

17 March 2009

Torotrak PLC
("Torotrak" or the "Company")

**GRANT OF WORLDWIDE LICENCE AND EXCLUSIVITY OPTIONS
TO ALLISON TRANSMISSION, INC.
AND STRATEGIC INVESTMENT IN NEW ORDINARY SHARES IN THE COMPANY**

HIGHLIGHTS

- £8.4m consideration for grant of initial licence rights
- Strategic £2.4m investment in new shares in Torotrak by Allison – 10% of previously issued share capital
- Total potential additional fees payable of between £6.8m and £17.4m within the next four years, subject to the exercise of certain options
- Engineering programme agreed for immediate commencement

Torotrak is pleased to announce that, on 16 March 2009, the Company concluded a licence and exclusivity agreement (the "Agreement") with Allison Transmission, Inc. ("Allison"), the world leader in fully automatic transmissions for the commercial vehicle sector. In addition, Allison will acquire a stake in the Company by way of a strategic shareholding, making it Torotrak's largest shareholder.

Under the terms of the Agreement, Allison has purchased initial licence rights valued at approximately £8.44 million of which approximately £4.69 million has already been paid, coincident with signing the Agreement, and a further £3.75 million will be paid in 2010. In addition, Allison has paid approximately £2.41 million for 14,608,290 new ordinary shares in Torotrak (the "Subscription Shares"), representing approximately 10% of the Company's previously issued ordinary share capital. The Subscription Shares have been issued at a price of approximately 16.51 pence per share representing a 30% premium to the volume weighted average trading share price over the 60 trading days preceding the date of Subscription.

Dick Elsy, Torotrak's Chief Executive, said: "This is the most significant endorsement of our technology thus far. Allison is the world leader in commercial vehicle transmissions and the Agreement provides us with access to large production volumes in this high value sector. Despite the economic crisis worldwide, more interest is being shown by forward-thinking companies in our technology than ever before due to the growing global focus on fuel efficiency and cost. This interest is being turned into value for our shareholders under agreements such as that announced today."

Lawrence E. Dewey, Allison's Chairman and CEO, added: "We are excited about working with Torotrak to incorporate their unique technology into a new family of products that will offer our customers around the world new features and benefits."

Dick Elsy added: "The value we have secured through this agreement with Allison will be realised over both the short term, through licence fees, and the longer term, as the visibility of high volume royalties becomes clearer. We are delighted to be announcing a successful application of British technology."

"Torotrak will now focus its technical expertise on transferring skills and knowledge to Allison to help it achieve volume production in the shortest possible timescale."

Background

There is a clear trend towards gear shift automation in medium and heavy duty commercial vehicle transmissions. This presents ToroTrak with the opportunity to participate in a valuable and growing addressable market.

Allison, formerly a division of General Motors Corporation, was acquired by affiliates of The Carlyle Group and Onex Corporation in August, 2007. Founded in 1915, the Allison business is headquartered in Indianapolis, Indiana, U.S.A., and employs approximately 2,700 people. It is the world leader in the design, manufacture and sales of commercial-duty automatic transmissions, hybrid propulsion systems, and related parts and services for On-Highway Trucks and Buses, Off-Highway Equipment and Military Vehicles. Allison products are specified by over 250 of the world's leading vehicle manufacturers and are used in many market sectors including bus, refuse, fire, construction, distribution, mining, energy, military and specialty applications. Regional headquarters with dedicated support staff are located in Brazil, The Netherlands, India, China, and Japan. With a global presence in 80 countries, Allison has over 1,500 distributor and dealer locations worldwide.

The initial licence payment has provided Allison with non-exclusive licence rights to use ToroTrak's full-toroidal traction drive technology in the medium-sized commercial vehicle market, together with options to secure global manufacturing and sales exclusivity in this sector (except for ToroTrak's existing licensees in this field) as well as the right to secure further licences for applications in large commercial vehicles at a later date.

Development work on a medium-sized commercial-duty transmission will commence immediately, with ToroTrak supporting this programme under a separate engineering services contract which will be funded by Allison over the next two to three years.

A transmission development programme of this nature could be expected to take several years from commencement to the start of series production. Upon achieving volume production, a royalty per transmission unit and service part will be payable to ToroTrak under the Agreement.

Terms of the Agreement

Under the terms of the Agreement, Allison has purchased initial licence rights valued at approximately £8.44 million of which approximately £4.69 million has already been paid, coincident with signing the Agreement, and a further £3.75 million will be paid in 2010.

Additionally, Allison has secured options to purchase, at a future date, a non-exclusive licence of ToroTrak's technology for applications in large commercial vehicles and a further option to secure worldwide exclusivity (except for ToroTrak's existing licensees in this field) across the commercial vehicle market.

Total additional fees payable to ToroTrak could amount to a further £6.75 million to £17.37 million, payable over the next four years. These payments, in addition to the initial approximately £8.44 million licence fees, are dependent upon Allison's decisions relating to the extent and timing of the further rights that it may wish to take up. Should Allison choose not to exercise these options, then ToroTrak will be free to market the technology to other key commercial-duty transmission suppliers and commercial vehicle manufacturers.

Share Subscription

The Company sought and received shareholder approval to issue up to 10% of its existing ordinary share capital, as part of arrangements with other parties for closer commercial collaboration, at its last Annual General Meeting in July 2008. The Subscription Shares have been issued to Allison at a price equivalent to a 30% premium to the volume weighted average trading share price over the 60 trading days preceding the date of Subscription, representing a premium of approximately 40.5% to the closing mid-price on 13 March 2009. The Subscription Shares issued to Allison will also be the subject of lock-up arrangements which will expire on 16 March 2011. Neither the signing of the Agreement, nor the issue of the Subscription Shares is conditional on shareholder approval.

Application has been made for the 14,608,290 new ordinary shares of 10 pence each comprising the Subscription Shares to be admitted to listing on the Official List of the UK Listing Authority and to the London Stock Exchange for the Subscription Shares to be admitted to trading on the London Stock Exchange's main market for listed securities ("Admission"). Upon issue, the Subscription Shares will rank *pari passu* in all respects with the Company's existing ordinary shares in issue, and Admission is expected to occur on 18 March 2009.

Following Admission and in conformity with the Disclosure and Transparency Rules of the Financial Services Authority (the "FSA"), the Company's issued ordinary share capital shall consist of 160,691,263 ordinary shares with voting rights. There are no ordinary shares held in treasury. Therefore, following Admission, the total number of voting rights in the Company shall be 160,691,263. This figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, ToroTrak under the FSA's Disclosure and Transparency Rules.

ToroTrak Strategy and Outlook

ToroTrak's strategy remains focused on the four key markets of: Commercial Vehicles, Outdoor Power Equipment ("OPE"), Off-Highway and Automotive.

The Company has now entered into substantial exclusivity arrangements in two of its markets which provide access to significant volume potential – in OPE through the joint venture with MTD Holdings and in Commercial Vehicles (truck and bus and now including most military vehicles) through this Agreement and the existing agreement with the European Truck and Bus manufacturer (whose identity remains undisclosed).

This means that ToroTrak can now focus its business development strategy on maximising potential in its other two markets – Off-Highway and Automotive as well as looking at ways to access new markets and to realise further potential through new developments such as auxiliary drives and Kinetic Energy Recovery Systems.

Following this Agreement, the short and longer term opportunities to realise value for shareholders, via joint ventures, further exclusive agreements or other appropriate arrangements with manufacturers who have global reach, have increased. ToroTrak's market position has strengthened and the Company has substantially increased its financial resources.

The impact of the Agreement and the Subscription, on the current financial year to 31 March 2009, will mean that cash balances at the year end and operating cash flow will be substantially improved compared to market expectations. Operating cash flow is anticipated to be positive for the second year running. Revenue from the initial licence payment is expected to be more heavily weighted towards the next financial year. As a result, revenue and loss before tax for the current financial year to 31 March 2009 is expected to be in line with market expectations.

NEWS RELEASE



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About Torotrak

Torotrak is the world's foremost developer of full-toroidal traction drive technology. The Company designs and develops Continuously Variable (CVT) and Infinitely Variable (IVT) transmissions which deliver outstanding levels of performance, functionality and refinement along with improved fuel economy and reduced emissions. Torotrak develops main drive transmissions as well as variable ratio transmissions for application in flywheel-based mechanical hybrid systems and for use as auxiliary drives.

Torotrak's customers are widely spread across Europe, North America, India and Japan, and include major vehicle makers and tier one transmission manufacturers.

Torotrak plc is fully listed on the London Stock Exchange.

For more information about Torotrak, go to www.torotrak.com

More information about Allison is available at www.allisontransmission.com.