



Ricardo plc

Interim presentation 2011/12
6 Months to 31 December 2011

- Strong closing order book at £123m (30 June 2011: £107m)
- Good mix of orders across geographies, sectors and product lines
- Revenue up 2% at £92.2m
- Profit before tax up 26% at £6.3m
- Basic earnings per share up 12% to 10.5p
- Positive net cash balance of £2.4m
- Interim dividend up 9% to 3.7p per share
- The Board remains confident of further progress for the full year

Key indicators



	Half year ended 31 December		Year ended 30 June
	2011	2010	2011
Order book	£123m	£117m	£107m
Gross profit %	42.4%	34.1%	37.4%
Operating profit %	7.4%	7.1%	9.2%
Tax rate	14%	4%	nil
EPS (basic)	10.5p	9.4p	30.0p
Dividend	3.7p	3.4p	11.5p
Net funds/(debt)	£2.4m	£(7.5)m	£1.5m
Pension deficit (pre-tax)	£18.4m	£25.0m	£13.4m
Closing headcount (including subcontractors)	1,839	1,666	1,761

Income statement



£ m	Half year ended 31 December		Year ended 30 June
	2011	2010	2011
Revenue	92.2	90.2	196.5
Gross profit	39.1	30.8	73.5
Administration expenses*	(32.3)	(24.4)	(55.5)
Operating profit	6.8	6.4	18.0
Net finance (costs)/income	(0.5)	(1.4)	(2.6)
Profit before tax	6.3	5.0	15.4
Taxation charge	(0.9)	(0.2)	-
Profit after tax – continuing operations	5.4	4.8	15.4
Discontinued operations	-	(0.2)	(0.2)
Profit for the period	5.4	4.6	15.2

* Net of 'other income' of £0.1m in the half years ended 31 December 2011 and 31 December 2010, and £0.2m in the year ended 30 June 2011

Revenue by customer location



External Revenue £m	Half year ended 31 December		Year ended 30 June
	2011	2010	2011
UK	40.2	32.1	70.0
Germany	13.0	12.7	23.7
Rest of Europe	5.0	6.3	16.8
Europe Total	58.2	51.1	110.5
US	18.4	21.4	47.8
China	4.2	5.3	8.0
Japan	6.6	6.9	13.8
Rest of Asia	4.8	5.2	16.1
Asia Total	15.6	17.4	37.9
Rest of the World	-	0.3	0.3
Total	92.2	90.2	196.5

Half year ended 31 December

£m	Revenue earned		Operating profit/(loss)	
	2011	2010	2011	2010 (restated *)
UK	41.5	39.4	6.0	2.0
Germany	13.0	9.9	0.1	(0.3)
US	13.5	16.0	(0.5)	0.9
Technical Consulting	68.0	65.3	5.6	2.6
Strategic Consulting	5.3	5.5	(0.3)	1.0
Performance Products	18.9	19.4	2.3	3.2
Head office & consolidation adjustments	n/a	n/a	(0.8)	(0.4)
Total	92.2	90.2	6.8	6.4

* The segmental results for the 6 months ended 31 December 2010 have been restated in relation to certain inter-company foreign exchange gains and losses in the UK segment, which are now all managed at a Group level and are accounted for under head office and consolidation adjustments. Group operating profit remains unchanged.

£m	Half year ended 31 December		Year ended 30 June
	2011	2010	2011
Operating profit	6.8	6.4	18.0
Depreciation and amortisation	3.8	4.1	7.9
Working capital decrease	1.0	1.0	4.1
Dividends	(4.2)	(3.9)	(5.6)
Net finance costs	(0.5)	(1.4)	(2.6)
Tax paid	(0.9)	(1.4)	(2.1)
Capital expenditure	(4.5)	(4.6)	(9.1)
Pension payments in excess of pension costs	(1.5)	(1.0)	(1.9)
Forex movements	0.3	(0.5)	(1.0)
Other	0.6	1.9	1.9
Cash inflow from continuing operations	0.9	0.6	9.6
Cash outflow from discontinued operations	-	(0.3)	(0.3)
Cash inflow	0.9	0.3	9.3

Balance sheet summary



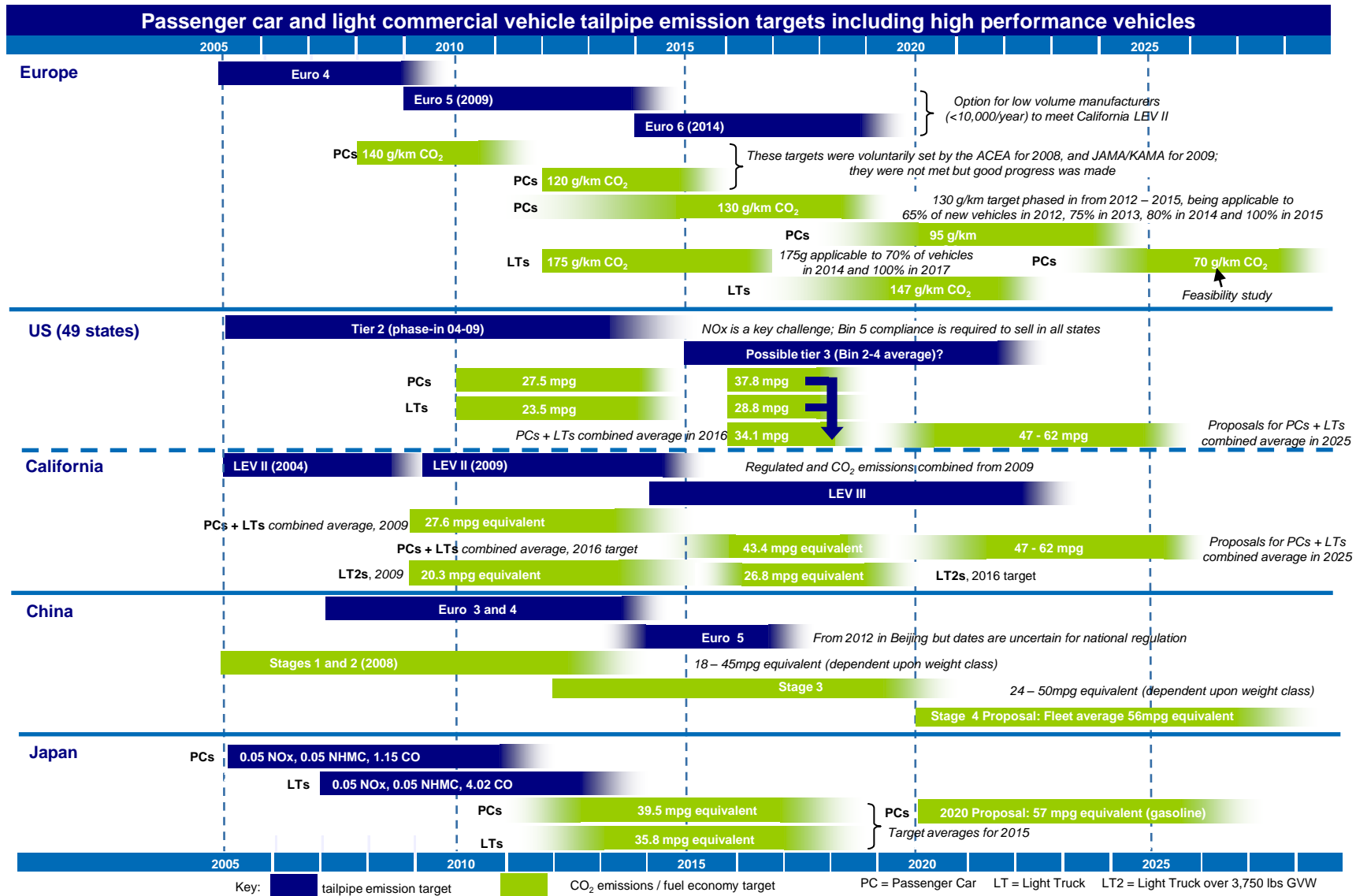
£m	Half year ended 31 December		Year ended 30 June
	2011	2010	2011
Tangible assets	46.8	47.7	47.7
Intangible assets	22.2	20.9	22.3
Inventory and receivables	70.5	69.2	68.5
Net funds/(debt)	2.4	(7.5)	1.5
Trade and other payables	(51.7)	(47.5)	(48.8)
Tax & other liabilities	8.4	7.6	8.3
Pensions deficit (net of tax)	(13.6)	(18.0)	(9.9)
Net assets	85.0	72.6	89.6

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



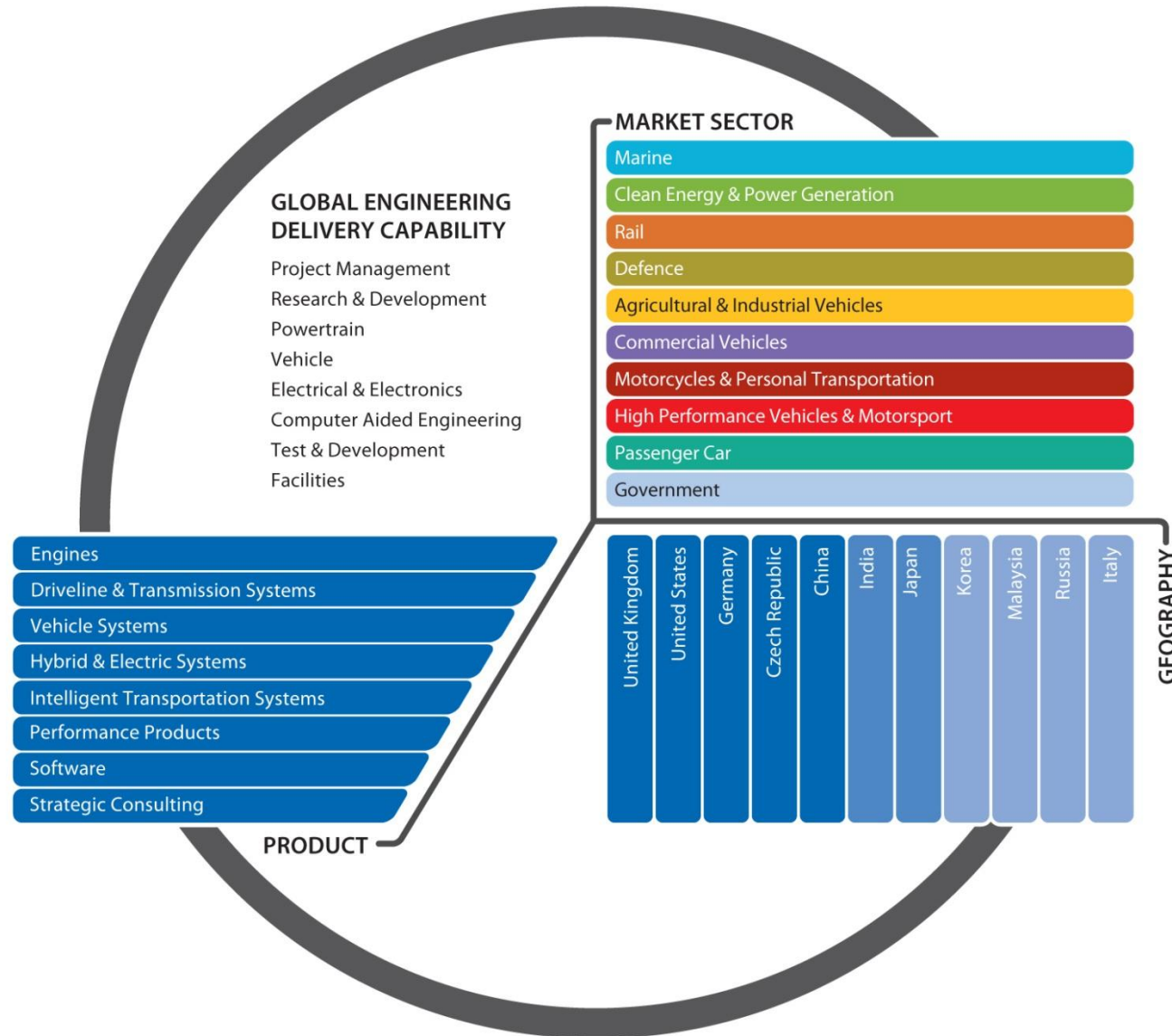
- No dependence on any one sector, client, product or geography
- Tight diversity around a common competence (eng. & mgt consulting)
- Expansion into neighbouring markets which can use our expertise
- Maximisation of global engineering pool
- Assembly programmes are implemented when they augment and bring benefit to the technical consulting business
- Focus on markets with enduring drivers – legislation, structural change
- Quality clients, quality team and leading edge technology

Passenger car, light commercial vehicle, high performance vehicle



Sources: Ricardo & national government publications.

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



Key themes for the half

- Good balance of orders from across the globe – Asia strong, US picking up
- Good balance of orders from sectors and products
- Delivering Foxhound vehicles and McLaren engines to target weekly volumes
- Challenging environment for strategic consulting business
- Strong order book and good pipeline

- CO₂ & emissions legislation firm, entering a period of legislation introduction
- Continued focus on energy security and fuel economy improvement

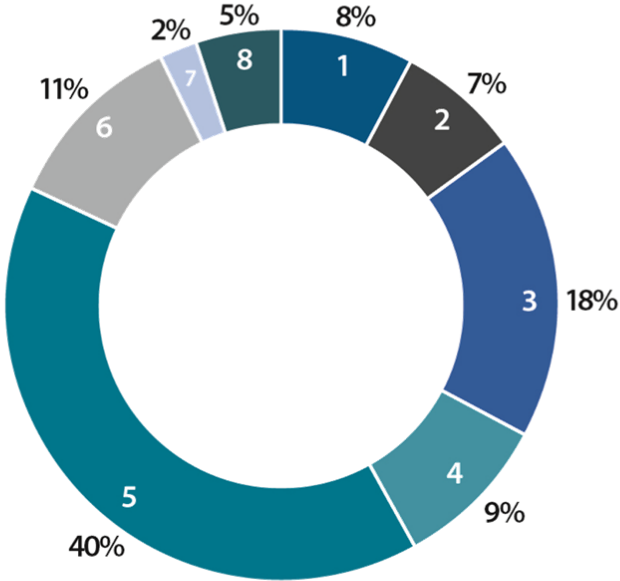
- UK business benefiting from strong UK and Asia orders
- Germany progressing with blue chip client base
- Investment into Asia to build local strong technical & management leadership



A continued spread of geographical & market sector orders in the half

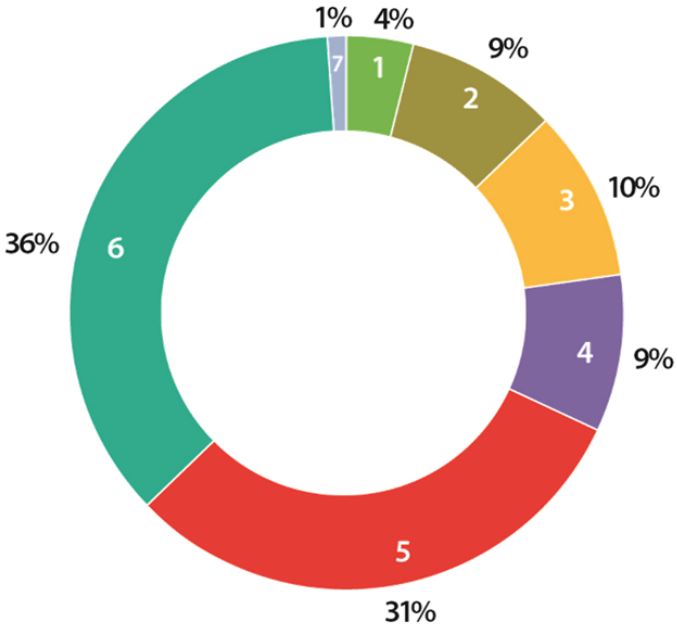


Ricardo plc External Order Intake by Geography for the six months ended 31 December 2011



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

Ricardo plc Market Sector External Order Intake for the six months ended 31 December 2011

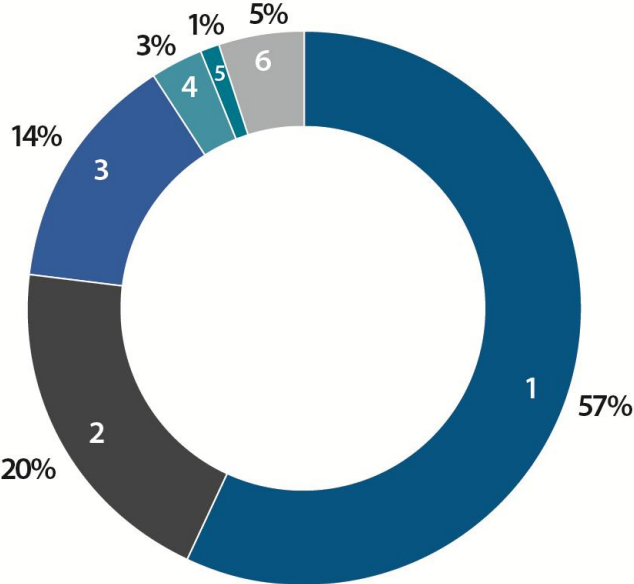


- 1. Clean Energy & Power Generation
- 2. Defence
- 3. Agriculture & Industrial Vehicles - Rail - Marine
- 4. Commercial Vehicles
- 5. High Performance Vehicles & Motorsport - Motorcycles and Personal Transportation
- 6. Passenger Car
- 7. Government

A continued spread of product and customer orders in the half

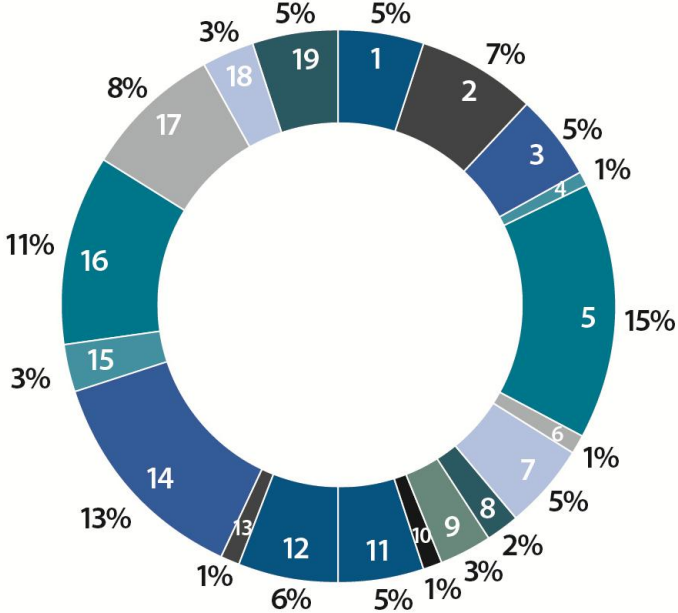


Ricardo plc External Order Intake by Product Group for the six months ended 31 December 2011



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

Ricardo plc External Order Intake by Key Client for the six months ended 31 December 2011



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

Passenger car sector – highlights

- Global automotive market returning to outsourced development spend
- US, Japan, UK, Germany, Malaysia, India and China all placing business
- CO2, emissions legislation and globalisation remain the key drivers
- Localisation for China market a theme
- Hybrid and electric vehicle programmes – range extenders, efficient transmission technologies – DCT, efficient combustion technologies
- Increasing market demand for engineering talent and technology



Defence sector – highlights

- UK MOD Foxhound vehicles roll off the line
- US DARPA contract for complex system modelling
- Novel engine programme for UK MOD marine application
- Demonstration of Ricardo small engine in US RIB outboard application
- Support to US Marine Corps on vehicle engineering



Foxhound/Ocelot build





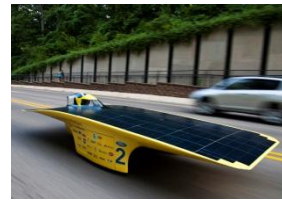
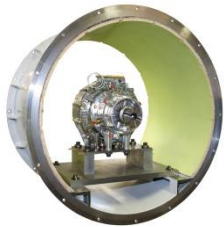
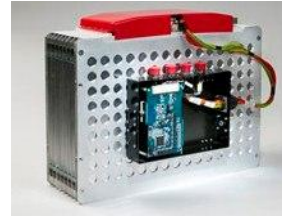
High performance vehicles & motorcycles - highlights

- McLaren engine programme ramped up to target weekly level, derivative programmes underway
- Further Bugatti Veyron transmission business
- Motorsport Industry Association “Business of the Year” award for transmissions and engine programmes
- Ricardo motorsport delivering to Formula 1, Japanese GT, Indy Lights, Formula Nippon, Renault World Series, World Rally Car and again to the winner of the Le Mans endurance race with component design and supply
- New premium motorcycle demonstrator programme
- Quad bike development programme

Other highlights



- Commercial vehicle engine emissions business from India and Germany
- Industrial and agricultural engine emissions business from Korea and UK
- Off-shore wind transmission development from UK/Korea and the US
- Marine engine business for Scandinavian industrial and UK & US Defence
- Initial orders for rail business from UK and Malaysia
- R&D investment delivering a broad range of HEV, EV, flywheel, advanced transmission and combustion technologies
- Increasing interest in licensing of Ricardo technologies and IP

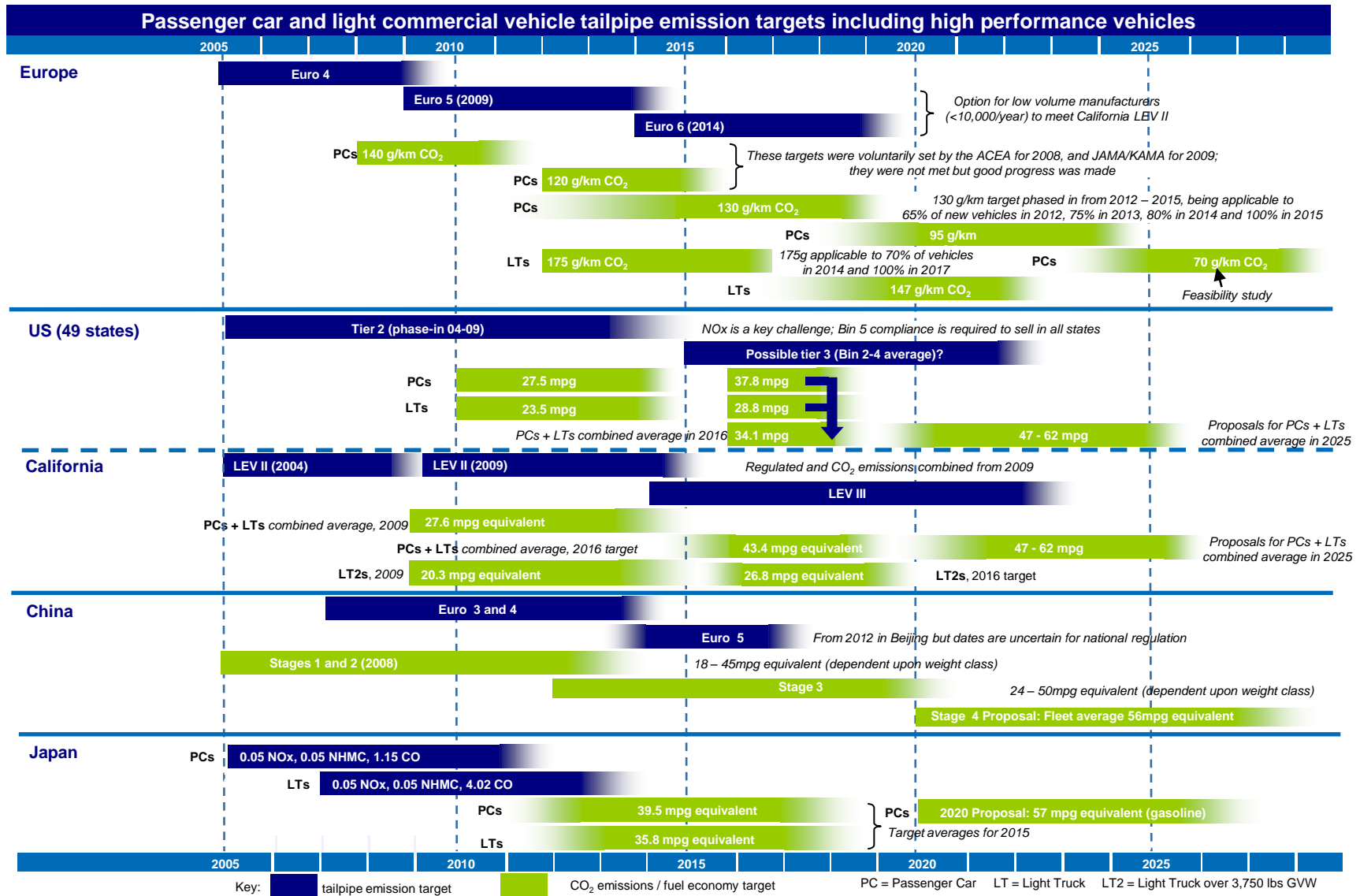


Summary for the period and outlook

- Global economies and our markets have been stable in the period
- Order intake improved through H1, resulting in a good order book and pipeline
- All sectors, products and geographies contributing orders, with Foxhound and McLaren products being shipped
- Market outlook is positive with the return of the passenger car OEMs and opportunities for deeper diversification into our selected sectors
- Core drivers of CO2 reduction, emissions legislation and globalisation remain
- Strong balance sheet
- Confident of further progress for the full year

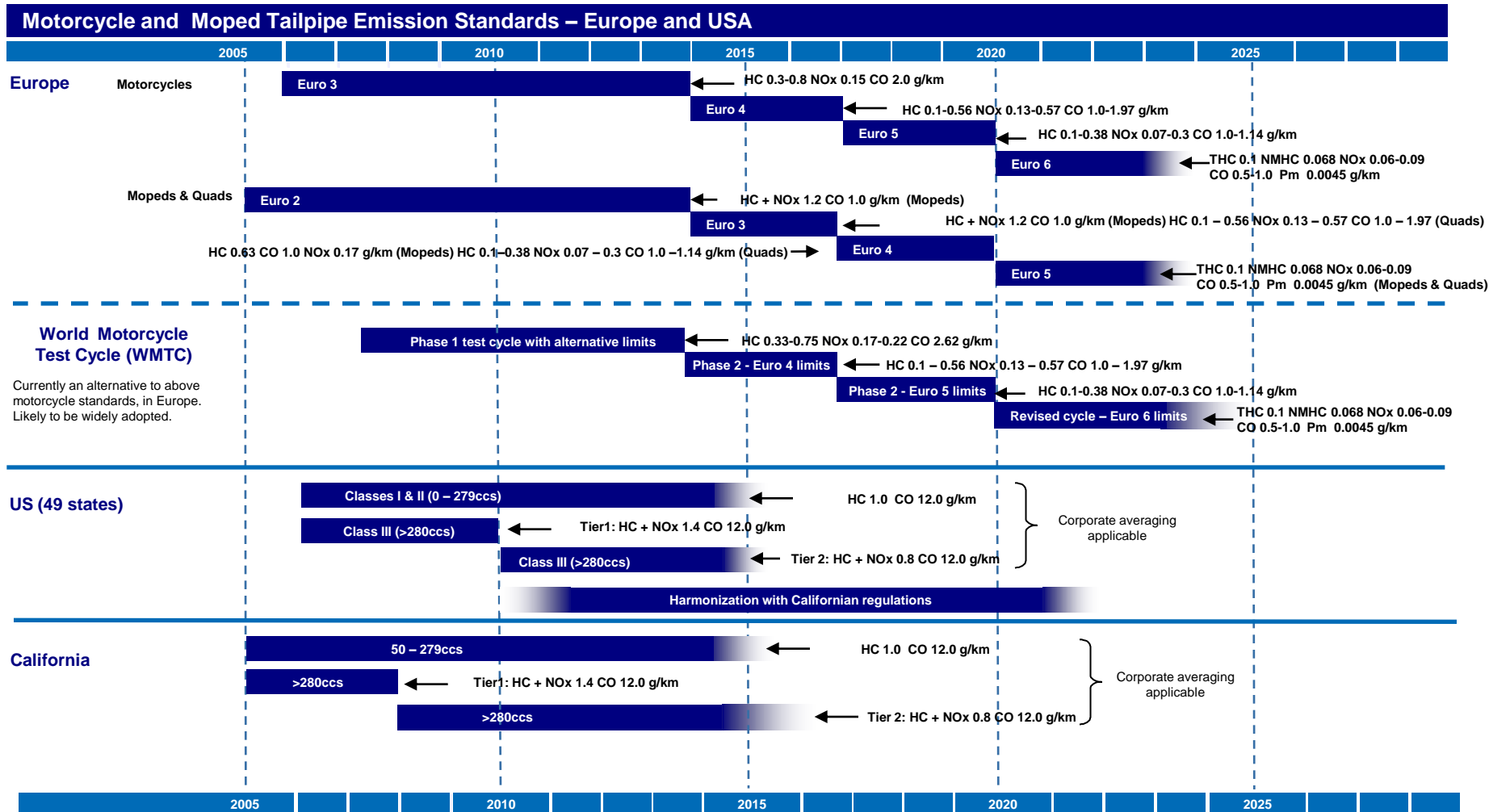
Appendix 1 : Emissions legislation charts

Passenger car, light commercial vehicle, high performance vehicle



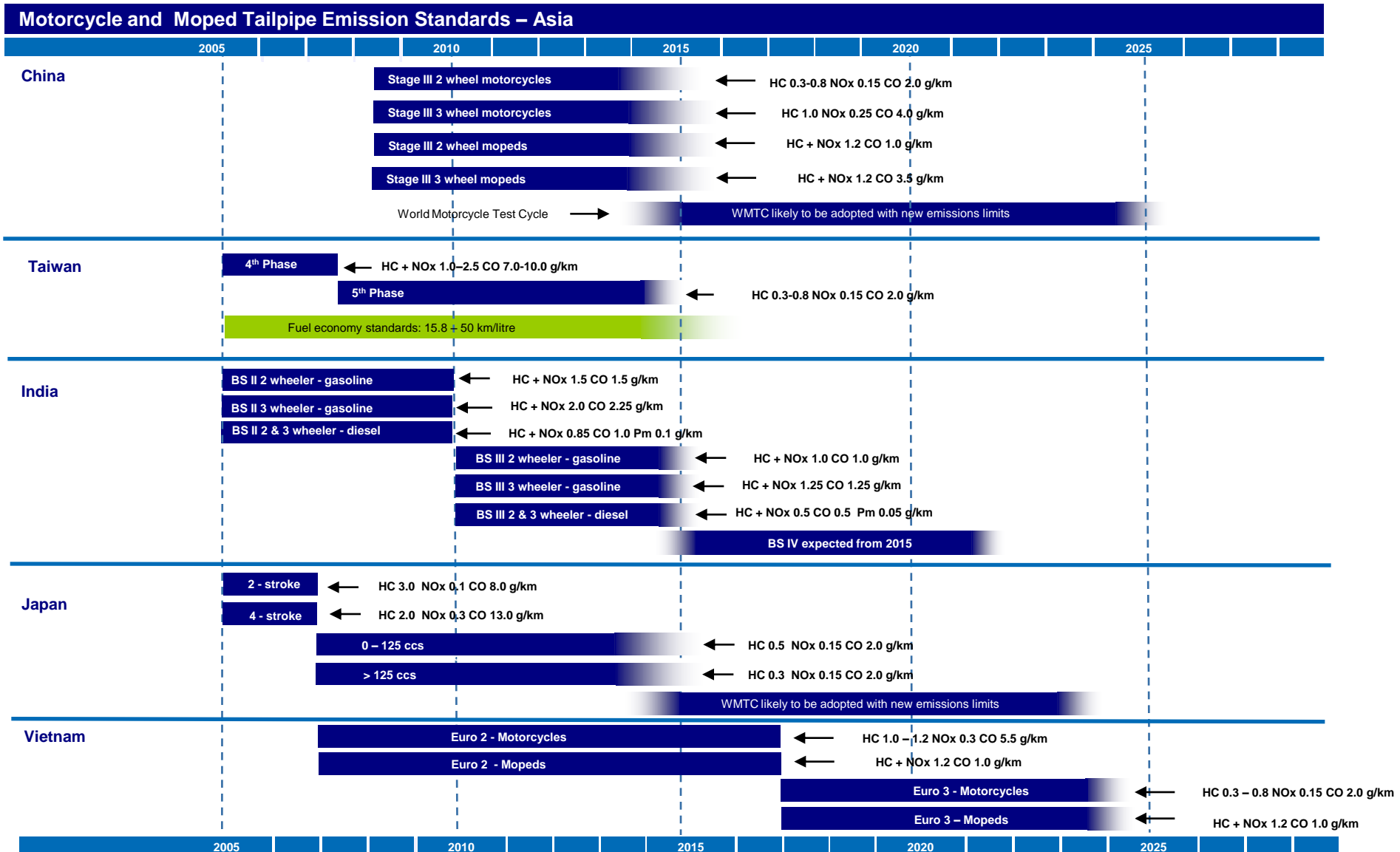
Source: Ricardo & national government sources

Motorcycles & personal transportation (Europe & USA)



Source: Ricardo & national government sources

Motorcycles & personal transportation (Asia)

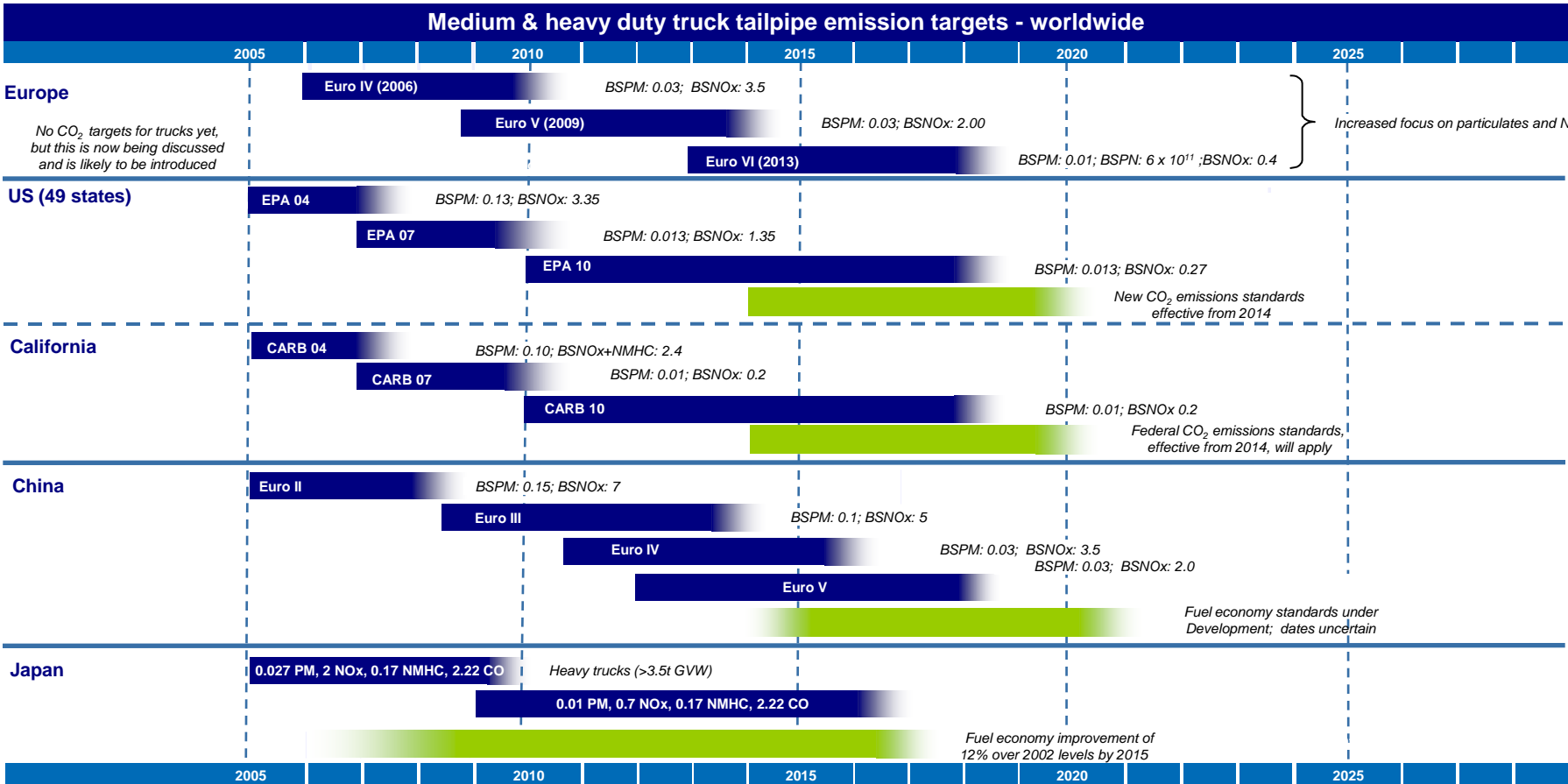


Source: Ricardo & national government sources

Key: Tailpipe emission standard

Fuel economy standard

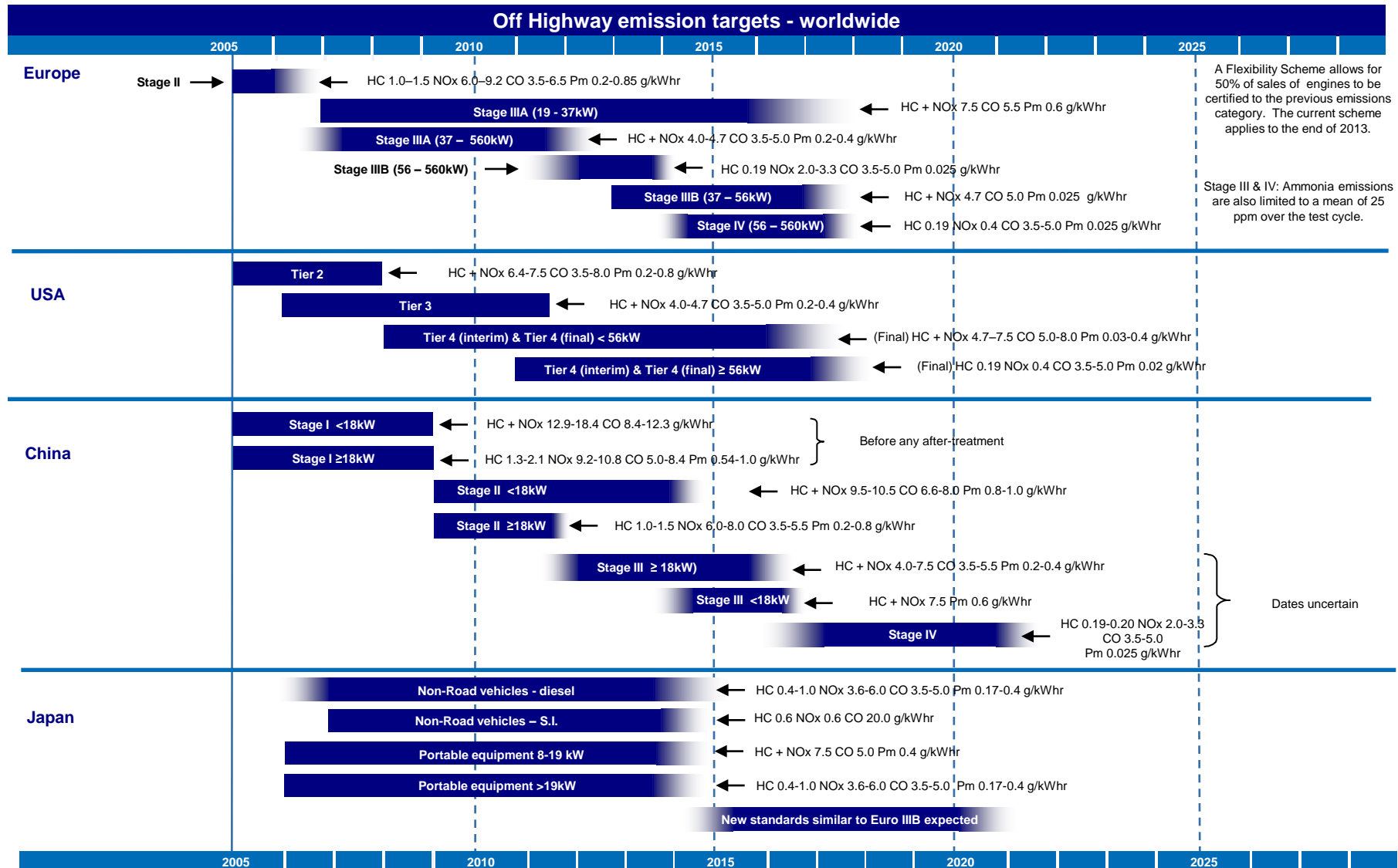
Commercial vehicles (medium & heavy duty truck)



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

Source: Ricardo & national government sources

Agricultural & industrial vehicles (off highway)



A Flexibility Scheme allows for 50% of sales of engines to be certified to the previous emissions category. The current scheme applies to the end of 2013.

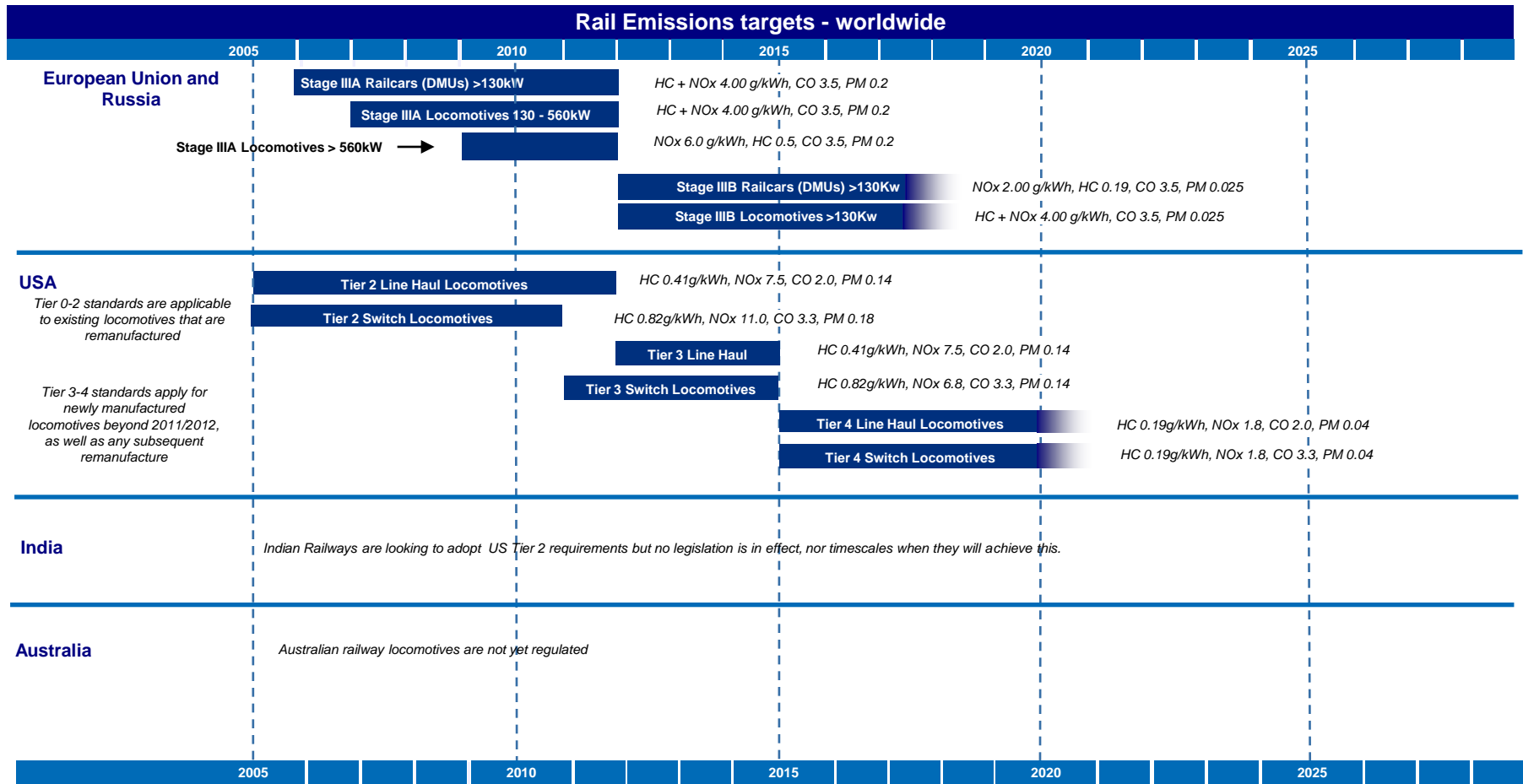
Stage III & IV: Ammonia emissions are also limited to a mean of 25 ppm over the test cycle.

Before any after-treatment

Dates uncertain

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

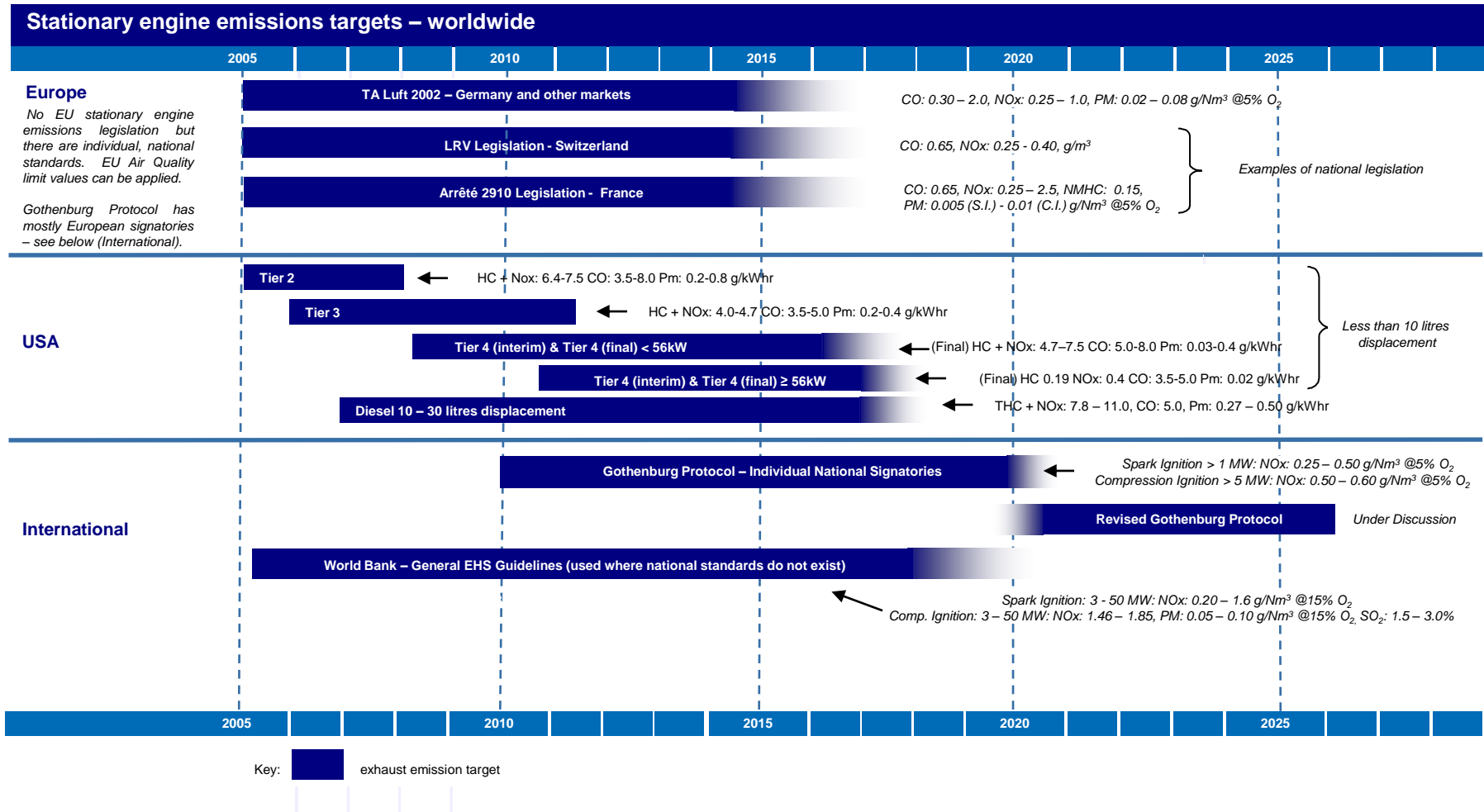
Renewable Contribution to Total Primary Energy		
Region	2009 Share	2020 Target
EU-25	12%	20%
Germany	10%	18%
United Kingdom	3%	15%
China	9%	15%
Korea	Circa 1%	6.1%
United States	9.2%	No Federal Target

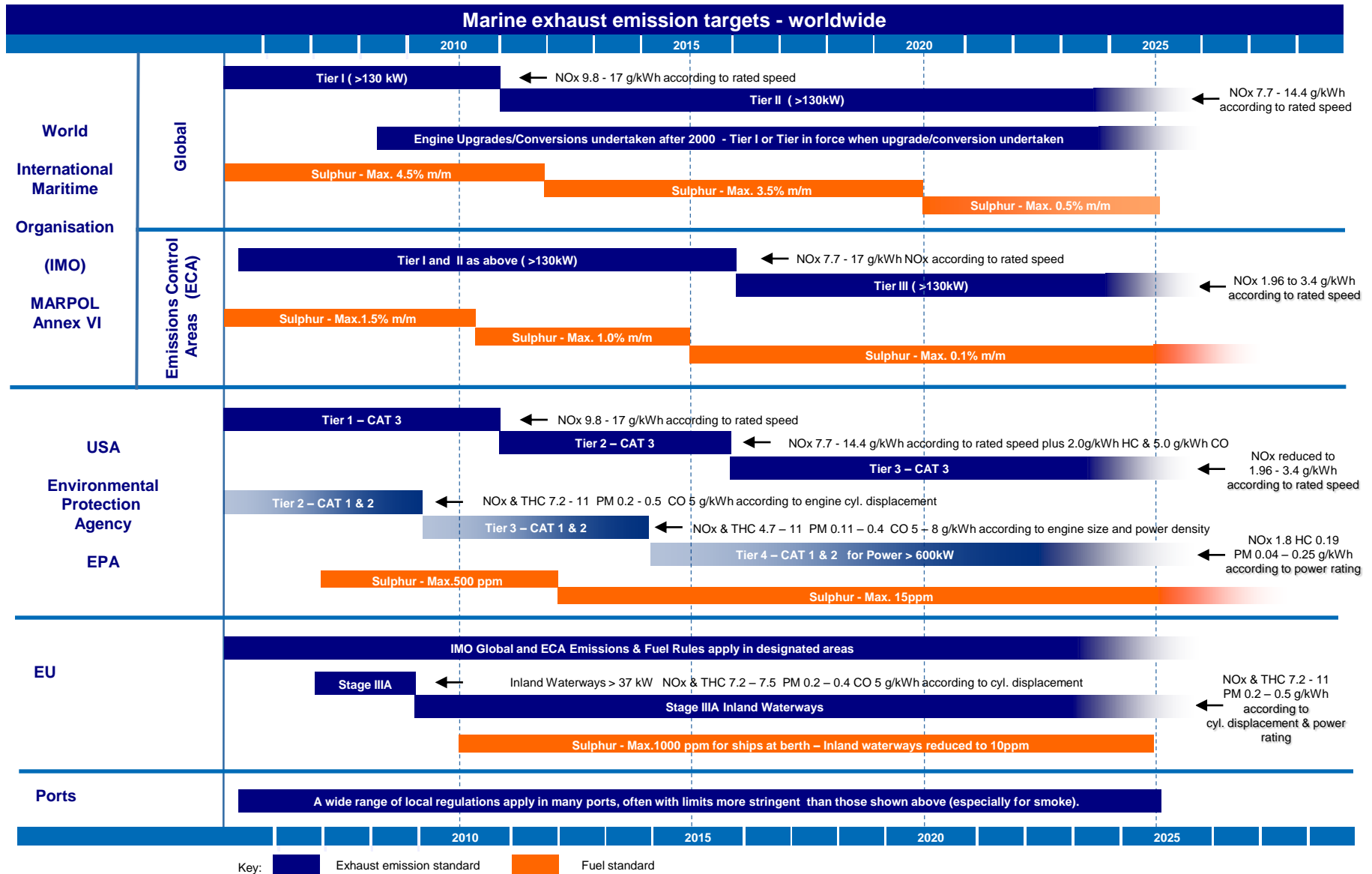
UK Legally Binding CO₂ Targets

- 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





Source: Ricardo & national government sources