

# NEWS RELEASE



7 January 2011

**Torotrak plc**  
("Torotrak" or "the Company")

## **Conclusion of agreements with MTD Holdings Inc ("MTD")**

Torotrak (LSE: TRK), which develops and holds the patented rights to a transformational form of variable drive technology, proven in delivering fuel efficiency and CO<sub>2</sub> emission improvements for vehicles, announces the conclusion of agreements relating to the Infinitrak joint venture and Torotrak's interests in the Outdoor Power Equipment ("OPE") market.

Further to our report on 23 November 2010 that we had reached a non-binding heads of agreement with MTD to restructure the Infinitrak joint venture, we now confirm that final agreements ("Agreements") have been concluded on 6 January 2011.

These Agreements confirm that the Infinitrak joint venture between Torotrak and MTD is replaced with new licencing arrangements. Under these arrangements, Infinitrak's exclusivity rights in the 0–45 kW power band have been terminated and replaced with a non-exclusive licence from Torotrak to MTD Products Inc. This new non-exclusive licence is restricted to the 0–25 kW power band, and is applicable solely for lawn and garden products that MTD will itself manufacture for its own demand. The Agreements also confirm that Torotrak will provide engineering support to MTD to finalise the design and development of the Single Toroidal Transmission which MTD remains committed to launch once production ready, subject to market conditions.

We also report today that under these arrangements Torotrak has negotiated an additional US\$1.6m of payments that have been received on completion of the Agreements on 6 January 2011. The Agreements provide for per-unit royalty payments to Torotrak arising from future MTD production utilising Torotrak technology. Torotrak also retains rights to licence from MTD any intellectual property relating to steering systems previously developed with Infinitrak.

As stated in the half-year results, we believe that these new arrangements play best to the respective strengths and strategic interests of both MTD and Torotrak. MTD will focus on its own branded products and manage future development of transmissions based on Torotrak's technology tailored to its own needs and cost requirements. Torotrak will benefit from MTD's success through the initial licence payments, already received, and future royalties. In addition, Torotrak is now free to develop commercial relationships with other OPE manufacturers and suppliers and to develop the 25–45 kW licensed field that can extend beyond OPE products.

The Agreements have a positive financial impact on Torotrak's plans in three respects. Firstly, Torotrak is no longer responsible going forward for funding tooling or manufacturing investment at Infinitrak or in connection with MTD's use of any licensed products. Secondly, they provide an opportunity for wider licensing arrangements with other manufacturers in the future. Thirdly, Torotrak benefits this financial year from the payments received under the Agreements and from lower development costs than had been planned.

For further information please visit [www.torotrak.com](http://www.torotrak.com) or contact:

Dick Elsy, Chief Executive  
Jeremy Deering, Finance Director  
**Torotrak Plc**  
Tel: +44 1772 900938

Simon Hudson  
Lulu Bridges  
**Tavistock Communications**  
Tel: +44 20 7920 3150

Marc Milmo  
Karri Vuori  
**Charles Stanley Securities**  
Tel: +44 20 7149 6588

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