



**ToroTrak**

*transforming transmission technology*



**Full year results  
to 31 March 2009**



**May 2009**



# Highlights

- Transformational licensing agreement with Allison Transmission, Inc
- 9.1% strategic stake by Allison
- Second successive agreement secured in commercial vehicle sector
- £10.3m licence cash payments FY 08 + FY 09
- Strong committed order book
- Major projects progressing to plan
- Infinitrak second and low cost transmission at prototype testing stage

**...substantial further progress towards commercialisation**



# Overall strengthening of prospects despite economic conditions

- Commercial vehicles
  - Substantial momentum & material to Torotrak's success
- Infinitrak
  - MTD and Torotrak development funding committed
- Off-highway
  - Some impact on programme timing & funding
  - Business development focused on big opportunities
- Automotive
  - Sector hard hit in main drive transmissions
  - Development effort focused on other opportunities – eg variable drives



# Financial highlights

	<b>FY 09</b>	<b>FY 08</b>	<b>+/-</b>
<b>Revenue</b>	£ 4.6m	£ 3.7m	£0.9m
<b>Loss before tax</b>	£ (2.0)m	£ (2.4)m	£0.4m
<b>Operating cash inflow</b>	£ 1.0m	£ 0.5m	£0.5m
<b>Equity funds raised</b>	£2.4m (Allison strategic stake)	£6.7m (Placing & open offer)	
<b>Net cash</b>	£15.0m (£ 9.7m at half yr)	£ 11.5m	£3.5m

- Strong revenue weighting H2 as expected
- Target FY10: PAT break even



# Revenue mix

	<b>FY 09 £000</b>	<b>FY 08 £000</b>	<b>+/- £000</b>
<b>Engineering services</b>	<b>1,214</b>	<b>698</b>	<b>516</b>
<b>Licence and option fees</b>	<b>2,933</b>	<b>2,978</b>	<b>(45)</b>
<b>Share of Infinitrak revenue</b>	<b>470</b>	<b>-</b>	<b>470</b>
<b>Royalties</b>	<b>-</b>	<b>9</b>	<b>(9)</b>
	<b>4,617</b>	<b>3,685</b>	<b>932</b>



# The Allison agreement – 16 March 2009

## 'Committed' payments

	<14,000 kgs	>14,000kgs (subject to European OEM exclusivity rights to May 2012 latest)	Total
Payments received	£ 2.7m (licence) £1.0m (1 yr excl)	£ 1.0m (1 yr excl)	£4.7m
Due March 2010 (for up to 15 months exclusivity)	£1.9m	£ 1.8m	£3.7m

- Royalties based on per annum volumes, incentivising higher volumes
- 9.1% equity - £2.4m – issued at 30% premium to 60 day previous average
- Ongoing engineering programme - £0.6m plus additional work as required



# The Allison agreement: options after 24 – 27 months

- Option 1: no further payment - non-exclusive licence
- Option 2: extend exclusivity
- Options 3 & 4: further fees payable depending on timing of Allison's elections

	< 14,000 kgs	>14,000 kgs	Total
<b>Option 2: Exclusivity extended up to March 2013</b>	£2.0m exclusivity fees	<ul style="list-style-type: none"> <li>• £2.8m licence option</li> <li>• £2.0m exclusivity fees</li> </ul>	£6.8m over two years from FY 11 earliest
<b>Options 3 &amp; 4: 20 year exclusivity from date of Allison's election</b>	£5.3m to £5.6m exclusivity fees	<ul style="list-style-type: none"> <li>• £0.0m to £2.8m licence fee/ rights</li> <li>• £5.3m - £5.6m exclusivity fees</li> </ul>	£10.6m to £14.0m
<b>Total additional fees - range</b>	£2.0m to £7.3m	£4.8m to £10.1m	£6.8m to £17.4m



# Allison's licensed fields

## Exclusive

- Main drive 'commercial duty' transmissions
- Truck and bus vehicles
- Heavy military vehicles

## Not licensed

- > 14,000 kgs – until the “access date” following European OEM's exclusivity rights expire



# Outdoor Power Equipment

- TTT production has continued despite severe economic conditions
- Investment made in second transmission - STT
  - Outstanding refinement and controllability
  - Uses all new Infnitrak “IP”
  - Will drive 3<sup>rd</sup> party sales
  - Challenging “push” to secure production for 2010 season
- The Partners recognise long term value in this market
  - Lower than expected volumes have impacted plan
  - Joint commitment to invest



# Commercial vehicles

- Accelerating recognition of Torotrak's potential impact
  - Strong 'halo' effect
- Technology has many benefits
  - Fuel economy and emissions gains – crucial to future economic success
  - Smooth and continuous delivery of pulling power
  - Cost-effective against today's technology
  - Hard economic sense supported by real features and benefits to drivers and fleet operators
- Route to market supported through exclusivity and geographic diversity
  - Committed licensees with global reach
  - Compatible interests and ambitions to deliver



# Off-highway

- Customers' investment decisions impacted
  - Some softening and deferral – e.g. forklift trucks
- Torotrak's licensees remain committed to development
  - Implementation taking longer than we would wish
  - Technology relevance remains very high
- Source of strong business development
  - High quality prospects are engaged
  - Recent deal making activity has reinforced Torotrak's credentials
  - Confidence of future potential in this sector remains high



# Automotive

- Major investment decisions severely impacted
  - Appetite to invest in main drive transmissions diminished
  - Sector recognises it need to invest to meet fuel economy challenges
  - Jaguar / Land Rover consortium remains fully committed
- Hence – new focus on more fertile opportunities – TVAD\* and KERS\*\*
  - Investment thresholds much lower
  - Less legacy investment
  - Much more open to new concepts
  - R&D task this year to quantify and confirm our competitive proposition

\*Toroidal Variable Auxiliary Drives    \*\*Kinetic Energy Recovery Systems



# Strategy and value

## NOW:

- **£15m cash**
- **Strong order book**
- **Production intent licensees**
- **Repeatable up front license fees**
- **Strong prospect list**

## FUTURE:

- **Focused business development – big wins/ targeted markets**
- **Short to medium term**
  - Growing Infnittrak revenues
  - Positive operating cash flow, possibly lumpy
  - More physical demonstration of Torotrak's technology
- **Visibility of production timetable**
- **Torotrak's value to strategic partners will increase**
- **Medium to longer term**
  - Royalty and JV earnings



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