RM plc

14 Month Period to 30 November 2011

Martyn Ratcliffe, Executive Chairman
Iain McIntosh, Chief Financial Officer

To be read in conjunction with the Preliminary Results announcement released on 6 February 2012

FY11 Overview

A Difficult Year

- Education sector severely impacted by public sector cuts (BSF shielded RM from total impact)
- International businesses under-performed, particularly USA
- RM had not taken adequate action to prepare for foreseeable challenges

Strategic Review

- Substantial restructuring, including disposals of non-core businesses
- 4 Operating divisions created with greater focus and clearer strategies
- Cost reduction and redundancy programme

Positives

- RM has retained an unparalleled position in UK education market
- Group remains profitable (Adj operating profit: £10.0m in 14 months to 30 November 2011)
- Strongest cash position at period end since 2008(Gross cash: £24.5m)

Future Opportunities

- Leverage established UK distribution channel to be supplier of choice into UK schools
- Greater focus on innovation. Limited innovation/investment in recent years in some businesses
- New initiatives being evaluated

Group Financial Summary

£m	12 months to Sept 2010	14 months to Nov 2011	12 months to Nov 2010	12 months to Nov 2011
Revenue	380.1	350.8	376.1	310.1
Adjusted operating profit*	22.6	10.0	21.4	14.1
Adjusted diluted EPS(p)	18.8	7.3	17.4	10.8

Cash from operations	23.7	24.8	14.2	39.5
Gross cash at Sept/Nov	13.8	24.5	3.7	24.5
Net funds less deferred consideration at Sept/Nov	0.5	11.3	(15.7)	11.3

*Adjusted operating profit and EPS are before amortisation of acquisition related intangible assets and other intangible assets, share-based payment charges, exceptional charges & exceptional pension credit in 2010
2010 data has been restated to remove share-based payment charges and all restructuring costs

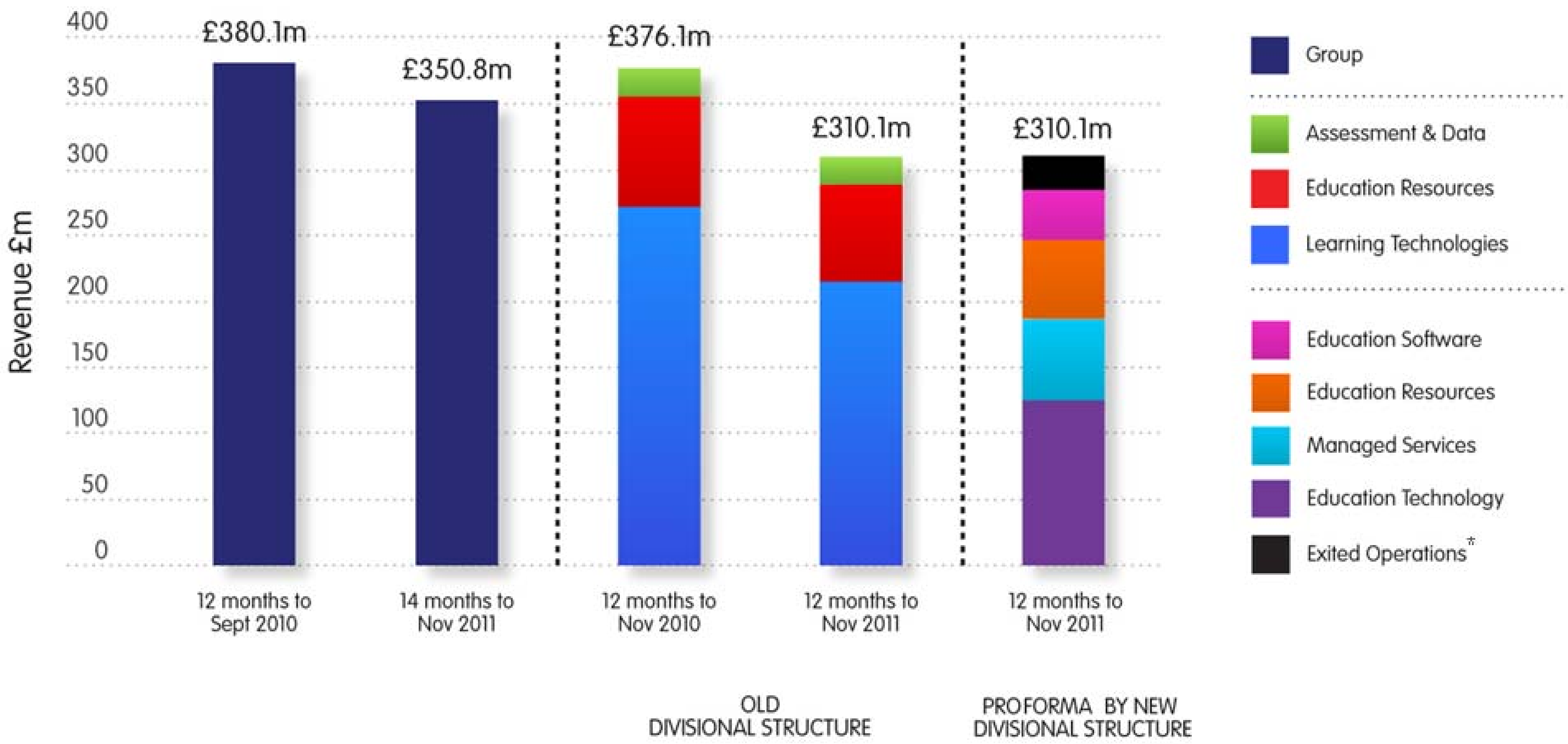
FY11 Divisional Summary

12 months to 30 November

£m	Learning Technologies		Education Resources		Assessment & Data		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
Revenue	271.8	214.4	81.6	74.4	22.7	21.3	376.1	310.1
Adjusted Operating Profit*	9.7	8.7	8.8	3.8	2.9	1.6	21.4	14.1
% Profit	3.6%	4.1%	10.8%	5.2%	12.9%	7.4%	5.7%	4.6%

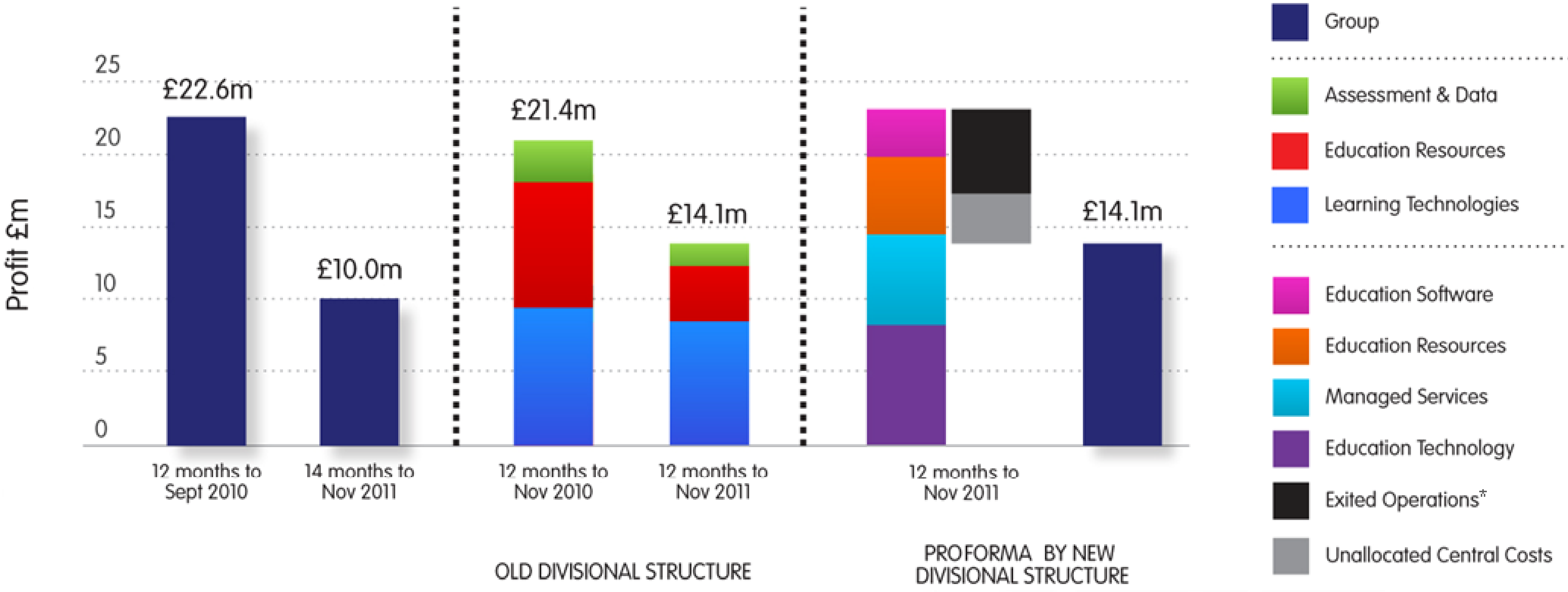
*Adjusted operating profit and EPS are before amortisation of acquisition related intangible assets and other intangible assets, share-based payment charges, exceptional charges & exceptional pension credit in 2010
2010 data has been restated to remove share-based payment charges and all restructuring costs

Group Revenue



*Exited operations are businesses sold and held for sale at the balance sheet date, some of which have subsequently been sold.

Group Adjusted Operating Profit



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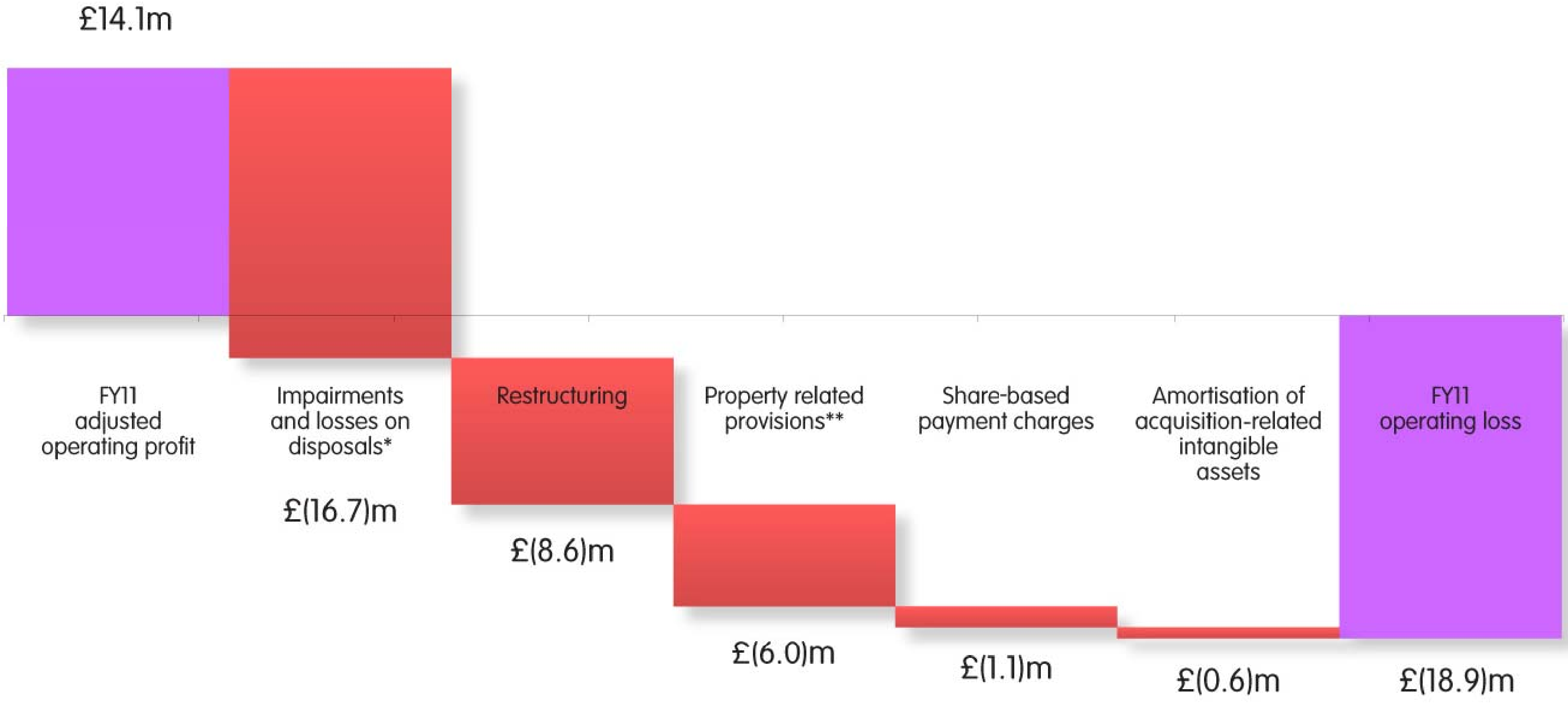
Profit from Operations

FY10 to FY11 comparison (12 months to 30 November)

Adjustments to Operating Profit

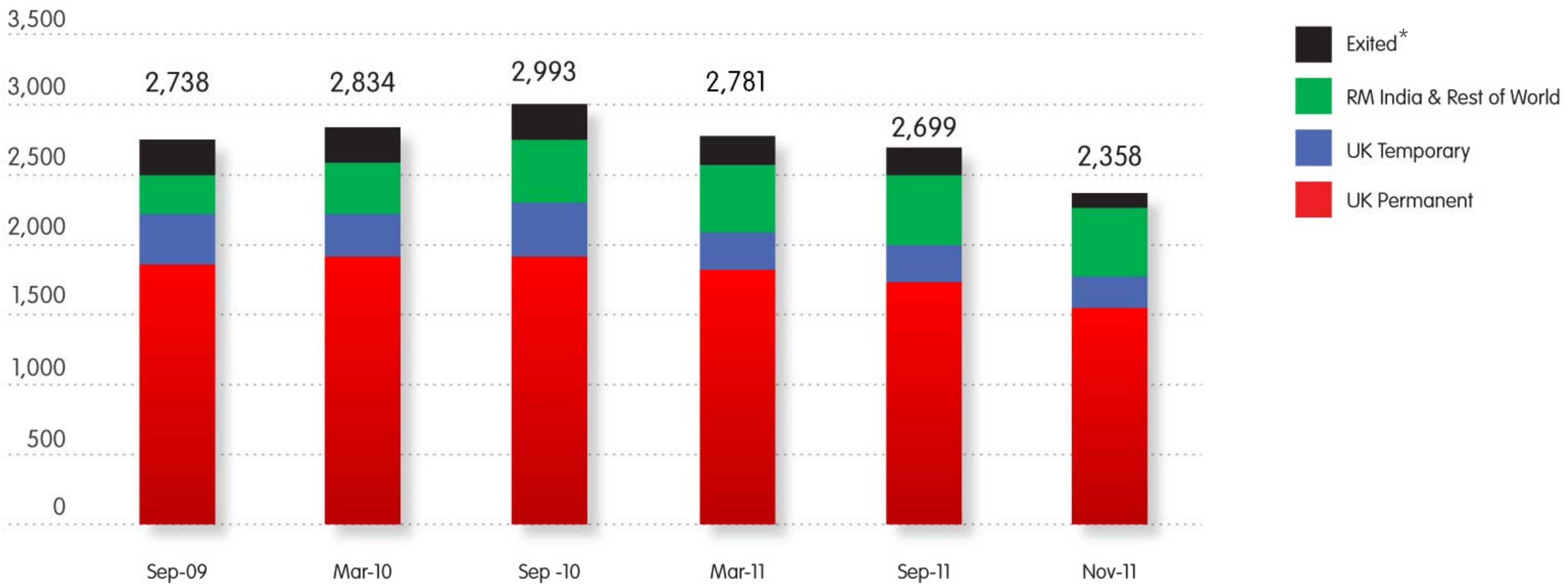
12 months to 30 November 2011



*Impairments of goodwill, intangible assets and loss of sale on operations

**Increase in provisions for dilapidations on leased properties and onerous lease contracts

Group Headcount



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Exited Operations

US Hardware (Computrac)
- Approx consideration: £2.9m. Loss-making in FY11

Australia
- Approx consideration : £0.9m. Loss-making in FY11

DACTA
- Inventory realisation at approximately 70% of book value: £0.2m. Loss-making in FY11

Lego JV
- Approx consideration : £3.8m, incl debt repayment. Loss-making in FY11

AMI (Easytrace)
- Approx consideration : £0.6m + £0.5m Debtors. Loss-making in FY11

Value realised approx. £8.9m (£3.8m received in period and remainder in 2012)

Held for Sale and Investment
- ISIS: In process. Outcome uncertain
- Inclusive: 25% minority share holding to be sold in due course

Debt Facilities

New £30m unsecured committed Revolving Credit Facility signed with Barclays

- Runs to 27 March 2015 with mutually agreed extensions to March 2017
- Margin 2.75% over LIBOR, falling to 2.50% after a year, subject to Debt / EBITDA ratio

Principal financial covenants

- Debt / EBITDA < 2.5 times
- Interest cover > 4.0 times

Replaces

- £25m HSBC committed acquisition facility (£13m drawn)
- US $39.5m (£25m) HSBC uncommitted Sterling Dealing Line

Retaining existing £3m on-demand Barclays overdraft facility

Pensions

IAS 19 on balance sheet deficit increased:

	£m	
Deficit at 30 Sep 2010	**(12.4)**	**£9.0m net of tax**
Cash in excess of service cost	1.8	Annual deficit reduction payments committed to May 2017
Asset returns	5.8	
Interest on liabilities	(7.1)	
Impact of market assumptions on liabilities	(9.3)	Reduction in UK Corporate Bond yield based discount rate
Deficit at 30 Nov 2011	**(21.2)**	**£15.9m net of tax**

UK Defined Benefit Pension Scheme Consistent record of management action
2002: base retirement age increased to 65
2003: closed to new members
2005: 1pp increase in employee contributions
2007: 5% pa cap on pensionable salary increase
2007/08: £3.5m special company contribution
2009: 1pp increase in employee contributions
2010: 1pp increase in employee contributions
2010: 2.5% pa cap on pensionable salary increase
2011: Discussions in progress with Trustees regarding potential closure to future accrual

- Discussions started with Trustees regarding potential closure of scheme to future accrual
- Triennial valuation due as at 31 May 2012

RM Strategy

Group Strategy: UK education market with international distribution

Phase 1: Restructuring Almost Complete

- Disposal of non-core businesses
- Continuing operations restructured into 4 divisions
- Headcount and cost base reduced significantly

Phase 2: Operational Strategy

- Strategy for each product category/service offering in each division being defined
- Increased emphasis on working capital management

Phase 3: New Growth Opportunities

- Leverage well-established distribution channels
- New initiatives being evaluated
- M&A opportunities in UK to be considered

Strengths & Opportunities

Strengths

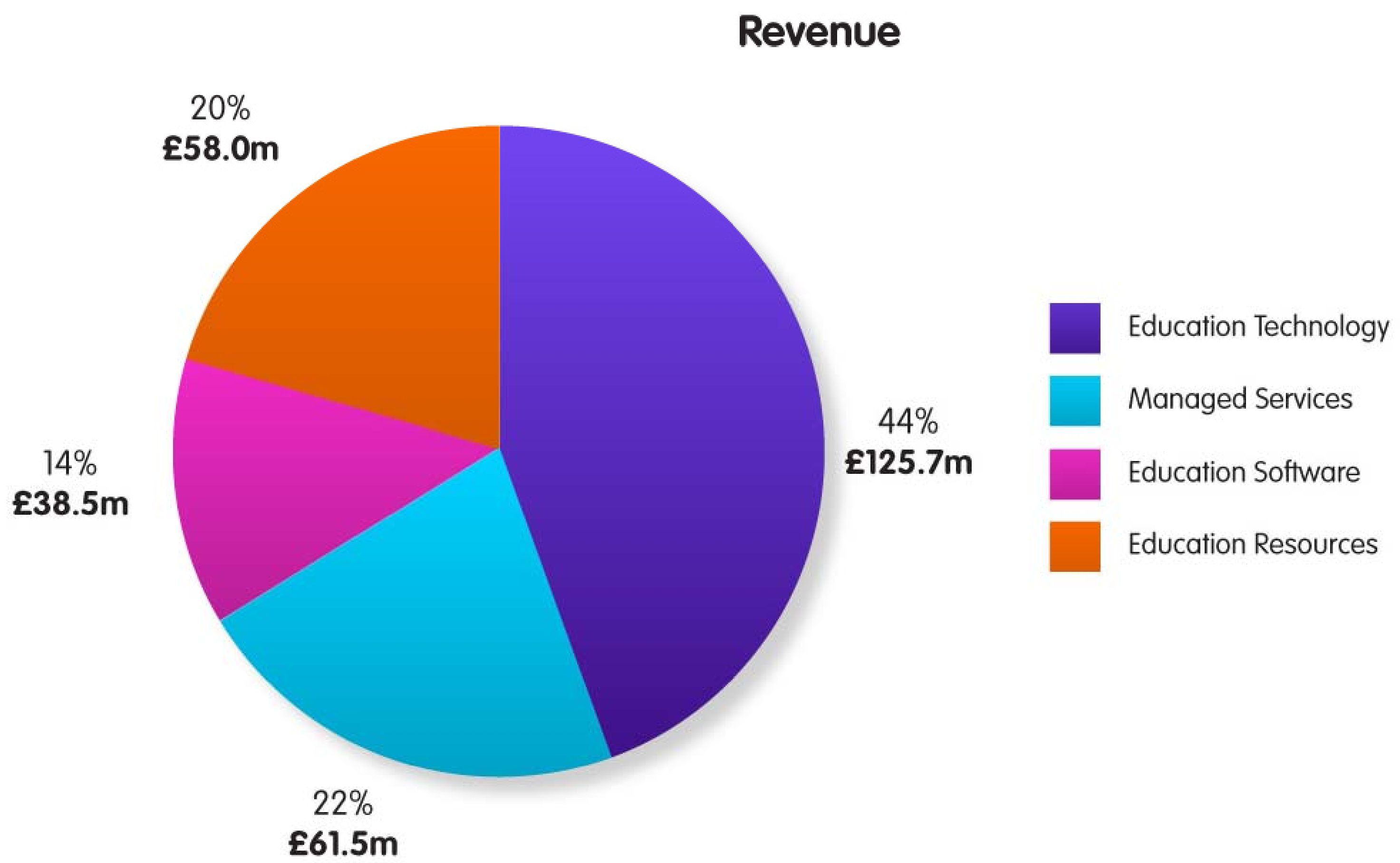
- Brand and distribution channels in UK
- Breadth and depth of experience in education market
- Staff: commitment and market knowledge
- Cost-effective Indian support centre
- Profitable and cash-generative despite difficult market. Strong cash position

Opportunities

- Expansion of offerings to customer base
- New initiatives
- International distribution (not fixed infrastructure)
- Working capital management
- New structure and improving financial systems will reduce time to respond to market changes/opportunities

New Organisation Structure

12 months to 30 November 2011



Total revenue from retained business = £283.7m

Education Technology

Overview & Strategy

Classroom Technologies

- PC hardware (RM & 3rd-party), other hardware (e.g. whiteboards), implementation & support
  - Approx 2,300 schools purchased hardware/related services from RM. Good performance in academies and free schools
- Revenue & margins will remain under pressure

Network Solutions

- Network hardware (third-party) and software (RM)
  - Approx 5,700 schools use RM network management software
- Revenue & margins will remain under pressure

Internet Hosting & Connectivity Services

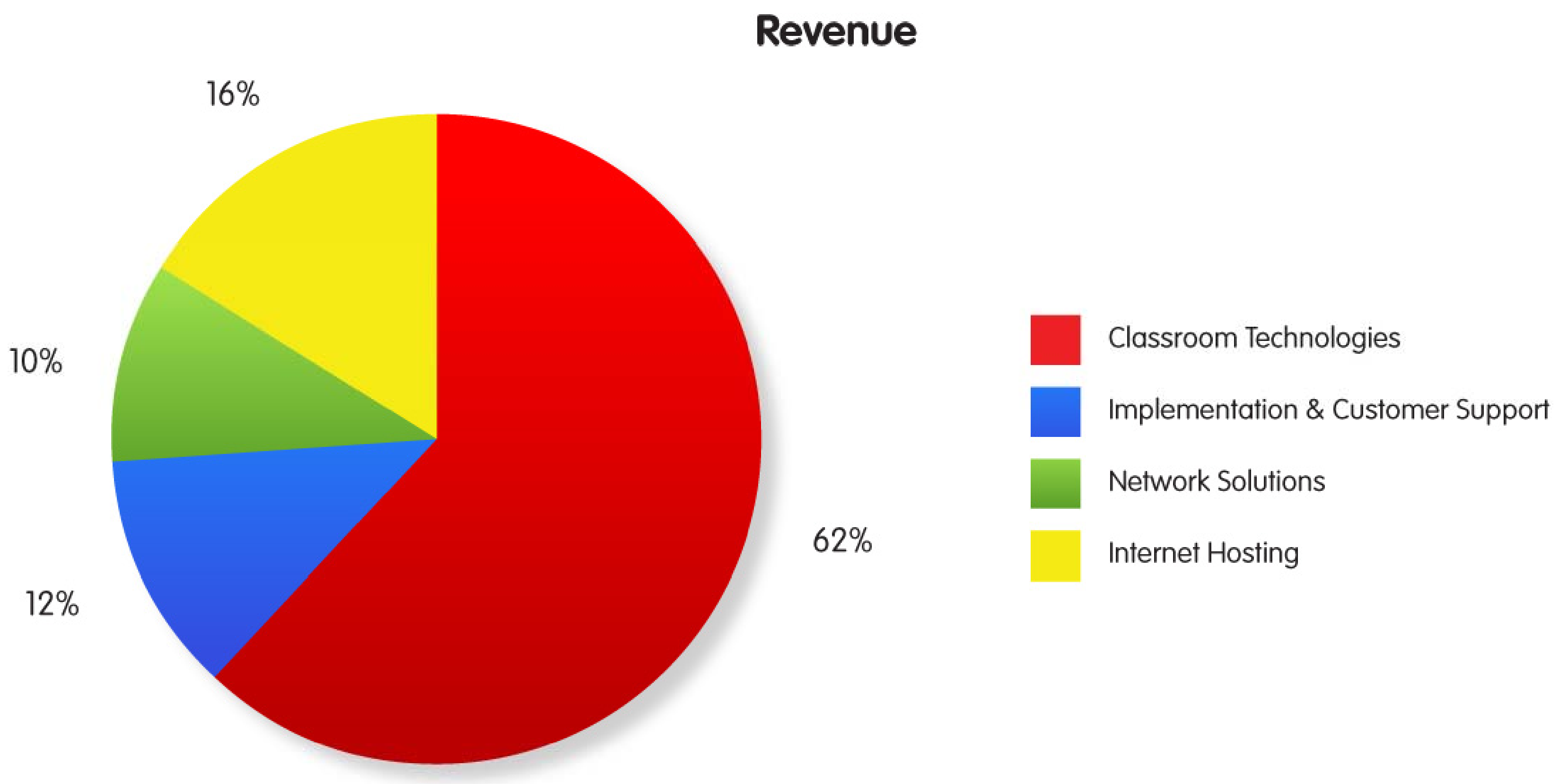
- RM has strong position as leading provider of connectivity services to UK schools
  - Approx 8,000 schools, 2 million teachers and children
- Less seasonal than product business

Strategy

- RM relationships at school level
- Expand offerings through established distribution channel

Education Technology

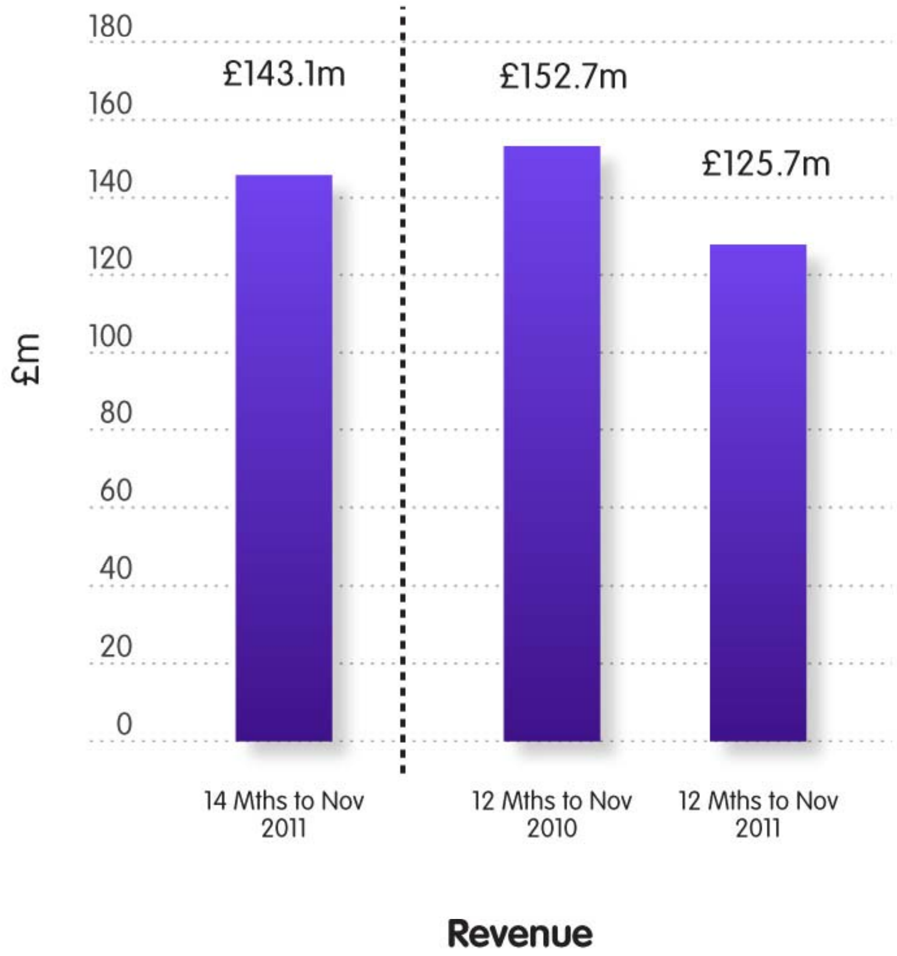
Retained Operations (12 months to 30 November 2011)



Total revenue from retained business = £125.7m

Education Technology

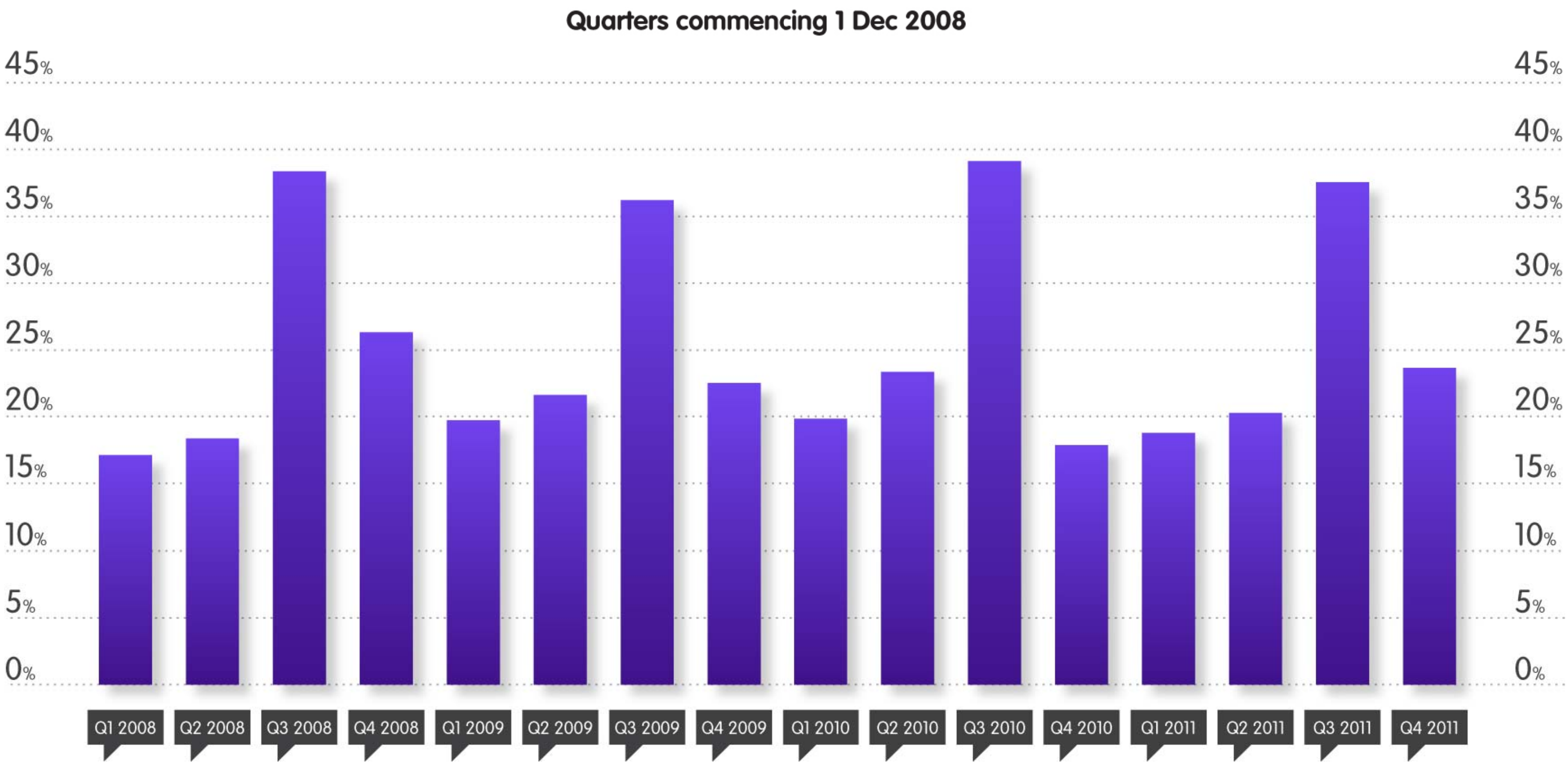
Retained Operations



- All business areas anticipated to continue to experience market pressures
- Margins anticipated to be consistent with other hardware-oriented IT businesses
- Strategic importance to RM as the Group's major sales channel to UK schools

Education Technology

Revenue Seasonality



Managed Services

Overview & Strategy

Building Schools for the Future (BSF)

- Successful implementation of 44 schools in 2011. Reduction on 2010
- Peak implementation year is 2012 (approx 50 schools)
- Decline from 2013 and minimal revenue from new implementations after 2014
- Typically managed services contracts after implementation
- Working capital unwinds in 2012-2014

Managed Services

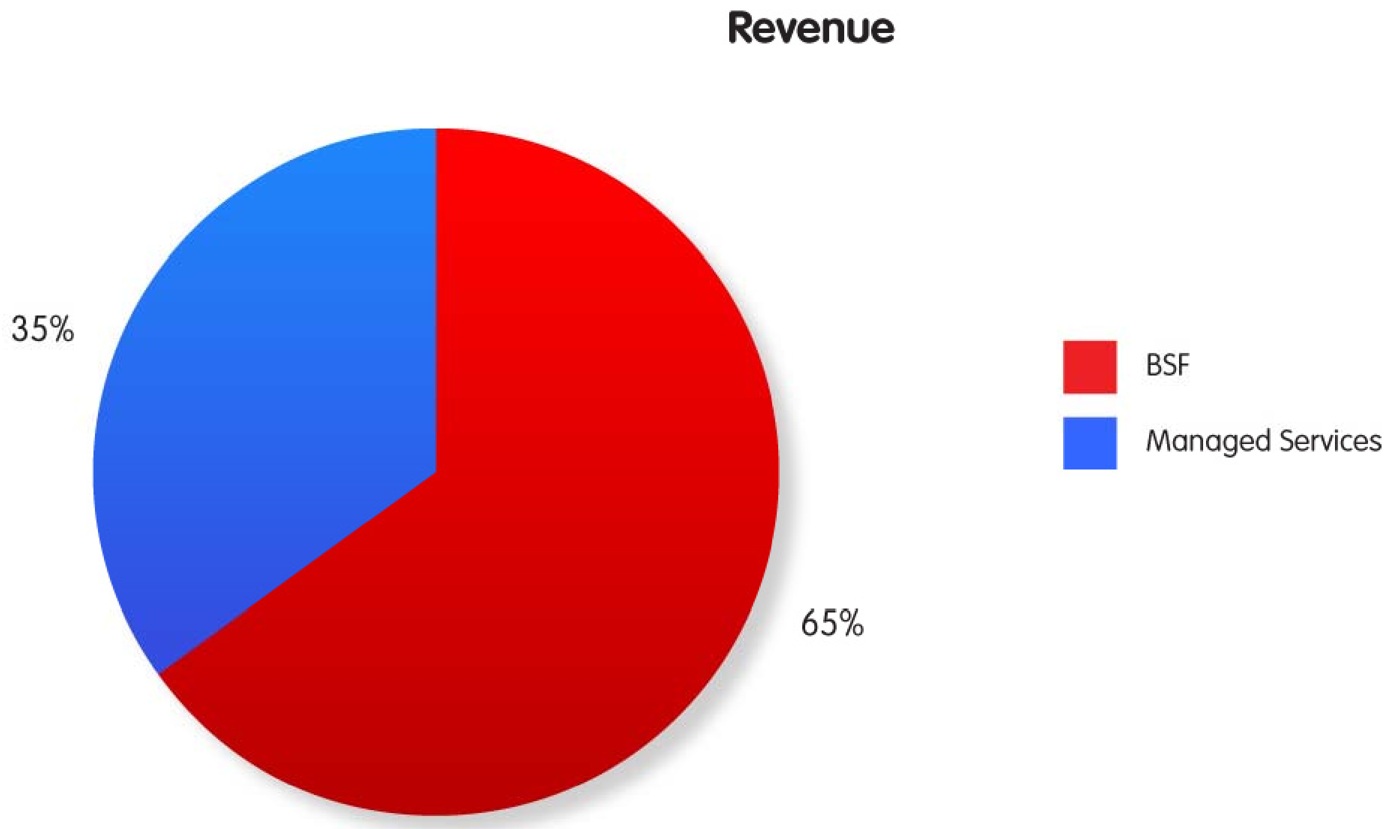
- Providing IT infrastructure support for schools
  - Approx 800 schools take managed service from RM
- Opportunities to improve contract profitability through additional services/improved change control

Strategy

- Delivery of BSF implementations. Operational excellence but with greater commercial focus
- Extension of Managed Services provision post-BSF
- Anticipate and align structure for post-BSF (2013)
- Expand customer base to leverage established infrastructure

Managed Services

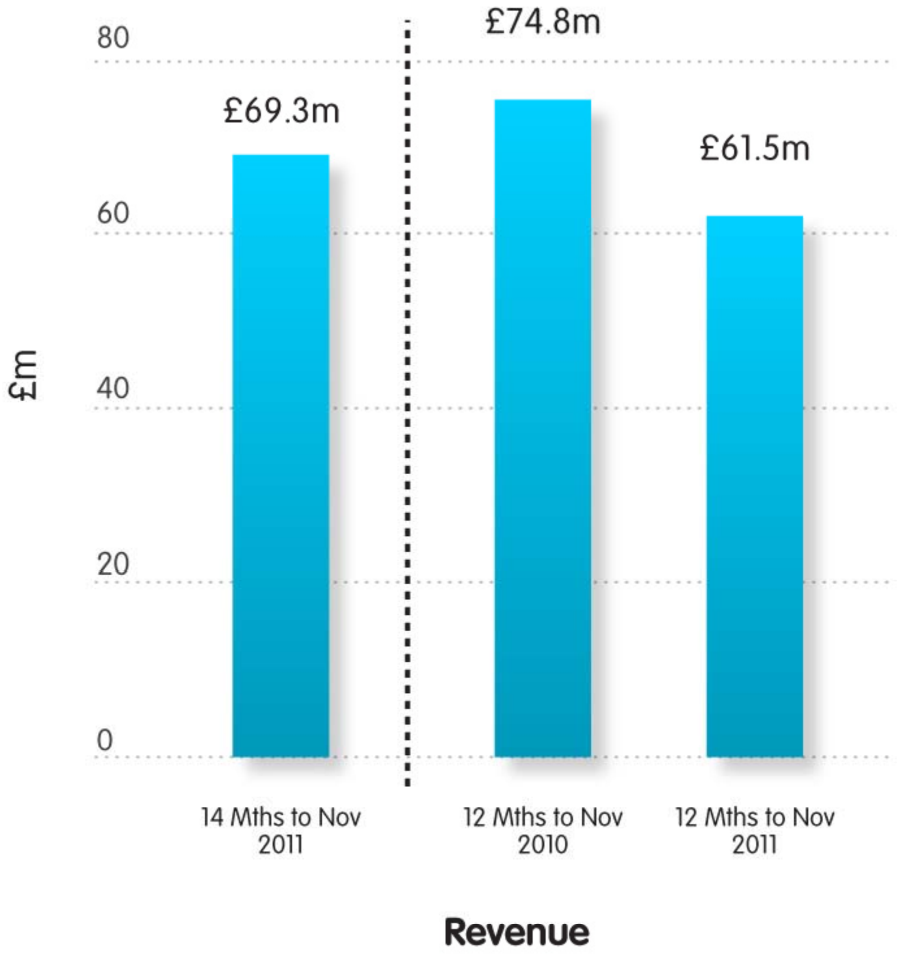
Retained Operations (12 months to 30 November 2011)



Total revenue from retained business = £61.5m

Managed Services

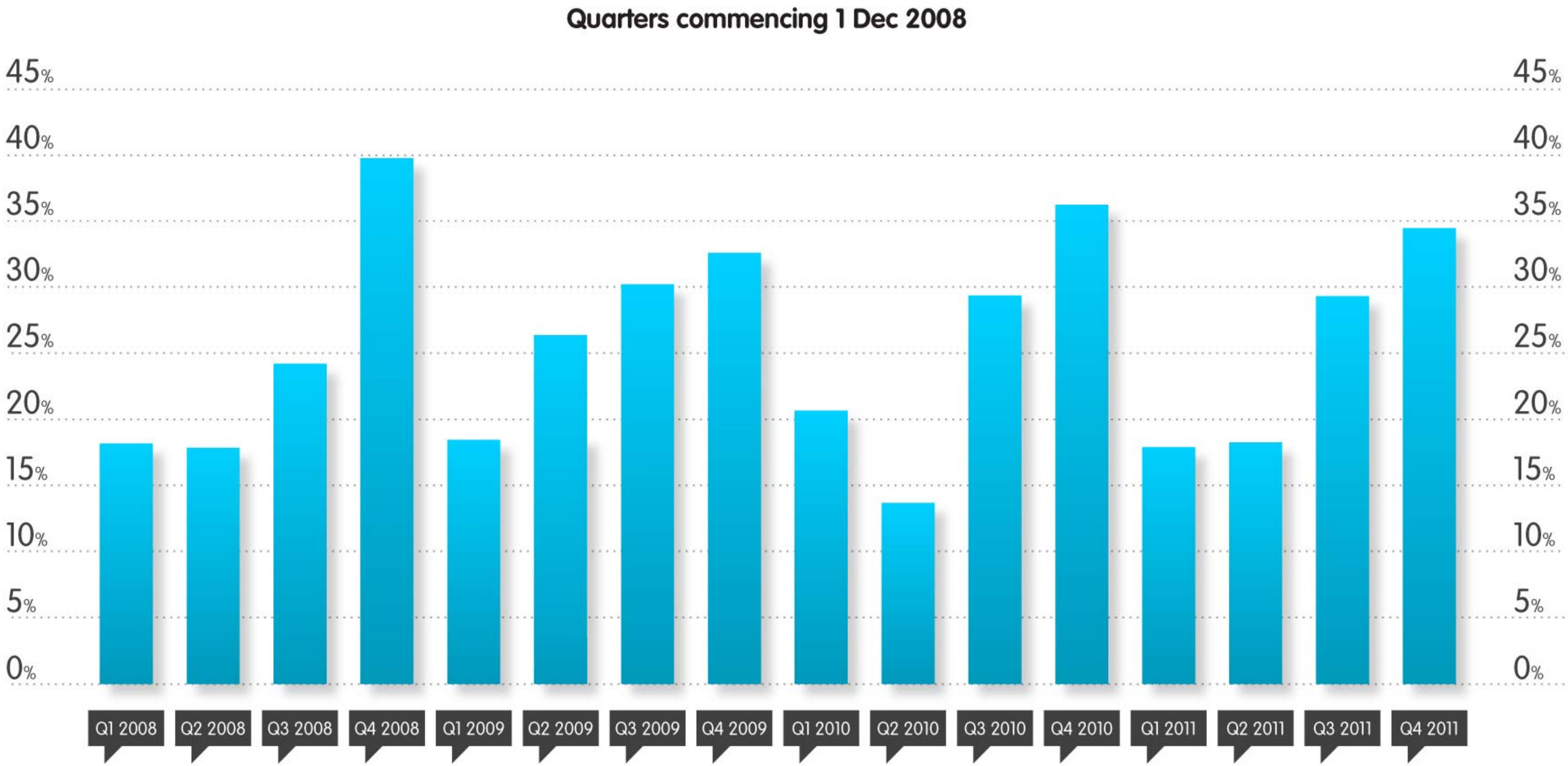
Retained Operations



- 2011 revenue decline in line with BSF roll-out schedule
- Increase in 2012 revenue anticipated with decline thereafter
- Margins anticipated to be relatively constant

Managed Services

Revenue Seasonality



Education Resources

Overview & Strategy

TTS

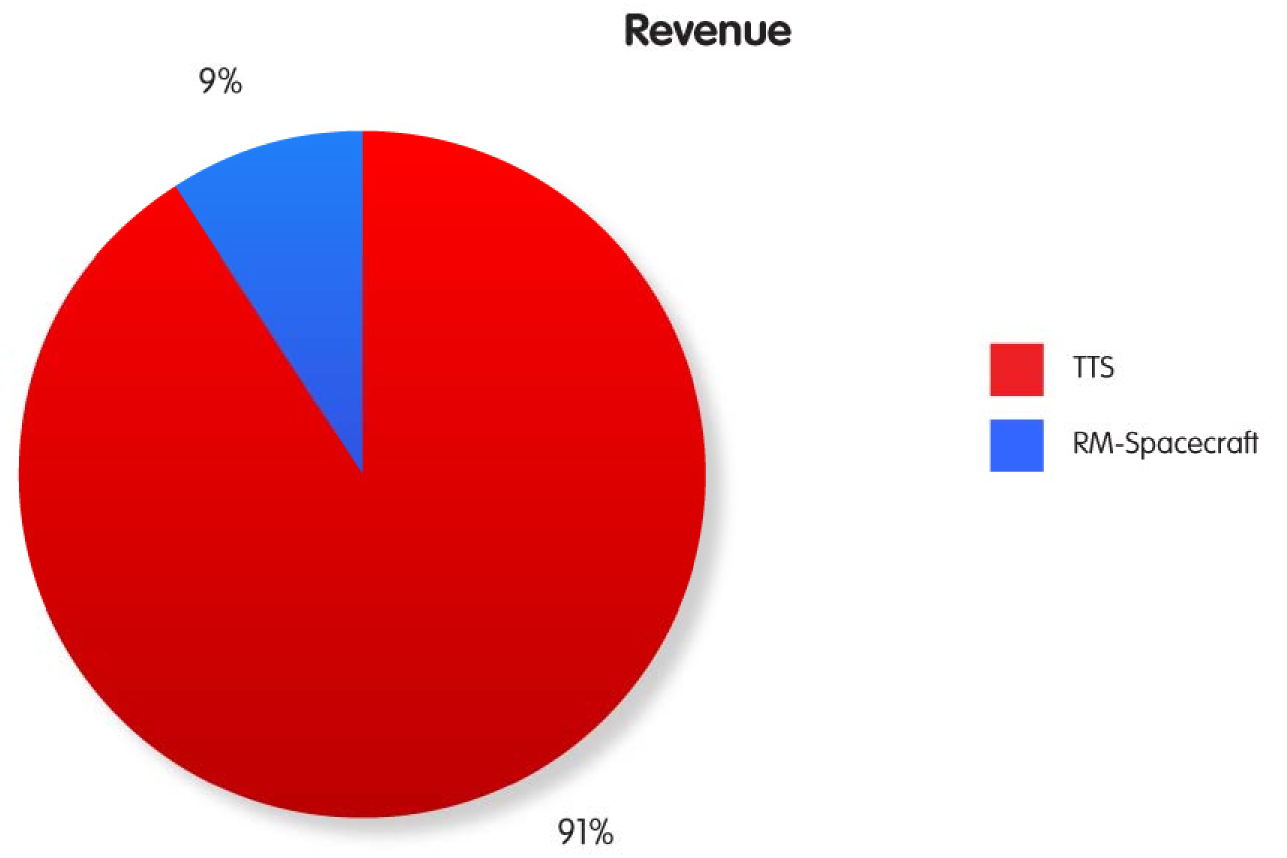
- Value-added distribution of RM-developed and third-party classroom resources. Primarily direct to schools but some via dealer/distributors/retailers (28%) and international distributor network (8%)
  - Approx 90% of primary schools and 45% of secondary schools supplied by TTS
- Strong product management capability. Over 500 new offerings launched in 2011
- Efficient, well-managed business delivering consistently strong margin
- Opportunities to improve return on capital by improved supply chain and inventory management
- Growth Strategy: Increasing UK market share, International distribution, RM@Home

RM SpaceKraft

- From product to full installation of Special Educational Needs environments. Primarily direct to schools but some via international distributor network (10%)
- Successful turnaround by new management team in 2010
- Opportunity to improve return on capital by improved inventory management
- Strategy: sustain performance and improve return on capital

Education Resources

Retained Operations (12 months to 30 November 2011)



Total revenue from retained business = £58.0m

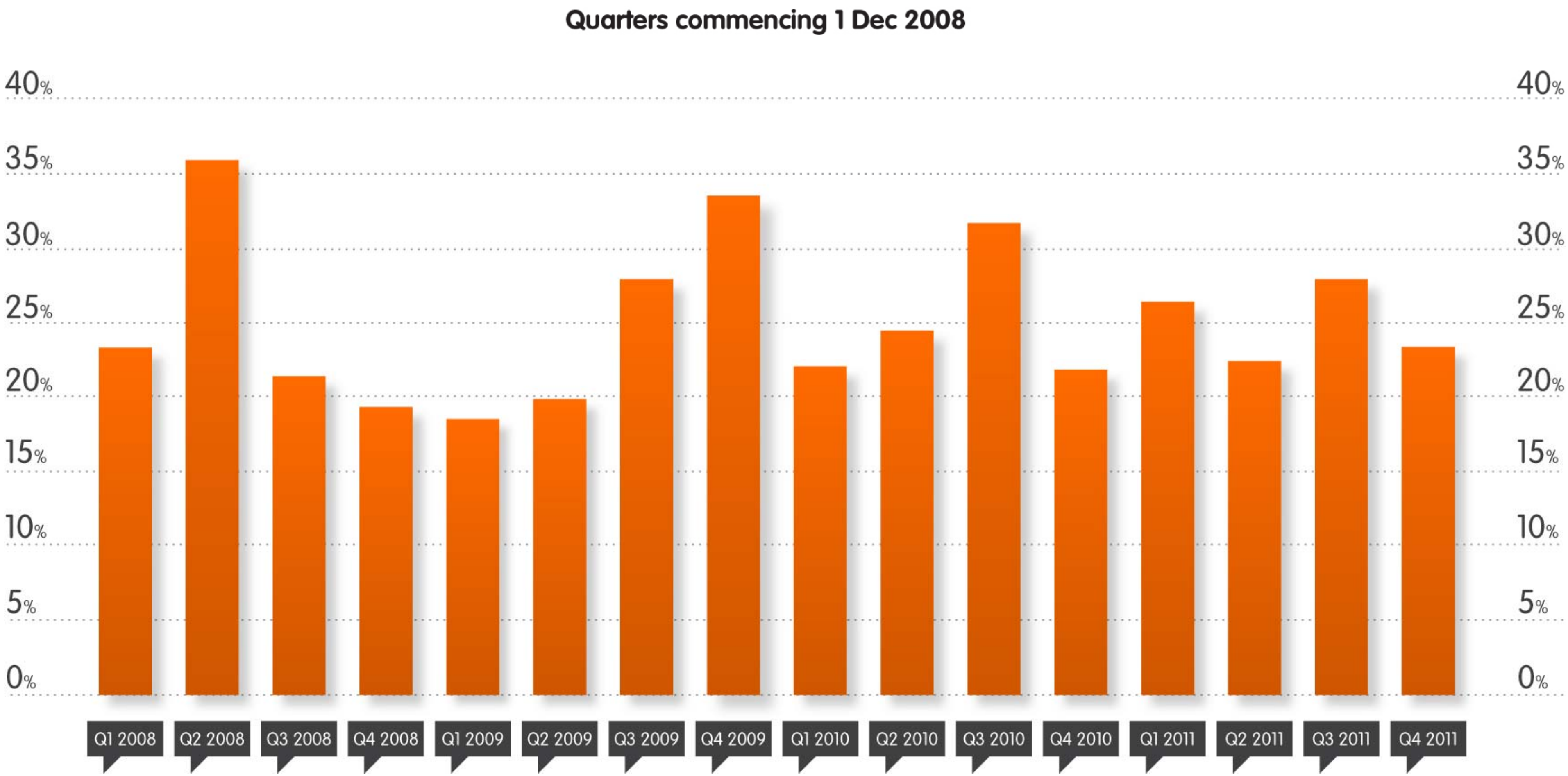
Education Resources

Retained Operations

- TTS revenue growth of 4% in 2011. RM-Spacekraft decline of 5%
- TTS margins anticipated to be relatively constant
- RM-Spacekraft profitable but lower margin than TTS

Education Resources

Revenue Seasonality



Education Software

Overview

Assessment: e-Marking and e-Testing solutions and services

- Strong UK market position and growing internationally
- 4 new e-marking customers
- 2 contract extensions worth a combined total of £33m

Data Solutions

- Dominated by large DfE contract – retender anticipated in 2012

Learning Platforms

- Established presence but has proven to be discretionary expenditure. Major contract not being re-procured post-2012

School Management Systems

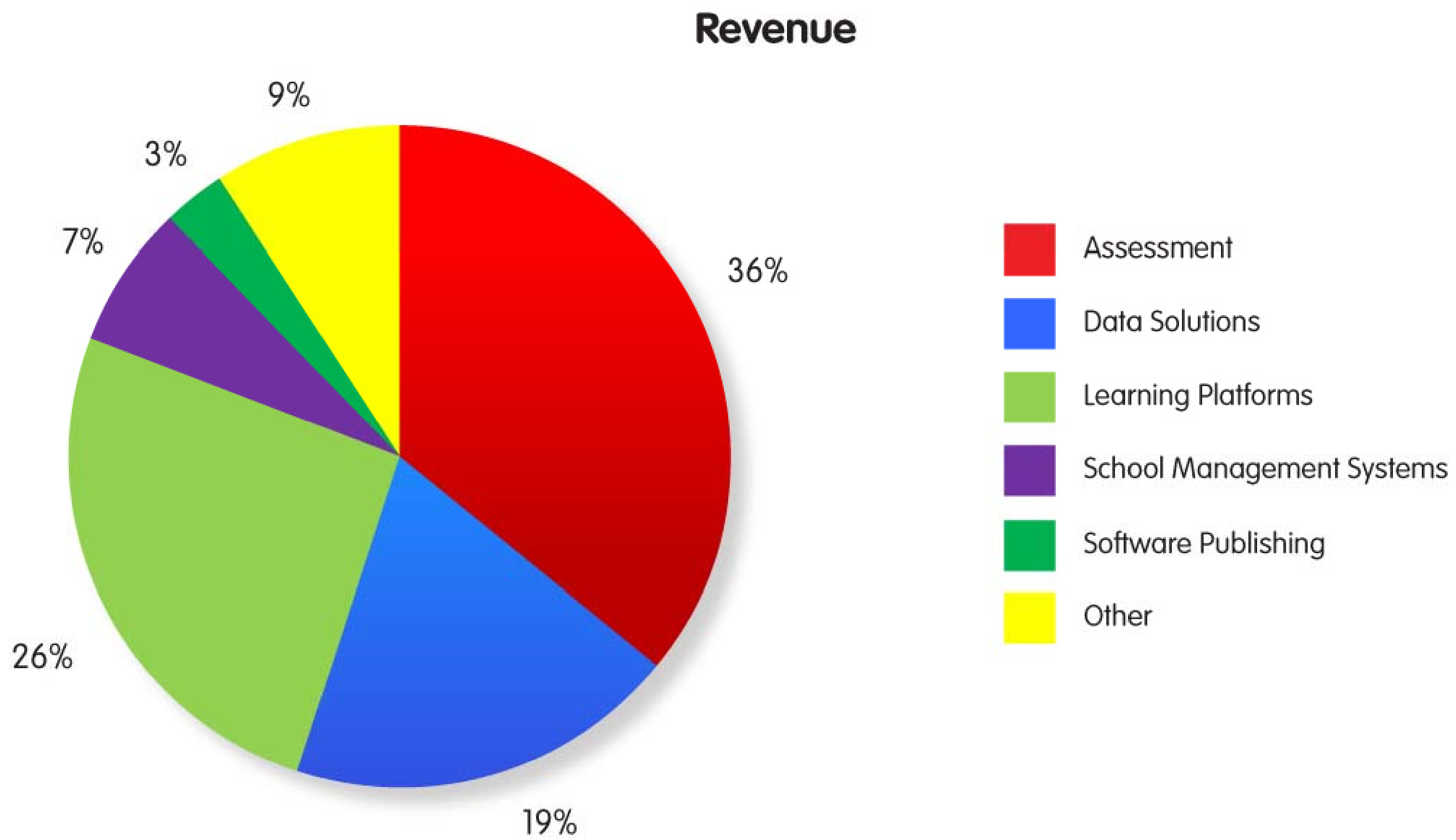
- Second largest provider of SMS in UK - all UK customers on SaaS model

Software Publishing

- RM Easimaths launched at BETT. (Predecessor RM Maths installed base approx 4,000 schools)
- Easiteach: Sold via trade dealers and OEMs, bundled with interactive devices. (Approx 350,000 licences sold)
- Product portfolio reviewed and minor products being phased out

Education Software

Retained Operations (12 months to 30 November 2011)



Total revenue from retained business = £38.5m

Education Software

Retained Operations

In 2011:

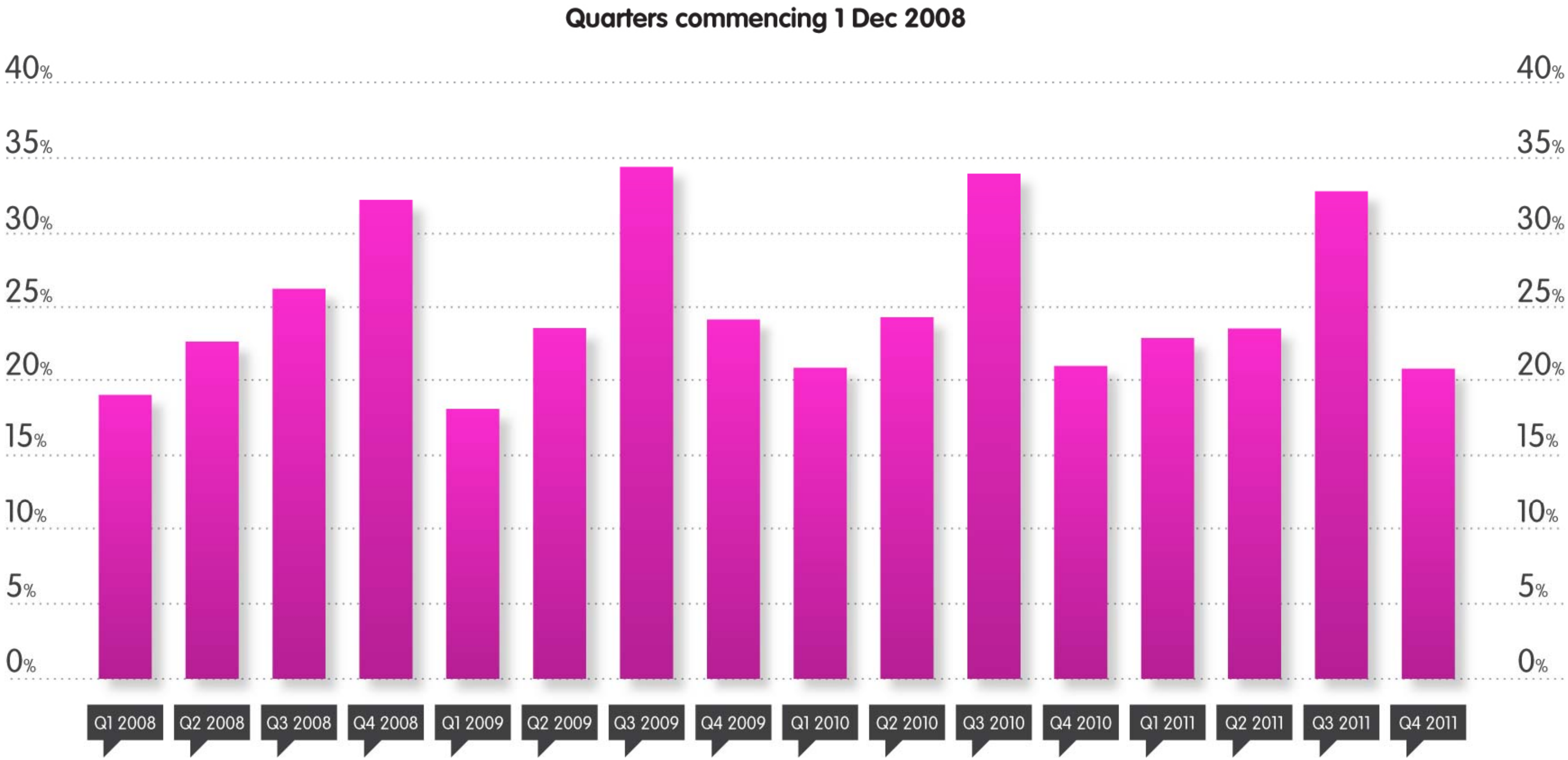
- ADS declined by ~6%
- SMS and LP declined by ~14%
- Easiteach declined materially related to review of provisions
- Other activities had mixed performance

Assessment business and SMS relatively stable. Other software activities under significant pressure

Margins anticipated to be relatively constant

Education Software

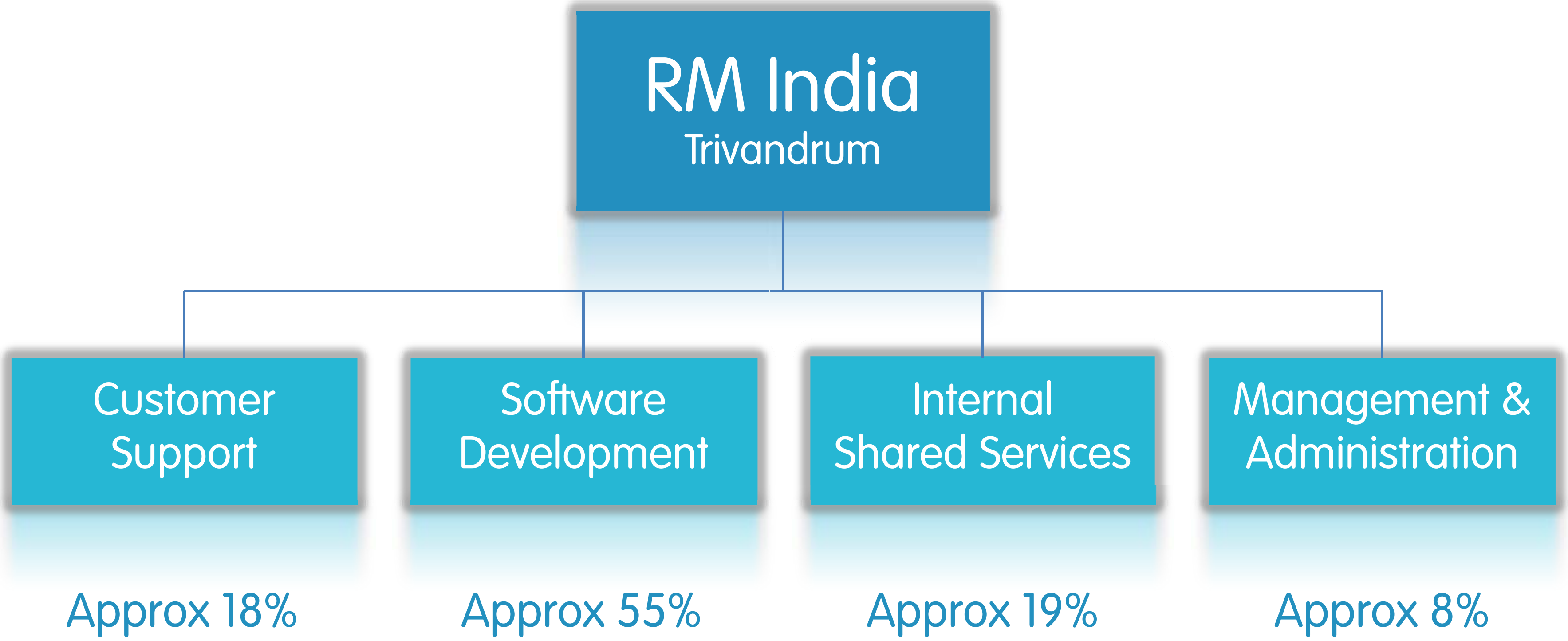
Revenue Seasonality



RM India

30 November 2011

476 employees (30 Nov 2011)
Total Cost - £6.2m for 14 months to Nov 2011



RM India is a wholly-owned subsidiary of RM and solely supports RM Group businesses

Summary

2011 – A challenging year

- But operating profitably and cash-generative
- Strongest period end cash position since 2008

Restructuring almost complete

- 4 operating divisions with clear strategies
- Successful disposal programme
- Substantial reduction in cost base
- New committed banking facilities agreed

Future challenges identified

- RM retains a unique market position in a rapidly changing market
- Challenges and risks in each division identified
- Greater focus on working capital
- New growth initiatives being evaluated

Appendices

Appendix 1

Income statement

£m	Year to 30 Nov 2010 Adjusted	2010 Adjustments*	2010 Total	2011 Adjusted	2011 Adjustments*	2011 Total
Revenue	**376.1**	-	376.1	**310.1**	-	310.1
Cost of sales	(276.9)	-	(276.9)	(228.7)	-	(228.7)
Gross profit	**99.2**	-	99.2	**81.4**	-	81.4
Gross profit %	*26.4%*	-	*26.4%*	*26.2%*	-	*26.2%*
Operating expenses	(77.8)	-	(77.8)	(67.3)	-	(67.3)
Amortisation of acquisition related intangible assets	-	(1.1)	(1.1)	-	(0.6)	(0.6)
Impairment of goodwill, intangible assets and investments	-	-	-	-	(12.3)	(12.3)
Loss on sale of operations	-	-	-	-	(4.4)	(4.4)
Share-based payment charges	-	(1.5)	(1.5)	-	(1.1)	(1.1)
Restructuring costs	-	(1.3)	(1.3)	-	(8.6)	(8.6)
Increase in property related provisions	-	-	-	-	(6.0)	(6.0)
Exceptional costs relating to curtailment of BSF	-	(1.5)	(1.5)	-	-	-
Exceptional pension credit	-	7.1	7.1	-	-	-
	(77.8)	1.7	(76.1)	(67.3)	(33.0)	(100.3)
Profit/(loss) from operations	**21.4**	1.7	23.1	**14.1**	(33.0)	(18.9)
Profit /(loss) from operations %	*5.7%*	-	*6.1%*	*4.6%*	-	*(6.1)%*
Net investment income and finance costs	(0.6)	-	(0.6)	0.4	-	0.4
Profit/(loss) before tax	**20.8**	1.7	22.5	**14.5**	(33.0)	(18.5)
Tax	(4.8)	(0.8)	(5.6)	(4.7)	3.9	(0.8)
Profit/(loss) for the period	**16.0**	0.9	16.9	**9.8**	(29.1)	(19.3)
Basic earnings/(loss) per ordinary share	**17.6p**	1.0p	18.6p	**10.8p**	(32.0)p	(21.2)p
Dividend per share	**-**	-	6.64p	**-**	-	3.00p

Appendix 2

Balance sheet

£m	30 Nov 2010	30 Nov 2011
Goodwill and acquisition intangibles	37.8	18.5
Property, plant & equipment and software intangibles	23.9	20.2
Interest in associate	1.0	0.3
Other Receivables	-	2.6
Deferred tax assets	3.9	7.0
Total non-current assets	**66.6**	**48.6**
Inventories	25.4	18.8
Trade & other receivables	77.9	62.3
Tax asset	1.1	2.1
Cash & cash equivalents	3.7	24.5
Assets held for sale	-	6.8
Total current assets	**108.1**	**114.5**
Total assets	**174.7**	**163.1**
Current liabilities	(81.8)	(88.4)
Retirement benefit obligation	(8.6)	(21.2)
Other non-current liabilities	(18.7)	(25.0)
Total liabilities	**(109.1)**	**(134.6)**
Net assets	**65.6**	**28.5**
Total equity	**65.6**	**28.5**

£m	2010	2011
Cash and cash equivalents	**(2.4)**	**24.5**
Bank loans	(12.4)	(13.0)
Issued loan notes	(0.5)	-
Net funds	**(15.3)**	**11.5**
Deferred consideration	(0.4)	(0.2)
Net funds less deferred consideration	**(15.7)**	**11.3**

Appendix 3
Cash flow (12 months to 30 November)

Operating cash flows – £m	FY-2010	FY-2011
Profit/(loss) from operations	23.1	(18.9)
Amortisation	2.3	1.7
Depreciation	7.4	7.1
Share-based payments	1.5	1.1
Other adjustments	(7.5)	28.9
Operating cash flows before movements in working capital	**26.8**	**19.9**
Decrease/(increase) in inventories	(4.5)	3.5
Decrease/(increase) in receivables	(1.2)	9.3
Increase/(decrease) in payables	(6.9)	6.8
Cash generated by operations	**14.2**	**39.5**
Non-operating cash flows – £m		
Defined benefit pension contribution in excess of current service cost	(1.7)	(1.6)
Tax paid	(4.5)	(1.7)
Net capital expenditure less proceeds on disposal	(8.1)	(5.2)
Loan to joint venture	-	(1.9)
Dividends paid	(5.8)	(6.1)
Proceeds from sale of operations	-	3.8
Purchase of own shares	(3.2)	(0.2)
Other	(0.1)	0.3
Net increase/(decrease) in cash and cash equivalents	**(9.2)**	**26.9**

Appendix 4

2011 Operating division structure

	£m	12 Months to Sep 2010	14 Months to Nov 2011	12 Months to Nov 2010	12 Months to Nov 2011
Learning Technologies	Revenue	273.9	243.0	271.8	214.4
	Adjusted Operating Profit	10.4	5.4	9.7	8.7
Education Resources	Revenue	83.3	83.9	81.6	74.4
	Adjusted Operating Profit	9.2	3.0	8.8	3.8
Assessment & Data	Revenue	22.9	23.9	22.7	21.3
	Adjusted Operating Profit	3.0	1.6	2.9	1.6