



Torotrak plc
Preliminary Results – FY07

May 2007

www.torotrak.com



Content

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- **Market report**
- **Financial update**



Progress against Plan: FY07

Commitment

- **Start of Production (SoP) of Infinitrak IVT**
- **Open up emerging economy car market**
- **Predictable earnings cycle**
- **Broaden off highway market into material handling**
- **Operating costs reduced by £1.1m**

Delivery

- **Pilot production commenced March 2007**
- **MOU with major Asian manufacturer signed**
- **£2.7m revenue**
- **New customer and programme secured in forklift trucks**
- **Full year operating cost saving of £1.1m**



Principal, Active and Future Markets

| Target Markets and Sectors | | | | |
|-------------------------------|---|-----------|--------|--------|
| Market | Sector | Principal | Active | Future |
| Automotive | Low-cost and Small Car | ✓ | | |
| | Mainstream (Medium and Large Car) | | ✓ | |
| | Premium | ✓ | | |
| Off-Highway | Compact Agricultural Tractors | ✓ | | |
| | Medium Agricultural Tractors | ✓ | | |
| | Large Agricultural Tractors | | ✓ | |
| | Construction Equipment | | | ✓ |
| | Materials Handling Fork Lift Trucks | | ✓ | |
| Outdoor Power Equipment (OPE) | Garden Ride-On Mowers | ✓ | | |
| | Lawn and Garden Tractors | ✓ | | |
| | Compact Consumer Tractors | ✓ | | |
| | Utility Vehicles / All Terrain Vehicles | | ✓ | |
| Truck & Bus | Heavy / Haulage Trucks | | ✓ | |
| | Urban Delivery Trucks | | | ✓ |
| | City Buses | | ✓ | |
| Other | Auxillary Drives | | | ✓ |
| | Marine | | | ✓ |
| | Wind Power | | | ✓ |
| | Motor Sport | | | ✓ |

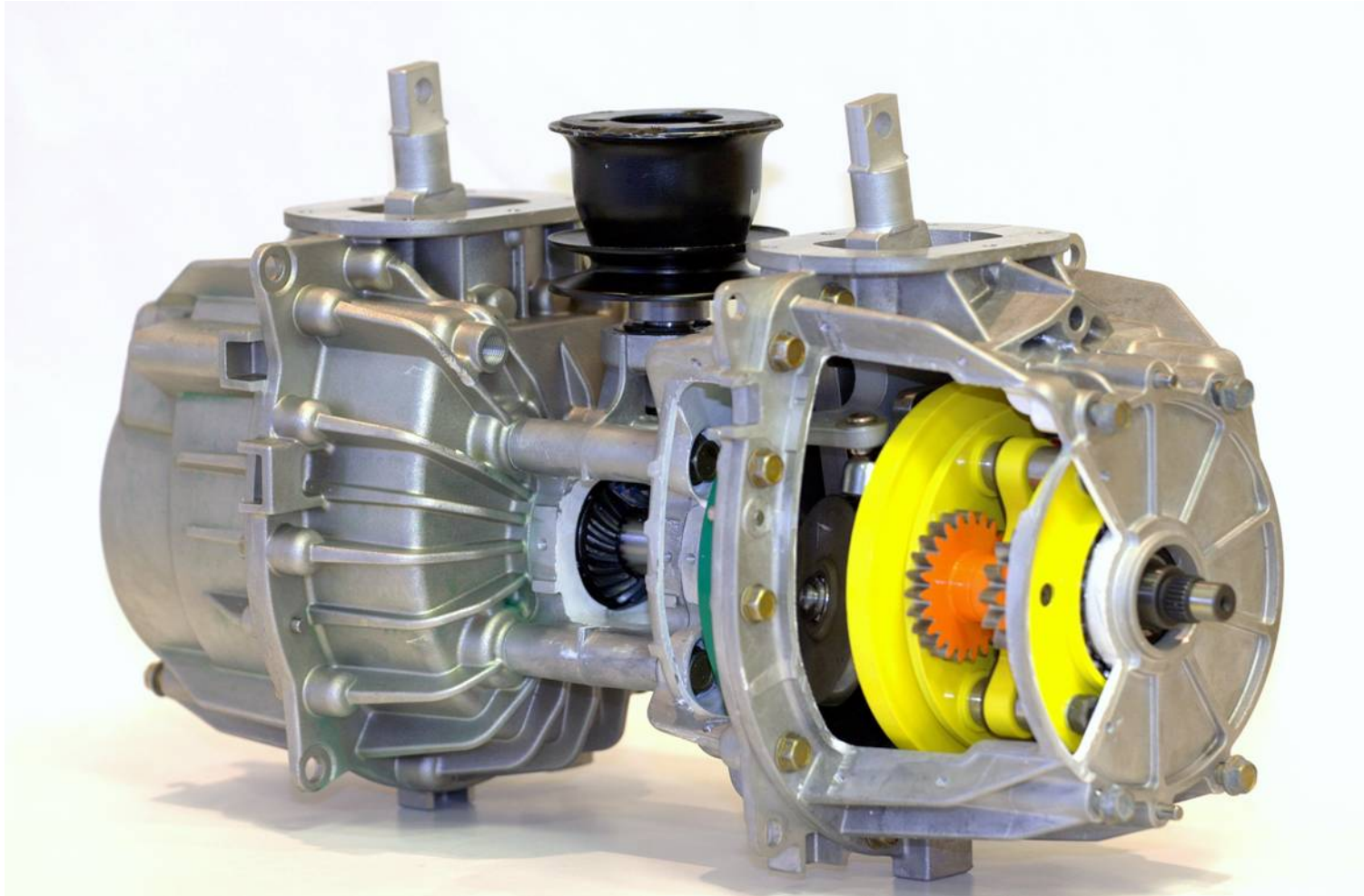


Market Report - OPE

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Market Report – OPE





Market Report - OPE

- **Strategy**
 - **Exploit OPE via joint venture with market leader - MTD**
 - **Independent Infinitrak sells to MTD and 3rd parties**
- **Proposition**
 - **A better and more cost effective variable drive for the OPE market**



Market Report - OPE

- **Status**
 - Pilot build commenced
 - Production vehicle validation followed by in market trials
 - Ramp up of volume in Q3 &Q4 for 2008 mowing season
- **Highlights**
 - Cost breakthrough in powder metallurgy has secured target costs
 - Next transmission under development



Market Report – Off Highway

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Market Report – Off Highway

- **Strategy**

- **Target manufacturers of medium-sized tractors with ability to develop technology**
- **Secure a route to market via a tier-1 transmission manufacturer**
- **Secure one of the global ‘big 3’ as a customer and licensee**
- **Progress materials handling to become a principal sector**
- **Review potential for further joint venture relationships**

- **Proposition**

- **Fill the gap in the small to medium-sized tractor and material handling market with a highly effective variable drive transmission competitively priced against currently available technology**



Market Report – Off Highway

- **Status**

- **3 tractor licensees secured, one of which is also a Tier 1 transmission manufacturer**
- **All licensees progressing with development of IVT:**
 - **2 have prototype tractors running**
 - **2 have ambition to be in production in 18-24 months**
- **Torotrak earning consultancy revenue from design support for new compact tractor transmission**
- **Prototype programme confirmed with new market leading customer in fork lift trucks**
- **Early discussions with one of global ‘big 3’**



Market Report – Off Highway

- **Highlights**

- **Infinitrak has had a positive impact on our credentials in this market**
- **Lower cost hydromechanical control system has broadened our prospects**
- **Fork lift truck proposition looks very strong – better efficiency and flexibility at lower cost than current hydrostatic technology**
- **New prospects in the pipeline for future order book**



Market Report - Automotive

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Market Report – Automotive

- **Strategy**
 - **To target the automotive market from both ends: cascade down from premium automotive and work up from low-cost cars being developed for emerging markets**
 - **Capitalise on growing pressure and likely legislation for improved fuel economy and CO₂ reductions**



Market Report – Automotive

- **Proposition – emerging markets**
 - **A cost effective variable drive/automatic transmission**
 - **A fuel economic choice at the outset**
 - **A route to independence of technology from global auto industry**
 - **Satisfy the hunger for new and superior technologies**
- **Proposition – premium automotive**
 - **A refined and sophisticated driving experience which delivers performance and improved fuel economy at comparable unit cost to current technology**



Market Report – Automotive

- **Status**
 - **MOU signed with Asian vehicle maker – principal terms of licence agreed**
 - **Licence expected to be secured in H1/FY08**
 - **Further interest in emerging markets**
 - **Premium auto programme with Aisin AW continues**
 - **Legacy investment in six, seven and eight speed automatic transmissions still an inhibitor to progress, but Torotrak/Aisin have a strong product proposition**



Market Report – Automotive

- **Highlights**

- **‘First to automotive market’ ambition from new Asian partner**
- **Emerging markets unencumbered by legacy investment**
- **Torotrak has established a foothold in the rapidly growing area of emerging economies**
- **Proposed future legislation may positively impact Torotrak in the developed car market**



Market Report – Truck and Bus

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Market Report – Truck and Bus

- **Strategy**
 - **Target a major manufacturer with strong R&D capability to bring Torotrak technology to market**
 - **Develop Torotrak's credentials by proving our value to this market**
- **Proposition**
 - **A transmission technology which can provide fuel saving and emissions benefits in an industry coming under increasing pressure to deliver on environmental matters**



Market Report – Truck and Bus

- **Status**

- **Design study with major European truck manufacturer has proven our ‘worth’ in this market**
- **We expect to progress with a further programme of work for this customer, adding to our order book**
- **A further bus demonstrator has delivered 20% improvement in fuel economy – a significant contribution**

- **Highlights**

- **Broader application than originally envisaged: urban delivery trucks and buses through to long haul trucks and coaches**
- **Cost study shows IVT can be produced at lower cost than current automatic gearboxes in this market**



Preliminary Financial Results

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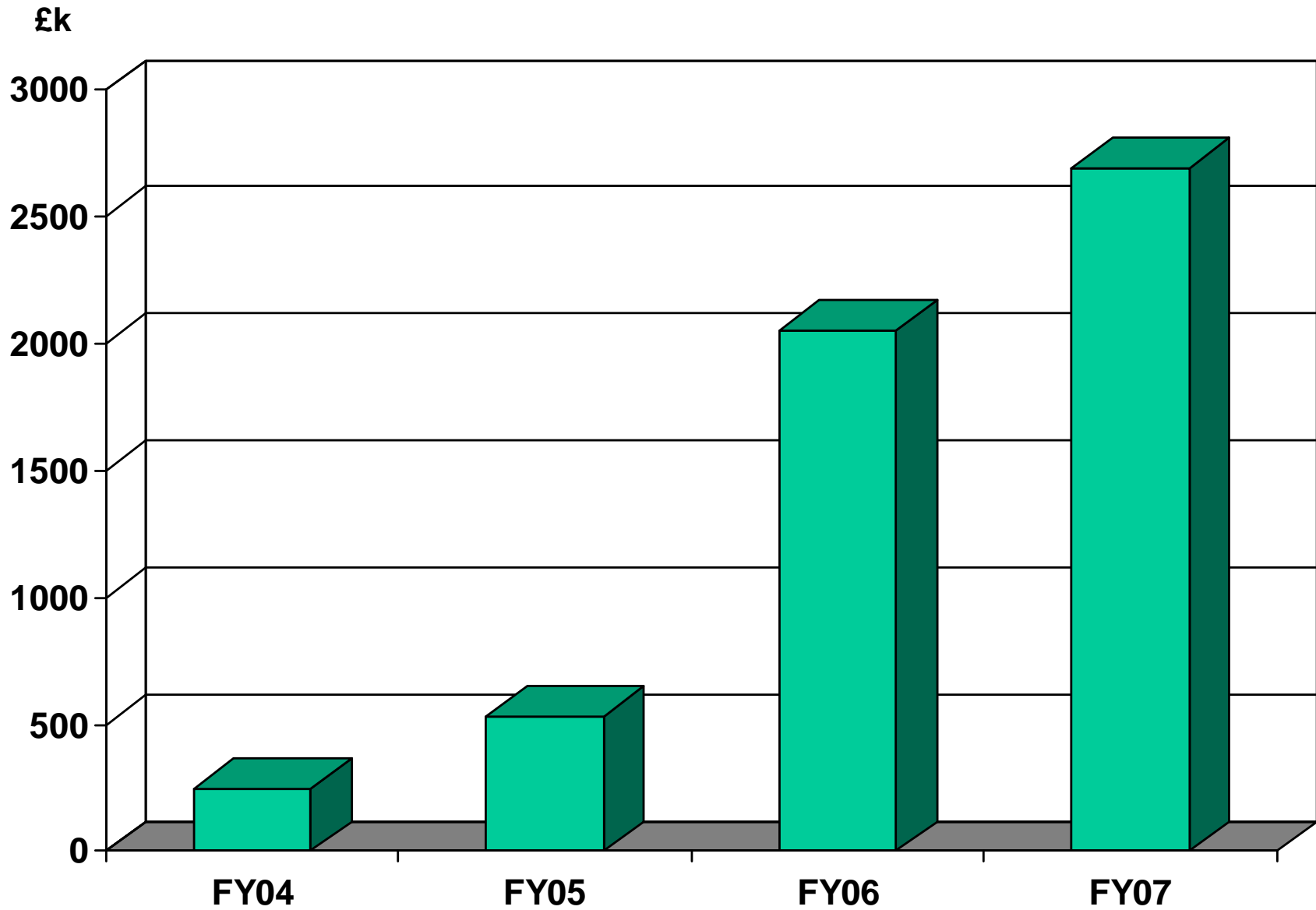


Financial Highlights

| | FY07 | FY06 | Change |
|---------------------|---------|---------|--------|
| Revenue | £2.7m | £2.1m | +£0.6m |
| Loss after tax | £(2.9)m | £(5.8)m | +£2.9m |
| Operating cash flow | £(3.5)m | £(4.3)m | +£0.8m |
| Net cash | £4.3m | £7.5m | -£3.2m |



Revenue Growth





Financial KPIs (FY07)

| KPI | Result | Change over FY06 | Reason |
|-------------------------------------|---------|------------------|---|
| Revenue | £2.7m | £0.6m higher | £0.5m higher engineer fees mainly |
| Operating costs exc. JV (recurring) | £(5.8)m | £1.1m lower | Restructured in FY06 Lower staff numbers |
| Operating cash outflow | £(3.5)m | £0.8m lower | £1.6m improved operating performance, offset by late receivable |
| Orders and prospects | NA | Strong growth | Successful engineering 'proof of concept' programmes and momentum |
| Billable engineer time | 55% | 5% lower | High business development focus in H2/FY07 |



Half Year Performance (FY07)

| | H1 | H2 | FY07 |
|---|---------|---------|---------|
| Revenue | £1.8m | £0.9m | £2.7m |
| Loss after tax | £(1.3)m | £(1.6)m | £(2.9)m |
| Operating cash outflow excluding Infinitrak | £(2.1)m | £(1.2)m | £(3.3)m |
| Net cash at period end excluding Infinitrak | £5.4m | £4.1m | £4.1m |

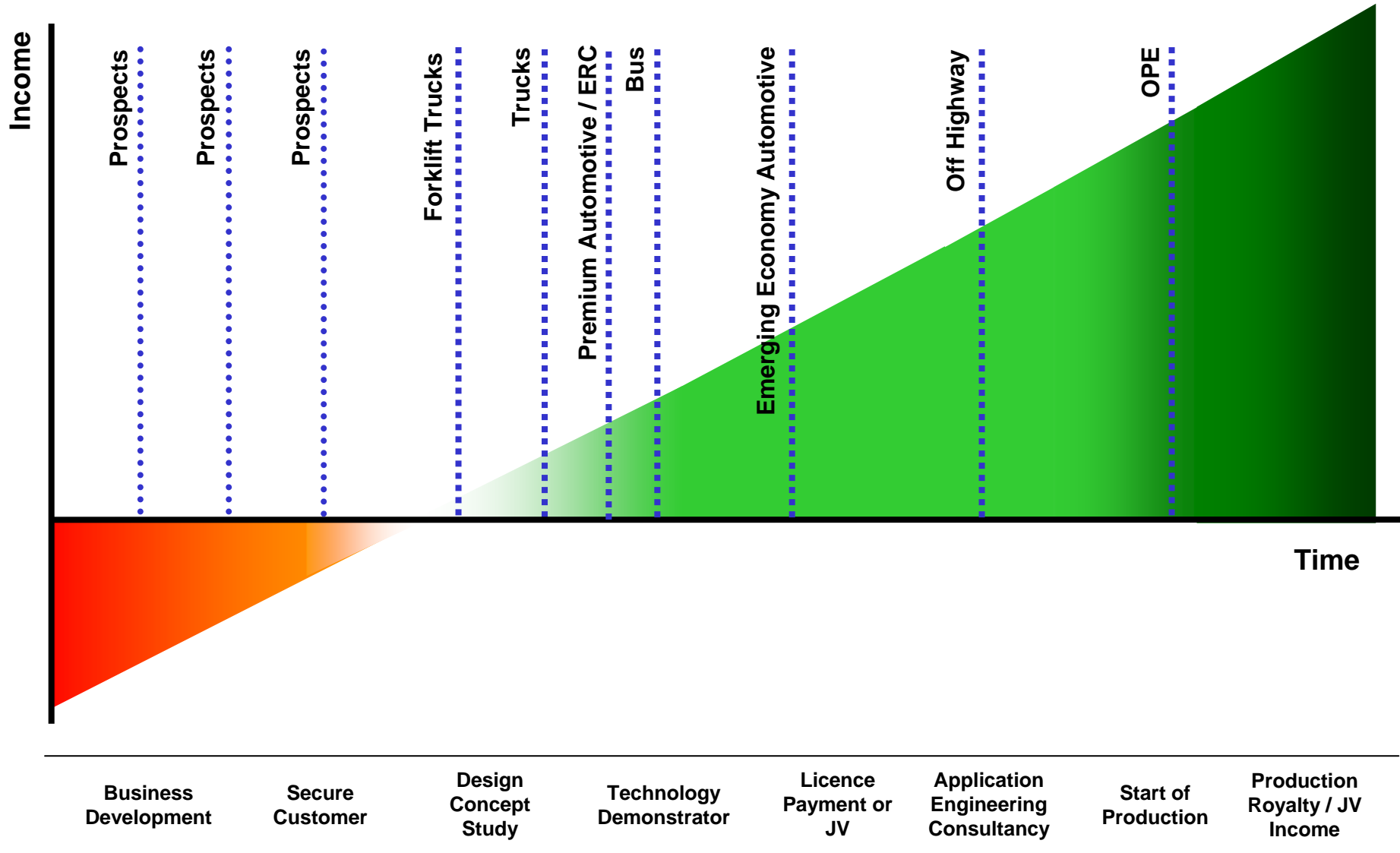


Half Year Performance (FY07)

- **Higher billable engineering activity in H1/FY07 than in H2/FY07 - pattern expected to reverse in FY08**
- **Higher realisation of IP sales in H1/FY07**
- **Receipt of R&D tax credit H2/FY07**



Progress in Earnings Cycle





Revenue

| | FY07 | FY06 | Change |
|----------------------|-------|-------|---------|
| Engineering services | £1.8m | £1.3m | + £0.5m |
| Licence and IP sales | £0.9m | £0.8m | + £0.1m |
| Revenue | £2.7m | £2.1m | + £0.6m |



Cash – FY07

- **£4.3m year end Group cash (£4.1m excluding Infnitrak)**
- **Sufficient working capital – 18 month review**
- **Break even target:**
 - **Operating cash flows to turn positive during FY09**
- **Material investment outside core plan would require funding**
- **Headroom and funding options being kept under review**



Outlook

- **Strong opportunities for growth**
- **Greater variety and visibility of earnings**
- **Targeted improvements in operating performance**
- **Momentum and confidence building**