



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

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

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



Revenue mix

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



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