



Torotrak plc

**Preliminary Announcement
Year ended 31 March 2008**

May 2008

www.torotrak.com



Highlights

- 37% increase in revenues
- 26% reduction in operating loss
- £5.4m cash from licensees
- £0.5m positive operating cash
- £6.7m placing / open offer
- £11.5m closing cash - robust
- New truck & bus strategic customer - £7m deal
- Tata confirmed as licensee
- Infinitrak sales commenced
- 2 new licensees in motorsport
- Joint development programme with Jaguar



Operating Environment

- Continued cost pressures
 - New technology wanted but at lower cost
- Continuing rise in fuel prices
 - Focus on fuel economy in all target markets
- Growing legislative pressures on emissions
 - CO₂ emissions targets likely to be mandated in the US and EU
 - Strong fiscal regimes already in place
- Increasing demand for proven cost effective solutions

Torotrak's technology increasingly relevant and under consideration



Significance of New Licensees

- **Truck & Bus**

- Major international manufacturer – one of the best
- Proves scalability of Torotrak technology
- Technology push from a highly capable player
- Financial benefit in short, medium and long term
- Big impact on Torotrak's wider business development

- **Tata**

- Growing international recognition and reputation
- Licensed for full range of applications – Nano to Trucks
- Central role in a key emerging economy
- Access to world class engineering skill
 - Tata Motors European Technical Centre
 - Jaguar Land Rover



Infinitrak

- Production conformity issues now resolved
- First sales to MTD but a year behind original plan
- First 3rd party sales secured in a “professional” application
- Build season closing – due to restart in Q4, calendar year 2008
- Softening demand for OPE products in USA but outlook remains strong



Infinitrak TTTs being fitted on MTD assembly line



Advanced Turf Technology's TTT equipped 'Infinicut'



Off Highway

- Good progress with lead customer in fork lift trucks
- Iseki & Carraro continue with development through to production
- Trading difficulties with Uzel – a setback in timing
- Strong focus for continued business development
- This sector remains a target for a JV to give more control over the route to market

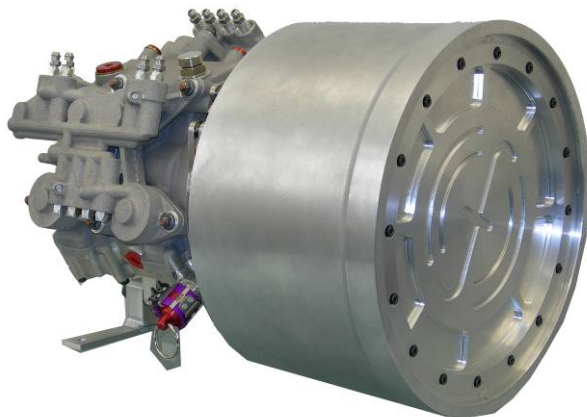


A Torotrak demonstrator tractor in ploughing trials in Lancashire. Results have confirmed exceptional torque and speed control.



Automotive

- Shift in focus from premium automotive towards small cars
- Aisin remain lead partner in automotive
 - Developing technology independently
 - Study for small car transmission underway
- New market potential in automotive mechanical hybrids
 - Motorsport / Formula 1 initial market
 - Exposure and profile has highlighted benefits of KERS
 - Government sponsored programme with Jaguar approved



A complete mechanical hybrid KERS developed in conjunction with Xtrac and Flybrid Systems, showing our variable drive module to the left of the flywheel assembly



Financial Highlights

	FY 08 H1	FY 08 Full year	FY 07 (Y/E 31.03.07)
Revenue	£ 0.5m	£ 3.7m	£ 2.7m
Loss before tax	£ (2.6)m	£ (2.4)m	£ (3.2)m
Operating cash (outflow)/ inflow	£ (2.4)m	£ 0.5m	£ (3.5)m
Net new equity funds	£6.7m	£6.7m	£0.0m
Net cash	£ 8.7m	£ 11.5m	£ 4.3m

- Strong revenue weighting H2 as expected



Revenue

£000k	FY 08 Full year	FY 07 (Y/E 31.03.07)
Engineering services	698	1,757
Licence and option fees	2,978	147
IP sale to Infinitrak	-	787
Royalties	9	-
Total	3,685	2,691



KPIs

Financial	Progress
Revenue growth	37% growth
Increased efficiency of operating costs relative to revenues	Operating cost leverage is improving being at 175% of revenues compared to 238% in 2007
Progression towards profitability	27% reduction in loss after tax
Progression towards positive operating cash flow	115% improvement in operating cash flow. Positive operating cashflow achieved one year ahead of target
Growth in shareholder return	During the year, the FTSE Techmark All share index fell by 11% and Torotrak's share price fell by 55%, a significant under performance relative to that index



Non financial	Progress
Progression to start of production and growth in sales thereafter	Infinitrak start of series production commenced, but later than planned and with the build of volumes likely to be more gradual
Signing up new licensees	Four new licensees and £5.4m cash payments received
Development of new intellectual property	Continuing development in low cost areas and new market applications
Utilisation of engineering resources to secure revenue or business development opportunities	68% utilisation of engineering resource on customer and business development projects (2007: 65%)





Financial Outlook and Plan

- **This financial year**
 - Robust cash position 31.3.08 at £11.5m
 - Supports business plan through break even
 - Strong cash inflow - £0.5m net positive – well ahead of plan
 - Cash generation to be viewed over a 3 year period
- **Positive cash flow target y/e 31.3.10**
 - Infinitrak and tractor royalty delays (as discussed at half year) creating pressure on this target
 - Targeting high value licence deals to cover shortfall
 - Not a critical dependency in terms of funding
- **Infinitrak**
 - Softer OPE market + delay in start of series production = a year's delay in plan
- **Engineering income**
 - Strong order book over 2 – 3 years
 - Expect higher fee levels to be achieved
- **Operating cost base**
 - Costs contained at 2006/7 levels: 62 employees



Summary

- Infinitrak in production - after a frustrating delay
- BUT a very successful year of generating
 - Major new customers
 - Substantial licence payments
 - Strong order book
 - Most importantly – growing customer commitment to technology
- Robust financial position to prosecute business plan
- Diversity of markets is giving us resilience and strength



Appendix - Progress on Use of Funding

Objective

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

Delivery

- £7m agreements signed with major European truck & bus manufacturer
- Low cost transmission in development for sales in FY 2010
- Opportunities not right to proceed in FY08. Discussions continue