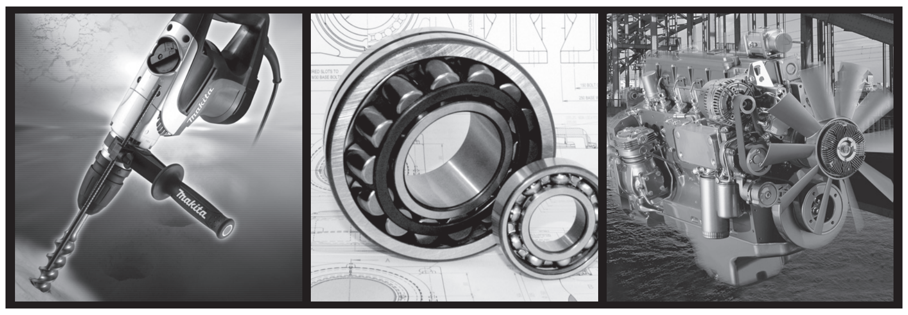

- Sales up 26%
- Operating profit up 24%
- Headline earnings per share up 11% to 377 cents per share
- Interim ordinary dividend increased 13% to 130 cents per share

Hudaco

UNAUDITED INTERIM GROUP RESULTS

FOR THE SIX MONTHS ENDED 31 MAY 2011

ENGINEERING CONSUMABLES

AmbroSales – Distributor of special solid and hollow round steel.

Astore Africa – Distributor of specialised thermoplastic pipes and fittings.

BAUER – Distributor of geared motors, frequency inverters and electric motors.

Bearings International – Distributor of bearings, seals and transmission products.

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

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

DEUTZ DIESELPOWER – Distributor of Deutz diesel engines and Deutz spare parts and the provision of service support.

Ernest Lowe / ELCO – Distributor of hydraulic and pneumatic equipment.

FHS – Distributor of filters for earthmoving equipment and industrial hose.

Midrand Special Steels – Distributor of special round and hexagonal steel.

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

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

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

PENTAGON Distribution – Distributor of electronic security products, specialising in video IP.

Rutherford – Distributor of power tools and marine engines.

Background

Hudaco is a South African group that imports and distributes branded engineering consumables, power tools and security, automotive and professional mobile radio communication products. Its customer base is mainly within the southern African manufacturing, mining, construction, automotive aftermarket and security industries. Adding value to the product sold by offering technical advice, prompt availability and training is a key part of Hudaco's business model.

The group has delivered satisfactory results in challenging circumstances.

Acquisitions

The effects of the group's acquisition programme are reflected meaningfully for the first time in these results.

FHS and Midrand Special Steels are included for the full six months, while Global Communications is included from February and Pentagon Distribution from March. None of these acquisitions was in the interim results for 2010.

Results

During the six months under review, markets served by Hudaco continued their weak and patchy recovery from the global turmoil of 2008/9. Volume sales were about the same as last year and this was coupled with a decrease in prices resulting from continuing Rand strength. The contribution from acquisitions, particularly FHS, which has been part of the group since September 2010, helped the group to post stronger earnings than would have otherwise been the case. The Japanese earthquake did affect some of our suppliers, but not materially, and all were back to normal production within a few weeks. Hudaco's large stockholding also acts as a buffer against supply interruptions, so we do not anticipate any meaningful stock shortages resulting from the disaster.

The gross profit margin at 39% is down 1% on last year, the change being mainly attributable to the different mix of businesses this year. Operating expenses as a percentage of sales at 28% is lower than the 29% for the same period last year for much the same reason.

Sales for the six months are up 26% to R1,4 billion. Operating profit grew by 24% to R149 million with an operating margin to sales of 10,6% (last year 10,8%). Headline and basic earnings per share of 377 cents are up 11% on last year. The interim dividend has been increased by 13% to 130 cents per share (last year 115 cents per share).

The financial position is healthy. Working capital (inventories, receivables and payables) increased as new businesses have been brought on board and activity levels are within our normal parameters. In the past 12 months Hudaco has acquired four businesses for a total cost of R565 million of which R262 million has already been paid. R303 million is still to be paid over the next two to three years and is dependent on earn-out performances. The group has R101 million net cash on hand at May 2011.

Engineering consumables segment

This segment is the biggest profit contributor to the group. The trading environment was challenging in the period under review with increased profits in some businesses being offset by weaker performances from others. Hudaco's acquisition activity over the past year has contributed meaningfully to this segment's sales base and it is pleasing to note that both FHS and Midrand Special Steels are performing in line with, or ahead of expectations.

Volume sales were generally higher than the same period last year but the strong Rand impacted sales and margins negatively in many businesses. Sales were R977 million, up 24% on last year, whilst operating profit increased 21% to R98 million.

Consumer related products segment

Trading conditions in this segment were muted during the period under review. The power tool business managed to increase market share, but this was offset by a weaker performance from our security business. Sales were up 29% to R432 million whilst operating profit increased 35% to R65 million. The two acquisitions in this segment, Global Communications and Pentagon Distribution, have performed in line with or ahead of expectations.

Prospects

A significant percentage of Hudaco's sales are derived from the South and southern African mining industry, and the manufacturing and service sectors supporting that industry. Constrained by insufficient infrastructure, particularly electricity and rail capacity, South African mining houses have been unable to expand to take advantage of high commodity prices over the past five or so years. It will still be some years before infrastructure capacity is increased sufficiently, so we anticipate only muted growth from this sector until then. We would urge Government to use this time to settle the debate around nationalisation which, if not resolved, could also become a deterrent to investment.

With the mining industry being a significant engine of growth for the South African economy as a whole, for the reasons above, we anticipate that economic growth is likely to continue to be weak over the next few years. If this is the case, meaningful earnings growth must come from acquisitions and the successes we have already enjoyed over the last year will add materially to earnings in the medium term. Although our prospect list is shorter now than last year, we are confident of further successes in the years to come.

Directorate

As reported on SENS, Mesdames D Naidoo and D Mokgatle joined the board as independent non-executive directors with effect from 24 March 2011.

Declaration of interim dividend no 49

Interim dividend number 49 of 130 cents per share is declared payable on Monday, 22 August 2011 to ordinary shareholders recorded in the register at the close of business on Friday, 19 August 2011. The timetable for the payment of the dividend is as follows:

Last day to trade *cum* dividend	Friday, 12 August 2011
Trading *ex* dividend commences	Monday, 15 August 2011
Record date	Friday, 19 August 2011
Payment date	Monday, 22 August 2011

Share certificates may not be dematerialised or rematerialised between Monday, 15 August 2011 and Friday, 19 August 2011, both days inclusive. The certificated register will be closed for this period.

Results presentation

Hudaco will host presentations on the financial results in Johannesburg and Cape Town on Wednesday, 29 June 2011 and Thursday, 30 June 2011 respectively. Anyone wishing to attend should contact Robin Benson at 011 657 5007.

The slides which form part of the presentation will be available on the company's website on Friday, 1 July 2011.

For and on behalf of the board

RT Vice
Independent non-executive chairman

SJ Connelly
Chief executive

28 June 2011

Group statement of financial position

R million	31 May 2011	31 May 2010	30 Nov 2010*
ASSETS			
Non-current assets	**2 946**	2 428	2 700
Property, plant and equipment	**173**	89	131
Investment in preference shares	**2 181**	2 181	2 181
Goodwill	**513**	117	331
Intangible assets	**57**	16	34
Deferred taxation	**22**	25	23
Current assets	**1 317**	1 286	1 348
Inventories	**780**	601	663
Trade and other receivables	**436**	321	423
Taxation		1	
Cash and cash equivalents	**101**	363	262
TOTAL ASSETS	**4 263**	3 714	4 048
EQUITY AND LIABILITIES			
Equity	**1 354**	1 223	1 314
Interest of shareholders of the group	**1 336**	1 194	1 287
Non-controlling interest	**18**	29	27
Non-current liabilities	**2 383**	2 181	2 280
Subordinated debenture	**2 181**	2 181	2 181
Amounts due to vendors of businesses acquired	**202**		99
Current liabilities	**526**	310	454
Trade and other payables	**430**	297	420
Amounts due to vendors of businesses acquired	**91**	5	28
Taxation	**5**	8	6
TOTAL EQUITY AND LIABILITIES	**4 263**	3 714	4 048

Group statement of comprehensive income

R million	Six months ended 31 May 2011	% change	Six months ended 31 May 2010	Year ended 30 Nov 2010*
Turnover	**1 406**	26	1 116	2 458
– Ongoing operations	**1 166**	4	1 116	2 393
– Acquired in 2010 and 2011	**240**			65
Cost of sales	**857**		669	1 464
Gross profit	**549**	23	447	994
Operating expenses	**400**		327	694
Operating profit	**149**	24	120	300
– Ongoing operations	**101**	(16)	120	286
– Acquired in 2010 and 2011	**48**			14
Impairment of goodwill and intangible assets				22
Profit before dividends received, interest received and finance costs	**149**	24	120	278
Dividends received on preference shares	**100**		99	201
Interest received	**3**		9	17
Finance costs	**(123)**		(115)	(235)
Profit before taxation	**129**	14	113	261
Taxation	**9**		7	24
PROFIT FOR THE PERIOD	**120**	13	106	237
Other comprehensive income				
Movement on fair value of cash flow hedges	**(1)**		1	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**119**	11	107	237
Profit attributable to:				
– shareholders of the group	**119**		107	234
– non-controlling shareholders	**1**		(1)	3
	120		106	237
Total comprehensive income attributable to:				
– shareholders of the group	**118**		108	234
– non-controlling shareholders	**1**		(1)	3
	119		107	237
Headline earnings per share (cents)	**377**	11	341	800
Basic earnings per share (cents)	**377**		341	745
Diluted headline earnings per share (cents)	**371**		336	784
Diluted basic earnings per share (cents)	**371**		336	730
Reconciliation to headline earnings				
Profit attributable to shareholders of the group	**119**		107	234
Adjusted for:				
– Impairment of goodwill and intangible assets				22
– Tax effect				(2)
– Non-controlling interest				(2)
Headline earnings	**119**	11	107	252
Dividends				
– per share (cents)	**130**	13	115	350
– amount (Rm)	**41**		36	110
Shares in issue	**31 634**		31 532	31 540
– total (000)	**34 142**		34 040	34 048
– held by subsidiary company (000)	**(2 508)**		(2 508)	(2 508)
Weighted average shares in issue				
– basic (000)	**31 592**		31 395	31 466
– diluted (000)	**32 077**		31 909	32 109

Group statement of cash flows

R million	Six months ended 31 May 2011	Six months ended 31 May 2010	Year ended 30 Nov 2010*
Cash generated from trading	**171**	134	327
(Increase) decrease in working capital	**(79)**	2	12
Cash generated from operations	**92**	136	339
Finance costs	**(116)**	(115)	(234)
Taxation paid	**(20)**	(24)	(49)
Net cash from operating activities	**(44)**	(3)	56
Net investment in new operations	**(87)**		(184)
Net investment in property, plant and equipment	**(45)**	(6)	(50)
Dividends and interest received	**103**	108	218
Net cash from investing activities	**(29)**	102	(16)
Proceeds from issue of shares	**2**	8	7
Dividends paid	**(90)**	(79)	(120)
Net cash from financing activities	**(88)**	(71)	(113)
Net (decrease) increase in cash and cash equivalents	**(161)**	28	(73)

Group statement of changes in equity

R million	Six months ended 31 May 2011	Six months ended 31 May 2010	Year ended 30 Nov 2010*
Equity at the beginning of the period	**1 314**	1 184	1 184
Comprehensive income for the period	**119**	107	237
Increase in equity compensation reserve	**3**	3	5
Issue of shares	**2**	8	7
Dividends	**(84)**	(79)	(119)
Equity at the end of the period	**1 354**	1 223	1 314

Supplementary information

The consolidated financial statements have been prepared in accordance with IAS 34: *Interim Financial Reporting*, International Financial Reporting Standards, the JSE Listings Requirements and in the manner required by the Companies Act of South Africa. The principal accounting policies set out in the group's 2010 annual report have been consistently applied throughout the period ended 31 May 2011. Except for information at 30 November 2010, no information set out in this announcement has been audited or reviewed by the company's auditors.

	31 May 2011	31 May 2010	30 Nov 2010*
Average net operating assets (NOA) (Rm)	**1 377**	872	948
Operating profit margin (%)	**10,6**	10,8	12,2
Average NOA turn (times)	**2,0**	2,5	2,6
Return on average NOA (%)	**21,7**	27,5	31,6
Net asset value per share (cents)	**4 223**	3 787	4 080
Operating profit has been determined after taking into account the following charges (Rm):			
– Depreciation	**13**	8	18
– Amortisation	**6**	2	4
Capital expenditure (Rm)			
– Incurred during the period	**49**	6	52
– Authorised but not contracted for	**35**	18	31
– Already contracted for		64	28
Commitments and contingencies (Rm)			
– Operating lease commitments on properties	**136**	109	116

Acquisition of new businesses

The group acquired 100% of Midrand Special Steels (1 Dec 2010), Global Communications (1 Feb 2011) and Pentagon Distribution (1 Mar 2011) for considerations based on future profits over 2-3 years and the fair value of which are estimated to total R246 million. The purchase considerations are subject to a maximum of R264 million.

Property, plant and equipment of R10 million, inventories of R39 million, receivables of R60 million, payables of R63 million, goodwill of R182 million, intangible assets of R29 million and deferred tax liabilities of R11 million were recognised at date of acquisition. These values approximate the fair values as determined under IFRS 3.

The results since acquisition date included for the period are as follows:

– Turnover (Rm)	**123**
– Profit after tax (Rm)	**10**

If the acquisitions had been concluded at the beginning of the period the consolidated results for the group would have been as follows:

– Turnover (Rm)	**1 448**
– Profit after tax (Rm)	**124**

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

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RT Vice *(Chairman)**, SJ Connelly *(Chief executive)*, CV Amoils *(Financial director)*
GR Dunford, GE Gardiner, DD Mokgatle*, YKN Molefi*, SG Morris*, D Naidoo*
* *Independent non-executive*

Group secretary:
R Wolmarans

Sponsor:
Nedbank Capital

Segment information

R million	Turnover: Six months ended 31 May 2011	% change	Six months ended 31 May 2010	Year ended 30 Nov 2010*	Operating profit: Six months ended 31 May 2011	% change	Six months ended 31 May 2010	Year ended 30 Nov 2010*	Average net operating assets: Six months ended 31 May 2011	% change	Six months ended 31 May 2010	Year ended 30 Nov 2010*
Engineering consumables	**977**	24	785	1 750	**98**	21	81	206	**996**	53	653	728
– Ongoing operations	**829**	6	785	1 685	**67**	(17)	81	192	**677**	4	653	660
– Acquired in 2010 and 2011	**148**			65	**31**			14	**319**			68
Consumer related products	**432**	29	335	716	**65**	35	48	117	**298**	55	192	182
– Ongoing operations	**340**	1	335	716	**48**		48	117	**184**	(4)	192	182
– Acquired in 2011	**92**				**17**				**114**			
Total operating segments	**1 409**	26	1 120	2 466	**163**	26	129	323	**1 294**	53	845	910
Head office, shared services and eliminations	**(3)**		(4)	(8)	**(14)**		(9)	(23)	**83**		27	38
Total group	**1 406**	26	1 116	2 458	**149**	24	120	300	**1 377**	58	872	948

* *Audited*