



**Torotrak plc  
Interim Results**

**November 2006**

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



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- **Background:**
  - What has changed at Torotrak?
  - Business model
  - Markets: brief view
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- **Prospects**



# Highlights

## Operational

- **Start of Production (SoP) of Infnitrak IVTs in Q4 this financial year**
- **First stage development completed on a low-cost transmission for Asian vehicle manufacturer**
- **New licence in Off-Highway (agricultural) market signed with Uzel**

## Financial

- **Revenues up £0.7m to £1.8m**
- **£1.2m improvement in operating performance**
- **£2.7m now fully funded by Torotrak for Infnitrak SoP**
- **£5.4m cash reserves**
- **On target for achieving positive cash flow in FY09**



## What has changed at Torotrak?

**2003**

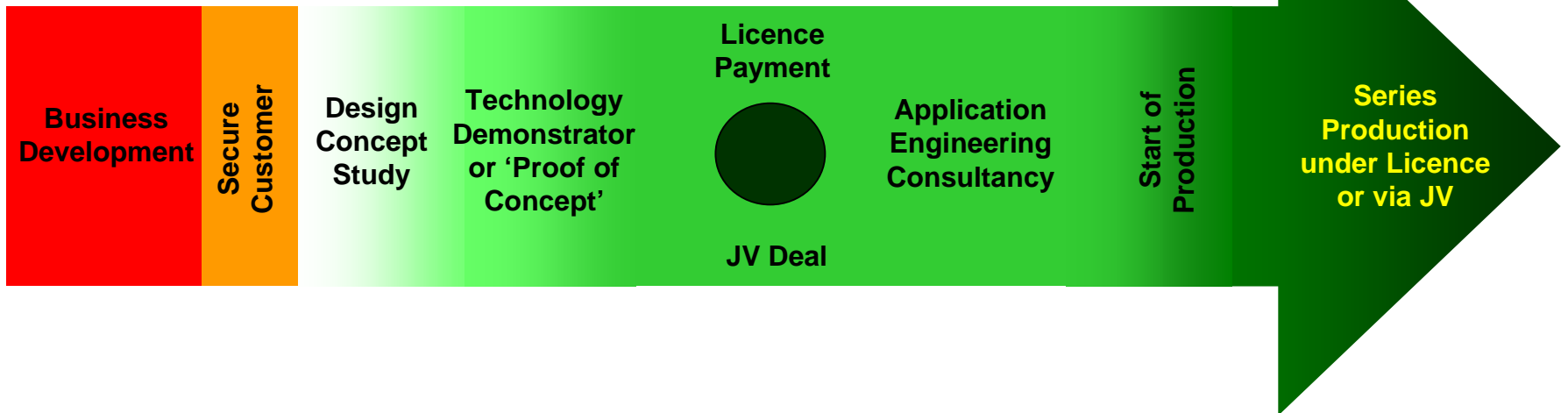
**2006**

- **Inward looking development company**
- **All R&D self-funded**
- **105 employees**
- **Sole focus on high-end automotive**
- **Minimal revenues**
- **No confirmed production**
- **Focus on commercial exploitation**
- **R&D funded by customers**
- **60 employees**
- **Multi-product & multi-market with new licensees**
- **Rapidly growing, more predictable earnings**
- **Production about to commence via JV**



# Business Model & Earnings Cycle

## Business Activity



## Costs and Revenue Flows





# Our Market Sectors



**Low-Cost Automotive**



**Off Highway**



**OPE**



**Premium Automotive**



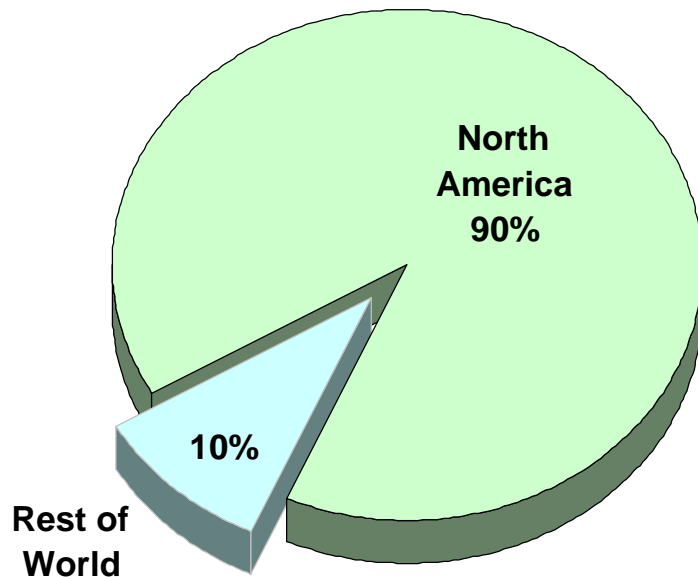
**Truck & Bus**

Pictures are for illustration only



# Outdoor Power Equipment (OPE)

- **Initial target market:**
  - Ride-on mowers



**Total market – 2.1 million units**

- **Major manufacturers in this sector include:**
  - MTD
  - John Deere
  - Briggs & Stratton
  - Electrolux



# Off Highway

- **Initial target market:**
  - Compact to mid-size agricultural
  - Construction Equipment (CE) vehicles
  - Forklift trucks (Materials Handling)

**Compact tractor**



**Mid-size (110kW) tractor**

**Mini excavator**



**Wheeled loader**

**Telehandler**

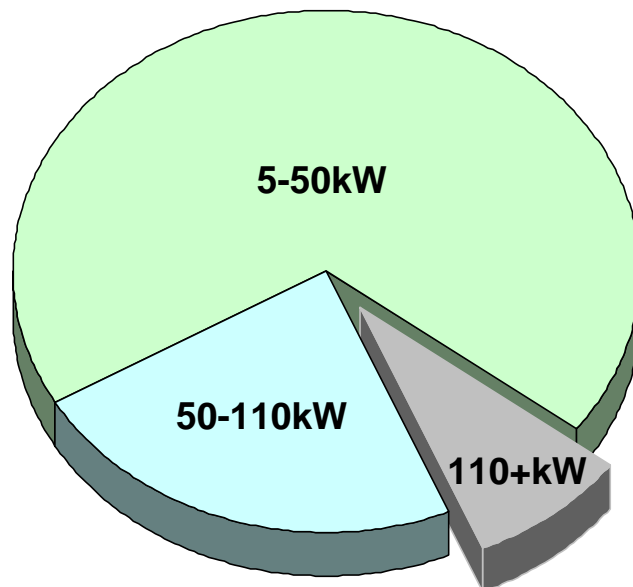


**Class 5 forklift trucks**



# Off Highway

- Initial targets include agriculture, CE and materials handling



**Global market – 1.8 million units**

- Major manufacturers in this sector include:
  - Iseki
  - Caterpillar
  - JCB
  - John Deere
  - AGCO
  - Uzel
  - CNH
  - Komatsu



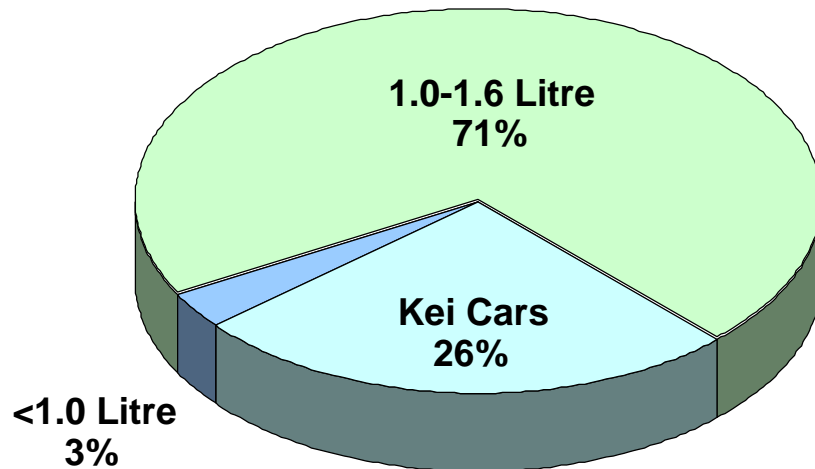
# Low-Cost Automotive

- **Initial target markets:**

- Micro, A and B sector cars
- Kei cars (Japan)
- Entry-level vehicles in emerging economies

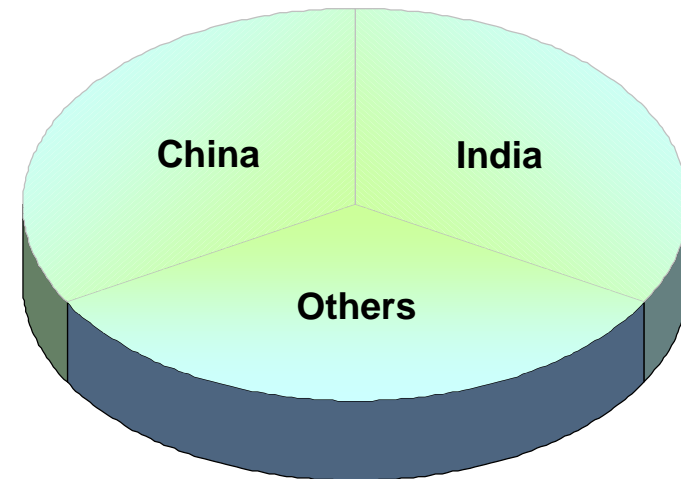


## Established Markets



**Global market: 5.4 million**

## Emerging Markets

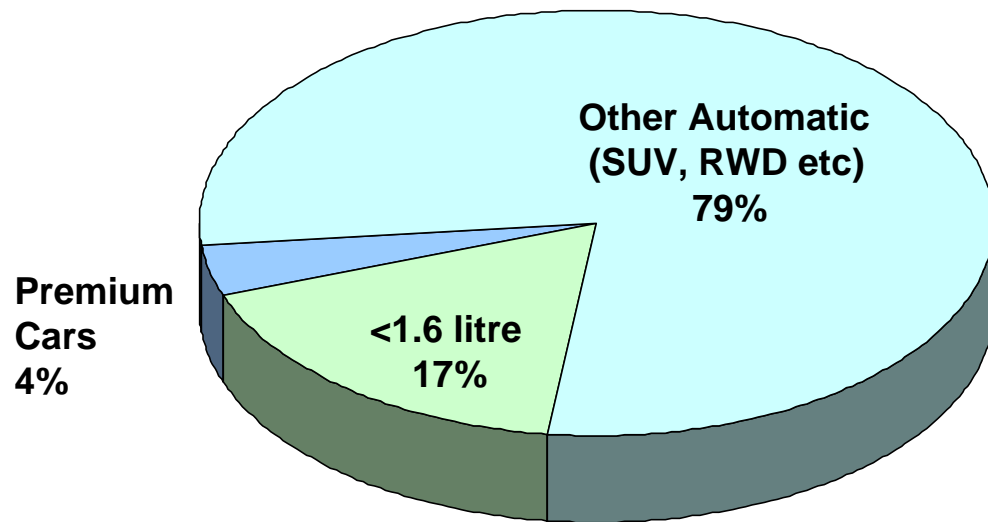


**Global market: >>1 million**



# Premium Automotive

- **Initial target market:**
  - Premium rear wheel drive (RWD)
  - 4 wheel drive
  - SUV



Technology cascade  
to 'commodity  
vehicles'

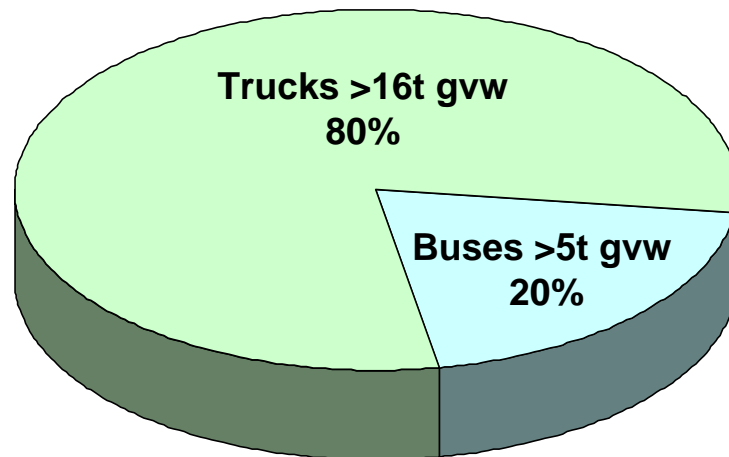


**Global automatic market: 31 million**



# Truck & Bus

- **Initial target market:**
  - Haulage trucks
  - Mid-sized city buses

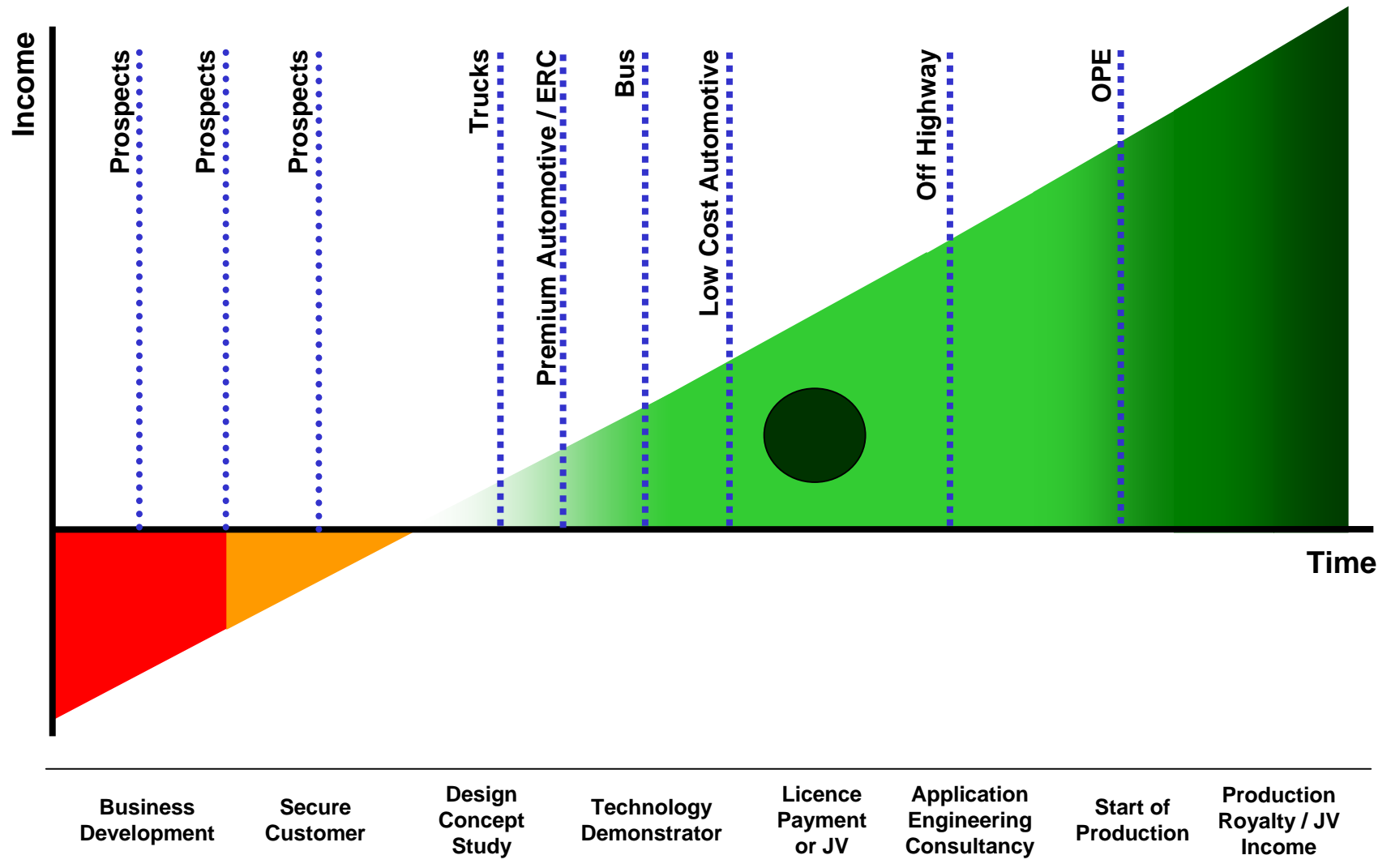


**Global market: 1.5 million**

- **Major manufacturers in this sector include:**
  - Volvo
  - MAN
  - Navistar
  - Isuzu
  - Optare
  - Fiat
  - ERF
  - Scania



# Progress in Earnings Cycle





# Summary

	Outdoor Power Equipment	Off Highway	Low-Cost Auto	Premium Auto	Truck & Bus
Validated product?	Yes	Yes	Yes	Yes	Yes
Production intent customers?	Yes	Yes	Development Programme	Production Intent Prototype	Proof of Concept
Competitiveness	High	High	High	Targeted	Targeted
Competitive drivers	Low cost, refinement, efficiency, ease of use	Levels of control, efficiency, ease of use, cost effective features	Cost, fuel economy, ratio spread, ease of drive	Refinement, fuel economy, features (especially SUVs)	Solution for emissions targets, efficiency
Route to production	1	2	3	4=	4=



# Interim Financial Results

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



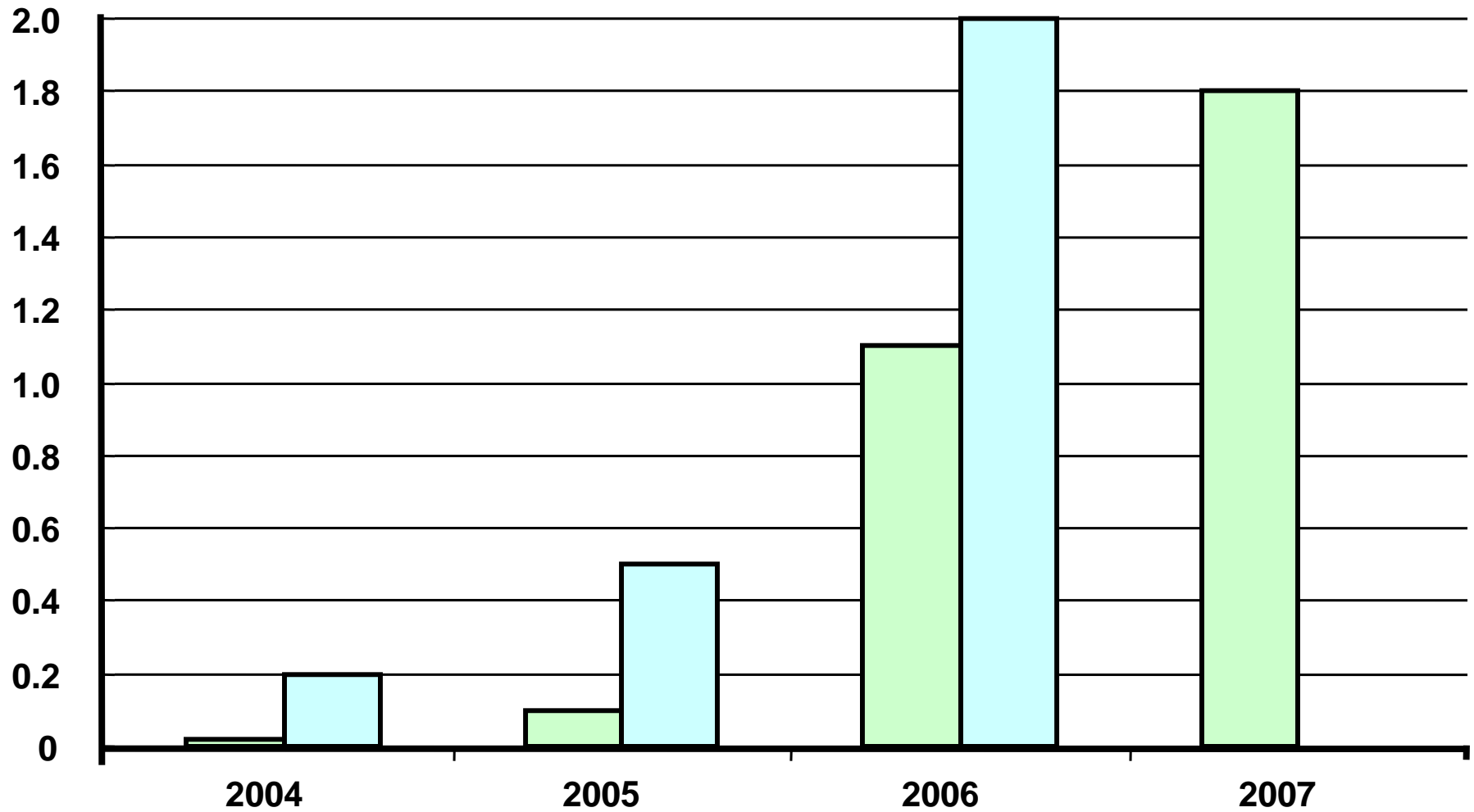
## Financial Highlights

	6 months to Sept 06	6 months to Sept 05	Change
Revenue	£ 1.8m	£ 1.1m	£ 0.7m
Loss after tax	£ (1.3)m	£ (3.4)m	£ 2.1m
Operating cash outflow	£ (2.1)m	£ (2.7)m	£ 0.6m
Net cash	£ 5.4m	£ 5.1m	£ 0.3m



# Revenue Growth

£ m



■ Half year    ■ Full year



# Revenue

	6 months to Sept 06	6 months to Sept 05	Change
Engineering services	£ 1.0m	£ 0.9m	£ 0.1m
Licence & IP sales	£ 0.8m	£ 0.2m	£ 0.6m
Revenue	£ 1.8m	£ 1.1m	£ 0.7m



## Cash Generation

- **Production related income:**
  - Commencing FY07
  - Material impact from FY08
  - First in OPE then in Off Highway
- **IP sales linked to customer programmes**
- **Continued build of revenue streams**
- **60% of engineering development time charged to customer projects at consultancy rates**
- **R&D tax credits continue (received in second half)**
- **Operating cost £1.1m reduction – on target**



## **Infinitrak Joint Venture**

- **£2.7m investment by Torotrak**
- **Funded by sale of IP rights**
- **Targets / milestones:**
  - Production to commence in Q4 of this financial year
  - 100k units in first full year of production
  - Operating cash flow positive: FY08



# Prospects

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



## **Prospects**

**“Volume production of our technology is about to begin. This is a major milestone for Torotrak that has a profound impact on our business prospects” – Dick Elsy**

- **Three customers progressing towards production**
- **Significant progress since FY06 year end**
- **Earnings cycle establishing**
- **Customer and order prospects growing**
- **Business momentum increasing**