



# Transforming **the business** **of** transmission technology

Annual Report & Accounts 2010

One technology platform  
Multiple markets  
A world of applications

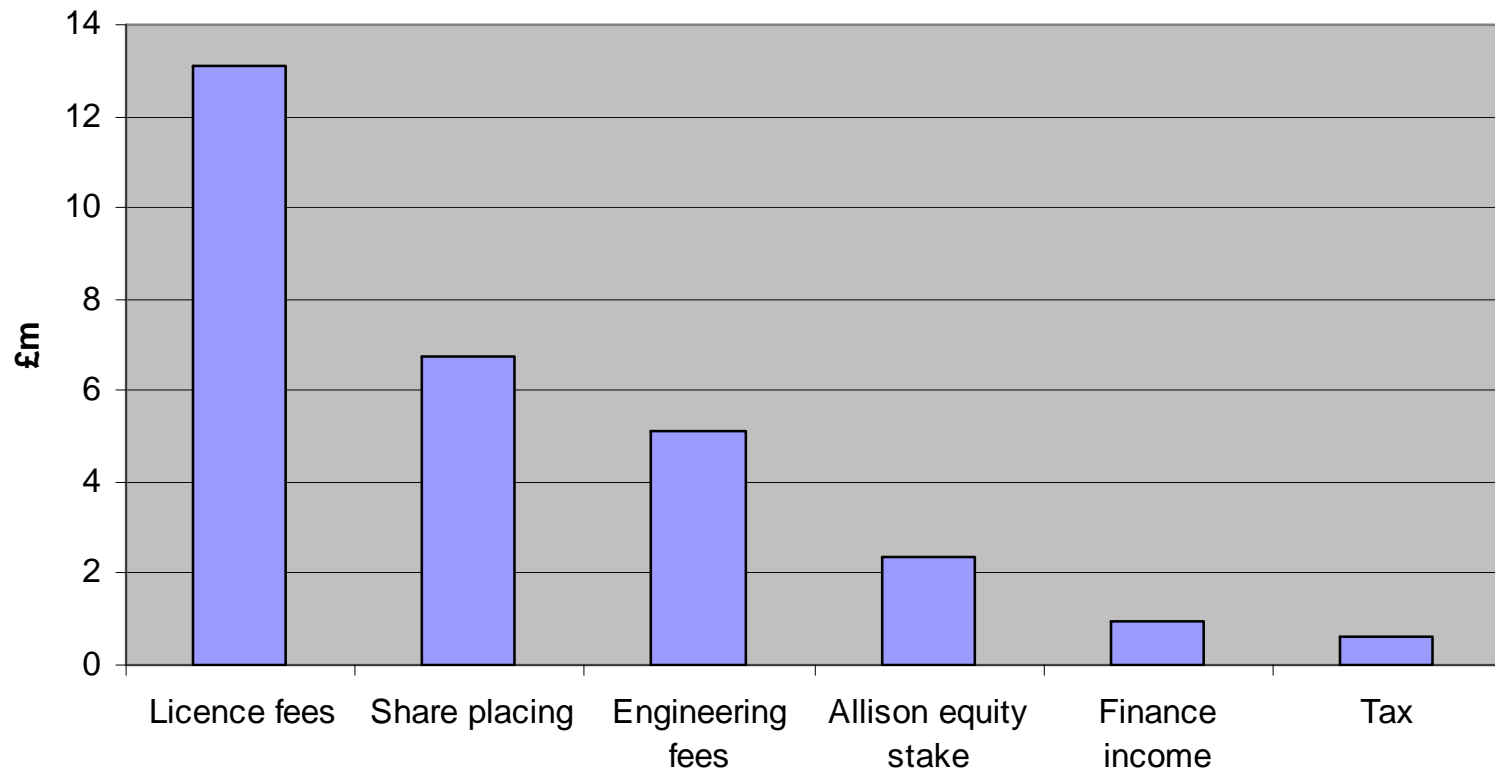
## Financial highlights

	<b>2010</b>	2009
	<b>£m</b>	£m
<b>Revenue</b>	<b>7.6</b>	4.6
<b>Operating cash (outflow)/inflow</b>	<b>(1.1)</b>	1.0
<b>Year end net cash</b>	<b>13.1</b>	15.0
<b>Operating profit/(loss)</b>	<b>0.1</b>	(2.4)
<b>Profit/(loss) after tax</b>	<b>0.4</b>	(1.8)

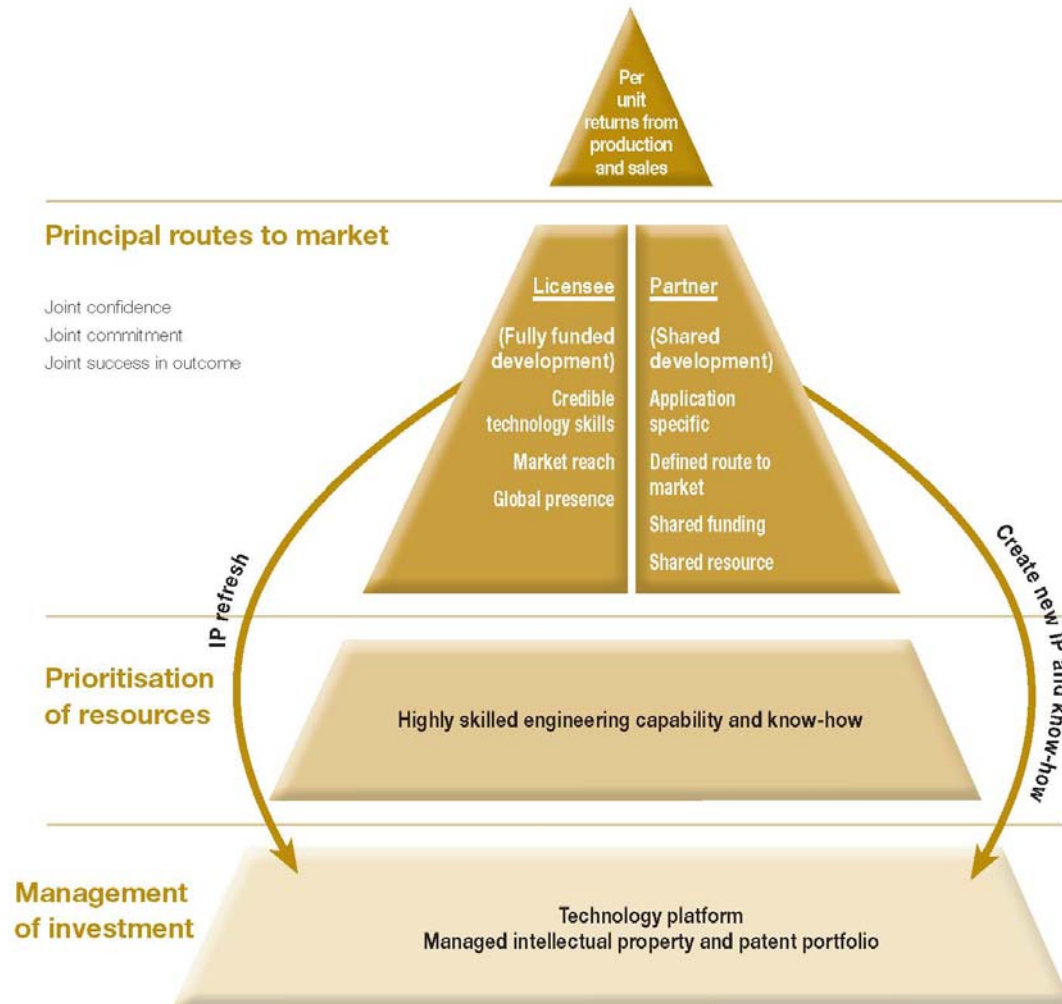
- £0.4m positive cumulative operating cash flow over three years
- Secure base funding levels maintained in plan, ignoring high-case sensitivities, from existing cash resources

# Cash inflows

Major cash inflows FY2008 to FY2010



# Torotrak's evolved strategy



## Strategic focus: **evolution**

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- **Business development has delivered powerful choices**
- **Increased weighting of resources on high-value clients**
- **Target development in CO<sub>2</sub> reduction markets**
- **Build partnerships:**
  - Greater control over route to market
  - Shared risk, development costs and returns

## Strategic focus: **applications**

**Efficient and  
scalable  
transmissions  
- commercial  
vehicles**

**Efficient and  
scalable  
transmissions  
- other  
vehicles**

**Energy  
efficiency  
solutions**

**Engine  
downsizing**

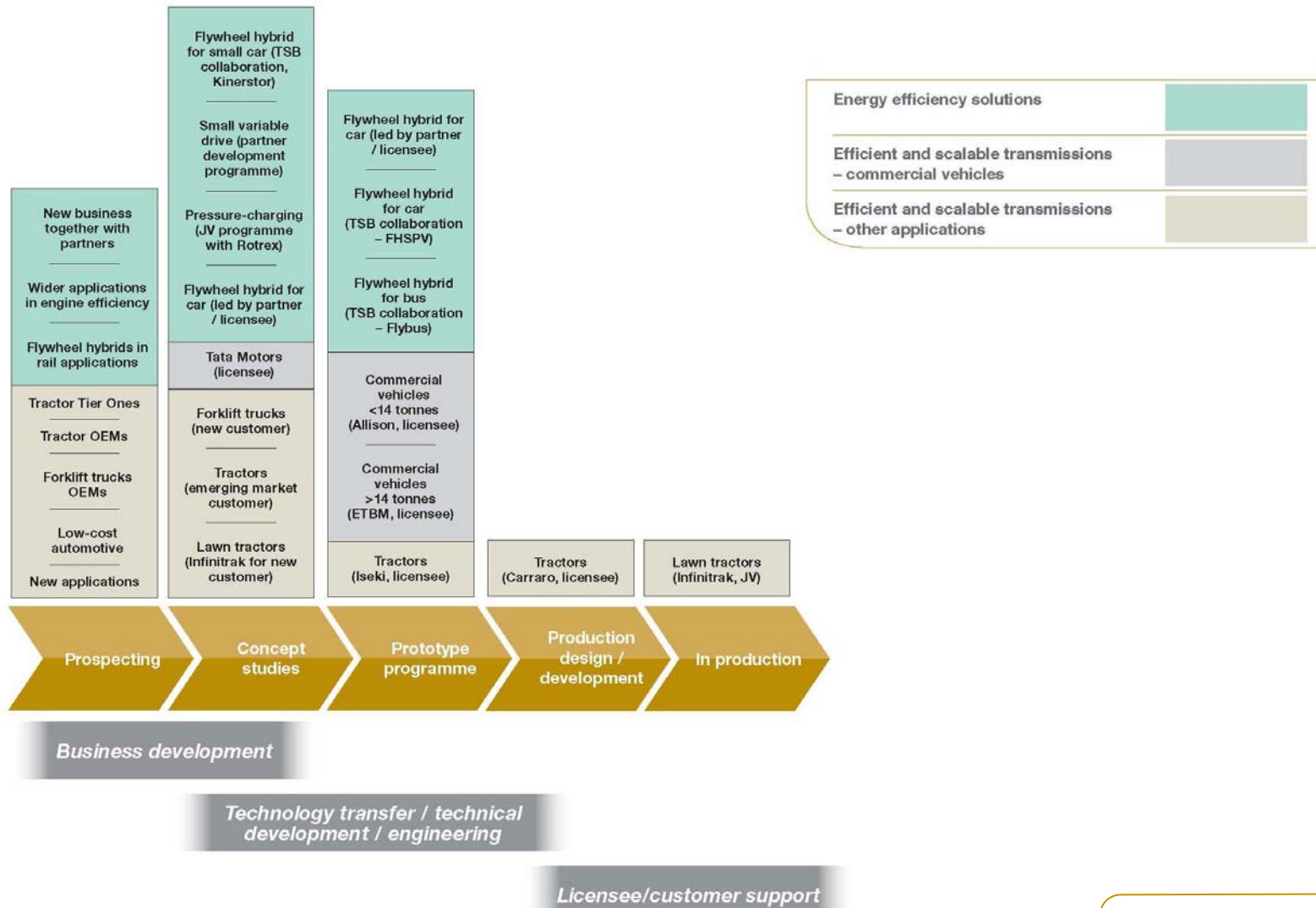
**Energy  
recovery**

**Continued R&D to support applications**

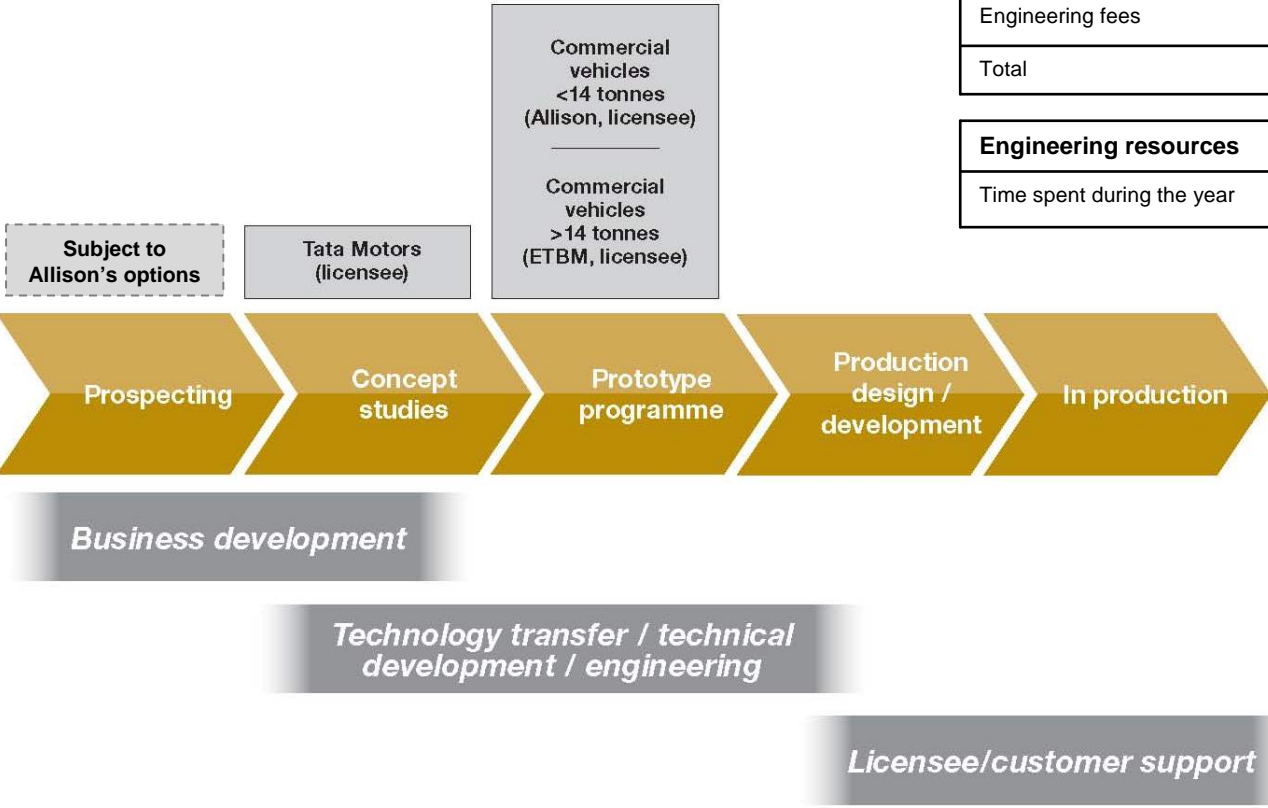
## Strategic focus: **visible value**

- **Key objective to improve the external valuation of key areas of our business**
- **By increasing confidence levels and certainty of outcome on those areas of highest priority:**
  - Lead licensees (ATI, ETBM)
  - JV partners (MTD / Infinitrak, Rotrex / Rotrak)
  - Partner relationships
  - Building value through shared risk or share of control
- **Accelerate financial returns:**
  - Shared risk / investment
  - Partnerships can create valuable assets
  - Control of rights in certain markets can realise premium value

# Sector progress overview



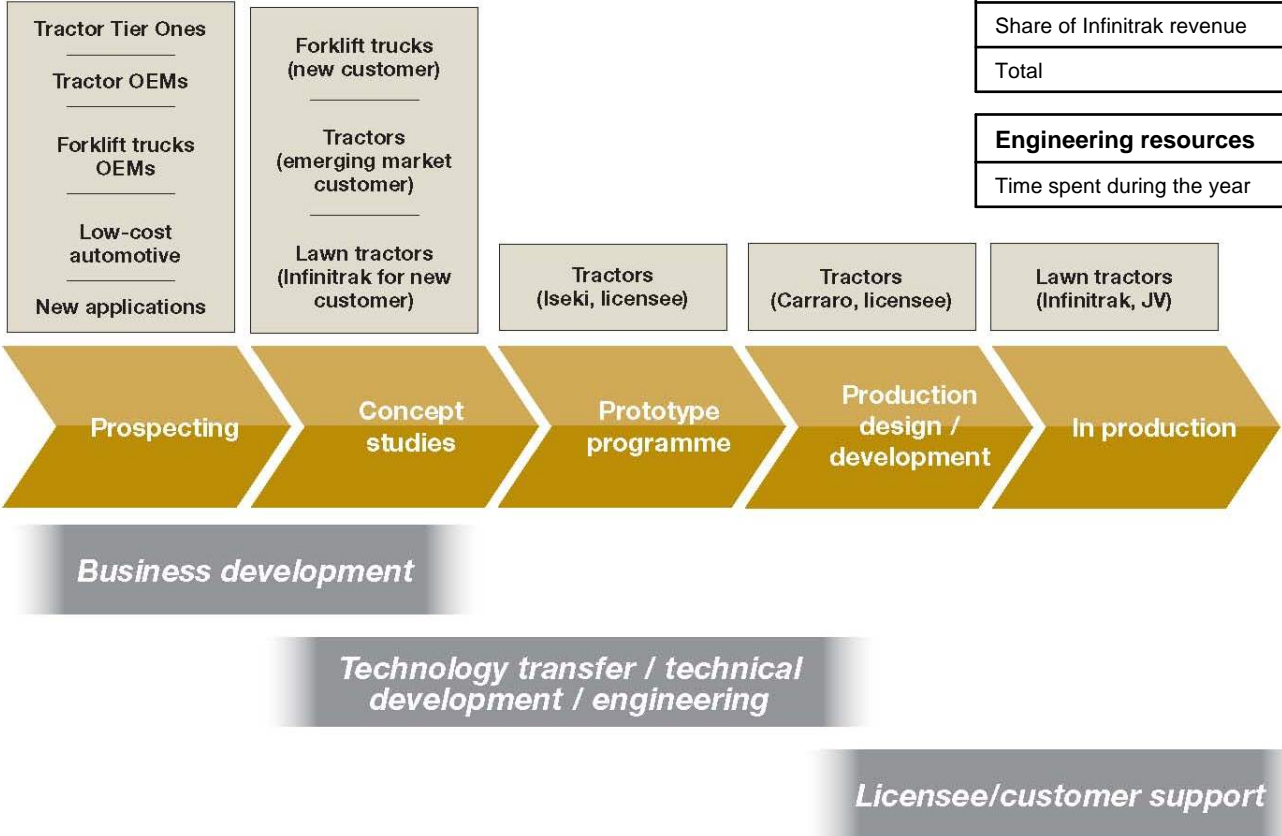
# Progress: commercial vehicle transmissions



Revenue	2010 £000	2009 £000
Licence fees	6,027	2,933
Engineering fees	1,454	817
Total	7,481	3,750

Engineering resources	2010	2009
Time spent during the year	55%	34%

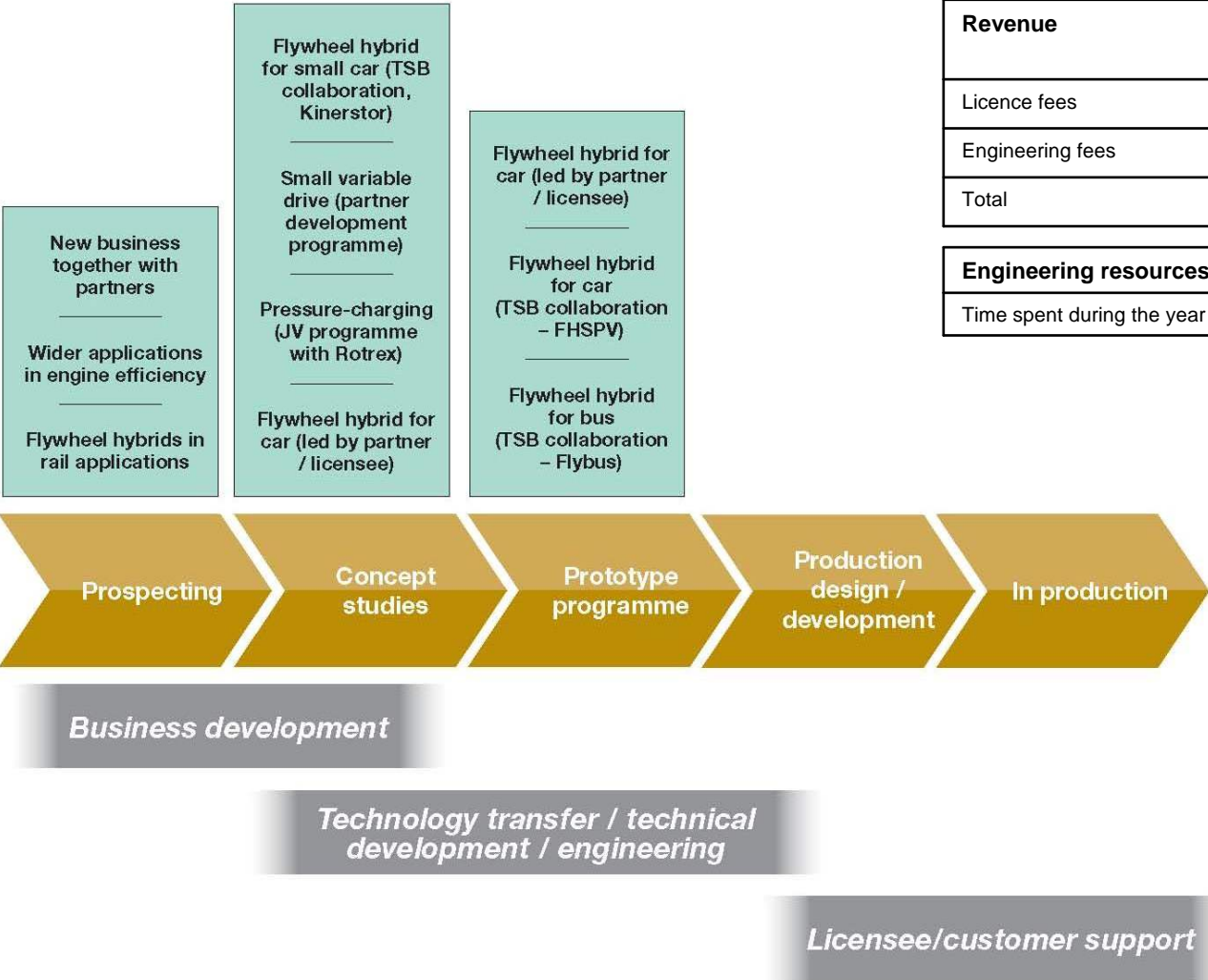
# Progress: other market transmissions



Revenue	2010 £000	2009 £000
Licence fees	-	-
Engineering fees	35	266
Share of Infinitrak revenue	3	470
<b>Total</b>	<b>38</b>	<b>736</b>

Engineering resources	2010	2009
Time spent during the year	17%	36%

# Progress: energy efficiency solutions



Revenue	2010 £000	2009 £000
Licence fees	-	-
Engineering fees	125	131
Total	125	131

Engineering resources	2010	2009
Time spent during the year	8%	5%

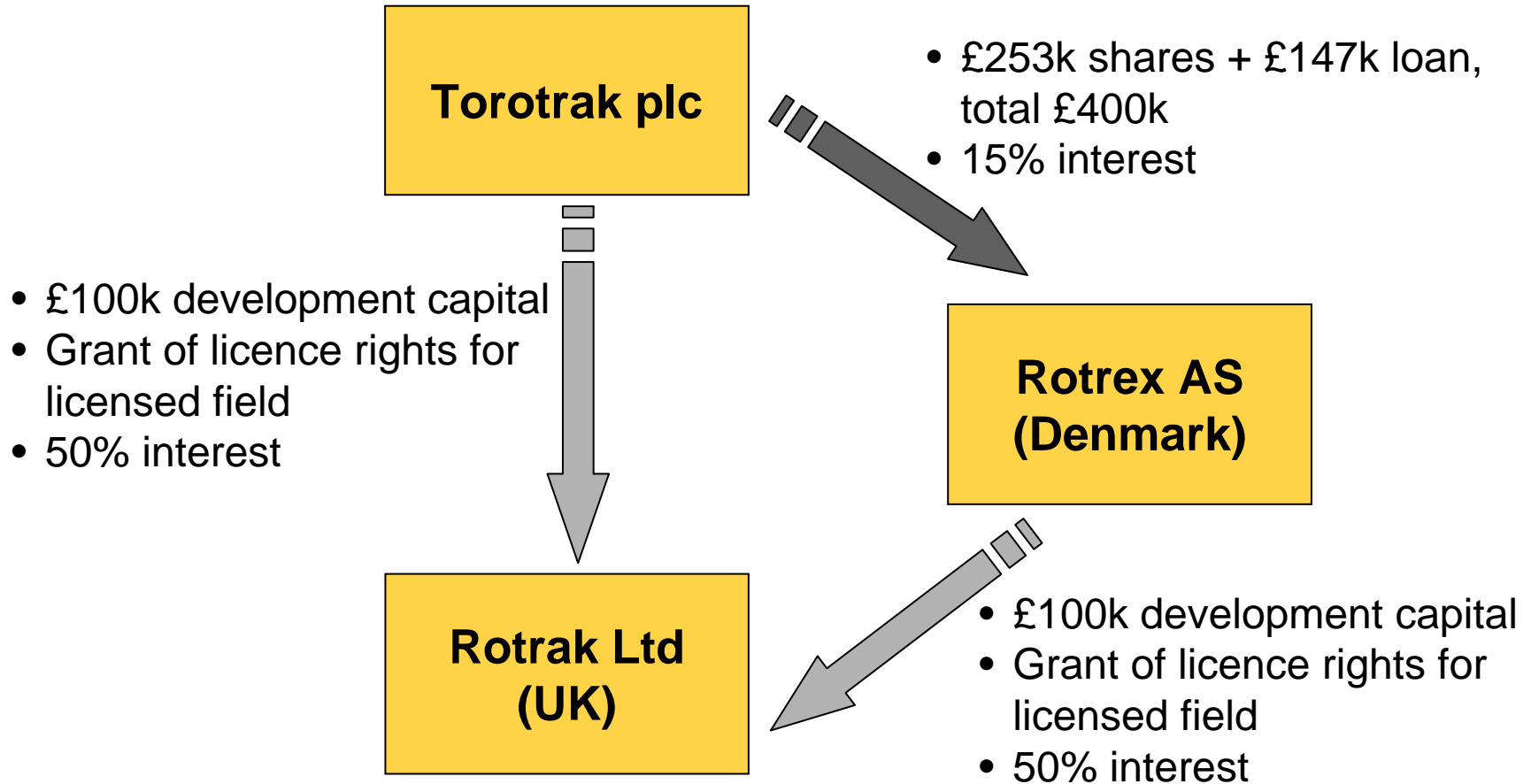
## New joint venture: **Rotrak**

- **Combination of two unique technologies:**
  - Torotrak's compact full-toroidal traction drive
  - Rotrex's traction drive centrifugal supercharger
- **Positioned to address the big shift to downsize engines for CO<sub>2</sub> in the automotive industry**
- **Concept studies show ability to outperform conventional sophisticated pressure-charging solutions**

*...cost-competitive*



## Torotrak + Rotrex: **Rotrak**



**Licensed field:** *variable drive centrifugal compressors - worldwide*

## Future: **financial profile**

- **More partnering / co-investment**
  - Expectations from licence income reduced in these structures
- **Cost reduction possible going forward**
- **Opportunities for further licence agreements outside commercial vehicle market**
- **Infinitrak start of production:**
  - Impacts revenues
  - Wider benefits in terms of confidence levels
- **Strong engineering fee-earning activity levels in FY 2011 from lead programmes**
- **Lead programmes moving towards royalties**

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