

## **Market Update**

**28 October 2014**

**ASX CODE: ABV**

Further to our market update of 28 July 2014 and the release of the first quarter Appendix C, Advanced Braking Technology (ABT) wishes to advise the market of further developments in the past 3 months.

### **Direct Cost Reductions**

ABT continues to reduce its cost base. From January 2015, ABT will be operating with a total cost base of \$4.5m pa, down from a comparable \$10.1m pa in the 2013/14 financial year. Excluding non-cash items, ABT's costs will be approximately \$4m pa on currently anticipated revenues.

### **Reductions in Working Capital**

With reduced lead times and improved supplier performance, ABT expects its June 2014 inventory levels to further decline in 2015. ABT expects a sustainable reduction of \$0.6m by the end of the financial year.

### **Slowing Cash Outflows**

As the cost reduction measures take effect, ABT is arresting the rate of decline in its cash position. The company's current cash on hand as at today's date is \$1.76m, down from \$1.98m at the end FY 2014 and an increase of \$0.31m on the result at the end of Q1.

### **Closure of Thailand Operation and Appointment of Local Manufacturers**

The closure of our Thailand operations will be completed on November 30. ABT has now put in place all of the necessary arrangements to produce our product range on shore. We have substantially rationalised our list of suppliers and the lead times to market resulting in the financial benefits discussed in this announcement.

### **Expansion of our International Distributor Network**

ABT continues to expand its distributor base. Since our last update ABT has appointed Cobra Petro Projects of South Africa ([www.cobraprojects.com](http://www.cobraprojects.com)) as a distributor of its driveline brakes and Probe Corporation of South Africa ([www.probegroup.co.za](http://www.probegroup.co.za)) as a broad based distributor of its light vehicle mining brakes. The company is now turning its attention to North Africa and the Middle East and is in discussion with potential partners that build mining vehicles for those markets.

Elsewhere ABT anticipates the appointment of further distributors in the coming months to improve our coverage in Australia, Asia and Europe.

### **Evaluation of Licensing Options for Truck and Trailer Applications**

ABT continues to evaluate our options for our truck and trailer brake products. Our trial of the trailer brake application with Linfox continues to progress well, however it remains too soon to advise the market what steps, if any, will take place on the completion of that programme.

## **Results to Date and Outlook**

ABT's first quarter revenues of \$1.14m were 4.6% up on Q1 2013 customer revenues. Stronger demand from Australian customers in Q2 has resulted in ABT's orders on hand growing to \$1.46m, up 40% on the same time last year. The company also notes the growth of its qualified pipeline of opportunities to in excess of \$4m, with over 70% of those opportunities identified through our international distributors.

As a consequence of this expanded global distribution network and a current market penetration of only 1 to 2%, we expect to achieve further improvements in sales in the 2nd half, subject to the success and timing of customer tenders and opportunities.

**ENDS**

### **For further information, please contact:**

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### **About Advanced Braking Technology Ltd**

Advanced Braking Technology Ltd (ASX: ABV) develops innovative braking systems, with its main product being the Sealed Integrated Braking System (SIBS ®), a comprehensively patented Australian invention, now used widely in light commercial vehicles in the mining industry.