

NEWS RELEASE



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

**Further commitment by Allison Transmission, Inc.
£8.0 million additional licensing and engineering services revenue
Technology and Markets Review**

Torotrak (LSE: TRK), leaders in the commercial application of gearless traction drive technology which delivers fuel efficiency and emission improvements in vehicles, announces the next stage of investment by multinational commercial vehicle transmission manufacturer, Allison Transmission Inc. ("Allison").

We are pleased to confirm that we have concluded agreements totalling approximately £8.0 million. This supports the immediate start of a production intent design as part of Allison's multi stage programme, supported by Torotrak, developing the technology to the intended end position where the transmission is production ready.

Since signing our initial agreement with Allison in March 2009, £9.6 million of licensing and engineering fees have been paid to Torotrak. The further commitments announced today will bring the cumulative value of licence and engineering fees to £17.6 million over the three year period to April 2012.

Allison remains Torotrak's largest shareholder with a 9% holding in the Company.

Licence and exclusivity payments

£6.8 million is payable in two instalments by way of Allison's election to take up further rights under the Licence and Exclusivity Agreement ("LEA") that was signed in March 2009. £3.5 million is payable immediately and £3.3 million a year thereafter. The payments secure Allison's rights to a non-exclusive licence in 2013 in the above 14,000 kilogram gross vehicle weight commercial vehicle market; such rights are currently held on an exclusive basis (other than pre-existing licensees) until 2013 by another commercial vehicle customer, our European Truck and Bus Manufacturer ("ETBM") whose name currently remains confidential.

In addition, the payments allow Allison a period of two years up to March 2013 during which the Company agrees not to pursue further licensing with other parties in key areas within the commercial vehicle market ("Exclusivity Rights"). Following this two year period, under the LEA Allison has the option to continue with its Exclusivity Rights on a perpetual basis for a further payment of £10.6 million. At that stage, Allison will have purchased perpetual full licence rights on a non-exclusive basis and may not view the option of purchasing Exclusivity Rights as being necessary, in which case Torotrak will at that time have the ability to license other commercial vehicle customers on a non-exclusive basis.

In addition to the licence and exclusivity payments, the LEA provides for per unit royalties payable to Torotrak upon start of production based on a percentage of the manufactured value of each transmission produced.

Production intent transmission design programme

In addition to the licensing arrangements described above, Torotrak has agreed to provide engineering support to Allison throughout its production intent transmission programme. This

carries a committed level of engineering support from Torotrak of around £1.2 million in the first year of the multi stage programme.

The next phase will see the two companies working very closely together, with Allison commissioning application engineering support from Torotrak. The Company has been keen to support Allison in this way as it is beneficial in two key respects. First, through this collaboration the Company will be closely involved and can play a strongly supportive part in helping to deliver programme success. Secondly, it secures a substantial level of forward engineering order value, in addition to other consultancy work with other key customers.

The programme of work with Allison over the last two years has delivered in depth training in Torotrak's technology to Allison's engineers and has also seen a substantial level of testing and confidence building in the Company's technology. This has led to the successful conclusion of the first phase of engagement with Allison.

Following this milestone, the programme is now moving into a phase for which Torotrak will provide engineering support in core technology areas where Torotrak has particularly strong expertise, such as:

- system architecture selection
- variator design and validation testing
- hydraulics and software control system design and verification
- specialist testing utilising our purpose built test rigs in Leyland

Torotrak's technology and market benefits

The progress in Torotrak's various commercial vehicle programmes over the last three years has confirmed the Company's view of the benefits that Torotrak's technology can bring in this market, materially improving fuel economy and reducing emissions, whilst also improving smoothness of driver and passenger experience and vehicle controllability. Although the exact levels of benefit are dependent upon the particular drive cycle or route for a given vehicle, the results have shown that fuel savings in excess of 10% are achievable. In the delivery truck and urban bus sectors, which represent a high percentage of the commercial vehicle addressable market, greater levels of fuel saving will be possible due to the stop/start nature of the drive cycle (where Torotrak's technology is particularly effective).

This level of fuel economy improvement addresses directly the raft of CO₂ reduction legislation proposed for the USA and Europe for the second half of this decade.

In addition to the CO₂ reduction, there are confirmed legislative targets for noxious gas emissions (such as Euro VI) which seek to achieve a substantive reduction in exhaust emissions. The work carried out through our internal and customer programmes has demonstrated that Torotrak technology can be an important enabler for reducing emissions. This is achieved by managing engines at their most efficient operating conditions.

In addition to Torotrak's work with Allison, the Company's programme with ETBM continues to run to plan with the recent acceptance of the vehicle handover following the achievement of key test and vehicle performance milestones. This second programme, and the resilience that it brings in terms of a different programme approach and a separate route to market via a substantial OEM, adds considerably to the Company's confidence in the commercial introduction of Torotrak's transmission technology in the commercial vehicle market.

In other markets, Torotrak continues to work collaboratively on programmes to deliver more effective use of motive power and to help conserve energy. These programmes include applications such as main drive transmissions, supercharger drives, variable speed accessory

drives and power transfer management for kinetic energy recovery systems. Torotrak's customers and partners include major international vehicle and equipment manufacturers and specialist component and engineering services providers.

Trading update

All parts of the business continue to operate in line with expectations and the agreement with Allison is a good start to the new financial year. The Company's preliminary results for the year ended 31 March 2011 are expected to be announced on 24 May 2011.

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