



Ricardo plc
Interims presentation FY 09/10
February 2010



H1 HIGHLIGHTS

(six months to 31 December 2009)



Continuing operations:

- Results in line with management expectations
- Diversification strategy limited the recession impact
- Profit before tax of £3.8m (six months to Dec 08: £7.6m)
- Sound balance sheet with net debt of £6.7m (June 09: £3.5m, Dec 08: £7.6m)
- Unchanged interim dividend of 3.2p per share
- Strong order book at £99m (June 09: £97m, Dec 08: £105m)
- Positive momentum being carried into the second half

KEY INDICATORS

CONTINUING OPERATIONS



	Half years ended 31 December		Year ended 30 June
	2009	2008	2009
Order book	£99m	£105m	£97m
Gross profit %	34.6%	37.8%	38.9%
Operating profit %	5.9%	8.0%	8.4%
Tax rate	16%	18%	6%
EPS (basic)	6.3p	12.1p	28.8p
Dividend	3.2p	3.2p	10.7p
Net debt	£6.7m	£7.6m	£3.5m
Pension deficit (pre tax)	£30.2m	£19.3m	£29.4m
Closing headcount (inc. subcontractors)	1,603	1,935	1,595

INCOME STATEMENT



£ m	Half years ended 31 December		Year ended 30 June
	2009	2008	2009
Revenue	<u>81.0</u>	<u>91.1</u>	<u>178.8</u>
Gross profit	28.0	34.4	69.6
Administration expenses	<u>(23.2)</u>	<u>(27.1)</u>	<u>(54.5)</u>
Operating profit	4.8	7.3	15.1
Net finance (costs)/income	<u>(1.0)</u>	<u>0.3</u>	<u>0.6</u>
Profit before tax	3.8	7.6	15.7
Taxation charge	<u>(0.6)</u>	<u>(1.4)</u>	<u>(1.0)</u>
Profit after tax – continuing operations	3.2	6.2	14.7
Discontinued operations	<u>(0.2)</u>	<u>(1.0)</u>	<u>(5.7)</u>
Profit for the period	<u>3.0</u>	<u>5.2</u>	<u>9.0</u>

H1 SEGMENTAL RESULTS

Half years ended 31 December



CONTINUING OPERATIONS

£ m	Revenue earned		Operating profit/(loss)	
	2009	2008	2009	2008
Technical Consulting	76.5	85.3	4.0	8.0
Strategic Consulting	4.5	5.8	0.6	0.7
Total by segment	<u>81.0</u>	<u>91.1</u>	<u>4.6</u>	<u>8.7</u>
Head office & consolidation adjustments			0.2	(1.4)
Operating profit per income statement			<u>4.8</u>	<u>7.3</u>

REVENUE BY CUSTOMER LOCATION



External revenue £ m	Half years ended 31 December		Year ended 30 June
	2009	2008	2009
UK	29.5	24.1	47.6
Germany	10.7	13.9	30.4
Rest of Europe	9.8	16.9	27.1
Europe total	<u>50.0</u>	<u>54.9</u>	<u>105.1</u>
US	<u>15.6</u>	<u>15.8</u>	<u>31.8</u>
China	4.8	2.0	5.0
Japan	4.3	11.2	20.8
Rest of Asia	5.9	7.0	15.3
Asia total	<u>15.0</u>	<u>20.2</u>	<u>41.1</u>
Rest of the world	<u>0.4</u>	<u>0.2</u>	<u>0.8</u>
Total	<u><u>81.0</u></u>	<u><u>91.1</u></u>	<u><u>178.8</u></u>

CASHFLOW



£ m	Half years ended		Year ended 30
	31 December		June
	2009	2008	2009
Operating profit	4.8	7.3	15.1
Depreciation and amortisation	4.1	4.3	8.7
Working capital increase	(2.6)	(1.4)	(6.6)
Dividends	(3.8)	(3.8)	(5.5)
Net finance costs	(1.1)	(0.2)	(1.3)
Tax paid	(0.8)	(0.9)	(1.8)
Capital expenditure	(2.6)	(6.2)	(10.0)
Pension payments in excess of pension costs	(1.0)	(1.0)	(2.1)
Forex movements	(0.5)	(6.3)	0.1
Other	0.4	1.0	1.3
Cash outflow from continuing operations	<u>(3.1)</u>	<u>(7.2)</u>	<u>(2.1)</u>
Cash outflow from discontinued operations	<u>(0.1)</u>	<u>(0.1)</u>	<u>(1.1)</u>
Cash outflow	<u><u>(3.2)</u></u>	<u><u>(7.3)</u></u>	<u><u>(3.2)</u></u>

BALANCE SHEET SUMMARY



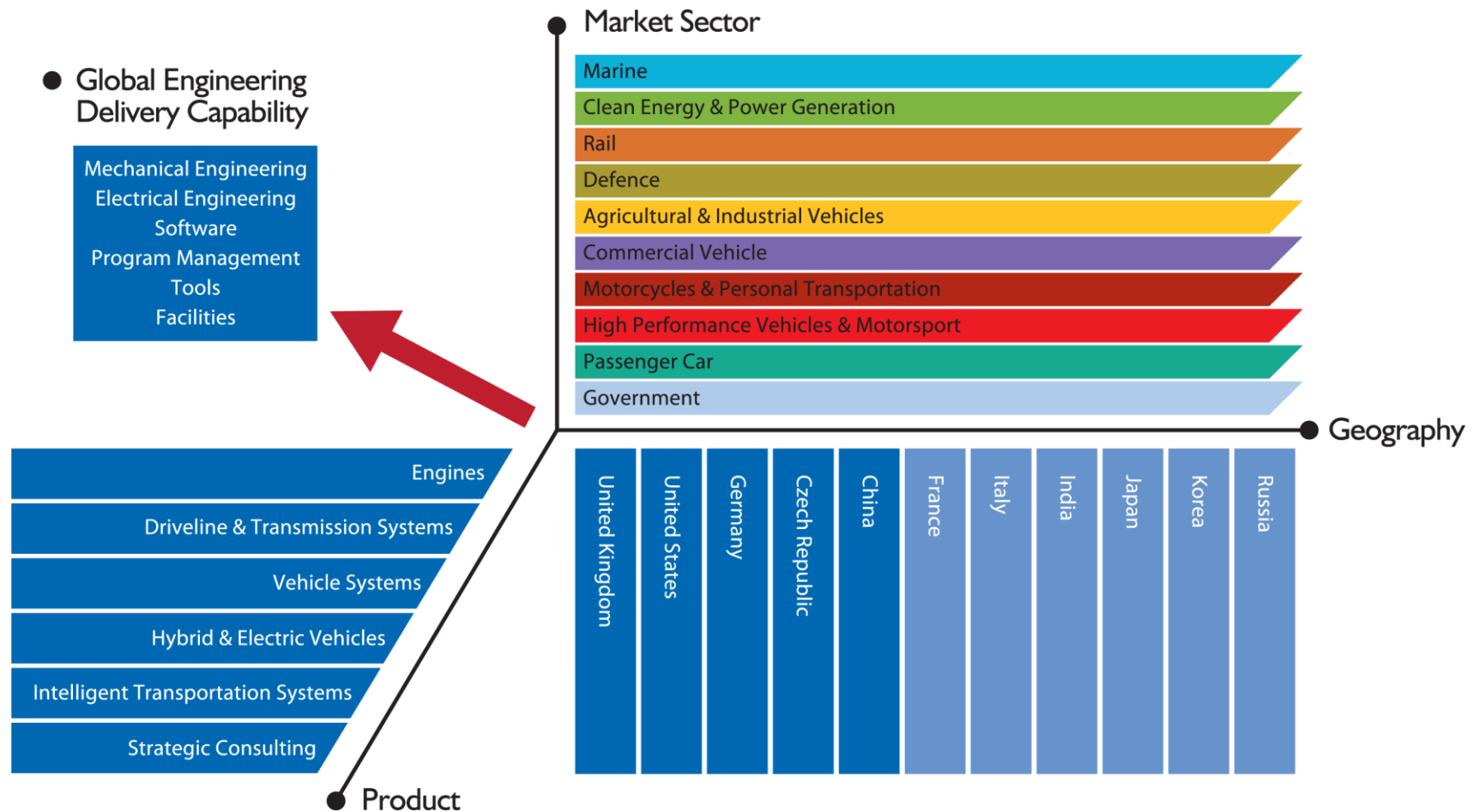
£ m	31 Dec 2009	31 Dec 2008	30 June 2009
Tangible assets	46.3	55.0	47.3
Intangible assets	19.6	23.7	18.5
Inventory and receivables	54.5	74.4	49.9
Net debt	(6.7)	(7.6)	(3.5)
Trade and other payables	(37.0)	(57.5)	(34.3)
Tax & other	3.7	0.1	3.5
Pensions deficit (net of tax)	(21.7)	(13.9)	(21.2)
Net assets held for sale	7.0	-	6.7
Net assets	<u>65.7</u>	<u>74.2</u>	<u>66.9</u>

The Ricardo strategy – providing a platform for growth and risk mitigation.

- No dependence on any one sector, product or geography
- Tight diversity around a common competence (technical and strategic consulting)
- Expansion into neighbouring markets which can use common competence
- Low risk growth providing protection for slower than expected start up and volatility
- Maximisation of common engineering pool
- Path finder approach into new regions and markets
- Ideally markets with enduring drivers – legislation, structural change



The core business model of Ricardo is three dimensional, feeding a common flexible resource pool.



Key themes for the first half

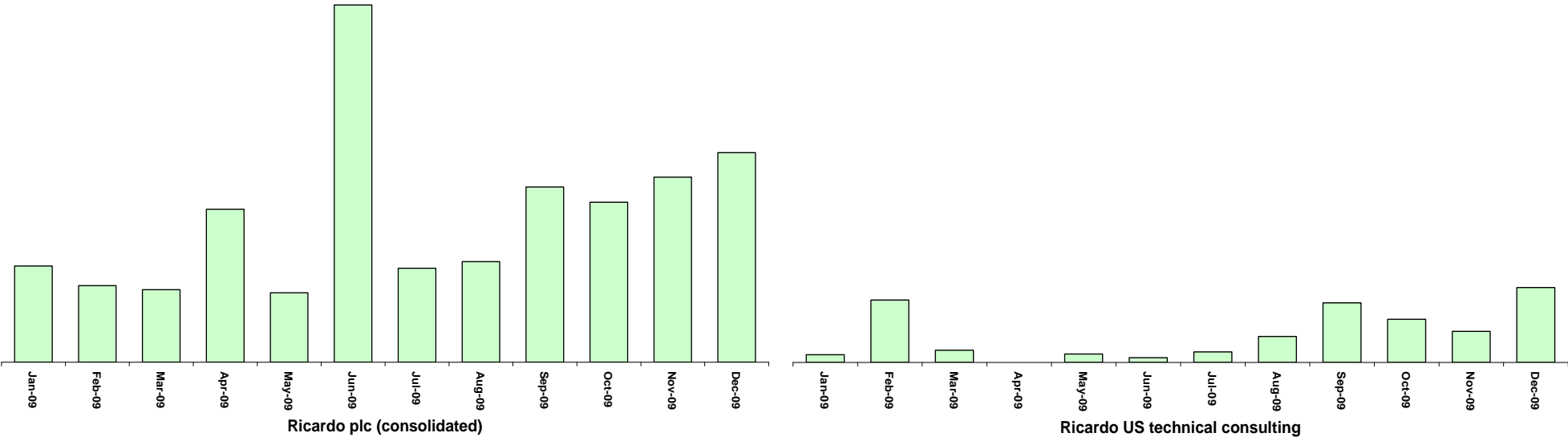
- Generally low order run rate and workable order book entering the period
- Order intake recovery across all divisions
- Significant ramp-up over the period
- Closing order book – no major job distortion, good mix

- Passenger car markets, bar China and Russia, quiet – no recovery as yet
- Commercial vehicle, defence and Government markets active
- Newer sectors starting to grow – positive global political drive to reduce CO₂
- Oil price rising

- US operation showing good order book and performance recovery
- UK division aided by UK government, defence, Russia and China
- Germany holding position with German client base, motorcycle & commercial vehicle

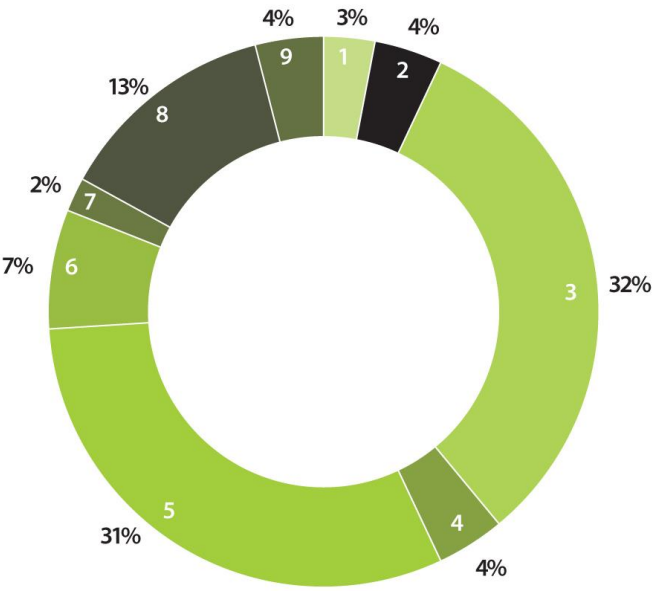


Order intake profile for calendar year – back end weighted



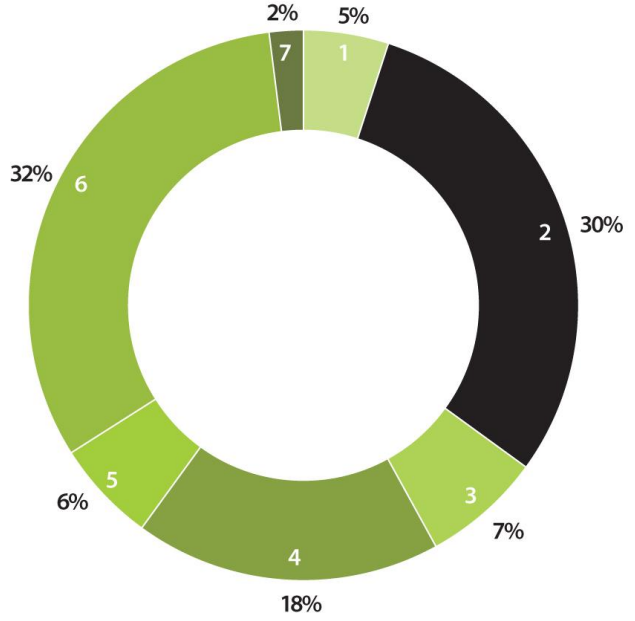
Defence and Government sectors are compensating for the collapse of the passenger car sector. The contribution from new sectors such as Clean Energy & Power Gen., Marine and Rail is increasing. Geographically well spread with Russia and China contribution increasing.

Ricardo plc - Order Intake Breakdown by Key Territories:
1st Half FY 2009-2010



- 1. Rest of Asia
- 2. Japan
- 3. USA
- 4. Rest of Europe
- 5. UK
- 6. Germany
- 7. India
- 8. Russia
- 9. China

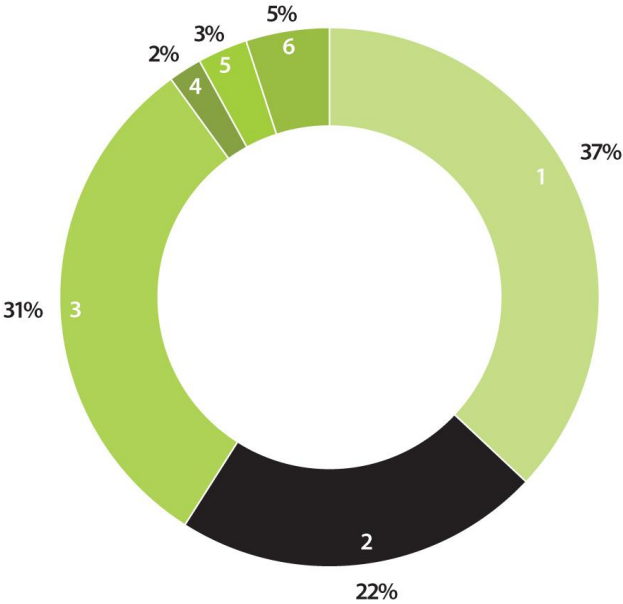
Ricardo plc - Order Intake Breakdown by Key Sectors:
1st Half FY 2009-2010



- 1. Clean Energy & Power Generation
- 2. Defence
- 3. Agricultural & Industrial Vehicles - Rail - Marine
- 4. Commercial Vehicle
- 5. High Performance Vehicles & Motorsport - Motorcycles & Personal Transportation
- 6. Passenger Car
- 7. Government

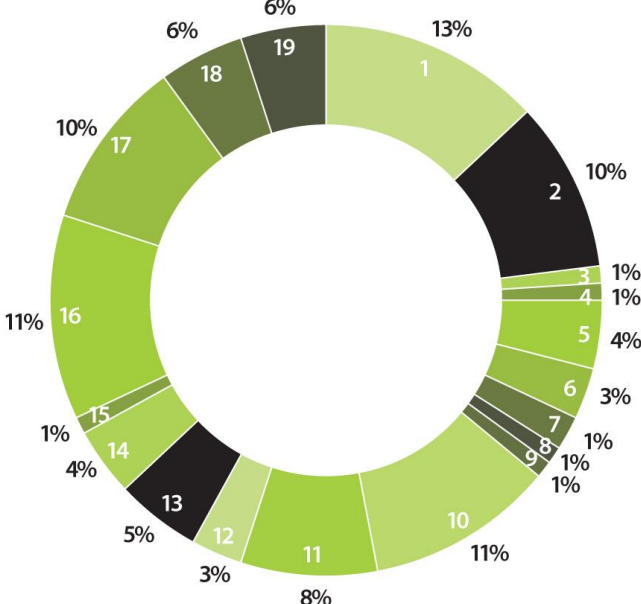
The customer diversity continues with some traditional clients disappearing or down to extremely low levels, demonstrating the importance of this part of the strategy

Ricardo plc - Order Intake Breakdown by Products:
1st Half FY 2009-2010



- 1. Engines
- 2. Driveline & Transmission Systems
- 3. Vehicle Systems
- 4. Hybrid Electric Vehicle
- 5. Intelligent Transportation Systems
- 6. Strategic Consulting

Ricardo plc - Order Intake Breakdown by Key Clients:
1st Half FY 2009-2010



- 1. UK Defence
- 2. US Defence
- 3. UK Government
- 4. US Government
- 5. Global Key Client 1
- 6. Global Key Client 2
- 7. Global Key Client 3
- 8. Global Key Client 4
- 9. Global Key Client 5
- 10. Key Client 1
- 11. Key Client 2
- 12. Key Client 3
- 13. Key Client 4
- 14. Key Client 5
- 15. Key Client 6
- 16. Rest of UK
- 17. Rest of Asia
- 18. Rest of Europe
- 19. Rest of USA

- US and established global Asian OEMS challenged by economic climate. Little external development activity, tight cash control remains
- CO₂ legislation remains firm, fixed in time and stringent – time to compliance approaching with new and underdeveloped technologies being held up as solutions
- Spend focus on electrification as government support and CO₂ policy drives development agenda
- China continues its strategic growth agenda. It has an intention to increase its city population by 200m at a rate of 12m per year, with one third having cars, equating to an additional 60m car market – the size of the current world market.
- China and Russia look to secure technology through outsourced development, license and OEM acquisition



- Continued operational activity in Iraq and Afghanistan. Insurgency and changing nature of the threat requires more heavily protected but lighter armoured vehicles. Need for increased protection against mines and road side attacks
- Major replacement programmes of long established vehicles under consideration in both the US and UK
- Ricardo active in US on new vehicles, adaptations of commercial vehicles and new tool sets for complex decision making
- Ricardo active in the UK on support and upgrade to the Landrover fleet and development of the Ocelot vehicle with Force Protection, for the LLPV programme for the MOD. Evaluations of the bespoke ground up mine protected vehicle are underway
- Ricardo is also active on new heavy fuel technology for UAV's to increase range, safety and payload



- Development continues due to US 2010 and tough EU emissions legislation
- Globalisation driving development as established players localise product to exploit the markets of developing regions. Developing regions look to upgrade local product
- Cross-over products from commercial vehicle industry to defence sector
- Emissions legislation driver in Europe and US has driven development activity in Ricardo US, Germany and UK with test and development facilities in high demand
- As CO₂ compliance and focus on fuel economy improvement for commercial reasons increases, the aerospace and airline industry is looking to improve the efficiency of ground transportation of aircraft
- Ricardo continue to support the development of Taxibot, an autonomous aircraft tug which was launched at the Munich Airshow in October



Motorcycles and High Performance Vehicle Sector



- Continued focus on the two wheeled sector from scooter to performance motorcycle as the global market is forecast to grow on the need to reduce CO₂ emissions and the growth of developing regions
- Ricardo operations are active on new market, high efficiency scooters and high performance premium motorcycles secured towards the back end of the prior period
- High performance super car programmes continue with the Veyron transmission production programme and other high profile confidential programmes
- Ricardo motorsport supported new world champions and leading teams in Formula 1, Japanese GT, World Rally Car and again the winner of the Le Mans endurance race



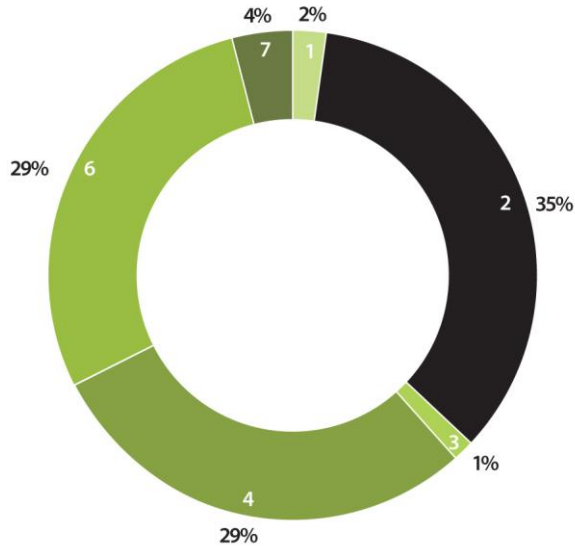
- Energy and Power Generation industries engaged in support of reducing CO₂, addressing high oil prices and a key requirement for increased energy security
- Renewable energy sources have moved from periphery to part of the future energy equation, with new licenses being granted and major investment programmes for on and off shore generation in the UK, Europe, US and Asia
- Ricardo active in the period on tidal and wind power programmes analysis & simulation of core components for increased reliability and function
- Existing methods for distributed power generation such as diesel gensets are looking towards improved fuel economy for commercial reasons and future CO₂ compliance. Ricardo has been active in product planning, through to product development
- Ricardo have developed and secured business for its new flywheel energy storage technology, as a low cost replacement for batteries in hybrid passenger car and commercial vehicle applications



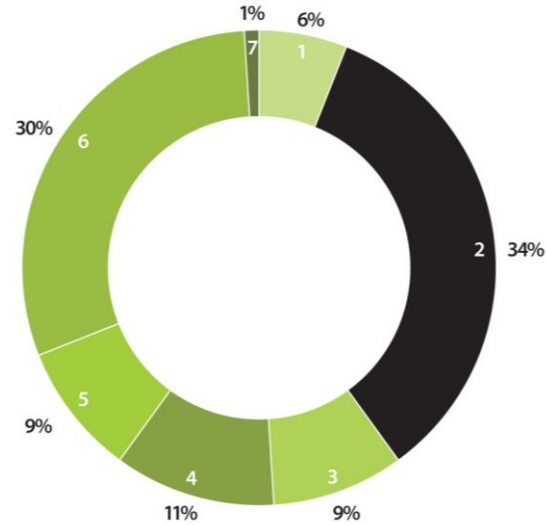
Snap shot on regions

Breakdown by sectors

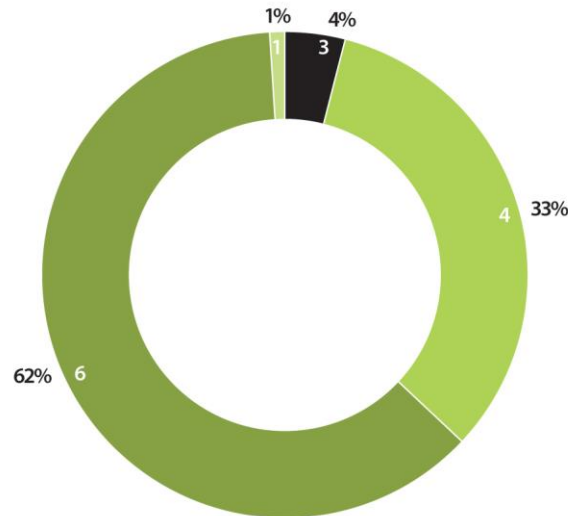
Ricardo US - Order Intake Breakdown by Key Sectors:
1st Half FY 2009-2010



Ricardo UK - Order Intake Breakdown by Key Sectors:
1st Half FY 2009-2010



Ricardo Germany - Order Intake Breakdown by Key Sectors:
1st Half FY 2009-2010



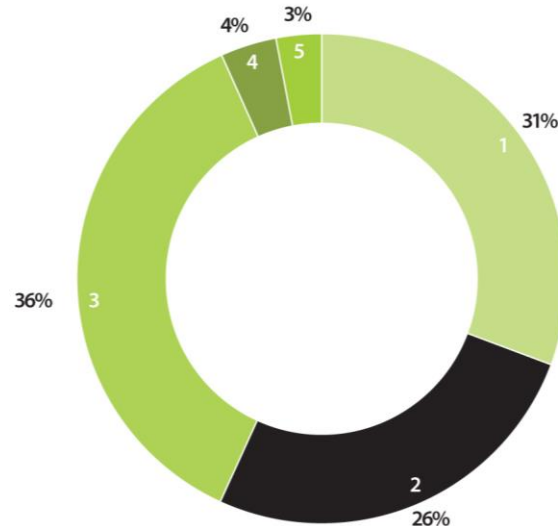
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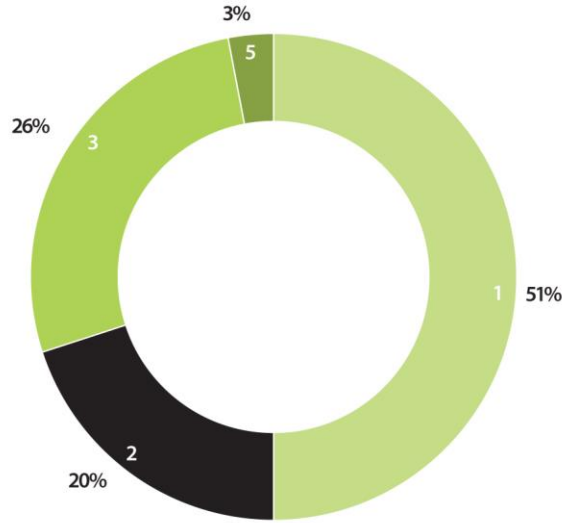
Snap shot on regions

Breakdown by Products

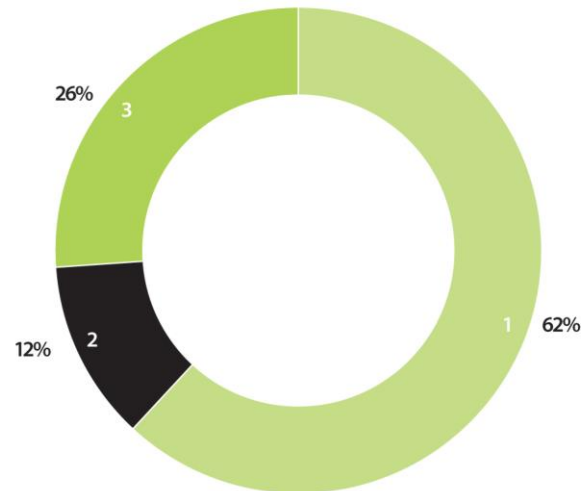
Ricardo UK - Order Intake Breakdown by Products:
1st Half FY 2009-2010



Ricardo US - Order Intake Breakdown by Products:
1st Half FY 2009-2010



Ricardo Germany - Order Intake Breakdown by Products:
1st Half FY 2009-2010



1. Engines
2. Driveline & Transmission Systems
3. Vehicles Systems
4. Hybrid Electric Vehicle
5. Intelligent Transportation Systems



Summary for the period and outlook

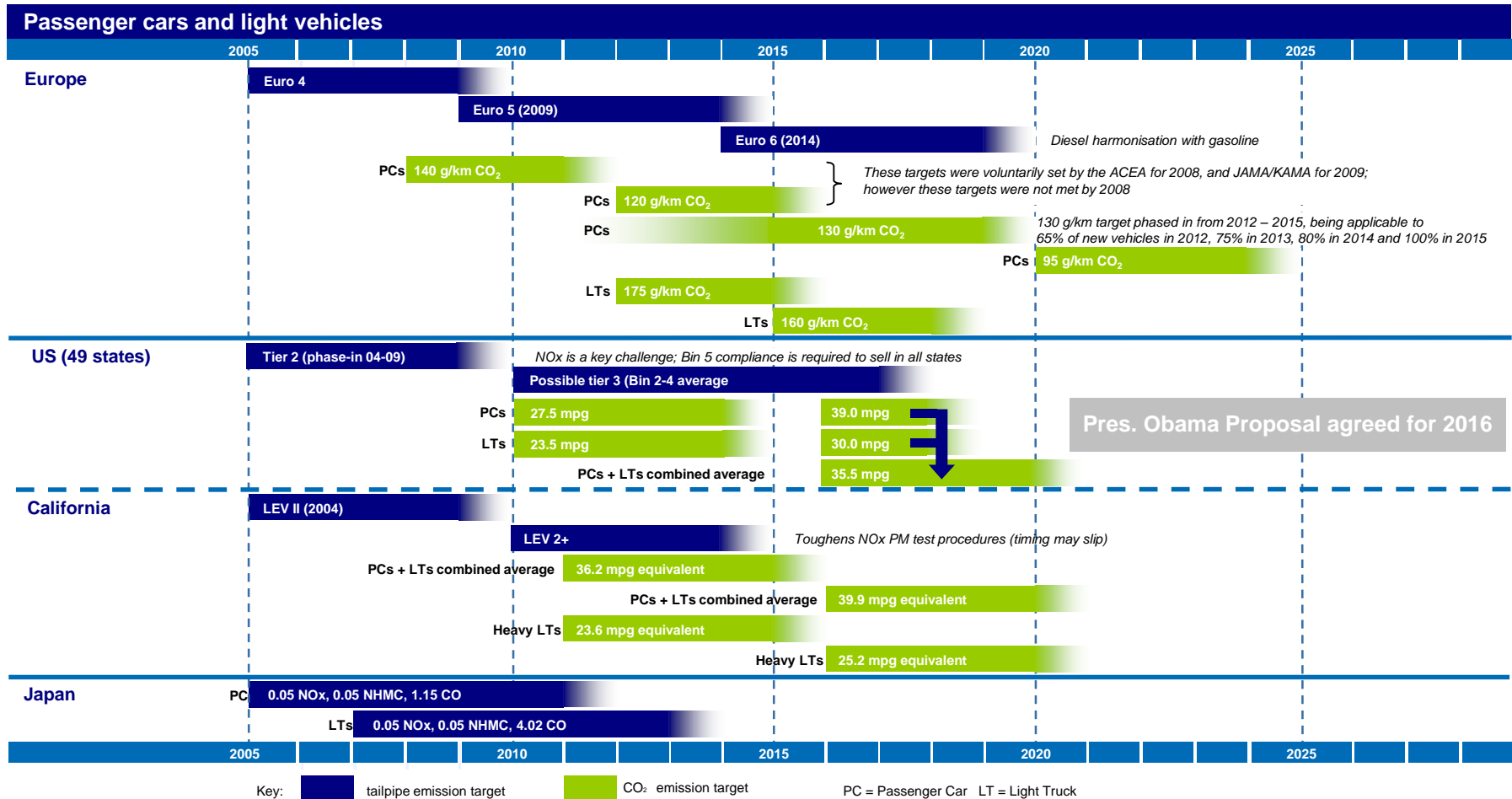
- Implementation of the strategy for growth and risk mitigation has demonstrated resilience under extreme circumstances
- Strong balance sheet
- Order intake improving through period with increasing momentum
- Strong order book and pipeline of opportunities
- Traditional passenger car business, bar China and Russia, still absent covered by good levels of government, defence and commercial vehicle business
- Drivers of CO₂ reduction for transport and power generation markets remain with legislation firm, time fixed and stringent. Global political will remains set on addressing the issue with investment and support
- Although markets have not returned to normality, on the basis of the current order book, pipeline and market activity, we believe the second half will benefit from momentum and enable us to demonstrate further progress



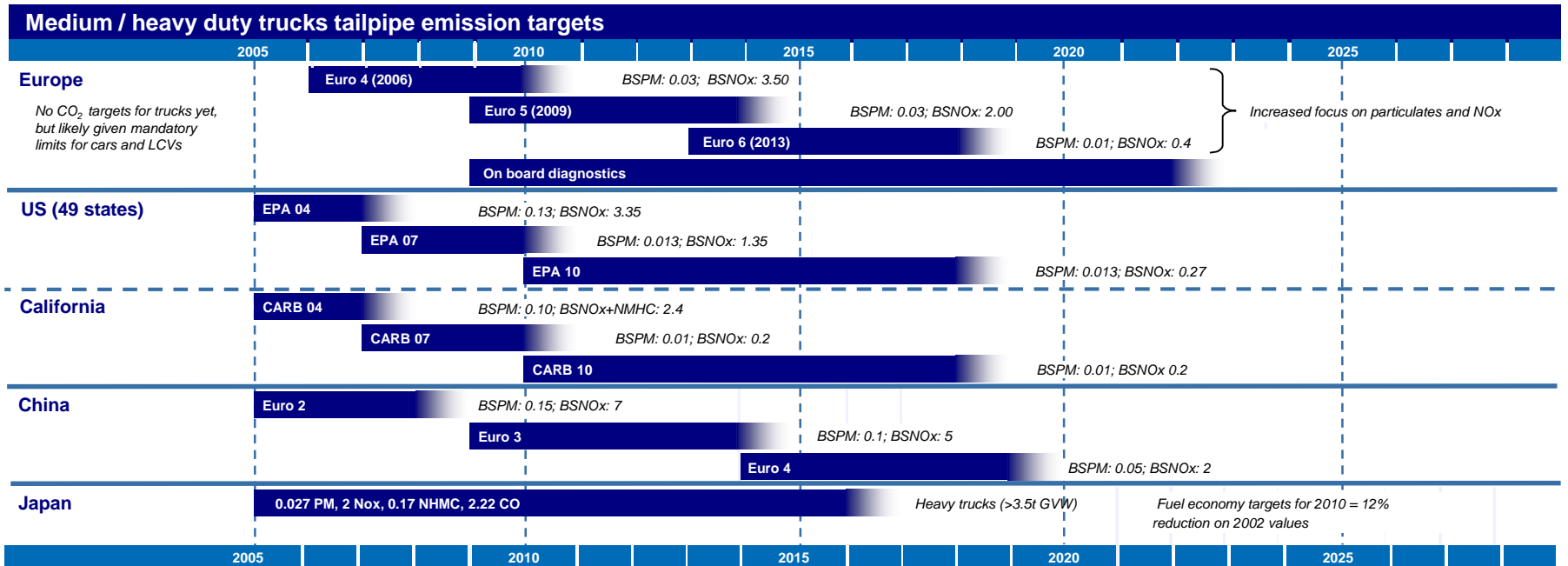


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Appendix 1 - emissions and CO₂ legislation





Source: Ricardo, National government sources, Arbutnot Securities estimates



Source: Ricardo, National government sources, Arbuthnot Securities estimates

APPENDIX 2 – INTEREST NET FINANCE INCOME (COSTS)



£ m	Half years ended 31 December		Year ended
	2009	2008	30 June 2009
Finance income			
Bank interest receivable	0.2	0.4	1.3
Forex gains on financing activities	0.0	0.8	1.1
Interest on other financial assets	0.5	0.7	1.6
	<u>0.7</u>	<u>1.9</u>	<u>4.0</u>
Finance costs			
Bank interest payable	(0.8)	(0.9)	(2.3)
Defined benefit pension scheme finance costs	(0.9)	(0.7)	(1.1)
	<u>(1.7)</u>	<u>(1.6)</u>	<u>(3.4)</u>
Net	<u>(1.0)</u>	<u>0.3</u>	<u>0.6</u>

APPENDIX 3 - DISCONTINUED OPERATIONS



£ m	Half years ended 31 December		Year ended 30 June
	2009	2008	2009
Revenue	5.3	5.5	10.5
Operating loss	(0.2)	(0.9)	(1.9)
Asset write down	-	-	(3.8)
Net loss after tax	(0.2)	(1.0)	(5.7)
Net assets held for sale	7.0		6.7