

# INVESTOR UPDATE

July 2011

ASX Code: ATJ

## Company overview

Automotive Technology Group (ATG) is the designer and manufacturer of the patented low emission, high fuel efficiency Sprintex® twin screw supercharger.

The Sprintex® twin screw supercharger is the most efficient supercharger in the world but has been comparatively expensive to produce resulting in the supercharger market being dominated by less efficient Roots style superchargers. Following a major step of its business plan being achieved - low cost volume manufacturing in an offshore automotive centre - ATG is now ideally positioned to participate in the exponential growth underway in the global forced induction marketplace.

## The road to profitability

The key steps expected to drive the Company to profitability in Q4 2011 are:

- World leading superchargers
- Low cost, high volume manufacturing from Malaysian facility
- Costs reduced in Perth following significant completion of R&D phase
- Sales agents appointed in core target markets
  - Asia – Proreka: tier 1 automotive industry supplier
  - Americas – Kenmar: OEM business development organization
- Products launched
  - Aftermarket systems being sold
  - Inaugural OEM order for 500 Proton Satria Neo supercharger systems via Proreka.

## Update on funding

With the Company in an aggressive commercialization and growth phase, an entitlement issue to raise up to \$6.8m is currently in progress. This issue has been priced at 2 cents to entice shareholders to participate and experience what we believe will be significant upside from the progress made in taking the Company to an expected break-even point in the fourth quarter of calendar 2011. Your directors are participating in this entitlement issue for a minimum of \$3.1 million as they all remain committed to the success of the Company.

At the time of announcing the entitlement issue, the share price closed at 2.5 cents, after having traded in a range of 3 cents to 4 cents for the previous 6 months.

## Company contacts

Managing Director: Steven Apedaile



**AUTOMOTIVE TECHNOLOGY GROUP LIMITED**

**ABN: 38 106 337 599**

## Positioned For Sales Growth and Positive Cash Flow

### *From the Managing Director*

Over the course of the past year, ATG has repositioned its business and has achieved a number of significant milestones. These culminated with an **inaugural order for 500 supercharger systems for the Proton Satria Neo**, which will commence delivery in October 2011. Following the cementing of a strong business relationship with **Proreka, a tier 1 supplier to the automotive industry supplying companies throughout Asia**, ATG and Proreka signed an agreement in July 2011 to establish a joint venture, **low cost, high volume manufacturing facility in Malaysia** and for Proreka to be the exclusive sales agent for Asia and exclusive distributor for Malaysia. The search for a strategic partner has been a long and challenging process, however your directors and management are confident that we have identified a strong partner to assist us in expanding our global business. While the hard work is not yet finished, ATG has embarked on a step change which positions the Company to be a supplier to car manufacturers worldwide. ATG is already in discussions with a number of car manufacturers for future performance upgrade or engine downsizing programs.

Malaysia as a location and Proreka as a partner bring a range of benefits to ATG. Malaysia has a buoyant automotive industry with well trained and experienced personnel available, a high proportion of English speaking people, established and respected legal system and highly developed public infrastructure. Proreka is an experienced mass producer of automotive components with an OEM customer network that extends throughout Asia. Proreka has recently announced a merger with Malaysian Stock Exchange listed AutoV Corporation, a partnership that offers a more complete suite of products to a wider customer base. The joint sales of the group exceed US\$70M p.a..

The current achievements started just under two years ago. ATG closed its motor cycle parts business and repositioned all human, financial and operational resources to the Sprintex® supercharger business. This involved a number of difficult decisions including personnel changes, writing off redundant inventory, changing suppliers and changing manufacturing methods.

## Developing and demonstrating that the Sprintex® supercharger is the most efficient in the world.

In February 2011, the Company announced that peak isentropic efficiency of 83.89% had been achieved in testing of the Sprintex® Series 5-150 supercharger, and that an efficiency island of more than 80% was achieved across more than one third of the operating speed range. This compares to a typical automotive supercharger having a peak isentropic efficiency of less than 70%.

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## Share information

As at 14 July 2011

|  |             |
|--|-------------|
| Number of shares on issue                          | 343 million |
| Number of options on issue (8 cents, 30 June 2012) | 29 million  |
| Market Capitalisation                              | \$8 million |
| Current Share Price                                | \$0.02      |
| 52 Week High                                       | \$0.055     |
| 52 Week Low  | \$0.019     |



## Directors / senior management

|                     |                              |
|---------------------|------------------------------|
| Richard Siemens     | Non-Executive Chairman       |
| Steven Apedaile     | Managing Director            |
| Michael Wilson      | Non-Executive Director       |
| Richard O'Brien     | Independent Director         |
| Michael van Uffelen | Chief Financial Officer      |
| Jay Upton           | Business Development Manager |
| Jon Williams        | General Manager – Operations |

## Recent, selective ASX announcements

- 14/07/11: Agreement for USA OEM Representation Signed
- 05/07/11: Agreement for Malaysian JV Signed
- 27/05/11: ATG to raise up to \$6.9 million via an entitlement issue
- 29/04/11: ATG receives first purchase order for supply of Sprintex supercharger systems on Proton Satria Neo
- 14/02/11: MOU with Proreka, a Malaysian auto parts manufacturer to establish a JV Sprintex Supercharger manufacturing facility
- 7/02/11: ATG's Sprintex Supercharger confirmed as world's most efficient supercharger system
- 9/11/10: ATG focuses growth plans on becoming Original Equipment Supplier for automotive OEM companies
- 27/10/10: Presentation to Shareholders
- 04/10/10: Planned Rights Issue to Raise up to \$6.8m
- 06/09/10: Update of ATG China Sales
- 02/09/10: Major Breakthrough in Supercharger Manufacturing Process
- 23/08/10: Appointment of Chief Financial Officer
- 05/08/10: Update on Product Sales
- 05/08/10: Update on Sprintex Supercharger Testing Programs

## Reducing the cost of manufacturing Sprintex® superchargers and supercharger systems

In addition to refining and developing our production and procurement process to a point where Sprintex® superchargers are competitively priced in the after-market, the agreement to establish a low cost, high volume manufacturing facility in Malaysia is expected to have further significant costs savings positioning ATG to be able to sell more products to car manufacturers.

## Validating product in the after-market

Product validation commenced with the **Landcruiser 80/100 Series** aimed at the Australian market. Being close to home has enabled us to resolve teething problems in a cost effective manner. We then focused on our two core target markets; compact cars in Asia and SUVs in the United States. In December 2010 we soft launched an aftermarket supercharger system for the **Honda Jazz / Fit**. In the SUV segment, we have launched a supercharger system for the **Jeep XJ Cherokee** and are close to finalizing supercharger systems for the **Jeep TJ Wrangler, Jeep JK Wrangler and Toyota FJ Cruiser / Hilux**.

We also took the opportunity to pit our supercharger against a competitor's by developing a **swap out supercharger system for the Mini Cooper S**. The results have been impressive, with 21% power and 19% torque gains delivered over the incumbent supercharger.

## Focus on distribution

With these key achievements now in place, attention has focused on establishing strong distribution channels in our target markets – Asia and the US.

The agreement with Proreka provides **significant reach into key markets in Asia**, with the ability to offer a complete performance upgrade with the world's most efficient supercharger at its heart.

For the US, **Kenmar Corporation** has been appointed as the Company's **exclusive sales representative for the original equipment manufacturer (OEM) market in North and South America**. Kenmar is celebrating its 50th year in the automotive technology and component supply arena in 2011, has presence in six countries and **manages approximately US\$1bn p.a. of automotive component sales**.

With sales agents in place, a low cost volume manufacturing facility and world leading technology, the Company's enablers are ready to drive the Company into a sales growth phase.

## Forward looking statements

This newsletter may contain forward looking statements that are subject to risk factors. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions, political risks, project delay or advancement, approvals and cost estimates. Persons proposing to invest in Automotive Technology Group should first undertake their own analysis and obtain independent advice.