



ARB CORPORATION LTD

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Dear Shareholder,

The Directors of ARB Corporation Limited (“**ARB**” or the “**Company**”) are pleased to report that the Company achieved a profit before tax of \$37.5 million for the half year ended 31 December 2018. This represents a 5.1% increase over the previous corresponding period. Sales for the half year were \$218 million, an increase of 5.6% over the prior corresponding period.

The Company achieved a net profit after tax of \$27.3 million for the half year ended 31 December 2018 which compares with a reported net profit after tax of \$23.4m in the previous corresponding period. The previous period however included an expense of \$3.0 million relating to an under-provision of taxes in prior years, the impact of which needs to be considered for comparative purposes.

The half year results are summarised below:

Six months ended	31 Dec 18 \$'000	31 Dec 17 \$'000	Change
Sales	217,582	206,065	5.6%
Other Revenue	1,151	1,317	
Total Revenue	218,733	207,382	
Profit before Tax	37,521	35,705	5.1%
Tax	(10,204)	(12,258)	
Profit after Tax	27,317	23,447	16.5%
Add back:			
Under-provision of taxes in prior years ¹	-	3,041	
Net profit excluding under-provision of taxes in prior years¹	27,317	26,488	3.1%
EPS - cents	34.40	29.61	
Interim Dividend (cps)	18.5	17.5	5.7%
Franking	100%	100%	

¹ The reported results in the prior corresponding half year include a provision for additional taxes of \$3.0 million in relation to the period from 1 July 2013 to 30 June 2017. The Board believes the results adjusted for the impact of this expense more accurately reflect the operating performance of the Company in the comparable period.

The Board has declared an interim fully franked dividend of 18.5 cents per share. The interim dividend will be paid on 18 April 2019 and the Record Date will be 4 April 2019. The ARB Dividend Reinvestment Plan and Bonus Share Plan (the “**Plans**”) will be in operation for the interim dividend to assist with the funding of ARB’s ongoing expansion programme. The Directors have determined that shares will be issued under the Plan at a 2.0% discount to the volume weighted average market price (on an ex-dividend basis) during the five trading days subsequent to and inclusive of the Ex-Dividend Date, subject to Board discretion in the event of abnormal trading.

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Information about the Plans can be found on the Company's website at <http://www.arb.com.au/about/investor-relations>. Investors wishing to make or change an election to participate in the Plans can do so online via the Computershare Investor Centre website at www.computershare.com.au/easyupdate/arb or by phoning Computershare on 1300 850 505.

HIGHLIGHTS OF THE HALF YEAR TO 31 DECEMBER 2018

Sales

Sales for the period grew by a respectable 5.6% over the previous corresponding period.

Sales category performance for the period is summarised as follows:

Customer Category	Percentage of Sales		Sales Growth
	6 months to Dec 2018	6 months to Dec 2017	
Australian Aftermarket	64.7%	66.2%	3.2%
Exports	27.2%	26.7%	7.3%
Original Equipment	8.1%	7.1%	21.5%
	100.0%	100.0%	5.6%

Sales to the Australian aftermarket grew by 3.2%, cycling off strong growth of 10.0% in the corresponding period last year. Sales growth was achieved in all states of Australia, with above average growth in South Australia and Western Australia.

Export growth of 7.3% was achieved in total exports made from Australia, the USA, Europe, Thailand and the Middle East. Export growth was partially assisted by the weaker Australian dollar against the US dollar.

Strong growth of 21.5% was achieved in sales to Original Equipment Manufacturers (OEM's) as new contracts commenced during the year in line with our previous communications.

Distribution

In the Australian aftermarket, the Company distributes through its market leading ARB store network, to retail customers, to ARB stockists, to new vehicle dealers and to various fleet operators. Currently, there are 65 ARB stores in Australia, of which 25 are Company owned. This compares with 61 stores at this time last year. The Company expects a further three ARB stores will become operational in the second half of the current financial year.

Four new licensed ARB stores were opened during the period. These were at South Hedland in Western Australia, at Warragul in Victoria and at Narellan and Wollongong in New South Wales. These stores were all established in the new standardised ARB store presentation format requiring significant private investment, demonstrating the confidence and willingness of private ARB licensed store owners to invest in the ARB brand.

ARB has commenced building its new 20,000 sqm global warehousing facility in Thailand. The new facility, located in a free-trade zone, will create more space for the current Thai manufacturing and warehousing facilities. The location is integral to ARB's global activities and will increase the efficiency of the global distribution network by directly supplying a broader range of products from a more central location at lower cost. The new facility is expected to open in the first half of next financial year.

Products and Production

Product development is a key element in maintaining the Company's long term competitive advantage. The Company continues to focus on and increase its investment in research and development of new products and applications. New products are released weekly to the Company's factories as more new vehicle models and facelifts are released both in Australia and overseas.

ARB has successfully developed its product range to accommodate the increasingly sophisticated features of new vehicle models. ARB products now accommodate park assist sensors and radar and cameras used for adaptive cruise control, emergency braking and lane departure.

New product releases developed by the Kingsley Enterprises business have been well received by the market and have boosted growth in their segment.

Work is continuing on a number of long term development projects that will provide growth opportunities for the Company in the future. Shareholders can learn more about ARB's new product releases via the Company's website at www.arb.com.au.

Financial

As noted previously, profit before tax grew by 5.1% compared with profit after tax which grew by 3.1%, excluding the under-provision for additional taxes in the prior half year. Profit after tax was impacted by a higher average tax rate due to a larger proportion of Company profits being generated in higher taxing jurisdictions.

The weaker Australian dollar, particularly against the Thai baht, increased the cost of the Company's Thai manufactured product and negatively impacted on the half year result. At current foreign exchange levels, the Board expects the weaker Australian dollar to have less impact on the result in the second half of the financial year. The Board, however, remains cautious given the inherent volatility of the Australian dollar value against foreign currencies.

Net cash provided by operating activities increased \$5.3 million or 34% to \$21.2 million. The operating cash flow was generated notwithstanding a \$17.9 million increase in inventories on hand since 30 June 2018, primarily due to the Company's expanding distribution network, both domestically and internationally, and an increasing product range due to new motor vehicle model releases. The improved stock availability, combined with distribution efficiencies arising from the new Thai warehouse, will be an important driver of future sales growth.

At the end of the period the Company had no net debt.

THE FUTURE

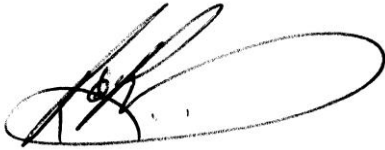
The Board is pleased to report that sales in the first six weeks of the second half of the financial year have continued to grow. However, economic conditions in some of ARB's main markets, and the global environment more generally, remain unpredictable. As a result, the rate of growth and the Company's overall performance will continue to be influenced by external factors such as general economic activity, the value of the Australian dollar, steel prices and new vehicle sales.

Demand for ARB products remains healthy in many countries around the world. The Company continues to develop and pursue opportunities across its global network and believes that satisfactory growth remains achievable in the current environment.

In the longer term, ARB has growth plans in place, both in Australia and in export markets, which include new products and improved distribution. The Company's more efficient and increased distribution capacity provides the platform for growth.

With strong brands around the world, very capable senior management and staff, a strong balance sheet and growth strategies in place, the Board believes ARB is well positioned to achieve on-going success.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'R. Brown', written over a large, faint oval shape.

Roger Brown
Chairman

27 February 2019

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