

Ricardo plc

Interim results presentation

For the six months ended 31 December 2012

- Group revenue £100.3m, £95.4m excluding AEA (December 2011: £92.2m)
- Strong closing order book at £136m, £111m excluding AEA (June 2012: £107m)
- Underlying* profit before tax up 16% at £7.3m (December 2011: £6.3m)
- Underlying* basic EPS up 10% to 11.6p (December 2011: 10.5p)
- Strong operating cashflow, post acquisition net debt £2.7m (June 2012: net funds £7.9m)
- Interim dividend up 8% to 4.0p per share (December 2011: 3.7p)
- Strong trading performance from the UK, trading in Germany remains challenging
- Integration of AEA progressing to plan, earnings enhancing since acquisition

* Before specific adjusting items of £1.4m, comprising amortisation of acquired intangible assets and acquisition costs

Key indicators



	Half year ended 31 December		Year ended 30 June
	2012	2011	2012
Order book	£136m	£123m	£107m
Gross profit %	39.8%	42.4%	41.7%
Underlying operating profit %	7.9%	7.4%	9.4%
Tax rate	17%	14%	14%
Underlying EPS (basic)	11.6p	10.5p	29.3p
Dividend	4.0p	3.7p	12.4p
Cashflow excluding acquisition of business	£7.4m	£0.9m	£6.4m
Net (debt)/funds	£(2.7)m	£2.4m	£7.9m
Pension deficit (pre-tax)	£22.3m	£18.4m	£20.4m
Closing headcount (inc. subcontractors)	2,198	1,839	1,906

Acquisition of AEA

- Acquired 8 November 2012 for a total consideration of £18m
- Revenue in H1 £4.9m, operating profit £0.4m, cashflow neutral, order book £25m
- Specific adjusting items:
 - £1.2m acquisition costs
 - £0.2m amortisation of acquired intangible assets (£0.7m in 12/13, full year £1.1m)
- Integration going to plan, client and employee reaction positive
- Focus on international business growth opportunities into 2013

Income statement



£m	Half year ended 31 December			Year ended 30 June	
	2012 Underlying	2012 Specific adjusting items	2012 Total	2011 Total	2012 Total
Revenue	100.3	-	100.3	92.2	197.4
Gross profit	39.9	-	39.9	39.1	82.3
Administration expenses	(32.0)	(1.4)	(33.4)	(32.3)	(63.7)
Operating profit	7.9	(1.4)	6.5	6.8	18.6
Net finance costs	(0.6)	-	(0.6)	(0.5)	(1.0)
Profit before tax	7.3	(1.4)	5.9	6.3	17.6
Taxation (charge)/credit	(1.3)	0.3	(1.0)	(0.9)	(2.5)
Profit for the period	6.0	(1.1)	4.9	5.4	15.1

- Underlying operating profit up 16%, PBT up 16%
- Strong cost management – reduced administration expenses

Revenue by customer location



External revenue £m	Half year ended 31 December		Year ended 30 June
	2012	2011	2012
UK	49.8	40.2	96.1
Germany	7.2	13.0	22.0
Rest of Europe	7.9	5.0	9.6
Europe Total	64.9	58.2	127.7
US	16.9	18.4	34.0
China	3.3	4.2	8.6
Japan	8.4	6.6	14.5
Rest of Asia	5.6	4.8	12.0
Asia Total	17.3	15.6	35.1
Rest of the World	1.2	-	0.6
Total	100.3	92.2	197.4

- UK growth from acquisition of AEA and strong Performance Products volumes offsetting loss of German test bed work
- Asia remains a key region

Half year ended 31 December

£m	Revenue		Underlying operating profit	
	2012	2011	2012	2011
Technical Consulting	76.7	73.3	4.7	5.3
Performance Products	23.6	18.9	3.6	2.3
Head office	n/a	n/a	(0.4)	(0.8)
Total	100.3	92.2	7.9	6.8

- Strong UK Technical Consulting growth, reduction in test bed revenue in Germany
- Performance Products – increased volumes, robust pricing and operational efficiency leading to strong revenue and improved operating margin

£m	Half year ended 31 December		Year ended 30 June
	2012	2011	2012
Operating profit	6.5	6.8	18.6
Depreciation and amortisation	4.2	3.8	7.8
Working capital decrease	3.6	1.0	0.5
Dividends	(4.5)	(4.2)	(6.1)
Bank and other interest	-	(0.1)	(0.1)
Tax paid	(0.2)	(0.9)	(0.9)
Capital expenditure	(3.5)	(4.5)	(11.0)
Proceeds of sale and lease back of offices in Germany	3.7	-	-
Pension charge and funding	(2.4)	(1.9)	(3.9)
Forex movements / other	-	0.9	1.5
Cash inflow excluding acquisition of AEA	7.4	0.9	6.4
Acquisition of AEA	(18.0)	-	-
Cash (outflow) / inflow	(10.6)	0.9	6.4

- Working capital improvements continue
- Strong control of capex
- AEA acquisition in November, sale and leaseback of German offices in July £3.7m

Balance sheet summary

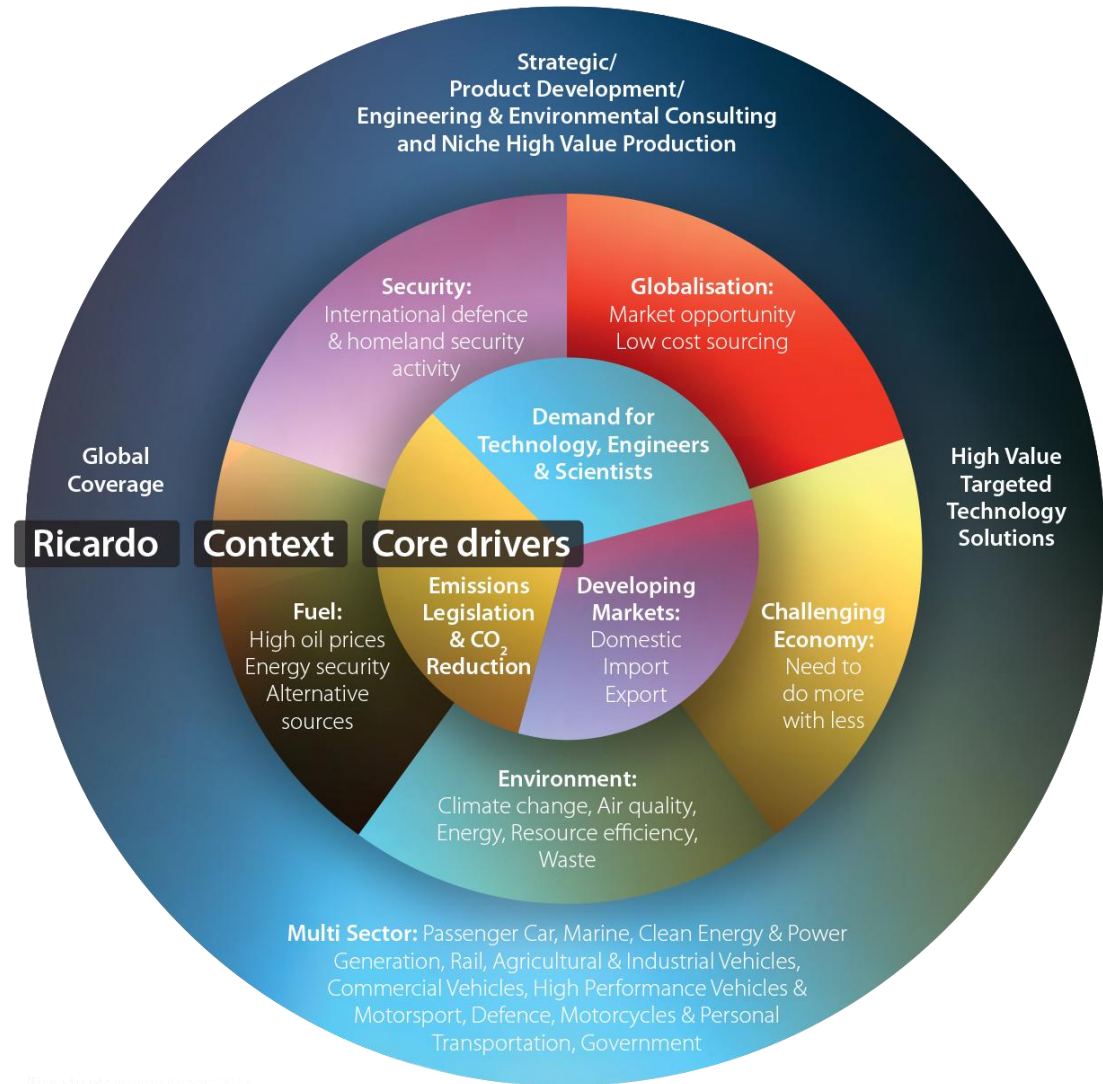


£m	At 31 December		At 30 June
	2012	2011	2012
Tangible assets	44.9	46.8	45.6
Intangible assets	40.8	22.2	22.1
Inventory and receivables	69.8	70.5	71.0
Net (debt)/funds	(2.7)	2.4	7.9
Trade and other payables	(54.4)	(51.7)	(48.2)
Tax and other liabilities	5.3	8.4	6.9
Pensions deficit (net of tax)	(16.6)	(13.6)	(15.5)
Net assets	87.1	85.0	89.8

- Strong balance sheet maintained
- Small net debt balance at 31 December 2012 following £18m acquisition of AEA
- Ample banking headroom £35m committed facilities, £17m overdraft lines

The Ricardo strategy for growth and risk mitigation remains robust in a challenging and unpredictable world economy

- Obama - climate change focus
- Asian growth and demand for technology
- China - air quality deterioration
- Continued and new conflicts - North Africa, Syria
- Defence cuts - increasing use of technology and intelligence
- Automotive industry in US and Asia returning towards past performance
- Decarbonisation, cost reduction and distribution of energy



Highlights



- Automotive engineering programmes from UK, US and Asia
- Programmes ramping up in Motorcycle, marine and power generation
- 225 Foxhound vehicles delivered with initial deployment in Afghanistan
- 2,400 McLaren engines built, new orders for Bugatti Veyron and multi year supply to Porsche on race series
- Into the production phase of the mono rail programme
- Pipeline solid with many starter programmes for larger projects
- AEA acquisition in November – straight forward integration and delivering to plan. Customers and new team very positive on new parent. New business secured, cost synergies already identified

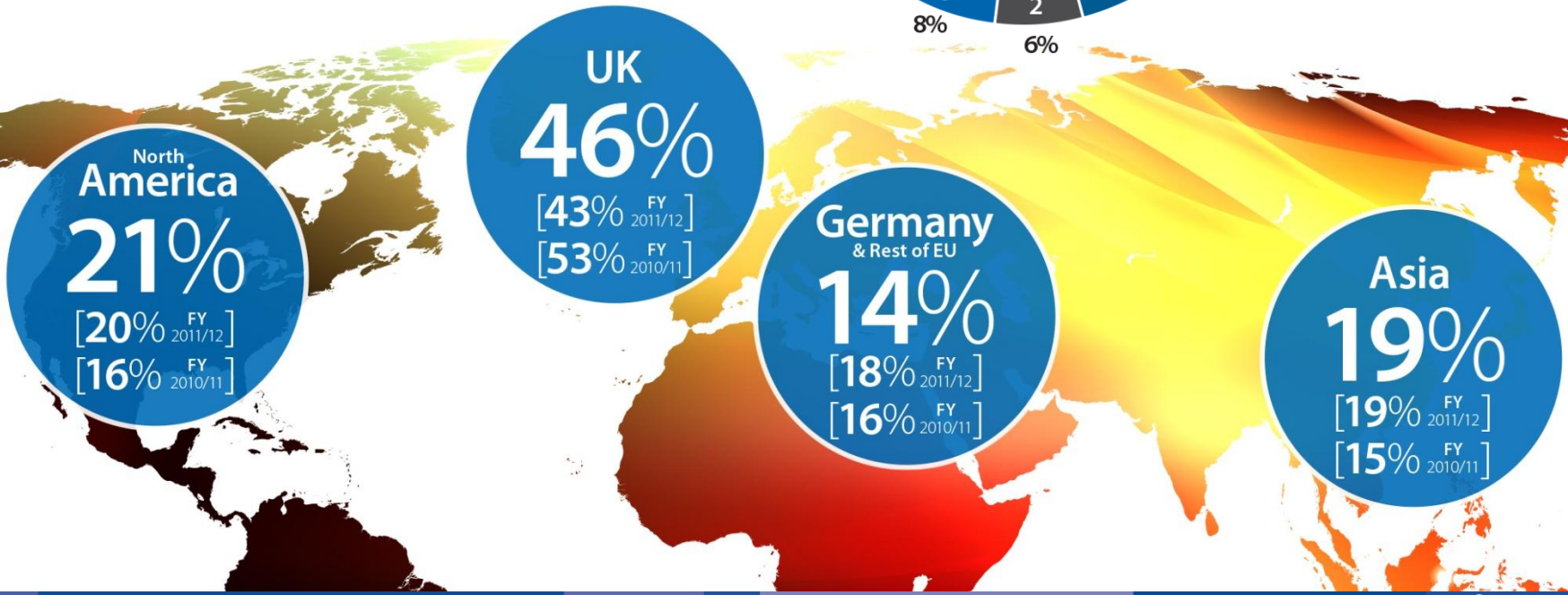
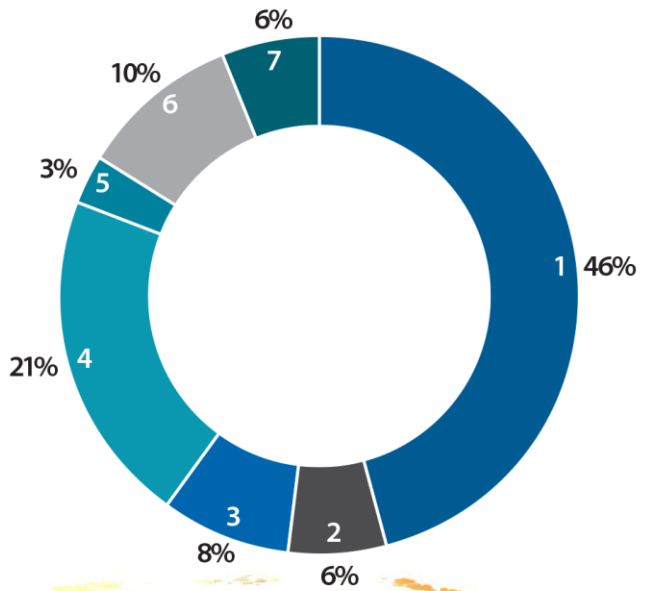
RICARDO-AEA



A good balance of order intake being held across the globe with no major dependencies



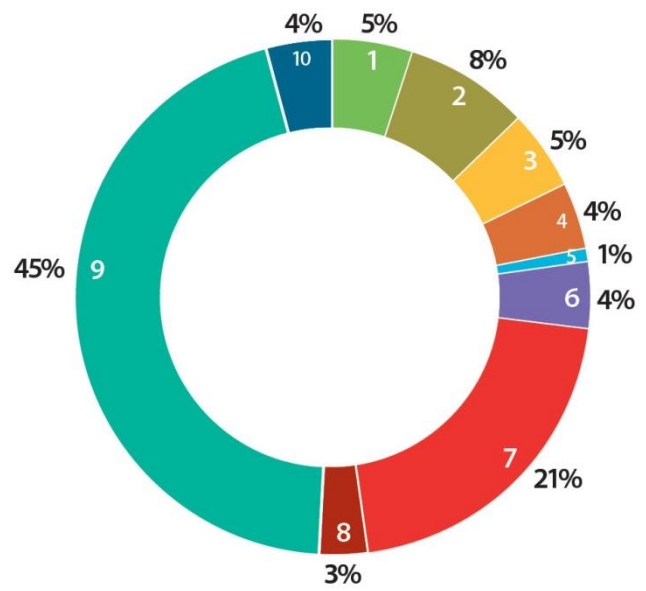
1. UK
2. Germany
3. Rest of Europe
4. North America
5. China
6. Japan
7. Rest of Asia



Market sectors remain well balanced with multi-year programmes and a return to spend by the large passenger car OEMs



- 1. Clean Energy & Power Generation
- 2. Defence
- 3. Agriculture & Industrial Vehicles
- 4. Rail
- 5. Marine
- 6. Commercial Vehicles
- 7. High Performance Vehicles & Motorsport
- 8. Motorcycle & Personal Transportation
- 9. Passenger Car
- 10. Government



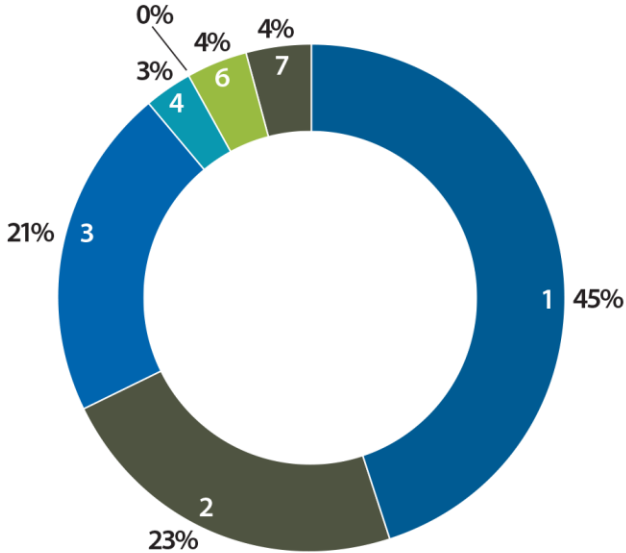
Pass Car	Rail	Government	M&PT	HPV&M	Marine	CE&PG	AIV	CV	Defence
45%	4%	4%	3%	21%	1%	5%	5%	4%	8%
[41%]	[1%]	[2%]	[2%]	[20%]	[2%]	[7%]	[7%]	[7%]	[11%]
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HY2012/13
 [FY2011/12]
 [FY2010/11]

The balance of products and good customer mix continues, with a good level of multi-year business returning



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



Ricardo-AEA



4%

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23%

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Engines



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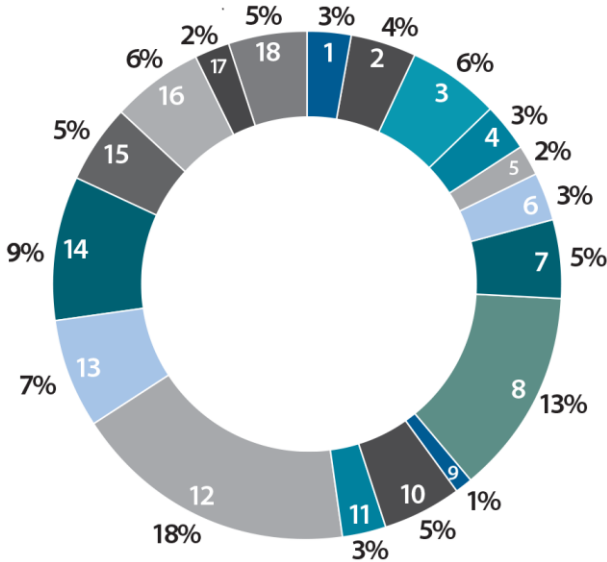
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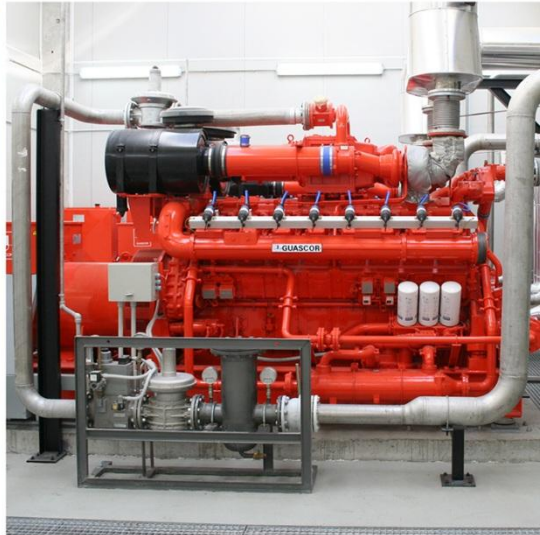
The balance of products and good customer mix continues, with a good level of multi-year business returning



Ricardo plc External Order Intake by Key Client for the six months ended 31 December 2012



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




Performance Products continues to deliver a broad range of vehicles, transmissions, engines and software



Performance Products in numbers

480



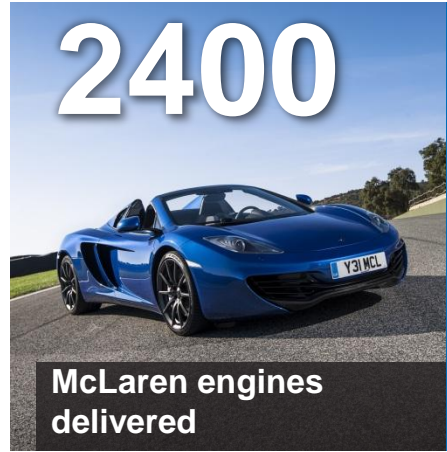
Bugatti transmissions delivered

225



Foxhound vehicles delivered

2400



McLaren engines delivered

72



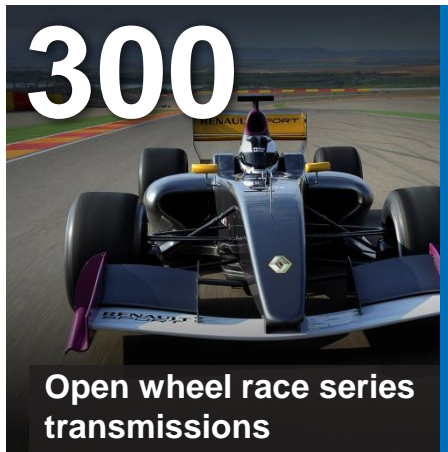
Monorail transmissions

5000



F1 gears delivered per season

300



Open wheel race series transmissions

200



GT Motorsport transmissions

1000



Software licenses in 15 countries each year



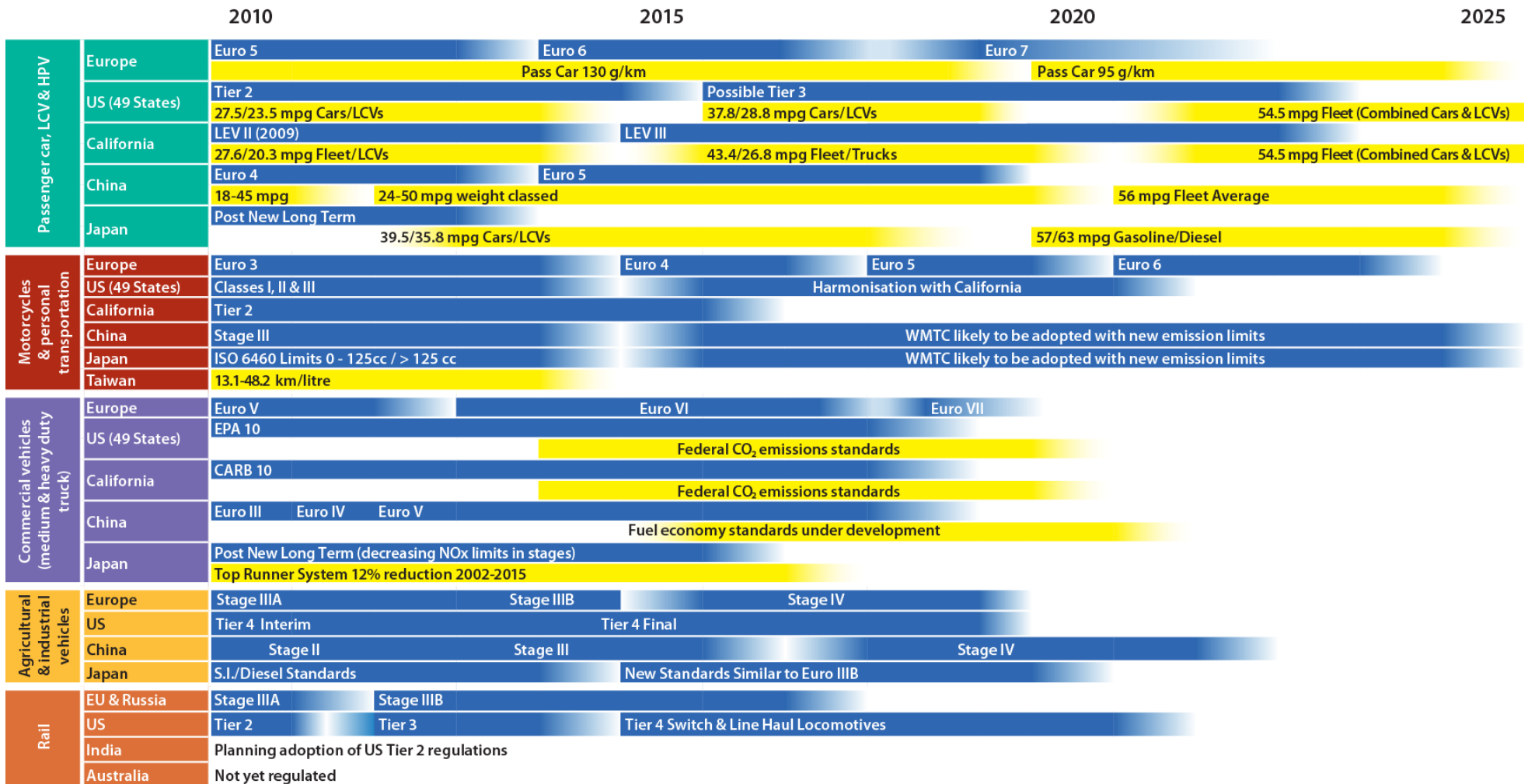
Summary for period and outlook

- Strategy and operational execution delivering continued growth in profits with a strong balance sheet
- Order book and pipeline remains strong with good order intake into new year
- Multi-year programmes continue (often only partially reflected in order book)
- Global passenger car OEMs returning to spend
- New market sectors developing with growing business
- Assembly programmes delivering with repeat and new business following
- Core drivers remain at the top of clients' agenda with an increasing demand for engineering talent and technology solutions
- Outlook remains positive against a challenging and unpredictable global economy

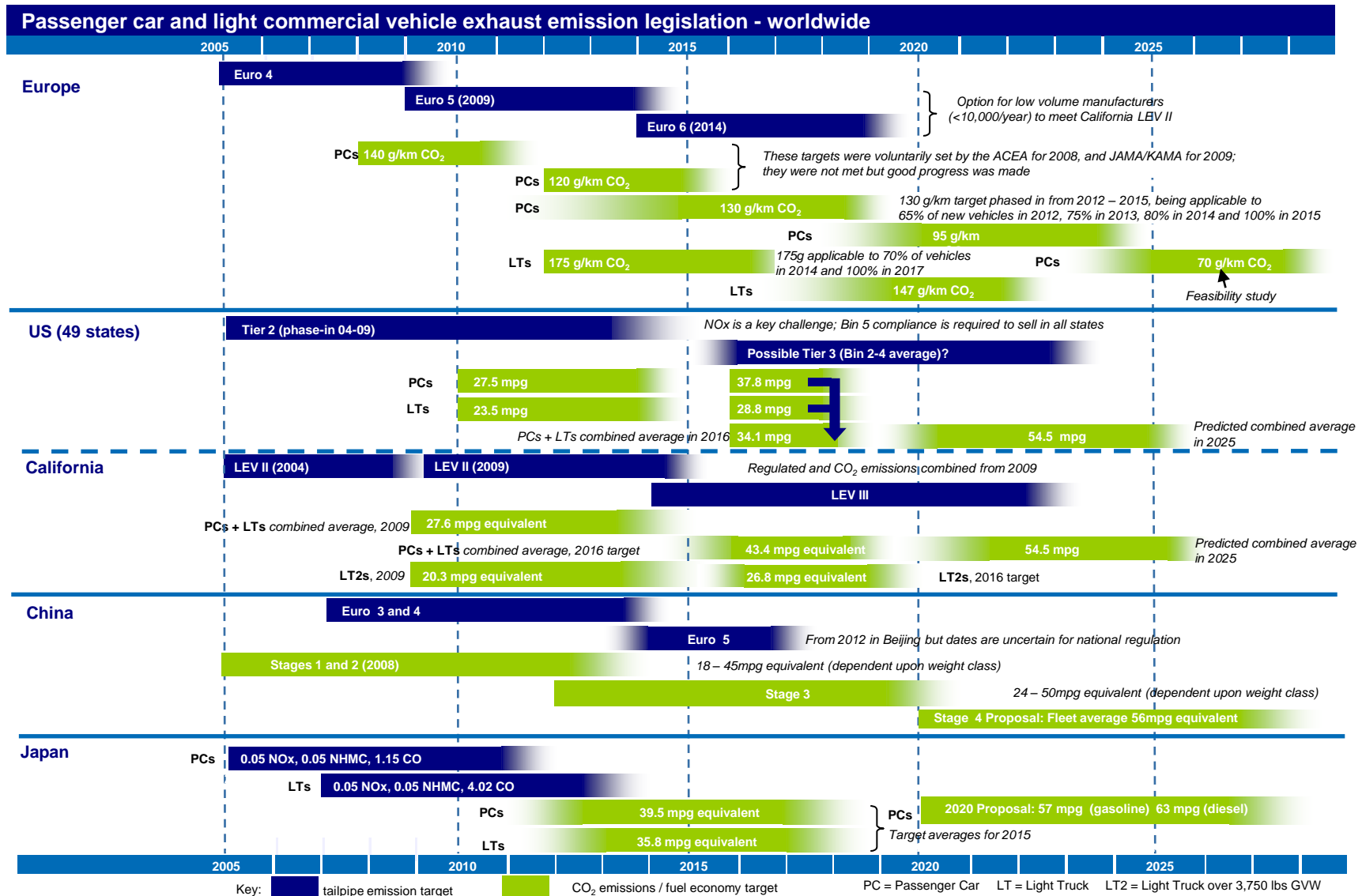
Appendix – Emissions Legislation



Global tailpipe and CO₂ emissions legislation adherence are “must haves” in the development budget of clients

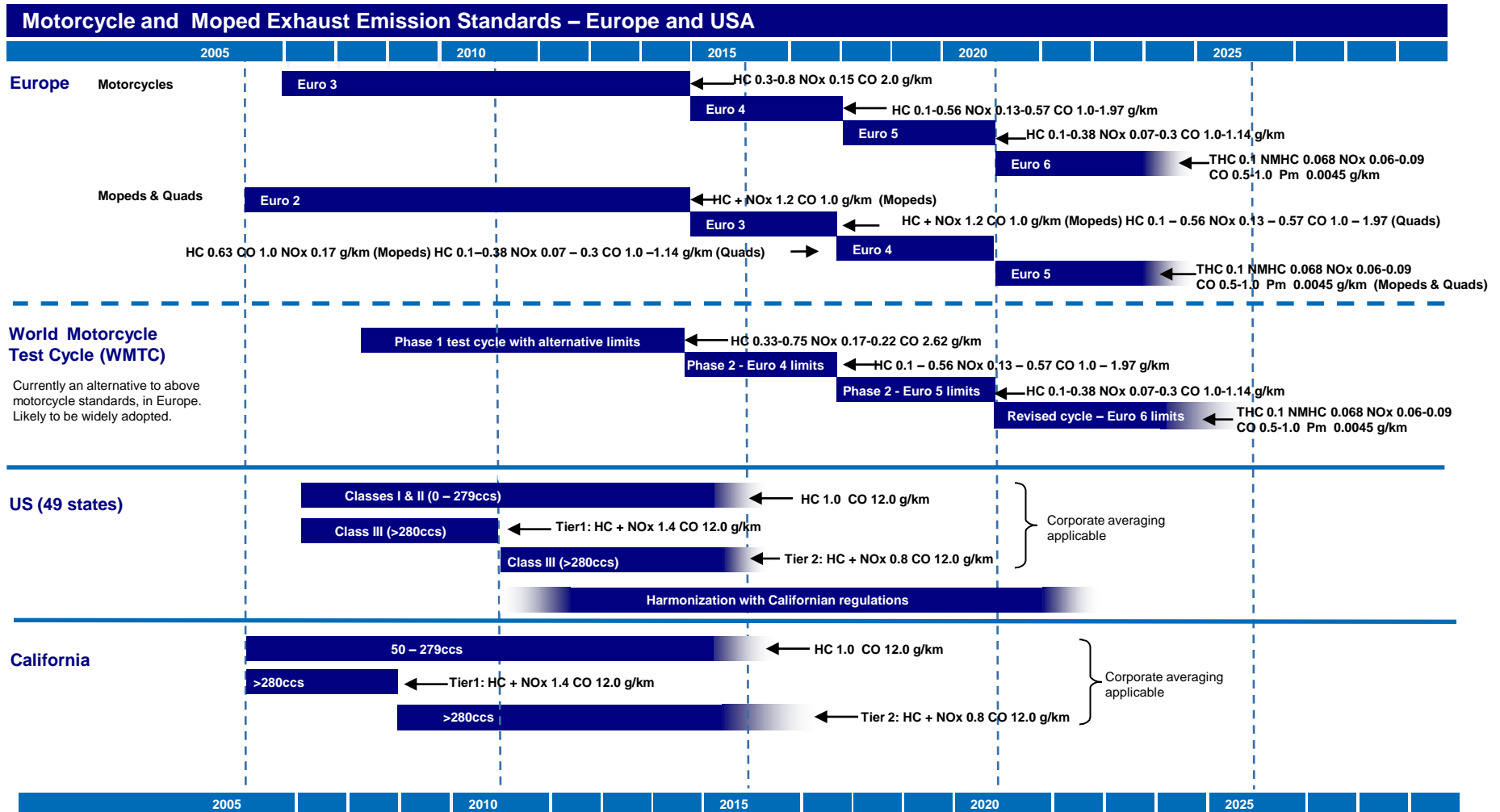


Passenger car, light commercial & high performance vehicle



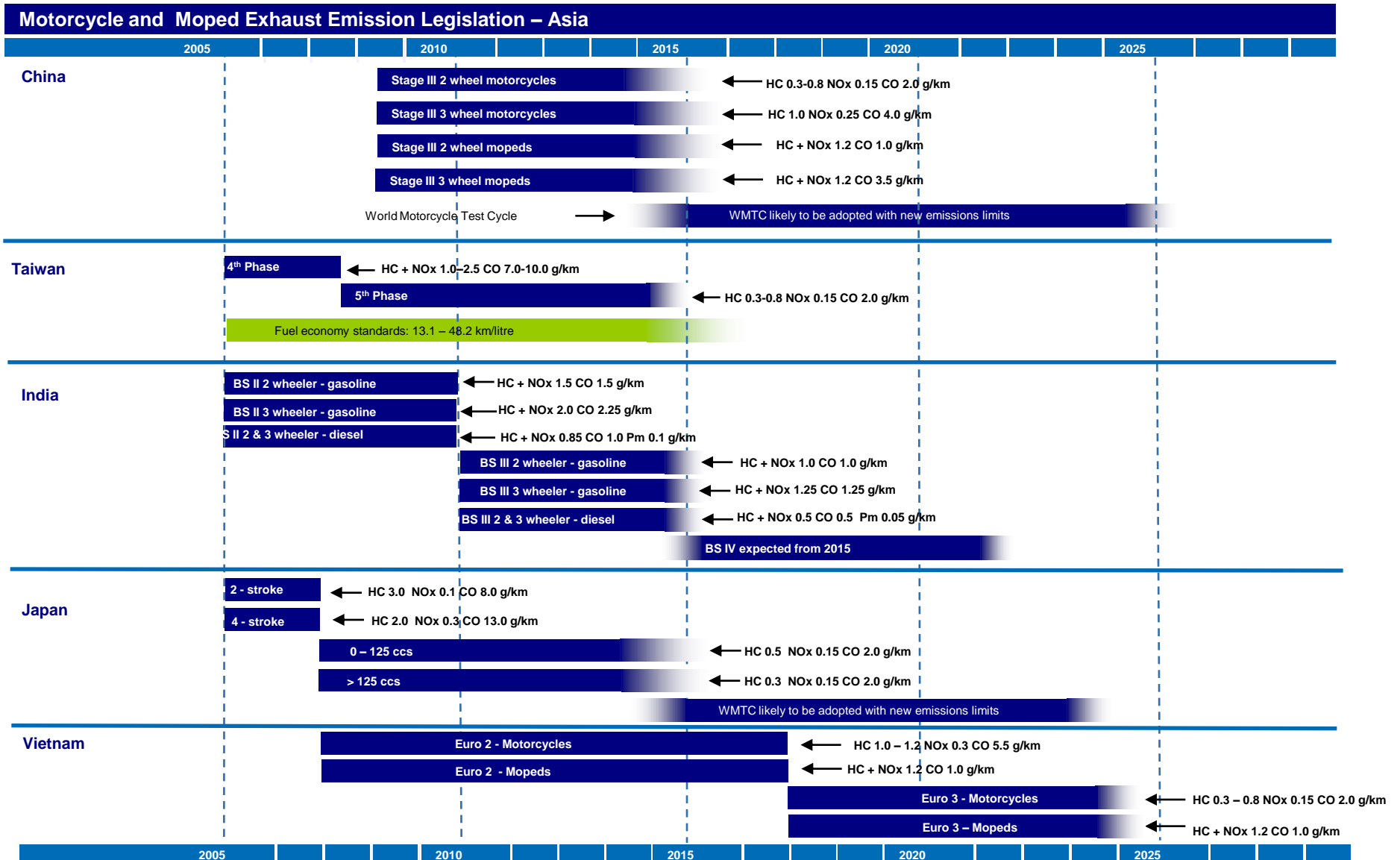
Sources: Ricardo & National government publications

Motorcycles & personal transportation (Europe & USA)



Source: Ricardo & National government sources

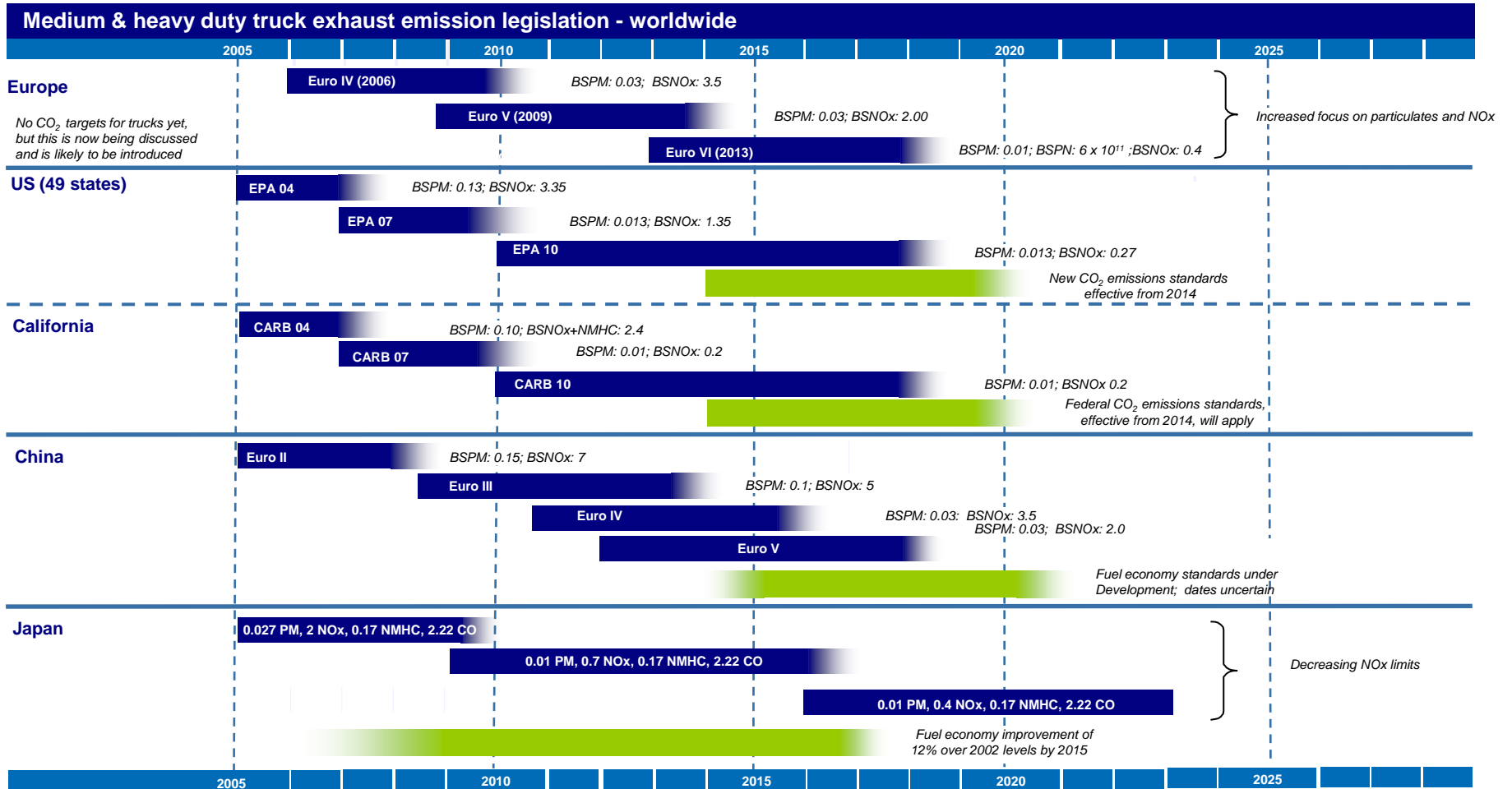
Motorcycles & personal transportation (Asia)



Source: Ricardo & National government sources

Key: Tailpipe emission standard Fuel economy standard

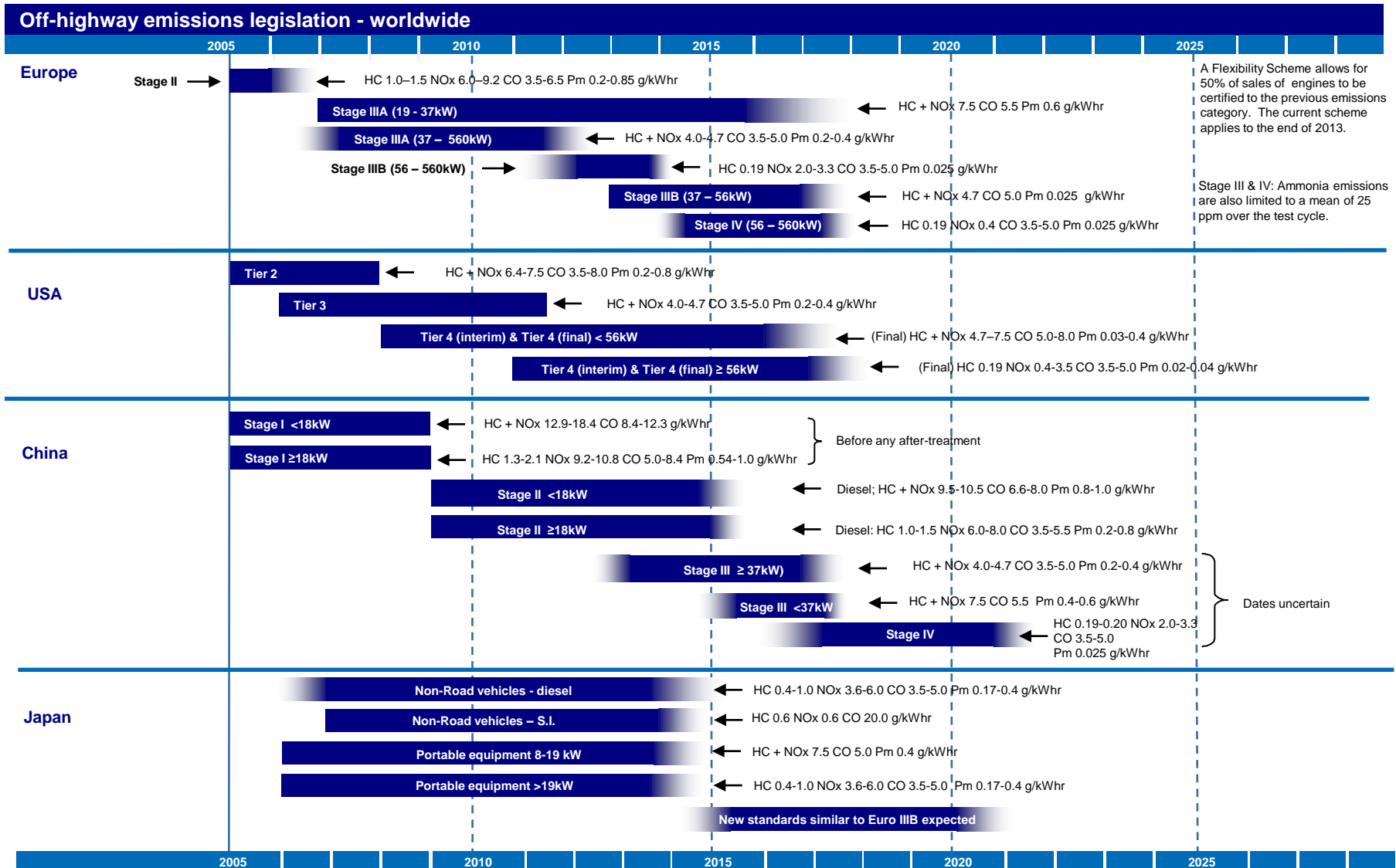
Commercial vehicles (medium & heavy duty truck)



Sources: Ricardo & National government sources

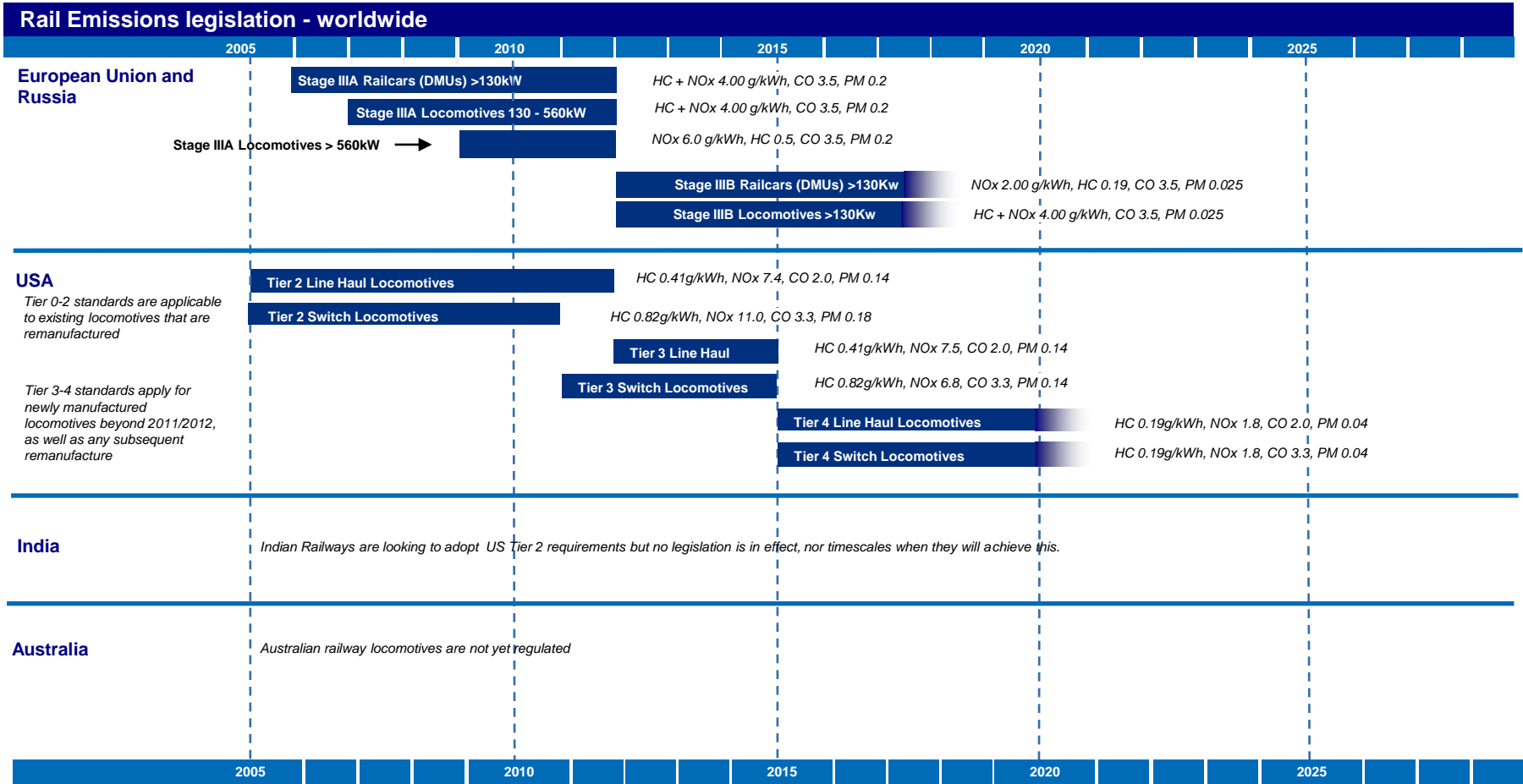
Key: tailpipe emission target CO₂ emissions / fuel economy target **UNITS: g/kWh**

Agricultural & industrial vehicles (off-highway)



Key: [Blue bar] Exhaust emission standard

Source: Ricardo & National government sources



Source: Ricardo EMLEG Database Key: Railcar (or DMU): powered, passenger carrying rail vehicle; Line Haul: long distance passenger or freight train; Switch: Shunting or short distance train

Renewable Energy Targets

- Many countries and regions have set renewable energy targets for 2020. Some are Total Primary Energy targets (inc. electricity generation, heating & transport). Some are just for electricity generation
- Few mandatory targets at present but more are likely in the near future

Renewable Contribution to Total Primary Energy		
Region	2009 Share	2020 Target
EU-25	12%	20%
Germany	10%	18%
United Kingdom	3%	15%
China	9%	15%
Korea	Circa 1%	6.1%
United States	9.2%	No Federal Target

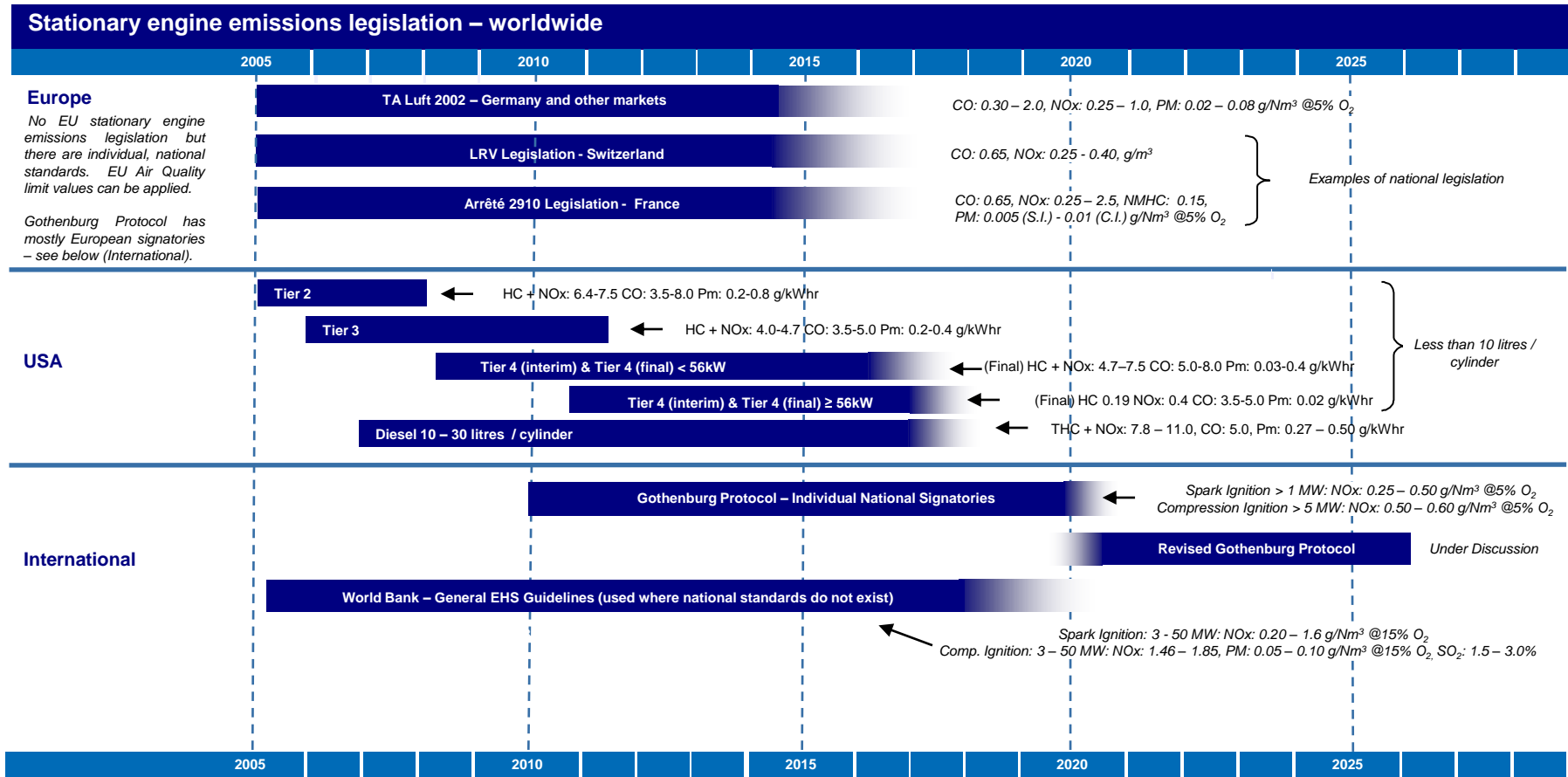
UK Legally Binding CO₂ Targets

- The UK Climate Change Act 2008 set legally binding emission reduction targets for 2020 & 2050 with five-year carbon budgets

	Budget 1 (2008-12)	Budget 2 (2013-17)	Budget 3 (2018-22)	Budget 4 (2023-27)
Carbon budgets (MtCO₂e)	3018	2782	2544	1950
Reduction from 1990 levels	22%	28%	34%	50%

Longer Term - Legal requirement for 80% reduction by 2050

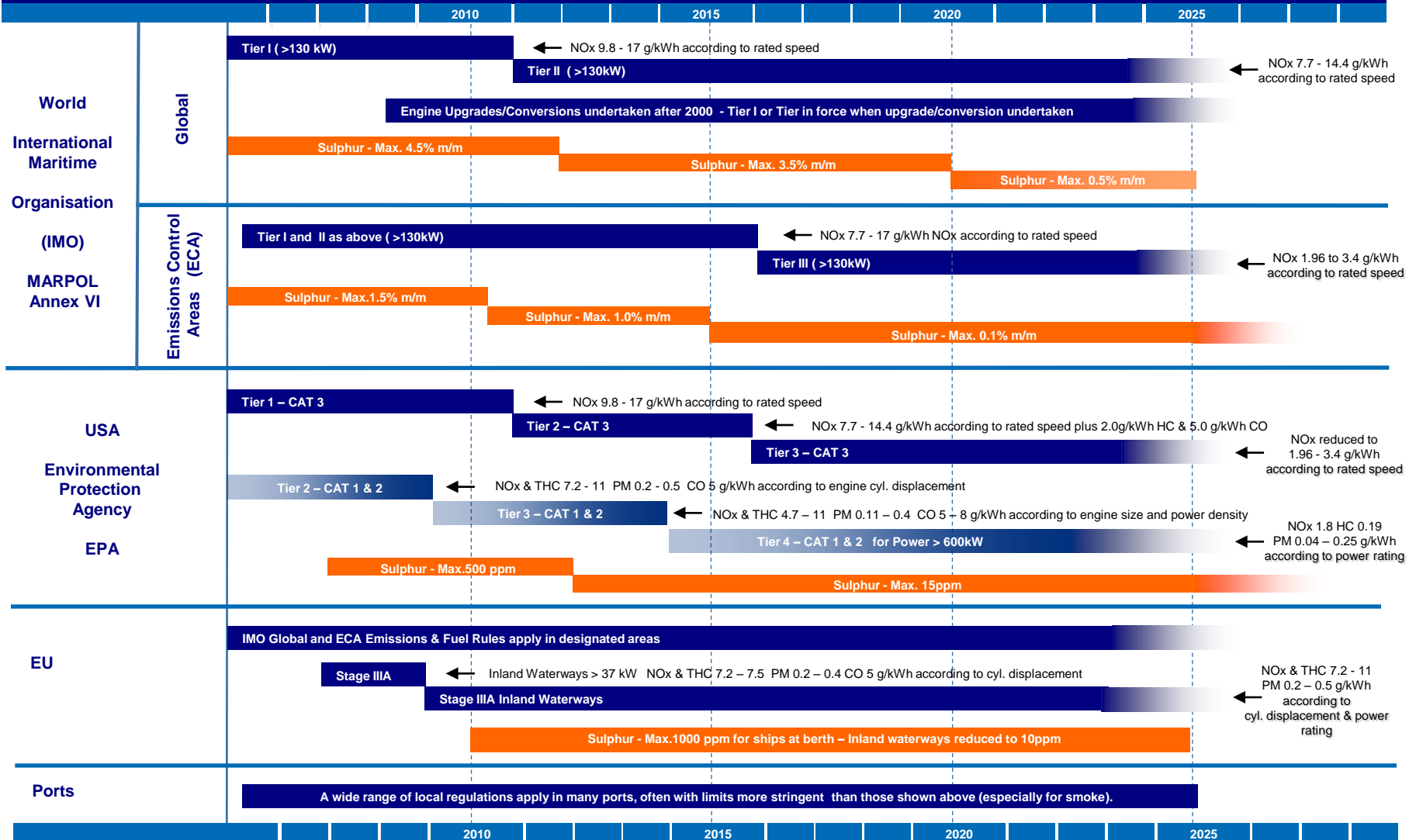
Power generation



Source: Ricardo EMLEG, VDMA, National government sources

Key: exhaust emission target

Marine exhaust emission legislation - worldwide



Key: Exhaust emission standard Fuel standard