

22 May 2013

AB Dynamics plc
(the “Company”)

First day of dealings on AIM

AB Dynamics plc, a designer, manufacturer and supplier of advanced testing systems and measurement products to the global automotive industry, is pleased to announce the admission today of its ordinary shares to trading on the AIM Market of the London Stock Exchange and the commencement of dealings in its ordinary shares under the ticker ABDP.

The Company has raised £2.5 million before expenses through a placing of 2,906,976 new ordinary shares at a placing price of 86p per share. A further £2.5 million has been raised to satisfy the sale of shares pursuant to a vendor placing. Through the placing a total of 19 new institutional shareholders were introduced to the Company’s share register. On admission, the Company has 16,306,976 ordinary shares in issue, giving the Company a market capitalisation of approximately £14 million.

The Company will be using the proceeds of the IPO to fund expansion into a new factory, establishing a presence in Asia, further recruitment and the exploration of developing complementary technologies.

Cairn Financial Advisers and Charles Stanley Securities are the Company’s Nominated Adviser and Broker respectively.

Overview of the Group

The Company’s operating subsidiary, Anthony Best Dynamics Limited (“ABD”) (together the “Group”) was founded in 1982 and has grown to be one of the key suppliers of testing systems to the automotive research and development industry. It currently provides seventeen of the twenty major international car manufacturers, including Ford, Honda, BMW and Volkswagen, with testing and measurement products for vehicle suspension, brakes and steering for use in both the laboratory and on the test track.

The Group is seeking to further establish itself as one of the leading providers of automotive testing systems to the global automotive industry through further investing in its technology and expanding its global reach.

Originally ABD focused on mechanical vibration and vehicle suspension before extending its offering with a noise consultancy. Today, the Group has further added to its solution set with products that now fall into the following key automotive development sectors:

- Kinematics and compliance testing – development of chassis, suspension and steering components;
- Vehicle dynamics testing on the track – testing of suspension, steering and brake systems;
- Driver assistance system testing – evaluation of the latest Advanced Driver Assistance Systems (ADAS);
- Driverless vehicle track testing – remote vehicle path following under dangerous conditions;
- Steering system testing – allowing engineers to develop desirable steering and handling characteristics; and
- Noise/vibration (NVH) testing of power train assemblies – rapid and non-destructive testing of drive trains.

The Group specialises in three main design areas, in which it has considerable expertise and know-how:

- Mechanical Design: Extensive use of the computer-aided design and modelling tools;
- Electrical & Electronic Design: Design of electronic controllers and electromechanical layouts
- Software Design: Compilation of direct operating software for programmable multi-axis controllers combined with Windows-based software for front-end user operator interfaces. The

Group's software engineers apply in-house mathematical models to calculate displacement and movement in three dimensions in formats that suit the application.

ABD currently has approximately 50 employees, all of which are located in the Company's headquarters in Bradford on Avon. All areas of design, manufacture and sales are carried out at the same facility, encouraging a fully integrated, knowledgeable team. The Group has a strong international distributor network, including in the USA, Brazil and the Far East facilitating the penetration of growing markets such as China and India.

Tim Rogers, Managing Director of AB Dynamics, commented, *"Trading in the current year is in line with management expectations. We believe public company status will support the planned growth of our business through funding a new facility and providing increased production capacity. Proceeds will also be used to establish a presence in Asia and the exploration of complementary technologies."*

"We are very pleased with the level of interest in AB Dynamics plc from UK investors and, as a profitable, cash generative business, we look forward to creating shareholder value as a public company."

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Overview of the Market

The Group operates within the well-funded, global automotive research and development (R&D) sector, an area that the Directors believe possesses significant growth potential with high barriers to entry.

"Global Innovation 1000", a report published by consultants Booz & Co. in 2012, analyses the 1,000 largest companies worldwide in terms of R&D budgets between 2004 and 2011. The report shows that annual R&D spending by the automotive industry increased by over 45% from an estimated US\$66 billion in 2004 to US\$96 billion in 2011, and was consistently third largest by sector, being 16% of the total US\$603 billion spent globally on R&D in 2011, behind Computing & Electronics (28%) and Healthcare at 21%. Automotive R&D spending increased by US\$13.2 billion in 2011, an annual increase of 15%, largely to meet fuel economy standards, improve electronics and meet new safety standards.

Analysis by region illustrates that Asia contains both the largest growth market (India and China) and the current leader (Japan) for automotive R&D expenditure.

According to Booz & Co.'s report, automotive R&D spending in India and China increased from around US\$100 million in 2004 to over US\$2.5 billion in 2011. This is illustrative of Chinese automotive companies seeking to upgrade their capabilities to facilitate development of Chinese vehicles for increased domestic output and to make them more competitive internationally, particularly in European and North American markets. The trend also reflects the Group's recent growth, which has been driven predominantly by sales of products to China.

Toyota, the Japanese vehicle manufacturer, spent more on R&D than any other company in the world in 2011, increasing its 2010 spending by 16.5 per cent. to US\$9.9 billion. Moreover, Japan has consistently had the largest R&D expenditure in the automotive sector of any region since 2004, both in terms of absolute spend and as a percentage of revenue. In 2011, R&D expenditure in the Japanese automotive industry was US\$39 billion.

Behind Japan, Europe has consistently been the second largest market in annual R&D expenditure. In 2011, the European automotive industry spent US\$34 billion and, according to EUCAR, the European Council for Automotive R&D, European automobile manufacturers are the largest private investors in R&D in Europe. For example, Daimler reported in its 2011 annual report that it has allocated a substantial proportion of its research budget for new technologies to achieve sustained improvements in, inter alia, safety and advanced driver aids for road traffic.

New vehicle safety legislation is being brought into force in a number of jurisdictions in which the Group operates, which is expected to increase demand for the Group's products. The European New Car Assessment Programme (Euro NCAP), a car safety performance assessment programme based in Brussels, announced in 2012 that, by 2014, an ADAS will be required as standard on a vehicle in order for it to score top marks in safety testing. In 2013, the US Department of Transportation's Highway Traffic Safety Administration, the US equivalent to Euro NCAP, announced that ADAS is to be included in its star rating process.

The Directors are unaware of any single competitor that provides the range of products and services offered by the Group. However, there are a number of competitors for each of the Group's product categories. The Directors believe that the Group's ability to respond quickly to recent changes in the automotive market and to maintain its position as a leading technology supplier will be fundamental to its future success in existing and new markets and to maintain its market share.

Current Trading

The Group is profitable and has net cash in hand. In the year ended 31 August 2012, revenues were £8.9 million, of which over 90 per cent. was generated from exports to markets in Europe, Asia and North America. In the same year, earnings before interest and tax were £1.8 million.

	<i>Year ended</i> <i>31 August 2010</i>	<i>Year ended</i> <i>31 August 2011</i>	<i>Year ended</i> <i>31 August 2012</i>	<i>Six months ended</i> <i>28 February 2013</i>
	<i>(audited)</i> <i>£000s</i>	<i>(audited)</i> <i>£000s</i>	<i>(audited)</i> <i>£000s</i>	<i>(unaudited)</i> <i>£000s</i>
Revenue	2,655	6,501	8,911	5,874
Gross profit	363	1,344	2,466	1,726
(Loss)/profit before tax	(129)	677	1,883	1,068
Gross assets	3,573	4,961	6,955	7,910
Net assets	2,950	3,451	4,683	5,372
Cash & cash equivalents	1,181	2,369	2,481	3,045

Key strengths

Attractive Market Sector

The Group supplies high value advanced engineering technology and products into global automotive product research and development programmes, an area estimated to spend around US\$96 billion per annum (Booz & Co. 2011). As a result, the Company is not subject to the normal issues associated with companies which supply high volume, low cost components to the vehicle manufacturing supply chain. The Group's products are designed and produced to rigorous standards and specifications set by customers who require an improved

quality and speed of development of their own automotive products. Consequently, the Group's products are regarded as high value items by customers.

A Market Leader

The Group sells its technology and products to many of the major automotive producing countries and supplies a number of the major automotive companies. Seventeen of the top twenty automotive manufacturers routinely use the Group's products as part of their new vehicle development cycle. The Directors believe that the Group is well-placed to maintain its competitive position by virtue of its ability to create innovative concepts and products for its customers.

Organic Profit Growth

The Group has experienced significant historic profit growth, while collaborative partnerships with key customers provide good visibility for its 2013/14 order book.

Expansion Opportunities

The Group is also seeing an increased demand for its expertise and technology in other industries, specifically relating to testing and measurement. The Directors have provided for an allocation of resources to explore areas in complimentary sectors where the Group has expertise.

Financially Robust

The Group is profitable, generates significant cash flows and, on the 28 February 2013, had unaudited net cash of approximately £3 million. The Board has received proposed outline terms and conditions for new banking facilities to assist in the funding of its proposed new facility.

Barriers to Entry

It has taken the Group many years to establish itself as a leader in its niche market and to develop its customer relationships together with an incentivized team capable of supplying high quality, innovative products that meet the criteria of original equipment manufacturer suppliers and the demands of the global automotive sector. Product development is often undertaken in direct response to customer demands. Furthermore, the Group retains a high level of knowledge and experience through its Directors and senior management.

History and Background

Tony Best founded Anthony Best Dynamics Limited in 1982 as a design consultancy in mechanical vibration and vehicle suspension to the automotive and wider engineering industry. In 1983, Andrew Middleton joined the Group and added expertise in noise consultancy to ABD's service offering.

In the 1980's and 1990's, the Group was involved in a number of consultancy projects, including the design of the suspension of the McLaren F1 road car, an active suspension system for Jaguar and development for Land Rover of a measurement and analytical system for end-of-line noise vibration and harshness called PLATO.

In the 1990's, as the UK automotive industry continued to decline, the Group shifted its focus away from consultancy towards the design and production of vehicle test equipment for automotive manufacturers and suppliers. This led to the design and manufacture of the Suspension Parameter Measurement Machine (SPMM), one of the Group's key products. The SPMM measures the kinematic and compliance characteristics of vehicles by employing a method of moving the vehicle's body in a manner that simulates the real motion of a vehicle's inertial properties and centre of gravity. The Group's first SPMM was delivered to the Motor Industry Research Association (MIRA) in the UK in 1997.

The Group has expanded its range of vehicle testing products to meet the growing demands of the industry. In 1998, the Group supplied its first steering robot for quantitative vehicle testing on the track and has, to date supplied over 300 driving robot systems around the world. The Group was also a pioneer in using inertial GPS motion packs to control the path of a vehicle in 2003 and, in 2007, was one of the first manufacturers to sell a driverless system for testing vehicles on the track. The Group's driverless test system was awarded Development Tool of the Year for 2009 by Vehicle Dynamics International.

The Directors expect continued demand for the Group's products and services as new vehicle safety legislation is enhanced in numerous jurisdictions and as the automotive industry expands in growing markets in Asia, particularly China. In the current financial year commencing 1 September 2012, the Group has enjoyed continued demand from Asia and Europe for its products.

The Group currently employs approximately 50 staff in one combined factory and office location in Bradford on Avon. Due to the complexity of the product development and production process, the directors believe it is necessary for the Group to maintain full control of product development, supply chain and production, which it has sought to do by establishing an integrated and incentivised team of mechanical, electrical, electronic and software engineers. In addition, the Directors consider that to empower the Group to be at the forefront of new product development, an in-house team of specialist engineers focussed on generating high levels of innovation and product development in close co-operation with its customers should be retained. Many of the Group's key personnel have been employed for over twenty years and have been instrumental in the Group's continued growth.

Use of Proceeds

The net proceeds of the placing will be used to finance the Group's business strategy and development through a new facility to provide additional capacity for the Company's growing forward order book and support the development of marketing, sales support and distribution channels in the rapidly growing Asian markets through establishing a presence in Japan and China. The Group also intends to continue recruiting, retaining and motivating high calibre personnel and will improve staff incentives through share ownership and share option programmes.

Although the Directors consider that the automotive sector will provide an on-going demand for the Group's expertise and product development, the Directors may explore opportunities to deploy the Group's expertise in other sectors from time to time, either in-house or by acquisition.

Board of Directors

Anthony Best, Executive Chairman

Tony was called up for National Service in 1955 obtaining a commission in the Royal Electrical and Mechanical Engineers. In 1957, he went to Cambridge University and graduated in Mechanical Sciences Tripos (Engineering). He joined Rolls-Royce Cars in 1960, initially as a graduate apprentice and then into the design department working on vehicle suspensions. In 1963, he moved to Avon Rubber Limited, initially as a Project Engineer working on the design and development of tyre manufacturing equipment, followed by a move into production management at the tyre plant in Melksham before becoming Production Manager in 1965.

In 1967, he joined Dr Alex Moulton at Moulton Developments as Chief Engineer working on vehicle suspensions for cars, trucks and coaches. Following the closure of Moulton Developments in 1982, he founded Anthony Best Dynamics Limited.

Tony has written a number of technical papers on vehicle suspension, ride and handling. He was awarded the Institution of Mechanical Engineers' Thomas Hawksley medal and the Automobile Division's Crompton Lanchester Medal in 1979. He is a Fellow of the Royal Academy of Engineering, Fellow of the Institution of Mechanical Engineers and is on the Court of the Worshipful Company of Engineers.

Tim Rogers, Managing Director

For the past 15 years, Tim has had extensive experience managing companies in the engineering and chemical sectors. Between 2004 and 2011, he was CEO and Executive VP of Clean Diesel Technologies, Inc ("CDT"), which specialises in vehicle emission reduction technology. During this period, Tim gained capital market experience as CDT was admitted to trading on AIM between 2001 and 2009 and dual-listed on NASDAQ in 2007. Tim oversaw a two way merger of CDT with Catalytic Solutions, Inc in 2010, which resulted in a US\$65 million company.

Prior to this, Tim worked at Exxon Corporation, Inc (1984-1990), Ethyl Petroleum Additives Limited (1990-1993) and The Associated Octel Co. Ltd (1993-2002) before being appointed Director of Sales & Marketing at ADAS Consulting Limited, an environment research consultancy. Tim joined the Group in October 2012. He also studied engineering at Oxford Brookes University and has a strong grounding in mechanical and production engineering.

Robert Hart, Finance Director

Rob joined the Group in 2008 as Commercial Manager and is primarily responsible for all financial aspects of the business. Rob has prior experience of working at public companies: he was a Commercial Financial Analyst at First Group plc from 2000 to 2002 before joining Unite Group plc, where he spent six years as Financial Controller of the manufacturing division.

Rob has an honours degree in Mathematics and Computing from The University of East Anglia and is a Fellow of the Association of Chartered Certified Accountants.

Graham Eves, Non-Executive Director

Graham joined GKN plc in 1967 where he spent 13 years operating across multiple overseas jurisdictions including, for the last 5 years, setting up and running a special operation for GKN plc's head office in Switzerland. He returned to the UK in 1980 to work in venture capital and establish his own international business consultancy. His main activities covered advising a range of German, North American and Japanese automotive component/technology suppliers and he co-founded and was chairman of an automotive technology company, Mechadyne (now part of KolbenschmidtPierburg AG). He was also chairman of PCB manufacturer, Lyncolec Limited, chairman of a special security company and a director of 3PC Investment Trust.

Graham was directly involved in the AIM flotations of Antonov plc and Transense Technologies plc and has a Master of Arts degree in Modern and Medieval Languages from the University of Cambridge.

Bryan Smart, Non-Executive Director

Bryan spent 25 years at DaimlerChrysler (UK) Limited, where he worked initially in internal audit before moving up from Financial Controller to Chief Financial Officer. He resigned from DaimlerChrysler in 2006 having overseen turnover increase from £1.3 billion in 1995 to over £3.0 billion in 2006 and managing the acquisition, assimilation and reorganisation of Chrysler & Jeep in the UK. He remains Trustee Director of DaimlerChrysler Pension Fund.

Since leaving DaimlerChrysler, Bryan has advised a number of public and private companies. Between 2006 and 2010, he was Chairman of the supervisory board of CarboTech AG, a Salzburg-based designer and manufacturer of complex carbon fibre structures for automotive and industrial use. He has significant experience of AIM-quoted companies. Bryan is a Non-Executive Director and member of the audit and remuneration committees of Greka Drilling Limited and Rangers International Football Club plc and, until recently, held the same positions at SCOTTY Group SE. Bryan is a fellow of the Institute of Chartered Accounts in England and Wales.