

Ricardo plc

Interim results presentation

For the six months ended 31 December 2012

Highlights



- 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 e 31 Decem		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	3.7р	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



			Year ended 30 June		
£m	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



	Half yea 31 Dec	Year ended 30 June	
External revenue £m	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

Segmental results



Half year ended 31 December

	Reve	operating ofit		
£m	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

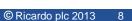
• Strong UK Technical Consulting growth, reduction in test bed revenue in Germany

• Performance Products – increased volumes, robust pricing and operational efficiency leading to strong revenue and improved operating margin

Cashflow

		Half year ended 31 December			
£m	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



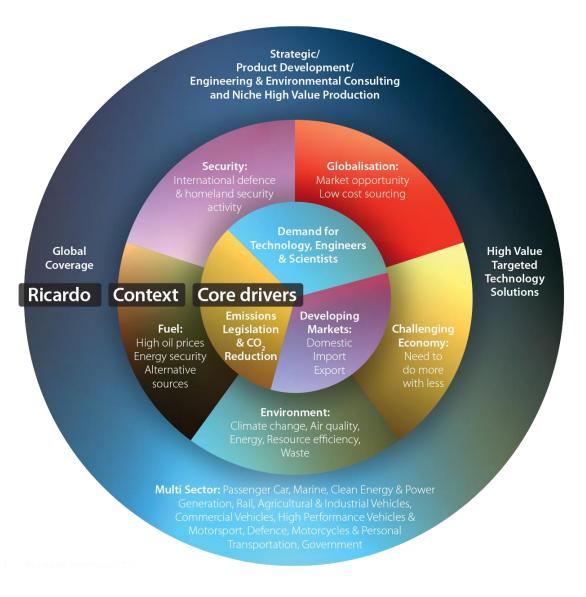
	At 31 De	cember	At 30 June		
£m	2012	2011	2012		
Tangible assets	44.9	46.8	45.6		
Intangible assets	40.8	22.2	22.1		
Inventory and receivables	69.8	70.5	71.0		
Net (debt)/funds	(2.7)	2.4	7.9		
Trade and other payables	(54.4)	(51.7)	(48.2)		
Tax and other liabilities	5.3	8.4	6.9		
Pensions deficit (net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

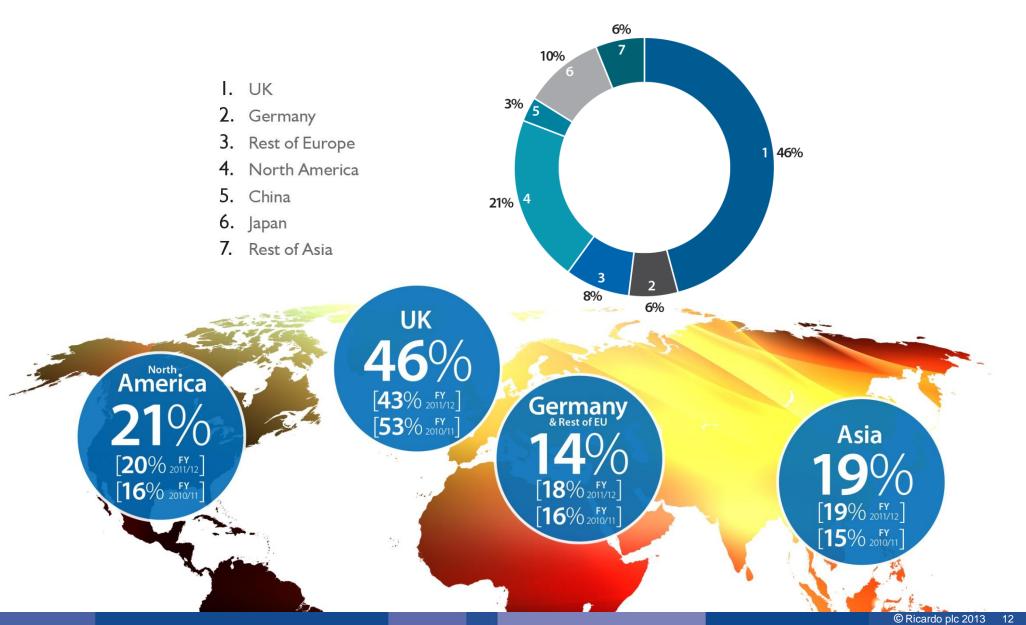






A good balance of order intake being held across the globe with no major dependencies





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

Clean Energy

Defence

Rail

Marine

& Power Generation

Commercial Vehicles

Agriculture & Industrial Vehicles

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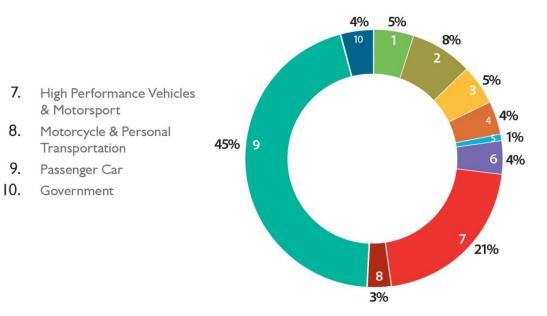
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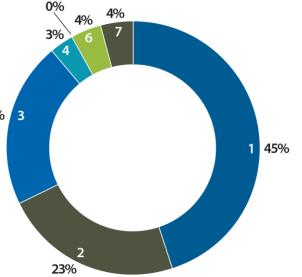
Pass Car HPV&M **CE&PG** AIV CV Defence Rail Government M&PT Marine (Real 4% 8% 21% 1% 5% 5% **45**% **4**% **4**% 3% [**41**%] [1%] [2%] [2%] **[7**%] [11%] [2%] **[20**%] [**7**%] [7%] [1%] [17%] [38%] [0%] [**1**%] **[21**%] [0%] [3%] **[8**%] [11%] HY2012/13 [FY2011/12]

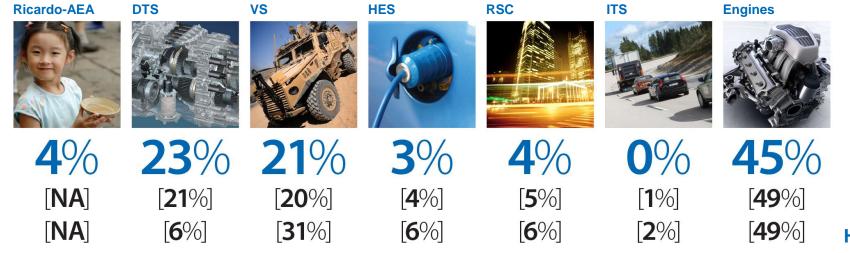
The balance of products and good customer mix continues, with a good level of multi-year business returning

2.



3% I. Engines Driveline and Transmission Systems 21% 3 3. Vehicle Systems 4. Hybrid & Electric Systems 5. Intelligent Transportation Systems 6. Strategic Consulting **7.** AEA



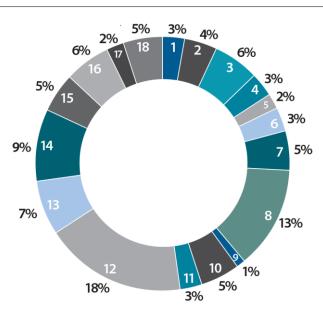


HY2012/13 [FY2011/12] [FY2010/11]

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



- I. Key Client I
- 2. Key Client 2
- 3. Key Client 3
- 4. Key Client 4
- 5. Key Client 5
- 6. Key Client 6
- 7. Key Client 7
- Key Client II
 Key Client I2
 Rest of UK
 Rest of Asia

8. Key Client 8

9. Key Client 9

10. Key Client 10

- 15. Rest of Europe
- 16. Rest of North America
- **17.** UK Government
- 18. US Defence





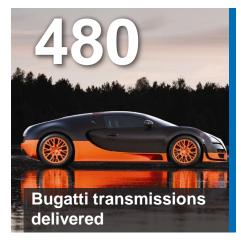




Performance Products continues to deliver a broad range of vehicles, transmissions, engines and software



Performance Products in numbers





Foxhound vehicles delivered



McLaren engines delivered





F1 gears delivered per season



Open wheel race series transmissions



GT Motorsport transmissions



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



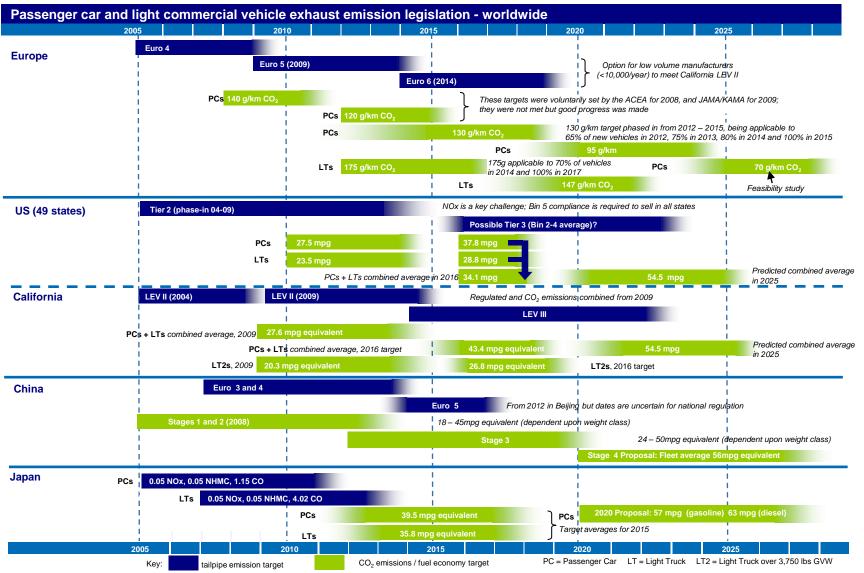
Global tailpipe and CO₂ emissions legislation adherence are "must haves" in the development budget of clients



		2010	2015		202	20	2025
>	Europe	Euro 5	Euro 6 Pass Car 130 g/km		Euro 7	ar 95 g/km	
Passenger car, LCV & HPV	US (49 States)	Tier 2 27.5/23.5 mpg Cars/LCVs		Possible Tier 3 37.8/28.8 mpg Cars/LCVs	F d S S		54.5 mpg Fleet (Combined Cars & LCVs)
r car, L	California	LEV II (2009) 27.6/20.3 mpg Fleet/LCVs	LEVIII	43.4/26.8 mpg Fleet/Trucks			54.5 mpg Fleet (Combined Cars & LCVs)
ssenge	China	Euro 4 18-45 mpg 24-50 mpg weight classes	Euro 5 assed			56 mpg Fleet Aver	rage
Pas	Japan	Post New Long Term 39.5/35.8 mpg Cars/L			57/63	mpg Gasoline/Diesel	
e	Europe	Euro 3	Euro 4	Euro 5		Euro 6	
iles nal	US (49 States)	Classes I, II & III		Harmonisation v	with California		
cyc sor	California	Tier 2					
Motorcycles & personal transportatio	China	Stage III		W	MTC likely to be adopte	ed with new emission lir	nits
Mc & Mc	Japan	ISO 6460 Limits 0 - 125cc / > 125 cc		W	MTC likely to be adopte	ed with new emission lir	nits
- -	Taiwan	13.1-48.2 km/litre					
	Europe	Euro V	Euro VI		Euro VII		
nicles y dut)	US (49 States)	EPA 10	Fed	eral CO ₂ emissions standards			
Commercial vehicles (medium & heavy duty truck)	California	CARB 10		eral CO ₂ emissions standards			
m & m		Euro III Euro IV Euro V	- Teu				
	China		Fuel econo	my standards under developme	ent		
(mer	Japan	Post New Long Term (decreasing NOx limits in Top Runner System 12% reduction 2002-2015					
al a	Europe	Stage IIIA St	age IIIB	Stage IV			
iltui istri cles	US	Tier 4 Interim	Tier 4 Final				
gricultur industri vehicles	China	Stage II St	tage III		Stage IV		
Agricultural & industrial vehicles	Japan	S.I./Diesel Standards	_	ards Similar to Euro IIIB			
	EU & Russia	Stage IIIA Stage IIIB					
_	US	Tier 2 Tier 3	Tier 4 Switc	h & Line Haul Locomotives			
Rail	India	Planning adoption of US Tier 2 regulations	The Switch				
	Australia	Not yet regulated					

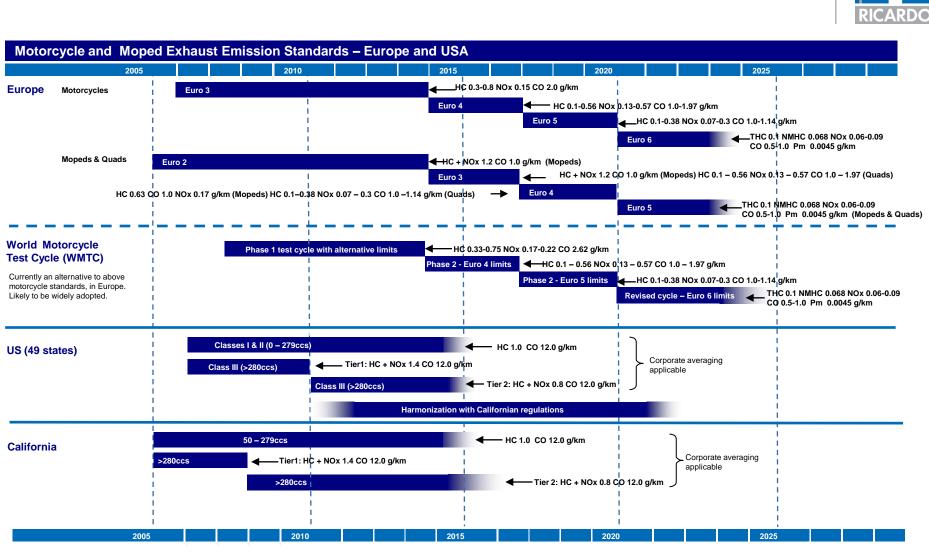
Passenger car, light commercial & high performance vehicle





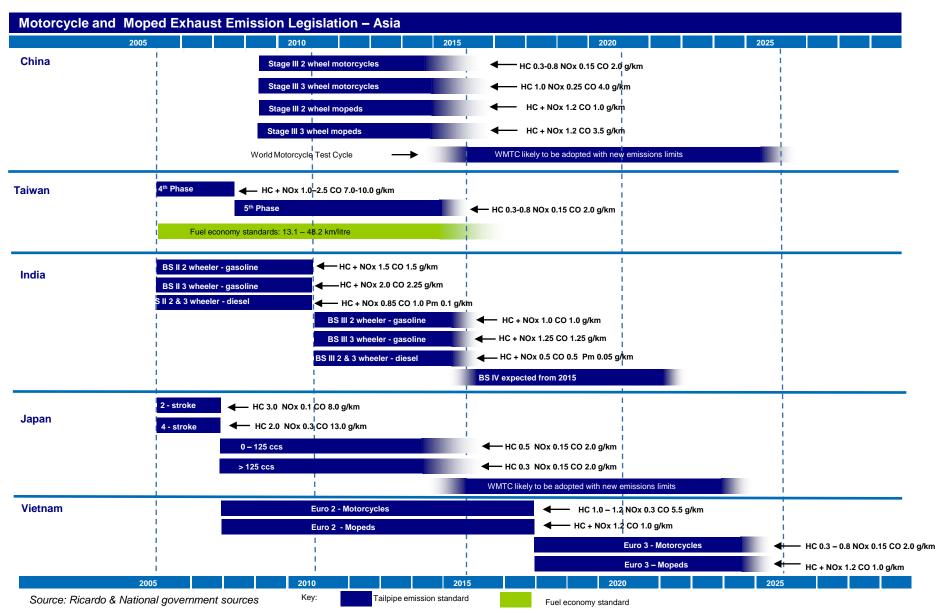
Sources: Ricardo & National government publications

Motorcycles & personal transportation (Europe & USA)



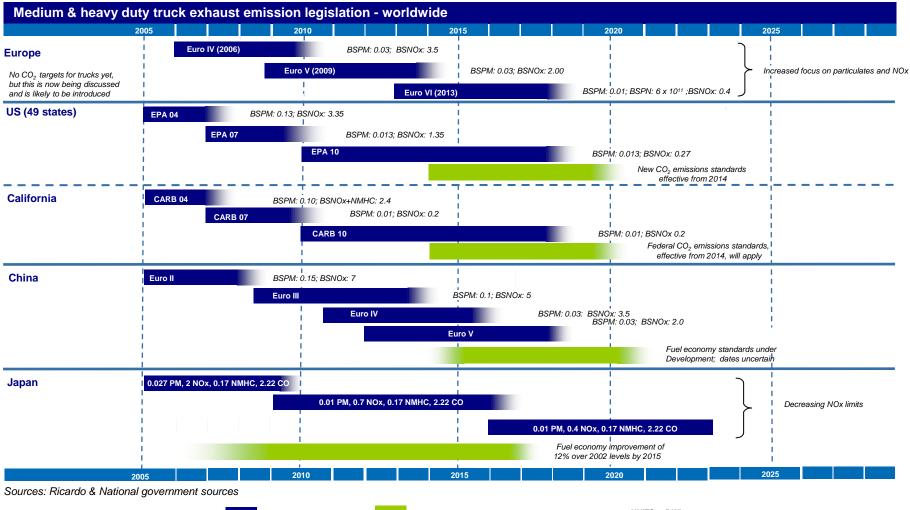
Motorcycles & personal transportation (Asia)





Commercial vehicles (medium & heavy duty truck)





Key:

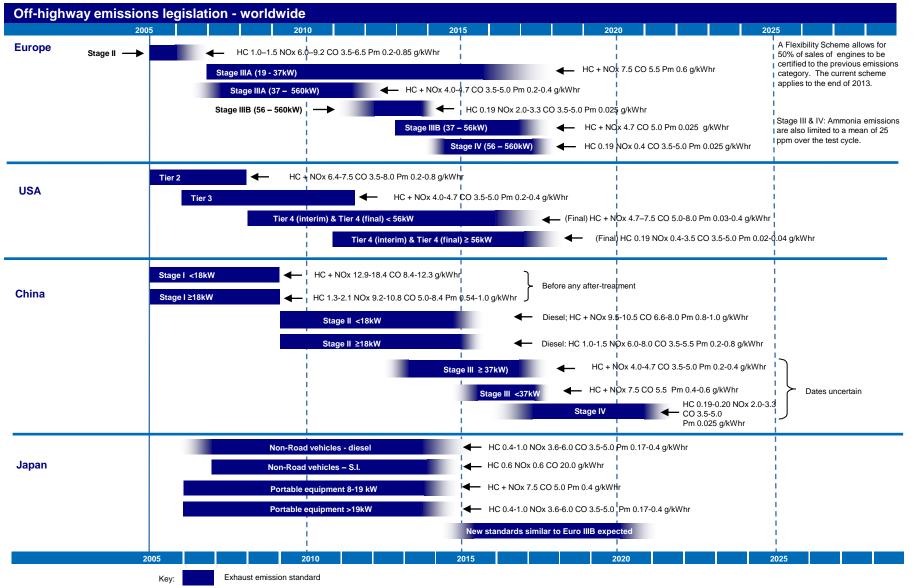
tailpipe emission target

CO2 emissions / fuel economy target

UNITS: g/kWh

Agricultural & industrial vehicles (off-highway)





Source: Ricardo & National government sources



Rail

20	05			2010			2015				2020			2025		
uropean Union and	Stag	e IIIA Railcar	rs (DMUs)	>130k\W		HC + NOx	4.00 g/kWh, C	O 3.5, PM 0.2								
ussia		Stage III	IA Locomo	otives 130 - 560	kW	HC + NO	(4.00 g/kWh, C	O 3.5, PM 0.2								
Stage IIIA	Locomotives >	560kW —	→			NOx 6.0 g	/kWh, HC 0.5, 0	CO 3.5, PM 0.	2							
						Stage	IIIB Railcars (I	0MUs) >130k	w	NOx 2.	 10 g/kWh, H	C 0.19, CO 3	.5, PM 0.025	5 I		
						Stage	IIIB Locomotiv	es >130Kw		HC + N	Ox 4.00 g/k	Wh, CO 3.5,	PM 0.025			
SA	Tier 2 Line	e Haul Locor	motives	1		HC 0.41g/kW	/h, NOx 7.4, C0) 2.0, PM 0.14	I							
Tier 0-2 standards are applicable to existing locomotives that are	Tier 2 Swi	tch Locomo	otives		нс	0.82g/kWh, N	IOx 11.0, ĊO 3.	3, PM 0.18								
remanufactured	i -					Tier 3 Line Ha	aul	HC 0.41g/k	Vh, NOx 7	7.5, CO 2.0,	PM 0.14					
Tier 3-4 standards apply for	1				Tier 3 S	witch Locomo	otives	HC 0.82g/k	Vh, NOx 6	6.8, CO 3.3,	PM 0.14			i i		
newly manufactured locomotives beyond 2011/2012,				i i			т	er 4 Line Ha	I Locomo	otives		HC 0.19	g/kWh, NOx	1.8, CO 2.0,	PM 0.04	
as well as any subsequent remanufacture							т	er 4 Switch I	ocomotiv	ves		HC 0.19	g/kWh, NOx	1.8, CO 3.3,	PM 0.04	
ndia	Indian Railv	vays are look	king to ado	ot US Tier 2 red	luirements	but no legislat	ion is in effect,	nor timescale	s when the	ey will achie	ve this.					
	1															
ustralia	Australian r	ailway locom	notives are	not yet regulate	d											
ustralia	I I			I I	4											
											1					
	1															
	2005						2015								25	_

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

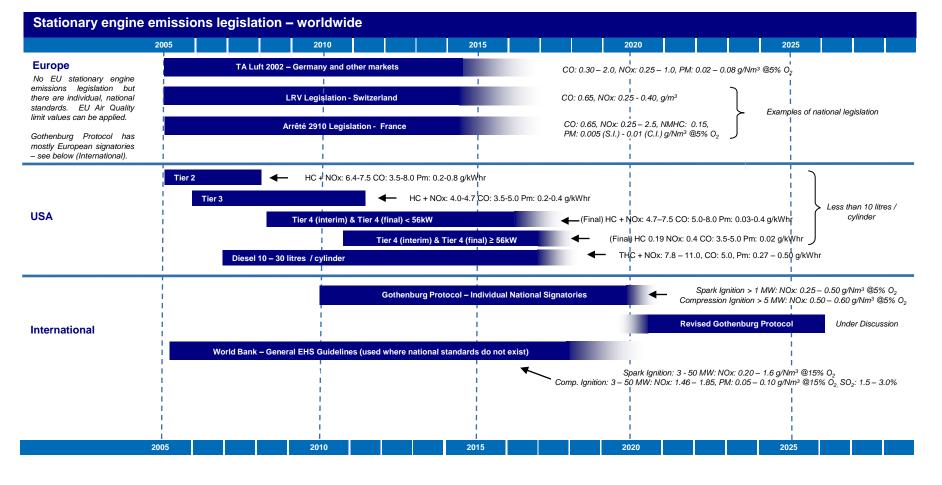
Clean energy



λ	•	Many countries and regions have	Renewable (Contribution	to Total Prima	ary Energy	
Renewable Energy Targets		set renewable energy targets for	20	009 Share	2020 Target		
En		2020. Some are Total Primary Energy targets (inc. electricity	EU-25		12%	20%	
vable E Targets		generation, heating & transport).	Germany		10%	18%	
/ab Гar		Some are just for electricity generation	United Kingd	om	3%	15%	
L	•	Few mandatory targets at present	China		9%	15%	
en		but more are likely in the near future	Korea		Circa 1%	6.1%	
		luture	United States		9.2% No Federal Target		
ding	•	The UK Climate Change Act 2008 s & 2050 with five-year carbon budge	• •	ng emission r	eduction targe	ts for 2020	
UK Legally Binding CO ₂ Targets			Budget 1 (2008-12)	Budget 2 (2013–17)	Budget 3 (2018–22)	Budget 4 (2023–27)	
gally 2 Tá		Carbon budgets (MtCO ₂ e)	3018	2782	2544	1950	
Lega CO ₂		Reduction from 1990 levels	22%	28%	34%	50%	
N N		Longer Term - Legal r	equirement f	or 80% redu	iction by 205	0	

Power generation





Source: Ricardo EMLEG, VDMA, National government sources

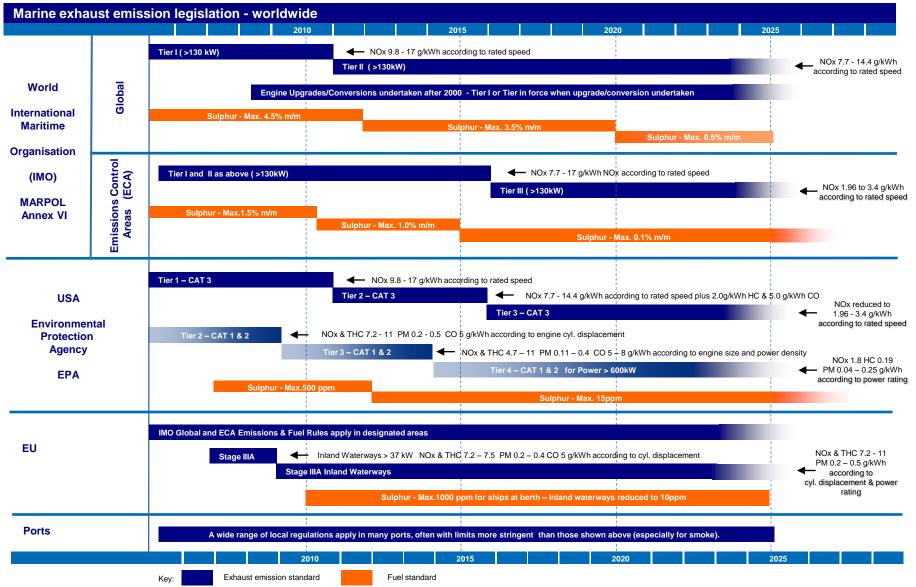
exhaust emission target

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Marine





Source: Ricardo & National government sources