

- A turbulent and challenging year with a backdrop of weak passenger car market, diversification strategy and cost reduction focus mitigated full impact
- Q4 intake levels led to strong closing orderbook at £101m (June 2009: £97m)
- Revenue of £162.8m (June 2009: £178.8m)
- Operating profit £12.6m (June 2009: £15.1m)
- Profit before tax £10.8m, EPS 20.1p (June 2009: £15.7m, 28.8p)
- Minimal gearing maintained - net debt at £7.8m (June 2009: £3.5m)
- Full year dividend maintained at 10.7p
- Sale of non core exhaust business concluded 30 July 2010
- Positive outlook as markets recover

KEY INDICATORS



	June 2010	June 2009
Order book	£101m	£97m
Gross profit %	36.3%	38.9%
Operating profit %	7.7%	8.4%
Tax rate	5%	6%
EPS (basic)	20.1p	28.8p
Full year dividend	10.7p	10.7p
Net debt	£7.8m	£3.5m
Pension deficit (pre tax)	£34.4m	£29.4m
Average headcount	1,530	1,630

INCOME STATEMENT



£ m	June 2010	June 2009
Revenue	<u>162.8</u>	<u>178.8</u>
Gross profit	59.1	69.6
Administration expenses	<u>(46.5)</u>	<u>(54.5)</u>
Operating profit	12.6	15.1
Net finance income/(costs)	<u>(1.8)</u>	<u>0.6</u>
Profit before tax	10.8	15.7
Taxation charge	<u>(0.5)</u>	<u>(1.0)</u>
Profit after tax – continuing operations	10.3	14.7
Discontinued operations	<u>(2.7)</u>	<u>(5.7)</u>
Profit for the year	<u>7.6</u>	<u>9.0</u>

REVENUE BY CUSTOMER LOCATION



External revenue £ m	Year ended 30 June 2010	Year ended 30 June 2009
UK	42.7	47.6
Germany	21.6	30.4
Rest of Europe	27.5	27.1
Europe total	<u>91.8</u>	<u>105.1</u>
US	<u>40.6</u>	<u>31.8</u>
China	10.2	5.0
Japan	9.8	20.8
Rest of Asia	9.7	15.3
Asia total	<u>29.7</u>	<u>41.1</u>
Rest of the world	<u>0.7</u>	<u>0.8</u>
Total	<u><u>162.8</u></u>	<u><u>178.8</u></u>

CONTINUING OPERATIONS

£ m	Revenue earned		Operating profit/(loss)	
	2010	2009	2010	2009
UK	106.8	117.1	8.1	13.4
Germany	15.1	16.1	(0.8)	(0.6)
US	31.5	34.9	3.7	2.8
Technical Consulting	153.4	168.1	11.0	15.6
Strategic Consulting	9.4	10.7	1.8	1.4
Head office & consolidation adjustments	-	-	(0.2)	(1.9)
Total	162.8	178.8	12.6	15.1

CASH FLOW



£ m	Year ended 30 June 2010	Year ended 30 June 2009
Operating profit	12.6	15.1
Depreciation and amortisation	8.2	8.7
Working capital increase	(7.4)	(6.6)
Dividends	(5.5)	(5.5)
Net finance costs	(2.0)	(1.3)
Tax paid	(1.8)	(1.8)
Capital expenditure	(7.5)	(10.0)
Pension payments in excess of pension costs	(2.2)	(2.1)
Forex movements	0.5	0.1
Other	1.2	1.3
Cash outflow	<u>(3.9)</u>	<u>(2.1)</u>
Cash outflow from discontinued operations	(0.4)	(1.1)
Cash outflow	<u>(4.3)</u>	<u>(3.2)</u>

BALANCE SHEET SUMMARY



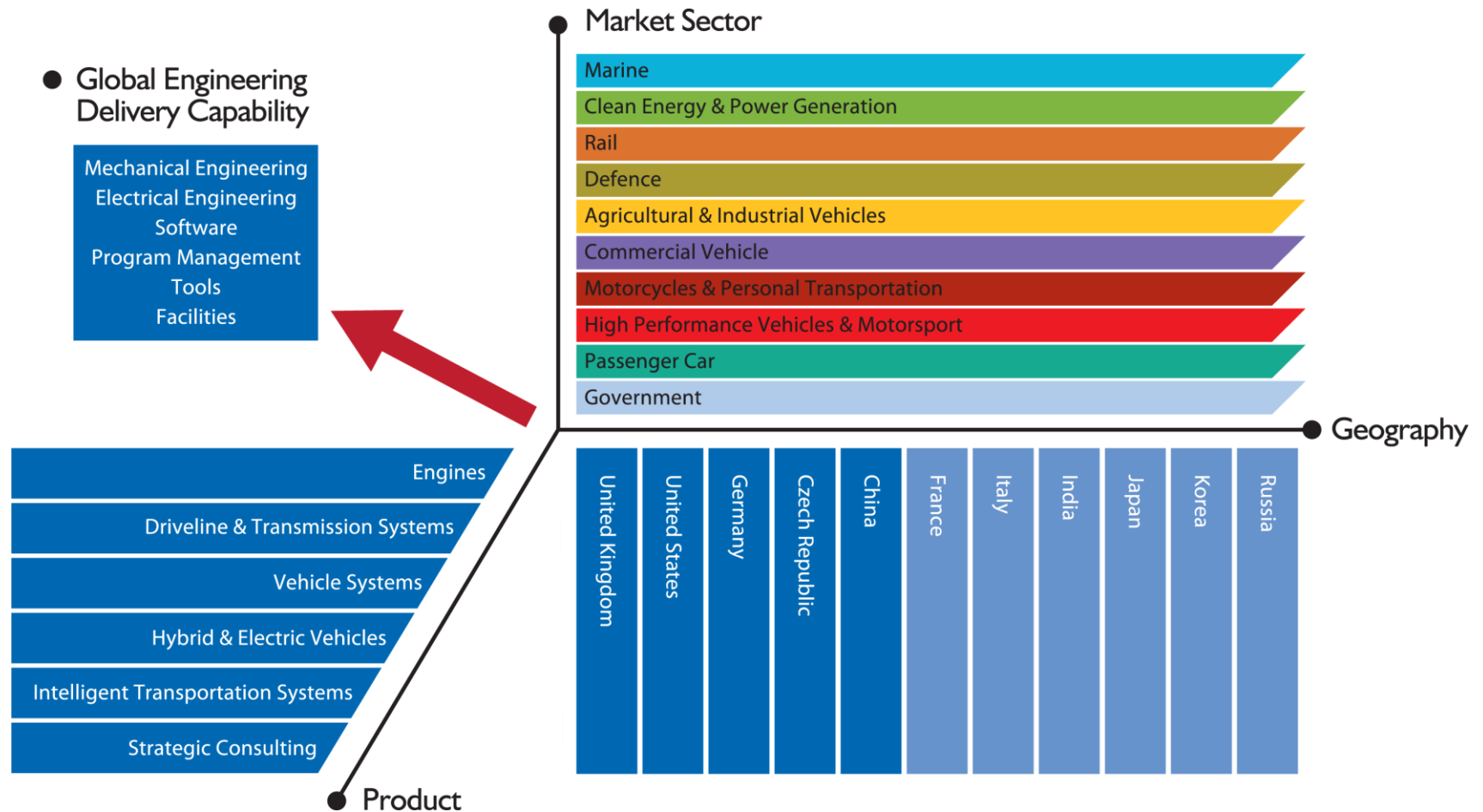
£ m	30 June 2010	30 June 2009
Tangible assets	47.7	47.3
Intangible assets	19.1	18.5
Inventory and receivables	63.2	49.9
Net debt	(7.8)	(3.5)
Trade and other payables	(40.0)	(34.3)
Tax & other	6.0	3.5
Pension deficit (net of tax)	(24.8)	(21.2)
Net assets held for sale	1.4	6.7
	<hr/>	<hr/>
Net assets	<u>64.8</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 of engineering and management 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
- Target 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 year

- A mixed year but improved conditions in Q4
- Q4 order intake good and building momentum across main geographic regions
- Markets not back to normal, but outsourcing returning in some key traditional clients
- No major job distortion, good mix

- Passenger car markets generally quiet for most of the year
- Commercial vehicle, defence, two wheeler and Government markets remain active
- Building brand recognition in newer sectors with increasing leads and business

- US operation, good performance and strong orders, defence and commercial vehicles
- UK division, a challenging year, traditional auto companies returned late in the year
- Germany holding position with German client base, motorcycle & commercial vehicle
- RSC good performance with increasing momentum from Q4

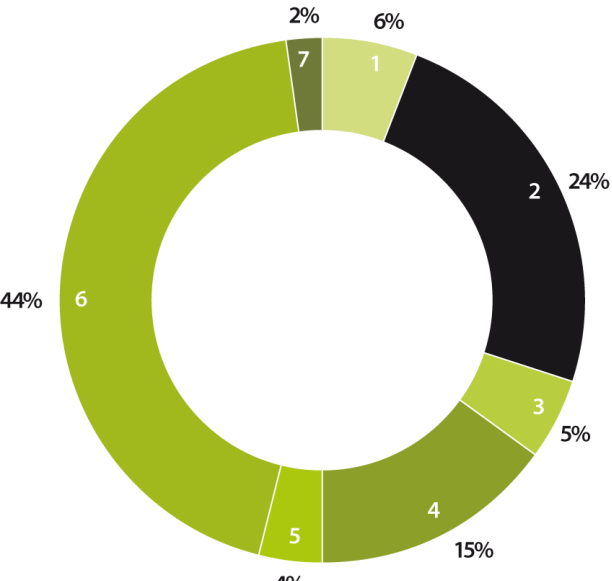
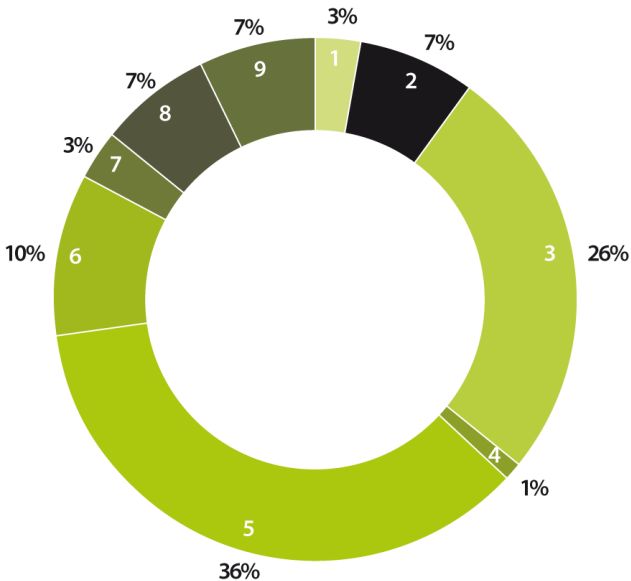


A good spread of territories and sectors, demonstrating the importance and progress in our strategy



Ricardo PLC - Order Intake Breakdown by Key Territories:
FY 2009-2010

Ricardo PLC - Order Intake Breakdown by Key Sectors:
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

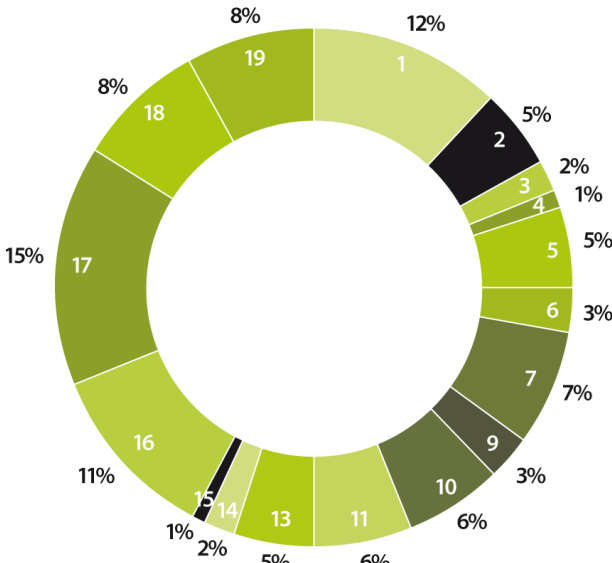
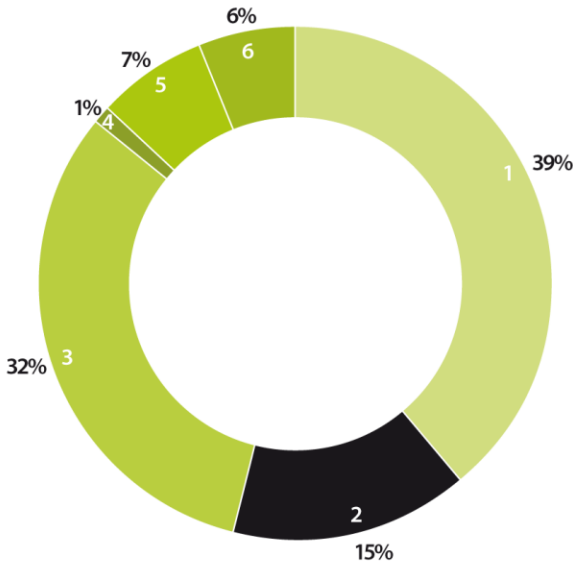
- 1. Clean Energy & Power Generation
- 2. Defence
- 3. Agricultural & Industrial Vehicles - Rail - Marine
- 4. Commercial Vehicle
- 5. High Performance Vehicles & Motorsport - Motorcycles & Personal Transportation
- 6. Passenger Car
- 7. Government

The customer diversity continues with traditional passenger car clients largely absent, although starting to return



Ricardo PLC - Order Intake Breakdown by Products:
FY 2009-2010

Ricardo PLC - Order Intake Breakdown by Key Clients:
FY 2009-2010



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

- 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 (<1%)
- 9. Global Key Client 5
- 10. Key Client 1
- 11. Key Client 2
- 12. Key Client 3 (<1%)
- 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

- Signs of recovery in all major markets with a degree of optimism returning as client profits generally improve. Outsourcing however still not back to normal
- CO₂ legislation remains firm, fixed in time and stringent
- Hybrid & electric vehicle technology increasing in focus, however combustion based technologies remain core on the development path for OEMs
- Reduced in house OEM resource following restructuring
- China continues its strategic growth agenda with governmental direction on acquiring automotive technology. Gasoline engines, hybrids and auto transmissions are a key focus



- Continued operational activity in Iraq and Afghanistan driving urgent operational requests including support to existing fleet of MoD Land Rovers
- Survivability, mobility, fuel efficiency and flexibility drivers for new vehicles
- Ocelot selected for UK MoD LPPV programme, short-listed for Australia Land 121 and now being promoted to US forces
- US DoD focusing on energy use reduction and unmanned systems
- Ricardo Wolverine UAV engine capable of using US army common fuel, whilst providing longer flight times and increased payload capability
- Evaluating the opportunities to extend life of vehicle fleet through upgrade vs buy new under the current trend of Defence budget cuts



Commercial, Agricultural and Industrial Vehicle Sector



- Development for commercial vehicles continued due to US 2010 and tough EU emissions legislation. US to introduce first ever fuel efficiency/CO2 reduction policy for medium and heavy duty trucks 2014-18
- US Tier4 and EU Stage 4 off highway emissions a challenge for packaging, cost and technology. Ricardo's Twin Vortex combustion system securing good levels of business
- High demand for Ricardo heavy duty team, technology and facilities in UK, Germany and US
- Chinese and Indian OEMs reaching scale where in house design and technology investment compares well with licensing. Looking to acquire product, skills and technology
- Taxibot successfully completed first trials and demonstrated concept





High Performance Vehicle Sector and Motorcycles

- High performance programmes continue, Bugatti Veyron transmission, super car engine design, development and production supply
- Ricardo successful in Formula 1, Japanese GT (Toyota, Honda & Nissan), World Rally Car, Le Mans 24h (Peugeot). Continue to support the FIA
- Personal transport needs and CO₂ reduction driving motorcycle sector:
 - Japan, EU, US, Brand icons differentiate on performance, technology. Emission compliance & fuel efficiency
 - China, India, Indonesia, low cost personal transport, leadership in development of electric propulsion
- Ricardo active in new market high efficiency performance scooters, high performance premium motorcycles, hybrid commuter scooters
- Established with a premium European manufacturer as a key partner with repeat development programmes

Clean Energy and Power Generation Sector

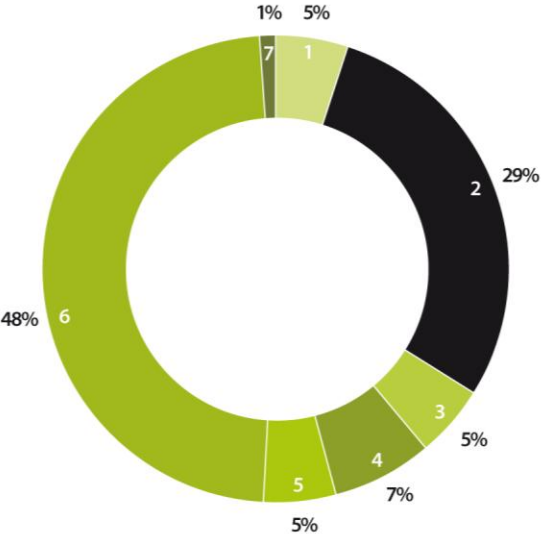
- Environmental, economic and energy security of supply drivers remain the catalysts for continued focus on clean energy technology development
- Programmes in the areas of wind, tidal, generator set, fuel cell, flywheel and advanced batteries
- Establishing position in wind sector with repeat programmes with major providers from strategic consulting provision to transmission design
- Secured business for new flywheel energy storage technology as a low cost replacement for batteries in hybrid passenger car and CVs
- Traditional distributed power generation such as diesel gensets are looking towards improved fuel economy and future CO₂ compliance



Snap shot on regions

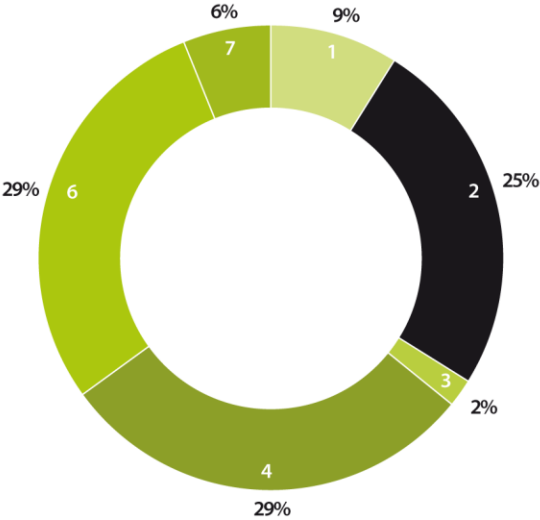


Ricardo UK - Order Intake Breakdown by Key Sectors
FY 2009-2010

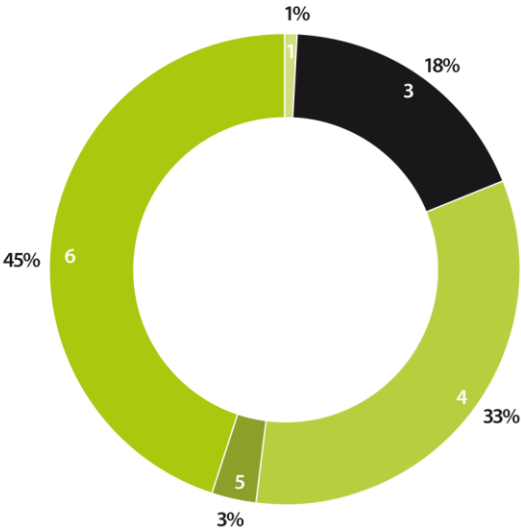


- 1. Clean Energy & Power Generation
- 2. Defence
- 3. Agricultural & Industrial Vehicles - Rail - Marine
- 4. Commercial Vehicle
- 5. High Performance Vehicles & Motorsport - Motorcycles & Personal Transportation
- 6. Passenger Car
- 7. Government

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



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





Summary for the period and outlook

- Strategy for growth with risk mitigation resilient under extreme circumstances with order intake improving through period with increasing momentum
- Traditional passenger car business absent for much of year, compensated for by government, defence and commercial vehicle business
- Strong order book, balance sheet and pipeline of opportunities
- Drivers of CO₂ reduction for transport and power generation markets remain time fixed and stringent
- Ricardo is well positioned with a good order book, a broad client base, a highly relevant technology portfolio and a strong balance sheet to exploit the opportunities that lie ahead
- We remain committed to our strategy and are confident for the future

- New shipbuilding has been reduced. Shipping companies looking to extend the life of fleets in operation at minimum operating cost
- Upgrade and development of current fleets is a global theme. Ships operating in designated Emission Control Areas (ECAs) in the future are required to comply with more stringent fuel sulphur and engine NOx limits. Introduction of new technologies able to fulfil these emission limits combined with reduction in energy consumption remains the primary development driver
- Ricardo has know how on the development of such technologies (combustion, EGR, exhaust aftertreatment systems etc.) which we are applying to respond to these challenges. Additionally, Ricardo is transferring technologies such as waste heat recovery, energy storage, fuel cells, etc. in order to enhance the ship's efficiency
- Hybrid drives are currently being developed for port use and establishment of shore to vessel energy optimization and micro-grid systems are being investigated where Ricardo technologies from Clean Energy and Power Generation can be leveraged



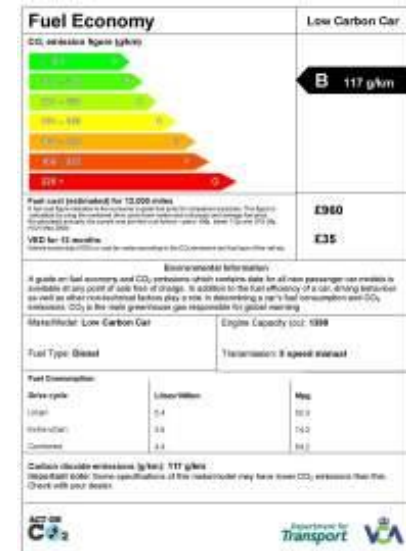
- Economic drivers have become dominant in rail as the markets feel the effect of government budget reviews, but environmental legislation is still looming
- Ricardo's skills in improving/extending life of assets and reducing emissions has had a favourable reaction in markets, for example:
 - The UK market is in abeyance until the government carries out its budget review in October, but this is benefiting Ricardo; our ability to life extend diesel units and reduce fuel consumption has strong interest
 - In the US, a strategic plan was released, outlining the vision for high speed rail, identifying \$8 billion as a jump start. Ricardo has gained initial interest with railcar manufacturers for powerpack development and integration compliant with emission legislation
- Ricardo have recruited the core senior team for the rail sector, resulting in a significant increase in the rail prospect pipeline
- Ricardo has formulated a strategy to align its engineering expertise with our clients needs whilst being clear on our core competence; we are in process of evaluating key partnerships to complement our core expertise



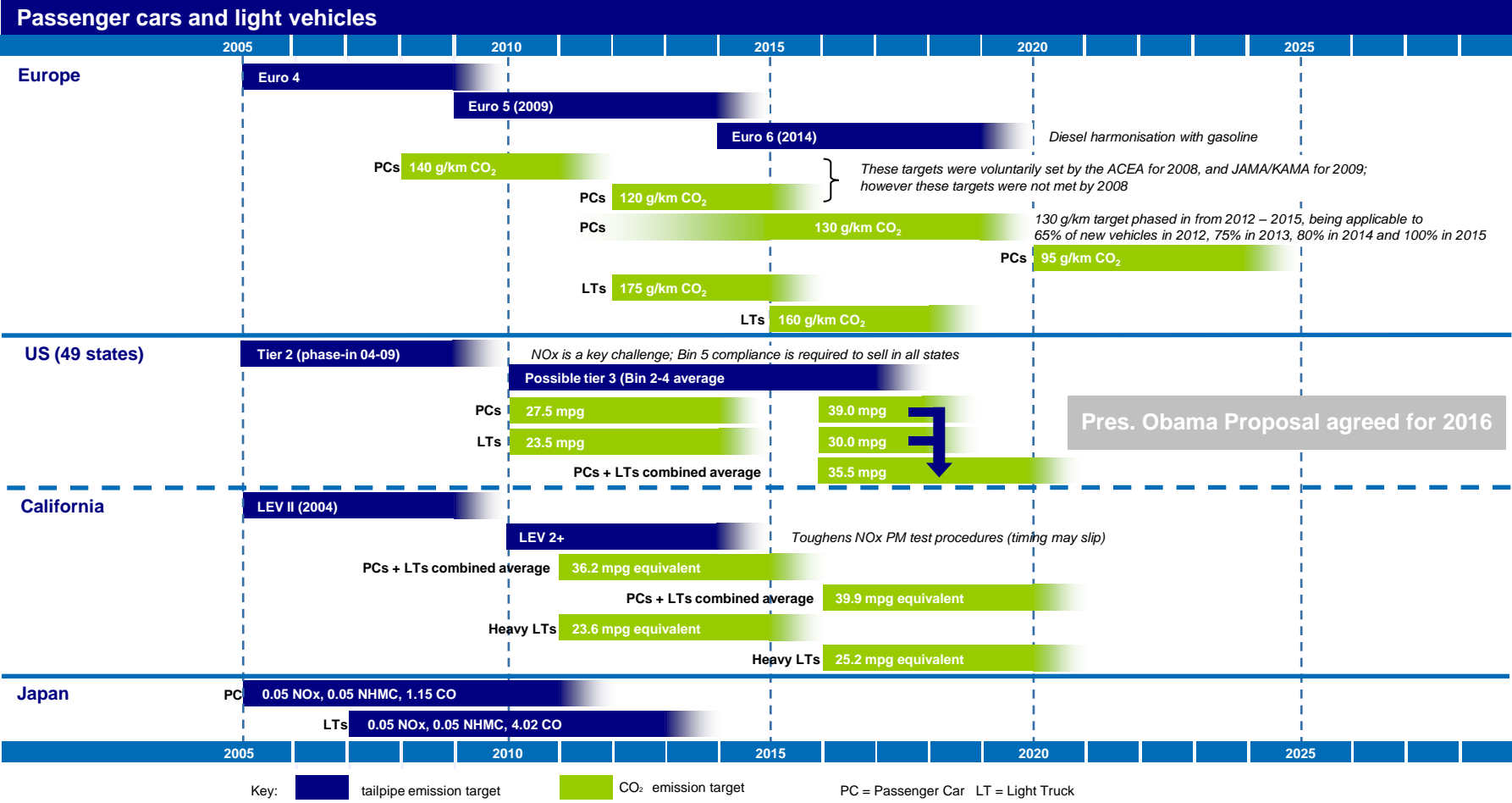
Government Sector



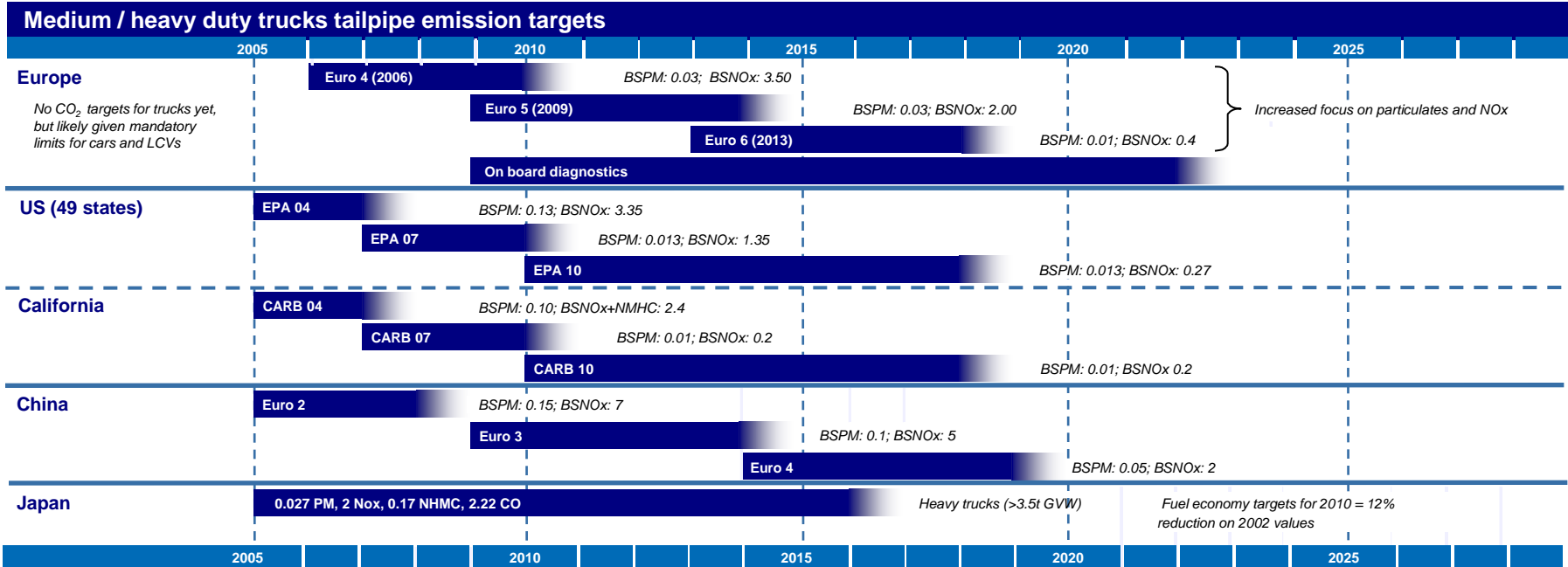
- Despite the challenging state of public finances in our key markets, the rate of introduction and scope of CO₂/fuel economy regulation remains unchanged
- Ricardo continues to provide independent advice, high value data and sophisticated market/modelling services to Government
- Heavy duty vehicle fuel economy technology forecasts, capabilities of new technologies to meet fleet average fuel economy targets, electrification of transport (and its impact on the electricity network)
- Ricardo also very successful during the past year gaining Government grant support for R&D in the UK, De & US for a range of technologies & sectors:
 - Wind turbine transmission technology
 - Electric and plug-in hybrid vehicle systems, range extender engines, battery pack technologies and integrated charging networks
 - Flywheel energy storage for cars, commercial & off-highway products
 - Intelligent transport systems including both vehicle technologies and logistics



Cars & light vehicles



Source: Ricardo, National government sources, Arbutnot Securities estimates



Source: Ricardo, National government sources, Arbuthnot Securities estimates