



ToroTrak

March 2013

- Allison takes up exclusivity options and subscribes for new shares
- Investment in Flybrid Automotive secures best-in-class technology

November 2012 Strategic Review

Conclusions

- More visible test platforms and prototyping required
 - invest now ourselves – potential for recovery later
- Manufacture/assemble ourselves and supply product
 - in high value/lower volume markets
 - in lower value/high volume markets – as a niche supply to help prime the wider market
- Grow an advanced engineering services business with critical mass
- Licensing to play a significant, valuable part
 - but not a dependency
 - increase element of up front fees where no ongoing relationship
- Widen scope of IP invention and engineering capability
 - in line with our widening role with whole systems



Allison Transmission, Inc.

Allison Transmission, Inc.

Licence and Exclusivity Agreement

- Extension of LEA
- Continues exclusivity to manufacture and sell Torotrak drive transmissions in commercial vehicle market segments (excl. Tata Motors and ETBM)
- Payment of £6.0 million for continued exclusivity in commercial vehicle segment
- Payable:
 - £2.0 million by end March 2013
 - £1.6 million by end June 2013
 - £2.4 million by end March 2014
- Takes cumulative value of Allison licence fees to £23.7million

- Discount to original LEA in return for increased incentives
 - 35 per cent. increase in royalties on first 10,000 production units per annum
 - Torotrak to lead core component delivery
- In line with strategy set out in November 2012 to take more control of destiny
- Perpetual rights now secured for the below 14,000 kg gross weight commercial vehicle market

Allison Transmission, Inc.

Subscription for further new shares

- Allison subscription for a further 8,248,434 new ordinary shares
- Price of 30.255p per share, a 20 per cent. premium to the 10 day average mid market closing price to 15 March 2013
- Raising approx. £2.5 million
- Takes Allison's holding to 13.1 per cent. of the enlarged share capital
- Cash balances at year end (31 March 2013) expected to be approximately £9.0 million



Investment in Flybrid Automotive Limited

Flybrid Automotive

- Flybrid Automotive is a flywheel hybrid innovator, with a high speed flywheel KERS product at its core, based at Silverstone's technology park
- Agreement to acquire a 20 per cent. stake in Flybrid Automotive
- Cash consideration of £3.0 million, part of which will be used as working capital for the business over the next 12-24 months
- Exclusive option to acquire remaining 80 per cent. by 20 December 2013 for £6 million in cash and £2 million in shares
- £15 million earn-out arrangement on exercise of option, contingent on commercialisation targets
- Gross assets at 31 December 2012 of approx. £11.7 million
- Revenues of £1.45 million; break even for the year ended 31 December 2012
- Secures Torotrak's access to the technology and know-how of Flybrid to continue its drive into the KERS market

Flybrid Automotive

- Accelerates route to market through priority access to an acknowledged best-in-class flywheel system at an advanced stage of technical readiness
- Flybrid has developed material relationships with Tier 1s and leading commercial and passenger vehicle manufacturers
- Testing to date confirms significant fuel economy and CO₂ savings from the application of flywheel technology across bus, commercial and passenger car markets
- Near term opportunity the UK midi-bus market – trials already underway with Wrightbus
- Natural synergies between the two technologies – businesses will immediately begin to work together
 - All flywheel hybrid programmes will be managed in engineering delivery terms through Flybrid
 - Customers benefit from combined technical offering



SUMMARY – Torotrak’s Strategic Focus

Summary – Torotrak’s strategic focus

- Allison’s engagement validates Torotrak’s core main drive technology
- Negotiated increase in potential royalty payments and core component responsibility in line with strategy to take greater control of route to market and be rewarded accordingly
- Investment in Flybrid also helps to broaden the access to key IP that look to satisfy regulatory and legislative drivers across the automotive industry

“Allison is committed to introducing fuel efficient, emissions reducing technologies and our licensing decision today with Torotrak reflects our determination to be a global leader in this field.

“A purely mechanical energy recovery system is in many ways an engineer’s dream, but with the anticipated technology advancement and closer working relationship between Torotrak and Flybrid, we see the investment as having all the potential ingredients to make this a reality.

“As an investor, we are pleased with the progression of the Company following the strategy announced in November 2012. In particular, we wanted to support the investment arrangements with Flybrid, which are forward looking and offer the potential for growth.”

Lawrence E. Dewey, Chairman, President and CEO, Allison Transmission

