



**Torotrak plc  
Half Year Report**

**November 2007**

[www.torotrak.com](http://www.torotrak.com)



# Progress on Use of Funding

## Funding for some or all of the following

- Balance sheet strength to assist deal making
- Investment in subsequent Infinitrak product
- Potential JV in agriculture sector

## Delivery

- Tata Motors Limited licence secured and MoU signed with European truck manufacturer
- Infinitrak Board has agreed to fund development of a second transmission
- Funding has given substance to our objective - early discussions with potential partners; we expect this to take time to realise.



## Half Year – Key Points

- **Business outlook and prospects have strengthened since the fund raising in July / August 2007**
- **Remain on target to deliver full-year PBT expectations:**
  - As anticipated when last reporting, second-half revenue weighted
  - Better quality revenue mix than expected
- **Management of opportunities has resulted in change in balance of 3 year plan**
- **Major developments:**
  - Tata Motors Limited licence signed
  - MoU signed for a substantial truck and bus development programme
  - Two new licensees for Formula 1 KERS



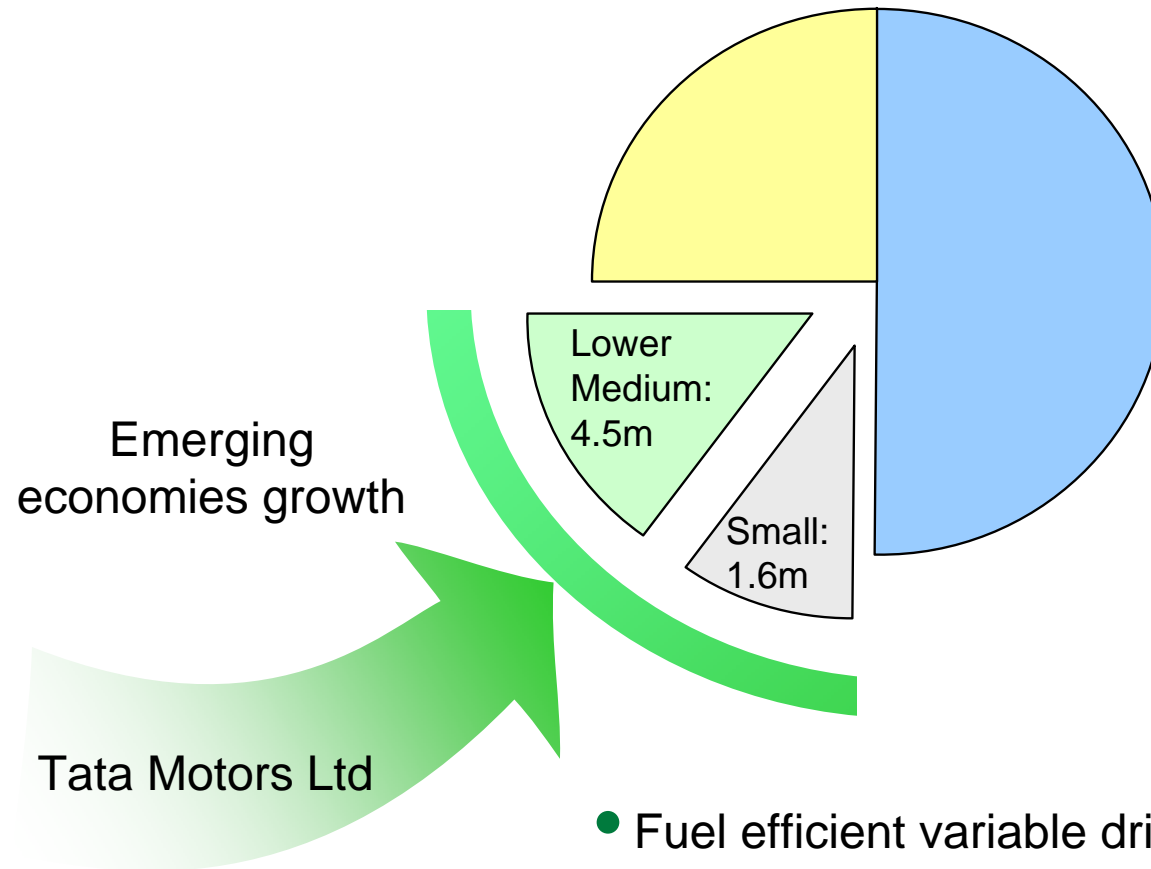
# Infinitrak Status

- **Extensive in-field testing of pilot build transmissions**
- **Production process refined leading to more robust product:**
  - Focus on supplier processes
- **TTT developed for wider application across MTD product range**
- **Confidence in technology has secured commitment to second product line:**
  - Commitment to funding
  - Lower cost / higher volume unit
  - Strong 3<sup>rd</sup> party sales potential
- **Volume ramp-up:**
  - MTD production call-up to be finalised
  - Significant stock of production material already sourced
  - Focus on quality, not quantity, to build confidence for broader application in 2009



# Automotive – Small Cars and Emerging Economies

Total global automatic transmission market size: 32 million upa



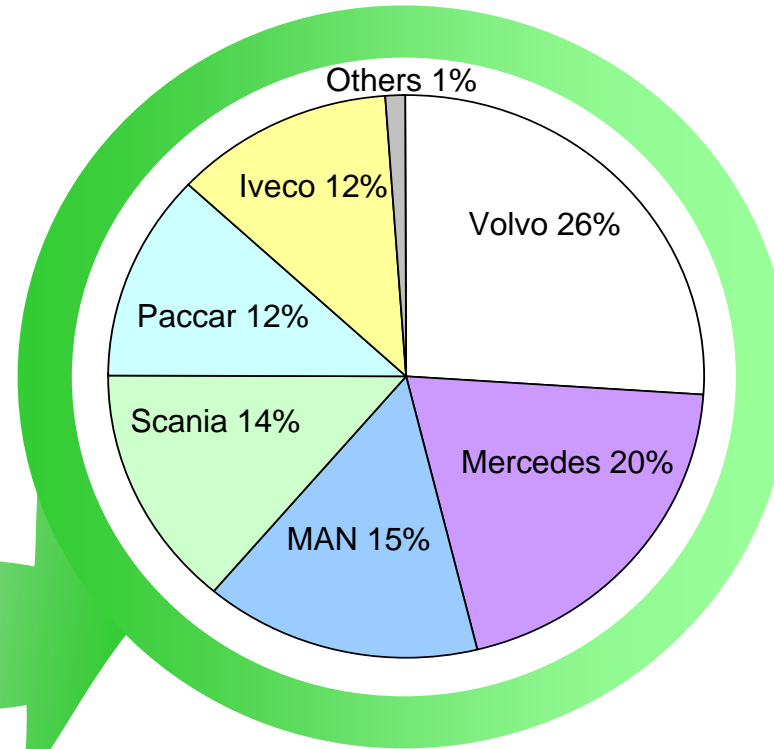
- Fuel efficient variable drive
- Latest technology – more attractive to invest in
- Better functionality than current automatics
- Lower costs than current fixed ratio automatics



# Truck and Bus - European Focus

Global truck & bus market size: 3.7 million upa

European heavy truck market size: 250,000 upa



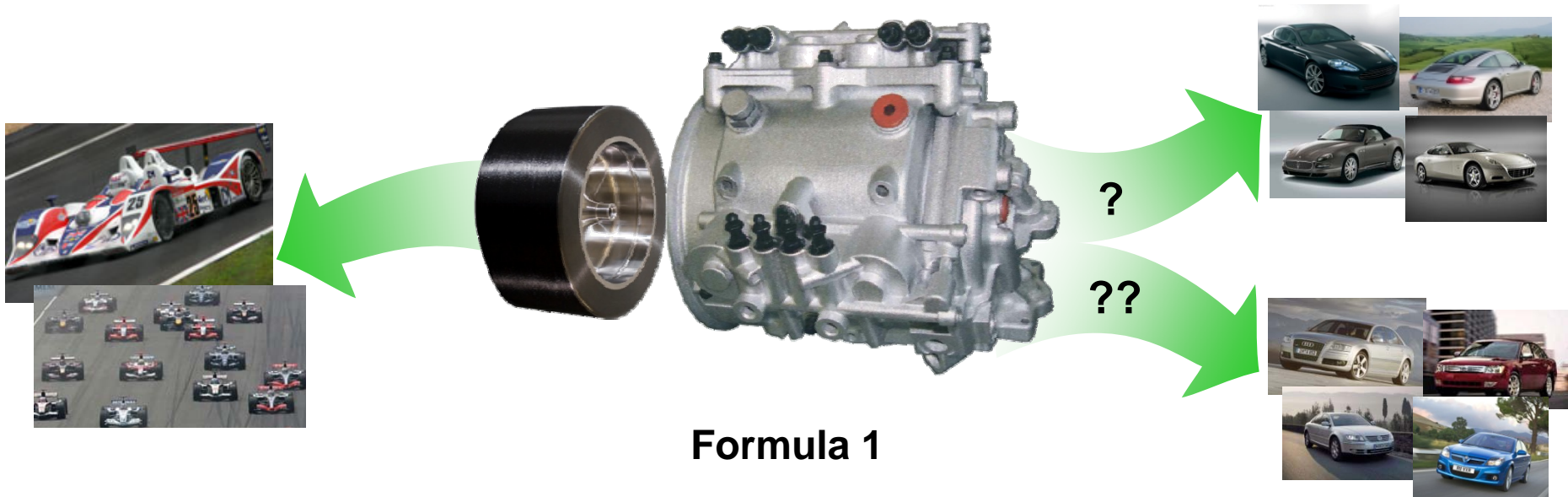
MoU with European truck and bus manufacturer

- Provides a solution to forthcoming truck emissions legislation:
  - IVT matched to new engine technology
  - Emissions can be achieved without fuel economy penalty
- Fuel economy (bus) improvement circa 20%
- Lower cost than current automatic transmissions



# Motorsport

## Kinetic Energy Recovery System



Formula 1

- New rules in Formula 1 from 2009 season
- Mechanical hybrid – high power handling through flywheel
- Licence with industry leader – Xtrac
- New licensee just announced
- Technology under development with two F1 teams



# Financial Highlights

	H1 FY 08	H1 FY 07	FY 07 (Y/E 31.03.07)
Revenue	£ 0.5m	£ 1.8m	£ 2.7m
Loss before tax	£ (2.6)m	£ (1.5)m	£ (3.2)m
Operating cash outflow	£ (2.4)m	£ (2.0)m	£ (3.5)m
Net new equity funds	£6.7m	£0.0m	£0.0m
Net cash	£ 8.7m	£ 5.4m	£ 4.3m

- Strong revenue weighting expected in H2 this financial year
- Opposite revenue profile last financial year



# Financial Outlook and Plan

- **This financial year's expectation:**
  - On track: net revenue, operating cash, net loss
  - Strong 2<sup>nd</sup> half from engineering programmes and anticipated licence income
- **Infinitrak:**
  - Slightly improved net financial impact this financial year
  - Focus on successful positioning & robustness of 1<sup>st</sup> product – lower first year volumes
  - Thereafter, gross revenue climb versus expectations is subject to timing of 2<sup>nd</sup> product
- **Tractor customers now expect to launch 2010 (circa 1 year delay):**
  - Medium / long-term expected market penetration rates unaffected
  - Reviewing JV options – more control over marketing decisions



## Non-Financial KPIs – H1 FY 08

KPI	Progress / Comment
Progress towards volume production	<ul style="list-style-type: none"><li>● Infinitrak transmission thoroughly trialled; first year volumes slightly lower than planned, but little financial impact.</li><li>● Second, lower cost Infinitrak transmission unit to be developed</li><li>● Tractor licensees continuing strong commitment, but customer marketing decisions suggest a later launch than originally expected</li></ul>
Signing up licensees and new customers with access to appreciable market share	<ul style="list-style-type: none"><li>● Tata Motors Ltd Licence signed</li><li>● MoU with truck and bus customer confirming engineering programme and providing basis for licence negotiations</li><li>● Two Formula 1 (KERS) licences signed</li></ul>
Developing new IP, allowing greater market opportunity	<ul style="list-style-type: none"><li>● Advances in tractor control strategy</li></ul>
Effective use of engineering resources on customer programmes	<ul style="list-style-type: none"><li>● 46% of engineering and technician time spent on revenue generating projects – lower than target due to high business and technology development in this half</li></ul>



# Summary

- **First half has been a period of successful, deal-making activity**
- **On track for full-year expectations to be met relating to key measures: operating cash flow, net revenue, loss before tax**
- **Strong order bank**
- **Infinitrak:**
  - More resilient plan with lower first year launch volumes
  - Development of 2<sup>nd</sup> product represents a significant opportunity
- **Time to market for tractor licensees:**
  - Delay frustrating, but strong customer commitment to launch maintained