increased only 2%. Demand from the two key markets for this segment, South African-based mining and manufacturing, was severely affected by strikes in the final, usually busiest, quarter of the year. However demand from mining customers in neighbouring countries was noticeably higher than previous years. The ***Consumer Related Products*** segment had a good year sales wise with continued strong demand for power tools and professional digital radio communication equipment. However price increases, which are usually linked to a weakening in the Rand, were difficult to achieve. As a result margins came under pressure – on a sales increase of 22% the segment could only manage to increase operating profits by 4%.

The group gross margin of 39% decreased from last year's 40%, evidence of the pricing difficulty we experienced in a volatile exchange rate environment. Expenses as a percentage of sales improved to 26,3% from 26,6% last year but this was not enough to prevent a decline in the operating profit margin from 13,4% last year to 12,5% this year.

Headline earnings per share of 1 071 cents are up 5% on last year. The group's dividend policy remains unchanged and is to pay about 40% of normalised earnings annually. The final dividend of 310 cents per share brings total dividends declared in respect of the 2012 financial year to 465 cents which is 6% up on last year.

The financial position is healthy. Working capital (inventories, accounts receivable and accounts payable) is up on last year but due to the lost sales in the final quarter of the year the group is carrying an additional R45 million in inventories which would, in a normal year, be split between cash and debtors. It will take about six months to bring working capital back into line. In the past year Hudaco has acquired three small businesses, two of them bolting onto existing businesses, at an estimated cost of R142 million of which R103 million has already been paid. The balance is still to be paid over the next three years and is dependent on earn-out performances. The group has net borrowings of R17 million (last year: R169 million net cash on hand) at year end.

In 2007 we put in place a leveraged BEE structure to enable our BEE partners to obtain a stake at minimal cost. We have received a notice from SARS indicating that they believe that our BEE structure was a scheme designed to avoid tax and that they intend imputing taxable interest on Hudaco and disallowing STC credits arising on the preference dividends received. We strongly disagree with the SARS interpretation of our motivation. When the structure was put in place, we obtained advice from senior counsel that our case would stand up to scrutiny. This has been reconfirmed since receiving the notice. If SARS assess us, we will contest the assessment vigorously as we remain confident of our position. The tax involved, including interest, amounts to approximately R500 million. SARS may also seek to impose penalties.

Prospects

Trading conditions are expected to remain muted in 2013. The rapid growth in consumer spending over the past few years has fuelled growth in public sector employment followed by above inflation wage increases and the expansion of the social grant programme. Mining expansion waits for a recovery in the major economies of the world and the higher commodity prices that it will bring. Hopefully the infrastructure – electricity and rail – required to allow the country to capitalise on any recovery will be in place by then. We also hope that the strike action of the last few months will be resolved soon. Pricing is mainly driven by the Rand exchange rate and, given the volatility this year, we make no attempt to guess how it will perform in 2013.

Economic growth in neighbouring countries, however, is expected to remain strong and we are well positioned to take advantage of this. The group is also committed to continuing its successful acquisition strategy. Notwithstanding economic uncertainties the group is in good shape and is well placed for the future.

Declaration of final dividend no 52

Final dividend number 52 of R3,10 per share is declared payable on Monday, 11 March 2013 to ordinary shareholders recorded in the register at the close of business on Friday, 8 March 2013.

The timetable for the payment of the dividend is as follows:

Last day to trade *cum* dividend	Friday, 1 March 2013
Trading *ex* dividend commences	Monday, 4 March 2013
Record date	Friday, 8 March 2013
Payment date	Monday, 11 March 2013

Share certificates may not be dematerialised or rematerialised between Monday, 4 March 2013 and Friday, 8 March 2013, both days inclusive. The certificated register will be closed for this period.

In terms of the Listings Requirements of the JSE Limited regarding the new Dividends Tax effective 1 April 2012, the following additional information is provided:

- The dividend has been declared out of income reserves;
- The local dividend rate is 15%;
- Secondary Tax on Company (STC) credits of R3,10 per share will be utilised;
- The gross local dividend amount is R3,10 per ordinary share for shareholders exempt from the Dividends Tax;
- The net local dividend amount is R3,10 per ordinary share for shareholders liable to pay the new Dividends Tax;
- Hudaco Industries Limited has 34 153 531 shares in issue (which includes 2 507 828 treasury shares); and
- Hudaco Industries Limited's income tax reference number is 9400/159/71/2.

Results presentation and annual general meeting

Hudaco will host presentations on the financial results in Johannesburg and Cape Town on Friday, 1 February 2013 and Monday, 4 February 2013, respectively. Anyone wishing to attend should contact Janine Yon at 011 657 5007.

The slides which form part of the presentation will be available on the company's website from Tuesday, 5 February 2013.

The company's 28th annual general meeting will be held at Hudaco's corporate offices situated at Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale at 11:00 on Thursday, 28 March 2013. The record date for attending and voting at the annual general meeting is Friday, 22 March 2013. Further details on the company's annual general meeting will be included in the integrated report that will be published in February 2013 and will be posted to the shareholders on or about 26 February 2013.

Approval of financial statements

The financial statements have been approved by the board and abridged for purposes of this report. Grant Thornton has signed an unqualified audit opinion on the annual financial statements. The auditors' report does not necessarily cover all the information contained in this announcement. Both the financial statements and the auditor's report are available for inspection at the company's registered office.

For and on behalf of the board

RT Vice
Independent non-executive chairman

SJ Connelly
Chief executive

31 January 2013

Group statement of financial position

R million	30 Nov 2012	30 Nov 2011
ASSETS		
Non-current assets	**3 040**	2 939
Property, plant and equipment	**205**	182
Investment in preference shares	**2 181**	2 181
Goodwill	**594**	516
Intangible assets	**49**	49
Deferred taxation	**11**	11
Current assets	**1 679**	1 598
Inventories	**919**	813
Trade and other receivables	**684**	616
Bank deposits and balances	**76**	169
TOTAL ASSETS	**4 719**	4 537
EQUITY AND LIABILITIES		
Equity	**1 696**	1 525
Interest of shareholders of the group	**1 670**	1 494
Non-controlling interest	**26**	31
Non-current liabilities	**2 244**	2 306
Subordinated debenture	**2 181**	2 181
Finance leases		2
Amounts due to vendors of businesses acquired	**63**	123
Current liabilities	**779**	706
Trade and other payables	**592**	586
Bank overdraft	**93**	
Finance leases		1
Amounts due to vendors of businesses acquired	**88**	111
Taxation	**6**	8
TOTAL EQUITY AND LIABILITIES	**4 719**	4 537

Group statement of comprehensive income

R million	Year ended 30 Nov 2012	% change	Year ended 30 Nov 2011
Turnover	**3 492**	10	3 182
– Ongoing operations	**2 981**	4	2 860
– Acquired in 2011 and 2012	**511**		322
Cost of sales	**2 137**		1 910
Gross profit	**1 355**	7	1 272
Operating expenses	**918**		846
Operating profit	**437**	3	426
– Ongoing operations	**373**		377
– Acquired in 2011 and 2012	**64**		49
Reversal of impairment on property	**1**		
Fair value adjustment to amounts due to vendors	**8**		
Profit before interest	**446**		426
Dividends received on preference shares	**202**		201
Interest received			4
Finance costs	**(250)**		(247)
Profit before taxation	**398**		384
Taxation	**47**		46
PROFIT FOR THE YEAR	**351**		338
Other comprehensive income			
Movement on fair value of cash flow hedges	**2**		(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**353**	5	337
Profit attributable to:			
– Shareholders of the group	**340**		325
– Non-controlling shareholders	**11**		13
	351		338
Total comprehensive income attributable to:			
– Shareholders of the group	**342**		324
– Non-controlling shareholders	**11**		13
	353		337
Headline earnings per share (cents)	**1 071**	5	1 024
Basic earnings per share (cents)	**1 074**	5	1 026
Diluted headline earnings per share (cents)	**1 055**		1 010
Diluted basic earnings per share (cents)	**1 058**		1 012
Reconciliation to headline earnings			
Profit attributable to shareholders of the group	**340**		325
Adjusted for:			
– Reversal of impairment and profit on disposal of property, plant and equipment	**(1)**		(1)
Headline earnings	**339**	5	324
Dividends			
– Per share (cents)	**465**		440
– Amount (Rm)	**147**		139
Shares in issue	**31 646**		31 646
– Total (000)	**34 154**		34 154
– Held by subsidiary (000)	**(2 508)**		(2 508)
Weighted average shares in issue			
– Basic (000)	**31 646**		31 617
– Diluted (000)	**32 124**		32 058

Group statement of cash flows

R million	Year ended 30 Nov 2012	Year ended 30 Nov 2011
Cash generated from trading	**458**	458
Increase in working capital	**(121)**	(129)
Cash generated from operations	**337**	329
Taxation paid	**(54)**	(46)
Net cash from operating activities	**283**	283
Net investment in new operations	**(229)**	(164)
Net investment in property, plant and equipment	**(39)**	(64)
Dividends and interest received	**202**	205
Net cash from investing activities	**(66)**	(23)
Proceeds from issue of shares		2
(Decrease) increase in finance leases	**(3)**	3
Finance costs paid	**(237)**	(234)
Dividends paid	**(163)**	(124)
Net cash from financing activities	**(403)**	(353)
Net decrease in cash and cash equivalents	**(186)**	(93)

Group statement of changes in equity

R million	Year ended 30 Nov 2012	Year ended 30 Nov 2011
Equity at beginning of the year	**1 525**	1 314
Comprehensive income for the year	**353**	337
Decrease in equity compensation reserve	**(19)**	(3)
Issue of shares		2
Dividends	**(163)**	(125)
Equity at end of the year	**1 696**	1 525

Supplementary information

The consolidated financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), SAICA Financial Reporting Guides (formerly AC 500 Standards) as issued by the Accounting Practices Board, the requirements of the South African Companies Act and the JSE Listings Requirements. The principal accounting policies set out in the group's 2011 integrated report have been consistently applied throughout the current year. These results have been compiled under the supervision of the financial director, CV Amoils, CA(SA).

	30 Nov 2012	30 Nov 2011
Average net operating assets (NOA) (Rm)	**1 773**	1 469
Operating profit margin (%)	**12,5**	13,4
Average NOA turn (times)	**2,0**	2,2
Return on average NOA (%)	**24,6**	29,0
Average net tangible operating assets (NTOA) (Rm)	**1 172**	951
PBITA margin (%)	**13,0**	13,8
Average NTOA turn (times)	**3,0**	3,3
Return on average NTOA (%)	**38,7**	46,1
Net asset value per share (cents)	**5 277**	4 721
Return on average equity (%)	**21,8**	23,8
Operating profit has been determined after taking into account the following charges (Rm):		
– Depreciation	**25**	24
– Amortisation	**16**	13
Capital expenditure (Rm)		
– Incurred during the year	**43**	69
– Authorised but not contracted for	**50**	38
Commitments and contingencies (Rm)		
– Operating lease commitments on properties	**168**	123
– Tax on BEE structure, including interest	**500**	
Acquisition of businesses		
The group acquired 100% of the businesses of Keymak, Deltec and Proof Engineering for a total consideration based on future profits and which is estimated to be R142 million. The results since acquisition date included in consolidated results for the year are as follows:		
– Turnover (Rm)	**132**	
– Profit after tax (Rm)	**12**	
If the acquisitions had been concluded at the beginning of the financial year, consolidated results for the group would have been as follows:		
– Turnover (Rm)	**3 615**	
– Profit after tax (Rm)	**358**	

HUDACO INDUSTRIES LIMITED
Incorporated in the Republic of South Africa
Registration number 1985/004617/06
JSE code: HDC ISIN: ZAE000003273

Transfer secretaries:
Computershare Investor Services Pty Limited, PO Box 61051, Marshalltown, 2107

Registered office:
Building 9, Greenstone Hill Office Park, Emerald Boulevard, Greenstone Hill, Edenvale, 1609
Tel +27 11 657 5000
E-mail info@hudaco.co.za

Directors:
RT Vice *(Chairman)**, SJ Connelly *(Chief executive)*, CV Amoils *(Financial director)*, GR Dunford, DD Mokgatle*, SG Morris*, D Naidoo*.
** Independent non-executive*

Group secretary:
R Wolmarans

Sponsor:
Nedbank Capital

Segment information

R million	Turnover: Year ended 30 Nov 2012	Turnover: % change	Turnover: Year ended 30 Nov 2011	Operating profit: Year ended 30 Nov 2012	Operating profit: % change	Operating profit: Year ended 30 Nov 2011	Average net operating assets: Year ended 30 Nov 2012	Average net operating assets: % change	Average net operating assets: Year ended 30 Nov 2011
Engineering consumables	**2 280**	4	2 187	**280**	2	274	**1 169**	7	1 093
– Ongoing operations	**2 157**	2	2 112	**266**		267	**903**	(4)	940
– Acquired in 2011 and 2012	**123**		75	**14**		7	**266**		153
Consumer-related products	**1 223**	22	1 006	**169**	4	163	**487**	33	366
– Ongoing operations	**835**	10	759	**119**	(2)	121	**411**	25	328
– Acquired in 2011 and 2012	**388**		247	**50**		42	**76**		38
Total operating segments	**3 503**	10	3 193	**449**	3	437	**1 656**	14	1 459
Head office, shared services and eliminations	**(11)**		(11)	**(12)**		(11)	**117**		10
Total group	**3 492**	10	3 182	**437**	3	426	**1 773**	21	1 469