

Press Release

31st March 2011

Turbo Power Systems announces Results for the Year and Quarter Ended 31 December 2010

Summary:

- Production and development income decreased by 19% for the year at £8.5 million (2009: £10.5 million).
- EBITDA loss for the quarter of £3.53 million (2009: £0.11 million profit), and for the year of £4.11 million loss (2009: £0.24 million profit). Performance in the second half of the year was impacted by the costs of settling the 2008 loan note liabilities, and increased expenditure on development activity whilst customer progress and contract initiation milestones were not achieved during the year.
- Net debt at 31 December 2010 of £1.12 million (31 December 2009: net debt £3.00 million).
- £1.90 million loan from TAO Sustainable Power Solutions (UK) Limited ("TAO UK"), which holds 75.4% of the issued share capital of the Company and is a wholly owned UK subsidiary of Vale Soluções em Energia S.A. ("VSE"). The loan is secured by a first charge over the assets and undertakings of Turbo Power Systems Limited ("TPSL").
- Subsequent to the year end, on 25 February 2011 a further £0.80 million loan, and on 28 March 2011 £0.40 million loan advanced from TAO UK under the same conditions as the initial £1.90 million loan.

James Pessoa, Chairman, said:

"The latest financial year has been one of very considerable change for Turbo Power Systems.

In June 2010 the Company successfully completed a private placement at a subscription price of £0.006 per Share (Cdn.\$0.009 per Share) for aggregate gross proceeds of £6.5 million whereby TAO Sustainable Power Solutions (UK) Limited ("TAO UK"), became the holder of 55.2% of the issued and outstanding common shares in the Company on a fully diluted basis. In October 2010 TAO UK lent the Company £1.9 million and, subsequent to the year end, a further £1.2 million during February and March 2011 under the same terms.

New orders were won, with customer-funded development of both electrical machines and power electronics systems. Whilst turnover declined by 19% to £8.5 million, orders were up 10% to £8.4 million.

Overall financial performance worsened considerably, with loss before taxation for the year of £7.1 million, compared to a loss of £0.7 million (including an exceptional gain of £0.5 million) for 2009. The 2010 results include a fourth quarter loss of £3.0 million mainly due to delays to anticipated orders, now expected to commence during 2011.

Net debt at 31 December 2010 was £1.1 million (2009: £3.0 million).

The financial statements have been prepared on a going concern basis, and disclose in Note 1 to the consolidated financial statements the conditions and events that cast substantial doubt on the Company's ability to continue as a going concern. As a result of changes to the Canadian auditing standards, this year the auditor's report contains an emphasis of matter paragraph referencing this uncertainty relating to the going concern.

Looking ahead, TPS will remain a technology led company. In recent months the Board has further strengthened the technical team with a number of key appointments to ensure we support relationships with science based corporations who have demanding applications for our technologies.

As such, the business continues to pursue applications for its leading technologies and to leverage its relationship with TAO UK and its parent VSE, which is headquartered in Brazil. Encouragingly, we are already seeing an increasing number of system based enquiries. We have a firm belief that the technology hungry market places are now ready for our products and services.

Accordingly, the rapidly developing market place for advanced technologies in Brazil offers many exciting opportunities and in the coming year we expect to see tangible results from the Agency Agreement signed with VSE, which was announced in December 2010. Equally there are active opportunities on almost every continent and we are beginning to see clear signs that confidence is returning to our market places.

Operationally, our emphasis upon developing Integrated Systems demands that our two sites at Gateshead and Heathrow will work more closely together, functioning as one engineering team. We also recognize that our customer base is increasingly keen to secure regional manufacture capability outside the UK. We are taking steps to seek to ensure that TPS is commercially and operationally capable of responding positively.

As announced in February 2011, Peter Brown will be appointed as Chief Executive Officer of the Company. He will take up the position in May 2011, succeeding Jim Vickerman who has held the Chief Executive position since October 2010 on an interim basis. Jim will revert to his prior role as a Non Executive Director.

Peter has 21 years of experience in the engineering and manufacturing industry with Vickers plc and latterly with Rolls Royce plc, where he is currently responsible for a global portfolio of products and services for the oil, gas and power generation markets. A Chartered Management Accountant, Peter has successfully managed significant growth in the business segments over which he had responsibility during his time at Vickers plc and Rolls Royce plc.

Under Peter's leadership of the Executive Team, the Board's challenge for 2011 is to achieve significant progress towards making Turbo Power Systems a profitable business, one capable of sustaining organic growth."

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