



Ricardo plc
Interim Results 31 December 2008



H1 HIGHLIGHTS

(six months to 31 December 2008)



- Strong orderbook at £108m (H1 2007:£98m)
- Profit before tax up 11% to £6.2m (H1 2007: £5.6m)
- Revenue consistent with same period last year at £96.6m (H1 2007: £95.2m)
- Earnings per share up 10% to 10.2p (H1 2007: 9.3p)
- Net debt reduced to £7.6m (H1 2007: £8.2m)
- Interim dividend increased by 3% to 3.2p (H1 2007: 3.1p)
- Improved performance despite the current economic climate, due to the effectiveness of our diversification strategy and a strong order book and a strong balance sheet

- Effect of rate movements
 - Ricardo currently hedges against exposure to profit resulting from both transaction and translation effects, therefore impact is negligible
 - Impact since December 2007 :-
 - Orderbook + £7.3m
 - Revenue from overseas subsidiaries + £5.4m
 - Movement in net debt (incl translation of euro loans) - £6.6m (since June 08)
- Net Assets
 - We increased our hedging of our US and German assets to 90%, 80% respectively
- Going forward
 - From next financial year we will stop our current policy of hedging profit translation from overseas subsidiaries where hedge accounting cannot be applied

KEY INDICATORS



	Half years ended 31 December		30 June
	2008	2007	2008
Order book	£108m	£98m	£99m
Gross profit %	36.5%	32.9%	35.0%
Operating profit %	6.6%	6.4%	8.0%
Pension deficit (pre tax)	£19.3m	£17.4m	£19.9m
Tax rate	16%	17%	16%
EPS (basic)	10.2p	9.3p	24.2p
Dividend	3.2p	3.1p	10.6p
Net debt	£7.6m	£8.2m	£0.3m
Average headcount	1,742	1,737	1,799

INCOME STATEMENT



£ m	Half years ended		30 June 2008
	31 December 2008	2007	
Revenue	<u>96.6</u>	<u>95.2</u>	<u>197.7</u>
Gross profit	35.3	31.3	69.2
Administration expenses	<u>(28.9)</u>	<u>(25.2)</u>	<u>(53.3)</u>
Operating profit	6.4	6.1	15.9
Net finance costs	<u>(0.2)</u>	<u>(0.5)</u>	<u>(1.2)</u>
Profit before tax	6.2	5.6	14.7
Taxation charge	<u>(1.0)</u>	<u>(0.9)</u>	<u>(2.3)</u>
Profit after tax	<u>5.2</u>	<u>4.7</u>	<u>12.4</u>

H1 DIVISIONAL RESULTS

Half years ended 31 December



£ m	Revenue		Operating profit	
	2008	2007	2008	2007
UK	59.7	54.3	6.6	4.4
Germany	12.9	15.3	(1.9)	0.4
US	18.2	20.5	1.1	0.7
Technical Consulting	90.8	90.1	5.8	5.5
Strategic Consulting	5.8	5.1	0.6	0.6
Total	96.6	95.2	6.4	6.1

CASH FLOW



£ m	Half years ended		Year ended
	31 December	31 December	30 June
	2008	2007	2008
Operating profit	6.4	6.1	15.9
Depreciation and amortisation	4.4	4.3	8.8
Working capital reduction/(increase)	(0.6)	2.2	6.8
Dividend	(3.8)	(3.7)	(5.4)
Net interest paid	(0.2)	(0.5)	(1.2)
Tax paid	(0.9)	(1.0)	(2.0)
Capital expenditure	(6.3)	(4.8)	(10.8)
Pension payments in excess of pension costs	(1.0)	(1.4)	(2.5)
Forex movements	(6.6)	(2.2)	(3.6)
Other	1.3	0.0	0.9
Cash inflow/(outflow)	<u>(7.3)</u>	<u>(1.0)</u>	<u>6.9</u>

BALANCE SHEET SUMMARY

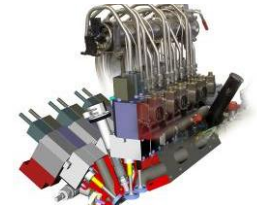


£ m	31 Dec 2008	31 Dec 2007	30 June 2008
Tangible assets	55.0	45.8	48.0
Intangible assets	23.7	18.8	20.0
Stocks and debtors	74.4	73.3	63.3
Net debt	(7.6)	(8.2)	(0.3)
Trade and other payables	(57.5)	(55.4)	(49.7)
Tax & other	0.1	0.5	0.1
Pensions deficit (net of tax)	(13.9)	(12.5)	(14.3)
Net Assets	74.2	62.3	67.1

Drivers & Strategy



- Diversity of customer, geography & sector – growth and risk mitigation
- Value add engineering and consulting – strategy, research, development, post production
- Global – win where buoyant, deliver where appropriate, maximise Group performance
- Transportation, defence and energy sectors – cross fertilise technology & process to new markets
- Legislation-lead product innovation – CO₂ & emissions reduction
- Market and technology-lead product enhancements – fuel economy, intelligence, safety
- Maintain strong balance sheet



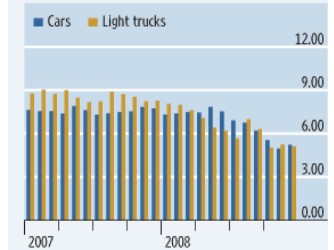
Market Overview – a period of extremes, incredibly short timescales

- **June to September** – Record oil prices; collapse of SUV market; global focus on CO₂ and new product portfolios – hybrids, EVs, small car line ups
- **September** – Collapse of financial markets, credit and consumer confidence
- **October** – US car industry volumes, on the back of SUV and financial crisis, collapse impacting supply base, freezing of external activity and cancellations of commitments
- **November & December** – Global automotive sales suffer on the back of consumer confidence and credit; Governmental intervention requested across the world; Japanese clients pull in their belts severely and halt future programmes; Germany continues development focus
- **Commercial vehicle industry** - Softening, focus on 2010 regulation
- **Defence and Government sectors** - Maintain activity as world instability and global environmental focus prevails, with energy efficiency & infrastructure programmes at heart of stimulus package discussions



Kicking the tires

Sales of cars and light trucks in the U.S. retail market; in millions of units at seasonally adjusted annual rate.



UK business – strong performance due to strong order book and diversified sector, product and customer strategy

- UK performance grew strongly in the period, with order intake, revenue and profit up on prior year
- Driven from a mix of ongoing projects, extensions, new business and a strong order book – no dominant programme
- Projects from Asia, Russia, UK and mainland Europe with good pass through from Germany – no dominant region
- Emissions regulations, CO₂ reduction, developing market localisation and defence activity being primary drivers
- A good mix of passenger car, commercial vehicle, power generation, defence and new energy programmes
- High profile projects including launch of Olympic Chery hybrid, McLaren F1 championship, Nissan Super GT series win, follow on Veyron contract
- Shoreham facility upgrade opened by HRH Duke of York



A Chery A5 15G hybrid vehicle of the specification used in the 'Olympics Green Messengers' fleet



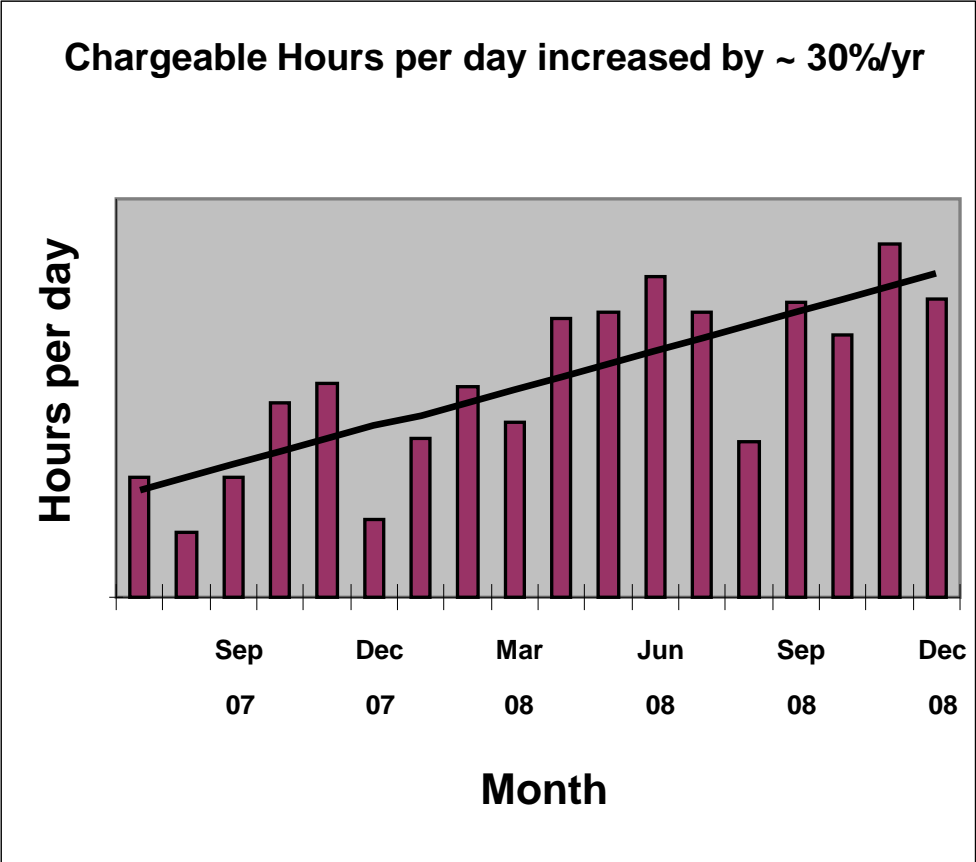
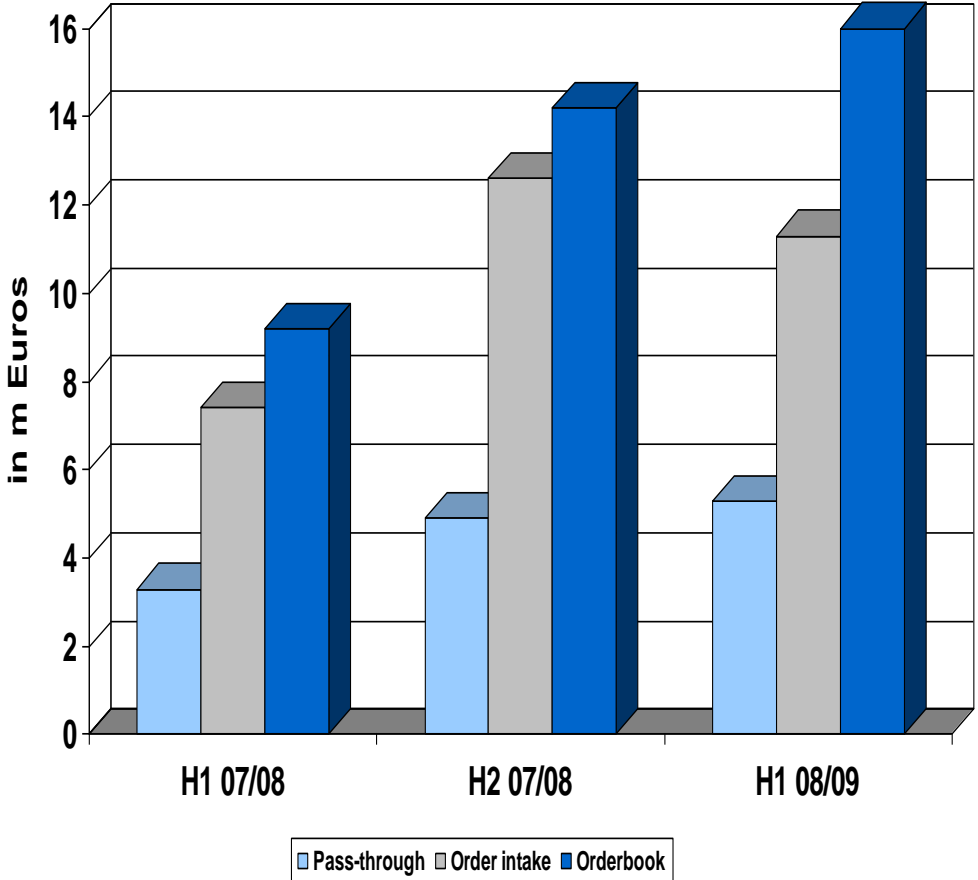
Ricardo Germany (excluding the exhaust business), continues to secure high levels of business from premium German customers growing local capacity & capability with significant pass through to UK



- German passenger car, motorcycle, commercial vehicle and power generation industries continue to develop new product
- Emissions regulations, CO₂ reduction and new product development are key drivers
- Winning and delivering business in conjunction with UK as One Ricardo
- Strong local order book, strong pass through, follow on programmes
- High quality recruitment continuing increasing local resource towards critical mass, improving capacity and capability
- Facility and engineering resource at high levels of utilisation
- Pipeline remains strong with reputation building for delivery
- Established as the German heavy duty technical congress host



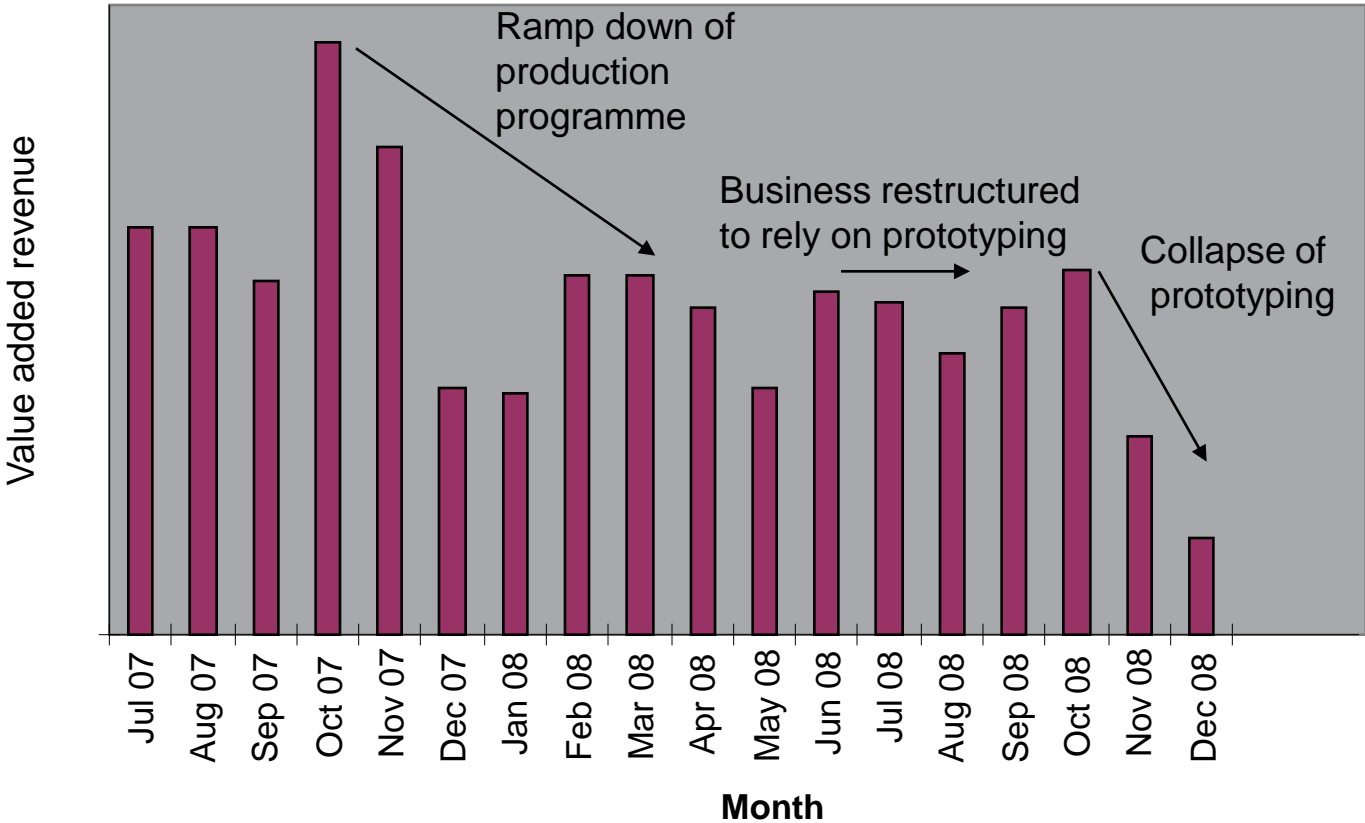
Ricardo Germany (engineering) is securing a growing business stream, successfully recruiting and passing significant business to the UK



Ricardo Germany exhaust manufacturing business was suddenly and strongly hit by the current economic crisis, with volume halving



Exhaust Manufacturing Evolution



Ricardo US – diversity and focused management has mitigated significant hits taken in traditional business

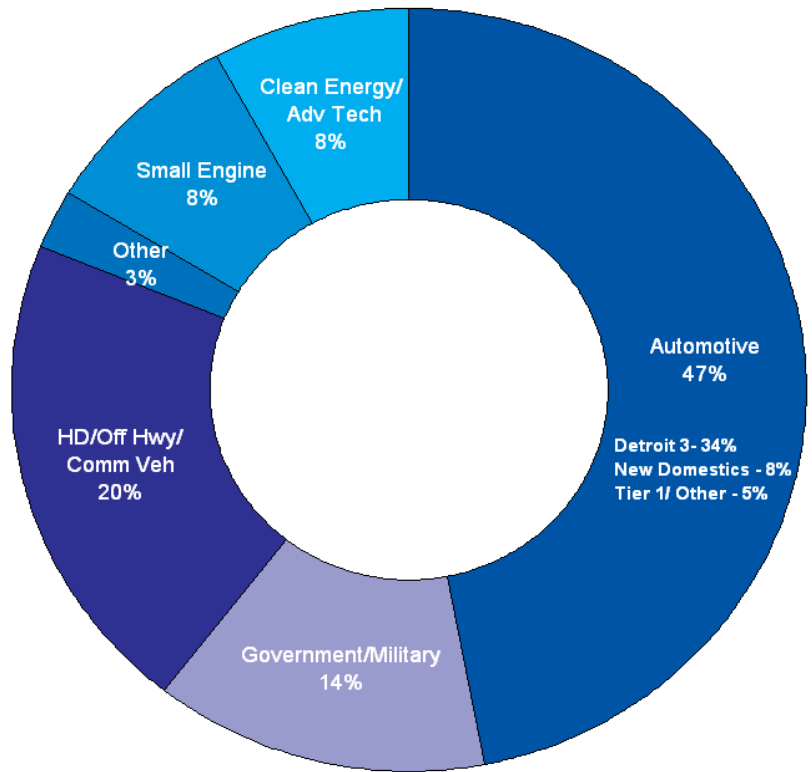
- Year on year profit growth as a result of prior year restructuring, diversification and more robust trading terms, despite a total collapse in business from a historic key client base
- US felt the earliest impacts of economic crisis as US industry was also hit by SUV decline months earlier – accelerated the decline
- Despite disruptive mid-project passenger car programme cancellations, the business maintained momentum and good order intake from military, governmental and commercial vehicle sectors
- Emissions regulations, CO₂ reduction, fuel economy (for CAFE regulation), vehicle simulation and defence activity being primary drivers
- Commercial vehicle activity remained strong driven by 2010 regulation
- Focus remains on meeting the Renewable Energy Portfolio Standards and CAFE regulation with new “green” energy efficient product development a key part of the Government stimulus package
- Volatility will remain with industry restructuring and further government support likely in 2009



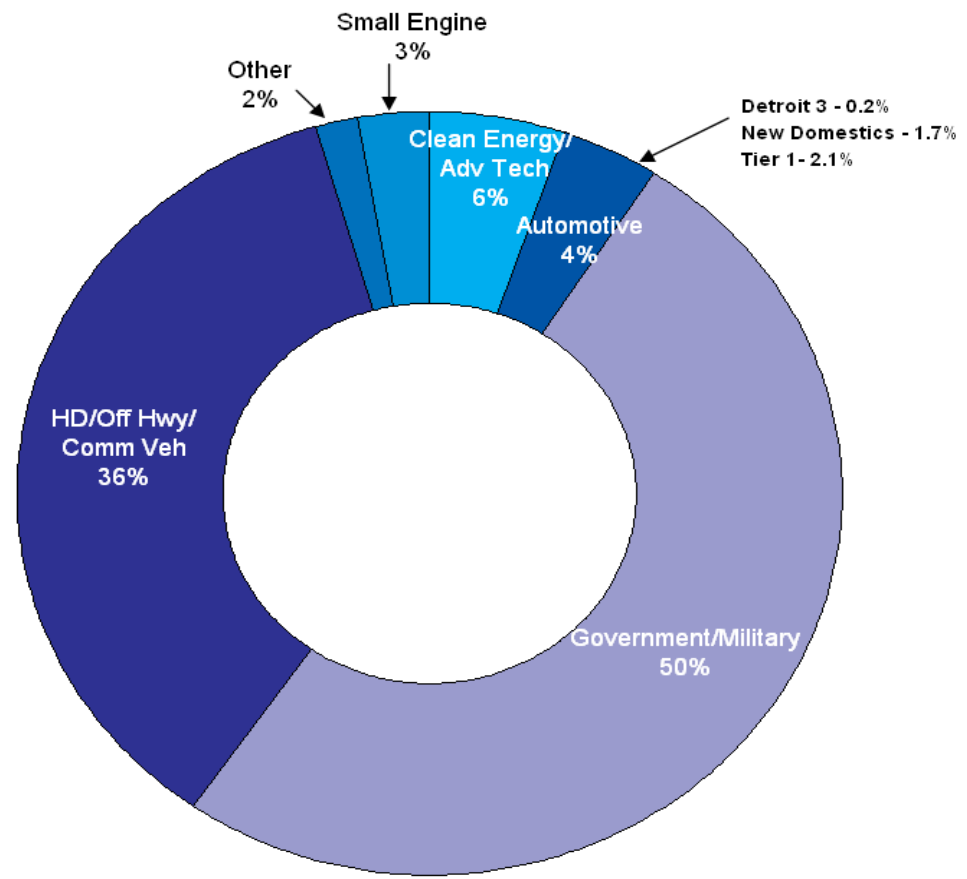
Ricardo US witnessed a dramatic shift in its customer mix with passenger car order intake down from 47% to just 4%



2008FY Market Segment



H1 2009 FY Market Segment



Ricardo Strategic Consulting, expanded geographical reach and customer mix



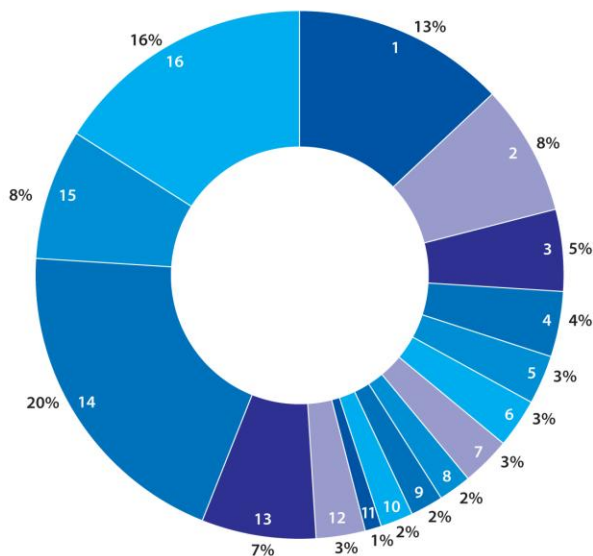
- Continues to benefit from client, geography and sector diversification
- Clients from automotive, off-highway, transportation, and most recently new energy softened the impact of the economic slow down
- Business firmly established with Asian clients with projects in China, Korea, India and Japan
- Due diligence, corporate strategy, process consulting slowed. Mitigated by reduced headcount and service offering in cost down, operational performance improvement and CO₂ related technology strategy
- Successful recruitment activities, with deferred remuneration scheme smoothing the volatility of earnings
- Working closely with technical consulting teams to maximise joint benefit and product offerings including emerging market R&D centre development for clients



Order intake for H1 2009, shows further diversification with reduced reliance on any particular company with good geographical spread

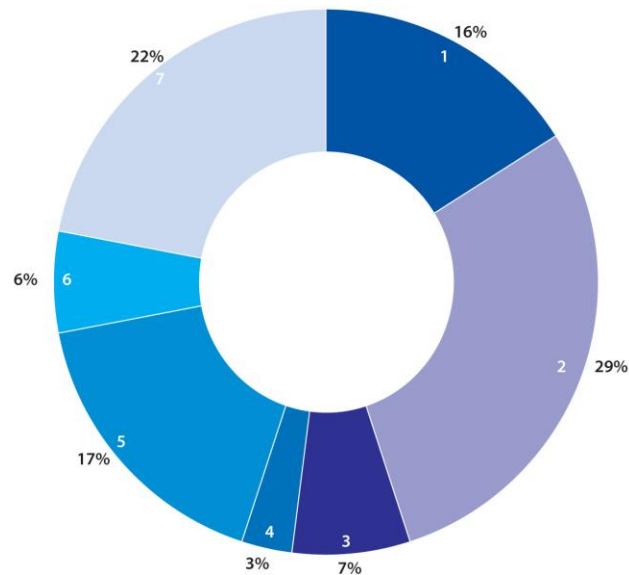


Order Intake by Customers



1. Global Key Client
2. Key Client
3. Key Client
4. Global Key Client
5. Global Key Client
6. Global Key Client
7. Key Client
8. Global Key Client
9. Global Key Client
10. Key Client
11. Key Client
12. Rest of Europe
13. Rest of Germany
14. Rest of USA
15. Rest of UK
16. Rest of Asia

Order Intake by Territory

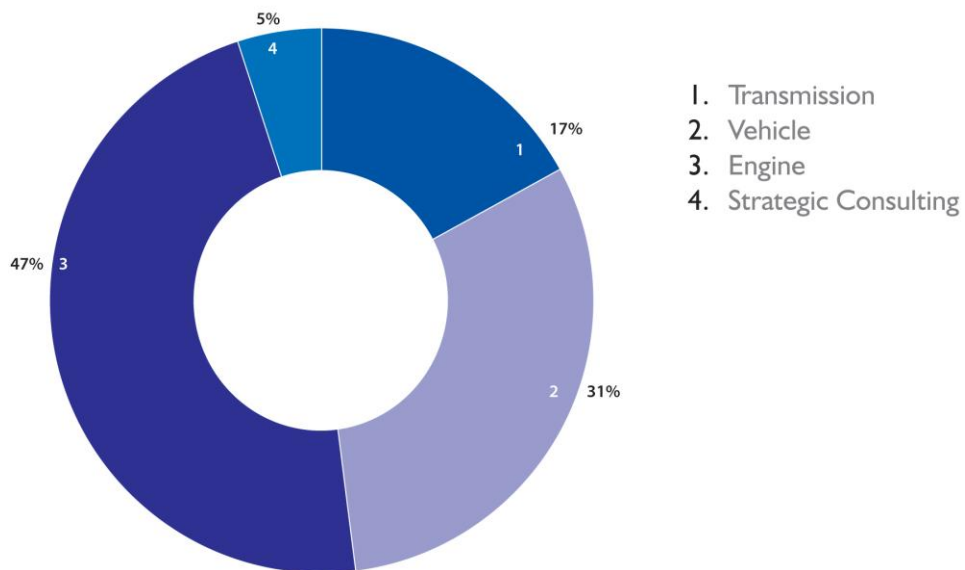


1. UK
2. Germany
3. Italy
4. Rest of Europe
5. USA
6. Japan
7. Rest of Asia

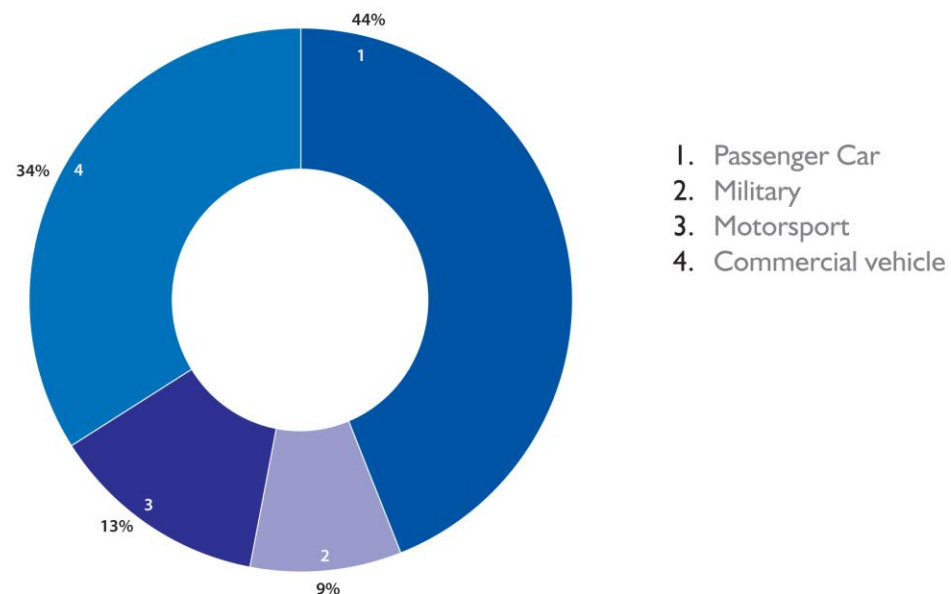
Order intake for H1 2009, shows further diversification within the product portfolio with a significant increase in orders from the Military sector



Order Intake by Product



Order Intake by Vehicle



Summary & Outlook



- Strategy demonstrating growth in core business of consulting while mitigating risk of down turns in clients' and other Ricardo businesses
- We have felt the impacts of the economic crisis and parts of the business have been hit, but other parts have continued their growth agendas
- The last two months of the period were extreme times for the automotive industry with extreme actions being taken
- 2009 looks likely to remain volatile
- In the current economic climate it is more difficult than usual to forecast for the next six months with any degree of certainty
- The focus on CO2 reduction, energy security and new energy look likely to be cornerstones of any governmental support and stimulus
- In the absence of any further significant cancellations or major deterioration in our markets, we continue to believe that our full year will show some progress compared to last year



Questions



The Sir Harry Ricardo Innovation & Sustainable Transport Centre, opened by HRH The Duke of York on 23 October 2008

