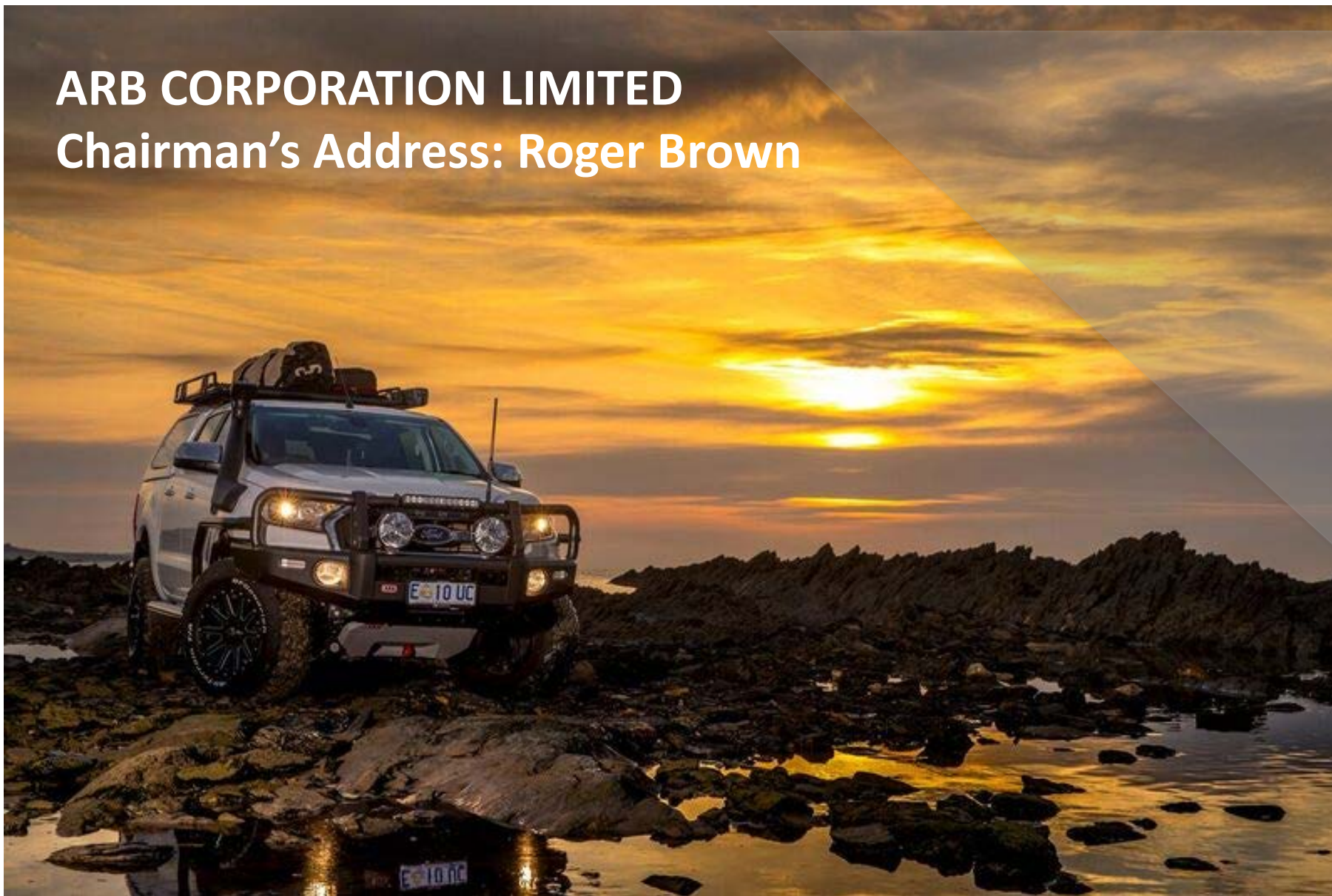


ARB CORPORATION LIMITED
Chairman's Address: Roger Brown



Chairman's Presentation

Chairman's presentation at the Annual General Meeting
of ARB Corporation Limited
on 18 October 2018

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1. FY2018 Financial Highlights

<p>Sales Revenue of</p> <p>\$424.0m</p> <p><i>Up 11.7%</i></p>	<ul style="list-style-type: none">• Sales growth in all key parts of the business• Follows 12.4% growth in the first half• Follows 7.2% sales growth last financial year
<p>Profit before Tax of</p> <p>\$74.4m</p> <p><i>Up 10.2%</i></p>	<ul style="list-style-type: none">• Growth broadly in line with sales revenue growth• Impacted by costs:<ul style="list-style-type: none">- Warehouse and manufacturing relocations- Weaker Australian dollar
<p>Normalised Profit after Tax:</p> <p>\$54.0m</p> <p><i>Up 9.9%</i></p>	<ul style="list-style-type: none">• Recorded Profit after Tax was \$51.0m. The result included additional taxes of \$3.0 million in relation to prior years (2014 to 2017)

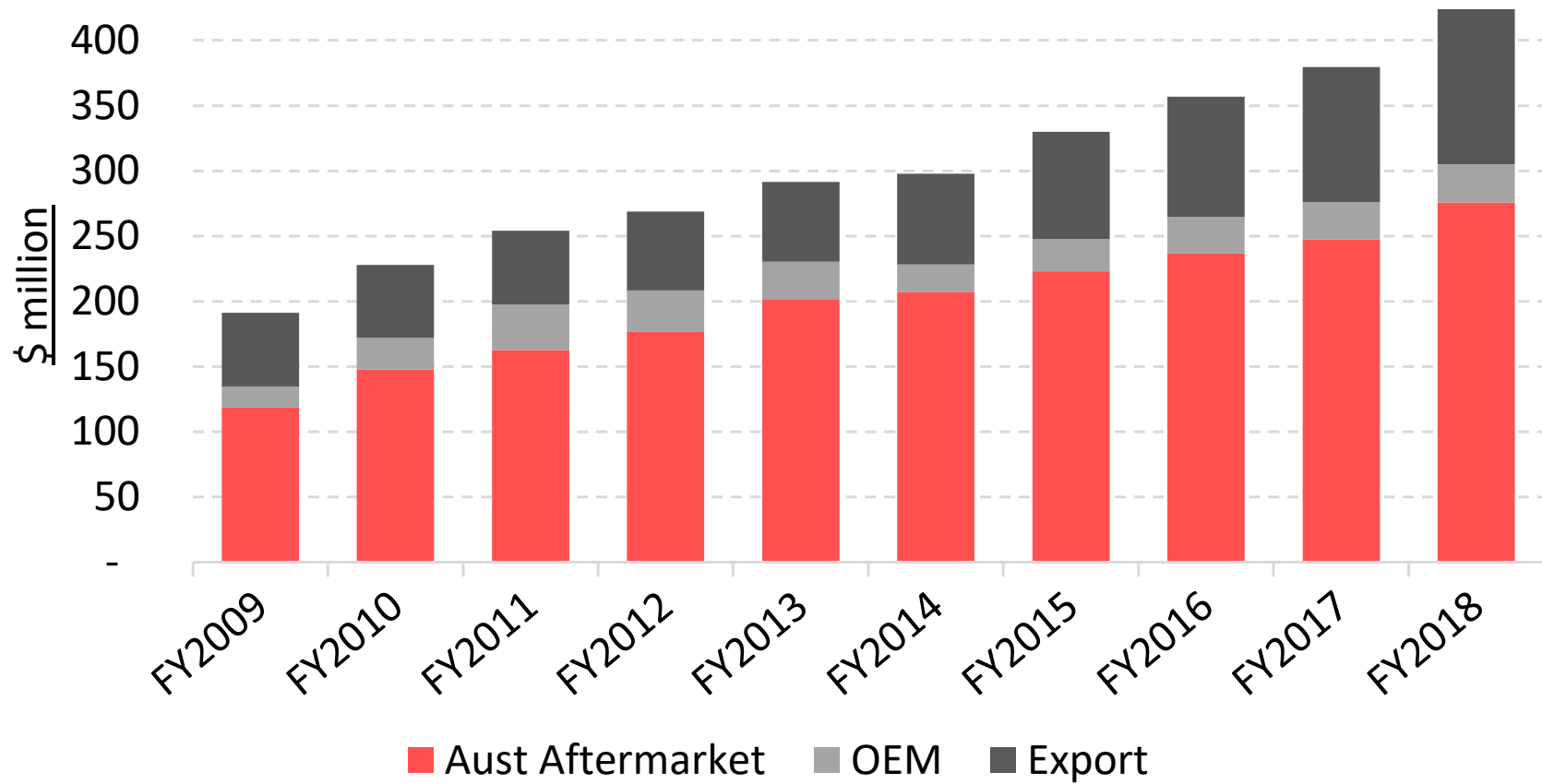
1. FY2018 Financial Highlights

<p>Capital Expenditure of</p> <p>\$40.1m</p>	<ul style="list-style-type: none">• Significant investment in property:<ul style="list-style-type: none">- National warehouse in Keysborough, Vic- New store sites, one in NSW and one in Qld
<p>Net Debt of</p> <p>\$nil</p> <p><i>Maintained</i></p>	<ul style="list-style-type: none">• No net debt, consistent with June 2017, despite significant capital investment• The Company's strong balance sheet means it is well placed to react to opportunities
<p>Total Dividends of</p> <p>37.0 cps</p> <p><i>Up 8.8%</i></p>	<ul style="list-style-type: none">• Fully franked dividend• Dividend Reinvestment & Bonus Share Plans in place• Dividend payout ratio of 58%

2. Historical Performance

Sales Revenue:

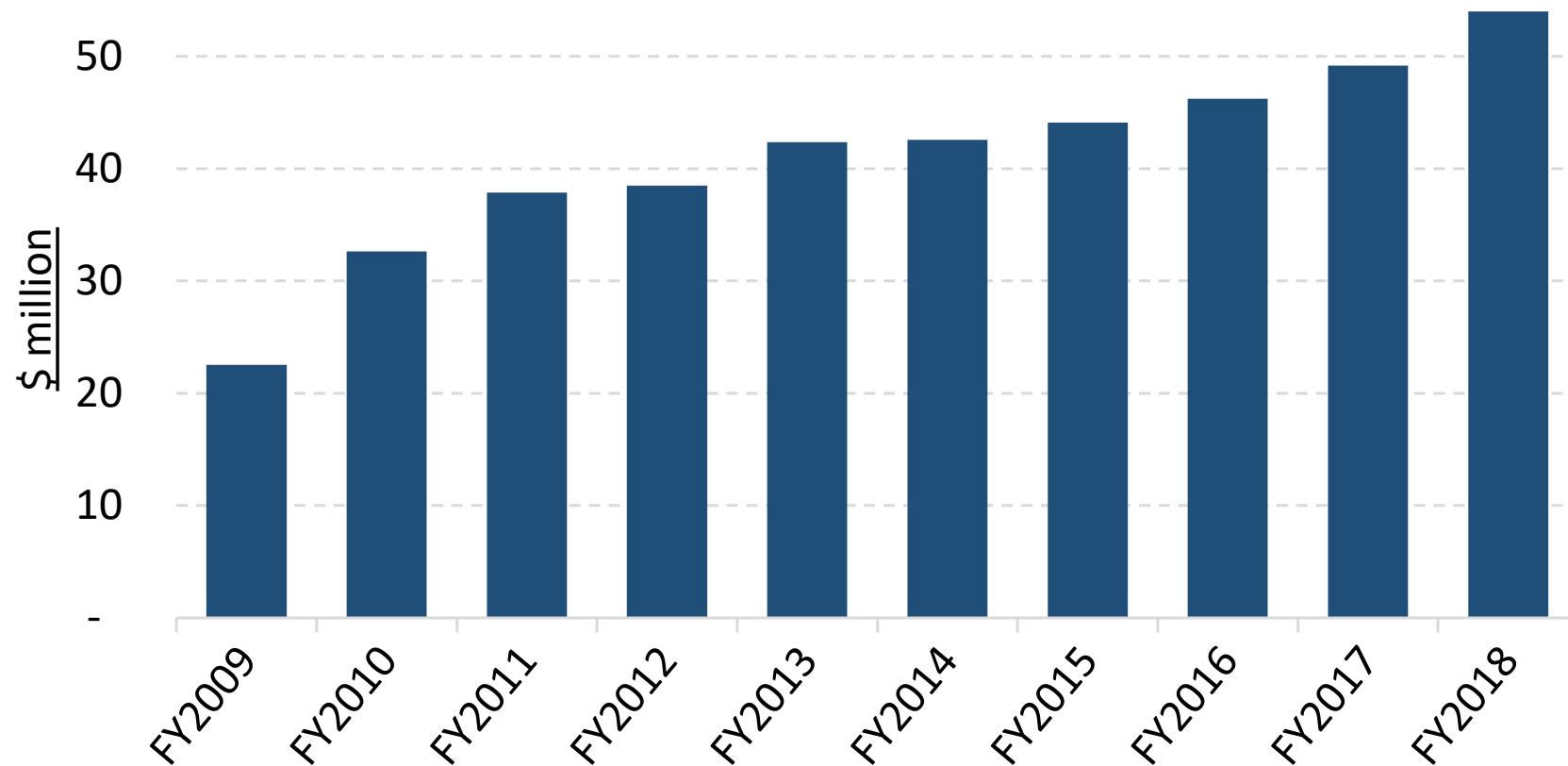
10 Year CAGR: 9.5%



2. Historical Performance

Profit after Tax: 10 Year CAGR: 10.6%

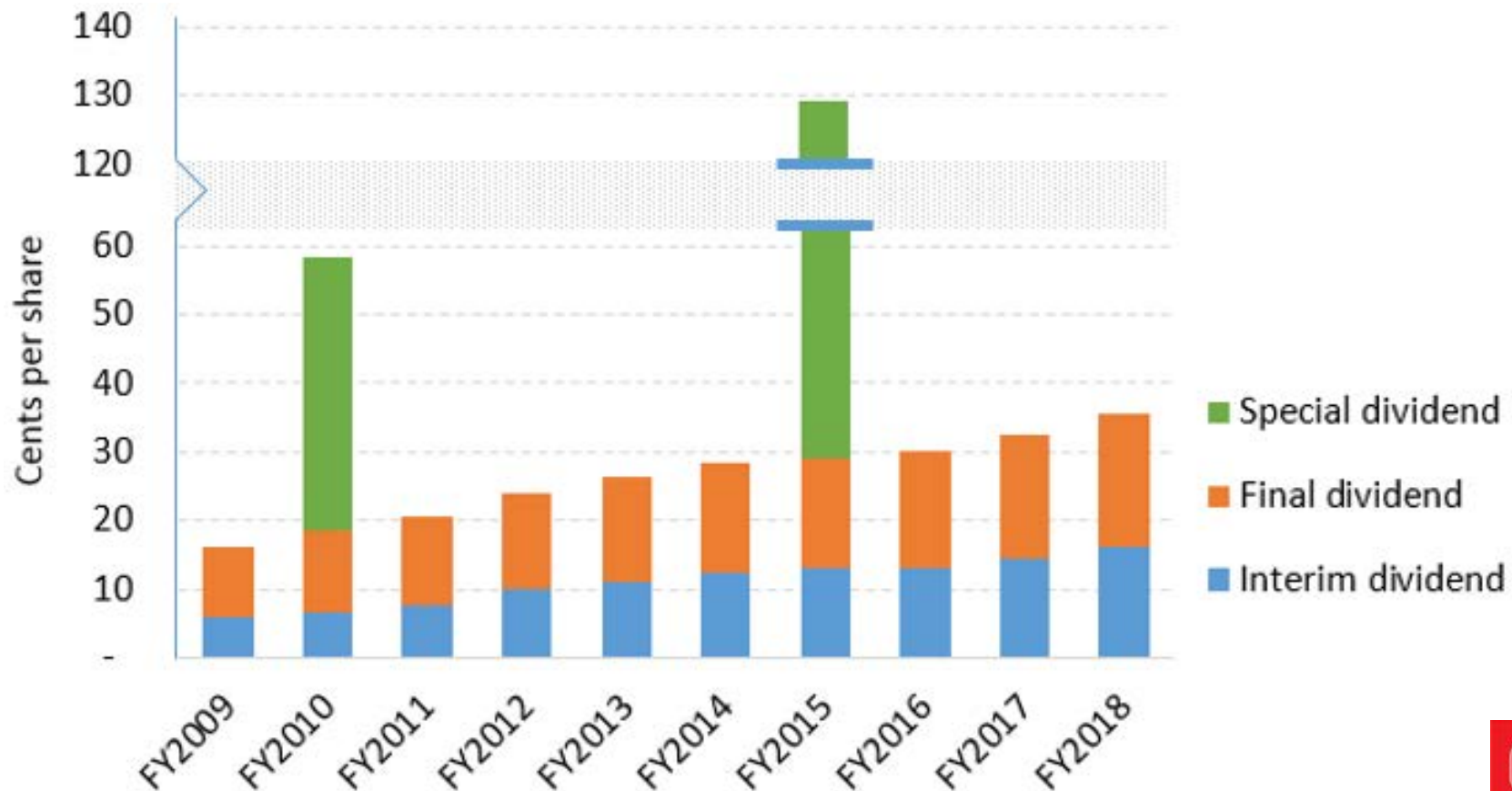
(normalised: excluding property sale in FY2016 and multi year tax adjustment in FY2018)



2. Historical Performance

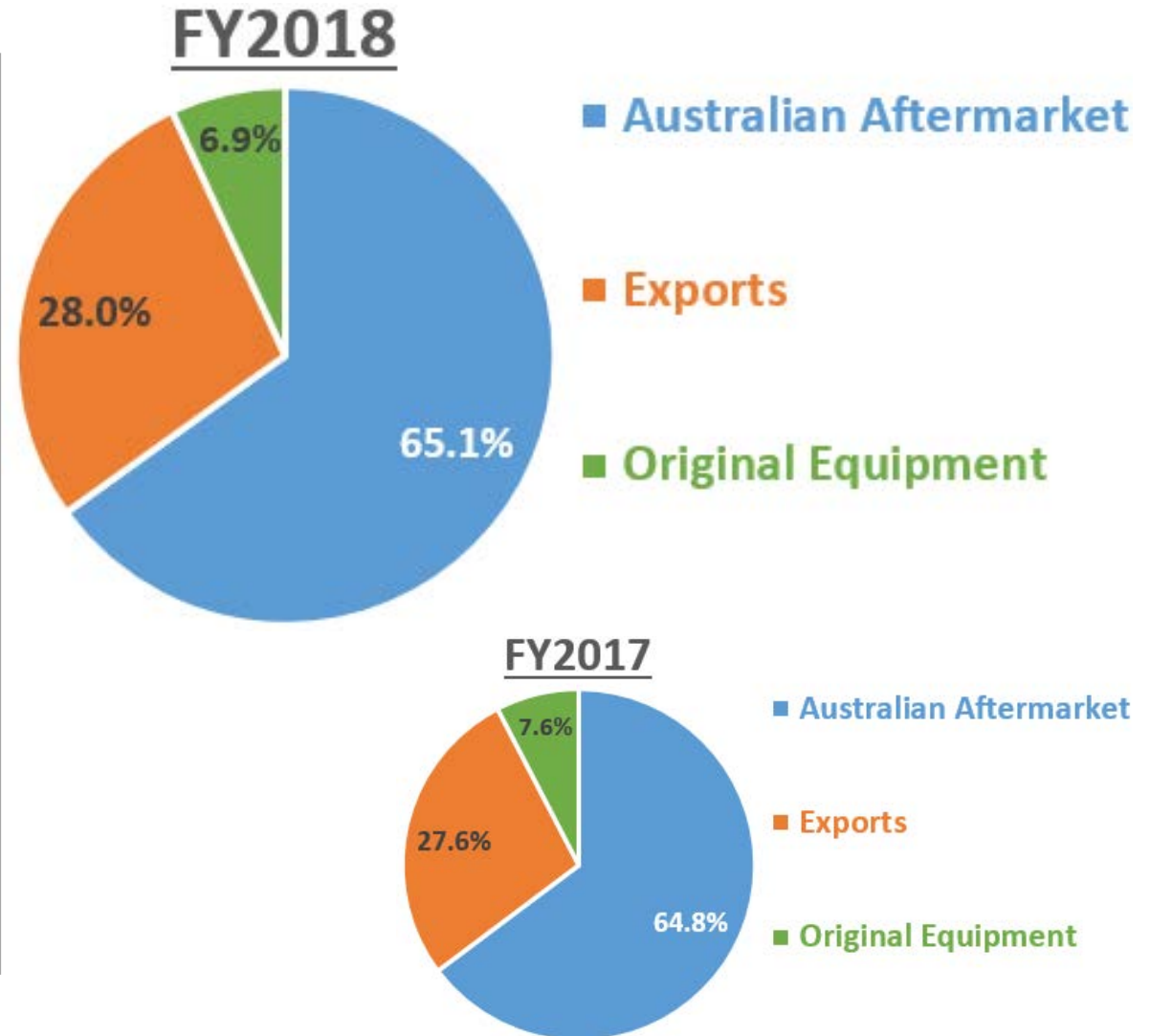
Dividends per Share : All dividends have been fully franked

- Dividends paid have grown steadily over the last 10 years in line with PAT
- ARB actively manages its capital program



3. Sales by Category

- **Australian Aftermarket** **+11.4%**
(includes: ARB Aftermarket, SmartBar, Kingsley Enterprises and GoActive Outdoors)
 Strong domestic growth across the country
 - **Exports** **+14.7%**
 Strong growth from all export operations
 - **Original Equipment** **+2.8%**
 Slower sales in final quarter due to project delays
-
- » **TOTAL SALES GROWTH** **+11.7%**
-



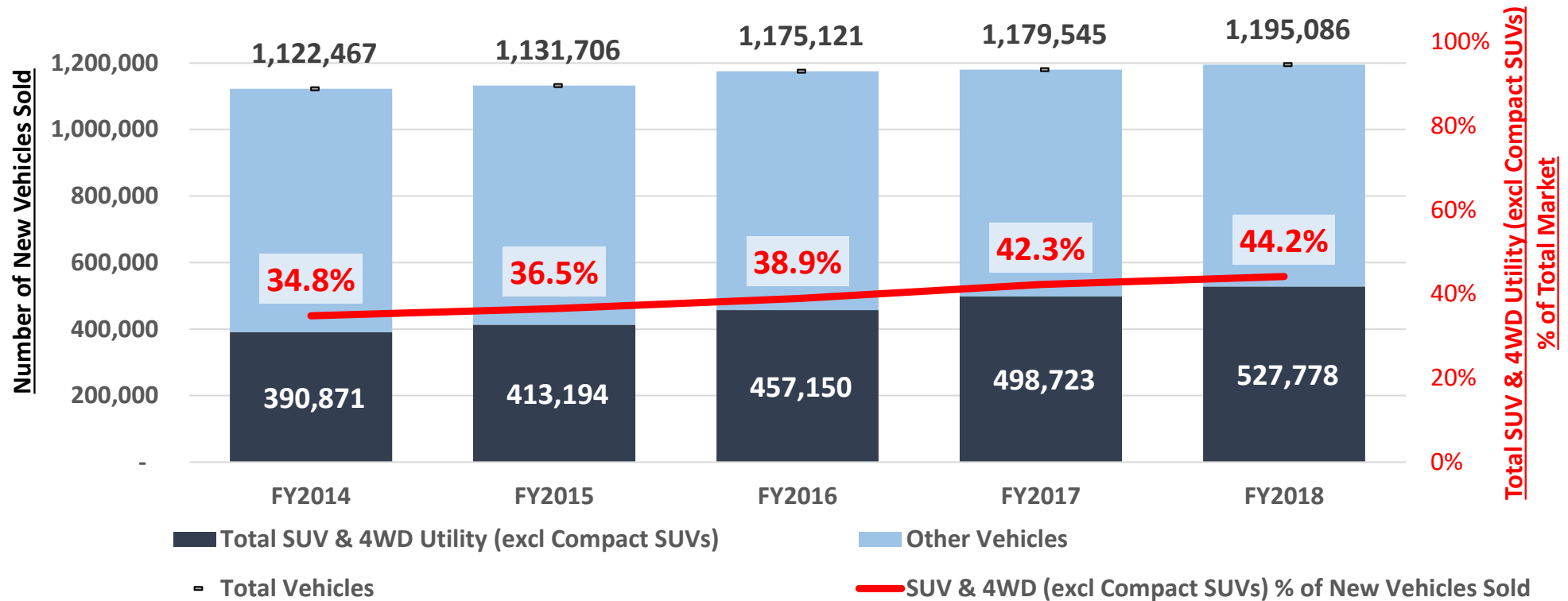
4. New Vehicle Sales

- ARB supplies an extensive range of accessories for both new and used 4WDs.
- New vehicle sales are important to ARB and ARB's target categories are Medium and Large Sport Utility Vehicles (SUVs) and 4WD utilities. In the first quarter of 2019 growth in these categories continued despite the overall market for new vehicle sales falling.
- New models and model face lifts provide continued product development and sales opportunities.
- Used 4WDs remain an important part of ARB's customer base.
- SUV and 4WD sales are also growing in many international markets around the world.

4. New Vehicle Sales

4WD Utilities and 4WD SUVs continue to increase, from 34.8% of new vehicles sold in Australia in FY2014 to **44.2% of new vehicles sold in FY2018**.

Nb: Compact SUVs are excluded from the SUV numbers on this slide as they are not typically accessorised; they were included in previous years' presentations.



5. Australian Aftermarket

Sales growth of 11.4% (65.1% of total Company sales) for the year

- Growth achieved across all sales channels: Corporate ARB Stores, Licensed ARB Stores, Dealers, Fleet and Stockists.
- Very strong, above the average, growth achieved in Queensland, New South Wales, South Australia and Tasmania. Victoria grew at below the average but is cycling off very high growth figures in the last five years. Northern Territory growth was below average due to capacity constraints.
- The ARB network now consists of 63 ARB stores nationally, an increase of two since this time last year, 25 are Company owned and 38 are ARB licensed stores. The Company expects to open another four stores by the end of FY2019. One of these stores, ARB Wollongong, opened last week.
- Increased and modernised warehousing is now in place in all states except for Western Australia where a heads of agreement has been entered into to lease a larger, purpose built warehouse at no increased rental cost.

5. Australian Aftermarket

As ARB products become more complex and larger in number, “training” is critical. Amongst other training initiatives, “*ARB Experience Days*” provide customers and distributors with training and demonstrations to learn more about the functionality of ARB products.



5. Australian Aftermarket

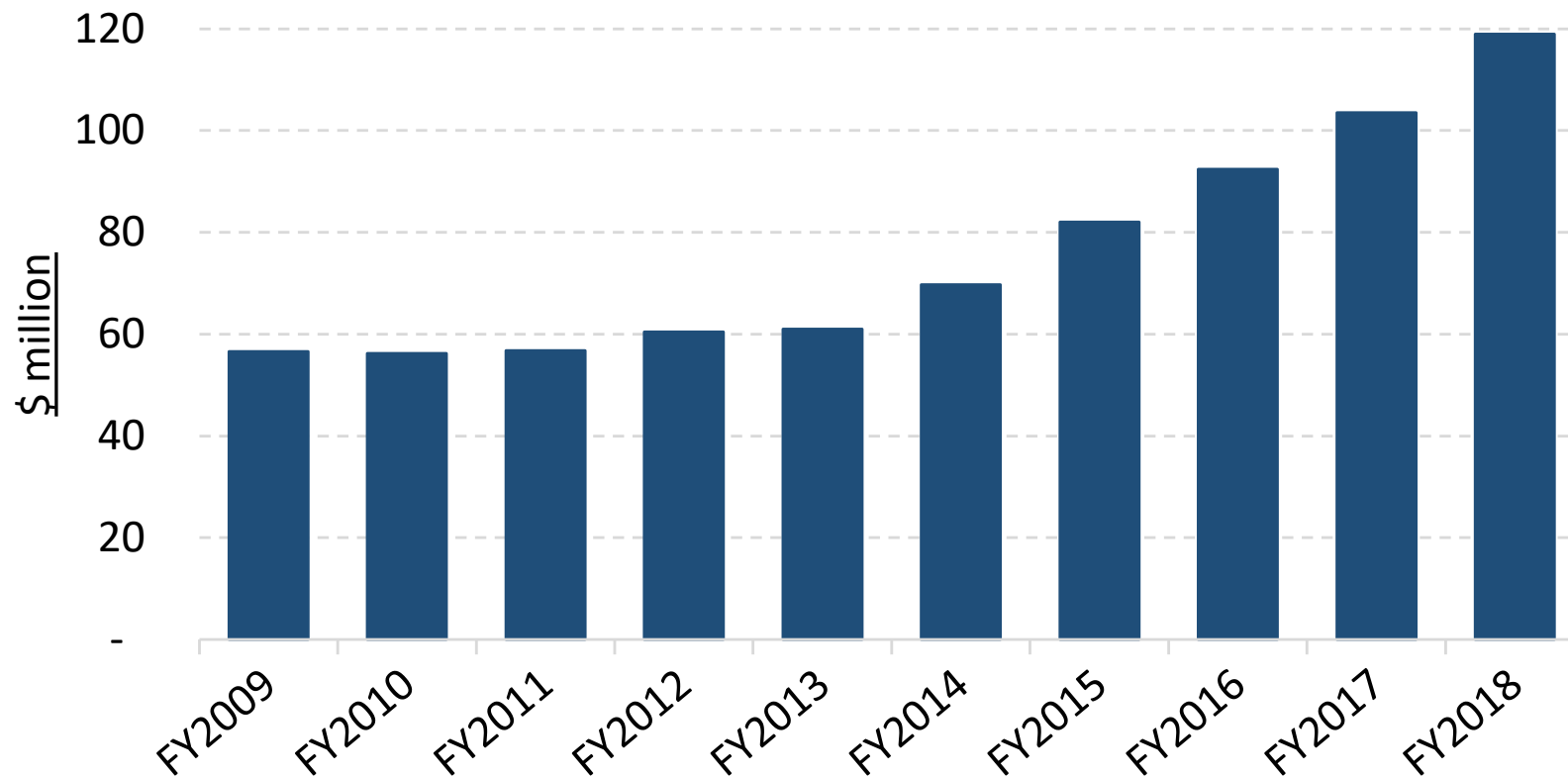
- ARB continues to roll out its *new standardised store presentation format*.
- The ARB Narellan (NSW) is the latest store in the network decked out in the new store format.
- This is a 3,000 m2 showroom, office, warehouse and fitting bay on a large greenfield site.
- ARB Narellan's significant investment demonstrates the confidence and willingness of private ARB licensed store owners to invest in the brand.



6. Exports

ARB continues to target the international 4WD market which is growing.

Export sales continue along the recent trend line, growing at an average compound rate of 14.3% over the last 5 years and 7.9% over the last 10 years.



6. Exports

Sales growth of 14.7% (28.0% of total Company sales) for the year

- Export growth was achieved across all international locations and from ARB's Australian head office:
 - The US achieved above average growth and is successfully developing strong partnerships with its growing distribution network across North, Central and South America.
 - The establishment of ARB Europe has proven very successful in growing sales and servicing of our European based customers. The warehousing and distribution operation is now complemented by a growing canopy assembly operation.
 - ARB Thailand and ARB Middle East, whilst smaller operations, perform an important role in their respective regions. Both regions generated good growth last financial year.

7. Original Equipment

Sales growth of 2.8% (6.9% of total Company sales) for the year

- Sales to OE manufacturers remain an important part of the overall business.
- Sales in the fourth quarter were significantly impacted by delays in new contracts, reducing the reported growth of 7.9% to the end of the third quarter down to only 2.8% for the full year.
- Dynamics with the Australian OE manufacturers are changing as they transition away from a vehicle manufacturing focus to sales and marketing.
- New contracts have commenced and are contributing to ongoing growth.
- ARB continues to pursue opportunities with OE manufacturers overseas.

8. Product Development

Product development is the key to maintaining the Company's long term competitive advantage and sales growth.

- ARB released a number of new products during the year. Most notably LINX, ARB Tailgate Assist, the ARB hydraulic JACK and Summit Raw Rear Bars for utilities.
- Important new vehicle releases: Jeep Wrangler JL and the Mercedes Benz X Class. Model face lifts: Toyota Prado, Toyota 70 Series LandCruiser, Nissan Patrol Y62, Mazda BT50, Isuzu MUX, Jeep Grand Cherokee, Isuzu DMAX and Toyota Hilux Rogue.
- The R&D department includes a team of 40+ development engineers, supported by 20+ production engineers in both Australia and Thailand.
- The Company spent \$9.5m on R&D during FY2018, a 31% increase on 2017.
- R&D expenditure represented 2.2% of total sales revenue.
- A number of long term development projects are underway.

8. Product Development

- LINX is a unique modern controller that declutters the dashboard and centralises the command of vehicle accessories. Stock was released to the market in January 2018.



- LINX will become more important as further modules are released.
- The latest update includes two new modules and the addition of four more global languages, expanding the total languages to 10.
- The Inclinometer module, just released, monitors the roll and pitch of a vehicle and warns the driver when approaching the vehicle's roll or pitch limit.
- Two important modules will be released over the next four months.

8. Product Development

JACK utilises strong, lightweight, hydraulic technology to smoothly raise and lower vehicles safely and effortlessly.



9. Production

- Work has commenced on the new 20,000 m² warehouse in Thailand situated in a free-trade zone. This facility will create more space for the current Thai manufacturing and warehousing facilities.
- Improved manufacturing efficiencies have been achieved in Australia by moving external manufacturing operations back to Kilsyth, Victoria, after relocating the national warehouse to the new Keysborough facility.
- Recent purchases of welding and laser cutting equipment have improved efficiencies in both the Australian and Thai operations.
- The manufacturing teams continue to focus on safety, quality and efficiency.

10. Financial

- The Company invested heavily during FY2018 using existing cash reserves and free cash flows:
 - \$28.0m of land and buildings (including the \$20.0m warehouse in Keysborough)
 - \$12.1m in plant and equipment
 - \$20.7m increase in inventories (facilitating sales growth)
- Despite the significant capital investment, the Company maintains a strong financial position with net cash of \$5.2m at 30 June 2018.
- The Dividend Reinvestment Plan and Bonus Share Plan were well received with an approximate 20% take up.
- The Company continues to expand its infrastructure to facilitate further growth in sales turnover and operations.

11. The Future

- ARB's sales have continued to grow in the first quarter of FY2019 however at a slower rate than last year.
- ARB sales in the first quarter were impacted by the release of an updated Toyota HiLux and an updated Ford Ranger for which some ARB products were not yet available.
- Management is focused on managing and mitigating factors currently influencing ARB's profitability including a weakening Australian dollar (especially against the Thai Bhat), rising electricity and gas costs, rising steel prices and general consumer sentiment in Australia.
- The current escalation of global "trade wars" should present ARB with opportunities as we manufacture in Australia and Thailand, however, at present it is creating confusion which is impacting demand.
- Although the Board sees opportunities for growth both in domestic and export markets, we remain cautious given the instability and volatility in the current global economic environment.

Disclaimer

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