



MEDIA STATEMENT: ARB HOLDINGS LIMITED

EXPANSIVE BUT DISCIPLINED STRATEGY POWERS ARB'S GROWTH INTERIM RESULTS TO 31 DECEMBER 2010

9 February 2011: JSE listed electrical distributor, ARB Holdings Limited (ARB), today announced its interim financial results for the six months ended 31 December 2010.

Financial Highlights

- Revenue up 13% to R 614.7 million
- Gross margin improved to 18.7% (2009: 18.1%)
- Profit before tax up 7% to R 55.3 million
- HEPS of 15.07 cents (2009: 15.19 cents)
- NAV per share up to 207.63 cents (2009: 200.77cents)
- Ungearred balance sheet with R187 million cash on hand (2009: R239 million)
- Launch of "ARB Connect" chain of satellite stores
- National footprint increased from 7 to 13 branches

"The Group has always been highly disciplined in managing cash reserves and containing costs despite its ambitious expansion plans. This reflects in the fact that the Group has an ungearred balance sheet, with net cash on hand of R 187 million, placing ARB in the enviable position of being able to quickly capitalise on credible acquisition opportunities when they arise," says ARB Chairman and Founder, Alan R Burke.

The Group delivered gratifying results for the interim period, with Revenue increasing 13% to R614.7 million, Gross Profit Margin increasing to 18.7% and Profit Before Tax climbing 7% to R55.3 million. These figures were achieved despite the Group having to contend with a marked slowdown in activity levels and uncompromisingly competitive trading conditions. The double digit increase in Revenue confirms the strategic success of ARB's recent acquisition of Paragon Electrical, as well as the opening of the Polokwane branch. Gross Profit Margin improvement levels were in part attributable to the higher margin, cash sales component of the Paragon branches and additionally provide firm evidence of the Group's commitment in leveraging a strong cash position when negotiating trading terms.

Net Interest Received rose 14% to R9.3 million, despite shareholder pay outs in the period of R62 million and a lower interest rate environment.

During the interim period the Group's effective tax rate increased to 33% (2009: 28%) due to the payment of Secondary Tax on Companies (STC), which is a tax on dividends declared by companies that are resident in South Africa. STC totaling R3.0 million was paid on dividends declared, which in turn led to HEPS dipping slightly to 15.07 cents (2010: 15.19 cents). In the prior year a capital distribution which does not attract STC was paid.



An exciting prospect, in keeping with ARB's strategy of expanding its national branch footprint, was launched in the form of "ARB Connect", a chain of smaller, centrally located retail stores ("satellites") aimed at the smaller electrical contractor and domestic market segments. These are traditionally not target markets that are currently being serviced by the majority of the Group's other branches, since those are located in more industrialised areas. Premises for the first two "ARB Connect" stores have been secured and both stores are planned to open in the second quarter of 2011. The Group has earmarked several other regions for future "ARB Connect" store rollouts which will occur once suitable premises are secured.

Investing in fixed property is a key component of ARB's expansion initiatives which ultimately led to capital expenditure during the interim period of R10 million, primarily as a result of the purchase of premises in KwaZulu Natal as a precursor to the opening of the first "ARB Connect" branch.

"Augmenting ARB's national branch reach is, and continues to remain, a priority for us. We aim to do this through a combination of opening new branches, such as the innovative ARB Connect stores, as well as by investing in worthy acquisition targets that provide closely related diversification opportunities. The Group is looking to grow nationally but not at any cost," says ARB CEO, Byron Nichles. **"Value-add at the right price is crucial to our success,"**

Nichles continues, **"The Group has a realistic view of trading conditions going forward and it's imperative that we don't overstretch ourselves in our desire to grow. Consequently we've put structures in place to ensure we have both the necessary management skills and capacity to successfully undertake our planned expansion activities,"**

In this regard, the Group has invested significantly in enhancing organisational capacity through improved corporate governance, upgrading its management information systems, formalising succession plans and implementing improved staff retention and incentive schemes. Investments have also been made in internal audit, human resources, training, and procurement.

Concludes Nichles, **"These initiatives, together with the Group's successful 31 year track record and ungeared cash-positive balance sheet, will ensure that we remain primed to deliver on our ambitious yet disciplined growth plans,"**

-ENDS-

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JSE code: ARH

Notes to editors:

ARB is a leading, black-empowered, distributor of essential products and materials required for the electrification of large scale industrial and parastatal projects. ARB provides a wide range of internationally recognised and SABS approved products across three main categories:

- Power and instrumentation cable
- Overhead line equipment and conductors
- General electrical contracting materials

Anchored by a head office in Durban, and with a branch network built over the past 31 years, ARB has a presence in all major business centres in South Africa - Johannesburg, Cape Town, East London, Pietermaritzburg, Richards Bay, Nelspruit, Polokwane, Pretoria and Centurion.

The group offers a wide range of locally manufactured and imported products to over 5 000 customers throughout South and sub-Saharan Africa servicing five strategic business sectors:

- Large and Heavy Industry
- Parastatals
- Construction Industry
- Electrical Contractors including those working on government's overhead electrification programme and independents; and
- Mining Industry

The group listed on the Main Board of the JSE in November 2007 with the strategy to accelerate ongoing organic growth and enable ARB to further expand both nationally and across the continent, as well as continue its penetration of new high-growth markets.

ARB has a staff complement of over 450 employees, including approximately 40 sales executives.

ARB Electrical Wholesalers is a Level 4 Contributor in terms of the Department of Trade and Industry's Broad-Based Black Economic Empowerment scorecard.

Having grown locally through the supply of products for the electrification of rural areas and low cost housing, ARB is uniquely positioned to capitalize on the growing demand for electrical products throughout South and sub-Saharan Africa.