- **Sales up 13% to R1,6 billion**
- **Operating profit up 21% to R181 million**
- **Headline earnings per share up 17% to 441 cents per share**
- **Interim dividend increased by 19% to 155 cents per share**

Hudaco

UNAUDITED INTERIM GROUP RESULTS

for the six months ended 31 May 2012

ENGINEERING CONSUMABLES

AmbroSales – Distributor of special solid and hollow round steel.

Astore – Distributor of specialised thermoplastic pipes and fittings.

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

Bearings International – Distributor of bearings, chain, seals, 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 DIESELPOWER – Distributor of Deutz diesel engines and Deutz spare parts and the provision of service support.

Ernest Lowe – Manufacturer of hydraulic and pneumatic equipment.

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

MSS – Distributor of special round and hexagon 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

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

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

Hudaco Industries is a South African group whose principal activity is the importation and distribution of high quality branded industrial products in the southern African region. Hudaco businesses serve markets that fall into two primary categories. The bearings, powered transmission and diesel engine businesses supply engineering consumables mainly to mining and manufacturing customers whilst the security, power tool and automotive aftermarket businesses supply products into markets reliant on consumer spending. Adding value to the product sold by offering instant availability, advice and technical training, is a key part of Hudaco's business model.

Results

The group has delivered pleasing results in the first half of 2012.

Demand for Hudaco's product offering was particularly strong in the closing months of the 2011 financial year, no doubt partly due to customers buying ahead of anticipated price increases following the sudden weakening of the Rand in September 2011. In the event, price increases did not materialise as the Rand strengthened again in the beginning of 2012. Demand nevertheless remained reasonably strong until the end of March, after which there was a noticeable weakening. We attribute the weakening to lower demand from platinum mines following extended strike action and a general drop in confidence resulting from the ongoing crisis in Europe.

Sales at R1,6 billion were up 13%. The gross profit margin at 38,5% is slightly down on last year. Operating expenses as a percentage of sales declined to 27,1% from 28,4% last year.

Operating profit grew 21% to R181 million with operating margin improving to 11,3% of sales. Headline and basic earnings per share of 441 cents are up 17% on last year. The interim dividend has been increased by 19% to 155 cents per share.

Working capital (inventories, accounts receivable and accounts payable) has increased as replacement stock has been bought at higher Rand prices, but this cash outlay will be recouped through price increases in the second half if the Rand remains at current levels. The group has net borrowings of R17 million at 31 May 2012.

Engineering consumables segment

This segment is the biggest profit contributor to the group. Hudaco's acquisition activity over the past few years has added significantly to this segment's sales base and it is pleasing to note that all new businesses are performing in line with or ahead of expectations.

Sales of R1 064 million were up 9% on last year whilst operating profit increased 24% to R122 million as Bearings International and Bosworth, both underperformers last year, returned to normal.

Consumer related products segment

Sales of power tools have remained strong but trading conditions in the rest of the segment were again muted during the period under review, particularly in the security business. Global Communications, consolidated here for the full six months (2011: four months), is mainly a tender business, so we expect sales and profits to be erratic.

Segment sales were up 23% to R533 million of which R39 million or 9% was due to the inclusion of Global and Pentagon for the full period. Operating profit increased 6% to R69 million.

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, and policy uncertainty, mining investment in South Africa has stagnated over the past 10 years with some observers (including the DTI) arguing that the country is de-industrialising. Mining investment in neighbouring countries is growing strongly however, albeit off a low base, and Hudaco will continue to look beyond South Africa's borders for organic sales growth.

We anticipate that economic growth in South Africa will continue to remain weak over the next few years until new infrastructure comes on stream and a policy environment is created which encourages private sector investment. Although achieving meaningful earnings growth in such an environment is challenging, the group's acquisition programme will continue to supplement earnings. We expect further successes in the months ahead.

The goup's financial position is strong and we are confident about future earnings prospects.

Declaration of interim dividend no 51

Interim dividend number 51 of 155 cents per share (gross) is declared payable on Monday, 20 August 2012 to ordinary shareholders recorded in the register at the close of business on Friday, 17 August 2012.

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

Last day to trade *cum* dividend	Friday, 10 August 2012
Trading *ex* dividend commences	Monday, 13 August 2012
Record date	Friday, 17 August 2012
Payment date	Monday, 20 August 2012

Share certificates may not be dematerialised or rematerialised between Monday, 13 August 2012 and Friday, 17 August 2012, 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 dividends tax rate is 15% but STC credits of 155 cents per share will be utilised to cover the full dividend. Accordingly, all shareholders who are not exempt from dividends tax will receive a net local dividend of 155 cents per share. The company has 34 153 531 shares in issue (which includes 2 507 828 treasury shares) and its income tax reference number is 9400/159/71/2.

For and on behalf of the board

RT Vice
Independent non-executive chairman

SJ Connelly
Chief executive

28 June 2012

Group statement of financial position

R million	31 May 2012	31 May 2011	30 Nov 2011*
ASSETS			
Non-current assets	**3 011**	2 946	2 939
Property, plant and equipment	**183**	173	182
Investment in preference shares	**2 181**	2 181	2 181
Goodwill	**575**	513	516
Intangible assets	**56**	57	49
Deferred taxation	**16**	22	11
Current assets	**1 486**	1 317	1 598
Inventories	**913**	780	813
Trade and other receivables	**551**	436	616
Cash and cash equivalents	**22**	101	169
TOTAL ASSETS	**4 497**	4 263	4 537
EQUITY AND LIABILITIES			
Equity	**1 558**	1 354	1 525
Interest of shareholders of the group	**1 541**	1 336	1 494
Non-controlling interest	**17**	18	31
Non-current liabilities	**2 335**	2 383	2 306
Subordinated debenture	**2 181**	2 181	2 181
Finance leases			2
Amounts due to vendors of businesses acquired	**154**	202	123
Current liabilities	**604**	526	706
Trade and other payables	**452**	430	586
Bank borrowings	**39**		1
Amounts due to vendors of businesses acquired	**104**	91	111
Taxation	**9**	5	8
TOTAL EQUITY AND LIABILITIES	**4 497**	4 263	4 537

Group statement of comprehensive income

R million	Six months ended 31 May 2012	% change	Six months ended 31 May 2011	Year ended 30 Nov 2011*
Turnover	**1 593**	13	1 406	3 182
– Ongoing operations	**1 424**	8	1 314	2 936
– Acquired in 2011 and 2012	**169**		92	246
Cost of sales	**980**		857	1 910
Gross profit	**613**	12	549	1 272
Operating expenses	**432**		400	846
Operating profit	**181**	21	149	426
– Ongoing operations	**156**	17	133	384
– Acquired in 2011 and 2012	**25**		16	42
Dividends received on preference shares	**101**		100	201
Interest received			3	4
Finance costs	**(124)**		(123)	(247)
Profit before taxation	**158**	22	129	384
Taxation	**16**		9	46
PROFIT FOR THE PERIOD	**142**	18	120	338
Other comprehensive income				
Movement on fair value of cash flow hedges	**3**		(1)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**145**	22	119	337
Profit attributable to:				
Shareholders of the group	**140**		119	325
Non-controlling shareholders	**2**		1	13
	142		120	338
Total comprehensive income attributable to:				
Shareholders of the group	**143**		118	324
Non-controlling shareholders	**2**		1	13
	145		119	337
Headline earnings per share (cents)	**441**	17	377	1 024
Basic earnings per share (cents)	**441**	17	377	1 026
Diluted headline earnings per share (cents)	**434**		371	1 010
Diluted basic earnings per share (cents)	**434**		371	1 012
Reconciliation to headline earnings				
Profit attributable to shareholders of the group	**140**		119	325
Adjusted for:				
– Profit on disposal of property, plant and equipment				(1)
Headline earnings	**140**		119	324
Dividends				
– Per share (cents)	**155**	19	130	440
– Amount (Rm)	**49**		41	139
Shares in issue	**31 646**		31 634	31 646
– Total (000)	**34 154**		34 142	34 154
– Held by subsidiary (000)	**(2 508)**		(2 508)	(2 508)
Weighted average shares in issue				
– Basic (000)	**31 646**		31 592	31 617
– Diluted (000)	**32 131**		32 077	32 058

Group statement of cash flows

R million	Six months ended 31 May 2012	Six months ended 31 May 2011	Year ended 30 Nov 2011*
Cash generated from trading	**203**	171	458
Increase in working capital	**(162)**	(79)	(129)
Cash generated from operations	**41**	92	329
Taxation paid	**(25)**	(20)	(46)
Net cash flow from operating activities	**16**	72	283
Net investment in new operations	**(49)**	(87)	(164)
Net investment in property, plant and equipment	**(13)**	(45)	(64)
Dividends and interest received	**101**	103	205
Net cash flow from investing activities	**39**	(29)	(23)
Proceeds from issue of shares		2	2
Change in finance leases	**(2)**		3
Finance costs	**(124)**	(116)	(234)
Dividends paid	**(114)**	(90)	(124)
Net cash flow from financing activities	**(240)**	(204)	(353)
Net decrease in cash and cash equivalents	**(185)**	(161)	(93)

Group statement of changes in equity

R million	Six months ended 31 May 2012	Six months ended 31 May 2011	Year ended 30 Nov 2011*
Equity at the beginning of the period	**1 525**	1 314	1 314
Comprehensive income for the period	**145**	119	337
Increase (decrease) in equity compensation reserve	**2**	3	(3)
Issue of shares		2	2
Dividends	**(114)**	(84)	(125)
Equity at the end of the period	**1 558**	1 354	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), the AC 500 Standards as issued by the Accounting Practices Board, the requirements of the South African Companies Act and the JSE Limited Listings Requirements. The principal accounting policies set out in the group's 2011 annual financial statements have been consistently applied throughout the current year. These results have been compiled under the supervision of the financial director, CV Amoils CA(SA).

	31 May 2012	31 May 2011	30 Nov 2011
Average net operating assets (NOA) (Rm)	**1 710**	1 377	1 469
Operating profit margin (%)	**11,3**	10,6	13,4
Average NOA turn (times)	**2,1**	2,0	2,2
Return on NOA (%)	**21,1**	21,7	29,0
Average net tangible operating assets (NTOA) (Rm)	**1 137**	900	951
PBITA margin (%)	**11,8**	11,0	13,8
Average NTOA turn (times)	**2,8**	3,1	3,3
Return on average NTOA (%)	**33,0**	34,4	46,1
Net asset value per share (cents)	**4 869**	4 223	4 721
Return on average equity (%)	**18,4**	18,0	23,8
Operating profit has been determined after taking into account the following charges (Rm):			
– Depreciation	**13**	13	24
– Amortisation	**7**	6	13
Capital expenditure (Rm)			
– Incurred during the period	**16**	49	69
– Authorised but not contracted for	**31**	35	38
Commitments and contingencies (Rm)			
– Operating lease commitments on properties	**139**	136	123

Acquisition of new businesses

The group acquired 100% of the businesses of Keys Makin Plastics and Quality Compounding ("Keymak"). The final consideration will depend on the average profits over a three-year earn-out period with a maximum of R112 million. The results since acquisition date (1 May 2012) included in consolidated results for the period are as follows:

– Turnover (Rm)	**7**
– Profit after tax (Rm)	**2**

If the acquisition had been included from the beginning of the financial year, consolidated results for the group would have been as follows:

– Turnover (Rm)	**1 616**
– Profit after tax (Rm)	**146**

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
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: Six months ended 31 May 2012	% change	Six months ended 31 May 2011	Year ended 30 Nov 2011*	Operating profit: Six months ended 31 May 2012	% change	Six months ended 31 May 2011	Year ended 30 Nov 2011*	Average net operating assets: Six months ended 31 May 2012	% change	Six months ended 31 May 2011	Year ended 30 Nov 2011*
Engineering consumables	**1 064**	9	977	2 187	**122**	24	98	274	**1 210**	21	996	1 093
– Ongoing operations	**1 057**	8	977	2 187	**120**	22	98	274	**1 200**	20	996	1 093
– Acquired in 2012	**7**				**2**				**10**			
Consumer related products	**533**	23	432	1 006	**69**	6	65	163	**457**	53	298	366
– Ongoing operations	**371**	9	340	760	**46**	(6)	49	121	**210**	14	184	201
– Acquired in 2011	**162**		92	246	**23**		16	42	**247**		114	165
Total operating segments	**1 597**		1 409	3 193	**191**		163	437	**1 667**		1 294	1 459
Head office, shared services and eliminations	**(4)**		(3)	(11)	**(10)**		(14)	(11)	**43**		83	10
Total group	**1 593**	13	1 406	3 182	**181**	21	149	426	**1 710**	24	1 377	1 469

* *Audited*