

ARB Corporation Limited Company Update

May 2012

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Executive Chairman

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ARB – Introduction

- ARB was established as a private company in 1975 and listed on ASX in 1987
- The Company designs, manufactures and distributes accessories for 4WD and light commercial vehicles
- The Company has remained focused on its core business for the past 37 years to become the world leader in its field

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ARB – Overview of Operations

Currently ARB has:

- annual sales of over \$260 million
- over 1000 employees worldwide
- manufacturing plants in Victoria, Australia and Rayong, Thailand
- sales, warehousing and fitting facilities in all Australian State capitals
- two separate aftermarket operations in Australia, being Kingsley Enterprises and Thule Roof Rack Systems
- a warehouse and sales centre in Seattle, USA
- a warehouse and sales centre in Rayong, Thailand
- and distributors in over 80 countries worldwide

Most Recently Published Results Half Year to 31 December 2011

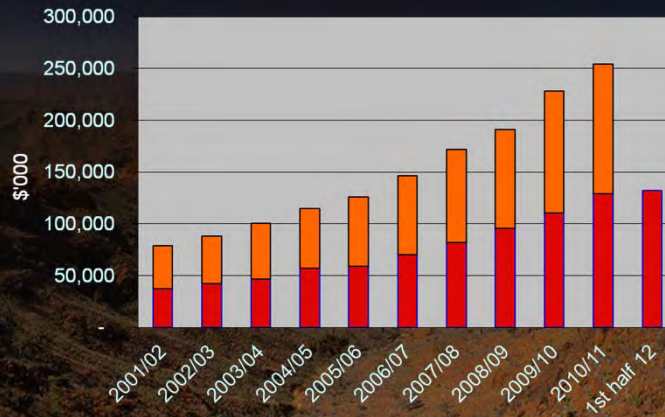
- Sales Revenue up 2.3 % to \$132.1 million
- After Tax Profit up 1.6% to \$18.3 million

Basically a solid result in difficult market conditions
when compared to an exceptionally strong prior
period

Company Performance Over The Past 10 Years

SALES REVENUE

Annual sales revenue has grown at an average annual compound rate of 14% over the past 10 years



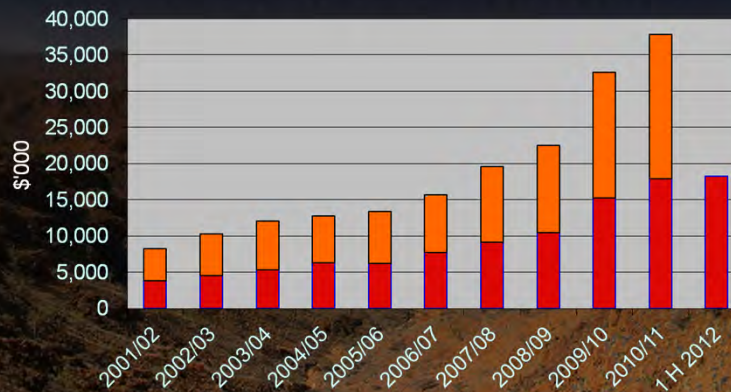
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Company Performance Over The Past 10 Years

NET PROFIT AFTER TAX (ex property sales)

Net profit after tax has grown at an average annual compound rate of 18% over the past 10 years
(excluding profits from property sales in 2004/05 and 2005/06)



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A Breakdown of the 9 months Sales Growth by Market Segment is as follows:

• Australian Aftermarket (This includes the ARB Aftermarket, Kingsley Enterprises and the Thule division)	up 6.0%
• Australian Original Equipment	down 8.0%
• Exports (non USA)	up 4.0%
• Exports (Via USA subsidiary)	up 9% in US Dollar terms and up 2.5% in Australian Dollar terms
• Off Road Accessories Thailand	up 10.0% (mainly intercompany)
Overall Sales Growth for 9 months	<u>up 3.5%</u>

ARB Sales by Market Segment

	9 months to March 2012
Australian Aftermarket (includes Kingsley & Thule)	65.0%
Original Equipment	12.0%
Exports – non USA	13.0%
Exports – USA Sales	10.0%
	<hr/> 100.0%

The sales mix remained stable over the past 12 months

Australian Market New Vehicle Sales

- Australia's 4WD vehicle market is made up of Sport Utility 4WD's (SUV's) and 4WD Utilities. SUV's are categorized as compact, medium, large and luxury
- ARB's largest group of customers now use 4WD utilities, largely dual cabs, powered by turbo diesel engines. These vehicles now offer a good level of comfort and are economical to operate
- ARB has developed an extensive range of accessories for these 4WD utilities
- Also large and medium SUV's still provide a large market for ARB's accessories in Australia
- Sales of these vehicles in the Australian market over the past 5 calendar years have performed as follows:

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Australian New Vehicle Sales Four Wheel Drive Categories most important to ARB

Calendar Year	SUV Medium	SUV Large	PU/CC 4x4
2007	72,426	13,370	82,691
2008	75,486	14,874	83,578
2009	72,501	11,013	85,813
2010	87,829	12,256	93,956
2011	80,485	12,336	99,850
Change over the past 5 years	+11.10%	-7.70%	+20.8%

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Australian New Vehicle Sales Four Wheel Drive Vs Total Vehicle Sales

Calendar Year	Total 4WD & Ute	Total Vehicles	Total 4wdrive & Utility % of Total Market
2007	268,836	1,049,982	25.60%
2008	267,000	1,012,165	26.40%
2009	255,573	935,620	27.30%
2010	294,335	1,035,574	28.40%
2011	296,107	1,008,442	29.40%
Change over the past 5 years	+10.10%	-4.00%	

- Over the same period (2007 to 2011) ARB Sales have grown from \$150million to \$250million up 65% - new vehicle sales growth not the only reason for ARB's growth.
- Currently in Australia 30% of all vehicles sold are 4WD's.

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Australian Aftermarket Distribution

- ARB distributes throughout Australia from state sales offices with attached warehouses
- State sales offices distribute to ARB stores, independent 4WD specialists and new vehicle dealers throughout each state
- There are now 43 ARB branded stores across Australia:
 - 16 company owned stores and
 - 27 independent franchise stores
- This compares with 41 ARB branded stores at this time last year. Over the past 12 months we have added:
 - ARB Welshpool (WA)
 - ARB Burleigh Heads (QLD) and;
 - ARB Orange (NSW) a new corporate store
 - On the 30th June, 2011 we closed the ARB Store at Abbotsford an inner suburb of Melbourne
- Independent 4wd specialists also provide ARB with a strong customer base throughout Australia.

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Australian Aftermarket (cont.)

- ARB's Australian Aftermarket sales growth of 6% in the 9 months to March 2012 was a reasonable result, as this was achieved on top of the very strong growth achieved in the prior 2 years.
- The sales growth has been achieved in the following ways:
 - the establishment of new ARB stores
 - strong marketing initiatives
 - successful branch open days and shows
 - the continued release of new and improved products; and,
 - a general improvement in market share

Australian Original Equipment

- Sales to OEM's such as Toyota, Nissan, Isuzu, Suzuki etc in Australia for the 9 months to March 2012 were down by 8% over the previous corresponding period.
- We consider this a sound result as last year we achieved enormous growth in this segment.
- ARB's profit margins on OEM sales are low but the throughput they provide for the Company's factories is important.
- Both Aftermarket and OEM sales in Australia over the period were severely effected by the lack of new vehicle availability.

Exports

- For reporting purposes, ARB splits its export sales into two categories:
 - sales made by our US subsidiary, Air Locker Inc, to customers in the USA, Canada and Central and South America
 - and sales from head office in Australia to all the other parts of the world and sales made locally in Thailand by ARB Thailand
- Total exports represent 23% of ARB's sales and a much higher percentage in some product segments
- ARB products are sold by independent distributors, many using the ARB name, in over 80 countries around the world

Export Sales - from Australia

- In the 9 months to March 2012, exports from Australia were up 4% compared with last year
- This is a pleasing result considering the strength of the Australian Dollar which is dampening demand for our products in some markets. During the last 9 months the Euro weakness certainly depressed our European customers' purchases
- Our customers are performing well in countries where oil is being extracted and mining is strong

Export Sales – by our US Subsidiary

- In the 9 months to March 2012, sales by our US subsidiary Air Locker Inc in US Dollar terms have increased by almost 9%
- However, in Australian dollar terms they only grew by 2.5% due to the continued rise in the value of the Australian dollar over the past 12 months
- We have been unable to pass on price rises in the US market to offset the huge cost increases the rising Australian Dollar has created in the US
- On the positive side sales of new vehicles are growing and demand for our accessories is certainly picking up in the US
- Sales to customers in Central and South America, who are serviced by Air Locker Inc, are also growing

Current Operating Conditions

1. Impact of the Japanese Earthquake and Tsunami and Flooding in Thailand on new vehicle supply

- These two major natural disasters affected new vehicle supply during the period. In the first half supply of 4wd vehicles from both Japan and Thailand continued to be impacted by the Japanese earthquake and tsunami which occurred in March 2011.
- Vehicle supply problems were compounded by the floods in Thailand which reduced vehicle availability worldwide from November 2011.
- Deliveries of new 4wd vehicles produced in Thailand and sold around the world have improved over the third quarter. In Australia today new vehicle supply could be considered almost back to normal for many models. However some models are still experiencing shortages.

Current Operating Conditions (cont)

2. Value of the Australian Dollar

ARB is both an exporter and importer of finished goods and components. The current high Australian Dollar has improved the Company's overall margins and profitability as imported components and products from Thailand, China, the US and other countries are cheaper. Combined with the strong growth in the Australian Aftermarket over the past years, the exchange rate movement has provided ARB with a major benefit. However, in the long term the Company needs to grow in export terms and therefore a lower Australian Dollar would be more beneficial.

With the Australian dollar currently buying almost \$1.04 US, in general, exports are more difficult to achieve. Most of ARB's competitors in the export market source and sell in US dollars.

Current Operating Conditions (cont)

3. Labour Availability

Skilled labour availability in Australia is tightening again. However, unskilled labour is still available and labour availability in Thailand remains acceptable.

Current Operating Conditions (cont)

4. Steel Prices

Steel is the major raw material for much of ARB's product range. Steel prices have been very stable in both Australia and Thailand over the past 4 years. Input prices to the steel manufacturers have recently decreased. Increased competition from importers has kept prices stable in Australia. Steel prices in Thailand are also at comparable levels with last year.

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Current Operating Conditions (cont)

5. Mining Industry Growth

Medium and large SUV's and 4WD utilities are used extensively to move personnel and smaller equipment to and from and around the large mining sites developed for iron ore, gold and coal extraction in Australia and in other parts of the world. The recent strength in mining and exploration activities, and huge investments in related infrastructure has lead to strong demand for ARB's products in Australia especially.

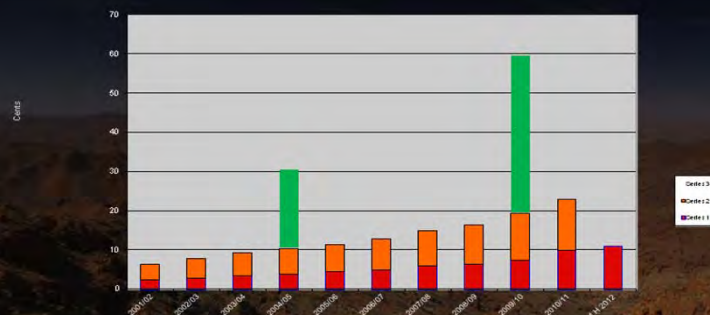
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Balance Sheet Strength

- ARB reported cash flow from operations of \$16.1 million for the half year to 31st December 2011 and a net cash balance of \$32.5 million as at that date with no debt
- Since 31st December 2011, ARB is pleased to report that it has continued to generate strong cash flows

Capital Management

DIVIDENDS



- ARB maintains an active capital management program
- The graph above shows dividends per share have grown steadily over the past 10 years with specials paid in the 2005 and 2010 financial years
- ARB paid:
 - a final fully franked dividend of 13.0 cps on 21st October 2011
 - an interim fully franked dividend of 11.0 cps on 20th April 2012

Growth Strategy

There are numerous expansion opportunities for ARB in the longer term, ranging from developing and improving existing activities through to implementing new initiatives. The Company's main growth strategies are as follows:

Australian Distribution

- ARB will continue to strengthen its Australian store network when opportunities arise
- Over the next 5 months two new ARB stores will be established in Australia. These will both be new greenfield stores. One will be company owned in Western Australia and one privately owned in Queensland.
- The ARB Cairns store has recently been moved to a much larger company owned property that has been extensively renovated to suit our needs.
- Also over the past 9 months the ARB Launceston corporate store has been extensively renovated.

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Growth Strategy (cont.)

- There are still a number of locations around Australia where the ARB product is under-represented. Consequently ARB expects further ARB franchised and company owned stores to be opened over the next few years
- Although new warehouses were added in NSW, Victoria and Western Australia over the past 3 years, capacity is still limited. Additional warehousing capacity is being considered around Australia.

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Growth Strategy (cont.)

Manufacturing

- Over the past 9 months fluctuating new vehicle supply resulted in uncertain demand for our products creating a difficult and more expensive manufacturing environment. We are pleased to report that our manufacturing plants are running at high capacity now.
- To provide for current demand and expected future growth the company is building a new 17,500 sq meter facility in Thailand. This facility is located in the same industrial estate as the existing plant. ARB has purchased the land and building has commenced. We expect the facility to complete late in the first half of 2012/13. The building will provide room for a new international distribution warehouse and increased manufacturing capacity.

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Growth Strategy (cont.)

New Products

- New product development has always been at the heart of the Company's growth strategy
- The Company remains focused on developing world leading new products to supply its large and diverse aftermarket customer base both locally and overseas and also OEM's in Australia
- Exciting new products are being developed in all of ARB's product categories:
 - Fabricated products
 - Suspension
 - Canopies
 - Mechanical products
 - Fridges
 - General Accessories, and;
 - Touring Products
- Over the past 12 months there have been a large number of new model 4WD vehicles released around the world. These releases will keep ARB's expanded product development facilities running to capacity for the foreseeable future

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Outlook

- Forecasting future activity levels remains difficult in the current environment.
- The Company has achieved modest sales growth of 3.5% for the 9 months ended 31 March 2012.
- ARB's current order book is strong and demand is expected outstrip supply over the final 3 months of the financial year.
- ARB is continuing to invest in long term growth initiatives, including new products and production and distribution capacity.
- The Board expects sales for the full year to be up by about 4% and for profit after tax to be in line with the previous year.
- The company's operating expenses were affected by the inconsistent new vehicle supply during the period. In addition the company has made a considerable investment in developing increased capacity and capability for the company's future growth plans. The benefits of these initiative are expected in future periods.

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